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

**Re: District of Columbia Public Service Commission, Docket No. EO-05-01  
Comments and Answer to Requests for Rehearing**

Dear Secretary Bodman:

In accordance with Order No. 202-06-1, issued by the Department of Energy ("DOE") on February 17, 2006, Potomac Electric Power Company ("Pepco") and PJM Interconnection, L.L.C. ("PJM") jointly submit these comments and answer to the requests for rehearing submitted by the City of Alexandria, Virginia ("Alexandria") and the Director of the Virginia Department of Environmental Quality ("VDEQ") in the captioned proceeding.

**BACKGROUND**

On December 20, 2006, the DOE issued Order No. 202-05-3 ("December 20 Order"), which directed Mirant Potomac River, LLC ("Mirant") to operate its Potomac River Generating Station ("Potomac River Plant") in certain situations. Subsequently, on January 19, 2006, VDEQ and Alexandria submitted requests for rehearing of the December 20 Order, and the District of Columbia Public Service Commission ("DC PSC") submitted a request for clarification or, in the alternative, rehearing of the December 20 Order. On February 17, 2006, the DOE issued Order No. 202-06-1, inviting parties to submit, by March 23, 2006, any additional comments, information, or analysis on the operation of and/or effects of the December 20 Order as such operation and/or effects may be relevant to a decision on the requests for rehearing. DOE specifically requested comments concerning the operation of the Potomac River Plant during the days in January 2006 when it was required to operate pursuant to Ordering Paragraph A of Order No. 202-05-3, and also specifically requested comments and information concerning the Potomac River Plant's current operational status.

## COMMENTS AND ANSWER TO REQUESTS FOR REHEARING

The December 20 Order is a proper exercise of the Secretary's broad emergency authority in that it protects the reliability of electricity service in the Washington, D.C. area while minimizing the potential environmental impact of operating the Potomac River Plant. Pepco and PJM restate and incorporate by reference the legal bases for this assertion, as stated in their prior pleadings in this proceeding. The requests for rehearing submitted by VDEQ and Alexandria have raised no new arguments to contradict the findings in the December 20 Order, and in fact misrepresent several facts in attempting to find fault in the December 20 Order. Pepco and PJM hereby provide information on the operational and reliability effects of the December 20 Order, and clarify and correct factual assertions raised in the VDEQ and Alexandria requests for rehearing.

### Effects of the December 20 Order

Ordering Paragraph A of the December 20 Order requires that all generation at the Potomac River Plant be available to adequately serve the actual load requirements whenever either of the existing 230 kV transmission lines into the Potomac River substation are planned to be out of service. This directive meets the reliability requirements of Pepco and PJM during planned outages. Because PJM requirements necessitate notification of such outages several months in advance, Mirant can plan and schedule the Potomac River Plant generating units to be available to meet this reliability need before the start of the planned outage. The transmission maintenance outage that occurred in January 2006 is an example of this coordination, and sufficient reliability was maintained during the entirety of the outage periods. As a matter of operating realities for generating units of the type found at the Potomac River Station, restarting generating units after an extended shutdown causes an increased risk of problems that could prevent the units from returning to service in a timely manner. Indeed, such an issue arose immediately prior to the scheduled date of the January 2006 maintenance outage when one generating unit developed a boiler tube leak, requiring the unit to shutdown. This not uncommon start-up problem resulted in a necessary delay in the start of the 230 kV transmission line outage for a few days.

In the case of an unplanned outage, Ordering Paragraph A requires that Mirant operate all required generation at the Potomac River Plant. Problems may occur, because the generating units that are not operational likely will take from 24 hours to a few days to restart. As Mirant has stated, it can only start two units simultaneously, so when four units are not operating, Mirant cannot even attempt to start the other two units until after the first two have been restarted and reconnected to the transmission network. If an unplanned outage were to occur on one 230 kV transmission line during peak load conditions, Pepco will face the PJM requirements to shed customer load in order to keep the power flow on the remaining 230 kV line below its emergency rating. This load shedding would continue until either the second line or the required generation was restored.

As described in the data response jointly filed at the Federal Energy Regulatory Commission ("FERC") by PJM and Pepco on March 21, 2006, which also was submitted to the DOE and is incorporated herein by reference, Pepco will construct two new 69kV lines between Palmers Corner and Blue Plains substations. Once construction of these 69 kV lines is completed, approximately 40 MW of Blue Plains load could be transferred off the Potomac River substation during unplanned outages. With respect to transferring additional load off the Potomac River substation, these new 69 kV ties can only be used for emergency restoration. Similarly, load may not be transferred off the Potomac River substation to the existing 69 kV tie-lines between the Potomac River and Buzzard Point substations except under emergency restoration procedures. The reliability risk of energizing any of these 69 kV lines when the 230 kV transmission lines are in service with limited generation running is too high and cannot be used to offset the lack of available generation.

Pepco and PJM are also concerned about the schedule for generating unit maintenance outages. The current plan submitted to PJM by Mirant calls for units 3, 4 and 5 at the Potomac River Plant to be out of service for the entire period September 9, 2006 through November 27, 2006. If this plan remains in place, Pepco's planned outages associated with construction of the new 230 kV lines will be delayed, thus delaying energization of the new lines. These Potomac River Plant unit outages also would make it impossible to meet the must-run requirement for any unplanned outage of either of the existing 230 kV lines. Such outages at the Potomac River Plant further demonstrate the need to construct the new 230 kV lines as soon as possible.

Ordering Paragraph B requires that Mirant "keep as many units in operation, and [. . .] take all other measures to reduce the start-up time of units not in operation, for the purpose of providing electricity reliability, as 'feasible'." Since the conclusion of the maintenance outages in January 2006, Mirant has been following its proposed "Option A" as set out in its December 30, 2005 Compliance Plan submitted pursuant to the December 20 Order. In response to Mirant's Compliance Plan, DOE ordered Mirant to operate one base load unit without constraints as to load or operating hours. Based on Pepco's and PJM's data, it appears that Mirant is cycling between units 1 and 2 and rotating the operation of one of the two base load units. The base load units are operating at reduced load rather than full load, however. The result of this mode of operation is that less than 190 MW of generation is available during the majority of a week. From a reliability standpoint, having more generating units available, even if at reduced loads, provides a better operating situation. In addition, if more generating units are operating, the ability of PJM and Pepco to respond to a must-run condition during an unplanned outage of one of the 230 kV lines is significantly improved. This result is due to the fact that it takes minutes to increase a unit from reduced to full load versus hours or days to restart a unit that has not been operating at all.

Ordering Paragraph C requires that Pepco give advance notice of planned outages and the estimated duration of such outages to Mirant, PJM, DOE, FERC, EPA, and DEQ. The notice must be sufficiently in advance of the outage to allow Mirant to bring the required generation needed for reliability purposes on line by the time of the scheduled outage. In addition, Pepco is directed to "ensure that only those planned outages needed to maintain or enhance the reliability of the 230 kV lines (or to install new lines) are scheduled and that such outages are scheduled to minimize the environmental effects of the operation of the Plant." Contrary to assertions made in the VDEQ rehearing request, Pepco is fully complying with the requirement to ensure that only those planned outages needed to maintain or enhance reliability are scheduled.

As fully explained in the maintenance status report, Pepco conducted a maintenance outage in January 2006, which it coordinated with PJM and Mirant as to time and duration. As Pepco stated in its January 6, 2006 letter to the DOE, Pepco had conducted predictive maintenance surveys that had identified several "hot spots", or areas in which maintenance or repairs are necessary, on the existing 230 kV circuits between Palmers Corner and the Potomac River substations. Because the identified problems, if left unattended, could have resulted in severe consequences, any further delay in the maintenance activities – which already had been delayed due to Mirant's unilateral shutdown of the Potomac River Plant in August 2005 – could have been dire. Indeed, the serious nature of the maintenance outage findings, as detailed in the maintenance status report submitted jointly to the DOE by PJM and Pepco on March 17, 2006, demonstrates that the maintenance outages were necessary.

In addition, Pepco has developed an outage schedule for the existing 230 kV transmission lines. This schedule outlines the required outages associated with construction and installation of the new 230 kV transmission lines. Pepco has submitted this schedule to PJM, Mirant, DOE, and any other appropriate agencies. Because the first such outage is not scheduled to occur until September 2006, this notification provides Mirant approximately five months to prepare for the required operation of the generating unit.

*Factual Clarifications or Corrections Raised by VDEQ and Alexandria*

VDEQ and Alexandria appear to base their requests for rehearing on two fundamental – and incorrect – premises. First, contrary to the apparent underlying premise of both rehearing requests, the operation of the Potomac River Plant in accordance with the December 20 Order does not automatically result in a Clean Air Act violation or a violation of another environmental law or regulation. Pepco and PJM are not aware of any enforcement actions instituted by the EPA or VDEQ resulting from Mirant's operation since the December 20 Order. Moreover, the December 20 Order requires that Mirant use pollution control equipment and measures to the maximum extent possible. Based on information from its reports submitted to the DOE, Mirant has used Trona injection to reduce emissions during certain operating periods.



Second, VDEQ and Alexandria appear to believe that the directive in Ordering Paragraph C that Pepco schedule only those "planned outages needed to maintain or enhance the reliability of the 230 kV lines" requires that Pepco only conduct some subset of maintenance that would preclude an inevitable blackout. In fact, the purpose of planned maintenance is not only to avoid a blackout but to conduct activities to maintain the equipment in order to avoid an emergency situation, which could include a blackout, among other, less severe events such as voltage reductions or other "brownout" types of activities. The DOE should not be required to find that only an imminent blackout rises to the level of an emergency. Rather, the DOE can find that a situation that has a possibility of resulting in a blackout rises to the level of an emergency – which is just what it found in the December 20 Order.

Pepco and PJM are fully cognizant of and have fully taken into account the environmental concerns presented by operation of the Potomac River Plant during transmission outages. Pepco and PJM coordinated with Mirant to conduct the maintenance outages in January 2006.<sup>1</sup> Indeed, when Pepco conducted the maintenance activities in January, it found that much more severe consequences would have been likely had the maintenance been delayed longer. Further, Pepco is uniquely situated to determine the scope of the maintenance activities that are necessary to maintain reliability on its system – much more so than a consultant that has not inspected, and may have never even seen, Pepco's system.<sup>2</sup> It would be inappropriate and counterproductive to conduct piecemeal maintenance, thus inevitably requiring another outage of the 230 kV lines in the near future, which in turn would require operation of the Potomac River Plant.

VDEQ also requests that DOE establish formal procedures for planned outages beyond the notifications required by the December 20 Order.<sup>3</sup> Such additional procedures are unnecessary. The December 20 Order is an emergency order, with short-term effect, and all parties have been made aware of all planned maintenance outages during this period. Recent experience demonstrates that appropriate coordination occurs after the required notifications. To the extent that any additional planned outages will occur during the term of the December 20 Order, Pepco and PJM would necessarily make the appropriate notifications, at which time the DOE can assess the necessity for and effects of such outage taking into account the views of all parties. In addition, FERC has required that Pepco and PJM submit monthly status reports

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<sup>1</sup> VDEQ's claim that it was Pepco's unilateral decision to move the start date of the outage to after January 9, 2006, thus purportedly causing the units at the Potomac River Plant to operate for longer than necessary, is unsubstantiated and incorrect. VDEQ Request for Rehearing at p. 5. In fact, necessary units at the Potomac River Plant were not operating because they were having start-up problems, as explained in the March 17 maintenance status report.

<sup>2</sup> See VDEQ Request for Rehearing, Affidavit of Mr. Seth W. Brown.

<sup>3</sup> VDEQ Request for Rehearing at p. 6.

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related to construction of the new transmission lines, and the monthly reports include information on planned outages. As such, there is no need for more formal procedures.

## **CONCLUSION**

The December 20 Order was an appropriate exercise of the DOE's emergency authority. With minor modifications of the current Mirant operating scenario, the reliability concerns related to the operation of the Potomac River Plant are alleviated by the operation of the December 20 Order. The VDEQ and Alexandria rehearing requests raise no new issues that justify changes in the findings or directives of the December 20 Order, and their rehearing requests should be denied.

Sincerely,

/s/ Kirk J. Emge

Kirk J. Emge  
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Potomac Electric Power Company

/s/ Craig Glazer

Craig Glazer  
Vice President of Federal Government Policy  
PJM Interconnection, L.L.C.

cc: Mr. Lawrence Mansueti, DOE Rm. 8H-033