September 8, 2023

Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, NE, Room 1A
Washington, DC  20426

Re:  American Electric Power Service Corporation on behalf of its affiliate
Transource Pennsylvania, LLC
Docket No. ER23-1407-002
Compliance Filing

Dear Secretary Bose:

The American Electric Power Service Corporation (“AEP Service Corporation” or “AEPSC”),1 on behalf of its affiliates Transource Energy, LLC (“Transource Energy”) and Transource Pennsylvania, LLC (“Transource” or TPA”), (AEPSC, Transource Energy, and TPA may be collectively referred to as “the Company” or “AEP”); submits to the Federal Energy Regulatory Commission (“Commission” or “FERC”) a compliance filing directed by the Commission’s Order on Transmission Rate Incentives, issued August 11, 2023.2

I.  BACKGROUND

On March 16, 2023, Transource, pursuant to sections 205 and 219 of the Federal Power Act (FPA),3 Part 35 of the Commission’s regulations,4 and Order No. 679,5 filed a request for approval of certain transmission rate incentives for Transource’s investment in the North Delta Substation that was selected by the New Jersey Board of Public Utilities pursuant to the PJM State

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1 Pursuant to Order No. 714, this filing is submitted by PJM Interconnection, L.L.C. (“PJM”) on behalf of Transource, as part of an XML filing package that conforms with the Commission’s regulations. PJM has agreed to make all filings on behalf of the PJM Transmission Owners in order to retain administrative control over the PJM Tariff. Thus, TPA has requested PJM submit this compliance filing in the eTariff system as part of PJM’s electronic Intra PJM Tariff.

2 Transource Pennsylvania, LLC, 184 FERC ¶ 61,091 (2023).


5 Promoting Transmission Inv. through Pricing Reform, Order No. 679, 116 FERC ¶ 61,057, order on reh’g, Order No. 679-A, 117 FERC ¶ 61,345 (2006), order on reh’g, 119 FERC ¶ 61,062 (2007).
Agreement Approach. At the time of filing, Transource already had a formula rate on file with the Commission and therefore tendered unchanged tariff records in the filing.\(^6\)

On May 15, 2023, Commission staff issued a deficiency letter informing Transource that its filing was deficient and additional information was necessary to evaluate its submission.

On June 12, 2023, Transource submitted its response to the deficiency letter and included a substitute unchanged tariff record of its formula rate, with the proposed May 16, 2023, effective date.\(^7\)

On August 11, 2023, the Commission issued an Order on Transmission Rate Incentives approving certain transmission rate incentives for Transource’s investment in the North Delta Substation (Project) effective August 12, 2023, directing Transource to submit a compliance filing to remove section 5.j of formula rate protocols (i.e., Attachment H-29B of the PJM Open Access Transmission Tariff) within 30 days of the date of the order.

II. DOCUMENTS SUBMITTED WITH THIS COMPLIANCE FILING

In compliance with the Commission’s Order on August 11, 2023, Transource hereby submits this compliance filing removing section 5.j of the formula rate protocols.\(^8\)

In addition to this transmittal letter, the documents submitted in this filing are:

- Attachment A – PJM OATT Attachment H-29B Formula Rate Protocols (clean);
- Attachment B – PJM OATT Attachment H-29B Formula Rate Protocols (redline).

III. COMMUNICATIONS

The Filing Parties request that the Commission place the following individuals on the official service for this proceeding:

\(^6\) See PJM-Intra-PJM Tariffs, OATT Attachment H-29B – Formula Rate Implementation Protocols (0.1.0) (“Attachment H-29B”). Pursuant to a prior Commission order approving the Abandoned Plant Incentive and CWIP Incentive applicable to another transmission project, the Formula Rate already included placeholders for the Abandoned Plant Incentive and the CWIP Incentive requested herein. See *PJM Interconnection, L.L.C.*, 158 FERC ¶ 61,089 at ordering para. (A) (2017), *reh’g denied*, 164 FERC ¶ 61,015 (2018). As a result, Transource tendered unchanged tariff records with the filing in accordance with the Commission’s Notice of Procedures for Making Statutory Filings When Authorization for New or Revised Tariff Provisions Is Not Required, Docket No. RM01-5-000 (issued June 3, 2020).

\(^7\) PJM, Intra-PJM Tariffs, OATT, *OATT ATT H-29B, OATT Attachment H-29B -Formula Rate Implementation Protocols (1.1.0).*

\(^8\) *Transource Pennsylvania, LLC*, 184 FERC ¶ 61,091 (2023) at P 19.
IV. SERVICE

PJM has served a copy of this filing on all PJM Members and on all state utility regulatory commissions in the PJM Region by posting this filing electronically. In accordance with the Commission’s regulations,9 PJM will post a copy of this filing to the FERC filings section of its internet site, located at the following link: https://www.pjm.com/library/filing-order with a specific link to the newly-filed document, and will send an email on the same date as this filing to all PJM Members and all state utility regulatory commissions in the PJM Region10 alerting them that this filing has been made by PJM and is available by following such link. If the document is not immediately available by using the referenced link, the document will be available through the referenced link within 24 hours of the filing. Also, a copy of this filing will be available on the Commission’s eLibrary website located at the following link: http://www.ferc.gov/docs-filing/elibrary.asp in accordance with the Commission’s regulations and Order No. 714.

V. CONCLUSION

Transource hereby submits the corrected version of the PJM OATT Attachment H-29B in full compliance with the Commission’s Order on Transmission Rate Incentives dated August 11, 2023.

Respectfully submitted,

/s/ Hector H. Garcia-Santana
Hector H. Garcia-Santana
American Electric Power Service Corporation
1 Riverside Plaza
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Email: hgarcia1@aep.com

Attachments

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9 See 18 C.F.R §§ 35.2(e) and 385.2010(f)(3).
10 PJM already maintains, updates, and regularly uses e-mail lists for all PJM members and affected state commissions.
CERTIFICATE OF SERVICE

I hereby certify that on this 8th day of September, 2023, I have served a copy of the foregoing document on the official service list compiled by the Office of the Secretary for the above-referenced proceeding.

/s/ LaChon Turner
LaChon Turner
Paralegal
American Electric Power Service Corporation
Phone: 202-383-3465
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ATTACHMENT H-29B

TRANSOURCE PENNSYLVANIA, LLC
FORMULA RATE IMPLEMENTATION PROTOCOLS

The formula rate template ("Template") and these formula rate implementation protocols ("Protocols") together comprise the filed rate ("Formula Rate") of Transource Pennsylvania, LLC ("Transource Pennsylvania") for transmission revenue requirement determinations under the PJM Interconnection, L.L.C. ("PJM") Open Access Transmission Tariff ("PJM Tariff"). Transource Pennsylvania shall follow the instructions specified in the Formula Rate to calculate annually its net annual transmission revenue requirement, as set forth at Attachment H-29A, page 1, line 10 of the Template ("Net Revenue Requirement"). The Net Revenue Requirement shall be determined for January 1 to December 31 of a given calendar year (the "Rate Year").

Section 1. Annual Projection

a. No later than September 30 preceding the first Rate Year, and each subsequent Rate Year, Transource Pennsylvania shall determine its projected Net Revenue Requirement for the upcoming Rate Year in accordance with Transource Pennsylvania’s Formula Rate ("Annual Projection"). The Annual Projection shall include the True-Up Adjustment described and defined in Section 2 below, if applicable. Transource Pennsylvania shall cause an electronic version of the Annual Projection to be posted in both a Portable Document Format ("PDF") and fully functioning Excel file at a publicly accessible location on PJM’s internet website and open access same-time information system ("OASIS").

b. The posting of the Annual Projection shall:

(i) Provide the Formula Rate calculations and all inputs thereto, as well as supporting
documentation and workpapers for data that are used in the projected Net Revenue Requirement;

(ii) Include all inputs in sufficient detail to identify the components of Transource Pennsylvania’s projected Net Revenue Requirement, explanations of the bases for the projections and input data, and sufficient detail and explanation to enable Interested Parties¹ to replicate the calculation of the projected Net Revenue Requirement;

(iii) With respect to any Accounting Changes (as that term is defined in Section 3.e.iii)—

A. Identify any Accounting Changes including:
   i. The initial implementation of an accounting standard or policy;
   ii. The initial implementation of accounting practices for unusual or unconventional items where the Federal Energy Regulatory Commission (“FERC” or “Commission”) has not provided specific accounting direction;
   iii. Correction of errors and prior period adjustments that impact the projected Net Revenue Requirement calculation;
   iv. The implementation of new estimation methods or policies that change prior estimates; and
   v. Changes to income tax elections;

¹ As used in these Protocols, “Interested Parties” shall include but not be limited to: (i) any Eligible Customer under the PJM Tariff; (ii) any regulatory agency with rate jurisdiction over a public utility located within the PJM footprint; (iii) any consumer advocate authorized by state law to review and contest the rates for any such public utility; and (iv) any party with standing under Federal Power Act (“FPA”) section 205 or section 206.
B. Identify items included in the projected Net Revenue Requirement at an amount other than on a historic cost basis (e.g., fair value adjustments);

C. Identify any reorganization or merger transaction during the previous year and explain the effect of the accounting for such transaction(s) on inputs to the projected Net Revenue Requirement; and

D. Provide, for each item identified pursuant to Section 1.b.iii.A–C of these Protocols, a narrative explanation of the individual impact of such changes on the projected Net Revenue Requirement.

c. If the date for making the posting of the Annual Projection should fall on a weekend or a holiday recognized by FERC, then the posting shall be made no later than the next business day.\(^2\) Within five (5) calendar days of the posting, PJM shall provide notice of such posting via the PJM Members Committee email subscription (“PJM Exploder List”). Interested Parties can subscribe to the PJM Exploder List on the PJM website.

d. Together with the posting of the Annual Projection, Transource Pennsylvania shall cause to be posted on the PJM internet website and OASIS, and distributed to the PJM Exploder List, the time, date, location, and remote-access information for a stakeholder meeting with Interested Parties in order for Transource Pennsylvania to explain its Annual Projection and to provide Interested Parties an opportunity to seek information and clarifications regarding the Annual Projection (“Annual Projection Meeting”). The Annual Projection Meeting shall be held no less than twenty (20) business days and no more than thirty (30) business days after the posting of the Annual Projection. Notice of

\(^2\) For the purposes of these Protocols, if any deadline included in these Protocols should fall on a weekend or a holiday recognized by FERC, then the deadline shall be extended to no later than the next business day.
the Annual Projection Meeting shall be provided via the PJM Exploder List no less than seven (7) calendar days prior to the meeting. Transource Pennsylvania will provide remote access to the Annual Projection Meeting in order to ease burdens (e.g., travel costs) to ensure all Interested Parties have the opportunity to participate.

e. To the extent Transource Pennsylvania agrees to make changes in the Annual Projection for a given Rate Year, such revised Annual Projection shall be promptly posted at a publicly accessible location on PJM’s internet website and OASIS, and e-mailed to the PJM Exploder List. Changes posted prior to November 30 preceding the Rate Year, or the next business day if November 30 is not a business day (or such later date as can be accommodated under PJM’s billing practices), shall be reflected in the Annual Projection for the Rate Year; changes posted after that date will be reflected, as appropriate, in the True-Up Adjustment for the Rate Year.

f. The Annual Projection, including the True-Up Adjustment, for each Rate Year shall be subject to review, challenge, true-up, and refunds or surcharges with interest, to the extent and in the manner provided in these Protocols.

Section 2. True-Up Adjustment

Transource Pennsylvania will calculate the amount of under- or over-collection of its actual Net Revenue Requirement during the preceding Rate Year (“True-Up Adjustment”) after the FERC Form No. 1 data for that Rate Year has been filed with the Commission. The True-Up Adjustment shall be the sum of the True-Up Adjustment Over/Under Recovery as determined in Section 2(a) and the Interest on the True-Up Adjustment Over/Under Recovery as determined in Section 2(b):

a. Transource Pennsylvania’s projected Net Revenue Requirement collected during the
previous Rate Year\(^3\) will be compared to Transource Pennsylvania’s actual Net Revenue Requirement for the previous Rate Year calculated in accordance with Transource Pennsylvania’s Formula Rate and based upon (i) Transource Pennsylvania’s FERC Form No. 1 for that same Rate Year, (ii) any FERC orders specifically applicable to Transource Pennsylvania’s calculation of its annual revenue requirement, (iii) the books and records of Transource Pennsylvania (which shall be maintained consistent with the FERC Uniform System of Accounts (“USofA”)), (iv) FERC accounting policies and practices applicable to the calculation of annual revenue requirements under formula rates, and (v) any aspects of the PJM Tariff Governing Documents\(^4\) that apply to the calculation of annual revenue requirements under individual transmission owner formula rates, to determine any over- or under-recovery (“True-Up Adjustment Over/Under Recovery”).

b. Interest on any True-Up Adjustment Over/Under Recovery of the actual Net Revenue Requirement shall be calculated in accordance with Attachment 6 of the Formula Rate. Interest on any True-Up Adjustment Over/Under Recovery shall be calculated for the twenty-four (24) months during which the over- or under-recovery in the revenue requirement exists, i.e., January 1 of the Rate Year being trued-up through December 31 of the following year. The interest rate to be applied to the over-recovery or under-recovery amounts will be determined using the average monthly FERC Interest Rate (as determined

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\(^3\) If the initial use of the Formula Rate covers only part of a calendar year, the initial projected Net Revenue Requirement will be divided by the number of months the Formula Rate is in effect to calculate the monthly projected cost of service to be collected each month of the first year. Similarly, the actual Net Revenue Requirement will be divided by the number of months the rate is in effect to calculate the actual cost of service to be collected each month of the first year. The first True-Up Adjustment will compare the projected Net Revenue Requirement collected and the actual Net Revenue Requirement for that initial Rate Year.

\(^4\) PJM Tariff Governing Documents include the PJM Tariff, Bylaws, Criteria, and Membership Agreements.
pursuant to 18 C.F.R. § 35.19a) for the twenty (20) months from the beginning of the Rate Year being trued-up through August 31 of the following year.

Section 3. Annual Update

a. On or before June 30 following each Rate Year, Transource Pennsylvania shall calculate its actual Net Revenue Requirement and the True-Up Adjustment as described in Section 2 for such Rate Year (“Annual Update”) and, together with such other information described in this Section 3, shall cause such Annual Update to be posted, in both a PDF and fully functioning Excel format, at a publicly accessible location on PJM’s internet website and OASIS. Within five (5) calendar days of such posting, PJM shall provide notice of such posting via the PJM Exploder List.

b. If the date for making the Annual Update posting should fall on a weekend or a holiday recognized by FERC, then the posting shall be due on the next business day.

c. The date on which the posting occurs shall be that year’s “Publication Date.”

d. Together with the posting of the Annual Update, Transource Pennsylvania shall cause to be posted on the PJM website and OASIS the time, date, location, and remote-access information for a stakeholder meeting with Interested Parties in order for Transource Pennsylvania to explain its Annual Update and to provide Interested Parties an opportunity to seek information and clarifications regarding the Annual Update (“Annual Update Meeting”). Notice of the Annual Update Meeting shall be provided via the PJM Exploder List no less than seven (7) calendar days prior to the meeting. The Annual Update Meeting shall be held no less than twenty (20) business days and no more than thirty (30) business days after the Publication Date. Transource Pennsylvania
will provide remote access to the Annual Update Meeting in order to ease burdens (e.g., travel costs) to ensure all Interested Parties have the opportunity to participate.

e. The Annual Update posting for the Rate Year:

(i) Shall provide, via the Formula Rate worksheets, sufficiently detailed supporting documentation for data (and all adjustments thereto or allocations thereof) used in the Formula Rate that are not stated in the FERC Form No. 1;\textsuperscript{5}

(ii) Shall provide sufficient detail and sufficient explanation to enable Interested Parties to replicate the calculation of the Annual Update results from the FERC Form No. 1 and verify that each input to the Template is consistent with the requirements of the Formula Rate;

(iii) Shall identify:

A. Any change in accounting that affects inputs to the Template or the resulting charges billed under the Formula Rate (“Accounting Change”), including:

i. The initial implementation of an accounting standard or policy;

ii. The initial implementation of accounting practices for unusual or unconventional items where FERC has not provided specific accounting direction;

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\textsuperscript{5} It is the intent of the Formula Rate, including the supporting explanations and allocations described therein, that each input to the Formula Rate for purposes of determining the actual Net Revenue Requirement for a given Rate Year will be either taken directly from the FERC Form No. 1, or reconcilable to the FERC Form No. 1, by the application of clearly identified and supported information. If the referenced form is superseded, the successor form(s) shall be utilized and supplemented as necessary to provide equivalent information as that provided in the superseded form. If the referenced form is discontinued, equivalent information as that provided in the discontinued form shall be utilized.
iii. Correction of errors and prior period adjustments that impact the True-Up Adjustment calculation;

iv. The implementation of new estimation methods or policies that change prior estimates; and

v. Changes to income tax elections;

B. Any items included in the Annual Update at an amount other than on a historic cost basis (e.g., fair value adjustments);

C. Any reorganization or merger transaction during the previous year and an explanation of the effect of the accounting for such transaction(s) on inputs to the Annual Update;

D. For each item identified pursuant to Sections 3.e.iii.A–C of these Protocols, the individual impact (in narrative format) of such changes on the Annual Update;

(iv) Shall identify any changes in the formula references (page and line numbers) to the FERC Form No. 1;

(v) Shall identify all material adjustments made to the FERC Form No. 1 data in determining formula inputs, including relevant footnotes to the FERC Form No. 1 and any adjustments not shown in the FERC Form No. 1;

(vi) Shall include for the applicable Rate Year the following information related to affiliate cost allocation: (1) a detailed description of the methodologies used to allocate and directly assign costs between Transource Pennsylvania and its affiliates by service category or function, including any changes to such cost allocation methodologies from the prior year, and the reasons and justification for
those changes; and (2) the magnitude of such costs that have been allocated or directly assigned between Transource Pennsylvania and each affiliate by service category or function;

(vii) Shall be subject to review and challenge in accordance with the procedures set forth in Sections 4, 5, and 6 of these Protocols;

(viii) Shall be subject to review and challenge in accordance with the procedures set forth in these Protocols with respect to the prudence of any costs and expenditures included for recovery in the Annual Update; provided, however, that nothing in these Protocols is intended to modify the Commission’s applicable precedent with respect to the burden of going forward or burden of proof under formula rates in such prudence challenges; and

(ix) Shall not seek to modify the Formula Rate and shall not be subject to challenge by any Interested Party seeking to modify the Formula Rate (i.e., any modifications to the Formula Rate will require, as applicable, an FPA section 205 or section 206 filing or initiation of a section 206 investigation).

f. The following Formula Rate inputs shall be stated values to be used in the Formula Rate until changed pursuant to an FPA section 205 or section 206 proceeding: (i) rate of return on common equity (“ROE”); (ii) the depreciation and/or amortization rates as set forth in Attachment 10 to the Formula Rate template; and (iii) Post-Employment Benefits other than Pension (“PBOP”) charges.

g. **Example – Timelines for first Annual Projection and first Annual Update:**

On or before September 30, 2017, Transource Pennsylvania will determine the projected Net Revenue Requirement for the 2018 Rate Year, which is expected to be the first year
that costs are recovered from PJM customers under the Formula Rate. Transource Pennsylvania will post the Annual Projection for the 2018 Rate Year in accordance with Section 1 above. On or before June 30, 2019, Transource Pennsylvania will post its first Annual Update, consisting of the actual Net Revenue Requirement and True-Up Adjustment for the 2018 Rate Year determined pursuant to Section 2 above. Such True-Up Adjustment will be reflected in the Annual Projection of the Net Revenue Requirement for the 2020 Rate Year posted on or before September 30, 2019.

**Section 4. Annual Review Procedures**

Each Annual Update and Annual Projection shall be subject to the following review procedures (“Annual Review Procedures”):

a. Interested Parties shall have up to the later of two-hundred-ten (210) calendar days after the Publication Date, or thirty (30) calendar days after the receipt of all responses to timely submitted information requests (unless such period is extended with the written consent of Transource Pennsylvania or by FERC order) (“Review Period”), to review the calculations and to notify Transource Pennsylvania in writing of any specific challenges to the Annual Update or Annual Projection (“Preliminary Challenge”), including challenges related to Accounting Changes. An Interested Party submitting a Preliminary Challenge must specify the inputs, supporting explanations, allocations, calculations, or other information to which it objects, and provide an appropriate explanation and documents to support its challenge. Transource Pennsylvania shall promptly cause to be posted all Preliminary Challenges at a publicly accessible location on PJM’s internet website and OASIS, and a link to the website will be e-mailed to the PJM Exploder List.
b. In the event of a Preliminary Challenge, Transource Pennsylvania will appoint a senior representative to work with the Interested Party (or its representatives) toward a resolution of the dispute.

c. Transource Pennsylvania shall respond in writing to a Preliminary Challenge within twenty (20) business days of receipt, and its response shall notify the challenging party of the extent to which Transource Pennsylvania agrees or disagrees with the challenge. If Transource Pennsylvania disagrees with the Preliminary Challenge, it will provide the Interested Party with an explanation supporting the challenged inputs, explanations, allocations, calculations, or other information. Transource Pennsylvania shall promptly cause to be posted its responses to all Preliminary Challenges at a publicly accessible location on PJM’s internet website and OASIS, and a link to the website will be e-mailed to the PJM Exploder List. Provided however, that Preliminary Challenges and responses to Preliminary Challenges that include material deemed by Transource Pennsylvania to be confidential information will not be publicly posted but will be made available to requesting parties pursuant to a confidentiality agreement to be executed by Transource Pennsylvania and the requesting party.

d. Transource Pennsylvania shall respond to all Preliminary Challenges submitted during the Review Period by no later than thirty (30) calendar days after the end of the Review Period.

e. Interested Parties shall have up to one-hundred-fifty (150) calendar days after each annual Publication Date (unless such period is extended with the written consent of Transource Pennsylvania or by FERC order) to serve reasonable information requests on Transource Pennsylvania (“Discovery Period”).
f. Information requests shall be limited to what is necessary to determine: (i) the extent, effect, or impact of an Accounting Change; (ii) whether the Annual Update or Annual Projection fails to include data properly recorded in accordance with the Protocols; (iii) the proper application of the Template and procedures in the Protocols; (iv) the accuracy of data and consistency with the Formula Rate of the charges shown in the Annual Update or Annual Projection; (v) the prudence of the actual costs and expenditures, including procurement methods and cost control methodologies; (vi) the effect of any change to the underlying USofA or FERC Form No. 1; and (vii) any other information that may reasonably have substantive effect on the calculation of the charge pursuant to the Formula Rate. The information requests shall not otherwise be directed to ascertaining whether the Formula Rate is just and reasonable. Information requests shall not solicit information concerning costs or allocations where the costs or allocation methods have been determined to be appropriate by FERC in the context of prior Transource Pennsylvania Annual Updates, except that such information requests shall be permitted if they (i) seek to determine if there has been a change in circumstances, (ii) are in connection with corrections pursuant to Section 6 of these Protocols, or (iii) relate to costs or allocations that have not previously been challenged and adjudicated by FERC.

g. Transource Pennsylvania shall make a good faith effort to respond to information requests pertaining to the Annual Update or Annual Projection within fifteen (15) business days of receipt of such requests. Transource Pennsylvania shall respond to all information requests no later than thirty (30) calendar days after the end of the Discovery Period. Transource Pennsylvania will cause to be posted on the PJM website and OASIS...
all information requests from Interested Parties and Transource Pennsylvania’s
response(s) to such requests, and a link to the website will be e-mailed to the PJM
Exploder List. Provided however, that information and document requests and responses
to information and document requests that include material deemed by Transource
Pennsylvania to be confidential information will not be publicly posted but will be made
available to requesting parties pursuant to a confidentiality agreement to be executed by
Transource Pennsylvania and the requesting party.

h. Transource Pennsylvania shall not claim that responses to information and document
requests provided pursuant to these Protocols are subject to any settlement privilege in
any subsequent FERC proceeding addressing Transource Pennsylvania’s Annual Update
or Annual Projection.

i. To the extent Transource Pennsylvania and any Interested Party(ies) are unable to
resolve disputes related to information requests submitted in accordance with these
Annual Review Procedures, Transource Pennsylvania or the Interested Party(ies) may
petition FERC to appoint an Administrative Law Judge as a discovery master to resolve
the discovery dispute(s) in accordance with these Protocols and consistent with FERC’s
discovery rules.

j. Preliminary Challenges or Formal Challenges (as described in Sections 4 and 5) related
to Accounting Changes shall be treated in the same manner under these Protocols as
other challenges to the Annual Update or Annual Projection. Failure to make a
Preliminary Challenge with respect to an Accounting Change in an Annual Update or
Annual Projection shall not act as a bar with respect to a Formal Challenge with respect
to that Annual Update or Annual Projection provided that the Interested Party submitted
a Preliminary Challenge with respect to one or more other issues. Nor shall such failure bar a subsequent Preliminary Challenge related to a subsequent Annual Update or Annual Projection to the extent such Accounting Change affects the subsequent Annual Update or Annual Projection.

k. If a change made by Transource Pennsylvania to its accounting policies, practices, or procedures, or the application of the Formula Rate, is found by FERC to be unjust, unreasonable, or unduly discriminatory or preferential, then the calculation of the charges to be assessed during the Rate Year then under review, and the charges to be assessed during any subsequent Rate Years, including any True-Up Adjustments, shall not include such change, but shall include any remedy that may be prescribed by FERC in the exercise of its discretion as of the effective date of such remedy, to ensure that the Formula Rate continues to operate in a manner that is just, reasonable, and not unduly discriminatory or preferential.

Section 5. Resolution of Challenges

a. Interested Parties shall have up to the later of April 15 following the Publication Date or thirty (30) calendar days after Transource Pennsylvania makes the informational filing described in Section 7 below (unless such period is extended with the written consent of Transource Pennsylvania or by FERC order), to file a challenge with FERC (“Formal Challenge”). Such Formal Challenge shall be submitted in the same docket as Transource Pennsylvania’s informational filing and shall be served on Transource Pennsylvania by electronic service on the date of such filing in accordance with Section 385.2010(f)(3) of the Commission’s regulations.

b. Subject to any applicable confidentiality and Critical Energy Infrastructure Information
restrictions, all information and correspondence produced by Transource Pennsylvania pursuant to these Protocols may be included in any Formal Challenge or other FERC proceeding relating to the Formula Rate.

c. Formal Challenges are to be filed pursuant to these Protocols, rather than under rule 206, and shall:

(i) Clearly identify the action or inaction which is alleged to violate the Formula Rate Template or Protocols;

(ii) Explain how the action or inaction violates the filed rate Template or Protocols;

(iii) Set forth the business, commercial, economic, or other issues presented by the action or inaction as such relate to or affect the party filing the Formal Challenge, including

A. The extent or effect of an Accounting Change;

B. Whether the Annual Update or Annual Projection fails to include data properly recorded in accordance with these Protocols;

C. The proper application of the Template and procedures in these Protocols;

D. The accuracy of the data and consistency with the Formula Rate of the charges shown in the Annual Update or Annual Projection;

E. The prudence of actual costs and expenditures;

F. The effect of any change to the underlying USofA or the FERC Form No. 1; or

G. Any other information that may reasonably have substantive effect on the calculation of the charge pursuant to the Template.
(iv) Make a good faith effort to quantify the financial impact or burden (if any) created for the party filing the Formal Challenge as a result of the action or inaction;

(v) State whether the issues presented are pending in an existing Commission proceeding or a proceeding in any other forum in which the filing party is a party, and, if so, provide an explanation why timely resolution cannot be achieved in that forum;

(vi) State the specific relief or remedy requested, including any request for stay or extension of time, and the basis for that relief;

(vii) Include all documents that support the facts in the Formal Challenge in possession of, or otherwise attainable by, the filing party, including, but not limited to, contracts and affidavits; and

(viii) State whether the filing party utilized the Preliminary Challenge procedures described in these Protocols to dispute the action or inaction raised by the Formal Challenge, and, if not, describe why not.

d. Preliminary and Formal Challenges shall be limited to issues that may be necessary to determine: (i) the extent or effect of an Accounting Change; (ii) whether the Annual Update or Annual Projection fails to include data properly recorded in accordance with these Protocols; (iii) the proper application of the Formula Rate and procedures in these Protocols; (iv) the accuracy of data and consistency with the Formula Rate of the calculations shown in the Annual Update and Annual Projection; (v) the prudence of actual costs and expenditures; (vi) the effect of any change to the underlying USofA or FERC Form No. 1; or (vii) any other information that may reasonably have substantive
effect on the calculation of the charge pursuant to the formula.

e. Failure to raise an issue in a Preliminary Challenge shall not bar an Interested Party from raising that issue in a Formal Challenge, provided the Interested Party submitted a Preliminary Challenge during the Review Period with respect to one or more other issues.

f. Failure to pursue an issue through a Preliminary Challenge or to lodge a Formal Challenge regarding any issue as to a given Annual Update or Annual Projection shall bar pursuit of such issue with respect to that Annual Update or Annual Projection, but shall not bar pursuit of such issue or the lodging of a Formal Challenge as to such issue as it relates to a subsequent Annual Update or Annual Projection.

g. Any response by Transource Pennsylvania to a Formal Challenge must be submitted to FERC within thirty (30) calendar days of the date of the filing of the Formal Challenge, and shall be served on the filing party(ies) and the PJM Exploder List on the date of such filing.

h. In any Formal Challenge proceeding concerning a given year’s Annual Update (including corrections), Annual Projection, or Accounting Change(s), Transource Pennsylvania shall demonstrate the justness and reasonableness of the rate resulting from its application of the Formula Rate by demonstrating that it has reasonably and accurately calculated the Annual Update or Annual Projection and/or reasonably adopted and applied the Accounting Change. Nothing herein is intended to alter the burdens applied by FERC with respect to prudence challenges.

i. Except as specifically provided herein, nothing herein shall be deemed to limit in any way the right of Transource Pennsylvania to file unilaterally, pursuant to section 205 of
the FPA and the regulations thereunder, an application seeking changes to the Formula Rate or to any of the stated value inputs requiring a section 205 filing under these Protocols (including, but not limited to, ROE and depreciation and amortization rates, and PBOP charges), or the right of any other party or the Commission to seek such changes pursuant to section 206 of the FPA and the regulations thereunder.

Section 6. Changes to Annual Updates

If Transource Pennsylvania determines or concedes that corrections to the Annual Update are required, whether under Sections 4 or 5 of these Protocols, including but not limited to those requiring corrections to its FERC Form No. 1, or input data used for a Rate Year that would have affected the Annual Update for that Rate Year, such corrections shall be reflected as adjustments in the Annual Update for the next Rate Year, with interest calculated in accordance with the FERC Interest Rate (as determined pursuant to 18 C.F.R. § 35.19a). This reconciliation mechanism shall apply in lieu of mid-Rate Year adjustments.

Section 7. Informational Filing

Transource Pennsylvania shall submit to FERC an informational filing (“Informational Filing”) of its projected Net Revenue Requirement and Annual Update by March 15 following the Publication Date or by forty-five (45) calendar days following the close of the Review Period, whichever is later. This Informational Filing must include the information that is reasonably necessary to determine: (1) that input data under the Formula Rate are properly recorded in any underlying workpapers; (2) that Transource Pennsylvania has properly applied the Formula Rate and these Protocols; (3) the accuracy of data and the consistency with the Formula Rate of the Net Revenue Requirement and rates under review; (4) the extent of Accounting Changes that affect Formula Rate inputs; and (5) the reasonableness of projected
costs. The Informational Filing must also describe any corrections or adjustments made during that period, and must describe all aspects of the Annual Update and Annual Projection or their inputs that are the subject of an ongoing dispute under the Preliminary or Formal Challenge procedures. Additionally, the Informational Filing must include for the applicable Rate Year the following information related to affiliate cost allocation: (1) a detailed description of the methodologies used to allocate and directly assign costs between Transource Pennsylvania and its affiliates by service category or function, including any changes to such cost allocation and methodologies from the prior year, and the reasons and justification for those changes; and (2) the magnitude of such costs that have been allocated or directly assigned between Transource Pennsylvania and each affiliate by service category or function. Within five (5) calendar days of such Informational Filing, PJM shall provide notice of the Informational Filing via the PJM Exploder List and by posting the docket number assigned to Transource Pennsylvania’s Informational Filing on the PJM website and OASIS. Any challenges to the implementation of the Template must be made through the annual review and challenge procedures described in Sections 4 and 5 of these Protocols, or in a separate complaint proceeding, and not in response to the Informational Filing.

Section 8. **Joint Informational Meeting**

Transmission Owners with transmission projects that are subject to a regional or inter-regional cost sharing mechanism shall endeavor to hold a joint informational meeting to enable all Interested Parties to understand how those Transmission Owners are implementing their formula rates for cost recovery of such projects (“Joint Informational Meeting”). The Joint Informational Meeting shall be remotely accessible. Notice of the Joint Informational Meeting, including the time, date, location, and remote-access information shall be posted on the PJM
website and OASIS and distributed to the PJM Exploder List no less than seven (7) calendar
days prior to such meeting. Transource Pennsylvania will participate in Joint Informational
Meetings once it begins development of a project for which costs are to be regionally or inter-
regionally allocated.

Section 9. **Construction Work in Progress**

a. Accounting: Transource Pennsylvania shall use the following accounting procedures to
ensure that it does not accrue an Allowance for Funds Used During Construction
(“AFUDC”) with respect to any amount of Construction Work In Progress (“CWIP”) included in rate base.

(i) Transource Pennsylvania shall assign each transmission project a unique
Funding Project Number (“FPN”) for internal cost tracking purposes.

(ii) Transource Pennsylvania shall record actual construction costs to each FPN
through work orders that are coded to correspond to the FPN for each project for
which FERC has authorized all or part of the CWIP balance to be included in
rate base (“CWIP Project”).

(iii) Each project-specific FPN tracking account will be programmed to calculate and
accrue AFUDC only on the balance of CWIP that is not included in rate base.

(iv) For each project under construction, Transource Pennsylvania shall prepare
monthly work order summaries of costs incurred under the associated FPN.
These summaries shall show monthly additions to CWIP in the FPN and, if less
than 100% of the CWIP corresponding to the project FPN is included in rate
base, shall separately identify through FPN subaccounts (i) the component of the
project CWIP balance included in rate base; and (ii) the component of the project
CWIP balance that is not included in rate base, including capitalized AFUDC. The summaries will also show any additions to plant in service. The summaries shall correspond to amounts recorded in FERC Account 107, CWIP, which account balance will be reported on Transource Pennsylvania’s FERC Form No. 1. Transource Pennsylvania shall use these project-specific monthly summaries as data inputs into the annual CWIP report prepared under Section 9(b) and the Annual Update calculated pursuant to Section 3. Transource Pennsylvania shall make such work order summaries available upon request under the review procedures of Section 4.

(v) When a project, or portion thereof, is placed into service, Transource Pennsylvania shall deduct from total CWIP the accumulated balance of the FPN tracking account for that project, or portion thereof. The purpose of this control process is to ensure that expenditures are not double-counted as both CWIP and as additions to plant.

(vi) For CWIP Projects prior to the date upon which CWIP is first included in rate base, and for transmission projects for which the Commission has not authorized Transource Pennsylvania to include any CWIP in rate base, Transource Pennsylvania shall record AFUDC to be applied to the full CWIP balance of the FPN tracking account and capitalized when the project is placed into service.

b. Annual Reporting: For CWIP Projects, Transource Pennsylvania shall file a report with the Commission at the time of Transource Pennsylvania’s Informational Filing that shall include the following information concerning each transmission project under construction:
(i) A demonstration that each project for which CWIP is included in rate base was identified through PJM’s regional planning process and awarded to Transource Pennsylvania on the basis of a competitive bid;

(ii) The cost allocation methodology for each project under the PJM Tariff;

(iii) A tabulation of the monthly summaries described in Section 9(a)(iv) for each unique FPN tracking account, including thirteen (13) monthly balances illustrating the amount of CWIP included in rate base for the project, the amount of CWIP that is not included in rate base for the project, the amount of accumulated AFUDC associated with any CWIP not included in rate base, and any amounts recorded in related FERC accounts or subaccounts, such as regulatory liability;

(iv) The resulting effect of CWIP on the Net Revenue Requirement, including the percentage of any increase in the year-over-year Net Revenue Requirement that is attributable to CWIP, and the percentage of the total Net Revenue Requirement for the Rate Year that is attributable to CWIP;

(v) A statement of the current status of each project; and

(vi) The estimated in-service date for each project.

Section 10. Competitive Concessions

For transmission development projects assigned to Transource Pennsylvania as a result of the PJM competitive proposal process, Transource Pennsylvania may, in its sole discretion, agree with PJM to apply a competitive concession that will result in a lower Net Revenue Requirement on a project-specific basis than that which would otherwise be produced by the Transource Pennsylvania Attachment H-29A Formula Rate. Any competitive concession will
appear as a zero or negative input to the formula, and will be determined on a project-specific basis using a workpaper that will be provided to Interested Parties as supporting documentation for each Transource Pennsylvania Annual Update.
Attachment B
Revised Attachment H-29B Formula Rate Protocols (redline)
The formula rate template (“Template”) and these formula rate implementation protocols (“Protocols”) together comprise the filed rate (“Formula Rate”) of Transource Pennsylvania, LLC (“Transource Pennsylvania”) for transmission revenue requirement determinations under the PJM Interconnection, L.L.C. (“PJM”) Open Access Transmission Tariff (“PJM Tariff”). Transource Pennsylvania shall follow the instructions specified in the Formula Rate to calculate annually its net annual transmission revenue requirement, as set forth at Attachment H-29A, page 1, line 10 of the Template (“Net Revenue Requirement”). The Net Revenue Requirement shall be determined for January 1 to December 31 of a given calendar year (the “Rate Year”).

Section 1. **Annual Projection**

a. No later than September 30 preceding the first Rate Year, and each subsequent Rate Year, Transource Pennsylvania shall determine its projected Net Revenue Requirement for the upcoming Rate Year in accordance with Transource Pennsylvania’s Formula Rate (“Annual Projection”). The Annual Projection shall include the True-Up Adjustment described and defined in Section 2 below, if applicable. Transource Pennsylvania shall cause an electronic version of the Annual Projection to be posted in both a Portable Document Format (“PDF”) and fully functioning Excel file at a publicly accessible location on PJM’s internet website and open access same-time information system (“OASIS”).

b. The posting of the Annual Projection shall:

   (i) Provide the Formula Rate calculations and all inputs thereto, as well as supporting
documentation and workpapers for data that are used in the projected Net Revenue Requirement;

(ii) Include all inputs in sufficient detail to identify the components of Transource Pennsylvania’s projected Net Revenue Requirement, explanations of the bases for the projections and input data, and sufficient detail and explanation to enable Interested Parties¹ to replicate the calculation of the projected Net Revenue Requirement;

(iii) With respect to any Accounting Changes (as that term is defined in Section 3.e.iii)—

A. Identify any Accounting Changes including:

i. The initial implementation of an accounting standard or policy;

ii. The initial implementation of accounting practices for unusual or unconventional items where the Federal Energy Regulatory Commission (“FERC” or “Commission”) has not provided specific accounting direction;

iii. Correction of errors and prior period adjustments that impact the projected Net Revenue Requirement calculation;

iv. The implementation of new estimation methods or policies that change prior estimates; and

v. Changes to income tax elections;

¹ As used in these Protocols, “Interested Parties” shall include but not be limited to: (i) any Eligible Customer under the PJM Tariff; (ii) any regulatory agency with rate jurisdiction over a public utility located within the PJM footprint; (iii) any consumer advocate authorized by state law to review and contest the rates for any such public utility; and (iv) any party with standing under Federal Power Act (“FPA”) section 205 or section 206.
B. Identify items included in the projected Net Revenue Requirement at an amount other than on a historic cost basis (e.g., fair value adjustments);

C. Identify any reorganization or merger transaction during the previous year and explain the effect of the accounting for such transaction(s) on inputs to the projected Net Revenue Requirement; and

D. Provide, for each item identified pursuant to Section 1.b.iii.A–C of these Protocols, a narrative explanation of the individual impact of such changes on the projected Net Revenue Requirement.

c. If the date for making the posting of the Annual Projection should fall on a weekend or a holiday recognized by FERC, then the posting shall be made no later than the next business day.\(^2\) Within five (5) calendar days of the posting, PJM shall provide notice of such posting via the PJM Members Committee email subscription (“PJM Exploder List”). Interested Parties can subscribe to the PJM Exploder List on the PJM website.

d. Together with the posting of the Annual Projection, Transource Pennsylvania shall cause to be posted on the PJM internet website and OASIS, and distributed to the PJM Exploder List, the time, date, location, and remote-access information for a stakeholder meeting with Interested Parties in order for Transource Pennsylvania to explain its Annual Projection and to provide Interested Parties an opportunity to seek information and clarifications regarding the Annual Projection (“Annual Projection Meeting”). The Annual Projection Meeting shall be held no less than twenty (20) business days and no more than thirty (30) business days after the posting of the Annual Projection. Notice of

\(^2\) For the purposes of these Protocols, if any deadline included in these Protocols should fall on a weekend or a holiday recognized by FERC, then the deadline shall be extended to no later than the next business day.
the Annual Projection Meeting shall be provided via the PJM Exploder List no less than seven (7) calendar days prior to the meeting. Transource Pennsylvania will provide remote access to the Annual Projection Meeting in order to ease burdens (e.g., travel costs) to ensure all Interested Parties have the opportunity to participate.

e. To the extent Transource Pennsylvania agrees to make changes in the Annual Projection for a given Rate Year, such revised Annual Projection shall be promptly posted at a publicly accessible location on PJM’s internet website and OASIS, and e-mailed to the PJM Exploder List. Changes posted prior to November 30 preceding the Rate Year, or the next business day if November 30 is not a business day (or such later date as can be accommodated under PJM’s billing practices), shall be reflected in the Annual Projection for the Rate Year; changes posted after that date will be reflected, as appropriate, in the True-Up Adjustment for the Rate Year.

f. The Annual Projection, including the True-Up Adjustment, for each Rate Year shall be subject to review, challenge, true-up, and refunds or surcharges with interest, to the extent and in the manner provided in these Protocols.

Section 2. **True-Up Adjustment**

Transource Pennsylvania will calculate the amount of under- or over-collection of its actual Net Revenue Requirement during the preceding Rate Year (“True-Up Adjustment”) after the FERC Form No. 1 data for that Rate Year has been filed with the Commission. The True-Up Adjustment shall be the sum of the True-Up Adjustment Over/Under Recovery as determined in Section 2(a) and the Interest on the True-Up Adjustment Over/Under Recovery as determined in Section 2(b):

a. Transource Pennsylvania’s projected Net Revenue Requirement collected during the
previous Rate Year\(^3\) will be compared to Transource Pennsylvania’s actual Net Revenue Requirement for the previous Rate Year calculated in accordance with Transource Pennsylvania’s Formula Rate and based upon (i) Transource Pennsylvania’s FERC Form No. 1 for that same Rate Year, (ii) any FERC orders specifically applicable to Transource Pennsylvania’s calculation of its annual revenue requirement, (iii) the books and records of Transource Pennsylvania (which shall be maintained consistent with the FERC Uniform System of Accounts (“USofA”)), (iv) FERC accounting policies and practices applicable to the calculation of annual revenue requirements under formula rates, and (v) any aspects of the PJM Tariff Governing Documents\(^4\) that apply to the calculation of annual revenue requirements under individual transmission owner formula rates, to determine any over- or under-recovery (“True-Up Adjustment Over/Under Recovery”).

b. Interest on any True-Up Adjustment Over/Under Recovery of the actual Net Revenue Requirement shall be calculated in accordance with Attachment 6 of the Formula Rate. Interest on any True-Up Adjustment Over/Under Recovery shall be calculated for the twenty-four (24) months during which the over- or under-recovery in the revenue requirement exists, i.e., January 1 of the Rate Year being trued-up through December 31 of the following year. The interest rate to be applied to the over-recovery or under-recovery amounts will be determined using the average monthly FERC Interest Rate (as determined

\(^3\) If the initial use of the Formula Rate covers only part of a calendar year, the initial projected Net Revenue Requirement will be divided by the number of months the Formula Rate is in effect to calculate the monthly projected cost of service to be collected each month of the first year. Similarly, the actual Net Revenue Requirement will be divided by the number of months the rate is in effect to calculate the actual cost of service to be collected each month of the first year. The first True-Up Adjustment will compare the projected Net Revenue Requirement collected and the actual Net Revenue Requirement for that initial Rate Year.

\(^4\) PJM Tariff Governing Documents include the PJM Tariff, Bylaws, Criteria, and Membership Agreements.
pursuant to 18 C.F.R. § 35.19a) for the twenty (20) months from the beginning of the Rate Year being trued-up through August 31 of the following year.

Section 3. Annual Update

a. On or before June 30 following each Rate Year, Transource Pennsylvania shall calculate its actual Net Revenue Requirement and the True-Up Adjustment as described in Section 2 for such Rate Year (“Annual Update”) and, together with such other information described in this Section 3, shall cause such Annual Update to be posted, in both a PDF and fully functioning Excel format, at a publicly accessible location on PJM’s internet website and OASIS. Within five (5) calendar days of such posting, PJM shall provide notice of such posting via the PJM Exploder List.

b. If the date for making the Annual Update posting should fall on a weekend or a holiday recognized by FERC, then the posting shall be due on the next business day.

c. The date on which the posting occurs shall be that year’s “Publication Date.”

d. Together with the posting of the Annual Update, Transource Pennsylvania shall cause to be posted on the PJM website and OASIS the time, date, location, and remote-access information for a stakeholder meeting with Interested Parties in order for Transource Pennsylvania to explain its Annual Update and to provide Interested Parties an opportunity to seek information and clarifications regarding the Annual Update (“Annual Update Meeting”). Notice of the Annual Update Meeting shall be provided via the PJM Exploder List no less than seven (7) calendar days prior to the meeting. The Annual Update Meeting shall be held no less than twenty (20) business days and no more than thirty (30) business days after the Publication Date. Transource Pennsylvania
will provide remote access to the Annual Update Meeting in order to ease burdens (e.g.,
travel costs) to ensure all Interested Parties have the opportunity to participate.

e. The Annual Update posting for the Rate Year:

(i) Shall provide, via the Formula Rate worksheets, sufficiently detailed supporting
documentation for data (and all adjustments thereto or allocations thereof) used in
the Formula Rate that are not stated in the FERC Form No. 1;\(^5\)

(ii) Shall provide sufficient detail and sufficient explanation to enable Interested
Parties to replicate the calculation of the Annual Update results from the FERC
Form No. 1 and verify that each input to the Template is consistent with the
requirements of the Formula Rate;

(iii) Shall identify:

A. Any change in accounting that affects inputs to the Template or the
resulting charges billed under the Formula Rate (“Accounting Change”),
including:

i. The initial implementation of an accounting standard or policy;

ii. The initial implementation of accounting practices for unusual or
unconventional items where FERC has not provided specific
accounting direction;

\(^5\) It is the intent of the Formula Rate, including the supporting explanations and allocations described therein, that
each input to the Formula Rate for purposes of determining the actual Net Revenue Requirement for a given Rate
Year will be either taken directly from the FERC Form No. 1, or reconcilable to the FERC Form No. 1, by the
application of clearly identified and supported information. If the referenced form is superseded, the successor
form(s) shall be utilized and supplemented as necessary to provide equivalent information as that provided in the
superseded form. If the referenced form is discontinued, equivalent information as that provided in the discontinued
form shall be utilized.
iii. Correction of errors and prior period adjustments that impact the True-Up Adjustment calculation;

iv. The implementation of new estimation methods or policies that change prior estimates; and

v. Changes to income tax elections;

B. Any items included in the Annual Update at an amount other than on a historic cost basis (e.g., fair value adjustments);

C. Any reorganization or merger transaction during the previous year and an explanation of the effect of the accounting for such transaction(s) on inputs to the Annual Update;

D. For each item identified pursuant to Sections 3.e.iii.A–C of these Protocols, the individual impact (in narrative format) of such changes on the Annual Update;

(iv) Shall identify any changes in the formula references (page and line numbers) to the FERC Form No. 1;

(v) Shall identify all material adjustments made to the FERC Form No. 1 data in determining formula inputs, including relevant footnotes to the FERC Form No. 1 and any adjustments not shown in the FERC Form No. 1;

(vi) Shall include for the applicable Rate Year the following information related to affiliate cost allocation: (1) a detailed description of the methodologies used to allocate and directly assign costs between Transource Pennsylvania and its affiliates by service category or function, including any changes to such cost allocation methodologies from the prior year, and the reasons and justification for
those changes; and (2) the magnitude of such costs that have been allocated or
directly assigned between Transource Pennsylvania and each affiliate by service
category or function;

(vii) Shall be subject to review and challenge in accordance with the procedures set
forth in Sections 4, 5, and 6 of these Protocols;

(viii) Shall be subject to review and challenge in accordance with the procedures set
forth in these Protocols with respect to the prudence of any costs and
expenditures included for recovery in the Annual Update; provided, however,
that nothing in these Protocols is intended to modify the Commission’s
applicable precedent with respect to the burden of going forward or burden of
proof under formula rates in such prudence challenges; and

(ix) Shall not seek to modify the Formula Rate and shall not be subject to challenge
by any Interested Party seeking to modify the Formula Rate (i.e., any
modifications to the Formula Rate will require, as applicable, an FPA section
205 or section 206 filing or initiation of a section 206 investigation).

f. The following Formula Rate inputs shall be stated values to be used in the Formula Rate
until changed pursuant to an FPA section 205 or section 206 proceeding: (i) rate of
return on common equity (“ROE”); (ii) the depreciation and/or amortization rates as set
forth in Attachment 10 to the Formula Rate template; and (iii) Post-Employment
Benefits other than Pension (“PBOP”) charges.

g. Example – Timelines for first Annual Projection and first Annual Update:

On or before September 30, 2017, Transource Pennsylvania will determine the projected
Net Revenue Requirement for the 2018 Rate Year, which is expected to be the first year
that costs are recovered from PJM customers under the Formula Rate. Transource Pennsylvania will post the Annual Projection for the 2018 Rate Year in accordance with Section 1 above. On or before June 30, 2019, Transource Pennsylvania will post its first Annual Update, consisting of the actual Net Revenue Requirement and True-Up Adjustment for the 2018 Rate Year determined pursuant to Section 2 above. Such True-Up Adjustment will be reflected in the Annual Projection of the Net Revenue Requirement for the 2020 Rate Year posted on or before September 30, 2019.

**Section 4. Annual Review Procedures**

Each Annual Update and Annual Projection shall be subject to the following review procedures (“Annual Review Procedures”):

a. Interested Parties shall have up to the later of two-hundred-ten (210) calendar days after the Publication Date, or thirty (30) calendar days after the receipt of all responses to timely submitted information requests (unless such period is extended with the written consent of Transource Pennsylvania or by FERC order) (“Review Period”), to review the calculations and to notify Transource Pennsylvania in writing of any specific challenges to the Annual Update or Annual Projection (“Preliminary Challenge”), including challenges related to Accounting Changes. An Interested Party submitting a Preliminary Challenge must specify the inputs, supporting explanations, allocations, calculations, or other information to which it objects, and provide an appropriate explanation and documents to support its challenge. Transource Pennsylvania shall promptly cause to be posted all Preliminary Challenges at a publicly accessible location on PJM’s internet website and OASIS, and a link to the website will be e-mailed to the PJM Exploder List.
b. In the event of a Preliminary Challenge, Transource Pennsylvania will appoint a senior representative to work with the Interested Party (or its representatives) toward a resolution of the dispute.

c. Transource Pennsylvania shall respond in writing to a Preliminary Challenge within twenty (20) business days of receipt, and its response shall notify the challenging party of the extent to which Transource Pennsylvania agrees or disagrees with the challenge. If Transource Pennsylvania disagrees with the Preliminary Challenge, it will provide the Interested Party with an explanation supporting the challenged inputs, explanations, allocations, calculations, or other information. Transource Pennsylvania shall promptly cause to be posted its responses to all Preliminary Challenges at a publicly accessible location on PJM’s internet website and OASIS, and a link to the website will be e-mailed to the PJM Exploder List. Provided however, that Preliminary Challenges and responses to Preliminary Challenges that include material deemed by Transource Pennsylvania to be confidential information will not be publicly posted but will be made available to requesting parties pursuant to a confidentiality agreement to be executed by Transource Pennsylvania and the requesting party.

d. Transource Pennsylvania shall respond to all Preliminary Challenges submitted during the Review Period by no later than thirty (30) calendar days after the end of the Review Period.

e. Interested Parties shall have up to one-hundred-fifty (150) calendar days after each annual Publication Date (unless such period is extended with the written consent of Transource Pennsylvania or by FERC order) to serve reasonable information requests on Transource Pennsylvania (“Discovery Period”).
f. Information requests shall be limited to what is necessary to determine: (i) the extent, effect, or impact of an Accounting Change; (ii) whether the Annual Update or Annual Projection fails to include data properly recorded in accordance with the Protocols; (iii) the proper application of the Template and procedures in the Protocols; (iv) the accuracy of data and consistency with the Formula Rate of the charges shown in the Annual Update or Annual Projection; (v) the prudence of the actual costs and expenditures, including procurement methods and cost control methodologies; (vi) the effect of any change to the underlying USofA or FERC Form No. 1; and (vii) any other information that may reasonably have substantive effect on the calculation of the charge pursuant to the Formula Rate. The information requests shall not otherwise be directed to ascertaining whether the Formula Rate is just and reasonable. Information requests shall not solicit information concerning costs or allocations where the costs or allocation methods have been determined to be appropriate by FERC in the context of prior Transource Pennsylvania Annual Updates, except that such information requests shall be permitted if they (i) seek to determine if there has been a change in circumstances, (ii) are in connection with corrections pursuant to Section 6 of these Protocols, or (iii) relate to costs or allocations that have not previously been challenged and adjudicated by FERC.

g. Transource Pennsylvania shall make a good faith effort to respond to information requests pertaining to the Annual Update or Annual Projection within fifteen (15) business days of receipt of such requests. Transource Pennsylvania shall respond to all information requests no later than thirty (30) calendar days after the end of the Discovery Period. Transource Pennsylvania will cause to be posted on the PJM website and OASIS
all information requests from Interested Parties and Transource Pennsylvania’s response(s) to such requests, and a link to the website will be e-mailed to the PJM Exploder List. Provided however, that information and document requests and responses to information and document requests that include material deemed by Transource Pennsylvania to be confidential information will not be publicly posted but will be made available to requesting parties pursuant to a confidentiality agreement to be executed by Transource Pennsylvania and the requesting party.

h. Transource Pennsylvania shall not claim that responses to information and document requests provided pursuant to these Protocols are subject to any settlement privilege in any subsequent FERC proceeding addressing Transource Pennsylvania’s Annual Update or Annual Projection.

i. To the extent Transource Pennsylvania and any Interested Party(ies) are unable to resolve disputes related to information requests submitted in accordance with these Annual Review Procedures, Transource Pennsylvania or the Interested Party(ies) may petition FERC to appoint an Administrative Law Judge as a discovery master to resolve the discovery dispute(s) in accordance with these Protocols and consistent with FERC’s discovery rules.

j. Preliminary Challenges or Formal Challenges (as described in Sections 4 and 5) related to Accounting Changes shall be treated in the same manner under these Protocols as other challenges to the Annual Update or Annual Projection. Failure to make a Preliminary Challenge with respect to an Accounting Change in an Annual Update or Annual Projection shall not act as a bar with respect to a Formal Challenge with respect to that Annual Update or Annual Projection provided that the Interested Party submitted
a Preliminary Challenge with respect to one or more other issues. Nor shall such failure bar a subsequent Preliminary Challenge related to a subsequent Annual Update or Annual Projection to the extent such Accounting Change affects the subsequent Annual Update or Annual Projection.

k. If a change made by Transource Pennsylvania to its accounting policies, practices, or procedures, or the application of the Formula Rate, is found by FERC to be unjust, unreasonable, or unduly discriminatory or preferential, then the calculation of the charges to be assessed during the Rate Year then under review, and the charges to be assessed during any subsequent Rate Years, including any True-Up Adjustments, shall not include such change, but shall include any remedy that may be prescribed by FERC in the exercise of its discretion as of the effective date of such remedy, to ensure that the Formula Rate continues to operate in a manner that is just, reasonable, and not unduly discriminatory or preferential.

Section 5. Resolution of Challenges

a. Interested Parties shall have up to the later of April 15 following the Publication Date or thirty (30) calendar days after Transource Pennsylvania makes the informational filing described in Section 7 below (unless such period is extended with the written consent of Transource Pennsylvania or by FERC order), to file a challenge with FERC (“Formal Challenge”). Such Formal Challenge shall be submitted in the same docket as Transource Pennsylvania’s informational filing and shall be served on Transource Pennsylvania by electronic service on the date of such filing in accordance with Section 385.2010(f)(3) of the Commission’s regulations.

b. Subject to any applicable confidentiality and Critical Energy Infrastructure Information
restrictions, all information and correspondence produced by Transource Pennsylvania pursuant to these Protocols may be included in any Formal Challenge or other FERC proceeding relating to the Formula Rate.

c. Formal Challenges are to be filed pursuant to these Protocols, rather than under rule 206, and shall:

(i) Clearly identify the action or inaction which is alleged to violate the Formula Rate Template or Protocols;

(ii) Explain how the action or inaction violates the filed rate Template or Protocols;

(iii) Set forth the business, commercial, economic, or other issues presented by the action or inaction as such relate to or affect the party filing the Formal Challenge, including

A. The extent or effect of an Accounting Change;

B. Whether the Annual Update or Annual Projection fails to include data properly recorded in accordance with these Protocols;

C. The proper application of the Template and procedures in these Protocols;

D. The accuracy of the data and consistency with the Formula Rate of the charges shown in the Annual Update or Annual Projection;

E. The prudence of actual costs and expenditures;

F. The effect of any change to the underlying USofA or the FERC Form No. 1; or

G. Any other information that may reasonably have substantive effect on the calculation of the charge pursuant to the Template.
(iv) Make a good faith effort to quantify the financial impact or burden (if any) created for the party filing the Formal Challenge as a result of the action or inaction;

(v) State whether the issues presented are pending in an existing Commission proceeding or a proceeding in any other forum in which the filing party is a party, and, if so, provide an explanation why timely resolution cannot be achieved in that forum;

(vi) State the specific relief or remedy requested, including any request for stay or extension of time, and the basis for that relief;

(vii) Include all documents that support the facts in the Formal Challenge in possession of, or otherwise attainable by, the filing party, including, but not limited to, contracts and affidavits; and

(viii) State whether the filing party utilized the Preliminary Challenge procedures described in these Protocols to dispute the action or inaction raised by the Formal Challenge, and, if not, describe why not.

d. Preliminary and Formal Challenges shall be limited to issues that may be necessary to determine: (i) the extent or effect of an Accounting Change; (ii) whether the Annual Update or Annual Projection fails to include data properly recorded in accordance with these Protocols; (iii) the proper application of the Formula Rate and procedures in these Protocols; (iv) the accuracy of data and consistency with the Formula Rate of the calculations shown in the Annual Update and Annual Projection; (v) the prudence of actual costs and expenditures; (vi) the effect of any change to the underlying USofA or FERC Form No. 1; or (vii) any other information that may reasonably have substantive
effect on the calculation of the charge pursuant to the formula.

e. Failure to raise an issue in a Preliminary Challenge shall not bar an Interested Party from raising that issue in a Formal Challenge, provided the Interested Party submitted a Preliminary Challenge during the Review Period with respect to one or more other issues.

f. Failure to pursue an issue through a Preliminary Challenge or to lodge a Formal Challenge regarding any issue as to a given Annual Update or Annual Projection shall bar pursuit of such issue with respect to that Annual Update or Annual Projection, but shall not bar pursuit of such issue or the lodging of a Formal Challenge as to such issue as it relates to a subsequent Annual Update or Annual Projection.

g. Any response by Transource Pennsylvania to a Formal Challenge must be submitted to FERC within thirty (30) calendar days of the date of the filing of the Formal Challenge, and shall be served on the filing party(ies) and the PJM Exploder List on the date of such filing.

h. In any Formal Challenge proceeding concerning a given year’s Annual Update (including corrections), Annual Projection, or Accounting Change(s), Transource Pennsylvania shall demonstrate the justness and reasonableness of the rate resulting from its application of the Formula Rate by demonstrating that it has reasonably and accurately calculated the Annual Update or Annual Projection and/or reasonably adopted and applied the Accounting Change. Nothing herein is intended to alter the burdens applied by FERC with respect to prudence challenges.

i. Except as specifically provided herein, nothing herein shall be deemed to limit in any way the right of Transource Pennsylvania to file unilaterally, pursuant to section 205 of
the FPA and the regulations thereunder, an application seeking changes to the Formula Rate or to any of the stated value inputs requiring a section 205 filing under these Protocols (including, but not limited to, ROE and depreciation and amortization rates, and PBOP charges), or the right of any other party or the Commission to seek such changes pursuant to section 206 of the FPA and the regulations thereunder.

j. Transource Pennsylvania may, at its discretion and at a time of its choosing, make a limited filing pursuant to section 205 to modify stated values in the Formula Rate (i) for amortization and depreciation rates, (ii) to correct obvious errors or omissions in the Formula Rate such as would result from changes to the FERC Form No. 1, (iii) for the proration of the accumulated deferred income tax balances in rate base to ensure Transource Pennsylvania’s compliance with the Internal Revenue Service (“IRS”) regulations for normalization under IRS Section 1.167(l)-1(h)(6), or (iv) for PBOP charges. The sole issue in any such limited section 205 proceeding shall be whether such proposed change(s) is just and reasonable, and it shall not address other aspects of the Formula Rate.

Section 6. Changes to Annual Updates

If Transource Pennsylvania determines or concedes that corrections to the Annual Update are required, whether under Sections 4 or 5 of these Protocols, including but not limited to those requiring corrections to its FERC Form No. 1, or input data used for a Rate Year that would have affected the Annual Update for that Rate Year, such corrections shall be reflected as adjustments in the Annual Update for the next Rate Year, with interest calculated in accordance with the FERC Interest Rate (as determined pursuant to 18 C.F.R. § 35.19a). This reconciliation mechanism shall apply in lieu of mid-Rate Year adjustments.
Section 7. Informational Filing

Transource Pennsylvania shall submit to FERC an informational filing ("Informational Filing") of its projected Net Revenue Requirement and Annual Update by March 15 following the Publication Date or by forty-five (45) calendar days following the close of the Review Period, whichever is later. This Informational Filing must include the information that is reasonably necessary to determine: (1) that input data under the Formula Rate are properly recorded in any underlying workpapers; (2) that Transource Pennsylvania has properly applied the Formula Rate and these Protocols; (3) the accuracy of data and the consistency with the Formula Rate of the Net Revenue Requirement and rates under review; (4) the extent of Accounting Changes that affect Formula Rate inputs; and (5) the reasonableness of projected costs. The Informational Filing must also describe any corrections or adjustments made during that period, and must describe all aspects of the Annual Update and Annual Projection or their inputs that are the subject of an ongoing dispute under the Preliminary or Formal Challenge procedures. Additionally, the Informational Filing must include for the applicable Rate Year the following information related to affiliate cost allocation: (1) a detailed description of the methodologies used to allocate and directly assign costs between Transource Pennsylvania and its affiliates by service category or function, including any changes to such cost allocation and methodologies from the prior year, and the reasons and justification for those changes; and (2) the magnitude of such costs that have been allocated or directly assigned between Transource Pennsylvania and each affiliate by service category or function. Within five (5) calendar days of such Informational Filing, PJM shall provide notice of the Informational Filing via the PJM Exploder List and by posting the docket number assigned to Transource Pennsylvania’s Informational Filing on the PJM website and OASIS. Any challenges to the implementation of
the Template must be made through the annual review and challenge procedures described in Sections 4 and 5 of these Protocols, or in a separate complaint proceeding, and not in response to the Informational Filing.

Section 8. **Joint Informational Meeting**

Transmission Owners with transmission projects that are subject to a regional or inter-regional cost sharing mechanism shall endeavor to hold a joint informational meeting to enable all Interested Parties to understand how those Transmission Owners are implementing their formula rates for cost recovery of such projects (“Joint Informational Meeting”). The Joint Informational Meeting shall be remotely accessible. Notice of the Joint Informational Meeting, including the time, date, location, and remote-access information shall be posted on the PJM website and OASIS and distributed to the PJM Exploder List no less than seven (7) calendar days prior to such meeting. Transource Pennsylvania will participate in Joint Informational Meetings once it begins development of a project for which costs are to be regionally or inter-regionally allocated.

Section 9. **Construction Work in Progress**

a. Accounting: Transource Pennsylvania shall use the following accounting procedures to ensure that it does not accrue an Allowance for Funds Used During Construction (“AFUDC”) with respect to any amount of Construction Work In Progress (“CWIP”) included in rate base.

   (i) Transource Pennsylvania shall assign each transmission project a unique Funding Project Number (“FPN”) for internal cost tracking purposes.

   (ii) Transource Pennsylvania shall record actual construction costs to each FPN through work orders that are coded to correspond to the FPN for each project for
which FERC has authorized all or part of the CWIP balance to be included in rate base (“CWIP Project”).

(iii) Each project-specific FPN tracking account will be programmed to calculate and accrue AFUDC only on the balance of CWIP that is not included in rate base.

(iv) For each project under construction, Transource Pennsylvania shall prepare monthly work order summaries of costs incurred under the associated FPN. These summaries shall show monthly additions to CWIP in the FPN and, if less than 100% of the CWIP corresponding to the project FPN is included in rate base, shall separately identify through FPN subaccounts (i) the component of the project CWIP balance included in rate base; and (ii) the component of the project CWIP balance that is not included in rate base, including capitalized AFUDC. The summaries will also show any additions to plant in service. The summaries shall correspond to amounts recorded in FERC Account 107, CWIP, which account balance will be reported on Transource Pennsylvania’s FERC Form No. 1. Transource Pennsylvania shall use these project-specific monthly summaries as data inputs into the annual CWIP report prepared under Section 9(b) and the Annual Update calculated pursuant to Section 3. Transource Pennsylvania shall make such work order summaries available upon request under the review procedures of Section 4.

(v) When a project, or portion thereof, is placed into service, Transource Pennsylvania shall deduct from total CWIP the accumulated balance of the FPN tracking account for that project, or portion thereof. The purpose of this control
process is to ensure that expenditures are not double-counted as both CWIP and as additions to plant.

(vi) For CWIP Projects prior to the date upon which CWIP is first included in rate base, and for transmission projects for which the Commission has not authorized Transource Pennsylvania to include any CWIP in rate base, Transource Pennsylvania shall record AFUDC to be applied to the full CWIP balance of the FPN tracking account and capitalized when the project is placed into service.

b. Annual Reporting: For CWIP Projects, Transource Pennsylvania shall file a report with the Commission at the time of Transource Pennsylvania’s Informational Filing that shall include the following information concerning each transmission project under construction:

(i) A demonstration that each project for which CWIP is included in rate base was identified through PJM’s regional planning process and awarded to Transource Pennsylvania on the basis of a competitive bid;

(ii) The cost allocation methodology for each project under the PJM Tariff;

(iii) A tabulation of the monthly summaries described in Section 9(a)(iv) for each unique FPN tracking account, including thirteen (13) monthly balances illustrating the amount of CWIP included in rate base for the project, the amount of CWIP that is not included in rate base for the project, the amount of accumulated AFUDC associated with any CWIP not included in rate base, and any amounts recorded in related FERC accounts or subaccounts, such as regulatory liability;
(iv) The resulting effect of CWIP on the Net Revenue Requirement, including the percentage of any increase in the year-over-year Net Revenue Requirement that is attributable to CWIP, and the percentage of the total Net Revenue Requirement for the Rate Year that is attributable to CWIP;

(v) A statement of the current status of each project; and

(vi) The estimated in-service date for each project.

Section 10. Competitive Concessions

For transmission development projects assigned to Transource Pennsylvania as a result of the PJM competitive proposal process, Transource Pennsylvania may, in its sole discretion, agree with PJM to apply a competitive concession that will result in a lower Net Revenue Requirement on a project-specific basis than that which would otherwise be produced by the Transource Pennsylvania Attachment H-29A Formula Rate. Any competitive concession will appear as a zero or negative input to the formula, and will be determined on a project-specific basis using a workpaper that will be provided to Interested Parties as supporting documentation for each Transource Pennsylvania Annual Update.