



PJM Interconnection  
2750 Monroe Blvd.  
Audubon, PA 19403

Robert V. Eckenrod  
Senior Counsel  
610.666.3184 | fax 610.666.8211  
robert.eckenrod@pjm.com

July 24, 2014

Honorable Kimberly D. Bose  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E., Room 1A  
Washington, D.C. 20426

Re: **PJM Interconnection, L.L.C., Docket No. ER14-\_\_\_\_-000**  
**Queue Position # Z1-086 –Service Agreement No. 3886**

Dear Ms. Bose:

Pursuant to Section 205 of the Federal Power Act, 16 U.S.C. § 824d, and Section 35.13 of the regulations of the Federal Energy Regulatory Commission (“Commission”), 18 C.F.R. § 35.13, and part VI of the PJM Interconnection, L.L.C. (“PJM”) Open Access Transmission Tariff (“PJM Tariff”), PJM submits for filing an executed Interim Interconnection Service Agreement (“Interim ISA”) entered into among PJM, Virginia Electric and Power Company (“Interconnection Customer” or “VEPCO”) and Virginia Electric and Power Company (“Interconnected Transmission Owner”) (“VEPCO Interim ISA”).<sup>1</sup> PJM requests an effective date of June 24, 2014 for the VEPCO Interim ISA, designated as Service Agreement No. 3886.

PJM is submitting the VEPCO Interim ISA because it contains non-standard terms and conditions that do not fully conform to the *pro forma* Interim ISA (“Form Interim ISA”) as described in more detail below and as shown in redline in Attachment B to this transmittal letter. The non-conforming terms and conditions are necessary to accommodate the interconnection.

## **I. Description of the VEPCO Interim ISA**

The VEPCO Interim ISA among PJM, VEPCO and Interconnected Transmission Owner is designated as Service Agreement No. 3886 and facilitates the interconnection of 1681 MW of maximum facility output of the Greensville Combined Cycle Facility. The Greensville Combined Cycle Facility is located in Greensville County, Virginia. *See* VEPCO Interim ISA, Specifications, Section 1.0. The Interconnection Customer shall obtain capacity interconnection

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<sup>1</sup> Because the VEPCO Interim ISA is being electronically filed with this transmittal letter it contains electronic signatures and not the original signatures of the parties. PJM is including a copy of the original signature page as Attachment A with this filing.

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rights during the interim period as detailed in the Interim ISA. *See* VEPCO Interim ISA, Specifications, at Section 2.0. There is a Network Upgrades Charge in the amount of \$1,200,000 associated with the VEPCO Interim ISA, which consists of \$1,056,000 in direct labor costs and \$144,000 in indirect labor costs. *See* VEPCO Interim ISA, at Specifications, Section 4.0-4.4.

As indicated above, the VEPCO Interim ISA contains language that does not conform to the Form Interim ISA. Specifically, the VEPCO Interim ISA contains non-standard terms and conditions related to waiver of security in Section 4.0(a) of the VEPCO Interim ISA, the list of Schedules to include a Schedule E, and in Schedule E itself. Moreover, Specifications §4.3 includes yearly spending limits which the Interconnected Transmission Owner shall not exceed. Because PJM does not independently possess some of the information necessary to make this filing, PJM obtained certain relevant information from VEPCO. Accordingly, VEPCO provides the following explanation regarding the modification to the security amount:

VEPCO respectfully requests that the Commission permit VEPCO to set the Initial Security Amount required under §4(a) of the VEPCO Interim ISA at zero (0) dollars. In support of this request, VEPCO states as follows:

VEPCO is an integrated public utility with a certified service territory in Virginia and the northeast portion of North Carolina. VEPCO owns the transmission facilities and is planning to build the above-mentioned generation facility that will be interconnected to the VEPCO transmission system. The Interconnection Customer and the Interconnected Transmission Owner are the same legal entity.

VEPCO's retail and wholesale customers receive no benefits from a bank assurance that VEPCO will pay itself for the Network Upgrades. In fact, VEPCO will not pay itself at all, as it makes no legal sense for VEPCO to pay itself for the Network Upgrades. On the other hand, VEPCO's customers would benefit from the Commission's decision to permit a zero dollar Initial Security Amount as this would lower the costs to construct the above-mentioned facilities.

With regard to the yearly spending limits, maximum values are provided to the Interconnected Transmission Owner in this regard to afford flexibility in determining where to focus its efforts in supporting the stated project completion, without exceeding project budget constraints.

The non-standard terms and conditions agreed to by the parties are reasonable as they accommodate the unique circumstances associated with this interconnection and will not adversely impact the reliability of the PJM system. Further, the Commission previously has permitted VEPCO to set its Initial Security Amount as zero under the same circumstances.<sup>2</sup> The remainder of the VEPCO Interim ISA is conforming.

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<sup>2</sup> *PJM Interconnection, L.L.C.*, Letter Order, Docket No. ER11-127-000 (Dec. 13, 2010) and Docket No. ER11-127-001 (Feb. 7, 2011); *see also, PJM Interconnection, L.L.C.*, Letter Order, Docket Nos. ER10-417-000 and ER10-417-001 (Jan. 28, 2010).

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## II. Requested for Waiver and Effective Date

PJM requests a waiver of the Commission's 60-day prior notice requirement to allow an effective date of June 24, 2014 for the VEPCO Interim ISA. Waiver is appropriate because the VEPCO Interim ISA is being filed within thirty (30) days of its requested effective date. See Prior Notice and Filing Requirement Under Part II of the Federal Power Act, 64 FERC ¶ 61,139 at 61,983-98 (1993).

## III. Documents Submitted

Along with this transmittal letter, PJM submits:

1. VEPCO Interim ISA, Service Agreement No. 3886;
2. Attachment A: A copy of original signatures; and
3. Attachment B: Redline of non-standard terms and conditions.

## IV. Correspondence and Communications

The following individuals are designated for inclusion on the official service list in this proceeding and for receipt of any communication regarding this filing:

Robert V. Eckenrod  
Senior Counsel  
PJM Interconnection, L.L.C.  
2750 Monroe Blvd.  
Audubon, Pennsylvania 19403  
(610) 666-3184  
*robert.eckenrod@pjm.com*

Craig Glazer  
Vice President – Federal Government Policy  
PJM Interconnection, L.L.C.  
1200 G Street, N.W. Suite 600  
Washington, D.C. 20005  
(202) 393-7756  
*craig.glazer@pjm.com*

## V. Service

PJM has served a copy of this filing on the Interconnection Customer, Interconnected Transmission Owner and the relevant state regulatory commission within the PJM region.

Respectfully submitted,



Craig Glazer  
Vice President – Federal Government Policy  
PJM Interconnection, L.L.C.

Robert V. Eckenrod  
Senior Counsel  
PJM Interconnection, L.L.C.

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Virginia Electric and Power Company  
5000 Dominion Blvd.  
Glen Allen, VA 23060  
Attn: Mr. Joel Trivette

Virginia Electric and Power Company  
5th Floor Riverside Building  
120 Tredegar Street  
Richmond, VA 23219  
Attn: Mr. Scot C. Hathaway, Vice President Transmission

Virginia State Corporation Commission  
1300 East Main Street  
Richmond, VA 23219  
Attn: General Counsel

**Service Agreement No. 3886**

**INTERIM INTERCONNECTION SERVICE AGREEMENT**

**By and Among  
PJM Interconnection, L.L.C.  
and  
Virginia Electric and Power Company  
and  
Virginia Electric and Power Company**

**(PJM Queue Position #Z1-086)**

- 1.0 This Interim Interconnection Service Agreement (“Interim ISA”), including the Specifications attached hereto and incorporated herein, is entered into by and among PJM Interconnection, L.L.C. (“Transmission Provider” or “PJM”), Virginia Electric and Power Company (“Interconnection Customer”), and Virginia Electric and Power Company (“Interconnected Transmission Owner”).
- 2.0 Attached are Specifications for the Customer Facility that Interconnection Customer proposes to interconnect to the Transmission Provider’s Transmission System. Interconnection Customer represents and warrants that, upon completion of their construction, it will own or control the facilities identified in the Specifications attached hereto and made a part hereof. In the event that Interconnection Customer will not own the facilities, Interconnection Customer represents and warrants that it is authorized by the owners of such facilities to enter into this Interim ISA and to represent such control.
- 3.0 In order to advance the completion of its interconnection under the PJM Open Access Transmission Tariff (“Tariff”), Interconnection Customer has requested an Interim ISA and Transmission Provider has determined that Interconnection Customer is eligible under the Tariff to obtain this Interim ISA.
- 4.0 (a) In accord with Section 211 of the Tariff, Interconnection Customer, on or before the effective date of this Interim ISA, shall provide Transmission Provider (for the benefit of the Interconnected Transmission Owner) with a letter of credit from an agreed provider or other form of security reasonably acceptable to Transmission Provider in the amount of \$0 (See Schedule E), which amount equals the estimated costs, determined in accordance with Section 217 of the Tariff, of acquiring, designing, constructing and/or installing the facilities described in section 3.0 of the Attached Specifications. Should Interconnection Customer fail to provide such security in the amount or form required, this Interim ISA shall be terminated. Interconnection Customer acknowledges (1) that it will be responsible for the actual costs of the facilities described in the Specifications, whether greater or lesser than the amount of the payment security provided under this section, and (2) that the payment security under this section does not include any additional amounts that it will owe in the event that it executes a final Interconnection Service Agreement, as described in section 7.0(a) below.

(b) Interconnection Customer acknowledges (1) that the purpose of this Interim ISA is to expedite, at Interconnection Customer's request, the acquisition, design, construction and/or installation of certain materials and equipment, as described in the Specifications, necessary to interconnect its proposed facilities with Transmission Provider's Transmission System; and (2) that Transmission Provider's Interconnection Studies related to such facilities have not been completed, but that the feasibility study, dated February 2014, that included Interconnection Customer's project sufficiently demonstrated, in Interconnection Customer's sole opinion, the necessity of facilities additions to the Transmission System to accommodate Interconnection Customer's project to warrant, in Interconnection Customer's sole judgment, its request that the Interconnected Transmission Owner acquire, design, construct and/or install the equipment indicated in the Specifications for use in interconnecting Interconnection Customer's project with the Transmission System.

5.0 This Interim ISA shall be effective on the date it is executed by all Interconnection Parties and shall terminate upon the execution and delivery by Interconnection Customer and Transmission Provider of the final Interconnection Service Agreement described in section 7.0(a) below, or on such other date as mutually agreed upon by the parties, unless earlier terminated in accordance with the Tariff.

6.0 In addition to the milestones stated in Section 212.5 of the Tariff, during the term of this Interim ISA, Interconnection Customer shall ensure that its generation project meets each of the following development milestones:

MILESTONE REQUIREMENTS WILL BE SPECIFIED IN THE FURTHER INTERCONNECTION SERVICE AGREEMENT DESCRIBED IN SECTION 7.0(a)

7.0 (a) Transmission Provider and the Interconnected Transmission Owner agree to provide for the acquisition, design, construction and/or installation of the facilities identified, and to the extent described, in Section 3.0 of the Specifications in accordance with Part IV of the Tariff, as amended from time to time, and this Interim ISA. Except to the extent for which the Specifications provide for interim interconnection rights for the Interconnection Customer, the parties agree that (1) this Interim ISA shall not provide for or authorize Interconnection Service for the Interconnection Customer, and (2) Interconnection Service will commence only after Interconnection Customer has entered into a final Interconnection Service Agreement with Transmission Provider and the Interconnection Transmission Owner (or, alternatively, has exercised its right to initiate dispute resolution or to have the final Interconnection Service Agreement filed with the FERC unexecuted) after completion of the Facilities Study related to Interconnection Customer's Interconnection Request and otherwise in accordance with the Tariff. The final Interconnection Service Agreement may further provide for construction of, and payment for, transmission facilities additional to those identified in the attached Specifications. Should Interconnection Customer fail to enter into such final Interconnection Service Agreement (or, alternatively, to initiate dispute resolution or request that the agreement be filed with the FERC unexecuted) within the time prescribed by the Tariff, Transmission Provider shall have the right, upon providing written notice to Interconnection Customer, to terminate this Interim ISA.

(b) In the event that Interconnection Customer decides not to interconnect its proposed facilities, as described in Section 1.0 of the Specifications to the Transmission System, it shall immediately give Transmission Provider written notice of its determination. Interconnection Customer shall be responsible for the Costs incurred pursuant to this Interim ISA by Transmission Provider and/or by the Interconnected Transmission Owner (1) on or before the date of such notice, and (2) after the date of such notice, if the costs could not reasonably be avoided despite, or were incurred by reason of, Interconnection Customer's determination not to interconnect. Interconnection Customer's liability under the preceding sentence shall include all Cancellation Costs in connection with the acquisition, design, construction and/or installation of the facilities described in section 3.0 of the Specifications. In the event the Interconnected Transmission Owner incurs Cancellation Costs, it shall provide the Transmission Provider, with a copy to the Interconnection Customer, with a written demand for payment and with reasonable documentation of such Cancellation Costs. Within 60 days after the date of Interconnection Customer's notice, Transmission Provider shall provide an accounting of, and the appropriate party shall make any payment to the other that is necessary to resolve, any difference between (i) Interconnection Customer's cost responsibility under this Interim ISA and the Tariff for Costs, including Cancellation Costs, of the facilities described in section 3.0 of the Specifications and (ii) Interconnection Customer's previous payments under this Interim ISA. Notwithstanding the foregoing, however, Transmission Provider shall not be obligated to make any payment that the preceding sentence requires it to make unless and until the Interconnected Transmission Owner has returned to it the portion of Interconnection Customer's previous payments that Transmission Provider must pay under that sentence. This Interim ISA shall be deemed to be terminated upon completion of all payments required under this paragraph (b).

(c) Disposition of the facilities related to this Interim ISA after receipt of Interconnection Customer's notice of its determination not to interconnect shall be decided in accordance with Section 211.1 of the Tariff.

- 8.0 Interconnection Customer agrees to abide by all rules and procedures pertaining to generation in the PJM Region, including but not limited to the rules and procedures concerning the dispatch of generation set forth in the Operating Agreement and the PJM Manuals.
- 9.0 In analyzing and preparing the Facilities Study or the System Impact Study if no Facilities Study is required, and in designing and constructing the Attachment Facilities, Local Upgrades and/or Network Upgrades described in the Specifications attached to this Interim ISA, Transmission Provider, the Interconnected Transmission Owner(s), and any other subcontractors employed by Transmission Provider have had to, and shall have to, rely on information provided by Interconnection Customer and possibly by third parties and may not have control over the accuracy of such information. Accordingly, NEITHER TRANSMISSION PROVIDER, THE INTERCONNECTED TRANSMISSION OWNER(S), NOR ANY OTHER SUBCONTRACTORS EMPLOYED BY TRANSMISSION PROVIDER OR INTERCONNECTED

TRANSMISSION OWNER MAKES ANY WARRANTIES, EXPRESS OR IMPLIED, WHETHER ARISING BY OPERATION OF LAW, COURSE OF PERFORMANCE OR DEALING, CUSTOM, USAGE IN THE TRADE OR PROFESSION, OR OTHERWISE, INCLUDING WITHOUT LIMITATION IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, WITH REGARD TO THE ACCURACY, CONTENT, OR CONCLUSIONS OF THE FACILITIES STUDY OR THE SYSTEM IMPACT STUDY IF NO FACILITIES STUDY IS REQUIRED OR OF THE ATTACHMENT FACILITIES, LOCAL UPGRADES AND/OR NETWORK UPGRADES, PROVIDED, HOWEVER, that Transmission Provider warrants that the transmission facilities described in Section 3.0 of the Specifications will be designed, constructed and operated in accordance with Good Utility Practice, as such term is defined in the Operating Agreement. Interconnection Customer acknowledges that it has not relied on any representations or warranties not specifically set forth herein and that no such representations or warranties have formed the basis of its bargain hereunder.

- 10.0 Within 120 days after the Interconnected Transmission Owner completes acquisition, design, construction and/or installation of the facilities described in Section 3.0 of the Specifications, Transmission Provider shall provide Interconnection Customer with an accounting of, and the appropriate party shall make any payment to the other that is necessary to resolve, any difference between (a) Interconnection Customer's responsibility under this Interim ISA and the Tariff for the actual cost of such equipment, and (b) Interconnection Customer's previous aggregate payments to Transmission Provider and the Interconnected Transmission Owner hereunder. Notwithstanding the foregoing, however, Transmission Provider shall not be obligated to make any payment that the preceding sentence requires it to make unless and until the Interconnected Transmission Owner has returned to it the portion of Interconnection Customer's previous payments that Transmission Provider must pay under that sentence.
- 11.0 No third party beneficiary rights are created under this Interim ISA, provided, however, that payment obligations imposed on Interconnection Customer hereunder are agreed and acknowledged to be for the benefit of the Interconnected Transmission Owner actually performing the services associated with the interconnection of the generating facilities and any associated upgrades of other facilities.
- 12.0 No waiver by either party of one or more defaults by the other in performance of any of the provisions of this Interim ISA shall operate or be construed as a waiver of any other or further default or defaults, whether of a like or different character.
- 13.0 This Interim ISA or any part thereof, may not be amended, modified, assigned, or waived other than by a writing signed by all parties hereto.
- 14.0 This Interim ISA shall be binding upon the parties hereto, their heirs, executors, administrators, successors, and assigns.
- 15.0 This Interim ISA shall not be construed as an application for service under Part II or Part III of the Tariff.



- 16.0 Any notice or request made to or by either Party regarding this Interim ISA shall be made to the representative of the other Party as indicated below.

**Transmission Provider**

PJM Interconnection, L.L.C.  
955 Jefferson Avenue  
Valley Forge Corporate Center  
Norristown, PA 19403-2497

**Interconnection Customer**

Virginia Electric and Power Company  
5000 Dominion Blvd.  
Glen Allen, VA 23060  
Attn: Mr. Joel Trivette

**Interconnected Transmission Owner**

Virginia Electric and Power Company  
5th Floor Riverside Building  
120 Tredegar Street  
Richmond, VA 23219  
Attn: Mr. Scot C. Hathaway, Vice President Transmission

- 17.0 All portions of the Tariff and the Operating Agreement pertinent to the subject of this Interim ISA are incorporated herein and made a part hereof.
- 18.0 This Interim ISA is entered into pursuant to Part IV of the Tariff.
- 19.0 Neither party shall be liable for consequential, incidental, special, punitive, exemplary or indirect damages, lost profits or other business interruption damages, by statute, in tort or contract, under any indemnity provision or otherwise with respect to any claim, controversy or dispute arising under this Interim ISA.
- 20.0 Addendum of Interconnection Customer's Agreement to Conform with IRS Safe Harbor Provisions for Non-Taxable Status. To the extent required, in accordance with Section 20.1, Schedule A to this Interim ISA shall set forth the Interconnection Customer's agreement to conform with the IRS safe harbor provisions for non-taxable status.
- 20.1 Tax Liability
- 20.1.1 Safe Harbor Provisions:

This Section 20.1.1 is applicable only to Generation Interconnection Customers. Provided that Interconnection Customer agrees to conform to all requirements of the

Internal Revenue Service (“IRS”) (e.g., the “safe harbor” provisions of IRS Notices 2001-82 and 88-129) that would confer nontaxable status on some or all of the transfer of property, including money, by Interconnection Customer to the Interconnected Transmission Owner for payment of the Costs of construction of the Transmission Owner Interconnection Facilities, the Interconnected Transmission Owner, based on such agreement and on current law, shall treat such transfer of property to it as nontaxable income and, except as provided in Section 20.1.2 below, shall not include income taxes in the Costs of Transmission Owner Interconnection Facilities that are payable by Interconnection Customer under the Interim Interconnection Service Agreement, the Interconnection Service Agreement or the Interconnection Construction Service Agreement. Interconnection Customer shall document its agreement to conform to IRS requirements for such non-taxable status in the Interconnection Service Agreement, the Interconnection Construction Service Agreement, and/or the Interim Interconnection Service Agreement.

#### 20.1.2 Tax Indemnity:

Interconnection Customer shall indemnify the Interconnected Transmission Owner for any costs that Interconnected Transmission Owner incurs in the event that the IRS and/or a state department of revenue (State) determines that the property, including money, transferred by Interconnection Customer to the Interconnected Transmission Owner with respect to the construction of the Transmission Owner Interconnection Facilities and/or any Merchant Network Upgrades is taxable income to the Interconnected Transmission Owner. Interconnection Customer shall pay to the Interconnected Transmission Owner, on demand, the amount of any income taxes that the IRS or a State assesses to the Interconnected Transmission Owner in connection with such transfer of property and/or money, plus any applicable interest and/or penalty charged to the Interconnected Transmission Owner. In the event that the Interconnected Transmission Owner chooses to contest such assessment, either at the request of Interconnection Customer or on its own behalf, and prevails in reducing or eliminating the tax, interest and/or penalty assessed against it, the Interconnected Transmission Owner shall refund to Interconnection Customer the excess of its demand payment made to the Interconnected Transmission Owner over the amount of the tax, interest and penalty for which the Interconnected Transmission Owner is finally determined to be liable. Interconnection Customer’s tax indemnification obligation under this section shall survive any termination of the Interim Interconnection Service Agreement or Interconnection Construction Service Agreement.

#### 20.1.3 Taxes Other Than Income Taxes:

Upon the timely request by Interconnection Customer, and at Interconnection Customer’s sole expense, the Interconnected Transmission Owner shall appeal, protest, seek abatement of, or otherwise contest any tax (other than federal or state income tax) asserted or assessed against the Interconnected Transmission Owner for which Interconnection Customer may be required to reimburse Transmission Provider under the terms of this Interim Interconnection Service Agreement or Part VI of the Tariff. Interconnection Customer shall pay to the Interconnected Transmission Owner on a periodic basis, as invoiced by the Interconnected Transmission Owner,

the Interconnected Transmission Owner's documented reasonable costs of prosecuting such appeal, protest, abatement, or other contest. Interconnection Customer and the Interconnected Transmission Owner shall cooperate in good faith with respect to any such contest. Unless the payment of such taxes is a prerequisite to an appeal or abatement or cannot be deferred, no amount shall be payable by Interconnection Customer to the Interconnected Transmission Owner for such contested taxes until they are assessed by a final, non-appealable order by any court or agency of competent jurisdiction. In the event that a tax payment is withheld and ultimately due and payable after appeal, Interconnection Customer will be responsible for all taxes, interest and penalties, other than penalties attributable to any delay caused by the Interconnected Transmission Owner.

#### 20.1.4 Income Tax Gross-Up

##### 20.1.4.1 Additional Security:

In the event that Interconnection Customer does not provide the safe harbor documentation required under Section 20.1.1 prior to execution of this Interim Interconnection Service Agreement, within 15 days after such execution, Transmission Provider shall notify Interconnection Customer in writing of the amount of additional Security that Interconnection Customer must provide. The amount of Security that a Transmission Interconnection Customer must provide initially pursuant to this Interim Interconnection Service Agreement shall include any amounts described as additional Security under this Section 20.1.4 regarding income tax gross-up.

##### 20.1.4.2 Amount:

The required additional Security shall be in an amount equal to the amount necessary to gross up fully for currently applicable federal and state income taxes the estimated Costs of Local Upgrades and Network Upgrades for which Interconnection Customer previously provided Security. Accordingly, the additional Security shall equal the amount necessary to increase the total Security provided to the amount that would be sufficient to permit the Interconnected Transmission Owner to receive and retain, after the payment of all applicable income taxes ("Current Taxes") and taking into account the present value of future tax deductions for depreciation that would be available as a result of the anticipated payments or property transfers (the "Present Value Depreciation Amount"), an amount equal to the estimated Costs of Local Upgrades and Network Upgrades for which Interconnection Customer is responsible under the Interconnection Service Agreement. For this purpose, Current Taxes shall be computed based on the composite federal and state income tax rates applicable to the Interconnected Transmission Owner at the time the additional Security is received, determined using the highest marginal rates in effect at that time (the "Current Tax Rate"), and (ii) the Present Value Depreciation Amount shall be computed by discounting the Interconnected Transmission Owner's anticipated tax depreciation deductions associated with such payments or property transfers by its current weighted average cost of capital.

##### 20.1.4.3 Time for Payment:

Interconnection Customer must provide the additional Security, in a form and with terms as required by Sections 212.4 of the Tariff, within 15 days after its receipt of Transmission Provider's notice under this section. The requirement for additional Security under this section shall be treated as a milestone included in the Interconnection Service Agreement pursuant to Section 212.5 of the Tariff.

#### 20.1.5 Tax Status:

Each Party shall cooperate with the other to maintain the other Party's tax status. Nothing in this Interim Interconnection Service Agreement or the Tariff is intended to adversely affect any Interconnected Transmission Owner's tax exempt status with respect to the issuance of bonds including, but not limited to, local furnishing bonds.

21.0 Addendum of Interconnection Requirement for a Wind Generation Facility. To the extent required, Schedule B to this Interim ISA sets forth interconnection requirements for a wind generation facility and is hereby incorporated by reference and made a part of this Interim ISA.

22.0 Infrastructure security of electric system equipment and operations and control hardware and software is essential to ensure day-to-day reliability and operational security. All Transmission Providers, Interconnected Transmission Owners, market participants, and Interconnection Customers interconnected with electric systems are to comply with the recommendations offered by the President's Critical Infrastructure Protection Board and best practice recommendations from the electric reliability authority. All public utilities are expected to meet basic standards for electric system infrastructure and operational security, including physical, operational, and cyber-security practices.

IN WITNESS WHEREOF, Transmission Provider, Interconnection Customer and Interconnected Transmission Owner have caused this Interim ISA to be executed by their respective authorized officials.

(PJM Queue Position #Z1-086)

Transmission Provider: PJM Interconnection, L.L.C.

By: /s/ David M. Egan                      Manager, Interconnection Planning    6-24-14  
Name    Title    Date

Printed name of signer: David M. Egan

Interconnection Customer: **Virginia Electric and Power Company**

By: /s/ Mark D. Mitchell                      Vice President Generation Construction    6/17/2014  
Name    Title    Date

Printed name of signer: Mark D. Mitchell

Interconnected Transmission Owner: **Virginia Electric and Power Company**

By: /s/ Scot C. Hathaway                      VP Transmission                                      6-23-14  
Name    Title    Date

Printed name of signer: Scot C. Hathaway

**SPECIFICATIONS FOR  
INTERIM INTERCONNECTION SERVICE AGREEMENT**

**By and Among**

**PJM INTERCONNECTION, L.L.C.**

**And**

**VIRGINIA ELECTRIC AND POWER COMPANY**

**And**

**VIRGINIA ELECTRIC AND POWER COMPANY**

**(PJM Queue Position #Z1-086)**

1.0 Description of Customer Facility to be interconnected with the Transmission System in the PJM Region:

a. Name of Customer Facility:

Greensville Combined Cycle Facility.

b. Location of Customer Facility:

Greensville County, VA

c. Size in megawatts of Customer Facility:

For Generation Interconnection Customer:

Maximum Facility Output of 1681 MW

2.0 Interconnection Rights: Interconnection Customer shall obtain Capacity Interconnection Rights in accordance with Subpart C of Part VI of the Tariff at the location specified in section 1.0b upon its execution of the final Interconnection Service Agreement described in section 7.0(a) of this Interim ISA.

3.0.A Facilities to be acquired, designed, constructed and/or installed by the Interconnected Transmission Owner under this Interim ISA:

**Design work:**

1. Outage planning with the System Operations Center to determine feasibility of completing all network upgrades identified for the Z1-086 project by May 7, 2018, which is the projected date for first generation onto the grid;
2. determine scope for on-site transmission relocation work;
3. perform detailed engineering concurrent with conceptual phase work normally completed for the Facilities Study phase;
4. perform office and field work as needed to obtain environmental permits required for network upgrades required for the project;
5. prepare regulatory filings for all transmission work required for the project; and

6. perform community outreach activities as needed to support transmission work required for the project.

3.0.B Facilities to be acquired, designed, constructed and/or installed by the Interconnection Customer under this Interim ISA:

None.

4.0 Interconnection Customer shall be subject to the charges detailed below:

- 4.1 Attachment Facilities Charge:\$ 0
- 4.2 Local Upgrades Charge: \$0
- 4.3 Network Upgrades Charge: \$1,200,000

Interconnected Transmission Owner shall not exceed the following spending limits by year:

2014: \$300,000

2015: \$900,000

4.4 Cost Breakdown:

\$1,056,000	Direct Labor
\$0	Direct Material
\$ 144,000	Indirect Labor
\$0	Indirect Material
\$1,200,000	Total

**SCHEDULES:**

**SCHEDULE A – INTERCONNECTION CUSTOMER’S AGREEMENT TO CONFORM WITH IRS SAFE HARBOR PROVISIONS FOR NON-TAXABLE STATUS**

**SCHEDULE B - INTERCONNECTION REQUIREMENTS FOR A WIND GENERATION FACILITY**

**SCHEDULE C - CUSTOMER FACILITY LOCATION/SITE PLAN**

**SCHEDULE D - SINGLE-LINE DIAGRAM**

**SCHEDULE E - SCHEDULE OF NON-STANDARD TERMS & CONDITIONS**



## **SCHEDULE A**

### **INTERCONNECTION CUSTOMER'S AGREEMENT TO CONFORM WITH IRS SAFE HARBOR PROVISIONS FOR NON-TAXABLE STATUS**

As provided in Section 20.1 of this Interim ISA and subject to the requirements thereof, Interconnection Customer represents that it meets all qualifications and requirements as set forth in Section 118(a) and 118(b) of the Internal Revenue Code of 1986, as amended and interpreted by Notice 88-129, 1988-2 C.B. 541, and as amplified and modified in Notices 90-60, 1990-2 C.B. 345, and 2001-82, 2001-2 C.B. 619 (the "IRS Notices"). Interconnection Customer agrees to conform with all requirements of the safe harbor provisions specified in the IRS Notices, as they may be amended, as required to confer non-taxable status on some or all of the transfer of property, including money, by Interconnection Customer to Interconnected Transmission Owner with respect to the payment of the Costs of construction and installation of the Transmission Owner Interconnection Facilities and/or Merchant Network Upgrades specified in this Interim ISA.

Nothing in Interconnection Customer's agreement pursuant to this Schedule A shall change Interconnection Customer's indemnification obligations under Section 20.1 of this Interim ISA.

**SCHEDULE B**  
**INTERCONNECTION REQUIREMENTS FOR A**  
**WIND GENERATION FACILITY**

Not Required

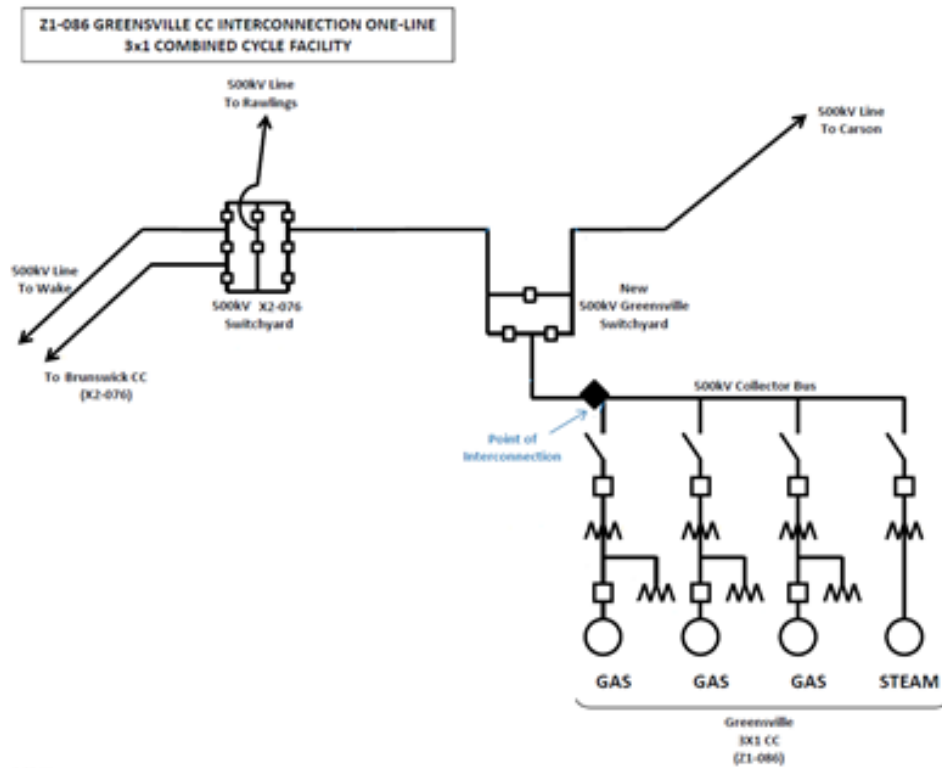
**SCHEDULE C**

**CUSTOMER FACILITY LOCATION/SITE PLAN**



# SCHEDULE D

## SINGLE-LINE DIAGRAM



## **SCHEDULE E**

### **SCHEDULE OF NON-STANDARD TERMS & CONDITIONS**

Virginia Electric and Power Company and Interconnection Customer agree to waive the requirement for Security identified in Section 211 of the PJM Tariff. The waiver changes the required Security amount in Interim ISA §4.0(a) to 0 dollars.

Virginia Electric and Power Company and Interconnection Customer agree that they applied the following criteria to determine that their portion of the initial Security amount is zero (0) dollars:

1. The Interconnection Customer and Virginia Electric and Power Company, the Interconnected Transmission Owner for this Interim ISA, are the same legal entity;
2. The required Network Upgrades and Interconnection Facilities whose Security are being waived are entirely on the transmission system of the Interconnection Customer/Interconnected Transmission Owner;
3. The Customer Facility shall be built only if it is approved by the Virginia State Corporation Commission; and
4. The Customer Facility is incorporated into a state filed integrated resource plan to serve native load.

If Interconnection Customer assigns the Interim ISA to another entity that is not the same legal entity as Virginia Electric and Power Company, then Security for the Interim ISA must be provided in accordance with Tariff Section 211, the Interim ISA must be revised to reflect the Security; the revised Interim ISA must be refiled with FERC; and, subject to any necessary regulatory acceptance, the effective date of the revised Interim ISA must be the same as the effective date of the assignment. Failure to provide the requisite Security upon assignment in the amount or form required in accordance with Tariff Section 211, will result in termination of this Interim ISA.

**ATTACHMENT A**  
**COPY OF ORIGINAL SIGNATURES**  
**SERVICE AGREEMENT NO. 3886**

IN WITNESS WHEREOF, Transmission Provider, Interconnection Customer and Interconnected Transmission Owner have caused this Interim ISA to be executed by their respective authorized officials.

(PJM Queue Position #Z1-086)

Transmission Provider: PJM Interconnection, L.L.C.

By: David M Egan David M. Egan 6-24-14  
Name Title Date

Printed name of signer: \_\_\_\_\_

Interconnection Customer: **Virginia Electric and Power Company**

By: \_\_\_\_\_  
Name Title Date

Printed name of signer: \_\_\_\_\_

Interconnected Transmission Owner: **Virginia Electric and Power Company**

By: \_\_\_\_\_  
Name Title Date

Printed name of signer: \_\_\_\_\_

IN WITNESS WHEREOF, Transmission Provider, Interconnection Customer and Interconnected Transmission Owner have caused this Interim ISA to be executed by their respective authorized officials.

(PJM Queue Position #Z1-086)

Transmission Provider: PJM Interconnection, L.L.C.

By: \_\_\_\_\_  
Name Title Date

Printed name of signer: \_\_\_\_\_

Interconnection Customer: **Virginia Electric and Power Company**

By: *Madea* *Vice President Generation Construction* *6/17/2014*  
Name Title Date

Printed name of signer: \_\_\_\_\_

Interconnected Transmission Owner: **Virginia Electric and Power Company**

By: \_\_\_\_\_  
Name Title Date

Printed name of signer: \_\_\_\_\_



IN WITNESS WHEREOF, Transmission Provider, Interconnection Customer and Interconnected Transmission Owner have caused this Interim ISA to be executed by their respective authorized officials.

(PJM Queue Position #Z1-086)

Transmission Provider: PJM Interconnection, L.L.C.

By: \_\_\_\_\_  
Name Title Date

Printed name of signer: \_\_\_\_\_

Interconnection Customer: **Virginia Electric and Power Company**

By: \_\_\_\_\_  
Name Title Date

Printed name of signer: \_\_\_\_\_

Interconnected Transmission Owner: **Virginia Electric and Power Company**

By: SCC. HATHAWAY VP TRANSMISSION 6-23-14  
Name Title Date

Printed name of signer: SCOT C. HATHAWAY

**ATTACHMENT B  
REDLINED REVISIONS  
SERVICE AGREEMENT NO. 3886**

**Service Agreement No. 3886**

**INTERIM INTERCONNECTION SERVICE AGREEMENT**

**By and Among  
PJM Interconnection, L.L.C.  
and  
Virginia Electric and Power Company  
and  
Virginia Electric and Power Company**

**(PJM Queue Position #Z1-086)**

- 1.0 This Interim Interconnection Service Agreement (“Interim ISA”), including the Specifications attached hereto and incorporated herein, is entered into by and among PJM Interconnection, L.L.C. (“Transmission Provider” or “PJM”), Virginia Electric and Power Company (“Interconnection Customer”), and Virginia Electric and Power Company (“Interconnected Transmission Owner”).
- 2.0 Attached are Specifications for the Customer Facility that Interconnection Customer proposes to interconnect to the Transmission Provider’s Transmission System. Interconnection Customer represents and warrants that, upon completion of their construction, it will own or control the facilities identified in the Specifications attached hereto and made a part hereof. In the event that Interconnection Customer will not own the facilities, Interconnection Customer represents and warrants that it is authorized by the owners of such facilities to enter into this Interim ISA and to represent such control.
- 3.0 In order to advance the completion of its interconnection under the PJM Open Access Transmission Tariff (“Tariff”), Interconnection Customer has requested an Interim ISA and Transmission Provider has determined that Interconnection Customer is eligible under the Tariff to obtain this Interim ISA.
- 4.0 (a) In accord with Section 211 of the Tariff, Interconnection Customer, on or before the effective date of this Interim ISA, shall provide Transmission Provider (for the benefit of the Interconnected Transmission Owner) with a letter of credit from an agreed provider or other form of security reasonably acceptable to Transmission Provider in the amount of \$0 ([See Schedule E](#)), which amount equals the estimated costs, determined in accordance with Section 217 of the Tariff, of acquiring, designing, constructing and/or installing the facilities described in section 3.0 of the Attached Specifications. Should Interconnection Customer fail to provide such security in the amount or form required, this Interim ISA shall be terminated. Interconnection Customer acknowledges (1) that it will be responsible for the actual costs of the facilities described in the Specifications, whether greater or lesser than the amount of the payment security provided under this section, and (2) that the payment security under this section does not include any additional amounts that it will owe in the event that it executes a final Interconnection Service Agreement, as described in section 7.0(a) below.

(b) Interconnection Customer acknowledges (1) that the purpose of this Interim ISA is to expedite, at Interconnection Customer's request, the acquisition, design, construction

1. perform community outreach activities as needed to support transmission work required for the project.

3.0.B Facilities to be acquired, designed, constructed and/or installed by the Interconnection Customer under this Interim ISA:

None.

4.0 Interconnection Customer shall be subject to the charges detailed below:

- 4.1 Attachment Facilities Charge:\$ 0
- 4.2 Local Upgrades Charge: \$0
- 4.3 Network Upgrades Charge: \$1,200,000

Interconnected Transmission Owner shall not exceed the following spending limits by year:

2014: \$300,000

2015: \$900,000

4.4 Cost Breakdown:

\$1,056,000	Direct Labor
\$0	Direct Material
\$ 144,000	Indirect Labor
\$0	Indirect Material
\$1,200,000	Total

## SCHEDULE E

### SCHEDULE OF NON-STANDARD TERMS & CONDITIONS

Virginia Electric and Power Company and Interconnection Customer agree to waive the requirement for Security identified in Section 211 of the PJM Tariff. The waiver changes the required Security amount in Interim ISA §4.0(a) to 0 dollars.

Virginia Electric and Power Company and Interconnection Customer agree that they applied the following criteria to determine that their portion of the initial Security amount is zero (0) dollars:

1. The Interconnection Customer and Virginia Electric and Power Company, the Interconnected Transmission Owner for this Interim ISA, are the same legal entity;
2. The required Network Upgrades and Interconnection Facilities whose Security are being waived are entirely on the transmission system of the Interconnection Customer/Interconnected Transmission Owner;
3. The Customer Facility shall be built only if it is approved by the Virginia State Corporation Commission; and
4. The Customer Facility is incorporated into a state filed integrated resource plan to serve native load.

If Interconnection Customer assigns the Interim ISA to another entity that is not the same legal entity as Virginia Electric and Power Company, then Security for the Interim ISA must be provided in accordance with Tariff Section 211, the Interim ISA must be revised to reflect the Security; the revised Interim ISA must be refiled with FERC; and, subject to any necessary regulatory acceptance, the effective date of the revised Interim ISA must be the same as the effective date of the assignment. Failure to provide the requisite Security upon assignment in the amount or form required in accordance with Tariff Section 211, will result in termination of this Interim ISA.

FERC rendition of the electronically filed tariff records in Docket No. ER14-02494-000

Filing Data:

CID: C000030

Filing Title: Queue Position # Z1-086 -Service Agreement No. 3886

Company Filing Identifier: 1436

Type of Filing Code: 10

Associated Filing Identifier:

Tariff Title: PJM Service Agreements Tariff

Tariff ID: 40

Payment Confirmation:

Suspension Motion:

Tariff Record Data:

Record Content Description, Tariff Record Title, Record Version Number, Option Code:

PJM SA No. 3886, PJM SA No. 3886 Among PJM, VEPCO and VEPCO, 0.0.0, A

Record Narrative Name: PJM SA No. 3886

Tariff Record ID: 959

Tariff Record Collation Value: 61825 Tariff Record Parent Identifier: 0

Proposed Date: 2014-06-24

Priority Order: 500

Record Change Type: NEW

Record Content Type: 1

Associated Filing Identifier:

**Service Agreement No.  
3886**

**INTERIM INTERCONNECTION SERVICE AGREEMENT**

**By and Among  
PJM Interconnection, L.L.C.  
and  
Virginia Electric and Power Company  
and  
Virginia Electric and Power Company**

**(PJM Queue Position #Z1-086)**

- 1.0 This Interim Interconnection Service Agreement (“Interim ISA”), including the Specifications attached hereto and incorporated herein, is entered into by and among PJM Interconnection, L.L.C. (“Transmission Provider” or “PJM”), Virginia Electric and Power Company (“Interconnection Customer”), and Virginia Electric and Power Company (“Interconnected Transmission Owner”).
- 2.0 Attached are Specifications for the Customer Facility that Interconnection Customer proposes to interconnect to the Transmission Provider’s Transmission System. Interconnection Customer represents and warrants that, upon completion of their construction, it will own or control the facilities identified in the Specifications attached hereto and made a part hereof. In the event that Interconnection Customer will not own the facilities, Interconnection Customer represents and warrants that it is authorized by the owners of such facilities to enter into this Interim ISA and to represent such control.

- 3.0 In order to advance the completion of its interconnection under the PJM Open Access Transmission Tariff (“Tariff”), Interconnection Customer has requested an Interim ISA and Transmission Provider has determined that Interconnection Customer is eligible under the Tariff to obtain this Interim ISA.
- 4.0 (a) In accord with Section 211 of the Tariff, Interconnection Customer, on or before the effective date of this Interim ISA, shall provide Transmission Provider (for the benefit of the Interconnected Transmission Owner) with a letter of credit from an agreed provider or other form of security reasonably acceptable to Transmission Provider in the amount of \$0 (See Schedule E), which amount equals the estimated costs, determined in accordance with Section 217 of the Tariff, of acquiring, designing, constructing and/or installing the facilities described in section 3.0 of the Attached Specifications. Should Interconnection Customer fail to provide such security in the amount or form required, this Interim ISA shall be terminated. Interconnection Customer acknowledges (1) that it will be responsible for the actual costs of the facilities described in the Specifications, whether greater or lesser than the amount of the payment security provided under this section, and (2) that the payment security under this section does not include any additional amounts that it will owe in the event that it executes a final Interconnection Service Agreement, as described in section 7.0(a) below.
- (b) Interconnection Customer acknowledges (1) that the purpose of this Interim ISA is to expedite, at Interconnection Customer’s request, the acquisition, design, construction and/or installation of certain materials and equipment, as described in the Specifications, necessary to interconnect its proposed facilities with Transmission Provider’s Transmission System; and (2) that Transmission Provider’s Interconnection Studies related to such facilities have not been completed, but that the feasibility study, dated February 2014, that included Interconnection Customer’s project sufficiently demonstrated, in Interconnection Customer’s sole opinion, the necessity of facilities additions to the Transmission System to accommodate Interconnection Customer’s project to warrant, in Interconnection Customer’s sole judgment, its request that the Interconnected Transmission Owner acquire, design, construct and/or install the equipment indicated in the Specifications for use in interconnecting Interconnection Customer’s project with the Transmission System.
- 5.0 This Interim ISA shall be effective on the date it is executed by all Interconnection Parties and shall terminate upon the execution and delivery by Interconnection Customer and Transmission Provider of the final Interconnection Service Agreement described in section 7.0(a) below, or on such other date as mutually agreed upon by the parties, unless earlier terminated in accordance with the Tariff.
- 6.0 In addition to the milestones stated in Section 212.5 of the Tariff, during the term of this Interim ISA, Interconnection Customer shall ensure that its generation



project meets each of the following development milestones:

MILESTONE REQUIREMENTS WILL BE SPECIFIED IN THE FURTHER INTERCONNECTION SERVICE AGREEMENT DESCRIBED IN SECTION 7.0(a)

- 7.0 (a) Transmission Provider and the Interconnected Transmission Owner agree to provide for the acquisition, design, construction and/or installation of the facilities identified, and to the extent described, in Section 3.0 of the Specifications in accordance with Part IV of the Tariff, as amended from time to time, and this Interim ISA. Except to the extent for which the Specifications provide for interim interconnection rights for the Interconnection Customer, the parties agree that (1) this Interim ISA shall not provide for or authorize Interconnection Service for the Interconnection Customer, and (2) Interconnection Service will commence only after Interconnection Customer has entered into a final Interconnection Service Agreement with Transmission Provider and the Interconnection Transmission Owner (or, alternatively, has exercised its right to initiate dispute resolution or to have the final Interconnection Service Agreement filed with the FERC unexecuted) after completion of the Facilities Study related to Interconnection Customer's Interconnection Request and otherwise in accordance with the Tariff. The final Interconnection Service Agreement may further provide for construction of, and payment for, transmission facilities additional to those identified in the attached Specifications. Should Interconnection Customer fail to enter into such final Interconnection Service Agreement (or, alternatively, to initiate dispute resolution or request that the agreement be filed with the FERC unexecuted) within the time prescribed by the Tariff, Transmission Provider shall have the right, upon providing written notice to Interconnection Customer, to terminate this Interim ISA.
- (b) In the event that Interconnection Customer decides not to interconnect its proposed facilities, as described in Section 1.0 of the Specifications to the Transmission System, it shall immediately give Transmission Provider written notice of its determination. Interconnection Customer shall be responsible for the Costs incurred pursuant to this Interim ISA by Transmission Provider and/or by the Interconnected Transmission Owner (1) on or before the date of such notice, and (2) after the date of such notice, if the costs could not reasonably be avoided despite, or were incurred by reason of, Interconnection Customer's determination not to interconnect. Interconnection Customer's liability under the preceding sentence shall include all Cancellation Costs in connection with the acquisition, design, construction and/or installation of the facilities described in section 3.0 of the Specifications. In the event the Interconnected Transmission Owner incurs Cancellation Costs, it shall provide the Transmission Provider, with a copy to the Interconnection Customer, with a written demand for payment and with reasonable documentation of such Cancellation Costs. Within 60 days after the date of Interconnection Customer's notice, Transmission Provider shall provide an accounting of, and the appropriate party shall make any payment to the other

that is necessary to resolve, any difference between (i) Interconnection Customer's cost responsibility under this Interim ISA and the Tariff for Costs, including Cancellation Costs, of the facilities described in section 3.0 of the Specifications and (ii) Interconnection Customer's previous payments under this Interim ISA. Notwithstanding the foregoing, however, Transmission Provider shall not be obligated to make any payment that the preceding sentence requires it to make unless and until the Interconnected Transmission Owner has returned to it the portion of Interconnection Customer's previous payments that Transmission Provider must pay under that sentence. This Interim ISA shall be deemed to be terminated upon completion of all payments required under this paragraph (b).

(c) Disposition of the facilities related to this Interim ISA after receipt of Interconnection Customer's notice of its determination not to interconnect shall be decided in accordance with Section 211.1 of the Tariff.

- 8.0 Interconnection Customer agrees to abide by all rules and procedures pertaining to generation in the PJM Region, including but not limited to the rules and procedures concerning the dispatch of generation set forth in the Operating Agreement and the PJM Manuals.
- 9.0 In analyzing and preparing the Facilities Study or the System Impact Study if no Facilities Study is required, and in designing and constructing the Attachment Facilities, Local Upgrades and/or Network Upgrades described in the Specifications attached to this Interim ISA, Transmission Provider, the Interconnected Transmission Owner(s), and any other subcontractors employed by Transmission Provider have had to, and shall have to, rely on information provided by Interconnection Customer and possibly by third parties and may not have control over the accuracy of such information. Accordingly, NEITHER TRANSMISSION PROVIDER, THE INTERCONNECTED TRANSMISSION OWNER(S), NOR ANY OTHER SUBCONTRACTORS EMPLOYED BY TRANSMISSION PROVIDER OR INTERCONNECTED TRANSMISSION OWNER MAKES ANY WARRANTIES, EXPRESS OR IMPLIED, WHETHER ARISING BY OPERATION OF LAW, COURSE OF PERFORMANCE OR DEALING, CUSTOM, USAGE IN THE TRADE OR PROFESSION, OR OTHERWISE, INCLUDING WITHOUT LIMITATION IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, WITH REGARD TO THE ACCURACY, CONTENT, OR CONCLUSIONS OF THE FACILITIES STUDY OR THE SYSTEM IMPACT STUDY IF NO FACILITIES STUDY IS REQUIRED OR OF THE ATTACHMENT FACILITIES, LOCAL UPGRADES AND/OR NETWORK UPGRADES, PROVIDED, HOWEVER, that Transmission Provider warrants that the transmission facilities described in Section 3.0 of the Specifications will be designed, constructed and operated in accordance with Good Utility Practice, as such term is defined in the Operating Agreement. Interconnection Customer acknowledges that it has not relied on any representations or warranties not specifically set forth herein and that no such

- representations or warranties have formed the basis of its bargain hereunder.
- 10.0 Within 120 days after the Interconnected Transmission Owner completes acquisition, design, construction and/or installation of the facilities described in Section 3.0 of the Specifications, Transmission Provider shall provide Interconnection Customer with an accounting of, and the appropriate party shall make any payment to the other that is necessary to resolve, any difference between (a) Interconnection Customer's responsibility under this Interim ISA and the Tariff for the actual cost of such equipment, and (b) Interconnection Customer's previous aggregate payments to Transmission Provider and the Interconnected Transmission Owner hereunder. Notwithstanding the foregoing, however, Transmission Provider shall not be obligated to make any payment that the preceding sentence requires it to make unless and until the Interconnected Transmission Owner has returned to it the portion of Interconnection Customer's previous payments that Transmission Provider must pay under that sentence.
  - 11.0 No third party beneficiary rights are created under this Interim ISA, provided, however, that payment obligations imposed on Interconnection Customer hereunder are agreed and acknowledged to be for the benefit of the Interconnected Transmission Owner actually performing the services associated with the interconnection of the generating facilities and any associated upgrades of other facilities.
  - 12.0 No waiver by either party of one or more defaults by the other in performance of any of the provisions of this Interim ISA shall operate or be construed as a waiver of any other or further default or defaults, whether of a like or different character.
  - 13.0 This Interim ISA or any part thereof, may not be amended, modified, assigned, or waived other than by a writing signed by all parties hereto.
  - 14.0 This Interim ISA shall be binding upon the parties hereto, their heirs, executors, administrators, successors, and assigns.
  - 15.0 This Interim ISA shall not be construed as an application for service under Part II or Part III of the Tariff.
  - 16.0 Any notice or request made to or by either Party regarding this Interim ISA shall be made to the representative of the other Party as indicated below.

**Transmission Provider**

PJM Interconnection, L.L.C.  
955 Jefferson Avenue  
Valley Forge Corporate Center  
Norristown, PA 19403-2497

**Interconnection Customer**

Virginia Electric and Power Company  
5000 Dominion Blvd.  
Glen Allen, VA 23060  
Attn: Mr. Joel Trivette

**Interconnected Transmission Owner**

Virginia Electric and Power Company  
5th Floor Riverside Building  
120 Tredegar Street  
Richmond, VA 23219  
Attn: Mr. Scot C. Hathaway, Vice President Transmission

- 17.0 All portions of the Tariff and the Operating Agreement pertinent to the subject of this Interim ISA are incorporated herein and made a part hereof.
- 18.0 This Interim ISA is entered into pursuant to Part IV of the Tariff.
- 19.0 Neither party shall be liable for consequential, incidental, special, punitive, exemplary or indirect damages, lost profits or other business interruption damages, by statute, in tort or contract, under any indemnity provision or otherwise with respect to any claim, controversy or dispute arising under this Interim ISA.
- 20.0 Addendum of Interconnection Customer's Agreement to Conform with IRS Safe Harbor Provisions for Non-Taxable Status. To the extent required, in accordance with Section 20.1, Schedule A to this Interim ISA shall set forth the Interconnection Customer's agreement to conform with the IRS safe harbor provisions for non-taxable status.
- 20.1 Tax Liability
- 20.1.1 Safe Harbor Provisions:

This Section 20.1.1 is applicable only to Generation Interconnection Customers. Provided that Interconnection Customer agrees to conform to all requirements of the Internal Revenue Service ("IRS") (e.g., the "safe harbor" provisions of IRS Notices 2001-82 and 88-129) that would confer nontaxable status on some or all of the transfer of property, including money, by Interconnection Customer to the Interconnected Transmission Owner for payment of the Costs of construction of the Transmission Owner Interconnection Facilities, the Interconnected Transmission Owner, based on such agreement and on current law, shall treat such transfer of property to it as nontaxable income and, except as provided in Section 20.1.2 below, shall not include income taxes in the Costs of Transmission

Owner Interconnection Facilities that are payable by Interconnection Customer under the Interim Interconnection Service Agreement, the Interconnection Service Agreement or the Interconnection Construction Service Agreement. Interconnection Customer shall document its agreement to conform to IRS requirements for such non-taxable status in the Interconnection Service Agreement, the Interconnection Construction Service Agreement, and/or the Interim Interconnection Service Agreement.

#### 20.1.2 Tax Indemnity:

Interconnection Customer shall indemnify the Interconnected Transmission Owner for any costs that Interconnected Transmission Owner incurs in the event that the IRS and/or a state department of revenue (State) determines that the property, including money, transferred by Interconnection Customer to the Interconnected Transmission Owner with respect to the construction of the Transmission Owner Interconnection Facilities and/or any Merchant Network Upgrades is taxable income to the Interconnected Transmission Owner. Interconnection Customer shall pay to the Interconnected Transmission Owner, on demand, the amount of any income taxes that the IRS or a State assesses to the Interconnected Transmission Owner in connection with such transfer of property and/or money, plus any applicable interest and/or penalty charged to the Interconnected Transmission Owner. In the event that the Interconnected Transmission Owner chooses to contest such assessment, either at the request of Interconnection Customer or on its own behalf, and prevails in reducing or eliminating the tax, interest and/or penalty assessed against it, the Interconnected Transmission Owner shall refund to Interconnection Customer the excess of its demand payment made to the Interconnected Transmission Owner over the amount of the tax, interest and penalty for which the Interconnected Transmission Owner is finally determined to be liable. Interconnection Customer's tax indemnification obligation under this section shall survive any termination of the Interim Interconnection Service Agreement or Interconnection Construction Service Agreement.

#### 20.1.3 Taxes Other Than Income Taxes:

Upon the timely request by Interconnection Customer, and at Interconnection Customer's sole expense, the Interconnected Transmission Owner shall appeal, protest, seek abatement of, or otherwise contest any tax (other than federal or state income tax) asserted or assessed against the Interconnected Transmission Owner for which Interconnection Customer may be required to reimburse Transmission Provider under the terms of this Interim Interconnection Service Agreement or Part VI of the Tariff. Interconnection Customer shall pay to the Interconnected Transmission Owner on a periodic basis, as invoiced by the Interconnected Transmission Owner, the Interconnected Transmission Owner's documented reasonable costs of prosecuting such appeal, protest, abatement, or other contest. Interconnection Customer and the Interconnected Transmission Owner shall cooperate in good faith with respect to any such contest.

Unless the payment of such taxes is a prerequisite to an appeal or abatement or cannot be deferred, no amount shall be payable by Interconnection Customer to the Interconnected Transmission Owner for such contested taxes until they are assessed by a final, non-appealable order by any court or agency of competent jurisdiction. In the event that a tax payment is withheld and ultimately due and payable after appeal, Interconnection Customer will be responsible for all taxes, interest and penalties, other than penalties attributable to any delay caused by the Interconnected Transmission Owner.

#### 20.1.4 Income Tax Gross-Up

##### 20.1.4.1 Additional Security:

In the event that Interconnection Customer does not provide the safe harbor documentation required under Section 20.1.1 prior to execution of this Interim Interconnection Service Agreement, within 15 days after such execution, Transmission Provider shall notify Interconnection Customer in writing of the amount of additional Security that Interconnection Customer must provide. The amount of Security that a Transmission Interconnection Customer must provide initially pursuant to this Interim Interconnection Service Agreement shall include any amounts described as additional Security under this Section 20.1.4 regarding income tax gross-up.

##### 20.1.4.2 Amount:

The required additional Security shall be in an amount equal to the amount necessary to gross up fully for currently applicable federal and state income taxes the estimated Costs of Local Upgrades and Network Upgrades for which Interconnection Customer previously provided Security. Accordingly, the additional Security shall equal the amount necessary to increase the total Security provided to the amount that would be sufficient to permit the Interconnected Transmission Owner to receive and retain, after the payment of all applicable income taxes ("Current Taxes") and taking into account the present value of future tax deductions for depreciation that would be available as a result of the anticipated payments or property transfers (the "Present Value Depreciation Amount"), an amount equal to the estimated Costs of Local Upgrades and Network Upgrades for which Interconnection Customer is responsible under the Interconnection Service Agreement. For this purpose, Current Taxes shall be computed based on the composite federal and state income tax rates applicable to the Interconnected Transmission Owner at the time the additional Security is received, determined using the highest marginal rates in effect at that time (the "Current Tax Rate"), and (ii) the Present Value Depreciation Amount shall be computed by discounting the Interconnected Transmission Owner's anticipated tax depreciation deductions associated with such payments or property transfers by its current weighted average cost of capital.

##### 20.1.4.3 Time for Payment:

Interconnection Customer must provide the additional Security, in a form and with terms as required by Sections 212.4 of the Tariff, within 15 days after its receipt of

Transmission Provider's notice under this section. The requirement for additional Security under this section shall be treated as a milestone included in the Interconnection Service Agreement pursuant to Section 212.5 of the Tariff.

#### 20.1.5 Tax Status:

Each Party shall cooperate with the other to maintain the other Party's tax status. Nothing in this Interim Interconnection Service Agreement or the Tariff is intended to adversely affect any Interconnected Transmission Owner's tax exempt status with respect to the issuance of bonds including, but not limited to, local furnishing bonds.

- 21.0 Addendum of Interconnection Requirement for a Wind Generation Facility. To the extent required, Schedule B to this Interim ISA sets forth interconnection requirements for a wind generation facility and is hereby incorporated by reference and made a part of this Interim ISA.
- 22.0 Infrastructure security of electric system equipment and operations and control hardware and software is essential to ensure day-to-day reliability and operational security. All Transmission Providers, Interconnected Transmission Owners, market participants, and Interconnection Customers interconnected with electric systems are to comply with the recommendations offered by the President's Critical Infrastructure Protection Board and best practice recommendations from the electric reliability authority. All public utilities are expected to meet basic standards for electric system infrastructure and operational security, including physical, operational, and cyber-security practices.

IN WITNESS WHEREOF, Transmission Provider, Interconnection Customer and Interconnected Transmission Owner have caused this Interim ISA to be executed by their respective authorized officials.

(PJM Queue Position #Z1-086)

Transmission Provider: PJM Interconnection, L.L.C.

By: /s/ David M. Egan                      Manager, Interconnection Planning  
6-24-14  
Name    Title    Date

Printed        name        of        signer: David        M.        Egan

---

Interconnection Customer: **Virginia Electric and Power Company**

By: /s/ Mark D. Mitchell                      Vice President Generation Construction  
6/17/2014  
Name    Title  
Date

Printed        name        of        signer: Mark        D.        Mitchell

---

Interconnected Transmission Owner: **Virginia Electric and Power Company**

By: /s/ Scot C. Hathaway                      VP Transmission                      6-23-  
14  
Name    Title    Date

Printed        name        of        signer: Scot        C.        Hathaway

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**SPECIFICATIONS FOR  
INTERIM INTERCONNECTION SERVICE AGREEMENT**

**By and Among  
PJM INTERCONNECTION, L.L.C.**

**And  
VIRGINIA ELECTRIC AND POWER COMPANY**

**And  
VIRGINIA ELECTRIC AND POWER COMPANY**

**(PJM Queue Position #Z1-086)**

1.0 Description of Customer Facility to be interconnected with the Transmission System in the PJM Region:

a. Name of Customer Facility:

Greensville Combined Cycle Facility.

b. Location of Customer Facility:

Greensville County, VA

c. Size in megawatts of Customer Facility:

For Generation Interconnection Customer:

Maximum Facility Output of 1681 MW

2.0 Interconnection Rights: Interconnection Customer shall obtain Capacity Interconnection Rights in accordance with Subpart C of Part VI of the Tariff at the location specified in section 1.0b upon its execution of the final Interconnection Service Agreement described in section 7.0(a) of this Interim ISA.

3.0.A Facilities to be acquired, designed, constructed and/or installed by the Interconnected Transmission Owner under this Interim ISA:

**Design work:**

1. Outage planning with the System Operations Center to determine feasibility of completing all network upgrades identified for the Z1-086 project by May 7, 2018, which is the projected date for first generation onto the grid;
2. determine scope for on-site transmission relocation work;
3. perform detailed engineering concurrent with conceptual phase work normally completed for the Facilities Study phase;
4. perform office and field work as needed to obtain environmental permits required

- for network upgrades required for the project;
- 5. prepare regulatory filings for all transmission work required for the project; and
- 6. perform community outreach activities as needed to support transmission work required for the project.

3.0.B Facilities to be acquired, designed, constructed and/or installed by the Interconnection Customer under this Interim ISA:

None.

4.0 Interconnection Customer shall be subject to the charges detailed below:

- 4.1 Attachment Facilities Charge: \$ 0
- 4.2 Local Upgrades Charge: \$0
- 4.3 Network Upgrades Charge: \$1,200,000

Interconnected Transmission Owner shall not exceed the following spending limits by year:

2014: \$300,000

2015: \$900,000

4.4 Cost Breakdown:

\$1,056,000	Direct Labor
\$0	Direct Material
\$ 144,000	Indirect Labor
\$0	Indirect Material
\$1,200,000	Total

SCHEDULES:

SCHEDULE A – INTERCONNECTION CUSTOMER’S AGREEMENT TO CONFORM WITH IRS SAFE HARBOR PROVISIONS FOR NON-TAXABLE STATUS

SCHEDULE B - INTERCONNECTION REQUIREMENTS FOR A WIND GENERATION FACILITY

SCHEDULE C - CUSTOMER FACILITY LOCATION/SITE PLAN

SCHEDULE D - SINGLE-LINE DIAGRAM

## SCHEDULE E - SCHEDULE OF NON-STANDARD TERMS & CONDITIONS

### SCHEDULE A

#### **INTERCONNECTION CUSTOMER'S AGREEMENT TO CONFORM WITH IRS SAFE HARBOR PROVISIONS FOR NON-TAXABLE STATUS**

As provided in Section 20.1 of this Interim ISA and subject to the requirements thereof, Interconnection Customer represents that it meets all qualifications and requirements as set forth in Section 118(a) and 118(b) of the Internal Revenue Code of 1986, as amended and interpreted by Notice 88-129, 1988-2 C.B. 541, and as amplified and modified in Notices 90-60, 1990-2 C.B. 345, and 2001-82, 2001-2 C.B. 619 (the "IRS Notices"). Interconnection Customer agrees to conform with all requirements of the safe harbor provisions specified in the IRS Notices, as they may be amended, as required to confer non-taxable status on some or all of the transfer of property, including money, by Interconnection Customer to Interconnected Transmission Owner with respect to the payment of the Costs of construction and installation of the Transmission Owner Interconnection Facilities and/or Merchant Network Upgrades specified in this Interim ISA.

Nothing in Interconnection Customer's agreement pursuant to this Schedule A shall change Interconnection Customer's indemnification obligations under Section 20.1 of this Interim ISA.

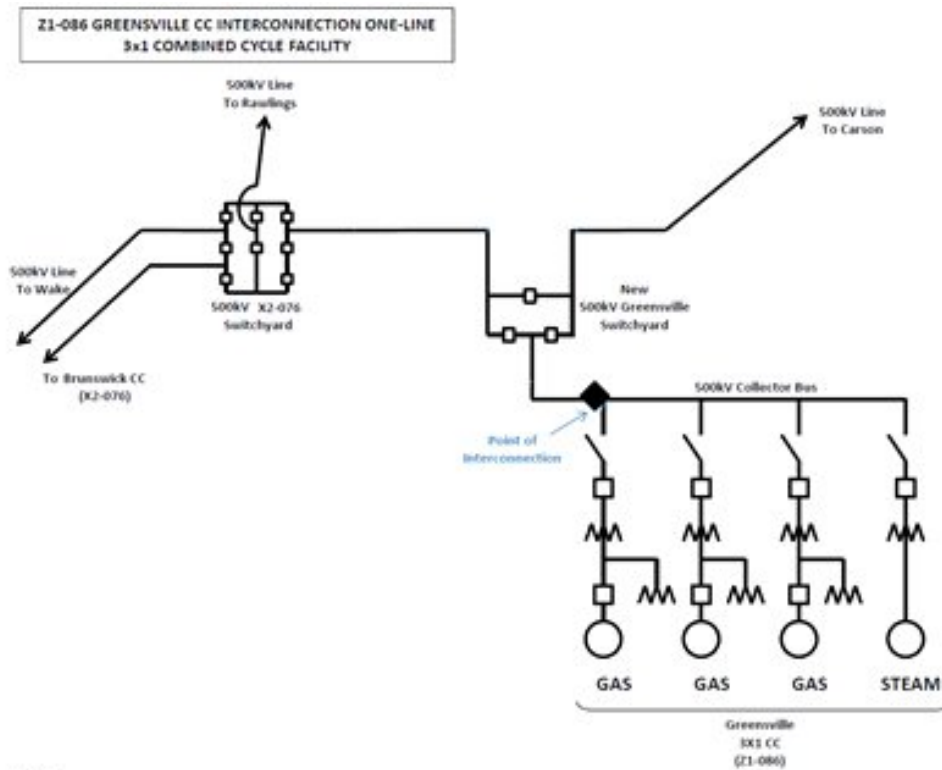
**SCHEDULE B**  
**INTERCONNECTION REQUIREMENTS FOR A**  
**WIND GENERATION FACILITY**

Not Required



# SCHEDULE D

## SINGLE-LINE DIAGRAM



## **SCHEDULE E**

### **SCHEDULE OF NON-STANDARD TERMS & CONDITIONS**

Virginia Electric and Power Company and Interconnection Customer agree to waive the requirement for Security identified in Section 211 of the PJM Tariff. The waiver changes the required Security amount in Interim ISA §4.0(a) to 0 dollars.

Virginia Electric and Power Company and Interconnection Customer agree that they applied the following criteria to determine that their portion of the initial Security amount is zero (0) dollars:

1. The Interconnection Customer and Virginia Electric and Power Company, the Interconnected Transmission Owner for this Interim ISA, are the same legal entity;
2. The required Network Upgrades and Interconnection Facilities whose Security are being waived are entirely on the transmission system of the Interconnection Customer/Interconnected Transmission Owner;
3. The Customer Facility shall be built only if it is approved by the Virginia State Corporation Commission; and
4. The Customer Facility is incorporated into a state filed integrated resource plan to serve native load.

If Interconnection Customer assigns the Interim ISA to another entity that is not the same legal entity as Virginia Electric and Power Company, then Security for the Interim ISA must be provided in accordance with Tariff Section 211, the Interim ISA must be revised to reflect the Security; the revised Interim ISA must be refiled with FERC; and, subject to any necessary regulatory acceptance, the effective date of the revised Interim ISA must be the same as the effective date of the assignment. Failure to provide the requisite Security upon assignment in the amount or form required in accordance with Tariff Section 211, will result in termination of this Interim ISA.

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