Transmission Cost Allocation

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Just & Reasonable Rates

- Judicial interpretation
  - 1982: *Ala. Elec.* - “revenues from each customer . . . match . . . the costs to serve”
  - 1992: *KN Energy* - “all approved rates reflect . . . the costs caused by the customer who must pay them”
  - 2002: *Sithe/Independence* - reversing for “different method based more closely on cost causation”
Just & Reasonable Rates

- Judicial interpretation
  - Matching
- Administrative interpretation
  - Costs
  - Benefits
Just & Reasonable Rates

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Just & Reasonable Rates

- Judicial interpretation
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- Administrative interpretation

2007, Order No. 890: Three factor Test
Just & Reasonable Rates

- Judicial interpretation
  - Matching
  - Costs
  - Benefits

- Administrative interpretation
  - Three factor test

Touchstone – regional consensus
Just & Reasonable Rates

- Judicial interpretation
  - Matching
  - Costs
  - Benefits
- Administrative interpretation
  - Three factor test
  - Regional consensus

Construction Incentives
Just & Reasonable Rates

- Judicial interpretation
  - Matching
  - Costs
  - Benefits

- Administrative interpretation
  - Three factor test
  - Regional consensus
  - Construction incentives

Deference
ICC v. FERC

“The duty of comparing costs assessed against a party to the burdens imposed or benefits drawn by that party.”
FERC’s Argument

- Met by confusion
- Consensus?
- Construction incentives?
- Where is the cost causation argument?
Judiciary v. Agency

- Cost causation v. regional consensus (plus)
- Black Letter Standard v. Three Factor Test
- Law v. discretion
- Just v. reasonable
Congressional Intervention

- Bingamon Proposal: “disproportionate to reasonably anticipated benefits”
- Corker: “costs are reasonably proportionate to measurable economic and reliability benefits”