

Schedule 12 Cost Allocation Methods Applicable to Multi-Driver Projects (April 2014 Draft Tariff Revision)

Schedule 12(b)(xiv) Multi-Driver Projects.

(A) Except as provided in Section (b)(xiv)(B), the Transmission Provider shall assign cost responsibility for Multi-Driver Projects as defined in Section 1.25A of the Operating Agreement in proportion to the relative percentage benefit that each driver of a Multi-Driver Project addresses, respectively, reliability violations or operational performance (“Reliability Driver”), economic constraints (“Economic Driver”) and/or Public Policy Requirements (“Public Policy Driver”) as follows:

Explanation: *This states that when PJM approves a project under more than one of its RTEP standards, the costs of the project will be apportioned to each separate standard (“driver”) to reflect the relative benefit each such driver contributes to the project.*

Schedule 12, Section (b)(xiv)(A)(1)

(1) As part of the open planning process provided for in Section 1.5.6 of Schedule 6 of the Operating Agreement, the Transmission Provider determines which of the following drivers a Multi-Driver Project addresses: Reliability Driver, Economic Driver, or Public Policy Driver, and the extent to which each such driver contributes to the size, scope, and estimated costs of such Multi-Driver Project (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). The Transmission Provider shall state the contribution of each driver in terms of a percentage totaling 100 percent for all such drivers at the time that each Multi-Driver Project is submitted to the PJM Board for approval and inclusion in the Regional Transmission Expansion Plan.

Explanation: This states that PJM will indicate the respective benefits of each driver at the time that it approves a multi-driver project. The exception is that the market efficiency benefit associated with an add-on to a reliability project is already covered in this Schedule 12 at Section (b)(v)(B).

Schedule 12, Section (b)(xiv)(A)(2)

(2) Once a Multi-Driver Project is approved by the PJM Board, the stated percentage contributions of each driver shall not be changed for the life of the project, except as provided in this Section (b)(xiv)(A)(ii). If the PJM Board determines, either prior to or during the next subsequent planning cycle after a Multi-Driver Project has been approved, that an unanticipated Reliability need, including, but not limited to a generation retirement or a government mandate which was unknown at the time that the Multi-Driver Project was included in the Regional Transmission Expansion Plan, requires the development of a solution, and an upgrade or redesign of a Multi-Driver Project would address such Reliability need, then cost responsibility for the Multi-Driver Project as upgraded or redesigned will be determined as if it were a new Multi-Driver Project, such that that the percentage contribution for each driver is established anew.

Explanation: This states that, subject to certain exceptions, once a multi-driver project is approved, the contribution percentages attributable to each driver will remain unchanged. If in the next planning cycle, a reliability need surfaces for the first time such that the project is redesigned, the resulting project will be considered a new project so that the contribution percentages will be set all over again as though the prior project never existed.

Schedule 12, Section (xiv)(B)

(B) When the Transmission Provider determines that one or more new drivers can modify a project that the Transmission Provider has already submitted for stakeholder review pursuant to Schedule 6 of the Operating Agreement, but such new driver or drivers were only identified for purposes of modifying a project or combining projects already under review pursuant to Schedule 6 of the Operating Agreement during the same planning cycle, then the Transmission Provider shall assign cost responsibility for the resulting Multi-Driver Project based on the incremental apportionment of benefits in accordance with this Section (b)(xiv)(B). The Transmission Provider shall then apply a credit to the costs assigned to the original driver or drivers as follows:

Explanation: *This states that if there is one project with one driver that is expanded to accommodate one or more additional drivers, the cost responsibility will be assigned to each driver followed by a credit to the original driver that makes the add-on drivers possible.*

Schedule 12, Section (xiv)(B)

(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 credit 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) In no event will a credit applied to an original driver be less than zero.

Explanation: *This states that: (1) when the original driver is accelerated at no additional cost, the original driver will not have any credit; (2) when a change to a double circuit results, there is a 50/50 project-cost allocation between the drivers; (3) otherwise, the credit is the ratio of the incremental cost to the project-cost times the original-project cost; and (4) there is never a reverse credit.*

Schedule 12, Section (xiv)(C)

(C) The Transmission Provider shall separately assign cost responsibility for the costs assigned to each driver pursuant to this Section (b)(xiv) in accordance with the provisions of Schedule 12 governing the assignment of cost responsibility for a single driver project of each driver's respective type (Reliability Project, Economic Project or Public Policy Project). Cost responsibility will be assigned based on the final voltage and configuration of the Multi-Driver Project determined in accordance with Sections (b)(i), (b)(ii), or (b)(vi) of Schedule 12.

Explanation: *This states that once the cost of each driver has been calculated, the cost will be invoiced by PJM in accordance with what Schedule 12 already provides for allocating the cost of each such enumerated driver (when a single driver project is approved).*

WHAT DOES ALL THIS MEAN?

- PJM Does the Planning and Files the RTEP Project Approval Categories.
 - If there are two or more (single driver) projects at the beginning of the planning cycle that PJM combines into one, that is a Proportional Multi-Driver Project. (Think “P” = Plural Projects = Proportional.)
 - If there is only one (single driver) project at the beginning of the planning cycle that PJM expands to add one or more drivers, that is an Incremental Multi-Driver Project. (Think “I” = Individual Project = Incremental.)

WHAT DOES ALL THIS MEAN? CONT'D

- The Transmission Owners File the Cost Allocation for each RTEP Project Approval Category.
 - For Proportional Multi-Driver Projects, the cost savings of combining two or more projects into one is shared by each driver in proportion to the contributing benefit of each driver.
 - For Incremental Multi-Driver Projects, the original driver receives a credit for providing the basis upon which modifications can be added to provide more benefits, perhaps to other beneficiaries, so that the primary driver will be compensated for the dependence of the incremental drivers upon the primary driver.