

153 FERC ¶ 61,245
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Norman C. Bay, Chairman;
Cheryl A. LaFleur, Tony Clark,
and Colette D. Honorable.

PJM Interconnection, L.L.C.	Docket Nos. ER15-2562-000 ER15-2563-000
Consolidated Edison Company of New York, Inc. v. PJM Interconnection, L.L.C.	EL15-18-001
Linden VFT, LLC v. PJM Interconnection, L.L.C.	EL15-67-000
Delaware Public Service Commission and Maryland Public Service Commission v. PJM Interconnection, L.L.C.	EL15-95-000
PJM Interconnection, L.L.C.	ER14-972-003
PJM Interconnection, L.L.C.	ER14-1485-005 (Not Consolidated)

ORDER ACCEPTING AND SUSPENDING TARIFF REVISIONS AND
ESTABLISHING TECHNICAL CONFERENCE

(Issued November 24, 2015)

1. On August 28, 2015, pursuant to section 205 of the Federal Power Act (FPA),¹ PJM Interconnection, L.L.C. (PJM), in accordance with Schedule 12 of the PJM Open Access Transmission Tariff (Tariff) and section 1.6 of Schedule 6 of the Amended and Restated Operating Agreement of PJM (Operating Agreement), filed amendments to Schedule 12-Appendix A of the PJM Tariff.²

¹ 16 U.S.C. §§ 824d (2012).

² See Docket Nos. ER15-2562-000 and ER15-2563-000.

2. We find that the proposed Tariff amendments have not been shown to be just and reasonable, and may be unjust, unreasonable, or unduly discriminatory or preferential. Accordingly, we will accept the proposed Tariff revisions and suspend their effectiveness for five months, subject to refund, to become effective on April 25, 2016, or an earlier date set forth in a subsequent order, subject to further order by the Commission following a technical conference in the complaint proceedings, Docket Nos. EL15-18-001, EL15-67-000, and EL15-95-000, as discussed in the body of this order.

I. Background

3. PJM files cost responsibility assignments for transmission upgrades that were approved by the PJM Board of Directors (PJM Board) as part of PJM's Regional Transmission Expansion Plan (RTEP), in accordance with Schedule 12 of the Tariff and Schedule 6 of the Operating Agreement. 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. Types of reliability projects selected in the RTEP for purposes of cost allocation include Regional Facilities,³ which as a general matter are AC facilities that are single-circuit 500 kV or double-circuit 345 kV and above, Necessary Lower Voltage Facilities,⁴ and Lower Voltage Facilities.⁵ The cost allocation method for transmission projects selected for purposes of cost allocation in the RTEP is set forth in

³ Regional Facilities are defined as Required Transmission Enhancements included in the RTEP that are transmission facilities that (a) are AC facilities that operate at or above 500 kV; (b) are double-circuit AC facilities that operate at or above 345 kV; (c) are AC or DC shunt reactive resources connected to a facility from (a) or (b); or (d) are DC facilities that meet the necessary criteria as described in section (b)(i)(D). PJM, Intra-PJM Tariffs, OATT, Schedule 12, § (b)(i) (Regional Facilities and Necessary Lower Voltage Facilities) (6.1.0).

⁴ Necessary Lower Voltage Facilities are defined as Required Transmission Enhancements included in the RTEP that are lower voltage facilities that must be constructed or reinforced to support new Regional Facilities. PJM, Intra-PJM Tariffs, OATT, Schedule 12, § (b)(i) (Regional Facilities and Necessary Lower Voltage Facilities) (6.1.0).

⁵ Lower Voltage Facilities are defined as Required Transmission Enhancements that (a) are not Regional Facilities and (b) are not "Necessary Lower Voltage Facilities." PJM, Intra-PJM Tariffs, OATT, Schedule 12, § (b)(ii) (Lower Voltage Facilities) (6.1.0).

Schedule 12 of the PJM Tariff.⁶ For Regional Facilities and Necessary Lower Voltage Facilities, 50 percent of the facility's costs is allocated on a region-wide, postage stamp basis and the other 50 percent is allocated pursuant to the solution-based distribution factor (DFAX) method described in Schedule 12(b)(iii) of the Tariff. For Lower Voltage Facilities, 100 percent of the facility's costs is allocated pursuant to the solution-based DFAX cost allocation method.

II. August 28, 2015 Tariff Revision Filings

A. Docket No. ER15-2562-000 Filing

4. The Docket No. ER15-2562-000 Filing amends Schedule 12-Appendix A to the Tariff to include the cost responsibility assignments for 19 of the 31 new transmission enhancements included in the most recent update to the RTEP approved by the PJM Board on July 29, 2015.⁷ PJM states that eight of these new transmission enhancements and expansions will operate at 500 kV or will be double-circuit 345 kV facilities,⁸ and that 50 percent of the costs for these Regional Facilities is allocated on a region-wide, postage stamp basis and the other 50 percent is allocated pursuant to the solution-based DFAX method. PJM states that the remaining eleven upgrades are Lower Voltage

⁶ The cost allocation method was approved as part of PJM's Order No. 1000 compliance filing. *PJM Interconnection, L.L.C.*, 142 FERC ¶ 61,214 (2013), *order on reh'g and compliance*, 147 FERC ¶ 61,128 (2014), *order on reh'g and compliance*, 150 FERC ¶ 61,038, *order on reh'g and compliance*, 151 FERC ¶ 61,250 (2015). See *Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*, Order No. 1000, FERC Stats. & Regs. ¶ 31,323 (2011) (Order No. 1000), *order on reh'g*, Order No. 1000-A, 139 FERC ¶ 61,132, *order on reh'g and clarification*, Order No. 1000-B, 141 FERC ¶ 61,044 (2012), *aff'd sub nom. S.C. Pub. Serv. Auth. v. FERC*, 762 F.3d 41 (D.C. Cir. 2014).

⁷ As discussed below, the baseline upgrades for the Bergen-Linden Corridor Project were originally approved by the PJM Board on December 11, 2013, and filed with and accepted by the Commission. See *Consolidated Edison Company of New York, Inc. v. PJM Interconnection, L.L.C.*, 151 FERC ¶ 61,227 (2015) (Con Edison Order). PJM states that due to reconfiguration, some of the previously filed upgrades are being deleted and replaced with the 19 upgrades included in the Docket No. ER15-2562-000 Filing.

⁸ These eight projects include: b2436.10, b2436.21, b2436.22, b2436.81, b2436.83, b2436.84, b2436.85, and b2436.90.

Facilities needed to address reliability needs,⁹ and 100 percent of the costs for these facilities are allocated pursuant to the solution-based DFAX cost allocation method. The 19 transmission enhancements and expansions included in the Docket No. ER15-2562-000 Filing are referred to as the Bergen-Linden Corridor Project.

B. Docket No. ER15-2563-000 Filing

5. The Docket No. ER15-2563-000 Filing amends Schedule 12-Appendix A to the Tariff to include the cost responsibility assignments for 12 of the 31 new transmission enhancements and expansions included in the most recent update to the RTEP approved by the PJM Board on July 29, 2015. PJM states that five of these new transmission enhancements and expansions will operate at 500 kV or will be double-circuit 345 kV facilities,¹⁰ and that 50 percent of the costs for these five Regional Facilities is allocated on a region-wide, load-ratio share, and 50 percent is allocated pursuant to the solution-based DFAX method. PJM states that the remaining seven transmission enhancement and expansions are Lower Voltage Facilities needed to address reliability needs,¹¹ and 100 percent of the costs for these facilities are allocated pursuant to the solution-based DFAX cost allocation method. The 12 transmission enhancements and expansions included in the Docket No. ER15-2563-000 Filing are referred to as the Artificial Island Project.

III. Notice, Intervention, Protests, Answers and Responsive Pleadings

6. Notices of the Docket No. ER15-2562-000 Filing and the Docket No. ER15-2563-000 Filing were published in the *Federal Register*, 80 Fed. Reg. 53,508 (2015), with an errata issued on September 2, 2015 extending the comment date to September 28, 2015.

7. Notices of intervention and motions to intervene were submitted by the entities listed in Appendix-B and Appendix-C to this order.

⁹ The remaining eleven projects include: b2436.33, b2436.34, b2436.50, b2436.60, b2436.70, b2437.10, b2437.11, b2437.20, b2437.21, b2437.30, and b2437.33.

¹⁰ These five projects include: b2633.3, b2633.6, b2633.6.1, b2633.7, and b2633.8.

¹¹ The remaining seven projects include: b2633.1, b2633.2, b2633.4, b2633.5, b2633.91, b2633.92, and b2633.10.

8. Con Edison Company of New York (Con Edison) and Linden VFT, LLC (Linden), each filed a protest to the Docket No. ER15-2562-000 Filing.¹² Answers were filed by PJM and the PJM Transmission Owners.¹³ Linden filed a limited answer in response to the answer of the PJM Transmission Owners. Con Edison filed a motion to strike the answers of PJM and the PJM Transmission Owners, or in the alternative, leave to answer.

9. The Maryland Public Service Commission (Maryland PSC) and the Delaware Public Service Commission (Delaware PSC) (together, State Commissions), Delaware Division of the Public Advocate (Delaware DPA), and Maryland Office of Peoples' Council (Maryland OPC) (Delaware DPA and Maryland OPC together with the State Commissions, State Agencies), Easton Utilities Commission (Easton), Linden VFT, LLC (Linden), Old Dominion Electric Cooperative (ODEC) each filed a protest to the Docket No. ER15-2563-000 Filing.¹⁴ Answers were filed by PJM, the PJM Transmission Owners. The State Agencies submitted a responsive pleading to the answer of PJM and the PJM Transmission Owners.

A. Protests

1. Docket No. ER15-2562-000 Filing

10. Con Edison and Linden protest the new cost allocations for the Bergen-Linden Corridor Project. Linden argues that PJM did not provide any explanation of the dramatic changes for the Bergen-Linden Corridor Project and the new cost allocation.¹⁵ Con Edison argues that the new cost allocations assign additional costs to Con Edison and that PJM has not shown that Con Edison receives any additional benefits from the cost allocation modifications.¹⁶ Con Edison and Linden argue that the use of the

¹² On November 6, 2015, Linden filed a supplemental protest.

¹³ The PJM Transmission Owners, acting through the PJM Consolidated Transmission Owners Agreement.

¹⁴ The State Commissions jointly filed a complaint regarding the assignment of cost allocation of the Artificial Island Project. *See Delaware Public Service Commission and Maryland Public Service Commission v. PJM Interconnection, L.L.C.*, Docket No. EL15-95-000.

¹⁵ Linden Protest at 3.

¹⁶ Con Edison Protest at 1-2

de minimis threshold causes PJM to allocate costs to Linden,¹⁷ which it claims received negligible benefits, while exempting others that receive significant benefits.¹⁸ Linden states that PJM has stated that cost allocations are similar to formula rates and argues that PJM has not provided any transparency required for a formula rate and its inputs.¹⁹ Con Edison argues that the modifications are being made for PSEG's convenience and benefit and that PSEG alone should bear any incremental increase in costs.²⁰ Con Edison contends that solution-based DFAX analysis is the wrong method to apply to the Bergen-Linden Corridor Project.²¹

2. Docket No. ER15-2563-000 Filing

11. State Agencies, Easton, and ODEC filed protests stating that the results of the solution-based DFAX cost allocation method for the Artificial Island Project are unjust and unreasonable.²² State Agencies argue that the solution-based DFAX cost allocation method ignores the benefits of reduced flows on the existing 500 kV and 230 kV transmission lines, which accrue to nearby zones, even though these are flow-based benefits. State Agencies argue that the solution-based DFAX cost allocation method will always result in the zone chosen as the end-point of a new transmission line being allocated all or most of the costs for the project. State Agencies explain that this is because the solution-based DFAX cost allocation method examines directionally-weighted energy flows over the facilities involved in a particular project, and in the case of projects like the Artificial Island Project, the flow will almost always be away from the constrained generation area.²³

¹⁷ PJM applies a *de minimis* threshold to modeled DFAX values. No costs are allocated to zones with a DFAX value less than 1 percent (i.e., where the customer's MW usage of the transmission facility is less than one percent of the customer's total load).

¹⁸ Linden Protest at 8; Con Edison Protest at 6.

¹⁹ Linden Protest at 11-13.

²⁰ Con Edison Protest at 1-2; Linden Protest at 9-10.

²¹ Con Edison Protest at 6-10.

²² State Agencies Protest at 12-13; Easton Protest at 2-4; ODEC Protest at 5-6.

²³ State Agencies Protest at 16.

12. ODEC states that the solution-based DFAX cost allocation method is only appropriate to upgrades that resolve near-term thermal or voltage-based constraints.²⁴ ODEC argues that there are other parties that benefit from the Artificial Island Project, including the owners of the nuclear plants at Artificial Island which will now be able to operate at full capacity with increased stability and reduced operational complexity. ODEC claims that the Artificial Island Project is an operational performance upgrade, meaning it was identified and added to the RTEP based on PJM's operating experiences, rather than the power flow planning model. ODEC states that these upgrades are analyzed using a different set of metrics and are subject to substantial PJM planning discretion and notes that even a project that will provide primarily economic benefits may qualify.²⁵

13. ODEC requests that the Commission accept the proposed cost allocations assignments, suspend them for five months, and establish hearing and settlement judge procedures to be held in abeyance pending Commission action on the complaint filed by the State Commissions in Docket No. EL15-95-000. ODEC requests that if the Commission should set that docket for hearing, the Commission should consolidate the instant docket, given the common issues of law and fact in the two proceedings.²⁶

B. Answers

14. With respect to the assignment of cost allocation for the Bergen-Linden Corridor Project, PJM states that Con Edison offers no support for the statement that the changes to the Bergen-Linden Corridor Project were solely made for PSEG's convenience and benefit, but rather to address construction challenges and the elimination of high short circuit current issues identified by PSEG, such as no longer reusing existing underground ducts to install new 345 kV cables and expanding the Bayway substation for an additional 345 kV line.²⁷ PJM argues that Linden's statements regarding the cost allocation method for the project reconfiguration are not the drivers of whether or not the solution-based DFAX allocations change if a project is reconfigured. PJM states that the entire point of

²⁴ ODEC Protest at 16.

²⁵ *Id.* at 2, 11, 14.

²⁶ *Id.* at 3.

²⁷ PJM Answer in Docket No. ER15-2562 at 5-6.

Order No. 1000 *ex ante* cost allocation formula is to avoid each project having to go through a *de novo* analysis of costs and benefits.²⁸

15. The PJM Transmission Owners contend that the proposed cost allocations are consistent with the PJM Tariff.²⁹ The PJM Transmission Owners contend that reconfiguration of approved RTEP projects is not prohibited by the Tariff, and if there is a change in the configuration, then the cost allocations associated with the project will also change.

16. With respect to the assignment of cost allocation for the Artificial Island Project, PJM states that the arguments that the protestors make are substantially similar to the arguments contained in the complaint filed by the State Commissions.³⁰ PJM states that in answer to the complaint, it clarified that the Artificial Island Project was selected based upon reasoned and sound engineering judgment in determining the more efficient or cost-effective solution to address the identified system needs.³¹ PJM further states that in answer to the complaint, it observed that even though the solution-based DFAX allocation method produces reasonable results in the overwhelming number of applications to typical reliability upgrades, it may also result in cost allocations that appear disproportionate in certain instances but do not necessarily render the overall cost allocation method unjust and unreasonable. PJM suggests that the assignment of cost allocation for the Artificial Island Project should be approached narrowly.³² PJM clarifies a point made in the ODEC Protest by explaining that the difference between the total dollars in load payment reduction in absolute dollar terms versus the per-MWh basis can be explained by the fact that the Delmarva Zone is one of the smallest zones in PJM in terms of energy usage and peak load.³³

17. The PJM Transmission Owners argue that the State Agencies, Easton, and ODEC have been unable to demonstrate that the cost responsibility assignments in the Docket

²⁸ *Id.* at 7-8.

²⁹ PJM Transmission Owners Answer in Docket No. ER15-2562 at 12.

³⁰ PJM attached a copy of its October 9, 2015 answer to the complaint in Docket No. EL15-95-000.

³¹ PJM Answer in Docket No. ER15-2563 at 2-3.

³² *Id.* at 3.

³³ *Id.* at 4.

No. ER15-2563-000 Filing are inconsistent with the Commission-approved cost allocation method set out in the Tariff. The PJM Transmission Owners also argue that the protests attack the solution-based DFAX cost allocation method as applied to the Artificial Island Project. The PJM Transmission Owners state that the arguments raised by the protests are unfounded and misunderstand the purpose of the solution-based DFAX cost allocation method, which was to create greater certainty as to the cost allocation implications of a potential planning project and to enhance the ability of stakeholders in the regional transmission planning process to evaluate the merits of the transmission project. The PJM Transmission Owners state that because the protesting parties are dissatisfied with the allocation of costs of a portion of a single project, they attack part of the comprehensive cost allocation method.³⁴

18. The PJM Transmission Owners state that the Protestors have not provided any evidence that the solution-based DFAX cost allocation method did not work as intended. The PJM Transmission Owners state that although other methodologies may produce just and reasonable results, they are irrelevant here because the Commission has approved the use of the solution-based DFAX cost allocation method.³⁵ The PJM Transmission Owners also state that, in Order No. 1000, the Commission required transmission providers to adopt a clear and transparent *ex ante* cost allocation method for all transmission projects of the same type.³⁶ The PJM Transmission Owners contend that the protests are an impermissible collateral attack on the cost allocation method accepted by the Commission.³⁷

C. Responsive Pleadings

19. Linden filed a limited answer in response to the PJM Transmission Owner's answer to the protests of the cost allocation of the Bergen-Linden Corridor Project. Linden renews its argument that the cost allocation assignments for the Bergen-Linden Corridor Project are not roughly commensurate with the benefits and allow for free ridership. Linden argues that its intervention and protest is procedurally appropriate.³⁸ Linden's supplemental protest includes an expanded analysis to support its answer.

³⁴ PJM Transmission Owners Answer in Docket No. ER15-2563 at 1-3.

³⁵ *Id.* at 4-5, 16-19.

³⁶ *Id.* at 6 (citing Order No. 1000-A at P 578).

³⁷ PJM Transmission Owners Answer in Docket No. ER15-2563 at 14.

³⁸ Linden Limited Answer at 9.

20. In answer to PJM and the PJM Transmission Owners, Con Edison answers that PJM misstates the reconfiguration of the Bergen-Linden Corridor Project and that the PJM Transmission Owners are incorrect regarding the analysis required by the Commission.

21. The State Agencies filed a responsive pleading to the PJM Transmission Owner's answer to the protests of the cost allocation of the Artificial Island Project. State Agencies agree with the suggestions by ODEC in its recommendation that PJM develop threshold criteria that would require departure from the solution-based DFAX cost allocation method.³⁹ State Agencies argue that PJM's answer demonstrates that the solution-based DFAX cost allocation method as applied to the Artificial Island Project may not produce results that are just and reasonable.⁴⁰ State Agencies also argue that a power flow-based calculation method is not appropriate for determining relative use of a facility when the purpose of that facility is for reliability as determined by non-power flow based reliability criteria.⁴¹

IV. Complaints and Underlying Cost Allocation Proceedings

A. Complaints Proceedings

1. Docket No. EL15-18-000

22. On November 7, 2014, Con Edison filed a complaint requesting that the Commission set aside the cost allocations for the New Jersey Projects established under the PJM Tariff solution-based DFAX cost allocation method (Con Edison Complaint). Con Edison challenged whether PJM has complied with its Tariff and the requirement to review whether the cost allocation resulting from the solution-based DFAX method analysis is unreasonable, in making the cost allocations for the Bergen-Linden Corridor Project and the Sewaren Project.⁴² Con Edison contended that the Bergen-Linden Corridor Project and Sewaren Project address reliability violations that are not related to flow, i.e. short-circuit reliability concerns and local transmission owner criteria, and that for these types of reliability violations, a cost allocation method that identifies beneficiaries based on flows does not assign costs roughly commensurate with benefits.

³⁹ State Agencies Answer at 5-8.

⁴⁰ *Id.* at 10.

⁴¹ *Id.* at 11.

⁴² The Sewaren Project is identified as b2276.

On June 18, 2015 the Commission denied the Con Edison Complaint.⁴³ Requests for rehearing were filed by Con Edison and Linden.

2. Docket No. EL15-67-000

23. On May 22, 2015 (as amended on July 10, 2015) Linden filed a complaint regarding application of the PJM solution-based DFAX cost allocation method to the projects included in the Con Edison Complaint (Linden Complaint).⁴⁴ Linden contends that the solution-based DFAX cost allocation method does not allocate costs in a manner that is roughly commensurate with benefits or that avoids free ridership. According to Linden, the primary issues to be addressed by these projects are local reliability problems rather than resolving existing or even near-term thermal-based or voltage-based constraints. Linden also contends that the solution-based DFAX cost allocation method is ill-equipped to measure benefits for these types of projects and even if PJM's application of the solution-based DFAX cost allocation method accurately determined benefits, the assignment of cost allocation for the Projects is unjust, unreasonable and unduly discriminatory and preferential.

3. Docket No. EL15-95-000

24. On August 28, 2015, the State Commissions jointly filed the complaint regarding the PJM solution-based DFAX cost allocation method for the Artificial Island Project (Artificial Island Complaint). The State Commissions claim the Artificial Island Project is not typical because the relevant transmission constraint is preventing energy flows out of an area, rather than a more typical thermal or voltage reliability criteria violation. The State Commissions contend that the solution-based DFAX cost allocation method allocates costs based on the underlying assumption that the constraint is caused by load growth or an inadequacy of the transmission system to meet each load area's requirement from the aggregate of system generation. However, the State Commissions contend the Artificial Island Project is driven by the inability of the transmission system to deliver output from a specific generation location and the solution is designed to take power out of the constrained area and deliver it to the rest of PJM. The State Commissions allege the solution-based DFAX cost allocation method ignores the benefits to the generator, which will be able to reach more customers, and arbitrarily allocates the costs based solely on the terminus of the proposed transmission line.

⁴³ See Con Edison Order, 151 FERC ¶ 61,227 at P 50 (rehearing is pending in Docket No. ER15-18-001).

⁴⁴ References to the Linden Complaint are to the amended complaint, unless otherwise specified.

25. The State Commissions request that the Commission find that the use of the solution-based DFAX cost allocation method to allocate costs associated with the Artificial Island Project does not result in allocation of costs that are roughly commensurate with the benefits of the project and is, therefore, unjust, unreasonable, and unduly discriminatory and preferential. The State Commissions also request that the Commission direct PJM to file the necessary changes to the Tariff and, as necessary, the Operating Agreement, to ensure a just and reasonable allocation of Artificial Island Project costs.

B. Underlying Cost Allocation Proceedings

1. Docket No. ER14-972-000 Filing

26. On January 10, 2014, PJM filed amendments to Schedule 12-Appendix A of the PJM Tariff to provide for assignment of cost allocation of, among others, the Bergen-Linden Corridor Project. On the April 9, 2014, the Commission conditionally accepted the proposed Tariff amendments in the Docket No. ER14-972-000 Filing subject to the condition that PJM submit a compliance filing explaining and justifying the specific assumptions regarding the *de minimis* and nested zone provisions of the solution-based DFAX cost allocation method for the Bergen-Linden Corridor Project.⁴⁵ On June 18, 2015, the Commission denied rehearing of the April 5, 2014 Order, and accepted the compliance filing.⁴⁶ Con Edison and Linden have requested rehearing.

2. Docket No. ER14-1485-000

27. On March 13, 2014, PJM filed amendments to Schedule 12-Appendix A of the PJM Tariff to provide for, among other things, changes to the cost allocation for the Sewaren Project to correct the errors in the solution-based DFAX cost allocation method modeling. On September 9, 2015, the Commission accepted the proposed Tariff amendments.⁴⁷ Con Edison and Linden have requested rehearing.

⁴⁵ *PJM Interconnection, L.L.C.*, 147 FERC ¶ 61,028 (2014) (April 9, 2014 Order).

⁴⁶ Con Edison Order, 151 FERC ¶ 61,227 (2015) (rehearing is pending in Docket No. EL15-18-001).

⁴⁷ *PJM Interconnection, L.L.C.*, 152 FERC ¶ 61,187 (2015) (rehearing is pending in Docket No. ER14-1485-005).

V. Motions to Lodge

28. On October 23, 2015, Linden, New York Power Authority, and Hudson Transmission Partners (Lodging Parties) filed a motion to lodge: (1) a pleading by Con Edison before the New York Public Service Commission (NYPSC) seeking to terminate a project related to a contractual wheeling arrangement between PJM and Con Edison, (2) correspondence between Con Edison and PJM related to continuation of transmission service agreements implementing the contractual wheeling arrangement, and (3) an answer by PJM to a complaint filed by the State Commissions related to the assignment of cost allocation of the Artificial Island Project. The Lodging Parties contend that termination of the related project would be consistent with termination of transmission service agreements implementing the contractual wheeling arrangement which would impact the cost allocation of projects allocated pursuant to the solution-based cost-allocation method. Lodging Parties contend that the resulting assignment of cost allocation demonstrates that the solution-based DFAX cost allocation method is unjust and unreasonable. The PJM Transmission Owners filed an answer in opposition to the Lodging Parties' motion. The PJM Transmission Owners contend that the motion to lodge seeks to provide information that is either irrelevant or incomplete. The Lodging Parties filed an answer in response.

29. On October 23, 2015, Con Edison filed a motion to lodge the answer by PJM to the complaint filed by the State Commissions related to the assignment of cost allocation of the Artificial Island Project. The PJM Transmission Owners and Public Service Electric and Gas Company filed answers in opposition to the Con Edison's motion to lodge. Con Edison filed an answer in response.

II. Discussion

A. Procedural Matters

30. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2015), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding. We grant the unopposed out-of-time motions to intervene submitted by AMP, Duke, FirstEnergy, and Hudson, and NYPA, given their interest in this proceeding, the early stage of this proceeding and the absence of undue prejudice or delay.

31. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2015) prohibits an answer to a protest or to an answer unless otherwise ordered by the decisional authority. We will accept the answers filed in this proceeding because they have provided information that assisted us in our decision-making process.

32. We deny the Con Edison and Lodging Parties' motions to lodge. Pleadings before the NYPSC and Con Edison correspondence related to continuation of transmission

service agreements implementing the contractual wheeling arrangement are beyond the scope of this proceeding.⁴⁸ As previously noted, PJM attached a copy of its October 9, 2015 answer to the Artificial Island Complaint to its answer to the protests of the cost allocation of the Artificial Island Project.

B. Determination

33. The protests raise a concern regarding the justness and reasonableness of the solution-based DFAX cost allocation method for transmission enhancements and expansions to address reliability violations that are not related to flow on the planned transmission facility. The complaints argue that while the solution-based DFAX cost allocation method may be an appropriate cost allocation method for some types of transmission projects, it does not lead to just and reasonable results when applied to projects addressing reliability violations that are not related to flow on the planned transmission facility. The complaints also assert that the solution-based DFAX cost allocation method may not appropriately identify the beneficiaries of transmission enhancements and expansions for the type of reliability violations that are not related to flow.

34. Our preliminary analysis indicates that the assignment of cost allocation for the proposed Tariff amendments in Docket No. ER 15-2562-000 Filing and Docket No. ER15-2563-000 have not been shown to be just and reasonable and may be unjust, unreasonable, or unduly discriminatory or preferential. Accordingly, we will accept the proposed Tariff revisions for filing, suspend them for five months, to become effective on April 25, 2016, or an earlier date set forth in a subsequent order, subject to refund, and the outcome of a technical conference in the complaint proceedings, Docket Nos. EL15-18-001, EL15-67-000, and EL15-95-000.

35. We direct staff to establish a technical conference to explore both whether there is a definable category of reliability projects within PJM for which the solution-based DFAX cost allocation method may not be just and reasonable, such as projects addressing reliability violations that are not related to flow on the planned transmission facility, and whether an alternative just and reasonable *ex ante* cost allocation method could be established for any such category of projects.

⁴⁸ The motions to lodge were filed in several proceedings before the Commission, addressed separately.

The Commission orders:

(A) PJM's proposed tariff revisions are hereby accepted and suspended, to become effective April 25, 2016, or an earlier date set forth in a subsequent order, subject to refund, and subject to further order by the Commission following a technical conference in the complaint proceedings, Docket Nos. EL15-18-001, EL15-67-000, and EL15-95-000, as discussed in the body of this order.

(B) The Commission staff is hereby directed to establish a technical conference to explore both whether there is a definable category of reliability projects within PJM for which the solution-based DFAX cost allocation method may not be just and reasonable, such as projects addressing reliability violations that are not related to flow on the planned transmission facility, and whether an alternative just and reasonable *ex ante* cost allocation method could be established for any such category of projects.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

Appendix A
PJM Interconnection, L.L.C.
Intra-PJM Tariffs
Tariff Records Accepted Effective April 25, 2016

ER15-2562-000

[SCHEDULE 12.APPX A – 3, OATT SCHEDULE 12.APPENDIX A – 3 Delmarva Power & Light Comp, 3.0.0.](#)

[SCHEDULE 12.APPX A – 4, OATT SCHEDULE 12.APPENDIX A – 4 Jersey Central Power & Light, 4.0.0.](#)

[SCHEDULE 12.APPX A – 12, OATT SCHEDULE 12.APPENDIX A – 12 Public Service Electric and, 6.0.0.](#)

[SCHEDULE 12.APPX A-26, OATT SCHEDULE 12.APPENDIX A – 26 Northeast Transmission Dev, 0.0.0.](#)

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[SCHEDULE 12.APPX A - 12, OATT SCHEDULE 12.APPENDIX A - 12 Public Service Electric and, 5.0.0.](#)

Appendix B

ER15-2562-000, Intervenors (* motions to intervene out-of-time)

American Electric Power Service Corporation
American Municipal Power, Inc. (AMP) *
Con Edison Company of New York
Delaware Division of the Public Advocate
Delaware Public Service Commission
Dominion Resources Services, Inc.
Duke Energy Corporation (Duke)⁴⁹ *
Dayton Power and Light Company
Exelon Corporation
FirstEnergy Service Company (FirstEnergy)⁵⁰ *
Hudson Transmission Partners, LLC (Hudson)*
ITC Mid-Atlantic Development LLC
Linden VFT, LLC
LSP Transmission Holdings, LLC
Northeast Transmission Development, LLC
Maryland Public Service Commission
New York Power Authority
North Carolina Electric Membership Corporation,
Old Dominion Electric Cooperative
Pepco Holdings, Inc.
Potomac Electric Power Company
Delmarva Power & Light Company
Atlantic City Electric Company
PPL Electric Utilities Corporation
Public Service Electric and Gas Company

⁴⁹ On behalf of its franchised public utility affiliates, Duke Energy Ohio, Inc., Duke Energy Kentucky, Inc., Duke Energy Indiana, Inc., Duke Energy Carolinas, LLC, and Duke Energy Progress, Inc.

⁵⁰ On behalf of its affiliates American Transmission Systems, Incorporated, Pennsylvania Electric Company, Metropolitan Edison Company, Jersey Central Power & Light Company, Monongahela Power Company, West Penn Power Company, The Potomac Edison Company, and Trans-Allegheny Interstate Line Company.

Rockland Electric Company
Public Power Association of New Jersey
Wabash Valley Power Association, Inc.

Appendix C

ER15-2563-000, Intervenors (* motions to intervene out-of-time)

American Electric Power Service Corporation
American Municipal Power, Inc. *
Con Edison Company of New York
Delaware Division of the Public Advocate
Delaware Public Service Commission
Dominion Resources Services, Inc.
Duke Energy Corporation⁵¹ *
Exelon Corporation
FirstEnergy Service Company⁵² *
Hudson Transmission Partners, LLC *
ITC Mid-Atlantic Development LLC
Linden VFT, LLC
Maryland Public Service Commission
Maryland Office of People's Counsel
New York Power Authority (NYPA) *
North Carolina Electric Membership Corporation
Old Dominion Electric Cooperative
Pepco Holdings, Inc.
Potomac Electric Power Company
Delmarva Power & Light Company
Atlantic City Electric Company
PPL Electric Utilities Corporation
Public Power Association of New Jersey
Public Service Electric and Gas Company
Rockland Electric Company
Wabash Valley Power Association, Inc.
LSP Transmission Holdings, LLC

⁵¹ On behalf of its franchised public utility affiliates, Duke Energy Ohio, Inc., Duke Energy Kentucky, Inc., Duke Energy Indiana, Inc., Duke Energy Carolinas, LLC, and Duke Energy Progress, Inc.

⁵² On behalf of its affiliates American Transmission Systems, Incorporated, Pennsylvania Electric Company, Metropolitan Edison Company, Jersey Central Power & Light Company, Monongahela Power Company, West Penn Power Company, The Potomac Edison Company, and Trans-Allegheny Interstate Line Company.