

Appendix 8 to Attachment K

Interregional Transmission Coordination Between the SERTP and PJM Regions

The Transmission Owner, through its regional transmission planning process, coordinates with the PJM Interconnection, LLC (“PJM”) as the transmission provider and planner for the PJM region to address transmission planning coordination issues related to interregional transmission projects. The interregional transmission coordination procedures include a detailed description of the process for coordination between public utility transmission providers in the SERTP and PJM to identify possible interregional transmission projects that could address transmission needs more efficiently or cost-effectively than transmission projects included in the respective regional transmission plans. The interregional transmission coordination procedures are hereby provided in this Appendix 8 to Attachment K with additional materials provided on the Regional Planning website.

The Transmission Owner and PJM shall:

- (1) Coordinate and share the results of the SERTP’s and PJM’s regional transmission plans to identify possible interregional transmission projects that could address transmission needs more efficiently or cost-effectively than separate regional transmission projects;
- (2) Identify and jointly evaluate transmission projects that are proposed to be located in both transmission planning regions;
- (3) Exchange, at least annually, planning data and information; and
- (4) Maintain a website and e-mail list for the communication of information related to the coordinated planning process.

The Transmission Owner and PJM developed a mutually agreeable method for allocating between the two transmission planning regions the costs of new interregional transmission projects that are located within both transmission planning regions. Such cost allocation method satisfies the six interregional cost allocation principles set forth in Order No. 1000 and are included in this Appendix 8.

For purposes of this Appendix 8, the SERTP's transmission planning process is the process described in Attachment K of this Tariff; PJM's regional transmission planning process is the process described in Schedule 6 of PJM's OATT. References to the respective transmission planning processes in this Appendix 8 are intended to identify the activities described in those tariff provisions. Likewise, references to the respective regional transmission plans in this Appendix 8 are intended to identify, for PJM, the PJM Regional Transmission Expansion Plan ("RTEP"), as defined in applicable PJM documents and, for the Transmission Owner, the SERTP regional transmission plan, which includes the Transmission Owner's ten (10) year transmission expansion plan. Unless noted otherwise, Section references in this Appendix 8 refer to Sections within this Appendix 8.

Nothing in this Appendix 8 is intended to affect the terms of any bilateral planning or operating agreements between transmission owners and/or transmission service providers that exist as of the effective date of this Appendix 8 or that are executed at some future date.

INTERREGIONAL TRANSMISSION PLANNING PRINCIPLES

Representatives of the SERTP and PJM will meet no less than once per year to facilitate the interregional coordination procedures described below (as applicable). Representatives of the SERTP and PJM may meet more frequently during the evaluation of project(s) proposed for

purposes of interregional cost allocation between the SERTP and PJM. For purposes of this Appendix 8, an “interregional transmission project” means a facility or set of facilities that would be physically located in both the SERTP and PJM regions and would interconnect to the transmission facilities of one or more SERTP transmission owners and one or more PJM transmission owners

1. Coordination

1.1 Review of Respective Regional Transmission Plans: Biennially, the Transmission Owner and PJM shall review each other’s current regional transmission plan(s) and engage in the data exchange and joint evaluation described in Sections 2 and 3.

- The review of each region’s regional transmission plan(s), which plans include the transmission needs and planned upgrades of the transmission providers in each region, shall occur on a mutually agreeable timetable, taking into account each region’s transmission planning process timeline.

1.2 Review of Proposed Interregional Transmission Projects: The Transmission Owner and PJM will also coordinate with regard to the evaluation of interregional transmission projects identified by the Transmission Owner and PJM as well as interregional transmission projects proposed for Interregional Cost Allocation Purposes (“Interregional CAP”), pursuant to Sections 3 and 5, below. Initial coordination activities regarding new interregional proposals will typically begin during the third calendar quarter. The Transmission Owner and PJM will exchange status updates for new interregional transmission project proposals or proposals currently under consideration as needed. These status updates will

generally include, if applicable: (i) an update of the region's evaluation of the proposal; (ii) the latest calculation of Regional Benefits (as defined in Section 5.2); (iii) the anticipated timeline for future assessments; and (iv) reevaluations related to the proposal.

1.3 Coordination of Assumptions Used in Joint Evaluation: The Transmission Owner and PJM will coordinate assumptions used in joint evaluations, as necessary, which includes items such as:

- Expected timelines/milestones associated with the joint evaluation
- Study assumptions
- Regional benefit calculations.

1.4 Posting of Materials on Regional Planning Websites: The Transmission Owner and PJM will coordinate with respect to the posting of materials related to the interregional coordination procedures described in this Appendix 8 on each region's regional planning website.

2. Data Exchange

2.1 At least annually, the Transmission Owner and PJM shall exchange power-flow models and associated data used in the regional transmission planning processes to develop their respective then-current regional transmission plan(s). This exchange will occur when such data is available in each of the transmission planning processes, typically during the first calendar quarter. Additional transmission-based models and data may be exchanged between the Transmission Owner and PJM as necessary and if requested. For purposes of the interregional coordination activities outlined in this Appendix 8, only data and models used in

the development of the Transmission Owner's and PJM's then-current regional transmission plans and used in their respective regional transmission planning processes will be exchanged. This data will be posted on the pertinent regional transmission planning process' websites, consistent with the posting requirements of the respective regional transmission planning processes, and is considered CEII. The Transmission Owner shall notify PJM of such posting.

- 2.2** The SERTP regional transmission plans will be posted on the Regional Planning website pursuant to the Transmission Owner's regional transmission planning process. The Transmission Owner will also notify PJM of such posting so PJM may retrieve these transmission plans. PJM will exchange its then-current regional plan(s) in a similar manner according to its regional transmission planning process.

3. Joint Evaluation

- 3.1 Identification of Interregional Transmission Projects:** The Transmission Owner and PJM shall exchange planning models and data and current regional transmission plans as described in Section 2. The Transmission Owner and PJM will review one another's then-current regional transmission plan(s) in accordance with the coordination procedures described in Section 1 and their respective regional transmission planning processes. If through this review, the Transmission Owner and PJM identify a potential interregional transmission project that could be more efficient or cost effective than projects included in the respective regional plans, the Transmission Owner and PJM will jointly evaluate the potential project pursuant to Section 3.3.

3.2 Identification of Interregional Transmission Projects by Stakeholders:

Stakeholders may propose projects that may be more efficient or cost-effective than projects included in the Transmission Owner's and PJM's regional transmission plans pursuant to the procedures in each region's regional transmission planning processes. The Transmission Owner and PJM will evaluate interregional transmission projects proposed by stakeholders pursuant to Section 3.3.

3.3 Evaluation of Interregional Transmission Projects: The Transmission Owner and PJM shall act through their respective regional transmission planning processes to evaluate potential interregional transmission projects and to determine whether the inclusion of any potential interregional transmission projects in each region's regional transmission plan would be more efficient or cost-effective than projects included in the respective then-current regional transmission plans. Such analysis shall be consistent with accepted planning practices of the respective regions and the methods utilized to produce each region's respective regional transmission plan(s). The Transmission Owner will evaluate potential interregional transmission projects consistent with Section 3 and Section 21 of Attachment K. To the extent possible and as needed, assumptions and models will be coordinated between the Transmission Owner and PJM, as described in Section 1. Data shall be exchanged to facilitate this evaluation using the procedures described in Section 2.

3.4 Evaluation of Interregional Transmission Projects Proposed for Interregional Cost Allocation Purposes:

Interregional transmission projects proposed for Interregional CAP must be submitted in both the SERTP and PJM regional transmission planning processes. The project submittals must satisfy the applicable requirements for submittal of interregional transmission projects, including those in Sections 5.1(A) and 5.1(B). The submittals in the respective regional transmission planning processes must identify the project proposal as interregional in scope and identify SERTP and PJM as the regions in which the project is proposed to interconnect. The Transmission Owner will determine whether the submittal for the proposed interregional transmission project satisfies all applicable requirements. Upon finding that the project submittal satisfies all such applicable requirements, the Transmission Owner will notify PJM. Upon both regions so notifying one another that the project is eligible for consideration pursuant to their respective regional transmission planning processes, the Transmission Owner and PJM will jointly evaluate the proposed interregional projects.

3.4.1 If an interregional transmission project is proposed in the SERTP and PJM for Interregional CAP, the initial evaluation of the project will typically begin during the third calendar quarter, with analysis conducted in the same manner as analysis of interregional projects identified pursuant to Sections 3.1 and 3.2. Further evaluation shall also be performed pursuant to this Section 3.4. Projects proposed for Interregional CAP shall also be subject to the requirements of Section 5.

3.4.2 Each region, acting through its regional transmission planning process, will evaluate proposals to determine whether the interregional

transmission project(s) proposed for Interregional CAP addresses transmission needs that are currently being addressed with projects in its regional transmission plan(s) and, if so, which projects in the regional transmission plan(s) could be displaced by the proposed project(s).

3.4.3 Based upon its evaluation, each region will quantify a Regional Benefit based upon the transmission costs that each region is projected to avoid due to its transmission projects being displaced by the proposed project. For purposes of this Appendix 8, “Regional Benefit” means: (i) for the Transmission Owner, the total avoided costs of projects included in the then-current regional transmission plan that would be displaced if the proposed interregional transmission project was included and (ii) for PJM, the total avoided costs of projects included in the then-current regional transmission plan that would be displaced if the proposed interregional transmission project was included. The Regional Benefit is not necessarily the same as the benefits used for purposes of *regional* cost allocation.

3.5 Inclusion of Interregional Projects Proposed for Interregional CAP in Regional Transmission Plans: An interregional transmission project proposed for Interregional CAP in the SERTP and PJM will be included in the respective regional plans for purposes of cost allocation only after it has been selected by both the SERTP and PJM regional processes to be included in their respective regional plans for purposes of cost allocation.

3.5.1 To be selected in both the SERTP and PJM regional plans for purposes of cost allocation means that each region has performed all evaluations, as prescribed in its regional transmission planning processes, necessary for a project to be included in its regional transmission plans for purposes of cost allocation.

- For the SERTP: All requisite approvals are obtained, as prescribed in the SERTP regional transmission planning process, necessary for a project to be included in the SERTP regional transmission plan for purposes of cost allocation. This includes any requisite regional benefit to cost (“BTC”) ratio calculations performed pursuant to the respective regional transmission planning processes. For purposes of the SERTP, the anticipated allocation of costs of the interregional transmission project for use in the regional BTC ratio calculation shall be based upon the ratio of the SERTP’s Regional Benefit to the sum of the Regional Benefits identified for both the SERTP and PJM; and
- For PJM: All requisite approvals are obtained, as prescribed in the respective regional transmission planning processes, necessary for a project to be included in the regional transmission plans for purposes of cost allocation.

3.6 Removal from Regional Plans: An interregional transmission project may be removed from the SERTP’s or PJM’s regional plan for purposes of cost allocation: (i) if the developer fails to meet developmental milestones; (ii)

pursuant to the reevaluation procedures specified in the respective regional transmission planning processes; or (iii) if the project is removed from one of the region's regional transmission plan(s) pursuant to the requirements of its regional transmission planning process.

3.6.1 The Transmission Owner shall notify PJM if an interregional project or a portion thereof is likely to be removed from its regional transmission plan.

4. Transparency

4.1 The Transmission Owner shall post procedures for coordination and joint evaluation on the Regional Planning website.

4.2 Access to the data utilized will be made available through the Regional Planning website subject to the appropriate clearance, as applicable (such as CEII and confidential non-CEII). Both planning regions will make available, on their respective regional websites, links to where stakeholders can register (if applicable/available) for the stakeholder committees or distribution lists of the other planning region.

4.3 At the fourth quarter SERTP Summit, or as necessary due to current activity of proposed interregional transmission projects, the SERTP will provide status updates of interregional activities including:

- Facilities to be evaluated
- Analysis performed
- Determinations/results.

4.4 Stakeholders will have an opportunity to provide input and feedback within the respective regional planning processes of SERTP and PJM related to interregional

facilities identified, analysis performed, and any determination/results.

Stakeholders may participate in either or both regions' regional planning processes to provide their input and feedback regarding the interregional coordination between the SERTP and PJM.

- 4.5** The Transmission Owner will post a list on the Regional Planning Website of interregional transmission projects proposed for purposes of cost allocation in both the SERTP and PJM that are not eligible for consideration because they do not satisfy the regional project threshold criteria of one or both of the regions as well as post an explanation of the thresholds the proposed interregional project failed to satisfy.

5. Cost Allocation

- 5.1 Proposal of Interregional Transmission Projects for Interregional CAP:** For an interregional transmission project to be eligible for Interregional CAP within the SERTP and PJM regions, all of the following criteria must be met:

- A. The interregional transmission project must be interregional in nature, which requires that it must:
- Be physically located in both the SERTP region and the PJM region;
 - Interconnect to transmission facilities in both the SERTP and PJM regions. The facilities to which the project is proposed to interconnect may be either existing facilities or transmission projects included in the regional transmission plan that are currently under development; and

- Meet the threshold criteria for transmission projects potentially eligible to be included in the regional transmission plans for purposes of cost allocation in both the SERTP and PJM regions, pursuant to their respective regional transmission planning processes.
- B. The interregional transmission project must be proposed for purposes of cost allocation in both the SERTP and PJM regions.
- The transmission developer and project submittal must satisfy all criteria specified in the respective regional transmission processes; and
 - The proposal should be submitted in the timeframes outlined in the respective regional transmission planning processes.
- C. The interregional transmission project must be selected in the regional transmission plans of both the SERTP and PJM regions.
- The costs of the interregional transmission project eligible for interregional cost allocation shall only be allocated to a region if that region has selected the interregional transmission project in its regional transmission plan for purposes of cost allocation; and
 - No cost shall be allocated to a region that has not selected the interregional transmission project in its regional transmission plan for purposes of cost allocation.

5.2 Allocation of Costs for Interregional Transmission Projects Between the SERTP and PJM Regions: The cost of an interregional transmission project selected for purposes of cost allocation in the regional transmission plans of both

the SERTP and PJM regions shall be allocated for Interregional CAP to those regions as provided below:

- A. The share of the costs of an interregional transmission project allocated to a region will be determined by the ratio of the present value(s) of the estimated costs of such region's displaced regional transmission project(s) to the total of the present values of the estimated costs of the displaced regional transmission projects in all regions that have selected the interregional transmission project in their regional transmission plans for purposes of cost allocation. The present values used in the cost allocation shall be based on a common date, comparable cost components, and the latest cost estimates used in the determination to include the interregional transmission project in the respective regional plans for purposes of cost allocation. The applicable discount rate(s) used for the SERTP region for interregional cost allocation purposes will be based upon the after-tax weighted average cost of capital of the SERTP transmission owners whose projects would be displaced by the proposed interregional transmission project. The applicable discount rate for the PJM region shall be the discount rate included in the assumptions that are reviewed with the PJM Board of Managers each year for use in the economic planning process.
- B. When all or a portion of an interregional transmission project is to be located within a region in which there is no displaced regional transmission project, such region may, at its sole discretion, select the interregional transmission project for inclusion in its regional transmission

plan; provided, however, that no portion of the costs of the interregional transmission project shall be allocated to such region pursuant to Section 5.2.A.

C. Nothing in this Section 5 shall govern the further allocation of costs allocated to a region pursuant to this Section 5.2 within such region.

D. The following example illustrates the cost allocation provisions in Section 5.2.A:

- Regions A and B, through the joint evaluation process prescribed in Section 3.4 of this Appendix 8 have included Transmission Project Z in their respective regional plans for purposes of cost allocation. Transmission Project Z was determined to address both regions' needs more efficiently or cost effectively than Transmission Project X in Region A and Transmission Project Y in Region B.
- The estimated cost of Transmission Projects X and Y are Cost (X) and Cost (Y) respectively. As described in Section 5.2.A, these costs shall be based upon common cost components.
- The number of years from the common present value date to the year associated with the cost estimates of Transmission Projects X and Y are $N(X)$ and $N(Y)$ respectively.
- Recognizing that the regions may have different discount rates, for purposes of this example D_A is the discount rate used for Transmission Projects X and D_B is the discount rate used for Transmission Project Y.

- Based on the foregoing assumptions and the allocation of costs based upon displaced regional transmission projects as prescribed in Section 5.2.A, the following illustrative formulas would be used:
 - Present Value of Cost (X) = $PV \text{ Cost (X)} = \text{Cost (X)} / (1+D_A)^{N(X)}$
 - Present Value of Cost (Y) = $PV \text{ Cost (Y)} = \text{Cost (Y)} / (1+D_B)^{N(Y)}$
 - Cost Allocation to Region A = $PV \text{ Cost (X)} / [PV \text{ Cost (X)} + PV \text{ Cost (Y)}]$
 - Cost Allocation to Region B = $PV \text{ Cost (Y)} / [PV \text{ Cost (X)} + PV \text{ Cost (Y)}]$
- Applying the above formulas, if:
 - Cost (X) = \$60 Million and $N(X) = 8.25$ years
 - Cost (Y) = \$40 Million and $N(Y) = 4.50$ years
 - $D_A = 7.5\%$ per year
 - $D_B = 7.4\%$ per year
- Then:
 - $PV \text{ Cost (X)} = 60 / (1+0.075)^{8.25} = 33.0$ Million
 - $PV \text{ Cost (Y)} = 40 / (1+0.074)^{4.50} = 29.0$ Million
 - Cost Allocation to Region A = $33.0 / (33.0 + 29.0) = 53.2\%$ of the cost of Transmission Project Z
 - Cost Allocation to Region B = $29.0 / (33.0 + 29.0) = 46.8\%$ of the cost of Transmission Project Z

5.3 Merchant Transmission and Transmission Owner Projects: Nothing in this Section 5 shall preclude the development of interregional transmission projects that are funded by merchant transmission developers or by individual transmission owners.

5.4 Exclusivity with Respect to Interregional Transmission Projects Selected for Interregional CAP: The following provisions shall apply regarding other cost allocation arrangements:

- A. Except as provided in Section 5.4.B, the provisions in this Section 5 are the exclusive means by which any costs of an interregional transmission project selected for Interregional CAP between the SERTP and PJM regions may be allocated between or among those regions.
- B. A transmission owner(s) or transmission developer(s) may propose to fund or allocate, on a voluntary basis, the cost of an interregional transmission project selected for Interregional CAP using an allocation other than the allocation that results from the methodology set forth in Section 5.2, provided that, should the allocation of cost of such interregional transmission project be subject to the Federal Energy Regulatory Commission's ("FERC") jurisdiction, such allocation proposal is accepted for filing by FERC in accordance with the filing rights with respect to cost allocation set forth in Section 5.5 of this Appendix 8 and provided further that no allocation shall be made to any region that has not agreed to that allocation.

5.5 Section 205 Filing Rights with Respect to Interregional Transmission

Projects Selected for Interregional CAP: Solely with respect to interregional transmission projects evaluated under this Appendix 8 and selected by the SERTP and PJM regional transmission planning processes for purposes of Interregional CAP, the following provisions shall apply:

- A. Except as provided in Sections 5.4 and 5.5.B of this Appendix 8, nothing in this Section 5 will convey, expand, limit or otherwise alter any rights of the transmission owners, transmission developers or other market participants to submit filings under Section 205 of the Federal Power Act (“FPA”) regarding cost allocation or any other matter.
- B. The cost allocation provisions in this Section 5 shall not be modified under Section 205 of the FPA without the mutual consent of the holders of the FPA Section 205 rights with respect to interregional cost allocation in the SERTP and PJM regions.

5.6 Consequences to Other Regions from Interregional Transmission Projects:

Except as provided in this Section 5, or in other documents, agreements or tariffs on file with FERC, neither the SERTP region nor the PJM region shall be responsible for compensating another planning region for required upgrades or for any other consequences in another planning region associated with interregional transmission projects identified pursuant to this Appendix 8.

May 26, 2015

BY ELECTRONIC FILING

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

Re: The Southeastern Regional Transmission Planning Process
Compliance Filings to *PJM Interconnection, L.L.C, et al.*, 150 FERC ¶ 61,046
Interregional Compliance Filing for the SERTP-PJM Seam

Duke Energy Carolinas, LLC and Duke Energy Progress, Inc.,
Docket No. ER13-1928

Kentucky Utilities Company and Louisville Gas and Electric Company,
Docket No. ER13-1930

**Ohio Valley Electric Corporation, including its wholly owned subsidiary Indiana-
Kentucky Electric Corporation,**
Docket No. ER13-1940

Southern Company Services, Inc.,
Docket No. ER13-1941

Dear Ms. Bose:

Pursuant to Section 206 of the Federal Power Act¹ (“FPA”), the Federal Energy Regulatory Commission’s (“Commission” or “FERC”) order issued in *PJM Interconnection, L.L.C.*, 150 FERC ¶ 61,046 (2015) (the “PJM-SERTP Order” or “Order”), and the Commission’s *Notice Granting Extension of Time*, issued in the above dockets on March 6, 2015, Duke Energy Carolinas, LLC and Duke Energy Progress, Inc. (collectively, “Duke”); Louisville Gas and Electric Company and Kentucky Utilities Company (“LG&E/KU”); Ohio Valley Electric Corporation, including its wholly owned subsidiary Indiana-Kentucky Electric Corporation (“OVEC”); and Southern Company Services, Inc., acting as agent for Alabama Power Company, Georgia Power Company, Gulf Power Company, and Mississippi Power Company (collectively “Southern Companies”), hereby provide their compliance filings to the PJM-SERTP Order.

¹ 16 U.S.C. § 824e.

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I. INTRODUCTION

A. Background

Duke, LG&E/KU, OVEC, and Southern Companies (collectively, the “SERTP Filing Parties” or “Jurisdictional SERTP Sponsors”) are all public utility transmission providers that sponsor the Southeastern Regional Transmission Planning process (“SERTP”). In addition to the Jurisdictional SERTP Sponsors, the SERTP also is supported by the following nonjurisdictional transmission owners and service providers: Associated Electric Cooperative Inc. (“AECI”), Dalton Utilities (“Dalton”), Georgia Transmission Corporation (“GTC”), the Municipal Electric Authority of Georgia (“MEAG”), PowerSouth Energy Cooperative (“PowerSouth”), and the Tennessee Valley Authority (“TVA”) (collectively, the “Nonjurisdictional SERTP Sponsors”) (the Jurisdictional SERTP Sponsors and Nonjurisdictional SERTP Sponsors are collectively referred to herein as the “SERTP Sponsors”).

This filing involves the SERTP Sponsors’ proposals to comply with Order No. 1000’s² interregional transmission planning and cost allocation requirements with a neighboring transmission planning region – PJM Interconnection, L.L.C. (“PJM”). By way of background, on July 10, 2013, the Jurisdictional SERTP Sponsors submitted their initial, joint proposals in the above-referenced dockets to comply with Order No. 1000’s interregional transmission coordination and cost allocation requirements with the five transmission planning regions neighboring the SERTP. In addition to PJM, the other transmission planning regions that are adjacent to the SERTP are the Florida Reliability Coordinating Council (“FRCC”), Midcontinent Independent System Operator (“MISO”), Southwest Power Pool, Inc. (“SPP”), and the South Carolina Regional Transmission Planning process (“SCRTP”). While there are many similarities between the compliance proposals between the SERTP and each of the neighboring regions, each compliance proposal was specific to each neighboring region and reflected extensive negotiations between the SERTP Sponsors and the relevant transmission providers in each of those regions, respectively. Accordingly, the initial proposals with PJM were, respectively, joint proposals, with the SERTP Filing Parties and PJM having filed common tariff language for each interregional seam.

On January 23, 2015, the Commission issued the PJM-SERTP Order, which addresses the initial compliance proposals submitted by the SERTP Filing Parties and PJM.³ While accepting

² *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 and clarification*, Order No. 1000-A, 139 FERC ¶ 61,132, *order on reh’g and clarification*, Order No. 1000-B, 141 FERC ¶ 61,044 (2012) (“Order No. 1000”).

³ On that same date, the Commission also issued separate orders addressing the compliance filings by the SERTP Filing Parties and, respectively, MISO and the filing parties in the FRCC and SCRTP for the SERTP-MISO, SERTP-FRCC, and SERTP-SCRTP seams. *See Midcontinent Independent System Operator, Inc., et al.*, 150 FERC ¶ 61,045 (2015) (“MISO-SERTP Order”); *Duke Energy Carolinas, LLC et al.*, 150 FERC ¶ 61,044 (2015) (“FRCC-SERTP and SCRTP-SERTP Order”). In addition, on March 19, 2015, the Commission issued its order addressing the compliance filings by the SERTP Filing Parties and SPP. *Southwest Power Pool, Inc., et al.*, 150 FERC ¶ 61,210 (2015) (“SPP-SERTP Order”). The Jurisdictional SERTP Sponsors and the filing parties in the FRCC and SCRTP submitted their compliance filings to the FRCC-SERTP and SCRTP-SERTP Order on March 24, 2015, and the Jurisdictional SERTP Sponsors and SPP submitted their compliance filings to the SPP-SERTP Order on May 18, 2015. The Commission granted an extension of time for the submission of compliance filings to the MISO-SERTP Order, with the compliance filings to that order being due on June 22, 2015. *See Notice Granting Extension of Time*, Docket Nos. ER13-1923, *et al.* (March 6, 2015). The Jurisdictional SERTP Sponsors will submit compliance filings to the MISO-SERTP Order in accordance with that extension of time.

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important aspects of those compliance proposals, the Order requires some changes. The instant filing provides the Jurisdictional SERTP Sponsors' compliance filing to the Order.

As with their initial compliance filings submitted in these dockets on July 10, 2013, the SERTP Sponsors have engaged in extensive outreach and coordination with PJM. Significantly, the SERTP Sponsors and PJM have reached full agreement on all points at issue in this compliance filing. Accordingly, PJM and Jurisdictional SERTP Sponsors are hereby submitting (by separate filings being made contemporaneously) parallel tariff language to comply with the Order.

B. The Jurisdictional SERTP Sponsors' Filing of Their Respective Tariff Records

While the Jurisdictional SERTP Sponsors are submitting this common transmittal letter, each such Jurisdictional SERTP Sponsor is individually submitting the relevant revised provisions to its respective open access transmission tariff ("OATT") through eTariff to comply with the Commission's filing requirements. In these compliance filings, each Jurisdictional SERTP Sponsor will include in its filing its specific tariff records and corresponding clean and marked tariff attachments, but not the tariff records to be filed by the other Jurisdictional Sponsors. Additionally, it is important to note that the tariff records and clean and marked tariff attachments are not absolutely identical across all four filings of the Jurisdictional SERTP Sponsors as they reflect differing local planning processes and slight variations in terminology used in the corresponding tariffs.

II. OATT REVISIONS TO COMPLY WITH THE ORDER

PJM and the Jurisdictional SERTP Sponsors have agreed to a common approach and parallel tariff language in their respective OATTs to satisfy Order No. 1000's interregional coordination and cost allocation requirements for their collective seam (the "PJM-SERTP Joint Proposal"). For PJM, the transmission planning aspects of the tariff language for the PJM-SERTP Joint Proposal is found at Schedule 6-A of its Amended and Restated Operating Agreement. With regard to the interregional cost allocation provisions adopted under the PJM-SERTP Joint Proposal, for PJM those provisions are found at Schedule 12-B of PJM's OATT.⁴

For the Jurisdictional SERTP Sponsors, this parallel tariff language effectuating the PJM-SERTP Joint Proposal is included in their respective OATTs as follows:

- For Duke, the implementing tariff language is found at Attachment N-1 – PJM of the Duke Joint OATT.
- For LG&E/KU, the implementing tariff language is found at Appendix 8 to Attachment K of LG&E/KU's OATT.
- For OVEC, the implementing tariff language is found at Attachment M-3 of OVEC's OATT.

⁴ Please note that the transmission planning provisions in the referenced Schedule 6-A are being filed by PJM while the cost allocation provisions in the referenced Schedule 12-B are being filed by the PJM Transmission Owners. For ease of reference for purposes of this transmittal letter, both PJM and the PJM Transmission Owners may be referenced herein as PJM.

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- For Southern Companies, the implementing tariff language is found at Exhibit K-6, “Interregional Transmission Coordination Between the SERTP and PJM Regions” of Southern Companies’ OATT.⁵

In an effort to facilitate the Commission’s review of these filings being made contemporaneously by PJM and the SERTP Jurisdictional Sponsors, they have coordinated in drafting their transmittal letters.

To facilitate the Commission’s review of the proposals made herein, the headings under this Section II.A of the transmittal letter generally follow the topic headings under “Article IV. Discussion” in the Order.⁶

1. Interregional Transmission Coordination Requirements

a. General Requirements

Interregional Transmission Facility Definition

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

We find that PJM and SERTP Filing Parties’ proposed definition of an interregional transmission facility and the proposed criteria to define a transmission project as interregional in nature partially comply with Order No. 1000’s definition of an interregional transmission facility ... Specifically, the requirement in the proposed definition and proposed criteria that the transmission facility must interconnect to the transmission facilities of one or more SERTP transmission owners and the transmission facilities of one or more PJM transmission owners are overly limiting and inconsistent with Order No. 1000. While PJM and SERTP Filing Parties’ proposal to allow interconnecting interregional transmission facilities to be eligible for interregional cost allocation is consistent with the requirements of Order No. 1000, limiting this

⁵ Southern Companies OATT is identified as the following in FERC’s eTariff data base: “Alabama Power Company, OATT and Associated Service Agreements, Tariff Volume No. 5, Southern Companies OATT.”

⁶ Before turning to the proposals being filed herein to comply with the Order, Southern Companies bring to the Commission’s attention what Southern Companies understand to be an inadvertent, harmless error found in the Order. In particular, Appendix A to the Order identifies and provides abbreviations for the parties that intervened in one or more of the underlying FERC dockets. Therein, the Order identifies “Southern Companies” as including Southern Power Company. Southern Companies note that, as demonstrated by a review of their interventions and other filings made in these dockets, Southern Power Company (while an affiliate of Southern Companies) has not participated in these proceedings (among other things, Southern Power Company is not a public utility transmission provider subject to Order No. 1000). In addition, Mississippi Power Company is sometimes not included in Appendix A as one of the Southern Companies that intervened when Mississippi Power Company was included as one of the Southern Companies that did so intervene. Southern Companies understand that the foregoing are inadvertent, harmless errors but bring this matter to the Commission’s attention should these it need to be rectified.

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interconnection to only those transmission projects that will interconnect to the transmission facilities of one or more SERTP transmission owners and one or more PJM transmission owners is unduly limiting. Order No. 1000 did not limit stakeholders and transmission developers to proposing only interregional transmission facilities that would interconnect to *existing* transmission facilities of an *existing* transmission owner, or a transmission owner *enrolled* in the respective transmission planning regions. PJM and SERTP Filing Parties' proposed language would preclude interregional transmission facilities from interconnecting with transmission facilities that are selected in the regional plan for purposes of cost allocation but that are *currently under development* by a transmission developer who has not yet become a sponsor in SERTP or a transmission owner in PJM. Thus, we find that this proposed definition does not comply with Order No. 1000. Accordingly, we direct PJM, SERTP Filing Parties, and PJM Transmission Owners to submit further compliance filings ... that include a definition of an interregional transmission facility that is consistent with Order No. 1000....⁷

To comply with these directives, PJM and the SERTP Filing Parties have jointly developed the following proposal that would make corresponding changes to Section 5.1.A. Specifically, PJM and the SERTP Filing Parties propose to revise their definition of a transmission project that is eligible to seek interregional cost allocation as a project that connects to "transmission facilities in both the SERTP and PJM regions. The facilities to which the project is proposed to interconnect may be either existing transmission facilities or transmission projects included in the regional transmission plan that are currently under development." Section 5.1.A is proposed to be revised as shown in the redline comparison provided below.⁸

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

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

⁷ Order, P 35 (internal footnotes omitted) (emphasis in original and added). The Commission later reiterates this requirement to revise the definition of an interregional transmission project in discussing PJM's and the SERTP Filing Parties' interregional cost allocation proposals. *See id.*, P 160.

⁸ The redline shows the changes being hereby proposed to the original tariff language that PJM and the SERTP Filing Parties initially proposed in their July 10, 2013 interregional compliance filings. For ease of reference, the actual OATT language shown in this transmittal letter is typically that from Southern Companies' OATT. While parallel OATT language is being filed by the filing transmission providers, there are some slight terminology and related differences between the OATT language that is being filed.

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b. Implementation of the Interregional Transmission Coordination Requirements

i. Data Exchange and Identifying Interregional Transmission Facilities

Replace “And” with “Or”

The Commission noted that PJM and the SERTP Filing Parties use the phrase a potential transmission project that could be more efficient “and” cost effective while Order No. 1000 used the terminology of more efficient “or” cost effective.⁹ The Order directs that PJM and the SERTP Filing Parties’ OATTs be corrected.¹⁰ Accordingly, and as shown in the attached redline comparisons and revised OATT language, in compliance with that directive, Sections 3.1 and 5.2.D of Southern Companies’ OATT have been so revised.

Identification of Interregional Transmission Projects

With regard to the identification of interregional transmission facilities, the Commission accepted PJM’s and the SERTP Filing Parties’ “proposals to rely on the regional transmission planning processes as the forum for stakeholders and transmission developers to propose interregional transmission facilities for joint evaluation.”¹¹ However, the Commission held that:

PJM and SERTP Filing Parties have not explained how a proponent of an interregional transmission facility may seek to have its interregional transmission facility jointly evaluated by PJM and SERTP Filing Parties by submitting the interregional transmission facility into PJM and SERTP Filing Parties’ regional transmission planning processes. Accordingly, we direct PJM and SERTP Filing Parties to submit compliance filings ... with proposed revisions to their tariffs that satisfy these requirements.¹²

To comply with this directive and make clear how a proponent of an interregional transmission project may seek to have its project jointly evaluated, PJM and the SERTP Filing Parties have jointly developed the following new language to add to the beginning of Section 3.4. As shown below, this new language articulates the steps by which such a proponent may identify an interregional transmission project in order to trigger PJM’s and the SERTP Filing Parties’ joint evaluation procedures. As proposed, the new language provides:

⁹ Order, P 55.

¹⁰ *Id.*

¹¹ Order, P 58.

¹² *Id.*

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3.4 Evaluation of Interregional Transmission Projects Proposed for Interregional Cost Allocation Purposes:

Interregional transmission projects proposed for Interregional CAP must be submitted in both the SERTP and PJM regional transmission planning processes. The project submittals must satisfy the applicable requirements for submittal of interregional transmission projects, including those in Sections 5.1(A) and 5.1(B). The submittals in the respective regional transmission planning processes must identify the project proposal as interregional in scope and identify SERTP and PJM as the regions in which the project is proposed to interconnect. The Transmission Provider will determine whether the submittal for the proposed interregional transmission project satisfies all applicable requirements. Upon finding that the project submittal satisfies all such applicable requirements, the Transmission Provider will notify PJM. Upon both regions so notifying one another that the project is eligible for consideration pursuant to their respective regional transmission planning processes, the Transmission Provider and PJM will jointly evaluate the proposed interregional projects.

ii. Procedures For Joint Evaluation

While largely finding PJM's and the SERTP Filing Parties' procedures for joint evaluation satisfy the requirements of Order No. 1000, the Commission held that

PJM and SERTP Filing Parties do not indicate the type of transmission studies that will be conducted to evaluate conditions on neighboring transmission systems for the purpose of determining whether interregional transmission facilities are more efficient or cost-effective We therefore direct PJM and SERTP Filing Parties to submit further compliance filings ... listing either the type of transmission studies that will be conducted or cross references to the specific provisions in the respective tariffs that reference such studies at the regional transmission planning level.¹³

In accordance with this directive, PJM and the SERTP Filing Parties propose to cross reference the provisions in their respective OATTs that reference such studies at the regional transmission planning level. The Jurisdictional SERTP Sponsors propose to add a sentence in Section 3.3 to provide that potential transmission solutions will be evaluated consistent with their existing OATT provisions on regional participation and the provisions on regional analysis of potentially more efficient or cost-effective transmission solutions. Specifically, in Section 3.3, after a discussion of how the joint evaluations will be performed consistent with accepted regional and local planning criteria and methods, the SERTP Filing Parties propose to add the following sentence: "The Transmission Provider will evaluate potential interregional transmission projects consistent with [Section(s) X and

¹³ Order at P 82.

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Y] of Attachment [K, M and N-1],” with the Section numbers and Attachment letters varying depending on the tariff at issue.¹⁴ PJM is also adding a cross-reference in its OATT.

Using Southern Companies’ Attachment K as an example, the cross references are to Section 6 and Section 11 of Southern Companies’ OATT. With regard to the referenced Section 6, that Section (among other things) describes in some detail the transmission planning coordination and reliability planning processes that are utilized, including the types of modeling and studies that are performed. The referenced Section 11 describes the regional analysis that the SERTP Filing Parties’ perform to determine whether there are potentially more efficient or cost-effective transmission solutions, with them committing (among other things) to “perform power flow, dynamic, and short circuit analysis, as necessary....”¹⁵ The other SERTP Filing Parties’ relevant tariff sections contained similar provisions.

This cross-referencing not only complies with the Order’s directive to “cross reference” the appropriate OATT sections, but it is also consistent with the Commission having accepted the same cross reference in one of its earlier orders addressing the SERTP Filing Parties’ proposals to comply with Order No. 1000’s regional requirements. Specifically, in the Commission’s first order addressing the SERTP Filing Parties’ regional compliance filings, the Commission required the SERTP Filing Parties to explain “how potential transmission solutions to identified transmission needs driven by public policy requirements will be evaluated.”¹⁶ In response, Southern Companies adopted the same cross reference to Section 6 and Section 11 of Attachment K, and the other SERTP Filing Parties used similar cross references, and this approach was accepted by the Commission upon review.¹⁷

2. Cost Allocation

Posting Requirement

While largely accepting PJM’s and the SERTP Filing Parties’ cost allocation proposals, the Order requires them to comply with additional posting requirements. Specifically, the Order holds that:

[A]s part of the information that public utility transmission providers must communicate on their website related to interregional transmission coordination procedures, PJM and SERTP Filing Parties must post a list of all interregional transmission facilities that are proposed for potential selection in the regional transmission plans for purposes of cost allocation but that are found not to meet the relevant thresholds, as well as an explanation of the thresholds the proposed interregional transmission facilities failed to satisfy.¹⁸

¹⁴ For Southern Companies, the relevant sections are Sections 6 and 11; for Duke, Sections 4, 5, 20 (of Attachment N-1), for LG&E/KU, Sections 3 and 21 (of Attachment K); and for OVEC, Sections 6 and 11 (of Attachment M).

¹⁵ Southern Companies’ Attachment K, Section 11.1.2.

¹⁶ *Louisville Gas & Elec. Co., et al.*, 144 FERC ¶ 61,054, P 117 (2013).

¹⁷ *See Duke Energy Carolinas, LLC, et al.*, 147 FERC ¶ 61,241, P 197 (2014).

¹⁸ Order at P 161 (internal footnotes omitted).

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Consistent with the Commission's directive, PJM and the SERTP Filing Parties jointly developed the following new language and propose to add a new Section 4.5 as follows:

- 4.5** The Transmission Provider will post a list on the Regional Planning Website of interregional transmission projects proposed for purposes of cost allocation in both the SERTP and PJM that are not eligible for consideration because they do not satisfy the regional project threshold criteria of one or both of the regions as well as post an explanation of the thresholds the proposed interregional project failed to satisfy.

Criteria for a Project to be Considered for Interregional Cost Allocation

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

Order No. 1000 notes that an interregional transmission facility must be *selected* in both of the relevant regional transmission planning processes for purposes of cost allocation in order to be *eligible* for interregional cost allocation pursuant to a cost allocation method required under Order No. 1000. Order No. 1000 does not place such a limit for an interregional transmission facility to be *considered* for interregional cost allocation.¹⁹

The Order directs PJM and the Filing Parties to remove this criterion. Accordingly, PJM and the SERTP Filing Parties proposed to replace the word "considered" in the opening language of Section 5.1 with the word "eligible". As revised, the sentence reads: "For an interregional transmission project to be ~~eligible~~~~considered~~ for Interregional CAP within the SERTP and PJM regions, all of the following criteria must be met:...."

Details Regarding Discount Rates

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

¹⁹ Order at P 163 (emphasis in original, internal footnotes omitted).

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(1) how SERTP Filing Parties will determine discount rates on a case-by-case basis, and (2) how the applicable discount rate for the PJM region reviewed by the PJM Board of Directors each year in their economic planning process will be applied to SERTP's potential multi-discount rates for jointly evaluated interregional transmission facilities.²⁰

To comply with this directive, the new tariff language proposes to revise Section 5.2.A as follows: "... The applicable discount rate(s) used for the SERTP region ~~may be determined on a case-by-case basis, and the SERTP region may have multiple discount rates should there be multiple for interregional cost allocation purposes will be based upon the after-tax weighted average cost of capital of the~~ SERTP transmission owners whose project would be displaced by the proposed interregional transmission project. ...". In addition, and as shown in the marked tariffs included in these filings, to explain and illustrate the potential for different discount rates between PJM and the SERTP, PJM and the SERTP Filing Parties have revised the examples provided at Section 5.2.D to incorporate different discount rates between the regions.

Removal of Specific References

The Order required PJM and the SERTP Filing Parties to remove "section 6.C of Schedule 12-B, as well as other references to this section in Schedule 12 and references to section 5.5(C) in their respective OATTs".²¹ As shown in the marked tariff included in PJM's filing, the referenced section 6.C of its Schedule 12-B has been removed.

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

However, if the requirements adopted by Order No. 1000 *et seq.* and related orders are abrogated, vacated, and/or reversed, such that the mandate for public utility transmission providers to have interregional cost allocation methodologies in the nature of this [Schedule 12-B or Section 5] no longer applies, then the transmission providers in the SERTP region and the PJM Transmission Owners, acting in accordance with Section 6(C) or 5.5(C) of this [Schedule 12-B or Section 5] may unilaterally take actions consistent with the disposition of such mandate.²²

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

²⁰ *Id.* at P 172.

²¹ *Id.* at P 179.

²² *Id.* at P 180 (*citing* PJM, Intra-PJM Tariffs, OATT, Schedule 12-B, § 6.B; *and* Southern Companies, OATT, Attachment K, Ex. K-6, § 5.5.B.) (internal footnotes omitted).

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Miscellaneous: Addressing Typographical and Consistency Issues²³

The instant tariff revisions correct a typographical error in section 5.4.B. Specifically, the new tariff language corrects the spelling of the word “filing” in that section.

In addition, in preparing this filing, PJM and the SERTP Filing Parties noticed that inconsistent conventions were used in the pertinent OATT language with regard to the provision of notice from one party to the other. In particular, and using Southern Companies’ OATT language as an example, on a couple of occasions the OATT language provides that “The Transmission Provider will ... notify PJM...”²⁴ while on a couple of other occasions the OATT would provide that “The Transmission Provider and PJM shall notify each other...”²⁵ For purposes of consistency, and since Southern Companies cannot establish binding commitments upon PJM in Southern Companies’ OATT,²⁶ the referenced Sections 2.1 and 3.6.1 of Exhibit K-6 of Southern’s OATT has been revised to provide that “The Transmission Provider shall notify PJM...”

III. Request for Waiver

The Jurisdictional SERTP Sponsors are making this filing in compliance with the Commission’s directives in the Order. By making this filing in compliance with the Order, the Jurisdictional SERTP Sponsors understand that they have hereby satisfied any of the Commission’s filing requirements that might apply. Should any of the Commission’s regulations (including filing regulations) or requirements that we may not have addressed be found to apply, the Jurisdictional SERTP Sponsors respectfully request waiver of any such regulation or requirement.

IV. Service

The Jurisdictional SERTP Sponsors are serving an electronic copy of this filing on the relevant Service Lists. In addition, this filing is being posted on the SERTP website, and the Jurisdictional SERTP Sponsors are posting an electronic copy of this filing on their OASIS or websites.

V. List of Documents

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

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

²³ In addition to the miscellaneous changes discussed herein, PJM is also making a few formatting changes to replace the use of bullets with subsection numbers. The Jurisdictional SERTP Sponsors are retaining the use of bullets and understand that this formatting difference between PJM’s and the Jurisdictional SERTP Sponsors’ respective OATT provisions is not material, as Order No. 1000 only requires matching OATT language (not format). *See* Order No. 1000, P 346.

²⁴ Southern Companies, OATT, Attachment K, Ex. K-6, § 2.2 and the § 3.4 proposed by this filing.

²⁵ Southern Companies, OATT, Attachment K, Ex. K-6, §§ 2.1, 3.6.1.

²⁶ Instead, the binding commitment upon PJM is established by PJM adopting parallel language in its OATT, which it is also doing contemporaneously to the instant filing.

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(c) A Marked Tariff Attachment for posting in eLibrary.

VI. Communications

Communications concerning this filing should be directed to the undersigned attorneys or following representatives of the Jurisdictional SERTP Sponsors:

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Sincerely,

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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 Louisville, Kentucky, this 26th day of May, 2015.

/s/ Jennifer Keisling
Jennifer Keisling

Appendix 8 to Attachment K

Interregional Transmission Coordination Between the SERTP and PJM Regions

The Transmission Owner, through its regional transmission planning process, coordinates with the PJM Interconnection, LLC (“PJM”) as the transmission provider and planner for the PJM region to address transmission planning coordination issues related to interregional transmission projects. The interregional transmission coordination procedures include a detailed description of the process for coordination between public utility transmission providers in the SERTP and PJM to identify possible interregional transmission projects that could address transmission needs more efficiently or cost-effectively than transmission projects included in the respective regional transmission plans. The interregional transmission coordination procedures are hereby provided in this Appendix 8 to Attachment K with additional materials provided on the Regional Planning website.

The Transmission Owner and PJM shall:

- (1) Coordinate and share the results of the SERTP’s and PJM’s regional transmission plans to identify possible interregional transmission projects that could address transmission needs more efficiently or cost-effectively than separate regional transmission projects;
- (2) Identify and jointly evaluate transmission projects that are proposed to be located in both transmission planning regions;
- (3) Exchange, at least annually, planning data and information; and
- (4) Maintain a website and e-mail list for the communication of information related to the coordinated planning process.

The Transmission Owner and PJM developed a mutually agreeable method for allocating between the two transmission planning regions the costs of new interregional transmission projects that are located within both transmission planning regions. Such cost allocation method satisfies the six interregional cost allocation principles set forth in Order No. 1000 and are included in this Appendix 8.

For purposes of this Appendix 8, the SERTP's transmission planning process is the process described in Attachment K of this Tariff; PJM's regional transmission planning process is the process described in Schedule 6 of PJM's OATT. References to the respective transmission planning processes in this Appendix 8 are intended to identify the activities described in those tariff provisions. Likewise, references to the respective regional transmission plans in this Appendix 8 are intended to identify, for PJM, the PJM Regional Transmission Expansion Plan ("RTEP"), as defined in applicable PJM documents and, for the Transmission Owner, the SERTP regional transmission plan, which includes the Transmission Owner's ten (10) year transmission expansion plan. Unless noted otherwise, Section references in this Appendix 8 refer to Sections within this Appendix 8.

Nothing in this Appendix 8 is intended to affect the terms of any bilateral planning or operating agreements between transmission owners and/or transmission service providers that exist as of the effective date of this Appendix 8 or that are executed at some future date.

INTERREGIONAL TRANSMISSION PLANNING PRINCIPLES

Representatives of the SERTP and PJM will meet no less than once per year to facilitate the interregional coordination procedures described below (as applicable). Representatives of the SERTP and PJM may meet more frequently during the evaluation of project(s) proposed for

purposes of interregional cost allocation between the SERTP and PJM. For purposes of this Appendix 8, an “interregional transmission project” means a facility or set of facilities that would be physically located in both the SERTP and PJM regions and would interconnect to the transmission facilities of one or more SERTP transmission owners and one or more PJM transmission owners

1. Coordination

1.1 Review of Respective Regional Transmission Plans: Biennially, the Transmission Owner and PJM shall review each other’s current regional transmission plan(s) and engage in the data exchange and joint evaluation described in Sections 2 and 3.

- The review of each region’s regional transmission plan(s), which plans include the transmission needs and planned upgrades of the transmission providers in each region, shall occur on a mutually agreeable timetable, taking into account each region’s transmission planning process timeline.

1.2 Review of Proposed Interregional Transmission Projects: The Transmission Owner and PJM will also coordinate with regard to the evaluation of interregional transmission projects identified by the Transmission Owner and PJM as well as interregional transmission projects proposed for Interregional Cost Allocation Purposes (“Interregional CAP”), pursuant to Sections 3 and 5, below. Initial coordination activities regarding new interregional proposals will typically begin during the third calendar quarter. The Transmission Owner and PJM will exchange status updates for new interregional transmission project proposals or proposals currently under consideration as needed. These status updates will generally

include, if applicable: (i) an update of the region's evaluation of the proposal; (ii) the latest calculation of Regional Benefits (as defined in Section 5.2); (iii) the anticipated timeline for future assessments; and (iv) reevaluations related to the proposal.

1.3 Coordination of Assumptions Used in Joint Evaluation: The Transmission Owner and PJM will coordinate assumptions used in joint evaluations, as necessary, which includes items such as:

- Expected timelines/milestones associated with the joint evaluation
- Study assumptions
- Regional benefit calculations.

1.4 Posting of Materials on Regional Planning Websites: The Transmission Owner and PJM will coordinate with respect to the posting of materials related to the interregional coordination procedures described in this Appendix 8 on each region's regional planning website.

2. Data Exchange

2.1 At least annually, the Transmission Owner and PJM shall exchange power-flow models and associated data used in the regional transmission planning processes to develop their respective then-current regional transmission plan(s). This exchange will occur when such data is available in each of the transmission planning processes, typically during the first calendar quarter. Additional transmission-based models and data may be exchanged between the Transmission Owner and PJM as necessary and if requested. For purposes of the interregional coordination activities outlined in this Appendix 8, only data and models used in

the development of the Transmission Owner's and PJM's then-current regional transmission plans and used in their respective regional transmission planning processes will be exchanged. This data will be posted on the pertinent regional transmission planning process' websites, consistent with the posting requirements of the respective regional transmission planning processes, and is considered CEII. The Transmission Owner ~~and PJM~~ shall notify ~~each other~~ PJM of such posting.

- 2.2** The SERTP regional transmission plans will be posted on the Regional Planning website pursuant to the Transmission Owner's regional transmission planning process. The Transmission Owner will also notify PJM of such posting so PJM may retrieve these transmission plans. PJM will exchange its then-current regional plan(s) in a similar manner according to its regional transmission planning process.

3. Joint Evaluation

- 3.1 Identification of Interregional Transmission Projects:** The Transmission Owner and PJM shall exchange planning models and data and current regional transmission plans as described in Section 2. The Transmission Owner and PJM will review one another's then-current regional transmission plan(s) in accordance with the coordination procedures described in Section 1 and their respective regional transmission planning processes. If through this review, the Transmission Owner and PJM identify a potential interregional transmission project that could be more efficient ~~and/or~~ cost effective than projects included in the respective regional plans, the Transmission Owner and PJM will jointly evaluate the potential project pursuant to Section 3.3.

3.2 Identification of Interregional Transmission Projects by Stakeholders:

Stakeholders may propose projects that may be more efficient or cost-effective than projects included in the Transmission Owner's and PJM's regional transmission plans pursuant to the procedures in each region's regional transmission planning processes. The Transmission Owner and PJM will evaluate interregional transmission projects proposed by stakeholders pursuant to Section 3.3.

3.3 Evaluation of Interregional Transmission Projects:

The Transmission Owner and PJM shall act through their respective regional transmission planning processes to evaluate potential interregional transmission projects and to determine whether the inclusion of any potential interregional transmission projects in each region's regional transmission plan would be more efficient or cost-effective than projects included in the respective then-current regional transmission plans. Such analysis shall be consistent with accepted planning practices of the respective regions and the methods utilized to produce each region's respective regional transmission plan(s). **The Transmission Owner will evaluate potential interregional transmission projects consistent with Section 3 and Section 21 of Attachment K.** To the extent possible and as needed, assumptions and models will be coordinated between the Transmission Owner and PJM, as described in Section 1. Data shall be exchanged to facilitate this evaluation using the procedures described in Section 2.

3.4 Evaluation of Interregional Transmission Projects Proposed for Interregional Cost Allocation Purposes:

Interregional transmission projects proposed for Interregional CAP must be submitted in both the SERTP and PJM regional transmission planning processes. The project submittals must satisfy the applicable requirements for submittal of interregional transmission projects, including those in Sections 5.1(A) and 5.1(B). The submittals in the respective regional transmission planning processes must identify the project proposal as interregional in scope and identify SERTP and PJM as the regions in which the project is proposed to interconnect. The Transmission Owner will determine whether the submittal for the proposed interregional transmission project satisfies all applicable requirements. Upon finding that the project submittal satisfies all such applicable requirements, the Transmission Owner will notify PJM. Upon both regions so notifying one another that the project is eligible for consideration pursuant to their respective regional transmission planning processes, the Transmission Owner and PJM will jointly evaluate the proposed interregional projects.

3.4.1 If an interregional transmission project is proposed in the SERTP and PJM for Interregional CAP, the initial evaluation of the project will typically begin during the third calendar quarter, with analysis conducted in the same manner as analysis of interregional projects identified pursuant to Sections 3.1 and 3.2. Further evaluation shall also be performed pursuant to this Section 3.4. Projects proposed for Interregional CAP shall also be subject to the requirements of Section 5.

3.4.2 Each region, acting through its regional transmission planning process, will evaluate proposals to determine whether the interregional transmission project(s) proposed for Interregional CAP addresses transmission needs that are currently being addressed with projects in its regional transmission plan(s) and, if so, which projects in the regional transmission plan(s) could be displaced by the proposed project(s).

3.4.3 Based upon its evaluation, each region will quantify a Regional Benefit based upon the transmission costs that each region is projected to avoid due to its transmission projects being displaced by the proposed project. For purposes of this Appendix 8, “Regional Benefit” means: (i) for the Transmission Owner, the total avoided costs of projects included in the then-current regional transmission plan that would be displaced if the proposed interregional transmission project was included and (ii) for PJM, the total avoided costs of projects included in the then-current regional transmission plan that would be displaced if the proposed interregional transmission project was included. The Regional Benefit is not necessarily the same as the benefits used for purposes of *regional* cost allocation.

3.5 Inclusion of Interregional Projects Proposed for Interregional CAP in Regional Transmission Plans: An interregional transmission project proposed for Interregional CAP in the SERTP and PJM will be included in the respective regional plans for purposes of cost allocation only after it has been selected by both the SERTP and PJM regional processes to be included in their respective regional plans for purposes of cost allocation.

3.5.1 To be selected in both the SERTP and PJM regional plans for purposes of cost allocation means that each region has performed all evaluations, as prescribed in its regional transmission planning processes, necessary for a project to be included in its regional transmission plans for purposes of cost allocation.

- For the SERTP: All requisite approvals are obtained, as prescribed in the SERTP regional transmission planning process, necessary for a project to be included in the SERTP regional transmission plan for purposes of cost allocation. This includes any requisite regional benefit to cost (“BTC”) ratio calculations performed pursuant to the respective regional transmission planning processes. For purposes of the SERTP, the anticipated allocation of costs of the interregional transmission project for use in the regional BTC ratio calculation shall be based upon the ratio of the SERTP’s Regional Benefit to the sum of the Regional Benefits identified for both the SERTP and PJM; and
- For PJM: All requisite approvals are obtained, as prescribed in the respective regional transmission planning processes, necessary for a project to be included in the regional transmission plans for purposes of cost allocation.

3.6 Removal from Regional Plans: An interregional transmission project may be removed from the SERTP’s or PJM’s regional plan for purposes of cost allocation: (i) if the developer fails to meet developmental milestones; (ii) pursuant to the

reevaluation procedures specified in the respective regional transmission planning processes; or (iii) if the project is removed from one of the region's regional transmission plan(s) pursuant to the requirements of its regional transmission planning process.

3.6.1 The Transmission Owner ~~or PJM, as the case may be,~~ shall notify the ~~other~~ PJM if an interregional project or a portion thereof is likely to be removed from its regional transmission plan.

4. Transparency

4.1 The Transmission Owner shall post procedures for coordination and joint evaluation on the Regional Planning website.

4.2 Access to the data utilized will be made available through the Regional Planning website subject to the appropriate clearance, as applicable (such as CEII and confidential non-CEII). Both planning regions will make available, on their respective regional websites, links to where stakeholders can register (if applicable/available) for the stakeholder committees or distribution lists of the other planning region.

4.3 At the fourth quarter SERTP Summit, or as necessary due to current activity of proposed interregional transmission projects, the SERTP will provide status updates of interregional activities including:

- Facilities to be evaluated
- Analysis performed
- Determinations/results.

4.4 Stakeholders will have an opportunity to provide input and feedback within the respective regional planning processes of SERTP and PJM related to interregional facilities identified, analysis performed, and any determination/results.

Stakeholders may participate in either or both regions' regional planning processes to provide their input and feedback regarding the interregional coordination between the SERTP and PJM.

4.5 The Transmission Owner will post a list on the Regional Planning Website of interregional transmission projects proposed for purposes of cost allocation in both the SERTP and PJM that are not eligible for consideration because they do not satisfy the regional project threshold criteria of one or both of the regions as well as post an explanation of the thresholds the proposed interregional project failed to satisfy.

5. Cost Allocation

5.1 Proposal of Interregional Transmission Projects for Interregional CAP: For an interregional transmission project to be considered eligible for Interregional CAP within the SERTP and PJM regions, all of the following criteria must be met:

- A. The interregional transmission project must be interregional in nature, which requires that it must:
- Be physically located in both the SERTP region and the PJM region;
 - Interconnect to ~~the transmission facilities of one or more~~ in both the SERTP transmission owner(s) and the transmission facilities of one or more PJM transmission owner(s) and PJM regions. The facilities to which the project is proposed to interconnect may be either

existing facilities or transmission projects included in the regional transmission plan that are currently under development; and

- Meet the threshold criteria for transmission projects potentially eligible to be included in the regional transmission plans for purposes of cost allocation in both the SERTP and PJM regions, pursuant to their respective regional transmission planning processes.
- B. The interregional transmission project must be proposed for purposes of cost allocation in both the SERTP and PJM regions.
- The transmission developer and project submittal must satisfy all criteria specified in the respective regional transmission processes; and
 - The proposal should be submitted in the timeframes outlined in the respective regional transmission planning processes.
- C. The interregional transmission project must be selected in the regional transmission plans of both the SERTP and PJM regions.
- The costs of the interregional transmission project eligible for interregional cost allocation shall only be allocated to a region if that region has selected the interregional transmission project in its regional transmission plan for purposes of cost allocation; and
 - No cost shall be allocated to a region that has not selected the interregional transmission project in its regional transmission plan for purposes of cost allocation.

5.2 Allocation of Costs for Interregional Transmission Projects Between the SERTP and PJM Regions: The cost of an interregional transmission project

selected for purposes of cost allocation in the regional transmission plans of both the SERTP and PJM regions shall be allocated for Interregional CAP to those regions as provided below:

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

- B. When all or a portion of an interregional transmission project is to be located within a region in which there is no displaced regional transmission project, such region may, at its sole discretion, select the interregional transmission project for inclusion in its regional transmission plan; provided, however, that no portion of the costs of the interregional transmission project shall be allocated to such region pursuant to Section 5.2.A.
- C. Nothing in this Section 5 shall govern the further allocation of costs allocated to a region pursuant to this Section 5.2 within such region.
- D. The following example illustrates the cost allocation provisions in Section 5.2.A:
- Regions A and B, through the joint evaluation process prescribed in Section 3.4 of this Appendix 8 have included Transmission Project Z in their respective regional plans for purposes of cost allocation. Transmission Project Z was determined to address both regions' needs more efficiently and/or cost effectively than Transmission Project X in Region A and Transmission Project Y in Region B.
 - The estimated cost of Transmission Projects X and Y are Cost (X) and Cost (Y) respectively. As described in Section 5.2.A, these costs shall be based upon common cost components.
 - The number of years from the common present value date to the year associated with the cost estimates of Transmission Projects X and Y are N(X) and N(Y) respectively.

- Recognizing that the regions may have different discount rates ~~and that the SERTP might use multiple discount rates, the discount rate used,~~ for purposes of this example **D_A is the discount rate used** for Transmission Projects X and **D_B is the discount rate used for Transmission Project Y** is: ~~D~~.
 - Based on the foregoing assumptions and the allocation of costs based upon displaced regional transmission projects as prescribed in Section 5.2.A, the following illustrative formulas would be used:
 - Present Value of Cost (X) = PV Cost (X) = Cost (X) / $(1 + \underline{\underline{D_{A}}})^{N(X)}$
 - Present Value of Cost (Y) = PV Cost (Y) = Cost (Y) / $(1 + \underline{\underline{D_{B}}})^{N(Y)}$
 - Cost Allocation to Region A = PV Cost (X) / [PV Cost (X) + PV Cost (Y)]
 - Cost Allocation to Region B = PV Cost (Y) / [PV Cost (X) + PV Cost (Y)]
 - Applying the above formulas, if:
 - Cost (X) = \$60 Million and N(X) = 8.25 years
 - Cost (Y) = \$40 Million and N(Y) = 4.50 years
 - **D_A = 7.5% per year**
 - **D_B = 7.4% per year**
 - Then:
 - **PV Cost (X) = 60 / (1 + 0.075)^{8.25} = 33.0 Million**

- ~~●~~ PV Cost (Y) = $40 / (1 + 0.0750074) 4.50 = 28.929.0$ Million
- ~~●~~ Cost Allocation to Region A = $33.0 / (33.0 + 28.929.0) = 53.353.2\%$ of the cost of Transmission Project Z
- ~~●~~ Cost Allocation to Region B = $28.929.0 / (33.0 + 28.929.0) = 46.746.8\%$ of the cost of Transmission Project Z

5.3 Merchant Transmission and Transmission Owner Projects: Nothing in this Section 5 shall preclude the development of interregional transmission projects that are funded by merchant transmission developers or by individual transmission owners.

5.4 Exclusivity with Respect to Interregional Transmission Projects Selected for Interregional CAP: The following provisions shall apply regarding other cost allocation arrangements:

- A. Except as provided in Section 5.4.B, the provisions in this Section 5 are the exclusive means by which any costs of an interregional transmission project selected for Interregional CAP between the SERTP and PJM regions may be allocated between or among those regions.
- B. A transmission owner(s) or transmission developer(s) may propose to fund or allocate, on a voluntary basis, the cost of an interregional transmission project selected for Interregional CAP using an allocation other than the allocation that results from the methodology set forth in Section 5.2, provided that, should the allocation of cost of such interregional transmission project be subject to the Federal Energy Regulatory

Commission's ("FERC") jurisdiction, such allocation proposal is accepted for ~~file~~filing by FERC in accordance with the filing rights with respect to cost allocation set forth in Section 5.5 of this Appendix 8 and provided further that no allocation shall be made to any region that has not agreed to that allocation.

5.5 Section 205 Filing Rights with Respect to Interregional Transmission Projects

Selected for Interregional CAP: Solely with respect to interregional transmission projects evaluated under this Appendix 8 and selected by the SERTP and PJM regional transmission planning processes for purposes of Interregional CAP, the following provisions shall apply:

- A. Except as provided in Sections 5.4 and 5.5.B of this Appendix 8, nothing in this Section 5 will convey, expand, limit or otherwise alter any rights of the transmission owners, transmission developers or other market participants to submit filings under Section 205 of the Federal Power Act ("FPA") regarding cost allocation or any other matter.
- B. The cost allocation provisions in this Section 5 shall not be modified under Section 205 of the FPA without the mutual consent of the holders of the FPA Section 205 rights with respect to interregional cost allocation in the SERTP and PJM regions. ~~However, if the requirements adopted by Order No. 1000 *et seq.* and related orders are abrogated, vacated, and/or reversed, such that the mandate for public utility transmission providers to have interregional cost allocation methodologies in the nature of this Section 5 no longer applies, then the transmission providers in the SERTP region and~~

~~the PJM Transmission Owners, acting in accordance with Section 5.5.C on this Appendix 8, may unilaterally take actions consistent with the disposition of such mandate.~~

5.6 Consequences to Other Regions from Interregional Transmission Projects:

Except as provided in this Section 5, or in other documents, agreements or tariffs on file with FERC, neither the SERTP region nor the PJM region shall be responsible for compensating another planning region for required upgrades or for any other consequences in another planning region associated with interregional transmission projects identified pursuant to this Appendix 8.

Document comparison by Workshare Professional on Friday, May 22, 2015
11:05:02 AM

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| Statistics: | |
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| | Count |
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| Format changed | 0 |
| Total changes | 56 |

FERC rendition of the electronically filed tariff records in Docket No. ER13-01930-004
Filing Data:
CID: C000553
Filing Title: Order No 1000 SERTP-PJM 2d Interregional Compliance Filing
Company Filing Identifier: 111
Type of Filing Code: 80
Associated Filing Identifier: 61
Tariff Title: Transmission
Tariff ID: 3
Payment Confirmation:
Suspension Motion:

Tariff Record Data:
Record Content Description, Tariff Record Title, Record Version Number, Option Code:
Appendix 8, Appendix 8 Attach K, 11.0.0, A
Record Narrative Name:
Tariff Record ID: 102
Tariff Record Collation Value: 3143808 Tariff Record Parent Identifier: 64
Proposed Date: 2015-01-01
Priority Order: 1000000000
Record Change Type: CHANGE
Record Content Type: 1
Associated Filing Identifier: 61

Appendix 8 to Attachment K

Interregional Transmission Coordination Between the SERTP and PJM Regions

The Transmission Owner, through its regional transmission planning process, coordinates with the PJM Interconnection, LLC (“PJM”) as the transmission provider and planner for the PJM region to address transmission planning coordination issues related to interregional transmission projects. The interregional transmission coordination procedures include a detailed description of the process for coordination between public utility transmission providers in the SERTP and PJM to identify possible interregional transmission projects that could address transmission needs more efficiently or cost-effectively than transmission projects included in the respective regional transmission plans. The interregional transmission coordination procedures are hereby provided in this Appendix 8 to Attachment K with additional materials provided on the Regional Planning website.

The Transmission Owner and PJM shall:

- (1) Coordinate and share the results of the SERTP's and PJM's regional transmission plans to identify possible interregional transmission projects that could address transmission needs more efficiently or cost-effectively than separate regional transmission projects;
- (2) Identify and jointly evaluate transmission projects that are proposed to be located in both transmission planning regions;
- (3) Exchange, at least annually, planning data and information; and
- (4) Maintain a website and e-mail list for the communication of information related to the coordinated planning process.

The Transmission Owner and PJM developed a mutually agreeable method for allocating between the two transmission planning regions the costs of new interregional transmission projects that are located within both transmission planning regions. Such cost allocation method satisfies the six interregional cost allocation principles set forth in Order No. 1000 and are included in this Appendix 8.

For purposes of this Appendix 8, the SERTP's transmission planning process is the process described in Attachment K of this Tariff; PJM's regional transmission planning process is the process described in Schedule 6 of PJM's OATT. References to the respective transmission planning processes in this Appendix 8 are intended to identify the activities described in those tariff provisions. Likewise, references to the respective regional transmission plans in this Appendix 8 are intended to identify, for PJM, the PJM Regional Transmission Expansion Plan ("RTEP"), as defined in applicable PJM documents and, for the Transmission Owner, the SERTP regional transmission plan, which includes the Transmission Owner's ten (10) year transmission expansion plan. Unless noted otherwise, Section references in this

Appendix 8 refer to Sections within this Appendix 8.

Nothing in this Appendix 8 is intended to affect the terms of any bilateral planning or operating agreements between transmission owners and/or transmission service providers that exist as of the effective date of this Appendix 8 or that are executed at some future date.

INTERREGIONAL TRANSMISSION PLANNING PRINCIPLES

Representatives of the SERTP and PJM will meet no less than once per year to facilitate the interregional coordination procedures described below (as applicable). Representatives of the SERTP and PJM may meet more frequently during the evaluation of project(s) proposed for purposes of interregional cost allocation between the SERTP and PJM. For purposes of this Appendix 8, an “interregional transmission project” means a facility or set of facilities that would be physically located in both the SERTP and PJM regions and would interconnect to the transmission facilities of one or more SERTP transmission owners and one or more PJM transmission owners

1. Coordination

1.1 Review of Respective Regional Transmission Plans: Biennially, the Transmission Owner and PJM shall review each other’s current regional transmission plan(s) and engage in the data exchange and joint evaluation described in Sections 2 and 3.

- The review of each region’s regional transmission plan(s), which plans include the transmission needs and planned upgrades of the transmission providers in each region, shall occur on a mutually agreeable timetable, taking into account each region’s transmission planning process timeline.

1.2 Review of Proposed Interregional Transmission Projects: The Transmission Owner and PJM will also coordinate with regard to the evaluation of interregional transmission projects identified by the Transmission Owner and PJM as well as interregional transmission projects proposed for Interregional Cost Allocation Purposes (“Interregional CAP”), pursuant to Sections 3 and 5, below. Initial coordination activities regarding new interregional proposals will typically begin during the third calendar quarter. The Transmission Owner and PJM will exchange status updates for new interregional transmission project proposals or proposals currently under consideration as needed. These status updates will generally include, if applicable: (i) an update of the region’s evaluation of the proposal; (ii) the latest calculation of Regional Benefits (as defined in Section 5.2); (iii) the anticipated timeline for future assessments; and (iv) reevaluations related to the proposal.

1.3 Coordination of Assumptions Used in Joint Evaluation: The Transmission Owner and PJM will coordinate assumptions used in joint evaluations, as necessary, which includes items such as:

- Expected timelines/milestones associated with the joint evaluation
- Study assumptions
- Regional benefit calculations.

1.4 Posting of Materials on Regional Planning Websites: The Transmission Owner and PJM will coordinate with respect to the posting of materials related to the interregional coordination procedures described in this Appendix 8 on each region’s regional planning website.

2. Data Exchange

2.1 At least annually, the Transmission Owner and PJM shall exchange power-flow models and associated data used in the regional transmission planning processes to develop their respective then-current regional transmission plan(s). This exchange will occur when such data is available in each of the transmission planning processes, typically during the first calendar quarter. Additional transmission-based models and data may be exchanged between the Transmission Owner and PJM as necessary and if requested. For purposes of the interregional coordination activities outlined in this Appendix 8, only data and models used in the development of the Transmission Owner's and PJM's then-current regional transmission plans and used in their respective regional transmission planning processes will be exchanged. This data will be posted on the pertinent regional transmission planning process' websites, consistent with the posting requirements of the respective regional transmission planning processes, and is considered CEII. The Transmission Owner shall notify PJM of such posting.

2.2 The SERTP regional transmission plans will be posted on the Regional Planning website pursuant to the Transmission Owner's regional transmission planning process. The Transmission Owner will also notify PJM of such posting so PJM may retrieve these transmission plans. PJM will exchange its then-current regional plan(s) in a similar manner according to its regional transmission planning process.

3. Joint Evaluation

3.1 Identification of Interregional Transmission Projects: The Transmission

Owner and PJM shall exchange planning models and data and current regional transmission plans as described in Section 2. The Transmission Owner and PJM will review one another's then-current regional transmission plan(s) in accordance with the coordination procedures described in Section 1 and their respective regional transmission planning processes. If through this review, the Transmission Owner and PJM identify a potential interregional transmission project that could be more efficient or cost effective than projects included in the respective regional plans, the Transmission Owner and PJM will jointly evaluate the potential project pursuant to Section 3.3.

3.2 Identification of Interregional Transmission Projects by Stakeholders:

Stakeholders may propose projects that may be more efficient or cost-effective than projects included in the Transmission Owner's and PJM's regional transmission plans pursuant to the procedures in each region's regional transmission planning processes. The Transmission Owner and PJM will evaluate interregional transmission projects proposed by stakeholders pursuant to Section 3.3.

3.3 Evaluation of Interregional Transmission Projects:

The Transmission Owner and PJM shall act through their respective regional transmission planning processes to evaluate potential interregional transmission projects and to determine whether the inclusion of any potential interregional transmission projects in each region's regional transmission plan would be more efficient or cost-effective than projects included in the respective then-current regional transmission plans. Such analysis shall be consistent with accepted planning

practices of the respective regions and the methods utilized to produce each region's respective regional transmission plan(s). The Transmission Owner will evaluate potential interregional transmission projects consistent with Section 3 and Section 21 of Attachment K. To the extent possible and as needed, assumptions and models will be coordinated between the Transmission Owner and PJM, as described in Section 1. Data shall be exchanged to facilitate this evaluation using the procedures described in Section 2.

3.4 Evaluation of Interregional Transmission Projects Proposed for Interregional Cost Allocation Purposes:

Interregional transmission projects proposed for Interregional CAP must be submitted in both the SERTP and PJM regional transmission planning processes. The project submittals must satisfy the applicable requirements for submittal of interregional transmission projects, including those in Sections 5.1(A) and 5.1(B). The submittals in the respective regional transmission planning processes must identify the project proposal as interregional in scope and identify SERTP and PJM as the regions in which the project is proposed to interconnect. The Transmission Owner will determine whether the submittal for the proposed interregional transmission project satisfies all applicable requirements. Upon finding that the project submittal satisfies all such applicable requirements, the Transmission Owner will notify PJM. Upon both regions so notifying one another that the project is eligible for consideration pursuant to their respective regional transmission planning processes, the Transmission Owner and PJM will jointly evaluate the proposed interregional projects.

- 3.4.1** If an interregional transmission project is proposed in the SERTP and PJM for Interregional CAP, the initial evaluation of the project will typically begin during the third calendar quarter, with analysis conducted in the same manner as analysis of interregional projects identified pursuant to Sections 3.1 and 3.2. Further evaluation shall also be performed pursuant to this Section 3.4. Projects proposed for Interregional CAP shall also be subject to the requirements of Section 5.
- 3.4.2** Each region, acting through its regional transmission planning process, will evaluate proposals to determine whether the interregional transmission project(s) proposed for Interregional CAP addresses transmission needs that are currently being addressed with projects in its regional transmission plan(s) and, if so, which projects in the regional transmission plan(s) could be displaced by the proposed project(s).
- 3.4.3** Based upon its evaluation, each region will quantify a Regional Benefit based upon the transmission costs that each region is projected to avoid due to its transmission projects being displaced by the proposed project. For purposes of this Appendix 8, “Regional Benefit” means: (i) for the Transmission Owner, the total avoided costs of projects included in the then-current regional transmission plan that would be displaced if the proposed interregional transmission project was included and (ii) for PJM, the total avoided costs of projects included in the then-current regional transmission plan that would be displaced if the proposed interregional transmission project was included. The Regional Benefit is not

necessarily the same as the benefits used for purposes of *regional* cost allocation.

3.5 Inclusion of Interregional Projects Proposed for Interregional CAP in Regional Transmission Plans: An interregional transmission project proposed for Interregional CAP in the SERTP and PJM will be included in the respective regional plans for purposes of cost allocation only after it has been selected by both the SERTP and PJM regional processes to be included in their respective regional plans for purposes of cost allocation.

3.5.1 To be selected in both the SERTP and PJM regional plans for purposes of cost allocation means that each region has performed all evaluations, as prescribed in its regional transmission planning processes, necessary for a project to be included in its regional transmission plans for purposes of cost allocation.

- For the SERTP: All requisite approvals are obtained, as prescribed in the SERTP regional transmission planning process, necessary for a project to be included in the SERTP regional transmission plan for purposes of cost allocation. This includes any requisite regional benefit to cost (“BTC”) ratio calculations performed pursuant to the respective regional transmission planning processes. For purposes of the SERTP, the anticipated allocation of costs of the interregional transmission project for use in the regional BTC ratio calculation shall be based upon the ratio of the SERTP’s Regional Benefit to the sum of the Regional

Benefits identified for both the SERTP and PJM; and

- For PJM: All requisite approvals are obtained, as prescribed in the respective regional transmission planning processes, necessary for a project to be included in the regional transmission plans for purposes of cost allocation.

3.6 Removal from Regional Plans: An interregional transmission project may be removed from the SERTP's or PJM's regional plan for purposes of cost allocation: (i) if the developer fails to meet developmental milestones; (ii) pursuant to the reevaluation procedures specified in the respective regional transmission planning processes; or (iii) if the project is removed from one of the region's regional transmission plan(s) pursuant to the requirements of its regional transmission planning process.

3.6.1 The Transmission Owner shall notify PJM if an interregional project or a portion thereof is likely to be removed from its regional transmission plan.

4. Transparency

4.1 The Transmission Owner shall post procedures for coordination and joint evaluation on the Regional Planning website.

4.2 Access to the data utilized will be made available through the Regional Planning website subject to the appropriate clearance, as applicable (such as CEII and confidential non-CEII). Both planning regions will make available, on their respective regional websites, links to where stakeholders can register (if applicable/available) for the stakeholder committees or distribution lists of the other planning region.

4.3 At the fourth quarter SERTP Summit, or as necessary due to current activity of proposed interregional transmission projects, the SERTP will provide status updates of interregional activities including:

- Facilities to be evaluated
- Analysis performed
- Determinations/results.

4.4 Stakeholders will have an opportunity to provide input and feedback within the respective regional planning processes of SERTP and PJM related to interregional facilities identified, analysis performed, and any determination/results.

Stakeholders may participate in either or both regions' regional planning processes to provide their input and feedback regarding the interregional coordination between the SERTP and PJM.

4.5 The Transmission Owner will post a list on the Regional Planning Website of interregional transmission projects proposed for purposes of cost allocation in both the SERTP and PJM that are not eligible for consideration because they do not satisfy the regional project threshold criteria of one or both of the regions as well as post an explanation of the thresholds the proposed interregional project failed to satisfy.

5. Cost Allocation

5.1 Proposal of Interregional Transmission Projects for Interregional CAP: For an interregional transmission project to be eligible for Interregional CAP within the SERTP and PJM regions, all of the following criteria must be met:

- A. The interregional transmission project must be interregional in nature,

which requires that it must:

- Be physically located in both the SERTP region and the PJM region;
- Interconnect to transmission facilities in both the SERTP and PJM regions. The facilities to which the project is proposed to interconnect may be either existing facilities or transmission projects included in the regional transmission plan that are currently under development; and
- Meet the threshold criteria for transmission projects potentially eligible to be included in the regional transmission plans for purposes of cost allocation in both the SERTP and PJM regions, pursuant to their respective regional transmission planning processes.

B. The interregional transmission project must be proposed for purposes of cost allocation in both the SERTP and PJM regions.

- The transmission developer and project submittal must satisfy all criteria specified in the respective regional transmission processes; and
- The proposal should be submitted in the timeframes outlined in the respective regional transmission planning processes.

C. The interregional transmission project must be selected in the regional transmission plans of both the SERTP and PJM regions.

- The costs of the interregional transmission project eligible for interregional cost allocation shall only be allocated to a region if that region has selected the interregional transmission project in its

regional transmission plan for purposes of cost allocation; and

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

5.2 Allocation of Costs for Interregional Transmission Projects Between the

SERTP and PJM Regions: The cost of an interregional transmission project selected for purposes of cost allocation in the regional transmission plans of both the SERTP and PJM regions shall be allocated for Interregional CAP to those regions as provided below:

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

project. The applicable discount rate for the PJM region shall be the discount rate included in the assumptions that are reviewed with the PJM Board of Managers each year for use in the economic planning process.

- B. When all or a portion of an interregional transmission project is to be located within a region in which there is no displaced regional transmission project, such region may, at its sole discretion, select the interregional transmission project for inclusion in its regional transmission plan; provided, however, that no portion of the costs of the interregional transmission project shall be allocated to such region pursuant to Section 5.2.A.
- C. Nothing in this Section 5 shall govern the further allocation of costs allocated to a region pursuant to this Section 5.2 within such region.
- D. The following example illustrates the cost allocation provisions in Section 5.2.A:
 - o Regions A and B, through the joint evaluation process prescribed in Section 3.4 of this Appendix 8 have included Transmission Project Z in their respective regional plans for purposes of cost allocation. Transmission Project Z was determined to address both regions' needs more efficiently or cost effectively than Transmission Project X in Region A and Transmission Project Y in Region B.
 - o The estimated cost of Transmission Projects X and Y are Cost (X) and Cost (Y) respectively. As described in Section 5.2.A, these costs shall be based upon common cost components.

- The number of years from the common present value date to the year associated with the cost estimates of Transmission Projects X and Y are $N(X)$ and $N(Y)$ respectively.
- Recognizing that the regions may have different discount rates, for purposes of this example D_A is the discount rate used for Transmission Projects X and D_B is the discount rate used for Transmission Project Y.
- Based on the foregoing assumptions and the allocation of costs based upon displaced regional transmission projects as prescribed in Section 5.2.A, the following illustrative formulas would be used:
 - Present Value of Cost (X) = $PV \text{ Cost (X)} = \text{Cost (X)} / (1+D_A)^{N(X)}$
 - Present Value of Cost (Y) = $PV \text{ Cost (Y)} = \text{Cost (Y)} / (1+D_B)^{N(Y)}$
 - Cost Allocation to Region A = $PV \text{ Cost (X)} / [PV \text{ Cost (X)} + PV \text{ Cost (Y)}]$
 - Cost Allocation to Region B = $PV \text{ Cost (Y)} / [PV \text{ Cost (X)} + PV \text{ Cost (Y)}]$
- Applying the above formulas, if:
 - Cost (X) = \$60 Million and $N(X) = 8.25$ years
 - Cost (Y) = \$40 Million and $N(Y) = 4.50$ years
 - $D_A = 7.5\%$ per year
 - $D_B = 7.4\%$ per year

o Then:

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

5.3 Merchant Transmission and Transmission Owner Projects: Nothing in this Section 5 shall preclude the development of interregional transmission projects that are funded by merchant transmission developers or by individual transmission owners.

5.4 Exclusivity with Respect to Interregional Transmission Projects Selected for Interregional CAP: The following provisions shall apply regarding other cost allocation arrangements:

- A. Except as provided in Section 5.4.B, the provisions in this Section 5 are the exclusive means by which any costs of an interregional transmission project selected for Interregional CAP between the SERTP and PJM regions may be allocated between or among those regions.
- B. A transmission owner(s) or transmission developer(s) may propose to fund or allocate, on a voluntary basis, the cost of an interregional transmission project selected for Interregional CAP using an allocation

other than the allocation that results from the methodology set forth in Section 5.2, provided that, should the allocation of cost of such interregional transmission project be subject to the Federal Energy Regulatory Commission's ("FERC") jurisdiction, such allocation proposal is accepted for filing by FERC in accordance with the filing rights with respect to cost allocation set forth in Section 5.5 of this Appendix 8 and provided further that no allocation shall be made to any region that has not agreed to that allocation.

- 5.5 Section 205 Filing Rights with Respect to Interregional Transmission Projects Selected for Interregional CAP: Solely with respect to interregional transmission projects evaluated under this Appendix 8 and selected by the SERTP and PJM regional transmission planning processes for purposes of Interregional CAP, the following provisions shall apply:
- A. Except as provided in Sections 5.4 and 5.5.B of this Appendix 8, nothing in this Section 5 will convey, expand, limit or otherwise alter any rights of the transmission owners, transmission developers or other market participants to submit filings under Section 205 of the Federal Power Act ("FPA") regarding cost allocation or any other matter.
 - B. The cost allocation provisions in this Section 5 shall not be modified under Section 205 of the FPA without the mutual consent of the holders of the FPA Section 205 rights with respect to interregional cost allocation in the SERTP and PJM regions.

5.6 Consequences to Other Regions from Interregional Transmission Projects:
Except as provided in this Section 5, or in other documents, agreements or tariffs on file with FERC, neither the SERTP region nor the PJM region shall be responsible for compensating another planning region for required upgrades or for any other consequences in another planning region associated with interregional transmission projects identified pursuant to this Appendix 8.

Document Content(s)

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