

**2008/2009 PJM Annual ARR Allocation and FTR Auction  
Recognition of Pending Duquesne Withdrawal from PJM  
February 12, 2008**

**Introduction**

The purpose of this document is to inform PJM stakeholders of how the 2008/2009 PJM annual ARR allocation and FTR auction will be handled given the pending withdrawal of the Duquesne transmission system from the PJM RTO. On November 8, 2007, Duquesne filed with FERC a conditional request to leave PJM effective May 31, 2008, and join MISO on June 1, 2008 (ER08-194). On January 17, 2008, FERC issued an order granting Duquesne's conditional request and required additional filings from Duquesne in order to complete its withdrawal plan. On February 1, 2008, Duquesne, in accordance with the FERC order, officially notified PJM and FERC of Duquesne's intent to exit PJM prior to May 31, 2011. The only proposed date of Duquesne's actual withdrawal of which PJM is currently aware is the May 31, 2008, date in Duquesne's November 8 application. However, PJM assumes that it is possible that Duquesne's actual exit from the PJM market could come after that date, depending on Duquesne's ability to meet all FERC and NERC requirements. PJM has received no further detailed plans from either Duquesne or MISO regarding Duquesne's withdrawal from PJM or subsequent integration into MISO. The points below summarize how the Duquesne Zone will be modeled in the upcoming annual ARR/FTR process, regardless of whether Duquesne's withdrawal occurs on May 31, 2008 or sometime during the 2008/2009 Planning Year.

**2008/2009 Annual ARR Allocation and FTR Auction**

The annual ARR allocation/FTR auction process for the 2008/09 Planning Period commences on March 3, 2008. In order to ensure continuous allocation of transmission rights to Duquesne LSEs through Duquesne's exit from PJM, PJM will conduct the 2008/09 annual ARR allocation and annual FTR auction with the Duquesne Zone included in the PJM model and all current Duquesne points available for ARR request and FTR bidding under the following rules:

1. The annual ARR allocation for 2008/09 Planning Period will be conducted with the Duquesne Zone included in the PJM model. LSEs in Duquesne will be able to request and receive ARRs which take effect June 1, 2008. Such allocated ARRs to LSEs in the Duquesne Zone will terminate on May 31, 2009, or upon Duquesne's exit, whichever occurs earlier. If Duquesne's exit date from PJM is May 31, 2008, the ARRs will never become effective.
2. The annual FTR auction for 2008/09 Planning Period will be conducted with the Duquesne Zone included in the PJM model. All currently valid pricing points located in the Duquesne Zone will be available for bidding as FTR source or sink points.

3. All FTRs purchased and sold in the annual auction that source and/or sink at a pricing point located in the Duquesne Zone will remain in effect for the entire 2008/09 Planning Period. In order to calculate the target allocation of FTRs sourcing and/or sinking at a Duquesne pricing point, PJM will continue to calculate day-ahead and real-time LMPs for all Duquesne pricing points throughout the entire 2008/09 Planning Period regardless of the actual exit date.