

## 1.7 Obligation to Build

(a) Subject to the requirements of applicable law, government regulations and approvals, including, without limitation requirements to obtain any necessary state or local siting, construction and operating permits, to the availability of required financing, to the ability to acquire necessary right-of-way, and to the right to recover, pursuant to appropriate financial arrangements and tariffs or contracts, all reasonably incurred costs, plus a reasonable return on investment, Transmission Owners or other entities designated either by the Office of Interconnection or by state authorities with siting or retail ratemaking responsibility as the appropriate entities to construct, own and/or finance enhancements or expansions specified in the Regional Transmission Expansion Plan shall construct, own and/or finance such facilities or enter into appropriate contracts to fulfill such obligations. However, except as provided in subsection (e) below, nothing herein shall require any Transmission Owner to construct, finance or own any enhancements or expansions specified in the Regional Transmission Expansion Plan for which the plan through either the Office of Interconnection or by state authorities with siting or retail ratemaking responsibility designates an entity other than a Transmission Owner as the appropriate entity to construct, own and/or finance such enhancements or expansions.

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(b) Nothing herein shall prohibit any Transmission Owner or other entity designated either by the Office of Interconnection or by state authorities with siting or retail ratemaking responsibility as the appropriate entity to construct, own and/or finance enhancements or expansions specified in the Regional Transmission Expansion Plan from seeking to recover the cost of enhancements or expansions on an incremental cost basis or from seeking approval of such rate treatment from any regulatory agency with jurisdiction over such rates.

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(c) The Office of Interconnection shall be obligated to collect on behalf of the Transmission Owner(s) or other entity designated either by the Office of Interconnection or by state authorities with siting or retail ratemaking responsibility as the appropriate entity to construct, own and/or finance enhancements or expansions specified in the Regional Transmission Expansion Plan for cost allocation purposes all charges established under Schedule 12 of the PJM Tariff in connection with facilities which the Office of Interconnection or a state authority with siting or retail ratemaking responsibility designates one or more Transmission Owners or other entity to build pursuant to this Regional Transmission Expansion Planning Protocol. Such charges shall compensate the Transmission Owner(s) or other entity for all costs related to such RTEP facilities under a FERC-approved rate and will include any FERC-approved incentives. Such charges shall extend to any costs incurred by any entity to upgrade any existing facility for purposes of accommodating enhancements or expansions specified in the Regional Transmission Expansion Plan for cost allocation purposes.

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(d) In the event that a Transmission Owner declines to construct an economic transmission enhancement or expansion developed under Section 1.5.6(d) and 1.5.7 of this Schedule 6 that such Transmission Owner is designated by the Regional Transmission Expansion Plan through either the Office of Interconnection or by state authorities with siting or retail ratemaking responsibility to construct (in whole or in part), the Office of the Interconnection shall promptly file with the FERC a report on the results of the pertinent economic planning process in order to permit the FERC to determine what action, if any, it should take. If any non-Transmission

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Owner so declines, then PJM shall designate a Transmission Owner as the appropriate entity to construct, own, and/or finance such economic or expansion projects, subject to the requirements set forth in subsection (a) above.

(e) Transmission Owner that is designated *either by the Office of Interconnection or by state authorities with siting or retail ratemaking responsibility* pursuant Sections 1.5.8 (f) or (i) of this Schedule 6 to construct, own and/or finance (in whole or in part) a Long-lead Project specified in the Regional Transmission Expansion Plan shall construct, own and/or finance such facilities (in whole or in part) or enter into appropriate contracts to fulfill such obligations, subject to Section 1.7(d) of this Schedule 6.

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