



Randall B. Palmer
(724) 838-6894
rpalmer@allegHENYenergy.com
Monique Rowtham-Kennedy
(202) 383-3436
mrowtham-kennedy@aep.com

March 7, 2011

Ms. Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

Re: *Potomac-Appalachian Transmission Highline, LLC*
Update on Status of Project
Docket No. ER08-386-000

Dear Secretary Bose:

Potomac-Appalachian Transmission Highline, LLC ("PATH LLC"), on behalf of its operating companies PATH West Virginia Transmission Company, LLC ("PATH-WV") and PATH Allegheny Transmission Company, LLC ("PATH-Allegheny"), wishes to notify the Commission that, on February 28, 2011, PJM Interconnection, L.L.C. ("PJM") directed the transmission owner sponsors of the Potomac-Appalachian Transmission Highline ("PATH") Project to suspend current development efforts on the PATH Project.¹ The PATH Project is a planned 276-mile, 765-kV transmission line extending from the Amos Substation in Putnam, West Virginia to the proposed Kemptown Substation southeast of New Market, Maryland, with approximately 31 miles of the transmission line traversing Virginia.

The PJM Board first approved the PATH Project under the 2007 Regional Transmission Expansion Plan ("RTEP") as new transmission infrastructure needed to resolve expected reliability violations. The PJM Board continued to approve the PATH Project under each subsequent annual RTEP, including the most recent 2010 RTEP, although the configuration and in-service dates have changed over time. On February 28, 2011, PJM announced that based on preliminary analyses using the most current economic forecasts, demand response commitments and potential new generation resources, the expected reliability violations that necessitated the

¹ PATH LLC is a joint venture between American Electric Power and Allegheny Energy, Inc. Allegheny Energy merged with FirstEnergy Corp. on February 25, 2011.

PATH Project have moved several years into the future. Based on these latest results, the PJM Board decided to hold the PATH Project in abeyance for the 2011 RTEP, and the Board directed the sponsoring transmission owners to suspend current development efforts on the PATH Project -- other than activities necessary to maintain the Project in its current state -- while PJM, as part of its continuing RTEP process, conducts more analysis of the PATH Project. Through the Regional Planning Process Task Force and other stakeholder forums, PJM is evaluating its planning methods, including the criteria used to determine the need for transmission projects. Once the process is complete, PJM will reassess the need for transmission expansion in the region under any approved revisions to the planning process.

In compliance with PJM's directive, PATH-WV and PATH-Allegheny immediately suspended development efforts on the PATH Project, other than activities necessary to maintain the Project in its current state, and filings have been made to withdraw applications for state regulatory approval of the PATH Project in Maryland, Virginia and West Virginia. PATH LLC is evaluating the financial impact of PJM's suspension of the Project on the 2011 Projected Transmission Revenue Requirement ("PTRR") to determine whether a revised 2011 PTRR should be implemented to reflect the suspension of development activity. Importantly, the PJM Board has not directed the sponsoring transmission owners to cancel or abandon the PATH Project,² and some non-development activities and non-capital cost expenditures will necessarily continue in order to maintain the Project in its current state during this period of suspension. Thus, the PATH Formula Rate and Protocols will continue to apply during the Project's suspension, and while the PTRR is subject to true-up to the actual revenue requirement under the PATH Protocols, PATH LLC will endeavor to determine as soon as practical whether the 2011 PTRR should be revised to reflect PATH LLC's current estimate of the revenue requirement for the PATH Project for calendar year 2011.

² See Attachment A (Statement of Terry Boston, President and CEO, on behalf of PJM Board of Managers: Planning for Transmission in the 21st Century).

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Thank you for your attention. Please contact the undersigned if you have any questions.

Respectfully submitted,

/s/ Monique Rowtham-Kennedy

Monique Rowtham-Kennedy

Senior Counsel

American Electric Power

801 Pennsylvania Avenue, N.W.

Suite 320

Washington, D.C. 20004-2684

(202) 383-3436

mrowtham-kennedy@aep.com

/s/ Randall B. Palmer

Randall B. Palmer

Assistant General Counsel

FirstEnergy Corp.

800 Cabin Hill Drive

Greensburg, PA 15601

(724) 838-6894

rpalmer@alleghenyenergy.com

Counsel for Potomac-Appalachian Transmission Highline, LLC

ATTACHMENT A



**Statement of Terry Boston, President and CEO,
on behalf of the PJM Board of Managers**

Planning for Transmission in the 21st Century

February 28, 2011

One of PJM's core functions is planning for new transmission facilities that are needed to ensure the future reliability of our regional electricity system that serves 54 million people. PJM's independent analysis is an important component of the process by which FERC and the States exercise their respective authority over the construction, siting and cost recovery for major new transmission lines in our region.

Through the current Regional Transmission Expansion Plan (RTEP), PJM has identified -- over a 15-year horizon -- when the forecasted power flows in specific areas of the grid would violate national and local standards for reliable operation of the bulk electric system. This process necessarily requires estimating the future demand for electricity, as well as analyzing the committed resources that will serve the demand, in order to determine when and where future power flows will exceed the thermal and voltage limitations of existing transmission facilities.

While any estimate of future economic activity and its effect on both demand and supply is inherently uncertain, PJM generally has found, based on its experience, that the magnitude of uncertainty was limited and that FERC-approved "bright line" tests such as are currently used in the RTEP process could reasonably define the expected date of future reliability violations, thereby allowing PJM to plan for new transmission facilities.

Recent dramatic swings in economic forecasts and evolving public policies (particularly with respect to renewable energy) are adding greater uncertainty to our planning studies. Uncertainty about generation retirements, particularly in response to potential changes in environmental regulations, may also be diminishing the robustness of the current planning criteria.

Moreover, a set of new and greater uncertainties -- not just with load growth estimates but also other key indicators relevant to planning assessments -- are complicating the analysis of future reliability needs. In particular, the growth of Demand Response can contribute to lower expectations for future peak demand, thereby extending the time period when transmission upgrades are needed.

This Board supports both the enhanced competition within PJM markets that comes with greater Demand Response participation and greater opportunities for renewable energy -- but we recognize these factors add significant complexity to analyses of the system's future needs.

Although the current planning studies have become volatile due to significant changes in economic forecasts, this Board remains committed to sharing with PJM stakeholders the latest results of PJM's completed analysis. We report whatever the forecasts are and we respond impartially.



The Potomac Appalachian Transmission Highline (PATH)

Based on analysis conducted in 2007, the PJM Board approved a 765 kV line between the existing Amos substation in West Virginia and the proposed Kemptown substation in Maryland. Subsequent analysis extended the "required in-service date" by which the line was needed to resolve reliability violations to 2015.

As part of its 2011 RTEP, and in response to a request by a Virginia Hearing Examiner, PJM is conducting a series of analyses using the most current economic forecasts and Demand Response commitments, as well as potential new generation resources. Preliminary analysis reveals the expected reliability violations that necessitated PATH have moved several years into the future.

Based on these latest results, the Board has decided to hold the PATH project in abeyance in its 2011 RTEP. The Board further directs the sponsoring Transmission Owners to suspend current development efforts on the PATH project, subject to those activities necessary to maintain the project in its current state, while PJM conducts more rigorous analysis of the potential need for PATH as part of its continuing RTEP process. This action, however, does not, at this time, constitute a directive by PJM to the sponsoring Transmission Owners to cancel or abandon the PATH project.

PJM will complete this more rigorous analysis of the PATH project and other transmission requirements and then report the results to stakeholders when it is available. The Board will review this comprehensive analysis as part of its consideration of the 2011 Regional Transmission Expansion Plan.

Managing Uncertainties in Transmission Planning

Through the Regional Planning Process Task Force and other forums, PJM stakeholders are evaluating the current planning criteria and considering better ways to manage all factors utilized in the exercise of transmission planning.

The PJM Board strongly supports this effort. We consider this collaboration to be one of PJM's most important stakeholder initiatives. While we do not presuppose any specific outcome at this time, we ask PJM members to bring forth recommendations by this fall so that PJM might make appropriate filings and then enact improvements in the planning process at the beginning of 2012.

This region's electricity system faces more challenges in the next 10 years than any other period over the last 100 years. Transmission planners are on the leading edge – identifying future needs amidst growing uncertainties such as a changing fuel mix, increased storage possibilities, greater demand participation, as well as fluctuating forecasts for economic recovery.

We urge stakeholders to find innovative ways to manage these complexities well so that this region keeps -- for the long-term future -- the reliable electric service that drives our economy.

Certificate of Service

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C. this 7th day of March, 2011.

/s/ Monique Rowtham-Kennedy
Monique Rowtham-Kennedy

Counsel for Potomac-Appalachian Transmission
Highline, LLC