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April 3, 2013

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

Re: *PJM Interconnection, L.L.C.*, Docket No. ER13-____-000
EKPC FTRs and ARRs Initial Allocations
Request for Waiver

Dear Secretary Bose:

PJM Interconnection, L.L.C. (“PJM”), in compliance with Section 5.2.2 (e) of Attachment K – Appendix to the PJM Open Access Transmission Tariff (“PJM Tariff”) and Section 5.2.2 (e) of Schedule 1 to the Amended and Restated Operating Agreement of PJM Interconnection, L.L.C. (“Operating Agreement”),¹ submits for filing the initial allocation of Financial Transmission Rights (“FTRs”) and Auction Revenue Rights (“ARRs”) for the East Kentucky Power Cooperative, Inc.(the “EKPC Zone”) for the period June 1, 2013 to May 31, 2014.

PJM requests an effective June 1, 2013, for the enclosed initial allocation of FTRs and ARRs allocated to the EKPC Zone consistent with the June 1, 2013 integration date requested by EKPC and PJM in Docket Nos. ER13-1177-000, ER13-1178-000 and ER13-1179-000. PJM, however, respectfully requests the Commission issue its order by May 28, 2013.

¹ Operating Agreement, Schedule 1, and PJM Tariff, Attachment K-Appendix, are identical. Thus, all references to Section 5.2.2 herein refers to both the Operating Agreement and the PJM Tariff.

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I. Background

On March 28, 2013, PJM submitted jointly with EKPC revisions to, among other governing documents, the PJM Open Access Transmission Tariff (“PJM Tariff”) and PJM Amended and Restated Operating Agreement (“PJM Operating Agreement”), as needed to implement the integration of the EKPC Zone into the PJM Region on June 1, 2013.² The March 28 Filing includes information and PJM Tariff revisions pertinent to the EKPC Zone including a new Attachment C-3 of the PJM Tariff. Attachment C-3 sets forth the principles under which transmission service reservations under the EKPC Open Access Transmission Tariff (“EKPC OATT”) will be converted to the most closely analogous service under the PJM Tariff.

Regarding conversion of the existing transmission service agreements under the EKPC OATT, PJM included replacement Network Integration Transmission Service Agreements (“NITSAs”) with its March 28 Filing.³ As stated above, the goal was to convert such service to the most closely analogous service under the PJM Tariff. For instance, Network Integration Transmission Service (“NITS”) Customers will maintain their existing status and receive the same capacity (in megawatts) and rollover rights as exists under the EKPC OATT service. The NITSAs were submitted to ensure the NITSAs are in place prior to the PJM FTR and ARR allocation for the EKPC Zone which started on February 27, 2013.

² See *PJM Interconnection, L.L.C. and East Kentucky Power Cooperative, Inc.*, Filing Letter, Docket Nos. Docket No. ER13-1177-000 (PJM Intra-PJM Tariffs - PJM OATT, OA & RAA), Docket No. ER13-1178-000 (PJM Rate Schedules Tariff - CTOA) and Docket No. ER13-1179-000 (PJM Service Agreements Tariff) (March 28, 2013) (“March 28 Filing”).

³ See March 28 Filing at Sections of the PJM Service Agreements Tariff.

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The March 28 Filing also included amendments to Section 7.4.2 (b) in PJM Tariff Attachment K- Appendix and PJM Operating Agreement Schedule 1. Under Section 7.4.2 (b), PJM “shall specify a historical reference year for a new PJM zone corresponding to the year that the zone is integrated into the PJM Interchange Energy Markets.” Because the EKPC Zone will integrate into PJM during 2013, PJM proposed in the March 28 Filing to revise Section 7.4.2 (b) by adding “the EKPC Zone historic reference year 2013.”

II. Initial Allocation of FTRs and ARRs in the EKPC Zone

Section 5.2.2 sets forth the processes and procedures under which PJM allocates FTRs and ARRs to NITS Customers in new PJM zones. Under this section of the Operating Agreement/Tariff, Network Service Users (defined as entities using NITS in Section 1.3.17 Schedule 1 of the Operating Agreement/Attachment K – Appendix) in new PJM zones such as the EKPC Zone may at their election receive a direct allocation of FTRs or an allocation of ARRs during the annual allocation process. Section 5.2.2 (e) states that the FTR allocation for new PJM zones shall be performed simultaneously with the ARRs allocations in existing PJM zones. The EKPC Zone elected for only an allocation of ARRs during the annual allocation process for FTRs/ARRs effective on June 1, 2013.

Section 5.2.2 (e) further provides: “Prior to the effective date of the initial allocation of FTRs in a new PJM Zone, PJM shall file with the FERC, under section 205 of the Federal Power Act, the FTRs and ARRs allocated in accordance with sections 5 and 7 of Schedule 1.” In this filing, PJM submits the initial allocations of FTRs and

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ARRs to the EKPC Zone in accordance with Section 5.2.2 (e) to be effective upon the integration of the EKPC Zone into PJM on June 1, 2013.

Section 5.2.2 (g) also requires “At least one month prior to the integration of a new zone into the PJM Interchange Energy Market, Network Service Users and Firm Transmission Customers that take service that sinks in, sources in, or is transmitted through the new zone, shall receive an initial allocation of [FTRs] that will be in effect from the date of the integration for the new zone until the next annual allocation of [FTRs] and [ARRs].”

Annually, PJM allocates FTRs/ARRs for a period corresponding to PJM’s annual planning period, from June 1 of the calendar year to May 31 of the subsequent calendar year. The integration of the EKPC Zone in to PJM is June 1, 2013. Accordingly, FTRs/ARRs must be allocated to the EKPC Zone for the initial period from June 1, 2013 through the end of the planning period, *i.e.*, May 31, 2014. This filing contains the FTRs/ARRs allocated to the EKPC Zone for this initial period.

Because the annual FTR/ARR allocation process for the June 1, 2013 to May 31, 2014 planning period commenced on March 29, 2013, PJM was only recently able to determine and complete the initial FTR/ARR allocations for the new EKPC Zone. The initial allocation of FTRs/ARRs to the EKPC Zone is based on the EKPC Zone’s NITS Customers/Network Service Users. Those Transmission Customers signed the NITSAs

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which PJM submitted to the Commission for acceptance in the March 28 Filing with a requested effective date of June 1, 2013.⁴

In accordance with Section 5.2.2 (g), the initial allocation of FTRs and ARRs were made on April 3, 2013, to be effective June 1, 2013, the date of the EKPC integration into PJM. The FTRs/ARRs were allocated in accordance with section 5 and 7 of Schedule 1 of the Operating Agreement/Attachment K- Appendix of the Tariff. In accordance with these provisions, FTRs/ARRs were allocated in two stages. The first stage allocation is to firm point-to-point transmission paths and all network integration transmission service loads in a transmission zone from generating resources that are designated as historically serving network loads in each zone. In the first stage, load serving entities (“LSEs”) in the zone are assigned a *pro rata* share of the capability from such designated historic resource, based on the proportion of load such LSE serves in the zone. As discussed above, the reference year for designation of historic is “the year that the zone is integrated into the PJM interchange energy market.” For purposes of this allocation in the EKPC Zone, PJM developed a list of historic resources based on usage in 2013.⁵

The second stage allocation is to firm point-to-point transmission paths and to other network service paths for which there was no designated historic resource. The second stage is an iterative process in which 1/3 of the remaining system ARR/FTR

⁴ Section 5.2.2 also includes Firm Point-to-Point Transmission Customers which take service that sinks, sources in, or is transmitted through the EKPC Zone. The Transmission Customers in the EKPC Zone, however, all elected to take NITS under the PJM Tariff.

⁵ See March 28 Filing.

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capability is allocated in each of the three rounds. Valid FTR/ARR source points in stage 2 include zones, generators, hubs, and external interface points. NITS customers can request 1/3 of their remaining peak load (after taking account of the ARRs/FTRs they received in stage 1) in each round. Firm point-to-point customers similarly may request 1/3 of the MWs on the source-sink path of their contracted service.

Attached is a spreadsheet (included as Attachment "A") listing all the NITS Customers in the EKPC Zone stated as "Participant Name". Because Section 5.2.2 applies to NITS Customers taking service that sinks, sources in, or is transmitted through the new PJM zone (*i.e.* the EKPC Zone), the spreadsheet attached hereto includes the source and sink for each transaction. The spreadsheet lists the "Cleared MW" for each transaction which supports the allocations of FTRs/ARRs in the EKPC Zone. The second tab of the spreadsheet list the constraints that cause stage 2 ARRs/FTRs to be prorated for requests in the EKPC Zone.

The attached spreadsheet shows all the allocated FTRs/ARRs for the EKPC Zone. One hundred percent (100%) of the FTRs/ARRs requested for the EKPC Zone in the stage 1 were awarded. There were zero (0) requests from firm point-to-point transmission customers for the EKPC Zone in either stage 1 or stage 2. Sixty two percent (62 %) of the total ARR/FTR megawatts for network service users in the EKPC Zone were requested in stage 1. In stage 2, some FTR/ARR requests for the EKPC Zone were pro-rated by PJM because total requests were over the capability of the historic Stage 1 resource capability megawatts and, therefore, caused the identified constraints in the attachment to arise. As required by the Operating Agreement, requested FTRs/ARRs

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with a greater effect on these transmission constraints were pro-rated to a degree, *i.e.* the FTR/ARR award was inversely related to the effect of the FTR/ARR request on the constraint.

III. Mitigation Measures

The Commission's prior orders on PJM's FTR/ARR allocations in new zones did not require mitigation for network customers that received all of their requested access to their share of the historic resource capability that serve the loads in the zone, but received only some additional FTRs/ARRs they requested from the resource capability that did not historically serve the load. Accordingly, no mitigation is required here.

IV. Effective Date and Request for Waiver

PJM requests an effective date of June 1, 2013, for the initial allocation of FTRs and ARRs for the EKPC Zone NITS Customers to correspond with the integration date of the EKPC Zone into PJM. Accordingly, PJM respectfully requests a waiver of the Commission's sixty days' prior notice requirement.⁶

The Commission, for good cause, may allow the proposed FTR/ARR allocations to take effect on less than sixty days' notice.⁷ Good cause exists in this case because, as discussed above, PJM recently determined and completed the initial allocation of the FTRs/ARRs for the EKPC Zone on March 29, 2013, pursuant to the requirements of the PJM Tariff and Operating Agreement. Moreover, the effective date for the FTR/ARR allocations must correspond to the June 1, 2013 EKPC Zone integration date under the

⁶ 16 U.S.C. § 824d (d); 18 C.F.R. § 35.3).

⁷ 16 U.S.C. § 824d (d).

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terms of the Tariff and Operating Agreement. PJM, however, respectfully requests the Commission issue its order by May 28, 2013.

V. Documents Enclosed

PJM encloses with this transmittal letter an electronic version of the spreadsheet showing PJM's initial allocation of ARRs for the EKPC Zone in accordance with Section 5.2.2 (e). The EKPC Zone did not elect for an allocation of FTRs.

VI. Correspondence and Communications

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VII. Service

PJM has served a copy of this filing on all PJM Members, on each of the NITS customers in the EKPC Zone and on all state utility regulatory commissions in the PJM Region by posting this filing electronically. In accordance with the Commission's regulations,⁸ PJM will post a copy of this filing to the FERC filings section of its internet site, located at the following link: <http://www.pjm.com/documents/ferc-manuals/ferc-filings.aspx> with a specific link to the newly-filed document, and will send an e-mail on the same date as this filing to all PJM Members, the new EKPC Zone NITS Customers and all state utility regulatory commissions in the PJM Region⁹ alerting them that this

⁸ See 18C.F.R §§ 35.2(e) and 385.2010(f)(3).

⁹ PJM already maintains, updates and regularly uses e-mail lists for all PJM Members and affected state commissions.

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filing has been made by PJM and is available by following such link. If the document is not immediately available by using the referenced link, the document will be available through the referenced link within 24 hours of the filing. Also, a copy of this filing will be available on the FERC's eLibrary website located at the following link: <http://www.ferc.gov/docs-filing/elibrary.asp> in accordance with the Commission's regulations and Order No. 714.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Pauline Foley', with a stylized flourish extending to the right.

Pauline Foley
PJM Interconnection, L.L. C.

cc: Jignasa Gadani
Director, Division of Tariffs and Market Development – East, FERC

ATTACHMENT A

LIST OF ALL NITS CUSTOMERS IN THE EKPC ZONE

Participant Name	Participant Name	SOURCE	SINK	CLEARED MW	Service Type	START DAY	END DAY
DEK	Duke Energy Kentucky, Inc.	EBEND 20 KV EB2	EKPC	6.5	Network	6/1/2013	5/31/2014
DEK	Duke Energy Kentucky, Inc.	MIAMIFOR18 KV G6	EKPC	2.8	Network	6/1/2013	5/31/2014
EKPC	East Kentucky Power Cooperative, Inc.	SPURLOCK18 KV SPURLK3	EKPC	297.1	Network	6/1/2013	5/31/2014
EKPC	East Kentucky Power Cooperative, Inc.	SPURLOCK18 KV SPURLK4	EKPC	505.1	Network	6/1/2013	5/31/2014
EKPC	East Kentucky Power Cooperative, Inc.	SPURLOCK22 KV SPURLK1	EKPC	265.4	Network	6/1/2013	5/31/2014
EKPC	East Kentucky Power Cooperative, Inc.	SPURLOCK22 KV SPURLK2	EKPC	54.7	Network	6/1/2013	5/31/2014
EKPC	East Kentucky Power Cooperative, Inc.	DALESTN 13.8 KV DALESTN3	EKPC	9	Network	6/1/2013	5/31/2014
EKPC	East Kentucky Power Cooperative, Inc.	JKSMT_EK13.8 KV JKSM1	EKPC	103	Network	6/1/2013	5/31/2014
EKPC	East Kentucky Power Cooperative, Inc.	JKSMT_EK13.8 KV JKSM2	EKPC	28	Network	6/1/2013	5/31/2014
EKPC	East Kentucky Power Cooperative, Inc.	SPURLOCK22 KV SPURLK2	EKPC	210.7	Network	6/1/2013	5/31/2014
EKPC	East Kentucky Power Cooperative, Inc.	SPURLOCK18 KV SPURLK4	EKPC	17.4	Network	6/1/2013	5/31/2014
EKPC	East Kentucky Power Cooperative, Inc.	SPURLOCK18 KV SPURLK3	EKPC	0	Network	6/1/2013	5/31/2014
EKPC	East Kentucky Power Cooperative, Inc.	SPURLOCK22 KV SPURLK2	EKPC	17.4	Network	6/1/2013	5/31/2014
EKPC	East Kentucky Power Cooperative, Inc.	SPURLOCK22 KV SPURLK1	EKPC	3.6	Network	6/1/2013	5/31/2014
EKPC	East Kentucky Power Cooperative, Inc.	SPURLOCK18 KV SPURLK4	EKPC	148.3	Network	6/1/2013	5/31/2014
EKPC	East Kentucky Power Cooperative, Inc.	SPURLOCK22 KV SPURLK2	EKPC	107	Network	6/1/2013	5/31/2014
EKPC	East Kentucky Power Cooperative, Inc.	SPURLOCK22 KV SPURLK2	EKPC	66.7	Network	6/1/2013	5/31/2014
EKPC	East Kentucky Power Cooperative, Inc.	SPURLOCK18 KV SPURLK4	EKPC	84.7	Network	6/1/2013	5/31/2014

	Binding Constraints causing EKPC ARR Allocation pro-ration
Stage 1	None
Stage 2 Round 1	20SPURLK138 KV E for the loss of Spurlock-Zimmer 345 kv line
	20SPURLK345 KV GSU3 Base
Stage 2 Round 2	20SPURLK345 KV B for the loss of Spurlock-Zimmer 345 kv line
Stage 2 Round 3	20SPURLK345 KV B for the loss of Spurlock-Zimmer 345 kv line
	JEFFERSO765 KV . 1 for the loss of JEFFERSON GREENTOWN 765KV LINE

Document Content(s)

EKPC_FTRARR.PDF.....1-12