

131 FERC ¶ 61,235  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;  
Marc Spitzer, Philip D. Moeller,  
and John R. Norris.

PJM Interconnection, L.L.C.

Docket No. ER10-907-000

ORDER ON COST ALLOCATION REPORT

(Issued June 15, 2010)

1. On March 18, 2010, PJM Interconnection, L.L.C., in accordance with Schedule 12 of the PJM Open Access Transmission Tariff (OATT or Tariff) and section 1.6 of Schedule 6 of the PJM Operating Agreement, filed amendments 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) (March 18, 2010 RTEP Filing).<sup>1</sup> In this order, we accept PJM's revised tariff sheets for RTEP transmission facilities that operate below 500 kV but are necessary to support or strengthen the operation of regional transmission facilities that operate at or above 500 kV, and suspend them for a nominal period to become effective June 16, 2010, subject to refund pending further proceeding as a result of the Seventh Circuit Court remand.<sup>2</sup> Further, we accept PJM's other revised tariff sheets for

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<sup>1</sup> The PJM Board approved the baseline upgrades in this proceeding on February 16, 2010, with an estimated cost of approximately \$1.031 billion. With these approvals, the PJM Board has authorized a total of more than \$15.9 billion in transmission related investments.

<sup>2</sup> 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 lower voltage facilities necessary to strengthen or support these facilities), and remanded the case to the Commission for further proceedings. *Illinois Commerce Commission v. FERC*, 576 F.3d 470 (7<sup>th</sup> Cir. 2009).

the costs of new economic-based and reliability-based RTEP transmission facilities that operate below 500 kV to become effective June 16, 2010.

## **I. Background**

2. PJM files 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.<sup>3</sup> 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.

3. 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 or strengthened to support new Regional Facilities (Necessary Lower Voltage Facilities), are allocated on a region-wide basis (postage-stamp allocation).<sup>4</sup> The costs of new reliability-based RTEP facilities that operate below 500 kV and are not Necessary Lower Voltage Facilities (DFAX Facilities) are allocated based on a "beneficiary pays" approach using a distribution factor (DFAX) methodology.<sup>5</sup> The costs of new economic-based RTEP facilities that operate below 500 kV (Economic-Based Facilities) are allocated using a cost/benefit analysis that considers each zone's pro rata share of the decrease in load energy payments.<sup>6</sup>

## **II. PJM's Filing**

4. The March 18, 2010 RTEP Filing includes cost responsibility assignment for 110 baseline upgrades, including a region-wide cost allocation for 24 Necessary Lower Voltage Facilities, a beneficiary pays cost allocation for 85 DFAX facilities, and a

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<sup>3</sup> 16 U.S.C. § 824d (2006).

<sup>4</sup> Tariff, Schedule 12, section (b)(i).

<sup>5</sup> The Commission accepted a settlement submitted by PJM that set forth the details of the beneficiary pays methodology in Schedule 12, section (b)(ii). *PJM Interconnection, L.L.C.*, 124 FERC ¶ 61,112 (2008).

<sup>6</sup> Tariff, Schedule 12, section (b)(v)(C). The Commission accepted PJM's proposed methodology for allocating costs of new economic-based upgrades by delegated letter. *PJM Interconnection, L.L.C.*, Docket No. ER06-456-020, *et al.* (Sept. 3, 2009) (unpublished letter order).

cost/benefit analysis cost allocation for one new Economic-Based Facility. PJM requests that the revised tariff sheets become effective on June 16, 2010.

### **III. Notice, Interventions, Comments and Protests**

5. Notice of PJM's filing was published in the *Federal Register*, 75 Fed. Reg. 15,703 (2010), with interventions and protests due on or before April 19, 2010.

6. Notices of intervention were filed by Illinois Commerce Commission (ICC) and the Maryland Public Service Commission. Motions to intervene were filed by American Municipal Power, Public Service Commission of Maryland, Baltimore Gas and Electric Company, Duke Energy Corporation,<sup>7</sup> Public Service Electric and Gas Company, NRG Companies,<sup>8</sup> and Exelon Corporation (Exelon). An untimely motion to intervene was filed by Old Dominion Electric Cooperative. Protests or comments were filed by the ICC and Exelon.

7. ICC protests the use of a postage-stamp cost allocation methodology for new Necessary Lower Voltage Facilities. ICC requests that the Commission reject PJM's March 18, 2010 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. ICC states that its protest is confined to the cost responsibilities for the 24 Necessary Lower Voltage Facilities.<sup>9</sup> ICC asserts that load in the ComEd zone did not contribute to the need for these projects, and these projects provide no corresponding benefits to the electricity customers in the ComEd zone.

8. Exelon states that PJM's designation of the Meadowbrook Substation and the Amos Substation as Necessary Lower Voltage Facilities are only necessary because of the addition of a Regional Facility.<sup>10</sup> Exelon concludes that if the required in-service

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<sup>7</sup> On behalf of its utility affiliates, Duke Energy Ohio, Inc., Duke Energy Indiana, Inc., Duke Energy Kentucky, Inc., Duke Energy Carolinas, LLC, as well as Duke Energy Business Services, LLC.

<sup>8</sup> The NRG Companies are NRG Power Marketing LLC, Conemaugh Power LLC, Indian River Power LLC, Keystone Power LLC, NRG Energy Center Dover LLC, NRG Energy Center Paxton LLC, NRG Rockford LLC, NRG Rockford II LLC, and Vienna Power LLC.

<sup>9</sup> In total, the ICC argues that the March 18, 2010 RTEP Filing proposes to allocate approximately \$1.5 million to the ComEd zone for Necessary Lower Voltage Facilities that are mostly located in eastern PJM.

<sup>10</sup> Exelon comments at 3 citing to March 18, 2010 RTEP Filing at 6, n.22.

date for the PATH line is deferred through the 2010 RTEP process, then the in-service date for the circuit breakers at the Amos Substation will also be deferred. With that understanding, Exelon clarifies that they do not object to the filing.<sup>11</sup>

#### **IV. Discussion**

##### **A. Procedural Matters**

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

10. Pursuant to Rule 214(d),<sup>13</sup> the Commission will grant Old Dominion Electric Cooperative's untimely motion to intervene given their interest in the proceeding, the early stage of the proceeding, and the absence of undue prejudice or delay.

##### **B. Commission Determination**

11. We accept PJM's revised tariff sheets for assignment of the costs for the new DFAX and Economic-Based Facilities as being consistent with the methodology set forth in Schedule 12. With respect to the assignment of costs for new Necessary Lower Voltage Facilities, we accept PJM's revised tariff sheets, subject to refund. Issues regarding cost allocation of Necessary Lower Voltage Facilities are pending in other proceedings as a result of the remand of Opinion No. 494 and Opinion No. 494-A. With respect to Exelon's comments, PJM's annual retool analysis verifies the continued need for or modification of past recommended upgrades. In its retool analysis, PJM updates previous studies with new information, and then the results of this retool analysis are incorporated into the updated RTEP. PJM's retool analysis protects Exelon in the event that the 2010 RTEP demonstrates that these projects, or any Necessary Lower Voltage Facilities, should be deferred.

#### **The Commission orders:**

(A) PJM's revised tariff sheets for the costs of new DFAX and Economic-Based Facilities are hereby accepted to become effective on June 16, 2010, as discussed in the body of this order.

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<sup>11</sup> Exelon assumes that any allocation will be subject to the outcome of the remand of Opinion Nos. 494 and 494-A.

<sup>12</sup> 18 C.F.R. § 385.214 (2009).

<sup>13</sup> 18 C.F.R. § 385.214(d) (2009).

(B) PJM's revised tariff sheets for new RTEP transmission facilities that are Necessary Lower Voltage Facilities are hereby accepted for filing and suspended for a nominal period to become effective on June 16, 2010, subject to refund and to the outcome of further proceedings, as discussed in the body of this order.

By the Commission.

( S E A L )

Kimberly D. Bose,  
Secretary.