

Scot C. Hathaway
Vice President
Transmission



Dominion High Voltage Holdings, Inc.
120 Tredegar Street, Richmond, VA 23219

dom.com

Sept 12, 2014

Steven Herling
Vice President - Planning
PJM
2750 Monroe Boulevard
Audubon, PA 19403

Re: Artificial Island Supplemental Proposal Response
Dominion High Voltage Project P2013_1-1C

Dear Steve:

Dominion High Voltage Holdings, Inc. (“Dominion High Voltage”) submits this supplemental response as requested in the August 12, 2014 letter on the following Dominion High Voltage project proposal to resolve the identified potential criteria violations for the Artificial Island area:

- Project P2013_1-1C – Install a new 500 kV line from Hope Creek – Red Lion without Salem – Hope Creek 2nd Tie (“Project P2013_1-1C”)

Dominion High Voltage would first like to thank PJM and the PJM Board of Directors for deferring selection of the Artificial Island project solution and allowing us an opportunity to provide information relevant to this important decision. In this supplemental response, Dominion High Voltage will not be proposing a cost cap for Project P2013_1-1C, but rather offering a discussion of cost controls and reasons for confidence in our estimate and ability to complete this project.

The scope of this response is for project work as submitted or modified by PJM on the attached diagrams of the August 12, 2014 letter. For this proposal, we will be discussing aspects of cost control to include an experienced team, an extensive project construction track record, the ability to obtain transmission line right of way and the ability to construct facilities in the State of Delaware.

Cost Control Measures

Team Capabilities:

One aspect of cost control is having an experienced team in place that consistently delivers complex projects on time, on scope and on budget. Dominion High Voltage’s

very capable Transmission Projects Execution team has an unparalleled track record for the engineering, permitting, and construction of electric transmission facilities including transmission lines and switching stations.

The Project Execution team is directly responsible for engineering, acquiring all rights of way, securing necessary permits, and overall project management with supply chain and construction support provided within the project teams. A dedicated Project Manager is assigned and directly responsible for managing this team to deliver projects within specified schedule and budget.

Unparalleled Track Record:

This team's approach will be instrumental in meeting the project construction needs for Project P2013_1-1C. Since initially joining PJM on May 1, 2005, Dominion High Voltage and its affiliates have completed approximately \$3 billion of transmission construction projects on time, on scope and on budget, including the following examples:

- Line #580 to Loudoun 500 kV line (Part of 502 Junction-Loudoun) – Obtained PJM approval in Summer 2006 and constructed line by the PJM target date of 6/01/2011 meeting the approved PJM budget projections;
- Carson to Suffolk 500 kV line – Obtained PJM approval in summer 2006 and constructed line by the PJM target date of June 1, 2011, meeting the budget projections approved by PJM;
- Mt. Storm to Doubs 500 kV wreck and rebuild project (96.4 miles) – Obtained PJM approval in summer 2010 and energized the rebuilt line in June 2014 (one year in advance of PJM target date), meeting budget projections approved by PJM;
- Mt. Storm 250 MVAR Static VAR Compensator (“SVC”) – Obtained PJM approval in April 2012 and constructed FACTS solution by PJM target date of June 2014 meeting the PJM budget projections;
- Mosby 500 MVAR SVC – Obtained PJM approval in April 2012 and constructed FACTS solution by PJM target date of June 2014, meeting the budget projections approved by PJM.

Right of Way:

As already recognized by PJM, one of the major components for successfully completing this project will be the ability to obtain rights of way. In order to facilitate the acquisition of the necessary right of way from Hope Creek to Red Lion, Dominion High Voltage has signed a Memorandum of Understanding (“MOU”) with Pepco Holdings, Inc. (“PHI”) whereby PHI makes available to Project P2013_1-1C its subsidiaries' right-of-way, to include its interest in available right-of-way described in the September 30, 1977 Lower Delaware Valley Transmission System Agreement (“LDV”), as amended. Access to the LDV via PHI significantly reduces project cost and schedule risk for right of way acquisition and subsequent permitting of this project.

State of Delaware Public Utility restrictions:

It was noted in the August 12, 2014 letter from Steve Herling to the four finalists for the Artificial Island solution that the State of Delaware public utility regulations may restrict the ability of a developer to site and construct transmission in Delaware without a recognized service territory. Dominion High Voltage has reviewed the opinion provided by the Executive Director of the Delaware Public Service Commission Staff. On September 9, 2014, the Delaware Public Service Commission voted to allow non-incumbent transmission providers the opportunity to apply for the right to construct in Delaware. If PJM selects Project P2013_1-1C, then Dominion High Voltage will take the steps necessary to obtain the necessary rights to construct facilities in Delaware. In addition, the MOU between Dominion High Voltage and PHI noted above also contains a provision that PHI's subsidiary Delmarva Power & Light Company ("Delmarva") will participate in the joint undertaking as necessary or desirable to satisfy Delaware law regarding construction, ownership and operation of electric transmission assets in Delmarva's certificated service territory in Delaware at the time that any definitive agreement is executed.

Schedule and Total Cost:

Based on the preceding discussion, Dominion High Voltage has reviewed its overall schedule to ensure the project can be completed within 84 to 108 months after receiving PJM Board Approval and assigned construction responsibility. Assuming a December 2014 Board approval for this project, this solution could be in service as early as January 3, 2021 and no later than January 3, 2023.

Dominion High Voltage has reviewed its original cost estimates for this proposal, \$209 million, compared with PJM estimates which range from \$242 million to \$292 million. Based on the permitting and risk challenges associated with this proposal, Dominion High Voltage is in agreement and supports the PJM estimates. Following is a summary of Project P2013_1-1C overall costs.

Components	Estimate Source	PJM Estimated Cost – Low End	PJM Estimated Cost – High End
Dominion High Voltage - 500 kV Line from Hope Creek to Red Lion	PJM	\$208 M	\$251 M
Incumbent construction to terminate new 500 kV line	PJM	\$34 M	\$41 M
Project P2013_1-1C Subtotal		\$242 M	\$292M
*Incumbent installation of New Freedom SVC – assigned by PJM	PJM	\$80 M	\$80 M
Total		\$322 M	\$372 M

*Note: SVC, assigned by PJM to all line proposals, shown above for illustrative purposes to capture overall project costs.

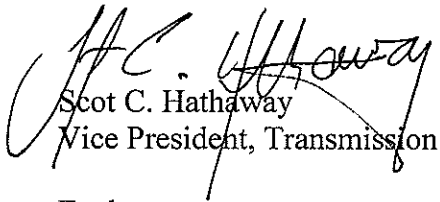
Dominion High Voltage has reviewed PJM's August 29, 2014 letter to Hon. Curtis L. Wagner, Jr. seeking support in the Alternative Dispute Resolution process. We support this process and

welcome the opportunity to actively participate and discuss the aspects of the project in person with Judge Wagner and PJM.

I would like to reiterate our appreciation to PJM staff and the PJM Board of Managers for the on-going opportunity to discuss Project P2013_1-1C to address the reliability issues associated with the Artificial Island area. I would also like to add on behalf of Dominion High Voltage my confidence in our very capable and talented team to leverage our unparalleled track record and our strategic partnership with PHI to execute Project P2013_1-1C on time, on scope, and on budget.

If you have any further questions, please feel free to contact me.

Sincerely



Scot C. Hathaway
Vice President, Transmission

Enclosure

cc:

Terry Boston
Mike Kormos
Paul McGlynn
Mark Simms
Suzanne Glatz
Pauline Foley