December 3, 2014

VIA ELECTRONIC FILING

Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426


Dear Secretary Bose:

On September 24, 2014, the Commission issued a delegated letter order to American Transmission Systems, Incorporated (“ATSI”), Pennsylvania Electric Company (“Penelec”) and Metropolitan Edison Company (“Met-Ed” and collectively the “FirstEnergy TOs”) in each of the above-captioned dockets (the “Letter Orders”).1 In the Letter Orders, the Commission directed each respective FirstEnergy TO to “refund the time value of the monies actually collected for the time period during which the rates were charged without Commission authorization, with the refunds limited so as not to cause [the TO] to suffer a loss.”

1 Pursuant to Order No. 714, this filing is submitted by PJM on behalf of the FirstEnergy TOs as part of an XML filing package that conforms to the Commission’s regulations. PJM has agreed to make all filings on behalf of the PJM Transmission Owners in order to retain administrative control over the PJM Tariff. Thus, the FirstEnergy TOs requested that PJM submit this refund report in the eTariff system as part of PJM’s electronic Service Agreements Tariff.
As discussed herein, the FirstEnergy TOs have conducted a careful review of the agreements subject to the Letter Orders and their respective accounting data and have concluded that no time value of money refunds are due in connection with any of agreements because either: (1) charges have not been made; or (2) refunds would cause the FirstEnergy TOs to have constructed interconnection and transmission facilities at a loss. Accordingly, the FirstEnergy TOs are submitting this refund report in fulfillment of their obligations under the Letter Orders.

I. COMMISSION POLICY AND PRECEDENT REGARDING TIME VALUE OF MONEY REFUNDS

In its Prior Notice Order\(^2\), the Commission set forth the requirement that public utilities pay time value refunds to customers in the event of late-filed jurisdictional agreements. The Commission subsequently clarified that the time value refund obligation was not intended to cause the service provider to lose money on the services provided under late-filed agreements:

“Therefore, we will clarify here that the time value refund is not open-ended: for those situations in which we impose the time value remedy pursuant to Prior Notice, we will limit the application of the time value formula to an amount that permits a public utility to recover its variable costs. Normally, these variable costs will include fuel costs and variable O&M expenses. Such information, when pertinent, shall be submitted with a utilities refund report. “We believe that this result is equitable in that no public utility will face the prospect of losing money on a sale under late-filed rates that otherwise are accepted for filing. The public utility will be returning to its customers only the interest on monies that it was never authorized to receive, with a floor to protect the company from operating at a loss. As CP&L concedes, the Commission may adjust rates within the zone of reasonableness to remedy violations of the FPA. This clarification will ensure that the resulting effective rate never drops below that zone.” Carolina Power & Light Co., 87 FERC ¶61,083, at 61,357 (1999).

Subsequently, the Commission clarified that such a cap on time-value refunds applies to late-filed agreements that do not ordinarily contain variable costs such as interconnection agreements and Contributions in Aid of Construction ("CIAC") agreements:

“We find that Carolina Power should apply to interconnection and transmission facility construction-related agreements (including CIAC agreements), as public utilities should not be put in the position of having to construct interconnections and transmission facilities at a loss. We admonish public utilities that such agreements still must be filed with us on a timely basis, but we will reduce or eliminate time value refunds if the agreements are filed late and if a full time value refund would result in construction of the interconnection and transmission facilities at a loss.” Florida Power & Light Co., 98 FERC ¶61,276, at footnote 32 (2002) ("FPL 1") See also, Southern California Edison Co., 98 FERC ¶61,304, at footnote 10 (2002).

Further in that order, the Commission found that if revenues collected under late-filed interconnection agreements did not include profits, no refunds would be required:

“In light of FP&L’s assertion that the monies it has received or will receive from DeSoto up to the effective date of the IA for construction of the interconnection facilities at issue here did not include any profit, consistent with Carolina Power, we will limit the time value refunds to ensure that FP&L will be returning to DeSoto only the interest on monies that it was never authorized to receive, with a floor to protect it from constructing such facilities at a loss. Accordingly, we will direct FP&L to make a compliance filing addressing whether time value refunds would result in FP&L constructing the interconnection facilities at issue here at a loss. Once that compliance filing is accepted, we will direct time value refunds to the extent appropriate.” Id, at 62,150-62,151, footnotes omitted.

II. DESCRIPTION OF AGREEMENTS

Service Agreement No. 2853 ("SA No. 2853")

SA No. 2853 is an operating and interconnection agreement by and between Buckeye Power, Inc. ("Buckeye") and FirstEnergy Service Company on behalf of ATSI and certain
FirstEnergy affiliated distribution companies\(^3\) filed in Docket No. ER14-2682-000 and subject to a Letter Order. SA No. 2853 contains all the interconnection points between the Buckeye system and ATSI as well as the Distribution Companies. However, Buckeye is not charged for any services under SA No. 2853. Instead, Buckeye receives network integration transmission service directly from PJM Interconnection, L.L.C. (“PJM”) which has operational control over the transmission facilities of all the FirstEnergy TOs. Since Buckeye has not been charged for services under SA No. 2853, no refund is due to Buckeye under such agreement. In order to substantiate this, the FirstEnergy TOs hereby submit a certification attached hereto as Attachment A.

Service Agreement No. 3924 (“SA No. 3924”)

SA No. 3924 is a construction agreement by and among Met-Ed, Allegheny Electric Cooperative, Inc (“Allegheny”) and Adams Electric Cooperative, Inc filed in Docket No. ER14-2670-000 and subject to a Letter Order. SA No. 3924 was entered into for the construction of a new distribution delivery point on Met-Ed’s existing “717-4” 13.2 kV line. Under SA No. 3924, Met-Ed is entitled to a CIAC payment from Allegheny for this work. However, Met-Ed did not receive such CIAC payment prior to the September 15, 2014 effective date established by the Commission in the Letter Order. Since no charges were collected prior to the effective date of SA No. 3924, no refund is due. In order to substantiate this, the FirstEnergy TOs hereby submit a certification attached hereto as Attachment B.

Service Agreement No. 3925 (“SA No. 3925”)

SA No. 3925 is a construction agreement by and among Penelec, Allegheny, and Somerset Rural Electric Cooperative, Inc. that was filed in Docket No. ER14-2670-000 and subject to a Letter Order. SA No. 3925 was entered into for the construction of a new delivery point on Penelec’s existing “Somerset-Allegheny” 115 kV line. Under SA No. 3925, Allegheny paid to Penelec a lump-sum CIAC for the estimated cost of the required construction work (see invoice attached hereto as Attachment C-1). The amount was deposited in a non-interest bearing account. After the construction was complete, Penelec refunded to Allegheny the positive difference between the up-front CIAC payment and the actual cost of construction (see accounting entry attached hereto as Attachment C-2). Since the charges paid by Allegheny were only for the actual costs of construction, and Penelec earned no profit or interest, the FirstEnergy TOs hereby submit that no refund is required per the Commission’s precedent and policy described herein.

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\(^3\) The “Distribution Companies” are The Cleveland Electric Illuminating Company, Ohio Edison Company, Pennsylvania Power Company and The Toledo Edison Company.
Service Agreement No. 3926 ("SA No. 3926")

SA No. 3926 is a construction agreement by and among ATSI, Buckeye, and Buckeye’s load customer South Central Power that was filed in Docket No. ER14-2682-000 and subject to a Letter Order. SA No. 3926 was entered into for the construction of a new delivery point on ATSI’s 138 kV Burger-Knox line. Under SA No. 3926, Buckeye paid to ATSI a lump-sum CIAC for the estimated cost of the required construction work (see invoice attached hereto as Attachment D-1). The amount was deposited in a non-interest bearing account. The construction of this project is on-going and the initial lump-sum CIAC payment has been fully drawn by ATSI for the actual costs of construction (see the accounting entries attached hereto as Attachment D-2). Once the construction is complete, ATSI will invoice Buckeye for the unrecovered costs of construction, i.e., the remaining CIAC. Since the initial payment made by Buckeye was only for the actual costs of construction, and ATSI earned no profit or interest, the FirstEnergy TOs hereby submit that no refund is required per the Commission’s precedent and policy described herein.

Service Agreement No. 3927 ("SA No. 3927")

SA No. 3927 is a construction agreement by and among ATSI, Buckeye, and Buckeye’s customer Holmes-Wayne Electric Cooperative, Inc. that was filed in Docket No. ER14-2682-000 and subject to a Letter Order. SA No. 3927 was entered into for the construction of upgrades necessary for an existing delivery point on ATSI’s system. Under SA No. 3927, ATSI is entitled to a CIAC payment from Buckeye for this work. However, to date, ATSI has not charged Buckeye for such work and no payment has been made. Since no charges have been made under SA No. 3927, no refund is due. In order to substantiate this, the FirstEnergy TOs hereby submit a certification attached hereto as Attachment E.

III. REQUEST FOR EXTENSION OF TIME AND WAIVER

Due to unforeseen personal circumstances and the holiday schedule, this refund report was not filed by November 24, 2014 which was the date required under the Letter Orders. The FirstEnergy TOs respectfully request a belated extension of time and any necessary waivers to ensure that the FirstEnergy TOs are in compliance with the directives contained in the Letter Orders. No harm would be caused by such an extension of time and/or waivers because no refunds are due.

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4 The FirstEnergy TOs attempted to submit this filing on December 1, 2014 using the eFiling system. However, the FirstEnergy TOs were directed by Commission staff to re-submit this filing using eTariff system which had to be submitted through PJM.
IV. CONCLUSION

For the reasons discussed herein, the FirstEnergy TOs respectfully request that the Commission accept this refund report in fulfillment of their obligations under the Letter Orders.

Respectfully submitted,

/s/ Carlos E. Gutierrez

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