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PUBLIC SERVICE COMMISSION

June 8, 2006

Mr. William H. Whitehead
Chairman, Planning Committee
PJM Interconnection, LLC
955 Jefferson Ave.
Valley Forge Corporate Center
Norristown, PA 19403-2497

Mr. Steven E. Herling
Vice President Planning
PJM Interconnection, LLC
955 Jefferson Ave.
Valley Forge Corporate Center
Norristown, PA 19403-2497

Re: Public Service Commission of Maryland Comments on the RTEP Announced at the May 23rd Transmission Expansion Advisory Committee Meeting

Dear Messrs. Whitehead and Herling:

On May 23, 2006, at the Transmission Expansion Advisory Committee ("TEAC") meeting PJM presented a new Regional Transmission Expansion Plan ("RTEP"). This was the first RTEP prepared using the new planning protocol adopted by PJM, which increased the PJM planning horizon from five to 15 years.

The Public Service Commission of Maryland ("MPSC") commends PJM for recognizing shortcomings in the prior regional transmission expansion planning process ("RTEPP"), particularly its limited study timeframe of five years. The longer planning horizon should both better identify electric reliability issues, and develop comprehensive solutions. The MPSC also notes that the revised RTEP protocols incorporate a market efficiency component that should be useful in weighing the relative merits of projects.

The MPSC has long advocated the development of a long-term transmission planning process in PJM. Development of the new RTEP process began in August 2005, and PJM has moved forward quickly in both developing the new process and implementing it. The RTEP released on May 23 was the initial product of this new process. The MPSC has attended the meetings and monitored the actions of the Regional Planning Process Working Group ("RPPWG"), which has been responsible for developing the new long-term planning process. The MPSC will continue to monitor the development of the market efficiency component of the long-term process. The MPSC also anticipates that it will attend meetings and monitor actions of the TEAC, which will be responsible

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for reviewing and recommending the assumptions that will be used in developing the new RTEP, and reviewing the RTEP before it is sent to the PJM Board for approval.

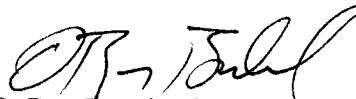
The MPSC's position is that under investment in transmission infrastructure has contributed to soaring energy prices in central, southern and eastern Maryland, and the significant differentials in wholesale electricity prices between PJM western and eastern zones. Historic spreads in wholesale electricity prices between the APS and the Baltimore Gas and Electric Company ("BGE"), Potomac Electric Power Company ("Pepco") and Delmarva zones means residential customers in these zones will pay in excess of \$600 million for the year beginning July 1, 2006 because of projected congestion on the PJM system. In effect, under investment in transmission has reduced the benefits that would otherwise be available to Maryland customers from the expansion of the PJM system.

PJM is proposing that zones that are all or partially in Maryland pay for a significant portion of the new 500 kV Prexy-Loudoun line, even though only a small portion of the line would transverse the southwest corner of Maryland; BGE-19%, Pepco-23%, DPL-6%. The total cost of the line is estimated to be \$850 million compared to a total budget of approximately \$1.5 billion for all projects in the RTEP. Maryland zones would be responsible for a significant portion of this remaining RTEP budget as well. Customers in the BGE zone would be responsible for about \$160 million of the new 500 kV line, customers in the Pepco zone about \$196 million, and in the Delmarva zone (not all of which is in Maryland) \$50 million.

In the face of these real world impacts, the Commission urges that PJM quickly complete and implement the market efficiency component of the new long-term transmission planning process. Completing and implementing the process will help ensure that the full benefits of PJM transmission projects like the Prexy-Loudoun line are evaluated and the costs of the projects are in turn equitably allocated across all zones comprising the PJM system. The need to complete the development and implementation of this process is heightened by the fact that in the new RTEP, PJM anticipates that in years five to 15 at least two other extra high voltage transmission lines will need to be built.

In summary, MPSC is supportive of the new long-term planning process that was used to prepare the new RTEP. The MPSC advocates that PJM expeditiously complete the market efficiency component of the new long-term planning process to ensure that the benefits of new large transmission projects are fully evaluated, and the costs associated with them are equitably allocated. The MPSC looks forward to continued participation in the development and implementation of the process through the Regional Planning Process Working Group and the Transmission Expansion Advisory Council.

By Direction of the Commission,



O. Ray Bourland
Executive Secretary

ORB/lvs

cc: Gregory V. Carmean, Executive Director
John O. Sillin, Director, IRP Division