



2750 Monroe Blvd
Audubon, PA 19403-2497

Steven R. Herling
Vice President – Planning

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Dear TEAC Members:

The PJM Board of Managers has evaluated more than 25 proposals to resolve grid stability problems in the area known as Artificial Island, including a proposal recommended by PJM staff. The Board has received a wide range of comments from interested stakeholders including issues related to electrical performance, environmental impact and cost allocation. In addition, LS Power has modified its proposal to place a fixed cap on the costs associated with the project.

The Board appreciates the analyses and comments submitted by various stakeholders through an entirely new competitive process guided by FERC Order 1000. To ensure a thorough and fair review, given the complexities of the issues, the Board has determined that it will take the matter under advisement and defer a selection at this time. To further inform the Board, PJM staff will be undertaking the following supplemental steps:

1. PJM will review, in an open stakeholder session with the Transmission Expansion Advisory Committee, our response to the specific issues raised in the letters submitted to us. We will review how issues raised in letters submitted to the Board were initially addressed and will note any issues that require further analysis. Finally we will present the rationale behind the Board's decision to defer a selection at this time;
2. As noted, LS Power has submitted a fixed cost cap on its proposal as part of its letter of July 8, 2014. While we will be working on changes in our process to ensure that any future proposals are presented to PJM in a more timely fashion, the Board feels it appropriate to allow the four "finalist" bidders to have the opportunity to supplement their proposals in light of LS Power's proposal. (Those bidders are Public Service Electric and Gas, Transource Energy, LS Power and Dominion.) The project costs included in any such supplemental proposals to PJM will be factors considered in the final selection for an Artificial Island solution. However, the Board has reiterated that cost is only one of several considerations that will drive a final decision.

3. PJM will be reaching out to the Nuclear Regulatory Commission to discuss technical issues associated with certain proposals impacting nuclear switchyards.

4. In order to ensure fairness and transparency, and to enable necessary discussions with any of the qualifying entities wishing to supplement their proposal, PJM is exploring ways to enhance our process. Additional information will be provided once we examine any submittals we receive.

The Board appreciates stakeholders' patience during this process. Order 1000, which guided our competitive bidding initiative on this project, has created entirely new processes which are especially challenging when evaluating transmission solutions as complex as those required for the Artificial Island stability issues. For these reasons, the Board is outlining these additional steps to ensure that the most technically effective and cost-efficient proposal to solve the Artificial Island stability issues is selected.



Steve Herling