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--By Appointment Only--

June 10, 2008

**BY HAND DELIVERY**

The Honorable Joel H. Peck  
Document Control Center  
State Corporation Commission  
1300 East Main Street, 1<sup>st</sup> Floor  
Richmond, VA 23219

**Re: Piedmont Environmental Council  
PUE-2007-00031 Joint Hearing PUE-2007-00033**

2008 JUN 10 P 12:08

Dear Mr. Peck:

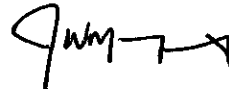
Please find enclosed an original and fifteen (15) copies of the Joint Respondents' Reply in Support of and to Supplement Virginia's Commitment's Motion to Reopen the Record regarding the referenced matters. I have also enclosed an envelope containing copies of the Motion to be delivered directly to Hearing Examiner Skirpan.

**Please date-stamp the additional copy and provide it to the courier standing by to return it to our office.**

Please contact me should you need additional information or have any questions regarding the above.

With kind regards, I remain

Very Truly Yours,



John W. Montgomery, Jr.

JWM/clt  
Enclosure  
Cc: Certificate List

**COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION**

**JOINT APPLICATION OF )  
VIRGINIA ELECTRIC AND POWER )  
COMPANY D/B/A )  
DOMINION VIRGINIA POWER, )  
and )  
TRANS-ALLEGHENY )  
INTERSTATE LINE COMPANY )**

**For certificates of public convenience )  
and necessity to construct facilities: )  
500 kV Transmission Line from )  
Transmission Line # 580 )  
to Loudoun Substation )**

**CASE NO. PUE-2007-00031**

**AND )**

**Joint Hearing**

**APPLICATION OF )  
TRANS-ALLEGHENY )  
INTERSTATE LINE COMPANY )**

**For certificates of public convenience )  
and necessity to construct facilities: )  
500 kV Transmission Line from )  
Virginia-West Virginia Boundary )  
to Virginia Electric and Power )  
Company Transmission Line # 580 )**

**CASE NO. PUE-2007-00033**

**JOINT RESPONDENTS' REPLY IN SUPPORT OF  
AND TO SUPPLEMENT VIRGINIA'S COMMITMENT'S  
MOTION TO REOPEN THE RECORD**

Pursuant to Rule 5 VAC 5-20-110, respondents Board of Supervisors of Fauquier County (Fauquier County), Board of Supervisors of Prince William County (Prince William County), Piedmont Environmental Council (Piedmont), and Power-line Landowners Alliance (PLA) (together Joint Respondents) reply in support of and to supplement Virginia's Commitment's Motion to Reopen the Record to Accept the

Results of a Study Conducted by PJM at the Request of the Maryland Public Service Commission and to Allow for Limited Written Discovery.

The May 21, 2008 presentation of Michael J. Kormos, Senior Vice President of Reliability Services of PJM Interconnection, LLC to the Public Service Commission of Maryland (PSC MD) that is the subject of Virginia's Commitment's motion details the results of PJM's May 5, 2008 Reliability Pricing Model (RPM) auction. RPM and the results of this most recent auction were important subjects of the hearing and post-hearing briefs in these proceedings, bearing directly on the ultimate issues of need and public convenience and necessity.<sup>1</sup>

Joint Respondents support Virginia's Commitments motion and the Hearing Examiner's June 9, 2008 ruling reopening the record and convening a hearing "to receive testimony and argument related to the May 2008 RPM and the latest information available regarding the need for the proposed transmission lines." In connection with this reopening of the record, Joint Respondents ask that the Hearing Examiner take judicial notice under Va. Code § 8.01-388 of the May 21, 2008 PSC MD transcript of Mr. Kormos' testimony to the PSC MD Commissioners concerning Mr. Kormos' presentation of the same date. That transcript is Attachment A hereto.

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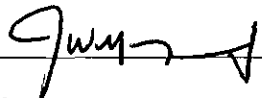
<sup>1</sup> In their May 19, 2008 post-hearing briefs, the Joint Respondents, Virginia's Commitment, Virginia Electric and Power Company (VEPCO) and Trans-Allegheny Interstate Line Company (TrAILCo) each addressed the significance of the May 5 RPM auction results. See Fauquier County's Post-Hearing Brief at pp. 5-6, 9-10, 29, and 36-37; Piedmont's Post-Hearing Brief at pp. 25-27, 29, 44-50, 53, and 57; TrAILCo's Post-Hearing Brief at pp. 24-25, 49; Virginia's Commitment's Post-Hearing Brief at pp 45-46, 53, 75, 78-80, and 91-92; and VEPCO's Post-Hearing Brief at pp. 19, 63, 65-66, and 73.

For the foregoing reasons, Joint Respondents ask the Hearing Examiner to take judicial notice of the transcript in Attachment A in connection with his decision to reopen the record.

Respectfully submitted,

PIEDMONT ENVIRONMENTAL COUNCIL, On  
Behalf of BOARD OF SUPERVISORS OF  
FAUQUIER COUNTY, BOARD OF  
SUPERVISORS OF PRINCE WILLIAM  
COUNTY, and POWER-LINE LANDOWNERS  
ALLIANCE

By Counsel



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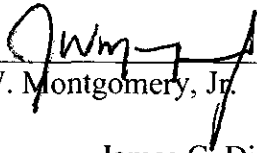
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**CERTIFICATE OF SERVICE**

I hereby certify that a true copy of the foregoing was hand-delivered, emailed, faxed or mailed, first-class postage prepaid, to the parties listed below on this 10<sup>th</sup> day of June, 2008.

  
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## **ATTACHMENT A**



4 Attachment B - MD PSC 5-21-08 Transcript  
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21

22

23

□

3

1 P R O C E E D I N G S  
2 (2:30 p.m.)  
3 CHAIRMAN LARSEN: All right. we're  
4 ready to go on the record. This is the  
5 continuation of the Administrative Meeting of  
6 the Maryland Public Service Commission. The  
7 last item is a briefing from PJM on the results  
8 of the RPM auction and what we've been calling  
9 the reliability gap, for lack of a better word,

10 Attachment B - MD PSC 5-21-08 Transcript  
11 that's been the subject of a paramount of  
12 discussion here in Maryland.

13 So, with that. Gentlemen?

14 MR. KORMOS: Good afternoon. Mike  
15 Kormos, Senior Vice President of Operations at  
16 PJM, and Bill Whitehead, Director of our State  
17 Regulatory Affairs, here today.

18 CHAIRMAN LARSEN: First, let me thank  
19 you for coming today.

20 MR. KORMOS: Thank you for having us.

21 CHAIRMAN LARSEN: I know we had asked  
22 and you had sent out earlier a copy of the  
23 presentation which looks, at least in going  
through it, very thorough given the short amount

4

1 of time. You know this is an important issue to  
2 us. But we appreciate your dedication to this.  
3 So, thank you.

4 MR. KORMOS: Thank you. You do have  
5 the presentation. I would like to go through  
6 it. We sort of broke it up into three different  
7 areas. The first will cover the results of the  
8 auction that just finished and closed last  
9 Friday.

10 We did break it down into Eastern MAAC  
11 and Southwest MAAC results, as well as do  
12 (inaudible) which, I think, is similar to what  
13 we gave you last time I was down here back in  
14 October.

15 After that, we did do the gap analysis

Attachment B - MD PSC 5-21-08 Transcript  
16 that we had talked about, and the what if's,  
17 particular for the year 2011. We did a lot of  
18 different scenarios this time, trying to give a  
19 little bit more information if you need to make  
20 some decisions off of that. So I'll try to walk  
21 through all those scenarios, and compare and  
22 contrast for you what the difference is and what  
23 the results are that we're showing. We'll

5

1 continue to do more. We were rushing to get  
2 this finished last night and we're more than  
3 happy to get some input today and then going  
4 back and doing some more work as well.

5 CHAIRMAN LARSEN: Great. Thank you.

6 MR. KORMOS: Finally, we'll just talk  
7 a little bit about the upgrades between now and  
8 2011. We can just touch on that. It's just to  
9 show you we are also still looking at years  
10 earlier than 2011 as well.

11 If we go to the second page which are  
12 the results, that first set of the results has  
13 to do with the demand response. The way we  
14 broke it up is we showed the new demand response  
15 that was offered. This is demand response  
16 offered for the first time in this auction.

17 The new demand response that cleared, I  
18 just did the subtraction there for you to show  
19 you the uncleared megawatts. Then we did it, as  
20 well, for the total. They're what the different  
21 rows are. The columns are, again, the RTO.

Attachment B - MD PSC 5-21-08 Transcript  
22 Inside the RTO, each of the three auctions, I  
23 believe, that cleared since the last time I was

6

1 down here. Nine and 10 cleared at the end of  
2 October, 10 and 11 cleared in January and then  
3 11 and 12 just cleared last Friday. So we've  
4 provided each of the results for those three  
5 auctions. For the RTO, for Eastern MAAC and for  
6 Southwest MAAC. To give you a little compare  
7 and contrast between the years.

8 A couple things I would note on this  
9 side. The first, most obvious one, in the RTO  
10 columns and particularly for 9 and 10, when you  
11 look at cleared, there's actually more new  
12 cleared than there is offered. It's a negative  
13 number. The reason for that is there was  
14 actually new demand response offered in previous  
15 auctions that had not cleared in those auctions  
16 and that did eventually clear in a future  
17 auction. So we still considered it new. In the  
18 9 and 10 case, they might have been bid in in  
19 2008-2009. It didn't clear in that auction. It  
20 was offered again in 9, 10 and it did clear in  
21 that auction. So we sort of added that and  
22 continued that as new versus existing since it  
23 had not cleared in the prior auction.

7

1 Some of the positives we did take from  
2 this was the overall amount of new demand

3 response that was offered, as well as what was  
4 taken. We had over 1,600 megawatts offered and  
5 1,300 megawatts actually cleared for the entire  
6 RTO. As you can tell, a very large chunk of  
7 that was actually in Southwest MAAC. Seven  
8 hundred seventy-nine megawatts was offered and  
9 740 megawatts was cleared. Actually, on some of  
10 the other slides, we'll show you a very big  
11 piece of that was actually in Baltimore,  
12 Maryland for BGE.

13 CHAIRMAN LARSEN: So a total demand  
14 response, both new and previous offered,  
15 basically about half is coming out of southwest  
16 MAAC?

17 MR. KORMOS: Yes.

18 CHAIRMAN LARSEN: Okay. And from the  
19 new as opposed to previously offered, we've got  
20 260 megawatts of new demand response for the  
21 southwest MAAC. And that, again, was ballparked  
22 half of what was offered new, 221 cleared - any  
23 thoughts with all the zeros in Eastern MAAC?

8

1 what does that mean?

2 MR. KORMOS: It basically means we  
3 have not had any new demand response that was  
4 willing to contractually obligate themselves  
5 prior to (inaudible).

6 CHAIRMAN LARSEN: And remind me of the  
7 exact footprint of Eastern MAAC?

8 MR. KORMOS: Eastern MAAC is  
Page 6

9 predominantly PECO service territory, public  
10 service electric and gas, Jersey Central and the  
11 Delmarva peninsula Delmarva Power & Light.

12 CHAIRMAN LARSEN: But I think, in  
13 state terms, Delaware and New Jersey.

14 MR KORMOS: Delaware and New Jersey  
15 and a piece of eastern Pennsylvania.

16 COMMISSIONER BROGAN: And a part of  
17 Maryland.

18 MR. KORMOS: Yes, you're right. I'm  
19 sorry.

20 CHAIRMAN LARSEN: And I guess it  
21 speaks for itself, but presumably, they're just  
22 not as far along in those states in terms of  
23 pushing the utilities for the types of programs

9

1 that, I think, we're going to talk about, say,  
2 with BGE.

3 MR. KORMOS: Yeah. In these cases,  
4 and we probably owe you and we'll get you the  
5 other - there's other types of demand response  
6 than PJM has. We probably have close to the  
7 4,000 megawatts total in our system. There is  
8 some that is voluntary or economic demand  
9 response, and even involuntary emergency demand  
10 response, that is not willing to contractually  
11 bind themselves. The megawatts offered here,  
12 should they fail to deliver in 2011, would be  
13 almost twice the clearing price.

14 So these are the megawatts that people  
Page 7

15 have high confidence that, in three years from  
16 now, they will be able to deliver on. What  
17 we're seeing, I think, at Eastern MAAC is we  
18 don't have those programs in (inaudible). I'm  
19 sure there is some in the voluntary programs,  
20 but obviously not in what would maybe be more  
21 mandatory programs or contractually obligating  
22 programs.

23 CHAIRMAN LARSEN: There is, in prior

10

1 auctions, there has been some offered in. I  
2 guess that's just kind of legacy programs and  
3 there's not much new coming through.

4 MR. KORMOS: Right. You can see  
5 roughly a little over 300 megawatts has been  
6 offered in previous auctions in Eastern MAAC. A  
7 chunk of that has been taken. It's sort of been  
8 diminishing which, I would imagine, has also  
9 driving down in Eastern MAAC. That's probably  
10 why we continue to take less.

11 CHAIRMAN LARSEN: And how did this  
12 match up against your expectations?

13 MR. KORMOS: Actually, better than  
14 expected. Particular in Southwest MAAC. We did  
15 some scenarios and we actually ran a scenario a  
16 week ago to try to get ahead of it which is our  
17 scenario for which I'll talk about when we get  
18 there.

19 we included what we thought we would  
20 have in demand response and we were off by a

21 couple of hundred in Southwestern MAAC. So in  
22 scenario five, we reran it with the full demand  
23 response in there. So I think we were very

11

1 happy with the results.

2 CHAIRMAN LARSEN: Okay. we can come  
3 back to this. Any questions on this slide  
4 before we go on?

5 COMMISSIONER BRENNER: Do you have any  
6 sort of guidelines where you have a limitation  
7 on a percentage of a demand response versus  
8 generation that you'd want in the total mix  
9 after an auction cleared? Or are you so far  
10 from that that you haven't -

11 MR. KORMOS: I think we're so far from  
12 that right now that we're not - we haven't  
13 considered (inaudible) and I'm not sure if we'll  
14 ever get that close.

15 COMMISSIONER BRENNER: This may be a  
16 question that you can't answer because you don't  
17 know, but I'll try. Can you express what level  
18 of confidence, or lack thereof, you have in  
19 terms of whether procedures will be worked out  
20 which are now being talked about in the PJM  
21 stakeholder process to enable energy efficiency  
22 to bid into the auction that will be held next  
23 year? Next May?

12



1 MR. KORMOS: That is a really  
2 difficult question. On the efficiency side, it  
3 really comes down to the metering and  
4 verification. We have struggled to get any kind  
5 of consensus among those who will be paid and  
6 those who will pay as to how to measure what the  
7 actual reduction was and how to verify that.

8 Most of the megawatts you see on the  
9 main response here is typically either internal  
10 generation that they will, in fact, start and  
11 run and can be very easily measured. Or it is  
12 load processes. Whether shutting down a process  
13 or shutting down a shift. It's very easy to  
14 show off a baseline that it was reduced.

15 Energy efficiency, by its very nature,  
16 just shows up in the base over a period of time.  
17 It's very difficult to measure how much of that  
18 was really directly the result of some action  
19 versus how much was just for the fact that  
20 somebody's business was going down, say, or  
21 anything else that could have happened.

22 It's on both sides. I mean, this is  
23 one of those great debates. Those who are going

13

1 to get paid and potentially penalized are,  
2 because again, if they fail to deliver, it's two  
3 times what they were paid and they're very  
4 cautious about what they're willing to accept.  
5 Those that are paying for it are as well.

6 So, I don't know. I have not seen any

7 Attachment B - MD PSC 5-21-08 Transcript  
8 proposals right now that I would say have gotten  
9 good momentum behind them. That people can  
10 really get behind it and say, yeah, we're  
11 willing to accept that as payment and we're  
12 willing to pay that for efficiency.

13 CHAIRMAN LARSEN: Okay.

14 COMMISSIONER BRENNER: Just one quick  
15 question. You're making it sound, partly your  
16 tone of voice and partly what you are saying, as  
17 if this is brand-new territory for anyone. Yet,  
18 as you probably know, they're allowing energy  
19 efficiency to bid into the New England capacity  
20 market. Is that not something that could be  
21 adapted?

22 MR. KORMOS: It is something that is  
23 being discussed. As I said, I don't believe our  
state voters, on either side, have necessarily

14

1 gotten behind it and are willing to accept that.

2 COMMISSIONER BRENNER: Okay.

3 CHAIRMAN LARSEN: Let's move on to the  
4 results -

5 MR. KORMOS: The generation. On the  
6 generation, very similar to the way we set up  
7 the matrix. The top line is the resource  
8 prices, the actual clearing prices. You'll see  
9 that in 9, 10, the system was still constrained  
10 and that Eastern MAAC and Southwest MAAC cleared  
11 at a higher price than the remainder of the RTO.

12 In 10 and 11 and 11 and 12, the system

13 Attachment B - MD PSC 5-21-08 Transcript  
14 actually cleared unconstrained due to the  
15 transmission upgrades that have been put in  
16 place. For 11 and 12, it's predominantly the  
17 Mount Storm line and the 502 (inaudible) line.

18 CHAIRMAN LARSEN: You took to be clear  
19 the fact that there wasn't a constraint and we  
20 cleared at one price was directly as a result of  
21 the assumption that the trail line would be in  
22 service?

23 MR. KORMOS: Yes, sir.

CHAIRMAN LARSEN: Okay.

15

1 MR. KORMOS: Also, full disclosure,  
2 you may be aware, the 110 power price, too. We  
3 did have a situation with Duquesne Power and  
4 Light. Duquesne has told us that they wish to  
5 leave PJM as of 2011. That load was pulled from  
6 this auction and they did not participate in  
7 that auction.

8 However, the generation - why it's not  
9 obligated to Duquesne's load but it is in the  
10 Duquesne footprint, elected to stay in the  
11 auction. Therefore, those megawatts were bid in  
12 and cleared. So there was a change in the  
13 demand/supply mix there with the load being out  
14 but the generation staying in.

15 CHAIRMAN LARSEN: And if it were to  
16 work, if it had been done in kind of a  
17 symmetrical way, what would that have meant,  
18 say, for the clearance price?

19 MR. KORMOS: I would have expected a  
20 price buy closer to what was in 10 and 11. I  
21 don't have an exact number.  
22 CHAIRMAN LARSEN: It would have that  
23 much of an effect?

16

1 MR. KORMOS: Probably.  
2 CHAIRMAN LARSEN: And is that  
3 something you control?  
4 MR. KORMOS: No. No. I mean, we  
5 obviously do not control Duquesne leaving. That's  
6 totally voluntary on their terms.  
7 CHAIRMAN LARSEN: Well, the difference  
8 between a 110 and - ballpark, 10 and 11 was 170  
9 is -  
10 MR. KORMOS: Sixty dollars.  
11 CHAIRMAN LARSEN: That's more than  
12 just a smidgen, right?  
13 MR. KORMOS: Yes. It was about 3,000  
14 megawatts of additional generation. Again, I'm  
15 just basing it on if I looked at load growth and  
16 looked at the incremental supply we had, it  
17 probably wouldn't have totally offset each  
18 other.  
19 CHAIRMAN LARSEN: So is it fair to say  
20 that the 110, given what you said about the  
21 asymmetrical treatment of the Duquesne load and  
22 generation, isn't necessarily truly reflective  
23 of what the market conditions were at the time?

17

1 I mean, I'm not trying to pin you down. But  
2 that's what I'm hearing.

3 MR. KORMOS: It depends on what  
4 happened - yeah. I think - that's my caution,  
5 for you to definitely think about that. That's  
6 why I brought it up.

7 CHAIRMAN LARSEN: Let's put it this  
8 way. It wasn't the normal course of supply and  
9 demand that drove the price down.

10 MR. KORMOS: No. Not directly. Not  
11 entirely. Some part of it, yes. We did have  
12 more supply this time than we had in the past.  
13 But that also obviously had a factor.

14 If Duquesne, in fact, does leave and  
15 stays out in 2012 and that generation stays in,  
16 it will be the norm. Should they be able to  
17 find their supply from someplace else in the  
18 midwest and they choose to go that path going  
19 forward, then this may be the norm.

20 CHAIRMAN LARSEN: And is that the  
21 consequence of them pulling out of PJM? That  
22 they would have to get the load elsewhere? And  
23 the supply?

□

18

1 MR. KORMOS: At this point, we have  
2 told them we are not obligated to the load in  
3 2011.

4 CHAIRMAN LARSEN: All right.

5 COMMISSIONER BRENNER: To follow up,  
Page 14

6 when you said the supply elected to bid into  
7 PJM, was that Duquesne controlled supply?

8 MR. KORMOS: No.

9 COMMISSIONER BRENNER: Now, was that  
10 one generator or separately - multiple  
11 generators made the same independent decision?

12 MR. KORMOS: It was multiple  
13 companies, at least two of them are multiple  
14 generators, who all elected - I believe all the  
15 generation in the Duquesne service territory  
16 elected to stay.

17 COMMISSIONER BRENNER: Presumably they  
18 made a market decision to elect to stay in for  
19 this auction based on what they thought they'd  
20 receive by bidding in as opposed to the midwest  
21 ISO which doesn't have a capacity market.

22 MR. KORMOS: Not at this point.

23 COMMISSIONER BRENNER: They could make

19

1 the same market-based decision next time with  
2 some of them or all of them.

3 MR. KORMOS: As with all our  
4 generators. Yes. Absolutely. Again, the  
5 pattern is the same way. We showed new  
6 generation that was offered, new generation  
7 cleared and the difference.

8 In this case, we broke it down into  
9 brand-new generation which is entirely new  
10 plants, versus upgrades and reactivations which  
11 were either new upgrades of additional megawatts

12 at existing facilities, or in some cases,  
13 reactivation of facilities that had been retired  
14 and which were brought back. Again also, the  
15 difference between them and then showing all the  
16 generation offered and cleared.

17 A couple key points I would put out,  
18 again, if you see, this is probably the best  
19 auction that we've had as far as total new  
20 supply. Twenty-two hundred megawatts being  
21 offered that was brand-new, 1,900 of it  
22 clearing, 1,200 in additional upgrades and 1,000  
23 of that clearing. So well over 3,000 megawatts

20

1 of new generation in the RTO footprint did, in  
2 fact, clear. Also, you can tell most of it  
3 cleared. We only had about a little more than  
4 500 that did not clear.

5 On an RTO line basis, though, if you  
6 look at the very bottom we actually had over  
7 5,000 megawatts not clear. So in this case,  
8 this was an interesting sort of phenomenon. It  
9 does appear a little bit that the new generation  
10 did push out some of the older generation as far  
11 as it was clearing and the older generation did  
12 not - and again, that was solely based on the  
13 price offered and the price cleared at.

14 Eastern MAAC, I would point out, also  
15 had fairly good results.

16 CHAIRMAN LARSEN: Can I just interrupt  
17 again? It may be a rudimentary question. But

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18 if there had not been the Duquesne dynamic, if the  
19 clearing price were materially higher, some  
20 percentage of that 5,000 would have cleared? or  
21 you can't tell.

22 MR. KORMOS: Yeah, I don't have that  
23 information, to be honest with you.

21

1 CHAIRMAN LARSEN: Okay.

2 COMMISSIONER BROGAN: Looking at  
3 Southwest MAAC, the new generation that was  
4 offered did not clear?

5 MR. KORMOS: Yes.

6 COMMISSIONER BROGAN: Can you answer  
7 that - can you answer the Chairman's question  
8 about that?

9 MR. KORMOS: You know, I don't know  
10 what the bids were. We can look and try to get  
11 that information for you. I'm not sure if the  
12 Duquesne generation cleared, to be honest with  
13 you. And whether that's in the 5,000 megawatts  
14 or not. So I'm not 100 percent sure taking it  
15 out would matter. But then, I'm not sure what  
16 the bid on those particular units were.

17 COMMISSIONER BROGAN: Can you disclose  
18 what didn't clear? Is that confidential?

19 MR. KORMOS: It is confidential. I  
20 think that's something that we can provide you  
21 privately. We do not publicly disclose the  
22 units that did not clear. But we can provide  
23 that confidentially.



1           Again, you do see, as the Commissioner  
2 mentioned, in Southwest MAAC we did have 220  
3 megawatts of new generation offered. But  
4 unfortunately, none of it did clear. There was  
5 186 megawatts of upgrades and reactivations that  
6 were offered and 106 of that did clear, 80 of it  
7 did not in Southwest MAAC.

8           COMMISSIONER BROGAN: I'm sorry.  
9 Again, the upgrades and reactivated are either  
10 plants that were out of service that are brought  
11 back in?

12           MR. KORMOS: Yes.

13           COMMISSIONER BROGAN: Or improvements  
14 or enhancements to a plant that increases its -

15           MR. KORMOS: Its total capacity. Yes.

16           COMMISSIONER BROGAN: And do they bid  
17 that additional capacity separate from - if it's  
18 an enhancement, assuming that the plant is  
19 already being bid in, do they bid in  
20 enhancements separately? Or do they just bid in  
21 the total?

22           MR. KORMOS: They would bid in the  
23 unit. But typically, they will price the

1 enhancement at a higher price if it requires  
2 capital investment and other expenditures to get  
3 that. So they have the ability, while they

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4 would bid the entire unit in, to break up the  
5 capacity into multiple bids.

6 COMMISSIONER BROGAN: And that's how  
7 you are able to track was is (inaudible)?

8 MR. KORMOS: Right. We are tracking  
9 what is new on that and what is old on that.  
10 That's actually a very good point. When I talk  
11 further, if you look at the 5,000 megawatts that  
12 didn't clear and 3,000 megawatts in Eastern  
13 MAAC, most of that, the vast majority of that,  
14 is simply incremental megawatts on existing  
15 units that did not clear.

16 We're going to talk a little later  
17 about what their availability may actually be in  
18 2011 and whether they are - if they're not  
19 brand-new upgrades, then chances are it's  
20 existing megawatts that we'll still get.

21 CHAIRMAN LARSEN: Okay.

22 MR. KORMOS: The next two slides, four  
23 and five, a little less on the actual numbers.

24

1 But just a little breaking up as to the type of  
2 unit, on one page, as far as what the new  
3 resources were that bid in. The incremental  
4 upgrades and capacity additions we added.

5 I think, at least in this case, we are  
6 starting to see at least some positive results  
7 again as far as getting a mix between gas  
8 turbine, combustion turbine, combined cycle,  
9 diesel generators, small diesels, hydro, steam,

10 Attachment B - MD PSC 5-21-08 Transcript  
nuclear, solar and wind. We're starting to at  
11 least see a mix of different types of units  
12 which, I think is ultimately very beneficial  
13 rather than relying solely on gas combined  
14 cycles, or gas simple cycles.

15 COMMISSIONER BROGAN: And steam is  
16 coal?

17 MR. KORMOS: Steam is - yes.  
18 Predominantly fossil and upgrades. Although  
19 there was a brand-new 700 megawatt coal plant  
20 that did clear in this auction.

21 COMMISSIONER BROGAN: I see that.  
22 Where was that? Which?

23 MR. KORMOS: It is the Longview plant.

25

1 It's western Pennsylvania. Almost west  
2 Virginia, I guess.

3 MR. WHITEHEAD: West Virginia. Yeah.  
4 West Virginia just (inaudible).

5 COMMISSIONER BROGAN: Okay.

6 MR. KORMOS: (Inaudible) because we  
7 just put a press release out.

8 COMMISSIONER BROGAN: And 416  
9 megawatts of the CT, is that safe to assume that  
10 might be four plants?

11 MR. KORMOS: I have to go back. That  
12 might actually be more than four plants.

13 COMMISSIONER BROGAN: And the combined  
14 cycle, that might be two plants?

15 MR. KORMOS: That might be two 600

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16 megawatt combined cycles. That's probably two.

17 COMMISSIONER BROGAN: And are any of  
18 them in Eastern MAAC or Southwest MAAC?

19 MR. KORMOS: On the new capacity, no.  
20 On the reactivation under gas turbine,  
21 combustion turbine, the 80 megawatts is in  
22 Southwest MAAC.

23 COMMISSIONER BROGAN: So the - I guess

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1 you can't tell me because it was confidential,  
2 but there was discussion of a plant right over  
3 the line from Maryland in Pennsylvania.

4 MR. KORMOS: Yes.

5 CHAIRMAN LARSEN: He can tell. Did  
6 that bid in?

7 MR. KORMOS: Yes. Actually, I don't  
8 think there's an issue there. Once there are  
9 capacity (inaudible) cleared, then we can't  
10 release. That plant did clear (inaudible).

11 COMMISSIONER BROGAN: It did?

12 MR. KORMOS: Yes.

13 COMMISSIONER BROGAN: So is it on this  
14 piece of paper?

15 MR. KORMOS: Yes. It is one of those  
16 combined cycle/new capacity. It's in Eastern  
17 MAAC and not southwestern MAAC. I'm sorry if I  
18 didn't - I thought you asked me just about  
19 southwestern MAAC.

20 CHAIRMAN LARSEN: Yeah, we did. Back  
21 to your original chart, we only had 220

22 Attachment B - MD PSC 5-21-08 Transcript  
megawatts of new generation offered.

23 MR. KORMOS: Right.

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1 CHAIRMAN LARSEN: And then another -

2 COMMISSIONER BROGAN: If I said - I

3 meant both Eastern MAAC and Southwestern.

4 MR. KORMOS: Yes. That particular

5 plant is in Eastern MAAC and did, in fact,

6 clear.

7 CHAIRMAN LARSEN: Okay.

8 MR. KORMOS: The next slide is done by

9 fuel type. It's very similar to the one we just

10 talked about. Just breaking it down between

11 gas, diesel, coal and nuclear (inaudible). It's

12 very similar but just a slightly different way

13 of looking at it.

14 Again, as expected, gas is by far the

15 predominant fuel source that we're seeing in the

16 new resources. But again, it was the least -

17 CHAIRMAN LARSEN: Did you have any

18 expectations about any of the renewable

19 resources expecting a higher or lower level?

20 MR. KORMOS: I think we were

21 definitely pleased with the 1.1 megawatts of

22 solar. That's a lot of solar to accumulate the

23 1.1 megawatts, and the fact that they are

28

1 getting confident enough to bid into the

2 capacity market. We think thought that was a

3 very positive sign. And wind, as well. Again,  
4 wind particularly since its capacity value is  
5 about 14 to 16 percent of its actual installed  
6 capacity. That is a lot of wind bidding in.  
7 Total wind. The capacity value was only 83  
8 megawatts of it, though. But it's typically in  
9 the 14 to 16 percent of its total capacity.

10 COMMISSIONER BROGAN: And none of that  
11 was in Eastern MAAC or (inaudible)?

12 MR. KORMOS: I don't believe so. No.

13 CHAIRMAN LARSEN: Okay.

14 MR. KORMOS: A lot of that is located  
15 either on the Allegheny Mountains or further  
16 west, out in the midwest.

17 CHAIRMAN LARSEN: All right.

18 MR. KORMOS: Okay. That's sort of the  
19 auction results. So unless you have any more  
20 questions.

21 CHAIRMAN LARSEN: Well, what I'd like  
22 to do is kind of get as much of the results and,  
23 I guess, scenarios, done. We can always come

29

1 back. We may relate back to some of these  
2 slides as we keep going.

3 MR. KORMOS: Yes, actually we probably  
4 will because some of the scenarios we based on  
5 what happened in the auctions.

6 CHAIRMAN LARSEN: Okay.

7 MR. KORMOS: And just moving on, and  
8 real quickly, the next couple of slides, just to

9 kind of refresh everybody's memory, on the gap  
10 analysis. Going back to the 2006 regional plan  
11 we did, we saw overloads and the worst overload  
12 was on the Mount Storm Dobbs 500 KB line. The  
13 overload was in 2011 and it was an overload of  
14 over 120 percent of the actual conductor rating  
15 of that line.

16 we also saw the (inaudible) Mount Storm  
17 also having an overload, although that wasn't  
18 until the year 2014. We also saw a voltage  
19 collapse issue at the Meadowbrook substation for  
20 two contingency, at M minus two - actually two  
21 contingencies, we saw voltage collapse  
22 conditions at Meadowbrook.

23 Based on those, we did, in fact,

30

1 recommend and the Board approved and it's now in  
2 the process of being cited, the (inaudible) 502  
3 junction, Mount Storm/Meadowbrook to Loudoun.  
4 The line commonly known as trail.

5 CHAIRMAN LARSEN: Load deliverability,  
6 you indicated, was just an overload of the rated  
7 capacity. And the M2 is what? Assuming that  
8 there's a failure of what? Another line?  
9 Generator? Or something?

10 MR. KORMOS: Load deliverability is a  
11 peak load test where we sort of draw a circle  
12 around a load pocket and we assume a load of an  
13 expected generation availability. So basically,  
14 the generator is not performing.

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15                   Then we test the system. Whatever the  
16 - to serve the peak load, how much do we need to  
17 import into that area. We see whether we can  
18 import it, or we overload a line first. In this  
19 case, in order to actually import enough into  
20 Southwest MAAC, we would overload that line  
21 approximately 120 percent. We hit the limit  
22 well before we are able to import it all.

23                   It is a very conservative test, though

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1     it's a very rigorous, strenuous test.

2                   Generator deliverability is sort of the  
3 opposite. We look at sets of generators and we  
4 see if we can deliver them to the grid without  
5 bottling the generation. Without overloading.  
6 So in some cases, if the generation is too  
7 electrically connected, we may not be able to  
8 get the additional capacity out from their  
9 particular location.

10                  M minus two actually is one of the non-  
11 peak load tests that we do. It's more of a  
12 maintenance condition test for our summer  
13 months. With a facility already out, most  
14 likely, for maintenance, the next contingency  
15 which we still have to operate for, which is M  
16 minus two, would put us into an issue. So it's  
17 more - you're getting into the (inaudible) that  
18 you can't do maintenance on anything because you  
19 can't withstand two facilities being out at the  
20 same time.



21 CHAIRMAN LARSEN: Okay.

22 MR. KORMOS: Okay. On the gap  
23 analysis, again, with the Loudoun line in

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1 service, I do just want to go on the record.  
2 We, from a reliability, from a criteria test, we  
3 are passing the criteria violation test for  
4 2011. At this point, we would tell you we  
5 believe the system to be fully reliable should  
6 that line be in service in 2011.

7 I would also basically state that, at  
8 this time, we have no indication it cannot be  
9 completed by 2011 based on where they currently  
10 are in the process. But I do fully understand  
11 that there is still a lot of risk involved in  
12 getting that line built which is why we think  
13 it's very prudent to then do the sensitivity  
14 analysis of what if the line is delayed past  
15 2011.

16 CHAIRMAN LARSEN: Can I ask on that  
17 point? I hear you saying both things.

18 MR. KORMOS: Yes. Very deliberately,  
19 too.

20 CHAIRMAN LARSEN: Yes. No indication  
21 meaning in the absence of, say, one of the  
22 utilities saying we're formally notifying you  
23 that we can't do it, that you wouldn't kind of

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1 Attachment B - MD PSC 5-21-08 Transcript  
view much as being an indication that it can't  
2 be completed.

3 MR. KORMOS: I think predominantly  
4 we're looking first to the transmission owners.

5 CHAIRMAN LARSEN: Right.

6 MR. KORMOS: Whether they still  
7 believe that it's feasible to do it. We are  
8 very closely, though, obviously looking at  
9 particularly some of the proceedings that are  
10 going on for CPCN.

11 CHAIRMAN LARSEN: There's kind of, at  
12 least two scenarios that I see. I would like to  
13 understand a little how you assess the risk. We  
14 have to do that, too, and you have to do it.

15 MR. KORMOS: Yes.

16 CHAIRMAN LARSEN: One risk would be  
17 that the one of the state's disapproves the line  
18 and I guess we'll know in September whether  
19 that's a risk.

20 MR. KORMOS: Yes.

21 CHAIRMAN LARSEN: We can't really, I  
22 guess, predict that. But we'll know. One is ,  
23 I guess, a litigation risk that, once approved,

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1 it could be held up. Do you agree with that?

2 MR. KORMOS: Yes.

3 CHAIRMAN LARSEN: Do you have a way,  
4 or internally, do you try and measure or assess  
5 that risk?

6 MR. KORMOS: I think it will

7 Attachment B - MD PSC 5-21-08 Transcript  
8 ultimately be how much of the line is being held  
9 up in litigation. One of the things we will  
10 look at is if construction can start on a large  
11 portion of the line and there is a much smaller  
12 portion that is under litigation, either through  
13 the property owners directly or through a  
14 township or municipality.

15 CHAIRMAN LARSEN: Let's say it's the  
16 Virginia portion that's going to be litigated.

17 MR. KORMOS: If it's the entire  
18 portion and we were not able to start  
19 construction on any of it, I think we would view  
20 that as a very high risk. If it is certain  
21 parcels of properties but the remainder of the  
22 line can actually start construction, it's  
23 obviously still a risk. But we still feel at  
least better if they can rearrange the schedule

35

1 to finish construction on those pieces on a  
2 later date, we still may be able to make it  
3 assuming they can start construction earlier on  
4 other phases of the line.

5 So there's a lot of existing right-of-  
6 way in this project that, I think, gives us  
7 comfort because we think that's less likely to  
8 be litigated, or successfully litigated versus  
9 brand-new right-of-way.

10 CHAIRMAN LARSEN: Do you know, kind  
11 of, the extent of right-of-ways that have to be  
12 acquired for - to continue part of the line?

13 MR. KORMOS: It's significantly less.  
14 We probably could get you that information. But  
15 because they did reroute it, if you've seen the  
16 new routing, it drops.

17 CHAIRMAN LARSEN: The fish hook.

18 MR. KORMOS: The fish hook down  
19 through Loudoun County was to follow existing  
20 right-of-ways. To the extent that those right-  
21 of-ways need to be widened, I'm not 100 percent  
22 sure. The line, I think, is mostly following  
23 existing right-of-ways. Although I would

36

1 acknowledge that most of those, or a good part  
2 of them, probably needs to be widened to accept  
3 a new 500 KB line.

4 CHAIRMAN LARSEN: So if they have to  
5 be widened, it's not strictly just putting a  
6 taller tower up. Right?

7 MR. KORMOS: I've heard it all in  
8 about every way they can. In some cases,  
9 they'll look at going vertical where the  
10 conductors can go, rather than going horizontal.  
11 That can minimize it, but there's only certain  
12 areas they can do that and for certain lengths  
13 they can do that.

14 They may be able to go double tower in  
15 some areas if there's existing 500 on that cell.

16 CHAIRMAN LARSEN: Let me rephrase it  
17 this way. How much do you rely, say, on the  
18 owner of the line to tell you how they assess

19 Attachment B - MD PSC 5-21-08 Transcript  
20 that risk as opposed to you exercising your own  
21 risk assessment on whether you think that's  
22 going to happen?

23 MR. KORMOS: At this point, I would  
say we are heavily relying on them. I think it

37

1 is an issue that we are starting to address and  
2 I we probably will need to address within the  
3 next three years.

4 CHAIRMAN LARSEN: What do you need to  
5 address? Which part? Doing your own risk  
6 assessment?

7 MR. KORMOS: Right. How much  
8 expertise should we bring in and do an  
9 independent risk assessment and potentially,  
10 then, not agree with the assessment that the  
11 transmission owner has done.

12 CHAIRMAN LARSEN: I mean, I realize  
13 that would be a sensitive undertaking.

14 MR. KORMOS: Yes. It would be a  
15 sensitive undertaking and I think when we look  
16 at this, we did very seriously look at this and  
17 the Board looked at this when we decided to put  
18 the line into the auction back in January.  
19 Quite frankly, at that time, three and a half  
20 years out, we didn't feel there was any body of  
21 evidence that was going to convince us that we  
22 could disagree with the transmission owner.  
23 obviously there was risk, but there was nothing -

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1                   CHAIRMAN LARSEN:   Your view was  
2   essentially, in the absence of something that  
3   you could put forward other than maybe beggar's  
4   sentiments about what is realistic, you've got  
5   to go with what they're telling you.

6                   MR. KORMOS:   Right.  As long as they  
7   are saying they believe it's practical and  
8   feasible and we don't have any indication that  
9   there's no reason they're going to tell us  
10  anything other than what they truly believe at  
11  this point.

12                  CHAIRMAN LARSEN:   So putting aside  
13  then, say, the regulatory risk and the  
14  litigation risk, then there's just kind of the  
15  mechanics of getting it done.

16                  MR. KORMOS:   Right.

17                  CHAIRMAN LARSEN:   Do you make an  
18  independent evaluation of the feasibility of  
19  physically getting key parts of the line done  
20  between May of '08 and June of - you know, three  
21  years, I think, is what we're looking at now.  
22  Right?

23                  MR. KORMOS:   Right.  We have limited

□

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1   resources.  But we do, in fact, on the technical  
2   side, follow the construction, do site visits  
3   and we'll ask the questions as to what their  
4   plans are right now as far as lining up vendors,  
5   lining up materials, lining up construction

6 crews.

7           Again, I'm not sure. Our expertise is  
8 at a level that we're comfortable at this point  
9 objecting to or disagreeing with our transmission  
10 owners. But we are, at least, following that and  
11 we do that follow-up project. Clean air generator  
12 projects. We have sort of the same issue on the  
13 generation side. We're putting some level of  
14 confidence they're going to show up when they say  
15 they're going to show up. So we do, in fact, have  
16 a group that does nothing but site visits and  
17 talks to the construction managers, looks at  
18 project plans to make some assessment for our  
19 Board, whether we believe they are reasonable.  
20 But I think that's the extent. We're just looking  
21 at them saying, yeah, there's nothing in there  
22 that is jumping out saying it is unreasonable,  
23 that there's no way that that plant can be

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1 approved. How risky it is and how aggressive it  
2 is is probably a final point that we don't go down  
3 into that detail.

4           CHAIRMAN LARSEN: Okay.

5           MR. KORMOS: Okay. Going on to the  
6 gap analysis. Back in October when I was down  
7 here last, I believe, we did talk about this  
8 exact (inaudible) and what if the line doesn't  
9 go.

10           At the time, I believe the question we  
11 were asked was how much load would be at risk

12 if, in fact, that line wouldn't be completed.  
13 Actually, the analysis we did was for 2012 which  
14 included if the path line, the Amos to Kemptown  
15 line, was also not in. So if neither line were  
16 in service by 2012 and what would be the load at  
17 risk in 2012?

18 At that point, we came back with a  
19 figure of 6,500 megawatts would be the amount of  
20 load we would potentially have to shed. Then,  
21 based on Maryland's portion of that load shed,  
22 would be 1,500.

23 In doing the gap analysis the second

41

1 time, one of the things we, probably  
2 inadvertently, led you to believe was that the  
3 6,500 and the 1,500 also was equivalent to  
4 generation. Probably what I would tell you is  
5 it's not untrue in that if you put the 6,500 in,  
6 I could guarantee you we would be fine.

7 In reality, because load shed, you only  
8 get the effect of shedding the load and that has  
9 a certain distribution factor effect, when you  
10 actually put generation in you get a double  
11 effect. You can raise the generation, which has  
12 the same effect of lowering the load, but you  
13 also get the lower generation that could be  
14 hurting it. So you could actually get a  
15 multiplier effect on the generation side.

16 Now, by putting in generation on one  
17 side and being able to then lower it, because



18 you don't need that generation to serve the load  
19 on the other side if it's excess, you could  
20 actually almost get a two-for-one effect. So  
21 the amount of generation to solve the same  
22 problem that 6,500 megawatts of load shed would  
23 be can be less than 6,500 megawatts. I'll try

□

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1 to explain that further under scenarios.

2 It is very location dependent, though,  
3 on where that generation is.

4 CHAIRMAN LARSEN: Okay. So the  
5 thumbnail analysis that you probably heard about  
6 or read about which is, gee, if this plant is  
7 built or this plant is built, problem solved.

8 MR. KORMOS: Yes.

9 CHAIRMAN LARSEN: That's not  
10 necessarily a useful way to think about it.

11 MR. KORMOS: well, I think we can do  
12 the analysis and I think the part with 2011 is  
13 we now have actual generation to study for you.  
14 We know where it's located.

15 But the fact of the matter is  
16 generation in Maryland, right on the other side  
17 of Dobbs, has a very big benefit in pushing back  
18 on that line that's overloaded. That same  
19 amount in Northern New Jersey would have half,  
20 if not less, effect. So generation is not equal  
21 when you start to look at that. So 6,500 in  
22 generation would almost - being spread out all  
23 over everywhere and then not reducing anything

1 on the other side. So that's why I said that.  
2 It's fairly conservative.

3 So we did decide, and we believe the  
4 request that we did get was to go back and do  
5 that analysis and really try to look at some of  
6 the worst case scenarios. This time I tried to  
7 put a little more of a range, ranging from the  
8 best generation mix you could get to load  
9 shedding and what the worst case would be if  
10 there was purely load shedding to get us out of  
11 it in the gap analysis. In the slides.

12 The next part, again, just talked about  
13 the load deliverability. We sort of covered  
14 what that test was. The generation resource  
15 perspective and the load serving perspective,  
16 again, it was what I just sort of explained.

17 There are two ways to look at the gap  
18 as solving it through a load reduction  
19 perspective or looking or solving it through a  
20 generation redispatch perspective. I'll try to  
21 sort of highlight which part we're talking  
22 about.

23 (Inaudible) the bottom slide is all

1 this really - those depend on the actual  
2 generation availability. The load growth,  
3 you'll see on some scenarios. The load growth

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4 has been decreased from October when I came down  
5 the last time. We had seen a reduction in load  
6 growth. It could be due to efficiency. It may  
7 be due to more general economic terms.  
8 Depending on what potentially happens in the  
9 economy, we could further see that between now  
10 and 2011. So that's something we're watching  
11 closely. Again, that demand side response, I  
12 think, again, we were very encouraged by what we  
13 saw on just the contractual side.

14 CHAIRMAN LARSEN: But the purposes of  
15 your scenarios, you rely solely on what was  
16 offered in as opposed to, we know by our  
17 experience here and maybe you are aware of it  
18 but you may not rely on it, which is some of the  
19 programs we've approved. For conservatism's  
20 sake, utilities might bid in 50 percent, 75  
21 percent of what they're going to get. They may  
22 say they're confident they're going to get 100  
23 percent by 2011 or 2012 of whatever program

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1 they're rolling out, but they're only bidding  
2 in, like I said, X percent.

3 MR. KORMOS: Yes. Exactly.

4 CHAIRMAN LARSEN: You don't look at  
5 what they're not bidding in.

6 MR. KORMOS: Not for reliability  
7 purposes and not for contractual purposes under  
8 RPM. In some of the economic analyses we do in  
9 the long-term plan, we can take some more

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10 liberties and show what if this all comes in.  
11 what is the economic benefit.

12 The reliability perspective, it's  
13 unfortunate that right now, because we are so  
14 close on margins, if we were to count it and it  
15 were not to deliver - unfortunately, it will  
16 deliver but it will be through involuntary load  
17 reductions in 2011 versus voluntary. So that's  
18 why we're very cautious at this stage.

19 CHAIRMAN LARSEN: So does that mean,  
20 either from your perspective or our perspective,  
21 as we think about whatever challenges there  
22 might be in 2011 and 2012, should we not take  
23 into account maybe the margins they're not

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1 bidding in but they think they're going to get?  
2 It sounds like you're not going to do that.

3 MR. KORMOS: We will not do that from  
4 a reliability perspective. Therefore, we will  
5 do everything still humanly possible to bring  
6 the reliability margins back into compliance  
7 without that. We're going to probably, as we  
8 get into these scenarios, talk about determining  
9 the actual risk that is out there and how much  
10 the State of Maryland in particular may wish to  
11 pay to try to offset some of that risk. I  
12 absolutely think you should be thinking about  
13 that because it's got to be part of the  
14 equation.

15 I really looked at this as we're

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16 getting into almost an insurance type - I don't  
17 have a crisis. These numbers are not going to  
18 tell you there's a crisis on hand at this point.  
19 We still believe the line could come in. Even  
20 if the line doesn't come in, I can show you lots  
21 of ways that it may not be a guaranteed crisis  
22 even at that point.

23 But there still is a lot of risk. We

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1 would be at the absolute far end of our margins  
2 without that line and would really require  
3 everything going right for us to get through  
4 those summers. But it could happen.

5 To the extent you wish to offset some  
6 of that risk, it's going to come down to really  
7 the value of that. Is it really worth it, and  
8 what other values could you get for any kind of  
9 potential contracts you may sign or initiatives  
10 you may offer. I think that's really - at the  
11 end of the day, we'll leave you still with that  
12 question. We'll try to give you as much  
13 information today and we'll try to get more for  
14 you. But that's I think, where we're ending up  
15 at the end of the day.

16 CHAIRMAN LARSEN: This will be the  
17 last time in the next 10 minutes I'll interrupt  
18 you.

19 MR. KORMOS: No, no.

20 CHAIRMAN LARSEN: I'm just thinking  
21 because I know there are reporters in the room.

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22 So we don't have a crisis, but there's a lot of  
23 risk.

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1 MR. KORMOS: Yes.

2 CHAIRMAN LARSEN: Is that how you  
3 would sum up where these scenarios leave us?

4 MR. KORMOS: I have said and I will  
5 say here, I am still very concerned for the next  
6 couple of years. Basically until that line is  
7 in service, until both lines are in service. We  
8 are, and I've been at PJM for 20 years, we are  
9 probably in some of the tightest margins we've  
10 seen in those 20 years.

11 COMMISSIONER BROGAN: What's the  
12 definition of a crisis?

13 MR. KORMOS: A crisis, I would tell  
14 you at this point, there is no reasonable  
15 expectation that we could serve the load in  
16 2011. I would tell you that's a crisis that we  
17 need to act on today, now. At this point, we  
18 are going to watch - I'm going to tell you a  
19 number of things we are looking at filing,  
20 watching. Any one of them could change our mind  
21 that we will start taking action. I don't  
22 think, after this meeting or in the very near  
23 future, we're looking to take any action for

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1 2011. But we will follow very closely the line  
2 and the line siting. We are also very closely

3 following what some of the generation will do or  
4 has been doing and what potentially may come of  
5 that.

6 COMMISSIONER BROGAN: And if the trail  
7 line, if you had indication that the trail line  
8 was going to be delayed? Is that shift the  
9 crisis?

10 MR. KORMOS: Yes. Well, it would  
11 definitely shift us to action.

12 COMMISSIONER WILLIAMS: Shift you to  
13 where?

14 MR. KORMOS: Action. To take action.

15 COMMISSIONER WILLIAMS: And what  
16 action would that be?

17 MR. KORMOS: Well, let me go through  
18 it and I'll tell you what our options are.

19 CHAIRMAN LARSEN: Are you guys going  
20 to have like a Homeland Security, kind of, code  
21 yellow or green or red?

22 MR. KORMOS: Hopefully we aren't going  
23 to that stage yet.

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1 CHAIRMAN LARSEN: All right.

2 MR. KORMOS: Let me go through the  
3 scenarios and then that will sort of lead you to  
4 where we think the action would be taken.

5 The first scenario is the one, in fact,  
6 we did back in October. It was done based on  
7 the year 2012 and that case that we had had. It  
8 did not have either line in service, either the

9 path or the trail line. Again, we told you the  
10 gap was approximately 6,500 megawatts of a load  
11 reduction that would be required and 1,500  
12 megawatts of that would, in fact, be in Maryland.

13 As I said, that is a load reduction.  
14 It's probably very conservative for generation.  
15 But it at least gives you the magnitude, the  
16 large issue that it was.

17 The second scenario was, and after this  
18 analysis, I don't know if I'll go through each  
19 of the scenarios, but on the pages following, we  
20 gave you a detailed breakdown of what was in  
21 each case. But I'll try to compare and contrast  
22 on this summary page for you as well.

23 COMMISSIONER BRENNER: If I might

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1 interject. You said twice now that, for the  
2 reasons you described, that that gap in  
3 megawatts is conservative for generation. Could  
4 you give us a rough breakdown? In other words,  
5 is it 20 percent conservative? Is it 50 percent  
6 conservative?

7 MR. KORMOS: I would probably say 25  
8 to 50 percent conservative. Again, it really  
9 would depend on where the generation -

10 CHAIRMAN LARSEN: Meaning best case,  
11 you might be able to fill that with -

12 MR. KORMOS: Three thousand, 3,500  
13 megawatts. If it was all located very close and  
14 we had the ability to redispatch. I'm not



15 getting too technical, but it even gets to the  
16 point of how much access we have in PJM. You  
17 could look at units on the other side of the  
18 constraint in the western part of our system.

19 In order to serve New Jersey, say, one  
20 might put 50 percent of its output on the line  
21 that's overloaded. Another one that's located  
22 in northern Ohio may only put 10 percent. So  
23 even by being able to redispatch those units, we

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1 can get a benefit. So the more access in total,  
2 it's not even a Mid-Atlantic issue, in when you  
3 start looking at the total PJM footprint, if we  
4 have a lot of access, that gives us more  
5 flexibility to be as great as possible to  
6 redispatch systems in these kinds of emergencies  
7 where economics is sort of out of the picture.  
8 We're just trying to serve the load. You'll  
9 have a lot more flexibility. So that even  
10 further confuses this even more.

11 COMMISSIONER BROGAN: Just looking at  
12 scenario one, does that include having the  
13 reserve margin? Or is this just serving the  
14 load?

15 MR. KORMOS: There's two things in our  
16 analysis that we do. One is a reserve margin  
17 which looks at the entire PJM footprint and  
18 says, do we have enough capacity to serve the  
19 load. Actually, I will tell you, we are good.

20 COMMISSIONER BROGAN: I know you're  
Page 42

21 good.

22 MR. KORMOS: For 2011-2012, 2011 was  
23 at 18 percent. The second test, which is really

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1 what this is, is where is the access located at  
2 and is the transmission system capable of moving  
3 it. So from our overall reserve margin  
4 perspective, we are fine.

5 CHAIRMAN LARSEN: We being RTO?

6 MR. KORMOS: RTO-wise. From the  
7 ability to import it into the various load  
8 pockets, we are not. Without the transmission  
9 enhancements. With the transmission  
10 enhancements, again, we are fine. Those,  
11 particularly the two lines, path and trail,  
12 significantly impact our ability to increase  
13 where the access is. As you can imagine, we  
14 have the Atlantic Ocean to the right of us. So  
15 most of our access is, in fact, west of us and  
16 will be west of us going forward.

17 CHAIRMAN LARSEN: I think that's a  
18 good question because I think that there has  
19 been, kind of, offered up, at least I've heard  
20 in different forums in Annapolis, this notion  
21 that our gap analysis or your gap analysis, the  
22 deliverability issue has kind of gotten mixed  
23 with the margin.

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1 Built into that 6,500 and the two trail  
2 lines is this margin. I think that people are  
3 going to be left with the impression that, built  
4 into the 6,500 and the 1,500 is this notion  
5 that, well, there's still this 15 to 20 percent  
6 margin that's available. To be clear, that's  
7 not really the case. It's apples and oranges.

8 MR. KORMOS: Yeah. The 6,500 was -  
9 the case that we ran, there was an overload on  
10 the 500 KB and they really looked at if we had a  
11 shed load, they just went and did the math. How  
12 much load would we have to shed to get that line  
13 back down to 100 percent. There was no margin  
14 calculation there. That's where they came up  
15 with the 6,500.

16 CHAIRMAN LARSEN: The little box  
17 status of key generators was part of that  
18 analysis.

19 COMMISSIONER BROGAN: Where are you?

20 MR. KORMOS: This is going into the  
21 detail pages.

22 CHAIRMAN LARSEN: I'm sorry. I  
23 flipped to scenario one. Maybe I shouldn't

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1 have. But you've got Catocin which is what we  
2 call Sempra. Right?

3 MR. KORMOS: Sempra. Yes.

4 CHAIRMAN LARSEN: Sempra, Benning and  
5 Buzzard. You assume they were not in the mix in  
6 this?

7 MR. KORMOS: Yes. Again, going up,  
8 this only had generation that had also signed  
9 ISAs prior to January, 2007, which is a step in  
10 the process that we believe we could include.  
11 You also see the demand response, again. Fairly  
12 minimal demand response. You'll see those  
13 numbers improve in future cases.

14 CHAIRMAN LARSEN: So this is the old  
15 case from last fall?

16 MR. KORMOS: This is the last fall  
17 case.

18 COMMISSIONER BROGAN: Can I? Scenario  
19 one, I'm sorry. With your load growth, is this  
20 peak?

21 MR. KORMOS: Yes. This is the peak  
22 load growth. Yes.

23 COMMISSIONER BROGAN: So you have a

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1 1.2 percent for BGE?

2 MR. KORMOS: Yes. Annual peak load  
3 growth.

4 COMMISSIONER BROGAN: And is this  
5 where you say the rates are coming down?  
6 Because earlier today we heard from BGE that the  
7 new - it's 1.1.

8 MR. KORMOS: Yes. If you actually  
9 look, we actually took them down .2 to one  
10 percent in the next scenarios.

11 COMMISSIONER BROGAN: Okay. So these  
12 were sort of the base lines?

13 MR. KORMOS: These were from last  
14 year, basically. So based on those when we came  
15 here last October, that was BGE - I think we  
16 agreed with BGE. There was no conflict there.  
17 And we agree with them now. It does appear that  
18 that load is not growing as fast as we thought.  
19 So in these new scenarios, we reduced it down to  
20 one percent annual growth for BGE.

21 COMMISSIONER BROGAN: When you say  
22 Mid-Atlantic PJM, who is that?

23 MR. KORMOS: PECO, PP&L, the First

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1 Energies companies, Public Service Electric and  
2 Gas.

3 COMMISSIONER BROGAN: Okay.

4 MR. KORMOS: They are predominantly  
5 the eastern companies.

6 COMMISSIONER BROGAN: Is Delmarva in  
7 there?

8 MR. KORMOS: Delmarva, yes, would be  
9 included in that.

10 COMMISSIONER BROGAN: Okay.

11 MR. KORMOS: And again, if you need  
12 it, we can absolutely break out any of these  
13 individual companies. We're just saving space  
14 on the page.

15 COMMISSIONER BROGAN: Okay.

16 MR. KORMOS: Scenario two, actually  
17 during the hearings for the trail line in  
18 Virginia, it was brought up that a number of

19 Attachment B - MD PSC 5-21-08 Transcript  
units had signed - in particular, had signed  
20 ISAs and other things had changed since we ran  
21 that case for you.

22 So the judge in that case had asked us  
23 to rerun the analysis. It was basically the

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1 same analysis in that it was 2012. It did not  
2 have either line in there.

3 If you look on that page, we did, in  
4 fact, reduce most of the load forecast down. At  
5 least from BGE, PEPCO, Dominion. The RTO on the  
6 total amount in this case, the Mid-Atlantic, did  
7 not change.

8 COMMISSIONER BROGAN: Is Virginia  
9 considered in this area? The Mid-Atlantic  
10 (inaudible)?

11 MR. KORMOS: Northern Virginia is  
12 definitely included as part of the need and  
13 contributing to the Mount Storm Dobbs overload.  
14 Northern Virginia is definitely part of that.

15 COMMISSIONER BROGAN: All right. So  
16 in this scenario two, you assumed that Sempra  
17 was in.

18 MR. KORMOS: Yes. During this time,  
19 and it was probably one of the main reasons we  
20 ran it, Sempra did sign the ISA, an  
21 interconnection service agreement, with us to  
22 move forward with their project. Based on that,  
23 our rules would include them in the model. So

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1 we did, in fact, put them in the model.

2 I'll probably just go through quickly,  
3 Benning and Buzzards, again, I think they have  
4 announced their intention to retire in 2012. In  
5 later cases when we're just looking at 2011,  
6 you'll see those units are in for 2011. Our  
7 understanding right now is they're going to  
8 retire before December of 2012 and they'll be  
9 there for 2011.

10 Indian River I and II and the Delmarva  
11 Peninsula have also told us they intend to  
12 retire. At this time, Bergen II in Northern New  
13 Jersey had elected that they may actually  
14 disconnect from us and connect to New York ISO.  
15 So they were modeled out. You'll also see in  
16 future studies that they are now back in because  
17 they have withdrawn that request as well.

18 COMMISSIONER BROGAN: And what's the  
19 capacity of that?

20 MR. KORMOS: Bergen II is 600 - 550,  
21 maybe.

22 COMMISSIONER BROGAN: Okay.

23 MR. KORMOS: It's a combined cycle

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1 plant. Also, Parlin, England and C1 in New  
2 Jersey, they had actually all submitted requests  
3 to retire. Actually, it had all been picked up  
4 in an RPM auction and had withdrawn those  
5 requests as well. So they are all back in this  
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6 model as well. To my knowledge, they have not  
7 changed their status. They are still going  
8 forward.

9 Based on all those changes and now with  
10 ISAs signed as of February 29th of this year,  
11 again, what we saw wasn't improved results in  
12 that, if you looked at a worst case which was  
13 that load shed, it's probably at about 5,000  
14 megawatts that would be required to overload it.  
15 If you looked at the most optimal mix including  
16 things like using the Catoctin unit which is  
17 very strategically located for this particular  
18 constraint, it could be as low as 2,000  
19 megawatts to solve the problems that we were  
20 seeing in 2012.

21 CHAIRMAN LARSEN: So to summarize,  
22 though, this is still, One, 2012.

23 MR. KORMOS: 2012.

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1 CHAIRMAN LARSEN: Two, neither line.

2 MR. KORMOS: Correct.

3 CHAIRMAN LARSEN: And then with all  
4 the assumptions in terms of the status of the  
5 generators and the demand response as you've  
6 listed here, BGE, PEPCO, Total, Mid-Atlantic.

7 MR. KORMOS: Yes.

8 CHAIRMAN LARSEN: The Mid-Atlantic,  
9 given what we just saw about Eastern MAAC, and I  
10 know BGE is a big part of this, is that 1,00  
11 megawatts total Mid-Atlantic? Is that



12 realistic?

13 COMMISSIONER BROGAN: Mid-Atlantic  
14 isn't - Mid-Atlantic is Eastern MAAC. Isn't  
15 Mid-Atlantic -

16 MR. KORMOS: Mid-Atlantic actually  
17 includes more than Eastern MAAC.

18 CHAIRMAN LARSEN: Right.

19 MR. KORMOS: And I think in total,  
20 that is actually - I'm looking at it and we  
21 actually increased their number in future  
22 studies.

23 COMMISSIONER BROGAN: I thought when I

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1 asked you what was Mid-Atlantic PJM, you told me  
2 it was PSE&G -

3 MR. KORMOS: It includes everything in  
4 Eastern MAAC. Actually, it includes - you know,  
5 I'll have to check this because I don't know if  
6 they included Southwest MAAC in the Mid-Atlantic.

7 CHAIRMAN LARSEN: I thought, normally,  
8 the Mid-Atlantic included -

9 COMMISSIONER BROGAN: Eastern MAAC and  
10 Southwest MAAC.

11 CHAIRMAN LARSEN: Yes.

12 MR. KORMOS: Yes.

13 COMMISSIONER BROGAN: That's why I  
14 asked.

15 CHAIRMAN LARSEN: Meaning BGE and  
16 PEPCO would be embedded in the thousand. But  
17 BGE and PEPCO together yields less than 300 and

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18 yet you've got 700 more.

19 MR. KORMOS: I think this would  
20 include all of Pennsylvania, though, as well.

21 CHAIRMAN LARSEN: All of Pennsylvania?

22 MR. KORMOS: I will go back and double  
23 check that for you. Typically, when they talk

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1 about Mid-Atlantic, it's usually New Jersey,  
2 Pennsylvania, Maryland.

3 CHAIRMAN LARSEN: Yeah, it would be  
4 great if you could clarify that because this has  
5 come up before.

6 MR. KORMOS: We'll clarify that. I  
7 forget what the short hand is.

8 COMMISSIONER BROGAN: And the load  
9 growth? You've got a Mid-Atlantic number that's  
10 different from BGE and PEPCO.

11 MR. KORMOS: Yeah, I think in  
12 aggregate, they did not show a difference for  
13 the total load growth for the Mid-Atlantic in an  
14 aggregate state. We didn't break down.  
15 Individually, we make the change -

16 COMMISSIONER BROGAN: So Mid-Atlantic  
17 could include BGE and PEPCO.

18 MR. KORMOS: BGE and PEPCO.

19 COMMISSIONER BROGAN: Okay.

20 CHAIRMAN LARSEN: So back to this. So  
21 to 2012, neither line, all the generators,  
22 demand response listed here, yields, One, a gap  
23 approximation from the two to five total, the

1 Maryland portion very significantly, from about  
2 500 to 1,200.

3 MR. KORMOS: Yes.

4 CHAIRMAN LARSEN: And then we've got  
5 this remedial action box. Are you going to fill  
6 in?

7 MR. KORMOS: You know, again, most of  
8 this would just be - you ask, would we take  
9 action. would we be considered in (inaudible).

10 CHAIRMAN LARSEN: But that's just,  
11 we've got to do something.

12 MR. KORMOS: This is, we would  
13 absolutely do something. These are not numbers  
14 we could live with.

15 CHAIRMAN LARSEN: Right. Are we going  
16 to talk about the list of somethings?

17 MR. KORMOS: Yes, we will.

18 CHAIRMAN LARSEN: Okay.

19 MR. KORMOS: Okay. Moving on to  
20 scenario number three. Scenario number three is  
21 actually now 2011. It is with what cleared in  
22 the auction. So this is only the megawatts and  
23 demand response that actually cleared in the

1 auction. It does not have the trail line in it  
2 and, quite frankly, doesn't have the path line  
3 in it. But the path line isn't even supposed to

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4 be in it until the following year.

5 So this case, we are looking at simply  
6 the clear. Both new and existing. In this case  
7 Catoctin is not modeled. Catoctin did not bid  
8 into the 2011 auction so it is now out. Benning  
9 and Buzzards are now in because, for 2011, those  
10 units are not to be retired.

11 Indian River is out, though. Bergen II  
12 is back in because they have announced and they  
13 did bid into this auction as well. England, C1  
14 and Parlin, again, are still all in. You see  
15 demand responses are higher based on what  
16 actually cleared in those auctions. Again, from  
17 now, I'm assuming that the total BGE and PEPCO  
18 is also included in the Mid-Atlantic. That's  
19 probably of a little bit of help in accounting  
20 there. As far as numbers.

21 In this case, what we would see is,  
22 again, the Mount Storm line, without the trail  
23 line in, is overloaded. It is a little better

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1 than the case we just talked about. We've  
2 probably got a little tighter range in this on  
3 more of a generation resolution in that 2,600 to  
4 3,000 megawatts of generation would be needed  
5 to, in fact, remove this overload.

6 COMMISSIONER BROGAN: You said it's a  
7 little bit better than what?

8 MR. KORMOS: It's a little bit better  
9 than case two.

10 COMMISSIONER BROGAN: I thought case  
11 two was in 2012?

12 MR. KORMOS: It was. Which is exactly  
13 why it's better.

14 COMMISSIONER BROGAN: Oh, 2011 is -

15 MR. KORMOS: There's no - whatever  
16 load growth we didn't have between 2011 and 2012  
17 makes it better. I don't want to mislead you.  
18 A lot of it is just a year's worth of no load  
19 growth made it look better.

20 COMMISSIONER BROGAN: But it's a year  
21 earlier that we have to worry about.

22 MR. KORMOS: Yes, it is.

23 COMMISSIONER BROGAN: Okay.

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1 CHAIRMAN LARSEN: And is that  
2 conservatism translating kind of the gap over  
3 the generation? Does that still apply here?  
4 Meaning that the, quote, Maryland number 6 to  
5 700, Mid-Atlantic, 26 to three, but that might  
6 need half the generation to solve?

7 MR. KORMOS: No, that's probably  
8 closer to the actual generation in this case.  
9 The reason I'm going to go in the last  
10 scenarios, we were able to run some tests based  
11 on everything that is offered to see what it  
12 looked like. Then what was offered - what was  
13 cleared and what was existing, even if there  
14 wasn't. They're my last two scenarios.

15 I'll jump ahead and give you the

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16 answers. Those answers actually showed we'd be  
17 okay. So we're a little more confident that -  
18 because we actually can look at those  
19 generators, even though they didn't clear, what  
20 would have happened if they cleared.

21 If you remember going back scenarios,  
22 it was about 3,000 megawatts in MAAC that didn't  
23 clear.

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1 CHAIRMAN LARSEN: Right.

2 MR. KORMOS: When we put all that in,  
3 it actually was okay. We were right at the  
4 limit, but we were safe.

5 CHAIRMAN LARSEN: For 2011.

6 MR. KORMOS: Yes. For 2011. That's  
7 why I said we were a little more confident now.  
8 we could study specific generation, and I'll  
9 talk about that.

10 Specific generation, in some cases,  
11 exists even though it didn't clear. So that's a  
12 feasible solution of getting that 3,000  
13 megawatts.

14 CHAIRMAN LARSEN: So, and I don't want  
15 to blame this on the Duquesne scenario, but if,  
16 for example, the clearing price had been 160 and  
17 you had more than 1,000 megawatts cleared, it's  
18 going to affect where you are in your scenario.

19 MR. KORMOS: Sure. Had we not modeled  
20 the line in and let Southwest MAAC go constrained  
21 or Eastern MAAC go constrained, and had that price

Attachment B - MD PSC 5-21-08 Transcript  
22 been higher than the 110, some of this might have  
23 cleared.

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1 But when we get into the break down,  
2 one of the reasons why I pointed out, of the  
3 5,000 megawatts that didn't clear, only 500 of  
4 it is brand-new. The rest of it is existing.  
5 The vast majority of it is incremental. The  
6 last increment on existing units.

7 There is, at least, some hope that it's  
8 not going anywhere. And we freely understand  
9 that there's a risk involved in bidding these  
10 units. It makes perfect sense that, particular  
11 with the penalties being twice, that the last  
12 increments on many units, the uncertainty about  
13 being able to deliver those on the hottest days,  
14 is not there and they're not willing to bid them  
15 in at 110 megawatts. So they bid them in  
16 significantly higher because of the risk and the  
17 penalties if they don't deliver.

18 I would also tell you, on an emergency  
19 day when the price is at \$1,000, they will  
20 attempt to give us the energy from those units.  
21 They always have and always will. There's no  
22 doubt there. Number One, they make money.  
23 Number Two, they also would be more than willing

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1 to help us out for reliability.

2 So a lot of that incremental capacity  
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3 that is existing, which is probably in the 4,500  
4 range on the total pool, probably more in the  
5 2,500 to 3,000 range in Eastern MAAC, very well  
6 may be there.

7 CHAIRMAN LARSEN: Okay. So scenario  
8 three, although it was worth running, it sounds  
9 like you would put more stock in -

10 MR. KORMOS: Well, what I can  
11 contractually guarantee, they're obligated to  
12 run for me.

13 CHAIRMAN LARSEN: Right.

14 MR. KORMOS: That's what we know.  
15 They are (inaudible) and PJM is not.

16 CHAIRMAN LARSEN: In terms of the risk  
17 assessment.

18 MR. KORMOS: We ran the studies  
19 because, I think, in terms of doing risk  
20 assessments, you need to look at that as well.

21 CHAIRMAN LARSEN: Right. Okay.

22 MR. KORMOS: Now you want to jump to  
23 scenario four.

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1 COMMISSIONER BRENNER: Can I stop you  
2 for a minute? On three, you say three is based  
3 on what actually happened in the just completed  
4 auction. For demand response in the scenario  
5 detail, just for the Mid-Atlantic as compared to  
6 the whole RTO, I don't mean to minimize the Mid-  
7 Atlantic but that's what we care about. You  
8 modeled 1,635 megawatts in demand response.



9 Yet, that's more than the demand response that  
10 cleared the entire RTO. So I'm wondering where  
11 that came from.

12 I've got to go back to my - the total  
13 demand response on page two that cleared is  
14 1,365 megawatts. Maybe it's because I didn't -

15 MR. KORMOS: I'll owe you an  
16 explanation on that.

17 COMMISSIONER BRENNER: All right.  
18 Maybe the answer would be either the ILR or what  
19 should be done on a cumulative basis. But maybe  
20 you could take a look.

21 MR. KORMOS: Yes, let me take a look  
22 at that. I'm thinking, obviously, that is  
23 probably all of the demand response. Not just

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1 what cleared in the auction.

2 COMMISSIONER BRENNER: Okay.

3 MR. KORMOS: What they modeled  
4 probably include ILR as well.

5 COMMISSIONER BRENNER: Okay. Then the  
6 description of (inaudible) would have to be  
7 changed a little because you emphasize cleared.

8 MR. KORMOS: Yeah, let me - let us go  
9 back and we'll owe you that answer.

10 okay. Scenario four was actually  
11 something run last week to try to get ahead of  
12 understanding where we were. It was actually  
13 just based on everything that we knew at the  
14 time was being bid into the auction prior to the