



May 30, 2012

Mr. Gil C. Quiniones
Co-Chair, Energy Highway Task Force
President and Chief Executive Officer
New York Power Authority
123 Main St., 16th Floor
White Plains, NY19691-3170

Dear Mr. Quiniones:

Exelon Corporation would like to thank the task force for the opportunity to comment in response to Governor Andrew Cuomo's Energy Highway Initiative. Governor Cuomo has correctly identified the importance of having a dependable, robust energy transmission infrastructure that will create economic development in New York State, and meet increased demand in downstate New York by delivering low-cost bottled energy in upstate New York to the downstate load centers.

Exelon Corporation (Exelon) is a holding company, headquartered in Chicago, Illinois, with operations and business activities in 47 states, the District of Columbia and Canada. Exelon owns Commonwealth Edison Company (ComEd), Baltimore Gas and Electric Company (BGE) and PECO Energy Company (PECO). Together ComEd, BGE and PECO own electric transmission and electric and gas distribution systems that deliver electricity to approximately 6.6 million customers in central Maryland (BGE), Northern Illinois (ComEd) and southeastern Pennsylvania (PECO). PECO distributes natural gas to nearly 500,000 consumers in the suburban Philadelphia area. BGE distributes natural gas to over 600,000 customers in central Maryland and also operates a liquefied natural gas facility for the liquefaction and storage of natural gas as well as associated propane facilities.

Exelon Generation (ExGen) is the largest competitive power generator in the U.S., with approximately 35,000 megawatts of owned capacity comprising one of the nation's cleanest and lowest-cost power generation fleets, located in a number of organized markets. The company's Constellation business unit is one of the nation's leading marketers of electricity and natural gas and related products in wholesale and retail markets. These Constellation business units serve approximately 100,000 business and public sector customers and approximately one million residential customers in various markets throughout the United States. In New York, Exelon, with its partner Electricite de France, owns Constellation Energy Nuclear Group, LLC, which owns and operates 3 nuclear power plants, Ginna, Nine Mile Point 1 and Nine Mile Point 2.

At the RFI Conference held on April 19th, the Energy Highway Initiative Task Force identified several major over-arching objectives, which include:

1. Reduction of constraints on the flow of electricity to and within the downstate area;
2. Increase efficiency of power generation, particularly in densely populated areas;
3. Maximize reuse of existing generation sites;

4. Ensure reliability and competitiveness of our New York transmission, distribution, and generation system;
5. Reduce our dependence on foreign resources; and
6. Continue to improve our environment.

A robust New York transmission system will allow for Interconnection of new, clean technology resources to connect to the grid and the delivery of low-cost energy to high load centers, an ability to continue to meet the State's current goal of 30% renewable resources by 2015, including projects with in-service dates beyond 2015, and further enhancement of the coordination of electric and natural gas systems critical for system reliability throughout New York State.

The New York Independent System Operator (NYISO) is responsible for the reliable operation of the New York bulk electricity system, administering the wholesale electricity markets and performs comprehensive reliability and resource planning. The NYISO performs its planning under the Comprehensive Reliability Planning Process (CRPP). The CRPP consists of two elements, a Reliability Needs Assessment (RNA), which looks at the system identifying any violations of reliability criteria over a 10 year planning horizon, and an economic planning element called the Congestion Assessment and Resource Integration Study (CARIS), which also covers a 10 year planning horizon.

CARIS begins with an assessment of historic and future congestion on the New York State bulk power transmission system and provides an analysis of the potential costs and benefits of relieving that congestion. The process develops a ten-year projection of transmission congestion over transmission paths in the New York bulk power system. Based upon an analysis of historic and projected congestion, the NYISO identifies the three most congested sets of elements on the New York bulk power system. The study results provide information concerning the potential to reduce congestion and obtain production cost savings in New York and may serve to spur investments in transmission, generation and demand response. The results are reported to inform developers and policymakers about the potential costs and benefits of relieving transmission congestion to assist in the development of specific projects.

The NYISO released the first CARIS study on January 12, 2010 (the 2009 CARIS). The three most congested elements studied in the 2009 CARIS were the West-Central Interface, the Central-East Interface and the Leeds-Pleasant Valley corridor. More recently, the NYISO released the 2011 CARIS on March 20, 2012, and it identified the three most congested elements as Central East - New Scotland - Pleasant Valley, New Scotland - Pleasant Valley, and Leeds-Pleasant Valley. These elements will continue to be the most restricting elements on the grid that inhibit the efficient transfer of power from the upstate region to the downstate load centers unless the New York transmission grid is upgraded and reinforced.

In addition, the New York Transmission Owners ("NYTO") began a similar process to the NYISO CRPP to study the NYS energy infrastructure, but with the intent to look out over a longer planning horizon of 30 years versus the NYISO 10 year planning horizon. The NYTO study, known as the NYS Transmission Assessment and Reliability Study ("STARS"), began in April 2008 and Phase II of the study report was released on April 30, 2012. The report outlines the last major

cross-state transmission was built in the 1980s; and that 85 percent of the state's transmission lines were built before 1980. Based on a high level age based condition assessment, nearly 4,700 miles of lines will approach end of life and may require replacement within the next 30 years. Preliminary findings of the STARS effort indicate that \$25 billion may be spent over the next 30 years if all of the transmission lines identified through the age-based condition assessment were to be replaced. Additionally, \$2.5 billion worth of potential projects (including up-grades to existing lines as well as constructing several new lines) have been identified.

Study results identified several projects that could provide immediate economic benefits by increasing transfer limits on existing constraints within the state's transmission grid. These projects include:

- A 3rd Leeds to Pleasant Valley transmission line
- A 3rd New Scotland to Leeds transmission line
- A 2nd Rock Tavern to Ramapo transmission line

On a broader scale, there were several upgrade projects identified in the study that provide increased transmission capability at a relatively modest cost. The estimated replacement costs of these projects is approximately \$1.0B, with the estimated additional upgrade costs of slightly over \$600M.

These projects include upgrades to the following transmission lines:

- Marcy to Rotterdam section of the Marcy to New Scotland transmission line
- Oakdale to Fraser transmission line

Upstate New York is home to a diverse mix of hydro, nuclear, natural gas, coal, wind, solar, energy storage and biomass resources. In addition, it has a number of outstanding universities and colleges with specialized programs in energy and environmental related disciplines. In a macro-economic view, upstate New York could be a national leader in the development of both energy infrastructure and intellectual capital. To reach this potential will require a sound in-state transmission improvement plan that allows for the proper alignment of electric transmission, natural gas transmission, and generation infrastructure. To this end, it would create the maximum utilization of these resources and the corresponding improvement in economic development, jobs and tax revenues.

Further, with the planned environmental initiatives at the federal, regional and state levels, many of our neighboring regional transmission organizations ("RTOs") will be impacted by generation shortfalls within the next decade due to unit retirements. New York State, in particular upstate New York, has the potential to further enhance its economic position by becoming a net exporter of clean, state-of-the-art generation supply.

The STARS study goes to a certain point, but additional projects that connect directly into New York City are needed to realize maximum benefits. The study also looked at HVDC lines from Pleasant Valley to NYC and Long Island. While they do not appear to be justified based on either

reliability or economic benefits, they may be justified based on Public Policy goals, such as being able to deliver renewable resources to New York City and Long Island.

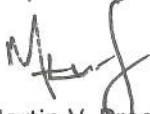
EXELON RECOMMENDATIONS

We recommend the Energy Highway Initiative Task Force fully support the in-state transmission facility upgrades identified in the STARS Report as discussed above. We further recommend that any upgrades that utilize existing transmission lines within existing right of ways should be given top priority because they offer more expedited planning and permitting advantages, and provide instant positive consumer impacts.

These improvements will relieve congestion, allow expansion of new infrastructure, and tap the array of resources (nuclear, natural gas, hydro, wind, solar, energy storage, and coal) that exist upstate. Further, the planned improvements will reduce overall statewide energy production costs and capacity requirements. Economic expansion and job growth depends on promoting a competitive, highly efficient energy infrastructure, the Energy Highway Initiative will become a critical building block toward creation of that long term economic stimulus.

Thank you for the opportunity to provide these comments.

Respectfully submitted,



Martin V. Proctor
Senior Vice President
State Government and Regulatory Affairs
and Competitive Market Policy