

Southeastern Regional Transmission Planning (SERTP)

Interregional Transmission Planning Coordination Between the SERTP and PJM Regions



Duke Energy Carolinas LLC and Duke Energy Progress, Inc. (“Duke”); Kentucky Utilities Company and Louisville Gas and Electric Company (“LG&E/KU”); and Southern Company Services, Inc. (“Southern”) constitute the three FERC-jurisdictional sponsors of the SERTP (“Jurisdictional SERTP Sponsors”). In accordance with Order No. 1000, they each have amended their respective open access transmission tariffs (“OATTs”) to adopt common tariff language to implement Order No. 1000’s interregional transmission planning and cost allocation requirements that apply to each of the SERTP’s seams with neighboring transmission planning regions. While the Jurisdictional Sponsors have all adopted common OATT language that is substantively the same for each of the SERTP’s interregional seams, the implementing OATT language for the Jurisdictional Sponsors is not absolutely identical as they reflect slight variations in terminology used in the corresponding OATTs. For example, Southern uses the term “Transmission Provider” to refer to themselves while LG&E/KU use the term “Transmission Owner.”

The following provides the Jurisdictional SERTP Sponsors’ OATT provisions for implementing the Order 1000 interregional requirements for the SERTP’s seam with the PJM Region. While substantively the same, the following first provides Duke’s implementing OATT language followed by that for LG&E/KU and then Southern. The latest OATT language for each of the Jurisdictional Sponsors is available on their respective [OASIS sites](#).

Duke Energy Carolinas LLC and Duke Energy Progress, Inc.

Attachment N-1-PJM

Interregional Transmission Coordination Between the SERTP and PJM

ATTACHMENT N-1 - PJM

Interregional Transmission Coordination Between the SERTP and PJM Regions

The Duke Transmission Provider, 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 Attachment N-1 - PJM with additional materials provided on the Regional Planning website.

The Duke Transmission Provider 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 Duke Transmission Provider 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 Attachment N-1 - PJM.

For purposes of this Attachment N-1 - PJM, the SERTP's transmission planning process is the process described in Attachment N-1 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 Attachment N-1 - PJM are intended to identify the activities described in those tariff provisions. Likewise, references to the respective regional transmission plans in this Attachment N-1 - PJM are intended to identify, for PJM, the PJM Regional Transmission Expansion Plan ("RTEP"), as defined in applicable PJM documents and, for the Duke Transmission Provider, the SERTP regional transmission plan, which includes the Duke Transmission Provider's ten (10) year transmission expansion plan. Unless noted otherwise, Section references in this Attachment N-1 - PJM refer to Sections within this Attachment N-1 - PJM.

Nothing in this Attachment N-1 - PJM 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 Attachment N-1 - PJM 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 Attachment N-1 - PJM, 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 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. **1.**

Coordination

1.1 Review of Respective Regional Transmission Plans: Biennially, the Duke Transmission Provider 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 Duke Transmission Provider and PJM will also coordinate with regard to the evaluation of interregional transmission projects identified by the Duke Transmission Provider 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 Duke Transmission Provider 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 Duke Transmission Provider 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 Duke Transmission Provider and PJM will coordinate with respect to the posting of materials related to the interregional coordination procedures described in this Attachment N-1 on each region's regional planning website.

2. Data Exchange

2.1 At least annually, the Duke Transmission Provider 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 Duke Transmission Provider and PJM as necessary and if requested. For purposes of the interregional coordination activities outlined in this Attachment N-1 - PJM, only data and models used in the development of the Duke Transmission Provider'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 Duke Transmission Provider shall notify PJM of such posting.

2.2 The SERTP regional transmission plans will be posted on the Regional Planning website pursuant to the Duke Transmission Provider's regional transmission planning process. The Duke Transmission Provider 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 Duke Transmission Provider and PJM shall exchange planning models and data and current regional transmission plans as described in Section 2. The Duke Transmission Provider 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 Duke Transmission Provider 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 Duke Transmission Provider 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 Duke Transmission Provider's and PJM's regional transmission plans pursuant to the procedures in each region's regional transmission planning processes. The Duke Transmission Provider and PJM will evaluate interregional transmission projects proposed by stakeholders pursuant to Section 3.3.

3.3 Evaluation of Interregional Transmission Projects:

The Duke Transmission Provider 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 Duke Transmission Provider will evaluate potential interregional transmission projects consistent with

Sections 4, 5, and 20 of Attachment N-1. To the extent possible and as needed, assumptions and models will be coordinated between the Duke Transmission Provider 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 Duke 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 Duke 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 Duke Transmission Provider 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 Attachment N-1 - PJM, "Regional Benefit" means: (i) for the Duke Transmission Provider, 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 Duke Transmission Provider 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 Duke Transmission Provider 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 Duke 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.

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 Attachment N-1 - PJM 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 Project 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 Cost (X) = $\text{Cost (X)} / (1+D_A)^{N(X)}$
 - Present Value of Cost (Y) = PV Cost (Y) = $\text{Cost (Y)} / (1+D_B)^{N(Y)}$
 - Cost Allocation to Region A = $\text{PV Cost (X)} / [\text{PV Cost (X)} + \text{PV Cost (Y)}]$
 - Cost Allocation to Region B = $\text{PV Cost (Y)} / [\text{PV Cost (X)} + \text{PV Cost (Y)}]$
- 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) = $40 / (1 + 0.074)^{4.50} = 29.0$ 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 Attachment N-1 - PJM 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 Attachment N-1 - PJM 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 Attachment N-1 - PJM, 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 Attachment N-1 – PJM.

Kentucky Utilities Company and Louisville Gas and Electric
Company

Appendix 8 to Attachment K

Interregional Transmission Coordination Between the SERTP and PJM

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 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.

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 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 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). 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:

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 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.

5. Cost Allocation

5.1 Proposal of Interregional Transmission Projects for Interregional CAP: For an interregional transmission project to be considered 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 SERTP transmission owner(s) and the transmission facilities of one or more PJM transmission owner(s); 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 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 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 for Transmission Projects X and 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+D)^{N(X)}

- Present Value of Cost (Y) = PV Cost (Y) = Cost (Y) / (1+D)^{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 = 7.5% per year
- Then:
- PV Cost (X) = 60/(1+0.075)^{8.25} = 33.0 Million
 - PV Cost (Y) = 40/(1+0.075)^{4.50} = 28.9 Million
 - Cost Allocation to Region A = 33.0 / (33.0 + 28.9) = 53.3% of the cost of Transmission Project Z
 - Cost Allocation to Region B = 28.9 / (33.0 + 28.9) = 46.7% 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. 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.

Southern Company Services, Inc.

Exhibit K-6

Interregional Transmission Coordination Between the SERTP and PJM

EXHIBIT K-6

Interregional Transmission Coordination Between the SERTP and PJM Regions

The Transmission Provider, 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 Exhibit K-6 with additional materials provided on the Regional Planning website.

The Transmission Provider 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 Provider 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 Exhibit K-6.

For purposes of this Exhibit K-6, 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 Exhibit K-6 are intended to identify the activities described in those tariff provisions. Likewise, references to the respective regional transmission plans in this Exhibit K-6 are intended to identify, for PJM, the PJM Regional Transmission Expansion Plan ("RTEP"), as defined in applicable PJM documents and, for the Transmission Provider, the SERTP regional transmission plan, which includes the Transmission Provider's ten (10) year transmission expansion plan. Unless noted otherwise, Section references in this Exhibit K-6 refer to Sections within this Exhibit K-6.

Nothing in this Exhibit K-6 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 Exhibit K-6 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

Exhibit K-6, 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 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.

1. Coordination

1.1 Review of Respective Regional Transmission Plans: Biennially, the Transmission Provider 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 Provider and PJM will also coordinate with regard to the evaluation of interregional transmission projects identified by the Transmission Provider 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 Provider 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 Provider 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; and
- Regional benefit calculations.

1.4 Posting of Materials on Regional Planning Websites: The Transmission Provider and PJM will coordinate with respect to the posting of materials related to the interregional coordination procedures described in this Exhibit K-6 on each region's regional planning website.

2. Data Exchange

2.1 At least annually, the Transmission Provider 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 Provider and PJM as necessary and if requested. For purposes of the interregional coordination activities outlined in this Exhibit K-6, only data and models used in

the development of the Transmission Provider'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 Provider 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 Provider's regional transmission planning process. The Transmission Provider 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 Provider and PJM shall exchange planning models and data and current regional transmission plans as described in Section 2. The Transmission Provider 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 Provider 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 Provider 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 Provider's and PJM's regional transmission plans pursuant to the procedures in each region's regional transmission planning processes. The Transmission Provider and PJM will evaluate interregional transmission projects proposed by stakeholders pursuant to Section 3.3.

3.3 Evaluation of Interregional Transmission Projects: The Transmission Provider 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 Provider will evaluate potential interregional transmission projects consistent with Section 6 and 11 of Attachment K. To the extent possible and as needed, assumptions and models will be coordinated between the Transmission Provider 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 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.

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 Exhibit K-6, “Regional Benefit” means: (i) for the Transmission Provider, 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 Provider 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 Provider 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; and

- 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 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.

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 Exhibit K-6 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 Cost (X)
$$= \text{Cost (X)} / (1+D_A)^{N(X)}$$
 - Present Value of Cost (Y) = PV Cost (Y)
$$= \text{Cost (Y)} / (1+D_B)^{N(Y)}$$
 - 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) = $40 / (1+0.074)^{4.50} = 29.0$ 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 Exhibit K-6 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 Exhibit K-6 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 Exhibit K-6, 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 Exhibit K-6.