Summer Outlook

PJM expects to have adequate generation resources for the forecasted peak summer conditions. In addition, PJM is not anticipating any transmission problems during the summer season. Preliminary forecasted peak conditions for the summer are:

<table>
<thead>
<tr>
<th>Forecast Load (MW)</th>
<th>Demand Response and Energy Efficiency (MW)</th>
<th>Forecast Load Less Demand Response (MW)</th>
<th>Total Installed Generation Capacity (MW)</th>
<th>Reserve Margin Based on Total Resources (MW)</th>
<th>Reserve Margin Based on Total Resources</th>
<th>Reserve Margin Based on Committed Resources</th>
<th>Required Reserve Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>155,553</td>
<td>11,175¹ (est.)</td>
<td>144,378</td>
<td>186,884</td>
<td>42,506</td>
<td>29.4%</td>
<td>22.5%</td>
<td>15.9%</td>
</tr>
</tbody>
</table>

¹Includes 651MW of Energy Efficiency

The numbers listed above include the load and resources of East Kentucky Power Cooperative (EKPC), which will be integrated into the PJM RTO on June 1, 2013. The forecasted load is based on normal (so called, 50-50) weather. The anticipated load growth from 2012 to 2013 is 0.9%, slightly lower than normal due to the effects of the economy. The total installed generation capacity includes all capacity resources within the electrical borders of the PJM RTO and external generators that have committed to serve PJM load through the Reliability Pricing Model (RPM).

Current status

Based on the PJM Seasonal (OATF) study results, the PJM RTO bulk power transmission system can be operated reliably during the 2013 summer peak load period in accordance with the operating principles and guidelines contained within the PJM Manuals.

The PJM RTO bulk power transmission system was studied using power flow cases that simulated the expected system conditions for the 2013 summer peak load period. Projected reactive interface transfer limits were calculated for the PJM Reactive interfaces. There is no significant system congestion expected during the 2013 summer peak load period. All thermal issues identified during the analysis were localized, controllable issues. Voltage studies also showed that no significant issues are expected.

The 2013 summer non-diversified 50/50 peak load case was based on the following assumptions - PJM RTO Load Forecast of 162,609 MW; PJM RTO Installed Generation Capacity of 186,884 MW.

In the base case, normal and contingency thermal overloads were controlled with circuit switching and adjustments to phase angle regulators. Voltage violations were controlled with available generator reactive power, capacitors, reactors, and tap adjustments on load tap changing transformers. Commitment of generation was required to alleviate any remaining constrained facilities and voltage violations encountered at peak load levels.

PJM impact, concerns and position

PJM expects to have adequate resources and transmission system availability to be able to handle expected summer conditions. If PJM experiences abnormal equipment unavailability and/or unusual weather conditions, emergency procedures may be necessary.