

October 19, 2012

VIA EMAIL AND U.S. MAIL

Mr. Kevin Lucas
Director of Energy Market Strategies
Maryland Energy Administration
60 West Street, Suite 300
Annapolis, MD 21401

Re: Draft Report on EMPOWER Maryland Beyond 2015

Dear Mr. Lucas:

Thank you again for soliciting input on the Maryland Energy Administration's (MEA) current draft "Report to the Senate Finance Committee and House Economics Matter Committee to Discuss Whether to Set EMPOWER Maryland Targets beyond 2015" (Draft Report). We understood MEA specifically to be seeking input in three areas, at pages 29-30 of the Draft Report: Reduction Target Methods, Cost Effective Definitions, and Other Characteristics. The Potomac Edison Company (Potomac Edison or Company) therefore respectfully submits the following comments for consideration.

1) Reduction Target Methods:

The Company supports the first Goal-setting process suggested in the Draft Report, that Maryland not revise existing targets beyond 2015, at this time. As of today, there is too much uncertainty as to what goals would be appropriate or affordable in the years 2016 and beyond. For one thing, the status of the economy, as to when and at what rate it will recover from the downturn of the preceding years, is still very unsettled, and has many implications for energy usage, needs, and costs going forward. Also, because the costs of each year of the current EmPOWER programs have been amortized over the five following years at the direction of the Public Service Commission (Commission), customers will be just be starting to pay the full costs of the current programs once 2014 and 2015 are reached, and will continue to be paying for those pre-2016 programs in the years 2016 and beyond.

In light of these factors, Potomac Edison suggests that the issue of goal setting for 2016 or beyond be deferred for now, and that the Commission (in conjunction with MEA) be charged with continuing to review Maryland's status relative to the 2015 targets, with an eye towards continuation of programs as needed based on current targets and program experience.

2) Cost Effective Definitions:

The current statute provides appropriate direction to the Commission relative to considerations that should factor into program approvals including cost-effectiveness, impact on rates of each ratepayer class, impact on jobs, and impact on the environment. The Commission's processes for cost effectiveness assessments and regulatory reporting leverage standard industry tests performed by independent evaluation professionals and fully meet those standards. Legislative changes are neither necessary nor appropriate, and could inject uncertainties that would disrupt achieving the current EMPOWER goals.

3) Other Characteristics:

The suggestion that targets for energy consumption be weather normalized is fraught with ambiguity, and is neither necessary nor appropriate. Evaluation results from programs reflect protocols that make weather normalization of the targets themselves unnecessary.

If you have any questions about these comments, please let me know. We look forward to continuing to work with you on this matter.

Very truly yours,



Jeffrey P. Trout

Senior Corporate Counsel