

Dominion High Voltage  
MidAtlantic, Inc.

Transource Energy, LLC

## PROJECT PROPOSAL

Southern Pennsylvania  
Project

***for:***

***2014 Long Term Window***

*ATTN: Nancy Muhl  
PJM Interconnection  
955 Jefferson Avenue  
Norristown, PA 19403  
[RTEP@pjm.com](mailto:RTEP@pjm.com)*

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# Southern Pennsylvania Project

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## A. Executive Summary

### A.1. Names and addresses of proposing entities

Entity and address	Contact for Technical Inquiries
Dominion High Voltage MidAtlantic, Inc. (DHVM) 701 East Cary Street Richmond, Virginia 23139	Ronnie Bailey <a href="mailto:ronnie.bailey@dom.com">ronnie.bailey@dom.com</a> 804-771-3155
Transource Energy, LLC (Transource) 1 Riverside Plaza Columbus, OH 43215-2372	Joshua Burkholder <a href="mailto:jburkholder@aep.com">jburkholder@aep.com</a> 614-716-2828

This proposal is a joint submittal by Dominion and Transource (together: the “Project Team”) in response to the 2015 PJM RTEP Reliability Long Term Window. Transource and DHVM have agreed to jointly develop this project and will share in the investment, obligations, benefits and liabilities 50 percent each.

Transource was specifically formed as a joint venture between subsidiaries of American Electric Power Company (AEP) and Great Plains Energy Incorporated (GPE) to participate in competitive processes for transmission development. Transource can use any and all of the resources of AEP and GPE to develop and own transmission facilities. As such, the transmission experience and resources of AEP will be referenced throughout this proposal and are directly relevant to the success of the Project.

DHVM was specifically formed by Dominion Resources, Inc. (Dominion) to participate in competitive processes for transmission development outside of the PJM-defined Dominion Zone. DHVM can use any and all of the resources of Dominion to develop and own transmission facilities. As such, the transmission experience and resources of Dominion will be referenced throughout this proposal and are directly relevant to the success of the Project.

### A.2. General description of proposed project

The Project Team proposes to build the “Southern Pennsylvania Project” (the “Project”) in Pennsylvania and Maryland. PJM should evaluate the Project as one proposal including all of the facilities. The Project includes the following facilities:

- The West Line: approximately 27 miles of new double-circuit 230 kV alternating current overhead transmission line configured in a six-wired arrangement, rated at 3580 MVA summer normal and summer emergency, between the existing Ringgold Substation to a new Rice Substation that will tie into the existing Hunterstown-Conemaugh 500 kV line.
- The Ringgold Substation will be expanded to accommodate the new 230 kV circuits with one new 230 kV breaker. The expansion required at Ringgold is assumed to be designated to the incumbent transmission owner as an upgrade.
- The new Rice Substation will include two 900 MVA, 500/230 kV transformers, two 245kV breakers in a single bus double breaker configuration and four 500kV breakers in a ring bus configuration.
- The East Line: approximately 14.5 miles of new double-circuit 230 kV alternating current overhead transmission line configured in a six-wired arrangement, rated at 3580 MVA summer normal and summer emergency, between the existing Conastone Substation to a new Furnace Run Substation that taps the existing Three Mile Island-Peach Bottom 500 kV line.

- The new Furnace Run Substation will include two 900 MVA, 500/230 kV transformers, two 245kV breakers in a double breaker single bus configuration and four 500kV breakers in a ring bus configuration.
- The Conastone Substation will be expanded to accommodate the new double circuit 230 kV lines and two new 230 kV breakers. The expansion required at Conastone is assumed to be designated to the incumbent transmission owner as an upgrade.
- Rebuild or reconductor Exelon's Conastone to Northwest double circuit 230 kV line to improve the rating.
- Dominion's Dooks Substation: Add a new 175 MVAR 230 kV capacitor bank and associated switchgear.
- Dominion's Lexington Substation: Add a new 175 MVAR 230 kV capacitor bank and associated switchgear.
- Dominion's Brambleton Substation: Add two new 175 MVAR 230 kV capacitor bank and associated switchgear.
- Dominion's Ashburn Substation: Add two new 175 MVAR 230 kV capacitor bank and associated switchgear.
- AEP's Jackson's Ferry Substation: Add a new 250 MVAR 138 kV capacitor bank and associated switchgear.
- AEP's Broadford Substation: Add a new 250 MVAR 138 kV capacitor bank and associated switchgear.

The Project Team believes that the combination of shunt capacitors and new transmission line and station facilities included in the Project provides a robust, cost effective and feasible solution to address congestion under varying system conditions. In contrast, the Project Team evaluated various combinations of the shunt capacitor banks as standalone options (shunt-only options). Many shunt-only options do exceed the B/C threshold; however, the Project Team believes such upgrades would serve only as a short term fix to shift congestion to other areas rather than resolve the system issues. For example, a shunt-only option may reduce congestion across the AP South interface while increasing congestion across the AEP-Dom interface.

Furthermore, the Project Team believes the benefits of shunt-only options are mostly "on paper" (i.e. driven by the analysis approach) rather than benefits that will be delivered in real-time operations like those from a robust solution. To expand on this point, PJM's proxy methodology to simulate transfers across the interfaces by scaling the load up in the sink areas results in reactive deficiency which the shunt capacitors appear to stabilize. However, these analytical benefits are likely to be limited in a real-time simulation when opportunity transfers are taking place across the PJM system and sink areas are more expansive.

Preliminary analysis by the Project Team suggests that adding the specified capacitor banks at the substations selected will be feasible; however, certain locations may present issues with space availability given ongoing or planned construction. The Project Team has identified several alternate locations for capacitor banks that will deliver similar system benefits, including Morrisville, Shellhorn, Liberty and Cannon Branch, that can be used if any of the selected locations prove not constructible.

For the purpose of this proposal, the Project Team developed a Conceptual Routes based on a desktop review of publicly available data. In addition, experienced line and station construction representatives from PAR Electric (PAR) conducted field visits to confirm the feasibility of the Conceptual Routes. The Conceptual Routes were used as the basis for the designs and estimates contained in this proposal. However, the Conceptual Routes are not intended to represent preferred, alternate or final routes for purposes of the applicable siting, permitting and other regulatory approval processes.

The Project Corridor Map is provided below. Please note that this Proposal contains multiple graphics that are available in high-resolution format upon request.

[REDACTED]

Figure 1. Project Corridor

### A.3. Market efficiency flowgates addressed

The following interfaces are addressed by this solution. In addition, the Project addresses various other flowgates which are identified in section A.8 below.

- AP SOUTH
- AEP-DOM

### A.4. Total proposed project cost

The estimated capital cost of the Project is approximately \$269 million. This estimated cost includes all components of the Project, including components that PJM may consider as upgrades.

The work done by the Project Team was supplemented by analysis from Burns and McDonnell (BMcD) and PAR. BMcD provided supporting analysis and estimates for development (environmental/permitting/routing), engineering and project management. PAR provided estimates for the construction of the line and substation components of the Project. Both BMcD and PAR are highly experienced in both the region of the Project and in building similar high-voltage transmission facilities.

### A.5. Overall schedule duration

The expected schedule duration is 58 months from the project award date. For purposes of this proposal, the Project Team has assumed a project award date of January 2016, resulting in an in-service date of October 2020.

### A.6. The value proposition

The Southern Pennsylvania Project will provide significant value to electric customers based on the following factors:

- **The Project delivers significant customer savings in excess of the cost.** The Project provides \$2,768.2 million in local cost saving benefits to PJM customers with a projected benefit to cost ratio of 7.07.
- **The Project is a robust solution that greatly reduces congestion on the PJM system.** The Project increases the rating of AP SOUTH interface by 210 MW, AP SOUTH contingency interface by 175 MW and significantly reduces loading on the AEP-DOM interface.
- **The Project Team has assembled a highly qualified development team.** Transource and DHVM have engaged a team of industry-leading engineering and construction firms in Burns & McDonnell and PAR to complement the Project Team's experienced extra high-voltage engineering teams to complete the Project. This collaborative team has unmatched experience successfully designing, constructing, operating and maintaining similar facilities.
- **Fair and rational cost containment framework.** Clear financial incentive to achieve cost targets that are not contingent upon changes in the project scope.
- **Tremendous Regulatory Experience.** AEP and Dominion successfully own and operate a combined 48,000 transmission line miles in 13 states demonstrating the Project Team's tremendous experience navigating state and federal regulatory processes. Given the Project's traversing of two states (Pennsylvania and Maryland), PJM can have confidence in the Project

Team's ability to obtain the necessary regulatory approvals for the Project that will allow it to be delivered on time and on budget.

- **The Project is constructable.** The Project's design is straightforward and similar to many successfully executed projects within the service territories of AEP and Dominion.

#### **A.7. Designated Entity**

##### **A.7.a. Status/pre-qualification**

DHVM has received Pre-Qualification status from PJM under ID 13-03a indicating satisfaction of the pre-qualification requirements for Designated Entity status as defined in the PJM Amended and Restated Operating Agreement (PJM OA) in section 1.5.8(a). Consequently, DHVM is eligible as a Designated Entity to construct, own and operate facilities within PJM's footprint. The information as posted on PJM's website reflects the Company's current qualifications.

Transource has received Pre-Qualification status from PJM under ID 13-05 indicating satisfaction of the pre-qualification requirements for Designated Entity status as defined in the PJM OA in section 1.5.8(a). Consequently, Transource is eligible as a Designated Entity to construct, own and operate facilities within PJM's footprint. The information as posted on PJM's website reflects the Company's current qualifications.

##### **A.7.b. Statement of intent**

For this proposal, the Project Team seeks to be the designated entities to construct, own, operate, maintain and finance the Project, with the exception of any new facilities considered an upgrade by PJM.

#### **A.8. Discussion of analytical details and results**

The Project Team has studied the calculations of AEP-DOM and AP South reactive interface limits and believes that these interfaces are interrelated. As such, any proposed project focused only on fixing the AP South interface will in turn increase congestion on AEP-DOM interface and vice versa. The Project Team has focused its efforts on proposals that not only meet or exceed the 1.25 Benefit / Cost (B/C) threshold, but also offer a considerable reduction in the projected congestion.

Determining the benefits offered by the Project requires a two-step process. The first step involves running a PV analysis to determine the increase or decrease in the ratings of AP South, AEP-DOM and other relevant reactive interfaces. The second step involves computing the regional or local benefits, based on the voltage of the proposal, using the change in ratings of the interface.

##### **A.8.a. Interface Ratings**

The Project Team understands that the limit is computed using the latest RTEP peak model with Security Constrained Economic Dispatch (SCED). The incremental improvement in the AP South and AEP-DOM interface ratings should remain proportional as long as the source, sink, monitored elements and contingencies are consistent with PJM's document on "Determination of Real-Time Inter/Intra Regional Transfer Capability PJM EMS Transfer Limit Calculator."

For the AP South and AEP-DOM interfaces, the voltage deviation and the voltage magnitude limits are based on the TO's Planning Criteria. The Project Team has performed a generation to load transfer analysis, where generators in the source areas are scaled up and the load in the sink areas are scaled up. All Phase Angle Regulators (PAR) are locked, the source generators are scaled up to 110% of their limits, and sink loads are scaled up without limits. Capacitor banks and Load Tap Changers (LTCs) are allowed to adjust pre-contingency. Also, Capacitor banks are allowed to adjust post-contingency.

The rating improvements are listed below:

**Table 1. Southern Pennsylvania Rating Improvements**

<b>Interface</b>	<b>Rating Change (MW)</b>
AP South	210
AP South for loss of Black Oak – Bedington	175
AEP-DOM for loss of Black Oak – Bedington	-30
Central	305
Western	35
5004/5005 for loss of Kenny – Rocksprings	30
Black Oak – Bedington	0
Black Oak – Bedington for loss of T157 - Doubs	-5

**A.8.b. Economic Benefits**

The second step in the process involves computing the economic benefits of the Project. The Net Present Value (NPV) of the Project cost and benefits along with the calculated B/C are listed below. These values are based on the in-service date stated in section A5.

**Table 2. Southern Pennsylvania Economic Benefits**

<b>15-Year Net Present Value of Aggregated Cost (in millions)</b>	<b>15-Year Net Present Value of Benefits using the Local Metric (in millions)</b>	<b>Benefit / Cost using the Local Market Efficiency Metric</b>
\$391.8	\$2,768.2	7.07

The table below shows sizeable reduction in congestion on various interfaces and facilities identified by PJM.

**Table 3. Southern Pennsylvania Congestion Reduction**

<b>Flowgate</b>	<b>Congestion Reduction in 2022 (in millions)</b>	<b>Congestion Reduction in 2025 (in millions)</b>
AP South FLO Black Oak – Bedington 500 kV	\$63	\$101
Yorkana – Brunner Island 230 kV FLO Conastone – Peachbottom 500 kV	\$37	\$55
Carroll – Taneytown 138 kV (2 contingencies)	\$20	\$24
Safe Harbor – Graceton 230 kV FLO Conastone – Peachbottom 500 kV	\$5	\$5
NWEST326 – Conastone 230 kV FLO NWEST311 –Conastone 230 kV	\$2	\$7



## **B. Company Evaluation Information**

Note: DHVM and Transource will execute the Southern Pennsylvania Project using Dominion and AEP's proven resources and standardized practices to develop, own, operate, and maintain transmission assets. Dominion and AEP have successfully executed similar projects within their territories.

### **B.1. Technical and engineering qualifications**

#### **B.1.a. DHVM / Dominion**

DHVM's parent Dominion Resources, Inc. (Dominion) is one of the nation's largest producers and transporters of energy, with a portfolio of approximately 27,500 megawatts of generation, 11,000 miles of natural gas transmission, gathering and storage pipeline and 6,400 miles of electric transmission lines. Dominion operates one of the nation's largest natural gas storage systems with 947 billion cubic feet of storage capacity and serves retail energy customers in 15 states.

Dominion's existing electric transmission facilities are all within the PJM footprint. Dominion has an Electric Transmission staff of over 800 engineers, technicians, operators, and other construction and support personnel dedicated to develop, construct, maintain, and operate these facilities. Dominion has over 80 years' experience in developing, constructing, maintaining and operating transmission facilities, including the most recent nine years as a PJM member.

DHVM would be supported by Dominion, which includes a fully-staffed Substation Engineering team inclusive of Physical Design, System Protection Design, Communications support, Site Plan Development; and Transmission Line Engineering inclusive of overhead and underground design, Civil Engineering support and Geotechnical support. Dominion is fully-staffed for engineering support activities inclusive of siting/routing transmission lines, site development for substations as well as all real estate-related activities.

#### **B.1.b. Transource / American Electric Power Company & Great Plains Energy**

AEP is one of the largest electric utility holding companies in the United States. AEP is headquartered in Columbus, Ohio. AEP delivers electricity to more than five million customers in 11 states. AEP operating utilities provide service to retail and wholesale customers in Arkansas, Indiana, Kentucky, Louisiana, Michigan, Ohio, Oklahoma, Tennessee, Texas, Virginia and West Virginia. AEP directly or indirectly serves about 10 percent of the electricity demand in the Eastern Interconnection and approximately 11 percent of the electricity demand in the Electric Reliability Council of Texas region.

AEP owns, operates and maintains the largest transmission system in the United States, across the widest spectrum of voltage classes, with \$8.6 billion in transmission assets in 2012. This is forecasted to grow to more than \$11 billion by 2015. This 39,000-mile network includes 2,110 miles of 765 kV Extra-High Voltage (EHV) transmission lines, which is more than all other U.S. transmission systems combined.

The entire AEP transmission system is planned and operated on an integrated basis through the coordinated efforts of the AEP Transmission Department ("AEP Transmission"), a business unit of American Electric Power Service Corporation. AEP Transmission employs over 2,000 professionals with the capability to develop, engineer, design, construct, operate and maintain transmission assets at any voltage. AEP Transmission coordinates all development and operational aspects, including engineering, project management, design, development, rights-of-way acquisition, construction, operation and maintenance, of AEP's transmission business on behalf of its utility operating companies and transmission companies.

AEP Transmission employs nearly 450 professionals in line, station, and protection and control engineering functions. In-house engineering expertise allows AEP to consistently

deliver high-quality results and advanced technical innovations that both improve the transmission system and add value for customers. These skills have been developed over a 100+ year history of siting, designing, constructing and operating over 39,000 miles of transmission lines and over 4,000 substations.

GPE is the holding company of Kansas City Power & Light and Greater Missouri Operations, two of the leading regulated providers of electricity in the Midwest serving more than 823,000 customers in Kansas and Missouri. GPE is headquartered in Kansas City, Missouri. GPE has a strong history for enhancing and investing in its core business and new strategic growth opportunities in order to provide customers with reliable and effective electric service. Through these investments and strategic initiatives, GPE has doubled its rate base investments over the last several years. GPE is a significant transmission owning company and one of the largest transmission owning members of the Southwest Power Pool; GPE operating companies own over 2,600 miles of transmission lines operating at voltages up to and including 345 kV.

## **B.2. Experience**

### **B.2.a. Types of facilities proposed**

The types of facilities in this proposal are those AEP and Dominion have extensive experience developing, operating and maintaining on a daily basis.

### **B.2.b. Standardized construction, maintenance, and operating practices**

Both AEP and Dominion also have fully developed standardized construction, maintenance, and operating practices. All work and design meets and adheres to the *PJM Transmission and Substation Design Technical Requirements* and *PJM Manual 7 - PJM Protection Standards*.

For more information on either Company, please refer to the pre-qualification documents posted on PJM's website.

### **B.2.c. Working and acquiring rights-of-way in the geographical region**

AEP and Dominion collectively own over 26,000 miles of transmission line in PJM. As two of the largest transmission owners in PJM, both AEP and Dominion have extensive experience working in the region, including right-of-way acquisition.

The expansive nature of the AEP and Dominion service territories provide experience working in a wide variety of terrains, local and state regulatory environments, siting and environmental conditions, permitting agencies and ROW acquisition issues. These experiences are easily transferrable and directly applicable to the issues that will be encountered on the Southern Pennsylvania Project.

In addition, the Project Team will use highly qualified third parties that do have experience in this geographic region for key aspects of the development and ownership plan. AEP and Dominion have longstanding contractual relationships with multiple service providers with this capability.

For example, Burns & McDonnell has a team of best-in-class specialists that will successfully assist the Project team in routing and siting and environmental permitting for the Projects. Burns & McDonnell has performed similar studies on a number of long 345kV, 500kV, and 765kV lines, most of which were highly contentious and in developed areas, specifically five projects in Pennsylvania including a new 500kV substation. Burns and McDonnell is one of the most experienced transmission line planning, siting, design, and construction firms in the United States and have successfully routed and permitted approximately 17,000 miles of transmission lines nationwide. Burns and McDonnell's capabilities include: planning and feasibility studies, full routing studies, environmental permitting and associated studies, in-

house transmission design and civil engineering, right-of-way acquisition, and environmental monitoring during construction. This level of involvement in all facets of transmission line development gives Burns & McDonnell an unparalleled understanding of how transmission lines are sited, designed, and constructed providing society with the greatest infrastructure achievements while assuring the least impact on the community.

AEP and Dominion will secure federal and state regulatory approvals to finance, construct, own, operate and maintain the new transmission facilities as transmission-only entities in Pennsylvania and Maryland. Transource and Dominion will draw on their extensive experience and successful track record of securing federal and state regulatory approvals for transmission-only entities in states both within and outside the traditional utility footprint. AEP has received approvals for new transmission-only utility companies in ten states within the last several years. PJM can also be confident in the ability of Transource to secure these approvals because Transource has demonstrated success to date with its utility subsidiary in Missouri.

### **B.3. Financing plan**

DHVM is a subsidiary of Dominion Resources, a leading Fortune 200 energy company with a market capitalization of \$43 billion. Dominion Resources has a long and consistent track record for large annual capital investments. Dominion Resources will acquire and invest over \$19 billion over the next 6 years. Dominion Virginia Power will invest approximately \$4.4 billion of that amount over the same period in electric transmission assets. Dominion Resources, Inc. will provide all appropriate financial and credit support to DHVM.

Transource and its subsidiaries are backed by the significant financial strength and experience of its investment-grade owners, AEP and GPE, which have combined assets totaling approximately \$66 billion and well-established relationships with more than 40 banks specializing in the financing needs of the energy generation and delivery industry. In particular, AEP has been highly active in the capital markets, successfully raising approximately \$8.2 billion in debt since the start of 2011. Specifically, Transource successfully established a \$350 million construction financing in the fall of 2013 for its two projects under construction in Missouri.

Refer to the filed pre-qualification documents of Transource and Dominion posted on PJM's website for more information regarding the financing strength of both companies.

### **B.4. Cost containment and adherence to construction schedules**

AEP and Dominion, combined, employ more than 250 professionals in the Transmission Project and Construction Management functions. AEP and Dominion annually manage large projects with a combined value of over \$2 billion. AEP and Dominion's substation and line project managers are capable of executing projects of varying complexity from small projects, such as the addition of circuit breakers, to large projects, including the construction of 765 kV line in mountainous terrain.

A few examples of AEP and Dominion's recent projects delivered on-schedule and within budget include:

- As part of a PJM approved project, Dominion constructed the Carson to Suffolk 500 kV line project. This project consisted of 60 miles of 500 kV line on new or paralleled ROW and a new 21.5 mile 230 kV circuit on existing ROW. The total estimated project cost as provided to the VA SCC for the CPCN filing was \$224 million of which the line portion was estimated at \$200.3 million. The final installed cost of the total project came in at \$205 million with an actual line construction cost of \$179.2 million. The CPCN filing for this project is publically available from the VA SCC.
- Dominion constructed the 65 mile line #580 to Loudoun 500 kV line (Part of 502 Junction-Loudoun) – Obtained right-of-way (ROW) and Certificate of Public Convenience and Necessity (CPCN) approval in Virginia and constructed line by the PJM target date of 6/01/2011 within the approved budget.

- Dominion rebuilt 96 miles of the Mt Storm to Doubs 500 kV rebuild project – Obtained CPCN in Virginia. Project was completed one year in advance of the PJM required target date of 6/01/2015 and within the approved budget.
- AEP managed the construction of approximately 465 miles of double-circuit 345 kV lines and 16 substations and the acquisition of ROWs across 578 tracts of land, coordinating efforts between multiple ROW agencies, construction companies and suppliers for the Competitive Renewable Energy Zone (CREZ) projects in Texas. AEP simultaneously constructed the line in sections while managing it as one project to ensure completion of this exceptional project within the project schedule. AEP Transmission's \$1.5 billion investment in the CREZ program makes it the largest transmission project in AEP history.
- AEP worked with engineers, government entities, ROW agents, construction contractors, city, state, and local authorities to oversee the reconductoring of approximately 216 energized miles of 345 kV transmission lines in south Texas.
- AEP managed the construction of a new transmission substation near Sunbury, Ohio. The 765/345/138 kV Vassell Station is a major transmission reinforcement effort to help AEP maintain transmission reliability in central Ohio.

#### **B.5. Commitments**

The Project Team offers a cost containment mechanism for the Project that provides substantial financial incentive to deliver the Project at or below its estimated project cost. Total estimated project cost is \$269 million (in 2015 dollars), of which \$197.1 million is estimated to be designated to the Project Team. Under the cost containment mechanism for this Project:

- (a) The Project Team would be entitled to recover its FERC approved return on equity plus incentives on the costs it incurs for the Project up to its estimated project cost of \$197.1 million (plus an escalation of the estimated project cost of 3 percent per year to account for inflation, until the project is placed in service), for the components of the Project designated to the Project Team;
- (b) The Project Team would forego any return on equity incentives approved by FERC (including the RTO participation adder) for the project cost portion that exceeds the estimated Project Team - designated project cost of \$197.1 million. For purposes of this incentive rate waiver, Project Team will escalate the estimated project cost at 3 percent per year, to account for inflation, until the project is placed in service.
- (c) In addition, in order to provide certainty to the customer rates, the Project Team commits to an actual equity content of no greater than 50 percent for the Project, once permanent financing is in place. This assumes that the capital market conditions remain normal and provides for the ability to finance these transmission projects with the proposed capital structure.

#### **B.6. Assumptions in developing proposal**

Key assumptions are noted within the applicable sections of this proposal document.

**C. Proposed Constructability Information**

[REDACTED]

[REDACTED]