



STATE OF MARYLAND

*Office of the Governor
The Honorable Larry Hogan
State House
100 State Circle
Annapolis, Maryland, 21401*



STATE OF DELAWARE

*Office of the Governor
The Honorable John Carney
2nd Floor - State Capitol
150 Martin Luther King Jr. Blvd South
Dover, DE 19901*

March 27, 2017

Mr. Howard Schneider
Chair, PJM Board of Managers
PJM Interconnection, LLC
P.O. Box 1525
Southeastern, PA 19399-1525

Dear Chairman Schneider:

We have been informed that while the Artificial Island transmission line extension project has been reconsidered, it still allocates the majority of the project's costs to Delmarva Peninsula ratepayers. We are therefore writing to respectfully request that the Board of Managers of PJM Interconnection immediately consider alternatives to the cost allocation formula.

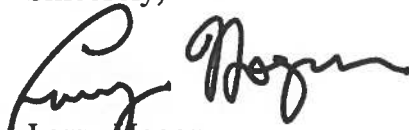
In his own words in August 2016, Andy Ott, PJM CEO stated that the purpose of the transmission line upgrade is "to resolve operational voltage and stability problems in the area known as Artificial Island in southern New Jersey". Therefore, imposing 90 percent of this cost on the Delmarva Zone, which has only limited current and future electrical load, and only 10 percent on regional or system-wide end-users is neither equitable nor in accordance with established cost allocation practices. Decisions from both the Federal Energy Regulatory Commission (FERC) and federal appellate courts have stated that costs may be allocated to end-user customers *only in amounts which roughly align with the benefits received* from the transmission facilities constructed. PJM is in a position to revise the Artificial Island project so that the costs will align with the benefits to the users. As such, Maryland and Delaware submitted a filing for rehearing with FERC to modify the SBDFAX cost allocation method. We request that PJM support that request.

The estimated in-service project costs will be \$279 million, according to the updated cost estimates presented by PJM to the Transmission Expansion Advisory Committee on March 3, 2017. If Delmarva Zone customers are expected to pay more than 90% of the cost, they will pay approximately \$250 million. As a result, the average residential and commercial customer will pay significantly higher rates. For many families this simply will be unaffordable and for many businesses it could mean closures and job losses. This economic burden to Delmarva is unacceptable.

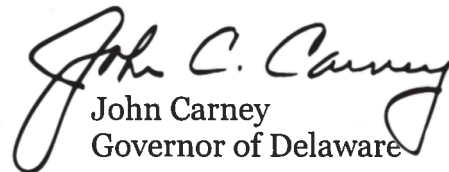
As we have both stated previously, Delmarva Peninsula residents should not be overburdened with the costs of this project, since the majority of the benefits will go to New Jersey. The State of Maryland and the State of Delaware continue our joint position that this unjust burden needs to be corrected. We stand prepared to use every tool at our disposal to reverse this improper cost allocation.

Thank you for considering the interests of Maryland and Delaware ratepayers and we look forward to your response.

Sincerely,



Larry Hogan
Governor of Maryland



John Carney
Governor of Delaware