

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

PJM Interconnection, L.L.C.

)

Docket No. ER12-1177-000

**MOTION TO INTERVENE, COMMENTS AND
REQUEST FOR TECHNICAL CONFERENCE BY
AMERICAN MUNICIPAL POWER, INC**

On February 29, 2012, PJM Interconnection, L.L.C. (“PJM”) filed proposed modifications to its Open Access Transmission Tariff to implement interconnection queue process reforms that, according to PJM, “are intended to relieve bottlenecks in the interconnection queue and provide for greater certainty and transparency.” Filing at 1. The Commission issued notice of PJM's filing on March 1, 2012.

Pursuant to Rules 212 and 214 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. §§ 385.212 and 385.214 (2011), American Municipal Power, Inc. (“AMP”) on behalf of itself and its members, hereby (i) moves to intervene in the captioned proceeding; (ii) submits limited comments regarding PJM’s filing; and (iii) moves the Commission to convene a technical conference for the purpose of gathering and evaluating information about fundamental problems in PJM’s procedures regarding, and administration of, its interconnection queue that are not addressed in (and, so, will not be resolved by) the February 29, 2012 filing.

I. MOTION TO INTERVENE

A. Communications

Communications regarding this matter should be addressed to the following persons, who also should be designated for service on the Commission's official service list for this proceeding:

Jolene Thompson, Senior Vice President of
Member Services & External Affairs*
Chris Norton, Director of Market Regulatory
Affairs*
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* Electronic service requested.

AMP also requests that, if and to the extent necessary, the Commission waive the requirements of Rule 203(b) to permit each person named above to be placed on the official service list.

B. Identity of AMP

AMP is a nonprofit Ohio corporation organized in 1971. The members of AMP are all political subdivisions of their respective domicile states that own and operate electric utility systems, or are political subdivisions, which is a joint action agency whose membership is comprised solely of such systems, some of which also operate electric generating and transmission facilities. AMP's primary purpose is to assist its member communities in meeting their electric and energy needs, and AMP is a full or partial requirements supplier for many of its members. This purpose is served in a number of ways, including ownership of electric generation, scheduling and dispatch of member-owned generation, and power supply and transmission arrangements that AMP makes with third parties at the request of and on behalf of

its 129 members. Currently, eighty-two of Ohio's eighty-six municipal electric systems are AMP members, as are two municipal electric systems in West Virginia, thirty in Pennsylvania, six in Michigan, five in Virginia and three in Kentucky. AMP's membership also includes the Delaware Municipal Electric Corporation, a joint action agency headquartered in Smyrna, Delaware.

C. AMP's Interest in this Proceeding

In its role as power supplier to a number of its members, AMP has developed and is continuing to develop various new generation resources, some of which are located (and, with respect to future projects, are expected to be located) within the PJM footprint. As such, AMP has submitted projects for inclusion in the PJM interconnection queue, and expects that in the future it will do so again. AMP and its members therefore have a direct interest in proposed changes to process PJM uses in administering its interconnection queue, and, so, they have direct and substantial interests in the outcome of this proceeding. Those interests cannot be adequately represented by any other party, and, on that basis, intervention by AMP and its members clearly is justified and consistent with the public interest. Accordingly, AMP should be permitted to intervene in this proceeding.

II. COMMENTS ON PJM's PROPOSED CHANGES TO ITS INTERCONNECTION QUEUE PROCESS

In its February 29 filing, PJM describes the process by which it arrived at the set of queue administration reforms it now proposes. PJM states that it established the Interconnection Process Senior Task Force ("IPSTF") in February 2011 "to address stakeholder-raised issues concerning the need to provide more consistent and realistic assessments of costs associated with queue projects, to ensure more timely completion of project studied [*sic*] within the queue, and to

achieve greater transparency into [*sic*] the Interconnection Process.” Filing at 4. PJM then states that,

as related to cost assessments and transparency, PJM’s stakeholders identified a need for a queued project to better understand the status of the projects that are prior to it in the queue – *i.e.*, how far along in the process are such earlier queued projects; whether such projects were committed to moving forward; what is the likelihood that its own project would be impacted by decisions made by projects before it.

Id. The task force determined as the “root causes” for the issues cited by stakeholders “(1) the sheer number of projects, including hundreds of small projects and a few very large projects in its queue; and (2) the number of restudies that were required when projects drop out or reduced size.” *Id.* (footnote omitted). To address “the bulk” of these issues, PJM developed process reforms “to improve the timeliness, quality and significance of study results along the way, which in turn will increase transparency and result in more consistent and realistic cost assessments.” *Id.* at 5. PJM states that the process reforms included in its filing “are aimed at increased transparency and to reduce the impact of one Interconnection Customer’s decisions on subsequent projects in the queue.” *Id.*

AMP does not object to the process reforms that PJM proposes in its filing, but submits that those reforms fall short of tackling the more fundamental problems in PJM’s interconnection queue process. AMP’s own recent experiences with PJM’s queue process have been highly unsatisfactory for reasons unrelated to those that are said to be the focus of PJM’s February 29 filing. As a result, the filing leaves other basic problems with PJM’s interconnection queue unresolved.

To demonstrate the point, AMP offers the example of its interaction with PJM regarding the W3-128 Interconnection Request, which was AMP’s request to interconnect a 790 MW

natural-gas fired combined cycle gas turbine (“NGCC”) generating project to the American Electric Power 345-kV transmission system at a previously evaluated site in Meigs County, Ohio.¹ AMP executed the Generation Interconnection Feasibility Study Agreement on October 28, 2010 and submitted a deposit in the amount of \$130,000 shortly thereafter.² PJM countersigned the Feasibility Study Agreement on November 11, 2010. What followed was a succession of delays in completion of the Feasibility Study Report, as shown by the following timeline of events:

DATE	EVENT
10/29/2010	AMP’s Meigs County NGCC project enters the Interconnection Queue
11/18/2010	Date by which PJM was required to conduct “Scoping Meeting” with AMP.
12/9/2010	PJM actually holds Scoping Meeting for the Feasibility Study.
1/31/2011	Due date for the Feasibility Study Report per § 36.2 of the PJM Tariff
2/7/2011	PJM provides notice to AMP that the Feasibility Study report will be delayed until 3/31/2011.
3/31/2011	PJM provides notice to AMP that the Feasibility Study report will be delayed until 4/29/2011.
5/26/2011	PJM provides notice to AMP that the Feasibility Study report will be delayed until 6/30/2011.
6/30/2011	PJM provides notice to AMP that the Feasibility Study report will be delayed until 7/31/2011.
7/29/2011	PJM provides notice to AMP that the Feasibility Study report will be delayed until 8/31/2011.
9/30/2011	PJM provides notice to AMP that the Feasibility Study report will be delayed until end first quarter 2012.
1/11/2012	PJM transmits the Feasibility Study report to AMP.

¹ AMP had previously proposed to interconnect a 1,035 MW coal-fired generating project at the same location; PJM evaluated that request as Interconnection Request P54. See the discussion in text, *infra*.

² AMP initially paid a deposit of \$100,000. PJM notified AMP on November 3, 2010 that an additional \$30,000 (non-refundable) was required, and advised AMP it would have ten days to cure the deficiency. AMP acknowledged the deficiency and paid the additional amount, and PJM confirmed its receipt thereof on November 10, 2010.

When it finally arrived, PJM's Feasibility Study Report indicated that AMP would be responsible for \$52,184,200 in network upgrades directly attributable to AMP's project, plus an unspecified share of another \$52,000,000 in network upgrades that PJM already had identified as necessary to support other pending interconnection requests. The Feasibility Study Report also stated that PJM would not provide AMP with an estimate of its allocated share of cost responsibility for the previously identified network upgrades until AMP requested, and PJM provided, a System Impact Study Report for AMP's project. Following its receipt of the Feasibility Study Report, AMP was required to make a decision whether to proceed with its interconnection request by February 13, 2012. To do so, it would have been necessary for AMP to make at least a preliminary determination of the interconnection cost estimate's impact on the project's economics, as well as provide PJM with detailed project data, a \$287,000 deposit (\$50,000 of which would be non-refundable) and an executed System Impact Study Agreement, all by February 13.

AMP was skeptical about the interconnection cost estimate in PJM's feasibility study in part because, only two years earlier, PJM had given AMP an interconnection cost estimate of \$74.4 million for a larger generating project (a 1,035 MW coal-fired plant) at the same site with the same point of injection to the PJM transmission system. Now, AMP was being advised by PJM that a smaller project (the 790 MW Meigs County NGCC) might require AMP to fund *up to* \$104,184,200 in interconnection costs. AMP therefore posed a set of questions to PJM intended to provide AMP with a better understanding of PJM's new estimate. In further reviewing that information and the Feasibility Study Report itself, however, AMP identified a significant error in the feasibility study: PJM had assumed that a plant proposed for development by another entity would be placed in service near the Meigs County facility, even though that project

(designated “N42” in the PJM interconnection queue) had been withdrawn from the queue on December 1, 2011, while PJM was still in the process of developing the Feasibility Study for AMP’s NGCC project. AMP advised PJM of the error on January 25, 2012, and, recognizing that the presence or absence of the N42 project in the queue had the potential to significantly affect the need for upgrades for which AMP might be held financially responsible, AMP inquired of PJM: “Are we allowed to request that the Feasibility Study be rerun with the system model updated to account for the withdrawn generator?” In response, PJM stated: “We will take generation withdrawals into account when we perform the Impact Study analysis, if you choose to proceed.”³

In short, it was PJM’s position that AMP had to decide whether to proceed with its NGCC project based on an interconnection feasibility study that, in addition to being flawed by a demonstrably incorrect assumption regarding the withdrawn N42 project, also provided AMP with only half the story as to its potential cost exposure. PJM was willing to correct the N42 error in the feasibility study and provide the remaining cost-exposure information (AMP’s share of the \$52,000,000 in already identified upgrade costs) *only after AMP paid PJM another \$287,000 and signed a System Impact Study Agreement.*⁴ Not surprisingly, AMP was unwilling to accept PJM’s onerous and one-sided terms.

Rather than acquiescing in PJM’s terms, AMP’s President and Chief Executive Officer, Mr. Marc Gerken, wrote directly to PJM’s President and CEO, Mr. Terry Boston on February 13, 2012. Mr. Gerken’s letter (a copy of which is appended as Attachment 2) explained the untenable situation that PJM’s process created for AMP:

³ A copy of the e-mail exchange quoted in text is appended hereto as Attachment 1.

⁴ It bears reiterating that \$50,000 of the \$287,000 would be *non-refundable*.

The information as provided by PJM in the Feasibility Study Report places AMP in the position of trying to determine, in only 30 days, whether or not to proceed with a project with potential interconnection costs of up to \$104,184,200 just in network upgrade costs. The upper end of that estimate would represent significantly more than ten percent (10%) of the estimated construction cost of AMP's proposed NGCC project. While AMP understands there are many assumptions in the Feasibility Study, to be useful as a planning and decision tool, PJM's study simply must have greater precision. Further, to the extent such estimated interconnection costs become such a major portion of the entire cost of such a project, 30 days is simply too short a period of time to evaluate the impact of such costs on the feasibility of such a project.

Attachment 2 at 2. Mr. Gerken also pointed out that the N42 project, which AMP believes inordinately skewed PJM's estimate of interconnection costs for AMP's NGCC project, had been permitted to remain in PJM's interconnection queue for *nearly seven years without progressing beyond the System Impact Study stage*. As Mr. Gerken observed, “[a]llowing such a large project to remain in the queue for so many years yet never completing the Facilities Study raises a number of questions, and whether intentional or not, likely has resulted in adverse effects on the interconnection cost estimates for other proposed projects, including AMP's proposed NGCC project.” *Id.*

As Mr. Gerken also stated in his letter, “[t]he combination of a Feasibility Study Report with such a wide range of interconnection cost estimates and allowing another major project to hold a queue position for an inordinate amount of time is not conducive to prudent utility planning for proven project developers such as AMP, and may be viewed as discriminatory.” *Id.* Because PJM's position made it impossible for AMP to decide how to proceed on a reasonably informed basis, Mr. Gerken offered PJM a solution:

So that AMP may make an informed decision on the proposed interconnection with reasonable data, AMP requests that: (i) PJM rerun the Feasibility Study with N42 and any other withdrawn projects removed from the analysis; (ii) that PJM provide a

Feasibility Study Report with the shared network upgrade percentages; and (iii) that the \$287,000 deposit due on or about February 13, 2012; be waived until not less than 120 days after AMP receives the rerun study as requested.

Id. at 2-3. Mr. Gerken also suggested a meeting between PJM and AMP staffs to allow further discussion of PJM's analysis, and requested a response from PJM by March 9, 2012. *Id.* at 3.

PJM has never directly responded to Mr. Gerken's letter. PJM's only "response," as it were, was to advise AMP on February 14, 2012 that it had pulled the Meigs County NGCC project out of the interconnection queue for "failure to return an executed Impact Study Agreement and security deposit" within 30 days after PJM provided the Feasibility Study Report.⁵ Even if PJM believed that the concerns set forth in Mr. Gerken's letter were unfounded, though, the proper response to that letter would have been a written rejection of AMP's proposed solution and an explanation of the reasons PJM considered AMP's proposal to be unworkable. PJM's failure to address AMP's proposed solution speaks volumes about the RTO's willingness to deal with important stakeholder issues in a direct and meaningful fashion.

III. REQUEST FOR TECHNICAL CONFERENCE

The point of the foregoing narrative is not to chide PJM for a failure to follow "best practices" (or even less-than-best practices) in member relations. Rather, the point is to highlight, through a single example, a number of serious and fundamental flaws in PJM's interconnection queue — none of which is addressed by the February 29 filing — including (at a minimum) the following:

⁵ Ironically, even though PJM required multiple extensions of time to complete the feasibility study for AMP's NGCC project, PJM was more than prompt in pulling the project out of the interconnection queue for AMP's asserted failure to meet the next deadline for AMP action in the process.

- a process that forces interconnection customers to make very substantial financial commitments and “go – no go” decisions on new generation projects based on incomplete and even demonstrably incorrect feasibility study results;
- rules that allow PJM to delay the completion of feasibility studies for as long as a year based on what appear to be boilerplate “explanations,”⁶ and that also allow a project to idle in the interconnection queue for an extended period of time (*e.g.*, up to seven years) without discernible progress toward project completion, while other project developers are inflexibly held to strict deadlines for their actions in the interconnection process; and
- queue administration techniques and tactics that ultimately *deter* the development of new generating resources in the PJM region, by needlessly increasing the costs and risks of interconnection at a time when many believe that the development of new generation is essential to maintaining reliable operations in the PJM footprint.

In AMP’s view, these fundamental problems with PJM’s interconnection queue process should be of considerable concern to the Commission. Extended delays in study completion coupled with the provision of flawed and incomplete information, such as AMP experienced, impede the construction and connection of new generation. To the extent that the Commission might believe that problems of this sort will be exposed by the data provided by RTOs and ISOs in the “performance metrics” reports they are required to provide to the Commission, that belief would be incorrect. The most recent such report gives no hint of problems in PJM’s administration of its interconnection queue. Indeed, the data PJM provided for the 2011 ISO/RTO Metrics Report indicate that in 2010, on average, PJM satisfied interconnection study

⁶ Each time PJM notified AMP that the feasibility study for the Meigs County NGCC interconnection would be delayed, PJM cited either “a heavy volume of projects” or “the existing backlog of projects in the zone were you are interconnecting.” The delay notification gives every indication of being a form e-mail message.

requests in just slightly over 100 days.⁷ Yet, in the case of AMP's Meigs County NGCC project, *more than 14 months* elapsed between the date on which AMP submitted its interconnection request for the project (October 29, 2010) and the date on which PJM finally provided the study report (January 11, 2012). The fact that such an extreme delay is effectively hidden by data reporting only the "*average time to complete studies*" demonstrates the need for additional transparency and accountability in PJM's management of its interconnection queue.

For these reasons, AMP urges the Commission to convene a technical conference at which these issues (and any additional issues that may be raised by other stakeholders relevant to PJM's procedures regarding, and administration of, its interconnection queue) might be fully explored. AMP hereby offers to provide one or more staff members familiar with the matters described above to participate in such a conference.

⁷ 2011 ISO/RTO Metrics Report, filed August 31, 2011 in *RTO/ISO Performance Metrics*, Docket No. AD10-5-000 (available on eLibrary at Accession No. 20110831-5223), at 284. Ironically, in the Commission's April 2011 report to Congress on RTO and ISO performance issues, the accompanying Staff Report observed that "PJM has made timely processing of generation interconnection study requests a high priority for the past few years with additional engineering staff and contractors engaged to complete these studies and the implementation of clustering of geographically similar studies to expedite study completion." *Performance Metrics for Independent System Operators and Regional Transmission Organizations: A Report to Congress*, Staff Report, Appendix H (posted at <http://www.ferc.gov/industries/electric/indus-act/rto/metrics/pjm-rto-metrics.pdf>) at 277. The Report also comments that "PJM completed study requests faster each year from 2005 through 2009, as represented by the more than 50% reduction in average time to complete studies during that period." *Id.* at 282. As demonstrated in Part II, *supra*, however, AMP's own experience is wildly at odds with the study process improvements described in the Commission's Report to Congress, as well as in the more recent ISO/RTO submission in Docket No. AD10-5-000.

IV. CONCLUSION

WHEREFORE, AMP hereby (i) moves to intervene in this proceeding, on the grounds specified in Part I above, and (ii) urges the Commission, for the reasons discussed in Parts II and III above, to convene a technical conference for the purpose of exploring in detail the unaddressed fundamental flaws in PJM's current administration of its generator interconnection queue.

Respectfully submitted,

/s/ GARY J. NEWELL

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Attorney for American Municipal Power, Inc.

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March 21, 2012

ATTACHMENT 1



-----Original Message-----

From: fedorkj@pjm.com [mailto:fedorkj@pjm.com]

Sent: Wednesday, January 25, 2012 12:25 PM

To: Chris Norton

Cc: kuras@pjm.com

Subject: RE: W3-128_Sporn-Waterford_(AMPGS)_345kV_Feasibility_

Chris:

We will take generation withdrawals into account when we perform the Impact Study analysis, if you choose to proceed.

John Fedorko
Senior Consultant/Engineer
PJM Interconnection
955 Jefferson Ave
Valley Forge Corporate Center
Norristown, PA 19403-2497
610-666-4775
fedorkj@pjm.com

-----Original Message-----

From: Chris Norton [mailto:CNorton@amppartners.org]

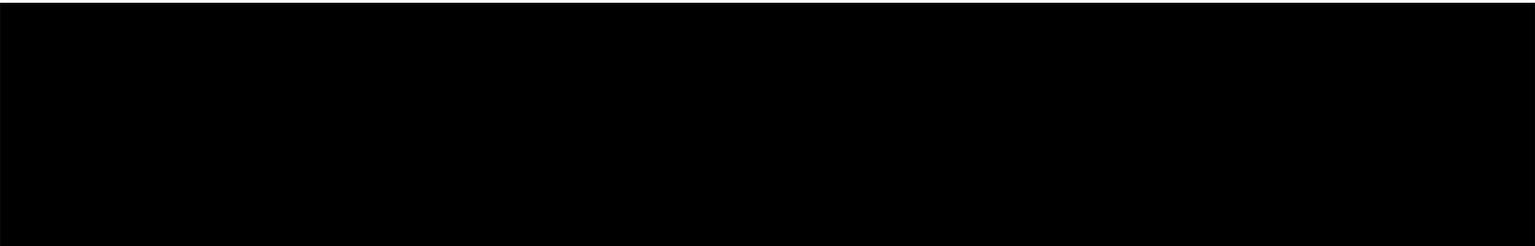
Sent: Wednesday, January 25, 2012 9:28 AM

To: Fedorko, John

Cc: Kuras, Mark J.

Subject: RE: W3-128_Sporn-Waterford_(AMPGS)_345kV_Feasibility_

In reviewing the Feasibility Study we noted that a large generator near our project withdrew from the queue during the time that PJM was studying our interconnection request. Are we allowed to request that the Feasibility Study be rerun with the system model updated to account for the withdrawn generator?



ATTACHMENT 2



February 13, 2012

Mr. Terry Boston
President and CEO
PJM Interconnection, LLC
955 Jefferson Avenue
Valley Forge Corporate Center
Norristown, PA 19403

**Re: W3-128 Sporn-Waterford (AMPGS) 345 kV 790 MW
Interconnection Request**

Dear Mr. Boston:

I am writing in response to PJM’s January 11, 2012 Feasibility Study Report for interconnection queue W3-128, American Municipal Power, Inc.’s (AMP) proposal to interconnect a 790 MW natural gas combined cycle (NGCC) power plant to the AEP Sporn-Waterford 345 kV transmission line. The Feasibility Study report requires AMP to execute a System Impact Study Agreement, provide a \$287,000 deposit, and provide plant technical data by February 13, 2012.

I wish to express my concern with this example of the problems associated with the interconnection process. According to the Feasibility Study Report, AMP would be responsible for \$52,184,200 in network upgrades for the proposed project, plus an unknown share of \$52,000,000 in network upgrades already identified as necessary to support other interconnection requests. As you are aware, in the July 2009 Facilities Study Report, PJM gave AMP a \$74,392,900 network upgrade estimate in connection with AMPs now cancelled (and out of the PJM queue) coal-fired project on the same site (studied at 1,035 MW capacity). As stated in the Feasibility Study Report, PJM will not provide AMP an estimate of the cost allocation for the previously identified network upgrades until the System Impact Study Report.

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LUCAS • MARSHALLVILLE • MENDON • MILAN • MINISTER • MONROEVILLE • MONTPELLIER • NAPOLION • NAVY BRIEN • NEW KNOXVILLE • NEWTON FALLS • NILES • OAK HARBOR
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The information as provided by PJM in the Feasibility Study Report places AMP in the position of trying to determine, in only 30 days, whether or not to proceed with a project with potential interconnection costs of up to \$104,184,200 just in network upgrade costs. The upper end of that estimate would represent significantly more than ten percent (10%) of the estimated construction cost of AMP's proposed NGCC project. While AMP understands there are many assumptions in the Feasibility Study, to be useful as a planning and decision tool, PJM's study simply must have greater precision. Further, to the extent such estimated interconnection costs become such a major portion of the entire cost of such a project, 30 days is simply too short a period of time to evaluate the impact of such costs on the feasibility of such a project.

AMP is aware of another major project that was in the queue in the same general area as AMP's proposed interconnection that AMP believes has likely inappropriately skewed PJM's estimate of AMP's interconnection costs. Interconnection queue N42 (600 MW capacity and 1,200 MW energy) first entered the PJM queue on January 31, 2005. N42 was withdrawn from the queue on December 1, 2011. During the almost seven years that N42 was in the PJM queue, PJM completed only a Feasibility Study and System Impact Study for the proposed interconnection. Inexplicably, according to the PJM interconnection queue web site, no Facilities Study was ever completed for that project. Allowing such a large project to remain in the queue for so many years yet never completing the Facilities Study raises a number of questions, and whether intentional or not, likely has resulted in adverse effects on the interconnection cost estimates for other proposed projects, including AMP's proposed NGCC project.

The combination of a Feasibility Study Report with such a wide range of interconnection cost estimates and allowing another major project to hold a queue position for an inordinate amount of time is not conducive to prudent utility planning for proven project developers such as AMP, and may be viewed as discriminatory.

The current situation has been discussed with AMP Board of Trustees, members of which have expressed considerable concern about this situation and other experiences with the interconnection process. Our Board directed me to contact you and take appropriate steps to attempt to remedy this situation.

So that AMP may make an informed decision on the proposed interconnection with reasonable data, AMP requests that: (i) PJM rerun the Feasibility Study with

N42 and any other withdrawn projects removed from the analysis; (ii) that PJM provide a Feasibility Study Report with the shared network upgrade percentages; and (iii) that the \$287,000 deposit due on or about February 13, 2012; be waived until not less than 120 days after AMP receives the rerun study as requested. We also would welcome a meeting with the appropriate PJM staff to discuss our specific questions regarding the analysis. Although AMP realizes that an updated study may take some time, should AMP not receive a satisfactory response from PJM by March 9, AMP will pursue other options to remedy the current situation. We appreciate your consideration.

On Behalf of the Members,



Marc S. Gerken, P.E.
CEO/President

cc: Craig Glazer/Vice President-Federal Government Policy/PJM
John Fedorko/Senior Consultant/Engineer/PJM
Jolene Thompson/Senior Vice President/AMP
John Bentine/AMP General Counsel/Taft Stettinius & Hollister
Gary Newell/AMP FERC Counsel/Thompson Coburn

CERTIFICATE OF SERVICE

I hereby certify that I have on this 21st day of March, 2012, caused a copy of the foregoing document to be served on each person included on the official service list maintained for this proceeding by the Secretary of the Commission, by electronic mail or by such other means as may have been specified by such person, in accordance with Commission Rule 2010.

/s/ GARY J. NEWELL

Gary J. Newell

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