



# MARYLAND DEPARTMENT OF THE ENVIRONMENT

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Martin O'Malley  
Governor

Robert M. Summers, Ph.D.  
Acting Secretary

Anthony G. Brown  
Lieutenant Governor

March 14, 2011

Michael J. Kormos  
Senior Vice President-Operations  
PJM Interconnection, LLC  
955 Jefferson Ave  
Valley Forge Corporate Center  
Norristown, PA 19403-2497

RE: Request for a Needs Re-evaluation of the R. Paul Smith Power Plant

Dear Mr. Kormos:

In 2006, Allegheny Energy, Inc. requested PJM to perform an analysis, in accordance with the provisions of the Maryland Healthy Air Act, to determine whether operation of Units 3 and 4 at the R. Paul Smith power plant is necessary to ensure reliability of electric service in the PJM region. A letter dated November 8, 2006 from PJM's Executive Vice President, Audrey Zibelman, concluded that a permanent shutdown of these units "...will have an adverse impact on the reliability of the local transmission and distribution systems in the area of the plant." The letter stated that two actions were required in order for the facility to be phased out without causing reliability issues: (1) an upgrade to a 138KV transmission line; and (2) construction of a substation to address load serving problems. Neither the transmission line nor the substation have been constructed, and Units 3 and 4 remain in operation with no retirement date in sight.

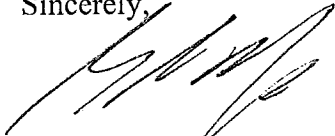
Based on PJM's initial evaluation, R. Paul Smith Units 3 and 4 were granted less stringent emission limits than other coal-fired generating units subject to the Maryland Healthy Air Act. In conjunction with adoption of regulations implementing the Healthy Air Act, however, the Department of the Environment stated in its April 2009 public notice that at the end of 2011 we would re-evaluate the question of whether Units 3 and 4 of the R. Paul Smith plant should be subject to the more stringent Healthy Air Act emission limitations. Understanding that key reliability indicators, such as peak demand and energy forecasts, resource adequacy, transmission development, system characteristics, and operating behaviors change over time, the Department further stated in the public notice that it would request PJM to re-evaluate the need for Units 3 and 4 to continue operating in order to maintain a reliable electric supply in Maryland. As such, the Department hereby requests that PJM perform an analysis to determine if a termination of operation of R. Paul Smith Units 3 and 4 would adversely impact the reliability of electrical service in the PJM region under current system conditions.

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The Department further requests PJM to provide the Department with PJM's analysis, including all underlying information and assumptions used to support its conclusions; and, in the event that PJM concludes that the continued operation of Units 3 and 4 is necessary, an explanation of the conditions under which Units 3 and 4 could be retired. To allow the Department time to consider whether, and to what extent, any identified reliability issues might impact regulatory decisions, we respectfully request that PJM complete its re-evaluation and forward its recommendations and analysis to the Department by July 1, 2011.

We thank you in advance for your cooperation in this matter. Should you have any questions, please do not hesitate to call me at 410-537-3255.

Sincerely,



George S. Aburn, Jr., Director  
Air and Radiation Management Administration

cc: Robert M. Summers, Ph.D., Acting Secretary