



July 14, 2014

Howard Schneider
Chair, PJM Board
PJM Interconnection, L.L.C.
955 Jefferson Avenue
Norristown, PA 19403-2497

Terry Boston
President and CEO
PJM Interconnection, L.L.C.
955 Jefferson Avenue
Norristown, PA 19403-2497

Re: PJM Process for Evaluating Competitive Artificial Island Proposals

Dear Mr. Schneider and Mr. Boston:

PHI and Exelon appreciate the relentless effort by PJM Transmission Planning Staff in bringing closure to the competitive Artificial Island (AI) proposal process. Although the PJM decision is not what we would prefer, PHI and Exelon, nevertheless, will not challenge or raise issues regarding the decision. But, as we have expressed earlier, PHI and Exelon remain concerned about the AI solicitation, evaluation and selection processes. Applying our learnings from the AI process, PHI and Exelon would like to work with PJM to improve the process for future proposals.

PHI and Exelon process concerns start with the problem statement and the specific project requirements outlined by PJM. The need for clarity and specificity is evident in that none of the 26 proposals hit the PJM target and met the need. Additionally, PJM did not follow the process that was laid out in their October 25, 2012 and July 22, 2013 Order No 1000 FERC Compliance filings for facilitating a competitive transmission expansion solicitation, but resorted to different processes. These alternate processes are not transparent to participants and could be problematic in the future if they are not corrected.

To comply with the FERC Order No. 1000 requirement to eliminate the Federal Right of First Refusal (ROFR), and to establish a competitive solicitation process for transmission projects, PJM made substantial changes to Schedule 6 of the Operating Agreement. Specifically, PJM adopted a sponsorship model in which qualified entities would submit project proposals during an open window. PJM would then evaluate and validate these proposals, compare their expected performance, and determine the best proposal amongst those submitted. If none of the proposed solutions resolve the violation, depending on the time constraints, PJM could either repost the violation and open another solicitation window, or develop an optimal solution and designate the incumbent transmission owner(s) to build the PJM solution. PJM did not follow this process.

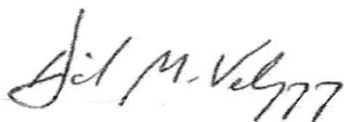
Following the filed process would likely have resulted in a significant reduction of more than a year's worth of hard work performed by, and expenses incurred by, all participants. Instead, PJM Transmission Planning chose to modify all project submittals and, at the end of the day, selected the project closest to the one created by PJM.

With respect to the selection process, PJM used the cost estimates submitted by the proposers to screen all 26 proposals and short listed the less expensive proposals. While we understand the need by PJM Staff to narrow the proposals, if PJM was going to follow such a process, PJM should have made that clear before developers submitted their proposals, not after. Furthermore, the detailed cost estimates that PHI and Exelon, as well as others, provided were essentially cast aside and replaced by an independent contractor estimates when compared with other proposals. While we understand that there were no developer cost estimates for all the modified proposals, and PJM needs some 'sanity check' on cost estimates, following a defined process and clarifying PJM's expectations at the outset would have saved time and money by all parties involved.

PJM tried very hard to distinguish all short listed proposals. The effort is commendable as it is particularly difficult to distinguish amongst these plans that were essentially all developed by PJM. Going forward, PHI and Exelon suggest that decision metrics be developed and provided to all Stakeholders prior to the submittal of proposals so that developers know in advance how PJM will evaluate various projects. While we understand that PJM needs some flexibility to apply and weigh metrics and some metrics contain subjective components, their early visibility provides Stakeholders the necessary guidance and clarity for developing the right proposal that would meet PJM's needs. As a result, significant effort and expenses could be saved.

Finally, PHI and Exelon thank the PJM Board for their consideration and are ready and willing to work with PJM Transmission Planning to improve the competitive proposal process.

Sincerely,



David Velazquez
Executive Vice president
Power Delivery



Denis P. O'Brien
Senior Executive Vice President, Exelon and
President and Chief Executive Officer
Exelon Utilities

cc: Mike Kormos

Steve Herling

Dave Anders