

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

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November 9, 2010

Mr. Steven Herling  
Vice President  
PJM Interconnection, LLC  
955 Jefferson Avenue  
Norristown, PA 19403

RE: PJM Evaluation of Market Efficiency Projects

Dear Steve:

I am writing to express my concern about the process PJM is using to evaluate market efficiency projects for inclusion in the RTEP. Specifically, PJM appears to be evaluating the Byron-Cherry Valley-Pleasant Valley 345kV project 'proposed' by Central Transmission, LLC in a vacuum. I believe that by doing so PJM may be failing to look for the best and most economical transmission solutions to preserve the reliability, economic efficiency and operability of the PJM system. I am also surprised that PJM had not already, prior to the Central Transmission "proposal", or at least simultaneously with it, begun to evaluate the Byron-Charter Grove-Wayne 345kV line ("ComEd Project"), a project that ComEd has been working on cooperatively with PJM since at least August 2009..

On August 26, 2009, Tom Leeming of ComEd sent a slide deck (attached) to Paul McGlynn of PJM in preparation for a call later that day. As you can see, that slide deck contained an extensive list of concerns about the transmission system in the ComEd Zone (reliability, operational, economic, interconnection and PJM/MISO cross border concerns) and showed the benefits of the ComEd Project in remedying these problems. Rather than consider the ComEd Project in its market efficiency analysis, however, it appears that PJM has instead analyzed another line with no explanation to ComEd as to why the ComEd Project has not been studied.

Moreover, ComEd questions why PJM is not looking at other potential and possibly less costly solutions. For example, at the September 8, 2010 TEAC meeting, PJM identified upgrades to ComEd's Marengo-Pleasant Valley 138kV and Marengo-Woodstock 138kV lines to be included in the RTEP because the 10 year analysis of the 2010/11 Stage 1A

ARRs resulted in infeasibility. It would appear, given that PJM is predicting over \$1 Billion in congestion on the Marengo-Pleasant Valley 138kV line that acceleration of these upgrades should be considered as an alternative.<sup>1</sup> Similarly, there are a number of requests for IARRs that would have merchants fund the reconductoring of the Marengo-Pleasant Valley 138kV line. While my understanding is that there is no executed construction agreement to date, a final decision on any economic efficiency line should not be made without considering those upgrades.

PJM has, to my knowledge, not stated publicly how it will designate a party to construct a line when alternatives are proposed. This lack of transparency is troubling, especially when it appears all alternatives are not being evaluated, but instead one 'proposal' is expedited simply because Central Transmission asked PJM to do so. PJM's transmission planning responsibilities are not consistent with this passive and reactive behavior. The solution PJM chooses must be the best solution for the system. Because ComEd brought the ComEd Project to PJM's attention as a solution to system problems and has discussed its advantages with PJM for some time, I did not expect that we would have to specifically request PJM study this Project. As the planner, PJM should have looked at the ComEd Project on its own. I would also point out that the Central Transmission 'proposal' is a simple variation of the ComEd Project, which has been directly in front of PJM for some time and has been in ComEd's plans for even longer.

ComEd has striven to work collaboratively with PJM and its stakeholders and to be open with proposed upgrades to its system.<sup>2</sup> Yet now, without communicating with ComEd about a project that we have previously discussed with PJM, PJM appears to be analyzing in isolation an alternative consisting of a simple variant of that project now "proposed" by Central Transmission. That process concerns me. While I understand that recent FERC orders involving the PJM system have posed a challenge to PJM, PJM cannot distort its comprehensive planning process to analyze a single 'proposal.'

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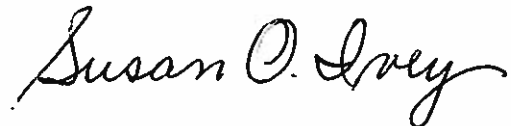
<sup>1</sup> As you know from the last TEAC meeting, ComEd does not necessarily agree with the assumptions used in the analysis that results in this predicted congestion but that is an issue that is common to a more complete analysis of alternatives.

<sup>2</sup> The ComEd Project has appeared as a candidate line in numerous public forums and publications, and ComEd questions whether other parties can claim 'sponsorship' of simple variations of lines ComEd (or its parent Exelon) has put forward in public. For example, the ComEd Project has appeared in the SMART Study as an alternative. PJM identified the need for the ComEd Project in its generator interconnection system impact studies (see, e.g., R16, R33). The Midwest ISO discussed the ComEd Project in its Regional Generation Outlet Study (RGOS) Phase 1 in mid-June of 2009. The Midwest ISO also identified the ComEd Project as a proposed mitigation solution in the PJM/MISO Cross Border Congested Flowgate Study. It is clear to me, and it should be clear to PJM, that the ComEd Project not only has been specifically discussed with PJM as a proposed solution to problems on the PJM system but also has been discussed in public. Variations of the ComEd Project are not new or unique and do not rise to the level of 'sponsorship' of a new idea.

This issue is extremely important to ComEd and to Exelon, and, I believe, to the future of rational PJM transmission planning.

My staff and I would be glad to meet with you to discuss this further if you desire.

Sincerely,

A handwritten signature in cursive script that reads "Susan O. Grey".

cc: Terry Boston (PJM)  
Michael Kormos (PJM)  
Steven Naumann  
Tom O'Neill  
Peter Thornton