



October 1, 2010

Additional Black Start Resources Needed

Allegheny Power (also referred to herein as "TO") has determined that there is a need for additional black start capability in the Allegheny Power transmission zone. Therefore, PJM is seeking bids for additional black start capability in accordance with the Black Start Replacement process documented in PJM Manual M14D, Generator Operational Requirements, Section 10.

Black Start Requirements

Allegheny Power is requesting black start service offers totaling 3 to 6 MW of cranking power and capable of maintaining adequate frequency control during auxiliary equipment motor startup from resources located in the Springdale and Cheswick area near Springdale, Pennsylvania (see attachment A). Additional location requirements are as follows:

- 1) A portion of the total black start service requirement must be capable of satisfying the projected start up power requirement for one Springdale Combustion Turbine Unit (#3 or #4) and Springdale Steam Unit #5. The requirement is 3.05 MVA of load at 90% power factor, i.e., 3 MW and 0.5 MVAR of load.
- 2) The black start service step up transformer high side must be connected to transmission voltage of 345 kV or at a lower voltage level. For example, black start units with step up transformer connected to the 500 kV system would not meet this requirement.
- 3) The black start service may be designed as a critical asset, and as such, will comply with applicable NERC standards.

The preference is for black start capability at sites where critical black start units do not already exist. Allegheny Power will evaluate the offers received based on the best fit with its system restoration plan, and is open to adjusting the restoration plan if necessary.

Offers should be for resources capable of providing black start service starting on September 1, 2011. All black start service offers should clearly state their annual revenue requirements as provided for in Schedule 6A of the PJM Open Access Transmission Tariff (OATT).

Market Window

This posting marks the beginning of a "Market Window" which will last 90 calendar days from the date of the notification. The Market Window will therefore close on **January 1, 2011**. PJM will be reviewing pending generator interconnection projects and other projects that are received within the Market Window. Bids to provide black start service as specified above should be e-mailed to blackstart@pjm.com.



Submitting Black Start Replacement Bids

All bids submitted for the replacement black start resource must be cost-based bids consistent with Schedule 6A of the PJM OATT. Details of the required cost components for each prospective black start replacement bid are provided in the sub-section on Cost-based Components for Black Start Replacement Bids documented in PJM Manual M14D.

Summary of Black Start Replacement Process from M14-D

PJM will review each Generation Interconnection Request pending under Part IV of the PJM Tariff at the time a Market Window is opened (as described above) and each request from Black Start Units and each Interconnection Request it receives during such Market Window, to evaluate whether the project proposed in the request could meet the black start replacement criteria for which the Market Window was established.

The TO will also have the option of negotiating a cost based bi-lateral contract in accordance with the existing process outlined in PJM Manual M14D with a Generator Owner (GO) for black start services. The TO may provide the alternative as one of the bids for the black start replacement that will be evaluated by PJM pending FERC approval.

If PJM and the TO determine that more than one of the proposed projects within the 90 day market window meets the replacement criteria, the most cost-effective resource for the black start replacement will be chosen, provided the identified resource accepts and maintains designation as a market solution under Sections 36A or 41A of the PJM Tariff and executes the agreement(s) required there under. Submitted projects costs must be consistent with Schedule 6A of the PJM OATT. If no projects are received during the 90 day market window, PJM and the TO will modify the location and capability requirements for the replacement black start resource, as well as the market window, if necessary, to allow more resources to become viable as replacements, even if suboptimal. If no projects are identified after the modified search criteria and market window, PJM and the TO will investigate the cause for the absence of bids, and recommend corrective action in accordance with the existing cost based service process outlined in Schedule 6A of the PJM OATT, or addressing other barriers to entry identified by such investigation within the bounds of the existing tariff. In the process of this investigation, PJM will also identify limits for adjusting the cost of entry and other corrective actions within the bounds of Schedule 6A of the PJM OATT, beyond which, PJM will discontinue efforts to incent a replacement black start unit.

After PJM and the TO have identified the most cost-effective replacement resource, PJM and the TO will coordinate with the GO for the GO's acceptance under the PJM tariff as a black start unit. The replacement black start unit will be compensated for provision of the black start service in accordance with the existing process outlined in the PJM OATT. Schedule 6A of the PJM tariff sets forth a formula for payments to generators for black start service and the collection of such costs from transmission customers. The annual black start service revenue requirements of each generator are determined pursuant to this formula. The Schedule 6A formula includes allocation factors for fixed and variable generation costs, which are to be used "unless another value is supported by the documentation of costs." The generator owner may choose compensation under the



formulaic rate by submitting the formulaic black start costs to PJM as outlined in PJM Manual M-12 Section 4, or by filing for recovery of actual costs, with accompanying documentation, to FERC.

ATTACHMENT A

Allegheny Power Transmission Zone

