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From: Louis.Slade@dom.com [<mailto:Louis.Slade@dom.com>]

Sent: Friday, May 16, 2008 10:01 AM

To: Whitehead, William; Herling, Steven R.

Subject: Fw: [Pjm-mrc] 5/22/08 MRC Conference Call Announcement

Bill/Steve,

Just wanted to give you advance notice that Dominion will oppose the proposed change to the DFAX for the reasons cited below.

Raising the DFAX will send a message to generation project managers that it is cheaper to build in the western zones than in the eastern zones. If they site accordingly, this will likely result in increased west to east transfers across already constrained transmission facilities. This will likely result in a short term increase in the use of congestion management followed by RTEP identification of the need for additional transmission facilities. RTEP and congestion management costs are both borne by load.

Raising the DFAX is contradictory to the premise of RPM and increases the need to implement congestion management. PJM uses security constrained unit dispatch to manage congestion in both the DA market and in RT operations. The DFAX value used is 3 %. PJM also uses the NERC TLR procedure, which uses a DFAX of 5% and, PJM recently signed a local TLR procedure with VACAR companies that uses a DFAX of 3% to curtail non-firm transactions. PJM cited the need to reduce the DFAX from 5% to 3% to allow curtailment to as many non-firm transactions as possible prior to curtailment of firm transactions.

In summary, we believe that this proposal will reduce construction costs for generation projects in the western zones while increasing costs to load serving entities in the eastern zones through increases in congestion management and RTEP costs.

I also request that you please forward this email to the RPPWG.

Please contact me if you wish to discuss further.

Thanks

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