Pepco Holdings, Inc

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William M. Gausman
Vice President – Asset Management

May 25, 2007

Kevin Kolevar
Director of the Office of Electricity Deliverability
and Energy Reliability
Department of Energy
1000 Independence Ave., SW
Washington, DC 20585

Dear Mr. Kolevar,

DOE has requested that Pepco provide an update on the current work to install two new 230 kilovolt circuits into Potomac River substation and to evaluate the need for generation from the Potomac River plant to support the anticipated line outage during June, 2007.

An outage on one of the 230 kV circuits is currently underway and is currently scheduled to be completed by June 2, 2007. Mirant has supported this outage with generation required to match the Potomac River area load from the substation. This has required the operation of all 5 generating units located at the Potomac River station. On May 13, 2007, one generating unit was lost due to a tube leak and Pepco implemented emergency procedures to transfer load and establish emergency ties with other substations. These steps reduced the load so that four units would be capable of providing the required back-up generation based on current load forecasts.

The outage on the second circuit is scheduled to begin immediately following the completion of the first outage. At that time there will be two lines in service and generation will be required to match the load in the event of the loss of one of the two lines. Note that we have reviewed our schedule and have determined that the outage on the second circuit will be shorter than we had originally anticipated. Instead of a 30-day outage, the total duration of the outage will be only six (6) days.

Pepco needs the following to occur to provide necessary reliability to the central D.C. area during this scheduled June outage in order to complete

installation of new transmission circuits to serve the central D.C. area. The situations that we would expect generation support for this outage are as follows:

- Two 230 KV lines in service: 264 MW generation to protect against the loss of one 230KV line.

- One 230KV line in service (i.e., one of the two lines has experienced an outage): 264 MW generation is required, with an additional 218 MW (the remainder available from the 482 MW plant) available to run within 4 hours. This will protect against the loss of both 230 KV lines

- Two 230 KV lines in service and an operational problem with one unit: 264 MW generation is required. However, during the time required to bring an additional unit online (80 – 100 MW of generation), total generation could temporarily increase up to 344-364 MW due to the need to compensate for the unit that must be taken out of service. Within 4 hours after reaching stable operating conditions, however, total generation would be reduced back to 264 MW.

- Three 230 KV lines in service: Generation not required to support line outage

I will continue to provide updates to your office as necessary during the outages. If you have any additional questions or need additional information please let me know.

Respectfully submitted,

/s/ William M. Gausman
William M. Gausman
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Potomac Electric Power Company