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January 9, 2006

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

**Re: DOE Docket No. EO-05-01 Preliminary Response of the Potomac
Electric Power Company to the Operating Plan of Mirant Potomac River, LLC**

Dear Secretary Bodman:

Enclosed please find the Preliminary Response of the Potomac Electric Power Company to the Operating Plan of Mirant Potomac River, LLC.

Please contact the undersigned counsel should you have any questions.

Respectfully submitted,



Anthony C. Wilson

ACW/vej

cc: Service list in DOE Docket EO-05
Lawrence Mansueti, DOE (via fax)

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

**Emergency Petition and Complaint of)
Public Service Commission)
of the District of Columbia Under)
Section 202 (c) of the Federal Power Act)**

DOE Docket No. EO-05-01

**PRELIMINARY RESPONSE OF THE POTOMAC ELECTRIC POWER COMPANY TO
THE OPERATING PLAN OF MIRANT POTOMAC RIVER, LLC
AS FILED DECEMBER 30, 2005**

On December 20, 2005, the United States Department of Energy ("DOE") issued Order No. 202-05-3 ("DOE Potomac River Order"), directing Mirant Potomac River, LLC ("Mirant"), to generate electricity at Potomac River Generating Station pursuant to the terms of the DOE Potomac River Order. At page 11 of the DOE Potomac River Order, DOE directed Mirant to submit a plan detailing the steps Mirant would take to ensure compliance with the DOE Potomac River Order. DOE is then to review the compliant plan and "order additional requirements if necessary."

On December 30, 2005, Mirant submitted its proposed compliance plan ("Mirant Compliance Plan"). On January 4, 2006, the DOE issued a letter to Mirant informing Mirant that the DOE was in the process of reviewing Mirant's Compliance Plan and directing Mirant on an interim basis to immediately implement the "Option A" operational plan identified in Mirant's Compliance Plan (and discussed herein).

The Potomac Electric Power Company ("Pepco") hereby files these preliminary comments on the Mirant Compliance Plan. To summarize, the Mirant Compliance Plan

describes three phases of operation: 1) a temporary phase, wherein the current limited operation of Potomac River Unit 1 would immediately expand to allow operation of Unit 1 “unconstrained as to unit load and hours of operation,” subject to a specific SO₂ emission rate limitation; 2) an intermediate phase, wherein three (3) Potomac River units operate under Options "A" or "B" as discussed below; and 3) a long term phase, which involves the potential reconfiguration of certain Potomac River unit stacks and requires nearly eighteen (18) months and additional studies before it can be implemented.

During the temporary phase, it remains critical that the Potomac River Generating Station be available to operate (up to its full capacity) to meet load in the event of planned or unplanned outages of the 230 kV lines. Pepco understands that the temporary phase is subject to Ordering Paragraph A of the DOE Potomac River Order, which provides that:

During any period in which one or both of the 230kV lines serving the Central D.C. area is out of service, whether planned or unplanned, Mirant will operate the Potomac River Generating Plant to produce the amount of power (up to its full capacity) needed to meet demand in the Central D.C. area as specified by PJM for the duration of the outage.

In the event of a planned outage, Potomac River units will generate that amount of electricity specified by PJM to meet demand.

In the event of an unplanned 230kV line outage, Potomac River units will generate that amount of electricity specified by PJM to meet demand as soon as possible.

DOE Potomac River Order at 10. Ordering Paragraph A continues that during any such outage Mirant will “to the extent possible” take steps “to minimize the magnitude and duration of any exceedance of the NAAQS” (*i.e.*, exceedances that cannot be avoided are to be minimized to the extent possible). As DOE explains in the Order, “in the absence of today’s order it would take several hours at a minimum to bring the Plant into full operation.” *Id.* at 7. Through this paragraph, DOE intends to ensure “reasonable electric reliability,” while “[s]eeking to minimize,

to the extent reasonable, any adverse environmental impacts.” *Id.* at 5, 8. Based on this understanding that the temporary phase remains subject to the provisions of Ordering Paragraph A, Pepco has no objection to continuation and expansion of the temporary phase.

Regarding the intermediate phase, under Option A, Mirant proposes to operate one (1) base load unit without constraints and two (2) cycling units with constraints not to exceed a daily SO₂ emissions cap. Operation of the three (3) units would be rotated in intervals of two (2) weeks, so that no unit would be placed in lay up mode. Under Option B, Mirant proposes to operate three (3) base load units with constraints to manage daily SO₂ emissions (no more than twelve (12) hours at full load). The two cycling units would operate one (1) day per week each on a very constrained basis (four (4) hours at maximum and four (4) hours at minimum).

Pepco agrees with Mirant that Option B provides a better balance of system reliability and environmental interests than Option A. However, neither Option A nor Option B restores the degree of reliability that existed and was available prior to Mirant’s unilateral shutdown of Potomac River in August 2005. Pepco notes, however, that Mirant would need approximately twenty-eight (28) hours to restore all units in an emergency under Option A and approximately twelve (12) hours to restore all units in an emergency under Option B. This could have serious and adverse public health and safety impacts, as Pepco has previously explained,¹ and as DOE recognizes in its Order.²

¹ See, e.g., Answer of Potomac Electric Power Company and PJM Interconnection, L.L.C. to Motion of Robert G. Burnley, Director the Commonwealth of Virginia Department of Environmental Quality, FERC Docket No. EL05-145-000, at 7-8 (Oct. 12, 2005); Potomac Electric Power Company’s Motion for Leave to Answer and Answer to Comments and Protests, FERC Docket No. EL05-145-000, at 2-3 (Sept. 9, 2005); see also Motion for Leave To Intervene and Comments of the District of Columbia Water and Sewer Authority (“WASA”), FERC Docket No. EL05-145-000, at 4 (“The loss of electricity to Blue Plains [WASA’s wastewater treatment facility] has environmental consequences. . . .”); Notice of Intervention of the Pennsylvania Public Utility Commission and Comments in Support of Petition, FERC Docket No. EL05-145-000 (“[T]he immediate and compelling public interest lies with the protection of life and property threatened by the plant shutdown.”); Emergency Petition and Complaint of District of Columbia Public Service Commission, FERC Docket No. EL05-145-000 (“[T]here is no escaping the fact that the Potomac River Plant is for now and the foreseeable future, an essential element in the provision of electric service to the District of Columbia. Without the power generated by it, catastrophe could be very near.”).

² See, e.g., DOE Potomac River Order at 8 (“[I]n the absence of today’s order DOE understands it would take at least 28 hours, and likely longer, to bring the Plant into full operation, during which time all or a substantial part of the Central D.C. area would be without electric power. The results would be hardship and physical risk to hundreds of thousands of persons from loss of heat, elevator outages, medical equipment failure

In sum, although Pepco agrees with DOE's directive that Mirant "should immediately take the necessary steps to implement Option A of the intermediate phase proposed in the implementation plan,"³ that Option does not satisfy the concerns identified by DOE in its decision and Order. Pepco agrees that Option B and other options that are more consistent with the DOE order need to be considered, and Pepco urges the DOE to implement a compliance plan that fully meets the requirements of the DOE Potomac River Order and restores system reliability to the levels existing prior to Mirant's unilateral shutdown in August 2005. Pepco will provide further comments based on its continued review and evaluation of Mirant's proposed operating plan.

Respectfully submitted,



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and numerous other causes. In addition, critical portions of the nation's government would also be severely impacted, with resulting adverse effects on a national scale.").

³ Letter from K.M. Kolevar, DOE, to L.D. Johnson, Mirant (Jan. 4, 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 9th day of January, 2006.



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