

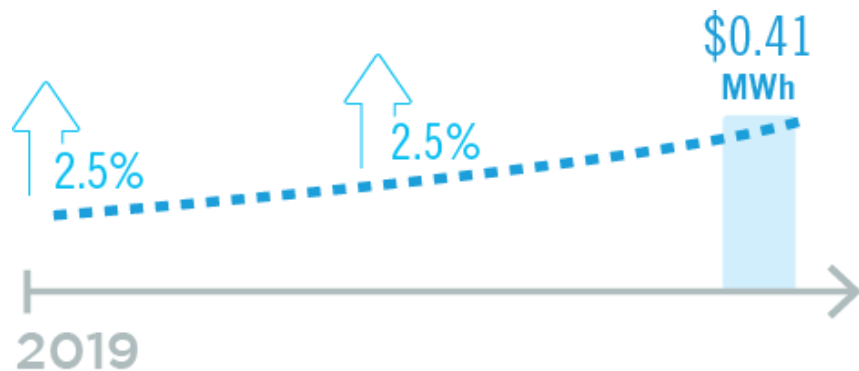


Administrative Rate Review

Jim Snow
Director, Budgeting and Analysis
Market Implementation Committee
May 13, 2021

In 2016

PJM filed a revised stated-rate schedule that increased the Schedule 9 rates and provided an escalation of 2.5 percent each year, beginning in 2019, until the composite rate is \$0.41/MWh.



A few factors are highlighting the need to review PJM's rates:



**Energy
Forecast
Change**



**Cost of Service
Review**

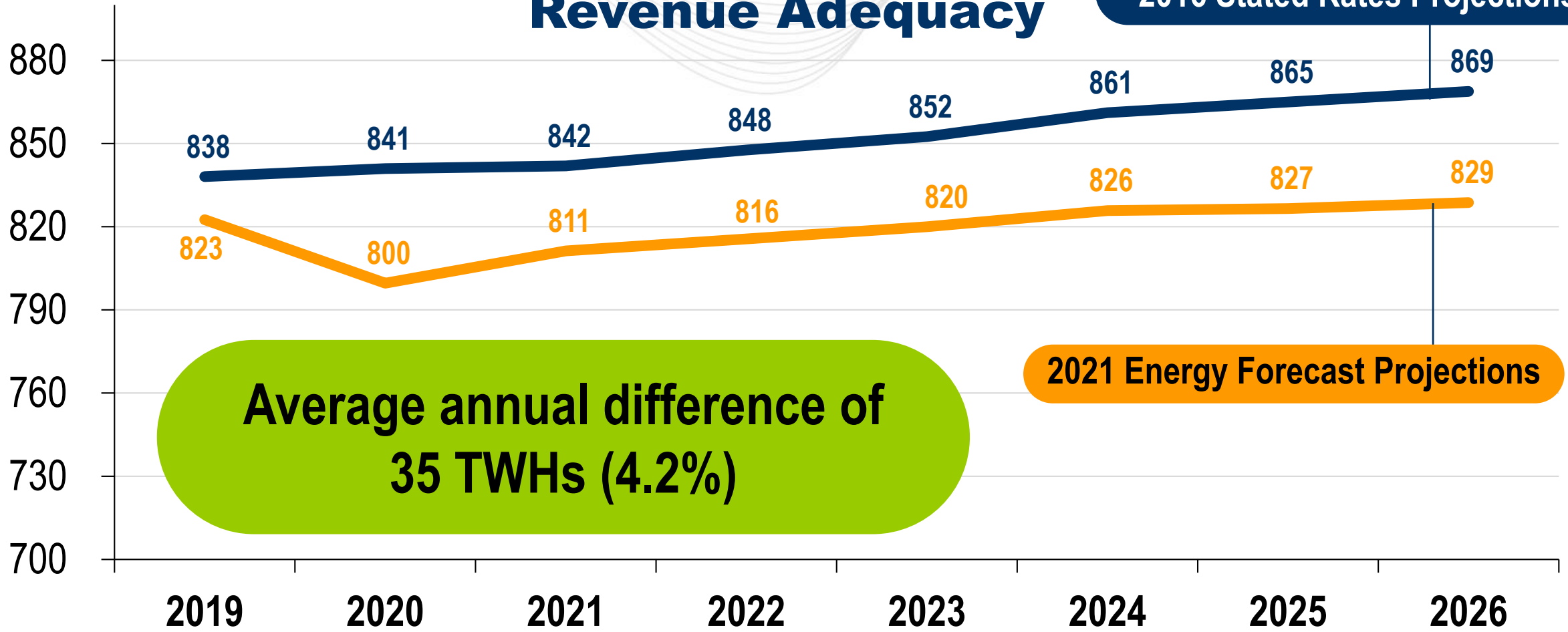


**Billing
Determinant
Shifts**

Energy (TWh)

Revenue Adequacy

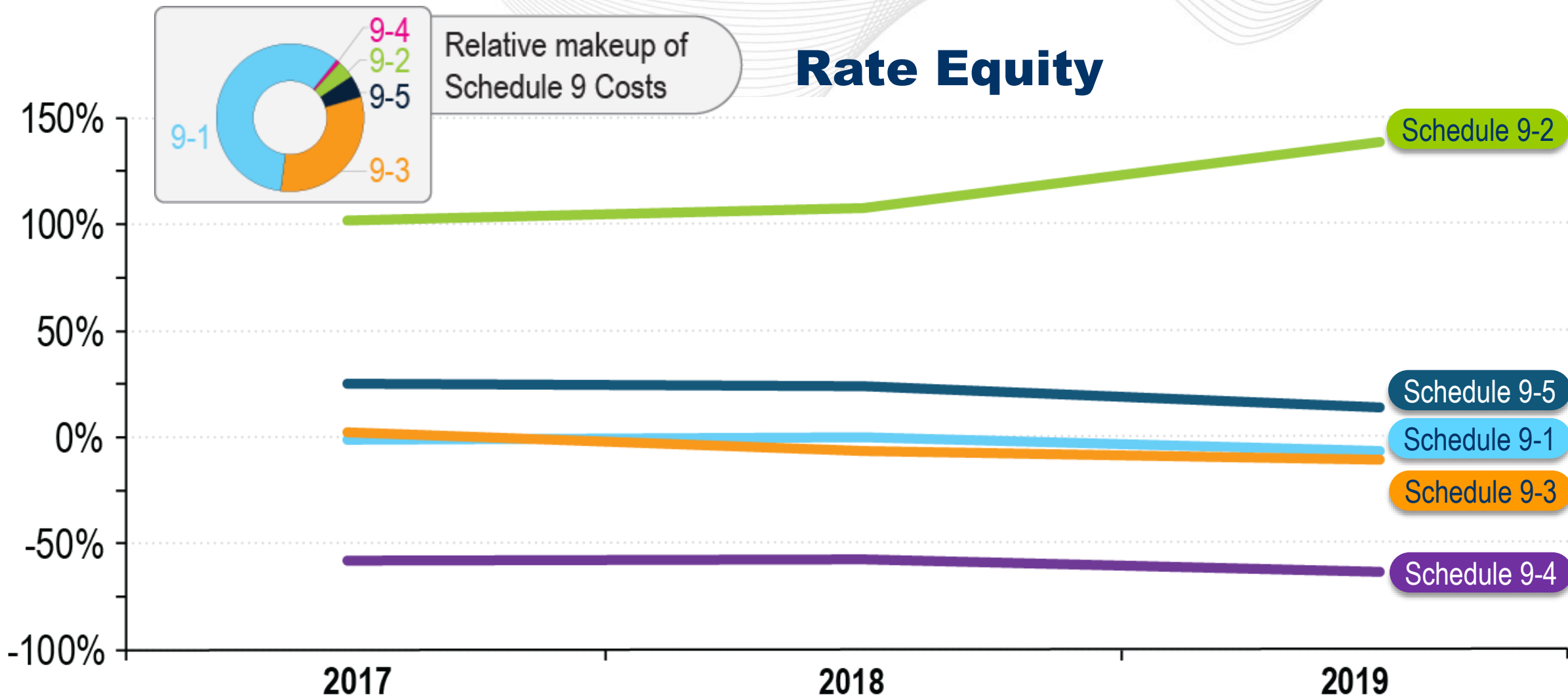
2016 Stated Rates Projections

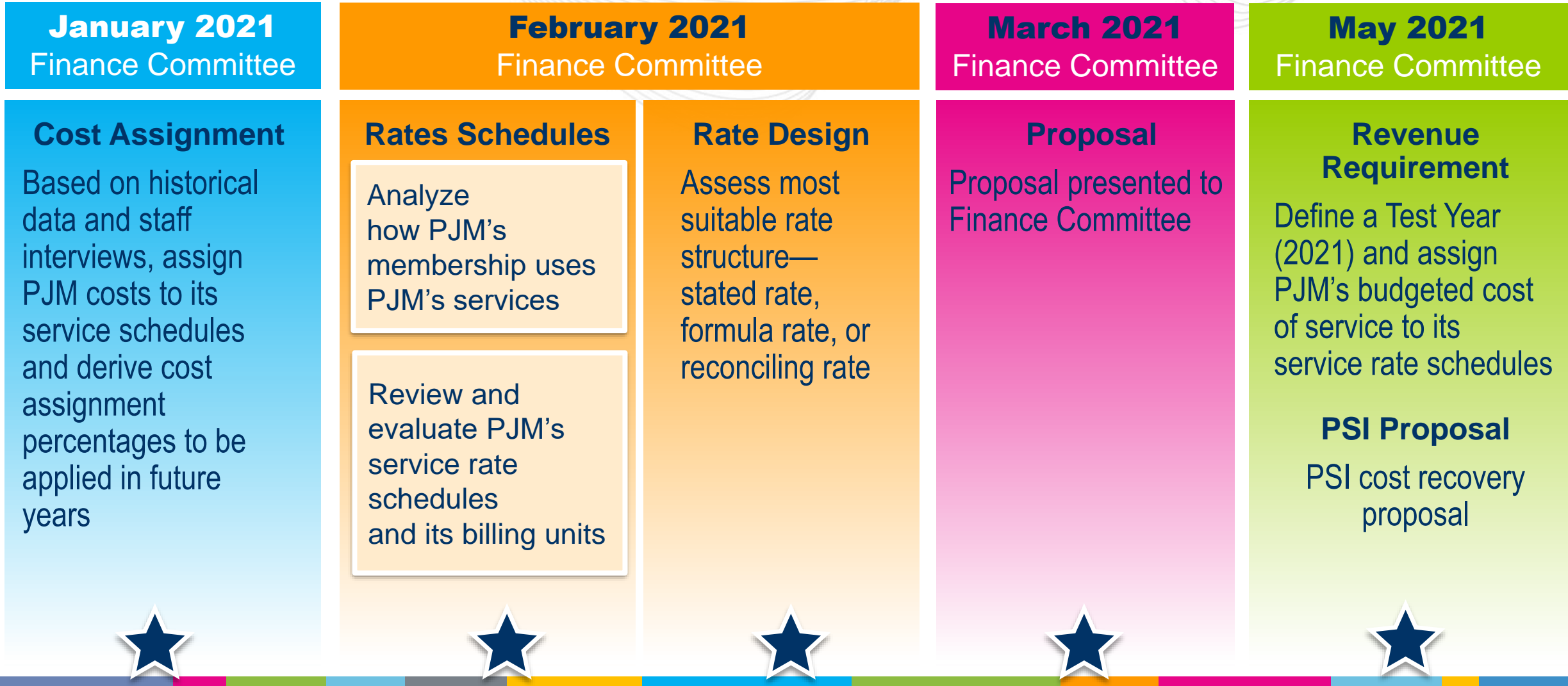


Average annual difference of 35 TWhs (4.2%)

2021 Energy Forecast Projections

Rate Equity

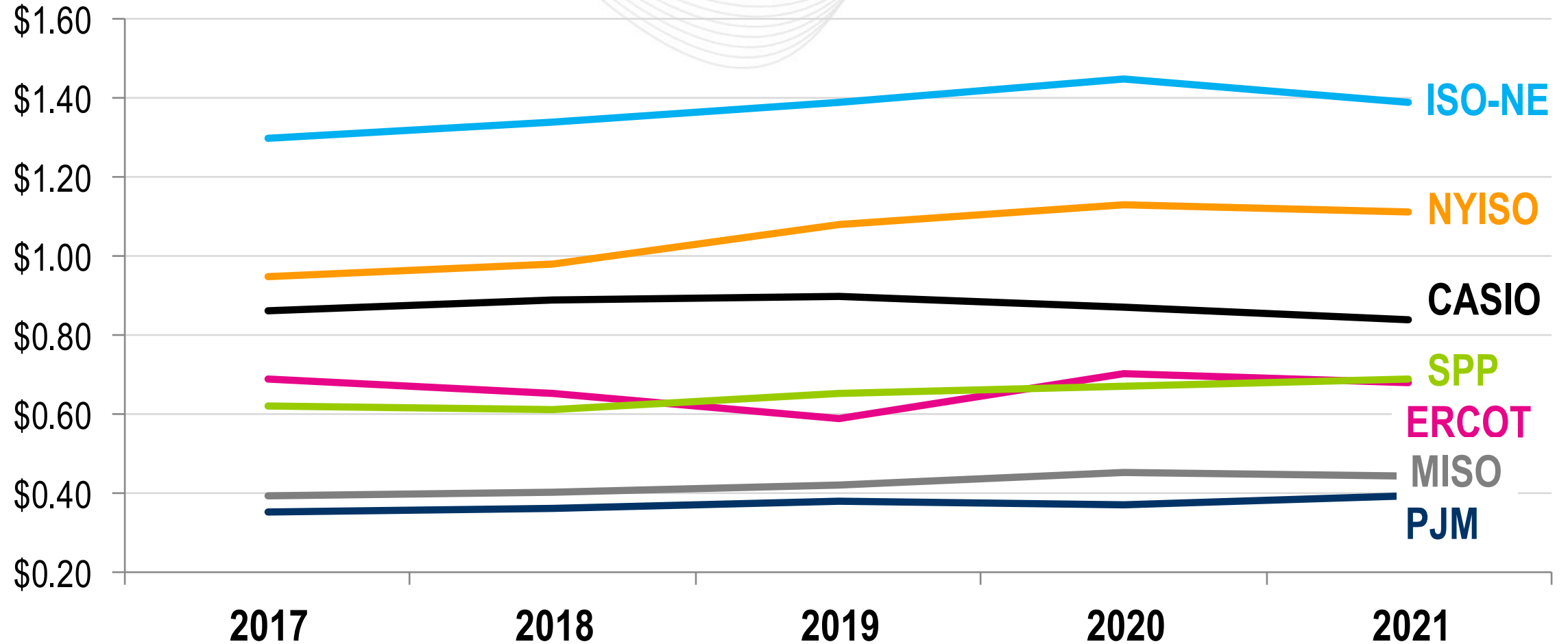






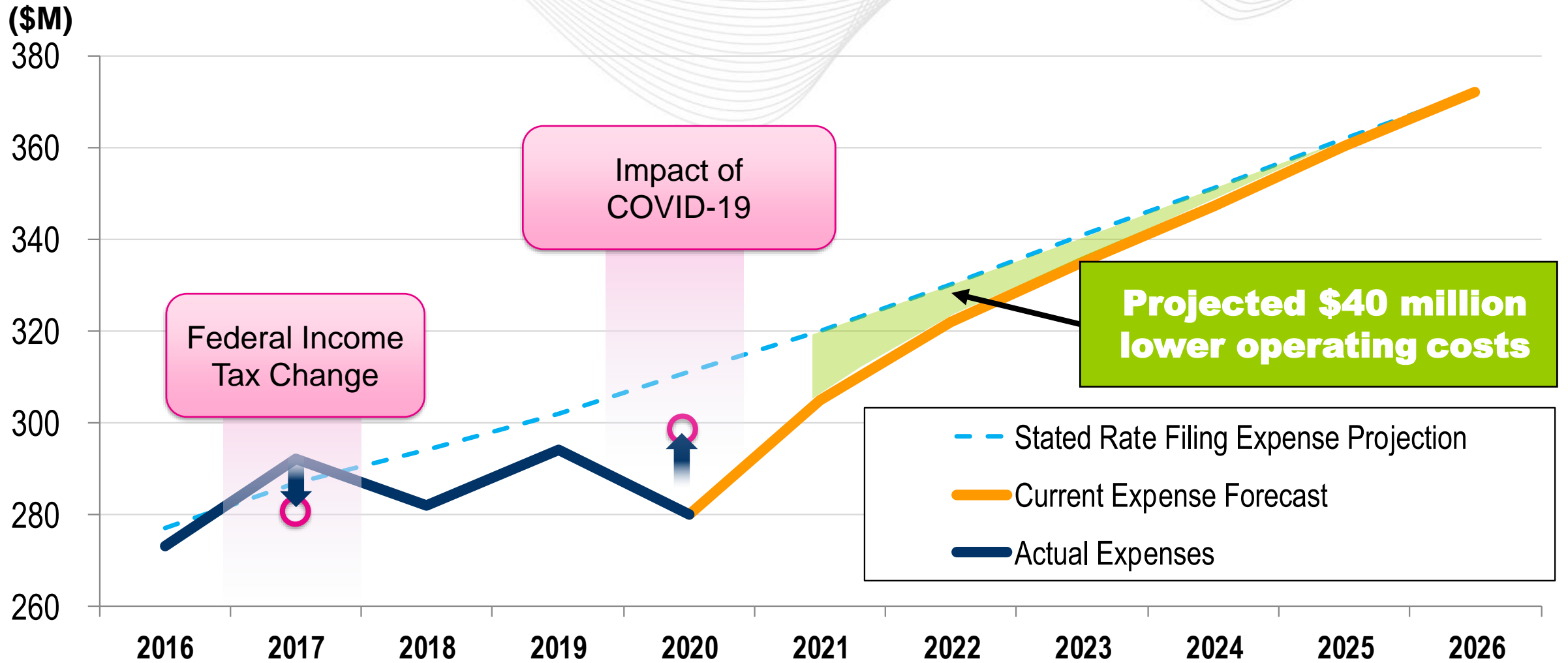
ISO/RTO Composite Expense Rate Trends

\$/MWh of Load Served



Operating Expense Comparison

2016 Stated Rate Filing Projections vs. Current Forecast



Finance Committee composition

2 elected representatives from each PJM member sector

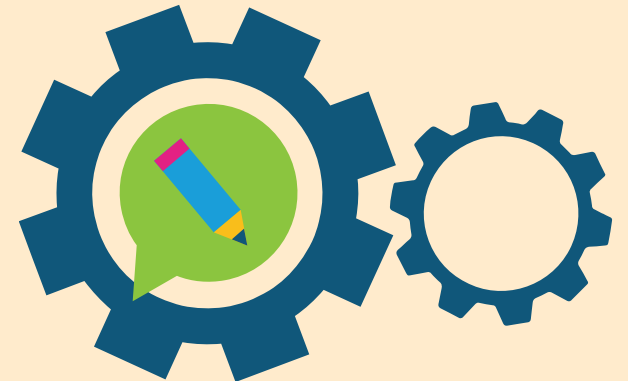
- 3 year terms
- Sector terms staggered
- Represent interests of respective sectors

2 PJM Board Members (non voting)

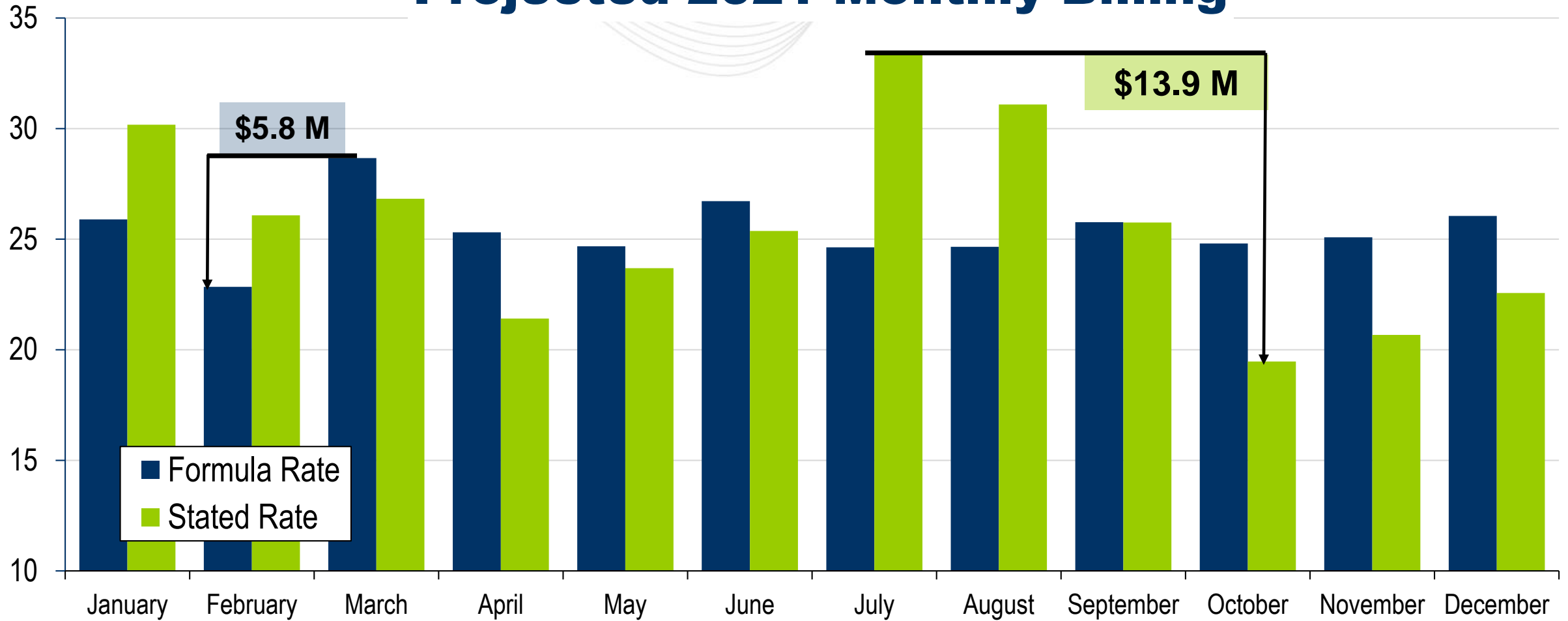
1 PJM representative (non voting) – Chairperson of Committee

Serves in an advisory capacity to the PJM Board

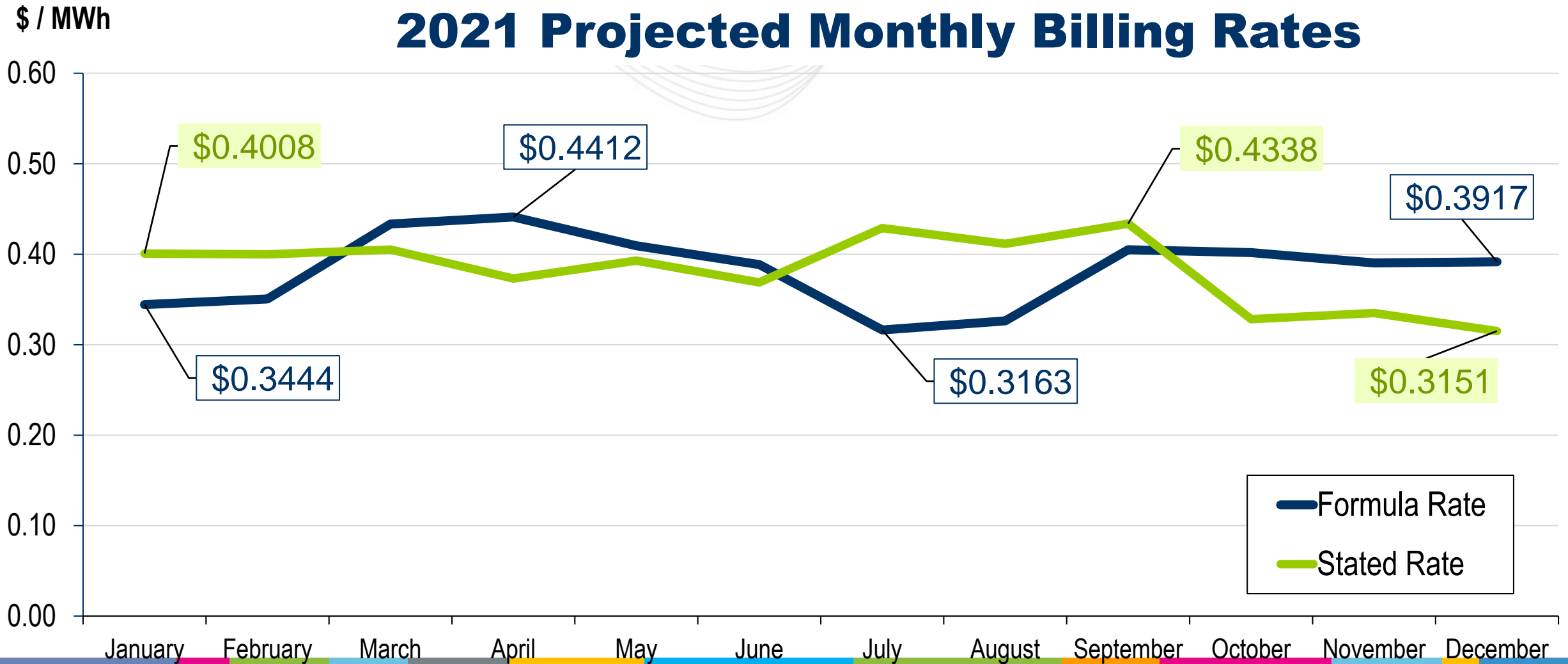
- **Annual Budget Process**
 - Revenue, Operating Expenses, Capital Projects, Deferred Regulatory Liability, etc.
 - Preliminary Budget (August)
 - Proposed Budget (September)
- **Long-range projections**
 - Revenue, Operating Expenses, Capital expenditures, etc.
- **PJM Finance Committee Member Representative Budget Recommendation (September)**
- **PJM Board of Managers (September/October)**



Projected 2021 Monthly Billing



2021 Projected Monthly Billing Rates



PJM's Schedule 9 Administrative Rates

Move to Formula Rate

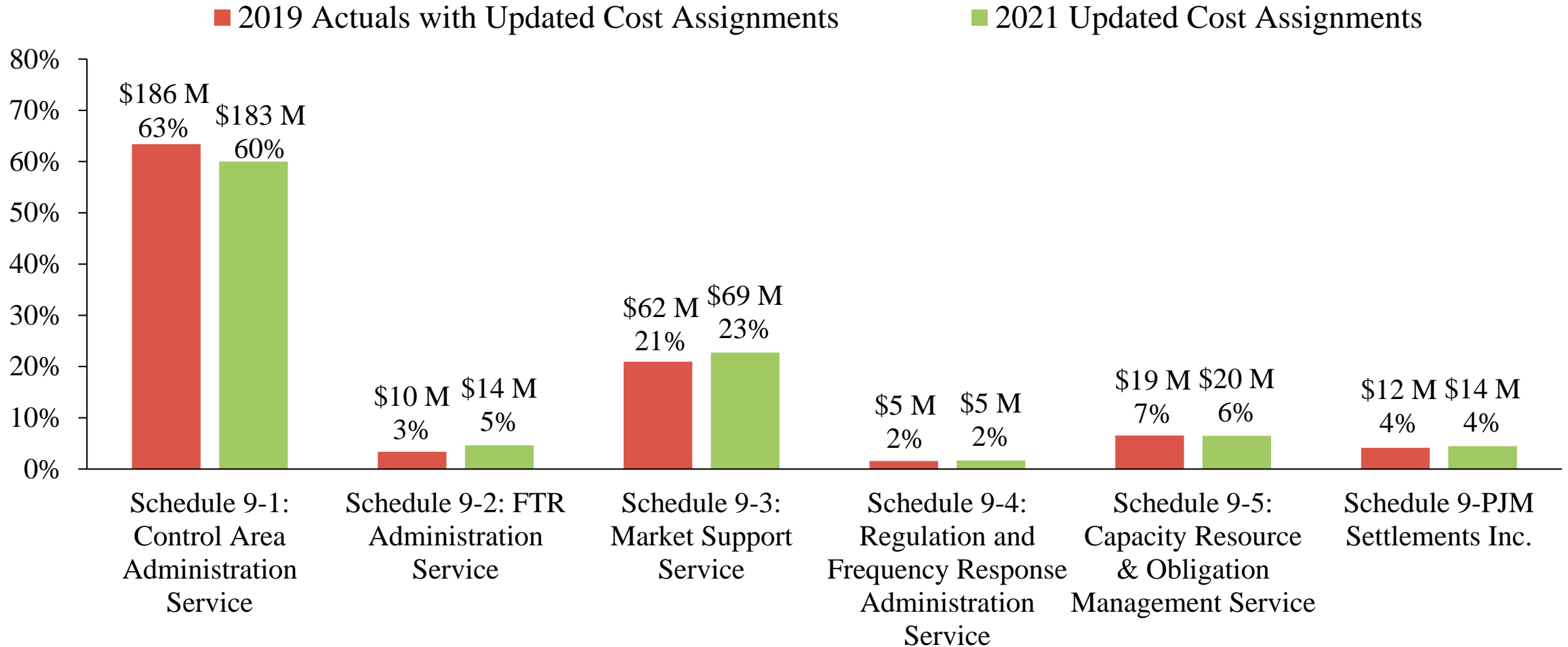
Factor in 2021 cost of service study assignment results

Consolidate Schedules 9-3 and 9-4

Recover PSI costs via a per invoice issued basis

- **Utilize current determinants for rate schedules**
- **Maintain PJM Finance Committee Protocol**
- **Keep annual membership costs at current levels**
- **Schedules 9 and 10 pass through rates remain unchanged**

Current Versus Updated Cost Assignments



Reliability Function

Markets Function

PJM Settlements, Inc. (9-PSI) Proposal

- Align cost recovery with costs to provide service
- Recover costs via a per invoice issued basis
- Formula rate billed monthly on an actual cost basis

2021 PSI Budget	Number of Invoices*	Projected Annual Charge
\$13,660,918	176,000	\$5,000

**2019, 2020, and 2021 average number of monthly and weekly invoices*



2021 Formula Rate vs. Stated Rate

	SCH-9-1	SCH-9-2a	SCH-9-2b	SCH-9-3a	SCH-9-3b	SCH-9-4	SCH-9-5	SCH-9-PSI
Formula Rate	\$0.2260	\$0.0016	\$0.0008	\$0.0340	\$0.0761	\$0.5585	\$0.1479	\$77.61
Formula Rate Revenue	\$183.3M	\$7.0M	\$7.0M	\$66.2M	\$3.2M	\$5.1M	\$19.8M	\$13.7M
Stated Rate*	\$0.2116	\$0.0023	\$0.0014	\$0.0429**	\$0.0519	\$0.3035	\$0.1010	\$0.0070**
Stated Rate Revenue	\$171.7M	\$10.5M	\$11.6M	\$83.5M	\$2.2M	\$2.8M	\$13.5M	\$13.7M
Rate Deltas	\$0.0144	(\$0.0007)	(\$0.0006)	(\$0.0159)	\$0.0242	\$0.2550	\$0.0469	---
Revenue Deltas	\$11.6M	(\$3.5M)	(\$4.6M)	(\$17.3M)	\$1.0M	\$2.3M	\$6.3M	---


**Stated Rate values reflect net impact of projected refunds*

***Schedule 9-3a State Rate value is net of projected 9-PSI rate*

Rate Structure and Rate Level Governance

2020

2021

2020 Q3	2020 Q4	2020 Q1		2021 Q2			2021 Q3
Discuss drivers necessitating review	Development of options			Finance Committee recommendation	Members Committee endorsement	Board of Managers approval	FERC filing & approval request
<ul style="list-style-type: none"> • Stated-rate history • Rate analysis review • Rate structure and level governance review plan 	<ul style="list-style-type: none"> • Members' rate objectives • 2017–2030 cost drivers 	<ul style="list-style-type: none"> • Cost of Service Study • Rate Schedules Review • Cost projections 	<ul style="list-style-type: none"> • Identify Perspective Rate Options • Develop Recommendation 	 <ul style="list-style-type: none"> • Finalize Recommendation • First read on prospective rate options • Recommendation letter • Endorsement vote request 			<ul style="list-style-type: none"> • Target effective date
PJM Staff	PJM Staff & Finance Committee			Finance Committee & Member Representatives			PJM Staff

SME/Presenter:
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Administrative Rate Review