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April 6, 2016

Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

*Re: PJM Interconnection, L.L.C., Docket ER16-757-000
Errata to Merchant Network Upgrade Filing*

Dear Secretary Bose:

On January 21, 2016, PJM Interconnection, L.L.C. submitted proposed revisions to the PJM Open Access Transmission Tariff (“PJM Tariff”) to clarify the process related to Customer Funded Upgrades specific to Merchant Network Upgrades (“January 21 Filing”). The following errors in the January 21 Filing were brought to PJM’s attention:

1. In the Filing Letter:

Page 14: In Paragraph D, the reference to the Interconnection Service Agreement, Appendix 2, section 14.2 is corrected to refer to section 24.2;

Page 14: In Paragraph D, the reference to Interconnection Construction Agreement, Appendix 1, section 3.4 was included in error and the reference is deleted;

Page 14: In Paragraph D, under Interconnection Construction Service Agreement, Appendix 2, section 2.2.2 has been added; and

Page 15: In Paragraph F, PJM removes its reference to Appendix II, section 1.12 and adds the reference to Appendix II, section 2.4, including a more detailed description regarding the change at footnote 46.

Page 17: Add a bulleted item to read: Attachment GG, § 2.4 and Appendix III, §§ 9.1 through 9.6 to revise the numbering of those sections to reflect newly added § 2.4 and Appendix III, § 9.1.

2. Attachment A (Table):

Page 6, Row 3: Section 204.2.2 add an “s” to the term “New Services Queue” in the last sentence

Page 7, Row 5: Section 204.2.2.2 replace reference to “with” before five (5) business days to “within” to conform with language approved by stakeholders;

Page 13, Row 3: Attachment O, section 11.2A propose to delete the entire section referencing Merchant Network Upgrades;

Page 15, Row 15: Attachment O, Appendix 2, section 16.2.2 show deletion to two references to Merchant Network Upgrades;

Page 16, Row 16: Attachment O, Appendix 2, section 16.2.2.1 show deletion to two references to Merchant Network Upgrades;

Page 19, Row 5: Attachment P, Appendix 2, section 2.2.2, remove reference to “and any Merchant Network Upgrades;”

Page 19, Row 7: Attachment P, Appendix 2, section 2.2.4 remove reference to Merchant Network Upgrade in heading; and

Page 25, Row 2: Attachment S, section 7 clean up change to replace reference to “Transmission Provider’s ~~OASIS~~” with “Transmission Provider’s website” to conform with changes in section 36 of the PJM Tariff;

Page 29, Row 1: Attachment GG, revise heading in Attachment A Table to match proposed changes in Attachment B;

Page 30, Row 3: Attachment GG, Appendix I, D: Add “s” after reference to “Sections” and add reference to section 6.1.1 to Paragraph 2.

Page 31, Row 4: Attachment GG, Appendix I, D: Correct proposed revision to remove underline from Paragraph 3 up to the first bracketed instruction. PJM proposes to add the bracketed instruction and all the language thereafter as newly proposed language. Under the newly proposed language beginning with “If Yes is indicated,” PJM proposes to delete “or Customer-Funded Upgrades” from the last sentence.

Page 33, Row 8: Attachment GG, Appendix III, section 9.1.1 in the last sentence replace the reference to Appendix II with Appendix III.

3. Attachment B (Revisions to PJM Open Access Transmission Tariff):

Definitions, section T-U-V, section 1.49A.04(b): Add “the” before “Incremental Auction Revenue Rights;”

Part VI, section 204.2.2.2: Replace the word “with” before five (5) business days with “within” to reflect the language approved by the PJM stakeholders;

Attachment O, section 11.2A: PJM inadvertently neglected to delete this section as it references Merchant Network Upgrades;

Attachment O, Appendix 2, sections 16.2.2 and 16.2.2.1: PJM inadvertently neglected to omit two additional references to Merchant Network Upgrades;

Attachment P, Appendix 2, section 2.2.2: PJM inadvertently neglected to delete the reference to “and any Merchant Network Upgrades;”

Attachment P, Appendix 2, section 2.2.4: PJM inadvertently neglected to omit the reference to “and Merchant Network Upgrades” in the caption to this section;

Attachment P, Appendix 2, section 9.2: PJM inadvertently neglected to omit the reference to “and/or Merchant Network Upgrades;”

Attachment S, section 7: PJM proposes a clean up change to replace the reference to “Transmission Provider’s ~~OASIS~~” with “Transmission Provider’s website” to conform with changes in section 36 of the PJM Tariff;

Attachment EE: Add an “s” to the newly proposed bracketed instruction as follows: “[To be completed by Interconnection Customers requesting Merchant Network Upgrades] and correct parantheses as follows: “This request is to advance construction of Regional Transmission Expansion Plan project number ___ from _____(planned date to _____) requested date), PJM proposes to correct the language as follows: from _____ (planned date) to _____)(requested date);

Attachment GG, Appendix 1, D: Add “s” after the reference to “Sections” and reference to section 6.1.1 to Paragraph 2; and

Attachment GG, Appendix III, section 9.1.1: In the last sentence, PJM proposes to replace the reference to “Appendix II” with “Appendix III.”

Other than the above noted oversights, there are no changes to the filing. To the extent required, PJM respectfully requests a waiver of the Commission's notice provisions to allow the effective date of the filing to remain May 1, 2016.

I. DOCUMENTS ENCLOSED:

PJM encloses the following:

- a. This errata letter;
- b. Attachment A – Exhibit A: Table
- c. Attachment B – Revised PJM Tariff (in redlined form);
- d. Attachment C – Revised PJM Tariff (in clean form); and
- e. Attachment D – The original transmittal letter in redline form.

II. SERVICE

PJM has served a copy of this filing on all PJM Members and on the affected state utility regulatory commissions in the PJM Region by posting this filing electronically. In accordance with the Commission's regulations,¹ PJM will post a copy of this filing to the FERC filings section of its internet site, located at the following link: <http://www.pjm.com/documents/ferc-manuals/ferc-filings.aspx> with a specific link to the newly-filed document, and will send an e-mail on the same date as this filing to all PJM Members and all state utility regulatory commissions in the PJM Region² alerting them that this filing has been made by PJM and is available by following such link. If the document is not immediately available by using the

¹ See 18 C.F.R. §§ 35.2(e) and 385.201(f)(3) (2015).

² PJM already maintains, updates, and regularly uses electronic mailing lists for all PJM Members and affected state commissions.


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referenced link, the document will be available through the referenced link within twenty-four hours of the filing.

Also, a copy of this filing will be available on the Commission's eLibrary website located at the following link: <http://www.ferc.gov/docs-filing/elibrary.asp> in accordance with the Commission's regulations and Order No. 714.

Respectfully submitted,

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*Counsel for
PJM Interconnection, L.L.C*

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day caused to be served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Audubon, PA, this 6th day of April, 2016.

By: _____



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Attachment A

Table of Tariff Sections and Respective Changes

Revisions to Tariff Documents

Revisions to Definitions

	Tariff Section	Proposed Revision	Reasons for Proposed Revisions
1.	§ 1.7A.01	<p>Customer Funded Upgrade shall mean:</p> <p>Any Network Upgrade, Local Upgrade or Merchant Network Upgrade for which cost responsibility (i) is imposed on an Interconnection Customer or an Eligible Customer pursuant to Section 217 of the Tariff, of (ii) is voluntarily undertaken by a <u>New Service Customer</u> market participant in <u>fulfillment</u> fulfillment of an Upgrade Request pursuant to Section 7.8 of Schedule 1 of the Operating Agreement. No Network Upgrade, Local Upgrade or Merchant Network Upgrade or other transmission expansion or enhancement shall be a Customer-Funded Upgrade if and to the extent that the costs thereof are included in the rate base of a public utility on which a regulated return is earned.</p>	<p>Replace the term “market participant” with the defined term “New Service Customer” for clarity.</p> <p>Remove reference to Section 7.8 of Schedule 1 of the Operating Agreement because it is too limiting. This filing proposes to clarify that an Upgrade Request refers to both a Section 7.8 Upgrade Customer, as well as an Upgrade Request for a Merchant Network Upgrade.</p> <p>Clean Up: Correct misspelling of “fulfillment.”</p>
2.	§ 1.18D	<p>Merchant Network Upgrades shall mean:</p> <p>Additions Merchant A.C. Transmission Facilities that are additions to, or modifications or replacements of, physical facilities of the Interconnected Transmission Owner that, on the date of the pertinent Transmission Interconnection Customer’s <u>Upgrade Interconnection</u> Request, are part of the Transmission System or are included in the Regional Transmission Expansion Plan.</p>	<p>Replace “Interconnection Request” with “Upgrade Request” to conform to the meaning Upgrade Request submitted pursuant to Attachment EE.</p> <p>Clean up: The reference to Merchant A.C. Transmission Facilities adds nothing substantive to the definition and potentially causes confusion. The definition is more clear without that reference.</p>
3.	§ 1.45B	<p>Transmission Interconnection Customer shall mean:</p> <p>An entity that submits an Interconnection Request to interconnect or add Merchant Transmission Facilities to the Transmission System or to increase the capacity of Merchant Transmission Facilities interconnected with the Transmission System in the PJM Region <u>or an entity that submits an Upgrade Request for Merchant Network Upgrades (including accelerating the construction of any transmission enhancement or expansion, other than Merchant Transmission Facilities, that is included in the Regional Transmission Expansion Plan prepared pursuant to Schedule 6 of the Operating Agreement).</u></p>	<p>The addition to this definition clarifies the two types of Upgrade Requests contemplated as proposed and accepted by the Commission under Docket No. ER03-405-000, i.e., an Upgrade Customer who submits an Upgrade Request under section 7.8 of Schedule 1 of the Operating Agreement and an Interconnection Customer who submits an Upgrade Request for a Merchant Network Upgrade.</p>

Revisions to Tariff Documents

Revisions to Definitions

4.	§ 1.49A.01	<p>Upgrade Construction Service Agreement shall mean:</p> <p>That agreement entered into by an an New Service Customer <u>Eligible Customer, Upgrade Customer or Interconnection Customer proposing (other than an Interconnection Customer whose project includes generation capability or Merchant Transmission Facilities other than Merchant Network Upgrades),</u> a Transmission Owner, and the Transmission Provider, pursuant to Subpart B of Part VI of the Tariff, and in the form set forth in Attachment GG of the Tariff.</p>	<p>PJM proposes to clarify those customers who should execute an Upgrade Construction Service Agreement consistent with the revised definitions proposed in this filing.</p>
5.	§ 1.49A.02	<p>Upgrade Customer shall mean:</p> <p>A customer that submits an Upgrade Request <u>pursuant to Section 7.8 of Schedule 1 of the Operating Agreement.</u></p>	<p>The term Upgrade Customer is specific to customers submitting a Section 7.8 request under Schedule 1 of the Operating Agreement. Because of the proposed changes to Section 1.49A.04 in this filing, the specific reference to Section 7.8 was necessary to differentiate this customer from an Interconnection Customer submitting an Upgrade Request for a Merchant Network Upgrade under Part VI of the PJM Tariff, as revised.</p>
6.	§ 1.49A.04	<p>Upgrade Request shall mean:</p> <p>A request pursuant to Section 7.8 of Schedule 1 of the Operating Agreement, submitted in the form prescribed in Attachment EE of the Tariff, for evaluation by the Transmission Provider of the feasibility and estimated costs of: (a) a <u>Merchant Network particular proposed Customer-Funded Upgrade</u> or (b) the Customer-Funded Upgrades that would be needed to provide <u>the Incremental the Incremented Auction Revenue Rights specified in a the request pursuant to Section 7.8 of Schedule 1 of the Operating Agreement.</u></p>	<p>The term “Upgrade Request” was intended to permit two types of incremental requests: (i) a customer seeking to increase capability of a transmission facility or accelerate an existing RTEP project in return for any created incremental rights (a “Merchant Network Upgrade”); and (ii) a customer requesting to submit an Upgrade Request and receive Incremental Auction Revenue Rights pursuant to Section 7.8 of Schedule 1 of the Operating Agreement. In order to clarify the two distinct types of customers, PJM replaced “particular proposed Customer-Funded Upgrade” with “Merchant Network Upgrade” and moved the existing reference to Schedule 1, Section 7.8 in the first sentence to (b).</p>

Revisions to Tariff Documents

Revision to Part IV

	Tariff Section	Proposed Revision	Reasons for Proposed Revisions
1.	§ 36.1.03	<p>Transmission Interconnection Request shall mean:</p> <p>An Interconnection Customer that seeks to interconnect or add Merchant Transmission Facilities to the Transmission System, or to increase the capacity of existing Merchant Transmission Facilities interconnected with the Transmission System, or to advance the construction of any transmission enhancement or expansion other than Merchant Transmission Facilities that is included in the Regional Transmission Expansion Plan prepared pursuant to Schedule 6 of the Operating Agreement, shall submit to the Transmission Provider a Transmission Interconnection Request. A Transmission Interconnection Request shall include: (i) the location of the proposed Merchant Transmission Facilities and of the substation(s) or other location(s) where the Transmission Interconnection Customer proposes to interconnect or add its Merchant Transmission Facilities to the Transmission System; (ii) a description of the proposed Merchant Transmission Facilities; (iii) the nominal capability or increase in capability (in megawatts) of the proposed Merchant Transmission Facilities or planned increase in the capability of the existing facilities on which any proposed Merchant Network Upgrades would be installed; (iv) the planned date the proposed Merchant Transmission Facilities will be in service,</p> <p>The base and initial deposit will be credited toward the amount of the Transmission Interconnection Customer’s cost responsibility for the Transmission Interconnection Feasibility Study and other studies conducted under Part IV or Part VI of the Tariff. The Transmission Provider shall maintain on the Transmission Provider’s website OASIS a list of all Transmission Interconnection Requests that identifies</p> <p>This list will not disclose the identity of the Transmission Interconnection Customer, except as otherwise provided in Part IV or Part VI of the Tariff. The list and the priority of Transmission Interconnection Requests shall be included on the website OASIS as a part of the New Services Queue.</p>	<p>The process specific to an Upgrade Request for Merchant Network Upgrades is being moved from Part IV to Part VI under Upgrade Requests. Therefore, all references to “Merchant Network Upgrades are being removed from Part IV.</p> <p>These proposed changes are made to differentiate between and clarify the process by which a developer may construct and own transmission facilities (Interconnection Request under Part IV) versus a customer accelerating enhancements or expansions or upgrading existing transmission facilities, which will be constructed, owned and maintained by the transmission owner who owns the existing transmission facilities (Upgrade Request under Part VI). Any request to upgrade existing transmission owner equipment, must be submitted through an Upgrade Request under Part VI, as proposed herein.</p> <p>The reference to increase the capability of existing transmission facilities with an Upgrade Request for Merchant Network Upgrades is being moved to Part VI.</p> <p>Clean up: PJM proposes to replace references to “OASIS” with “website.”</p>

Revisions to Tariff Documents

Revision to Part IV

2.	§ 36.1.03A	<p>Transmission Interconnection Customers Requesting Merchant Network Upgrades</p> <p><u>Notwithstanding Section 36.1.03, an Interconnection Customer that proposes Merchant Network Upgrades (including advancing pursuant to Section 220 or accelerating the construction of any transmission enhancement or expansion, other than Merchant Transmission Facilities, that is included in the Regional Transmission Expansion Plan prepared pursuant to Schedule 6 of the Operating Agreement) shall submit an Upgrade Request, with the required information and the required deposit for a System Impact Study, as set forth in Attachment EE.</u></p>	<p>This provision clarifies that the process by which an Interconnection Customer may propose a Merchant Network Upgrade is via Part VI and Attachment EE, not Part IV.</p>
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Revisions to Tariff Documents

Revision to Part VI

	Tariff Section	Proposed Revision	Reasons for Proposed Revisions
1.	§ 204.1	<p>Completed Applications</p> <p>. . . (ii) shall pay the Transmission Provider a \$50,000 deposit which will be applied to the <u>Eligible Interconnection</u>-Customer’s study cost responsibility . . .</p>	<p>Clean up:. Completed Applications for new transmission service are applicable to “Eligible Customers” not Interconnection Customers. Therefore, PJM proposes to replace the term “Interconnection Customer” with “Eligible Customer.”</p>
2.	§ 204.2.1	<p><u>Upgrade Requests pursuant to Section 7.8 of Schedule 1 of the Operating Agreement</u></p> <p>After receiving an Upgrade Request pursuant to Section 7.8 of Schedule 1 of the Operating Agreement, the Transmission Provider shall determine on a non-discriminatory basis whether a System Impact Study is required to evaluate the request. If the Transmission Provider determines that a System Impact Study is necessary, it shall so inform the Upgrade Customer as soon as practicable. In such cases, the Transmission Provider shall, within thirty (30) days of receipt of a valid and complete Upgrade Request, tender a System Impact Study Agreement pursuant to which the Upgrade Customer shall agree to reimburse the Transmission Provider for the required System Impact Study. For an Upgrade Request to retain its Queue Position, the Upgrade Customer (i) shall execute the System Impact Study Agreement and return it to the Transmission Provider within thirty (30) days, and (ii) shall pay the Transmission Provider <u>shall apply the a</u>-\$50,000 deposit <u>supplied with the Upgrade Request towards the Upgrade which will be applied to the Interconnection</u>-Customer’s study cost responsibility. If the Upgrade Customer elects not to execute the System Impact Study Agreement, its Upgrade Request shall be deemed terminated and withdrawn.</p>	<p>PJM proposes to reorganize Section 204.2 (Upgrade Request) to add two subsections. The first subsection 204.2.1 details the process for Upgrade Requests pursuant to Section 7.8 of Schedule 1 of the Operating Agreement.</p> <p>PJM proposes clarifying language specific to an Upgrade Request pursuant to Section 7.8 of Schedule 1 of the Operating Agreement, which clarifies that the \$50,000 deposit submitted with Attachment EE will apply to the System Impact Study performed under Attachment N-1 (SIS Agreement).</p> <p>Clean up. Capitalize the word “section,” consistent with the use of the term in other provisions in this section of the Tariff.</p>

Revisions to Tariff Documents

Revision to Part VI

3.	§ 204.2.2	<p><u>Upgrade Requests for Merchant Network Upgrades</u></p> <p><u>After receiving an Upgrade Request for a Merchant Network Upgrade, the Transmission Provider shall acknowledge receipt of the Upgrade Request, pursuant to Section 204.2.2.1. The Transmission Provider shall determine whether the Upgrade Request includes: (i) the substation or transmission line or lines where the upgrade(s) will be made; (ii) the nominal capability or increase in capability (in MW or MVA) of the proposed Merchant Network Upgrade; and (iii) the planned date the proposed Merchant Network Upgrade will be in service, such date to be no more than seven (7) years from the date the request is received by the Transmission Provider, unless the Interconnection Customer demonstrates that engineering, permitting, and construction of the Merchant Network Upgrade will take more than seven (7) years.</u></p> <p><u>The Transmission Provider shall maintain on the Transmission Provider’s website a list of all Upgrade Requests that identifies (A) in megawatts the potential nominal capability or increase in capability; (B) the station or transmission line or lines where the upgrade(s) will be made; (C) the proposed in-service date; (D) the status of the Upgrade Request, including its Queue Position; (E) the availability of any studies related to the Upgrade Request; (F) the date of the Upgrade Request; and (G) for each Upgrade Request that has not resulted in a completed upgrade, an explanation of why it was not completed. This list will not disclose the identity of the Interconnection Customer, except as otherwise provided in Part VI of the Tariff. The list and the priority of Upgrade Requests shall be included on the website as part of the New Services Queue.</u></p>	<p>Subsection 204.2.2 provides detail for a process for an Upgrade Request for Merchant Network Upgrades, i.e., upgrade transmission owner equipment only. As stated, the process is detailed in 204.2.2.1 and provides additional criteria specific to an Upgrade Request for Merchant Network Upgrades. Such additional criteria are similar to the criteria detailed in Part IV for Transmission Interconnection Requests.</p>
4.	§ 204.2.2.1	<p><u>Acknowledgement of Upgrade Request for Merchant Network Upgrades</u></p> <p><u>The Transmission Provider shall acknowledge receipt (electronically when available to all parties, otherwise written) of the Upgrade Request within five (5) business days after receipt of the request and shall attach a copy of the received Upgrade Request to the acknowledgement.</u></p>	<p>New section added to include a process specific to an Upgrade Request for Merchant Network Upgrades. This section was mirrored after the Part IV process.</p>

Revisions to Tariff Documents

Revision to Part VI

5.	<u>§ 204.2.2.2</u>	<p><u>Deficiencies in Upgrade Request for Merchant Network Upgrades</u></p> <p><u>An Upgrade Request will not be considered a valid request if Interconnection Customer has failed to pay any outstanding invoices related to prior Queue Requests submitted pursuant to Part IV or VI by the Interconnection Customer and until all information required under Attachment EE is able to be studied by the Transmission Provider. If an Upgrade Request fails to meet the requirements, except as provided below regarding the deposit, or is in arrears as described above, the Transmission Provider shall so notify the Interconnection Customer (electronically when available to all parties, otherwise written) within five (5) business days of receipt of the initial Upgrade Request. Such notice shall explain that the Upgrade Request does not constitute a valid request and the reasons for such failure to meet the applicable requirements. Interconnection Customer shall provide the additional information that the Transmission Provider's notice identifies as needed to constitute a valid request and shall make any payments on any outstanding invoices within ten (10) business days after receipt of such notice. Upon timely correction of the deficiency, the Upgrade Request shall be assigned a Queue Position under Section 201 as of the date that Transmission Provider first received the request. In the event the Interconnection Customer fails to provide the further information and make payments on any outstanding invoices required by Transmission Provider's deficiency notice under this Section 204.2.2.2, its Upgrade Request shall be deemed to be terminated and withdrawn. Notwithstanding the above, the Interconnection Customer must submit its deposit at the time it submits its Upgrade Request. Failure to do so will result in rejection of the Upgrade Request.</u></p>	<p>New section added to include a process specific to an Upgrade Request for Merchant Network Upgrades that allows PJM to address any deficiencies in Attachment EE and the customer to timely cure such deficiencies. This section was mirrored after the Part IV process.</p>
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Revisions to Tariff Documents

Revision to Part VI

6.	<u>§ 204.2.2.3</u>	<p><u>Scoping Meeting</u></p> <p><u>Transmission Provider shall provide each Interconnection Customer proposing Merchant Network Upgrades with an opportunity for a scoping meeting among the Transmission Provider, the prospective Interconnected Transmission Owner(s) and the Interconnection Customer. The purpose of the scoping meeting will be to confirm all parties' understanding of the proposed Upgrade Request and confirm the expectation for project completion or, if for acceleration of a Regional Transmission Expansion Plan Network Upgrade, the feasibility of the acceleration. After receipt of a valid Upgrade Request proposing Merchant Network Upgrades, the Transmission Provider shall offer to arrange for the scoping meeting, and shall provide a minimum of three (3) suggested meeting dates and times for the scoping meeting. The scoping meeting shall be held, or waived by mutual agreement of the parties within forty-five (45) days after receipt of a valid Upgrade Request, if the Upgrade Request is received in the first four calendar months of the current New Services Queue; or within thirty (30) days if the Upgrade Request is received within the fifth calendar month of the current New Services Queue; or within twenty (20) days if the Upgrade Request is received in the sixth calendar month of the date of the beginning of the current New Services Queue. The Interconnection Customer may choose to divide the scoping meeting into two sessions, one between the Transmission Provider and Interconnection Customer and one among Transmission Provider, the Interconnection Customer and the prospective Interconnected Transmission Owner. Such meetings may be held consecutively on the same day. Scoping meetings may be held in person, by telephone or video conference. In the event the Interconnection Customer fails to waive or complete the scoping meeting requirement, its Upgrade Request shall be deemed terminated or withdrawn. Interconnection Customer may reduce its Upgrade Request within ten (10) business days after the scoping meeting. Any reduction made within this ten (10) business day period shall not be a Material Modification; however, the reduction may not result in the project's MW capability being equal to or less than zero.</u></p>	<p>New section added to include a scoping meeting process specific to Upgrade Requests for Merchant Network Upgrades. This section was mirrored after the Part IV process.</p> <p>Scoping meetings allow the customer and the affected transmission owner to identify constraints that may prevent advancement of the project. At a scoping meeting, the customer can decide whether or not to terminate its project without wasting additional time or money on a request that is infeasible.</p>
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Revisions to Tariff Documents

Revision to Part VI

7.	§ 204.2.2.4	<p><u>Coordination with Affected Systems</u></p> <p>Section 36.1.6 shall apply to Upgrade Requests for Merchant Network Upgrades.</p>	<p>New section added to Part VI to include a process for coordination with Affected Systems specific to Upgrade Requests for Merchant Network Upgrades that incorporates by reference the requirements of Part IV, § 36.1.6.</p> <p>This provision is necessary as a Merchant Network Upgrade may interconnect with tie lines which would request that the Affected System Owner participate in the process.</p>
8.	§ 204.2.2.5	<p><u>Base Case Data</u></p> <p><u>Section 36.1.7 shall apply to Upgrade Requests for Merchant Network Upgrades.</u></p>	<p>New section added to Part VI to include a process that permits the customer to obtain Base Case Data specific to Upgrade Requests for Merchant Network Upgrades. This proposed revision incorporates by reference the requirements of Part IV, § 36.1.7.</p>
9.	§ 204.2.2.6	<p><u>System Impact Study Agreement</u></p> <p><u>Upon the Transmission Provider assigning the Upgrade Request a Queue Position per Section 204.2.2 and, if required, completing a scoping meeting per Section 204.2.2.3, Transmission Provider shall tender a System Impact Study Agreement. For an Upgrade Request to retain its Queue Position, the Interconnection Customer (i) shall execute the System Impact Study Agreement and return it to the Transmission Provider within thirty (30) days, and (ii) the \$50,000 deposit provided with Attachment EE will be applied to the Interconnection Customer's study cost responsibility. If the Interconnection Customer elects not to execute the System Impact Study Agreement, its Upgrade Request shall be deemed terminated and withdrawn. Any remaining Attachment EE deposit will be refunded.</u></p>	<p>New section added to Part VI to include a process specific to Upgrade Requests for Merchant Network Upgrades regarding the System Impact Study Agreement. Such process mirrors existing Upgrade Request charges and processing of a System Impact Study Agreement.</p> <p>This proposal replaces the Part IV fees that require a non-refundable portion and a per megawatt refundable fee with a flat rate fee and unspent dollars are refundable.</p>
10.	§ 204.2.2.7	<p><u>Modifications of Upgrade Requests for Merchant Network Upgrades After the System Impact Study Agreement, but Prior to Executing an Upgrade Construction Service Agreement</u></p> <p><u>After the System Impact Study Agreement is executed and prior to execution of the Upgrade Construction Service Agreement, an Interconnection Customer proposing Merchant Network Upgrades may modify its project to reduce the size of the project as provided in Section 36.2A.2.</u></p>	<p>New section added to Part VI to include a process specific to an Upgrade Request for Merchant Network Upgrades regarding modifying an Upgrade Request after the System Impact Study Agreement is executed but prior to executing an Upgrade Construction Service Agreement. Such process mirrors the Part IV process.</p>

Revisions to Tariff Documents

Revision to Part VI

11.	§ 205.2	<p>Scope of Studies:</p> <p>The System Impact Study is a comprehensive regional analysis of the effect of adding to the Transmission System the new facilities and services contemporaneously proposed by New Service Customers and an evaluation of their impact on deliverability to the aggregate of PJM Network Load. The System Impact Study identifies the system constraints, identified with specificity by transmission element or flowgate, relating to each proposed new project and service included therein and the Attachment Facilities, <u>Merchant Network Upgrades</u>, Direct Assignment Facilities, Local Upgrades, and/or Network Upgrades required to accommodate such projects. The System Impact Study provides refined and comprehensive estimates of cost responsibility and construction lead times for new facilities and system upgrades. The Transmission Provider, in its sole discretion, may determine to evaluate in the same System Impact Study two or more New Service Requests relating to interconnections, Upgrade Requests, or proposed new transmission services where the associated increases in service or capability are in electrical proximity to each other. Each System Impact Study shall identify the system constraints, identified with specificity by transmission element or flowgate, relating to the New Service Requests being evaluated in the study and, as applicable to each included request, the redispatch options, additional Direct Assignment Facilities, <u>necessary Merchant Network Upgrades</u>, Attachment Facilities, Local Upgrades, and/or Network Upgrades necessary to accommodate such request.</p>	<p>Add Merchant Network Upgrades to the Scope of the System Impact Study</p>
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Revisions to Tariff Documents

Revision to Part VI

12.	§ 207	<p>Facilities Study Procedures:</p> <p>The Transmission Provider will conduct Facilities Studies relating to the New Service Requests that were evaluated in the corresponding System Impact Studies, to the extent such New Service Requests have not been terminated and withdrawn. The <u>With respect to Interconnection Requests, the</u> Transmission Provider shall use Reasonable Efforts to complete the Facilities Study and issue it to an <u>New Service Interconnection</u> Customer within 180 days after receipt of an executed Facilities Study Agreement. If Transmission Provider determines that it will not meet the 180 day time frame for completing the Facilities Study, Transmission Provider shall notify <u>New Service Interconnection</u> Customer as to the scheduled status of the Facilities Study. If Transmission Provider is unable to complete the Facilities Study and issue a Facilities Study within 180 days, it shall notify <u>New Service Interconnection</u> Customer and provide an estimated completion date and an explanation of the reasons why additional time is required. When completed, the Facilities Studies will include, commensurate with the degree of engineering specificity on which the New Service Customer and Transmission Provider mutually agree as provided in the Facilities Study Agreement, good faith estimates of the cost, determined in accordance with Section 217 of the Tariff, (a) to be charged to each affected New Service Customer for the (i) Attachment Facilities, <u>Merchant Network Upgrades</u> or Direct Assignment Facilities, and (ii) the Local Upgrades and/or Network Upgrades that are necessary to accommodate each New Service Request evaluated in the study; (b) the time required to complete detailed design and construction of the facilities and upgrades; and (c) a description of any site-specific environmental issues or requirements that could reasonably be anticipated to affect the cost or time required to complete construction of such facilities and upgrades. The Facilities Study will document the engineering design work necessary to begin construction of any required transmission facilities, including estimating the costs of the equipment, engineering, procurement and construction work needed to implement the conclusions of the System Impact Study in accordance with Good Utility Practice and, when applicable, identifying the electrical switching configuration of the connection equipment, including without limitation: the transformer, switchgear, meters, and other station equipment; and the nature and estimated costs of Attachment Facilities, <u>Merchant Network Upgrades</u>, Direct Assignment Facilities, Local Upgrades and/or Network Upgrades necessary to accommodate the New Service Request.</p>	<p>Replace use of the term “Interconnection Customer” with “New Service Customer” to broaden the applicability of the Facility Study to all New Service Customers coming through the PJM queue and to include Merchant Network Upgrades under the scope of the Facilities Study.</p> <p><i>See</i> § 1.26B. New Service Customers shall mean all customers that submit an Interconnection Request, a Completed Application or an Upgrade Request that is pending in the New Services Queue.</p>
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Revisions to Tariff Documents

Revision to Part VI

13.	§ 212.4	<p>(b) Security: (1) At the time the Interconnection Customer executes and returns to the Transmission Provider the Interconnection Service Agreement (or requests dispute resolution or that it be filed unexecuted), the Interconnection Customer also shall, unless otherwise deferred as set forth in subsection (c) below, provide the Transmission Provider (for the benefit of the affected Transmission Owner(s)) with a letter of credit or other reasonable form of security acceptable to the Transmission Provider that names the Transmission Provider as beneficiary and is in an amount equivalent to the sum of the estimated costs determined by the Transmission Provider of (i) the required Non-Direct Connection Local Upgrades and Non-Direct Connection Network Upgrades, (ii) any Merchant Network Upgrades that the Interconnected Transmission Owner will be responsible for constructing (including with respect to both items (i) and (ii) required upgrades for which another Interconnection Customer also has cost responsibility pursuant to Section 217), and either (iii) the estimated cost of the work that the Transmission Owner will be responsible for performing on the required Attachment Facilities, Direct Connection Local Upgrades, and Direct Connection Network Upgrades that are scheduled to be completed during the first. . . .</p>	<p>This filing proposes to clarify any misperceptions regarding the applicable service agreement, i.e., Upgrade Construction Service Agreement (Attachment GG) for an Upgrade Request for Merchant Network Upgrades.</p> <p>Therefore, by way of clarification, the reference to “Merchant Network Upgrades” is removed from this provision as it is applicable to an Interconnection Service Agreement only.</p>
14.	§ 231.1	<p>Right of New Service Customer to Incremental Auction Revenue Rights</p> <p>A New Service Customer that (a) pursuant to Section 212.1, reimburses the Transmission Provider for the costs of, or (b) pursuant to its Construction Service Agreement undertakes responsibility for, constructing or completing Network Upgrades and/or Local Upgrades required to accommodate its New Service Request shall be entitled to receive the Incremental Auction Revenue Rights associated with such facilities and upgrades as determined in accordance with this Section 231. In addition, an Interconnection Customer that executes an Interconnection Service Agreement or an Upgrade Construction Service Agreement for the interconnection of Merchant Network Upgrades Transmission Facilities with the Transmission System shall be entitled to receive the Incremental Auction Revenue Rights associated with such Merchant Transmission Facilities as determined in accordance with this Section 231. Provided However, a that Transmission Interconnection Customer that interconnects Merchant D.C. Transmission Facilities and/or Controllable A.C. Merchant Transmission Facilities with the Transmission System shall be entitled to Incremental Auction Revenue Rights associated with such Merchant D.C. Transmission Facilities and/or Controllable A.C. Merchant Transmission Facilities only if the Interconnection Customer has elected, pursuant to Section 36.1.03 of Part IV of the Tariff, to receive Incremental Auction Revenue Rights, Incremental Deliverability Rights, Incremental Capacity Transfer Rights, and Incremental Available Transfer Capability Revenue Rights in lieu of Transmission Injection Rights and/or Transmission Withdrawal Rights.</p>	<p>This provision clarifies the process by which an Interconnection Customer submitting an Upgrade Request for Merchant Network Upgrades may receive IARRs for Merchant Network Upgrades.</p>

Revisions to Tariff Documents

Revisions to Attachment O (Pro Forma ISA)

	Tariff Section	Proposed Revision	Reasons for Proposed Revisions
1.	§ 10.1	Cost Responsibility. Interconnection Customer shall be responsible for and shall pay upon demand all Costs associated with the interconnection of the Customer Facility as specified in the Tariff. These Costs may include, but are not limited to, an Attachment Facilities charge, a Local Upgrades charge, a Network Upgrades charge and other charges, as well as Costs of any Merchant Network Upgrades constructed on behalf of Interconnection Customer. A description of the facilities required and an estimate of the Costs of these facilities are included in Sections 3.0 and 4.0 of the Specifications to this ISA.	Delete reference to Merchant Network Upgrades. Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ISA all references to “Merchant Network Upgrades.”
2.	§ 10.4	In the event that the Interconnection Customer elects to construct some or all of the Transmission Owner Interconnection Facilities and/or Merchant Network Upgrades under the Option to Build of the Interconnection Construction Service Agreement, billing and payment for the Costs associated with the facilities contemplated by this ISA shall relate only to such portion of the Interconnection Facilities and/or any Merchant Network Upgrades as the Interconnected Transmission Owner is responsible for building.	Delete reference to Merchant Network Upgrades. Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ISA all references to “Merchant Network Upgrades.”
3.	§ 11.2A	List and Ownership of Merchant Network Upgrades. If applicable, Merchant Network Upgrades to be constructed and ownership of the components thereof are identified in Section 3.0 of the Specifications attached to this ISA.	Delete section. Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ISA all references to “Merchant Network Upgrades.”
4.	§ 3.0	Construction Responsibility and Ownership of Interconnection Facilities. ... (2) In the event that, in accordance with the Interconnection Construction Agreement, Interconnection Customer has exercised the Option to Build, it is hereby permitted to build in accordance with and subject to the conditions and limitations set forth in that Section, the following portions (1) of the Transmission Interconnection Facilities and/or (2) of any Merchant Network Upgrades which constitute or are part of the Customer Facility.	Delete reference to Merchant Network Upgrades. Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ISA all references to “Merchant Network Upgrades.”
5.	Specifications, 4.5 § 4.64.5	Cost of Merchant Network Upgrades \$ _____ {Optional: Provide Breakdown of Charge Based on Interconnected Transmission Owner responsibilities} Cost Breakdown	Delete provision. Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ISA all references to “Merchant Network Upgrades.”

Revisions to Tariff Documents

Revisions to Attachment O (Pro Forma ISA)

6.	§ 4.74.6	<p>Security Amount Breakdown:</p> <p>\$___ Estimated Cost of Non-Direct Connection Local Upgrades and/or Non-Direct Connection Network Upgrades</p> <p>plus \$___ Estimated Cost of any Merchant Network Upgrades that Interconnected Transmission Owner is responsible for building</p> <p>plus \$___ Estimated cost of the work (for the first three months) on the required Attachment Facilities, Direct Connection Local Upgrades, and Direct Connection Network Upgrades</p>	Delete reference to Merchant Network Upgrades. Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ISA any cost estimates related to “Merchant Network Upgrades.”
7.	Appendix 2, § 1.4.2	The Interconnected Transmission Owner has accepted any Interconnection Facilities and/or Merchant Network Upgrades constructed by Interconnection Customer pursuant to the Interconnection Construction Service Agreement.	Delete reference to Merchant Network Upgrades. Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ISA all references to “Merchant Network Upgrades.”
8.	Appendix 2, § 1.4.4	The Interconnected Transmission Owner has received all applicable documentation for the Interconnection Facilities and/or Merchant Network Upgrades built by the Interconnection Customer, certified as correct, including, but not limited to, access to the field copy of marked-up drawings reflecting the	Delete reference to Merchant Network Upgrades. Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ISA all references to “Merchant Network Upgrades.”
9.	Appendix 2, § 4.2	<p>Operation of Merchant Network Upgrades: Unless otherwise provided in the Interconnection Service Agreement, the Interconnected Transmission Owner that owns Transmission System facilities to which any Merchant Network Upgrades are connected shall operate such Merchant Network Upgrades (a) on behalf and at the expense of the Interconnection Customer that constructed or caused construction of the pertinent Merchant Network Upgrades and (b) in accordance with this Appendix 2 and with an agreement between the Interconnected Transmission Owner and the Interconnection Customer regarding such operation.</p> <p>[Reserved.]</p>	Delete provision. Merchant Network Upgrades are constructed under an Upgrade CSA. Therefore such provision detailing operation of Merchant Network Upgrades should be removed from the ISA and included in the Upgrade CSA.

Revisions to Tariff Documents

Revisions to Attachment O (Pro Forma ISA)

10.	Appendix 2, § 5.2	<p>Maintenance of Merchant Network Upgrades:</p> <p>Unless otherwise provided in the Interconnection Service Agreement, the Interconnected Transmission Owner that owns Transmission System facilities to which any Merchant Network Upgrades are connected shall maintain such Merchant network Upgrades (a) on behalf and at the expense of the Interconnection Customer that constructed or caused construction of the pertinent Merchant Network Upgrades and (b) in accordance with this Appendix 2 and with an agreement between the Interconnected Transmission Owner and the Interconnection Customer regarding such maintenance.</p> <p>[Reserved.]</p>	Delete provision. Merchant Network Upgrades are constructed under an Upgrade CSA. Therefore such provision detailing operation of Merchant Network Upgrades should be removed from the ISA and included in the Upgrade CSA.
11.	Appendix 2, § 5.5	<p>Right to Observe Testing:</p> <p>Each Interconnected Entity shall notify the other Interconnected Entity in advance of its performance of tests of its portion of the Interconnection Facilities or of any Merchant Network Upgrades. The other Interconnected Entity shall, at its own expense, have the right to observe such testing.</p>	Delete reference to Merchant Network Upgrades. Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ISA all references to “Merchant Network Upgrades.”
12.	Appendix 2, § <u>11.2</u>	<p>Costs for Transmission Interconnection Facilities and/or Merchant Network Upgrade.</p> <p>The following provisions shall apply with respect to charges for the Costs of the Interconnected Transmission Owner for which the Interconnection Customer is responsible.</p>	Delete reference to Merchant Network Upgrades. Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ISA all references to “Merchant Network Upgrades.”
13.	Appendix 2, § 11.2.2	<p>Invoice:</p> <p>Remove reference to “and/or Merchant Network Upgrades”</p>	Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ISA all references to “Merchant Network Upgrades.”
14.	Appendix 2, § 11.2.3	Remove reference to “and/or Merchant Network Upgrades”	Delete Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ISA all references to “Merchant Network Upgrades.”
15.	Appendix 2, § 16.2.2	Remove references to “and/or of any Merchant Network Upgrades” and “or of any Merchant Network Upgrades.	Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ISA all references to “Merchant Network Upgrades.”

Revisions to Tariff Documents

Revisions to Attachment O (Pro Forma ISA)

16.	Appendix 2, § 16.2.2.1	Remove references to “or of any Merchant Network Upgrades” and “or Merchant Network Upgrades.”	Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ISA all references to “Merchant Network Upgrades.”
17.	Appendix 2, § 16.2.2.2	Remove reference to “or any Merchant Network Upgrades”	Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ISA all references to “Merchant Network Upgrades.”
18.	Appendix 2, § 16.2.3	Remove reference to “or any Merchant Network Upgrades”	Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ISA all references to “Merchant Network Upgrades.”
19.	Appendix 2, § 24.2	Remove reference to “and/or any Merchant Network Upgrades”	Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ISA all references to “Merchant Network Upgrades.”
20.	Schedule G	Remove reference to “and/or Merchant Network Upgrades”	Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ISA all references to “Merchant Network Upgrades.”

Revisions to Tariff Documents

Revisions to Attachment O-1 (Pro Forma Interim ISA)

	Tariff Section	Proposed Revision	Reasons for Proposed Revisions
1.	§ 20.1.2	Remove reference to “and/or any Merchant Network Upgrades”	Clarification that pursuant to § 211 an Interim ISA allows an Interconnection Customer to initiate construction activities relating to “Attachment Facilities,” “Local Upgrades,” or “Network Upgrades,” not “Merchant Network Upgrades.” Therefore, it is not applicable to an Upgrade Request for Merchant Network Upgrades. Additionally, this filing clarifies that Merchant Network Upgrades are appropriately filed under an Upgrade CSA, not an Interim ISA, ISA or ICSA. Therefore, PJM proposes to remove from the Interim ISA all references to “Merchant Network Upgrades.”
2.	Schedule A	Remove reference to “and/or Merchant Network Upgrades”	<i>See response to #1 above.</i>

Revisions to Tariff Documents

Revisions to Attachment P (Pro Forma Interconnection Construction Service Agreement)

1.	§ 5.0c	<p>[include below only if applicable to a Merchant Transmission interconnection:]</p> <p>e. Construction of Merchant Network Upgrades.</p> <p>1. The Merchant Network Upgrades regarding which Interconnected Transmission Owner shall be the Constructing Entity are described on the attached Schedule E to this CSA.</p> <p>2. Election of Construction Option. Specify below whether the Constructing Entities have mutually agreed to construction of the Merchant Network Upgrades that will be built by the Interconnected Transmission Owner pursuant to the Standard Option or the Negotiated Contract Option. (See Section 3.2 of Appendix 2 of this CSA.</p> <p>_____ Standard Option</p> <p>_____ Negotiated Contract Option</p> <p>If the parties have mutually agreed to use the Negotiated Contract Option, the permitted, negotiated terms on which they have agreed and which are not already set forth as part of the Scope of Work and/or Schedule of Work attached to this CSA as Schedules I and J, respectively, shall be as set forth in Schedule H to this CSA.</p> <p>3. Exercise of Option to Build. Has Interconnection Customer timely exercised the Option to Build in accordance with Section 3.2.3 of Appendix 2 to this CSA with respect to some or all of the Merchant Network Upgrades?</p> <p>_____ Yes</p> <p>_____ No</p> <p>If yes, indicated, Interconnection Customer shall build, in accordance with and subject to the conditions and limitations set forth in Section 3.2.3 of Appendix 2 to this CSA, those portions of the Merchant Network Upgrades described in Schedule F attached to this CSA.</p>	<p>Delete provision. Merchant Network Upgrades are constructed under an Upgrade CSA.</p> <p>This Negotiated Contract Option provision was moved to the pro forma Upgrade CSA at Attachment GG.</p>
2.	Appendices Table of Content	<p>Schedule E – MERCHANT NETWORK UPGRADES TO BE BUILT BY INTERCONNECTED TRANSMISSION OWNER [Reserved]</p> <p>Schedule F – MERCHANT NETWORK UPGRADES TO BE BUILT BY INTERCONNECTING CUSTOMER PURSUANT TO OPTION TO BUILD [Reserved]</p>	<p>Delete from table of contents. Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ICSA all references to “Merchant Network Upgrades.”</p>
3.	Appendix 2, § 2.2	<p>Transmission Owner Interconnection Facilities and Merchant Network Upgrades</p>	<p>Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ICSA all references to “Merchant Network Upgrades.”</p>

Revisions to Tariff Documents

Revisions to Attachment P (Pro Forma Interconnection Construction Service Agreement)

4.	Appendix 2, § 2.2.1	<p>Generally:</p> <p>(a) All Transmission Owner Interconnection Facilities necessary for the interconnection of the Customer Facility and (b) any Merchant Network Upgrades shall be designed, procured, installed and constructed in accordance with this Appendix 2, Applicable Standards, Applicable Laws and Regulations, Good Utility Practice, the Facilities Study and the Scope of Work under the Interconnection Construction Service Agreement.</p>	Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ICSA all references to “Merchant Network Upgrades.”
5.	Appendix 2, § 2.2.2	Remove reference to “and any Merchant Network Upgrades.”	Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ICSA all references to “Merchant Network Upgrades.”
6.	Appendix 2, § 2.2.3	<p>Construction Responsibility:</p> <p>Except as otherwise permitted under, or as otherwise agreed upon by the Interconnection Customer and the Interconnected Transmission Owner pursuant to, Section 3 of this Appendix 2, the Interconnected Transmission Owner shall be responsible for the design, procurement, construction and installation of the Transmission Owner Interconnection Facilities or any Merchant Network Upgrades. In the event that there are multiple Interconnected Transmission Owners, the Transmission Provider shall determine how to allocate the construction responsibility among them unless they have reached agreement among themselves on how to proceed.</p>	Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ICSA all references to “Merchant Network Upgrades.”
7.	Appendix 2, § 2.2.4	Delete references in the heading and the body of the provision as follows: Ownership of Transmission Owner Interconnection Facilities and Merchant Network Upgrades .	Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ICSA all references to “Merchant Network Upgrades.”

Revisions to Tariff Documents

Revisions to Attachment P (Pro Forma Interconnection Construction Service Agreement)

8.	Appendix 2, § 2.4.2	Tax Indemnity: - Remove reference to “and any Merchant Network Upgrades.	Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ICSA all references to “Merchant Network Upgrades.”
9.	Appendix 2, § 3.1	Construction by Interconnection Customer:	Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ICSA all references to “Merchant Network Upgrades.”
10.	Appendix 2, § 3.2.1	Standard Option	Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ICSA all references to “Merchant Network Upgrades.”
11.	Appendix 2, § 3.2.2	Negotiated Contract Option	Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ICSA all references to “Merchant Network Upgrades.”
12.	Appendix 2, § 3.2.3.1	Option	Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ICSA all references to “Merchant Network Upgrades.”
13.	Appendix 2, § 3.2.3.2 (a), (b), (c) and (d)	General Conditions Applicable to Option:	Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ICSA all references to “Merchant Network Upgrades.”
14.	Appendix 2, § 3.2.3.3	Additional Conditions Regarding Network Facilities	Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ICSA all references to “Merchant Network Upgrades.”
15.	Appendix 2, § 3.2.3.3(ii) and (iii)		Merchant Network Upgrades are constructed under a Upgrade CSA. PJM proposes to remove from the ICSA all references to “Merchant Network Upgrades.”

Revisions to Tariff Documents

Revisions to Attachment P (Pro Forma Interconnection Construction Service Agreement)

16.	Appendix 2, § 3.2.3.7 (a) and (d)	Option Procedures:	Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ICSA all references to “Merchant Network Upgrades.”
17.	Appendix 2, § 3.2.3.8	Interconnection Customer Drawings:	Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ICSA all references to “Merchant Network Upgrades.”
18.	Appendix 2, § 3.2.3.9	Effect of Review:	Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ICSA all references to “Merchant Network Upgrades.”
19.	Appendix 2, § 3.4	Suspension:	Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ICSA all references to “Merchant Network Upgrades.”
20.	Appendix 2, § 3.5	Right to Complete Transmission Owner Interconnection Faculties	Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ICSA all references to “Merchant Network Upgrades.”
21.	Appendix 2, § 3.6	Suspension of Work Upon Default	Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ICSA all references to “Merchant Network Upgrades.”
22.	Appendix 2, § 3.7	Construction Reports	Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ICSA all references to “Merchant Network Upgrades.”
23.	Appendix 2, § 3.8.2	Inspection and Testing	Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ICSA all references to “Merchant Network Upgrades.”
24.	Appendix 2, § 3.8.2.1	Of Interconnection Customer-Built Facilities	Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ICSA all references to “Merchant Network Upgrades.”

Revisions to Tariff Documents

Revisions to Attachment P (Pro Forma Interconnection Construction Service Agreement)

25.	Appendix 2, § 3.8.2.2	Of Interconnected Transmission Owner-Built Facilities:	Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ICSA all references to “Merchant Network Upgrades.”
26.	Appendix 2, § 3.8.3	Review of Inspection and Testing by Interconnected Transmission Owner	Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ICSA all references to “Merchant Network Upgrades.”
27.	Appendix 2, § 3.8.4.1	Notification and Correction of Defects	Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ICSA all references to “Merchant Network Upgrades.”
28.	Appendix 2, § 3.8.4.2	Notification and Correction of Defects	Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ICSA all references to “Merchant Network Upgrades.”
29.	Appendix 2, § 3.8.5	Notification of Results	Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ICSA all references to “Merchant Network Upgrades.”
30.	Appendix 2, § 3.9(A)	Energization of Completed Facilities	Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ICSA all references to “Merchant Network Upgrades.”
31.	Appendix 2, § 3.9(B)	Energization of Completed Facilities	Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ICSA all references to “Merchant Network Upgrades.”
32.	Appendix 2, § 3.9.1		Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ICSA all references to “Merchant Network Upgrades.”

Revisions to Tariff Documents

Revisions to Attachment P (Pro Forma Interconnection Construction Service Agreement)

33.	Appendix 2, § 3.9.3 (a) and (b)	Stage Two Energization of Interconnection Facilities	Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ICSA all references to “Merchant Network Upgrades.”
34.	Appendix 2, § 3.9.5	Energization of Completed Facilities	Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ICSA all references to “Merchant Network Upgrades.”
35.	Appendix 2, § 3.10	Interconnected Transmission Owner’s Acceptance of Facilities Constructed by Interconnection Customer	Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ICSA all references to “Merchant Network Upgrades.”
36.	Appendix 2, § 4.1	Outages; Coordination	Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ICSA all references to “Merchant Network Upgrades.”
37.	Appendix 2, § 5.5	Transfer of Title to Certain Facilities Constructed by Interconnection Customer	Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ICSA all references to “Merchant Network Upgrades.”
38.	Appendix 2, § 6.1	Interconnection Customer Warranty	Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ICSA all references to “Merchant Network Upgrades.”
39.	Appendix 2, § 6.2	Manufacturer Warranty	Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ICSA all references to “Merchant Network Upgrades.”
40.	Appendix 2, § 9.2	Invoice	Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ICSA all references to “Merchant Network Upgrades.”

Revisions to Tariff Documents

Revisions to Attachment P (Pro Forma Interconnection Construction Service Agreement)

41.	Appendix 2, § 9.3	Final Invoice	Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ICSA all references to “Merchant Network Upgrades.”
42.	Appendix 2, § 14.1.1	Termination. Upon Completion of Construction	Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ICSA all references to “Merchant Network Upgrades.”
43.	Appendix 2, § 14.3.1.2	Disposition of Faculties Upon Cancellation	Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ICSA all references to “Merchant Network Upgrades.”
44.	Appendix 2, § 14.3.2	Termination Upon Default	Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ICSA all references to “Merchant Network Upgrades.”
45.	Schedule E	Schedule E – Merchant Network Upgrades to Be Built By Interconnected Transmission Owner [Reserved].	Remove Schedule E. PJM proposes to remove from the ICSA all references to “Merchant Network Upgrades.”
46.	Schedule F	Schedule F – Merchant Network Upgrades To Be Built by Interconnection Customer Pursuant to Option to Build [Reserved].	Remove Schedule F. PJM proposes to remove from the ICSA all references to “Merchant Network Upgrades.”
47.	Schedule L	Interconnection Customer’s Agreement to Conform with IRS Safe Harbor Provisions for Non-Taxable Status	Clarification that Merchant Network Upgrades are constructed under an Upgrade CSA. PJM proposes to remove from the ICSA all references to “Merchant Network Upgrades.”

Revisions to Tariff Documents

Revisions to Attachment S (Merchant Transmission Interconnection Request)

	Tariff Section	Proposed Revision	Reasons for Proposed Revisions
1.	§ 4.	<p>Purpose of Feasibility Study</p> <p>Consistent with Section 36.2 of the PJM Tariff, the Transmission Provider shall conduct a Transmission Interconnection Feasibility Study to provide the Interconnection Customer with preliminary determinations of: (i) the type and scope of the Attachment Facilities, Local Upgrades, Network Upgrades and/or Merchant Network Upgrades that will be necessary to accommodate the Interconnection Customer’s Interconnection Request; (ii) the time that will be required to construct such facilities and upgrades; and (iii) the Interconnection Customer’s cost responsibility for the necessary facilities and upgrades. In the event that the Transmission Provider is unable to complete the Transmission Interconnection Feasibility Study within the time period set forth in Tariff Section 36.2 30 days of the Interconnection Customer’s submission of its Interconnection Request and execution of this Transmission Interconnection Feasibility Study Agreement, the Transmission Provider shall notify the Interconnection Customer and explain the reasons for the delay.</p>	<p>Attachment EE is the form used by an Interconnection Customer to submit an Upgrade Request for a Merchant Network Upgrade. Thus, PJM proposes to remove from Attachment S the reference to “Merchant Network Upgrade.”</p> <p>To clarify the different processes set up for an Interconnection Request under Part IV and an Upgrade Requests under Part VI, PJM proposed to modify the language to clarify that Attachment S refers to an Interconnection Request submitted under Part IV of the Tariff.</p> <p>Clean up: PJM proposes to align the study period with the Feasibility Study provision in the Tariff under § 36.2.</p>
2.	§ 7.	<p>Until completion of the Transmission Interconnection Feasibility Study, the Transmission Provider shall keep confidential all information provided to it by the Interconnection Customer. Upon completion of the Transmission interconnection Feasibility Study, the study will be listed on the Transmission Provider’s website and, to the extent required by Commission regulations, will be make publicly available upon request, except that the identity of the Interconnection Customer shall remain confidential and will not be posted on the Transmission Provider’s website.</p>	<p>Clean up: Replace reference to “Transmission Provider’s OASIS” with “Transmission Provider’s website” to conform with the edits being made to Section 36.1.03 the same.</p>

Revisions to Tariff Documents

Revisions to Attachment DD (Reliability Pricing Model)

	Tariff Section	Proposed Revision	Reasons for Proposed Revisions
1.	§ 5.16(a)	<p>Incremental Capacity Transfer Rights:</p> <p>The Office of the Interconnection shall allocate Incremental Capacity Transfer Rights to a New Service Customer (or, for facilities or upgrades in a PJM queue prior to March 1, 2007, to an Interconnection Customer) obligated to fund a transmission facility or upgrade through a rate or charge specific to such facility or upgrade, to the extent such upgrade or facility increases the Import Capability into a Locational Deliverability Area, with respect to any such transmission facility or upgrade interconnected to <u>or an upgrade of the Transmission System pursuant to Part IV and/or Part VI of this Tariff, including transmission facilities or upgrades</u> interconnected to <u>or upgrades of the Transmission System pursuant to Part IV and/or Part VI</u> prior to the effective date of this Attachment. Incremental Capacity Transfer Rights shall be available for a facility or upgrade for a Delivery Year only if the Office of the Interconnection certifies the quantity of Import Capability provided by such facility or upgrade at least 45 days prior to the Base Residual Auction for such Delivery Year. The megawatt quantity of Incremental Capacity Transfer Rights allocated to such a New Service Customer (or Interconnection Customer) shall equal the megawatt quantity of the increase in Import Capability across a locational constraint resulting from such upgrade or facility, provided that the total Incremental Capacity Transfer Rights awarded as to an LDA (including those allocated pursuant to Schedule 12A of the Tariff) may not exceed the total Capacity Transfer Rights determined as to such LDA.</p>	<p>Modifications were made to clarify that this section applies to both Parts IV and VI requests.</p> <p>Clean up. PJM proposes to remove the parenthetical “(or, for facilities or upgrades in a PJM queue prior to March 1, 2007, to an Interconnection Customer)” as there are no upgrades active in the queue prior to March 1, 2007 and this language is no longer necessary. The same applies for the parenthetical for “(or Interconnection Customer),” as the term “New Service Customer” includes an Interconnection Customer.</p> <p>Clean up: Ministerial change in § 5.16(b), removed an extra space between “Locational Price Adder” and “with respect to.”</p>

Revisions to Tariff Documents

Revisions to Attachment EE (Pro Forma Form for Upgrade Request)

	Tariff Section	Proposed Revision	Reasons for Proposed Revisions
1.	§ 1.	<p><u>[To be completed by Upgrade Customers]:</u></p> <p>1. The undersigned Upgrade Customer submits this Upgrade Request pursuant to Section 7.8 of Schedule 1 of the Operating Agreement and Part VI of the PJM Tariff.</p> <p>2. This Upgrade Request is for Incremental Auction Revenue Rights in accordance with the specifications:</p> <p>Source location: _____</p> <p>Sink location: _____</p> <p>MW: _____</p> <p>Desired Commencement Date: _____</p>	<p>PJM proposes to add bracketed language to accommodate requests by an Upgrade Customer under Section 7.8 of Schedule 1 of the Operating Agreement.</p>
2.		<p><u>[To be completed by Interconnection Customers requesting Merchant Network Upgrades]:</u></p> <p>1. <u>The undersigned Interconnection Customer submits this Upgrade Request for Merchant Network Upgrades pursuant to Parts IV and Part VI of the PJM Tariff.</u></p> <p>2. <u>This request is for the required Merchant Network Upgrades to increase the _____ normal _____ emergency rating of the _____ circuit (or other Transmission System element) by _____ MVA or _____ MW.</u></p> <p><u>Desired In-Service Date: _____</u></p> <p><u>OR</u></p> <p><u>This request is to advance construction of Regional Transmission Expansion Plan project number _____ from _____ (planned date) to _____ (requested date).</u></p>	<p>PJM proposes to add bracketed language and new alternative section to accommodate request specific to Interconnection Customer submitting an Upgrade Request for a Merchant Network Upgrade under Part VI.</p> <p>The new language provides for the customer to include the MVA/MW capability requests to the existing transmission system;</p> <p>OR</p> <p>Allows for the acceleration of RTEP approved projects.</p> <p>While the customer always had the ability to submit such requests, the proposed changes clearly define the information that must be provided by the customer.</p>

Revisions to Tariff Documents

Revisions to Attachment EE (Pro Forma Form for Upgrade Request)

3.	§ 3.	<p>The Upgrade Customer or Interconnection Customer shall provide a deposit in the amount of \$50,000 to Transmission Provider with this request Upgrade Request, which deposit shall be applied against the New Service Customer's Upgrade Customer's cost responsibility for a System Impact Study including this Upgrade Requestrequest.</p>	<p>PJM proposes revisions to clarify that this application form applies to an Upgrade Customer submitting a request under Section 7.8 of Schedule 1 of the Operating Agreement and an Interconnection Customer submitting an Upgrade Request for Merchant Network Upgrades under Part VI of the Tariff.</p> <p>The reference to Upgrade Customer is replaced with "New Service Customer" to capture both an Upgrade Customer and an Interconnection Customer submitting an "Upgrade Request."</p>
4.	§ 4.	<p>Representative of New Service Customer Upgrade Customer to contact:</p>	<p>The reference to Upgrade Customer is replaced with "New Service Customer" to capture both an Upgrade Customer and an Interconnection Customer submitting an "Upgrade Request."</p>
5.	§ 5.	<p>This Upgrade Request is submitted by:</p> <p>Name of New Service Upgrade Customer:</p> <p>By (signature): _____</p> <p>Name (type or print): _____</p> <p>Title: _____</p> <p>Date: _____</p>	<p>The reference to Upgrade Customer is replaced with "New Service Customer" to capture both an Upgrade Customer and an Interconnection Customer submitting an "Upgrade Request."</p>

Revisions to Tariff Documents

Revisions to GG(Pro Forma Upgrade CSA)

	Tariff Section	Proposed Revision	Reasons for Proposed Revisions
1.	Heading	<p style="text-align: center;"><u>ATTACHMENT GG</u></p> <p style="text-align: center;"><u>FORM OF</u> <u>UPGRADE CONSTRUCTION SERVICE</u> <u>AGREEMENT</u></p> <p style="text-align: center;"><u>By and Among</u></p> <p style="text-align: center;"><u>PJM Interconnection, L.L.C.</u></p> <p style="text-align: center;"><u>And</u></p> <p style="text-align: center;"><u>_____ [Name of Eligible</u> <u>Customer, Upgrade Customer, or Interconnection</u> <u>Customer proposing Merchant Network Upgrades]</u></p> <p style="text-align: center;"><u>And</u></p> <p style="text-align: center;"><u>_____ [Name of</u> <u>Interconnected Transmission Owner]</u></p> <p style="text-align: center;"><u>(PJM Queue Position # _____)</u></p>	<p>Heading revised to accurately reflect those customers to whom the Upgrade CSA applies.</p>
2.	§ 2.4	<p><u>Charges.</u></p> <p><u>In accordance with Sections 9, 24, and 25 of Appendix III to this Upgrade CSA, the Interconnection Customer shall pay to the Transmission Provider the charges applicable after Initial Operation of the Merchant Network Upgrade, as set forth in SCHEDULE B to this Upgrade CSA. Promptly after receipt of such payments, the Transmission Provider shall forward such payments to the appropriate Transmission Owner.</u></p>	<p>PJM proposes to add this new § 2.4 to provide for charges and a payment process applicable to the Merchant Network Upgrades.</p> <p>Renumber existing § 2.4 to § 2.5.</p>

Revisions to Tariff Documents

Revisions to GG(Pro Forma Upgrade CSA)

3.	Appendix I, D.	<p>Construction of Direct Assignment Facilities or Customer Funded Upgrades</p> <p><u>[include 1 through 3 below only for an Upgrade Customer or Transmission Interconnection Customer]</u></p> <p><u>1. The Network Upgrades or Merchant Network Upgrades regarding which Interconnected Transmission Owner shall be the Constructing Entity are described on the attached Appendix I, Section A to this Upgrade CSA.</u></p> <p><u>2. Election of Construction Option. Specify below whether the Constructing Entities have mutually agreed to construction of the Network Upgrades or Merchant Network Upgrades that will be built by the Interconnected Transmission Owner pursuant to the Standard Option or the Negotiated Contract Option (See Sections 6.1 and 6.1.1 of Appendix III to this Upgrade CSA.)</u></p> <p>___ Standard Option.</p> <p>___ Negotiated Contract Option.</p> <p><u>If the Parties have mutually agreed to use the Negotiated Contract Option, the permitted, negotiated terms on which they have agreed and which are not already set forth as part of the Scope of Work and/or Schedule of Work attached to this Upgrade CSA, respectively, shall be as set forth in Schedule A attached to this Upgrade CSA.</u></p>	<p>PJM proposes to add provisions for construction of Direct Assignment Facilities or Customer Funded Upgrades applicable to an Upgrade Request regarding election of construction options.</p> <p>Add in language for Negotiated Contract Option removed from pro forma ISA.</p> <p>Add clarification to identify the options available to New Service Customers receiving the Upgrade CSA through the Upgrade Request process versus “Eligible Customers.”</p> <p>Removes reference to “Direct Attachment Facilities,” as not applicable to an Eligible Customer.</p>
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Revisions to Tariff Documents

Revisions to GG(Pro Forma Upgrade CSA)

4.	Appendix I, D.	<p>3. Specify whether New Service Customer has exercised the Option to Build in accordance with Section 6.2 of Appendix III to this Upgrade CSA with respect to some or all of the Direct Attachment Facilities or Customer-Funded Upgrades:</p> <p>____ Yes</p> <p>____ No</p> <p>If Yes is indicated, New Service Customer shall build, in accordance with and subject to the conditions and limitations set forth in Section 6.2.3 of Appendix III to this Upgrade CSA, those portions of the Direct Attachment Facilities or Customer-Funded Upgrades described below:</p> <p><u>[The following section applies only to Eligible Customers]</u></p> <p><u>Specify whether New Service Customer has exercised the Option to Build in accordance with Section 6.2 of Appendix III to this Upgrade CSA with respect to some or all of the Direct Attachment Facilities.</u></p> <p>____ Yes</p> <p>____ No</p> <p><u>If Yes is indicated, New Service Customer shall build, in accordance with and subject to the conditions and limitations set forth in Section 6.2.3 of Appendix III to this Upgrade CSA, those portions of the Direct Assignment Facilities or Customer-Funded Upgrades described below:</u></p>	
5.	<u>Appendix II, § 1.12</u>	<p>“Costs”</p> <p>Costs shall mean all of the actual costs and expenses incurred by the Transmission Owner to complete its obligations under Section 2.54 of this Upgrade CSA, including, but not limited to, capital expenditures, overhead, return, and the costs of financing, equipment, labor, services, taxes, income tax gross-ups and any Incidental Expenses.</p>	Correct section reference.

Revisions to Tariff Documents

Revisions to GG(Pro Forma Upgrade CSA)

6.	<u>Appendix III, § 6.1.1</u>	<p><u>Negotiated Contract Option.</u> <u>As an alternative to the Standard Option set forth in Section 6.1 of this Appendix III, the Transmission Owner and the New Service Customer may mutually agree to a Negotiated Contract Option for the Transmission Owner’s design, procurement, construction and installation of the Customer-Funded Upgrades. Under the Negotiated Contract Option, the Upgrade Customer and the Transmission Owner may agree to terms different from those included in the Standard Option of Section 6.1 above and the corresponding standard terms set forth in the applicable provisions of Part VI of the Tariff and this Appendix III. Under the Negotiated Contract Option, negotiated terms may include the work schedule applicable to the Transmission Owner’s construction activities and changes to same; payment provisions, including the schedule of payments; incentives, penalties and/or liquidated damages related to timely completion of construction; use of third party contractors; and responsibility for Costs, but only as between the Upgrade Customer and the Transmission Owner that are parties to this Upgrade CSA; no other New Service Customer’s responsibility for Costs may be affected (Section 217 of the Tariff). No other terms of the Tariff or this Appendix III shall be subject to modification under the Negotiated Contract Option. The terms and conditions of the Tariff that may be negotiated pursuant to the Negotiated Contract Option shall not be affected by use of the Negotiated Contract Option except as and to the extent that they are modified by the parties’ agreement pursuant to such option. All terms agreed upon pursuant to the Negotiated Contract Option shall be stated in full in an appendix to this Upgrade CSA.</u></p>	<p>PJM proposes to add in to Attachment GG a new provision for “Negotiated Contract Option” copied from the provision removed from the ISA. This provision affords customers the ability to negotiate schedules, incentives/penalties, etc., since Upgrade Customers that commit to PJM markets are dependent upon the transmission owner to complete the work.</p>
7.	<u>Appendix III, § 9.1</u>	<p><u>Recurring Charges Pursuant to Section 26:</u> <u>The following provisions shall apply with respect to recurring charges applicable to a Merchant Network Upgrade pursuant to Section 26 of this Appendix III.</u></p>	<p>PJM propose to transfer section from ISA to Upgrade CSA as a new § 9.1 and subsection 9.1.1 to address “recurring charges” for the incremental administration, operation and maintenance applicable to Merchant Network Upgrades.</p>

Revisions to Tariff Documents

Revisions to GG(Pro Forma Upgrade CSA)

8.	<u>Appendix III, § 9.1.1</u>	<p>General: <u>Except as, and to the extent, otherwise provided in this Upgrade CSA, billing and payment of any recurring charges applicable to the Merchant Network Upgrade pursuant to Section 26 of this Appendix III shall be in accordance with Section 7 of the Tariff. Transmission Owner shall provide Transmission Provider with all necessary information and supporting data that Transmission Provider may reasonably require to administer billing for and payment of applicable charges under this Appendix III. Transmission Provider shall remit to Transmission Owner revenues received in payment of Transmission Owner’s charges to Interconnection Customer under this Appendix III upon Transmission Provider’s receipt of such revenues. At Transmission Provider’s reasonable discretion, charges to Interconnection Customer and remittances to Transmission Owner under this Appendix III may be netted against amounts owed by or to such parties under the Tariff.</u></p>	<p>See comment above at #7. Revise the numbering to add §§ 9.2 through 9.7.</p>
9.	<u>Appendix III, § 24.0</u>	<p><u>Operation and Maintenance of Merchant Network Upgrades:</u> <u>Unless otherwise provided in this Upgrade CSA, the Transmission Owner that owns Merchant Network Upgrades constructed on behalf of and at the expense of the Interconnection Customer shall operate and maintain such Merchant Network Upgrades at the expense of the Interconnection Customer. The charge for operation and maintenance of such Merchant Network Upgrade charges is set forth in SCHEDULE B of this Upgrade CSA.</u></p>	<p>New section brought over from the ISA to clarify that Interconnection Customer submitting an Upgrade Request for Merchant Network Upgrades is obligated to pay the Transmission Owner for expenses associated with the administration, operation and maintenance of the Merchant Network Upgrades.</p>
10.	<u>Appendix III, § 25.0</u>	<p>Charges</p>	<p>New section brought over from the ISA to add in charges that Interconnection Customer submitting an Upgrade Request for Merchant Network Upgrades may be responsible to pay to the Transmission Owner for the administration, operation and maintenance of the Merchant Network Upgrades.</p>

Revisions to Tariff Documents

Revisions to GG(Pro Forma Upgrade CSA)

11.	<u>Appendix III, § 25.1</u>	<p>25.1 Specified Charges: <u>If and to the extent required by the Transmission Owner, after the Initial Operation of the Merchant Network Upgrade, Interconnection Customer shall pay one or more of the types of recurring charges described in this section to compensate the Transmission Owner for costs incurred in performing certain of its obligations under this Appendix III. All such charges shall be stated in SCHEDULE B of the Upgrade CSA. Transmission Owner shall provide Transmission Provider and Interconnection Customer with appropriate cost data, schedules and/or written testimony in support of any charges under this section in such manner and at such time as to allow Transmission Provider to include such materials in its filing of the Upgrade CSA with the FERC. Transmission Provider will deliver a copy of such filing to Interconnection Customer. Permissible charges under this section may include:</u></p> <p style="padding-left: 40px;">(a) <u>Administration Charge – Any such charge may recover only the costs and expenses incurred by the Transmission Owner in connection with administrative obligations such as the preparation of bills. An Administration Charge shall not be permitted to the extent that the Transmission Owner’s other charges to the Interconnection Customer under the same Upgrade CSA include an allocation of the Transmission Owner’s administrative and general expenses and/or other corporate overhead costs.</u></p> <p style="padding-left: 40px;">(b) <u>Merchant Network Upgrade Operations and Maintenance Charge – Any such charge may recover only the Transmission Owner’s costs and expenses associated with operation and maintenance charges related to the Interconnection Customer’s Merchant Network Upgrade owned by the Transmission Owner.</u></p> <p style="padding-left: 40px;">(c) <u>Other Charges – Any other charges applicable to the Interconnection Customer, as mutually agreed upon by the Interconnection Customer and the Transmission Owner and as accepted by the FERC as part of an Upgrade CSA.</u></p>	See explanation in #9 above. Detailed explanation of specific charges and process for submitting and paying such charges.
12.	<u>Appendix III, § 25.2</u>	<p>FERC Filings: <u>To the extent required by law or regulation, each Party shall seek FERC acceptance or approval of its respective charges or the methodology for the calculation of such charges.</u></p>	Add in a new provision requiring FERC acceptance of any Appendix III, § 25 charges.

Revisions to Tariff Documents

Revisions to GG(Pro Forma Upgrade CSA)

13.	<u>Schedule A</u>	<p style="text-align: center;"><u>SCHEDULE A</u></p> <p style="text-align: center;"><u>NEGOTIATED CONTRACT OPTIONS</u></p> <p style="text-align: center;"><u>None.</u></p>	Add a new Schedule A to accommodate new Negotiated Contract Options added at Appendix III, § 6.1.1.
14.	<u>Schedule B</u>	<p style="text-align: center;"><u>SCHEDULE B</u></p> <p style="text-align: center;"><u>OPERATION AND MAINTENANCE CHARGES FOR MERCHANT NETWORK UPGRADES</u></p> <p>None.</p>	Add a new Schedule B to accommodate operation and maintenance charges for Merchant Network Upgrades added at Appendix III § 25.

Attachment B

Revisions to the
PJM Open Access Transmission Tariff

(Marked / Redline Format)

(Additional coversheets identifying the specific Tariff sections)

Revisions to Definition Tariff Sections:

C-D

L-M-N

T-U-V

Definitions – C-D

1.3BB.03 Cancellation Costs:

The Costs and liabilities incurred in connection with: (a) cancellation of supplier and contractor written orders and agreements entered into to design, construct and install Attachment Facilities, Direct Assignment Facilities and/or Customer-Funded Upgrades, and/or (b) completion of some or all of the required Attachment Facilities, Direct Assignment Facilities and/or Customer-Funded Upgrades, or specific unfinished portions and/or removal of any or all of such facilities which have been installed, to the extent required for the Transmission Provider and/or Transmission Owner(s) to perform their respective obligations under Part IV and/or Part VI of the Tariff.

1.3C Capacity Interconnection Rights:

The rights to input generation as a Generation Capacity Resource into the Transmission System at the Point of Interconnection where the generating facilities connect to the Transmission System.

1.3D Capacity Resource:

Shall have the meaning provided in the Reliability Assurance Agreement.

1.3E Capacity Transmission Injection Rights:

The rights to schedule energy and capacity deliveries at a Point of Interconnection (as defined in Section 1.33A) of a Merchant Transmission Facility with the Transmission System. Capacity Transmission Injection Rights may be awarded only to a Merchant D.C. Transmission Facility and/or Controllable A.C. Merchant Transmission Facilities that connects the Transmission System to another control area. Deliveries scheduled using Capacity Transmission Injection Rights have rights similar to those under Firm Point-to-Point Transmission Service or, if coupled with a generating unit external to the PJM Region that satisfies all applicable criteria specified in the PJM Manuals, similar to Capacity Interconnection Rights.

1.3F Commencement Date:

The date on which Interconnection Service commences in accordance with an Interconnection Service Agreement.

1.4 Commission:

The Federal Energy Regulatory Commission.

1.5 Completed Application:

An Application that satisfies all of the information and other requirements of the Tariff, including any required deposit.

1.5.01 Confidential Information:

Any confidential, proprietary, or trade secret information of a plan, specification, pattern, procedure, design, device, list, concept, policy, or compilation relating to the present or planned business of a New Service Customer, Transmission Owner, or other Interconnection Party or Construction Party, which is designated as confidential by the party supplying the information, whether conveyed verbally, electronically, in writing, through inspection, or otherwise, and shall include, without limitation, all information relating to the producing party's technology, research and development, business affairs and pricing, and any information supplied by any New Service Customer, Transmission Owner, or other Interconnection Party or Construction Party to another such party prior to the execution of an Interconnection Service Agreement or a Construction Service Agreement.

1.5A Consolidated Transmission Owners Agreement:

The certain Consolidated Transmission Owners Agreement dated as of December 15, 2005, by and among the Transmission Owners and by and between the Transmission Owners and PJM Interconnection, L.L.C.

1.5B Constructing Entity:

Either the Transmission Owner or the New Services Customer, depending on which entity has the construction responsibility pursuant to Part VI and the applicable Construction Service Agreement; this term shall also be used to refer to an Interconnection Customer with respect to the construction of the Customer Interconnection Facilities.

1.5C Construction Party:

A party to a Construction Service Agreement. "Construction Parties" shall mean all of the Parties to a Construction Service Agreement.

1.5D Construction Service Agreement:

Either an Interconnection Construction Service Agreement or an Upgrade Construction Service Agreement.

1.6 Control Area:

An electric power system or combination of electric power systems to which a common automatic generation control scheme is applied in order to:

(1) match, at all times, the power output of the generators within the electric power system(s) and capacity and energy purchased from entities outside the electric power system(s), with the load within the electric power system(s);

(2) maintain scheduled interchange with other Control Areas, within the limits of Good Utility Practice;

(3) maintain the frequency of the electric power system(s) within reasonable limits in accordance with Good Utility Practice; and

(4) provide sufficient generating capacity to maintain operating reserves in accordance with Good Utility Practice.

1.6A Control Zone:

Shall have the meaning given in the Operating Agreement.

1.6B Controllable A.C. Merchant Transmission Facilities:

Transmission facilities that (1) employ technology which Transmission Provider reviews and verifies will permit control of the amount and/or direction of power flow on such facilities to such extent as to effectively enable the controllable facilities to be operated as if they were direct current transmission facilities, and (2) that are interconnected with the Transmission System pursuant to Part IV and Part VI of the Tariff.

1.6C Costs:

As used in Part IV, Part VI and related attachments to the Tariff, costs and expenses, as estimated or calculated, as applicable, including, but not limited to, capital expenditures, if applicable, and overhead, return, and the costs of financing and taxes and any Incidental Expenses.

1.6D Counterparty:

PJMSettlement as the contracting party, in its name and own right and not as an agent, to an agreement or transaction with a market participant or other customer.

1.7 Curtailment:

A reduction in firm or non-firm transmission service in response to a transfer capability shortage as a result of system reliability conditions.

1.7A Customer Facility:

Generation facilities or Merchant Transmission Facilities interconnected with or added to the Transmission System pursuant to an Interconnection Request under Subparts A of Part IV of the Tariff.

1.7A.01 Customer-Funded Upgrade:

Any Network Upgrade, Local Upgrade, or Merchant Network Upgrade for which cost responsibility (i) is imposed on an Interconnection Customer or an Eligible Customer pursuant to Section 217 of the Tariff, or (ii) is voluntarily undertaken by a ~~New Service Customer market participant~~ in fulfillment of an Upgrade Request ~~pursuant to Section 7.8 of Schedule 1 of the Operating Agreement~~. No Network Upgrade, Local Upgrade or Merchant Network Upgrade or other transmission expansion or enhancement shall be a Customer-Funded Upgrade if and to the extent that the costs thereof are included in the rate base of a public utility on which a regulated return is earned.

1.7A.02 Customer Interconnection Facilities:

All facilities and equipment owned and/or controlled, operated and maintained by Interconnection Customer on Interconnection Customer's side of the Point of Interconnection identified in the appropriate appendices to the Interconnection Service Agreement and to the Interconnection Construction Service Agreement, including any modifications, additions, or upgrades made to such facilities and equipment, that are necessary to physically and electrically interconnect the Customer Facility with the Transmission System.

1.7B Daily Capacity Deficiency Rate

Daily Capacity Deficiency Rate is as defined in Schedule 11 of the Reliability Assurance Agreement.

1.7C Deactivation:

The retirement or mothballing of a generating unit governed by Part V of this Tariff.

1.7D Deactivation Avoidable Cost Credit:

The credit paid to Generation Owners pursuant to section 114 of this Tariff.

1.7E Deactivation Avoidable Cost Rate:

The formula rate established pursuant to section 115 of this Tariff.

1.7F Deactivation Date:

The date a generating unit within the PJM Region is either retired or mothballed and ceases to operate.

1.7G Default:

As used in the Interconnection Service Agreement and Construction Service Agreement, the failure of a Breaching Party to cure its Breach in accordance with the applicable provisions of an Interconnection Service Agreement or Construction Service Agreement.

1.8 Delivering Party:

The entity supplying capacity and energy to be transmitted at Point(s) of Receipt.

1.9 Designated Agent:

Any entity that performs actions or functions on behalf of the Transmission Provider, a Transmission Owner, an Eligible Customer, or the Transmission Customer required under the Tariff.

1.9A Designated Entity:

“Designated Entity” shall have the same meaning provided in the Operating Agreement.

1.10 Direct Assignment Facilities:

Facilities or portions of facilities that are constructed for the sole use/benefit of a particular Transmission Customer requesting service under the Tariff. Direct Assignment Facilities shall be specified in the Service Agreement that governs service to the Transmission Customer and shall be subject to Commission approval.

1.10.01 Direct Load Control:

Load reduction that is controlled directly by the Curtailment Service Provider’s market operations center or its agent, in response to PJM instructions.

Definitions – L – M - N

1.15A List of Approved Contractors:

A list developed by each Transmission Owner and published in a PJM Manual of (a) contractors that the Transmission Owner considers to be qualified to install or construct new facilities and/or upgrades or modifications to existing facilities on the Transmission Owner's system, provided that such contractors may include, but need not be limited to, contractors that, in addition to providing construction services, also provide design and/or other construction-related services, and (b) manufacturers or vendors of major transmission-related equipment (e.g., high-voltage transformers, transmission line, circuit breakers) whose products the Transmission Owner considers acceptable for installation and use on its system.

1.16 Load Ratio Share:

Ratio of a Transmission Customer's Network Load to the Transmission Provider's total load.

1.17 Load Shedding:

The systematic reduction of system demand by temporarily decreasing load in response to transmission system or area capacity shortages, system instability, or voltage control considerations under Part II or Part III of the Tariff.

1.17A Local Upgrades:

Modifications or additions of facilities to abate any local thermal loading, voltage, short circuit, stability or similar engineering problem caused by the interconnection and delivery of generation to the Transmission System. Local Upgrades shall include:

(i) Direct Connection Local Upgrades which are Local Upgrades that only serve the Customer Interconnection Facility and have no impact or potential impact on the Transmission System until the final tie-in is complete; and

(ii) Non-Direct Connection Local Upgrades which are parallel flow Local Upgrades that are not Direct Connection Local Upgrades.

1.17B Long-lead Project:

"Long-lead Project" shall have the same meaning provided in the Operating Agreement.

1.18 Long-Term Firm Point-To-Point Transmission Service:

Firm Point-To-Point Transmission Service under Part II of the Tariff with a term of one year or more.

1.18A [RESERVED]

1.18A.01 [RESERVED]

1.18A.02 Material Modification:

Any modification to an Interconnection Request that has a material adverse effect on the cost or timing of Interconnection Studies related to, or any Network Upgrades or Local Upgrades needed to accommodate, any Interconnection Request with a later Queue Position.

1.18A.03 Maximum Facility Output:

The maximum (not nominal) net electrical power output in megawatts, specified in the Interconnection Service Agreement, after supply of any parasitic or host facility loads, that a Generation Interconnection Customer's Customer Facility is expected to produce, provided that the specified Maximum Facility Output shall not exceed the output of the proposed Customer Facility that Transmission Provider utilized in the System Impact Study.

1.18B Merchant A.C. Transmission Facilities:

Merchant Transmission Facilities that are alternating current (A.C.) transmission facilities, other than those that are Controllable A.C. Merchant Transmission Facilities.

1.18C Merchant D.C. Transmission Facilities:

Direct current (D.C.) transmission facilities that are interconnected with the Transmission System pursuant to Part IV and Part VI of the Tariff.

1.18D Merchant Network Upgrades:

~~Additions Merchant A.C. Transmission Facilities that are additions~~ to, or modifications or replacements of, physical facilities of the Interconnected Transmission Owner that, on the date of the pertinent Transmission Interconnection Customer's ~~Upgrade Interconnection~~ Request, are part of the Transmission System or are included in the Regional Transmission Expansion Plan.

1.18E Merchant Transmission Facilities:

A.C. or D.C. transmission facilities that are interconnected with or added to the Transmission System pursuant to Part IV and Part VI of the Tariff and that are so identified on Attachment T to the Tariff, provided, however, that Merchant Transmission Facilities shall not include (i) any Customer Interconnection Facilities, (ii) any physical facilities of the Transmission System that were in existence on or before March 20, 2003 ; (iii) any expansions or enhancements of the Transmission System that are not identified as Merchant Transmission Facilities in the Regional Transmission Expansion Plan and Attachment T to the Tariff, or (iv) any transmission facilities that are included in the rate base of a public utility and on which a regulated return is earned.

1.18F Merchant Transmission Provider:

An Interconnection Customer that (1) owns, controls, or controls the rights to use the transmission capability of, Merchant D.C. Transmission Facilities and/or Controllable A.C. Merchant Transmission Facilities that connect the Transmission System with another control area, (2) has elected to receive Transmission Injection Rights and Transmission Withdrawal Rights associated with such facility pursuant to Section 36 of the Tariff, and (3) makes (or will make) the transmission capability of such facilities available for use by third parties under terms and conditions approved by the Commission and stated in the Tariff, consistent with Section 38 below.

1.18G Metering Equipment:

All metering equipment installed at the metering points designated in the appropriate appendix to an Interconnection Service Agreement.

1.18G.01 Multi-Driver Project:

“Multi-Driver Project” shall have the same meaning provided in the Operating Agreement.

1.19 Native Load Customers:

The wholesale and retail power customers of a Transmission Owner on whose behalf the Transmission Owner, by statute, franchise, regulatory requirement, or contract, has undertaken an obligation to construct and operate the Transmission Owner’s system to meet the reliable electric needs of such customers.

1.19A NERC:

The North American Electric Reliability Council or any successor thereto.

1.19B Neutral Party

Shall have the meaning provided in Section 9.3(v).

1.20 Network Customer:

An entity receiving transmission service pursuant to the terms of the Transmission Provider’s Network Integration Transmission Service under Part III of the Tariff.

1.21 Network Integration Transmission Service:

The transmission service provided under Part III of the Tariff.

1.22 Network Load:

The load that a Network Customer designates for Network Integration Transmission Service under Part III of the Tariff. The Network Customer's Network Load shall include all load (including losses) served by the output of any Network Resources designated by the Network Customer. A Network Customer may elect to designate less than its total load as Network Load but may not designate only part of the load at a discrete Point of Delivery. Where an Eligible Customer has elected not to designate a particular load at discrete points of delivery as Network Load, the Eligible Customer is responsible for making separate arrangements under Part II of the Tariff for any Point-To-Point Transmission Service that may be necessary for such non-designated load.

1.23 Network Operating Agreement:

An executed agreement that contains the terms and conditions under which the Network Customer shall operate its facilities and the technical and operational matters associated with the implementation of Network Integration Transmission Service under Part III of the Tariff.

1.24 Network Operating Committee:

A group made up of representatives from the Network Customer(s) and the Transmission Provider established to coordinate operating criteria and other technical considerations required for implementation of Network Integration Transmission Service under Part III of this Tariff.

1.25 Network Resource:

Any designated generating resource owned, purchased, or leased by a Network Customer under the Network Integration Transmission Service Tariff. Network Resources do not include any resource, or any portion thereof, that is committed for sale to third parties or otherwise cannot be called upon to meet the Network Customer's Network Load on a non-interruptible basis, except for purposes of fulfilling obligations under a reserve sharing program.

1.26 Network Upgrades:

Modifications or additions to transmission-related facilities that are integrated with and support the Transmission Provider's overall Transmission System for the general benefit of all users of such Transmission System. Network Upgrades shall include:

(i) **Direct Connection Network Upgrades** which are Network Upgrades that only serve the Customer Interconnection Facility and have no impact or potential impact on the Transmission System until the final tie-in is complete; and

(ii) **Non-Direct Connection Network Upgrades** which are parallel flow Network Upgrades that are not Direct Connection Network Upgrades.

1.26A New PJM Zone(s):

The Zone included in this Tariff, along with applicable Schedules and Attachments, for Commonwealth Edison Company, The Dayton Power and Light Company and the AEP East Operating Companies (Appalachian Power Company, Columbus Southern Power Company, Indiana Michigan Power Company, Kentucky Power Company, Kingsport Power Company, Ohio Power Company and Wheeling Power Company).

1.26B New Service Customers:

All customers that submit an Interconnection Request, a Completed Application, or an Upgrade Request that is pending in the New Services Queue.

1.26C New Service Request:

An Interconnection Request, a Completed Application, or an Upgrade Request.

1.26D New Services Queue:

All Interconnection Requests, Completed Applications, and Upgrade Requests that are received within each three-month period ending on January 31, April 30, July 31, and October 31 of each year shall collectively comprise a New Services Queue.

1.26E New Services Queue Closing Date:

Each January 31, April 30, July 31, and October 31 shall be the Queue Closing Date for the New Services Queue comprised of Interconnection Requests, Completed Applications, and Upgrade Requests received during the three-month period ending on such date.

1.26F Nominal Rated Capability:

The nominal maximum rated capability in megawatts of a Transmission Interconnection Customer's Customer Facility or the nominal increase in transmission capability in megawatts of the Transmission System resulting from the interconnection or addition of a Transmission Interconnection Customer's Customer Facility, as determined in accordance with pertinent Applicable Standards and specified in the Interconnection Service Agreement.

1.27 Non-Firm Point-To-Point Transmission Service:

Point-To-Point Transmission Service under the Tariff that is reserved and scheduled on an as-available basis and is subject to Curtailment or Interruption as set forth in Section 14.7 under Part II of this Tariff. Non-Firm Point-To-Point Transmission Service is available on a stand-alone basis for periods ranging from one hour to one month.

1.27.01 Non-Firm Sale:

An energy sale for which receipt or delivery may be interrupted for any reason or no reason, without liability on the part of either the buyer or seller.

1.27A Non-Firm Transmission Withdrawal Rights:

The rights to schedule energy withdrawals from a specified point on the Transmission System. Non-Firm Transmission Withdrawal Rights may be awarded only to a Merchant D.C. Transmission Facility that connects the Transmission System to another control area. Withdrawals scheduled using Non-Firm Transmission Withdrawal Rights have rights similar to those under Non-Firm Point-to-Point Transmission Service.

1.27A.01 Nonincumbent Developer:

“Nonincumbent Developer” shall have the same meaning provided in the Operating Agreement.

1.27AA Non-Retail Behind The Meter Generation:

Behind the Meter Generation that is used by municipal electric systems, electric cooperatives, or electric distribution companies to serve load.

1.27B Non-Zone Network Load:

Network Load that is located outside of the PJM Region.

Definitions – T – U - V

1.43A Tariff:

This document, the “PJM Open Access Transmission Tariff.”

1.44 Third-Party Sale:

Any sale for resale in interstate commerce to a Power Purchaser that is not designated as part of Network Load under the Network Integration Transmission Service but not including a sale of energy through the PJM Interchange Energy Market established under the PJM Operating Agreement.

1.45 Transmission Customer:

Any Eligible Customer (or its Designated Agent) that (i) executes a Service Agreement, or (ii) requests in writing that the Transmission Provider file with the Commission, a proposed unexecuted Service Agreement to receive transmission service under Part II of the Tariff. This term is used in the Part I Common Service Provisions and in Part VI to include customers receiving transmission service under Part II and Part III of this Tariff.

1.45.01 Transmission Facilities

Transmission Facilities shall have the meaning set forth in the Operating Agreement.

1.45A Transmission Injection Rights:

Capacity Transmission Injection Rights and Energy Transmission Injection Rights.

1.45B Transmission Interconnection Customer:

An entity that submits an Interconnection Request to interconnect or add Merchant Transmission Facilities to the Transmission System or to increase the capacity of Merchant Transmission Facilities interconnected with the Transmission System in the PJM Region or an entity that submits an Upgrade Request for Merchant Network Upgrades (including accelerating the construction of any transmission enhancement or expansion, other than Merchant Transmission Facilities, that is included in the Regional Transmission Expansion Plan prepared pursuant to Schedule 6 of the Operating Agreement).

1.45C Transmission Interconnection Facilities Study:

A Facilities Study related to a Transmission Interconnection Request.

1.45D Transmission Interconnection Feasibility Study:

A study conducted by the Transmission Provider in accordance with Section 36.2 of the Tariff.

1.45E Transmission Interconnection Request:

A request by a Transmission Interconnection Customer pursuant to Part IV of the Tariff to interconnect or add Merchant Transmission Facilities to the Transmission System or to increase the capacity of existing Merchant Transmission Facilities interconnected with the Transmission System in the PJM Region.

1.45F Transmission Owner:

Each entity that owns, leases or otherwise has a possessory interest in facilities used for the transmission of electric energy in interstate commerce under the Tariff. The Transmission Owners are listed in Attachment L.

1.45G Transmission Owner Attachment Facilities:

That portion of the Transmission Owner Interconnection Facilities comprised of all Attachment Facilities on the Interconnected Transmission Owner's side of the Point of Interconnection.

1.45H Transmission Owner Interconnection Facilities:

All Interconnection Facilities that are not Customer Interconnection Facilities and that, after the transfer under Section 5.5 of Appendix 2 to Attachment P of the PJM Tariff to the Interconnected Transmission Owner of title to any Transmission Owner Interconnection Facilities that the Interconnection Customer constructed, are owned, controlled, operated and maintained by the Interconnected Transmission Owner on the Interconnected Transmission Owner's side of the Point of Interconnection identified in appendices to the Interconnection Service Agreement and to the Interconnection Construction Service Agreement, including any modifications, additions or upgrades made to such facilities and equipment, that are necessary to physically and electrically interconnect the Customer Facility with the Transmission System or interconnected distribution facilities.

1.45I Transmission Owner Upgrade:

"Transmission Owner Upgrade" shall have the same meaning provided in the Operating Agreement.

1.46 Transmission Provider:

The Transmission Provider shall be the Office of the Interconnection for all purposes, provided that the Transmission Owners will have the responsibility for the following specified activities:

- (a) The Office of the Interconnection shall direct the operation and coordinate the maintenance of the Transmission System, except that the Transmission Owners will continue to direct the operation and maintenance of those transmission facilities that are not listed in the PJM Designated Facilities List contained in the PJM Manual on Transmission Operations;

(b) Each Transmission Owner shall physically operate and maintain all of the facilities that it owns; and

(c) When studies conducted by the Office of the Interconnection indicate that enhancements or modifications to the Transmission System are necessary, the Transmission Owners shall have the responsibility, in accordance with the applicable terms of the Tariff, Operating Agreement and/or the Consolidated Transmission Owners Agreement to construct, own, and finance the needed facilities or enhancements or modifications to facilities.

1.47 Transmission Provider’s Monthly Transmission System Peak:

The maximum firm usage of the Transmission Provider’s Transmission System in a calendar month.

1.48 Transmission Service:

Point-To-Point Transmission Service provided under Part II of the Tariff on a firm and non-firm basis.

1.48A Transmission Service Request:

A request for Firm Point-To-Point Transmission Service or a request for Network Integration Transmission Service.

1.49 Transmission System:

The facilities controlled or operated by the Transmission Provider within the PJM Region that are used to provide transmission service under Part II and Part III of the Tariff.

1.49A Transmission Withdrawal Rights:

Firm Transmission Withdrawal Rights and Non-Firm Transmission Withdrawal Rights.

1.49A.01 Upgrade Construction Service Agreement:

That agreement entered into by an Eligible Customer, Upgrade Customer or Interconnection Customer proposing New Service Customer (other than an Interconnection Customer whose project includes generation capability or Merchant Transmission Facilities other than Merchant Network Upgrades), a Transmission Owner, and the Transmission Provider, pursuant to Subpart B of Part VI of the Tariff, and in the form set forth in Attachment GG of the Tariff.

1.49A.02 Upgrade Customer:

A customer that submits an Upgrade Request pursuant to Section 7.8 of Schedule 1 of the Operating Agreement.

1.49A.03 Upgrade-Related Rights:

Incremental Auction Revenue Rights, Incremental Available Transfer Capability Revenue Rights, Incremental Deliverability Rights, and Incremental Capacity Transfer Rights (as defined in Section 2.35 of Attachment DD of the Tariff).

1.49A.04 Upgrade Request:

A request ~~pursuant to Section 7.8 of Schedule 1 of the Operating Agreement~~, submitted in the form prescribed in Attachment EE of the Tariff, for evaluation by the Transmission Provider of the feasibility and estimated costs of; (a) a ~~Merchant Network particular proposed Customer-Funded~~ Upgrade or (b) the Customer-Funded Upgrades that would be needed to provide the Incremental ~~the Incremented~~ Auction Revenue Rights specified in a the request pursuant to Section 7.8 of Schedule 1 of the Operating Agreement.

1.49B [RESERVED]

1.49C [RESERVED]

1.49D [RESERVED]

1.49E [RESERVED]

1.49F [RESERVED]

Revisions to Part IV Section 36.1

36.1 General:

Generation Interconnection Requests and Transmission Interconnection Requests shall be governed by this Section 36.

36.1.01 Generation Interconnection Request:

Except as otherwise provided in this Subpart A with respect to Behind The Meter Generation, an Interconnection Customer that seeks to interconnect new generation in, or to increase the capacity of generation already interconnected in, the PJM Region shall submit to the Transmission Provider a Generation Interconnection Request. A Generation Interconnection Request shall include: (i) the location of the proposed generating unit site or existing generating unit; (ii) evidence of an ownership interest in, or right to acquire or control the generating unit site, such as a deed, option agreement, lease, or other similar document acceptable to the Transmission Provider; (iii) the size of the proposed generating unit or the amount of increase in capacity of an existing generating unit; (iv) a description of the equipment configuration and if the generating unit is a wind generation facility, a set of preliminary electrical design specifications depicting the wind plant as a single equivalent generator; (v) the planned date the proposed generating unit or increase in capacity of an existing generating unit will be in service, such date to be no more than seven years from the date the request is received by the Transmission Provider unless the Generation Interconnection Customer demonstrates that engineering, permitting, and construction of the generating unit or increase in capacity will take more than seven years; and (vi) any additional information as may be prescribed by the Transmission Provider in the PJM Manuals; (vii) an executed Generation Interconnection Feasibility Study Agreement, a form of which is contained in Attachment N, pursuant to which the Generation Interconnection Customer agrees to reimburse the Transmission Provider for the cost of the Generation Interconnection Feasibility Study; (viii) an initial deposit of \$100 for each MW requested if the Generation Interconnection Request is received in the first four calendar months of the current New Services Queue; an initial deposit in the amount of \$150 for each MW requested if the Generation Interconnection Request is received in the fifth calendar month of the current New Services Queue; or an initial deposit in the amount of \$200 for each MW requested, if the Generation Interconnection Request is received in the sixth calendar month of the current New Services Queue; provided, however, that the maximum initial deposit for a Generation Interconnection Request will be \$100,000 regardless of both the size and timing of such request; and (ix) a base non-refundable deposit of \$10,000, if the Generation Interconnection Request is received in the first four calendar months of the current New Services Queue; a base non-refundable deposit of \$20,000 if the Generation Interconnection Request is received in the fifth calendar month of the current New Services Queue; or a base non-refundable deposit of \$30,000, if the Generation Interconnection Request is received in the sixth calendar month of the current New Services Queue.

The base and initial deposit will be credited toward the amount of the Generation Interconnection Customer's cost responsibility for the Generation Interconnection Feasibility Study. Upon completion of the Feasibility Study, the Transmission Provider will return any unused refundable deposit monies to Interconnection Customer. Any remaining non-refundable deposit monies will be credited toward the Interconnection Customer's cost responsibility for any other studies

conducted for that Interconnection Request under Part VI of the Tariff, which will be applied prior to the deposit monies collected for that other study. If any non-refundable deposit monies remain after all studies are complete, such monies will be returned to a Generation Interconnection Customer upon Initial Operation, or to a Transmission Interconnection Customer upon energization of completed facilities as provided in Attachment GG, Appendix III, Section 20 of the Tariff. The Transmission Provider shall maintain on the Transmission Provider's website a list of all Generation Interconnection Requests that identifies (A) the proposed maximum summer and winter megawatt electrical output; (B) the location of the generation by county and state; (C) the station or transmission line or lines where the interconnection will be made; (D) the facility's projected date of Initial Operation; (E) the status of the Generation Interconnection Request, including its Queue Position; (F) the type of Generation Interconnection Service requested; (G) the availability of any studies related to the Interconnection Request; (H) the date of the Generation Interconnection Request; (I) the type of Generating Facility to be constructed (combined cycle, base load or combustion turbine and fuel type); and (J) for each Generation Interconnection Request that has not resulted in a completed interconnection, an explanation of why it was not completed. This list will not disclose the identity of the Generation Interconnection Customer, except as otherwise provided in Part IV of the Tariff. The list and the priority of Generation Interconnection Requests shall be included on the website as part of the New Services Queue.

36.1.02 Generation Interconnection Requests of 20 Megawatts or Less:

The Transmission Provider has developed streamlined processes for Generation Interconnection Requests involving new generation resources of 20 MW or less and increases in the capacity of a generating unit by 20 MW or less over any consecutive 24-month period. The processes for Generation Interconnection Requests involving increases in capacity by 20 MW or less are set forth in Subpart G of Part IV of the Tariff and the PJM Manuals.

36.1.03 Transmission Interconnection Request:

An Interconnection Customer that seeks to interconnect or add Merchant Transmission Facilities to the Transmission System, or to increase the capacity of existing Merchant Transmission Facilities interconnected with the Transmission System, ~~or to advance the construction of any transmission enhancement or expansion other than Merchant Transmission Facilities that is included in the Regional Transmission Expansion Plan prepared pursuant to Schedule 6 of the Operating Agreement,~~ shall submit to the Transmission Provider a Transmission Interconnection Request. A Transmission Interconnection Request shall include: (i) the location of the proposed Merchant Transmission Facilities and of the substation(s) or other location(s) where the Transmission Interconnection Customer proposes to interconnect or add its Merchant Transmission Facilities to the Transmission System; (ii) a description of the proposed Merchant Transmission Facilities; (iii) the nominal capability or increase in capability (in megawatts) of the proposed Merchant Transmission Facilities ~~or planned increase in the capability of the existing facilities on which any proposed Merchant Network Upgrades would be installed;~~ (iv) the planned date the proposed Merchant Transmission Facilities will be in service, such date to be no more than seven years from the date the request is received by the Transmission Provider, unless the Transmission Interconnection Customer demonstrates that engineering,

permitting, and construction of the Merchant Transmission Facilities will take more than seven years; (v) if the request relates to proposed Merchant D.C. Transmission Facilities and/or Controllable A.C. Merchant Transmission Facilities that will interconnect with the Transmission System and with another control area outside the PJM Region, the Transmission Interconnection Customer's election to receive either (a) Transmission Injection Rights and/or Transmission Withdrawal Rights, or (b) Incremental Deliverability Rights, Incremental Auction Revenue Rights, Incremental Capacity Transfer Rights, and Incremental Available Transfer Capability Revenue Rights, associated with the capability of the proposed Merchant D.C. Transmission Facilities and/or Controllable A.C. Merchant Transmission Facilities; (vi) if the Transmission Interconnection Customer will be eligible to receive Incremental Deliverability Rights under Section 235 of the Tariff, identification of the point on the Transmission System where the Transmission Interconnection Customer wishes to receive Incremental Deliverability Rights created by the construction or installation of its proposed Merchant Transmission Facilities; (vii) any additional information as may be prescribed by the Transmission Provider in the PJM Manuals; (viii) an executed Transmission Interconnection Feasibility Study Agreement, a form of which is contained in Attachment S, pursuant to which the Transmission Interconnection Customer agrees to reimburse the Transmission Provider for the cost of the Transmission Interconnection Feasibility Study; and (ix) an initial deposit in the amount of \$100 for each MW requested if the Transmission Interconnection Request is received in the first four calendar months of the current New Services Queue; an initial deposit in the amount of \$150 for each MW requested if the Transmission Interconnection Request is received within the fifth calendar month of the current New Services Queue; or an initial deposit in the amount of \$200 for each MW requested, if the Transmission Interconnection Request is received within the sixth calendar month of the current New Services Queue; provided, however, that the maximum initial deposit for a Transmission Interconnection Request will be \$100,000 regardless of both size and timing of such request; and (x) a base non-refundable deposit in the amount of \$10,000, if the Transmission Interconnection Request is received within the first four calendar months of the date of the beginning of the current New Services Queue; a base non-refundable deposit in the amount of \$20,000 if the Transmission Interconnection Request is received within the fifth calendar month of the current New Services Queue; or a base non-refundable deposit in the amount of \$30,000, if the Transmission Interconnection Request is received within the sixth calendar month of the current New Services Queue.

The base and initial deposit will be credited toward the amount of the Transmission Interconnection Customer's cost responsibility for the Transmission Interconnection Feasibility Study and other studies conducted under Part IV or Part VI of the Tariff. The Transmission Provider shall maintain on the Transmission Provider's [website OASIS](#) a list of all Transmission Interconnection Requests that identifies (A) in megawatts the potential nominal capability or increase in capability; (B) the location of the Merchant Transmission Facilities by county and state; (C) the station or transmission line or lines where the interconnection will be made; (D) the facility's projected date of Initial Operation; (E) the status of the Transmission Interconnection Request, including its Queue Position; (F) the availability of any studies related to the Interconnection Request; (G) the date of the Transmission Interconnection Request; (H) the type of Merchant Transmission Facilities to be constructed; and (I) for each Transmission Interconnection Request that has not resulted in a completed interconnection, an explanation of why it was not completed. This list will not disclose the identity of the Transmission

Interconnection Customer, except as otherwise provided in Part IV or Part VI of the Tariff. The list and the priority of Transmission Interconnection Requests shall be included on the [website OASIS](#) as a part of the New Services Queue.

Within 30 days of submitting its Interconnection Request, Transmission Interconnection Customer shall provide evidence that it has submitted a valid interconnection request with the adjacent Control Area(s) in which it is interconnecting, if applicable. Transmission Interconnection Customer shall maintain its queue position(s) with such adjacent Control Area(s) throughout the entire PJM interconnection process.

36.1.03A Transmission Interconnection Customers Requesting Merchant Network Upgrades

Notwithstanding Section 36.1.03, an Interconnection Customer that proposes Merchant Network Upgrades (including advancing pursuant to Section 220 or accelerating the construction of any transmission enhancement or expansion, other than Merchant Transmission Facilities, that is included in the Regional Transmission Expansion Plan prepared pursuant to Schedule 6 of the Operating Agreement) shall submit an Upgrade Request, with the required information and the required deposit for a System Impact Study, as set forth in Attachment EE.

36.1.1 Interconnection Services for Generation:

Generation Interconnection Customers may request either of two forms of Interconnection Service, i.e., interconnection as a Capacity Resource or as an Energy Resource. Energy Resource status allows the generator to participate in the PJM Interchange Energy Market pursuant to the PJM Operating Agreement. Capacity Resource status allows the generator to participate in the PJM Interchange Energy Market to be utilized by load-serving entities in the PJM Region to meet capacity obligations imposed under the Reliability Assurance Agreement and/or to be designated as a Network Resource under Part III. Capacity Resources also may participate in Reliability Pricing Model Auctions and in Ancillary Services markets pursuant to the PJM Tariff or the Operating Agreement. Capacity Resource status is based on providing sufficient transmission capability to ensure deliverability of generator output to the aggregate PJM Network Load and to satisfy the contingency criteria in the Applicable Standards. Specific tests performed during the Generation Interconnection Feasibility Study and later System Impact Study will identify those upgrades required to satisfy the contingency criteria applicable at the generator's location.

Consistent with Section 1.7.4(i) of Schedule 1 to the Operating Agreement, to the extent its generating facility is dispatchable, an Interconnection Customer shall submit an Economic Minimum in the real-time market that is no greater than the higher of its physical operating minimum or its Capacity Interconnection Rights.

36.1.2 No Applicability to Transmission Service:

Nothing in this Part IV shall constitute a request for transmission service, or confer upon an Interconnection Customer any right to receive transmission service, under Part II or Part III.

36.1.3 Acknowledgement of Interconnection Request:

The Transmission Provider shall acknowledge receipt of the Interconnection Request (electronically when available to all parties, otherwise written) within five (5) business days after receipt of the request and shall attach a copy of the received Interconnection Request to the acknowledgement.

36.1.4 Deficiencies in Interconnection Request:

An Interconnection Request will not be considered a valid request if Interconnection Customer has failed to pay any outstanding invoices related to prior Interconnection Requests by the Interconnection Customer and until all information required under Section 36.1 has been received by the Transmission Provider. If an Interconnection Request fails to meet the requirements set forth in Section 36.1, except as provided below regarding the deposit, or is in arrears as described above, the Transmission Provider shall so notify the Interconnection Customer (electronically when available to all parties, otherwise written) within five (5) business days of receipt of the initial Interconnection Request. Such notice shall explain that the Interconnection Request does not constitute a valid request and the reasons for such failure to meet the applicable requirements. Interconnection Customer shall provide the additional information that Transmission Provider's notice identifies as needed to constitute a valid request and shall make any payments on any outstanding invoices within ten (10) business days after receipt of such notice. Upon timely correction of the deficiency, the Interconnection Request shall be assigned a Queue Position under Section 201 as of the date that Transmission Provider first received the request. In the event the Interconnection Customer fails to provide the further information and make payments on any outstanding invoices required by Transmission Provider's deficiency notice under this Section 36.1.4, its Interconnection Request shall be deemed to be terminated and withdrawn. Notwithstanding the above, the Interconnection Customer must submit its deposit at the time it submits its Interconnection Request. Failure to do so will result in rejection of the Interconnection Request.

36.1.5 Scoping Meeting:

The following provision shall apply to Interconnection Requests submitted prior to May 1, 2012:

Transmission Provider shall provide each Interconnection Customer with an opportunity for a scoping meeting among the Transmission Provider, the prospective Interconnected Transmission Owner and the Interconnection Customer. The purpose of the scoping meeting will be to identify one alternative Point(s) of Interconnection and configurations to evaluate in the Interconnection Studies and to attempt to select the best alternatives in a reasonable fashion given resources and information available. The Interconnection Customer may select a maximum of two Point(s) of Interconnection to be studied during the Interconnection Feasibility Study, a primary and

secondary Point of Interconnection may be selected by the Interconnection Customer. After receipt of a valid Interconnection Request, Transmission Provider shall offer to arrange, within seven business days, for the scoping meeting, and shall provide a minimum of three suggested meeting dates and times for the scoping meeting. The scoping meeting shall be held, or waived by mutual agreement of the parties within 45 days after receipt of a valid Interconnection Request, if the Interconnection Request is received in the first calendar month of the current New Services Queue; or within 30 days if the Interconnection Request is received within the second calendar month of the current New Services Queue; or in 20 days if the Interconnection Request is received in the third calendar month of the date of the beginning of the current New Services Queue. The Interconnection Customer may choose to divide the scoping meeting into two sessions, one between the Transmission Provider and Interconnection Customer and one among Transmission Provider, the Interconnection Customer and the prospective Interconnected Transmission Owner. Such meetings may be held consecutively on the same day. Scoping meetings may be held in person or by telephone or video conference. In the event the Interconnection Customer fails to waive or complete the scoping meeting requirement, its Interconnection Request shall be deemed to be terminated and withdrawn.

The following provision shall apply to Interconnection Requests submitted on or after May 1, 2012:

Transmission Provider shall provide each Interconnection Customer with an opportunity for a scoping meeting among the Transmission Provider, the prospective Interconnected Transmission Owner and the Interconnection Customer. The purpose of the scoping meeting will be to identify one alternative Point(s) of Interconnection and configurations to evaluate in the Interconnection Studies and to attempt to select the best alternatives in a reasonable fashion given resources and information available. The Interconnection Customer may select a maximum of two Point(s) of Interconnection to be studied during the Interconnection Feasibility Study, a primary and secondary Point of Interconnection may be selected by the Interconnection Customer. After receipt of a valid Interconnection Request, Transmission Provider shall offer to arrange, within seven business days, for the scoping meeting, and shall provide a minimum of three suggested meeting dates and times for the scoping meeting. The scoping meeting shall be held, or waived by mutual agreement of the parties within 45 days after receipt of a valid Interconnection Request, if the Interconnection Request is received in the first four calendar months of the current New Services Queue; or within 30 days if the Interconnection Request is received within the fifth calendar month of the current New Services Queue; or in 20 days if the Interconnection Request is received in the sixth calendar month of the date of the beginning of the current New Services Queue. The Interconnection Customer may choose to divide the scoping meeting into two sessions, one between the Transmission Provider and Interconnection Customer and one among Transmission Provider, the Interconnection Customer and the prospective Interconnected Transmission Owner. Such meetings may be held consecutively on the same day. Scoping meetings may be held in person or by telephone or video conference. In the event the Interconnection Customer fails to waive or complete the scoping meeting requirement, its Interconnection Request shall be deemed to be terminated and withdrawn.

36.1.6 Coordination with Affected Systems:

The Transmission Provider will coordinate with Affected System Operators the conduct of any required studies in accordance with Section 202.

36.1.7 Base Case Data:

Transmission Provider shall provide Interconnection Customer with base power flow, short circuit and stability databases, including all underlying assumptions, and contingency list upon request and subject to the confidentiality provisions of Section 223 of the Tariff. Transmission Provider may require Interconnection Customer to sign a confidentiality agreement before the release of commercially sensitive information or Critical Energy Infrastructure Information in the Base Case data. Such databases and lists, hereinafter referred to as Base Cases, shall include all (i) generation projects and (ii) transmission projects, including merchant transmission projects, that are included in the then-current, approved Regional Transmission Expansion Plan.

Revisions to Part VI Tariff Sections:

- 204.1 – Completed Applications
- 204.2 – Upgrade Requests pursuant to Section 7.8 Schedule 1 of Operating Agreement
- 205.2 – Scope of Studies
- 207.0 – Facility Study Procedures
- 212.4 – Security
- 231.1 – Right of New Service Customer to Incremental Auction Revenue Rights

204.1 Completed Applications:

After completing an Initial Study regarding a Completed Application for new transmission service, the Transmission Provider shall determine on a non-discriminatory basis whether a System Impact Study is required to accommodate the requested transmission service. If the Transmission Provider determines that a System Impact Study is necessary to accommodate the requested service, it shall so inform the Eligible Customer as soon as practicable. In such cases, the Transmission Provider shall, upon completion of the Initial Study, tender a System Impact Study Agreement pursuant to which the Eligible Customer shall agree to reimburse the Transmission Provider for the required System Impact Study. For a Completed Application to retain its Queue Position, the Eligible Customer (i) shall execute the System Impact Study Agreement and return it to the Transmission Provider within thirty (30) days, and (ii) shall pay the Transmission Provider a \$50,000 deposit which will be applied to the Eligible Interconnection Customer's study cost responsibility. If the Eligible Customer elects not to execute the System Impact Study Agreement, its Completed Application shall be deemed terminated and withdrawn, and its deposit provided pursuant to Section 17.3 shall be returned, with interest.

204.2 Upgrade Requests:

204.2.1 Upgrade Requests pursuant to Section 7.8 of Schedule 1 of the Operating Agreement

After receiving an Upgrade Request pursuant to Section 7.8 of Schedule 1 of the Operating Agreement, the Transmission Provider shall determine on a non-discriminatory basis whether a System Impact Study is required to evaluate the request. If the Transmission Provider determines that a System Impact Study is necessary, it shall so inform the Upgrade Customer as soon as practicable. In such cases, the Transmission Provider shall, within thirty (30) days of receipt of a valid and complete Upgrade Request, tender a System Impact Study Agreement pursuant to which the Upgrade Customer shall agree to reimburse the Transmission Provider for the required System Impact Study. For an Upgrade Request to retain its Queue Position, the Upgrade Customer (i) shall execute the System Impact Study Agreement and return it to the Transmission Provider within thirty (30) days, and (ii) ~~shall pay~~ the Transmission Provider shall apply the -a \$50,000 deposit supplied with the Upgrade Request towards the Upgrade which will be applied to the Interconnection Customer's study cost responsibility. If the Upgrade Customer elects not to execute the System Impact Study Agreement, its Upgrade Request shall be deemed terminated and withdrawn.

204.2.2 Upgrade Requests for Merchant Network Upgrades

After receiving an Upgrade Request for a Merchant Network Upgrade, the Transmission Provider shall acknowledge receipt of the Upgrade Request, pursuant to Section 204.2.2.1. The Transmission Provider shall determine whether the Upgrade Request includes: (i) the substation or transmission line or lines where the upgrade(s) will be made; (ii) the nominal capability or increase in capability (in MW or MVA) of the proposed Merchant Network Upgrade; and (iii) the planned date the proposed Merchant Network Upgrade will be in service, such date to be no more than seven (7) years from the date the request is received by the Transmission Provider, unless the Interconnection Customer demonstrates that engineering, permitting, and construction of the Merchant Network Upgrade will take more than seven (7) years.

The Transmission Provider shall maintain on the Transmission Provider's website a list of all Upgrade Requests that identifies (A) in megawatts the potential nominal capability or increase in capability; (B) the station or transmission line or lines where the upgrade(s) will be made; (C) the proposed in-service date; (D) the status of the Upgrade Request, including its Queue Position; (E) the availability of any studies related to the Upgrade Request; (F) the date of the Upgrade Request; and (G) for each Upgrade Request that has not resulted in a completed upgrade, an explanation of why it was not completed. This list will not disclose the identity of the Interconnection Customer, except as otherwise provided in Part VI of the Tariff. The list and the priority of Upgrade Requests shall be included on the website as part of the New Services Queue.

204.2.2.1 Acknowledgement of Upgrade Request for Merchant Network Upgrades

The Transmission Provider shall acknowledge receipt (electronically when available to all parties, otherwise written) of the Upgrade Request within five (5) business days after receipt of the request and shall attach a copy of the received Upgrade Request to the acknowledgement.

204.2.2.2 Deficiencies in Upgrade Request for Merchant Network Upgrades

An Upgrade Request will not be considered a valid request if Interconnection Customer has failed to pay any outstanding invoices related to prior Queue Requests submitted pursuant to Part IV or VI by the Interconnection Customer and until all information required under Attachment EE is able to be studied by the Transmission Provider. If an Upgrade Request fails to meet the requirements, except as provided below regarding the deposit, or is in arrears as described above, the Transmission Provider shall so notify the Interconnection Customer (electronically when available to all parties, otherwise written) within five (5) business days of receipt of the initial Upgrade Request. Such notice shall explain that the Upgrade Request does not constitute a valid request and the reasons for such failure to meet the applicable requirements. Interconnection Customer shall provide the additional information that the Transmission Provider's notice identifies as needed to constitute a valid request and shall make any payments on any outstanding invoices within ten (10) business days after receipt of such notice. Upon timely correction of the deficiency, the Upgrade Request shall be assigned a Queue Position under Section 201 as of the date that the Transmission Provider first received the request. In the event the Interconnection Customer fails to provide the further information and make payments on any outstanding invoices required by the Transmission Provider's deficiency notice under this Section 204.2.2.2, its Upgrade Request shall be deemed to be terminated and withdrawn. Notwithstanding the above, the Interconnection Customer must submit its deposit at the time it submits its Upgrade Request. Failure to do so will result in rejection of the Upgrade Request.

204.2.2.3 Scoping Meeting

Transmission Provider shall provide each Interconnection Customer proposing Merchant Network Upgrades with an opportunity for a scoping meeting among the Transmission Provider, the prospective Interconnected Transmission Owner(s) and the Interconnection Customer. The purpose of the scoping meeting will be to confirm all parties' understanding of the proposed Upgrade Request and confirm the expectation for project completion or, if for acceleration of a Regional Transmission Expansion Plan Network Upgrade, the feasibility of the acceleration. After receipt of a valid Upgrade Request proposing Merchant Network Upgrades, the Transmission Provider shall offer to arrange for the scoping meeting, and shall provide a minimum of three (3) suggested meeting dates and times for the scoping meeting. The scoping meeting shall be held, or waived by mutual agreement of the parties within forty-five (45) days after receipt of a valid Upgrade Request, if the Upgrade Request is received in the first four calendar months of the current New Services Queue; or within thirty (30) days if the Upgrade Request is received within the fifth calendar month of the current New Services Queue; or within twenty (20) days if the Upgrade Request is received in the sixth calendar month of the date of the beginning of the current New Services Queue. The Interconnection Customer may choose to

divide the scoping meeting into two sessions, one between the Transmission Provider and Interconnection Customer and one among the Transmission Provider, the Interconnection Customer and the prospective Interconnected Transmission Owner. Such meetings may be held consecutively on the same day. Scoping meetings may be held in person, by telephone or video conference. In the event the Interconnection Customer fails to waive or complete the scoping meeting requirement, its Upgrade Request shall be deemed terminated or withdrawn. Interconnection Customer may reduce its Upgrade Request within ten (10) business days after the scoping meeting. Any reduction made within this ten (10) business day period shall not be a Material Modification; however, the reduction may not result in the project's MW capability being equal to or less than zero.

204.2.2.4 Coordination with Affected Systems

Section 36.1.6 shall apply to Upgrade Requests for Merchant Network Upgrades.

204.2.2.5 Base Case Data

Section 36.1.7 shall apply to Upgrade Requests for Merchant Network Upgrades.

204.2.2.6 System Impact Study Agreement

Upon the Transmission Provider assigning the Upgrade Request a Queue Position per Section 204.2.2 and, if required, completing a scoping meeting per Section 204.2.2.3, Transmission Provider shall tender a System Impact Study Agreement. For an Upgrade Request to retain its Queue Position, the Interconnection Customer (i) shall execute the System Impact Study Agreement and return it to the Transmission Provider within thirty (30) days, and (ii) the \$50,000 deposit provided with Attachment EE will be applied to the Interconnection Customer's study cost responsibility. If the Interconnection Customer elects not to execute the System Impact Study Agreement, its Upgrade Request shall be deemed terminated and withdrawn. Any remaining Attachment EE deposit will be refunded.

204.2.2.7 Modifications of Upgrade Requests for Merchant Network Upgrades After the System Impact Study Agreement, but Prior to Executing an Upgrade Construction Service Agreement

After the System Impact Study Agreement is executed and prior to execution of the Upgrade Construction Service Agreement, an Interconnection Customer proposing Merchant Network Upgrades may modify its project to reduce the size of the project as provided in Section 36.2A.2.

205.2 Scope of Studies:

The System Impact Study is a comprehensive regional analysis of the effect of adding to the Transmission System the new facilities and services contemporaneously proposed by New Service Customers and an evaluation of their impact on deliverability to the aggregate of PJM Network Load. The System Impact Study identifies the system constraints, identified with specificity by transmission element or flowgate, relating to each proposed new project and service included therein and the Attachment Facilities, Merchant Network Upgrades, Direct Assignment Facilities, Local Upgrades, and/or Network Upgrades required to accommodate such projects. The System Impact Study provides refined and comprehensive estimates of cost responsibility and construction lead times for new facilities and system upgrades. The Transmission Provider, in its sole discretion, may determine to evaluate in the same System Impact Study two or more New Service Requests relating to interconnections, Upgrade Requests, or proposed new transmission services where the associated increases in service or capability are in electrical proximity to each other. Each System Impact Study shall identify the system constraints, identified with specificity by transmission element or flowgate, relating to the New Service Requests being evaluated in the study and, as applicable to each included request, the redispatch options, additional Direct Assignment Facilities, necessary Merchant Network Upgrades, Attachment Facilities, Local Upgrades, and/or Network Upgrades necessary to accommodate such request. The System Impact Study shall refine and more comprehensively estimate each New Service Customer's cost responsibility (determined in accordance with Section 217 of the Tariff) for necessary facilities and upgrades than the estimates provided in the Interconnection Feasibility Study or the Initial Study, if applicable. In the event that more than one New Service Request is evaluated in a study, the Transmission Provider may provide a series of estimates to each participating New Service Customer to reflect the customer's estimated cost responsibility based on varying assumptions regarding the number of New Service Customers that decide to continue their New Service Requests after completion of the System Impact Study. A description of the Transmission Provider's methodology for completing a System Impact Study for Completed Applications is provided in Attachment D of the Tariff. If applicable, the System Impact Study for a Transmission Interconnection Customer shall also include a preliminary estimate of the Incremental Deliverability Rights associated with the customer's proposed Merchant Transmission Facilities.

207 Facilities Study Procedures:

The Transmission Provider will conduct Facilities Studies relating to the New Service Requests that were evaluated in the corresponding System Impact Studies, to the extent such New Service Requests have not been terminated and withdrawn. ~~The With respect to Interconnection Requests, the~~ Transmission Provider shall use Reasonable Efforts to complete the Facilities Study and issue it to an ~~New Service Interconnection~~ Customer within 180 days after receipt of an executed Facilities Study Agreement. If Transmission Provider determines that it will not meet the 180 day time frame for completing the Facilities Study, Transmission Provider shall notify ~~New Service Interconnection~~ Customer as to the scheduled status of the Facilities Study. If Transmission Provider is unable to complete the Facilities Study and issue a Facilities Study within 180 days, it shall notify ~~New Service Interconnection~~ Customer and provide an estimated completion date and an explanation of the reasons why additional time is required. When completed, the Facilities Studies will include, commensurate with the degree of engineering specificity on which the New Service Customer and Transmission Provider mutually agree as provided in the Facilities Study Agreement, good faith estimates of the cost, determined in accordance with Section 217 of the Tariff, (a) to be charged to each affected New Service Customer for the (i) Attachment Facilities, Merchant Network Upgrades or Direct Assignment Facilities, and (ii) the Local Upgrades and/or Network Upgrades that are necessary to accommodate each New Service Request evaluated in the study; (b) the time required to complete detailed design and construction of the facilities and upgrades; and (c) a description of any site-specific environmental issues or requirements that could reasonably be anticipated to affect the cost or time required to complete construction of such facilities and upgrades. The Facilities Study will document the engineering design work necessary to begin construction of any required transmission facilities, including estimating the costs of the equipment, engineering, procurement and construction work needed to implement the conclusions of the System Impact Study in accordance with Good Utility Practice and, when applicable, identifying the electrical switching configuration of the connection equipment, including without limitation: the transformer, switchgear, meters, and other station equipment; and the nature and estimated costs of Attachment Facilities, Merchant Network Upgrades, Direct Assignment Facilities, Local Upgrades and/or Network Upgrades necessary to accommodate the New Service Request.

212.4 Retaining Priority and Security:

(a) **Retaining Priority:** To retain the assigned Queue Position of its Interconnection Request pursuant to Section 201, within sixty (60) days after receipt of the Facilities Study (or, if no Facilities Study was required, after receipt of the System Impact Study), the Interconnection Customer must execute and return the tendered Interconnection Service Agreement to the Transmission Provider or, alternatively, request (i) dispute resolution under Section 12 of the Tariff or, if concerning the Regional Transmission Expansion Plan, consistent with Schedule 5 of the Operating Agreement, or (ii) that the Interconnection Service Agreement be filed unexecuted with the Commission. In addition, to retain the assigned priority, within sixty (60) days after receipt of the Facilities Study (or, if no Facilities Study was required, after receipt of the System Impact Study), the Interconnection Customer must have met the milestones specified in Section 212.5.

(b) **Security:** (1) At the time the Interconnection Customer executes and returns to the Transmission Provider the Interconnection Service Agreement (or requests dispute resolution or that it be filed unexecuted), the Interconnection Customer also shall, unless otherwise deferred as set forth in subsection (c) below, provide the Transmission Provider (for the benefit of the affected Transmission Owner(s)) with a letter of credit or other reasonable form of security acceptable to the Transmission Provider that names the Transmission Provider as beneficiary and is in an amount equivalent to the sum of the estimated costs determined by the Transmission Provider of (i) the required Non-Direct Connection Local Upgrades and Non-Direct Connection Network Upgrades, (ii) any ~~Merchant~~-Network Upgrades that the Interconnected Transmission Owner will be responsible for constructing (including with respect to both items (i) and (ii) required upgrades for which another Interconnection Customer also has cost responsibility pursuant to Section 217), and either (iii) the estimated cost of the work that the Transmission Owner will be responsible for performing on the required Attachment Facilities, Direct Connection Local Upgrades, and Direct Connection Network Upgrades that are scheduled to be completed during the first three months after such work commences, or (iv) in the event that the Interconnection Customer exercises the Option to Build pursuant to Section 3.2.3.1 of Appendix 2 of the form of Interconnection Construction Service Agreement (set forth in Attachment P to the Tariff), all Cancellation Costs and the first three months of estimated Transmission Owner's Costs associated with the Interconnection Customer's building Attachment Facilities, Direct Connection Local Upgrades, and/or Direct Connection Network Upgrades, including but not limited to Costs for tie-in work, consistent with commercial practices as established by the Uniform Commercial Code. Provided, however, such Transmission Owner Costs may include oversight costs (i.e. costs incurred by the Transmission Owner when engaging in oversight activities to satisfy itself that the Interconnection Customer is complying with the Transmission Owner's standards and specifications for the construction of facilities) only if the Transmission Owner and the Interconnection Customer mutually agree to the inclusion of such costs under the Option to Build pursuant to the provisions of Section 3.2.3.1 of Appendix 2 of the form of Interconnection Construction Service Agreement (set forth in Attachment P of the Tariff). Notwithstanding the foregoing, for projects that are estimated to require three months or less to construct, the sum of such security and the payment for the first quarterly invoice for the project shall not exceed an amount equal to 125% of the total estimated cost of construction. The Transmission Provider shall provide the affected Transmission Owner(s) with a copy of the letter

of credit or other form of security. After execution of the Interconnection Service Agreement, the amount of security required may be adjusted from time to time in accordance with Section 11.2.1 of Appendix 2 of the Interconnection Service Agreement.

(2) Transmission Provider shall invoice Interconnection Customer for work by the Interconnected Transmission Owner on a quarterly basis for the costs to be expended in the subsequent three months. Interconnection Customer shall pay invoiced amounts within twenty (20) days of receipt of the invoice. Interconnection Customer may request in the Interconnection Service Agreement that the Transmission Provider provide a quarterly cost reconciliation. Such a quarterly cost reconciliation will have a one-quarter lag, e.g., reconciliation of costs for the first calendar quarter of work will be provided at the start of the third calendar quarter of work, provided, however, that Section 11.2.3 of Appendix 2 of the Interconnection Service Agreement shall govern the timing of the final cost reconciliation upon completion of the work.

(3) Transmission Provider shall hold the security related to construction of Attachment Facilities until settlement of the final invoice; security related to construction of Local Upgrades and/or Network Upgrades may be reduced as construction progresses.

(c) **Deferred Security:** Interconnection Customer may request to defer providing security under subsection (b) of this Section 212.4 until no later than 120 days after Interconnection Customer executes the Interconnection Service Agreement. Upon Interconnection Customer's request to defer security, PJM shall determine if any other queued New Service Customer with a completed System Impact Study would require any Local Upgrade(s) and/or Network Upgrade(s) for which Interconnection Customer has cost responsibility under the Interconnection Service Agreement. Interconnection Customer may defer security only for Local Upgrade(s) and/or Network Upgrade(s) for which no other such queued New Service Customer may require, provided Interconnection Customer shall pay a deposit of at least \$200,000 or 125% of the estimated costs that will be incurred during the 120-day period, whichever is greater, to fund continued design work and/or procurement activities on such non-shared Local Upgrade(s) and/or Network Upgrade(s), with \$100,000 of such deposit being non-refundable. If the Interconnection Customer terminates the Interconnection Service Agreement or is otherwise withdrawn, any unused portion of the non-refundable deposit will be used to fund re-studies due to such termination or withdrawal. Any remaining deposit monies, refundable or non-refundable, will be returned to an Interconnection Customer upon Initial Operation.

(d) **Withdrawal:** If an Interconnection Customer fails to timely execute the Interconnection Service Agreement (or request dispute resolution or that the agreement be filed unexecuted), meet the milestones (unless extended) set forth in Section 212.5, or provide the security prescribed in this Section 212.4, its Interconnection Request shall be deemed terminated and withdrawn. In the event that a terminated and withdrawn Interconnection Request was included in a Facilities Study that evaluated more than one New Service Request, or in the event that a New Service Customer's participation in and cost responsibility for a Network Upgrade or Local Upgrade is terminated in accordance with Subpart C of Part VI of the Tariff, the Transmission Provider shall reevaluate the need for the facilities and upgrades indicated by the Facilities Study, shall re-determine the cost responsibility of each remaining New Service Customer for the necessary facilities and upgrades based on its assigned priority pursuant to Section 201, and shall

enter into an amended Interconnection Service Agreement with each remaining Interconnection Customer setting forth its revised cost obligation. In such event, if the amount of an Interconnection Customer's cost responsibility increases, the Interconnection Customer shall provide additional security pursuant to this Section 212.4.

231.1 Right of New Service Customer to Incremental Auction Revenue Rights:

A New Service Customer that (a) pursuant to Section 212.1, reimburses the Transmission Provider for the costs of, or (b) pursuant to its Construction Service Agreement undertakes responsibility for, constructing or completing Network Upgrades and/or Local Upgrades required to accommodate its New Service Request shall be entitled to receive the Incremental Auction Revenue Rights associated with such facilities and upgrades as determined in accordance with this Section 231. In addition, an Interconnection Customer that executes an ~~Interconnection Service Agreement or an Upgrade Construction Service Agreement for the interconnection of Merchant Network Upgrades Transmission Facilities with the Transmission System~~ shall be entitled to receive the Incremental Auction Revenue Rights ~~associated with such Merchant Transmission Facilities~~ as determined in accordance with this Section 231, ~~provided, H~~ however, ~~that~~ a Transmission Interconnection Customer that interconnects Merchant D.C. Transmission Facilities and/or Controllable A.C. Merchant Transmission Facilities with the Transmission System shall be entitled to Incremental Auction Revenue Rights associated with such Merchant D.C. Transmission Facilities and/or Controllable A.C. Merchant Transmission Facilities only if the Interconnection Customer has elected, pursuant to Section 36.1.03 of Part IV of the Tariff, to receive Incremental Auction Revenue Rights, Incremental Deliverability Rights, Incremental Capacity Transfer Rights, and Incremental Available Transfer Capability Revenue Rights in lieu of Transmission Injection Rights and/or Transmission Withdrawal Rights.

Revisions to Attachment O (Pro Forma ISA):

- Attachment O Pro Forma ISA
- Attachment O, Appendix 2
- Attachment O, Schedule G

**FORM OF
INTERCONNECTION SERVICE AGREEMENT**

**By and Among
PJM Interconnection, L.L.C.**

**And
[Name of Interconnection Customer]**

**And
[Name of Interconnected Transmission Owner]
(PJM Queue Position #__)**

- 1.0 Parties. This Interconnection Service Agreement (“ISA”) including the Specifications, Schedules and Appendices attached hereto and incorporated herein, is entered into by and between PJM Interconnection, L.L.C., the Regional Transmission Organization for the PJM Region (hereinafter “Transmission Provider” or “PJM”), _____ (“Interconnection Customer” [OPTIONAL: or “[short name]”]) and _____ (“Interconnected Transmission Owner” [OPTIONAL: or “[short name]”]). All capitalized terms herein shall have the meanings set forth in the appended definitions of such terms as stated in Part I of the PJM Open Access Transmission Tariff (“Tariff”). [Use as/when applicable: This ISA supersedes the _____ {insert details to identify the agreement being superseded, such as whether it is an Interim Interconnection Service Agreement, Interconnection Service Agreement, or Interconnection Agreement, the effective date of the agreement, the service agreement number designation, and the FERC docket number, if applicable, for the agreement being superseded.}]]
- 2.0 Authority. This ISA is entered into pursuant to Part VI of the Tariff. Interconnection Customer has requested an Interconnection Service Agreement under the Tariff, and Transmission Provider has determined that Interconnection Customer is eligible under the Tariff to obtain this ISA. The standard terms and conditions for interconnection as set forth in Appendix 2 to this ISA are hereby specifically incorporated as provisions of this ISA. Transmission Provider, Interconnected Transmission Owner and Interconnection Customer agree to and assume all of the rights and obligations of the Transmission Provider, Interconnected Transmission Owner and Interconnection Customer, respectively, as set forth in Appendix 2 to this ISA.
- 3.0 Customer Facility Specifications. Attached are Specifications for the Customer Facility that Interconnection Customer proposes to interconnect with the Transmission System. Interconnection Customer represents and warrants that, upon completion of construction of such facilities, it will own or control the Customer Facility identified in section 1.0 of the Specifications attached hereto and made a part hereof. In the event that Interconnection Customer will not own the Customer Facility, Interconnection Customer represents and warrants that it is authorized by the owner(s) thereof to enter into this ISA and to represent such control.
- 4.0 Effective Date. Subject to any necessary regulatory acceptance, this ISA shall become effective on the date it is executed by all Interconnection Parties, or, if the agreement is

filed with FERC unexecuted, upon the date specified by FERC. This ISA shall terminate on such date as mutually agreed upon by the parties, unless earlier terminated in accordance with the terms set forth in Appendix 2 to this ISA. The term of the ISA shall be as provided in Section 1.3 of Appendix 2 to this ISA. Interconnection Service shall commence as provided in Section 1.2 of Appendix 2 to this ISA.

- 5.0 Security. In accord with Section 212.4 of the Tariff, Interconnection Customer shall provide the Transmission Provider (for the benefit of the Interconnected Transmission Owner) with a letter of credit from an agreed provider or other form of security reasonably acceptable to the Transmission Provider and that names the Transmission Provider as beneficiary (“Security”) in the amount of \$_____. This amount represents the sum of the estimated Costs, determined in accordance with Sections 212 and 217 of the Tariff, for which the Interconnection Customer will be responsible, less any Costs already paid by Interconnection Customer. Interconnection Customer acknowledges that its ultimate cost responsibility in accordance with Section 217 of the Tariff will be based upon the actual Costs of the facilities described in the Specifications, whether greater or lesser than the amount of the payment security provided under this section.

[Include the following if Interconnection Customer requests deferral of the security as provided for in Section 212.4(c) of the Tariff:

For any portion of the security that may be deferred in accordance with Section 212.4(c) of the Tariff, and as requested by Interconnection Customer, Interconnection Customer shall provide the security specified in this Section 5.0 within 120 days after the Interconnection Customer executes this ISA, provided that Interconnection Customer shall pay a deposit of at least \$200,000 or 125% of the estimated costs that will be incurred during the 120-day period, whichever is greater, to fund continued design work and/or procurement activities, with \$100,000 of such deposit being non-refundable.]

Should Interconnection Customer fail to provide security at the time the Interconnection Customer executes this ISA, or, if deferred, by the end of the 120-day period, this ISA shall be terminated.

- 6.0 Project Specific Milestones. In addition to the milestones stated in Section 212.5 of the Tariff, as applicable, during the term of this ISA, Interconnection Customer shall ensure that it meets each of the following development milestones:

[Specify Project Specific Milestones]

[As appropriate include the following standard Milestones, with any revisions necessary for the project at hand:

- 6.1 Substantial Site work completed. On or before _____ Interconnection Customer must demonstrate completion of at least 20% of project site construction. At this time, Interconnection Customer must submit to Interconnected Transmission Owner and Transmission Provider initial drawings, certified by a professional engineer, of the Customer Interconnection Facilities.
- 6.2 Delivery of major electrical equipment. On or before _____, Interconnection Customer must demonstrate that ___ generating units have been delivered to Interconnection Customer’s project site.
- 6.3 Commercial Operation. (i) On or before _____, Interconnection Customer must demonstrate commercial operation of ___ generating units; (ii) On or before _____, Interconnection Customer must demonstrate commercial operation of ___ additional generating units. Demonstrating commercial operation includes achieving Initial Operation in accordance with Section 1.4 of Appendix 2 to this ISA and making commercial sales or use of energy, as well as, if applicable, obtaining capacity qualification in accordance with the requirements of the Reliability Assurance Agreement Among Load Serving Entities in the PJM Region.

[if a specific situation requires a CSA by a certain date then use the following: Interconnection Construction Service Agreement. On or before _____, Interconnection Customer must have either (a) executed an Interconnection Construction Service Agreement for Interconnection Facilities for which Interconnection Customer has cost responsibility; (b) requested dispute resolution under Section 12 of the PJM Tariff, or if concerning the Regional Transmission Expansion Plan, consistent with Schedule 5 of the Operating Agreement; or (c) requested that the Transmission Provider file the Interconnection Construction Service Agreement unexecuted with the Commission.]

- 6.4 Within one (1) month following commercial operation of generating unit(s), Interconnection Customer must provide certified documentation demonstrating that “as-built” Customer Facility and Customer Interconnection Facilities are in accordance with applicable PJM studies and agreements. Interconnection Customer must also provide PJM with “as-built” electrical modeling data or confirm that previously submitted data remains valid.

[Add Additional Project Specific Milestones as appropriate]

Interconnection Customer shall demonstrate the occurrence of each of the foregoing milestones to Transmission Provider’s reasonable satisfaction. Transmission Provider may reasonably extend any such milestone dates, in the event of delays that Interconnection Customer (i) did not cause and (ii) could not have remedied through the exercise of due diligence. The milestone dates stated in this ISA shall be deemed to be extended coextensively with any suspension of work initiated by Interconnection Customer in accordance with the Interconnection Construction Service Agreement.

- 7.0 Provision of Interconnection Service. Transmission Provider and Interconnected Transmission Owner agree to provide for the interconnection to the Transmission System in the PJM Region of Interconnection Customer's Customer Facility identified in the Specifications in accordance with Part IV and Part VI of the Tariff, the Operating Agreement of PJM Interconnection, L.L.C. ("Operating Agreement"), and this ISA, as they may be amended from time to time.
- 8.0 Assumption of Tariff Obligations. Interconnection Customer agrees to abide by all rules and procedures pertaining to generation and transmission in the PJM Region, including but not limited to the rules and procedures concerning the dispatch of generation or scheduling transmission set forth in the Tariff, the Operating Agreement and the PJM Manuals.
- 9.0 Facilities Study. In analyzing and preparing the [Facilities Study] [System Impact Study {if a Facilities Study was not required}], and in designing and constructing the Attachment Facilities, Local Upgrades and/or Network Upgrades described in the Specifications attached to this ISA, Transmission Provider, the Interconnected Transmission Owner(s), and any other subcontractors employed by Transmission Provider have had to, and shall have to, rely on information provided by Interconnection Customer and possibly by third parties and may not have control over the accuracy of such information. Accordingly, NEITHER TRANSMISSION PROVIDER, THE INTERCONNECTED TRANSMISSION OWNER(S), NOR ANY OTHER SUBCONTRACTORS EMPLOYED BY TRANSMISSION PROVIDER OR INTERCONNECTED TRANSMISSION OWNER MAKES ANY WARRANTIES, EXPRESS OR IMPLIED, WHETHER ARISING BY OPERATION OF LAW, COURSE OF PERFORMANCE OR DEALING, CUSTOM, USAGE IN THE TRADE OR PROFESSION, OR OTHERWISE, INCLUDING WITHOUT LIMITATION IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, WITH REGARD TO THE ACCURACY, CONTENT, OR CONCLUSIONS OF THE FACILITIES STUDY OR THE SYSTEM IMPACT STUDY IF A FACILITIES STUDY WAS NOT REQUIRED OR OF THE ATTACHMENT FACILITIES, THE LOCAL UPGRADES AND/OR THE NETWORK UPGRADES, PROVIDED, HOWEVER, that Transmission Provider warrants that the Transmission Owner Interconnection Facilities and any Merchant Transmission Upgrades described in the Specifications will be designed and constructed (to the extent that Interconnected Transmission Owner is responsible for design and construction thereof) and operated in accordance with Good Utility Practice, as such term is defined in the Operating Agreement. Interconnection Customer acknowledges that it has not relied on any representations or warranties not specifically set forth herein and that no such representations or warranties have formed the basis of its bargain hereunder.
- 10.0 Construction of Transmission Owner Interconnection Facilities
- 10.1. Cost Responsibility. Interconnection Customer shall be responsible for and shall pay upon demand all Costs associated with the interconnection of the Customer Facility as specified in the Tariff. These Costs may include, but are not limited to,

an Attachment Facilities charge, a Local Upgrades charge, a Network Upgrades charge and other charges, ~~as well as Costs of any Merchant Network Upgrades constructed on behalf of Interconnection Customer~~. A description of the facilities required and an estimate of the Costs of these facilities are included in Sections 3.0 and 4.0 of the Specifications to this ISA.

- 10.2. Billing and Payments. Transmission Provider shall bill the Interconnection Customer for the Costs associated with the facilities contemplated by this ISA, estimates of which are set forth in the Specifications to this ISA, and the Interconnection Customer shall pay such Costs, in accordance with Section 11 of Appendix 2 to this ISA and the applicable Interconnection Construction Service Agreement. Upon receipt of each of Interconnection Customer's payments of such bills, Transmission Provider shall reimburse the applicable Interconnected Transmission Owner. Pursuant to Section 212.4 of the Tariff, Interconnection Customer requests that Transmission Provider provide a quarterly cost reconciliation:

_____ Yes

_____ No

- 10.3. Contract Option. In the event that the Interconnection Customer and Interconnected Transmission Owner agree to utilize the Negotiated Contract Option provided by the Interconnection Construction Service Agreement to establish, subject to FERC acceptance, non-standard terms regarding cost responsibility, payment, billing and/or financing, the terms of Sections 10.1 and/or 10.2 of this Section 10.0 shall be superseded to the extent required to conform to such negotiated terms, as stated in a schedule attached to the parties' Interconnection Construction Service Agreement relating to interconnection of the Customer Facility.

- 10.4 In the event that the Interconnection Customer elects to construct some or all of the Transmission Owner Interconnection Facilities ~~and/or of any Merchant Network Upgrades~~ under the Option to Build of the Interconnection Construction Service Agreement, billing and payment for the Costs associated with the facilities contemplated by this ISA shall relate only to such portion of the Interconnection Facilities ~~and/or any Merchant Network Upgrades~~ as the Interconnected Transmission Owner is responsible for building.

11.0 Interconnection Specifications

- 11.1 Point of Interconnection. The Point of Interconnection shall be as identified on the one-line diagram attached as Schedule B to this ISA.

11.2 List and Ownership of Interconnection Facilities. The Interconnection Facilities to be constructed and ownership of the components thereof are identified in Section 3.0 of the Specifications attached to this ISA.

~~11.2A List and Ownership of Merchant Network Upgrades. If applicable, Merchant Network Upgrades to be constructed and ownership of the components thereof are identified in Section 3.0 of the Specifications attached to this ISA.~~

11.3 Ownership and Location of Metering Equipment. The Metering Equipment to be constructed, the capability of the Metering Equipment to be constructed, and the ownership thereof, are identified on the attached Schedule C to this ISA.

11.4 Applicable Technical Standards. The Applicable Technical Requirements and Standards that apply to the Customer Facility and the Interconnection Facilities are identified in Schedule D to this ISA.

12.0 Power Factor Requirement.

Consistent with Section 4.7 of Appendix 2 to this ISA, the power factor requirement is as follows:

[For Generation Interconnection Customers]

{The following language should be included for new large and small synchronous generation facilities that will have the Tariff specified power factor. This section does not apply if the Interconnection Request is for an incremental increase in generating capability.}

The Interconnection Customer shall design its Customer Facility with the ability to maintain a power factor of at least 0.95 leading to 0.90 lagging measured at the [generator's terminals] [Point of Interconnection].

{For all wind or non-synchronous generation facilities which have entered the New Services Queue prior to May 1, 2015, include the appropriate alternative from the language below. This section does not apply if the Interconnection Request is for an incremental increase in generating capability.}

The result of the System Impact Study indicated that, for the safety and reliability of the Transmission System, no power factor requirement is required for the [wind-powered] [non-synchronous] Customer Facility.

{or}

The results of the System Impact Study require that, for the safety or reliability of the Transmission System, the Generation Interconnection Customer shall design its [wind-

powered] [non-synchronous] Customer Facility with the ability to maintain a power factor of at least 0.95 leading to 0.95 lagging measured at the Point of Interconnection.

{include the following language if the Interconnection Request is for an incremental increase in capacity or energy output to a synchronized generation facility}

The existing ___ MW portion of the Customer Facility shall retain its existing ability to maintain a power factor of at least 0.95 leading to 0.90 lagging measured at the [generator's terminals] [Point of Interconnection].

The increase of ___ MW to the Customer Facility associated with this ISA shall be designed with the ability to maintain a power factor of at least 1.0 (unity) to 0.90 lagging measured at the [generator's terminals] [Point of Interconnection].

{For new wind or non-synchronous generation facilities which have entered the New Service Queue on or after May 1, 2015, the following applies:}

The Generation Interconnection Customer shall design its [wind-powered] [non-synchronous] Customer Facility with the ability to maintain a power factor of at least 0.95 leading to 0.95 lagging measured at the generator's terminals.

{For all wind or non-synchronous generation facilities that have entered the New Services Queue prior to May 1, 2015, include the appropriate alternative from the language below for Interconnection Requests for an incremental increase in capacity or energy output to all wind or non-synchronized generation facility.}

The results of the System Impact Study indicate that, for the safety or reliability of the Transmission System, no power factor requirement is necessary for the [existing ___ MW or the increase of ___ MW associated with this ISA] [increase of ___ MW associated with this ISA, but that the existing ___ MW of the Customer Facility must retain its ability to retain a power factor of at least 0.95 leading to 0.95 lagging measured at the Point of Interconnection] [existing ___ MW of the Customer Facility but that the increase of ___ MW associated with this ISA must be designed with the ability to maintain a power factor requirement of 1.0 (unity) to 0.90 lagging measured at the Point of Interconnection].

{or}

The results of the System Impact Study indicate that, for the safety or reliability of the Transmission System, (i) the existing ___ MW portion of the Customer Facility shall retain its existing ability to maintain a power factor of at least 0.95 leading to 0.95 lagging measured at the Point of Interconnection and (ii) the increase of ___ MW to the Customer Facility associated with this ISA shall be designed with the ability to maintain a power factor of at least 1.0 (unity) to 0.95 lagging measured at the Point of Interconnection.

{For all wind or non-synchronous generation facilities requesting an incremental increase in capacity or energy output which have entered the New Services Queue on or after May 1, 2015, include the following requirements: }

{NOTE: This section does not apply to requests for an incremental increase in capacity or energy output for wind or non-synchronous generation facilities which were commercially operable or had entered the New Services Queue prior to May 1, 2015. }

The existing [wind-powered] [non-synchronous] __ MW portion of the Customer Facility shall retain the ability to maintain a power factor of at least 0.95 leading to 0.95 lagging measured at the generator's terminals.

The increase of __ MW to the [wind-powered] [non-synchronous] Customer Facility associated with this ISA shall be designed with the ability to maintain a power factor of at least 0.95 leading to 0.95 lagging measured at the generator's terminals.

[For Transmission Interconnection Customers]

{The following language should be included only for new Merchant Transmission Facilities }

Transmission Interconnection Customer shall design its Merchant D.C. Transmission Facilities and/ or Controllable A.C. Merchant Transmission Facilities, to maintain a power factor at the Point of Interconnection of at least 0.95 leading and 0.95 lagging, when such Customer Facility is operating at any level within its approved operating range.

[Include section 12A.0 only when applicable, i.e., only for a facility for which Transmission Provider and Interconnected Transmission Owner deem an RTU (or equivalent) to be unnecessary]

12A.0 RTU. In accordance with Section 8.5.2 of Appendix 2 to this ISA, that provision's requirement for installation of a remote terminal unit or equivalent data collection and transfer equipment is hereby waived for purposes of this ISA.

13.0 Charges. In accordance with Sections 10 and 11 of Appendix 2 to this ISA, the Interconnection Customer shall pay to the Transmission Provider the charges applicable after Initial Operation, as set forth in Schedule E to this ISA. Promptly after receipt of such payments, the Transmission Provider shall forward such payments to the appropriate Interconnected Transmission Owner.

14.0 Third Party Beneficiaries. No third party beneficiary rights are created under this ISA, except, however, that, subject to modification of the payment terms stated in Section 10 of this ISA pursuant to the Negotiated Contract Option, payment obligations imposed on Interconnection Customer under this ISA are agreed and acknowledged to be for the benefit of the Interconnected Transmission Owner(s). Interconnection Customer

expressly agrees that the Interconnected Transmission Owner(s) shall be entitled to take such legal recourse as it deems appropriate against Interconnection Customer for the payment of any Costs or charges authorized under this ISA or the Tariff with respect to Interconnection Service for which Interconnection Customer fails, in whole or in part, to pay as provided in this ISA, the Tariff and/or the Operating Agreement.

- 15.0 Waiver. No waiver by either party of one or more defaults by the other in performance of any of the provisions of this ISA shall operate or be construed as a waiver of any other or further default or defaults, whether of a like or different character.
- 16.0 Amendment. This ISA or any part thereof, may not be amended, modified, or waived other than by a written document signed by all parties hereto.
- 17.0 Construction With Other Parts Of The Tariff. This ISA shall not be construed as an application for service under Part II or Part III of the Tariff.
- 18.0 Notices. Any notice or request made by either party regarding this ISA shall be made, in accordance with the terms of Appendix 2 to this ISA, to the representatives of the other party and as applicable, to the Interconnected Transmission Owner(s), as indicated below:

Transmission Provider:

PJM Interconnection, L.L.C.
2750 Monroe Blvd.
Audubon, PA 19403

Interconnection Customer:

Interconnected Transmission Owner:

- 19.0 Incorporation Of Other Documents. All portions of the Tariff and the Operating Agreement pertinent to the subject matter of this ISA and not otherwise made a part hereof are hereby incorporated herein and made a part hereof.
- 20.0 Addendum of Non-Standard Terms and Conditions for Interconnection Service. Subject to FERC approval, the parties agree that the terms and conditions set forth in Schedule F hereto are hereby incorporated herein by reference and be made a part of this ISA. In the event of any conflict between a provision of Schedule F that FERC has accepted and any

provision of Appendix 2 to this ISA that relates to the same subject matter, the pertinent provision of Schedule F shall control.

- 21.0 Addendum of Interconnection Customer's Agreement to Conform with IRS Safe Harbor Provisions for Non-Taxable Status. To the extent required, in accordance with Section 24.1 of Appendix 2 to this ISA, Schedule G to this ISA shall set forth the Interconnection Customer's agreement to conform with the IRS safe harbor provisions for non-taxable status.
- 22.0 Addendum of Interconnection Requirements for all Wind or Non-synchronous Generation Facilities. To the extent required, Schedule H to this ISA sets forth interconnection requirements for a wind or non-synchronous generation facilities and is hereby incorporated by reference and made a part of this ISA.
- 23.0 Infrastructure security of electric system equipment and operations and control hardware and software is essential to ensure day-to-day reliability and operational security. All Transmission Providers, Interconnected Transmission Owners, market participants, and Interconnection Customers interconnected with electric systems are to comply with the recommendations offered by the President's Critical Infrastructure Protection Board and best practice recommendations from the electric reliability authority. All public utilities are expected to meet basic standards for electric system infrastructure and operational security, including physical, operational, and cyber-security practices.

IN WITNESS WHEREOF, Transmission Provider, Interconnection Customer and Interconnected Transmission Owner have caused this ISA to be executed by their respective authorized officials.

(PJM Queue Position #____)

Transmission Provider: PJM Interconnection, L.L.C.

By: _____
Name Title Date

Printed name of signer: _____

Interconnection Customer: **[Name of Party]**

By: _____
Name Title Date

Printed name of signer: _____

Interconnected Transmission Owner: **[Name of Party]**

By: _____
Name Title Date

Printed name of signer: _____

**SPECIFICATIONS FOR
INTERCONNECTION SERVICE AGREEMENT**

**By and Among
PJM INTERCONNECTION, L.L.C.**

And

[Name of Interconnection Customer]

And

[Name of Interconnected Transmission Owner]

(PJM Queue Position # ____)

1.0 Description of [generating unit(s)] [Merchant Transmission Facilities] (the Customer Facility) to be interconnected with the Transmission System in the PJM Region:

a. Name of Customer Facility:

b. Location of Customer Facility:

c. Size in megawatts of Customer Facility:

{The following language should be included only for generating units

For Generation Interconnection Customer:

Maximum Facility Output of _____MW }

{The following language applies when a Generation Interconnection Request involves an increase of the capacity of an existing generating facility:

The stated size of the generating unit includes an increase in the Maximum Facility Output of the generating unit of __ MW over Interconnection Customer's previous interconnection. This increase is a result of the Interconnection Request associated with this Interconnection Service Agreement. }

{The following language should be included only for Merchant Transmission Facilities

For Transmission Interconnection Customer:

Nominal Rated Capability: _____MW}

d. Description of the equipment configuration:

2.0 Rights

[for Generation Interconnection Customers]

2.1 Capacity Interconnection Rights: {this section will not apply if the Customer Facility is exclusively an Energy Resource and thus is granted no CIRs; see alternate section 2.1 below}

Pursuant to and subject to the applicable terms of the Tariff, the Interconnection Customer shall have Capacity Interconnection Rights at the Point(s) of Interconnection specified in this Interconnection Service Agreement in the amount of ___ MW. {Instructions: this number is the total of the Capacity Interconnection Rights that are granted as a result of the Interconnection Request, plus any prior Capacity Interconnection Rights }

{include the following language to the extent applicable for interconnection of additional generation at an existing generating facility:}

The amount of Capacity Interconnection Rights specified above (___ MW) includes ___ MW of Capacity Interconnection Rights that the Interconnection Customer had at the same Point(s) of Interconnection prior to its Interconnection Request associated with this Interconnection Service Agreement, and ___MW of Capacity Interconnection Rights granted as a result of such Interconnection Request.

{include the following language when the CIRs are only interim and have a termination date or event:}

Interconnection Customer shall have ___ MW of Capacity Interconnection Rights for the time period from ___ to _____. These Capacity Interconnection Rights are interim and will terminate upon {explain circumstances -- e.g. interim agreement; completion of another facility, etc.}

2.1a To the extent that any portion of the Customer Facility described in section 1.0 is not a Capacity Resource with Capacity Interconnection Rights, such portion of the

Customer Facility shall be an Energy Resource. PJM reserves the right to limit total injections to the Maximum Facility Output in the event reliability would be affected by output greater than such quantity.

{this version of section 2.1 will be used in lieu of section 2.1 above when a generating facility will be an Energy Resource and therefore will not be granted any CIRs: }

[2.1 The generating unit(s) described in section 1.0 shall be an Energy Resource. Pursuant to this Interconnection Service Agreement, the generating unit will be permitted to inject ___ MW (nominal) into the system. PJM reserves the right to limit injections to this quantity in the event reliability would be affected by output greater than such quantity.]

[for Transmission Interconnection Customers]

2.1 Transmission Injection Rights: [applicable only to Merchant D.C. Transmission Facilities and/or Controllable A.C. Merchant Transmission Facilities that interconnect with a control area outside PJM]

Pursuant to Section 232 of the Tariff, Interconnection Customer shall have Transmission Injection Rights at each indicated Point of Interconnection in the following quantity(ies):

2.2 Transmission Withdrawal Rights: [applicable only to Merchant D.C. Transmission Facilities and/or Controllable A.C. Merchant Transmission Facilities that interconnect with a control area outside PJM]

Pursuant to Section 232 of the Tariff, Interconnection Customer shall have Transmission Withdrawal Rights at each indicated Point of Interconnection in the following quantity(ies):

[Include Section 2.2A only if customer is interconnecting Controllable A.C. Merchant Transmission Facilities]

2.2A Interconnection Customer is interconnecting Controllable A.C. Merchant Transmission Facilities as defined in the appended Section 1.6B of the Tariff, and has elected, pursuant to the appended Section 41.1 of the Tariff, to receive Transmission Injection Rights and Transmission Withdrawal Rights in lieu of the other applicable rights for which it may be eligible under Subpart C of Part VI of the Tariff. Accordingly, Interconnection Customer hereby agrees that the Transmission Injection Rights and Transmission Withdrawal Rights awarded to it pursuant to the Tariff and this ISA are, and throughout the duration of this ISA shall be, conditioned on Interconnection Customer's continuous operation of its Controllable A.C. Merchant Transmission Facilities in a controllable manner, i.e., in a manner effectively the same as operation of D.C. transmission facilities.

2.3 Incremental Deliverability Rights:

Pursuant to Section 235 of the Tariff, Interconnection Customer shall have Incremental Deliverability Rights at each indicated Point of Interconnection in the following quantity(ies):

2.4 Incremental Available Transfer Capability Revenue Rights:

Pursuant to Section 233 of the Tariff, Interconnection Customer shall have Incremental Available Transfer Capability Revenue Rights at each indicated Point of Interconnection in the following quantities:

2.5 Incremental Auction Revenue Rights:

Pursuant to Section 231 of the Tariff, Interconnection Customer shall have Incremental Auction Revenue Rights in the following quantities:

2.6 Incremental Capacity Transfer Rights:

Pursuant to Section 234 of the Tariff, Interconnection Customer shall have Incremental Capacity Transfer Rights between the following associated source(s) and sink(s) in the indicated quantities:

3.0 Construction Responsibility and Ownership of Interconnection Facilities

a. Interconnection Customer.

(1) Interconnection Customer shall construct and, unless otherwise indicated, shall own, the following Interconnection Facilities:

[Specify Facilities To Be Constructed]

(2) In the event that, in accordance with the Interconnection Construction Service Agreement, Interconnection Customer has exercised the Option to Build, it is hereby permitted to build in accordance with and subject to the conditions and limitations set forth in that Section, the following portions ~~(1) of the Transmission Owner Interconnection Facilities and/or (2) of any Merchant Network Upgrades~~ which constitute or are part of the Customer Facility:

[Specify Facilities To Be Constructed]

Ownership of the facilities built by Interconnection Customer pursuant to the Option to Build shall be as provided in the Interconnection Construction Service Agreement.

b. Interconnected Transmission Owner {or Name of Interconnected Transmission Owner if more than one Interconnected Transmission Owner }

[Specify Facilities To Be Constructed and Owned]

- c. [if applicable, include the following][Name of any additional Transmission Owner constructing facilities with which Interconnection Customer and Transmission Provider will also execute an Interconnection Construction Service Agreement]

[Specify Facilities To Be Constructed and Owned]

4.0 Subject to modification pursuant to the Negotiated Contract Option and/or the Option to Build under the Interconnection Construction Service Agreement, Interconnection Customer shall be subject to the estimated charges detailed below, which shall be billed and paid in accordance with Appendix 2, Section 11 of this ISA and the applicable Interconnection Construction Service Agreement.

4.1 Attachment Facilities Charge: \$_____

[Optional: Provide Charge and Identify Interconnected Transmission Owner]

4.2 Network Upgrades Charge: \$_____

[Optional: Provide Breakdown of Charge Based on Interconnected Transmission Owner responsibilities]

4.3 Local Upgrades Charge: \$_____

[Optional: Provide Breakdown of Charge Based on Interconnected Transmission Owner responsibilities]

4.4 Other Charges: \$_____

[Optional: Provide Breakdown of Charge Based on Interconnected Transmission Owner responsibilities]

4.5 ~~Cost of Merchant Network Upgrades: \$_____~~

~~**[Optional: Provide Breakdown of Charge Based on Interconnected Transmission Owner responsibilities]**~~

~~4.6~~ Cost breakdown:

- \$ Direct Labor
- \$ Direct Material
- \$ Indirect Labor
- \$ Indirect Material

[Additional items for breakdown as necessary]

\$ Total

4.67 Security Amount Breakdown:

\$ Estimated Cost of Non-Direct Connection Local Upgrades and/or Non-Direct Connection Network Upgrades

~~plus \$ Estimated Cost of any Merchant Network Upgrades that Interconnected Transmission Owner is responsible for building~~

plus \$ Estimated cost of the work (for the first three months) on the required Attachment Facilities, Direct Connection Local Upgrades, and Direct Connection Network Upgrades

plus \$ Option to Build Security for Attachment Facilities, Direct Connection Local Upgrades, and Direct Connection Network Upgrades (including Cancellation Costs)

less \$ _____ Costs already paid by Interconnection Customer

\$ Total Security required with ISA

APPENDICES:

- **APPENDIX 1 - DEFINITIONS**
- **APPENDIX 2 - STANDARD TERMS AND CONDITIONS FOR INTERCONNECTIONS**

SCHEDULES:

- **SCHEDULE A - CUSTOMER FACILITY LOCATION/SITE PLAN**
- **SCHEDULE B - SINGLE-LINE DIAGRAM**
- **SCHEDULE C - LIST OF METERING EQUIPMENT**
- **SCHEDULE D - APPLICABLE TECHNICAL REQUIREMENTS AND STANDARDS**
- **SCHEDULE E - SCHEDULE OF CHARGES**
- **SCHEDULE F - SCHEDULE OF NON-STANDARD TERMS & CONDITIONS**
- **SCHEDULE G - INTERCONNECTION CUSTOMER'S AGREEMENT TO CONFORM WITH IRS SAFE HARBOR PROVISIONS FOR NON-TAXABLE STATUS**
- **SCHEDULE H - INTERCONNECTION REQUIREMENTS FOR A WIND GENERATION FACILITY**

1.4 Initial Operation:

The following requirements shall be satisfied prior to Initial Operation of the Customer Facility:

1.4.1 The construction of all Interconnection Facilities necessary for the interconnection of the Customer Facility has been completed;

1.4.2 The Interconnected Transmission Owner has accepted any Interconnection Facilities ~~and/or Merchant Network Upgrades~~ constructed by Interconnection Customer pursuant to the Interconnection Construction Service Agreement;

1.4.3 The Interconnection Customer and the Interconnected Transmission Owner have all necessary systems and personnel in place to allow for parallel operation of their respective facilities;

1.4.4 The Interconnected Transmission Owner has received all applicable documentation for the Interconnection Facilities ~~and/or Merchant Network Upgrades~~ built by the Interconnection Customer, certified as correct, including, but not limited to, access to the field copy of marked-up drawings reflecting the as-built condition, pre-operation test reports, and instruction books; and

1.4.5 Interconnection Customer shall have received any necessary authorization from Transmission Provider to synchronize with the Transmission System or to energize, as applicable per the determination of Transmission Provider, the Customer Facility and Interconnection Facilities.

4.2 ~~[Reserved.] Operation of Merchant Network Upgrades:~~

~~Unless otherwise provided in the Interconnection Service Agreement, the Interconnected Transmission Owner that owns Transmission System facilities to which any Merchant Network Upgrades are connected shall operate such Merchant Network Upgrades (a) on behalf and at the expense of the Interconnection Customer that constructed or caused construction of the pertinent Merchant Network Upgrades and (b) in accordance with this Appendix 2 and with an agreement between the Interconnected Transmission Owner and the Interconnection Customer regarding such operation.~~

5.2 [Reserved.]Maintenance of Merchant Network Upgrades:

~~Unless otherwise provided in the Interconnection Service Agreement, the Interconnected Transmission Owner that owns Transmission System facilities to which any Merchant Network Upgrades are connected shall maintain such Merchant Network Upgrades (a) on behalf and at the expense of the Interconnection Customer that constructed or caused construction of the pertinent Merchant Network Upgrades and (b) in accordance with this Appendix 2 and with an agreement between the Interconnected Transmission Owner and the Interconnection Customer regarding such maintenance.~~

5.5 Right to Observe Testing:

Each Interconnected Entity shall notify the other Interconnected Entity in advance of its performance of tests of its portion of the Interconnection Facilities ~~or of any Merchant Network Upgrades~~. The other Interconnected Entity shall, at its own expense, have the right to observe such testing.

11.2 Costs for Transmission Owner Interconnection Facilities ~~and/or Merchant Network Upgrades~~:

The following provisions shall apply with respect to charges for the Costs of the Interconnected Transmission Owner for which the Interconnection Customer is responsible.

11.2.1 Adjustments to Security:

The Security provided by Interconnection Customer at or before execution of the Interconnection Service Agreement (a) shall be reduced as portions of the work on required Local Upgrades and/or Network Upgrades is completed, and/or (b) shall be increased or decreased as required to reflect adjustments to Interconnection Customer's cost responsibility, as determined in accordance with Section 217, to correspond with changes in the Scope of Work developed in accordance with Transmission Provider's scope change process for interconnection projects set forth in the PJM Manuals.

11.2.2 Invoice:

The Interconnected Transmission Owner shall provide Transmission Provider a quarterly statement of the Interconnected Transmission Owner's scheduled expenditures during the next three months for, as applicable (a) the design, engineering and construction of, and/or for other charges related to, construction of the Interconnection Facilities ~~and/or Merchant Network Upgrades~~—for which the Interconnected Transmission Owner is responsible under the Interconnection Service Agreement and the Interconnection Construction Service Agreement, or (b) in the event that the Interconnection Customer exercises the Option to Build pursuant to Section 3.2.3.1 of Appendix 2 of the form of Interconnection Construction Service Agreement (set forth in Attachment P to the Tariff), for the Transmission Owner's Costs associated with the Interconnection Customer's building Attachment Facilities, Local Upgrades, and Network Upgrades (including both Direct Connection Network Upgrades, Direct Connection Local Upgrades, Non-Direct Connection Network Upgrades and Non-Direct Connection Local Upgrades), including but not limited to Costs for tie-in work and Cancellation Costs. Provided, however, such Transmission Owner Costs may include oversight costs (i.e. costs incurred by the Transmission Owner when engaging in oversight activities to satisfy itself that the Interconnection Customer is complying with the Transmission Owner's standards and specifications for the construction of facilities) only if the Transmission Owner and the Interconnection Customer mutually agree to the inclusion of such costs under the Option to Build pursuant to the provisions of Section 3.3.3.1 of Appendix 2 of the form of Interconnection Construction Service Agreement (set forth in Attachment P to the Tariff). Transmission Provider shall bill Interconnection Customer on behalf of the Interconnected Transmission Owner, for the Interconnected Transmission Owner's expected Costs during the subsequent three months. Interconnection Customer shall pay each bill within twenty (20) days after receipt thereof. Upon receipt of each of Interconnection Customer's payments of such bills, Transmission Provider shall reimburse the Interconnected Transmission Owner. Interconnection Customer may request that the Transmission Provider provide a quarterly cost reconciliation. Such a quarterly cost reconciliation will have a one-quarter lag, e.g., reconciliation of costs for the first calendar quarter of work will be provided at the start of the third calendar quarter of work, provided,

however, that Section 11.2.3 of this Appendix 2 shall govern the timing of the final cost reconciliation upon completion of the work.

11.2.3 Final Invoice:

Within 120 days after the Interconnected Transmission Owner completes construction and installation of the Interconnection Facilities ~~and/or Merchant Network Upgrades~~ for which the Interconnected Transmission Owner is responsible under the Interconnection Service Agreement and the Interconnection Construction Service Agreement, Transmission Provider shall provide Interconnection Customer with an accounting of, and the appropriate Construction Party shall make any payment to the other that is necessary to resolve, any difference between (a) Interconnection Customer's responsibility under the Tariff for the actual Cost of such facilities, and (b) Interconnection Customer's previous aggregate payments to Transmission Provider for the Costs of such facilities. Notwithstanding the foregoing, however, Transmission Provider shall not be obligated to make any payment to either the Interconnection Customer or the Interconnected Transmission Owner that the preceding sentence requires it to make unless and until the Transmission Provider has received the payment that it is required to refund from the Construction Party owing the payment.

11.2.4 Disputes:

In the event of a billing dispute between any of the Construction Parties, Transmission Provider and the Interconnected Transmission Owner shall continue to perform their respective obligations pursuant to this Interconnection Service Agreement and any related Interconnection Construction Service Agreements so long as (a) Interconnection Customer continues to make all payments not in dispute, and (b) the Security held by the Transmission Provider while the dispute is pending exceeds the amount in dispute, or (c) Interconnection Customer pays to Transmission Provider or into an independent escrow account the portion of the invoice in dispute, pending resolution of such dispute. If Interconnection Customer fails to meet any of these requirements, then Transmission Provider shall so inform the other Construction Parties and Transmission Provider or the Interconnected Transmission Owner may provide notice to Interconnection Customer of a Breach pursuant to Section 15 of this Appendix 2.

16.2 Disposition of Facilities Upon Termination

16.2.1 Disconnection:

Upon termination of the Interconnection Service Agreement in accordance with this Section 16, Transmission Provider and/or the Interconnected Transmission Owner shall, in coordination with Interconnection Customer, physically disconnect the Customer Facility from the Transmission System, except to the extent otherwise allowed by this Appendix 2.

16.2.2 Network Facilities:

At the time of termination, the Transmission Provider and the Interconnected Entities shall keep in place any portion of the Interconnection Facilities ~~and/or of any Merchant Network Upgrades~~ that the Transmission Provider deems necessary for the safety, integrity and/or reliability of the Transmission System. Otherwise, Transmission Provider may, in its discretion, within 30 days following termination of Interconnection Service, require the removal of all or any part of the Interconnection Facilities ~~or of any Merchant Network Upgrades~~.

16.2.2.1 In the event that (i) the Interconnection Service Agreement and Interconnection Service under this Appendix 2 are terminated and (ii) Transmission Provider determines that some or all of the Interconnection Facilities ~~or of any Merchant Network Upgrades~~ that are owned by the Interconnection Customer are necessary for the safety, integrity and/or reliability of the Transmission System, Interconnection Customer, subject to Applicable Laws and Regulations, shall transfer to the Interconnected Transmission Owner title to the Interconnection Facilities ~~or Merchant Network Upgrades~~ that Transmission Provider has determined to be necessary for the safety, integrity and/or reliability of the Transmission System.

16.2.2.2 In the event that removal of some or all of the Interconnection Facilities ~~or any Merchant Network Upgrades~~ is necessary to maintain compliance with Applicable Standards, Interconnection Customer shall be responsible for the costs of any such removal. Interconnection Customer shall have the right to take or retain title to equipment and/or facilities that are removed pursuant to this section; alternatively, in the event that the Interconnection Customer does not wish to retain title to removed equipment and/or facilities that it owns, the Interconnected Transmission Owner may elect to pay the Interconnection Customer a mutually agreed amount to acquire and own such equipment and/or facilities.

16.2.3 Request for Disposition Determination:

Interconnection Customer may request a determination from the Transmission Provider whether any Interconnection Facilities ~~or any Merchant Network Upgrades~~ will be removed in the event of any termination of Interconnection Service to the Customer Facility within the following year. Transmission Provider shall respond to that request no later than sixty (60) days after receipt.

24.2 Tax Indemnity:

Interconnection Customer shall indemnify the Interconnected Transmission Owner for any costs that Interconnected Transmission Owner incurs in the event that the IRS and/or a state department of revenue (State) determines that the property, including money, transferred by Interconnection Customer to the Interconnected Transmission Owner with respect to the construction of the Transmission Owner Interconnection Facilities ~~and/or any Merchant Network Upgrades~~ is taxable income to the Interconnected Transmission Owner. Interconnection Customer shall pay to the Interconnected Transmission Owner, on demand, the amount of any income taxes that the IRS or a State assesses to the Interconnected Transmission Owner in connection with such transfer of property and/or money, plus any applicable interest and/or penalty charged to the Interconnected Transmission Owner. In the event that the Interconnected Transmission Owner chooses to contest such assessment, either at the request of Interconnection Customer or on its own behalf, and prevails in reducing or eliminating the tax, interest and/or penalty assessed against it, the Interconnected Transmission Owner shall refund to Interconnection Customer the excess of its demand payment made to the Interconnected Transmission Owner over the amount of the tax, interest and penalty for which the Interconnected Transmission Owner is finally determined to be liable. Interconnection Customer's tax indemnification obligation under this section shall survive any termination of the Interconnection Service Agreement or Interconnection Construction Service Agreement.

SCHEDULE G

INTERCONNECTION CUSTOMER'S AGREEMENT TO CONFORM WITH IRS SAFE HARBOR PROVISIONS FOR NON-TAXABLE STATUS

{Include the appropriate language from the alternatives below:}

{Include the following language if not required:}

Not Required.

[OR]

{Include the following language if applicable to Interconnection Customer:}

As provided in Section 24.1 of Appendix 2 to this ISA and subject to the requirements thereof, Interconnection Customer represents that it meets all qualifications and requirements as set forth in Section 118(a) and 118(b) of the Internal Revenue Code of 1986, as amended and interpreted by Notice 88-129, 1988-2 C.B. 541, and as amplified and modified in Notices 90-60, 1990-2 C.B. 345, and 2001-82, 2001-2 C.B. 619 (the "IRS Notices"). Interconnection Customer agrees to conform with all requirements of the safe harbor provisions specified in the IRS Notices, as they may be amended, as required to confer non-taxable status on some or all of the transfer of property, including money, by Interconnection Customer to Interconnected Transmission Owner with respect to the payment of the Costs of construction and installation of the Transmission Owner Interconnection Facilities ~~and/or Merchant Network Upgrades~~ specified in this ISA.

Nothing in Interconnection Customer's agreement pursuant to this Schedule G shall change Interconnection Customer's indemnification obligations under Section 24.2 of Appendix 2 to this ISA.

Revisions to Attachment O-1 (Interim ISA):

- Attachment O, Pro Forma
- Attachment O, Schedule A

ATTACHMENT O-1

**FORM OF
INTERIM INTERCONNECTION SERVICE AGREEMENT**

**By and Among
PJM Interconnection, L.L.C.
and**

and

(PJM Queue Position #____)

- 1.0 This Interim Interconnection Service Agreement (“Interim ISA”), including the Specifications attached hereto and incorporated herein, is entered into by and among PJM Interconnection, L.L.C. (“Transmission Provider” or “PJM”), [_____] (“Interconnection Customer” [OPTIONAL: or [“short name”]]), and [_____] (“Interconnected Transmission Owner” [OPTIONAL: or [“short name”]]). [Use as/when applicable: This Interim ISA supersedes the _____ {insert details to identify the agreement being superseded, such as whether it is an Interim Interconnection Service Agreement, Interconnection Service Agreement, or Interconnection Agreement, the effective date of the agreement, the service agreement number designation, and the FERC docket number, if applicable, for the agreement being superseded.}]]
- 2.0 Attached are Specifications for the Customer Facility that Interconnection Customer proposes to interconnect to the Transmission Provider’s Transmission System. Interconnection Customer represents and warrants that, upon completion of their construction, it will own or control the facilities identified in the Specifications attached hereto and made a part hereof. In the event that Interconnection Customer will not own the facilities, Interconnection Customer represents and warrants that it is authorized by the owners of such facilities to enter into this Interim ISA and to represent such control.
- 3.0 In order to advance the completion of its interconnection under the PJM Open Access Transmission Tariff (“Tariff”), Interconnection Customer has requested an Interim ISA and Transmission Provider has determined that Interconnection Customer is eligible under the Tariff to obtain this Interim ISA.
- 4.0 (a) In accord with Section 211 of the Tariff, Interconnection Customer, on or before the effective date of this Interim ISA, shall provide Transmission Provider (for the benefit of the Interconnected Transmission Owner) with a letter of credit from an agreed provider or other form of security reasonably acceptable to Transmission Provider in the amount of \$ _____, which amount equals the estimated costs, determined in

accordance with Section 217 of the Tariff, of acquiring, designing, constructing and/or installing the facilities described in section 3.0 of the Attached Specifications. Should Interconnection Customer fail to provide such security in the amount or form required, this Interim ISA shall be terminated. Interconnection Customer acknowledges (1) that it will be responsible for the actual costs of the facilities described in the Specifications, whether greater or lesser than the amount of the payment security provided under this section, and (2) that the payment security under this section does not include any additional amounts that it will owe in the event that it executes a final Interconnection Service Agreement, as described in section 7.0(a) below.

(b) Interconnection Customer acknowledges (1) that the purpose of this Interim ISA is to expedite, at Interconnection Customer's request, the acquisition, design, construction and/or installation of certain materials and equipment, as described in the Specifications, necessary to interconnect its proposed facilities with Transmission Provider's Transmission System; and (2) that Transmission Provider's Interconnection Studies related to such facilities have not been completed, but that the [identify completed feasibility and/or system impact study(ies)], dated [_____], that included Interconnection Customer's project sufficiently demonstrated, in Interconnection Customer's sole opinion, the necessity of facilities additions to the Transmission System to accommodate Interconnection Customer's project to warrant, in Interconnection Customer's sole judgment, its request that the Interconnected Transmission Owner acquire, design, construct and/or install the equipment indicated in the Specifications for use in interconnecting Interconnection Customer's project with the Transmission System.

5.0 This Interim ISA shall be effective on the date it is executed by all Interconnection Parties and shall terminate upon the execution and delivery by Interconnection Customer and Transmission Provider of the final Interconnection Service Agreement described in section 7.0(a) below, or on such other date as mutually agreed upon by the parties, unless earlier terminated in accordance with the Tariff.

6.0 In addition to the milestones stated in Section 212.5 of the Tariff, during the term of this Interim ISA, Interconnection Customer shall ensure that its generation project meets each of the following development milestones:

[SPECIFY MILESTONES]

OR

[NOT APPLICABLE FOR THIS INTERIM ISA]

OR

[MILESTONE REQUIREMENTS WILL BE SPECIFIED IN THE FURTHER INTERCONNECTION SERVICE AGREEMENT DESCRIBED IN SECTION 7.0(a)]

7.0 (a) Transmission Provider and the Interconnected Transmission Owner agree to provide for the acquisition, design, construction and/or installation of the facilities identified, and to the extent described, in Section 3.0 of the Specifications in accordance with Part IV of the Tariff, as amended from time to time, and this Interim ISA. Except to the extent for which the Specifications provide for interim interconnection rights for the Interconnection Customer, the parties agree that (1) this Interim ISA shall not provide for or authorize Interconnection Service for the Interconnection Customer, and (2) Interconnection Service will commence only after Interconnection Customer has entered into a final Interconnection Service Agreement with Transmission Provider and the Interconnection Transmission Owner (or, alternatively, has exercised its right to initiate dispute resolution or to have the final Interconnection Service Agreement filed with the FERC unexecuted) after completion of the Facilities Study related to Interconnection Customer's Interconnection Request and otherwise in accordance with the Tariff. The final Interconnection Service Agreement may further provide for construction of, and payment for, transmission facilities additional to those identified in the attached Specifications. Should Interconnection Customer fail to enter into such final Interconnection Service Agreement (or, alternatively, to initiate dispute resolution or request that the agreement be filed with the FERC unexecuted) within the time prescribed by the Tariff, Transmission Provider shall have the right, upon providing written notice to Interconnection Customer, to terminate this Interim ISA.

(b) In the event that Interconnection Customer decides not to interconnect its proposed facilities, as described in Section 1.0 of the Specifications to the Transmission System, it shall immediately give Transmission Provider written notice of its determination. Interconnection Customer shall be responsible for the Costs incurred pursuant to this Interim ISA by Transmission Provider and/or by the Interconnected Transmission Owner (1) on or before the date of such notice, and (2) after the date of such notice, if the costs could not reasonably be avoided despite, or were incurred by reason of, Interconnection Customer's determination not to interconnect. Interconnection Customer's liability under the preceding sentence shall include all Cancellation Costs in connection with the acquisition, design, construction and/or installation of the facilities described in section 3.0 of the Specifications. In the event the Interconnected Transmission Owner incurs Cancellation Costs, it shall provide the Transmission Provider, with a copy to the Interconnection Customer, with a written demand for payment and with reasonable documentation of such Cancellation Costs. Within 60 days after the date of Interconnection Customer's notice, Transmission Provider shall provide an accounting of, and the appropriate party shall make any payment to the other that is necessary to resolve, any difference between (i) Interconnection Customer's cost responsibility under this Interim ISA and the Tariff for Costs, including Cancellation Costs, of the facilities described in section 3.0 of the Specifications and (ii) Interconnection Customer's previous payments under this Interim ISA. Notwithstanding the foregoing, however, Transmission Provider shall not be obligated to make any payment that the preceding sentence requires it to make unless and until the Interconnected Transmission Owner has returned to it the portion of Interconnection Customer's previous payments that Transmission Provider must pay under that sentence.

This Interim ISA shall be deemed to be terminated upon completion of all payments required under this paragraph (b).

(c) Disposition of the facilities related to this Interim ISA after receipt of Interconnection Customer's notice of its determination not to interconnect shall be decided in accordance with Section 211.1 of the Tariff.

- 8.0 Interconnection Customer agrees to abide by all rules and procedures pertaining to generation in the PJM Region, including but not limited to the rules and procedures concerning the dispatch of generation set forth in the Operating Agreement and the PJM Manuals.
- 9.0 In analyzing and preparing the Facilities Study or the System Impact Study if no Facilities Study is required, and in designing and constructing the Attachment Facilities, Local Upgrades and/or Network Upgrades described in the Specifications attached to this Interim ISA, Transmission Provider, the Interconnected Transmission Owner(s), and any other subcontractors employed by Transmission Provider have had to, and shall have to, rely on information provided by Interconnection Customer and possibly by third parties and may not have control over the accuracy of such information. Accordingly, NEITHER TRANSMISSION PROVIDER, THE INTERCONNECTED TRANSMISSION OWNER(S), NOR ANY OTHER SUBCONTRACTORS EMPLOYED BY TRANSMISSION PROVIDER OR INTERCONNECTED TRANSMISSION OWNER MAKES ANY WARRANTIES, EXPRESS OR IMPLIED, WHETHER ARISING BY OPERATION OF LAW, COURSE OF PERFORMANCE OR DEALING, CUSTOM, USAGE IN THE TRADE OR PROFESSION, OR OTHERWISE, INCLUDING WITHOUT LIMITATION IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, WITH REGARD TO THE ACCURACY, CONTENT, OR CONCLUSIONS OF THE FACILITIES STUDY OR THE SYSTEM IMPACT STUDY IF NO FACILITIES STUDY IS REQUIRED OR OF THE ATTACHMENT FACILITIES, LOCAL UPGRADES AND/OR NETWORK UPGRADES, PROVIDED, HOWEVER, that Transmission Provider warrants that the transmission facilities described in Section 3.0 of the Specifications will be designed, constructed and operated in accordance with Good Utility Practice, as such term is defined in the Operating Agreement. Interconnection Customer acknowledges that it has not relied on any representations or warranties not specifically set forth herein and that no such representations or warranties have formed the basis of its bargain hereunder.
- 10.0 Within 120 days after the Interconnected Transmission Owner completes acquisition, design, construction and/or installation of the facilities described in Section 3.0 of the Specifications, Transmission Provider shall provide Interconnection Customer with an accounting of, and the appropriate party shall make any payment to the other that is necessary to resolve, any difference between (a) Interconnection Customer's responsibility under this Interim ISA and the Tariff for the actual cost of such equipment, and (b) Interconnection Customer's previous aggregate payments to Transmission Provider and the Interconnected Transmission Owner hereunder. Notwithstanding the

foregoing, however, Transmission Provider shall not be obligated to make any payment that the preceding sentence requires it to make unless and until the Interconnected Transmission Owner has returned to it the portion of Interconnection Customer's previous payments that Transmission Provider must pay under that sentence.

- 11.0 No third party beneficiary rights are created under this Interim ISA, provided, however, that payment obligations imposed on Interconnection Customer hereunder are agreed and acknowledged to be for the benefit of the Interconnected Transmission Owner actually performing the services associated with the interconnection of the generating facilities and any associated upgrades of other facilities.
- 12.0 No waiver by either party of one or more defaults by the other in performance of any of the provisions of this Interim ISA shall operate or be construed as a waiver of any other or further default or defaults, whether of a like or different character.
- 13.0 This Interim ISA or any part thereof, may not be amended, modified, assigned, or waived other than by a writing signed by all parties hereto.
- 14.0 This Interim ISA shall be binding upon the parties hereto, their heirs, executors, administrators, successors, and assigns.
- 15.0 This Interim ISA shall not be construed as an application for service under Part II or Part III of the Tariff.
- 16.0 Any notice or request made to or by either Party regarding this Interim ISA shall be made to the representative of the other Party as indicated below.

Transmission Provider

PJM Interconnection, L.L.C.
2750 Monroe Blvd.
Audubon, PA 19403

Interconnection Customer

[CONTACT NAME/ADDRESS]

Interconnected Transmission Owner

[CONTACT NAME/ADDRESS]

- 17.0 All portions of the Tariff and the Operating Agreement pertinent to the subject of this Interim ISA are incorporated herein and made a part hereof.
- 18.0 This Interim ISA is entered into pursuant to Part IV of the Tariff.

19.0 Neither party shall be liable for consequential, incidental, special, punitive, exemplary or indirect damages, lost profits or other business interruption damages, by statute, in tort or contract, under any indemnity provision or otherwise with respect to any claim, controversy or dispute arising under this Interim ISA.

20.0 Addendum of Interconnection Customer's Agreement to Conform with IRS Safe Harbor Provisions for Non-Taxable Status. To the extent required, in accordance with Section 20.1, Schedule A to this Interim ISA shall set forth the Interconnection Customer's agreement to conform with the IRS safe harbor provisions for non-taxable status.

20.1 Tax Liability

20.1.1 Safe Harbor Provisions:

This Section 20.1.1 is applicable only to Generation Interconnection Customers. Provided that Interconnection Customer agrees to conform to all requirements of the Internal Revenue Service ("IRS") (e.g., the "safe harbor" provisions of IRS Notices 2001-82 and 88-129) that would confer nontaxable status on some or all of the transfer of property, including money, by Interconnection Customer to the Interconnected Transmission Owner for payment of the Costs of construction of the Transmission Owner Interconnection Facilities, the Interconnected Transmission Owner, based on such agreement and on current law, shall treat such transfer of property to it as nontaxable income and, except as provided in Section 20.1.2 below, shall not include income taxes in the Costs of Transmission Owner Interconnection Facilities that are payable by Interconnection Customer under the Interim Interconnection Service Agreement, the Interconnection Service Agreement or the Interconnection Construction Service Agreement. Interconnection Customer shall document its agreement to conform to IRS requirements for such non-taxable status in the Interconnection Service Agreement, the Interconnection Construction Service Agreement, and/or the Interim Interconnection Service Agreement.

20.1.2 Tax Indemnity:

Interconnection Customer shall indemnify the Interconnected Transmission Owner for any costs that Interconnected Transmission Owner incurs in the event that the IRS and/or a state department of revenue (State) determines that the property, including money, transferred by Interconnection Customer to the Interconnected Transmission Owner with respect to the construction of the Transmission Owner Interconnection Facilities ~~and/or any Merchant Network Upgrades~~ is taxable income to the Interconnected Transmission Owner. Interconnection Customer shall pay to the Interconnected Transmission Owner, on demand, the amount of any income taxes that the IRS or a State assesses to the Interconnected Transmission Owner in connection with such transfer of property and/or money, plus any applicable interest and/or penalty charged to the Interconnected Transmission Owner. In the event that the Interconnected Transmission Owner chooses to contest such assessment, either at the request of Interconnection Customer or on its own behalf, and prevails in reducing or eliminating the tax, interest and/or penalty

assessed against it, the Interconnected Transmission Owner shall refund to Interconnection Customer the excess of its demand payment made to the Interconnected Transmission Owner over the amount of the tax, interest and penalty for which the Interconnected Transmission Owner is finally determined to be liable. Interconnection Customer's tax indemnification obligation under this section shall survive any termination of the Interim Interconnection Service Agreement or Interconnection Construction Service Agreement.

20.1.3 Taxes Other Than Income Taxes:

Upon the timely request by Interconnection Customer, and at Interconnection Customer's sole expense, the Interconnected Transmission Owner shall appeal, protest, seek abatement of, or otherwise contest any tax (other than federal or state income tax) asserted or assessed against the Interconnected Transmission Owner for which Interconnection Customer may be required to reimburse Transmission Provider under the terms of this Interim Interconnection Service Agreement or Part VI of the Tariff. Interconnection Customer shall pay to the Interconnected Transmission Owner on a periodic basis, as invoiced by the Interconnected Transmission Owner, the Interconnected Transmission Owner's documented reasonable costs of prosecuting such appeal, protest, abatement, or other contest. Interconnection Customer and the Interconnected Transmission Owner shall cooperate in good faith with respect to any such contest. Unless the payment of such taxes is a prerequisite to an appeal or abatement or cannot be deferred, no amount shall be payable by Interconnection Customer to the Interconnected Transmission Owner for such contested taxes until they are assessed by a final, non-appealable order by any court or agency of competent jurisdiction. In the event that a tax payment is withheld and ultimately due and payable after appeal, Interconnection Customer will be responsible for all taxes, interest and penalties, other than penalties attributable to any delay caused by the Interconnected Transmission Owner.

20.1.4 Income Tax Gross-Up

20.1.4.1 Additional Security:

In the event that Interconnection Customer does not provide the safe harbor documentation required under Section 20.1.1 prior to execution of this Interim Interconnection Service Agreement, within 15 days after such execution, Transmission Provider shall notify Interconnection Customer in writing of the amount of additional Security that Interconnection Customer must provide. The amount of Security that a Transmission Interconnection Customer must provide initially pursuant to this Interim Interconnection Service Agreement shall include any amounts described as additional Security under this Section 20.1.4 regarding income tax gross-up.

20.1.4.2 Amount:

The required additional Security shall be in an amount equal to the amount necessary to gross up fully for currently applicable federal and state income taxes the estimated Costs of Local Upgrades and Network Upgrades for which Interconnection Customer previously provided

Security. Accordingly, the additional Security shall equal the amount necessary to increase the total Security provided to the amount that would be sufficient to permit the Interconnected Transmission Owner to receive and retain, after the payment of all applicable income taxes (“Current Taxes”) and taking into account the present value of future tax deductions for depreciation that would be available as a result of the anticipated payments or property transfers (the "Present Value Depreciation Amount"), an amount equal to the estimated Costs of Local Upgrades and Network Upgrades for which Interconnection Customer is responsible under the Interconnection Service Agreement. For this purpose, Current Taxes shall be computed based on the composite federal and state income tax rates applicable to the Interconnected Transmission Owner at the time the additional Security is received, determined using the highest marginal rates in effect at that time (the "Current Tax Rate"), and (ii) the Present Value Depreciation Amount shall be computed by discounting the Interconnected Transmission Owner’s anticipated tax depreciation deductions associated with such payments or property transfers by its current weighted average cost of capital.

20.1.4.3 Time for Payment:

Interconnection Customer must provide the additional Security, in a form and with terms as required by Sections 212.4 of the Tariff, within 15 days after its receipt of Transmission Provider’s notice under this section. The requirement for additional Security under this section shall be treated as a milestone included in the Interconnection Service Agreement pursuant to Section 212.5 of the Tariff.

20.1.5 Tax Status:

Each Party shall cooperate with the other to maintain the other Party’s tax status. Nothing in this Interim Interconnection Service Agreement or the Tariff is intended to adversely affect any Interconnected Transmission Owner’s tax exempt status with respect to the issuance of bonds including, but not limited to, local furnishing bonds.

21.0 Addendum of Interconnection Requirement for all Wind or Non-synchronous Generation Facilities. To the extent required, Schedule B to this Interim ISA sets forth interconnection requirements for all wind or non-synchronous generation facilities and is hereby incorporated by reference and made a part of this Interim ISA.

22.0 Infrastructure security of electric system equipment and operations and control hardware and software is essential to ensure day-to-day reliability and operational security. All Transmission Providers, Interconnected Transmission Owners, market participants, and Interconnection Customers interconnected with electric systems are to comply with the recommendations offered by the President's Critical Infrastructure Protection Board and best practice recommendations from the electric reliability authority. All public utilities are expected to meet basic standards for electric system infrastructure and operational security, including physical, operational, and cyber-security practices.

IN WITNESS WHEREOF, Transmission Provider, Interconnection Customer and Interconnected Transmission Owner have caused this Interim ISA to be executed by their respective authorized officials.

(PJM Queue Position #___)

Transmission Provider: PJM Interconnection, L.L.C.

By: _____
Name Title Date

Printed name of signer: _____

Interconnection Customer: [Name of Party]

By: _____
Name Title Date

Printed name of signer: _____

Interconnected Transmission Owner: [Name of Party]

By: _____
Name Title Date

Printed name of signer: _____

**SPECIFICATIONS FOR
INTERIM INTERCONNECTION SERVICE AGREEMENT**

**By and Among
PJM INTERCONNECTION, L.L.C.
And**

And

(PJM Queue Position #___)

1.0 Description of Customer Facility to be interconnected with the Transmission System in the PJM Region:

a. Name of Customer Facility:

b. Location of Customer Facility:

c. Size in megawatts of Customer Facility:

{The following language should be included only for generating units

For Generation Interconnection Customer:

Maximum Facility Output of _____MW }

{The following language applies when a Generation Interconnection Request involves an increase of the capacity of an existing generating facility: The stated size of the generating unit includes an increase in the Maximum Facility Output of the generating unit of ___ MW over Interconnection Customer's previous interconnection. This increase is a result of the Interconnection Request associated with this Interim Interconnection Service Agreement. }

{The following language should be included only for Merchant Transmission Facilities for Transmission Interconnection Customer:

Nominal Rated Capability: _____MW }

2.0 Interconnection Rights: Interconnection Customer shall obtain Capacity Interconnection Rights in accordance with Subpart C of Part VI of the Tariff at the location specified in section 1.0b upon its execution of the final Interconnection Service Agreement described in section 7.0(a) of this Interim ISA. **[if applicable, add:** , provided, however, that pending execution of the final Interconnection Service Agreement, Interconnection Customer shall be entitled to the following interim rights:

Pursuant to and subject to the applicable terms of the Tariff, Interconnection Customer shall have Capacity Interconnection Rights as a Capacity Resource at the Point of Interconnection specified in this Interim ISA in the amount of __ MW, for the time period of _____ to _____. To the extent that the Customer Facility described in section 1.0 is not a Capacity Resource with Capacity Interconnection Rights, such Customer Facility shall be an Energy Resource. Pursuant to this Interim ISA, the Customer Facility will be permitted to inject __ MW (nominal) into the system. PJM reserves the right to limit injections to this quantity in the event reliability would be affected by output greater than such quantity.]

3.0.A Facilities to be acquired, designed, constructed and/or installed by the Interconnected Transmission Owner under this Interim ISA:

3.0.B Facilities to be acquired, designed, constructed and/or installed by the Interconnection Customer under this Interim ISA:

4.0 Interconnection Customer shall be subject to the charges detailed below:

4.1 Attachment Facilities Charge:

4.2 Local Upgrades Charge:

4.3 Network Upgrades Charge:

4.4 Cost Breakdown:

\$	Direct Labor
\$	Direct Material
\$	Indirect Labor
\$	Indirect Material
\$	Total

SCHEDULES: {Note: Schedules A and B are required, others are optional; add if applicable and desirable for clarity.}

SCHEDULE A – INTERCONNECTION CUSTOMER’S AGREEMENT TO CONFORM WITH IRS SAFE HARBOR PROVISIONS FOR NON-TAXABLE STATUS

SCHEDULE B - INTERCONNECTION REQUIREMENTS FOR A WIND GENERATION FACILITY

SCHEDULE ___ - CUSTOMER FACILITY LOCATION/SITE PLAN

SCHEDULE ___ - SINGLE-LINE DIAGRAM

SCHEDULE A

INTERCONNECTION CUSTOMER'S AGREEMENT TO CONFORM WITH IRS SAFE HARBOR PROVISIONS FOR NON-TAXABLE STATUS

{Include the appropriate language from the alternatives below:}

{Include the following language if not required:}
Not Required.

[OR]

{Include the following language if applicable to Interconnection Customer:}

As provided in Section 20.1 of this Interim ISA and subject to the requirements thereof, Interconnection Customer represents that it meets all qualifications and requirements as set forth in Section 118(a) and 118(b) of the Internal Revenue Code of 1986, as amended and interpreted by Notice 88-129, 1988-2 C.B. 541, and as amplified and modified in Notices 90-60, 1990-2 C.B. 345, and 2001-82, 2001-2 C.B. 619 (the "IRS Notices"). Interconnection Customer agrees to conform with all requirements of the safe harbor provisions specified in the IRS Notices, as they may be amended, as required to confer non-taxable status on some or all of the transfer of property, including money, by Interconnection Customer to Interconnected Transmission Owner with respect to the payment of the Costs of construction and installation of the Transmission Owner Interconnection Facilities ~~and/or Merchant Network Upgrades~~ specified in this Interim ISA.

Nothing in Interconnection Customer's agreement pursuant to this Schedule A shall change Interconnection Customer's indemnification obligations under Section 20.1 of this Interim ISA.

{ Include the following Schedule B, as applicable, for New Service Requests received before May 1, 2015 }

SCHEDULE B

INTERCONNECTION REQUIREMENTS FOR A

WIND GENERATION FACILITY

{ Include the appropriate language from the alternatives below }

{ Include the following language if the Customer Facility is not a wind generation facility }

Not Required

[OR]

{ Include the following language when the Customer Facility is a wind generation facility }

Schedule B sets forth requirements and provisions specific to the interconnection of a wind generation facility that is greater than 20 MW. All other requirements pertaining to the interconnection of generation facilities above 20 MW set forth in Part IV of the Tariff continue to apply to wind generation facility interconnections.

A. Technical Standards Applicable to a Wind Generation Facility

i. Low Voltage Ride-Through (LVRT) Capability

A wind generation facility shall be able to remain online during voltage disturbances up to the time periods and associated voltage levels set forth in the standard below. The Schedule B LVRT standard provides for a transition period standard and a post-transition period standard.

Transition Period LVRT Standard

The transition period standard applies to wind generation facilities subject to Commission Order No. 661 that have either: (i) Interconnection Service Agreements signed and filed with the Commission, filed with the Commission in unexecuted form, or filed with the Commission as non-conforming agreements between January 1, 2006 and December 31, 2006, with a scheduled in-service date no later than December 31, 2007, or (ii) wind generation turbines subject to a wind turbine procurement contract executed prior to December 31, 2005, for delivery through 2007.

1. Wind generation facilities are required to remain in-service during three-phase faults with normal clearing (which is a time period of approximately 4 – 9 cycles) and single line to ground faults with delayed clearing, and subsequent post-fault voltage recovery to pre-fault voltage

unless clearing the fault effectively disconnects the generator from the system. The clearing time requirement for a three-phase fault will be specific to the wind generation facility substation location, as determined by and documented by the transmission provider. The maximum clearing time the wind generation facility shall be required to withstand for a three-phase fault shall be 9 cycles at a voltage as low as 0.15 p.u., as measured at the high side of the wind generation facility step-up transformer (i.e. the transformer that steps the voltage up to the transmission interconnection voltage or “GSU”), after which, if the fault remains following the location-specific normal clearing time for three-phase faults, the wind generation facility may disconnect from the transmission system.

2. This requirement does not apply to faults that would occur between the wind generator terminals and the high side of the GSU or to faults that would result in a voltage lower than 0.15 per unit on the high side of the GSU serving the facility.

3. Wind generation facilities may be tripped after the fault period if this action is intended as part of a special protection system.

4. Wind generation facilities may meet the LVRT requirements of this standard by the performance of the generators or by installing additional equipment (e.g., Static VAR Compensator, etc.) within the wind generation facility or by a combination of generator performance and additional equipment.

5. Existing individual generator units that are, or have been, interconnected to the network at the same location at the initial effective date of the Schedule B LVRT standard are exempt from meeting the Schedule B LVRT standard for the remaining life of the existing generation equipment. Existing individual generator units that are replaced are required to meet the Schedule B LVRT standard.

Post-transition Period LVRT Standard

All wind generation facilities subject to Commission Order No. 661 and not covered by the transition period described above must meet the following requirements:

1. Wind generation facilities are required to remain in-service during three-phase faults with normal clearing (which is a time period of approximately 4 – 9 cycles) and single line to ground faults with delayed clearing, and subsequent post-fault voltage recovery to prefault voltage unless clearing the fault effectively disconnects the generator from the system. The clearing time requirement for a three-phase fault will be specific to the wind generation facility substation location, as determined by and documented by the transmission provider. The maximum clearing time the wind generation facility shall be required to withstand for a three-phase fault shall be 9 cycles after which, if the fault remains following the location-specific normal clearing time for three-phase faults, the wind generation facility may disconnect from the transmission system. A wind generation facility shall remain interconnected during such a fault on the transmission system for a voltage level as low as zero volts, as measured at the high voltage side of the wind GSU.

2. This requirement does not apply to faults that would occur between the wind generator terminals and the high side of the GSU.
3. Wind generation facilities may be tripped after the fault period if this action is intended as part of a special protection system.
4. Wind generation facilities may meet the LVRT requirements of this standard by the performance of the generators or by installing additional equipment (e.g., Static VAR Compensator) within the wind generation facility or by a combination of generator performance and additional equipment.
5. Existing individual generator units that are, or have been, interconnected to the network at the same location at the initial effective date of the Schedule B LVRT standard are exempt from meeting the Schedule B LVRT Standard for the remaining life of the existing generation equipment. Existing individual generator units that are replaced are required to meet the Schedule B LVRT Standard.

ii. Power Factor Design Criteria (Reactive Power)

The power factor requirements for wind generation facilities set forth in section 4.7.1 of Appendix 2 to Attachment O of the Tariff can be met by using, for example, power electronic devices designed to supply this level of reactive capability (taking into account any limitations due to voltage level, real power output, etc.) or fixed and switched capacitors if agreed to by the Transmission Provider, or a combination of the two. The Interconnection Customer shall not disable power factor equipment while the wind generation facility is in operation. Wind generation facilities shall also be able to provide sufficient dynamic voltage support in lieu of the power system stabilizer and automatic voltage regulation at the generator excitation system if the System Impact Study shows this to be required for system safety or reliability.

iii. Supervisory Control and Data Acquisition (SCADA) Capability

The wind generation facility shall provide SCADA capability to transmit data and receive instructions from the Transmission Provider to protect system reliability. The Transmission Provider and the wind generation facility Interconnection Customer shall determine what SCADA information is essential for the proposed wind generation facility, taking into account the size of the facility and its characteristics, location, and importance in maintaining generation resource adequacy and transmission system reliability in its area.

iv. Meteorological Data Reporting Requirement

The wind generation facility shall, at a minimum, be required to provide the Transmission Provider with site-specific meteorological data including:

- Temperature (degrees Fahrenheit)
- Wind speed (meters/second)
- Wind direction (degrees from True North)

- Atmospheric pressure (hectopascals)
- Forced outage data (wind turbine and MW unavailability)

The Transmission Provider and Interconnection Customer may mutually agree to any additional meteorological data that are required for the development and deployment of a power production forecast. All requirements for meteorological and forced outage data must be commensurate with the power production forecasting employed by the Transmission Provider. Such additional mutually agreed upon requirements for meteorological and forced outage data are set forth below:

[SPECIFICY AGREED UPON METEOROLOGICAL AND FORCED OUTAGE DATA REQUIREMENTS]

OR

[NOT APPLICABLE FOR THIS INTERIM ISA]

{Include the following Schedule B, as applicable, for New Service Requests received on or after May 1, 2015 }

SCHEDULE B

INTERCONNECTION REQUIREMENTS FOR ALL WIND AND NON-SYNCHRONOUS GENERATION FACILITIES

{Include the appropriate language from the alternatives below }

{Include the following language if the Customer Facility is not a wind or non-synchronous generation facility }

Not Required

[OR]

{Include the following language when the Customer Facility is a wind or non-synchronous generation facility }

A. Voltage Ride Through Requirements

The Customer Facility shall be designed to remain in service (not trip) for voltages and times as specified for the Eastern Interconnection in Attachment 1 of NERC Reliability Standard PRC-024-1, and successor Reliability Standards, for both high and low voltage conditions, irrespective of generator size, subject to the permissive trip exceptions established in PRC-024-1 (and successor Reliability Standards).

B. Frequency Ride Through Requirements

The Customer Facility shall be designed to remain in service (not trip) for frequencies and times as specified in Attachment 2 of NERC Reliability Standard PRC-024-1, and successor Reliability Standards, for both high and low frequency condition, irrespective of generator size, subject to the permissive trip exceptions established in PRC-024-1 (and successor Reliability Standards).

C. Supervisory Control and Data Acquisition (SCADA) Capability

The wind or non-synchronous generation facility shall provide SCADA capability to transmit data and receive instructions from the Transmission Provider to protect system reliability. The Transmission Provider and the wind or non-synchronous generation facility Interconnection Customer shall determine what SCADA information is essential for the proposed wind or non-synchronous generation facility, taking into account the size of the facility and its characteristics, location, and importance in maintaining generation resource adequacy and transmission system reliability in its area.

D. Meteorological Data Reporting Requirement (Applicable to wind generation facilities only)

The wind generation facility shall, at a minimum, be required to provide the Transmission Provider with site-specific meteorological data including:

- Temperature (degrees Fahrenheit)
- Wind speed (meters/second)
- Wind direction (degrees from True North)
- Atmosphere pressure (hectopascals)
- Forced outage data (wind turbine and MW unavailability)

The Transmission Provider and Interconnection Customer may mutually agree to any additional meteorological data that are required for the development and deployment of a power production forecast. All requirements for meteorological and forced outage data must be commensurate with the power production forecasting employed by the Transmission Provider. Such additional mutually agreed upon requirements for meteorological and forced outage data are set forth below:

[SPECIFY AGREED UPON METEOROLOGICAL AND FORCED OUTAGE DATA REQUIREMENTS]

[OR]

[NOT APPLICABLE FOR THIS INTERIM ISA]

Revisions to Attachment P (Pro Forma ICSA):

- Attachment P, Pro Forma ICSA
- Attachment P, Appendix II
- Attachment P, Schedule E
- Attachment P, Schedule F
- Attachment P, Schedule L

ATTACHMENT P

**FORM OF
INTERCONNECTION CONSTRUCTION SERVICE AGREEMENT**

**By and Among
PJM Interconnection, L.L.C.**

And

[Name of Interconnection Customer]

And

[Name of Interconnected Transmission Owner]

(PJM Queue Position #____)

- 1.0 Parties. This Interconnection Construction Service Agreement (“CSA”) including the Schedules and Appendices attached hereto and incorporated herein, is entered into by and between PJM Interconnection, L.L.C. (“Transmission Provider” or “PJM”) and the following Interconnection Customer and Interconnected Transmission Owner:

Interconnection Customer:

[full name] [OPTIONAL: (also referred to as “[short name”])]_____

Interconnected Transmission Owner:

[full name] [OPTIONAL: (also referred to as “[short name”])]_____

All capitalized terms herein shall have the meanings set forth in the appended definitions of such terms as stated in Part I of the Tariff.

- 2.0 Authority. This CSA is entered into pursuant to Part VI of the Tariff. The standard terms and conditions for construction are attached at Appendix 2 to this CSA and are hereby specifically incorporated as provisions of this agreement. Transmission Provider, the Interconnection Customer and the Interconnected Transmission Owner agree to and assume all of their respective rights and obligations as set forth in the standard terms and conditions for construction in Appendix 2 to this CSA. Further, Interconnection Customer and the Interconnected Transmission Owner each agrees to and assumes all of the rights and obligations of a Constructing Entity with respect to the facilities that each of them is responsible for constructing, as set forth in this CSA.

- 3.0 Customer Facility. This CSA specifically relates to the following Customer Facility at the following location:

a. Name of Customer Facility:

b. Location of Customer Facility:

4.0 Effective Date and Term.

4.1 Effective Date. This CSA shall become effective on the later of (i) the date the agreement has been executed by all Construction Parties, or (ii) the date of Interconnection Customer's delivery of Security to the Transmission Provider, provided, however, that if the CSA is filed with the FERC unexecuted, the Effective Date shall be the date specified by the FERC. The Interconnected Transmission Owner shall have no obligation to begin construction of the Transmission Owner Interconnection Facilities prior to the Effective Date. Construction shall commence as provided in the Schedule of Work set forth in Schedule J to this CSA.

4.2 Term. This CSA shall continue in full force and effect from the Effective Date until the termination thereof pursuant to Section 14 of Appendix 2 to this CSA.

4.3 Survival. This CSA shall continue in effect after termination to the extent necessary to provide for final billings and payments, including billings and payments pursuant to Section 9 and/or Section 14 of Appendix 2 to this CSA, and to permit the determination and enforcement of liability and indemnification obligations arising from acts or events that occurred while the CSA was in effect.

5.0 Construction Responsibility for

a. Customer Interconnection Facilities. Interconnection Customer is responsible for designing and constructing the Customer Interconnection Facilities described on the attached Schedule G to this CSA.

b. Construction of Transmission Owner Interconnection Facilities.

1. The Transmission Owner Interconnection Facilities regarding which Interconnected Transmission Owner shall be the Constructing Entity are described on the attached Schedule C to this CSA.

2. Election of Construction Option. Specify below whether the Constructing Entities have mutually agreed to construction of the Transmission Owner Interconnection Facilities that will be built by the Interconnected Transmission Owner pursuant to the Standard Option or the Negotiated Contract Option. (See Section 3.2 of the Appendix 2 to this CSA.)

_____Standard Option.

_____Negotiated Contract Option.

If the parties have mutually agreed to use the Negotiated Contract Option, the permitted, negotiated terms on which they have agreed and which are not already set forth as part of the Scope of Work and/or Schedule of Work attached to this CSA as Schedules I and J, respectively, shall be as set forth in Schedule H attached to this CSA.

3. Exercise of Option to Build. Has Interconnection Customer timely exercised the Option to Build in accordance with Section 3.2.3 of Appendix 2 to this CSA with respect to some or all of the Transmission Owner Interconnection Facilities?

_____ Yes

_____ No

If Yes is indicated, Interconnection Customer shall build, in accordance with and subject to the conditions and limitations set forth in Section 3.2.3 of Appendix 2 to this CSA, those portions of the Transmission Owner Interconnection Facilities described on Schedule D attached to this CSA.

~~[include c. below only if applicable to a Merchant Transmission interconnection:]~~

~~_____ c. Construction of Merchant Network Upgrades:~~

~~1. The Merchant Network Upgrades regarding which Interconnected Transmission Owner shall be the Constructing Entity are described on the attached Schedule E to this CSA.~~

~~2. Election of Construction Option. Specify below whether the Constructing Entities have mutually agreed to construction of the Merchant Network Upgrades that will be built by the Interconnected Transmission Owner pursuant to the Standard Option or the Negotiated Contract Option. (See Section 3.2 of Appendix 2 to this CSA.)~~

~~_____ Standard Option.~~

~~_____ Negotiated Contract Option:~~

~~If the parties have mutually agreed to use the Negotiated Contract Option, the permitted, negotiated terms on which they have agreed and which are not already set forth as part of the Scope of Work and/or Schedule of Work attached to this CSA as Schedules I and J, respectively, shall be as set forth in Schedule H attached to this CSA.~~

~~3. Exercise of Option to Build. Has Interconnection Customer timely exercised the Option to Build in accordance with Section 3.2.3 of Appendix 2 to this CSA with respect to some or all of the Merchant Network Upgrades?~~

~~_____ Yes~~

~~_____ No~~

~~If Yes is indicated, Interconnection Customer shall build, in accordance with and subject to the conditions and limitations set forth in Section 3.2.3 of Appendix 2 to this CSA, those portions of the Merchant Network Upgrades described on Schedule F attached to this CSA.~~

6.0 [Reserved].

7.0 Scope of Work. The Scope of Work for all construction pursuant to this CSA shall be as set forth in the attached Schedule I, provided, however, that the scope of work is subject to change in accordance with Transmission Provider's scope change process for interconnection projects as set forth in the PJM Manuals.

8.0 Schedule of Work. The Schedule of Work for all construction pursuant to this CSA shall be as set forth in the attached Schedule J, provided, however, that such schedule is subject to change in accordance with Section 3.3 of Appendix 2 to this CSA.

9.0 [Reserved.]

10.0 Notices. Any notice or request made to or by any party regarding this CSA shall be made in accordance with the standard terms and conditions for construction set forth in Appendix 2 to this CSA to the representatives of the other parties, as indicated below:

Transmission Provider:

PJM Interconnection, L.L.C.
2750 Monroe Blvd.
Audubon, PA 19403

Interconnection Customer:

Interconnected Transmission Owner:

11.0 Waiver. No waiver by any party of one or more defaults by another in performance of any of the provisions of this CSA shall operate or be construed as a waiver of any other or further default or defaults, whether of a like or different character.

- 12.0 Amendment. This CSA or any part thereof, may not be amended, modified, assigned, or waived other than by a writing signed by all parties.
- 13.0 Incorporation of Other Documents. All portions of the Tariff and the Operating Agreement pertinent to the subject of this CSA and not otherwise made a part hereof are hereby incorporated herein and made a part hereof.
- 14.0 Addendum of Interconnection Customer's Agreement to Conform with IRS Safe Harbor Provisions for Non-Taxable Status. To the extent required, in accordance with Section 2.4.1 of Appendix 2 to this CSA, Schedule L to this CSA shall set forth the Interconnection Customer's agreement to conform with the IRS safe harbor provisions for non-taxable status.
- 15.0 Addendum of Non-Standard Terms and Conditions for Construction Service. Subject to FERC approval, the parties agree that the terms and conditions set forth in the attached Schedule M are hereby incorporated by reference, and made a part of, this CSA. In the event of any conflict between a provision of Schedule M that FERC has accepted and any provision of the standard terms and conditions set forth in Appendix 2 to this CSA that relates to the same subject matter, the pertinent provision of Schedule M shall control.
- 16.0 Addendum of Interconnection Requirements for all Wind or Non-synchronous Generation Facilities. To the extent required, Schedule N to this CSA sets forth interconnection requirements for all wind and non-synchronous generation facilities and is hereby incorporated by reference and made a part of this CSA.
- 17.0 Infrastructure security of electric system equipment and operations and control hardware and software is essential to ensure day-to-day reliability and operational security. All Transmission Providers, Interconnected Transmission Owners, market participants, and Interconnection Customers interconnected with electric systems are to comply with the recommendations offered by the President's Critical Infrastructure Protection Board and best practice recommendations from the electric reliability authority. All public utilities are expected to meet basic standards for electric system infrastructure and operational security, including physical, operational, and cyber-security practices.

IN WITNESS WHEREOF, the parties have caused this Interconnection Construction Service Agreement to be executed by their respective authorized officials.

(PJM Queue Position #____)

Transmission Provider: PJM Interconnection, L.L.C.:

By: _____
Name Title Date

Printed name of signer: _____

Interconnection Customer: **[Name of Party]**

By: _____
Name Title Date

Printed name of signer: _____

Interconnected Transmission Owner: **[Name of Party]**

By: _____
Name Title Date

Printed name of signer: _____

APPENDICES:

- **APPENDIX 1 - DEFINITIONS**
- **APPENDIX 2 - STANDARD CONSTRUCTION TERMS AND CONDITIONS**

SCHEDULES:

- **SCHEDULE A - SITE PLAN**
- **SCHEDULE B - SINGLE-LINE DIAGRAM OF INTERCONNECTION FACILITIES**
- **SCHEDULE C - TRANSMISSION OWNER INTERCONNECTION**

FACILITIES TO BE BUILT BY INTERCONNECTED TRANSMISSION OWNER

- **SCHEDULE D - TRANSMISSION OWNER INTERCONNECTION FACILITIES TO BE BUILT BY INTERCONNECTION CUSTOMER PURSUANT TO OPTION TO BUILD**
- **SCHEDULE E - ~~MERCHANT NETWORK UPGRADES TO BE BUILT BY INTERCONNECTED TRANSMISSION OWNER~~[Reserved]**
- **SCHEDULE F - ~~[Reserved]MERCHANT NETWORK UPGRADES TO BE BUILT BY INTERCONNECTION CUSTOMER PURSUANT TO OPTION TO BUILD~~**
- **SCHEDULE G - CUSTOMER INTERCONNECTION FACILITIES**
- **SCHEDULE H - NEGOTIATED CONTRACT OPTION TERMS**
- **SCHEDULE I - SCOPE OF WORK**
- **SCHEDULE J - SCHEDULE OF WORK**
- **SCHEDULE K - APPLICABLE TECHNICAL REQUIREMENTS AND STANDARDS**
- **SCHEDULE L - INTERCONNECTION CUSTOMER'S AGREEMENT TO CONFORM WITH IRS SAFE HARBOR PROVISIONS FOR NON-TAXABLE STATUS**
- **SCHEDULE M - SCHEDULE OF NON-STANDARD TERMS AND CONDITIONS**

- **SCHEDULE N - INTERCONNECTION REQUIREMENTS FOR A WIND GENERATION FACILITY**

2.2 Transmission Owner Interconnection Facilities ~~and Merchant Network Upgrades~~

2.2.1 Generally:

~~(a)~~All Transmission Owner Interconnection Facilities necessary for the interconnection of the Customer Facility ~~and (b) any Merchant Network Upgrades~~ shall be designed, procured, installed and constructed in accordance with this Appendix 2, Applicable Standards, Applicable Laws and Regulations, Good Utility Practice, the Facilities Study and the Scope of Work under the Interconnection Construction Service Agreement(s).

2.2.2 Cost Responsibility:

Responsibility for the Costs of the Transmission Owner Interconnection Facilities ~~and any Merchant Network Upgrades~~ shall be assigned in accordance with Section 217 of the Tariff, as applicable, and shall be stated in the Interconnection Service Agreement.

2.2.3 Construction Responsibility:

Except as otherwise permitted under, or as otherwise agreed upon by the Interconnection Customer and the Interconnected Transmission Owner pursuant to, Section 3 of this Appendix 2, the Interconnected Transmission Owner shall be responsible for the design, procurement, construction and installation of the Transmission Owner Interconnection Facilities ~~or any Merchant Network Upgrades~~. In the event that there are multiple Interconnected Transmission Owners, the Transmission Provider shall determine how to allocate the construction responsibility among them unless they have reached agreement among themselves on how to proceed.

2.2.4 Ownership of Transmission Owner Interconnection Facilities ~~and Merchant Network Upgrades~~:

The Interconnected Transmission Owner shall own all Transmission Owner Interconnection Facilities ~~and Merchant Network Upgrades~~ that it builds. In addition, the Interconnection Customer will convey to the Interconnected Transmission Owner, as provided in Section 5.5 of this Appendix 2, title to all Transmission Owner Interconnection Facilities ~~and Merchant Network Upgrades~~ built by the Interconnection Customer pursuant to the terms of Section 3.2 of this Appendix 2. Nothing in this section shall affect the interconnection rights otherwise available to a Transmission Interconnection Customer under Subpart C of Part VI of the Tariff.

2.4 Tax Liability

2.4.1 Safe Harbor Provisions:

This Section 2.4.1 is applicable only to Generation Interconnection Customers. Provided that Interconnection Customer agrees to conform to all requirements of the Internal Revenue Service (“IRS”) (e.g., the “safe harbor” provisions of IRS Notices 2001-82 and 88-129) that would confer nontaxable status on some or all of the transfer of property, including money, by Interconnection Customer to the Interconnected Transmission Owner for payment of the Costs of construction of the Transmission Owner Interconnection Facilities, the Interconnected Transmission Owner, based on such agreement and on current law, shall treat such transfer of property to it as nontaxable income and, except as provided in Section 2.4.2 of this Appendix 2, shall not include income taxes in the Costs of Transmission Owner Interconnection Facilities that are payable by Interconnection Customer under this Appendix 2. Interconnection Customer shall document its agreement to conform to IRS requirements for such non-taxable status in the Interconnection Service Agreement, the Interconnection Construction Service Agreement, and/or the Interim Interconnection Service Agreement.

2.4.2 Tax Indemnity:

Interconnection Customer shall indemnify the Interconnected Transmission Owner for any costs that Interconnected Transmission Owner incurs in the event that the IRS and/or a state department of revenue (State) determines that the property, including money, transferred by Interconnection Customer to the Interconnected Transmission Owner with respect to the construction of the Transmission Owner Interconnection Facilities ~~and/or any Merchant Network Upgrades~~ is taxable income to the Interconnected Transmission Owner. Interconnection Customer shall pay to the Interconnected Transmission Owner, on demand, the amount of any income taxes that the IRS or a State assesses to the Interconnected Transmission Owner in connection with such transfer of property and/or money, plus any applicable interest and/or penalty charged to the Interconnected Transmission Owner. In the event that the Interconnected Transmission Owner chooses to contest such assessment, either at the request of Interconnection Customer or on its own behalf, and prevails in reducing or eliminating the tax, interest and/or penalty assessed against it, the Interconnected Transmission Owner shall refund to Interconnection Customer the excess of its demand payment made to the Interconnected Transmission Owner over the amount of the tax, interest and penalty for which the Interconnected Transmission Owner is finally determined to be liable. Interconnection Customer’s tax indemnification obligation under this section shall survive any termination of the Interconnection Construction Service Agreement.

2.4.3 Taxes Other Than Income Taxes:

Upon the timely request by Interconnection Customer, and at Interconnection Customer’s sole expense, the Interconnected Transmission Owner shall appeal, protest, seek abatement of, or otherwise contest any tax (other than federal or state income tax) asserted or assessed against the Interconnected Transmission Owner for which Interconnection Customer may be required to reimburse Transmission Provider under the terms of this Interconnection Construction Service

Agreement, or Part VI of the Tariff. Interconnection Customer shall pay to the Interconnected Transmission Owner on a periodic basis, as invoiced by the Interconnected Transmission Owner, the Interconnected Transmission Owner's documented reasonable costs of prosecuting such appeal, protest, abatement, or other contest. Interconnection Customer and the Interconnected Transmission Owner shall cooperate in good faith with respect to any such contest. Unless the payment of such taxes is a prerequisite to an appeal or abatement or cannot be deferred, no amount shall be payable by Interconnection Customer to the Interconnected Transmission Owner for such contested taxes until they are assessed by a final, non-appealable order by any court or agency of competent jurisdiction. In the event that a tax payment is withheld and ultimately due and payable after appeal, Interconnection Customer will be responsible for all taxes, interest and penalties, other than penalties attributable to any delay caused by the Interconnected Transmission Owner.

2.4.4 Income Tax Gross-Up

2.4.4.1 Additional Security:

In the event that Interconnection Customer does not provide the safe harbor documentation required under Section 2.4.1 of this Appendix 2 prior to execution of the Interconnection Construction Service Agreement, within 15 days after such execution, Transmission Provider shall notify Interconnection Customer in writing of the amount of additional Security that Interconnection Customer must provide. The amount of Security that a Transmission Interconnection Customer must provide initially shall include any amounts described as additional Security under this Section 2.4.4 regarding income tax gross-up.

2.4.4.2 Amount:

The required additional Security shall be in an amount equal to the amount necessary to gross up fully for currently applicable federal and state income taxes the estimated Costs of Local Upgrades and Network Upgrades for which Interconnection Customer previously provided Security. Accordingly, the additional Security shall equal the amount necessary to increase the total Security provided to the after the payment of all applicable income taxes ("Current Taxes") and taking into account the present value of future tax deductions for depreciation that would be available as a result of the anticipated payments or property transfers (the "Present Value Depreciation Amount"), an amount equal to the estimated Costs of Local Upgrades and Network Upgrades for which Interconnection Customer is responsible under the Interconnection Service Agreement. For this purpose, Current Taxes shall be computed based on the composite federal and state income tax rates applicable to the Interconnected Transmission Owner at the time the additional Security is received, determined using the highest marginal rates in effect at that time (the "Current Tax Rate"), and (ii) the Present Value Depreciation Amount shall be computed by discounting the Interconnected Transmission amount that would be sufficient to permit the Interconnected Transmission Owner to receive and retain, Owner's anticipated tax depreciation deductions associated with such payments or property transfers by its current weighted average cost of capital.

2.4.4.3 Time for Payment:

Interconnection Customer must provide the additional Security, in a form and with terms as required by Section 212.4, within 15 days after its receipt of Transmission Provider's notice under this section. The requirement for additional Security under this section shall be treated as a milestone included in the Interconnection Service Agreement pursuant to Section 212.5.

2.4.5 Tax Status:

Each Party shall cooperate with the other to maintain the other Party's tax status. Nothing in this Interconnection Construction Service Agreement or the Tariff is intended to adversely affect any Interconnected Transmission Owner's tax exempt status with respect to the issuance of bonds including, but not limited to, local furnishing bonds.

3.1 Construction by Interconnection Customer:

The Interconnection Customer shall use Reasonable Efforts to design, procure, construct and install the Customer Interconnection Facilities and any Transmission Owner Interconnection Facilities ~~and/or Merchant Network Upgrades~~ that it elects to build by exercise of the Option to Build (defined in Section 3.2.3.1 below) in accordance with the Schedule of Work.

3.2 Construction by Interconnected Transmission Owner

3.2.1 Standard Option:

The Interconnected Transmission Owner shall use Reasonable Efforts to design, procure, construct and install the Transmission Owner Interconnection Facilities ~~and/or any Merchant Network Upgrades~~ that it is responsible for constructing in accordance with the Schedule of Work.

3.2.1.1 Construction Sequencing:

In general, the sequence of the proposed dates of Initial Operation of Interconnection Customers seeking interconnection to the Transmission System will determine the sequence of construction of Network Upgrades.

3.2.2 Negotiated Contract Option:

As an alternative to the Standard Option set forth in Section 3.2.1 of this Appendix 2, the Interconnected Transmission Owner and the Interconnection Customer may mutually agree to a Negotiated Contract Option for the Interconnected Transmission Owner's design, procurement, construction and installation of the Transmission Owner Interconnection Facilities ~~and/or any Merchant Network Upgrades~~. Under the Negotiated Contract Option, the Interconnection Customer and the Interconnected Transmission Owner may agree to terms different from those included in the Standard Option of Section 3.2.1 above and the corresponding standard terms set forth in the applicable provisions of Part VI of the Tariff and this Appendix 2. Under the Negotiated Contract Option, negotiated terms may include the work schedule applicable to the Interconnected Transmission Owner's construction activities and changes to same (Section 3.3 of this Appendix 2); payment provisions, including the schedule of payments; incentives, penalties and/or liquidated damages related to timely completion of construction (Section 3.2.1 of this Appendix 2); use of third party contractors; and responsibility for Costs, but only as between the Interconnection Customer and the Interconnected Transmission Owner that are parties to this Interconnection Construction Service Agreement; no other Interconnection Customer's responsibility for Costs may be affected (Section 217 of the Tariff). No other terms of the Tariff or this Appendix 2 shall be subject to modification under the Negotiated Contract Option. The terms and conditions of the Tariff that may be negotiated pursuant to the Negotiated Contract Option shall not be affected by use of the Negotiated Contract Option except as and to the extent that they are modified by the parties' agreement pursuant to such option. All terms agreed upon pursuant to the Negotiated Contract Option shall be stated in full in an appendix to this Interconnection Construction Service Agreement.

3.2.3 Option to Build

3.2.3.1 Option:

In the event that the Interconnected Transmission Owner and the Interconnection Customer are unable to agree upon the terms of an Interconnection Construction Service Agreement (a) on or

before the date that is 30 days after Interconnection Customer's execution of the Interconnection Service Agreement, or (b) by such earlier date as is reasonable in the light of the schedule for construction of, as the case may be, the Transmission Owner Interconnection Facilities ~~or Merchant Network Upgrades~~, as set forth in the Facilities Study, and subject to the terms and conditions set forth in Sections 2 and 3 of this Appendix 2, or if mutually agreed by and between the Interconnection Customer and the Transmission Owner, the Interconnection Customer shall have the right, but not the obligation ("Option to Build"), to design, procure, construct and install all or any portion of the Transmission Owner Interconnection Facilities ~~and/or any Merchant Network Upgrades~~. In order to exercise this Option to Build, the Interconnection Customer must provide Transmission Provider and the Interconnected Transmission Owner with written notice of its election to exercise the option by no later than seven days after the date that is 30 days after Interconnection Customer's execution of the Interconnection Service Agreement, specifying either that a mutual agreement has been reached between the Interconnection Customer and the Interconnected Transmission Owner that the Interconnection Customer will exercise the Option to Build, or the specific terms and conditions of the Interconnection Construction Service Agreement upon which the Interconnected Transmission Owner and the Interconnection Customer are unable to agree and the efforts undertaken by the Interconnection Customer to resolve such disagreement; provided, however, that the Interconnection Customer and the Interconnected Transmission Owner may by mutual agreement extend the time period for exercise of the option.

3.2.3.2 General Conditions Applicable to Option:

In addition to the other terms and conditions applicable to the construction of facilities under this Appendix 2, the Option to Build is subject to the following conditions:

(a) The Interconnection Customer must obtain or arrange to obtain all necessary permits and authorizations for the construction and installation of the Transmission Owner Interconnection Facilities ~~and/or any Merchant Network Upgrades~~ that it is building, provided, however, that when the Interconnected Transmission Owner's assistance is required, the Interconnected Transmission Owner shall assist the Interconnection Customer in obtaining such necessary permits or authorizations with efforts similar in nature and extent to those that the Interconnected Transmission Owner typically undertakes in acquiring permits and authorizations for construction of facilities on its own behalf;

(b) The Interconnection Customer must obtain all necessary land rights for the construction and installation of the Transmission Owner Interconnection Facilities ~~and/or any Merchant Network Upgrades~~ that it is building, provided, however, that upon Interconnection Customer's reasonable request, the Interconnected Transmission Owner shall assist the Interconnection Customer in acquiring such land rights with efforts similar in nature and extent to those that the Interconnected Transmission Owner typically undertakes in acquiring land rights for construction of facilities on its own behalf;

(c) Notwithstanding anything stated herein, each Interconnected Transmission Owner shall have the exclusive right and obligation to perform the line attachments (tie-in work), and to calibrate remote terminal units and relay settings, required for the interconnection to such

Interconnected Transmission Owner's existing facilities of any Transmission Owner Interconnection Facilities ~~and/or any Merchant Network Upgrades~~ that the Interconnection Customer builds; and

(d) The Transmission Owner Interconnection Facilities ~~and/or any Merchant Network Upgrades~~ built by the Interconnection Customer shall be successfully inspected, tested and energized pursuant to Sections 3.8 and 3.9 of this Appendix 2.

3.2.3.3 Additional Conditions Regarding Network Facilities:

To the extent that the Interconnection Customer utilizes the Option to Build for design, procurement, construction and/or installation of ~~(a) any Merchant Network Upgrades,~~ ~~(ab)~~ any Transmission Owner Interconnection Facilities that are Local Upgrades or Network Upgrades to Transmission System facilities that are in existence or under construction by or on behalf of the Interconnected Transmission Owner on the date that the Interconnection Customer solicits bids under Section 3.2.3.7 below, or ~~(be) Merchant Network Upgrades or~~ Transmission Owner Interconnection Facilities that are to be located on land or in right-of-way owned or controlled by the Interconnected Transmission Owner, and in addition to the other terms and conditions applicable to the design, procurement, construction and/or installation of facilities under this Appendix 2, all work shall comply with the following further conditions:

(i) All work performed by or on behalf of the Interconnection Customer shall be conducted by contractors, and using equipment manufacturers or vendors, that are listed on the Interconnected Transmission Owner's List of Approved Contractors;

(ii) The Interconnected Transmission Owner shall have full site control of, and reasonable access to, its property at all times for purposes of tagging or operation, maintenance, repair or construction of modifications to, its existing facilities and/or for performing all tie-ins of Interconnection Facilities ~~and/or Merchant Network Upgrades~~ built by or for the Interconnection Customer; and for acceptance testing of any equipment that will be owned and/or operated by the Interconnected Transmission Owner;

(iii) The Interconnected Transmission Owner shall have the right to have a reasonable number of appropriate representatives present for all work done on its property/facilities or regarding the Transmission Owner Interconnection Facilities ~~and/or Merchant Network Upgrades~~, and the right to stop, or to order corrective measures with respect to, any such work that reasonably could be expected to have an adverse effect on reliability, safety or security of persons or of property of the Interconnected Transmission Owner or any portion of the Transmission System, provided that, unless circumstances do not reasonably permit such consultations, the Interconnected Transmission Owner shall consult with the Interconnection Customer and with Transmission Provider before directing that work be stopped or ordering any corrective measures;

(iv) The Interconnection Customer and its contractors, employees and agents shall comply with the Interconnected Transmission Owner's safety, security and work rules, environmental guidelines and training requirements applicable to the area(s) where construction

activity is occurring and shall provide all reasonably required documentation to the Interconnected Transmission Owner, provided that the Interconnected Transmission Owner previously has provided its safety, security and work rules and training requirements applicable to work on its facilities to Transmission Provider and the Interconnection Customer within 20 business days after a request therefor made by Interconnection Customer following its receipt of the Facilities Study;

(v) The Interconnection Customer shall be responsible for controlling the performance of its contractors, employees and agents; and

(vi) All activities performed by or on behalf of the Interconnection Customer pursuant to its exercise of the Option to Build shall be subject to compliance with Applicable Laws and Regulations, including those governing union staffing and bargaining unit obligations, and Applicable Standards.

3.2.3.4 Administration of Conditions:

To the extent that the Interconnected Transmission Owner exercises any discretion in the application of any of the conditions stated in Sections 3.2.3.2 and 3.2.3.3 of this Appendix 2, it shall apply each such condition in a manner that is reasonable and not unduly discriminatory and it shall not unreasonably withhold, condition, or delay any approval or authorization that the Interconnection Customer may require for the purpose of complying with any of those conditions.

3.2.3.5 Approved Contractors:

(a) Each Transmission Owner shall develop and shall provide to Transmission Provider a List of Approved Contractors. Each Transmission Owner shall include on its List of Approved Contractors no fewer than three contractors and no fewer than three manufacturers or vendors of major transmission-related equipment, unless a Transmission Owner demonstrates to Transmission Provider's reasonable satisfaction that it is feasible only to include a lesser number of construction contractors, or manufacturers or vendors, on its List of Approved Contractors. Transmission Provider shall publish each Transmission Owner's List of Approved Contractors in a PJM Manual and shall make such manual available on its internet website.

(b) Upon request of an Interconnection Customer, a Transmission Owner shall add to its List of Approved Contractors (1) any design or construction contractor regarding which the Interconnection Customer provides such information as the Transmission Owner may reasonably require which demonstrates to the Transmission Owner's reasonable satisfaction that the candidate contractor is qualified to design, or to install and/or construct new facilities or upgrades or modifications to existing facilities on the Transmission Owner's system, or (2) any manufacturer or vendor of major transmission-related equipment (e.g., high-voltage transformers, transmission line, circuit breakers) regarding which the Interconnection Customer provides such information as the Transmission Owner may reasonably require which demonstrates to the Transmission Owner's reasonable satisfaction that the candidate entity's major transmission-related equipment is acceptable for installation and use on the Transmission

Owner's system. No Transmission Owner shall unreasonably withhold, condition, or delay its acceptance of a contractor, manufacturer, or vendor proposed for addition to its List of Approved Contractors.

3.2.3.6 Construction by Multiple Interconnection Customers:

In the event that there are multiple Interconnection Customers that wish to exercise an Option to Build with respect to Interconnection Facilities of the types described in Section 3.2.3.3 to this Appendix 2, the Transmission Provider shall determine how to allocate the construction responsibility among them unless they reach agreement among themselves on how to proceed.

3.2.3.7 Option Procedures:

(a) Within 10 days after notifying Transmission Provider and the Interconnected Transmission Owner of its election to exercise the Option to Build, Interconnection Customer shall solicit bids from one or more Approved Contractors named on the Interconnected Transmission Owner's List of Approved Contractors to procure equipment for, and/or to design, construct and/or install, the Transmission Owner Interconnection Facilities ~~and/or Merchant Network Upgrades~~ that the Interconnection Customer seeks to build under the Option to Build on terms (i) that will meet the Interconnection Customer's proposed schedule; (ii) that, if the Interconnection Customer seeks to have an Approved Contractor construct or install Transmission Owner Interconnection Facilities ~~and/or Merchant Network Upgrades~~, will satisfy all of the conditions on construction specified in Sections 3.2.3.2 and 3.2.3.3 of this Appendix 2; and (iii) that will satisfy the obligations of a Constructing Entity (other than those relating to responsibility for the costs of facilities) under this Appendix 2.

(b) Any additional costs arising from the bidding process or from the final bid of the successful Approved Contractor shall be the sole responsibility of the Interconnection Customer.

(c) Upon receipt of a qualifying bid acceptable to it, the Interconnection Customer shall contract with the Approved Contractor that submitted the qualifying bid. Such contract shall meet the standards stated in paragraph (a) of this section.

(d) In the absence of a qualifying bid acceptable to the Interconnection Customer in response to its solicitation, the Interconnected Transmission Owner(s) shall be responsible for the design, procurement, construction and installation of the Transmission Owner Interconnection Facilities ~~and/or Merchant Network Upgrades~~ in accordance with the Standard Option described in Section 3.2.1 of this Appendix 2.

3.2.3.8 Interconnection Customer Drawings:

Interconnection Customer shall submit to the Interconnected Transmission Owner and Transmission Provider initial drawings, certified by a professional engineer, of the Transmission Owner Interconnection Facilities ~~and/or Merchant Network Upgrade~~ that Interconnection Customer arranges to build under the Option to Build. The Interconnected Transmission Owner shall review the drawings to assess the consistency of Interconnection Customer's design of the

pertinent Transmission Owner Interconnection Facilities ~~and/or Merchant Network Upgrades~~ with Applicable Standards and the Facilities Study. Interconnected Transmission Owner, with facilitation and oversight by Transmission Provider, shall provide comments on such drawings to Interconnection Customer within sixty days after its receipt thereof, after which time any drawings not subject to comment shall be deemed to be approved. All drawings provided hereunder shall be deemed to be Confidential Information.

3.2.3.9 Effect of Review:

Interconnected Transmission Owner's review of Interconnection Customer's initial drawings of the Transmission Owner Interconnection Facilities ~~and/or Merchant Network Upgrades~~ that the Interconnection Customer is building shall not be construed as confirming, endorsing or providing a warranty as to the fitness, safety, durability or reliability of such facilities or the design thereof. At its sole cost and expense, Interconnection Customer shall make such changes to the design of the pertinent Transmission Owner Interconnection Facilities ~~and/or Merchant Network Upgrades~~ as may reasonably be required by Transmission Provider, in consultation with the Interconnected Transmission Owner, to ensure that the Transmission Owner Interconnection Facilities ~~and/or Merchant Network Upgrades~~ that Interconnection Customer is building meet Applicable Standards and conform with the Facilities Study.

3.4 Suspension:

The following provision applies to Interconnection Requests which have entered the New Services Queue prior to February 1, 2011:

Interconnection Customer shall have the right, upon written notice to Transmission Provider and Interconnected Transmission Owner, to suspend at any time all work by Interconnected Transmission Owner associated with the construction and installation of the Transmission Owner Interconnection Facilities ~~and/or Merchant Network Upgrades~~ required under an Interconnection Service Agreement or Interconnection Construction Service Agreement, with the condition that, notwithstanding such suspension, the Transmission System shall be left in a safe and reliable condition in accordance with Good Utility Practice and Transmission Provider's safety and reliability criteria. This suspension right permits the Interconnection Customer to request one or more suspensions of work for a cumulative period of up to three years for each Interconnection Request. Interconnection Customer's notice of suspension shall include an estimated duration of the suspension and other information related to the suspension.

The following provision applies to Interconnection Requests which have entered the New Services Queue on or after February 1, 2011:

Interconnection Customer shall have the right, upon written notice to Transmission Provider and Interconnected Transmission Owner, to suspend at any time all work by Interconnected Transmission Owner associated with the construction and installation of the Transmission Owner Interconnection Facilities ~~and/or Merchant Network Upgrades~~ required under an Interconnection Service Agreement or Interconnection Construction Service Agreement, with the condition that, notwithstanding such suspension, the Transmission System shall be left in a safe and reliable condition in accordance with Good Utility Practice and Transmission Provider's safety and reliability criteria. This suspension right permits the Interconnection Customer to request one or more suspensions of work for a cumulative period of up to (i) three years for an Interconnection Request for which the Transmission Provider determines that such suspension would not be deemed a Material Modification, or (ii) one year for an Interconnection Request for which the Transmission Provider determine that such suspension would be deemed a Material Modification. Interconnection Customer's notice of suspension shall include an estimated duration of the suspension and other information related to the suspension.

3.4.1 Costs:

In the event of a suspension under this section, Interconnection Customer shall be responsible for all reasonable and necessary Cancellation Costs which Interconnected Transmission Owner or Transmission Provider (i) has incurred pursuant to the Interconnection Service Agreement or Interconnection Construction Service Agreement prior to the suspension and (ii) incurs in suspending such work, including any costs incurred to perform such work as may be necessary to ensure the safety of persons and property and the integrity of the Transmission System during such suspension and, if applicable, any costs incurred in connection with the cancellation or suspension of material, equipment and/or labor contracts which Interconnected Transmission Owner or Transmission Provider cannot reasonably avoid; provided, however, that prior to

cancelling or suspending any such material, equipment or labor contract, Interconnected Transmission Owner or Transmission Provider, as the case may be, shall obtain Interconnection Customer's authorization to do so. Transmission Provider shall invoice Interconnection Customer pursuant to Section 9 of this Appendix 2 for Cancellation Costs for which the customer is liable under this section. Interconnected Transmission Owner and Transmission Provider shall use due diligence to minimize Cancellation Costs in the event of a suspension of work.

3.4.2 Duration of Suspension:

In the event Interconnection Customer suspends work by Interconnected Transmission Owner required under an Interconnection Service Agreement or Interconnection Construction Service Agreement pursuant to this Section 3.4, and has not requested Transmission Provider and the Interconnected Transmission Owner to recommence the work required under the applicable agreement(s) on or before the expiration of the time period allowed under this Section 3.4 following commencement of such suspension, the Interconnection Construction Service Agreement and the Interconnection Service Agreement for the Interconnection Request for which Interconnection Customer suspended work shall be deemed terminated as of the end of such suspension time period. The suspension time shall begin on the date the suspension is requested, or on the date of Interconnection Customer's written notice of suspension to Transmission Provider, if no effective date was specified.

3.5 Right to Complete Transmission Owner Interconnection Facilities:

In the event that, at any time prior to successful Stage Two energization of the Transmission Owner Interconnection Facilities ~~and/or Merchant Network Upgrades~~ pursuant to Section 3.9 of Appendix 2, the Interconnection Customer terminates its obligations under this Appendix 2 pursuant to Section 14.1.2 below due to a Default by the Interconnected Transmission Owner, the Interconnection Customer may elect to complete the design, procurement, construction and installation of the Transmission Owner Interconnection Facilities ~~and/or Merchant Network Upgrades~~. The Interconnection Customer shall notify the Interconnected Transmission Owner and Transmission Provider in writing of its election to complete the Transmission Owner Interconnection Facilities ~~and/or Merchant Network Upgrades~~ within 10 days after the date of Interconnection Customer's notice of termination pursuant to Section 14.1.2 of this Appendix 2. In the event that the Interconnection Customer elects to complete the Transmission Owner Interconnection Facilities ~~and/or Merchant Network Upgrades~~, it shall do so in accordance with the terms and conditions of the Option to Build under Section 3.2.3 of this Appendix 2 and shall be responsible for paying all costs of completing the Transmission Owner Interconnection Facilities ~~and/or Merchant Network Upgrades~~ incurred after the date of its notice of election to complete the facilities. Interconnection Customer may take possession of, and may use in completing the Transmission Owner Interconnection Facilities ~~and/or Merchant Network Upgrades~~, any materials and supplies and equipment (other than equipment and facilities that already have been installed or constructed) acquired by the Interconnected Transmission Owner for construction, and included in the Costs, of the Transmission Owner Interconnection Facilities ~~and/or Merchant Network Upgrades~~, provided that Interconnection Customer shall pay Transmission Provider, for the benefit of the Interconnected Transmission Owner and upon presentation by Interconnected Transmission Owner of reasonable and appropriate documentation thereof, any amounts expended by the Interconnected Transmission Owner for such materials, supplies and equipment that Interconnection Customer has not already paid. Title to all Transmission Owner Interconnection Facilities ~~and/or Merchant Network Upgrades~~ constructed by Interconnection Customer under this Section 3.5 shall be transferred to the Interconnected Transmission Owner in accordance with Section 5.5 of this Appendix 2.

3.6 Suspension of Work Upon Default:

Upon the occurrence of a Default by Interconnection Customer as defined in Section 13 of this Appendix 2, the Transmission Provider or the Interconnected Transmission Owner may by written notice to Interconnection Customer suspend further work associated with the construction and installation of the Transmission Owner Interconnection Facilities ~~and/or Merchant Network Upgrades~~ that the Interconnected Transmission Owner is responsible for constructing. Such suspension shall not constitute a waiver of any termination rights under this Interconnection Construction Service Agreement. In the event of a suspension by Transmission Provider or Interconnected Transmission Owner, the Interconnection Customer shall be responsible for the Costs incurred in connection with any suspension hereunder in accordance with Section 14.3 of this Appendix 2.

3.7 Construction Reports:

Each Constructing Entity shall issue reports to each other Construction Party on a monthly basis, and at such other times as reasonably requested, regarding the status of the construction and installation of the Interconnection Facilities ~~and/or any Merchant Network Upgrades~~. Each Construction Party shall promptly identify, and shall notify each other Construction Party of, any event that the Construction Party reasonably expects may delay completion, or may significantly increase the cost, of the Interconnection Facilities ~~and/or of any Merchant Network Upgrades~~. Should a Construction Party report such an event, Transmission Provider shall, within fifteen days of such notification, convene a technical meeting of the Construction Parties to evaluate schedule alternatives.

3.8 Inspection and Testing of Completed Facilities

3.8.1 Coordination:

Interconnection Customer and the Interconnected Transmission Owner shall coordinate the timing and schedule of all inspection and testing of the Interconnection Facilities.

3.8.2 Inspection and Testing:

Each Constructing Entity shall cause inspection and testing of the Interconnection Facilities ~~and/or any Merchant Network Upgrades~~ that it constructs in accordance with the provisions of this section. The Construction Parties acknowledge and agree that inspection and testing of facilities may be undertaken as facilities are completed and need not await completion of all of the facilities that a Constructing Entity is building.

3.8.2.1 Of Interconnection Customer-Built Facilities:

Upon the completion of the construction and installation, but prior to energization, of any Interconnection Facilities ~~and/or Merchant Network Upgrades~~ constructed by the Interconnection Customer and related portions of the Customer Facility, the Interconnection Customer shall have the same inspected and/or tested by an authorized electric inspection agency or qualified third party reasonably acceptable to the Interconnected Transmission Owner to assess whether the facilities substantially comply with Applicable Standards. Said inspection and testing shall be held on a mutually agreed-upon date, and the Interconnected Transmission Owner and Transmission Provider shall have the right to attend and observe, and to obtain the written results of, such testing.

3.8.2.2 Of Interconnected Transmission Owner-Built Facilities:

Upon the completion of the construction and installation, but prior to energization, of any Interconnection Facilities ~~and/or Merchant Network Upgrades~~ constructed by the Interconnected Transmission Owner, the Interconnected Transmission Owner shall have the same inspected and/or tested by qualified personnel or a qualified contractor to assess whether the facilities substantially comply with Applicable Standards. Subject to Applicable Laws and Regulations, said inspection and testing shall be held on a mutually agreed-upon date, and the Interconnection Customer and Transmission Provider shall have the right to attend and observe, and to obtain the written results of, such testing.

3.8.3 Review of Inspection and Testing by Interconnected Transmission Owner:

In the event that the written report, or the observation of either Constructing Entity or Transmission Provider, of the inspection and/or testing pursuant to Section 3.8.2 of this Appendix 2 reasonably leads the Transmission Provider or Interconnected Transmission Owner to believe that the inspection and/or testing of some or all of the Interconnection Facilities ~~and/or Merchant Network Upgrades~~ built by the Interconnection Customer was inadequate or otherwise deficient, the Interconnected Transmission Owner may, within 20 days after its receipt of the

results of inspection or testing and upon reasonable notice to the Interconnection Customer, perform its own inspection and/or testing of such Interconnection Facilities ~~and/or Merchant Network Upgrades~~ to determine whether the facilities are acceptable for energization, which determination shall not be unreasonably delayed, withheld or conditioned.

3.8.4 Notification and Correction of Defects

3.8.4.1 If the Interconnected Transmission Owner, based on inspection or testing pursuant to Section 3.8.2 or 3.8.3 of this Appendix 2, identifies any defects or failures to comply with Applicable Standards in the Interconnection Facilities ~~and/or Merchant Network Upgrades~~ constructed by the Interconnection Customer, the Interconnected Transmission Owner shall notify the Interconnection Customer and Transmission Provider of any identified defects or failures within 20 days after the Interconnected Transmission Owner's receipt of the results of such inspection or testing. The Interconnection Customer shall take appropriate actions to correct any such defects or failure at its sole cost and expense, and shall obtain the Interconnected Transmission Owner's acceptance of the corrections, which acceptance shall not be unreasonably delayed, withheld or conditioned.

3.8.4.2 In the event that inspection and/or testing of any Transmission Owner Interconnection Facilities ~~and/or Merchant Network Upgrades~~ built by the Interconnected Transmission Owner identifies any defects or failures to comply with Applicable Standards in such facilities, Interconnected Transmission Owner shall take appropriate action to correct any such defects or failures within 20 days after it learns thereof. In the event that such a defect or failure cannot reasonably be corrected within such 20-day period, Interconnected Transmission Owner shall commence the necessary correction within that time and shall thereafter diligently pursue it to completion.

3.8.5 Notification of Results:

Within 10 days after satisfactory inspection and/or testing of Interconnection Facilities ~~and/or Merchant Network Upgrades~~ built by the Interconnection Customer (including, if applicable, inspection and/or testing after correction of defects or failures), the Interconnected Transmission Owner shall confirm in writing to the Interconnection Customer and Transmission Provider that the successfully inspected and tested facilities are acceptable for energization.

3.9 Energization of Completed Facilities

(A) Unless otherwise provided in the Schedule of Work, energization of the Interconnection Facilities related to interconnection of a Generation Interconnection Customer and, when applicable as determined by Transmission Provider, of the Interconnection Facilities ~~and/or Merchant Network Upgrades~~ related to interconnection of a Transmission Interconnection Customer, shall occur in two stages. Stage One energization shall consist of energization of the Customer Interconnection Facilities and of the Transmission Owner Attachment Facilities and will occur prior to initial energization of the Customer Facility. Stage Two energization shall consist of (1) initial synchronization to the Transmission System of any completed generator(s) at the Customer Facility of a Generation Interconnection Customer, or of applicable facilities, as determined by the Transmission Provider, associated with Merchant Transmission Facilities of a Transmission Interconnection Customer, and (2) energization of the remainder of the Transmission Owner Interconnection Facilities ~~and/or of any Merchant Network Upgrades~~. Stage Two energization shall be completed prior to Initial Operation of the Customer Facility.

(B) In the case of Interconnection Facilities ~~and/or Merchant Network Upgrades~~ related to interconnection of a Transmission Interconnection Customer for which the Transmission Provider determines that two-stage energization is inapplicable, energization shall occur in a single stage, consisting of energization of the Interconnection Facilities and the Customer Facility. Such a single-stage energization shall be regarded as Stage Two energization for the purposes of the remaining provisions of this Section 3.9 and of Section 5.5 of this Appendix 2.

3.9.1

Stage One energization of the Interconnection Facilities ~~and/or, as applicable, Merchant Network Upgrades~~ may not occur prior to the satisfaction of the following additional conditions:

(a) The Interconnection Customer shall have delivered to the Interconnected Transmission Owner and Transmission Provider a writing transferring to the Interconnected Transmission Owner and Transmission Provider operational control over any Transmission Owner Attachment Facilities that Interconnection Customer has constructed; and

(b) The Interconnection Customer shall have provided a mark-up of construction drawings to the Interconnected Transmission Owner to show the “as-built” condition of all Transmission Owner Attachment Facilities that Interconnection Customer has constructed.

3.9.2 As soon as practicable after the satisfaction of the conditions for Stage One energization specified in Sections 3.8 and 3.9.1 of this Appendix 2, the Interconnected Transmission Owner and the Interconnection Customer shall coordinate and undertake the Stage One energization of facilities.

3.9.3 Stage Two energization of the Interconnection Facilities ~~and/or, as applicable, Merchant Network Upgrades~~ may not occur prior to the satisfaction of the following additional conditions:

(a) The Interconnection Customer shall have delivered to the Interconnected Transmission Owner and Transmission Provider a writing transferring to the Interconnected Transmission Owner and Transmission Provider operational control over any Transmission Owner Interconnection Facilities ~~and/or Merchant Network Upgrades~~ that Interconnection Customer has constructed and operational control of which it has not previously transferred pursuant to Section 3.9.1 of this Appendix 2; and

(b) The Interconnection Customer shall have provided a mark-up of construction drawings to the Interconnected Transmission Owner to show the “as-built” condition of all Transmission Owner Interconnection Facilities ~~and/or Merchant Network Upgrades~~ that Interconnection Customer has constructed and which were not included in the Stage One energization, but are included in the Stage Two energization.

(c) Telemetry systems shall be operational and shall be providing Transmission Provider and the Interconnected Transmission Owner with telemetered data as specified pursuant to Section 8.5.2 of Appendix 2 to the Interconnection Service Agreement.

3.9.4 As soon as practicable after the satisfaction of the conditions for Stage Two energization specified in Sections 3.8 and 3.9.3 of this Appendix 2, the Interconnected Transmission Owner and the Interconnection Customer shall coordinate and undertake the Stage Two energization of facilities.

3.9.5 To the extent defects in any Interconnection Facilities are identified during the energization process, the energization will not be deemed successful. In that event, the Constructing Entity shall take action to correct such defects in any Interconnection Facilities ~~and/or Merchant Network Upgrades~~ that it built as promptly as practical after the defects are identified. The affected Constructing Entity shall so notify the other Construction Parties when it has corrected any such defects, and the Constructing Entities shall recommence efforts, within 10 days thereafter, to energize the appropriate Interconnection Facilities ~~and/or Merchant Network Upgrades~~ in accordance with Section 3.9; provided that the Interconnected Transmission Owner may, in the reasonable exercise of its discretion and with the approval of Transmission Provider, require that further inspection and testing be performed in accordance with Section 3.8 of this Appendix 2.

3.10 Interconnected Transmission Owner's Acceptance of Facilities Constructed by Interconnection Customer:

Within five days after determining that Interconnection Facilities ~~and/or Merchant Network Upgrades~~ have been successfully energized, the Interconnected Transmission Owner shall issue a written notice to the Interconnection Customer accepting the Interconnection Facilities ~~and/or Merchant Network Upgrades~~ built by the Interconnection Customer that were successfully energized. Such acceptance shall not be construed as confirming, endorsing or providing a warranty by the Interconnected Transmission Owner as to the design, installation, construction, fitness, safety, durability or reliability of any Interconnection Facilities ~~and/or Merchant Network Upgrades~~ built by the Interconnection Customer, or their compliance with Applicable Standards.

4.1 Outages; Coordination:

The Construction Parties acknowledge and agree that certain outages of transmission facilities owned by the Interconnected Transmission Owner, as more specifically detailed in the Scope of Work, may be necessary in order to complete the process of constructing and installing all Interconnection Facilities ~~and/or Merchant Network Upgrades~~. The Construction Parties further acknowledge and agree that any such outages shall be coordinated by and through the Transmission Provider.

5.5 Transfer of Title to Certain Facilities Constructed By Interconnection Customer:

Within thirty (30) days after the Interconnection Customer's receipt of notice of acceptance under Section 3.10 of this Appendix 2 following Stage Two energization of the Interconnection Facilities, the Interconnection Customer shall deliver to the Interconnected Transmission Owner, for the Interconnected Transmission Owner's review and approval, all of the documents and filings necessary to transfer to the Interconnected Transmission Owner title to any Transmission Owner Interconnection Facilities ~~and/or Merchant Network Upgrades~~ constructed by the Interconnection Customer, and to convey to the Interconnected Transmission Owner any easements and other land rights to be granted by Interconnection Customer in accordance with Section 5.1 above that have not then already been conveyed. The Interconnected Transmission Owner shall review and approve such documentation, such approval not to be unreasonably withheld, delayed, or conditioned. Within 30 days after its receipt of the Interconnected Transmission Owner's written notice of approval of the documentation, the Interconnection Customer, in coordination and consultation with the Interconnected Transmission Owner, shall make any necessary filings at the FERC or other governmental agencies for regulatory approval of the transfer of title. Within twenty (20) days after the issuance of the last order granting a necessary regulatory approval becomes final (i.e., is no longer subject to rehearing), the Interconnection Customer shall execute all necessary documentation and shall make all necessary filings to record and perfect the Interconnected Transmission Owner's title in such facilities and in the easements and other land rights to be conveyed to the Interconnected Transmission Owner. Prior to such transfer to the Interconnected Transmission Owner of title to the Transmission Owner Interconnection Facilities built by the Interconnection Customer, the risk of loss or damages to, or in connection with, such facilities shall remain with the Interconnection Customer. Transfer of title to facilities under this section shall not affect the Interconnection Customer's receipt or use of the interconnection rights related to Network Upgrades and/or; Local Upgrades ~~and/or Merchant Network Upgrades~~ for which it otherwise may be eligible as provided in Subpart C of Part VI of the Tariff.

6.1 Interconnection Customer Warranty:

The Interconnection Customer shall warrant that its work (or the work of any subcontractor that it retains) in constructing and installing the Transmission Owner Interconnection Facilities ~~and/or Merchant Network Upgrades~~ that it builds is free from defects in workmanship and design and shall conform to the requirements of this Interconnection Construction Service Agreement for one (1) year (the “Interconnection Customer Warranty Period”) commencing upon the date title is transferred to Interconnected Transmission Owner in accordance with Section 5.5 of this Appendix 2. The Interconnection Customer shall, at its sole expense and promptly after notification by the Interconnected Transmission Owner, correct or replace defective work in accordance with Applicable Technical Requirements and Standards, during the Interconnection Customer Warranty Period. The warranty period for such corrected or replaced work shall be the unused portion of the Interconnection Customer Warranty Period remaining as of the date of notice of the defect. The Interconnection Customer Warranty Period shall resume upon acceptance of such corrected or replaced work. All Costs incurred by Interconnected Transmission Owner as a result of such defective work shall be reimbursed to the Interconnected Transmission Owner by the Interconnection Customer on demand; provided that the Interconnected Transmission Owner submits the demand to the Interconnection Customer within the Interconnection Customer Warranty Period and provides reasonable documentation of the claimed costs. The Interconnected Transmission Owner’s acceptance, inspection and testing, or a third party’s inspection or testing, of such facilities pursuant to Section 3.8 of this Appendix 2 shall not be construed to limit in any way the warranty obligations of the Interconnection Customer.

6.2 Manufacturer Warranties:

Prior to the transfer to the Interconnected Transmission Owner of title to the Transmission Owner Interconnection Facilities built by the Interconnection Customer, the Interconnection Customer shall produce documentation satisfactory to the Interconnected Transmission Owner evidencing the transfer to the Interconnected Transmission Owner of all manufacturer warranties for equipment and/or materials purchased by the Interconnection Customer for use and/or installation as part of the Transmission Owner Interconnection Facilities ~~and/or Merchant Network Upgrades~~ built by the Interconnection Customer.

9.2 Invoice:

The Interconnected Transmission Owner shall provide Transmission Provider a quarterly statement of the Interconnected Transmission Owner's scheduled expenditures during the next three months for, as applicable, (a) the design, engineering and construction of, and/or for other charges related to, construction of the Interconnection Facilities ~~and/or Merchant Network Upgrades~~ for which the Interconnected Transmission Owner is responsible under this Interconnection Construction Service Agreement, or (b) in the event that the Interconnection Customer exercises the Option to Build pursuant to Section 3.2.3.1 of this Appendix 2, for the Interconnected Transmission Owner's Costs associated with the Interconnection Customer's building Attachment Facilities, Local Upgrades and Network Upgrades (including both Direct Connection Network Upgrades, Direct Connection Local Upgrades, Non-Direct Connection Network Upgrades and Non-Direct Connection Local Upgrades), including but not limited to Costs for tie-in work and Cancellation Costs. Provided, however, such Interconnected Transmission Owner Costs may include oversight costs (i.e. costs incurred by the Interconnected Transmission Owner when engaging in oversight activities to satisfy itself that the Interconnection Customer is complying with the Interconnected Transmission Owner's standards and specifications for the construction of facilities) only if the Interconnected Transmission Owner and the Interconnection Customer mutually agree to the inclusion of such costs under the Option to Build pursuant to the provisions of Section 3.3.3.1 of this Appendix. Transmission Provider shall bill Interconnection Customer on behalf of the Interconnected Transmission Owner, for the Interconnected Transmission Owner's expected Costs during the subsequent three months. Interconnection Customer shall pay each bill within twenty (20) days after receipt thereof. Upon receipt of each of Interconnection Customer's payments of such bills, Transmission Provider shall reimburse the Interconnected Transmission Owner. Interconnection Customer may request that the Transmission Provider provide a quarterly cost reconciliation. Such a quarterly cost reconciliation will have a one-quarter lag, e.g., reconciliation of costs for the first calendar quarter of work will be provided at the start of the third calendar quarter of work, provided, however, that Section 9.3 of this Appendix 2 shall govern the timing of the final cost reconciliation upon completion of the work.

9.3 Final Invoice:

Within 120 days after the Interconnected Transmission Owner completes construction and installation of the Interconnection Facilities ~~and/or Merchant Network Upgrades~~ for which the Interconnected Transmission Owner is responsible under this Interconnection Construction Service Agreement, Transmission Provider shall provide Interconnection Customer with an accounting of, and the appropriate Construction Party shall make any payment to the other that is necessary to resolve, any difference between (a) Interconnection Customer's responsibility under the Tariff for the actual Cost of such facilities, and (b) Interconnection Customer's previous aggregate payments to Transmission Provider for the Costs of such facilities. Notwithstanding the foregoing, however, Transmission Provider shall not be obligated to make any payment to either the Interconnection Customer or the Interconnected Transmission Owner that the preceding sentence requires it to make unless and until the Transmission Provider has received the payment that it is required to refund from the Construction Party owing the payment.

14.1 Termination

14.1.1 Upon Completion of Construction:

This Interconnection Construction Service Agreement shall terminate upon the later of the following: (i) completion of construction of all Interconnection Facilities ~~and/or Merchant Network Upgrades~~; (ii) transfer of title under Section 5 of this Appendix 2; (iii) final payment of all Costs due and owing under this Interconnection Construction Service Agreement; and (iv) the delivery to the Interconnected Transmission Owner of final “as-built” drawings of any Interconnection Facilities ~~and/or Merchant Network Upgrades~~ built by the Interconnection Customer.

14.1.2 Upon Default By Either Constructing Entity:

Either Constructing Entity may terminate its obligations hereunder in the event of a Default by the other Constructing Entity as defined in Section 13.3 of this Appendix 2.

14.1.3 By Interconnection Customer:

Subject to its payment of Cancellation Costs as explained in Section 14.3 below, the Interconnection Customer may be relieved of its obligations hereunder upon sixty (60) days written notice to Transmission Provider and the Interconnected Transmission Owner.

14.3 Cancellation By Interconnection Customer

14.3.1 Applicability:

The following provisions shall survive and shall apply in the event that Interconnection Customer terminates the Interconnection Construction Service Agreement pursuant to this Section 14.1.3.

14.3.1.1 Cancellation Cost Responsibility:

Upon the cancellation of the Interconnection Construction Service Agreement by the Interconnection Customer, the Interconnection Customer shall be liable to pay to the Interconnected Transmission Owner or Transmission Provider all Cancellation Costs in connection with Construction Service for the Interconnection Customer pursuant to this Interconnection Construction Service Agreement, including Section 14.3.1.2 of this Appendix 2. In the event the Interconnected Transmission Owner incurs Cancellation Costs, it shall provide the Transmission Provider, with a copy to the Interconnection Customer, with a written demand for payment and with reasonable documentation of such Cancellation Costs. The Interconnection Customer shall pay the Transmission Provider each bill for Cancellation Costs within thirty (30) days after, as applicable, the Interconnected Transmission Owner's or Transmission Provider's presentation to the Interconnection Customer of written demand therefor, provided that such demand includes reasonable documentation of the Cancellation Costs that the invoicing party seeks to collect. Upon receipt of each of Interconnection Customer's payments of such bills of the Interconnected Transmission Owner, Transmission Provider shall reimburse the Interconnected Transmission Owner for Cancellation Costs incurred by the latter.

14.3.1.2 Disposition of Facilities Upon Cancellation:

Upon cancellation of the Interconnection Construction Service Agreement by an Interconnection Customer, Transmission Provider, after consulting with the Interconnected Transmission Owner, may, at the sole cost and expense of the Interconnection Customer, authorize the Interconnected Transmission Owner to (a) cancel supplier and contractor orders and agreements entered into by the Interconnected Transmission Owner to design, construct, install, operate, maintain and own the Transmission Owner Interconnection Facilities ~~and/or Merchant Network Upgrades~~, provided, however, that Interconnection Customer shall have the right to choose to take delivery of any equipment ordered by the Interconnected Transmission Owner for which Transmission Provider otherwise would authorize cancellation of the purchase order; or (b) remove any Transmission Owner Interconnection Facilities ~~and/or Merchant Network Upgrades~~ built by the Interconnected Transmission Owner or any Transmission Owner Interconnection Facilities (only after title to the subject facilities has been transferred to the Interconnected Transmission Owner) ~~and/or Merchant Network Upgrades~~ built by the Interconnection Customer; or (c) partially or entirely complete the Transmission Owner Interconnection Facilities ~~and/or Merchant Network Upgrades~~ as necessary to preserve the integrity or reliability of the Transmission System, provided that Interconnection Customer shall be entitled to receive any rights associated with such facilities and upgrades as determined in accordance with Part VI of the Tariff; or (d) undo

any of the changes to the Transmission System that were made pursuant to this Interconnection Construction Service Agreement. To the extent that the Interconnection Customer has fully paid for equipment that is unused upon cancellation or which is removed pursuant to subsection (b) above, the Interconnection Customer shall have the right to take back title to such equipment; alternatively, in the event that the Interconnection Customer does not wish to take back title, the Interconnected Transmission Owner may elect to pay the Interconnection Customer a mutually agreed amount to acquire and own such equipment.

14.3.2 Termination Upon Default:

In the event that Interconnection Customer exercises its right to terminate under Section 14.1.2 of this Appendix 2, and notwithstanding any other provision of this Interconnection Construction Service Agreement, the Interconnection Customer shall be liable for payment of the Interconnected Transmission Owner's Costs incurred up to the date of Interconnection Customer's notice of termination pursuant to Section 14.1.2 and the costs of completion of some or all of the Transmission Owner Interconnection Facilities ~~and/or Merchant Network Upgrades~~ or specific unfinished portions thereof, and/or removal of any or all of such facilities which have been installed, to the extent that Transmission Provider determines such completion or removal to be required for the Transmission Provider and/or Interconnected Transmission Owner to perform their respective obligations under Part VI of the Tariff or this Interconnection Construction Service Agreement, provided, however, that Interconnection Customer's payment of such costs shall be without prejudice to any remedies that otherwise may be available to it under this Appendix 2 for the Default of the Interconnected Transmission Owner.

SCHEDULE E

~~**MERCHANT NETWORK UPGRADES TO BE BUILT BY INTERCONNECTED
TRANSMISSION OWNER**~~ **Reserved**

SCHEDULE F

**[Reserved]MERCHANT NETWORK UPGRADES TO BE BUILT BY
INTERCONNECTION
CUSTOMER PURSUANT TO OPTION TO BUILD**

SCHEDULE L

INTERCONNECTION CUSTOMER'S AGREEMENT TO CONFORM WITH IRS SAFE HARBOR PROVISIONS FOR NON-TAXABLE STATUS

{ Include the appropriate language from the alternatives below: }

{ Include the following language if not required: }

Not Required.

[OR]

{ Include the following language if applicable to Interconnection Customer: }

As provided in Section 2.4.1 of Appendix 2 to this CSA and subject to the requirements thereof, Interconnection Customer represents that it meets all qualifications and requirements as set forth in Section 118(a) and 118(b) of the Internal Revenue Code of 1986, as amended and interpreted by Notice 88-129, 1988-2 C.B. 541, and as amplified and modified in Notices 90-60, 1990-2 C.B. 345, and 2001-82, 2001-2 C.B. 619 (the "IRS Notices"). Interconnection Customer agrees to conform with all requirements of the safe harbor provisions specified in the IRS Notices, as they may be amended, as required to confer non-taxable status on some or all of the transfer of property, including money, by Interconnection Customer to Interconnected Transmission Owner with respect to the payment of the Costs of construction and installation of the Transmission Owner Interconnection Facilities ~~and/or Merchant Network Upgrades~~ specified in this CSA.

Nothing in Interconnection Customer's agreement pursuant to this Schedule L shall change Interconnection Customer's indemnification obligations under Section 2.4.2 of Appendix 2 to the CSA.

Revisions to Attachment S

Merchant Transmission Interconnection Request

ATTACHMENT S

**Form of
Transmission Interconnection Feasibility Study Agreement**

RECITALS

1. This Transmission Interconnection Feasibility Study Agreement, dated as of _____, is entered into, by and between _____ (“Interconnection Customer”) and PJM Interconnection, L.L.C. (“Transmission Provider”) pursuant to Part IV of the PJM Interconnection, L.L.C. Open Access Transmission Tariff (“PJM Tariff”). Capitalized terms used in this agreement, unless otherwise indicated, shall have the meanings ascribed to them in the PJM Tariff.

2. Pursuant to Section 36.1 of the PJM Tariff, the Interconnection Customer has submitted an Interconnection Request and has paid the applicable initial deposit and the applicable non-refundable base deposit to the Transmission Provider, for a proposed interconnection of Merchant Transmission Facilities.

3. Interconnection Customer requests interconnection to the Transmission System of Merchant Transmission Facilities with the following specifications.
 - a. Location of proposed facilities:

 - b. Substation(s) where Interconnection Customer proposes to interconnect or add its facilities:

 - c. Proposed voltage and nominal capability of new facilities or increase in capability of existing facilities:

 - d. Description of proposed facilities and equipment:

 - e. Planned date the proposed facilities or increase in capability will be in service:

 - f. (1) Are these proposed Merchant Transmission Facilities?

__ Yes __ No

(2) If Yes, will the proposed facilities be Merchant A.C. or Merchant D.C. Transmission Facilities or Controllable A.C. Merchant Transmission Facilities?

A.C. _____ or D.C. _____ or Controllable A.C. _____

- g. If the proposed facilities will be Merchant D.C. Transmission Facilities and/or Controllable A.C. Merchant Transmission Facilities, does Interconnection Customer elect to receive:

EITHER

_____ (1) Firm or Non-Firm Transmission Injection Rights (TIR) and/or Firm or Non-Firm Transmission Withdrawal Rights (TWR).

OR

_____ (2) Incremental Deliverability Rights, Incremental Auction Revenue Rights and Incremental Available Transfer Capability Revenue Rights.

If Interconnection Customer elects (1) above, it must provide the following:

_____ Total project MW's to be evaluated as Firm (capacity) injection for TIR.

_____ Total project MW's to be evaluated as Non-firm (energy) injection for TIR.

_____ Total project MW's to be evaluated as Firm (capacity) withdrawal for TWR.

_____ Total project MW's to be evaluated a Non-firm (energy) withdrawal for TWR.

If Interconnection Customer elects (2) above, it must state the location on the Transmission System where it proposes to receive Incremental Deliverability Rights associated with Its proposed facilities:

- h. If the proposed facilities will be Controllable A.C. Merchant Transmission Facilities, as defined in Section 1.6B of the Tariff, and provided that Interconnection Customer contractually binds itself in the Interconnection Service Agreement ("ISA") related to its project always to operate its Controllable A.C. Merchant Transmission Facilities in a manner effectively the same as operation of

D.C. transmission facilities, the ISA will provide Interconnection Customer with the same types of transmission rights that are available under the Tariff for Merchant D.C. Transmission Facilities. For purposes of this Feasibility Study Agreement, Interconnection Customer represents that, should it execute an ISA for its project described herein, it will agree in the ISA to operate its facilities continuously in a controllable mode.

- i. If the proposed facilities will be Merchant A.C. Transmission Facilities without continuous controllability as described in paragraph h. above, please specify the location on the Transmission System where Interconnection Customer proposes to receive any Incremental Deliverability Rights associated with its proposed facilities:

- j. Other information:

PURPOSE OF THE FEASIBILITY STUDY

- 4. Consistent with Section 36.2 of the PJM Tariff, the Transmission Provider shall conduct a Transmission Interconnection Feasibility Study to provide the Interconnection Customer with preliminary determinations of: (i) the type and scope of the Attachment Facilities, Local Upgrades, ~~Network Upgrades~~ and/or ~~Merchant~~ Network Upgrades that will be necessary to accommodate the Interconnection Customer's Interconnection Request; (ii) the time that will be required to construct such facilities and upgrades; and (iii) the Interconnection Customer's cost responsibility for the necessary facilities and upgrades. In the event that the Transmission Provider is unable to complete the Transmission Interconnection Feasibility Study within ~~the time period set forth in Tariff Section 36.230 days of the Interconnection Customer's submission of its Interconnection Request and execution of this Transmission Interconnection Feasibility Study Agreement~~, the Transmission Provider shall notify the Interconnection Customer and explain the reasons for the delay.

- 5. The Transmission Interconnection Feasibility Study conducted hereunder will provide only preliminary non-final estimates of the cost and length of time required to accommodate the Interconnection Customer's Interconnection Request. More comprehensive estimates will be developed only upon execution of a System Impact Study Agreement and a Facilities Study Agreement in accordance with Part VI of the PJM Tariff. The Transmission Interconnection Feasibility Study necessarily will employ various assumptions regarding the Interconnection Request, other pending requests, and PJM's Regional Transmission Expansion Plan at the time of the study. The Transmission Interconnection Feasibility Study shall not obligate the Transmission Provider or the Transmission Owners to interconnect with the Interconnection Customer or construct any facilities or upgrades.

CONFIDENTIALITY

6. The Interconnection Customer agrees to provide all information requested by the Transmission Provider necessary to complete the Transmission Interconnection Feasibility Study. Subject to paragraph 7 of this Transmission Interconnection Feasibility Study Agreement and to the extent required by Section 222 of the PJM Tariff, information provided pursuant to this Section 6 shall be and remain confidential.
7. Until completion of the Transmission Interconnection Feasibility Study, the Transmission Provider shall keep confidential all information provided to it by the Interconnection Customer. Upon completion of the Transmission interconnection Feasibility Study, the study will be listed on the Transmission Provider's ~~website~~ ~~OASIS~~ and, to the extent required by Commission regulations, will be made publicly available upon request, except that the identity of the Interconnection Customer shall remain confidential and will not be posted on the Transmission Provider's ~~OASIS~~ ~~website~~.
8. Interconnection Customer acknowledges that, consistent with Part IV and Part VI of the PJM Tariff, the Transmission Provider may contract with consultants, including the Transmission Owners, to provide services or expertise in the Transmission Interconnection Feasibility Study process and that the Transmission Provider may disseminate information to the Transmission Owners.

COST RESPONSIBILITY

9. The Interconnection Customer shall reimburse the Transmission Provider for the actual cost of the Transmission Interconnection Feasibility Study. The deposit paid by the Interconnection Customer pursuant to Section 36.1 of the PJM Tariff shall be applied toward the Interconnection Customer's Transmission Interconnection Feasibility Study cost responsibility. In the event that the Transmission Provider anticipates that the actual study costs will exceed the deposit, the Transmission Provider shall provide the Interconnection Customer with an estimate of the study costs. Within 10 days of receiving such estimate, the Interconnection Customer may withdraw its Interconnection Request. Unless the Interconnection Request is withdrawn, the Interconnection Customer agrees to pay the actual additional costs of the Transmission Interconnection Feasibility Study.

DISCLAIMER OF WARRANTY, LIMITATION OF LIABILITY

10. In analyzing and preparing the Transmission Interconnection Feasibility Study, the Transmission Provider, the Transmission Owner(s), and any other subcontractors employed by the Transmission Provider shall have to rely on information provided by the Interconnection Customer and possibly by third parties and may not have control over the accuracy of such information. Accordingly, NEITHER THE TRANSMISSION PROVIDER, THE TRANSMISSION OWNER(S), NOR ANY OTHER SUBCONTRACTORS EMPLOYED BY THE TRANSMISSION PROVIDER MAKES ANY WARRANTIES, EXPRESS OR IMPLIED, WHETHER ARISING BY OPERATION OF LAW, COURSE OF PERFORMANCE OR DEALING, CUSTOM,

USAGE IN THE TRADE OR PROFESSION, OR OTHERWISE, INCLUDING WITHOUT LIMITATION IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE WITH REGARD TO THE ACCURACY, CONTENT, OR CONCLUSIONS OF THE FEASIBILITY STUDY. The Interconnection Customer acknowledges that it has not relied on any representations or warranties not specifically set forth herein and that no such representations or warranties have formed the basis of its bargain hereunder. Neither this Transmission Interconnection Feasibility Study Agreement nor the Transmission Interconnection Feasibility Study prepared hereunder is intended, nor shall either be interpreted, to constitute agreement by the Transmission Provider or the Transmission Owner(s) to provide any transmission or interconnection service to or on behalf of the Interconnection Customer either at this point in time or in the future.

11. In no event will the Transmission Provider, Transmission Owner(s) or other subcontractors employed by the Transmission Provider be liable for indirect, special, incidental, punitive, or consequential damages of any kind including loss of profits, whether under this Transmission Interconnection Feasibility Study Agreement or otherwise, even if the Transmission Provider, Transmission Owner(s), or other subcontractors employed by the Transmission Provider have been advised of the possibility of such a loss. Nor shall the Transmission Provider, Transmission Owner(s) or other subcontractors employed by the Transmission Provider be liable for any delay in delivery or of the non-performance or delay in performance of the Transmission Provider's obligations under this Transmission Interconnection Feasibility Study Agreement.

Without limitation of the foregoing, the Interconnection Customer further agrees that Transmission Owner(s) and other subcontractors employed by the Transmission Provider to prepare or assist in the preparation of any Transmission Interconnection Feasibility Study shall be deemed third party beneficiaries of this provision entitled "Disclaimer of Warranty/Limitation of Liability."

MISCELLANEOUS

12. Any notice or request made to or by either party regarding this Transmission Interconnection Feasibility Study Agreement shall be made to the representative of the other party as indicated below.

Transmission Provider
PJM Interconnection, L.L.C.
2750 Monroe Blvd.
Audubon, PA 19403

Interconnection Customer

13. No waiver by either party of one or more defaults by the other in performance of any of the provisions of this Transmission Interconnection Feasibility Study Agreement shall operate or be construed as a waiver of any other or further default or defaults, whether of a like or different character.
14. This Transmission Interconnection Feasibility Study Agreement or any part thereof, may not be amended, modified, or waived other than by a writing signed by all parties hereto.
15. This Transmission Interconnection Feasibility Study Agreement shall be binding upon the parties hereto, their heirs, executors, administrators, successors, and assigns.
16. Neither this Transmission Interconnection Feasibility Study Agreement nor the Transmission Interconnection Feasibility Study performed hereunder shall be construed as an application for service under Part II or Part III of the PJM Tariff.
17. The provisions of the PJM Tariff are incorporated herein and made a part hereof.
18. **Governing Law, Regulatory Authority, and Rules**
The validity, interpretation and enforcement of this Transmission Interconnection Feasibility Study Agreement and each of its provisions shall be governed by the laws of the state of _____ (where the Point of Interconnection is located), without regard to its conflicts of law principles. This Transmission Interconnection Feasibility Study Agreement is subject to all Applicable Laws and Regulations. Each party expressly reserves the right to seek changes in, appeal, or otherwise contest any laws, orders, or regulations of a Governmental Authority.
19. **No Third-Party Beneficiaries**
This Transmission Interconnection Feasibility Study Agreement is not intended to and does not create rights, remedies, or benefits of any character whatsoever in favor of any persons, corporations, associations, or entities other than the parties, and the obligations herein assumed are solely for the use and benefit of the parties, their successors in interest and where permitted, their assigns.
20. **Multiple Counterparts**
This Transmission Interconnection Feasibility Study Agreement may be executed in two or more counterparts, each of which is deemed an original but all constitute one and the same instrument.
21. **No Partnership**
This Transmission Interconnection Feasibility Study Agreement shall not be interpreted or construed to create an association, joint venture, agency relationship, or partnership between the parties or to impose any partnership obligation or partnership liability upon either party. Neither party shall have any right, power or authority to enter into any agreement or undertaking for, or act on behalf of, or to act as or be an agent or representative of, or to otherwise bind, the other party.

22. Severability

If any provision or portion of this Transmission Interconnection Feasibility Study Agreement shall for any reason be held or adjudged to be invalid or illegal or unenforceable by any court of competent jurisdiction or other Governmental Authority, (1) such portion or provision shall be deemed separate and independent, (2) the parties shall negotiate in good faith to restore insofar as practicable the benefits to each party that were affected by such ruling, and (3) the remainder of this Transmission Interconnection Feasibility Study Agreement shall remain in full force and effect.

23. Reservation of Rights

The Transmission Provider shall have the right to make a unilateral filing with FERC to modify this Transmission Interconnection Feasibility Study Agreement with respect to any rates, terms and conditions, charges, classifications of service, rule or regulation under section 205 or any other applicable provision of the Federal Power Act and FERC's rules and regulations thereunder, and the Interconnection Customer shall have the right to make a unilateral filing with FERC to modify this Transmission Interconnection Feasibility Study Agreement under any applicable provision of the Federal Power Act and FERC's rules and regulations; provided that each party shall have the right to protest any such filing by the other party and to participate fully in any proceeding before FERC in which such modifications may be considered. Nothing in this Transmission Interconnection Feasibility Study Agreement shall limit the rights of the parties or of FERC under sections 205 or 206 of the Federal Power Act and FERC's rules and regulations, except to the extent that the parties otherwise agree as provided herein.

IN WITNESS WHEREOF, the Transmission Provider and the Interconnection Customer have caused this Transmission Interconnection Feasibility Study Agreement to be executed by their respective authorized officials.

Transmission Provider

By: _____
Name Title Date

Interconnection Customer

By: _____
Name Title Date

Revisions to Attachment DD

Reliability Pricing Model

5.16 Incremental Capacity Transfer Rights

(a) The Office of the Interconnection shall allocate Incremental Capacity Transfer Rights to a New Service Customer ~~(or, for facilities or upgrades in a PJM queue prior to March 1, 2007, to an Interconnection Customer)~~ obligated to fund a transmission facility or upgrade through a rate or charge specific to such facility or upgrade, to the extent such upgrade or facility increases the Import Capability into a Locational Deliverability Area, with respect to any such transmission facility ~~or upgrade~~ interconnected to or an upgrade of the Transmission System pursuant to Part IV and/or Part VI of this Tariff, including transmission facilities ~~or upgrades~~ interconnected to or upgrades of the Transmission System pursuant to Part IV and/or Part VI prior to the effective date of this Attachment. Incremental Capacity Transfer Rights shall be available for a facility or upgrade for a Delivery Year only if the Office of the Interconnection certifies the quantity of Import Capability provided by such facility or upgrade at least 45 days prior to the Base Residual Auction for such Delivery Year. The megawatt quantity of Incremental Capacity Transfer Rights allocated to such a New Service Customer ~~(or Interconnection Customer)~~ shall equal the megawatt quantity of the increase in Import Capability across a locational constraint resulting from such upgrade or facility, provided that the total Incremental Capacity Transfer Rights awarded as to an LDA (including those allocated pursuant to Schedule 12A of the Tariff) may not exceed the total Capacity Transfer Rights determined as to such LDA. A Capacity Market Seller that offers and clears a Qualifying Transmission Upgrade in the Base Residual Auction for a Delivery Year shall not receive Incremental Capacity Transfer Rights with respect to such upgrade for such Delivery Year. Terms and conditions for the allocation of Incremental Capacity Transfer Rights to New Service Customers shall be as further set forth in Part VI of this Tariff, and those for the allocation of Incremental Capacity Transfer Rights to Responsible Customers shall be as further set forth in Schedule 12A of this Tariff.

(b) For LDAs in which the RPM Auctions for such Delivery Year result in a positive average weighted Locational Price Adder -with respect to the immediate higher level LDA, the holder of an Incremental Capacity Transfer Right into such LDA shall receive a payment equal to the average weighted Locational Price Adder for the LDA into which the associated facility or upgrade increased Import Capability, multiplied by the megawatt quantity of the Incremental Capacity Transfer Right allocated to such Interconnection Customer.

Revisions to Attachment EE

Pro Forma Form for Upgrade Request

ATTACHMENT EE

**Form of
Upgrade Request**

[To be completed by Upgrade Customers]:

1. The undersigned Upgrade Customer submits this Upgrade Request pursuant to Section 7.8 of Schedule 1 of the Operating Agreement and Part VI of the PJM Tariff.
2. This Upgrade Request is for Incremental Auction Revenue Rights in accordance with the specifications:

_____ Source location: _____

_____ Sink location: _____

_____ MW: _____

Desired Commencement Date: _____

[To be completed by Interconnection Customers requesting Merchant Network Upgrades]:

1. The undersigned Interconnection Customer submits this Upgrade Request for Merchant Network Upgrades pursuant to Parts IV and VI of the PJM Tariff.
2. This request is for the required Merchant Network Upgrades to increase the _____ normal _____ emergency rating of the _____ circuit (or other Transmission System element) by _____ MVA or _____ MW.

Desired In-Service Date: _____

OR

This request is to advance construction of Regional Transmission Expansion Plan project number _____ from _____ (planned date) to _____ (requested date).

3. The Upgrade Customer or Interconnection Customer shall provide a deposit in the amount of \$50,000 to Transmission Provider with this request~~Upgrade Request~~, which deposit shall be applied against the New Service Upgrade~~Customer's cost responsibility~~ for a System Impact Study including this Upgrade~~rRequest~~.

| 4. Representative of ~~New Service Upgrade~~ Customer to contact:

5. This Upgrade Request is submitted by:

| Name of ~~New Service Upgrade~~ Customer:

By (signature): _____

Name (type or print): _____

Title: _____

Date: _____

Revisions to Attachment GG (Pro Forma Upgrade CSA)

- Attachment GG, Pro Forma
- Attachment GG, Appendix
- Attachment GG, Appendix II
- Attachment GG, Appendix III
- Attachment GG, Schedule A
- Attachment GG, Schedule B

ATTACHMENT GG

FORM OF
UPGRADE CONSTRUCTION SERVICE AGREEMENT

By and Among
PJM Interconnection, L.L.C.;

And

~~_____ [Name of Eligible Customer, Upgrade Customer, or
New Service Customer (other than an Interconnection Customer proposing whose project
includes generation capability or Merchant Transmission Facilities other than Merchant
Network Upgrades)];~~

And

~~_____ [Name of Interconnected Transmission Owner]~~

(PJM Queue Position #___)

This Upgrade Construction Service Agreement, including the Appendices attached hereto and incorporated herein (collectively, "Upgrade CSA") is made and entered into as of the Effective Date (as defined in the attached Appendix III) by and among PJM Interconnection, L.L.C. ("Transmission Provider" or "PJM"), _____ ("New Service Customer" [OPTIONAL: or "[short name]"]) and _____ ("Transmission Owner" [OPTIONAL: or "[short name]"]). Transmission Provider, New Service Customer and Transmission Owner are referred to herein individually as "Party" and collectively as "the Parties."

WITNESSETH

WHEREAS, New Service Customer has requested (1) Long-Term Firm Point-To-Point Transmission Service or Network Integration Transmission Service ("Transmission Service") from Transmission Provider pursuant to Transmission Provider's Open Access Transmission Tariff, designated as FERC Electric Tariff, Sixth Revised Volume No. 1 (the "PJM Tariff"); or (2) Incremental Auction Revenue Rights pursuant to Section 7.8 of Schedule 1 of the Operating Agreement of PJM Interconnection L.L.C. ("Operating Agreement") and Part VI of the PJM Tariff; or (3) installation of one or more Merchant Network Upgrades pursuant to Part IV and Part VI of the PJM Tariff;

WHEREAS, pursuant to New Service Customer's Completed Application, Upgrade Request Form or Interconnection Request proposing Merchant Network Upgrades only and in accordance with the PJM Tariff, Transmission Provider has conducted the required studies to determine whether such requests can be accommodated, and if so, under what terms and conditions, including the identification of any Direct Assignment Facilities or Customer-Funded Upgrades that must be constructed in order to provide the service or rights requested by New Service Customer;

WHEREAS, Transmission Provider's studies have identified the Direct Assignment Facilities and/or Customer-Funded Upgrades described in Appendix I of this Upgrade CSA as necessary to provide New Service Customer the service or rights it has requested; and

WHEREAS, New Service Customer: (i) desires that Transmission Owner construct the required Direct Assignment Facilities and/or Customer-Funded Upgrades; and (ii) agrees to assume cost responsibility for the design, engineering, procurement and construction of such Direct Assignment Facilities or Customer-Funded Upgrades in accordance with the PJM Tariff.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, together with other good and valuable consideration, the receipt and sufficiency is hereby mutually acknowledged by each Party, the Parties mutually covenant and agree as follows:

Article 1 – Definitions And Other Documents

1.0 Defined Terms.

All capitalized terms used in this Upgrade CSA shall have the meanings ascribed to them in Part I of the PJM Tariff or in definitions either in the body of this Upgrade CSA or its attached appendices. In the event of any conflict between defined terms set forth in the PJM Tariff or defined terms in this Upgrade CSA, such conflict will be resolved in favor of the terms as defined in this Upgrade CSA. Any provision of the PJM Tariff relating to this Upgrade CSA that uses any such defined term shall be construed using the definition given to such defined term in this Upgrade CSA.

1.1 Incorporation of Other Documents.

Subject to the provisions of Section 1.0 above, all portions of the PJM Tariff and the Operating Agreement as of the date of this Upgrade CSA, and as pertinent to the subject of this Upgrade CSA, are hereby incorporated herein and made a part hereof.

Article 2 – Responsibility For Direct Assignment Facilities or Customer-Funded Upgrades

2.0 New Service Customer Financial Responsibilities.

New Service Customer shall pay all Costs for the design, engineering, procurement and construction of the Direct Assignment Facilities or Customer-Funded Upgrades identified in Appendix I to this Upgrade CSA. An estimate of such Costs is provided in Appendix I to this Upgrade CSA.

2.1 Obligation to Provide Security.

New Service Customer shall provide Security to collateralize New Service Customer's obligation to pay the Costs incurred by Transmission Owner to construct the Direct Assignment Facilities or Customer-Funded Upgrades identified in Appendix I to this Upgrade CSA, less any

Costs already paid by New Service Customer, in accordance with Sections 16.1, 213.1, and 213.4 of the PJM Tariff. Unless deferred under Section 213.4(c) of the PJM Tariff, New Service Customer shall deliver such Security to Transmission Provider prior to the Effective Date of this Upgrade CSA, as described in Appendix III. Unless otherwise specified by the Transmission Provider, such Security shall take the form of a letter of credit, in the amount of \$ _____ naming the Transmission Provider and Transmission Owner as beneficiaries.

[Include the following if New Service Customer requests deferral of the Security as provided for in Section 213.4(c) of the PJM Tariff:

For any portion of the Security that may be deferred in accordance with Section 213.4(c) of the PJM Tariff, and as requested by New Service Customer, New Service Customer shall provide the Security specified in this Section 2.1 within 120 days after the New Service Customer executes the Upgrade CSA, provided that New Service Customer shall pay a deposit of at least \$200,000 or 125% of the estimated costs that will be incurred during the 120-day period, whichever is greater, to fund continued design work and/or procurement activities, with \$100,000 of such deposit being non-refundable.]

2.2 Failure to Provide Security.

If the New Service Customer fails to provide Security in the amount, in the time or in the form required by Section 2.1, then this Upgrade CSA shall terminate immediately and the New Service Customer's Completed Application, Transmission Interconnection Request, or Upgrade Request, as applicable, shall be deemed terminated and withdrawn.

2.3 Costs.

In accordance with Sections 16.1 and 213.1 of the PJM Tariff, the New Service Customer shall pay for the Direct Assignment Facilities or Customer-Funded Upgrades identified in Appendix I to this Upgrade CSA based upon the Costs of the Direct Assignment Facilities or Customer-Funded Upgrades described in Appendix I. The New Service Customer's obligation to pay the Costs for the Direct Assignment Facilities or Customer-Funded Upgrades identified in Appendix I to this Upgrade CSA, whether greater or lesser than the amount of the Security specified in Section 2.1, will continue regardless of whether the New Service Customer takes Transmission Service pursuant to the terms of the Transmission Service Agreement as defined in Section 3.0 of this Upgrade CSA, if applicable.

2.4 Charges.

In accordance with Sections 9, 24, and 25 of Appendix III to this Upgrade CSA, the Interconnection Customer shall pay to the Transmission Provider the charges applicable after Initial Operation of the Merchant Network Upgrade, as set forth in SCHEDULE B to this Upgrade CSA. Promptly after receipt of such payments, the Transmission Provider shall forward such payments to the appropriate Transmission Owner.

2.54 Transmission Owner Responsibilities.

If the New Service Customer satisfies all requirements of this Article 2 and applicable requirements set forth in the PJM Tariff, Transmission Owner shall use Reasonable Efforts to construct or cause to be constructed the Direct Assignment Facilities and/or Customer-Funded Upgrades, identified in Appendix I to this Upgrade CSA, on its transmission system. Transmission Owner shall own the Direct Assignment Facilities and/or Customer-Funded Upgrades it has, or has arranged to have, constructed and shall have ongoing responsibility to maintain such Direct Assignment Facilities and/or Customer-Funded Upgrades consistent with the Operating Agreement and the Transmission Owner's Agreement.

Article 3 – Rights To Transmission Service

3.0 No Transmission Service.

This Upgrade CSA does not entitle the New Service Customer to take Transmission Service under the PJM Tariff. Transmission Provider shall provide Transmission Service to New Service Customer pursuant to a separate service agreement by and between New Service Customer and Transmission Provider dated as of the same effective date as this Upgrade CSA (the "Transmission Service Agreement"), if applicable.

Article 4 – Early Termination

4.0 Termination by New Service Customer.

Subject to the terms of Section 14 of Appendix III, New Service Customer may terminate this Upgrade CSA at any time by providing written notice of termination to Transmission Provider and Transmission Owner. New Service Customer's notice of termination shall become effective sixty (60) calendar days after either the Transmission Provider or Transmission Owner receives such notice.

Article 5 – Rights

5.0 Rights.

Transmission Provider shall make available to New Service Customer the rights attributable to the Network Upgrades, Local Upgrades, or Merchant Network Upgrades identified in Appendix I to this Upgrade CSA. The rights, allocation and assignment procedures, duration and all other terms and procedures set forth in Subpart C of Part VI of the PJM Tariff and applicable PJM Manuals referenced therein regarding a New Service Customer assuming responsibility for Network Upgrades, Local Upgrades, or Merchant Network Upgrades to accommodate a New Service Request shall apply under this Agreement for the benefit of New Service Customer.

5.1 Amount of Rights Granted.

New Service Customer shall receive the following rights, subject to Section 5.2 below and the applicable terms of the PJM Tariff:

Incremental Auction Revenue Rights. Pursuant to Section 231 of the PJM Tariff, New Service Customer shall have Incremental Auction Revenue Rights in the following quantities between the indicated source(s) and sink(s):

Incremental Available Transfer Capability Revenue Rights. Pursuant to Section 233 of the PJM Tariff, New Service Customer shall have Incremental Available Transfer Capability Revenue Rights at _____ in the following quantities:
_____.

Incremental Capacity Transfer Rights. Pursuant to Section 234 of the PJM Tariff, New Service Customer shall have Incremental Capacity Transfer Rights in the following quantities into the indicated Locational Deliverability Area:

Incremental Deliverability Rights. Pursuant to Section 235 of the PJM Tariff, New Service Customer shall have Incremental Deliverability Rights at _____ in the following quantities: _____.

5.2 Availability of Rights Granted.

New Service Customer's rights as described in Section 5.1 shall become effective upon the completion of (i) the Network Upgrades, Local Upgrades, or Merchant Network Upgrades identified in this Upgrade CSA, and, if applicable, (ii) the transmission upgrade projects noted as contingencies in Appendix I of this Upgrade CSA.

5.3 Credits.

New Service Customer will not be eligible for any credits against transmission service rates under the PJM Tariff for the value of the Network Upgrades, Local Upgrades, or Merchant Network Upgrades for which it will pay under this Agreement, as described in Section 5.1.

Article 6 – Miscellaneous

6.0 Notices.

Any notice or request made to or by any Party regarding this Upgrade CSA shall be made to the Parties, as indicated below:

Transmission Provider:

PJM Interconnection, L.L.C.
2750 Monroe Blvd.
Audubon, PA 19403

New Service Customer:

Transmission Owner:

6.1 Waiver.

No waiver by any Party of one or more Defaults by another in performance of any of the provisions of this Upgrade CSA shall operate or be construed as a waiver of any other or further Default or Defaults, whether of a like or different character.

6.2 Amendment.

This Upgrade CSA or any part thereof, may not be amended, modified or waived other than by a writing signed by all Parties.

6.3 No Partnership.

Notwithstanding any provision of this Upgrade CSA, the Parties do not intend to create hereby any joint venture, partnership, association taxable as a corporation, or other entity for the conduct of any business for profit.

6.4 Counterparts.

This Upgrade CSA may be executed in multiple counterparts to be construed as one effective as of the Effective Date.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties have caused this Upgrade CSA to be executed by their respective authorized officials.

(PJM Queue Position # _____)

Transmission Provider: PJM Interconnection, L.L.C.

By: _____
Name Title Date

Printed name of signer: _____

New Service Customer: [Name of New Service Customer]

By: _____
Name Title Date

Printed name of signer: _____

Transmission Owner: [Name of Transmission Owner]

By: _____
Name Title Date

Printed name of signer: _____

APPENDIX I

SCOPE AND SCHEDULE OF WORK FOR DIRECT ASSIGNMENT FACILITIES OR CUSTOMER-FUNDED UPGRADES TO BE BUILT BY TRANSMISSION OWNER

A. Scope of Work

Transmission Owner hereby agrees to provide the following Direct Assignment Facilities or Customer-Funded Upgrades pursuant to the terms of this Upgrade CSA:

[Identify Direct Assignment Facilities or Customer-Funded Upgrades to be constructed]

B. Schedule of Work

[Add schedule for construction work to be completed]

C. Costs.

New Service Customer shall be subject to the estimated charges detailed below, which shall be billed and paid in accordance with Section 9.0 of Appendix III to this Upgrade CSA.

Direct Assignment Facilities Charge: \$_____

Network Upgrades Charge: \$_____

Local Upgrades Charge: \$_____

Merchant Network Upgrades Charge: \$_____

[Add additional sections to list: any Contingencies, Applicable Technical Requirements, and Estimate of Tax Gross-ups, as required pursuant to Appendix III]

D. Construction of Direct Assignment Facilities or Customer Funded Upgrades

[include 1 through 3 below only for Upgrade Customers or Interconnection Transmission Customers]

1. The Network Upgrades or Merchant Network Upgrades regarding which Interconnected Transmission Owner shall be the Constructing Entity are described on the attached Appendix I, Section A to this Upgrade CSA.

2. Election of Construction Option. Specify below whether the Constructing Entities have mutually agreed to construction of the Network Upgrades or Merchant Network Upgrades that will be built by the Interconnected Transmission Owner pursuant to the Standard Option or the Negotiated Contract Option. (See Sections 6.1 and 6.1.1 of Appendix III to this Upgrade CSA.)

Standard Option.

Negotiated Contract Option.

If the parties have mutually agreed to use the Negotiated Contract Option, the permitted, negotiated terms on which they have agreed and which are not already set forth as part of the Scope of Work and/or Schedule of Work attached to this Upgrade CSA, respectively, shall be as set forth in Schedule A attached to this Upgrade CSA.

3. Specify whether New Service Customer has exercised the Option to Build in accordance with Section 6.2 of Appendix III to this Upgrade CSA with respect to some or all of the ~~Direct Attachment Facilities or~~ Customer-Funded Upgrades:

_____ Yes

_____ No

If Yes is indicated, New Service Customer shall build, in accordance with and subject to the conditions and limitations set forth in section 6.2.3 of Appendix III to this Upgrade CSA, those portions of the ~~Direct Assignment Facilities or~~ Customer-Funded Upgrades described below:

[The following section applies only to Eligible Customers]

Specify whether New Service Customer has exercised the Option to Build in accordance with Section 6.2 of Appendix III to this Upgrade CSA with respect to some or all of the Direct Assignment Facilities:

_____ Yes

_____ No

If Yes is indicated, New Service Customer shall build, in accordance with and subject to the conditions and limitations set forth in section 6.2.3 of Appendix III to this Upgrade CSA, those portions of the Direct Assignment Facilities described below:

APPENDIX II
DEFINITIONS

1. Definitions.

The following definitions shall apply to this Agreement.

1.1 “Affiliate”

Affiliate shall mean, with respect to a corporation, partnership or other entity, each such other corporation, partnership or other entity that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such corporation, partnership or other entity.

1.2 “Applicable Laws and Regulations”

Applicable Laws and Regulations shall mean all duly promulgated applicable federal, State and local laws, regulations, rules, ordinances, codes, decrees, judgments, directives, or judicial or administrative orders, permits and other duly authorized actions of any Governmental Authority having jurisdiction over the relevant parties, their respective facilities, and/or the respective services they provide.

1.3 “Applicable Regional Entity”

Applicable Regional Entity shall mean the Regional Entity for the region in which the Transmission Owner or New Service Customer operates.

1.4 “Applicable Standards”

Applicable Standards shall mean the requirements and guidelines of NERC, the Applicable Regional Entity and the Control Area in which the Direct Assignment Facilities or Customer-Funded Upgrades are electrically located, the PJM Manuals and applicable technical requirements and standards.

1.5 “Breach”

Breach shall mean the failure of a Party to perform or observe any material term or condition of the applicable Part of the PJM Tariff or this Upgrade CSA.

1.6 “Breaching Party”

Breaching Party shall mean a Party that is in Breach of the applicable Part of the PJM Tariff and/or this Upgrade CSA.

1.7 “Cancellation Costs”

Cancellation Costs shall mean the Costs and liabilities incurred in connection with: (a) cancellation of supplier and contractor written orders and agreements entered into to design, engineer, construct and install the Direct Assignment Facilities or Customer-Funded Upgrades identified in Appendix I to this Upgrade CSA; and/or (b) completion of some or all of the Direct Assignment Facilities or Customer-Funded Upgrades identified in Appendix I to this Upgrade CSA, or specific unfinished portions and/or removal of any or all of such Direct Assignment Facilities or Customer-Funded Upgrades which have been installed, to the extent required for the Transmission Owner and Transmission Provider to perform their respective obligations under this Upgrade CSA.

1.8 “Commission”

Commission shall mean the Federal Energy Regulatory Commission.

1.9 “Confidential Information”

Confidential Information shall mean any confidential, proprietary, or trade secret information of a plan, specification, pattern, procedure, design, engineering, device, list, concept, policy, or compilation relating to the present or planned business of a Party, which is designated as confidential by the Party supplying the information, whether conveyed verbally, electronically, in writing, through inspection, or otherwise, and shall include, without limitation, all information relating to the producing Party’s technology, research and development, business affairs and pricing, and any information supplied by any Party to another such Party prior to the execution of a Transmission Service Agreement or this Upgrade CSA.

1.10 “Constructing Entity”

Constructing Entity shall mean either the Transmission Owner or the New Service Customer, depending on which entity has the construction responsibility pursuant to Part VI and this Upgrade CSA.

1.11 “Control Area”

Control Area shall mean an electric power system or combination of electric power systems to which a common automatic generation control scheme is applied in order to: (1) match, at all times, the power output of the generators within the electric power system(s) and capacity and energy purchased from entities outside the electric power system(s), with the load within the electric power system(s); (2) maintain scheduled interchange with other Control Areas, within the limits of Good Utility Practice; (3) maintain the frequency of the electric power system(s) within reasonable limits in accordance with Good Utility Practice; and (4) provide sufficient generating capacity to maintain operating reserves in accordance with Good Utility Practice.

1.12 “Costs”

Costs shall mean all of the actual costs and expenses incurred by the Transmission Owner to complete its obligations under Section 2.54 of this Upgrade CSA, including, but not limited to, capital expenditures, overhead, return, and the costs of financing, equipment, labor, services, taxes, income tax gross-ups and any Incidental Expenses.

1.13 “Default”

Default shall mean the failure of a Breaching Party to cure its Breach in accordance with the applicable provisions of this Upgrade CSA and the PJM Tariff.

1.14 “Delivering Party”

Delivering Party shall mean the entity supplying capacity and energy to be transmitted at Point(s) of Receipt.

1.15 “Emergency Condition”

Emergency Condition shall mean a condition or situation: (i) that in the judgment of any Party is imminently likely to endanger life or property; or (ii) that in the judgment of the Transmission Owner or the Transmission Provider is imminently likely (as determined in a non-discriminatory manner) to cause a material adverse effect on the security of, or damage to, the Transmission System, a Transmission Owner’s transmission system or distribution system to which the Transmission System is directly or indirectly connected; or (iii) that in the judgment of the New Service Customer is imminently likely (as determined in a non-discriminatory manner) to cause damage to the facility.

1.16 “Environmental Laws”

Environmental Laws shall mean Applicable Laws or Regulations relating to pollution or protection of the environment, natural resources or human health and safety.

1.17 “Facilities Study”

Facilities Study shall mean that certain Facilities Study conducted by Transmission Provider (or at its direction) to determine the design and specification of the Direct Assignment Facilities or Customer-Funded Upgrades necessary to accommodate the New Service Request, as applicable.

1.18 “Federal Power Act”

Federal Power Act shall mean the Federal Power Act, as amended, 16 U.S.C. §§ 791a, et seq.

1.19 “FERC”

FERC shall mean the Federal Energy Regulatory Commission or its successor.

1.20 “Firm Point-To-Point Transmission Service”

Firm Point-To-Point Transmission Service shall mean Transmission Service under the PJM Tariff that is reserved and/or scheduled between specified Points of Receipt and Delivery pursuant to Part II of the PJM Tariff.

1.21 “Force Majeure”

Force Majeure shall mean any cause beyond the control of the affected Party, including but not restricted to, acts of God, flood, drought, earthquake, storm, fire, lightning, epidemic, war, riot, civil disturbance or disobedience, labor dispute, labor or material shortage, sabotage, acts of public enemy, explosions, orders, regulations or restrictions imposed by governmental, military, or lawfully established civilian authorities, which, in any of the foregoing cases, by exercise of due diligence such Party could not reasonably have been expected to avoid, and which, by the exercise of due diligence, it has been unable to overcome. Force Majeure does not include: (i) a failure of performance that is due to an affected Party’s own negligence or intentional wrongdoing; (ii) any removable or remediable causes (other than settlement of a strike or labor dispute) which an affected Party fails to remove or remedy within a reasonable time; or (iii) economic hardship of an affected Party.

1.22 “Good Utility Practice”

Good Utility Practice shall mean any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the region.

1.23 “Governmental Authority”

Governmental Authority means any federal, State, local or other governmental, regulatory or administrative agency, court, commission, department, board, or other governmental subdivision, legislature, rulemaking board, tribunal, arbitrating body, or other governmental authority having jurisdiction over any Party regarding any matter relating to this Upgrade CSA, as applicable.

1.24 “Hazardous Substances”

Hazardous Substances shall mean any chemicals, materials or substances defined as or included in the definition of “hazardous substances,” “hazardous wastes,” “hazardous materials,” “hazardous constituents,” “restricted hazardous materials,” “extremely hazardous substances,” “toxic substances,” “radioactive substances,” “contaminants,” “pollutants,” “toxic pollutants” or

words of similar meaning and regulatory effect under any applicable Environmental Law, or any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any applicable Environmental Law.

1.25 “Incidental Expenses”

Incidental Expenses shall mean those expenses incidental to the performance of design, engineering, procurement and construction of the Direct Assignment Facilities or Customer-Funded Upgrades identified in Appendix I to this Upgrade CSA, including, but not limited to, the expense of temporary construction power, telecommunications charges, Transmission Owner expenses associated with, but not limited to, document preparation, design review, engineering, installation, monitoring, and construction-related operations and maintenance for the Direct Assignment Facilities or Customer-Funded Upgrades identified in Appendix I to this Upgrade CSA.

1.26 “Local Upgrades”

Local Upgrades shall mean modifications or additions of facilities to abate any local thermal loading, voltage, short circuit, stability or similar engineering problem caused by the interconnection and delivery of generation to the Transmission System. Local Upgrades shall include: (i) Direct Connection Local Upgrades which are Local Upgrades that only serve the Customer Interconnection Facility and have no impact or potential impact on the Transmission System until the final tie-in is complete; and (ii) Non-Direct Connection Local Upgrades which are parallel flow Local Upgrades that are not Direct Connection Local Upgrades.

(i) Direct Connection Local Upgrades which are Local Upgrades that only serve the Customer Interconnection Facility and have no impact or potential impact on the Transmission System until the final tie-in is complete; and

(ii) Direct Connection Local Upgrades which are parallel flow Local Upgrades that are not Direct Connection Local Upgrades.

1.27 “Long-Term Firm Point-To-Point Transmission Service”

Long-Term Firm Point-To-Point Transmission Service shall mean Firm Point-To-Point Transmission Service under Part II of the PJM Tariff with a term of one year or more.

1.28 “NERC”

NERC shall mean the North American Electric Reliability Council or any successor thereto.

1.29 “Network Upgrades”

Network Upgrades shall mean modifications or additions to transmission-related facilities that are integrated with and support the Transmission Provider's overall Transmission System for the general benefit of all users of such Transmission System. Network Upgrades shall include:

(i) **Direct Connection Network Upgrades** which are Network Upgrades that only serve the Customer Interconnection Facility and have no impact or potential impact on the Transmission System until the final tie-in is complete; and

(ii) **Non-Direct Connection Network Upgrades** which are parallel flow Network Upgrades that are not Direct Connection Network Upgrades.

1.30 "Office of the Interconnection"

Office of the Interconnection shall mean the Office of the Interconnection, as supervised by the Board of Managers of the PJM Interconnection, L.L.C., acting pursuant to the Operating Agreement.

1.31 "Operating Agreement of the PJM Interconnection, L.L.C." or "Operating Agreement"

Operating Agreement of the PJM Interconnection, L.L.C." or "Operating Agreement shall mean that agreement dated as of April 1, 1997 and as amended and restated as of June 2, 1997 and as amended from time to time thereafter, among the members of the PJM Interconnection, L.L.C.

1.32 "Part I"

Part I shall mean the PJM Tariff Definitions and Common Service Provisions contained in Sections 2 through 12 of the PJM Tariff.

1.33 "Part II"

Part II shall mean PJM Tariff Sections 13 through 27 pertaining to Point-To-Point Transmission Service in conjunction with the applicable Common Service Provisions of Part I and appropriate Schedules and Attachments of the PJM Tariff.

1.34 "Part III"

Part III shall mean PJM Tariff Sections 28 through 35 pertaining to Network Integration Transmission Service in conjunction with the applicable Common Service Provisions of Part I and appropriate Schedules and Attachments of the PJM Tariff.

1.35 "Part IV"

Part IV shall mean PJM Tariff Sections 36 through 112 pertaining to generation or merchant transmission interconnection to the Transmission System in conjunction with applicable Common Service Provision of Part I and appropriate Schedules and Attachments.

1.36 “Part VI”

Part VI shall mean PJM Tariff Sections 200 through 237 pertaining to the queuing, study, and agreements relating to New Service Requests, and the rights associated with Customer-Funded Upgrades in conjunction with the applicable Common Service Provision of Part I and appropriate Schedules and Attachments.

1.37 “PJM Interchange Energy Market”

PJM Interchange Energy Market shall mean the regional competitive market administered by the Transmission Provider for the purchase and sale of spot electric energy at wholesale interstate commerce and related services, as more fully set forth in Attachment K – Appendix to the PJM Tariff and Schedule 1 to the Operating Agreement.

1.38 “PJM Manuals”

PJM Manuals shall mean the instructions, rules, procedures and guidelines established by the Transmission Provider for the operation, planning, and accounting requirements of the PJM Region and the PJM Interchange Energy Market.

1.39 “PJM Region”

PJM Region shall have the meaning specified in the Operating Agreement.

1.40 “Point(s) of Delivery”

Point(s) of Delivery shall mean the point(s) on the Transmission Provider’s Transmission System where capacity and energy transmitted by the Transmission Provider will be made available to the Receiving Party under Part II of the PJM Tariff. The Point(s) of Delivery shall be specified in the Service Agreement for Long-Term Firm Point-To-Point Transmission Service.

1.41 “Point(s) of Receipt”

Point(s) of Receipt shall mean the point(s) of interconnection on the Transmission Provider’s Transmission System where capacity and energy will be made available to the Transmission Provider by the Delivering Party under Part II of the PJM Tariff. The Point(s) of Receipt shall be specified in the Service Agreement for Long-Term Firm Point-To-Point Transmission Service.

1.42 “Project Financing” means:

Project Financing shall mean

(a) One or more loans, leases, equity and/or debt financings, together with all modifications, renewals, supplements, substitutions and replacements thereof, the proceeds of

which are used to finance or refinance the costs of the Direct Assignment Facilities or Customer-Funded Upgrades identified in Appendix I to this Upgrade CSA, any alteration, expansion or improvement to such Direct Assignment Facilities or Customer-Funded Upgrades, the purchase and sale of such Direct Assignment Facilities or Customer-Funded Upgrades or the operation of such Direct Assignment Facilities or Customer-Funded Upgrades;

(b) Loans and/or debt issues secured by the Direct Assignment Facilities or Customer-Funded Upgrades identified in Appendix I to this Upgrade CSA.

1.43 “Project Finance Entity”

Project Finance Entity means: (a) a holder, trustee or agent for holders, of any component of Project Financing; or (b) any purchaser of capacity and/or energy produced by the facility to which New Service Customer has granted a mortgage or other lien as security for some or all of New Service Customer’s obligations under the corresponding power purchase agreement.

1.44 “Reasonable Efforts”

Reasonable Efforts shall mean, with respect to any action required to be made, attempted, or taken by Transmission Provider or Transmission Owner, such efforts as are timely and consistent with Good Utility Practice and with efforts that such Party would undertake for the protection of its own interests.

1.45 “Receiving Party”

Receiving Party shall mean the entity receiving the capacity and energy transmitted by the Transmission Provider to Point(s) of Delivery.

1.46 “Regional Transmission Expansion Plan” or “RTEP”

Regional Transmission Expansion Plan or “RTEP” shall mean the plan prepared by the Office of the Interconnection pursuant to Schedule 6 of the Operating Agreement for the enhancement and expansion of the Transmission System in order to meet the demands for firm transmission service in the PJM Region.

1.47 “Schedule and Scope of Work”

Schedule and Scope of Work shall mean that schedule and scope of work attached to the Upgrade CSA setting forth the scope and timing of work to be performed by the Transmission Owner, based upon the Facilities Study and subject to modification, as required, in accordance with Transmission Provider’s scope change process for projects set forth in the PJM Manuals.

1.48 “Security”

Security shall mean the letter of credit or other reasonable form of security provided by the New Service Customer to the Transmission Provider pursuant to Section 213.4 of the PJM Tariff to

secure the New Service Customer's responsibility for Costs incurred pursuant to this Upgrade CSA.

1.49 "Service Agreement"

Service Agreement shall mean the initial agreement and any amendments or supplements thereto entered into by the New Service Customer and the Transmission Provider for service under the PJM Tariff.

1.50 "State"

State shall mean a state of the United States or the District of Columbia.

1.51 "Transmission System"

Transmission System shall mean the facilities controlled or operated by the Transmission Provider within the PJM Region that are used to provide transmission service under Part II and Part III of the PJM Tariff.

6.0 Schedule Of Work.

6.1 Standard Option.

The Transmission Owner shall use Reasonable Efforts to design, engineer, procure, construct and install the Direct Assignment Facilities or Customer-Funded Upgrades, identified in Appendix I to this Upgrade CSA, in accordance with the Schedule and Scope of Work.

6.1.1 Negotiated Contract Option.

As an alternative to the Standard Option set forth in Section 6.1 of this Appendix III, the Transmission Owner and the New Service Customer may mutually agree to a Negotiated Contract Option for the Transmission Owner's design, procurement, construction and installation of the Customer-Funded Upgrades. Under the Negotiated Contract Option, the Upgrade Customer and the Transmission Owner may agree to terms different from those included in the Standard Option of Section 6.1 above and the corresponding standard terms set forth in the applicable provisions of Part VI of the Tariff and this Appendix III. Under the Negotiated Contract Option, negotiated terms may include the work schedule applicable to the Transmission Owner's construction activities and changes to same; payment provisions, including the schedule of payments; incentives, penalties and/or liquidated damages related to timely completion of construction; use of third party contractors; and responsibility for Costs, but only as between the Upgrade Customer and the Transmission Owner that are parties to this Upgrade CSA; no other New Service Customer's responsibility for Costs may be affected (Section 217 of the Tariff). No other terms of the Tariff or this Appendix III shall be subject to modification under the Negotiated Contract Option. The terms and conditions of the Tariff that may be negotiated pursuant to the Negotiated Contract Option shall not be affected by use of the Negotiated Contract Option except as and to the extent that they are modified by the parties' agreement pursuant to such option. All terms agreed upon pursuant to the Negotiated Contract Option shall be stated in full in an appendix to this Upgrade CSA.

6.2 Option to Build.

6.2.1 Option.

In the event that the New Service Customer and the affected Transmission Owner are unable to agree on terms for the construction of facilities required to accommodate the customer's New Service Request by such date as is reasonable in the light of the schedule for construction of such facilities, as set forth in the Facilities Study, or if mutually agreed by the New Service Customer and the affected Transmission Owner, the New Service Customer shall have the right, but not the obligation ("Option to Build"), to design, procure, construct and install all or any portion of the Direct Assignment Facilities and/or Customer-Funded Upgrades. In order to exercise this Option to Build, the New Service Customer must provide Transmission Provider and the Transmission Owner with written notice of its election to exercise the option and indicate its election to exercise the option in this Upgrade CSA.

6.2.2 General Conditions Applicable to Option.

In addition to the other terms and conditions applicable to the construction of facilities under this Appendix III, the Option to Build is subject to the following conditions:

(a) The New Service Customer must obtain or arrange to obtain all necessary permits and authorizations for the construction and installation of the Direct Assignment Facilities or Customer-Funded Upgrades that it is building, provided, however, that when the Transmission Owner's assistance is required, the Transmission Owner shall assist the New Service Customer in obtaining such necessary permits or authorizations with efforts similar in nature and extent to those that the Transmission Owner typically undertakes in acquiring permits and authorizations for construction of facilities on its own behalf;

(b) The New Service Customer must obtain all necessary land rights for the construction and installation of the Direct Assignment Facilities or Customer-Funded Upgrades that it is building, provided, however, that upon New Service Customer's reasonable request, the Transmission Owner shall assist the New Service Customer in acquiring such land rights with efforts similar in nature and extent to those that the Transmission Owner typically undertakes in acquiring land rights for construction of facilities on its own behalf;

(c) Notwithstanding anything stated herein, each Transmission Owner shall have the exclusive right and obligation to perform the line attachments (tie-in work), and to calibrate remote terminal units and relay settings, required for the interconnection to such Transmission Owner's existing facilities of any Direct Assignment Facilities or Customer-Funded Upgrades that the New Service Customer builds; and

(d) The Direct Assignment Facilities or Customer-Funded Upgrades built by the New Service Customer shall be successfully inspected, tested and energized pursuant to Sections 19 and 20 of this Appendix III.

6.2.3 Additional Conditions Regarding Network Facilities.

To the extent that the New Service Customer utilizes the Option to Build for design, procurement, construction and/or installation of (a) any Merchant Network Upgrades, (b) Local Upgrades or Network Upgrades to Transmission System facilities that are in existence or under construction by or on behalf of the Transmission Owner on the date that the New Service Customer solicits bids under Section 6.2.7 below, or (c) Direct Assignment Facilities or Customer-Funded Upgrades that are to be located on land or in right-of-way owned or controlled by the Transmission Owner, and in addition to the other terms and conditions applicable to the design, procurement, construction and/or installation of facilities under this Appendix III, all work shall comply with the following further conditions:

(i) All work performed by or on behalf of the New Service Customer shall be conducted by contractors, and using equipment manufacturers or vendors, that are listed on the Transmission Owner's List of Approved Contractors;

(ii) The Transmission Owner shall have full site control of, and reasonable access to, its property at all times for purposes of tagging or operation, maintenance, repair or construction of modifications to, its existing facilities and/or for performing all tie-ins of Direct Assignment Facilities or Customer-Funded Upgrades built by or for the New Service Customer; and for acceptance testing of any equipment that will be owned and/or operated by the Transmission Owner;

(iii) The Transmission Owner shall have the right to have a reasonable number of appropriate representatives present for all work done on its property/facilities or regarding the Direct Assignment Facilities or Customer-Funded Upgrades, and the right to stop, or to order corrective measures with respect to, any such work that reasonably could be expected to have an adverse effect on reliability, safety or security of persons or of property of the Transmission Owner or any portion of the Transmission System, provided that, unless circumstances do not reasonably permit such consultations, the Transmission Owner shall consult with the New Service Customer and with Transmission Provider before directing that work be stopped or ordering any corrective measures;

(iv) The New Service Customer and its contractors, employees and agents shall comply with the Transmission Owner's safety, security and work rules, environmental guidelines and training requirements applicable to the area(s) where construction activity is occurring and shall provide all reasonably required documentation to the Transmission Owner, provided that the Transmission Owner previously has provided its safety, security and work rules and training requirements applicable to work on its facilities to Transmission Provider and the New Service Customer within 20 business days after a request therefore made by New Service Customer following its receipt of the Facilities Study;

(v) The New Service Customer shall be responsible for controlling the performance of its contractors, employees and agents; and

(vi) All activities performed by or on behalf of the New Service Customer pursuant to its exercise of the Option to Build shall be subject to compliance with Applicable Laws and Regulations, including those governing union staffing and bargaining unit obligations, and Applicable Standards.

6.2.4 Administration of Conditions.

To the extent that a Transmission Owner exercises any discretion in the application of any of the conditions stated in Sections 6.2.2 and 6.2.3 of this Appendix III, it shall apply each such condition in a manner that is reasonable and not unduly discriminatory and it shall not unreasonably withhold, condition, or delay any approval or authorization that the New Service Customer may require for the purpose of complying with any of those conditions.

6.2.5 Approved Contractors.

(a) Each Transmission Owner shall develop and shall provide to Transmission Provider a List of Approved Contractors. Each Transmission Owner shall include on its List of

Approved Contractors no fewer than three contractors and no fewer than three manufacturers or vendors of major transmission-related equipment, unless a Transmission Owner demonstrates to Transmission Provider's reasonable satisfaction that it is feasible only to include a lesser number of construction contractors, or manufacturers or vendors, on its List of Approved Contractors. Transmission Provider shall publish each Transmission Owner's List of Approved Contractors in a PJM Manual and shall make such manual available on its internet website.

(b) Upon request of a New Service Customer, a Transmission Owner shall add to its List of Approved Contractors (1) any design or construction contractor regarding which the New Service Customer provides such information as the Transmission Owner may reasonably require which demonstrates to the Transmission Owner's reasonable satisfaction that the candidate contractor is qualified to design, or to install and/or construct new facilities or upgrades or modifications to existing facilities on the Transmission Owner's system, or (2) any manufacturer or vendor of major transmission-related equipment (e.g., high-voltage transformers, transmission line, circuit breakers) regarding which the New Service Customer provides such information as the Transmission Owner may reasonably require which demonstrates to the Transmission Owner's reasonable satisfaction that the candidate entity's major transmission-related equipment is acceptable for installation and use on the Transmission Owner's system. No Transmission Owner shall unreasonably withhold, condition, or delay its acceptance of a contractor, manufacturer, or vendor proposed for addition to its List of Approved Contractors.

6.2.6 Construction by Multiple New Service Customers:

In the event that there are multiple New Service Customers that wish to exercise an Option to Build with respect to facilities of the types described in Section 6.2.3 to this Appendix III, the Transmission Provider shall determine how to allocate the construction responsibility among them unless they reach agreement among themselves on how to proceed.

6.2.7 Option Procedures

(a) Within 10 days after notifying Transmission Provider and the Transmission Owner of its election to exercise the Option to Build, New Service Customer shall solicit bids from one or more Approved Contractors named on the Transmission Owner's List of Approved Contractors to procure equipment for, and/or to design, construct and/or install, the Direct Assignment Facilities or Customer-Funded Upgrades that the New Service Customer seeks to build under the Option to Build on terms (i) that will meet the New Service Customer's proposed schedule; (ii) that, if the New Service Customer seeks to have an Approved Contractor construct or install Direct Assignment Facilities or Customer-Funded Upgrades, will satisfy all of the conditions on construction specified in Sections 6.2.2 and 6.2.3 of this Appendix III; and (iii) that will satisfy the obligations of a Constructing Entity (other than those relating to responsibility for the costs of facilities) under this Upgrade CSA.

(b) Any additional costs arising from the bidding process or from the final bid of the successful Approved Contractor shall be the sole responsibility of the New Service Customer.

(c) Upon receipt of a qualifying bid acceptable to it, the New Service Customer shall contract with the Approved Contractor that submitted the qualifying bid. Such contract shall meet the standards stated in paragraph (a) of this section.

(d) In the absence of a qualifying bid acceptable to the New Service Customer in response to its solicitation, the Transmission Owner(s) shall be responsible for the design, procurement, construction and installation of the Direct Assignment Facilities or Customer-Funded Upgrades in accordance with the Standard Option described in Section 6.2.1 of this Appendix III.

6.2.8 New Service Customer Drawings.

New Service Customer shall submit to the Transmission Owner and Transmission Provider initial drawings, certified by a professional engineer, of the Direct Assignment Facilities or Customer-Funded Upgrades that New Service Customer arranges to build under the Option to Build. The Transmission Owner and Transmission Provider shall review the drawings to assess the consistency of New Service Customer's design of the pertinent Direct Assignment Facilities or Customer-Funded Upgrades with Applicable Standards and the Facilities Study. After consulting with the Transmission Owner, Transmission Provider shall provide comments on such drawings to New Service Customer within sixty days after its receipt thereof, after which time any drawings not subject to comment shall be deemed to be approved. All drawings provided hereunder shall be deemed to be Confidential Information.

6.2.9 Effect of Review.

Transmission Owner's and Transmission Provider's reviews of New Service Customer's initial drawings of the Direct Assignment Facilities and/or Customer-Funded Upgrades that the New Service Customer is building shall not be construed as confirming, endorsing or providing a warranty as to the fitness, safety, durability or reliability of such facilities or the design thereof. At its sole cost and expense, New Service Customer shall make such changes to the design of the pertinent Direct Assignment Facilities and/or Customer-Funded Upgrades as may reasonably be required by Transmission Provider, in consultation with the Transmission Owner, to ensure that the Direct Assignment Facilities or Customer-Funded Upgrades that New Service Customer is building meet Applicable Standards and conform with the Facilities Study.

6.3 Revisions to Schedule and Scope of Work.

The Schedule and Scope of Work shall be revised as required in accordance with Transmission Provider's scope change process for projects set forth in the PJM Manuals, or otherwise by mutual agreement of the Transmission Provider and Transmission Owner, which agreement shall not be unreasonably withheld, conditioned or delayed.

6.4 Suspension.

The following provision applies to New Service Requests which have entered the New Services Queue prior to February 1, 2011:

New Service Customer shall have the right, upon written notice to Transmission Provider and Transmission Owner, to suspend at any time all work by the Transmission Owner associated with the construction and installation of the Direct Assignment Facilities and/or Customer-Funded Upgrades, identified in Appendix I to this Upgrade CSA, required under this Upgrade CSA, with the condition that, notwithstanding such suspension, the Transmission System shall be left in a safe and reliable condition in accordance with Good Utility Practice and Transmission Provider's safety and reliability criteria. This suspension right permits the New Service Customer to request one or more suspensions of work for a cumulative period of up to three years for each request. New Service Customer's notice of suspension shall include an estimated duration of the suspension and other information related to the suspension.

The following provision applies to New Service Requests which have entered the New Services Queue on or after February 1, 2011:

New Service Customer shall have the right, upon written notice to Transmission Provider and Transmission Owner, to suspend at any time all work by the Transmission Owner associated with the construction and installation of the Direct Assignment Facilities and/or Customer-Funded Upgrades, identified in Appendix I to this Upgrade CSA, required under this Upgrade CSA, with the condition that, notwithstanding such suspension, the Transmission System shall be left in a safe and reliable condition in accordance with Good Utility Practice and Transmission Provider's safety and reliability criteria. This suspension right permits the New Service Customer to request one or more suspensions of work for a cumulative period of up to (i) three years for a request for which the Transmission Provider determines that such suspension would not be deemed a Material Modification, or (ii) one year for a request for which the Transmission Provider determines that such suspension would be deemed a Material Modification. New Service Customer's notice of suspension shall include an estimated duration of the suspension and other information related to the suspension.

6.4.1 Costs.

In the event of a suspension under this section, New Service Customer shall be responsible for all reasonable and necessary Cancellation Costs which the Transmission Owner or Transmission Provider: (i) has incurred pursuant to this Upgrade CSA prior to the suspension; and (ii) incurs in suspending such work, including any costs incurred to perform such work as may be necessary to ensure the safety of persons and property and the integrity of the Transmission System during such suspension and, if applicable, any costs incurred in connection with the cancellation or suspension of material, equipment and/or labor contracts which Transmission Owner or Transmission Provider cannot reasonably avoid; provided, however, that prior to canceling or suspending any such material, equipment or labor contract, the Transmission Owner or Transmission Provider, as the case may be, shall obtain New Service Customer's authorization to do so. Upon the request of the New Service Customer, the Transmission Owner shall provide an estimate of the Cancellation Costs. Transmission Provider shall invoice New Service Customer for Cancellation Costs for which the customer is liable under this section. Transmission Owner and Transmission Provider shall use due diligence to minimize Cancellation Costs in the event of a suspension of work.

6.4.2 Duration of Suspension.

If the Transmission Owner suspends work on the Direct Assignment Facilities and/or Customer-Funded Upgrades required under this Upgrade CSA pursuant to this Section 6.4.2, and the New Service Customer has not requested Transmission Provider and the Transmission Owner to recommence the work required under the applicable agreement(s) on or before the expiration of the time period allowed under this Section 6.4 following commencement of such suspension, then this Upgrade CSA shall terminate. The suspension time period shall begin on the date of the New Service Customer's written notice of suspension to Transmission Provider and Transmission Owner.

9.0 Security, Billing And Payments

The following provisions shall apply with respect to charges for the Costs of the Transmission Owner for which the New Service Customer is responsible.

9.1 Recurring Charges Pursuant to Section 26:

The following provisions shall apply with respect to recurring charges applicable to a Merchant Network Upgrade pursuant to Section 26 of this Appendix III.

9.1.1 General:

Except as, and to the extent, otherwise provided in this Upgrade CSA, billing and payment of any recurring charges applicable to the Merchant Network Upgrade pursuant to Section 26 of this Appendix III shall be in accordance with Section 7 of the Tariff. Transmission Owner shall provide Transmission Provider with all necessary information and supporting data that Transmission Provider may reasonably require to administer billing for and payment of applicable charges under this Appendix III. Transmission Provider shall remit to Transmission Owner revenues received in payment of Transmission Owner's charges to Interconnection Customer under this Appendix III upon Transmission Provider's receipt of such revenues. At Transmission Provider's reasonable discretion, charges to Interconnection Customer and remittances to Transmission Owner under this Appendix III may be netted against amounts owed by or to such parties under the Tariff.

~~9.21~~ Adjustments to Security.

The Security provided by New Service Customer at or before the Effective Date of this Upgrade CSA shall be: (a) reduced as portions of the work on Direct Assignment Facilities or Customer-Funded Upgrades, identified in Appendix I to this Upgrade CSA, are completed; and/or (b) increased or decreased as required to reflect adjustments to New Service Customer's cost responsibility, to correspond with changes in the Scope of Work developed in accordance with Transmission Provider's scope change process for projects set forth in the PJM Manuals.

~~9.32~~ Invoice.

Transmission Owner shall provide Transmission Provider a quarterly statement of its scheduled expenditures during the next three months for, as applicable, (a) the design, engineering and construction of, and/or for other charges related to, construction of the Direct Assignment Facilities and/or Customer-Funded Upgrades identified in Appendix I to this Upgrade CSA, or (b) in the event that the New Service Customer exercises the Option to Build pursuant to Section 6.2.1 of this Appendix III, for the Transmission Owner's Costs associated with the New Service Customer's building Direct Assignment Facilities, Local Upgrades, and Network Upgrades (including both Direct Connection Network Upgrades, Direct Connection Local Upgrades, Non-Direct Connection Network Upgrades, and Non-Direct Connection Local Upgrades), including but not limited to Costs for tie-in work and Cancellation Costs. Provided, however, such Transmission Owner Costs may include oversight costs (i.e. costs incurred by the Transmission

Owner when engaging in oversight activities to satisfy itself that the New Service Customer is complying with the Transmission Owner's standards and specifications for the construction of facilities) only if the Transmission Owner and the New Service Customer mutually agree to the inclusion of such costs under the Option to Build pursuant to the provisions of Section 6.2.1 of Appendix III of this Upgrade CSA. Transmission Provider shall bill New Service Customer, on behalf of Transmission Owner, for Transmission Owner's expected Costs during the subsequent three months. New Service Customer shall pay each bill within twenty (20) days after receipt thereof. Upon receipt of each of New Service Customer's payments of such bills, Transmission Provider shall reimburse the Transmission Owner. New Service Customer may request that the Transmission Provider provide quarterly cost reconciliation. Such a quarterly cost reconciliation will have a one-quarter lag, e.g., reconciliation of costs for the first calendar quarter of work will be provided at the start of the third calendar quarter of work, provided, however, that Section 9.3 of this Appendix III shall govern the timing of the final cost reconciliation upon completion of the work.

9.43 Final Invoice.

Within 120 days after Transmission Owner completes construction and installation of the Direct Assignment Facilities and/or Customer-Funded Upgrades under this Upgrade CSA, Transmission Provider shall provide New Service Customer with an accounting of, and the appropriate Party shall make any payment to the other that is necessary to resolve, any difference between: (a) New Service Customer's responsibility under the PJM Tariff for the Costs of the Direct Assignment Facilities and/or Customer-Funded Upgrades identified in Appendix I to this Upgrade CSA; and (b) New Service Customer's previous aggregate payments to Transmission Provider for the Costs of the facilities identified in Appendix I to this Upgrade CSA. Notwithstanding the foregoing, however, Transmission Provider shall not be obligated to make any payment to the New Service Customer or the Transmission Owner that the preceding sentence requires it to make unless and until the Transmission Provider has received the payment that it is required to refund from the Party owing the payment.

9.54 Disputes.

In the event of a billing dispute among the Transmission Provider, Transmission Owner, and New Service Customer, Transmission Provider and the Transmission Owner shall continue to perform their respective obligations pursuant to this Upgrade CSA so long as: (a) the New Service Customer continues to make all payments not in dispute, and the Security held by the Transmission Provider while the dispute is pending exceeds the amount in dispute; or (b) the New Service Customer pays to Transmission Provider, or into an independent escrow account established by the New Service Customer, the portion of the invoice in dispute, pending resolution of such dispute. If the New Service Customer fails to meet any of these requirements, then Transmission Provider shall so inform the other Parties and Transmission Provider or the Transmission Owner may provide notice to New Service Customer of a Breach pursuant to Section 13 of this Appendix III.

| **9.65 Interest.**

Interest on any unpaid, delinquent amounts shall be calculated in accordance with the methodology specified for interest on refunds in the FERC's regulations at 18 C.F.R. § 35.19a(a)(2)(iii) and shall apply from the due date of the bill to the date of payment.

| **9.76 No Waiver.**

Payment of an invoice shall not relieve New Service Customer from any other responsibilities or obligations it has under this Upgrade CSA, nor shall such payment constitute a waiver of any claims arising hereunder.

24.0 Operation and Maintenance of Merchant Network Upgrades.

Unless otherwise provided in this Upgrade CSA, the Transmission Owner that owns Merchant Network Upgrades constructed on behalf of and at the expense of the Interconnection Customer shall operate and maintain such Merchant Network Upgrades at the expense of the Interconnection Customer. The charge for operation and maintenance of such Merchant Network Upgrade charges is set forth in SCHEDULE B of this Upgrade CSA.

25.0 Charges

25.1 Specified Charges.

If and to the extent required by the Transmission Owner, after the Initial Operation of the Merchant Network Upgrade, Interconnection Customer shall pay one or more of the types of recurring charges described in this section to compensate the Transmission Owner for costs incurred in performing certain of its obligations under this Appendix III. All such charges shall be stated in SCHEDULE B of the Upgrade CSA. Transmission Owner shall provide Transmission Provider and Interconnection Customer with appropriate cost data, schedules and/or written testimony in support of any charges under this section in such manner and at such time as to allow Transmission Provider to include such materials in its filing of the Upgrade CSA with the FERC. Transmission Provider will deliver a copy of such filing to Interconnection Customer. Permissible charges under this section may include:

(a) Administration Charge – Any such charge may recover only the costs and expenses incurred by the Transmission Owner in connection with administrative obligations such as the preparation of bills. An Administration Charge shall not be permitted to the extent that the Transmission Owner’s other charges to the Interconnection Customer under the same Upgrade CSA include an allocation of the Transmission Owner’s administrative and general expenses and/or other corporate overhead costs.

(b) Merchant Network Upgrade Operations and Maintenance Charge – Any such charge may recover only the Transmission Owner’s costs and expenses associated with operation and maintenance charges related to the Interconnection Customer’s Merchant Network Upgrade owned by the Transmission Owner.

(c) Other Charges – Any other charges applicable to the Interconnection Customer, as mutually agreed upon by the Interconnection Customer and the Transmission Owner and as accepted by the FERC as part of an Upgrade CSA.

25.2 FERC Filings.

To the extent required by law or regulation, each Party shall seek FERC acceptance or approval of its respective charges or the methodology for the calculation of such charges.

SCHEDULE A

NEGOTIATED CONTRACT OPTIONS

None.

SCHEDULE B

**OPERATION AND MAINTENANCE CHARGES FOR
MERCHANT NETWORK UPGRADES**

None.

Attachment C

Revisions to the
PJM Open Access Transmission Tariff

(Clean Format)

(Additional coversheets identifying the specific Tariff sections)

Revisions to Definition Tariff Sections:

C-D

L-M-N

T-U-V

Definitions – C-D

1.3BB.03 Cancellation Costs:

The Costs and liabilities incurred in connection with: (a) cancellation of supplier and contractor written orders and agreements entered into to design, construct and install Attachment Facilities, Direct Assignment Facilities and/or Customer-Funded Upgrades, and/or (b) completion of some or all of the required Attachment Facilities, Direct Assignment Facilities and/or Customer-Funded Upgrades, or specific unfinished portions and/or removal of any or all of such facilities which have been installed, to the extent required for the Transmission Provider and/or Transmission Owner(s) to perform their respective obligations under Part IV and/or Part VI of the Tariff.

1.3C Capacity Interconnection Rights:

The rights to input generation as a Generation Capacity Resource into the Transmission System at the Point of Interconnection where the generating facilities connect to the Transmission System.

1.3D Capacity Resource:

Shall have the meaning provided in the Reliability Assurance Agreement.

1.3E Capacity Transmission Injection Rights:

The rights to schedule energy and capacity deliveries at a Point of Interconnection (as defined in Section 1.33A) of a Merchant Transmission Facility with the Transmission System. Capacity Transmission Injection Rights may be awarded only to a Merchant D.C. Transmission Facility and/or Controllable A.C. Merchant Transmission Facilities that connects the Transmission System to another control area. Deliveries scheduled using Capacity Transmission Injection Rights have rights similar to those under Firm Point-to-Point Transmission Service or, if coupled with a generating unit external to the PJM Region that satisfies all applicable criteria specified in the PJM Manuals, similar to Capacity Interconnection Rights.

1.3F Commencement Date:

The date on which Interconnection Service commences in accordance with an Interconnection Service Agreement.

1.4 Commission:

The Federal Energy Regulatory Commission.

1.5 Completed Application:

An Application that satisfies all of the information and other requirements of the Tariff, including any required deposit.

1.5.01 Confidential Information:

Any confidential, proprietary, or trade secret information of a plan, specification, pattern, procedure, design, device, list, concept, policy, or compilation relating to the present or planned business of a New Service Customer, Transmission Owner, or other Interconnection Party or Construction Party, which is designated as confidential by the party supplying the information, whether conveyed verbally, electronically, in writing, through inspection, or otherwise, and shall include, without limitation, all information relating to the producing party's technology, research and development, business affairs and pricing, and any information supplied by any New Service Customer, Transmission Owner, or other Interconnection Party or Construction Party to another such party prior to the execution of an Interconnection Service Agreement or a Construction Service Agreement.

1.5A Consolidated Transmission Owners Agreement:

The certain Consolidated Transmission Owners Agreement dated as of December 15, 2005, by and among the Transmission Owners and by and between the Transmission Owners and PJM Interconnection, L.L.C.

1.5B Constructing Entity:

Either the Transmission Owner or the New Services Customer, depending on which entity has the construction responsibility pursuant to Part VI and the applicable Construction Service Agreement; this term shall also be used to refer to an Interconnection Customer with respect to the construction of the Customer Interconnection Facilities.

1.5C Construction Party:

A party to a Construction Service Agreement. "Construction Parties" shall mean all of the Parties to a Construction Service Agreement.

1.5D Construction Service Agreement:

Either an Interconnection Construction Service Agreement or an Upgrade Construction Service Agreement.

1.6 Control Area:

An electric power system or combination of electric power systems to which a common automatic generation control scheme is applied in order to:

(1) match, at all times, the power output of the generators within the electric power system(s) and capacity and energy purchased from entities outside the electric power system(s), with the load within the electric power system(s);

(2) maintain scheduled interchange with other Control Areas, within the limits of Good Utility Practice;

(3) maintain the frequency of the electric power system(s) within reasonable limits in accordance with Good Utility Practice; and

(4) provide sufficient generating capacity to maintain operating reserves in accordance with Good Utility Practice.

1.6A Control Zone:

Shall have the meaning given in the Operating Agreement.

1.6B Controllable A.C. Merchant Transmission Facilities:

Transmission facilities that (1) employ technology which Transmission Provider reviews and verifies will permit control of the amount and/or direction of power flow on such facilities to such extent as to effectively enable the controllable facilities to be operated as if they were direct current transmission facilities, and (2) that are interconnected with the Transmission System pursuant to Part IV and Part VI of the Tariff.

1.6C Costs:

As used in Part IV, Part VI and related attachments to the Tariff, costs and expenses, as estimated or calculated, as applicable, including, but not limited to, capital expenditures, if applicable, and overhead, return, and the costs of financing and taxes and any Incidental Expenses.

1.6D Counterparty:

PJMSettlement as the contracting party, in its name and own right and not as an agent, to an agreement or transaction with a market participant or other customer.

1.7 Curtailment:

A reduction in firm or non-firm transmission service in response to a transfer capability shortage as a result of system reliability conditions.

1.7A Customer Facility:

Generation facilities or Merchant Transmission Facilities interconnected with or added to the Transmission System pursuant to an Interconnection Request under Subparts A of Part IV of the Tariff.

1.7A.01 Customer-Funded Upgrade:

Any Network Upgrade, Local Upgrade, or Merchant Network Upgrade for which cost responsibility (i) is imposed on an Interconnection Customer or an Eligible Customer pursuant to Section 217 of the Tariff, or (ii) is voluntarily undertaken by a New Service Customer in fulfillment of an Upgrade Request. No Network Upgrade, Local Upgrade or Merchant Network Upgrade or other transmission expansion or enhancement shall be a Customer-Funded Upgrade if and to the extent that the costs thereof are included in the rate base of a public utility on which a regulated return is earned.

1.7A.02 Customer Interconnection Facilities:

All facilities and equipment owned and/or controlled, operated and maintained by Interconnection Customer on Interconnection Customer's side of the Point of Interconnection identified in the appropriate appendices to the Interconnection Service Agreement and to the Interconnection Construction Service Agreement, including any modifications, additions, or upgrades made to such facilities and equipment, that are necessary to physically and electrically interconnect the Customer Facility with the Transmission System.

1.7B Daily Capacity Deficiency Rate

Daily Capacity Deficiency Rate is as defined in Schedule 11 of the Reliability Assurance Agreement.

1.7C Deactivation:

The retirement or mothballing of a generating unit governed by Part V of this Tariff.

1.7D Deactivation Avoidable Cost Credit:

The credit paid to Generation Owners pursuant to section 114 of this Tariff.

1.7E Deactivation Avoidable Cost Rate:

The formula rate established pursuant to section 115 of this Tariff.

1.7F Deactivation Date:

The date a generating unit within the PJM Region is either retired or mothballed and ceases to operate.

1.7G Default:

As used in the Interconnection Service Agreement and Construction Service Agreement, the failure of a Breaching Party to cure its Breach in accordance with the applicable provisions of an Interconnection Service Agreement or Construction Service Agreement.

1.8 Delivering Party:

The entity supplying capacity and energy to be transmitted at Point(s) of Receipt.

1.9 Designated Agent:

Any entity that performs actions or functions on behalf of the Transmission Provider, a Transmission Owner, an Eligible Customer, or the Transmission Customer required under the Tariff.

1.9A Designated Entity:

“Designated Entity” shall have the same meaning provided in the Operating Agreement.

1.10 Direct Assignment Facilities:

Facilities or portions of facilities that are constructed for the sole use/benefit of a particular Transmission Customer requesting service under the Tariff. Direct Assignment Facilities shall be specified in the Service Agreement that governs service to the Transmission Customer and shall be subject to Commission approval.

1.10.01 Direct Load Control:

Load reduction that is controlled directly by the Curtailment Service Provider’s market operations center or its agent, in response to PJM instructions.

Definitions – L – M - N

1.15A List of Approved Contractors:

A list developed by each Transmission Owner and published in a PJM Manual of (a) contractors that the Transmission Owner considers to be qualified to install or construct new facilities and/or upgrades or modifications to existing facilities on the Transmission Owner's system, provided that such contractors may include, but need not be limited to, contractors that, in addition to providing construction services, also provide design and/or other construction-related services, and (b) manufacturers or vendors of major transmission-related equipment (e.g., high-voltage transformers, transmission line, circuit breakers) whose products the Transmission Owner considers acceptable for installation and use on its system.

1.16 Load Ratio Share:

Ratio of a Transmission Customer's Network Load to the Transmission Provider's total load.

1.17 Load Shedding:

The systematic reduction of system demand by temporarily decreasing load in response to transmission system or area capacity shortages, system instability, or voltage control considerations under Part II or Part III of the Tariff.

1.17A Local Upgrades:

Modifications or additions of facilities to abate any local thermal loading, voltage, short circuit, stability or similar engineering problem caused by the interconnection and delivery of generation to the Transmission System. Local Upgrades shall include:

(i) Direct Connection Local Upgrades which are Local Upgrades that only serve the Customer Interconnection Facility and have no impact or potential impact on the Transmission System until the final tie-in is complete; and

(ii) Non-Direct Connection Local Upgrades which are parallel flow Local Upgrades that are not Direct Connection Local Upgrades.

1.17B Long-lead Project:

"Long-lead Project" shall have the same meaning provided in the Operating Agreement.

1.18 Long-Term Firm Point-To-Point Transmission Service:

Firm Point-To-Point Transmission Service under Part II of the Tariff with a term of one year or more.

1.18A [RESERVED]

1.18A.01 [RESERVED]

1.18A.02 Material Modification:

Any modification to an Interconnection Request that has a material adverse effect on the cost or timing of Interconnection Studies related to, or any Network Upgrades or Local Upgrades needed to accommodate, any Interconnection Request with a later Queue Position.

1.18A.03 Maximum Facility Output:

The maximum (not nominal) net electrical power output in megawatts, specified in the Interconnection Service Agreement, after supply of any parasitic or host facility loads, that a Generation Interconnection Customer's Customer Facility is expected to produce, provided that the specified Maximum Facility Output shall not exceed the output of the proposed Customer Facility that Transmission Provider utilized in the System Impact Study.

1.18B Merchant A.C. Transmission Facilities:

Merchant Transmission Facilities that are alternating current (A.C.) transmission facilities, other than those that are Controllable A.C. Merchant Transmission Facilities.

1.18C Merchant D.C. Transmission Facilities:

Direct current (D.C.) transmission facilities that are interconnected with the Transmission System pursuant to Part IV and Part VI of the Tariff.

1.18D Merchant Network Upgrades:

Additions to, or modifications or replacements of, physical facilities of the Interconnected Transmission Owner that, on the date of the pertinent Transmission Interconnection Customer's Upgrade Request, are part of the Transmission System or are included in the Regional Transmission Expansion Plan.

1.18E Merchant Transmission Facilities:

A.C. or D.C. transmission facilities that are interconnected with or added to the Transmission System pursuant to Part IV and Part VI of the Tariff and that are so identified on Attachment T to the Tariff, provided, however, that Merchant Transmission Facilities shall not include (i) any Customer Interconnection Facilities, (ii) any physical facilities of the Transmission System that were in existence on or before March 20, 2003 ; (iii) any expansions or enhancements of the Transmission System that are not identified as Merchant Transmission Facilities in the Regional Transmission Expansion Plan and Attachment T to the Tariff, or (iv) any transmission facilities that are included in the rate base of a public utility and on which a regulated return is earned.

1.18F Merchant Transmission Provider:

An Interconnection Customer that (1) owns, controls, or controls the rights to use the transmission capability of, Merchant D.C. Transmission Facilities and/or Controllable A.C. Merchant Transmission Facilities that connect the Transmission System with another control area, (2) has elected to receive Transmission Injection Rights and Transmission Withdrawal Rights associated with such facility pursuant to Section 36 of the Tariff, and (3) makes (or will make) the transmission capability of such facilities available for use by third parties under terms and conditions approved by the Commission and stated in the Tariff, consistent with Section 38 below.

1.18G Metering Equipment:

All metering equipment installed at the metering points designated in the appropriate appendix to an Interconnection Service Agreement.

1.18G.01 Multi-Driver Project:

“Multi-Driver Project” shall have the same meaning provided in the Operating Agreement.

1.19 Native Load Customers:

The wholesale and retail power customers of a Transmission Owner on whose behalf the Transmission Owner, by statute, franchise, regulatory requirement, or contract, has undertaken an obligation to construct and operate the Transmission Owner’s system to meet the reliable electric needs of such customers.

1.19A NERC:

The North American Electric Reliability Council or any successor thereto.

1.19B Neutral Party

Shall have the meaning provided in Section 9.3(v).

1.20 Network Customer:

An entity receiving transmission service pursuant to the terms of the Transmission Provider’s Network Integration Transmission Service under Part III of the Tariff.

1.21 Network Integration Transmission Service:

The transmission service provided under Part III of the Tariff.

1.22 Network Load:

The load that a Network Customer designates for Network Integration Transmission Service under Part III of the Tariff. The Network Customer's Network Load shall include all load (including losses) served by the output of any Network Resources designated by the Network Customer. A Network Customer may elect to designate less than its total load as Network Load but may not designate only part of the load at a discrete Point of Delivery. Where an Eligible Customer has elected not to designate a particular load at discrete points of delivery as Network Load, the Eligible Customer is responsible for making separate arrangements under Part II of the Tariff for any Point-To-Point Transmission Service that may be necessary for such non-designated load.

1.23 Network Operating Agreement:

An executed agreement that contains the terms and conditions under which the Network Customer shall operate its facilities and the technical and operational matters associated with the implementation of Network Integration Transmission Service under Part III of the Tariff.

1.24 Network Operating Committee:

A group made up of representatives from the Network Customer(s) and the Transmission Provider established to coordinate operating criteria and other technical considerations required for implementation of Network Integration Transmission Service under Part III of this Tariff.

1.25 Network Resource:

Any designated generating resource owned, purchased, or leased by a Network Customer under the Network Integration Transmission Service Tariff. Network Resources do not include any resource, or any portion thereof, that is committed for sale to third parties or otherwise cannot be called upon to meet the Network Customer's Network Load on a non-interruptible basis, except for purposes of fulfilling obligations under a reserve sharing program.

1.26 Network Upgrades:

Modifications or additions to transmission-related facilities that are integrated with and support the Transmission Provider's overall Transmission System for the general benefit of all users of such Transmission System. Network Upgrades shall include:

(i) **Direct Connection Network Upgrades** which are Network Upgrades that only serve the Customer Interconnection Facility and have no impact or potential impact on the Transmission System until the final tie-in is complete; and

(ii) **Non-Direct Connection Network Upgrades** which are parallel flow Network Upgrades that are not Direct Connection Network Upgrades.

1.26A New PJM Zone(s):

The Zone included in this Tariff, along with applicable Schedules and Attachments, for Commonwealth Edison Company, The Dayton Power and Light Company and the AEP East Operating Companies (Appalachian Power Company, Columbus Southern Power Company, Indiana Michigan Power Company, Kentucky Power Company, Kingsport Power Company, Ohio Power Company and Wheeling Power Company).

1.26B New Service Customers:

All customers that submit an Interconnection Request, a Completed Application, or an Upgrade Request that is pending in the New Services Queue.

1.26C New Service Request:

An Interconnection Request, a Completed Application, or an Upgrade Request.

1.26D New Services Queue:

All Interconnection Requests, Completed Applications, and Upgrade Requests that are received within each three-month period ending on January 31, April 30, July 31, and October 31 of each year shall collectively comprise a New Services Queue.

1.26E New Services Queue Closing Date:

Each January 31, April 30, July 31, and October 31 shall be the Queue Closing Date for the New Services Queue comprised of Interconnection Requests, Completed Applications, and Upgrade Requests received during the three-month period ending on such date.

1.26F Nominal Rated Capability:

The nominal maximum rated capability in megawatts of a Transmission Interconnection Customer's Customer Facility or the nominal increase in transmission capability in megawatts of the Transmission System resulting from the interconnection or addition of a Transmission Interconnection Customer's Customer Facility, as determined in accordance with pertinent Applicable Standards and specified in the Interconnection Service Agreement.

1.27 Non-Firm Point-To-Point Transmission Service:

Point-To-Point Transmission Service under the Tariff that is reserved and scheduled on an as-available basis and is subject to Curtailment or Interruption as set forth in Section 14.7 under Part II of this Tariff. Non-Firm Point-To-Point Transmission Service is available on a stand-alone basis for periods ranging from one hour to one month.

1.27.01 Non-Firm Sale:

An energy sale for which receipt or delivery may be interrupted for any reason or no reason, without liability on the part of either the buyer or seller.

1.27A Non-Firm Transmission Withdrawal Rights:

The rights to schedule energy withdrawals from a specified point on the Transmission System. Non-Firm Transmission Withdrawal Rights may be awarded only to a Merchant D.C. Transmission Facility that connects the Transmission System to another control area. Withdrawals scheduled using Non-Firm Transmission Withdrawal Rights have rights similar to those under Non-Firm Point-to-Point Transmission Service.

1.27A.01 Nonincumbent Developer:

“Nonincumbent Developer” shall have the same meaning provided in the Operating Agreement.

1.27AA Non-Retail Behind The Meter Generation:

Behind the Meter Generation that is used by municipal electric systems, electric cooperatives, or electric distribution companies to serve load.

1.27B Non-Zone Network Load:

Network Load that is located outside of the PJM Region.

Definitions – T – U - V

1.43A Tariff:

This document, the “PJM Open Access Transmission Tariff.”

1.44 Third-Party Sale:

Any sale for resale in interstate commerce to a Power Purchaser that is not designated as part of Network Load under the Network Integration Transmission Service but not including a sale of energy through the PJM Interchange Energy Market established under the PJM Operating Agreement.

1.45 Transmission Customer:

Any Eligible Customer (or its Designated Agent) that (i) executes a Service Agreement, or (ii) requests in writing that the Transmission Provider file with the Commission, a proposed unexecuted Service Agreement to receive transmission service under Part II of the Tariff. This term is used in the Part I Common Service Provisions and in Part VI to include customers receiving transmission service under Part II and Part III of this Tariff.

1.45.01 Transmission Facilities

Transmission Facilities shall have the meaning set forth in the Operating Agreement.

1.45A Transmission Injection Rights:

Capacity Transmission Injection Rights and Energy Transmission Injection Rights.

1.45B Transmission Interconnection Customer:

An entity that submits an Interconnection Request to interconnect or add Merchant Transmission Facilities to the Transmission System or to increase the capacity of Merchant Transmission Facilities interconnected with the Transmission System in the PJM Region or an entity that submits an Upgrade Request for Merchant Network Upgrades (including accelerating the construction of any transmission enhancement or expansion, other than Merchant Transmission Facilities, that is included in the Regional Transmission Expansion Plan prepared pursuant to Schedule 6 of the Operating Agreement).

1.45C Transmission Interconnection Facilities Study:

A Facilities Study related to a Transmission Interconnection Request.

1.45D Transmission Interconnection Feasibility Study:

A study conducted by the Transmission Provider in accordance with Section 36.2 of the Tariff.

1.45E Transmission Interconnection Request:

A request by a Transmission Interconnection Customer pursuant to Part IV of the Tariff to interconnect or add Merchant Transmission Facilities to the Transmission System or to increase the capacity of existing Merchant Transmission Facilities interconnected with the Transmission System in the PJM Region.

1.45F Transmission Owner:

Each entity that owns, leases or otherwise has a possessory interest in facilities used for the transmission of electric energy in interstate commerce under the Tariff. The Transmission Owners are listed in Attachment L.

1.45G Transmission Owner Attachment Facilities:

That portion of the Transmission Owner Interconnection Facilities comprised of all Attachment Facilities on the Interconnected Transmission Owner's side of the Point of Interconnection.

1.45H Transmission Owner Interconnection Facilities:

All Interconnection Facilities that are not Customer Interconnection Facilities and that, after the transfer under Section 5.5 of Appendix 2 to Attachment P of the PJM Tariff to the Interconnected Transmission Owner of title to any Transmission Owner Interconnection Facilities that the Interconnection Customer constructed, are owned, controlled, operated and maintained by the Interconnected Transmission Owner on the Interconnected Transmission Owner's side of the Point of Interconnection identified in appendices to the Interconnection Service Agreement and to the Interconnection Construction Service Agreement, including any modifications, additions or upgrades made to such facilities and equipment, that are necessary to physically and electrically interconnect the Customer Facility with the Transmission System or interconnected distribution facilities.

1.45I Transmission Owner Upgrade:

"Transmission Owner Upgrade" shall have the same meaning provided in the Operating Agreement.

1.46 Transmission Provider:

The Transmission Provider shall be the Office of the Interconnection for all purposes, provided that the Transmission Owners will have the responsibility for the following specified activities:

- (a) The Office of the Interconnection shall direct the operation and coordinate the maintenance of the Transmission System, except that the Transmission Owners will continue to direct the operation and maintenance of those transmission facilities that are not listed in the PJM Designated Facilities List contained in the PJM Manual on Transmission Operations;

(b) Each Transmission Owner shall physically operate and maintain all of the facilities that it owns; and

(c) When studies conducted by the Office of the Interconnection indicate that enhancements or modifications to the Transmission System are necessary, the Transmission Owners shall have the responsibility, in accordance with the applicable terms of the Tariff, Operating Agreement and/or the Consolidated Transmission Owners Agreement to construct, own, and finance the needed facilities or enhancements or modifications to facilities.

1.47 Transmission Provider's Monthly Transmission System Peak:

The maximum firm usage of the Transmission Provider's Transmission System in a calendar month.

1.48 Transmission Service:

Point-To-Point Transmission Service provided under Part II of the Tariff on a firm and non-firm basis.

1.48A Transmission Service Request:

A request for Firm Point-To-Point Transmission Service or a request for Network Integration Transmission Service.

1.49 Transmission System:

The facilities controlled or operated by the Transmission Provider within the PJM Region that are used to provide transmission service under Part II and Part III of the Tariff.

1.49A Transmission Withdrawal Rights:

Firm Transmission Withdrawal Rights and Non-Firm Transmission Withdrawal Rights.

1.49A.01 Upgrade Construction Service Agreement:

That agreement entered into by an Eligible Customer, Upgrade Customer or Interconnection Customer proposing Merchant Network Upgrades, a Transmission Owner, and the Transmission Provider, pursuant to Subpart B of Part VI of the Tariff, and in the form set forth in Attachment GG of the Tariff.

1.49A.02 Upgrade Customer:

A customer that submits an Upgrade Request pursuant to Section 7.8 of Schedule 1 of the Operating Agreement.

1.49A.03 Upgrade-Related Rights:

Incremental Auction Revenue Rights, Incremental Available Transfer Capability Revenue Rights, Incremental Deliverability Rights, and Incremental Capacity Transfer Rights (as defined in Section 2.35 of Attachment DD of the Tariff).

1.49A.04 Upgrade Request:

A request submitted in the form prescribed in Attachment EE of the Tariff, for evaluation by the Transmission Provider of the feasibility and estimated costs of (a) a Merchant Network Upgrade or (b) the Customer-Funded Upgrades that would be needed to provide the Incremental Auction Revenue Rights specified in a request pursuant to Section 7.8 of Schedule 1 of the Operating Agreement.

1.49B [RESERVED]

1.49C [RESERVED]

1.49D [RESERVED]

1.49E [RESERVED]

1.49F [RESERVED]

Revisions to Part IV Section 36.1

36.1 General:

Generation Interconnection Requests and Transmission Interconnection Requests shall be governed by this Section 36.

36.1.01 Generation Interconnection Request:

Except as otherwise provided in this Subpart A with respect to Behind The Meter Generation, an Interconnection Customer that seeks to interconnect new generation in, or to increase the capacity of generation already interconnected in, the PJM Region shall submit to the Transmission Provider a Generation Interconnection Request. A Generation Interconnection Request shall include: (i) the location of the proposed generating unit site or existing generating unit; (ii) evidence of an ownership interest in, or right to acquire or control the generating unit site, such as a deed, option agreement, lease, or other similar document acceptable to the Transmission Provider; (iii) the size of the proposed generating unit or the amount of increase in capacity of an existing generating unit; (iv) a description of the equipment configuration and if the generating unit is a wind generation facility, a set of preliminary electrical design specifications depicting the wind plant as a single equivalent generator; (v) the planned date the proposed generating unit or increase in capacity of an existing generating unit will be in service, such date to be no more than seven years from the date the request is received by the Transmission Provider unless the Generation Interconnection Customer demonstrates that engineering, permitting, and construction of the generating unit or increase in capacity will take more than seven years; and (vi) any additional information as may be prescribed by the Transmission Provider in the PJM Manuals; (vii) an executed Generation Interconnection Feasibility Study Agreement, a form of which is contained in Attachment N, pursuant to which the Generation Interconnection Customer agrees to reimburse the Transmission Provider for the cost of the Generation Interconnection Feasibility Study; (viii) an initial deposit of \$100 for each MW requested if the Generation Interconnection Request is received in the first four calendar months of the current New Services Queue; an initial deposit in the amount of \$150 for each MW requested if the Generation Interconnection Request is received in the fifth calendar month of the current New Services Queue; or an initial deposit in the amount of \$200 for each MW requested, if the Generation Interconnection Request is received in the sixth calendar month of the current New Services Queue; provided, however, that the maximum initial deposit for a Generation Interconnection Request will be \$100,000 regardless of both the size and timing of such request; and (ix) a base non-refundable deposit of \$10,000, if the Generation Interconnection Request is received in the first four calendar months of the current New Services Queue; a base non-refundable deposit of \$20,000 if the Generation Interconnection Request is received in the fifth calendar month of the current New Services Queue; or a base non-refundable deposit of \$30,000, if the Generation Interconnection Request is received in the sixth calendar month of the current New Services Queue.

The base and initial deposit will be credited toward the amount of the Generation Interconnection Customer's cost responsibility for the Generation Interconnection Feasibility Study. Upon completion of the Feasibility Study, the Transmission Provider will return any unused refundable deposit monies to Interconnection Customer. Any remaining non-refundable deposit monies will be credited toward the Interconnection Customer's cost responsibility for any other studies

conducted for that Interconnection Request under Part VI of the Tariff, which will be applied prior to the deposit monies collected for that other study. If any non-refundable deposit monies remain after all studies are complete, such monies will be returned to a Generation Interconnection Customer upon Initial Operation, or to a Transmission Interconnection Customer upon energization of completed facilities as provided in Attachment GG, Appendix III, Section 20 of the Tariff. The Transmission Provider shall maintain on the Transmission Provider's website a list of all Generation Interconnection Requests that identifies (A) the proposed maximum summer and winter megawatt electrical output; (B) the location of the generation by county and state; (C) the station or transmission line or lines where the interconnection will be made; (D) the facility's projected date of Initial Operation; (E) the status of the Generation Interconnection Request, including its Queue Position; (F) the type of Generation Interconnection Service requested; (G) the availability of any studies related to the Interconnection Request; (H) the date of the Generation Interconnection Request; (I) the type of Generating Facility to be constructed (combined cycle, base load or combustion turbine and fuel type); and (J) for each Generation Interconnection Request that has not resulted in a completed interconnection, an explanation of why it was not completed. This list will not disclose the identity of the Generation Interconnection Customer, except as otherwise provided in Part IV of the Tariff. The list and the priority of Generation Interconnection Requests shall be included on the website as part of the New Services Queue.

36.1.02 Generation Interconnection Requests of 20 Megawatts or Less:

The Transmission Provider has developed streamlined processes for Generation Interconnection Requests involving new generation resources of 20 MW or less and increases in the capacity of a generating unit by 20 MW or less over any consecutive 24-month period. The processes for Generation Interconnection Requests involving increases in capacity by 20 MW or less are set forth in Subpart G of Part IV of the Tariff and the PJM Manuals.

36.1.03 Transmission Interconnection Request:

An Interconnection Customer that seeks to interconnect or add Merchant Transmission Facilities to the Transmission System, or to increase the capacity of existing Merchant Transmission Facilities interconnected with the Transmission System shall submit to the Transmission Provider a Transmission Interconnection Request. A Transmission Interconnection Request shall include: (i) the location of the proposed Merchant Transmission Facilities and of the substation(s) or other location(s) where the Transmission Interconnection Customer proposes to interconnect or add its Merchant Transmission Facilities to the Transmission System; (ii) a description of the proposed Merchant Transmission Facilities; (iii) the nominal capability or increase in capability (in megawatts) of the proposed Merchant Transmission Facilities; (iv) the planned date the proposed Merchant Transmission Facilities will be in service, such date to be no more than seven years from the date the request is received by the Transmission Provider, unless the Transmission Interconnection Customer demonstrates that engineering, permitting, and construction of the Merchant Transmission Facilities will take more than seven years; (v) if the request relates to proposed Merchant D.C. Transmission Facilities and/or Controllable A.C. Merchant Transmission Facilities that will interconnect with the Transmission System and with another control area outside the PJM Region, the Transmission Interconnection Customer's

election to receive either (a) Transmission Injection Rights and/or Transmission Withdrawal Rights, or (b) Incremental Deliverability Rights, Incremental Auction Revenue Rights, Incremental Capacity Transfer Rights, and Incremental Available Transfer Capability Revenue Rights, associated with the capability of the proposed Merchant D.C. Transmission Facilities and/or Controllable A.C. Merchant Transmission Facilities; (vi) if the Transmission Interconnection Customer will be eligible to receive Incremental Deliverability Rights under Section 235 of the Tariff, identification of the point on the Transmission System where the Transmission Interconnection Customer wishes to receive Incremental Deliverability Rights created by the construction or installation of its proposed Merchant Transmission Facilities; (vii) any additional information as may be prescribed by the Transmission Provider in the PJM Manuals; (viii) an executed Transmission Interconnection Feasibility Study Agreement, a form of which is contained in Attachment S, pursuant to which the Transmission Interconnection Customer agrees to reimburse the Transmission Provider for the cost of the Transmission Interconnection Feasibility Study; and (ix) an initial deposit in the amount of \$100 for each MW requested if the Transmission Interconnection Request is received in the first four calendar months of the current New Services Queue; an initial deposit in the amount of \$150 for each MW requested if the Transmission Interconnection Request is received within the fifth calendar month of the current New Services Queue; or an initial deposit in the amount of \$200 for each MW requested, if the Transmission Interconnection Request is received within the sixth calendar month of the current New Services Queue; provided, however, that the maximum initial deposit for a Transmission Interconnection Request will be \$100,000 regardless of both size and timing of such request; and (x) a base non-refundable deposit in the amount of \$10,000, if the Transmission Interconnection Request is received within the first four calendar months of the date of the beginning of the current New Services Queue; a base non-refundable deposit in the amount of \$20,000 if the Transmission Interconnection Request is received within the fifth calendar month of the current New Services Queue; or a base non-refundable deposit in the amount of \$30,000, if the Transmission Interconnection Request is received within the sixth calendar month of the current New Services Queue.

The base and initial deposit will be credited toward the amount of the Transmission Interconnection Customer's cost responsibility for the Transmission Interconnection Feasibility Study and other studies conducted under Part IV or Part VI of the Tariff. The Transmission Provider shall maintain on the Transmission Provider's website a list of all Transmission Interconnection Requests that identifies (A) in megawatts the potential nominal capability or increase in capability; (B) the location of the Merchant Transmission Facilities by county and state; (C) the station or transmission line or lines where the interconnection will be made; (D) the facility's projected date of Initial Operation; (E) the status of the Transmission Interconnection Request, including its Queue Position; (F) the availability of any studies related to the Interconnection Request; (G) the date of the Transmission Interconnection Request; (H) the type of Merchant Transmission Facilities to be constructed; and (I) for each Transmission Interconnection Request that has not resulted in a completed interconnection, an explanation of why it was not completed. This list will not disclose the identity of the Transmission Interconnection Customer, except as otherwise provided in Part IV or Part VI of the Tariff. The list and the priority of Transmission Interconnection Requests shall be included on the website as a part of the New Services Queue.

Within 30 days of submitting its Interconnection Request, Transmission Interconnection Customer shall provide evidence that it has submitted a valid interconnection request with the adjacent Control Area(s) in which it is interconnecting, if applicable. Transmission Interconnection Customer shall maintain its queue position(s) with such adjacent Control Area(s) throughout the entire PJM interconnection process.

36.1.03A Transmission Interconnection Customers Requesting Merchant Network Upgrades

Notwithstanding Section 36.1.03, an Interconnection Customer that proposes Merchant Network Upgrades (including advancing pursuant to Section 220 or accelerating the construction of any transmission enhancement or expansion, other than Merchant Transmission Facilities, that is included in the Regional Transmission Expansion Plan prepared pursuant to Schedule 6 of the Operating Agreement) shall submit an Upgrade Request, with the required information and the required deposit for a System Impact Study, as set forth in Attachment EE.

36.1.1 Interconnection Services for Generation:

Generation Interconnection Customers may request either of two forms of Interconnection Service, i.e., interconnection as a Capacity Resource or as an Energy Resource. Energy Resource status allows the generator to participate in the PJM Interchange Energy Market pursuant to the PJM Operating Agreement. Capacity Resource status allows the generator to participate in the PJM Interchange Energy Market to be utilized by load-serving entities in the PJM Region to meet capacity obligations imposed under the Reliability Assurance Agreement and/or to be designated as a Network Resource under Part III. Capacity Resources also may participate in Reliability Pricing Model Auctions and in Ancillary Services markets pursuant to the PJM Tariff or the Operating Agreement. Capacity Resource status is based on providing sufficient transmission capability to ensure deliverability of generator output to the aggregate PJM Network Load and to satisfy the contingency criteria in the Applicable Standards. Specific tests performed during the Generation Interconnection Feasibility Study and later System Impact Study will identify those upgrades required to satisfy the contingency criteria applicable at the generator's location.

Consistent with Section 1.7.4(i) of Schedule 1 to the Operating Agreement, to the extent its generating facility is dispatchable, an Interconnection Customer shall submit an Economic Minimum in the real-time market that is no greater than the higher of its physical operating minimum or its Capacity Interconnection Rights.

36.1.2 No Applicability to Transmission Service:

Nothing in this Part IV shall constitute a request for transmission service, or confer upon an Interconnection Customer any right to receive transmission service, under Part II or Part III.

36.1.3 Acknowledgement of Interconnection Request:

The Transmission Provider shall acknowledge receipt of the Interconnection Request (electronically when available to all parties, otherwise written) within five (5) business days after receipt of the request and shall attach a copy of the received Interconnection Request to the acknowledgement.

36.1.4 Deficiencies in Interconnection Request:

An Interconnection Request will not be considered a valid request if Interconnection Customer has failed to pay any outstanding invoices related to prior Interconnection Requests by the Interconnection Customer and until all information required under Section 36.1 has been received by the Transmission Provider. If an Interconnection Request fails to meet the requirements set forth in Section 36.1, except as provided below regarding the deposit, or is in arrears as described above, the Transmission Provider shall so notify the Interconnection Customer (electronically when available to all parties, otherwise written) within five (5) business days of receipt of the initial Interconnection Request. Such notice shall explain that the Interconnection Request does not constitute a valid request and the reasons for such failure to meet the applicable requirements. Interconnection Customer shall provide the additional information that Transmission Provider's notice identifies as needed to constitute a valid request and shall make any payments on any outstanding invoices within ten (10) business days after receipt of such notice. Upon timely correction of the deficiency, the Interconnection Request shall be assigned a Queue Position under Section 201 as of the date that Transmission Provider first received the request. In the event the Interconnection Customer fails to provide the further information and make payments on any outstanding invoices required by Transmission Provider's deficiency notice under this Section 36.1.4, its Interconnection Request shall be deemed to be terminated and withdrawn. Notwithstanding the above, the Interconnection Customer must submit its deposit at the time it submits its Interconnection Request. Failure to do so will result in rejection of the Interconnection Request.

36.1.5 Scoping Meeting:

The following provision shall apply to Interconnection Requests submitted prior to May 1, 2012:

Transmission Provider shall provide each Interconnection Customer with an opportunity for a scoping meeting among the Transmission Provider, the prospective Interconnected Transmission Owner and the Interconnection Customer. The purpose of the scoping meeting will be to identify one alternative Point(s) of Interconnection and configurations to evaluate in the Interconnection Studies and to attempt to select the best alternatives in a reasonable fashion given resources and information available. The Interconnection Customer may select a maximum of two Point(s) of Interconnection to be studied during the Interconnection Feasibility Study, a primary and

secondary Point of Interconnection may be selected by the Interconnection Customer. After receipt of a valid Interconnection Request, Transmission Provider shall offer to arrange, within seven business days, for the scoping meeting, and shall provide a minimum of three suggested meeting dates and times for the scoping meeting. The scoping meeting shall be held, or waived by mutual agreement of the parties within 45 days after receipt of a valid Interconnection Request, if the Interconnection Request is received in the first calendar month of the current New Services Queue; or within 30 days if the Interconnection Request is received within the second calendar month of the current New Services Queue; or in 20 days if the Interconnection Request is received in the third calendar month of the date of the beginning of the current New Services Queue. The Interconnection Customer may choose to divide the scoping meeting into two sessions, one between the Transmission Provider and Interconnection Customer and one among Transmission Provider, the Interconnection Customer and the prospective Interconnected Transmission Owner. Such meetings may be held consecutively on the same day. Scoping meetings may be held in person or by telephone or video conference. In the event the Interconnection Customer fails to waive or complete the scoping meeting requirement, its Interconnection Request shall be deemed to be terminated and withdrawn.

The following provision shall apply to Interconnection Requests submitted on or after May 1, 2012:

Transmission Provider shall provide each Interconnection Customer with an opportunity for a scoping meeting among the Transmission Provider, the prospective Interconnected Transmission Owner and the Interconnection Customer. The purpose of the scoping meeting will be to identify one alternative Point(s) of Interconnection and configurations to evaluate in the Interconnection Studies and to attempt to select the best alternatives in a reasonable fashion given resources and information available. The Interconnection Customer may select a maximum of two Point(s) of Interconnection to be studied during the Interconnection Feasibility Study, a primary and secondary Point of Interconnection may be selected by the Interconnection Customer. After receipt of a valid Interconnection Request, Transmission Provider shall offer to arrange, within seven business days, for the scoping meeting, and shall provide a minimum of three suggested meeting dates and times for the scoping meeting. The scoping meeting shall be held, or waived by mutual agreement of the parties within 45 days after receipt of a valid Interconnection Request, if the Interconnection Request is received in the first four calendar months of the current New Services Queue; or within 30 days if the Interconnection Request is received within the fifth calendar month of the current New Services Queue; or in 20 days if the Interconnection Request is received in the sixth calendar month of the date of the beginning of the current New Services Queue. The Interconnection Customer may choose to divide the scoping meeting into two sessions, one between the Transmission Provider and Interconnection Customer and one among Transmission Provider, the Interconnection Customer and the prospective Interconnected Transmission Owner. Such meetings may be held consecutively on the same day. Scoping meetings may be held in person or by telephone or video conference. In the event the Interconnection Customer fails to waive or complete the scoping meeting requirement, its Interconnection Request shall be deemed to be terminated and withdrawn.

36.1.6 Coordination with Affected Systems:

The Transmission Provider will coordinate with Affected System Operators the conduct of any required studies in accordance with Section 202.

36.1.7 Base Case Data:

Transmission Provider shall provide Interconnection Customer with base power flow, short circuit and stability databases, including all underlying assumptions, and contingency list upon request and subject to the confidentiality provisions of Section 223 of the Tariff. Transmission Provider may require Interconnection Customer to sign a confidentiality agreement before the release of commercially sensitive information or Critical Energy Infrastructure Information in the Base Case data. Such databases and lists, hereinafter referred to as Base Cases, shall include all (i) generation projects and (ii) transmission projects, including merchant transmission projects, that are included in the then-current, approved Regional Transmission Expansion Plan.

Revisions to Part VI Tariff Sections:

- 204.1 – Completed Applications
- 204.2 – Upgrade Requests pursuant to Section 7.8 Schedule 1 of Operating Agreement
- 205.2 – Scope of Studies
- 207.0 – Facility Study Procedures
- 212.4 – Security
- 231.1 – Right of New Service Customer to Incremental Auction Revenue Rights

204.1 Completed Applications:

After completing an Initial Study regarding a Completed Application for new transmission service, the Transmission Provider shall determine on a non-discriminatory basis whether a System Impact Study is required to accommodate the requested transmission service. If the Transmission Provider determines that a System Impact Study is necessary to accommodate the requested service, it shall so inform the Eligible Customer as soon as practicable. In such cases, the Transmission Provider shall, upon completion of the Initial Study, tender a System Impact Study Agreement pursuant to which the Eligible Customer shall agree to reimburse the Transmission Provider for the required System Impact Study. For a Completed Application to retain its Queue Position, the Eligible Customer (i) shall execute the System Impact Study Agreement and return it to the Transmission Provider within thirty (30) days, and (ii) shall pay the Transmission Provider a \$50,000 deposit which will be applied to the Eligible Customer's study cost responsibility. If the Eligible Customer elects not to execute the System Impact Study Agreement, its Completed Application shall be deemed terminated and withdrawn, and its deposit provided pursuant to Section 17.3 shall be returned, with interest.

204.2 Upgrade Requests:

204.2.1 Upgrade Requests pursuant to Section 7.8 of Schedule 1 of the Operating Agreement

After receiving an Upgrade Request pursuant to Section 7.8 of Schedule 1 of the Operating Agreement, the Transmission Provider shall determine on a non-discriminatory basis whether a System Impact Study is required to evaluate the request. If the Transmission Provider determines that a System Impact Study is necessary, it shall so inform the Upgrade Customer as soon as practicable. In such cases, the Transmission Provider shall, within thirty (30) days of receipt of a valid and complete Upgrade Request, tender a System Impact Study Agreement pursuant to which the Upgrade Customer shall agree to reimburse the Transmission Provider for the required System Impact Study. For an Upgrade Request to retain its Queue Position, the Upgrade Customer (i) shall execute the System Impact Study Agreement and return it to the Transmission Provider within thirty (30) days, and (ii) the Transmission Provider shall apply the \$50,000 deposit supplied with the Upgrade Request towards the Upgrade Customer's study cost responsibility. If the Upgrade Customer elects not to execute the System Impact Study Agreement, its Upgrade Request shall be deemed terminated and withdrawn.

204.2.2 Upgrade Requests for Merchant Network Upgrades

After receiving an Upgrade Request for a Merchant Network Upgrade, the Transmission Provider shall acknowledge receipt of the Upgrade Request, pursuant to Section 204.2.2.1. The Transmission Provider shall determine whether the Upgrade Request includes: (i) the substation or transmission line or lines where the upgrade(s) will be made; (ii) the nominal capability or increase in capability (in MW or MVA) of the proposed Merchant Network Upgrade; and (iii) the planned date the proposed Merchant Network Upgrade will be in service, such date to be no more than seven (7) years from the date the request is received by the Transmission Provider, unless the Interconnection Customer demonstrates that engineering, permitting, and construction of the Merchant Network Upgrade will take more than seven (7) years.

The Transmission Provider shall maintain on the Transmission Provider's website a list of all Upgrade Requests that identifies (A) in megawatts the potential nominal capability or increase in capability; (B) the station or transmission line or lines where the upgrade(s) will be made; (C) the proposed in-service date; (D) the status of the Upgrade Request, including its Queue Position; (E) the availability of any studies related to the Upgrade Request; (F) the date of the Upgrade Request; and (G) for each Upgrade Request that has not resulted in a completed upgrade, an explanation of why it was not completed. This list will not disclose the identity of the Interconnection Customer, except as otherwise provided in Part VI of the Tariff. The list and the priority of Upgrade Requests shall be included on the website as part of the New Services Queue.

204.2.2.1 Acknowledgement of Upgrade Request for Merchant Network Upgrades

The Transmission Provider shall acknowledge receipt (electronically when available to all parties, otherwise written) of the Upgrade Request within five (5) business days after receipt of the request and shall attach a copy of the received Upgrade Request to the acknowledgement.

204.2.2.2 Deficiencies in Upgrade Request for Merchant Network Upgrades

An Upgrade Request will not be considered a valid request if Interconnection Customer has failed to pay any outstanding invoices related to prior Queue Requests submitted pursuant to Part IV or VI by the Interconnection Customer and until all information required under Attachment EE is able to be studied by the Transmission Provider. If an Upgrade Request fails to meet the requirements, except as provided below regarding the deposit, or is in arrears as described above, the Transmission Provider shall so notify the Interconnection Customer (electronically when available to all parties, otherwise written) within five (5) business days of receipt of the initial Upgrade Request. Such notice shall explain that the Upgrade Request does not constitute a valid request and the reasons for such failure to meet the applicable requirements. Interconnection Customer shall provide the additional information that the Transmission Provider's notice identifies as needed to constitute a valid request and shall make any payments on any outstanding invoices within ten (10) business days after receipt of such notice. Upon timely correction of the deficiency, the Upgrade Request shall be assigned a Queue Position under Section 201 as of the date that the Transmission Provider first received the request. In the event the Interconnection Customer fails to provide the further information and make payments on any outstanding invoices required by the Transmission Provider's deficiency notice under this Section 204.2.2.2, its Upgrade Request shall be deemed to be terminated and withdrawn. Notwithstanding the above, the Interconnection Customer must submit its deposit at the time it submits its Upgrade Request. Failure to do so will result in rejection of the Upgrade Request.

204.2.2.3 Scoping Meeting

Transmission Provider shall provide each Interconnection Customer proposing Merchant Network Upgrades with an opportunity for a scoping meeting among the Transmission Provider, the prospective Interconnected Transmission Owner(s) and the Interconnection Customer. The purpose of the scoping meeting will be to confirm all parties' understanding of the proposed Upgrade Request and confirm the expectation for project completion or, if for acceleration of a Regional Transmission Expansion Plan Network Upgrade, the feasibility of the acceleration. After receipt of a valid Upgrade Request proposing Merchant Network Upgrades, the Transmission Provider shall offer to arrange for the scoping meeting, and shall provide a minimum of three (3) suggested meeting dates and times for the scoping meeting. The scoping meeting shall be held, or waived by mutual agreement of the parties within forty-five (45) days after receipt of a valid Upgrade Request, if the Upgrade Request is received in the first four calendar months of the current New Services Queue; or within thirty (30) days if the Upgrade Request is received within the fifth calendar month of the current New Services Queue; or within twenty (20) days if the Upgrade Request is received in the sixth calendar month of the date of the beginning of the current New Services Queue. The Interconnection Customer may choose to divide the scoping meeting into two sessions, one between the Transmission Provider and

Interconnection Customer and one among the Transmission Provider, the Interconnection Customer and the prospective Interconnected Transmission Owner. Such meetings may be held consecutively on the same day. Scoping meetings may be held in person, by telephone or video conference. In the event the Interconnection Customer fails to waive or complete the scoping meeting requirement, its Upgrade Request shall be deemed terminated or withdrawn. Interconnection Customer may reduce its Upgrade Request within ten (10) business days after the scoping meeting. Any reduction made within this ten (10) business day period shall not be a Material Modification; however, the reduction may not result in the project's MW capability being equal to or less than zero.

204.2.2.4 Coordination with Affected Systems

Section 36.1.6 shall apply to Upgrade Requests for Merchant Network Upgrades.

204.2.2.5 Base Case Data

Section 36.1.7 shall apply to Upgrade Requests for Merchant Network Upgrades.

204.2.2.6 System Impact Study Agreement

Upon the Transmission Provider assigning the Upgrade Request a Queue Position per Section 204.2.2 and, if required, completing a scoping meeting per Section 204.2.2.3, Transmission Provider shall tender a System Impact Study Agreement. For an Upgrade Request to retain its Queue Position, the Interconnection Customer (i) shall execute the System Impact Study Agreement and return it to the Transmission Provider within thirty (30) days, and (ii) the \$50,000 deposit provided with Attachment EE will be applied to the Interconnection Customer's study cost responsibility. If the Interconnection Customer elects not to execute the System Impact Study Agreement, its Upgrade Request shall be deemed terminated and withdrawn. Any remaining Attachment EE deposit will be refunded.

204.2.2.7 Modifications of Upgrade Requests for Merchant Network Upgrades After the System Impact Study Agreement, but Prior to Executing an Upgrade Construction Service Agreement

After the System Impact Study Agreement is executed and prior to execution of the Upgrade Construction Service Agreement, an Interconnection Customer proposing Merchant Network Upgrades may modify its project to reduce the size of the project as provided in Section 36.2A.2.

205.2 Scope of Studies:

The System Impact Study is a comprehensive regional analysis of the effect of adding to the Transmission System the new facilities and services contemporaneously proposed by New Service Customers and an evaluation of their impact on deliverability to the aggregate of PJM Network Load. The System Impact Study identifies the system constraints, identified with specificity by transmission element or flowgate, relating to each proposed new project and service included therein and the Attachment Facilities, Merchant Network Upgrades, Direct Assignment Facilities, Local Upgrades, and/or Network Upgrades required to accommodate such projects. The System Impact Study provides refined and comprehensive estimates of cost responsibility and construction lead times for new facilities and system upgrades. The Transmission Provider, in its sole discretion, may determine to evaluate in the same System Impact Study two or more New Service Requests relating to interconnections, Upgrade Requests, or proposed new transmission services where the associated increases in service or capability are in electrical proximity to each other. Each System Impact Study shall identify the system constraints, identified with specificity by transmission element or flowgate, relating to the New Service Requests being evaluated in the study and, as applicable to each included request, the redispatch options, additional Direct Assignment Facilities, necessary Merchant Network Upgrades, Attachment Facilities, Local Upgrades, and/or Network Upgrades necessary to accommodate such request. The System Impact Study shall refine and more comprehensively estimate each New Service Customer's cost responsibility (determined in accordance with Section 217 of the Tariff) for necessary facilities and upgrades than the estimates provided in the Interconnection Feasibility Study or the Initial Study, if applicable. In the event that more than one New Service Request is evaluated in a study, the Transmission Provider may provide a series of estimates to each participating New Service Customer to reflect the customer's estimated cost responsibility based on varying assumptions regarding the number of New Service Customers that decide to continue their New Service Requests after completion of the System Impact Study. A description of the Transmission Provider's methodology for completing a System Impact Study for Completed Applications is provided in Attachment D of the Tariff. If applicable, the System Impact Study for a Transmission Interconnection Customer shall also include a preliminary estimate of the Incremental Deliverability Rights associated with the customer's proposed Merchant Transmission Facilities.

207 Facilities Study Procedures:

The Transmission Provider will conduct Facilities Studies relating to the New Service Requests that were evaluated in the corresponding System Impact Studies, to the extent such New Service Requests have not been terminated and withdrawn. The Transmission Provider shall use Reasonable Efforts to complete the Facilities Study and issue it to a New Service Customer within 180 days after receipt of an executed Facilities Study Agreement. If Transmission Provider determines that it will not meet the 180 day time frame for completing the Facilities Study, Transmission Provider shall notify New Service Customer as to the scheduled status of the Facilities Study. If Transmission Provider is unable to complete the Facilities Study and issue a Facilities Study within 180 days, it shall notify New Service Customer and provide an estimated completion date and an explanation of the reasons why additional time is required. When completed, the Facilities Studies will include, commensurate with the degree of engineering specificity on which the New Service Customer and Transmission Provider mutually agree as provided in the Facilities Study Agreement, good faith estimates of the cost, determined in accordance with Section 217 of the Tariff, (a) to be charged to each affected New Service Customer for the (i) Attachment Facilities, Merchant Network Upgrades or Direct Assignment Facilities, and (ii) the Local Upgrades and/or Network Upgrades that are necessary to accommodate each New Service Request evaluated in the study; (b) the time required to complete detailed design and construction of the facilities and upgrades; and (c) a description of any site-specific environmental issues or requirements that could reasonably be anticipated to affect the cost or time required to complete construction of such facilities and upgrades. The Facilities Study will document the engineering design work necessary to begin construction of any required transmission facilities, including estimating the costs of the equipment, engineering, procurement and construction work needed to implement the conclusions of the System Impact Study in accordance with Good Utility Practice and, when applicable, identifying the electrical switching configuration of the connection equipment, including without limitation: the transformer, switchgear, meters, and other station equipment; and the nature and estimated costs of Attachment Facilities, Merchant Network Upgrades, Direct Assignment Facilities, Local Upgrades and/or Network Upgrades necessary to accommodate the New Service Request.

212.4 Retaining Priority and Security:

(a) **Retaining Priority:** To retain the assigned Queue Position of its Interconnection Request pursuant to Section 201, within sixty (60) days after receipt of the Facilities Study (or, if no Facilities Study was required, after receipt of the System Impact Study), the Interconnection Customer must execute and return the tendered Interconnection Service Agreement to the Transmission Provider or, alternatively, request (i) dispute resolution under Section 12 of the Tariff or, if concerning the Regional Transmission Expansion Plan, consistent with Schedule 5 of the Operating Agreement, or (ii) that the Interconnection Service Agreement be filed unexecuted with the Commission. In addition, to retain the assigned priority, within sixty (60) days after receipt of the Facilities Study (or, if no Facilities Study was required, after receipt of the System Impact Study), the Interconnection Customer must have met the milestones specified in Section 212.5.

(b) **Security:** (1) At the time the Interconnection Customer executes and returns to the Transmission Provider the Interconnection Service Agreement (or requests dispute resolution or that it be filed unexecuted), the Interconnection Customer also shall, unless otherwise deferred as set forth in subsection (c) below, provide the Transmission Provider (for the benefit of the affected Transmission Owner(s)) with a letter of credit or other reasonable form of security acceptable to the Transmission Provider that names the Transmission Provider as beneficiary and is in an amount equivalent to the sum of the estimated costs determined by the Transmission Provider of (i) the required Non-Direct Connection Local Upgrades and Non-Direct Connection Network Upgrades, (ii) any Network Upgrades that the Interconnected Transmission Owner will be responsible for constructing (including with respect to both items (i) and (ii) required upgrades for which another Interconnection Customer also has cost responsibility pursuant to Section 217), and either (iii) the estimated cost of the work that the Transmission Owner will be responsible for performing on the required Attachment Facilities, Direct Connection Local Upgrades, and Direct Connection Network Upgrades that are scheduled to be completed during the first three months after such work commences, or (iv) in the event that the Interconnection Customer exercises the Option to Build pursuant to Section 3.2.3.1 of Appendix 2 of the form of Interconnection Construction Service Agreement (set forth in Attachment P to the Tariff), all Cancellation Costs and the first three months of estimated Transmission Owner's Costs associated with the Interconnection Customer's building Attachment Facilities, Direct Connection Local Upgrades, and/or Direct Connection Network Upgrades, including but not limited to Costs for tie-in work, consistent with commercial practices as established by the Uniform Commercial Code. Provided, however, such Transmission Owner Costs may include oversight costs (i.e. costs incurred by the Transmission Owner when engaging in oversight activities to satisfy itself that the Interconnection Customer is complying with the Transmission Owner's standards and specifications for the construction of facilities) only if the Transmission Owner and the Interconnection Customer mutually agree to the inclusion of such costs under the Option to Build pursuant to the provisions of Section 3.2.3.1 of Appendix 2 of the form of Interconnection Construction Service Agreement (set forth in Attachment P of the Tariff). Notwithstanding the foregoing, for projects that are estimated to require three months or less to construct, the sum of such security and the payment for the first quarterly invoice for the project shall not exceed an amount equal to 125% of the total estimated cost of construction. The Transmission Provider shall provide the affected Transmission Owner(s) with a copy of the letter

of credit or other form of security. After execution of the Interconnection Service Agreement, the amount of security required may be adjusted from time to time in accordance with Section 11.2.1 of Appendix 2 of the Interconnection Service Agreement.

(2) Transmission Provider shall invoice Interconnection Customer for work by the Interconnected Transmission Owner on a quarterly basis for the costs to be expended in the subsequent three months. Interconnection Customer shall pay invoiced amounts within twenty (20) days of receipt of the invoice. Interconnection Customer may request in the Interconnection Service Agreement that the Transmission Provider provide a quarterly cost reconciliation. Such a quarterly cost reconciliation will have a one-quarter lag, e.g., reconciliation of costs for the first calendar quarter of work will be provided at the start of the third calendar quarter of work, provided, however, that Section 11.2.3 of Appendix 2 of the Interconnection Service Agreement shall govern the timing of the final cost reconciliation upon completion of the work.

(3) Transmission Provider shall hold the security related to construction of Attachment Facilities until settlement of the final invoice; security related to construction of Local Upgrades and/or Network Upgrades may be reduced as construction progresses.

(c) **Deferred Security:** Interconnection Customer may request to defer providing security under subsection (b) of this Section 212.4 until no later than 120 days after Interconnection Customer executes the Interconnection Service Agreement. Upon Interconnection Customer's request to defer security, PJM shall determine if any other queued New Service Customer with a completed System Impact Study would require any Local Upgrade(s) and/or Network Upgrade(s) for which Interconnection Customer has cost responsibility under the Interconnection Service Agreement. Interconnection Customer may defer security only for Local Upgrade(s) and/or Network Upgrade(s) for which no other such queued New Service Customer may require, provided Interconnection Customer shall pay a deposit of at least \$200,000 or 125% of the estimated costs that will be incurred during the 120-day period, whichever is greater, to fund continued design work and/or procurement activities on such non-shared Local Upgrade(s) and/or Network Upgrade(s), with \$100,000 of such deposit being non-refundable. If the Interconnection Customer terminates the Interconnection Service Agreement or is otherwise withdrawn, any unused portion of the non-refundable deposit will be used to fund re-studies due to such termination or withdrawal. Any remaining deposit monies, refundable or non-refundable, will be returned to an Interconnection Customer upon Initial Operation.

(d) **Withdrawal:** If an Interconnection Customer fails to timely execute the Interconnection Service Agreement (or request dispute resolution or that the agreement be filed unexecuted), meet the milestones (unless extended) set forth in Section 212.5, or provide the security prescribed in this Section 212.4, its Interconnection Request shall be deemed terminated and withdrawn. In the event that a terminated and withdrawn Interconnection Request was included in a Facilities Study that evaluated more than one New Service Request, or in the event that a New Service Customer's participation in and cost responsibility for a Network Upgrade or Local Upgrade is terminated in accordance with Subpart C of Part VI of the Tariff, the Transmission Provider shall reevaluate the need for the facilities and upgrades indicated by the Facilities Study, shall re-determine the cost responsibility of each remaining New Service Customer for the necessary facilities and upgrades based on its assigned priority pursuant to Section 201, and shall

enter into an amended Interconnection Service Agreement with each remaining Interconnection Customer setting forth its revised cost obligation. In such event, if the amount of an Interconnection Customer's cost responsibility increases, the Interconnection Customer shall provide additional security pursuant to this Section 212.4.

231.1 Right of New Service Customer to Incremental Auction Revenue Rights:

A New Service Customer that (a) pursuant to Section 212.1, reimburses the Transmission Provider for the costs of, or (b) pursuant to its Construction Service Agreement undertakes responsibility for, constructing or completing Network Upgrades and/or Local Upgrades required to accommodate its New Service Request shall be entitled to receive the Incremental Auction Revenue Rights associated with such facilities and upgrades as determined in accordance with this Section 231. In addition, an Interconnection Customer that executes an Upgrade Construction Service Agreement for Merchant Network Upgrades shall be entitled to receive the Incremental Auction Revenue Rights as determined in accordance with this Section 231. However, a Transmission Interconnection Customer that interconnects Merchant D.C. Transmission Facilities and/or Controllable A.C. Merchant Transmission Facilities with the Transmission System shall be entitled to Incremental Auction Revenue Rights associated with such Merchant D.C. Transmission Facilities and/or Controllable A.C. Merchant Transmission Facilities only if the Interconnection Customer has elected, pursuant to Section 36.1.03 of Part IV of the Tariff, to receive Incremental Auction Revenue Rights, Incremental Deliverability Rights, Incremental Capacity Transfer Rights, and Incremental Available Transfer Capability Revenue Rights in lieu of Transmission Injection Rights and/or Transmission Withdrawal Rights.

Revisions to Attachment O (Pro Forma ISA):

- Attachment O Pro Forma ISA
- Attachment O, Appendix 2
- Attachment O, Schedule G

**FORM OF
INTERCONNECTION SERVICE AGREEMENT**

**By and Among
PJM Interconnection, L.L.C.**

**And
[Name of Interconnection Customer]**

**And
[Name of Interconnected Transmission Owner]
(PJM Queue Position #__)**

- 1.0 Parties. This Interconnection Service Agreement (“ISA”) including the Specifications, Schedules and Appendices attached hereto and incorporated herein, is entered into by and between PJM Interconnection, L.L.C., the Regional Transmission Organization for the PJM Region (hereinafter “Transmission Provider” or “PJM”), _____ (“Interconnection Customer” [OPTIONAL: or “[short name]”]) and _____ (“Interconnected Transmission Owner” [OPTIONAL: or “[short name]”]). All capitalized terms herein shall have the meanings set forth in the appended definitions of such terms as stated in Part I of the PJM Open Access Transmission Tariff (“Tariff”). [Use as/when applicable: This ISA supersedes the _____ {insert details to identify the agreement being superseded, such as whether it is an Interim Interconnection Service Agreement, Interconnection Service Agreement, or Interconnection Agreement, the effective date of the agreement, the service agreement number designation, and the FERC docket number, if applicable, for the agreement being superseded.}]]
- 2.0 Authority. This ISA is entered into pursuant to Part VI of the Tariff. Interconnection Customer has requested an Interconnection Service Agreement under the Tariff, and Transmission Provider has determined that Interconnection Customer is eligible under the Tariff to obtain this ISA. The standard terms and conditions for interconnection as set forth in Appendix 2 to this ISA are hereby specifically incorporated as provisions of this ISA. Transmission Provider, Interconnected Transmission Owner and Interconnection Customer agree to and assume all of the rights and obligations of the Transmission Provider, Interconnected Transmission Owner and Interconnection Customer, respectively, as set forth in Appendix 2 to this ISA.
- 3.0 Customer Facility Specifications. Attached are Specifications for the Customer Facility that Interconnection Customer proposes to interconnect with the Transmission System. Interconnection Customer represents and warrants that, upon completion of construction of such facilities, it will own or control the Customer Facility identified in section 1.0 of the Specifications attached hereto and made a part hereof. In the event that Interconnection Customer will not own the Customer Facility, Interconnection Customer represents and warrants that it is authorized by the owner(s) thereof to enter into this ISA and to represent such control.
- 4.0 Effective Date. Subject to any necessary regulatory acceptance, this ISA shall become effective on the date it is executed by all Interconnection Parties, or, if the agreement is

filed with FERC unexecuted, upon the date specified by FERC. This ISA shall terminate on such date as mutually agreed upon by the parties, unless earlier terminated in accordance with the terms set forth in Appendix 2 to this ISA. The term of the ISA shall be as provided in Section 1.3 of Appendix 2 to this ISA. Interconnection Service shall commence as provided in Section 1.2 of Appendix 2 to this ISA.

- 5.0 Security. In accord with Section 212.4 of the Tariff, Interconnection Customer shall provide the Transmission Provider (for the benefit of the Interconnected Transmission Owner) with a letter of credit from an agreed provider or other form of security reasonably acceptable to the Transmission Provider and that names the Transmission Provider as beneficiary (“Security”) in the amount of \$_____. This amount represents the sum of the estimated Costs, determined in accordance with Sections 212 and 217 of the Tariff, for which the Interconnection Customer will be responsible, less any Costs already paid by Interconnection Customer. Interconnection Customer acknowledges that its ultimate cost responsibility in accordance with Section 217 of the Tariff will be based upon the actual Costs of the facilities described in the Specifications, whether greater or lesser than the amount of the payment security provided under this section.

[Include the following if Interconnection Customer requests deferral of the security as provided for in Section 212.4(c) of the Tariff:

For any portion of the security that may be deferred in accordance with Section 212.4(c) of the Tariff, and as requested by Interconnection Customer, Interconnection Customer shall provide the security specified in this Section 5.0 within 120 days after the Interconnection Customer executes this ISA, provided that Interconnection Customer shall pay a deposit of at least \$200,000 or 125% of the estimated costs that will be incurred during the 120-day period, whichever is greater, to fund continued design work and/or procurement activities, with \$100,000 of such deposit being non-refundable.]

Should Interconnection Customer fail to provide security at the time the Interconnection Customer executes this ISA, or, if deferred, by the end of the 120-day period, this ISA shall be terminated.

- 6.0 Project Specific Milestones. In addition to the milestones stated in Section 212.5 of the Tariff, as applicable, during the term of this ISA, Interconnection Customer shall ensure that it meets each of the following development milestones:

[Specify Project Specific Milestones]

[As appropriate include the following standard Milestones, with any revisions necessary for the project at hand:

- 6.1 Substantial Site work completed. On or before _____ Interconnection Customer must demonstrate completion of at least 20% of project site construction. At this time, Interconnection Customer must submit to Interconnected Transmission Owner and Transmission Provider initial drawings, certified by a professional engineer, of the Customer Interconnection Facilities.
- 6.2 Delivery of major electrical equipment. On or before _____, Interconnection Customer must demonstrate that ___ generating units have been delivered to Interconnection Customer’s project site.
- 6.3 Commercial Operation. (i) On or before _____, Interconnection Customer must demonstrate commercial operation of ___ generating units; (ii) On or before _____, Interconnection Customer must demonstrate commercial operation of ___ additional generating units. Demonstrating commercial operation includes achieving Initial Operation in accordance with Section 1.4 of Appendix 2 to this ISA and making commercial sales or use of energy, as well as, if applicable, obtaining capacity qualification in accordance with the requirements of the Reliability Assurance Agreement Among Load Serving Entities in the PJM Region.

[if a specific situation requires a CSA by a certain date then use the following: Interconnection Construction Service Agreement. On or before _____, Interconnection Customer must have either (a) executed an Interconnection Construction Service Agreement for Interconnection Facilities for which Interconnection Customer has cost responsibility; (b) requested dispute resolution under Section 12 of the PJM Tariff, or if concerning the Regional Transmission Expansion Plan, consistent with Schedule 5 of the Operating Agreement; or (c) requested that the Transmission Provider file the Interconnection Construction Service Agreement unexecuted with the Commission.]

- 6.4 Within one (1) month following commercial operation of generating unit(s), Interconnection Customer must provide certified documentation demonstrating that “as-built” Customer Facility and Customer Interconnection Facilities are in accordance with applicable PJM studies and agreements. Interconnection Customer must also provide PJM with “as-built” electrical modeling data or confirm that previously submitted data remains valid.

[Add Additional Project Specific Milestones as appropriate]

Interconnection Customer shall demonstrate the occurrence of each of the foregoing milestones to Transmission Provider’s reasonable satisfaction. Transmission Provider may reasonably extend any such milestone dates, in the event of delays that Interconnection Customer (i) did not cause and (ii) could not have remedied through the exercise of due diligence. The milestone dates stated in this ISA shall be deemed to be extended coextensively with any suspension of work initiated by Interconnection Customer in accordance with the Interconnection Construction Service Agreement.

- 7.0 Provision of Interconnection Service. Transmission Provider and Interconnected Transmission Owner agree to provide for the interconnection to the Transmission System in the PJM Region of Interconnection Customer's Customer Facility identified in the Specifications in accordance with Part IV and Part VI of the Tariff, the Operating Agreement of PJM Interconnection, L.L.C. ("Operating Agreement"), and this ISA, as they may be amended from time to time.
- 8.0 Assumption of Tariff Obligations. Interconnection Customer agrees to abide by all rules and procedures pertaining to generation and transmission in the PJM Region, including but not limited to the rules and procedures concerning the dispatch of generation or scheduling transmission set forth in the Tariff, the Operating Agreement and the PJM Manuals.
- 9.0 Facilities Study. In analyzing and preparing the [Facilities Study] [System Impact Study {if a Facilities Study was not required}], and in designing and constructing the Attachment Facilities, Local Upgrades and/or Network Upgrades described in the Specifications attached to this ISA, Transmission Provider, the Interconnected Transmission Owner(s), and any other subcontractors employed by Transmission Provider have had to, and shall have to, rely on information provided by Interconnection Customer and possibly by third parties and may not have control over the accuracy of such information. Accordingly, NEITHER TRANSMISSION PROVIDER, THE INTERCONNECTED TRANSMISSION OWNER(S), NOR ANY OTHER SUBCONTRACTORS EMPLOYED BY TRANSMISSION PROVIDER OR INTERCONNECTED TRANSMISSION OWNER MAKES ANY WARRANTIES, EXPRESS OR IMPLIED, WHETHER ARISING BY OPERATION OF LAW, COURSE OF PERFORMANCE OR DEALING, CUSTOM, USAGE IN THE TRADE OR PROFESSION, OR OTHERWISE, INCLUDING WITHOUT LIMITATION IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, WITH REGARD TO THE ACCURACY, CONTENT, OR CONCLUSIONS OF THE FACILITIES STUDY OR THE SYSTEM IMPACT STUDY IF A FACILITIES STUDY WAS NOT REQUIRED OR OF THE ATTACHMENT FACILITIES, THE LOCAL UPGRADES AND/OR THE NETWORK UPGRADES, PROVIDED, HOWEVER, that Transmission Provider warrants that the Transmission Owner Interconnection Facilities and any Merchant Transmission Upgrades described in the Specifications will be designed and constructed (to the extent that Interconnected Transmission Owner is responsible for design and construction thereof) and operated in accordance with Good Utility Practice, as such term is defined in the Operating Agreement. Interconnection Customer acknowledges that it has not relied on any representations or warranties not specifically set forth herein and that no such representations or warranties have formed the basis of its bargain hereunder.
- 10.0 Construction of Transmission Owner Interconnection Facilities
- 10.1. Cost Responsibility. Interconnection Customer shall be responsible for and shall pay upon demand all Costs associated with the interconnection of the Customer Facility as specified in the Tariff. These Costs may include, but are not limited to,

an Attachment Facilities charge, a Local Upgrades charge, a Network Upgrades charge and other charges. A description of the facilities required and an estimate of the Costs of these facilities are included in Sections 3.0 and 4.0 of the Specifications to this ISA.

- 10.2. Billing and Payments. Transmission Provider shall bill the Interconnection Customer for the Costs associated with the facilities contemplated by this ISA, estimates of which are set forth in the Specifications to this ISA, and the Interconnection Customer shall pay such Costs, in accordance with Section 11 of Appendix 2 to this ISA and the applicable Interconnection Construction Service Agreement. Upon receipt of each of Interconnection Customer's payments of such bills, Transmission Provider shall reimburse the applicable Interconnected Transmission Owner. Pursuant to Section 212.4 of the Tariff, Interconnection Customer requests that Transmission Provider provide a quarterly cost reconciliation:

_____ Yes

_____ No

- 10.3. Contract Option. In the event that the Interconnection Customer and Interconnected Transmission Owner agree to utilize the Negotiated Contract Option provided by the Interconnection Construction Service Agreement to establish, subject to FERC acceptance, non-standard terms regarding cost responsibility, payment, billing and/or financing, the terms of Sections 10.1 and/or 10.2 of this Section 10.0 shall be superseded to the extent required to conform to such negotiated terms, as stated in a schedule attached to the parties' Interconnection Construction Service Agreement relating to interconnection of the Customer Facility.

- 10.4 In the event that the Interconnection Customer elects to construct some or all of the Transmission Owner Interconnection Facilities under the Option to Build of the Interconnection Construction Service Agreement, billing and payment for the Costs associated with the facilities contemplated by this ISA shall relate only to such portion of the Interconnection Facilities as the Interconnected Transmission Owner is responsible for building.

11.0 Interconnection Specifications

- 11.1 Point of Interconnection. The Point of Interconnection shall be as identified on the one-line diagram attached as Schedule B to this ISA.
- 11.2 List and Ownership of Interconnection Facilities. The Interconnection Facilities to be constructed and ownership of the components thereof are identified in Section 3.0 of the Specifications attached to this ISA.

11.3 Ownership and Location of Metering Equipment. The Metering Equipment to be constructed, the capability of the Metering Equipment to be constructed, and the ownership thereof, are identified on the attached Schedule C to this ISA.

11.4 Applicable Technical Standards. The Applicable Technical Requirements and Standards that apply to the Customer Facility and the Interconnection Facilities are identified in Schedule D to this ISA.

12.0 Power Factor Requirement.

Consistent with Section 4.7 of Appendix 2 to this ISA, the power factor requirement is as follows:

[For Generation Interconnection Customers]

{The following language should be included for new large and small synchronous generation facilities that will have the Tariff specified power factor. This section does not apply if the Interconnection Request is for an incremental increase in generating capability.}

The Interconnection Customer shall design its Customer Facility with the ability to maintain a power factor of at least 0.95 leading to 0.90 lagging measured at the [generator's terminals] [Point of Interconnection].

{For all wind or non-synchronous generation facilities which have entered the New Services Queue prior to May 1, 2015, include the appropriate alternative from the language below. This section does not apply if the Interconnection Request is for an incremental increase in generating capability.}

The result of the System Impact Study indicated that, for the safety and reliability of the Transmission System, no power factor requirement is required for the [wind-powered] [non-synchronous] Customer Facility.

{or}

The results of the System Impact Study require that, for the safety or reliability of the Transmission System, the Generation Interconnection Customer shall design its [wind-powered] [non-synchronous] Customer Facility with the ability to maintain a power factor of at least 0.95 leading to 0.95 lagging measured at the Point of Interconnection.

{include the following language if the Interconnection Request is for an incremental increase in capacity or energy output to a synchronized generation facility}

The existing __ MW portion of the Customer Facility shall retain its existing ability to maintain a power factor of at least 0.95 leading to 0.90 lagging measured at the [generator's terminals] [Point of Interconnection].

The increase of ___ MW to the Customer Facility associated with this ISA shall be designed with the ability to maintain a power factor of at least 1.0 (unity) to 0.90 lagging measured at the [generator's terminals] [Point of Interconnection].

{For new wind or non-synchronous generation facilities which have entered the New Service Queue on or after May 1, 2015, the following applies:}

The Generation Interconnection Customer shall design its [wind-powered] [non-synchronous] Customer Facility with the ability to maintain a power factor of at least 0.95 leading to 0.95 lagging measured at the generator's terminals.

{For all wind or non-synchronous generation facilities that have entered the New Services Queue prior to May 1, 2015, include the appropriate alternative from the language below for Interconnection Requests for an incremental increase in capacity or energy output to all wind or non- synchronized generation facility.}

The results of the System Impact Study indicate that, for the safety or reliability of the Transmission System, no power factor requirement is necessary for the [existing ___ MW or the increase of ___ MW associated with this ISA] [increase of ___ MW associated with this ISA, but that the existing ___ MW of the Customer Facility must retain its ability to retain a power factor of at least 0.95 leading to 0.95 lagging measured at the Point of Interconnection] [existing ___ MW of the Customer Facility but that the increase of ___ MW associated with this ISA must be designed with the ability to maintain a power factor requirement of 1.0 (unity) to 0.90 lagging measured at the Point of Interconnection].

{or}

The results of the System Impact Study indicate that, for the safety or reliability of the Transmission System, (i) the existing ___ MW portion of the Customer Facility shall retain its existing ability to maintain a power factor of at least 0.95 leading to 0.95 lagging measured at the Point of Interconnection and (ii) the increase of ___ MW to the Customer Facility associated with this ISA shall be designed with the ability to maintain a power factor of at least 1.0 (unity) to 0.95 lagging measured at the Point of Interconnection.

{For all wind or non-synchronous generation facilities requesting an incremental increase in capacity or energy output which have entered the New Services Queue on or after May 1, 2015, include the following requirements:}

{NOTE: This section does not apply to requests for an incremental increase in capacity or energy output for wind or non-synchronous generation facilities which were commercially operable or had entered the New Services Queue prior to May 1, 2015.}

The existing [wind-powered] [non-synchronous] __ MW portion of the Customer Facility shall retain the ability to maintain a power factor of at least 0.95 leading to 0.95 lagging measured at the generator's terminals.

The increase of __ MW to the [wind-powered] [non-synchronous] Customer Facility associated with this ISA shall be designed with the ability to maintain a power factor of at least 0.95 leading to 0.95 lagging measured at the generator's terminals.

[For Transmission Interconnection Customers]

{The following language should be included only for new Merchant Transmission Facilities}

Transmission Interconnection Customer shall design its Merchant D.C. Transmission Facilities and/ or Controllable A.C. Merchant Transmission Facilities, to maintain a power factor at the Point of Interconnection of at least 0.95 leading and 0.95 lagging, when such Customer Facility is operating at any level within its approved operating range.

[Include section 12A.0 only when applicable, i.e., only for a facility for which Transmission Provider and Interconnected Transmission Owner deem an RTU (or equivalent) to be unnecessary]

12A.0 RTU. In accordance with Section 8.5.2 of Appendix 2 to this ISA, that provision's requirement for installation of a remote terminal unit or equivalent data collection and transfer equipment is hereby waived for purposes of this ISA.

13.0 Charges. In accordance with Sections 10 and 11 of Appendix 2 to this ISA, the Interconnection Customer shall pay to the Transmission Provider the charges applicable after Initial Operation, as set forth in Schedule E to this ISA. Promptly after receipt of such payments, the Transmission Provider shall forward such payments to the appropriate Interconnected Transmission Owner.

14.0 Third Party Beneficiaries. No third party beneficiary rights are created under this ISA, except, however, that, subject to modification of the payment terms stated in Section 10 of this ISA pursuant to the Negotiated Contract Option, payment obligations imposed on Interconnection Customer under this ISA are agreed and acknowledged to be for the benefit of the Interconnected Transmission Owner(s). Interconnection Customer expressly agrees that the Interconnected Transmission Owner(s) shall be entitled to take such legal recourse as it deems appropriate against Interconnection Customer for the payment of any Costs or charges authorized under this ISA or the Tariff with respect to Interconnection Service for which Interconnection Customer fails, in whole or in part, to pay as provided in this ISA, the Tariff and/or the Operating Agreement.

- 15.0 Waiver. No waiver by either party of one or more defaults by the other in performance of any of the provisions of this ISA shall operate or be construed as a waiver of any other or further default or defaults, whether of a like or different character.
- 16.0 Amendment. This ISA or any part thereof, may not be amended, modified, or waived other than by a written document signed by all parties hereto.
- 17.0 Construction With Other Parts Of The Tariff. This ISA shall not be construed as an application for service under Part II or Part III of the Tariff.
- 18.0 Notices. Any notice or request made by either party regarding this ISA shall be made, in accordance with the terms of Appendix 2 to this ISA, to the representatives of the other party and as applicable, to the Interconnected Transmission Owner(s), as indicated below:

Transmission Provider:

PJM Interconnection, L.L.C.
2750 Monroe Blvd.
Audubon, PA 19403

Interconnection Customer:

Interconnected Transmission Owner:

- 19.0 Incorporation Of Other Documents. All portions of the Tariff and the Operating Agreement pertinent to the subject matter of this ISA and not otherwise made a part hereof are hereby incorporated herein and made a part hereof.
- 20.0 Addendum of Non-Standard Terms and Conditions for Interconnection Service. Subject to FERC approval, the parties agree that the terms and conditions set forth in Schedule F hereto are hereby incorporated herein by reference and be made a part of this ISA. In the event of any conflict between a provision of Schedule F that FERC has accepted and any provision of Appendix 2 to this ISA that relates to the same subject matter, the pertinent provision of Schedule F shall control.
- 21.0 Addendum of Interconnection Customer's Agreement to Conform with IRS Safe Harbor Provisions for Non-Taxable Status. To the extent required, in accordance with Section 24.1 of Appendix 2 to this ISA, Schedule G to this ISA shall set forth the Interconnection

Customer's agreement to conform with the IRS safe harbor provisions for non-taxable status.

- 22.0 Addendum of Interconnection Requirements for all Wind or Non-synchronous Generation Facilities. To the extent required, Schedule H to this ISA sets forth interconnection requirements for a wind or non-synchronous generation facilities and is hereby incorporated by reference and made a part of this ISA.
- 23.0 Infrastructure security of electric system equipment and operations and control hardware and software is essential to ensure day-to-day reliability and operational security. All Transmission Providers, Interconnected Transmission Owners, market participants, and Interconnection Customers interconnected with electric systems are to comply with the recommendations offered by the President's Critical Infrastructure Protection Board and best practice recommendations from the electric reliability authority. All public utilities are expected to meet basic standards for electric system infrastructure and operational security, including physical, operational, and cyber-security practices.

IN WITNESS WHEREOF, Transmission Provider, Interconnection Customer and Interconnected Transmission Owner have caused this ISA to be executed by their respective authorized officials.

(PJM Queue Position #____)

Transmission Provider: PJM Interconnection, L.L.C.

By: _____
Name Title Date

Printed name of signer: _____

Interconnection Customer: **[Name of Party]**

By: _____
Name Title Date

Printed name of signer: _____

Interconnected Transmission Owner: **[Name of Party]**

By: _____
Name Title Date

Printed name of signer: _____

**SPECIFICATIONS FOR
INTERCONNECTION SERVICE AGREEMENT**

**By and Among
PJM INTERCONNECTION, L.L.C.**

And

[Name of Interconnection Customer]

And

[Name of Interconnected Transmission Owner]

(PJM Queue Position # ____)

1.0 Description of [generating unit(s)] [Merchant Transmission Facilities] (the Customer Facility) to be interconnected with the Transmission System in the PJM Region:

a. Name of Customer Facility:

b. Location of Customer Facility:

c. Size in megawatts of Customer Facility:

{The following language should be included only for generating units

For Generation Interconnection Customer:

Maximum Facility Output of _____MW }

{The following language applies when a Generation Interconnection Request involves an increase of the capacity of an existing generating facility:

The stated size of the generating unit includes an increase in the Maximum Facility Output of the generating unit of __ MW over Interconnection Customer's previous interconnection. This increase is a result of the Interconnection Request associated with this Interconnection Service Agreement. }

{The following language should be included only for Merchant Transmission Facilities

For Transmission Interconnection Customer:

Nominal Rated Capability: _____MW}

d. Description of the equipment configuration:

2.0 Rights

[for Generation Interconnection Customers]

2.1 Capacity Interconnection Rights: {this section will not apply if the Customer Facility is exclusively an Energy Resource and thus is granted no CIRs; see alternate section 2.1 below }

Pursuant to and subject to the applicable terms of the Tariff, the Interconnection Customer shall have Capacity Interconnection Rights at the Point(s) of Interconnection specified in this Interconnection Service Agreement in the amount of ___ MW. {Instructions: this number is the total of the Capacity Interconnection Rights that are granted as a result of the Interconnection Request, plus any prior Capacity Interconnection Rights }

{include the following language to the extent applicable for interconnection of additional generation at an existing generating facility: }

The amount of Capacity Interconnection Rights specified above (___ MW) includes ___ MW of Capacity Interconnection Rights that the Interconnection Customer had at the same Point(s) of Interconnection prior to its Interconnection Request associated with this Interconnection Service Agreement, and ___MW of Capacity Interconnection Rights granted as a result of such Interconnection Request.

{include the following language when the CIRs are only interim and have a termination date or event: }

Interconnection Customer shall have ___ MW of Capacity Interconnection Rights for the time period from ___ to _____. These Capacity Interconnection Rights are interim and will terminate upon {explain circumstances -- e.g. interim agreement; completion of another facility, etc. }

2.1a To the extent that any portion of the Customer Facility described in section 1.0 is not a Capacity Resource with Capacity Interconnection Rights, such portion of the

Customer Facility shall be an Energy Resource. PJM reserves the right to limit total injections to the Maximum Facility Output in the event reliability would be affected by output greater than such quantity.

{this version of section 2.1 will be used in lieu of section 2.1 above when a generating facility will be an Energy Resource and therefore will not be granted any CIRs: }

[2.1 The generating unit(s) described in section 1.0 shall be an Energy Resource. Pursuant to this Interconnection Service Agreement, the generating unit will be permitted to inject ___ MW (nominal) into the system. PJM reserves the right to limit injections to this quantity in the event reliability would be affected by output greater than such quantity.]

[for Transmission Interconnection Customers]

2.1 Transmission Injection Rights: [applicable only to Merchant D.C. Transmission Facilities and/or Controllable A.C. Merchant Transmission Facilities that interconnect with a control area outside PJM]

Pursuant to Section 232 of the Tariff, Interconnection Customer shall have Transmission Injection Rights at each indicated Point of Interconnection in the following quantity(ies):

2.2 Transmission Withdrawal Rights: [applicable only to Merchant D.C. Transmission Facilities and/or Controllable A.C. Merchant Transmission Facilities that interconnect with a control area outside PJM]

Pursuant to Section 232 of the Tariff, Interconnection Customer shall have Transmission Withdrawal Rights at each indicated Point of Interconnection in the following quantity(ies):

[Include Section 2.2A only if customer is interconnecting Controllable A.C. Merchant Transmission Facilities]

2.2A Interconnection Customer is interconnecting Controllable A.C. Merchant Transmission Facilities as defined in the appended Section 1.6B of the Tariff, and has elected, pursuant to the appended Section 41.1 of the Tariff, to receive Transmission Injection Rights and Transmission Withdrawal Rights in lieu of the other applicable rights for which it may be eligible under Subpart C of Part VI of the Tariff. Accordingly, Interconnection Customer hereby agrees that the Transmission Injection Rights and Transmission Withdrawal Rights awarded to it pursuant to the Tariff and this ISA are, and throughout the duration of this ISA shall be, conditioned on Interconnection Customer's continuous operation of its Controllable A.C. Merchant Transmission Facilities in a controllable manner, i.e., in a manner effectively the same as operation of D.C. transmission facilities.

2.3 Incremental Deliverability Rights:

Pursuant to Section 235 of the Tariff, Interconnection Customer shall have Incremental Deliverability Rights at each indicated Point of Interconnection in the following quantity(ies):

2.4 Incremental Available Transfer Capability Revenue Rights:

Pursuant to Section 233 of the Tariff, Interconnection Customer shall have Incremental Available Transfer Capability Revenue Rights at each indicated Point of Interconnection in the following quantities:

2.5 Incremental Auction Revenue Rights:

Pursuant to Section 231 of the Tariff, Interconnection Customer shall have Incremental Auction Revenue Rights in the following quantities:

2.6 Incremental Capacity Transfer Rights:

Pursuant to Section 234 of the Tariff, Interconnection Customer shall have Incremental Capacity Transfer Rights between the following associated source(s) and sink(s) in the indicated quantities:

3.0 Construction Responsibility and Ownership of Interconnection Facilities

a. Interconnection Customer.

(1) Interconnection Customer shall construct and, unless otherwise indicated, shall own, the following Interconnection Facilities:

[Specify Facilities To Be Constructed]

(2) In the event that, in accordance with the Interconnection Construction Service Agreement, Interconnection Customer has exercised the Option to Build, it is hereby permitted to build in accordance with and subject to the conditions and limitations set forth in that Section, the following portions of the Transmission Owner Interconnection Facilities which constitute or are part of the Customer Facility:

[Specify Facilities To Be Constructed]

Ownership of the facilities built by Interconnection Customer pursuant to the Option to Build shall be as provided in the Interconnection Construction Service Agreement.

b. Interconnected Transmission Owner {or Name of Interconnected Transmission Owner if more than one Interconnected Transmission Owner }

[Specify Facilities To Be Constructed and Owned]

- c. [if applicable, include the following][Name of any additional Transmission Owner constructing facilities with which Interconnection Customer and Transmission Provider will also execute an Interconnection Construction Service Agreement]

[Specify Facilities To Be Constructed and Owned]

4.0 Subject to modification pursuant to the Negotiated Contract Option and/or the Option to Build under the Interconnection Construction Service Agreement, Interconnection Customer shall be subject to the estimated charges detailed below, which shall be billed and paid in accordance with Appendix 2, Section 11 of this ISA and the applicable Interconnection Construction Service Agreement.

4.1 Attachment Facilities Charge: \$_____

[Optional: Provide Charge and Identify Interconnected Transmission Owner]

4.2 Network Upgrades Charge: \$_____

[Optional: Provide Breakdown of Charge Based on Interconnected Transmission Owner responsibilities]

4.3 Local Upgrades Charge: \$_____

[Optional: Provide Breakdown of Charge Based on Interconnected Transmission Owner responsibilities]

4.4 Other Charges: \$_____

[Optional: Provide Breakdown of Charge Based on Interconnected Transmission Owner responsibilities]

4.5 Cost breakdown:

\$ Direct Labor
\$ Direct Material
\$ Indirect Labor
\$ Indirect Material

[Additional items for breakdown as necessary]

\$ Total

4.6 Security Amount Breakdown:

\$ _____ Estimated Cost of Non-Direct Connection Local Upgrades and/or Non-Direct Connection Network Upgrades

plus \$ _____ Estimated cost of the work (for the first three months) on the required Attachment Facilities, Direct Connection Local Upgrades, and Direct Connection Network Upgrades

plus \$ _____ Option to Build Security for Attachment Facilities, Direct Connection Local Upgrades, and Direct Connection Network Upgrades (including Cancellation Costs)

less \$ _____ Costs already paid by Interconnection Customer

\$ _____ Total Security required with ISA

APPENDICES:

- **APPENDIX 1 - DEFINITIONS**
- **APPENDIX 2 - STANDARD TERMS AND CONDITIONS FOR INTERCONNECTIONS**

SCHEDULES:

- **SCHEDULE A - CUSTOMER FACILITY LOCATION/SITE PLAN**
- **SCHEDULE B - SINGLE-LINE DIAGRAM**
- **SCHEDULE C - LIST OF METERING EQUIPMENT**
- **SCHEDULE D - APPLICABLE TECHNICAL REQUIREMENTS AND STANDARDS**
- **SCHEDULE E - SCHEDULE OF CHARGES**
- **SCHEDULE F - SCHEDULE OF NON-STANDARD TERMS & CONDITIONS**
- **SCHEDULE G - INTERCONNECTION CUSTOMER'S AGREEMENT TO CONFORM WITH IRS SAFE HARBOR PROVISIONS FOR NON-TAXABLE STATUS**
- **SCHEDULE H - INTERCONNECTION REQUIREMENTS FOR A WIND GENERATION FACILITY**

1.4 Initial Operation:

The following requirements shall be satisfied prior to Initial Operation of the Customer Facility:

1.4.1 The construction of all Interconnection Facilities necessary for the interconnection of the Customer Facility has been completed;

1.4.2 The Interconnected Transmission Owner has accepted any Interconnection Facilities constructed by Interconnection Customer pursuant to the Interconnection Construction Service Agreement;

1.4.3 The Interconnection Customer and the Interconnected Transmission Owner have all necessary systems and personnel in place to allow for parallel operation of their respective facilities;

1.4.4 The Interconnected Transmission Owner has received all applicable documentation for the Interconnection Facilities built by the Interconnection Customer, certified as correct, including, but not limited to, access to the field copy of marked-up drawings reflecting the as-built condition, pre-operation test reports, and instruction books; and

1.4.5 Interconnection Customer shall have received any necessary authorization from Transmission Provider to synchronize with the Transmission System or to energize, as applicable per the determination of Transmission Provider, the Customer Facility and Interconnection Facilities.

4.2 [Reserved.]

5.2 [Reserved.]

5.5 Right to Observe Testing:

Each Interconnected Entity shall notify the other Interconnected Entity in advance of its performance of tests of its portion of the Interconnection Facilities. The other Interconnected Entity shall, at its own expense, have the right to observe such testing.

11.2 Costs for Transmission Owner Interconnection Facilities:

The following provisions shall apply with respect to charges for the Costs of the Interconnected Transmission Owner for which the Interconnection Customer is responsible.

11.2.1 Adjustments to Security:

The Security provided by Interconnection Customer at or before execution of the Interconnection Service Agreement (a) shall be reduced as portions of the work on required Local Upgrades and/or Network Upgrades is completed, and/or (b) shall be increased or decreased as required to reflect adjustments to Interconnection Customer's cost responsibility, as determined in accordance with Section 217, to correspond with changes in the Scope of Work developed in accordance with Transmission Provider's scope change process for interconnection projects set forth in the PJM Manuals.

11.2.2 Invoice:

The Interconnected Transmission Owner shall provide Transmission Provider a quarterly statement of the Interconnected Transmission Owner's scheduled expenditures during the next three months for, as applicable (a) the design, engineering and construction of, and/or for other charges related to, construction of the Interconnection Facilities for which the Interconnected Transmission Owner is responsible under the Interconnection Service Agreement and the Interconnection Construction Service Agreement, or (b) in the event that the Interconnection Customer exercises the Option to Build pursuant to Section 3.2.3.1 of Appendix 2 of the form of Interconnection Construction Service Agreement (set forth in Attachment P to the Tariff), for the Transmission Owner's Costs associated with the Interconnection Customer's building Attachment Facilities, Local Upgrades, and Network Upgrades (including both Direct Connection Network Upgrades, Direct Connection Local Upgrades, Non-Direct Connection Network Upgrades and Non-Direct Connection Local Upgrades), including but not limited to Costs for tie-in work and Cancellation Costs. Provided, however, such Transmission Owner Costs may include oversight costs (i.e. costs incurred by the Transmission Owner when engaging in oversight activities to satisfy itself that the Interconnection Customer is complying with the Transmission Owner's standards and specifications for the construction of facilities) only if the Transmission Owner and the Interconnection Customer mutually agree to the inclusion of such costs under the Option to Build pursuant to the provisions of Section 3.3.3.1 of Appendix 2 of the form of Interconnection Construction Service Agreement (set forth in Attachment P to the Tariff). Transmission Provider shall bill Interconnection Customer on behalf of the Interconnected Transmission Owner, for the Interconnected Transmission Owner's expected Costs during the subsequent three months. Interconnection Customer shall pay each bill within twenty (20) days after receipt thereof. Upon receipt of each of Interconnection Customer's payments of such bills, Transmission Provider shall reimburse the Interconnected Transmission Owner. Interconnection Customer may request that the Transmission Provider provide a quarterly cost reconciliation. Such a quarterly cost reconciliation will have a one-quarter lag, e.g., reconciliation of costs for the first calendar quarter of work will be provided at the start of the third calendar quarter of work, provided, however, that Section 11.2.3 of this Appendix 2 shall govern the timing of the final cost reconciliation upon completion of the work.

11.2.3 Final Invoice:

Within 120 days after the Interconnected Transmission Owner completes construction and installation of the Interconnection Facilities for which the Interconnected Transmission Owner is responsible under the Interconnection Service Agreement and the Interconnection Construction Service Agreement, Transmission Provider shall provide Interconnection Customer with an accounting of, and the appropriate Construction Party shall make any payment to the other that is necessary to resolve, any difference between (a) Interconnection Customer's responsibility under the Tariff for the actual Cost of such facilities, and (b) Interconnection Customer's previous aggregate payments to Transmission Provider for the Costs of such facilities. Notwithstanding the foregoing, however, Transmission Provider shall not be obligated to make any payment to either the Interconnection Customer or the Interconnected Transmission Owner that the preceding sentence requires it to make unless and until the Transmission Provider has received the payment that it is required to refund from the Construction Party owing the payment.

11.2.4 Disputes:

In the event of a billing dispute between any of the Construction Parties, Transmission Provider and the Interconnected Transmission Owner shall continue to perform their respective obligations pursuant to this Interconnection Service Agreement and any related Interconnection Construction Service Agreements so long as (a) Interconnection Customer continues to make all payments not in dispute, and (b) the Security held by the Transmission Provider while the dispute is pending exceeds the amount in dispute, or (c) Interconnection Customer pays to Transmission Provider or into an independent escrow account the portion of the invoice in dispute, pending resolution of such dispute. If Interconnection Customer fails to meet any of these requirements, then Transmission Provider shall so inform the other Construction Parties and Transmission Provider or the Interconnected Transmission Owner may provide notice to Interconnection Customer of a Breach pursuant to Section 15 of this Appendix 2.

16.2 Disposition of Facilities Upon Termination

16.2.1 Disconnection:

Upon termination of the Interconnection Service Agreement in accordance with this Section 16, Transmission Provider and/or the Interconnected Transmission Owner shall, in coordination with Interconnection Customer, physically disconnect the Customer Facility from the Transmission System, except to the extent otherwise allowed by this Appendix 2.

16.2.2 Network Facilities:

At the time of termination, the Transmission Provider and the Interconnected Entities shall keep in place any portion of the Interconnection Facilities that the Transmission Provider deems necessary for the safety, integrity and/or reliability of the Transmission System. Otherwise, Transmission Provider may, in its discretion, within 30 days following termination of Interconnection Service, require the removal of all or any part of the Interconnection Facilities.

16.2.2.1 In the event that (i) the Interconnection Service Agreement and Interconnection Service under this Appendix 2 are terminated and (ii) Transmission Provider determines that some or all of the Interconnection Facilities that are owned by the Interconnection Customer are necessary for the safety, integrity and/or reliability of the Transmission System, Interconnection Customer, subject to Applicable Laws and Regulations, shall transfer to the Interconnected Transmission Owner title to the Interconnection Facilities that Transmission Provider has determined to be necessary for the safety, integrity and/or reliability of the Transmission System.

16.2.2.2 In the event that removal of some or all of the Interconnection Facilities is necessary to maintain compliance with Applicable Standards, Interconnection Customer shall be responsible for the costs of any such removal. Interconnection Customer shall have the right to take or retain title to equipment and/or facilities that are removed pursuant to this section; alternatively, in the event that the Interconnection Customer does not wish to retain title to removed equipment and/or facilities that it owns, the Interconnected Transmission Owner may elect to pay the Interconnection Customer a mutually agreed amount to acquire and own such equipment and/or facilities.

16.2.3 Request for Disposition Determination:

Interconnection Customer may request a determination from the Transmission Provider whether any Interconnection Facilities will be removed in the event of any termination of Interconnection Service to the Customer Facility within the following year. Transmission Provider shall respond to that request no later than sixty (60) days after receipt.

24.2 Tax Indemnity:

Interconnection Customer shall indemnify the Interconnected Transmission Owner for any costs that Interconnected Transmission Owner incurs in the event that the IRS and/or a state department of revenue (State) determines that the property, including money, transferred by Interconnection Customer to the Interconnected Transmission Owner with respect to the construction of the Transmission Owner Interconnection Facilities is taxable income to the Interconnected Transmission Owner. Interconnection Customer shall pay to the Interconnected Transmission Owner, on demand, the amount of any income taxes that the IRS or a State assesses to the Interconnected Transmission Owner in connection with such transfer of property and/or money, plus any applicable interest and/or penalty charged to the Interconnected Transmission Owner. In the event that the Interconnected Transmission Owner chooses to contest such assessment, either at the request of Interconnection Customer or on its own behalf, and prevails in reducing or eliminating the tax, interest and/or penalty assessed against it, the Interconnected Transmission Owner shall refund to Interconnection Customer the excess of its demand payment made to the Interconnected Transmission Owner over the amount of the tax, interest and penalty for which the Interconnected Transmission Owner is finally determined to be liable. Interconnection Customer's tax indemnification obligation under this section shall survive any termination of the Interconnection Service Agreement or Interconnection Construction Service Agreement.

SCHEDULE G

INTERCONNECTION CUSTOMER’S AGREEMENT TO CONFORM WITH IRS SAFE HARBOR PROVISIONS FOR NON-TAXABLE STATUS

{Include the appropriate language from the alternatives below:}

{Include the following language if not required:}

Not Required.

[OR]

{Include the following language if applicable to Interconnection Customer:}

As provided in Section 24.1 of Appendix 2 to this ISA and subject to the requirements thereof, Interconnection Customer represents that it meets all qualifications and requirements as set forth in Section 118(a) and 118(b) of the Internal Revenue Code of 1986, as amended and interpreted by Notice 88-129, 1988-2 C.B. 541, and as amplified and modified in Notices 90-60, 1990-2 C.B. 345, and 2001-82, 2001-2 C.B. 619 (the “IRS Notices”). Interconnection Customer agrees to conform with all requirements of the safe harbor provisions specified in the IRS Notices, as they may be amended, as required to confer non-taxable status on some or all of the transfer of property, including money, by Interconnection Customer to Interconnected Transmission Owner with respect to the payment of the Costs of construction and installation of the Transmission Owner Interconnection Facilities specified in this ISA.

Nothing in Interconnection Customer’s agreement pursuant to this Schedule G shall change Interconnection Customer’s indemnification obligations under Section 24.2 of Appendix 2 to this ISA.

Revisions to Attachment O-1 (Interim ISA):

- Attachment O, Pro Forma
- Attachment O, Schedule A

ATTACHMENT O-1

**FORM OF
INTERIM INTERCONNECTION SERVICE AGREEMENT**

**By and Among
PJM Interconnection, L.L.C.
and**

_____ **and** _____

(PJM Queue Position #___)

- 1.0 This Interim Interconnection Service Agreement (“Interim ISA”), including the Specifications attached hereto and incorporated herein, is entered into by and among PJM Interconnection, L.L.C. (“Transmission Provider” or “PJM”), [_____] (“Interconnection Customer” [OPTIONAL: or [“short name”]]), and [_____] (“Interconnected Transmission Owner” [OPTIONAL: or [“short name”]]). [Use as/when applicable: This Interim ISA supersedes the _____ {insert details to identify the agreement being superseded, such as whether it is an Interim Interconnection Service Agreement, Interconnection Service Agreement, or Interconnection Agreement, the effective date of the agreement, the service agreement number designation, and the FERC docket number, if applicable, for the agreement being superseded.}]]
- 2.0 Attached are Specifications for the Customer Facility that Interconnection Customer proposes to interconnect to the Transmission Provider’s Transmission System. Interconnection Customer represents and warrants that, upon completion of their construction, it will own or control the facilities identified in the Specifications attached hereto and made a part hereof. In the event that Interconnection Customer will not own the facilities, Interconnection Customer represents and warrants that it is authorized by the owners of such facilities to enter into this Interim ISA and to represent such control.
- 3.0 In order to advance the completion of its interconnection under the PJM Open Access Transmission Tariff (“Tariff”), Interconnection Customer has requested an Interim ISA and Transmission Provider has determined that Interconnection Customer is eligible under the Tariff to obtain this Interim ISA.
- 4.0 (a) In accord with Section 211 of the Tariff, Interconnection Customer, on or before the effective date of this Interim ISA, shall provide Transmission Provider (for the benefit of the Interconnected Transmission Owner) with a letter of credit from an agreed provider or other form of security reasonably acceptable to Transmission Provider in the amount of \$ _____, which amount equals the estimated costs, determined in

accordance with Section 217 of the Tariff, of acquiring, designing, constructing and/or installing the facilities described in section 3.0 of the Attached Specifications. Should Interconnection Customer fail to provide such security in the amount or form required, this Interim ISA shall be terminated. Interconnection Customer acknowledges (1) that it will be responsible for the actual costs of the facilities described in the Specifications, whether greater or lesser than the amount of the payment security provided under this section, and (2) that the payment security under this section does not include any additional amounts that it will owe in the event that it executes a final Interconnection Service Agreement, as described in section 7.0(a) below.

(b) Interconnection Customer acknowledges (1) that the purpose of this Interim ISA is to expedite, at Interconnection Customer's request, the acquisition, design, construction and/or installation of certain materials and equipment, as described in the Specifications, necessary to interconnect its proposed facilities with Transmission Provider's Transmission System; and (2) that Transmission Provider's Interconnection Studies related to such facilities have not been completed, but that the [identify completed feasibility and/or system impact study(ies)], dated [_____], that included Interconnection Customer's project sufficiently demonstrated, in Interconnection Customer's sole opinion, the necessity of facilities additions to the Transmission System to accommodate Interconnection Customer's project to warrant, in Interconnection Customer's sole judgment, its request that the Interconnected Transmission Owner acquire, design, construct and/or install the equipment indicated in the Specifications for use in interconnecting Interconnection Customer's project with the Transmission System.

5.0 This Interim ISA shall be effective on the date it is executed by all Interconnection Parties and shall terminate upon the execution and delivery by Interconnection Customer and Transmission Provider of the final Interconnection Service Agreement described in section 7.0(a) below, or on such other date as mutually agreed upon by the parties, unless earlier terminated in accordance with the Tariff.

6.0 In addition to the milestones stated in Section 212.5 of the Tariff, during the term of this Interim ISA, Interconnection Customer shall ensure that its generation project meets each of the following development milestones:

[SPECIFY MILESTONES]

OR

[NOT APPLICABLE FOR THIS INTERIM ISA]

OR

[MILESTONE REQUIREMENTS WILL BE SPECIFIED IN THE FURTHER INTERCONNECTION SERVICE AGREEMENT DESCRIBED IN SECTION 7.0(a)]

7.0 (a) Transmission Provider and the Interconnected Transmission Owner agree to provide for the acquisition, design, construction and/or installation of the facilities identified, and to the extent described, in Section 3.0 of the Specifications in accordance with Part IV of the Tariff, as amended from time to time, and this Interim ISA. Except to the extent for which the Specifications provide for interim interconnection rights for the Interconnection Customer, the parties agree that (1) this Interim ISA shall not provide for or authorize Interconnection Service for the Interconnection Customer, and (2) Interconnection Service will commence only after Interconnection Customer has entered into a final Interconnection Service Agreement with Transmission Provider and the Interconnection Transmission Owner (or, alternatively, has exercised its right to initiate dispute resolution or to have the final Interconnection Service Agreement filed with the FERC unexecuted) after completion of the Facilities Study related to Interconnection Customer's Interconnection Request and otherwise in accordance with the Tariff. The final Interconnection Service Agreement may further provide for construction of, and payment for, transmission facilities additional to those identified in the attached Specifications. Should Interconnection Customer fail to enter into such final Interconnection Service Agreement (or, alternatively, to initiate dispute resolution or request that the agreement be filed with the FERC unexecuted) within the time prescribed by the Tariff, Transmission Provider shall have the right, upon providing written notice to Interconnection Customer, to terminate this Interim ISA.

(b) In the event that Interconnection Customer decides not to interconnect its proposed facilities, as described in Section 1.0 of the Specifications to the Transmission System, it shall immediately give Transmission Provider written notice of its determination. Interconnection Customer shall be responsible for the Costs incurred pursuant to this Interim ISA by Transmission Provider and/or by the Interconnected Transmission Owner (1) on or before the date of such notice, and (2) after the date of such notice, if the costs could not reasonably be avoided despite, or were incurred by reason of, Interconnection Customer's determination not to interconnect. Interconnection Customer's liability under the preceding sentence shall include all Cancellation Costs in connection with the acquisition, design, construction and/or installation of the facilities described in section 3.0 of the Specifications. In the event the Interconnected Transmission Owner incurs Cancellation Costs, it shall provide the Transmission Provider, with a copy to the Interconnection Customer, with a written demand for payment and with reasonable documentation of such Cancellation Costs. Within 60 days after the date of Interconnection Customer's notice, Transmission Provider shall provide an accounting of, and the appropriate party shall make any payment to the other that is necessary to resolve, any difference between (i) Interconnection Customer's cost responsibility under this Interim ISA and the Tariff for Costs, including Cancellation Costs, of the facilities described in section 3.0 of the Specifications and (ii) Interconnection Customer's previous payments under this Interim ISA. Notwithstanding the foregoing, however, Transmission Provider shall not be obligated to make any payment that the preceding sentence requires it to make unless and until the Interconnected Transmission Owner has returned to it the portion of Interconnection Customer's previous payments that Transmission Provider must pay under that sentence.

This Interim ISA shall be deemed to be terminated upon completion of all payments required under this paragraph (b).

(c) Disposition of the facilities related to this Interim ISA after receipt of Interconnection Customer's notice of its determination not to interconnect shall be decided in accordance with Section 211.1 of the Tariff.

- 8.0 Interconnection Customer agrees to abide by all rules and procedures pertaining to generation in the PJM Region, including but not limited to the rules and procedures concerning the dispatch of generation set forth in the Operating Agreement and the PJM Manuals.
- 9.0 In analyzing and preparing the Facilities Study or the System Impact Study if no Facilities Study is required, and in designing and constructing the Attachment Facilities, Local Upgrades and/or Network Upgrades described in the Specifications attached to this Interim ISA, Transmission Provider, the Interconnected Transmission Owner(s), and any other subcontractors employed by Transmission Provider have had to, and shall have to, rely on information provided by Interconnection Customer and possibly by third parties and may not have control over the accuracy of such information. Accordingly, NEITHER TRANSMISSION PROVIDER, THE INTERCONNECTED TRANSMISSION OWNER(S), NOR ANY OTHER SUBCONTRACTORS EMPLOYED BY TRANSMISSION PROVIDER OR INTERCONNECTED TRANSMISSION OWNER MAKES ANY WARRANTIES, EXPRESS OR IMPLIED, WHETHER ARISING BY OPERATION OF LAW, COURSE OF PERFORMANCE OR DEALING, CUSTOM, USAGE IN THE TRADE OR PROFESSION, OR OTHERWISE, INCLUDING WITHOUT LIMITATION IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, WITH REGARD TO THE ACCURACY, CONTENT, OR CONCLUSIONS OF THE FACILITIES STUDY OR THE SYSTEM IMPACT STUDY IF NO FACILITIES STUDY IS REQUIRED OR OF THE ATTACHMENT FACILITIES, LOCAL UPGRADES AND/OR NETWORK UPGRADES, PROVIDED, HOWEVER, that Transmission Provider warrants that the transmission facilities described in Section 3.0 of the Specifications will be designed, constructed and operated in accordance with Good Utility Practice, as such term is defined in the Operating Agreement. Interconnection Customer acknowledges that it has not relied on any representations or warranties not specifically set forth herein and that no such representations or warranties have formed the basis of its bargain hereunder.
- 10.0 Within 120 days after the Interconnected Transmission Owner completes acquisition, design, construction and/or installation of the facilities described in Section 3.0 of the Specifications, Transmission Provider shall provide Interconnection Customer with an accounting of, and the appropriate party shall make any payment to the other that is necessary to resolve, any difference between (a) Interconnection Customer's responsibility under this Interim ISA and the Tariff for the actual cost of such equipment, and (b) Interconnection Customer's previous aggregate payments to Transmission Provider and the Interconnected Transmission Owner hereunder. Notwithstanding the

foregoing, however, Transmission Provider shall not be obligated to make any payment that the preceding sentence requires it to make unless and until the Interconnected Transmission Owner has returned to it the portion of Interconnection Customer's previous payments that Transmission Provider must pay under that sentence.

- 11.0 No third party beneficiary rights are created under this Interim ISA, provided, however, that payment obligations imposed on Interconnection Customer hereunder are agreed and acknowledged to be for the benefit of the Interconnected Transmission Owner actually performing the services associated with the interconnection of the generating facilities and any associated upgrades of other facilities.
- 12.0 No waiver by either party of one or more defaults by the other in performance of any of the provisions of this Interim ISA shall operate or be construed as a waiver of any other or further default or defaults, whether of a like or different character.
- 13.0 This Interim ISA or any part thereof, may not be amended, modified, assigned, or waived other than by a writing signed by all parties hereto.
- 14.0 This Interim ISA shall be binding upon the parties hereto, their heirs, executors, administrators, successors, and assigns.
- 15.0 This Interim ISA shall not be construed as an application for service under Part II or Part III of the Tariff.
- 16.0 Any notice or request made to or by either Party regarding this Interim ISA shall be made to the representative of the other Party as indicated below.

Transmission Provider

PJM Interconnection, L.L.C.
2750 Monroe Blvd.
Audubon, PA 19403

Interconnection Customer

[CONTACT NAME/ADDRESS]

Interconnected Transmission Owner

[CONTACT NAME/ADDRESS]

- 17.0 All portions of the Tariff and the Operating Agreement pertinent to the subject of this Interim ISA are incorporated herein and made a part hereof.
- 18.0 This Interim ISA is entered into pursuant to Part IV of the Tariff.

19.0 Neither party shall be liable for consequential, incidental, special, punitive, exemplary or indirect damages, lost profits or other business interruption damages, by statute, in tort or contract, under any indemnity provision or otherwise with respect to any claim, controversy or dispute arising under this Interim ISA.

20.0 Addendum of Interconnection Customer's Agreement to Conform with IRS Safe Harbor Provisions for Non-Taxable Status. To the extent required, in accordance with Section 20.1, Schedule A to this Interim ISA shall set forth the Interconnection Customer's agreement to conform with the IRS safe harbor provisions for non-taxable status.

20.1 Tax Liability

20.1.1 Safe Harbor Provisions:

This Section 20.1.1 is applicable only to Generation Interconnection Customers. Provided that Interconnection Customer agrees to conform to all requirements of the Internal Revenue Service ("IRS") (e.g., the "safe harbor" provisions of IRS Notices 2001-82 and 88-129) that would confer nontaxable status on some or all of the transfer of property, including money, by Interconnection Customer to the Interconnected Transmission Owner for payment of the Costs of construction of the Transmission Owner Interconnection Facilities, the Interconnected Transmission Owner, based on such agreement and on current law, shall treat such transfer of property to it as nontaxable income and, except as provided in Section 20.1.2 below, shall not include income taxes in the Costs of Transmission Owner Interconnection Facilities that are payable by Interconnection Customer under the Interim Interconnection Service Agreement, the Interconnection Service Agreement or the Interconnection Construction Service Agreement. Interconnection Customer shall document its agreement to conform to IRS requirements for such non-taxable status in the Interconnection Service Agreement, the Interconnection Construction Service Agreement, and/or the Interim Interconnection Service Agreement.

20.1.2 Tax Indemnity:

Interconnection Customer shall indemnify the Interconnected Transmission Owner for any costs that Interconnected Transmission Owner incurs in the event that the IRS and/or a state department of revenue (State) determines that the property, including money, transferred by Interconnection Customer to the Interconnected Transmission Owner with respect to the construction of the Transmission Owner Interconnection Facilities is taxable income to the Interconnected Transmission Owner. Interconnection Customer shall pay to the Interconnected Transmission Owner, on demand, the amount of any income taxes that the IRS or a State assesses to the Interconnected Transmission Owner in connection with such transfer of property and/or money, plus any applicable interest and/or penalty charged to the Interconnected Transmission Owner. In the event that the Interconnected Transmission Owner chooses to contest such assessment, either at the request of Interconnection Customer or on its own behalf, and prevails in reducing or eliminating the tax, interest and/or penalty assessed against it, the Interconnected

Transmission Owner shall refund to Interconnection Customer the excess of its demand payment made to the Interconnected Transmission Owner over the amount of the tax, interest and penalty for which the Interconnected Transmission Owner is finally determined to be liable. Interconnection Customer's tax indemnification obligation under this section shall survive any termination of the Interim Interconnection Service Agreement or Interconnection Construction Service Agreement.

20.1.3 Taxes Other Than Income Taxes:

Upon the timely request by Interconnection Customer, and at Interconnection Customer's sole expense, the Interconnected Transmission Owner shall appeal, protest, seek abatement of, or otherwise contest any tax (other than federal or state income tax) asserted or assessed against the Interconnected Transmission Owner for which Interconnection Customer may be required to reimburse Transmission Provider under the terms of this Interim Interconnection Service Agreement or Part VI of the Tariff. Interconnection Customer shall pay to the Interconnected Transmission Owner on a periodic basis, as invoiced by the Interconnected Transmission Owner, the Interconnected Transmission Owner's documented reasonable costs of prosecuting such appeal, protest, abatement, or other contest. Interconnection Customer and the Interconnected Transmission Owner shall cooperate in good faith with respect to any such contest. Unless the payment of such taxes is a prerequisite to an appeal or abatement or cannot be deferred, no amount shall be payable by Interconnection Customer to the Interconnected Transmission Owner for such contested taxes until they are assessed by a final, non-appealable order by any court or agency of competent jurisdiction. In the event that a tax payment is withheld and ultimately due and payable after appeal, Interconnection Customer will be responsible for all taxes, interest and penalties, other than penalties attributable to any delay caused by the Interconnected Transmission Owner.

20.1.4 Income Tax Gross-Up

20.1.4.1 Additional Security:

In the event that Interconnection Customer does not provide the safe harbor documentation required under Section 20.1.1 prior to execution of this Interim Interconnection Service Agreement, within 15 days after such execution, Transmission Provider shall notify Interconnection Customer in writing of the amount of additional Security that Interconnection Customer must provide. The amount of Security that a Transmission Interconnection Customer must provide initially pursuant to this Interim Interconnection Service Agreement shall include any amounts described as additional Security under this Section 20.1.4 regarding income tax gross-up.

20.1.4.2 Amount:

The required additional Security shall be in an amount equal to the amount necessary to gross up fully for currently applicable federal and state income taxes the estimated Costs of Local Upgrades and Network Upgrades for which Interconnection Customer previously provided Security. Accordingly, the additional Security shall equal the amount necessary to increase the

total Security provided to the amount that would be sufficient to permit the Interconnected Transmission Owner to receive and retain, after the payment of all applicable income taxes ("Current Taxes") and taking into account the present value of future tax deductions for depreciation that would be available as a result of the anticipated payments or property transfers (the "Present Value Depreciation Amount"), an amount equal to the estimated Costs of Local Upgrades and Network Upgrades for which Interconnection Customer is responsible under the Interconnection Service Agreement. For this purpose, Current Taxes shall be computed based on the composite federal and state income tax rates applicable to the Interconnected Transmission Owner at the time the additional Security is received, determined using the highest marginal rates in effect at that time (the "Current Tax Rate"), and (ii) the Present Value Depreciation Amount shall be computed by discounting the Interconnected Transmission Owner's anticipated tax depreciation deductions associated with such payments or property transfers by its current weighted average cost of capital.

20.1.4.3 Time for Payment:

Interconnection Customer must provide the additional Security, in a form and with terms as required by Sections 212.4 of the Tariff, within 15 days after its receipt of Transmission Provider's notice under this section. The requirement for additional Security under this section shall be treated as a milestone included in the Interconnection Service Agreement pursuant to Section 212.5 of the Tariff.

20.1.5 Tax Status:

Each Party shall cooperate with the other to maintain the other Party's tax status. Nothing in this Interim Interconnection Service Agreement or the Tariff is intended to adversely affect any Interconnected Transmission Owner's tax exempt status with respect to the issuance of bonds including, but not limited to, local furnishing bonds.

21.0 Addendum of Interconnection Requirement for all Wind or Non-synchronous Generation Facilities. To the extent required, Schedule B to this Interim ISA sets forth interconnection requirements for all wind or non-synchronous generation facilities and is hereby incorporated by reference and made a part of this Interim ISA.

22.0 Infrastructure security of electric system equipment and operations and control hardware and software is essential to ensure day-to-day reliability and operational security. All Transmission Providers, Interconnected Transmission Owners, market participants, and Interconnection Customers interconnected with electric systems are to comply with the recommendations offered by the President's Critical Infrastructure Protection Board and best practice recommendations from the electric reliability authority. All public utilities are expected to meet basic standards for electric system infrastructure and operational security, including physical, operational, and cyber-security practices.

IN WITNESS WHEREOF, Transmission Provider, Interconnection Customer and Interconnected Transmission Owner have caused this Interim ISA to be executed by their respective authorized officials.

(PJM Queue Position #___)

Transmission Provider: PJM Interconnection, L.L.C.

By: _____
Name Title Date

Printed name of signer: _____

Interconnection Customer: [Name of Party]

By: _____
Name Title Date

Printed name of signer: _____

Interconnected Transmission Owner: [Name of Party]

By: _____
Name Title Date

Printed name of signer: _____

**SPECIFICATIONS FOR
INTERIM INTERCONNECTION SERVICE AGREEMENT**

**By and Among
PJM INTERCONNECTION, L.L.C.**

And

And

(PJM Queue Position #___)

1.0 Description of Customer Facility to be interconnected with the Transmission System in the PJM Region:

a. Name of Customer Facility:

b. Location of Customer Facility:

c. Size in megawatts of Customer Facility:

{The following language should be included only for generating units

For Generation Interconnection Customer:

Maximum Facility Output of _____MW }

{The following language applies when a Generation Interconnection Request involves an increase of the capacity of an existing generating facility: The stated size of the generating unit includes an increase in the Maximum Facility Output of the generating unit of ___ MW over Interconnection Customer's previous interconnection. This increase is a result of the Interconnection Request associated with this Interim Interconnection Service Agreement. }

{The following language should be included only for Merchant Transmission Facilities for Transmission Interconnection Customer:

Nominal Rated Capability: _____MW }

2.0 Interconnection Rights: Interconnection Customer shall obtain Capacity Interconnection Rights in accordance with Subpart C of Part VI of the Tariff at the location specified in section 1.0b upon its execution of the final Interconnection Service Agreement described in section 7.0(a) of this Interim ISA. **[if applicable, add:** , provided, however, that pending execution of the final Interconnection Service Agreement, Interconnection Customer shall be entitled to the following interim rights:

Pursuant to and subject to the applicable terms of the Tariff, Interconnection Customer shall have Capacity Interconnection Rights as a Capacity Resource at the Point of Interconnection specified in this Interim ISA in the amount of __ MW, for the time period of _____ to _____. To the extent that the Customer Facility described in section 1.0 is not a Capacity Resource with Capacity Interconnection Rights, such Customer Facility shall be an Energy Resource. Pursuant to this Interim ISA, the Customer Facility will be permitted to inject __ MW (nominal) into the system. PJM reserves the right to limit injections to this quantity in the event reliability would be affected by output greater than such quantity.]

3.0.A Facilities to be acquired, designed, constructed and/or installed by the Interconnected Transmission Owner under this Interim ISA:

3.0.B Facilities to be acquired, designed, constructed and/or installed by the Interconnection Customer under this Interim ISA:

4.0 Interconnection Customer shall be subject to the charges detailed below:

4.1 Attachment Facilities Charge:

4.2 Local Upgrades Charge:

4.3 Network Upgrades Charge:

4.4 Cost Breakdown:

\$	Direct Labor
\$	Direct Material
\$	Indirect Labor
\$	Indirect Material
\$	Total

SCHEDULES: {Note: Schedules A and B are required, others are optional; add if applicable and desirable for clarity.}

SCHEDULE A – INTERCONNECTION CUSTOMER’S AGREEMENT TO CONFORM WITH IRS SAFE HARBOR PROVISIONS FOR NON-TAXABLE STATUS

SCHEDULE B - INTERCONNECTION REQUIREMENTS FOR A WIND GENERATION FACILITY

SCHEDULE ___ - CUSTOMER FACILITY LOCATION/SITE PLAN

SCHEDULE ___ - SINGLE-LINE DIAGRAM

SCHEDULE A

INTERCONNECTION CUSTOMER'S AGREEMENT TO CONFORM WITH IRS SAFE HARBOR PROVISIONS FOR NON-TAXABLE STATUS

{Include the appropriate language from the alternatives below:}

{Include the following language if not required:}
Not Required.

[OR]

{Include the following language if applicable to Interconnection Customer:}

As provided in Section 20.1 of this Interim ISA and subject to the requirements thereof, Interconnection Customer represents that it meets all qualifications and requirements as set forth in Section 118(a) and 118(b) of the Internal Revenue Code of 1986, as amended and interpreted by Notice 88-129, 1988-2 C.B. 541, and as amplified and modified in Notices 90-60, 1990-2 C.B. 345, and 2001-82, 2001-2 C.B. 619 (the "IRS Notices"). Interconnection Customer agrees to conform with all requirements of the safe harbor provisions specified in the IRS Notices, as they may be amended, as required to confer non-taxable status on some or all of the transfer of property, including money, by Interconnection Customer to Interconnected Transmission Owner with respect to the payment of the Costs of construction and installation of the Transmission Owner Interconnection Facilities specified in this Interim ISA.

Nothing in Interconnection Customer's agreement pursuant to this Schedule A shall change Interconnection Customer's indemnification obligations under Section 20.1 of this Interim ISA.

{ Include the following Schedule B, as applicable, for New Service Requests received before May 1, 2015 }

SCHEDULE B

INTERCONNECTION REQUIREMENTS FOR A

WIND GENERATION FACILITY

{ Include the appropriate language from the alternatives below }

{ Include the following language if the Customer Facility is not a wind generation facility }

Not Required

[OR]

{ Include the following language when the Customer Facility is a wind generation facility }

Schedule B sets forth requirements and provisions specific to the interconnection of a wind generation facility that is greater than 20 MW. All other requirements pertaining to the interconnection of generation facilities above 20 MW set forth in Part IV of the Tariff continue to apply to wind generation facility interconnections.

A. Technical Standards Applicable to a Wind Generation Facility

i. Low Voltage Ride-Through (LVRT) Capability

A wind generation facility shall be able to remain online during voltage disturbances up to the time periods and associated voltage levels set forth in the standard below. The Schedule B LVRT standard provides for a transition period standard and a post-transition period standard.

Transition Period LVRT Standard

The transition period standard applies to wind generation facilities subject to Commission Order No. 661 that have either: (i) Interconnection Service Agreements signed and filed with the Commission, filed with the Commission in unexecuted form, or filed with the Commission as non-conforming agreements between January 1, 2006 and December 31, 2006, with a scheduled in-service date no later than December 31, 2007, or (ii) wind generation turbines subject to a wind turbine procurement contract executed prior to December 31, 2005, for delivery through 2007.

1. Wind generation facilities are required to remain in-service during three-phase faults with normal clearing (which is a time period of approximately 4 – 9 cycles) and single line to ground faults with delayed clearing, and subsequent post-fault voltage recovery to prefault voltage

unless clearing the fault effectively disconnects the generator from the system. The clearing time requirement for a three-phase fault will be specific to the wind generation facility substation location, as determined by and documented by the transmission provider. The maximum clearing time the wind generation facility shall be required to withstand for a three-phase fault shall be 9 cycles at a voltage as low as 0.15 p.u., as measured at the high side of the wind generation facility step-up transformer (i.e. the transformer that steps the voltage up to the transmission interconnection voltage or “GSU”), after which, if the fault remains following the location-specific normal clearing time for three-phase faults, the wind generation facility may disconnect from the transmission system.

2. This requirement does not apply to faults that would occur between the wind generator terminals and the high side of the GSU or to faults that would result in a voltage lower than 0.15 per unit on the high side of the GSU serving the facility.

3. Wind generation facilities may be tripped after the fault period if this action is intended as part of a special protection system.

4. Wind generation facilities may meet the LVRT requirements of this standard by the performance of the generators or by installing additional equipment (e.g., Static VAR Compensator, etc.) within the wind generation facility or by a combination of generator performance and additional equipment.

5. Existing individual generator units that are, or have been, interconnected to the network at the same location at the initial effective date of the Schedule B LVRT standard are exempt from meeting the Schedule B LVRT standard for the remaining life of the existing generation equipment. Existing individual generator units that are replaced are required to meet the Schedule B LVRT standard.

Post-transition Period LVRT Standard

All wind generation facilities subject to Commission Order No. 661 and not covered by the transition period described above must meet the following requirements:

1. Wind generation facilities are required to remain in-service during three-phase faults with normal clearing (which is a time period of approximately 4 – 9 cycles) and single line to ground faults with delayed clearing, and subsequent post-fault voltage recovery to prefault voltage unless clearing the fault effectively disconnects the generator from the system. The clearing time requirement for a three-phase fault will be specific to the wind generation facility substation location, as determined by and documented by the transmission provider. The maximum clearing time the wind generation facility shall be required to withstand for a three-phase fault shall be 9 cycles after which, if the fault remains following the location-specific normal clearing time for three-phase faults, the wind generation facility may disconnect from the transmission system. A wind generation facility shall remain interconnected during such a fault on the transmission system for a voltage level as low as zero volts, as measured at the high voltage side of the wind GSU.

2. This requirement does not apply to faults that would occur between the wind generator terminals and the high side of the GSU.
3. Wind generation facilities may be tripped after the fault period if this action is intended as part of a special protection system.
4. Wind generation facilities may meet the LVRT requirements of this standard by the performance of the generators or by installing additional equipment (e.g., Static VAR Compensator) within the wind generation facility or by a combination of generator performance and additional equipment.
5. Existing individual generator units that are, or have been, interconnected to the network at the same location at the initial effective date of the Schedule B LVRT standard are exempt from meeting the Schedule B LVRT Standard for the remaining life of the existing generation equipment. Existing individual generator units that are replaced are required to meet the Schedule B LVRT Standard.

ii. Power Factor Design Criteria (Reactive Power)

The power factor requirements for wind generation facilities set forth in section 4.7.1 of Appendix 2 to Attachment O of the Tariff can be met by using, for example, power electronic devices designed to supply this level of reactive capability (taking into account any limitations due to voltage level, real power output, etc.) or fixed and switched capacitors if agreed to by the Transmission Provider, or a combination of the two. The Interconnection Customer shall not disable power factor equipment while the wind generation facility is in operation. Wind generation facilities shall also be able to provide sufficient dynamic voltage support in lieu of the power system stabilizer and automatic voltage regulation at the generator excitation system if the System Impact Study shows this to be required for system safety or reliability.

iii. Supervisory Control and Data Acquisition (SCADA) Capability

The wind generation facility shall provide SCADA capability to transmit data and receive instructions from the Transmission Provider to protect system reliability. The Transmission Provider and the wind generation facility Interconnection Customer shall determine what SCADA information is essential for the proposed wind generation facility, taking into account the size of the facility and its characteristics, location, and importance in maintaining generation resource adequacy and transmission system reliability in its area.

iv. Meteorological Data Reporting Requirement

The wind generation facility shall, at a minimum, be required to provide the Transmission Provider with site-specific meteorological data including:

- Temperature (degrees Fahrenheit)
- Wind speed (meters/second)
- Wind direction (degrees from True North)

- Atmospheric pressure (hectopascals)
- Forced outage data (wind turbine and MW unavailability)

The Transmission Provider and Interconnection Customer may mutually agree to any additional meteorological data that are required for the development and deployment of a power production forecast. All requirements for meteorological and forced outage data must be commensurate with the power production forecasting employed by the Transmission Provider. Such additional mutually agreed upon requirements for meteorological and forced outage data are set forth below:

[SPECIFICY AGREED UPON METEOROLOGICAL AND FORCED OUTAGE DATA REQUIREMENTS]

OR

[NOT APPLICABLE FOR THIS INTERIM ISA]

{Include the following Schedule B, as applicable, for New Service Requests received on or after May 1, 2015}

SCHEDULE B

INTERCONNECTION REQUIREMENTS FOR ALL WIND AND NON-SYNCHRONOUS GENERATION FACILITIES

{Include the appropriate language from the alternatives below}

{Include the following language if the Customer Facility is not a wind or non-synchronous generation facility}

Not Required

[OR]

{Include the following language when the Customer Facility is a wind or non-synchronous generation facility}

A. Voltage Ride Through Requirements

The Customer Facility shall be designed to remain in service (not trip) for voltages and times as specified for the Eastern Interconnection in Attachment 1 of NERC Reliability Standard PRC-024-1, and successor Reliability Standards, for both high and low voltage conditions, irrespective of generator size, subject to the permissive trip exceptions established in PRC-024-1 (and successor Reliability Standards).

B. Frequency Ride Through Requirements

The Customer Facility shall be designed to remain in service (not trip) for frequencies and times as specified in Attachment 2 of NERC Reliability Standard PRC-024-1, and successor Reliability Standards, for both high and low frequency condition, irrespective of generator size, subject to the permissive trip exceptions established in PRC-024-1 (and successor Reliability Standards).

C. Supervisory Control and Data Acquisition (SCADA) Capability

The wind or non-synchronous generation facility shall provide SCADA capability to transmit data and receive instructions from the Transmission Provider to protect system reliability. The Transmission Provider and the wind or non-synchronous generation facility Interconnection Customer shall determine what SCADA information is essential for the proposed wind or non-synchronous generation facility, taking into account the size of the facility and its characteristics, location, and importance in maintaining generation resource adequacy and transmission system reliability in its area.

D. Meteorological Data Reporting Requirement (Applicable to wind generation facilities only)

The wind generation facility shall, at a minimum, be required to provide the Transmission Provider with site-specific meteorological data including:

- Temperature (degrees Fahrenheit)
- Wind speed (meters/second)
- Wind direction (degrees from True North)
- Atmosphere pressure (hectopascals)
- Forced outage data (wind turbine and MW unavailability)

The Transmission Provider and Interconnection Customer may mutually agree to any additional meteorological data that are required for the development and deployment of a power production forecast. All requirements for meteorological and forced outage data must be commensurate with the power production forecasting employed by the Transmission Provider. Such additional mutually agreed upon requirements for meteorological and forced outage data are set forth below:

[SPECIFY AGREED UPON METEOROLOGICAL AND FORCED OUTAGE DATA REQUIREMENTS]

[OR]

[NOT APPLICABLE FOR THIS INTERIM ISA]

Revisions to Attachment P (Pro Forma ICSA):

- Attachment P, Pro Forma ICSA
- Attachment P, Appendix II
- Attachment P, Schedule E
- Attachment P, Schedule F
- Attachment P, Schedule L

ATTACHMENT P

**FORM OF
INTERCONNECTION CONSTRUCTION SERVICE AGREEMENT**

**By and Among
PJM Interconnection, L.L.C.**

And

[Name of Interconnection Customer]

And

[Name of Interconnected Transmission Owner]

(PJM Queue Position #____)

- 1.0 Parties. This Interconnection Construction Service Agreement (“CSA”) including the Schedules and Appendices attached hereto and incorporated herein, is entered into by and between PJM Interconnection, L.L.C. (“Transmission Provider” or “PJM”) and the following Interconnection Customer and Interconnected Transmission Owner:

Interconnection Customer:

[full name] [OPTIONAL: (also referred to as “[short name”])]_____

Interconnected Transmission Owner:

[full name] [OPTIONAL: (also referred to as “[short name”])]_____

All capitalized terms herein shall have the meanings set forth in the appended definitions of such terms as stated in Part I of the Tariff.

- 2.0 Authority. This CSA is entered into pursuant to Part VI of the Tariff. The standard terms and conditions for construction are attached at Appendix 2 to this CSA and are hereby specifically incorporated as provisions of this agreement. Transmission Provider, the Interconnection Customer and the Interconnected Transmission Owner agree to and assume all of their respective rights and obligations as set forth in the standard terms and conditions for construction in Appendix 2 to this CSA. Further, Interconnection Customer and the Interconnected Transmission Owner each agrees to and assumes all of the rights and obligations of a Constructing Entity with respect to the facilities that each of them is responsible for constructing, as set forth in this CSA.
- 3.0 Customer Facility. This CSA specifically relates to the following Customer Facility at the following location:

- a. Name of Customer Facility:

b. Location of Customer Facility:

4.0 Effective Date and Term.

4.1 Effective Date. This CSA shall become effective on the later of (i) the date the agreement has been executed by all Construction Parties, or (ii) the date of Interconnection Customer's delivery of Security to the Transmission Provider, provided, however, that if the CSA is filed with the FERC unexecuted, the Effective Date shall be the date specified by the FERC. The Interconnected Transmission Owner shall have no obligation to begin construction of the Transmission Owner Interconnection Facilities prior to the Effective Date. Construction shall commence as provided in the Schedule of Work set forth in Schedule J to this CSA.

4.2 Term. This CSA shall continue in full force and effect from the Effective Date until the termination thereof pursuant to Section 14 of Appendix 2 to this CSA.

4.3 Survival. This CSA shall continue in effect after termination to the extent necessary to provide for final billings and payments, including billings and payments pursuant to Section 9 and/or Section 14 of Appendix 2 to this CSA, and to permit the determination and enforcement of liability and indemnification obligations arising from acts or events that occurred while the CSA was in effect.

5.0 Construction Responsibility for

a. Customer Interconnection Facilities. Interconnection Customer is responsible for designing and constructing the Customer Interconnection Facilities described on the attached Schedule G to this CSA.

b. Construction of Transmission Owner Interconnection Facilities.

1. The Transmission Owner Interconnection Facilities regarding which Interconnected Transmission Owner shall be the Constructing Entity are described on the attached Schedule C to this CSA.

2. Election of Construction Option. Specify below whether the Constructing Entities have mutually agreed to construction of the Transmission Owner Interconnection Facilities that will be built by the Interconnected Transmission Owner pursuant to the Standard Option or the Negotiated Contract Option. (See Section 3.2 of the Appendix 2 to this CSA.)

_____Standard Option.

_____Negotiated Contract Option.

If the parties have mutually agreed to use the Negotiated Contract Option, the permitted, negotiated terms on which they have agreed and which are not already set forth as part of the Scope of Work and/or Schedule of Work attached to this CSA as Schedules I and J, respectively, shall be as set forth in Schedule H attached to this CSA.

3. Exercise of Option to Build. Has Interconnection Customer timely exercised the Option to Build in accordance with Section 3.2.3 of Appendix 2 to this CSA with respect to some or all of the Transmission Owner Interconnection Facilities?

_____ Yes

_____ No

If Yes is indicated, Interconnection Customer shall build, in accordance with and subject to the conditions and limitations set forth in Section 3.2.3 of Appendix 2 to this CSA, those portions of the Transmission Owner Interconnection Facilities described on Schedule D attached to this CSA.

6.0 [Reserved].

7.0 Scope of Work. The Scope of Work for all construction pursuant to this CSA shall be as set forth in the attached Schedule I, provided, however, that the scope of work is subject to change in accordance with Transmission Provider’s scope change process for interconnection projects as set forth in the PJM Manuals.

8.0 Schedule of Work. The Schedule of Work for all construction pursuant to this CSA shall be as set forth in the attached Schedule J, provided, however, that such schedule is subject to change in accordance with Section 3.3 of Appendix 2 to this CSA.

9.0 [Reserved.]

10.0 Notices. Any notice or request made to or by any party regarding this CSA shall be made in accordance with the standard terms and conditions for construction set forth in Appendix 2 to this CSA to the representatives of the other parties, as indicated below:

Transmission Provider:

PJM Interconnection, L.L.C.
2750 Monroe Blvd.
Audubon, PA 19403

Interconnection Customer:

Interconnected Transmission Owner:

- 11.0 Waiver. No waiver by any party of one or more defaults by another in performance of any of the provisions of this CSA shall operate or be construed as a waiver of any other or further default or defaults, whether of a like or different character.
- 12.0 Amendment. This CSA or any part thereof, may not be amended, modified, assigned, or waived other than by a writing signed by all parties.
- 13.0 Incorporation of Other Documents. All portions of the Tariff and the Operating Agreement pertinent to the subject of this CSA and not otherwise made a part hereof are hereby incorporated herein and made a part hereof.
- 14.0 Addendum of Interconnection Customer's Agreement to Conform with IRS Safe Harbor Provisions for Non-Taxable Status. To the extent required, in accordance with Section 2.4.1 of Appendix 2 to this CSA, Schedule L to this CSA shall set forth the Interconnection Customer's agreement to conform with the IRS safe harbor provisions for non-taxable status.
- 15.0 Addendum of Non-Standard Terms and Conditions for Construction Service. Subject to FERC approval, the parties agree that the terms and conditions set forth in the attached Schedule M are hereby incorporated by reference, and made a part of, this CSA. In the event of any conflict between a provision of Schedule M that FERC has accepted and any provision of the standard terms and conditions set forth in Appendix 2 to this CSA that relates to the same subject matter, the pertinent provision of Schedule M shall control.
- 16.0 Addendum of Interconnection Requirements for all Wind or Non-synchronous Generation Facilities. To the extent required, Schedule N to this CSA sets forth interconnection requirements for all wind and non-synchronous generation facilities and is hereby incorporated by reference and made a part of this CSA.
- 17.0 Infrastructure security of electric system equipment and operations and control hardware and software is essential to ensure day-to-day reliability and operational security. All Transmission Providers, Interconnected Transmission Owners, market participants, and Interconnection Customers interconnected with electric systems are to comply with the recommendations offered by the President's Critical Infrastructure Protection Board and best practice recommendations from the electric reliability authority. All public utilities are expected to meet basic standards for electric system infrastructure and operational security, including physical, operational, and cyber-security practices.

IN WITNESS WHEREOF, the parties have caused this Interconnection Construction Service Agreement to be executed by their respective authorized officials.

(PJM Queue Position #____)

Transmission Provider: PJM Interconnection, L.L.C.:

By: _____
Name Title Date

Printed name of signer: _____

Interconnection Customer: **[Name of Party]**

By: _____
Name Title Date

Printed name of signer: _____

Interconnected Transmission Owner: **[Name of Party]**

By: _____
Name Title Date

Printed name of signer: _____

APPENDICES:

- **APPENDIX 1 - DEFINITIONS**
- **APPENDIX 2 - STANDARD CONSTRUCTION TERMS AND CONDITIONS**

SCHEDULES:

- **SCHEDULE A - SITE PLAN**
- **SCHEDULE B - SINGLE-LINE DIAGRAM OF INTERCONNECTION FACILITIES**
- **SCHEDULE C - TRANSMISSION OWNER INTERCONNECTION**

FACILITIES TO BE BUILT BY INTERCONNECTED TRANSMISSION OWNER

- **SCHEDULE D - TRANSMISSION OWNER INTERCONNECTION FACILITIES TO BE BUILT BY INTERCONNECTION CUSTOMER PURSUANT TO OPTION TO BUILD**
- **SCHEDULE E - [Reserved]**
- **SCHEDULE F – [Reserved]**
- **SCHEDULE G - CUSTOMER INTERCONNECTION FACILITIES**
- **SCHEDULE H - NEGOTIATED CONTRACT OPTION TERMS**
- **SCHEDULE I - SCOPE OF WORK**
- **SCHEDULE J - SCHEDULE OF WORK**
- **SCHEDULE K - APPLICABLE TECHNICAL REQUIREMENTS AND STANDARDS**
- **SCHEDULE L - INTERCONNECTION CUSTOMER'S AGREEMENT TO CONFORM WITH IRS SAFE HARBOR PROVISIONS FOR NON-TAXABLE STATUS**
- **SCHEDULE M - SCHEDULE OF NON-STANDARD TERMS AND CONDITIONS**
- **SCHEDULE N - INTERCONNECTION REQUIREMENTS FOR A WIND GENERATION FACILITY**

2.2 Transmission Owner Interconnection Facilities

2.2.1 Generally:

All Transmission Owner Interconnection Facilities necessary for the interconnection of the Customer Facility shall be designed, procured, installed and constructed in accordance with this Appendix 2, Applicable Standards, Applicable Laws and Regulations, Good Utility Practice, the Facilities Study and the Scope of Work under the Interconnection Construction Service Agreement(s).

2.2.2 Cost Responsibility:

Responsibility for the Costs of the Transmission Owner Interconnection Facilities shall be assigned in accordance with Section 217 of the Tariff, as applicable, and shall be stated in the Interconnection Service Agreement.

2.2.3 Construction Responsibility:

Except as otherwise permitted under, or as otherwise agreed upon by the Interconnection Customer and the Interconnected Transmission Owner pursuant to, Section 3 of this Appendix 2, the Interconnected Transmission Owner shall be responsible for the design, procurement, construction and installation of the Transmission Owner Interconnection Facilities. In the event that there are multiple Interconnected Transmission Owners, the Transmission Provider shall determine how to allocate the construction responsibility among them unless they have reached agreement among themselves on how to proceed.

2.2.4 Ownership of Transmission Owner Interconnection Facilities:

The Interconnected Transmission Owner shall own all Transmission Owner Interconnection Facilities that it builds. In addition, the Interconnection Customer will convey to the Interconnected Transmission Owner, as provided in Section 5.5 of this Appendix 2, title to all Transmission Owner Interconnection Facilities built by the Interconnection Customer pursuant to the terms of Section 3.2 of this Appendix 2. Nothing in this section shall affect the interconnection rights otherwise available to a Transmission Interconnection Customer under Subpart C of Part VI of the Tariff.

2.4 Tax Liability

2.4.1 Safe Harbor Provisions:

This Section 2.4.1 is applicable only to Generation Interconnection Customers. Provided that Interconnection Customer agrees to conform to all requirements of the Internal Revenue Service (“IRS”) (e.g., the “safe harbor” provisions of IRS Notices 2001-82 and 88-129) that would confer nontaxable status on some or all of the transfer of property, including money, by Interconnection Customer to the Interconnected Transmission Owner for payment of the Costs of construction of the Transmission Owner Interconnection Facilities, the Interconnected Transmission Owner, based on such agreement and on current law, shall treat such transfer of property to it as nontaxable income and, except as provided in Section 2.4.2 of this Appendix 2, shall not include income taxes in the Costs of Transmission Owner Interconnection Facilities that are payable by Interconnection Customer under this Appendix 2. Interconnection Customer shall document its agreement to conform to IRS requirements for such non-taxable status in the Interconnection Service Agreement, the Interconnection Construction Service Agreement, and/or the Interim Interconnection Service Agreement.

2.4.2 Tax Indemnity:

Interconnection Customer shall indemnify the Interconnected Transmission Owner for any costs that Interconnected Transmission Owner incurs in the event that the IRS and/or a state department of revenue (State) determines that the property, including money, transferred by Interconnection Customer to the Interconnected Transmission Owner with respect to the construction of the Transmission Owner Interconnection Facilities is taxable income to the Interconnected Transmission Owner. Interconnection Customer shall pay to the Interconnected Transmission Owner, on demand, the amount of any income taxes that the IRS or a State assesses to the Interconnected Transmission Owner in connection with such transfer of property and/or money, plus any applicable interest and/or penalty charged to the Interconnected Transmission Owner. In the event that the Interconnected Transmission Owner chooses to contest such assessment, either at the request of Interconnection Customer or on its own behalf, and prevails in reducing or eliminating the tax, interest and/or penalty assessed against it, the Interconnected Transmission Owner shall refund to Interconnection Customer the excess of its demand payment made to the Interconnected Transmission Owner over the amount of the tax, interest and penalty for which the Interconnected Transmission Owner is finally determined to be liable. Interconnection Customer’s tax indemnification obligation under this section shall survive any termination of the Interconnection Construction Service Agreement.

2.4.3 Taxes Other Than Income Taxes:

Upon the timely request by Interconnection Customer, and at Interconnection Customer’s sole expense, the Interconnected Transmission Owner shall appeal, protest, seek abatement of, or otherwise contest any tax (other than federal or state income tax) asserted or assessed against the Interconnected Transmission Owner for which Interconnection Customer may be required to reimburse Transmission Provider under the terms of this Interconnection Construction Service Agreement, or Part VI of the Tariff. Interconnection Customer shall pay to the Interconnected

Transmission Owner on a periodic basis, as invoiced by the Interconnected Transmission Owner, the Interconnected Transmission Owner's documented reasonable costs of prosecuting such appeal, protest, abatement, or other contest. Interconnection Customer and the Interconnected Transmission Owner shall cooperate in good faith with respect to any such contest. Unless the payment of such taxes is a prerequisite to an appeal or abatement or cannot be deferred, no amount shall be payable by Interconnection Customer to the Interconnected Transmission Owner for such contested taxes until they are assessed by a final, non-appealable order by any court or agency of competent jurisdiction. In the event that a tax payment is withheld and ultimately due and payable after appeal, Interconnection Customer will be responsible for all taxes, interest and penalties, other than penalties attributable to any delay caused by the Interconnected Transmission Owner.

2.4.4 Income Tax Gross-Up

2.4.4.1 Additional Security:

In the event that Interconnection Customer does not provide the safe harbor documentation required under Section 2.4.1 of this Appendix 2 prior to execution of the Interconnection Construction Service Agreement, within 15 days after such execution, Transmission Provider shall notify Interconnection Customer in writing of the amount of additional Security that Interconnection Customer must provide. The amount of Security that a Transmission Interconnection Customer must provide initially shall include any amounts described as additional Security under this Section 2.4.4 regarding income tax gross-up.

2.4.4.2 Amount:

The required additional Security shall be in an amount equal to the amount necessary to gross up fully for currently applicable federal and state income taxes the estimated Costs of Local Upgrades and Network Upgrades for which Interconnection Customer previously provided Security. Accordingly, the additional Security shall equal the amount necessary to increase the total Security provided to the after the payment of all applicable income taxes ("Current Taxes") and taking into account the present value of future tax deductions for depreciation that would be available as a result of the anticipated payments or property transfers (the "Present Value Depreciation Amount"), an amount equal to the estimated Costs of Local Upgrades and Network Upgrades for which Interconnection Customer is responsible under the Interconnection Service Agreement. For this purpose, Current Taxes shall be computed based on the composite federal and state income tax rates applicable to the Interconnected Transmission Owner at the time the additional Security is received, determined using the highest marginal rates in effect at that time (the "Current Tax Rate"), and (ii) the Present Value Depreciation Amount shall be computed by discounting the Interconnected Transmission amount that would be sufficient to permit the Interconnected Transmission Owner to receive and retain, Owner's anticipated tax depreciation deductions associated with such payments or property transfers by its current weighted average cost of capital.

2.4.4.3 Time for Payment:

Interconnection Customer must provide the additional Security, in a form and with terms as required by Section 212.4, within 15 days after its receipt of Transmission Provider's notice under this section. The requirement for additional Security under this section shall be treated as a milestone included in the Interconnection Service Agreement pursuant to Section 212.5.

2.4.5 Tax Status:

Each Party shall cooperate with the other to maintain the other Party's tax status. Nothing in this Interconnection Construction Service Agreement or the Tariff is intended to adversely affect any Interconnected Transmission Owner's tax exempt status with respect to the issuance of bonds including, but not limited to, local furnishing bonds.

3.1 Construction by Interconnection Customer:

The Interconnection Customer shall use Reasonable Efforts to design, procure, construct and install the Customer Interconnection Facilities and any Transmission Owner Interconnection Facilities that it elects to build by exercise of the Option to Build (defined in Section 3.2.3.1 below) in accordance with the Schedule of Work.

3.2 Construction by Interconnected Transmission Owner

3.2.1 Standard Option:

The Interconnected Transmission Owner shall use Reasonable Efforts to design, procure, construct and install the Transmission Owner Interconnection Facilities that it is responsible for constructing in accordance with the Schedule of Work.

3.2.1.1 Construction Sequencing:

In general, the sequence of the proposed dates of Initial Operation of Interconnection Customers seeking interconnection to the Transmission System will determine the sequence of construction of Network Upgrades.

3.2.2 Negotiated Contract Option:

As an alternative to the Standard Option set forth in Section 3.2.1 of this Appendix 2, the Interconnected Transmission Owner and the Interconnection Customer may mutually agree to a Negotiated Contract Option for the Interconnected Transmission Owner's design, procurement, construction and installation of the Transmission Owner Interconnection Facilities. Under the Negotiated Contract Option, the Interconnection Customer and the Interconnected Transmission Owner may agree to terms different from those included in the Standard Option of Section 3.2.1 above and the corresponding standard terms set forth in the applicable provisions of Part VI of the Tariff and this Appendix 2. Under the Negotiated Contract Option, negotiated terms may include the work schedule applicable to the Interconnected Transmission Owner's construction activities and changes to same (Section 3.3 of this Appendix 2); payment provisions, including the schedule of payments; incentives, penalties and/or liquidated damages related to timely completion of construction (Section 3.2.1 of this Appendix 2); use of third party contractors; and responsibility for Costs, but only as between the Interconnection Customer and the Interconnected Transmission Owner that are parties to this Interconnection Construction Service Agreement; no other Interconnection Customer's responsibility for Costs may be affected (Section 217 of the Tariff). No other terms of the Tariff or this Appendix 2 shall be subject to modification under the Negotiated Contract Option. The terms and conditions of the Tariff that may be negotiated pursuant to the Negotiated Contract Option shall not be affected by use of the Negotiated Contract Option except as and to the extent that they are modified by the parties' agreement pursuant to such option. All terms agreed upon pursuant to the Negotiated Contract Option shall be stated in full in an appendix to this Interconnection Construction Service Agreement.

3.2.3 Option to Build

3.2.3.1 Option:

In the event that the Interconnected Transmission Owner and the Interconnection Customer are unable to agree upon the terms of an Interconnection Construction Service Agreement (a) on or before the date that is 30 days after Interconnection Customer's execution of the Interconnection

Service Agreement, or (b) by such earlier date as is reasonable in the light of the schedule for construction of, as the case may be, the Transmission Owner Interconnection Facilities, as set forth in the Facilities Study, and subject to the terms and conditions set forth in Sections 2 and 3 of this Appendix 2, or if mutually agreed by and between the Interconnection Customer and the Transmission Owner, the Interconnection Customer shall have the right, but not the obligation (“Option to Build”), to design, procure, construct and install all or any portion of the Transmission Owner Interconnection Facilities. In order to exercise this Option to Build, the Interconnection Customer must provide Transmission Provider and the Interconnected Transmission Owner with written notice of its election to exercise the option by no later than seven days after the date that is 30 days after Interconnection Customer’s execution of the Interconnection Service Agreement, specifying either that a mutual agreement has been reached between the Interconnection Customer and the Interconnected Transmission Owner that the Interconnection Customer will exercise the Option to Build, or the specific terms and conditions of the Interconnection Construction Service Agreement upon which the Interconnected Transmission Owner and the Interconnection Customer are unable to agree and the efforts undertaken by the Interconnection Customer to resolve such disagreement; provided, however, that the Interconnection Customer and the Interconnected Transmission Owner may by mutual agreement extend the time period for exercise of the option.

3.2.3.2 General Conditions Applicable to Option:

In addition to the other terms and conditions applicable to the construction of facilities under this Appendix 2, the Option to Build is subject to the following conditions:

(a) The Interconnection Customer must obtain or arrange to obtain all necessary permits and authorizations for the construction and installation of the Transmission Owner Interconnection Facilities that it is building, provided, however, that when the Interconnected Transmission Owner’s assistance is required, the Interconnected Transmission Owner shall assist the Interconnection Customer in obtaining such necessary permits or authorizations with efforts similar in nature and extent to those that the Interconnected Transmission Owner typically undertakes in acquiring permits and authorizations for construction of facilities on its own behalf;

(b) The Interconnection Customer must obtain all necessary land rights for the construction and installation of the Transmission Owner Interconnection Facilities that it is building, provided, however, that upon Interconnection Customer’s reasonable request, the Interconnected Transmission Owner shall assist the Interconnection Customer in acquiring such land rights with efforts similar in nature and extent to those that the Interconnected Transmission Owner typically undertakes in acquiring land rights for construction of facilities on its own behalf;

(c) Notwithstanding anything stated herein, each Interconnected Transmission Owner shall have the exclusive right and obligation to perform the line attachments (tie-in work), and to calibrate remote terminal units and relay settings, required for the interconnection to such Interconnected Transmission Owner’s existing facilities of any Transmission Owner Interconnection Facilities that the Interconnection Customer builds; and

(d) The Transmission Owner Interconnection Facilities built by the Interconnection Customer shall be successfully inspected, tested and energized pursuant to Sections 3.8 and 3.9 of this Appendix 2.

3.2.3.3 Additional Conditions Regarding Network Facilities:

To the extent that the Interconnection Customer utilizes the Option to Build for design, procurement, construction and/or installation of (a) any Transmission Owner Interconnection Facilities that are Local Upgrades or Network Upgrades to Transmission System facilities that are in existence or under construction by or on behalf of the Interconnected Transmission Owner on the date that the Interconnection Customer solicits bids under Section 3.2.3.7 below, or (b) Transmission Owner Interconnection Facilities that are to be located on land or in right-of-way owned or controlled by the Interconnected Transmission Owner, and in addition to the other terms and conditions applicable to the design, procurement, construction and/or installation of facilities under this Appendix 2, all work shall comply with the following further conditions:

(i) All work performed by or on behalf of the Interconnection Customer shall be conducted by contractors, and using equipment manufacturers or vendors, that are listed on the Interconnected Transmission Owner's List of Approved Contractors;

(ii) The Interconnected Transmission Owner shall have full site control of, and reasonable access to, its property at all times for purposes of tagging or operation, maintenance, repair or construction of modifications to, its existing facilities and/or for performing all tie-ins of Interconnection Facilities built by or for the Interconnection Customer; and for acceptance testing of any equipment that will be owned and/or operated by the Interconnected Transmission Owner;

(iii) The Interconnected Transmission Owner shall have the right to have a reasonable number of appropriate representatives present for all work done on its property/facilities or regarding the Transmission Owner Interconnection Facilities and the right to stop, or to order corrective measures with respect to, any such work that reasonably could be expected to have an adverse effect on reliability, safety or security of persons or of property of the Interconnected Transmission Owner or any portion of the Transmission System, provided that, unless circumstances do not reasonably permit such consultations, the Interconnected Transmission Owner shall consult with the Interconnection Customer and with Transmission Provider before directing that work be stopped or ordering any corrective measures;

(iv) The Interconnection Customer and its contractors, employees and agents shall comply with the Interconnected Transmission Owner's safety, security and work rules, environmental guidelines and training requirements applicable to the area(s) where construction activity is occurring and shall provide all reasonably required documentation to the Interconnected Transmission Owner, provided that the Interconnected Transmission Owner previously has provided its safety, security and work rules and training requirements applicable to work on its facilities to Transmission Provider and the Interconnection Customer within 20

business days after a request therefor made by Interconnection Customer following its receipt of the Facilities Study;

(v) The Interconnection Customer shall be responsible for controlling the performance of its contractors, employees and agents; and

(vi) All activities performed by or on behalf of the Interconnection Customer pursuant to its exercise of the Option to Build shall be subject to compliance with Applicable Laws and Regulations, including those governing union staffing and bargaining unit obligations, and Applicable Standards.

3.2.3.4 Administration of Conditions:

To the extent that the Interconnected Transmission Owner exercises any discretion in the application of any of the conditions stated in Sections 3.2.3.2 and 3.2.3.3 of this Appendix 2, it shall apply each such condition in a manner that is reasonable and not unduly discriminatory and it shall not unreasonably withhold, condition, or delay any approval or authorization that the Interconnection Customer may require for the purpose of complying with any of those conditions.

3.2.3.5 Approved Contractors:

(a) Each Transmission Owner shall develop and shall provide to Transmission Provider a List of Approved Contractors. Each Transmission Owner shall include on its List of Approved Contractors no fewer than three contractors and no fewer than three manufacturers or vendors of major transmission-related equipment, unless a Transmission Owner demonstrates to Transmission Provider's reasonable satisfaction that it is feasible only to include a lesser number of construction contractors, or manufacturers or vendors, on its List of Approved Contractors. Transmission Provider shall publish each Transmission Owner's List of Approved Contractors in a PJM Manual and shall make such manual available on its internet website.

(b) Upon request of an Interconnection Customer, a Transmission Owner shall add to its List of Approved Contractors (1) any design or construction contractor regarding which the Interconnection Customer provides such information as the Transmission Owner may reasonably require which demonstrates to the Transmission Owner's reasonable satisfaction that the candidate contractor is qualified to design, or to install and/or construct new facilities or upgrades or modifications to existing facilities on the Transmission Owner's system, or (2) any manufacturer or vendor of major transmission-related equipment (e.g., high-voltage transformers, transmission line, circuit breakers) regarding which the Interconnection Customer provides such information as the Transmission Owner may reasonably require which demonstrates to the Transmission Owner's reasonable satisfaction that the candidate entity's major transmission-related equipment is acceptable for installation and use on the Transmission Owner's system. No Transmission Owner shall unreasonably withhold, condition, or delay its acceptance of a contractor, manufacturer, or vendor proposed for addition to its List of Approved Contractors.

3.2.3.6 Construction by Multiple Interconnection Customers:

In the event that there are multiple Interconnection Customers that wish to exercise an Option to Build with respect to Interconnection Facilities of the types described in Section 3.2.3.3 to this Appendix 2, the Transmission Provider shall determine how to allocate the construction responsibility among them unless they reach agreement among themselves on how to proceed.

3.2.3.7 Option Procedures:

(a) Within 10 days after notifying Transmission Provider and the Interconnected Transmission Owner of its election to exercise the Option to Build, Interconnection Customer shall solicit bids from one or more Approved Contractors named on the Interconnected Transmission Owner's List of Approved Contractors to procure equipment for, and/or to design, construct and/or install, the Transmission Owner Interconnection Facilities that the Interconnection Customer seeks to build under the Option to Build on terms (i) that will meet the Interconnection Customer's proposed schedule; (ii) that, if the Interconnection Customer seeks to have an Approved Contractor construct or install Transmission Owner Interconnection Facilities, will satisfy all of the conditions on construction specified in Sections 3.2.3.2 and 3.2.3.3 of this Appendix 2; and (iii) that will satisfy the obligations of a Constructing Entity (other than those relating to responsibility for the costs of facilities) under this Appendix 2.

(b) Any additional costs arising from the bidding process or from the final bid of the successful Approved Contractor shall be the sole responsibility of the Interconnection Customer.

(c) Upon receipt of a qualifying bid acceptable to it, the Interconnection Customer shall contract with the Approved Contractor that submitted the qualifying bid. Such contract shall meet the standards stated in paragraph (a) of this section.

(d) In the absence of a qualifying bid acceptable to the Interconnection Customer in response to its solicitation, the Interconnected Transmission Owner(s) shall be responsible for the design, procurement, construction and installation of the Transmission Owner Interconnection Facilities in accordance with the Standard Option described in Section 3.2.1 of this Appendix 2.

3.2.3.8 Interconnection Customer Drawings:

Interconnection Customer shall submit to the Interconnected Transmission Owner and Transmission Provider initial drawings, certified by a professional engineer, of the Transmission Owner Interconnection Facilities that Interconnection Customer arranges to build under the Option to Build. The Interconnected Transmission Owner shall review the drawings to assess the consistency of Interconnection Customer's design of the pertinent Transmission Owner Interconnection Facilities with Applicable Standards and the Facilities Study. Interconnected Transmission Owner, with facilitation and oversight by Transmission Provider, shall provide comments on such drawings to Interconnection Customer within sixty days after its receipt thereof, after which time any drawings not subject to comment shall be deemed to be approved. All drawings provided hereunder shall be deemed to be Confidential Information.

3.2.3.9 Effect of Review:

Interconnected Transmission Owner's review of Interconnection Customer's initial drawings of the Transmission Owner Interconnection Facilities that the Interconnection Customer is building shall not be construed as confirming, endorsing or providing a warranty as to the fitness, safety, durability or reliability of such facilities or the design thereof. At its sole cost and expense, Interconnection Customer shall make such changes to the design of the pertinent Transmission Owner Interconnection Facilities as may reasonably be required by Transmission Provider, in consultation with the Interconnected Transmission Owner, to ensure that the Transmission Owner Interconnection Facilities that Interconnection Customer is building meet Applicable Standards and conform with the Facilities Study.

3.4 Suspension:

The following provision applies to Interconnection Requests which have entered the New Services Queue prior to February 1, 2011:

Interconnection Customer shall have the right, upon written notice to Transmission Provider and Interconnected Transmission Owner, to suspend at any time all work by Interconnected Transmission Owner associated with the construction and installation of the Transmission Owner Interconnection Facilities required under an Interconnection Service Agreement or Interconnection Construction Service Agreement, with the condition that, notwithstanding such suspension, the Transmission System shall be left in a safe and reliable condition in accordance with Good Utility Practice and Transmission Provider's safety and reliability criteria. This suspension right permits the Interconnection Customer to request one or more suspensions of work for a cumulative period of up to three years for each Interconnection Request. Interconnection Customer's notice of suspension shall include an estimated duration of the suspension and other information related to the suspension.

The following provision applies to Interconnection Requests which have entered the New Services Queue on or after February 1, 2011:

Interconnection Customer shall have the right, upon written notice to Transmission Provider and Interconnected Transmission Owner, to suspend at any time all work by Interconnected Transmission Owner associated with the construction and installation of the Transmission Owner Interconnection Facilities required under an Interconnection Service Agreement or Interconnection Construction Service Agreement, with the condition that, notwithstanding such suspension, the Transmission System shall be left in a safe and reliable condition in accordance with Good Utility Practice and Transmission Provider's safety and reliability criteria. This suspension right permits the Interconnection Customer to request one or more suspensions of work for a cumulative period of up to (i) three years for an Interconnection Request for which the Transmission Provider determines that such suspension would not be deemed a Material Modification, or (ii) one year for an Interconnection Request for which the Transmission Provider determine that such suspension would be deemed a Material Modification. Interconnection Customer's notice of suspension shall include an estimated duration of the suspension and other information related to the suspension.

3.4.1 Costs:

In the event of a suspension under this section, Interconnection Customer shall be responsible for all reasonable and necessary Cancellation Costs which Interconnected Transmission Owner or Transmission Provider (i) has incurred pursuant to the Interconnection Service Agreement or Interconnection Construction Service Agreement prior to the suspension and (ii) incurs in suspending such work, including any costs incurred to perform such work as may be necessary to ensure the safety of persons and property and the integrity of the Transmission System during such suspension and, if applicable, any costs incurred in connection with the cancellation or suspension of material, equipment and/or labor contracts which Interconnected Transmission Owner or Transmission Provider cannot reasonably avoid; provided, however, that prior to

cancelling or suspending any such material, equipment or labor contract, Interconnected Transmission Owner or Transmission Provider, as the case may be, shall obtain Interconnection Customer's authorization to do so. Transmission Provider shall invoice Interconnection Customer pursuant to Section 9 of this Appendix 2 for Cancellation Costs for which the customer is liable under this section. Interconnected Transmission Owner and Transmission Provider shall use due diligence to minimize Cancellation Costs in the event of a suspension of work.

3.4.2 Duration of Suspension:

In the event Interconnection Customer suspends work by Interconnected Transmission Owner required under an Interconnection Service Agreement or Interconnection Construction Service Agreement pursuant to this Section 3.4, and has not requested Transmission Provider and the Interconnected Transmission Owner to recommence the work required under the applicable agreement(s) on or before the expiration of the time period allowed under this Section 3.4 following commencement of such suspension, the Interconnection Construction Service Agreement and the Interconnection Service Agreement for the Interconnection Request for which Interconnection Customer suspended work shall be deemed terminated as of the end of such suspension time period. The suspension time shall begin on the date the suspension is requested, or on the date of Interconnection Customer's written notice of suspension to Transmission Provider, if no effective date was specified.

3.5 Right to Complete Transmission Owner Interconnection Facilities:

In the event that, at any time prior to successful Stage Two energization of the Transmission Owner Interconnection Facilities pursuant to Section 3.9 of Appendix 2, the Interconnection Customer terminates its obligations under this Appendix 2 pursuant to Section 14.1.2 below due to a Default by the Interconnected Transmission Owner, the Interconnection Customer may elect to complete the design, procurement, construction and installation of the Transmission Owner Interconnection Facilities. The Interconnection Customer shall notify the Interconnected Transmission Owner and Transmission Provider in writing of its election to complete the Transmission Owner Interconnection Facilities within 10 days after the date of Interconnection Customer's notice of termination pursuant to Section 14.1.2 of this Appendix 2. In the event that the Interconnection Customer elects to complete the Transmission Owner Interconnection Facilities, it shall do so in accordance with the terms and conditions of the Option to Build under Section 3.2.3 of this Appendix 2 and shall be responsible for paying all costs of completing the Transmission Owner Interconnection Facilities incurred after the date of its notice of election to complete the facilities. Interconnection Customer may take possession of, and may use in completing the Transmission Owner Interconnection Facilities, any materials and supplies and equipment (other than equipment and facilities that already have been installed or constructed) acquired by the Interconnected Transmission Owner for construction, and included in the Costs, of the Transmission Owner Interconnection Facilities, provided that Interconnection Customer shall pay Transmission Provider, for the benefit of the Interconnected Transmission Owner and upon presentation by Interconnected Transmission Owner of reasonable and appropriate documentation thereof, any amounts expended by the Interconnected Transmission Owner for such materials, supplies and equipment that Interconnection Customer has not already paid. Title to all Transmission Owner Interconnection Facilities constructed by Interconnection Customer under this Section 3.5 shall be transferred to the Interconnected Transmission Owner in accordance with Section 5.5 of this Appendix 2.

3.6 Suspension of Work Upon Default:

Upon the occurrence of a Default by Interconnection Customer as defined in Section 13 of this Appendix 2, the Transmission Provider or the Interconnected Transmission Owner may by written notice to Interconnection Customer suspend further work associated with the construction and installation of the Transmission Owner Interconnection Facilities that the Interconnected Transmission Owner is responsible for constructing. Such suspension shall not constitute a waiver of any termination rights under this Interconnection Construction Service Agreement. In the event of a suspension by Transmission Provider or Interconnected Transmission Owner, the Interconnection Customer shall be responsible for the Costs incurred in connection with any suspension hereunder in accordance with Section 14.3 of this Appendix 2.

3.7 Construction Reports:

Each Constructing Entity shall issue reports to each other Construction Party on a monthly basis, and at such other times as reasonably requested, regarding the status of the construction and installation of the Interconnection Facilities. Each Construction Party shall promptly identify, and shall notify each other Construction Party of, any event that the Construction Party reasonably expects may delay completion, or may significantly increase the cost, of the Interconnection Facilities. Should a Construction Party report such an event, Transmission Provider shall, within fifteen days of such notification, convene a technical meeting of the Construction Parties to evaluate schedule alternatives.

3.8 Inspection and Testing of Completed Facilities

3.8.1 Coordination:

Interconnection Customer and the Interconnected Transmission Owner shall coordinate the timing and schedule of all inspection and testing of the Interconnection Facilities.

3.8.2 Inspection and Testing:

Each Constructing Entity shall cause inspection and testing of the Interconnection Facilities that it constructs in accordance with the provisions of this section. The Construction Parties acknowledge and agree that inspection and testing of facilities may be undertaken as facilities are completed and need not await completion of all of the facilities that a Constructing Entity is building.

3.8.2.1 Of Interconnection Customer-Built Facilities:

Upon the completion of the construction and installation, but prior to energization, of any Interconnection Facilities constructed by the Interconnection Customer and related portions of the Customer Facility, the Interconnection Customer shall have the same inspected and/or tested by an authorized electric inspection agency or qualified third party reasonably acceptable to the Interconnected Transmission Owner to assess whether the facilities substantially comply with Applicable Standards. Said inspection and testing shall be held on a mutually agreed-upon date, and the Interconnected Transmission Owner and Transmission Provider shall have the right to attend and observe, and to obtain the written results of, such testing.

3.8.2.2 Of Interconnected Transmission Owner-Built Facilities:

Upon the completion of the construction and installation, but prior to energization, of any Interconnection Facilities constructed by the Interconnected Transmission Owner, the Interconnected Transmission Owner shall have the same inspected and/or tested by qualified personnel or a qualified contractor to assess whether the facilities substantially comply with Applicable Standards. Subject to Applicable Laws and Regulations, said inspection and testing shall be held on a mutually agreed-upon date, and the Interconnection Customer and Transmission Provider shall have the right to attend and observe, and to obtain the written results of, such testing.

3.8.3 Review of Inspection and Testing by Interconnected Transmission Owner:

In the event that the written report, or the observation of either Constructing Entity or Transmission Provider, of the inspection and/or testing pursuant to Section 3.8.2 of this Appendix 2 reasonably leads the Transmission Provider or Interconnected Transmission Owner to believe that the inspection and/or testing of some or all of the Interconnection Facilities built by the Interconnection Customer was inadequate or otherwise deficient, the Interconnected Transmission Owner may, within 20 days after its receipt of the results of inspection or testing and upon reasonable notice to the Interconnection Customer, perform its own inspection and/or

testing of such Interconnection Facilities to determine whether the facilities are acceptable for energization, which determination shall not be unreasonably delayed, withheld or conditioned.

3.8.4 Notification and Correction of Defects

3.8.4.1 If the Interconnected Transmission Owner, based on inspection or testing pursuant to Section 3.8.2 or 3.8.3 of this Appendix 2, identifies any defects or failures to comply with Applicable Standards in the Interconnection Facilities constructed by the Interconnection Customer, the Interconnected Transmission Owner shall notify the Interconnection Customer and Transmission Provider of any identified defects or failures within 20 days after the Interconnected Transmission Owner's receipt of the results of such inspection or testing. The Interconnection Customer shall take appropriate actions to correct any such defects or failure at its sole cost and expense, and shall obtain the Interconnected Transmission Owner's acceptance of the corrections, which acceptance shall not be unreasonably delayed, withheld or conditioned.

3.8.4.2 In the event that inspection and/or testing of any Transmission Owner Interconnection Facilities built by the Interconnected Transmission Owner identifies any defects or failures to comply with Applicable Standards in such facilities, Interconnected Transmission Owner shall take appropriate action to correct any such defects or failures within 20 days after it learns thereof. In the event that such a defect or failure cannot reasonably be corrected within such 20-day period, Interconnected Transmission Owner shall commence the necessary correction within that time and shall thereafter diligently pursue it to completion.

3.8.5 Notification of Results:

Within 10 days after satisfactory inspection and/or testing of Interconnection Facilities built by the Interconnection Customer (including, if applicable, inspection and/or testing after correction of defects or failures), the Interconnected Transmission Owner shall confirm in writing to the Interconnection Customer and Transmission Provider that the successfully inspected and tested facilities are acceptable for energization.

3.9 Energization of Completed Facilities

(A) Unless otherwise provided in the Schedule of Work, energization of the Interconnection Facilities related to interconnection of a Generation Interconnection Customer and, when applicable as determined by Transmission Provider, of the Interconnection Facilities related to interconnection of a Transmission Interconnection Customer, shall occur in two stages. Stage One energization shall consist of energization of the Customer Interconnection Facilities and of the Transmission Owner Attachment Facilities and will occur prior to initial energization of the Customer Facility. Stage Two energization shall consist of (1) initial synchronization to the Transmission System of any completed generator(s) at the Customer Facility of a Generation Interconnection Customer, or of applicable facilities, as determined by the Transmission Provider, associated with Merchant Transmission Facilities of a Transmission Interconnection Customer, and (2) energization of the remainder of the Transmission Owner Interconnection Facilities. Stage Two energization shall be completed prior to Initial Operation of the Customer Facility.

(B) In the case of Interconnection Facilities related to interconnection of a Transmission Interconnection Customer for which the Transmission Provider determines that two-stage energization is inapplicable, energization shall occur in a single stage, consisting of energization of the Interconnection Facilities and the Customer Facility. Such a single-stage energization shall be regarded as Stage Two energization for the purposes of the remaining provisions of this Section 3.9 and of Section 5.5 of this Appendix 2.

3.9.1

Stage One energization of the Interconnection Facilities may not occur prior to the satisfaction of the following additional conditions:

(a) The Interconnection Customer shall have delivered to the Interconnected Transmission Owner and Transmission Provider a writing transferring to the Interconnected Transmission Owner and Transmission Provider operational control over any Transmission Owner Attachment Facilities that Interconnection Customer has constructed; and

(b) The Interconnection Customer shall have provided a mark-up of construction drawings to the Interconnected Transmission Owner to show the “as-built” condition of all Transmission Owner Attachment Facilities that Interconnection Customer has constructed.

3.9.2 As soon as practicable after the satisfaction of the conditions for Stage One energization specified in Sections 3.8 and 3.9.1 of this Appendix 2, the Interconnected Transmission Owner and the Interconnection Customer shall coordinate and undertake the Stage One energization of facilities.

3.9.3 Stage Two energization of the Interconnection Facilities may not occur prior to the satisfaction of the following additional conditions:

(a) The Interconnection Customer shall have delivered to the Interconnected Transmission Owner and Transmission Provider a writing transferring to the Interconnected

Transmission Owner and Transmission Provider operational control over any Transmission Owner Interconnection Facilities that Interconnection Customer has constructed and operational control of which it has not previously transferred pursuant to Section 3.9.1 of this Appendix 2; and

(b) The Interconnection Customer shall have provided a mark-up of construction drawings to the Interconnected Transmission Owner to show the “as-built” condition of all Transmission Owner Interconnection Facilities that Interconnection Customer has constructed and which were not included in the Stage One energization, but are included in the Stage Two energization.

(c) Telemetry systems shall be operational and shall be providing Transmission Provider and the Interconnected Transmission Owner with telemetered data as specified pursuant to Section 8.5.2 of Appendix 2 to the Interconnection Service Agreement.

3.9.4 As soon as practicable after the satisfaction of the conditions for Stage Two energization specified in Sections 3.8 and 3.9.3 of this Appendix 2, the Interconnected Transmission Owner and the Interconnection Customer shall coordinate and undertake the Stage Two energization of facilities.

3.9.5 To the extent defects in any Interconnection Facilities are identified during the energization process, the energization will not be deemed successful. In that event, the Constructing Entity shall take action to correct such defects in any Interconnection Facilities that it built as promptly as practical after the defects are identified. The affected Constructing Entity shall so notify the other Construction Parties when it has corrected any such defects, and the Constructing Entities shall recommence efforts, within 10 days thereafter, to energize the appropriate Interconnection Facilities in accordance with Section 3.9; provided that the Interconnected Transmission Owner may, in the reasonable exercise of its discretion and with the approval of Transmission Provider, require that further inspection and testing be performed in accordance with Section 3.8 of this Appendix 2.

3.10 Interconnected Transmission Owner's Acceptance of Facilities Constructed by Interconnection Customer:

Within five days after determining that Interconnection Facilities have been successfully energized, the Interconnected Transmission Owner shall issue a written notice to the Interconnection Customer accepting the Interconnection Facilities built by the Interconnection Customer that were successfully energized. Such acceptance shall not be construed as confirming, endorsing or providing a warranty by the Interconnected Transmission Owner as to the design, installation, construction, fitness, safety, durability or reliability of any Interconnection Facilities built by the Interconnection Customer, or their compliance with Applicable Standards.

4.1 Outages; Coordination:

The Construction Parties acknowledge and agree that certain outages of transmission facilities owned by the Interconnected Transmission Owner, as more specifically detailed in the Scope of Work, may be necessary in order to complete the process of constructing and installing all Interconnection Facilities. The Construction Parties further acknowledge and agree that any such outages shall be coordinated by and through the Transmission Provider.

5.5 Transfer of Title to Certain Facilities Constructed By Interconnection Customer:

Within thirty (30) days after the Interconnection Customer's receipt of notice of acceptance under Section 3.10 of this Appendix 2 following Stage Two energization of the Interconnection Facilities, the Interconnection Customer shall deliver to the Interconnected Transmission Owner, for the Interconnected Transmission Owner's review and approval, all of the documents and filings necessary to transfer to the Interconnected Transmission Owner title to any Transmission Owner Interconnection Facilities constructed by the Interconnection Customer, and to convey to the Interconnected Transmission Owner any easements and other land rights to be granted by Interconnection Customer in accordance with Section 5.1 above that have not then already been conveyed. The Interconnected Transmission Owner shall review and approve such documentation, such approval not to be unreasonably withheld, delayed, or conditioned. Within 30 days after its receipt of the Interconnected Transmission Owner's written notice of approval of the documentation, the Interconnection Customer, in coordination and consultation with the Interconnected Transmission Owner, shall make any necessary filings at the FERC or other governmental agencies for regulatory approval of the transfer of title. Within twenty (20) days after the issuance of the last order granting a necessary regulatory approval becomes final (i.e., is no longer subject to rehearing), the Interconnection Customer shall execute all necessary documentation and shall make all necessary filings to record and perfect the Interconnected Transmission Owner's title in such facilities and in the easements and other land rights to be conveyed to the Interconnected Transmission Owner. Prior to such transfer to the Interconnected Transmission Owner of title to the Transmission Owner Interconnection Facilities built by the Interconnection Customer, the risk of loss or damages to, or in connection with, such facilities shall remain with the Interconnection Customer. Transfer of title to facilities under this section shall not affect the Interconnection Customer's receipt or use of the interconnection rights related to Network Upgrades and/or Local Upgrades for which it otherwise may be eligible as provided in Subpart C of Part VI of the Tariff.

6.1 Interconnection Customer Warranty:

The Interconnection Customer shall warrant that its work (or the work of any subcontractor that it retains) in constructing and installing the Transmission Owner Interconnection Facilities that it builds is free from defects in workmanship and design and shall conform to the requirements of this Interconnection Construction Service Agreement for one (1) year (the “Interconnection Customer Warranty Period”) commencing upon the date title is transferred to Interconnected Transmission Owner in accordance with Section 5.5 of this Appendix 2. The Interconnection Customer shall, at its sole expense and promptly after notification by the Interconnected Transmission Owner, correct or replace defective work in accordance with Applicable Technical Requirements and Standards, during the Interconnection Customer Warranty Period. The warranty period for such corrected or replaced work shall be the unused portion of the Interconnection Customer Warranty Period remaining as of the date of notice of the defect. The Interconnection Customer Warranty Period shall resume upon acceptance of such corrected or replaced work. All Costs incurred by Interconnected Transmission Owner as a result of such defective work shall be reimbursed to the Interconnected Transmission Owner by the Interconnection Customer on demand; provided that the Interconnected Transmission Owner submits the demand to the Interconnection Customer within the Interconnection Customer Warranty Period and provides reasonable documentation of the claimed costs. The Interconnected Transmission Owner’s acceptance, inspection and testing, or a third party’s inspection or testing, of such facilities pursuant to Section 3.8 of this Appendix 2 shall not be construed to limit in any way the warranty obligations of the Interconnection Customer.

6.2 Manufacturer Warranties:

Prior to the transfer to the Interconnected Transmission Owner of title to the Transmission Owner Interconnection Facilities built by the Interconnection Customer, the Interconnection Customer shall produce documentation satisfactory to the Interconnected Transmission Owner evidencing the transfer to the Interconnected Transmission Owner of all manufacturer warranties for equipment and/or materials purchased by the Interconnection Customer for use and/or installation as part of the Transmission Owner Interconnection Facilities built by the Interconnection Customer.

9.2 Invoice:

The Interconnected Transmission Owner shall provide Transmission Provider a quarterly statement of the Interconnected Transmission Owner's scheduled expenditures during the next three months for, as applicable, (a) the design, engineering and construction of, and/or for other charges related to, construction of the Interconnection Facilities for which the Interconnected Transmission Owner is responsible under this Interconnection Construction Service Agreement, or (b) in the event that the Interconnection Customer exercises the Option to Build pursuant to Section 3.2.3.1 of this Appendix 2, for the Interconnected Transmission Owner's Costs associated with the Interconnection Customer's building Attachment Facilities, Local Upgrades and Network Upgrades (including both Direct Connection Network Upgrades, Direct Connection Local Upgrades, Non-Direct Connection Network Upgrades and Non-Direct Connection Local Upgrades), including but not limited to Costs for tie-in work and Cancellation Costs. Provided, however, such Interconnected Transmission Owner Costs may include oversight costs (i.e. costs incurred by the Interconnected Transmission Owner when engaging in oversight activities to satisfy itself that the Interconnection Customer is complying with the Interconnected Transmission Owner's standards and specifications for the construction of facilities) only if the Interconnected Transmission Owner and the Interconnection Customer mutually agree to the inclusion of such costs under the Option to Build pursuant to the provisions of Section 3.3.3.1 of this Appendix. Transmission Provider shall bill Interconnection Customer on behalf of the Interconnected Transmission Owner, for the Interconnected Transmission Owner's expected Costs during the subsequent three months. Interconnection Customer shall pay each bill within twenty (20) days after receipt thereof. Upon receipt of each of Interconnection Customer's payments of such bills, Transmission Provider shall reimburse the Interconnected Transmission Owner. Interconnection Customer may request that the Transmission Provider provide a quarterly cost reconciliation. Such a quarterly cost reconciliation will have a one-quarter lag, e.g., reconciliation of costs for the first calendar quarter of work will be provided at the start of the third calendar quarter of work, provided, however, that Section 9.3 of this Appendix 2 shall govern the timing of the final cost reconciliation upon completion of the work.

9.3 Final Invoice:

Within 120 days after the Interconnected Transmission Owner completes construction and installation of the Interconnection Facilities for which the Interconnected Transmission Owner is responsible under this Interconnection Construction Service Agreement, Transmission Provider shall provide Interconnection Customer with an accounting of, and the appropriate Construction Party shall make any payment to the other that is necessary to resolve, any difference between (a) Interconnection Customer's responsibility under the Tariff for the actual Cost of such facilities, and (b) Interconnection Customer's previous aggregate payments to Transmission Provider for the Costs of such facilities. Notwithstanding the foregoing, however, Transmission Provider shall not be obligated to make any payment to either the Interconnection Customer or the Interconnected Transmission Owner that the preceding sentence requires it to make unless and until the Transmission Provider has received the payment that it is required to refund from the Construction Party owing the payment.

14.1 Termination

14.1.1 Upon Completion of Construction:

This Interconnection Construction Service Agreement shall terminate upon the later of the following: (i) completion of construction of all Interconnection Facilities; (ii) transfer of title under Section 5 of this Appendix 2; (iii) final payment of all Costs due and owing under this Interconnection Construction Service Agreement; and (iv) the delivery to the Interconnected Transmission Owner of final “as-built” drawings of any Interconnection Facilities built by the Interconnection Customer.

14.1.2 Upon Default By Either Constructing Entity:

Either Constructing Entity may terminate its obligations hereunder in the event of a Default by the other Constructing Entity as defined in Section 13.3 of this Appendix 2.

14.1.3 By Interconnection Customer:

Subject to its payment of Cancellation Costs as explained in Section 14.3 below, the Interconnection Customer may be relieved of its obligations hereunder upon sixty (60) days written notice to Transmission Provider and the Interconnected Transmission Owner.

14.3 Cancellation By Interconnection Customer

14.3.1 Applicability:

The following provisions shall survive and shall apply in the event that Interconnection Customer terminates the Interconnection Construction Service Agreement pursuant to this Section 14.1.3.

14.3.1.1 Cancellation Cost Responsibility:

Upon the cancellation of the Interconnection Construction Service Agreement by the Interconnection Customer, the Interconnection Customer shall be liable to pay to the Interconnected Transmission Owner or Transmission Provider all Cancellation Costs in connection with Construction Service for the Interconnection Customer pursuant to this Interconnection Construction Service Agreement, including Section 14.3.1.2 of this Appendix 2. In the event the Interconnected Transmission Owner incurs Cancellation Costs, it shall provide the Transmission Provider, with a copy to the Interconnection Customer, with a written demand for payment and with reasonable documentation of such Cancellation Costs. The Interconnection Customer shall pay the Transmission Provider each bill for Cancellation Costs within thirty (30) days after, as applicable, the Interconnected Transmission Owner's or Transmission Provider's presentation to the Interconnection Customer of written demand therefor, provided that such demand includes reasonable documentation of the Cancellation Costs that the invoicing party seeks to collect. Upon receipt of each of Interconnection Customer's payments of such bills of the Interconnected Transmission Owner, Transmission Provider shall reimburse the Interconnected Transmission Owner for Cancellation Costs incurred by the latter.

14.3.1.2 Disposition of Facilities Upon Cancellation:

Upon cancellation of the Interconnection Construction Service Agreement by an Interconnection Customer, Transmission Provider, after consulting with the Interconnected Transmission Owner, may, at the sole cost and expense of the Interconnection Customer, authorize the Interconnected Transmission Owner to (a) cancel supplier and contractor orders and agreements entered into by the Interconnected Transmission Owner to design, construct, install, operate, maintain and own the Transmission Owner Interconnection Facilities, provided, however, that Interconnection Customer shall have the right to choose to take delivery of any equipment ordered by the Interconnected Transmission Owner for which Transmission Provider otherwise would authorize cancellation of the purchase order; or (b) remove any Transmission Owner Interconnection Facilities built by the Interconnected Transmission Owner or any Transmission Owner Interconnection Facilities (only after title to the subject facilities has been transferred to the Interconnected Transmission Owner) built by the Interconnection Customer; or (c) partially or entirely complete the Transmission Owner Interconnection Facilities as necessary to preserve the integrity or reliability of the Transmission System, provided that Interconnection Customer shall be entitled to receive any rights associated with such facilities and upgrades as determined in accordance with Part VI of the Tariff; or (d) undo any of the changes to the Transmission System that were made pursuant to this Interconnection Construction Service Agreement. To the extent

that the Interconnection Customer has fully paid for equipment that is unused upon cancellation or which is removed pursuant to subsection (b) above, the Interconnection Customer shall have the right to take back title to such equipment; alternatively, in the event that the Interconnection Customer does not wish to take back title, the Interconnected Transmission Owner may elect to pay the Interconnection Customer a mutually agreed amount to acquire and own such equipment.

14.3.2 Termination Upon Default:

In the event that Interconnection Customer exercises its right to terminate under Section 14.1.2 of this Appendix 2, and notwithstanding any other provision of this Interconnection Construction Service Agreement, the Interconnection Customer shall be liable for payment of the Interconnected Transmission Owner's Costs incurred up to the date of Interconnection Customer's notice of termination pursuant to Section 14.1.2 and the costs of completion of some or all of the Transmission Owner Interconnection Facilities or specific unfinished portions thereof, and/or removal of any or all of such facilities which have been installed, to the extent that Transmission Provider determines such completion or removal to be required for the Transmission Provider and/or Interconnected Transmission Owner to perform their respective obligations under Part VI of the Tariff or this Interconnection Construction Service Agreement, provided, however, that Interconnection Customer's payment of such costs shall be without prejudice to any remedies that otherwise may be available to it under this Appendix 2 for the Default of the Interconnected Transmission Owner.

SCHEDULE E

[Reserved]

SCHEDULE F

[Reserved]

SCHEDULE L

**INTERCONNECTION CUSTOMER’S AGREEMENT TO CONFORM WITH
IRS SAFE HARBOR PROVISIONS FOR NON-TAXABLE STATUS**

{ Include the appropriate language from the alternatives below: }

{ Include the following language if not required: }

Not Required.

[OR]

{ Include the following language if applicable to Interconnection Customer: }

As provided in Section 2.4.1 of Appendix 2 to this CSA and subject to the requirements thereof, Interconnection Customer represents that it meets all qualifications and requirements as set forth in Section 118(a) and 118(b) of the Internal Revenue Code of 1986, as amended and interpreted by Notice 88-129, 1988-2 C.B. 541, and as amplified and modified in Notices 90-60, 1990-2 C.B. 345, and 2001-82, 2001-2 C.B. 619 (the “IRS Notices”). Interconnection Customer agrees to conform with all requirements of the safe harbor provisions specified in the IRS Notices, as they may be amended, as required to confer non-taxable status on some or all of the transfer of property, including money, by Interconnection Customer to Interconnected Transmission Owner with respect to the payment of the Costs of construction and installation of the Transmission Owner Interconnection Facilities specified in this CSA.

Nothing in Interconnection Customer’s agreement pursuant to this Schedule L shall change Interconnection Customer’s indemnification obligations under Section 2.4.2 of Appendix 2 to the CSA.

Revisions to Attachment S

Merchant Transmission Interconnection Request

ATTACHMENT S

**Form of
Transmission Interconnection Feasibility Study Agreement**

RECITALS

1. This Transmission Interconnection Feasibility Study Agreement, dated as of _____, is entered into, by and between _____ (“Interconnection Customer”) and PJM Interconnection, L.L.C. (“Transmission Provider”) pursuant to Part IV of the PJM Interconnection, L.L.C. Open Access Transmission Tariff (“PJM Tariff”). Capitalized terms used in this agreement, unless otherwise indicated, shall have the meanings ascribed to them in the PJM Tariff.

2. Pursuant to Section 36.1 of the PJM Tariff, the Interconnection Customer has submitted an Interconnection Request and has paid the applicable initial deposit and the applicable non-refundable base deposit to the Transmission Provider, for a proposed interconnection of Merchant Transmission Facilities.

3. Interconnection Customer requests interconnection to the Transmission System of Merchant Transmission Facilities with the following specifications.
 - a. Location of proposed facilities:

 - b. Substation(s) where Interconnection Customer proposes to interconnect or add its facilities:

 - c. Proposed voltage and nominal capability of new facilities or increase in capability of existing facilities:

 - d. Description of proposed facilities and equipment:

 - e. Planned date the proposed facilities or increase in capability will be in service:

 - f. (1) Are these proposed Merchant Transmission Facilities?

__ Yes __ No

(2) If Yes, will the proposed facilities be Merchant A.C. or Merchant D.C. Transmission Facilities or Controllable A.C. Merchant Transmission Facilities?

A.C. _____ or D.C. _____ or Controllable A.C. _____

- g. If the proposed facilities will be Merchant D.C. Transmission Facilities and/or Controllable A.C. Merchant Transmission Facilities, does Interconnection Customer elect to receive:

EITHER

_____ (1) Firm or Non-Firm Transmission Injection Rights (TIR) and/or Firm or Non-Firm Transmission Withdrawal Rights (TWR).

OR

_____ (2) Incremental Deliverability Rights, Incremental Auction Revenue Rights and Incremental Available Transfer Capability Revenue Rights.

If Interconnection Customer elects (1) above, it must provide the following:

_____ Total project MW's to be evaluated as Firm (capacity) injection for TIR.

_____ Total project MW's to be evaluated as Non-firm (energy) injection for TIR.

_____ Total project MW's to be evaluated as Firm (capacity) withdrawal for TWR.

_____ Total project MW's to be evaluated a Non-firm (energy) withdrawal for TWR.

If Interconnection Customer elects (2) above, it must state the location on the Transmission System where it proposes to receive Incremental Deliverability Rights associated with Its proposed facilities:

- h. If the proposed facilities will be Controllable A.C. Merchant Transmission Facilities, as defined in Section 1.6B of the Tariff, and provided that Interconnection Customer contractually binds itself in the Interconnection Service Agreement ("ISA") related to its project always to operate its Controllable A.C. Merchant Transmission Facilities in a manner effectively the same as operation of

D.C. transmission facilities, the ISA will provide Interconnection Customer with the same types of transmission rights that are available under the Tariff for Merchant D.C. Transmission Facilities. For purposes of this Feasibility Study Agreement, Interconnection Customer represents that, should it execute an ISA for its project described herein, it will agree in the ISA to operate its facilities continuously in a controllable mode.

- i. If the proposed facilities will be Merchant A.C. Transmission Facilities without continuous controllability as described in paragraph h. above, please specify the location on the Transmission System where Interconnection Customer proposes to receive any Incremental Deliverability Rights associated with its proposed facilities:

- j. Other information:

PURPOSE OF THE FEASIBILITY STUDY

- 4. Consistent with Section 36.2 of the PJM Tariff, the Transmission Provider shall conduct a Transmission Interconnection Feasibility Study to provide the Interconnection Customer with preliminary determinations of: (i) the type and scope of the Attachment Facilities, Local Upgrades, and/or Network Upgrades that will be necessary to accommodate the Interconnection Customer’s Interconnection Request; (ii) the time that will be required to construct such facilities and upgrades; and (iii) the Interconnection Customer’s cost responsibility for the necessary facilities and upgrades. In the event that the Transmission Provider is unable to complete the Transmission Interconnection Feasibility Study within the time period set forth in Tariff Section 36.2, the Transmission Provider shall notify the Interconnection Customer and explain the reasons for the delay.

- 5. The Transmission Interconnection Feasibility Study conducted hereunder will provide only preliminary non-final estimates of the cost and length of time required to accommodate the Interconnection Customer’s Interconnection Request. More comprehensive estimates will be developed only upon execution of a System Impact Study Agreement and a Facilities Study Agreement in accordance with Part VI of the PJM Tariff. The Transmission Interconnection Feasibility Study necessarily will employ various assumptions regarding the Interconnection Request, other pending requests, and PJM’s Regional Transmission Expansion Plan at the time of the study. The Transmission Interconnection Feasibility Study shall not obligate the Transmission Provider or the Transmission Owners to interconnect with the Interconnection Customer or construct any facilities or upgrades.

CONFIDENTIALITY

6. The Interconnection Customer agrees to provide all information requested by the Transmission Provider necessary to complete the Transmission Interconnection Feasibility Study. Subject to paragraph 7 of this Transmission Interconnection Feasibility Study Agreement and to the extent required by Section 222 of the PJM Tariff, information provided pursuant to this Section 6 shall be and remain confidential.
7. Until completion of the Transmission Interconnection Feasibility Study, the Transmission Provider shall keep confidential all information provided to it by the Interconnection Customer. Upon completion of the Transmission interconnection Feasibility Study, the study will be listed on the Transmission Provider's website and, to the extent required by Commission regulations, will be made publicly available upon request, except that the identity of the Interconnection Customer shall remain confidential and will not be posted on the Transmission Provider's website.
8. Interconnection Customer acknowledges that, consistent with Part IV and Part VI of the PJM Tariff, the Transmission Provider may contract with consultants, including the Transmission Owners, to provide services or expertise in the Transmission Interconnection Feasibility Study process and that the Transmission Provider may disseminate information to the Transmission Owners.

COST RESPONSIBILITY

9. The Interconnection Customer shall reimburse the Transmission Provider for the actual cost of the Transmission Interconnection Feasibility Study. The deposit paid by the Interconnection Customer pursuant to Section 36.1 of the PJM Tariff shall be applied toward the Interconnection Customer's Transmission Interconnection Feasibility Study cost responsibility. In the event that the Transmission Provider anticipates that the actual study costs will exceed the deposit, the Transmission Provider shall provide the Interconnection Customer with an estimate of the study costs. Within 10 days of receiving such estimate, the Interconnection Customer may withdraw its Interconnection Request. Unless the Interconnection Request is withdrawn, the Interconnection Customer agrees to pay the actual additional costs of the Transmission Interconnection Feasibility Study.

DISCLAIMER OF WARRANTY, LIMITATION OF LIABILITY

10. In analyzing and preparing the Transmission Interconnection Feasibility Study, the Transmission Provider, the Transmission Owner(s), and any other subcontractors employed by the Transmission Provider shall have to rely on information provided by the Interconnection Customer and possibly by third parties and may not have control over the accuracy of such information. Accordingly, NEITHER THE TRANSMISSION PROVIDER, THE TRANSMISSION OWNER(S), NOR ANY OTHER SUBCONTRACTORS EMPLOYED BY THE TRANSMISSION PROVIDER MAKES ANY WARRANTIES, EXPRESS OR IMPLIED, WHETHER ARISING BY OPERATION OF LAW, COURSE OF PERFORMANCE OR DEALING, CUSTOM,

USAGE IN THE TRADE OR PROFESSION, OR OTHERWISE, INCLUDING WITHOUT LIMITATION IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE WITH REGARD TO THE ACCURACY, CONTENT, OR CONCLUSIONS OF THE FEASIBILITY STUDY. The Interconnection Customer acknowledges that it has not relied on any representations or warranties not specifically set forth herein and that no such representations or warranties have formed the basis of its bargain hereunder. Neither this Transmission Interconnection Feasibility Study Agreement nor the Transmission Interconnection Feasibility Study prepared hereunder is intended, nor shall either be interpreted, to constitute agreement by the Transmission Provider or the Transmission Owner(s) to provide any transmission or interconnection service to or on behalf of the Interconnection Customer either at this point in time or in the future.

11. In no event will the Transmission Provider, Transmission Owner(s) or other subcontractors employed by the Transmission Provider be liable for indirect, special, incidental, punitive, or consequential damages of any kind including loss of profits, whether under this Transmission Interconnection Feasibility Study Agreement or otherwise, even if the Transmission Provider, Transmission Owner(s), or other subcontractors employed by the Transmission Provider have been advised of the possibility of such a loss. Nor shall the Transmission Provider, Transmission Owner(s) or other subcontractors employed by the Transmission Provider be liable for any delay in delivery or of the non-performance or delay in performance of the Transmission Provider's obligations under this Transmission Interconnection Feasibility Study Agreement.

Without limitation of the foregoing, the Interconnection Customer further agrees that Transmission Owner(s) and other subcontractors employed by the Transmission Provider to prepare or assist in the preparation of any Transmission Interconnection Feasibility Study shall be deemed third party beneficiaries of this provision entitled "Disclaimer of Warranty/Limitation of Liability."

MISCELLANEOUS

12. Any notice or request made to or by either party regarding this Transmission Interconnection Feasibility Study Agreement shall be made to the representative of the other party as indicated below.

Transmission Provider
PJM Interconnection, L.L.C.
2750 Monroe Blvd.
Audubon, PA 19403

Interconnection Customer

13. No waiver by either party of one or more defaults by the other in performance of any of the provisions of this Transmission Interconnection Feasibility Study Agreement shall operate or be construed as a waiver of any other or further default or defaults, whether of a like or different character.
14. This Transmission Interconnection Feasibility Study Agreement or any part thereof, may not be amended, modified, or waived other than by a writing signed by all parties hereto.
15. This Transmission Interconnection Feasibility Study Agreement shall be binding upon the parties hereto, their heirs, executors, administrators, successors, and assigns.
16. Neither this Transmission Interconnection Feasibility Study Agreement nor the Transmission Interconnection Feasibility Study performed hereunder shall be construed as an application for service under Part II or Part III of the PJM Tariff.
17. The provisions of the PJM Tariff are incorporated herein and made a part hereof.
18. **Governing Law, Regulatory Authority, and Rules**
The validity, interpretation and enforcement of this Transmission Interconnection Feasibility Study Agreement and each of its provisions shall be governed by the laws of the state of _____ (where the Point of Interconnection is located), without regard to its conflicts of law principles. This Transmission Interconnection Feasibility Study Agreement is subject to all Applicable Laws and Regulations. Each party expressly reserves the right to seek changes in, appeal, or otherwise contest any laws, orders, or regulations of a Governmental Authority.
19. **No Third-Party Beneficiaries**
This Transmission Interconnection Feasibility Study Agreement is not intended to and does not create rights, remedies, or benefits of any character whatsoever in favor of any persons, corporations, associations, or entities other than the parties, and the obligations herein assumed are solely for the use and benefit of the parties, their successors in interest and where permitted, their assigns.
20. **Multiple Counterparts**
This Transmission Interconnection Feasibility Study Agreement may be executed in two or more counterparts, each of which is deemed an original but all constitute one and the same instrument.
21. **No Partnership**
This Transmission Interconnection Feasibility Study Agreement shall not be interpreted or construed to create an association, joint venture, agency relationship, or partnership between the parties or to impose any partnership obligation or partnership liability upon either party. Neither party shall have any right, power or authority to enter into any agreement or undertaking for, or act on behalf of, or to act as or be an agent or representative of, or to otherwise bind, the other party.

22. Severability

If any provision or portion of this Transmission Interconnection Feasibility Study Agreement shall for any reason be held or adjudged to be invalid or illegal or unenforceable by any court of competent jurisdiction or other Governmental Authority, (1) such portion or provision shall be deemed separate and independent, (2) the parties shall negotiate in good faith to restore insofar as practicable the benefits to each party that were affected by such ruling, and (3) the remainder of this Transmission Interconnection Feasibility Study Agreement shall remain in full force and effect.

23. Reservation of Rights

The Transmission Provider shall have the right to make a unilateral filing with FERC to modify this Transmission Interconnection Feasibility Study Agreement with respect to any rates, terms and conditions, charges, classifications of service, rule or regulation under section 205 or any other applicable provision of the Federal Power Act and FERC's rules and regulations thereunder, and the Interconnection Customer shall have the right to make a unilateral filing with FERC to modify this Transmission Interconnection Feasibility Study Agreement under any applicable provision of the Federal Power Act and FERC's rules and regulations; provided that each party shall have the right to protest any such filing by the other party and to participate fully in any proceeding before FERC in which such modifications may be considered. Nothing in this Transmission Interconnection Feasibility Study Agreement shall limit the rights of the parties or of FERC under sections 205 or 206 of the Federal Power Act and FERC's rules and regulations, except to the extent that the parties otherwise agree as provided herein.

IN WITNESS WHEREOF, the Transmission Provider and the Interconnection Customer have caused this Transmission Interconnection Feasibility Study Agreement to be executed by their respective authorized officials.

Transmission Provider

By: _____
Name Title Date

Interconnection Customer

By: _____
Name Title Date

Revisions to Attachment DD

Reliability Pricing Model

5.16 Incremental Capacity Transfer Rights

(a) The Office of the Interconnection shall allocate Incremental Capacity Transfer Rights to a New Service Customer obligated to fund a transmission facility or upgrade through a rate or charge specific to such facility or upgrade, to the extent such upgrade or facility increases the Import Capability into a Locational Deliverability Area, with respect to any such transmission facility interconnected to or an upgrade of the Transmission System pursuant to Part IV and/or Part VI of this Tariff, including transmission facilities interconnected to or upgrades of the Transmission System pursuant to Part IV and/or Part VI prior to the effective date of this Attachment. Incremental Capacity Transfer Rights shall be available for a facility or upgrade for a Delivery Year only if the Office of the Interconnection certifies the quantity of Import Capability provided by such facility or upgrade at least 45 days prior to the Base Residual Auction for such Delivery Year. The megawatt quantity of Incremental Capacity Transfer Rights allocated to such a New Service Customer shall equal the megawatt quantity of the increase in Import Capability across a locational constraint resulting from such upgrade or facility, provided that the total Incremental Capacity Transfer Rights awarded as to an LDA (including those allocated pursuant to Schedule 12A of the Tariff) may not exceed the total Capacity Transfer Rights determined as to such LDA. A Capacity Market Seller that offers and clears a Qualifying Transmission Upgrade in the Base Residual Auction for a Delivery Year shall not receive Incremental Capacity Transfer Rights with respect to such upgrade for such Delivery Year. Terms and conditions for the allocation of Incremental Capacity Transfer Rights to New Service Customers shall be as further set forth in Part VI of this Tariff, and those for the allocation of Incremental Capacity Transfer Rights to Responsible Customers shall be as further set forth in Schedule 12A of this Tariff.

(b) For LDAs in which the RPM Auctions for such Delivery Year result in a positive average weighted Locational Price Adder with respect to the immediate higher level LDA, the holder of an Incremental Capacity Transfer Right into such LDA shall receive a payment equal to the average weighted Locational Price Adder for the LDA into which the associated facility or upgrade increased Import Capability, multiplied by the megawatt quantity of the Incremental Capacity Transfer Right allocated to such Interconnection Customer.

Revisions to Attachment EE

Pro Forma Form for Upgrade Request

ATTACHMENT EE

**Form of
Upgrade Request**

[To be completed by Upgrade Customers]:

1. The undersigned Upgrade Customer submits this Upgrade Request pursuant to Section 7.8 of Schedule 1 of the Operating Agreement and Part VI of the PJM Tariff. This Upgrade Request is for Incremental Auction Revenue Rights in accordance with the specifications:

Source location: _____

Sink location: _____

MW: _____

Desired Commencement Date: _____

[To be completed by Interconnection Customers requesting Merchant Network Upgrades]:

1. The undersigned Interconnection Customer submits this Upgrade Request for Merchant Network Upgrades pursuant to Parts IV and VI of the PJM Tariff.
2. This request is for the required Merchant Network Upgrades to increase the ____ normal ____ emergency rating of the _____ circuit (or other Transmission System element) by ____ MVA or ____ MW.

Desired In-Service Date: _____

OR

This request is to advance construction of Regional Transmission Expansion Plan project number _____ from _____ (planned date) to _____ (requested date).

3. The Upgrade Customer or Interconnection Customer shall provide a deposit in the amount of \$50,000 to Transmission Provider with this request, which deposit shall be applied against the New Service Customer's cost responsibility for a System Impact Study including this request.
4. Representative of New Service Customer to contact:

5. This Upgrade Request is submitted by:

Name of New Service Customer: _____

By (signature): _____

Name (type or print): _____

Title: _____

Date: _____

Revisions to Attachment GG (Pro Forma Upgrade CSA)

- Attachment GG, Pro Forma
- Attachment GG, Appendix
- Attachment GG, Appendix II
- Attachment GG, Appendix III
- Attachment GG, Schedule A
- Attachment GG, Schedule B

ATTACHMENT GG

**FORM OF
UPGRADE CONSTRUCTION SERVICE AGREEMENT**

**By and Among
PJM Interconnection, L.L.C.**

And

**[Name of Eligible Customer, Upgrade Customer, or Interconnection Customer proposing
Merchant Network Upgrades]**

And

[Name of Interconnected Transmission Owner]

(PJM Queue Position #___)

This Upgrade Construction Service Agreement, including the Appendices attached hereto and incorporated herein (collectively, "Upgrade CSA") is made and entered into as of the Effective Date (as defined in the attached Appendix III) by and among PJM Interconnection, L.L.C. ("Transmission Provider" or "PJM"), _____ ("New Service Customer" [OPTIONAL: or "[short name]"]) and _____ ("Transmission Owner" [OPTIONAL: or "[short name]"]). Transmission Provider, New Service Customer and Transmission Owner are referred to herein individually as "Party" and collectively as "the Parties."

WITNESSETH

WHEREAS, New Service Customer has requested (1) Long-Term Firm Point-To-Point Transmission Service or Network Integration Transmission Service ("Transmission Service") from Transmission Provider pursuant to Transmission Provider's Open Access Transmission Tariff, designated as FERC Electric Tariff, Sixth Revised Volume No. 1 (the "PJM Tariff"); or (2) Incremental Auction Revenue Rights pursuant to Section 7.8 of Schedule 1 of the Operating Agreement of PJM Interconnection L.L.C. ("Operating Agreement") and Part VI of the PJM Tariff; or (3) installation of one or more Merchant Network Upgrades pursuant to Part IV and Part VI of the PJM Tariff;

WHEREAS, pursuant to New Service Customer's Completed Application, Upgrade Request Form or Interconnection Request proposing Merchant Network Upgrades only and in accordance with the PJM Tariff, Transmission Provider has conducted the required studies to determine whether such requests can be accommodated, and if so, under what terms and conditions, including the identification of any Direct Assignment Facilities or Customer-Funded Upgrades that must be constructed in order to provide the service or rights requested by New Service Customer;

WHEREAS, Transmission Provider's studies have identified the Direct Assignment Facilities and/or Customer-Funded Upgrades described in Appendix I of this Upgrade CSA as necessary to provide New Service Customer the service or rights it has requested; and

WHEREAS, New Service Customer: (i) desires that Transmission Owner construct the required Direct Assignment Facilities and/or Customer-Funded Upgrades; and (ii) agrees to assume cost responsibility for the design, engineering, procurement and construction of such Direct Assignment Facilities or Customer-Funded Upgrades in accordance with the PJM Tariff.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, together with other good and valuable consideration, the receipt and sufficiency is hereby mutually acknowledged by each Party, the Parties mutually covenant and agree as follows:

Article 1 – Definitions And Other Documents

1.0 Defined Terms.

All capitalized terms used in this Upgrade CSA shall have the meanings ascribed to them in Part I of the PJM Tariff or in definitions either in the body of this Upgrade CSA or its attached appendices. In the event of any conflict between defined terms set forth in the PJM Tariff or defined terms in this Upgrade CSA, such conflict will be resolved in favor of the terms as defined in this Upgrade CSA. Any provision of the PJM Tariff relating to this Upgrade CSA that uses any such defined term shall be construed using the definition given to such defined term in this Upgrade CSA.

1.1 Incorporation of Other Documents.

Subject to the provisions of Section 1.0 above, all portions of the PJM Tariff and the Operating Agreement as of the date of this Upgrade CSA, and as pertinent to the subject of this Upgrade CSA, are hereby incorporated herein and made a part hereof.

Article 2 – Responsibility For Direct Assignment Facilities or Customer-Funded Upgrades

2.0 New Service Customer Financial Responsibilities.

New Service Customer shall pay all Costs for the design, engineering, procurement and construction of the Direct Assignment Facilities or Customer-Funded Upgrades identified in Appendix I to this Upgrade CSA. An estimate of such Costs is provided in Appendix I to this Upgrade CSA.

2.1 Obligation to Provide Security.

New Service Customer shall provide Security to collateralize New Service Customer's obligation to pay the Costs incurred by Transmission Owner to construct the Direct Assignment Facilities or Customer-Funded Upgrades identified in Appendix I to this Upgrade CSA, less any Costs already paid by New Service Customer, in accordance with Sections 16.1, 213.1, and 213.4 of the PJM Tariff. Unless deferred under Section 213.4(c) of the PJM Tariff, New Service Customer shall deliver such Security to Transmission Provider prior to the Effective Date of this Upgrade CSA, as described in Appendix III. Unless otherwise specified by the Transmission

Provider, such Security shall take the form of a letter of credit, in the amount of \$ _____ naming the Transmission Provider and Transmission Owner as beneficiaries.

[Include the following if New Service Customer requests deferral of the Security as provided for in Section 213.4(c) of the PJM Tariff:

For any portion of the Security that may be deferred in accordance with Section 213.4(c) of the PJM Tariff, and as requested by New Service Customer, New Service Customer shall provide the Security specified in this Section 2.1 within 120 days after the New Service Customer executes the Upgrade CSA, provided that New Service Customer shall pay a deposit of at least \$200,000 or 125% of the estimated costs that will be incurred during the 120-day period, whichever is greater, to fund continued design work and/or procurement activities, with \$100,000 of such deposit being non-refundable.]

2.2 Failure to Provide Security.

If the New Service Customer fails to provide Security in the amount, in the time or in the form required by Section 2.1, then this Upgrade CSA shall terminate immediately and the New Service Customer's Completed Application, Transmission Interconnection Request, or Upgrade Request, as applicable, shall be deemed terminated and withdrawn.

2.3 Costs.

In accordance with Sections 16.1 and 213.1 of the PJM Tariff, the New Service Customer shall pay for the Direct Assignment Facilities or Customer-Funded Upgrades identified in Appendix I to this Upgrade CSA based upon the Costs of the Direct Assignment Facilities or Customer-Funded Upgrades described in Appendix I. The New Service Customer's obligation to pay the Costs for the Direct Assignment Facilities or Customer-Funded Upgrades identified in Appendix I to this Upgrade CSA, whether greater or lesser than the amount of the Security specified in Section 2.1, will continue regardless of whether the New Service Customer takes Transmission Service pursuant to the terms of the Transmission Service Agreement as defined in Section 3.0 of this Upgrade CSA, if applicable.

2.4 Charges.

In accordance with Sections 9, 24, and 25 of Appendix III to this Upgrade CSA, the Interconnection Customer shall pay to the Transmission Provider the charges applicable after Initial Operation of the Merchant Network Upgrade, as set forth in SCHEDULE B to this Upgrade CSA. Promptly after receipt of such payments, the Transmission Provider shall forward such payments to the appropriate Transmission Owner.

2.5 Transmission Owner Responsibilities.

If the New Service Customer satisfies all requirements of this Article 2 and applicable requirements set forth in the PJM Tariff, Transmission Owner shall use Reasonable Efforts to

construct or cause to be constructed the Direct Assignment Facilities and/or Customer-Funded Upgrades, identified in Appendix I to this Upgrade CSA, on its transmission system. Transmission Owner shall own the Direct Assignment Facilities and/or Customer-Funded Upgrades it has, or has arranged to have, constructed and shall have ongoing responsibility to maintain such Direct Assignment Facilities and/or Customer-Funded Upgrades consistent with the Operating Agreement and the Transmission Owner's Agreement.

Article 3 – Rights To Transmission Service

3.0 No Transmission Service.

This Upgrade CSA does not entitle the New Service Customer to take Transmission Service under the PJM Tariff. Transmission Provider shall provide Transmission Service to New Service Customer pursuant to a separate service agreement by and between New Service Customer and Transmission Provider dated as of the same effective date as this Upgrade CSA (the "Transmission Service Agreement"), if applicable.

Article 4 – Early Termination

4.0 Termination by New Service Customer.

Subject to the terms of Section 14 of Appendix III, New Service Customer may terminate this Upgrade CSA at any time by providing written notice of termination to Transmission Provider and Transmission Owner. New Service Customer's notice of termination shall become effective sixty (60) calendar days after either the Transmission Provider or Transmission Owner receives such notice.

Article 5 – Rights

5.0 Rights.

Transmission Provider shall make available to New Service Customer the rights attributable to the Network Upgrades, Local Upgrades, or Merchant Network Upgrades identified in Appendix I to this Upgrade CSA. The rights, allocation and assignment procedures, duration and all other terms and procedures set forth in Subpart C of Part VI of the PJM Tariff and applicable PJM Manuals referenced therein regarding a New Service Customer assuming responsibility for Network Upgrades, Local Upgrades, or Merchant Network Upgrades to accommodate a New Service Request shall apply under this Agreement for the benefit of New Service Customer.

5.1 Amount of Rights Granted.

New Service Customer shall receive the following rights, subject to Section 5.2 below and the applicable terms of the PJM Tariff:

Incremental Auction Revenue Rights. Pursuant to Section 231 of the PJM Tariff, New Service Customer shall have Incremental Auction Revenue Rights in the following quantities between the indicated source(s) and sink(s):

Incremental Available Transfer Capability Revenue Rights. Pursuant to Section 233 of the PJM Tariff, New Service Customer shall have Incremental Available Transfer Capability Revenue Rights at _____ in the following quantities: _____.

Incremental Capacity Transfer Rights. Pursuant to Section 234 of the PJM Tariff, New Service Customer shall have Incremental Capacity Transfer Rights in the following quantities into the indicated Locational Deliverability Area:

Incremental Deliverability Rights. Pursuant to Section 235 of the PJM Tariff, New Service Customer shall have Incremental Deliverability Rights at _____ in the following quantities: _____.

5.2 Availability of Rights Granted.

New Service Customer’s rights as described in Section 5.1 shall become effective upon the completion of (i) the Network Upgrades, Local Upgrades, or Merchant Network Upgrades identified in this Upgrade CSA, and, if applicable, (ii) the transmission upgrade projects noted as contingencies in Appendix I of this Upgrade CSA.

5.3 Credits.

New Service Customer will not be eligible for any credits against transmission service rates under the PJM Tariff for the value of the Network Upgrades, Local Upgrades, or Merchant Network Upgrades for which it will pay under this Agreement, as described in Section 5.1.

Article 6 – Miscellaneous

6.0 Notices.

Any notice or request made to or by any Party regarding this Upgrade CSA shall be made to the Parties, as indicated below:

Transmission Provider:

PJM Interconnection, L.L.C.
2750 Monroe Blvd.
Audubon, PA 19403

New Service Customer:

Transmission Owner:

6.1 Waiver.

No waiver by any Party of one or more Defaults by another in performance of any of the provisions of this Upgrade CSA shall operate or be construed as a waiver of any other or further Default or Defaults, whether of a like or different character.

6.2 Amendment.

This Upgrade CSA or any part thereof, may not be amended, modified or waived other than by a writing signed by all Parties.

6.3 No Partnership.

Notwithstanding any provision of this Upgrade CSA, the Parties do not intend to create hereby any joint venture, partnership, association taxable as a corporation, or other entity for the conduct of any business for profit.

6.4 Counterparts.

This Upgrade CSA may be executed in multiple counterparts to be construed as one effective as of the Effective Date.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties have caused this Upgrade CSA to be executed by their respective authorized officials.

(PJM Queue Position # _____)

Transmission Provider: PJM Interconnection, L.L.C.

By: _____
Name Title Date

Printed name of signer: _____

New Service Customer: [Name of New Service Customer]

By: _____
Name Title Date

Printed name of signer: _____

Transmission Owner: [Name of Transmission Owner]

By: _____
Name Title Date

Printed name of signer: _____

APPENDIX I

SCOPE AND SCHEDULE OF WORK FOR DIRECT ASSIGNMENT FACILITIES OR CUSTOMER-FUNDED UPGRADES TO BE BUILT BY TRANSMISSION OWNER

A. Scope of Work

Transmission Owner hereby agrees to provide the following Direct Assignment Facilities or Customer-Funded Upgrades pursuant to the terms of this Upgrade CSA:

[Identify Direct Assignment Facilities or Customer-Funded Upgrades to be constructed]

B. Schedule of Work

[Add schedule for construction work to be completed]

C. Costs.

New Service Customer shall be subject to the estimated charges detailed below, which shall be billed and paid in accordance with Section 9.0 of Appendix III to this Upgrade CSA.

Direct Assignment Facilities Charge: \$_____

Network Upgrades Charge: \$_____

Local Upgrades Charge: \$_____

Merchant Network Upgrades Charge: \$_____

[Add additional sections to list: any Contingencies, Applicable Technical Requirements, and Estimate of Tax Gross-ups, as required pursuant to Appendix III]

D. Construction of Direct Assignment Facilities or Customer Funded Upgrades

[include 1 through 3 below only for Upgrade Customers or Interconnection Transmission Customers]

1. The Network Upgrades or Merchant Network Upgrades regarding which Interconnected Transmission Owner shall be the Constructing Entity are described on the attached Appendix I, Section A to this Upgrade CSA.

2. Election of Construction Option. Specify below whether the Constructing Entities have mutually agreed to construction of the Network Upgrades or Merchant Network Upgrades that will be built by the Interconnected Transmission Owner pursuant to the Standard Option or the Negotiated Contract Option. (See Sections 6.1 and 6.1.1 of Appendix III to this Upgrade CSA.)

_____ Standard Option.

_____ Negotiated Contract Option.

If the parties have mutually agreed to use the Negotiated Contract Option, the permitted, negotiated terms on which they have agreed and which are not already set forth as part of the Scope of Work and/or Schedule of Work attached to this Upgrade CSA, respectively, shall be as set forth in Schedule A attached to this Upgrade CSA.

3. Specify whether New Service Customer has exercised the Option to Build in accordance with Section 6.2 of Appendix III to this Upgrade CSA with respect to some or all of the Customer-Funded Upgrades:

_____ Yes

_____ No

If Yes is indicated, New Service Customer shall build, in accordance with and subject to the conditions and limitations set forth in section 6.2.3 of Appendix III to this Upgrade CSA, those portions of the Customer-Funded Upgrades described below:

[The following section applies only to Eligible Customers]

Specify whether New Service Customer has exercised the Option to Build in accordance with Section 6.2 of Appendix III to this Upgrade CSA with respect to some or all of the Direct Assignment Facilities:

_____ Yes

_____ No

If Yes is indicated, New Service Customer shall build, in accordance with and subject to the conditions and limitations set forth in section 6.2.3 of Appendix III to this Upgrade CSA, those portions of the Direct Assignment Facilities described below:

APPENDIX II
DEFINITIONS

1. Definitions.

The following definitions shall apply to this Agreement.

1.1 “Affiliate”

Affiliate shall mean, with respect to a corporation, partnership or other entity, each such other corporation, partnership or other entity that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such corporation, partnership or other entity.

1.2 “Applicable Laws and Regulations”

Applicable Laws and Regulations shall mean all duly promulgated applicable federal, State and local laws, regulations, rules, ordinances, codes, decrees, judgments, directives, or judicial or administrative orders, permits and other duly authorized actions of any Governmental Authority having jurisdiction over the relevant parties, their respective facilities, and/or the respective services they provide.

1.3 “Applicable Regional Entity”

Applicable Regional Entity shall mean the Regional Entity for the region in which the Transmission Owner or New Service Customer operates.

1.4 “Applicable Standards”

Applicable Standards shall mean the requirements and guidelines of NERC, the Applicable Regional Entity and the Control Area in which the Direct Assignment Facilities or Customer-Funded Upgrades are electrically located, the PJM Manuals and applicable technical requirements and standards.

1.5 “Breach”

Breach shall mean the failure of a Party to perform or observe any material term or condition of the applicable Part of the PJM Tariff or this Upgrade CSA.

1.6 “Breaching Party”

Breaching Party shall mean a Party that is in Breach of the applicable Part of the PJM Tariff and/or this Upgrade CSA.

1.7 “Cancellation Costs”

Cancellation Costs shall mean the Costs and liabilities incurred in connection with: (a) cancellation of supplier and contractor written orders and agreements entered into to design, engineer, construct and install the Direct Assignment Facilities or Customer-Funded Upgrades identified in Appendix I to this Upgrade CSA; and/or (b) completion of some or all of the Direct Assignment Facilities or Customer-Funded Upgrades identified in Appendix I to this Upgrade CSA, or specific unfinished portions and/or removal of any or all of such Direct Assignment Facilities or Customer-Funded Upgrades which have been installed, to the extent required for the Transmission Owner and Transmission Provider to perform their respective obligations under this Upgrade CSA.

1.8 “Commission”

Commission shall mean the Federal Energy Regulatory Commission.

1.9 “Confidential Information”

Confidential Information shall mean any confidential, proprietary, or trade secret information of a plan, specification, pattern, procedure, design, engineering, device, list, concept, policy, or compilation relating to the present or planned business of a Party, which is designated as confidential by the Party supplying the information, whether conveyed verbally, electronically, in writing, through inspection, or otherwise, and shall include, without limitation, all information relating to the producing Party’s technology, research and development, business affairs and pricing, and any information supplied by any Party to another such Party prior to the execution of a Transmission Service Agreement or this Upgrade CSA.

1.10 “Constructing Entity”

Constructing Entity shall mean either the Transmission Owner or the New Service Customer, depending on which entity has the construction responsibility pursuant to Part VI and this Upgrade CSA.

1.11 “Control Area”

Control Area shall mean an electric power system or combination of electric power systems to which a common automatic generation control scheme is applied in order to: (1) match, at all times, the power output of the generators within the electric power system(s) and capacity and energy purchased from entities outside the electric power system(s), with the load within the electric power system(s); (2) maintain scheduled interchange with other Control Areas, within the limits of Good Utility Practice; (3) maintain the frequency of the electric power system(s) within reasonable limits in accordance with Good Utility Practice; and (4) provide sufficient generating capacity to maintain operating reserves in accordance with Good Utility Practice.

1.12 “Costs”

Costs shall mean all of the actual costs and expenses incurred by the Transmission Owner to complete its obligations under Section 2.5 of this Upgrade CSA, including, but not limited to, capital expenditures, overhead, return, and the costs of financing, equipment, labor, services, taxes, income tax gross-ups and any Incidental Expenses.

1.13 “Default”

Default shall mean the failure of a Breaching Party to cure its Breach in accordance with the applicable provisions of this Upgrade CSA and the PJM Tariff.

1.14 “Delivering Party”

Delivering Party shall mean the entity supplying capacity and energy to be transmitted at Point(s) of Receipt.

1.15 “Emergency Condition”

Emergency Condition shall mean a condition or situation: (i) that in the judgment of any Party is imminently likely to endanger life or property; or (ii) that in the judgment of the Transmission Owner or the Transmission Provider is imminently likely (as determined in a non-discriminatory manner) to cause a material adverse effect on the security of, or damage to, the Transmission System, a Transmission Owner’s transmission system or distribution system to which the Transmission System is directly or indirectly connected; or (iii) that in the judgment of the New Service Customer is imminently likely (as determined in a non-discriminatory manner) to cause damage to the facility.

1.16 “Environmental Laws”

Environmental Laws shall mean Applicable Laws or Regulations relating to pollution or protection of the environment, natural resources or human health and safety.

1.17 “Facilities Study”

Facilities Study shall mean that certain Facilities Study conducted by Transmission Provider (or at its direction) to determine the design and specification of the Direct Assignment Facilities or Customer-Funded Upgrades necessary to accommodate the New Service Request, as applicable.

1.18 “Federal Power Act”

Federal Power Act shall mean the Federal Power Act, as amended, 16 U.S.C. §§ 791a, et seq.

1.19 “FERC”

FERC shall mean the Federal Energy Regulatory Commission or its successor.

1.20 “Firm Point-To-Point Transmission Service”

Firm Point-To-Point Transmission Service shall mean Transmission Service under the PJM Tariff that is reserved and/or scheduled between specified Points of Receipt and Delivery pursuant to Part II of the PJM Tariff.

1.21 “Force Majeure”

Force Majeure shall mean any cause beyond the control of the affected Party, including but not restricted to, acts of God, flood, drought, earthquake, storm, fire, lightning, epidemic, war, riot, civil disturbance or disobedience, labor dispute, labor or material shortage, sabotage, acts of public enemy, explosions, orders, regulations or restrictions imposed by governmental, military, or lawfully established civilian authorities, which, in any of the foregoing cases, by exercise of due diligence such Party could not reasonably have been expected to avoid, and which, by the exercise of due diligence, it has been unable to overcome. Force Majeure does not include: (i) a failure of performance that is due to an affected Party’s own negligence or intentional wrongdoing; (ii) any removable or remediable causes (other than settlement of a strike or labor dispute) which an affected Party fails to remove or remedy within a reasonable time; or (iii) economic hardship of an affected Party.

1.22 “Good Utility Practice”

Good Utility Practice shall mean any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the region.

1.23 “Governmental Authority”

Governmental Authority means any federal, State, local or other governmental, regulatory or administrative agency, court, commission, department, board, or other governmental subdivision, legislature, rulemaking board, tribunal, arbitrating body, or other governmental authority having jurisdiction over any Party regarding any matter relating to this Upgrade CSA, as applicable.

1.24 “Hazardous Substances”

Hazardous Substances shall mean any chemicals, materials or substances defined as or included in the definition of “hazardous substances,” “hazardous wastes,” “hazardous materials,” “hazardous constituents,” “restricted hazardous materials,” “extremely hazardous substances,” “toxic substances,” “radioactive substances,” “contaminants,” “pollutants,” “toxic pollutants” or

words of similar meaning and regulatory effect under any applicable Environmental Law, or any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any applicable Environmental Law.

1.25 “Incidental Expenses”

Incidental Expenses shall mean those expenses incidental to the performance of design, engineering, procurement and construction of the Direct Assignment Facilities or Customer-Funded Upgrades identified in Appendix I to this Upgrade CSA, including, but not limited to, the expense of temporary construction power, telecommunications charges, Transmission Owner expenses associated with, but not limited to, document preparation, design review, engineering, installation, monitoring, and construction-related operations and maintenance for the Direct Assignment Facilities or Customer-Funded Upgrades identified in Appendix I to this Upgrade CSA.

1.26 “Local Upgrades”

Local Upgrades shall mean modifications or additions of facilities to abate any local thermal loading, voltage, short circuit, stability or similar engineering problem caused by the interconnection and delivery of generation to the Transmission System. Local Upgrades shall include: (i) Direct Connection Local Upgrades which are Local Upgrades that only serve the Customer Interconnection Facility and have no impact or potential impact on the Transmission System until the final tie-in is complete; and (ii) Non-Direct Connection Local Upgrades which are parallel flow Local Upgrades that are not Direct Connection Local Upgrades.

(i) Direct Connection Local Upgrades which are Local Upgrades that only serve the Customer Interconnection Facility and have no impact or potential impact on the Transmission System until the final tie-in is complete; and

(ii) Direct Connection Local Upgrades which are parallel flow Local Upgrades that are not Direct Connection Local Upgrades.

1.27 “Long-Term Firm Point-To-Point Transmission Service”

Long-Term Firm Point-To-Point Transmission Service shall mean Firm Point-To-Point Transmission Service under Part II of the PJM Tariff with a term of one year or more.

1.28 “NERC”

NERC shall mean the North American Electric Reliability Council or any successor thereto.

1.29 “Network Upgrades”

Network Upgrades shall mean modifications or additions to transmission-related facilities that are integrated with and support the Transmission Provider's overall Transmission System for the general benefit of all users of such Transmission System. Network Upgrades shall include:

(i) **Direct Connection Network Upgrades** which are Network Upgrades that only serve the Customer Interconnection Facility and have no impact or potential impact on the Transmission System until the final tie-in is complete; and

(ii) **Non-Direct Connection Network Upgrades** which are parallel flow Network Upgrades that are not Direct Connection Network Upgrades.

1.30 "Office of the Interconnection"

Office of the Interconnection shall mean the Office of the Interconnection, as supervised by the Board of Managers of the PJM Interconnection, L.L.C., acting pursuant to the Operating Agreement.

1.31 "Operating Agreement of the PJM Interconnection, L.L.C." or "Operating Agreement"

Operating Agreement of the PJM Interconnection, L.L.C." or "Operating Agreement shall mean that agreement dated as of April 1, 1997 and as amended and restated as of June 2, 1997 and as amended from time to time thereafter, among the members of the PJM Interconnection, L.L.C.

1.32 "Part I"

Part I shall mean the PJM Tariff Definitions and Common Service Provisions contained in Sections 2 through 12 of the PJM Tariff.

1.33 "Part II"

Part II shall mean PJM Tariff Sections 13 through 27 pertaining to Point-To-Point Transmission Service in conjunction with the applicable Common Service Provisions of Part I and appropriate Schedules and Attachments of the PJM Tariff.

1.34 "Part III"

Part III shall mean PJM Tariff Sections 28 through 35 pertaining to Network Integration Transmission Service in conjunction with the applicable Common Service Provisions of Part I and appropriate Schedules and Attachments of the PJM Tariff.

1.35 "Part IV"

Part IV shall mean PJM Tariff Sections 36 through 112 pertaining to generation or merchant transmission interconnection to the Transmission System in conjunction with applicable Common Service Provision of Part I and appropriate Schedules and Attachments.

1.36 “Part VI”

Part VI shall mean PJM Tariff Sections 200 through 237 pertaining to the queuing, study, and agreements relating to New Service Requests, and the rights associated with Customer-Funded Upgrades in conjunction with the applicable Common Service Provision of Part I and appropriate Schedules and Attachments.

1.37 “PJM Interchange Energy Market”

PJM Interchange Energy Market shall mean the regional competitive market administered by the Transmission Provider for the purchase and sale of spot electric energy at wholesale interstate commerce and related services, as more fully set forth in Attachment K – Appendix to the PJM Tariff and Schedule 1 to the Operating Agreement.

1.38 “PJM Manuals”

PJM Manuals shall mean the instructions, rules, procedures and guidelines established by the Transmission Provider for the operation, planning, and accounting requirements of the PJM Region and the PJM Interchange Energy Market.

1.39 “PJM Region”

PJM Region shall have the meaning specified in the Operating Agreement.

1.40 “Point(s) of Delivery”

Point(s) of Delivery shall mean the point(s) on the Transmission Provider’s Transmission System where capacity and energy transmitted by the Transmission Provider will be made available to the Receiving Party under Part II of the PJM Tariff. The Point(s) of Delivery shall be specified in the Service Agreement for Long-Term Firm Point-To-Point Transmission Service.

1.41 “Point(s) of Receipt”

Point(s) of Receipt shall mean the point(s) of interconnection on the Transmission Provider’s Transmission System where capacity and energy will be made available to the Transmission Provider by the Delivering Party under Part II of the PJM Tariff. The Point(s) of Receipt shall be specified in the Service Agreement for Long-Term Firm Point-To-Point Transmission Service.

1.42 “Project Financing” means:

Project Financing shall mean

(a) One or more loans, leases, equity and/or debt financings, together with all modifications, renewals, supplements, substitutions and replacements thereof, the proceeds of

which are used to finance or refinance the costs of the Direct Assignment Facilities or Customer-Funded Upgrades identified in Appendix I to this Upgrade CSA, any alteration, expansion or improvement to such Direct Assignment Facilities or Customer-Funded Upgrades, the purchase and sale of such Direct Assignment Facilities or Customer-Funded Upgrades or the operation of such Direct Assignment Facilities or Customer-Funded Upgrades;

(b) Loans and/or debt issues secured by the Direct Assignment Facilities or Customer-Funded Upgrades identified in Appendix I to this Upgrade CSA.

1.43 “Project Finance Entity”

Project Finance Entity means: (a) a holder, trustee or agent for holders, of any component of Project Financing; or (b) any purchaser of capacity and/or energy produced by the facility to which New Service Customer has granted a mortgage or other lien as security for some or all of New Service Customer’s obligations under the corresponding power purchase agreement.

1.44 “Reasonable Efforts”

Reasonable Efforts shall mean, with respect to any action required to be made, attempted, or taken by Transmission Provider or Transmission Owner, such efforts as are timely and consistent with Good Utility Practice and with efforts that such Party would undertake for the protection of its own interests.

1.45 “Receiving Party”

Receiving Party shall mean the entity receiving the capacity and energy transmitted by the Transmission Provider to Point(s) of Delivery.

1.46 “Regional Transmission Expansion Plan” or “RTEP”

Regional Transmission Expansion Plan or “RTEP” shall mean the plan prepared by the Office of the Interconnection pursuant to Schedule 6 of the Operating Agreement for the enhancement and expansion of the Transmission System in order to meet the demands for firm transmission service in the PJM Region.

1.47 “Schedule and Scope of Work”

Schedule and Scope of Work shall mean that schedule and scope of work attached to the Upgrade CSA setting forth the scope and timing of work to be performed by the Transmission Owner, based upon the Facilities Study and subject to modification, as required, in accordance with Transmission Provider’s scope change process for projects set forth in the PJM Manuals.

1.48 “Security”

Security shall mean the letter of credit or other reasonable form of security provided by the New Service Customer to the Transmission Provider pursuant to Section 213.4 of the PJM Tariff to

secure the New Service Customer's responsibility for Costs incurred pursuant to this Upgrade CSA.

1.49 "Service Agreement"

Service Agreement shall mean the initial agreement and any amendments or supplements thereto entered into by the New Service Customer and the Transmission Provider for service under the PJM Tariff.

1.50 "State"

State shall mean a state of the United States or the District of Columbia.

1.51 "Transmission System"

Transmission System shall mean the facilities controlled or operated by the Transmission Provider within the PJM Region that are used to provide transmission service under Part II and Part III of the PJM Tariff.

6.0 Schedule Of Work.

6.1 Standard Option.

The Transmission Owner shall use Reasonable Efforts to design, engineer, procure, construct and install the Direct Assignment Facilities or Customer-Funded Upgrades, identified in Appendix I to this Upgrade CSA, in accordance with the Schedule and Scope of Work.

6.1.1 Negotiated Contract Option.

As an alternative to the Standard Option set forth in Section 6.1 of this Appendix III, the Transmission Owner and the New Service Customer may mutually agree to a Negotiated Contract Option for the Transmission Owner's design, procurement, construction and installation of the Customer-Funded Upgrades. Under the Negotiated Contract Option, the Upgrade Customer and the Transmission Owner may agree to terms different from those included in the Standard Option of Section 6.1 above and the corresponding standard terms set forth in the applicable provisions of Part VI of the Tariff and this Appendix III. Under the Negotiated Contract Option, negotiated terms may include the work schedule applicable to the Transmission Owner's construction activities and changes to same; payment provisions, including the schedule of payments; incentives, penalties and/or liquidated damages related to timely completion of construction; use of third party contractors; and responsibility for Costs, but only as between the Upgrade Customer and the Transmission Owner that are parties to this Upgrade CSA; no other New Service Customer's responsibility for Costs may be affected (Section 217 of the Tariff). No other terms of the Tariff or this Appendix III shall be subject to modification under the Negotiated Contract Option. The terms and conditions of the Tariff that may be negotiated pursuant to the Negotiated Contract Option shall not be affected by use of the Negotiated Contract Option except as and to the extent that they are modified by the parties' agreement pursuant to such option. All terms agreed upon pursuant to the Negotiated Contract Option shall be stated in full in an appendix to this Upgrade CSA.

6.2 Option to Build.

6.2.1 Option.

In the event that the New Service Customer and the affected Transmission Owner are unable to agree on terms for the construction of facilities required to accommodate the customer's New Service Request by such date as is reasonable in the light of the schedule for construction of such facilities, as set forth in the Facilities Study, or if mutually agreed by the New Service Customer and the affected Transmission Owner, the New Service Customer shall have the right, but not the obligation ("Option to Build"), to design, procure, construct and install all or any portion of the Direct Assignment Facilities and/or Customer-Funded Upgrades. In order to exercise this Option to Build, the New Service Customer must provide Transmission Provider and the Transmission Owner with written notice of its election to exercise the option and indicate its election to exercise the option in this Upgrade CSA.

6.2.2 General Conditions Applicable to Option.

In addition to the other terms and conditions applicable to the construction of facilities under this Appendix III, the Option to Build is subject to the following conditions:

(a) The New Service Customer must obtain or arrange to obtain all necessary permits and authorizations for the construction and installation of the Direct Assignment Facilities or Customer-Funded Upgrades that it is building, provided, however, that when the Transmission Owner's assistance is required, the Transmission Owner shall assist the New Service Customer in obtaining such necessary permits or authorizations with efforts similar in nature and extent to those that the Transmission Owner typically undertakes in acquiring permits and authorizations for construction of facilities on its own behalf;

(b) The New Service Customer must obtain all necessary land rights for the construction and installation of the Direct Assignment Facilities or Customer-Funded Upgrades that it is building, provided, however, that upon New Service Customer's reasonable request, the Transmission Owner shall assist the New Service Customer in acquiring such land rights with efforts similar in nature and extent to those that the Transmission Owner typically undertakes in acquiring land rights for construction of facilities on its own behalf;

(c) Notwithstanding anything stated herein, each Transmission Owner shall have the exclusive right and obligation to perform the line attachments (tie-in work), and to calibrate remote terminal units and relay settings, required for the interconnection to such Transmission Owner's existing facilities of any Direct Assignment Facilities or Customer-Funded Upgrades that the New Service Customer builds; and

(d) The Direct Assignment Facilities or Customer-Funded Upgrades built by the New Service Customer shall be successfully inspected, tested and energized pursuant to Sections 19 and 20 of this Appendix III.

6.2.3 Additional Conditions Regarding Network Facilities.

To the extent that the New Service Customer utilizes the Option to Build for design, procurement, construction and/or installation of (a) any Merchant Network Upgrades, (b) Local Upgrades or Network Upgrades to Transmission System facilities that are in existence or under construction by or on behalf of the Transmission Owner on the date that the New Service Customer solicits bids under Section 6.2.7 below, or (c) Direct Assignment Facilities or Customer-Funded Upgrades that are to be located on land or in right-of-way owned or controlled by the Transmission Owner, and in addition to the other terms and conditions applicable to the design, procurement, construction and/or installation of facilities under this Appendix III, all work shall comply with the following further conditions:

(i) All work performed by or on behalf of the New Service Customer shall be conducted by contractors, and using equipment manufacturers or vendors, that are listed on the Transmission Owner's List of Approved Contractors;

(ii) The Transmission Owner shall have full site control of, and reasonable access to, its property at all times for purposes of tagging or operation, maintenance, repair or construction of modifications to, its existing facilities and/or for performing all tie-ins of Direct Assignment Facilities or Customer-Funded Upgrades built by or for the New Service Customer; and for acceptance testing of any equipment that will be owned and/or operated by the Transmission Owner;

(iii) The Transmission Owner shall have the right to have a reasonable number of appropriate representatives present for all work done on its property/facilities or regarding the Direct Assignment Facilities or Customer-Funded Upgrades, and the right to stop, or to order corrective measures with respect to, any such work that reasonably could be expected to have an adverse effect on reliability, safety or security of persons or of property of the Transmission Owner or any portion of the Transmission System, provided that, unless circumstances do not reasonably permit such consultations, the Transmission Owner shall consult with the New Service Customer and with Transmission Provider before directing that work be stopped or ordering any corrective measures;

(iv) The New Service Customer and its contractors, employees and agents shall comply with the Transmission Owner's safety, security and work rules, environmental guidelines and training requirements applicable to the area(s) where construction activity is occurring and shall provide all reasonably required documentation to the Transmission Owner, provided that the Transmission Owner previously has provided its safety, security and work rules and training requirements applicable to work on its facilities to Transmission Provider and the New Service Customer within 20 business days after a request therefore made by New Service Customer following its receipt of the Facilities Study;

(v) The New Service Customer shall be responsible for controlling the performance of its contractors, employees and agents; and

(vi) All activities performed by or on behalf of the New Service Customer pursuant to its exercise of the Option to Build shall be subject to compliance with Applicable Laws and Regulations, including those governing union staffing and bargaining unit obligations, and Applicable Standards.

6.2.4 Administration of Conditions.

To the extent that a Transmission Owner exercises any discretion in the application of any of the conditions stated in Sections 6.2.2 and 6.2.3 of this Appendix III, it shall apply each such condition in a manner that is reasonable and not unduly discriminatory and it shall not unreasonably withhold, condition, or delay any approval or authorization that the New Service Customer may require for the purpose of complying with any of those conditions.

6.2.5 Approved Contractors.

(a) Each Transmission Owner shall develop and shall provide to Transmission Provider a List of Approved Contractors. Each Transmission Owner shall include on its List of

Approved Contractors no fewer than three contractors and no fewer than three manufacturers or vendors of major transmission-related equipment, unless a Transmission Owner demonstrates to Transmission Provider's reasonable satisfaction that it is feasible only to include a lesser number of construction contractors, or manufacturers or vendors, on its List of Approved Contractors. Transmission Provider shall publish each Transmission Owner's List of Approved Contractors in a PJM Manual and shall make such manual available on its internet website.

(b) Upon request of a New Service Customer, a Transmission Owner shall add to its List of Approved Contractors (1) any design or construction contractor regarding which the New Service Customer provides such information as the Transmission Owner may reasonably require which demonstrates to the Transmission Owner's reasonable satisfaction that the candidate contractor is qualified to design, or to install and/or construct new facilities or upgrades or modifications to existing facilities on the Transmission Owner's system, or (2) any manufacturer or vendor of major transmission-related equipment (e.g., high-voltage transformers, transmission line, circuit breakers) regarding which the New Service Customer provides such information as the Transmission Owner may reasonably require which demonstrates to the Transmission Owner's reasonable satisfaction that the candidate entity's major transmission-related equipment is acceptable for installation and use on the Transmission Owner's system. No Transmission Owner shall unreasonably withhold, condition, or delay its acceptance of a contractor, manufacturer, or vendor proposed for addition to its List of Approved Contractors.

6.2.6 Construction by Multiple New Service Customers:

In the event that there are multiple New Service Customers that wish to exercise an Option to Build with respect to facilities of the types described in Section 6.2.3 to this Appendix III, the Transmission Provider shall determine how to allocate the construction responsibility among them unless they reach agreement among themselves on how to proceed.

6.2.7 Option Procedures

(a) Within 10 days after notifying Transmission Provider and the Transmission Owner of its election to exercise the Option to Build, New Service Customer shall solicit bids from one or more Approved Contractors named on the Transmission Owner's List of Approved Contractors to procure equipment for, and/or to design, construct and/or install, the Direct Assignment Facilities or Customer-Funded Upgrades that the New Service Customer seeks to build under the Option to Build on terms (i) that will meet the New Service Customer's proposed schedule; (ii) that, if the New Service Customer seeks to have an Approved Contractor construct or install Direct Assignment Facilities or Customer-Funded Upgrades, will satisfy all of the conditions on construction specified in Sections 6.2.2 and 6.2.3 of this Appendix III; and (iii) that will satisfy the obligations of a Constructing Entity (other than those relating to responsibility for the costs of facilities) under this Upgrade CSA.

(b) Any additional costs arising from the bidding process or from the final bid of the successful Approved Contractor shall be the sole responsibility of the New Service Customer.

(c) Upon receipt of a qualifying bid acceptable to it, the New Service Customer shall contract with the Approved Contractor that submitted the qualifying bid. Such contract shall meet the standards stated in paragraph (a) of this section.

(d) In the absence of a qualifying bid acceptable to the New Service Customer in response to its solicitation, the Transmission Owner(s) shall be responsible for the design, procurement, construction and installation of the Direct Assignment Facilities or Customer-Funded Upgrades in accordance with the Standard Option described in Section 6.2.1 of this Appendix III.

6.2.8 New Service Customer Drawings.

New Service Customer shall submit to the Transmission Owner and Transmission Provider initial drawings, certified by a professional engineer, of the Direct Assignment Facilities or Customer-Funded Upgrades that New Service Customer arranges to build under the Option to Build. The Transmission Owner and Transmission Provider shall review the drawings to assess the consistency of New Service Customer's design of the pertinent Direct Assignment Facilities or Customer-Funded Upgrades with Applicable Standards and the Facilities Study. After consulting with the Transmission Owner, Transmission Provider shall provide comments on such drawings to New Service Customer within sixty days after its receipt thereof, after which time any drawings not subject to comment shall be deemed to be approved. All drawings provided hereunder shall be deemed to be Confidential Information.

6.2.9 Effect of Review.

Transmission Owner's and Transmission Provider's reviews of New Service Customer's initial drawings of the Direct Assignment Facilities and/or Customer-Funded Upgrades that the New Service Customer is building shall not be construed as confirming, endorsing or providing a warranty as to the fitness, safety, durability or reliability of such facilities or the design thereof. At its sole cost and expense, New Service Customer shall make such changes to the design of the pertinent Direct Assignment Facilities and/or Customer-Funded Upgrades as may reasonably be required by Transmission Provider, in consultation with the Transmission Owner, to ensure that the Direct Assignment Facilities or Customer-Funded Upgrades that New Service Customer is building meet Applicable Standards and conform with the Facilities Study.

6.3 Revisions to Schedule and Scope of Work.

The Schedule and Scope of Work shall be revised as required in accordance with Transmission Provider's scope change process for projects set forth in the PJM Manuals, or otherwise by mutual agreement of the Transmission Provider and Transmission Owner, which agreement shall not be unreasonably withheld, conditioned or delayed.

6.4 Suspension.

The following provision applies to New Service Requests which have entered the New Services Queue prior to February 1, 2011:

New Service Customer shall have the right, upon written notice to Transmission Provider and Transmission Owner, to suspend at any time all work by the Transmission Owner associated with the construction and installation of the Direct Assignment Facilities and/or Customer-Funded Upgrades, identified in Appendix I to this Upgrade CSA, required under this Upgrade CSA, with the condition that, notwithstanding such suspension, the Transmission System shall be left in a safe and reliable condition in accordance with Good Utility Practice and Transmission Provider's safety and reliability criteria. This suspension right permits the New Service Customer to request one or more suspensions of work for a cumulative period of up to three years for each request. New Service Customer's notice of suspension shall include an estimated duration of the suspension and other information related to the suspension.

The following provision applies to New Service Requests which have entered the New Services Queue on or after February 1, 2011:

New Service Customer shall have the right, upon written notice to Transmission Provider and Transmission Owner, to suspend at any time all work by the Transmission Owner associated with the construction and installation of the Direct Assignment Facilities and/or Customer-Funded Upgrades, identified in Appendix I to this Upgrade CSA, required under this Upgrade CSA, with the condition that, notwithstanding such suspension, the Transmission System shall be left in a safe and reliable condition in accordance with Good Utility Practice and Transmission Provider's safety and reliability criteria. This suspension right permits the New Service Customer to request one or more suspensions of work for a cumulative period of up to (i) three years for a request for which the Transmission Provider determines that such suspension would not be deemed a Material Modification, or (ii) one year for a request for which the Transmission Provider determines that such suspension would be deemed a Material Modification. New Service Customer's notice of suspension shall include an estimated duration of the suspension and other information related to the suspension.

6.4.1 Costs.

In the event of a suspension under this section, New Service Customer shall be responsible for all reasonable and necessary Cancellation Costs which the Transmission Owner or Transmission Provider: (i) has incurred pursuant to this Upgrade CSA prior to the suspension; and (ii) incurs in suspending such work, including any costs incurred to perform such work as may be necessary to ensure the safety of persons and property and the integrity of the Transmission System during such suspension and, if applicable, any costs incurred in connection with the cancellation or suspension of material, equipment and/or labor contracts which Transmission Owner or Transmission Provider cannot reasonably avoid; provided, however, that prior to canceling or suspending any such material, equipment or labor contract, the Transmission Owner or Transmission Provider, as the case may be, shall obtain New Service Customer's authorization to do so. Upon the request of the New Service Customer, the Transmission Owner shall provide an estimate of the Cancellation Costs. Transmission Provider shall invoice New Service Customer for Cancellation Costs for which the customer is liable under this section. Transmission Owner and Transmission Provider shall use due diligence to minimize Cancellation Costs in the event of a suspension of work.

6.4.2 Duration of Suspension.

If the Transmission Owner suspends work on the Direct Assignment Facilities and/or Customer-Funded Upgrades required under this Upgrade CSA pursuant to this Section 6.4.2, and the New Service Customer has not requested Transmission Provider and the Transmission Owner to recommence the work required under the applicable agreement(s) on or before the expiration of the time period allowed under this Section 6.4 following commencement of such suspension, then this Upgrade CSA shall terminate. The suspension time period shall begin on the date of the New Service Customer's written notice of suspension to Transmission Provider and Transmission Owner.

9.0 Security, Billing And Payments

The following provisions shall apply with respect to charges for the Costs of the Transmission Owner for which the New Service Customer is responsible.

9.1 Recurring Charges Pursuant to Section 26:

The following provisions shall apply with respect to recurring charges applicable to a Merchant Network Upgrade pursuant to Section 26 of this Appendix III.

9.1.1 General:

Except as, and to the extent, otherwise provided in this Upgrade CSA, billing and payment of any recurring charges applicable to the Merchant Network Upgrade pursuant to Section 26 of this Appendix III shall be in accordance with Section 7 of the Tariff. Transmission Owner shall provide Transmission Provider with all necessary information and supporting data that Transmission Provider may reasonably require to administer billing for and payment of applicable charges under this Appendix III. Transmission Provider shall remit to Transmission Owner revenues received in payment of Transmission Owner's charges to Interconnection Customer under this Appendix III upon Transmission Provider's receipt of such revenues. At Transmission Provider's reasonable discretion, charges to Interconnection Customer and remittances to Transmission Owner under this Appendix III may be netted against amounts owed by or to such parties under the Tariff.

9.2 Adjustments to Security.

The Security provided by New Service Customer at or before the Effective Date of this Upgrade CSA shall be: (a) reduced as portions of the work on Direct Assignment Facilities or Customer-Funded Upgrades, identified in Appendix I to this Upgrade CSA, are completed; and/or (b) increased or decreased as required to reflect adjustments to New Service Customer's cost responsibility, to correspond with changes in the Scope of Work developed in accordance with Transmission Provider's scope change process for projects set forth in the PJM Manuals.

9.3 Invoice.

Transmission Owner shall provide Transmission Provider a quarterly statement of its scheduled expenditures during the next three months for, as applicable, (a) the design, engineering and construction of, and/or for other charges related to, construction of the Direct Assignment Facilities and/or Customer-Funded Upgrades identified in Appendix I to this Upgrade CSA, or (b) in the event that the New Service Customer exercises the Option to Build pursuant to Section 6.2.1 of this Appendix III, for the Transmission Owner's Costs associated with the New Service Customer's building Direct Assignment Facilities, Local Upgrades, and Network Upgrades (including both Direct Connection Network Upgrades, Direct Connection Local Upgrades, Non-Direct Connection Network Upgrades, and Non-Direct Connection Local Upgrades), including but not limited to Costs for tie-in work and Cancellation Costs. Provided, however, such Transmission Owner Costs may include oversight costs (i.e. costs incurred by the Transmission

Owner when engaging in oversight activities to satisfy itself that the New Service Customer is complying with the Transmission Owner's standards and specifications for the construction of facilities) only if the Transmission Owner and the New Service Customer mutually agree to the inclusion of such costs under the Option to Build pursuant to the provisions of Section 6.2.1 of Appendix III of this Upgrade CSA. Transmission Provider shall bill New Service Customer, on behalf of Transmission Owner, for Transmission Owner's expected Costs during the subsequent three months. New Service Customer shall pay each bill within twenty (20) days after receipt thereof. Upon receipt of each of New Service Customer's payments of such bills, Transmission Provider shall reimburse the Transmission Owner. New Service Customer may request that the Transmission Provider provide quarterly cost reconciliation. Such a quarterly cost reconciliation will have a one-quarter lag, e.g., reconciliation of costs for the first calendar quarter of work will be provided at the start of the third calendar quarter of work, provided, however, that Section 9.3 of this Appendix III shall govern the timing of the final cost reconciliation upon completion of the work.

9.4 Final Invoice.

Within 120 days after Transmission Owner completes construction and installation of the Direct Assignment Facilities and/or Customer-Funded Upgrades under this Upgrade CSA, Transmission Provider shall provide New Service Customer with an accounting of, and the appropriate Party shall make any payment to the other that is necessary to resolve, any difference between: (a) New Service Customer's responsibility under the PJM Tariff for the Costs of the Direct Assignment Facilities and/or Customer-Funded Upgrades identified in Appendix I to this Upgrade CSA; and (b) New Service Customer's previous aggregate payments to Transmission Provider for the Costs of the facilities identified in Appendix I to this Upgrade CSA. Notwithstanding the foregoing, however, Transmission Provider shall not be obligated to make any payment to the New Service Customer or the Transmission Owner that the preceding sentence requires it to make unless and until the Transmission Provider has received the payment that it is required to refund from the Party owing the payment.

9.5 Disputes.

In the event of a billing dispute among the Transmission Provider, Transmission Owner, and New Service Customer, Transmission Provider and the Transmission Owner shall continue to perform their respective obligations pursuant to this Upgrade CSA so long as: (a) the New Service Customer continues to make all payments not in dispute, and the Security held by the Transmission Provider while the dispute is pending exceeds the amount in dispute; or (b) the New Service Customer pays to Transmission Provider, or into an independent escrow account established by the New Service Customer, the portion of the invoice in dispute, pending resolution of such dispute. If the New Service Customer fails to meet any of these requirements, then Transmission Provider shall so inform the other Parties and Transmission Provider or the Transmission Owner may provide notice to New Service Customer of a Breach pursuant to Section 13 of this Appendix III.

9.6 Interest.

Interest on any unpaid, delinquent amounts shall be calculated in accordance with the methodology specified for interest on refunds in the FERC's regulations at 18 C.F.R. § 35.19a(a)(2)(iii) and shall apply from the due date of the bill to the date of payment.

9.7 No Waiver.

Payment of an invoice shall not relieve New Service Customer from any other responsibilities or obligations it has under this Upgrade CSA, nor shall such payment constitute a waiver of any claims arising hereunder.

24.0 Operation and Maintenance of Merchant Network Upgrades.

Unless otherwise provided in this Upgrade CSA, the Transmission Owner that owns Merchant Network Upgrades constructed on behalf of and at the expense of the Interconnection Customer shall operate and maintain such Merchant Network Upgrades at the expense of the Interconnection Customer. The charge for operation and maintenance of such Merchant Network Upgrade charges is set forth in SCHEDULE B of this Upgrade CSA.

25.0 Charges

25.1 Specified Charges.

If and to the extent required by the Transmission Owner, after the Initial Operation of the Merchant Network Upgrade, Interconnection Customer shall pay one or more of the types of recurring charges described in this section to compensate the Transmission Owner for costs incurred in performing certain of its obligations under this Appendix III. All such charges shall be stated in SCHEDULE B of the Upgrade CSA. Transmission Owner shall provide Transmission Provider and Interconnection Customer with appropriate cost data, schedules and/or written testimony in support of any charges under this section in such manner and at such time as to allow Transmission Provider to include such materials in its filing of the Upgrade CSA with the FERC. Transmission Provider will deliver a copy of such filing to Interconnection Customer. Permissible charges under this section may include:

(a) Administration Charge – Any such charge may recover only the costs and expenses incurred by the Transmission Owner in connection with administrative obligations such as the preparation of bills. An Administration Charge shall not be permitted to the extent that the Transmission Owner's other charges to the Interconnection Customer under the same Upgrade CSA include an allocation of the Transmission Owner's administrative and general expenses and/or other corporate overhead costs.

(b) Merchant Network Upgrade Operations and Maintenance Charge – Any such charge may recover only the Transmission Owner's costs and expenses associated with operation and maintenance charges related to the Interconnection Customer's Merchant Network Upgrade owned by the Transmission Owner.

(c) Other Charges – Any other charges applicable to the Interconnection Customer, as mutually agreed upon by the Interconnection Customer and the Transmission Owner and as accepted by the FERC as part of an Upgrade CSA.

25.2 FERC Filings.

To the extent required by law or regulation, each Party shall seek FERC acceptance or approval of its respective charges or the methodology for the calculation of such charges.

SCHEDULE A
NEGOTIATED CONTRACT OPTIONS

None.

SCHEDULE B

**OPERATION AND MAINTENANCE CHARGES FOR
MERCHANT NETWORK UPGRADES**

None.

Attachment D

Redline changes to the Original MNU Transmittal Letter



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January 21, 2016

Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E., Room 1A
Washington, D.C. 20426

Re: PJM Interconnection, L.L.C., Docket No. ER16-____-000

Dear Secretary Bose:

Pursuant to section 205 of the Federal Power Act¹ and part 35 of the rules and regulations of the Federal Energy Regulatory Commission (“Commission” or “FERC”),² PJM Interconnection, L.L.C., submits proposed revisions to the PJM Open Access Transmission Tariff (“PJM Tariff”)³ to clarify the process related to Customer Funded Upgrades⁴ specific to Merchant Network Upgrades.⁵ PJM worked with its stakeholders to review the Tariff definitions and processes related to two types of New Service Requests for Customer Funded Upgrades: (i) a Transmission Interconnection Request for Merchant Network Upgrades and (ii) an Upgrade

¹ 16 U.S.C. § 824d (2012).

² 18 C.F.R. Part 35 (2015).

³ Capitalized terms not otherwise defined herein have the meaning specified in, as applicable, the Tariff, Amended and Restated Operating Agreement of PJM Interconnection, L.L.C. or Reliability Assurance Agreement Among Load Serving Entities in the PJM Region.

⁴ PJM proposes to modify the definition of Customer-Funded Upgrade to mean “[a]ny Network Upgrade, Local Upgrade or Merchant Network Upgrade for which cost responsibility (i) is imposed on an Interconnection Customer or an Eligible Customer pursuant to Section 217 of the Tariff or (ii) is voluntarily undertaken by a New Service Customer market participant in fulfillment fulfillment of an Upgrade Request pursuant to Section 7.8 of Schedule 1 of the Operating Agreement. No Network Upgrade, Local Upgrade or Merchant Network Upgrade or other transmission expansion or enhancement shall be a Customer-Funded Upgrade if and to the extent that the costs thereof are included in the rate base of a public utility on which a regulated return is earned.” See PJM Tariff, Part I, § 1.7A.01, *proposed*.

⁵ PJM proposes to modify the definition of Merchant Network Upgrade to mean “[a]dditions ~~Merchant A.C. Transmission Facilities that are additions~~ to, or modifications or replacements of, physical facilities of the Interconnected Transmission Owner that, on the date of the pertinent Transmission Interconnection Customer’s Upgrade Interconnection Request, are part of the Transmission System or are included in the Regional Transmission Expansion Plan.” See PJM Tariff, Part I, § 1.18D, *proposed*.

Request that would be needed to provide Incremental Auction Revenue Rights (“IARRs”) pursuant to section 7.8 of Schedule 1 of the Amended and Restated Operating Agreement of PJM Interconnection, L.L.C. (“Operating Agreement”).

The purpose of these revisions is to (a) correct and/or clearly define the terms applicable to Upgrade Requests; (b) consolidate the two distinct types of New Service Requests under Part VI of the Tariff; and (c) better define the processes regarding the studies, agreements and rights specific to Upgrade Requests. PJM requests that the revisions proposed herein become effective on May 1, 2016, which is more than 60 days after the date of this filing.

I. BACKGROUND

There are three dockets that defined and impacted the current processes related to Transmission Interconnection Requests for Merchant Network Upgrades. The following is a brief history of those dockets. This background is being offered to help the Commission understand that the changes being proposed in this filing are changes that comply with the intent of the original filings. In order to facilitate the Commission’s understanding of the changes requested under each governing document, PJM is attaching a table, as Exhibit A, to this filing, which details the change by governing document and the reason for the requested revisions.

A. FERC Docket No. ER03-405: Addition of an Interconnection Process for Developers to Propose to Interconnect Merchant Transmission Facilities to the Transmission System and Merchant Network Upgrades to Existing Transmission Facilities.

On January 10, 2003, PJM added standardized terms and procedures under Part IV of the PJM Tariff to provide for the interconnection of new and expanded Merchant Transmission

Facilities to the PJM Transmission System.⁶ The changes (i) reorganized and expanded Part IV of the PJM Tariff, (ii) added terms to the Tariff’s definitional section, (iii) included provisions defining the rights to transmission capability available to developers of merchant transmission (iv) included provisions defining the obligations incurred by developers as owners of interconnected transmission facilities, and (v) proposed modifications to the Tariff’s *pro forma* Interconnection Service Agreement (Attachment O) (“ISA”) and Interconnection Construction Service Agreement (Attachment P) (“ICSA”) to provide for the interconnection of Merchant Transmission Facilities by developers.⁷

The January 10 Filing provided that Merchant Transmission Facilities could consist of: (i) Merchant D.C. (Direct Current) Transmission Facilities or Merchant A.C. (Alternating Current) Transmission Facilities.⁸ It further provided that (i) Merchant A.C. Transmission Facilities could include both free-standing transmission facilities that are interconnected with the PJM Transmission System (facilities owned by the developer); and (ii) merchant-sponsored upgrades to existing facilities, i.e., “Merchant Network Upgrades”⁹ (facilities conveyed to the transmission owner). Merchant Network Upgrades were defined as “additions or upgrades to, or replacements of, existing transmission facilities.”¹⁰ The proposal further explained that the recipient transmission owner would operate and maintain the facilities at the expense of the

⁶ *PJM Interconnection, L.L.C.*, Proposed Revisions to Part IV of the PJM Tariff, Docket No. ER03-405-000 (Jan. 10, 2003) (“January 10 Filing”).

⁷ *Id.* at 1 and 2.

⁸ *Id.* at 8.

⁹ *Id.* at 8.

¹⁰ *See Id.* at 8. Examples of Merchant Network Upgrades include a new line on existing transmission towers or a new or upgraded transformer installed in an existing substation.

customer,¹¹ and, in return, the customer would receive all interconnection-related rights created by the Merchant Network Upgrades.”¹²

The January 10 Filing proposed to apply the same study procedures already used for generator interconnections, taking into account some minor variations due to the physical differences between generation and transmission facilities.¹³ On March 12, 2003, the Commission issued an order accepting the proposed Tariff changes effective March 12, 2003,¹⁴ subject to conditions which were accepted by Order dated November 26, 2004.¹⁵

B. Docket No. ER06-1218: Adoption of an Upgrade Request for Incremental Auction Revenue Rights (“Incremental ARR”) Pursuant to Section 7.8 of Schedule 1 of the Operating Agreement.

On July 3, 2006, PJM submitted proposed revisions to the Operating Agreement to establish a Long-Term Firm Transmission Rights product (“LTFTR Proposal”).¹⁶ The LTFTR Proposal included a new section 7.8 of Schedule 1 of the Operating Agreement setting forth provisions to permit entities to request a specified megawatt amount of IARRs on a particular path and have PJM study and project what Network Upgrades would be required in order to award the requested IARRs.¹⁷ Under the LTFTR Proposal, it was contemplated that the process for a section 7.8 request would parallel “in many respects” the ability of a developer of

¹¹ *Id.* at 9. See PJM Interconnection, L.L.C., 102 FERC ¶ 61,277 at P 31 (Mar. 12, 2003) (“March 12 Order”) (finding that the customer will be responsible only for incremental operation and maintenance (“O&M”) expenses associated with its Merchant Network Upgrade.

¹² January 10 Filing at 9.

¹³ *Id.* at 3, 6.

¹⁴ PJM Interconnection, L.L.C., 102 FERC ¶ 61,277 (March 12, 2003) (“March 12 Order”).

¹⁵ PJM Interconnection, L.L.C., 109 FERC ¶ 61,233 (Nov. 26, 2004) (denying requests for rehearing and accepting PJM’s filing submitted in compliance with the March 12 Order).

¹⁶ PJM Interconnection, L.L.C., LTTR Proposal, Docket No. ER06-1218-000 (July 3, 2006) (“LTTR Proposal”).

¹⁷ *Id.* at 17.

Controllable Merchant AC Transmission Facilities to obtain rights in return for funding upgrades to the Transmission System. In the LTFTR Proposal, PJM stated that it would develop a standardized process to support implementation of the new section 7.8.¹⁸ By order dated November 22, 2006, the Commission, among other things, directed PJM to file the Tariff changes setting forth the process for granting IARRs pursuant to section 7.8.¹⁹

C. Docket Nos. EL16-67: Proposal to Consolidate Interconnection Requests, Requests for Transmission Service and an Upgrade Request Under a Single Queue Process.

On December 18, 2006,²⁰ PJM submitted revisions to its Tariff to consolidate under a single queue both interconnection and transmission customer requests for service to: (i) comply with the Commission's LTFTR Order directing PJM to file Tariff revisions setting forth the process for granting IARRs pursuant to section 7.8; (ii) comply with the Commission's order in Docket No. EL06-67-000, directing PJM to "propose [T]ariff provisions for determining priority as between merchant transmission projects and projects funded for transmission service requests;"²¹ and (iii) factor in proposed Tariff provisions implementing the RPM settlement establishing a new type of right associated with incremental transmission capability, i.e., Incremental Capacity Transfer Rights ("ICTRs"), available to Generation or Transmission Interconnection Customers.²²

¹⁸ *Id.* at 18.

¹⁹ *PJM Interconnection, L.L.C., et al.*, 117 FERC ¶ 61,220 at P 47 (Nov. 22, 2006) ("LTTR Order").

²⁰ *Chesapeake Transmission, L.L.C. v. PJM Interconnection, L.L.C.*, Docket No. EL06-67-000 at 13, 15 (Sept. 8, 2006) ("Chesapeake Filing").

²¹ *PJM Interconnection, L.L.C.*, 116 FERC ¶ 61,234 at P 37 (2006) (order denying Complaint of Chesapeake Transmission Company, L.L.C.) ("Chesapeake Order").

²² *PJM Interconnection, L.L.C.*, Settlement Agreement, Docket Nos. ER05-1410-000 and -001, EL05-148-000 and -001 (Sept. 29, 2006).

In doing so, PJM proposed revisions to existing Parts I (Definition), II (Point-to-Point Transmission Service), III (Network Integration Transmission Service) and IV (Interconnection with the Transmission System) of the Tariff. In addition, PJM proposed to add a new Part VI to (i) apply to all Interconnection Requests requiring a System Impact Study, all requests for long-term transmission service and all Upgrade Requests for IARRs under section 7.8 of Schedule 1 of the Operating Agreement; (ii) consolidate procedures for System Impact Studies and Facilities Studies for all New Service Requests;²³ (iii) incorporate existing terms regarding service agreements and add a new Upgrade Construction Service Agreement; and (iv) include rights available to New Service Customers²⁴ who pay for Customer-Funded Upgrades, including a new section for ICTRs. Finally, PJM proposed, among other things, revisions to the pro forma study and service agreements, as well as a new form of Upgrade Request (Attachment EE) and an Upgrade Construction Service Agreement (Attachment GG) applicable to Upgrade Customers submitting an Upgrade Request under section 7.8 and Interconnection Customer proposing Merchant Network Upgrades.²⁵

In implementing the Tariff provisions related to Merchant Network Upgrades following the December 18 Filing, PJM found that some of the Tariff provisions did not carry over precisely in all instances resulting in unintended conflicts, inconsistencies and ambiguities among the relevant Tariff provisions. Other than explicitly stating that an Interconnection Customer proposing Merchant Network Upgrades and an Upgrade Customer submitting an

²³ New Service Request is defined to mean “[a]n Interconnection Request, a Completed Application or an Upgrade Request. *See* PJM Tariff, §1.26C.

²⁴ New Service Customer is defined to mean “[a]ll customers that submit an Interconnection Request, a Completed Application or an Upgrade Request that is pending in the New Services Queue. *See Id.*, § 1.26B.

²⁵ *See* December 18 Filing at 15.

Upgrade Request under section 7.8 must execute an Upgrade CSA, the filing provided no detail regarding the process specific to an Interconnection Customer proposing a Merchant Network Upgrade.

D. Stakeholder Process

Given recent challenges with processing certain queue requests related to Merchant Network Upgrades, PJM initiated a comprehensive review, with its stakeholders, of the differences between transmission facilities (which are owned by the Transmission Interconnection Customer) and Merchant Network Upgrades (which are conveyed to the Transmission Owner who owns the transmission facilities) with the intention of focusing on clarifying the process for Merchant Network Upgrades. In doing so, PJM proposed revisions to the PJM Tariff, where needed, to clarify as well as eliminate any inconsistencies, conflicts or ambiguities regarding requests proposing Merchant Network Upgrades.

On or about February 12, 2015, PJM began discussions with stakeholders at the Planning Committee regarding the need to take a holistic view of the Tariff provisions relative to requests for Merchant Network Upgrades. During those discussions, which continued regularly at the Planning Committee meetings through July 9, 2015, PJM presented its proposed Tariff revisions and made some further modifications based on stakeholder input.

Following review by the Planning Committee, PJM presented its proposed Tariff revisions to the Markets and Reliability Committee (“MRC”) at the June 25, 2015 meeting. At the July 23, 2015 meeting, the MRC endorsed by acclamation with no objections or abstentions PJM’s proposed revisions to the PJM Tariff at Part I (Definitions), Parts IV and VI and Attachments O, O-1, P, S, DD, EE and GG. On August 27, 2015, PJM presented to the

Members Committee (“MC”) on the consent agenda the proposed Tariff revisions previously endorsed by the MRC. The MC endorsed the proposed Tariff revisions by acclamation with no objections or abstentions.

II. DESCRIPTION OF PROPOSED REVISIONS TO THE PJM TARIFF AND OPERATING AGREEMENT

Customer-Funded Upgrades involve increases in capability to transmission owner owned facilities that are paid for by the customer. In return, such customers receive transmission-related rights associated with the Customer-Funded Upgrades. For purposes of this filing, there are currently three types of customers: (i) an Interconnection Customer that submits a Transmission Interconnection Request under Part IV of the Tariff to interconnect or add Merchant Transmission Facilities to the Transmission System or increase the capacity of existing Merchant Transmission Facilities interconnected with the Transmission System that the customer will own and/or operate; (ii) an Interconnection Customer that submits a request to fund Merchant Network Upgrades (including accelerating the construction of any transmission enhancement or expansion, other than Merchant Transmission Facilities that is included in the RTEP) to existing transmission facilities in return for rights as described under Part VI of the Tariff; and (iii) an Upgrade Customer who submits a request pursuant to section 7.8 of Schedule 1 of the Operating Agreement for a specified megawatt amount of IARRs between a specified source and sink for PJM to study and project what Network Upgrades are required in order to award the Upgrade Customer requested IARRs.

Given the lack of clarity around the process for Interconnection Customers submitting a request to fund Merchant Network Upgrades due to inconsistent, conflicting and ambiguous Tariff provisions, PJM proposes changes to the following four specific Tariff elements: (i)

correct several definitions in Part I of the PJM Tariff (Common Service Provisions); (ii) revise and add to Part IV of the Tariff (Interconnections with the Transmission System) in order to clarify the queue entry process for Transmission Interconnection Requests by a customer seeking to interconnect or add Merchant Transmission Facilities to the Transmission System versus those proposing Merchant Network Upgrades to existing transmission facilities;²⁶ (iii) revise and add to Part VI of the Tariff (Administration and Study of New Service Requests; Rights Associated with Customer-Funded Upgrades) clarification regarding the two types of Customer-Funded Upgrades, i.e., an Upgrade Request submitted by an Upgrade Customer under section 7.8, which was already included under Part VI,²⁷ and new language to include an Upgrade Request submitted by an Interconnection Customer for Merchant Network Upgrades, as well as detail regarding a queue entry and study process for an Upgrade Request for Merchant Network Upgrades;²⁸ and (iv) revise the *pro forma* Interconnection Service Agreement (“ISA”) (at Attachment O), Interim ISA (at Attachment O-1), Interconnection Construction Service Agreement (“ICSA”) (at Attachment P), the Upgrade Request Form (at Attachment EE) and the Upgrade Construction Service Agreement (“Upgrade CSA”) (at Attachment GG); and (v) revise Incremental Capacity Transfer Rights (Attachment DD) to include the changes proposed for Parts I, IV and VI. PJM will detail the proposed changes by Tariff sections. In addition, PJM

²⁶ PJM also proposes to clarify that a customer submitting an Upgrade Request proposing a Merchant Network Upgrade identifies either (i) the increase in capability, i.e., the increase in the line rating (or other transmission element), not the specific piece of transmission equipment to be upgraded or (ii) the RTEP baseline (by number) the customer wishes to accelerate including proposed acceleration date. See Attachment EE, §1 (alternative language #2) *proposed*.

²⁷ PJM Tariff, Part VI, § 204.2.1, *proposed*.

²⁸ *Id.*, § 204.2.2, *proposed*.

proposes to include various ministerial “clean up” provisions such as capitalizing defined Tariff terms and correcting misspellings.

A. Proposed Revisions to Part I of the PJM Tariff Definitions

PJM proposes to revise certain definitions to correct and/or clear up any misperceptions relative to the process for the two types of Customer-Funded Upgrades, as described above. For example, the definitions Customer Funded Upgrade,²⁹ Transmission Interconnection Customer,³⁰ Upgrade Construction Service Agreement³¹ and Upgrade Request³² were meant to apply to both an Upgrade Customer³³ submitting an Upgrade Request under section 7.8, and an Interconnection Customer submitting an Upgrade Request for Merchant Network Upgrades.³⁴ The proposed changes are intended to make clear the two types of Upgrade Requests for Customer-Funded Upgrades. In addition, PJM proposes to revise the definitions of: (i) Merchant Network Upgrades to clarify that such term relates solely to a customer requesting to add to, or modify or replace Transmission Owner owned transmission facilities that are either part of the Transmission System or included in the regional transmission expansion plan (“RTEP”);³⁵ and (ii) Upgrade Customer to clarify that such term applies solely to a customer submitting an Upgrade Request pursuant to section 7.8 of Schedule 1 of the Operating Agreement. Again, the purpose of these changes is to clarify the two distinct types of Upgrade Requests that are

²⁹ PJM Tariff, Part I, §1.7A.01, *proposed*.

³⁰ PJM Tariff, Part I, § 1.45B, *proposed*.

³¹ *Id.*, § 1.49A.01, *proposed*.

³² *Id.*, § 1.49A.04, *proposed*.

³³ *Id.*, §1.49A.02, *proposed*.

³⁴ *Id.*, § 1.18D, *proposed*.

³⁵ *See, supra* at 9, n. 28.

different than a Transmission Interconnection Request to add merchant owned facilities under Part IV of the Tariff.³⁶

B. Proposed Revisions to Part IV of the Tariff

Part IV of the Tariff includes a process by which an Interconnection Customer may submit a Transmission Interconnection Request to interconnect or add Merchant Transmission Facilities to the Transmission System or to increase the capacity of existing Merchant Transmission Facilities interconnected to the Transmission System.³⁷ This provision was originally intended for transmission projects that would be owned by the Interconnection Customer. However, also included under section 36.1.03 was language applicable to merchant-sponsored upgrades to existing transmission facilities of a PJM transmission owner that would be conveyed to the PJM transmission owner. To clearly define the separate processes, PJM proposed to add a new section 36.1.03A entitled “Transmission Interconnection Customers Requesting Merchant Network Upgrades,” which clarifies that the process by which an Interconnection Customer may request Merchant Network Upgrades is through an Upgrade Request pursuant to Attachment EE under Part VI.³⁸ While this process was not clearly detailed in the December 18 Filing, the filing made clear that Merchant Network Upgrades and Upgrade Requests under section 7.8 should be effectuated through an Upgrade Construction Service Agreement.³⁹ Given that guidance, PJM believes that the intent of the prior filings was to

³⁶ PJM Tariff, Part IV, § 36.1.03, *proposed*.

³⁷ *Id.*, § 36.1.03, *proposed*.

³⁸ *Id.*, § 36.1.03A, *proposed*.

³⁹ *Chesapeake Transmission, L.L.C. v. PJM Interconnection, L.L.C.*, Docket No. EL06-67-000 at 13, 15 (Sept. 8, 2006) (“Chesapeake Filing”).

consolidate the process for Upgrade Requests under Part VI of the Tariff. For clarity, that guidance has been memorialized in Part IV of the Tariff in a new section 36.1.03A.⁴⁰

C. Proposed Revisions to Part VI of the Tariff

PJM proposes to add new sections to Part VI of the Tariff in order to clearly define the processes by which a customer may submit an Upgrade Request for Customer-Funded Upgrades. In order to effectuate this change, PJM proposed to explicitly differentiate between the two types of Upgrades Requests. First, PJM proposes to add two new subsections to 204.2 in order to clearly define the processes for the two types of Upgrade Requests: (i) section 204.2.1, which was already included under section 204.2, describes the process applicable to an Upgrade Request pursuant to section 7.8 of Schedule 1 of the Operating Agreement;⁴¹ and (ii) sections 204.2.2, and 204.2.2.1 through and including 204.2.2.7, were added to explicitly provide for a process by which an Interconnection Customer may submit an Upgrade Request for Merchant Network Upgrades.⁴² This process is modeled after the Part IV interconnection process for Transmission Interconnection Requests⁴³ and (i) maintains necessary provisions for PJM's acknowledgement and deficiency review of Attachment EE Requests; allows for the customer to timely correct any deficiencies identified by PJM; and (iii) provides for a scoping meeting, for

⁴⁰ PJM Tariff, Part IV, § 36.1.03A, *proposed*.

⁴¹ In order to avoid any potential misperceptions, PJM proposes to replace the term "Interconnection Customer" with "Upgrade Customer" and to clarify that the \$50,000 deposit will be applied to the Upgrade Customer's study cost responsibility. By requiring the Interconnection Customer proposing Merchant Network Upgrades to complete and submit an Attachment EE the initial deposit is modified from a refundable deposit ranging between \$100 to \$200 per megawatt not to exceed \$100,000 and a non-refundable amount ranging \$10,000 and \$30,000 to a total deposit of \$50,000. See PJM Tariff, Part IV § 36.1.03 and Part VI § 204.1.

⁴² PJM Tariff, Part VI, § 204.2.2, *proposed*.

⁴³ In certain instances where changes were not required, new §§ 204.2.2.4 , 202.2.2.5 and 202.2.2.7 incorporate by reference the specific sections under Part IV.

the customer to receive base case models, and includes milestone requirements relative to the System Impact Study Agreement.

In addition, PJM proposes to modify section 205.2 regarding the scope of the System Impact Study as it is applied to all New Service Customers to specifically include “Merchant Network Upgrades,” so that this provision is applicable to new section 204.2.2. Additionally, PJM proposes to modify section 207 titled “Facilities Study Procedures” to replace the term “Interconnection Customer” with “New Service Customer” and to add “Merchant Network Upgrades” to clarify that section 207 is applicable to all customers, including an Upgrade Customer and an Interconnection Customer requesting Merchant Network Upgrades.

Section 212.4 regarding Security requirements for an Interconnection Service Agreement is modified to remove the reference to “Merchant Network Upgrades” to clarify that Merchant Network Upgrades are not included in an Interconnection Service Agreement thereby reinforcing PJM’s intent as filed in Docket No. EL06-67 that Merchant Network Upgrades are constructed under an Upgrade Construction Service Agreement only.⁴⁴

Finally, PJM proposes to modify section 231.1 to clarify that (i) an Interconnection Customer requesting to receive IARRs for Merchant Network Upgrades must execute an Upgrade Construction Service Agreement, not an Interconnection Service Agreement. In addition, the proposed changes reinforce those rights available to a Transmission Interconnection Customer that interconnects Merchant D.C. Transmission Facilities and/or Merchant A.C. Transmission Facilities within the PJM Transmission System.

⁴⁴ Chesapeake Filing at 13 and 15.

D. Proposed Revisions to Attachment O, Attachment O-1 and Attachment P

As described above, the Interconnection Service Agreement, Interim ISA and Interconnection Construction Service Agreement were not intended to apply to Upgrade Requests.⁴⁵ Accordingly, PJM proposes to eliminate any and all references to “Merchant Network Upgrades” in the Interconnection Service Agreement at sections 10.1, 10.4, 3.0, Specifications sections 4.5 (delete provision) and 4.6, Appendix 2, sections 1.4.2, 1.4.4, 4.2 (delete section), 5.2 (delete section), 5.5, 11.2, 11.2.2, 11.2.3, 16.2.2, 16.2.2.1, 16.2.2.2, 16.2.3, ~~1424.2~~ and Schedule G. PJM also proposes to eliminate the following references to Merchant Network Upgrades contained in section 20.1.2 and Schedule A of the Interim ISA.

With regard to the Interconnection Construction Service Agreement, PJM proposes to remove the following references to Merchant Network Upgrades at section 5.0c (delete section), Appendices Table of Content (remove references to Schedules E and F), ~~Appendix 1, section 3.4,~~ Appendix 2, sections 2.2 2.2.1, ~~2.2.2,~~ 2.2.3, 2.2.4, 2.4.2, 3.1, 3.2.1, 3.2.2, 3.2.3.1, 3.2.3.2, 3.2.3.3, 3.2.3.7, 3.2.3.8, 3.2.3.9, 3.4, 3.5, 3.6, 3.7, 3.8.2, 3.8.2.1, 3.8.2.2, 3.8.3, 3.8.4.2, 3.8.4.2, 3.8.5, 3.9(a) and (b), 3.9.1, 3.9.3, 3.9.5, 3.10, 4.1, 5.5, 6.1, 6.2, 9.2, 9.3, 14.1.1, 14.3.1.2, 14.3.2, Schedule E (delete schedule), Schedule F (delete schedule), and Schedule L.

E. Proposed Revisions to Attachment S (Merchant Transmission Interconnection Request Form) and Attachment EE (Upgrade Request Form)

PJM proposes to remove the reference to Merchant Network Upgrades in the Attachment S Request Form. As stated above, PJM proposes to revise Attachment EE to make clear that it should be used by all Upgrade Requests by including bracketed instructions “to complete Attachment EE as either an Upgrade Customer or an Interconnection Customer

⁴⁵ *Id.* at 13.

requesting Merchant Network Upgrades.” Paragraph 3 is modified to apply to either an Upgrade Customer or Interconnection Customer requesting Merchant Network Upgrades. Also, the reference to “Upgrade Customer” in Paragraphs 3 and 4 was replaced with “New Service Customer” to broaden the applicability of this application to all Upgrade Requests.

F. Proposed Revisions to Upgrade Construction Service Agreement

PJM proposes changes to the Upgrade Construction Service Agreement to clarify that the service agreement applies to all Upgrade Requests including Interconnection Customers seeking Merchant Network Upgrades. Accordingly, PJM proposes to the Heading to replace New Service Customer with Eligible Customer, Upgrade Customer and Interconnection Customer proposing Merchant Network Upgrades and to add “Interconnected” Transmission Owner. PJM also proposes ~~to add Appendix II, section 1.12 and revisions to section 2.4 and~~ Appendix III, sections 9.1 and 9.1.1, 24.0, 25.0, 25.1 and 25.2 to add into Attachment GG the requirement that an Interconnection Customer ~~to must~~ pay recurring charges for the Transmission Owner’s operation and maintenance ~~of related to~~ the Merchant Network Upgrades consistent with PJM’s proposal in Docket No. ER03-405-000.⁴⁶ Such provision was inadvertently omitted from Attachment GG. In addition, Schedule B is added to allow the parties to detail the specific charges applicable to their agreement. PJM also proposes to add to Appendix I, at D for an Upgrade Request to include provisions applicable to an Interconnection Customer requesting Merchant Network Upgrades to choose between a standard construction option, a negotiated contract or option to build pursuant to section 6.2 of Appendix III to the Upgrade CSA. In the

⁴⁶ January 10 Filing at 9 (requiring the merchant developer to pay the operating and maintenance expenses associated with the Merchant Network Upgrades built by the customer and conveyed to the transmission owner whose facilities are upgraded).

event the Transmission Owner and the New Service Customer agree to the negotiated contract option, PJM added a process to follow under Appendix III, section 6.1.1 and Schedule A to allow the parties to detail the terms of their negotiated contract, if applicable.

G. Proposed Revisions to Attachment DD

PJM proposes revisions to Attachment DD (Reliability Pricing Model), section 5.16(a) regarding Incremental Capacity Transfer Rights, which were added to the PJM Tariff under Docket No. ER06-1218-000. PJM proposes to correct the wording in order to clarify (i) the differences between a request to interconnect Merchant Transmission Facilities and an Upgrade Request for Merchant Network Upgrades highlighted in this filing and (ii) to reinforce that ICTRs apply to New Service Customers under both Part IV and Upgrade Projects under Part VI of the Tariff.

H. Ministerial Clean Up

PJM proposes the following ministerial clean up revisions as part of this filing:

- Part I, § 7A.01 Correct misspelling of the word “fulfillment.”
- Part I, § 1.18D PJM proposes to eliminate the reference to “Merchant A.C. Transmission Facilities” because it does not add any value to the definition and in fact may confuse the definition.
- Part IV, § 36.1.03 PJM proposes to replace references to “OASIS” with “website” to accurately reflect where such information may be found.
- Part VI, § 204.1 Replace the incorrect reference to “Interconnection Customer” with “Eligible Customer” for Completed Applications.
- Part VI, § 204.2.1 Capitalize the term “section” to be consistent with other references to “section” in Part VI of the Tariff.
- Attachment DD, § 5.16(a) Remove parenthetical “(or for facilities or upgrades in a PJM queue prior to March 1, 2007, to an Interconnection Customer)” as there are no facilities or upgrades active in the PJM queue, therefore, it is no longer necessary or applicable. Remove parenthetical (or Interconnection Customer) as it not needed because the use of the term “New Service Customer” includes Interconnection Customer.

- Attachment DD, § 5.16(b) Remove an extra space between “Locational Price Adder” and “with respect to.”
- Attachment GG, § 2.4 and Appendix III, §§ 9.1 through 9.6: Revised the numbering of those sections to reflect newly added § 2.4 and Appendix III, § 9.1.

III. REQUESTED EFFECTIVE DATE

PJM respectfully request that the proposed revisions described above and detailed in the Exhibit A table included with this filing be made effective on May 1, 2016, a date at least 60 days after the date of this filing.

IV. DOCUMENTS ENCLOSED:

PJM encloses the following:

- a. This transmittal letter;
- b. Attachment A – Exhibit A – Table;
- c. Attachment B – Revised PJM Tariff (in redlined form); and
- d. Attachment C – Revised PJM Tariff (in clean form).

V. CORRESPONDENCE AND COMMUNICATION

Correspondence and communications with respect to this filing should be sent to the following persons:

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VI. SERVICE

PJM has served a copy of this filing on all PJM Members and on the affected state utility regulatory commissions in the PJM Region by posting this filing electronically. In accordance

with the Commission's regulations,⁴⁷ PJM will post a copy of this filing to the FERC filings section of its internet site, located at the following link: <http://www.pjm.com/documents/ferc-manuals/ferc-filings.aspx> with a specific link to the newly-filed document, and will send an e-mail on the same date as this filing to all PJM Members and all state utility regulatory commissions in the PJM Region⁴⁸ alerting them that this filing has been made by PJM and is available by following such link. If the document is not immediately available by using the referenced link, the document will be available through the referenced link within twenty-four hours of the filing.

Also, a copy of this filing will be available on the Commission's eLibrary website located at the following link: <http://www.ferc.gov/docs-filing/elibrary.asp> in accordance with the Commission's regulations and Order No. 714.

Respectfully submitted,

By:  _____

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⁴⁷ See 18 C.F.R. §§ 35.2(e) and 385.201(f)(3) (2015).

⁴⁸ PJM already maintains, updates, and regularly uses electronic mailing lists for all PJM Members and affected state commissions.