

Transmission Owner Separation Risk

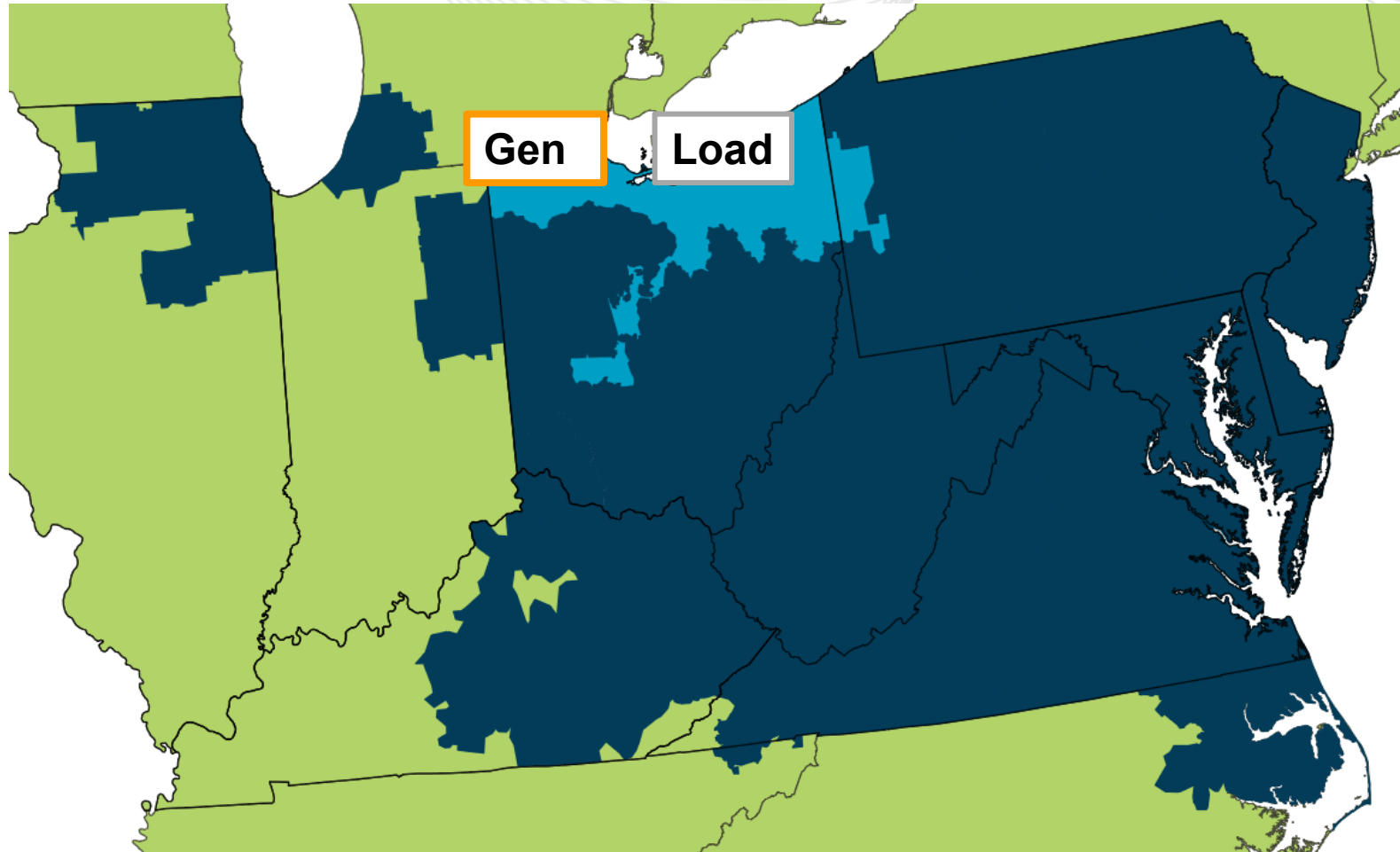
CIFP – RBP/ C&M
May 27, 2026

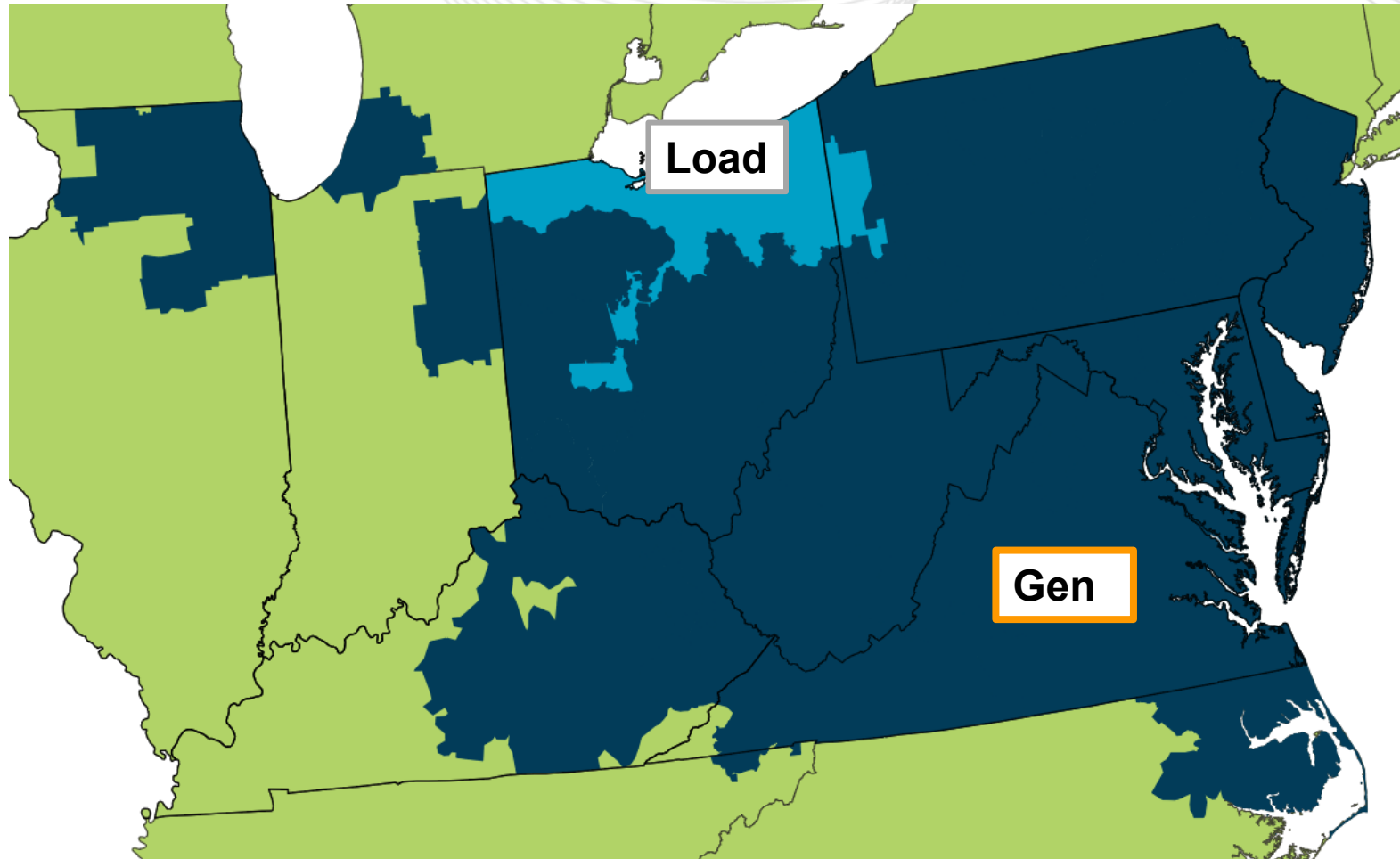
Chris O'Hara
EVP, General Counsel

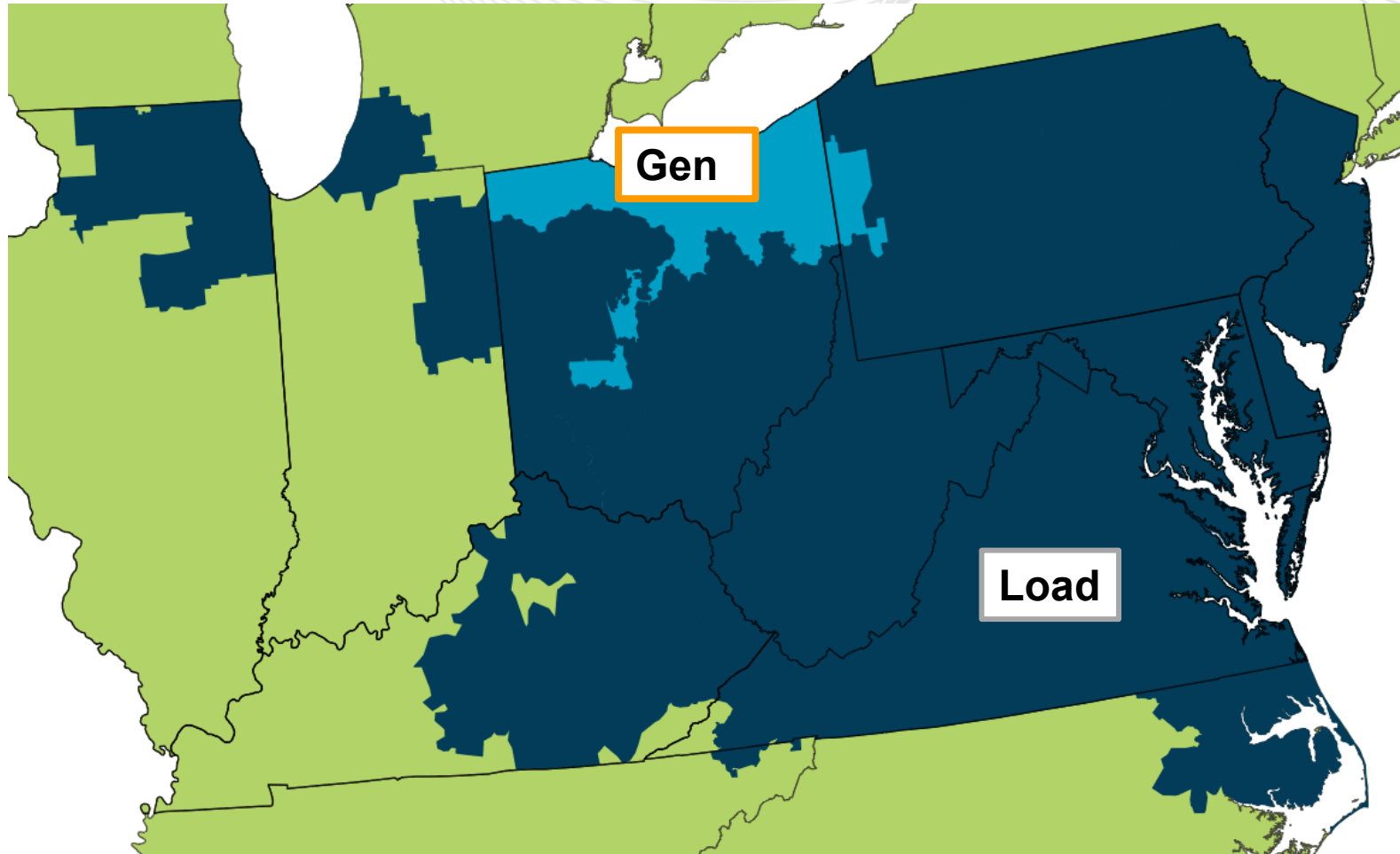
What happens if a Transmission Owner leaves PJM?

Three Scenarios:

1. Generation and Load leaves with the TO
2. Load leaves with the TO, Generation stays
3. Generation leaves with the TO







- Who should be responsible for the obligation to pay the generation in Scenarios 1 & 2?
- In Scenario 3, who should be responsible pseudo-typing the Generation back into PJM and paying for the firm transmission service?

What happens if a Transmission Owner leaves PJM? Could this happen?

1. RTO borders are not static and are dictated by TO participation.
2. Consideration of past-exits . . .

Joined in 1927

Joined in 1956

Joined in 1965

Joined in 1981

Joined in 2002

Joined in 2004

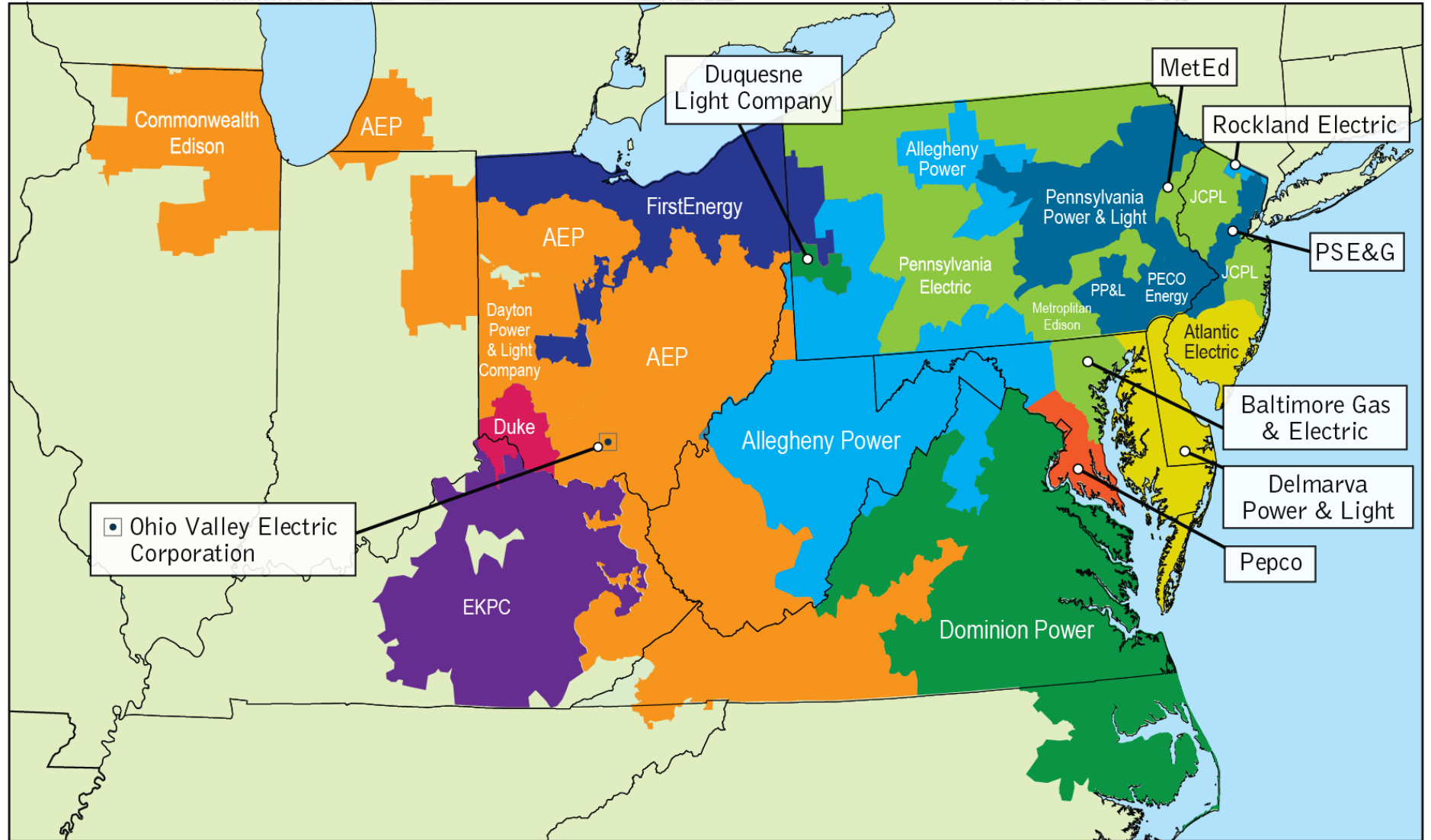
Joined in 2005

Joined in 2011

Joined in 2012

Joined in 2013

Joined in 2018



Duquesne Light Company attempted to withdraw from PJM over objections to capacity-related costs.

Initially, Duquesne tried to avoid various capacity and transmission expansion financial obligations that would become due after its proposed withdrawal date.

FERC rejected Duquesne's arguments and provided guidance on capacity and transmission cost obligations post-withdrawal, but the proceeding was ultimately resolved via settlement.



Nov. 2007

Jan. 2009

“[W]e find that Duquesne is responsible for paying for all the capacity PJM acquired on its behalf up through and including the upcoming January [2008 RPM] auction.”

“In this case, Duquesne understood that PJM was procuring capacity on its behalf and therefore should be obligated to pay for that capacity. Indeed, allowing Duquesne to escape its obligations to pay for the capacity acquired on its behalf will force PJM to collect the amount it is obligated to pay the generators from the remaining participants in PJM, hardly a just and reasonable result.”

“We find that upon Duquesne’s withdrawal from PJM, the Duquesne zone will not be subject to PJM’s future-period, annually-updated ‘Transmission Enhancement Charges.’ ... Project costs that have been allocated to the Duquesne zone, i.e., established and made binding on the Duquesne zone pursuant to PJM’s current-year schedule 12 cost allocations, will continue to apply to the Duquesne zone and may be collected by PJM through the current calendar year, ending December 31, 2008, based on the current-period, load ratio shares on file with the Commission under schedule 12.”

“With respect to lower voltage facilities, PJM assigns to each transmission owner, the proportion of costs applicable to that transmission owner during the RTEP process. This assignment is fixed as of that point, and as such, Duquesne concedes that it is liable for these costs.”

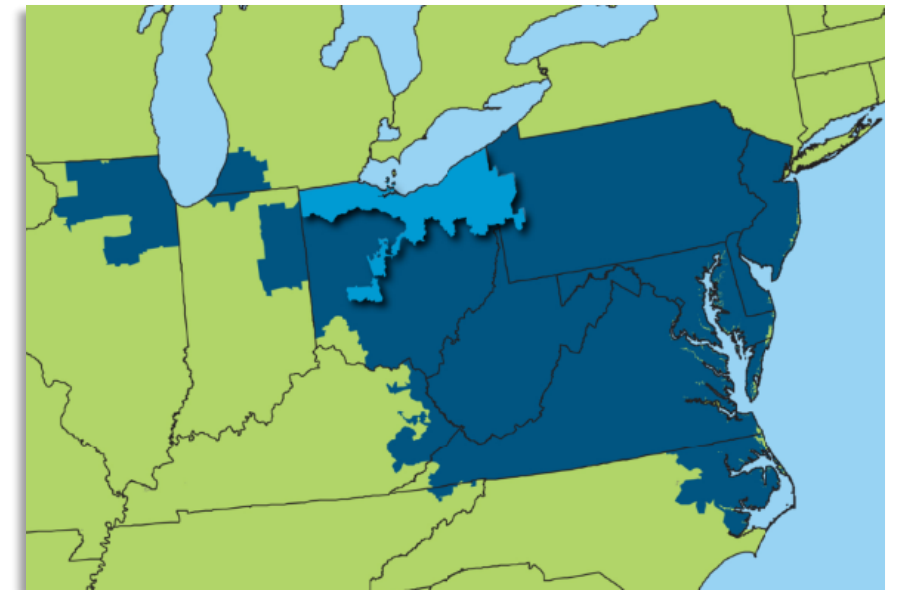
These “lower voltage facilities” are allocated pursuant to Schedule 12(b)(vi).

Capacity
 RTEP Annually-Updated
 RTEP Lower Voltage

- **TOA:** “All financial obligations incurred and payments applicable to time periods prior to the effective date of such withdrawal shall be honored by MISO and the withdrawing Owner.”
- **Attachment FF:** “Withdrawal from MISO: A Transmission Owner that withdraws from the MISO as a Transmission Owner shall remain responsible for all financial obligations incurred pursuant to this Attachment FF while a Member of the MISO and payments applicable to time periods prior to the effective date of such withdrawal shall be honored by the MISO and the withdrawing Member.”

- FERC conditioned the 1998 merger of LG&E and KU on their continued membership in MISO to mitigate horizontal market power concerns.
- LG&E/KU withdrew from MISO to become an independent utility in Sep 2006. FERC noted that market power concerns were still present and required a rate pancaking mitigation plan.
 - LG&E/KU was acquired by PPL Corp in 2010.

- First Energy's American Transmission System, Inc. (ATSI) withdrew from MISO and joined PJM in June 2011. During the withdrawal, ATSI negotiated an exit fee agreement with MISO.



- Similar to ATSI, Duke Energy (Cincinnati Gas & Electric Company and Union Light, Heat & Power) withdrew two operating companies from MISO and joined PJM Jan 2012.

