

Zonal Cost Allocation For Retaining Sewaren 1-4 and Hudson Unit 1 Generators

2005 Zonal Cost Allocation

The 2005 reliability problems that would occur if the Sewaren 1-4 and Hudson 1 units retired prior to the summer of 2005 are:

- Contingency overload on Branchburg 500/230 kV #1 and #2 transformers
- Contingency overload on Branchburg – Flagtown 230 kV circuit
- Contingency overload on Branchburg – Readington 230 kV circuit
- Contingency overload on Flagtown – Somerville 230 kV circuit
- Contingency overload on Branchburg – Sunnymeade “X” 230 kV circuit
- Contingency overload on Sunnymeade – Bennets Lane “X” 230 kV circuit
- Contingency overload on Bennets Lane – Sunnymeade “X” 230 kV circuit
- Contingency overload on Edison – Meadow Rd. “Q” 138 kV circuit
- Contingency overload on Edison – Meadow Rd. “R” 138 kV circuit
- Contingency overload on Whippain – North Wales 230 kV circuit

At the time of this posting the anticipated reinforcements would be:

- Replace the de-rated Branchburg 500/230 kV #1 and #2 transformers
- Construct a second Branchburg - Flagtown 230 kV circuit and terminate the Flagtown – Somerville 230 kV circuit on the new section.
- Tie the Sunnymeade “C” and “F” substations together
- Add a new 230/138kV transformer at Metuchen and upgrade the Edison-Meadow Rd "R" and "Q" circuits' terminal equipment

Based on PJM's assessment of the contribution to the need for, and benefits expected to be derived from, the facilities, the zonal percentage cost allocation for 2005 is:

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|---------|-----|
| • PSE&G | 55% |
| • JCP&L | 29% |
| • PECO | 8% |
| • AE | 5% |
| • DP&L | 3% |

2006 Zonal Cost Allocation

There is one additional reliability problem that would occur if the Sewaren 1-4 and Hudson 1 units were not retained through the summer of 2006. This reliability problem is listed below:

- Contingency overload on New Freedom 500/230 kV #2 transformer

At the time of this posting the anticipated reinforcement would be:

- Replace the de-rated New Freedom 500/230 kV #2 transformer

Based on PJM's assessment of the contribution to the need for, and benefits expected to be derived from, the facilities, the zonal percentage cost allocation for 2006 is:

- PSE&G 53%
- JCP&L 27%
- PECO 10%
- AE 7%
- DP&L 3%

2007 Zonal Cost Allocation

All previously listed reliability problems are expected to be resolved prior to the summer of 2007. However, one additional reliability problem would occur if the Sewaren 1-4 and Hudson 1 units were not retained through the summer of 2007. This reliability problem is listed below:

- Contingency overload on Portland – Kittatinny 230 kV

At the time of this posting the anticipated reinforcement would be:

- Reconnector the Portland – Kittatinny 230 kV circuit

Based on PJM's assessment of the contribution to the need for, and benefits expected to be derived from, the facilities, the zonal percentage cost allocation for 2007 is:

- PSE&G 53%
- JCP&L 44%
- RECO 3%

2008 Zonal Cost Allocation

All previously listed reliability problems are expected to be resolved prior to the summer of 2008. However, two additional reliability problems would occur if the Sewaren 1-4 and Hudson 1 units were not retained through the summer of 2008. These reliability problems are listed below:

- Contingency overload on Portland – Greystone 230 kV
- Contingency overload on Elroy – Hosensack 500 kV

At the time of this posting the anticipated reinforcement would be:

- A new 230 kV circuit between Gilbert and East Flemington

Based on PJM's assessment of the contribution to the need for, and benefits expected to be derived from, the facilities, the zonal percentage cost allocation for 2008 is:

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|---------|-----|
| • PSE&G | 33% |
| • PECO | 31% |
| • JCP&L | 16% |
| • DP&L | 10% |
| • AE | 9% |
| • RECO | 1% |