

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Nora Mead Brownell, and Suedeen G. Kelly.

PJM Interconnection, L.L.C.

Docket No. ER06-649-000

ORDER ACCEPTING UNEXECUTED SERVICE AGREEMENTS

(Issued April 17, 2006)

1. On February 16, 2006, PJM Interconnection, L.L.C. (PJM) filed an unexecuted interconnection service agreement (ISA) and an unexecuted construction service agreement (CSA) among PJM, East Coast Power, L.L.C. (East Coast) and Public Service Electric and Gas Company (PSE&G).¹ In this order, the Commission will accept the ISA and the CSA for filing effective January 17, 2006, as requested.

Background

2. The subject of the proposed ISA and CSA is a merchant transmission project designated as the “Variable Frequency Transformer Facility at the Linden Cogeneration Facility,” which will be located at the Linden Cogeneration Facility and interconnected with PJM’s transmission system. The equipment configuration consists of three 100 MW variable frequency transformers connected between the PSE&G 230 kV system and Consolidated Edison Company’s Goethals 345 kV system.² East Coast’s transmission withdrawal rights will be 330 MW Firm at the G22 230 kV substation to be built to connect the transformers.³ Construction responsibilities are outlined in the ISA

¹ The ISA is designated as Original Service Agreement No. 1410 and the CSA is designated as Original Service Agreement No. 1411.

² See ISA Specifications § 1.0d.

³ See ISA Specifications § 2.2.

Specifications at section 3.0. According to the ISA, the attachment facilities charge⁴ is to be \$325,000, while the network upgrade charge to facilitate the interconnection is estimated to be \$1,555,000.⁵

3. The CSA facilitates the interconnection that is the subject of the ISA. PJM states that East Coast exercised the option to build pursuant to section 83.2.3 of the PJM Tariff, and that this enables East Coast to construct some or all of the Transmission Owner Interconnection Facilities necessary to accommodate the interconnection associated with the CSA.

4. PJM states that the agreements are being filed in unexecuted form because PSE&G has declined to execute them. PJM asserts that the agreements, other than being unexecuted, conform with the form of ISA set forth in Attachment O to the PJM Open Access Transmission Tariff (OATT) and the form of CSA set forth in Attachment P to the OATT.

5. PJM requests waiver of the Commission's 60-day prior notice requirement to allow an effective date of January 17, 2006.

Notice Of Filing and Responsive Pleadings

6. Notice of PJM's February 16, 2006, filing was published in the *Federal Register*, 71 Fed. Reg. 11,193 (2006) with interventions and protests due on or before March 9, 2006. PSE&G filed a timely motion to intervene and protest. PJM filed an answer on March 24, 2006.

7. PSE&G states that it has not executed the ISA and CSA in the instant proceeding for many of the same reasons that it protested the ISA and CSA filed by PJM on behalf of the Neptune Regional Transmission System, L.L.C. (Neptune) project in Docket Nos. ER05-1010-000, *et al.*⁶ PSE&G argues that PJM has allocated an artificially low level of \$1.5 million in network upgrade costs to the East Coast project, because East Coast is not bearing any upgrade cost responsibility associated with generation retirements on the PJM system. PSE&G further submits that the reason East Coast's network upgrade cost responsibility was set at the artificially low level of \$1.5 million was, in part, based on the incorrect assumption that generation retirement-related upgrade costs would be allocated to Neptune. PSE&G argues that not allocating the costs to East Coast

⁴ "Attachment Facilities" are "[t]he facilities necessary to physically connect a Customer Facility to the Transmission System or interconnected distribution facilities." See ISA Appendix I at 1.

⁵ ISA Specifications §§ 4.1 - 4.2.

⁶ *PJM Interconnection, L.L.C.*, 111 FERC ¶ 61,456, *order on reh'g*, 113 FERC ¶ 61,205 (2005).

“prematurely insulates merchant projects from risk with the potential effect of unfairly shifting costs to transmission ratepayers.”⁷ PSE&G urges the Commission to reject PJM’s filing on the grounds that the filing “does not fully and properly allocate all Network Upgrade costs associated with the East Coast Project” or set the case for hearing or other procedures at which time cost allocation and other associated issues may be fully addressed.⁸

8. PJM contends in its answer that PSE&G is mistaken that the network upgrade costs assigned to East Coast were based on the assumption that PJM generation retirement-related upgrade costs would be allocated to Neptune. According to PJM, East Coast initially requested both injection and withdrawal rights into the PJM system. PJM states that the study conducted in response to this request determined that upgrades necessary to support injection and withdrawal rights would cost approximately \$16 million. In response to this finding, PJM states that East Coast declined injection rights in order to reduce costs, opting for withdrawal rights only. PJM’s new cost estimate, for withdrawal rights only, which PJM states was independent of any assumptions about Neptune’s cost responsibility for system upgrades due to generation retirements, was approximately \$1.5 million. PJM states that its studies indicate that there is no cost sharing for network reinforcements between East Coast and Neptune, and that there is no allocation of costs between the two projects. According to PJM’s answer, “[t]he network upgrades for East Coast and Neptune are separate and distinct and do not impact each other.”⁹

Procedures

9. Pursuant to Rule 214 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2005), the timely, unopposed motion to intervene serves to make the entity that filed it a party to this proceeding. Under Rule 213(a)(2) of the Commission’s Rules of Practice and Procedure, 18 C.F.R. § 213(a)(2) (2005), answers to protests are not accepted unless otherwise ordered by the decisional authority. The Commission will accept PJM’s answer because it has provided information that assisted in our decision making process.

⁷ PSE&G Protest at 4.

⁸ PSE&G Protest at 5.

⁹ PJM Answer at 3.

Discussion

10. The Commission finds that the East Coast ISA and CSA are conforming agreements and accepts them for filing, to become effective January 17, 2006, as requested.

11. Although PSE&G's protest is not entirely clear, it appears to argue that the network upgrade costs assigned to East Coast have been set artificially low because they do not include network upgrade costs necessitated by generator retirements. PSE&G maintains that PJM made an improper determination of network upgrade costs because it improperly assumed that the Neptune project would construct and pay for certain upgrades.

12. The Commission rejects PSE&G's protest. PSE&G does not cite to any tariff provision that PJM allegedly has violated, nor does it identify any specific network upgrades that it alleges will have to be built as a result of this project, but were not taken into account by PJM.¹⁰ PJM also explains that East Coast's upgrade costs were set at \$1.5 million not because PJM ignored upgrades related to generator retirements, but because East Coast declined injection rights, which reduced the extent of the network upgrades that would be necessary. As PJM explains, "this new cost estimate was independent of any assumptions about Neptune's cost responsibility for system upgrades due to generation retirements," and that its studies show that "the network upgrades for East Coast and Neptune are separate and distinct and do not impact each other."¹¹

13. The Commission will grant PJM's request for waiver of the 60-day notice requirement.¹²

¹⁰ When a protest merely offers allegations or speculations without an adequate proffer to support them, the Commission may properly disregard the protest. *See Philadelphia Elec. Co.*, 58 FERC ¶ 61,060, at 61,132 n.2 (1992); *Boston Edison Co.*, 57 FERC ¶ 61,302, at 61,975 n.40 (1991); *PSI Energy, Inc.*, 56 FERC ¶ 61,237, at 61,910 (1991); *Georgia Power Co.*, 52 FERC ¶ 61,321, at 62,278 n.5 (1990).

¹¹ PJM Answer, at 2-3.

¹² *See Central Hudson Gas & Elec. Corp.*, 60 FERC ¶ 61,106, *reh'g denied*, 61 FERC ¶ 61,089 (1992).

The Commission orders:

(A) The East Coast ISA and CSA designated as Original Service Agreement Nos. 1410 and 1411, respectively, are accepted for filing.

(B) Waiver of the 60-day prior notice requirement to permit the ISA and CSA to become effective on January 17, 2006, is granted.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.