

FERC Incentive Rate Return Information

This document provides information obtained from FERC about incentive rates of return on projects across the country. FERC uses a “Nexus” Test to determine if projects qualify for incentives.

“In addition to satisfying the section 219 requirement, an applicant must demonstrate that there is a nexus between the incentive sought and the investment being made. The Commission has stated that in evaluating whether an applicant has satisfied the required nexus test, the Commission will examine the total package of incentives being sought, the inter-relationship between any incentives, and how any requested incentives address the risks and challenges faced by the applicant in constructing the project. Applicants must provide sufficient explanation and support to allow the Commission to evaluate the incentives. In addition, the Commission has clarified that it retains the discretion to grant incentives that promote particular policy objectives unrelated to whether or not a project presents specific economic risks or challenges.” From [July 24, 2007 order, Para. 46.](#)”

Date	Company or Project	Approved/ Denied	Renewable energy?
March 16, 2009	ITC Great Plains LLC	Approved	???
March 13, 2009	Public Service Electric & Gas Co.	Approved	???
December 18, 2008	NSTAR Electric Company	Approved in part, denied in part	???
December 4, 2008	Commonwealth Edison Co. (ComEd)	Denied	???
December 2, 2008	Tallgrass Transmission and Prairie Wind Transmission plan	Approved	Wind
November 17, 2008	Maine Power Connection Project	Conditionally approved	???
November 17, 2008	New England East-West Solution Project	Approved	???
October 31, 2008	Mid-Atlantic Power Pathway (MAPP) project	Approved	???
October 30, 2008	Southern Indiana Gas & Electric	Approved	???
October 21, 2008	Pacificorp	Approved in part, denied in part	Location constrained renewable
October 20, 2008	Central Maine Power	Approved	???
October 10, 2008	Duquesne Light Company	Approved	???
September 18, 2008	New York Regional Interconnect	Approved in part, denied in part	???
August 29, 2008	Virginia Electric Power Company	Approved	???
August 22, 2008	Pepco Holdings	Approved	???
July 17, 2008	Northeast Utilities Service Co	Approved	???
April 22, 2008	PPL Electric Utilities Corporation, Public Service Electric and Gas Company project	Approved	???
April 21, 2008	Pacific Gas and Electric Company	Approved in part, denied in part	New renewable power
March 31, 2008	Startrans IO	Conditionally	???

		approved. Approved in part, denied in part	
March 24, 2008	Nevada Hydro Company	Approved in part, denied in part	Hydro
March 24, 2008	WesterEnergy	Approved in part, denied in part	???
February 29, 2008	Potomac-Appalachian Transmission Highline's	Approved	???
November 16, 2007	Pepco Holdings	Approved	???
November 16, 2007	Baltimore Gas & Electric	Approved	???
November 16, 2007	Southern California Edison	Approved	Wind, other renewable
July 24, 2007	Baltimore Gas & Electric	Denied* (Nexus Test created)	???
June 5, 2007	Commonwealth Edison	Denied	???
May 22, 2007	United Illuminating	Conditionally approved	???
February 7, 2007	Duquesne Light Co	Conditionally approved	???
November 17, 2006	Nevada Hydro	Deferred	???
October 31, 2006	Bangor Hydro, et al.	Approved	???
July 20, 2006	Allegheny Energy	Approved	???
July 20, 2006	American Electric Power	Approved	???

March 16, 2009 – [order](#)

The Commission approved transmission rate incentives for two transmission projects proposed by ITC Great Plains, LLC, the KETA Project and the Kansas V Plan, to be built in the Southwest Power Pool, Inc. (SPP) region, but set the company's formula rates and rate protocols for hearing. The Commission approved the requested 100 percent construction work in progress included in rate base, abandoned plant incentive, a regulatory asset to provide for the recovery of start up and development costs of the projects beginning on the in-service date of the projects, and return on equity adders including 100 basis points for independent transmission companies and 50 basis point adders for regional transmission organization membership.

March 13, 2009 - [Order](#)

The Commission granted Public Service Electric and Gas Company (PSE&G), requested authorization for a 150 basis-points return on equity (ROE) transmission rate incentive as applicable to PSE&G's portion of the Mid-Atlantic Power Pathway Project (MAPP Project). The Commission also granted PSE&G authorization to recover 100 percent of all prudently-incurred development and construction costs if the MAPP Project is abandoned or cancelled for reasons beyond PSE&G's control.

December 18, 2008 - [Order](#)

The Commission addressed NSTAR Electric Company's (NSTAR) incentive proposal for its 345 kV Transmission Reliability Project (345 kV Project) and for three separate transmission projects, the Brook Street, the Carver, and the Barnstable Projects, collectively referred to as the Southeastern Massachusetts Upgrade Projects. The Commission granted NSTAR's request for a limited waiver of the December 31, 2008 termination date for the 100 basis point return on equity (ROE) adder established in Opinion No. 489. The Commission denied the request for a 100 basis point ROE incentive for the Carver and the Barnstable Projects because these projects fail to meet the Commission's nexus test established in Order No. 679, and denied the request for an ROE incentive for use of advanced transmission technologies for all four projects.

December 4, 2008 - [Order](#)

The Commission denied Commonwealth Edison Co. and Commonwealth Edison Co. of Indiana's (collectively, ComEd) petition for a declaratory order, requesting that the Commission approve its proposed incentive rate treatments for 22 transmission projects. Specifically, ComEd requested an incentive rate of return adder of 150 basis points for each of the 22 projects, as well as an additional ROE adder of 50 basis points for two Static VAR Compensators as a separate incentive for the use of advanced transmission technology. The Commission determined that the proposed projects are routine.

December 2, 2008 - [Order](#)

The Commission addressed revised tariff sheets to recover the costs of certain high voltage transmission projects Tallgrass Transmission and Prairie Wind Transmission plan to build in the Southwest Power Pool (SPP) region, as well as requested rate incentives for their investments in the proposed projects. Tallgrass Transmission proposes to construct, at an estimated cost of approximately \$500 million, a 765 kilovolt (kV) transmission project in Oklahoma and Prairie Wind transmission proposes to construct, at an estimated cost of approximately \$600 million, a 765 kV transmission project in Kansas. The Commission approved a 1.5 percent adder for each of the project, and up to .5 percent of incentive return on equity for participation in SPP when the two companies become members of SPP and their projects are placed under SPP's operation control, as well as inclusion of 100 percent of construction work in progress in rate base recovery of prudently incurred abandonment costs.

November 17, 2008 - [Order](#)

The Commission conditionally authorized a request for a 150 basis point return on equity adder and guaranteed recovery of prudently incurred costs if the project is abandoned in whole or in part as a result of factors beyond their control for the planned Maine Power Connection Project. The planned Project consists of approximately 200 miles of new 345 kilovolt transmission line, which will for the first time provide a direct electrical connection between northern Maine and the rest of Maine and the New England power grid.

November 17, 2008 - [Order](#)

The Commission authorized (1) an incentive return on equity of 125 basis points; (2) inclusion of 100 percent Construction Work in Progress costs in rate base; and (3) recovery of 100 percent of prudently incurred costs if the Project is abandoned for reasons beyond the control of Applicants for the New England East-West Solution project. The Project, with an overall estimated cost of \$2.1 billion, is a complex addition to the New England 345-kilovolt transmission system aimed at substantially improving the reliability of electric transmission service in southern New England.

October 31, 2008 - [Order](#)

The Commission approved a series of rate incentives for Pepco Holdings Inc.'s proposed 230-mile Mid-Atlantic Power Pathway (MAPP) project, a major backbone transmission line from Virginia to New Jersey that would improve reliability in the PJM Interconnection region. Specifically, the Commission authorized for the project a 1.5 percent return on equity (ROE) adder to the company's existing 11.3 percent ROE, which will result in an overall ROE of 12.8 percent. The Commission also authorized full recovery of construction work in progress and prudently incurred abandoned plant costs. The MAPP project is a 500 kilovolt, 230-mile transmission line from Virginia to Southern New Jersey.

October 30, 2008 - [Order](#)

The Commission approved Southern Indiana Gas & Electric Company's (Southern Indiana) request to modify its formula rate so that it could recover all prudently incurred Construction Work in Progress in rate base and all prudently incurred abandoned plant costs for the Gibson-Brown-Reid project. The Gibson-Brown-Reid project is a proposed 70-mile, 345 kilovolt project that would provide additional transmission capacity between Duke Energy's Gibson Station in Gibson County, Indiana, Southern Indiana's Brown Power Plant in Posey County, Indiana and Big Rivers Electric Corp.'s Reid Station in Webster County, Kentucky.

October 21, 2008 - [Order](#)

The Commission granted in part and denied in part a petition for declaratory order seeking incentive rate treatment for PacifiCorp's Energy Gateway Transmission Expansion Project. The project involves eight segments covering portions of Nevada, Idaho, Oregon, Utah, Washington and Wyoming and is planned to go on-line between 2010 and 2014. The project will deliver up to 3,000 megawatts of capacity from location-constrained renewable resources to distant load centers.

October 20, 2008 - [Order](#)

The Commission approved Central Maine Power Co.'s (Central Maine) petition for declaratory order requesting transmission incentives for its Maine Power Reliability Program Project, subject to the condition that ISO-New England include the project in its regional system plan as a reliability transmission upgrade. The planned project is the largest project in Central Maine's history and, when completed, will give Central Maine approximately \$1.85 billion of transmission plant in service – six times more than the company's current total transmission plant in service.

October 10, 2008 - [Order](#)

The Commission granted Duquesne Light Company's requests for a return on equity incentive adder of 150-basis points and recovery of 100 percent of its costs for construction work in progress for the Brady Project. The project is a PJM Regional Transmission Expansion Plan project which includes high-voltage transmission facilities in the Pittsburgh, Pennsylvania Area.

September 18, 2008 - [Order](#)

The Commission granted in part, and denied in part New York Regional Interconnect, Inc.'s (NYRI) request for certain incentives for a proposed 1,200 megawatt transmission line to span 190 miles between Marcy, New York and New Windsor, New York. Specifically, the Commission conditionally approved 300 basis points of return on equity (ROE) incentives for the project. The 300 basis point of ROE incentives consist of the following: 50 basis for future participation in the New York Independent System Operator, Inc; 100 basis points for forming an independent transmission company and, 150 basis points for a combined transmission and advanced technology incentive. The approval for these incentives is conditioned on the New York Public Service Commission finding that the project will ensure reliability or reduce congestion, and granting siting approval.

August 29, 2008 - [Order](#)

The Commission granted Virginia Electric Power Company's (VEPCO) request for transmission incentives in the form of 125 and 150 basis point adders to its return on equity for 11 transmission projects in Virginia and parts of the PJM Interconnection (PJM). Between 2008 and 2012, VEPCO expects to triple its capital investment to \$2.1 billion. Four of the 11 projects are part of the PJM's Regional Transmission Expansion Plan.

August 22, 2008 - [Order](#)

The Commission granted Pepco Holdings, Inc., effective June 1, 2008, their request for a 150-basis point return on equity (ROE) adder for the projects because the projects were approved baseline projects by the PJM Regional Transmission Expansion Plan, which means that PJM made a determination that the projects are regional in nature and mitigate congestion or ensure PJM's ability to continue to serve load reliably. Pepco Holdings, Inc. will upgrade existing substation equipment, add new substations, rebuild and reconduct existing lines, and add discrete transmission lines. Pepco Holdings, Inc. also sufficiently demonstrated that the projects are not routine and that, individually and combined, they address significant reliability issues.

July 17, 2008 - [Order](#)

The Commission granted Northeast Utilities Service Co.'s request for a limited waiver of the December 31, 2008 completion date for the 100 basis point return on equity (ROE) incentive that the Commission previously approved for Northeast Utilities' share of the Middletown-to-Norwalk Project, a transmission project in Southwest Connecticut jointly owned by Northeast Utilities and the United Illuminating Company. The waiver allows Northeast Utilities Service Co. to collect the incentive for the Middletown-to-

Norwalk Project even though it will not be placed in service by the December 31, 2008 date. The Commission also granted a 50 basis point ROE advanced transmission technologies adder for the costs associated with the underground XLPE cable.

April 22, 2008 - [Order](#)

The Commission granted certain transmission rate incentives for PPL Electric Utilities Corporation and Public Service Electric and Gas Company project, designated the Susquehanna-Roseland Line, which will span 130 miles across Pennsylvania to northern New Jersey. Specifically, the Commission approved a 1.25 percentage adder for the utility's base return on equity, a reduction from the 1.50 percent that was requested; a one-half percent adder to each utility's base return on equity for continued membership in PJM Interconnection; a 100 percent recovery of prudently incurred expenses for construction-work-in-progress to be included in rate base; abandonment incentives; and authority to transfer the incentives to as-yet unidentified affiliates.

April 21, 2008 - [Order](#)

The Commission partially approved Pacific Gas and Electric Company's (PG&E) petition for a declaratory order for recovery of prudently incurred pre-commercial and abandonment costs related to a proposal that would deliver up to 3,000 megawatts of new renewable power from British Columbia, Canada and the Pacific Northwest to California. Given the early stage of the proposed \$3.2 billion project, however, the Commission deferred a decision on PG&E's request for construction-work-in-progress and return on equity incentives.

March 31, 2008 - [Order](#)

The Commission conditionally accepted, in part, Startrans IO L.L.C.'s (Startran) proposed rate incentives. Startrans is proposing to purchase facilities from the City of Vernon and requesting approval of its transmission revenue requirement and Transmission Owner Tariff associated with the acquisition. The Commission accepted the proposed return on equity of 13.5 percent but rejected Startrans' requested acquisition premium and 100 percent Construction Work in Progress incentives.

March 24, 2008 - [Order](#)

The Commission granted the Nevada Hydro Company, Inc. (Nevada Hydro) certain transmission rate incentives for the Talega-Escondido/Valley-Serrano Interconnect project (TE/VIS Interconnect) in Riverside County in Southern California. The 500 kilovolt transmission line would link San Diego Gas & Electric Company's transmission system with Southern California Edison. The Commission granted the incentive equity return and a hypothetical 50 percent equity/50 percent debt capital structure during the construction period for its proposed TE/VIS Interconnect. The Commission, however, denied Nevada Hydro's request for full recovery of Construction Work in Progress and abandonment costs for the TE/VIS Interconnect; a request for a three-year rate moratorium for the TE/VIS Interconnect and rate incentives for the Lake Elsinore Advanced Pump Storage project.

March 24, 2008 - [Order](#)

The Commission granted Westar Energy, Inc. (Westar) incentive rate treatment for a 345 kilovolt (kV) transmission upgrade project known as the Wichita-to-Reno-to-Summit Line due to the project's ability to ensure reliability and reduce the delivered cost of power. The Commission, however, denied incentive rate treatment for Westar's proposed 345 kV transmission line from the Rose Hill substation to the Kansas/Oklahoma border and a 560 MVA 345 kV to 230 kV transformer.

February 29, 2008- [Order](#)

The Commission addressed the Potomac-Appalachian Transmission Highline's (PATH) request to implement a transmission cost of service formula rate for a proposed transmission project and implement incentive rate authorization for the project, which is a proposed 290-mile transmission line that begins at AEP's Amos substation near St. Albans, West Virginia, with a terminus at the Doubs substation in Kempton, Maryland. The Commission granted the following transmission rate incentives: (1) a return on equity (ROE) of 14.3 percent inclusive of a 50 basis point ROE adder for RTO participation (in PJM Interconnection); (2) recovery of 100 percent of prudently-incurred construction work in progress in rate

base; (3) recovery of 100 percent prudently-incurred abandoned plant; (4) recovery of pre-commercial costs and (5) hypothetical capital structure.

November 16, 2007 - [Order](#)

The Commission granted Pepco Holdings's request to implement a transmission rate incentive of 50-basis points for continued membership in PJM Interconnection. Pepco Holding's request was filed on behalf its transmission-owning public utility affiliates, Atlantic City Electric Company, Delmarva Power and Light Company and Potomac Electric Power Company.

November 16, 2007 - [Order](#)

The Commission determined that Baltimore Gas & Electric's (BG&E) request for transmission rate incentives for transmission owner-initiated (TOI) projects qualifies for a Return on Equity (ROE) transmission rate incentive. The order approved a 100-basis point ROE incentive for the TOI facilities, which were designed to improve the reliability and safety of BG&E facilities in Baltimore and Carroll counties, Maryland.

November 16, 2007 - [Order](#)

The Commission FERC found that Southern California Edison's proposed projects meet the rebuttable presumption, established in Order No. 679, of eligibility for incentive rate treatment because they have been approved by a regional planning process. Specifically, Southern California Edison is proposing to build three projects: the Devers-Palo Verde II Project, which consists of the construction of two major transmission lines; the Tehachapi Project, which consists of more than 200 miles of 500 kV transmission line, approximately 10 miles of 220 kV transmission line and three new substation facilities; and the Rancho Vista Project, which includes a proposed new 500 kV substation. The Tehachapi Project will allow significant amounts of wind generation to interconnect with the Southern California Edison's transmission system.

July 24, 2007 - [Order](#)

The Commission accepted Baltimore Gas & Electric's (BG&E) return on equity adder for continuing membership in PJM and for baseline facilities. The order set for technical conference BG&E's return on equity adder for Transmission Owner Initiated projects. The Commission also rejected BG&E's return on equity adder for future transmission projects and its construction work in progress incentive and set forth a new policy on "routine" projects and the nexus test.

June 5, 2007 - [Order](#)

The Commission denied Commonwealth Edison's (ComEd) petition for a declaratory order requesting incentive rate treatment and set ComEd's proposed cost-of-service formula rate for hearing and settlement judge procedures. Specifically, ComEd requested that the Commission approve a 150 basis points return on equity incentive for the two specified projects; and (2) the ability to recover 50 percent construction work-in-progress in rate base for Phase II of the West Loop.

May 22, 2007 - [Order](#)

The Commission conditionally granted United Illuminating Co.'s petition for transmission rate incentives in connection with a proposed transmission construction project located from Middletown to Norwalk, Connecticut. Specifically, the Commission granted 100 percent CWIP recovery, and accepted the 50 basis point return on equity adder for the underground portion of the Project, subject to certain conditions.

February 7, 2007 - [Order](#)

The Commission conditionally granted Duquesne Light Co.'s petition for transmission rate incentives in connection with a proposed \$184 million transmission expansion project in Western Pennsylvania. The Commission directed Duquesne to file additional information in support of its request for incentive rates for transmission upgrades known as Transmission Owner Identified projects in PJM's regional transmission expansion planning process within 30 days.

November 17, 2006 - [Order](#)

The Commission deferred ruling on the merits of certain rate incentives requested by the Nevada Hydro Co. for its proposed combined generation pumped storage/transmission project, pending submission of additional information necessary to complete the Commission's evaluation of the Nevada Hydro Co.'s proposal. Specifically, for the rate incentives on the generation portion of the combined project, the Commission needed more information to determine whether the transmission asset should be included in the California Independent Service Operator Corp. Transmission Access Charge.

October 31, 2006 - [Order](#)

The Commission authorized a return on equity for the owners of the ISO New England transmission grid, including an incentive rate to encourage badly needed transmission expansion and ensure grid reliability in the New England region. The Commission affirmed in part, and reversed in part, a May 2005 Initial Decision by a Commission administrative law judge order approving returns on equity of 11.7 percent covering the initial rate effective date (February 1, 2005), until the date of the order, and 12.4 percent going forward.

July 20, 2006 - [Order](#)

The Commission conditionally approved proposed incentive rates for American Electric Power Service Corp.'s new 765-kilovolt, 550-mile transmission line that would extend from West Virginia to New Jersey. The approved incentives include: (1) an ROE set at the high end of the zone of reasonableness; (2) the option to timely recover the cost of capital associated with construction work in progress (CWIP); and (3) the ability to expense and recover the costs AEP incurs during the pre-construction and pre-operating period.

July 20, 2006 - [Order](#)

The Commission granted the four incentives requested by the company and its subsidiaries, Monongahela Power Co., Potomac Edison Co. and West Penn Power Co. Allegheny proposes to construct a 500-kilovolt transmission line within the PJM region. The proposed line would extend from southwestern Pennsylvania to Virginia. The approved incentives would include an ROE on the high end of the zone of reasonableness, recovery of CWIP and the ability to expense and recover pre-construction and pre-operating costs.