

UPGRADE CONSTRUCTION SERVICE AGREEMENT

By and Among
PJM Interconnection, L.L.C.
And
[Upgrade Customer]
And
[Name of Transmission Owner]

(Request #____)

This Upgrade Construction Service Agreement, including the Appendices attached hereto and incorporated herein (collectively, “Upgrade CSA”) is made and entered into as of the Effective Date (as defined in the attached Appendix III) by and among PJM Interconnection, L.L.C. (“Transmission Provider” or “PJM”), _____ (“Upgrade Customer” [OPTIONAL: or “[short name]”]) and _____ (“Transmission Owner” [OPTIONAL: or “[short name]”]). [Use as/when applicable: Upgrade Customer and Transmission Owner constitute a Vertically Integrated Utility subject to the Vertically Integrated Utility provisions in this Upgrade CSA.] Transmission Provider, Upgrade Customer and Transmission Owner are referred to herein individually as “Party” and collectively as “the Parties.”

...

Article 2 – Responsibility for Customer-Funded Upgrades

2.0 Upgrade Customer Financial Responsibilities.

Upgrade Customer shall pay all Costs for the design, engineering, procurement and construction of the Customer-Funded Upgrades identified in Appendix I to this Upgrade CSA. An estimate of such Costs is provided in Appendix I to this Upgrade CSA.

2.1 Obligation to Provide Security.

Upgrade Customer shall provide Security to collateralize Upgrade Customer’s obligation to pay the Costs incurred by Transmission Owner to construct the Customer-Funded Upgrades identified in Appendix I to this Upgrade CSA, less any Costs already paid by Upgrade Customer, in accordance with the GIP. Upgrade Customer shall deliver such Security to Transmission Provider prior to the Effective Date of this Upgrade CSA, as described in Appendix III. Unless otherwise specified by the Transmission Provider, such Security shall take the form of a letter of credit, in the amount of \$_____ naming the Transmission Provider and Transmission Owner as beneficiaries.

~~Notwithstanding the foregoing, Upgrade Customer shall be exempt from providing additional Security under this section where Upgrade Customer and Transmission Owner are the same Vertically Integrated Utility. If at any time Upgrade Customer and Transmission Owner no longer constitute the same Vertically Integrated Utility, Upgrade Customer shall be required to provide Security at the earlier of any Tariff prescribed deadline, or at least thirty (30) Business Days prior~~

DEV PROPOSED REVISIONS – MRC OCTOBER 2026

Tariff, Part IX, Subpart E- UCSA

~~to the effective date of the change in status of the Vertically Integrated Utility. Exempting Upgrade Customer from any Security obligation under this Upgrade CSA does not relieve Upgrade Customer from cost responsibility for any Customer-Funded Upgrades under this Upgrade CSA.~~

...

13.0 Breach, Cure and Default

...

13.3 Cure and Default

A Party that commits a Breach and does not take steps to cure the Breach pursuant to this section is automatically in Default of this Upgrade CSA, and its Upgrade Request and this Agreement shall be deemed terminated and withdrawn. Transmission Provider shall take all necessary steps to effectuate this termination, including submitted the necessary filings with FERC.

13.3.1 Cure of Breach.

13.3.1.1

Except for the event of Breach set forth in section 13.1(a) above, the Breaching Interconnection Party (a) may cure the Breach within 30 days of the time the Non-Breaching Party sends such notice; or (b) if the Breach cannot be cured within 30 days, may commence in good faith all steps that are reasonable and appropriate to cure the Breach within such 30 day time period and thereafter diligently pursue such action to completion pursuant to a plan to cure, which shall be developed and agreed to in writing by the Interconnection Parties. Such agreement shall not be unreasonably withheld.

13.3.1.2

In an event of Breach set forth in section 13.1(a), the Breaching Interconnection Party shall cure the Breach within five days from the receipt of notice of the Breach. If the Breaching Interconnection Party is the Upgrade Customer, and the Upgrade Customer fails to pay an amount due within five days from the receipt of notice of the Breach, Transmission Provider may use Security to cure such Breach. If Transmission Provider uses Security to cure such Breach, Upgrade Customer shall be in automatic Default and its project and this Agreement shall be deemed terminated and withdrawn.

steps that are reasonable and appropriate to cure the Breach within such 30 day time period and thereafter diligently pursue such action to completion pursuant to a plan to cure, which shall be developed and agreed to in writing by the Interconnection Parties. Such agreement shall not be unreasonably withheld.

22 Vertically Integrated Utilities

The following provisions shall apply where the Upgrade Customer and Transmission Owner under this Upgrade CSA constitute a Vertically Integrated Utility.

22.1 Security:

The Parties recognize that the Upgrade Customer is exempt from the Tariff requirement to provide Security as identified in this Upgrade CSA, section 2.1, conditioned upon:

1. Upgrade Customer and Transmission Owner under this Upgrade CSA constituting a Vertically Integrated Utility; and
2. The required Network Upgrade(s) and Interconnection Facilities that form the basis for the Security reflected in this Upgrade CSA, section 2.1 are entirely on a transmission system wholly owned by the Transmission Owner.

For the avoidance of doubt, exemption of the Tariff requirement to provide Security does not relieve Upgrade Customer from any cost responsibility for the actual Costs for the facilities described in this Upgrade CSA, including any cancellation Costs, arising from the termination or cancellation of this Upgrade CSA. If at any time Upgrade Customer and Transmission Owner no longer constitute a Vertically Integrated Utility, Upgrade Customer shall be required to provide Security at the earlier of any Tariff prescribed deadline or at least thirty (30) Business Days prior to the effective date of the change in status of the Vertically Integrated Utility.

22.2 Default:

If Upgrade Customer defaults under this Upgrade CSA, PJM retains its right under the Operating Agreement, section 14B.4(d) to set off any amount owed by Upgrade Customer under this Upgrade CSA and the Tariff against any amounts owed to Transmission Owner as a Member under the Operating Agreement. Similarly, if Upgrade Customer defaults under this Upgrade CSA, PJM may net remittances of Transmission Owner, against any amounts owed by Upgrade Customer, under the Tariff.

For the avoidance of doubt, PJM's rights of setoff, recoupment, and netting, including in the event of bankruptcy, shall apply notwithstanding that the Vertically Integrated Utility is acting in different capacities under this Upgrade CSA and PJM's governing documents. The Vertically Integrated Utility shall be recognized as a single legal entity for purposes of all such rights, and PJM may offset any amounts owed to the Vertically Integrated Utility (in any capacity) against any amounts owed by the Vertically Integrated Utility (in any capacity), including in any insolvency, receivership, or bankruptcy proceedings.

For purposes of PJM's rights of setoff, recoupment, and netting, the Vertically Integrated Utility's obligations to PJM under this Upgrade CSA and the Tariff, and any amounts payable to the Vertically Integrated Utility through PJM Settlement, Inc. under the Operating Agreement and Tariff, shall be deemed mutual obligations between the same parties, and shall be enforceable notwithstanding the role of PJM Settlement, Inc. as PJM's settlement and payment agent.

Notwithstanding the Breach provisions in this Upgrade CSA, Appendix III, section 13, if Upgrade Customer fails to pay an amount due within five days from the receipt of notice of the Breach and PJM must use the rights of setoff, recoupment, and netting described herein to cure such Breach, Upgrade Customer shall be in automatic Default and its project and this Agreement shall be deemed terminated and withdrawn and Transmission Owner shall still be obligated to construct all required Network Upgrades.

22.3 Assignment:

Assignment to parties other than the Vertically Integrated Utility.

Notwithstanding the Assignment provisions in this Appendix III, an Upgrade Customer or Transmission Owner constituting a Vertically Integrated Utility must provide PJM with at least sixty (60) days advance written notice prior to an assignment of this Upgrade CSA and any related PJM service agreements, including NUCRAs, that would terminate the Vertically Integrated Utility status. Consistent with this Upgrade CSA, Appendix III, section 10.2.1, any assignment herein shall not relieve or discharge Upgrade Customer from any of its obligations hereunder absent prior written consent of PJM. Thus, the following conditions must be satisfied:

1. Upgrade Customer shall not assign this Upgrade CSA, in whole or in part, without the written consent of PJM. Any such assignment made without PJM's prior written consent shall be null and void.
2. The exemption from the requirement to provide Security shall become void thirty (30) days prior to the effective date of such assignment, at which point the Security requirements referenced in this Upgrade CSA, section 2.1 shall apply.
3. PJM must receive the required Security in the amount required and form acceptable to PJM no later than thirty (30) days prior to the effective date of such assignment. Failure to timely provide such Security shall constitute a Breach of this Upgrade CSA.
4. This Upgrade CSA, any associated NUCRAs, and any other related service agreements will be amended to reflect the assignment and furnishing of Security and will be filed with FERC or reported in PJM's Electric Quarterly Reports, as necessary.

Subject to any necessary regulatory acceptance, the effective date of the amended Upgrade CSA, any associated amended NUCRAs, and any other related service agreements subject to an assignment will be the same as the effective date of the assignment.