December 18, 2014

**VIA ELECTRONIC FILING**

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

Docket No. ER14-2937-000

Dear Secretary Bose:

On October 30, 2014, the Commission issued a delegated letter order to American Transmission Systems, Incorporated (“ATSI”), in the above-captioned docket (the “Letter Order”).¹ In the Letter Order, the Commission directed ATSI 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.”

As discussed herein, ATSI has conducted a careful review of the agreements subject to the Letter Order and their respective accounting data and has 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, ATSI is submitting this refund report in fulfillment of its obligations under the Letter Order.

¹ Pursuant to Order No. 714, this filing is submitted by PJM on behalf of ATSI 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, ATSI requested that PJM submit this refund report in the eTariff system as part of PJM’s electronic Service Agreements Tariff.
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:

“For 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

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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 I”); see also, Southern California Edison Co., 98 FERC ¶61,304, at footnote 10 (2002).

Further in FPL I, 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. 2852 (“SA No. 2852”)

SA No. 2852 is an operating and interconnection agreement by and between American Municipal Power, Inc. (“AMP”) and FirstEnergy Service Company on behalf of ATSI and certain FirstEnergy affiliated distribution companies3 filed in Docket No. ER14-2937-000 and subject to the Letter Order. SA No. 2852 contains all the interconnection points between the AMP system and ATSI as well as the Distribution Companies. However, AMP is not charged for any services under SA No. 2852. Instead, AMP receives network integration transmission service directly from PJM Interconnection, L.L.C. (“PJM”) which has operational control over the ATSI transmission facilities. Since AMP has not been charged for services under SA No. 2852, no

3 The “Distribution Companies” are The Cleveland Electric Illuminating Company, Ohio Edison Company, Pennsylvania Power Company and The Toledo Edison Company.
refund is due to AMP under such agreement. In order to substantiate this, ATSI hereby submits a certification attached hereto as Attachment A.

Service Agreement No. 3931 (“SA No. 3931”)

SA No. 3931 is a construction agreement by and among ATSI, AMP, and AMP’s customer, the Village of Elmore, filed in Docket No. ER14-2937-000 and subject to the Letter Order. SA No. 3931 was entered into for the construction of a second 69 kV distribution delivery point on the ATSI “Brush Wellman-Genoa” circuit. Under SA No. 3931, AMP paid to Penelec a lump-sum CIAC for the estimated cost of the required construction work (see invoice attached hereto as Attachment B-1). After the completion of work under SA No. 3931, ATSI determined that the actual costs exceeded the lump-sum CIAC payment (see accounting entries attached hereto as Attachment B-2). However, ATSI elected to withhold any further invoicing under this project. Since the charges paid by AMP were only for the actual costs of the project, and ATSI incurred additional costs that were not charged to AMP, ATSI hereby submits that no refund is required per the Commission’s precedent and policy described herein.

Service Agreement No. 3932 (“SA No. 3932”)

SA No. 3932 is a construction agreement by and among ATSI, AMP, and AMP’s customer, Painesville that was filed in Docket No. ER14-2937-000 and subject to the Letter Order. SA No. 3932 was entered into for the construction of a second 138 kV delivery point on the ATSI “Radial Nursery-Leroy Center” circuit. Under SA No. 3932, ATSI is entitled to a CIAC payment from AMP for this work. However, as of the date of this filing, ATSI has not charged AMP and AMP has not made any payments pursuant to SA No. 3932. Since AMP has not been charged for services under SA No. 3932, no refund is due to AMP under such agreement. In order to substantiate this, ATSI hereby submits a certification attached hereto as Attachment C.
III. CONCLUSION

For the reasons discussed herein, ATSI respectfully requests that the Commission accept this refund report in fulfillment of its obligations under the Letter Order. Please direct any questions to the undersigned.

Respectfully submitted,

/s/ Carlos E. Gutierrez

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FILING ATTACHMENTS A-C

(PRIVILEGED INFORMATION REDACTED)