January 20, 2015

VIA ELECTRONIC FILING

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


Dear Secretary Bose:

On December 3, 2014, the Commission issued a delegated letter order to ATSI, Penelec and Potomac Edison (collectively, the “FE TOs”), in the above-captioned docket (the “Letter Order”).1 In the Letter Order, and with respect to certain service agreements, the Commission directed the FE TOs 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 FE TOs] to suffer a loss.”

As discussed herein, the FE TOs have conducted a careful review of the service agreements subject to the Letter Order 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 imposed; or (2) refunds would cause the FE TOs to have

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1 Pursuant to Order No. 714, this filing is submitted by PJM on behalf of the FE 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 FE TOs requested that PJM submit this refund report in the eTariff system as part of PJM’s electronic Service Agreements Tariff.
constructed interconnection and transmission facilities at a loss. Accordingly, the FE TOs hereby submit this refund report in fulfillment of their obligations under the Letter Order.

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 FPL 1, 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 SERVICE AGREEMENTS

Service Agreement Nos. 3944-3951 (the “AEC CAs”) are all construction agreements entered into by and among Penelec and AEC along with each indicated AEC member. Each AEC CA is described in more detail in the transmittal letter accompanying the filing that commenced the instant docket. Under each of the AEC CAs, AEC has the responsibility to remit a CIAC payment to Penelec in connection the construction of facilities for new transmission service. After a review of the AEC CAs, Penelec has determined that no refunds are due either because: (1) AEC was charged only the actual costs of the project with no profit or interest earned by Penelec; or (2) Penelec’s actual construction costs have exceeded the payment received to date from AEC. The following is the status of each AEC CA accompanied by the
documented evidence:

<table>
<thead>
<tr>
<th>Service Agreement No.</th>
<th>Refund Status</th>
<th>Attachment</th>
</tr>
</thead>
<tbody>
<tr>
<td>SA No. 3944</td>
<td>No refund. Project costs incurred by Penelec exceeded payment by AEC.</td>
<td>A-1</td>
</tr>
<tr>
<td>SA No. 3945</td>
<td>No refund. Project costs were “trued-up” by Penelec. AEC was only responsible for actual costs.</td>
<td>A-2</td>
</tr>
<tr>
<td>SA No. 3946</td>
<td>No refund. Project costs were “trued-up” by Penelec. AEC was only responsible for actual costs.</td>
<td>A-3</td>
</tr>
<tr>
<td>SA No. 3947</td>
<td>No refund. Project costs were “trued-up” by Penelec. AEC was only responsible for actual costs.</td>
<td>A-4</td>
</tr>
<tr>
<td>SA No. 3948</td>
<td>No refund. Project costs were “trued-up” by Penelec. AEC was only responsible for actual costs.</td>
<td>A-5</td>
</tr>
<tr>
<td>SA No. 3949</td>
<td>No refund. Project costs incurred by Penelec exceeded payment by AEC.</td>
<td>A-6</td>
</tr>
<tr>
<td>SA No. 3950</td>
<td>No refund. Project costs were “trued-up” by Penelec. AEC was only responsible for actual costs.</td>
<td>A-7</td>
</tr>
<tr>
<td>SA No. 3951</td>
<td>No refund. Project costs incurred by Penelec exceeded payment by AEC.</td>
<td>A-8</td>
</tr>
</tbody>
</table>

Service Agreement Nos. 3952 and 3953 are construction agreements involving Potomac Edison and ATSI, respectively. As is the case with Penelec’s determination regarding the AEC CAs, Potomac Edison and ATSI have each determined that no refunds are due, for the reasons
set forth below:

<table>
<thead>
<tr>
<th>Service Agreement No.</th>
<th>Refund Status</th>
<th>Attachment</th>
</tr>
</thead>
<tbody>
<tr>
<td>SA No. 3952</td>
<td>No refund. Project costs incurred by Potomac Edison exceeded payment by Thurmont.</td>
<td>B</td>
</tr>
<tr>
<td>SA No. 3953</td>
<td>No refund. ATSI has not yet charged AEP Ohio Transmission Company, Inc. (&quot;AEP&quot;) for any of the currently outstanding costs or expenses and AEP has not made any payments to ATSI under this agreement.</td>
<td>C</td>
</tr>
</tbody>
</table>

III. CONCLUSION

For the reasons discussed herein, the FE TOs respectfully requests that the Commission accept this refund report in fulfillment of their 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-1 thru C

(PRIVILEGED INFORMATION REDACTED)