

151 FERC ¶ 61,172  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

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

PJM Interconnection, L.L.C.  
Potomac Electric Power Company

Docket No. ER15-1387-000

ORDER REJECTING PROPOSED TARIFF CHANGES

(Issued May 22, 2015)

1. On March 26, 2015, PJM Interconnection, L.L.C. (PJM), on behalf of the PJM Transmission Owners, filed, pursuant to section 205 of the Federal Power Act (FPA),<sup>1</sup> proposed revisions to Schedule 12 of the PJM Open Access Transmission Tariff (PJM Tariff),<sup>2</sup> to change the cost allocation for reliability projects that are selected in the Regional Transmission Expansion Plan (RTEP) solely to address local transmission owner planning criteria. The PJM Transmission Owners request an effective date of May 25, 2015. As discussed below, we reject the PJM Transmission Owners' proposal.

**I. Background and Description of the Filing**

2. In developing the RTEP, PJM selects in its regional transmission plan for purposes of cost allocation reliability projects to address different criteria, including PJM planning procedures, North American Electric Reliability Corporation (NERC) Reliability Standards, Regional Entity reliability principles and standards,<sup>3</sup> and local transmission

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<sup>1</sup> 16 U.S.C. § 824e (2006).

<sup>2</sup> Capitalized terms used but not defined herein are intended to have the meaning given to such terms in the PJM Tariff.

<sup>3</sup> As established by ReliabilityFirst Corporation, Southeastern Electric Reliability Council, and other applicable Regional Entities. *See* PJM, Intra-PJM Tariffs, Operating Agreement, Schedule 6, §1.2(b) and §1.2(d) (Conformity with NERC and Other Applicable Reliability Criteria) (2.0.0).

owner planning criteria.<sup>4</sup> Types of reliability projects selected in the RTEP for purposes of cost allocation include Regional Facilities,<sup>5</sup> which as a general matter are AC facilities that are single-circuit 500 kV or double-circuit 345 kV and above, Necessary Lower Voltage Facilities,<sup>6</sup> and Lower Voltage Facilities.<sup>7</sup> In its order on the PJM Transmission Owners' proposed tariff revisions to comply with the regional cost allocation requirements of Order No. 1000,<sup>8</sup> the Commission approved a hybrid cost allocation method for reliability projects selected in the regional transmission plan for purposes of cost allocation.<sup>9</sup> As approved, one half of the costs of Regional Facilities or Necessary Lower Voltage Facilities are allocated on a postage-stamp load-ratio share basis and the

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<sup>4</sup> The local transmission owner planning criteria are filed with the Commission as part of FERC Form No. 715 and posted on the PJM website. PJM Transmission Owners Transmittal at 3. See PJM, Intra-PJM Tariffs, Operating Agreement, Schedule 6, §1.2(e) (Conformity with NERC and Other Applicable Reliability Criteria) (2.0.0).

<sup>5</sup> Regional Facilities are defined as Required Transmission Enhancements included in the Regional Transmission Expansion Plan that are transmission facilities that: (a) are AC facilities that operate at or above 500 kV; (b) are double-circuit AC facilities that operate at or above 345 kV; (c) are AC or DC shunt reactive resources connected to a facility from (a) or (b); or (d) are DC facilities that meet the necessary criteria as described in section (b)(i)(D). PJM, Intra-PJM Tariffs, OATT, Schedule 12, § (b)(i) (Regional Facilities and Necessary Lower Voltage Facilities) (6.1.0).

<sup>6</sup> Necessary Lower Voltage Facilities are defined as Required Transmission Enhancements included in the Regional Transmission Expansion Plan that are lower voltage facilities that must be constructed or reinforced to support new Regional Facilities. PJM, Intra-PJM Tariffs, OATT, Schedule 12, § (b)(i) (Regional Facilities and Necessary Lower Voltage Facilities) (6.1.0).

<sup>7</sup> Lower Voltage Facilities are defined as Required Transmission Enhancements that: (a) are not Regional Facilities; and (b) are not "Necessary Lower Voltage Facilities." PJM, Intra-PJM Tariffs, OATT, Schedule 12, § (b)(ii) (Lower Voltage Facilities) (6.1.0).

<sup>8</sup> *Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*, Order No. 1000, FERC Stats. & Regs. ¶ 31,323 (2011) (Order No. 1000), *order on reh'g*, Order No. 1000-A, 139 FERC ¶ 61,132, *order on reh'g and clarification*, Order No. 1000-B, 141 FERC ¶ 61,044 (2012), *aff'd sub nom. S.C. Pub. Serv. Auth. v. FERC*, 762 F.3d 41 (D.C. Cir. 2014).

<sup>9</sup> *PJM Interconnection, L.L.C.*, 142 FERC ¶ 61,214 (2013) (First Order No. 1000 Regional Compliance Order).

other half are allocated based on the solution-based distribution factor analysis (DFAX). All of the costs of Lower Voltage Facilities are allocated using solution-based DFAX.

3. In the First Order No. 1000 Regional Compliance Order, the Commission found that Regional Facilities and Necessary Lower Voltage Facilities have significant regional benefits that accrue to all members of the PJM transmission system. Specifically, the Commission found that the postage-stamp component of the regional cost allocation method captures the full spectrum of benefits associated with Regional Facilities and Necessary Lower Voltage Facilities, including difficult to quantify regional benefits, such as improved reliability, reduced congestion, reduced power losses, greater carrying capacity, reduced operating reserve requirements, and improved access to generation, while also accounting for changes in system use over the lifetime of Regional Facilities and Necessary Lower Voltage Facilities.<sup>10</sup> Furthermore, the Commission found that evenly apportioning the costs of Regional Facilities and Necessary Lower Voltage Facilities between the postage-stamp load-ratio share and the solution-based DFAX components of the hybrid regional cost allocation method reasonably recognizes the benefits provided to both the overall PJM region and specific users of Regional Facilities and Necessary Lower Voltage Facilities, and will result in costs being allocated in a manner that is at least roughly commensurate with benefits.<sup>11</sup>

4. In this proceeding, the PJM Transmission Owners propose to allocate the costs of RTEP projects that would not otherwise be included in the RTEP but for the fact that they address local transmission owner planning criteria to the transmission zone of the transmission owner that filed the criteria.<sup>12</sup> The PJM Transmission Owners state that the costs of most projects selected solely to address local transmission owner planning criteria are allocated almost exclusively to the local transmission zone. The PJM Transmission Owners explain that, historically, these projects are Lower Voltage Transmission Projects, the costs of which are allocated using solution-based DFAX, and that for 98 percent of the 303 projects selected solely to address local transmission owner planning criteria, all of the costs have been allocated exclusively to the zone of the transmission owner that filed the local transmission owner planning criteria that gave rise to the need for the project.<sup>13</sup> Given that the intent of the local transmission owner planning criteria is to ensure the reliability of the individual transmission owner's system and address state and retail obligations, the PJM Transmission Owners argue the

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<sup>10</sup> First Order No. 1000 Regional Compliance Order, 142 FERC ¶ 61,214 at P 414.

<sup>11</sup> First Order No. 1000 Regional Compliance Order, 142 FERC ¶ 61,214 at P 420.

<sup>12</sup> PJM Transmission Owners Transmittal at 2.

<sup>13</sup> *Id.*

proposed revisions will bring in line the purpose and intent of local transmission owner planning criteria with the need for and beneficiaries of these projects.<sup>14</sup>

5. Furthermore, the PJM Transmission Owners contend the change is consistent with the principles of cost allocation because the intended beneficiaries of such projects are predominantly the local transmission customers. The PJM Transmission Owners also state that the change is consistent with similarly proposed and approved changes in other Regional Transmission Organizations, such as in Southwest Power Pool, Inc. (SPP) and Midcontinent Independent Transmission System Operator, Inc. (MISO).<sup>15</sup> In SPP, the Commission found the allocation of 100 percent of the costs associated with facilities below 100 kV to the host zone to be roughly commensurate with benefits.<sup>16</sup> In MISO, the Commission approved MISO's proposal to allocate 100 percent of the costs of Baseline Reliability Projects<sup>17</sup> to the pricing zone in which the project is located.

## **II. Notice of Filing and Responsive Pleadings**

6. Notice of the filing was published in the Federal Register, 80 Fed. Reg. 18,225 (2015), with interventions and protests due on or before April 16, 2015. Notices of intervention were filed by Illinois Commerce Commission and Public Utilities Commission of Ohio. Timely motions to intervene were filed by Pepco Holdings, Inc.;<sup>18</sup> Rockland Electric Company; Exelon Corporation; Duquesne Light Company; Dayton Power and Light Company; Public Service Electric and Gas Company; Con Edison Company of New York; American Electric Power Service Corporation (AEP);<sup>19</sup>

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<sup>14</sup> *Id.*

<sup>15</sup> Effective April 26, 2013, MISO changed its name from "Midwest Independent Transmission System Operator, Inc." to "Midcontinent Independent System Operator, Inc."

<sup>16</sup> *See Southwest Power Pool, Inc.*, 131 FERC ¶ 61,252, at P 94 (2010).

<sup>17</sup> Baseline Reliability Projects are defined as network upgrades that are required to ensure that the MISO transmission system remains in compliance with NERC reliability standards. *See Midwest Indep. Transmission Sys. Operator, Inc.*, 142 FERC ¶ 61,215, at PP 484, 519-520 (2013).

<sup>18</sup> Pepco Holdings, Inc. moved to intervene along with Potomac Electric Power Company, Delmarva Power & Light Company, and Atlantic City Electric Company.

<sup>19</sup> AEP moved to intervene on behalf of its affiliates, Appalachian Power Company, Indiana Michigan Power Company, Kentucky Power Company, Kingsport Power Company, Ohio Power Company, Wheeling Power Company, AEP Appalachian  
(continued...)

PPL Electric Utilities Corporation; Linden VFT, LLC; Dominion Resources Services, Inc. (Dominion);<sup>20</sup> New York Power Authority; American Municipal Power, Inc.; North Carolina Electric Membership Corporation; Hudson Transmission Partners, LLC; LSP Transmission Holdings, LLC (LSP Transmission); Old Dominion Electric Cooperative (ODEC); and ITC Mid-Atlantic Development, LLC (ITC Mid-Atlantic). PJM filed an untimely motion to intervene.

7. Protests and comments were filed by Dominion, LSP Transmission, ODEC, and ITC Mid-Atlantic. AEP filed comments in support. On May 1, 2015, the PJM Transmission Owners filed an answer in response to Dominion, LSP Transmission, ODEC, and ITC Mid-Atlantic. On May 11, 2015, ODEC filed an Answer in response to the PJM Transmission Owners.

**A. Comments**

8. AEP filed comments in support of the PJM Transmission Owners' proposal, stating that local transmission owner planning criteria have evolved to include requirements that are unique to the specific transmission owner, driving significant upgrades, the costs of which should be allocated locally.<sup>21</sup> AEP further argues that regionally allocating the costs of upgrades selected solely to address local transmission owner planning criteria would be an inappropriate cost shift to those other than the intended beneficiaries of such upgrades.<sup>22</sup>

9. While it does not oppose the PJM Transmission Owners' revisions at this time, ITC Mid-Atlantic highlights the potentially adverse impacts of the proposal, including the impact on PJM's Order No. 1000-mandated competitive solicitation process. ITC Mid-Atlantic states that while the PJM Transmission Owners claim only 2 percent of the total number of projects selected solely to address local transmission owner planning criteria may have received regional cost allocation, these projects may represent far more than 2 percent of the total cost of local reliability projects. Consequently, ITC Mid-Atlantic argues the proposal may result in customers outside the transmission

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Transmission Company, AEP Indiana, Michigan Transmission Company, AEP Kentucky Transmission Company, AEP Ohio Transmission Company, and AEP West Virginia Transmission Company.

<sup>20</sup> Dominion moved to intervene on behalf of Virginia Electric Power Company.

<sup>21</sup> AEP Comments at 2.

<sup>22</sup> *Id.* at 3.

owner's local transmission zone receiving benefits from facilities for which they do not pay, while local transmission zone customers pay the entire cost.<sup>23</sup>

10. ITC Mid-Atlantic also states the PJM Transmission Owners have repeatedly asserted, and the Commission has concurred, that Regional Facilities and Necessary Lower Voltage Facilities have difficulty to quantify regional benefits, and further argues that there is no basis for the position that facilities that resolve needs identified based on local transmission owner planning criteria do not provide the exact same region-wide benefits as those identified based on regional criteria.<sup>24</sup> They also raise concerns about the proposal's potential effect of incentivizing incumbent transmission owners to structure their local transmission owner planning criteria so as to maximize the number of projects in their areas that are ultimately excluded from the competitive process.<sup>25</sup> ITC Mid-Atlantic recommends that: 1) PJM continue its existing practice of publicly identifying those system needs which arise from local transmission owner planning criteria as it is consistent with Order No. 1000 requirements of openness and transparency; and 2) the Commission confirm that the costs of projects that resolve transmission needs that are selected solely to address both local and regional criteria cannot be allocated only to the relevant local transmission zone, and as such, are subject to the PJM competitive process.<sup>26</sup>

## **B. Protests**

11. ODEC and Dominion argue that the PJM Transmission Owners' proposal would not ensure that the costs of projects selected solely to address local transmission owner planning are allocated commensurate with the benefits the projects provide, but instead, the cost allocation would depend on the source of the criteria underlying the project. ODEC and Dominion further argue that a reliability project built to address a specific transmission owner's planning criteria does not mean that the project will exclusively benefit customers in that transmission owner's zone.<sup>27</sup> Currently, the cost of reliability projects are allocated either partially or entirely by solution-based DFAX, and ODEC

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<sup>23</sup> ITC Mid-Atlantic Comments at 3.

<sup>24</sup> *Id.* (citing First Order No. 1000 Regional Compliance Order, 142 FERC ¶ 61,214 at P 414).

<sup>25</sup> *See* PJM, Intra-PJM Tariffs, Operating Agreement, Schedule 6, § 1.5.8(l)(ii) (Transmission Owners Required to be the Designated Entity) (3.3.0).

<sup>26</sup> ITC Mid-Atlantic Comments at 4-5.

<sup>27</sup> ODEC Protest at 6. Dominion Protest at 2.

states that the rationale that solution-based DFAX reasonably identifies the beneficiaries of reliability projects based on the use of the project does not cease to apply merely because a project is required by local transmission owner planning criteria.<sup>28</sup> For example, ODEC maintains that a double-circuit 345 kV or above project selected solely to address local transmission owner planning criteria would have benefits not limited to a single zone but the entire region.<sup>29</sup> Under the PJM Transmission Owner's proposal, ODEC asserts a project selected solely to address local transmission owner planning criteria would still be RTEP projects, and assigning broad benefits to a particular transmission owner's zone would be contrary to cost causation principles.<sup>30</sup> Consequently, ODEC and Dominion argue that treating users of RTEP reliability projects differently based on the source of the underlying planning criteria would be unduly discriminatory.<sup>31</sup> Furthermore, ODEC argues that the filing is unnecessary since the costs of most projects selected solely to address local transmission owner planning criteria have been allocated to the transmission owner's zone, and that continuing to apply the existing cost allocation method would allow for the costs of projects with local benefits to be allocated to the local zone, while properly allowing the costs of the smaller percentage of projects with broader benefits to be allocated to multiple zones.

12. ODEC further argues local transmission owner planning criteria are already incorporated into the regional planning criteria and that the PJM Transmission Owners have not shown that it is appropriate to exclude projects necessary to address local transmission owner planning criteria from regional cost allocation based on the source of the criteria. Instead, ODEC argues, if the PJM Transmission Owners have concerns about individual transmission owner planning criteria driving new RTEP reliability projects, the more appropriate response is to seek agreement on generally-applicable planning criteria, rather than trying to address a planning issue by modifying cost allocation.<sup>32</sup>

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<sup>28</sup> ODEC Protest at 6.

<sup>29</sup> *Id.* at 7.

<sup>30</sup> *Id.* at 8 n. 18 (citing *BNP Paribas Energy Trading GP v. FERC*, 743 F.3d 264, 268 (D.C. Cir. 2014) (explaining “that the Commission generally may not single out a party for the full cost of a project, or even most of it, when the benefits of the project are diffuse.”)).

<sup>31</sup> ODEC Protest at 8. Dominion Protest at 4.

<sup>32</sup> ODEC Protest at 11.

13. ODEC also argues that the proposal here is distinguishable from the SPP and MISO cases cited. ODEC states that the SPP cost allocation changes applied to only lower voltage facilities, the benefits of which tend to be local, in contrast to the PJM Transmission Owners' proposal to allocate 100 percent of the costs of projects of all voltages and characteristics based on the source of the planning criteria. ODEC also states that MISO's proposal is distinguished from the instant filing because MISO proposed to allocate the costs of *all* Baseline Reliability Projects to the pricing zone where the project is located, whereas the PJM Transmission Owners are proposing to carve out one subset of reliability projects for this cost allocation.<sup>33</sup>

14. Similar to ITC Mid-Atlantic's concerns, LSP Transmission argues that the cost allocation proposal appears to be an effort to circumvent the competitive requirements of Order No. 1000 and ensure that incumbent transmission owners are awarded certain projects regardless of the sponsor.<sup>34</sup> LSP Transmission also questions whether projects selected solely to address local transmission owner planning criteria can be included with other needs to form Multi-Driver project<sup>35</sup> combinations. LSP Transmission requests the Commission ensure that the cost allocation component of a reliability project selected only to address local transmission owner planning criteria does not result in an automatic designation of the incumbent and that a second driver cannot be added to a project selected solely to address local transmission owner planning criteria if the costs have been allocated to the transmission owner's zone by Schedule 12 and the project assigned by Schedule 6.<sup>36</sup>

### C. Answers

15. In its answer, the PJM Transmission Owners reiterate that projects selected solely to address local transmission owner planning criteria are a completely separate class of projects incorporated into the RTEP process not to meet NERC standards, PJM regional criteria, or market efficiency, and therefore, it is appropriate to allocate their costs to the local transmission owner's zone. The PJM Transmission Owners state the protesting parties incorrectly assume that a project built to meet local transmission owner planning

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<sup>33</sup> *Id.* at 13.

<sup>34</sup> LSP Transmission Protest at 1-2.

<sup>35</sup> Multi-Driver projects are defined as a transmission enhancement or expansion that addresses more than one of the following: reliability violations, economic constraints or State Agreement Approach initiatives. PJM, Intra-PJM Tariffs, Operating Agreement (Definitions) (3.2.0).

<sup>36</sup> LSP Transmission Protest at 5.

criteria could also meet a significant need or have a significant effect on PJM's regional system outside of the local transmission owner's zone; however, PJM would include any project that meets a significant reliability need on PJM's regional system in the RTEP to address NERC standards or PJM regional criteria.<sup>37</sup> The PJM Transmission Owners assert that the fact that the costs of almost 98 percent of all projects selected solely to address local transmission owner planning criteria have been allocated to the local transmission zone of the transmission owner is strong evidence that the intended beneficiaries of projects selected solely to address local transmission owner planning criteria are also the actual beneficiaries of such projects, and that the costs of such projects are allocated in a way that is at least roughly commensurate with the benefits received.

16. As to ODEC's assertion that the PJM Transmission Owners propose to "carve out" a subset of RTEP Reliability Projects despite the fact that the "historical cost allocation statistics do not support separate treatment for [Local Reliability Projects],"<sup>38</sup> the PJM Transmission Owners argue that the proposal to allocate the costs of such projects to the local transmission zone is precisely the type of nexus between planning and cost allocation called for by Order No. 1000.<sup>39</sup> According to the PJM Transmission Owners, the suggested changes will not alter the treatment of Multi-Driver projects or significantly alter the means by which transmission developers are assigned transmission construction projects in PJM. The PJM Transmission Owners maintain that, at most, the proposed revisions will impact the cost allocation for incremental Multi-Driver projects that include a project selected solely to address local transmission owner planning criteria. The PJM Transmission Owners further assert that they do not have the FPA section 205 filing authority to propose changes to the planning criteria included in the RTEP.<sup>40</sup>

17. In its answer, ODEC argues against the PJM Transmission Owners' assertion that projects selected solely to address local transmission owner planning criteria are a separate class of projects, reiterating that these projects continue to be selected in the RTEP for purposes of cost allocation just like upgrades needed to meet PJM reliability criteria or NERC reliability standards.<sup>41</sup> ODEC further argues the PJM Transmission Owners do not explain how the Commission's previous judgements about the

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<sup>37</sup> PJM Transmission Owners Answer at 3-4.

<sup>38</sup> *Id.* at 6, citing ODEC Protest at 13.

<sup>39</sup> *Id.* at 6-7.

<sup>40</sup> *Id.* at 7-9.

<sup>41</sup> ODEC Answer at 1-2.

beneficiaries of Regional Facilities and Necessary Lower Voltage Facilities cease to apply merely because a project is selected solely to address an individual transmission owner's local planning criteria.<sup>42</sup> According to ODEC, projects selected solely to address local transmission owner planning criteria may provide the same benefits as any other reliability project and their costs should be allocated in the same way, properly allowing the costs of the smaller percentage of projects that provide broader benefits to be allocated to multiple zones.<sup>43</sup> ODEC also argues the PJM Transmission Owners provide no particular support for singling out projects selected solely to address local transmission owner planning criteria for a different cost allocation, citing that the costs of 98 percent of projects have been locally allocated because, in fact, the costs of the overwhelming majority of all RTEP projects are allocated to a single zone.<sup>44</sup>

### III. Discussion

#### A. Procedural Matters

18. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure,<sup>45</sup> the notices of intervention and timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding. Given the lack of undue prejudice or delay, the parties' interest, and the early stage of the proceeding, we find good cause to grant the unopposed, untimely motion to intervene of PJM.

19. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure prohibits an answer to a protest or answer unless otherwise ordered by the decisional authority.<sup>46</sup> We accept the answers filed by PJM Transmission Owners and ODEC because they have provided information that assisted us in our decision-making process.

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<sup>42</sup> *Id.* at 2 (citing First Order No. 1000 Regional Compliance Order, 142 FERC ¶ 61,214 at P 414 and *PJM Interconnection, L.L.C.*, 147 FERC ¶ 61,128 at P 327 (2014)).

<sup>43</sup> ODEC Answer at 2-4.

<sup>44</sup> *Id.* at 3 (citing ODEC Protest at 11-12 (explaining "The PJM Transmission Owners do not dispute ODEC's assertion that 82.8 percent of all RTEP projects are allocated to a single zone." *See id.* at 11 and n. 27)).

<sup>45</sup> 18 C.F.R. § 385.214 (2014).

<sup>46</sup> 18 C.F.R. § 385.213(a)(2) (2014).

## B. Commission Determination

20. PJM Transmission Owners' proposal seeks to isolate the costs of transmission projects that are "solely selected to address local transmission owner planning criteria"<sup>47</sup> to the zone in which the criteria apply. We note that the instant filing does not address Supplemental Projects, which are developed by a transmission owner to meet local planning needs and are not selected in the RTEP for purposes of cost allocation.<sup>48</sup> For the reasons discussed herein, we find that the PJM Transmission Owners' proposal is inconsistent with the requirements of Order No. 1000 and with PJM's Order No. 1000-compliant regional cost allocation method.

21. As evidence of their claim that the proposal will bring the allocation of costs in line with the purpose and intent of the local planning criteria, the PJM Transmission Owners assert that 98 percent of the reliability projects that PJM has selected to date solely to address local transmission owner planning criteria have already been allocated to the zone in which the criteria applies.<sup>49</sup> Thus, under the PJM Transmission Owners' proposal, the costs of all such transmission projects, which could be allocated to more than one zone under the existing cost allocation method, would instead always be allocated to the single zone whose local planning criteria the transmission project is intended to address.

22. As a threshold matter, we note that under Order No. 1000, transmission projects selected in a regional transmission plan for purposes of cost allocation must be eligible to use the regional cost allocation method.<sup>50</sup> The local transmission owner planning criteria are incorporated into the regional transmission planning process, and as a result, projects intended to address such criteria may be selected in PJM's RTEP for purposes of cost allocation. PJM Transmission Owners' proposal is inconsistent with the requirements of Order No. 1000 because it would create a category of transmission projects that PJM selects in its RTEP for purposes of cost allocation, but that are ineligible to use the

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<sup>47</sup> PJM Transmission Owners Transmittal at 2.

<sup>48</sup> See *PJM Interconnection, L.L.C.*, 147 FERC ¶ 61,128 at P 76. A Supplemental Project is defined as a transmission expansion or enhancement that is not required for compliance with the following PJM criteria: system reliability, operational performance or economic criteria, pursuant to a determination by PJM, and is not a state public policy project pursuant to section 1.5.9(a)(ii) of Schedule 6 of the Operating Agreement. PJM, Intra-PJM Tariffs, Operating Agreement (Definitions) (6.0.0).

<sup>49</sup> PJM Transmission Owners Transmittal at 2.

<sup>50</sup> Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at PP 339 & 690.

PJM regional cost allocation method. Under PJM's RTEP process, PJM is required to identify the more efficient or cost-effective regional transmission solutions for all identified needs, including needs associated with individual transmission owner planning criteria.<sup>51</sup> All transmission solutions that PJM identifies through its RTEP process as more efficient or cost-effective transmission solutions are then selected in the RTEP for purposes of cost allocation, including those transmission facilities that, in whole or in part, are needed to address local transmission owner planning criteria. Thus, the PJM Transmission Owners' proposal does not comply with the Order No. 1000 requirement that transmission projects selected in the regional transmission plan for purposes of cost allocation be eligible to use the regional cost allocation method,<sup>52</sup> as it would eliminate regional cost allocation for the subset of transmission projects selected in the regional transmission plan for purposes of cost allocation to address local transmission owner planning criteria.

23. Furthermore, we find that the proposal is inconsistent with the Commission's acceptance of the PJM Transmission Owners' proposal in the Order No. 1000 compliance proceeding to regionally allocate the costs of Regional Facilities and Necessary Lower Voltage Facilities because of the regional and system-wide benefits such projects provide in the PJM transmission system.<sup>53</sup> The PJM Transmission Owners' proposal to locally allocate the costs of projects selected solely to address local transmission owner planning criteria, including those projects that are Regional Facilities and/or Necessary Lower Voltage Facilities, is inconsistent with this previous finding. The PJM Transmission Owners have not demonstrated that Regional Facilities and Necessary Lower Voltage Facilities, which the Commission previously found provide significant regional benefits that accrue to all members of the PJM transmission system, do not provide such benefits simply because the needs that prompted their selection are local in nature.<sup>54</sup>

24. Moreover, we agree with the protesting parties that the PJM Transmission Owners' proposal differs in several important respects from cost allocation provisions that the Commission has previously accepted in SPP and MISO. As ODEC argues, SPP allocates the cost of lower voltage transmission facilities at or below 100 kV to the zone where the facility is located, not the costs of higher voltage transmission facilities that are

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<sup>51</sup> See PJM, Intra-PJM Tariffs, Operating Agreement, Schedule 6, §1.2(e) (Conformity with NERC and Other Applicable Reliability Criteria) (2.0.0).

<sup>52</sup> Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at PP 558, 690.

<sup>53</sup> First Order No. 1000 Regional Compliance Order, 142 FERC ¶ 61,214 at P 413.

<sup>54</sup> See First Order No. 1000 Regional Compliance Order, 142 FERC ¶ 61,214 at PP 413-414, 416, 420 and *PJM Interconnection, L.L.C.*, 147 FERC ¶ 61,128 at P 327.

selected in SPP's regional transmission plan for purposes of cost allocation.<sup>55</sup> This is distinguishable from the PJM Transmission Owner's proposal, which would allocate the costs of projects selected solely to address local transmission owner planning criteria locally regardless of the voltage and in conflict with the Commission's previous finding regarding the system-wide benefits of Regional Facilities and Necessary Lower Voltage Facilities in PJM. The PJM Transmission Owners' proposal also differs from the MISO cost allocation method because Baseline Reliability Projects are not selected in the MISO regional transmission plan for purposes of cost allocation.<sup>56</sup> Also, in MISO, if a transmission facility qualifies to be and is selected in MISO's regional transmission plan for purposes of cost allocation, it will be treated as a regional transmission facility and will be eligible to use MISO's regional cost allocation method, even if the facility also qualifies as a Baseline Reliability Project. In contrast, it appears that under the PJM Transmission Owners' proposal, a transmission facility that qualifies to be and is selected in PJM's RTEP for purposes of cost allocation would not be eligible to use the PJM regional cost allocation method if it is intended to address local transmission owner planning criteria.<sup>57</sup>

25. Accordingly, for the reasons enumerated above, we find that the PJM Transmission Owners' proposal is unjust and unreasonable, and therefore reject it.

The Commission orders:

The proposed tariff revisions are hereby rejected, as discussed in the body of this order.

By the Commission.

( S E A L )

Kimberly D. Bose,  
Secretary.

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<sup>55</sup> *Southwest Power Pool, Inc.*, 131 FERC ¶ 61,252, at P 94.

<sup>56</sup> *Midwest Indep. Transmission Sys. Operator, Inc.*, 142 FERC ¶ 61,215 at P 519.

<sup>57</sup> *Id.* n.954.