

**Susan O. Ivey**  
Vice President  
Transmission Operations & Planning

---

Exelon Corporation  
2301 Market Street, S8-2  
Philadelphia, PA 19101-8699  
Phone: 215-841-4706  
Fax: 215-841-5945  
Email: [susan.ivey@exeloncorp.com](mailto:susan.ivey@exeloncorp.com)

June 20, 2008

David Anders, PE  
Manager, Member Services  
PJM Interconnection L.L.C.  
955 Jefferson Avenue  
Norristown PA 19403

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

Re: Redesigned Mid-Atlantic Power Pathway project

Dear Mr. Anders and Board of Managers:

I write to express Exelon's serious concerns for the redesigned Mid-Atlantic Power Pathway ("MAPP") project, approval for which may be requested at the Board's meeting scheduled for June 24. For the reasons explained below, I urge that the Board defer action on this project until the implications of this costly project have been carefully analyzed and stakeholders have had a full and fair opportunity for meaningful input.

The MAPP project was initially proposed to PJM by Pepco Holdings Inc. ("PHI") in May 2006 as a baseline, reliability-based RTEP project and thereafter approved by the Board of Managers in October 2007. As originally proposed and approved, the project would consist of a 230 mile 500 kV line beginning at the Possum Point Substation in Virginia and ending at the Salem Substation in New Jersey with an estimated cost of \$1.05B. On June 6, 2008 -- 14 days ago -- PJM posted notice of a proposed redesign of the MAPP project, which substitutes HVDC feeds for the portion of the project traversing the Chesapeake Bay and which increases the estimated cost of the project to \$1.45B, a 39.8% increase. PJM first presented the revised project to its Transmission Expansion Advisory Committee ("TEAC") on June 12, advised stakeholders that any comments on the redesigned project must be submitted by June 20, and informed stakeholders that it intended to seek Board approval for the redesigned project at the Board's meeting scheduled for June 24.

As I will explain below, Exelon is concerned about this project in three respects. First, Exelon and other stakeholders have simply not been afforded sufficient time or information to allow for meaningful review of the proposed redesign and participation in the review process. Second, the nearly 40% increase in project cost resulting from the redesign warrants careful consideration as to whether the redesigned project is the most economic solution to the problem at hand, but Exelon has been unable to obtain or review any information in that regard and has not been able to determine whether PJM has even considered much less answered that question. Finally, based on the limited information Exelon has obtained about the redesigned project, it is evident that a substantial portion of the project is in effect merely a radial line that will serve only local load and not a backbone project providing regional benefit whose costs may reasonably be spread across all of PJM; accordingly the costs of the redesigned project have not been properly allocated.

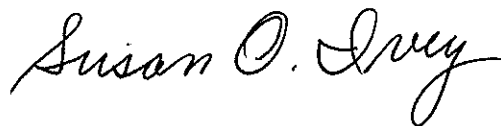
RTEP Process. FERC Order No. 890 contemplates a transparent planning process in which stakeholders have access to complete information on all aspects of proposed projects and a meaningful opportunity for input into the decision-making process. Exelon as an active participant in TEAC long ago requested supporting information pertaining to the original MAPP project approved in 2007. That information was never provided. Now that PHI has proposed a substantial redesign of the project that greatly increases its costs, it is all the more essential that important information be shared with stakeholders. PJM has not made that information available to stakeholders. Indeed, stakeholders were only summarily informed at the TEAC meeting of June 12 of the redesign of the project and were provided neither supporting data from PHI nor analyses performed by PJM on review of the proposed redesign. Adding insult to injury, stakeholders have been directed to provide any comments on the project by June 20. Deprived of access to meaningful information and given inadequate time for review of what little information is available, stakeholders have been effectively precluded from participation in the process of reviewing the redesigned project. The Board in these circumstances must refuse to approve the proposed redesign and should instead direct PJM to work with stakeholders to assure that their concerns are considered and addressed in a meaningful manner.

Reasonable cost. Section 1.4d of Schedule 6 of the PJM Operating Agreement requires that PJM in the RTEP process avoid imposing “unreasonable costs” on TOs and users of the transmission system. Is the estimated \$1.45B cost of the redesigned project reasonable? Exelon has been unable to obtain information that would allow an answer to that question, nor has it been provided any indication that PJM has analyzed, much less answered, that question. Exelon is concerned that the additional \$400M in project cost added by the redesign of the project may not be reasonable. Indeed, Exelon is uncertain whether the redesigned project is the best method for meeting project needs and has been unable to obtain any information indicating that PJM has considered alternatives to the redesign proposed by PHI. With a redesign that increases project costs by nearly 40%, the Board should refuse to consider the redesign proposal until questions concerning the reasonableness of the costs of the project have been fully and fairly ventilated. That has yet to occur.

Cost allocation. While details of the redesigned project have not been provided to stakeholders, Exelon has been able to determine that a key feature of the project redesign is the elimination of 500 kV alternating current submarine cables intended to mitigate anticipated thermal overloads and their replacement with HVDC facilities. The result is an increase in project costs of some \$400M and a project for which a substantial portion will have the same functionality as would be provided by 500/230 kV stepdown transformers and a radial 230 kV submarine cable. It is clear, then, that a substantial portion of this redesigned project will consist of a radial line that will only be used to serve PHI load in the Delmarva Peninsula. The costs of such radial facilities that will serve only local load, however, must be distinguished for cost allocation purposes from the portions of the project that may reasonably be deemed under FERC opinions 494 and 494-A to be “backbone” facilities that benefit the entire region. Exelon, based on the limited information it has obtained on the redesigned project, is unclear as to whether the costs of the redesigned project are reasonable and the best method for meeting reliability concerns. However, it is apparent even from the limited information available that a substantial portion of the costs of the project must be reallocated to reflect their actual functionality and use. The Board should refrain from approving the redesigned project until PJM makes a clear distinction between the portions of the project that are regional facilities and the portions that are lower voltage facilities.

The MAPP project will result in charges to ComEd and PECO zone customers on the order of \$50 million every year. Exelon takes very seriously its responsibility to ensure that RTEP projects receive proper review and represent the most economic solutions available. For all of these reasons, then, Exelon urges that the Board defer action on the redesigned MAPP project. Exelon also requests that the Board formally notify PJM members of its decision on this matter.

Sincerely,

Handwritten signature of Susan O. Ivey in cursive script.