

## **FERC CASE No. ER07-562 -- Trans-Allegheny Interstate Line Co.**

Trans-Allegheny Interstate Line Company (TrAILCo) is a subsidiary recently formed by Allegheny Energy, Inc. to finance, construct, own and operate new electric transmission projects in the Pennsylvania-New Jersey-Maryland PJM Interconnection L.L.C. (PJM) region and approved under PJM Regional Transmission Expansion Plan (RTEP). Its foremost project is the TrAIL Line, a proposed 500 kV transmission line running 210 miles to be constructed from southwestern Pennsylvania to West Virginia to Northern Virginia. Allegheny Power's transmission system sits at the historical bottleneck between, on one hand, the original PJM transmission system in New Jersey, Maryland, Delaware, and Pennsylvania (and District of Columbia) and, on the other hand, predominantly coal and nuclear transmission systems to the west.

In a February 21, 2007 filing pursuant to § 205 of the Federal Power Act, TrAILCo sought FERC approval of a formula rate under which TrAILCo would collect transmission revenue requirement for the proposed new transmission line, as well as collection of the pre-construction expenses that have been incurred prior to the TrAILCo filing, and the inclusion of 100% of construction work in progress (CWIP) in rate base, based on the projected costs of construction. TrAILCo also sought a return on equity (ROE) at the high end of the range of reasonable returns, or otherwise called an Incentive Return on Equity. On March 14, 2007, OPC filed a "Motion to Intervene, Protest and Request for Evidentiary Hearing," supported by an affidavit of an expert witness on issues regarding ROE which are also referred to as "cost of capital." An initial decision by FERC concerning the package of incentives and the setting of a hearing to determine the ROE is anticipated to be issued in July 2007.