



## Department of Energy

Washington, DC 20585

May 31, 2007

Mr. Robert Driscoll  
CEO  
Mirant Mid-Atlantic, LLC  
1155 Perimeter Center West  
Atlanta, GA 30338

Re: District of Columbia Public Service Commission  
Docket No. EO-05-01

Dear Mr. Driscoll:

On December 20, 2005, the Secretary of Energy issued DOE Order No. 202-05-3, pursuant to section 202(c) of the Federal Power Act, 16 U.S.C. §824a(c), ordering the limited operation of the Potomac River Generating Station (the Plant) owned by Mirant Potomac River, LLC (Mirant). The order found "that an emergency exists because of the reasonable possibility an outage will occur that would cause a blackout, the number and importance of facilities and operations in our Nation's Capital that would be potentially affected by such a blackout, the extended number of hours of any blackout that might in fact occur, and the fact that the current situation violates applicable reliability standards."

On June 1, 2006, the Environmental Protection Agency (EPA) entered into an Administrative Compliance Order by Consent (ACO) with Mirant pursuant to the Clean Air Act. The ACO provides specific operating parameters and procedures for Mirant to follow in "Non-Line Outage Situations" and "Line Outage Situations." In a June 2, 2006, letter order to Mirant, DOE directed Mirant to operate the Plant in accordance with paragraph B of Part IV of the ACO in Non-Line Outage situations. The ACO expires June 1, 2007.

On January 31, 2007, the Secretary of Energy issued DOE Order No. 202-07-2, finding "that the circumstances which led to my previous determination that the Central D.C. area was experiencing a shortage of electric energy continue, and therefore I hereby extend Order No. 202-05-3, as herein amended, until 12:01 a.m., July 1, 2007." In the January 31, 2007 order, the Secretary made two noteworthy additions to the Ordering Paragraphs contained in the original December 20, 2005 order. These additions are highlighted below:

A. During any period in which one or both of the 230 kV lines serving the Central D.C. area is out of service, whether planned or unplanned, Mirant will operate the Potomac River Generating Plant to produce the amount of power (up to its full capacity) needed to meet demand in the Central D.C. area as specified by PJM for the duration of the outage.



1. In the event of a planned outage, Potomac River units will generate that amount of electricity specified by PJM to meet demand.
2. In the event of an unplanned 230 kV line outage, Potomac River units will generate that amount of electricity specified by PJM to meet demand as soon as possible.

When producing electricity pursuant to this paragraph, Mirant shall utilize pollution control equipment and measures to the maximum extent possible to minimize the magnitude and duration of any exceedance of the NAAQS.

***Compliance with the ACO shall constitute compliance with this requirement.***

B. During periods when the two 230 kV lines serving the Central D.C. area are not out of service, Mirant shall keep as many units in operation, and shall take all other measures to reduce the start-up time of units not in operation, for the purpose of providing electricity reliability, but without causing or significantly contributing to any exceedance of the NAAQS or causing serious risk of danger to the Plant or unreasonable risk to Plant personnel. ***Pursuant to DOE's June 2, 2006 letter to Mirant, Mirant will operate the Plant in accordance with paragraph B of Part IV of the ACO, and any other applicable terms of the ACO.***

DOE Order No. 202-07-2 (emphasis added).

Mirant is obligated to comply with DOE Order No. 202-07-2, including the relevant terms of the ACO referenced in that order, so long as the DOE order remains in effect. Although the ACO expires on June 1, 2007, for purposes of EPA enforcement, the ACO will remain a valid description of the duties required of Mirant by DOE Order No. 202-07-2. As to the provisions of the ACO regarding particular EPA involvement, such as reporting requirements under paragraph B(10) of Part IV or monitoring of 80% reduction of SO<sub>2</sub> emissions under paragraph C(1) of Part IV, Mirant shall continue to work with EPA on those matters.

The Potomac Electric Power Company (PEPCO) is installing two new 230 kV power lines that would supplement the supply of electricity to the Central D.C. area. The installation of these two lines is the result of, and will alleviate, the electric supply situation in the Central D.C. area which necessitated the emergency orders referenced above. Connecting those two new lines requires that PEPCO take out of service the two 230 kV lines currently operating, and as a result, at certain times Mirant will be required to operate the Plant in accordance with Ordering Paragraph A of Order No. 202-07-2.

PEPCO has informed DOE that the first new 230 kV line is expected to be completed by June 2, 2007. The outage for the second new 230 kV line is expected to begin immediately following completion of the first line and is scheduled to last six days. Thus, both of the new lines should be complete by July 1, 2007, the expiration date of the DOE Order. As DOE stated in Order No. 202-05-3, and reiterated in Order No. 202-07-

2, "once completed, [the new 230 kV transmission lines] apparently would provide a high level of electric reliability in the Central D.C. area, even in the absence of production from the Plant." Therefore, the Department's current expectation is that there will be no need for an extension of Order No. 202-07-2 beyond its expiration date of July 1, 2007, assuming the two lines are completed by that date.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin Kolevar", with a long, sweeping horizontal stroke extending to the right.

Kevin Kolevar  
Director, Office of Electricity Delivery  
and Energy Reliability

cc: Ms. Debra Bolton