

156 FERC ¶ 61,030
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

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

PJM Interconnection, L.L.C.

Docket Nos. ER16-736-001
ER16-736-002

PJM Interconnection, L.L.C.

EL16-96-000

ORDER ON COST ALLOCATION REPORT AND TARIFF REVISIONS AND
INSTITUTING SECTION 206 PROCEEDING

(Issued July 11, 2016)

1. On January 15, 2016, as amended on February 12, 2016, pursuant to section 205 of the Federal Power Act (FPA),¹ PJM Interconnection, L.L.C. (PJM), in accordance with Schedule 12 of the PJM Open Access Transmission Tariff (Tariff) and section 1.6 of Schedule 6 of the Amended and Restated Operating Agreement of PJM (Operating Agreement), filed amendments to Schedule 12-Appendix A of the PJM Tariff (January 15, 2016 Filing). The Tariff revisions incorporate cost responsibility assignments for 34 baseline upgrades included in the recent update to the Regional Transmission Expansion Plan (RTEP) the PJM Board of Directors (PJM Board) approved.
2. In this order, we accept, subject to condition, the cost responsibility assignments set forth in the February 12, 2016 Filing.² We direct PJM to submit a compliance filing within 30 days of the date of this order, as discussed below.
3. While we accept the cost responsibility assignments, we find that certain aspects of PJM's Operating Agreement for Immediate-need Reliability Projects have become

¹ 16 U.S.C. § 824d (2012).

² While PJM requests an effective date of April 14, 2016 in its cover letter, PJM requests multiple proposed effective dates in its tariff revisions filed in eTariff. The effective date of the tariff revisions that the Commission accepts are specified in the Attachment.

unjust and unreasonable. Accordingly, we initiate a proceeding, pursuant to section 206 of the FPA, to establish the just and reasonable alternative rate, as discussed below.³

I. Background

A. PJM RTEP Cost Allocation Tariff Provisions

4. PJM files cost responsibility assignments for transmission upgrades that the PJM Board approves as part of PJM's RTEP, in accordance with Schedule 12 of the Tariff and Schedule 6 of the Operating Agreement. The RTEP provides for the construction of enhancements and expansions to the PJM transmission system in order to comply with reliability criteria and to maintain and enhance the economic and operational efficiency of PJM's wholesale electricity markets. Types of reliability projects selected in the RTEP for purposes of cost allocation include Regional Facilities,⁴ 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,⁵ and Lower Voltage Facilities.⁶

5. The cost allocation method for transmission projects selected for purposes of cost allocation in the RTEP is set forth in Schedule 12 of the PJM Tariff. For Regional Facilities and Necessary Lower Voltage Facilities, 50 percent of the facility's costs is allocated on a region-wide, postage stamp basis and the other 50 percent is allocated pursuant to the solution-based distribution factor (DFAX) method described in Schedule

³ 16 U.S.C. § 824de (2012).

⁴ Regional Facilities are defined as Required Transmission Enhancements included in the RTEP that are transmission facilities that (a) are alternating current (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).

⁵ Necessary Lower Voltage Facilities are defined as Required Transmission Enhancements included in the RTEP 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).

⁶ 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).

12(b)(iii) of the Tariff. For Lower Voltage Facilities, 100 percent of the facility's cost is allocated pursuant to the solution-based DFAX cost allocation method.⁷

B. February 12, 2016 Filing

6. PJM's January 15, 2016 Filing amended Schedule 12-Appendix A to the Tariff to include the cost responsibility assignments for 34 new transmission enhancements and expansions included in the most recent update to the RTEP, which the PJM Board approved on December 16, 2015. As amended, PJM's February 12, 2016 Filing supersedes the January 15, 2016 Filing. PJM states that four of the 34 upgrades will operate at or above 500 kV or will be double-circuit 345 kV facilities. PJM explains that the cost responsibility assignments for these four Regional Facilities are based on the Commission-approved regional cost allocation method,⁸ which allocates 50 percent of the costs on a region-wide, postage stamp basis and the other 50 percent to specifically-identified beneficiaries. Among the designated Regional Facilities is baseline project b2665,⁹ included in the RTEP to address a Dominion Resources Service, Inc.

⁷ One hundred percent of the costs for Required Transmission Enhancements that are included in the RTEP solely to address individual transmission owner Form No. 715 local planning criteria are allocated to the zones of the individual transmission owners whose Form No. 715 local planning criteria underlie each project. *See PJM Interconnection, L.L.C.*, 154 FERC ¶ 61,096 (2016) (granting rehearing of proposal to assign cost responsibility of projects that are included in the RTEP solely to address transmission owner Form No. 715 local planning criteria, and are not selected in the RTEP for purposes of cost allocation, to the zone of the individual transmission owner whose Form No. 715 local planning criteria underlies the project. *See also, PJM Interconnection, L.L.C.*, 151 FERC ¶ 61,172 (2015) (rejecting proposed Tariff changes).

⁸ The Commission approved PJM's regional cost allocation method as part of PJM's Order No. 1000 compliance filing. *See 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), *order on reh'g and compliance*, 151 FERC ¶ 61,250 (2015). *See 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).

⁹ Baseline project b2665 is the rebuilding of the Cunningham-Dooms 500 kV transmission line.

(Dominion)¹⁰ transmission owner local planning criterion.¹¹ PJM states that the 30 remaining upgrades are Lower Voltage Facilities needed for reliability. PJM requests an effective date of April 14, 2016, but PJM's eTariff submission reflects multiple effective dates as specified in the Attachment.

II. Notice, Intervention, and Responsive Pleadings

7. Notice of the January 15, 2016 Filing was published in the *Federal Register*, 81 Fed. Reg. 3789 (2016), with an errata issued on January 27, 2016 extending the comment date to February 16, 2016. On February 12, 2016, PJM filed an amendment to make eTariff corrections that superseded the January 15, 2016 Filing. Notice of the February 12, 2016 filing was published in the *Federal Register*, 81 Fed. Reg. 8950 with comments due by March 4, 2016.

8. The Illinois Commerce Commission (Illinois Commission) filed a notice of intervention. Timely motions to intervene were filed by American Electric Power Service Corporation (AEP);¹² American Municipal Power, Inc.; Delaware Division of the Public Advocate; Dominion; Exelon Corporation; ITC Mid-Atlantic Development LLC; Northeast Transmission Development; NRG Power Marketing LLC and GenOn Energy Management, LLC; Pepco Holdings, Inc.;¹³ Public Service Electric and Gas Company (PSEG); The Dayton Power & Light Company (Dayton); PPL Electric Utilities Corporation (PPL); Linden VFT, LLC; Duquesne Light Company; North Carolina

¹⁰ Dominion provides services to Virginia Electric and Power Company (VEPCO), d/b/a Dominion Virginia Power. PJM identifies the VEPCO zone as the Dominion zone.

¹¹ PJM submits a cost responsibility assignment summary to the Commission that includes the criteria violation, the criteria test (*e.g.*, NERC Reliability Standards, PJM planning procedure, FERC Form No. 715 Criteria (individual transmission owner planning criteria), etc.), the solution, and the cost allocation. Project b2665 was included in the RTEP to address violations of Dominion's end-of-life transmission owner Form No. 715 local planning criterion.

¹² AEP 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 Transmission Company, AEP Indiana Michigan Transmission Company, AEP Kentucky Transmission Company, AEP Ohio Transmission Company, and AEP West Virginia Transmission Company (AEP)

¹³ Intervention includes Pepco Holdings, Inc., Potomac Electric Power Company, Delmarva Power & Light Company, and Atlantic City Electric Company.

Electric Membership Cooperative; Old Dominion Electric Cooperative; and FirstEnergy Service Company.¹⁴

9. Dayton and the Illinois Commission filed protests and comments. The Indicated PJM Transmission Owners,¹⁵ PJM Transmission Owners, PSEG, and Dominion filed comments and responsive pleadings.

10. Dayton and the Illinois Commission argue that project b2665 is not meant to address regional issues and its costs should not be allocated regionally. Dayton argues that 100 percent of the costs of this project should be assigned to the Dominion zone because it is a replacement of Dominion's existing Cunningham-Dooms 500 kV transmission line. Dayton argues that Dominion's end-of-life transmission owner local planning criterion does not promote maintenance of existing facilities, but rather encourages their replacement with new facilities that perform exactly the same function because their costs are allocated regionally and pursuant to the solution-based DFAX method. Dayton also objects to eight other projects being included in the RTEP as Baseline Upgrades to address Dominion's end-of-life transmission owner local planning criterion arguing that they are not upgrades, but merely replacement facilities for existing facilities that Dominion plans to rebuild.¹⁶

11. The Indicated PJM Transmission Owners, PJM Transmission Owners, and PSEG request that the Commission allow PJM to assign 100 percent of the costs of project b2665 to the Dominion zone as a result of a recent Commission ruling allowing PJM to allocate 100 percent of the costs of transmission projects that are included in the RTEP solely to address transmission owner local planning criteria to the Transmission Owner zone, effective May 25, 2015.¹⁷

¹⁴ On behalf of American Transmission Systems, Incorporated; Pennsylvania Electric Company; Metropolitan Edison Company; Jersey Central Power & Light Company; Monongahela Power Company; West Penn Power Company; The Potomac Edison Company; and Trans-Allegheny Interstate Line Company.

¹⁵ The Indicated PJM Transmission Owners consist of: AEP, Allegheny Electric Cooperative, Inc.; Dayton; Duke Energy Business Services, LLC; Duquesne Light Company; Exelon Corporation; Pepco Holdings, Inc.; PPL; City of Rochelle, Illinois; and Rockland Electric Company.

¹⁶ In addition to baseline project b2665, Dayton identifies projects b2622, b2623, b2624, b2625, b2626, b2627, b2628, and b2629.

¹⁷ PJM Transmission Owner Comments at 2 (citing *PJM Interconnection, L.L.C.*, 154 FERC ¶ 61,096).

12. Dominion opposes assigning 100 percent of the costs of baseline project b2665 to the Dominion zone. Dominion argues that, at the time of the filing, the then-effective Tariff language allowed PJM to allocate costs of transmission projects to address end-of-life transmission owner local planning criteria regionally and pursuant to the solution-based DFAX method, and any changes should be prospective. Dominion explains that transmission projects require new capital investment, and cost allocation principles drive investment decisions. Dominion requests that the Commission accept the filing, or at least tie it to the outcome of the other proceedings.¹⁸

III. Deficiency Letter and Response

13. On April 12, 2016, the Commission informed PJM that the January 15, 2016 Filing, as amended by the February 12, 2016 Filing, was deficient (Deficiency Letter) and requested additional information. The Commission requested additional information related to certain projects¹⁹ that were also listed on PJM's 2015 informational filing as Immediate-need Reliability Projects for which PJM stated that proposal windows were infeasible.²⁰ For projects b2629 and b2665, the Deficiency Letter noted that these projects were listed as having in-service dates beyond three years, i.e., December 31, 2019, and June 1, 2020, respectively.²¹ The Deficiency Letter also noted that Section 1.5.8 (m)(1) of Schedule 6 of the PJM Operating Agreement states that pursuant to the expansion planning process set forth in Sections 1.5.1 through 1.5.6 of Schedule 6, PJM shall identify immediate reliability needs that must be addressed *within three years or less*. The Deficiency Letter requested information related to how baseline projects b2629 and b2665 meet the immediate-need reliability projects criteria.

14. On May 12, 2016, PJM filed a response to the Deficiency Letter (Deficiency Letter Response). PJM explained that it did not establish a proposal window for these projects because the condition assessment of the facilities indicated they had already reached their end-of-life, and needed to be replaced as soon as practical. PJM stated that the immediate-need status of a project is based on the project's need date, not the

¹⁸ Dominion Comments at 1-3 (referencing pending rehearing requests in *PJM Interconnection, L.L.C.*, 154 FERC ¶ 61,096 (Docket No. ER15-1387-000) and *PJM Interconnection, L.L.C.*, 154 FERC ¶ 61,097 (2016) (Docket No. ER15-1344-000)).

¹⁹ Projects b2622, b2623, b2624, b2625, b2626, b2627, b2628, b2629, and b2665.

²⁰ See January 29, 2016 PJM Informational Filing, Docket No. ER13-198-000.

²¹ The 2015 informational filing listing Immediate-need Reliability Projects for which proposal windows were infeasible also includes the following projects with in-service dates beyond three years: b2632, b2647, b2649, b2650, b2651, and b2652.

project's expected in-service date, and that the need date for this criteria violation is essentially immediate due to the circumstances and condition of the facilities. PJM stated that the projects cannot be constructed in less than three years, which places the in-service date for the projects beyond the immediate-need window.

15. Notice of the Deficiency Letter Response was published in the *Federal Register*, 81 Fed. Reg. 31,231 (2016), with interventions and protests due by June 2, 2016. No comments or protests were filed.

IV. Discussion

A. Procedural Matters

16. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2015), the notice of intervention and timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

17. 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.²² We accept the PJM Transmission Owners', PSEG's, and Dominion's answers because they have provided information that assisted us in our decision-making process.

B. Determination

18. We accept, subject to condition,²³ to be effective as proposed, PJM's proposed Tariff revisions, as further discussed below.

19. Dayton and the Illinois Commission oppose the cost responsibility assignments for baseline project b2665. Dominion responds that, at the time of the filing, the effective Tariff language specified that the costs of transmission projects that address transmission owner local planning criteria, such as its end-of-life criterion, would be allocated regionally and pursuant to the solution-based DFAX method. While PJM followed the cost allocation provisions set forth in Schedule 12 of the Tariff at the time PJM made the filing, the Commission has since accepted, effective May 25, 2015 (i.e., before the effective date of the filing at issue here) the PJM Transmission Owners' proposal to

²² 18 C.F.R. § 385.213(a)(2) (2015).

²³ The Commission can revise a proposal filed under section 205 of the Federal Power Act as long as the filing utility accepts the change. *See City of Winnfield v. FERC*, 744 F.2d 871, 875-77 (D.C. Cir. 1984). The filing utility is free to indicate that it is unwilling to accede to the Commission's conditions by withdrawing its filing.

allocate 100 percent of the costs of transmission projects that are included in the RTEP solely to address individual transmission owner Form No. 715 local planning criteria to the zones of the individual transmission owners whose Form No. 715 local planning criteria underlie each project.²⁴ Therefore, the currently effective Tariff allocates the costs of transmission projects like baseline project b2665 that are included in the RTEP solely to address transmission owner Form No. 715 local planning criteria to the zone of the individual transmission owner whose local planning criteria underlie the project. Accordingly, we reject PJM's proposed cost responsibility assignment for project b2665, and direct PJM to file, within 30 days of the date of issuance of this order, a compliance filing to reflect the appropriate cost responsibility assignment for project b2665,²⁵ consistent with the applicable Tariff on file.²⁶

20. We also note that there appear to be inconsistencies within the PJM Operating Agreement related to the need for a proposal window. Section 1.5.8(l) of Schedule 6 of the PJM Operating Agreement requires the transmission owner to be the designated entity when 100 percent of the costs of the projects are allocated to the transmission owner's zone, as is the case with Form No. 715 projects.²⁷ However, section 1.5.8(c) of Schedule 6 of the PJM Operating Agreement appears not to exempt transmission needs driven solely by individual transmission owner Form No. 715 local planning criteria from the competitive proposal window process.

21. To resolve the apparent inconsistencies in the Operating Agreement provisions, we institute a proceeding under section 206 of the FPA to synchronize competitive proposal window provisions of the PJM Operating Agreement.²⁸ As part of the section

²⁴ See *PJM Interconnection, L.L.C.*, 154 FERC ¶ 61,096 at P 14.

²⁵ While the cost allocation for project b2665 will need to be reassigned, because one hundred percent of the cost allocation for projects b2622, b2623, b2624, b2625, b2626, b2627, b2628, b2629, b2708, b2709, b2710, b2711, b2714, and b2715 is assigned to the local zone, there would be no change in the cost allocation for these projects.

²⁶ See *West Deptford Energy, LLC v. FERC*, 766 F. 3d 10 (D.C. Cir. 2014) (applying the rate on file, absent some type of grandfathering provision).

²⁷ See PJM Operating Agreement, Schedule 6, § 1.5.8(c).

²⁸ PJM Tariff, Schedule 12, section (b)(xv). As noted above, one hundred percent of the costs for Required Transmission Enhancements that are included in the RTEP solely to address individual transmission owner Form No. 715 local planning criteria are allocated to the zones of the individual transmission owners whose Form No. 715 local planning criteria underlie each project.

206 proceeding, and consistent with the cost allocation provisions of section (b)(xv) of Schedule 12 of the PJM Tariff, we propose to require PJM to revise section 1.5.8(c) of Schedule 6 of the PJM Operating Agreement to specify that transmission needs driven solely by individual transmission owner Form No. 715 local planning criteria are not subject to PJM's competitive proposal window process, because the costs of a transmission project needed solely to resolve those needs are allocated to the zones of the individual transmission owners whose Form No. 715 local planning criteria underlie each project. In the alternative, PJM must show cause why the PJM Operating Agreement should not be amended. In addition, because transmission needs driven solely by individual transmission owner Form No. 715 local planning criteria would not be subject to PJM's competitive proposal window process as a result of making this change, PJM must include corresponding revisions to Schedule 6 of the PJM Operating Agreement to make clear the process that PJM will follow to identify solutions to transmission needs driven solely by individual transmission owner Form No. 715 local planning criteria. We note that this process must comply with the transmission planning principles of Order No. 890.²⁹

22. Additionally, the Deficiency Letter requested information related to how baseline projects b2629 and b2665 met the immediate-need reliability projects criteria, noting that these projects were listed as having in-service dates beyond three years in PJM's 2015 informational filing. Section 1.5.8 (m)(1) of Schedule 6 of the PJM Operating Agreement states that pursuant to the expansion planning process set forth in Sections 1.5.1 through 1.5.6 of Schedule 6, PJM shall identify immediate reliability needs that must be addressed within three years or less.³⁰

23. In the Deficiency Letter Response, PJM explained that a proposal window was not established for these projects because the condition assessment of the facilities indicated they had already reached their end-of-life, and needed to be replaced as soon as practical. PJM stated that it determines whether a reliability need is immediate based on the solution's need date, not its expected in-service date, and that the need date for

²⁹ *Preventing Undue Discrimination and Preference in Transmission Service*, Order No. 890, FERC Stats. & Regs. ¶ 31,241, *order on reh'g*, Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 (2007), *order on reh'g*, Order No. 890-B, 123 FERC ¶ 61,299 (2008), *order on reh'g*, Order No. 890-C, 126 FERC ¶ 61,228, *order on clarification*, Order No. 890-D, 129 FERC ¶ 61,126 (2009).

³⁰ *See* PJM Operating Agreement, Schedule 6, Section 1.5.8 (m)(1). "The Office of the Interconnection shall consider the following factors in determining the infeasibility of such a proposal window: (i) nature of the reliability criteria violation; (ii) nature and type of potential solution required; and (iii) projected construction time for a potential solution to the type of reliability criteria violation to be addressed."

addressing the criteria violation driving the need for these projects is essentially immediate due to the circumstances and condition of the facilities. PJM stated that the projects cannot be constructed in less than three years, which places the in-service date for the projects beyond the immediate-need window.

24. PJM's Deficiency Letter Response highlights an inconsistency in PJM's Operating Agreement. We agree that it is proper for PJM to use the date a reliability need must be addressed rather than the expected in-service date of the project chosen to address that need to calculate whether a transmission project qualifies as an Immediate-need Reliability Project.³¹ However, the language of the PJM Operating Agreement creates

³¹ In addition, PJM must meet the following requirements when designating a transmission facility as an Immediate-need Reliability Project: (1) For those immediate reliability needs for which PJM determines a proposal window may not be feasible, PJM shall identify and post such immediate need reliability criteria violations and system conditions for review and comment by the Transmission Expansion Advisory Committee and other stakeholders; (2) Following review and comment, the Office of the Interconnection shall develop Immediate-need Reliability Projects for which a proposal window is infeasible and shall post on the PJM website for review and comment by the Transmission Expansion Advisory Committee and other stakeholders descriptions of the Immediate-need Reliability Projects for which a proposal window is infeasible. The descriptions shall include an explanation of the decision to designate the Transmission Owner as the Designated Entity for the Immediate-need Reliability Project rather than conducting a proposal window, including an explanation of the time-sensitive need for the Immediate-need Reliability Project, other transmission and non-transmission options that were considered but concluded would not sufficiently address the immediate reliability need, the circumstances that generated the immediate reliability need, and why the immediate reliability need was not identified earlier; (3) After the descriptions are posted on the PJM website, stakeholders shall have reasonable opportunity to provide comments to the Office of the Interconnection. All comments received by the Office of the Interconnection shall be publicly available on the PJM website; (4) Based on the comments received from stakeholders and the review by Transmission Expansion Advisory Committee, the Office of the Interconnection shall, if necessary, conduct further study and evaluation and post a revised recommended plan for review and comment by the Transmission Expansion Advisory Committee; and (5) In January of each year, the Office of the Interconnection shall post on the PJM website and file with the Commission for informational purposes a list of the Immediate-need Reliability Projects for which an existing Transmission Owner was designated in the prior year as the Designated Entity. The list shall include the need-by date of Immediate-need Reliability Project and the date the Transmission Owner actually energized the Immediate-need Reliability Project. PJM Operating Agreement, Schedule 6, § 1.5.8(m)(1).

ambiguity, as written, with the PJM Order No. 1000 compliance proceeding that the Commission accepted.³² In the PJM Order No. 1000 compliance proceeding, the Commission stated, among other things, that “the Immediate-need Reliability Project must be needed in three years or less to solve reliability criteria violations”³³ and found that “defining Immediate-need Reliability Projects as projects needed in three years or less to solve a reliability violation strikes a reasonable balance.”³⁴ However, PJM’s Operating Agreement appears to have inconsistent definitions of immediate need projects. PJM defines an Immediate-need Reliability Project as “a reliability-based transmission enhancement or expansion with an *in-service* date of three years or less from the year the Office of the Interconnection identified the existing or projected limitations on the Transmission System that gave rise to the need for such enhancement or expansion...,”³⁵ This definition is inconsistent with the language of the Operating Agreement describing the Immediate-need Reliability Project process, which states the reliability needs must be *addressed* within three years or less.³⁶ To remedy this ambiguity consistent with the Commission’s findings in the PJM Order No. 1000 compliance proceeding, in the section 206 proceeding noted above, we propose to require PJM to amend Section 1.15A of the PJM Operating Agreement to define an Immediate-need Reliability Project as “a reliability-based transmission enhancement or expansion that the Office of the Interconnection has identified to resolve a need that must be addressed within three years or less,” which is consistent with section 1.5.8 (m)(1) of Schedule 6 of the PJM Operating Agreement. In the alternative, PJM must show cause why the PJM Operating Agreement should not be amended.

25. In cases where, as here, the Commission institutes a proceeding under section 206(b) of the FPA, the Commission must establish a refund effective date that is no earlier than publication of notice of the Commission’s initiation of its proceeding in the *Federal Register* and no later than five months subsequent to that date. The Commission establishes a refund effective date to be the earliest date possible in order to

³² *PJM Interconnection, L.L.C.*, 147 FERC ¶ 61,128 (Second PJM Compliance Order).

³³ *PJM Interconnection, L.L.C.*, 142 FERC ¶ 61,214 at P 248 (First PJM Compliance Order).

³⁴ *Id.* at P 250.

³⁵ PJM Operating Agreement, Section 1.15A (Immediate-need Reliability Project) (emphasis added).

³⁶ PJM Operating Agreement, Section 1.5.8(m)(1) (Immediate-need Reliability Projects).

provide maximum protection to customers, i.e., the date that notice of initiation of the section 206 proceeding in Docket No. EL16-96-000 is published in the *Federal Register*. The Commission is also required by section 206 to indicate when it expects to issue a final order. The Commission expects to issue a final order in this FPA section 206 proceeding within 180 days from the initiation of this proceeding.

The Commission orders:

(A) PJM's proposed Tariff revisions are hereby accepted, subject to condition for project b2665, as discussed in this order.

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

(C) Pursuant to the authority contained in and subject to the jurisdiction conferred upon the Commission by section 402(a) of the Department of Energy Organization Act and by the FPA, particularly section 206 thereof, and pursuant to the Commission's Rules of Practice and Procedure and the regulations under the FPA (18 C.F.R. Chapter I), the Commission hereby institutes a proceeding in Docket No. EL16-96-000, as discussed in the body of this order.

(D) PJM is hereby directed to submit a filing, within 30 days of the date of publication of notice of the Commission's initiation of Docket No. EL16-96-000, either to (1) submit the proposed revisions to the Operating Agreement, as discussed in the body of this order; or (2) explain why such changes are not necessary.

(E) Any interested person desiring to be heard in Docket No. EL16-96-000 must file a notice of intervention or motion to intervene, as appropriate, with the Federal Energy Regulatory Commission, 888 First Street NE, Washington, DC 20426, in accordance with Rule 214 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.214 (2015)) within 21 days of the date of this order.

(F) The Secretary shall promptly publish in the Federal Register a notice of the Commission's initiation of the proceeding ordered in Ordering Paragraph (C) above, under section 206 of the FPA.

(G) The refund effective date established in Docket No. EL16-96-000 pursuant to section 206(b) of the FPA will be the date of publication in the *Federal Register* of the notice discussed in Ordering Paragraph (F) above.

By the Commission. Commissioner LaFleur is dissenting in part with a separate statement attached.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

Attachment

PJM Interconnection, L.L.C.
Intra-PJM Tariffs
Tariff Records Accepted Effective February 11, 2016³⁷

[SCHEDULE 12.APPX A - 8, OATT SCHEDULE 12.APPENDIX A - 8 PECO Energy Company, 4.2.0](#)

[SCHEDULE 12.APPX A - 14, OATT SCHEDULE 12.APPENDIX A - 14 Monongahela Power Company, 5.2.0](#)

[SCHEDULE 12.APPX A - 15, OATT SCHEDULE 12.APPENDIX A - 15 Commonwealth Edison Company, 4.2.0](#)

[SCHEDULE 12.APPX A - 25, OATT SCHEDULE 12.APPENDIX A - 25 East Kentucky Power Coopera, 4.2.0](#)

Tariff Records Accepted Effective February 16, 2016³⁸

[SCHEDULE 12.APPX A - 8, OATT SCHEDULE 12.APPENDIX A - 8 PECO Energy Company, 3.3.0](#)

[SCHEDULE 12.APPX A - 14, OATT SCHEDULE 12.APPENDIX A - 14 Monongahela Power Company, 4.3.0](#)

[SCHEDULE 12.APPX A - 15, OATT SCHEDULE 12.APPENDIX A - 15 Commonwealth Edison Company, 3.3.0](#)

[SCHEDULE 12.APPX A - 25, OATT SCHEDULE 12.APPENDIX A - 25 East Kentucky Power Coopera, 3.3.0](#)

³⁷ In Docket No. ER16-319-000, the Commission accepted cost allocations for new baseline upgrades, effective February 11, 2016. *PJM Interconnection, L.L.C.*, Docket No. ER16-319-000 (Jan. 21, 2016) (delegated letter order).

³⁸ In Docket No. ER15-1344-001, *et al.*, the Commission accepted, in part, cost allocations for new baseline upgrades, effective February 16, 2016. The Commission requested a compliance filing for the cost allocation for project b2582. *See PJM Interconnection, L.L.C.*, 154 FERC ¶ 61,097.

Tariff Records Accepted Effective April 14, 2016

[SCHEDULE 12.APPX A - 4, OATT SCHEDULE 12.APPENDIX A - 4 Jersey Central Power & Ligh, 4.2.1](#)

[SCHEDULE 12.APPX A - 5, OATT SCHEDULE 12.APPENDIX A - 5 Metropolitan Edison Company, 6.1.0](#)

[SCHEDULE 12.APPX A - 8, OATT SCHEDULE 12.APPENDIX A - 8 PECO Energy Company, 5.1.0](#)

[SCHEDULE 12.APPX A - 12, OATT SCHEDULE 12.APPENDIX A - 12 Public Service Electric and, 7.2.1](#)

[SCHEDULE 12.APPX A - 14, OATT SCHEDULE 12.APPENDIX A - 14 Monongahela Power Company, 6.1.0](#)

[SCHEDULE 12.APPX A - 15, OATT SCHEDULE 12.APPENDIX A - 15 Commonwealth Edison Company, 5.1.0](#)

[SCHEDULE 12.APPX A - 17, OATT SCHEDULE 12.APPENDIX A - 17 AEP Service Corporation, 8.1.0](#)

[SCHEDULE 12.APPX A - 25, OATT SCHEDULE 12.APPENDIX A - 25 East Kentucky Power Coopera, 5.1.0](#)

Tariff Records Accepted Effective April 25, 2016³⁹

[SCHEDULE 12.APPX A - 4, OATT SCHEDULE 12.APPENDIX A - 4 Jersey Central Power & Ligh, 6.1.0](#)

[SCHEDULE 12.APPX A - 12, OATT SCHEDULE 12.APPENDIX A - 12 Public Service Electric and, 8.2.0](#)

Tariff Records Accepted, Subject to Condition and Further Filing

[SCHEDULE 12.APPX A - 20, OATT SCHEDULE 12.APPENDIX A - 20 Virginia Electric and Power, 7.1.0](#)

³⁹ In Docket No. ER15-2562-000, *et al.*, the Commission accepted and suspended cost responsibility assignments for new baseline upgrades, to become effective on April 25, 2016, subject to further order by the Commission following a technical conference. *See PJM Interconnection, L.L.C.*, 153 FERC ¶ 61,245 (2015).

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

PJM Interconnection, L.L.C.

Docket Nos. ER16-736-001
ER16-736-002

PJM Interconnection, L.L.C.

EL16-96-000

(Issued July 11, 2016)

LaFLEUR, Commissioner *dissenting in part*:

I generally support the calls in today's order, which should help address various inconsistencies in PJM's transmission planning procedures. However, consistent with my partial dissent in *PJM Interconnection, L.L.C.*, 154 FERC ¶ 61,096 (2016), I disagree with the order's rejection of the cost allocation for project b2665, a rebuild of the Cunningham-Dooms 500 kilovolt (kV) line. I believe that, as explained in that partial dissent and as FERC has recognized,¹ high-voltage transmission lines in PJM have inherent regional benefits that warrant some measure of regional cost allocation. I would therefore apply PJM's Commission-approved cost allocation methodology for double-circuit 345 kV and 500 kV and above transmission projects that allocates 50 percent of the project's costs on a postage stamp basis, and 50 percent through a solution-based DFAX analysis.

Beyond the merits of this order, the record in this case potentially raises another issue regarding which I recently expressed concern at the Commission's technical conference on competitive bidding: whether, as a reaction to Order No. 1000's competitive requirements, incumbent transmission owners may be delaying action on transmission upgrades until those projects are needed in the near-term and therefore not subject to competitive bidding. It is important that incumbent transmission owners report their transmission needs to PJM in a timeframe that allows PJM to meet them in a timely manner, and open them to competitive bidding requirements if they are not in fact immediate. If it appears over time that incumbent transmission owners may be postponing identification of transmission needs to avoid competitive bidding, further action may be needed to ensure that customers receive the intended benefits of Order No. 1000 planning processes.

¹ *PJM Interconnection, L.L.C.*, 142 FERC ¶ 61,214, at PP 413-414 (2013).

Accordingly, I respectfully dissent in part.

Cheryl A. LaFleur
Commissioner