

169 FERC ¶ 61,154  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Neil Chatterjee, Chairman;  
Richard Glick and Bernard L. McNamee.

PJM Interconnection, L.L.C.

Docket No. ER19-2708-000

ORDER ON COST ALLOCATION REPORT AND TARIFF REVISIONS

(Issued November 25, 2019)

1. On August 29, 2019, PJM Interconnection, L.L.C. (PJM), in accordance with Schedule 12 of the PJM Open Access Transmission Tariff (Tariff) and pursuant to section 205 of the Federal Power Act (FPA),<sup>1</sup> submitted amendments to Schedule 12-Appendix A of its Tariff to incorporate cost responsibility assignments for 51 new transmission projects (August 29, 2019 Tariff Filing).

2. In this order, we accept in part, and reject in part, the August 29, 2019 Tariff Filing, effective November 27, 2019, as requested.

**I. Background**

3. PJM files cost responsibility assignments for transmission projects that the PJM Board of Managers (PJM Board) approves as part of PJM's RTEP in accordance with Schedule 12 of PJM's Tariff and Schedule 6 of the Amended and Restated Operating Agreement of PJM (Operating Agreement).<sup>2</sup> Schedule 12 of the Tariff

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<sup>1</sup> 16 U.S.C. § 824d (2018).

<sup>2</sup> In accordance with the Tariff and the Operating Agreement, PJM "shall file with FERC a report identifying the expansion or enhancement, its estimated cost, the entity or entities that will be responsible for constructing and owning or financing the project, and the market participants designated under Section 1.5.6(l) above to bear responsibility for the costs of the project." *See* PJM Operating Agreement, Schedule 6, Section 1.6 (b). "Within 30 days of the approval of each Regional Transmission Expansion Plan or an addition to such plan by the PJM Board pursuant to Section 1.6 of Schedule 6 of the PJM Operating Agreement, the Transmission Provider shall designate in the Schedule 12-Appendix A and in a report filed with the FERC the customers using Point-to-Point Transmission Service and/or Network Integration Transmission Service and Merchant

establishes Transmission Enhancement Charges for “[o]ne or more of the Transmission Owners [that] may be designated to construct and own and/or finance Required Transmission Enhancements by (1) the PJM RTEP periodically developed pursuant to Operating Agreement, Schedule 6; or (2) any joint planning or coordination agreement between PJM and another region or transmission planning authority set forth in Tariff, Schedule 12-Appendix B.”<sup>3</sup> In developing the RTEP, PJM identifies transmission projects to address different criteria, including PJM planning procedures, North American Electric Reliability Corporation (NERC) Reliability Standards, Regional Entity reliability principles and standards,<sup>4</sup> and individual transmission owner Form No. 715 local

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Transmission Facility owners that will be subject to each such Transmission Enhancement Charge “Responsible Customers” based on the cost responsibility assignments determined pursuant to this Schedule 12.” PJM Tariff, Schedule 12, § (b)(viii).

<sup>3</sup> Required Transmission Enhancements are defined 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 Tariff, Schedule 12-Appendix B “Appendix B Agreement” designates one or more of the Transmission Owner(s) to construct and own or finance.” PJM Tariff, OATT Definitions - R - S, 13.0.0. Transmission Enhancement Charges are established to recover the revenue requirement with respect to a Required Transmission Enhancement. *See* PJM Tariff, Schedule 12, § (a)(i).

<sup>4</sup> As established by Reliability First Corporation, Southeastern Electric Reliability Council, and other applicable Regional Entities. *See* PJM Operating Agreement, Schedule 6, § 1.2(b) and 1.2(d) (Conformity with NERC and Other Applicable Reliability Criteria).

planning criteria. Types of Reliability Projects<sup>5</sup> identified in the RTEP include Regional Facilities,<sup>6</sup> Necessary Lower Voltage Facilities,<sup>7</sup> and Lower Voltage Facilities.<sup>8</sup>

4. PJM utilizes a hybrid cost allocation method, which the Commission found complies with Order No. 1000,<sup>9</sup> for Regional Facilities and Necessary Lower Voltage Facilities that address a reliability need.<sup>10</sup> Under this method, PJM allocates 50 percent

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<sup>5</sup> Reliability Projects are Required Transmission Enhancements that are included in the RTEP to address one or more reliability violations or to address operational adequacy and performance issues. *See* PJM Tariff, Schedule 12, § (b)(i)(A)(2)(a).

<sup>6</sup> Regional Facilities are defined as Required Transmission Enhancements included in the RTEP 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 Tariff, Schedule 12, § (b)(i) (Regional Facilities and Necessary Lower Voltage Facilities).

<sup>7</sup> 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 Tariff, Schedule 12, § (b)(i) (Regional Facilities and Necessary Lower Voltage Facilities).

<sup>8</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 Tariff, Schedule 12, § (b)(ii) (Lower Voltage Facilities).

<sup>9</sup> *See Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*, Order No. 1000, 136 FERC ¶ 61,051 (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.*, 762 F.3d 41 (D.C. Cir. 2014); *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, *order on reh’g and compliance*, 151 FERC ¶ 61,250 (2015).

<sup>10</sup> PJM identifies reliability transmission needs and economic constraints that result from the incorporation of public policy requirements into its sensitivity analyses and allocates the costs of the solutions to such transmission needs in accordance with the type of benefits that they provide. *See PJM Interconnection, L.L.C.*, 142 FERC ¶ 61,214 at P 441; *see also* PJM Tariff, Schedule 12, § (b)(v) (Economic Projects) (assigning cost

of the costs of Regional Facilities or Necessary Lower Voltage Facilities on a load-ratio share basis and the other 50 percent based on the solution-based distribution factor (DFAX) method.<sup>11</sup> PJM allocates all of the costs of Lower Voltage Facilities using the solution-based DFAX method.<sup>12</sup>

5. With respect to transmission expansions or enhancements for which costs are assigned using the solution-based DFAX method, PJM makes a preliminary cost responsibility determination for each Required Transmission Enhancement at the time such Required Transmission Enhancement is included in the RTEP.<sup>13</sup> Beginning with the calendar year in which a Required Transmission Enhancement is scheduled to enter service, and thereafter annually at the beginning of each calendar year, PJM updates the preliminary cost responsibility determination for each Required Transmission Enhancement using the values and inputs used in the base case of the most recent RTEP approved by the PJM Board prior to the date of the update. All values and inputs used in the calculation of the DFAX in a determination of cost responsibility shall be the

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responsibility for Economic Projects that are either accelerations or modifications of Reliability Projects, or new enhancements or expansions that relieve one or more economic constraints); PJM Operating Agreement, Schedule 6, § 1.5.7(b)(iii).

<sup>11</sup> Prior to adopting the solution-based DFAX method for assigning cost responsibility, the Tariff included a violation-based DFAX method for assigning the costs of Lower Voltage Facilities. Under the violation-based DFAX method, to determine cost responsibility for Lower Voltage Facilities, PJM conducted studies to determine which loads contribute to the reliability violation that caused the upgrade by examining power flows on the constrained facilities at the time of a reliability violation. *See PJM Interconnection, L.L.C.*, 142 FERC ¶ 61,214 at P 429.

<sup>12</sup> The Commission accepted a PJM Transmission Owner Tariff proposed 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), *remanded sub nom. Old Dominion Elec. Coop. v. FERC*, 898 F.3d 1254 (D.C. Cir. 2018) (setting aside the Commission's order accepting the PJM Transmission Owners' proposed Tariff revisions to allocate the costs of projects identified in the RTEP solely to address individual transmission owner Form No. 715 local planning criteria 100 percent to the zone of that transmission owner, and remanding for further proceedings); *PJM Interconnection, L.L.C.*, 168 FERC ¶ 61,133 (2019) (rejecting PJM Transmission Owner Tariff proposed revisions on remand).

<sup>13</sup> PJM Tariff, Schedule 12, § (b)(iii)(H)(2).

same values and inputs as used in the base case of the most recent RTEP approved by the PJM Board prior to the determination of cost responsibility.

## **II. PJM Tariff Filing**

6. The August 29, 2019 Tariff Filing proposes amendments to Schedule 12-Appendix A of the Tariff to incorporate cost responsibility assignments for 51 transmission projects that were part of the recent update to the RTEP that the PJM Board of Managers approved on July 30, 2019. PJM states that the amendments include cost responsibility assignments for Lower Voltage Facilities required to address reliability needs; reliability enhancements to address reliability violations on transmission facilities; Lower Voltage Facilities that were included in the RTEP solely to address individual transmission owner Form No. 715 local planning criteria; enhancements or expansions needed for reliability that cost less than \$5 million; and enhancements needed to address spare parts, replacement equipment, and circuit breakers.

## **III. Notice and Interventions**

7. Notice of the August 29, 2019 Tariff Filing was published in the *Federal Register*, 84 Fed. Reg. 46,723 (2019), with interventions and protests due on or before September 19, 2019. On August 30, 2019, an errata notice was issued extending the date for filing comments to September 30, 2019.

8. Motions to intervene were filed by American Electric Power Service Corporation,<sup>14</sup> Exelon Corporation, PPL Electric Utilities Corporation, Public Service Electric and Gas Company, American Municipal Power, Inc., Dominion Energy Services, Inc.,<sup>15</sup> FirstEnergy Service Company, Calpine Corporation, and North Carolina Electric Membership Corporation.

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<sup>14</sup> American Electric Power Service Corporation intervened 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 (collectively, AEP).

<sup>15</sup> Dominion Energy Services, Inc. intervened on behalf of Virginia Electric and Power Company (VEPCo).

#### **IV. Commission Determination**

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

9. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2019), the notice of intervention and timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

##### **B. Substantive Matters**

10. We accept in part and reject in part the proposed Tariff records. We accept the cost responsibility assignments included in the Tariff records identified in Appendix A, to become effective November 27, 2019, as requested. As discussed below, we reject the cost responsibility assignments included in the Tariff records identified in Appendix B because these Tariff records, which include assignments of cost responsibility for Required Transmission Enhancements that are included in the RTEP solely to address individual transmission owner Form No. 715 local planning criteria, are not all consistent with the Tariff.<sup>16</sup> Because we must accept or reject all proposed assignments of cost responsibility associated with a particular transmission zone, we reject the Tariff records for assignments of cost responsibility in the August 29, 2019 Filing for AEP, ComEd, and VEPCo.

11. PJM submitted the proposed Tariff revisions on August 29, 2019, pursuant to the cost allocation provisions of the then-existing, effective provisions of Schedule 12 of the PJM Tariff. On August 29, 2019, Schedule 12 of the PJM Tariff included a 2015 PJM Transmission Owner 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.

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<sup>16</sup> The projects that are include in the RTEP solely to address individual transmission owner Form No. 715 local planning criteria included in the August 29, 2019 Filing are (1) for AEP: b3099, b3100, b3101, b3102, b3103.1, b3103.2, b3103.3, b3103.4, b3103.5, b3103.6, b3103.7, b3103.8, b3112, b3116, b3118.1, b3118.2, b3118.3, b3118.4, b3118.5, b3118.6, b3118.7, b3118.8, b3118.9, b3118.10, b3208, and b3209; (2) for Commonwealth Edison Company (ComEd): b3111; (3) for VEPCo: b3096, b3097, b3098, b3110.1, b3110.2, b3113, and b3114.

However, one day after the August 29, 2019 Filing, on August 30, 2019, the Commission issued an order on remand rejecting the 2015 PJM Transmission Owner Tariff revision.<sup>17</sup> As a result, the assignments of cost responsibility in the August 29, 2019 Tariff Filing for Required Transmission Enhancements that are included in the RTEP solely to address individual transmission owner Form No. 715 local planning criteria are not consistent with the rejection of the 2015 PJM Transmission Owner Tariff revision, as provided by the order on remand. Accordingly, PJM is required to make a compliance filing to reallocate the costs for projects included in the RTEP solely to address individual transmission owner Form No. 715 local planning criteria, pursuant to the cost allocation provisions of Schedule 12 as it existed prior to the 2015 PJM Transmission Owner Tariff revision.<sup>18</sup>

The Commission orders:

(A) PJM's proposed Tariff revisions are hereby accepted in part, effective November 27, 2019, as requested, and rejected in part, as discussed in the body of this order.

(B) PJM is required to make a compliance filing within 30 days of the date of this order to reallocate the assignments of cost responsibility for Required Transmission Enhancements that are included in the RTEP solely to address individual transmission owner Form No. 715 local planning criteria, 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>17</sup> *PJM Interconnection, L.L.C.*, 168 FERC ¶ 61,133 at P 27. *See Old Dominion Elec. Coop. v. FERC*, 898 F.3d 1254 (setting aside the Commission's order accepting the 2015 PJM Transmission Owner Tariff revisions).

<sup>18</sup> *See* Schedule 12, § (b)(viii).

**Appendix A**

**Tariff Records Accepted Effective November 27, 2019**

PJM Interconnection, L.L.C.  
Intra-PJM Tariffs

[SCHEDULE 12.APPX A - 5, OATT SCHEDULE 12.APPENDIX A - 5 Metropolitan Edison Company, 16.0.0](#)

[SCHEDULE 12.APPX A - 14, OATT SCHEDULE 12.APPENDIX A - 14 Monongahela Power Company, 16.0.0](#)

[SCHEDULE 12.APPX A - 16, OATT SCHEDULE 12.APPENDIX A - 16 The Dayton Power and Light, 3.0.0](#)

[SCHEDULE 12.APPX A - 18, OATT SCHEDULE 12.APPENDIX A - 18 Duquesne Light Company, 6.0.0](#)



**Appendix B**

**Tariff Records Rejected**

PJM Interconnection, L.L.C.  
Intra-PJM Tariffs

[SCHEDULE 12.APPX A - 15, OATT SCHEDULE 12.APPENDIX A - 15  
Commonwealth Edison Company, 13.0.0](#)

[SCHEDULE 12.APPX A - 17, OATT SCHEDULE 12.APPENDIX A - 17 AEP Service  
Corporation, 22.0.0](#)

[SCHEDULE 12.APPX A - 20, OATT SCHEDULE 12.APPENDIX A - 20 Virginia  
Electric and Power, 22.0.0](#)