

161 FERC ¶ 61,190
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Neil Chatterjee, Chairman;
Cheryl A. LaFleur, and Robert F. Powelson.

PJM Interconnection, L.L.C.

Docket No. ER17-2362-000

ORDER ON TARIFF REVISIONS AND COST ALLOCATION REPORT

(Issued November 16, 2017)

1. On August 25, 2017, 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 (August 25 Filing). The Tariff revisions incorporate cost responsibility assignments for 39 baseline upgrades included in the recent update to the Regional Transmission Expansion Plan (RTEP) approved by the PJM Board of Directors (PJM Board).² In this order, we accept the cost assignments set forth in the August 25 Filing, effective November 23, 2017, as requested, as discussed in the body of this order.

¹ 16 U.S.C. § 824d (2012).

² PJM Interconnection, L.L.C., Intra-PJM Tariffs, [SCHEDULE 12.APPX A - 1, OATT SCHEDULE 12.APPENDIX A - 1 Atlantic City Electric Comp, 5.0.0](#); [SCHEDULE 12.APPX A - 7, OATT SCHEDULE 12.APPENDIX A - 7 Pennsylvania Electric Company, 12.0.0](#); [SCHEDULE 12.APPX A - 8, OATT SCHEDULE 12.APPENDIX A - 8 PECO Energy Company, 10.0.0](#); [SCHEDULE 12.APPX A - 12, OATT SCHEDULE 12.APPENDIX A - 12 Public Service Electric and, 15.0.0](#); [SCHEDULE 12.APPX A - 16, OATT SCHEDULE 12.APPENDIX A - 16 The Dayton Power and Light, 2.0.0](#); [SCHEDULE 12.APPX A - 17, OATT SCHEDULE 12.APPENDIX A - 17 AEP Service Corporation, 14.0.0](#); [SCHEDULE 12.APPX A - 20, OATT SCHEDULE 12.APPENDIX A - 20 Virginia Electric and Power, 14.0.0](#); [SCHEDULE 12.APPX A - 23, OATT SCHEDULE 12.APPENDIX A - 23 American Transmission Systems, 10.0.0](#); and [SCHEDULE 12.APPX A - 25, OATT SCHEDULE 12.APPENDIX A - 25 East Kentucky Power Cooperative, 8.0.0](#).

I. Background

2. PJM files cost responsibility assignments for transmission projects that the PJM Board approves as part of PJM's RTEP in accordance with Schedule 12 in the Tariff and Schedule 6 of the Operating Agreement.³ With respect to reliability projects, in developing the RTEP, PJM selects, 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,⁴ and individual transmission owner Form No. 715 local planning criteria.⁵ Types of reliability projects selected in the RTEP for purposes of cost allocation include Regional Facilities,⁶ which as a general matter are AC facilities that are single-circuit 500 kV or double-circuit 345 kV and above, Necessary Lower Voltage

³ In accordance with the Tariff and the Operating Agreement, PJM is required to make a filing with the Commission under section 205 of the FPA that includes, among other things, the: (1) expansion or enhancement projects the PJM Board approved for inclusion in the RTEP; (2) estimated costs of the projects; (3) entities responsible for paying the costs of the projects; and (4) entity PJM has designated to develop the projects. *See* Operating Agreement, Schedule 6, § 1.6 (b) and PJM Tariff, Schedule 12, § (b)(viii) (3.0.0).

⁴ 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).

⁵ The Commission accepted a PJM Transmission Owner proposed tariff revision to allocate 100 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 to the zone of the individual transmission owner whose Form No. 715 local planning criteria underlie each project. *See PJM Interconnection, L.L.C.*, 154 FERC ¶ 61,096, *order on reh'g*, 157 FERC ¶ 61,192 (2016) (Local Planning Criteria Orders).

⁶ Regional Facilities are defined as Required Transmission Enhancements included in the Regional Transmission Expansion Plan that are transmission facilities that are: (a) AC facilities that operate at or above 500 kV; (b) double-circuit AC facilities that operate at or above 345 kV; (c) AC or DC shunt reactive resources connected to a facility from (a) or (b); or (d) DC facilities that meet the necessary criteria as described in section (b)(i)(D). *See* PJM, Intra-PJM Tariffs, OATT, Schedule 12, § (b)(i) (Regional Facilities and Necessary Lower Voltage Facilities) (9.0.0).

Facilities,⁷ and Lower Voltage Facilities.⁸ In its order on the PJM Transmission Owners' proposed tariff revisions to comply with the regional cost allocation requirements of Order No. 1000,⁹ the Commission approved a hybrid cost allocation method for reliability projects selected in the regional transmission plan for purposes of cost allocation.¹⁰ As approved, one half of the costs of Regional Facilities or Necessary Lower Voltage Facilities are allocated on a load-ratio share basis and the other half are allocated based on the solution-based distribution factor (DFAX) method. All of the costs of Lower Voltage Facilities are allocated using the solution-based DFAX method.

II. Proposed Tariff Revisions

3. The August 25 Filing amends Schedule 12-Appendix A to the Tariff to include the cost responsibility assignments for 39 new transmission enhancements and expansions included in the most recent update to the RTEP approved by the PJM Board on July 26, 2017. PJM states that the August 25 Filing does not include any cost responsibility assignments for transmission enhancements or expansions that are identified as Regional Facilities or Necessary Lower Voltage Facilities. PJM further states that four enhancements and expansions included in the filing are Lower Voltage Facilities required

⁷ 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. See PJM, Intra-PJM Tariffs, OATT, Schedule 12, § (b)(i) (Regional Facilities and Necessary Lower Voltage Facilities) (9.0.0).

⁸ Lower Voltage Facilities are defined as Required Transmission Enhancements that are: (a) not Regional Facilities; and (b) not "Necessary Lower Voltage Facilities." See PJM, Intra-PJM Tariffs, OATT, Schedule 12, § (b)(ii) (Lower Voltage Facilities) (9.0.0).

⁹ 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) (*S.C. Pub. Serv. Auth. v. FERC*). See also *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, and *order on reh'g and compliance*, 151 FERC ¶ 61,250 (2015).

¹⁰ The Commission accepted the regional cost allocation method as part of PJM's Order No. 1000 compliance filings.

to address reliability needs for which PJM applied the DFAX analysis.¹¹ Finally, PJM states that 28 cost responsibility assignments involve circuit breakers and associated equipment which are not part of the design specifications of a Required Transmission Enhancement.¹²

4. PJM states that five enhancements that are included in the RTEP for the first time do not equal or exceed \$5 million. Therefore, consistent with Schedule 12 subsection (b)(vi), cost responsibility for these enhancements are allocated 100 percent to the zone of the transmission owner in which the facility is located. In addition, PJM states that two enhancements are included in the RTEP solely to address Form No. 715 local planning criteria. PJM states that cost responsibility for these two enhancements is allocated 100 percent to the zone of the transmission owner in which the facility is located.¹³

III. Notice, Intervention, and Responsive Pleadings

5. Notice of the August 25 Filing was published in the *Federal Register*, 82 Fed. Reg. 41,400 (2017), with an errata issued on September 5, 2017, extending the comment date September 25, 2017.

6. Timely motions to intervene were filed by ITC Mid-Atlantic Development, LLC, American Electric Power Service Corporation (AEP),¹⁴ Jersey Central Power & Light

¹¹ The four Lower Voltage Facilities referenced are Baseline Upgrades: b2826.1, b2826.2, b2897 and b2898.

¹² The 28 Baseline Upgrades are: b2839, b2840, b2841, b2842, b2843, b2844, b2845, b2846, b2847, b2848, b2850, b2852, b2854, b2855, b2856, b2857, b2858, b2859, b2860, b2861, b2862, b2863, b2864, b2865, b2866, b2867, b2868, and b2869. In accordance with Schedule 12, subsection (b)(iv)(C), the costs for these 28 Baseline Upgrades are assigned entirely to the zone of the transmission owner in which the facility is to be located.

¹³ The two Form No. 715 projects are Baseline Upgrades b2870 and b2871.

¹⁴ 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.

Company, *et al.*,¹⁵ Exelon Corporation (Exelon), American Municipal Power, Inc., Linden VFT, LLC, Dominion Energy Services, Inc.,¹⁶ Wabash Valley Power Association, Inc.,¹⁷ American Municipal Power, Inc.,¹⁸ Public Service Electric and Gas Company (PSEG), and North Carolina Electric Membership Corporation.

7. A protest was filed by Old Dominion Electric Cooperative (ODEC), and an answer was filed by PJM.

8. ODEC requests that the Commission reject PJM's filing and direct PJM to submit additional information regarding certain Lower Voltage Facilities.¹⁹ ODEC argues that for two projects, Baseline Upgrades b2826.1 and b2826.2,²⁰ PJM does not provide a distribution factor table showing the allocation factors.²¹ ODEC states that it is unable to replicate PJM's analysis and the Commission should direct PJM to provide the detailed information for the sake of transparency and to determine whether the upgrades are appropriately allocated entirely to the AEP zone. With regards to a third project, Baseline Upgrade b2898, ODEC states PJM allocated 100 percent of the costs to the

¹⁵ Including Metropolitan Edison Company, Pennsylvania Electric Company, Monongahela Power Company, The Potomac Edison Company, West Penn Power Company, American Transmission Systems, Inc., and Trans-Allegheny Interstate Line Company.

¹⁶ On behalf of Virginia Electric and Power Company.

¹⁷ On behalf of its 25 generation and transmission owning cooperatives within Indiana, Illinois, and Missouri.

¹⁸ On behalf of its members in Ohio, West Virginia, Pennsylvania, Michigan, Virginia, Kentucky, Indiana, Maryland, and Delaware.

¹⁹ ODEC Protest at 1. As noted, the costs of a Lower Voltage Facility are allocated entirely using solution-based DFAX.

²⁰ PJM classified both Project IDs as "Lower Voltage Facilities" for which a DFAX analysis would be performed. Project ID b2826.1 is the installation of a 300 MVAR reactor at the Ohio Central 345 kV substation, at an estimated upgrade cost of \$5 million. Project ID b2826.2 is the installation of a 300 MVAR reactor at the West Bellaire 345 kV substation, at a cost of \$5 million. For both, PJM states "[t]he distribution factor would be based on an interface entirely within the zone receiving the allocation. Therefore no distribution factor table is provided." ODEC Protest at 2 (citing August 25 Filing, Att. A at 1).

²¹ ODEC Protest at 2-3.

American Transmission Systems, Inc. (ATSI) zone based on the DFAX analysis, but the results of the DFAX analysis produce a 1.32 percent allocation to the ATSI zone. ODEC requests that PJM clarify whether the table is incorrect or missing additional information.²²

9. In addition, for two projects proposed to resolve violations of Form No. 715 local planning criteria,²³ ODEC states that it has filed a petition for review of the Commission's orders adopting the cost allocation policy that 100 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 zone of the individual transmission owner whose Form No. 715 local planning criteria underlie the project. ODEC requests that the ultimate cost allocation for these upgrades should be subject to the outcome of that appeal.²⁴

10. In response to ODEC's request for more information regarding the cost allocation determination for Baseline Upgrades b2826.1 and b2826.2, PJM states that these reactive power upgrades are needed to address high voltage, operational performance issues that occurred under light load conditions. PJM explains that because these reactive power upgrades are reactors, rather than transmission lines or transformers, and because the DFAX analysis measures megawatt flows over transmission lines or transformers, the DFAX analysis cannot be performed unless an appropriate substitute proxy is created for these particular reactive power upgrades. PJM states that, in instances where the DFAX analysis cannot be performed, the PJM Tariff provides PJM the authority to "use an appropriate substitute proxy for the Required Transmission Enhancement in conducting the DFAX analysis" and that the Commission has recently approved of this approach.²⁵ PJM explains that, pursuant to this authority, it selected a proxy of an interface comprised of the lines and transformers that surround the entire AEP system. PJM explains that it frequently selects this type of proxy where the reactive power upgrade is located because the majority of reactive power upgrades are intended to provide local voltage support.²⁶

²² ODEC Protest at 4.

²³ Projects b2870 and b2871.

²⁴ ODEC Protest at 3-4 (citing its petition for appeal pending in Case No. 17-1040 (D.C. Circuit)).

²⁵ PJM, Intra-PJM Tariffs, OATT, Schedule 12, section (b)(iii)(G); PJM Answer at 4 (citing *Consolidated Edison Co. of N.Y., Inc. v. PJM Interconnection, L.L.C.*, 151 FERC ¶ 61,227, at P 52 (2015)).

²⁶ PJM Answer at 3-5.

11. Regarding Baseline Upgrade b2898, PJM states that ATSI is the only zone that had a DFAX percentage greater than one percent. PJM further explains that, under its Tariff, no cost responsibility identified under the solution-based DFAX is assigned to a zone unless the distribution factor for that zone is at least 0.01, meaning that that zone would be assigned at least one percent of the costs of the relevant transmission project.²⁷ Therefore, PJM states that because ATSI is the only zone receiving a cost allocation greater than one percent of the total costs, the PJM Tariff requires that ATSI be assigned the entire cost of the project.

IV. Discussion

A. Procedural Matters

12. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2017), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

13. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2017) prohibits an answer to a protest or to an answer unless otherwise ordered by the decisional authority. We will accept PJM's answer because it provided information that assisted us in our decision-making process.

B. Determination

14. We accept PJM's proposed Tariff revisions, effective November 23, 2017, as requested. In accepting the proposed Tariff revisions, we find that PJM complied with its Tariff obligations, including the cost allocation provisions of Schedule 12 of its Tariff.

15. ODEC's protest does not require a contrary conclusion. With respect to Baseline Upgrades b2826.1 and b2826.2, we find that PJM has, consistent with its Tariff, selected an appropriate substitute proxy when conducting the DFAX analysis for these transmission projects, which addresses ODEC's concern regarding the transparency of how their costs were allocated. Similarly, we find that PJM has complied with its Tariff with respect to Baseline Upgrade b2898. As PJM explained, ATSI was the only transmission zone with a distribution factor greater than or equal to 0.01 and, therefore, the only zone to which the costs of the project should be allocated. Accordingly, we find that PJM followed its Tariff in allocating the costs entirely to the ATSI zone. We note that the cost allocation for PJM transmission projects that address only Form No. 715 local planning criteria are the subject of pending court proceedings.²⁸

²⁷ PJM, Intra-PJM Tariffs, OATT, Schedule 12, section (b)(iii)(A)(6).

²⁸ *Old Dominion Elec. Coop. v. FERC*, Nos. 17-1040 & 17-1041 (D.C. Cir. filed Feb. 6, 2017).

The Commission orders:

PJM's proposed Tariff revisions are hereby accepted for filing, effective November 23, 2017, as requested, as discussed in body of this order.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.