

139 FERC ¶ 61,010
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Philip D. Moeller, John R. Norris,
and Cheryl A. LaFleur.

PJM interconnection, L.L.C.

Docket No. ER12-773-000

ORDER ON COST ALLOCATION REPORT

(Issued April 4, 2012)

1. On January 6, 2012, PJM Interconnection, L.L.C., (PJM) in accordance with Schedule 12 of the PJM Open Access Transmission Tariff (Tariff) and section 1.6 of Schedule 6 of the PJM Operating Agreement, filed amendments to Schedule 12-Appendix of the Tariff to reflect the assignments of cost responsibility for baseline upgrades included in the most recent update to the Regional Transmission Expansion Plan (RTEP) approved by the PJM Board of Managers (PJM Board) (January 6, 2012 RTEP Filing).

2. In this order, we accept in part, and conditionally accept in part, PJM's revised tariff sheets, and suspend them for a nominal period to become effective April 5, 2012, subject to refund.

I. Background

3. PJM filed cost responsibility assignments for transmission upgrades that were approved by the PJM Board as part of PJM's RTEP, in accordance with Schedule 12 of the Tariff and Schedule 6 of the Operating Agreement, and pursuant to section 205 of the Federal Power Act.¹ The RTEP provides for the construction of expansions and upgrades to PJM's transmission system in order to comply with reliability criteria, and to maintain and enhance the economic and operational efficiency of PJM's wholesale electricity markets.

4. Pursuant to Schedule 12, the costs of new RTEP facilities that operate at or above 500 kV (Regional Facilities), as well as lower voltage facilities that must be constructed

¹ 16 U.S.C. § 824d (2006).

or strengthened to support new Regional Facilities (Necessary Lower Voltage Facilities), are allocated on a region-wide basis (postage-stamp allocation).² The costs of new RTEP facilities that operate below 500 kV and are not Necessary Lower Voltage Facilities are allocated based on a distribution factor (DFAX) methodology.³

II. PJM's Filing

5. The January 6, 2012 RTEP Filing includes cost responsibility assignment for 167 baseline upgrades, which were approved by the PJM Board on December 7, 2011 (i.e., new baseline upgrades), including a region-wide cost allocation for four upgrades that are Regional Facilities, and the DFAX cost allocation for 163 upgrades that will operate below 500 kV.

6. PJM states that its cost responsibility assignments of the four new Regional Facilities upgrades in the most recent update to RTEP approved by the PJM Board are consistent with Opinion Nos. 494 and 494-A; Schedule 12, section (b)(i)(A); and Opinion 503.⁴ PJM notes that further proceedings regarding the use of a postage-stamp cost allocation methodology for new transmission facilities that operate at or above 500 kV, and issues regarding cost responsibility assignments to merchant transmission facilities are pending before the Commission.

² Tariff, Schedule 12, section (b)(i); see *PJM Interconnection, L.L.C.*, Opinion No. 494, 119 FERC ¶ 61,063 (2007), *order on reh'g and compliance filing*, Opinion No. 494-A, 122 FERC ¶ 61,082, *order denying reh'g*, 124 FERC ¶ 61,033 (2008). On August 6, 2009, the United States Court of Appeals for the Seventh Circuit (Seventh Circuit Court) granted a petition for review regarding the use of a postage-stamp cost allocation methodology for new transmission facilities that operate at or above 500 kV, and remanded the case to the Commission for further proceedings. *Illinois Commerce Commission v. FERC*, 576 F.3d 470 (7th Cir. 2009). On March 30, 2012, the Commission issued an order on remand, affirming the methodology set forth in Schedule 12 of the PJM Tariff. *PJM Interconnection, L.L.C.*, 138 FERC ¶ 61,230 (2012).

³ The DFAX methodology utilizes a computer model of the electric network and power flow modeling software to calculate individual distribution factors for each facility on which a reliability violation has been identified. The Commission accepted a settlement submitted by PJM that set forth the details of the DFAX methodology in Schedule 12, section (b)(ii). *PJM Interconnection, L.L.C.*, 124 FERC ¶ 61,112 (2008).

⁴ *PJM Interconnection, L.L.C.*, Opinion No. 503, 129 FERC ¶ 61,161 (2009), *reh'g pending*.

III. Procedural Issues

A. Notice

7. Notice of PJM's January 6, 2012 filing was published in the *Federal Register*, 77 Fed. Reg. 2284 (2012), with interventions and protests due on or before January 27, 2012.⁵

B. Interventions, Protests, Comments, and Responsive Pleadings

8. Notice of intervention was filed by the Illinois Commerce Commission (Illinois Commission). Motions to intervene were filed by Exelon Corporation (Exelon), Dominion Resources Services, Inc., Public Service Electric and Gas Company, American Municipal Power, Inc., Old Dominion Electric Cooperative, and North Carolina Electric Membership Corporation. A protest was filed by the Illinois Commission, and comments were filed by Exelon. PJM filed a motion for leave and answer to the protest of the Illinois Commission and the comments of Exelon.

9. The Illinois Commission protests the use of a postage-stamp cost allocation methodology for new RTEP transmission facilities that operate at or above 500 kV. The Illinois Commission requests that the Commission reject PJM's January 6, 2012 RTEP Filing, or that the Commission hold its consideration in abeyance until after it completes its remand from the United States Court of Appeals for the Seventh Circuit decision. The Illinois Commission states that its protest is confined to the cost responsibilities for Regional Facilities, and asserts that load in the Commonwealth Edison Company (ComEd) zone did not contribute to the need for these projects, and that these projects provide no corresponding benefits to the electricity customers in the ComEd zone.⁶

10. Exelon requests that the Commission make clear in its order that the allocation of costs of the Regional Facilities that operate at 500 kV and above contained in PJM's January 6, 2012 RTEP Filing is subject to revision pending the outcome of the Commission's decision on the remand of Opinion No. 494 and Opinion No. 494-A, and any further appeals in that proceeding. Exelon also notes that several of the projects identified in the January 6, 2012 RTEP Filing are upgrades that have been or will be paid for by market participants as part of a participant-funded upgrade process.⁷ Exelon states

⁵ By errata notice, the deadline for interventions and protests was extended to February 6, 2012.

⁶ January 6, 2012 RTEP Filing at 6.

⁷ Exelon identifies these projects as b1772, b1773, b1774, b1775, and b1777.

that it understands that once a final Upgrade Construction Service Agreement (UCSA) has been executed for these upgrades, they will be removed from the Schedule 12-Appendix, and the cost responsibility for these projects will not be allocated to load.

11. PJM answers that the issues raised by the Illinois Commission are beyond the scope of this proceeding, and that the only issue in this proceeding is whether PJM has determined the cost responsibility in the January 6, 2012 RTEP Filing consistent with the methodology set forth in Schedule 12 of the PJM Tariff. PJM also clarifies that certain lower voltage facilities were included in the baseline upgrades in the January 6, 2012 RTEP Filing until a final UCSA is executed, and that at such time, such upgrades will be removed from Schedule 12-Appendix.

IV. Discussion

A. Procedural Matters

12. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure,⁸ the notices of intervention and timely, unopposed motions to intervene serve to make them parties to this proceeding.

13. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure prohibits an answer to a protest or to an answer unless otherwise ordered by the decisional authority.⁹ We accept PJM's answer because it has aided us in our decision-making process.

B. Commission Determination

14. With respect to the assignment of costs for new RTEP transmission facilities that operate at or above 500 kV, we accept the January 6, 2012 RTEP Filing to be effective April 5, 2012. PJM states that assignment of cost responsibility for transmission facilities that operate at or above 500 kV that are included in the January 6, 2012 RTEP Filing are consistent with the methodology set forth in Schedule 12 of the PJM Tariff, and the arguments raised by the Illinois Commission are beyond the scope of this proceeding. As previously noted, on March 30, 2012, the Commission issued an order on remand, affirming the methodology set forth in Schedule 12 of the PJM Tariff.¹⁰

⁸ 18 C.F.R. § 385.214 (2011).

⁹ 18 C.F.R. § 385.213(a)(2) (2011).

¹⁰ See supra, n.2.

15. Exelon requests that the Commission make clear in its order that the allocation of costs of the Regional Facilities that operate at 500 kV and above contained in PJM's January 6, 2012 RTEP Filing is subject to revision pending the outcome of the Commission's decision on the remand of Opinion No. 494 and Opinion No. 494-A, and any further appeals in that proceeding. Section 313(c) of the Federal Power Act and Rule 713 of the Commission's Rules of Practice and Procedure provide that a request for rehearing or an appeal does not stay the effectiveness of a Commission order.¹¹ Since the Commission has issued the order on remand affirming the use of the cost allocation method used in this proceeding, we will not make our acceptance of PJM's filing subject to further proceedings. Any revisions based on potential rehearings or appeals will be addressed in appropriate orders in those proceedings.

16. We accept PJM's proposed assignment of cost for new facilities that operate below 500 kV, as being consistent with the methodology set forth in Schedule 12, subject to refund and to the removal of projects b1772, b1773, b1774, b1775, and b1777 upon the execution of final UCSAs.

The Commission orders:

(A) PJM's revised tariff sheets for new transmission facilities that operate at 500 kV and above are hereby accepted for filing to become effective on April 5, 2012, as discussed in the body of this order.

(B) PJM's revised tariff sheets for new transmission facilities that operate below 500 kV are hereby accepted for filing to become effective on April 5, 2012 subject to refund, as discussed in the body of this order.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.

¹¹ 16 U.S.C. § 825l(c) (2006) (requests for rehearing and appeals do not stay Commission orders); 18 C.F.R. § 385.713(e) (2011) (requests for rehearing do not stay Commission orders).