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December 19, 2014

Gary E. Guy
Assistant General Counsel
BGE Legal Department
2 Center Plaza, Suite 1523
110 West Fayette Street
Baltimore, MD 21201

Re: PJM Interconnection, L.L.C. and Baltimore Gas & Electric Company, Docket Nos. ER14-2864-000 & ER14-2867-000.

Dear Mr. Guy:

On September 12, 2014, PJM Interconnection, L.L.C. (PJM) filed with the Federal Energy Regulatory Commission (FERC) revisions to Schedule 6 of its Amended and Restated Operating Agreement (OA) and its Open Access Transmission Tariff (OATT) to permit for the planning and approval of multiple driver transmission projects (M-D Projects) in its Regional Transmission Expansion Plan (RTEP). On that same day, on behalf of the PJM Transmission Owners (TOs), Baltimore Gas & Electric Company (BG&E) separately filed revisions to Schedule 12 of PJM's OATT proposing a cost-allocation methodology for such projects.

On November 7, 2014, the Acting Director, Division of Electric Power Regulation – East, issued a Deficiency Letter to both PJM and BG&E requesting additional information to support processing of the two filings by FERC. Because the Organization of PJM States, Inc. adopted its Resolution #2014-1, supporting PJM's adoption of the M-D Project planning process and the cost-allocation rules which the TOs have adopted and filed with FERC, you have requested that OPSI review and comment upon the Deficiency Letter, providing its views, where it has views, that both the PJM and TOs filings are compliant with FERC adopted RTO planning and cost-allocation principles.

As discussed, much of the Deficiency Letter requests implementation details and other information on the PJM and TO filings which OPSI does not possess and cannot contribute to except by way of comment once PJM and the TOs have filed their separate responses to the letter. However, as to two specific questions, OPSI is able to explain its support for the M-D Project planning process and the associated cost-allocation rules as memorialized in its Resolution #2014-1[1], and thereby perhaps aid you in responding to the FERC Deficiency Letter.

The two specific questions of the Deficiency Letter as to which OPSI can provide its views are as follows:

1. **Order No. 1000 – Question ii:** Please demonstrate 1) how the cost allocation method for Multi-Driver [projects] satisfies the six regional cost allocation principles and 2) how it is consistent with the determination that participant funding cannot be the regional cost allocation method.
5. **Boosted Cost Allocation** – **Question bi:** [P]lease explain whether the costs for these projects would be allocated pursuant to a cost allocation method that complies with the six cost allocation principles outlined in Order No. 1000. If so, please provide justification on how the Boosted Cost Allocation method complies with six Order No. 1000 cost allocation principles. Please provide examples of the types of transmission projects that would fit this category.

In Order 1000, as clarified in Orders issued on rehearing,[2] FERC adopted six regional cost allocation principles generally built around the requirement that "The cost of transmission facilities must be allocated to those within the transmission planning region that benefit from those facilities in a manner that is at least roughly commensurate with estimated benefits." [3] The Commission further noted that "benefits" could include, but are not limited to, "the extent to which transmission facilities, individually or in the aggregate, provide for maintaining reliability and sharing reserves, production cost savings and congestion relief, and/or meeting Public Policy Requirements."[4] In Cost Allocation Principle 6, FERC further provided that RTOs "may choose to use a different cost allocation method for different types of transmission facilities in the regional transmission plan, such as transmission facilities needed for reliability, congestion relief, or to achieve Public Policy Requirements." [5]

OPSI strongly supports, for the reasons stated in OPSI Resolution #2014-1 and its Comments filed October 3 in response to the PJM and TOs filing (both of which are attached to this letter), that the cost allocation methods contained in the TOs filing complies with the Order 1000 cost allocation principles. Allocation of costs where an M-D Project is determined to be least cost and most efficient under the PJM transmission planning process, is to be on the same

[1] On June 12, 2014, OPSI adopted Resolution#2014-1 regarding cost allocation for multi-driver transmission projects. As listed at the end of that Resolution, eleven OPSI members supported the Resolution (DE, DC, IL, IN, MD, MI, NJ, NC, PA, TN, WV) and two OPSI members abstained (OH, VA) and KY was not in attendance.
[2] See, e.g., Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities, 136 FERC ¶ 61,051 at ¶s 585-705 (2011), order on rehearing, 139 FERC ¶ 61,132 at ¶s 638-737 (2012), order on rehearing, 141 FERC ¶ 61,044 (Order 1000); PJM Interconnection, L.L.C., 142 FERC ¶ 61,214 (2013).
[3] Order 1000 at ¶ 622. The above quoted language is from Cost Allocation Principle 1.
[4] Id.
[5] Order 1000 at ¶ 685.

basis as for single driver projects, only subject to a further allocation which reflects the relative importance and cost of each driver in the development and construction of the M-D project. Where one driver predominates, either on a cost basis or as the basis for siting and development of the M-D line, a higher level of cost is assigned to that driver, and then those costs are assigned as provided for in existing PJM/TO tariff provisions and in compliance with FERC Orders.

As explained in OPSI's October 3, 2014 Comments, OPSI believes that the "boosted" multi-driver project type is a new type of transmission project that does not currently exist in the PJM tariff. And, because that new project type will be planned and developed in a manner and circumstances different than project types currently described in the PJM Tariff and Operating Agreement, it thus merits application of a new cost allocation method that reflects the nature of these projects while still being consistent with Order 1000[6]. OPSI believes the proposal by the PJM TOs achieves this balance.

Such an M-D transmission line, by definition, will contain two parts: (i) a public policy component and (ii) a reliability or economic efficiency component which, however, by itself, would not be large enough to achieve regional cost allocation. A principal type of public policy transmission line or component would be one intended to assist in transporting renewable energy to satisfy a State's renewable energy portfolio or other standard. Such a transmission line could have regional grid benefits, but is less likely to have the same level of such benefits than would a single purpose reliability or economic efficiency line of sufficient size to qualify for regional cost allocation. Also, the original reliability or economic efficiency line, planned at less than regional allocation qualifying size, will have been planned for local and not regional benefit. However, when a line is "boosted" to a size that FERC has determined will have some regional benefits, then an allocation must be applied that takes into account these regional benefits as well as the original purpose and future use of such a transmission line.

Accordingly, roughly commensurate cost and benefit allocation is maintained by applying a hybrid region-wide and local cost allocation method. Because the "boosted" multi-driver project will be constructed and operated at high voltage levels, whereas the line would have been constructed at a lower voltage level had it not been combined with a public policy project, it may provide "other present and future benefits to a broader range of load," so some regional cost allocation component is justifiable (in this case 20%). [7] At the same time, a significant portion of cost allocation should remain reflecting its original purpose and proposed local benefits (80%). For the foregoing reasons, we believe the allocation fully complies with the requirements of the Commission's Cost-Allocation Principles.

If necessary, OPSI and its members are fully prepared to provide further support for these positions, as stated in OPSI Resolution #2014-1 and OPSI's Comments on the filings addressed by the FERC Deficiency Letter, in further Comments submitted in response to your and PJM's response to the Deficiency Letter. OPSI and its members consider the adoption and implementation of planning and cost allocation rules for M-D Projects to be a most important addition to PJM's Order 1000 planning process. Clearly, for cost efficiency as well as land-use and environmental preservation benefits, developing a single multi-purpose transmission line

[6] OPSI Comments at 8.
[7] OPSI Comments, at 7-8.

rather than multiple single purpose transmission lines to achieve the same benefit is much to be desired.

Sincerely,

/s/ Gregory V. Carmean
Executive Director
Organization of PJM States, Inc.