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January 25, 2008

Mr. Howard Schneider
Chairman, PJM Board of Directors
C/o PJM Interconnection, LLC
955 Jefferson Avenue
Norristown, PA 19403

Dear Mr. Schneider:

RE: BACKBONE TRANSMISSION INCLUSION IN THE RPM MODEL

At the January 24, 2008, meeting of the Members Committee, PJM Staff presented alternatives for criteria for inclusion of backbone transmission into the RPM auction for future auctions. The outcome of the discussion was that PJM will accept the estimate of the responsible transmission owner(s) and based on that estimate, recommend to the PJM Board whether or not to include a new transmission element in the RPM planning parameters.

Exelon is sympathetic to the need of PJM Staff to make a determination of whether new transmission will or will not be in service over three years in the future and the immediate need to make a decision on the parameters to be used for the 2011/2012 auction. A decision as to how to model new transmission is extremely important because that decision can have a profound effect on the prices seen in the RPM auction. An incorrect determination (in retrospect) will end up having prices that are either too high or too low; causing generators and developers to possibly make incorrect decisions as to adding new generation or retiring generation. For this reason, it is necessary that the best information be used at the time the modeling is performed.

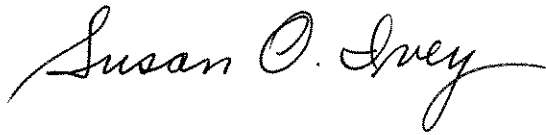
With respect to inclusion of major upgrades in the 2011/2012 model, Exelon believes that there is little reason for debate. PJM's website which publicly shows RTEP Construction Status is showing a transmission owner projected in-service date for Upgrade b0328.2 of June 29, 2011. As this is after the start of the 2011/2012 Planning Year, this upgrade should *not* be included in the model.

For the longer term, Exelon is concerned that the proposed process for relying on a transmission owner estimate be clearly established. Exelon believes that PJM and its transmission owners should build on the established process for acknowledgement of construction responsibility so that the most current in-service date estimates are provided just prior to posting of the Key Expected Transmission Upgrades that will be included in the studies for the delivery year in question.

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On a related matter, based on discussions at the Markets and Reliability Committee, it appears that the reliance on in-service dates by transmission owners will not only be limited to “Backbone Transmission,” but that PJM Staff intends to define “Backbone Transmission” as 500 kV and above. Exelon believes that at this point such a policy ignores the fact that transmission below 500 kV can affect the RPM model; unnecessarily injects PJM once again in transmission cost allocation litigation that can have millions of dollars of impact on members; and is inconsistent with information published by PJM in the past.¹ Exelon requests that PJM apply any policy for modeling of future transmission in RPM to all transmission projects that are not yet in service but which are expected to have significant impacts on the RPM model without respect to voltage. Such a policy will result in better modeling for RPM and not further involve PJM in a dispute in which it need not be involved.

Sincerely,

A handwritten signature in cursive script that reads "Susan O. Ivey". The signature is written in black ink and is positioned below the word "Sincerely,".

¹ For a recent example, see Map 1.1 shown on page 7 to the PJM 2006 Regional Transmission Expansion Plan, dated February 27, 2007.