

Kentucky Power Company
KPSC Case No. 2017-00328
Attorney General’s First Re-Hearing Set of Data Requests
Dated May 9, 2018

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DATA REQUEST

AG_RH_002

Refer to Kentucky Power Company’s Brief in Support Of Its Application, pgs. 5–7. The Company stated: [t]he need for and utility of the proposed project were identified and confirmed using the PJM annual Regional Transmission Expansion Plan (“RTEP”) process and Kentucky Power (“AEP Guidelines for Transmission Owner Identified Needs[sic]) transmission planning criteria. The Company went on to state: [f]urther, the Supplemental portions of the project were presented to stakeholders for review at the November 2, 2017 and December 18, 2017 Subregional Committee meetings. As a result of this process, the Project and its components represent the most appropriate, cost-effective, and efficient means of meeting the applicable planning criteria and identified transmission system needs. In the Direct Testimony of Mr. Michael G. Lasslo, Mr. Lasslo stated that: [s]upplemental projects are identified and selected to address AEP transmission needs that are not covered by the PJM transmission planning criteria, are submitted to PJM to conduct a no-harm review, and are vetted with stakeholders through the TEAC and Sub-Regional RTEP Committees prior to being included in the RTEP. To ensure that the Supplemental project needs are clearly understood by stakeholders, they also are vetted with stakeholders through both PJM and AEP-hosted stakeholder meetings. This transparent planning and vetting process ensures that the Baseline and Supplemental projects that are incorporated into the RTEP are the appropriate, most efficient, and cost effective solutions to the planning criteria and system needs that have been identified and should be addressed for the benefit of customers.

a. Refer to the Company’s Reply to Attorney General’s Response to the Company’s Motion for Partial Rehearing, pgs. 9–10. In light of the preceding statements, fully explain how the Company did not rely on the PJM RTEP stakeholder review process to demonstrate its full consideration of stakeholder input in furtherance of the Supplemental project’s necessity.

b. Confirm the dates on which the Supplemental portion of this project was presented to PJM or its committees and sub-committees.

c. Provide a copy of the February 15, 2018 FERC Order in FERC docket Nos. EL16-71-000, ER17-179-000.

RESPONSE

a. The quoted statement from the Company's March 2, 2018 brief refers to the project as a whole. ("The need and utility for the proposed project...") The reference in the quoted statement to the PJM RTEP process refers to the Baseline elements. The reference in the quoted statement to the AEP Guidelines refers to the Supplemental Project elements. This differentiation is underscored by the remainder of the discussion on pages 5-7 of the Company's brief separately outlining the nature Baseline Project elements and Supplemental Project elements and their differing review in the PJM process. Thus, the brief explains that the Baseline Project elements were approved by the PJM board. ("The Baseline portion of the project was approved by the PJM Board on December 7, 2017.") By contrast, the brief indicates the Supplemental Project elements are simply reviewed but not approved. ("Further, the Supplemental portions of the project were presented to stakeholders for review at the November.")

The portion of Company Witness Lasslo's testimony quoted in the data request refers to the Supplemental Project elements alone. As the excerpted portion of Company Witness Lasslo's testimony makes clear, Kentucky Power submitted the Supplemental projects to the PJM Supplemental Review process for two purposes: (a) a PJM "no-harm review;" and (b) to receive PJM stakeholder input regarding the Supplemental Project elements. Although the process helps "ensure the Supplemental project needs are clearly understood by stakeholders," as the excerpt quoted in the data request states, the PJM Supplemental Project review process does not include, as the Attorney General seemingly understands, a determination of the need for the Supplemental Project elements. The evidence submitted by the Company pertaining to the PJM RTEP stakeholder process, while probative of the Company's efforts to elicit, obtain, and consider input from stakeholders related to the Supplemental Project elements of the project, was not explicitly relied upon by Kentucky Power (the statement in the Attorney General's brief to which pages 9-10 of the Company's reply was directed) to demonstrate the necessity for the Supplemental Project elements. The need for the Supplemental Project elements was demonstrated instead by the other record evidence. Stated otherwise, the difference is between describing the process by which the Company explained the need for the Supplemental Project elements to the PJM stakeholders, and the record evidence upon which the Company relies to demonstrate that need.

Further, and although Kentucky Power is not relying upon the PJM Supplemental Project review process to demonstrate the need for the Supplemental Project elements, it is also important to recognize that FERC's February 15, 2018 order was prospective only. It did not invalidate Kentucky Power's efforts to elicit, obtain, and consider input from stakeholders related to the Supplemental Project elements of the project.

b. The components of the project that were reviewed in the context of PJM's RTEP process as Supplemental projects were part of the presentation to the SRRTEP on November 2, 2017 and

December 18, 2017.

c. Please refer to KPCO_R_AG_RH_02_Attachment1.pdf. The Order is also available at the following link: [https://elibrary.ferc.gov/idmws/file_list.asp?document_id=14643464].

Witness: Michael G. Lasslo

November 5, 2018 Supplemental Response

AG_SR_01_RH_002(c)

Kentucky Power Company in accordance with 807 KAR 5:001, Section 12(d)(4) and instruction 4 of the Attorney General's May 9, 2018 request for information supplements its May 21, 2018 response to AG RH-2(c).

Subsequent to the Company's May 21, 2018 response the Federal Energy Regulatory Commission entered an order on September 26, 2018. The September 26, 2018 FERC order is attached as KPCO_SR_01_AG_RH_02_Attachment1.pdf. The September 26, 2018 FERC order denied the "Load Group's" request for rehearing of the February 15, 2018 order. A copy of the February 15, 2018 FERC order was requested in the initial request for information.

The September 26, 2018 order also accepted the separate compliance filings by PJM Interconnection, L.L.C. and the PJM Transmission Owners. The PJM Interconnection, L.L.C. compliance filing is attached as KPCO_SR_01_AG_RH_02_Attachment2.pdf. The PJM Transmission Owners compliance filing is attached as KPCO_SR_01_AG_RH_02_Attachment3.pdf.

Also subsequent to the Company's May 21, 2018 response FERC entered an order on August 31, 2018 in *California Public Utilities Commission v. Pacific Gas and Electric Company*, EL-17-45-000 ("California Order.") The California Order addressed the nature of "asset management projects and activities" (essentially the equivalent of Supplemental Projects) and the inapplicability of FERC Order 890 (the basis for FERC's February 15, 2018 order) to asset management projects and activities that only incidentally increase transmission capacity and that are not reasonably severable from the asset management project and activity. The California Order is attached as KPCO_SR_01_AG_RH_02_Attachment4.pdf.

Witness: Kamran Ali

VERIFICATION

The undersigned, Kamran Ali, being duly sworn, deposes and says he is the Director of Transmission Planning for American Electric Power, that he has personal knowledge of the matters set forth in the foregoing responses and the information contained therein is true and correct to the best of his information, knowledge, and belief.

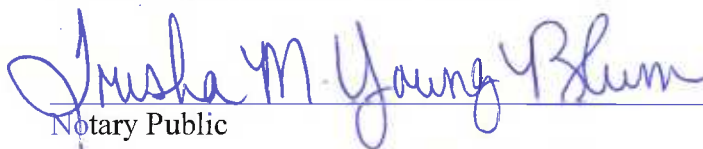


Kamran Ali

Commonwealth of Kentucky)
)
County of Boyd)

Case No. 2017-00328

Subscribed and sworn before me, a Notary Public, by Kamran Ali this
 1 day of November, 2018.



Notary Public

My Commission Expires 3-18-19



164 FERC ¶ 61,217
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Cheryl A. LaFleur, Neil Chatterjee,
and Richard Glick.

Monongahela Power Company	Docket Nos. EL16-71-002
Potomac Edison Company	ER17-179-001
West Penn Power Company	ER17-179-002
AEP Indiana Michigan Transmission Company, Inc.	ER17-179-003
AEP Kentucky Transmission Company, Inc.	
AEP Ohio Transmission Company, Inc.	
AEP West Virginia Transmission Company, Inc.	
Appalachian Power Company	
Indiana Michigan Power Company	
Kentucky Power Company	
Kingsport Power Company	
Ohio Power Company	
Wheeling Power Company	
Commonwealth Edison Company	
Commonwealth Edison Company of Indiana, Inc.	
Dayton Power and Light Company	
Virginia Electric and Power Company	
Public Service Electric and Gas Company	
PECO Energy Company	
PPL Electric Utilities Corporation	
Baltimore Gas and Electric Company	
Jersey Central Power & Light Company	
Metropolitan Edison Company	
Pennsylvania Electric Company	
Potomac Electric Power Company	
Atlantic City Electric Company	
Delmarva Power & Light Company	
UGI Utilities Inc.	
Allegheny Electric Cooperative, Inc.	
CED Rock Springs, LLC	
Old Dominion Electric Cooperative	
Rockland Electric Company	
Duquesne Light Company	
Neptune Regional Transmission System, LLC	
Trans-Allegheny Interstate Line Company	
Linden VFT, LLC	

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American Transmission Systems, Incorporated
City of Cleveland, Department of Public Utilities,
Division of Cleveland Public Power
Duke Energy Ohio, Inc.
Duke Energy Kentucky, Inc.
City of Hamilton, Ohio
Hudson Transmission Partners, LLC
East Kentucky Power Cooperative, Inc.
City of Rochelle
ITC Interconnection LLC
PJM Interconnection, L.L.C.

ORDER ON REHEARING
AND COMPLIANCE

(Issued September 26, 2018)

1. In this order, the Commission denies rehearing of the February 15, 2018 order in Docket Nos. EL16-71-000 and ER17-179-000 (February 15 Order),¹ and accepts, effective September 26, 2018, PJM Interconnection, L.L.C.'s (PJM) and the PJM Transmission Owners' compliance filings in Docket Nos. ER17-179-002 and ER17-179-003.²

I. Background

2. In PJM, there are distinct processes for planning new transmission infrastructure at the regional level—i.e., PJM's Regional Transmission Expansion Planning (RTEP) process for Regional RTEP projects and Subregional RTEP projects³— and at the local level—i.e., individual transmission owners' processes for planning Supplemental Projects. Under PJM's regional transmission planning process, PJM's Office of Interconnection and the Subregional RTEP Committees identify Regional RTEP projects

¹ *Monongahela Power Co.*, 162 FERC ¶ 61,129 (2018) (February 15 Order).

² PJM March 19, 2018 Compliance Filing (Schedule 6 Compliance Filing); PJM Transmission Owners March 19, 2018 Compliance Filing (Attachment M-3 Compliance Filing) (collectively, Compliance Filings).

³ In PJM, Regional RTEP projects are projects that will operate at or above 230 kV, while Subregional RTEP projects are projects that will operate below 230 kV. *Id.*, Definitions Q-R (6.0.0).

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and Subregional RTEP projects, respectively, to meet system reliability, operational performance, or economic criteria. In contrast, each PJM Transmission Owner identifies Supplemental Projects to meet needs within their respective zones.⁴

3. In Order No. 890, the Commission required transmission providers to develop a transmission planning policy that satisfied certain transmission planning principles—including, as relevant here, transparency to customers and other stakeholders regarding the basic criteria, assumptions, and data underlying their transmission system plans, and coordination with stakeholders—with the objective of reducing after-the-fact litigation and opportunities for undue discrimination.⁵ The Commission specified that, to comply with Order No. 890, transmission owners in the footprint of a regional transmission organization (RTO) or independent system operator (ISO) must engage in a transmission planning process that complies with the requirements of Order No. 890.⁶

4. In August 2016, the Commission issued an order establishing an inquiry in Docket No. EL16-71-000 under section 206 of the Federal Power Act (FPA)⁷ into the justness and reasonableness of the Supplemental Projects planning procedures contained in the PJM Operating Agreement and the PJM Open Access Transmission Tariff (OATT).⁸ Specifically, the Commission cited concerns raised at a November 2015 technical conference and in post-technical conference comments that the PJM Transmission Owners were depriving stakeholders of a meaningful opportunity to participate in the Supplemental Projects planning process by, among other things, identifying and developing these transmission projects before discussing the need for those projects in the stakeholder process.⁹ The Commission directed the PJM Transmission Owners to either propose revisions to the PJM Operating Agreement, their portions of the PJM OATT, or

⁴ See PJM, Intra-PJM Tariffs, Operating Agreement, Definitions S-T (11.0.0).

⁵ *Preventing Undue Discrimination and Preference in Transmission Service*, Order No. 890, FERC Stats. & Regs. ¶ 31,241, at PP 425, 454, *order on reh'g*, Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 (2007), *order on reh'g*, Order No. 890-B, 123 FERC ¶ 61,299 (2008), *order on reh'g*, Order No. 890-C, 126 FERC ¶ 61,228, *order on clarification*, Order No. 890-D, 129 FERC ¶ 61,126 (2009).

⁶ Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 440.

⁷ 16 U.S.C. § 824e (2012).

⁸ *Monongahela Power Co.*, 156 FERC ¶ 61,134 (2016) (Show Cause Order).

⁹ See February 15 Order, 162 FERC ¶ 61,129 at PP 10-11 (citing Show Cause Order, 156 FERC ¶ 61,134 at PP 13-14).

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their individual Open Access Transmission Tariffs to comply with Order No. 890, or to show cause why they should not be required to do so.¹⁰

5. On October 25, 2016, the PJM Transmission Owners filed a response asserting that the PJM Operating Agreement already complied with Order No. 890 and thus no revisions were needed to comply with the Show Cause Order.¹¹ That same day, however, PJM and the PJM Transmission Owners submitted an FPA section 205¹² filing “[i]n conjunction with” the Show Cause Response to include a new Attachment M-3 to the PJM OATT and proposed revisions to Schedule 6 of the PJM Operating Agreement.¹³ PJM and the PJM Transmission Owners asserted that, while the Show Cause Response demonstrated that the PJM Operating Agreement and OATT were consistent with Order No. 890, the proposed revisions in the Attachment M-3 Filing were intended to provide additional detail and transparency to the process for planning Supplemental Projects.¹⁴

6. Several parties, including Old Dominion Electric Cooperative (Old Dominion) and American Municipal Power, Inc. (American Municipal Power), filed responses to the Show Cause Order arguing that the transmission planning process for Supplemental Projects violated Order No. 890 and proposed revisions to the PJM Operating Agreement.¹⁵ Old Dominion and American Municipal Power also protested the Attachment M-3 Filing, arguing that the revisions proposed therein were a step in the right direction, but insufficient to ensure compliance with Order No. 890. Moreover, Old Dominion and American Municipal Power stated that, in any event, PJM and the PJM Transmission Owners should have filed the proposed revisions to Attachment M-3 in the

¹⁰ Show Cause Order, 156 FERC ¶ 61,134 at P 15.

¹¹ PJM Transmission Owners, Response to Show Cause Order, Docket No. EL16-71-000 (filed Oct. 25, 2016) (Show Cause Response).

¹² 16 U.S.C. § 824d.

¹³ PJM and PJM Transmission Owners, Proposed Tariff Revisions in Response to Order to Show Cause, Docket No. ER17-179-000, at 1 (filed Oct. 25, 2016) (Attachment M-3 Filing).

¹⁴ *Id.* at 2.

¹⁵ See American Municipal Power, Initial Comments, Docket No. EL16-71-000, at 4-17 (filed Oct. 25, 2016) (American Municipal Power Show Cause Comments); Old Dominion, Response to Order to Show Cause, Docket No. EL16-71-000, at 6-13 (filed Oct. 25, 2016) (Old Dominion Show Cause Comments).

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Show Cause Order proceeding, instead of in a separate FPA section 205 filing, and as revisions to the PJM Operating Agreement, instead of to the OATT.¹⁶

February 15 Order

7. In the February 15 Order, the Commission found that the PJM Operating Agreement and OATT, as applied by the PJM Transmission Owners, did not fully comply with Order No. 890 and were therefore unjust and unreasonable and unduly discriminatory and preferential.¹⁷ In particular, the Commission found that the PJM Transmission Owners' practices in planning Supplemental Projects were inconsistent with Order No. 890's principles of coordination and transparency and in violation of the PJM Operating Agreement.¹⁸ With respect to the Attachment M-3 Filing, the Commission accepted PJM and the PJM Transmission Owners' proposal to move the transmission planning provisions for Supplemental Projects from the PJM Operating Agreement to the OATT in the form of proposed Attachment M-3.¹⁹ However, the Commission found that PJM and the PJM Transmission Owners failed to meet their FPA section 205 burden with respect to the revisions proposed in the Attachment M-3 Filing.²⁰

8. Having found that PJM and the PJM Transmission Owners failed to demonstrate that the proposed revisions were just and reasonable, and having found the existing PJM Operating Agreement and OATT to be unjust and unreasonable, the Commission used its authority under FPA section 206 to set a just and reasonable rate.²¹ The Commission thus accepted, in part, and rejected, in part, the Attachment M-3 Filing, and directed revisions

¹⁶ See American Municipal Power, Protest and Comments, Docket No. ER17-179-000, at 4-11 (filed Nov. 22, 2016) (American Municipal Power Attachment M-3 Protest); Old Dominion, Protest, Docket Nos. ER17-179-000 and EL16-71-000, at 5-11 (filed Nov. 22, 2016) (Old Dominion Attachment M-3 Protest). American Municipal Power also moved to dismiss the Attachment M-3 Filing as an attempt to circumvent the Show Cause Order. American Municipal Power, Motion to Dismiss or Reject Filing and Answer, Docket Nos. ER17-179-000 and EL16-71-000, at 5-8 (filed Nov. 16, 2016) (American Municipal Power Motion to Dismiss).

¹⁷ February 15 Order, 162 FERC ¶ 61,129 at PP 4, 72-91.

¹⁸ See *id.* P 72.

¹⁹ *Id.* P 92.

²⁰ *Id.*

²¹ See *id.* P 71.

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to the PJM Operating Agreement and Attachment M-3 to the PJM OATT.²² The Commission found that the additional reforms that Old Dominion and American Municipal Power proposed were not required to achieve compliance with Order No. 890.²³

II. Requests for Rehearing and Commission Determination

A. Rehearing

9. A joint request for rehearing of the February 15 Order was timely filed by American Municipal Power, Old Dominion, Delaware Division of the Public Advocate, PJM Industrial Customer Coalition, Illinois Citizens Utility Board, Office of the People's Counsel for the District of Columbia, and Public Power Association of New Jersey (collectively, the Load Group). The Load Group argues that, even with the proposed modifications to the PJM transmission planning process in Attachment M-3, as accepted in the February 15 Order, and the further revisions to Attachment M-3 and the Operating Agreement that the Commission required in that same order, the PJM Transmission Owners' processes for planning Supplemental Projects still fail to comply with Order No. 890. Generally, the Load Group asserts that the Commission erred by: (1) permitting PJM and the PJM Transmission Owners to circumvent the division of filing rights in PJM, and particularly the supermajority vote of the Members Committee required for changes to the Operating Agreement, by filing the revisions as an attachment to the OATT rather than as part of the Operating Agreement;²⁴ (2) exceeding its authority under FPA sections 205 and 206 by accepting proposed Attachment M-3 subject to condition;²⁵ (3) accepting a proposal that fails to fully integrate the PJM Transmission Owners' Supplemental Projects planning process into the PJM transmission planning process;²⁶ and (4) failing to direct various additional revisions to Attachment M-3 to ensure compliance with Order No. 890, such as requiring the PJM Transmission Owners to respond to stakeholder comments.²⁷

²² *Id.* PP 4, 100-116.

²³ *Id.* P 117.

²⁴ Load Group Rehearing Request at 3, 5, 6-13.

²⁵ *Id.* at 3, 13-16.

²⁶ *Id.* at 2, 5, 16-19.

²⁷ *Id.* at 4-5, 6, 19-36.

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10. The Load Group largely repeats arguments that American Municipal Power, Old Dominion, and other protestors made in multiple pleadings in Docket Nos. EL61-71-000 and ER17-179-000, which the Commission fully considered in the February 15 Order. We are not persuaded that the Commission erred in the February 15 Order, which we believe appropriately responds to these concerns. Accordingly, and as discussed further below, we deny rehearing.

1. **Moving the Supplemental Projects Planning Process to OATT Attachment M-3**

11. In the February 15 Order, the Commission found just and reasonable the proposal to move the PJM Transmission Owners' process for planning Supplemental Projects from the Operating Agreement to the OATT, given that the PJM Transmission Owners bear primary responsibility for planning Supplemental Projects.²⁸ The Commission found that allowing the PJM Transmission Owners to change the location of this provision to be consistent with the Commission's directive in Order No. 890 that "individual transmission owners must, to the extent that they perform transmission planning within an RTO or ISO, comply with the Final Rule."²⁹ In reaching this conclusion, the Commission addressed American Municipal Power's and Old Dominion's arguments that the Operating Agreement should govern the Supplemental Projects planning process.³⁰ The Load Group raises these same arguments on rehearing, asserting that the revisions in Attachment M-3 to the OATT should be housed in Schedule 6 of the Operating Agreement with the RTEP protocols and procedures "where they naturally belong," and that the PJM Transmission Owners have circumvented the allocation of filing rights in the PJM governing documents with the express aim of being able to amend the

²⁸ February 15 Order, 162 FERC ¶ 61,129 at PP 96-97.

²⁹ *Id.* P 97 (quoting Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 440).

³⁰ *See* American Municipal Power Motion to Dismiss at 6-8 (arguing that, as all other RTEP provisions are in the Operating Agreement, the PJM Transmission Owners' proposal to move the Supplemental Projects planning provisions to the OATT must be intended to give themselves the exclusive right to modify these provisions in the future); American Municipal Power Attachment M-3 Protest at 4-7 (making the same argument, and further asserting that PJM should be responsible for planning Supplemental Projects); Old Dominion Attachment M-3 Protest at 9-10 (pointing to the significance of transmission planning, the "past history" of some PJM Transmission Owners failing to comply with Order No. 890, and the fact that core provisions of PJM's transmission planning are contained in Schedule 6 as reasons to require the Supplemental Projects planning provisions to be housed in the Operating Agreement).

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Supplemental Projects planning procedures without the requisite Members Committee supermajority vote.³¹

12. We continue to find these arguments unavailing. The Load Group asserts that the response in the February 15 Order was incomplete because the Commission “only” found, based on the record in the proceeding, that the PJM Transmission Owners bear primary responsibility for planning Supplemental Projects and noted that any OATT revisions that the PJM Transmission Owners file must be found just and reasonable and not unduly discriminatory or preferential by the Commission before they can take effect.³² But the Load Group makes no argument about how the Commission erred in relying on these factors.

13. In Order No. 890, the Commission held that individual transmission owners’ local planning processes must comply with specified requirements.³³ When transmission owners participate in an RTO, the Commission did not require them to allow the RTO to do all planning for local or Supplemental Projects. Rather, the Commission recognized “RTO planning processes may focus principally on regional problems and solutions, not local planning issues that may be addressed by individual transmission owners.”³⁴ The PJM Transmission Owners therefore may retain primary authority for planning local Supplemental Projects and the record in this proceeding demonstrated that the PJM Transmission Owners, in fact, do the planning for Supplemental Projects, “with PJM playing a relatively minor role in which it reviews the proposed Supplemental Projects only to ensure that they do not have adverse reliability impacts.”³⁵ Accordingly, the Commission found that it is just and reasonable for the Supplemental Projects planning process to be contained in the PJM OATT.³⁶ We therefore disagree with Load Group that further explanation is necessary.³⁷

³¹ Load Group Rehearing Request at 3, 5, 6-13.

³² *Id.* at 7 (citing February 15 Order, 162 FERC ¶ 61,129 at P 97).

³³ Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 440.

³⁴ *Id.*

³⁵ February 15 Order, 162 FERC ¶ 61,129 at P 97.

³⁶ *Id.*

³⁷ Load Group Rehearing Request at 7 (asserting that the Commission “erred in wholly failing to address the arguments presented in the record”).

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14. The fact that stakeholders have greater control over the planning process for RTEP projects³⁸—because the RTEP protocols are contained in the Operating Agreement, and any revisions must therefore pass a two-thirds majority sector-weighted vote of the Members Committee to be filed under FPA section 205³⁹—does not change this result.⁴⁰ The Load Group’s arguments to the contrary appear to be predicated on the assumption that the Supplemental Projects planning process is simply a component of, and identical to, the RTEP planning process. As indicated in the February 15 Order, we disagree. The PJM Transmission Owners have primary responsibility for planning Supplemental Projects and, therefore, retain the filing rights to make modifications to these provisions.⁴¹ Unlike the RTEP transmission projects, for which the PJM Transmission Owners have ceded planning to PJM as part of establishing an RTO,⁴² the PJM Transmission Owners remain responsible for planning Supplemental Projects, and we find that it is just and reasonable for the PJM Transmission Owners to establish the process for planning these transmission projects and to initiate under section 205 any proposed revisions. Moreover, the PJM Transmission Owners do not have unfettered agency to change the Supplemental Projects planning process at will, as alleged by the rehearing requests; changes to Attachment M-3 take effect only if the Commission finds

³⁸ *Id.* at 11-12.

³⁹ *See* Operating Agreement, section 8.4.

⁴⁰ *See* February 15 Order, 162 FERC ¶ 61,129 at P 97 (finding that it is just and reasonable for the PJM Transmission Owners to have FPA section 205 filings rights over the Supplemental Projects planning provisions).

⁴¹ *Atlantic City Elec. Co. v. FERC*, 295 F.3d 1, 10-11 (D.C. Cir. 2002) (“Rather this Court, among others, has stressed that the power to initiate rate changes rests with the utility and cannot be appropriated by FERC in the absence of a finding that the existing rate was unlawful.”).

⁴² 18 C.F.R. § 35.34(k)(7) (2018) (“The [RTO] must be responsible for planning, and for directing or arranging, necessary transmission expansions, additions, and upgrades that will enable it to provide efficient, reliable and non-discriminatory transmission service and coordinate such efforts with the appropriate state authorities.”); *Regional Transmission Organizations*, Order No. 2000, FERC Stats. & Regs. ¶ 31,089, at 31,163 (1999), *order on reh’g*, Order No. 2000-A, FERC Stats. & Regs. ¶ 31,092 (2000), *aff’d sub nom. Pub. Util. Dist. No. 1 v. FERC*, 272 F.3d 607 (D.C. Cir. 2001) (affirming that “the RTO must have ultimate responsibility for both transmission planning and expansion within its region”).

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them to be just and reasonable and not unduly discriminatory or preferential under FPA section 205.⁴³

15. Finally, while the PJM Transmission Owners' processes for planning Supplemental Projects must comply with Order No. 890, Order No. 890 does not specify how planning will be conducted when transmission owners have joined together in an RTO. Since PJM does not have primary responsibility for planning for Supplemental Projects, the PJM Transmission Owners can specify where their transmission planning process should be located. Indeed, as the Commission recognized in the February 15 Order, the Show Cause Order expressly contemplated that the PJM Transmission Owners might address the transmission planning process for Supplemental Projects in PJM's OATT.⁴⁴

2. The Commission's Authority Under FPA Sections 205 and 206

16. We also deny the Load Group's contention that the Commission exceeded its authority under FPA sections 205 and 206.⁴⁵ In the February 15 Order, the Commission found that: (1) the existing provisions in PJM's Operating Agreement governing the PJM Transmission Owners' process for planning Supplemental Projects violated Order No. 890's coordination and transparency principles and were therefore unjust and unreasonable and unduly discriminatory and preferential; (2) the PJM Transmission Owners' FPA section 205 proposal in the Attachment M-3 Filing was also unjust and unreasonable, as it primarily carried over the provisions that the Commission found to be unjust and unreasonable in the PJM Operating Agreement; and (3) the revisions to Attachment M-3 and the PJM Operating Agreement directed in the February 15 Order would ensure compliance with the coordination and transparency principles of Order No. 890 and were therefore just and reasonable and not unduly discriminatory or preferential.⁴⁶

⁴³ February 15 Order, 162 FERC ¶ 61,129 at P 97.

⁴⁴ *Id.* P 97 n.207 (citing Show Cause Order, 156 FERC ¶ 61,134 at P 15).

⁴⁵ Load Group Rehearing Request at 3, 13-16.

⁴⁶ February 15 Order, 162 FERC ¶ 61,125 at P 71. As explained in the February 15 Order, the Commission may "transform" a section 205 proceeding into a section 206 proceeding if the Commission concludes both that the filing entity failed to demonstrate that its proposed rate is just and reasonable and that the prior rate is no longer just and reasonable, and establishes a substitute rate that is just and reasonable. *Western Resources, Inc. v. FERC*, 9 F.3d 1568, 1579 (D.C. Cir. 1993) (*Western Resources*).

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17. These findings follow the framework set out by the court in *Western Resources* and other cases for revising a tariff proposal that the Commission does not find just and reasonable. As the court explained:

Under the [Natural Gas Act], an action may originate as a § 4 proceeding only to be transformed later into a § 5 proceeding. In imposing its own rate under these circumstances, the Commission must make three findings: first, it must conclude under § 4 that the pipeline failed to carry its burden of proof that the proposed rate was just and reasonable; second, it must itself demonstrate that the default position, the prior rate, is no longer just and reasonable; and third, it must establish that its substitute rate is just and reasonable.⁴⁷

The Commission followed all three steps here. The Commission found the proposal by the PJM Transmission Owners unjust and unreasonable as filed.⁴⁸ The Commission found the prior provision regarding planning for Supplemental Projects unjust and unreasonable.⁴⁹ And, the Commission established the just and reasonable substitute rate.⁵⁰

18. The Load Group argues that the Commission lacked authority to direct changes to the proposed Attachment M-3 and instead should have rejected the Attachment M-3 Filing altogether and required modifications to the Operating Agreement.⁵¹ In particular, the Load Group argues that, because technically there *was* no Attachment M-3 prior to

⁴⁷ *Id.* See *Pub. Serv. Comm'n of State of N.Y. v. FERC*, 866 F.2d 487, 491 (D.C. Cir. 1989) (“[W]here a § 4 [parallel to FPA section 205] proceeding is under way, the Commission may discover facts that persuade it that reductions or changes are appropriate that require the exercise of its § 5 [parallel to FPA section 206] powers); *Tenn. Gas Pipeline Co. v. FERC*, 860 F.2d 446, 456 (D.C. Cir. 1988) (“If, in the course of a section 4 proceeding, FERC decides to take action authorized by section 5, the Commission may do so without initiating an independent proceeding. But section 5 authority, regardless of the context in which it is exercised, may be pursued only in accordance with the requirements and constraints imposed by section 5.”).

⁴⁸ February 15 Order, 162 FERC ¶ 61,129 at PP 92, 100-104.

⁴⁹ *Id.* PP 70, 73-91.

⁵⁰ *Id.* PP 105-116.

⁵¹ Load Group Rehearing Request at 14-16.

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the PJM Transmission Owners' FPA section 205 filing, there was no preexisting rate to find unjust and unreasonable and the Commission thus lacked the catalyst to "transform" its FPA section 205 assessment of the Attachment M-3 Filing into a section 206 analysis.⁵²

19. Prior to the Attachment M-3 Filing, the process for planning Supplemental Projects was covered by the general transmission planning provisions in Schedule 6 of the Operating Agreement. The Commission instituted a proceeding under section 206 to examine the justness and reasonableness of that process. In conjunction with responding to the section 206 proceeding, the PJM Transmission Owners exercised their section 205 filing rights to propose changes to the planning process for Supplemental projects in a new Attachment M-3. The Commission found the substance of the provisions of proposed Attachment M-3 to be unjust and unreasonable precisely because they "rely largely on the provisions of the PJM Operating Agreement that we find are being implemented in a manner that is unjust and unreasonable."⁵³ The Commission then followed *Western Resources* to revise that proposal by "transforming" the proceeding into a section 206 proceeding. The Commission found that the prior provision regarding Supplemental Projects in the Operating Agreement unjust and unreasonable and determined the just and reasonable substitute rate.

20. The Load Group appears to place form over substance in maintaining that the Commission could not find the prior rate unjust and unreasonable simply because that rate existed in a different provision of the OATT.⁵⁴ We do not read *Western Resources* and the other cases to impose such a requirement when the Commission exercises its

⁵² *Id.* at 14. The Load Group further asserts that *NRG Power Marketing, LLC v. FERC*, 862 F.3d 108 (D.C. Cir. 2017) prohibits the Commission from making the modifications directed in the February 15 Order to Attachment M-3 under section 205 of the FPA. *Id.* at 15-16. As noted, however, the Commission did not purport to require changes to Attachment M-3 under section 205 and we disagree with the Load Group's application of *Western Resources*. Accordingly, we reject this argument as well.

⁵³ February 15 Order, 162 FERC ¶ 61,129 at P 71.

⁵⁴ Indeed, if the Load Group were correct that no prior rate existed, then the Commission's action still fell within its authority. See *Tenn. Gas Pipeline Co. v. FERC*, 860 F.2d 446, 456 (finding that if no existing rate exists, the Commission can still modify a Natural Gas Act section 4 proposal by finding the proposal unjust and unreasonable and satisfying its burden of showing the substitute rate just and unreasonable); *ISO New England, Inc.*, 113 FERC ¶ 61,055, at P 27 (2005) (citing *Tenn. Gas Pipeline Co. v. FERC* and noting, similarly, that the Commission may accept a just and reasonable alternative where the utility fails to meet its burden to justify a new proposed rate).

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authority to act under section 206. The Load Group's argument could also be viewed as an alternative version of their contention that the PJM Transmission Owners do not have authority to make unilateral revisions to the planning for Supplemental Projects. We responded to that argument above.⁵⁵ We therefore continue to find that the Commission acted within its authority to direct modifications to the FPA section 205 Attachment M-3 Filing under FPA section 206, consistent with *Western Resources*.

3. Integration of the Supplemental Projects Planning Process into the RTEP Process

21. The Load Group asserts that the Commission's failure to require PJM to fully integrate the PJM Transmission Owners' Supplemental Projects planning process into its regional transmission planning process renders PJM's RTEP process non-compliant with Order No. 890.⁵⁶ In particular, the Load Group requests that the Commission require that: (1) Attachment M-3 be revised to clearly define the term "planning cycle" and align it with the planning cycle used for the RTEP planning;⁵⁷ (2) more information be provided regarding how Supplemental Projects will be modeled in PJM's RTEP baseline process;⁵⁸ and (3) PJM and the PJM Transmission Owners be required to coordinate Supplemental Projects with RTEP projects in the same area.⁵⁹

22. We deny rehearing and decline the Load Group's request that the Commission direct PJM Transmission Owners to make a further compliance filing implementing these proposals. While the Load Group alleges that the Commission departed from precedent by failing to require coordination between the two processes, it cites no precedent suggesting that these requested revisions are required for PJM or the PJM Transmission Owners to comply with Order No. 890.⁶⁰ As we stated above, under Order No. 890, the PJM Transmission Owners are permitted to retain responsibility for planning Supplemental Projects on their own systems. PJM plays only a small role by reviewing the proposed Supplemental Projects to ensure that they do not have adverse reliability impacts. We therefore do not find that the Supplemental Projects planning process

⁵⁵ *See supra* PP 14-15.

⁵⁶ Load Group Rehearing Request at 4, 5, 16-19.

⁵⁷ *Id.* at 17-18.

⁵⁸ *Id.* at 18.

⁵⁹ *Id.*

⁶⁰ *Id.* at 18-19.

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provisions adopted by the Commission are required to be more fully integrated with PJM's RTEP process.

23. The Load Group notes that PJM has stated to the Commission that the PJM Transmission Owners' local transmission planning processes must be fully integrated into PJM's overall transmission planning process.⁶¹ The focus of this proceeding, as established in the Show Cause Order, was to determine whether the PJM Transmission Owners' processes for planning Supplemental Projects were providing stakeholders with meaningful opportunity for input and participation in the transmission planning process, consistent with Order No. 890.⁶² Although the revisions proposed in the Attachment M-3 Filing moved the Supplemental Projects planning process from the Operating Agreement to the OATT, the Commission found no indication in the February 15 Order that this change jeopardized or revised the existing coordination between the Supplemental Projects planning process and the RTEP process. As explained in the February 15 Order, PJM reviews the Supplemental Projects and, as long as they do not jeopardize reliability, they are integrated into the Local Plan,⁶³ which is a product of the Subregional RTEP Committees,⁶⁴ and then integrated into PJM's Regional Transmission Expansion Plan.⁶⁵ The Load Group fails to establish that the Supplemental Projects planning process, with the revisions that the Commission directed in the February 15 Order, effects any change in the current process.⁶⁶ We therefore disagree that the Commission's action have

⁶¹ *Id.* at 17 (citing Show Cause Order, 156 FERC ¶ 61,134 at P 8).

⁶² Show Cause Order, 156 FERC ¶ 61,134 at P 1.

⁶³ The Local Plan includes the Supplemental Projects that PJM Transmission Owners identified within their zones and Subregional RTEP projects developed to comply with applicable reliability criteria, including transmission owners' planning criteria or based on market efficiency analysis and in consideration of public policy requirements. PJM, Intra-PJM Tariffs, Operating Agreement, Definitions I-L (10.0.0).

⁶⁴ The Subregional RTEP Committees are selected by PJM's Office of Interconnection and facilitate development and review of the Local Plans. PJM Operating Agreement, Schedule 6, § 1.3(c). They are open to participation by: "(i) all Transmission Customers and applicants for transmission service; (ii) any other entity proposing to provide Transmission Facilities to be integrated into the PJM Region; (iii) all Members; (iv) the electric utility regulatory agencies within the States in the PJM Region, the Independent State Agencies Committee, and the State Consumer Advocates and (v) any other interested entities or persons." *Id.* § 1.3(e).

⁶⁵ *See* February 16 Order, 162 FERC ¶ 61,129 at P 8.

⁶⁶ *See id.* at 16 (citing Order No. 2000, FERC Stats. & Regs. ¶ 31,089 at 31,164).

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created “a vacuum, divorced from the broader RTEP planning process as set forth in the Operating Agreement,” as alleged in the rehearing.⁶⁷

24. With respect to the Load Group’s requested clarification regarding the use of the term “planning cycle,” we note that the Load Group also raises this issue in its protest of the Attachment M-3 Compliance Filing.⁶⁸ As the Commission did not direct the PJM Transmission Owners to define this term on compliance, we consider the Load Group’s objections to be outside the scope of the compliance proceeding and properly classified as a request for rehearing.⁶⁹ While we do not believe that further revisions to Attachment M-3 are needed, to the extent necessary, we clarify that the Commission interprets the term “planning cycle,” as used in Attachment M-3, to mean the same planning cycle used in the RTEP process. The term is not otherwise defined in PJM’s OATT and this interpretation comports with the PJM Transmission Owners’ representations that the time periods in the Attachment M-3 Compliance Filing were chosen in consultation with PJM to ensure that the Supplemental Projects planning process can be completed in conjunction with PJM’s overall planning cycle.⁷⁰

4. Request for Additional Revisions to Attachment M-3

25. On rehearing, the Load Group revives American Municipal Power’s request that the Commission require PJM Transmission Owners to respond to stakeholder

⁶⁷ Load Group Rehearing Request at 17.

⁶⁸ Load Group April 9, 2018 Protest at 8 (arguing, as in its rehearing request, that the PJM Transmission Owners have failed to clearly define the term “planning cycle” as it applies to the Supplemental Projects planning cycle, or to specify when this cycle ends).

⁶⁹ Accordingly, we decline to address the PJM Transmission Owners’ response to the Load Group at pages 15-17 of its April 24, 2018 answer as an impermissible answer to a request for rehearing, and likewise reject the Load Group’s further response to the PJM Transmission Owners are pages 4-6 and 9-10 of its May 9, 2018 answer. 18 C.F.R. § 385.713(d)(1) (2018).

⁷⁰ See Attachment M-3 Compliance Filing at 4.

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comments.⁷¹ The Commission declined to require express responses in the February 15 Order, finding that this additional reform was not required for compliance with Order No. 890.⁷² Nevertheless, the revisions to Attachment M-3 include language specifying that the Transmission Owner “may respond or provide feedback as appropriate” to stakeholder comments.⁷³ The Load Group asserts that an express directive is needed to ensure compliance with Order No. 890’s comparability and coordination principles, and that by using “may” instead of “shall” the Commission failed to ensure that stakeholders will have an opportunity to provide meaningful input.⁷⁴ Absent an express requirement to respond to comments, the Load Group insists, stakeholders will not know whether the PJM Transmission Owners have actually considered their comments, which will discourage stakeholder participation and increase the use of dispute resolution.⁷⁵

26. We do not believe that Order No. 890 dictates the result that the Load Group requests. Order No. 890 requires that stakeholders be afforded the opportunity to provide meaningful input, and that public utility transmission providers “craft a process that allows for a reasonable and meaningful opportunity to meet or otherwise interact meaningfully.”⁷⁶ Its requirements are not so prescriptive as to dictate whether and how the PJM Transmission Owners must respond to that input.⁷⁷ While we encourage the PJM Transmission Owners to be as responsive as possible to stakeholder comments, we also realize that not all comments may require answer and that the PJM Transmission Owners require some flexibility to manage written responses to comments, the timely preparation of materials for the next meeting, and other obligations. We believe that the process required in the February 15 Order strikes the appropriate balance.

⁷¹ Load Group Rehearing Request at 4, 6 24-25. *See* American Municipal Power Show Cause Comments at 12.

⁷² February 15 Order, 162 FERC ¶ 61,129 at P 117.

⁷³ *Id.* at Appendix A.

⁷⁴ Load Group Rehearing Request at 26-27.

⁷⁵ *Id.* at 27-28.

⁷⁶ Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 453.

⁷⁷ *See id.* P 452 (the Commission is “more concerned with the substance of coordination than its form,” and explained that a transmission provider could meet the coordination requirement with formal meetings, or even by setting up a permanent planning committee with less formal meetings).

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27. Neither do we find that the lack of an express requirement to respond to every written comment will jeopardize comparability. A requirement that the PJM Transmission Owners respond to all comments that they receive through the Supplemental Projects planning process does not ensure that each PJM Transmission Owner will treat similarly situated customers comparably,⁷⁸ as the quality of those responses could vary, and submitting an obligatory response does not guarantee that the comments have been more closely considered. Accordingly, we confirm that, having examined the record and found that the proposed OATT and Operating Agreement revisions, as modified in the February 15 Order, were just and reasonable and not unduly discriminatory and preferential, the Commission did not need to incorporate protestors' additional requests.⁷⁹

28. In the same vein, the Load Group catalogs a list of what it characterizes as "significant remaining deficiencies" in Attachment M-3 related to process and information sharing.⁸⁰ As an initial matter, we note that many of the Load Group's arguments pertain to the timing of the Supplemental Projects planning process.⁸¹ These specifics fall outside the scope of the rehearing proceeding, as the February 15 Order did not establish the number of days for these time frames, instead directing the PJM

⁷⁸ Load Group Rehearing Request at 26.

⁷⁹ *Id.* at 25-27 (arguing that the Commission did not meaningfully respond to its objections). As the Commission explained in the February 15 Order, "[u]nder the FPA, as long as the Commission finds a methodology to be just and reasonable, that methodology 'need not be the only reasonable methodology,'" and the Commission need not demonstrate that alternative proposals are unjust and unreasonable or otherwise inferior to the proposal accepted. February 15 Order, 162 FERC ¶ 61,129 at P 117 (quoting *Oxy USA, Inc. v. FERC*, 64 F.3d 679, 692 (D.C. Cir. 1995)).

⁸⁰ Load Group Rehearing Request at 19-24.

⁸¹ *See id.* at 20 (stating that criteria should be provided at least 20 days prior to the Assumptions Meeting, and the PJM Transmission Owners should take comments for at least 20 days after the Assumptions Meeting); *id.* at 21 (arguing that Subregional RTEP Committee meetings should be at least 30 days after the Assumptions Meeting, criteria should be posted at least twenty days in advance of the Needs Meeting, and stakeholders should be permitted to comment up to 10 days after the Needs Meeting); *id.* at 22 (asserting that the timeline for posting potential solutions is too short); and *id.* at 23 (contending that Solutions Meetings should be at least 90 days after the Needs Meeting, and potential solutions should be posted at least 15 days in advance of the Solutions Meeting).

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Transmission Owners to propose these periods on compliance.⁸² The PJM Transmission Owners have done so in the Attachment M-3 Compliance Filing, which we address below.

29. The Load Group's additional arguments constitute requests for additional detail and process in Attachment M-3, including: (1) clarification regarding whether the PJM Transmission Owners will provide their criteria, assumptions, and models at a single Subregional RTEP Committee meeting or stagger the presentations over time;⁸³ (2) more detail regarding the specific information that will be provided to stakeholders at the Assumption Meeting, including the use of Transmission Owner-specific models instead of network models;⁸⁴ (3) two Solutions Meetings, instead of one, or at least additional clarity regarding how alternatives developed by stakeholders should be posted and evaluated during a single Solutions Meeting; and (4) specific requirements for the information the PJM Transmission Owners must provide at the Needs Meeting, such as detailed models, power flow models, and power system analyses.⁸⁵

30. While the Load Group asserts that the Commission "erred in not remedying the significant remaining deficiencies in Attachment M-3,"⁸⁶ the list of purported defects more accurately constitutes a menu of alternative proposals, none of which is necessary to ensure compliance with Order No. 890.⁸⁷ The Supplemental Projects planning process established in Attachment M-3, with the revisions directed in the February 15 Order, provides for separate meetings for stakeholders to review and discuss the assumptions that the PJM Transmission Owners use to plan and identify Supplemental Projects, the

⁸² February 15 Order, 162 FERC ¶ 61,129 at P 113.

⁸³ Load Group Rehearing Request at 20; *id.* at 22 (requesting that the PJM Transmission Owners "share all potential drivers of Supplemental Projects so stakeholders can clearly understand how proposed alternative solutions could account for and resolve developing drivers for a more comprehensive process that does not address needs on a piecemeal basis").

⁸⁴ *Id.* at 21.

⁸⁵ *Id.* at 28-31.

⁸⁶ Load Group Rehearing Request at 19.

⁸⁷ Indeed, the Load Group again alleges that the Commission departed from precedent without reasoned explanation by declining to direct additional procedural and informational requirements, but fails to point to any precedent requiring such measures. *Id.* at 24.

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identified criteria and system needs that may drive the need for Supplemental Projects, and potential solutions and alternatives to meeting those needs. The process further prescribes time periods for stakeholders to review materials and provide comments which, as discussed below, we find to be sufficient to comply with Order No. 890. We confirm that this process ensures that the Supplemental Projects planning process in PJM complies with Order No. 890, including by providing sufficient transparency to stakeholders regarding the basic criteria, assumptions, and data that underlie their transmission system plans and ensuring appropriate lines of communication between stakeholders and the PJM Transmission Owners.⁸⁸

31. The Commission met its burden under FPA section 206 finding that the existing rate was unjust and unreasonable and that the replacement established in the February 15 Order was just and reasonable. The PJM Transmission Owners are required only to meet the requirements of Order No. 890, not exceed them. Having found that the proposed Supplemental Projects planning process, with the changes that the Commission required, complied with Order No. 890, the Commission cannot require the PJM Transmission Owners to implement additional revisions above and beyond this just and reasonable replacement.⁸⁹

32. In addition to these alternatives, the Load Group includes two arguments where it does not even reference the February 15 Order. Specifically, the Load Group requests that the obligation-to-build and milestone requirements in the Supplemental Projects planning process be brought in line with the requirements for RTEP projects and that PJM be required to analyze Supplemental Projects for their impact on PJM markets and other concerns that go beyond reliability, very much in the same manner that PJM analyzes baseline RTEP projects.⁹⁰ As a rule, we reject requests for rehearing that raise a

⁸⁸ See Order No. 890, FERC Stats. & Regs. ¶ 31,241 at PP 454, 461, 471.

⁸⁹ February 15 Order, 162 FERC ¶ 61,129 at P 117 (explaining that, having found the changes required in the February 15 Order to be just and reasonable, the Commission was not required to show that this approach was the only or most just and reasonable result); see *Petal Gas Storage, L.L.C. v. FERC*, 496 F.3d 695, 703 (D.C. Cir. 2007) (explaining that, in acting under FPA section 206, the Commission is not required to choose the best solution, only a just and reasonable one); *Wisconsin Public Power, Inc. v. FERC*, 493 F.3d 239, 266 (D.C. Cir. 2007); *United Distribution Companies v. FERC*, 88 F.3d 1105, 1169 (D.C. Cir. 1996) (“FERC correctly counters that the fact that AEPCO may have proposed a reasonable alternative to SFV rate design is not compelling. The existence of a second reasonable course of action does not invalidate the agency's determination.”).

⁹⁰ Load Group Rehearing Request at 33-36.

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novel issue, unless we find that the issue could not have been previously presented, e.g., claims based on information that only recently became available or concerns prompted by a change in material circumstances.⁹¹ Were we to consider these arguments, we nevertheless would deny them. As we explain above, the Commission has found that the proposal, as modified by the Commission, is just and reasonable, and need not consider whether the Load Group's alternative proposals would be *more* just and reasonable.⁹²

33. Finally, the Load Group does not explain its contention that “even with a nondisclosure agreement, the PJM [Transmission Owners] have the option to withhold their agreement to disclose information necessary for stakeholders to replicate their planning studies.”⁹³ In Appendix B to the February 15 Order, the Commission directed PJM to revise section 1.5.4 of Schedule 6 to the Operating Agreement, which addresses the supply of data in the RTEP process, to clarify that the criteria, assumptions, and models used by the PJM Transmission Owners for the development of Supplemental Projects are included in the requirement covering the provision of information by the PJM Transmission Owners to the Office of the Interconnection, and by the Office of the Interconnection through the PJM website.⁹⁴ These references do not change the scope of information that may be obtained under the preexisting provisions, and the Load Group has not established why a separate standard should apply.

⁹¹ Rule 713(c)(3) of the Commission's Rules of Practice and Procedure states that any request for rehearing must “[s]et forth the matters relied upon by the party requesting rehearing, if rehearing is sought based on matters not available for consideration by the Commission at the time of the final decision or final order.” 18 C.F.R. § 385.713(c)(3). *See, e.g., Algonquin Gas Transmission, LLC*, 154 FERC ¶61,048, at P 250 (2016) (novel issues raised on rehearing are rejected “because our regulations preclude other parties from responding to a request for rehearing and such behavior is disruptive to the administrative process because it has the effect of moving the target for parties seeking a final administrative decision”) (internal quotations omitted).

⁹² *See supra* note 89.

⁹³ Load Group Rehearing Request at 32.

⁹⁴ *See* February 15 Order, 162 FERC ¶ 61,129 at Appendix B, sections 1.5.4(a) and (e).

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Supplemental**B. Compliance****1. Procedural Matters**

34. On March 19, 2018, PJM, on behalf of the PJM Transmission Owners, submitted the Attachment M-3 Compliance Filing in Docket No. ER17-179-002, and submitted the Schedule 6 Compliance Filing in Docket No. ER17-179-003.

35. Notice of the Compliance Filings was published in the *Federal Register*, 83 Fed. Reg. 12,946 (2018), with interventions and protests due on or before April 9, 2018. On April 9, 2018, the Load Group and Old Dominion, separately, filed protests of the Compliance Filings. On April 24, 2018, PJM and the PJM Transmission Owners each filed motions for leave to answer and answers to the protests. The Load Group submitted a response to those answers on May 9, 2018, and the PJM Transmission Owners filed a further answer to that response on May 24, 2018.

36. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2018), prohibits an answer to a protest or answer unless otherwise ordered by the decisional authority. We accept the answers filed by the Load Group, Old Dominion, the PJM Transmission Owners, and PJM because they have provided information that assisted us in our decision-making process.⁹⁵

2. Substantive Matters

37. The Commission provided a narrow set of directives in the February 15 Order. We find that PJM and the PJM Transmission Owners have complied with these directives. As explained above, we find that Attachment M-3 and the PJM Operating Agreement, with the proposed revisions, are adequate to ensure compliance with Order No. 890. The Load Group's requests for various additional provisions go beyond what the Commission required in, and constitute requests for rehearing of, the February 15 Order. We therefore find these requests to be outside the scope of the compliance proceeding and, were we to consider them as requests for rehearing, would deny them.

⁹⁵ The PJM Transmission Owners' May 24, 2018 response does not address specific issues in the Load Group's May 8, 2018 answer, but generally contends that the Load Group reiterates issues already raised in protests and on rehearing and decided in the February 15 Order. Accordingly, we do not summarize this answer in the discussion below.

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a. **Attachment M-3 Compliance Filing**

38. In the February 15 Order, the Commission directed the PJM Transmission Owners to revise Attachment M-3 to provide for separate stakeholder meetings to discuss (1) the models, criteria, and assumptions used to plan Supplemental Projects (Assumptions Meeting); (2) the needs underlying a Supplemental Project (Needs Meeting); and (3) the proposed solutions to meet those needs (Solutions Meeting).⁹⁶ The Commission further directed the PJM Transmission Owners to propose on compliance the minimum number of days between each of these meetings, before each meeting by which information to be discussed at the meeting must be posted, and after each meeting for stakeholders to submit written comments.⁹⁷ The Commission also required the PJM Transmission Owners to clarify that limitations in the “Modifications” provision of Attachment M-3 only apply to FPA section 205 filings and were not intended to foreclose modifications by the Commission pursuant to FPA section 206.⁹⁸ The Commission included these revisions to Attachment M-3 as Appendix A to the February 15 Order.

39. The PJM Transmission Owners state that they incorporated the revisions to Attachment M-3 from Appendix A of the February 15 Order, and filled in the timing requirements that the Commission left blank.⁹⁹ Specifically, the PJM Transmission Owners propose to require: (1) posting of criteria, assumptions, and models at least 20 calendar days prior to the Assumptions Meeting; (2) submission of comments within 10 calendar days after the Assumptions Meeting, Needs Meeting, and Solutions Meeting; (3) posting of criteria violations and drivers at least 10 days in advance of the Needs Meeting; (4) posting of potential solutions and alternatives identified by the PJM Transmission Owners or stakeholders at least 10 days in advance of the Solutions Meeting; and (5) submission of comments at least 10 days before the Local Plan is integrated into the RTEP for PJM Transmission Owner review and consideration.¹⁰⁰ In addition, the PJM Transmission Owners propose that each of the three meetings will be held at least 25 calendar days apart.¹⁰¹ The PJM Transmission Owners state that they

⁹⁶ February 15 Order, 162 FERC ¶ 61,129 at PP 106-107.

⁹⁷ *Id.* PP 109-113.

⁹⁸ *Id.* P 115.

⁹⁹ Attachment M-3 Compliance Filing at 3-4.

¹⁰⁰ *Id.* at 7.

¹⁰¹ *Id.*

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consulted with PJM to ensure that these proposed time periods would comport with PJM's overall planning cycle, and incorporated input from stakeholder comments.¹⁰²

40. Given the relocation of the Supplemental Projects planning process from the Operating Agreement to Attachment M-3 of the PJM OATT, the Commission directed the PJM Transmission Owners to revise Attachment M-3 to specify whether the dispute resolution procedures in Schedule 5 of the Operating Agreement would continue to apply, or to propose a different set of dispute resolution procedures meeting the requirements of Order No. 890.¹⁰³ In the Attachment M-3 Compliance Filing, the PJM Transmission Owners propose to add language confirming that the dispute resolution procedures in Schedule 5 of the Operating Agreement will continue to govern disputes arising under Attachment M-3.¹⁰⁴

41. We accept the Attachment M-3 Compliance Filing. The PJM Transmission Owners have incorporated the changes set forth in Appendix A to the February 15 Order, and we find that PJM and the PJM Transmission Owners have complied with the Commission's directives, and affirm, as discussed above, that these changes comply with Order No. 890. We also accept as just and reasonable the time periods that the PJM Transmission Owners propose and their proposal to use the dispute resolution procedures in Schedule 5 of the Operating Agreement, and deny the Load Group's and Old Dominion's protests with respect to other issues, as discussed further below.

i. Timing

(a) Protest

42. Old Dominion contends that the PJM Transmission Owners have not complied with Order No. 890's coordination and transparency principles with respect to the time between the Assumptions and Needs Meetings, as well as between the Needs and Solutions Meetings, the deadline for posting criteria and drivers in advance of the Needs Meeting, and the deadline for posting potential solutions and alternatives in advance of

¹⁰² *Id.* at 4-7. The PJM Transmission Owners state that they extended the deadline for submitting information prior to the Assumptions Meeting from 10 days to 20 days in response to stakeholder requests for longer minimum time periods, and based on their assessment that this period could be extended without delaying the subsequent steps in the process. *Id.* at 6 n.20.

¹⁰³ February 15 Order, 162 FERC ¶ 61,129 at P 114.

¹⁰⁴ Attachment M-3 Compliance Filing at 8.

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the Solutions Meeting.¹⁰⁵ Old Dominion asserts that stakeholders need additional time after the Assumptions Meeting to prepare for the Needs Meeting, which involves reviewing the models, criteria, and assumptions and attempting, as best they can, to replicate the PJM Transmission Owners' analysis. Old Dominion contends that additional time is particularly necessary because some stakeholders may participate in several PJM Transmission Owners' potentially concurrent Supplemental Projects planning processes, and the models, criteria, and assumptions that each transmission owner uses will likely vary.¹⁰⁶ Similarly, Old Dominion asserts that stakeholders require additional time between the Needs and Solutions Meetings to consider the needs that each PJM Transmission Owner has identified and to develop potential solutions of their own.¹⁰⁷ Old Dominion thus asks the Commission to extend the period between these meetings from 25 days to 30 days.¹⁰⁸

43. Old Dominion further requests the that Commission require the PJM Transmission Owners to post identified criteria violations and drivers at least 20 days prior to the Needs Meeting, arguing that the proposed 10-day period is insufficient for stakeholders to meaningfully consider the violations and drivers. Old Dominion maintains that extending this period by 10 days is reasonable and will not extend the overall timeline.¹⁰⁹ For the posting of potential solutions and alternatives prior to Solutions Meeting, Old Dominion asks that the 10-day prior deadline be extended to 15 days to allow stakeholders adequate time to develop their own alternatives and review alternatives proposed by other stakeholders.¹¹⁰

44. The PJM Transmission Owners assert, in their answer, that the minimum time periods proposed in the Attachment M-3 Compliance Filing are both reasonable and "carefully balanced to give stakeholders early and adequate opportunities for input into each stage of the process of planning Supplemental Projects, to give the PJM Transmission Owners adequate time to consider stakeholder comments, and to give PJM enough time to review the Local Plans that result before integrating them into the

¹⁰⁵ Old Dominion April 9, 2018 Protest at 5-6.

¹⁰⁶ *Id.* at 6.

¹⁰⁷ *Id.* at 7-8.

¹⁰⁸ *See id.* at 8.

¹⁰⁹ *Id.* at 7, 8.

¹¹⁰ *Id.* at 8, 9.

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RTEP.”¹¹¹ The PJM Transmission Owners emphasize that the time periods were developed in consultation with PJM, and contends that the minimum 25-day interval between meetings is necessary to ensure the flexibility to hold monthly meetings, scheduling around “the numerous other stakeholder and committee meetings on PJM’s calendar.”¹¹² PJM also supports the time periods proposed in the Attachment M-3 Compliance Filing as necessary to align the Supplemental Projects planning process with PJM’s RTEP process for baseline projects.¹¹³ In particular, PJM objects to Old Dominion’s request to extend the 25-day period between meetings to 30 days, explaining that the 25-day period was chosen to align with the Transmission Expansion Advisory Committees which, at least once a year, are held only 28 days apart, and to account for the need to adjust meeting dates for holidays.¹¹⁴

45. The PJM Transmission Owners also disagree with Old Dominion’s request for earlier posting of criteria and solutions in advance of the Needs and Solutions Meetings.¹¹⁵ The PJM Transmission Owners claim that Old Dominion’s request would leave little or no time to consider stakeholder comments from the prior meeting before posting materials for the next meeting. For example, implementing Old Dominion’s request to post criteria 20 days prior to the Needs Meeting, the PJM Transmission Owners argue, would require them to post the material the same day that comments from the Assumptions Meeting are due under Old Dominion’s preferred 30-day meeting interval, and *before* their receipt using the proposed 25-day meeting interval.¹¹⁶

¹¹¹ PJM Transmission Owners April 24, 2018 Answer at 9-10. The PJM Transmission Owners note that PJM does not plan or approve Supplemental Projects, and thus requires time to review the Supplemental Projects that the PJM Transmission Owners plan prior to integrating the Local Plans into the RTEP submitted to its Board of Managers. *Id.* at 6-7.

¹¹² *Id.* at 7-9.

¹¹³ PJM April 24, 2018 Compliance Filing at 5-6.

¹¹⁴ *Id.* at 5-6. The PJM Transmission Owners also reference this point in their answer. PJM Transmission Owners April 24, 2018 Answer at 8.

¹¹⁵ *Id.* at 9-10.

¹¹⁶ *Id.* at 9.

(b) Commission Determination

46. We find that the PJM Transmission Owners have justified their proposed time periods. In particular, we find that the time periods proposed in the Attachment M-3 Compliance Filing reflect input from PJM as well as stakeholders, and appropriately balance the need for stakeholders to have time to review materials and provide comments, for the PJM Transmission Owners to prepare materials and review comments, and for PJM to coordinate the results of the Supplemental Projects planning process with its RTEP planning activities. We find the proposed time periods appropriately calibrated, given the PJM Transmission Owners' stated objective of aligning the Supplemental Projects planning process with PJM's RTEP process.¹¹⁷ Having found this proposal just and reasonable, we are not persuaded that Old Dominion's proposal is necessary for compliance with Order No. 890.

ii. Dispute Resolution**(a) Protest**

47. The Load Group agrees that it is appropriate to apply the dispute resolution procedures in Schedule 5 to disputes regarding the transmission planning process, but requests clarification that the same dispute resolution procedures apply to a PJM Transmission Owner's decision to integrate one or more Supplemental Projects into the Local Plan.¹¹⁸ The Load Group maintains that the PJM Transmission Owners have taken the position that the determination to move forward with a Supplemental Project is within the applicable PJM Transmission Owner's purview and not subject to dispute resolution.¹¹⁹ It further states that it is unclear whether Schedule 5 of the Operating Agreement applies to such disputes.¹²⁰ Absent the requested clarification, the Load Group asserts, only disputes about whether PJM and the PJM Transmission Owners complied with the Supplemental Projects planning process will be subject to dispute resolution, and not substantive disputes about the Supplemental Projects themselves.¹²¹

¹¹⁷ Attachment M-3 Compliance Filing at 4.

¹¹⁸ Load Group April 9, 2018 Protest at 9-10.

¹¹⁹ *Id.*

¹²⁰ *Id.* at 10.

¹²¹ *Id.*

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48. The PJM Transmission Owners dismiss this request as unnecessary, unsupported, and an attempt to elevate stakeholders to co-equal participants in the Supplemental Projects planning process, contrary to Order No. 890.¹²² The Load Group counters that, absent clarification that the Schedule 5 process applies to both substantive and procedural disputes, the dispute resolution process will fall short of Order No. 890's requirement that reliance on an existing dispute resolution process "specifically address how its procedures will be used to address planning disputes."¹²³

(b) Commission Determination

49. We accept the PJM Transmission Owners' proposal to apply the Schedule 5 dispute resolution procedures to the Supplemental Projects planning process. In the February 15 Order, the Commission explained that, because Schedule 5 of the Operating Agreement applies to disputes arising under the Operating Agreement, the Consolidated Transmission Owners Agreement, and the Reliability Assurance Agreement, moving the transmission planning process for Supplemental Projects to Attachment M-3 of the PJM OATT means that Schedule 5 no longer applied to disputes associated with this process by its terms.¹²⁴ The Commission thus required the PJM Transmission Owners to specify whether they intended to use the dispute resolution procedures in Schedule 5 or a different set of procedures, and they have done so.

50. We agree with the Load Group that substantive disputes that may arise during or result from the Supplemental Projects planning process are also subject to dispute resolution procedures in Schedule 5, and such disputes are not limited to whether PJM and the PJM Transmission Owners complied with the Supplemental Projects planning process itself.¹²⁵ However, the requested clarification of the Load Group is not necessary to achieve this result. The language added in the Attachment M-3 Compliance Filing specifies that disputes arising under Attachment M-3 will be resolved in accordance with the dispute resolution procedures in Schedule 5 of the Operating Agreement, which normally would not apply to an OATT Attachment. Substantive disputes regarding the

¹²² PJM Transmission Owners April 24, 2018 Answer at 17-18.

¹²³ Load Group May 9, 2018 Answer to Answers at 10-11 (quoting Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 501).

¹²⁴ February 15 Order, 162 FERC ¶ 61,129 at P 114.

¹²⁵ As the Commission noted in the February 15 Order, Order No. 890 requires transmission providers to develop a process for managing both substantive and procedural disputes arising from the transmission planning process. *See id.* P 114 n.223 (citing Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 501).

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Supplemental Projects also will be subject to Schedule 5 dispute resolution procedures, pursuant to the Operating Agreement. Accordingly, we are not directing further changes.

iii. Other Issues

51. The Load Group raises several issues that we find to be outside the scope of the compliance proceeding, including as discussed above, a request for clarification regarding the planning cycle for Supplemental Projects.¹²⁶ In addition, we find the Load Group's reiteration of arguments that the Supplemental Projects planning process should be included in PJM's Operating Agreement to be an untimely request for rehearing, as the February 15 Order expressly accepted this aspect of the proposal.¹²⁷

52. We also consider to be outside the scope of this proceeding the Load Group's requests that the Supplemental Projects planning process should not be considered final until the conclusion of any applicable dispute resolution, and that the PJM Transmission Owners should not be allowed to introduce Supplemental Projects after 30 days prior to any formal RTEP windows opening.¹²⁸

53. Finally, we note that the Load Group also presents data in its May 9, 2018 response regarding the volume of Supplemental Projects presented at Transmission Expansion Advisory Committee and Subregional RTEP meetings in 2017 and 2018, and the stage of development of these projects at the time they were presented.¹²⁹ The issue of transmission projects being presented to stakeholders at advanced stages of development without the opportunity for meaningful input has been documented in this proceeding and the Commission considered it in reaching its determination that the PJM Transmission Owners were not implementing the Supplemental Projects planning process in compliance with Order No. 890's transparency and coordination principles.¹³⁰ The

¹²⁶ See *supra* P 24.

¹²⁷ Load Group April 9, 2018 Protest at 3-5. Accordingly, we also reject the PJM Transmission Owners' response on this point, and the Load Group's further response, as an impermissible answer to a rehearing request. PJM Transmission Owners April 24, 2018 Answer at 11-14; Load Group May 9, 2018 Answer to Answers at 11-13.

¹²⁸ Load Group April 9, 2018 Protest at 9. We likewise reject the PJM Transmission Owners' response on these points. PJM Transmission Owner April 24, 2018 Answer at 16.

¹²⁹ Load Group May 9, 2018 Answer to Answers at 7-9.

¹³⁰ See February 15 Order, 162 FERC ¶ 61,129 at PP 84-85, 87.

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changes that the Commission directed to address this issue are currently before us on compliance and have not yet been implemented; additional evidence regarding this issue is unnecessary.

b. Schedule 6 Compliance Filing

54. In light of the modifications required for Attachment M-3, the Commission also directed PJM in the February 15 Order “to make clarifying edits to [Schedule 6 of] the PJM Operating Agreement to remove redundant or inconsistent revisions.”¹³¹ In addition to including references to the development of Supplemental Projects, the Commission required PJM to revise sections 1.3 and 1.5.6 to specify that the Subregional RTEP Committees will be responsible for development and review of the Local Plan, scheduling and facilitating the meetings required in Attachment M-3, and reviewing the criteria, models, and assumptions used to identify the need for Supplemental Projects.¹³² These revisions to the Operating Agreement were appended to the February 15 Order as Appendix B.

55. In the Schedule 6 Compliance Filing, PJM states that it has revised Schedule 6 of the Operating Agreement to implement the revisions in Appendix B of the February 15 Order, and has proposed revisions to a few additional cross-references in Schedule 6 to reflect the renumbering from these revisions.¹³³

i. Protests

56. The Load Group protests PJM’s inclusion in proposed section 1.3(d) of the Operating Agreement a clause stating that the Subregional RTEP Committees will provide stakeholders with sufficient opportunity to review and comment on any Supplemental Projects included in the Local Plan “in accordance with the Additional Procedures for Planning of Supplemental Projects set forth in Attachment M-3 of the PJM [OATT].”¹³⁴ The Load Group notes that this language, which was originally proposed in the Attachment M-3 Filing, was not included in the changes that the

¹³¹ *Id.* P 105.

¹³² *Id.* P 116.

¹³³ Schedule 6 Compliance Filing at 2-4. PJM notes that the language cited in Appendix B for sections 1.5.4(a) and 1.5.4(e) does not reflect the currently accepted Scheduled 6 language, and states that it has therefore slightly modified the revisions set forth in Appendix B to reflect the current language. *See id.* at 3 nn.6, 7.

¹³⁴ Load Group April 9, 2018 Protest at 5-7.

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Commission directed in Appendix B to the February 15 Order, and asks that it be struck.¹³⁵ According to the Load Group, “[w]hile the offending language may appear to be merely a reference to Attachment M-3, it purports to incorporate into the Operating Agreement additional procedures for planning of Supplemental Projects that are included in Attachment M-3 of the [OATT],” and would thus give the PJM Transmission Owners “carte blanche” to modify the Operating Agreement absent the requisite supermajority vote by the Members Committee.¹³⁶

57. The Load Group argues that the language in section 1.3(d) of Schedule 6 should be struck because it has not gone into effect by operation of law, and was, in fact, expressly rejected in the February 15 Order, when the Commission found that the proposed Operating Agreement revisions were not just and reasonable absent the changes in Appendix B.¹³⁷ PJM argues just the opposite: that language should be kept because the Commission did not find that particular clause to be unjust and unreasonable and the language is consistent with the Commission’s determination that the PJM Transmission Owners are responsible for the Supplemental Projects planning process.¹³⁸ In preparing the Schedule 6 Compliance Filing, PJM asserts that it assumed “that the Commission had inadvertently neglected to include the cross-referenced language from Schedule 6, section 1.3(d) in Appendix B to the February 15 Order,” and thus treated the language as accepted.¹³⁹ PJM argues that this language should be included in the Operating Agreement to confirm that, even though Supplemental Projects are reviewed at Subregional RTEP Committee meetings, the process for reviewing Supplemental Projects is contained in OATT Attachment M-3.¹⁴⁰

58. The PJM Transmission Owners support PJM’s position that the language should be kept as was in the initial proposal, because the Commission did not expressly reject it and it is consistent with the Commission’s recognition that the Supplemental Projects planning process was appropriately placed in Attachment M-3.¹⁴¹ They also point out

¹³⁵ *Id.* at 5. The clause is not marked as a change from the Commission-approved Operating Agreement language in the Schedule 6 Compliance Filing.

¹³⁶ *Id.* at 7.

¹³⁷ *Id.* at 5-6.

¹³⁸ PJM April 24, 2018 Answer at 4.

¹³⁹ *Id.* at 5.

¹⁴⁰ *Id.*

¹⁴¹ PJM Transmission Owners April 24, 2018 Answer at 14.

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that the language is consistent with the cross-reference to Attachment M-3 that the Commission directed PJM to add to Schedule 6 as section 1.5.6(c).¹⁴² The PJM Transmission Owners posit that the Commission “inadvertently omitted” this change from Appendix B, but reason that the Commission’s oversight “has no bearing on the reasonableness of PJM’s compliance filing, which was proper in every respect.”¹⁴³

ii. Commission Determination

59. We accept the Schedule 6 Compliance Filing, which we find complies with the February 15 Order. We will not require deletion of the disputed reference to Attachment M-3 in section 1.3(d) of Schedule 6. The additional language merely clarifies that stakeholders will be permitted to review and comment on Supplemental Projects in the Local Plan consistent with the procedures set forth in Attachment M-3, which we find to be appropriate. We agree that, while not included in Appendix B, this language is consistent with the Commission’s determination in the February 15 Order that it is just and reasonable to move the provisions governing the Supplement Projects planning process from the Operating Agreement to Attachment M-3 of the OATT.¹⁴⁴ The Load Group’s objection to this language echoes its rehearing argument that the Supplemental Projects planning process must be modified only through the Operating Agreement,¹⁴⁵ which we reject above. Finally, as this language was originally proposed in the Attachment M-3 Filing, all parties had notice and the opportunity to comment.

¹⁴² *Id.* (citing February 15 Order, 162 FERC ¶ 61,129 at Appendix B).

¹⁴³ *Id.* at 14-15.

¹⁴⁴ February 15 Order, 162 FERC ¶ 61,129 at P 97.

¹⁴⁵ *See* Load Group April 9, 2018 Protest at 7.

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The Commission orders:

(A) The request for rehearing is hereby denied, as discussed in the body of this order.

(B) The compliance filings are hereby accepted, as discussed in the body of this order.

By the Commission. Chairman McIntyre is not participating.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

Document Content(s)

Attorney General's First Re-Hearing Set of Data Requests

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PJM Interconnection, L.L.C.
2750 Monroe Blvd.
Audubon, PA 19403

Dated May 9, 2018

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Pauline Foley
Associate General Counsel
T: (610) 666-8248 | F: (610)666-8211
pauline.foley@pjm.com

March 19, 2018

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

Re: *Monongahela Power Company, et al., Docket No. ER17-179-____*
PJM Compliance Filing in Docket Nos. EL16-71-000 and ER17-179-000

Dear Secretary Bose:

In compliance with the February 15, 2018, “Order Accepting In Part Proposed Tariff Revisions and Requiring Tariff Revisions Pursuant To Section 206” issued by the Federal Energy Regulatory Commission (“Commission”) in Docket Nos. EL16-71-000 and ER17-179-000,¹ PJM Interconnection, L.L.C. (“PJM”) hereby submits for filing proposed revisions to the Amended and Restated Operating Agreement of PJM Interconnection, L.L.C., Schedule 6, sections 1.3, 1.5.4, 1.5.6, and 1.5.7 (“Operating Agreement” or “Schedule 6”) to include the specific changes directed by the Commission in the captioned dockets.

In addition, the PJM Transmission Owners were directed to submit a compliance filing to incorporate specific changes to PJM Open Access Transmission Tariff, Attachment M-3 (“PJM Tariff” or “Attachment M-3”). PJM and the PJM Transmission Owners are submitting their respective changes by separate filings being made contemporaneously this day. PJM requests that the proposed revisions to Schedule 6 be made effective on the date established by the Commission per the February 15 Order.²

¹ *Monongahela Power Co., et al.*, 162 FERC ¶ 61,129 (Feb. 15, 2018) (“February 15 Order”).

² February 15 Order at P 121.

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I. BACKGROUND

In the February 15 Order, the Commission accepted in part the PJM Transmission Owners' proposal to provide further detail regarding the transmission planning process for Supplemental Projects by way of a new Attachment M-3 to the PJM Tariff and PJM's corresponding revisions to the Operating Agreement at Schedule 6. However, the Commission found that, insofar as Attachment M-3 implements the PJM's existing process for planning Supplemental Projects, the PJM Transmission Owners did not fully satisfy their burden under section 205 of the Federal Power Act. The Commission required the PJM Transmission Owners to make certain revisions to Attachment M-3, as detailed in Appendix A of the February 15 Order, to establish a just and reasonable and not unduly discriminatory or preferential process for planning Supplemental Projects. In addition, the Commission required PJM to make clarifying revisions to the PJM Operating Agreement, Schedule 6, which it detailed in Appendix B of the February 15 Order.³

II. PROPOSED REVISIONS

In compliance with the February 15 Order, PJM proposes revisions to the Operating Agreement, Schedule 6, as discussed below and modified by the Commission in Appendix B of the February 15 Order.

In the February 15 Order, the Commission required PJM to make clarifying revisions to the PJM Operating Agreement at Schedule 6 "to remove redundant or inconsistent provisions."⁴ In Appendix B, the Commission required PJM to: (i) revise Schedule 6, section 1.3(c) to replace

³ As noted by the Commission in the February 15 Order at 51, n. 215, the Operating Agreement, Schedule 6 records pulled from eTariff do not accurately reflect all language previously accepted by the Commission. Accordingly, PJM has attempted to transfer the Commission's proposed revisions to the currently effective Operating Agreement, Schedule 6 as previously accepted by the Commission.

⁴ February 15 Order at P 105.

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the reference to “Subregional RTEP Projects” with “Local Plan” to clarify that the responsibility of the Subregional RTEP Committees is to facilitate the development and review of the Local Plan; (ii) revise Schedule 6, section 1.3(d) to clarify that the Subregional RTEP Committees are also responsible for reviewing the criteria, models and assumptions used to identify the needs that are resolved with a Supplemental Project; (iii) add new subsections 1.3(g)⁵ and 1.5.6(c) to indicate that the Subregional RTEP Committee will be responsible for scheduling and facilitating the meetings required under revised Attachment M-3; and (iv) revise Schedule 6, subsections 1.5.4 (a)⁶ and (e)⁷ to include references to the development of Supplemental Projects. These changes, which the Commission included in the February 15 Order at Appendix B (Revisions Required to PJM Operating Agreement), are shown in Attachments A and B in this compliance filing.

Given the renumbering to subsections of section 1.5.6 required pursuant to this Compliance Filing, PJM proposes additional revisions to the following cross-references contained in this Schedule 6, section 1.5: (i) in sections 1.5.3(h) and 1.5.7(c)(iii), PJM replaced

⁵ Also, PJM proposes to replace the Commission’s reference to “OATT” with “PJM Tariff,” as modified in Appendix B, Operating Agreement, Schedule 6, section 1.3(g), *proposed*.

⁶ The February 15 Order at Appendix B, recites to the Operating Agreement, Schedule 6, section 1.5.4(a) as follows: (iv) current local planning information, including all criteria, assumptions and models used by the Transmission Owners, such as those used to develop Supplemental Projects. This language does not reflect the currently accepted Schedule 6 language, which in fact reads as follows: “the (iv) current Local Plan; and (v) all criteria, assumptions and models used in the current Local Plan.” Given the currently accepted language, PJM proposes to incorporate the Commission’s modifications by making the following adjustments to the language proposed in Appendix B: “the (iv) current Local Plan; and (v) all criteria, assumptions and models used ~~in the current Local Plan~~ by the Transmission Owners, such as those used to develop Supplemental Projects.”

⁷ February 15 Order at Appendix B, recites to the Operating Agreement, Schedule 6, section 1.5.4(e) as follows: “The Office of the Interconnection shall provide access through the PJM website, to the Transmission Owner’s local planning information, including all criteria, assumptions, and models used by the Transmission Owners in in[sic] their internal planning processes, including the development of Supplemental Projects (“Local Plan Information”). . . . This language does not reflect the currently accepted Schedule 6 language, which in fact reads as follows: “. . . used by the Transmission Owners developing their respective Local Plans (“Local Plan Information”). Given the currently accepted language, PJM proposes to incorporate the Commission’s modifications by making the following adjustments to the language proposed in Appendix B: “. . . used by the Transmission Owners in their internal planning processes, including development of Supplemental Projects ~~developing their respective Local Plans~~ (“Local Plan Information”).”

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the reference to section 1.5.6(l) with 1.5.6(m); and (ii) in section 1.5.6(m), as proposed herein, Supplemental

PJM replaced the reference to section to 1.5.6(h) with 1.5.6(i).

III. CORRESPONDENCE AND COMMUNICATIONS

Correspondence and communications with respect to this filing should be sent to, and the parties request the Secretary to include on the official service list, the following:

Craig Glazer
Vice President – Federal Government Policy
PJM Interconnection, L.L.C.
1200 G Street, N.W., Suite 600
Washington, D.C. 20005
Ph: (202) 423-4743
craig.glazer@pjm.com

Pauline Foley
Associate General Counsel
PJM Interconnection, L.L.C.
2750 Monroe Blvd.
Audubon, PA 19403
Ph: (610) 666-8248
pauline.foley@pjm.com

IV. CONTENTS OF THIS FILING

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

1. This transmittal letter;
2. Attachment A – Revisions to PJM Amended and Restated Operating Agreement, Schedule 6 (redlined form); and
3. Attachment B – Revisions to PJM Amended and Restated Operating Agreement, Schedule 6 (clean form).

V. EFFECTIVE DATE

PJM respectfully requests that the proposed revisions submitted to the Operating Agreement, Schedule 6 in compliance with the February 15 Order to become effective consistent with the February 15 Order, *i.e.*, on the date established by the Commission upon review of the compliance filing.⁸

⁸ February 15 Order at P 121.

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VI. REQUEST FOR WAIVER

PJM is making this filing in compliance consistent with the directives in the February 15 Order. By making this filing in compliance with the February 15 Order, PJM understands that it has hereby satisfied any of the Commission filing requirements that might apply. Should any of the Commission regulations (including filing regulations) or requirements not be addressed by PJM and be found to apply, PJM respectfully requests waiver of any such regulation or requirement.

VII. SERVICE

PJM has served a copy of this filing on all PJM Members and on all state utility regulatory commissions in the PJM Region by posting this filing electronically. In accordance with the Commission's regulations,⁹ PJM will post a copy of this filing to the FERC filings section of its internet site, located at the following link: <http://www.pjm.com/documents/ferc-manuals/ferc-filings.aspx> with a specific link to the newly-filed document, 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 Region¹⁰ alerting them that this filing has been made by PJM and is available by following such link. If the document is not immediately available by using the referenced link, the document will be available through the referenced link within 24 hours of the filing. Also, a copy of this filing will be available on the FERC'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. PJM also includes a Certificate of Service

⁹ See 18C.F.R §§ 35.2(e) and 385.2010(f)(3) (2017).

¹⁰ PJM already maintains, updates and regularly uses e-mail lists for all PJM Members and affected state commissions.

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certifying service on the official service list compiled by the Commission's Secretary in this Supplemental proceeding

VIII. CONCLUSION

For all of the foregoing reasons, PJM respectfully requests that the Commission accept the proposed revisions to the Operating Agreement, Schedule 6, as required to comply with the February 15 Order.

Respectfully submitted,

Craig Glazer
Vice President – Federal Government Policy
PJM Interconnection, L.L.C.
1200 G Street, N.W., Suite 600
Washington, D.C. 20005
Ph: (202) 423-4743
Fax: (202) 393-7741
craig.glazer@pjm.com

By: /s/ Pauline Foley
Pauline Foley
Associate General Counsel
PJM Interconnection, L.L.C.
2750 Monroe Blvd.
Audubon, PA 19403
Ph: (610) 666-8248
Fax: (610) 666-8211
pauline.foley@pjm.com

*On behalf of
PJM Interconnection, L.L.C.*

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document on those parties on the official Service List compiled by the Secretary in these proceedings.

Dated at Audubon, Pennsylvania this 19th day of March 2018.

/s/ Pauline Foley
Pauline Foley
Associate General Counsel
PJM Interconnection, L.L.C.
2750 Monroe Blvd.
Audubon, PA 19403
Ph: (610) 666-8248
pauline.foley@pjm.com

Attachment A

Revisions to the PJM Operating Agreement (Marked Tariff)

1.3 Establishment of Committees.

(a) The Planning Committee shall be open to participation by (i) all Transmission Customers and applicants for transmission service; (ii) any other entity proposing to provide Transmission Facilities to be integrated into the PJM Region; (iii) all Members; (iv) the electric utility regulatory agencies within the States in the PJM Region and the State Consumer Advocates; and (v) any other interested entities or persons and shall provide technical advice and assistance to the Office of the Interconnection in all aspects of its regional planning functions. The Transmission Owners shall supply representatives to the Planning Committee, and other Members may provide representatives as they deem appropriate, to provide the data, information, and support necessary for the Office of the Interconnection to perform studies as required and to develop the Regional Transmission Expansion Plan.

(b) The Transmission Expansion Advisory Committee established by the Office of the Interconnection will meet periodically with representatives of the Office of the Interconnection to provide advice and recommendations to the Office of the Interconnection to aid in the development of the Regional Transmission Expansion Plan. The Transmission Expansion Advisory Committee participants shall be given an opportunity to provide advice and recommendations for consideration by the Office of the Interconnection regarding sensitivity studies, modeling assumption variations, scenario analyses, and Public Policy Objectives in the studies and analyses to be conducted by the Office of the Interconnection. The Transmission Expansion Advisory Committee participants shall be given the opportunity to review and provide advice and recommendations on the projects to be included in the Regional Transmission Expansion Plan. The Transmission Expansion Advisory Committee meetings shall include discussions addressing interregional planning issues, as required. The Transmission Expansion Advisory Committee shall be open to participation by: (i) all Transmission Customers and applicants for transmission service; (ii) any other entity proposing to provide Transmission Facilities to be integrated into the PJM Region; (iii) all Members; (iv) the electric utility regulatory agencies within the States in the PJM Region, the Independent State Agencies Committee, and the State Consumer Advocates; and (v) any other interested entities or persons. The Transmission Expansion Advisory Committee shall be governed by the Transmission Expansion Advisory Committee rules and procedures set forth in the PJM Regional Planning Process Manual (PJM Manual M-14 series) and by the rules and procedures applicable to PJM committees.

(c) The Subregional RTEP Committees established by the Office of the Interconnection shall facilitate the development and review of the ~~Subregional RTEP Projects~~ Local Plans. The Subregional RTEP Committees will be responsible for the initial review of the Subregional RTEP Projects, and to provide recommendations to the Transmission Expansion Advisory Committee concerning the Subregional RTEP Projects. A Subregional RTEP Committee may of its own accord or at the request of a Subregional RTEP Committee participant, also refer specific Subregional RTEP Projects to the Transmission Expansion Advisory Committee for further review, advice and recommendations.

(d) The Subregional RTEP Committees shall be responsible for the timely review of the criteria, assumptions and models used to identify reliability criteria violations, economic constraints, or to consider Public Policy Requirements, proposed solutions and written comments prior to finalizing the Local Plan, the coordination and integration of the Local Plans into the RTEP, and addressing any stakeholder issues unresolved in the Local Plan process. The Subregional RTEP Committees will be provided sufficient opportunity to review and provide written comments on the criteria, assumptions, and models used in local planning activities prior to finalizing the Local Plan. The Subregional RTEP Committees shall also be responsible for the timely review of the Transmission Owners' criteria, assumptions, and models used to identify Supplemental Projects that will be considered for inclusion in the Local Plan for each Subregional RTEP Committee. The Subregional RTEP Committees meetings shall include discussions addressing interregional planning issues, as required. Once finalized, the Subregional RTEP Committees will be provided sufficient opportunity to review and provide written comments on the Local Plans as integrated into the RTEP, prior to the submittal of the final Regional Transmission Expansion Plan to the PJM Board for approval. In addition, the Subregional RTEP Committees will provide sufficient opportunity to review and provide written comments to the Transmission Owners on any Supplemental Projects included in the Local Plan, in accordance with Additional Procedures for Planning of Supplemental Projects set forth in Attachment M-3 of the PJM Tariff.

(e) The Subregional RTEP Committees shall be open to participation by: (i) all Transmission Customers and applicants for transmission service; (ii) any other entity proposing to provide Transmission Facilities to be integrated into the PJM Region; (iii) all Members; (iv) the electric utility regulatory agencies within the States in the PJM Region, the Independent State Agencies Committee, and the State Consumer Advocates and (v) any other interested entities or persons.

(f) Each Subregional RTEP Committee shall schedule and facilitate a minimum of one Subregional RTEP Committee meeting to review the criteria, assumptions and models to identify reliability criteria violations, economic constraints, or to consider Public Policy Requirements. Each Subregional RTEP Committee shall schedule and facilitate an additional Subregional RTEP Committee meeting, per planning cycle, and as required to review the identified criteria violations and potential solutions. The Subregional RTEP Committees may facilitate additional meetings to incorporate more localized areas in the subregional planning process. At the discretion of the Office of the Interconnection, a designated Transmission Owner may facilitate Subregional RTEP Committee meeting(s), or the additional meetings incorporating the more localized areas.

(g) The Subregional RTEP Committees shall schedule and facilitate meetings regarding Supplemental Projects, as described in the Tariff, Attachment M-3.

(hg) The Subregional RTEP Committees shall be governed by the Transmission Expansion Advisory Committee rules and procedures set forth in the PJM Regional Planning Process Manual (Manual M-14 series) and by the rules and procedures applicable to PJM committees.

1.5 Procedure for Development of the Regional Transmission Expansion Plan.

1.5.1 Commencement of the Process.

(a) The Office of the Interconnection shall initiate the enhancement and expansion study process if: (i) required as a result of a need for transfer capability identified by the Office of the Interconnection in its evaluation of requests for interconnection with the Transmission System or for firm transmission service with a term of one year or more; (ii) required to address a need identified by the Office of the Interconnection in its on-going evaluation of the Transmission System's market efficiency and operational performance; (iii) required as a result of the Office of the Interconnection's assessment of the Transmission System's compliance with NERC Reliability Standards, more stringent reliability criteria, if any, or PJM planning and operating criteria; (iv) required to address constraints or available transfer capability shortages, including, but not limited to, available transfer capability shortages that prevent the simultaneous feasibility of stage 1A Auction Revenue Rights allocated pursuant to Section 7.4.2(b) of Schedule 1 of this Agreement, constraints or shortages as a result of expected generation retirements, constraints or shortages based on an evaluation of load forecasts, or system reliability needs arising from proposals for the addition of Transmission Facilities in the PJM Region; or (v) expansion of the Transmission System is proposed by one or more Transmission Owners, Interconnection Customers, Network Service Users or Transmission Customers, or any party that funds Network Upgrades pursuant to Section 7.8 of Schedule 1 of this Agreement. The Office of the Interconnection may initiate the enhancement and expansion study process to address or consider, where appropriate, requirements or needs arising from sensitivity studies, modeling assumption variations, scenario analyses, and Public Policy Objectives.

(b) The Office of the Interconnection shall notify the Transmission Expansion Advisory Committee participants of, as well as publicly notice, the commencement of an enhancement and expansion study. The Transmission Expansion Advisory Committee participants shall notify the Office of the Interconnection in writing of any additional transmission considerations they would like to have included in the Office of the Interconnection's analyses.

1.5.2 Development of Scope, Assumptions and Procedures.

Once the need for an enhancement and expansion study has been established, the Office of the Interconnection shall consult with the Transmission Expansion Advisory Committee and the Subregional RTEP Committees, as appropriate, to prepare the study's scope, assumptions and procedures.

1.5.3 Scope of Studies.

In conducting the enhancement and expansion studies, the Office of the Interconnection shall not limit its analyses to bright line tests to identify and evaluate potential Transmission System limitations, violations of planning criteria, or transmission needs. In addition to the bright line tests, the Office of the Interconnection shall employ sensitivity studies, modeling assumption variations, and scenario analyses, and shall also consider Public Policy Objectives in the studies and analyses, so as to mitigate the possibility that bright line metrics may inappropriately include

or exclude transmission projects from the transmission plan. Sensitivity studies, modeling assumption variations, and scenario analyses shall take account of potential changes in expected future system conditions, including, but not limited to, load levels, transfer levels, fuel costs, the level and type of generation, generation patterns (including, but not limited to, the effects of assumptions regarding generation that is at risk for retirement and new generation to satisfy Public Policy Objectives), demand response, and uncertainties arising from estimated times to construct transmission upgrades. The Office of the Interconnection shall use the sensitivity studies, modeling assumption variations and scenario analyses in evaluating and choosing among alternative solutions to reliability, market efficiency and operational performance needs. The Office of the Interconnection shall provide the results of its studies and analyses to the Transmission Expansion Advisory Committee to consider the impact that sensitivities, assumptions, and scenarios may have on Transmission System needs and the need for transmission enhancements or expansions. Enhancement and expansion studies shall be completed by the Office of the Interconnection in collaboration with the affected Transmission Owners, as required. In general, enhancement and expansion studies shall include:

- (a) An identification of existing and projected limitations on the Transmission System's physical, economic and/or operational capability or performance, with accompanying simulations to identify the costs of controlling those limitations. Potential enhancements and expansions will be proposed to mitigate limitations controlled by non-economic means.
- (b) Evaluation and analysis of potential enhancements and expansions, including alternatives thereto, needed to mitigate such limitations.
- (c) Identification, evaluation and analysis of potential transmission expansions and enhancements, demand response programs, and other alternative technologies as appropriate to maintain system reliability.
- (d) Identification, evaluation and analysis of potential enhancements and expansions for the purposes of supporting competition, market efficiency, operational performance, and Public Policy Requirements in the PJM Region.
- (e) Identification, evaluation and analysis of upgrades to support Incremental Auction Revenue Rights requested pursuant to Section 7.8 of Schedule 1 of this Agreement.
- (f) Identification, evaluation and analysis of upgrades to support all transmission customers, including native load and network service customers.
- (g) Engineering studies needed to determine the effectiveness and compliance of recommended enhancements and expansions, with the following PJM criteria: system reliability, operational performance, and market efficiency.
- (h) Identification, evaluation and analysis of potential enhancements and expansions designed to ensure that the Transmission System's capability can support the simultaneous feasibility of all stage 1A Auction Revenue Rights allocated pursuant to Section 7.4.2(b) of Schedule 1 of this Agreement. Enhancements and expansions related to stage 1A Auction

Revenue Rights identified pursuant to this Section shall be recommended for inclusion in the Regional Transmission Expansion Plan together with a recommended in-service date based on the results of the ten (10) year stage 1A simultaneous feasibility analysis. Any such recommended enhancement or expansion under this Section 1.5.3(h) shall include, but shall not be limited to, the reason for the upgrade, the cost of the upgrade, the cost allocation identified pursuant to Section 1.5.6(m) of Schedule 6 of this Agreement and an analysis of the benefits of the enhancement or expansion, provided that any such upgrades will not be subject to a market efficiency cost/benefit analysis.

1.5.4 Supply of Data.

(a) The Transmission Owners shall provide to the Office of the Interconnection on an annual or periodic basis as specified by the Office of the Interconnection, any information and data reasonably required by the Office of the Interconnection to perform the Regional Transmission Expansion Plan, including but not limited to the following: (i) a description of the total load to be served from each substation; (ii) the amount of any interruptible loads included in the total load (including conditions under which an interruption can be implemented and any limitations on the duration and frequency of interruptions); (iii) a description of all generation resources to be located in the geographic region encompassed by the Transmission Owner's transmission facilities, including unit sizes, VAR capability, operating restrictions, and any must-run unit designations required for system reliability or contract reasons; the (iv) current Local Plan; and (v) all criteria, assumptions and models used ~~in the current Local Plan by the Transmission Owners, such as those used to develop Supplemental Projects~~. The data required under this Section shall be provided in the form and manner specified by the Office of the Interconnection.

(b) In addition to the foregoing, the Transmission Owners, those entities requesting transmission service and any other entities proposing to provide Transmission Facilities to be integrated into the PJM Region shall supply any other information and data reasonably required by the Office of the Interconnection to perform the enhancement and expansion study.

(c) The Office of the Interconnection also shall solicit from the Members, Transmission Customers and other interested parties, including but not limited to electric utility regulatory agencies within the States in the PJM Region, Independent State Agencies Committee, and the State Consumer Advocates, information required by, or anticipated to be useful to, the Office of the Interconnection in its preparation of the enhancement and expansion study, including information regarding potential sensitivity studies, modeling assumption variations, scenario analyses, and Public Policy Objectives that may be considered.

(d) The Office of the Interconnection shall supply to the Transmission Expansion Advisory Committee and the Subregional RTEP Committees reasonably required information and data utilized to develop the Regional Transmission Expansion Plan. Such information and data shall be provided pursuant to the appropriate protection of confidentiality provisions and Office of the Interconnection's CEII process.

(e) The Office of the Interconnection shall provide access through the PJM website, to the Transmission Owner's Local Plan, including all criteria, assumptions and models used by the

Transmission Owners in their internal planning processes, including the development of Supplemental Projects developing their respective Local Plan (“Local Plan Information”). Local Plan Information shall be provided consistent with: (1) any applicable confidentiality provisions set forth in Section 18.17 of this Operating Agreement; (2) the Office of the Interconnection’s CEII process; and (3) any applicable copyright limitations. Notwithstanding the foregoing, the Office of the Interconnection may share with a third party Local Plan Information that has been designated as confidential, pursuant to the provisions for such designation as set forth in Section 18.17 of this Operating Agreement and subject to: (i) agreement by the disclosing Transmission Owner consistent with the process set forth in this Operating Agreement; and (ii) an appropriate non-disclosure agreement to be executed by PJM Interconnection, L.L.C., the Transmission Owner and the requesting third party. With the exception of confidential, CEII and copyright protected information, Local Plan Information will be provided for full review by the Planning Committee, the Transmission Expansion Advisory Committee, and the Subregional RTEP Committees.

1.5.5 Coordination of the Regional Transmission Expansion Plan.

(a) The Regional Transmission Expansion Plan shall be developed in accordance with the principles of interregional coordination with the Transmission Systems of the surrounding Regional Entities and with the local transmission providers, through the Transmission Expansion Advisory Committee and the Subregional RTEP Committee.

(b) The Regional Transmission Expansion Plan shall be developed taking into account the processes for coordinated regional transmission expansion planning established under the following agreements:

- Joint Operating Agreement Between the Midwest Independent System Operator, Inc. and PJM Interconnection, L.L.C., which is found at <http://www.pjm.com/~media/documents/agreements/joa-complete.ashx>;
- Northeastern ISO/RTO Planning Coordination Protocol, which is described at Schedule 6-B and found at <http://www.pjm.com/~media/documents/agreements/northeastern-iso-rto-planning-coordination-protocol.ashx>;
- Joint Operating Agreement Among and Between New York Independent System Operator Inc., which is found at <http://www.pjm.com/~media/documents/agreements/nyiso-pjm.ashx>;
- Interregional Transmission Coordination Between the SERTP and PJM Regions, which is found at Schedule 6-A of this Agreement;
- Allocation of Costs of Certain Interregional Transmission Projects Located in the PJM and SERTP Regions, which is located at Schedule 12-B of the PJM Open Access Transmission Tariff;

- Joint Reliability Coordination Agreement Between the Midwest Independent System Operator, Inc.; PJM Interconnection, L.L.C. and Progress Energy Carolinas.

(i) Coordinated regional transmission expansion planning shall also incorporate input from parties that may be impacted by the coordination efforts, including but not limited to, the Members, Transmission Customers, electric utility regulatory agencies in the PJM Region, and the State Consumer Advocates, in accordance with the terms and conditions of the applicable regional coordination agreements.

(ii) An entity, including existing Transmission Owners and Nonincumbent Developers, may submit potential Interregional Transmission Projects pursuant to Section 1.5.8 of this Schedule 6.

(c) The Regional Transmission Expansion Plan shall be developed by the Office of the Interconnection in consultation with the Transmission Expansion Advisory Committee during the enhancement and expansion study process.

(d) The Regional Transmission Expansion Plan shall be developed taking into account the processes for coordination of the regional and subregional systems.

1.5.6 Development of the Recommended Regional Transmission Expansion Plan.

(a) The Office of the Interconnection shall be responsible for the development of the Regional Transmission Expansion Plan and for conducting the studies, including sensitivity studies and scenario analyses on which the plan is based. The Regional Transmission Expansion Plan, including the Regional RTEP Projects, the Subregional RTEP Projects and the Supplemental Projects shall be developed through an open and collaborative process with opportunity for meaningful participation through the Transmission Expansion Advisory Committee and the Subregional RTEP Committees.

(b) The Transmission Expansion Advisory Committee and the Subregional RTEP Committees shall each facilitate a minimum of one initial assumptions meeting to be scheduled at the commencement of the Regional Transmission Expansion Plan process. The purpose of the assumptions meeting shall be to provide an open forum to discuss the following: (i) the assumptions to be used in performing the evaluation and analysis of the potential enhancements and expansions to the Transmission Facilities; (ii) Public Policy Requirements identified by the states for consideration in the Office of the Interconnection's transmission planning analyses; (iii) Public Policy Objectives identified by stakeholders for consideration in the Office of the Interconnection's transmission planning analyses; (iv) the impacts of regulatory actions, projected changes in load growth, demand response resources, energy efficiency programs, price responsive demand, generating additions and retirements, market efficiency and other trends in the industry; and (v) alternative sensitivity studies, modeling assumptions and scenario analyses proposed by the Committee participants. Prior to the initial assumptions meeting, the Transmission Expansion Advisory Committee and Subregional RTEP Committees participants will be afforded the opportunity to provide input and submit suggestions regarding the information identified in items (i) through (v) of this subsection. Following the assumptions

meeting and prior to performing the evaluation and analyses of transmission needs, the Office of the Interconnection shall determine the range of assumptions to be used in the studies and scenario analyses, based on the advice and recommendations of the Transmission Expansion Advisory Committee and Subregional RTEP Committees and the validation of Public Policy Requirements and assessment and prioritization of Public Policy Objectives by the states through the Independent State Agencies Committee. The Office of the Interconnection shall document and publicly post its determination for review. Such posting shall include an explanation of those Public Policy Requirements and Public Policy Objectives adopted at the assumptions stage to be used in performing the evaluation and analysis of transmission needs. Following identification of transmission needs and prior to evaluating potential enhancements and expansions to the Transmission System the Office of the Interconnection shall publicly post all transmission need information identified as described further in section 1.5.8(b) herein to support the role of the Subregional RTEP Committees in the development of the Local Plan and support the role of Transmission Expansion Advisory Committee in the development of the Regional Transmission Expansion Plan. The Office of the Interconnection shall also post an explanation of why other Public Policy Requirements and Public Policy Objectives introduced by stakeholders at the assumptions stage were not adopted.

(c) The Subregional RTEP Committees shall also schedule and facilitate meetings related to Supplemental Projects, as described in the Tariff, Attachment M-3.

(d) After the assumptions meeting(s), the Transmission Expansion Advisory Committee and the Subregional RTEP Committees shall facilitate additional meetings and shall post all communications required to provide early opportunity for the committee participants (as defined in Sections 1.3(b) and 1.3(c) of this Schedule 6) to review, evaluate and offer comments and alternatives to the following arising from the studies performed by the Office of the Interconnection, including sensitivity studies and scenario analyses: (i) any identified violations of reliability criteria and analyses of the market efficiency and operational performance of the Transmission System; (ii) potential transmission solutions, including any acceleration, deceleration or modifications of a potential expansion or enhancement based on the results of sensitivities studies and scenario analyses; and (iii) the proposed Regional Transmission Expansion Plan. These meetings will be scheduled as deemed necessary by the Office of the Interconnection or upon the request of the Transmission Expansion Advisory Committee or the Subregional RTEP Committees. The Office of the Interconnection will provide updates on the status of the development of the Regional Transmission Expansion Plan at these meetings or at the regularly scheduled meetings of the Planning Committee.

(e) In addition, the Office of the Interconnection shall facilitate periodic meetings with the Independent State Agencies Committee to discuss: (i) the assumptions to be used in performing the evaluation and analysis of the potential enhancements and expansions to the Transmission Facilities; (ii) regulatory initiatives, as appropriate, including state regulatory agency initiated programs, and other Public Policy Objectives, to consider including in the Office of the Interconnection's transmission planning analyses; (iii) the impacts of regulatory actions, projected changes in load growth, demand response resources, energy efficiency programs, generating capacity, market efficiency and other trends in the industry; and (iv) alternative sensitivity studies, modeling assumptions and scenario analyses proposed by Independent State

Agencies Committee. At such meetings, the Office of the Interconnection also shall discuss the current status of the enhancement and expansion study process. The Independent State Agencies Committee may request that the Office of Interconnection schedule additional meetings as necessary. The Office of the Interconnection shall inform the Transmission Expansion Advisory Committee and the Subregional RTEP Committees, as appropriate, of the input of the Independent State Agencies Committee and shall consider such input in developing the range of assumptions to be used in the studies and scenario analyses described in Section (b), above.

(fe) Upon completion of its studies and analysis, including sensitivity studies and scenario analyses the Office of the Interconnection shall post on the PJM website the violations, system conditions, economic constraints, and Public Policy Requirements as detailed in Section 1.5.8(b) of this Schedule 6 to afford entities an opportunity to submit proposed enhancements or expansions to address the posted violations, system conditions, economic constraints and Public Policy Requirements as provided for in Section 1.5.8(c) of this Schedule 6. Following the close of a proposal window, the Office of the Interconnection shall: (i) post all proposals submitted pursuant to Section 1.5.8(c) of this Schedule 6; (ii) consider proposals submitted during the proposal windows consistent with Section 1.5.8(d) of this Schedule 6 and develop a recommended plan. Following review by the Transmission Expansion Advisory Committee of proposals, the Office of the Interconnection, based on identified needs and the timing of such needs, and taking into account the sensitivity studies, modeling assumption variations and scenario analyses considered pursuant to Section 1.5.3 of this Schedule 6, shall determine, which more efficient or cost-effective enhancements and expansions shall be included in the recommended plan, including solutions identified as a result of the sensitivity studies, modeling assumption variations, and scenario analyses, that may accelerate, decelerate or modify a potential reliability, market efficiency or operational performance expansion or enhancement identified as a result of the sensitivity studies, modeling assumption variations and scenario analyses, shall be included in the recommended plan. The Office of the Interconnection shall post the proposed recommended plan for review and comment by the Transmission Expansion Advisory Committee. The Transmission Expansion Advisory Committee shall facilitate open meetings and communications as necessary to provide opportunity for the Transmission Expansion Advisory Committee participants to collaborate on the preparation of the recommended enhancement and expansion plan. The Office of the Interconnection also shall invite interested parties to submit comments on the plan to the Transmission Expansion Advisory Committee and to the Office of the Interconnection before submitting the recommended plan to the PJM Board for approval.

(gf) The recommended plan shall separately identify enhancements and expansions for the three PJM subregions, the PJM Mid-Atlantic Region, the PJM West Region, and the PJM South Region, and shall incorporate recommendations from the Subregional RTEP Committees.

(hg) The recommended plan shall separately identify enhancements and expansions that are classified as Supplemental Projects.

(ih) The recommended plan shall identify enhancements and expansions that relieve transmission constraints and which, in the judgment of the Office of the Interconnection, are economically justified. Such economic expansions and enhancements shall be developed in

accordance with the procedures, criteria and analyses described in Sections 1.5.7 and 1.5.8 of this Schedule 6.

(j) The recommended plan shall identify enhancements and expansions proposed by a state or states pursuant to Section 1.5.9 of this Schedule 6.

(k) The recommended plan shall include proposed Merchant Transmission Facilities within the PJM Region and any other enhancement or expansion of the Transmission System requested by any participant which the Office of the Interconnection finds to be compatible with the Transmission System, though not required pursuant to Section 1.1, provided that (1) the requestor has complied, to the extent applicable, with the procedures and other requirements of Parts IV and VI of the PJM Tariff; (2) the proposed enhancement or expansion is consistent with applicable reliability standards, operating criteria and the purposes and objectives of the regional planning protocol; (3) the requestor shall be responsible for all costs of such enhancement or expansion (including, but not necessarily limited to, costs of siting, designing, financing, constructing, operating and maintaining the pertinent facilities), and (4) except as otherwise provided by Parts IV and VI of the PJM Tariff with respect to Merchant Network Upgrades, the requestor shall accept responsibility for ownership, construction, operation and maintenance of the enhancement or expansion through an undertaking satisfactory to the Office of the Interconnection.

(l) For each enhancement or expansion that is included in the recommended plan, the plan shall consider, based on the planning analysis: other input from participants, including any indications of a willingness to bear cost responsibility for such enhancement or expansion; and, when applicable, relevant projects being undertaken to ensure the simultaneous feasibility of Stage 1A ARRs, to facilitate Incremental ARRs pursuant to the provisions of Section 7.8 of Schedule 1 of this Agreement, or to facilitate upgrades pursuant to Parts II, III, or VI of the PJM Tariff, and designate one or more Transmission Owners or other entities to construct, own and, unless otherwise provided, finance the recommended transmission enhancement or expansion. Any designation under this paragraph of one or more entities to construct, own and/or finance a recommended transmission enhancement or expansion shall also include a designation of partial responsibility among them. Nothing herein shall prevent any Transmission Owner or other entity designated to construct, own and/or finance a recommended transmission enhancement or expansion from agreeing to undertake its responsibilities under such designation jointly with other Transmission Owners or other entities.

(m) Based on the planning analysis and other input from participants, including any indications of a willingness to bear cost responsibility for an enhancement or expansion, the recommended plan shall, for any enhancement or expansion that is included in the plan, designate (1) the Market Participant(s) in one or more Zones, or any other party that has agreed to fully fund upgrades pursuant to this Agreement or the PJM Tariff, that will bear cost responsibility for such enhancement or expansion, as and to the extent provided by any provision of the PJM Tariff or this Agreement, (2) in the event and to the extent that no provision of the PJM Tariff or this Agreement assigns cost responsibility, the Market Participant(s) in one or more Zones from which the cost of such enhancement or expansion shall be recovered through charges established pursuant to Schedule 12 of the Tariff, and (3) in the event and to the extent

that the Coordinated System Plan developed under the Joint Operating Agreement Between the Midwest Independent System Operator, Inc. and PJM Interconnection, L.L.C. assigns cost responsibility, the Market Participant(s) in one or more Zones from which the cost of such enhancement or expansion shall be recovered. Any designation under clause (2) of the preceding sentence (A) shall further be based on the Office of the Interconnection's assessment of the contributions to the need for, and benefits expected to be derived from, the pertinent enhancement or expansion by affected Market Participants and, (B) subject to FERC review and approval, shall be incorporated in any amendment to Schedule 12 of the PJM Tariff that establishes a Transmission Enhancement Charge Rate in connection with an economic expansion or enhancement developed under Sections 1.5.6(ih) and 1.5.7 of this Schedule 6, (C) the costs associated with expansions and enhancements required to ensure the simultaneous feasibility of stage 1A Auction Revenue Rights allocated pursuant to Section 7 of Schedule 1 of this Agreement shall (1) be allocated across transmission zones based on each zone's stage 1A eligible Auction Revenue Rights flow contribution to the total stage 1A eligible Auction Revenue Rights flow on the facility that limits stage 1A ARR feasibility and (2) within each transmission zone the Network Service Users and Transmission Customers that are eligible to receive stage 1A Auction Revenue Rights shall be the Responsible Customers under Section (b) of Schedule 12 of the PJM Tariff for all expansions and enhancements included in the Regional Transmission Expansion Plan to ensure the simultaneous feasibility of stage 1A Auction Revenue Rights, and (D) the costs associated with expansions and enhancements required to reduce to zero the Locational Price Adder for LDAs as described in Section 15 of Attachment DD of OATT shall (1) be allocated across Zones based on each Zone's pro rata share of load in such LDA and (2) within each Zone, to all LSEs serving load in such LDA pro rata based on such load.

Any designation under clause (3), above, (A) shall further be based on the Office of the Interconnection's assessment of the contributions to the need for, and benefits expected to be derived from, the pertinent enhancement or expansion by affected Market Participants, and (B), subject to FERC review and approval, shall be incorporated in an amendment to a Schedule of the PJM Tariff which establishes a charge in connection with the pertinent enhancement or expansion. Before designating fewer than all customers using Point-to-Point Transmission Service or Network Integration Transmission Service within a Zone as customers from which the costs of a particular enhancement or expansion may be recovered, Transmission Provider shall consult, in a manner and to the extent that it reasonably determines to be appropriate in each such instance, with affected state utility regulatory authorities and stakeholders. When the plan designates more than one responsible Market Participant, it shall also designate the proportional responsibility among them. Notwithstanding the foregoing, with respect to any facilities that the Regional Transmission Expansion Plan designates to be owned by an entity other than a Transmission Owner, the plan shall designate that entity as responsible for the costs of such facilities.

(nm) Certain Regional RTEP Project(s) and Subregional RTEP Project(s) may not be required for compliance with the following PJM criteria: system reliability, market efficiency or operational performance, pursuant to a determination by the Office of the Interconnection. These Supplemental Projects shall be separately identified in the RTEP and are not subject to approval by the PJM Board.

1.5.7 Development of Economic-based Enhancements or Expansions.

(a) Each year the Transmission Expansion Advisory Committee shall review and comment on the assumptions to be used in performing the market efficiency analysis to identify enhancements or expansions that could relieve transmission constraints that have an economic impact (“economic constraints”). Such assumptions shall include, but not be limited to, the discount rate used to determine the present value of the Total Annual Enhancement Benefit and Total Enhancement Cost, and the annual revenue requirement, including the recovery period, used to determine the Total Enhancement Cost. The discount rate shall be based on the Transmission Owners’ most recent after-tax embedded cost of capital weighted by each Transmission Owner’s total transmission capitalization. Each year, each Transmission Owner will be requested to provide the Office of the Interconnection with the Transmission Owner’s most recent after-tax embedded cost of capital, total transmission capitalization, and levelized carrying charge rate, including the recovery period. The recovery period shall be consistent with recovery periods allowed by the Commission for comparable facilities. Prior to PJM Board consideration of such assumptions, the assumptions shall be presented to the Transmission Expansion Advisory Committee for review and comment. Following review and comment by the Transmission Expansion Advisory Committee, the Office of the Interconnection shall submit the assumptions to be used in performing the market efficiency analysis described in this Section 1.5.7 to the PJM Board for consideration.

(b) Following PJM Board consideration of the assumptions, the Office of the Interconnection shall perform a market efficiency analysis to compare the costs and benefits of: (i) accelerating reliability-based enhancements or expansions already included in the Regional Transmission Plan that if accelerated also could relieve one or more economic constraints; (ii) modifying reliability-based enhancements or expansions already included in the Regional Transmission Plan that as modified would relieve one or more economic constraints; and (iii) adding new enhancements or expansions that could relieve one or more economic constraints, but for which no reliability-based need has been identified. Economic constraints include, but are not limited to, constraints that cause: (1) significant historical gross congestion; (2) pro-ration of Stage 1B ARR requests as described in section 7.4.2(c) of Schedule 1 of this Agreement; or (3) significant simulated congestion as forecasted in the market efficiency analysis. The timeline for the market efficiency analysis and comparison of the costs and benefits for items 1.5.7(b)(i-iii) is described in the PJM Manuals.

(c) The process for conducting the market efficiency analysis described in subsection (b) above shall include the following:

(i) The Office of the Interconnection shall identify and provide to the Transmission Expansion Advisory Committee a list of economic constraints to be evaluated in the market efficiency analysis.

(ii) The Office of the Interconnection shall identify any planned reliability-based enhancements or expansions already included in the Regional Transmission Expansion Plan, which if accelerated would relieve such constraints, and present any such proposed reliability-

based enhancements and expansions to be accelerated to the Transmission Expansion Advisory Committee for review and comment. The PJM Board, upon consideration of the advice of the Transmission Expansion Advisory Committee, thereafter shall consider and vote to approve any accelerations.

(iii) The Office of the Interconnection shall evaluate whether including any additional Economic-based Enhancements or Expansions in the Regional Transmission Expansion Plan or modifications of existing Regional Transmission Expansion Plan reliability-based enhancements or expansions would relieve an economic constraint. In addition, pursuant to Section 1.5.8(c) of this Schedule 6, any market participant may submit to the Office of the Interconnection a proposal to construct an additional Economic-based Enhancement or Expansion to relieve an economic constraint. Upon completion of its evaluation, including consideration of any eligible market participant proposed Economic-based Enhancements or Expansions, the Office of the Interconnection shall present to the Transmission Expansion Advisory Committee a description of new Economic-based Enhancements or Expansions for review and comment. Upon consideration and advice of the Transmission Expansion Advisory Committee, the PJM Board shall consider any new Economic-based Enhancements or Expansions for inclusion in the Regional Transmission Plan and for those enhancements and expansions it approves, the PJM Board shall designate (a) the entity or entities that will be responsible for constructing and owning or financing the additional Economic-based Enhancements or Expansions, (b) the estimated costs of such enhancements and expansions, and (c) the market participants that will bear responsibility for the costs of the additional Economic-based Enhancements or Expansions pursuant to Section 1.5.6(m) of this Schedule 6. In the event the entity or entities designated as responsible for construction, owning or financing a designated new Economic-based Enhancement or Expansion declines to construct, own or finance the new Economic-based Enhancement or Expansion, the enhancement or expansion will not be included in the Regional Transmission Expansion Plan but will be included in the report filed with the FERC in accordance with Sections 1.6 and 1.7 of this Schedule 6. This report also shall include information regarding PJM Board approved accelerations of reliability-based enhancements or expansions that an entity declines to accelerate.

(d) To determine the economic benefits of accelerating or modifying planned reliability-based enhancements or expansions or of constructing additional Economic-based Enhancements or Expansions and whether such Economic-based Enhancements or Expansion are eligible for inclusion in the Regional Transmission Expansion Plan, the Office of the Interconnection shall perform and compare market simulations with and without the proposed accelerated or modified planned reliability-based enhancements or expansions or the additional Economic-based Enhancements or Expansions as applicable, using the Benefit/Cost Ratio calculation set forth below in this Section 1.5.7(d). An Economic-based Enhancement or Expansion shall be included in the Regional Transmission Expansion Plan recommended to the PJM Board, if the relative benefits and costs of the Economic-based Enhancement or Expansion meet a Benefit/Cost Ratio Threshold of at least 1.25:1.

The Benefit/Cost Ratio shall be determined as follows:

Benefit/Cost Ratio = [Present value of the Total Annual Enhancement Benefit for each of the first 15 years of the life of the enhancement or expansion] ÷ [Present value of the Total Enhancement Cost for each of the first 15 years of the life of the enhancement or expansion]

Where

Total Annual Enhancement Benefit = Energy Market Benefit + Reliability Pricing Model Benefit

and

For economic-based enhancements and expansions for which cost responsibility is assigned pursuant to Section (b)(i) of Schedule 12 of the PJM Tariff the Energy Market Benefit is as follows:

$$\text{Energy Market Benefit} = [.50] * [\text{Change in Total Energy Production Cost}] + [.50] * [\text{Change in Load Energy Payment}]$$

For economic-based enhancements and expansions for which cost responsibility is assigned pursuant to Section (b)(v) of Schedule 12 of the PJM Tariff the Energy Market Benefit is as follows:

$$\text{Energy Market Benefit} = [1] * [\text{Change in Load Energy Payment}]$$

and

Change in Total Energy Production Cost = [the estimated total annual fuel costs, variable O&M costs, and emissions costs of the dispatched resources in the PJM Region without the Economic-based Enhancement or Expansion] – [the estimated total annual fuel costs, variable O&M costs, and emissions costs of the dispatched resources in the PJM Region with the Economic-based Enhancement or Expansion]. The change in costs for purchases from outside of the PJM Region and sales to outside the PJM Region will be captured, if appropriate. Purchases will be valued at the Load Weighted LMP and sales will be valued at the Generation Weighted LMP.

and

Change in Load Energy Payment = [the annual sum of (the hourly estimated zonal load megawatts for each Zone) * (the hourly estimated zonal Locational Marginal Price for each Zone without the Economic-based Enhancement or Expansion)] – [the annual sum of (the hourly estimated zonal load megawatts for each Zone) * (the hourly estimated zonal Locational Marginal Price for each

Zone with the Economic-based Enhancement or Expansion)] – [the change in value of transmission rights for each Zone with the Economic-based Enhancement or Expansion (as measured using currently allocated Auction Revenue Rights plus additional Auction Revenue Rights made available by the proposed acceleration or modification of the planned reliability-based enhancement or expansion or new Economic-based Enhancement or Expansion)]. The Change in the Load Energy Payment shall be the sum of the Change in the Load Energy Payment only of the Zones that show a decrease in the Load Energy Payment.

And

For economic-based enhancements and expansions for which cost responsibility is assigned pursuant to Section (b)(i) of Schedule 12 of the PJM Tariff the Reliability Pricing Benefit is as follows:

$$\text{Reliability Pricing Benefit} = [.50] * [\text{Change in Total System Capacity Cost}] + [.50] * [\text{Change in Load Capacity Payment}]$$

and

For economic-based enhancements or expansions for which cost responsibility is assigned pursuant to Section (b)(v) of Schedule 12 of the PJM Tariff the Reliability Pricing Benefit is as follows:

$$\text{Reliability Pricing Benefit} = [1] * [\text{Change in Load Capacity Payment}]$$

Change in Total System Capacity Cost = [the sum of (the megawatts that are estimated to be cleared in the Base Residual Auction under Attachment DD of the PJM Tariff) * (the prices that are estimated to be contained in the Sell Offers for each such cleared megawatt without the Economic-based Enhancement or Expansion) * (the number of days in the study year)] – [the sum of (the megawatts that are estimated to be cleared in the Base Residual Auction under Attachment DD of the PJM Tariff) * (the prices that are estimated to be contained in the Sell Offers for each such cleared megawatt with the Economic-based Enhancement or Expansion) * (the number of days in the study year)]

and

Change in Load Capacity Payment = [the sum of (the estimated zonal load megawatts in each Zone) * (the estimated Final Zonal Capacity Prices under Attachment DD of the PJM Tariff without the Economic-based Enhancement or Expansion) * (the number of

days in the study year)] – [the sum of (the estimated zonal load megawatts in each Zone) * (the estimated Final Zonal Capacity Prices under Attachment DD of the PJM Tariff with the Economic-based Enhancement or Expansion) * (the number of days in the study year)]. The Change in Load Capacity Payment shall take account of the change in value of Capacity Transfer Rights in each Zone, including any additional Capacity Transfer Rights made available by the proposed acceleration or modification of the planned reliability-based enhancement or expansion or new Economic-based Enhancement or Expansion. The Change in the Load Capacity Payment shall be the sum of the change in the Load Capacity Payment only of the Zones that show a decrease in the Load Capacity Payment.

and

Total Enhancement Cost (except for accelerations of planned reliability-based enhancements or expansions) = the estimated annual revenue requirement for the Economic-based Enhancement or Expansion.

Total Enhancement Cost (for accelerations of planned reliability-based enhancements or expansions) = the estimated change in annual revenue requirement resulting from the acceleration of the planned reliability-based enhancement or expansion, taking account of all of the costs incurred that would not have been incurred but for the acceleration of the planned reliability-based enhancement or expansion.

(e) For informational purposes only, to assist the Office of the Interconnection and the Transmission Expansion Advisory Committee in evaluating the economic benefits of accelerating planned reliability-based enhancements or expansions or of constructing a new Economic-based Enhancement or Expansion, the Office of the Interconnection shall calculate and post on the PJM website the change in the following metrics on a zonal and system-wide basis: (i) total energy production costs (fuel costs, variable O&M costs and emissions costs);(ii) total load energy payments (zonal load MW times zonal load Locational Marginal Price); (iii) total generator revenue from energy production (generator MW times generator Locational Marginal Price); (iv) Financial Transmission Right credits (as measured using currently allocated Auction Revenue Rights plus additional Auction Revenue Rights made available by the proposed acceleration or modification of a planned reliability-based enhancement or expansion or new Economic-based Enhancement or Expansion); (v) marginal loss surplus credit; and (vi) total capacity costs and load capacity payments under the Office of the Interconnection's Commission-approved capacity construct.

(f) To assure that new Economic-based Enhancements or Expansions included in the Regional Transmission Expansion Plan continue to be cost beneficial, the Office of the Interconnection annually shall review the costs and benefits of constructing such enhancements and expansions. In the event that there are changes in these costs and benefits, the Office of the

Interconnection shall review the changes in costs and benefits with the Transmission Expansion Advisory Committee and recommend to the PJM Board whether the new Economic-based Enhancements or Expansions continue to provide measurable benefits, as determined in accordance with subsection (d), and should remain in the Regional Transmission Expansion Plan. The annual review of the costs and benefits of constructing new Economic-based Enhancements or Expansions included in the Regional Transmission Expansion Plan shall include review of changes in cost estimates of the Economic-based Enhancement or Expansion, and changes in system conditions, including but not limited to, changes in load forecasts, and anticipated Merchant Transmission Facilities, generation, and demand response, consistent with the requirements of Section 1.5.7(i) of this Schedule 6.

(g) For new economic enhancements or expansions with costs in excess of \$50 million, an independent review of such costs shall be performed to assure both consistency of estimating practices and that the scope of the new Economic-based Enhancements or Expansions is consistent with the new Economic-based Enhancements or Expansions as recommended in the market efficiency analysis.

(h) At any time, market participants may submit to the Office of the Interconnection requests to interconnect Merchant Transmission Facilities or generation facilities pursuant to Parts IV and VI of the PJM Tariff that could address an economic constraint. In the event the Office of the Interconnection determines that the interconnection of such facilities would relieve an economic constraint, the Office of the Interconnection may designate the project as a “market solution” and, in the event of such designation, Section 216 of the PJM Tariff, as applicable, shall apply to the project.

(i) The assumptions used in the market efficiency analysis described in subsection (b) and any review of costs and benefits pursuant to subsection (f) shall include, but not be limited to, the following:

- (i) Timely installation of Qualifying Transmission Upgrades, that are committed to the PJM Region as a result of any Reliability Pricing Model Auction pursuant to Attachment DD of the PJM Tariff or any FRR Capacity Plan pursuant to Schedule 8.1 of the Reliability Assurance Agreement Among Load-Serving Entities in the PJM Region (“Reliability Assurance Agreement”).
- (ii) Availability of Generation Capacity Resources, as defined by Section 1.33 of the Reliability Assurance Agreement, that are committed to the PJM Region as a result of any Reliability Pricing Model Auction pursuant to Attachment DD of the PJM Tariff or any FRR Capacity Plan pursuant to Schedule 8.1 of the Reliability Assurance Agreement.
- (iii) Availability of Demand Resources that are committed to the PJM Region as a result of any Reliability Pricing Model Auction pursuant to Attachment DD of the PJM Tariff or any FRR

Capacity Plan pursuant to Schedule 8.1 of the Reliability Assurance Agreement.

- (iv) Addition of Customer Facilities pursuant to an executed Interconnection Service Agreement, Facility Study Agreement or executed Interim Interconnection Service Agreement for which Interconnection Service Agreement is expected to be executed. Facilities with an executed Facilities Study Agreement may be excluded by the Office of the Interconnection after review with the Transmission Expansion Advisory Committee.
- (v) Addition of Customer-Funded Upgrades pursuant to an executed Interconnection Construction Service Agreement or an Upgrade Construction Service Agreement.
- (vi) Expected level of demand response over at least the ensuing fifteen years based on analyses that consider historic levels of demand response, expected demand response growth trends, impact of capacity prices, current and emerging technologies.
- (vii) Expected levels of potential new generation and generation retirements over at least the ensuing fifteen years based on analyses that consider generation trends based on existing generation on the system, generation in the PJM interconnection queues and Capacity Resource Clearing Prices under Attachment DD of the PJM Tariff. If the Office of the Interconnection finds that the PJM reserve requirement is not met in any of its future year market efficiency analyses then it will model adequate future generation based on type and location of generation in existing PJM interconnection queues and, if necessary, add transmission enhancements to address congestion that arises from such modeling.
- (viii) Items (i) through (v) will be included in the market efficiency assumptions if qualified for consideration by the PJM Board. In the event that any of the items listed in (i) through (v) above qualify for inclusion in the market efficiency analysis assumptions, however, because of the timing of the qualification the item was not included in the assumptions used in developing the most recent Regional Transmission Expansion Plan, the Office of the Interconnection, to the extent necessary, shall notify any entity constructing an Economic-based Enhancement or Expansion that may be affected by inclusion of such item in the assumptions for the next market efficiency analysis described in subsection (b) and any review of costs and benefits pursuant to subsection (f) that the need for the Economic-based Enhancement or Expansion may be

diminished or obviated as a result of the inclusion of the qualified item in the assumptions for the next annual market efficiency analysis or review of costs and benefits.

(j) For informational purposes only, with regard to Economic-based Enhancements or Expansions that are included in the Regional Transmission Expansion Plan pursuant to subsection (d) of this Section 1.5.7, the Office of the Interconnection shall perform sensitivity analyses consistent with Section 1.5.3 of this Schedule 6 and shall provide the results of such sensitivity analyses to the Transmission Expansion Advisory Committee.

1.5.8 Development of Long-lead Projects, Short-term Projects, Immediate-need Reliability Projects, and Economic-based Enhancements or Expansions.

(a) Pre-Qualification Process.

(a)(1) On September 1 of each year, the Office of the Interconnection shall open a thirty-day pre-qualification window for entities, including existing Transmission Owners and Nonincumbent Developers, to submit to the Office of the Interconnection: (i) applications to pre-qualify as eligible to be a Designated Entity; or (ii) updated information as described in Section 1.5.8(a)(3) of this Schedule 6. Pre-qualification applications shall contain the following information: (i) name and address of the entity; (ii) the technical and engineering qualifications of the entity or its affiliate, partner, or parent company; (iii) the demonstrated experience of the entity or its affiliate, partner, or parent company to develop, construct, maintain, and operate transmission facilities, including a list or other evidence of transmission facilities the entity, its affiliate, partner, or parent company previously developed, constructed, maintained, or operated; (iv) the previous record of the entity or its affiliate, partner, or parent company regarding construction, maintenance, or operation of transmission facilities both inside and outside of the PJM Region; (v) the capability of the entity or its affiliate, partner, or parent company to adhere to standardized construction, maintenance and operating practices; (vi) the financial statements of the entity or its affiliate, partner, or parent company for the most recent fiscal quarter, as well as the most recent three fiscal years, or the period of existence of the entity, if shorter, or such other evidence demonstrating an entity's or its affiliate's, partner's, or parent company's current and expected financial capability acceptable to the Office of the Interconnection; (vii) a commitment by the entity to execute the Consolidated Transmission Owners Agreement, if the entity becomes a Designated Entity; (viii) evidence demonstrating the ability of the entity or its affiliate, partner, or parent company to address and timely remedy failure of facilities; (ix) a description of the experience of the entity or its affiliate, partner, or parent company in acquiring rights of way; and (x) such other supporting information that the Office of Interconnection requires to make the pre-qualification determinations consistent with this Section 1.5.8(a).

(a)(2) No later than October 31, the Office of the Interconnection shall notify the entities that submitted pre-qualification applications or updated information during the annual thirty-day pre-qualification window, whether they are, or will continue to be, pre-qualified as eligible to be a Designated Entity. In the event the Office of the Interconnection determines that an entity (i) is not, or no longer will continue to be, pre-qualified as eligible to be a Designated Entity, or (ii)

provided insufficient information to determine pre-qualification, the Office of the Interconnection shall inform that the entity it is not pre-qualified and include in the notification the basis for its determination. The entity then may submit additional information, which the Office of the Interconnection shall consider in re-evaluating whether the entity is, or will continue to be, pre-qualified as eligible to be a Designated Entity. If the entity submits additional information by November 30, the Office of the Interconnection shall notify the entity of the results of its re-evaluation no later than December 15. If the entity submits additional information after November 30, the Office of the Interconnection shall use reasonable efforts to re-evaluate the application, with the additional information, and notify the entity of its determination as soon as practicable. No later than December 31, the Office of the Interconnection shall post on the PJM website the list of entities that are pre-qualified as eligible to be Designated Entities. If an entity is notified by the Office of the Interconnection that it does not pre-qualify or will not continue to be pre-qualified as eligible to be a Designated Entity, such entity may request dispute resolution pursuant to Schedule 5 of the Operating Agreement.

(a)(3) If an entity was pre-qualified as eligible to be a Designated Entity in the previous year, such entity is not required to re-submit information to pre-qualify with respect to the upcoming year. In the event the information on which the entity's pre-qualification is based changes with respect to the upcoming year, such entity must submit to the Office of the Interconnection all updated information during the annual thirty-day pre-qualification window and the timeframes for notification in Section 1.5.8(a)(2) of this Schedule 6 shall apply. In the event the information on which the entity's pre-qualification is based changes with respect to the current year, such entity must submit to the Office of the Interconnection all updated information at the time the information changes and the Office of the Interconnection shall use reasonable efforts to evaluate the updated information and notify the entity of its determination as soon as practicable.

(a)(4) As determined by the Office of the Interconnection, an entity may submit a pre-qualification application outside the annual thirty-day pre-qualification window for good cause shown. For a pre-qualification application received outside of the annual thirty-day pre-qualification window, the Office of the Interconnection shall use reasonable efforts to process the application and notify the entity as to whether it pre-qualifies as eligible to be a Designated Entity as soon as practicable.

(a)(5) To be designated as a Designated Entity for any project proposed pursuant to Section 1.5.8 of this Schedule 6, existing Transmission Owners and Nonincumbent Developers must be pre-qualified as eligible to be a Designated Entity pursuant to this Section 1.5.8(a). This Section 1.5.8(a) shall not apply to entities that desire to propose projects for inclusion in the recommended plan but do not intend to be a Designated Entity.

(b) **Posting of Transmission System Needs.** Following identification of existing and projected limitations on the Transmission System's physical, economic and/or operational capability or performance in the enhancement and expansion analysis process described in this Schedule 6 and the PJM Manuals, and after consideration of non-transmission solutions, and prior to evaluating potential enhancements and expansions to the Transmission System, the Office of the Interconnection shall publicly post on the PJM website all transmission need

information, including violations, system conditions, and economic constraints, and Public Policy Requirements, including (i) federal Public Policy Requirements; (ii) state Public Policy Requirements identified or agreed-to by the states in the PJM Region, which could be addressed by potential Short-term Projects, Long-lead Projects or projects determined pursuant to the State Agreement Approach in Section 1.5.9 of this Schedule 6, as applicable. Such posting shall support the role of the Subregional RTEP Committees in the development of the Local Plans and support the role of the Transmission Expansion Advisory Committee in the development of the Regional Transmission Expansion Plan. The Office of the Interconnection also shall post an explanation regarding why transmission needs associated with federal or state Public Policy Requirements were identified but were not selected for further evaluation.

(c) **Project Proposal Windows.** The Office of the Interconnection shall provide notice to stakeholders of a 60-day proposal window for Short-term Projects and a 120-day proposal window for Long-lead Projects and Economic-based Enhancements or Expansions. The specifics regarding whether or not the following types of violations or projects are subject to a proposal window are detailed in Schedule 6 of this Agreement at Section 1.5.8(m) for Immediate-need Reliability Projects; Section 1.5.8(n) for reliability violations on transmission facilities below 200 kV; Section 1.5.8(o) for violations resulting from individual transmission owner Form 715 Planning Criteria; and Section 1.5.8(p) for violations on transmission substation equipment. The Office of Interconnection may shorten a proposal window should an identified need require a shorter proposal window to meet the needed in-service date of the proposed enhancements or expansions, or extend a proposal window as needed to accommodate updated information regarding system conditions. The Office of the Interconnection may shorten or lengthen a proposal window that is not yet opened based on one or more of the following criteria: (1) complexity of the violation or system condition; and (2) whether there is sufficient time remaining in the relevant planning cycle to accommodate a standard proposal window and timely address the violation or system condition. The Office of the Interconnection may lengthen a proposal window that already is opened based on or more of the following criteria: (i) changes in assumptions or conditions relating to the underlying need for the project, such as load growth or Reliability Pricing Model auction results; (ii) availability of new or changed information regarding the nature of the violations and the facilities involved; and (iii) time remaining in the relevant proposal window. In the event that the Office of the Interconnection determines to lengthen or shorten a proposal window, it will post on the PJM website the new proposal window period and an explanation as to the reasons for the change in the proposal window period. During these windows, the Office of the Interconnection will accept proposals from existing Transmission Owners and Nonincumbent Developers for potential enhancements or expansions to address the posted violations, system conditions, economic constraints, as well as Public Policy Requirements.

(c)(1) All proposals submitted in the proposal windows must contain: (i) the name and address of the proposing entity; (ii) a statement whether the entity intends to be the Designated Entity for the proposed project; (iii) the location of proposed project, including source and sink, if applicable; (iv) relevant engineering studies, and other relevant information as described in the PJM Manuals pertaining to the proposed project; (v) a proposed initial construction schedule including projected dates on which needed permits are required to be obtained in order to meet

the required in-service date; (vi) cost estimates and analyses that provide sufficient detail for the Office of Interconnection to review and analyze the proposed cost of the project; and (vii) with the exception of project proposals with cost estimates submitted with the proposals that are under \$20 million, a non-refundable fee must be submitted with each proposal, by each proposing entity who indicates an intention to be the Designated Entity, as follows: a non-refundable fee in the amount of \$5,000 for each project with a cost estimate submitted with the proposal that is equal to or greater than \$20 million and less than \$100 million and a non-refundable fee in the amount of \$30,000 for each project with a cost estimate submitted with the proposal that is equal to \$100 million or greater.

(c)(2) Proposals from all entities (both existing Transmission Owners and Nonincumbent Developers) that indicate the entity intends to be a Designated Entity, also must contain information to the extent not previously provided pursuant to Section 1.5.8(a) demonstrating: (i) technical and engineering qualifications of the entity, its affiliate, partner, or parent company relevant to construction, operation, and maintenance of the proposed project; (ii) experience of the entity, its affiliate, partner, or parent company in developing, constructing, maintaining, and operating the type of transmission facilities contained in the project proposal; (iii) the emergency response capability of the entity that will be operating and maintaining the proposed project; (iv) evidence of transmission facilities the entity, its affiliate, partner, or parent company previously constructed, maintained, or operated; (v) the ability of the entity or its affiliate, partner, or parent company to obtain adequate financing relative to the proposed project, which may include a letter of intent from a financial institution approved by the Office of the Interconnection or such other evidence of the financial resources available to finance the construction, operation, and maintenance of the proposed project; (vi) the managerial ability of the entity, its affiliate, partner, or parent company to contain costs and adhere to construction schedules for the proposed project, including a description of verifiable past achievement of these goals; (vii) a demonstration of other advantages the entity may have to construct, operate, and maintain the proposed project, including any cost commitment the entity may wish to submit; and (viii) any other information that may assist the Office of the Interconnection in evaluating the proposed project.

(c)(3) The Office of the Interconnection may request additional reports or information from an existing Transmission Owner or Nonincumbent Developers that it determines are reasonably necessary to evaluate its specific project proposal pursuant to the criteria set forth in Sections 1.5.8(e) and 1.5.8(f) of this Schedule 6. If the Office of the Interconnection determines any of the information provided in a proposal is deficient or it requires additional reports or information to analyze the submitted proposal, the Office of the Interconnection shall notify the proposing entity of such deficiency or request. Within 10 Business Days of receipt of the notification of deficiency and/or request for additional reports or information, or other reasonable time period as determined by the Office of the Interconnection, the proposing entity shall provide the necessary information.

(c)(4) The request for additional reports or information by the Office of the Interconnection pursuant to Section 1.5.8(c)(3) of this Schedule 6 may be used only to clarify a proposed project as submitted. In response to the Office of the Information's request for additional reports or information, the proposing entity (whether an existing Transmission Owner

or Nonincumbent Developer) may not submit a new project proposal or modifications to a proposed project once the proposal window is closed. In the event that the proposing entity fails to timely cure the deficiency or provide the requested reports or information regarding a proposed project, the proposed project will not be considered for inclusion in the recommended plan.

(c)(5) Within 30 days of the closing of the proposal window, the Office of the Interconnection may notify the proposing entity that additional per project fees are required if the Office of the Interconnection determines the proposing entity's submittal includes multiple project proposals. Within 10 Business Days of receipt of the notification of insufficient funds by the Office of the Interconnection, the proposing entity shall submit such funds or notify the Office of the Interconnection which of the project proposals the Office of the Interconnection should evaluate based on the fee(s) submitted.

(d) **Posting and Review of Projects.** Following the close of a proposal window, the Office of the Interconnection shall post on the PJM website all proposals submitted pursuant to Section 1.5.8(c) of this Schedule 6. All proposals addressing state Public Policy Requirements shall be provided to the applicable states in the PJM Region for review and consideration as a Supplemental Project or a state public policy project consistent with Section 1.5.9 of this Schedule 6. The Office of the Interconnection shall review all proposals submitted during a proposal window and determine and present to the Transmission Expansion Advisory Committee the proposals that merit further consideration for inclusion in the recommended plan. In making this determination, the Office of the Interconnection shall consider the criteria set forth in Sections 1.5.8(e) and 1.5.8(f) of this Schedule 6. The Office of the Interconnection shall post on the PJM website and present to the Transmission Expansion Advisory Committee for review and comment descriptions of the proposed enhancements and expansions, including any proposed Supplemental Projects or state public policy projects identified by a state(s). Based on review and comment by the Transmission Expansion Advisory Committee, the Office of the Interconnection may, if necessary conduct further study and evaluation. The Office of the Interconnection shall post on the PJM website and present to the Transmission Expansion Advisory Committee the revised enhancements and expansions for review and comment. After consultation with the Transmission Expansion Advisory Committee, the Office of the Interconnection shall determine the more efficient or cost-effective transmission enhancements and expansions for inclusion in the recommended plan consistent with this Schedule 6.

(e) **Criteria for Considering Inclusion of a Project in the Recommended Plan.** In determining whether a Short-term Project or Long-lead Project proposed pursuant to Section 1.5.8(c), individually or in combination with other Short-term Projects or Long-lead Projects, is the more efficient or cost-effective solution and therefore should be included in the recommended plan, the Office of the Interconnection, taking into account sensitivity studies and scenario analyses considered pursuant to Section 1.5.3 of this Schedule 6, shall consider the following criteria, to the extent applicable: (i) the extent to which a Short-term Project or Long-lead Project would address and solve the posted violation, system condition, or economic constraint; (ii) the extent to which the relative benefits of the project meets a Benefit/Cost Ratio Threshold of at least 1.25:1 as calculated pursuant to Section 1.5.7(d) of this Schedule 6; (iii) the extent to which the Short-term Project or Long-lead Project would have secondary benefits, such

as addressing additional or other system reliability, operational performance, economic efficiency issues or federal Public Policy Requirements or state Public Policy Requirements identified by the states in the PJM Region; and (iv) other factors such as cost-effectiveness, the ability to timely complete the project, and project development feasibility.

(f) Entity-Specific Criteria Considered in Determining the Designated Entity for a Project. In determining whether the entity proposing a Short-term Project or a Long-lead Project recommended for inclusion in the plan shall be the Designated Entity, the Office of the Interconnection shall consider: (i) whether in its proposal, the entity indicated its intent to be the Designated Entity; (ii) whether the entity is pre-qualified to be a Designated Entity pursuant to Section 1.5.8(a); (iii) information provided either in the proposing entity's submission pursuant to Section 1.5.8(a) or 1.5.8(c)(2) relative to the specific proposed project that demonstrates: (1) the technical and engineering experience of the entity or its affiliate, partner, or parent company, including its previous record regarding construction, maintenance, and operation of transmission facilities relative to the project proposed; (2) ability of the entity or its affiliate, partner, or parent company to construct, maintain, and operate transmission facilities, as proposed, (3) capability of the entity to adhere to standardized construction, maintenance, and operating practices, including the capability for emergency response and restoration of damaged equipment; (4) experience of the entity in acquiring rights of way; (5) evidence of the ability of the entity, its affiliate, partner, or parent company to secure a financial commitment from an approved financial institution(s) agreeing to finance the construction, operation, and maintenance of the project, if it is accepted into the recommended plan; and (iv) any other factors that may be relevant to the proposed project, including but not limited to whether the proposal includes the entity's previously designated project(s) included in the plan.

(g) Procedures if No Long-lead Project or Economic-based Enhancement or Expansion Proposal is Determined to be the More Efficient or Cost-Effective Solution. If the Office of the Interconnection determines that none of the proposed Long-lead Projects received during the Long-lead Project proposal window would be the more efficient or cost-effective solution to resolve a posted violation, or system condition, the Office of the Interconnection may re-evaluate and re-post on the PJM website the unresolved violations, or system conditions pursuant to Section 1.5.8(b), provided such re-evaluation and re-posting would not affect the ability of the Office of the Interconnection to timely address the identified reliability need. In the event that re-posting and conducting such re-evaluation would prevent the Office of the Interconnection from timely addressing the existing and projected limitations on the Transmission System that give rise to the need for an enhancement or expansion, the Office of the Interconnection shall propose a project to solve the posted violation, or system condition for inclusion in the recommended plan and shall present such project to the Transmission Expansion Advisory Committee for review and comment. The Transmission Owner(s) in the Zone(s) where the project is to be located shall be the Designated Entity(ies) for such project. In determining whether there is insufficient time for re-posting and re-evaluation, the Office of the Interconnection shall develop and post on the PJM website a transmission solution construction timeline for input and review by the Transmission Expansion Advisory Committee that will include factors such as, but not limited to: (i) deadlines for obtaining regulatory approvals, (ii) dates by which long lead equipment should be acquired, (iii) the time necessary to complete a proposed solution to meet the required in-service date, and (iv) other time-based factors

impacting the feasibility of achieving the required in-service date. Based on input from the Transmission Expansion Advisory Committee and the time frames set forth in the construction timeline, the Office of the Interconnection shall determine whether there is sufficient time to conduct a re-evaluation and re-post and timely address the existing and projected limitations on the Transmission System that give rise to the need for an enhancement or expansion. To the extent that an economic constraint remains unaddressed, the economic constraint will be re-evaluated and re-posted.

(h) **Procedures if No Short-term Project Proposal is Determined to be the More Efficient or Cost-Effective Solution.** If the Office of the Interconnection determines that none of the proposed Short-term Projects received during a Short-term Project proposal window would be the more efficient or cost-effective solution to resolve a posted violation or system condition, the Office of the Interconnection shall propose a Short-term Project to solve the posted violation, or system condition for inclusion in the recommended plan and will present such Short-term Project to the Transmission Expansion Advisory Committee for review and comment. The Transmission Owner(s) in the Zone(s) where the Short-term Project is to be located shall be the Designated Entity(ies) for the Project.

(i) **Notification of Designated Entity.** Within 10 Business Days of PJM Board approval of the Regional Transmission Expansion Plan, the Office of the Interconnection shall notify the entities that have been designated as the Designated Entities for projects included in the Regional Transmission Expansion Plan of such designations. In such notices, the Office of the Interconnection shall provide: (i) the needed in-service date of the project; and (ii) a date by which all necessary state approvals should be obtained to timely meet the needed in-service date of the project. The Office of the Interconnection shall use these dates as part of its on-going monitoring of the progress of the project to ensure that the project is completed by its needed in-service date.

(j) **Acceptance of Designation.** Within 30 days of receiving notification of its designation as a Designated Entity, the existing Transmission Owner or Nonincumbent Developer shall notify the Office of the Interconnection of its acceptance of such designation and submit to the Office of the Interconnection a development schedule, which shall include, but not be limited to, milestones necessary to develop and construct the project to achieve the required in-service date, including milestone dates for obtaining all necessary authorizations and approvals, including but not limited to, state approvals. For good cause shown, the Office of the Interconnection may extend the deadline for submitting the development schedule. The Office of the Interconnection then shall review the development schedule and within 15 days or other reasonable time as required by the Office of the Interconnection: (i) notify the Designated Entity of any issues regarding the development schedule identified by the Office of the Interconnection that may need to be addressed to ensure that the project meets its needed in-service date; and (ii) tender to the Designated Entity an executable Designated Entity Agreement setting forth the rights and obligations of the parties. To retain its status as a Designated Entity, within 60 days of receiving notification of its designation (or other such period as mutually agreed upon by the Office of the Interconnection and the Designated Entity), the Designated Entity (both existing Transmission Owners and Nonincumbent Developers) shall submit to the Office of the Interconnection a letter of credit as determined by the Office of Interconnection to cover the incremental costs of

construction resulting from reassignment of the project, and return to the Office of the Interconnection an executed Designated Entity Agreement containing a mutually agreed upon development schedule. In the alternative, the Designated Entity may request dispute resolution pursuant to Schedule 5 of this Agreement, or request that the Designated Entity Agreement be filed unexecuted with the Commission.

(k) **Failure of Designated Entity to Meet Milestones.** In the event the Designated Entity fails to comply with one or more of the requirements of Section 1.5.8(j); or fails to meet a milestone in the development schedule set forth in the Designated Entity Agreement that causes a delay of the project's in-service date, the Office of the Interconnection shall re-evaluate the need for the Short-term Project or Long-lead Project, and based on that re-evaluation may: (i) retain the Short-term Project or Long-lead Project in the Regional Transmission Expansion Plan; (ii) remove the Short-term Project or Long-lead Project from the Regional Transmission Expansion Plan; or (iii) include an alternative solution in the Regional Transmission Expansion Plan. If the Office of the Interconnection retains the Short-term or Long-term Project in the Regional Transmission Expansion Plan, it shall determine whether the delay is beyond the Designated Entity's control and whether to retain the Designated Entity or to designate the Transmission Owner(s) in the Zone(s) where the project is located as Designated Entity(ies) for the Short-term Project or Long-lead Project. If the Designated Entity is the Transmission Owner(s) in the Zone(s) where the project is located, the Office of the Interconnection shall seek recourse through the Consolidated Transmission Owners Agreement or FERC, as appropriate. Any modifications to the Regional Transmission Expansion Plan pursuant to this section shall be presented to the Transmission Expansion Advisory Committee for review and comment and approved by the PJM Board.

(l) **Transmission Owners Required to be the Designated Entity.** Notwithstanding anything to the contrary in this Section 1.5.8, in all events, the Transmission Owner(s) in whose Zone(s) a project proposed pursuant to Section 1.5.8(c) of this Schedule 6 is to be located will be the Designated Entity for the project, when the Short-term Project or Long-lead Project is: (i) a Transmission Owner Upgrade; (ii) located solely within a Transmission Owner's Zone and the costs of the project are allocated solely to the Transmission Owner's Zone; or (iii) located solely within a Transmission Owner's Zone and is not selected in the Regional Transmission Expansion Plan for purposes of cost allocation.

(m) **Immediate-need Reliability Projects:**

(m)(1) Pursuant to the expansion planning process set forth in Sections 1.5.1 through 1.5.6 of Schedule 6, the Office of the Interconnection shall identify immediate reliability needs that must be addressed within three years or less. For those immediate reliability needs for which PJM determines a proposal window may not be feasible, PJM shall identify and post such immediate need reliability criteria violations and system conditions for review and comment by the Transmission Expansion Advisory Committee and other stakeholders. Following review and comment, the Office of the Interconnection shall develop Immediate-need Reliability Projects for which a proposal window pursuant to Section 1.5.8(m)(2) is infeasible. The Office of the Interconnection shall consider the following factors in determining the infeasibility of such a proposal window: (i) nature of the reliability criteria violation; (ii) nature and type of potential

solution required; and (iii) projected construction time for a potential solution to the type of reliability criteria violation to be addressed. The Office of the Interconnection shall post on the PJM website for review and comment by the Transmission Expansion Advisory Committee and other stakeholders descriptions of the Immediate-need Reliability Projects for which a proposal window pursuant to Section 1.5.8(m)(2) is infeasible. The descriptions shall include an explanation of the decision to designate the Transmission Owner as the Designated Entity for the Immediate-need Reliability Project rather than conducting a proposal window pursuant to Section 1.5.8(m)(2), including an explanation of the time-sensitive need for the Immediate-need Reliability Project, other transmission and non-transmission options that were considered but concluded would not sufficiently address the immediate reliability need, the circumstances that generated the immediate reliability need, and why the immediate reliability need was not identified earlier. After the descriptions are posted on the PJM website, stakeholders shall have reasonable opportunity to provide comments to the Office of the Interconnection. All comments received by the Office of the Interconnection shall be publicly available on the PJM website. Based on the comments received from stakeholders and the review by Transmission Expansion Advisory Committee, the Office of the Interconnection shall, if necessary, conduct further study and evaluation and post a revised recommended plan for review and comment by the Transmission Expansion Advisory Committee. The PJM Board shall approve the Immediate-need Reliability Projects for inclusion in the recommended plan. In January of each year, the Office of the Interconnection shall post on the PJM website and file with the Commission for informational purposes a list of the Immediate-need Reliability Projects for which an existing Transmission Owner was designated in the prior year as the Designated Entity in accordance with this Section 1.5.8(m)(1). The list shall include the need-by date of Immediate-need Reliability Project and the date the Transmission Owner actually energized the Immediate-need Reliability Project.

(m)(2) If, in the judgment of the Office of the Interconnection, there is sufficient time for the Office of the Interconnection to accept proposals in a shortened proposal window for Immediate-need Reliability Projects, the Office of the Interconnection shall post on the PJM website the violations and system conditions that could be addressed by Immediate-need Reliability Project proposals, including an explanation of the time-sensitive need for an Immediate-need Reliability Project and provide notice to stakeholders of a shortened proposal window. Proposals must contain the information required in Section 1.5.8(c) and, if the entity is seeking to be the Designated Entity, such entity must have pre-qualified to be a Designated Entity pursuant to Section 1.5.8(a). In determining the more efficient or cost-effective proposed Immediate-need Reliability Project for inclusion in the recommended plan, the Office of the Interconnection shall consider the extent to which the proposed Immediate-need Reliability Project, individually or in combination with other Immediate-need Reliability Projects, would address and solve the posted violations or system conditions and other factors such as cost-effectiveness, the ability of the entity to timely complete the project, and project development feasibility in light of the required need. After PJM Board approval, the Office of the Interconnection, in accordance with Section 1.5.8(i) of this Schedule 6, shall notify the entities that have been designated as Designated Entities for Immediate-need Projects included in the Regional Transmission Expansion Plan of such designations. Designated Entities shall accept such designations in accordance with Section 1.5.8(j). In the event that (i) the Office of the Interconnection determines that no proposal resolves a posted violation or system condition; (ii)

the proposing entity is not selected to be the Designated Entity; (iii) an entity does not accept the designation as a Designated Entity; or (iv) the Designated Entity fails to meet milestones that would delay the in-service date of the Immediate-need Reliability Project, the Office of the Interconnection shall develop and recommend an Immediate-need Reliability Project to solve the violation or system needs in accordance with Section 1.5.8(m)(1).

(n) **Reliability Violations on Transmission Facilities Below 200 kV.** Pursuant to the expansion planning process set forth in Sections 1.5.1 through 1.5.6 of Schedule 6, the Office of the Interconnection shall identify reliability violations on facilities below 200 kV. The Office of the Interconnection shall not post such a violation pursuant to Section 1.5.8(b) of this Schedule 6 for inclusion in a proposal window pursuant to Section 1.5.8(c) unless the identified violation(s) satisfies one of the following exceptions: (i) the reliability violations are thermal overload violations identified on multiple transmission lines and/or transformers rated below 200 kV that are impacted by a common contingent element, such that multiple reliability violations could be addressed by one or more solutions, including but not limited to a higher voltage solution; or (ii) the reliability violations are thermal overload violations identified on multiple transmission lines and/or transformers rated below 200 kV and the Office of the Interconnection determines that given the location and electrical features of the violations one or more solutions could potentially address or reduce the flow on multiple lower voltage facilities, thereby eliminating the multiple reliability violations. If the reliability violation is identified on multiple facilities rated below 200 kV that are determined by the Office of the Interconnection to meet one of the two exceptions stated above, the Office of the Interconnection shall develop a solution to address the reliability violation on below 200 kV Transmission Facilities that will not be included in a proposal window pursuant to Section 1.5.8(c). The Office of Interconnection shall post on the PJM website the reliability violations to be included in a proposal window consistent with Section 1.5.8(c) of Schedule 6. If the Office of the Interconnection determines that the identified reliability violations do not satisfy either of the two exceptions stated above, the Office of the Interconnection shall develop a solution to address the reliability violation on below 200 kV Transmission Facilities that will not be included in a proposal window pursuant to Section 1.5.8(c). The Office of Interconnection shall post on the PJM website for review and comment by the Transmission Expansion Advisory Committee and other stakeholders descriptions of the below 200 kV reliability violations that will not be included in a proposal window pursuant to Section 1.5.8(c). The descriptions shall include an explanation of the decision to not include the below 200 kV reliability violation(s) in a Section 1.5.8(c) proposal window, a description of the facility on which the violation(s) is found, the Zone in which the facility is located, and notice that such construction responsibility for and ownership of the project that resolves such below 200 kV reliability violation will be designated to the incumbent Transmission Owner. After the descriptions are posted on the PJM website, stakeholders shall have reasonable opportunity to provide comments for consideration by the Office of the Interconnection. With the exception of Immediate-need Reliability Projects under section 1.5.8(m) of this Schedule 6, PJM will not select an above 200 kV solution for inclusion in the recommended plan that would address a reliability violation on a below 200 kV transmission facility without posting the violation for inclusion in a proposal window consistent with Section 1.5.8(c) of Schedule 6. All written comments received by the Office of the Interconnection shall be publicly available on the PJM website.

(o) **Transmission Owner Form 715 Planning Criteria.** Pursuant to the expansion planning process set forth in Sections 1.5.1 through 1.5.6 of Schedule 6, the Office of the Interconnection shall identify transmission needs driven by Form 715 Planning Criteria. The Office of the Interconnection shall post on the PJM website for review and comment by the Transmission Expansion Advisory Committee and other stakeholders the identified transmission needs driven by individual transmission owner Form 715 Planning Criteria. Such transmission needs shall not be posted pursuant to Section 1.5.8(b) of this Schedule 6 for inclusion in a proposal window and such postings will not be subject to the proposal window process pursuant to Section 1.5.8(c). Any project proposal submitted in a proposal window pursuant to Section 1.5.8(c) addressing both a posted violation or system condition other than a Form 715 Planning Criteria violation and a transmission need driven by Form 715 Planning Criteria that complies with the requirements of Section 1.5.8(c) shall be accepted for consideration by the Office of the Interconnection and, if selected in the proposal window process for inclusion in the Regional Transmission Expansion Plan, the project proposer may be designated as the Designated Entity for such project. Project proposals submitted in a proposal window that address only a transmission need solely driven by Form 715 Planning Criteria may be considered by the Office of the Interconnection as a potential alternative to a Form 715 Planning Criteria violation but shall not be accepted for consideration under Section 1.5.8(c) and, if selected for inclusion in the Regional Transmission Expansion Plan by the Office of the Interconnection, the proposing entity may not be designated as the Designated Entity. The Office of the Interconnection shall post on the PJM website for review and comment by the Transmission Expansion Advisory Committee and other stakeholders a description of the Form No. 715 projects. The descriptions shall identify the applicable Form 715 Planning Criteria, the Zone in which the facility is located, an explanation of the decision to designate the Transmission Owner as the Designated Entity, and any alternatives considered by the Office of the Interconnection but were not found to be the more efficient or cost effective solution. After the descriptions are posted on the PJM website, stakeholders shall have reasonable opportunity to provide comments for consideration by the Office of the Interconnection. All written comments received by the Office of the Interconnection shall be publicly available on the PJM website. Based on the comments received from stakeholders and the review by Transmission Expansion Advisory Committee, the Office of the Interconnection may, if necessary, conduct further study and evaluation and post a revised recommended plan for review and comment by the Transmission Expansion Advisory Committee.

(p) **Thermal Reliability Violations on Transmission Substation Equipment.** Pursuant to the regional transmission expansion planning process set forth in Sections 1.5.1 through 1.5.6 of Schedule 6, the Office of the Interconnection shall identify thermal reliability violations on existing transmission substation equipment. The Office of the Interconnection shall not post such thermal reliability violations pursuant to Section 1.5.8(b) of this Schedule 6 for inclusion in a proposal window pursuant to Section 1.5.8(c) if the Office of the Interconnection determines that the reliability violations would be more efficiently addressed by an upgrade to replace in kind transmission substation equipment with higher rated equipment, excluding power transmission transformers, but including station service transformers and instrument transformers. If the Office of the Interconnection determines that the reliability violation does not meet the exemption stated above, the Office of the Interconnection shall post on the PJM website the reliability violations to be included in a proposal window consistent with Section

1.5.8(c) of Schedule 6. If the Office of the Interconnection determines that the identified thermal reliability violations satisfy the above exemption to the proposal window process, the Office of the Interconnection shall post on the PJM website for review and comment by the Transmission Expansion Advisory Committee and other stakeholders descriptions of the transmission substation equipment thermal reliability violations that will not be included in a proposal window pursuant to Section 1.5.8(c). The descriptions shall include an explanation of the decision to not include the transmission substation equipment thermal reliability violation(s) in a Section 1.5.8(c) proposal window, a description of the facility on which the thermal violation(s) is found, the Zone in which the facility is located, and notice that such construction responsibility for and ownership of the project that resolves such transmission substation equipment thermal violations will be designated to the incumbent Transmission Owner. After the descriptions are posted on the PJM website, stakeholders shall have reasonable opportunity to provide comments for consideration by the Office of the Interconnection. All written comments received by the Office of the Interconnection shall be publicly available on the PJM website.

1.5.9 State Agreement Approach.

(a) State governmental entities authorized by their respective states, individually or jointly, may agree voluntarily to be responsible for the allocation of all costs of a proposed transmission expansion or enhancement that addresses state Public Policy Requirements identified or accepted by the state(s) in the PJM Region. As determined by the authorized state governmental entities, such transmission enhancements or expansions may be included in the recommended plan, either as a (i) Supplemental Project or (ii) state public policy project, which is a transmission enhancement or expansion, the costs of which will be recovered pursuant to a FERC-accepted cost allocation proposed by agreement of one or more states and voluntarily agreed to by those state(s). All costs related to a state public policy project or Supplemental Project included in the Regional Transmission Expansion Plan to address state Public Policy Requirements pursuant to this Section shall be recovered from customers in a state(s) in the PJM Region that agrees to be responsible for the projects. No such costs shall be recovered from customers in a state that did not agree to be responsible for such cost allocation. A state public policy project will be included in the Regional Transmission Expansion Plan for cost allocation purposes only if there is an associated FERC-accepted allocation permitting recovery of the costs of the state public policy project consistent with this Section.

(b) Subject to any designation reserved for Transmission Owners in Section 1.5.8(l) of this Schedule 6, the state(s) responsible for cost allocation for a Supplemental Project or a state public policy project in accordance with Section 1.5.9(a) in this Schedule 6 may submit to the Office of the Interconnection the entity(ies) to construct, own, operate and maintain the state public policy project from a list of entities supplied by the Office of the Interconnection that pre-qualified to be Designated Entities pursuant to Section 1.5.8(a) of this Schedule 6.

1.5.10 Multi-Driver Project.

(a) When a proposal submitted by an existing Transmission Owner or Nonincumbent Developer pursuant to Section 1.5.8(c) meets the definition of a Multi-Driver Project and is designated to be included in the Regional Transmission Expansion Plan for purposes of cost

allocation, the Office of the Interconnection shall designate the Designated Entity for the project as follows: (i) if the Multi-Driver Project does not contain a state Public Policy Requirement component, the Office of the Interconnection shall designate the Designated Entity pursuant to the criteria in Section 1.5.8 of this Schedule 6; or (ii) if the Multi-Driver Project contains a state Public Policy Requirement component, the Office of the Interconnection shall evaluate potential Designated Entity candidates based on the criteria in Section 1.5.8 of this Schedule 6, and provide its evaluation to and elicit feedback from the sponsoring state governmental entities responsible for allocation of all costs of the proposed state Public Policy Requirement component (“state governmental entity(ies)”) regarding its evaluation. Based on its evaluation of the Section 1.5.8 criteria and consideration of the feedback from the sponsoring state governmental entity(ies), the Office of the Interconnection shall designate the Designated Entity for the Multi-Driver Project and notify such entity consistent with Section 1.5.8(i) of this Schedule 6. A Multi-Driver Project may be based on proposals that consist of (1) newly proposed transmission enhancements or expansions; (2) additions to, or modifications of, transmission enhancements or expansions already selected for inclusion in the Regional Transmission Expansion Plan; and/or (3) one or more transmission enhancements or expansions already selected for inclusion in the Regional Transmission Expansion Plan.

(b) A Multi-Driver Project may contain an enhancement or expansion that addresses a state Public Policy Requirement component only if it meets the requirements set forth in section 1.5.9(a) of this Schedule 6 and its cost allocations are established consistent with Section (b)(xii)(B) of Schedule 12 of the PJM Tariff.

(c) If a state governmental entity(ies) desires to include a Public Policy Requirement component after an enhancement or expansion has been included in the Regional Transmission Expansion Plan, the Office of the Interconnection may re-evaluate the relevant reliability-based enhancement or expansion, Economic-based Enhancement or Expansion, or Multi-Driver Project to determine whether adding the state-sponsored Public Policy Requirement component would create a more cost effective or efficient solution to system conditions. If the Office of the Interconnection determines that adding the state-sponsored Public Policy Requirement component to an enhancement or expansion already included in the Regional Transmission Expansion Plan would result in a more cost effective or efficient solution, the state-sponsored Public Policy Requirement component may be included in the relevant enhancement or expansion, provided all of the requirements of Section 1.5.10(b) of this Schedule 6 are met, and cost allocations are established consistent with Section (b)(xii)(B) of Schedule 12 of the PJM Tariff.

(d) If, subsequent to the inclusion in the Regional Transmission Expansion Plan of a Multi-Driver Project that contains a state Public Policy Requirement component, a state governmental entity(ies) withdraws its support of the Public Policy Requirement component of a Multi-Driver Project, then: (i) the Office of the Interconnection shall re-evaluate the need for the remaining components of the Multi-Driver Project without the state Public Policy Requirement component, remove the Multi-Driver Project from the Regional Transmission Expansion Plan, or replace the Multi-Driver Project with an enhancement or expansion that addresses remaining reliability or economic system needs; (ii) if the Multi-Driver Project is retained in the Regional Transmission Expansion Plan without the state Public Policy Requirement component, the costs

of the remaining components will be allocated in accordance with Schedule 12 of the Tariff; (iii) if more than one state is responsible for the costs apportioned to the state Public Policy Requirement component of the Multi-Driver Project, the remaining state governmental entity(ies) shall have the option to continue supporting the state Public Policy component of the Multi-Driver Project and if the remaining state governmental entity(ies) choose this option, the apportionment of the state Public Policy Requirement component will remain in place and the remaining state governmental entity(ies) shall agree upon their respective apportionments; (iv) if a Multi-Driver Project must be retained in the Regional Transmission Expansion Plan and completed with the State Public Policy component, the state Public Policy Requirement apportionment will remain in place and the withdrawing state governmental entity(ies) shall continue to be responsible for its/their share of the FERC-accepted cost allocations as filed pursuant to Section (b)(xii)(B) of Schedule 12 of the PJM Tariff.

(e) The actual costs of a Multi-Driver Project shall be apportioned to the different components (reliability-based enhancement or expansion, Economic-based Enhancement or Expansion and/or Public Policy Requirement) based on the initial estimated costs of the Multi-Driver Project in accordance with the methodology set forth in Schedule 12 of the PJM Tariff.

(f) The benefit metric calculation used for evaluating the market efficiency component of a Multi-Driver Project will be based on the final voltage of the Multi-Driver Project using the Benefit/Cost Ratio calculation set forth in Section 1.5.7(d) of Schedule 6 of this Operating Agreement where the Cost component of the calculation is the present value of the estimated cost of the enhancement apportioned to the market efficiency component of the Multi-Driver Project for each of the first 15 years of the life of the enhancement or expansion.

(g) Except as provided to the contrary in this Section 1.5.10, Section 1.5.8 of this Schedule 6 applies to Multi-Driver Projects.

(h) The Office of the Interconnection shall determine whether a proposal(s) meets the definition of a Multi-Driver Project by identifying a more efficient or cost effective solution that uses one of the following methods: (i) combining separate solutions that address reliability, economics and/or public policy into a single transmission enhancement or expansion that incorporates separate drivers into one Multi-Driver Project (“Proportional Multi-Driver Method”); or (ii) expanding or enhancing a proposed single driver solution to include one or more additional component(s) to address a combination of reliability, economic and/or public policy drivers (“Incremental Multi-Driver Method”).

(i) In determining whether a Multi-Driver Project may be designated to more than one entity, PJM shall consider whether: (i) the project consists of separable transmission elements, which are physically discrete transmission components, such as, but not limited to, a transformer, static var compensator or definable linear segment of a transmission line, that can be designated individually to a Designated Entity to construct and own and/or finance; and (ii) each entity satisfies the criteria set forth in section 1.5.8(f) of Schedule 6. Separable transmission elements that qualify as Transmission Owner Upgrades shall be designated to the Transmission Owner in the Zone in which the facility will be located.

Attachment B

Revisions to the PJM Operating Agreement (Clean Tariff)

1.3 Establishment of Committees.

(a) The Planning Committee shall be open to participation by (i) all Transmission Customers and applicants for transmission service; (ii) any other entity proposing to provide Transmission Facilities to be integrated into the PJM Region; (iii) all Members; (iv) the electric utility regulatory agencies within the States in the PJM Region and the State Consumer Advocates; and (v) any other interested entities or persons and shall provide technical advice and assistance to the Office of the Interconnection in all aspects of its regional planning functions. The Transmission Owners shall supply representatives to the Planning Committee, and other Members may provide representatives as they deem appropriate, to provide the data, information, and support necessary for the Office of the Interconnection to perform studies as required and to develop the Regional Transmission Expansion Plan.

(b) The Transmission Expansion Advisory Committee established by the Office of the Interconnection will meet periodically with representatives of the Office of the Interconnection to provide advice and recommendations to the Office of the Interconnection to aid in the development of the Regional Transmission Expansion Plan. The Transmission Expansion Advisory Committee participants shall be given an opportunity to provide advice and recommendations for consideration by the Office of the Interconnection regarding sensitivity studies, modeling assumption variations, scenario analyses, and Public Policy Objectives in the studies and analyses to be conducted by the Office of the Interconnection. The Transmission Expansion Advisory Committee participants shall be given the opportunity to review and provide advice and recommendations on the projects to be included in the Regional Transmission Expansion Plan. The Transmission Expansion Advisory Committee meetings shall include discussions addressing interregional planning issues, as required. The Transmission Expansion Advisory Committee shall be open to participation by: (i) all Transmission Customers and applicants for transmission service; (ii) any other entity proposing to provide Transmission Facilities to be integrated into the PJM Region; (iii) all Members; (iv) the electric utility regulatory agencies within the States in the PJM Region, the Independent State Agencies Committee, and the State Consumer Advocates; and (v) any other interested entities or persons. The Transmission Expansion Advisory Committee shall be governed by the Transmission Expansion Advisory Committee rules and procedures set forth in the PJM Regional Planning Process Manual (PJM Manual M-14 series) and by the rules and procedures applicable to PJM committees.

(c) The Subregional RTEP Committees established by the Office of the Interconnection shall facilitate the development and review of the Local Plans. The Subregional RTEP Committees will be responsible for the initial review of the Subregional RTEP Projects, and to provide recommendations to the Transmission Expansion Advisory Committee concerning the Subregional RTEP Projects. A Subregional RTEP Committee may of its own accord or at the request of a Subregional RTEP Committee participant, also refer specific Subregional RTEP Projects to the Transmission Expansion Advisory Committee for further review, advice and recommendations.

(d) The Subregional RTEP Committees shall be responsible for the timely review of the criteria, assumptions and models used to identify reliability criteria violations, economic constraints, or to consider Public Policy Requirements, proposed solutions and written comments prior to finalizing the Local Plan, the coordination and integration of the Local Plans into the RTEP, and addressing any stakeholder issues unresolved in the Local Plan process. The Subregional RTEP Committees will be provided sufficient opportunity to review and provide written comments on the criteria, assumptions, and models used in local planning activities prior to finalizing the Local Plan. The Subregional RTEP Committees shall also be responsible for the timely review of the Transmission Owners' criteria, assumptions, and models used to identify Supplemental Projects that will be considered for inclusion in the Local Plan for each Subregional RTEP Committee. The Subregional RTEP Committees meetings shall include discussions addressing interregional planning issues, as required. Once finalized, the Subregional RTEP Committees will be provided sufficient opportunity to review and provide written comments on the Local Plans as integrated into the RTEP, prior to the submittal of the final Regional Transmission Expansion Plan to the PJM Board for approval. In addition, the Subregional RTEP Committees will provide sufficient opportunity to review and provide written comments to the Transmission Owners on any Supplemental Projects included in the Local Plan, in accordance with Additional Procedures for Planning of Supplemental Projects set forth in Attachment M-3 of the PJM Tariff.

(e) The Subregional RTEP Committees shall be open to participation by: (i) all Transmission Customers and applicants for transmission service; (ii) any other entity proposing to provide Transmission Facilities to be integrated into the PJM Region; (iii) all Members; (iv) the electric utility regulatory agencies within the States in the PJM Region, the Independent State Agencies Committee, and the State Consumer Advocates and (v) any other interested entities or persons.

(f) Each Subregional RTEP Committee shall schedule and facilitate a minimum of one Subregional RTEP Committee meeting to review the criteria, assumptions and models to identify reliability criteria violations, economic constraints, or to consider Public Policy Requirements. Each Subregional RTEP Committee shall schedule and facilitate an additional Subregional RTEP Committee meeting, per planning cycle, and as required to review the identified criteria violations and potential solutions. The Subregional RTEP Committees may facilitate additional meetings to incorporate more localized areas in the subregional planning process. At the discretion of the Office of the Interconnection, a designated Transmission Owner may facilitate Subregional RTEP Committee meeting(s), or the additional meetings incorporating the more localized areas.

(g) The Subregional RTEP Committees shall schedule and facilitate meetings regarding Supplemental Projects, as described in the Tariff, Attachment M-3.

(h) The Subregional RTEP Committees shall be governed by the Transmission Expansion Advisory Committee rules and procedures set forth in the PJM Regional Planning Process Manual (Manual M-14 series) and by the rules and procedures applicable to PJM committees.

1.5 Procedure for Development of the Regional Transmission Expansion Plan.

1.5.1 Commencement of the Process.

(a) The Office of the Interconnection shall initiate the enhancement and expansion study process if: (i) required as a result of a need for transfer capability identified by the Office of the Interconnection in its evaluation of requests for interconnection with the Transmission System or for firm transmission service with a term of one year or more; (ii) required to address a need identified by the Office of the Interconnection in its on-going evaluation of the Transmission System's market efficiency and operational performance; (iii) required as a result of the Office of the Interconnection's assessment of the Transmission System's compliance with NERC Reliability Standards, more stringent reliability criteria, if any, or PJM planning and operating criteria; (iv) required to address constraints or available transfer capability shortages, including, but not limited to, available transfer capability shortages that prevent the simultaneous feasibility of stage 1A Auction Revenue Rights allocated pursuant to Section 7.4.2(b) of Schedule 1 of this Agreement, constraints or shortages as a result of expected generation retirements, constraints or shortages based on an evaluation of load forecasts, or system reliability needs arising from proposals for the addition of Transmission Facilities in the PJM Region; or (v) expansion of the Transmission System is proposed by one or more Transmission Owners, Interconnection Customers, Network Service Users or Transmission Customers, or any party that funds Network Upgrades pursuant to Section 7.8 of Schedule 1 of this Agreement. The Office of the Interconnection may initiate the enhancement and expansion study process to address or consider, where appropriate, requirements or needs arising from sensitivity studies, modeling assumption variations, scenario analyses, and Public Policy Objectives.

(b) The Office of the Interconnection shall notify the Transmission Expansion Advisory Committee participants of, as well as publicly notice, the commencement of an enhancement and expansion study. The Transmission Expansion Advisory Committee participants shall notify the Office of the Interconnection in writing of any additional transmission considerations they would like to have included in the Office of the Interconnection's analyses.

1.5.2 Development of Scope, Assumptions and Procedures.

Once the need for an enhancement and expansion study has been established, the Office of the Interconnection shall consult with the Transmission Expansion Advisory Committee and the Subregional RTEP Committees, as appropriate, to prepare the study's scope, assumptions and procedures.

1.5.3 Scope of Studies.

In conducting the enhancement and expansion studies, the Office of the Interconnection shall not limit its analyses to bright line tests to identify and evaluate potential Transmission System limitations, violations of planning criteria, or transmission needs. In addition to the bright line tests, the Office of the Interconnection shall employ sensitivity studies, modeling assumption variations, and scenario analyses, and shall also consider Public Policy Objectives in the studies and analyses, so as to mitigate the possibility that bright line metrics may inappropriately include

or exclude transmission projects from the transmission plan. Sensitivity studies, modeling assumption variations, and scenario analyses shall take account of potential changes in expected future system conditions, including, but not limited to, load levels, transfer levels, fuel costs, the level and type of generation, generation patterns (including, but not limited to, the effects of assumptions regarding generation that is at risk for retirement and new generation to satisfy Public Policy Objectives), demand response, and uncertainties arising from estimated times to construct transmission upgrades. The Office of the Interconnection shall use the sensitivity studies, modeling assumption variations and scenario analyses in evaluating and choosing among alternative solutions to reliability, market efficiency and operational performance needs. The Office of the Interconnection shall provide the results of its studies and analyses to the Transmission Expansion Advisory Committee to consider the impact that sensitivities, assumptions, and scenarios may have on Transmission System needs and the need for transmission enhancements or expansions. Enhancement and expansion studies shall be completed by the Office of the Interconnection in collaboration with the affected Transmission Owners, as required. In general, enhancement and expansion studies shall include:

- (a) An identification of existing and projected limitations on the Transmission System's physical, economic and/or operational capability or performance, with accompanying simulations to identify the costs of controlling those limitations. Potential enhancements and expansions will be proposed to mitigate limitations controlled by non-economic means.
- (b) Evaluation and analysis of potential enhancements and expansions, including alternatives thereto, needed to mitigate such limitations.
- (c) Identification, evaluation and analysis of potential transmission expansions and enhancements, demand response programs, and other alternative technologies as appropriate to maintain system reliability.
- (d) Identification, evaluation and analysis of potential enhancements and expansions for the purposes of supporting competition, market efficiency, operational performance, and Public Policy Requirements in the PJM Region.
- (e) Identification, evaluation and analysis of upgrades to support Incremental Auction Revenue Rights requested pursuant to Section 7.8 of Schedule 1 of this Agreement.
- (f) Identification, evaluation and analysis of upgrades to support all transmission customers, including native load and network service customers.
- (g) Engineering studies needed to determine the effectiveness and compliance of recommended enhancements and expansions, with the following PJM criteria: system reliability, operational performance, and market efficiency.
- (h) Identification, evaluation and analysis of potential enhancements and expansions designed to ensure that the Transmission System's capability can support the simultaneous feasibility of all stage 1A Auction Revenue Rights allocated pursuant to Section 7.4.2(b) of Schedule 1 of this Agreement. Enhancements and expansions related to stage 1A Auction

Revenue Rights identified pursuant to this Section shall be recommended for inclusion in the Regional Transmission Expansion Plan together with a recommended in-service date based on the results of the ten (10) year stage 1A simultaneous feasibility analysis. Any such recommended enhancement or expansion under this Section 1.5.3(h) shall include, but shall not be limited to, the reason for the upgrade, the cost of the upgrade, the cost allocation identified pursuant to Section 1.5.6(m) of Schedule 6 of this Agreement and an analysis of the benefits of the enhancement or expansion, provided that any such upgrades will not be subject to a market efficiency cost/benefit analysis.

1.5.4 Supply of Data.

(a) The Transmission Owners shall provide to the Office of the Interconnection on an annual or periodic basis as specified by the Office of the Interconnection, any information and data reasonably required by the Office of the Interconnection to perform the Regional Transmission Expansion Plan, including but not limited to the following: (i) a description of the total load to be served from each substation; (ii) the amount of any interruptible loads included in the total load (including conditions under which an interruption can be implemented and any limitations on the duration and frequency of interruptions); (iii) a description of all generation resources to be located in the geographic region encompassed by the Transmission Owner's transmission facilities, including unit sizes, VAR capability, operating restrictions, and any must-run unit designations required for system reliability or contract reasons; the (iv) current Local Plan; and (v) all criteria, assumptions and models used by the Transmission Owners, such as those used to develop Supplemental Projects. The data required under this Section shall be provided in the form and manner specified by the Office of the Interconnection.

(b) In addition to the foregoing, the Transmission Owners, those entities requesting transmission service and any other entities proposing to provide Transmission Facilities to be integrated into the PJM Region shall supply any other information and data reasonably required by the Office of the Interconnection to perform the enhancement and expansion study.

(c) The Office of the Interconnection also shall solicit from the Members, Transmission Customers and other interested parties, including but not limited to electric utility regulatory agencies within the States in the PJM Region, Independent State Agencies Committee, and the State Consumer Advocates, information required by, or anticipated to be useful to, the Office of the Interconnection in its preparation of the enhancement and expansion study, including information regarding potential sensitivity studies, modeling assumption variations, scenario analyses, and Public Policy Objectives that may be considered.

(d) The Office of the Interconnection shall supply to the Transmission Expansion Advisory Committee and the Subregional RTEP Committees reasonably required information and data utilized to develop the Regional Transmission Expansion Plan. Such information and data shall be provided pursuant to the appropriate protection of confidentiality provisions and Office of the Interconnection's CEII process.

(e) The Office of the Interconnection shall provide access through the PJM website, to the Transmission Owner's Local Plan, including all criteria, assumptions and models used by the

Transmission Owners in their internal planning processes, including the development of Supplemental Projects (“Local Plan Information”). Local Plan Information shall be provided consistent with: (1) any applicable confidentiality provisions set forth in Section 18.17 of this Operating Agreement; (2) the Office of the Interconnection’s CEII process; and (3) any applicable copyright limitations. Notwithstanding the foregoing, the Office of the Interconnection may share with a third party Local Plan Information that has been designated as confidential, pursuant to the provisions for such designation as set forth in Section 18.17 of this Operating Agreement and subject to: (i) agreement by the disclosing Transmission Owner consistent with the process set forth in this Operating Agreement; and (ii) an appropriate non-disclosure agreement to be executed by PJM Interconnection, L.L.C., the Transmission Owner and the requesting third party. With the exception of confidential, CEII and copyright protected information, Local Plan Information will be provided for full review by the Planning Committee, the Transmission Expansion Advisory Committee, and the Subregional RTEP Committees.

1.5.5 Coordination of the Regional Transmission Expansion Plan.

(a) The Regional Transmission Expansion Plan shall be developed in accordance with the principles of interregional coordination with the Transmission Systems of the surrounding Regional Entities and with the local transmission providers, through the Transmission Expansion Advisory Committee and the Subregional RTEP Committee.

(b) The Regional Transmission Expansion Plan shall be developed taking into account the processes for coordinated regional transmission expansion planning established under the following agreements:

- Joint Operating Agreement Between the Midwest Independent System Operator, Inc. and PJM Interconnection, L.L.C., which is found at <http://www.pjm.com/~media/documents/agreements/joa-complete.ashx>;
- Northeastern ISO/RTO Planning Coordination Protocol, which is described at Schedule 6-B and found at <http://www.pjm.com/~media/documents/agreements/northeastern-iso-rto-planning-coordination-protocol.ashx>;
- Joint Operating Agreement Among and Between New York Independent System Operator Inc., which is found at <http://www.pjm.com/~media/documents/agreements/nyiso-pjm.ashx>;
- Interregional Transmission Coordination Between the SERTP and PJM Regions, which is found at Schedule 6-A of this Agreement;
- Allocation of Costs of Certain Interregional Transmission Projects Located in the PJM and SERTP Regions, which is located at Schedule 12-B of the PJM Open Access Transmission Tariff;
- Joint Reliability Coordination Agreement Between the Midwest Independent System Operator, Inc.; PJM Interconnection, L.L.C. and Progress Energy Carolinas.

(i) Coordinated regional transmission expansion planning shall also incorporate input from parties that may be impacted by the coordination efforts, including but not limited to, the Members, Transmission Customers, electric utility regulatory agencies in the PJM Region, and the State Consumer Advocates, in accordance with the terms and conditions of the applicable regional coordination agreements.

(ii) An entity, including existing Transmission Owners and Nonincumbent Developers, may submit potential Interregional Transmission Projects pursuant to Section 1.5.8 of this Schedule 6.

(c) The Regional Transmission Expansion Plan shall be developed by the Office of the Interconnection in consultation with the Transmission Expansion Advisory Committee during the enhancement and expansion study process.

(d) The Regional Transmission Expansion Plan shall be developed taking into account the processes for coordination of the regional and subregional systems.

1.5.6 Development of the Recommended Regional Transmission Expansion Plan.

(a) The Office of the Interconnection shall be responsible for the development of the Regional Transmission Expansion Plan and for conducting the studies, including sensitivity studies and scenario analyses on which the plan is based. The Regional Transmission Expansion Plan, including the Regional RTEP Projects, the Subregional RTEP Projects and the Supplemental Projects shall be developed through an open and collaborative process with opportunity for meaningful participation through the Transmission Expansion Advisory Committee and the Subregional RTEP Committees.

(b) The Transmission Expansion Advisory Committee and the Subregional RTEP Committees shall each facilitate a minimum of one initial assumptions meeting to be scheduled at the commencement of the Regional Transmission Expansion Plan process. The purpose of the assumptions meeting shall be to provide an open forum to discuss the following: (i) the assumptions to be used in performing the evaluation and analysis of the potential enhancements and expansions to the Transmission Facilities; (ii) Public Policy Requirements identified by the states for consideration in the Office of the Interconnection's transmission planning analyses; (iii) Public Policy Objectives identified by stakeholders for consideration in the Office of the Interconnection's transmission planning analyses; (iv) the impacts of regulatory actions, projected changes in load growth, demand response resources, energy efficiency programs, price responsive demand, generating additions and retirements, market efficiency and other trends in the industry; and (v) alternative sensitivity studies, modeling assumptions and scenario analyses proposed by the Committee participants. Prior to the initial assumptions meeting, the Transmission Expansion Advisory Committee and Subregional RTEP Committees participants will be afforded the opportunity to provide input and submit suggestions regarding the information identified in items (i) through (v) of this subsection. Following the assumptions meeting and prior to performing the evaluation and analyses of transmission needs, the Office of the Interconnection shall determine the range of assumptions to be used in the studies and

scenario analyses, based on the advice and recommendations of the Transmission Expansion Advisory Committee and Subregional RTEP Committees and the validation of Public Policy Requirements and assessment and prioritization of Public Policy Objectives by the states through the Independent State Agencies Committee. The Office of the Interconnection shall document and publicly post its determination for review. Such posting shall include an explanation of those Public Policy Requirements and Public Policy Objectives adopted at the assumptions stage to be used in performing the evaluation and analysis of transmission needs. Following identification of transmission needs and prior to evaluating potential enhancements and expansions to the Transmission System the Office of the Interconnection shall publicly post all transmission need information identified as described further in section 1.5.8(b) herein to support the role of the Subregional RTEP Committees in the development of the Local Plan and support the role of Transmission Expansion Advisory Committee in the development of the Regional Transmission Expansion Plan. The Office of the Interconnection shall also post an explanation of why other Public Policy Requirements and Public Policy Objectives introduced by stakeholders at the assumptions stage were not adopted.

(c) The Subregional RTEP Committees shall also schedule and facilitate meetings related to Supplemental Projects, as described in the Tariff, Attachment M-3.

(d) After the assumptions meeting(s), the Transmission Expansion Advisory Committee and the Subregional RTEP Committees shall facilitate additional meetings and shall post all communications required to provide early opportunity for the committee participants (as defined in Sections 1.3(b) and 1.3(c) of this Schedule 6) to review, evaluate and offer comments and alternatives to the following arising from the studies performed by the Office of the Interconnection, including sensitivity studies and scenario analyses: (i) any identified violations of reliability criteria and analyses of the market efficiency and operational performance of the Transmission System; (ii) potential transmission solutions, including any acceleration, deceleration or modifications of a potential expansion or enhancement based on the results of sensitivities studies and scenario analyses; and (iii) the proposed Regional Transmission Expansion Plan. These meetings will be scheduled as deemed necessary by the Office of the Interconnection or upon the request of the Transmission Expansion Advisory Committee or the Subregional RTEP Committees. The Office of the Interconnection will provide updates on the status of the development of the Regional Transmission Expansion Plan at these meetings or at the regularly scheduled meetings of the Planning Committee.

(e) In addition, the Office of the Interconnection shall facilitate periodic meetings with the Independent State Agencies Committee to discuss: (i) the assumptions to be used in performing the evaluation and analysis of the potential enhancements and expansions to the Transmission Facilities; (ii) regulatory initiatives, as appropriate, including state regulatory agency initiated programs, and other Public Policy Objectives, to consider including in the Office of the Interconnection's transmission planning analyses; (iii) the impacts of regulatory actions, projected changes in load growth, demand response resources, energy efficiency programs, generating capacity, market efficiency and other trends in the industry; and (iv) alternative sensitivity studies, modeling assumptions and scenario analyses proposed by Independent State Agencies Committee. At such meetings, the Office of the Interconnection also shall discuss the current status of the enhancement and expansion study process. The Independent State Agencies

Committee may request that the Office of Interconnection schedule additional meetings as necessary. The Office of the Interconnection shall inform the Transmission Expansion Advisory Committee and the Subregional RTEP Committees, as appropriate, of the input of the Independent State Agencies Committee and shall consider such input in developing the range of assumptions to be used in the studies and scenario analyses described in Section (b), above.

(f) Upon completion of its studies and analysis, including sensitivity studies and scenario analyses the Office of the Interconnection shall post on the PJM website the violations, system conditions, economic constraints, and Public Policy Requirements as detailed in Section 1.5.8(b) of this Schedule 6 to afford entities an opportunity to submit proposed enhancements or expansions to address the posted violations, system conditions, economic constraints and Public Policy Requirements as provided for in Section 1.5.8(c) of this Schedule 6. Following the close of a proposal window, the Office of the Interconnection shall: (i) post all proposals submitted pursuant to Section 1.5.8(c) of this Schedule 6; (ii) consider proposals submitted during the proposal windows consistent with Section 1.5.8(d) of this Schedule 6 and develop a recommended plan. Following review by the Transmission Expansion Advisory Committee of proposals, the Office of the Interconnection, based on identified needs and the timing of such needs, and taking into account the sensitivity studies, modeling assumption variations and scenario analyses considered pursuant to Section 1.5.3 of this Schedule 6, shall determine, which more efficient or cost-effective enhancements and expansions shall be included in the recommended plan, including solutions identified as a result of the sensitivity studies, modeling assumption variations, and scenario analyses, that may accelerate, decelerate or modify a potential reliability, market efficiency or operational performance expansion or enhancement identified as a result of the sensitivity studies, modeling assumption variations and scenario analyses, shall be included in the recommended plan. The Office of the Interconnection shall post the proposed recommended plan for review and comment by the Transmission Expansion Advisory Committee. The Transmission Expansion Advisory Committee shall facilitate open meetings and communications as necessary to provide opportunity for the Transmission Expansion Advisory Committee participants to collaborate on the preparation of the recommended enhancement and expansion plan. The Office of the Interconnection also shall invite interested parties to submit comments on the plan to the Transmission Expansion Advisory Committee and to the Office of the Interconnection before submitting the recommended plan to the PJM Board for approval.

(g) The recommended plan shall separately identify enhancements and expansions for the three PJM subregions, the PJM Mid-Atlantic Region, the PJM West Region, and the PJM South Region, and shall incorporate recommendations from the Subregional RTEP Committees.

(h) The recommended plan shall separately identify enhancements and expansions that are classified as Supplemental Projects.

(i) The recommended plan shall identify enhancements and expansions that relieve transmission constraints and which, in the judgment of the Office of the Interconnection, are economically justified. Such economic expansions and enhancements shall be developed in accordance with the procedures, criteria and analyses described in Sections 1.5.7 and 1.5.8 of this Schedule 6.

(j) The recommended plan shall identify enhancements and expansions proposed by a state or states pursuant to Section 1.5.9 of this Schedule 6.

(k) The recommended plan shall include proposed Merchant Transmission Facilities within the PJM Region and any other enhancement or expansion of the Transmission System requested by any participant which the Office of the Interconnection finds to be compatible with the Transmission System, though not required pursuant to Section 1.1, provided that (1) the requestor has complied, to the extent applicable, with the procedures and other requirements of Parts IV and VI of the PJM Tariff; (2) the proposed enhancement or expansion is consistent with applicable reliability standards, operating criteria and the purposes and objectives of the regional planning protocol; (3) the requestor shall be responsible for all costs of such enhancement or expansion (including, but not necessarily limited to, costs of siting, designing, financing, constructing, operating and maintaining the pertinent facilities), and (4) except as otherwise provided by Parts IV and VI of the PJM Tariff with respect to Merchant Network Upgrades, the requestor shall accept responsibility for ownership, construction, operation and maintenance of the enhancement or expansion through an undertaking satisfactory to the Office of the Interconnection.

(l) For each enhancement or expansion that is included in the recommended plan, the plan shall consider, based on the planning analysis: other input from participants, including any indications of a willingness to bear cost responsibility for such enhancement or expansion; and, when applicable, relevant projects being undertaken to ensure the simultaneous feasibility of Stage 1A ARRs, to facilitate Incremental ARRs pursuant to the provisions of Section 7.8 of Schedule 1 of this Agreement, or to facilitate upgrades pursuant to Parts II, III, or VI of the PJM Tariff, and designate one or more Transmission Owners or other entities to construct, own and, unless otherwise provided, finance the recommended transmission enhancement or expansion. Any designation under this paragraph of one or more entities to construct, own and/or finance a recommended transmission enhancement or expansion shall also include a designation of partial responsibility among them. Nothing herein shall prevent any Transmission Owner or other entity designated to construct, own and/or finance a recommended transmission enhancement or expansion from agreeing to undertake its responsibilities under such designation jointly with other Transmission Owners or other entities.

(m) Based on the planning analysis and other input from participants, including any indications of a willingness to bear cost responsibility for an enhancement or expansion, the recommended plan shall, for any enhancement or expansion that is included in the plan, designate (1) the Market Participant(s) in one or more Zones, or any other party that has agreed to fully fund upgrades pursuant to this Agreement or the PJM Tariff, that will bear cost responsibility for such enhancement or expansion, as and to the extent provided by any provision of the PJM Tariff or this Agreement, (2) in the event and to the extent that no provision of the PJM Tariff or this Agreement assigns cost responsibility, the Market Participant(s) in one or more Zones from which the cost of such enhancement or expansion shall be recovered through charges established pursuant to Schedule 12 of the Tariff, and (3) in the event and to the extent that the Coordinated System Plan developed under the Joint Operating Agreement Between the Midwest Independent System Operator, Inc. and PJM Interconnection, L.L.C. assigns cost

responsibility, the Market Participant(s) in one or more Zones from which the cost of such enhancement or expansion shall be recovered. Any designation under clause (2) of the preceding sentence (A) shall further be based on the Office of the Interconnection's assessment of the contributions to the need for, and benefits expected to be derived from, the pertinent enhancement or expansion by affected Market Participants and, (B) subject to FERC review and approval, shall be incorporated in any amendment to Schedule 12 of the PJM Tariff that establishes a Transmission Enhancement Charge Rate in connection with an economic expansion or enhancement developed under Sections 1.5.6(i) and 1.5.7 of this Schedule 6, (C) the costs associated with expansions and enhancements required to ensure the simultaneous feasibility of stage 1A Auction Revenue Rights allocated pursuant to Section 7 of Schedule 1 of this Agreement shall (1) be allocated across transmission zones based on each zone's stage 1A eligible Auction Revenue Rights flow contribution to the total stage 1A eligible Auction Revenue Rights flow on the facility that limits stage 1A ARR feasibility and (2) within each transmission zone the Network Service Users and Transmission Customers that are eligible to receive stage 1A Auction Revenue Rights shall be the Responsible Customers under Section (b) of Schedule 12 of the PJM Tariff for all expansions and enhancements included in the Regional Transmission Expansion Plan to ensure the simultaneous feasibility of stage 1A Auction Revenue Rights, and (D) the costs associated with expansions and enhancements required to reduce to zero the Locational Price Adder for LDAs as described in Section 15 of Attachment DD of OATT shall (1) be allocated across Zones based on each Zone's pro rata share of load in such LDA and (2) within each Zone, to all LSEs serving load in such LDA pro rata based on such load.

Any designation under clause (3), above, (A) shall further be based on the Office of the Interconnection's assessment of the contributions to the need for, and benefits expected to be derived from, the pertinent enhancement or expansion by affected Market Participants, and (B), subject to FERC review and approval, shall be incorporated in an amendment to a Schedule of the PJM Tariff which establishes a charge in connection with the pertinent enhancement or expansion. Before designating fewer than all customers using Point-to-Point Transmission Service or Network Integration Transmission Service within a Zone as customers from which the costs of a particular enhancement or expansion may be recovered, Transmission Provider shall consult, in a manner and to the extent that it reasonably determines to be appropriate in each such instance, with affected state utility regulatory authorities and stakeholders. When the plan designates more than one responsible Market Participant, it shall also designate the proportional responsibility among them. Notwithstanding the foregoing, with respect to any facilities that the Regional Transmission Expansion Plan designates to be owned by an entity other than a Transmission Owner, the plan shall designate that entity as responsible for the costs of such facilities.

(n) Certain Regional RTEP Project(s) and Subregional RTEP Project(s) may not be required for compliance with the following PJM criteria: system reliability, market efficiency or operational performance, pursuant to a determination by the Office of the Interconnection. These Supplemental Projects shall be separately identified in the RTEP and are not subject to approval by the PJM Board.

1.5.7 Development of Economic-based Enhancements or Expansions.

(a) Each year the Transmission Expansion Advisory Committee shall review and comment on the assumptions to be used in performing the market efficiency analysis to identify enhancements or expansions that could relieve transmission constraints that have an economic impact (“economic constraints”). Such assumptions shall include, but not be limited to, the discount rate used to determine the present value of the Total Annual Enhancement Benefit and Total Enhancement Cost, and the annual revenue requirement, including the recovery period, used to determine the Total Enhancement Cost. The discount rate shall be based on the Transmission Owners’ most recent after-tax embedded cost of capital weighted by each Transmission Owner’s total transmission capitalization. Each year, each Transmission Owner will be requested to provide the Office of the Interconnection with the Transmission Owner’s most recent after-tax embedded cost of capital, total transmission capitalization, and levelized carrying charge rate, including the recovery period. The recovery period shall be consistent with recovery periods allowed by the Commission for comparable facilities. Prior to PJM Board consideration of such assumptions, the assumptions shall be presented to the Transmission Expansion Advisory Committee for review and comment. Following review and comment by the Transmission Expansion Advisory Committee, the Office of the Interconnection shall submit the assumptions to be used in performing the market efficiency analysis described in this Section 1.5.7 to the PJM Board for consideration.

(b) Following PJM Board consideration of the assumptions, the Office of the Interconnection shall perform a market efficiency analysis to compare the costs and benefits of: (i) accelerating reliability-based enhancements or expansions already included in the Regional Transmission Plan that if accelerated also could relieve one or more economic constraints; (ii) modifying reliability-based enhancements or expansions already included in the Regional Transmission Plan that as modified would relieve one or more economic constraints; and (iii) adding new enhancements or expansions that could relieve one or more economic constraints, but for which no reliability-based need has been identified. Economic constraints include, but are not limited to, constraints that cause: (1) significant historical gross congestion; (2) pro-ration of Stage 1B ARR requests as described in section 7.4.2(c) of Schedule 1 of this Agreement; or (3) significant simulated congestion as forecasted in the market efficiency analysis. The timeline for the market efficiency analysis and comparison of the costs and benefits for items 1.5.7(b)(i-iii) is described in the PJM Manuals.

(c) The process for conducting the market efficiency analysis described in subsection (b) above shall include the following:

(i) The Office of the Interconnection shall identify and provide to the Transmission Expansion Advisory Committee a list of economic constraints to be evaluated in the market efficiency analysis.

(ii) The Office of the Interconnection shall identify any planned reliability-based enhancements or expansions already included in the Regional Transmission Expansion Plan, which if accelerated would relieve such constraints, and present any such proposed reliability-based enhancements and expansions to be accelerated to the Transmission Expansion Advisory Committee for review and comment. The PJM Board, upon consideration of the advice of the

Transmission Expansion Advisory Committee, thereafter shall consider and vote to approve any accelerations.

(iii) The Office of the Interconnection shall evaluate whether including any additional Economic-based Enhancements or Expansions in the Regional Transmission Expansion Plan or modifications of existing Regional Transmission Expansion Plan reliability-based enhancements or expansions would relieve an economic constraint. In addition, pursuant to Section 1.5.8(c) of this Schedule 6, any market participant may submit to the Office of the Interconnection a proposal to construct an additional Economic-based Enhancement or Expansion to relieve an economic constraint. Upon completion of its evaluation, including consideration of any eligible market participant proposed Economic-based Enhancements or Expansions, the Office of the Interconnection shall present to the Transmission Expansion Advisory Committee a description of new Economic-based Enhancements or Expansions for review and comment. Upon consideration and advice of the Transmission Expansion Advisory Committee, the PJM Board shall consider any new Economic-based Enhancements or Expansions for inclusion in the Regional Transmission Plan and for those enhancements and expansions it approves, the PJM Board shall designate (a) the entity or entities that will be responsible for constructing and owning or financing the additional Economic-based Enhancements or Expansions, (b) the estimated costs of such enhancements and expansions, and (c) the market participants that will bear responsibility for the costs of the additional Economic-based Enhancements or Expansions pursuant to Section 1.5.6(m) of this Schedule 6. In the event the entity or entities designated as responsible for construction, owning or financing a designated new Economic-based Enhancement or Expansion declines to construct, own or finance the new Economic-based Enhancement or Expansion, the enhancement or expansion will not be included in the Regional Transmission Expansion Plan but will be included in the report filed with the FERC in accordance with Sections 1.6 and 1.7 of this Schedule 6. This report also shall include information regarding PJM Board approved accelerations of reliability-based enhancements or expansions that an entity declines to accelerate.

(d) To determine the economic benefits of accelerating or modifying planned reliability-based enhancements or expansions or of constructing additional Economic-based Enhancements or Expansions and whether such Economic-based Enhancements or Expansion are eligible for inclusion in the Regional Transmission Expansion Plan, the Office of the Interconnection shall perform and compare market simulations with and without the proposed accelerated or modified planned reliability-based enhancements or expansions or the additional Economic-based Enhancements or Expansions as applicable, using the Benefit/Cost Ratio calculation set forth below in this Section 1.5.7(d). An Economic-based Enhancement or Expansion shall be included in the Regional Transmission Expansion Plan recommended to the PJM Board, if the relative benefits and costs of the Economic-based Enhancement or Expansion meet a Benefit/Cost Ratio Threshold of at least 1.25:1.

The Benefit/Cost Ratio shall be determined as follows:

Benefit/Cost Ratio = [Present value of the Total Annual Enhancement Benefit for each of the first 15 years of the life of the enhancement or expansion] ÷ [Present value of the

Total Enhancement Cost for each of the first 15 years of the life of the enhancement or expansion]

Where

Total Annual Enhancement Benefit = Energy Market Benefit + Reliability Pricing Model Benefit

and

For economic-based enhancements and expansions for which cost responsibility is assigned pursuant to Section (b)(i) of Schedule 12 of the PJM Tariff the Energy Market Benefit is as follows:

$$\text{Energy Market Benefit} = [.50] * [\text{Change in Total Energy Production Cost}] + [.50] * [\text{Change in Load Energy Payment}]$$

For economic-based enhancements and expansions for which cost responsibility is assigned pursuant to Section (b)(v) of Schedule 12 of the PJM Tariff the Energy Market Benefit is as follows:

$$\text{Energy Market Benefit} = [1] * [\text{Change in Load Energy Payment}]$$

and

Change in Total Energy Production Cost = [the estimated total annual fuel costs, variable O&M costs, and emissions costs of the dispatched resources in the PJM Region without the Economic-based Enhancement or Expansion] – [the estimated total annual fuel costs, variable O&M costs, and emissions costs of the dispatched resources in the PJM Region with the Economic-based Enhancement or Expansion]. The change in costs for purchases from outside of the PJM Region and sales to outside the PJM Region will be captured, if appropriate. Purchases will be valued at the Load Weighted LMP and sales will be valued at the Generation Weighted LMP.

and

Change in Load Energy Payment = [the annual sum of (the hourly estimated zonal load megawatts for each Zone) * (the hourly estimated zonal Locational Marginal Price for each Zone without the Economic-based Enhancement or Expansion)] – [the annual sum of (the hourly estimated zonal load megawatts for each Zone) * (the hourly estimated zonal Locational Marginal Price for each Zone with the Economic-based Enhancement or Expansion)] – [the change in value of transmission rights for each Zone with the

Economic-based Enhancement or Expansion (as measured using currently allocated Auction Revenue Rights plus additional Auction Revenue Rights made available by the proposed acceleration or modification of the planned reliability-based enhancement or expansion or new Economic-based Enhancement or Expansion)]. The Change in the Load Energy Payment shall be the sum of the Change in the Load Energy Payment only of the Zones that show a decrease in the Load Energy Payment.

And

For economic-based enhancements and expansions for which cost responsibility is assigned pursuant to Section (b)(i) of Schedule 12 of the PJM Tariff the Reliability Pricing Benefit is as follows:

$$\text{Reliability Pricing Benefit} = [.50] * [\text{Change in Total System Capacity Cost}] + [.50] * [\text{Change in Load Capacity Payment}]$$

and

For economic-based enhancements or expansions for which cost responsibility is assigned pursuant to Section (b)(v) of Schedule 12 of the PJM Tariff the Reliability Pricing Benefit is as follows:

$$\text{Reliability Pricing Benefit} = [1] * [\text{Change in Load Capacity Payment}]$$

Change in Total System Capacity Cost = [the sum of (the megawatts that are estimated to be cleared in the Base Residual Auction under Attachment DD of the PJM Tariff) * (the prices that are estimated to be contained in the Sell Offers for each such cleared megawatt without the Economic-based Enhancement or Expansion) * (the number of days in the study year)] – [the sum of (the megawatts that are estimated to be cleared in the Base Residual Auction under Attachment DD of the PJM Tariff) * (the prices that are estimated to be contained in the Sell Offers for each such cleared megawatt with the Economic-based Enhancement or Expansion) * (the number of days in the study year)]

and

Change in Load Capacity Payment = [the sum of (the estimated zonal load megawatts in each Zone) * (the estimated Final Zonal Capacity Prices under Attachment DD of the PJM Tariff without the Economic-based Enhancement or Expansion) * (the number of days in the study year)] – [the sum of (the estimated zonal load megawatts in each Zone) * (the estimated Final Zonal Capacity

Prices under Attachment DD of the PJM Tariff with the Economic-based Enhancement or Expansion) * (the number of days in the study year)]. The Change in Load Capacity Payment shall take account of the change in value of Capacity Transfer Rights in each Zone, including any additional Capacity Transfer Rights made available by the proposed acceleration or modification of the planned reliability-based enhancement or expansion or new Economic-based Enhancement or Expansion. The Change in the Load Capacity Payment shall be the sum of the change in the Load Capacity Payment only of the Zones that show a decrease in the Load Capacity Payment.

and

Total Enhancement Cost (except for accelerations of planned reliability-based enhancements or expansions) = the estimated annual revenue requirement for the Economic-based Enhancement or Expansion.

Total Enhancement Cost (for accelerations of planned reliability-based enhancements or expansions) = the estimated change in annual revenue requirement resulting from the acceleration of the planned reliability-based enhancement or expansion, taking account of all of the costs incurred that would not have been incurred but for the acceleration of the planned reliability-based enhancement or expansion.

(e) For informational purposes only, to assist the Office of the Interconnection and the Transmission Expansion Advisory Committee in evaluating the economic benefits of accelerating planned reliability-based enhancements or expansions or of constructing a new Economic-based Enhancement or Expansion, the Office of the Interconnection shall calculate and post on the PJM website the change in the following metrics on a zonal and system-wide basis: (i) total energy production costs (fuel costs, variable O&M costs and emissions costs);(ii) total load energy payments (zonal load MW times zonal load Locational Marginal Price); (iii) total generator revenue from energy production (generator MW times generator Locational Marginal Price); (iv) Financial Transmission Right credits (as measured using currently allocated Auction Revenue Rights plus additional Auction Revenue Rights made available by the proposed acceleration or modification of a planned reliability-based enhancement or expansion or new Economic-based Enhancement or Expansion); (v) marginal loss surplus credit; and (vi) total capacity costs and load capacity payments under the Office of the Interconnection's Commission-approved capacity construct.

(f) To assure that new Economic-based Enhancements or Expansions included in the Regional Transmission Expansion Plan continue to be cost beneficial, the Office of the Interconnection annually shall review the costs and benefits of constructing such enhancements and expansions. In the event that there are changes in these costs and benefits, the Office of the Interconnection shall review the changes in costs and benefits with the Transmission Expansion Advisory Committee and recommend to the PJM Board whether the new Economic-based

Enhancements or Expansions continue to provide measurable benefits, as determined in accordance with subsection (d), and should remain in the Regional Transmission Expansion Plan. The annual review of the costs and benefits of constructing new Economic-based Enhancements or Expansions included in the Regional Transmission Expansion Plan shall include review of changes in cost estimates of the Economic-based Enhancement or Expansion, and changes in system conditions, including but not limited to, changes in load forecasts, and anticipated Merchant Transmission Facilities, generation, and demand response, consistent with the requirements of Section 1.5.7(i) of this Schedule 6.

(g) For new economic enhancements or expansions with costs in excess of \$50 million, an independent review of such costs shall be performed to assure both consistency of estimating practices and that the scope of the new Economic-based Enhancements or Expansions is consistent with the new Economic-based Enhancements or Expansions as recommended in the market efficiency analysis.

(h) At any time, market participants may submit to the Office of the Interconnection requests to interconnect Merchant Transmission Facilities or generation facilities pursuant to Parts IV and VI of the PJM Tariff that could address an economic constraint. In the event the Office of the Interconnection determines that the interconnection of such facilities would relieve an economic constraint, the Office of the Interconnection may designate the project as a “market solution” and, in the event of such designation, Section 216 of the PJM Tariff, as applicable, shall apply to the project.

(i) The assumptions used in the market efficiency analysis described in subsection (b) and any review of costs and benefits pursuant to subsection (f) shall include, but not be limited to, the following:

- (i) Timely installation of Qualifying Transmission Upgrades, that are committed to the PJM Region as a result of any Reliability Pricing Model Auction pursuant to Attachment DD of the PJM Tariff or any FRR Capacity Plan pursuant to Schedule 8.1 of the Reliability Assurance Agreement Among Load-Serving Entities in the PJM Region (“Reliability Assurance Agreement”).
- (ii) Availability of Generation Capacity Resources, as defined by Section 1.33 of the Reliability Assurance Agreement, that are committed to the PJM Region as a result of any Reliability Pricing Model Auction pursuant to Attachment DD of the PJM Tariff or any FRR Capacity Plan pursuant to Schedule 8.1 of the Reliability Assurance Agreement.
- (iii) Availability of Demand Resources that are committed to the PJM Region as a result of any Reliability Pricing Model Auction pursuant to Attachment DD of the PJM Tariff or any FRR Capacity Plan pursuant to Schedule 8.1 of the Reliability Assurance Agreement.

- (iv) Addition of Customer Facilities pursuant to an executed Interconnection Service Agreement, Facility Study Agreement or executed Interim Interconnection Service Agreement for which Interconnection Service Agreement is expected to be executed. Facilities with an executed Facilities Study Agreement may be excluded by the Office of the Interconnection after review with the Transmission Expansion Advisory Committee.
- (v) Addition of Customer-Funded Upgrades pursuant to an executed Interconnection Construction Service Agreement or an Upgrade Construction Service Agreement.
- (vi) Expected level of demand response over at least the ensuing fifteen years based on analyses that consider historic levels of demand response, expected demand response growth trends, impact of capacity prices, current and emerging technologies.
- (vii) Expected levels of potential new generation and generation retirements over at least the ensuing fifteen years based on analyses that consider generation trends based on existing generation on the system, generation in the PJM interconnection queues and Capacity Resource Clearing Prices under Attachment DD of the PJM Tariff. If the Office of the Interconnection finds that the PJM reserve requirement is not met in any of its future year market efficiency analyses then it will model adequate future generation based on type and location of generation in existing PJM interconnection queues and, if necessary, add transmission enhancements to address congestion that arises from such modeling.
- (viii) Items (i) through (v) will be included in the market efficiency assumptions if qualified for consideration by the PJM Board. In the event that any of the items listed in (i) through (v) above qualify for inclusion in the market efficiency analysis assumptions, however, because of the timing of the qualification the item was not included in the assumptions used in developing the most recent Regional Transmission Expansion Plan, the Office of the Interconnection, to the extent necessary, shall notify any entity constructing an Economic-based Enhancement or Expansion that may be affected by inclusion of such item in the assumptions for the next market efficiency analysis described in subsection (b) and any review of costs and benefits pursuant to subsection (f) that the need for the Economic-based Enhancement or Expansion may be diminished or obviated as a result of the inclusion of the qualified

item in the assumptions for the next annual market efficiency analysis or review of costs and benefits.

(j) For informational purposes only, with regard to Economic-based Enhancements or Expansions that are included in the Regional Transmission Expansion Plan pursuant to subsection (d) of this Section 1.5.7, the Office of the Interconnection shall perform sensitivity analyses consistent with Section 1.5.3 of this Schedule 6 and shall provide the results of such sensitivity analyses to the Transmission Expansion Advisory Committee.

1.5.8 Development of Long-lead Projects, Short-term Projects, Immediate-need Reliability Projects, and Economic-based Enhancements or Expansions.

(a) Pre-Qualification Process.

(a)(1) On September 1 of each year, the Office of the Interconnection shall open a thirty-day pre-qualification window for entities, including existing Transmission Owners and Nonincumbent Developers, to submit to the Office of the Interconnection: (i) applications to pre-qualify as eligible to be a Designated Entity; or (ii) updated information as described in Section 1.5.8(a)(3) of this Schedule 6. Pre-qualification applications shall contain the following information: (i) name and address of the entity; (ii) the technical and engineering qualifications of the entity or its affiliate, partner, or parent company; (iii) the demonstrated experience of the entity or its affiliate, partner, or parent company to develop, construct, maintain, and operate transmission facilities, including a list or other evidence of transmission facilities the entity, its affiliate, partner, or parent company previously developed, constructed, maintained, or operated; (iv) the previous record of the entity or its affiliate, partner, or parent company regarding construction, maintenance, or operation of transmission facilities both inside and outside of the PJM Region; (v) the capability of the entity or its affiliate, partner, or parent company to adhere to standardized construction, maintenance and operating practices; (vi) the financial statements of the entity or its affiliate, partner, or parent company for the most recent fiscal quarter, as well as the most recent three fiscal years, or the period of existence of the entity, if shorter, or such other evidence demonstrating an entity's or its affiliate's, partner's, or parent company's current and expected financial capability acceptable to the Office of the Interconnection; (vii) a commitment by the entity to execute the Consolidated Transmission Owners Agreement, if the entity becomes a Designated Entity; (viii) evidence demonstrating the ability of the entity or its affiliate, partner, or parent company to address and timely remedy failure of facilities; (ix) a description of the experience of the entity or its affiliate, partner, or parent company in acquiring rights of way; and (x) such other supporting information that the Office of Interconnection requires to make the pre-qualification determinations consistent with this Section 1.5.8(a).

(a)(2) No later than October 31, the Office of the Interconnection shall notify the entities that submitted pre-qualification applications or updated information during the annual thirty-day pre-qualification window, whether they are, or will continue to be, pre-qualified as eligible to be a Designated Entity. In the event the Office of the Interconnection determines that an entity (i) is not, or no longer will continue to be, pre-qualified as eligible to be a Designated Entity, or (ii) provided insufficient information to determine pre-qualification, the Office of the

Interconnection shall inform that the entity it is not pre-qualified and include in the notification the basis for its determination. The entity then may submit additional information, which the Office of the Interconnection shall consider in re-evaluating whether the entity is, or will continue to be, pre-qualified as eligible to be a Designated Entity. If the entity submits additional information by November 30, the Office of the Interconnection shall notify the entity of the results of its re-evaluation no later than December 15. If the entity submits additional information after November 30, the Office of the Interconnection shall use reasonable efforts to re-evaluate the application, with the additional information, and notify the entity of its determination as soon as practicable. No later than December 31, the Office of the Interconnection shall post on the PJM website the list of entities that are pre-qualified as eligible to be Designated Entities. If an entity is notified by the Office of the Interconnection that it does not pre-qualify or will not continue to be pre-qualified as eligible to be a Designated Entity, such entity may request dispute resolution pursuant to Schedule 5 of the Operating Agreement.

(a)(3) If an entity was pre-qualified as eligible to be a Designated Entity in the previous year, such entity is not required to re-submit information to pre-qualify with respect to the upcoming year. In the event the information on which the entity's pre-qualification is based changes with respect to the upcoming year, such entity must submit to the Office of the Interconnection all updated information during the annual thirty-day pre-qualification window and the timeframes for notification in Section 1.5.8(a)(2) of this Schedule 6 shall apply. In the event the information on which the entity's pre-qualification is based changes with respect to the current year, such entity must submit to the Office of the Interconnection all updated information at the time the information changes and the Office of the Interconnection shall use reasonable efforts to evaluate the updated information and notify the entity of its determination as soon as practicable.

(a)(4) As determined by the Office of the Interconnection, an entity may submit a pre-qualification application outside the annual thirty-day pre-qualification window for good cause shown. For a pre-qualification application received outside of the annual thirty-day pre-qualification window, the Office of the Interconnection shall use reasonable efforts to process the application and notify the entity as to whether it pre-qualifies as eligible to be a Designated Entity as soon as practicable.

(a)(5) To be designated as a Designated Entity for any project proposed pursuant to Section 1.5.8 of this Schedule 6, existing Transmission Owners and Nonincumbent Developers must be pre-qualified as eligible to be a Designated Entity pursuant to this Section 1.5.8(a). This Section 1.5.8(a) shall not apply to entities that desire to propose projects for inclusion in the recommended plan but do not intend to be a Designated Entity.

(b) **Posting of Transmission System Needs.** Following identification of existing and projected limitations on the Transmission System's physical, economic and/or operational capability or performance in the enhancement and expansion analysis process described in this Schedule 6 and the PJM Manuals, and after consideration of non-transmission solutions, and prior to evaluating potential enhancements and expansions to the Transmission System, the Office of the Interconnection shall publicly post on the PJM website all transmission need information, including violations, system conditions, and economic constraints, and Public

Policy Requirements, including (i) federal Public Policy Requirements; (ii) state Public Policy Requirements identified or agreed-to by the states in the PJM Region, which could be addressed by potential Short-term Projects, Long-lead Projects or projects determined pursuant to the State Agreement Approach in Section 1.5.9 of this Schedule 6, as applicable. Such posting shall support the role of the Subregional RTEP Committees in the development of the Local Plans and support the role of the Transmission Expansion Advisory Committee in the development of the Regional Transmission Expansion Plan. The Office of the Interconnection also shall post an explanation regarding why transmission needs associated with federal or state Public Policy Requirements were identified but were not selected for further evaluation.

(c) **Project Proposal Windows.** The Office of the Interconnection shall provide notice to stakeholders of a 60-day proposal window for Short-term Projects and a 120-day proposal window for Long-lead Projects and Economic-based Enhancements or Expansions. The specifics regarding whether or not the following types of violations or projects are subject to a proposal window are detailed in Schedule 6 of this Agreement at Section 1.5.8(m) for Immediate-need Reliability Projects; Section 1.5.8(n) for reliability violations on transmission facilities below 200 kV; Section 1.5.8(o) for violations resulting from individual transmission owner Form 715 Planning Criteria; and Section 1.5.8(p) for violations on transmission substation equipment. The Office of Interconnection may shorten a proposal window should an identified need require a shorter proposal window to meet the needed in-service date of the proposed enhancements or expansions, or extend a proposal window as needed to accommodate updated information regarding system conditions. The Office of the Interconnection may shorten or lengthen a proposal window that is not yet opened based on one or more of the following criteria: (1) complexity of the violation or system condition; and (2) whether there is sufficient time remaining in the relevant planning cycle to accommodate a standard proposal window and timely address the violation or system condition. The Office of the Interconnection may lengthen a proposal window that already is opened based on or more of the following criteria: (i) changes in assumptions or conditions relating to the underlying need for the project, such as load growth or Reliability Pricing Model auction results; (ii) availability of new or changed information regarding the nature of the violations and the facilities involved; and (iii) time remaining in the relevant proposal window. In the event that the Office of the Interconnection determines to lengthen or shorten a proposal window, it will post on the PJM website the new proposal window period and an explanation as to the reasons for the change in the proposal window period. During these windows, the Office of the Interconnection will accept proposals from existing Transmission Owners and Nonincumbent Developers for potential enhancements or expansions to address the posted violations, system conditions, economic constraints, as well as Public Policy Requirements.

(c)(1) All proposals submitted in the proposal windows must contain: (i) the name and address of the proposing entity; (ii) a statement whether the entity intends to be the Designated Entity for the proposed project; (iii) the location of proposed project, including source and sink, if applicable; (iv) relevant engineering studies, and other relevant information as described in the PJM Manuals pertaining to the proposed project; (v) a proposed initial construction schedule including projected dates on which needed permits are required to be obtained in order to meet the required in-service date; (vi) cost estimates and analyses that provide sufficient detail for the

Office of Interconnection to review and analyze the proposed cost of the project; and (vii) with the exception of project proposals with cost estimates submitted with the proposals that are under \$20 million, a non-refundable fee must be submitted with each proposal, by each proposing entity who indicates an intention to be the Designated Entity, as follows: a non-refundable fee in the amount of \$5,000 for each project with a cost estimate submitted with the proposal that is equal to or greater than \$20 million and less than \$100 million and a non-refundable fee in the amount of \$30,000 for each project with a cost estimate submitted with the proposal that is equal to \$100 million or greater.

(c)(2) Proposals from all entities (both existing Transmission Owners and Nonincumbent Developers) that indicate the entity intends to be a Designated Entity, also must contain information to the extent not previously provided pursuant to Section 1.5.8(a) demonstrating: (i) technical and engineering qualifications of the entity, its affiliate, partner, or parent company relevant to construction, operation, and maintenance of the proposed project; (ii) experience of the entity, its affiliate, partner, or parent company in developing, constructing, maintaining, and operating the type of transmission facilities contained in the project proposal; (iii) the emergency response capability of the entity that will be operating and maintaining the proposed project; (iv) evidence of transmission facilities the entity, its affiliate, partner, or parent company previously constructed, maintained, or operated; (v) the ability of the entity or its affiliate, partner, or parent company to obtain adequate financing relative to the proposed project, which may include a letter of intent from a financial institution approved by the Office of the Interconnection or such other evidence of the financial resources available to finance the construction, operation, and maintenance of the proposed project; (vi) the managerial ability of the entity, its affiliate, partner, or parent company to contain costs and adhere to construction schedules for the proposed project, including a description of verifiable past achievement of these goals; (vii) a demonstration of other advantages the entity may have to construct, operate, and maintain the proposed project, including any cost commitment the entity may wish to submit; and (viii) any other information that may assist the Office of the Interconnection in evaluating the proposed project.

(c)(3) The Office of the Interconnection may request additional reports or information from an existing Transmission Owner or Nonincumbent Developers that it determines are reasonably necessary to evaluate its specific project proposal pursuant to the criteria set forth in Sections 1.5.8(e) and 1.5.8(f) of this Schedule 6. If the Office of the Interconnection determines any of the information provided in a proposal is deficient or it requires additional reports or information to analyze the submitted proposal, the Office of the Interconnection shall notify the proposing entity of such deficiency or request. Within 10 Business Days of receipt of the notification of deficiency and/or request for additional reports or information, or other reasonable time period as determined by the Office of the Interconnection, the proposing entity shall provide the necessary information.

(c)(4) The request for additional reports or information by the Office of the Interconnection pursuant to Section 1.5.8(c)(3) of this Schedule 6 may be used only to clarify a proposed project as submitted. In response to the Office of the Information's request for additional reports or information, the proposing entity (whether an existing Transmission Owner or Nonincumbent Developer) may not submit a new project proposal or modifications to a

proposed project once the proposal window is closed. In the event that the proposing entity fails to timely cure the deficiency or provide the requested reports or information regarding a proposed project, the proposed project will not be considered for inclusion in the recommended plan.

(c)(5) Within 30 days of the closing of the proposal window, the Office of the Interconnection may notify the proposing entity that additional per project fees are required if the Office of the Interconnection determines the proposing entity's submittal includes multiple project proposals. Within 10 Business Days of receipt of the notification of insufficient funds by the Office of the Interconnection, the proposing entity shall submit such funds or notify the Office of the Interconnection which of the project proposals the Office of the Interconnection should evaluate based on the fee(s) submitted.

(d) **Posting and Review of Projects.** Following the close of a proposal window, the Office of the Interconnection shall post on the PJM website all proposals submitted pursuant to Section 1.5.8(c) of this Schedule 6. All proposals addressing state Public Policy Requirements shall be provided to the applicable states in the PJM Region for review and consideration as a Supplemental Project or a state public policy project consistent with Section 1.5.9 of this Schedule 6. The Office of the Interconnection shall review all proposals submitted during a proposal window and determine and present to the Transmission Expansion Advisory Committee the proposals that merit further consideration for inclusion in the recommended plan. In making this determination, the Office of the Interconnection shall consider the criteria set forth in Sections 1.5.8(e) and 1.5.8(f) of this Schedule 6. The Office of the Interconnection shall post on the PJM website and present to the Transmission Expansion Advisory Committee for review and comment descriptions of the proposed enhancements and expansions, including any proposed Supplemental Projects or state public policy projects identified by a state(s). Based on review and comment by the Transmission Expansion Advisory Committee, the Office of the Interconnection may, if necessary conduct further study and evaluation. The Office of the Interconnection shall post on the PJM website and present to the Transmission Expansion Advisory Committee the revised enhancements and expansions for review and comment. After consultation with the Transmission Expansion Advisory Committee, the Office of the Interconnection shall determine the more efficient or cost-effective transmission enhancements and expansions for inclusion in the recommended plan consistent with this Schedule 6.

(e) **Criteria for Considering Inclusion of a Project in the Recommended Plan.** In determining whether a Short-term Project or Long-lead Project proposed pursuant to Section 1.5.8(c), individually or in combination with other Short-term Projects or Long-lead Projects, is the more efficient or cost-effective solution and therefore should be included in the recommended plan, the Office of the Interconnection, taking into account sensitivity studies and scenario analyses considered pursuant to Section 1.5.3 of this Schedule 6, shall consider the following criteria, to the extent applicable: (i) the extent to which a Short-term Project or Long-lead Project would address and solve the posted violation, system condition, or economic constraint; (ii) the extent to which the relative benefits of the project meets a Benefit/Cost Ratio Threshold of at least 1.25:1 as calculated pursuant to Section 1.5.7(d) of this Schedule 6; (iii) the extent to which the Short-term Project or Long-lead Project would have secondary benefits, such as addressing additional or other system reliability, operational performance, economic

efficiency issues or federal Public Policy Requirements or state Public Policy Requirements identified by the states in the PJM Region; and (iv) other factors such as cost-effectiveness, the ability to timely complete the project, and project development feasibility.

(f) Entity-Specific Criteria Considered in Determining the Designated Entity for a Project. In determining whether the entity proposing a Short-term Project or a Long-lead Project recommended for inclusion in the plan shall be the Designated Entity, the Office of the Interconnection shall consider: (i) whether in its proposal, the entity indicated its intent to be the Designated Entity; (ii) whether the entity is pre-qualified to be a Designated Entity pursuant to Section 1.5.8(a); (iii) information provided either in the proposing entity's submission pursuant to Section 1.5.8(a) or 1.5.8(c)(2) relative to the specific proposed project that demonstrates: (1) the technical and engineering experience of the entity or its affiliate, partner, or parent company, including its previous record regarding construction, maintenance, and operation of transmission facilities relative to the project proposed; (2) ability of the entity or its affiliate, partner, or parent company to construct, maintain, and operate transmission facilities, as proposed, (3) capability of the entity to adhere to standardized construction, maintenance, and operating practices, including the capability for emergency response and restoration of damaged equipment; (4) experience of the entity in acquiring rights of way; (5) evidence of the ability of the entity, its affiliate, partner, or parent company to secure a financial commitment from an approved financial institution(s) agreeing to finance the construction, operation, and maintenance of the project, if it is accepted into the recommended plan; and (iv) any other factors that may be relevant to the proposed project, including but not limited to whether the proposal includes the entity's previously designated project(s) included in the plan.

(g) Procedures if No Long-lead Project or Economic-based Enhancement or Expansion Proposal is Determined to be the More Efficient or Cost-Effective Solution. If the Office of the Interconnection determines that none of the proposed Long-lead Projects received during the Long-lead Project proposal window would be the more efficient or cost-effective solution to resolve a posted violation, or system condition, the Office of the Interconnection may re-evaluate and re-post on the PJM website the unresolved violations, or system conditions pursuant to Section 1.5.8(b), provided such re-evaluation and re-posting would not affect the ability of the Office of the Interconnection to timely address the identified reliability need. In the event that re-posting and conducting such re-evaluation would prevent the Office of the Interconnection from timely addressing the existing and projected limitations on the Transmission System that give rise to the need for an enhancement or expansion, the Office of the Interconnection shall propose a project to solve the posted violation, or system condition for inclusion in the recommended plan and shall present such project to the Transmission Expansion Advisory Committee for review and comment. The Transmission Owner(s) in the Zone(s) where the project is to be located shall be the Designated Entity(ies) for such project. In determining whether there is insufficient time for re-posting and re-evaluation, the Office of the Interconnection shall develop and post on the PJM website a transmission solution construction timeline for input and review by the Transmission Expansion Advisory Committee that will include factors such as, but not limited to: (i) deadlines for obtaining regulatory approvals, (ii) dates by which long lead equipment should be acquired, (iii) the time necessary to complete a proposed solution to meet the required in-service date, and (iv) other time-based factors impacting the feasibility of achieving the required in-service date. Based on input from the

Transmission Expansion Advisory Committee and the time frames set forth in the construction timeline, the Office of the Interconnection shall determine whether there is sufficient time to conduct a re-evaluation and re-post and timely address the existing and projected limitations on the Transmission System that give rise to the need for an enhancement or expansion. To the extent that an economic constraint remains unaddressed, the economic constraint will be re-evaluated and re-posted.

(h) **Procedures if No Short-term Project Proposal is Determined to be the More Efficient or Cost-Effective Solution.** If the Office of the Interconnection determines that none of the proposed Short-term Projects received during a Short-term Project proposal window would be the more efficient or cost-effective solution to resolve a posted violation or system condition, the Office of the Interconnection shall propose a Short-term Project to solve the posted violation, or system condition for inclusion in the recommended plan and will present such Short-term Project to the Transmission Expansion Advisory Committee for review and comment. The Transmission Owner(s) in the Zone(s) where the Short-term Project is to be located shall be the Designated Entity(ies) for the Project.

(i) **Notification of Designated Entity.** Within 10 Business Days of PJM Board approval of the Regional Transmission Expansion Plan, the Office of the Interconnection shall notify the entities that have been designated as the Designated Entities for projects included in the Regional Transmission Expansion Plan of such designations. In such notices, the Office of the Interconnection shall provide: (i) the needed in-service date of the project; and (ii) a date by which all necessary state approvals should be obtained to timely meet the needed in-service date of the project. The Office of the Interconnection shall use these dates as part of its on-going monitoring of the progress of the project to ensure that the project is completed by its needed in-service date.

(j) **Acceptance of Designation.** Within 30 days of receiving notification of its designation as a Designated Entity, the existing Transmission Owner or Nonincumbent Developer shall notify the Office of the Interconnection of its acceptance of such designation and submit to the Office of the Interconnection a development schedule, which shall include, but not be limited to, milestones necessary to develop and construct the project to achieve the required in-service date, including milestone dates for obtaining all necessary authorizations and approvals, including but not limited to, state approvals. For good cause shown, the Office of the Interconnection may extend the deadline for submitting the development schedule. The Office of the Interconnection then shall review the development schedule and within 15 days or other reasonable time as required by the Office of the Interconnection: (i) notify the Designated Entity of any issues regarding the development schedule identified by the Office of the Interconnection that may need to be addressed to ensure that the project meets its needed in-service date; and (ii) tender to the Designated Entity an executable Designated Entity Agreement setting forth the rights and obligations of the parties. To retain its status as a Designated Entity, within 60 days of receiving notification of its designation (or other such period as mutually agreed upon by the Office of the Interconnection and the Designated Entity), the Designated Entity (both existing Transmission Owners and Nonincumbent Developers) shall submit to the Office of the Interconnection a letter of credit as determined by the Office of Interconnection to cover the incremental costs of construction resulting from reassignment of the project, and return to the Office of the

Interconnection an executed Designated Entity Agreement containing a mutually agreed upon development schedule. In the alternative, the Designated Entity may request dispute resolution pursuant to Schedule 5 of this Agreement, or request that the Designated Entity Agreement be filed unexecuted with the Commission.

(k) **Failure of Designated Entity to Meet Milestones.** In the event the Designated Entity fails to comply with one or more of the requirements of Section 1.5.8(j); or fails to meet a milestone in the development schedule set forth in the Designated Entity Agreement that causes a delay of the project's in-service date, the Office of the Interconnection shall re-evaluate the need for the Short-term Project or Long-lead Project, and based on that re-evaluation may: (i) retain the Short-term Project or Long-lead Project in the Regional Transmission Expansion Plan; (ii) remove the Short-term Project or Long-lead Project from the Regional Transmission Expansion Plan; or (iii) include an alternative solution in the Regional Transmission Expansion Plan. If the Office of the Interconnection retains the Short-term or Long-term Project in the Regional Transmission Expansion Plan, it shall determine whether the delay is beyond the Designated Entity's control and whether to retain the Designated Entity or to designate the Transmission Owner(s) in the Zone(s) where the project is located as Designated Entity(ies) for the Short-term Project or Long-lead Project. If the Designated Entity is the Transmission Owner(s) in the Zone(s) where the project is located, the Office of the Interconnection shall seek recourse through the Consolidated Transmission Owners Agreement or FERC, as appropriate. Any modifications to the Regional Transmission Expansion Plan pursuant to this section shall be presented to the Transmission Expansion Advisory Committee for review and comment and approved by the PJM Board.

(l) **Transmission Owners Required to be the Designated Entity.** Notwithstanding anything to the contrary in this Section 1.5.8, in all events, the Transmission Owner(s) in whose Zone(s) a project proposed pursuant to Section 1.5.8(c) of this Schedule 6 is to be located will be the Designated Entity for the project, when the Short-term Project or Long-lead Project is: (i) a Transmission Owner Upgrade; (ii) located solely within a Transmission Owner's Zone and the costs of the project are allocated solely to the Transmission Owner's Zone; or (iii) located solely within a Transmission Owner's Zone and is not selected in the Regional Transmission Expansion Plan for purposes of cost allocation.

(m) **Immediate-need Reliability Projects:**

(m)(1) Pursuant to the expansion planning process set forth in Sections 1.5.1 through 1.5.6 of Schedule 6, the Office of the Interconnection shall identify immediate reliability needs that must be addressed within three years or less. For those immediate reliability needs for which PJM determines a proposal window may not be feasible, PJM shall identify and post such immediate need reliability criteria violations and system conditions for review and comment by the Transmission Expansion Advisory Committee and other stakeholders. Following review and comment, the Office of the Interconnection shall develop Immediate-need Reliability Projects for which a proposal window pursuant to Section 1.5.8(m)(2) is infeasible. The Office of the Interconnection shall consider the following factors in determining the infeasibility of such a proposal window: (i) nature of the reliability criteria violation; (ii) nature and type of potential solution required; and (iii) projected construction time for a potential solution to the type of

reliability criteria violation to be addressed. The Office of the Interconnection shall post on the PJM website for review and comment by the Transmission Expansion Advisory Committee and other stakeholders descriptions of the Immediate-need Reliability Projects for which a proposal window pursuant to Section 1.5.8(m)(2) is infeasible. The descriptions shall include an explanation of the decision to designate the Transmission Owner as the Designated Entity for the Immediate-need Reliability Project rather than conducting a proposal window pursuant to Section 1.5.8(m)(2), including an explanation of the time-sensitive need for the Immediate-need Reliability Project, other transmission and non-transmission options that were considered but concluded would not sufficiently address the immediate reliability need, the circumstances that generated the immediate reliability need, and why the immediate reliability need was not identified earlier. After the descriptions are posted on the PJM website, stakeholders shall have reasonable opportunity to provide comments to the Office of the Interconnection. All comments received by the Office of the Interconnection shall be publicly available on the PJM website. Based on the comments received from stakeholders and the review by Transmission Expansion Advisory Committee, the Office of the Interconnection shall, if necessary, conduct further study and evaluation and post a revised recommended plan for review and comment by the Transmission Expansion Advisory Committee. The PJM Board shall approve the Immediate-need Reliability Projects for inclusion in the recommended plan. In January of each year, the Office of the Interconnection shall post on the PJM website and file with the Commission for informational purposes a list of the Immediate-need Reliability Projects for which an existing Transmission Owner was designated in the prior year as the Designated Entity in accordance with this Section 1.5.8(m)(1). The list shall include the need-by date of Immediate-need Reliability Project and the date the Transmission Owner actually energized the Immediate-need Reliability Project.

(m)(2) If, in the judgment of the Office of the Interconnection, there is sufficient time for the Office of the Interconnection to accept proposals in a shortened proposal window for Immediate-need Reliability Projects, the Office of the Interconnection shall post on the PJM website the violations and system conditions that could be addressed by Immediate-need Reliability Project proposals, including an explanation of the time-sensitive need for an Immediate-need Reliability Project and provide notice to stakeholders of a shortened proposal window. Proposals must contain the information required in Section 1.5.8(c) and, if the entity is seeking to be the Designated Entity, such entity must have pre-qualified to be a Designated Entity pursuant to Section 1.5.8(a). In determining the more efficient or cost-effective proposed Immediate-need Reliability Project for inclusion in the recommended plan, the Office of the Interconnection shall consider the extent to which the proposed Immediate-need Reliability Project, individually or in combination with other Immediate-need Reliability Projects, would address and solve the posted violations or system conditions and other factors such as cost-effectiveness, the ability of the entity to timely complete the project, and project development feasibility in light of the required need. After PJM Board approval, the Office of the Interconnection, in accordance with Section 1.5.8(i) of this Schedule 6, shall notify the entities that have been designated as Designated Entities for Immediate-need Projects included in the Regional Transmission Expansion Plan of such designations. Designated Entities shall accept such designations in accordance with Section 1.5.8(j). In the event that (i) the Office of the Interconnection determines that no proposal resolves a posted violation or system condition; (ii) the proposing entity is not selected to be the Designated Entity; (iii) an entity does not accept the

designation as a Designated Entity; or (iv) the Designated Entity fails to meet milestones that would delay the in-service date of the Immediate-need Reliability Project, the Office of the Interconnection shall develop and recommend an Immediate-need Reliability Project to solve the violation or system needs in accordance with Section 1.5.8(m)(1).

(n) **Reliability Violations on Transmission Facilities Below 200 kV.** Pursuant to the expansion planning process set forth in Sections 1.5.1 through 1.5.6 of Schedule 6, the Office of the Interconnection shall identify reliability violations on facilities below 200 kV. The Office of the Interconnection shall not post such a violation pursuant to Section 1.5.8(b) of this Schedule 6 for inclusion in a proposal window pursuant to Section 1.5.8(c) unless the identified violation(s) satisfies one of the following exceptions: (i) the reliability violations are thermal overload violations identified on multiple transmission lines and/or transformers rated below 200 kV that are impacted by a common contingent element, such that multiple reliability violations could be addressed by one or more solutions, including but not limited to a higher voltage solution; or (ii) the reliability violations are thermal overload violations identified on multiple transmission lines and/or transformers rated below 200 kV and the Office of the Interconnection determines that given the location and electrical features of the violations one or more solutions could potentially address or reduce the flow on multiple lower voltage facilities, thereby eliminating the multiple reliability violations. If the reliability violation is identified on multiple facilities rated below 200 kV that are determined by the Office of the Interconnection to meet one of the two exceptions stated above, the Office of the Interconnection shall develop a solution to address the reliability violation on below 200 kV Transmission Facilities that will not be included in a proposal window pursuant to Section 1.5.8(c). The Office of Interconnection shall post on the PJM website the reliability violations to be included in a proposal window consistent with Section 1.5.8(c) of Schedule 6. If the Office of the Interconnection determines that the identified reliability violations do not satisfy either of the two exceptions stated above, the Office of the Interconnection shall develop a solution to address the reliability violation on below 200 kV Transmission Facilities that will not be included in a proposal window pursuant to Section 1.5.8(c). The Office of Interconnection shall post on the PJM website for review and comment by the Transmission Expansion Advisory Committee and other stakeholders descriptions of the below 200 kV reliability violations that will not be included in a proposal window pursuant to Section 1.5.8(c). The descriptions shall include an explanation of the decision to not include the below 200 kV reliability violation(s) in a Section 1.5.8(c) proposal window, a description of the facility on which the violation(s) is found, the Zone in which the facility is located, and notice that such construction responsibility for and ownership of the project that resolves such below 200 kV reliability violation will be designated to the incumbent Transmission Owner. After the descriptions are posted on the PJM website, stakeholders shall have reasonable opportunity to provide comments for consideration by the Office of the Interconnection. With the exception of Immediate-need Reliability Projects under section 1.5.8(m) of this Schedule 6, PJM will not select an above 200 kV solution for inclusion in the recommended plan that would address a reliability violation on a below 200 kV transmission facility without posting the violation for inclusion in a proposal window consistent with Section 1.5.8(c) of Schedule 6. All written comments received by the Office of the Interconnection shall be publicly available on the PJM website.

(o) **Transmission Owner Form 715 Planning Criteria.** Pursuant to the expansion planning process set forth in Sections 1.5.1 through 1.5.6 of Schedule 6, the Office of the Interconnection shall identify transmission needs driven by Form 715 Planning Criteria. The Office of the Interconnection shall post on the PJM website for review and comment by the Transmission Expansion Advisory Committee and other stakeholders the identified transmission needs driven by individual transmission owner Form 715 Planning Criteria. Such transmission needs shall not be posted pursuant to Section 1.5.8(b) of this Schedule 6 for inclusion in a proposal window and such postings will not be subject to the proposal window process pursuant to Section 1.5.8(c). Any project proposal submitted in a proposal window pursuant to Section 1.5.8(c) addressing both a posted violation or system condition other than a Form 715 Planning Criteria violation and a transmission need driven by Form 715 Planning Criteria that complies with the requirements of Section 1.5.8(c) shall be accepted for consideration by the Office of the Interconnection and, if selected in the proposal window process for inclusion in the Regional Transmission Expansion Plan, the project proposer may be designated as the Designated Entity for such project. Project proposals submitted in a proposal window that address only a transmission need solely driven by Form 715 Planning Criteria may be considered by the Office of the Interconnection as a potential alternative to a Form 715 Planning Criteria violation but shall not be accepted for consideration under Section 1.5.8(c) and, if selected for inclusion in the Regional Transmission Expansion Plan by the Office of the Interconnection, the proposing entity may not be designated as the Designated Entity. The Office of the Interconnection shall post on the PJM website for review and comment by the Transmission Expansion Advisory Committee and other stakeholders a description of the Form No. 715 projects. The descriptions shall identify the applicable Form 715 Planning Criteria, the Zone in which the facility is located, an explanation of the decision to designate the Transmission Owner as the Designated Entity, and any alternatives considered by the Office of the Interconnection but were not found to be the more efficient or cost effective solution. After the descriptions are posted on the PJM website, stakeholders shall have reasonable opportunity to provide comments for consideration by the Office of the Interconnection. All written comments received by the Office of the Interconnection shall be publicly available on the PJM website. Based on the comments received from stakeholders and the review by Transmission Expansion Advisory Committee, the Office of the Interconnection may, if necessary, conduct further study and evaluation and post a revised recommended plan for review and comment by the Transmission Expansion Advisory Committee.

(p) **Thermal Reliability Violations on Transmission Substation Equipment.** Pursuant to the regional transmission expansion planning process set forth in Sections 1.5.1 through 1.5.6 of Schedule 6, the Office of the Interconnection shall identify thermal reliability violations on existing transmission substation equipment. The Office of the Interconnection shall not post such thermal reliability violations pursuant to Section 1.5.8(b) of this Schedule 6 for inclusion in a proposal window pursuant to Section 1.5.8(c) if the Office of the Interconnection determines that the reliability violations would be more efficiently addressed by an upgrade to replace in kind transmission substation equipment with higher rated equipment, excluding power transmission transformers, but including station service transformers and instrument transformers. If the Office of the Interconnection determines that the reliability violation does not meet the exemption stated above, the Office of the Interconnection shall post on the PJM website the reliability violations to be included in a proposal window consistent with Section

1.5.8(c) of Schedule 6. If the Office of the Interconnection determines that the identified thermal reliability violations satisfy the above exemption to the proposal window process, the Office of the Interconnection shall post on the PJM website for review and comment by the Transmission Expansion Advisory Committee and other stakeholders descriptions of the transmission substation equipment thermal reliability violations that will not be included in a proposal window pursuant to Section 1.5.8(c). The descriptions shall include an explanation of the decision to not include the transmission substation equipment thermal reliability violation(s) in a Section 1.5.8(c) proposal window, a description of the facility on which the thermal violation(s) is found, the Zone in which the facility is located, and notice that such construction responsibility for and ownership of the project that resolves such transmission substation equipment thermal violations will be designated to the incumbent Transmission Owner. After the descriptions are posted on the PJM website, stakeholders shall have reasonable opportunity to provide comments for consideration by the Office of the Interconnection. All written comments received by the Office of the Interconnection shall be publicly available on the PJM website.

1.5.9 State Agreement Approach.

(a) State governmental entities authorized by their respective states, individually or jointly, may agree voluntarily to be responsible for the allocation of all costs of a proposed transmission expansion or enhancement that addresses state Public Policy Requirements identified or accepted by the state(s) in the PJM Region. As determined by the authorized state governmental entities, such transmission enhancements or expansions may be included in the recommended plan, either as a (i) Supplemental Project or (ii) state public policy project, which is a transmission enhancement or expansion, the costs of which will be recovered pursuant to a FERC-accepted cost allocation proposed by agreement of one or more states and voluntarily agreed to by those state(s). All costs related to a state public policy project or Supplemental Project included in the Regional Transmission Expansion Plan to address state Public Policy Requirements pursuant to this Section shall be recovered from customers in a state(s) in the PJM Region that agrees to be responsible for the projects. No such costs shall be recovered from customers in a state that did not agree to be responsible for such cost allocation. A state public policy project will be included in the Regional Transmission Expansion Plan for cost allocation purposes only if there is an associated FERC-accepted allocation permitting recovery of the costs of the state public policy project consistent with this Section.

(b) Subject to any designation reserved for Transmission Owners in Section 1.5.8(l) of this Schedule 6, the state(s) responsible for cost allocation for a Supplemental Project or a state public policy project in accordance with Section 1.5.9(a) in this Schedule 6 may submit to the Office of the Interconnection the entity(ies) to construct, own, operate and maintain the state public policy project from a list of entities supplied by the Office of the Interconnection that pre-qualified to be Designated Entities pursuant to Section 1.5.8(a) of this Schedule 6.

1.5.10 Multi-Driver Project.

(a) When a proposal submitted by an existing Transmission Owner or Nonincumbent Developer pursuant to Section 1.5.8(c) meets the definition of a Multi-Driver Project and is designated to be included in the Regional Transmission Expansion Plan for purposes of cost

allocation, the Office of the Interconnection shall designate the Designated Entity for the project as follows: (i) if the Multi-Driver Project does not contain a state Public Policy Requirement component, the Office of the Interconnection shall designate the Designated Entity pursuant to the criteria in Section 1.5.8 of this Schedule 6; or (ii) if the Multi-Driver Project contains a state Public Policy Requirement component, the Office of the Interconnection shall evaluate potential Designated Entity candidates based on the criteria in Section 1.5.8 of this Schedule 6, and provide its evaluation to and elicit feedback from the sponsoring state governmental entities responsible for allocation of all costs of the proposed state Public Policy Requirement component (“state governmental entity(ies)”) regarding its evaluation. Based on its evaluation of the Section 1.5.8 criteria and consideration of the feedback from the sponsoring state governmental entity(ies), the Office of the Interconnection shall designate the Designated Entity for the Multi-Driver Project and notify such entity consistent with Section 1.5.8(i) of this Schedule 6. A Multi-Driver Project may be based on proposals that consist of (1) newly proposed transmission enhancements or expansions; (2) additions to, or modifications of, transmission enhancements or expansions already selected for inclusion in the Regional Transmission Expansion Plan; and/or (3) one or more transmission enhancements or expansions already selected for inclusion in the Regional Transmission Expansion Plan.

(b) A Multi-Driver Project may contain an enhancement or expansion that addresses a state Public Policy Requirement component only if it meets the requirements set forth in section 1.5.9(a) of this Schedule 6 and its cost allocations are established consistent with Section (b)(xii)(B) of Schedule 12 of the PJM Tariff.

(c) If a state governmental entity(ies) desires to include a Public Policy Requirement component after an enhancement or expansion has been included in the Regional Transmission Expansion Plan, the Office of the Interconnection may re-evaluate the relevant reliability-based enhancement or expansion, Economic-based Enhancement or Expansion, or Multi-Driver Project to determine whether adding the state-sponsored Public Policy Requirement component would create a more cost effective or efficient solution to system conditions. If the Office of the Interconnection determines that adding the state-sponsored Public Policy Requirement component to an enhancement or expansion already included in the Regional Transmission Expansion Plan would result in a more cost effective or efficient solution, the state-sponsored Public Policy Requirement component may be included in the relevant enhancement or expansion, provided all of the requirements of Section 1.5.10(b) of this Schedule 6 are met, and cost allocations are established consistent with Section (b)(xii)(B) of Schedule 12 of the PJM Tariff.

(d) If, subsequent to the inclusion in the Regional Transmission Expansion Plan of a Multi-Driver Project that contains a state Public Policy Requirement component, a state governmental entity(ies) withdraws its support of the Public Policy Requirement component of a Multi-Driver Project, then: (i) the Office of the Interconnection shall re-evaluate the need for the remaining components of the Multi-Driver Project without the state Public Policy Requirement component, remove the Multi-Driver Project from the Regional Transmission Expansion Plan, or replace the Multi-Driver Project with an enhancement or expansion that addresses remaining reliability or economic system needs; (ii) if the Multi-Driver Project is retained in the Regional Transmission Expansion Plan without the state Public Policy Requirement component, the costs

of the remaining components will be allocated in accordance with Schedule 12 of the Tariff; (iii) if more than one state is responsible for the costs apportioned to the state Public Policy Requirement component of the Multi-Driver Project, the remaining state governmental entity(ies) shall have the option to continue supporting the state Public Policy component of the Multi-Driver Project and if the remaining state governmental entity(ies) choose this option, the apportionment of the state Public Policy Requirement component will remain in place and the remaining state governmental entity(ies) shall agree upon their respective apportionments; (iv) if a Multi-Driver Project must be retained in the Regional Transmission Expansion Plan and completed with the State Public Policy component, the state Public Policy Requirement apportionment will remain in place and the withdrawing state governmental entity(ies) shall continue to be responsible for its/their share of the FERC-accepted cost allocations as filed pursuant to Section (b)(xii)(B) of Schedule 12 of the PJM Tariff.

(e) The actual costs of a Multi-Driver Project shall be apportioned to the different components (reliability-based enhancement or expansion, Economic-based Enhancement or Expansion and/or Public Policy Requirement) based on the initial estimated costs of the Multi-Driver Project in accordance with the methodology set forth in Schedule 12 of the PJM Tariff.

(f) The benefit metric calculation used for evaluating the market efficiency component of a Multi-Driver Project will be based on the final voltage of the Multi-Driver Project using the Benefit/Cost Ratio calculation set forth in Section 1.5.7(d) of Schedule 6 of this Operating Agreement where the Cost component of the calculation is the present value of the estimated cost of the enhancement apportioned to the market efficiency component of the Multi-Driver Project for each of the first 15 years of the life of the enhancement or expansion.

(g) Except as provided to the contrary in this Section 1.5.10, Section 1.5.8 of this Schedule 6 applies to Multi-Driver Projects.

(h) The Office of the Interconnection shall determine whether a proposal(s) meets the definition of a Multi-Driver Project by identifying a more efficient or cost effective solution that uses one of the following methods: (i) combining separate solutions that address reliability, economics and/or public policy into a single transmission enhancement or expansion that incorporates separate drivers into one Multi-Driver Project (“Proportional Multi-Driver Method”); or (ii) expanding or enhancing a proposed single driver solution to include one or more additional component(s) to address a combination of reliability, economic and/or public policy drivers (“Incremental Multi-Driver Method”).

(i) In determining whether a Multi-Driver Project may be designated to more than one entity, PJM shall consider whether: (i) the project consists of separable transmission elements, which are physically discrete transmission components, such as, but not limited to, a transformer, static var compensator or definable linear segment of a transmission line, that can be designated individually to a Designated Entity to construct and own and/or finance; and (ii) each entity satisfies the criteria set forth in section 1.5.8(f) of Schedule 6. Separable transmission elements that qualify as Transmission Owner Upgrades shall be designated to the Transmission Owner in the Zone in which the facility will be located.

FERC rendition of the electronically filed tariff records in Docket No. ER17-00179-003

Filing Data:

CID: C000030

Filing Title: Compliance per February 15, 2018 order in Docket No. ER17-179

Company Filing Identifier: 3874

Type of Filing Code: 80

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Tariff Title: Intra-PJM Tariffs

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Payment Confirmation:

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Tariff Record Data:

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Record Narrative Name: OA Schedule 6 Sec 1.3 Establishment of Committees.

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1.3 Establishment of Committees.

(a) The Planning Committee shall be open to participation by (i) all Transmission Customers and applicants for transmission service; (ii) any other entity proposing to provide Transmission Facilities to be integrated into the PJM Region; (iii) all Members; (iv) the electric utility regulatory agencies within the States in the PJM Region and the State Consumer Advocates; and (v) any other interested entities or persons and shall provide technical advice and assistance to the Office of the Interconnection in all aspects of its regional planning functions. The Transmission Owners shall supply representatives to the Planning Committee, and other Members may provide representatives as they deem appropriate, to provide the data, information, and support necessary for the Office of the Interconnection to perform studies as required and to develop the Regional Transmission Expansion Plan.

(b) The Transmission Expansion Advisory Committee established by the Office of the Interconnection will meet periodically with representatives of the Office of the Interconnection to provide advice and recommendations to the Office of the Interconnection to aid in the development of the Regional Transmission Expansion Plan. The Transmission Expansion Advisory Committee participants shall be given an opportunity to provide advice and recommendations for consideration by the Office of the Interconnection regarding sensitivity studies, modeling assumption variations, scenario analyses, and Public Policy Objectives in the studies and analyses to be conducted by the Office of the Interconnection. The Transmission Expansion Advisory Committee participants shall be given the opportunity to review and provide advice and recommendations on the projects to be included in the Regional Transmission Expansion Plan. The Transmission Expansion Advisory Committee meetings shall include discussions addressing interregional planning issues, as required. The Transmission Expansion Advisory Committee shall be open to participation by: (i) all Transmission Customers and applicants for transmission service; (ii) any other entity proposing to provide Transmission Facilities to be integrated into the PJM Region; (iii) all Members; (iv) the electric utility regulatory agencies within the States in the PJM Region, the Independent State Agencies

Committee, and the State Consumer Advocates; and (v) any other interested entities or persons. The Transmission Expansion Advisory Committee shall be governed by the Transmission Expansion Advisory Committee rules and procedures set forth in the PJM Regional Planning Process Manual (PJM Manual M-14 series) and by the rules and procedures applicable to PJM committees.

(c) The Subregional RTEP Committees established by the Office of the Interconnection shall facilitate the development and review of the Local Plans. The Subregional RTEP Committees will be responsible for the initial review of the Subregional RTEP Projects, and to provide recommendations to the Transmission Expansion Advisory Committee concerning the Subregional RTEP Projects. A Subregional RTEP Committee may of its own accord or at the request of a Subregional RTEP Committee participant, also refer specific Subregional RTEP Projects to the Transmission Expansion Advisory Committee for further review, advice and recommendations.

(d) The Subregional RTEP Committees shall be responsible for the timely review of the criteria, assumptions and models used to identify reliability criteria violations, economic constraints, or to consider Public Policy Requirements, proposed solutions and written comments prior to finalizing the Local Plan, the coordination and integration of the Local Plans into the RTEP, and addressing any stakeholder issues unresolved in the Local Plan process. The Subregional RTEP Committees will be provided sufficient opportunity to review and provide written comments on the criteria, assumptions, and models used in local planning activities prior to finalizing the Local Plan. The Subregional RTEP Committees shall also be responsible for the timely review of the Transmission Owners' criteria, assumptions, and models used to identify Supplemental Projects that will be considered for inclusion in the Local Plan for each Subregional RTEP Committee. The Subregional RTEP Committees meetings shall include discussions addressing interregional planning issues, as required. Once finalized, the Subregional RTEP Committees will be provided sufficient opportunity to review and provide written comments on the Local Plans as integrated into the RTEP, prior to the submittal of the final Regional Transmission Expansion Plan to the PJM Board for approval. In addition, the Subregional RTEP Committees will provide sufficient opportunity to review and provide written comments to the Transmission Owners on any Supplemental Projects included in the Local Plan, in accordance with Additional Procedures for Planning of Supplemental Projects set forth in Attachment M-3 of the PJM Tariff.

(e) The Subregional RTEP Committees shall be open to participation by: (i) all Transmission Customers and applicants for transmission service; (ii) any other entity proposing to provide Transmission Facilities to be integrated into the PJM Region; (iii) all Members; (iv) the electric utility regulatory agencies within the States in the PJM Region, the Independent State Agencies Committee, and the State Consumer Advocates and (v) any other interested entities or persons.

(f) Each Subregional RTEP Committee shall schedule and facilitate a minimum of one Subregional RTEP Committee meeting to review the criteria, assumptions and models to identify reliability criteria violations, economic constraints, or to consider Public Policy Requirements. Each Subregional RTEP Committee shall schedule and facilitate an additional Subregional

RTEP Committee meeting, per planning cycle, and as required to review the identified criteria violations and potential solutions. The Subregional RTEP Committees may facilitate additional meetings to incorporate more localized areas in the subregional planning process. At the discretion of the Office of the Interconnection, a designated Transmission Owner may facilitate Subregional RTEP Committee meeting(s), or the additional meetings incorporating the more localized areas.

(g) The Subregional RTEP Committees shall schedule and facilitate meetings regarding Supplemental Projects, as described in the Tariff, Attachment M-3.

(h) The Subregional RTEP Committees shall be governed by the Transmission Expansion Advisory Committee rules and procedures set forth in the PJM Regional Planning Process Manual (Manual M-14 series) and by the rules and procedures applicable to PJM committees.

Record Content Description, Tariff Record Title, Record Version Number, Option Code:

OA Schedule 6 Sec 1.5, OA Schedule 6 Sec 1.5 Procedure for Development of the Regi, 16.0.0, A

Record Narrative Name: OA Schedule 6 Sec 1.5 Procedure for Development of the Regional Transmission Expansion Plan.

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1.5 Procedure for Development of the Regional Transmission Expansion Plan.

1.5.1 Commencement of the Process.

(a) The Office of the Interconnection shall initiate the enhancement and expansion study process if: (i) required as a result of a need for transfer capability identified by the Office of the Interconnection in its evaluation of requests for interconnection with the Transmission System or for firm transmission service with a term of one year or more; (ii) required to address a need identified by the Office of the Interconnection in its on-going evaluation of the Transmission System's market efficiency and operational performance; (iii) required as a result of the Office of the Interconnection's assessment of the Transmission System's compliance with NERC Reliability Standards, more stringent reliability criteria, if any, or PJM planning and operating criteria; (iv) required to address constraints or available transfer capability shortages, including, but not limited to, available transfer capability shortages that prevent the simultaneous feasibility of stage 1A Auction Revenue Rights allocated pursuant to Section 7.4.2(b) of Schedule 1 of this Agreement, constraints or shortages as a result of expected generation retirements, constraints or shortages based on an evaluation of load forecasts, or system reliability needs arising from proposals for the addition of Transmission Facilities in the PJM Region; or (v) expansion of the Transmission System is proposed by one or more Transmission Owners, Interconnection Customers, Network Service Users or Transmission Customers, or any party that funds Network Upgrades pursuant to Section 7.8 of Schedule 1 of this Agreement. The Office of the Interconnection may initiate the enhancement and expansion study process to address or consider, where appropriate, requirements or needs arising from sensitivity studies, modeling assumption variations, scenario analyses, and Public Policy Objectives.

(b) The Office of the Interconnection shall notify the Transmission Expansion Advisory

Committee participants of, as well as publicly notice, the commencement of an enhancement and expansion study. The Transmission Expansion Advisory Committee participants shall notify the Office of the Interconnection in writing of any additional transmission considerations they would like to have included in the Office of the Interconnection's analyses.

1.5.2 Development of Scope, Assumptions and Procedures.

Once the need for an enhancement and expansion study has been established, the Office of the Interconnection shall consult with the Transmission Expansion Advisory Committee and the Subregional RTEP Committees, as appropriate, to prepare the study's scope, assumptions and procedures.

1.5.3 Scope of Studies.

In conducting the enhancement and expansion studies, the Office of the Interconnection shall not limit its analyses to bright line tests to identify and evaluate potential Transmission System limitations, violations of planning criteria, or transmission needs. In addition to the bright line tests, the Office of the Interconnection shall employ sensitivity studies, modeling assumption variations, and scenario analyses, and shall also consider Public Policy Objectives in the studies and analyses, so as to mitigate the possibility that bright line metrics may inappropriately include or exclude transmission projects from the transmission plan. Sensitivity studies, modeling assumption variations, and scenario analyses shall take account of potential changes in expected future system conditions, including, but not limited to, load levels, transfer levels, fuel costs, the level and type of generation, generation patterns (including, but not limited to, the effects of assumptions regarding generation that is at risk for retirement and new generation to satisfy Public Policy Objectives), demand response, and uncertainties arising from estimated times to construct transmission upgrades. The Office of the Interconnection shall use the sensitivity studies, modeling assumption variations and scenario analyses in evaluating and choosing among alternative solutions to reliability, market efficiency and operational performance needs. The Office of the Interconnection shall provide the results of its studies and analyses to the Transmission Expansion Advisory Committee to consider the impact that sensitivities, assumptions, and scenarios may have on Transmission System needs and the need for transmission enhancements or expansions. Enhancement and expansion studies shall be completed by the Office of the Interconnection in collaboration with the affected Transmission Owners, as required. In general, enhancement and expansion studies shall include:

- (a) An identification of existing and projected limitations on the Transmission System's physical, economic and/or operational capability or performance, with accompanying simulations to identify the costs of controlling those limitations. Potential enhancements and expansions will be proposed to mitigate limitations controlled by non-economic means.
- (b) Evaluation and analysis of potential enhancements and expansions, including alternatives thereto, needed to mitigate such limitations.
- (c) Identification, evaluation and analysis of potential transmission expansions and enhancements, demand response programs, and other alternative technologies as appropriate to

maintain system reliability.

- (d) Identification, evaluation and analysis of potential enhancements and expansions for the purposes of supporting competition, market efficiency, operational performance, and Public Policy Requirements in the PJM Region.
- (e) Identification, evaluation and analysis of upgrades to support Incremental Auction Revenue Rights requested pursuant to Section 7.8 of Schedule 1 of this Agreement.
- (f) Identification, evaluation and analysis of upgrades to support all transmission customers, including native load and network service customers.
- (g) Engineering studies needed to determine the effectiveness and compliance of recommended enhancements and expansions, with the following PJM criteria: system reliability, operational performance, and market efficiency.
- (h) Identification, evaluation and analysis of potential enhancements and expansions designed to ensure that the Transmission System's capability can support the simultaneous feasibility of all stage 1A Auction Revenue Rights allocated pursuant to Section 7.4.2(b) of Schedule 1 of this Agreement. Enhancements and expansions related to stage 1A Auction Revenue Rights identified pursuant to this Section shall be recommended for inclusion in the Regional Transmission Expansion Plan together with a recommended in-service date based on the results of the ten (10) year stage 1A simultaneous feasibility analysis. Any such recommended enhancement or expansion under this Section 1.5.3(h) shall include, but shall not be limited to, the reason for the upgrade, the cost of the upgrade, the cost allocation identified pursuant to Section 1.5.6(m) of Schedule 6 of this Agreement and an analysis of the benefits of the enhancement or expansion, provided that any such upgrades will not be subject to a market efficiency cost/benefit analysis.

1.5.4 Supply of Data.

- (a) The Transmission Owners shall provide to the Office of the Interconnection on an annual or periodic basis as specified by the Office of the Interconnection, any information and data reasonably required by the Office of the Interconnection to perform the Regional Transmission Expansion Plan, including but not limited to the following: (i) a description of the total load to be served from each substation; (ii) the amount of any interruptible loads included in the total load (including conditions under which an interruption can be implemented and any limitations on the duration and frequency of interruptions); (iii) a description of all generation resources to be located in the geographic region encompassed by the Transmission Owner's transmission facilities, including unit sizes, VAR capability, operating restrictions, and any must-run unit designations required for system reliability or contract reasons; the (iv) current Local Plan; and (v) all criteria, assumptions and models used by the Transmission Owners, such as those used to develop Supplemental Projects. The data required under this Section shall be provided in the form and manner specified by the Office of the Interconnection.
- (b) In addition to the foregoing, the Transmission Owners, those entities requesting

transmission service and any other entities proposing to provide Transmission Facilities to be integrated into the PJM Region shall supply any other information and data reasonably required by the Office of the Interconnection to perform the enhancement and expansion study.

(c) The Office of the Interconnection also shall solicit from the Members, Transmission Customers and other interested parties, including but not limited to electric utility regulatory agencies within the States in the PJM Region, Independent State Agencies Committee, and the State Consumer Advocates, information required by, or anticipated to be useful to, the Office of the Interconnection in its preparation of the enhancement and expansion study, including information regarding potential sensitivity studies, modeling assumption variations, scenario analyses, and Public Policy Objectives that may be considered.

(d) The Office of the Interconnection shall supply to the Transmission Expansion Advisory Committee and the Subregional RTEP Committees reasonably required information and data utilized to develop the Regional Transmission Expansion Plan. Such information and data shall be provided pursuant to the appropriate protection of confidentiality provisions and Office of the Interconnection's CEII process.

(e) The Office of the Interconnection shall provide access through the PJM website, to the Transmission Owner's Local Plan, including all criteria, assumptions and models used by the Transmission Owners in their internal planning processes, including the development of Supplemental Projects ("Local Plan Information"). Local Plan Information shall be provided consistent with: (1) any applicable confidentiality provisions set forth in Section 18.17 of this Operating Agreement; (2) the Office of the Interconnection's CEII process; and (3) any applicable copyright limitations. Notwithstanding the foregoing, the Office of the Interconnection may share with a third party Local Plan Information that has been designated as confidential, pursuant to the provisions for such designation as set forth in Section 18.17 of this Operating Agreement and subject to: (i) agreement by the disclosing Transmission Owner consistent with the process set forth in this Operating Agreement; and (ii) an appropriate non-disclosure agreement to be executed by PJM Interconnection, L.L.C., the Transmission Owner and the requesting third party. With the exception of confidential, CEII and copyright protected information, Local Plan Information will be provided for full review by the Planning Committee, the Transmission Expansion Advisory Committee, and the Subregional RTEP Committees.

1.5.5 Coordination of the Regional Transmission Expansion Plan.

(a) The Regional Transmission Expansion Plan shall be developed in accordance with the principles of interregional coordination with the Transmission Systems of the surrounding Regional Entities and with the local transmission providers, through the Transmission Expansion Advisory Committee and the Subregional RTEP Committee.

(b) The Regional Transmission Expansion Plan shall be developed taking into account the processes for coordinated regional transmission expansion planning established under the following agreements:

- Joint Operating Agreement Between the Midwest Independent System Operator, Inc. and PJM Interconnection, L.L.C., which is found at <http://www.pjm.com/~media/documents/agreements/joa-complete.ashx>;
- Northeastern ISO/RTO Planning Coordination Protocol, which is described at Schedule 6-B and found at <http://www.pjm.com/~media/documents/agreements/northeastern-iso-rto-planning-coordination-protocol.ashx>;
- Joint Operating Agreement Among and Between New York Independent System Operator Inc., which is found at <http://www.pjm.com/~media/documents/agreements/nyiso-pjm.ashx>;
- Interregional Transmission Coordination Between the SERTP and PJM Regions, which is found at Schedule 6-A of this Agreement;
- Allocation of Costs of Certain Interregional Transmission Projects Located in the PJM and SERTP Regions, which is located at Schedule 12-B of the PJM Open Access Transmission Tariff;
- Joint Reliability Coordination Agreement Between the Midwest Independent System Operator, Inc.; PJM Interconnection, L.L.C. and Progress Energy Carolinas.

(i) Coordinated regional transmission expansion planning shall also incorporate input from parties that may be impacted by the coordination efforts, including but not limited to, the Members, Transmission Customers, electric utility regulatory agencies in the PJM Region, and the State Consumer Advocates, in accordance with the terms and conditions of the applicable regional coordination agreements.

(ii) An entity, including existing Transmission Owners and Nonincumbent Developers, may submit potential Interregional Transmission Projects pursuant to Section 1.5.8 of this Schedule 6.

(c) The Regional Transmission Expansion Plan shall be developed by the Office of the Interconnection in consultation with the Transmission Expansion Advisory Committee during the enhancement and expansion study process.

(d) The Regional Transmission Expansion Plan shall be developed taking into account the processes for coordination of the regional and subregional systems.

1.5.6 Development of the Recommended Regional Transmission Expansion Plan.

(a) The Office of the Interconnection shall be responsible for the development of the Regional Transmission Expansion Plan and for conducting the studies, including sensitivity studies and scenario analyses on which the plan is based. The Regional Transmission Expansion Plan, including the Regional RTEP Projects, the Subregional RTEP Projects and the

Supplemental Projects shall be developed through an open and collaborative process with opportunity for meaningful participation through the Transmission Expansion Advisory Committee and the Subregional RTEP Committees.

(b) The Transmission Expansion Advisory Committee and the Subregional RTEP Committees shall each facilitate a minimum of one initial assumptions meeting to be scheduled at the commencement of the Regional Transmission Expansion Plan process. The purpose of the assumptions meeting shall be to provide an open forum to discuss the following: (i) the assumptions to be used in performing the evaluation and analysis of the potential enhancements and expansions to the Transmission Facilities; (ii) Public Policy Requirements identified by the states for consideration in the Office of the Interconnection's transmission planning analyses; (iii) Public Policy Objectives identified by stakeholders for consideration in the Office of the Interconnection's transmission planning analyses; (iv) the impacts of regulatory actions, projected changes in load growth, demand response resources, energy efficiency programs, price responsive demand, generating additions and retirements, market efficiency and other trends in the industry; and (v) alternative sensitivity studies, modeling assumptions and scenario analyses proposed by the Committee participants. Prior to the initial assumptions meeting, the Transmission Expansion Advisory Committee and Subregional RTEP Committees participants will be afforded the opportunity to provide input and submit suggestions regarding the information identified in items (i) through (v) of this subsection. Following the assumptions meeting and prior to performing the evaluation and analyses of transmission needs, the Office of the Interconnection shall determine the range of assumptions to be used in the studies and scenario analyses, based on the advice and recommendations of the Transmission Expansion Advisory Committee and Subregional RTEP Committees and the validation of Public Policy Requirements and assessment and prioritization of Public Policy Objectives by the states through the Independent State Agencies Committee. The Office of the Interconnection shall document and publicly post its determination for review. Such posting shall include an explanation of those Public Policy Requirements and Public Policy Objectives adopted at the assumptions stage to be used in performing the evaluation and analysis of transmission needs. Following identification of transmission needs and prior to evaluating potential enhancements and expansions to the Transmission System the Office of the Interconnection shall publicly post all transmission need information identified as described further in section 1.5.8(b) herein to support the role of the Subregional RTEP Committees in the development of the Local Plan and support the role of Transmission Expansion Advisory Committee in the development of the Regional Transmission Expansion Plan. The Office of the Interconnection shall also post an explanation of why other Public Policy Requirements and Public Policy Objectives introduced by stakeholders at the assumptions stage were not adopted.

(c) The Subregional RTEP Committees shall also schedule and facilitate meetings related to Supplemental Projects, as described in the Tariff, Attachment M-3.

(d) After the assumptions meeting(s), the Transmission Expansion Advisory Committee and the Subregional RTEP Committees shall facilitate additional meetings and shall post all communications required to provide early opportunity for the committee participants (as defined in Sections 1.3(b) and 1.3(c) of this Schedule 6) to review, evaluate and offer comments and alternatives to the following arising from the studies performed by the Office of the

Interconnection, including sensitivity studies and scenario analyses: (i) any identified violations of reliability criteria and analyses of the market efficiency and operational performance of the Transmission System; (ii) potential transmission solutions, including any acceleration, deceleration or modifications of a potential expansion or enhancement based on the results of sensitivities studies and scenario analyses; and (iii) the proposed Regional Transmission Expansion Plan. These meetings will be scheduled as deemed necessary by the Office of the Interconnection or upon the request of the Transmission Expansion Advisory Committee or the Subregional RTEP Committees. The Office of the Interconnection will provide updates on the status of the development of the Regional Transmission Expansion Plan at these meetings or at the regularly scheduled meetings of the Planning Committee.

(e) In addition, the Office of the Interconnection shall facilitate periodic meetings with the Independent State Agencies Committee to discuss: (i) the assumptions to be used in performing the evaluation and analysis of the potential enhancements and expansions to the Transmission Facilities; (ii) regulatory initiatives, as appropriate, including state regulatory agency initiated programs, and other Public Policy Objectives, to consider including in the Office of the Interconnection's transmission planning analyses; (iii) the impacts of regulatory actions, projected changes in load growth, demand response resources, energy efficiency programs, generating capacity, market efficiency and other trends in the industry; and (iv) alternative sensitivity studies, modeling assumptions and scenario analyses proposed by Independent State Agencies Committee. At such meetings, the Office of the Interconnection also shall discuss the current status of the enhancement and expansion study process. The Independent State Agencies Committee may request that the Office of Interconnection schedule additional meetings as necessary. The Office of the Interconnection shall inform the Transmission Expansion Advisory Committee and the Subregional RTEP Committees, as appropriate, of the input of the Independent State Agencies Committee and shall consider such input in developing the range of assumptions to be used in the studies and scenario analyses described in Section (b), above.

(f) Upon completion of its studies and analysis, including sensitivity studies and scenario analyses the Office of the Interconnection shall post on the PJM website the violations, system conditions, economic constraints, and Public Policy Requirements as detailed in Section 1.5.8(b) of this Schedule 6 to afford entities an opportunity to submit proposed enhancements or expansions to address the posted violations, system conditions, economic constraints and Public Policy Requirements as provided for in Section 1.5.8(c) of this Schedule 6. Following the close of a proposal window, the Office of the Interconnection shall: (i) post all proposals submitted pursuant to Section 1.5.8(c) of this Schedule 6; (ii) consider proposals submitted during the proposal windows consistent with Section 1.5.8(d) of this Schedule 6 and develop a recommended plan. Following review by the Transmission Expansion Advisory Committee of proposals, the Office of the Interconnection, based on identified needs and the timing of such needs, and taking into account the sensitivity studies, modeling assumption variations and scenario analyses considered pursuant to Section 1.5.3 of this Schedule 6, shall determine, which more efficient or cost-effective enhancements and expansions shall be included in the recommended plan, including solutions identified as a result of the sensitivity studies, modeling assumption variations, and scenario analyses, that may accelerate, decelerate or modify a potential reliability, market efficiency or operational performance expansion or enhancement

identified as a result of the sensitivity studies, modeling assumption variations and scenario analyses, shall be included in the recommended plan. The Office of the Interconnection shall post the proposed recommended plan for review and comment by the Transmission Expansion Advisory Committee. The Transmission Expansion Advisory Committee shall facilitate open meetings and communications as necessary to provide opportunity for the Transmission Expansion Advisory Committee participants to collaborate on the preparation of the recommended enhancement and expansion plan. The Office of the Interconnection also shall invite interested parties to submit comments on the plan to the Transmission Expansion Advisory Committee and to the Office of the Interconnection before submitting the recommended plan to the PJM Board for approval.

(g) The recommended plan shall separately identify enhancements and expansions for the three PJM subregions, the PJM Mid-Atlantic Region, the PJM West Region, and the PJM South Region, and shall incorporate recommendations from the Subregional RTEP Committees.

(h) The recommended plan shall separately identify enhancements and expansions that are classified as Supplemental Projects.

(i) The recommended plan shall identify enhancements and expansions that relieve transmission constraints and which, in the judgment of the Office of the Interconnection, are economically justified. Such economic expansions and enhancements shall be developed in accordance with the procedures, criteria and analyses described in Sections 1.5.7 and 1.5.8 of this Schedule 6.

(j) The recommended plan shall identify enhancements and expansions proposed by a state or states pursuant to Section 1.5.9 of this Schedule 6.

(k) The recommended plan shall include proposed Merchant Transmission Facilities within the PJM Region and any other enhancement or expansion of the Transmission System requested by any participant which the Office of the Interconnection finds to be compatible with the Transmission System, though not required pursuant to Section 1.1, provided that (1) the requestor has complied, to the extent applicable, with the procedures and other requirements of Parts IV and VI of the PJM Tariff; (2) the proposed enhancement or expansion is consistent with applicable reliability standards, operating criteria and the purposes and objectives of the regional planning protocol; (3) the requestor shall be responsible for all costs of such enhancement or expansion (including, but not necessarily limited to, costs of siting, designing, financing, constructing, operating and maintaining the pertinent facilities), and (4) except as otherwise provided by Parts IV and VI of the PJM Tariff with respect to Merchant Network Upgrades, the requestor shall accept responsibility for ownership, construction, operation and maintenance of the enhancement or expansion through an undertaking satisfactory to the Office of the Interconnection.

(l) For each enhancement or expansion that is included in the recommended plan, the plan shall consider, based on the planning analysis: other input from participants, including any indications of a willingness to bear cost responsibility for such enhancement or expansion; and, when applicable, relevant projects being undertaken to ensure the simultaneous feasibility of

Stage 1A ARR, to facilitate Incremental ARRs pursuant to the provisions of Section 7.8 of Schedule 1 of this Agreement, or to facilitate upgrades pursuant to Parts II, III, or VI of the PJM Tariff, and designate one or more Transmission Owners or other entities to construct, own and, unless otherwise provided, finance the recommended transmission enhancement or expansion. Any designation under this paragraph of one or more entities to construct, own and/or finance a recommended transmission enhancement or expansion shall also include a designation of partial responsibility among them. Nothing herein shall prevent any Transmission Owner or other entity designated to construct, own and/or finance a recommended transmission enhancement or expansion from agreeing to undertake its responsibilities under such designation jointly with other Transmission Owners or other entities.

(m) Based on the planning analysis and other input from participants, including any indications of a willingness to bear cost responsibility for an enhancement or expansion, the recommended plan shall, for any enhancement or expansion that is included in the plan, designate (1) the Market Participant(s) in one or more Zones, or any other party that has agreed to fully fund upgrades pursuant to this Agreement or the PJM Tariff, that will bear cost responsibility for such enhancement or expansion, as and to the extent provided by any provision of the PJM Tariff or this Agreement, (2) in the event and to the extent that no provision of the PJM Tariff or this Agreement assigns cost responsibility, the Market Participant(s) in one or more Zones from which the cost of such enhancement or expansion shall be recovered through charges established pursuant to Schedule 12 of the Tariff, and (3) in the event and to the extent that the Coordinated System Plan developed under the Joint Operating Agreement Between the Midwest Independent System Operator, Inc. and PJM Interconnection, L.L.C. assigns cost responsibility, the Market Participant(s) in one or more Zones from which the cost of such enhancement or expansion shall be recovered. Any designation under clause (2) of the preceding sentence (A) shall further be based on the Office of the Interconnection's assessment of the contributions to the need for, and benefits expected to be derived from, the pertinent enhancement or expansion by affected Market Participants and, (B) subject to FERC review and approval, shall be incorporated in any amendment to Schedule 12 of the PJM Tariff that establishes a Transmission Enhancement Charge Rate in connection with an economic expansion or enhancement developed under Sections 1.5.6(i) and 1.5.7 of this Schedule 6, (C) the costs associated with expansions and enhancements required to ensure the simultaneous feasibility of stage 1A Auction Revenue Rights allocated pursuant to Section 7 of Schedule 1 of this Agreement shall (1) be allocated across transmission zones based on each zone's stage 1A eligible Auction Revenue Rights flow contribution to the total stage 1A eligible Auction Revenue Rights flow on the facility that limits stage 1A ARR feasibility and (2) within each transmission zone the Network Service Users and Transmission Customers that are eligible to receive stage 1A Auction Revenue Rights shall be the Responsible Customers under Section (b) of Schedule 12 of the PJM Tariff for all expansions and enhancements included in the Regional Transmission Expansion Plan to ensure the simultaneous feasibility of stage 1A Auction Revenue Rights, and (D) the costs associated with expansions and enhancements required to reduce to zero the Locational Price Adder for LDAs as described in Section 15 of Attachment DD of OATT shall (1) be allocated across Zones based on each Zone's pro rata share of load in such LDA and (2) within each Zone, to all LSEs serving load in such LDA pro rata based on such load.

Any designation under clause (3), above, (A) shall further be based on the Office of the Interconnection's assessment of the contributions to the need for, and benefits expected to be derived from, the pertinent enhancement or expansion by affected Market Participants, and (B), subject to FERC review and approval, shall be incorporated in an amendment to a Schedule of the PJM Tariff which establishes a charge in connection with the pertinent enhancement or expansion. Before designating fewer than all customers using Point-to-Point Transmission Service or Network Integration Transmission Service within a Zone as customers from which the costs of a particular enhancement or expansion may be recovered, Transmission Provider shall consult, in a manner and to the extent that it reasonably determines to be appropriate in each such instance, with affected state utility regulatory authorities and stakeholders. When the plan designates more than one responsible Market Participant, it shall also designate the proportional responsibility among them. Notwithstanding the foregoing, with respect to any facilities that the Regional Transmission Expansion Plan designates to be owned by an entity other than a Transmission Owner, the plan shall designate that entity as responsible for the costs of such facilities.

(n) Certain Regional RTEP Project(s) and Subregional RTEP Project(s) may not be required for compliance with the following PJM criteria: system reliability, market efficiency or operational performance, pursuant to a determination by the Office of the Interconnection. These Supplemental Projects shall be separately identified in the RTEP and are not subject to approval by the PJM Board.

1.5.7 Development of Economic-based Enhancements or Expansions.

(a) Each year the Transmission Expansion Advisory Committee shall review and comment on the assumptions to be used in performing the market efficiency analysis to identify enhancements or expansions that could relieve transmission constraints that have an economic impact ("economic constraints"). Such assumptions shall include, but not be limited to, the discount rate used to determine the present value of the Total Annual Enhancement Benefit and Total Enhancement Cost, and the annual revenue requirement, including the recovery period, used to determine the Total Enhancement Cost. The discount rate shall be based on the Transmission Owners' most recent after-tax embedded cost of capital weighted by each Transmission Owner's total transmission capitalization. Each year, each Transmission Owner will be requested to provide the Office of the Interconnection with the Transmission Owner's most recent after-tax embedded cost of capital, total transmission capitalization, and levelized carrying charge rate, including the recovery period. The recovery period shall be consistent with recovery periods allowed by the Commission for comparable facilities. Prior to PJM Board consideration of such assumptions, the assumptions shall be presented to the Transmission Expansion Advisory Committee for review and comment. Following review and comment by the Transmission Expansion Advisory Committee, the Office of the Interconnection shall submit the assumptions to be used in performing the market efficiency analysis described in this Section 1.5.7 to the PJM Board for consideration.

(b) Following PJM Board consideration of the assumptions, the Office of the Interconnection shall perform a market efficiency analysis to compare the costs and benefits of: (i) accelerating reliability-based enhancements or expansions already included in the Regional Transmission

Plan that if accelerated also could relieve one or more economic constraints; (ii) modifying reliability-based enhancements or expansions already included in the Regional Transmission Plan that as modified would relieve one or more economic constraints; and (iii) adding new enhancements or expansions that could relieve one or more economic constraints, but for which no reliability-based need has been identified. Economic constraints include, but are not limited to, constraints that cause: (1) significant historical gross congestion; (2) pro-ration of Stage 1B ARR requests as described in section 7.4.2(c) of Schedule 1 of this Agreement; or (3) significant simulated congestion as forecasted in the market efficiency analysis. The timeline for the market efficiency analysis and comparison of the costs and benefits for items 1.5.7(b)(i-iii) is described in the PJM Manuals.

(c) The process for conducting the market efficiency analysis described in subsection (b) above shall include the following:

(i) The Office of the Interconnection shall identify and provide to the Transmission Expansion Advisory Committee a list of economic constraints to be evaluated in the market efficiency analysis.

(ii) The Office of the Interconnection shall identify any planned reliability-based enhancements or expansions already included in the Regional Transmission Expansion Plan, which if accelerated would relieve such constraints, and present any such proposed reliability-based enhancements and expansions to be accelerated to the Transmission Expansion Advisory Committee for review and comment. The PJM Board, upon consideration of the advice of the Transmission Expansion Advisory Committee, thereafter shall consider and vote to approve any accelerations.

(iii) The Office of the Interconnection shall evaluate whether including any additional Economic-based Enhancements or Expansions in the Regional Transmission Expansion Plan or modifications of existing Regional Transmission Expansion Plan reliability-based enhancements or expansions would relieve an economic constraint. In addition, pursuant to Section 1.5.8(c) of this Schedule 6, any market participant may submit to the Office of the Interconnection a proposal to construct an additional Economic-based Enhancement or Expansion to relieve an economic constraint. Upon completion of its evaluation, including consideration of any eligible market participant proposed Economic-based Enhancements or Expansions, the Office of the Interconnection shall present to the Transmission Expansion Advisory Committee a description of new Economic-based Enhancements or Expansions for review and comment. Upon consideration and advice of the Transmission Expansion Advisory Committee, the PJM Board shall consider any new Economic-based Enhancements or Expansions for inclusion in the Regional Transmission Plan and for those enhancements and expansions it approves, the PJM Board shall designate (a) the entity or entities that will be responsible for constructing and owning or financing the additional Economic-based Enhancements or Expansions, (b) the estimated costs of such enhancements and expansions, and (c) the market participants that will bear responsibility for the costs of the additional Economic-based Enhancements or Expansions pursuant to Section 1.5.6(m) of this Schedule 6. In the event the entity or entities designated as responsible for construction, owning or financing a designated new Economic-based Enhancement or Expansion declines to construct, own or finance the new Economic-based

Enhancement or Expansion, the enhancement or expansion will not be included in the Regional Transmission Expansion Plan but will be included in the report filed with the FERC in accordance with Sections 1.6 and 1.7 of this Schedule 6. This report also shall include information regarding PJM Board approved accelerations of reliability-based enhancements or expansions that an entity declines to accelerate.

(d) To determine the economic benefits of accelerating or modifying planned reliability-based enhancements or expansions or of constructing additional Economic-based Enhancements or Expansions and whether such Economic-based Enhancements or Expansion are eligible for inclusion in the Regional Transmission Expansion Plan, the Office of the Interconnection shall perform and compare market simulations with and without the proposed accelerated or modified planned reliability-based enhancements or expansions or the additional Economic-based Enhancements or Expansions as applicable, using the Benefit/Cost Ratio calculation set forth below in this Section 1.5.7(d). An Economic-based Enhancement or Expansion shall be included in the Regional Transmission Expansion Plan recommended to the PJM Board, if the relative benefits and costs of the Economic-based Enhancement or Expansion meet a Benefit/Cost Ratio Threshold of at least 1.25:1.

The Benefit/Cost Ratio shall be determined as follows:

Benefit/Cost Ratio = [Present value of the Total Annual Enhancement Benefit for each of the first 15 years of the life of the enhancement or expansion] ÷ [Present value of the Total Enhancement Cost for each of the first 15 years of the life of the enhancement or expansion]

Where

Total Annual Enhancement Benefit = Energy Market Benefit + Reliability Pricing Model Benefit

and

For economic-based enhancements and expansions for which cost responsibility is assigned pursuant to Section (b)(i) of Schedule 12 of the PJM Tariff the Energy Market Benefit is as follows:

$$\text{Energy Market Benefit} = [.50] * [\text{Change in Total Energy Production Cost}] + [.50] * [\text{Change in Load Energy Payment}]$$

For economic-based enhancements and expansions for which cost responsibility is assigned pursuant to Section (b)(v) of Schedule 12 of the PJM Tariff the Energy Market Benefit is as follows:

$$\text{Energy Market Benefit} = [1] * [\text{Change in Load Energy Payment}]$$

and

Change in Total Energy Production Cost = [the estimated total annual fuel costs, variable O&M costs, and emissions costs of the dispatched resources in the PJM Region without the Economic-based Enhancement or Expansion] – [the estimated total annual fuel costs, variable O&M costs, and emissions costs of the dispatched resources in the PJM Region with the Economic-based Enhancement or Expansion]. The change in costs for purchases from outside of the PJM Region and sales to outside the PJM Region will be captured, if appropriate. Purchases will be valued at the Load Weighted LMP and sales will be valued at the Generation Weighted LMP.

and

Change in Load Energy Payment = [the annual sum of (the hourly estimated zonal load megawatts for each Zone) * (the hourly estimated zonal Locational Marginal Price for each Zone without the Economic-based Enhancement or Expansion)] – [the annual sum of (the hourly estimated zonal load megawatts for each Zone) * (the hourly estimated zonal Locational Marginal Price for each Zone with the Economic-based Enhancement or Expansion)] – [the change in value of transmission rights for each Zone with the Economic-based Enhancement or Expansion (as measured using currently allocated Auction Revenue Rights plus additional Auction Revenue Rights made available by the proposed acceleration or modification of the planned reliability-based enhancement or expansion or new Economic-based Enhancement or Expansion)]. The Change in the Load Energy Payment shall be the sum of the Change in the Load Energy Payment only of the Zones that show a decrease in the Load Energy Payment.

And

For economic-based enhancements and expansions for which cost responsibility is assigned pursuant to Section (b)(i) of Schedule 12 of the PJM Tariff the Reliability Pricing Benefit is as follows:

$$\text{Reliability Pricing Benefit} = [.50] * [\text{Change in Total System Capacity Cost}] + [.50] * [\text{Change in Load Capacity Payment}]$$

and

For economic-based enhancements or expansions for which cost responsibility is assigned pursuant to Section (b)(v) of Schedule 12 of the PJM Tariff the Reliability Pricing Benefit is as follows:

Reliability Pricing Benefit = [1] * [Change in Load Capacity Payment]

Change in Total System Capacity Cost = [the sum of (the megawatts that are estimated to be cleared in the Base Residual Auction under Attachment DD of the PJM Tariff) * (the prices that are estimated to be contained in the Sell Offers for each such cleared megawatt without the Economic-based Enhancement or Expansion) * (the number of days in the study year)] – [the sum of (the megawatts that are estimated to be cleared in the Base Residual Auction under Attachment DD of the PJM Tariff) * (the prices that are estimated to be contained in the Sell Offers for each such cleared megawatt with the Economic-based Enhancement or Expansion) * (the number of days in the study year)]

and

Change in Load Capacity Payment = [the sum of (the estimated zonal load megawatts in each Zone) * (the estimated Final Zonal Capacity Prices under Attachment DD of the PJM Tariff without the Economic-based Enhancement or Expansion) * (the number of days in the study year)] – [the sum of (the estimated zonal load megawatts in each Zone) * (the estimated Final Zonal Capacity Prices under Attachment DD of the PJM Tariff with the Economic-based Enhancement or Expansion) * (the number of days in the study year)]. The Change in Load Capacity Payment shall take account of the change in value of Capacity Transfer Rights in each Zone, including any additional Capacity Transfer Rights made available by the proposed acceleration or modification of the planned reliability-based enhancement or expansion or new Economic-based Enhancement or Expansion. The Change in the Load Capacity Payment shall be the sum of the change in the Load Capacity Payment only of the Zones that show a decrease in the Load Capacity Payment.

and

Total Enhancement Cost (except for accelerations of planned reliability-based enhancements or expansions) = the estimated annual revenue requirement for the Economic-based Enhancement or Expansion.

Total Enhancement Cost (for accelerations of planned reliability-based enhancements or expansions) = the estimated change in annual revenue requirement resulting from the acceleration of the planned reliability-based enhancement or expansion, taking account of all of the costs incurred that would not have been incurred but for the acceleration of the planned reliability-based enhancement or expansion.

(e) For informational purposes only, to assist the Office of the Interconnection and the Transmission Expansion Advisory Committee in evaluating the economic benefits of accelerating planned reliability-based enhancements or expansions or of constructing a new Economic-based Enhancement or Expansion, the Office of the Interconnection shall calculate and post on the PJM website the change in the following metrics on a zonal and system-wide basis: (i) total energy production costs (fuel costs, variable O&M costs and emissions costs);(ii) total load energy payments (zonal load MW times zonal load Locational Marginal Price); (iii) total generator revenue from energy production (generator MW times generator Locational Marginal Price); (iv) Financial Transmission Right credits (as measured using currently allocated Auction Revenue Rights plus additional Auction Revenue Rights made available by the proposed acceleration or modification of a planned reliability-based enhancement or expansion or new Economic-based Enhancement or Expansion); (v) marginal loss surplus credit; and (vi) total capacity costs and load capacity payments under the Office of the Interconnection's Commission-approved capacity construct.

(f) To assure that new Economic-based Enhancements or Expansions included in the Regional Transmission Expansion Plan continue to be cost beneficial, the Office of the Interconnection annually shall review the costs and benefits of constructing such enhancements and expansions. In the event that there are changes in these costs and benefits, the Office of the Interconnection shall review the changes in costs and benefits with the Transmission Expansion Advisory Committee and recommend to the PJM Board whether the new Economic-based Enhancements or Expansions continue to provide measurable benefits, as determined in accordance with subsection (d), and should remain in the Regional Transmission Expansion Plan. The annual review of the costs and benefits of constructing new Economic-based Enhancements or Expansions included in the Regional Transmission Expansion Plan shall include review of changes in cost estimates of the Economic-based Enhancement or Expansion, and changes in system conditions, including but not limited to, changes in load forecasts, and anticipated Merchant Transmission Facilities, generation, and demand response, consistent with the requirements of Section 1.5.7(i) of this Schedule 6.

(g) For new economic enhancements or expansions with costs in excess of \$50 million, an independent review of such costs shall be performed to assure both consistency of estimating practices and that the scope of the new Economic-based Enhancements or Expansions is consistent with the new Economic-based Enhancements or Expansions as recommended in the market efficiency analysis.

(h) At any time, market participants may submit to the Office of the Interconnection requests to interconnect Merchant Transmission Facilities or generation facilities pursuant to Parts IV and VI of the PJM Tariff that could address an economic constraint. In the event the Office of the Interconnection determines that the interconnection of such facilities would relieve an economic constraint, the Office of the Interconnection may designate the project as a "market solution" and, in the event of such designation, Section 216 of the PJM Tariff, as applicable, shall apply to the project.

(i) The assumptions used in the market efficiency analysis described in subsection (b) and

any review of costs and benefits pursuant to subsection (f) shall include, but not be limited to, the following:

- (i) Timely installation of Qualifying Transmission Upgrades, that are committed to the PJM Region as a result of any Reliability Pricing Model Auction pursuant to Attachment DD of the PJM Tariff or any FRR Capacity Plan pursuant to Schedule 8.1 of the Reliability Assurance Agreement Among Load-Serving Entities in the PJM Region (“Reliability Assurance Agreement”).
- (ii) Availability of Generation Capacity Resources, as defined by Section 1.33 of the Reliability Assurance Agreement, that are committed to the PJM Region as a result of any Reliability Pricing Model Auction pursuant to Attachment DD of the PJM Tariff or any FRR Capacity Plan pursuant to Schedule 8.1 of the Reliability Assurance Agreement.
- (iii) Availability of Demand Resources that are committed to the PJM Region as a result of any Reliability Pricing Model Auction pursuant to Attachment DD of the PJM Tariff or any FRR Capacity Plan pursuant to Schedule 8.1 of the Reliability Assurance Agreement.
- (iv) Addition of Customer Facilities pursuant to an executed Interconnection Service Agreement, Facility Study Agreement or executed Interim Interconnection Service Agreement for which Interconnection Service Agreement is expected to be executed. Facilities with an executed Facilities Study Agreement may be excluded by the Office of the Interconnection after review with the Transmission Expansion Advisory Committee.
- (v) Addition of Customer-Funded Upgrades pursuant to an executed Interconnection Construction Service Agreement or an Upgrade Construction Service Agreement.
- (vi) Expected level of demand response over at least the ensuing fifteen years based on analyses that consider historic levels of demand response, expected demand response growth trends, impact of capacity prices, current and emerging technologies.
- (vii) Expected levels of potential new generation and generation retirements over at least the ensuing fifteen years based on analyses that consider generation trends based on existing generation on the system, generation in the PJM interconnection queues and Capacity Resource Clearing Prices under Attachment DD of the PJM Tariff. If the Office of the Interconnection finds

that the PJM reserve requirement is not met in any of its future year market efficiency analyses then it will model adequate future generation based on type and location of generation in existing PJM interconnection queues and, if necessary, add transmission enhancements to address congestion that arises from such modeling.

- (viii) Items (i) through (v) will be included in the market efficiency assumptions if qualified for consideration by the PJM Board. In the event that any of the items listed in (i) through (v) above qualify for inclusion in the market efficiency analysis assumptions, however, because of the timing of the qualification the item was not included in the assumptions used in developing the most recent Regional Transmission Expansion Plan, the Office of the Interconnection, to the extent necessary, shall notify any entity constructing an Economic-based Enhancement or Expansion that may be affected by inclusion of such item in the assumptions for the next market efficiency analysis described in subsection (b) and any review of costs and benefits pursuant to subsection (f) that the need for the Economic-based Enhancement or Expansion may be diminished or obviated as a result of the inclusion of the qualified item in the assumptions for the next annual market efficiency analysis or review of costs and benefits.

(j) For informational purposes only, with regard to Economic-based Enhancements or Expansions that are included in the Regional Transmission Expansion Plan pursuant to subsection (d) of this Section 1.5.7, the Office of the Interconnection shall perform sensitivity analyses consistent with Section 1.5.3 of this Schedule 6 and shall provide the results of such sensitivity analyses to the Transmission Expansion Advisory Committee.

1.5.8 Development of Long-lead Projects, Short-term Projects, Immediate-need Reliability Projects, and Economic-based Enhancements or Expansions.

(a) Pre-Qualification Process.

(a)(1) On September 1 of each year, the Office of the Interconnection shall open a thirty-day pre-qualification window for entities, including existing Transmission Owners and Nonincumbent Developers, to submit to the Office of the Interconnection: (i) applications to pre-qualify as eligible to be a Designated Entity; or (ii) updated information as described in Section 1.5.8(a)(3) of this Schedule 6. Pre-qualification applications shall contain the following information: (i) name and address of the entity; (ii) the technical and engineering qualifications of the entity or its affiliate, partner, or parent company; (iii) the demonstrated experience of the entity or its affiliate, partner, or parent company to develop, construct, maintain, and operate transmission facilities, including a list or other evidence of transmission facilities the entity, its affiliate, partner, or parent company previously developed, constructed, maintained, or operated;

(iv) the previous record of the entity or its affiliate, partner, or parent company regarding construction, maintenance, or operation of transmission facilities both inside and outside of the PJM Region; (v) the capability of the entity or its affiliate, partner, or parent company to adhere to standardized construction, maintenance and operating practices; (vi) the financial statements of the entity or its affiliate, partner, or parent company for the most recent fiscal quarter, as well as the most recent three fiscal years, or the period of existence of the entity, if shorter, or such other evidence demonstrating an entity's or its affiliate's, partner's, or parent company's current and expected financial capability acceptable to the Office of the Interconnection; (vii) a commitment by the entity to execute the Consolidated Transmission Owners Agreement, if the entity becomes a Designated Entity; (viii) evidence demonstrating the ability of the entity or its affiliate, partner, or parent company to address and timely remedy failure of facilities; (ix) a description of the experience of the entity or its affiliate, partner, or parent company in acquiring rights of way; and (x) such other supporting information that the Office of Interconnection requires to make the pre-qualification determinations consistent with this Section 1.5.8(a).

(a)(2) No later than October 31, the Office of the Interconnection shall notify the entities that submitted pre-qualification applications or updated information during the annual thirty-day pre-qualification window, whether they are, or will continue to be, pre-qualified as eligible to be a Designated Entity. In the event the Office of the Interconnection determines that an entity (i) is not, or no longer will continue to be, pre-qualified as eligible to be a Designated Entity, or (ii) provided insufficient information to determine pre-qualification, the Office of the Interconnection shall inform that the entity it is not pre-qualified and include in the notification the basis for its determination. The entity then may submit additional information, which the Office of the Interconnection shall consider in re-evaluating whether the entity is, or will continue to be, pre-qualified as eligible to be a Designated Entity. If the entity submits additional information by November 30, the Office of the Interconnection shall notify the entity of the results of its re-evaluation no later than December 15. If the entity submits additional information after November 30, the Office of the Interconnection shall use reasonable efforts to re-evaluate the application, with the additional information, and notify the entity of its determination as soon as practicable. No later than December 31, the Office of the Interconnection shall post on the PJM website the list of entities that are pre-qualified as eligible to be Designated Entities. If an entity is notified by the Office of the Interconnection that it does not pre-qualify or will not continue to be pre-qualified as eligible to be a Designated Entity, such entity may request dispute resolution pursuant to Schedule 5 of the Operating Agreement.

(a)(3) If an entity was pre-qualified as eligible to be a Designated Entity in the previous year, such entity is not required to re-submit information to pre-qualify with respect to the upcoming year. In the event the information on which the entity's pre-qualification is based changes with respect to the upcoming year, such entity must submit to the Office of the Interconnection all updated information during the annual thirty-day pre-qualification window and the timeframes for notification in Section 1.5.8(a)(2) of this Schedule 6 shall apply. In the event the information on which the entity's pre-qualification is based changes with respect to the current year, such entity must submit to the Office of the Interconnection all updated information at the time the information changes and the Office of the Interconnection shall use reasonable efforts to evaluate the updated information and notify the entity of its determination as soon as practicable.

(a)(4) As determined by the Office of the Interconnection, an entity may submit a pre-qualification application outside the annual thirty-day pre-qualification window for good cause shown. For a pre-qualification application received outside of the annual thirty-day pre-qualification window, the Office of the Interconnection shall use reasonable efforts to process the application and notify the entity as to whether it pre-qualifies as eligible to be a Designated Entity as soon as practicable.

(a)(5) To be designated as a Designated Entity for any project proposed pursuant to Section 1.5.8 of this Schedule 6, existing Transmission Owners and Nonincumbent Developers must be pre-qualified as eligible to be a Designated Entity pursuant to this Section 1.5.8(a). This Section 1.5.8(a) shall not apply to entities that desire to propose projects for inclusion in the recommended plan but do not intend to be a Designated Entity.

(b) **Posting of Transmission System Needs.** Following identification of existing and projected limitations on the Transmission System's physical, economic and/or operational capability or performance in the enhancement and expansion analysis process described in this Schedule 6 and the PJM Manuals, and after consideration of non-transmission solutions, and prior to evaluating potential enhancements and expansions to the Transmission System, the Office of the Interconnection shall publicly post on the PJM website all transmission need information, including violations, system conditions, and economic constraints, and Public Policy Requirements, including (i) federal Public Policy Requirements; (ii) state Public Policy Requirements identified or agreed-to by the states in the PJM Region, which could be addressed by potential Short-term Projects, Long-lead Projects or projects determined pursuant to the State Agreement Approach in Section 1.5.9 of this Schedule 6, as applicable. Such posting shall support the role of the Subregional RTEP Committees in the development of the Local Plans and support the role of the Transmission Expansion Advisory Committee in the development of the Regional Transmission Expansion Plan. The Office of the Interconnection also shall post an explanation regarding why transmission needs associated with federal or state Public Policy Requirements were identified but were not selected for further evaluation.

(c) **Project Proposal Windows.** The Office of the Interconnection shall provide notice to stakeholders of a 60-day proposal window for Short-term Projects and a 120-day proposal window for Long-lead Projects and Economic-based Enhancements or Expansions. The specifics regarding whether or not the following types of violations or projects are subject to a proposal window are detailed in Schedule 6 of this Agreement at Section 1.5.8(m) for Immediate-need Reliability Projects; Section 1.5.8(n) for reliability violations on transmission facilities below 200 kV; Section 1.5.8(o) for violations resulting from individual transmission owner Form 715 Planning Criteria; and Section 1.5.8(p) for violations on transmission substation equipment. The Office of Interconnection may shorten a proposal window should an identified need require a shorter proposal window to meet the needed in-service date of the proposed enhancements or expansions, or extend a proposal window as needed to accommodate updated information regarding system conditions. The Office of the Interconnection may shorten or lengthen a proposal window that is not yet opened based on one or more of the following criteria: (1) complexity of the violation or system condition; and (2) whether there is sufficient

time remaining in the relevant planning cycle to accommodate a standard proposal window and timely address the violation or system condition. The Office of the Interconnection may lengthen a proposal window that already is opened based on or more of the following criteria: (i) changes in assumptions or conditions relating to the underlying need for the project, such as load growth or Reliability Pricing Model auction results; (ii) availability of new or changed information regarding the nature of the violations and the facilities involved; and (iii) time remaining in the relevant proposal window. In the event that the Office of the Interconnection determines to lengthen or shorten a proposal window, it will post on the PJM website the new proposal window period and an explanation as to the reasons for the change in the proposal window period. During these windows, the Office of the Interconnection will accept proposals from existing Transmission Owners and Nonincumbent Developers for potential enhancements or expansions to address the posted violations, system conditions, economic constraints, as well as Public Policy Requirements.

(c)(1) All proposals submitted in the proposal windows must contain: (i) the name and address of the proposing entity; (ii) a statement whether the entity intends to be the Designated Entity for the proposed project; (iii) the location of proposed project, including source and sink, if applicable; (iv) relevant engineering studies, and other relevant information as described in the PJM Manuals pertaining to the proposed project; (v) a proposed initial construction schedule including projected dates on which needed permits are required to be obtained in order to meet the required in-service date; (vi) cost estimates and analyses that provide sufficient detail for the Office of Interconnection to review and analyze the proposed cost of the project; and (vii) with the exception of project proposals with cost estimates submitted with the proposals that are under \$20 million, a non-refundable fee must be submitted with each proposal, by each proposing entity who indicates an intention to be the Designated Entity, as follows: a non-refundable fee in the amount of \$5,000 for each project with a cost estimate submitted with the proposal that is equal to or greater than \$20 million and less than \$100 million and a non-refundable fee in the amount of \$30,000 for each project with a cost estimate submitted with the proposal that is equal to \$100 million or greater.

(c)(2) Proposals from all entities (both existing Transmission Owners and Nonincumbent Developers) that indicate the entity intends to be a Designated Entity, also must contain information to the extent not previously provided pursuant to Section 1.5.8(a) demonstrating: (i) technical and engineering qualifications of the entity, its affiliate, partner, or parent company relevant to construction, operation, and maintenance of the proposed project; (ii) experience of the entity, its affiliate, partner, or parent company in developing, constructing, maintaining, and operating the type of transmission facilities contained in the project proposal; (iii) the emergency response capability of the entity that will be operating and maintaining the proposed project; (iv) evidence of transmission facilities the entity, its affiliate, partner, or parent company previously constructed, maintained, or operated; (v) the ability of the entity or its affiliate, partner, or parent company to obtain adequate financing relative to the proposed project, which may include a letter of intent from a financial institution approved by the Office of the Interconnection or such other evidence of the financial resources available to finance the construction, operation, and maintenance of the proposed project; (vi) the managerial ability of the entity, its affiliate, partner, or parent company to contain costs and adhere to construction schedules for the proposed project, including a description of verifiable past achievement of

these goals; (vii) a demonstration of other advantages the entity may have to construct, operate, and maintain the proposed project, including any cost commitment the entity may wish to submit; and (viii) any other information that may assist the Office of the Interconnection in evaluating the proposed project.

(c)(3) The Office of the Interconnection may request additional reports or information from an existing Transmission Owner or Nonincumbent Developers that it determines are reasonably necessary to evaluate its specific project proposal pursuant to the criteria set forth in Sections 1.5.8(e) and 1.5.8(f) of this Schedule 6. If the Office of the Interconnection determines any of the information provided in a proposal is deficient or it requires additional reports or information to analyze the submitted proposal, the Office of the Interconnection shall notify the proposing entity of such deficiency or request. Within 10 Business Days of receipt of the notification of deficiency and/or request for additional reports or information, or other reasonable time period as determined by the Office of the Interconnection, the proposing entity shall provide the necessary information.

(c)(4) The request for additional reports or information by the Office of the Interconnection pursuant to Section 1.5.8(c)(3) of this Schedule 6 may be used only to clarify a proposed project as submitted. In response to the Office of the Information's request for additional reports or information, the proposing entity (whether an existing Transmission Owner or Nonincumbent Developer) may not submit a new project proposal or modifications to a proposed project once the proposal window is closed. In the event that the proposing entity fails to timely cure the deficiency or provide the requested reports or information regarding a proposed project, the proposed project will not be considered for inclusion in the recommended plan.

(c)(5) Within 30 days of the closing of the proposal window, the Office of the Interconnection may notify the proposing entity that additional per project fees are required if the Office of the Interconnection determines the proposing entity's submittal includes multiple project proposals. Within 10 Business Days of receipt of the notification of insufficient funds by the Office of the Interconnection, the proposing entity shall submit such funds or notify the Office of the Interconnection which of the project proposals the Office of the Interconnection should evaluate based on the fee(s) submitted.

(d) **Posting and Review of Projects.** Following the close of a proposal window, the Office of the Interconnection shall post on the PJM website all proposals submitted pursuant to Section 1.5.8(c) of this Schedule 6. All proposals addressing state Public Policy Requirements shall be provided to the applicable states in the PJM Region for review and consideration as a Supplemental Project or a state public policy project consistent with Section 1.5.9 of this Schedule 6. The Office of the Interconnection shall review all proposals submitted during a proposal window and determine and present to the Transmission Expansion Advisory Committee the proposals that merit further consideration for inclusion in the recommended plan. In making this determination, the Office of the Interconnection shall consider the criteria set forth in Sections 1.5.8(e) and 1.5.8(f) of this Schedule 6. The Office of the Interconnection shall post on the PJM website and present to the Transmission Expansion Advisory Committee for review and comment descriptions of the proposed enhancements and expansions, including any proposed

Supplemental Projects or state public policy projects identified by a state(s). Based on review and comment by the Transmission Expansion Advisory Committee, the Office of the Interconnection may, if necessary conduct further study and evaluation. The Office of the Interconnection shall post on the PJM website and present to the Transmission Expansion Advisory Committee the revised enhancements and expansions for review and comment. After consultation with the Transmission Expansion Advisory Committee, the Office of the Interconnection shall determine the more efficient or cost-effective transmission enhancements and expansions for inclusion in the recommended plan consistent with this Schedule 6.

(e) **Criteria for Considering Inclusion of a Project in the Recommended Plan.** In determining whether a Short-term Project or Long-lead Project proposed pursuant to Section 1.5.8(c), individually or in combination with other Short-term Projects or Long-lead Projects, is the more efficient or cost-effective solution and therefore should be included in the recommended plan, the Office of the Interconnection, taking into account sensitivity studies and scenario analyses considered pursuant to Section 1.5.3 of this Schedule 6, shall consider the following criteria, to the extent applicable: (i) the extent to which a Short-term Project or Long-lead Project would address and solve the posted violation, system condition, or economic constraint; (ii) the extent to which the relative benefits of the project meets a Benefit/Cost Ratio Threshold of at least 1.25:1 as calculated pursuant to Section 1.5.7(d) of this Schedule 6; (iii) the extent to which the Short-term Project or Long-lead Project would have secondary benefits, such as addressing additional or other system reliability, operational performance, economic efficiency issues or federal Public Policy Requirements or state Public Policy Requirements identified by the states in the PJM Region; and (iv) other factors such as cost-effectiveness, the ability to timely complete the project, and project development feasibility.

(f) **Entity-Specific Criteria Considered in Determining the Designated Entity for a Project.** In determining whether the entity proposing a Short-term Project or a Long-lead Project recommended for inclusion in the plan shall be the Designated Entity, the Office of the Interconnection shall consider: (i) whether in its proposal, the entity indicated its intent to be the Designated Entity; (ii) whether the entity is pre-qualified to be a Designated Entity pursuant to Section 1.5.8(a); (iii) information provided either in the proposing entity's submission pursuant to Section 1.5.8(a) or 1.5.8(c)(2) relative to the specific proposed project that demonstrates: (1) the technical and engineering experience of the entity or its affiliate, partner, or parent company, including its previous record regarding construction, maintenance, and operation of transmission facilities relative to the project proposed; (2) ability of the entity or its affiliate, partner, or parent company to construct, maintain, and operate transmission facilities, as proposed, (3) capability of the entity to adhere to standardized construction, maintenance, and operating practices, including the capability for emergency response and restoration of damaged equipment; (4) experience of the entity in acquiring rights of way; (5) evidence of the ability of the entity, its affiliate, partner, or parent company to secure a financial commitment from an approved financial institution(s) agreeing to finance the construction, operation, and maintenance of the project, if it is accepted into the recommended plan; and (iv) any other factors that may be relevant to the proposed project, including but not limited to whether the proposal includes the entity's previously designated project(s) included in the plan.

(g) **Procedures if No Long-lead Project or Economic-based Enhancement or Expansion**

Proposal is Determined to be the More Efficient or Cost-Effective Solution. If the Office of the Interconnection determines that none of the proposed Long-lead Projects received during the Long-lead Project proposal window would be the more efficient or cost-effective solution to resolve a posted violation, or system condition, the Office of the Interconnection may re-evaluate and re-post on the PJM website the unresolved violations, or system conditions pursuant to Section 1.5.8(b), provided such re-evaluation and re-posting would not affect the ability of the Office of the Interconnection to timely address the identified reliability need. In the event that re-posting and conducting such re-evaluation would prevent the Office of the Interconnection from timely addressing the existing and projected limitations on the Transmission System that give rise to the need for an enhancement or expansion, the Office of the Interconnection shall propose a project to solve the posted violation, or system condition for inclusion in the recommended plan and shall present such project to the Transmission Expansion Advisory Committee for review and comment. The Transmission Owner(s) in the Zone(s) where the project is to be located shall be the Designated Entity(ies) for such project. In determining whether there is insufficient time for re-posting and re-evaluation, the Office of the Interconnection shall develop and post on the PJM website a transmission solution construction timeline for input and review by the Transmission Expansion Advisory Committee that will include factors such as, but not limited to: (i) deadlines for obtaining regulatory approvals, (ii) dates by which long lead equipment should be acquired, (iii) the time necessary to complete a proposed solution to meet the required in-service date, and (iv) other time-based factors impacting the feasibility of achieving the required in-service date. Based on input from the Transmission Expansion Advisory Committee and the time frames set forth in the construction timeline, the Office of the Interconnection shall determine whether there is sufficient time to conduct a re-evaluation and re-post and timely address the existing and projected limitations on the Transmission System that give rise to the need for an enhancement or expansion. To the extent that an economic constraint remains unaddressed, the economic constraint will be re-evaluated and re-posted.

(h) **Procedures if No Short-term Project Proposal is Determined to be the More Efficient or Cost-Effective Solution.** If the Office of the Interconnection determines that none of the proposed Short-term Projects received during a Short-term Project proposal window would be the more efficient or cost-effective solution to resolve a posted violation or system condition, the Office of the Interconnection shall propose a Short-term Project to solve the posted violation, or system condition for inclusion in the recommended plan and will present such Short-term Project to the Transmission Expansion Advisory Committee for review and comment. The Transmission Owner(s) in the Zone(s) where the Short-term Project is to be located shall be the Designated Entity(ies) for the Project.

(i) **Notification of Designated Entity.** Within 10 Business Days of PJM Board approval of the Regional Transmission Expansion Plan, the Office of the Interconnection shall notify the entities that have been designated as the Designated Entities for projects included in the Regional Transmission Expansion Plan of such designations. In such notices, the Office of the Interconnection shall provide: (i) the needed in-service date of the project; and (ii) a date by which all necessary state approvals should be obtained to timely meet the needed in-service date of the project. The Office of the Interconnection shall use these dates as part of its on-going monitoring of the progress of the project to ensure that the project is completed by its needed

in-service date.

(j) **Acceptance of Designation.** Within 30 days of receiving notification of its designation as a Designated Entity, the existing Transmission Owner or Nonincumbent Developer shall notify the Office of the Interconnection of its acceptance of such designation and submit to the Office of the Interconnection a development schedule, which shall include, but not be limited to, milestones necessary to develop and construct the project to achieve the required in-service date, including milestone dates for obtaining all necessary authorizations and approvals, including but not limited to, state approvals. For good cause shown, the Office of the Interconnection may extend the deadline for submitting the development schedule. The Office of the Interconnection then shall review the development schedule and within 15 days or other reasonable time as required by the Office of the Interconnection: (i) notify the Designated Entity of any issues regarding the development schedule identified by the Office of the Interconnection that may need to be addressed to ensure that the project meets its needed in-service date; and (ii) tender to the Designated Entity an executable Designated Entity Agreement setting forth the rights and obligations of the parties. To retain its status as a Designated Entity, within 60 days of receiving notification of its designation (or other such period as mutually agreed upon by the Office of the Interconnection and the Designated Entity), the Designated Entity (both existing Transmission Owners and Nonincumbent Developers) shall submit to the Office of the Interconnection a letter of credit as determined by the Office of Interconnection to cover the incremental costs of construction resulting from reassignment of the project, and return to the Office of the Interconnection an executed Designated Entity Agreement containing a mutually agreed upon development schedule. In the alternative, the Designated Entity may request dispute resolution pursuant to Schedule 5 of this Agreement, or request that the Designated Entity Agreement be filed unexecuted with the Commission.

(k) **Failure of Designated Entity to Meet Milestones.** In the event the Designated Entity fails to comply with one or more of the requirements of Section 1.5.8(j); or fails to meet a milestone in the development schedule set forth in the Designated Entity Agreement that causes a delay of the project's in-service date, the Office of the Interconnection shall re-evaluate the need for the Short-term Project or Long-lead Project, and based on that re-evaluation may: (i) retain the Short-term Project or Long-lead Project in the Regional Transmission Expansion Plan; (ii) remove the Short-term Project or Long-lead Project from the Regional Transmission Expansion Plan; or (iii) include an alternative solution in the Regional Transmission Expansion Plan. If the Office of the Interconnection retains the Short-term or Long-term Project in the Regional Transmission Expansion Plan, it shall determine whether the delay is beyond the Designated Entity's control and whether to retain the Designated Entity or to designate the Transmission Owner(s) in the Zone(s) where the project is located as Designated Entity(ies) for the Short-term Project or Long-lead Project. If the Designated Entity is the Transmission Owner(s) in the Zone(s) where the project is located, the Office of the Interconnection shall seek recourse through the Consolidated Transmission Owners Agreement or FERC, as appropriate. Any modifications to the Regional Transmission Expansion Plan pursuant to this section shall be presented to the Transmission Expansion Advisory Committee for review and comment and approved by the PJM Board.

(l) **Transmission Owners Required to be the Designated Entity.** Notwithstanding

anything to the contrary in this Section 1.5.8, in all events, the Transmission Owner(s) in whose Zone(s) a project proposed pursuant to Section 1.5.8(c) of this Schedule 6 is to be located will be the Designated Entity for the project, when the Short-term Project or Long-lead Project is: (i) a Transmission Owner Upgrade; (ii) located solely within a Transmission Owner's Zone and the costs of the project are allocated solely to the Transmission Owner's Zone; or (iii) located solely within a Transmission Owner's Zone and is not selected in the Regional Transmission Expansion Plan for purposes of cost allocation.

(m) Immediate-need Reliability Projects:

(m)(1) Pursuant to the expansion planning process set forth in Sections 1.5.1 through 1.5.6 of Schedule 6, the Office of the Interconnection shall identify immediate reliability needs that must be addressed within three years or less. For those immediate reliability needs for which PJM determines a proposal window may not be feasible, PJM shall identify and post such immediate need reliability criteria violations and system conditions for review and comment by the Transmission Expansion Advisory Committee and other stakeholders. Following review and comment, the Office of the Interconnection shall develop Immediate-need Reliability Projects for which a proposal window pursuant to Section 1.5.8(m)(2) is infeasible. The Office of the Interconnection shall consider the following factors in determining the infeasibility of such a proposal window: (i) nature of the reliability criteria violation; (ii) nature and type of potential solution required; and (iii) projected construction time for a potential solution to the type of reliability criteria violation to be addressed. The Office of the Interconnection shall post on the PJM website for review and comment by the Transmission Expansion Advisory Committee and other stakeholders descriptions of the Immediate-need Reliability Projects for which a proposal window pursuant to Section 1.5.8(m)(2) is infeasible. The descriptions shall include an explanation of the decision to designate the Transmission Owner as the Designated Entity for the Immediate-need Reliability Project rather than conducting a proposal window pursuant to Section 1.5.8(m)(2), including an explanation of the time-sensitive need for the Immediate-need Reliability Project, other transmission and non-transmission options that were considered but concluded would not sufficiently address the immediate reliability need, the circumstances that generated the immediate reliability need, and why the immediate reliability need was not identified earlier. After the descriptions are posted on the PJM website, stakeholders shall have reasonable opportunity to provide comments to the Office of the Interconnection. All comments received by the Office of the Interconnection shall be publicly available on the PJM website. Based on the comments received from stakeholders and the review by Transmission Expansion Advisory Committee, the Office of the Interconnection shall, if necessary, conduct further study and evaluation and post a revised recommended plan for review and comment by the Transmission Expansion Advisory Committee. The PJM Board shall approve the Immediate-need Reliability Projects for inclusion in the recommended plan. In January of each year, the Office of the Interconnection shall post on the PJM website and file with the Commission for informational purposes a list of the Immediate-need Reliability Projects for which an existing Transmission Owner was designated in the prior year as the Designated Entity in accordance with this Section 1.5.8(m)(1). The list shall include the need-by date of Immediate-need Reliability Project and the date the Transmission Owner actually energized the Immediate-need Reliability Project.

(m)(2) If, in the judgment of the Office of the Interconnection, there is sufficient time for the Office of the Interconnection to accept proposals in a shortened proposal window for Immediate-need Reliability Projects, the Office of the Interconnection shall post on the PJM website the violations and system conditions that could be addressed by Immediate-need Reliability Project proposals, including an explanation of the time-sensitive need for an Immediate-need Reliability Project and provide notice to stakeholders of a shortened proposal window. Proposals must contain the information required in Section 1.5.8(c) and, if the entity is seeking to be the Designated Entity, such entity must have pre-qualified to be a Designated Entity pursuant to Section 1.5.8(a). In determining the more efficient or cost-effective proposed Immediate-need Reliability Project for inclusion in the recommended plan, the Office of the Interconnection shall consider the extent to which the proposed Immediate-need Reliability Project, individually or in combination with other Immediate-need Reliability Projects, would address and solve the posted violations or system conditions and other factors such as cost-effectiveness, the ability of the entity to timely complete the project, and project development feasibility in light of the required need. After PJM Board approval, the Office of the Interconnection, in accordance with Section 1.5.8(i) of this Schedule 6, shall notify the entities that have been designated as Designated Entities for Immediate-need Projects included in the Regional Transmission Expansion Plan of such designations. Designated Entities shall accept such designations in accordance with Section 1.5.8(j). In the event that (i) the Office of the Interconnection determines that no proposal resolves a posted violation or system condition; (ii) the proposing entity is not selected to be the Designated Entity; (iii) an entity does not accept the designation as a Designated Entity; or (iv) the Designated Entity fails to meet milestones that would delay the in-service date of the Immediate-need Reliability Project, the Office of the Interconnection shall develop and recommend an Immediate-need Reliability Project to solve the violation or system needs in accordance with Section 1.5.8(m)(1).

(n) **Reliability Violations on Transmission Facilities Below 200 kV.** Pursuant to the expansion planning process set forth in Sections 1.5.1 through 1.5.6 of Schedule 6, the Office of the Interconnection shall identify reliability violations on facilities below 200 kV. The Office of the Interconnection shall not post such a violation pursuant to Section 1.5.8(b) of this Schedule 6 for inclusion in a proposal window pursuant to Section 1.5.8(c) unless the identified violation(s) satisfies one of the following exceptions: (i) the reliability violations are thermal overload violations identified on multiple transmission lines and/or transformers rated below 200 kV that are impacted by a common contingent element, such that multiple reliability violations could be addressed by one or more solutions, including but not limited to a higher voltage solution; or (ii) the reliability violations are thermal overload violations identified on multiple transmission lines and/or transformers rated below 200 kV and the Office of the Interconnection determines that given the location and electrical features of the violations one or more solutions could potentially address or reduce the flow on multiple lower voltage facilities, thereby eliminating the multiple reliability violations. If the reliability violation is identified on multiple facilities rated below 200 kV that are determined by the Office of the Interconnection to meet one of the two exceptions stated above, the Office of the Interconnection shall develop a solution to address the reliability violation on below 200 kV Transmission Facilities that will not be included in a proposal window pursuant to Section 1.5.8(c). The Office of Interconnection shall post on the PJM website the reliability violations to be included in a proposal window consistent with Section 1.5.8(c) of Schedule 6. If the Office of the Interconnection determines that the

identified reliability violations do not satisfy either of the two exceptions stated above, the Office of the Interconnection shall develop a solution to address the reliability violation on below 200 kV Transmission Facilities that will not be included in a proposal window pursuant to Section 1.5.8(c). The Office of Interconnection shall post on the PJM website for review and comment by the Transmission Expansion Advisory Committee and other stakeholders descriptions of the below 200 kV reliability violations that will not be included in a proposal window pursuant to Section 1.5.8(c). The descriptions shall include an explanation of the decision to not include the below 200 kV reliability violation(s) in a Section 1.5.8(c) proposal window, a description of the facility on which the violation(s) is found, the Zone in which the facility is located, and notice that such construction responsibility for and ownership of the project that resolves such below 200 kV reliability violation will be designated to the incumbent Transmission Owner. After the descriptions are posted on the PJM website, stakeholders shall have reasonable opportunity to provide comments for consideration by the Office of the Interconnection. With the exception of Immediate-need Reliability Projects under section 1.5.8(m) of this Schedule 6, PJM will not select an above 200 kV solution for inclusion in the recommended plan that would address a reliability violation on a below 200 kV transmission facility without posting the violation for inclusion in a proposal window consistent with Section 1.5.8(c) of Schedule 6. All written comments received by the Office of the Interconnection shall be publicly available on the PJM website.

(o) **Transmission Owner Form 715 Planning Criteria.** Pursuant to the expansion planning process set forth in Sections 1.5.1 through 1.5.6 of Schedule 6, the Office of the Interconnection shall identify transmission needs driven by Form 715 Planning Criteria. The Office of the Interconnection shall post on the PJM website for review and comment by the Transmission Expansion Advisory Committee and other stakeholders the identified transmission needs driven by individual transmission owner Form 715 Planning Criteria. Such transmission needs shall not be posted pursuant to Section 1.5.8(b) of this Schedule 6 for inclusion in a proposal window and such postings will not be subject to the proposal window process pursuant to Section 1.5.8(c). Any project proposal submitted in a proposal window pursuant to Section 1.5.8(c) addressing both a posted violation or system condition other than a Form 715 Planning Criteria violation and a transmission need driven by Form 715 Planning Criteria that complies with the requirements of Section 1.5.8(c) shall be accepted for consideration by the Office of the Interconnection and, if selected in the proposal window process for inclusion in the Regional Transmission Expansion Plan, the project proposer may be designated as the Designated Entity for such project. Project proposals submitted in a proposal window that address only a transmission need solely driven by Form 715 Planning Criteria may be considered by the Office of the Interconnection as a potential alternative to a Form 715 Planning Criteria violation but shall not be accepted for consideration under Section 1.5.8(c) and, if selected for inclusion in the Regional Transmission Expansion Plan by the Office of the Interconnection, the proposing entity may not be designated as the Designated Entity. The Office of the Interconnection shall post on the PJM website for review and comment by the Transmission Expansion Advisory Committee and other stakeholders a description of the Form No. 715 projects. The descriptions shall identify the applicable Form 715 Planning Criteria, the Zone in which the facility is located, an explanation of the decision to designate the Transmission Owner as the Designated Entity, and any alternatives considered by the Office of the Interconnection but were not found to be the more efficient or cost effective solution. After the descriptions are posted on the PJM website,

stakeholders shall have reasonable opportunity to provide comments for consideration by the Office of the Interconnection. All written comments received by the Office of the Interconnection shall be publicly available on the PJM website. Based on the comments received from stakeholders and the review by Transmission Expansion Advisory Committee, the Office of the Interconnection may, if necessary, conduct further study and evaluation and post a revised recommended plan for review and comment by the Transmission Expansion Advisory Committee. __

(p) **Thermal Reliability Violations on Transmission Substation Equipment.** Pursuant to the regional transmission expansion planning process set forth in Sections 1.5.1 through 1.5.6 of Schedule 6, the Office of the Interconnection shall identify thermal reliability violations on existing transmission substation equipment. The Office of the Interconnection shall not post such thermal reliability violations pursuant to Section 1.5.8(b) of this Schedule 6 for inclusion in a proposal window pursuant to Section 1.5.8(c) if the Office of the Interconnection determines that the reliability violations would be more efficiently addressed by an upgrade to replace in kind transmission substation equipment with higher rated equipment, excluding power transmission transformers, but including station service transformers and instrument transformers. If the Office of the Interconnection determines that the reliability violation does not meet the exemption stated above, the Office of the Interconnection shall post on the PJM website the reliability violations to be included in a proposal window consistent with Section 1.5.8(c) of Schedule 6. If the Office of the Interconnection determines that the identified thermal reliability violations satisfy the above exemption to the proposal window process, the Office of the Interconnection shall post on the PJM website for review and comment by the Transmission Expansion Advisory Committee and other stakeholders descriptions of the transmission substation equipment thermal reliability violations that will not be included in a proposal window pursuant to Section 1.5.8(c). The descriptions shall include an explanation of the decision to not include the transmission substation equipment thermal reliability violation(s) in a Section 1.5.8(c) proposal window, a description of the facility on which the thermal violation(s) is found, the Zone in which the facility is located, and notice that such construction responsibility for and ownership of the project that resolves such transmission substation equipment thermal violations will be designated to the incumbent Transmission Owner. After the descriptions are posted on the PJM website, stakeholders shall have reasonable opportunity to provide comments for consideration by the Office of the Interconnection. All written comments received by the Office of the Interconnection shall be publicly available on the PJM website.

1.5.9 State Agreement Approach.

(a) State governmental entities authorized by their respective states, individually or jointly, may agree voluntarily to be responsible for the allocation of all costs of a proposed transmission expansion or enhancement that addresses state Public Policy Requirements identified or accepted by the state(s) in the PJM Region. As determined by the authorized state governmental entities, such transmission enhancements or expansions may be included in the recommended plan, either as a (i) Supplemental Project or (ii) state public policy project, which is a transmission enhancement or expansion, the costs of which will be recovered pursuant to a FERC-accepted cost allocation proposed by agreement of one or more states and voluntarily agreed to by those state(s). All costs related to a state public policy project or Supplemental

Project included in the Regional Transmission Expansion Plan to address state Public Policy Requirements pursuant to this Section shall be recovered from customers in a state(s) in the PJM Region that agrees to be responsible for the projects. No such costs shall be recovered from customers in a state that did not agree to be responsible for such cost allocation. A state public policy project will be included in the Regional Transmission Expansion Plan for cost allocation purposes only if there is an associated FERC-accepted allocation permitting recovery of the costs of the state public policy project consistent with this Section.

(b) Subject to any designation reserved for Transmission Owners in Section 1.5.8(l) of this Schedule 6, the state(s) responsible for cost allocation for a Supplemental Project or a state public policy project in accordance with Section 1.5.9(a) in this Schedule 6 may submit to the Office of the Interconnection the entity(ies) to construct, own, operate and maintain the state public policy project from a list of entities supplied by the Office of the Interconnection that pre-qualified to be Designated Entities pursuant to Section 1.5.8(a) of this Schedule 6.

1.5.10 Multi-Driver Project.

(a) When a proposal submitted by an existing Transmission Owner or Nonincumbent Developer pursuant to Section 1.5.8(c) meets the definition of a Multi-Driver Project and is designated to be included in the Regional Transmission Expansion Plan for purposes of cost allocation, the Office of the Interconnection shall designate the Designated Entity for the project as follows: (i) if the Multi-Driver Project does not contain a state Public Policy Requirement component, the Office of the Interconnection shall designate the Designated Entity pursuant to the criteria in Section 1.5.8 of this Schedule 6; or (ii) if the Multi-Driver Project contains a state Public Policy Requirement component, the Office of the Interconnection shall evaluate potential Designated Entity candidates based on the criteria in Section 1.5.8 of this Schedule 6, and provide its evaluation to and elicit feedback from the sponsoring state governmental entities responsible for allocation of all costs of the proposed state Public Policy Requirement component (“state governmental entity(ies)”) regarding its evaluation. Based on its evaluation of the Section 1.5.8 criteria and consideration of the feedback from the sponsoring state governmental entity(ies), the Office of the Interconnection shall designate the Designated Entity for the Multi-Driver Project and notify such entity consistent with Section 1.5.8(i) of this Schedule 6. A Multi-Driver Project may be based on proposals that consist of (1) newly proposed transmission enhancements or expansions; (2) additions to, or modifications of, transmission enhancements or expansions already selected for inclusion in the Regional Transmission Expansion Plan; and/or (3) one or more transmission enhancements or expansions already selected for inclusion in the Regional Transmission Expansion Plan.

(b) A Multi-Driver Project may contain an enhancement or expansion that addresses a state Public Policy Requirement component only if it meets the requirements set forth in section 1.5.9(a) of this Schedule 6 and its cost allocations are established consistent with Section (b)(xii)(B) of Schedule 12 of the PJM Tariff.

(c) If a state governmental entity(ies) desires to include a Public Policy Requirement component after an enhancement or expansion has been included in the Regional Transmission Expansion Plan, the Office of the Interconnection may re-evaluate the relevant reliability-based

enhancement or expansion, Economic-based Enhancement or Expansion, or Multi-Driver Project to determine whether adding the state-sponsored Public Policy Requirement component would create a more cost effective or efficient solution to system conditions. If the Office of the Interconnection determines that adding the state-sponsored Public Policy Requirement component to an enhancement or expansion already included in the Regional Transmission Expansion Plan would result in a more cost effective or efficient solution, the state-sponsored Public Policy Requirement component may be included in the relevant enhancement or expansion, provided all of the requirements of Section 1.5.10(b) of this Schedule 6 are met, and cost allocations are established consistent with Section (b)(xii)(B) of Schedule 12 of the PJM Tariff.

(d) If, subsequent to the inclusion in the Regional Transmission Expansion Plan of a Multi-Driver Project that contains a state Public Policy Requirement component, a state governmental entity(ies) withdraws its support of the Public Policy Requirement component of a Multi-Driver Project, then: (i) the Office of the Interconnection shall re-evaluate the need for the remaining components of the Multi-Driver Project without the state Public Policy Requirement component, remove the Multi-Driver Project from the Regional Transmission Expansion Plan, or replace the Multi-Driver Project with an enhancement or expansion that addresses remaining reliability or economic system needs; (ii) if the Multi-Driver Project is retained in the Regional Transmission Expansion Plan without the state Public Policy Requirement component, the costs of the remaining components will be allocated in accordance with Schedule 12 of the Tariff; (iii) if more than one state is responsible for the costs apportioned to the state Public Policy Requirement component of the Multi-Driver Project, the remaining state governmental entity(ies) shall have the option to continue supporting the state Public Policy component of the Multi-Driver Project and if the remaining state governmental entity(ies) choose this option, the apportionment of the state Public Policy Requirement component will remain in place and the remaining state governmental entity(ies) shall agree upon their respective apportionments; (iv) if a Multi-Driver Project must be retained in the Regional Transmission Expansion Plan and completed with the State Public Policy component, the state Public Policy Requirement apportionment will remain in place and the withdrawing state governmental entity(ies) shall continue to be responsible for its/their share of the FERC-accepted cost allocations as filed pursuant to Section (b)(xii)(B) of Schedule 12 of the PJM Tariff.

(e) The actual costs of a Multi-Driver Project shall be apportioned to the different components (reliability-based enhancement or expansion, Economic-based Enhancement or Expansion and/or Public Policy Requirement) based on the initial estimated costs of the Multi-Driver Project in accordance with the methodology set forth in Schedule 12 of the PJM Tariff.

(f) The benefit metric calculation used for evaluating the market efficiency component of a Multi-Driver Project will be based on the final voltage of the Multi-Driver Project using the Benefit/Cost Ratio calculation set forth in Section 1.5.7(d) of Schedule 6 of this Operating Agreement where the Cost component of the calculation is the present value of the estimated cost of the enhancement apportioned to the market efficiency component of the Multi-Driver Project for each of the first 15 years of the life of the enhancement or expansion.

(g) Except as provided to the contrary in this Section 1.5.10, Section 1.5.8 of this Schedule 6 applies to Multi-Driver Projects.

(h) The Office of the Interconnection shall determine whether a proposal(s) meets the definition of a Multi-Driver Project by identifying a more efficient or cost effective solution that uses one of the following methods: (i) combining separate solutions that address reliability, economics and/or public policy into a single transmission enhancement or expansion that incorporates separate drivers into one Multi-Driver Project (“Proportional Multi-Driver Method”); or (ii) expanding or enhancing a proposed single driver solution to include one or more additional component(s) to address a combination of reliability, economic and/or public policy drivers (“Incremental Multi-Driver Method”).

(i) In determining whether a Multi-Driver Project may be designated to more than one entity, PJM shall consider whether: (i) the project consists of separable transmission elements, which are physically discrete transmission components, such as, but not limited to, a transformer, static var compensator or definable linear segment of a transmission line, that can be designated individually to a Designated Entity to construct and own and/or finance; and (ii) each entity satisfies the criteria set forth in section 1.5.8(f) of Schedule 6. Separable transmission elements that qualify as Transmission Owner Upgrades shall be designated to the Transmission Owner in the Zone in which the facility will be located.

Document Content(s)

Attorney General's First Re-Hearing Set of Data Requests

Dated May 9, 2018

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ALSTON & BIRD

The Atlantic Building
950 F Street, NW
Washington, DC 20004-1404
202-239-3300 | Fax: 202-239-3333

Kenneth G. Jaffe

Direct Dial: 202-239-3154

Email: kenneth.jaffe@alston.com

March 19, 2018

Ms. Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, D.C. 20426

**Re: Compliance Filing in Response to Order Accepting in Part
Proposed Tariff Revisions and Requiring Tariff Revisions
Pursuant to Section 206
Docket Nos. EL16-71-00 and ER17-179-000**

Dear Secretary Bose:

On February 15, 2018, the Federal Energy Regulatory Commission issued its, “Order Accepting In Part Proposed Tariff Revisions and Requiring Tariff Revisions Pursuant To Section 206” in Docket Nos. EL16-71-000 and ER17-179-000.¹ Pursuant to Section 206 of the Federal Power Act, 16 USC § 201(e), the February 15 Order directed PJM Interconnection, L.L.C (“PJM”) and the PJM Transmission Owners to make compliance filings within 30 days to incorporate certain specified changes to Attachment M-3 of the PJM Open Access Transmission Tariff (“OATT” or “Tariff”) and Schedule 6 of the PJM Operating Agreement. The PJM Transmission Owners submit this compliance filing to incorporate the specific changes to Attachment M-3 requested by the Commission.² The revisions to Attachment M-3 are included in red-lined and clean

¹ *Monongahela Power Company, et al*, 162 FERC ¶ 61,129 (2018) (“February 15 Order”).

² 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 the revisions to Attachment M-3 to the PJM Tariff in the eTariff system as part of PJM's electronic Intra PJM Tariff.

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formats as Attachments A and B.³ The PJM Transmission Owners request that the Commission accept these revisions as compliant with the February 15 Order.

I. BACKGROUND

On August 26, 2016, the Commission issued an Order to Show Cause in Docket No. EL16-71-000⁴ setting forth certain directives regarding the PJM Transmission Owners' planning for Supplemental Projects.⁵ The Commission expressed concerns about the current planning process for Supplemental Projects and directed the PJM Transmission Owners to: (1) propose revisions to the PJM Operating Agreement to comply with Order No. 890,⁶ (2) revise their portions of the PJM Tariff or revise their individual OATTs to comply with Order No. 890, or (3) show cause why they should not be required to do so.

On October 25, 2016, the PJM Transmission Owners filed their response to the Commission's directive in the August 26 Order. In conjunction with that response, and in an effort to offer refinements and improvements to the existing Commission-approved transmission planning process, the PJM Transmission Owners and PJM, jointly submitted a proposal under section 205 of the Federal Power Act to set forth additional provisions regarding the planning of Supplemental Projects in a new Attachment M-3 to the PJM OATT. The proposed Attachment M-3 provided additional details of the process that the PJM Transmission Owners would follow to plan Supplemental Projects in accordance with Schedule 6 of the Operating Agreement. Specifically, Attachment M-3 provided that each PJM Transmission Owner would provide PJM with the assumptions and methodology, including any criteria and models, it uses to plan Supplemental Projects. Attachment M-3 clarified that, under section 1.56(b) of Schedule 6 of the PJM Operating Agreement, stakeholders will have an opportunity to provide comments prior to or following the initial assumptions meeting. It also provided opportunities for stakeholder input into system needs, proposed Supplemental Projects and Supplemental Projects submitted for inclusion in the Local Plan.

As relevant to this compliance filing, in the February 15 Order, the Commission accepted the PJM Transmission Owners' proposal to provide additional detail regarding the process of planning Supplemental Projects in an attachment to the PJM OATT.⁷

³ PJM is filing the required revisions to Schedule 6 of the PJM Operating Agreement separately.

⁴ *PJM Interconnection, L.L.C.*, 156 FERC ¶ 61,134 (2016) ("August 26 Order").

⁵ The Operating Agreement defines Supplemental Project as "a transmission expansion or enhancement that is not required for compliance with the following PJM criteria: system reliability, operational performance or economic criteria, pursuant to a determination by the Office of the Interconnection and is not a state public policy project pursuant to section 1.5.9(a)(ii) of Schedule 6 of this Agreement." Amended and Restated Operating Agreement of PJM Interconnection, L.L.C., Section 1, Definitions.

⁶ *Preventing Undue Discrimination and Preference in Transmission System Service*, Order No. 890, FERC Stats. & Regs. ¶ 31,241, *order on reh'g*, Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 (2007), *order on reh'g*, Order No. 890-B, 123 FERC ¶ 61,299 (2008), *order on reh'g*, Order No. 890-C, 126 FERC ¶ 61,228, *order on clarification*, Order No. 890-D, 129 FERC ¶ 61,126 (2009).

⁷ February 15 Order at P 97.

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However, the Commission found that, insofar as Attachment M-3 implements the existing process for planning Supplemental Projects, Attachment M-3 was not shown to be just and reasonable.⁸ The Commission required the PJM Transmission Owners to make certain revisions to Attachment M-3 to establish a just and reasonable and not unduly discriminatory or preferential process for planning Supplemental Projects, which it detailed in Appendix A of the February 15 Order.⁹ The Commission also required PJM to make clarifying revisions to Schedule 6 to the PJM Operating Agreement, which it detailed in Appendix B of the February 15 Order.¹⁰

With respect to the revisions it required to Attachment M-3, in two areas, the Commission did not mandate specific language or values, but required the PJM Transmission Owners to submit proposals in a compliance filing. First, the Commission directed the PJM Transmission Owners, after consultation with stakeholders, to propose (1) the minimum number of days between each of the meetings it required the PJM Transmission Owners to hold as part of the planning process; (2) the minimum number of days before each meeting for posting the information to be discussed at that meeting; and (3) the minimum number of days after each meeting for stakeholders to submit written comments regarding the information discussed at each meeting.¹¹ The Commission also required the PJM Transmission Owners to specify the minimum number of days before the Local Plan is incorporated into the Regional Transmission Expansion Plan that Transmission Owners must allow for consideration of written comments on the Local Plan.¹² Second, the Commission directed the PJM Transmission Owners to clarify whether the dispute resolution procedures in Schedule 5 of the PJM Operating Agreement would continue to apply to disputes arising under Attachment M-3 or a different set of procedures would apply.¹³ The Commission gave the PJM Transmission Owners and PJM thirty days to make the required compliance filing.

II. PROPOSED REVISIONS

A. Proposed Revisions to Attachment M-3.

In compliance with the February 15 Order, the PJM Transmission Owners propose the revisions discussed below to Attachment M-3, as modified by the Commission in Appendix A of the February 15 Order.

1. Minimum Days Between Meetings and for Information Exchange Before and After Meetings and Before the Submission of Local Plans.

The Commission required the PJM Transmission Owners to convene a minimum of three separate meetings as part of the planning process for Supplemental Projects: an Assumptions Meeting to review the PJM Transmission Owners' criteria, assumptions,

⁸ *Id.* at P 100.

⁹ *Id.* at P 105.

¹⁰ *Id.*

¹¹ *Id.* at P 113.

¹² *Id.* at Appendix A.

¹³ *Id.* at P 114.

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and models, a Needs Meeting to review system needs, and by a Solutions Meeting to review potential solutions to those needs.¹⁴ As noted above, the Commission left nine blanks in the revised Attachment M-3 in Appendix A of the February 15 Order for the minimum number of days between each of the meetings the Commission required, for the PJM Transmission Owners' submission to PJM for posting of information before each of those meetings, for stakeholders' submission of comments after each of those meetings, and for stakeholders' submission of comments before PJM Transmission Owners' submission of their Local Plans to PJM for integration into the Regional Transmission Expansion Plan ("RTEP"). The PJM Transmission Owners propose minimum numbers of days for each of these milestones, based on consultation with PJM to develop an initial proposal, posting of that proposal for comments, and review of stakeholder comments on that proposal.

a. Consultation with PJM

To develop their proposed time periods by the 30-day compliance deadline, the PJM Transmission Owners first consulted with PJM to ensure that the proposed time periods would permit all of the meetings and other steps the Commission required in the February 15 Order to be completed in conjunction with PJM's overall planning cycle. In particular, the PJM Transmission Owners wanted to be sure that the initial planning cycle for Supplemental Projects, which begins with the Assumptions Meeting, could be completed in time for the PJM Transmission Owners to submit their Local Plans for integration into the RTEP that the PJM Board considers at its July meeting.¹⁵ This would align the process the PJM Transmission Owners use to plan Supplemental Projects with the process PJM uses to plan Baseline Projects, which takes place over the same time frame. Between the initial Assumptions Meeting and the PJM's Board's meeting to consider the RTEP, the schedule must accommodate at least two additional meetings (a Needs Meeting and a Solutions Meeting) plus postings and comments in connection with those meetings, as well as a round of comments before the Local Plan is submitted to PJM for integration into the RTEP.¹⁶ The PJM Transmission Owners also sought to develop minimum time periods that allow for some flexibility in scheduling meetings in light of the very congested PJM stakeholder calendar.

¹⁴ *Id.* at P 110.

¹⁵ Additional system needs that a PJM Transmission Owner identifies later in the year based on the criteria, assumptions, and models reviewed at the Assumptions Meeting will be reviewed at a subsequent Needs Meeting, followed by a Solutions Meeting to review potential solutions, before those projects are ultimately submitted as part of a Local Plan for inclusion in later-occurring RTEPs. The process described in Attachment M-3, including the minimum periods proposed in this compliance filing, applies to all projects proposed during the course of the year.

¹⁶ The PJM Board does not approve the inclusion of Supplemental Projects in the Local Plans. Rather, the Local Plans, including the Supplemental Projects selected by the PJM Transmission Owners, are provided to the Board as part of its consideration and approval of the baseline projects included in the RTEP. PJM Operating Agreement, Schedule 6, § 1.6(a).

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b. Posting of Initial Proposal and Solicitation of Stakeholder Comments

After consulting with PJM, the PJM Transmission Owners developed an initial proposal including all of the minimum time periods the Commission required between meetings, for posting information in advance of each meeting, and for the submission of stakeholder comments after each meeting and before the Local Plan is submitted to PJM for integration into the RTEP. PJM posted the initial proposal for stakeholder comments on February 27, 2018. PJM's notice to stakeholders solicited comments on the PJM Transmission Owners' proposed minimum time periods by email on or before 5 pm, March 9, 2018.¹⁷ The PJM Transmission Owners also informed stakeholders of the comment process in two previously scheduled PJM stakeholder meetings.

The PJM Transmission Owners' proposal provided for the required meetings to take place on a monthly basis,¹⁸ with information posted by the PJM Transmission Owners at least ten days before each meeting and stakeholder comments due no later than ten days after each meeting. This proposed schedule allows time for each PJM Transmission Owner to consider the comments received during the process in the development of its Local Plan, to post the Local Plan for additional stakeholder comments, and, after consideration of those comments, to submit the Local Plans to PJM. It also allows time for PJM to conduct its analysis of proposed Supplemental Projects to determine if any would give rise to reliability issues or operational performance issues and to integrate the Local Plans into the RTEP, together with the Baseline Projects it has planned for submission to the PJM Board in advance of its meeting.

c. Stakeholder Comments

Five stakeholders or groups of stakeholders submitted four sets of comments on the PJM Transmission Owners' proposed minimum time periods.¹⁹ Those comments generally recommended extending the minimum time periods between meetings and for the PJM Transmission Owners' submission of materials for posting before meetings by periods ranging from five to twenty days. One commenter, however, suggested that stakeholders be required to submit all comments before the meeting at which the information was to be discussed, effectively reducing the time available for stakeholder comments. Two commenters recommended extending the minimum time between the Needs Meeting and the Solutions meeting from 30 to 90 days, and in one case, to require a minimum of two Solutions Meetings in that period. Another commenter recommended shifting some of the minimum time periods from calendar days to business days and calculating the minimum time periods between meetings based on the deadlines for submitting comments on information discussed in the prior meeting, rather than on the date the prior meeting was held, as the Commission required in the February 15 Order.

¹⁷ The PJM Transmission Owners' notice soliciting stakeholder comments on their initial proposed minimum time periods is provided as Attachment C.

¹⁸ Because the Commission required the PJM Transmission Owners to submit minimum time periods, the PJM Transmission Owners' proposal included a minimum of 25 days between the meetings so that monthly meetings could be scheduled around holidays and conflicts that might arise with other PJM-scheduled stakeholder meetings.

¹⁹ One set of comments was submitted jointly by two stakeholders.

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Some of the stakeholders' comments also addressed issues other than the minimum time periods for the Supplemental Project planning process. They recommended changes to the process beyond those the Commission required in the February 15 Order, including in some cases, changes that the Commission rejected in that order.²⁰

In response to the stakeholder comments, PJM apprised the PJM Transmission Owners that minimum periods between Supplemental Project planning meetings of more than 28 days would have the potential to cause problems by preventing effective coordination with meetings of the PJM Transmission Expansion Advisory Committee ("TEAC"), through which PJM receives stakeholder input on its planning of Baseline Projects.

d. Consideration of Comments and Development of Proposal

The PJM Transmission Owners reviewed all comments received relating to the minimum time periods the Commission required them to propose.²¹ While the PJM Transmission Owners are sensitive to the desire of some stakeholders for additional time between meetings and for more time to review the materials presented for discussion at the meetings, they determined that, in most cases, longer minimum time periods would compromise their ability to coordinate the Supplemental Project planning process with PJM's planning of Baseline Projects for inclusion in the RTEP. The period for posting criteria, assumptions, and models in advance of the Assumptions Meeting is an exception, since the PJM Transmission Owners could increase the time for stakeholder review of that information without impeding the subsequent steps in the process. The PJM Transmission Owners accordingly propose to require them to submit that information for posting twenty days in advance of the Assumptions Meeting (versus the ten days they proposed in the February 27, 2018 notice). In all other respects, the minimum time periods that the PJM Transmission Owners propose in this compliance filing conform to those proposed in the initial notice to stakeholders. The PJM Transmission Owners do not propose to change any of the Commission's Attachment M-3 language that they were not specifically directed to address.

The PJM Transmission Owners' proposed minimum time periods are set forth in the table below and provided in Attachments A and B, which insert the minimum time periods listed below in the Commission's February 15, 2018 mark-up of Attachment M-3.

²⁰ For example, the joint comments of American Municipal Power, Inc., and the PJM Industrial Customer Coalition request, among other things, that the PJM Transmission Owners commit to responding to every stakeholder question or comment submitted, even though the Commission rejected this proposal as not "required for the PJM Transmission Owners to comply with Order No. 890." February 15 Order at P 117.

²¹ The PJM Transmission Owners do not respond in this filing to stakeholder comments addressing other issues.

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ATT. M-3 SECTION	EVENT	MINIMUM DAYS (Calendar)
2	Submission of criteria, assumptions and models for posting in advance of the Assumptions Meeting	20
2	Submission of comments after Assumptions Meeting for TO review and consideration	10
3	Time between Assumptions Meeting and Needs Meeting	25
3	Posting identified criteria violations and drivers in advance of the Needs Meeting	10
3	Submission of comments after Needs Meeting for TO review and consideration	10
4	Time between Needs Meeting and Solutions Meeting	25
4	Posting of potential solutions, as well as any alternatives identified by TOs or stakeholders in advance of the Solutions Meeting	10
4	Submission of comments after Solutions Meeting for TO review and consideration	10
5	Submission of comments before the Local Plan is integrated into the RTEP for TO review and consideration	10

The PJM Transmission Owners' proposal complies with the February 15 Order. It allows for a Supplemental Project planning process that includes all of the meetings required by the February 15 Order, ensures that information for each meeting will be submitted in advance, and provides time for stakeholders to comment on the information discussed at each meeting in time for those comments to be considered before the next meeting or other step in the process. And importantly, as discussed above, it permits the coordination of the Supplemental Project planning process with PJM's planning process, including the completion of the first Supplemental Project planning cycle in time for the PJM Transmission Owners' Local Plans comprising Supplemental Projects to be submitted for integration into the RTEP and presented to the PJM Board for review in July of each year, together with the Baseline Projects planned by PJM.

As explained above, PJM has informed the PJM Transmission Owners that the longer minimum periods proposed by some stakeholders would prevent that vital coordination with the overall RTEP. The PJM Transmission Owners also note that because the time periods they propose are *minimum* periods, consistent with the Commission's direction, if more time is required to consider particular criteria and assumptions, a particular system need, or a proposed solution, the proposal allows for more time in that instance. At the same time, it does not delay the review of system needs and solutions that do not require additional consideration.

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2. Dispute Resolution Process.

As required in the February 15 Order,²² the PJM Transmission Owners confirm that disputes arising under Attachment M-3 will continue to be governed by Schedule 5 of the Operating Agreement. In Attachments A and B to this compliance filing, the PJM Transmission Owners have inserted a statement to that effect in the blank that the Commission left for that purpose in Attachment M-3.

III. EFFECTIVE DATE

As noted in the February 15 Order, the Commission will establish the effective date of Attachment M-3 upon review of this compliance filing.

IV. COMMUNICATIONS

The PJM Transmission Owners request that all correspondence concerning this filing be served upon the following:

Kenneth G. Jaffe
Alston & Bird LLP
950 F Street N.W.
Washington, D.C. 20004
(202) 239-3154
kenneth.jaffe@alston.com

Donald A. Kaplan
K&L Gates LLP
1601 K Street, N.W.
Washington, D.C. 20006
(202) 661-6266
don.kaplan@klgates.com

V. CONTENTS OF FILING

This filing consists of the following documents:

- The instant Transmittal Letter;
- Attachment A: Redline Tariff Sheets of PJM Tariff, Attachment M-3;
- Attachment B: Clean Tariff Sheets of PJM Tariff, Attachment M-3; and
- Attachment C: Notice of PJM Transmission Owners Consultation with PJM Stakeholders Regarding Compliance with FERC's Order in Monongahela Power Company, et al, Docket Nos. EL16-71-000 and ER17-179-000.

VI. LIST OF PERSONS RECEIVING A COPY OF THIS FILING

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,²³

²² *Id.* at P 114.

²³ *See* 18 C.F.R §§ 35.2(e) and 385.2010(f)(3) (2016).

Honorable Kimberly D. Bose, Secretary

March 19, 2018

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Item No. 2

Attachment 3

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Supplemental

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 Region²⁴ alerting them that this filing has been made by PJM and is available by following such link. 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.

²⁴ PJM already maintains, updates and regularly uses e-mail lists for all PJM members and affected state commissions.

Honorable Kimberly D. Bose, Secretary
March 19, 2018
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VII. CONCLUSION

For the reasons discussed, the PJM Transmission Owners request that the Commission accept this compliance filing.

Respectfully submitted,

Kenneth G. Jaffe

Kenneth G. Jaffe
Richard P. Sparling
Alston & Bird LLP
950 F Street N.W.
Washington, D.C. 20004
(202) 239-3154
kenneth.jaffe@alston.com
richard.sparling@alston.com

*Counsel for FirstEnergy Service
Company*

Donald A. Kaplan

Donald A. Kaplan
William M. Keyser
K&L Gates LLP
1601 K Street, N.W.
Washington, D.C. 20006
(202) 661-6266
don.kaplan@klgates.com
william.keyser@klgates.com

*Counsel for PPL Electric Utilities
Corporation*

On behalf of the PJM Transmission Owners

Attachment A

Redline Tariff Sheets of PJM Tariff, Attachment M-3

(Text filling blanks in revisions directed by Appendix A to Feb. 15
Order shown in highlight)

ATTACHMENT M-3

ADDITIONAL PROCEDURES FOR PLANNING OF SUPPLEMENTAL PROJECTS

This document provides additional details of the process that PJM and the PJM Transmission Owners will follow in connection with planning Supplemental Projects, as defined in section 1.42A.02 of the Operating Agreement, in accordance with Schedule 6 of the Operating Agreement. This process will only apply to Transmission Owners that plan Supplemental Projects

1. **Annual Review of Supplemental Projects.** As described in sections 1.3(c) and (d) of Schedule 6 of the Operating Agreement, the Subregional RTEP Committees shall be responsible for the review of Supplemental Projects. The Subregional RTEP Committees shall have a meaningful opportunity to participate and provide feedback, including written comments, throughout the transmission planning process for Supplemental Projects. Disputes shall be resolved in accordance with the procedures set forth at Schedule 5 of the Operating Agreement.

2. **Review of Assumptions and Methodology.** Prior to the initial assumptions meeting scheduled inIn accordance with sections 1.3(d), 1.5.4(a), and 1.5.6(b) and 1.5.6(c) of Schedule 6 of the Operating Agreement, each Subregional RTEP Committee shall schedule and facilitate a minimum of one Subregional RTEP Committee meeting to review the criteria, assumptions, and models Transmission Owners will provide to Transmission Provider for posting the propose to use to plan and identify Supplemental Projects (Assumptions Meeting). Each Transmission Owner shall provide the criteria, assumptions and methodology, including any criteria and models, it uses to plan Supplemental Projects. The Transmission Provider will post such, and models to PJM for posting at least 20 days in advance of the Assumptions Meeting to provide Subregional RTEP Committee Participants sufficient time to review this information. Stakeholders may provide comments on the criteria, assumptions and methodology in accordance with the schedule for postings it establishes under sections 1.3(d) and 1.5.6(b). The Transmission Owner will review those assumptions and methodology annually at the initial assumptions meeting. Stakeholders may provide comments on the assumptions and methodology, and models to the Transmission Owner for consideration either prior to or following the initial assumptions meeting Assumptions Meeting. The Transmission Owner shall review and consider comments that are received within 10 days of the Assumptions Meeting and may respond or provide feedback as appropriate.

23. **Review of System Needs and Potential Solutions.** No fewer than 25 days after the Assumptions Meeting, each Subregional RTEP Committee shall schedule and facilitate a minimum of one Subregional RTEP Committee meeting per planning cycle to review the identified criteria violations and resulting system needs, if any, that may drive the need for a Supplemental Project (Needs Meeting). Each Transmission Owner will provide a review of the identified system needs and the drivers of those needs, based on the application of its methodology and assumptions used to plan Supplemental Projects, and potential criteria, assumptions, and models that it uses to plan Supplemental Projects. The

Transmission Owners shall share and post their identified criteria violations and drivers no fewer than 10 days in advance of the Needs Meeting. Stakeholders may provide comments on the criteria violations and drivers to the Transmission Owner for consideration prior to, at, or following the Needs Meeting. The Transmission Owner shall review and consider comments that are received within 10 days of the Needs Meeting and may respond or provide feedback as appropriate.

4. **Review of Potential Solutions.** No fewer than 25 days after the Needs Meeting, each Subregional RTEP Committee shall schedule and facilitate a minimum of one Subregional RTEP Committee meeting per planning cycle to review potential solutions being considered to meet those needs and drivers, at meetings of the Subregional RTEP Committee established under the Operating Agreement scheduled in accordance with section 1.3 of Schedule 6 of the Operating Agreement. The Transmission Owner will provide a description of the system needs and drivers and for the identified criteria violations (Solutions Meeting). The Transmission Owners shall share and post their potential solutions to, as well as any alternatives identified by the Transmission Provider for posting at least five (5) business Owners or stakeholders, no fewer than 10 days in advance of the meeting at which they will be reviewed. Solutions Meeting. Stakeholders may provide comments on the identified system needs, drivers, and potential solutions to the Transmission Owner for consideration within thirty (30) calendar days after the meeting either prior to or following the Solutions Meeting. The Transmission Owner shall review and consider comments that are received within 10 days of the meeting and may respond or provide feedback as appropriate.
35. **Submission of Supplemental Projects.** Each Transmission Owner will finalize for submittal to the Transmission Provider Supplemental Projects for inclusion in the Local Plan in accordance with section 1.3 of Schedule 6 of the Operating Agreement and the schedule established by the Transmission Provider. Stakeholders may provide comments on the Supplemental Projects in accordance with that section 1.3 of Schedule 6 of the PJM Operating Agreement before the Local Plan is integrated into the Regional Transmission Expansion Plan. Each Transmission Owner shall review and consider comments that are received at least 10 days before the Local Plan is submitted for integration into the Regional Transmission Expansion Plan.
46. **Information Relating to Supplemental Projects.** Information relating to each Transmission Owners's Supplemental Projects will be provided in accordance with, and subject to the limitations set forth in, section 1.5.4 of Schedule 6 of the Operating Agreement. Local Plan Information will be provided to and posted by the Office of Interconnection as set forth in section 1.5.4(e) of Schedule 6 of the Operating Agreement.
57. **No Limitation on Additional Meetings and Communications.** Nothing in this Attachment M-3 precludes any Transmission Owner from agreeing with stakeholders to additional meetings or other communications regarding Supplemental Projects that affect such stakeholders, in addition to the Subregional RTEP Committee process.

Modifications. This Attachment M-3 may only be modified under Section 205 of the Federal Power Act if the proposed modification pursuant to a filing under Section 205 of the Federal Power Act that has been authorized by the PJM Transmission Owners Agreement-Administrative Committee in accordance with Section 8.5 of the Consolidated Transmission Owners Agreement.

Attachment B

Clean Tariff Sheets of PJM Tariff, Attachment M-3

ATTACHMENT M-3**ADDITIONAL PROCEDURES FOR PLANNING OF SUPPLEMENTAL PROJECTS**

This document provides additional details of the process that PJM and the PJM Transmission Owners will follow in connection with planning Supplemental Projects, as defined in section 1.42A.02 of the Operating Agreement, in accordance with Schedule 6 of the Operating Agreement. This process will only apply to Transmission Owners that plan Supplemental Projects

1. **Review of Supplemental Projects.** As described in sections 1.3(c) and (d) of Schedule 6 of the Operating Agreement, the Subregional RTEP Committees shall be responsible for the review of Supplemental Projects. The Subregional RTEP Committees shall have a meaningful opportunity to participate and provide feedback, including written comments, throughout the transmission planning process for Supplemental Projects. Disputes shall be resolved in accordance with the procedures set forth at Schedule 5 of the Operating Agreement.
2. **Review of Assumptions and Methodology.** In accordance with sections 1.3(d), 1.5.4(a), and 1.5.6(b) and 1.5.6(c) of Schedule 6 of the Operating Agreement, each Subregional RTEP Committee shall schedule and facilitate a minimum of one Subregional RTEP Committee meeting to review the criteria, assumptions, and models Transmission Owners propose to use to plan and identify Supplemental Projects (Assumptions Meeting). Each Transmission Owner shall provide the criteria, assumptions, and models to PJM for posting at least 20 days in advance of the Assumptions Meeting to provide Subregional RTEP Committee Participants sufficient time to review this information. Stakeholders may provide comments on the criteria, assumptions, and models to the Transmission Owner for consideration either prior to or following the Assumptions Meeting. The Transmission Owner shall review and consider comments that are received within 10 days of the Assumptions Meeting and may respond or provide feedback as appropriate.
3. **Review of System Needs.** No fewer than 25 days after the Assumptions Meeting, each Subregional RTEP Committee shall schedule and facilitate a minimum of one Subregional RTEP Committee meeting per planning cycle to review the identified criteria violations and resulting system needs, if any, that may drive the need for a Supplemental Project (Needs Meeting). Each Transmission Owner will review the identified system needs and the drivers of those needs, based on the application of its criteria, assumptions, and models that it uses to plan Supplemental Projects. The Transmission Owners shall share and post their identified criteria violations and drivers no fewer than 10 days in advance of the Needs Meeting. Stakeholders may provide comments on the criteria violations and drivers to the Transmission Owner for consideration prior to, at, or following the Needs Meeting. The Transmission Owner shall review and consider comments that are received within 10 days of the Needs Meeting and may respond or provide feedback as appropriate.

4. **Review of Potential Solutions.** No fewer than 25 days after the Needs Meeting, each Subregional RTEP Committee shall schedule and facilitate a minimum of one Subregional RTEP Committee meeting per planning cycle to review potential solutions for the identified criteria violations (Solutions Meeting). The Transmission Owners shall share and post their potential solutions, as well as any alternatives identified by the Transmission Owners or stakeholders, no fewer than 10 days in advance of the Solutions Meeting. Stakeholders may provide comments on the potential solutions to the Transmission Owner for consideration either prior to or following the Solutions Meeting. The Transmission Owner shall review and consider comments that are received within 10 days of the meeting and may respond or provide feedback as appropriate.
5. **Submission of Supplemental Projects.** Each Transmission Owner will finalize for submittal to the Transmission Provider Supplemental Projects for inclusion in the Local Plan in accordance with section 1.3 of Schedule 6 of the Operating Agreement and the schedule established by the Transmission Provider. Stakeholders may provide comments on the Supplemental Projects in accordance with section 1.3 of Schedule 6 of the PJM Operating Agreement before the Local Plan is integrated into the Regional Transmission Expansion Plan. Each Transmission Owner shall review and consider comments that are received at least 10 days before the Local Plan is submitted for integration into the Regional Transmission Expansion Plan.
6. **Information Relating to Supplemental Projects.** Information relating to each Transmission Owner's Supplemental Projects will be provided in accordance with, and subject to the limitations set forth in, section 1.5.4 of Schedule 6 of the Operating Agreement. Local Plan Information will be provided to and posted by the Office of Interconnection as set forth in section 1.5.4(e) of Schedule 6 of the Operating Agreement.
7. **No Limitation on Additional Meetings and Communications.** Nothing in this Attachment M-3 precludes any Transmission Owner from agreeing with stakeholders to additional meetings or other communications regarding Supplemental Projects, in addition to the Subregional RTEP Committee process.

Modifications. This Attachment M-3 may only be modified under Section 205 of the Federal Power Act if the proposed modification has been authorized by the PJM Transmission Owners Agreement-Administrative Committee in accordance with Section 8.5 of the Consolidated Transmission Owners Agreement.

Attachment C

Notice of PJM Transmission Owners Consultation with PJM
Stakeholders Regarding Compliance with FERC's Order in
Monongahela Power Company, et al, Docket Nos. EL16-71-000
and ER17-179-000

**Notice of PJM Transmission Owner Consultation
With PJM Stakeholders Regarding
Compliance with FERC's Order in *Monongahela Power Company, et al*,
Docket Nos. EL16-71-000 and ER17-179-000
(February 27, 2018)**

On February 15, 2018, the Federal Energy Regulatory Commission issued its, "Order Accepting In Part Proposed Tariff Revisions And Requiring Tariff Revisions Pursuant To Section 206" in Docket Nos. EL16-71-000 and ER17-179-000, *Monongahela Power Company, et al*, 162 FERC ¶ 61,129 ("February 15 Order"). Pursuant to Section 206 of the Federal Power Act, 16 USC § 201(e), the February 15 Order directed PJM and the PJM Transmission Owners to make a compliance filing within 30 days to incorporate certain specified changes to Attachment M-3 of the PJM Tariff proposed by the PJM Transmission Owners and to Schedule 6 of the PJM Operating Agreement. Under FERC rules, the compliance filing is due on March 19, 2018.

Among the changes to Attachment M-3 specified by FERC was the establishment of (1) the minimum number of days between each Subregional RTEP Committee meeting; (2) the minimum number of days before each meeting by which the information to be discussed at that meeting must be posted; (3) the minimum number of days after each meeting that stakeholders will have to submit written comments for consideration regarding the information discussed at each meeting; and (4) the minimum number of days before the Local Plan is incorporated into the Regional Transmission Expansion Plan that Transmission Owners must allow for consideration of written comments on the Local Plan. In all, nine different minimum time periods need to be established and incorporated into Attachment M-3. Paragraph 113 of the February 15 Order directed the PJM Transmission Owners to propose the number of days for each time minimum period after consultation with stakeholders.

After consultation with PJM regarding the schedule of the overall planning cycle and the timing of certain milestones within the planning cycle, the PJM Transmission Owners have developed proposed minimum time periods. That cycle begins with the publication of criteria, assumptions and models early in January. The minimum time periods proposed are designed to complete the consideration of Supplemental Projects in time for the PJM Board meeting to approve the Regional Transmission Expansion Plan in July and in subsequent RTEP approval cycles throughout the year. In order to develop the baseline projects to be included in the RTEP, PJM will need to consider the Supplemental Projects included in the Local Plan. The proposed minimum time periods will permit that consideration. The proposed minimum time periods also allow for some necessary flexibility in scheduling meetings given the very congested PJM stakeholder calendar.

A copy of the revisions to Attachment M-3 required by FERC, with the proposed minimum time periods stated in calendar days highlighted, is attached to this notice. The PJM Transmission Owners solicit stakeholder input and comment on these proposed minimum time periods.

Written comments on the proposed minimum time periods, including, if the commenter so desires, a version of the Attachment marked to show changes proposed by the commenter, may be submitted for consideration by email to: (TO_February_15_Order_Compliance@pjm.com) on or before 5 pm, March 9, 2018.

Appendix A – Revisions Required to Attachment M-3

ATTACHMENT M-3

ADDITIONAL PROCEDURES FOR PLANNING OF SUPPLEMENTAL PROJECTS

This document provides additional details of the process that PJM and the PJM Transmission Owners will follow in connection with planning Supplemental Projects, as defined in section 1.42A.02 of the Operating Agreement, in accordance with Schedule 6 of the Operating Agreement. This process will only apply to Transmission Owners that plan Supplemental Projects

1. **Review of Supplemental Projects.** As described in sections 1.3(c) and (d) of Schedule 6 of the Operating Agreement, the Subregional RTEP Committees shall be responsible for the review of Supplemental Projects. The Subregional RTEP Committees shall have a meaningful opportunity to participate and provide feedback, including written comments, throughout the transmission planning process for Supplemental Projects. Disputes shall be resolved in accordance with the procedures set forth at XXX.
2. **Review of Assumptions and Methodology.** In accordance with sections 1.3(d), 1.5.4(a), and 1.5.6(b) and 1.5.6(c) of Schedule 6 of the Operating Agreement, each Subregional RTEP Committee shall schedule and facilitate a minimum of one Subregional RTEP Committee meeting to review the criteria, assumptions, and models Transmission Owners propose to use to plan and identify Supplemental Projects (Assumptions Meeting). Each Transmission Owner shall provide the criteria, assumptions and models to PJM for posting at least 10 days in advance of the Assumptions Meeting to provide Subregional RTEP Committee Participants sufficient time to review this information. Stakeholders may provide comments on the criteria, assumptions, and models to the Transmission Owner for consideration either prior to or following the Assumptions Meeting. The Transmission Owner shall review and consider comments that are received within 10 days of the Assumptions Meeting and may respond or provide feedback as appropriate.
3. **Review of System Needs.** No fewer than 25 days after the Assumptions Meeting, each Subregional RTEP Committee shall schedule and facilitate a minimum of one Subregional RTEP Committee meeting per planning cycle to review the identified criteria violations and resulting system needs, if any, that may drive the need for a Supplemental Project (Needs Meeting). Each Transmission Owner will review the identified system needs and the drivers of those needs, based on the application of its criteria, assumptions, and models that it uses to plan Supplemental Projects. The Transmission Owners shall share and post their identified criteria violations and drivers no fewer than 10 days in advance of the Needs Meeting. Stakeholders may provide comments on the criteria violations and drivers to the Transmission Owner for consideration prior to, at, or following the Needs Meeting. The Transmission Owner shall review and consider comments that are received within 10 days of the Needs Meeting and may respond or provide feedback as appropriate.

4. **Review of Potential Solutions.** No fewer than 25 days after the Needs Meeting, each Subregional RTEP Committee shall schedule and facilitate a minimum of one Subregional RTEP Committee meeting per planning cycle to review potential solutions for the identified criteria violations (Solutions Meeting). The Transmission Owners shall share and post their potential solutions, as well as any alternatives identified by the Transmission Owners or stakeholders, no fewer than 10 days in advance of the Solutions Meeting. Stakeholders may provide comments on the potential solutions to the Transmission Owner for consideration either prior to or following the Solutions Meeting. The Transmission Owner shall review and consider comments that are received within 10 days of the meeting and may respond or provide feedback as appropriate.
5. **Submission of Supplemental Projects.** Each Transmission Owner will finalize for submittal to the Transmission Provider Supplemental Projects for inclusion in the Local Plan in accordance with section 1.3 of Schedule 6 of the Operating Agreement and the schedule established by the Transmission Provider. Stakeholders may provide comments on the Supplemental Projects in accordance with section 1.3 of Schedule 6 of the PJM Operating Agreement before the Local Plan is integrated into the Regional Transmission Expansion Plan. Each Transmission Owner shall review and consider comments that are received at least 10 days before the Local Plan is submitted for integration into the Regional Transmission Expansion Plan.
6. **Information Relating to Supplemental Projects.** Information relating to each Transmission Owner's Supplemental Projects will be provided in accordance with, and subject to the limitations set forth in, section 1.5.4 of Schedule 6 of the Operating Agreement. Local Plan Information will be provided to and posted by the Office of Interconnection as set forth in section 1.5.4(e) of Schedule 6 of the Operating Agreement.
7. **No Limitation on Additional Meetings and Communications.** Nothing in this Attachment M-3 precludes any Transmission Owner from agreeing with stakeholders to additional meetings or other communications regarding Supplemental Projects, in addition to the Subregional RTEP Committee process.

Modifications. This Attachment M-3 may only be modified under Section 205 of the Federal Power Act if the proposed modification has been authorized by the PJM Transmission Owners Agreement-Administrative Committee in accordance with Section 8.5 of the Consolidated Transmission Owners Agreement.

FERC rendition of the electronically filed tariff records in Docket No. ER17-00179-002

Filing Data:

CID: C000030

Filing Title: PJM Transmission Owners submit Compliance Filing re: 2/15/18 Order in ER17-179

Company Filing Identifier: 3875

Type of Filing Code: 80

Associated Filing Identifier: 2249

Tariff Title: Intra-PJM Tariffs

Tariff ID: 23

Payment Confirmation:

Suspension Motion:

Tariff Record Data:

Record Content Description, Tariff Record Title, Record Version Number, Option Code:

OATT ATT M-3, OATT Attachment M-3, 0.1.0, A

Record Narrative Name:

Tariff Record ID: 1655

Tariff Record Collation Value: 430060800 Tariff Record Parent Identifier: 357

Proposed Date: 9998-12-31

Priority Order: 600

Record Change Type: CHANGE

Record Content Type: 1

Associated Filing Identifier:

ATTACHMENT M-3

ADDITIONAL PROCEDURES FOR PLANNING OF SUPPLEMENTAL PROJECTS

This document provides additional details of the process that PJM and the PJM Transmission Owners will follow in connection with planning Supplemental Projects, as defined in section 1.42A.02 of the Operating Agreement, in accordance with Schedule 6 of the Operating Agreement. This process will only apply to Transmission Owners that plan Supplemental Projects

- 1. Review of Supplemental Projects.** As described in sections 1.3(c) and (d) of Schedule 6 of the Operating Agreement, the Subregional RTEP Committees shall be responsible for the review of Supplemental Projects. The Subregional RTEP Committees shall have a meaningful opportunity to participate and provide feedback, including written comments, throughout the transmission planning process for Supplemental Projects. Disputes shall be resolved in accordance with the procedures set forth at Schedule 5 of the Operating Agreement.
- 2. Review of Assumptions and Methodology.** In accordance with sections 1.3(d), 1.5.4(a), and 1.5.6(b) and 1.5.6(c) of Schedule 6 of the Operating Agreement, each Subregional RTEP Committee shall schedule and facilitate a minimum of one Subregional RTEP Committee meeting to review the criteria, assumptions, and models Transmission Owners propose to use to plan and identify Supplemental Projects (Assumptions Meeting). Each Transmission Owner shall provide the criteria, assumptions, and models to PJM for posting at least 20 days in advance of the Assumptions Meeting to provide Subregional RTEP Committee Participants sufficient time to review this information. Stakeholders may provide comments on the criteria, assumptions, and models to the Transmission Owner for consideration either prior to or following the Assumptions Meeting. The Transmission Owner shall review and

consider comments that are received within 10 days of the Assumptions Meeting and may respond or provide feedback as appropriate.

3. **Review of System Needs.** No fewer than 25 days after the Assumptions Meeting, each Subregional RTEP Committee shall schedule and facilitate a minimum of one Subregional RTEP Committee meeting per planning cycle to review the identified criteria violations and resulting system needs, if any, that may drive the need for a Supplemental Project (Needs Meeting). Each Transmission Owner will review the identified system needs and the drivers of those needs, based on the application of its criteria, assumptions, and models that it uses to plan Supplemental Projects. The Transmission Owners shall share and post their identified criteria violations and drivers no fewer than 10 days in advance of the Needs Meeting. Stakeholders may provide comments on the criteria violations and drivers to the Transmission Owner for consideration prior to, at, or following the Needs Meeting. The Transmission Owner shall review and consider comments that are received within 10 days of the Needs Meeting and may respond or provide feedback as appropriate.
4. **Review of Potential Solutions.** No fewer than 25 days after the Needs Meeting, each Subregional RTEP Committee shall schedule and facilitate a minimum of one Subregional RTEP Committee meeting per planning cycle to review potential solutions for the identified criteria violations (Solutions Meeting). The Transmission Owners shall share and post their potential solutions, as well as any alternatives identified by the Transmission Owners or stakeholders, no fewer than 10 days in advance of the Solutions Meeting. Stakeholders may provide comments on the potential solutions to the Transmission Owner for consideration either prior to or following the Solutions Meeting. The Transmission Owner shall review and consider comments that are received within 10 days of the meeting and may respond or provide feedback as appropriate.
5. **Submission of Supplemental Projects.** Each Transmission Owner will finalize for submittal to the Transmission Provider Supplemental Projects for inclusion in the Local Plan in accordance with section 1.3 of Schedule 6 of the Operating Agreement and the schedule established by the Transmission Provider. Stakeholders may provide comments on the Supplemental Projects in accordance with section 1.3 of Schedule 6 of the PJM Operating Agreement before the Local Plan is integrated into the Regional Transmission Expansion Plan. Each Transmission Owner shall review and consider comments that are received at least 10 days before the Local Plan is submitted for integration into the Regional Transmission Expansion Plan.
6. **Information Relating to Supplemental Projects.** Information relating to each Transmission Owner's Supplemental Projects will be provided in accordance with, and subject to the limitations set forth in, section 1.5.4 of Schedule 6 of the Operating Agreement. Local Plan Information will be provided to and posted by the Office of Interconnection as set forth in section 1.5.4(e) of Schedule 6 of the Operating Agreement.
7. **No Limitation on Additional Meetings and Communications.** Nothing in this Attachment M-3 precludes any Transmission Owner from agreeing with stakeholders to

additional meetings or other communications regarding Supplemental Projects, in addition to the Subregional RTEP Committee process.

Modifications. This Attachment M-3 may only be modified under Section 205 of the Federal Power Act if the proposed modification has been authorized by the PJM Transmission Owners Agreement-Administrative Committee in accordance with Section 8.5 of the Consolidated Transmission Owners Agreement.

Document Content(s)

Attorney General's First Re-Hearing Set of Data Requests

Dated May 9, 2018

3875-d2a044d4-42cb-4835-a679-16d583ece708.PDF.....	1-11	Item No. 2
		Attachment 3
3875-d223b02b-d343-4411-b364-cb89b95d4506.PDF.....	12-15	Page 27 of 27
		Supplemental
3875-b2e2f714-5695-4759-9eca-18f94f5d752b.PDF.....	16-18	
3875-cbceeee7-2e31-42dc-97ba-0702710485b3.PDF.....	19-23	
FERC GENERATED TARIFF FILING.RTF.....	24-26	

164 FERC ¶ 61,161
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Kevin J. McIntyre, Chairman;
Cheryl A. LaFleur, Neil Chatterjee,
and Richard Glick.

California Public Utilities Commission, Northern
California Power Agency, City and County of San
Francisco, State Water Contractors, and Transmission
Agency of Northern California

Docket No. EL17-45-000

v.

Pacific Gas and Electric Company

ORDER DENYING COMPLAINT

(Issued August 31, 2018)

1. On February 2, 2017, pursuant to sections 206 and 306 of the Federal Power Act (FPA)¹ and Rules 206 and 212 of the Commission's Rules of Practice and Procedure,² the California Public Utilities Commission (CPUC), Northern California Power Agency (NCPA), City and County of San Francisco (San Francisco), the State Water Contractors (SWC), and the Transmission Agency of Northern California (TANC) (collectively, Complainants) filed a complaint (Complaint) against Pacific Gas and Electric Company (PG&E). The Complaint alleges that PG&E is in violation of its obligation under Order No. 890³ to conduct an open, coordinated, and transparent transmission planning process because more than 80 percent of PG&E's transmission planning is done on an internal

¹ 16 U.S.C. §§ 824e, 825e (2012).

² 18 C.F.R. §§ 385.206, 385.212 (2017).

³ *Preventing Undue Discrimination and Preference in Transmission Service*, Order No. 890, FERC Stats. & Regs. ¶ 31,241, *order on reh'g*, Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 (2007), *order on reh'g*, Order No. 890-B, 123 FERC ¶ 61,299 (2008), *order on reh'g*, Order No. 890-C, 126 FERC ¶ 61,228, *order on clarification*, Order No. 890-D, 129 FERC ¶ 61,126 (2009).

basis without opportunity for stakeholder input or review. We deny the Complaint, as discussed below.

I. Background

A. Order No. 890

2. In Order No. 890, the Commission found that:

[R]eforms are needed to ensure that transmission infrastructure is evaluated, and if needed, constructed on a nondiscriminatory basis and is otherwise sufficient to support reliable and economic service to all eligible customers. As noted above, vertically-integrated utilities do not have an incentive to expand the grid to accommodate new entries or to facilitate the dispatch of more efficient competitors. Despite this, the existing *pro forma* [Open Access Transmission Tariff (OATT)] contains very few requirements regarding how transmission planning should be conducted to ensure that undue discrimination does not occur.⁴

The Commission went on to find that the existing *pro forma* OATT was insufficient in an era of increasing transmission congestion and the need for significant new transmission investment, explaining that “[w]e cannot rely on the self-interest of transmission providers to expand the grid in a non-discriminatory manner.”⁵

3. To remedy the Commission’s concern regarding the potential for undue discrimination and anticompetitive conduct in the expansion of the transmission grid, the Commission in Order No. 890 required all public utility transmission providers to revise their OATTs to incorporate a transmission planning process that satisfied the following nine transmission planning principles: (1) Coordination; (2) Openness; (3) Transparency; (4) Information Exchange; (5) Comparability; (6) Dispute Resolution; (7) Regional Participation; (8) Economic Planning Studies; and (9) Cost Allocation for New Projects.⁶

4. In addition, the Commission found that, in order for a Regional Transmission Organization’s (RTO) or Independent System Operator’s (ISO) transmission planning process to be open and transparent, transmission customers and stakeholders must be able

⁴ Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 57.

⁵ *Id.* P 422.

⁶ *Id.* PP 444-561.

to participate in each underlying transmission owner's planning process. Accordingly, as part of their Order No. 890 compliance filings, the Commission directed RTOs/ISOs to indicate how all transmission owners within their footprints would comply with Order No. 890's transmission planning requirements. The Commission emphasized that, while the mechanics of such compliance would be left to each RTO/ISO, it would nevertheless find an RTO's/ISO's transmission planning process insufficient if the RTO's/ISO's underlying transmission owners were not also obligated to engage in transmission planning that complies with Order No. 890.⁷ The Commission explained that, in many cases, RTO/ISO transmission planning processes may focus principally on regional problems and solutions, not local planning issues that may be addressed by individual transmission owners. These local planning issues, the Commission noted, may be critically important to transmission customers, such as those embedded within the service areas of individual transmission owners. Therefore, to ensure full compliance, the Commission in Order No. 890 stated that transmission owners must—to the extent that they perform transmission planning within an RTO/ISO—also comply with Order No. 890.⁸

5. In Order No. 890-A, the Commission noted that each RTO/ISO may fulfill its Order No. 890 obligations by delegating certain planning activities to, or otherwise relying on, its transmission-owning members, provided that the rights and responsibilities of all parties are clearly stated in the RTO/ISO OATT. The Commission concluded, however, that each RTO/ISO retains responsibility for demonstrating compliance with each of the nine Order No. 890 transmission planning principles because it is the entity with the transmission planning process on file with the Commission.⁹ The Commission thus stated that an RTO/ISO would not be able to satisfy the requirements of Order No. 890 if the plans its transmission-owning members developed, and upon which the RTO/ISO relied, did not also satisfy those requirements.¹⁰

B. CAISO's Order No. 890 Compliance Filings

6. In its initial Order No. 890 compliance filing, the California Independent System Operator Corp. (CAISO) explained that its transmission planning process (TPP) includes a request window, during which market participants may propose transmission upgrades for inclusion in the annual transmission plan, and a three-stage transmission planning

⁷ *Id.* P 440.

⁸ *Id.*

⁹ Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 at P 175.

¹⁰ *Id.* P 176.

process.¹¹ In its order on CAISO's initial Order No. 890 compliance filing, the Commission expressed concern that the CAISO Tariff and Business Practice Manuals (BPM) did not clearly describe the relationship between CAISO's participating transmission owners (PTO) and CAISO with respect to the TPP. In particular, the Commission sought clarification regarding which projects are submitted through the CAISO request window and which projects may be submitted for approval outside the request window.¹² The Commission directed CAISO to: (1) explain the extent of any transmission planning that the PTOs perform and how such planning satisfies Order No. 890;¹³ and (2) revise its Tariff to ensure that stakeholder input will be incorporated into the planning process at an early stage of the development of the transmission plan for local facilities or other transmission planning that the PTOs conduct.¹⁴ However, the Commission further stated that the PTOs did not need to submit individual compliance filings because they had ceded functional control of their facilities to CAISO, and transmission service over these facilities is provided under the CAISO Tariff.¹⁵

7. The Commission accepted CAISO's second compliance filing, in which CAISO revised its tariff and relevant BPMs to specify the types of transmission projects that would be considered in CAISO's TPP and to specify that, in order to be considered in the TPP, all listed project types must be submitted through the TPP request window.¹⁶ In its second compliance filing, CAISO explained that what was then section 24.2.3 of its Tariff and sections 2.1.2.1 and 3.1 of the relevant BPM list and describe the categories of

¹¹ *Cal. Indep. Sys. Operator Corp.*, 123 FERC ¶ 61,283, at PP 16, 43-45 (2008).

¹² *Id.* PP 57-58.

¹³ *Id.* PP 16-17, 192-193.

¹⁴ *Id.* P 192. CAISO described local transmission planning to include planning for transmission facilities that are not part of the CAISO grid, but are interconnected to it, including those facilities that are inside its geographic footprint (e.g., generation ties and distribution facilities). CAISO stated that all changes to the PTOs' facilities, whether at the transmission or distribution level, must be provided to CAISO for incorporation into the foundational base cases. *Id.* PP 132-133.

¹⁵ *Id.* P 192.

¹⁶ *Cal. Indep. Sys. Operator Corp.*, 127 FERC ¶ 61,172, at P 65 (2009).

transmission projects and study requests that must be submitted to CAISO through the request window.¹⁷

8. In its order on CAISO's second compliance filing, the Commission found, as relevant to the categories of transmission projects described in section 24.2.3 of the CAISO Tariff and sections 2.1.2.1 and 3.1 of the relevant BPM, that CAISO and the PTOs had agreed on coordinating the PTOs' local planning responsibilities and CAISO's system planning responsibilities.¹⁸ As described in its second compliance filing, under the TPP, CAISO validates PTO planning data such as load forecasts and contingency files and incorporates this data into the united planning assumptions,¹⁹ which are subject to a stakeholder process and comments.²⁰ The PTOs are then responsible for developing their base cases for the NERC compliance assessments, pursuant to the applicable NERC requirements.²¹ The PTOs forward their base cases to CAISO, which publicly posts and takes comment on them and verifies that the modeling is consistent with the scope and assumptions set forth in CAISO's TPP study plan.²² CAISO will then post its preliminary study results and proposed mitigation plans on its website.²³ PTOs must submit the results from their studies to CAISO, and submit potential projects to resolve problems identified in the studies through the request window.²⁴ Stakeholders will then

¹⁷ CAISO Order No. 890 Compliance Filing, Docket No. OA08-62, at 14 (filed Oct. 31, 2008) (CAISO Order No. 890 Compliance Filing).

¹⁸ *Cal. Indep. Sys. Operator Corp.*, 127 FERC ¶ 61,172 at P 115. We note that this specific tariff section 24.2.3 is a "former" section, and is not currently in the Tariff, due to modifications to section 24 in the intervening years; however, it was the relevant section at the time.

¹⁹ All technical studies, whether performed by the CAISO, the PTOs, or other third parties, must use the united planning assumptions.

²⁰ *Cal. Indep. Sys. Operator Corp.*, 127 FERC ¶ 61,172 at P 116.

²¹ *Id.*

²² *Id.*

²³ *Id.* P 117.

²⁴ *Id.*

have an opportunity to submit alternative solutions to those proposed by the PTO prior to the closing date of the request window.²⁵

9. The Commission also found that under CAISO's TPP, stakeholders are able to participate early in the transmission planning process and provide input for developing planning assumptions. In addition, the Commission found that stakeholders are able to review the criteria, assumptions, and models used by each PTO, comment on the results of the studies, and offer alternatives to the transmission projects that the PTOs propose for local planning purposes. The Commission therefore concluded that "the local planning activities conducted by the [PTOs] are reasonable and the process, as set forth in the Tariff and business practice manual, is transparent."²⁶

10. Since Order No. 890, CAISO has further revised its TPP, both on its own and in response to Order No. 1000.²⁷ Currently, under the TPP, CAISO: (1) develops and posts a unified planning assumptions and study plan; (2) performs technical studies to identify transmission needs and proposed solutions to be included in the comprehensive transmission plan; and (3) evaluates proposals to construct and own transmission upgrades or additions specified in the comprehensive transmission plan through a competitive solicitation process. CAISO evaluates reliability, economic, public policy, and other needs specified in its Tariff at both the local level (low voltage facilities within a single PTO's footprint) and at the regional level (high voltage facilities). The roles and responsibilities of CAISO and its PTOs for transmission planning and development are set forth in the CAISO Tariff, BPMs, and Transmission Control Agreement (TCA).²⁸

²⁵ *Id.*

²⁶ *Id.* P 118.

²⁷ *Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*, Order No. 1000, FERC Stats. & Regs. ¶ 31,323 (2011), *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).

²⁸ The TCA is an agreement between CAISO and its PTOs; it contains the detailed terms and conditions for how CAISO and the PTOs discharge their respective duties and responsibilities, and covers (among other topics) transfer of operational control, maintenance standards, and expansion of transmission facilities.

II. Complaint

11. According to Complainants, PG&E is not complying with Order No. 890's transmission planning requirements because the majority of its capital transmission expenditures do not go through any CAISO or other public transmission planning process. Complainants state that PG&E's eighteenth annual transmission owner rate case²⁹ filing reveals that CAISO has or will review only 40 percent of PG&E's capital expenditures for 2016 and 2017. Further, Complainants explain, more than 60 percent of PG&E's capital transmission spending—constituting almost 80 percent of its individual transmission capital projects—is authorized through a self-approval process that involves only PG&E's Chief Financial Officer and Project Managers. According to Complainants, PG&E does not solicit stakeholder input at any phase of that process.³⁰

12. Complainants explain that PG&E groups its capital transmission expenditures into programs or Major Work Categories based on the primary project driver: line capacity and substation capacity; electric substation management; transmission line management; system reliability and automation; work requested by others; environmental; IT-infrastructure and technology; and common capital expenditures. According to Complainants, PG&E submits only two of those Major Work Categories, relating to line and substation capacity, as well as a portion of a third, related to Generator Interconnection Projects, to CAISO for review either through its TPP or its Generation Interconnection and Deliverability Allocation Procedures (GIDAP).³¹ Complainants state that among other things, PG&E provides no stakeholder process or external review before approving projects in the following programs:³²

Program	Description
Substation Management Projects	Projects to replace or upgrade substation equipment, including transformers, breakers, switches, ground grid, insulators, and bus structures.
Transmission Line Management Projects	Projects to replace deteriorating transmission line equipment and manage existing line assets, including projects to increase line ratings.
System Reliability and Automation	Projects to implement substation infrastructure improvements, integrated protection and control systems, and automated

²⁹ Pac. Gas & Elec. Co., Transmission Owner Tariff Rate Filing, Docket No. ER16-2320-000 (filed July 29, 2016) (PG&E TO18 Filing).

³⁰ Complaint at 27.

³¹ *Id.* at 28.

³² *Id.* at 29-30 (citing PG&E TO18 Filing, Ex. 9).

Projects	applications that automatically process and act on system data.
Work Requested by Others	Projects in this Major Work Category that are not submitted to CAISO include state infrastructure projects. These projects provide new and expanded services and replace existing facilities. (Generator Interconnection processes in this Major Work Category go through the GIDAP.)
Information Technology-Infrastructure and Technology	Project planning, requirements identification, business process design, data enhancement, software and hardware purchase, installation, configuration, testing, and deployment.
Common Expenditures	Allocated and direct-assigned expenditures for the acquisition and installation of computers, tools, and office equipment.

13. Complainants assert that PG&E’s self-approved transmission work is within the scope of Order No. 890. Complainants explain that PG&E is capitalizing all the transmission work in the Major Work Categories listed above and including it in rates charged to its customers; none of the work is classified and expensed as operations and maintenance work. Complainants contend that all capitalized transmission work should go through an Order No. 890-compliant transmission planning process. According to Complainants, Commission precedent distinguishes between operations and maintenance work and capital work, and maintenance work is performed to ensure that existing facilities continue to operate, while capital work requires that a utility make an affirmative decision to replace or upgrade facilities. According to Complainants, capital investment in a company’s transmission system involves a significant amount of discretion (e.g., whether a facility should be replaced as is, or replaced with several smaller facilities; whether a facility is still needed; and/or whether it should be upgraded to a new design or to increase capacity). Complainants contend that capital transmission investment is precisely the type of work that should go through a comprehensive transmission planning process, and that submitting only capital transmission work through an Order No. 890-compliant process will avoid the problem of having stakeholders weigh in on the replacement of individual nuts and bolts.³³

14. Complainants assert that the Commission approved CAISO’s Order Nos. 890 and 1000 compliance filings with the understanding that all PG&E projects were submitted to CAISO’s TPP.³⁴ However, Complainants state, that understanding does not reflect the scope of CAISO’s current transmission planning and stakeholder process. According to Complainants, it appears that the information before the Commission when it considered CAISO’s compliance with Order Nos. 890 and 1000, as well as the compliance of the

³³ *Id.* at 30-32.

³⁴ *Id.* at 33-38.

PTOs, was that all PTO transmission projects went through CAISO's request window. According to Complainants, CAISO assured the Commission in its Order No. 1000 compliance filing that "[its] transmission planning process governs *all* transmission upgrades to and expansions of the ISO controlled grid, and the ISO controlled grid includes all network transmission facilities – regional *and* local, high voltage *and* low voltage – that are owned by the participating transmission owners."³⁵ Complainants contend that the Commission had reason to believe that CAISO was conducting extensive local transmission planning, and its orders on CAISO's Order No. 890 compliance filings appear to state that it believed that local transmission planning was necessary for Order No. 890 compliance.³⁶

15. Complainants also assert that Commission precedent in other regions requires that local transmission planning be conducted in accordance with Order No. 890's transmission planning principles. Complainants explain that an Order to Show Cause³⁷ regarding Supplemental Projects³⁸ in the PJM Interconnection, L.L.C. (PJM) footprint made clear that Supplemental Projects must go through an Order No. 890-compliant transmission planning process. According to Complainants, PJM's response to the PJM Show Cause Order clarified that Supplemental Projects include "replacing equipment that has reached the end of its operational life, replacing failed equipment," "add[ing] new retail distribution customers," and "enhance[ing] system resiliency or security."³⁹ Complainants assert that, while the Commission did not discuss the distinction between maintenance expenses and capitalized expenditures in the PJM Show Cause Order, it made clear that Supplemental Projects must go through an Order No. 890-compliant transmission planning process, and did not carve out an exemption for "maintenance"

³⁵ *Id.* at 37-38 (citing Cal. Indep. Sys. Operator Corp., Order No. 1000 Compliance Filing, Docket No. ER13-103-000, at 15 (filed Oct. 11, 2012) (emphasis in original)).

³⁶ *Id.* at 39.

³⁷ *Monongahela Power Co.*, 156 FERC ¶ 61,134 (PJM Show Cause Order), *reh'g dismissed*, 157 FERC ¶ 61,178 (2016).

³⁸ PJM defines a Supplemental Project as a transmission expansion or enhancement that is not required for compliance with the following PJM criteria: system reliability, operational performance or economic criteria, pursuant to a determination by PJM, and is not a state public policy project pursuant to section 1.5.9(a)(ii) of Schedule 6 of the PJM Operating Agreement. *See* PJM, Intra-PJM Tariffs, Operating Agreement, Definitions S-T (10.0.1).

³⁹ Complaint at 39 (citing PJM Transmission Owners' Response to PJM Show Cause Order, Docket No. EL16-71-000, at 4 (filed Oct. 25, 2016)).

projects.⁴⁰ Complainants state that transmission owners in other transmission planning regions, such as ISO New England Inc. (ISO-NE) and the Midcontinent Independent System Operator, Inc. (MISO), also appear to include “replacement” projects in their Order No. 890 transmission planning processes.⁴¹

16. Next, Complainants state that applying Order No. 890’s transmission planning principles to PG&E’s projects will ensure that the CAISO grid is being comprehensively planned. According to Complainants, without comprehensive transmission planning, an individual PTO might, for instance, choose piecemeal replacement of existing facilities when a single regional transmission project could suffice. Similarly, Complainants argue that a transmission provider might find that it is in its financial interests to replace certain small facilities that will go into its own rate base instead of developing a bigger transmission project that triggers an RTO’s competitive solicitation process.⁴² Complainants state that PG&E’s massive expenditures on local transmission projects point to, among other things, an aversion to competitive processes, as well as a concerted effort to maximize the amount of its rate base as quickly as possible. Complainants state that they are not suggesting that regional transmission solutions are necessarily more cost-effective or efficient than local investments, but the lack of transparency and review undermines any ability to ensure that selected regional transmission solutions are more cost-effective than local ones and vice versa.⁴³

17. Complainants contend that CAISO’s current TPP does not require PG&E to submit its transmission projects for review, and that PG&E’s transmission owner tariff (TO Tariff) does not fill in the gaps. According to Complainants, while PTOs may submit a discrete set of non-reliability transmission projects to CAISO during Phase 2 of the TPP, the CAISO Tariff is silent on the planning process applicable to major work categories beyond those specifically enumerated. Complainants state that the CAISO Tariff appears to leave to the PTOs’ discretion the development of all other transmission projects, including those that maintain and improve a PTO’s transmission system, but whose primary purpose is not to directly increase transmission capacity. Complainants assert that PG&E, through its TO Tariff, should fill the gap left by the TPP with an Order No. 890-compliant transmission planning process for service area facilities, but it does

⁴⁰ *Id.* at 40 (citing PJM Show Cause Order, 156 FERC ¶ 61,134 at P 13).

⁴¹ *Id.* at 40-41.

⁴² *Id.* at 41.

⁴³ *Id.* at 42.

not currently have such a process and is not currently conducting any stakeholder processes.⁴⁴

18. Complainants assert that PG&E fails to comply with any of Order No. 890's transmission planning principles. They state that Commission staff has provided extensive guidance on what is required to satisfy Order No. 890's obligations, and that the Commission has referred to that guidance for assistance in drafting Order No. 890-compliant tariff language.⁴⁵ Complainants contend that, absent CAISO Tariff provisions addressing the transmission projects at issue, PG&E is obligated to include specific language in its TO Tariff and provide a stakeholder process consistent with Order No. 890's transmission planning principles. However, Complainants state, PG&E's TO Tariff does not provide even for a superficial version of the procedures contemplated by Order No. 890, because these transmission projects are studied, developed, and finalized through an entirely internal process wherein stakeholders have no right to participate at any point. Complainants assert that PG&E's failure to provide for any stakeholder process for its service area transmission planning is not consistent with Commission precedent in any region where it has considered the issue.⁴⁶

19. Complainants contend that an Order No. 890-compliant transmission planning process is necessary to contain escalating transmission rates. According to Complainants, PG&E has been investing hundreds of millions of dollars annually in transmission facilities that have received no third-party review, resulting in significant increases to CAISO's Transmission Access Charge (TAC) that may or may not be necessary. Complainants state that they support the construction of transmission where necessary to maintain a reliable grid that is sufficient to meet the needs of stakeholders. However, Complainants maintain that this support is premised on compliance with Commission requirements that the process for planning such transmission be open, inclusive, and transparent, and that it allow stakeholders to verify that only the reasonable costs of necessary and justifiable facilities are being passed through to ratepayers.⁴⁷

20. Complainants assert that stakeholder input as to where to strike the balance between cost and reliability is an important aspect of transmission planning that might

⁴⁴ *Id.* at 43-45.

⁴⁵ *Id.* at 46-47 (citing Preventing Undue Discrimination & Preference in Transmission Serv., Order No. 890 TPP Staff White Paper, Docket Nos. RM05-17-000, *et al.*, at 3-5 (Aug. 2, 2007)).

⁴⁶ *Id.* at 48-50.

⁴⁷ *Id.* at 54.

have made a difference in a number of PG&E self-approved projects already underway. For example, Complainants state that PG&E has substantially revised its default substation design to a “breaker-and-a-half” design,⁴⁸ and is rebuilding some substations to that configuration, versus implementing a more sectionalized configuration. According to Complainants, while a breaker-and-a-half substation will provide greater reliability, it is also significantly more expensive than previous designs. Complainants assert that a robust stakeholder process would ensure that the correct trade-offs are being made. Complainants also express concerns regarding PG&E’s programs to remediate sagging transmission lines and to increase the height of transmission line structures, which increases the conductor’s rating. According to Complainants, when and how to remediate sagging conductors raises a myriad of economic and reliability questions, including whether the lower conductor rating is even a problem. Complainants contend that stakeholders could provide valuable input into these questions.⁴⁹

21. Complainants assert that PG&E’s transmission rates have been increasing rapidly for years, in part due to its self-approved projects. For instance, PG&E’s wholesale revenue requirement has increased by an average of 9.72 percent over the past 11 of its rate cases (filed, except for one year, annually). Complainants state that in its current TO18 rate case, PG&E requests an increase to its currently effective wholesale transmission revenue requirement of \$386.6 million, or 29.3 percent. Complainants contend that these increases in PG&E’s revenue requirement have been a significant driver of the increase in CAISO’s TAC, which has tripled since 2008, outpacing every increase that CAISO has projected. According to Complainants, the fact that so much of PG&E’s transmission work does not go through an Order No. 890-compliant transmission planning process may be the reason for CAISO’s failure to correctly anticipate TAC increases, since CAISO has not been able to factor large amounts of transmission work into its forecasts.⁵⁰

22. According to Complainants, PG&E has the ultimate responsibility to comply with Order No. 890. Complainants state that, in the past, PG&E has relied on the CAISO TPP to demonstrate its compliance with Order No. 890’s transmission planning requirements, but CAISO’s current Tariff does not appear to provide for PTO Order No. 890-compliant local transmission planning processes or to explicitly require PTOs to submit the full range of their transmission projects through the TPP. Complainants assert that, if CAISO

⁴⁸ Breaker-and-a-half is a substation configuration consisting of two main buses, and featuring one circuit breaker between every two circuits, resulting in 1.5 breakers per circuit.

⁴⁹ Complaint at 55-56.

⁵⁰ *Id.* at 58-59.

is willing, PG&E could work with CAISO to revise the TPP to include all of PG&E's projects. However, Complainants explain, it is ultimately PG&E, not CAISO, with the obligation to comply with Order No. 890.⁵¹

23. Complainants request that the Commission: (a) set a refund effective date for the earliest possible date; and (b) direct PG&E to either reflect an Order No. 890-compliant transmission planning process in its own TO Tariff, or, if CAISO is amenable, direct PG&E to work with CAISO to require PTOs to submit all transmission projects to CAISO through expansion of the TPP.⁵²

24. Finally, Complainants assert that other PTOs in CAISO may be in violation of Order No. 890's transmission planning requirements. Complainants explain that they have filed the instant Complaint against PG&E because of the magnitude of PG&E's expenditures on self-approved projects, but data that Southern California Edison Company (SoCal Edison) and San Diego Gas and Electric Company (SDG&E) provided to the CPUC shows that a significant amount of their capital transmission work is not approved in the TPP. Consequently, Complainants suggest that the Commission may want to consider the issue of the PTOs' compliance with Order No. 890 more broadly in any subsequent proceedings it initiates in response to the Complaint.⁵³

III. Notice and Responsive Pleadings

25. Notice of the Complaint was published in the *Federal Register*, 82 Fed. Reg. 10,569 (2017), with interventions and protests due on or before February 22, 2017. Timely motions to intervene were filed by NextEra Energy Transmission West, LLC; Imperial Irrigation District; FirstEnergy Service Company; Trans Bay Cable LLC; California Municipal Utilities Association (CMUA); SDG&E; CAISO; LSP Transmission Holdings, LLC; Alliance for Retail Energy Markets; Western Power Trading Forum; the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (Six Cities); PSEG Companies;⁵⁴ and SoCal Edison. Timely motions to intervene and comments were filed by the City of Santa Clara, California and the M-S-R Public Power Agency (SVP/M-S-R) and Modesto Irrigation District. CAISO, CMUA, and Six Cities filed timely comments.

⁵¹ *Id.* at 60-61.

⁵² *Id.* at 61.

⁵³ *Id.* at 61-62.

⁵⁴ PSEG Companies withdrew their Motion to Intervene on February 22, 2017.

26. On February 22, 2017, PG&E filed an answer to the Complaint. On March 8, 2017, Complainants filed a motion for leave to answer and answer.

27. On March 9, 2018, NCPA, SWC, and TANC filed a Motion to Lodge a Commission order issued in *Monongahela Power Company*, into this docket.⁵⁵ Movants assert that there are common questions of fact raised in the instant proceeding and the February 15 PJM Order, which the movants request the Commission take into consideration during its deliberation of the issues raised in this docket.⁵⁶

A. PG&E's Answer

28. PG&E denies that it does not comply with Order No. 890. PG&E asserts that the focus of Order No. 890 was the Commission's desire to prevent undue discrimination and preference in the provision of transmission service by ensuring that projects being planned to increase transmission capacity and address reliability concerns in the RTO and ISO control areas not show preference to one customer or group of customers over another. PG&E asserts that, since the issuance of Order No. 890, it is not aware of any complaint having been filed at the Commission alleging that the TPP in place for the CAISO footprint has resulted in any discrimination or undue preference in the way in which planning for increasing capacity and addressing system reliability issues has been conducted. According to PG&E, there is no allegation in the Complaint that the overarching goal of Order No. 890 has not been achieved in California. Instead, PG&E asserts, the Complaint focuses on Complainants' desire to be more involved in the evaluation of transmission projects that are not primarily needed to increase capacity or address reliability issues. PG&E contends that the Complaint makes clear that its focus is cost – not non-discriminatory access to transmission service.⁵⁷

29. PG&E asserts that the Commission has previously considered, and rejected, the very arguments raised in the Complaint. According to PG&E, throughout the Order No. 890 proceeding and the proceedings relating to CAISO's compliance with Order No. 890, NCPA repeatedly urged the Commission to require that each PTO have separate, utility-specific Order No. 890-compliant transmission planning processes on

⁵⁵ See *Monongahela Power Co.*, 162 FERC ¶ 61,129 (2018) (February 15 PJM Order). The Motion to Lodge was also filed in Docket No. ER18-370-000. The Commission denied the Motion to Lodge in that docket in an order issued on March 23, 2018. *S. Cal. Edison Co.*, 162 FERC ¶ 61,264 (2018) (March 2018 Order).

⁵⁶ Motion to Lodge at 1, 3-4.

⁵⁷ PG&E Answer at 2-3.

file.⁵⁸ PG&E states that the Commission considered, addressed, and rejected those arguments, and accepted CAISO's October 31, 2008 compliance filing.⁵⁹ PG&E asserts that the compliance filing clarified how local planning activities are conducted in CAISO and confirmed that individual PTOs did not need to have separate Order No. 890-compliant transmission planning processes. Accordingly, PG&E states that it is not, and never has been, out of compliance with Order No. 890, and it denies the allegations in the Complaint that assert otherwise.⁶⁰

30. PG&E argues that the primary focus of the work that is the subject of the Complaint is not on expanding capacity or increasing the reliability of the CAISO-controlled grid, nor is it the kind of work that was the focus of Order No. 890. PG&E explains that the Complaint is focused on projects and programs that every electric transmission utility is likely to have, in some form, to replace aging infrastructure at the end of its useful life, replace facilities damaged by accidents or storms, address the evolving reliability and security requirements of the North American Electric Reliability Corporation and the Western Electricity Coordinating Council, and address cybersecurity and physical security of important transmission facilities in the face of increasing threats. PG&E states that the categories of work consist of compliance, emergency response and replacements, infrastructure enhancement, infrastructure replacement, infrastructure security enhancement, operation support, and work at the request of others.⁶¹

31. PG&E states that Order No. 890-A clarified that RTOs/ISOs could fulfill some of their transmission planning obligations by delegating certain activities to their transmission-owning members.⁶² PG&E explains that, in the case of CAISO, the TPP focuses on capacity additions and reliability solutions, including both economic and policy driven projects. However, PG&E asserts, for day-to-day projects, the TCA provides that "[e]ach [PTO] shall inspect, maintain, repair, replace, and maintain the rating and technical performance of its facilities under the CAISO's operational

⁵⁸ *Id.* at 13.

⁵⁹ *Cal. Indep. Sys. Operator Corp.*, 127 FERC ¶ 61,172 at P 118 (stating that the Commission "does not share [NCPA's] concerns that market participants will be shut out of the transmission planning process, but rather find that the local planning activities conducted by the participating transmission owners are reasonable and the process, as set forth in the [CAISO] tariff and business practice manual, is transparent").

⁶⁰ PG&E Answer at 13.

⁶¹ *Id.* at 17, Att. 1, Dasso Aff. ¶¶ 7-14.

⁶² *Id.* at 18 (citing Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 at P 175).

control.”⁶³ PG&E asserts that this longstanding approach is appropriate and is working effectively in meeting the Commission’s goal of ensuring the availability of transmission service free of undue discrimination or preference.⁶⁴

32. While acknowledging that the day-to-day work at issue here represents a substantial number of projects and a substantial percentage of the transmission capital expenditures it is incurring, PG&E argues that work should not be ordered to go through a stakeholder process. PG&E asserts that investor owned utilities must have the ability to replace failed or failing facilities, implement cyber and physical system security measures, and have in place the necessary software and controls to run the system. PG&E states that the Complaint asks the Commission to impose on PG&E the very process that NCPA urged on the Commission throughout the Order No. 890 proceeding and CAISO’s compliance filings, which the Commission concluded was not necessary in CAISO’s footprint. PG&E states that nothing has changed, and this request should again be denied.⁶⁵ In addition, PG&E asserts that Complainants’ “speculation” that “PG&E’s massive expenditures on local transmission projects certainly point to, among other things, an aversion to competitive processes, as well as a concerted effort to maximize the amount of its rate base as quickly as possible,”⁶⁶ is unsupported. PG&E states that it denies that speculation, and the Commission should reject it.⁶⁷

33. In response to Complainants’ argument regarding the PJM Show Cause Order, PG&E asserts that the order does not apply outside of PJM and, in any case, that Complainants mischaracterize that order. PG&E asserts that the transmission projects at issue in the PJM Show Cause Order are explicitly required under PJM’s tariff to go through the PJM Transmission Owner-specific transmission planning processes⁶⁸ and, unlike those projects, the categories of transmission work at issue here do not go through the CAISO TPP. In addition, PG&E contends that the PJM Show Cause Order is limited to the specific facts and circumstances of the PJM agreements and processes, which are fundamentally different than those that exist in CAISO. Similarly, in response to

⁶³ *Id.* (citing CAISO, Amended and Restated Transmission Control Agreement § 6.3 (2014), http://www.caiso.com/Documents/TCA_Effective_20140601.pdf).

⁶⁴ *Id.*

⁶⁵ *Id.* at 18-19.

⁶⁶ *Id.* at 19 (citing Complaint at 42).

⁶⁷ *Id.*

⁶⁸ *Id.* at 14.

Complainants' discussion of transmission planning processes in other RTOs/ISOs beyond PJM, PG&E asserts that the processes in those regions all differ from the Commission-approved transmission planning process applicable to PTOs in the CAISO footprint. According to PG&E, the Commission considered those differences in approving the TPP.⁶⁹

34. Notwithstanding its objections to Complainants' allegations, PG&E states that it will work with Complainants to put a stakeholder process in place with respect to PG&E's transmission projects that do not go through CAISO's TPP, and has reached out to Complainants' representatives to schedule the first meeting to begin talking through what an acceptable process would include.⁷⁰

B. Comments

1. CAISO

35. CAISO disputes Complainants' allegation that it stated in the Order No. 890 compliance proceedings that it would evaluate all capital transmission work that PG&E undertakes in the TPP. CAISO explains that, since its formation, it has never evaluated and approved all transmission-related work that PG&E has undertaken. CAISO states that, since its formation, there has been a Commission-approved division of roles and responsibilities between CAISO and its PTOs that distinguishes system expansions from other types of transmission-related work. According to CAISO, this distinction is reflected in the Commission-approved TCA that sets forth the respective roles and responsibilities of CAISO and each PTO. CAISO explains that TCA section 11, entitled "Expansion of Transmission Facilities," provides that CAISO Tariff sections 24 (Transmission Planning Process) and 25 (Generator Interconnection) will apply to any expansion and reinforcement of the transmission system. On the other hand, CAISO notes, TCA section 4.3 provides that the PTOs are responsible for operating and maintaining the transmission lines and associated facilities placed under CAISO's operational control in accordance with the TCA, applicable reliability criteria, and CAISO operating procedures and protocols. CAISO states that TCA section 6.3 requires PTOs to inspect, maintain, repair, replace, and maintain the rating and technical performance of their facilities under CAISO's operational control in accordance with the applicable reliability criteria and performance standards established under the TCA. CAISO also notes that, under TCA section 4.2, PTOs are responsible for informing CAISO of any change in their facility ratings, and following the specified process for ensuring that any rating changes can be implemented without a problem. CAISO

⁶⁹ *Id.* at 15-16.

⁷⁰ *Id.* at 20-21.

explains that this process occurs outside of the TPP. According to CAISO, the TCA does not require that non-expansion, non-reinforcement, maintenance, and compliance-type projects be approved through the TPP.⁷¹

36. CAISO argues that nothing in its Order No. 890 compliance filings indicated that capital maintenance-type projects, such as those described in the Complaint, would be subject to the TPP. CAISO explains that its initial Order No. 890 compliance filing addressed planning for “Transmission Expansion,” which was the title of CAISO Tariff section 24. Consistent with the TCA, the CAISO Tariff contemplated that transmission planning would apply to transmission system expansions, i.e., upgrades and additions.⁷² According to CAISO, the proposed compliance tariff language defined the transmission planning process as “[t]he process by which the CAISO assesses the CAISO Controlled Grid as set forth in Section 24 of Appendix EE.”⁷³ Thus, by definition, CAISO asserts, matters not referenced in CAISO Tariff section 24 were not subject to the TPP. CAISO argues that the Commission did not direct CAISO to revise its tariff to provide that it would evaluate other types of transmission-related work besides those specified in section 24. Conversely, states CAISO, the Commission subsequently accepted the proposed tariff language in its second compliance filing and expressly acknowledged CAISO’s statement that no other transmission projects would be evaluated in the TPP.⁷⁴ CAISO adds that section 24.2.3.1 of its tariff expressly recognized that there is other transmission-related work that does not go through its TPP in directing PTOs to provide “detailed power system models of their transmission systems that reflect transmission system changes, including equipment replacement not requiring approval by the CAISO.”⁷⁵

37. In particular, CAISO asserts, there was no discussion in the proposed tariff language or the Commission’s order on CAISO’s second Order No. 890 compliance filing to suggest that the Commission expected the TPP to evaluate capital maintenance projects, projects addressing transmission facility remediation, safety, security, or

⁷¹ CAISO Comments at 4-5.

⁷² *Id.* at 7 (citing CAISO Order No. 890 Compliance Filing).

⁷³ *Id.* (citing CAISO Order No. 890 Compliance Filing at Substitute Original Sheet No. 1454).

⁷⁴ *Id.* at 12 (citing *Cal. Indep. System Operator Corp.*, 127 FERC ¶ 61,172 at PP 62, 65).

⁷⁵ *Id.* at 8-9 (noting that this provision is currently in Tariff section 24.8.1).

environmental concerns, automation upgrades, or information technology upgrades.⁷⁶ Further, CAISO argues that neither its Order No. 1000 compliance filing nor the Commission's order accepting it expressly indicated that CAISO would evaluate and approve other types of transmission work, such as capital maintenance projects, non-expansion replacements of portions of facilities, information technology and automation projects, projects intended to address safety, security, or environmental concerns, or remedial work to comply with regulations or standards adopted by other authorities. CAISO states that it does not have authority to review and approve in its TPP transmission-related work that is not expressly specified in the CAISO Tariff, is not authorized under the TCA, and was not expressly authorized by the Commission.⁷⁷ CAISO explains that its statement in its Order No. 1000 compliance filing that it performs both local and regional planning means that CAISO conducts the transmission planning activities authorized in CAISO Tariff section 24 for all facilities under its operational control, which include facilities at all voltage levels and at all locations on the system. CAISO asserts that the statement did not mean, and cannot mean, that it evaluates and approves transmission work other than what is specified in that section.⁷⁸

2. Other Comments

38. CMUA, Six Cities, Modesto Irrigation District, and SVP/M-S-R support the Complaint. CMUA states that, as demonstrated in the Complaint, PG&E's wholesale transmission revenue requirement has averaged almost a 10 percent increase per year, and this trajectory of increase is unsustainable, particularly in light of the fact "that the majority of the investment does not comply with Order No. 890 requirements." CMUA states that it is telling that the CPUC has taken the extraordinary step of joining with public power entities to file the Complaint. CMUA asserts that the issues raised in the Complaint are matters of significant policy importance, and that the outcome of a robust and collaborative Order No. 890-compliant process that includes CAISO, the CPUC, PTOs, and stakeholders would likely result in more solid support for capital improvements, and more emphasis on cost-effective high-value projects, than the current process.⁷⁹

39. Six Cities support the relief requested in the Complaint. Six Cities state that there may be some transmission projects that are properly included in an expanded CAISO

⁷⁶ *Id.* at 12.

⁷⁷ *Id.* at 14-15.

⁷⁸ *Id.* at 15-16.

⁷⁹ CMUA Comments at 2-3.

TPP, and some that may be more appropriately included in a PG&E-specific transmission planning process. Six Cities suggest that affected parties within CAISO may benefit from a stakeholder process, technical conference, or similar forum to identify and discuss possible scope changes to the TPP and the development of a PTO-specific transmission planning process.⁸⁰ Six Cities also concur with Complainants that the Commission should consider whether any directives to adopt new or additional planning procedures that result from the Complaint should be expanded to apply to other PTOs.⁸¹ Six Cities note that, with respect to their entitlement and joint ownership interests that have been placed under CAISO's operational control, their jointly-held and minority ownership interests in the relevant facilities do not generally allow for them to make unilateral planning decisions or to exercise discretion on a unilateral basis to incur capital costs for such facilities. Rather, facility expansions and/or the incurrence of capital costs are undertaken pursuant to the terms of the contractual agreements with other owners who are not PTOs in CAISO that govern the operations, maintenance, planning, and use of the facilities. Six Cities assert that CAISO and the PTOs have acknowledged this in the TCA.⁸² As such, Six Cities argue that any new procedures for expanding planning activities within CAISO must continue to recognize and accommodate the limitations that some PTOs have associated with contractual transmission entitlement interests that are under CAISO's operational control.⁸³

C. Complainants' Answer to PG&E's Answer

40. Complainants assert that PG&E mischaracterizes Order No. 890's focus on undue discrimination. Complainants state that they agree with PG&E that a principal concern of Order No. 890 was the prevention of undue discrimination among customers; however, PG&E overlooks the fact that undue discrimination may occur in the transmission planning process when a transmission owner chooses to discriminate against customers, in its own favor, in the transmission projects that it chooses to prioritize. Complainants explain that they are concerned that this may be occurring, and only a transparent planning process can provide assurance that it is not. Complainants also state that PG&E mischaracterizes Order No. 890 by suggesting that the final rule did not intend to address the cost of transmission, while in fact Order No. 890 clearly recognized that preventing

⁸⁰ Six Cities Comments at 5-6.

⁸¹ *Id.* at 7.

⁸² *Id.* at 8 (citing CAISO TCA § 4.1.1).

⁸³ *Id.*

undue discrimination is intertwined with creating cost-effective solutions to transmission needs.⁸⁴

41. In response to assertions that the Commission has already found that CAISO's TPP complies with Order No. 890, Complainants state that the Commission did not view Order No. 890 as a static requirement, noting that Commission staff would "periodically monitor the implementation of the planning process to determine if adjustments [were] necessary."⁸⁵ Complainants assert that the Commission should revisit PG&E's Order No. 890 compliance because \$1.5 billion has been spent in 2016 and 2017 for projects that are not reviewed in the TPP or in any other public forum.⁸⁶ Complainants assert that PG&E's reliance on prior orders in which the Commission rejected NCPA's requests that the PTOs be required to file separate local transmission planning processes in their TO Tariffs conflates two related but discrete issues: PG&E's obligation to include a local transmission planning process in its TO Tariff and its underlying obligations to comply with Order No. 890's transmission planning requirements. Complainants assert that the Commission did not excuse PG&E or any other PTO from complying with Order No. 890.⁸⁷

42. Complainants argue that the affidavit included in PG&E's answer demonstrates that the considerations in PG&E's internal process should be shared with stakeholders in an Order No. 890-compliant transmission planning process, and are similar to the considerations associated with the transmission projects that go through the CAISO TPP. While Complainants concede that stakeholders may request information on PG&E's capital projects through the discovery process in PG&E's transmission rate cases, they assert that the information provided in those cases is limited for use in those particular proceedings and is only provided after transmission projects have been planned and their costs have been rolled into PG&E's rate base.⁸⁸

43. Finally, Complainants state that they would not object to the Commission holding the Complaint in abeyance as the parties hold discussions, but a Commission order on the Complaint will still be necessary to ensure PG&E is complying with Order No. 890 going

⁸⁴ Complainants' Answer at 2-3.

⁸⁵ *Id.* at 5-6.

⁸⁶ *Id.* at 6.

⁸⁷ *Id.* at 7.

⁸⁸ *Id.* at 8-9.

forward because any voluntary process that came out of such discussions would not be a substitute for a process on file with the Commission.⁸⁹

IV. May 2018 Technical Conference and Post-Conference Comments

44. On March 23, 2018, the Commission issued an order⁹⁰ in Docket No. ER18-370-000 accepting and suspending a filing by SoCal Edison proposing a new annual Transmission Maintenance and Compliance Review (TMCR) process whereby SoCal Edison will share and review certain information with interested stakeholders regarding transmission-related maintenance and compliance activities that are not subject to consideration through the TPP. In the March 2018 Order, the Commission found that questions raised in that docket were also applicable to the processes that other PTOs in CAISO use to identify transmission-related maintenance and compliance activities, including, but not limited to, capital additions, and that similar questions were raised in the pending complaint in Docket No. EL17-45-000. To further address these issues with regard to all PTOs and CAISO, the Commission directed its staff to hold a technical conference in new Docket No. AD18-12-000, which also included Docket Nos. EL17-45-000 and ER18-370-000.⁹¹ The technical conference was held on May 1, 2018. Following the technical conference, a supplemental notice was issued including additional questions for participants and providing a process for the submission of comments and reply comments.

A. Technical Conference Discussion

45. At the staff-led technical conference addressing transmission planning within CAISO in Docket Nos. AD18-12-000, EL17-45-000, and ER18-370-000, representatives from CAISO, the PTOs (SoCal Edison, PG&E, SDG&E), and GridLiance West Transco participated. Also participating in the conference were representatives for the CPUC, NCPA, TANC (collectively, Complainant Representatives),⁹² SWC, San Francisco,

⁸⁹ *Id.* at 10-11.

⁹⁰ March 2018 Order, 162 FERC ¶ 61,264.

⁹¹ *Id.* PP 24-25. Concurrently with the March 2018 Order, the Commission issued a Notice of Technical Conference in Docket Nos. AD18-12-000, EL17-45-000, and ER18-370-000 (March 23 Notice of Technical Conference).

⁹² In its post-technical conference comments, CPUC explains that the Complainant Representatives have coordinated their comments in order to fully address the issues raised at the Technical Conference and avoid duplication. CPUC also states that the Complainant Representatives participated in the technical conference on behalf of all of

California Department of Water Resources State Water Project, Six Cities, Modesto Irrigation District, Imperial Irrigation District, City of Santa Clara, California, and SVP/M-S-R.

46. At the technical conference, no participant asserted that CAISO's TPP was deficient. Rather, participants focused on the PTOs' internal processes for identification and approval of projects and activities that do not go through the TPP, and whether those processes should be more transparent and provide opportunities for stakeholder input. During discussions, the PTOs utilized the term "asset management" to encompass the transmission-related maintenance and compliance projects at issue in the proceedings. According to the PTOs, asset management refers to the activities necessary to maintain a safe, reliable, and compliant grid, based on existing grid topology. These activities include operations and maintenance and capital expenditure activities as part of the PTOs' compliance with the TCA. CAISO reiterated that the TCA does not require non-expansion, non-reinforcement, maintenance, or compliance-type projects that do not change the topology of the grid to be approved through the TPP.⁹³

47. As for the reasons for recent increases in its transmission expenditures, PG&E explained that it is making significant investments in transmission infrastructure because the infrastructure is reaching the end of its useful life. PG&E expressed that it is increasing its investment in order to maintain the performance of the grid, as it is obligated to do.⁹⁴

48. With respect to the definition of asset management, the PTOs explained that they use inspection-based maintenance programs that identify repairs and replacements based on observed asset conditions. The PTOs explained that when equipment needs to be replaced due to its age or as the result of a performance failure, they follow industry

the Complainants in the Complaint proceeding, including SWC and San Francisco. CPUC Initial Post-Technical Conference Comments at 1, 6 & n.4.

⁹³ The Commission's Post-Technical Conference questions included requests for participants to provide definitions for the terms "asset management" and "asset management programs." The Commission received the following responses: SoCal Edison Initial Post-Technical Conference Comments at 3-7; SDG&E Initial Post-Technical Conference Comments at 3; PG&E Initial Post-Technical Conference Comments at 10-11.

⁹⁴ Technical Conference Tr. at 99:7-21.

standards and best practices (such as ISO 55000)⁹⁵ in selecting the replacements. However, when old equipment is replaced, the new equipment may not be a one-to-one replacement, as it will most likely include newer, more advanced technology, which might result in additional benefits to the system, such as “incidental” increases in capacity. According to CAISO and the PTOs, an asset management project that involves an incidental increase in capacity is not required to be reviewed and approved through CAISO’s TPP because the incidental increase in capacity is a function of the more advanced technology of the equipment rather than the driver for the project.⁹⁶ However, the relevant PTO would reflect any such a change in the base case that the PTO provides to CAISO for its use in modeling the PTO’s system for the TPP.

49. The PTOs further explained that, in reviewing an asset management project, if a PTO determines that it can address a CAISO-identified need by expanding the scope of the asset management project, the additional work would be “incremental” to the asset management activity. To the extent that this incremental portion of the project increases transmission capacity to meet a CAISO-identified need, the incremental portion of the project would be reflected in the base case that the PTO submits to CAISO for modeling and would be reviewed under CAISO’s TPP.⁹⁷ If CAISO does not approve the incremental work, then the PTO would not expand the scope of its original asset management project.⁹⁸

50. CAISO stated that it has no interest in assuming responsibility for asset management because it does not want to assume liability for this work. Moreover, CAISO noted that it does not have access to the PTO-level system information needed to take on these activities, especially given the potential volume of asset management projects and activities and the skillsets required to assess them.⁹⁹ CAISO and the PTOs

⁹⁵ The ISO 55000 defines asset management as a coordinated activity of an organization to realize value from assets, including maintenance planning and asset evaluation.

⁹⁶ Technical Conference Tr. at 132:12-134:14; *see also* CAISO Initial Post-Technical Conference Comments at 6-7; PG&E Initial Post-Technical Conference Comments at 11.

⁹⁷ Technical Conference Tr. at 128:23-131:16; *see also* CAISO Initial Post-Technical Conference Comments at 6-11; SoCal Edison Initial Post-Technical Conference Comments at 8; SDG&E Initial Post-Technical Conference Comments at 4-5.

⁹⁸ Technical Conference Tr. at 131:3-16.

⁹⁹ *Id.* at 173:15-175:2.

also explained that the critical factor in whether a project is submitted to the TPP is the driver for the project. CAISO reiterated that its Tariff details the categories of transmission solutions that it must review through the TPP, and that it does not evaluate transmission-related activities that fall outside of those specified categories.¹⁰⁰

51. The PTOs addressed the potential for providing greater transparency in their asset management programs. SoCal Edison explained that its TMCR amendment to its tariff establishes a process for providing transparency for its asset management projects and activities. At the technical conference, the other PTOs expressed some willingness to consider developing a similar process for their asset management projects and activities.¹⁰¹ However, in post-conference comments, SDG&E argued that a new process would add administrative costs and constrain utilities from getting work done. SDG&E believes that the ratemaking process is the appropriate place to review asset management projects and activities. PG&E expressed some willingness to engage with stakeholders to work towards a consensual process that provides additional transparency, provided that the process does not unnecessarily burden or delay necessary asset management work. PG&E contends that the Commission should not impose any process.¹⁰²

52. Complainant Representatives argued that greater transparency concerning asset management projects and activities is necessary for the PTOs to comply with Order No. 890. At the technical conference, Complainant Representatives asserted that the PTOs are investing billions of dollars in new infrastructure through their asset management programs, the costs of which are included in transmission rates. They argued that the PTOs' asset management programs lack both transparency and opportunities for stakeholder input, and suggested that the PTOs should make public the criteria that they use to identify asset management projects and activities, as well as the factors that they consider to prioritize such projects. In addition, Complainant Representatives argued that the PTOs should provide multiple opportunities for stakeholder input regarding planned asset management projects and activities and the identified needs underlying them, and also provide stakeholders with the opportunity to suggest alternatives in advance of these asset management decisions.

¹⁰⁰ *Id.* at 47:3-52:10, 120:5-15.

¹⁰¹ *Id.* at 180:1-187:18.

¹⁰² SDG&E Initial Post-Technical Conference Comments at 8; PG&E Initial Post-Technical Conference Comments at 13.

B. Post-Technical Conference Comments

53. In their post-technical conference comments, Complainant Representatives further assert that the CAISO TAC has more than tripled since 2008, and self-approved projects like those at issue here are driving a great deal of that increase.¹⁰³ The CPUC provides information that it obtained via data requests on the magnitude of spending on capital addition projects, the category used for many of the maintenance-related activities. According to the CPUC, the three large PTOs' self-approved capital additions totaled approximately \$6.4 billion between 2007 and 2017, comprising 35.4 percent of all capital addition projects. Additionally, the CPUC forecasts a further \$3.3 billion in self-approved capital project expenditures from 2018-2022, comprising approximately 49.4 percent of total capital additions.¹⁰⁴ In this aggregate data, PG&E's expenditures (as PG&E is the largest of the three investor-owned PTOs) are significantly larger than those of SoCal Edison and SDG&E, and account for 63 percent of PG&E's total capital additions.¹⁰⁵

54. In support of their arguments that self-approved projects should go through an Order No. 890 process, Complainant Representatives rely upon the Commission's findings in the February 15 PJM Order.¹⁰⁶ Complainant Representatives argue that, in the PJM proceeding, the Commission ruled that Supplemental Projects must go through an Order No. 890-compliant process, and that the Commission should make the same determination here.¹⁰⁷

55. Complainant Representatives also assert that after-the-fact review in a PTO rate case is not sufficient to ensure that proper stakeholder input is provided. They argue that, while that review could increase transparency, it does not provide for information exchange or coordination between ratepayers and the PTO. Additionally, Complainant Representatives assert that PTO rate cases are inherently adversarial processes in which

¹⁰³ NCPA Initial Post-Technical Conference Comments at 2.

¹⁰⁴ CPUC Initial Post-Technical Conference Comments at 8-10.

¹⁰⁵ *Id.* at 9-10.

¹⁰⁶ February 15 PJM Order, 162 FERC ¶ 61,129 (finding that the PJM Transmission Owners are implementing the PJM Operating Agreement in a manner that is inconsistent with the transparency and coordination requirements of Order No. 890).

¹⁰⁷ NCPA Initial Post-Technical Conference Comments at 5-6; CPUC Initial Post-Technical Conference Comments at 3, 14.

transmission owners argue for higher rates while customers argue for lower ones.¹⁰⁸ Complainant Representatives contend that PTO rate cases provide a poor venue for risk analysis and proper assessment of whether a more expensive project is warranted under specific circumstances.¹⁰⁹ Further, they argue, these rate cases do not commit a transmission owner to a particular course of action; they merely set the appropriate level of the transmission rates.

56. NCPA also asserts that the PTOs are using their self-approved projects to discriminate against wholesale customers. As examples, NCPA asserts that PG&E did not provide needed repair work on circuits and believes that its member cities were incorrectly assessed as a single customer. NCPA argues that because these activities are not included in a formal transmission planning process, NCPA does not have information necessary to determine with certainty that there is discrimination against wholesale customers.¹¹⁰

57. NCPA (in conjunction with the Complainant Representatives) proposes an ongoing five-year transmission planning process. This process, which it calls the Transmission Planning and Prioritization Process (TPAP) would include three rounds of stakeholder review and input for asset management projects and activities. Under the proposed process, the PTO and stakeholders would first review the previous five-year plan and develop lessons learned. Second, the PTO and stakeholders would develop a Planning Standards and Investment Strategy Study Plan, similar to CAISO's unified planning assumptions. Third, the PTO would conduct a stakeholder meeting to share the results of all studies, after which stakeholders would have an opportunity to provide comments and propose solutions to the identified transmission needs. Finally, the PTO would develop a new five-year transmission plan, with updates from the current year's activities. The new five-year transmission plan would list each planned capital expenditure that is predicted to cost at least \$1 million over the next five years, as well as

¹⁰⁸ NCPA Initial Post-Technical Conference Comments at 3-5; TANC Initial Post-Technical Conference Comments at 7; CPUC Initial Post-Technical Conference Comments at 3.

¹⁰⁹ NCPA Initial Post-Technical Conference Comments at 3.

¹¹⁰ *Id.* at 7

information regarding the need for that expenditure. The PTO would take input from stakeholders on the draft five-year transmission plan before finalizing it.¹¹¹

58. In response to Complainant Representatives' TPAP proposal, SoCal Edison contends that having three separate meetings, each with a round of comments, is an inefficient use of time and resources. SoCal Edison explains that planning assumptions are unlikely to change significantly from year to year, so it makes little sense to spend significant time and resources to have a separate meeting and round of comments to address them each year. Further, SoCal Edison asserts that presenting a proposed solution at the same time that a need is identified is more useful than presenting a need without a solution. Also, SoCal Edison states, presenting a proposed solution contemporaneously with a need in no way precludes a stakeholder from proposing an alternative solution.¹¹²

59. SoCal Edison and CAISO both assert that Complainant Representatives' reliance upon Commission rulings regarding transmission planning in PJM is misplaced. They explain that in PJM (and also in ISO-NE),¹¹³ local transmission planning occurred outside of the respective regional transmission planning process. By contrast, transmission planning in CAISO, both regional and local, are within the purview of the CAISO TPP.¹¹⁴

60. In its reply comments, the CPUC requests that the Commission issue an order ruling that the PTOs' processes for identifying self-approved projects are transmission planning and that the PTOs are simply mischaracterizing these activities. The CPUC argues that planning for these projects is taking place now.¹¹⁵ The CPUC also requests

¹¹¹ NCPA Initial Post-Technical Conference Comments at 8-10; *see also* TANC Initial Post-Technical Conference Comments at 14-15; CPUC Initial Post-Technical Conference Comments at 12-13.

¹¹² SoCal Edison Post-Technical Conference Reply Comments at 1, 4-5.

¹¹³ *ISO New England Inc.*, 123 FERC ¶ 61,161, at P 97 (2008).

¹¹⁴ SoCal Edison Post-Technical Conference Reply Comments at 8-9; CAISO Post-Technical Conference Reply Comments at 9-10.

¹¹⁵ CPUC Post-Technical Conference Reply Comments at 5-7; *see also* Old Dominion Electric Cooperative Initial Post-Technical Conference Comments at 1-2.

that the Commission approve a mandatory Order No. 890-compliant transmission planning process for projects that all of the PTOs now self-approve.¹¹⁶

61. With its reply comments, the CPUC includes a Motion for Expedited Ruling Issuing Order to Show Cause in AD18-12-000 (Motion for Show Cause Order). In this motion, CPUC argues that on the basis of these large expenditures on self-approved projects, the Commission should issue an order to show cause: (1) affirming that Order No. 890 governs the PTOs' transmission planning for self-approved projects; (2) ordering new tariff provisions to implement the transmission planning process that NCPA proposed; (3) ordering the PTOs to hold in-person meetings twice monthly until agreement is reached with Complainants; (4) ordering the PTOs to provide a public version of their most current Five Year Plans; (5) clarifying that PTOs' forecasted costs for self-approved projects should be made publicly available; and (6) ordering the PTOs to provide Complainants with any other materials they use for planning self-approved projects.¹¹⁷

V. Discussion

A. Procedural Matters

62. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2017), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

63. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2017), prohibits an answer to an answer unless otherwise ordered by the decisional authority. We accept Complainants' answer because it provided information that assisted us in our decision-making process.

64. We deny the Motion to Lodge. Given that the Commission has knowledge of its own holdings, we find a motion to lodge prior Commission orders is unnecessary.¹¹⁸

¹¹⁶ *Id.* at 9-10.

¹¹⁷ *Id.* at 4. We address the Motion for Show Cause Order in an order issued concurrently in Docket No. ER18-370-000. *S. Cal. Edison Co.*, 164 FERC ¶ 61,160 (2018).

¹¹⁸ *Midcontinent Indep. Sys. Operator, Inc.*, 156 FERC ¶ 61,203, at P 12 (2016).

B. Substantive Matters

65. We deny the Complaint. Complainants have not met their burden of proof under FPA section 206 to demonstrate that PG&E's TO Tariff is unjust, unreasonable, unduly discriminatory, or preferential because it does not require asset management projects and activities¹¹⁹ to go through an Order No. 890-compliant transmission planning process. Under FPA section 206, "the burden of proof to show that any rate, charge, classification, rule, regulation, practice, or contract is unjust, unreasonable, unduly discriminatory, or preferential shall be upon . . . the complainant."¹²⁰ Accordingly, Complainants must demonstrate that PG&E's existing TO Tariff provisions, which the Commission has previously accepted as just and reasonable and not unduly discriminatory or preferential, have become unjust, unreasonable, unduly discriminatory, or preferential, or are unjust, unreasonable, unduly discriminatory, or preferential as applied to Complainants. We find that Complainants have not made such a demonstration, and we therefore deny the Complaint.

66. Complainants' assertion that PG&E's TO Tariff violates the transmission planning requirements of Order No. 890 is based on the premise that those requirements apply to any transmission-related projects and activities that are capitalized in a PTO's transmission rate base, including the asset management projects and activities at issue here. We disagree. While Order No. 890 does not explicitly define the scope of "transmission planning," the Commission adopted the transmission planning requirements in Order No. 890 to remedy opportunities for undue discrimination in *expansion* of the transmission grid.¹²¹ As discussed above, the Commission was concerned that transmission providers may have a disincentive to remedy the increased

¹¹⁹ The types of projects and activities at issue in this proceeding have been referred to variously as "self-approved projects;" "capital transmission expenditures;" "capital transmission projects;" "transmission-related maintenance and compliance activities, including, but not limited to, transmission-related capital additions;" "maintenance projects;" and "capital additions or investments." At the May 1, 2018 technical conference and in post-technical conference comments, the PTOs introduced the term "asset management" to describe these activities. While the definitions that the different PTOs offer vary slightly, they all encompass the maintenance, repair, and replacement work done on existing transmission facilities as necessary to maintain a safe, reliable, and compliant grid based on existing topology. To simplify the discussion, we use the term "asset management projects and activities" throughout the following determination.

¹²⁰ 16 U.S.C. § 824e(b).

¹²¹ See Order No. 890, FERC Stats. & Regs. ¶ 31,241 at PP 57-58, 421-422.

congestion caused by insufficient transmission capacity, explaining that “[w]e cannot rely on the self-interest of transmission providers to *expand* the grid in a non-discriminatory manner.”¹²² Thus, the transmission planning reforms that the Commission adopted in Order No. 890 were intended to address concerns regarding undue discrimination in grid expansion. Accordingly, to the extent that PG&E asset management projects and activities do not expand the grid, they do not fall within the scope of Order No. 890, regardless of whether they are capitalized in PG&E’s transmission rate base.¹²³

67. Based on the information in the record, we find that the specific asset management projects and activities at issue here do not, as a general matter, expand the CAISO grid. Rather, these asset management projects and activities include maintenance, repair, and replacement work, and infrastructure security, system reliability, and automation projects PG&E undertakes to maintain its existing electric transmission system and meet regulatory compliance requirements.

68. We recognize that there may be instances in which a PTO’s asset management project or activity may result in an incidental increase in transmission capacity that is not reasonably severable from the asset management project or activity. For example, CAISO explained that if a PTO, such as PG&E, needed to replace an aging 1940-vintage transformer at the end of its useful life, a like-for-like replacement with equipment from 1940 would not be feasible. Instead, CAISO states, the PTO would likely replace the old equipment with a modern transformer, which could be of a higher capacity if the PTO has standardized transformer sizes across its system to allow for sparing should the transformer fail.¹²⁴ Such an increase in transmission capacity would be incidental to, and not reasonably severable from, the asset management project or activity required to meet the PTO’s need. We find that this type of incidental increase in transmission capacity that is a function of advancements in technology of the replaced equipment, and is not reasonably severable from the asset management project or activity, would not render the asset management project or activity in question a transmission expansion that is subject to the transmission planning requirements of Order No. 890.

69. However, there may also be instances in which a PTO’s asset management project or activity may result in an increase in transmission capacity that is not incidental, for example, where a PTO determines that it can address a CAISO-identified transmission need by expanding the scope of an asset management project or activity to result in a

¹²² *Id.* P 422 (emphasis added).

¹²³ To the extent that Complainants have questions regarding PG&E’s accounting treatment of asset management projects and activities, such questions would be more appropriately addressed in PG&E’s annual transmission owner rate filing proceedings.

¹²⁴ *See* Technical Conference Tr. at 132:12-133:10.

capacity increase. In such a case, the additional work would not be incidental to but would be incremental to the asset management project or activity and would represent an expansion of the CAISO grid. Accordingly, the incremental portion of the asset management project or activity would be subject to the transmission planning requirements of Order No. 890 and would have to be submitted for consideration in CAISO's TPP through the request window. If CAISO did not approve the incremental work, then the PTO should not expand the scope of the original asset management project or activity without that work being subject to consideration through an Order No. 890-compliant transmission planning process.¹²⁵

70. We additionally note that CAISO's compliance filings for Order Nos. 890 and 1000 and the resulting TPP included certain subsets of the universe of transmission-related work that were expansion-related in nature. Nothing in the Commission's orders accepting CAISO's second Order No. 890 compliance filing or its Order No. 1000 compliance filing¹²⁶ indicated that CAISO would evaluate non-expansion transmission-related work.¹²⁷

71. In light of our finding that the asset management projects and activities at issue here are not subject to Order No. 890's transmission planning requirements, we find that Complainants have not demonstrated that PG&E failed to meet its responsibility to comply with Order No. 890.

72. We are also not persuaded by Complainants' assertions that the transmission planning practices in other ISOs/RTOs are instructive here. Specifically, we find that

¹²⁵ We note that, at the technical conference, PG&E (as well as SoCal Edison) agreed that such incremental additions would need to go through the TPP. *See* Technical Conference Tr. at 129:9-131:14.

¹²⁶ *Cal. Indep. Sys. Operator Corp.*, 127 FERC ¶ 61,172 at PP 62, 65; *Cal. Indep. Sys. Operator Corp.*, 143 FERC ¶ 61,057 (2013), *order on clarification and compliance*, 146 FERC ¶ 61,198, *order on reh'g and compliance*, 149 FERC ¶ 61,249 (2014).

¹²⁷ *See* *Cal. Indep. Sys. Operator Corp.*, Order No. 1000 Compliance Filing, Docket No. ER13-103-000, at 11 (filed Oct. 11, 2012) (stating that, in the TPP, CAISO determines the "appropriate transmission (or non-transmission) solutions to meet the following: reliability needs; economic needs; public policy requirements and directives; location-constrained resource interconnection facilities (which are radial generation tie facilities ultimately paid for by generators as they come on-line); maintaining the feasibility of long-term CRRs. [CAISO] also identifies merchant transmission proposals and additional components or expansions of facilities that will be reflected in large generator interconnection agreements.").

Complainants' reference to the Commission's recent order regarding Supplemental Projects in PJM¹²⁸ is inapposite. The question of whether asset management projects and activities that do not increase the capacity of the grid must go through an Order No. 890-compliant transmission planning process was not at issue in the February 15 PJM Order. Instead, the February 15 PJM Order examined the PJM Transmission Owners' implementation of the process for planning Supplemental Projects, a process that is set forth in the PJM Operating Agreement and Tariff. Similarly, we are not persuaded by Complainants' assertions that other regions, such as ISO-NE and MISO, consider asset management projects and activities through their regional transmission planning processes. Whether or not other transmission planning regions are considering asset management projects and activities through their regional transmission planning process does not, in and of itself, determine whether Order No. 890 requires them to do so.

73. We find that Complainants' assertions that other PTOs in CAISO may also be in violation of Order No. 890 are beyond the scope of this proceeding. Complainants brought the Complaint solely against PG&E, and the scope of this proceeding is therefore limited to whether PG&E's self-approval of asset management projects and activities violates the requirements of Order No. 890. We also find that NCPA has not provided evidentiary support for its assertion that the PTOs in general—and PG&E in particular—are using asset management projects and activities to discriminate against wholesale customers. To the extent that NCPA or its members have concerns regarding potential undue discrimination with regard to PG&E's asset management projects and activities, they retain their rights under FPA section 206 to seek redress from the Commission in a separate proceeding.

74. Although we are denying the Complaint, we understand Complainants' desire for more transparency into the PG&E costs that go into CAISO's TAC. Although the PG&E asset management projects and activities at issue here are not subject to the transmission planning requirements of Order No. 890, we nonetheless recognize that Complainants, other stakeholders, and PG&E are all likely to benefit from increased transparency into these projects and activities. Additional transparency may help interested parties to understand why such projects and activities are needed. In addition, greater transparency may allow stakeholders to express, and PG&E to address, concerns before capital investments related to these projects and activities are included in rate filings, which could help narrow the scope of disputes brought before the Commission. Therefore, we strongly encourage PG&E to continue its efforts to work with Complainants and other stakeholders to develop a process to share and review information with interested parties regarding asset management projects and activities that are not considered through the

¹²⁸ February 15 PJM Order, 162 FERC ¶ 61,129.

TPP.¹²⁹ In an order issued concurrently with this order in Docket No. ER18-370-000, we find that SoCal Edison's proposal for a new TMCR process through which SoCal Edison will share and review certain information regarding transmission-related maintenance and compliance activities with interested stakeholders is just and reasonable.¹³⁰ SoCal Edison's TMCR process may provide a useful example for PG&E and its stakeholders to consider.

The Commission orders:

The Complaint is hereby denied, as discussed in the body of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

¹²⁹ PG&E Answer at 20-21.

¹³⁰ *S. Cal. Edison Co.*, 164 FERC ¶ 61,160.