

150 FERC ¶ 61,117  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Cheryl A. LaFleur, Chairman;  
Philip D. Moeller, Tony Clark,  
Norman C. Bay, and Colette D. Honorable.

PJM Interconnection, L.L.C.

Docket Nos. ER14-2864-000  
ER14-2864-001

Baltimore Gas & Electric Company, *et al.*,  
PJM Interconnection, L.L.C.

ER14-2867-001

Not Consolidated

ORDER ACCEPTING TARIFF REVISIONS SUBJECT TO CONDITIONS

(Issued February 20, 2015)

1. On September 12, 2014, PJM Interconnection, L.L.C. (PJM) submitted revisions to Schedule 6 of the Amended and Restated Operating Agreement of PJM Interconnection, L.L.C. (Operating Agreement) and the PJM Open Access Transmission Tariff (Tariff) to allow PJM to plan for and select transmission enhancements or expansions that address a combination of reliability, market efficiency and public policy objectives (Multi-Driver Projects) in its Regional Transmission Expansion Plan (RTEP) (PJM Filing). Also on September 12, 2014, Baltimore Gas & Electric Company, on behalf of the PJM Transmission Owners,<sup>1</sup> separately filed revisions to Schedule 12 of the

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<sup>1</sup> The PJM Transmission Owners acting through the PJM Consolidated Transmission Owners Agreement: Monongahela Power Company, The Potomac Edison Company and West Penn Power Company, all doing business as Allegheny Power; American Electric Power Service Corporation on behalf of its operating companies: Appalachian Power Company, Columbus Southern Power Company, Indiana Michigan Power Company, Kentucky Power Company, Kingsport Power Company, Ohio Power Company and Wheeling Power Company; Commonwealth Edison Company and Commonwealth Edison Company of Indiana, Inc.; Dayton Power and Light Company; Virginia Electric and Power Company (Dominion Virginia Power) Public Service Electric and Gas Company; PECO Energy Company; PPL Electric Utilities Corporation;

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Tariff (PJM Transmission Owner Filing) proposing a cost allocation methodology for Multi-Driver Projects. PJM and the PJM Transmission Owners request an effective date of November 12, 2014.

2. In this order, we accept the PJM and PJM Transmission Owners Multi-Driver Project proposed Operating Agreement and Tariff revisions to be effective November 12, 2014, subject to conditions.

### **I. Background**

3. The PJM Operating Agreement, as approved in compliance with Order No. 1000,<sup>2</sup> details the procedures for development of the RTEP and the identification of Required Transmission Enhancements.<sup>3</sup> Under PJM's existing RTEP process, PJM evaluates separate drivers that address reliability violations or operational performance issues, relieve economic constraints, and incorporate the development of transmission solutions to address public policy requirements through a State Agreement Approach.<sup>4</sup>

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Baltimore Gas and Electric Company; Jersey Central Power & Light Company; Metropolitan Edison Company; Pennsylvania Electric Company; Potomac Electric Power Company; Atlantic City Electric Company; Delmarva Power & Light Company; UGI Utilities, Inc.; Allegheny Electric Cooperative, Inc.; CED Rock Springs, LLC; Old Dominion Electric Cooperative; Rockland Electric Company; Duquesne Light Company; Neptune Regional Transmission System, LLC; Trans-Allegheny Interstate Line Company; Linden VFT, LLC; American Transmission Systems, Incorporated; City of Cleveland, Department of Public Utilities, Division of Cleveland Public Power; Duke Energy Ohio, Inc.; Duke Energy Kentucky, Inc.; City of Hamilton, OH; Hudson Transmission Partners, LLC; East Kentucky Power Cooperative, Inc.

<sup>2</sup> *PJM Interconnection, L.L.C.*, 142 FERC ¶ 61,214 (2013), *order on reh'g and compliance*, 147 FERC ¶ 61,128 (2014), *order on reh'g and compliance*, 150 FERC ¶ 61,038 (2015).

<sup>3</sup> Tariff section 1.38C defines Required Transmission Enhancements as Enhancements and expansions of the Transmission System that (1) a RTEP developed pursuant to Schedule 6 of the Operating Agreement or (2) any joint planning or coordination agreement between PJM and another region or transmission planning authority set forth in Schedule 12-Appendix B designates one or more of the Transmission Owner(s) to construct and own or finance.

<sup>4</sup> PJM incorporates public policy requirements and initiatives at the assumptions stage of the RTEP process and as part of its enhancement and expansion studies and

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4. Section 1.5.8 of Schedule 6 of the Operating Agreement governs the process PJM will use to solicit and select potential regional reliability and economic transmission facilities. PJM initiates the process by posting transmission needs and opening proposal windows to allow potential transmission developers to propose regional transmission solutions. The length of the proposal window depends on when a regional transmission facility is needed, and can be an Immediate-need Reliability Project,<sup>5</sup> Short-term Project,<sup>6</sup> or Long-lead Project.<sup>7</sup>

5. Section 1.5.8 also provides the criteria PJM will use to designate an entity to develop and finance a selected regional reliability and economic transmission project (Designated Entity),<sup>8</sup> and includes provisions that require PJM to designate the

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considers how public policy requirements and initiatives contribute to reliability and economic transmission system needs. From this set of transmission system needs, which reflects PJM's consideration of public policy requirements and initiatives, PJM evaluates potential solutions and selects the optimal reliability and market efficiency projects for an identified transmission need. *See* PJM Operating Agreement, Schedule 6, § 1.5.6 (b)

<sup>5</sup> PJM defines an Immediate-need Reliability Project as a reliability-based transmission facility with an in-service date of three years or less from the year that the need is identified. PJM, Intra-PJM Tariffs, Operating Agreement, Definitions (I-L), § 1.15A (Immediate-need Reliability Project) (1.0.0); PJM, Intra-PJM Tariffs, OATT, Definitions (I-L), § 1.14A.001 (Immediate-need Reliability Project) (1.0.0).

<sup>6</sup> PJM proposed to define a Short-Term Project as a regional transmission facility with an in-service date of more than three years but no more than five years from the year in which the need is identified. PJM, Intra-PJM Tariffs, Operating Agreement, Definitions (S-T), § 1.41A.01 (Short-term Project) (3.0.0); PJM, Intra-PJM Tariffs, OATT, Definitions (R-S), § 1.42.001 (Short-term Project) (3.0.0).

<sup>7</sup> PJM proposed to define a Long-lead Project as a regional transmission facility with an in-service date more than five years from the year in which the need is identified. PJM, Intra-PJM Tariffs, Operating Agreement, Definitions (I-L), § 1.19A (Long-lead Project) (1.0.0); PJM, Intra-PJM Tariffs, OATT, Definitions (L-M-N), § 1.17B (Long-lead Project) (3.0.0).

<sup>8</sup> Designated Entity is defined as: "The entity designated by the Office of the Interconnection with the responsibility to construct, own, operate, maintain, and finance Immediate-need Reliability Projects, Short-term Projects, and Long-lead Projects pursuant to section 1.5.8 of Schedule 6 of [the Operating] Agreement." PJM, Intra-PJM

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incumbent transmission owner in certain circumstances.<sup>9</sup> For instance, section 1.5.8(h) states that, where PJM determines that none of the proposed transmission projects submitted during a proposal window is the more efficient or cost-effective solution, PJM “shall propose a Short-Term Project to solve the posted violation, or system condition for inclusion in the recommended plan and will present such Short-Term Project to the Transmission Expansion Advisory Committee for review and comment. The Transmission Owner(s) in the Zone(s) where the Short-Term Project is to be located shall be the Designated Entity(ies) for the Project.”<sup>10</sup>

6. Schedule 12 of the PJM Tariff provides the cost allocation methods for Required Transmission Enhancements that provide either reliability or economic efficiency.<sup>11</sup> Required Transmission Enhancements include Regional Facilities, Necessary Lower Voltage Facilities, and Lower Voltage Facilities. Regional Facilities include double-circuit 345 kV transmission facilities or single circuit transmission facilities that operate at 500 kV or above. Necessary Lower Voltage Facilities include new facilities or enhancements to existing facilities that operate below the voltage limit for a Regional Facility, but must be constructed or strengthened to support new Regional Facilities.<sup>12</sup> PJM’s existing cost allocation provisions in Schedule 12 of the PJM Tariff provide that cost responsibility for Regional Facilities and Necessary Lower Voltage Facilities shall be allocated 50 percent annually on a load-ratio share, and 50 percent assigned in accordance with the distribution factor (DFAX) analysis provisions of the Tariff.<sup>13</sup> For Lower Voltage Facilities, PJM assigns cost responsibility for Reliability Projects using

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Tariffs, OATT, Definitions (C-D), § 1.7A (1.0.0); *see also* PJM, Intra-PJM Tariffs, Operating Agreement, Definitions (C-D), § 1.9A.

<sup>9</sup> For instance, PJM must designate the incumbent transmission owner when the transmission project is an upgrade to an incumbent transmission provider’s own transmission facilities, an Immediate-need Reliability Project, and where required by state law, regulation, or administrative agency order. *See, e.g.*, PJM, Intra-PJM Tariffs, Operating Agreement, Schedule 6, § 1.5.8(1).

<sup>10</sup> Operating Agreement, Schedule 6, § 1.5.8 (h).

<sup>11</sup> *See* Tariff, Schedule 12, Section (b)(i).

<sup>12</sup> Lower Voltage Facilities that are needed for reliability, but are not necessary to support the operation of Regional Facilities are allocated in accordance with the DFAX analysis provisions of the Tariff. *See* Tariff, Schedule 12, Sections (b)(ii).

<sup>13</sup> Tariff, Schedule 12, Sections (b)(i)(A).

the DFAX analysis and, for Economic Projects, based on a reduction in load energy payments.

7. For transmission projects that are requested to meet a state governmental public policy need under the State Agreement Approach, section 1.5.9 of the Operating Agreement governs the criteria that will be used to designate the entity to develop and finance the project and the cost allocation. PJM's current process also provides for a state governmental entity (or group of state governmental entities) to voluntarily submit a project that addresses Public Policy Requirements identified by the state(s) under the State Agreement Approach. Specifically, Section 1.5.9(a) provides:

State governmental entities authorized by their respective states, individually or jointly, may agree voluntarily to be responsible for the allocation of all costs of a proposed transmission expansion or enhancement that addresses state Public Policy Requirements identified or accepted by the state(s) in the PJM Region. As determined by the authorized state governmental entities, such transmission enhancements or expansions may be included in the recommended plan, either as a (i) Supplemental Project or (ii) state public policy project, which is a transmission enhancement or expansion, the costs of which will be recovered pursuant to a FERC-accepted cost allocation proposed by agreement of one or more states and voluntarily agreed to by those state(s). All costs related to a state public policy project or Supplemental Project included in the Regional Transmission Expansion Plan to address state Public Policy Requirements pursuant to this Section shall be recovered from customers in a state(s) in the PJM Region that agrees to be responsible for the projects. No such costs shall be recovered from customers in a state that did not agree to be responsible for such cost allocation. A state public policy project will be included in the Regional Transmission Expansion Plan for cost allocation purposes only if there is an associated FERC-accepted allocation permitting recovery of the costs of the state public policy project consistent with this Section.

8. Schedule 12 of the PJM Tariff also provides for the cost responsibility for State Agreement Approach projects. Specifically, Schedule 12, Section (b)(i)(A)(xii)(B) provides:

If a transmission enhancement or expansion is proposed pursuant to Section 1.5.9(a) of Schedule 6 of the Operating Agreement which is not a Supplemental Project ("State Agreement Public Policy Project"), the Transmission Provider shall submit the assignment of costs to Responsible Customers proposed in connection with such

State Agreement Public Policy Project to the Transmission Owners Agreement Administrative Committee for consideration and filing pursuant to Section 7.3 of the Consolidated Transmission Owners Agreement and Section 9.1(a) of the PJM Tariff. Nothing in this Section (b)(xii) shall prevent the Transmission Provider or the state governmental entities proposing such State Agreement Public Policy Project from filing a proposed assignment of costs to Responsible Customers for such project pursuant to Section 206 of the Federal Power Act.

## **II. PJM Filing to Include Multi-Driver Projects**

9. PJM proposes to revise section 1.5 of Schedule 6 of the PJM Operating Agreement to include section 1.5.10, provisions for Multi-Driver Projects.<sup>14</sup> PJM states that inclusion of a Multi-Driver Project approach is intended to enhance and expand PJM's current RTEP process and to give PJM the flexibility to identify the more efficient, cost-effective transmission facilities that meet PJM's needs using a combination of two or three of the separate project drivers. Multi-Driver Projects can include reliability, economic, or public policy components. The public policy component must be identified through the State Agreement Approach. PJM also proposes to revise the definitional sections of the Tariff and Operating Agreement to include definitions for Multi-Driver Project,<sup>15</sup> Incremental Multi-Driver Project,<sup>16</sup> and Proportional Multi-Driver Project.<sup>17</sup>

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<sup>14</sup> As discussed further below, proposed Section 1.5.10(h) of the Operating Agreement provides that PJM shall develop a Multi-Driver Project by identifying a more efficient or cost effective solution that uses one of the following methods: (i) combining separate solutions that address reliability, economics and/or public policy into a single transmission enhancement or expansion that incorporates separate drivers into one Multi-Driver Project (Proportional Multi-Driver Method); or (ii) expanding or enhancing a proposed single driver solution to include one or more additional component(s) to address a combination of reliability, economic and/or public policy drivers (Incremental Multi-Driver Method).

<sup>15</sup> PJM proposes to define a Multi-Driver Project as a transmission enhancement or expansion that addresses more than one of the following: reliability violations, economic constraints or Public Policy Requirements.

<sup>16</sup> PJM proposes to define an Incremental Multi-Driver Project as a Multi-Driver Project that is planned as described in Schedule 6, section 1.5.10(h) of the Operating Agreement.

<sup>17</sup> PJM proposes to define a Proportional Multi-Driver Project as a Multi-Driver

(continued...)

PJM states that its proposal to add a Multi-Driver Project approach to PJM's RTEP process is not required under Order No. 1000<sup>18</sup> and, therefore, is not being submitted as part of PJM's Order No. 1000 compliance obligations.<sup>19</sup> PJM states that, while Order No. 1000 did not require a transmission provider to identify projects that provide multi-driver benefits, PJM committed in its Order No. 1000 compliance filings "to continue to develop a multi-driver approach with its stakeholders,"<sup>20</sup> which it has worked on for over two years to accommodate the voluntary nature of State Agreement Approach projects. As discussed below, PJM proposes to develop a Multi-Driver Project in its regional planning process through two approaches: (i) Incremental Method and (ii) Proportional Method.<sup>21</sup> PJM states that the method used will depend on the nature of the infrastructure involved in the solutions associated with the various drivers.

#### **A. Incremental Method**

10. Under the Incremental Method, PJM proposes to add drivers to expand incrementally upon a single-driver solution already included in the RTEP. Specifically, PJM will identify a single-driver solution, such as a regional reliability transmission project, and, based on further analysis, will determine whether to expand or enhance the single-driver solution incrementally to address a combination of drivers. If the Multi-Driver Project is a more efficient, cost effective solution for the combined drivers, PJM will replace the single-driver solution with the incremental solution.

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Project that is planned as described in Schedule 6, section 1.5.10(h) of the Operating Agreement.

<sup>18</sup> See *Transmission Planning and Cost Allocation by Transmission Owners and Operating Public Utilities*, Order No. 1000, FERC Stats. & Regs., Regulations Preambles ¶ 31,323 (2011), *order on reh'g and clarification*, Order No. 1000-A, 139 FERC ¶ 61,132, *order on reh'g and clarification*, Order No. 1000-B, 141 FERC ¶ 61,044 (2012), *petition for review pending*, *S.C. Pub. Serv. Co. v. FERC*, D.C. Cir. Nos. 12-1232, *et al.* (collectively referred to herein as "Order No. 1000").

<sup>19</sup> PJM Filing at 2.

<sup>20</sup> *Id.* PJM cites to its October 25, 2012 filing in Docket No. ER13-198-000 at pages 80-81. Further, PJM states that the Commission encouraged PJM and its stakeholders to explore the concept of a multi-driver approach in its First Order No. 1000 Regional Compliance Order. *PJM Interconnection, L.L.C.*, 142 FERC ¶ 61,214, at PP 105, 119 (2013).

<sup>21</sup> PJM Filing at 6. See Schedule 6, section 1.5.10(h).

11. PJM proposes to add provisions to the PJM Operating Agreement explaining that “[t]he actual costs of a Multi-Driver Project shall be apportioned to the different components ... based on the initial estimated costs of the Multi-Driver Project in accordance with the methodology set forth in Schedule 12.”<sup>22</sup> PJM explains that only the incremental portion(s) of the expansion or modification of the single-driver project resulting in the Multi-Driver Project will be assigned to the additional driver(s) and that the actual costs of a Multi-Driver Project will be apportioned to each component of the project based on the initial estimated costs upon which the original apportionments of the Multi-Driver Project are based.

**B. Proportional Method**

12. For transmission projects that PJM identifies as separate, stand-alone solutions that address individual drivers (reliability, economics and/or State Agreement Approach), PJM may identify a completely new, single regional transmission facility that resolves a combination of those drivers with a more efficient, cost-effective solution. PJM’s proposal apportions costs in accordance with the methodology set forth in the Transmission Owner Filing.<sup>23</sup> PJM explains that costs would be apportioned to each component using percentages based on the initial cost estimate for each component’s original stand-alone solution, and that the total cost of the multi-driver solution cannot be greater than the total of each separate project combined.<sup>24</sup>

**C. Projects Identified Through the State Agreement Approach**

13. PJM proposes to include revisions to the planning process so that projects identified through the State Agreement Approach may be added to an existing RTEP project or Multi-Driver Project already included in the RTEP if, based on PJM’s evaluation of the resulting Multi-Driver Project, the project would be more efficient or cost-effective with the State Agreement Approach project.<sup>25</sup>

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<sup>22</sup> PJM Operating Agreement, Schedule 6, section 1.5.10(h). This methodology is proposed and described in the Transmission Owner Filing.

<sup>23</sup> PJM Operating Agreement, Schedule 6, section 1.5.10(h). The methodology is proposed and described in the Transmission Owner Filing proposing revisions to Schedule 12 of the Tariff.

<sup>24</sup> PJM Filing at 8.

<sup>25</sup> *Id.* at 9.

14. Because the State Agreement Approach requires that a state(s) voluntarily commit to be responsible for costs associated with the inclusion of a project identified through the State Agreement Approach, PJM proposes to address the situation where a sponsoring state decides to withdraw its support for a Multi-Driver project that includes a State Agreement Approach project after the Multi-Driver project is selected in the RTEP. PJM proposes to reevaluate the need for the remaining components of the Multi-Driver Project without the State Agreement Approach project. Based on this re-evaluation, PJM may remove the project, replace it with one that addresses remaining needs, or, if there is more than one state supporting the public policy component and the remaining states agree to bear their original apportionment, then the project will remain unchanged and the withdrawing state will continue to be responsible for its share, based on initial cost estimates.<sup>26</sup> PJM's discretion to modify an RTEP project based on its reevaluation is bounded by Transmission Expansion Advisory Committee (TEAC) review and comment, and approval by the PJM Board of Managers (PJM Board).

### **III. PJM Transmission Owners Cost Allocation Filing**

#### **A. Multi-Driver Projects**

15. The PJM Transmission Owners state that the Tariff does not include a cost allocation method for Multi-Driver Projects. Therefore, the PJM Transmission Owners propose several revisions to Schedule 12 of the PJM Tariff. The PJM Transmission Owners propose to use the existing cost allocation methods for the single drivers as the starting point for a Multi-Driver Project cost allocation method. Specifically, when two or more single driver projects are combined to form a Proportional Multi-Driver Project, PJM will determine, based on the ratio of the estimated cost of each project that the Multi-Driver Project replaces to the total of the estimated costs of all projects combined into the Multi-Driver Project, the relative contribution of each driver to the cost of the Multi-Driver Project.<sup>27</sup> Specifically, Section 12(b)(xiv)(A)(1) of the proposed revisions provides:

As part of the open planning process provided for in Section 1.5.10(h) of Schedule 6 of the Operating Agreement, the Transmission Provider employs the Proportional Method as defined in Section 1.5.10(h) of the Operating Agreement to develop a Proportional Multi-Driver Project, by determining which of the following drivers a Proportional Multi-Driver Project addresses:

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<sup>26</sup> Operating Agreement, Schedule 6, proposed section 1.5.10(d).

<sup>27</sup> PJM Transmission Owners Filing at 3.

reliability, economic, or public policy, and the extent to which each such driver contributes to the size, scope, and estimated costs of such Proportional Multi-Driver Project (irrespective of the reliability cost allocation treatment that is otherwise accorded an incremental market efficiency modification thereto pursuant to Section (b)(v)(B) of this Schedule 12). The Transmission Provider shall identify the contribution of each driver in terms of a percentage totaling 100 percent for all such drivers at the time that each Proportional Multi-Driver Project is submitted to the PJM Board for approval and included in the Regional Transmission Expansion Plan. The percentage contribution of each driver shall be based on the ratio of the estimated cost of each project that the Multi-Driver Project replaces to the total of the estimated costs of all projects combined into the Multi-Driver Project.

16. The resulting cost assigned to each driver will then be charged to responsible customers in the same way that it would have been charged under a single driver project (i.e., the portion of a Multi-Driver Project attributed to the reliability driver would be allocated 50 percent annually on a load-ratio share, and 50 percent assigned in accordance with the distribution factor (DFAX) analysis;<sup>28</sup> the portion of a Multi-Driver Project attributed to the economic driver would be allocated 50 percent on a load ratio share, and 50 percent to zones that experience a reduction in load energy payments over 15 years as a result of the project).<sup>29</sup>

17. For Incremental Multi-Driver Projects, the PJM Transmission Owners state that the initial apportionment of benefits undertaken by PJM will identify the costs of the single driver of the project before it was upgraded to accommodate one or more additional drivers, and only the incremental costs of the expansion or modification of the single driver project resulting in the Incremental Multi-Driver Projects will be assigned to the beneficiaries of the additional driver or drivers.<sup>30</sup> Specifically, Section 12(b)(xiv)(B) of the proposed revisions provides:

The Transmission Provider shall assign cost responsibility for Incremental Multi-Driver Projects as defined in Section 1.15B of Schedule 6 of the Operating Agreement using the same methodology

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<sup>28</sup> Tariff, Schedule 12, Section (b)(i)(A).

<sup>29</sup> Tariff, Schedule 12, Section (b)(v).

<sup>30</sup> PJM Transmission Owners Filing at 3.

described in Section (b)(xiv)(A)(1) treating the estimated cost of modifying the original project as if it were the estimated cost of a separate project included in a Proportional Multi-Driver Project. Any costs that had been expended on the original project prior to its designation by Transmission Provider as an Incremental Multi-

Driver Project shall be included in the calculation of the Incremental Multi-Driver Project pursuant to this Section (b)(xiv)(B).

18. The PJM Transmission Owners state that once a Proportional or Incremental Multi-Driver Project is approved by the PJM Board, the percentage contributions of each driver will not be changed unless the PJM Board subsequently approves an upgrade or modification to the project.<sup>31</sup>

### **B. Boosted Projects**

19. The PJM Transmission Owners propose to change the current Tariff allocation when a Proportional or an Incremental Multi-Driver Project contains a State Agreement Approach driver and that Multi-Driver Project would not qualify for the region-wide cost allocation but for that public policy component driver being combined with another proposed driver to form a Proportional Multi-Driver Project, or added to an existing single-driver solution, as with an Incremental Multi-Driver Project (Boosted Projects). Under this proposal, instead of assigning 50 percent of the costs of the non-public policy component based on a load-ratio share basis, 20 percent of those costs will be assigned on a load-ratio share basis; and instead of assigning 50 percent of the costs of the non-public policy component based on the DFAX methodology, 80 percent of those costs of the non-public policy component will be assigned based on the DFAX methodology. Specifically, proposed Tariff Section 12(b)(xiv)(D) provides:

Notwithstanding the cost assignments that would otherwise be provided for in section (b) (xiv)(C) of this Schedule 12, if a Multi-Driver Project includes a public policy driver that is a result of the State Agreement Approach provided for in this Schedule 6, Section 1.5.9 of the Operating Agreement and is a Regional Facility as defined in Section (b)(i) of this Schedule 12 and such Multi-Driver Project would not be a regional Facility but for the inclusion of the public policy driver, then the percentages of costs of such Multi-Driver Project assigned to the non-public policy drivers in

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<sup>31</sup> PJM Transmission Owners Filing at 5.

accordance with the procedures set forth in in (sic) Section (b)(i)(A)(1) (load ratio share allocation) shall be 20 percent (20%) and the percentage of costs assigned to the non-public policy drivers of the Multi-Driver Project in accordance with Section (b)(i)(A)(2) (DFAX allocation) shall be eighty percent (80%), and not the fifty percent (50%) cost responsibility percentages provided for in Section (b)(i)(A)(1) (load ratio share allocation) and Section (b)(i)(A)(2) (DFAX allocation).

20. The costs of the public policy component of initiatives identified through the State Agreement Approach will continue to be assigned in accordance with the State Agreement Approach.

21. The PJM Transmission Owners state that the cost allocation for Boosted Projects is a compromise proposal presented to the PJM Transmission Owners by the Organization of PJM States, Inc. (OPSI). The PJM Transmission Owners state the inclusion of the proposed cost allocation for Boosted Projects gives recognition to the regional benefits resulting from converting a Lower Voltage Facility to a Regional Facility. The PJM Transmission Owners maintain that the proposed cost allocation for Boosted Projects is consistent with the six principles for regional cost allocation set forth in Order No. 1000.<sup>32</sup>

22. The PJM Transmission Owners state that, pursuant to Order No. 1000 Cost Allocation Principle No. 1, the cost of the transmission facilities must be allocated to those in the transmission planning region that benefit from the facilities in a manner that is at least commensurate with estimated benefits.<sup>33</sup> The PJM Transmission Owners state that the cost allocation will be the same as the cost allocation that the Commission found to be in compliance with the Order No. 1000 principles with one exception. The PJM Transmission Owners state that the one exception changes the allocation for Regional Facilities if the Multi-Driver Project is classified as a Regional Facility due to the addition of an initiative identified through the State Agreement Approach. In recognition that Regional Facilities provide other present and future benefits to a broader range of load, the PJM Transmission Owners state that some additional allocation to the additional drivers is justified.

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<sup>32</sup> PJM Transmission Owners September 12, 2014 Filing at 7.

<sup>33</sup> *Id.* at 8 (citing Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 622).

23. The PJM Transmission Owners state that, pursuant to Order No. 1000 Cost Allocation Principle No. 2, those that receive no benefit from transmission facilities, either at present or in a likely future scenario, must not be involuntarily allocated the costs of those facilities.<sup>34</sup> The PJM Transmission Owners state that the limited exception complies with this principle because there is no allocation to those that receive no benefit, for the same reasons as explained in the filing for the current allocation of costs of region-wide transmission facilities that was approved by the Commission.

24. The PJM Transmission Owners state that, pursuant to Order No. 1000 Cost Allocation Principle No. 3, if a benefit to cost threshold is used to determine which transmission facilities have sufficient net benefits to be selected in a regional transmission plan for the purpose of cost allocation, it must not be so high that transmission facilities with significant positive net benefits are excluded from cost allocation.<sup>35</sup> The PJM Transmission Owners state that there is no change in the benefit-cost threshold from what was approved by the Commission for the existing Tariff provisions.

25. The PJM Transmission Owners state, that pursuant to Order No. 1000 Cost Allocation Principle No. 4, the allocation method for the cost of a transmission facility selected in a regional transmission plan must allocate costs solely within that transmission planning region unless another entity outside the region or another transmission planning region voluntarily agrees to assume a portion of those costs.<sup>36</sup> The PJM Transmission Owners state that there is no involuntary allocation outside of the planning region.

26. The PJM Transmission Owners state that, pursuant to Order No. 1000 Cost Allocation Principle No. 5, the cost allocation method and data requirements for determining benefits and identifying beneficiaries for a transmission facility must be transparent with adequate documentation to allow a stakeholder to determine how they were applied to a proposed transmission facility.<sup>37</sup> The PJM Transmission Owners state that the cost allocation method and data requirements are transparent.

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<sup>34</sup> *Id.* at 8 (citing Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 637).

<sup>35</sup> *Id.* (citing Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 646).

<sup>36</sup> *Id.* (citing Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 657).

<sup>37</sup> *Id.* at 9 (citing Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 688).

27. The PJM Transmission Owners state that, consistent with Order No. 1000 Cost Allocation Principle No. 6, a transmission planning region may choose to use a different cost allocation method for different types of transmission facilities in the regional transmission plan, such as transmission facilities needed for reliability, congestion relief, or to achieve Public Policy Requirements. The PJM Transmission Owners contend that each such allocation method must be set out clearly and explained in detail in the compliance filing for this rule.<sup>38</sup> The PJM Transmission Owners state that Principle No. 6 allows use of a different cost allocation for different types of transmission facilities in the RTEP. The PJM Transmission Owners contend that this is specifically the case for Multi-Driver Projects that include Boosted Projects.<sup>39</sup> Thus, the PJM Transmission Owners contend that the cost allocation for Multi-Driver Projects, as well as the limited exception for Boosted Projects, complies with Principle No. 6.

#### **IV. Notice and Responsive Pleading**

28. Notices of the filings were published in the *Federal Register*, 79 Fed. Reg. 56,351 (2014), with interventions and protests due by October 3, 2014.

29. Notices of intervention were filed by the Delaware Public Service Commission, Maryland Public Service Commission, Illinois Commerce Commission, Public Utilities Commission of Ohio (Ohio Commission), and Pennsylvania Public Utility Commission.

30. Timely motions to intervene were filed by Exelon Corporation, LSP Transmission Holdings, LLC (LSP Transmission), American Electric Power Service Company, PJM Industrial Customer Coalition, PSEG Companies (PSEG), FirstEnergy Service Corporation, NRG Companies, OPSI, American Municipal Power, Inc., Dominion Resources Services, Inc., American Wind Energy Association, Rockland Electric Company, Atlantic Grid Holding LLC, Old Dominion Electric Cooperative, Consolidated Edison Company of New York, Inc. (Con Edison), NextEra Energy Transmission, LLC, North Carolina Electric Membership Corporation, E.ON Climate & Renewables North America LLC, Duke Energy Corporation, Hudson Transmission Partners, LLC, Sustainable FERC Project and National Resource Defense Council (in Docket ER14-2867-000 only). Late-filed motions to intervene were filed by The Dayton Power and Light Company (Dayton), PPL Electric Utilities Corporation (PPL), and Duquesne Light Company (Duquesne).

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<sup>38</sup> *Id.* (citing Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 685).

<sup>39</sup> *Id.*, citing Attachment C of the PJM Transmission Owners' September 12, 2014, unnumbered page 4 (third "WHEREAS" clause).

31. Comments in support of the filing were submitted by OPSI. Protests and comments in opposition of the filing were submitted by the Ohio Commission, LSP Transmission, and Con Edison. Answers were filed by PJM, PSEG, and LSP Transmission.

## **V. Deficiency Letter**

32. On November 7, 2014, the Commission informed both PJM and the PJM Transmission Owners that their filings were deficient (November 7, 2014 Deficiency Letter) and requested additional information. The Commission requested additional information related to: (1) the proposals' consistency with the Commission-approved regional transmission planning process; (2) the selection of a Multi-Driver Project; (3) the selection of a designated entity; (4) the process for evaluation and re-evaluation of Multi-Driver Projects; and (5) cost allocation for Proportional Multi-Driver and Boosted Projects.

## **VI. Notice of Supplemental Filing and Responsive Pleading**

33. On December 23, 2014,<sup>40</sup> PJM and the PJM Transmission Owners filed a joint response to the November 7, 2014 Deficiency Letter (December 23, 2014 Joint Response).

34. Notice of the December 23, 2014 Joint Response was published in the *Federal Register*, 80 Fed. Reg. 214-215 (2015), with interventions and protests due by January 13, 2015. PSEG filed a protest in response to the December 23, 2014 Joint Response, and OPSI filed an answer.

## **VII. Discussion**

### **A. Procedural Issues**

35. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2014), the notices of intervention and timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding. Given the early stage of this proceeding and the absence of undue prejudice or delay, we grant the unopposed late-filed motions to intervene of Dayton, PPL and Duquesne and the out-of-time protest submitted by PSEG Companies.

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<sup>40</sup> On December 2, 2014, the Commission granted an extension of time to allow the PJM Transmission Owners to coordinate a response.

36. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2014), prohibits an answer to a protest and/or answer unless otherwise ordered by the decisional authority. We will accept the answers filed by PJM, PSEG Companies, LSP Transmission and OPSI because they have provided information that assisted us in our decision-making process.

### **B. Multi-Driver Proposals**

37. PSEG states that the Multi-Driver Project proposals are unjust, unreasonable and unlawful modifications to PJM's existing regional transmission planning process and requests that the Commission summarily dismiss the PJM and PJM Transmission Owner filings.<sup>41</sup> PSEG argues that Order No. 1000 does not require the adoption of the Multi-Driver Project approach and, nonetheless, PJM has continued to push for its adoption despite significant issues raised regarding potential inconsistencies with Order No. 1000 and the anticipated burden that the new approach imposed on PJM stakeholders with the addition of an additional layer complexity.<sup>42</sup> In answer to the protests, PSEG contends that the protests of the Ohio Commission and LSP Transmission raise significant concerns that were not vetted through the PJM stakeholder process and support its request.<sup>43</sup>

38. In response to PSEG, OPSI asserts that, while the Commission has held that inclusion of a Multi-Driver Project planning procedure in RTO initial responses to the Order No. 1000 transmission planning mandates is not required, the Commission has encouraged the development of such procedures.<sup>44</sup> OPSI notes that in an approximately two year stakeholder process, PJM presented data setting forth the expected and extensive cost savings that could be achieved from the development and implementation of a procedure for evaluating and approving Multi-Driver Projects within the RTEP process.<sup>45</sup> Further, OPSI argues that the efforts of a transmission developer who may benefit from delay or rejection in the implementation of such a procedure in favor of

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<sup>41</sup> PSEG Protest at 2-3.

<sup>42</sup> *Id.* at 5.

<sup>43</sup> PSEG Answer at 6.

<sup>44</sup> OPSI's January 29, 2015 Answer at 3-4 (citing to PJM's September 12, 2014 filing at 2, note 7, and *PJM Interconnection, L.L.C.*, 142 FERC ¶ 61,214 at PP 105 and 119).

<sup>45</sup> *Id.* at 4.

more costly exclusive reliance on single line transmission development should be rejected.<sup>46</sup>

39. As discussed below addressing the concerns raised in the protests and comments, we accept the PJM and PJM Transmission Owners Multi-Driver Project proposals to be effective November 12, 2014, subject to conditions.

**1. Determination of Designated Entity**

**a. Protests**

40. LSP Transmission states it is concerned that the proposed revisions, when combined with PJM's Order No. 1000 regional planning process, have the potential to exclude a significant number of Multi-Driver Projects from competitive solicitation.<sup>47</sup> LSP Transmission notes that several provisions in section 1.5.8 of the Operating Agreement allow PJM to develop its own project and assign that project to the incumbent transmission owner. For instance, LSP Transmission argues that projects identified as Immediate-need Reliability Projects or Transmission Owner Upgrades, which do not go through the competitive process, should not be eligible to become Incremental Multi-Driver Projects.<sup>48</sup>

41. Similarly, LSP Transmission states that, unless PJM clarifies how the Multi-Driver Project process works with section 1.5.8(g) and (h) of the Operating Agreement, PJM may assign every Proportional Multi-Driver Project to incumbent transmission owners. LSP Transmission notes that those sections of the Operating Agreement allow PJM to determine that no project submitted by a nonincumbent transmission developer is more efficient and cost-effective, develop its own project, and assign that project to the incumbent transmission owner. Thus, LSP Transmission argues that, under the proportional method, PJM could determine that none of the proposed projects submitted by nonincumbents are more efficient or cost-effective than the PJM developed project and then designate the Proportional Multi-Driver Project to the incumbent transmission owner. LSP Transmission requests that the Commission require PJM to revise its Multi-Driver Project proposal to clarify and ensure that all Multi-Driver Projects are designated

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<sup>46</sup> *Id.*

<sup>47</sup> LSP Transmission Protest at 1.

<sup>48</sup> *Id.* at 4-5.

for construction through a competitive proposal window in which the Designated Entity is selected through competition.<sup>49</sup>

**b. Answers**

42. PJM argues that LSP Transmission uses its filing as an opportunity to reargue its objection to the Commission-accepted time-based exceptions to PJM's Order No. 1000 competitive solicitation process.<sup>50</sup> PJM reasserts that such time-based exceptions permit PJM to designate an RTEP project under certain limited instances to an incumbent transmission owner in the zone in which the transmission facilities are located.<sup>51</sup> Further, PJM argues that LSP Transmission has offered no good reason why PJM's Commission-accepted Order No. 1000 competitive selection process and its exceptions should not apply to Multi-Driver Projects.<sup>52</sup>

43. In its answer, LSP Transmission argues that it is not rearguing the time-based exceptions to PJM's Order No. 1000 competitive solicitation process, but that PJM is using the Multi-Driver Project proposal to expand the exceptions.<sup>53</sup> LSP Transmission also contends that PJM has not adequately explained how it will assign the Proportional Multi-Driver Projects.<sup>54</sup>

**c. December 23, 2014 Joint Response**

44. PJM and the PJM Transmission Owners assert that the Multi-Driver Proposal is intended to utilize, not modify, the underlying Commission-accepted regional transmission planning process.<sup>55</sup> PJM and the PJM Transmission Owners state that the purpose of the Multi-Driver Proposal is to permit PJM to consider projects that meet more than one driver in determining the more efficient or cost-effective solutions to the

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<sup>49</sup> *Id.* at 7.

<sup>50</sup> PJM's October 20, 2014 Answer at 2.

<sup>51</sup> *Id.*

<sup>52</sup> *Id.* at 4.

<sup>53</sup> LSP Transmission Answer at 2.

<sup>54</sup> *Id.* at 4.

<sup>55</sup> Joint Response at 2.

needs of the PJM Region.<sup>56</sup> PJM and the PJM Transmission Owners assert that the questions raised in the November 7, 2014 Deficiency Letter appear to presume that PJM will use a different selection process for Multi-Driver Projects than the process currently used for projects submitted through PJM's Order No. 1000 proposal window process.<sup>57</sup> Further, PJM and the PJM Transmission Owners contend that no separate process is intended.

45. In the December 23, 2014 Joint Response to the Commission's November 7, 2014 Deficiency Letter questions on how the Designated Entity would be determined, PJM and the PJM Transmission Owners state that "[b]oth incumbent transmission owners and nonincumbent transmission developers will be eligible to have the costs of Multi-Driver Projects allocated through the regional cost allocation methodologies set forth in Schedule 12 of the Tariff because Multi-Driver Projects will be selected for inclusion in the RTEP through PJM's regional transmission planning process."<sup>58</sup> PJM states that under its regional transmission planning process both incumbent and nonincumbent transmission developers may submit Multi-Driver Projects during the proposal windows established by section 1.5.8(c). To be considered as a Designated Entity for a Multi-Driver Project, the proposing entity must pre-qualify as eligible to be a Designated Entity consistent with section 1.5.8(a) (discussing general pre-qualification criteria for Designated Entities). PJM states that a Multi-Driver Project proposal may be selected pursuant to the Commission-approved competitive process set forth in sections 1.5.8 and 1.5.9, as well as proposed section 1.5.10.<sup>59</sup>

46. PJM contends that through these processes, PJM will, with stakeholder input, determine whether a proposed transmission project that qualifies as a Multi-Driver Project is a more efficient or cost-effective solution to PJM's transmission system needs. Specifically, PJM states that it will review all proposals submitted during a proposal window and determine and present to the TEAC the proposals that merit further consideration for selection in the RTEP. In making that determination, PJM will decide whether a transmission project proposal either individually or in combination with other transmission project proposals submitted during the window should be selected in the RTEP using the criteria set forth in section 1.5.8(e) (the criteria for considering inclusion

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<sup>56</sup> *Id.*

<sup>57</sup> *Id.* at 5.

<sup>58</sup> December 23, 2014 Joint Response at 10.

<sup>59</sup> December 23, 2014 Joint Response at 11 (citing PJM Operating Agreement, Schedule 6, section 1.5.8, 1.5.9, and 1.5.10).

of a project in the recommended plan). Using the criteria set forth in section 1.5.8(e), PJM states that it may determine that an additional proposal is the more efficient or cost-effective solution. For the proposer to be the Designated Entity, it must satisfy the criteria set forth in section 1.5.8(f) (entity-specific criteria considered in determining the designated entity for a project). Based on that evaluation, PJM will review the proposal in the context of the TEAC and provide opportunity for comment consistent with section 1.5.8(d) (posting and review of projects) before recommending it to the PJM Board for approval. However, any proposals addressing a Public Policy Requirement also must satisfy the requirements set forth in section 1.5.9 under the State Agreement Approach, as well as sections 1.5.10(b), (c) and (d).

47. PJM maintains that based on the processes in sections 1.5.8 and 1.5.9 of the Operating Agreement, which the Commission already has accepted as consistent with the principles of Order No. 1000, Designated Entities associated with Multi-Driver Projects (both incumbent or nonincumbent transmission developers) will be eligible to have the costs of their Multi-Driver Projects allocated through the regional cost allocation methods set forth in Schedule 12.

**d. Commission Determination**

48. As an initial matter, we note that PJM, with limited exceptions for the State Agreement Approach, will use the Order No. 1000-compliant competitive process set forth in section 1.5.8 of the Operating Agreement to identify, select and designate Multi-Driver Projects. We disagree with LSP Transmission that the exceptions approved in PJM's Order No. 1000 compliance process for upgrades and Immediate-need Reliability Projects should not apply to Multi-Driver Projects for the same reasons that the Commission found in the Order No. 1000 compliance orders.<sup>60</sup>

49. In addition, we note that the December 23, 2014 Joint Response addressed LSP Transmission's concerns regarding PJM combining separate projects to select a Proportional Multi-Driver Project. Specifically, in the December 23, 2014 Joint Response, PJM and the PJM Transmission Owners state that "if the more efficient or cost-effective solution would be to combine two separately proposed projects, those projects could be combined; and if discrete elements of the combined project could be designated to the respective proposers, PJM intends to do so."<sup>61</sup> However, there is no language in PJM's Tariff explaining how PJM will determine whether and how "discrete elements of the combined project could be designated to the respective proposers." For

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<sup>60</sup> *PJM Interconnection, L.L.C.*, 147 FERC ¶ 61,128 at PP 146, 164-167.

<sup>61</sup> December 23, 2014 Joint Response at 3-4.

instance, section 1.5.8(f) of PJM's Tariff provides the criteria PJM will use to determine the designated entity for a selected transmission project, but the criteria focus on the potential transmission developer rather than on whether and how PJM may divide a Multi-Driver Project between transmission developers.<sup>62</sup> We acknowledge that PJM may need discretion to make this determination on a case-by-case basis, but believe that providing the criteria in advance will promote transparency and reduce the likelihood of disputes. Thus, on compliance, we require PJM to revise its Tariff to include the criteria it will use to determine whether and how to divide, between transmission developers, a Multi-Driver Project that combines two or more proposed transmission projects and two or more transmission developers.

## **2. Cost Allocation of Incremental Multi-Driver Projects**

### **a. Protest**

50. PSEG argues that the proposed cost allocation for Incremental Projects is unlikely to properly allocate costs to project beneficiaries because it is structured so that the Incremental Project beneficiaries are likely to free-ride at the expense of those parties that are responsible for funding the original project.<sup>63</sup> PSEG maintains that such an outcome is inconsistent with Order No. 1000 Cost Allocation Principle No. 1 because the proposed allocation for Incremental Projects does not assign projects costs commensurate with benefits.

51. PSEG gives the following example involving an upgrade of a single 345 kV project to a double circuit project. PSEG states that the original project costs would already have included securing rights-of-way and modification of interconnection facilities to construct the single 345 kV project. Given that the incremental driver only involves stringing another line between endpoints, the incremental driver costs are relatively minor given that the major costs (securing rights-of-way and modification of interconnection facilities) have already been borne by the original driver. PSEG states that, under this scenario, the incremental driver is getting the benefit of one half of the new capacity for less than one half of the project cost. Under PJM's proposal, Incremental Project beneficiaries would be free-riding at the expense of those parties that are responsible for funding the original project.

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<sup>62</sup> For example, PJM must consider the potential transmission developer's technical and engineering experience relative to the selected transmission project. Operating Agreement, Schedule 6, Section 1.5.8(f)(iii)(1).

<sup>63</sup> PSEG Protest at 7-8.

**b. Answer**

52. OPSI argues that PJM has fully supported as just and reasonable its proposed cost allocation for Incremental Multi-Driver Projects.<sup>64</sup> OPSI argues that PJM's proposed cost allocation for Incremental Projects appropriately reflects the circumstances that lead to the development of Incremental Multi-Driver Projects, which, as OPSI notes, is the achievement of cost reduction and efficiencies by enhancing an initial single-driver project by adding additional objectives and capacity to it.<sup>65</sup>

**c. Commission Determination**

53. We find the proposed apportionment of costs for Incremental Multi-Driver Projects to be just and reasonable. As previously noted, PJM states that the initial apportionment of benefits will identify the percentage of the Multi-Driver Project to accommodate one or more additional drivers, and that only the incremental portion(s) of the expansion or modification of the single-driver project resulting in the Multi-Driver Project will be assigned to the additional driver(s). The costs for the original projects will be allocated consistent with the Tariff and, as discussed below, unless the incremental driver is included pursuant to the proposed allocation of costs for Boosted Projects, the incremental driver does not change the existing allocation methodology.

54. The incremental driver proposal is not unjust and unreasonable because PJM does not attempt to determine costs savings from combining the projects and then allocate those costs proportionally, as PSEG argues. First, in the December 23, 2014 Joint Response, PJM only proposes to add an incremental driver to an existing project when adding it will not involve a major change to the existing project. PJM explains that when a major change occurs, it will restudy both projects under the proportional allocation approach under which both projects will benefit from the cost savings of combining them.<sup>66</sup>

55. Second, as part of its planning process for non-major changes to existing transmission projects, PJM will not necessarily calculate costs savings from adding the incremental driver to the original project. The initial allocation of costs for the original project will be identified by PJM before the project has been expanded or enhanced. In the event that PJM determines that adding an incremental driver would be an efficient or

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<sup>64</sup> OPSI's January 29, 2015 Answer at 8-9.

<sup>65</sup> *Id.* at 9.

<sup>66</sup> December 23, 2014 Joint Response at 14-15.

cost-effective solution, then the original project will remain in place and will be modified as necessary to accommodate the changes. PJM has not analyzed the costs of a separate project for the incremental driver. Thus, for the incremental driver that does not require a major change to the existing RTEP project, PJM does not separately identify the cost-savings associated with adding the incremental driver to an existing project such that it could determine how much of the costs of the existing project should be shared with the incremental driver.

56. Third, the Tariff filing does envision cost savings that may accrue to the existing project. Schedule 12, section (b)(xiv)(B) states: “Any costs that had been expended on the original project prior its designation by Transmission Provider as an Incremental Multi-Driver Project shall be included in the calculation of the Incremental Multi-Driver Project pursuant to this Section (b)(xiv)(B).”<sup>67</sup> To the extent that the costs already have been expended on the existing project, some of these costs may be allocated to the incremental driver to the extent that the expended costs benefit that project.

57. In addition, in the December 23, 2014 Joint Response, PJM and the PJM Transmission Owners state that, in response to a proposal window for newly posted needs, a Designated Entity of a transmission project already selected in the RTEP may propose to expand or add to the transmission project to meet the additional drivers. PJM also states that, in the event PJM determines that such a proposal would be the more efficient or cost-effective solution, the previously selected transmission project would be converted to a Multi-Driver Project and the proposer would be the Designated Entity for the newly created Multi-Driver Project.<sup>68</sup> However, there are no clear provisions in the Tariff to address this scenario. In addition, PJM does not address, and the Tariff does not state, whether a Designated Entity may make a similar proposal to combine two or more of its own transmission projects that PJM previously selected in the RTEP to create a new Multi-Driver Project in a future window. Therefore, we direct PJM to revise its Tariff to clarify this aspect of the proposal.

58. Further, in the December 23, 2014 Joint Response, PJM and the PJM Transmission Owners state that, in a proposal window, entities may propose transmission projects that could address one or more transmission system needs or drivers (e.g., reliability, market efficiency, or public policy). It states that a single entity may individually or in concert with another entity propose such projects, but that entities will

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<sup>67</sup> PJM Interconnection, L.L.C., Intra-PJM Tariffs, Schedule 12, OATT Schedule 12 (6.1.0), § (b)(xiv)(B).

<sup>68</sup> December 23, 2014 Joint Response at 14.

not be able to propose additions to other proposals to form a Multi-Driver Project once a window is closed.<sup>69</sup> However, there are no provisions in the Tariff to clearly address this scenario. For example, the Operating Agreement states that the PJM Office of Interconnection shall develop a Multi-Driver Project by combining separate solutions or expanding or enhancing a single driver solution,<sup>70</sup> but there is no provision to explain that incumbent transmission owners or nonincumbent transmission developers can propose a Multi-Driver Project during a proposal window,<sup>71</sup> or whether such proposals can or cannot be based on previous proposals or on transmission projects already selected in the RTEP. Therefore, we direct PJM to revise its Tariff to clarify this aspect of the proposal.

### **3. Cost Allocation for Boosted Projects**

#### **a. Protests**

59. The Ohio Commission and PSEG object to the percentage of costs to be allocated to the non-public policy component of a boosted Multi-Driver Project.<sup>72</sup> Specifically, the Ohio Commission and PSEG contend that the State Agreement Approach provides for the voluntary allocation of costs of state public policy projects. The Ohio Commission and PSEG argue that, because the proposed allocation of costs of boosted Multi-Driver Projects places an affirmative obligation on a state to pay costs associated with another state's public policy project, the proposal is inconsistent with the State Agreement Approach.<sup>73</sup> The Ohio Commission and PSEG also contend that the proposed allocation

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<sup>69</sup> December 23, 2014 Joint Response at 15.

<sup>70</sup> Operating Agreement, Schedule 6, section 1.5.10(h).

<sup>71</sup> PJM does propose revisions stating that when a "proposal" meets the definition of a Multi-Driver Project, the Office of Interconnection shall designate the Designated Entity for the project under the existing procedures in the Tariff. Operating Agreement, Schedule 6, section 1.5.10(a). However, the Tariff does not have a similar provision to make clear that an incumbent transmission owner or nonincumbent transmission developer (and not just the PJM Office of Interconnection) can propose a Multi-Driver Project under the existing provisions of the Tariff.

<sup>72</sup> Boosted Projects are created when a Proportional or an Incremental Multi-Driver Project contains a State Agreement Approach driver and that Multi-Driver Project would not qualify for the region-wide cost allocation but for that public policy component driver being combined with another proposed driver to form the Multi-Driver Project.

<sup>73</sup> Ohio Commission Comments at 8; PSEG Protest at 9.

of costs of boosted Multi-Driver Projects is inconsistent with cost allocation principles because it allows the cost to be spread to states that will not benefit from the public policy project.<sup>74</sup> Ohio Commission requests that the Commission amend the PJM Tariff and Operating Agreement to indicate that Regional Facilities that are triggered as a result of a Public Policy Project will continue to be allocated as Local Facilities, consistent with the current State Agreement Approach.<sup>75</sup> The Ohio Commission argues that this amendment will ensure that states that do not benefit from Public Policy Projects are not involuntarily assessed costs for them.<sup>76</sup>

60. In addition, PSEG argues that the proposed cost allocation for Boosted Projects violates Order No. 1000 Cost Allocation Principles 1 and 2 because it will foist costs wholly attributable and beneficial to the sponsors of Public Policy components on parties that are funding the original reliability projects involuntarily.<sup>77</sup> Further, PSEG argues that the cost allocation for boosted projects is a violation of the filed-rate doctrine in that they are inconsistent with PJM's State Agreement Approach "i.e., that there would be no involuntary socialization of public policy costs."<sup>78</sup>

**b. Answers**

61. OPSI argues that PSEG's assertion that the proposed cost allocation for Boosted Projects improperly imposes costs upon states who are not participants in the Project's State Agreement allocation is not correct.<sup>79</sup> OPSI asserts that only states that have agreed to bear public policy costs will have such costs allocated to them.<sup>80</sup> OPSI asserts that the proposed cost allocation would not have the inequitable effect that PSEG is concerned about and that it strikes the correct balance and obtains compliance with both Principle

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<sup>74</sup> Ohio Commission Comments at 7-8; PSEG Protest at 12-13.

<sup>75</sup> Ohio Commission Comments at 8-9.

<sup>76</sup> *Id.* at 9.

<sup>77</sup> PSEG Protest at 10.

<sup>78</sup> *Id.* at 9 (citing *Ark. La. Gas Co. v. Hall*, 453 U.S. 572, 577 (1981); *AT&T v. Central Office Telephone, Inc.*, 524 U.S. 214, 222 (1998)).

<sup>79</sup> OPSI's January 29, 2015 Answer at 7.

<sup>80</sup> *Id.* at 5.

No. 1 and Principle No. 2 of Order No. 1000.<sup>81</sup> Further, in response to PSEG's claims, OPSI argues that, since Load Serving Entities in the states sponsoring the public policy component of the Multi-Driver Project are also likely to be identified as beneficiaries using the solution-based DFAX approach as applied to the non-public policy costs of the Multi-Driver Project, costs will be equitably allocated.<sup>82</sup>

**c. Commission Determination**

62. We find the proposal to allocate the costs of boosted Multi-Driver Projects as 20 percent of the non-public policy component based on a load-ratio share basis and 80 percent of the cost of the non-public policy component assigned based on the DFAX methodology to be just and reasonable.

63. The PJM Transmission Owners and OPSI contend that it is appropriate to allocate some portion of the non-public policy portion on a load-ratio basis because the project will provide present and future benefits to a broader range of load. PSEG, however, maintains that allocation of costs for Boosted Projects violates the State Agreement Approach. We find that the proposal does not violate the State Agreement Approach set forth in the Tariff. All costs for the public policy component of initiatives identified under the State Agreement Approach are allocated to the states that agreed to be responsible. The Multi-Driver Proposal does not change this allocation because one-hundred percent of the public policy component costs of the Multi-Driver Project would still be allocated to the states that agreed to be responsible. The State Agreement Approach itself does not address how the costs of the non-public policy component of a Boosted Project will be allocated.

64. Under the proposal, if the result of combining an initiative identified under the State Agreement Approach with a reliability or economic project changes the overall project from a Lower Voltage Facilities project to a Regional Facilities project,<sup>83</sup> PJM will allocate the cost of the reliability or economic component of the project 20 percent on a load-ratio share basis and 80 percent on the DFAX methodology (for reliability projects) or 80 percent reductions in load energy payments (for economic projects). The proposed cost allocation for Boosted Projects represents a broad consensus between PJM

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<sup>81</sup> *Id.* at 6.

<sup>82</sup> *Id.*

<sup>83</sup> For example, the result of combining an initiative identified under the State Agreement Approach may include double-circuit 345 kV transmission facilities or single circuit transmission facilities that operate at 500 kV or above.

Transmission Owners and state commission members of OPSI. We find this allocation is consistent with recognition of the regional benefits that accrue to all members of the PJM transmission system from Regional Facilities Projects,<sup>84</sup> while at the same time recognizing that the State Agreement Approach component caused the project to meet the criteria for Regional Facilities allocation. The proposed allocation provides a reasonable balance between recognizing the region-wide benefits now realized by the Multi-Driver Project and the Tariff allocation of costs for initiatives identified under the State Agreement Approach.

65. PSEG contends that, because the proposed revisions are inconsistent with the State Agreement Approach, the Multi-Driver Proposal violates the filed-rate doctrine. As previously discussed, we do not find that the Multi-Driver Project proposal is inconsistent with the State Agreement Approach. Moreover, PJM has proposed revised Tariff provisions and these provisions only apply prospectively, so the filed-rate doctrine is not implicated.

#### **4. Clarification of the Scope of Multi-Driver Projects**

66. PJM proposes to define a Multi-Driver Project as “a transmission enhancement or expansion that addresses more than one of the following: reliability violations, economic constraints or Public Policy Requirements.” This definition might be read to include reliability or economic transmission projects that also address Public Policy Requirements for which PJM planned during the assumptions stage of the RTEP process. Such an interpretation would conflict with PJM’s Order No. 1000 compliance filing and we require PJM to clarify this definition.

67. Order No. 1000 required public utility transmission providers to amend their OATTs to describe procedures to provide for the consideration of transmission needs driven by Public Policy Requirements in the local and regional transmission planning processes.<sup>85</sup> In addition, Order No. 1000 does not preclude any public utility transmission provider from considering in its transmission planning process transmission needs driven by additional public policy objectives not specifically required by local, state or federal laws or regulations.

68. In the PJM Order No. 1000 Compliance Order, the Commission found that PJM’s proposal to expand its transmission planning process to include consideration of “Public

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<sup>84</sup> *PJM Interconnection, L.L.C.*, 142 FERC ¶ 61,214 at P 413.

<sup>85</sup> *Id.* P 203.

Policy Requirements”<sup>86</sup> and “Public Policy Objectives”<sup>87</sup> in its sensitivity studies, modeling assumption variations, and scenario planning analyses was consistent with Order No. 1000.<sup>88</sup> The Commission found that PJM complied with Order No. 1000 because, among other things, PJM “adequately plans for public policy requirements in its RTEP process and will include general public policy project benefits *within the confines of the reliability or economic cost allocation method.*”<sup>89</sup> The Commission also found that, “PJM’s State Agreement Approach supplements, *but does not conflict or otherwise replace* PJM’s process to consider transmission needs driven by public policy requirements as required by Order No. 1000 [...].”<sup>90</sup> We therefore accept the filing conditioned on PJM clarifying that its Multi-Driver Project proposal does not alter PJM’s existing Order No. 1000-compliant transmission planning and cost allocation for regional transmission planning projects that address transmission needs driven public policy requirements and public policy objectives through reliability and economic planning and cost allocation methods.

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<sup>86</sup> PJM’s Operating Agreement, 1.38B defines these as “policies pursued by: (a) state or *federal entities*, where such policies are reflected in duly enacted statutes or regulations, including, but not limited to, state renewable portfolio standards and requirements under Environmental Protection Agency regulations; and (b) local governmental entities such as municipal or county government, where such policies are reflected in duly enacted laws or regulations passed by the local government entity.” (emphasis added).

<sup>87</sup> PJM’s Operating Agreement, 1.38A defines these as including “Public Policy Requirements, as well as public policy initiatives of state or federal entities that have not been codified into law or regulation but which nonetheless may have important impacts.

<sup>88</sup> *PJM Interconnection, L.L.C.*, 142 FERC ¶ 61,214 at P 111 (citing October 25 Filing, Docket No. ER13-198-000, at 37-40. The Commission explained that “[b]y incorporating public policy requirements and initiatives at the assumptions stage of the RTEP process and as part of its enhancement and expansion studies, PJM considers how public policy requirements and initiatives contribute to transmission system needs. From this set of transmission system needs, which reflects PJM’s consideration of public policy requirements and initiatives, PJM evaluates potential solutions and selects ‘*the optimal reliability and market efficiency projects*’ for an identified transmission need).”

<sup>89</sup> *PJM Interconnection, L.L.C.*, 142 FERC ¶ 61,214 at P 444 (emphasis added).

<sup>90</sup> *PJM Interconnection, L.L.C.*, 142 FERC ¶ 61,214 at P 114 (emphasis added).

69. Specifically, we require PJM to revise the definition of Multi-Driver Project to state “Multi-Driver Project shall mean a transmission enhancement or expansion that addresses more than one of the following: reliability violations, economic constraints or State Agreement Approach initiatives.”

**5. Con Edison Protest**

**a. Protest**

70. Con Edison states that while it does not object to PJM’s filing to create Multi-Driver Projects, it does object to the PJM Transmission Owners’ proposal to allocate the costs of certain Multi-Driver Projects using DFAX.<sup>91</sup> Con Edison notes that it has objected to the implementation of the DFAX methodology in other proceedings and that PJM has thus far failed to implement a critical section of its DFAX methodology.<sup>92</sup> Further, Con Edison asserts that the PJM Transmission Owners’ proposal that DFAX should be applied to Multi-Driver Projects should be rejected until PJM demonstrates that it is fully implementing the DFAX methodology as provided for in the PJM Tariff.<sup>93</sup>

**b. Answers**

71. PJM asserts that Con Edison’s challenge to PJM’s DFAX methodology is inappropriately raised in this proceeding.<sup>94</sup> PJM argues that Con Edison objects to the PJM Transmission Owners’ proposal to allocate the costs of certain Multi-Driver Projects using the DFAX methodology accepted by the Commission in Docket No. ER13-90-000 and that in two matters currently before the Commission Con Edison is challenging PJM’s application of its Tariff.<sup>95</sup> Further, PJM argues that Con Edison’s protest in this docket is inappropriate and should be disregarded as it is beyond the scope of this filing.

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<sup>91</sup> Con Edison Protest at 4.

<sup>92</sup> *Id.* at 4-5.

<sup>93</sup> *Id.* at 7.

<sup>94</sup> PJM Answer at 6.

<sup>95</sup> *Id.* PJM states that Con Edison’s argument is misplaced in this proceeding and Con Edison’s challenge of PJM’s DFAX cost allocation methodology should be referred back to Docket Nos. ER14-972-001 and ER14-1485-000.

**c. Determination**

72. Con Edison's concerns are at issue in other proceedings.<sup>96</sup> Specifically, Con Edison has contended that the Tariff provisions implementing the DFAX methodology requires PJM to review the cost allocations for specific projects. While certain of the costs of the Multi-Driver Proposal are to be allocated pursuant to the DFAX methodology, the DFAX methodology itself is not at issue in this proceeding. The concerns raised by Con Edison are beyond the scope of this filing.

The Commission orders:

(A) We accept the PJM and PJM Transmission Owners Multi-Driver Project Tariff revisions to be effective November 12, 2014, subject to conditions, as discussed in the body of this order.

(B) PJM is hereby directed to submit a compliance filing, within 30 days of this order, as discussed in the body of this order.

By the Commission.

( S E A L )

Nathaniel J. Davis, Sr.,  
Deputy Secretary.

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<sup>96</sup> See Docket Nos. ER14-972-001, ER14-1485-000, and EL15-18-000.