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VIA ELECTRONIC AND HAND DELIVERY

Michael J. Kormos
Senior Vice President, Operations
PJM Interconnection, LLC
955 Jefferson Avenue
Valley Forge Corporate Center
Norristown, PA 19403-2497

Re: Cost Estimate to Operate Beyond Desired Deactivation Date for Cromby Unit No. 2 and Eddystone Unit No. 2

Dear Mr. Kormos:

This is an update to our letter of February 1, 2010, in which we advised you that Exelon Generation Company, LLC ("Exelon Generation") was willing to continue to operate the Cromby and Eddystone units beyond Exelon Generation's proposed deactivation date of May 31, 2011 ("Deactivation Date") as needed for reliability only under an appropriate reliability must run ("RMR") agreement and subject to receiving necessary permits from the Pennsylvania Department of Environmental Protection ("PA DEP"). On March 2, 2010, PJM issued its Deactivation Study and determined that Cromby Unit No. 1 and Eddystone Unit No. 1 could retire on the Deactivation Date without reliability impacts, but that Cromby Unit No. 2 and Eddystone Unit No. 2 should remain in service for reliability purposes until May 31, 2012 and December 31, 2013, respectively. Based on our discussion with your staff last week, we understand that PJM has further revised its Deactivation Study and now has determined that Cromby Unit No. 2 and Eddystone Unit No. 2 should remain in service for reliability purposes until December 31, 2011 and December 31, 2012, respectively. Exelon Generation is willing to continue to operate Cromby Unit No. 2 and Eddystone Unit No. 2 beyond the Deactivation Date to these new dates as needed for reliability purposes under an appropriate RMR agreement. Exelon Generation has entered into a Consent Decree to resolve the environmental permit concerns and is providing an estimate of our cost of service and Project Investment for the proposed RMR period.

PA DEP Consent Decree

On April 16, 2010, the Commonwealth Court of Pennsylvania entered a Consent Decree between Exelon Generation and PA DEP which, among other things, permits the continued operation of Cromby Unit No. 2 and Eddystone Unit No. 2 under existing environmental permits under the condition that the units will be dispatched for reliability purposes only after May 31, 2011. A copy of the Consent Decree and Order was sent to you on April 20, 2010. Exelon Generation has worked with PJM to develop operating procedures which will govern the operation of Cromby Unit No. 2 and Eddystone Unit No. 2 after May 31, 2011. A copy of the operating procedures for the units will be submitted to PA DEP and included as an appendix to our RMR filing with the Federal Regulatory Commission ("FERC"). Under the Consent Decree, Exelon Generation is obligated to provide periodic updates to PA DEP. As a result, to the extent that PJM further modifies the dates that Cromby Unit No. 2 or Eddystone Unit No. 2 must operate, please notify us as soon as possible so that Exelon Generation can inform PA DEP. We appreciate PJM's support in resolving the issues underlying the Consent Decree.

Updated Estimate of Project Investment Costs and Preliminary Estimate of Cost of Service

Pursuant to Section 113.2 of the PJM Tariff, Exelon Generation provided PJM with an estimate of \$144.2 million of Project Investment required to keep Cromby Units No. 1 and 2 and Eddystone Units No. 1 and 2 in operation through June 1, 2014 – PJM's initial assessment of the time needed to complete transmission upgrades. Exelon Generation has updated the expected Project Investment based upon running Cromby Unit No. 2 until December 31, 2011 and Eddystone Unit No. 2 until December 31, 2012. The costs have been significantly reduced because: (1) only two units (Cromby Unit No. 2 and Eddystone Unit No. 2) will now operate during the RMR period; and (2) operating hours are limited by the reliability dispatch limitation in the Consent Decree. We now estimate that the Project Investment will be \$19.3 million for both units – about \$125 million less than our original estimate.

Exelon Generation intends to initiate a RMR proceeding before the FERC during the current quarter. In accordance with FERC process, this request will include cost recovery of the Project Investment (\$19.3 million as noted above) required to ensure continued, safe and reliable operation of the units along with a cost of service component to compensate Exelon Generation for its cost of owning, operating and maintaining the units during the RMR period. Presently, we anticipate that the revenue requirement will be \$2.6 million per RMR-month for Cromby Unit No. 2 and \$8.0 million per RMR-month for Eddystone Unit No. 2, excluding Project Investment recovery.

If you have any questions or would like to discuss this further, please do not hesitate to contact Glen Robinson at (610) 765-5975 or glen.robinson@exeloncorp.com.

Sincerely,



Doyle N. Beneby
Senior Vice President
Acting President, Exelon Power

cc: Joseph E. Bowring