

**SCHEDULE 2 -
COMPONENTS OF COST**

The text in the section below has been updated in whole and is new since the 1st read at the January MRC meeting. The changes noted below are revisions from the version of the section 6.3 language that was initially posted for the February MRC on 2/12/2020.

6.3 ~~Safe Harbor Provision~~ Exemption From Penalty

(a) A Market Seller will not be subject to a penalty under Operating Agreement, Schedule 2, section 6.1 for utilizing a fuel pricing and/or cost estimation method inconsistent with the methodology in the Market Seller's PJM-approved Fuel Cost Policy or this Operating Agreement, Schedule 2 if the reason for fuel pricing and/or cost estimation deviation is due to an ~~unforeseen event, such as:~~ unforeseen event outside of the control of the Market Seller, its agents, and its affiliated fuel suppliers which, by exercise of due diligence the Market Seller could not reasonably have contemplated at the time the Fuel Cost Policy was developed, such as:

(i) physical events such as acts of God, landslides, lightning, earthquakes, fires, storms or storm warnings, such as hurricanes, which result in evacuation of the affected area, floods, washouts, explosions, breakage or accident or necessity of repairs to machinery or equipment or lines of pipe;

(ii) weather related events affecting an entire geographic region, such as low temperatures which cause freezing or failure of wells or lines of pipe or other fuel delivery infrastructure;

(iii) interruption and/or curtailment of firm transportation and/or storage by transporters;

(iv) acts of unaffiliated third parties ~~such as including but not limited to~~ [MLK1] strikes, lockouts or other industrial disturbances, riots, sabotage, insurrections or wars, or acts of terror; and

(v) governmental actions such as necessity for compliance with any court order, law, statute, ordinance, ~~or~~ regulation, or policy having the effect of law promulgated by a governmental authority having jurisdiction;

~~which, in any of the foregoing cases, by exercise of due diligence such Market Seller could not reasonably have contemplated at the time the Fuel Cost Policy was developed.~~

(b) Market Seller shall provide evidence of the event and direct impact on the Market Seller's ability to utilize a fuel pricing and/or cost estimation method consistent with the methodology in the Market Seller's PJM-approved Fuel Cost Policy or this Operating Agreement, Schedule 2. Such evidence shall be provided to PJM and the Market Monitoring Unit. Upon providing such evidence to PJM and the Market Monitoring Unit, and after receiving timely comments from the Market Monitoring Unit, PJM shall determine and notify the Market Seller as to whether the evidence sufficiently demonstrates that the force majeure event directly impacted the Market Seller's ability to conform to the methodology described in the applicable PJM-approved Fuel Cost Policy. The applicability of this provision shall not apply for economic hardship nor obviate

the requirement for a Market Seller to submit cost-based offers that are just and reasonable, and utilize best available information to develop fuel costs during a force majeure event.