

September 9, 2024

Debbie-Anne A. Reese, Acting Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

Re: *PJM Interconnection, L.L.C.* Docket Nos. EL22-80-00_ and EL22-85-00_
Responses to Question 1

Dear Secretary Reese:

PJM Interconnection, L.L.C. (“PJM”) submits the following responses to Question 1 set forth in the Appendix to the Federal Energy Regulatory Commission’s (“Commission”) July 25, 2024 order in these dockets.¹ In the July 25 Order, the Commission interpreted Operating Agreement, Schedule 6, section 1.5.8, and determined that certain transmission projects included in PJM’s Regional Transmission Expansion Plan (“RTEP”) require a Designated Entity Agreement,² regardless of whether the Designated Entity is a Nonincumbent Developer³ or an incumbent Transmission Owner.⁴ As the Commission’s interpretation differed from PJM’s historical practice, the Commission found that PJM may have improperly failed to enter into Designated Entity

¹ *Am. Mun. Power, Inc. v. PJM Interconnection, L.L.C.*, 188 FERC ¶ 61,055 (2024) (“July 25 Order”). Capitalized terms not defined herein shall have the meaning as contained in the PJM Open Access Transmission Tariff (“Tariff”) or Amended and Restated Operating Agreement of PJM Interconnection, L.L.C. (“Operating Agreement”).

² Specifically, the Commission determined that a Designated Entity Agreement is required any time PJM designates an entity to construct, own, operate, maintain, and finance any Immediate-need Reliability Projects, Short-term Projects, and Long-lead Projects and Economic-based Enhancements or Expansions, regardless of whether the project is proposed through a competitive solicitation window, and regardless of whether it is included in the RTEP for purposes of cost allocation. *See* July 25 Order at PP 63-66. The Commission further determined that a DEA is not required with respect to specific project types governed by Operating Agreement, Schedule 6, section 1.5.8(n) (*i.e.*, Reliability Violations on Transmission Facilities Below 200 kV) and section 1.5.8(p) (Thermal Reliability Violations on Transmission Substation Equipment). *Id.* at P 76.

³ Operating Agreement, Definitions M-N (“Nonincumbent Developer” shall mean: (1) a transmission developer that does not have an existing Zone in the PJM Region as set forth in Tariff, Attachment J; or (2) a Transmission Owner that proposes a transmission project outside of its existing Zone in the PJM Region as set forth in Tariff, Attachment J.”).

⁴ Operating Agreement, Definitions S-T (“Transmission Owner” shall mean a Member that owns or leases with rights equivalent to ownership Transmission Facilities and is a signatory to the PJM Transmission Owners Agreement. Taking transmission service shall not be sufficient to qualify a Member as a Transmission Owner.”). An incumbent Transmission Owner is a Transmission Owner that has signed the Consolidated Transmission Owner Agreement (“CTOA”).

Agreements for RETP projects in conformance with the requirements of the Operating Agreement.⁵ To determine the scope of PJM's error and any required remedy, the Commission directed PJM to provide data about projects that are currently in progress, but for which there is no executed Designated Entity Agreement (referred to as "in-progress RETP projects").⁶ This filing complies with that directive.

I. EXECUTIVE SUMMARY

As relevant to this filing, the Commission asks several questions about the scope of the Designated Entity Agreements that PJM may need to execute for in-progress RETP projects, and about potential administrative burdens associated with their execution. As shown below, requiring PJM and the relevant parties to execute Designated Entity Agreements for in-progress RETP projects would impose significant costs and administrative burdens on PJM. PJM therefore requests that the Commission consider the information provided below, as well as the information that PJM will provide in response to Question 2, and exercise its remedial discretion to decline to require PJM to execute Designated Entity Agreements for in-progress RETP projects.

As shown below, PJM has identified 241 in-progress RETP projects that have not yet executed a Designated Entity Agreement, but are eligible for a Designated Entity Agreement based on the Commission's interpretation in the July 25 Order.⁷ Historically, when an entity has been designated by PJM to construct, own, operate, maintain, and finance an RETP project or projects, and PJM determined that a Designated Entity Agreement was required, PJM issued one Designated Entity Agreement to that entity for all projects and project subcomponents relevant to the applicable competitive proposal window, rather than issue a separate Designated Entity Agreement for each individual project or project subcomponent. If the Commission were to require PJM to issue and execute Designated Entity Agreements for each of the 241 identified in-progress RETP projects, PJM expects that it would continue this historic practice for all Designated Entities. Thus, to the extent the Commission were to require a Designated Entity Agreement for each in-progress RETP project, the 241 separate projects would require at least 93 Designated Entity Agreements.⁸ And, for the reasons set forth below, PJM anticipates that a significant majority of those 93 Designated Entity Agreements would be

⁵ See July 25 Order at PP 117-118.

⁶ See July 25 Order at PP 120-121; *Id.* at Appendix, Question 1. The Commission made clear that it would not require PJM to execute agreements with the relevant parties for any RETP project that has already entered into service as of July 25, 2024. *Id.* at P 118. Thus, for purposes of this response and consistent with the July 25 Order, PJM provides herein data regarding RETP projects that were approved by the PJM Board of Managers ("PJM Board" or "Board") since January 1, 2014 (*i.e.*, since PJM's Order No. 1000-compliant planning provisions became effective) through July 25, 2024, that had not yet gone into service as of July 25, 2024.

⁷ See Table 1.

⁸ See Table 1 and PJM's response to Questions 1(a) and 1(d).

non-conforming, thus requiring additional negotiations between PJM and the relevant party and numerous filings for the Commission’s review and acceptance.⁹

As requested, PJM also provides below detailed, line-item actions that would be required of PJM staff to execute Designated Entity Agreements, including estimated work hours, as well as estimates of the associated costs to negotiate both *pro forma* Designated Entity Agreements (which would be reported through the Commission’s Electronic Quarterly Reports (“EQRs”)) and non-conforming Designated Entity Agreements (which would be filed with the Commission for its review and acceptance).¹⁰ PJM estimates that each *pro forma* Designated Entity Agreement would require an estimated 61 work hours, with total costs equaling approximately \$6,402.94,¹¹ while each non-conforming Designated Entity Agreement would require an estimated 88 work hours, with total costs equaling approximately \$9,921.43.¹² As discussed in response to Questions 1(b) and 1(c), these are conservative values and likely understate PJM’s true cost and burdens. In sum, given that PJM expects that a significant number of the at least 93 Designated Entity Agreements will be non-conforming, PJM estimates its *minimum* cumulative burden to be as follows:

Cumulative Burdens and Costs on PJM for 93 Designated Entity Agreements	
Cumulative Hours 8,184	Cumulative Estimated Cost ^A \$922,692.99

A: Calculated using the average hourly billable rate of the PJM employees/contractors that perform the task with no contingency or mark-up

Over 8,100 work hours is a significant burden. Put in perspective, if: (i) the Commission required PJM to execute all 93 Designated Entity Agreements for the in-progress RTEP projects; (ii) each of the Designated Entity Agreements was filed as non-conforming; and (iii) all such agreements were processed over one year, that would be equal to more than four full-time employees devoted to nothing but processing Designated Entity Agreements for these in-progress RTEP projects.

PJM’s complete responses to Question 1 and supporting data are presented below.

⁹ See PJM’s response to Questions 1(a) and 1(d).

¹⁰ See PJM’s responses to Questions 1(b) and 1(c).

¹¹ See Table 2 below.

¹² See Table 2 below. To estimate costs, PJM applied the average hourly billable rate of the PJM staff members who would be tasked today with the applicable steps.

II. RESPONSES TO QUESTION 1

1. *Please provide the following information regarding in-progress RTEP projects that are subject to Designated Entity Agreements based on the findings of this order:*
 - a. *The number of in-progress RTEP projects broken down by project type, by RTEP annual cycle, or PJM Board approval date, and by stage of development or development milestone.*

PJM provides several Tables and Figures below to respond to Question 1(a).

First, PJM provides **Table 1** to quantify: (i) the overall total number of in-progress RTEP projects, broken down by Designated Entity (“Total” column); (ii) PJM’s estimate of the number of in-progress RTEP projects that would require a Designated Entity Agreement under the Commission’s interpretation of Operating Agreement, Schedule 6, section 1.5.8 as set forth in the July 25 Order (“DEA Required” column); and (iii) the total number of Designated Entity Agreements that PJM and the relevant parties would have to execute if the Commission were to require Designated Entity Agreements for in-progress RTEP projects (“DEA Count” column). PJM explains the derivation of the numbers set forth in **Table 1** below.

Table 1:
In-Progress RTEP Project by Designated Entity, and Estimated Number of
Designated Entity Agreement per Designated Entity

Designated Entity	In-Progress Projects		DEA Count ¹⁴
	Total	Subject to DEA Under July 25 Order ¹³	
Atlantic City Electric Company (ACE)	5	0	0
American Electric Power Company, Inc. (AEP) d/b/a under its subsidiaries Ohio Power Company, Inc. (AEP Ohio); Indiana Michigan Power Company, Inc. (I&M); Appalachian Power Company, Inc., Kingsport Power Company, Inc., and Wheeling Power Company, Inc. (APCo); Kentucky Power Company, Inc. (Kentucky Power); AEP Ohio Transmission Company, Inc. (Ohio Transco); AEP Indiana Michigan Transmission Company, Inc. (IM Transco); AEP Appalachian Transmission Company, Inc. (Virginia Transco); AEP West Virginia Transmission Company, Inc. (West Virginia Transco); AEP Kentucky Transmission Company, Inc. (Kentucky Transco)	223	81	27
FirstEnergy Corporation affiliates: Trans-Allegheny Interstate Line Company (TrAILCo), Monongahela Power Company (Mon Power), The Potomac Edison Company (Potomac Edison), and West Penn Power Company (West Penn Power)	64	17	7
American Transmission Systems, Inc. (ATSI)	17	6	5

¹³ As shown in **Figure 1** and for the reasons more fully explained below, this column does not include in-progress RTEP projects: (i) for which a Designated Entity Agreement has already been issued to the relevant entity and is in progress, or for which a Designated Entity Agreement has already been executed; or (ii) selected pursuant to Operating Agreement, Schedule 6, sections 1.5.8(n) and (p).

¹⁴ As discussed below, when an entity has been designated by PJM to construct, own, operate, maintain, and finance an RTEP project or projects, and PJM determined that a Designated Entity Agreement was required, PJM has historically issued one Designated Entity Agreement to that entity for all projects and project subcomponents relevant to the applicable competitive proposal window, rather than issue a separate Designated Entity Agreement for each individual project or project subcomponent. This column shows the total number of Designated Entity Agreements that would be need to be issued to each Designated Entity if PJM followed this historic practice.

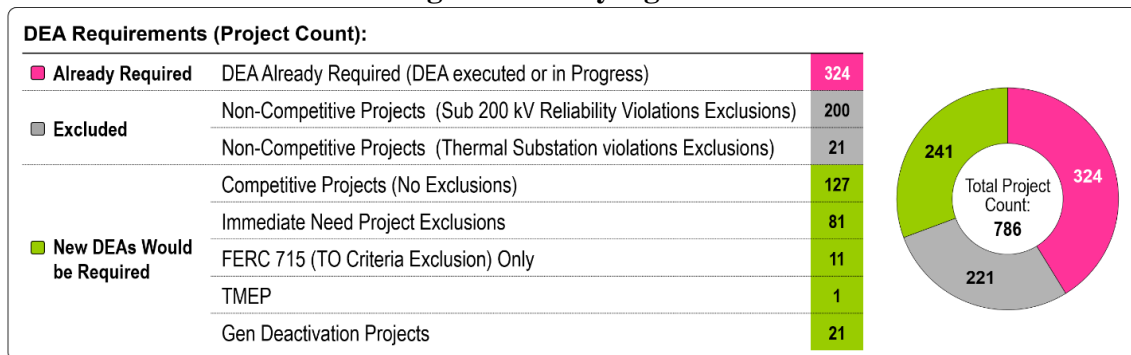
Baltimore Gas and Electric Company (BGE)	28	12	2
Commonwealth Edison Company (ComEd)	15	3	3
The Dayton Power and Light Company d/b/a AES Ohio	7	3	1
Duke Energy Corporation	1	1	1
Duquesne Light Company	2	2	1
Virginia Electric and Power Company (Dominion Energy Virginia)	210	61	21
Delmarva Power & Light Company (Delmarva)	21	11	4
East Kentucky Power Cooperative	7	0	0
Jersey Central Power & Light Company (JCP&L)	52	13	1
Silver Run Electric, LLC	1	0	0
Mid-Atlantic Offshore Development, LLC	2	0	0
Mid-Atlantic Interstate Transmission, LLC (MAIT)	16	3	3
NextEra Energy Transmission, LLC	12	0	0
Old Dominion Electric Cooperative	3	3	1
Ohio Valley Electric Corporation	1	0	0
PECO Energy Company (PECO)	21	8	4
Mid-Atlantic Interstate Transmission, LLC (MAIT)	27	8	7
Potomac Electric Power Company (Pepco)	8	2	1
PPL Electric Utilities Corporation (PPL EU)	9	2	1
Public Service Electric and Gas Company (PSE&G)	23	3	2
Transource Energy, LLC (Transource)	11	2	1
Grand Total:	786	241	93

To arrive at the numbers presented in **Table 1**, PJM first identified each project selected for inclusion in the RTEP since January 1, 2014, the date that PJM’s Order No. 1000-related reforms (including the Designated Entity Agreement) were added to Operating Agreement, Schedule 6, section 1.5.8 and became effective – a total of 786 in-progress RTEP projects.¹⁵ As shown in **Figure 1**, from the 786 in-progress RTEP projects, PJM removed all projects for which a Designated Entity Agreement has already been issued to the relevant entity and is in progress, or for which a Designated Entity Agreement has already been executed – or 324 total projects for which a Designated Entity Agreement

¹⁵ See Figure 1, Graphic, Total Project Count: 786. The total number of 786 projects does not include projects already in service, consistent with the July 25 Order’s findings that a Designated Entity Agreement only applies until a project goes into service and that “requiring PJM to execute an agreement with the relevant parties [for in-service RTEP projects] would provide little to no benefit.” See July 25 Order at P 118.

has already been required.¹⁶ Then, from the remaining projects, PJM removed those projects selected pursuant to Operating Agreement, Schedule 6, sections 1.5.8(n) and (p), as the July 25 Order found that such projects are excluded from the Designated Entity Agreement requirements¹⁷ – or 221 total projects excluded from the Designated Entity Agreement requirement.¹⁸ PJM then confirmed that the remaining projects (241 in total) were eligible for a Designated Entity Agreement pursuant to the July 25 Order’s findings.¹⁹

Figure 1: Whether An In-Progress RTEP Project Is Eligible for a Designated Entity Agreement



PJM identified the relevant Designated Entity for each of the 241 Designated Entity Agreement-eligible projects.²⁰ Historically, when an entity has been designated by PJM to construct, own, operate, maintain, and finance an RTEP project or projects, and PJM determined that a Designated Entity Agreement was required, PJM issued one Designated Entity Agreement to that entity for all projects and project subcomponents relevant to the applicable competitive proposal window, rather than issue a separate Designated Entity Agreement for each individual project or project subcomponent. Based on this historical practice of bundling multiple projects into a single Designated Entity Agreement, PJM evaluated the projects assigned to each Designated Entity and estimated that 93 Designated Entity Agreements may be required for the in-progress RTEP projects.²¹ In the latter regard, however, whether to bundle multiple projects into a single Designated Entity Agreement is a matter of negotiation between the Designated Entity and PJM, meaning

¹⁶ See Figure 1, row labeled “DEA Already Required (DEA executed or in Progress).”

¹⁷ See July 25 Order at P 76.

¹⁸ See Figure 1, rows labeled “Non-Competitive Projects (Sub 200 kV Reliability Violations Exclusions)” and “Non-Competitive Projects (Thermal Substation Violations Exclusions).”

¹⁹ See Figure 1, rows labeled “Competitive Projects (No Exclusions),” “Immediate Need Project Exclusions,” “FERC 715 (TO Criteria Exclusion) Only,” “[Targeted Market Efficiency Project (“TMEP”)],” and “Gen Deactivation Projects.”

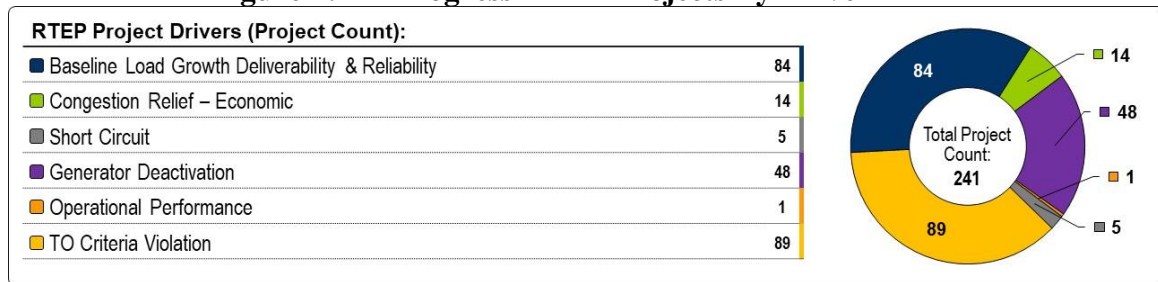
²⁰ See Table 1, “Subject to DEA Under July 25 Order” column.

²¹ See Table 1, “Subject to DEA Under July 25 Order” column.

that more than 93 Designated Entity Agreements could be required.²² Accordingly, the number of Designated Entity Agreements listed in **Table 1** is a conservative estimate, and could be much higher.

Below, PJM provides additional data in response to Question 1(a). First, in **Figure 2**, PJM provides information regarding in-progress RTEP projects that are subject to Designated Entity Agreements based on the findings of the July 25 Order, broken down by project type and driver. Specifically, of the 241 in-progress RTEP projects that are eligible for a Designated Entity Agreement pursuant to the July 25 Order’s findings, there are 227 Reliability Projects,²³ which include, as shown in **Figure 2**: (i) 84 projects driven by baseline load growth deliverability and reliability; (ii) 48 projects driven by generator deactivations; (iii) one project driven by operational performance; (iv) five projects to address short circuit violations; and (v) 89 projects to address Transmission Owner criteria violations. Additionally, of the 241 in-progress RTEP Projects that are eligible for a Designated Entity Agreement pursuant to the July 25 Order’s findings, there are 14 Economic Projects²⁴ needed to provide congestion relief.

Figure 2: In-Progress RTEP Projects By Driver



Second, in **Figure 3**, PJM provides information regarding in-progress RTEP projects that are subject to Designated Entity Agreements based on the findings of the July 25 Order, by the year of PJM Board approval. Specifically of the 241 in-progress RTEP projects that are eligible for a Designated Entity Agreement pursuant to the July 25 Order’s findings: (i) two projects were approved in 2015; (ii) 14 projects were approved in 2016; (iii) ten projects were approved in 2017; (iv) two projects were approved in 2018; (v) 29 projects were approved in 2019; (vi) 21 projects were approved in 2020;

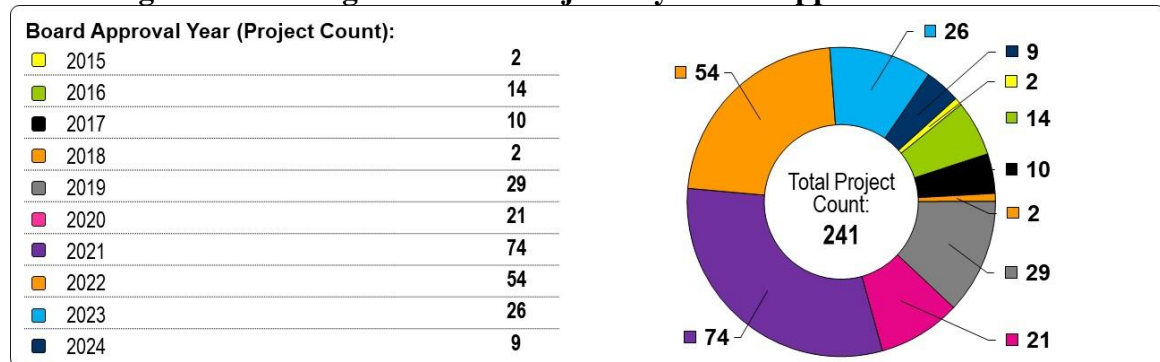
²² A number of considerations may affect whether the Designated Entity does not want to bundle a number of projects into a single Designated Entity Agreement. For example, the projects may be in different states of construction, with different in-service dates.

²³ “Reliability Projects” are projects that are designed to address one or more reliability violations or to address operational adequacy and performance issues. *See* Tariff, Schedule 12(b)(i)(A)(2).

²⁴ “Economic Projects” are projects that are included in the RTEP to relieve one or more economic constraints as described in Operating Agreement, Schedule 6, section 1.5.7(b)(iii). *See* Tariff, Schedule 12(b)(i)(A)(2)(b).

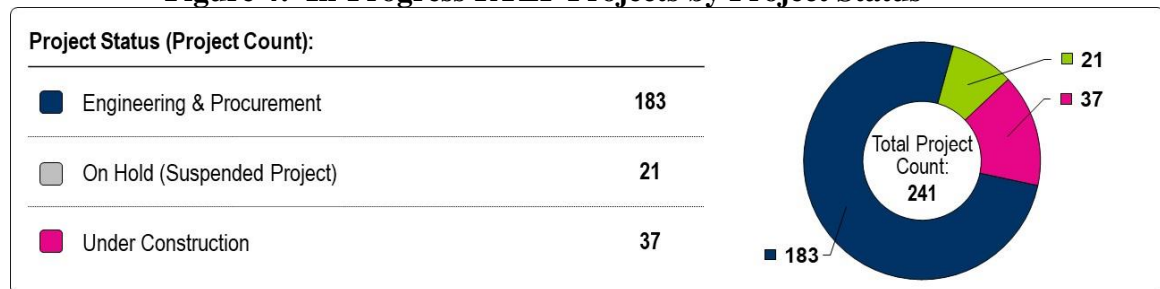
- (vii) 74 projects were approved in 2021; (viii) 54 projects were approved in 2022;
 (ix) 26 projects were approved in 2023; and (x) nine projects were approved in 2024.

Figure 3: In-Progress RTEP Projects By Board Approval Year



Third, in **Figure 4**, PJM provides information regarding in-progress RTEP projects that are subject to Designated Entity Agreements based on the findings of the July 25 Order, by stage of development. Specifically of the 241 in-progress RTEP projects that are eligible for a Designated Entity Agreement pursuant to the July 25 Order's findings: (i) 183 projects are in the engineering and procurement phase; (ii) 21 projects are on hold or suspended; and (iii) 37 are under construction.

Figure 4: In-Progress RTEP Projects by Project Status



- b. An explanation of the actions or steps required to execute Designated Entity Agreements for each category or sub-type identified in response to Question 1(a) above.***
- c. An estimate of the anticipated administrative costs and time required to execute Designated Entity Agreements for all in-progress RTEP projects, and for each category or sub-type identified in response to Question 1(a) above.***

PJM's response below combines the data responsive to Questions 1(b) and 1(c). PJM determined that this would be the best way to present the requested data. PJM notes as a preliminary matter that PJM uses the same *pro forma* Designated Entity Agreement for all relevant RTEP projects, so the response below does not differentiate between project categories or sub-types as contemplated by Questions 1(b) and 1(c). However, PJM differentiates where relevant the steps and costs relevant to Designated Entity Agreements that conform to the *pro forma* Designated Entity versus the steps and costs relevant to Designated Entity Agreements that include non-conforming terms and conditions.

It is important to note that there are numerous groups within PJM that are involved in issuing, negotiating, finalizing, executing and reporting or filing the Designated Entity Agreements. Specifically, individuals from each of the following groups within PJM are involved in the Designated Entity Agreement process: (i) Interconnection Projects Administration; (ii) Credit Risk & Collateral Management; (iii) Transmission Planning; (iv) Finance; (v) Transmission Coordination & Analysis; and (vi) Legal.²⁵ The scope of work and costs associated with the work performed by the Transmission Coordination & Analysis and Legal teams are dependent on whether the Designated Entity seeks to include any non-conforming language in Schedule E of the Designated Entity Agreement. Accordingly, below, PJM identifies each action each PJM group takes in the process of negotiating, executing, and reporting or filing a conforming or non-conforming Designated Entity Agreement. For each action, PJM details the costs (in dollars) and administrative burdens (in work hours) associated with each action. To estimate costs, PJM applied the average hourly rate of the PJM staff members who would be tasked today with the applicable steps. PJM first provides in **Table 2** a high-level summary of the aggregate administrative hours and costs for each Designated Entity Agreement, both conforming and non-conforming. As shown, the costs and administrative burdens on PJM for processing each Designated Entity Agreement are significant.

²⁵ PJM does not include in this estimate the work performed by PJM's Compliance division.

**Table 2: Summary of Total Costs and Administrative Burdens on PJM
for *Each* Designated Entity Agreement**

	<i>Pro Forma</i> DEA	Non-Conforming DEA
Hours	61	88
Estimated Cost ^A	\$6,402.94	\$9,921.43

A: Calculated using the average hourly billable rate of the PJM employees/contractors that perform the task with no contingency or mark-up

These values are conservative and likely understate the actual costs and burdens associated with processing Designated Entity Agreements for these 241 projects, for three reasons:

1. These values do not include the costs and burdens on the Designated Entity counterparty;
2. All of PJM's estimates are based on its experience with Designated Entity Agreements executed *before* the project commences. After any project starts, including as relevant here an RTEP project, logic dictates that complications will arise when new terms and conditions are imposed. Applying that principle here, it would be reasonable to expect that if PJM were to require a Designated Entity Agreement for an in-progress RTEP project, the developers would want to re-negotiate, by way of example, projected in-service dates and costs, notwithstanding that the project is still needed for reliability or market efficiency reasons;²⁶ and
3. PJM did not include the usual 25-30% contingency that PJM receives in budgetary estimates.

Accordingly, PJM's estimates for processing both *pro forma* and non-conforming Designated Entity Agreements should be considered to be below the actual cost and burdens to negotiate and administer such agreement.

The tables below provide detailed, line-item estimates of the work hours and costs to negotiate and file a Designated Entity Agreement. Each table is specific to the work team assigned to the listed tasks. Where appropriate, the tables identify the work action applicable to processing a *pro forma* Designated Entity Agreement or a non-conforming Designated Entity Agreement.

²⁶ PJM would reevaluate the need for this project if necessary.

Interconnection Projects Administration Team: Project Start		
Task	Hours	Cost Est. ^A
Receive and initial review draft Letter of Credit	1	\$77.10
Coordinate Credit Team review and confirm the DEA relevant information with Transmission Coordination and Analysis Manager	(1+1) ^B	\$212.21
Assist Credit Team to approve Letter of Credit (LOC)	2	\$154.20
Logging and "Vaulting" (securely submitting DEA LOC into our records vault)	1	\$77.10
Receive a wire and confirm all associated information	1	\$77.10
Identifying and apply the DEA project associated with the wire in PJM systems	1	\$77.10
Logging confirmed and completed wire record and sending the information to Finance Team to apply in SAP	1	\$77.10
Totals:	9	\$751.91

A: Calculated using the average hourly billable rate of the PJM employees/contractors that perform the task with no contingency or mark-up

B: One hour for each party, these hours are not accounted for in the other tables

Interconnection Projects Administration Team: Project End		
Task	Hours	Cost Est. ^A
Receive notification that refund is needed via Transmission Coordination and Analysis Manager	1	\$77.10
Confirm PJM has the relevant bank account information on file to process the return (stored on a shared drive and information must have been very recently verified)	1	\$77.10
If not, or not recent, request that developer/entity complete the wire verification form and send ^C	1	\$77.10
Confirm information provided with entity directly (a double check)	1	\$77.10
If it is a Letter of Credit - Confirm bank address ^D	1	\$77.10
Mail Letter of Credit to issuing bank along with a signed cancellation letter from Finance/Credit Team Sr. Director	(1+1) ^B	\$212.21
Log return for PJM records	1	\$77.10
Totals:	8	\$674.81

A: Calculated using the average hourly billable rate of the PJM employees/ contractors that perform the task with no contingency or mark-up

B: One hour for each party, these hours are not accounted for in the other tables

C: Many/nearly all are wires
D: Many are Letters of Credit

Credit Risk & Collateral Management Team		
Task	Hours	Cost Est. ^A
Interactions during establishing collateral	1	\$77.10
Interactions on returning collateral	1	\$77.10
Totals:	2	\$154.20

A: Calculated using the average hourly rate of the PJM employees/contractors that perform the task with no contingency or mark-up

Transmission Planning Team		
Task	Hours	Cost Est. ^A
Collect competitive project information	0.5	\$55.81
Create Designated Entity Notification Letter based on template	0.5	\$55.81
Data review by Transmission Planning area lead	1	\$111.62
Totals:	2	\$223.24

A: Calculated using the average hourly billable rate of the PJM employees/contractors that perform the task with no contingency or mark-up

Finance Team		
Task	Hours	Cost Est. ^A
Preliminary Review – Designated Entity Agreement security deposit on hand and review wire information and verification from developer	1	\$99.15
Finance Review – Additional review and verification of security deposit amount and developer wire information; Enter Check Request into SAP software	1	\$99.15
Project Manager approval in SAP; Accounts Payable creates wire form; Procurement creates Purchase Order for check request in SAP software	1	\$99.15
Accounts Payable reviews all refund and wire information; Controller reviews and approves wire	1	\$99.15
Cash Management wires the refund to the developer	1	\$99.15
Totals:	5	\$495.75

A: Calculated using the average hourly billable rate of the PJM employees/contractors that perform the task with no contingency or mark-up

Transmission Coordination & Analysis Team		
Task: Pro Forma	Hours	Cost Est. ^A
Cost containment reviews and revisions	0	\$0
Notification communications	2	\$227.06
Draft agreement	2	\$227.06
Review subsequent revisions & return	2	\$227.06
Coordinate security	2	\$227.06
Process signed DEA & assign in Planning Hub (tracking tool)	1	\$113.53
Tracking and updating while in progress	16	\$1,816.48
Close out	4	\$454.12
Totals:	29	\$3,292.37

A: Calculated using the average hourly billable rate of the PJM employees/contractors that perform the task with no contingency or mark-up

Transmission Coordination & Analysis Team		
Task: Non-Conforming	Hours	Cost Est. ^A
Cost containment reviews and revisions	3	\$340.59
Notification communications	2	\$227.06
Draft agreement	3	\$340.59
Review subsequent revisions & return	4	\$454.12
Coordinate security	2	\$227.06
Process signed DEA & assign in Planning Hub (tracking tool)	1	\$113.53
Tracking and updating while in progress	16	\$1,816.48
Close out	4	\$454.12
Totals:	35	\$3,973.55

A: Calculated using the average hourly billable rate of the PJM employees/contractors that perform the task with no contingency or mark-up

Legal Team		
Task: Pro Forma	Hours	Cost Est. ^A
Review final DEA to ensure conformance with pro forma DEA	2	\$270.22
Report DEA through FERC EQRs	2	\$270.22
Report termination of DEA through EQRs	2	\$270.22
Totals:	6	\$810.66

A: Calculated using the average hourly rate of the PJM employees/contractors that perform the task with no contingency or mark-up

Legal Team		
Task: Non-Conforming	Hours	Cost Est. ^A
Negotiate non-conforming terms & conditions, including cost containment if applicable, with counterparty	10	\$1,351.10
Review final DEA	2	\$270.22
Draft transmittal letter for FERC filing; associated PJM internal review	10	\$1,351.10
Prepare and finalizing FERC filing package, file at FERC, serve and post	2	\$270.22
File notice of termination when applicable	3	\$405.33
Totals:	27	\$3,647.97

A: Calculated using the average hourly billable rate of the PJM employees/contractors that perform the task with no contingency or mark-up

d. An estimate of the number of non-conforming Designated Entity Agreements that may be filed with the Commission for all in-progress RTEP projects, for each category or sub-type identified in response to Question 1(a) above.

PJM believes that, if the Commission requires PJM to execute Designated Entity Agreements for the identified 241 in-progress RTEP projects, a significant majority of the estimated 93 Designated Entity Agreements will likely be filed with the Commission as non-conforming agreements. Historically, a number of incumbent Transmission Owners (i.e., Transmission Owners that are signatories to the CTOA) have negotiated with PJM non-conforming terms and conditions that are intended to supplement the Designated Entity Agreement, and that recognize the Transmission Owner's relative obligations under the CTOA.²⁷ All but one of the Designated Entities listed in **Table 1** set forth in PJM's response to Question 1(a) above are incumbent Transmission Owners that have signed the CTOA. If each of the incumbent Transmission Owners requests to negotiate non-standard terms and conditions for their Designated Entity Agreements, PJM could need to file as many as 93 Designated Entity Agreements with the Commission.²⁸

As a result, a conservative estimate of PJM costs and the associated administrative burdens to process Designated Entity Agreements for all 241 in-progress RTEP projects is set forth in **Table 3** below.

²⁷ See, e.g., *PJM Interconnection, L.L.C.*, Baltimore Gas and Electric Co. (PJM RTEP Project b3737.52, New Jersey SAA Transmission Upgrades); Service Agreement No. 7236, Docket No. ER24-2093-000 (May 24, 2024) (accepted by letter order issued July 22, 2024); *PJM Interconnection, L.L.C.*, Atlantic City Electric Co. (PJM RTEP Project b3737.26, New Jersey SAA Transmission Upgrades); Service Agreement No. 7237, Docket No. ER24-2094-000 (May 24, 2024) (accepted by letter order issued July 22, 2024); *PJM Interconnection, L.L.C.*, The Potomac Edison Co., d/b/a Allegheny Power Designated Entity Agreement (PJM RTEP Project b3726 at Black Oak Substation; Service Agreement No. 6891, Docket No. ER23-1872-000 (May 12, 2023) (accepted by letter order issued July 6, 2023); *PJM Interconnection, L.L.C.*, PPL Electric Utilities Corp. (PJM RTEP Project b3730, Lackawanna T3 and T4 Transformer 230 kV Re-termination); Service Agreement No. 6892, Docket No. ER23-1873-000 (May 12, 2023) (accepted by letter order issued July 6, 2023); and *PJM Interconnection, L.L.C.*, PPL Electric Utilities Corp. Designated Entity Agreement (PJM RTEP Project b3698: Juniata – Cumberland 230 kV Line Reconductoring), Service Agreement No. 6529, Docket No. ER22-2453-000 (July 21, 2022) (accepted by letter order issued Sept. 13, 2022).

²⁸ As noted, because the Designated Entity may not desire to bundle various in-progress RTEP projects in a Designated Entity Agreement, more than 93 Designated Entity Agreements may be required to cover the 241 in-progress RTEP projects.

**Table 3: Summary of Total Costs and Administrative Burdens on PJM
to Process 93 Non-Conforming Designated Entity Agreements**

	Non-Conforming DEA	Cumulative Burden on PJM for 93 Designated Entity Agreements
Hours	88	8,184
Estimated Cost^A	\$9,921.43	\$922,962.99

A: Calculated using the average hourly billable rate of the PJM employees/contractors that perform the task with no contingency or mark-up

- e. An assessment of whether any changes to the pro forma Designated Entity Agreement could lessen filing burdens for newly executed Designated Entity Agreements for in-progress RTEP projects.*

With regard the July 25 Order’s Question 1(e) for an assessment of changes to the *pro forma* Designated Entity Agreement that could reduce “filing burdens” for Designated Entity Agreements for in-progress RTEP projects, PJM believes there is a set of changes that could be made to the *pro forma* agreement to account for whether the Designated Entity is a Transmission Owner and reconcile the Designated Entity’s obligations under the Designated Entity Agreement and the Consolidated Transmission Owners Agreement. PJM has not had a chance to develop those changes yet—and is not proposing any in this filing.

PJM reserves the right to supplement this answer in its responses to Question 2 set forth in the July 25 Order.

- f. Any further information that may be useful in determining whether PJM and the Designated Entities for the in-progress RTEP projects identified in response to this Question should be required to execute Designated Entity Agreements.*

While PJM understands the rulings set forth in the July 25 Order and will comply with them prospectively, PJM believes there are additional factors that the Commission should consider when exercising its remedial discretion regarding whether to require PJM to execute Designated Entity Agreements for in-progress RTEP projects. As a threshold matter, the issue of whether to require a Designated Entity Agreement for an in-progress RTEP project should be whether the benefit outweighs the costs and burdens. While in response to Question 2 PJM and others will address the relative value and benefits a Designated Entity Agreement may provide an in-progress RTEP project and the balance between such benefits and the substantial costs and burdens, PJM requests that the Commission also weigh the following considerations, each of which supports application of the July 25 Order's holdings on a prospective basis only (from the date of that order).

Designated Entity-specific information

Given that the Designated Entity Agreement was designed to mitigate and manage the high risk of non-performance associated with assigning the development of needed transmission projects to Nonincumbent Developers, to the extent such non-performance risk is not present, the relative need for a Designated Entity Agreement is lessened. Thus, in balancing the benefits a Designated Entity Agreement may provide against the costs and burdens, the Commission should weigh the extent to which a Designated Entity that may be required to execute a Designated Entity Agreement for in-progress RTEP projects has a(n):

- Demonstrated track record of successful RTEP project construction;
- Obligation to serve, whether under the CTOA, a contractual obligation to provide full requirements service, or a state requirement;
- Is well capitalized such that the cost to construct the project is not material relative to the Designated Entity's balance sheet; and
- Investment grade debt rating.

PJM will provide further detail on these considerations in response to Question 2.

Uncertainty and disruption from requiring negotiation of a new governing agreement mid-development/construction

Requiring PJM to issue Designated Entity Agreements for the 241 in-progress RTEP projects will likely create uncertainty and disrupt development of these in-progress RTEP projects. That is, as discussed above, changing the governing terms and conditions for an in-progress project likely will stop or slow development, as the Designated Entity

must assess how the Designated Entity Agreement's terms square with the agreement under which the entity is currently developing the project. Then, the Designated Entity will need to negotiate and execute the new governing agreement. Certainty over such agreement terms and conditions may be extended to the extent there are non-conforming term which require Commission approval. Such process may unnecessarily deviate the Designated Entity's resources away from diligently developing the project.

In addition, to the extent security is required, the process for the Designated Entity to obtain such security could be affected by the "in-progress" nature of the project. The relative need to involve third-party financing entities would also increase uncertainty and project risk.

All this would result in additional costs on customers.²⁹ Moreover, it would create substantial uncertainty for many projects that are already significantly advanced in the construction process and could adversely affect the current anticipated timelines for completing such projects, some of which are critically needed for reliability. This uncertainty will lead to even more implementation costs and could result in further litigation.

Burden associated with reviewing each in-progress RTEP project to assess whether it qualifies as an "incumbent-proposal only project" or a "PJM-chosen unsponsored project" to determine whether security should be required

To meet the July 25 Order's filing deadline for responses to Question 1, PJM did not estimate which of the 241 in-progress RTEP projects would be exempt from the Designated Entity Agreement's security requirement.³⁰ The July 25 Order exempted from the security requirement "PJM-chosen unsponsored projects,"³¹ and "incumbent-proposal only projects," which the July 25 Order defined as "projects, designated to an incumbent transmission owner or to more than one incumbent transmission owner, that were chosen through a competitive proposal window during which no nonincumbent transmission developer submitted a competing proposal."³²

Although identifying whether a project is a "PJM-chosen unsponsored project" selected pursuant to Operating Agreement, Schedule 6, sections 1.5.8(g), 1.5.8(h), or

²⁹ The Commission determined that Designated Entities are not required to provide security for "PJM-chosen unsponsored projects" or "incumbent-proposal only projects," as those terms are defined in the July 25 Order. See July 25 Order at PP 7, 79. PJM has not yet determined the number of in-progress RTEP projects that would be required to provide security under the Commission's findings in the July 25 Order. PJM intends to continue evaluating this and retains the right to supplement this answer as appropriate.

³⁰ See July 25 Order at P 95.

³¹ See July 25 Order at P 7 (defining "PJM-chosen unsponsored projects").

³² July 25 Order at P 79.

1.5.8(m)(1),³³ would not be overly burdensome, the administrative effort required to identify whether a project is an “incumbent-proposal only project” would be significant. To do so, PJM would need to review the selection process for each project that is not a “PJM-chosen unsponsored project” to see if a Nonincumbent Developer competed to address the same need identified by PJM. Given that, at this stage, the Commission is evaluating whether to require Designated Entity Agreements for any of these 241 in-progress RTEP projects, expenditure of such administrative burden and cost is premature. To the extent the Commission requires Designated Entity Agreements for these projects, PJM will then determine whether the project is exempt from the security requirement.

Burden on the Designated Entity Agreement Counterparty

In this response, PJM provides data about the scope of the Designated Entity Agreements that PJM may need to execute for in-progress RTEP projects, and about potential administrative burdens *on PJM* associated with their execution. However, PJM expects that there will be administrative burdens on the Designated Entity Agreement counterparties if the Commission were to require PJM to execute agreements for the 241 in-progress RTEP projects. While PJM does not have access to this information, PJM requests that the Commission also consider the associated burdens on the Designated Entity Agreement counterparty as it determines a remedy in this proceeding.

³³ See *PJM Interconnection, L.L.C.*, Compliance Filing of PJM Interconnection, L.L.C., Docket No. ER24-2864-000, at 5 (Aug. 26, 2024).

Honorable Debbie-Anne A. Reese, Acting Secretary

September 9, 2024

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Respectfully submitted,

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September 9, 2024

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, DC, this 9th day of September 2024.

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