

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

<b>Dominion Resources Services, Inc.</b>	)	
	)	
<b>Complainant</b>	)	
	)	
v.	)	<b>Docket No. EL08-___-000</b>
	)	
<b>PJM Interconnection, LLC.</b>	)	
	)	
<b>Respondent</b>	)	

**COMPLAINT  
AND REQUEST FOR FAST-TRACK PROCESSING OF  
DOMINION RESOURCES SERVICES, INC.  
AGAINST PJM INTERCONNECTION, LLC**

Pursuant to Sections 206 and 306 of the Federal Power Act (“FPA”), 16 U.S.C. §§ 824e and 825e (2000), and Rule 206 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“Commission” or “FERC”), 18 C.F.R. § 385.206 (2006), Dominion Resources Services, Inc. (“Dominion”) on behalf of its affiliates Dominion Energy Marketing, Inc. (“DEMI”) and Fairless Energy, LLC (“Fairless Energy”), submits this Complaint Requesting Fast Track Processing against PJM Interconnection, LLC (“PJM”) for its failure to timely process Dominion’s interconnection request in accordance with PJM’s open access transmission tariff (“Tariff”).

In this Complaint, Dominion alleges that:

1. PJM’s delay in processing Dominion’s interconnection request at the Fairless facility is unjust and unreasonable and a Tariff violation. Accordingly, the Commission should order PJM to complete the Fairless System Impact Study no later than April 28, 2008.

2. PJM's interpretation of the existing Interconnection Services Agreement is unjust and unreasonable because PJM has no reasonable basis to derate Dominion's paid-for Interconnection Capacity Rights. Accordingly, the Commission should find that Dominion, at a minimum, retains its Interconnection Capacity Rights of 1,145 MW under the Fairless ISA.
3. PJM's Interconnection Queue is generally delayed beyond a just and reasonable point. Those delays are having deleterious impacts on PJM's markets and are undermining the incentives that suppliers have to build in constrained areas of PJM. Accordingly, the Commission should find that these delays require a revision to the queue priority contained in the Tariff and order Tariff revisions on an expedited basis revising the queue priority to establish a just and reasonable interconnection queue process.

Dominion respectfully requests fast-track processing of this complaint and respectfully requests that the Commission require PJM's answer within ten days.

#### **I. NOTICES AND COMMUNICATIONS.**

The persons to whom correspondence, pleadings and other papers regarding this proceeding should be addressed and whose names are to be placed on the Commission's official service list on behalf of Dominion are designated as follows.

Michael C. Regulinski\*  
Assistant General Counsel  
Law Department  
Dominion Resources Services, Inc.  
P.O. Box 26532  
Richmond, VA 23261-6532  
Tel: 804-819-2794  
Fax: 804-819-2183  
e-mail: michael\_regulinski@dom.com

Clifford S. Sikora  
Christopher R. Jones\*  
Troutman Sanders LLP  
401 9<sup>th</sup> Street, N.W., Suite 1000  
Washington, D.C. 20004  
Tel: 202-274-2914  
Fax: 202-654-5619  
e-mail:  
Chris.Jones@troutmansanders.com

\* Designated for service

## **II. DESCRIPTION OF DOMINION RESOURCES SERVICES, INC. AND ITS RELEVANT AFFILIATES.**

Dominion Resources Inc. (“DRI”) is a registered holding company under the Public Utility Holding Company Act of 2005 and is the parent of several subsidiaries that are PJM members and transact business in the PJM markets. Dominion Virginia Power has a generation portfolio of more than 18,000 megawatts, which is transmitted over approximately 6,000 miles of electric transmission lines and approximately 65,000 miles of electric distribution facilities in Virginia and North Carolina. Dominion Virginia Power integrated into PJM on May 1, 2005. Dominion Energy Marketing, Inc. manages approximately 2400 megawatts of generation in PJM that is operated independently of the Dominion Virginia Power assets. Dominion Resources Services, Inc. provides various management services to the Dominion utility and natural gas affiliates. Fairless Energy, LLC owns a two-unit gas-fired combined cycle station in eastern Pennsylvania, across the river from Trenton, New Jersey, that is the subject of this Complaint. Each company is a wholly owned, indirect subsidiary of DRI.

## **III. EXHIBITS**

In addition to this Petition, the following documents are attached as Exhibits:

- Exhibit A: The Fairless ISA
- Exhibit B: February 1, 2007 Letter from PJM to Dominion
- Exhibit C: The 2007-2008 Interim ISA between Dominion and PJM
- Exhibit D: The 2008-2009 Interim ISA between Dominion and PJM

- Exhibit E: Letter from Mark McGettrick, President and CEO of Dominion Generation to PJM Board Members
- Exhibit F: PJM Response to McGettrick Letter
- Exhibit G: PJM's Presentation at Queue Technical Conference
- Exhibit H Form of Notice of Complaint

#### **IV. COMPLAINT**

In this Complaint, Dominion alleges that:

1. PJM's delay in processing Dominion's interconnection request at the Fairless facility is unjust and unreasonable and a Tariff violation. Accordingly, the Commission should order PJM to complete the System Impact Study no later than April 28, 2008.
2. PJM's Interpretation of the existing Interconnection Services Agreement is unjust and unreasonable because PJM has no reasonable basis to derate Dominion's paid-for Interconnection Capacity Rights in this situation. Accordingly, the Commission should find that Dominion retains its Interconnection Capacity Rights of 1,145 MW under the Fairless ISA.
3. PJM's Interconnection Queue is generally delayed beyond a just and reasonable point. Those delays are having deleterious impacts on PJM's markets and are undermining the incentives that suppliers have to build in constrained areas of PJM. Accordingly, the Commission should find that these delays require a revision to the queue priority contained in the Tariff and order Tariff revisions on an expedited basis revising the queue priority to establish a just and reasonable interconnection queue process.

As discussed fully herein, this complaint and the associated relief is appropriate under the circumstances and is necessary to re-establish a just and reasonable interconnection queue process for the critical and highly efficient uprates at the Fairless facility. Dominion does not file this complaint lightly. Dominion has attempted to negotiate an acceptable solution with PJM for

months and only received PJM's response denying Dominion's request to complete the interconnection queue studies on January 18, 2008.

## **A. BACKGROUND**

### **1. Description of the Fairless Facility**

The Fairless generating facility (a.k.a. Ford Mill, but hereinafter referred to as the "Fairless facility"), consists of two gas-fired, combined cycle generating units located in PJM's Eastern Mid-Atlantic ("EMAAC") Load Deliverability Area ("LDA"). The Fairless facility was completed and synchronized to the PJM transmission system in 2004. At that time, Dominion executed an Interconnection Services Agreement with PJM (the "Fairless ISA").<sup>1</sup> Under the terms of the Fairless ISA, Dominion agreed to and subsequently funded over \$45 Million of network transmission upgrades needed to accommodate the interconnection of the Fairless facility at an interconnection rating of 1,145 MW. In return, the Fairless ISA granted Dominion 1,145 MW of Capacity Interconnection Rights under the Tariff.<sup>2</sup>

### **2. "Chiller" Uprate Investment at the Fairless Facility**

In response to, among other things, price signals from PJM's Base Residual Auctions ("BRA") for Planning Years 2007/08, 2008/09 and 2009/10, Dominion aggressively pursued capacity expansions at the Fairless facility. Due to capacity shortages and transmission constraints in these areas, price signals currently indicate the need for more generation in the EMAAC LDA. As the Commission has consistently recognized in approving LDA pricing in the

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<sup>1</sup> The Fairless ISA is attached to this Complaint as Exhibit A.

<sup>2</sup> See Exhibit A, p. 2. (PJM's transmittal letter stating that "Pursuant to Original Service Agreement No. 977, Fairless shall have Capacity Interconnection Rights in the amount of 1,145 MW."); see also Fairless ISA, Specifications for Interconnection Service Agreement at Section 2.0 ("Pursuant to the PJM Tariff, the Interconnection Customer shall have Capacity Interconnection Rights at the location specified in Section 1.0b above in the amount of 1,145 MW.")

PJM Reliability Pricing Model (“RPM”) capacity market, the value of such price signals is that they raise awareness that additional generation is needed in that localized area in hopes of encouraging new capacity investment.<sup>3</sup> Upgrades are urgently needed to lower capacity prices for load and maintain reliability in the EMAAC LDA.

Specifically, Dominion has made substantial capital investments at the Fairless facility that, when complete this fall, will increase the unforced summer peak capacity of the Fairless facility by 120 MW for a total interconnection of 1,195 MW<sup>4</sup>. The upgrades to the Fairless facility will come as result of using fuel-efficient and environmentally-friendly “chiller” technology to increase the maximum output of the existing units. This technology uses off peak energy to make chilled water at night which is used to cool the intake air entering the turbine during the day to gain winter-like efficiency in warmer periods, including the summer peak period. The net result of the chiller uprate is to increase the Fairless maximum summer output by 120 MW in a fuel efficient manner. Pennsylvania environmental officials have approved the environmental permits needed for this efficient expansion of capacity.

### **3. The Need for Additional Capacity in PJM’s Eastern Mid-Atlantic Load Deliverability Area.**

The critical context of this issue is that the Fairless facility is located in PJM’s EMAAC LDA, where RPM capacity auctions have shown that additional local capacity is greatly needed due to transmission constraints into the area. Dominion’s investment in the chiller uprate at the

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<sup>3</sup> See *PJM Interconnection*, 119 FERC ¶ 61,318 (2007) (the Commission found that the creation of Locational Deliverability Areas is a central element of PJM's RPM proposal because the Locational Deliverability Areas create accurate price signals to incent new generation, transmission and demand response in the locations where they are most needed). See *id* at P 67.

<sup>4</sup> PJM disputes the Fairless baseline interconnection capacity rights which affects the total capacity rights value.

Fairless facility is precisely what the Commission envisioned and encouraged generators to do when it approved the RPM capacity market design. In approving locational pricing in the RPM settlement, the Commission recognized the critical role of facilities like Fairless, *i.e.* capacity resources in constrained areas:

Not all capacity in PJM is deliverable to all locations in PJM, and it is unreasonable to allow an LSE in one location to satisfy its capacity requirement with resources whose energy is not deliverable to the LSE. The evidence provided by PJM shows that the lack of a locational element is a contributing factor to reliability problems within PJM. Due to a series of recent generation retirements in particular locations, there is inadequate local generation capacity to consistently meet reliability targets in those locations, and there is inadequate transmission capability to import sufficient energy to make up the deficit.<sup>5</sup>

The Commission continued:

[A] locational element in the capacity construct will provide better price signals to potential new entrants and allow proper reflection of the differential costs of operation by locality. The lack of coordination of market design elements, such as the current PJM LMP for energy and system-wide capacity markets, mutes the market pricing signals needed to maintain current resources and attract new entrants in areas where they are needed to maintain reliability.<sup>6</sup>

In affirming that decision on rehearing, the Commission reiterated:

PJM has already demonstrated the existence of this problem in some parts of Eastern PJM, and we believe it is likely to continue in the future unless generators receive signals to locate new capacity where it is most needed. . . [Locational pricing] will reflect the added value of capacity within a constrained area and will be an incentive for participation in the capacity market (and energy markets) of existing or planned generation capacity resources and demand resources that are located within the constrained area.<sup>7</sup>

These passages make clear that the Commission approved location pricing in the RPM in large part to provide an incentive for “existing or planned generation” for “participating in the

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<sup>5</sup> *PJM Interconnection, LLC*, 115 FERC ¶ 61,079 at P 49 (2006).

<sup>6</sup> *Id.* at P 51.

capacity market....”<sup>8</sup> Dominion’s investment in the Fairless facility is perfect example of the RPM price signals at work. As discussed above, the Fairless facility uprate is a straight efficiency gain that will make more capacity available in an LDA that PJM identified as transmission constrained. In other words, the added capacity at Fairless is a generator responding to a price signal by investing to expand the units’ capacity.

Under the RPM market’s downward-sloping demand curve, additional capacity in a constrained LDA should lower the price in the capacity auction. The Commission stated that the downward sloping demand curve is just and reasonable for the RPM capacity auctions in PJM because “[a] downward-sloping demand curve would reduce capacity price volatility and increase the stability of the capacity revenue stream over time. This is because, as capacity supplies vary over time, capacity prices would change gradually with a sloped demand curve.”<sup>9</sup> Accordingly, the incremental capacity from the Fairless facility should lower the capacity price and result not only in cost-savings to ratepayers but also reliability benefits.

#### **4. The Fairless Uprate Interconnection Request – R81**

In support of the capacity uprates, Dominion submitted to PJM on January 26, 2007 an interconnection request to facilitate delivery of the additional capacity from the Fairless facility (PJM designated this as queue request R81). On February 1, 2007, PJM sent Dominion a letter informing the company that, notwithstanding its contractual rights to 1,145 MW of Capacity

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<sup>7</sup> *PJM Interconnection, LLC*, 119 FERC ¶ 61,318 at P 78-79 (2007) (emphasis added).

<sup>8</sup> *Id.*

<sup>9</sup> *PJM Interconnection*, 115 FERC ¶ 61,079 (2006)

Interconnection Rights under the Fairless ISA, Dominion was only entitled to 1,075 MW of rights.<sup>10</sup> This letter then requested that Dominion re-formulate its interconnection request for the added capacity at the Fairless facility under R81 using 1,075 MW as a baseline.

Arising out of PJM's contention that Dominion's Capacity Interconnection Rights had been derated, on May 29, 2007, Dominion executed an Interim Interconnection Services Agreement that provided Dominion Capacity Interconnection Rights of 1,120 MW for the 2007-2008 Delivery Year, 45 MW more than PJM's proposed derate to 1,075 MW.<sup>11</sup> Dominion accepted PJM's suggestion to execute the 2007-2008 Interim ISA as a reasonable means to deliver the existing capacity of the Fairless facility to the market without having to come to final resolution on its rights under the Fairless ISA. Dominion signed a similar Interim ISA for the 2008-2009 Delivery Year that provided giving Dominion 1,125 MW of Capacity Interconnection Rights, 50 MW over PJM's proposed derate to 1,075 MW.<sup>12</sup> Importantly, in cover letters accompanying both Interim ISAs, Dominion expressly reserved its rights to the full 1,145 MW of Capacity Interconnection Rights and noted that execution of the Interim ISAs was not a concession that PJM was correct to only grant Dominion 1,075 MW of Capacity Interconnection Rights. For the reasons discussed below, as a result of PJM continuing to miss the deadlines specified in its Tariff for providing a System Impact Study for R81, it has become necessary to ask the Commission to confirm Dominion's rights to 1,145 MWs under the Fairless ISA.

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<sup>10</sup> See Exhibit B.

<sup>11</sup> The 2007-2008 Interim ISA is attached as Exhibit C.

<sup>12</sup> The 2008-2009 Interim ISA is attached as Exhibit D.

## 5. The Nature of PJM's Queue Delays

The Commission recently held a Technical Conference regarding what most in the industry are viewing as unreasonable delays in interconnection queues.<sup>13</sup> In PJM, those delays are severe. PJM's management is aware of the significant delays in their generation queue, and would likely not dispute Dominion's allegations in this regard.<sup>14</sup>

This acknowledgement, however, does not mitigate the real harm flowing to market participants as a result of those delays. For example, a representative from AMP-Ohio testified at the Commission's recent Technical Conference on queuing issues about the severity of some of the delays it has faced from PJM:

In January 2006, AMP-Ohio submitted a generation interconnection request for the proposed plant, to interconnect with PJM. The feasibility study took about five months, which is three months longer than allowed for under the tariff, and the system impact sent it into ten months, six months longer than allowed. My second example is a five megawatt wind project. On July 29, 2005, AMP-Ohio submitted a request to interconnect this project at 23 KV within the PJM system. The study took 14 months instead of three allowed under the tariff. The system impact study report took more than 12 months, instead of the four months allowed.<sup>15</sup>

At the Technical Conference, Mr. Steve Herling of PJM gave a candid assessment of the troublesome status of the PJM queue. He stated:

So the sheer number of studies is really crushing us, and you can work through that in a lot of ways. You could work with resources, you could

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<sup>13</sup> See generally Docket No. AD08-2-000.

<sup>14</sup> See *Interconnection Queuing Practices*, Docket No. AD08-2-000, Technical Conference Presentation of Stephen Herling, PJM Interconnection (Dec. 11, 2007).

<sup>15</sup> See *Interconnection Queuing Practices*, Docket No. AD08-2-000, Transcript of Technical Conference at 203 (emphasis added).

work with tools and you could work with process, and we're trying to do all of those.<sup>16</sup>

However, Mr. Herling further conceded that PJM could be doing more:

PJM needs to do a better job of getting a study done, but we need to impose a little bit more discipline on the process. Some of that could be through some better milestones. The comments that were made before, we've got to get the good projects moving forward. That means we have to get rid of some of the projects that are just never going to happen.<sup>17</sup>

PJM filed a Tariff revision recently that will enhance their ability to cluster System Impact Studies quarterly instead of every six months.<sup>18</sup> Dominion supported that Tariff change.

However, that modest improvement is simply not enough. In fact, at the Technical Conference, PJM's Mr. Herling downplayed that filing in response to questions about what actions PJM plans to take:

Actually, we made a very minor filing just recently, to make a few adjustments to the process, because we have a queue starting on February 1st. We filed it so that it could go into effect if approved on February 1<sup>st</sup>.... It's essentially to try to levelize the workload.<sup>19</sup>

## **6. The Fairless Interconnection Request Delay**

The Tariff required that the Feasibility Study for the R81 uprates at Fairless be completed by March 31, 2007. However, it was not completed until June 21, 2007 – almost three months late. That Feasibility Study estimated the costs of network upgrades at \$189 Million in total costs for the cluster in which R81 was studied. PJM did not provide any estimate of the Fairless share

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<sup>16</sup> *Id.* at 191.

<sup>17</sup> *Id.* at 193.

<sup>18</sup> The Commission accepted this filing last week. *See PJM Interconnection*, Docket No. ER08-280, Letter Order (January 25, 2008).

<sup>19</sup> *See Interconnection Queuing Practices*, Docket No. AD08-2-000, Transcript of Technical Conference at 223.

of that estimate. After receiving the Feasibility Study, Dominion promptly submitted to PJM on July 3, 2007, a request for a System Impact Study relating to the R81 uprates. The PJM Tariff similarly required that the System Impact Study be completed by November 11, 2007 (from the already delayed completion of the Feasibility Study). As of the date of this filing, the System Impact Study has not been completed and PJM has informally communicated to Dominion that it does not expect to complete the study until sometime in the second quarter of 2008 – three to six months late – but even that timeline has not been guaranteed. While the PJM Tariff does not contain firm deadlines for processing these interconnection requests and allows for PJM to use “due diligence,” Dominion alleges below that the indefinite delay of this interconnection request far exceeds a just and reasonable interpretation of “due diligence” and essentially eviscerates the purpose of the deadlines – to provide interconnection customers a reasonable degree of certainty about how to plan their projects.

Because of this delay in providing a System Impact Study (and its attendant planning-level estimate of the network upgrades that may be needed for the R81 uprate), Fairless was forced to scale back its capacity offer into the Base Residual Auction for the 2010-2011 Delivery Year, conducted earlier this month, to a level far below the level of Fairless capacity reflected in the R81 interconnection request. Had PJM’s deadlines been adhered to, or even been delayed in a reasonable fashion, Fairless would have had its completed System Impact Study and perhaps even a completed Facilities Study (with its precise list of network upgrades) far in advance of this auction. In addition to the Base Residual Auction for the 2010-2011 Delivery Year, Dominion is now faced with the possibility that its ability to bid the full output of Fairless as a result of the chiller expansion for the Base Residual Auction for the 2011-2012 Delivery Year, scheduled for May 2008, will be jeopardized. While Dominion anticipates that the Fairless uprates will be

complete by fall 2008 and thus available far in advance of the 2011-2012 Delivery Year, PJM has failed to deliver the System Impact Study that will contain the cost estimates to upgrade the transmission system to accommodate the entirety of the Fairless updates. Moreover, Dominion has been unable to reach an agreement with PJM on another Interim ISA that would provide the needed certainty for the 2011-2012 Delivery Year.

It is this delay that has caused Dominion to seek the relief in the instant Complaint. Left “flying blind,” Dominion has additional capacity (to be in commercial operation this Fall) which it should already be able to offer into the 2011/2012 capacity market without taking on undefined business risk which its shareholders should not be required to bear. However, without the System Impact Study to estimate Dominion’s completely undefined exposure to network upgrades, and with no assurance that those upgrades even if justified and assigned to Dominion can be completed in time for the start of Delivery Year 2011/2012, there is no way to prudently offer that additional capacity. It is that very certainty that the Commission sought to provide by providing deadlines in the generic LGIA and in PJM’s Tariff.

#### **7. Efforts to Resolve the Fairless Delay**

Dominion has been working diligently with PJM in good faith to resolve this issue ever since it has become clear that the Fairless interconnection request was unreasonably delayed. While PJM has been candid about its delays throughout this process, such candor does not mitigate the very real impact of those delays on Fairless and the capacity market. Accordingly, when it became clear that Fairless could not fully offer its planned capacity in the January 2008 Base Residual Auction for the 2010-2011 Delivery Year, and participation in the May auction for the 2011-2012 Delivery Year was in jeopardy, Dominion sent a letter to PJM Board members

asking them for immediate assistance.<sup>20</sup> PJM Interim CEO Karl Pfirrmann responded in a letter that acknowledged the delays but blamed Dominion's "own risk aversion" for the inability to bid its full capacity.<sup>21</sup>

**B. PJM's Failure to Process the Fairless Interconnection Request in Accordance with its Tariff is Unjust and Unreasonable, Is Keeping Much Needed Capacity From the Market and Shifting Unreasonable Commercial Risk to Dominion.**

**1. The Indefinite Delay of the Fairless Interconnection Request is a Violation of the PJM Tariff.**

PJM's failure to timely process the Fairless interconnection request is a Tariff violation that requires an immediate remedy. Accordingly, Dominion requests that the Commission order PJM to complete the System Impact Study for the Fairless facility as soon as possible, but no later than April 28, 2008, in time to allow Dominion a reasonable basis to bid the full output of the Fairless facility including the R81 uprates in the May 2008 Base Residual Auction for the 2011-2012 Delivery Year.

As detailed above, the systemic and compounding delays in the PJM interconnection queue have threatened the ability of the Fairless facility to fully offer available capacity into the Base Residual Auction. This delay is not a mere inconvenience; it is having a direct and negative impact on PJM's markets and on Dominion.

First, Dominion made a business decision to invest in uprates at the Fairless facility on the reasonable commercial expectation that it would be able to bid its entire uprate in response to RPM market signals coming out of the capacity auctions that demonstrated the need for more

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<sup>20</sup> See Letter from Mark McGettrick, President and CEO of Dominion Generation to PJM Board Members (attached as Exhibit E).

<sup>21</sup> See Letter from Karl Pfirrmann to Mark McGettrick (attached as Exhibit F).

generation or demand response in the LDA. In response to high capacity prices in the EMAAC LDA, Dominion has responded precisely how the Commission hoped developers would respond to price signals – *i.e.* by making a significant capital investment to increase the output of a facility in that constrained area. It bears repeating that this efficient uprate will be commercially available this fall —almost three years before the next delivery year for the May 2008 auction. However, the ability to recover that investment, under current market rules approved by the Commission, by offering the entire incremental capacity at auction is being eroded with every passing auction deadline. It is unjust and unreasonable for the nature of that commercial balance to be upset by significant administrative delays. The Commission must promptly correct this serious and substantial flaw in the PJM market that is standing directly in the way of the success of the RPM capacity market the Commission recently approved as a solution to the prior pricing situation.

Second, in responding to these price signals by making a substantial investment in new capacity, Dominion has relied substantially on the expectation that PJM’s interconnection timelines would be adhered to, with only *reasonable* delays. If generation developers cannot rely on the deadlines in the Commission’s *pro forma* Large Generator Interconnection Procedures, in making their commercial decisions about new generation, they are of little value. After all, in approving these deadlines, the Commission recognized that “unencumbered entry into the market is necessary for competitive markets [to function]...” and that an interconnection delay “undermines the ability of generators to compete in the market.”<sup>22</sup>

Third, as its recent letter to Dominion makes clear, PJM relies heavily on the fact that its Tariff does not impose *firm* deadlines but only requires “due diligence” to adhere to the deadlines.

This is certainly true, but the “due diligence” standard cannot justify indefinite delays, especially as critical capacity deadlines come and go. Such an interpretation of “due diligence” renders these timelines meaningless and deprives interconnection customers of any reasonable expectation that deadlines will be respected. Dominion understands that PJM is not engaging in these delays willfully and that an unusually large project sits ahead of Fairless in the queue.<sup>23</sup> However, to the extent this delay is unusual or that this large project has essentially brought the PJM interconnection queue to a stand-still, this is all the more reason for the Commission to grant Fairless’s requests for relief that are reasonable under these circumstances.

Finally, an administrative delay that directly results in a decrease of supply offers in the capacity market is by its very nature unjust and unreasonable because it threatens efficient functioning of the market. The Fairless facility will be capable of delivering more energy to the grid within months, yet Dominion cannot offer all of the additional capacity for the 2011-2012 Delivery Year, three years away. It is economically indefensible to permit the liquidity of long-term capacity markets to be diminished due to administrative delays, especially in this situation.

**2. Dominion Is Willing to Accept the Reasonable Commercial Risk that Accompanies Generator Interconnections.**

Throughout this dispute, PJM has reminded Dominion that it is free to bid in the capacity auctions by simply accepting all the risk of interconnection costs. Further, PJM Interim CEO Mr. Pfirmann blamed Dominion’s “own risk aversion” for any unwillingness to bid capacity for which interconnection costs are not known. To be clear, Dominion is not seeking perfect information

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<sup>22</sup> *Standardization of Generator Interconnection Agreements and Procedures*, Order No. 2003, 104 FERC ¶ 61,103 at P 11 (2003).

<sup>23</sup> PJM has informed Dominion that project Q75, one of several potential merchant transmission projects seeking to connect to the 49<sup>th</sup> Street substation in Manhattan, is largely responsible for this delay. *See* Exhibit F.

about interconnection costs or even the precise estimate of the Facilities Study. Nor is Dominion asking PJM to eliminate all risk associated with its interconnection costs. All Dominion seeks is the planning-level estimate of costs that the System Impact Study provides.<sup>24</sup> There is still substantial commercial risk that Dominion has incurred in past auctions, and is willing to incur in formulating its bid for the May 2008 auction based on the non-binding System Impact Study, but it cannot simply bid ignoring all risk, as PJM suggests.

**3. The Commission Should Order PJM to Complete the Fairless System Impact Study no later than April 28, 2008.**

Unless the Commission takes immediate steps to address this problem, a energy-efficient, environmentally-friendly capacity resource uprate, costing over \$30 million and planned to be phased in and completed by the Fall of 2008, will not be able participate in the Base Residual Auctions until – possibly – Planning Year 2012/2013, four years after installation of the resource, without incurring unacceptable business risk concerning network upgrade costs and network upgrades construction timing. The result is four years (or perhaps even longer if PJM’s current estimate slips for completing the SIS) during which time capacity prices in the LDA will be higher due to queue delays for the Fairless expansion and where the price signal will be rendered ineffective. The result is also four years where Dominion will not be afforded a reasonable opportunity to recover its costs. This is no way to incent new generation infrastructure in LDAs.

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<sup>24</sup> In fact, a letter Dominion sent to the PJM Board in 2007 evidences Dominion’s approach:

There has always been an amount of risk involved in generation projects and such risk can never be totally eliminated. Dominion believes that the best way to reduce risk is to provide generation projects with simple, prompt and concise information involving transmission costs associated with such projects. A generation project can only access risk and make an appropriate business decision when it has such cost information at its disposal.

Letter of David A. Heacock, Senior Vice President - Dominion Generation, to PJM Board (June 20, 2007).

Accordingly, the Commission should order that PJM devote any additional resources and take necessary steps to complete the Fairless System Impact Study by April 28, 2008. This will enable Dominion to have the necessary information to complete its bid for the 2011-2012 Base Residual Auction.

**C. PJM's Attempt to Derate Dominion's Current Capacity Interconnection Rights for the Fairless Facility is Unjust and Unreasonable, Is Not Supported by PJM's Tariff and Contravenes the Fairless Interconnection Service Agreement.**

Exacerbating the impact of the delay in processing the Fairless interconnection request, PJM is also failing to recognize the full extent of Dominion's original and continuing interconnection rights for the Fairless facility. As discussed below, Dominion should have the benefit of the \$45 Million worth of network upgrades it funded to accommodate the Fairless facility at a rating of 1,145 MW, rights that PJM unreasonably asserts it can unilaterally diminish. Establishing Dominion's rights at 1,145 MW will provide commercial certainty to offer that amount of capacity in the May auction, though still short of the 1,195 MW level Dominion is entitled to offer. Therefore, Dominion requests that the Commission affirm Dominion's existing rights under the Fairless ISA at 1,145 MW.

**1. PJM's Tariff Does Not Warrant Denying Dominion its Capacity Interconnection Rights.**

In several telephone conversations throughout the past year, representatives from PJM have conveyed to Dominion that it believes its Tariff gives PJM the right to derate Dominion's Capacity Interconnection Rights from the 1,145 MW embodied in the Fairless ISA to 1,075

MW.<sup>25</sup> However, a review of the relevant Tariff provisions and their origin makes clear that those provisions do not support PJM's decision to curtail Dominion's Capacity Interconnection Results and were never intended to be used for this purpose.

Section 230 reads in relevant part as follows:

### **230.3 Loss of Capacity Interconnection Rights**

**230.3.1 Operational Standards:** To retain Capacity Interconnection Rights, the generating resource associated with the rights must operate or be capable of operating at the capacity level associated with the rights. Operational capability shall be established consistent with Schedule 9 of the Reliability Assurance Agreement, the Reliability Assurance Agreement-South or the Reliability Assurance Agreement-West and the PJM Manuals. Generating resources that meet these operational standards shall retain their Capacity Interconnection Rights regardless of whether they are available as a Capacity Resource or are making sales outside the PJM Region.

**230.3.2 Failure to Meet Operational Standards:** This Section 230.3.2 shall apply only in circumstances other than Deactivation of a generating resource. In the event a generating resource fails to meet the operational standards set forth in Section 230.3.1 of the Tariff for any consecutive three-year period, the holder of the Capacity Interconnection Rights associated with such resource will lose its Capacity Interconnection Rights in an amount commensurate with the loss of generating capability.

(emphasis added)

Section 230.3.2 of the Tariff contemplates that an Interconnection Customer could lose its Capacity Interconnection Rights if some event keeps it from operating, or being capable of operating, up to the level of its Capacity Interconnection Rights. However, this provision does not support PJM's action to degrade Dominion's Capacity Interconnection Rights for the following reasons.

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<sup>25</sup> The net effect of this derate is to force Fairless to request 120 MW of interconnection rights to fully interconnect this incremental capacity from the chiller uprate at the desired 1,195 MW level.

First, this Tariff provision was never intended to be used as a procedural “gotcha” to degrade the Capacity Interconnection Rights of active (and in this case expanding) generators who are eager to add supply to a market that greatly needs it. The Tariff provision at issue was filed by PJM in 1999.<sup>26</sup> In that filing, PJM provided the following rationale for implementing the language excerpted above:

These [Loss of Capacity Interconnection Rights] sections allow the holder to retain its rights only when there is or will be generation in place that is associated with the rights. They ensure that a holder of Capacity Interconnection Rights does not sit on its rights while its unit remains inoperable for an extended period, preventing other generation from coming on line. With these provisions in place, holders of Capacity Interconnection Rights will be economically motivated to transfer the valuable rights, as is permitted, and not hoard them.<sup>27</sup>

PJM’s explanation of the intent and focus of this Tariff provision makes abundantly clear that PJM’s reliance on it in this situation is unfounded. Dominion quickly built operating generation associated with its rights under the ISA. Dominion is not, nor has PJM alleged, that Dominion is “sitting on its rights while its unit remain inoperable for an extended period, preventing other generation from coming on line.” Quite to the contrary, Dominion is eager to use the full extent of its rights, and has filed an interconnection request for *additional* rights to accommodate the uprate at the Fairless facility. PJM has not alleged that the Fairless facility has been “inoperable” for any meaningful period of time, much less the three year window contemplated here. PJM has not alleged that the Fairless facility has prevented other generation from coming on line. While these Tariff provisions provide PJM with a logical and useful tool to

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<sup>26</sup> See *PJM Interconnection*, Docket No. ER99-2340, filing of PJM Interconnection (March 31, 1999).

<sup>27</sup> See *id.*, Transmittal Letter of PJM at 22-23. The Commission approved PJM’s filing in this docket by order dated June 17, 1999. See *PJM Interconnection*, 87 FERC ¶ 61,229 (1999), *on reh’g* 89 FERC ¶ 61,186 (1999).

ensure that transmission capacity is neither hoarded nor left idle, applying this provision to the Fairless facility in these circumstances is unjust and unreasonable.

Second, the plain language of the Tariff does not support PJM's interpretation. Section 230.3.2 clearly incorporates "the operational standards of Section 230.3.1." In turn, Section 230.3.1 clearly states that the operational standard a generator must meet is that it "must operate *or be capable of operating* at the capacity level associated with the rights" (emphasis added). PJM ignores this critical phrase. PJM's only contention is that the actual output of the Fairless unit has not yet reached the very maximum of its Capacity Interconnection Rights, despite Dominion's investment in uprates that will grow the facility beyond those limits. At no time has PJM alleged that the Fairless unit was not *capable* of operating at the full level of Capacity Interconnection Rights. Accordingly, a straight-forward reading of the Tariff provisions upon which PJM staff relies does not support curtailing Dominion's Capacity Interconnection Rights from the 1,145 MW for which it paid when it brought the Fairless Facility on line.

## **2. The Fairless ISA Does Not Warrant Denying Dominion its Capacity Interconnection Rights.**

In a letter dated February 1, 2007, PJM notified Dominion that PJM no longer believed Dominion had complete Capacity Interconnection Rights for the Fairless facility.<sup>28</sup> Specifically, PJM alleged that according to the Interconnection Services Agreement, "the site was required to claim its full capacity of 1,145 MW by September 1, 2004, or be limited to its actual capacity levels."<sup>29</sup> However, the text of the Fairless ISA does not support this interpretation.

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<sup>28</sup> See Letter from PJM attached as Exhibit B to this Petition.

<sup>29</sup> *Id.*

The exact provision of the Fairless ISA upon which PJM relies is not clear from its letter. However, Section 6.6 of the ISA notes that “[c]ommerical operation of the third and fourth combustion turbine generators and a second steam turbine generator must be demonstrated by September 1, 2004.” This provision by itself does not provide PJM the justification to curtail Dominion’s Capacity Interconnection Rights, which are specified under the Agreement at 1,145 MW.<sup>30</sup> Regardless of whether Dominion did or did not satisfy this provision of the ISA, and Dominion believes it has complied, nothing in the ISA gives PJM the right to curtail the amount of Capacity Interconnection Rights for failure to make a showing of commercial operation of these units by the September 1, 2004 deadline relied on in PJM’s letter. Moreover, regardless of a formal showing, the increased output from the Fairless facility after all the generators on site became commercially available was clear evidence of the commercial readiness of the units.

Therefore, to the extent PJM relies on the text of the Fairless ISA in addition to the Tariff for support for its effort to degrade Dominion’s Capacity Interconnection Rights, the Fairless ISA does not support such a contention.

### **3. Dominion Should be Entitled to the Interconnection Rights It Paid For.**

Leaving aside the interpretation of Tariff and contract provisions, which clearly support Dominion’s right to 1,145 MW as discussed above, the Commission should apply a high bar in

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<sup>30</sup> See Exhibit A, p. 2. (PJM’s transmittal letter stating that “Pursuant to Original Service Agreement No. 977, Fairless shall have Capacity Interconnection Rights in the amount of 1,145 MW.”); *see also* Fairless ISA, Specifications for Interconnection Service Agreement at Section 2.0 (“Pursuant to the PJM Tariff, the Interconnection Customer shall have Capacity Interconnection Rights at the location specified in Section 1.0b above in the amount of 1,145 MW.”)

cases such as this, when an RTO is seeking to unilaterally reduce the stated amount of bargained-for Capacity Interconnection Rights and the generator is not only operating the facility at issue, but expanding it. After all, Dominion entered into good faith negotiations with PJM to interconnect a facility in a constrained area, and paid a substantial amount of money, over \$45 Million, for necessary network transmission upgrades to accommodate the Fairless Facility. Simply put, Dominion should get what it paid for. Accordingly, the Commission should not endorse a reading of the PJM Tariff that needlessly abrogates the contractual rights that come with Dominion's substantial investment in the transmission system under PJM's control.

**4. No Policy Reason Exists to Deny Dominion its Capacity Interconnection Rights.**

To date, PJM has not provided Dominion with any practical or policy rationale, much less a compelling one that justifies its posture on this issue. At the end of the day, this issue is simple. Dominion is attempting to use the full extent of its paid-for contractual rights to offer capacity in PJM's Base Residual Auction in an LDA that badly needs additional supplies. PJM should be bending over backwards to get this added capacity to bid into the RPM market, not keep it out of the market. Proposed "solutions" that call upon Dominion to bear unacceptable commercial risk must be recognized as inconsistent with the economic theory upon which the RPM process is justified to be just and reasonable.

**5. The Commission Should Affirm Dominion's Capacity Interconnection Rights under the Fairless ISA at 1,145 MW.**

Dominion respectfully requests that the Commission find PJM's attempt to derate Dominion's Capacity Interconnection Rights is unjust and unreasonable and affirm that Dominion's Capacity Interconnection Rights for the Fairless facility are 1,145 MW as embodied in the Fairless ISA. Affirming Dominion's rights to 1,145 MW should also allow PJM to

complete the Fairless System Impact Study in R81 reflecting an increase in deliverability for only 50 MWs.

**D. PJM's Interconnection Queue is Delayed to an Unreasonable Degree and is Leading to Unjust and Unreasonable Market Outcomes.**

**1. PJM's Queue Priority Requires Immediate Reform**

PJM's interconnection queue is delayed beyond a reasonable point and Dominion has no reason to believe that PJM can timely resolve these delays under its current Tariff structure. Accordingly, Dominion asks the Commission to find that continuing and compounding delays in the PJM Interconnection require a change to the queue priority contained in the PJM Tariff. However, current Commission policy offers PJM little flexibility to do anything about it in the near term. To cure this issue on a going-forward basis, Dominion asks the Commission to order PJM Tariff changes to alleviate these systemic delays for high priority interconnection projects. The Tariff changes should be ordered to be filed at the earliest opportunity and made effective no later than March 31, 2008 giving PJM four weeks to complete the Fairless System Impact Study by April 28, 2008.

As noted above, Dominion's Fairless facility has been subject to repeated unreasonable delays in its effort to deliver capacity and energy to the market. The PJM Tariff required that the Feasibility Study be completed by March 31, 2007. However, it was not completed until June 21, 2007 – almost three months late. The PJM Tariff similarly required that the System Impact Study be completed by November 11, 2007. As of the date of this filing, the System Impact Study has not yet been completed and PJM has informally communicated to Dominion that it does not expect to complete the study until sometime in the second quarter of 2008 – three to six months late. This result is completely unacceptable.

The “first come, first served” approach adopted in Order No. 2003 and its progeny does protect against undue discrimination, but at the expense of delaying much needed capacity and energy from supply-short markets. Price signals lose their ability to attract new entry when new generation is kept off line by administrative delays. Reliability may be adversely impacted. Dominion believes that the Order No. 2003 paradigm as applied in PJM must be reformed without delay.

If such delays are allowed to continue, they will act as a significant disincentive to the development of new electric generation by Dominion and other developers and will nullify the very capacity price signals the Commission found needed to incent new generation in PJM. Such delays are inconsistent with the Commission’s efforts in PJM and elsewhere to create an environment in which new capacity can be financed and built on reasonable commercial terms.

PJM’s comments at the Commission’s recent technical conference and its recent letter to Dominion make clear that there are severe delays in the PJM queue that are affecting multiple interconnection customers and having adverse impacts on various parts of the PJM market footprint.<sup>31</sup> PJM understands the severity of the delay, but lacks the necessary Tariff authority to remedy this ill. Dominion understands that PJM is considering its options and has engaged a consultant to look at possible reforms, but absent Tariff changes, PJM’s current efforts will not address this problem in a timely manner.

Dominion urges the Commission to order PJM Tariff changes to allow queue priority to projects that expand existing generation facilities nearing commercial operation, and projects in the BRAs for the PJM EMAAC LDA and other PJM regions where such generation expansion is

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<sup>31</sup> See Exhibits G and F, respectively.

urgently needed to lower capacity prices for load and maintain reliability. These high priority projects should not be permitted to be delayed in the queue behind other projects whose delivery is either more distant or perhaps altogether uncertain, or do not offer the possibility to lower capacity process in the LDA or improve system reliability. PJM must have the authority to manage its queue to give priority to projects that offer capacity savings or reliability benefits.

**2. Capacity Auctions Require PJM to Reform its Queue Now More Than Ever Before.**

The queue delays at PJM are having a far greater impact now that PJM is holding binding auctions for capacity. Prior to organized capacity auctions, queue delays simply meant that energy output from the interconnecting generator would be incrementally delayed only by the amount of time it took to work through the Large Generator Interconnection Process and sign an Interconnection Service Agreement. To the extent those sorts of delays were at all acceptable before, they are not anymore, now that the capacity market is in place.

The Base Residual Auction under PJM's RPM capacity market is conducted years before energy is to be delivered under the resulting capacity agreement. Accordingly, the organized auctions have firm deadlines and auction rules to which suppliers must adhere in order to participate in the auction. If a would-be capacity supplier lacks sufficient knowledge about the costs of interconnecting its facility to the transmission system, bidding into the capacity market becomes commercially perilous. Formulating and offering a binding capacity offer into the RPM market without any concrete idea of the costs the generator will face to deliver the capacity is an unacceptable business risk. In its recent letter, PJM questions Dominion's "own risk aversion" in

this regard which is very easy for a not-for-profit entity to say.<sup>32</sup> The company has already paid over \$45 Million to PJM for network transmission upgrades for the Fairless plant and lacks the planning estimate provided by the System Impact Study to understand the types of network upgrades (and their likely construction schedule) necessary to accommodate the full uprate at Fairless.

In addition to the uncertainty facing would-be capacity suppliers and the unnecessary shift of commercial risk to those suppliers, PJM's administrative delays in processing interconnection requests have a direct impact on the justness and reasonableness of capacity prices in the RPM markets. When interconnection customers are stuck in the queue, they are effectively prevented from offering capacity into the RPM auctions. When those suppliers are kept out of the auction, there is necessarily less supply being offered. Less supply being offered to meet the same demand means that prices will clear in the RPM auction at a higher price point on PJM's downward sloping demand curve. The result is that customers will pay higher prices for the capacity than PJM and the Commission say are necessary.

### **3. The Commission Should Order PJM to Reform its Queue Process.**

Due to the very real and deleterious effects PJM's queue delays are having on markets and those who would build to serve them, the Commission should order reforms to the PJM queue process. The Commission should require Tariff changes that grant PJM authority to grant queue priority to projects that expand existing generation facilities nearing commercial operation, and projects in the BRAs for the PJM EMAAC LDA and other PJM regions where such generation expansion is urgently needed to lower capacity prices for load and maintain reliability. The PJM

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<sup>32</sup> See Exhibit F.

stakeholder process can work on the details, but the Commission should require this specific priority. The Tariff changes should be ordered to be filed at the earliest opportunity and made effective no later than March 31, 2008 giving PJM four weeks to complete the Fairless System Impact Study by April 28, 2008.

This issue must be considered a critical priority. The Commission could allow PJM and stakeholders to evaluate other reasonable changes in addition to the priority requested above to the “first-come, first-served” approach in the current Tariff. These alternatives should include, but not be limited to, those alternatives presented to the Commission at the Technical Conference on this issue. Specifically, among other alternatives, PJM and the stakeholders should consider more frequent analysis of queue projects that may be speculative or not commercially viable to determine if remaining in the queue, or bringing the queue to a stand-still is appropriate.

Dominion recognizes that the departure from the “first-come, first-served” approach entails some risk, but continuing with the status quo will continue to harm the very customers the Commission seeks to protect. The Commission must recognize that the current processes deters and impedes the very market outcomes that PJM and the Commission are trying so hard to foster.

Accordingly, Dominion requests that the Commission order Tariff changes that that grant PJM flexibility to allow queue priority to projects that expand existing generation facilities nearing commercial operation, and projects in the BRAs for the PJM EMAAC LDA and other PJM regions where such generation expansion is urgently needed to lower capacity prices for load and maintain reliability. The Tariff changes should be ordered to be filed at the earliest opportunity and made effective no later than March 31, 2008, giving PJM four weeks to complete the Fairless System Impact Study by April 28, 2008. Dominion further requests that the Commission direct

PJM to undertake an expedited stakeholder process immediately and provide monthly reports to the Commission regarding its progress to implement the priority change.<sup>33</sup>

## **V. REQUEST FOR RELIEF**

In accordance with the foregoing Complaint, Dominion respectfully asks the Commission to:

1. Find that PJM's delay in processing Dominion's interconnection request at the Fairless facility is unjust and unreasonable, a tariff violation, and in need of immediate relief. Thus, the Commission should order PJM to complete the Fairless uprate System Impact Study as soon as possible but not later than April 28, 2008.
2. As interim relief, find that that Dominion is entitled to the full extent of its paid-for Interconnection Capacity Rights of 1,145 MW under the Fairless ISA.
3. Find that PJM's Interconnection Queue is delayed beyond a just and reasonable point and in need of immediate reform. Accordingly, the Commission should find that these delays require a revision to the queue priority contained in the Tariff and order Tariff revisions on an expedited basis revising the queue priority to establish a just and reasonable interconnection queue process.

## **VI. SECTION 206 REQUIREMENTS**

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<sup>33</sup> Such periodic reporting has been valuable in other contexts. For example, the Commission placed the California ISO and its stakeholders under an obligation to provide joint quarterly reports on the resolution of any seams issues between the California ISO and neighboring systems. *See California Indep. Sys. Operator*, 116 FERC ¶ 61,274 at P 490 (2006).

Dominion has worked closely with PJM on these issues over the last year and been unsuccessful. Accordingly, Dominion has no reason to believe the dispute resolution procedures with PJM would be productive. Further, due to the timing of the Base Residual Auction schedule, PJM does not believe there is time to utilize the Commission's informal ADR service. Instead, Dominion believes this Complaint and the resulting settlement judge procedures requested herein are the more appropriate avenue for resolving this issue.

Commission regulations require complainants to make a good faith effort to quantify the financial impact or burden (if any) created for the complainant as a result of the action or inaction. While the financial impact of this issue is difficult to precisely ascertain, Dominion believes it is very high. First, the financial risk to Dominion that comes with offering capacity with no knowledge of the transmission upgrade costs it will face is unknown – which is precisely the point. Second, recent data filed at the Commission reveal the very significant impact that keeping capacity out of long-term capacity auction can have on auction prices. In a recent complaint against PJM, H-P Energy Resources estimated that each 100 MW of incremental competing capacity in the October 2007 Base Residual Auction for one particular LDA would bring the capacity price down \$4.36/MW-day, which amounts to hundreds of millions of dollars annually based on the amount of local capacity procured in that auction.<sup>34</sup> While Dominion cannot attest to H-P's data, it is illustrative of the point that keeping significant sources of supply out of capacity auctions in PJM's constrained areas can have a highly significant impact on capacity prices that local load must pay.

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<sup>34</sup> See *H-P Energy Resources v. PJM Interconnection*, Docket No. EL07-89-000, Complaint of H-P Energy Resources at 19 (filed Aug. 21, 2007).

Aside from the Commission's inquiry into queuing practices in Docket No. AD08-2-000, Dominion does not believe this complaint presents issues that are pending in an existing Commission proceeding or a proceeding in any other forum in which the complainant is a party.

A Form of Notice suitable for publication in the Federal Register is attached hereto as Exhibit H.

A copy of this Complaint is being served this day on the following persons:

Mr. Karl J. Pfirrmann  
Interim President and CEO  
PJM Interconnection, LLC  
955 Jefferson Avenue  
Valley Forge Corporate Center  
Norristown, PA 19403

Mr. Barry Spector  
Wright & Talisman, P.C.  
Suite 600  
1200 G Street, N.W.  
Washington D.C. 20005-3802

*Counsel for the PJM Interconnection,  
LLC*

## **VII. REQUEST FOR EXPEDITED TREATMENT, SHORTENED ANSWER PERIOD, AND SETTLEMENT PROCEDURES**

As noted above, PJM's May 2008 Base Residual Auction for the 2011-2012 Delivery Year is approaching quickly. Accordingly, Dominion respectfully requests that the Commission act on this Complaint on an expedited basis, shorten the answer/intervention period to ten days, and establish settlement procedures as soon as possible. Without such fast-track processing, litigation of this issue would likely extend beyond the timeframe of PJM's May 2008 RPM auction schedule and thus render such litigation moot and unhelpful to Dominion.

This request is similar to the timeline the Commission granted a complainant against PJM in a very similar case last year. On August 20, 2007, H-P Energy Resources, LLC filed a complaint pursuant to section 206 of the Federal Power Act against PJM alleging that PJM, by failing to certify the incremental import capability applicable to two of H-P's interconnection

requests, had violated its Tariff by unfairly and improperly excluding H-P's merchant transmission projects from participation in PJM's October 1, 2007 RPM Base Residual Auction. In that case, the Commission granted a 10-day period and issued an order establishing settlement judge procedures, also within 10 days.<sup>35</sup> Dominion requests the same timeline that the Commission established in that very similar proceeding.

Accordingly, Dominion asks that the Commission notice this pleading as soon as possible and require PJM's Answer by Thursday, February 7, 2008. In the event hearings and settlement procedures are ordered, Dominion also asks that the Commission place a deadline on any settlement judge procedures that may be ordered so that the Commission will have time to act on the merits of this Complaint if attempts at settlement prove unsuccessful.

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<sup>35</sup> See *H-P Energy Resources v. PJM Interconnection*, 120 FERC ¶ 61,203 (2007).

**VIII. CONCLUSION.**

WHEREFORE, for the foregoing reasons, Dominion respectfully requests that the Commission grant the requested relief in accordance with this Complaint.

Respectfully submitted,

/s/

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Clifford S. Sikora  
Christopher R. Jones  
TROUTMAN SANDERS LLP  
401 9<sup>th</sup> Street, N.W., Suite 1000  
Washington, D.C. 20004  
Tel: 202-274-2914  
Fax: 202-654-5602  
Chris.Jones@troutmansanders.com

Attorneys for Dominion Resources Services, Inc.

Dated: January 28, 2008  
Washington, D.C.

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served, by first class mail, a copy of the foregoing document on each party named in the official service list in this proceeding.

Dated at Washington, D.C., this 28<sup>th</sup> day of January, 2008.

/s/

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Christopher R. Jones  
Troutman Sanders LLP  
401 9<sup>th</sup> Street, N.W., Suite 1000  
Washington, D.C. 20004  
(202) 274-2914

**EXHIBIT A**

1200 G Street, N.W.  
Suite 600  
Washington, D.C. 20005-3802  
202-393-1200  
FAX 202-393-1240  
www.wrightlaw.com

ATTORNEYS AT LAW

**WRIGHT & TALISMAN, P.C.**

**ORIGINAL**

Deborah C. Brentani  
brentani@wrightlaw.com

January 9, 2004

Honorable Magalie R. Salas  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E. Room 1A  
Washington, D.C. 20426

FILED  
OFFICE OF THE  
SECRETARY  
2004 JAN -9 P 4:01  
FEDERAL ENERGY  
REGULATORY COMMISSION

Re: PJM Interconnection L.L.C., Docket No. ER04-391-000

Dear Ms. Salas:

Pursuant to section 205 of the Federal Power Act, 16 U.S.C. § 824d, part 35 of the Federal Energy Regulatory Commission's ("Commission") regulations, 18 C.F.R. part 35, and Part IV of the PJM Open Access Transmission Tariff ("PJM Tariff"), PJM Interconnection, L.L.C. ("PJM") submits for filing an executed interconnection service agreement ("ISA") among PJM, Fairless Energy, L.L.C. ("Fairless") and PECO Energy Company ("PECO"), and a notice of cancellation for an ISA that has been superseded.

The ISA among PJM, Fairless, and PECO designated as Original Service Agreement No. 977 and being filed herein supersedes the ISA designated as Original Service Agreement No. 735, between PJM and Fairless.<sup>1</sup> See Interconnection Service

<sup>1</sup> Original Service Agreement No. 735 was accepted for filing by the Commission in Docket No. ER02-2547-000. PJM Interconnection, L.L.C., Docket No. ER02-2547-000, Letter Order (Oct. 21, 2002).

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Honorable Magalie R. Salas  
January 9, 2004  
Page 2

Agreement Between PJM Interconnection, L.L.C And Fairless Energy, L.L.C. And PECO Energy Company § 1.0 ("Original Service Agreement No. 977"). Therefore, PJM files a notice of cancellation in the form indicated by the Commission's regulations in 18 C.F.R. §§ 35.15 and 131.53 for Original Service Agreement No. 735. In accordance with Order No. 614, PJM also includes in this filing a sheet designated as First Revised Service Agreement No. 735 indicating the cancellation of Original Service Agreement No. 735.

Original Service Agreement No. 977 facilitates the Interconnection Customer's request for the interconnection of a 1268 MW generating facility located in Fairless Hills, Pennsylvania to the PJM transmission system. See Original Service Agreement No. 977, Specifications § 1.0. Pursuant to Original Service Agreement No. 977, Fairless shall have Capacity Interconnection Rights in the amount of 1145 MW. Id. Specification § 2.1. The Attachment Facilities Charge specified in Original Service Agreement No. 977 is \$6,912,000. Id. Specifications § 4.1. The Network Upgrades Charge specified in Original Service Agreement No. 977 is \$32,407,332. Id. Specifications § 4.2. The total charges under Original Service Agreement No. 977 are \$39,319,332, consisting of \$19,899,117 in direct labor costs, \$11,301,636 in direct material costs, \$7,164,981 in indirect labor costs, and \$953,598 in indirect material costs. Id. Specifications § 4.6. Additionally, Schedule G of Original Service Agreement No. 977 contains non-standard terms and conditions and Schedule H contains a statement pursuant to section 82.4.1 of the Tariff. Id. Schedules G and H.

Honorable Magalie R. Salas  
January 9, 2004  
Page 3

**Waiver and Effective Date**

PJM requests a waiver of the Commission's 60-day prior notice requirement to allow the effective date of December 12, 2003 for Original Service Agreement No. 977, the notice of cancellation for Original Service Agreement No. 735, and the First Revised Service Agreement No. 735. Waiver is appropriate because the documents are being filed within thirty days of their requested effective date. See Prior Notice Filing Requirements Under Part II of the Federal Power Act, 64 FERC ¶ 61,139, at 61,983-84 (1993).

**Documents Enclosed**

PJM encloses the original and six copies of the following:

1. Transmittal Letter.
2. Original Service Agreement No. 977.
3. Federal Register Notice (also enclosed on diskette).

**Correspondence and Communications**

Correspondence and communications with respect to this filing should be sent to, and PJM requests the Secretary to include on the official service list, the following:

Craig Glazer  
Vice President - Governmental Policy  
PJM Interconnection, L.L.C.  
1200 G Street, N.W.  
Suite 600  
Washington, D.C. 20005  
(202) 393-7756

Barry S. Spector  
Carrie L. Bumgarner  
Wright & Talieman, P.C.  
1200 G Street, N.W.  
Suite 600  
Washington, D.C. 20005  
(202) 393-1200

Honorable Magalie R. Salas  
January 9, 2004  
Page 4

**Service and Federal Register Notice**

PJM has served a copy of this filing on Fairless, PECO, and the state regulatory commissions within the PJM region. A form of notice suitable for publication in the Federal Register is attached and enclosed on diskette.

Respectfully submitted,



Barry S. Spector  
Carrie L. Bumgarner  
Deborah C. Brentani

Counsel for  
PJM Interconnection L.L.C.

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## **Interconnection Service Agreements**

**INTERCONNECTION SERVICE AGREEMENT**

- 1.0 Parties.** This Interconnection Service Agreement ("ISA"), dated as of December 12, 2003, 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"), Fairless Energy, L.L.C. ("Interconnection Customer") and PECO Energy Company ("Interconnected Transmission Owner" or "PECO") (collectively "Interconnection Parties"). All capitalized terms herein shall have the meanings set forth in the appended definitions of such terms as stated in Part I or Part IV of the Tariff. This ISA shall supersede the ISA between Transmission Provider and Fairless Energy, L.L.C. filed with and accepted by the Federal Energy Regulatory Commission in Docket No. ER02-2547, and designated as Service Agreement No. 735.
- 2.0 Authority.** This ISA is entered into pursuant to Part IV of the Tariff. Interconnection Customer has requested an Interconnection Service Agreement under the PJM Open Access Transmission Tariff ("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 Subpart E of Part IV of the Tariff as of the date of this ISA are attached as Appendix 2 to this ISA and 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 the appended provisions of Subpart E.
- 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.** This ISA shall become effective on the date it is executed by the Transmission Provider and shall terminate on such date as mutually agreed upon by the parties, unless earlier terminated in accordance with the appended terms of Subpart E. Interconnection Service shall commence as provided in Section 51.2 of the appended Subpart E.
- 5.0 Security.** In accord with Section 36.8.4(b) or Section 41.7.3(b) of the Tariff, as applicable, Interconnection Customer, on or before the effective date of this ISA, 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 \$39,319,332. This amount represents the estimated Costs, determined in accordance with Section 37 or Section 42 of the Tariff, of the facilities described in Section 3.0 of the attached Specifications, plus the Costs of any Merchant Network Upgrades that Interconnected Transmission Owner is responsible for building pursuant to Subpart F of Part IV of the Tariff and the parties' Construction Service Agreement, less any Costs already paid by Interconnection Customer. Should Interconnection Customer fail to provide Security in the amount or form required in the first sentence of this section, this ISA shall be terminated. Interconnection Customer acknowledges that its ultimate cost responsibility in accordance with Section 37 or Section 42 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.

**6.0 Project Specific Milestones.** In addition to the milestones stated in Section 36.8.5 or Section 41.7.4 of the Tariff, as applicable, during the term of this ISA, Interconnection Customer shall ensure that its Customer Facility meets each of the following development milestones:

**6.1** By October 1, 2002, Interconnection Customer shall provide to Transmission Provider and PECO, a design "Facilities Study" (scope as defined by the Facilities Study Procedure listed on the Transmission Provider's website) for the Transmission Line (sections) direct connection facilities that are within the Interconnection Customer's scope of work.

**6.2** By March 1, 2003, Interconnection Customer shall have demonstrated significant site construction has been completed at Interconnection Customer's generation site.

**6.3** Two combustion turbine generators and one steam turbine generator shall be on site by September 1, 2003.

**6.4** Commercial operation of two combustion turbine generators and one steam turbine generator (540MW capacity) must be demonstrated by June 1, 2004.

**6.5** The third and fourth combustion turbine generators and a second steam turbine generator shall be on site by March 1, 2004.

**6.6** Commercial operation of the third and fourth combustion turbine generators and a second steam turbine generator (an additional 605MW capacity) must be demonstrated by September 1, 2004.

**6.7** 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.

**6.8** 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 modelling data or confirm that previously submitted data remains valid.

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.

**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 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 Generation Interconnection Facilities Study, 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 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 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.** The Transmission Provider shall bill the Interconnection Customer for the Costs associated with the facilities contemplated by this ISA, and the Interconnection Customer shall pay such Costs, in accordance with the terms of Subpart E of Part IV of the Tariff. Upon receipt of each of Interconnection Customer's payments of such bills, Transmission Provider shall reimburse the applicable Interconnected Transmission Owner.

**10.3. Contract Option.** In the event that the Interconnection Customer and Interconnected Transmission Owner agree to utilize the Negotiated Contract Option provided by Section 83.2.2 of Subpart F of Part IV of the Tariff 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' 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 Section 83.2.3 of Subpart F of Part IV of the Tariff, the charges under Section 13.0 below and billing and payment under Section 10.2 above 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. The Customer Interconnection Facilities and the Transmission Owner Interconnection Facilities are identified on the attached Schedule C to this ISA.
- 11.3 Ownership and Location of Metering Equipment .** The Metering Equipment to be constructed, and the ownership thereof, are identified on the attached Schedule D 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 attached as Schedule E to this ISA.
- 12.0 Operational Requirements.**
- 12.1 The Maximum Facility Output** of the Customer Facility is 1268 MW.
- 13.0 Charges.** In accordance with Sections 60 and 61 of the appended Subpart E, the Interconnection Customer shall pay to the Transmission Provider the charges set forth in the Schedule of Charges attached as Schedule F 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, assigned, or waived other than by a writing 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 the appended Subpart E, 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.  
955 Jefferson Avenue  
Valley Forge Corporate Center  
Norristown, PA 19403-2497**

**Interconnection Customer:**

**Fairless Energy, LLC  
Dominion Energy  
5000 Dominion Blvd  
Glen Allen, Virginia 23060  
Attn: Mark Mitchell - Project Manager**

**Interconnected Transmission Owner:**

**PECO Energy Company  
2301 Market Street  
Mail Stop S6-2  
Philadelphia, PA 19101  
Attn: Anthony A. Iannacone, Interconnection Arrangements Representative**

- 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. 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 G 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 G that FERC has accepted and any provision of the appended Subpart E that relates to the same subject matter, the pertinent provision of Schedule G shall control.**

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

Transmission Provider:

By: Joseph S. Davis General Manager - Business Services December 12, 2003  
Name Title Date

Interconnection Customer:

By: \_\_\_\_\_  
Name Title Date

Interconnected Transmission Owner:

By: \_\_\_\_\_  
Name Title Date

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

Transmission Provider:

By: \_\_\_\_\_  
Name Title Date

Interconnection Customer:

By:  Sr. V.P. Fossil & Hydro 12/12/07  
Name Title Date

Interconnected Transmission Owner:

By: \_\_\_\_\_  
Name Title Date

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

**Transmission Provider:**

By: \_\_\_\_\_  
Name Title Date

**Interconnection Customer:**

By: \_\_\_\_\_  
Name Title Date

**Interconnected Transmission Owner**

By: Susan C. Gray VP-Trans Ops & Planning 12/12/03  
Name Title Date

**(PJM Queues A59 & B30)**  
**SPECIFICATIONS FOR**  
**INTERCONNECTION SERVICE AGREEMENT**  
**Between**  
**PJM INTERCONNECTION, L.L.C.**  
**And**  
**Fairless Energy, L.L.C.**  
**And**  
**PECO Energy Company**

**1.0 Description of generating units (the Customer Facility) to be interconnected with the Transmission System in the PJM region:**

**a. Name of Customer Facility:**

**Fairless Energy, LLC unit 1 (one block of 2 combustion turbines, 1A and 1B, and a heat recovery unit); and 2 (one block of 2 combustion turbines, 2A and 2B, and a heat recovery unit). a/k/a Queues #A59 Emilie and #B30 Emilie for the PJM Generator Interconnection Request process.**

**b. Location of Customer Facility:**

**Fairless Hills, PA, between New Ford Road and the Delaware River.**

**c. Size in megawatts of Customer Facility:**

**for Generation Interconnection Customer:**

**Net maximum summer energy output of 1153 MW**

**Net maximum winter energy output of 1268 MW**

**d. Description of the equipment configuration:**

**Two blocks of gas-fired combined cycle, each consisting of two combustion turbines and a heat recovery unit.**

**2.0 Rights**

**2.1 Capacity Interconnection Rights:**

Pursuant to the PJM Tariff, the Interconnection Customer shall have Capacity Interconnection Rights at the location specified in Section 1.0b above in the amount of 1145 MW.

### 3.0 Construction Responsibility

- a. **Interconnection Customer.** In the event that, in accordance with Section 83.2.3 of Subpart F of the Tariff, 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 and/or of any Merchant Network Upgrades which constitute or are part of the Customer Facility:

None

- b. **PECO**

- 1) One double circuit 230kV Direct Attachment transmission line from PECO's Emilie Substation to the USX Fairless property line. (PJM Queue #A59 / #B30 Attachment Facility DC-1)
- 2) Relocate PECO Emilie to Rolling Mill 138kV transmission line. (PJM Network Upgrade 247)
- 3) New bus section and circuit breakers at Emilie 230kV substation. (PJM Queue #A59 / #B30 Attachment Facility)
- 4) Install a second 230kV-138kV transformer at Emilie substation. (PJM network upgrade 32)
- 5) Emilie – Neshaminy 138kV circuit rebuild. (PJM network upgrade 33)
- 6) Neshaminy – Byberry 138kV circuit rebuild. (PJM network upgrade 34)
- 7) Holmesburg 230kV-138kV transformer replacement, convert the Richmond to Holmesburg 69kV transmission line to 230kV and add a series reactor, and add a 230kV-69kV transformer at Richmond substation. (collectively known as PJM network upgrade 48)
- 8) Replace 230kV circuit breakers 25, 815, and 825 at Grays Ferry. (PJM network upgrades 80, 82, and 83 respectfully)
- 9) Replace Wanecta substation 230kV circuit breaker 205. (PJM network upgrade 87)
- 10) Upgrade Eddystone substation 230kV circuit breaker 335. (PJM network upgrade 95)

- 11) Reconductor Byberry – Bluegrass 138kV circuit. (PJM network upgrade 126)
- 12) Replace Whitpain 230kV circuit breaker 135. (PJM network upgrade 178)
- 13) Replace Whitpain 230kV circuit breaker 145. (PJM network upgrade 179)
- 14) Replace Whitpain 230kV circuit breaker 155. (PJM network upgrade 180)
- 15) Replace Whitpain 230kV circuit breaker 175. (PJM network upgrade 182)
- 16) Replace Whitpain 230kV circuit breaker 525. (PJM network upgrade 187)

4.0 Subject to modification pursuant to the Negotiated Contract Option and/or the Option to Build under Section 83.2 of Subpart F of Part IV of the Tariff, Interconnection Customer shall be subject to the charges detailed below:

4.1 Attachment Facilities Charge: \$ 6,912,000

PECO upgrades are as follows:

- \$ 3,605,000 One double circuit 230kV Direct Attachment transmission line from PECO's Emilie Substation to the USX Fairless property line. (PJM Queue #A59 / #B30 Attachment Facility DC-1).
- \$ 3,307,000 New bus section and circuit breakers at Emilie 230kV substation. (PJM Queue #A59 / #B30 Attachment Facility DC-2)

4.2 Network Upgrades Charge: \$32,407,332

PECO upgrades are as follows:

Note: The dollar amounts listed below reflect only Interconnection Customer's cost responsibility for the upgrade (not necessarily the entire cost of the upgrade). As indicated in the Facility Study, other generation projects that have executed ISAs also may have cost responsibility for the upgrades. Interconnection Customer's cost allocation for the upgrade may be reduced in the event additional generation projects in the PJM Queues execute ISA[s].

- \$ 3,341,000 Relocate PECO Emilie to Rolling Mill 138kV transmission line; PJM Network Upgrade Number 247.
- \$ 3,902,000 Add a second 230kV-138kV transformer at Emilie; PJM Network Upgrade number 32.
- \$ 6,057,250 Rebuild the Emilie – Neshaminy 138kV circuit 130-25; PJM Network Upgrade number 33.

- \$ 5,387,250 Rebuild the Neshaminy – Byberry 138kV circuit 130-17; PJM Network Upgrade number 34.
- \$ 10,191,600 Replace the 230kV-138kV Holmesburg transformer, convert the Holmesburg - Richmond 69kV circuit to 230kV, add a series reactor to the new Holmesburg – Richmond 230kV, Install a 230kV-69kV transformer at Richmond. Collectively known as PJM Network Upgrade number 48.
- \$ 1,809,000 Reconductor the Byberry – Bluegrass 138kV circuit 130-18. PJM Network Upgrade number 126.
- \$ 372,534 At Wanceta substation, replace CB#205. PJM Network Upgrade number 87. (#A30 - \$7,366; #A36 - \$6,314; #A55 – \$15,785)
- \$ 56,949 At Eddystone substation, upgrade CB#335. PJM Network Upgrade number 95. (#A29 - \$20,466; #A30 - \$16,907; #A36 - \$5,339; #A55 – \$5,339)
- At Grays Ferry substation: Replace the following circuit breakers:
- \$ 196,931 CB#25. PJM Network Upgrade number 80. (#A29 - \$42,416; #A30 - \$34,842; #A36 - \$13,634; #A55 – \$18,178)
- \$ 196,931 CB#815. PJM Network Upgrade number 82. (#A29 - \$42,416; #A30 - \$34,842; #A36 - \$13,634; #A55 – \$18,178)
- \$ 196,931 CB#825. PJM Network Upgrade number 83. (#A29 - \$42,416; #A30 - \$34,842; #A36 - \$13,634; #A55 – \$18,178)
- At Whitpain Substation: Replace the following circuit breakers:
- \$ 117,800 CB #135. PJM Network Upgrade number 178. (#A19 - \$36,757; #A21 - \$155,443)
- \$ 125,368 CB #145. PJM Network Upgrade number 179. (#A21 - \$140,034; #A29 - \$68,598)
- \$ 125,903 CB #155. PJM Network Upgrade number 180. (#A21 - \$139,206; #A29 - \$68,890)
- \$ 183,624 CB #175. PJM Network Upgrade number 182. (#A21 - \$39,294; #A29 - \$111,081)
- \$ 146,261 CB #525. PJM Network Upgrade number 187. (#A21 - \$80,044; #A29 - \$107,695)

4.3 Local Upgrades Charge: None

4.4 Other Charges: None

**4.5 Cost of Merchant Network Upgrades: Not Applicable**

**4.6 Cost breakdown:**

\$ 19,899,117	Direct Labor
\$ 7,164,981	Indirect Labor
\$ 11,301,636	Direct Material
<u>\$ 953,598</u>	Indirect Material
\$ 39,319,332	Total

**4.7 Guaranty amount required: Not Applicable**

**4.8 Guaranty Reduction Schedule: Not Applicable**

**EXHIBIT B**



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

February 1, 2007

Mr. George Hudson  
Dominion Energy  
5000 Dominion Blvd  
Glen Allen, VA 23060

Dear Mr. Hudson,

PJM received the Attachment N form requesting to increase the capacity of the Fairless Hills units by 110MW. In the Attachment N, you identified that the units currently have 1145MW of capacity. Per the PJM queue projects, A59 & B30, ISA, the site was required to claim its full capacity of 1145 MW by September 1, 2004, or be limited to its actual capacity levels. PJM currently shows the units have 1075.9 MW of capacity:

Unit Name	Cap MW
FORD MILL 1 ST	222.2
FORD MILL 1A CT	157.0
FORD MILL 1B CT	157.0
FORD MILL 2 ST	225.7
FORD MILL 2A CT	157.0
FORD MILL 2B CT	157.0

1075.9

Per discussion with you today, you indicated that the end state for the new request is 1255MW. Thus, to achieve that end state, your Attachment N request must be changed from 110MW to 180MW.

This letter is being sent pursuant to Part IV of the PJM OAT Tariff, paragraph 36.1.4, to notify you of the deficiency. Also per 36.1.4, you have ten days to re-submit a corrected Attachment N form to maintain your queue position. If this requirement is not met, tariff section 36.1.4 requires that the request be terminated and withdrawn.

Please do not hesitate to contact me regarding the details of this letter. Thank you in advance to your timely consideration of this matter.

Sincerely,

David M. Egan  
Sr. Engineer  
PJM Interconnection



5000 Dominion Blvd.  
Glen Allen, VA 23060  
May 29, 2007

PJM Interconnection, L.L.C.  
955 Jefferson Avenue  
Valley Forge Corporate Center  
Norristown, PA 19403-2497

Exelon Energy Delivery  
Two Lincoln Centre, 9<sup>th</sup> Floor  
Oakbrook Terrace, IL 60181-4260  
Attn: Thomas Kay, Manager - Interconnection Services

PECO Energy Company  
VP, EED Transmission Operations  
2301 Market Street, S8-2  
Philadelphia, PA 19103

**Interim Interconnection Service Agreement  
(Queue R81 Emilie)**

Dear Sir or Madam:

Attached is a copy of the above referenced Interim Interconnection Service Agreement (“IISA”) executed by Fairless Energy, LLC (“Fairless”). As you are aware from our prior discussions, Fairless believes that execution of the IISA is unnecessary because Fairless is entitled to the service described in the IISA under the terms of its existing interconnection agreement for the Fairless generating facility (“Original Service Agreement No. 977”). Notwithstanding this belief, Fairless is executing this IISA to ensure that all of the Fairless Facility’s capacity is available in the PJM market while this issue is discussed and resolved by the parties.

Fairless’ execution of this IISA does not constitute Fairless’ acceptance of the statements of the Maximum Facility Output or output increases set forth in the Specifications to the IISA. Further, Fairless’ execution of the IISA does not constitute a waiver of Fairless’ rights under Original Service Agreement No. 977, including Section 70 of Appendix 2 thereof or Section 7.0 of this IISA with respect to any proposed “final interconnection service agreement” arising out of this IISA.

Should you have any question, please do not hesitate to contact George Hudson at 804-273-3523 or Marisa Sifontes at 804-819-2491.

Yours truly,

David A. Heacock  
Senior Vice President – Fossil & Hydro

**EXHIBIT C**



**Dominion**

**COPY**

5000 Dominion Blvd.  
Glen Allen, VA 23060  
May 29, 2007

PJM Interconnection, L.L.C.  
955 Jefferson Avenue  
Valley Forge Corporate Center  
Norristown, PA 19403-2497

Exelon Energy Delivery  
Two Lincoln Centre, 9<sup>th</sup> Floor  
Oakbrook Terrace, IL 60181-4260  
Attn: Thomas Kay, Manager - Interconnection Services

PECO Energy Company  
VP, EED Transmission Operations  
2301 Market Street, S8-2  
Philadelphia, PA 19103

**Interim Interconnection Service Agreement  
(Queue R81 Emilie)**

Dear Sir or Madam:

Attached is a copy of the above referenced Interim Interconnection Service Agreement ("IISA") executed by Fairless Energy, LLC ("Fairless"). As you are aware from our prior discussions, Fairless believes that execution of the IISA is unnecessary because Fairless is entitled to the service described in the IISA under the terms of its existing interconnection agreement for the Fairless generating facility ("Original Service Agreement No. 977"). Notwithstanding this belief, Fairless is executing this IISA to ensure that all of the Fairless Facility's capacity is available in the PJM market while this issue is discussed and resolved by the parties.

Fairless' execution of this IISA does not constitute Fairless' acceptance of the statements of the Maximum Facility Output or output increases set forth in the Specifications to the IISA. Further, Fairless' execution of the IISA does not constitute a waiver of Fairless' rights under Original Service Agreement No. 977, including Section 70 of Appendix 2 thereof or Section 7.0 of this IISA with respect to any proposed "final interconnection service agreement" arising out of this IISA.

Should you have any question, please do not hesitate to contact George Hudson at 804-273-3523 or Marisa Sifontes at 804-819-2491.

Yours truly,

David A. Heacock  
Senior Vice President – Fossil & Hydro

(Queue R81 Emilie)

**FORM OF  
INTERIM INTERCONNECTION  
SERVICE AGREEMENT  
FROM ATTACHMENT O-1 OF THE PJM TARIFF**

(Docs #410403)

K:\pjm\Gen IC docs\Form Templates\New Templates Proposed after 3-1-07\Att O-1 - Interim ISA.doc

## INTERIM INTERCONNECTION SERVICE AGREEMENT

By and Among  
PJM Interconnection, L.L.C.  
and  
Fairless Energy, LLC  
and  
PECO Energy

(PJM Queue Position #R81)

- 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”), Fairless Energy, LLC (“Interconnection Customer”), and PECO Energy (“Interconnected Transmission Owner”).
- 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 \$ 0, 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 [Interim](#) system impact study, dated [March 2007](#), 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:

#### [NOT APPLICABLE FOR THIS INTERIM ISA](#)

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

**Interconnection Customer**

Fairless Energy, LLC  
5000 Dominion Blvd.  
Glen Allen, VA 23060  
Attn: George Hudson, Project Manager  
(804) 273-3523

**Interconnected Transmission Owner**

Exelon Energy Delivery  
Two Lincoln Centre, 9<sup>th</sup> Floor  
Oakbrook Terrace, IL 60181-4260  
Attn: Thomas Kay, Manager - Interconnection Services

And

PECO Energy Company  
VP, EED Transmission Operations  
2301 Market Street, S8-2  
Philadelphia, PA 19103

- 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 20.1.4.1 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 a Wind Generation Facility. To the extent required, Schedule B to this Interim ISA sets forth interconnection requirements for a wind generation facility 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 #R81)

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

By: \_\_\_\_\_  
Name Title Date

Printed name of signer: \_\_\_\_\_

Interconnection Customer: Fairless Energy, LLC

By: DAHEC SR VP FOSSIL+HYDRO 5-29-07  
Name Title Date

Printed name of signer: DAVID A. HEACOCK

Interconnected Transmission Owner: PECO Energy

By: \_\_\_\_\_  
Name Title Date

Printed name of signer: \_\_\_\_\_

**SPECIFICATIONS FOR  
INTERIM INTERCONNECTION SERVICE AGREEMENT**

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

**And**

Fairless Energy, LLC

**And**

PECO Energy

(PJM Queue Position #R20)

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

a. Name of Customer Facility:

Fords Mill (a/k/a "Emilie")

b. Location of Customer Facility:

50 Sinter Road  
Fairless Hills, Bucks County, PA

c. Size in megawatts of Customer Facility:

For Generation Interconnection Customer:

Maximum Facility Output of 1120 MW

The stated size of the generating unit includes an increase in the Maximum Facility Output of the generating unit of 45 MW over Interconnection Customer's previous interconnection. This increase is a result of the Interconnection Request associated with this Interim Interconnection Service Agreement.

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.

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 1120 MW, for the time period of April 1, 2007 to May 31, 2008. 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 1120 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: **None**

4.2 Local Upgrades Charge: **None**

4.3 Network Upgrades Charge: **None**

4.4 Cost Breakdown:

\$0	Direct Labor
\$0	Direct Material
\$0	Indirect Labor
<u>\$0</u>	Indirect Material
\$0	Total

#### SCHEDULES:

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 C - SINGLE-LINE DIAGRAM

**SCHEDULE A**

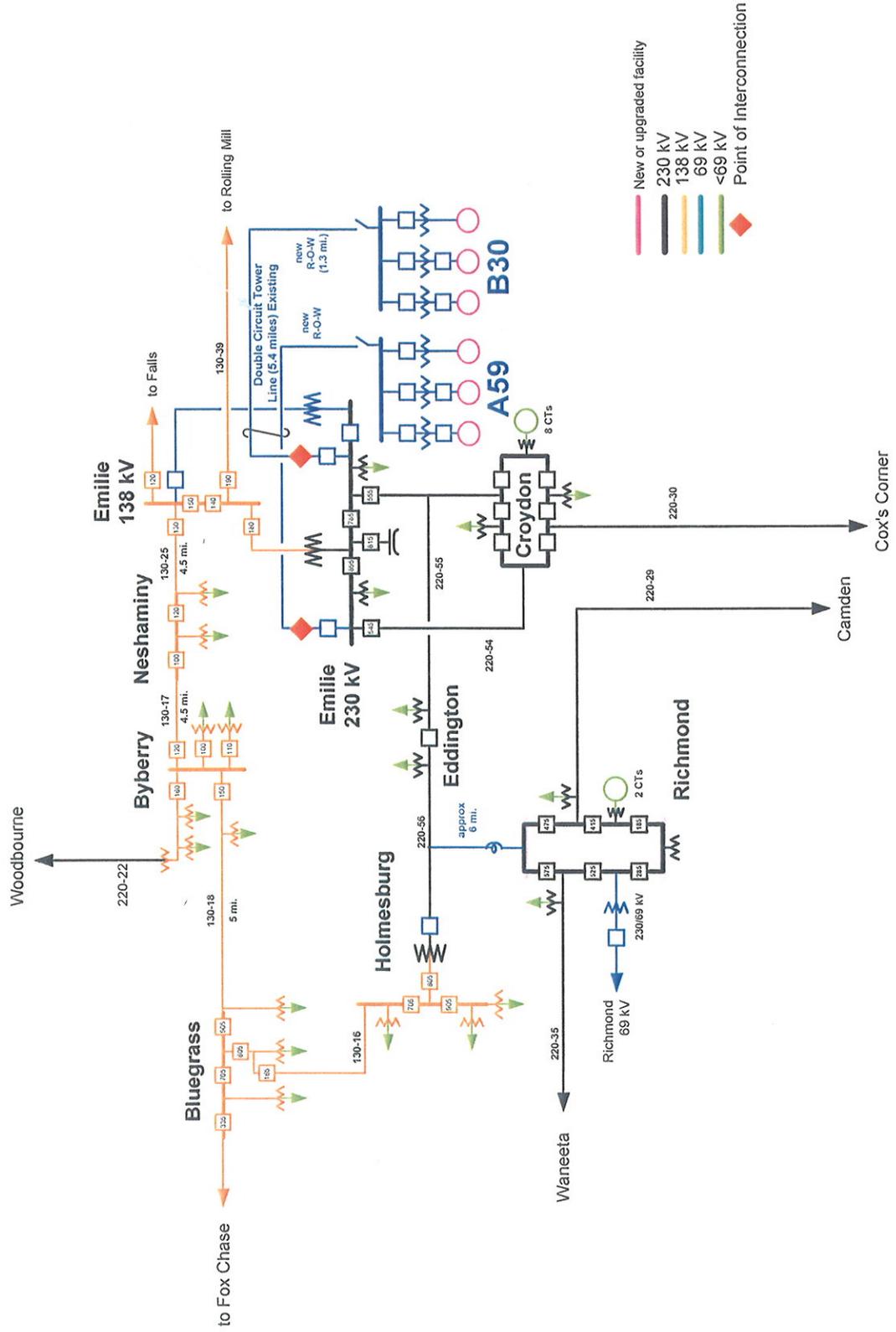
**INTERCONNECTION CUSTOMER'S AGREEMENT TO CONFORM WITH  
IRS SAFE HARBOR PROVISIONS FOR NON-TAXABLE STATUS**

Not Required.

**SCHEDULE B**  
**INTERCONNECTION REQUIREMENTS FOR A**  
**WIND GENERATION FACILITY**

Not Required

# SCHEDULE C SINGLE LINE DIAGRAM



**EXHIBIT D**

M.G. Deacon, Jr.  
Vice President  
Fossil & Hydro

Dominion Energy, Inc.  
Innsbrook Technical Center  
5000 Dominion Boulevard, Glen Allen, VA 23060



June 19, 2007

PJM Interconnection, L.L.C.  
955 Jefferson Avenue  
Valley Forge Corporate Center  
Norristown, PA 19403-2497

Exelon Energy Delivery  
Two Lincoln Centre, 9<sup>th</sup> Floor  
Oakbrook Terrace, IL 60181-4260  
Attn: Thomas Kay, Manager - Interconnection Services

PECO Energy Company  
VP, EED Transmission Operations  
2301 Market Street, S8-2  
Philadelphia, PA 19103

**Interim Interconnection Service Agreement  
(Queue R81 Emilie)  
2008-2009**

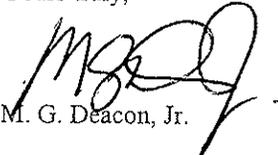
Dear Sir or Madam:

Attached is a copy of the above referenced Interim Interconnection Service Agreement ("IISA") executed by Fairless Energy, LLC ("Fairless") for the year 2008-09. As you are aware from our prior discussions, Fairless believes that execution of the IISA is unnecessary because Fairless is entitled to the service described in the IISA under the terms of its existing interconnection agreement for the Fairless generating facility ("Original Service Agreement No. 977"). Notwithstanding this belief, Fairless is executing this IISA to ensure that all of the Fairless Facility's capacity is available in the PJM market while this issue is discussed and resolved by the parties.

Fairless' execution of this IISA does not constitute Fairless' acceptance of the statements of the Maximum Facility Output or output increases set forth in the Specifications to the IISA. Further, Fairless' execution of the IISA does not constitute a waiver of Fairless' rights under Original Service Agreement No. 977, including Section 70 of Appendix 2 thereof or Section 7.0 of this IISA with respect to any proposed "final interconnection service agreement" arising out of this IISA.

Should you have any question, please do not hesitate to contact George Hudson at 804-273-3523 or Marisa Sifontes at 804-819-2491.

Yours truly,

  
M. G. Deacon, Jr.

## INTERIM INTERCONNECTION SERVICE AGREEMENT

**By and Among  
PJM Interconnection, L.L.C.  
and  
Fairless Energy, LLC  
and  
PECO Energy**

**(PJM Queue Position #R81)**

- 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”), Fairless Energy, LLC (“Interconnection Customer”), and PECO Energy (“Interconnected Transmission Owner”).
- 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 \$ 0, 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 Interim system impact study, dated June 2007, 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:

NOT APPLICABLE FOR THIS INTERIM ISA

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

**Interconnection Customer**

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5000 Dominion Blvd.  
Glen Allen, VA 23060  
Attn: George Hudson, Project Manager  
(804) 273-3523

**Interconnected Transmission Owner**

Exelon Energy Delivery  
Two Lincoln Centre, 9<sup>th</sup> Floor  
Oakbrook Terrace, IL 60181-4260  
Attn: Thomas Kay, Manager - Interconnection Services

And

PECO Energy Company  
VP, EED Transmission Operations  
2301 Market Street, S8-2  
Philadelphia, PA 19103

- 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 20.1.4.1 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 a Wind Generation Facility. To the extent required, Schedule B to this Interim ISA sets forth interconnection requirements for a wind generation facility 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 #R81)

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

By:  MANAGER 6/29/06  
Name Title Date

Printed name of signer: Paul McLavoy

Interconnection Customer: Fairless Energy, LLC

By:  VICE PRES 6/19/07  
Name Title Date

Printed name of signer: M.G. DEACON, JR.

Interconnected Transmission Owner: PECO Energy

By:  Susan O. Ivey  
Vice President  
Transmission Operations & Planning 6/28/07  
Name Title Date

Printed name of signer: Susan O. Ivey

**SPECIFICATIONS FOR  
INTERIM INTERCONNECTION SERVICE AGREEMENT**

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

**And**  
Fairless Energy, LLC

**And**  
PECO Energy

(PJM Queue Position #R81)

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

a. Name of Customer Facility:

Ford Mill (a/k/a "Emilie")

b. Location of Customer Facility:

50 Sinter Road  
Fairless Hills, Bucks County, PA

c. Size in megawatts of Customer Facility:

For Generation Interconnection Customer:

Maximum Facility Output of 1125 MW

The stated size of the generating unit includes an increase in the Maximum Facility Output of the generating unit of 50 MW over Interconnection Customer's previous interconnection. This increase is a result of the Interconnection Request associated with this Interim Interconnection Service Agreement.

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.

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 50 MW, for the time period of June 1, 2008 to May 31, 2009. 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 1125 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: None

4.2 Local Upgrades Charge: None

4.3 Network Upgrades Charge: None

4.4 Cost Breakdown:

\$0 Direct Labor

\$0 Direct Material

\$0 Indirect Labor

\$0 Indirect Material

\$0 Total

#### SCHEDULES:

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 C - SINGLE-LINE DIAGRAM

**SCHEDULE A**

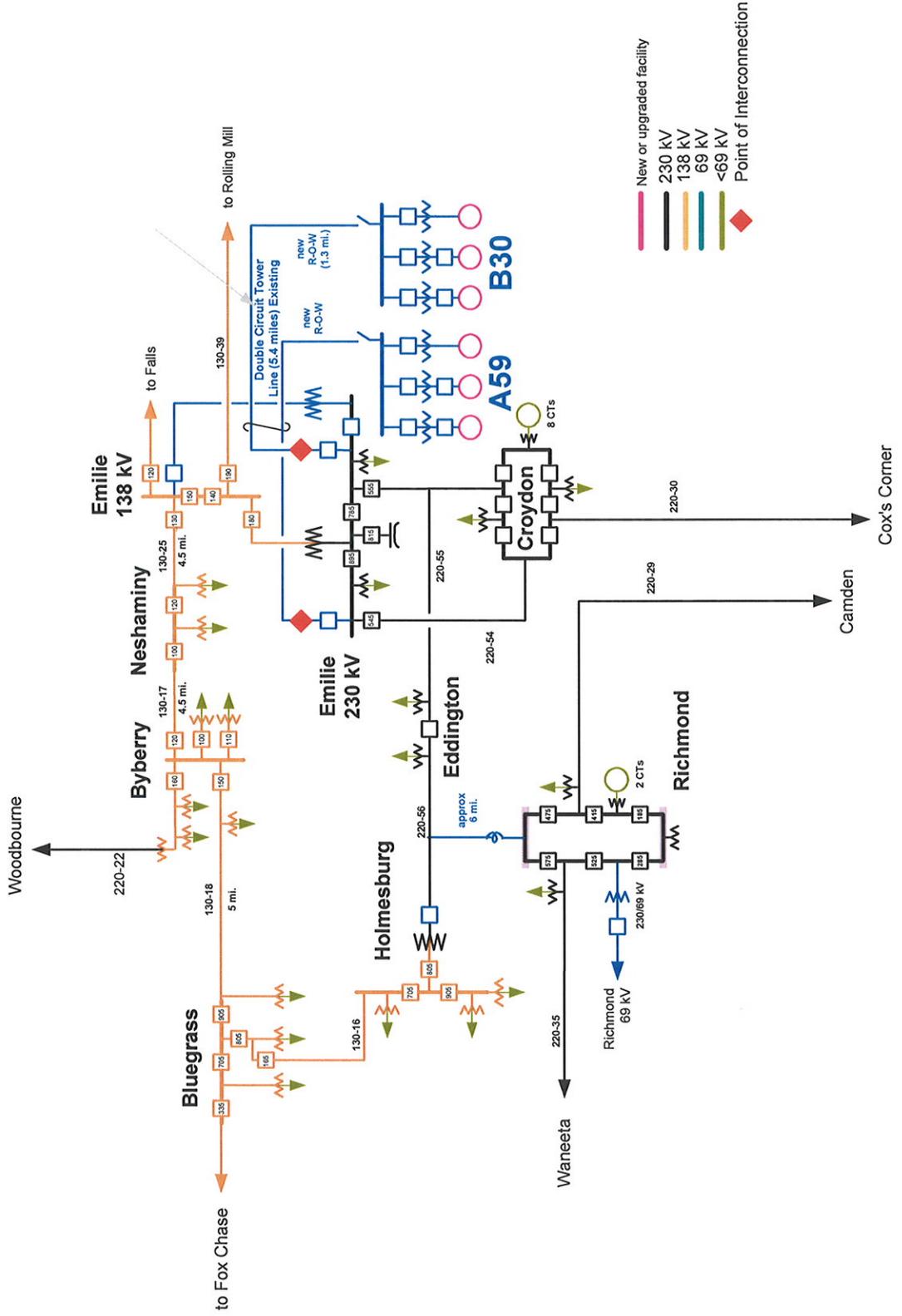
**INTERCONNECTION CUSTOMER'S AGREEMENT TO CONFORM WITH  
IRS SAFE HARBOR PROVISIONS FOR NON-TAXABLE STATUS**

Not Required.

**SCHEDULE B**  
**INTERCONNECTION REQUIREMENTS FOR A**  
**WIND GENERATION FACILITY**

Not Required

# SCHEDULE C SINGLE LINE DIAGRAM



**EXHIBIT E**

**Mark F. McGettrick**  
President & Chief Executive Officer  
Generation



**Dominion Generation**  
Dominion Resources, Inc.  
120 Tredegar Street, Richmond, VA 23219  
Phone: 804-819-2372, Fax: 804-819-2218  
E-mail: Mark.McGettrick@dom.com  
Mailing Address: P.O. Box 26532  
Richmond, VA 23261

January 2, 2008

Members of the Board of Managers  
PJM Interconnection LLC  
955 Jefferson Avenue  
Valley Forge Corporate Center  
Norristown, PA 19403-2497

Dear PJM Board Members:

Dominion Resources, Inc. (Dominion) has experienced a sequence of events in its recent dealings with PJM that it finds completely unacceptable. In short, Dominion is deeply troubled with the manner in which PJM has handled Dominion's efforts to upgrade generating capacity at its Ford Mill generating facility. Contrary to its public pronouncements on its queuing delays, PJM is not doing enough to ensure that high priority generation interconnections are processed in a timely manner. PJM's immediate assistance in resolving this unfortunate problem is imperative. Accordingly, as discussed below, we urge PJM to seek a waiver of its interconnection procedures at FERC in order to expedite critically high priority interconnection projects like Dominion's Ford Mill facility.

Dominion indirectly owns the 1,100 MW Ford Mill (a.k.a. Fairless) generating facility located in PJM's Eastern Mid-Atlantic ("EMAAC") Load Deliverability Area ("LDA"). In response to, among other things, price signals from PJM's Base Residual Auctions ("BRA") for Planning Years 2007/08, 2008/09 and 2009/10, Dominion has aggressively pursued capacity expansions at the Ford Mill facility. These auctions cleared with EMAAC price levels materially above those in other geographic regions.

More specifically, Dominion is making capital investments at the Ford Mill facility that, when complete, will yield approximately 120 MWs of incremental unforced capacity from these units. These capacity uprates are to be completed by the summer of 2008. As indicated by the price disparities in the BRA for the EMAAC LDA, such uprates are urgently needed to maintain reliability.

In support of the capacity uprates, Dominion submitted to PJM on January 26, 2007 a request for a Feasibility Study relating to required transmission upgrades (designated by PJM as queue request R81). The PJM tariff required that the Feasibility Study be completed by March 31, 2007. However, it was not completed until June 21, 2007 – almost three months late.

Members of the Board of Managers  
January 2, 2008  
Page 2

Subsequently, Dominion submitted to PJM on July 3, 2007, a request for an Impact Study relating to the uprates. The PJM tariff similarly requires that the Impact Study be completed by November 10, 2007. As of the date of this letter, the Impact Study has not yet been completed and I am now told that PJM does not expect to complete the study until sometime in the second quarter of 2008 – three to six months late.

PJM's failure to timely respond to our requests has rendered us unable to offer the incremental capacity into the BRA for Planning Year 2010/11, scheduled for January 21, 2008 and, possibly, unable to offer the incremental capacity into the BRA for Planning Year 2011/12, scheduled for May 2008. It is completely unacceptable that capacity resources planned to be in service by the summer of 2008 will not be permitted to participate in the BRAs until – possibly – Planning Year 2012/13, four years after installation of the resource. Sadly, PJM's inability to manage study requests in a timely manner withholds incremental generating capacity from a market that is growing urgently short, thereby jeopardizing regional reliability.

PJM management has responded that they are aware of the delays in their generation queue management, and they are working on resolving the problem. However, this response is unacceptable given the circumstances. PJM's management has also reminded Dominion that it could simply accept all interconnection cost and timing risk and move forward with the project without PJM's studies. This response is also unacceptable and I find it hard to believe that any executive at PJM, if in my position, would feel differently. The business risks associated with accepting binding capacity obligations in the absence of definitive transmission upgrade costs are simply too great, and while incremental auctions offer an alternative for placing the capacity, they present other risks not present in the BRAs.

PJM can and must do more. As you may know, the issue of interconnection study delays and complications is currently being reviewed on a generic basis at FERC. However, PJM need not and should not wait for generic guidance. Nor should it continue to hide behind its current tariff-based interconnection procedures when critical capacity is being excluded from the market.

Accordingly, as an immediate solution, we urge PJM to promptly seek a waiver of the interconnection provisions of its tariff to expedite pending transmission studies for those projects, including Ford Mill, that are nearing commercial operation. FERC granted such a waiver for the California ISO earlier this year. Specifically, in the case of Ford Mill, the cost and timing of transmission upgrades needed to support Ford Mill's capacity uprate must be disclosed by January 18, 2008.

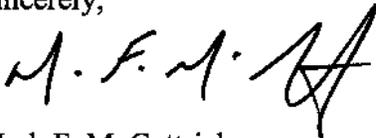
As I hope I have adequately conveyed to you, Dominion takes these issues very seriously and hopes that PJM and its Board addresses Dominion's concerns with a similar level of seriousness. Dominion is prepared to pursue these issues to the fullest extent permitted by law, including filing a formal complaint with the Federal Energy Regulatory Commission. It is my sincere hope

Members of the Board of Managers  
January 2, 2008  
Page 3

that these issues can be resolve quickly and amicably so that the filing of such a complaint can be avoided.

Please respond to this letter by January 18 with a pledge to seek a waiver and disclosure of the required cost and timing of transmission upgrades needed to support Ford Mill's capacity uprate, or a full explanation of why PJM refuses to do so.

Sincerely,

A handwritten signature in black ink, appearing to read 'M. F. McGettrick', with a stylized flourish at the end.

Mark F. McGettrick

cc: Karl Pfirrmann, Interim President and CEO, PJM Interconnection  
Mike Kormos, Sr VP Reliability Services, PJM Interconnection

**EXHIBIT F**



955 Jefferson Avenue  
Valley Forge Corporate Center  
Norristown, PA 19403

Karl V. Pfirmann  
Interim President and CEO  
610.666.3146 | fax 610.666.4281  
pfirk@pjm.com

January 18, 2008

Mr. Mark F. McGettrick  
President & Chief Executive Officer, Generation  
Dominion Generation  
Dominion Resources, Incorporated  
120 Tredegar Street  
Richmond, Virginia 23219

Dear Mr. McGettrick:

I am writing in response to your letter dated January 2, 2007, addressed to the Members of the PJM Board of Managers. I appreciate the concerns you express regarding the status of the Ford Mill (a.k.a. Fairless) generating facility project (PJM assigned this project queue number R81) and I assure you that PJM is doing everything it can consistent with the PJM Tariff to complete the required studies as expeditiously as possible.

Regarding your concerns with the timing of the Feasibility Study and the System Impact Study, PJM is in compliance with its Tariff requirements because PJM is applying all appropriate "due diligence" to complete the required studies for this project as expeditiously as possible. There are no actual deadlines for completion of interconnection studies; however the PJM Tariff maintains that PJM must apply due diligence toward the completion of all interconnection studies and also provides for projected time frames for completion of these studies. Pursuant to the PJM Tariff, in the event the length of time required to complete a study exceeds the recommended completion time frame, PJM is obligated to inform the customer that the due date will be exceeded and of course, to also continue to apply due diligence to complete the studies in a timely manner.

I understand that PJM's due diligence does not prevent the delay in completing your project and I recognize your concerns in that regard; however, there are sound and, at present, unavoidable reasons for the delay. Specifically, the chief cause for the delay in the PJM study process is, at present, the existence of another project in the queue ahead of your project. That project, queue number Q75, represents a large, 1200 MW Merchant Transmission project that has completed the Feasibility Study phase, but does not have network upgrades developed at this time. Please be assured that PJM is doing everything it can do to move the Q75 through the queue study process. Pursuant to the PJM Tariff, PJM is using due diligence to ensure the completion of the studies for the network upgrades as soon as possible.

Unfortunately at this time, there is no defined or equitable means available to PJM to separate R81 from the remaining queue for accelerated treatment. Such an action would be perceived as a form of preferential treatment absent approved criteria and would be contrary to FERC's rules regarding the single queue and equal and non-preferential treatment for all market participants. Q75 is causing a delay for other studies in the subsequent queues as well. In fact, the PJM Board recently received a letter from PSEG requesting similar expedited treatment for their queued project (which is also delayed due to the presence of Q75). PSEG asserts in its letter that it finds itself in a similar situation to Dominion for

generation project in New Jersey. PSEG's request serves as a clear illustration why PJM cannot simply waive the Tariff. To do so would undermine the entire queuing process under the Tariff as it would be impossible for PJM to determine which project is eligible to be exempted from the queue and which projects must bear the market risks. This problem is magnified by the fact that there are also 6 other projects totaling over 2100 MWs, behind Q75 and ahead of R81, affecting transmission in that same area.

PJM agrees, however, that there is a need to solve the challenges facing PJM and its members in the area of queue management on generic non-project specific basis. The Commission, in a recently scheduled a technical conference in Docket No. AD08-2-000, also noted that some regions are struggling with how to adjust queue management to accommodate new markets. PJM participated in that technical conference.

PJM has committed to develop long term solutions to the problems associated with the queue management process in PJM through its stakeholders. PJM believes, however, that it would be ill advised to try to address these problems on individual case by case basis. Rather generic, non-project specific solutions are required and any attempt to convey superior queue positions to a class of or individual market participants will require Tariff changes.

It is important to note that Dominion is not unable to offer incremental capacity into the Base Residual Auction ("BRA") for Planning Year 2010/2011 as your letter states. Also, based on the recently approved changes the PJM members approved Dominion will be able to bid the full incremental capacity into the 2011/2012 auction this spring. Dominion is able to bid its capacity into the RPM BRA based on the signed System Impact Study that it already has. The only thing preventing Dominion from doing so is its own risk aversion. While PJM understands Dominion's desire to mitigate its risk, there are other entities that have or are willing to accept such risk. Therefore, Dominion's request is unfair on that basis alone.

Having said this, PJM is committed to exploring solutions which will address your concerns. For instance, in addition to PJM's commitment to do everything it can reasonably do to move the Q75 through the queue study process, PJM has already offered an Interim ISA solution available to other developers under the PJM Tariff also facing delays in the full implementation of their agreements. PJM is also ready to work with Dominion in the pursuit of other solutions consistent with the Tariff.

We look forward to discussing with you solutions for your project and your participation as PJM continues to work with its stakeholders to develop generic solutions to PJM's queue management issues.

Thank you very much.

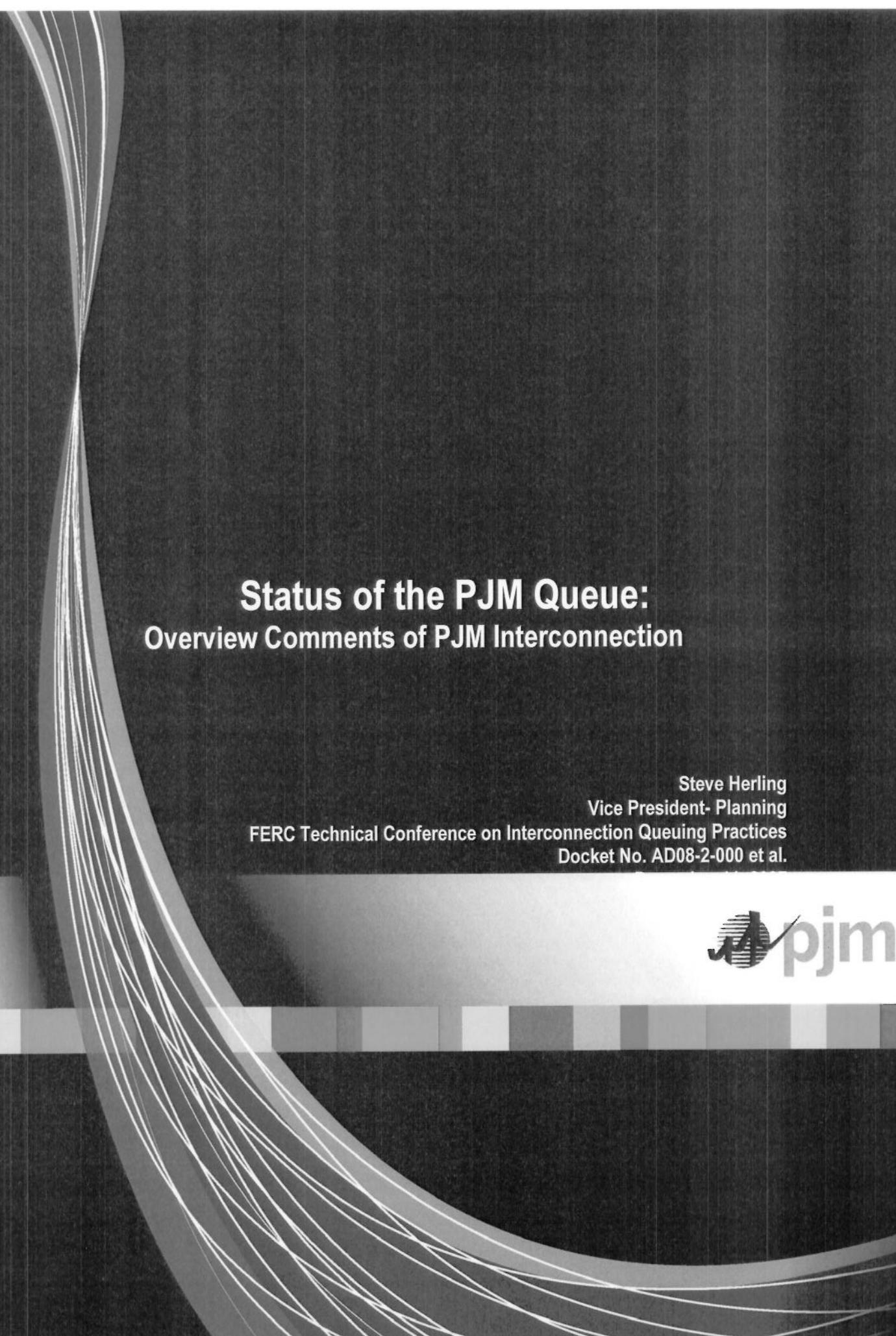
Very truly yours,



Karl V. Pfirrmann

cc: PJM Board of Managers  
V. P. Duane  
M. J. Kormos

**EXHIBIT G**



## Status of the PJM Queue: Overview Comments of PJM Interconnection

Steve Herling  
Vice President- Planning  
FERC Technical Conference on Interconnection Queuing Practices  
Docket No. AD08-2-000 et al.



UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Interconnection Queuing Practices	Docket No. AD08-2-00
Midwest Independent Transmission System Operator	ER07-1375-000
Midwest Independent Transmission System Operator	ER07-970-000
Southwest Power Pool	ER07-1311-000
PacifiCorp	OA07-54-000
United States Department of Energy Bonneville Power Administration	NJ08-2-000

PJM Interconnection L.L.C. (PJM) provides this overview of facts concerning its present interconnection queue in order to serve as a reference document for the Commission's consideration at its December 11 Technical Conference on Interconnection Queuing Practices. PJM also provides some initial thoughts on certain of the questions raised by the Commission in its November 30, 2007 Second Notice of Technical Conference. Steve Herling, PJM Vice President, Planning will be available, as a panel participant on the Commission's Fourth Panel to further elaborate on these matters.

### **Background**

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PJM administers the connection of new generating facilities to the grid as part of its role as a Regional Transmission Organization. PJM coordinates the planning process for connecting new generation, analyzes the reliability impact of proposed generating projects and monitors the construction of the facilities required to interconnect new generation to the grid. The RTO plans the expansion and enhancement of the grid on a regional basis through a 15-year planning horizon set forth by the Regional Transmission and Expansion Planning (RTEP) process.

Because the planned interconnection of new generating units and proposed increases in the output capability of existing generating units affect the overall operation of the grid and its reliability, they are reviewed as part of the RTEP process.

There are currently 584 generation projects active in the PJM interconnection queue, totaling 80,218 MW. These projects break down by fuel source as follows:

Wind	190 projects	35,811 MW
Gas	170 projects	36,659 MW
Coal	69 projects	15,413 MW
Nuclear	33 projects	8,288 MW
Hydro	17 projects	1,059 MW
Oil	16 projects	1,269 MW
Other	89 projects	1,363 MW

These projects include new generation, as well as upgrades to existing generating facilities. The following chart is intended to combine the geographic breakdown of these projects by state and by fuel type. Clearly, the volume of projects in the queue is significant, but what is notable for this Technical Conference is that the queue projects represent a range of fuel types and are geographically dispersed across the PJM system.

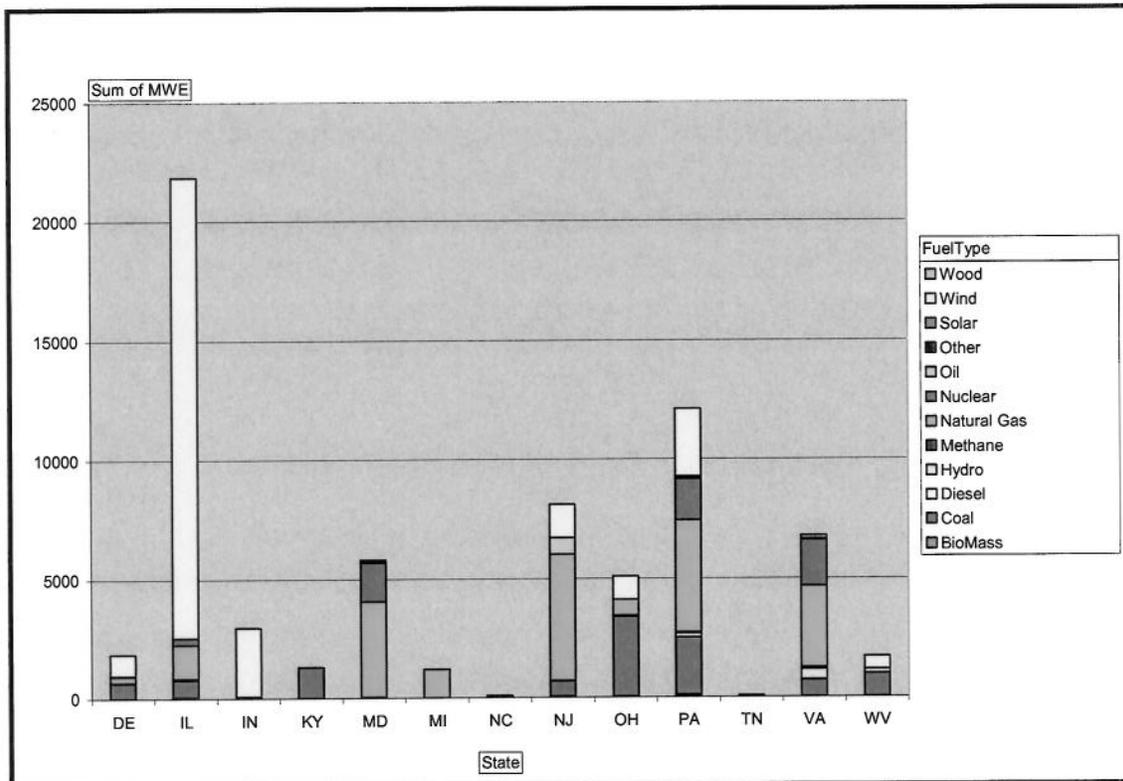


Figure 1

**Challenges**

**Queue Volume and the Interrelated Nature of Studies.**

The four interconnection queues during the two-year period ending January 2005 included 35, 28, 31, and 52 requests, respectively. The next four interconnection queues, comprising the two year period ending January 2007, included 76, 64, 92 and 88 requests, respectively. Average queue volume and therefore the number of interconnection studies required to be performed, increased by 120%. All services, including long-term firm point-to-point transmission and requests related to the provision of Upgrade Auction Revenue Rights (UARRs)<sup>1</sup> were consolidated in the queue that ended in July 2007 (Queue S). There were more than 130 requests in Queue S, including more than 100 generation projects. As seen in Figure 2, more than 100 requests have already been received in Queue T, which closes on January 31, 2008. Based on the typical timing of queue submissions, Queue T will likely include more than 200 requests before it closes.

The significant increase in the number of queue requests has made it increasingly difficult to process interconnection studies in a timely manner. Particularly troubling has been the standard practice within the generation community of submitting projects near the end of each queue. Approximately 40% of the requests in Queue R were submitted within the last month of a six-month queue. Almost 50% of the requests in Queue S were submitted within the last month, of which 51 requests were submitted on the last day. Under current tariff provisions, kick-off meetings must be scheduled and feasibility studies completed within two months of the close of the queue.

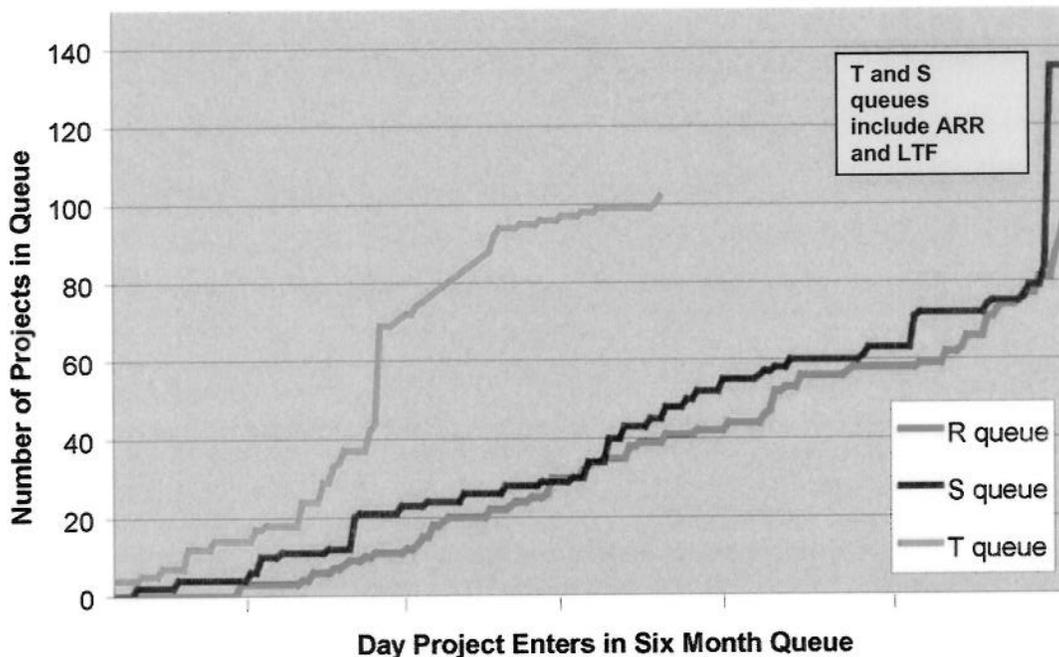


Figure 2

<sup>1</sup> Upgrade Auction Revenue Rights are the rights to auction proceeds resulting from the additional transmission capacity brought about through an upgrade approved through the RTEP. These are a form of Incremental Auction Revenue Rights.

**Complications from Requests for Studies of Multiple Interconnection Points**

One further complication, in addition to the volume of requests, is the impact of projects requesting analysis for multiple points of interconnection. While the analysis for one project with two points of interconnection is not overly burdensome, the downstream impact on subsequent projects and the associated workload becomes significant as the number of projects with multiple points of interconnection increases. Aside from the workload, the multiple sets of results can present significant uncertainty for subsequently queued projects as their results become dependent on more and more decisions to be made by earlier queued projects.

**Challenges Raised by Large Projects Requiring Major Network Upgrades.**

In addition to increasing queue volume and the timing of request submission, the most significant issue affecting the ability to perform studies in a timely manner is the impact of projects requiring large scale network upgrades. These projects have two basic impacts on the queue. First, projects requiring tens or hundreds of millions of dollars in network upgrades necessarily take a long time to evaluate. Second, the required network upgrades for such projects must be factored into the analysis for subsequent projects in the queue. Queue studies are cumulative and build upon prior identified upgrades. Without considering those upgrades, the results for subsequent projects would not represent a system that both reflects and respects the precedent rights of the earlier queued project.

The delay inherent in the substantial amount of analysis required to identify the large scale network upgrades essentially is carried through any queued projects affected by the precedent project. Complex projects come in many forms. The problems they create in queue processing are not dependent on the type of project or its fuel source. Two examples will help to illustrate the nature of the problem.

First, four major transmission projects have recently been under evaluation in the interconnection queue to deliver capacity and energy from the PJM system to New York City. A third of these projects is queue position O66, delivering from Bergen, in New Jersey, to 49<sup>th</sup> Street in Manhattan. The fourth is queue position Q75, also delivering from Bergen to 49<sup>th</sup> Street. The recently released System Impact Study for the O66 project identifies approximately \$450 million of network upgrades that will be required for system reliability to interconnect the project. The feasibility study for the Q75 project identified 78 new criteria violations and contributions to 57 previously identified violations.

Studies of this magnitude cannot be completed in the timeframes required by the tariff and, in fact, took considerably longer. More importantly, the upgrades required for these projects impact most of the subsequently queued projects in eastern PJM. Any generator contributing to flows on lines affected by the earlier queued transmission projects must wait for the required upgrades to be identified before analysis can be performed to determine whether the upgrade required for these projects transmission project will also provide for the generator interconnection or whether a more robust upgrade is needed. As progressively more significant upgrades become required, it becomes more difficult to identify viable solution options.

A second example relates to wind projects awaiting interconnection within the State of Illinois. Here too, the problem is the complexity of the project and its impact on queue processing, not the particular fuel source or type of project. Presently, there are approximately 20,000 MW of wind projects awaiting interconnection within the

state of Illinois. Four of these project combined represent 7,000 MW of wind generators in South Dakota waiting to be connected to the PJM system. The transmission upgrades that will be required to integrate projects of this size into the broader PJM system will be significant, likely involving multiple new backbone transmission lines. As with the discussion of the transmission projects in New Jersey outlined above, it will inevitably take much longer than allowed by the Tariff to complete the studies and the required upgrades will impact most of the subsequent projects in western PJM causing a domino effect of delays through the interconnection queue.

### **Solution Opportunities**

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Earlier in 2007, PJM initiated discussion through the Planning Committee related to a number of options for improving the queuing process. Two changes were approved by the PJM members and have been filed with the Commission. The first relates to changing from two six-month queues each year to four three-month queues to ease the workload over the year and, hopefully, reduce the sense of urgency that leads to large numbers of last minute submissions. The second adjusts the timing of studies related to requests for long-term, firm transmission service so that the determination of rights and obligations for all forms of service are fully synchronized.

A number of other changes are still under discussion and will continue to be pursued in 2008. These include additional milestone requirements in the queuing process, increasing the cost structure associated with interconnection studies, and rules that would allow projects in critical locations to either move earlier in the queue or be evaluated separately from the rest of the queue. These changes require further development, but generally focus on a few primary themes.

First, there is a desire to restructure the process to more quickly remove the projects that are "not real", i.e. to separate the wheat from the chaff. While it, perhaps, goes without saying, the goal is to evaluate the "real" projects in a timelier manner. A number of process improvements have been implemented among PJM and the transmission owners to enhance the timeliness of studies, but removing less serious projects more quickly would greatly improve performance in this area.

Second, there is a clear need for generation capacity in certain areas of the PJM system. The planning process and the capacity market (Reliability Pricing Model)<sup>2</sup> send signals to this effect; however, the interconnection process makes no distinction with regard to queuing priority based on system benefit. Any process that digresses from the "first-come, first-served" approach to assigning rights and obligations will have to involve a conscious decision that "queue jumping" is appropriate in certain circumstances and very specific rules that define those circumstances.

There has been significant discussion of the elimination of direct assignment of network upgrade costs to generators as a means to resolve the problems being experienced with the interconnection queue. Without taking a position on this issue, it must be remembered that the assignment of these costs was intended to impose a

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<sup>2</sup> RPM is the new model implemented this year establishing a capacity market that sends long term price signals to attract needed investments in reliability in the PJM region. RPM facilitates the addition of generation resources, as well as demand response.

level of discipline on the siting decisions made by generation developers. Presumably, faced with cost responsibility for required network upgrades, developers would site their projects where transmission capability could reasonably accommodate those projects. Whether or not this presumption has merit, the elimination, alone, of direct assignment for upgrade costs will not improve the current queuing situation.

Some set of milestone obligations must be put in place, in the absence of direct assignment of costs, to impose discipline on the process or Transmission Providers could be faced with an increased volume of generation projects wishing to hold queue positions for the longest possible time while developers evaluate other aspects of their business plans. In addition, if large numbers of projects propose interconnection in a given area, the Transmission provider will be required to plan significant transmission system enhancements that will take far longer than the tariff allows and face the likelihood that these plans will be repeatedly re-tooled as projects eventually withdraw. These problems exist today to a degree. However, without facing the prospect of having to pay for high cost upgrades developers may stay in the queue longer, increasing the uncertainty for "real" projects and delay the point in time when realistic network upgrades can be identified.

This paper was designed to provide a base level of information concerning the PJM queue and to provide our initial thoughts on certain of the Commission's inquiries. PJM looks forward to further dialogue with the Commission and with its stakeholders on these important issues.

## **Exhibit H**

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

<b>Dominion Resources Services, Inc.</b>	)	
<b>Complainant</b>	)	
	)	
v.	)	
	)	<b>Docket No. EL08-____-000</b>
<b>PJM Interconnection, LLC.</b>	)	
	)	
<b>Respondent</b>	)	

**Notice of Complaint and Request for Fast Track Processing  
January 28, 2008**

Take notice that on January 28, 2007, Dominion Resources Services Inc. (“Dominion”) filed a complaint under Section 206 of the Federal Power Act alleging that the PJM Interconnection (“PJM”) is violating the generator interconnection provisions of its tariff.

Any person desiring to intervene or to protest this filing must file in accordance with Rules 211 and 214 of the Commission’s Rules of Practice and Procedure (18 CFR 385.211, 385.214). Protests will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make protestants parties to the proceeding. Any person wishing to become a party must file a notice of intervention or motion to intervene, as appropriate. Such notices, motions, or protests must be filed on or before the comment date. Anyone filing a motion to intervene or protest must serve a copy of that document on the Applicant and all the parties in this proceeding.

The Commission encourages electronic submission of protests and interventions in lieu of paper using the “eFiling” link at <http://www.ferc.gov>. Persons unable to file electronically should submit an original and 14 copies of the protest or intervention to the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C. 20426.

This filing is accessible on-line at <http://www.ferc.gov>, using the “eLibrary” link and is available for review in the Commission’s Public Reference Room in Washington, D.C. There is an “eSubscription” link on the web site that enables subscribers to receive email notification when a document is added to a subscribed docket(s). For assistance with any FERC Online service, please email [FERCOnlineSupport@ferc.gov](mailto:FERCOnlineSupport@ferc.gov), or call (866) 208-3676 (toll free). For TTY, call (202) 502-8659.

Comment Date: 5:00 pm Eastern Time on \_\_\_\_\_.

Kimberly D. Bose  
Secretary