

Exhibit 7.0.b

**Winston & Strawn
Transmission Service Memorandum**

TO: Christian County Generation, L.L.C.

FROM: Donald Dankner
Raymond Wuslich

DATE: December 24, 2009

RE: Transmission Service Request in PJM

This responds to your request for a memorandum discussing (1) PJM Interconnection, L.L.C.'s ("PJM") obligation to provide transmission service from Christian County Generation, L.L.C.'s ("CCG") proposed new Taylorville Energy Center ("TEC") to customers purchasing energy from TEC within the Midwest Independent Transmission System Operator, Inc. ("Midwest ISO") region, and (2) the rate to be paid by CCG for such transmission service under PJM's open access transmission tariff ("OATT").

As discussed below, PJM is required to provide CCG with the transmission service CCG requests if PJM determines that it has transmission capacity available to provide the service. Otherwise, PJM is obligated to provide the service if CCG agrees to reimburse PJM for the cost of any required network upgrades. There is no transmission service capacity reservation charge under the PJM OATT for service requests with a source in PJM that sink in the Midwest ISO region. Rather, such transmission services are charged only the cost of the network upgrades needed to provide the service (if any), plus applicable congestion charges, and line losses.

I. Background

As we understand the facts, TEC will be an approximately 730 MW (gross) integrated gasification combined cycle generating station to be constructed in Christian County, Illinois. CCG intends to interconnect TEC to Commonwealth Edison Company ("ComEd") in Illinois, and sell the electrical output of TEC to ComEd, Ameren's Illinois operating companies ("Ameren"), MidAmerican Energy Company ("MidAmerican") and Illinois licensed alternative retail energy supply companies. ComEd is a member of PJM and Ameren and MidAmerican are members of Midwest ISO.

Under certain authorizing legislation in Illinois, CCG is required to show that it has transmission access to both PJM and the Midwest ISO.¹ The statute does not require a

¹ Illinois Clean Coal Portfolio Standard Law, Public Act 095-1027, 20 ILCS 3855/§ 1-75(d)(3)(B)(ii) (specifying that power purchase provisions of utility sourcing agreements shall

separate interconnection with the Midwest ISO if CCG can show that it has transmission access to the Midwest ISO from PJM. CCG must also determine whether such transmission access is economic. Thus, you have asked us to examine whether PJM is required to provide CCG with transmission service to the Midwest ISO and what the charges would be for such service.

II. Discussion

PJM is obligated to provide firm and non-firm point-to-point transmission service over, on or across its transmission system to any transmission customer that meets the conditions in the OATT.² A customer must complete an application for service, be creditworthy, have any transmission arrangements in place that are needed to deliver energy to PJM, must agree to pay PJM for any required network upgrades, provide PJM with information required to plan for transmission, and execute a point-to-point service agreement.³ The customer is also responsible for scheduling transmission service with any third party system.⁴ Thus, PJM is required to provide transmission service for CCG from Taylorville into the Midwest ISO if it has transmission capacity available, or if CCG agrees to pay for any required transmission capacity, and if CCG otherwise complies with the conditions in the OATT.

PJM charges transmission customers a capacity reservation charge for deliveries within PJM, but does not collect a capacity reservation charge or transitional revenue neutrality charge for service with a point of delivery in the Midwest ISO.⁵ Export transactions into the Midwest ISO do, however, pay congestion (redispatch costs), and line losses. The OATT also references resource adequacy charges⁶ and transmission enhancement charges under Schedule 12 of the OATT,⁷ but these charges are paid by loads, not generators like CCG.

With respect to upgrade costs, PJM evaluates each transmission service request to determine the impact on its system by assessing whether an initial study is required and then conducting any such initial study followed by system impact and facility studies if necessary. The eligible customer is responsible for 100 percent of the costs of the attachment facilities,

“require delivery of electricity to the regional transmission organization market of the utility that is party to such sourcing agreement”).

² PJM OATT, §15.1.

³ *Id.* §16.1.

⁴ *Id.* §16.2.

⁵ PJM OATT, Schedule 7.

⁶ *Id.* Resource adequacy charges are determined pursuant to the Reliability Pricing Model method set forth in Attachment DD to the OATT.

⁷ These are charges for transmission upgrades pursuant to the annual Regional Transmission Expansion Plan (“RTEP”) that PJM determines the customer should be responsible for.

direct assignment facilities or the local and network upgrades that would not have been incurred under the RTEP, but for the customer's service request.⁸

Under the PJM OATT, the customer reimburses the transmission provider (for the benefit of the affected transmission owner) for upgrades as the expenditures for the upgrades are made.⁹ The Form of Upgrade Construction Service Agreement set forth in the PJM OATT provides for the customer to be billed on a quarterly basis for the expected costs of the upgrades during the subsequent three months.¹⁰ The customer must pay each bill within twenty days of its receipt.¹¹ The Form of Upgrade Construction Service Agreement further provides for a true-up of the costs within 120 days of the completion of construction and installation of the upgrades.¹² The customer may also request reconciliation of the costs on a quarterly basis.¹³

The customer is also required to provide security to collateralize its obligations to pay the costs incurred by the transmission owner to construct the upgrades.¹⁴ The security is reduced as portions of the work on the upgrades are completed.¹⁵ In exchange for funding new network upgrades (or paying to accelerate the construction of network upgrades previously identified in an RTEP plan), PJM provides the customer the option to elect certain rights, including incremental auction revenue rights, incremental available transfer capability revenue rights, and incremental capacity transfer rights.¹⁶

⁸ FERC has approved this method of "but for" pricing for RTOs and ISOs, and PJM in particular, which use locational pricing. "Standardization of Generator Interconnection Agreements and Procedures," Order No. 2003, 104 FERC ¶ 61,103 at P 695 (2003); *PJM Interconnection, L.L.C.*, 87 FERC ¶ 61,299 at pp. 62,202-04, *reh'g denied*, 89 FERC ¶ 61,186 (1999); *see also*, *Old Dominion Electric Cooperative v. PJM Interconnection, L.L.C.*, 119 FERC ¶ 61,052 at PP 11 and 18 (2007).

⁹ *See* PJM OATT § 213.1 ("The Upgrade Construction Service Agreement shall obligate the New Service Customer to reimburse the Transmission Provider (for the benefit of the affected Transmission Owner(s)) as the Transmission Owner's expenditures for the design, engineering, and construction of the facilities that it is responsible for building pursuant to the Upgrade Construction Service Agreement are made.").

¹⁰ *See* PJM OATT Attachment GG App III § 9.2 ("Transmission Provider shall bill New Service Customer, on behalf of Transmission Owner, for Transmission Owner's expected Costs during the subsequent three months.").

¹¹ *Id.*

¹² *See* PJM OATT Attachment GG App. III § 9.3.

¹³ *See* PJM OATT Attachment GG App III § 9.2.

¹⁴ *See* PJM OATT Attachment GG Art. 2.1.

¹⁵ *See* PJM OATT, Attachment GG, App. III § 9.1.

¹⁶ *See* PJM OATT, Part VI Subpart C and PJM OATT, Attachment GG, Art. 5 for further information on rights related to customer-funded upgrades; *see also* PJM OATT § 1.49A.03.

III. Conclusion

In summary, PJM is required to provide transmission service to CCG, provided that it pays for any necessary system upgrades and otherwise complies with the OATT. There is no transmission capacity charge for exports delivered to the Midwest ISO, so CCG's charges would be only the cost of any upgrades, congestion, and line losses.