

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Central Transmission, LLC

v.

PJM Interconnection, L.L.C.

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) Docket No. EL10-_____
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**COMPLAINT AND
REQUEST FOR EXPEDITED ACTION**

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**COMPLAINT AND
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Pursuant to Section 206 of the Federal Power Act (“FPA”) and Rule 206¹ of the Federal Energy Regulatory Commission’s Rules of Practice and Procedure, 18 C.F.R. § 385.206 (2009), Central Transmission, LLC (“Central Transmission”) requests that the Commission find that Schedule 6 of the PJM Interconnection, L.L.C. (“PJM” or “Respondent”) Operating Agreement² and Schedule 12 of the PJM Open Access Transmission Tariff³ are unjust and unreasonable and unduly discriminatory in violation of FPA Section 206 insofar as these provisions could prevent PJM from designating Central Transmission to construct and own a transmission project (the “LaSalle Project” which is further described in Part II below) under the same cost recovery provisions in Schedule 12 of the PJM Tariff that are available to those entities that currently own transmission facilities that comprise the PJM transmission system (the “Incumbent TOs”). As described below, Central Transmission therefore requests that the

¹ 16 U.S.C. § 824e.

² PJM Interconnection, L.L.C. Third Revised Rate Schedule FERC No. 24 (“PJM OA”).

³ PJM Interconnection, L.L.C., Sixth Revised Volume No. 1 (“PJM Tariff”).

Commission clarify that PJM has the existing right to designate Central Transmission to construct and own the LaSalle Project, and to revise Schedule 6 of the PJM OA and Schedule 12 of the PJM Tariff to confirm that Central Transmission's construction and ownership will be on the same regulated, rate-based terms as Incumbent TOs.

Central Transmission requests that the Commission expedite action and issue an order on this complaint on or before June 15, 2010, because PJM will shortly complete planning studies with respect to the LaSalle Project and, if the LaSalle Project is determined by PJM to meet its economic efficiency criteria, PJM will be required to then designate the entity to construct and own the LaSalle Project.⁴ Although Central Transmission is the original sponsor of the LaSalle Project and desires to construct and own the project on terms equal to those of Incumbent TOs, PJM has indicated to Central Transmission that PJM does not believe it can designate Central Transmission to construct and own the line on those terms based on its interpretation of its tariff.

I. SUMMARY OF COMPLAINT AND REQUEST FOR RELIEF

Transmission expansion in PJM falls into two categories: regulated, rate-based transmission (which Central Transmission desires for the LaSalle Project) and merchant transmission. Entities that construct and own regulated, rate-based transmission are entitled to recover their costs from customers taking transmission service under the PJM Tariff through rates which are based on traditional cost-of-service principles.⁵ Entities that construct and own merchant transmission have no entitlement to regulated, rate-based treatment, but may be eligible

⁴ This complaint is not intended to prejudge PJM's economic analysis under the criteria outlined in Schedule 6 of the PJM OA and under the planning assumptions to be approved by the PJM Board in June.

⁵ PJM Tariff, Schedule 12.

for certain financial rights, e.g., Incremental Auction Revenue Rights.⁶ As discussed below, PJM’s existing rules prevent entities other than an Incumbent TOs from following the regulated, rate-based model, instead forcing all such projects into the merchant transmission model, whether the new entrant wants to follow that model or not.

As part of its Regional Transmission Expansion Plan (“RTEP”) process, PJM first identifies upgrades needed to meet reliability needs, and then in a second phase, identifies additional upgrades to provide economic or market efficiency benefits (“economic upgrade”).⁷ If an Incumbent TO is designated by PJM to construct and own an economic upgrade that PJM has included in the RTEP, the TO is entitled to recover its costs through traditional regulated, rate-based treatment, and the PJM Tariff sets forth the methods that assign cost responsibility for these costs to PJM’s transmission customers.⁸ However, if any entity other than an Incumbent TO constructs and owns the same economic upgrade, the PJM OA can be read to prevent that entity from obtaining regulated, rate-based treatment through the PJM Tariff, i.e., effectively reclassifying the very same project as a merchant transmission facility.⁹

⁶ PJM Tariff, Part IV. Although Central Transmission filed for interconnection of its project as a “merchant” transmission project, it did so because there are no other mechanisms to seek interconnection of a proposed economic upgrade. Central Transmission has consistently indicated to PJM that, if the RTEP market efficiency analysis shows the project meets PJM’s economic upgrade criteria, Central Transmission would seek cost based rates for the project.

⁷ See PJM OA, Schedule 6. A complete copy of Schedule 6 is provided at Attachment 1 to this complaint.

⁸ PJM OA, § 1.5.7(g); PJM Tariff, § 12.

⁹ Interestingly, PJM does not seem to apply this provision to newly formed transmission companies that are affiliates of Incumbent TOs. For example, Trans-Allegheny Transmission Line Company (“TrAILCo”) owns no transmission facilities in PJM and, like Central Transmission, cannot be a PJM TO at this time. However, upon information and belief, because TrAILCo is an affiliate of PJM Incumbent TOs it will be accorded regulated, rate-based treatment when it constructs the Trans-Allegheny Transmission Line, a RTEP reliability project initially assigned by PJM to Incumbent TOs. Although the TrAIL project is a “reliability”

(footnote continued)

It is patently unjust and unreasonable and unduly discriminatory to adopt different cost recovery rules for an economic upgrade that will become part of the PJM transmission system based solely on the identity of the entity that will construct and own the facility. The benefits provided to the system and its customers are the same whether the facility is owned by an Incumbent TO or owned by another entity. The economic upgrade can only be included in the RTEP after meeting objective standards approved by the Commission, and this evaluation is not affected in any way by the identify of the entity that will construct and own the upgrade.

Adopting preferential cost recovery rules for Incumbent TOs creates barriers to new entrants into the transmission business and, as is the case with all market entry barriers, this can lead to higher costs to consumers and additional market inefficiencies. The FPA is, at its core, a consumer protection statute, and tariff rules that create barriers to entry are directly at odds with this principle. For these reasons, as set forth below, the sentence of Schedule 6 that can be read to limit regulated, rate-based treatment to Incumbent TO's must be stricken.

Confirming that new entrant transmission owners will be treated equally with Incumbent TOs for cost recovery purposes is of little value, however, if PJM cannot, or will not, designate a new entrant transmission owner to construct and own projects like the LaSalle Project. For this reason, Schedule 6 of the PJM OA should be revised to clarify, what Central Transmission already believes to be the case, that PJM will be able to designate Central Transmission to construct and own an economic upgrade. It matters not whether new entrants are excluded from owning new transmission upgrades directly by explicit prohibitions against their ownership, unexplained bias toward Incumbent TO ownership through PJM designation, or

project, the PJM OA and Tariff § 12 make no distinction between reliability and economic projects for rate treatment purposes.

indirectly by unreasonable and discriminatory cost recovery terms. The result is the same clear violation of the FPA.

Accordingly, in order to ensure that the terms of the PJM OA and PJM Tariff are just and reasonable, they must be clarified or revised as described further below to assure that PJM can designate entities other than Incumbent TOs, like Central Transmission, to construct economic upgrades which are eligible for regulated, rate-based treatment.¹⁰ Because PJM's designation of an entity to construct and own the LaSalle Project will be forthcoming following PJM's economic analysis, time is of the essence so that PJM is fully cognizant of its existing rights and obligations, or its clarified rights, before it makes its designation.

II. BACKGROUND

A. Central Transmission

Central Transmission is a member of the LS Power Group. LS Power is a power generation and transmission group with a proven track record of successful development activities, operations management and commercial execution. LS Power has been involved in the development, construction, or operations of over 20,000 MW of power generation throughout the United States. LS Power has active transmission development across the country representing over 1,000 miles of transmission planned to help deliver renewable resources to load. These projects include Great Basin Transmission, LLC, a new transmission company in Idaho and Nevada developing a "shovel ready" 500+ mile 500-kV transmission line; Cross Texas Transmission, LLC, a new transmission company in Texas developing over 200 miles of

¹⁰ While Central Transmission believes that the same principles apply to reliability upgrades, in the interest of obtaining expedited action to facilitate the development of the LaSalle Project, Central Transmission is not, at this time, seeking modification to the PJM OA or PJM Tariff with respect to upgrades identified as part of the initial reliability assessment conducted under the RTEP.

double circuit 345kV transmission as part of the Competitive Renewable Energy Zone Transmission Plan¹¹; and Wyoming Colorado Intertie, LLC, a new transmission company in Wyoming and Colorado developing an approximate 180-mile 345 kV line across a long standing western constraint.

B. The LaSalle Project

The LaSalle Project was announced and proposed to PJM as an approximately 160-mile double circuit 345 kV transmission line that will connect three existing PJM 345-kV substations: the Pontiac-Midpoint substation located in Pontiac, Illinois owned by Commonwealth Edison Company (“ComEd”); the Reynolds substation in Indiana owned by American Electric Power Company (“AEP”); and the Dumont substation in Indiana, also owned by AEP.¹²

The LaSalle Project is expected to relieve significant congestion in Illinois and Indiana and it is expected that it will result in reduced costs for customers, thus meeting PJM’s criteria to be designated a market efficiency project. The LaSalle Project will provide a new connection between the ComEd and AEP zones, which are physically separated by an area served by several utilities, mostly cooperatives, that are part of the Midwest Independent Transmission System Operator, Inc. as shown on Attachment 2. As a result, the LaSalle Project will create additional internal PJM transfer capacity between these zones which will provide

¹¹ See Public Utility Commission of Texas Docket 35665 Commission Staffs Petition for Selection of Entities Responsible for Transmission Improvements Necessary to Delivery Renewable Energy from Competitive Renewable-Energy Zones and Docket No. 37902 - Remand of Docket No. 35665 (Commission Staffs Petition for Selection of Entities Responsible for Transmission Improvements Necessary to Delivery Renewable Energy from Competitive Renewable-Energy Zones).

¹² A map is provided at Attachment 2 to this complaint. The intent of Central Transmission is to interconnect to the high-side of the AEP bus at Reynolds, the PJM side.

economic and reliability benefits. Additionally, the LaSalle Project is located such that it will provide transmission access to renewable generation under development in Illinois and Indiana. The LaSalle Project will benefit the approximately 27,000 MW of wind in the PJM ComEd and Northern Indiana/AEP interconnection queues (through queue V)¹³ in addition to the wind generation located along the LaSalle Project that would otherwise be “stranded” between the ComEd and AEP zones without a clear ability to access the PJM market.

C. Status of the LaSalle Project in PJM’s Planning Process

On December 1, 2009, Central Transmission submitted a request to interconnect the LaSalle Project to the PJM grid, and PJM is currently conducting the interconnection studies.¹⁴ On December 17, 2009, in accordance with the procedures set forth in the PJM OA, Central Transmission submitted the LaSalle Project to PJM for study as a potential economic upgrade.¹⁵ The December 17 Letter made clear that Central Transmission was seeking approval in the RTEP as a project eligible for construction, ownership and regulated rate-based recovery by Central Transmission.¹⁶ PJM confirmed that the LaSalle Project would be studied as a potential economic expansion.¹⁷ Based upon information and belief through discussions with PJM, as of the date of this Complaint, no other projects have been proposed for study as either an economic

¹³ This represents over 30% of the total PJM Interconnection queue and approximately 85% of the ComEd queue.

¹⁴ As noted, the Interconnection request was to interconnect the LaSalle Project as a merchant transmission project. This is because PJM has no procedure for requesting interconnection of an independent transmission project on any basis other than a merchant basis. In its Feasibility Study Agreement, it was specifically identified that Central Transmission could seek treatment of the LaSalle Project as other than a merchant project for rate purposes.

¹⁵ See letter to PJM dated December 17, 2009 (“December 17 Letter”) at Attachment 3 to this complaint.

¹⁶ December 17 Letter at 1.

¹⁷ See PJM letter dated January 15, 2010 at Attachment 4 to this complaint.

or reliability upgrade that are similar to the LaSalle Project. Finally, also upon information and belief, following Central Transmission's public announcement of its intent to develop the LaSalle Project, at least two wind generator interconnection requests have been submitted to PJM's interconnection queue identifying the LaSalle Project as their proposed point of interconnection.

D. PJM's Procedures for Assessing Economic Projects

The purpose of PJM's RTEP protocol is to "prepare a plan for the enhancement and expansion of Transmission Facilities in order to meet the demands for firm transmission service, and to meet competition, in the PJM Region."¹⁸ It requires that PJM "consolidate the transmission needs of the region into a single plan which is assessed on the bases of maintaining the reliability of the PJM Region in an economic and environmentally acceptable manner and in a manner that supports competition in the PJM region."¹⁹ In June of each year, following completion of its reliability plan for the region, PJM performs an economic planning analysis, so as to, among other things, identify enhancements or expansions that could relieve economic constraints, i.e., those that cause "(1) significant historical gross congestion; (2) significant historical unhedgeable congestion; (3) pro-ration of [Auction Revenue Requirement] requests described in section 7.4.2(c) of this [PJM OA]; or (4) significant simulated congestion as forecast in the market efficiency analysis."²⁰

The RTEP protocol provides that any market participant may submit to PJM an economic upgrade proposal.²¹ Market simulations are conducted with and without the proposed

¹⁸ PJM OA, Schedule 6, § 1.1.

¹⁹ *Id.* at § 1.4 (a).

²⁰ *Id.* at §§1.5.7 (a) and (b).

²¹ *Id.*

economic upgrade and the upgrade “**shall** be included in the [RTEP] recommended to the PJM Board, if the relative benefits and costs of the economic-based enhancement or expansion meet a Benefit/Cost Ratio Threshold of at least 1.25:1.”²² The instant complaint does not seek to prejudge PJM’s analysis but to clarify the applicable rules if, as Central Transmission expects, the LaSalle Project is deemed to meet the Benefit/Cost Ratio Threshold.

The PJM OA provides that, for any upgrades included in the RTEP, PJM shall “designate one or more Transmission Owners **or other entities**” to construct and own the upgrade.²³ Similarly, the PJM OA provides that, for those economic upgrades approved by the PJM Board, PJM “shall designate (a) the entity or entities that will be responsible for constructing and owning or financing the additional economic-based enhancements and expansions, . . . and (c) the market participants that will bear responsibility for the costs of the additional economic-based enhancements or expansion pursuant to section 1.5.6 (g) of this Schedule 6.”²⁴

Cost responsibility shall be determined in accordance with Schedule 12 of the PJM Tariff.²⁵ Schedule 12 provides that the Transmission Owner designated to construct and own the project will submit a revenue requirement to the Commission and, once approved, PJM will recover those costs from transmission customers.²⁶ For new economic upgrades with a voltage

²² *Id.*, §1.5.7 (d) (emphasis added). Section 1.5.7 (d) also includes detailed description of the analysis to determine whether an economic enhancement meets the Benefit/Cost Ratio Threshold. In this complaint, Central Transmission is not challenging these aspects of the RTEP protocol.

²³ *Id.*, § 1.5.6(f) (emphasis added).

²⁴ PJM OA, Schedule 6, § 1.5.7(g) (emphasis added).

²⁵ *Id.*, § 1.5.6(g).

²⁶ PJM Tariff, Schedule 12(a).

of 345 kV or less, Schedule 12 assigns cost responsibility based on PJM's assessment of the benefits to each PJM zone.²⁷ Specifically, PJM calculates the difference between the yearly cost of energy (hourly estimated zonal MW times hourly estimated Locational Marginal Price) *without* the upgrade and the yearly cost of energy (and any associated change in the value of transmission rights) *with* the upgrade and then, for all zones whose energy cost will decrease due to the system expansion, assigns a proportionate share of the upgrade's cost. Cost responsibility for these projects is assigned *pro rata* to zones in PJM who benefit from the upgrade, as measured by the estimated decrease in the cost of annual zonal load that is attributable to the new facilities.²⁸

While Section 1.5.6(g) clearly provides that economic expansions that meet the requirements of Section 1.5.7 will be eligible for cost recovery under Schedule 12, Section 1.5.6(g) also states:

Notwithstanding the foregoing, with respect to any facilities that the [RTEP] designates to be owned by an entity other than a Transmission Owner, the plan shall designate that entity as responsible for the cost of such facilities.

²⁷ See Tariff Filing in *PJM Interconnection, L.L.C.*, Docket Nos. ER06-456-020 *et al.* (July 28, 2009) at 3-4 (accepted by letter order on September 3, 2009); PJM Tariff at Schedule 12, § (b)(v)(C). PJM distinguishes enhancements or expansions that could relieve economic constraints but have no identified reliability basis, from economic-based modifications to already-identified reliability upgrades or accelerations of reliability projects already included in the RTEP. See PJM OA, Schedule 6, § 1.5.7(b)(iii). Cost responsibility for these other types of economic upgrades was established by a settlement. See *PJM Interconnection, L.L.C.*, 124 FERC ¶ 61,112 at PP 8, 19 (2008) (accepting proposed settlement methodology for allocating the costs of acceleration and modification upgrades).

²⁸ PJM OA, Schedule 6, § 1.5.7(d).

This provision could be used to deny regulated, rate-based recovery to Central Transmission were it to be selected by PJM to construct and own the approved economic enhancement it proposed.

III. COMPLAINT

A. **Schedule 6 of the PJM OA and Schedule 12 of the PJM Tariff Should Be Revised To Make Clear That Entities Other Than Incumbent TOs Designated to Construct and Own Economic Upgrades May Recover Their Costs Through Schedule 12 of the PJM Tariff**

To the extent that the language of Section 1.5.6(g) that would assign the costs of any project owned by any entity other than an Incumbent TO while allowing regulated, rate-based recovery to Incumbent TOs could be used to deny regulated, rate-based recovery to Central Transmission for the LaSalle Project if the LaSalle Project is approved as an economic upgrade, it is unjust and unreasonable. Central Transmission requests that the Commission strike the following language from Section 1.5.6(g):

Notwithstanding the foregoing, with respect to any facilities that the [RTEP] designates to be owned by an entity other than a Transmission Owner, the plan shall designate that entity as responsible for the cost of such facilities.

Under the PJM OA, Transmission Owner as used in Section 1.56 (g) means a member of PJM that **owns or leases** with rights equivalent to ownership **Transmission Facilities** and is a signatory to the PJM Transmission Owners Agreement (i.e., the Incumbent TOs).²⁹ The existing definition of Transmission Owner creates the paradox that it is impossible to build and own

²⁹ PJM OA, § 1.45. Transmission Facilities means facilities that: (i) are within the PJM Region; (ii) meet the definition of transmission facilities pursuant to FERC's Uniform System of Accounts or have been classified as transmission facilities in a ruling by FERC addressing such facilities; and (iii) have been demonstrated to the satisfaction of the Office of the Interconnection to be integrated with the transmission system of the PJM Region and integrated into the planning and operation of such to serve all of the power and transmission customers within such region. *Id.* at §1.44.

transmission under the tariff unless you are a TO, and it is impossible to become a TO without owning transmission.³⁰ Thus, Central Transmission cannot become a signatory to the PJM Transmission Owners Agreement until it actually owns transmission that is turned over to PJM, and thus it could be argued that it is not eligible for regulated, rate-based treatment on the LaSalle Project because of the language of 1.5.6(g).³¹

Section 1.5.6(g) of Schedule 6 should be revised to make clear that, when entities other than the Incumbent TOs are designated to construct and own a project included as an economic upgrade in the RTEP, based on PJM's determination that it meets the Commission-approved criteria, those entities are entitled to cost recovery under the same terms and conditions that would apply if the entity designated were an Incumbent TO, i.e., by filing a revenue requirement for approval in accordance with Schedule 12 and recovery from transmission customers assigned cost responsibility under the existing PJM OA and PJM Tariff provisions. As noted above, while Section 1.5.6(g) provides for regulated, rate-based treatment through Schedule 12 by **any** entity designated to construct an economic upgrade, that Section also includes a sentence that can be read to prevent any entities other than Incumbent TOs from seeking regulated, rate-based treatment and the sentence should be deleted to make it clear that it does not prohibit regulated, rate-based recovery for entities other than the Incumbent TOs.

The sentence was added when PJM first expanded its regional planning terms to satisfy the requirements of Order No. 2000 to become a Regional Transmission Organization

³⁰ As noted above in footnote 8, PJM does not appear to apply this rule to new entrants affiliated with Incumbent TOs. In this regard, notwithstanding the language of Section 1.5.6(g), upon information and belief, TrAILCo, not currently a Transmission Owner, was not "designated [as the] entity responsible for the cost" of TrAIL, a project that it is constructing and will own.

³¹ In addition, Schedule 12 of the PJM Tariff presumes that Transmission Owners are the only entities eligible to file a revenue requirement for recovery under the PJM Tariff.

(“RTO”).³² In its filing letter to the Commission, it appears that PJM included this language to make clear that cost recovery through PJM Tariff rates would be limited to regulated, rate-based projects that were identified as part of PJM’s RTEP process and would not apply to merchant transmission facilities or facilities proposed by an entity that “PJM otherwise would not have included in the RTEP.”³³ Removal of the referenced language will not make it any less clear which projects will be accorded regulated, rate-based treatment as PJM retains control of which projects are approved as reliability or economic enhancement projects in the RTEP, and thus the projects accorded regulated, rate-based treatment. Central Transmission has proposed a project that will, if deemed economic by PJM, become an economic upgrade as part of the RTEP. However, Central Transmission is concerned that parties may argue that the provision is written broadly (i.e., without its application being expressly limited to projects that PJM otherwise would not have included in the RTEP) and, therefore, applies even to economic expansions identified by PJM as part of its RTEP process if PJM designates an entity other than an Incumbent TO to construct and own the upgrade. Such a result would be unjust and unreasonable.

Central Transmission cannot wait until after PJM designates it to construct the LaSalle Project to learn that there is a controversy that could jeopardize its ability to recover its costs if the LaSalle Project is assigned to it for construction and ownership. Accordingly,

³² *Regional Transmission Organizations*, Order No. 2000, 65 Fed. Reg. 810 (Jan. 6, 2000), FERC Stats. and Regs. [Regs. Preambles July 1996-December 2000] ¶ 31,089 (1999), *order on reh'g*, Order No. 2000-A, 65 Fed. Reg. 12,088 (Mar. 8, 2000), FERC Stats. and Regs. [Regs. Preambles July 1996-December 2000] ¶ 31,092 (2000), *aff'd sub nom. Pub. Util. Dist. No. 1 of Snohomish County, Washington v. FERC*, 272 F.3d 607 (D. C. Cir. 2001).

³³ PJM Interconnection, L.L.C., Compliance Filing, Docket No. RT01-2-006 (Mar. 20, 2003) (“RTO Filing”). See Transmittal Letter at p. 12-13 and n.9.

Central Transmission requests that the Commission modify Section 1.5.6(g) to strike this sentence in its entirety and to ensure that any entity designated to construct, finance or own an economic-based enhancement in accordance with Section 1.5.7 of Schedule 6 may file a revenue requirement under Schedule 12 of the PJM Tariff.”³⁴ In addition, Schedule 12 should be revised to explicitly provide that any entity, not just Transmission Owners, designated to construct such an economic upgrade (e.g. approved in the RTEP) may file its revenue requirement for approval and cost recovery through the PJM Tariff.³⁵

To the extent that the PJM OA can be read to limit cost recovery for economic upgrades only to projects constructed and owned by Incumbent TOs, it violates the FPA. It is unjust and unreasonable and patently unduly discriminatory to adopt different cost recovery rules for an economic upgrade that will become part of the PJM transmission system based solely on

³⁴ See Attachment 5 for proposed changes to Schedule 6 to effectuate this. The proposed language is intended also to provide certainty that all projects selected as economic upgrades in accordance with Section 1.5.7 are encompassed, i.e., even if it were later determined that the project would also provide reliability benefits, for example, by eliminating the need for a project identified for reliability purposes in the first phase of the RTEP. As a practical matter, all transmission upgrades provide, to some degree, both economic and reliability benefits. Central Transmission has limited its complaint to the narrow issue of the treatment of economic upgrades identified pursuant to Section 1.5.6(g) and the relief it seeks herein would be meaningless if the LaSalle Project would become subject to different terms and conditions simply because it was later determined to also provide reliability benefits.

³⁵ While Central Transmission will become a signatory to the Transmission Owners Agreement and, thus, meet the definition of Transmission Owner at that time that it transfers control of the LaSalle Project to PJM, Central Transmission likely will need to file its revenue requirement in advance of that date. Accordingly, to ensure that Central Transmission is eligible to file its revenue requirement for recovery under Schedule 12, the following provision should be added to Section (a) or, alternatively, Schedule 12 could be modified to add the phrase “or other entity(ies)” every time the term Transmission Owner(s) appears:

The rights and obligations established in this Schedule 12 with respect to Transmission Owners apply equally to other entities designated by PJM under Schedule 6 of the Operating Agreement to construct and own and/or finance Required Transmission Enhancements.

the identity of the entity that will construct and own the facility. The benefits provided to the PJM system and its transmission customers are the same whether the economic upgrade is owned by an Incumbent TO or owned by another entity. The economic upgrade can only be included in the RTEP after meeting objective standards approved by the Commission, and this evaluation is not affected in any way by the identity of the entity that will construct and own the upgrade. There is no rational basis for excusing customers from paying the cost of facilities that are required to be constructed in accordance with PJM's Commission-approved RTEP protocols simply because the facilities are constructed and owned by a new entrant transmission owner rather than an Incumbent TO.

The Federal Power Act “fairly bristles” with concern for undue discrimination.³⁶ And the Commission has consistently reinforced this principle:

The Commission has a mandate under sections 205 and 206 of the FPA to ensure that, with respect to any transmission in interstate commerce or any sale of electric energy for resale in interstate commerce by a public utility, no person is subject to any undue prejudice or disadvantage. We must determine whether any rule, regulation, practice or contract affecting rates for such transmission or sale for resale is unduly discriminatory or

³⁶ *Promoting Wholesale Competition Through Open Access Non-Discriminatory Transmission Services by Public Utilities; Recovery of Stranded Costs by Public Utilities and Transmitting Utilities*, Order No. 888, 61 Fed. Reg. 21540 (May 10, 1996), FERC Stats. & Regs. [Regs. Preambles Jan. 1991-Jul.1996] ¶ 31,036 (1996) (“Order No. 888”), *order on reh’g*, Order No. 888-A, 62 Fed. Reg. 12274 (March 14, 1997), FERC Stats. & Regs. [Regs. Preambles Jul. 1996-Dec. 2000] ¶ 31,048 (“Order No. 888-A”), *order on reh’g*, Order No. 888-B, 81 FERC ¶ 61,248 (1997), *order on reh’g*, Order No. 888-C, 82 FERC ¶ 61,046 (1998), *aff’d in part and remanded in part sub nom. Transmission Access Policy Study Group v. FERC*, 225 F.3d 667 (D.C. Cir. 2000), *aff’d sub nom. New York v. FERC*, 535 U.S. 1, 122 S. Ct. 1012 (2002). *See* Order No. 888 at 31,669 (citing the court’s holding in *Associated Gas Distributors v. FERC*, 824 F.2d 981, 998 (D.C. Cir. 1987), *cert. denied*, 485 U.S. 1006 (1988), with respect to the Natural Gas Act); *see also, Preventing Undue Discrimination and Preference in Transmission Service*, Order No. 890, 72 Fed. Reg. 12,266 (Mar. 15, 2007), FERC Stats. & Regs. ¶ 31,241 at P 40 (2007) (“Order No. 890”), *order on reh’g*, Order No. 890-A, 73 Fed. Reg. 2984 (Jan. 16, 2008), FERC Stats. & Regs. ¶ 31,261 (2007), *order on reh’g*, Order No. 890-B, 123 FERC ¶ 61,299 (2008), *order on reh’g*, Order No. 890-C, 126 FERC ¶ 61,228 (2009).

preferential, and must prevent those contracts and practices that do not meet this standards.³⁷

Discrimination is undue “when there is a difference in rates or service among similarly situated customers that is not justified, whether by differences in the cost of providing the service or by some other legitimate factors.”³⁸ And the Commission has made clear that this is equally true, i.e., it “constitutes undue discrimination,” when RTOs apply different cost recovery terms to similar service providers.³⁹ A PJM OA provision which discriminates in the right to cost recovery based on whether a current or new transmission owner is involved is discriminatory on its face and the Commission, in accordance with its mandate under the Federal Power Act, must eliminate this discrimination.

In addition to the discriminatory impact of limiting cost recovery for economic projects to Incumbent TOs, the preferences extended to Incumbent TOs create barriers to entry by others into the transmission business and, as is the case with all market entry barriers, this can lead to additional market inefficiencies and higher costs to consumers.⁴⁰ Terms that exclude a class of entities from participating in the construction and ownership of transmission projects also are anticompetitive and, as the Commission has reiterated, its power under the FPA “clearly

³⁷ *Id.*

³⁸ *Regulation of Natural Gas Pipelines After Partial Wellhead Decontrol*, Order No. 436, FERC Stats. & Regs. ¶ 30,665, 31,541 (1985).

³⁹ *Bluegrass Generation Company, L.L.C.*, 118 FERC ¶ 61,214 at P 33 (2007) (“Applying a ‘needs’ test to Bluegrass’ reactive power capability that is not also applied to all other generators under Midwest ISO’s Schedule 2 would deny Bluegrass comparable treatment and constitute undue discrimination.”). *See also Calpine Oneta Power, L.P.*, 116 FERC ¶ 61,282 at P 36 (2006), *reh’g*, 119 FERC ¶ 61,177, *reh’g denied*, 121 FERC ¶ 61,189 (2007) (“Discrimination is undue when there is a difference in rates or services among similarly situated entities.”).

⁴⁰ *See e.g., PG&E Corporation and Valero Energy Corp.*, 80 FERC ¶ 61,041, 61,132 n.37 (1997) (noting that concerns about elimination of potential entrants or entry barriers can be restated as concerns about foreclosure and raising rivals’ costs.).

carries with it the responsibility to consider, in appropriate circumstances, the anticompetitive effects of regulated aspects of interstate utility operations pursuant to [FPA] §§ 202 and 203, and under like directives contained in sections 205, 206, and 207."⁴¹ The Federal Power Act is, at its core, a consumer protection statute, and tariff rules that create barriers to entry to new transmission owners are directly at odds with this principle.⁴²

Accordingly, for the reasons discussed above, the Commission should modify the PJM OA and PJM Tariff as set forth on Attachment 5 to ensure that non-incumbent transmission owners, including Central Transmission, that may be designated by PJM to construct and own an economic upgrade under the RTEP will be entitled to recover the costs of its project through the procedures set forth in Schedule 12 of the PJM Tariff.

B. The Commission Should Clarify That Entities Other Than Incumbent TOs Can Be Designated To Construct And Own Economic Upgrades or Modify Schedule 6 Accordingly

Central Transmission does not believe that Schedule 6 currently places any limitations on the entity that PJM can designate to own or construct economic expansion projects, and Central Transmission intends that PJM would designate it to own and construct the LaSalle Project it proposed as an economic upgrade. PJM however has indicated that it believes it can only designate Incumbent TOs despite the language of Schedule 6, arguing that Incumbent

⁴¹ Order No. 888 at 31,669 (citing *Gulf States Utilities Company v. FPC*, 411 U.S. 747, 758-59 (1973)).

⁴² *Promoting Wholesale Competition Through Open Access Non-Discriminatory Transmission Services by Public Utilities, Recovery of Stranded Costs by Public Utilities and Transmitting Utilities, Proposed Rulemaking and Supplemental Notice of Proposed Rulemaking*, 60 Fed. Reg. 17,662 (Apr. 7, 1995), FERC Stats. & Regs. ¶ 32,514 at 33,052 (1995) (“888 NOPR”). See also *Pennsylvania Water & Power Co. v. FPC*, 343 U.S. 414, 418, 96 L. Ed. 1042, 72 S. Ct. 843 (1952) (“major purpose of the whole [Federal Power] Act is to protect consumers against excessive prices”).

TOs are the only entities that PJM can contractually bind to construct an upgrade. PJM’s position ignores the plain language of the Schedule 6, and the facts related to Central Transmission in that Central Transmission came to PJM proposing to build the LaSalle Project. Thus, this is not a situation where PJM must force an Incumbent TO to build a project it does not want to build and the terms of Section 1.5.6(f)⁴³ give PJM all the authority it needs to designate Central Transmission to build the LaSalle Project.

Section 1.5.6(f) provides that, for any upgrades included in the RTEP, PJM shall “designate one or more Transmission Owners *or other entities*” to construct and own the upgrade.⁴⁴ And Section §1.5.7(c)(iii) states that PJM “shall designate (a) the entity or entities that will be responsible for constructing and owning or financing the additional economic-based enhancements and expansions . . .”. In its RTO Filing, PJM did not suggest that entities other than Incumbent TOs could not be so designated, and instead simply focused on the fact that the cost recovery methods might differ for such projects that would not otherwise have been included in the RTEP.⁴⁵

⁴³ To the extent that Central Transmission is designated to build the LaSalle Project, and absent the ability of Central Transmission to sign the PJM TO Agreement, Central Transmission will work with PJM to develop a contractual arrangement that would assure PJM of Central Transmission’s construction of the LaSalle Project on the same terms as if the project had been assigned to an Incumbent TO.

⁴⁴ (emphasis added)

⁴⁵ RTO Filing at 11-13. Notably, in that same proceeding, certain Incumbent TOs argued that PJM had no authority to require them to construct economic upgrades. *PJM Interconnection, LLC*, 105 FERC ¶ 61,123 (2003) (granting clarification “that PJM cannot compel transmission owners to construct upgrades to relieve congestion.”). The Commission did not disagree with the Incumbent TOs’ assertions and simply directed PJM to report to the Commission should the designated entity refuse to construct and own the economic upgrade. PJM OA, Schedule 6, §1.5.7(c)(iii).

However, to date, PJM has not only failed to provide assurances to Central Transmission that there is no impediment to designating an entity other than an Incumbent TO to construct an economic upgrade that is identified in accordance with Section 1.5.7, PJM has indicated that it believes tariff or Operating Agreement impediments exist. Further, even if such impediments do not exist, PJM would give no assurance that it would even consider designating Central Transmission to build the LaSalle Project even though it conceived of the project. Central Transmission is concerned that, in the absence of clarification by the Commission or additional explicit language in Schedule 6, PJM or other parties may continue to take the position that the Schedule 6 requires PJM to designate an Incumbent TO to construct and own such projects and prohibits PJM from designating Central Transmission to construct and own the project it is developing. This uncertainty is clouding Central Transmission's ability to move forward with development of the LaSalle Project, including the filing of the myriad of required development permits and State agency approvals.

To the extent that the PJM OA in fact can be read to prevent PJM from designating Central Transmission as the entity that will construct and own the LaSalle Project if included in the plan in accordance with Section 1.5.7, it is unjust, unreasonable and unduly discriminatory for the same reasons discussed above. It matters not whether Central Transmission is prevented from constructing and owning the LaSalle Project directly through an explicit prohibition on ownership or indirectly through a tariff provision that prevents Central Transmission from proceeding with the project because the provision substantially hampers rate recovery. The result is the same and it violates the Federal Power Act.⁴⁶ Accordingly, Central Transmission

⁴⁶ 888 NOPR at 33,071 (“Transmission-owning utilities have an incentive to deny access either by not filing any open access tariff or by filing a tariff that offers services inferior to those used by the transmission owner.”).

requests that the Commission, through either clarification or modification of Schedule 6, make clear that PJM may designate entities other than the Incumbent TOs to construct and own economic expansions and enhancements identified in accordance with Section 1.5.7

Finally, Central Transmission anticipates that PJM or other parties may argue that before PJM designates an entity other than an Incumbent TO to construct or own economic projects, procedures must be developed to address the situation where there is more than one proposal under consideration that can meet the same need and PJM must determine which project will go forward and, thus, which entity to designate to construct and own the project. Although Central Transmission does not dispute that PJM may wish to develop rules to implement the existing Schedule 6 language to allow new entrant transmission developers to more fully participate in owning RTEP projects,⁴⁷ Central Transmission is concerned that this or any similar process would be a lengthy process that would unnecessarily impede the development of the LaSalle Project to which PJM's multiple entity concerns do not appear to apply.

Accordingly, Central Transmission requests that, if the Commission determines in response to this complaint that PJM is required to develop procedures to address competing projects, the Commission clarify that those procedures do not need to be in place prior to PJM's taking action with respect to the LaSalle Project, i.e., PJM should continue to assess the LaSalle Project under the existing standards for economic projects and, if PJM determines that the LaSalle Project should be included in the RTEP, PJM can designate Central Transmission, the sponsor of the LaSalle Project, as the entity to construct and own the LaSalle Project.

⁴⁷ For example, in response to the request of Primary Power, LLC in Docket No. ER10-253-000, PJM proposed a technical conference to develop rules for selecting non-Incumbent TO's for the reliability project Primary Power proposed, or to select among competing entities.

IV. REQUEST FOR RELIEF AND EXPEDITED ACTION

PJM is currently conducting its RTEP and, in June, will be turning to the second phase which evaluates economic upgrades, including the proposed LaSalle Project. It is essential that the PJM OA and PJM Tariff rules be clarified to ensure that, if the LaSalle Project is selected as an economic upgrade, PJM will be able to designate Central Transmission to construct and own the LaSalle Project and to allow Central Transmission to obtain cost recovery on the same terms as Incumbent TOs. Accordingly, Central Transmission requests that the Commission issue an order on this complaint no later than June 15, 2010.

V. REQUIREMENTS FOR COMPLAINTS UNDER RULE 206(b)

1. ¶¶ (1)-(5). Part III of this Complaint sets forth the required information.
2. ¶ (6). The clarification requested in Section III B of this complaint involves tariff provisions that have also been placed at issue in Docket No. ER10-253-000, in that proceeding relating to transmission system upgrades for reliability purposes. Central Transmission's complaint with respect to the cost responsibility provisions of the tariffs, Section III A of this complaint, is not an issue pending in an existing Commission proceeding or a proceeding in any other forum in which Central Transmission is a party.
 3. ¶ (7). See Part III of this Complaint.
 4. ¶ (8). See Attachment 1 for a copy of the currently effective PJM OA, Schedule 6.
 5. ¶ (9). Neither the Enforcement Hotline, Dispute Resolution Service, tariff-based dispute resolution mechanisms nor other informal dispute resolution procedures were used to address the issues set forth herein, and Central Transmission does not believe that any mechanism provide a framework for resolving this complaint.
6. ¶ (10). The form of notice is attached in Attachment 6.
7. ¶ (11). See Part IV of this complaint.

VI. COMMUNICATIONS

Communications with respect to this complaint should be directed to the following:

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VII. CONCLUSION

For the reasons presented in this complaint, Central Transmission respectfully requests that the Commission take expedited action: to find that Schedule 6 of the PJM OA and Schedule 12 of the PJM Tariff are unduly discriminatory and unjust and unreasonable; to revise the PJM OA and PJM Tariff as proposed herein, effective at the earliest possible date; and to set the date of the filing of this complaint as the refund effective date.⁴⁸

⁴⁸ *Canal Electric Co.*, 46 FERC ¶ 61,153 at 61,539, *reh'g denied* 47 FERC ¶ 61,275 (1989).

Respectfully submitted,

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March 25, 2010

CERTIFICATE OF SERVICE

I hereby certify that the foregoing complaint has been electronically served this day upon the following representatives for the respondent pursuant to Part 385.206(c) of the Commission's Rules of Practice and Procedure:

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Dated at Washington, D.C. this 25th day of March, 2010

/s/ Michael Engleman
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Attachment 1

SCHEDULE 6

REGIONAL TRANSMISSION EXPANSION PLANNING PROTOCOL

1. REGIONAL TRANSMISSION EXPANSION PLANNING PROTOCOL

1.1 Purpose and Objectives.

This Regional Transmission Expansion Planning Protocol shall govern the process by which the Members shall rely upon the Office of the Interconnection to prepare a plan for the enhancement and expansion of the Transmission Facilities in order to meet the demands for firm transmission service, and to support competition, in the PJM Region. The Regional Transmission Expansion Plan (also referred to as "RTEP") to be developed shall enable the transmission needs in the PJM Region to be met on a reliable, economic and environmentally acceptable basis.

1.2 Conformity with NERC and Other Applicable Reliability Criteria.

(a) NERC establishes Planning Principles and Guides to promote the reliability and adequacy of the North American bulk power supply as related to the operation and planning of electric systems.

(b) Reliability First Corporation is responsible for ensuring the adequacy, reliability and security of the bulk electric supply systems in the region encompassing the former MAAC, ECAR and MAIN regions, through coordinated operations and planning of generation and transmission facilities. Toward that end, it has adopted the NERC Planning Principles and Guides and has established detailed Reliability Principles and Standards for Planning the Bulk Electric Supply System of the Reliability First Corporation.

(c) **[Reserved]**

(c.01) **[Reserved]**

(c.02) SERC is responsible for ensuring the adequacy, reliability and security of the bulk electric supply systems in the VACAR subregion through coordinated operations and planning of generation and transmission facilities. Toward that end, it has adopted the NERC Planning Principles and Guides and has established detailed Reliability Principles and Standards for Planning the Bulk Electric Supply System for SERC.

(d) The Regional Transmission Expansion Plan shall conform to the applicable reliability principles, guidelines and standards of NERC, Reliability First Corporation, SERC, and other Applicable Regional Reliability Councils in accordance with the operating criteria and other procedures detailed in the PJM Manuals.

(e) The Regional Transmission Expansion Plan reliability criteria shall include, Office of the Interconnection planning procedures, NERC planning standards, NERC Regional Council planning criteria, and the individual Transmission Owner FERC filed planning criteria as filed in FERC Form No. 715, and posted on the PJM website. FERC Form No. 715 material will be posted to the PJM website, subject to applicable Critical Energy Infrastructure Information (CEII) requirements.

(f) The Office of the Interconnection will also provide access through the PJM website, to the planning criteria and assumptions used by the Transmission Owners for the development of the current Local Plan.

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1.3 Establishment of Committees.

(a) The Planning Committee shall be open to participation by (i) all Transmission Customers, as that term is defined in the PJM Tariff, and applicants for transmission service; (ii) any other entity proposing to provide Transmission Facilities to be integrated into the PJM Region; (iii) all Members; (iv) the electric utility regulatory agencies within the States in the PJM Region and the State Consumer Advocates; and (v) any other interested entities or persons and shall provide technical advice and assistance to the Office of the Interconnection in all aspects of its regional planning functions. The Transmission Owners shall supply representatives to the Planning Committee, and other Members may provide representatives as they deem appropriate, to provide the data, information, and support necessary for the Office of the Interconnection to perform studies as required and to develop the Regional Transmission Expansion Plan.

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(b) The Transmission Expansion Advisory Committee established by the Office of the Interconnection will meet periodically with representatives of the Office of the Interconnection to provide advice and recommendations to the Office of the Interconnection to aid in the development of the Regional Transmission Expansion Plan. The Transmission Expansion Advisory Committee shall review and provide advice and recommendations on the Regional RTEP Projects and the Subregional RTEP Projects when in the judgment of the Office of the Interconnection, these projects are determined to substantially impact power flow(s) on the regional transmission facilities. The Transmission Expansion Advisory Committee shall incorporate all the Regional RTEP Projects and Subregional RTEP Projects in the final RTEP for approval by the PJM Board. The Transmission Expansion Advisory Committee shall be open to participation by: (i) all Transmission Customers, as that term is defined in the PJM Tariff, and applicants for transmission service; (ii) any other entity proposing to provide Transmission Facilities to be integrated into the PJM Region; (iii) all Members; (iv) the electric utility regulatory agencies within the States in the PJM Region and the State Consumer Advocates and (v) any other interested entities or persons. The Transmission Expansion Advisory Committee shall be governed by the Transmission Expansion Advisory Committee rules and procedures set forth in the PJM Regional Planning Process Manual (PJM Manual M-14 series), and by the rules and procedures applicable to PJM committees.

(c) The Subregional RTEP Committee established by the Office of the Interconnection shall facilitate the development and review of the Subregional RTEP Projects. The Subregional RTEP Committee will be responsible for the initial review of the Subregional RTEP Projects, and to provide recommendations to the Transmission Expansion Advisory Committee concerning the Subregional RTEP Projects. The Subregional RTEP Committee may of its own accord or at the request of a Subregional RTEP Committee participant, also refer specific Subregional RTEP Projects to the Transmission Expansion Advisory Committee for further review, advice and recommendations.

(d) The Subregional RTEP Committee shall be responsible for the timely review of each Transmission Owner's Local Plan. This review shall include, but is not limited to, the coordination and integration of the Local Plans into the RTEP. The Subregional RTEP Committee will be provided sufficient opportunity to review the Local Plans and provide written comments to the Transmission Owners, prior to the submittal of the final Regional Transmission Expansion Plan to the PJM Board for approval.

(e) The Subregional RTEP Committee shall be open to participation by: (i) all Transmission Customers, as that term is defined in the PJM Tariff, and applicants for transmission service; (ii) any other entity proposing to provide Transmission Facilities to be integrated into the PJM Region; (iii) all Members; (iv) the electric utility regulatory agencies within the States in the PJM Region and the State Consumer Advocates and (v) any other interested entities or persons.

(f) The Subregional RTEP Committee shall schedule and facilitate a minimum of one Subregional RTEP Project meeting for each of the three PJM subregions, the Mid-Atlantic, West and South, per Planning Period, and as required, the Subregional RTEP Committee may facilitate additional meetings to incorporate more localized areas within the three subregions into the subregional planning process. At the discretion of the Office of the Interconnection, a designated Transmission Owner may facilitate the Subregional RTEP Committee meeting(s), or the additional meetings incorporating the more localized areas. The Subregional RTEP Committee meetings will incorporate interregional coordination as required.

(g) The Subregional RTEP Committee shall be governed by the Transmission Expansion Advisory Committee rules and procedures set forth in the PJM Regional Planning Process Manual (Manual M-14 series) and by the rules and procedures applicable to PJM committees.

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1.4 Contents of the Regional Transmission Expansion Plan.

(a) The Regional Transmission Expansion Plan shall consolidate the transmission needs of the region into a single plan which is assessed on the bases of maintaining the reliability of the PJM Region in an economic and environmentally acceptable and manner and in a manner that supports competition in the PJM Region.

(b) The Regional Transmission Expansion Plan shall reflect, consistent with the requirements of this Schedule 6, transmission enhancements and expansions; load forecasts; expected demand response; and capacity forecasts, including generation additions and retirements, for at least the ensuing ten years.

(c) The Regional Transmission Expansion Plan shall, as a minimum, include a designation of the Transmission Owner or Owners or other entity that will construct, own and/or finance each transmission enhancement and expansion and how all reasonably incurred costs are to be recovered.

(d) The Regional Transmission Expansion Plan shall (i) avoid unnecessary duplication of facilities; (ii) avoid the imposition of unreasonable costs on any Transmission Owner or any user of Transmission Facilities; (iii) take into account the legal and contractual rights and obligations of the Transmission Owners; (iv) provide, if appropriate, alternative means for meeting transmission needs in the PJM Region; (v) strive to maintain and, when appropriate, to enhance the economic and operational efficiency of wholesale electric service markets in the PJM region; (vi) provide for coordination with existing transmission systems and with appropriate interregional and local expansion plans; and (vii) strive for consistency in planning data and assumptions that may relieve transmission congestion across multiple regions.

1.5 Procedure for Development of the Regional Transmission Expansion Plan.

1.5.1 Commencement of the Process.

(a) The Office of the Interconnection shall initiate the enhancement and expansion study process if (i) required as a result of a need for transfer capability identified by the Office of the Interconnection in its evaluation of requests for interconnection with the transmission system or for firm transmission service with a term of one year or more; (ii) required to address a need identified by the Office of the Interconnection's in its on-going evaluation of the transmission system's economic and operational adequacy and performance; (iii) required as a result of the Office of the Interconnection's assessment of the transmission system's compliance with Reliability First Corporation or SERC reliability criteria, more

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stringent reliability criteria, if any; or PJM operating criteria; (iv) constraints or available transfer capability shortage, including, but not limited to, available transfer capability shortages that prevent the simultaneous feasibility of stage 1A Auction Revenue Rights allocated pursuant to Section 7.4.2(b) of Schedule 1 of this Agreement, that are identified by the Office of the Interconnection as a result of generation additions or retirements, evaluation of load forecasts, congestion events on or operational performance of the transmission system, or proposals for the addition of Transmission Facilities in the PJM region; or (v) expansion of the transmission system is proposed by one or more Transmission Owners, Interconnection Customer, Network Service User or Transmission Customer, or any party that funds Network Upgrades pursuant to Section 7.8 of Schedule 1 of this Agreement..

(b) The Office of the Interconnection shall notify the Transmission Expansion Advisory Committee of the commencement of an enhancement and expansion study. The Transmission Expansion Advisory Committee shall notify the Office of the Interconnection in writing of any additional transmission considerations to be included.

1.5.2 Development of Scope, Assumptions and Procedures.

Once the need for an enhancement and expansion study has been established, the Office of the Interconnection shall consult with the Transmission Expansion Advisory Committee and the Subregional RTEP Committee, as appropriate, to prepare the study's scope, assumptions and procedures.

1.5.3 Scope of Studies.

Enhancement and expansion studies shall be completed by the Office of the Interconnection in collaboration with the affected Transmission Owners, as required. In general, enhancement and expansion studies shall include:

(a) An identification of existing and projected limitations on the transmission system's physical, economic and/or operational capability or performance, with accompanying simulations to identify the costs of controlling those limitations. Potential enhancements and expansions will be proposed to mitigate limitations controlled by non-economic means.

(b) Evaluation and analysis of potential enhancements and expansions, including alternatives thereto, needed to mitigate such limitations.

(c) Identification, evaluation and analysis of potential expansions and enhancements including, demand response programs, and other alternative technologies as appropriate to maintain system reliability.

(d) Identification, evaluation and analysis of potential enhancements and expansions for the purposes of supporting competition in the PJM region.

(e) Identification, evaluation and analysis of upgrades to support Incremental Auction Revenue Rights requested pursuant to Section 7.8 of Schedule 1 of this Agreement.

(f) Identification, evaluation and analysis of upgrades to support all transmission customers, including native load and network service customers.

(g) Engineering studies needed to determine the effectiveness and compliance of recommended enhancements and expansions, with the following PJM criteria: system reliability, operational performance, and economic efficiency.

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(h) Identification, evaluation and analysis of potential enhancements and expansions designed to ensure the Transmission System's capability can support the simultaneous feasibility of all stage 1A Auction Revenue Rights allocated pursuant to Section 7.4.2(b) of Schedule 1 of this Agreement. Enhancements and expansions related to stage 1A Auction Revenue Rights identified pursuant to this section shall be recommended for inclusion in the RTEP together with a recommended in-service date based on the results of the ten (10) year stage 1A simultaneous feasibility analysis. Any such recommended enhancement or expansion under this Section 1.5.3(f) shall include, but shall not be limited to, the reason for the upgrade, the cost of the upgrade, the cost allocation identified pursuant to Section 1.5.6(g) of Schedule 6 of this Agreement and an analysis of the benefits of the enhancement or expansion, provided that any such upgrades will not be subject to a market efficiency cost/benefit analysis.

1.5.4 Supply of Data.

(a) The Transmission Owners shall provide to the Office of the Interconnection on an annual or periodic basis as specified by the Office of the Interconnection, any information and data reasonably required by the Office of the Interconnection to perform the Regional Transmission Expansion Plan, including but not limited to the following: (i) a description of the total load to be served from each substation; (ii) the amount of any interruptible loads included in the total load (including conditions under which an interruption can be implemented and any limitations on the duration and frequency of interruptions); (iii) a description of all generation resources to be located in the geographic region encompassed by the Transmission Owner's transmission facilities, including unit sizes, VAR capability, operating restrictions, and any must-run unit designations required for system reliability or contract reasons; the (iv) current Local Plan; and (v) all criteria and assumptions used in the current Local Plan. The data required under this Section shall be provided in the form and manner specified by the Office of the Interconnection.

(b) In addition to the foregoing, the Transmission Owners, those entities requesting transmission service and any other entities proposing to provide Transmission Facilities to be integrated into the PJM Region shall supply any other information and data reasonably required by the Office of the Interconnection to perform the enhancement and expansion study.

(c) The Office of the Interconnection also shall solicit from the Members, Transmission Customers and other interested parties, including but not limited to electric utility regulatory agencies within the States in the PJM Region and the State Consumer Advocates, information required by, or anticipated to be useful to, the Office of the Interconnection in its preparation of the enhancement and expansion study.

(d) The Transmission Expansion Advisory Committee and the Subregional RTEP Committee shall each facilitate a minimum of one initial assumptions meeting to be scheduled at the commencement of the RTEP process. The purpose of the assumptions meeting shall be the following: (i) establish the assumptions to be used in performing the evaluation and analysis of the potential enhancements and expansions to the Transmission Facilities, (ii) incorporate regulatory initiatives as appropriate, including state regulatory agency initiated programs, (iii) provide an open forum to review the impacts of regulatory actions, projected changes in load growth, demand response resources, generating capacity, market efficiency and other trends in the industry, and (iv) provide an open forum for the review of alternative scenarios proposed by the Committee participants. The final assumptions shall be determined by the Transmission Expansion Advisory Committee for both the Regional RTEP Project and Subregional RTEP Project.

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(e) After the assumptions meeting(s) the Transmission Expansion Advisory Committee and the Subregional RTEP Committee shall facilitate additional meetings and shall post all communications required to provide early opportunity for the committee participants, (as defined in Sections 1.3(b) and 1.3(c) of this Schedule 6) to review and evaluate the following: any identified violations of reliability criteria; analyses of the economic performance of the transmission system; potential transmission solutions; and the proposed RTEP. These meetings will be scheduled as deemed necessary by the Office of the Interconnection or upon the request of the Transmission Expansion Advisory Committee or the Subregional RTEP Committees. The Office of the Interconnection will provide updates on the status of the development of the RTEP at these meetings or at the regularly scheduled meetings of the PJM Planning Committee.

(f) The Office of the Interconnection shall supply any information and data reasonably required by the Members, Transmission Customers and other impacted parties, including but not limited to, electric utility regulatory agencies within the States in the PJM Region, and the State Consumer Advocates, utilized to perform the Regional Transmission Expansion Plan. Such information and data shall be provided pursuant to the appropriate protection of confidentiality provisions.

(g) The Office of the Interconnection shall provide access through the PJM website, to the Transmission Owner's Local Plan. This material will be provided for full review by the Planning Committee, the TEAC and the Subregional RTEP Committees.

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1.5.5 Coordination of the Regional Transmission Expansion Plan.

(a) The Regional Transmission Expansion Plan shall be developed in accordance with the principles of interregional coordination with the transmission systems of the surrounding regional reliability councils and with the local transmission providers, through the Transmission Expansion Advisory Committee and the Subregional RTEP Committee.

(b) The Regional Transmission Expansion Plan shall be developed taking into account the processes for coordinated regional transmission expansion planning established under the following agreements: Joint Operating Agreement Between the Midwest Independent System Operator, Inc. and PJM Interconnection, L.L.C.; Northeastern ISO/RTO Planning Coordination Protocol; Joint Reliability Coordination Agreement Between the Midwest independent System Operator, Inc.; PJM Interconnection, L.L.C. and Progress Energy Carolinas. Coordinated regional transmission expansion planning shall also incorporate input from parties that may be impacted by the coordination efforts, including but not limited to, the Members, Transmission Customers, electric utility regulatory agencies in the PJM Region, and the State Consumer Advocates, in accordance with the terms and conditions of the applicable regional coordination agreements.

(c) The Regional Transmission Expansion Plan shall be developed by the Office of the Interconnection in consultation with the Transmission Expansion Advisory Committee during the enhancement and expansion study process.

(d) The Regional Transmission Expansion Plan shall be developed taking into account the processes for coordination of the Regional and subregional systems.

1.5.6 Development of the Recommended Regional Transmission Expansion Plan.

(a) The Office of the Interconnection shall be responsible for the development of the Regional Transmission Expansion Plan and for conducting the studies on which the plan is based. The Regional Transmission Expansion Plan, including the Regional RTEP Projects, the Subregional RTEP Projects and the Supplemental Projects shall be developed through an open and collaborative process with opportunity for meaningful participation through the Transmission Expansion Advisory Committee and the Subregional RTEP Committee.

(b) Upon completion of its studies and analysis, the Office of the Interconnection shall prepare a recommended enhancement and expansion plan, which shall include alternative projects or solutions as applicable, for review by the Transmission Expansion Advisory Committee. The Transmission Expansion Advisory Committee shall facilitate open meetings and communications as necessary to provide opportunity for the Transmission Expansion Advisory Committee participants to collaborate on the preparation of the recommended enhancement and expansion plan. The Office of the Interconnection also shall invite interested parties to submit comments on the plan to the Transmission Expansion Advisory Committee and to the Office of the Interconnection.

(c) The recommended plan shall separately identify enhancements and expansions for the three PJM subregions, the PJM Mid-Atlantic Region, the PJM West Region, and the PJM South Region, and shall incorporate recommendations from the Subregional RTEP Committee.

(c.01) The recommended plan shall separately identify enhancements and expansions that are classified as Supplemental Projects.

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(d) The recommended plan shall identify enhancements and expansions that relieve transmission constraints and which, in the judgment of the Office of the Interconnection, are economically justified. Such economic expansions and enhancements shall be developed in accordance with the procedures, criteria and analyses described in Section 1.5.7 below.

(e) The recommended plan shall include proposed Merchant Transmission Facilities within the PJM Region and any other enhancement or expansion of the Transmission System requested by any participant which the Office of the Interconnection finds to be compatible with the Transmission System, though not required pursuant to Section 1.1, provided that (1) the requestor has complied, to the extent applicable, with the procedures and other requirements of Part IV of the PJM Tariff; (2) the proposed enhancement or expansion is consistent with applicable reliability standards, operating criteria and the purposes and objectives of the regional planning protocol; (3) the requestor shall be responsible for all costs of such enhancement or expansion (including, but not necessarily limited to, costs of siting, designing, financing, constructing, operating and maintaining the pertinent facilities), and (4) except as otherwise provided by Part IV of the PJM Tariff with respect to Merchant Network Upgrades, the requestor shall accept responsibility for ownership, construction, operation and maintenance of the enhancement or expansion through an undertaking satisfactory to the Office of the Interconnection.

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(f) For each enhancement or expansion that is included in the recommended plan, the plan shall consider, based on the planning analysis: other input from participants, including any indications of a willingness to bear cost responsibility for such enhancement or expansion; and, when applicable, relevant projects being undertaken to ensure the simultaneous feasibility of Stage 1A ARR, to facilitate Incremental ARRs pursuant to the provisions of Section 7.8 of Schedule 1 of this Agreement or to facilitate upgrades pursuant to Parts II, III or IV of the PJM Tariff, and designate one or more Transmission Owners or other entities to construct, own and, unless otherwise provided, finance the recommended transmission enhancement or expansion. To the extent that one or more Transmission Owners are designated to construct, own and/or finance a recommended transmission enhancement or expansion, the recommended plan shall designate the Transmission Owner that owns transmission facilities located in the Zone where the particular enhancement or expansion is to be located. Otherwise, any designation under this paragraph of more than one entity to construct, own and/or finance a recommended transmission enhancement or expansion shall also include a designation of proportional responsibility among them. Nothing herein shall prevent any Transmission Owner or other entity designated to construct, own and/or finance a recommended transmission enhancement or expansion from agreeing to undertake its responsibilities under such designation jointly with other Transmission Owners or other entities.

(g) Based on the planning analysis and other input from participants, including any indications of a willingness to bear cost responsibility for an enhancement or expansion, the recommended plan shall, for any enhancement or expansion that is included in the plan, designate (1) the Market Participant(s) in one or more Zones, or any other party that has agreed to fully fund upgrades pursuant to this Agreement or the PJM Tariff, that will bear cost responsibility for such enhancement or expansion, as and to the extent provided by any provision of the PJM Tariff or this Agreement, (2) in the event and to the extent that no provision of the PJM Tariff or this Agreement assigns cost responsibility, the Market Participant(s) in one or more Zones from which the cost of such enhancement or expansion shall be recovered through charges established pursuant to Schedule 12 of the Tariff, and (3) in the event and to the extent that the Coordinated System Plan developed under the Joint Operating Agreement Between the Midwest Independent System Operator, Inc. and PJM Interconnection, L.L.C. assigns cost responsibility, the Market Participant(s) in one or more Zones from which the cost of such enhancement or expansion shall be recovered. Any designation under clause (2) of the preceding sentence (A) shall further be based on the Office of the Interconnection's assessment of the contributions to the need for, and benefits expected to be derived from, the pertinent enhancement or expansion by affected Market Participants and, (B), subject to FERC review and approval, shall be incorporated in any amendment to Schedule 12 of the PJM Tariff that establishes a Transmission Enhancement Charge Rate in connection with an economic expansion or enhancement developed under Sections 1.5.6(d) and 1.5.7 of this Schedule 6 and (C), the costs associated with expansions and enhancements required to ensure the simultaneous feasibility of stage 1A Auction Revenue Rights allocated pursuant to Section 7 of Schedule 1 of this Agreement shall (1) be allocated across transmission zones based on each zone's stage 1A eligible Auction Revenue Rights flow contribution to the total stage 1A eligible Auction Revenue Rights flow on the facility that limits stage 1A ARR feasibility and (2) within each transmission zone the Network Service Users and Transmission Customers that are eligible to receive stage 1A Auction Revenue Rights shall be the Responsible Customers under Section (b) of Schedule 12 of the PJM Tariff for all expansions and enhancements included in the Regional Transmission Expansion Plan to ensure the simultaneous feasibility of stage 1A Auction Revenue Rights.

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Any designation under clause (3), above, (A) shall further be based on the Office of the Interconnection's assessment of the contributions to the need for, and benefits expected to be derived from, the pertinent enhancement or expansion by affected Market Participants, and (B), subject to FERC review and approval, shall be incorporated in an amendment to a Schedule of the PJM Tariff which establishes a charge in connection with the pertinent enhancement or expansion. Before designating fewer than all customers using Point-to-Point Transmission Service or Network Integration Transmission Service within a Zone as customers from which the costs of a particular enhancement or expansion may be recovered, Transmission Provider shall consult, in a manner and to the extent that it reasonably determines to be appropriate in each such instance, with affected state

utility regulatory authorities and stakeholders. When the plan designates more than one responsible Market Participant, it shall also designate the proportional responsibility among them. Notwithstanding the foregoing, with respect to any facilities that the Regional Transmission Expansion Plan designates to be owned by an entity other than a Transmission Owner, the plan shall designate that entity as responsible for the costs of such facilities.

(g.01) Certain Regional RTEP Project(s) and Subregional RTEP Project(s) may not be required for compliance with the following PJM criteria: system reliability, operational performance, or economic efficiency, pursuant to a determination by the Office of the Interconnection. These Supplemental Projects shall be separately identified in the RTEP and are not subject to approval by the PJM Board.

(h) Any Transmission Owner and other participants on the Transmission Expansion Advisory Committee may offer an alternative.

(h.01) The Office of the Interconnection shall offer an alternative for review by the Transmission Expansion Advisory Committee or the Subregional RTEP Committee when the Office of the Interconnection determines, in its sole discretion that an alternative exists.

(i) If the Office of the Interconnection adopts the alternative, based upon its review of the relative costs and benefits, the ability of the alternative to supply the required level of transmission service, and its impact on the reliability of the Transmission Facilities, the Office of the Interconnection shall make any necessary changes to the recommended plan.

(j) If, based upon its review of the relative costs and benefits, the ability of the alternative to supply the required level of transmission service, and the alternative's impact on the reliability of the Transmission Facilities, the Office of the Interconnection does not adopt an alternative proposed by a Transmission Owner or Owners, the Transmission Owner or Owners whose alternative or alternatives have not been accepted or to whom cost responsibility has been assigned and other participants on the Transmission Expansion Advisory Committee may require that its or their alternative(s) be submitted to the Dispute Resolution Procedures in Schedule 5 of the Operating Agreement.

(k) Schedule 5 of the Operating Agreement, the Dispute Resolution Procedures may be requested by the parties to a dispute arising from the Regional Transmission Expansion Plan or its development.

1.5.7 Development of Economic Transmission Enhancements and Expansions.

(a) In June of each year, concurrent with the PJM Board's consideration and approval of the reliability-based transmission enhancement and expansions to be included in the Regional Transmission Expansion Plan, the Office of the Interconnection shall obtain PJM Board approval of the assumptions to be used in performing the market efficiency analysis described in this section to identify enhancements or expansions that could relieve transmission constraints that have an economic impact ("economic constraints"). Such assumptions shall include, but not be limited to, the discount rate used to determine the present value of the Total Annual Enhancement Benefit and Total Enhancement Cost, and the annual revenue requirement, including the recovery period, used to determine the Total Enhancement Cost. The discount rate shall be based on the Transmission Owners' most recent after-tax embedded cost of capital weighted by each Transmission Owner's total

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transmission capitalization. Each Transmission Owner shall provide the Office of the Interconnection with the Transmission Owner's most recent after-tax embedded cost of capital, total transmission capitalization, and levelized carrying charge rate, including the recovery period. The recovery period shall be consistent with recovery periods allowed by the Commission for comparable facilities. Prior to PJM Board consideration of such assumptions, the assumptions shall be presented to the Transmission Expansion Advisory Committee for review and comment.

(b) Following PJM Board approval of the assumptions, the Office of the Interconnection shall perform a market efficiency analysis to compare the costs and benefits of (i) accelerating reliability-based enhancements or expansions already included in the Regional Transmission Plan that if accelerated also could relieve one or more economic constraints; (ii) modifying reliability-based enhancements or expansions already included in the Regional Transmission Plan that as modified would relieve one or more economic constraints; and (iii) new enhancements or expansions that could relieve one or more economic constraints, but for which no reliability-based need has been identified. Economic constraints include, but are not limited to, constraints that cause (1) significant historical gross congestion; (2) significant historical unhedgeable congestion; (3) pro-ration of Stage 1B ARR requests as described in section 7.4.2(c) of Schedule 1 of this Agreement; or (4) significant simulated congestion as forecast in the market efficiency analysis.

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(c) The process for conducting the market efficiency analysis described in subsection (b) above shall include the following:

(i) The Office of the Interconnection shall identify and provide to the Transmission Expansion Advisory Committee a list of economic constraints to be evaluated in the market efficiency analysis.

(ii) The Office of the Interconnection shall identify any planned reliability-based enhancements or expansions already included in the Regional Transmission Expansion Plan, which if accelerated would relieve such constraints, and present any such proposed reliability-based enhancements and expansions to be accelerated to the Transmission Expansion Advisory Committee for review and comment. The PJM Board, upon consideration of the advice of the Transmission Expansion Advisory Committee, thereafter shall consider and vote to approve any accelerations.

(iii) The Office of the Interconnection shall evaluate whether including any additional economic-based enhancements or expansions in the Regional Transmission Expansion Plan or modifications of existing Regional Transmission Expansion Plan reliability-based enhancements or expansions would relieve an economic constraint. In addition, any market participant at any time may submit to the Office of the Interconnection a proposal to construct an additional economic-based enhancement or expansion to relieve an economic constraint. To be considered in the market efficiency analysis commencing after approval of the Regional Transmission Expansion Plan by the PJM Board in June, market participant proposals to construct an additional economic-based enhancement or expansion must be received by the Office of the Interconnection by December 31 of the same year. Upon completion of its evaluation, including consideration of any eligible market participant proposed economic-based enhancements or expansions, the Office of the Interconnection shall present to the Transmission Expansion Advisory Committee a description of recommended new economic-based enhancements and expansions for review and comment. Upon consideration of the advice of the Transmission Expansion Advisory Committee, the PJM Board shall consider any new economic-based enhancements and expansions for inclusion in the Regional Transmission Plan and for those enhancements and expansions it approves, the PJM Board shall designate (a) the entity or entities that will be responsible for constructing and owning or financing the additional economic-based enhancements and expansions, (b) the estimated costs of such enhancements and expansions, and (c) the market participants that will bear responsibility for the costs of the additional economic-based enhancements and expansions pursuant to section 1.5.6(g) of this Schedule 6. In the event the entity or entities designated as responsible for construction, owning or financing a designated new economic-based enhancement or expansion declines to construct, own or finance the new economic-based enhancement or expansion, the enhancement or expansion will not be included in the Regional Transmission Expansion Plan but will be included in the report filed with the FERC in accordance with sections 1.6 and 1.7 of this Schedule. This report also shall include information regarding PJM Board approved accelerations of reliability-based enhancements or expansions that an entity declines to accelerate.

(d) To determine the economic benefits of accelerating or modifying planned reliability-based enhancements or expansions or of constructing additional economic based enhancements or expansions and whether such economic-based enhancements or expansion are eligible for inclusion in the Regional Transmission Expansion Plan, the Office of the Interconnection shall perform and compare market simulations with and without the proposed accelerated or modified planned reliability-based enhancements or expansions or the additional economic-based enhancements or expansions as applicable, using the Benefit/Cost Ratio calculation set forth below in this section 1.5.7(d). An economic-based enhancement or expansion shall be included in the Regional Transmission Expansion Plan recommended to the PJM Board, if the relative benefits and costs of the economic-based enhancement or expansion meet a Benefit/Cost Ratio Threshold of at least 1.25:1.

The Benefit/Cost Ratio shall be determined as follows:

Benefit/Cost Ratio = [Present value of the Total Annual Enhancement Benefit for each of the first 15 years of the life of the enhancement or expansion] ÷ [Present value of the Total Enhancement Cost for each of the first 15 years of the life of the enhancement or expansion]

Where

Total Annual Enhancement Benefit = Energy Market Benefit + Reliability Pricing Model Benefit

and

Energy Market Benefit = [.70] * [Change in Total Energy Production Cost] + [.30] * [Change in Load Energy Payment]

and

Change in Total Energy Production Cost = [the estimated total annual fuel costs, variable O&M costs, and emissions costs of the dispatched resources in the PJM Region without the economic-based enhancement or expansion] – [the estimated total annual fuel costs, variable O&M costs, and emissions costs of the dispatched resources in the PJM Region with the economic-based enhancement or expansion]

and

Change in Load Energy Payment = [the annual sum of (the hourly estimated zonal load megawatts for each Zone) * (the hourly estimated zonal Locational Marginal Price for each Zone without the economic-based enhancement or expansion)] – [the annual sum of (the hourly estimated zonal load megawatts for each Zone) * (the hourly estimated zonal Locational Marginal Price for each Zone with the economic-based enhancement or expansion)] – [the change in value of transmission rights for each Zone with the economic-based enhancement or expansion (as measured using currently allocated Auction Revenue Rights plus additional Auction Revenue Rights made available by the proposed acceleration or modification of the planned reliability-based enhancement or expansion or new economic based enhancement or expansion)]. For economic-based enhancements and expansions for which cost responsibility is assigned pursuant to section (b)(i) of Schedule 12 of the PJM Tariff, the Change in the Load Energy Payment shall be the sum of

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the Change in Load Energy Payment in all Zones. For economic-based enhancements or expansions for which cost responsibility is assigned pursuant to section (b)(v) of Schedule 12 of the PJM Tariff, the Change in Load Energy Payment shall be the sum of the Change in the Load Energy Payment only of the Zones that show a decrease in Load Energy Payment.

and

Reliability Pricing Benefit = [.70] * [Change in Total System Capacity Cost] + [.30] * [Change in Load Capacity Payment]

and

Change in Total System Capacity Cost = [the sum of (the megawatts that are estimated to be cleared in the Base Residual Auction under Attachment DD of the PJM Tariff) * (the prices that are estimated to be contained in the Sell Offers for each such cleared megawatt without the economic-based enhancement or expansion) * (the number of days in the study year)] – [the sum of (the megawatts that are estimated to be cleared in the Base Residual Auction under Attachment DD of the PJM Tariff) * (the prices that are estimated to be contained in the Sell Offers for each such cleared megawatt with the economic-based enhancement or expansion) * (the number of days in the study year)]

and

Change in Load Capacity Payment = [the sum of (the estimated zonal load megawatts in each Zone) * (the estimated Final Zonal Capacity Prices under Attachment DD of the PJM Tariff without the economic-based enhancement or expansion) * (the number of days in the study year)] – [the sum of (the estimated zonal load megawatts in each Zone) * (the estimated Final Zonal Capacity Prices under Attachment DD of the PJM Tariff with the economic-based enhancement or expansion) * (the number of days in the study year)]. The Change in Load Capacity Payment shall take account of the change in value of Capacity Transfer Rights in each Zone, including any additional Capacity Transfer Rights made available by the proposed acceleration or modification of the planned reliability-based enhancement or expansion or new economic based enhancement or expansion. For economic-based enhancements and expansions for which cost responsibility is assigned pursuant to section (b)(i) of Schedule 12 of the PJM Tariff, the Change in the Load Capacity Payment shall be the sum of the change in Load Capacity Payment in all Zones. For economic-based enhancements or expansions for which cost responsibility is assigned pursuant to section (b)(v) of Schedule 12 of the PJM Tariff, the Change in Load Capacity Payment shall be the sum of the change in the Load Capacity Payment only of the Zones that show a decrease in Load Capacity Payment.

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and

Total Enhancement Cost (except for accelerations of planned reliability-based enhancements or expansions) = the estimated annual revenue requirement for the economic-based enhancement or expansion.

Total Enhancement Cost (for accelerations of planned reliability-based enhancements or expansions) = the estimated change in annual revenue requirement resulting from the acceleration of the planned reliability-based enhancement or expansion, taking account of all of the costs incurred that would not have been incurred but for the acceleration of the planned reliability-based enhancement or expansion.

(e) For informational purposes only, to assist the Office of the Interconnection and the Transmission Expansion Advisory Committee in evaluating the economic benefits of accelerating planned reliability-based enhancements or expansions or of constructing a new economic-based enhancement or expansion, the Office of the Interconnection shall calculate and post on the PJM internet site the change in the following metrics on a zonal and system-wide basis: (i) total energy production costs (fuel costs, variable O&M costs and emissions costs);(ii) total load energy payments (zonal load MW times zonal load Locational Marginal Price); (iii) total generator revenue from energy production (generator MW times generator Locational Marginal Price); (iv) Financial Transmission Right credits (as measured using currently allocated Auction Revenue Rights plus additional Auction Revenue Rights made available by the proposed acceleration or modification of a planned reliability-based enhancement or expansion or new economic based enhancement or expansion); (v) marginal loss surplus credit; and (vi) total capacity costs and load capacity payments under the Office of the Interconnection's Commission-approved capacity construct.

(f) To assure that new economic-based enhancements and expansions included in the Regional Transmission Expansion Plan continue to be cost beneficial, the Office of the Interconnection annually shall review the costs and benefits of constructing such enhancements and expansions. In the event that there are changes in these costs and benefits, the Office of the Interconnection shall review the changes in costs and benefits with the Transmission Expansion Advisory Committee and recommend to the PJM Board whether the new economic-based enhancements and expansions continue to provide measurable benefits, as determined in accordance with subsection (d), and should remain in the Regional Transmission Expansion Plan. The annual review of the costs and benefits of constructing new economic-based enhancements and expansions included in the Regional Transmission Expansion Plan shall include review of changes in cost estimates of the economic-based enhancement or expansion, and changes in system conditions, including but not limited to, changes in load forecasts, and anticipated Merchant Transmission Facilities, generation, and demand response, consistent with the requirements of subsection (k).

(g) With respect to each new economic-based enhancement or expansion included in the Regional Transmission Expansion Plan, the Office of the Interconnection shall provide to the Transmission Expansion Advisory Committee the level and type of new generation and demand response that could eliminate the need for the enhancement or expansion.

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(h) For new economic enhancements or expansions with costs in excess of \$50 million, an independent review of such costs shall be performed to assure both consistency of estimating practices and that the scope of the new economic-based enhancements and expansions is consistent with the new economic-based enhancements and expansions as recommended in the market efficiency analysis.

(i) For informational purposes only, the Office of the Interconnection shall post monthly on the PJM Internet site analyses of gross and unhedgeable congestion associated with transmission constraints in the PJM Region, including the level of available economic generation used to calculate unhedgeable congestion costs.

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(j) At any time, market participants may submit to the Office of the Interconnection requests to interconnect Merchant Transmission Facilities or generation facilities pursuant to Part IV of the PJM Tariff that could address an economic constraint. In the event the Office of the Interconnection determines that the interconnection of such facilities would relieve an economic constraint, the Office of the Interconnection may designate the project as a “market solution” and, in the event of such designation, sections 36A or 41A of the PJM Tariff, as applicable, shall apply to the project.

(k) The assumptions used in the market efficiency analysis described in subsection (b) and any review of costs and benefits pursuant to subsection (f) shall include, but not be limited to, the following:

- (i) Timely installation of Qualifying Transmission Upgrades, as defined in section 2.5.7 of Attachment DD of the PJM Tariff, that are committed to the PJM Region as a result of any Reliability Pricing Model Auction pursuant to Attachment DD of the PJM Tariff or any FRR Capacity Plan pursuant to Schedule 8.1 of the Reliability Assurance Agreement Among Load-Serving Entities in the PJM Region, on file with FERC as PJM Interconnection, L.L.C. Rate Schedule FERC No. 44 (“RAA”).
- (ii) Availability of Generation Capacity Resources, as defined by section 1.33 of the RAA, that are committed to the PJM Region as a result of any Reliability Pricing Model Auction pursuant to Attachment DD of the PJM Tariff or any FRR Capacity Plan pursuant to Schedule 8.1 of the RAA.
- (iii) Availability of Demand Resources as defined in section 1.13 of the RAA that are committed to the PJM Region as a result of any Reliability Pricing Model Auction pursuant to Attachment DD of the PJM Tariff or any FRR Capacity Plan pursuant to Schedule 8.1 of the RAA.
- (iv) Availability of ILR Resources certified pursuant to section 5.13 of Attachment DD of the PJM Tariff.
- (v) Addition of Customer Facilities pursuant to an executed Interconnection Service Agreement or Interim Interconnection Service Agreement.
- (vi) Addition of Customer-Funded Upgrades pursuant to an executed Interconnection Construction Service Agreement or an Upgrade Construction Service Agreement.

- (vii) Expected level of demand response over at least the ensuing fifteen years based on analyses that consider historic levels of demand response, expected demand response growth trends, impact of capacity prices, current and emerging technologies.
- (viii) Expected levels of potential new generation and generation retirements over at least the ensuing fifteen years based on analyses that consider generation trends based on existing generation on the system, generation in the PJM interconnection queues and Capacity Resource Clearing Prices under Attachment DD of the PJM Tariff. If the Office of the Interconnection finds that the PJM reserve requirement is not met in any of its future year market efficiency analyses then it will model adequate future generation based on type and location of generation in existing PJM interconnection queues.
- (ix) Items (i) through (vi) will be included in the market efficiency assumptions if qualified before January 1 of the year that the assumptions are presented to the PJM Board for approval in June. In the event that any of the items listed in (i) through (vi) above qualify for inclusion in the market efficiency analysis assumptions, however, because of the timing of the qualification the item was not included in the assumptions used in developing the most recent Regional Transmission Expansion Plan, the Office of the Interconnection, to the extent necessary, shall notify any entity constructing an economic-based enhancement or expansion that may be affected by inclusion of such item in the assumptions for the next market efficiency analysis described in subsection (b) and any review of costs and benefits pursuant to subsection (f) that the need for the economic-based enhancement or expansion may be diminished or obviated as a result of the inclusion of the qualified item in the assumptions for the next annual market efficiency analysis or review of costs and benefits.

(1) For informational purposes only, with regard to economic-based enhancements or expansions that are included in the Regional Transmission Expansion Plan pursuant to subsection (d) of this section 1.5.7, the Office of the Interconnection shall perform sensitivity analyses around key inputs, such as price forecasts and expected levels of demand response, used in the market simulations to determine the Benefit/Cost Ratio for such enhancements and expansions and shall provide the results of such sensitivity analyses to the Transmission Expansion Advisory Committee.

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1.6 Approval of the Final Regional Transmission Expansion Plan.

(a) The PJM Board shall approve the final Regional Transmission Expansion Plan, including any alternatives therein, and any additions of economic transmission enhancements or expansions pursuant to Sections 1.5.6(d) and 1.5.7 above, in accordance with the requirements of this Section 1.6. The PJM Board shall not approve the Supplemental Projects listed in the Regional Transmission Expansion Plan. PJM Board approval of the Regional Transmission Expansion Plan shall not represent PJM Board review or approval of the Supplemental Projects, and Supplemental Projects are not eligible for cost allocation pursuant to Schedule 12 of the PJM Tariff.

The Office of the Interconnection shall publish the current, approved Regional Transmission Expansion Plan on the PJM Internet site. Within 30 days after each occasion when the PJM Board approves a Regional Transmission Expansion Plan, or an addition to such a plan, that designates one or more Transmission Owners to construct an economic expansion or enhancement developed pursuant to Sections 1.5.6(d) and 1.5.7 above, the Office of the Interconnection shall file with FERC a report identifying the economic expansion or enhancement, its estimated cost, the entity or entities that will be responsible for constructing and owning or financing the project, and the market participants designated under Section 1.5.6(g) above to bear responsibility for the costs of the project.

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(b) If a Regional Transmission Expansion Plan is not approved, or if the transmission service requested by any entity is not included in an approved Regional Transmission Expansion Plan, nothing herein shall limit in any way the right of any entity to seek relief pursuant to the provisions of Section 211 of the Federal Power Act.

(c) Following PJM Board approval, the final Regional Transmission Expansion Plan shall be submitted to the Applicable Reliability Council for verification that all enhancements or expansions conform with or exceed all reliability principles and standards of the Applicable Regional Reliability Council.

1.7 Obligation to Build.

(a) Subject to the requirements of applicable law, government regulations and approvals, including, without limitation, requirements to obtain any necessary state or local siting, construction and operating permits, to the availability of required financing, to the ability to acquire necessary right-of-way, and to the right to recover, pursuant to appropriate financial arrangements and tariffs or contracts, all reasonably incurred costs, plus a reasonable return on investment, Transmission Owners designated as the appropriate entities to construct, own and/or finance enhancements or expansions specified in the Regional Transmission Expansion Plan shall construct, own and/or finance such facilities or enter into appropriate contracts to fulfill such obligations. However, nothing herein shall require any Transmission Owner to construct, finance or own any enhancements or expansions specified in the Regional Transmission Expansion Plan for which the plan designates an entity other than a Transmission Owner as the appropriate entity to construct, own and/or finance such enhancements or expansions.

(b) Nothing herein shall prohibit any Transmission Owner from seeking to recover the cost of enhancements or expansions on an incremental cost basis or from seeking approval of such rate treatment from any regulatory agency with jurisdiction over such rates.

(c) The Office of the Interconnection shall be obligated to collect on behalf of the Transmission Owner(s) all charges established under Schedule 12 of the PJM Tariff in connection with facilities which the Office of the Interconnection designates one or more Transmission Owners to build pursuant to this Regional Transmission Expansion Planning Protocol. Such charges shall compensate the Transmission Owner(s) for all costs related to such RTEP facilities under a FERC-approved rate and will include any FERC-approved incentives.

(d) In the event that a Transmission Owner declines to construct an economic transmission enhancement or expansion developed under Sections 1.5.6(d) and 1.5.7 of this Schedule 6 that such Transmission Owner is designated by the Regional Transmission Expansion Plan to construct (in whole or in part), the Office of the Interconnection shall promptly file with the FERC a report on the results of the pertinent economic planning process in order to permit the FERC to determine what action, if any, it should take.

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1.8 Interregional Expansions

(a) PJM shall collect from Midwest Independent System Operator, Inc., for distribution to the applicable Transmission Owners, in accordance with Schedule 12 of the PJM Tariff, revenues collected by the Midwest Independent System Operator, Inc. under the Open Access Transmission Tariff of the Midwest Independent System Owner, Inc. with respect to transmission enhancements or expansions for which the Coordinated System Plan developed under the Joint Operating Agreement Between the Midwest Independent System Operator, Inc. and PJM Interconnection, L.L.C. assigns cost responsibility for transmission enhancements or expansions in the PJM Region to market participants in the region of the Midwest Independent System Operator, Inc.

(b) PJM shall disburse to the Midwest Independent System Operator, Inc., for distribution to applicable transmission owners of the Midwest Independent System Operator, Inc., revenues collected under Schedule 12 of the PJM Tariff which establishes a charge in connection with enhancements or expansions in the region of the Midwest Independent System Operator, Inc. the cost responsibility for which has been assigned to market participants in the PJM Region under the Coordinated System Plan developed under the Joint Operating Agreement Between the Midwest Independent System Operator, Inc. and PJM Interconnection, L.L.C.

(c) Nothing in this Section 1.8 shall affect or limit any Transmission Owners filing rights under Section 205 of the Federal Power Act as set forth in the PJM Tariff and applicable agreements.

Issued By: Craig Glazer
Vice President, Government Policy

Effective: June 1, 2005

Issued On: May 17, 2005

Filed to comply with order of the Federal Energy Regulatory Commission, issued November 18, 2004 in Docket Nos. ER05-6, et al., Midwest Independent Transmission System Operator, Inc., 109 FERC ¶ 61,168 (2004).

1.9 Relationship to the PJM Open Access Transmission Tariff.

Nothing herein shall modify the rights and obligations of an Eligible Customer or a Transmission Customer, as those terms are defined in the PJM Tariff, with respect to required studies and completion of necessary enhancements or expansions. An Eligible Customer or Transmission Customer electing to follow the procedures in the PJM Tariff instead of the procedures provided herein, shall also be responsible for the related costs. The enhancement and expansion study process under this Protocol shall be funded as a part of the operating budget of the Office of the Interconnection.

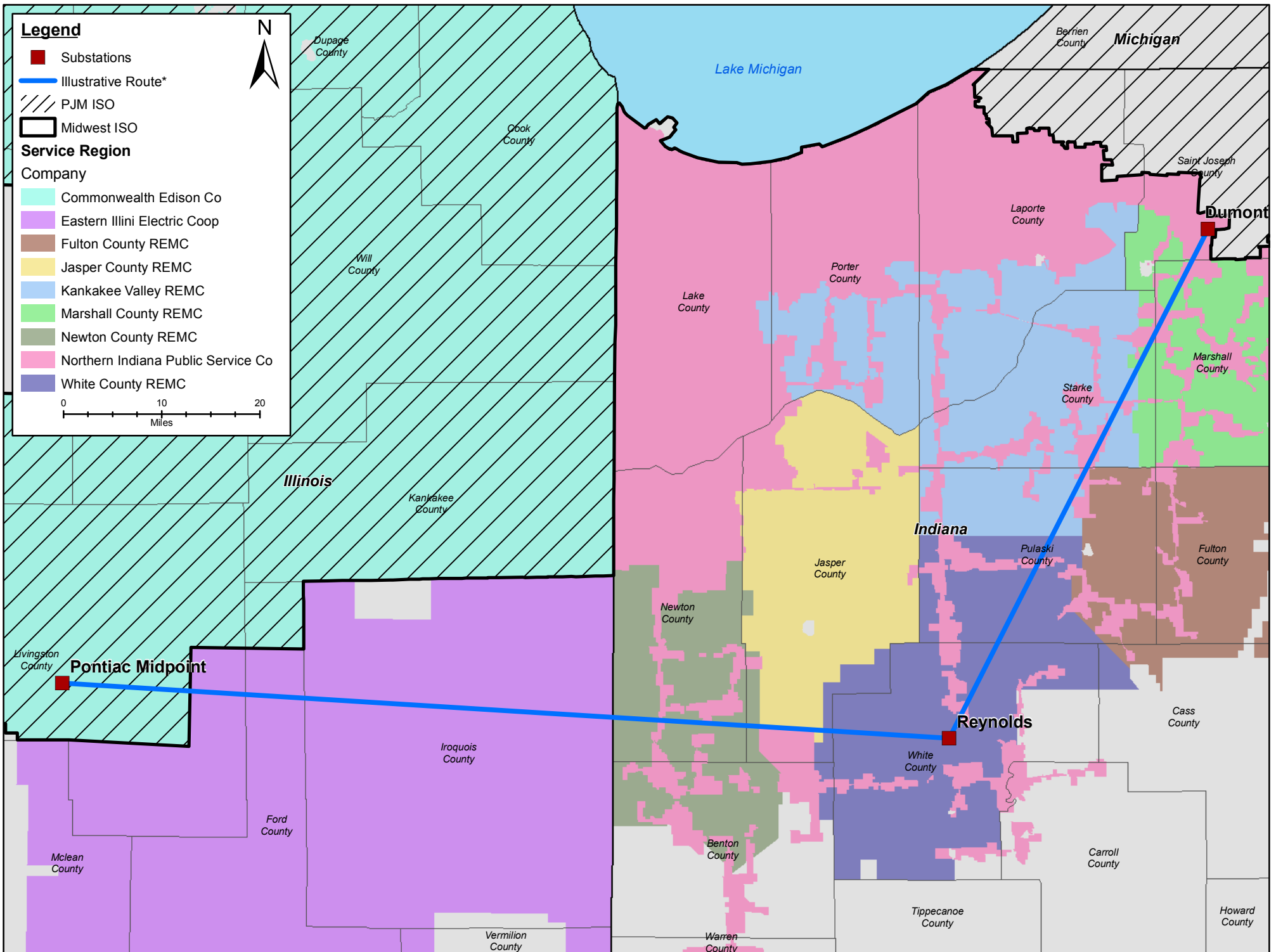
Issued By: Craig Glazer
Vice President, Government Policy

Effective: June 1, 2005

Issued On: May 17, 2005

Filed to comply with order of the Federal Energy Regulatory Commission, issued November 18, 2004 in Docket Nos. ER05-6, et al., Midwest Independent Transmission System Operator, Inc., 109 FERC ¶ 61,168 (2004).

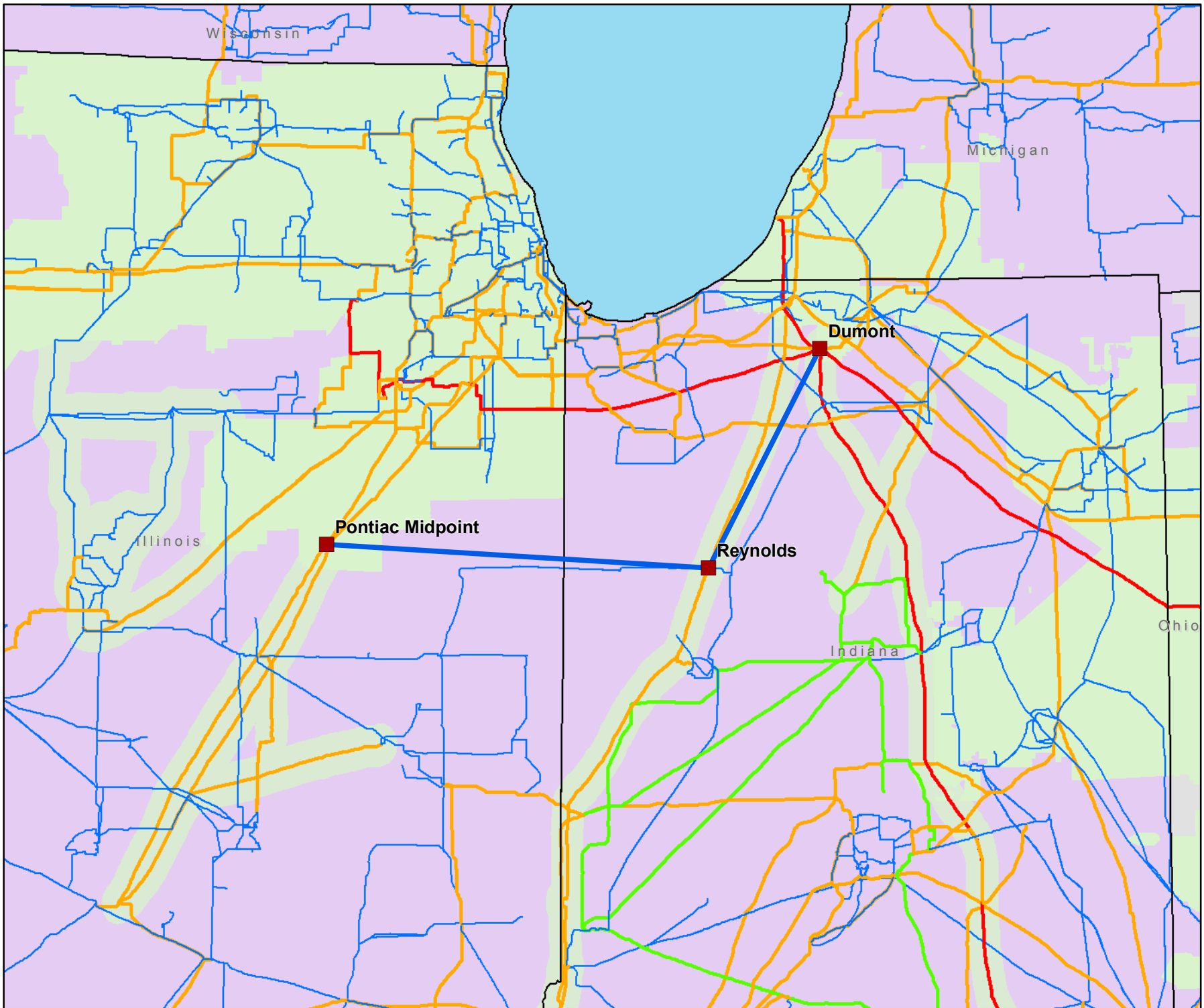
Attachment 2



*Please note that the above routes are simply illustrative and routing has not yet been determined for this line.

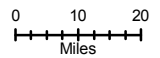
LaSalle Economic Proposal

March 2010



Legend

- LaSalle Transmission
- Voltage Class
 - 735+ kV
 - 345 kV
 - 230-287 kV
 - 100-161 kV
- MISO
- PJM



*Please note that the above routes are simply illustrative and routing has not yet been determined for this line.

Attachment 3

CENTRAL TRANSMISSION, LLC

c/o LS Power Development, LLC
400 Chesterfield Center, Suite 110
St. Louis, Missouri 63017
(636) 532-2200 · Fax (636) 532-2250

December 17, 2009

Mr. Steve Herling
Mr. Paul McGlynn
PJM Interconnection
Office of the Interconnection
955 Jefferson Avenue
Norristown, PA 19403

RE: LaSalle Transmission Project
Proposal to Construct Expansion to Relieve Economic Constraint

Dear Steve and Paul:

Central Transmission, LLC (Central Transmission) hereby submits to the Office of the Interconnection a proposal to construct an economic-based expansion to relieve an economic constraint. In accordance with the PJM Tariff, as described below, Central Transmission submits the attached proposal ("LaSalle Transmission Proposal") for consideration in the 2010 market efficiency analysis to be conducted by PJM.

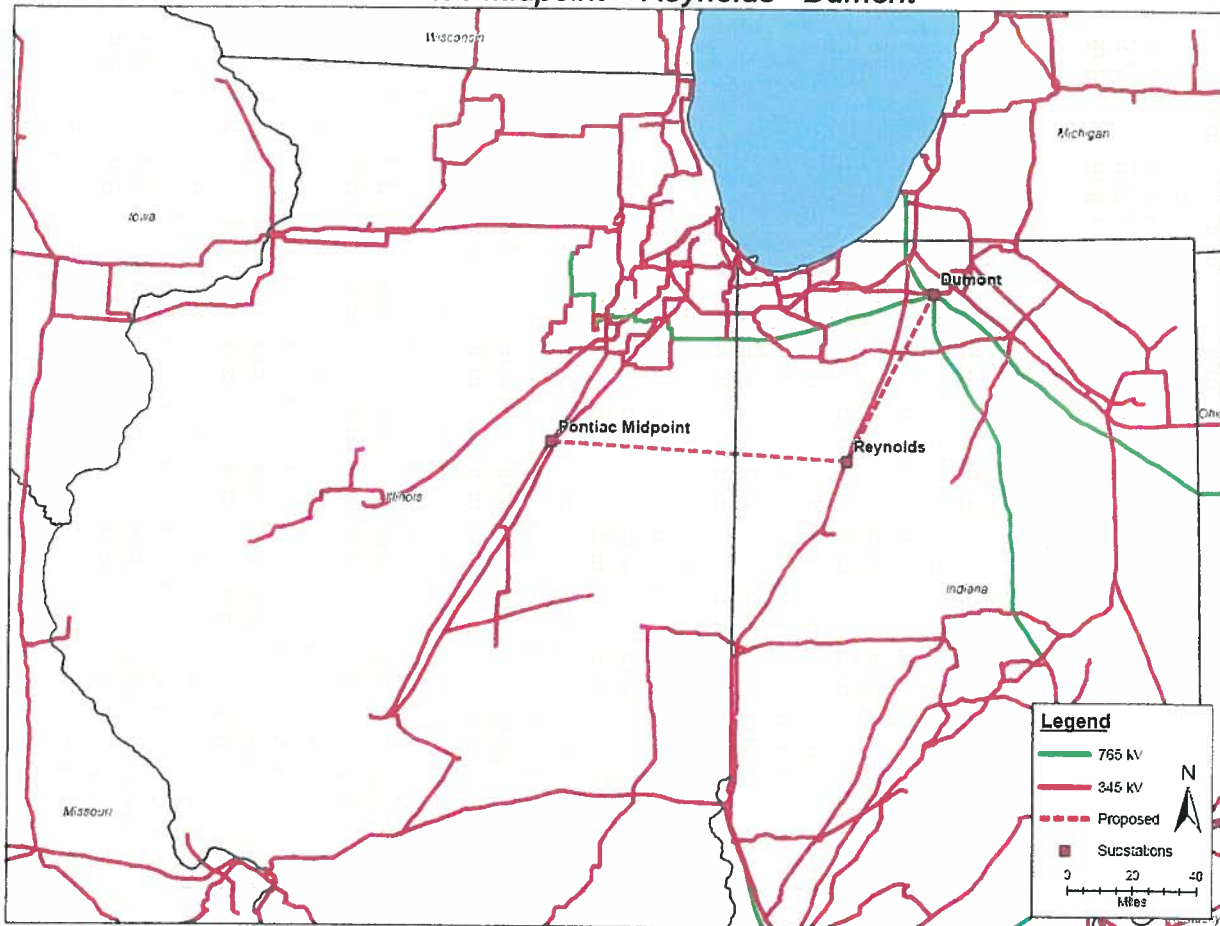
The PJM Tariff in Schedule 6.1.5.7 states that:

"The Office of the Interconnection shall evaluate whether including any additional economic-based enhancements or expansions in the RTEP or modifications of existing RTEP reliability-based enhancements or expansions would relieve an economic constraint. In addition, any market participant at any time may submit to the Office of the Interconnection a proposal to construct an additional economic-based enhancement or expansion to relieve an economic constraint. To be considered in the market efficiency analysis commencing after approval of the RTEP by the PJM Board in June, market participant proposals must be received by the Office of Interconnection by December 31 of the same year. Upon completion of its evaluation, including consideration of any eligible market participant economic-based enhancements or expansions, the Office of the Interconnection shall present to the TEAC a description of recommended new economic-based enhancements and expansions for review and comment."

The LaSalle Transmission Proposal consists of a new 345 kV path to be constructed from **Pontiac Midpoint - Reynolds - Dumont**. Central Transmission has requested that PJM study this project with variations of single and double circuit configuration. Central Transmission believes the LaSalle Transmission Proposal should be approved in the RTEP as an economic project, eligible for construction, ownership and rate recovery by Central Transmission.

CONFIDENTIAL

LaSalle Transmission Proposal
Pontiac Midpoint – Reynolds - Dumont



** The routes presented are for illustrative purposes only*

Central Transmission requests that PJM confirm in writing the following by January 15, 2010:

- 1) Confirm or deny that if PJM deems the LaSalle Transmission Proposal to be economically warranted that Central Transmission will be the entity selected or directed by PJM to construct and own this economic-based transmission expansion.
- 2) Confirm or deny that if Central Transmission is selected or directed by PJM to construct and own the facilities, rate treatment for the LaSalle Transmission Proposal will be on the same terms and conditions as if the LaSalle Transmission Proposal were built by an existing transmission owner.

In addition to its economic benefits, Central Transmission believes the LaSalle Transmission Proposal provides significant renewable energy benefits to PJM and should be eligible for any future protocols created to pursue public policy objectives such as a more aggressive integration

Mr. Herling & Mr. McGlynn
December 17, 2009

Page 3

of renewable energy projects.¹ Regardless of whether ultimately characterized as an economic or renewable project, the LaSalle Transmission Proposal should be eligible for cost recovery and cost based rates by Central Transmission.

Thank you for your consideration. Please contact me at (636) 346-1426 or ssegner@lspower.com with any questions related to this letter or the LaSalle Transmission Proposal.

Sincerely,



Sharon K. Segner

Cc: Pauline Foley, PJM
Jennifer Tribulski, PJM
Andy Ott, PJM
Harry Stoller, ICC
Roy Buxton, ICC
Brad Borum, IURC
Scott Storms, IURC
Craig Glazer, PJM
John Fedorko, PJM

¹ Cite FERC Technical Conferences, PJM Comments Submitted to FERC in November 2009 and Reply Comments in December 2009 in Docket No. AD09-8-000, and the Statement of Michael J. Kormos to Support Oral Testimony at the March 2, 2009 Technical Conference Before the Federal Energy Regulatory Commission No. AD09-4-000 (Feb. 24, 2009).

CONFIDENTIAL

LaSalle Transmission Proposal

CONSTRUCTOR AND PROPOSER OF ECONOMIC EXPANSION:

Central Transmission, LLC (Central Transmission)

OVERVIEW OF CENTRAL TRANSMISSION:

Central Transmission is a member of the LS Power Group. LS Power is a power generation and transmission group with a proven track record of successful development activities, operations management and commercial execution. LS Power has been involved in the development, construction, or operations of over 20,000 MW of power generation throughout the United States including power generation in PJM. LS Power is a market participant in PJM and is actively developing both power generation and transmission infrastructure to serve the need for new generation and improve the aging transmission system.

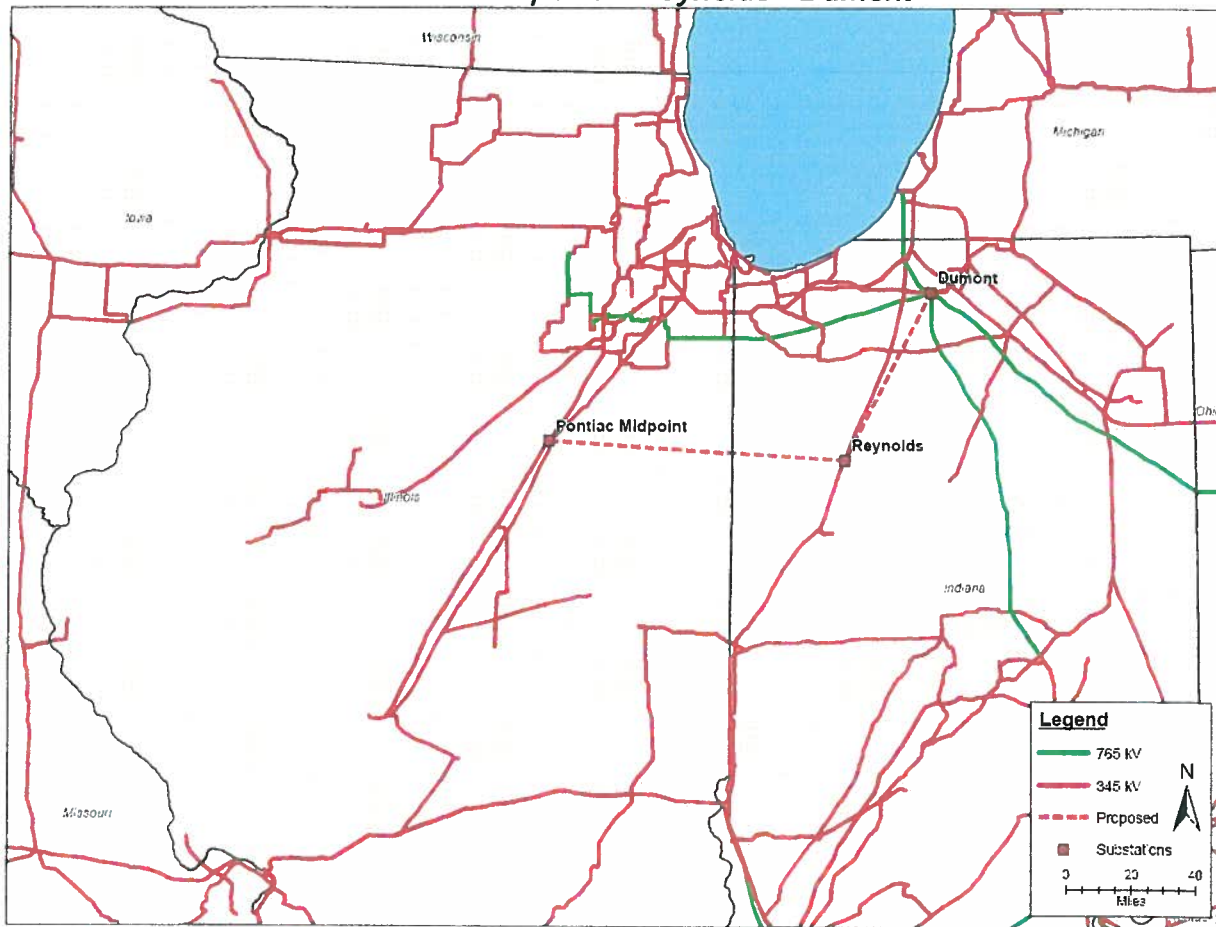
The LS Power Group has active transmission development across the country representing over 1,000 miles of transmission planned to help deliver renewable resources to load. This includes Great Basin Transmission, a new transmission company in Idaho and Nevada developing a "shovel ready" 500+ mile 500-kV transmission line; and Cross Texas Transmission, a new transmission company in Texas developing over 200 miles of double circuit 345 kV as part of the Competitive Renewable Energy Zone Transmission Plan.

PROJECT DESCRIPTION:

The LaSalle Transmission Proposal would consist of a new 345 kV path from Pontiac Midpoint 345kV - Reynolds 345kV - Dumont 345kV. This 345 kV transmission line would have three substation interconnections (all in PJM): Pontiac Midpoint (owned by Commonwealth Edison), Reynolds (owned by AEP) and Dumont (owned by AEP) substations. Central Transmission proposes that PJM consider variations of single and double circuit alternatives between each of the substations as part of its analysis.

Central Transmission does not propose any direct interconnection to the Midwest ISO at this time. It is anticipated that some wind development projects might elect interconnection to the LaSalle Transmission Proposal, particularly on the segment from Pontiac Midpoint – Reynolds, which may necessitate new substation(s). Central Transmission anticipates the 345 kV line to be rated at 1500 MVA normal rating and 1800 MVA emergency rating per circuit. Central Transmission currently holds a valid PJM queue position (V4-026) filed and accepted on December 1, 2009.

**LaSalle Transmission Proposal
Pontiac Midpoint – Reynolds - Dumont**



* The routes presented are for illustrative purposes only

PLANNED IN SERVICE DATE:

Central Transmission anticipates it can meet an in-service date as early as June 2014 for the LaSalle Transmission Proposal.

ECONOMIC CONSTRAINT THAT IS BEING RELIEVED:

Central Transmission anticipates the economic benefits of the LaSalle Transmission Proposal will outweigh the costs in excess of the 1.25 benefit/cost ratio required under the PJM tariff.

RENEWABLE ENERGY IN PJM QUEUE IN NORTHERN ILLINOIS AND INDIANA:

Central Transmission understands there are over 25,000 megawatts of generation in the PJM queue (through the U queue) in the Commonwealth Edison zone. The vast majority of this queued generation is wind generation (approximately 85 percent). In addition, there is over 1,000 megawatts of wind generation in the PJM queue (through the U queue) in Northern Indiana (AEP/ Indiana-Michigan Electric Company).

According to information from the National Renewable Energy Laboratory, the annual capacity factors for wind generation in the area from Bloomington, Illinois to West Lafayette, Indiana are some of the highest capacity factor wind in the Illinois and Indiana region. Yet, there is limited

transmission infrastructure in this area to support substantive renewable development. As such, Central Transmission believes the LaSalle Transmission Project will help facilitate the development of thousands of megawatts of wind in Illinois and Indiana, while also providing significant economic and congestion benefits to the system.

TERMS AND CONDITIONS OF PROPOSAL:

Central Transmission reserves all rights to file with the Federal Energy Regulatory Commission (FERC) to establish rates for the LaSalle Transmission Proposal. Central Transmission also reserves all rights for being eligible for consideration and cost recovery in all future renewable energy protocols approved by the FERC, as well as under currently approved economic protocols in the PJM tariff.

LS Power Announces New Transmission Project to Facilitate Renewable Energy Development in Illinois and Indiana

December 17, 2009 – St. Louis, MO –LS Power announced today that it is taking steps to develop the LaSalle Transmission Project (“LaSalle”), a new 345 kilovolt (kV) transmission project connecting Illinois and Indiana. The project is intended to facilitate renewable energy development within the region.

LaSalle is an approximately 160-mile transmission line proposed to connect three existing 345-kV substations operated by the PJM Regional Transmission Operator. These three substations are the Pontiac-Midpoint substation near Pontiac, Illinois; the Reynolds substation near Reynolds, Indiana; and the Dumont substation near North Liberty, Indiana. New substations may also be constructed along the transmission line to serve as points where additional wind could interconnect to the transmission system.

“LaSalle will be routed through some of the most promising areas in Illinois and Indiana for wind development – areas that currently have limited access to the high-voltage transmission system,” stated Sharon K. Segner, Director – Project Development with LS Power. “LaSalle will provide both a means for wind generation to connect to the transmission system and an outlet for the wind generation to be delivered to load.”

The project is being developed by Central Transmission, LLC, a new transmission company and member of the LS Power Group. The LS Power Group has active transmission development across the country representing over 1,000 miles of transmission planned to help deliver renewable resources to load. This includes Great Basin Transmission, a new transmission company in Idaho and Nevada developing a “shovel ready” 500+ mile 500-kV transmission line; and Cross Texas Transmission, a new transmission company in Texas developing over 200 miles of double circuit 345 kV as part of the Competitive Renewable Energy Zone Transmission Plan.

PJM does not currently have a planning process in place to evaluate renewable-based transmission projects like LaSalle. In addition to renewable benefits, LaSalle also provides a means to relieve congestion in Illinois and Indiana which will result in reduced costs for customers. Central Transmission anticipates LaSalle may be approved as an “economic” transmission project and, as such, filed a proposal today with PJM to evaluate the project.

“There is a definite need for new transmission in Northern Illinois and Indiana, with a significant backlog of interconnection requests in these states,” according to Lawrence Willick, Senior Vice President with LS Power. “However, we believe that PJM will find that the benefits of the project are not just limited to the delivery of renewable energy, but also include strong economic benefits, and reliability benefits as well.”

“We look forward to working with communities, state and federal regulators, and other stakeholders to make LaSalle a reality,” Segner added, “and to bring the transmission resources necessary for additional wind generation to be built in Illinois and Indiana.”

About LS Power

LS Power is a power generation and transmission group with a proven track record of successful development activities, operations management and commercial execution. LS Power has been involved in the development, construction, or operations of over 20,000 MW of power generation throughout the United States. LS Power is actively developing both power generation and transmission infrastructure to serve the need for new generation and improve the aging transmission system. Highly regarded in the financial community, LS Power has raised over \$12 billion in debt and equity since 2005. For more information, see: www.lspower.com

Media Contact:

Sharon Segner (636) 532-2200

#

Attachment 4



955 Jefferson Avenue
Valley Forge Corporate Center
Norristown, PA 19403-2497

Steven R. Herling
Vice President - Planning

January 15, 2010

Via Electronic Mail and Federal Express Overnight

Sharon K. Segner,
Director, Project Development
Central Transmission, LLC
c/o LS Power Development, LLC
400 Chesterfield Center, Suite 110
St. Louis, Missouri 63017

Dear Ms. Segner:

I am in receipt of your letter dated December 17, 2009 (“December 17th Letter”), proposing to construct a new 345 kV path from Pontiac Midpoint – Reynolds – Dumont (“LaSalle Transmission Proposal”) as an economic-based expansion to relieve an economic constraint.

In accordance with the PJM Amended and Restated Operating Agreement (“PJM Operating Agreement”) at Schedule 6, section 1.5.7(c)(iii), PJM will consider this LaSalle Transmission Proposal in its market efficiency analysis conducted this year. Also, as you requested in your December 17th Letter, PJM will study this project with variations of single and double circuit configuration.

With regard to your request that PJM either confirm or deny that if the LaSalle Transmission Proposal is economically warranted, Central Transmission, LLC will be the entity designated to construct and own the economic-based transmission expansion, PJM can neither confirm nor deny such hypothetical request for admission until such time as PJM completes its analyses and determines which proposals, if any, are needed in that particular area of the PJM region. With regard to your second request for admission that PJM either confirm or deny that if Central Transmission is designated to construct and own the project, Central Transmission would be entitled to the same rate treatment as an existing transmission owner, PJM can neither confirm nor deny that request as PJM is not authorized to approve rate treatment for RTEP projects.

Please do not hesitate to contact me should you wish to discuss these issues further.

Very truly yours,

A handwritten signature in black ink, appearing to read 'S. Herling', written over a light blue horizontal line.

Steven R. Herling,
Vice President, Planning
PJM Interconnection, L.L.C.

Attachment 5

Proposed Revisions to Section 1.5.6(g):

1.5.6 Development of the Recommended Regional Transmission Expansion Plan.

(g) Based on the planning analysis and other input from participants, including any indications of a willingness to bear cost responsibility for an enhancement or expansion, the recommended plan shall, for any enhancement or expansion that is included in the plan, designate (1) the Market Participant(s) in one or more Zones, or any other party that has agreed to fully fund upgrades pursuant to this Agreement or the PJM Tariff, that will bear cost responsibility for such enhancement or expansion, as and to the extent provided by any provision of the PJM Tariff or this Agreement, (2) in the event and to the extent that no provision of the PJM Tariff or this Agreement assigns cost responsibility, the Market Participant(s) in one or more Zones from which the cost of such enhancement or expansion shall be recovered through charges established pursuant to Schedule 12 of the Tariff, and (3) in the event and to the extent that the Coordinated System Plan developed under the Joint Operating Agreement Between the Midwest Independent System Operator, Inc. and PJM Interconnection, L.L.C. assigns cost responsibility, the Market Participant(s) in one or more Zones from which the cost of such enhancement or expansion shall be recovered. Any designation under clause (2) of the preceding sentence (A) shall further be based on the Office of the Interconnection's assessment of the contributions to the need for, and benefits expected to be derived from, the pertinent enhancement or expansion by affected Market Participants and, (B), subject to FERC review and approval, shall be incorporated in any amendment to Schedule 12 of the PJM Tariff that establishes a Transmission Enhancement Charge Rate in connection with an economic expansion or enhancement developed under Sections 1.5.6(d) and 1.5.7 of this Schedule 6 and (C), the costs associated with expansions and enhancements required to ensure the simultaneous feasibility of stage 1A Auction Revenue Rights allocated pursuant to Section 7 of Schedule 1 of this Agreement shall (1) be allocated across transmission zones based on each zone's stage 1A eligible Auction Revenue Rights flow contribution to the total stage 1A eligible Auction Revenue Rights flow on the facility that limits stage 1A ARR feasibility and (2) within each transmission zone the Network Service Users and Transmission Customers that are eligible to receive stage 1A Auction Revenue Rights shall be the Responsible Customers under Section (b) of Schedule 12 of the PJM Tariff for all expansions and enhancements included in the Regional Transmission Expansion Plan to ensure the simultaneous feasibility of stage 1A Auction Revenue Rights.

Any designation under clause (3), above, (A) shall further be based on the Office of the Interconnection's assessment of the contributions to the need for, and benefits expected to be derived from, the pertinent enhancement or expansion by affected Market Participants, and (B), subject to FERC review and approval, shall be incorporated in an amendment to a Schedule of the PJM Tariff which establishes a charge in connection with the pertinent enhancement or expansion. Before designating fewer than all customers using Point-to-Point Transmission Service or Network Integration Transmission Service within a Zone as customers from which the costs of a particular enhancement or expansion may be recovered, Transmission Provider shall consult, in a manner and to the extent that it reasonably determines to be appropriate in each such instance, with affected state utility regulatory authorities and stakeholders. When the plan designates more than one responsible Market Participant, it shall also designate the proportional responsibility among them. ~~Notwithstanding the foregoing, with respect to any facilities that the Regional Transmission Expansion Plan designates to be owned by an entity other than a Transmission Owner, the plan shall designate that entity as responsible for the costs of such facilities.~~

Proposed Revisions to Section 1.6(a):

1.6 Approval of the Final Regional Transmission Expansion Plan.

(a) The PJM Board shall approve the final Regional Transmission Expansion Plan, including any alternatives therein, and any additions of economic transmission enhancements or expansions pursuant to Sections 1.5.6(d) and 1.5.7 above, in accordance with the requirements of this Section 1.6. The PJM Board shall not approve the Supplemental Projects listed in the Regional Transmission Expansion Plan. PJM Board approval of the Regional Transmission Expansion Plan shall not represent PJM Board review or approval of the Supplemental Projects, and Supplemental Projects are not eligible for cost allocation pursuant to Schedule 12 of the PJM Tariff.

The Office of the Interconnection shall publish the current, approved Regional Transmission Expansion Plan on the PJM Internet site. Within 30 days after each occasion when the PJM Board approves a Regional Transmission Expansion Plan, or an addition to such a plan, that designates one or more Transmission Owners or other entity(ies) to construct an economic expansion or enhancement developed pursuant to Sections 1.5.6(d) and 1.5.7 above, the Office of the Interconnection shall file with FERC a report identifying the economic expansion or enhancement, its estimated cost, the entity or entities that will be responsible for constructing and owning or financing the project, and the market participants designated under Section 1.5.6(g) above to bear responsibility for the costs of the project.

Proposed Revisions to Section 1.7:

1.7 Obligation to Build.

(a) Subject to the requirements of applicable law, government regulations and approvals, including, without limitation, requirements to obtain any necessary state or local siting, construction and operating permits, to the availability of required financing, to the ability to acquire necessary right-of-way, and to the right to recover, pursuant to appropriate financial arrangements and tariffs or contracts, all reasonably incurred costs, plus a reasonable return on investment, Transmission Owners or other entities designated as the appropriate entities to construct, own and/or finance enhancements or expansions specified in the Regional Transmission Expansion Plan shall construct, own and/or finance such facilities or enter into appropriate contracts to fulfill such obligations. However, nothing herein shall require any Transmission Owner to construct, finance or own any enhancements or expansions specified in the Regional Transmission Expansion Plan for which the plan designates an entity other than a Transmission Owner as the appropriate entity to construct, own and/or finance such enhancements or expansions.

(b) Nothing herein shall prohibit any Transmission Owner or other entity(ies) from seeking to recover the cost of enhancements or expansions on an incremental cost basis or from seeking approval of such rate treatment from any regulatory agency with jurisdiction over such rates.

(c) The Office of the Interconnection shall be obligated to collect on behalf of the Transmission Owner(s) or other entity(ies) all charges established under Schedule 12 of the PJM Tariff in connection with facilities which the Office of the Interconnection designates one or more Transmission Owners or other entity(ies) to build pursuant to this Regional Transmission Expansion Planning Protocol. Such charges shall compensate the Transmission Owner(s) for all costs related to such RTEP facilities under a FERC-approved rate and will include any FERC-approved incentives.

(d) In the event that a Transmission Owner or other entity(ies) declines to construct an economic transmission enhancement or expansion developed under Sections 1.5.6(d) and 1.5.7 of this Schedule 6 that such Transmission Owner or other entity(ies) is designated by the Regional Transmission Expansion Plan to construct (in whole or in part), the Office of the Interconnection shall promptly file with the FERC a report on the results of the pertinent economic planning process in order to permit the FERC to determine what action, if any, it should take.

Attachment 6
Form of Notice

service, please email FERCOnlineSupport@ferc.gov, or call (866) 208-3676 (toll free). For TTY, call (202) 502-8659.

Comment Date: 5:00 pm Eastern Time on (insert date).

Kimberly D. Bose
Secretary