

# 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: *K N 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
  - Costs
  - Benefits
- Administrative interpretation

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2007, Order No. 890: Three factor Test

# Just & Reasonable Rates

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- Three factor test

Touchstone – regional consensus

# Just & Reasonable Rates

- Judicial interpretation

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- Costs
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- 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”