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January 17, 2008

*Via Electronic Mail*

Members of the Board of Managers  
PJM Interconnection, LLC  
995 Jefferson Avenue  
Valley Forge Corporate Center  
Norristown, PA 19403-2497

**Subject: Interconnection Queue Management**

Dear PJM Board Members:

LS Power Associates, L.P. ("LS Power") is a Delaware limited partnership that, through a number of affiliates, owns and is developing competitive independent power plants throughout the United States. LS Power is very concerned that recent appeals by some stakeholders calling for amendment or outright circumvention or waiver of established tariff methodologies contradicts the principal of open access. Recent member petitions to the Board concerning specific projects, though well intentioned, if acted upon would have adverse impacts on other generation developers.

LS Power agrees there is a problem of delays in the processing of interconnection requests, which was the subject of a technical conference conducted by the Federal Energy Regulatory Commission on December 11, 2007 in Washington DC (Docket AD08-2). The problem is the result of large number of generator interconnection requests overwhelming the system designed to process the requests within the prescribed timelines set forth in the tariff. For example, while there were 28 interconnection requests in PJM's "K" queue from February to August 2003, there are 135 interconnection requests in the current "T" queue beginning August 2007, with more requests still entering this queue. Clearly the volume of requests pose challenges to PJM. I understand that PJM is considering both long term and short term actions to address the situation.

In the meantime, allowing generators to jump the queue for "high priority requests" only puts other generators at a disadvantage. The tariff procedures are equitable, and were created through an exhaustive rulemaking processes and with the active involvement of a broad stakeholder community conducted over a number of years. The current generator interconnection process generally provides a fair, non-discriminatory process for parties seeking interconnection to the transmission grid and is responsive to the dynamic forces at play in both the physical system and the open market. Accordingly, every effort should be made to preserve the integrity of process.

LS Power notes that some of the specific requests, while considered "high priority" by the requestors, were not even submitted in a timely manner. R81, the subject of one request for expedited treatment, was submitted on January 20, 2007, and T41, the subject of another request for special treatment, was submitted on September 19, 2007. These particular capacity additions are not identified as reliability projects pursuant to RTEP or other *bona fide* planning process; they merely represent market response to RPM as is the case with a majority of the other applicants in the PJM queue. If these entities desired interconnection service early in 2008, the requests should have been submitted earlier. Other requests in the queue submitted in 2006 are still patiently awaiting interconnection study results, and should not be subject to additional delay by allowing these requests to receive expedited treatment.

An LS Power affiliate has a request in the PJM queue (Q90) whose impact study agreement was executed in November 2006—fourteen months ago—whereas the tariff stipulates the transmission provider shall complete system impact studies *within 120 days*. Other LS Power affiliates are experiencing similar delays in the feasibility study phase for several additional queued projects at PJM. Under the process, the customer is powerless to hold PJM and Transmission Owner to account for such violations. The combined effect of these delays in PJM can be expected to influence the investment decision-making and timing for several thousand megawatts of new capacity in PJM. Queue delays undermine the ability to deliver timely new capacity additions for potential customers throughout the region.

The primary short-term solution available to PJM to address this problem, which is one of resource availability, is an increase in resources. Either increased staffing, or if that is not deemed appropriate for a short-term problem, increased use of outside consultants, will go a long way toward working through the queue. This could include allowing the interconnection customer—having every incentive to ensure timely and accurate study—to identify and retain qualified consultants to perform studies in lieu of the transmission owner (of course under transmission owner supervision).

In addition, abating the seemingly endless cycle of restudies would go a long way toward clearing out the interconnection queues and expediting the process.

While general modifications to queue management processes may be necessary, all interconnect customers are presently impacted on an equal footing. LS Power objects to accommodation of any individual applicant or queued project as discriminatory and adverse to all other customers.

Finally, in terms of long-term solutions, LS Power objects to suggestions of increasing barriers to generators seeking interconnection for the sole purpose of reducing the queue. Suggestions have included increased milestones required to maintain a queue position, increased financial commitment to the interconnection process, or limitations on the ability of a generator to suspend an interconnection agreement. For one, such obstacles are counter to the fundamental principals of open access. Furthermore, such actions will actually increase the number of interconnection requests in the queue. Developers will continue to submit interconnection requests in order to determine the transmission feasibility for a given potential generation interconnection. However, when a viable project is forced to exit the

queue due to failure to achieve a milestone by an artificial deadline, or if a generator is forced to terminate rather than suspend an interconnection agreement, the generator is forced to make an additional interconnection request for the same project. The effect of multiple requests for one project will result in a net increase in the number of requests in the queue.

We urge the Board not to act in haste in the face of increasing pressure from other members to amend or modify or circumvent the structurally sound generator interconnection procedures. We encourage your further consideration of market-based solutions to ease the resource constraint as the most effective means resolve queue congestion while preserving the integrity of open, non-discriminatory access afforded by the current process.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lawrence Willick".

Lawrence Willick  
Vice President