

From: Electric Supplier Relations
Sent: May 31, 2006
Subject: Electricity Suppliers with Customers Enrolled in BGE's Direct Load Control Programs

Baltimore Gas and Electric Company (BGE) operates two voluntary Active Load Management (ALM) Direct Load Control programs. These two programs are Rider 5 - Controlled Air Conditioning Service and Rider 6 - Controlled Water Heating Service. When these programs are activated, they serve to lower BGE's zonal load. Such activations generally occur during periods of high load and/or high wholesale energy prices during the summer season. In return, BGE provides credits to customers who participate in the programs. BGE will activate the programs in accordance with PJM Interconnection emergency response requirements and BGE's Electricity Supplier Coordination Tariff (Section 10.0 - ALM).

Customers participating in the ALM Direct Load Control programs and who have enrolled with an electricity supplier may continue to receive credits offered by BGE under the programs. BGE notified you when a customer was participating in the ALM program in our enrollment response (EDI 814) at the time of the customer's enrollment. As in the past, whenever BGE activates the ALM Direct Load Control devices, BGE will notify the suppliers by email the following business day of the start and stop times of the activation.

During each ALM Direct Load Control activation, electricity suppliers will realize a reduction in load associated with each customer participating in the program. Pursuant to BGE's Electricity Suppliers Coordination Tariff, BGE will capture all benefits associated with its ALM Direct Load Control program via the PJM Interconnection ALM accounting process. BGE will accomplish this by calculating the reduction in load associated with each activation on an individual supplier basis and adding it back to the electricity supplier's account during the 60 day settlement process. These calculations are performed in accordance with PJM's procedures for Active Load Management.

BGE will make these adjustments through PJM's eSchedule process and has established eSchedule contracts for each supplier with customers with direct load control devices to handle these adjustments. For new suppliers where an eSchedule contract needs to be set up, the supplier will be required to verify the new eSchedule contract giving BGE the right to make these adjustments. Dev Holland from BGE's Supplier Account Management (SAM) group will contact you on an individual basis in the next few days to ensure that this verification occurs.

BGE will compensate electricity suppliers for the lost generation revenue. BGE will determine each electricity supplier's premise level energy loss and will pay each electricity supplier the energy loss multiplied by BGE's generation service rates as published on BGE's website. These rates will be the Market Priced Standard Offer Service rates for generation. A copy of the generation rates have been included in Attachment B. The lost generation revenue amount will show as a separate line item on the monthly invoice you receive from BGE that covers supplier fees subsequent to the 60 day settlement process.

To assist you with an understanding of how the load reduction and lost generation revenue amounts are calculated, BGE has attached two spreadsheets. Attachment A is a list of your accounts that have ALM Direct Load Control devices. Attachment B shows simplified examples of how the adjustments and credits will be calculated for Commercial/Residential Rider 5 switches and Residential Rider 6 switches. Attachment B also provides a description of how the adjustments are computed and a description of the Weighted Temperature Humidity Index (WTHI). The peak loss factors that are used in the spreadsheet are at peak load periods as outlined in the PJM Interconnection ALM accounting process. BGE will provide an updated list of your accounts that have ALM Direct Load Control devices to you throughout the summer season.

Please refer to the Electricity Suppliers Coordination Tariff (Section 10.0 - ALM) for further details. If you have additional questions or feel that you need would need an informal training session via webcast, please call SAM at 410-470-6900. Thank you for cooperation in this matter.