

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Sudeen G. Kelly, Marc Spitzer,
Philip D. Moeller, and Jon Wellinghoff.

Chesapeake Transmission, L.L.C.

Docket No. EL06-67-000

v.

PJM Interconnection, L.L.C.

ORDER ON COMPLAINT

(Issued September 8, 2006)

1. Chesapeake Transmission, L.L.C. (Chesapeake) filed a complaint against PJM Interconnection, L.L.C. (PJM) asking the Commission to direct PJM to proceed expeditiously with respect to Chesapeake's Merchant Transmission Interconnection request P45B (the Project) by designating the Project a market solution and providing a feasibility study, construction service agreement, and interconnection service agreement for the Project. The Commission finds, among other things, that a Transmission Service Request made by FirstEnergy Solutions Corp. (FirstEnergy)¹ has priority over Chesapeake's request. Therefore, the Commission denies the complaint.

Background

2. PJM maintains a queue that accounts for both interconnection and transmission customer requests for service.² On June 8, 2004, FirstEnergy made a Transmission

¹ For convenience, both FirstEnergy Solutions Corp. and FirstEnergy Service Company will be referred to as FirstEnergy. FirstEnergy Service Company filed a Protest and Comments in this proceeding on behalf of FirstEnergy Solutions Corp. and other affiliates.

² See *Standardization of Generator Interconnection Agreements and Procedures*, Order No. 2003-A, FERC Stats. & Regs. ¶ 31,160 at P 541 (2004) ("Although interconnection and delivery are separate services, we agree that the queues for the two
(continued...)

Service Request under Part II of PJM's tariff for 1,000 MW of firm point-to-point service to move power from sources in the Midwest Independent Transmission System Operator, Inc. (Midwest ISO) to load that sinks in PJM. In March, 2005, PJM performed an impact study for this request.³ The impact study identified insufficient transmission capability on several circuits, including the Pruntytown-Mt. Storm 500 kV line which is located in the Virginia Electric and Power Company (Dominion) zone and crosses the Maryland-West Virginia border.⁴ The March 2005 impact study also mentioned an expansion alternative consisting of five specifications for equipment.⁵ On May 1, 2005, Dominion integrated into PJM.

3. Chesapeake states that by November of 2005, PJM had opened a market window for a \$30 million conductor upgrade at the Pruntytown-Mt. Storm 500 kV line.⁶ A market window is a period of one year in which market participants can come forward with a solution to resolve an identified instance of unhedgeable congestion.⁷ If PJM

services must be closely coordinated. This means that in general, Interconnection Customers and transmission delivery service customers should have equal access to available transmission capacity, with priority being established on a first come, first served basis according to the date on which service is requested. Furthermore, Interconnection Studies for Interconnection Services should be coordinated with the facilities studies performed for transmission delivery services. This ensures that all required upgrades are planned and designed in a least cost manner.”).

³ Complaint, Appendix J.

⁴ *Id.*, Appendix A.

⁵ The specifications were a new 500 kV circuit from Harrison to Bedington, a new Dickerson substation along the Doubs – Pleasantview 500kV circuit, two new Dickerson transformers, upgrading terminal equipment on the Bedington-Doubs 500 kV circuit, and upgrading terminal equipment on the Dickerson –Pleasantview 500 kV circuit.

⁶ Complaint at 8 n. 9 and Appendix D. PJM addresses the need for new transmission facilities through its Regional Transmission Expansion Plan (RTEP). As part of this process, PJM identifies transmission upgrades needed to address unhedgeable congestion. PJM then opens a market window, a period of one year, for the receipt of proposals to resolve each congestion issue. PJM Interconnection, L.L.C., Third Revised Rate Schedule FERC No. 24, Schedule 6, Third Revised Sheet No. 185D, section 1.5.7(d)(3); Complaint, Appendix B at 11.

⁷ Complaint, Appendix B at 11.

picks a solution, it proposes that solution to the PJM Board to be included in PJM's Regional Transmission Expansion Plan (RTEP).⁸

4. In November 2005, PJM filed comments with the Maryland Public Service Commission concerning congestion on transmission lines in Maryland. PJM did not mention the market window for the \$30 million reconductoring of the Pruntytown-Mt. Storm circuit. But PJM did state that there was a "[t]hermal contingency limit on equipment at [the] Mt. Storm (Dominion) end of the line."⁹ PJM stated this limit first exceeded economic thresholds in June of 2005. PJM stated that "[a]s projected flows had not yet resulted in a reliability violation, no upgrades relating to this constraint are included in the current RTEP."¹⁰

5. In December 2005, PJM completed a facilities study for FirstEnergy's Transmission Service Request.¹¹ This study determined that PJM could grant one year of firm service if FirstEnergy funds a reconductoring project for 1/10 of a mile of the 500 kV Pruntytown-Mt. Storm circuit.¹² The study stated, however, that service could not be extended after one year because of a reliability problem and that, therefore, FirstEnergy could not have rollover rights for its service.

6. Also in December 2005, Chesapeake claims it contacted PJM to ask why the \$30 million conductor was the only project shown in the market window for the Pruntytown-Mt. Storm line and the thermal contingency limit on equipment at Mt. Storm was not shown.¹³ Chesapeake raised this issue again in a letter dated January 11, 2006.¹⁴

7. In mid-January 2006, PJM states it explored additional upgrades with FirstEnergy that might be required to remove the limitation on rollover rights.

⁸ *Id.* at 14-15.

⁹ *Id.*, Appendix B at 5.

¹⁰ *Id.*

¹¹ *Id.*, Appendix G.

¹² PJM states this upgrade option only became available after Dominion-Virginia Power was integrated into PJM on May 1, 2005. PJM Answer at 29.

¹³ Chesapeake Answer at 10-11 and Appendix A.

¹⁴ *Id.*, Appendix B.

8. On January 17, 2006 Chesapeake sent PJM a Merchant Transmission Feasibility Study Agreement for a network upgrade consisting of equipment at the Mt. Storm (Dominion) end of the Pruntytown-Mt. Storm line.¹⁵ This letter, some supplemental information, and a \$10,000 deposit constitute Chesapeake's Merchant Transmission Interconnection request.

9. On January 24, 2006, PJM states it posted on its website the results of its December 2005 facilities study for FirstEnergy which showed that FirstEnergy would be required to fund the 1/10 mile of reconductoring at Mt. Storm.¹⁶ Within the next day or so, PJM states it called Chesapeake advising it that Chesapeake's Project was the same as the one identified in the FirstEnergy December 2005 facilities study and that it was PJM's position that the upgrade associated with FirstEnergy's Transmission Service Request would have priority in the queue over Chesapeake's Project. PJM states it offered to return Chesapeake's \$10,000 deposit because the FirstEnergy December 2005 facilities study had not been posted at the time Chesapeake made its request.¹⁷ Chesapeake declined the offer and chose to pursue its request.

10. On January 26, 2006, Chesapeake states PJM changed the market window posting and included a \$250,000 estimate to relieve the first thermal rating limit on the Pruntytown-Mt. Storm line and a \$30 million estimate to relieve the second thermal rating limit.¹⁸

11. In March 2006, PJM completed an updated facilities study for FirstEnergy's request¹⁹ which did not contain a limitation on rollover rights. Among other things, the updated study stated that the emergency rating of the Pruntytown-Mt. Storm circuit would be increased from 3,326 MVA to 3,464 MVA after the reconductoring upgrade was completed.²⁰

12. On March 13, 2006, PJM tendered a bilateral Transmission Service Agreement and a Construction Service Agreement to FirstEnergy. On April 11, 2006, FirstEnergy

¹⁵ *Id.*, Appendix F.

¹⁶ PJM's Answer at 4, Attachment A at 2-3.

¹⁷ *Id.*, Attachment A at 3.

¹⁸ Chesapeake's Answer, Appendix E.

¹⁹ *Id.*, Appendix C.

²⁰ *Id.* at p. 1.

posted security for the estimated amount of network upgrades related to its service. On April 25, 2006, Chesapeake filed a complaint claiming that it, not FirstEnergy, should be designated to build the 1/10 mile of reconductoring at Mt. Storm.

13. On June 14, 2006, in Docket No. ER06-1127-000, PJM filed an executed Transmission Service Agreement between itself and FirstEnergy for the transmission service that FirstEnergy had requested in its June, 2004 Transmission Service Request and executed construction service agreements to construct the necessary facilities.²¹

Complaint

14. Chesapeake's complaint asks the Commission to direct PJM to act expeditiously on Chesapeake's Merchant Transmission Interconnection request.²² It asks the Commission to direct PJM to (1) designate its Project a market solution under PJM's tariff;²³ (2) provide a feasibility study for its Project; and (3) tender a construction service agreement and an interconnection service agreement for its Project. Chesapeake states it has attempted to resolve its dispute with PJM informally without success. It asks the Commission for fast track processing under Rule 206(h) of the Commission's Rules of Practice and Procedure²⁴ and states such processing is warranted because its merchant

²¹ These facilities consist of 1/10 mile of conductor at Mt. Storm 500kV; a 4,000 amp, 500 kV wave trap at the Hatfield terminal of the Hatfield-Black Oak 500 kV circuit; a 3000 A air switch at Pruntytown 500 kV; and an upgrade to the Static VAR Compensator at Black Oak to increase MVAR range by +/- 50 MVAR. Appendix I, Attachment C: Dominion CSA, Original Service Agreement No. 1495; Appendix I, Attachment D: Allegheny CSA, Original Service Agreement No. 1496, Filing of June 14, 2006 (Docket No. ER06-1127-000).

²² On April 27, 2006, Chesapeake filed corrections to its complaint stating that Appendices B and C had been transposed. The correct appendices are: Appendix B, PJM Comments in MD PSC Notice of Inquiry, Case No. 9047, and Appendix C, "PJM Firm Transmission Service Request, OASIS #242586, 242588, 242590, 242593, FirstEnergy to PJM – 1000 MW, Phase 1—Facility Study Report," (December, 2005, Updated March 2006) (PJM's updated facility study for FirstEnergy).

²³ PJM Interconnection, L.L.C., FERC Electric Tariff, Sixth Revised Volume No. 1, Original Sheet No. 118B, section 41A.3. A market solution is defined in section 41A of PJM's tariff as a project that PJM determines could constitute a solution, in whole or in part, to unhedgeable congestion and for which PJM has opened a market window. *Id.*, Original Sheet No. 118.01.

²⁴ 18 C.F.R. § 385.206 (h) (2006).

transmission project would provide congestion relief on a highly constrained 500 kV circuit.

15. Chesapeake states it made its Interconnection Request to PJM for its Project on January 17, 2006. It states its Project is an upgrade to the Mt. Storm portion of the Pruntytown-Mt. Storm 500 kV circuit. The upgrade consists of replacing 1/10 mile of conductor at Mt. Storm at an estimated cost of \$250,000.²⁵ Chesapeake asserts the upgrade will increase the overall rating on the circuit from 3,326 MVA to 3,464 MVA, apparently utilizing the figures developed in the March 2006 FirstEnergy facilities study. Chesapeake also states that its Project will provide significant congestion relief.

16. Chesapeake asserts that its Project has priority over the June 8, 2004 FirstEnergy Transmission Service Request. Chesapeake claims FirstEnergy is not entitled to Incremental Auction Revenue Rights for its Transmission Service Request so that there is no conflict between its interconnection request and FirstEnergy's Transmission Service Request. Chesapeake also claims that FirstEnergy must build the facilities identified in the March 2005 impact study that PJM performed for FirstEnergy and that the impact study did not include Chesapeake's Project. Chesapeake contends PJM has impermissibly changed the reliability criteria violations and the facilities from the impact study to the facilities studies for FirstEnergy in December 2005 and March 2006 and has impermissibly included its Project in the facilities studies.²⁶

Notice of Filings and Responsive Pleadings

17. Notice of Chesapeake's filing was published in the *Federal Register*, 71 Fed. Reg. 25,833 (2006), with protests and interventions due on or before May 12, 2006. Timely motions to intervene were filed by Allegheny Power and Allegheny Energy Supply Company, LLC (Allegheny), Dominion Resources Services, Inc. (Dominion), Exelon

²⁵ Appendix G to the Complaint.

²⁶ Chesapeake also argued in its Complaint that FirstEnergy had failed to maintain its position in the queue because it had not paid \$3.2 million in reservation fees required by section 17.7 of PJM's tariff for extension of the service commencement date (*Id.*, First Revised Sheet No. 67). In its Answer (at 3 n. 4; 4 n. 5), Chesapeake withdrew this claim based on the response in PJM's Answer that PJM had deferred the commencement of FirstEnergy's service under section 15.5 of PJM's tariff (*Id.*, Original Sheet No. 62) and, thus, PJM was solely responsible for postponement of the service date.

Corporation (Exelon), and Galt Power, Inc. (Galt). FirstEnergy Service Company (FirstEnergy) filed a motion to intervene, protest and comments.²⁷ PJM filed an Answer.

18. In its Answer, PJM states that FirstEnergy's Transmission Service Request includes Chesapeake's Project and has priority over Chesapeake's Project. PJM states that, as a result, it is not necessary for PJM to do a feasibility study for the Project and the Project cannot be a market solution under its tariff. On or about January 25, 2006, PJM states it informed Chesapeake of the reason why it would not do the feasibility study. PJM states further in its Answer that it never changed the reliability criteria violations for which the system upgrade obligations were established in FirstEnergy's Transmission Service Request. It states, however, that the facilities required to meet the obligations in the impact study were different from those in the facilities studies. FirstEnergy states it has complied with all the requirements of the PJM tariff and that its Transmission Service Request has priority over Chesapeake's Project. It also states it is entitled to Incremental Auction Revenue Rights (Incremental ARRs).

19. On May 30, 2006 Chesapeake filed a motion for leave to answer and an Answer to PJM's Answer and FirstEnergy's comments. In its Answer, Chesapeake states, among other things that, but for misinformation and delays on the part of PJM, its Interconnection Request would have had priority and denies PJM's claim that reliability criteria violations did not change from the impact study to the facilities studies. On June 1, 2006, PJM filed a motion to strike Chesapeake's motion to answer on the grounds that Chesapeake had not shown good cause for its Answer. On June 16, 2006, Chesapeake filed an Answer to PJM's motion to strike Chesapeake's Answer.

20. On June 22, 2006, Commission staff issued a data request in this docket and in ER06-1127-000 to PJM asking it to explain further its system impact study and facilities studies undertaken for FirstEnergy. On July 5, 2006, Chesapeake filed a motion to consolidate Docket No. ER06-1127-000 with this proceeding in both Docket No. ER06-1127-000 and the instant docket. On July 7 and July 10, 2006 PJM filed its response to the data request. Notice of PJM's response was published in the *Federal Register*, 71 Fed. Reg. 40,487 (2006), with comments due on or before July 17, 2006. On July 17, 2006, Chesapeake filed comments on PJM's response.

²⁷ FirstEnergy Service Company filed on behalf of its affiliates FirstEnergy Solutions Corp., Jersey Central Power and Light Company, Metropolitan Edison Company, and Pennsylvania Electric Company.

PJM Response to Data Request

21. The data request asked PJM to explain, among other things, why the facilities study did not include all of the contingency overloads listed in the impact study, why the system upgrades in the March 2006 facilities study were not identified in the system impact study, and why the system upgrades in the March 2006 facilities study were added to the FirstEnergy project if they were merchant transmission projects.

22. In response to the data request, PJM states generally that the period during which it studied FirstEnergy's transmission service request was one of tremendous change to the PJM system in which it integrated five new transmission owners into its system with the result that both baselines and possible solutions to constraints were constantly changing.

23. With respect to the system impact study, PJM explains that the system impact study conducted under Part II of its tariff for FirstEnergy is much more general than the system impact study under Part IV of its tariff for interconnection requests.²⁸ It explains that the Part II system impact study is a low-cost, generalized assessment with conservative assumptions that is used to determine whether a transaction can be accommodated by the existing system or whether it is likely to trigger the need for some system reinforcement.²⁹ Thus, PJM states, the Part II system impact study identifies the most severe contingency overloads that could occur. PJM states the system impact study was not intended to identify specific network upgrades required to accommodate FirstEnergy's service request and that the upgrades mentioned in the March 2005 system impact study for FirstEnergy were intended only to be a preliminary indication of the reliability impact of the requested transaction.

24. PJM states that the purpose of the Part II facilities study is to consider the actual, specific impacts of the transaction on system reliability and to identify specifically necessary reinforcements to accommodate the transaction. PJM states that the Part II facilities study is much more rigorous and uses much more realistic analysis than the Part II system impact study. It states that, as a result, the contingency overloads identified in the facilities study are narrower than those identified in the system impact study and the upgrades required to resolve these narrower contingencies may be different from upgrades mentioned in the system impact study.

²⁸ PJM states the Part II system impact study is more akin to a partial Feasibility Study in section 36.2 of its tariff, the preliminary study performed for an interconnection customer. PJM Interconnection, L.L.C., FERC Electric Tariff, Sixth Revised Volume No. 1, Original Sheet No. 96E and First Revised Sheet No. 97.

²⁹ PJM uses an Available Flowgate Capacity (AFC) test in the system impact study.

25. PJM states that, consistent with the different methods and purposes of these studies, the December 2005 facilities study for FirstEnergy did not include contingency overloads that originally appeared in the system impact study because the various limitations resulting from the simplifying assumptions of the Available Flowgate Capacity (AFC) test used in the system impact study were replaced by a more rigorous and complicated methodology. Also, in this case, PJM states the contingency overloads in the facilities study differed from those in the system impact study because the system had changed dramatically by the time the facilities study was completed.

26. PJM also states that the system upgrades in FirstEnergy's March 2006 facilities study were not identified in the system impact study because it was not the purpose of the system impact study to identify specific network facilities that FirstEnergy would have to build. PJM indicates that only when it did the more rigorous analysis in the facilities study and identified the actual contingency overloads could it identify the actual network upgrades that would be needed. PJM states further that the upgrades in the March 2006 facilities study do not resolve the six contingency overloads preliminarily identified in the system impact study, but do resolve the reliability problems identified in the facilities study.

27. PJM states that three network upgrades that drew merchant transmission developer interest³⁰ were added to the FirstEnergy project because these network upgrades were identified in the facilities study as needed to resolve reliability problems that would otherwise prevent PJM from accommodating FirstEnergy's long-term firm Transmission Service Request and because FirstEnergy's Transmission Service Request had queue priority ahead of these projects. PJM states that in view of its obligation under its tariff and Commission directive to maintain a single queue accounting for interconnection as well as transmission customers and the fact that FirstEnergy had entered the queue in June, 2004 (prior to when the merchant transmission developers submitted their applications), PJM concluded that FirstEnergy had priority to fund upgrades necessary to support its Transmission Service Request. PJM states that while these upgrades were not apparent at the time FirstEnergy entered the queue, progressively more detailed studies, funded by FirstEnergy, ultimately did identify a set of necessary network upgrades which included the merchant transmission projects. PJM preserved the merchant transmission customers' subsequent queue positions so they might be offered the option to pursue these projects if FirstEnergy ultimately elected not to proceed with its Transmission Service Request.

³⁰ These projects and the dates they entered the queue are (1) O06-- air (disconnect) switch on the Ft. Martin-Pruntytown 500 kV circuit (February 23, 2005); (2) O15—wavetraps on the Black Oak 500 kV circuit (April 6, 2005); and (3) P45—1/10 mile of reconductoring at Mt. Storm 500 kV circuit (January 17, 2006).

Chesapeake's Comments on PJM's Data Request Response

28. Chesapeake makes the following comments on PJM's response to the data request. Chesapeake states PJM appears to admit that it changed the reliability criteria violations from the impact study to the facilities study.³¹ Chesapeake asserts this violates the rule the Commission established in *Neptune*. Chesapeake also asserts PJM cannot avoid the application of the rule in *Neptune* by claiming that its impact study was inadequate, as Chesapeake asserts PJM appears to do.

29. Chesapeake asserts the impact study is the same under PJM's tariff for both transmission service requests and interconnection requests,³² and not different, as PJM states.³³ Chesapeake asserts PJM must conduct the impact study in accordance with Attachment D of the PJM tariff. It asserts Attachment D requires that the impact study evaluate effects on system operations, any constraints, and redispatch options, and incorporate loads and resources into the study. Chesapeake also asserts Attachment D requires PJM to identify expansion facilities required in the impact study. Chesapeake asserts that nothing in PJM's tariff permits PJM to produce an impact study that is preliminary or generalized or that ignores system planning, redispatch options, and actual load flow. Chesapeake claims that PJM's assertions of the generality of the impact study are contradicted by the fact that PJM described the study as "Detailed System Impact Study Results"³⁴ and also by the fact that it took PJM nine months to prepare the impact study (June 2004 to March 2005). Chesapeake asserts that, in contrast to the impact

³¹ Chesapeake cites Answer 2(c) at page 6 of PJM's response:

As explained in 2(a) above, the upgrades referenced in this question (those specified in the FS) would not resolve the six contingency overloads preliminarily identified in the SIS. They do, however, resolve the problems identified in the FS.

³² Chesapeake cites PJM Interconnection, L.L.C., FERC Electric Tariff, Sixth Revised Volume No. 1, First Revised First Revised Sheet No. 42.01, section 1.43. Chesapeake asserts the facilities study is also the same for both transmission service requests and interconnection requests, citing *Id.*, section 1.12, Second Revised Sheet No. 35.

³³ Chesapeake cites PJM Response at 4 n.2.

³⁴ Complaint, Appendix J at 1.

study, the purpose of the facilities study is only to consider the cost of facilities and the time frame for completion.³⁵

30. Finally, Chesapeake asserts PJM is incorrect in stating that the impact study does not identify specific network upgrades.³⁶ It asserts that PJM stated in its Transmittal Letter in Docket No. ER06-1127-000 that it “identified the facilities that would require upgrading . . .” in its impact study. Chesapeake also asserts that PJM, did, in fact, identify the upgrades that would be needed in the impact study.³⁷

Discussion

A. Procedural Matters

31. Pursuant to Rule 214 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2006), the timely unopposed motions to intervene of Allegheny, Dominion, Exelon, FirstEnergy, and Galt serve to make them parties to this proceeding.

32. Rule 213(a)(2) of the Commission’s Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2006), prohibits an answer to an answer unless otherwise ordered by the decisional authority. Chesapeake’s Answer will assist the Commission in its decision in this proceeding and we will accept it. PJM’s motion to strike Chesapeake’s Answer is denied. The Commission is addressing Chesapeake’s motion to consolidate Docket No. ER06-1127-000 with this proceeding in its order in Docket No. ER06-1127-000.

B. Chesapeake’s Complaint

33. Chesapeake claims that FirstEnergy should not be designated to build the 1/10 mile of reconductoring at Mt. Storm for a number of reasons. Chesapeake argues, among

³⁵ Chesapeake cites, PJM Interconnection, L.L.C., FERC Electric Tariff, Sixth Revised Volume No. 1, section 19.4:

When completed, the Facilities Study will include a good faith estimate of (i) the cost of Direct Assignment Facilities to be charged to the Transmission Customer, (ii) the Transmission Customer’s appropriate share of the cost of any required Network Upgrades as determined pursuant to the provisions of Part II of the Tariff, and (iii) the time required to complete such construction and initiate the requested service.

³⁶ Chesapeake cites PJM Response at 5.

³⁷ Complaint, Appendix J at 2.

other things, that (1) it has priority over FirstEnergy in the request queue; (2) FirstEnergy is not entitled to receive Incremental ARR as a compensation for funding the upgrade so that its request does not conflict with FirstEnergy's request; (3) FirstEnergy may not build the 1/10 mile reconductoring project because it was not included in the impact study for FirstEnergy; (4) PJM should designate its Project a market solution under PJM's tariff and provide it with expedited processing; and (5) the March 2006 facilities study for FirstEnergy should be set for hearing.

34. The Commission denies the complaint. The Commission finds, among other things, that FirstEnergy's Transmission Service Request has priority over Chesapeake's Project; that Incremental ARRs are not relevant to whether a request has priority in the queue; that PJM's impact and facilities studies for FirstEnergy's Transmission Service Request are consistent with Commission precedent and PJM's tariff; that there is no need for PJM to perform a feasibility study for Chesapeake's Project and the Project cannot be a market solution since FirstEnergy is building the Project; and that Chesapeake has raised no genuine issues of material fact with respect to the March 2006 facilities study and the study should not be set for hearing.

1. FirstEnergy's Priority in the Queue

35. Chesapeake argues it should be designated to build the 1/10 mile of reconductoring at Mt. Storm. It argues that but for misinformation and delays by PJM, Chesapeake would have submitted its application prior to the date on which PJM provided FirstEnergy with a facilities study that included the Project. Chesapeake claims PJM posted incorrect information concerning the \$250,000 conductor limit on the Pruntytown-Mt. Storm line as early as the summer of 2005 and failed to respond to inquiries from Chesapeake concerning this limit in December 2005 and January 2006. Chesapeake alleges that but for PJM's misinformation and delay, Chesapeake would have submitted its Interconnection Request in December 2005 or even in the summer of 2005,³⁸ prior to January 4, 2006, the date on which PJM provided the first facilities study (December 2005 facilities study) to FirstEnergy and that Chesapeake's request would then have had priority over that of FirstEnergy.

36. PJM answers that the Commission has required it to maintain a non-discriminatory queue that accounts for both interconnection and transmission customers. It cites Order No. 2003-A:

Although interconnection and delivery are separate services, we agree that the queues for the two services must be closely coordinated. This means that in general, Interconnection Customers and transmission delivery

³⁸ Chesapeake Answer at pp. 10 and 12.

service customers should have equal access to available transmission capacity, with priority being established on a first come, first served basis according to the date on which service is requested. Furthermore, Interconnection Studies for Interconnection Services should be coordinated with the facilities studies performed for transmission delivery services. This ensures that all required upgrades are planned and designed in a least cost manner.³⁹

PJM states it has properly managed the queue for interconnection and transmission projects with respect to the service requests of both FirstEnergy and Chesapeake. PJM and FirstEnergy assert FirstEnergy had priority in the queue based on its date of entry on June 8, 2004 with a valid transmission service request.

37. The Commission is appreciative of Chesapeake's interest in funding projects to enhance the transmission system within PJM and the positive steps it took to identify a project that it could undertake. Nonetheless, in this instance, the Commission finds, as discussed below, that FirstEnergy should be designated to fund the 1/10 mile of reconductoring at Mt. Storm. This case illustrates, however, that there is a need for PJM to clarify its tariff. PJM should propose tariff provisions for determining priority as between merchant transmission projects and projects funded for transmission service requests. Such provisions would provide more certainty for merchant transmission projects and would help avoid disputes over priority in the future.

38. The Commission agrees with PJM that priority for the requests of interconnection customers and transmission delivery customers for service is established on a first come, first served basis.⁴⁰ Priority in the request queue is determined by the date of a request,⁴¹ not by the date of the facilities study. In *Neptune Regional Transmission System, LLC v. PJM Interconnection, LLC*,⁴² the Commission stated the queue prioritizes an interconnection customer's project by assigning the customer a position in the queue based upon the date that the customer's application is found to be valid. The Commission also said in *Neptune* that the interconnection customer's queue

³⁹ *Standardization of Generator Interconnection Agreements and Procedures*, Order No. 2003-A, FERC Stats. & Regs. ¶ 31,160 at P 541 (2004) (Order No. 2003-A), *reh'g of*, Order No. 2003, FERC Stats. & Regs. ¶ 31,146 (2003).

⁴⁰ Order No. 2003-A, FERC Stats. & Regs. ¶ 31,160 at P 541 (2004).

⁴¹ *Id.*

⁴² 110 FERC ¶ 61,098 at P 22 (*Neptune I*), *order on reh'g*, 111 FERC ¶ 61,455 (2005) (*Neptune II*).

position serves as “an important baseline for the process that leads to an Interconnection Agreement.”⁴³

39. In this case, FirstEnergy’s request pre-dated that of Chesapeake. FirstEnergy made a request for transmission service under Part II, sections 13 and 17 of PJM’s tariff on June 8, 2004. PJM found there was insufficient capacity to grant the request. Sections 13.5 and 15.4 of PJM’s tariff provide that if PJM cannot accommodate a Completed Application for Long-Term Firm Point-to-Point Transmission Service because of insufficient capability, the Transmission Owners will be obligated to expand or modify the Transmission System to provide the requested Firm Transmission Service, provided the Transmission Customer agrees to compensate the Transmission Provider or the affected Transmission owners for such costs.⁴⁴ FirstEnergy agreed to provide the required compensation. FirstEnergy’s application thus became a pending request for transmission service.

40. FirstEnergy has subsequently paid for and PJM has performed the impact and facilities studies that PJM found to be necessary to evaluate FirstEnergy’s Transmission Service Request.⁴⁵ Both FirstEnergy and PJM have complied with PJM’s tariff with respect to FirstEnergy’s Transmission Service Request so that FirstEnergy has maintained its position in the queue. Consequently, FirstEnergy’s position in the queue which was established in June 2004 predates the date of Chesapeake’s request in January 2006. Furthermore, FirstEnergy’s position in the queue would predate Chesapeake’s even if, as Chesapeake claims, it would have submitted its request in the summer of 2005 had PJM not delayed its posting.

41. Chesapeake argues there is no conflict between the FirstEnergy Transmission Service Agreement (TSR) and the Merchant Transmission Project, contending Chesapeake should be able to construct the Merchant Transmission Project and receive the Incremental ARR, while at the same time, FirstEnergy should be able to receive its requested transmission service.⁴⁶ Chesapeake further argues that FirstEnergy would “benefit because merchants will pay for facilities that PJM deems necessary to accommodate FirstEnergy’s TSR,” such that “FirstEnergy will avoid the cost of those

⁴³ *Id.*

⁴⁴ PJM Interconnection, L.L.C., FERC Electric Tariff, Sixth Revised Volume No. 1, Original Sheet No. 55, Second Revised Sheet No. 56, and Original Sheet No. 62.

⁴⁵ *Id.*, Part II, section 19.

⁴⁶ Complaint at 17.

facilities.”⁴⁷ Chesapeake’s arguments are not supported by the plain language of sections 13.5 and 15.4 of PJM’s tariff.

42. As discussed above, in conformity with Order No. 2003, PJM’s OATT provides that there will be a single queue for assigning cost responsibility for upgrades and does not provide for reassignment of projects, as Chesapeake suggests.⁴⁸ Further, Chesapeake has failed to show that its project (including the assignment of ARR to Chesapeake) would not affect FirstEnergy’s transmission service. For example, under PJM’s Operating Agreement, FirstEnergy as a transmission customer would be eligible to receive ARR over its transmission path.⁴⁹ Chesapeake has not shown that awarding it incremental ARR for building incremental projects would not interfere with FirstEnergy’s ability to acquire ARR over the path for which it is paying for transmission service.⁵⁰ Allocation of the upgrades to FirstEnergy, therefore, will help to ensure that its allocation of ARR is unaffected.

2. Incremental ARRs

43. Chesapeake also claims that FirstEnergy should not be designated to build the 1/10 mile of reconductoring at Mt. Storm because FirstEnergy is not entitled to receive Incremental ARR as a compensation for funding the upgrade. Chesapeake asserts FirstEnergy is not entitled to Incremental ARR under Part IV of the PJM Tariff because FirstEnergy’s Transmission Service Request was made under Part II of the PJM Tariff⁵¹ and that, as a result, there is no conflict between their interconnection requests because Chesapeake should be able to construct its Project and receive the Incremental ARR and, at the same time, FirstEnergy should be able to receive its requested transmission service.

⁴⁷ *Id.*

⁴⁸ Nothing prevents Chesapeake from submitting a bid to First Energy to build the project on its behalf.

⁴⁹ PJM OA, Schedule 1, §7.4.2 (d).

⁵⁰ ARR must be simultaneously feasible so that allocation of an incremental ARR to Chesapeake may make First Energy’s requested ARR infeasible.

⁵¹ Chesapeake states that, instead, a long-term firm point-to-point Transmission Service Request that is approved under Part II of the PJM tariff is entitled to Auction Revenue Rights under section 7.4.2 of Attachment K, citing *PJM Interconnection, LLC*, 110 FERC ¶ 61,254 (2005).

44. FirstEnergy protests that it is entitled to compensation for the \$2.8 million worth of upgrades it will make to the PJM system⁵² and that failure to award it Incremental ARR's would be unduly discriminatory. FirstEnergy also asserts that requiring it to pay for both the network upgrades and its requested transmission service would violate the Commission's prohibition against "and" pricing and charge FirstEnergy twice for use of the grid. PJM states that, to the extent FirstEnergy's network upgrades create system benefits, FirstEnergy is entitled to compensation in the form of Incremental ARR's under sections 19.4 and 27.1 of its tariff and Commission policy and precedent, including Order No. 888.⁵³ PJM also states that it has informed FirstEnergy that the value of Incremental ARR's associated with the upgrade to the 1/10 mile of conductor is zero. PJM argues that the issue of Incremental ARR's should not be decided here.

45. The Commission finds that Incremental ARR's do not determine priority in the queue and, so, are not relevant to the issue of priority. Instead priority is determined by the date of a request for interconnection or transmission service and whether the requester meets the PJM tariff requirements for requests.⁵⁴

46. PJM's determination that no Incremental ARR's are associated with this project further demonstrates that the queue position should determine which party is responsible for the reconductoring project at issue in Chesapeake's complaint. In its Answer, Chesapeake contests PJM's determination that Incremental ARR's are not provided by this project.⁵⁵ If PJM were to award the reconductoring project to Chesapeake, then there could well be litigation over the appropriateness of PJM's determination, which would

⁵² FirstEnergy cites, among other sources, *Long-Term Firm Transmission Rights in Organized Electricity Markets*, Notice of Proposed Rule Making, 114 FERC ¶ 61,097 at P 50 and 51 (2006).

⁵³ *Promoting Wholesale Competition Through Open Access Nondiscriminatory Transmission Service by Public Utilities*, Order No. 888, FERC Stats. & Regs. ¶ 31,036 at p. 31,636 (1996), *on reh'g*, Order No. 888-A, FERC Stats. & Regs. ¶ 31,048 at p. 30,530 (1997), *clarified*, 79 FERC ¶ 61,182 (1997), *on reh'g*, Order No. 888-B, 81 FERC ¶ 61,248, *on reh'g*, Order No. 888-C, 82 FERC ¶ 61,046 (1998), *aff'd sub nom. Transmission Access Policy Study Group v. FERC*, 225 F. 667 (D.C. Cir. 2000).

⁵⁴ Chesapeake's arguments concerning Incremental ARR's are addressed in the order in Docket No. ER06-1127-000.

⁵⁵ Chesapeake's Answer at 19-21.

delay the project.⁵⁶ Such litigation could delay or prevent FirstEnergy from obtaining the transmission service it has requested. This prospect reinforces the Commission's finding that FirstEnergy's queue position encompasses all projects that are necessary for FirstEnergy to receive transmission service pursuant to its request. The various aspects of FirstEnergy's request should not be bifurcated, as Chesapeake maintains, so that FirstEnergy, as the first in the queue, can make a determination whether to go forward with this project on its time schedule.

3. Impact Study

47. Chesapeake also argues that it, rather than FirstEnergy, should be designated to build the 1/10 mile of reconductoring at Mt. Storm because FirstEnergy is responsible for the upgrades identified in the impact study for FirstEnergy's Transmission Service Request in March 2005⁵⁷ and the upgrades in the impact study did not include this project. Chesapeake relies on *Neptune*.⁵⁸ It argues PJM violated *Neptune* because PJM changed FirstEnergy's obligations to fund facilities from the impact study to the facilities study. Chesapeake argues *Neptune* forbids such changes because it limits cost changes and fixes the upgrades themselves to those in the impact study. Chesapeake claims the decrease in cost for FirstEnergy was from hundreds of millions of dollars in the impact study to \$2.5 million in the facilities study. Chesapeake contends PJM changed the reliability criteria violations from the impact study to the March 2006 facilities study because PJM identified reliability criteria violations on six facilities in the impact study, but on only two facilities in the March 2006 facilities study and because PJM appears to

⁵⁶ Chesapeake references the litigation over the estimation of Incremental ARR's in the *H-P Energy Resources* case. Chesapeake's Answer at 17; *H-P Energy Resources LLC v. PJM Interconnection, LLC*, 116 FERC ¶ 61,216 (2006).

⁵⁷ With respect to the facilities required for FirstEnergy's Transmission Service Request, Chesapeake claims the PJM impact study in March 2005 identified several major upgrades that would be required and that none of the upgrades involved the Project or any other proposed merchant transmission project. (Appendix J to the Complaint.) Chesapeake claims that PJM subsequently completed a facilities study for FirstEnergy's Transmission Service Request in December 2005 and that this study no longer included the major upgrades identified in the impact study, but instead, contained the upgrade proposed in Chesapeake's Project. (Complaint at 18 and Appendix G.) Chesapeake claims PJM then updated the FirstEnergy facilities study in March 2006 to include Chesapeake's Project and other merchant transmission projects. (Appendix C to the Complaint.)

⁵⁸ 110 FERC ¶ 61,098 at P 23.

admit in its data response that it changed the reliability criteria violations from the impact study to the facilities study. Chesapeake also argues that the impact study is intended to be a final study of system impacts and to identify the necessary expansion facilities. It claims that the facilities study is only intended to consider the cost of the facilities identified in the impact study and the time needed for their completion.

48. PJM answers that, contrary to Chesapeake, *Neptune* held only that the system limitations identified in the system impact study may not be changed in restudies of system impact, with some exceptions not relevant here. PJM initially asserted in its Answer that it has never changed the reliability criteria violations for which the system upgrade obligations were established in FirstEnergy's Transmission Service Request, but that the specific facilities required to address the identified obligations did change. In its response to the data request, PJM indicates that the reliability constraints in the facilities study may be both smaller in scope and different from the reliability constraints in the impact study.⁵⁹ PJM argues, however, that *Neptune* does not prohibit identifying upgrades in a facilities study that are different from facilities that may be mentioned in the impact study. It states that changes in facilities studies are needed to find the least cost, most efficient solution, in accordance with Commission policy.⁶⁰ Also, in this case, PJM states that changes were made in facilities study in response to the additional transmission systems that were integrated into its system. For example, it states, the 1/10 mile of reconductoring at Mt. Storm could not have been included in the March 2005 impact study because Dominion was not part of PJM at that time. By the time the facilities study was issued in March 2006, however, Dominion had been integrated into PJM and this project could be included in the facilities study.

49. The Commission finds that PJM's facilities studies do not violate *Neptune*. *Neptune* held only that upon complaint of an interconnection customer, PJM could not conduct numerous restudies of a project after its position in the queue is established in order to increase the facilities cost of building the project. *Neptune*, however, did not find that facilities cost could not be changed or reduced, as long as the transmission or interconnection customer is satisfied with such a reduction. Section 4.4 of the Large

⁵⁹ In response to question 2(a) of the data request, PJM states that the contingency overloads identified in the impact study "were sufficiently different and more severe such that the upgrades ultimately identified in the [facilities study] would not have resolved those overloads" PJM Response at 6.

⁶⁰ PJM cites *Preventing Undue Discrimination and Preference in Transmission Services*, Notice of Inquiry, 112 FERC ¶ 61,299 at P 28 (2005); *California Independent System Operator Corporation*, 112 FERC ¶ 61,009 at P 70 (2005); *Xcel Energy Operating Companies*, 109 FERC ¶ 61,072 at P 22-23 (2004).

Generator Interconnection Procedures (LGIP) states:

during the course of the Interconnection Studies, either the Interconnection Customer or Transmission Provider may identify changes to the planned interconnection that may improve the costs and benefits (including reliability) of the interconnection, and the ability of the proposed change to accommodate the Interconnection Request. To the extent the identified changes are acceptable to the Transmission Provider and Interconnection Customer, such acceptance not to be unreasonably withheld,⁶¹

Neptune does not require that FirstEnergy build facilities that have become unnecessary, simply because they were included in the maximum risks identified by the impact study.

50. Chesapeake also appears to argue that PJM's determination to reduce the number or scope of reliability criteria in the facilities study violates the Commission's *Neptune* policy. Chesapeake does not explain how such a reduction affects the relative queue positions of Chesapeake and FirstEnergy, since the upgrades Chesapeake is interested in constructing are still part of the upgrades required of FirstEnergy. Moreover, the Commission finds that such a reduction does not violate *Neptune* or the Commission's interconnection policy. As discussed above, *Neptune* requires that an investor be informed of the maximum amount of risk by the impact study. *Neptune* permits changes after the impact study that reduce the risks and the costs of investors. There is nothing in *Neptune* that prohibits the reduction in the number or scope of reliability criteria violations.

51. Furthermore, the Commission finds PJM has conducted the impact study and the facilities studies in accordance with Commission precedent and with its tariff. As well, PJM's study process produces the least cost solution, thus carrying out Commission policy.⁶²

⁶¹ Order No. 2003, FERC Stats. & Regs. [Regulations Preambles] ¶ 31,146, at 30,585.

⁶² *Preventing Undue Discrimination and Preference in Transmission Services*, Notice of Inquiry, 112 FERC ¶ 61,299 at P 28 (2005); *California Independent System Operator Corporation*, 112 FERC ¶ 61,009 at P 70 (2005); *Xcel Energy Operating Companies*, 109 FERC ¶ 61,072 at 22-23 (2004).

52. The impact study and the facilities study are components of a progressive study process contained in PJM's tariff.⁶³ As the Commission has previously stated, "the earlier System Impact Study and the later Facility Study Report are part of a series of studies, which refine the system upgrades and costs" to the applicant.⁶⁴ These studies are "progressively more expensive" and "estimate and refine the system upgrade costs to be allocated."⁶⁵ While the Commission made these statements with respect to interconnection requests, they are equally applicable to transmission service requests for which the applicant agrees to build facilities such as the one made by FirstEnergy.

53. The system impact study for a Transmission Service Request is an assessment of the adequacy of PJM's system to accommodate a request for firm point-to-point transmission service.⁶⁶ Its purpose is to determine the effect of the requested service on system operations, identify system constraints and redispatch options, and evaluate whether system expansion will be required to provide the requested service.⁶⁷ The facilities study is an engineering study conducted by PJM in coordination with the affected Transmission Owners. It determines the required modifications to the PJM system, including the cost and scheduled completion date that will be required to provide

⁶³ PJM Interconnection, L.L.C., FERC Electric Tariff, Sixth Revised Vol. No. 1, Original Sheet Nos. 69-72.

⁶⁴ *PJM Interconnection, L.L.C.*, 112 FERC ¶ 61,059, at P 15 (2005).

⁶⁵ *Neptune I*, 110 FERC ¶ 61,098 at P 4.

⁶⁶ PJM Interconnection, L.L.C., FERC Electric Tariff, Sixth Revised Vol. No. 1, First Revised First Revised Sheet No. 42.01, section 1.43. Contrary to Chesapeake's assertions, PJM's tariff defines the system impact study differently for firm point-to-point transmission service requests than it does for interconnection requests. System impact studies for both these requests include an assessment of the adequacy of the transmission system to accommodate a request and whether any additional costs may be incurred either to provide the transmission service or to accommodate the interconnection request. However, section 1.43 states additional requirements for the system impact study for an interconnection request. The additional requirements consist of an estimated date that the interconnection customer's customer facility can be interconnected with the transmission system and an estimate of the interconnection customer's cost responsibility. Given these additional requirements, it is reasonable that the system impact study for an interconnection request would be more specific and detailed than the system impact study for a transmission service request.

⁶⁷ *Id.*, Second Revised Sheet No. 282.

the requested transmission service.⁶⁸ These studies are conducted in sequence with the intention of arriving at a more precise definition of what the constraints actually are and what must actually be done to resolve them. The facilities study is intended to be a more refined analysis than the impact study and may produce narrower results than the impact study.

54. PJM's impact and facility studies for FirstEnergy are entirely consistent with PJM's tariff and with the study process as prescribed by the Commission. As PJM explains in its response to the data request, the impact study for a transmission service request under Part II of PJM's tariff is a broad screening test that uses conservative assumptions to identify the most severe effects that a transaction can have on PJM's system. The impact study is not intended to identify specific constraints or specific facilities that must be constructed to resolve those constraints. Thus, the March 2005 impact study for FirstEnergy did not identify specific constraints or facilities that FirstEnergy had to build to accommodate its Transmission Service Request. Nor did the March 2005 impact study obligate FirstEnergy to fund any particular facilities; in particular, it did not obligate FirstEnergy to fund the maximum amount of upgrades that are associated with the reliability criteria violations in the impact study.

55. The purpose of PJM's facilities study, as explained by PJM, is to identify the actual contingency overloads and the actual network upgrades that would be needed to accommodate a request for transmission service. The facilities studies for FirstEnergy determined the specific constraints that FirstEnergy had to address and the specific facilities that would resolve the constraints identified in the facilities studies. These constraints were narrower than the constraints in the impact study. The Commission finds the different, narrower results of the facilities studies to be consistent with PJM's tariff and with the study process prescribed by the Commission. Since the constraints in the facilities studies were narrower, the specific facilities needed to address these constraints would also be smaller in scale than facilities that were associated with the constraints in the impact study. In addition, PJM is correct that changes in specific facilities as shown in facilities studies may be needed to find the least cost, most efficient solution, in accordance with Commission policy.⁶⁹

⁶⁸ *Id.*, Second Revised Sheet No. 35, section 1.12.

⁶⁹ *Preventing Undue Discrimination and Preference in Transmission Services*, Notice of Inquiry, 112 FERC ¶ 61,299 at P 28 (2005); *California Independent System Operator Corporation*, 112 FERC ¶ 61,009 at P 70 (2005); *Xcel Energy Operating Companies*, 109 FERC ¶ 61,072 at 22-23 (2004).

56. The December 2005 and March 2006 facilities studies identified specific facilities that must be built to accommodate FirstEnergy's Transmission Service Request. Both studies identify the reconductoring of 1/10 of a mile of the 500 kV Pruntytown-Mt. Storm circuit, the same upgrade that Chesapeake proposed on January 17, 2006. The upgrades that FirstEnergy is being required to undertake thus include Chesapeake's Project. This is permissible, since, as explained above, FirstEnergy has priority in the queue, PJM's impact and facilities studies are consistent with PJM's tariff and with the study process prescribed by the Commission, and the 1/10 mile of reconductoring is a specific facility identified in the facilities study that must be built to accommodate FirstEnergy's Transmission Service Request.

4. Chesapeake Project Feasibility Study and Market Solution Designation

57. Chesapeake claims PJM's feasibility study for its Project was due March 31, 2006 under section 41.2 of PJM's tariff,⁷⁰ and asks the Commission to direct PJM to provide this study immediately.⁷¹ Chesapeake also contends PJM has identified the constraint on the Dominion end of the Pruntytown-Mt. Storm line under PJM's economic expansion planning process and has opened a window to request market solutions to the congestion at this location.⁷² Chesapeake contends its Project is a market solution to this congestion and, as such, PJM must give it expedited treatment under section 41A.3 of its tariff.⁷³

⁷⁰ PJM Interconnection, L.L.C., FERC Electric Tariff, Sixth Revised Vol. No. 1, Original Sheet No. 109C. Chesapeake claims section 41.2 requires that PJM must provide feasibility studies by March 31 of each year for all queue request submitted in the six months ending January 31 of that year. Chesapeake also notes that under section 41.2, PJM can extend the due date of feasibility studies if it justifies its inability to meet the tariff deadline. Complaint at 10.

⁷¹ Chesapeake adds there is no need for any further studies, *i.e.*, an impact study or a facilities study, so that the Commission should direct PJM to tender an Interconnection Service Agreement and a Construction Service Agreement for its Project.

⁷² Complaint at p. 8. However, in its letter asking for a feasibility study (Complaint, Appendix F), Chesapeake stated the Mt. Storm constraint was identified by PJM in comments PJM filed November 30, 2005 with the Maryland Public Service Commission in its inquiry into locational marginal prices in central Maryland during the summer of 2005. Complaint, Appendix B at 5. While this constraint was identified, no actual project was put forward nor were any specifics of a proposed project mentioned.

⁷³ PJM Interconnection, L.L.C., FERC Electric Tariff, Sixth Revised Volume No.
(continued...)

58. PJM answers that because another customer holds priority in the queue for construction of substantially the same project, it has not designated Chesapeake's Project as a market solution and that section 41.2 of its tariff does not require it to provide a feasibility study to Chesapeake at this time. PJM states that on or about January 25, 2006, it informed Chesapeake that FirstEnergy's Transmission Service Request had priority over its Project and that a feasibility study for Chesapeake's Project would not be forthcoming unless FirstEnergy elected to forgo its priority rights.

59. The Commission agrees with PJM that PJM is not obligated to provide Chesapeake with a feasibility study for its Project or to designate Chesapeake's Project as a market solution because FirstEnergy has priority in the queue. FirstEnergy's request includes the facility that Chesapeake has proposed in its Project. FirstEnergy has committed to build the same facility that Chesapeake seeks to build. Thus, there is no need for PJM to perform a feasibility study or determine whether Chesapeake's Project is a market solution at this time because Chesapeake's Project is being built under a request that has priority in the queue.

5. FirstEnergy March 2006 Facilities Study

60. Chesapeake claims the March 2006 facilities study for FirstEnergy's Transmission Service Request⁷⁴ has numerous defects and should be set for trial-type hearing. The Commission denies Chesapeake's request that the March 2006 facilities study be set for trial-type hearing because the record put forward by the parties is sufficient.

61. First, Chesapeake claims that the March 2006 facilities study is defective because four new system upgrades are included in the study, three of which, it alleges, are merchant transmission project proposals.⁷⁵ PJM states in its response that inclusion of the merchant transmission projects was justified as FirstEnergy had priority in the queue and these projects were needed to support FirstEnergy's Transmission Service Request. FirstEnergy has not challenged the facilities study as including projects that are unrelated to its transmission request. The Commission agrees with PJM that these projects were properly included in the facilities study. FirstEnergy's service request had queue priority

1, Original Sheet No. 118B.

⁷⁴ *Id.*, Appendix C.

⁷⁵ These projects are (1) the 1/10 mile or reconductoring at Mt. Storm 500 kV; (2) a 4000 A wavetrapp at Black Oak 500 kV; (3) a 4000 A air switch at Pruntytown 500 kV; and (4) a 50 MVAR upgrade of the dynamic reactive device at Black oak 500 kV. Complaint, Appendix C.

ahead of the merchant transmission projects and these upgrades are needed to resolve reliability problems that would otherwise prevent PJM from accommodating FirstEnergy's long-term firm transmission service request.

62. Second, Chesapeake contends that the March 2006 facilities study is defective because the upgrades in the March 2005 impact study are not included. In its response to the data request, PJM explains that it is not necessary to include in the facilities study upgrades that are mentioned in the impact study. PJM also asserts that the changes in the March 2006 facilities study were warranted to eliminate the limitation on rollover rights and to find the most efficient solution to the identified reliability constraints. As discussed above, the fact that the March 2006 facilities study does not include the upgrades mentioned in the impact study is justified. The impact study establishes the worst effects a request could have on the system. It is not intended to identify specific facilities that the applicant must build to accommodate its request. The facilities study uses more rigorous analysis and defines much more precisely the actual constraints that must be addressed and the facilities that are actually needed to resolve those constraints. There is no reason to include in the March 2006 facilities study upgrades mentioned in the impact study that would address the maximum scope of the reliability criteria violations described in the impact study.

63. Third, Chesapeake also contends that the one-year lead time for the upgrade of 50 MVAR to the Static VAR Compensator at Black Oak is inconsistent with the fact that this upgrade will not be installed until two more years in the future.⁷⁶ In its response to the data request, PJM explains that the additional MVAR capacity at the Black Oak substation must be in operation by June 1, 2008 in order for PJM to allow FirstEnergy to rollover its service commencing June 1, 2007. PJM states that based on the information it has at this time, the increased MVAR capacity at the Black Oak 500 kV substation will be completed in time to honor any rollover request that FirstEnergy may make. Thus, it appears that the Static VAR Compensator planned for Black Oak will be installed by the time it is needed by FirstEnergy to support its Transmission Service Request.

64. In conclusion, the Commission finds Chesapeake has raised no genuine issues of material fact regarding the March 2006 facilities study that would warrant setting that

⁷⁶ Chesapeake appears to be referring to the discussion of the Black Oak-Bedington 500 kV circuit in the March 2006 facilities study. Complaint, Appendix C at 2. Chesapeake also contends there is an inconsistency between the March 2006 facilities study and PJM's denial of Incremental ARRs for Project M05 (a Bedington-Black Oak wavetrapped upgrade) in Docket No. EL06-62-000. This issue concerns Project M05 and is best resolved in that docket which has now been set for hearing. *H-P Energy Resources, L.L.C.*, 115 FERC ¶ 61,216 (2006).

study for hearing.

The Commission orders:

(A) The Commission denies Chesapeake's complaint, as discussed in the body of this order.

(B) PJM is hereby directed to file, within 90 days of the date of this order, a compliance filing, as discussed in the body of this order.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.