

May 2014 Draft Transmission Owner Working Group Schedule 12 Multi-Driver Cost Allocation Proposal

(xiv) Multi-Driver Projects.

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

(1) As part of the open planning process provided for in Section 1.5.6 of Schedule 6 of the Operating Agreement, the Transmission Provider determines which of the following drivers a Multi-Driver Project addresses: Reliability Driver, Economic Driver, or Public Policy Driver, and the extent to which each such driver contributes to the size, scope, and estimated costs of such Multi-Driver Project (irrespective of the reliability cost allocation treatment that is otherwise accorded an incremental market efficiency modification thereto pursuant to Section (b)(v)(B) of this Schedule 12). The Transmission Provider shall state the contribution of each driver in terms of a percentage totaling 100 percent for all such drivers at the time that each Multi-Driver Project is submitted to the PJM Board for approval and inclusion in the Regional Transmission Expansion Plan.

(2) Once a Multi-Driver Project is approved by the PJM Board, the stated percentage contributions of each driver shall not be changed unless the PJM Board subsequently approves an upgrade or redesign of such Multi-Driver Project. In that event, the cost responsibility for the Multi-Driver Project, including any costs incurred prior to the upgrade or redesign, will be determined as if it were a new Multi-Driver Project, such that the percentage contribution for each driver is established anew.

(B) Assignment of Incremental Methodology Costs. When the Transmission Provider determines that a project can be modified to satisfy one or more new drivers and: (i) the Transmission Provider has already submitted the project for stakeholder review pursuant to Schedule 6 of the Operating Agreement; or (ii) the project has already been approved by the Board pursuant to Schedule 6 of the Operating Agreement such that, upon resubmission, the modified project is approved by the Board as a Multi-Driver Project, then the Transmission Provider shall assign cost responsibility to the one or more drivers for the resulting Multi-Driver Project based on the incremental apportionment of benefits in accordance with this Section (b)(xiv)(B). Any costs that had been expended on the project prior to the approval by the Board of the modification into a Multi-Driver Project shall be included in the calculation of any credit in accordance with this Section (b)(xiv)(B). For purposes of this Section (b)(xiv)(B), such costs shall include any costs that would not have been expended had the Multi-Driver Project been initially approved by the Board as subsequently modified as a result of the incremental driver(s). The Transmission Provider shall then apply a credit to the costs assigned to the original driver or drivers as follows:

(1) There shall be no credit to the cost assigned to the original driver if the new driver simply accelerates the time of completion of the project;

(2) Where the new driver results in a single circuit project modified to become a double circuit project with no change in voltage level, the original project driver and the incremental driver will each be allocated one-half of the cost of the resulting double circuit project, such that the cost to the original driver will be 50 percent of the estimated cost of the double circuit project;

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(3) For all other incremental apportionment Multi-Driver Projects, the original driver will be credited with an amount equal to the ratio of the estimated incremental cost of the new driver(s) to the estimated new total cost of the project multiplied by the estimated cost of the original driver. This credit will be added to the cost of the new driver(s). Where more than one new driver is added to a Multi-Driver Project, the costs added to each new driver will be in proportion to each driver's respective incremental costs;

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

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