NORTHEAST TRANSMISSION DEVELOPMENT

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Via Email (rtep@pjm.com)

March 24, 2015

PJM Transmission Expansion Advisory Committee
Attn: Paul McGlynn, *Chair*
2750 Monroe Boulevard
Audubon, PA 19403

RE: 2014 RTEP Proposal Window 2 (Pratts Area)

Dear Paul:

LS Power, through its affiliate Northeast Transmission Development, LLC (NTD), offers the following comments to the PJM Transmission Expansion Advisory Committee (TEAC) in connection with its review of the appropriate solution for the Pratts Area as part of the 2014 RTEP Proposal Window 2.

As an initial matter, NTD's Proposals "7G" and "7K" are more efficient or cost effective than the recommended Dominion 13A proposal (Dominion 13A). NTD does not believe that PJM appropriately considered the cost cap provided by NTD relative to cost "estimates" for alternative proposals. Duplicative costs were added to the NTD proposals in the PJM comparison, overstating the NTD costs by approximately $15 million. Furthermore, comparing a cost cap to a range of cost estimates is not appropriate as the cost cap will contractually provide cost containment whereas an estimate provides no certainty on actual costs to be incurred. Even so, the "7G" and "7K" proposals are approximately $30 million or 18 percent lower in cost than PJM's upper end cost estimate for Dominion 13A.

In addition, NTD believes that PJM should consider the project combinations identified below, either of which represents a more efficient and cost effective solution than Dominion 13A. Both of these combinations are lower cost and lower risk than Dominion 13A.

- Project Combination 1 - NTD Proposal "7I" with a third 230/115 kV transformer at Gordonsville (proposed as part of Dominion "13C" or "13D")
- Project Combination 2 – Dominion Proposal "13C" with the Brook Run 230/115 kV substation (proposed as part of NTD "7F", "7G", "7I" or "7K")

Technically, each of these combinations results in the same Project configuration – a new 38-mile 230 kV transmission line from Gordonsville to Remington, a third 230/115 kV transformer at Gordonsville, and a new Brook Run 230/115 kV substation. The difference would be that in Project Combination 1, NTD would build the 230 kV transmission line from Gordonsville to Remington, and under Project Combination 2, Dominion would build the 230 kV transmission line from Gordonsville to Remington.

NTD's analysis indicates that Project Combination 1 and Project Combination 2 would pass the project performance evaluation and, in some respects, perform better than Dominion 13A given the introduction of a new 230/115 kV interconnection at Brook Run.

Project Combination 1 provides the lowest cost. NTD estimated the cost of "7I" to be $85.5 million, with a cost cap of $107.3 million. Assuming a cost of $5 million for the third 230/115 kV transformer at Gordonsville, the overall estimated cost of the combined Project would be $90.5 million, or $112.3 million assuming the maximum level of the cost cap applicable to NTD's scope of work. The estimated cost of this Project is $58.8 million or 39 percent lower than the estimated cost of Dominion 13A.

Project Combination 2 provides a higher cost than Project Combination 1, but still less than the Dominion 13A proposal. Dominion estimated the cost of "13C" to be $103.7 million. NTD estimated the cost of the Brook Run 230/115 kV substation to be $16.8 million, with a cost cap of $19.6 million. The overall estimated cost of the combined Project would be $120.5 million, or $123.3 million assuming the maximum level of the cost cap applicable to NTD's scope of work. The estimated cost of this Project is $28.8 million or 19 percent lower than the estimated cost of Dominion 13A.

In addition to being lower cost, both Project Combinations would be located parallel to an existing transmission line corridor for their entire length, which NTD believes represents less risk as compared to Dominion 13A which, for the Pratts – Remington segment (~ 33 miles), traverses an area without an existing high-voltage transmission corridor. Under Project Combination 2, where Dominion would build the 230 kV line from Gordonsville to Remington, the Dominion 13C proposal indicated that it would use existing ROW. If this is the case, then Project Combination 2 would represent not only a lower cost solution than Dominion 13A, but one in which no new transmission line right-of-way would be necessary.

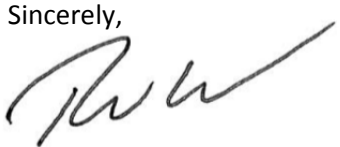
In summary, Project Combination 1 and Project Combination 2 would each pass the project performance evaluation and provide the following clear and measurable benefits:

- $28.8 million - $58.8 million in savings based on estimated costs;
- While Dominion 13A does not include <u>any</u> cost containment, both Project Combination 1 and Project Combination 2 would significantly reduce risk through binding cost containment measures covering at least a portion of the project costs; and
- In the case of Project Combination 2, reduced risk through utilization of existing right-of-way.

Thus, whether the PJM Board selects NTD's Proposal "7G", "7K", or either of the Combined Projects identified above, any of the four would be more efficient and cost-effective than Dominion 13A. With more efficient or cost effective proposals available, each with significant cost containment advantages over Dominion 13A, regulatory approval of Dominion 13A is uncertain.

Please feel free to contact me with any questions you may have.

Sincerely,



Robert Colozza
Senior Vice President