May 26, 2015

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

Re: PJM Open Access Transmission Tariff Revisions to Modify Cost Allocation Interregional Compliance Filing of the PJM Transmission Owners to PJM Interconnection, L.L.C, et al., 150 FERC ¶ 61,046, for the SERTP-PJM Seam Docket No. ER13-1927-001

Dear Secretary Bose:

In compliance with the Commission’s order issued in PJM Interconnection, L.L.C., 150 FERC ¶ 61,046 (2015) (the “PJM-SERTP Order” or “Order”), Section 9.1(a) of the PJM Interconnection, L.L.C. (“PJM”) Open Access Transmission Tariff (“PJM Tariff” or “PJM OATT”), and Article 7 of the Consolidated Transmission Owners Agreement (“CTOA”), the PJM Transmission Owners, acting through the CTOA, respectfully submit tariff sections showing a new Schedule 12-B of the PJM Tariff, relating to the allocation of costs of interregional transmission system expansions and enhancements approved by PJM and participants in the Southeastern Regional Transmission Planning region (“SERTP”) through their interregional transmission coordination procedures. This filing is made to comply with certain requirements of the PJM-SERTP Order.

The PJM Transmission Owners note that PJM will be separately submitting a filing to demonstrate its compliance with the other interregional coordination requirements of the Order. Under Section 9.1 of the PJM Tariff and Article 7 of the CTOA, the PJM Transmission Owners have the exclusive authority and responsibility to submit filings under section 205 “in or relating to… the transmission rate design under the PJM Tariff.” The PJM Transmission Owners note that PJM will be separately submitting a filing to demonstrate its compliance with the other interregional coordination requirements of the Order. Under Section 9.1 of the PJM Tariff and Article 7 of the CTOA, the PJM Transmission Owners have the exclusive authority and responsibility to submit filings under section 205 “in or relating to… the transmission rate design under the PJM Tariff.”

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1 PJM Interconnection, L.L.C., Consolidated Transmission Owners Agreement, Rate Schedule F.E.R.C. No. 42 (June 19, 2008).

2 This filing has been authorized pursuant to the individual and weighted voting requirements in Section 8.5 of the CTOA.
Owners understand that PJM plans to point to this filing, as well as others, to demonstrate compliance with the interregional cost allocation requirements of the Order.3

The PJM Transmission Owners propose to make the new Schedule 12-B effective on January 1, 2014, which is the effective date requested for the corresponding revisions to the PJM Operating Agreement.4

On July 10, 2013, the PJM Transmission Owners submitted their initial, joint proposal with SERTP in this docket to comply with Order 1000’s interregional transmission coordination and cost allocation requirements. On January 23, 2015, the Commission issued the PJM-SERTP Order, which addresses the initial compliance proposals submitted by the SERTP Filing Parties and PJM.5 While accepting important aspects of those compliance proposals, the Order requires some changes. The instant filing provides the PJM Transmission Owners’ compliance filing to the Order.

As with their initial compliance filings submitted in these dockets on July 10, 2013, the PJM Transmission Owners have engaged in extensive outreach and coordination with the SERTP participants (“Jurisdictional SERTP Sponsors”). Significantly, the Jurisdictional SERTP Sponsors and PJM Transmission Owners have reached full agreement on all points at issue in this compliance filing. Accordingly, the PJM Transmission Owners and Jurisdictional SERTP Sponsors are hereby submitting (by separate filings being made contemporaneously) parallel tariff language to comply with the Order. In an effort to facilitate the Commission’s review of these filings being made contemporaneously by the PJM Transmission Owners and the Jurisdictional SERTP Sponsors, they have coordinated in drafting their transmittal letters.

3 The PJM Transmission Owners note that PJM’s compliance filing will be submitted in accordance with the requirements of the Commission’s September 19, 2012 “Notice of Filing Procedures for Order No. 1000 Electronic Compliance Filings,” issued in Docket No. RM10-23-000. Inasmuch as this filing is submitted under section 205 of the FPA, those requirements are inapplicable. See Order No. 1000 at P 797 (“public utility transmission owners that are part of Commission-jurisdictional RTOs and ISOs may demonstrate compliance through that RTO’s or ISO’s compliance filing and are not required to make a separate compliance filing”). The PJM Transmission Owners reserve their rights to take any position, either individually or jointly, on PJM’s compliance filing.

4 Pursuant to Order No. 714, this filing is being submitted by PJM on behalf of the PJM Transmission Owners as part of an XML filing package that conforms with the Commission’s regulations. Pursuant to Section 9.1(b) of the PJM Tariff, 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, the PJM Transmission Owners have requested that PJM submit Schedule 12-B to the PJM Tariff in the eTariff system as part of PJM’s electronic Intra PJM Tariff.

5 The Commission granted extensions of time for the submission of compliance filings to the PJM-SERTP Order, with compliance filings due on May 26, 2015. See Notice Granting Extension of Time, Docket No. ER13-1927 (March 6, 2015).
I. OATT REVISIONS TO COMPLY WITH THE ORDER

To facilitate the Commission’s review of the proposals made herein, the headings under this section of the transmittal letter generally follow the topic headings under “Article IV. Discussion” in the Order.

1. Interregional Transmission Coordination Requirements

   a. General Requirements

      Interregional Transmission Facility Definition

      The Commission found that PJM and the SERTP Filing Parties’ proposed criteria for defining a transmission project as interregional in nature for purposes of interregional cost allocation partially complies with Order No. 1000. Specifically, the Commission found that:

      We find that PJM and SERTP Filing Parties’ proposed definition of an interregional transmission facility and the proposed criteria to define a transmission project as interregional in nature partially comply with Order No. 1000’s definition of an interregional transmission facility … Specifically, the requirement in the proposed definition and proposed criteria that the transmission facility must interconnect to the transmission facilities of one or more SERTP transmission owners and the transmission facilities of one or more PJM transmission owners are overly limiting and inconsistent with Order No. 1000. While PJM and SERTP Filing Parties’ proposal to allow interconnecting interregional transmission facilities to be eligible for interregional cost allocation is consistent with the requirements of Order No. 1000, limiting this interconnection to only those transmission projects that will interconnect to the transmission facilities of one or more SERTP transmission owners and one or more PJM transmission owners is unduly limiting. Order No. 1000 did not limit stakeholders and transmission developers to proposing only interregional transmission facilities that would interconnect to existing transmission facilities of an existing transmission owner, or a transmission owner enrolled in the respective transmission planning regions. PJM and SERTP Filing Parties’ proposed language would preclude interregional transmission [facilities] from interconnecting with transmission facilities that are selected in the regional plan for purposes of cost allocation but that are currently under development by a transmission developer who has not yet become a sponsor in SERTP or a transmission owner in PJM. Thus, we find that this proposed definition does not comply with Order No. 1000. Accordingly, we direct PJM, SERTP Filing Parties, and PJM Transmission Owners to submit further
compliance filings … that include a definition of an interregional transmission facility that is consistent with Order No. 1000…  

To comply with these directives, the PJM Transmission Owners and the SERTP Jurisdictional Sponsors have jointly developed the following proposal that would make corresponding changes to Schedule 12-B, Section 2(A) of the PJM OATT. Specifically, the PJM Transmission Owners and the SERTP Filing Parties propose to revise their definition of a transmission project that is eligible to seek interregional cost allocation as a project that connects to “transmission facilities in both the SERTP and PJM regions. The facilities to which the project is proposed to interconnect may be either existing transmission facilities or transmission projects included in the regional transmission plan that are currently under development.” Section 2.A of Schedule 12-B is proposed to be revised as shown in the redline comparison provided below:

The interregional transmission project must be interregional in nature, which requires that it must:

- Interconnect to transmission facilities in both the PJM and SERTP regions. The facilities to which the project is proposed to interconnect may be either existing facilities or transmission projects included in the regional transmission expansion plan that are currently under development, the transmission facilities of one or more SERTP transmission owner(s) and the transmission facilities of one or more PJM transmission owner(s):

b. Implementation of the Interregional Transmission Coordination Requirements

i. Data Exchange and Identifying Interregional Transmission Facilities

Replace “And” with “Or”

The Commission noted that PJM and the SERTP Filing Parties use the phrase a potential transmission project that could be more efficient “and” cost effective, while Order No. 1000 used the terminology of more efficient “or” cost effective. The Order directs that PJM and the SERTP Filing Parties’ OATTs be corrected. Accordingly, and as shown in the attached redline

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6 Order, P 35 (internal footnotes omitted) (emphasis in original and added). The Commission later reiterates this requirement to revise the definition of an interregional transmission project in discussing PJM’s and the SERTP Filing Parties’ interregional cost allocation proposals. See id., P 160.

7 The redline shows the changes proposed to the original tariff language that the PJM Transmission Owners and the SERTP Filing Parties initially proposed in their July 10, 2013 interregional compliance filings.

8 Order, P 55.

9 Id.
comparisons and revised OATT language, in compliance with that directive, Sections 3.D of Schedule 12-B has been revised.

2. Cost Allocation

Criteria for a Project to be Considered for Interregional Cost Allocation

While the Commission generally accepted the proposed criteria for a project to be eligible for consideration for interregional cost allocation, the Commission found that the criterion that a transmission facility must be “selected” in both regions’ regional transmission plans for cost allocation does not comply with Order No. 1000.

Order No. 1000 notes that an interregional transmission facility must be selected in both of the relevant regional transmission planning processes for purposes of cost allocation in order to be eligible for interregional cost allocation pursuant to a cost allocation method required under Order No. 1000. Order No. 1000 does not place such a limit for an interregional transmission facility to be considered for interregional cost allocation.10

The Order directs PJM and the Filing Parties to remove this criterion. Accordingly, the PJM Transmission Owners and the SERTP Filing Parties proposed to replace the word “considered” in the opening language of Section 2 of Schedule 12-B with the word “eligible”. As revised, the sentence reads: “For an interregional transmission project to be eligible for interregional cost allocation purposes within the SERTP region and the PJM region, all of the following criteria must be met…”

Details Regarding Discount Rates

In the Order, the Commission approved the proposal to allocate, between the SERTP and PJM regions, the costs of an interregional transmission facility that is selected in both regions’ regional transmission plans for purposes of cost allocation by determining the ratio of the present values of the estimated costs of such region’s displaced regional transmission projects to the total of the present values of the estimated costs of the displaced regional transmission projects in all regions that have selected the transmission facility. However, with respect to the proposal that, to calculate the present values, the applicable discount rate for the SERTP region may be determined on a case-by-case basis, and there may be multiple discount rates if there are multiple SERTP transmission owners, whereas for PJM, the applicable discount rate will be the rate included in the assumptions used every year in the economic planning process, as reviewed by the PJM Board of Directors, the Commission required PJM and the SERTP Filings parties to provide more detail, further explaining in their respective tariffs: “(1) how SERTP Filing Parties will determine discount rates on a case-by-case basis, and (2) how the applicable discount rate for the PJM region reviewed by the PJM Board of Directors each year in their economic planning process will be applied to SERTP’s potential multi-discount rates for jointly evaluated

10 Order at P 163 (emphasis in original, internal footnotes omitted).
interregional transmission facilities.”11 To comply with this directive, the new tariff language proposes to revise Section 3.A of Schedule 12-B as follows: “... The applicable discount rate(s) used for the SERTP region may be determined on a case-by-case basis, and the SERTP region may have multiple discount rates should there be multiple for interregional cost allocation purposes will be based upon the after-tax weighted average cost of capital of the SERTP transmission owners whose project would be displaced by the proposed interregional transmission project. ...” In addition, to explain and illustrate the potential for different discount rates between PJM and the SERTP, the PJM Transmission Owners and the SERTP Filing Parties have revised the examples provided at Section 3(D) of Schedule 12-B to incorporate different discount rates between the regions.

Removal of Specific References

The Order required PJM and the SERTP Filing Parties to remove “section 6.C of Schedule 12-B, as well as other references to this section in Schedule 12 and references to section 5.5(C) in their respective OATTs”.12 As shown in the marked tariff, attached, the referenced section 6.C of Schedule 12-B has been removed.

The Order also required the removal of the following quoted language found at section 6.B of Schedule 12-B (for PJM) and its equivalent provision found at Section 5.5.B of the SERTP Filing Parties’ respective OATT provisions (and any references thereto):

However, if the requirements adopted by Order No. 1000 et seq. and related orders are abrogated, vacated, and/or reversed, such that the mandate for public utility transmission providers to have interregional cost allocation methodologies in the nature of this [Schedule 12-B or Section 5] no longer applies, then the transmission providers in the SERTP region and the PJM Transmission Owners, acting in accordance with Section 6(C) or 5.5(C)] of this [Schedule 12-B or Section 5] may unilaterally take actions consistent with the disposition of such mandate.13

Accordingly, and as shown in the marked tariffs being submitted in these filings, that language and references have been deleted from the proposed tariff language.

II. Request for Waiver

The PJM Transmission Owners are making this filing in compliance with the Commission’s directives in the Order. By making this filing in compliance with the Order, the

11 Id. at P 172.
12 Id. at P 179.
13 Id. at P 180 (citing PJM, Intra-PJM Tariffs, OATT, Schedule 12-B, § 6.B; and Southern Companies, OATT, Attachment K, Ex. E-6, § 5.5.B.) (internal footnotes omitted).
PJM Transmission Owners understand that they have hereby satisfied any of the Commission’s filing requirements that might apply. Should any of the Commission’s regulations (including filing regulations) or requirements that we may not have addressed be found to apply, the PJM Transmission Owners respectfully request waiver of any such regulation or requirement.

III. Service

On behalf of the PJM Transmission Owners, 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, PJM will post a copy of this filing to the FERC filings section of its internet site, located at the following link: http://www.pjm.com/documents/ferc-manuals/ferc-filings.aspx with a specific link to the newly-filed documents, and will send an e-mail on the same date as this filing to all PJM Members and all state utility regulatory commissions in the PJM Region alerting them that this filing has been made by PJM and is available by following such link. PJM also serves the parties listed on the Commission’s official service list for this docket. If the documents are not immediately available by using the referenced link, the documents 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.

IV. List of Documents

The following is a list of documents submitted with this filing:

(a) This transmittal letter;
(b) A Marked Tariff Attachment for posting in eLibrary; and
(c) A Clean Tariff Attachment for posting in eLibrary.

V. Communications

The PJM Transmission Owners request that all communications regarding this filing be directed to the individuals listed below in their capacity as representatives of the PJM Transmission Owners acting at the direction of the CTOA Administrative Committee, and that their names be entered on the official service list maintained by the Secretary for this proceeding:

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14 See 18 C.F.R §§ 35.2(e) and 385.2010(f)(3) (2013).
VI. Conclusion

For the reasons set forth herein, the PJM Transmission Owners respectfully request that the Commission accept the proposed Schedule 12-B of the PJM Tariff, and authorize them to take effect without suspension, condition or modification as discussed above.

Respectfully submitted,

Anne M. Vogel

On behalf of the PJM Transmission Owners

Enclosures
Attachment A
Revisions to the
PJM Open Access Transmission Tariff

(Redline/Marked Format)
SCHEDULE 12-B

Allocation of Costs of Certain Interregional Transmission Projects
Located in the PJM and SERTP Regions

1. **Cost Allocation:** The PJM Region portion determined under Section 3 of this Schedule 12-B of the cost of an interregional transmission project located in the PJM Region and the Southeastern Regional Transmission Planning Process (“SERTP”) region shall be allocated in accordance with Schedule 12 of the Tariff, provided that the interregional transmission project satisfies all of the criteria in Section 2 of this Schedule 12-B.

2. **Proposal of Interregional Transmission Projects for Interregional Cost Allocation Purposes:** For an interregional transmission project to be considered eligible for interregional cost allocation purposes within the SERTP region and the PJM Region, all of the following criteria must be met:

   A. The interregional transmission project must be interregional in nature, which requires that it must:
      - Be physically located in both the SERTP region and the PJM Region;
      - Interconnect to the transmission facilities in both the PJM and SERTP regions. The facilities to which the project is proposed to interconnect may be either existing transmission facilities or transmission projects included in the regional transmission expansion plan that are currently under development of one or more SERTP transmission owner(s) and the transmission facilities of one or more Transmission Owner(s); and
      - Meet the threshold criteria for transmission projects potentially eligible to be included in the regional transmission plans for purposes of cost allocation in both the SERTP region and the PJM Region, pursuant to the regional transmission planning process of the SERTP region and the Regional Transmission Expansion Plan prepared by the Office of the Interconnection pursuant to Schedule 6 of the Operating Agreement, respectively.

   B. The interregional transmission project must be proposed for purposes of cost allocation in both the SERTP region and the PJM Region:
      - The transmission developer and project submittal must satisfy all criteria specified in the respective regional transmission processes; and
      - The proposal should be submitted in the timeframes outlined in the respective regional transmission planning processes.

   C. The interregional transmission project must be selected both in the regional transmission plan of the SERTP region and in the Regional Transmission Expansion Plan prepared by the Office of the Interconnection for the PJM Region:
      - The costs of the interregional transmission project eligible for interregional cost allocation shall only be allocated to a region if that region has selected the
interregional transmission project in its regional transmission plan for purposes of cost allocation; and

- No cost shall be allocated to a region that has not selected the interregional transmission project in its regional transmission plan for purposes of cost allocation.

3. **Allocation of Costs for Interregional Transmission Projects Between the SERTP and PJM Regions:** The cost of an interregional transmission project selected for purposes of cost allocation in the regional transmission plans of both the SERTP region and PJM Region shall be allocated for interregional cost allocation purposes to those regions as provided below:

   **A.** The share of the costs of an interregional transmission project allocated to a region will be determined by the ratio of the present value(s) of the estimated costs of such region’s displaced regional transmission project(s) to the total of the present values of the estimated costs of the displaced regional transmission projects in all regions that have selected the interregional transmission project in their regional transmission plans for purposes of cost allocation. The present values used in the cost allocation shall be based on a common date, comparable cost components, and the latest cost estimates used in the determination to include the interregional transmission project in the respective regional plans for purposes of cost allocation. The applicable discount rate(s) used for the SERTP region may be determined on a case-by-case basis, and the SERTP region may have multiple discount rates should there be multiple for interregional cost allocation purposes will be based upon the after-tax weighted average cost of capital of the SERTP transmission owners whose projects would be displaced by the proposed interregional transmission project. The applicable discount rate for the PJM Region shall be the discount rate included in the assumptions that are reviewed with the PJM Board of Managers each year for use in the economic planning process.

   **B.** When all or a portion of an interregional transmission project is to be located within a region in which there is no displaced regional transmission project, such region may, at its sole discretion, select the interregional transmission project for inclusion in its regional transmission plan; provided, however, that no portion of the costs of the interregional transmission project shall be allocated to such region pursuant to Section 3(A).

   **C.** Nothing in this Schedule 12-B shall govern the further allocation of costs allocated to a region pursuant to this Section 3 within such region. For purposes of clarification, the further allocation of costs allocated by this Section 3 within the PJM Region shall be governed by the applicable provisions of Schedule 12 of the Tariff.

   **D.** The following example illustrates the cost allocation provisions in Section 3:

   - Regions A and B, through the joint evaluation process prescribed in Schedule 6-A of the Operating Agreement have included Transmission Project Z in their respective regional plans for purposes of cost allocation. Transmission Project Z was determined to address both regions’ needs more efficiently and cost effectively than Transmission Project X in Region A and Transmission Project Y in Region B.
The estimated cost of Transmission Projects X and Y are Cost (X) and Cost (Y) respectively. As described in Section 3(A), these costs shall be based upon common cost components.

The number of years from the common present value date to the year associated with the cost estimates of Transmission Projects X and Y are N(X) and N(Y) respectively.

Recognizing that the regions may have different discount rates and that the SERTP might use multiple discount rates, the discount rate used for purposes of this example D_A is the discount rate used for Transmission Projects X and D_B is the discount rate used for Transmission Project Y is D.

Based on the foregoing assumptions and the allocation of costs based upon displaced regional transmission projects as prescribed in Section 3(A), the following illustrative formulas would be used:

- Present Value of Cost (X) = PV Cost (X) = Cost (X) / (1+ D_A)^N(X)
- Present Value of Cost (Y) = PV Cost (Y) = Cost (Y) / (1+ D_B)^N(Y)
- Cost Allocation to Region A = PV Cost (X) / [PV Cost (X) + PV Cost (Y)]
- Cost Allocation to Region B = PV Cost (Y) / [PV Cost (X) + PV Cost (Y)]

Applying the above formulas, if:

- Cost (X) = $60 Million and N(X) = 8.25 years
- Cost (Y) = $40 Million and N(Y) = 4.50 years
- D_A = 7.5% per year
- D_B = 7.4% per year

Then:

- PV Cost (X) = 60/(1+0.075)^8.25 = 33.0 Million
- PV Cost (Y) = 40/(1+0.0745)^4.50 = 28.929.0 Million
- Cost Allocation to Region A = 33.0 / (33.0 + 28.929.0) = 53.23% of the cost of Transmission Project Z
- Cost Allocation to Region B = 28.929.0 / (33.0 + 28.929.0) = 46.87% of the cost of Transmission Project Z

4. Merchant Transmission and Transmission Owner Projects: Nothing in this Schedule 12-B shall preclude the development of interregional transmission projects that are funded by merchant transmission developers or by individual transmission owners.

5. Exclusivity with Respect to Interregional Transmission Projects Selected for Interregional Cost Allocation Purposes: The following provisions shall apply regarding other cost allocation arrangements:

A. Except as provided in Section 5(B), the provisions in this Schedule 12-B are the exclusive means by which any costs of an interregional transmission project selected for interregional cost allocation purposes between the SERTP region and the PJM Region may be allocated between or among those regions.
B. A transmission owner(s) or transmission developer(s) may propose to fund or allocate, on a voluntary basis, the cost of an interregional transmission project selected for interregional cost allocation purposes using an allocation other than the allocation that results from the methodology set forth in Section 3, provided that, should the allocation of cost of such interregional transmission project be subject to the Commission’s jurisdiction, such allocation proposal is accepted for filing by the Commission in accordance with the filing rights with respect to cost allocation set forth in Section 6 of this Schedule 12-B and provided further that no allocation shall be made to any region that has not agreed to that allocation.

6. **Section 205 Filing Rights with Respect to Interregional Transmission Projects Selected for Interregional Cost Allocation Purposes:** Solely with respect to interregional transmission projects evaluated under Schedule 6-A of the Operating Agreement and selected by the SERTP and PJM regional transmission planning processes for purposes of interregional cost allocation purposes, the following provisions shall apply:

A. Except as provided in Sections 5 and 6(B) of this Schedule 12-B, nothing in this Schedule 12-B will convey, expand, limit or otherwise alter any rights of the transmission owners, transmission developers or other market participants to submit filings under Section 205 of the Federal Power Act (“FPA”) regarding cost allocation or any other matter.

B. The cost allocation provisions in this Schedule 12-B shall not be modified under Section 205 of the FPA without the mutual consent of the holders of the FPA Section 205 rights with respect to interregional cost allocation in the SERTP region and the PJM Region. However, if the requirements adopted by Order No. 1000 et seq. and related orders are abrogated, vacated, and/or reversed, such that the mandate for public utility transmission providers to have interregional cost allocation methodologies in the nature of this Schedule 12-B no longer applies, then the transmission providers in the SERTP region and the PJM Transmission Owners, acting in accordance with Section 6(C) of this Schedule 12-B, may unilaterally take actions consistent with the disposition of such mandate.

C. With respect to the PJM Region:

- The provisions of this Schedule 12-B have been approved by the PJM Transmission Owners acting through the Consolidated Transmission Owners Agreement pursuant to Section 9.1 of the Tariff and Article 7 of the Consolidated Transmission Owners Agreement, and any amendment to the provisions of this Section 6 or any other provision of this Schedule 12-B allocating the costs of interregional transmission projects selected for interregional cost allocation purposes among the SERTP region and PJM Region, shall require approval by the PJM Transmission Owners acting through the Consolidated Transmission Owners Agreement pursuant to Section 9.1 of the Tariff and Article 7 of the Consolidated Transmission Owners Agreement and shall be filed pursuant to Section 205 of the Federal Power Act in accordance with Section 9 of the Tariff and Article 7 of the Consolidated Transmission Owners Agreement.

- Nothing in this Schedule 12-B shall limit or alter the rights of the PJM Transmission Owners set forth in the Tariff and Consolidated Transmission Owners Agreement to submit filings under Section 205 of the Federal Power Act.
7. **Consequences to Other Regions from Interregional Transmission Projects:** Except as provided in this Schedule 12-B, or in other documents, agreements or tariffs on file with the Commission, neither the PJM Region nor the transmission providers in the SERTP region shall be responsible for compensating another planning region for required upgrades or for any other consequences in another planning region associated with interregional transmission projects identified pursuant to Schedule 6-A of the Operating Agreement.
Attachment B
Revisions to the
PJM Open Access Transmission Tariff

(Clean Format)
SCHEDULE 12-B

Allocation of Costs of Certain Interregional Transmission Projects
Located in the PJM and SERTP Regions

1. **Cost Allocation:** The PJM Region portion determined under Section 3 of this Schedule 12-B of the cost of an interregional transmission project located in the PJM Region and the Southeastern Regional Transmission Planning Process (“SERTP”) region shall be allocated in accordance with Schedule 12 of the Tariff, provided that the interregional transmission project satisfies all of the criteria in Section 2 of this Schedule 12-B.

2. **Proposal of Interregional Transmission Projects for Interregional Cost Allocation Purposes:** For an interregional transmission project to be eligible for interregional cost allocation purposes within the SERTP region and the PJM Region, all of the following criteria must be met:

   A. The interregional transmission project must be interregional in nature, which requires that it must:
      - Be physically located in both the SERTP region and the PJM Region;
      - Interconnect to transmission facilities in both the PJM and SERTP regions. The facilities to which the project is proposed to interconnect may be either existing transmission facilities or transmission projects included in the regional transmission expansion plan that are currently under development; and
      - Meet the threshold criteria for transmission projects potentially eligible to be included in the regional transmission plans for purposes of cost allocation in both the SERTP region and the PJM Region, pursuant to the regional transmission planning process of the SERTP region and the Regional Transmission Expansion Plan prepared by the Office of the Interconnection pursuant to Schedule 6 of the Operating Agreement, respectively.

   B. The interregional transmission project must be proposed for purposes of cost allocation in both the SERTP region and the PJM Region:
      - The transmission developer and project submittal must satisfy all criteria specified in the respective regional transmission processes; and
      - The proposal should be submitted in the timeframes outlined in the respective regional transmission planning processes.

   C. The interregional transmission project must be selected both in the regional transmission plan of the SERTP region and in the Regional Transmission Expansion Plan prepared by the Office of the Interconnection for the PJM Region:
      - The costs of the interregional transmission project eligible for interregional cost allocation shall only be allocated to a region if that region has selected the interregional transmission project in its regional transmission plan for purposes of cost allocation; and
• No cost shall be allocated to a region that has not selected the interregional transmission project in its regional transmission plan for purposes of cost allocation.

3. Allocation of Costs for Interregional Transmission Projects Between the SERTP and PJM Regions: The cost of an interregional transmission project selected for purposes of cost allocation in the regional transmission plans of both the SERTP region and PJM Region shall be allocated for interregional cost allocation purposes to those regions as provided below:

   A. The share of the costs of an interregional transmission project allocated to a region will be determined by the ratio of the present value(s) of the estimated costs of such region’s displaced regional transmission project(s) to the total of the present values of the estimated costs of the displaced regional transmission projects in all regions that have selected the interregional transmission project in their regional transmission plans for purposes of cost allocation. The present values used in the cost allocation shall be based on a common date, comparable cost components, and the latest cost estimates used in the determination to include the interregional transmission project in the respective regional plans for purposes of cost allocation. The applicable discount rate(s) used for the SERTP region for interregional cost allocation purposes will be based upon the after-tax weighted average cost of capital of the SERTP transmission owners whose projects would be displaced by the proposed interregional transmission project. The applicable discount rate for the PJM Region shall be the discount rate included in the assumptions that are reviewed with the PJM Board of Managers each year for use in the economic planning process.

   B. When all or a portion of an interregional transmission project is to be located within a region in which there is no displaced regional transmission project, such region may, at its sole discretion, select the interregional transmission project for inclusion in its regional transmission plan; provided, however, that no portion of the costs of the interregional transmission project shall be allocated to such region pursuant to Section 3(A).

   C. Nothing in this Schedule 12-B shall govern the further allocation of costs allocated to a region pursuant to this Section 3 within such region. For purposes of clarification, the further allocation of costs allocated by this Section 3 within the PJM Region shall be governed by the applicable provisions of Schedule 12 of the Tariff.

   D. The following example illustrates the cost allocation provisions in Section 3:

      • Regions A and B, through the joint evaluation process prescribed in Schedule 6-A of the Operating Agreement have included Transmission Project Z in their respective regional plans for purposes of cost allocation. Transmission Project Z was determined to address both regions’ needs more efficiently or cost effectively than Transmission Project X in Region A and Transmission Project Y in Region B.

      • The estimated cost of Transmission Projects X and Y are Cost (X) and Cost (Y) respectively. As described in Section 3(A), these costs shall be based upon common cost components.
• The number of years from the common present value date to the year associated with the cost estimates of Transmission Projects X and Y are \( N(X) \) and \( N(Y) \) respectively.

• Recognizing that the regions may have different discount rates, for purposes of this example \( D_A \) is the discount rate used for Transmission Project X and \( D_B \) is the discount rate used for Transmission Project Y.

• Based on the foregoing assumptions and the allocation of costs based upon displaced regional transmission projects as prescribed in Section 3(A), the following illustrative formulas would be used:
  
  ▪ Present Value of Cost (X) = PV Cost (X) = Cost (X) / \((1+ D_A)^{N(X)}\)
  ▪ Present Value of Cost (Y) = PV Cost (Y) = Cost (Y) / \((1+ D_B)^{N(Y)}\)
  ▪ Cost Allocation to Region A = PV Cost (X) / [PV Cost (X) + PV Cost (Y)]
  ▪ Cost Allocation to Region B = PV Cost (Y) / [PV Cost (X) + PV Cost (Y)]

• Applying the above formulas, if:
  
  ▪ Cost (X) = $60 Million and \( N(X) = 8.25 \) years
  ▪ Cost (Y) = $40 Million and \( N(Y) = 4.50 \) years
  ▪ \( D_A = 7.5\% \) per year
  ▪ \( D_B = 7.4\% \) per year

• Then:
  
  ▪ PV Cost (X) = \( 60/\left(1+0.075\right)^{8.25} = 33.0 \) Million
  ▪ PV Cost (Y) = \( 40/\left(1+0.074\right)^{4.50} = 29.0 \) Million
  ▪ Cost Allocation to Region A = \( 33.0 / (33.0 + 29.0) = 53.2\% \) of the cost of Transmission Project Z
  ▪ Cost Allocation to Region B = \( 29.0 / (33.0 + 29.0) = 46.8\% \) of the cost of Transmission Project Z

4. **Merchant Transmission and Transmission Owner Projects:** Nothing in this Schedule 12-B shall preclude the development of interregional transmission projects that are funded by merchant transmission developers or by individual transmission owners.

5. **Exclusivity with Respect to Interregional Transmission Projects Selected for Interregional Cost Allocation Purposes:** The following provisions shall apply regarding other cost allocation arrangements:

   A. Except as provided in Section 5(B), the provisions in this Schedule 12-B are the exclusive means by which any costs of an interregional transmission project selected for interregional cost allocation purposes between the SERTP region and the PJM Region may be allocated between or among those regions.

   B. A transmission owner(s) or transmission developer(s) may propose to fund or allocate, on a voluntary basis, the cost of an interregional transmission project selected for interregional cost allocation purposes using an allocation other than the allocation that results from the methodology set forth in Section 3, provided that, should the allocation of cost of such
interregional transmission project be subject to the Commission’s jurisdiction, such allocation proposal is accepted for filing by the Commission in accordance with the filing rights with respect to cost allocation set forth in Section 6 of this Schedule 12-B and provided further that no allocation shall be made to any region that has not agreed to that allocation.

6. **Section 205 Filing Rights with Respect to Interregional Transmission Projects Selected for Interregional Cost Allocation Purposes:** Solely with respect to interregional transmission projects evaluated under Schedule 6-A of the Operating Agreement and selected by the SERTP and PJM regional transmission planning processes for purposes of interregional cost allocation purposes, the following provisions shall apply:

   A. Except as provided in Sections 5 and 6(B) of this Schedule 12-B, nothing in this Schedule 12-B will convey, expand, limit or otherwise alter any rights of the transmission owners, transmission developers or other market participants to submit filings under Section 205 of the Federal Power Act (“FPA”) regarding cost allocation or any other matter.

   B. The cost allocation provisions in this Schedule 12-B shall not be modified under Section 205 of the FPA without the mutual consent of the holders of the FPA Section 205 rights with respect to interregional cost allocation in the SERTP region and the PJM Region.

7. **Consequences to Other Regions from Interregional Transmission Projects:** Except as provided in this Schedule 12-B, or in other documents, agreements or tariffs on file with the Commission, neither the PJM Region nor the transmission providers in the SERTP region shall be responsible for compensating another planning region for required upgrades or for any other consequences in another planning region associated with interregional transmission projects identified pursuant to Schedule 6-A of the Operating Agreement.