



Department of Energy
Washington, DC 20585

June 2, 2006

Mr. Robert Driscoll
CEO
Mirant Mid-Atlantic, LLC
1155 Perimeter Center West
Atlanta, GA 30338

Re: District of Columbia Public Service Commission
Docket No. EO-05-01

Dear Mr. Driscoll:

On December 20, 2005, the Secretary of Energy issued DOE Order No. 202-05-3, pursuant to section 202(c) of the Federal Power Act, 16 U.S.C. § 824a(c), ordering the operation of the Potomac River Generating Station (the Plant) owned by Mirant Potomac River, LLC (Mirant). The order found "that an emergency exists because of the reasonable possibility an outage will occur that would cause a blackout, the number and importance of facilities and operations in our Nation's Capital that would be potentially affected by such a blackout, the extended number of hours of any blackout that might in fact occur, and the fact that the current situation violates applicable reliability standards."

On January 4, 2006, the Department responded to the compliance plan submitted by Mirant on December 30, 2005, pursuant to Order No. 202-05-3. The Department's response instructed Mirant to "...immediately take the necessary steps to implement Option A of the intermediate phase proposed in the implementation plan." The response stated further that the Department was considering other options for Mirant's compliance with the December 20, 2005 order.

On June 1, 2006, Mirant entered into an Administrative Consent Order (ACO) with the Environmental Protection Agency (EPA) regarding the operation of the Plant. Under the ACO, the Plant shall be operated during Line Outage Situations (as defined in the ACO) in accordance with Ordering Paragraph A of Order No. 202-05-3. In Non-Line Outage Situations (as defined in the ACO) the Plant is to be operated in accordance with paragraph B of Part IV of the ACO.

DOE has determined that the operation of the Plant under Option A pursuant to DOE's January 4, 2006 instructions does not provide an adequate level of electric reliability to the Central D.C. area under current circumstances. Operation pursuant to the ACO, in particular under the Model Evaluation Study, is necessary in order for Mirant to comply with the Secretary's December 20, 2005 Order, and to assure an adequate level of electric



reliability under the circumstances. The ability of the Plant to be prepared to rapidly respond to Line Outage Situations will remain critical to reliability in the Central D.C. area until such time as Potomac Electric Power Company's two new 230 kV transmission lines are completed, which is anticipated to be in June 2007.

Thus, in Non-Line Outage Situations, in accordance with Ordering Paragraph B of DOE Order No. 202-05-3, Mirant shall keep as many units in operation, and shall take all other measures to reduce the start-up time of units not in operation, for the purpose of providing electricity reliability so long as such operations are in accordance with paragraph B of Part IV of the ACO, and any other applicable terms of the ACO. In Line Outage Situations, Mirant shall comply with Ordering Paragraph A of DOE Order 202-05-3.

Sincerely,

A handwritten signature in blue ink, appearing to read "Kevin Kolevar".

Kevin Kolevar
Director, Office of Electricity Delivery
and Energy Reliability

cc: Ms. Debra Bolton