



PJM Interconnection, L.L.C.  
2750 Monroe Blvd.  
Audubon, PA 19403

Pauline Foley  
Assistant General Counsel  
T: (610) 666-8248 | F: (610)666-8211  
[pauline.foley@pjm.com](mailto:pauline.foley@pjm.com)

August 5, 2016

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

*Re: Informational Filing in the Following Dockets:*

*PJM Interconnection, L.L.C., Docket No. ER16-453-000*  
*PJM Interconnection, L.L.C., Docket No. ER15-2563-000*  
*Delaware Public Service Commission, et al. v. PJM Interconnection, L.L.C.,*  
*Docket No. EL15-95-000*  
*Public Service Electric and Gas Company v. PJM Interconnection, L.L.C.,*  
*Docket No. EL15-40-000*

Dear Secretary Bose:

PJM Interconnection, L.L.C., submits this informational filing to update the Federal Energy Regulatory Commission (“Commission”) regarding the current status of the Artificial Island Project (“Project”). As you may recall, on July 29, 2015, the PJM Board of Managers (“PJM Board”) approved a proposal to build a 230 kV transmission line under the Delaware River and construct and install certain other facilities to address certain system stability and related generation operation issues in the Artificial Island area. The 230 kV transmission line piece of the Project was designated to Northeast Transmission Development, LLC (“NTD”), a non-incumbent transmission developer, and the other portions of the Project, including electric substation work, were designated to Public Service Electric and Gas Company (“PSE&G”) and Pepco Holdings, Inc. (“PHI”). By order dated April 22, 2016,<sup>1</sup> the Commission accepted revisions to Schedule 12-Appendix A of the PJM Open Access Transmission Tariff (“PJM Tariff”) to incorporate cost responsibility assignments for the

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<sup>1</sup> *PJM Interconnection, L.L.C.*, 155 FERC ¶ 61,090 (Apr. 22, 2016) (“April 22 Order”).

Kimberly D. Bose, Secretary  
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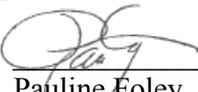
Artificial Island Project included in the regional transmission expansion plan (“RTEP”) approved by the PJM Board.<sup>2</sup>

Recently, additional information has come to light that must be evaluated further before any new financial obligations are incurred by the Project developers, including NTD, PSE&G and PHI. That additional information is summarized in the attached letters dated August 5, 2016 from the PJM Board of Managers<sup>3</sup> and Steven Herling, Vice President, Planning of PJM.<sup>4</sup> As a result of that information, the PJM Board has directed PJM staff to (i) suspend all elements of the Artificial Island Project and (ii) complete a comprehensive analysis of the Artificial Island area by February 2017. Accordingly, by virtue of this suspension, all designated entities are placed on notice to cease incurring any new financial obligations on the Artificial Island Project until PJM completes its analysis and the PJM Board has made a subsequent determination based on that analysis.

PJM is submitting this informational filing in all dockets relevant to the Artificial Island Project that are open before the Commission.

Craig Glazer  
Vice President – Federal Government Policy  
PJM Interconnection, L.L.C.  
1200 G Street, N.W., Suite 600  
Washington, D.C. 20005  
Ph: (202) 423-4743  
Fax: (202) 393-7741  
[craig.glazer@pjm.com](mailto:craig.glazer@pjm.com)

Respectfully submitted,

By:   
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Pauline Foley  
Assistant General Counsel  
PJM Interconnection, L.L.C.  
2750 Monroe Blvd.  
Audubon, PA 19403  
Ph: (610) 666-8248  
Fax: (610)666-8211  
[pauline.foley@pjm.com](mailto:pauline.foley@pjm.com)

*On behalf of PJM Interconnection, L.L.C.*

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<sup>2</sup> April 22 Order at P 75.

<sup>3</sup> Attached as Exhibit A.

<sup>4</sup> Attached as Exhibit B.

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing document on those parties on the official Service List compiled by the Secretary in these proceedings.

Dated at Audubon, Pennsylvania this 5<sup>th</sup> day of August, 2016.



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Pauline Foley  
Assistant General Counsel  
PJM Interconnection, L.L.C.  
2750 Monroe Blvd.  
Audubon, PA 19403  
Ph: (610) 666-8248  
[pauline.foley@pjm.com](mailto:pauline.foley@pjm.com)

# Exhibit A



2750 Monroe Blvd  
Audubon, PA 19403-2497

Andrew L. Ott  
President and CEO  
610-666-4267

August 5, 2016

Dear Members and Stakeholders of PJM:

PJM has been working with transmission owners and developers to resolve operational voltage and stability problems in the area known as Artificial Island in southern New Jersey. This is a very complex project, compounded by the unique design of the electrical system and geography of the area.

It has become evident to all involved that the projected costs to resolve the problems at Artificial Island have increased significantly. PJM has been examining alternatives in an attempt to offset some of the increases. In addition, questions have arisen about whether the currently proposed solution would perform as intended without further expense. Because of these concerns, PJM has come to the conclusion that a pause in the project is necessary before any new financial obligations are incurred by the project developers.

At this time, the PJM Board is suspending all elements of the Artificial Island project and directing PJM to perform a comprehensive analysis to support a future course of action. In light of the current uncertainties around the changing scope and configuration of the project, it is imperative that we understand the basis for any alternatives that may exist to manage the operational issues at Artificial Island. The Board has asked for the review to be completed by February 2017, at which time PJM will be in a position to decide how best to proceed.

Background information and details leading to this decision are outlined in a letter from Steven Herling, PJM's Vice President of Planning, to the PJM membership and stakeholders.

Sincerely,

A handwritten signature in black ink that reads "Andrew L. Ott".

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# Exhibit B



2750 Monroe Blvd  
Audubon, PA 19403-2497

Steven R. Herling  
Vice President, Planning

August 5, 2016

Dear Members and Stakeholders of PJM:

PJM this week provided the PJM Board with an update on events which have occurred since the Board's original approval of the Artificial Island transmission project. After thorough review and deliberations, the PJM Board decided to suspend all elements of the Artificial Island project and directed PJM to perform a comprehensive analysis to support a future course of action.

In July 2015, the Board approved the project to correct operational voltage and stability problems at the Artificial Island generating complex in southern New Jersey. It assigned to LS Power construction of a 230-kilovolt transmission line under the Delaware River. The Board also designated Public Service Electric & Gas and Pepco Holdings Inc. for the expansion of related interconnection facilities and the installation of reactive support devices at the New Freedom substation.

The new construction portion assigned to and estimated by LS Power was subject to cost-containment provisions. PJM performed preliminary cost estimates for PSE&G's portion of the project, recognizing that detailed estimates would have to be provided by the transmission owner. PSE&G's detailed cost estimates for the portions of the project assigned to the company were significantly higher than the initial estimates prepared by PJM because of complexities of design at the Salem and New Freedom substations that PJM did not anticipate. After receiving the higher estimates earlier this year, the Board directed PJM to review the reasons for the differences and to work with PSE&G to explore alternatives to reduce the project's estimated costs.

While that analysis is not yet complete, additional information has come to PJM's attention that required action by the Board before any new financial obligations are incurred by the project developers.

In the course of its review, PSE&G and PJM identified an alternative that could significantly offset some of the increase in estimated costs. These reductions would result from terminating the new 230-kilovolt line in a substation at the Hope Creek Nuclear Station instead of the nearby Salem Nuclear Station. However, in reviewing this alternative, an issue arose related to one of the other components of the project, that is, whether proposed system protection and control upgrades would perform as intended. Specifically, PSE&G identified an error related to the modeling of circuit breaker clearing times associated with those upgrades. The effect would be a reduction in the margin of stability provided by those upgrades, regardless of any alternatives to the transmission solution under review, requiring further steps and expense to correct. PJM and PSE&G have been exploring and evaluating options.

In light of the current uncertainties, the PJM Board is concerned about the project's estimated costs and changing scope based on the new estimates and technical information it received. The Board determined the need for additional analysis of the project's scope, configuration and cost estimates. It is, of course, imperative to understand the basis for any alternatives that may exist to manage the operational issues at Artificial Island. Therefore, the Board suspended the project and asked PJM to complete the requested comprehensive analysis by February 2017. It will be in a better position to decide how to proceed after it reviews the analysis.

Sincerely,

A handwritten signature in black ink, appearing to read "S. Herling", with a stylized flourish at the end.

Steven R. Herling