

April 29, 2026

Via Electronic Delivery

David E. Mills, Chair
PJM Board of Managers
PJM Interconnection, L.L.C.
P.O. Box 1525
Southeastern, PA 19399-1525

Re: PJM CIFP – Reliability Backstop Procurement

Dear Mr. Mills:

The undersigned PJM Public Power Entities (PPPE) thank you and PJM Interconnection staff for initiating a Critical Issue Fast Path (CIFP) process to engage stakeholders in the development of a Reliability Backstop Procurement (RBP) process to secure capacity to meet anticipated large load demand, and for staff providing its RBP Phase II proposal. We recognize that we are early in the CIFP process and that PJM staff's proposal may evolve based on stakeholder feedback. However, based on the current proposal, we have a fundamental concern.

The ultimate financial liability for capacity procured via the RBP process should fall on the large load whose need for firm capacity drove the procurement. Consistent with this goal, PJM's design of the RBP process and the mechanisms for implementing the RBP process should not allow ultimate financial liability to be shifted to other consumers or market entities, such as Electric Distribution Companies (EDCs), including distribution cooperatives, municipal electric distribution systems, and others. Ultimate financial responsibility should remain with the large load that is driving the need for generation. And yet, our collective observation is that PJM's evolving Phase II proposal appears to entail just such a shift in cost responsibility.

A central element of the Phase II procurement design proposal is that EDCs must decide whether to request that PJM procure firm capacity in the large load RBP process. EDCs must make that determination by collaborating with the large loads, their Load Serving Entities, and the Relevant Electric Retail Regulatory Authority. While presented as a voluntary option to represent load in the RBP process, it actually places an affirmative obligation upon the EDC – a non-FERC jurisdictional entity who, in its capacity as a distribution company, has no contractual relationship with PJM – to make that decision, with negative consequences regardless of whether the EDC elects to have PJM procure capacity for the large load or not.

If the EDC submits an RPB Phase II purchase bid on behalf of a new large load, there is a risk that the large load will fail to materialize, resulting in material credit consequences for the EDC. For example, a 500 MW RPB Phase II commitment for fifteen years at \$550/MW-day equates to a \$1.5 billion RBP obligation between the EDC and the Phase II RBP resource.

While EDCs may negotiate collateral with data center developers outside of PJM's proposed EDC-RBP Phase II process, the residual credit, resource contracting, and settlement risks under PJM's RBP design presents the EDC with a stark choice: risk financial viability by serving as a long-term credit sleeve, or limit bids to loads with 100% prepaid capacity commitments. On the other hand, the EDC can elect not to represent the large load in the RBP and, in so electing, would be responsible for shedding load as necessary under the "connect and manage" process. Either way, PJM's RBP design puts the EDC in the middle, facing ultimate financial liability for the procurement of any firm capacity under the RBP process, and subjecting the EDC to potential litigation and other regulatory challenges associated with whatever decision the EDC makes.

The importance of who bears these risks is critical because of the enormity of the financial risk EDCs are being asked to assume. Many PPPE members are EDCs who serve load in the 5 MW to 500 MW range, while a single data center customer could be many times that size.

Some public power entities also may face a long-term contracting risk because they are transmission dependent and may not be the final authority for determining whether their respective service territory remains in the PJM RTO for the duration of the RBP capacity commitment. Therefore, the future value of any "PJM capacity credits" may be called into question.

These examples show how critical it is to ensure costs caused by large loads are properly allocated to large loads, not to the EDCs. The PPPE do not believe that this RBP design proposal, which effectively imposes significant risks on retail customers to support data center growth, is consistent with the White House Ratepayer Protection Pledge or the Statement of Principles signed by the thirteen PJM Governors and the National Energy Dominance Council. Nor is it consistent with the law of some PJM states. See, e.g., Md. Ann. Code, Pub. Utils. Art. § 4-212 ("It is the intent of the General Assembly that residential retail electric consumers in the State should not bear the financial risks associated with large load customers interconnecting to the electric system serving the State.")

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The PPPE appreciate the opportunity to provide these comments to the PJM Board and stand ready to engage further on this critical issue, including providing alternatives to PJM staff's current proposal.

Sincerely,

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Old Dominion Electric Cooperative

/s/ Don Mosier
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President & CEO
East Kentucky Power Cooperative, Inc.

/s/ Sonja M. Cox
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President & CEO
Southern Maryland Electric Cooperative, Inc.

/s/ Craig Grooms
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cc: PJM Board of Managers
Dave Anders