

PROPOSAL FOR REVISIONS TO DEFERRED SECURITY

Planning Committee
December 8, 2010

- Provision for deferred security was added to the PJM Tariff in April 2009
 - Interconnection Customer has option to defer providing security for up to 120 days after signing its ISA
 - Deposit collected during deferral = \$200,000 or 125% of the estimate costs incurred during the 120 day period, whichever is greater
 - If security is not paid within the 120 day period, the project will be terminated and withdrawn from the interconnection queue.

- Intent: To allow Interconnection Customers the opportunity to secure financing during a reasonable period of time after it signed its Interconnection Service Agreement (“ISA”)
- PJM brought proposed modifications to deferred security through the stakeholder process earlier this year
- Based on stakeholder feedback and further internal review PJM proposes additional revisions

- Change 1: Deferred security is permitted only for Local or Network Upgrades that no other New Service Customer will require
 - PJM will determine if any other New Service Customer that has a System Impact Study will require any of the Local or Network Upgrades included in the ISA.
 - If so, PJM will collect security for such Local or Network Upgrades at the time the ISA is signed and returned by the Interconnection Customer.
 - Interconnection Customer will be permitted to defer security for any other Local or Network Upgrades subject to the deposit requirement and other conditions in Section 212.4(c) of the Tariff
 - The deposit will cover design work and/or procurement activities

- Change 2: PJM is adding deferred security in Section 213.4(c) of the Tariff
 - Applies to New Service Customers who will receive an Upgrade Construction Service Agreement (“Upgrade CSA”) instead of an ISA
 - L-T P-t-P and NITS
 - IARRs
 - Merchant Network Upgrades
 - Mirrors language in 212.4(c) related to ISAs
 - Conforming changes added to the Upgrade CSA in Attachment GG of the Tariff

- In addition, PJM’s proposal continues to cover other modifications that we highlighted earlier this year
 - 212.4(c)
 - Modify language to read that security is due 120 days after “Interconnection Customer executes the ISA”
 - Remove language that is not applicable in the context of deferred security; note some language reincorporated based on suggestions at 10/20 MRC meeting
 - ISA (Tariff, Attachment O)
 - Move the language re: Deferred Security from section 6 of the ISA to section 5 of the ISA

- MRC – 12/15/10 and, if necessary, 1/19/11
- MC – 1/27/11 and, if necessary, 3/31/11
- FERC filing in February or April, depending on MC endorsement