December 23, 2014

Via eTariff
Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.,
Washington, D.C. 20426

Re: PJM Interconnection, L.L.C. and Baltimore Gas & Electric Co.
Docket Nos. ER14-2864-000 and ER14-2867-000 (not consolidated)
Joint Response to Deficiency Notice and Amendment to Filings

Dear Secretary Bose:

On September 12, 2014, PJM Interconnection, L.L.C. (“PJM”) submitted revisions to Schedule 6 of the Amended and Restated Operating Agreement of PJM Interconnection, L.L.C. (“Operating Agreement”), and the definitional section of the PJM Open Access Transmission Tariff (“Tariff”), to allow PJM to plan for and include Multi-Driver Projects in its regional transmission expansion plan (“RTEP”).1 On September 12, 2014, Baltimore Gas & Electric Company, on behalf of the PJM Transmission Owners, separately filed revisions to Schedule 12 of the Tariff proposing a cost allocation methodology for Multi-Driver Projects.2

On November 7, 2014, the Commission advised PJM and the PJM Transmission Owners that their submittals were deficient and that additional information was required to process their filings.3 Responses to the Deficiency Letter were due on December 8, 2014. The Commission indicated that the information requested in the Deficiency Letter would constitute amendments to the Multi-Driver Project Filings and new filing dates would be established.4

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1 PJM Interconnection, L.L.C., PJM Filing, Docket No. ER14-2864-000 (Sept. 12, 2014) (“PJM’s September 12 Filing”).

2 Baltimore Gas & Electric Company, PJM Transmission Owners’ Filing, Docket No. ER14-2867-000 (Sept. 12, 2014) (“Transmission Owner’s September 12 Filing”). PJM’s September 12 Filing and PJM Transmission Owner’s September 12 Filing may be referred to herein collectively as the “September 12 Filings.”


4 Deficiency Letter at 9.
On November 26, 2014, PJM and the Transmission Owners jointly filed a motion for an extension of time until December 23, 2014, to respond to the Deficiency Letter, which the Commission granted on December 2, 2014.5

In accordance with the Deficiency Letter and Notice of Extension of Time, PJM and the PJM Transmission Owners submit the following information and amend their respective filings.6

I. Overview

1. Description of Multi-Driver Project Selection Process

PJM currently evaluates three separate drivers (reliability, economic, and public policy) to identify transmission facilities that are necessary to meet the PJM Region’s transmission needs. The purpose of the September 12 Filings is to permit PJM to consider projects that meet more than one driver in determining the more efficient or cost-effective solutions to the needs of the PJM Region. This Multi-Driver Project Approach will give PJM the flexibility to identify the more efficient, cost-effective transmission facilities that meet the PJM Region’s needs using a combination of two or three of the existing drivers. The proposed revisions to section 1.5.10 of Schedule 6 of the Operating Agreement and Schedule 12 of the Tariff will allow PJM to select projects that address one or more separate drivers and proportionally allocate the costs of such projects to each driver.7

The September 12 Filings propose to utilize, not modify, the underlying Commission-accepted RTEP process set forth in Schedule 6 to identify and select Multi-Driver Projects. In essence, there is no separate process for selection of Multi-Driver Projects. Rather, PJM intends to utilize the proposal window/competitive solicitation process the Commission already has approved as part of PJM’s Order No. 1000 compliance filing.8 Thus, consistent with Order No. 1000, all projects selected as Multi-Driver Projects will be included in the RTEP for cost allocation purposes because they are found to be the more efficient or cost-effective solution to the PJM Region’s needs. The following section contains a brief description of how Multi-Driver Projects will be selected for inclusion in the RTEP for cost allocation purposes pursuant to the competitive solicitation process set forth in Schedule 6, section 1.5.8 of the Operating Agreement

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6 PJM and the PJM Transmission Owners each provide responses to specific questions. The responder is indicated as “PJM Response and Additional Information” and “Response by PJM Transmission Owners” before each answer.

7 As noted in the PJM’s September 12 Filing Letter, PJM’s current planning process permits PJM to combine economic benefits with reliability projects that accelerate or incrementally enhance a reliability project; however, the costs of an acceleration or incrementally enhanced project are allocated as a reliability project. See PJM Tariff, Schedule 12(b)(v)(A) and (B). PJM’s proposal under section 1.5.10 will allow PJM to allocate the costs to reflect the relative weight of the different components of a Multi-Driver Project that addresses different drivers.

and accepted by the Commission in its March 22, 2013 order on compliance. In the March 22 Order, the Commission found that PJM’s “regional transmission planning process culminates in the RTEP, a regional transmission plan that reflects PJM’s determination of the set of transmission facilities that more efficiently or cost-effectively meet the transmission needs of the PJM Region.”

2. Selection of Proposals under Section 1.5.8, Including Multi-Driver Projects

Pursuant to section 1.5.8(b) of Schedule 6 of the Operating Agreement, PJM will post violations, system conditions, economic constraints, and Public Policy Requirements, which could be addressed by a potential expansion or enhancements (e.g., Short-term Project, Long-lead Project, Economic-based Enhancement or Expansion, or public policy projects determined pursuant to the State Agreement Approach). In other words, PJM posts system needs not projects.

In accordance with section 1.5.8(c), PJM will establish the appropriate proposal windows (e.g. 30-day window for Short-term Projects and 120-day window for Long-lead Projects) and during those windows will accept project proposals from both pre-qualified existing incumbent transmission owners and nonincumbent transmission developers for potential enhancements or expansions that would address the posted violations, system conditions, economic constraints, and Public Policy Requirements.

During the proposal windows, entities may propose solutions that would address the posted needs. They may propose projects that meet a single driver (e.g., reliability) or a combination of drivers (e.g., reliability, market efficiency and Public Policy). Should a proposed project address more than one of the posted needs and should the proposed project prove to be the more efficient or cost-effective solution to address those multiple needs, then it can be included in the RTEP as a Multi-Driver Project. By the same token, if the more efficient or cost-effective solution would be to combine two separately proposed projects, those projects could be combined; and, if discrete elements of the combined project could be designated to the

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9 Order on Compliance Filings at P 65.
10 Hereafter, all section citations in this response will be to sections of Schedule 6 of the Operating Agreement, unless otherwise specified.
11 See Operating Agreement, Definitions S – T, § 1.41A.01
12 See Operating Agreement, Definitions I – L, § 1.19A.
13 See section 1.5.7.
14 See section 1.5.9.
15 If time permits, PJM also will open an abbreviated proposal window for Immediate-need Reliability Projects. However, these proposals by definition only address reliability and no other drivers. See section 1.5.8(m)(2); see also, Operating Agreement, Definitions I - L section 1.15A.
16 Entities, individually or jointly with others, may propose projects that would address one or more drivers.
respective proposers, PJM intends to do so. The Designated Entities will be required to work together to ensure integrated project development and construction.

After consultation with the Transmission Expansion Advisory Committee (“TEAC”), PJM shall determine and recommend to the PJM Board of Managers (“PJM Board”) the more efficient or cost-effective transmission enhancements and expansions for inclusion in the RTEP.\(^\text{17}\)

Once a Designated Entity is selected and accepts the designation, PJM and the Designated Entity(ies) for the projects, including Multi-Driver Projects, will execute the Designated Entity Agreement and Interconnection Coordination Agreement.\(^\text{18}\)

Within ten (10) business days of approval of the RTEP by the PJM Board, PJM must notify the entities that have been selected as Designated Entities for the projects included in the RTEP.\(^\text{19}\) PJM will select the Designated Entities for all projects included in the RTEP, including Multi-Driver Projects, based on the criteria in section 1.5.8(f). The following graphic depicts an overview of PJM’s Multi-Driver Project process.

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\(\text{17}\) See § 1.5.8(d).

\(\text{18}\) See PJM Interconnection, L.L.C., Letter Order, Docket No. ER13-198-005 (Nov. 18, 2014) (accepting pro forma Designated Entity Agreement attached to the Tariff at Attachment KK and pro forma Interconnection Coordination Agreement attached to the Tariff at Attachment LL).

\(\text{19}\) See section 1.5.8(i).
3. Overview of PJM Responses

The questions raised in the Deficiency Letter appear to presume that PJM will use a different selection process for Multi-Driver Projects than the process currently used for projects submitted through PJM’s Order No. 1000 proposal window process. No separate process is intended. Under the PJM RTEP process, needs are posted, projects are proposed and those projects are evaluated to determine which project (or combination of projects) is the more efficient or cost-effective solution to address the identified need(s). In the unlikely event that no submitted projects meet the posted needs and there is no immediate reliability need, the identified violations, constraints or public policy needs may be submitted again to stakeholders through a new proposal window.

The only two clarifications proposed to the Commission-accepted proposal window process in Schedule 6 of the Operating Agreement to accommodate Multi-Driver Projects are: (i) to allow states to add a Public Policy Requirement component to an existing RTEP project at a later point in the process -- namely after the window closes, after the project is designated and/or after the project is underway; and (ii) to allow sponsoring states input into, but not selection of, the Designated Entity for a Multi-Driver Project with a Public Policy Requirement component. See detailed explanation below in response to Question No. II.2.i.

Given these proposed modifications, the following is a flow chart depicting the process that would be used to accommodate a state sponsored Public Policy Requirement need later in the process:
Multi-Driver Project Process / State Accommodation

PJM Opens Window and Posts Needs/Drivers
- Reliability
- Market Efficiency
- Public Policy

Proposals Submitted*
- Reliability
- Market Efficiency
- Public Policy
- Combined

PJM Board Approved  RTEP/Projects/DEA Executed

State Identifies Public Policy need

PJM Analyzes State Request with TEAC

Requires Separate Project
- Public Policy needs posted in next proposal window

Requires Non-Major Change
- Revised DEA associated with/ existing project to add public policy component

Requires major change to original project
- DEA associated with original project cancelled
- Public Policy needs posted in next proposal window

*A multi-driver project may be submitted by one or more entities. If more than one entity proposes a multi-driver project, then more than one entity may be designated as the Designated Entity(ies) for that project.
II. Response to the Deficiency Letter

1. Order No. 1000

Order No. 1000 defines a transmission facility selected in a regional transmission plan for purposes of cost allocation as a transmission facility that has been selected pursuant to a transmission planning region’s Commission-approved regional transmission planning process for inclusion in a regional transmission plan for purposes of cost allocation because it is a more efficient or cost-effective solution to regional transmission needs.

i. PJM indicates that the Multi-Driver [projects] will be in the regional transmission plan. Please explain 1) if the Multi-Driver [projects] are selected pursuant to PJM's Commission-approved regional transmission planning process for inclusion in the regional transmission plan; 2) whether they are selected for purposes of cost allocation; and 3) whether they are selected because they are the more efficient or cost-effective solution to regional transmission needs.

PJM Response and Additional Information

Multi-Driver Projects will be included in the RTEP because they are the more efficient or cost-effective solution to regional transmission needs and selected for the purposes of cost allocation.

A Multi-Driver Project will be included in the RTEP only if it is the more efficient or cost-effective solution based on the criteria set forth in section 1.5.8(e). The Designated Entity for the project will be selected based on the criteria set forth in section 1.5.8(f). PJM also will comply with the posting and review requirements of section 1.5.8(d) with regard to proposals that result in Multi-Driver Projects. The Commission found that the criteria set forth in sections 1.5.8(d), (e), and (f) comply with Order No. 1000 to provide for selection of the more efficient, cost-effective solutions to the regional transmission needs identified through the Commission-accepted RTEP process. Pursuant to Schedule 6, section 1.6, following review and comment by the TEAC, PJM submits its recommendation to the PJM Board to approve the RTEP based on the studies and analyses performed by PJM under Schedule 6.

For a Multi-Driver Project to be included in the RTEP for cost allocation purposes, it must satisfy all of the requirements of section 1.5.8 and, if a public policy project under the State Agreement Approach, section 1.5.9(a)(ii).

To be subject to cost allocation pursuant to Schedule 12 of the Tariff, the reliability component must resolve a reliability violation consistent with Section 1.2 of Schedule 6; the economic component must satisfy the requirements set forth in Section 1.5.7 of Schedule 6 and the Public Policy Requirement component must satisfy the requirements set forth in Section 1.5.9(a), which requires a FERC-accepted allocation proposed by the sponsoring states.
permitting recovery of the costs of the state public policy component. In other words, a Multi-Driver Project will be eligible for regional cost allocation because each component will meet the relevant requirements.

Order No. 1000 required each public utility transmission provider to have in its tariff a method, or set of methods, for allocating the costs of any new transmission facility selected in the regional transmission plan for purposes of cost allocation. Each public utility transmission provider must demonstrate that its cost allocation method satisfies six regional cost allocation principles. In addition, while Order No. 1000 permitted participant funding, participant funding cannot be the regional cost allocation method.

ii. Please demonstrate 1) how the cost allocation method for Multi-Driver [projects] satisfies the six regional cost allocation principles and 2) how it is consistent with the determination that participant funding cannot be the regional cost allocation method.

Response By PJM Transmission Owners:20

(1) As an initial matter, PJM determines the percentage of each Multi-Driver Project that is attributed to a particular RTEP category, such as reliability, market efficiency or public policy. Thus, a Multi-Driver Project is divided into categories and each category or driver, with the exception of so-called ‘boosted projects’ is allocated exactly in the same manner that the Commission found to be in compliance with the Order No. 1000 principles.21

- The cost of transmission facilities is allocated within the transmission planning region, to those who benefit from the facilities in a manner that is at least roughly commensurate with the estimated benefits: Because PJM determines the percentage of each Multi-Driver Project that is caused by each category or driver, either through its proportional or incremental method, the allocation that follows, which as explained above is the same as the Commission previously approved, is limited to those who benefit and is roughly commensurate with those benefits. In the case of the so-called “boosted projects,” the only change is that the portion of the project that is designed as reliability or market efficiency will be allocated 20% pro rata and 80% to those calculated to directly benefit, rather than 50%-50%. As the Transmission Owners explained on pages 5-7 of their September 12 Transmittal Letter, this one change was made after consultation with and in response to changes requested by Organization of PJM States, Inc. (“OPSI”). In the September 12 Transmittal Letter, the PJM Transmission Owners detailed how

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20 This response is supplemented by attached submissions provided by OPSI. See Attachments A, B and C included with this filing.

this one exception complied with the principles of Order No. 1000,\textsuperscript{22} and the Transmission Owners incorporate by reference that explanation in this response.

- Those that receive no benefit from transmission facilities, either at present or in a likely future scenario, must not be involuntarily allocated costs: As stated above, because PJM determines the percentage of each Multi-Driver Project that is caused by each category or driver, either through its proportional or incremental method, the allocation that follows is the same as the Commission previously approved. With respect to the so-called ‘boosted projects,’ even though the allocation to the reliability or market efficiency portion has changed by having 20\% of those portions allocated \textit{pro rata}, those who would not have received a cost allocation but for the ‘boosting’ of the project to a Regional Facility, still receive a benefit because of the greater capacity of the Regional Facility. The Transmission Owners explained the benefits of Regional Facilities to all loads in PJM in their October 11, 2012 Order No. 1000 Compliance Filing.\textsuperscript{23}

- Benefit-to-Cost ratio must not be so high that transmission facilities with significant positive net benefits must not be excluded from cost allocation: There is no change in the Benefit-to-Cost ratio for the market efficiency portion of the Multi-Driver Projects; it remains at 1.25/1. There is nothing in the Multi-Driver construct that changes any evaluation or metric for market efficiency projects. The only change from the October 11, 2012 Order No. 1000 Compliance Filing is in the determination of the market efficiency metrics used by PJM to calculate benefits. This is due to the changes documented by PJM in Docket No. ER14-1394-000, which were accepted by the Commission in a Letter Order dated April 23, 2014.\textsuperscript{24}

- The allocation method must allocate costs solely within the transmission planning region: Under the Multi-Driver Project construct, no costs are allocated outside of PJM involuntarily. There are no changes proposed to interregional cost allocation as a result of this filing.

- The cost allocation method and data requirements must be transparent: The cost allocation for Multi-Driver Projects uses the same methodologies as for projects approved by the Commission. PJM explains the transparency and data requirements for determining the percentage of each Multi-Driver Project attributable to the different drivers.

\textsuperscript{22} PJM Transmission Owners’ September 12 Filing at 7 – 9.

\textsuperscript{23} \textit{See Tariff Revisions of the PJM Transmission Owners, Docket No. ER13-90-000 (Oct. 11, 2012).}

\textsuperscript{24} \textit{See PJM Interconnection, L.L.C., Letter Order, Docket No. ER14-1394-000 (Apr. 23, 2014).}
A transmission planning region may choose a different cost allocation method for different types of transmission facilities. The cost allocation for Multi-Driver Projects is the same for each driver as previously approved by the Commission with the exception of so-called ‘boosted projects.’ This small difference in allocation is due to the unique situation of combining public policy projects funded by the State Agreement Approach with other drivers and results from more efficient transmission planning.

(2) No new cost allocation method is being proposed for Multi-Driver Projects, with the exception of the “boosted projects” discussed below. The methodology for recovery of each driver of a Multi-Driver Project, whether it be reliability, economic, or public policy, are those methodologies already approved by the Commission and in effect in PJM’s Tariff. Therefore, these discrete cost recovery and assignment mechanisms have already been reviewed by the Commission and been found not to constitute participant funding.

For any proponent of a transmission facility, whether an incumbent or a nonincumbent, to have the costs of a transmission facility allocated through the regional cost allocation method or methods, its transmission facility first must be selected in the regional transmission plan for purposes of cost allocation. The cost of a transmission facility that is not selected in a regional transmission plan for purposes of cost allocation, whether proposed by an incumbent or by a nonincumbent transmission provider, may not be recovered through a transmission planning region's cost allocation method or methods.

iii. Please explain how your proposals in these proceedings are consistent with these requirements of Order No. 1000.

**PJM Response and Additional Information:**

Both incumbent transmission owners and nonincumbent transmission developers will be eligible to have the costs of Multi-Driver Projects allocated through the regional cost allocation methodologies set forth in Schedule 12 of the Tariff because Multi-Driver Projects will be selected for inclusion in the RTEP through PJM’s Commission-accepted Order No. 1000-compliant regional transmission planning process set forth in Schedule 6. PJM’s regional transmission planning process will be applied to Multi-Driver Projects as follows.

Multi-Driver Projects may be submitted by incumbent transmission owners or nonincumbent transmission developers during the proposal windows established by section 1.5.8(c). As is the case with all RTEP projects, to be considered as a Designated Entity for a Multi-Driver Project, the proposing entity must pre-qualify as eligible to be a Designated Entity consistent with section 1.5.8(a) and submit its project proposal via an open proposal window consistent with section 1.5.8(c). A Multi-Driver Project proposal may be selected for inclusion pursuant to the Commission-approved competitive process set forth in sections 1.5.8 and 1.5.9, as well as proposed section 1.5.10. Through these processes, PJM with stakeholder input will determine whether a proposed project that qualifies, as a Multi-Driver Project is a
more efficient or cost-effective solution to PJM transmission system needs. Specifically, PJM will review all proposals submitted during a proposal window and determine and present to the TEAC the proposals that merit further consideration for inclusion in the RTEP. In making that determination PJM will decide whether a project proposal either individually or in combination with other project proposals submitted during the window should be included in the RTEP using the criteria set forth in section 1.5.8(e). For example, in a proposal window, an entity may propose a project that addresses a posted reliability violation, another entity may propose a project that addresses a posted economic constraint, while yet another entity may propose a project that addresses a posted Public Policy Requirement and a fourth entity may submit a proposal that addresses all three drivers -- the posted reliability violation, economic constraint and Public Policy Requirement. Using the criteria set forth in section 1.5.8(e), PJM may determine that the fourth proposal is the more efficient or cost-effective solution. For the proposer to be the Designated Entity it must satisfy the criteria set forth in section 1.5.8(f). Based on that evaluation, PJM will review the proposal in the context of the TEAC and provide opportunity for comment consistent with section 1.5.8(d) before recommending to the PJM Board for approval. However, any proposals addressing a Public Policy Requirement also must satisfy the requirements set forth in section 1.5.9 under the State Agreement Approach, as well as sections 1.5.10(b), (c) and (d). 25 Based on the processes in sections 1.5.8 and 1.5.9, which the Commission already has accepted as consistent with the principles of Order No. 1000, Designated Entities associated with Multi-Driver Projects (both incumbent or nonincumbent) will be eligible to have the costs of their Multi-Driver Project facilities allocated through the regional cost allocation methods set forth in Schedule 12.

2. **Proposing a Multi-Driver Project**

PJM and PJM Transmission Owners propose revisions in the Tariff and Operating Agreement to allow planning for Multi-Driver Projects and to include them in the regional transmission expansion plan.

i. Schedule 6, section 1.5.10(g) of the Operating Agreement states: “Except as provided to the contrary in this Section 1.5.10, Section 1.5.8 of this Schedule 6 applies to Multi-Driver Projects.” Please clarify which provisions in Schedule 6, section 1.5.10 of the Operating Agreement exempt or are contrary to the proposal window process in Schedule 6, section 1.5.8 of the Operating Agreement.

**PJM Response and Additional Information**

As explained above, Multi-Driver Projects will be selected in accordance with the Order No. 1000-compliant process set forth in sections 1.5.8 and 1.5.9. The following provisions in section 1.5.10 differ from the section 1.5.8 proposal window process as follows:

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25 PJM agrees that the cost of a transmission facility that is not selected in the RTEP for purposes of cost allocation may not be recovered through a transmission region’s cost allocation method or methods.
Section 1.5.10(a) differs from both Sections 1.5.8(f) and 1.5.9(b) with regard to the selection of the Designated Entity for a Multi-Driver Project that contains a Public Policy Requirement component. Specifically, Section 1.5.10(a) varies from these sections because it provides for a process whereby PJM will consult with the states before selecting a Designated Entity for a Multi-Driver Project containing a Public Policy Requirement component. This difference is proposed to afford the states input into the determination of the Designated Entity for a Multi-Driver Project that includes a state(s) sponsored Public Policy Requirement component while maintaining PJM’s role under Section 1.5.8(f) to designate the constructing entities for projects that contain reliability or economic components.

Pursuant to Section 1.5.8(f), PJM, as the transmission provider, will designate the Designated Entity for reliability and economic projects considering the criteria in section 1.5.8(f). For projects included in the RTEP under the State Agreement Approach, section 1.5.9 provides that the state(s) responsible for sponsoring the Public Policy Requirement project may choose the Designated Entity for the project from a PJM list of pre-qualified entities. Consistent with section 1.5.8(f), section 1.5.10(a) provides that for Multi-Driver Projects that contain only reliability and economic components (and not a Public Policy Requirement component), PJM will select the Designated Entity based on the criteria in section 1.5.8. However, if the Multi-Driver Project contains a Public Policy Requirement component, PJM will analyze the candidates based on the criteria in section 1.5.8, but also will seek feedback from the sponsoring state(s) regarding its evaluation before selecting a Designated Entity. Consistent with proposed section 1.5.10(a), PJM then will select the Designated Entity based on consideration of the state feedback and its evaluation of the criteria in section 1.5.8(f).

As noted above, this language simply works to harmonize existing processes associated with the role of the states to designate entities for a public policy project under the State Agreement Approach with PJM’s role to designate entities for single driver projects that meet reliability or market efficiency needs. Section 1.5.10(a) harmonizes Sections 1.5.8(f) and 1.5.9(b) by affirming PJM’s responsibility to designate entities to build Multi-Driver Projects but providing for consultation with sponsoring states of a Public Policy Requirement component of the Multi-Driver Project before designating the project.

Section 1.5.10(c) clarifies that a state entity may include a Public Policy Requirement component to an existing RTEP project. Specifically, PJM may re-evaluate the existing RTEP project to determine whether the addition of the state-sponsored Public Policy Requirement component would result in a more efficient or cost-effective solution.
PJM allowed the states to “add” Public Policy Requirements components to projects that already have been included in the RTEP rather than requiring such needs to have been identified by the states prior to the opening of the proposal window. PJM made this accommodation to OPSI in recognition that states may want the option to have their public policy needs considered, not just at the beginning of the process, but also as potential modifications or additions to already-designated projects. This accommodation reflects the state’s interest in wanting to assess their public policy needs in the context of such additions or modifications rather than simply as stand-alone needs.

ii. Schedule 6, section 1.5.10(h) of the Operating Agreement contemplates PJM’s Office of Interconnection developing Multi-Driver Projects. However, there may be a scenario where two or more transmission project developers voluntarily decide to combine existing separate solutions that address reliability, economics, and/or public policy into a single transmission enhancement or expansion. Please explain whether it is the Office of the Interconnection that proposes Multi-Driver Projects, or whether transmission developers may propose Multi-Driver Projects. If transmission developers may propose Multi-Driver Projects, explain when and how they may do so.

PJM Response and Additional Information

As noted above, in accordance with section 1.5.8(b), PJM posts transmissions system needs, not projects. As a result, proposing entities have full opportunity, after reviewing those needs, to combine with other proposers to submit for PJM consideration Multi-Driver Projects. PJM welcomes such innovative solutions and would consider them during its evaluation at the close of the proposal window. Specifically, PJM will post on the PJM website the violations, system conditions, economic constraints, and Public Policy Requirements that require solutions. In the proposal window, entities may propose a project that addresses more than one driver. If PJM determines consistent with section 1.5.8(e) that such a proposal is the more efficient or cost-effective solution and the Designated Entity(ies) satisfy the criteria set forth in section 1.5.8(f), then the project will be included in the RTEP for cost allocation purposes and designated to the proposing entity(ies). If developers do not voluntarily submit such combined projects and if PJM finds that a combination of projects may be the more efficient or cost-effective solution, PJM may choose to designate relevant portions of proposed projects in order to combine them to solve these multiple issues. PJM’s proposed process allows the strategic deployment of improvements throughout the system to help resolve stated needs more efficiently or cost-effectively.
3. **Designated Entity**

   i. Schedule 6, § 1.5.10(h) of the Operating Agreement states that an Incremental Multi-Driver Project is an enhancement or expansion of a proposed single driver solution. Please explain whether an Incremental Multi-Driver Project can be based on a single driver transmission project that has already been selected in the PJM regional transmission expansion plan for purposes of cost allocation. If so, please explain how the enhancement or expansion will affect the Designated Entity of the previously selected transmission project.

**PJM Response and Additional Information**

The primary instance in which a Multi-Driver Project may be added to a single driver project (or other Multi-Driver Project) already included in the RTEP for purposes of cost allocation is if a state governmental entity desires to add a Public Policy Requirement component under the State Agreement Approach to an enhancement or expansion already included in the RTEP. However, there may be instances where in a subsequent proposal window, in response to newly posted needs, a Designated Entity of a project already included in the RTEP proposes to expand or add to its project to meet additional drivers. In the event that PJM determines that such a proposal would be the more efficient or cost-effective solution, the existing project would be converted to a Multi-Driver Project and the proposer would be the Designated Entity for the newly created Multi-Driver Project.

As stated earlier, PJM made this modification to the process in response to a request from the OPSI. Section 1.5.10(c) captures this narrow exception to the traditional proposal window/competitive solicitation and designation process. This process for implementing the exception is illustrated in the graphic in section I.C. supra.

As the graphic in section I.C illustrates, there is not (nor would it be prudent) to have a single answer to the question as to how Public Policy Requirement component additions (or other additions) to already designated projects are accommodated. Rather, that determination is dependent on the state of construction of the originally designated project already included in the RTEP and how significantly the addition of a state-identified public policy need would change the fundamental design or cost of the designated project. If adding a Public Policy Requirement component to the enhancement or expansion does not require major changes to the existing RTEP project, the existing Designated Entity will remain in place and its Designated Entity Agreement will be modified as necessary to accommodate the changes. If, to include the Public Policy Requirement component, a project must be significantly modified then the Public Policy Requirement component will be posted in the next proposal window consistent with sections 1.5.8(g) and (h). These determinations will require some subjectivity on the part of PJM, but any

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26 See section 1.5.10(c), proposed.

27 See supra Section II.2(i)(b).
decisions will be posted on the PJM website and thoroughly vetted before the TEAC consistent with section 1.5.8(d). 28

ii. Assuming an entity other than PJM can propose a Multi-Driver Project, if an entity proposes an Incremental Multi-Driver Project that enhances or expands another entity’s proposed single driver transmission project for which a Designated Entity has not yet been determined, how will PJM determine the Designated Entity for the Incremental Multi-Driver Project and/or the proposed single driver project? Can there be more than one Designated Entity and if so, please explain. What are the Tariff and Agreement provisions that govern this decision?

PJM Response and Additional Information:

As explained above, in a proposal window, entities may propose projects that could address one or more transmission system needs or drivers (e.g., reliability, market efficiency, or public policy). A single entity may individually or in concert with another entity propose such projects. However, entities will not be able to propose additions to other proposals to form a Multi-Driver Project once a window is closed. It is appropriate to limit an entity’s ability to “amend” or modify another entity’s proposal after the proposal window closes as allowing same would make the proposal window process never ending. But, to ensure that efficient and cost-effective solutions are not lost but still allowing for an orderly closure of the proposal window, consistent with proposed Section 1.5.10(h), PJM may combine two or more proposals submitted in a proposal window into one Multi-Driver Project for the purposes of cost allocation. In either case (proposers voluntarily propose a Multi-Driver Project or PJM combines projects), based on the criteria in section 1.5.8(f) (and if the Multi-Driver Project contains a Public Policy Requirement component, feedback from the states (section 1.5.10(c))), there can be more than one Designated Entity. PJM may designate each of the proposers as a Designated Entity for discrete elements of the combined project. Designation will be based on currently-accepted procedures set forth in sections 1.5.8(f), (g) and (h).

28 See Deficiency Letter at note 8 (“The Commission previously recognized that it may not be possible for PJM to predict and specify in its Tariff every relevant factor it may consider in its determination to retain or remove a selected transmission project or select an alternative transmission project. See PJM Second Order No. 1000 Compliant Order, 147 FERC ¶ 61,128 at P 253.”)
iii. Schedule 6, section 1.5.8(g) and (h) of the Operating Agreement provides that, if none of the proposed Long-lead projects, Economic-Based Enhancement or Expansion, or Short-term Project received during the project proposal window is the more efficient or cost-effective solution, PJM shall propose a project and assign that project to the incumbent transmission owner.

a. Please explain in detail and for each category of transmission project (Long-lead, Economic-based, or Short-term) the planning procedures PJM will follow where PJM combines two existing projects that have been submitted during each of the project proposal windows where all of the original single-driver projects that PJM combines are proposed by incumbent transmission owners.

b. Please also explain this process where one of the two original single-driver transmission projects is proposed by an incumbent transmission owner and the other single-driver transmission project is proposed by a nonincumbent transmission developer.

c. Please also explain this process where the original single-driver transmission projects are proposed by nonincumbent transmission developers.

d. For each step of the planning process, cite to the Tariff, Operating Agreement provisions that govern each step of the process.

PJM Response and Additional Information:

The premise in II.3.iii. that “PJM shall propose a project and assign that project to the incumbent transmission owner” does not correctly reflect PJM’s RTEP process if no Long-lead Project or Economic-based Enhancement or Expansion received during a proposal window proves to be the more efficient or cost-effective solution to resolve a posted violation or system condition. Rather, if no project proposal received during a proposal window resolves a posted violation or system condition, PJM may re-evaluate and re-post the unresolved violations or system conditions consistent with Section 1.5.8(g), provided the re-evaluation and re-posting would not affect PJM’s ability to address the identified reliability need.29 However, if re-evaluation and re-posting would prevent PJM from timely addressing the existing and projected system conditions giving rise to the need for the expansion or enhancement, PJM shall propose a

29 See section 1.5.8(g).
project and designate it to the incumbent transmission owner in the zone in which the facility will be located. On the other hand, if no Short-term Project received during a proposal window is the more efficient or cost-effective solution to resolve a posted violation, PJM may propose a Short-term Project and designate it to the incumbent transmission owner in the zone, which the facility will be located.\(^{30}\)

Given the processes provided for in sections 1.5.8(g) and (h) described above, PJM does not see a correlation between the premise set forth in II.3.iii. and the hypotheticals in (a) through (d). Simply put, if PJM were to propose a project and designate the incumbent transmission owner pursuant to Sections 1.5.8(g) and (h), the hypotheticals proposed in (a) through (d) would not apply. However, to address (a) through (d) as stand-alone hypotheticals, PJM provides the following response:

A guiding principle of Order No. 1000 is that incumbent transmission owners and nonincumbent transmission developers be treated comparably.\(^{31}\) Pursuant to the Multi-Driver Project process, with regard to designating the Designated Entity for any category of project, it makes no difference whether an incumbent transmission owner or nonincumbent transmission developer proposes a Multi-Driver Project or a part of such a project. For each category of transmission project (Short-term Project, Long-Lead Project or Economic-based Project) the planning process will be the same with regard to combining single driver projects into a Multi-Driver Project. In each proposal window, entities may propose projects to address one or more drivers (reliability, market efficiency or public policy).

In accordance with section 1.5.6(e), PJM will post all proposals submitted via a proposal window, evaluate the proposals based on the criteria set forth in section 1.5.8(e) to determine which proposals, individually or in combination, would be the more efficient or cost-effective solution to system conditions. If through this evaluation process, PJM determines that combining two single driver projects into a Multi-Driver Project would be the more efficient or cost-effective solution, PJM will recommend that the projects be included in the RTEP as a Multi-Driver Project for cost allocation purposes. Following review by the TEAC, PJM determines the more efficient or cost-effective solution to be included in the recommended plan.

The selection of Designated Entities for Multi-Driver Projects will be based on the criteria in section 1.5.8(f) and 1.5.10(c) (if applicable). This process applies whether the single-driver projects to be combined are proposed by only incumbent transmission owners, only nonincumbent transmission developers, or both incumbent transmission owners and nonincumbent transmission developers. As a result, PJM envisions that there may be situations

\(^{30}\) See § 1.5.8(h).

where an incumbent transmission owner and a nonincumbent transmission developer both could be Designated Entities for a Multi-Driver Project. Similarly, two or more incumbent transmission owners or two or more nonincumbents could be Designated Entities for a Multi-Driver Project.

In order to be a Designated Entity, the entity designated must notify PJM of its acceptance within 30 days of receiving notification of its designation of the project included in the recommended plan.32

iv. Please explain whether PJM’s process for determining the Designated Entity to build a Multi-Driver Project is a sponsorship model, competitive bidding model, a combination, or other type of developer selection model for each of the following scenarios: (1) Proportional Multi-Driver project containing reliability and economic drivers; (2) Proportional Multi-Driver project containing reliability and public-policy drivers; or (3) Incremental Multi-Driver project submitted by a developer as a reliability project during the project proposal window, where a public policy component is later added. Please also explain whether the type of developer selection model is contingent on who proposes a Multi-Driver modification to an original single-driver proposal (i.e., how is the Designated Entity chosen if original transmission project is modified as a result of a state request, an incumbent transmission owner modification, or PJM’s proposal to combine two transmission projects or add onto an existing project).

PJM Response and Additional Information:

Designated Entities for Multi-Driver Projects shall be determined in accordance with the Commission-approved sponsorship model process set forth in section 1.5.8 and in proposed section 1.5.10(a).

(1) Proportional Multi-Driver Project containing reliability and economic drivers: As explained in earlier responses, during a proposal window, entities may propose projects that address multiple drivers. If a proposed project that addresses both reliability and economic drivers is selected for inclusion in the RTEP, PJM would determine the Designated Entity for that project in accordance with the criteria set forth in section 1.5.8(f) just as it would for a single-driver project.33

(2) Proportional Multi-Driver project containing reliability and public-policy drivers: If a proposed project contains reliability and Public Policy Requirement components, PJM will evaluate potential Designated Entities based on the criteria in section 1.5.8, provide its evaluation

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32 See section 1.5.8(j).
33 See section 1.5.10(a)(i), proposed.
to the state governmental entity sponsoring the Public Policy Requirement component, elicit feedback from the sponsoring state, and based on its evaluation and the state feedback designate the Designated Entity(ies) in accordance with section 1.5.10(a).³⁴

(3) Incremental Multi-Driver project submitted by a developer as a reliability project during the project proposal window, where a public policy component is later added: See response to II.3i above.

4. Evaluating and reevaluating a Multi-Driver Project

i. Please explain the criteria PJM will use to evaluate Multi-Driver Projects.

_PJM Response and Additional Information:_

PJM will evaluate potential Multi-Driver Projects using the criteria set forth in section 1.5.8(e).

ii. If the transmission projects that a Proportional Multi-Driver Project replaces have already been selected in the regional transmission plan for purposes of cost allocation, please describe the process PJM will use to remove the previously selected transmission projects.

_PJM Response and Additional Information:_

Proportional Multi-Driver Projects will be developed based on proposals received in a single proposal window and will not “replace” existing projects. See response to II.2.ii supra. However, if in a later RTEP planning cycle PJM re-evaluates system conditions and determines that an existing project is no longer needed or that other needs have overtaken the needs for which the project was included in the RTEP, PJM will evaluate the construction stage of the existing RTEP project to determine whether it is reasonable to terminate the project and consider other solutions, including a Multi-Driver Project. If so, PJM will follow the process set forth above for selecting a multi-driver project by posting system needs, constraints or Public Policy Requirements in the next proposal window.

In short, whether or not the existing project is removed will depend upon the changes in system conditions (i.e., needs), the development stage of the existing project, and whether system needs can be timely met if the existing project is removed or replaced. These determinations will be made by PJM, posted on the PJM website and vetted by the TEAC.

³⁴ See section 1.5.9(a)(ii).
5. **Cost allocation**

   a. **Proportional Cost Allocation**

      i. Please explain whether the transmission projects a Proportional Multi-Driver Project replaces must already be selected in the PJM regional transmission expansion plan for purposes of cost allocation.

      **PJM Response and Additional Information:**

      No. PJM expects that the single driver projects replaced by the Proportional Multi-Driver Project and the Multi-Driver Project will be proposed in the same proposal window.35

      ii. If the projects that a Proportional Multi-Driver Project replaces do not need to be previously selected in the PJM regional transmission expansion plan for purposes of cost allocation, please explain the process PJM will use to confirm that the projects PJM uses to determine the contribution of each driver for a Proportional Multi-Driver Project are appropriate.

      **PJM Response and Additional Information.**

      Under the process for Proportional Multi-Driver Projects as proposed, the presumption is that there will be two or three separate project proposals submitted in the open proposal window that could resolve separate drivers and could be selected in the RTEP for cost allocation purposes. Under its RTEP process, PJM will evaluate (i) whether the proposals solve the identified violations, constraints and/or public policy issues;36 and (ii) each project’s cost estimates.37 This evaluation by PJM for each of the individual projects will be used as the basis to determine the contribution of each driver for the Proportional Multi-Driver Project ultimately included in the RTEP.

      iii. PJM Transmission Owners propose that PJM will determine which of the drivers a Proportional Multi-Driver Project addresses “irrespective of the reliability cost allocation treatment that is otherwise accorded an incremental market efficiency modification thereto pursuant to Section (b)(v)(B) of this Schedule 12.” Please explain this provision.

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35 See supra section 1.A – 1.C and PJM’s response to section II.3.i.

36 2nd Compliance Order at P 232.

37 Id. at P 231.
**Response by PJM Transmission Owners:**

Existing section (b)(v)(B) of Schedule 12 of the Tariff provides that the cost allocation method prescribed for reliability projects will include any costs of modifying a reliability project to accommodate economic benefits.

iv. PJM Transmission Owners propose that, if a state withdraws its support of a Public Policy Requirement component of a Multi-Driver Project that has previously been included in the regional transmission expansion plan, and if that Multi-Driver Project must be retained in the regional transmission expansion plan, the state Public Policy Requirement component will remain in place and the withdrawing state government entity(ies) will continue to be responsible for its/their share of the cost allocation. Please explain the conditions under which such Multi-Driver Projects “must be retained” in the regional transmission expansion plan, and which provisions govern that evaluation.

**PJM Response and Additional Information:**

As provided for in section 1.5.10(d), in the event a state withdraws its support of a Public Policy Requirement component of a Multi-Driver Project, PJM shall re-evaluate the need for the remaining components of the project. As part of this evaluation, PJM will determine whether the Multi-Driver Project should be retained with the Public Policy Requirement component in the RTEP. PJM will retain such a project based on factors such as the construction stage of the project (i.e. how close is the project to completion at the time the state pulls out), the nature of the project (is it feasible to construct the project without the Public Policy Requirement component) and importantly, the urgency of the need for the project (is there sufficient time to replace or modify the project without the Public Policy Requirement component and still meet system needs). These factors are similar to those that PJM will consider when determining whether there is time for PJM to re-post system needs when no Long-lead Project proposal would be a more efficient or cost-effective solution.38

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38 See section 1.5.8(f).
b. “Boosted Cost Allocation”

i. Where a local transmission project is combined with a public policy driver in such a way that causes it to become eligible for regional cost allocation, then the PJM Transmission Owners propose a limited exception to the existing cost allocation method under Schedule 12 of the PJM Tariff (“Boosted Cost Allocation”). Specifically, the costs associated with the public policy driver portion of the transmission project would be allocated according to the State Agreement Approach. The costs associated with the non-public policy portions of the transmission project would be allocated 20 percent on a load ratio share basis and 80 percent according to the distribution factor analysis, instead of the existing 50 percent load ratio share and 50 percent distribution factor cost responsibility otherwise provided for in Schedule 12 of the PJM Tariff. For Multi-Driver Projects that become eligible for regional cost allocation under the Boosted Cost Allocation proposal as a result of the addition of a public policy driver, please explain whether the costs for these projects would be allocated pursuant to a cost allocation method that complies with the six cost allocation principles outlined in Order No. 1000. If so, please provide justification on how the Boosted Cost Allocation method complies with the six Order No. 1000 cost allocation principles. Please provide examples of the types of transmission projects that would fit this category.

Response by PJM Transmission Owners:

The PJM Transmission Owners incorporated the “boosted projects” cost allocation as an accommodation to OPSI based on a resolution that was attached to the PJM Transmission Owners September 12 Filing and is attached again hereto. In comments filed on October 3, 2014, also attached here, OPSI supported this methodology based on the following representation:

[T]he “boosted multi-driver project type is an entirely new type of transmission project that does not currently exist in the PJM tariff. And, because that new project type will be planned and developed in a manner (and under circumstances) significantly different from the process used for project types currently described in the PJM Tariff

The Transmission Owners explained how the cost allocation complies with the principles of Order No. 1000 in answer to Question II.1.ii above.

In further explanation and support for this aspect of the cost allocation filing, the PJM Transmission Owners will defer to OPSI as the originators of this feature of the proposal. In that connection, OPSI has furnished a response to this specific question, in the following documents attached hereto:

1. Attachment A: December 19, 2014 letter from its Executive Director to undersigned counsel for the PJM Transmission Owners. The December 19\textsuperscript{th} letter explains why OPSI maintains that the Multi-Driver cost allocation filing by the PJM Transmission Owners satisfies the Commission’s six regional cost allocation principles, both in general and with respect to the boosted cost allocation proposal in particular. Also referenced in the December 19 Letter is OPSI Resolution #2014-1 and October 3, 2014 comments filed on behalf of OPSI in this docket.

3. Attachment C: October 3, 2014 comments submitted on behalf of OPSI in the above-referenced proceedings in support of PJM’s and the PJM Transmission Owners’ filings.

Respectfully submitted,

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On Behalf of PJM Interconnection, L.L.C.

/s/ Gary E. Guy
Gary E. Guy
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Baltimore Gas and Electric Company,
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Baltimore, MD 21203 – 1475
Ph: (410) 470-1337
gary.e.guy@bge.com

On behalf of the PJM Transmission Owners

cc Daniel Nowak, Acting Director,
Division of Electric Power Regulation - East
CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day cause to be served the foregoing document upon each person designated on the office service lists compiled by the Secretary in this docket.

Dated in Audubon, Pennsylvania, this 23rd day of December, 2014.

By:  ________________________
     Pauline Foley
     Assistant General Counsel
     PJM Interconnection, L.L.C.
     2750 Monroe Blvd.
     Audubon, PA 19428
     Ph:  (610) 666-8248
     pauline.foley@pjm.com
Attachment A

Response to November 7, 2014 Deficiency Letter
Docket Nos. ER14-2864-000 and ER14-2867-000 (not consolidated)

December 19, 2014 letter from its Executive Director to undersigned counsel for the PJM Transmission Owners.
Organization of PJM States, Inc. (OPSI)

President: Hon. Lawrence Brenner, Commissioner, PSC
Vice President: Hon. M. Beth Trombold, Commissioner Ohio PUC
Secretary: Hon. Joanne Doddy Fort Commissioner District of Columbia
PSCTreasurer: Hon. Greg R. White, Commissioner, Michigan PSC

Members:
Delaware Public Service Commission ● District of Columbia Public Service Commission ● Illinois Commerce
Commission ● Indiana Utility Regulatory Commission ● Kentucky Public Service Commission ● Maryland Public
Service Commission ● Michigan Public Service Commission ● New Jersey Board of Public Utilities ● North
Carolina Utilities Commission ● Public Utilities Commission of Ohio ● Pennsylvania Public Utility Commission ●
Tennessee Regulatory Authority ● Virginia State Corporation Commission ● Public Service Commission of West
Virginia.

December 19, 2014

Gary E. Guy
Assistant General Counsel
BGE Legal Department
2 Center Plaza, Suite 1523
110 West Fayette Street
Baltimore, MD 21201

Re: PJM Interconnection, L.L.C. and Baltimore Gas & Electric Company,
Docket Nos. ER14-2864-000 & ER14-2867-000.

Dear Mr. Guy:

On September 12, 2014, PJM Interconnection, L.L.C. (PJM) filed with the Federal
Energy Regulatory Commission (FERC) revisions to Schedule 6 of its Amended and Restated
Operating Agreement (OA) and its Open Access Transmission Tariff (OATT) to permit for the
planning and approval of multiple driver transmission projects (M-D Projects) in its Regional
Transmission Expansion Plan (RTEP). On that same day, on behalf of the PJM Transmission
Owners (TOs), Baltimore Gas & Electric Company (BG&E) separately filed revisions to
Schedule 12 of PJM’s OATT proposing a cost-allocation methodology for such projects.

On November 7, 2014, the Acting Director, Division of Electric Power Regulation –
East, issued a Deficiency Letter to both PJM and BG&E requesting additional information to
support processing of the two filings by FERC. Because the Organization of PJM States, Inc.
adopted its Resolution #2014-1, supporting PJM’s adoption of the M-D Project planning process
and the cost-allocation rules which the TOs have adopted and filed with FERC, you have
requested that OPSI review and comment upon the Deficiency Letter, providing its views, where
it has views, that both the PJM and TOs filings are compliant with FERC adopted RTO planning
and cost-allocation principles.
As discussed, much of the Deficiency Letter requests implementation details and other information on the PJM and TO filings which OPSI does not possess and cannot contribute to except by way of comment once PJM and the TOs have filed their separate responses to the letter. However, as to two specific questions, OPSI is able to explain its support for the M-D Project planning process and the associated cost-allocation rules as memorialized in its Resolution #2014-1, and thereby perhaps aid you in responding to the FERC Deficiency Letter.

The two specific questions of the Deficiency Letter as to which OPSI can provide its views are as follows:

1. **Order No. 1000 – Question ii:** Please demonstrate 1) how the cost allocation method for Multi-Driver [projects] satisfies the six regional cost allocation principles and 2) how it is consistent with the determination that participant funding cannot be the regional cost allocation method.

2. **Boosted Cost Allocation – Question bi:** Please explain whether the costs for these projects would be allocated pursuant to a cost allocation method that complies with the six cost allocation principles outlined in Order No. 1000. If so, please provide justification on how the Boosted Cost Allocation method complies with six Order No. 1000 cost allocation principles. Please provide examples of the types of transmission projects that would fit this category.

In Order 1000, as clarified in Orders issued on rehearing, FERC adopted six regional cost allocation principles generally built around the requirement that “The cost of transmission facilities must be allocated to those within the transmission planning region that benefit from those facilities in a manner that is at least roughly commensurate with estimated benefits.” The Commission further noted that “benefits” could include, but are not limited to, “the extent to which transmission facilities, individually or in the aggregate, provide for maintaining reliability and sharing reserves, production cost savings and congestion relief, and/or meeting Public Policy Requirements.” In Cost Allocation Principle 6, FERC further provided that RTOs “may choose to use a different cost allocation method for different types of transmission facilities in the regional transmission plan, such as transmission facilities needed for reliability, congestion relief, or to achieve Public Policy Requirements.”

OPSI strongly supports, for the reasons stated in OPSI Resolution #2014-1 and its Comments filed October 3 in response to the PJM and TOs filing (both of which are attached to this letter), that the cost allocation methods contained in the TOs filing complies with the Order 1000 cost allocation principles. Allocation of costs where an M-D Project is determined to be least cost and most efficient under the PJM transmission planning process, is to be on the same

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1. On June 12, 2014, OPSI adopted Resolution#2014-1 regarding cost allocation for multi-driver transmission projects. As listed at the end of that Resolution, eleven OPSI members supported the Resolution (DE, DC, IL, IN, MD, MI, NJ, NC, PA, TN, WV) and two OPSI members abstained (OH, VA) and KY was not in attendance.
2. See, e.g., Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities, 136 FERC ¶ 61,051 at ¶s 585-705 (2011), order on rehearing, 139 FERC ¶ 61,132 at ¶s 638-737 (2012), order on rehearing, 141 FERC ¶ 61,044 (Order 1000); PJM Interconnection, L.L.C., 142 FERC ¶ 61,214 (2013).
3. Order 1000 at ¶ 622. The above quoted language is from Cost Allocation Principle 1.
4. Id.
5. Order 1000 at ¶ 685.
basis as for single driver projects, only subject to a further allocation which reflects the relative importance and cost of each driver in the development and construction of the M-D project. Where one driver predominates, either on a cost basis or as the basis for siting and development of the M-D line, a higher level of cost is assigned to that driver, and then those costs are assigned as provided for in existing PJM/TO tariff provisions and in compliance with FERC Orders.

As explained in OPSI’s October 3, 2014 Comments, OPSI believes that the “boosted” multi-driver project type is a new type of transmission project that does not currently exist in the PJM tariff. And, because that new project type will be planned and developed in a manner and circumstances different than project types currently described in the PJM Tariff and Operating Agreement, it thus merits application of a new cost allocation method that reflects the nature of these projects while still being consistent with Order 1000. OPSI believes the proposal by the PJM TOs achieves this balance.

Such an M-D transmission line, by definition, will contain two parts: (i) a public policy component and (ii) a reliability or economic efficiency component which, however, by itself, would not be large enough to achieve regional cost allocation. A principal type of public policy transmission line or component would be one intended to assist in transporting renewable energy to satisfy a State’s renewable energy portfolio or other standard. Such a transmission line could have regional grid benefits, but is less likely to have the same level of such benefits than would a single purpose reliability or economic efficiency line of sufficient size to qualify for regional cost allocation. Also, the original reliability or economic efficiency line, planned at less than regional allocation qualifying size, will have been planned for local and not regional benefit. However, when a line is “boosted” to a size that FERC has determined will have some regional benefits, then an allocation must be applied that takes into account these regional benefits as well as the original purpose and future use of such a transmission line.

Accordingly, roughly commensurate cost and benefit allocation is maintained by applying a hybrid region-wide and local cost allocation method. Because the “boosted” multi-driver project will be constructed and operated at high voltage levels, whereas the line would have been constructed at a lower voltage level had it not been combined with a public policy project, it may provide “other present and future benefits to a broader range of load,” so some regional cost allocation component is justifiable (in this case 20%). At the same time, a significant portion of cost allocation should remain reflecting its original purpose and proposed local benefits (80%). For the foregoing reasons, we believe the allocation fully complies with the requirements of the Commission’s Cost-Allocation Principles.

If necessary, OPSI and its members are fully prepared to provide further support for these positions, as stated in OPSI Resolution #2014-1 and OPSI’s Comments on the filings addressed by the FERC DeficiencyLetter, in further Comments submitted in response to your and PJM’s response to the Deficiency Letter. OPSI and its members consider the adoption and implementation of planning and cost allocation rules for M-D Projects to be a most important addition to PJM’s Order 1000 planning process. Clearly, for cost efficiency as well as land-use and environmental preservation benefits, developing a single multi-purpose transmission line

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6 OPSI Comments at 8.
7 OPSI Comments, at 7-8.
rather than multiple single purpose transmission lines to achieve the same benefit is much to be desired.

Sincerely,

/s/ Gregory V. Carmean
Executive Director
Organization of PJM States, Inc.
Attachment B

Response to November 7, 2014 Deficiency Letter
Docket Nos. ER14-2864-000 and ER14-2867-000 (not consolidated)

OPS1 Resolution #2014-1, entitled, “Resolution Regarding the May 2014 Transmission Owner Working Group PJM OATT Schedule 12 Multi-Driver Cost Allocation Proposal.”
Organization of PJM States, Inc. (OPSI)

President: Hon. L. Ann McCabe, Commissioner, Illinois CC
Vice President: Hon. Lawrence Brenner, Commissioner, Maryland PSC
Secretary: Hon. M. Beth Trombold, Commissioner, PUC of Ohio
Treasurer: Hon. Greg R. White, Commissioner, Michigan PSC

Members:
Delaware Public Service Commission ● District of Columbia Public Service Commission ● Illinois Commerce Commission
Indiana Utility Regulatory Commission ● Kentucky Public Service Commission ● Maryland Public Service Commission
Michigan Public Service Commission ● New Jersey Board of Public Utilities ● North Carolina Utilities Commission
Public Utilities Commission of Ohio ● Pennsylvania Public Utility Commission ● Tennessee Regulatory Authority
Virginia State Corporation Commission ● Public Service Commission of West Virginia.

OPSI RESOLUTION #2014-1
RESOLUTION REGARDING THE MAY 2014 TRANSMISSION OWNER WORKING GROUP
PJM OATT SCHEDULE 12 MULTI-DRIVER COST ALLOCATION PROPOSAL

WHEREAS, in Orders issued from 2011 to 2013, the Federal Energy Regulatory Commission (“FERC”) required and defined how Public Policy (specifically State Public Policy) should be considered and implemented in the transmission planning of Regional Transmission Organizations (RTOs), including PJM. FERC directed that such policies were to be considered along with more traditional reliability and economic efficiency drivers for transmission development in a transparent and non-discriminatory decision-making process. In Order 1000-A, FERC stated: “[O]ur expectation is that state regulators should play a strong role and that public utility transmission providers will consult closely with state regulators to ensure that their respective transmission planning processes are consistent with state requirements.”

WHEREAS, OPSI takes note of the Commission’s statement in Order 890 with respect to the Commission’s review of transmission cost allocation proposals: “we consider whether the proposal is generally supported by state authorities and participants across the region.” This resolution expresses the unified position of the state authorities that are members of OPSI regarding multi-driver cost allocation.

WHEREAS, in tariff schedules filed in response to the Orders stated in note 1 below, PJM modified its two year planning cycle pursuant to which new transmission development would occur and explained how new transmission would be approved for inclusion into PJM’s Regional Transmission Expansion Plan. PJM established procedures for the consideration and adoption of Public Policy as one driver of transmission development, and also established an innovative State Agreement Approach pursuant to which States could request the development of transmission to serve Public Policy needs and agree on the allocation between them of payment for such transmission’s costs.

1. Multi-Driver Projects and their Cost Allocation Described

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WHEREAS, on May 29, 2014, the PJM Markets & Reliability Committee approved proposed revisions to PJM’s Open Access Tariff (See Sections 1.15B & 1.38.01) and Operating Agreement Schedule 6 (See Section 1.5.10 Multi-Driver Projects) providing for “Incremental” and “Proportional” methods for developing multi-driver transmission projects, to include transmission developed to meet reliability, economic efficiency and public policy needs. In subsection (e) of that Rule, PJM provided that “the actual costs of a multi-driver project shall be apportioned to the different components (reliability-based enhancement or expansion, Economic based Enhancement or Expansion, and/or Public Policy Requirement) based on the initial estimated costs of the Multi-Driver Project in accordance with the methodology set forth in Schedule 12 of the Tariff”.

WHEREAS, proposed Operating Agreement Section 1.5.10(h) defines Proportional and Incremental Methods of Multi-Driver project development as follows:

Proportional Method – “combining separate solutions that address reliability, economics and/or public policy into a single transmission enhancement or expansion that incorporates separate drivers into a Multi-Driver Project” and

Incremental Method – “expanding or enhancing a proposed single driver solution to include one or more additional component(s) to address a combination of reliability, economic and/or public policy drivers.”

The TOs proposed OATT Schedule 12(B) further provides that a condition for application of the Incremental Method is that PJM has either “already submitted the project for stakeholder review” or “the Project has already been approved by the Board.” A project that satisfies one of these conditions may become the “Original” driver under the incremental method.

WHEREAS, in June 2014, the Section 205 Working Group of the Consolidated Transmission Owners Agreement Administrative Committee released its proposed OATT Schedule 12 multi-driver cost allocation proposal (i.e. the TO Proposal), providing differing cost allocations for multi-driver transmission developed pursuant to the Proportional Method and the Incremental Method. Proportional Method costs are to be allocated “in proportion to the relative percentage benefit that each driver of a Multi-Driver Project addresses” including “the extent to which each such driver contributes to the size, scope and estimated costs of such Multi-Driver Project”. (See proposed OATT Schedule 12(b)(xiv)(A)).

WHEREAS, Incremental Method costs are to be allocated, in addition, by applying “a credit to the costs assigned to the original driver or drivers as follows:

1. There shall be no credit to the cost assigned to the original driver if the new driver simply accelerates the time of completion of the project.
2. Where the new driver results in a single circuit project modified to become a double circuit project with no change in voltage level, the original project driver and the incremental driver will each be allocated one-half of the cost of the resulting double circuit project, such that the cost to the original driver will be 50 percent of the estimated cost of the double circuit project;
3. For all other incremental apportionment Multi-Driver Projects, the original driver will be credited with an amount equal to the ratio of the estimated incremental cost of the new driver(s) to the estimated new total cost of the project multiplied by the estimated cost of the original driver. This credit will be added to the cost of the new driver(s). Where more than
one new driver is added to a Multi-Driver Project, the costs added to each new driver will be in proportion to each driver’s respective incremental costs;⁴

(4) In no event will a credit applied to an original driver be less than zero.” (See Proposed OATT Schedule 12(B))

2. **The TOs’ Crediting Proposal Unreasonably burdens the development of Public Policy driven Transmission.**

**WHEREAS,** OPSI does not support the TOs’ Crediting Proposal applicable to Incremental Method projects. This Proposal unreasonably burdens the development of multi-driver projects, and particularly the development of State Public Policy Components of such projects. Because of the requirements imposed upon the development of public policy projects by Operating Agreement Schedule 6, Sections 1.5.9 and 1.5.10(c), i.e. that participating States must enter into a State Agreement on the allocation of public policy project costs and obtain FERC acceptance of such allocation, the timing of the consideration of public policy driven projects is likely to occur late in PJM’s planning cycle. Reliability and economic efficiency projects are expected to be identified and released for Stakeholder consideration earlier in PJM’s planning cycle by PJM professionals. Therefore, OPSI Members expect that “original driver” projects will usually be that of the reliability or economics driver while the public policy project will usually be the “incremental driver”.

**WHEREAS,** OPSI does not accept the justification for the TOs’ “crediting” procedure (described in (2) and (3) above) stated in Stakeholder Conferences, i.e. that the “Incremental” driver should provide a credit to the “Original” driver since it is the existence of the latter that permits the former to be constructed. The assumption underlying this assertion is that the “Incremental” driver will usually be smaller than the “Original” driver. However, PJM’s education on Multi-Driver Project development, which presented realistic examples of Public Policy and non-Public Policy driver transmission components, showed that Public Policy transmission components can be and often are larger than reliability and/or economic efficiency components.

**WHEREAS,** the TOs’ formula (stated in note 4) to govern the size of the credit toward the costs of the Original driver (shown as 25% in their numeric example) could produce much larger percentage contributions and therefore added costs to burden Public Policy transmission component development. Indeed, if that formula is applied to the Public Policy costs stated in the PJM education materials, the TOs proposed credit can increase to 70% of the non-public policy costs (exceeding $100 million).

**WHEREAS,** OPSI further urges the adoption of its costing proposal described below as properly incenting and supporting consideration and implementation by RTOs of Federal, State and other Government public policy for the benefit of the Public which FERC has sought to promote in its several Orders cited in note 1. The approach also encourages the development of transmission needed for the development of renewable energy where cost effective, the expected principal objective of Public Policy transmission development, and does not burden or block such development as could occur under the TOs’ Proposal.

3. **Absent a Modification to the TO Proposal, Certain Multi-Driver Projects Could Produce Inequitable Cost Allocation Results for States Not Party to A State Agreement.**

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⁴ The crediting method in (3) can be presented as a mathematical formula as follows: original driver credit = (incremental cost/multi-driver cost) X original driver cost.
WHEREAS, for multi-driver projects of either the proportional type or the incremental type, the PJM TOs propose to apply the currently established cost allocation methodology. In particular, when the combination of a public policy driver with an underlying project that is planned at a voltage level under the established cost allocation threshold for Regional Facilities (double circuit 345kV or single circuit 500kV) in such a way that the resulting multi-driver project would be at a voltage level at or above the established cost allocation threshold for Regional Facilities, then the cost allocation methodology for Regional Facilities would be applied to the non-public policy components of the resulting multi-driver project.  

WHEREAS, OPSI refers to this type of multi-driver project that is planned at or above a voltage level of double circuit 345kV or single circuit 500kV even though the underlying project is planned, and would otherwise be built, at a lower voltage level (below double circuit 345kV or single circuit 500kV) as a “boosted” project. Such a project is “boosted” to a voltage above the established cost allocation threshold for Regional Facilities only because of its combination with a public policy driver into a multi-driver project. But for its combination with a public policy driver in a “boosted” multi-driver project, the underlying project would not have qualified for any regional postage stamp cost allocation.

WHEREAS, under the TOs’ proposal, 50% of the costs of a boosted multi-driver project that are not apportioned to the public policy driver, will be allocated across the PJM region on a postage stamp basis. OPSI does not support such a cost allocation method for this new “boosted” multi-driver project type because it does not take into account its unique nature which combines various transmission needs or objectives.

WHEREAS, Multi-driver projects: (1) for which the underlying project driver was already planned at a voltage level at or above the established cost allocation threshold for Regional Facilities including any related Necessary Lower Voltage Facilities that may already qualify for the established regional cost allocation treatment; and (2) that both start out and end up at a voltage level under the established cost allocation threshold for Regional Facilities, are not boosted facilities and the cost allocation for these multi-driver project types is not addressed in this Resolution.

WHEREAS, the State Agreement Approach to public policy project cost allocation encapsulates OPSI’s support for enabling each OPSI State to pursue its public policy through transmission projects, provided that the costs of such pursuit are borne by the State(s) supporting such public policy project, and not by other OPSI states.

THEREFORE, BE IT RESOLVED, that OPSI urges Federal Energy Regulatory Commission, PJM, and the PJM TOs to modify the multi-driver cost allocation proposal in two ways as follows:

The established cost allocation methodology for Regional Facilities that are reliability transmission projects planned at a voltage level of double circuit 345 kV or 500 kV or above allocates 50% of the costs using a solution-based DFAX model and 50% postage stamp pro rata across the PJM region. The established cost allocation methodology for Regional Facilities that are economic efficiency transmission projects planned at a voltage level of double circuit 345 kV or 500 kV or above allocates 50% of the costs generally using a measure of locational marginal price reduction benefits (or the solution-based DFAX depending on certain factors) and 50% postage stamp pro rata across the PJM region.

The other 50% of costs that are not apportioned to the public policy driver will be allocated using the beneficiaries test for reliability or economic efficiency projects, as applicable.
• First, OPSI urges that the TOs’ crediting concept for incremental multi-driver projects (both the 50/50 version of the credit and the formulaic version of the credit) be eliminated. In other words, the incremental driver would be charged only the incremental costs of combining it with an underlying driver in a multi-driver project, and will not be assessed costs for other drivers of the project via a crediting mechanism.  

• Second, OPSI urges that the proposed cost allocation for “boosted” multi-driver projects (both proportional and incremental) be revised such that the costs of the “boosted” multi-driver project that are not apportioned to the public policy component of the project would be allocated 20% on a region-wide postage stamp basis (rather than 50%) and the remaining 80% using the benefit metric otherwise applicable to reliability and economic efficiency projects, respectively (rather than 50%). Costs apportioned to the public policy component of a boosted multi-driver project would remain allocated pursuant to the State Agreement Approach as provided for in Operating Agreement Schedule 6, Section 1.5.9.

**THEREFORE, BE IT FURTHER RESOLVED,** that OPSI advances these two linked recommendations as an inseparable package in light of the equities involved and so as to strike a reasonable balance between cost allocation and enabling those states desiring to pursue a public policy project under a State Agreement approach in a multi-driver context to reach that goal.

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7 This OPSI Proposal allocates to the Reliability Driver its original cost of construction as a stand-alone transmission project, recognizing its role as the backbone of the PJM transmission system, and allocates the remainder of the Multi-Driver Project’s cost after subtracting the Reliability Driver’s cost to the other Project Divers (Economics & Public Policy) on a basis proportional with their stand alone costs. This Proposal is the same as that first presented by PJM as part of its education on a proper Multi-Driver approach. An example of this allocation is stated in Attachment A.

*Motion by: Commissioner Lawrence Brenner, Maryland PSC  
Seconded by: Chairman Dallas Winslow by Proxy John Farber, Delaware PSC  
Vote: Yes: DE, DC, IL, IN, MD, MI, NJ, NC, PA, TN, W VA; Abstain: OH, VA; KY not in attendance  
Adopted by the Board of Directors of the Organization of PJM States, Inc.  
June 12, 2014*
Attachment C

Response to November 7, 2014 Deficiency Letter
Docket Nos. ER14-2864-000 and ER14-2867-000 (not consolidated)

October 3, 2014 comments submitted on behalf of OPSI in the above-referenced proceedings in support of PJM’s and the PJM Transmission Owners’ filings.
COMMENTS OF ORGANIZATION OF PJM STATES, INC.

Pursuant to Rule 211 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission ("Commission"), 18 C.F.R. § 385.211, the Organization of PJM States, Inc. ("OPSI") respectfully submits these comments in the above-captioned dockets in response to the filings separately submitted to the Commission by the PJM Interconnection, L.L.C. ("PJM") and the PJM Transmission Owners ("PJM TOs") on September 12, 2014 in the above-captioned dockets ("PJM Filing" and "PJM TO Filing", respectively). On September 12, 2014, the Deputy Secretary of the Commission issued a Combined Notice of Filings, setting October 3, 2014, as the deadline for comments and protests regarding the September 12 filings. OPSI filed a timely Notice of Intervention on September 29, 2014 and October 2, 2014 respectively and, therefore, is a party in these dockets.

I. OPSI POSITION AND RECOMMENDATION

OPSI supports the tariff and operating agreement modifications proposed by PJM and the PJM Transmission Owners to implement the multi-driver concept and urges the Commission to approve those modifications.¹

¹ On June 12, 2014, OPSI adopted Resolution #2014-1 regarding cost allocation for multi-driver transmission projects. That Resolution is attached to the PJM TO Filing as Attachment C. As listed at the end of that Resolution,
OPSI particularly wishes to note the willingness of PJM and the PJM Transmission Owners to consider OPSI’s feedback in the stakeholder process that was used to develop the planning process and the proposed cost allocation for multi-driver projects, particularly those multi-driver projects having a public policy component. OPSI’s feedback was directed at two major aspects of the initial draft proposal: (1) assuring in instances where a public policy component is combined into a multi-driver project under the incremental method as the incremental driver, that the public policy component not be required to bear costs greater than the incremental costs caused by adding the public policy driver; and (2) development of a just and reasonable cost allocation approach where the addition of a public policy driver, in either the incremental or proportional contexts, would cause the resulting multi-driver project to qualify as a Regional Facility (thus having the established cost allocation treatment for Regional Facilities applied), when the project would not have otherwise qualified as a Regional Facility (and thus not otherwise have had the established cost allocation treatment for Regional Facilities applied).\(^2\)

The first of these OPSI concerns has been addressed in proposed Section (xiv)(B) of Schedule 12\(^3\) and the second of these OPSI concerns has been addressed in proposed Section (xiv)(D) of Schedule 12.\(^4\)

As described in Section III of these Comments below, while OPSI fully supports the PJM TOs’ proposed cost allocation solution to address the concern described in clause (2) in the sentence immediately preceding, OPSI does not fully agree with the PJM TOs’ characterization

\(^2\) As noted by the PJM TOs in their September 12 filing, OPSI refers to this particular subset of multi-driver projects as “boosted” multi-driver projects. See OPSI Resolution, at unnumbered page 4 (third “WHEREAS” clause).

\(^3\) Specifically, “treating the estimated cost of modifying the original project as if it were the estimated cost of a separate project included in a Proportional Multi-Driver Project.”

\(^4\) Specifically, “the percentage of costs of such Multi-Driver Project assigned to the non-public policy drivers in accordance with the procedures set forth in Section (b)(i)(A)(1) shall be twenty percent (20%) and the percentage of costs assigned to the non-public policy drivers of such Multi-Driver Project in accordance Section (b)(i)(A)(2) shall be eighty percent (80%).”
of that solution in their September 12 transmittal letter as an “exception” to the normal practice. Rather, OPSI believes that “boosted” multi-driver projects are not a type of transmission project for which the normal practice was developed. Despite this minor point, OPSI urges the Commission to adopt the PJM TOs’ proposed tariff language.

II. SUMMARY OF THE SEPTEMBER 12 FILINGS

A. PJM Filing

The PJM Filing proposes new provisions to Section 1.5.10 of Schedule 6 of the PJM operating agreement allowing PJM to plan for, and include, multiple driver projects (“multi-driver projects”) in its regional transmission expansion plan (“RTEP”).5 PJM also proposes to add definitions of several related terms in the PJM tariff and operating agreement.6 The PJM Filing states that the inclusion of a multi-driver approach is intended to enhance and expand PJM’s current RTEP process that addresses: (1) reliability violations or operational performance issues; (2) economic constraints; and (3) public policy requirements via the State Agreement Approach.7 The PJM Filing further states that the multi-driver approach will allow for “cohesive combinations of two or three drivers to augment the current reliability, market efficiency and stand-alone public policy solutions.”8

Proposed Section 1.5.10(h) defines an incremental method and a proportional method that PJM will use to develop multi-driver projects and apportion the components.9 For the incremental method, PJM proposes to add drivers to expand incrementally upon a single-driver solution. For example, PJM will determine whether to expand or enhance a single-driver

5 PJM Filing, at 4.
6 PJM Filing, at 4.
7 PJM Filing, at 4.
8 PJM Filing, at 5-6.
9 PJM Filing, at 6.
solution incrementally to address a combination of drivers. If so, PJM will replace the single-driver solution with the incremental solution if the multi-driver project is a more efficient, cost effective solution for the combined drivers.\textsuperscript{10} PJM points to the TO Filing which explains how these incremental costs are to be allocated amongst the several drivers of the Project.\textsuperscript{11}

Specifically the PJM TO Filing states:

\begin{quote}
[O]nly the incremental costs of the expansion or modification of the single driver project resulting in the Incremental Multi-driver Projects will be assigned to the beneficiaries of the additional driver or drivers. For example, if a single driver reliability project that is estimated by PJM to cost $100 million is approved by the PJM Board as an Incremental Multi-Driver Project at a cost of $120 million, then the original driver beneficiaries will be assigned $100 million under the current Schedule 12 cost assignment method applicable to that driver, and the additional driver, e.g., a public policy driver, will be assigned the $20 million using the method provided for that particular driver if it were a single driver project.\textsuperscript{12}
\end{quote}

With respect to the proportional method, the PJM Filing states that for projects that PJM identifies as separate, stand-alone solutions that individually address individual drivers (reliability, economics and/or public policy), PJM may identify a completely new, single transmission enhancement or expansion that resolves a combination of those drivers with a more efficient, cost effective solution.\textsuperscript{13} The PJM Filing points to the PJM TO Filing and states that costs for projects under the proportional method would be apportioned to each component using percentages based on the cost estimate for each component’s original stand-alone solution and that the total cost of the multi-driver solution cannot be greater than the total of each separate project combined.\textsuperscript{14}

\begin{flushleft}
\textsuperscript{10} PJM Filing, at 6.
\textsuperscript{11} PJM Filing at 7, citing the PJM TO Filing at 4-5.
\textsuperscript{12} PJM TO Filing at 4-5.
\textsuperscript{13} PJM Filing, at 7.
\textsuperscript{14} PJM Filing, at 8, citing the PJM TO Filing at 3-4.
\end{flushleft}
The PJM Filing states that a state public policy component may be included in a multi-driver project only if the public policy component meets the requirements of the State Agreement Approach, i.e., the state(s) voluntarily agrees to sponsor a public policy component and assume responsibility for the allocation of all costs associated with the public policy component as either a supplemental project or state public policy project funded through a Commission-filed and accepted cost allocation methodology. The PJM Filing explains that a public policy component that satisfies the state agreement approach may be added to an existing RTEP project or multi-driver project already included in the RTEP if, based on PJM’s evaluation of the resulting multi-driver project, the project would be more efficient or cost-effective in addressing system conditions with the state-sponsored public policy component. Finally, the PJM Filing explains that, if a multi-driver project includes a public policy component via the State Agreement Approach, PJM proposes to provide a role for the sponsoring state(s) in the process which will be used to select the project developer.

The PJM Filing requests an effective date of November 12, 2014.

B. PJM TO Filing

The PJM TO Filing states that the filing is being made because under Section 9.1 of the PJM OATT and Article 7 of the PJM transmission owners’ agreement, the PJM TOs have the exclusive authority and responsibility to submit filings under Section 205 “in or relating to . . . the transmission rate design under the PJM Tariff.” The PJM TOs state that “cost allocation methodologies” in Schedule 12 of the PJM tariff fall into that category. 

15 PJM Operating Agreement, schedule 6 at section 1.5.9
16 PJM Filing, at 8-9.
17 PJM Filing, at 9.
18 PJM Filing, at 10, citing proposed section 1.5.10(a)(ii).
19 PJM Filing, at 14.
20 PJM TO Filing, at 2.
21 PJM TO Filing, at 2.
notes that Schedule 12 currently contains no methodology by which to assign the costs of proportional or incremental method multi-driver projects to customers.\footnote{22}{PJM TO Filing, at 3.}

The PJM TO Filing notes that, for multi-driver projects that are developed under the proportional method, PJM will determine, based on the ratio of the estimated cost of each project that the multi-driver project replaces to the total of the estimated costs of all projects combined into the multi-driver project, the relative contribution of each driver to the cost of the multi-driver project.\footnote{23}{PJM TO Filing, at 3-4.} The PJM TOs propose that the resulting costs assigned to each driver under the proportional approach will then be charged to customers in the same way that it would have been charged under Schedule 12 as a single driver project.\footnote{24}{PJM TO Filing, at 4.} The PJM TOs note that, for multi-driver projects that are developed under the incremental method, PJM will have identified the costs of the single driver before it was upgraded into a multi-driver project.\footnote{25}{PJM TO Filing, at 4.} The PJM TOs propose that only the incremental costs of the expansion or modification of the single driver project resulting in the incremental multi-driver project will be assigned to the beneficiaries of the additional driver or drivers.\footnote{26}{PJM TO Filing, at 4.} The PJM TOs state that, once a multi-driver project is approved by the PJM Board, the percentage contributions of each driver will not be changed unless the PJM Board subsequently approves an upgrade or modification to the project.\footnote{27}{PJM TO Filing, at 5.}

The PJM TOs propose that in only one narrow circumstance will the costs that are allocated to each individual driver in a multi-driver project (reliability, economic efficiency, and public policy) be allocated differently than would have been the case for a single driver project of that type. Specifically, if a proportional or incremental multi-driver project contains a public
policy driver pursuant to the State Agreement Approach and that project qualifies as a Regional Facility only as a result of that public policy driver being combined with a proportional or incremental multi-driver project, the normal cost allocation provisions of Schedule 12 for single driver projects will not be applied. The PJM TOs propose that, in that circumstance (which OPSI refers to as a “boosted” multi-driver project), 20 percent of the non-public policy driver(s) costs will be allocated on a load-ratio share basis and the remaining 80 percent will be allocated on a DFAX/beneficiary pays basis, rather than the 50% - 50% approach applicable to single driver projects that qualify as Regional Facilities.28 As with all multi-driver projects with a public policy component, the public policy portion of the project costs will be assigned in accordance with the State Agreement approach under Section 1.5.9(a) of Schedule 6 and those public policy costs will not be eligible for cost assignment beyond the limited zones or sub-zones where the costs are agreed to be assigned under the State Agreement.29 The PJM TO Filing states that this aspect of the proposal is the result of a compromise with the Organization of PJM States (“OPSI”).30

The PJM TO Filing requests that the proposed tariff sheets be made effective November 12, 2014.31

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28 PJM TO Filing, at 5-6. As stated in OPSI’s Resolution # 2014-1 (Section 3, 4th Whereas Clause), “Multi-Driver Projects: (1) for which the underlying project driver was already planned at a voltage level at or above the established cost allocation threshold for Regional Facilities including any related Necessary Lower Voltage Facilities that may already qualify for the established regional cost allocation treatment; and (2) that both start out and end up at a voltage level under the established cost allocation threshold for Regional Facilities, are not boosted facilities...”, and thus their cost allocation is not modified by the TOs filing and remains as specified in OATT Schedule 12, Section (b)(i) & (ii).
29 PJM TO Filing, at 6.
30 PJM TO Filing, at 6, citing OPSI Resolution #2014-1.
31 PJM TO Filing, at 14.
III. COMMENTS

“Boosted” Multi-Driver Projects

The PJM TO Filing asserts that the cost allocation proposed for “boosted” multi-driver projects (i.e., when the multi-driver project with a public policy component qualifies as a Regional Facility only as a result of that public policy component being combined into a proportional or incremental multi-driver project) constitutes a “limited exception to the cost allocation percentages approved by the Commission”.\(^\text{32}\) OPSI does not believe the PJM TOs’ characterization of this set of circumstances as an “exception” to the normal practice is an entirely accurate or correct characterization of the situation. Rather, we believe the “boosted” multi-driver project type is an entirely new type of transmission project that does not currently exist in the PJM tariff. And, because that new project type will be planned and developed in a manner (and under circumstances) significantly different from the process used for project types currently described in the PJM Tariff and Operating Agreement, it thus merits application of a new and unique cost allocation method, as proposed by the PJM TOs. So, the cost allocation method that the PJM TOs propose be applied to “boosted” multi-driver projects is not an “exception” to the current, Commission-approved method already existing in the PJM Tariff and Operating Agreement, but is, rather, a cost allocation method properly and carefully designed to be applied to a new and different project type being proposed by PJM, namely the “boosted” multi-driver project type.

As noted by the PJM TO Filing, the proposed cost allocation has been adopted by OPSI and is viewed by the PJM TOs as: (1) justified in that the public policy component of the project is the result of state mandates and not PJM Board or PJM OA Schedule requirements;\(^\text{33}\) and (2)

\(^32\) PJM TO Filing, at 5.  
\(^33\) PJM TO Filing, at 6.
complies with the requirements of Order No. 1000. Accordingly, OPSI supports the PJM TOs’ proposed cost allocation for “boosted” multi-driver projects and believes that cost allocation proposal would be more accurately characterized as a properly and carefully designed application of cost allocation techniques to a new and unique type of transmission expansion project.

IV. CONCLUSION

Wherefore, for the reasons explained above, OPSI supports the tariff and operating agreement modifications proposed by PJM and the PJM TOs for multi-driver projects and OPSI urges the Commission to approve those modifications. OPSI does not entirely agree with the way the PJM TOs’ transmittal letter characterizes the proposed cost allocation for “boosted” multi-driver projects as an “exception” to the normal cost allocation process, . Nevertheless, OPSI fully supports the tariff language proposed by the PJM TOs for boosted multi-driver projects, so this minor point regarding the transmittal letter need not stand in the way of Commission approval of the proposed tariff and operating agreement language for multi-driver projects.

Respectfully submitted,

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34 PJM TO Filing, at 7-9.
CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I am on this date serving a copy of the foregoing document upon each person designated on the official service list compiled by the Federal Energy Regulatory Commission in accordance with the requirements of Rule 2010 of the Commission’s Rules of Practice and Procedure.

Dated at Newark, Delaware this 3rd day of October, 2014

Gregory V. Carmean

/s Gregory V. Carmean

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October 3, 2014