



955 Jefferson Ave.
Valley Forge Corporate Center
Norristown, PA 19403-2497

February 11, 2010

Collin P. O'Mara
Secretary
State of Delaware
Department of Natural Resources and Environmental Control

RE: Indian River Unit 3

Dear Secretary O'Mara:

We are in receipt of your letter dated February 1, 2010 requesting PJM to conduct a study to determine the impact of a permanent retirement of the Indian River Unit 3 by 12/31/2013.

PJM has recently completed analysis of the conditions that are expected to exist in the summer of 2013 as part of the development of the "planning parameters" associated with the upcoming RPM base residual auction that will be conducted in May of this year. As part of this analysis, PJM staff completed a load deliverability study, which is a test of the ability of the transmission system to import energy into various areas of the PJM system that are experiencing a capacity deficiency. The study established a Capacity Emergency Transfer Objective (CETO) for each area, which is a statistically based calculation of the amount of power that would need to be able to be imported into an area during a capacity emergency in order to meet PJM's reliability criteria. The transmission system is then tested to determine the Capacity Emergency Transfer Limit (CETL) for each area, which is the amount of power that the area can reliably import considering single contingency outages. The results of this analysis are posted on the PJM website at the following link:

<http://www.pjm.com/markets-and-operations/rpm/~media/markets-ops/rpm/rpm-auction-info/2013-2014-planning-period-parameters.ashx>

The analysis shows that import capability into both the Delmarva and Delmarva South areas (i.e. the CETL) exceeds the required import capability for each area (i.e. the CETO) by more than the maximum capability of the Indian River Unit 3. Given that, these areas will continue to meet PJM's load deliverability criteria in 2013 if the unit was to be deactivated.

The Indian River Unit 3 is also part of two larger "global" areas, specifically the Eastern Mid-Atlantic area and the Mid-Atlantic area, which also are tested for their import capability. The import capability for these areas exceeds the import objective. Transmission facilities that are limiting the import capability to these areas would not be significantly impacted by the deactivation of Indian River Unit 3.

It should be noted that PJM has not completed an exhaustive body of analysis on all of the potential impacts of the deactivation of Indian River Unit 3. Once PJM receives a deactivation notification for the unit from NRG, PJM will complete more detailed analyses consistent with the PJM tariff requirements. Any additional reliability impacts identified in these analyses are likely to be smaller in scope and would be able to be implemented prior to the proposed deactivation date.



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If you have any questions about the analysis that PJM has completed, please contact Paul McGlynn (mcglyp@pjm.com).

Sincerely,

A handwritten signature in black ink, appearing to read "S. Herling", written in a cursive style.

Steven R. Herling
Vice President, Planning

cc: Denise Foster, PJM
Priscilla Chandler, PJM

SRH/nbm: 579248