

September 26, 2024

PJM Board of Managers:

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PJM Interconnection, LLC
2750 Monroe Boulevard
Valley Forge Corporate Center
Audubon, PA 19403

The Finance Committee (FC) met on August 22, 2024, and again on September 16, 2024, to review the: (a) proposed PJM 2025 expense and capital budgets; (b) proposed 2025 budgets for OPSI, CAPS, Monitoring Analytics, and NERC/RFC; and (c) estimated 2025 Schedule 9-FERC and 9-MMU rates.

The FC also reviewed PJM's projected expenses and revenues for the remainder of 2024 through 2028, including the estimated rates. PJM staff also reviewed the proposed capital projects for 2025 at the September 11, 2024, Market Implementation Committee and the September 12, 2024, Operating Committee and Planning Committee meetings.

1. Proposed Expense Budget for 2025

PJM has proposed an expense budget of \$400 million for 2025, where the 2024 budget is \$365 million, which represents an approximate 10% increase for 2025. This value exceeds the long-term projections discussed with the 2024 budget by \$16 million. This is the second consecutive year the budget exceeded the long-term projection – the 2024 budget exceeded the long-term projection discussed with the 2023 budget by \$18 million. In both budget years, PJM staff and management stated the increase over the prior projection reflects the impact of several drivers including:

Finance Committee (“FC”) Letter to the PJM Board

- Transmission planning work related to FERC orders (e.g., 1920), Co-located load, Increased analysis and coordination of State Legislative Activity, and interregional planning efforts.
- Focus on Capacity Market reform, reserve uncertainty, and analysis for energy transition.
- The continued credit and risk buildout, Enhanced Know Your Customer, and Enterprise Risk Management.
- Information technology lifecycle upgrade, cloud transition, data & analytics expansion, and cyber threat mitigation.
- Increased staff levels to address load forecasting and compliance requirements.
- Inflation.

The Sector-Elected representatives of the PJM Finance Committee recommend that the Board approve the proposed 2025 expense budget while encouraging PJM Management to continue to seek and sustain cost-saving initiatives.

2. Proposed 2025 Capital Budget

PJM has proposed a capital budget for 2025 of \$50 million, principally driven by the planned investment in the Energy Management System (EMS – Phase II) replacement project. This aligns with the long-term projections previously discussed. The Sector-Elected representatives of the PJM Finance Committee recommend that the Board approve the proposed \$50 million capital budget.

3. Proposed Schedule 9-FERC Rate for 2025

PJM has proposed a Schedule 9-FERC rate of \$0.1239 per MWh of load for 2025 relative to PJM’s projected transmission usage of 873 terawatt-hours 2025. This represents a small decrease from the current Schedule 9 FERC rate of \$0.1346 per MWh. The Sector-Elected representatives of the PJM Finance Committee recommend that the Board adopt the proposed rate.

4. Proposed Schedule 9-OPSI Rate for 2025

The Organization of PJM States, Inc. (“OPSI”) presented its approved budget of \$1,303,500 for 2025. This represents a \$167,500 or 14.74% increase from the 2024 OPSI budget, \$1,136,000.

Finance Committee (“FC”) Letter to the PJM Board

Highlights: Consulting budget was revised upwards from \$50,000 to \$200,000 and Travel increased by \$24,000 (\$465,000 to \$489,000), while Office expenses declined by \$23,000 (\$75,000 to \$52,000).

5. Proposed Schedule 9-CAPS Rate for 2025

The Consumer Advocates of the PJM States, Inc. (“CAPS”) presented its budget of \$632,700 for 2025. This is an increase of \$2,700 or 0.4% from 2024, \$630,000. Small budget increases were noted in outside services/consulting and office expenses.

6. Proposed Schedule 9-MMU Rate for 2025

The 2025 Monitoring Analytics’ proposed budget is \$16.708 million, a \$1.034 million or 6.6% increase from the 2024 original budget, \$15.674 million, and a \$1.4 million or 8.3% increase from the current projected costs for 2024. The projected deferred balance at 12.31.24 is \$.8 million. The budget increase is driven principally by employee compensation increases and non-employee labor partially offset by a decrease in depreciation/interest.

7. Proposed Schedule 10 for NERC and RFC 2025 Budgets

The NERC 2025 budget is being proposed at \$123 million. The RFC 2025 budget is being proposed at \$33 million. These amounts represent an increase of approximately 8.2% or \$9.4 million and 6.5% or \$2.0 million, respectively, from the 2024 budgets for both the NERC and RFC. NERC has proposed a PJM OATT Schedule 10 rate of \$0.0212 per MWh, with a 2025 Forecasted PJM Net Energy for Load of 725.5 terawatt-hours. RFC has proposed a PJM OATT Schedule 10 rate of \$0.0296 per MWh, with a 2025 Forecasted PJM Net Energy for Load of 725.5 terawatt-hours.

The Sector-Elected Representatives of the FC received updates on the proposed 2025 budgets for CAPS, OPSI, NERC/RFC, and the MMU and were given the opportunity to ask questions and offer comment.

8. Comments

The FC protocols work, and the Finance Committee continues to hold regular meetings that include PJM Management, the Board members, and the FC representatives. The FC looks

Finance Committee (“FC”) Letter to the PJM Board

forward to PJM ‘s continued focus on transparency as well as the optimization of expenses and costs, which are consistent with the premise of providing reliable, efficient, and effective market operations.

PJM management and staff who lead the discussion at the various FC meetings do an exemplary job in presenting relevant financial data for FC meeting discussion throughout the year.

Let us know if the Board would like further discussion or information.

Sincerely,

Sector-Elected Representatives to the Finance Committee