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Michael J. Kormos Senior Vice President - Operations

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Mr. David M. Velazquez

Executive Vice President - Power Delivery

Pepco Holdings, Inc.

701 Ninth Street, N.W. Suite 1002

Washington, D.C. 20068

Dear Mr. Dave Velazquez,

As you are aware, recent RTEP analyses revealed that expected reliability criteria violations necessitating the MAPP project had moved several years into the future. More recent analyses have shown that the onset of these violations is extremely sensitive to uncertainties with respect to modeling assumptions. Most notably, assumptions related to the future generation mix in eastern PJM, driven by various public policy initiatives, can cause the first occurrence of reliability criteria violations to vary widely.

We have recently performed a range of scenario analyses, examining the likelihood of generation retirements and additions in eastern PJM. While these results indicate the potential for criteria violations and the need for MAPP in the 2019-2021 time period, only very low probability scenarios identify violations earlier then 2019 at this time. However, uncertainties remain that could accelerate this timing.

Based on these latest results, the PJM Board has decided to hold the MAPP project in abeyance, retaining it in its 2011 RTEP with a 2019-2021 in-service date. The planning process changes, currently under development through the stakeholder process, and the direction provided through FERC Order No. 1000 may have an effect on the treatment of public policy drivers in the RTEP and, therefore, impact the MAPP project. These changes are not likely to be fully resolved, and the subsequent analyses completed, until sometime in 2012.

The Board therefore directs PHI to limit further development and to proceed with only those efforts reasonably necessary to allow the MAPP project to be quickly re-started should these planning activities demonstrate the need to do so. This action does not constitute a directive by PJM to PHI to cancel or

abandon the MAPP project. Rather, it is recognition of the uncertainties underlying the timing of the need for the project.

Should you have any questions, please contact me at 610-666-8943.

Very truly yours,

Mike Kormos

Sr. Vice President, Operations