September 30, 2026

PJM Board of Managers:

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The PJM Finance Committee ("FC") met on August 26, 2026, and again on September 22, 2026, to review: (a) the proposed PJM 2027 expense and capital budgets; (b) the proposed 2027 budgets for OPSI, CAPS, Monitoring Analytics, and NERC/RFC; and (c) the estimated 2027 Schedule 9-FERC and 9-MMU rates.

The FC also reviewed PJM's projected expenses and revenues for the remainder of 2026 through 2030, including the estimated rates. PJM staff also reviewed the proposed capital projects for 2027 at the September 8, 2026 Planning Committee, September 9, 2026 Market Implementation Committee and the September 10, 2026 Operating Committee meetings.

1. Proposed Expense Budget for 2027

PJM has proposed an expense budget of $470 million for 2027, compared to the 2026 budget of $430 million, which represents an approximate 9.3% increase. This value exceeds the long-term projections discussed with the 2026 budget by $17 million. This is the fourth consecutive year the budget exceeded the long-term projection – the 2026 budget exceeded the long-term projection discussed with the 2025 budget by $3 million. In all four budget years, PJM staff and management stated the increase over the prior projection reflects the impact of several drivers, including:

Business Use

- Continued focus on resource adequacy, large load additions, reserve uncertainty, and analysis for energy transition.
- Planned depreciation expense increases related to EMS upgrade projects and next generation of market software.
- Information technology lifecycle upgrade, cloud transition, data & analytics expansion, and cyber threat mitigation.
- Modest staff level increase to enhance workforce capability in operations, planning and markets.
- Current inflation levels.

The sector-elected representatives of the PJM FC recommend that the Board approve the proposed 2027 expense budget while encouraging PJM Management to continue to seek and sustain cost-saving initiatives.

2. Proposed 2027 Capital Budget

PJM has proposed a capital budget for 2027 of $65 million, principally driven by facilities and technology infrastructure; specifically, the pending building purchase of 955 and 975 Jefferson Avenue in Audubon, PA. This aligns with the long-term projections previously discussed. The sector-elected representatives of the PJM FC recommend that the Board approve the proposed $65 million capital budget.

3. Proposed Schedule 9-FERC Rate for 2027

PJM has proposed a Schedule 9-FERC rate of $0.0750 per MWh of load for 2027 relative to PJM's projected transmission usage of 940 terawatt-hours for 2027. This represents a decrease from the current 2026 Schedule 9-FERC rate of $0.0916 per MWh. The sector-elected representatives of the PJM FC recommend that the Board approve the proposed rate.

4. Proposed Schedule 9-OPSI Rate for 2027

The Organization of PJM States, Inc. ("OPSI") presented its approved budget of $1,692,000 for 2027. This represents a $199,000 or 13.3% increase from the 2026 OPSI budget of $1,493,000. Highlights: office expenses increased by $7,000 ($63,000 to $70,000), salaries and benefits increased by $30,000 ($660,000 to $690,000), consultants increased by $80,000 ($200,000 to $280,000), and travel increased by $80,000 ($500,000 to $580,000).

5. Proposed Schedule 9-CAPS Rate for 2027

The Consumer Advocates of the PJM States, Inc. ("CAPS") presented its budget of $968,015 for 2027. This is an increase of $296,815 or 44.2% from the 2026 budget of $671,200. Budget increases were noted in salaries and benefits ($274,300 to $469,015), outside services/consulting ($235,000 to $275,000), travel ($132,000 to $181,000), and office expenses ($29,900 to $43,000).

6. Proposed Schedule 9-MMU Rate for 2027

The 2027 Monitoring Analytics' proposed budget is $18,472,000, a $1,177,000 or 6.8% increase from the 2026 original budget, $17,295,000, and a $1.2 million or 7.6% increase from the current projected costs of $16,076,000 for 2026. The projected deferred balance at December 31, 2026, is $1.517 million. The budget increase is driven principally by employee compensation increases, partially offset by a decrease in technology and depreciation/interest.

7. Proposed Schedule 10 for NERC and RFC 2027 Budgets

The NERC 2027 budget is being proposed at $140.0 million. The RFC 2027 budget is being proposed at $37.8 million. These amounts represent increases of approximately 9.1% or $11.7 million and 5.4% or $1.9 million, respectively, from the 2026 NERC and RFC budgets. NERC has proposed a PJM OATT Schedule 10 rate of $0.0236 per MWh, with a 2027 Forecasted PJM Net Energy for Load of 757.4 terawatt-hours. RFC has proposed a PJM OATT Schedule 10 rate of $0.0370 per MWh, with a 2027 Forecasted PJM Net Energy for Load of 757.4 terawatt-hours.

The sector-elected representatives of the PJM FC received updates on the proposed 2027 budgets for CAPS, OPSI, NERC/RFC, and the MMU and were given the opportunity to ask questions and offer comments.

8. Comments

The FC protocols work, and the committee continues to hold regular meetings that include PJM Management, the Board members, and the FC representatives. The FC looks 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 led the discussion at the various FC meetings did 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,

Juliet Anderson & Jeff Whitehead

Sector-Elected Representatives to the Finance Committee