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VIA E-MAIL

Paula Conboy, Chair, PJM Board of Managers
David Mills, PJM President and CEO
PJM Interconnection, L.L.C.
2750 Monroe Boulevard
Audubon, Pennsylvania 19403

Re: Positioning States for Success in Retail Cost Allocation

Dear Ms. Conboy, Mr. Mills, and Members of the PJM Board:

As PJM engages in multiple initiatives to address resource adequacy and reliability on the PJM grid, the interplay between FERC-jurisdictional wholesale markets and State-jurisdictional retail authorities is increasingly in focus, particularly as cost and reliability concerns mount for retail customers across all segments of the economy.

The undersigned acknowledge that, on May 5, 2026, PJM notified Governors of PJM States that the States will need to take prompt action on cost allocation for the Reliability Backstop Procurement (“RBP”) to avoid undesired cost impacts on retail customers.

While States may have responsibilities for retail cost allocation, States will only succeed if the rules at the wholesale market include sufficient tools to assign the costs of RBP to those retail customers that are prompting the RBP procurement, consistent with the Ratepayer Protection Pledge. In our view, such work supports the Federal Energy Regulatory Commission’s call to action reflected in the Show Cause Order issued at Docket No. EL26-67-000.

Please note that the signatories to this letter have serious and substantive concerns with aspects of PJM’s proposed approaches to the RBP and Connect and Manage (“C&M”). Those concerns are not the focus of this letter. Rather, this letter offers some practical ideas for PJM’s consideration as it develops its proposals. We offer this letter now, given the timing exigencies. The undersigned reserve all rights with respect to the details of PJM’s RBP and C&M proposals.

As the central coordinator of the region’s wholesale markets, PJM alone is situated to provide the necessary tools and data to State-regulated entities, enabling States to fulfill their respective just and reasonable mandates at the retail level. PJM has the following tools: (a) control of its billing system, which can be used to track key data points that serve as inputs to retail cost calculations; (b) the Reliability Assurance Agreement (“RAA”) Among Load Serving Entities (“LSE”), which contractually obligates both PJM and all LSEs in its territory to take specific actions in collaboration with one another; (c) Section 205 filing rights to add modifications to the RAA; and (d) regional visibility.

In light of PJM’s unique role in operating complex wholesale electricity markets that must ultimately be translated into retail rates, PJM should do what it can to **position States for success**. Doing so:

- Facilitates proactive retail cost allocation planning by States, benefiting retail customers;
- Provides a roadmap for States to take action, enabling accountability;
- Reduces pressure on PJM, allowing States to effectively complement PJM’s wholesale work;

- Gives stakeholders at all levels an opportunity to propose innovative solutions; and
- Permits greater focus by PJM on reliable interstate transmission and effective wholesale markets.

In light of the above, the undersigned offer the following practical suggestions to enhance States' ability to appropriately allocate retail costs, all of which flow downstream from wholesale market transactions. These suggestions relate to the RBP but are not limited to it.

RECOMMENDATIONS

Recommendation #1: Electric Distribution Companies (“EDCs”) and LSEs must share data with PJM to identify all large loads contributing to each zone’s RBP procurement target on a per-customer basis.

PJM currently requires this level of transparency for Curtailment Service Providers' Load Management Registrations. Essential data needed for cost allocation is likely to be very similar to the data outlined in the Updated Large Load Adjustment Request Template material (as reviewed at the June 5 Load Analysis Subcommittee meeting), with further information related to RBP, Bring Your Own New Capacity (“BYONC”), and/or C&M status. Our recommendation aligns with NERC's imminent [regulation](#) of “large computational loads,” which will require “registered entities” to submit specific information to NERC/RFC, and make that information available to PJM.

The contractual mechanism of the RAA is the ideal tool to make sure the essential data *needed for forecasting and cost assignment or allocation* is accessible to PJM, LSEs, and EDCs. At a minimum, such data should include, for each new large load customer:

- Points of interconnection and applicable LSE and EDC,
- Nominated MW,
- Financial commitment/status, including:
 - Stage (i.e., inquiry, executed agreement, posted financial security; EDC's view of the load as certain, contingent, or speculative),
 - Term of final agreement,
 - Ramp rate and utilization factor, and
 - Load profile information,
- Status (full or partial) as BYONC or C&M, and
- RPB Participation: Central Procurement vs. Bilateral Agreement.

Recommendation #2: PJM Settlement should track critical data on PJM invoices to LSEs. PJM invoices already include a variety of zonal- and LSE-based charges. PJM should ensure that key costs for new large retail loads committed to the RBP are tracked through a subaccount-like structure. For example:

- **Billing line item.** PJM should create a new billing line item (similar to how PJM separately reports Transmission Enhancement, Generation Deactivation, or other itemized costs) tagged specifically as “Reliability Backstop Procurement” costs, broken out by the load growth that caused the procurement (see below), showing:
 - Itemized exemptions/credits for C&M status, and
 - Itemized exemptions/credits for BYONC status (including co-located load additions).
- **Use of Subaccounts (RPB).**
 - Under each billing line item related to RPB, PJM should add subaccounts identifying each individual large load customer by interconnection point (connected to the data in Recommendation #1 above).
 - Subaccounts should also incorporate C&M and BYONC exemptions of customers under each billing account.

- **Use of Subaccounts (Other Services).** PJM also should use subaccounts to track large load additions described above in the context of Network Integration Transmission Service (“NITS”), Interim NITS, Firm Contract Demand Service, and Non-Firm Contract Demand Service.

To position the States to allocate costs under their authority, PJM must engage with the EDC and LSE communities to determine how best to design its settlement reporting mechanism to facilitate the cost allocation envisioned by the States and the Ratepayer Protection Pledge. In addition to any regulatory changes required to implement the RBP and C&M, the EDC and LSE billing systems will be affected and need to be updated; retail customers will ultimately bear the costs of any changes. We encourage PJM to proactively identify the needs of its EDC and LSE customers before undertaking updates to its billing and reporting systems to facilitate its RPB and C&M proposal.

The signatories to this letter appreciate the Board's consideration of these practical recommendations to equip States, and by extension, retail end-users generally, for success.

Sincerely,

/s/ Susan E. Bruce

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c: David Anders, Senior Director, Stakeholder Affairs, PJM Interconnection, L.L.C.