

VIRGINIA ELECTRIC AND POWER COMPANY
Division of the Combined Annual Revenue Requirement
For the Line No. 128 Re-Conducting Projects.

Schedule 12 – Appendix of the PJM Open Access Transmission Tariff identifies two Required Transmission Enhancement projects involving the re-conducting of Virginia Electric and Power Company’s (“Dominion”) Line No. 128. Specifically, project b0307 involves the re-conducting of Line No. 128 between Endless Caverns and Mt. Jackson, and project b0456 involves the re-conducting of Line No. 128 between Mt. Jackson and Edinburg.

As set forth in Schedule 12 – Appendix on the date of Dominion’s annual update customer meeting, September 17, 2008, project b0307 was allocated 100% to Dominion and the allocation cell for project b0456 was blank. Because project b0307 was allocated 100% to Dominion and project 0456 involved a different section of the same line, the Transmission Enhancement Annual Revenue Requirement for each project was combined and listed as Project AB in Attachment 7 to Attachment H-16A.

On November 14, 2008, as amended on November 25, 2008, PJM filed amendments to Schedule 12-Appendix in compliance with FERC’s October 15, 2008 letter order in Docket Nos. ER06-456-015, *et al.*, which, *inter alia*, established an allocation for project b0456 that was not 100% to Dominion. As shown on page 33 of Dominion’s 2009 Annual Update to its formula rate, the Transmission Enhancement Annual Revenue Requirement for the two Line No. 128 projects remains combined.

Since the costs of the b0307 project is allocated differently than the costs of the b0456 project in Schedule 12-Appendix, the combined Transmission Enhancement Annual Revenue Requirement of \$877,038 must be divided between these projects to facilitate PJM’s accurate charging and crediting of such costs.

To appropriately divide the costs of project b0307 and project b0456, Dominion, aided by its discussions with PJM, determined that the \$877,038 Transmission Enhancement Annual Revenue Requirement shall be prorated using the \$4.6 million project cost estimate for b0307 and the \$7.0 million project cost estimate for b0456. Both of these cost estimates were obtained from PJM’s Construction Status report as found at <http://www.pjm.com/planning/rtep-upgrades-status/construct-status.aspx> on January 7, 2009. The proration calculations are graphically expressed as follows:

Allocation for project B0307

$$\$877,038 * \$4.6 \text{ million} / (\$4.6 \text{ million} + \$7.0 \text{ million}) = \$347, 791$$

Allocation for project B0456

$$\$877,038 * \$ 7.0 \text{ million} / (\$4.6 \text{ million} + \$7.0 \text{ million}) = \$529, 247$$