

**APPENDIX C TO REPORT OF INVESTIGATION
BY THE SPECIAL INVESTIGATIVE COMMITTEE OF
THE PJM BOM**

TIMELINE

MIC PRESENTATION RE BLACK START SERVICE

(Bowring alleges that PJM Management unilaterally removed the MMU’s Black Start presentation from the Markets Implementation Committee (MIC) agenda for the 10/31/06 Meeting. Bowring contends he recommended that PJM file with FERC to inform it that Black Start filings made by specific member companies were not consistent with the Tariff and that PJM modify its Black Start Tariff. Bowring alleges that the result of the filings for Black Start service was to increase payments by members for Black Start service.)

(PJM responds that neither PJM nor the MMU has responsibility for this. It has nothing to do with market monitoring, market power or compliance with market rules. It notes PJM does not administer a Black Start market. Rather it contends that PJM generators receive Commission-approved revenue requirements for this service. Its members make revenue requirement filings and the Commission processes them. It states when PJM intervenes in such a proceeding it is a PJM decision and not a matter for which the MMU is charged with advising the members.)

We are tasked with investigating the factual circumstances surrounding a presentation by the MMU before the MIC meeting of 10/31/06 concerning black start service and a subsequent filing at FERC concerning black start service. **Note: Although asked to investigate the subsequent FERC filing, we have not been provided any documents relating to a subsequent FERC Filing.**

NOTE: Although Bowring’s allegation and the issue provided to Duane Morris for its investigation are limited to a narrow time period in late 2006 and early 2007, in supplying documents to Duane Morris on this issue, Bowring’s counsel supplied numerous documents relating to a ComEd issue in 2003 & 2004. These appear to be unrelated to the issue we are tasked to investigate but they do provide support for the PJM Response that the MMU does not have responsibility in this area because there is no Black Start market. Hence the Time Line references a few key documents relating to this issue.

<u>DATE/TIME</u>	<u>DESCRIPTION OF EVENT</u>
4/5/04	<p>Alice Fernandez (FERC) response to Bowring inquiry re impact of ComEd and Midwest Generation settlement for Black Start service on PJM charges for Black Start service.</p> <p>Concludes settlement will not require PJM to pay higher amounts under the rate schedule.</p>

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4/27/04	FERC approved Black Start Tariff revision by delegated authority. Dealt with issue of not wanting PJM or MMU to have discretion over approving requests for greater compensation by forcing PJM to file for FERC approval for additional costs.
5/24/04	<p>E-mail Chain – Reflects dispute between legal and MMU re responsibility for examining cost data re Black Start service issue.</p> <p>Bowring contends MMU was invited into Black Start process because of its expertise on costs and its data sources.</p>
5/24/04	Hagele e-mail to MMU employee (cc: Zibelman, Kormos, Bowring, Spector, Duane) that it was decided today that process for developing cost data to support generators’ requests for additional reimbursement would be for MMU employee to send e-mail request. Notes Zibelman would speak to him directly concerning handling of data when received.
9/14/04	Kormos e-mail to Policy Team Members attaching review of Bowring’s document and response. (We do not appear to have Bowring document referenced). Set for discussion at up coming meeting.
9/16/06	Bowring Memo (Revised) to Policy Team re ComEd Black Start issues.
9/16/04	<p>PJM Policy Team Meeting Minutes (Draft) – Issue: whether MMU has an independent right or responsibility to comment upon reasonableness or prudence of costs submitted by generator re Black Start issue.</p> <p>Team decided that (1) PJM should file on behalf of parties describing the computational process & detail salient points of costs without comment; (2) if MMU observes anti-competitive or similar egregious behavior it could file separate comments or intervene with FERC; (3) Absent anti-competitive conduct, MMU would not be entitled to file comments on the Black Start filing separate from those of PJM.</p> <p>Bowring registered his dissent that PJM’s filing would not comment on reasonableness of costs & MMU’s inability to comment absent anti-competitive conduct.</p>
9/24/04	Cabinet adopts Policy Team position on MMU role in Black Start filings.

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11/4/04	PJM FERC Filing on ComEd Black Start Service.
11/16/04	Bowring e-mail to Zibelman re MMU Report on ComEd Black Start Filing asking for guidance re FERC procedural requirements and PJM decision protocols.
11/18/04	Zibelman e-mail to Bowring inquiring if he had verified analysis with Mike Kormos or any other division and noting she needs to meet with him.
11/22/04	Hagele e-mail to Bowring (cc: Zibelman & Duane) that due to insufficient time to get separate counsel Spector would provide analysis whether the subject matter of Black Start cost filings falls within MMU authority.
11/29/04	Bowring Memo to Harris explaining (1) MMU's concerns & issues with ComEd Black Start filing; (2) MMU's desire to file comments with FERC on the filing; (3) the internal process within PJM; and (4) decision to proceed despite the MMU disagreement. Bowring offers compromise of having PJM withdraw its FERC filing and have more review conducted.
12/1/04	Spector Memo analyzing scope of MMU authority as it pertains to Black Start rates. Spector concludes that there is nothing in the PJM Market Monitoring Plan ("Plan") or any FERC order indicating a role under the Plan for the MMU to monitor submission of Black Start revenue requirements for FERC approval. Spector notes that although PJM had assigned a role to the MMU to assist in the implementation of aspects of Schedule 6A of the Tariff, (the Black Start section), this role did not arise under the Plan.
12/1/04	Hagele Memo to Harris re MMU's authority in Black Start Filings. Addresses history of issue and summarizes Spector opinion.
12/28/04	FERC Issues Order approving PJM procedure for ComEd Black Start costs

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1/27/06	<p>Racioppi e-mail to Bowring re request from AEP re Black Start issue.</p> <p>Racioppi states: "I really resist any MMU involvement due to the fiasco from ComEd revenue requirements and it is very clear that the FERC will decide regardless of MMU input. That's not sour grapes, but if FERC is going to rule, I think MMU should only be involved if FERC asks us to."</p>
8/23/06	<p>Mayes e-mail to Bowring & Racioppi Re proposed Black Start Schedule 6A Revisions. Mayes attaches for preliminary review & comment "first crack at developing Tariff language for owners of Black Start Units to collect capital costs".</p> <p>{WE DO NOT HAVE ATTACHMENT}</p>
9/13/06	<p>Bowring e-mail to Ott (cc: MMU employee & Kelly) list of topics for BOM meeting on 10/17/06 – Includes Black Start Issue/recommendations.</p>
9/13/06	<p>Kelly e-mail to Ott attaching CMC agenda. Asks Ott how he wants Bowring's topics listed since only slated him for 15 minutes</p>
9/15/06	<p>Mayes e-mail to Bowring & Racioppi enclosing his comments on top of Racioppi's 1st cut.</p> <p>{WE DO NOT HAVE ATTACHMENT}</p>
9/18/06	<p>MMU employee e-mails re agenda & schedule for Bowring's presentation at MIC, MRC and MC meetings re Black Start issue. Indicates should be on agenda for both MIC & MRC meetings twice and the consent agenda for MC meeting on 1/25/07.</p>
9/26/06	<p>Bowring presentation to MIC re Proposed Tariff changes re Black Start.</p>
10/10/06	<p>Bowring e-mail to Ott & Kormos (cc: Bresler & Mayes) attaching draft Black Start Tariff changes.</p>
10/10/06	<p>Kormos- email to Bowring expressing surprise that stakeholders supported proposed Tariff changes.</p>

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10/10/06	Ott e-mail to Bowring noting that when Ott, Kormos & Bowring met on this issue Ott thought they had agreed that they would present the issue to Stakeholders but let stakeholder process determine what if any changes were needed and not set forth proposed changes. Ott notes “should not be putting forth a solution which is Bowring’s opinion only and will result in generators pulling out of black start service. Again our role is not the regulator. I cannot agree that we should put this out at all let alone within the next few days.”
10/11/06	Kormos responds to e-mail enclosing draft agenda for 10/25/06 MIC meeting noting that based on Andy’s email assumes Black Start comes off the agenda.
10/11/06	Bowring e-mail to Kormos that the topic needs to be on agenda - “question is the details of what is presented.”
10/13/06	Bowring e-mail to Ott & Ott response (cc: Mayes). Bowring states assumed based on yesterday’s discussion that Ott does not object to provision of draft tariff language to MIC (not MRC). Ott responds that he does have a problem. Ott will only agree to putting out a problem statement but no draft tariff revisions until stakeholder process developed.
10/13/06	Bowring e-mail to Ott attaching slides from prior MIC meeting on Black Start. Notes he will be doing amplified/clarified version for next MIC and related version for MRC.
10/13/06	Bowring e-mail to Racioppi attaching MMU Black Start slides for 10/31/06 MIC Meeting.
10/24/06	Bowring e-mail to Hartung attaching slides for MIC.
10/24/06	Bowring e-mail to Hinkel noting he was told by Ott that Hinkel is unhappy approach to Black Start issue. Attaches slides planning to use at next MIC meeting and seeks discussion with Hinkel
10/25/06	MRC Meeting – Bowring presented materials on Tariff issue regarding Black Start. Ott suggested detailed discussion continue at MIC

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10/25/06	Agenda for 10/31/06 MIC Meeting is distributed. Black Start is not on agenda
10/25/06	<p>E. Paulson (CES ltd) e-mail to Bresler & Bowring inquiring why Black Start is not on MIC agenda noting that he thought at MRC they said would continue discussion at MIC</p> <p>Bresler responds that Operations group expressed concerns and need to have more focused internal discussion before continuing at MIC. Notes it will be on November agenda</p>
10/26/06	<p>E. Paulson (CES ltd) e-mail to Bowring seeking filings Bowring mentioned at September MIC meeting that showed generators recovering costs twice.</p> <p>Bowring responds with filings and notes that the next MIC slides will include more detailed examples.</p>
10/26/06	<p>Bowring e-mail to Ott & Bresler noting there is significant activity in Black Start area. Notes need to clarify rules in expeditious manner.</p> <p>Ott responds and includes Hinkel and asks Hinkle to set up meeting quickly</p>
10/31/06	Racioppi e-mail to Bowring re ComEd meeting. Racioppi notes that at end of meeting Bob (from Operations) noted “if 20 year payback was put into Tariff, the entire Black Start system would collapse”. Racioppi notes “this should give you a decent idea where Operations is sitting as I am sure they will be doubly resistant to our Tariff proposal.”
11/1/06	E-mail string re dispute between Bowring & Bresler re content of MRC minutes from 10/25 meeting. Ott appears to resolve dispute in Bowring’s favor by noting Bowring’s edits were merely his statements at meeting and appropriate for minutes.
11/1/06	Bowring sends draft Black Start slides to Haymes (FERC).

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11/10/06	Bresler e-mail to Ott, Bowring & Kormos attaching slides for MIC presentation on Black Start. Notes will be posting in one week. This Presentation is by Hinkel and slides are more succinct and suggest need for further discussion within MIC or working group on Black Start Tariff changes, as compared to Bowring slides which actually suggest proposed language for Tariff change.
11/14/06	Bowring e-mail to Bresler, Ott, Kormos & Hinkel. Notes slides are ok except for 3 issues: (1) a conclusory statement about “onerous” and “Likely to result in the inability”; (2) does not state clearly that capital recovery period will be minimum of 10 years and (3) it remains Bowring’s view that the term issue is a regulatory call to be made by FERC.
11/16/06	MMU employee e-mail to Hartung (cc: Bowring) asking if Black Start proposed changes was on MIC agenda for 11/29 meeting. Hartung responds that it is Agenda notes that Hinkle will make Black Start presentation.
11/29/06	Minutes for 11/29/06. Minutes reflect that Hinkle presented Black Start proposed tariff revision issue. MIC assigned the issues to a Black Start Working Group for resolution and requested that the Working Group complete discussions by April 2007 MIC Meeting
12/20/06	Agenda for 12/20/06 MIC Meeting. Agenda indicates that a Black Start Working Group update was provided
2007	MMU Work Plan 2007 – Notes Black Start Tariff Changes as a project continuing from 2006