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January 16, 2006

The Honorable Samuel W. Bodman
Secretary of Energy
U.S. Department of Energy
1000 Independence Avenue, S.W.
Washington, D.C. 20585

**Re: PRELIMINARY RESPONSE OF PJM INTERCONNECTION, L.L.C.
TO THE OPERATING PLAN OF MIRANT POTOMAC RIVER, LLC**

Dear Secretary Bodman:

Enclosed please find the Preliminary Response of PJM Interconnection, L.L.C. to the Mirant Potomac River operating plan.

Please contact the undersigned counsel should you have any questions.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Vince Duane', with a long horizontal flourish extending to the right.

Vincent P. Duane

VPD/pmd

Cc: Service list in DOE Docket EO -05

**UNITED STATES OF AMERICA
BEFORE THE
DEPARTMENT OF ENERGY**

**Emergency Petition and Complaint of
Public Service Commission
of the District of Columbia Under
Section 302© of the Federal Power Act**)
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)
)

DOE Docket No. EO-05-01

**PRELIMINARY RESPONSE OF PJM INTERCONNECTION, L.L.C.
TO THE OPERATING PLAN OF MIRANT POTOMAC RIVER, LLC**

As directed by the Department of Energy’s Order No. 202-05-3 issued December 20, 2005 (the “Order”), Mirant Potomac River, L.L.C. (“Mirant”) filed a plan detailing plant operations protocols that it asserts comply with the Order. The Mirant plan provides for (i) a temporary phase addressing ordering paragraph A of the Order, (ii) an intermediate phase, consisting of two options, addressing ordering paragraph B of the Order, and (iii) and a long-term phase generally describing possible engineering solutions considered by Mirant to definitively resolve the environmental issues currently limiting full operation of the plant. PJM adopts the summary description of each phase provided by the Potomac Electric Power Company (“PEPCO”) in its Preliminary Response filed with the Department on January 9, 2006 and will not restate the same here.

Additionally, PJM echoes PEPCO’s support of Mirant’s response to ordering paragraph A of the Order continuing and expanding a temporary phase operating protocol to ensure reliability in situations where key transmission facilities are subject to planned or forced outage. PJM confines its comments here to Mirant’s intermediate phase response – the

so called Options A and B put forth by Mirant as alternate operating protocols in response to ordering paragraph B of the Order.¹

As a preliminary matter, Mirant was directed to offer a plan of operations that would offer PJM, as the control area operator, “reasonable electric reliability” in a manner that “minimizes any adverse environmental consequences.” *Order* at pps 8-9. Despite its discussion of hypothetical emission exceedences under remote scenarios, PJM presumes that Mirant advances both Options A and B because it believes each alternative complies with both the reliability and environmental standards set out in the Order.² Accordingly, PJM will limit its comments to the question of whether either Option A or B satisfactorily addresses the need to preserve an acceptable level of system reliability.

Notably, neither Option A nor Option B provides the District of Columbia the level of reliability it had prior to Mirant’s August, 2005 shutdown of the plant. No party in this docket has alleged that the level of reliability enjoyed by the District of Columbia prior to the plant shutdown was excessive or beyond any reasonably required level. Quite to the contrary, at least one party has suggested that the *status quo ante* (prior to the plant shutdown) exposed the District to unreasonable reliability risks.³ While these

¹ PJM will not address here the issue of a long-range solution, including Mirant’s proposed environmental remediation (Trona) technology or the potential for changes to the physical characteristics of the plant, such as increasing the height of the stacks. Based on *District of Columbia Public Service Commission*, 114 FERC ¶ 61,017 (Jan. 9, 2006), PJM understands that the long-term resolution of this matter will be the focus of the parallel docket currently before the Federal Energy Regulatory Commission.

² It seems apparent to PJM that the environmental standards envisioned by the Department do not direct a plan of operations that has no adverse environmental impact. Rather, the obligation is to implement a plan that ensures an acceptable level of reliability while avoiding “*unnecessary* exceedences.” *Order* at 10 (emphasis added). It is clear that the Order does not call for a plan that eliminates “any conflict between environmental goals and electric reliability.” That goal is one the Commission holds out as a hopeful objective down the road. *Id.*

³ The City of Alexandria has questioned the reasonableness of PJM and others continued reliance on Potomac River as part of the reliability equation for the area in question. *See Motion to Intervene And Comments of the City of Alexandria, Virginia*, FERC Docket EL05-145, p.2 (August 29, 2005).

intimations are ones with which PJM strongly disagrees, the point is that both Options A and B represent a degradation to the District of Columbia's previous reliability profile.

In an effort to assist in defining further a "reasonable level of reliability," as called for by the Department, PJM offers the following standards that, in its view as the system operator, must be met:

- First, all five units at the Potomac River plant must be operated frequently enough to say out of "lay up" status so as to be available in short order to dispatch if needed to follow load in high demand periods.
- Second, adequate generation must be available in short order to ensure no transmission line overload that would require load shedding under forecasted peak conditions in the event of the failure of a single line.

Both Options A and B address these two standards. However, both fail by varying degrees to meet these standards because neither can be said to provide sufficient availability in "short order."

In PJM's firm judgment, continuation of Option A represents an unacceptable degradation of system reliability because it would require a full 28 hour advance notice before obtaining full output of all five units at the Plant, assuming start-up and ramping without incident. The level of daily peak load for that area of the District of Columbia in question can range from 350MW to, on hot summer days, upwards of 550 MW. Operating under Option A would cover, at best, only 278MW of this load. In other words, in the event of an emergency during peak conditions, additional units at the plant beyond the Option A configuration would be called by PJM to meet as much as 73MWs to 272MWs of load. In this event, waiting as much as 28 hours for a suitable response is not tolerable.

Option B represents a significant improvement by reducing the call time to 12 hours, again assuming problem free start-ups and ramping. Also, the load shortfall that would have to be covered in an emergency is reduced from a range of 73 - 272MWs to 44 - 244MWs.⁴ The Department should note, however, that PJM's analysis above assumes the plant, when called on, will respond without incident or delay. Actual practice, however, demonstrates that such assumptions are optimistic indeed. As evident from the difficulties experienced by Mirant in re-starting Potomac River in response to PEPCO's January 9, 2006 planned outage of transmission facilities and the consequent need to delay such outage, generating units (particularly of this vintage) which have been out of service for extended periods cannot be expected to return to service in a textbook fashion.⁵ In considering, from a reliability perspective, the adequacy of any operating protocol advanced by Mirant, including Options A and B, the Department should take into account this reality.

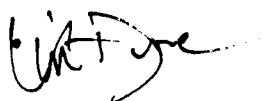
In summary, PJM understands the difficulty facing the Department in having to balance the important conflicting interests presented here. However, PJM does not regard Option A as anywhere close to striking the correct balance. The improvement offered by Option B reduces the reliability risks by leaving less potential load uncovered in the event of an emergency and in lessening the call time should it be necessary to dispatch idled units at Potomac River to cover such load. Option B, however, is not an operating state that PJM would accept for any length of time under normal circumstances.

⁴ In other words, the operation of all three base load units provided for in Option B provides approximately 306MW of generation.

⁵ While the Potomac River generators have had excellent operating performance rates overall, the planned start-up of all five units between January 7, 2006 and January 9, 2006 resulted in several unplanned unit outages for periods up to 18 hours and miscellaneous reductions on several units lasting several days. As a result of these uncertainties, the planned outage of the PEPCO transmission facility was delayed until Wednesday January 11, 2006.

As is true for both the Department and PEPCO, PJM expects Mirant will return with a further refinement of its proposed operating plan that offers greater reliability protection for the District of Columbia. In this event, PJM requests that it be permitted to reserve the right to comment further on any such additional filing that Mirant may make.

Respectfully submitted,



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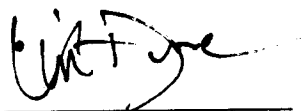
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January 16, 2006

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served on all parties of record in this proceeding on this 16th day of January.



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