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June 19, 2009

Howard Schneider, Esq.
Chairman, Board of Managers
PJM Interconnection, L.L.C.
955 Jefferson Avenue
Norristown, PA 19403

VIA EMAIL

RE: Voting Explanation on DSR "Attributes" Vote

Dear Mr. Schneider:

As requested, we would like to explain votes cast at the June 4 Members Committee meeting as the PJM membership considered the different attributes of demand response compensation. With the voting approach followed at the meeting, an opportunity was not available to explain certain votes that could be viewed as contradictory and, therefore, the Indicative Voting Results (attached) may not accurately reflect PJM members' viewpoints on this important issue. At the June 4 meeting, PJM requested those members that wished to clarify their votes to provide a written explanation of their votes for the Board's consideration. To that end, this letter explains the votes cast by Air Liquide Industrials U.S., L.P.; Air Products and Chemicals, Inc.; ArcelorMittal USA Inc.; Borough of Ephrata; Castlebridge Energy Group, LLC; Gerdau Ameristeel Energy, Inc.; Kimberly-Clark Corporation; Lehigh Portland Cement Company; Letterkenny Industrial Development Authority; Linde, Inc.; MeadWestvaco Corporation; Occidental Power Services, Inc.; Praxair, Inc.; Procter & Gamble Paper Products; Severstal Sparrows Point, LLC; Sunoco, Inc.; and Wellsboro Electric Company.

While the Indicative Vote Results speak for themselves, certain attributes of DSR compensation were packaged together as "All Remaining Attributes," which was Attribute A. As reflected in the Indicative Vote Results, the above-referenced PJM members all support in concept the DSR compensation components included in the "All Remaining Attributes" category and voted accordingly in support. However, certain attributes included in this category, namely Attributes L and M regarding day-ahead and real-time committed reductions and settlements, closely depend on the Form of Incentive Compensation (Attribute C) and Time Period for Which Incentive Compensation Is Paid (Attribute D).

As reflected in the Indicative Vote Results, the above-referenced members support the PJM Industrial Customer Coalition proposal with respect to the Form of Incentive (*i.e.*, full LMP compensation above the threshold and non-discriminatory treatment of LMP-based customers) and the Time Period for Incentive (*i.e.*, no automatic sunset). These two

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aspects of PJMICC's proposal are key to advancing and sustaining demand response upon which competitive markets depend. With appropriate and sustainable compensation for demand response, the above-referenced PJM members support the reasonable approach set forth in the PJM Straw Proposal to accommodate day-ahead committed reductions and settlements (Attribute L) and real-time dispatched reductions and settlements (Attribute M).

Thank you for this opportunity to clarify these critical votes. We appreciate the Board's careful consideration of this information during the its deliberations.

Very truly yours,

McNEES WALLACE & NURICK LLC

By 
David M. Kleppinger
Susan E. Bruce

Enclosure

c: David A. Anders, P.E.

**INDICATIVE VOTE RESULTS * : ITEM 4 -- DEMAND RESPONSE COMPENSATION
MEMBERS COMMITTEE
JUNE 4, 2009**

* Percent value shown represents those in favor

		PJM Straw Proposal	PJMICC Proposal	First Energy, Allegheny, PHI Proposal	Exelon and PSEG Proposal	Current Tariff (no change)	(Not used)	Abstain
		1	2	3	4	5	6	7
All Remaining Attributes	A	75.64%	0.00%	0.00%	0.00%	10.26%	0.00%	14.10%
Customers Eligible for Incentive Compensation	B	74.39%	0.00%	0.00%	8.54%	10.98%	0.00%	6.10%
Form of Incentive Compensation	C	26.58%	49.37%	0.00%	3.80%	13.92%	0.00%	6.33%
Time for Period for which Incentive Compensation is Paid	D	25.00%	51.25%	0.00%	5.00%	12.50%	0.00%	6.25%
Price/Operations Threshold Above Which Incentive Compensation is Paid	E	58.75%	0.00%	13.75%	8.75%	12.50%	0.00%	6.25%
Allocation of Incentive Payments to Remaining Load	F	66.25%	0.00%	0.00%	16.25%	8.75%	0.00%	8.75%

Notifications Time Limits for Self-Scheduled Reductions	G	61.73%	0.00%	24.69%	0.00%	3.70%	0.00%	9.88%
Requirements to Submit Settlements when Notification is Given	H	61.25%	0.00%	23.75%	0.00%	3.75%	0.00%	11.25%
Calculation of Credits for Settlements of Self-Scheduled Reductions	I	Packaged in "All Remaining Attributes" vote above.						
Calculation of Debits for Settlements of Self-Scheduled Reductions	J	58.54%	0.00%	17.07%	0.00%	9.76%	0.00%	14.63%
Self Scheduled Settlements	K	Packaged in "All Remaining Attributes" vote above.						
Day-Ahead Committed Reductions and Settlements	L	Packaged in "All Remaining Attributes" vote above.						
Real-Time Dispatched Reductions and Settlements	M	Packaged in "All Remaining Attributes" vote above.						