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May 26, 2010

Mr. David J. Pratzon  
Chairman, PJM Marginal Loss User Group  
c/o Exelon Power Team  
300 Exelon Way  
Kennett Square, Pennsylvania 19348

Dear Mr. Pratzon:

The PJM Board of Managers appreciates your recent correspondence conveying the recommendations of the Marginal Loss User Group (MLUG). Your thorough explanation about the process and your rationale for enhancements to the marginal loss calculations assisted the Board in its review of this issue. Other parties also helpfully explained their perspectives.

The Board is prepared to take action to ensure that facilities used in the marginal loss calculations are consistent with the facilities that PJM monitors for dispatch. The key question is when to implement these changes.

Before PJM undertakes unilateral action at FERC, the PJM Board wants to be sure that every effort is made to address stakeholder concerns. Thus PJM is seeking additional examination of this marginal loss modeling change by the higher-level stakeholder committees. To provide more definition to this proposal, the PJM staff will draft detailed tariff language to bring consistency to the marginal loss and congestion models with an effective date of June 1, 2012. The Board hopes this intensified review will garner acceptance of an equitable solution among the broadest possible range of PJM members.

In the event further stakeholder effort is unfruitful, PJM staff will likely recommend to the Board the filing with FERC of a proposal to bring consistency to the marginal loss and congestion models with an effective date of June 1, 2011, or sooner if so directed by FERC. While I cannot predict the Board's ultimate course of action, I can say -- on behalf of both the PJM staff and Board -- that we strongly encourage interested stakeholders to pursue every avenue that could lead to stakeholder consensus without the necessity of PJM taking action through a Section 206 filing.

While we appreciate the challenges to achieving consensus among diverse business interests, PJM hopes additional stakeholder discussions are successful and expects such efforts will strengthen PJM's resolution of this issue.

Thank you very much for your leadership and continued participation in PJM issues.

Sincerely,

A handwritten signature in black ink that reads "Terry Boston". The signature is written in a cursive, flowing style.

Terry Boston