

Via Email (rtep@pjm.com)

May 29, 2015

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

RE: Artificial Island Comments

Dear Paul:

I write to address certain comments and questions provided to the PJM Transmission Expansion Advisory Committee (“TEAC”) regarding the LS Power 5A proposal and the associated cost commitment that was provided to PJM. Specifically, Transource Energy, LLC and Pepco Holdings Inc. (“Transource/PHI”) provided a letter for consideration by the TEAC at the April 28, 2015 meeting that contained certain questions and misunderstandings regarding the LS Power 5A proposal.

Northeast Transmission Development, LLC (“NTD”) provided draft terms and conditions to be included in the Designated Entity Agreement to implement its proposed cost commitment for the LS Power 5A proposal as part of its response to the Supplemental Proposal request issued by PJM in August 2014 (“NTD Cost Commitment”). The NTD Cost Commitment was an area of significant discussion in the ALJ process initiated by PJM as part of its evaluation of the Supplemental Proposals. In addition, the NTD Cost Commitment was made available to the TEAC and NTD further presented this information and answered numerous questions raised by PJM and stakeholders during the day-long TEAC meeting in December 2014 regarding Artificial Island.

The Transource/PHI letter raises questions regarding the NTD Cost Commitment, including a question about whether the NTD Cost Commitment “includes the need for cofferdams, jet plowing installation (versus all directional drilling), etc.” As described below, the NTD Cost Commitment includes **all activities** necessary for the crossing of the Delaware River.

NTD provided a detailed explanation of the intended scope of its construction responsibilities at the December 2014 stakeholder meeting. Indeed, even as stated in the Transource/PHI letter, “...when [Transource/PHI] asked similar questions in the open forum of the TEAC meeting, LS Power claimed that all such costs are covered in their cost cap...”¹ As confirmed numerous times, the NTD Cost Commitment was designed and intended to cover all work necessary to implement the project, including an overhead or submarine (via jet plow and/or horizontal directional drilling) crossing of the Delaware River and any needed cofferdams. Indeed, the flexibility in the approach to the river crossing is one of the benefits of the LS Power 5A proposal that we have been touting since its submittal in 2013.

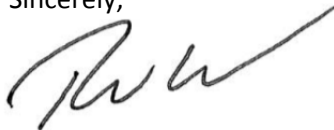
¹ See Transource/PHI Letter at Page 3.

Transource/PHI's misunderstanding appears to arise from the reference in the NTD Cost Commitment to a "Scope of Work" and the related exclusion of costs and expenses associated with an addition or modification to the Scope of Work. However, as noted in NTD's Supplemental Proposal, the Scope of Work "will be a comprehensive description of **all key elements** of the Project and **all activities** to be undertaken by Northeast Transmission in connection with the development and construction of the Project, such that **all known and expected development/construction activities** will be covered by the Construction Cost Cap."² As such, and as NTD specifically confirmed in response to questions asked at the December 2014 stakeholder meeting, the Scope of Work that will be incorporated into the Designated Entity Agreement will include a number of general requirements and obligations, including the requirement to complete all activities required to achieve an overhead or submarine crossing of the Delaware River.

PJM has held an open and transparent process to evaluate the NTD Cost Commitment. NTD stands behind the NTD Cost Commitment and the affirmations made directly to PJM in the ALJ process and the answers to PJM and stakeholders at the December 2014 meeting. If the Board approves the PJM Staff recommendation regarding Artificial Island, NTD looks forward to working with PJM to incorporate these commitments into the Designated Entity Agreement.

We thank PJM Staff for the extensive work that has been conducted to evaluate the available alternatives and commend them for recommending the more efficient or cost-effective solution for approval. We stand ready to advance the Project with the utmost priority.

Sincerely,



Robert Colozza
Senior Vice President

² See Footnote 1 to Exhibit 1 to Northeast Transmission response to Supplemental Proposal Request dated September 12, 2014 (emphasis added).