

126 FERC ¶ 61,069
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Acting Chairman;
Sudeen G. Kelly, Marc Spitzer,
and Philip D. Moeller.

PJM Interconnection, L.L.C.

Docket Nos. ER06-456-018
ER06-456-017
ER06-954-014
ER06-954-013
ER06-1271-013
ER06-1271-012
ER07-424-009
ER07-424-008
EL07-57-005
EL07-57-004
ER06-880-013
ER06-880-012

ORDER ACCEPTING COST RESPONSIBILITY ASSIGNMENTS

(Issued January 28, 2009)

1. On November 14, 2008, as amended on November 25, 2008, PJM Interconnection, L.L.C. (PJM) submitted revisions to Schedule 12-Appendix of the PJM Open Access Transmission Tariff (Tariff) to incorporate cost responsibility assignments for below 500 kV upgrades included in the PJM Regional Transmission Expansion Plan (RTEP). In this order, we accept PJM's proposed tariff sheets and suspend them for a nominal period, subject to refund and subject to the outcome of further proceedings. In addition, we require PJM to make certain modifications to the proposed tariff sheets, as discussed below.

I. Background

2. PJM files cost responsibility assignments for transmission upgrades that have been approved by the PJM Board of Managers (PJM Board) as part of PJM's RTEP, in accordance with Schedule 12 of the PJM Tariff (Schedule 12) and section 1.6 of Schedule 6 of the PJM Operating Agreement (Schedule 6), and pursuant to section 205 of

the Federal Power Act.¹ The RTEP provides for the construction of expansions and upgrades to PJM's transmission system in order to comply with reliability criteria, and to maintain and enhance the economic and operational efficiency of PJM's wholesale electricity markets.

3. On January 5, 2006, May 4, 2006, July 21, 2006, and January 11, 2007, PJM filed: (1) reports containing assignment of cost responsibility for certain transmission projects approved by the PJM Board as part of PJM's RTEP; and (2) revised tariff sheets incorporating into Schedule 12-Appendix of the PJM Tariff the assignments of cost responsibility for the approved projects pursuant to the procedures established in the PJM Tariff. The Commission accepted and suspended the filed tariff sheet revisions, made them effective subject to refund, established hearing and settlement judge procedures, and consolidated the proceedings (Docket No. ER06-456, *et al.*, or RTEP proceedings).² In the April 19, 2007 Rehearing Order, the Commission expanded the scope of the hearings previously established in the RTEP proceedings to include the appropriate methodology for the allocating costs associated with upgrades that operate below 500 kV in the RTEP based on a "beneficiary pays" approach.³

4. On July 23, 2007, November 16, 2007, and June 3, 2008, pursuant to the procedures established in the PJM Tariff, PJM filed: (1) reports containing assignment of cost responsibility for additional transmission projects approved by the PJM Board as part of PJM's RTEP; and (2) revised tariff sheets incorporating the assignment of cost responsibility for these additional projects into Schedule 12-Appendix of the PJM Tariff. The Commission accepted and suspended the filed tariff sheet revisions, and made them effective subject to refund and subject to the outcome of proceedings in Docket No. ER06-456, *et al.*⁴ Because the methodology to determine the cost responsibility

¹ 16 U.S.C. § 824d (2006).

² See *PJM Interconnection, L.L.C.*, 115 FERC ¶ 61,261 (2006); *PJM Interconnection, L.L.C.*, 116 FERC ¶ 61,118 (2006); *PJM Interconnection, L.L.C.*, 117 FERC ¶ 61,058 (2006), *order on reh'g*, 119 FERC ¶ 61,067 (2007) (April 19, 2007 Rehearing Order), *order on reh'g*, 122 FERC ¶ 61,217 (2008), *order on compliance*, 124 FERC ¶ 61,241 (2008) (September 18, 2008 Order), *reh'g pending*; *PJM Interconnection, L.L.C.*, 119 FERC ¶ 61,033 (2007), *order on reh'g*, 120 FERC ¶ 61,193 (2007).

³ April 19, 2007 Rehearing Order at P 16.

⁴ See *PJM Interconnection, L.L.C.*, 121 FERC ¶ 61,034 (2007); *PJM Interconnection, L.L.C.*, 122 FERC ¶ 61,130 (2008); *order on reh'g*, 124 FERC ¶ 61,245; *PJM Interconnection, L.L.C.*, 124 FERC ¶ 61,197 (2008); *reh'g pending*.

assignment for facilities that operate below 500 kV was under consideration in the proceeding established by the April 19, 2007 Rehearing Order, the Commission granted PJM's requested waiver of the PJM Tariff requirement that it file a report reflecting the cost responsibility assignments for upgrades that operate below 500 kV.

5. The Commission approved a settlement agreement (Settlement) submitted by the parties in Docket No. ER06-456, *et al.* that set forth the methodology by which PJM will assign the costs of RTEP reliability upgrades that are planned to operate below 500 kV.⁵ The Commission directed PJM to submit cost responsibility assignments for the below 500 kV facilities that were previously waived. Additionally, the Commission directed PJM to make "clean-up" revisions to previously approved Schedule 12-Appendix filings to ensure that these tariff sheets accurately reflect the cost allocations proposed in the Settlement.⁶

II. PJM's Filing

6. On November 14, 2008, PJM submitted cost responsibility assignment summaries and revisions to the Schedule 12-Appendix to reflect new cost responsibility assignments for the below 500 kV facilities that were filed in Docket Nos. ER07-1186, ER08-229, and ER08-1065.⁷ PJM states that, consistent with the methodology approved in the Settlement, the proposed new assignments of cost responsibility use a distribution factor analysis based methodology for determining the beneficiaries for reliability upgrades and therefore who should pay. In addition, to ensure that all tariff sheets filed prior to the Commission's approval of the Settlement reflect the appropriate cost responsibility assignments, PJM submitted retroactive and currently effective tariff sheets to incorporate the cost responsibility assignments for facilities that operate below 500 kV filed in Docket No. ER06-456, *et al.* and approved as part of the Settlement.

⁵ *PJM Interconnection, L.L.C.*, 124 FERC ¶ 61,112 (2008); *see also PJM Interconnection, L.L.C.*, Docket No. ER06-456-015, *et al.* (unpublished letter order, October 15, 2008) (October 15, 2008 Letter Order). The settlement resolved all issues set for hearing in Docket No. ER06-456, *et al.*, except for matters regarding assignment of cost responsibility to merchant transmission facilities. An Initial Decision regarding this issue was issued on September 18, 2008. This issue is currently pending before the Commission.

⁶ October 15, 2008 Letter Order at 2.

⁷ On November 25, 2008, PJM requested that certain tariff sheets be withdrawn because they included incorrect designations or other errors. PJM submitted replacement tariff sheets as part of this amended filing.

7. PJM notes that because issues relating to cost responsibility assignments to merchant transmission facilities remain unresolved, all cost responsibility assignments to merchant transmission facilities are based on “Interim Values” as set forth in the Settlement and Schedule 12 of the PJM Tariff. Such cost responsibility assignments are subject to refunds and surcharges based upon a resolution of the remaining issues set for hearing in Docket No. ER06-456, *et al.*

III. Notice, Interventions, and Protest

8. Notice of the November 14, 2008 filing was published in the *Federal Register*, 73 Fed. Reg. 80,385 (2008), with interventions and protests due on or before December 14, 2008.⁸ Notice of the November 25, 2008 filing was published in the *Federal Register*, 73 Fed. Reg. 75,422 (2008), with interventions and protests due on or before December 26, 2008.⁹

9. On December 15, 2008, Old Dominion Electric Cooperative (ODEC) submitted a protest of PJM’s filing. ODEC notes that it has filed a request for rehearing of the Commission’s September 18, 2008 Order, objecting to the Commission’s acceptance of the cost responsibility assignments for five PJM RTEP projects. Specifically, ODEC’s rehearing request contended that because these projects are transformers with a high side voltage of 500 kV and a low side voltage below 500 kV, the cost for these facilities should be allocated on a region-wide basis. ODEC’s rehearing request is currently pending before the Commission. ODEC notes that the tariff sheets in the instant filing reflect allocations for four of the five projects at issue in ODEC’s pending rehearing request.¹⁰ ODEC states that if the Commission grants ODEC’s rehearing request, the Commission should require PJM to revise its tariff sheets accordingly.

IV. Discussion

10. We find that PJM has allocated cost responsibility for below 500 kV upgrades consistent with the methodology set forth in the Settlement. We also recognize that ODEC’s concerns regarding the treatment of certain upgrades are pending on rehearing of the Commission’s September 18, 2008 Order. Accordingly, we accept and suspend PJM’s filing, effective on the dates requested, subject to refund, and subject to the outcome of the proceeding in Docket No. ER06-456, *et al.* regarding allocation of costs to merchant transmission facilities and rehearing of the September 18, 2008 Order.

⁸ See November 25, 2008 Notice Extending Comment Period.

⁹ See December 2, 2008 Notice Extending Comment Period.

¹⁰ Specifically, Projects b0210, b0231, b0269, b0321.

11. We note that several tariff sheets¹¹ included in PJM's filing have not been designated in compliance with FERC Order No. 614.¹² Additionally, several retroactive tariff sheets¹³ reflect responsible customer designations for above 500 kV projects that were not in effect until January 1, 2008. Because these tariff sheets have effective dates prior to January 1, 2008, they should reflect the previously approved designations for above 500 kV projects. Accordingly, PJM should submit corrected tariff sheets in a compliance filing within 30 days of the date of this order.

The Commission orders:

(A) PJM's revised tariff sheets are hereby accepted for filing and suspended for a nominal period, subject to refund and to the outcome of further proceedings, as discussed in the body of this order.

(B) PJM is directed to submit a compliance filing within 30 days of the date of this order, as discussed in the body of this order.

By the Commission. Commissioner Kelliher is not participating.

(S E A L)

Kimberly D. Bose,
Secretary.

¹¹ Third Substitute Second Revised Original Sheet No. 270D.08 and Second Substitute First Revised Original Sheet No. 270F.01j.

¹² *Designation of Electric Rate Schedule Sheets*, Order No. 614, FERC Stats. & Regs., Regulations Preambles July 1996-December 2000 ¶ 31,096 (2000) and 18 C.F.R. § 35.9 (2006).

¹³ First Revised First Revised Sheet No. 270E.08a and First Revised Sixth Revised Sheet No. 270F.

Document Content(s)

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