

Dominion Letter of Credit Amount Proposal
11/13/2013

Total Letter of Credit (LOC) Amount

The Total Letter of Credit Amount shall equal the Fixed Letter of Credit (“LOC”) Amount and, if applicable, a Variable LOC Amount. The Total LOC Amount shall first ensure that funds are available to refund to customers all the transmission enhancement charges (“TECs”) that they paid if the project is not completed. (For purposes of this document, “not completed” refers to incompleteness due to circumstances where it is appropriate to draw on the LOC. Those circumstances are to be defined by PJM through its stakeholder process.) After repayment of the TECs, any remaining draw available from the LOC will be used to pay costs incurred by PJM LLC associated with the project (the “PJM Cost”). The PJM Cost includes engineering/consulting fees related to project evaluation, PJM’s own evaluation and engineering, PJM’s administration related to the project, etc. No other costs will be reimbursed from the LOC.

Fixed LOC Amount

The Fixed LOC Amount shall be a fixed percent [1/2% as placeholder, actual percentage TBD by PJM and its stakeholders] of the estimated cost of the Project that PJM relied on to award it to the Designated Entity. This amount is to be provided at initial implementation of the LOC (commensurate with execution of the Designated Entity Agreement). This amount is considered as a suitable estimate of the PJM Cost. For clarity, this amount is not reserved to pay the PJM Cost; rather pay-out follows the priority indicated above.

Variable LOC Amount, if Applicable

In the event the Designated Entity establishes a FERC approved rate for recovery of its project cost that becomes effective prior to the project’s in-service date, the amount of the LOC shall also include a Variable LOC Amount. The Variable LOC Amount shall be required upon commencement of TEC billing associated with the project and shall be updated at least annually as described below. The Variable LOC Amount shall initially be the sum of the monthly TECs expected to be collected by PJM on behalf of the Designated Entity over the upcoming 12 months or until the next rate change based on the Designated Entity’s FERC-accepted rate. On the one-year anniversary of the previous LOC or sooner if the TECs changes in the interim pursuant to a FERC-accepted rate (either of which is referred to herein as the “Anniversary Date”), the Variable LOC Amount will be updated to equal: (1) the cumulative amount of all such TECs paid by customers prior to the Anniversary Date, plus (2) the sum of the TECs expected to be collected by PJM on behalf of the Designated Entity over the upcoming 12 months based on the Designated Entity’s latest FERC-accepted rate. Future period TECs to be collected after the project’s scheduled in-service date are considered as zero in making the above calculations. This calculation maintains adequate surety to reimburse customers for all TECs they have paid at the time of cancellation.

Example

Attached is an example that includes the following features:

1. Designated Entity does not have a rate for project cost recovery at the outset.
2. Designated Entity obtains a rate for project recovery.
3. Project recovery is under a formula rate that is reset each January 1st.
4. The formula rate update and the LOC renewals become synchronized.
5. The last Total LOC Amount recognizes the in-service date is less than 12 months from the LOC renewal date.