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PHI's Proposed Interstate Transmission Line Backed Key Support for Building 500-kV Line to Improve Reliability, Keep Costs Down

Pepco Holdings Inc.'s (PHI) proposal to build a 230-mile interstate power line to enhance electric reliability in one of the most transmission-congested regions of the country was recommended for construction today by the staff of PJM Interconnection, the independent operator of the mid-Atlantic power grid.

The staff's recommendation is a key step in the process leading to final consideration by PJM's board of managers in October. The board's approval to include the high-voltage line in its regional transmission expansion plan will allow PHI to begin an extensive multi-state permitting and environmental review process that must be completed prior to construction.

The 500-kilovolt line, designated as the Mid-Atlantic Power Pathway (MAPP), would connect northern Virginia to New Jersey through Maryland and the Delmarva Peninsula, providing PHI's 1.9 million customers access to more affordable power-generation sources. Most of the line will be sited within or adjacent to existing transmission right-of-way.

"We must expand our ability to transport power now if we want to meet the rising electricity demands that threaten to overwhelm our system in the future without these upgrades," said William Gausman, PHI Vice President and MAPP project manager. "During the recent heat wave, transmission lines in the Baltimore-Washington corridor, throughout the Delmarva Peninsula and into Southern New Jersey approached their limits as customer usage peaked. Today we can handle this kind of demand; we want to build this line to make sure we can continue to meet our customers' needs 10 years from now."

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Gausman said customer demand for power during peak usage times in PHI's four-state service area alone is projected to increase by nearly 20 percent over the next decade. "Only through a combination of energy conservation, environmentally responsible new generation and a more robust transmission system can we avoid blackouts that federal energy regulators predict could affect this area within several years," he added.

No major interstate transmission line has been built in the mid-Atlantic region in the last 25 years despite significant growth of the population and an economy that produces 18 percent of America's Gross National Product.

In 2006, the U.S. Department of Energy identified Southern California and the region from New York to northern Virginia as the two most constricted transmission areas in the country. The Department described the regions urgent need for new transmission and generating facilities, and additional energy conservation measures "to protect grid reliability and ensure the area's economic vitality."

The MAPP line is expected to cost \$1.05 billion and would be built in stages over several years. PHI would add significant 230-kV support lines on the Delmarva Peninsula and in southern New Jersey to connect with the new 500-kV line, bringing the total cost to \$1.2 billion. The 230-kV lines are still being evaluated by PJM, which operates the regional transmission system in 13 states and the District of Columbia.

The MAPP is designed as a high-voltage, backbone transmission system that will enhance reliability and increase access to renewable and other diverse, less expensive generation resources during periods of high consumption. Congestion on the existing transmission system limits access to more distant and economic electricity during these periods, forcing reliance on much higher-cost generation sources located close to large population centers. Studies show MAPP will reduce congestion charges that now cost retail customers tens of millions of dollars annually in PJM's eastern region.

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About PHI: Pepco Holdings, Inc., headquartered in Washington, D.C., delivers electricity and natural gas to about 1.9 million customers in Delaware, the District of Columbia, Maryland, New Jersey and Virginia. Through its subsidiaries Pepco, Delmarva Power and Atlantic City Electric, PHI delivers regulated electricity and natural gas service. PHI provides competitive wholesale generation services through Conectiv Energy and retail energy products and services through Pepco Energy Services.

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