

March 31, 2022

**VIA ELECTRONIC FILING**

Honorable Kimberly D. Bose, Secretary  
Federal Energy Regulatory Commission  
888 First Street, N.E.  
Washington, DC 20426

Re: *PJM Interconnection, L.L.C.*, Docket No. ER22-26-00\_  
Settlement Agreement and Offer of Settlement

Dear Secretary Bose:

Pursuant to Rule 602 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“Commission”), 18 C.F.R. § 385.602, PJM Interconnection, L.L.C. (“PJM”) hereby files the attached Settlement Agreement and Offer of Settlement (“Settlement”) resolving all issues in this proceeding.

This filing includes:

- The Settlement (including *pro forma* tariff revisions) resolving all issues set for hearing in this proceeding;
- A separate Explanatory Statement, which contains a summary of the Settlement terms, as well as the information required by the December 15, 2016 Amended Notice; and
- Affidavit of Lisa M. Drauschak on Behalf of PJM Interconnection, L.L.C. in Support of Settlement Agreement and Offer of Settlement.

This proceeding concerns PJM’s proposal, pursuant to Federal Power Act section 205,<sup>1</sup> to change its administrative cost recovery from the then-current practice of initial charges at stated rate levels with a varying quarterly refund, to a new practice of monthly rates based on that month’s costs and that month’s billing determinants. Among other related changes, PJM proposed to change the billing determinants for PJM Open Access Transmission Tariff (“Tariff”), Schedule 9-PJM Settlement from the same billing determinants used for Tariff, Schedule 9-3, Market Administration Service, to a new billing determinant based on the number of invoices issued by PJM Settlement, Inc. The Commission accepted PJM’s proposal to be effective January 1, 2022, subject to refund,

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<sup>1</sup> 16 U.S.C. § 824d.

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and set the matter for settlement procedures.<sup>2</sup> Thereafter, Settlement Judge Patricia E. Hurt held three publicly noticed settlement conferences on January 11, 2022, February 3, 2022, and March 3, 2022. On March 3, 2022, the parties reached an agreement in principle on all material terms for resolution of the case.

The Settlement reflects an interrelated package of compromises between and among the parties. The Settlement resolves all issues in this proceeding. All parties were provided an opportunity to participate in the negotiation of the Settlement.

**Request for Transmission to Chief Administrative Law Judge and Settlement Judge**

In accordance with Rule 602(b)(2)(i), 18 C.F.R. § 385.602(b)(2)(i), PJM requests that the Settlement and accompanying documents be transmitted to Chief Administrative Law Judge Carmen A. Cintron and Settlement Judge Patricia E. Hurt for certification.

**Waivers**

While PJM knows of no required waivers, PJM respectfully requests that the Commission grant any waivers of its regulations, policy or precedent that the Commission may deem necessary to accept this Settlement as proposed herein.

Respectfully submitted,

By: /s/ Paul M. Flynn

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March 31, 2022

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<sup>2</sup> *PJM Interconnection, L.L.C.*, 177 FERC ¶ 61,154 (2021).

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, DC, this 31st day of March 2022.

/s/ Ryan J. Collins  
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***Attorney for the  
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**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

**PJM Interconnection, L.L.C.**

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**Docket No. ER22-26-00\_**

**SETTLEMENT AGREEMENT  
AND  
OFFER OF SETTLEMENT**

This Offer of Settlement and Settlement Agreement (“Settlement”) is entered into as of, 2022 by and among the Settling Parties. The Settling Parties are: PJM Interconnection, L.L.C. (“PJM”); Old Dominion Electric Cooperative, DC Energy, LLC, Exelon Corporation, and the PJM Industrial Customer Coalition. In addition, the following parties have authorized the undersigned counsel for PJM to represent that they do not oppose this Settlement: PPL Electric Utilities Corporation, North Carolina Electric Membership Corporation, Constellation Energy Generation, LLC (f/k/a Exelon Generation Company, LLC), and American Municipal Power, Inc.

This Settlement is filed with the Federal Energy Regulatory Commission (“Commission”), pursuant to Rule 602 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. § 385.602, to resolve all issues in this docket. Subject to the conditions in this Settlement, including the approval by the Commission of this Settlement in its entirety without condition or modification unacceptable to the Settling Parties, and with the understanding that each term of this Settlement, including the attachments to this Settlement, is in consideration and support of every other term, the Settling Parties agree as follows:

**ARTICLE I  
BACKGROUND**

- 1.1.** On October 1, 2021, as revised on October 4, 2021, PJM submitted a filing (the “Administrative Rate Revisions”), pursuant to section 205 of the Federal Power Act (“FPA”) and part 35 of the Commission’s regulations, proposing revisions to PJM’s Open

Access Transmission Tariff (“Tariff”) to modify the manner in which PJM recovers its administrative costs under Tariff, Schedule 9. PJM proposed to change its administrative cost recovery from the then-current practice of initial charges at stated rate levels with a varying quarterly refund, to a new practice of monthly rates based on that month’s costs and that month’s billing determinants. Among other related changes, PJM proposed to change the billing determinants for Tariff, Schedule 9-PJMSettlement from the same billing determinants used for Tariff, Schedule 9-3, Market Administration Service, to a new billing determinant based on the number of invoices issued by PJM Settlement, Inc. (“PSI”).

- 1.2. On October 22, 2021, the PJM Industrial Customer Coalition (“PJMICC”) protested and requested rejection of the Administrative Rate Revisions, asking that the Commission require PJM to submit a new FPA section 205 filing with a revised cost allocation for Schedule 9-PJMSettlement, certain formula rate protocols, and protections regarding sudden, extraordinary rate increases.<sup>1</sup> No other party protested the filing.
- 1.3. On December 1, 2021, the Commission accepted the Administrative Rate Revisions for filing, effective January 1, 2022, subject to nominal suspension and refund.<sup>2</sup> The December 1 Order found that PJM’s proposal raised issues of material fact, including but not limited to whether PJM had shown that its per-invoice billing approach for Schedule 9-PJMSettlement comported with cost causation principles, and set the filing for hearing

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<sup>1</sup> Protest of the PJM Industrial Customer Coalition, Docket No. ER22-26-000 (Oct. 21, 2021) (“PJMICC Protest”).

<sup>2</sup> *PJM Interconnection, L.L.C.*, 177 FERC ¶ 61,154 (2021) (“December 1 Order”).

and settlement procedures.<sup>3</sup> While otherwise setting the matter for hearing and settlement, the December 1 Order summarily denied the PJMICC Protest on the protocols issue.<sup>4</sup>

1.4. On December 31, 2021, PJMICC sought rehearing of the December 1 Order’s summary denial of the PJMICC protest on the protocols issue.<sup>5</sup> On January 26, 2022, PJMICC withdrew its request for rehearing.<sup>6</sup>

1.5. On December 7, 2021, the Chief Administrative Law Judge designated Judge Patricia E. Hurt as the Settlement Judge to facilitate settlement discussions between the participants.<sup>7</sup> Three formal settlement conferences were attended virtually on January 11, 2022, February 3, 2022, and March 3, 2022. The parties had numerous additional informal discussions during that period. At the March 3, 2022 settlement conference, the Settling Parties reached the settlement set forth herein.

## **ARTICLE II TERMS OF SETTLEMENT**

2.1. *Changes to Tariff, Schedule 9-PJMSettlement.* The Administrative Rate Revisions accepted subject to refund, effective January 1, 2022, are accepted without refund condition and shall remain in effect until the revisions to PJM Tariff, Schedule 9-PJMSettlement included in Attachments A and B become effective. Upon this Settlement becoming effective in accordance with Section 3.1, PJM will submit tariff revisions, in the form of the pro forma Tariff revisions included in Attachments A and B, with a

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<sup>3</sup> December 1 Order at P 2.

<sup>4</sup> December 1 Order at P 36.

<sup>5</sup> Request for Rehearing of the PJM Industrial Customer Coalition, Docket No. ER22-26-001 (Dec. 30, 2021).

<sup>6</sup> See Notice of Withdrawal of Request for Rehearing of the PJM Industrial Customer Coalition, Docket No. ER22-26-001 (Jan. 26, 2022).

<sup>7</sup> *PJM Interconnection, L.L.C.*, Order of Chief Judge Designating Settlement Judge, Docket No. ER22-26-000 (Dec. 7, 2021).

proposed effective date of the first day of the calendar month that begins at least thirty (30) days after this Settlement becomes effective pursuant to Section 3.1.

- 2.2. *Resolution of Issues.*** Upon the Commission’s approval of this Settlement and the satisfaction of all conditions to its effectiveness, as set forth in Article III of this Settlement, this Settlement fully and finally resolves all issues set for hearing in this proceeding.
- 2.3. *Entire Agreement.*** This Settlement, including Attachments A and B, constitutes the entire agreement between and among the Settling Parties, and no other agreement with regard to the matters addressed in this Settlement shall be binding on the Settling Parties except by written amendment to this Settlement.

### **ARTICLE III EFFECTIVE DATE AND CONDITIONS**

- 3.1 *Effective Date / Non-Severability.*** The various provisions of this Settlement are not severable, and shall become binding and effective on the date that this Settlement has been approved by a final Commission order<sup>8</sup> as to all its terms without material modification(s), reservation(s), or condition(s) (collectively referred to as “modification”), unless such modification is accepted pursuant to Section 3.2 below.
- 3.2 *Conditions to Effectiveness of the Settlement.*** This Settlement is expressly conditioned upon the approval of all provisions in the Settlement by the Commission in accordance with Rule 602, without condition or modification, provided that, if the Commission approves this Settlement with condition, modification, or severance of any issue or party, then subject to the requirements of Section 0, the Settlement shall not become effective and shall be null and void only if a Settling Party notifies the other Settling Parties and the

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<sup>8</sup> For purposes of this Settlement, a final Commission order is an order no longer subject to rehearing or judicial review under section 313 of the Federal Power Act, 16 U.S.C. § 825l.

Commission in writing within thirty (30) days of such Commission order that it does not accept such condition, modification, or severance. No Settling Party shall be bound by any part of this Settlement and the Settlement shall be null and void unless it becomes effective in the manner provided by this Article III.

**3.3 *Negotiations in the Event of Modification.*** If the Commission fails to approve the Settlement, or approves the Settlement with conditions or modifications, the Settling Parties will promptly undertake negotiations aimed at determining if the necessary conditions or modifications are acceptable, or, if not, reaching agreement on a modified settlement. The Settling Parties reserve their rights to litigate the issues that are the subject of this Settlement if they are unable to reach agreement on a modified settlement within thirty (30) days after the date of the Commission order failing to approve this Settlement or approving this Settlement with conditions or modifications.

**3.4 *Cooperation in Filing and Approval of the Settlement.*** Each Settling Party shall cooperate with, and shall not take any action inconsistent with: (i) the filing of this Settlement with the Commission, or (ii) efforts to obtain Commission approval of this Settlement and the Tariff, Schedule 9-PJM Settlement revisions shown in Attachments A and B without change or condition.

**3.5 *Support for the Settlement.*** The Settling Parties will be obligated to make reasonable efforts to support and defend the terms of the Settlement against any attempt to modify or nullify any terms of the Settlement at the Commission, before other regulatory agencies, or in the courts. This agreement will not limit any Settling Party's right to respond to any pleading or other filing, submitted by a Participant other than a Settling Party, to the Commission or any other forum that seeks to alter or terminate the effectiveness of any



term of the Settlement, provided that any such response is consistent with the Settling Party's obligation to support and defend the terms of the Settlement.

**ARTICLE IV  
MISCELLANEOUS PROVISIONS AND RESERVATIONS**

- 4.1. *Filing Rights.*** Nothing contained in this Settlement Agreement shall be construed as affecting in any way PJM's right unilaterally to make an application to the FERC for a change in rates, terms or conditions of service under section 205 of the Federal Power Act, or as affecting in any way (except as set forth in Section 3.4) any participant's right to comment upon or protest any such application. Nor shall anything contained in this Settlement Agreement (except as set forth in Section 3.4) be construed as affecting in any way any participant's rights to submit filings to FERC under section 206 of the Federal Power Act concerning such rates, terms or conditions of service.
- 4.2. *Declaration of Privilege.*** The discussions that produced this Settlement have been conducted with the explicit understanding that all such discussions, including offers of settlement, are and shall remain privileged, and shall be without prejudice to the positions of any Settling Party or participant<sup>9</sup> presenting any such offer or participating in any such discussion, and are not to be publicly disclosed, except that the Settlement as filed at the Commission and as approved by the Commission may be publicly disclosed; provided however that parties may introduce matters pertaining to the Settlement in any proceeding seeking to enforce the terms thereof. In the event the Commission rejects the Settlement, Rule 602(e) of the Commission's Rules of Practice and Procedure will apply to bar the admissibility, in this proceeding or otherwise, of this Settlement and of any negotiations leading up to this Settlement.

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<sup>9</sup> As used herein, "participant" refers to the parties to this Docket No. ER22-26 proceeding and the Commission's Trial Staff.

- 4.3. *No Admission.*** This Settlement is entered into upon the understanding that it constitutes an integrated, negotiated agreement and, except as explicitly set forth herein, no Settling Party shall be deemed to have approved, accepted, agreed to, or consented to any principle or position advanced or taken in this proceeding by any other participant, or to have prejudiced positions taken or that may be taken by such Settling Party in this or any other proceeding.
- 4.4. *No Precedent or Settled Practice.*** This Settlement shall not be cited or relied upon as precedent for any purpose or as establishing any issue or principle, except to the extent of enforcing the terms and conditions of the Settlement itself. Nothing herein shall be deemed a “settled practice” as that term was interpreted and applied in *Public Service Commission of New York v. FERC*, 642 F.2d 1335 (D.C. Cir. 1980).
- 4.5. *Headings.*** Section headings are used in this Settlement solely for convenience of reference and shall not be used to interpret or modify the terms of this Settlement.
- 4.6. *Execution in Counterparts.*** This Settlement may be executed in one or more counterparts, each of which shall be an original but all of which, taken together, shall constitute only one legal document.
- 4.7. *Ambiguities.*** This Settlement is the result of negotiations among, and has been reviewed by, each Settling Party and its respective counsel. Accordingly, no ambiguity shall be construed in favor of or against any Settling Party.
- 4.8. *Authorization.*** Each person executing this Settlement represents and warrants that he or she is duly authorized and empowered to act on behalf of, and to sign for, the Settling Party on whose behalf he or she has signed.

IN WITNESS WHEREOF, this Settlement is entered into as of the date first written above by and between the Settling Parties through their authorized representatives, who represent that they are fully authorized to do so on behalf of their principals.

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*On Behalf of Exelon Corporation*

March 31, 2022

## **Attachment A**

**SCHEDULE 9-PJMSettlement**  
**PJM Settlement, Inc. Administrative Services**

- a) PJM Settlement, Inc. (“PJMSettlement”) is the entity that is (i) contracting with customers and conducting financial settlements regarding the use of the transmission capacity of the Transmission System; (ii) the Counterparty with respect to the agreements and “pool” transactions in the centralized markets that PJM Interconnection, L.L.C., as the Transmission Provider, administers under the Tariff and Operating Agreement; and (iii) the Counterparty to Financial Transmission Rights (“FTRs”) and Auction Revenue Rights instruments held by a Market Participant. PJMSettlement Services comprise all of the activities of PJMSettlement associated with PJMSettlement performing the services of being the Counterparty and conducting financial settlements.
- b) The cost of operating PJMSettlement, including principal and/or depreciation expense, interest expense and financing costs, if any, shall be recovered from users of the PJMSettlement Services pursuant to the PJMSettlement Rate set forth in this Schedule 9-PJMSettlement.
- c) **PJMSettlement Rate:** PJM will charge each user of PJMSettlement Services on the following basis: (i) PJMSettlement Rate, Component 1, as defined in subpart d) below, times the number of invoices PJMSettlement issues to such user for such month; and (ii) the sum of the products of each of Components 2a through 2f times, respectively, the corresponding determinant specified for such subcomponent.
- d) The PJMSettlement Rate shall be calculated monthly, in accordance with the following formulas:

PJMSettlement Rate, Component 1 =

$$\frac{[\text{PMSC} * 0.68]}{[\text{Per-Invoice Determinants}]}$$

PJMSettlement Rate, Component 2a =

$$\frac{[\text{PMSC} * 0.32 * 0.25]}{\text{PJMTHTU}}$$

PJM will charge each user of PJMSettlement Services each month a charge equal to the Monthly PJMSettlement Rate, Component 2a rate defined above times the total quantity in MWhs of energy delivered (including losses, but excluding Direct Charging Energy) during such month by such user as a transmission customer under this Tariff for Point-to-Point Transmission Service or Network Integration Transmission Service.

PJMSettlement Rate, Component 2b =

$$\frac{[\text{PMSC} * 0.32 * 0.25] * 0.6}{\text{Monthly FTR MWh Determinants}}$$

PJM will charge each user of PJMSettlement Service each month a charge equal to PJMSettlement Rate, Component 2b, as defined above, times the total FTRs in megawatt-hours during such month

held by such user as an FTR Holder. Component 2b of this charge applies to all bids submitted into any round of the Long-term, Annual, or monthly FTR Auctions.

PJMSettlement Rate, Component 2c =

$$\frac{[\text{PMSC} * 0.32 * 0.25] * 0.4}{\text{Monthly FTR Bid/Offer Hours Determinants}}$$

PJM will charge each user of PJMSettlement Service each month a charge equal to the PJMSettlement Rate, Component 2c, as defined above, times the sum of (1) the number of hours in all bids to buy Financial Transmission Rights Obligations submitted by such user during such month, plus (2) five times the number of hours in all bids to buy Financial Transmission Rights Options submitted by such user during such month. Component 2c of this charge applies to all bids submitted into any round of the Annual FTR Auction and to all bids submitted into the applicable monthly FTR Auction.

PJMSettlement Rate, Component 2d =

$$\frac{[\text{PMSC} * 0.32 * 0.25] * 0.987}{\text{Monthly MS MWh Determinants}}$$

PJM will charge each user of PJMSettlement Service each month a charge equal to PJMSettlement Rate, Component 2d, as defined above, times (1) the total quantity in MWhs of energy delivered to load (including losses and net of operating Behind The Meter Generation, but not to be less than zero) in the PJM Region or for export from such region during such month by such user as a customer under Point-to-Point Transmission Service (other than Wheeling-Through Service, as defined below) or Network Integration Transmission Service, plus (2) the total quantity in MWhs of energy input into the Transmission System during such month by such user as a Generation Provider, as defined below, plus (3) the total quantity in MWhs of all accepted Increment Offers and accepted Decrement Bids, and all accepted “Up-to” Congestion Transactions submitted pursuant to Tariff, Attachment K-Appendix, section 1.10.1A(c), submitted by such user during such month.

For purposes of this Schedule, a Generation Provider shall be: (i) a Generation Owner, as such term is defined in the Operating Agreement; provided, however, that if a Generation Owner is not the entity credited on PJM’s records for the energy input into the Transmission System from the generation facilities owned or leased (with rights equivalent to ownership) by such Generation Owner, as, for example, in the case of a qualifying facility selling energy to a public utility pursuant to section 210 of the Public Utility Regulatory Policies Act of 1978, then, with respect to such energy, the Generation Provider shall be the entity credited on PJM’s records for the energy input into the Transmission System from such generation facilities; (ii) a Network Customer or Point-to-Point Transmission Service customer, with respect to energy arranged by such customer to be delivered for import into the PJM Region; or (iii) a Market Seller with respect to energy arranged by such Market Seller to be delivered for import to the boundaries of the PJM Region and for which there is no separately identifiable Transmission Customer. As the term is used in this Schedule 9-3, energy “credited on PJM’s records” does not necessarily mean that a monetary credit resulted on any billing statement provided by PJM.

Furthermore, for purposes of this Schedule, Wheeling-Through Service is Point-to-Point Transmission Service for which both the Point of Receipt and the Point of Delivery are at interconnections of the PJM Region with other Control Areas.

PJMSettlement Rate, Component 2e =

$$\frac{[\text{PMSC} * 0.32 * 0.25] * 0.013}{\text{Monthly MS Bid/Offer Segment Determinants}}$$

PJM will charge each user of PJMSettlement Service each month a charge equal to the sum of the PJMSettlement Rate, Component 2e, as defined above, times the number of Bid/Offer Segments, as defined below, submitted by such user during such month.

For purposes of this Schedule, a Bid/Offer Segment shall be each price/quantity pair submitted into the Day-ahead Energy Market, including those submitted in the generation rebidding period pursuant to Tariff, Attachment K-Appendix, section 1.10.9(a). Segments shall be hourly for each bid to purchase energy, each Increment Offer, each Decrement Bid, each “Up-to” Congestion Transaction, and each Day-ahead Pseudo-Tie Transaction. Segments shall be daily for each offer to sell other than an Increment Offer. Each “Up-to” Congestion Transaction also shall be considered a Bid/Offer Segment.

PJMSettlement Rate, Component 2f =

$$\frac{[\text{PMSC} * 0.32 * 0.25]}{\text{CROM Determinants}}$$

PJM will charge each user of PJMSettlement Services each month a charge equal to the PJMSettlement Rate, Component 2f defined above times the summation for each day of such month of the Daily Unforced Capacity Obligation of such user as a Load Serving Entity, as determined for each such day pursuant to RAA, Schedule 8 or RAA, Schedule 8.1. In addition to any charge under this section, PJM will charge each month, to each user as an entity that included in an FRR Capacity Plan, self-scheduled, or sold and cleared, in a Reliability Pricing Model Auction, a Capacity Resource committed to serve load for such month, a charge equal to the Capacity Resource and Obligation Management Service Rate defined below times such entity’s total share, in MWs, of the Unforced Capacity of all Capacity Resources cleared or self-scheduled (including through an FRR Capacity Plan) by such entity, for commitment to serve load during such month.

where

PMSC (PJMSettlement Costs) is the Actual Costs of PJMSettlement associated with PJMSettlement Services, calculated as the sum of PSI A.1 plus PSI A.2 plus PSI A.3 for the month for which the PJMSettlement Rate is being calculated, where

“PSI A.1” equals the product of 4.0% times the Actual Costs for all Divisions in the month for which the PJMSettlement Rate is being calculated.



“PSI A.2” equals an allocation to the PJMSettlement Services of PJM’s Actual Costs for Management Service Cost during the month for which the PJMSettlement Rate is being calculated, based on the formula in Schedule 9-5.

“PSI A.3” equals PJM’s Actual Costs for Non-Divisional Costs that are assigned to PJMSettlement Services for the month for which the PJMSettlement Rate is being calculated.

And where,

“Per-Invoice Determinants” are the number of invoices PJM Settlement, Inc. issues to Transmission Customers and Market Participants in the month for which PJMSettlement Rate is being calculated.

And where:

“PJMTHTU” are the same determinants as listed in Schedule 9-1 Control Area Administration Service.

“Monthly FTR MWh Determinants” are the same determinants as listed in Schedule 9-2 Financial Transmission Rights Administration Service.

“Monthly FTR Bid/Offer Hours Determinants” are the same determinants as listed in Schedule 9-2 Financial Transmission Rights Administration Service

“Monthly MS MWh Determinants” are the same determinants as listed in Schedule 9-3 Market Support Service

“Monthly MS Bid/Offer Segment Determinants” are the same determinants as listed in Schedule 9-3 Market Support Service; and

“CROM Determinants” are the same determinants as listed in Schedule 9-4 Capacity Resource and Obligation Management Service

## **Attachment B**

**SCHEDULE 9-PJMSettlement  
PJM Settlement, Inc. Administrative Services**

a) PJM Settlement, Inc. (“PJMSettlement”) is the entity that is (i) contracting with customers and conducting financial settlements regarding the use of the transmission capacity of the Transmission System; (ii) the Counterparty with respect to the agreements and “pool” transactions in the centralized markets that PJM Interconnection, L.L.C., as the Transmission Provider, administers under the Tariff and Operating Agreement; and (iii) the Counterparty to Financial Transmission Rights (“FTRs”) and Auction Revenue Rights instruments held by a Market Participant. PJMSettlement Services comprise all of the activities of PJMSettlement associated with PJMSettlement performing the services of being the Counterparty and conducting financial settlements.

b) The cost of operating PJMSettlement, including principal and/or depreciation expense, interest expense and financing costs, if any, shall be recovered from users of the PJMSettlement Services pursuant to the PJMSettlement Rate set forth in this Schedule 9-PJMSettlement.

c) **PJMSettlement Rate:** PJM will charge each user of PJMSettlement Services on the following basis: (i) PJMSettlement Rate, Component 1, as defined in subpart d) below, times the number of invoices PJMSettlement issues to such user for such month; and (ii) the sum of the products of each of Components 2a through 2f times, respectively, the corresponding determinant specified for such subcomponent. ~~Each customer receiving an invoice from PJMSettlement shall be assessed, on a per invoice basis, a charge equal to the~~

d) The PJMSettlement Rate shall be calculated monthly, in accordance with the following formulas:

PJMSettlement Rate, Component 1 =

$$\frac{[\text{PMSC} * 0.68]}{[\text{Per-Invoice Determinants}]}$$

PJMSettlement Rate, Component 2a =

$$\frac{[\text{PMSC} * 0.32 * 0.25]}{\text{PJMTHTU}}$$

PJM will charge each user of PJMSettlement Services each month a charge equal to the Monthly PJMSettlement Rate, Component 2a rate defined above times the total quantity in MWhs of energy delivered (including losses, but excluding Direct Charging Energy) during such month by such user as a transmission customer under this Tariff for Point-to-Point Transmission Service or Network Integration Transmission Service.

PJMSettlement Rate, Component 2b =

$$\frac{[\text{PMSC} * 0.32 * 0.25] * 0.6}{\text{Monthly FTR MWh Determinants}}$$

PJM will charge each user of PJMSettlement Service each month a charge equal to PJMSettlement

Rate, Component 2b, as defined above, times the total FTRs in megawatt-hours during such month held by such user as an FTR Holder. Component 2b of this charge applies to all bids submitted into any round of the Long-term, Annual, or monthly FTR Auctions.

PJMSettlement Rate, Component 2c =

$$\frac{[\text{PMSC} * 0.32 * 0.25] * 0.4}{\text{Monthly FTR Bid/Offer Hours Determinants}}$$

PJM will charge each user of PJMSettlement Service each month a charge equal to the PJMSettlement Rate, Component 2c, as defined above, times the sum of (1) the number of hours in all bids to buy Financial Transmission Rights Obligations submitted by such user during such month, plus (2) five times the number of hours in all bids to buy Financial Transmission Rights Options submitted by such user during such month. Component 2c of this charge applies to all bids submitted into any round of the Annual FTR Auction and to all bids submitted into the applicable monthly FTR Auction.

PJMSettlement Rate, Component 2d =

$$\frac{[\text{PMSC} * 0.32 * 0.25] * 0.987}{\text{Monthly MS MWh Determinants}}$$

PJM will charge each user of PJMSettlement Service each month a charge equal to PJMSettlement Rate, Component 2d, as defined above, times (1) the total quantity in MWhs of energy delivered to load (including losses and net of operating Behind The Meter Generation, but not to be less than zero) in the PJM Region or for export from such region during such month by such user as a customer under Point-to-Point Transmission Service (other than Wheeling-Through Service, as defined below) or Network Integration Transmission Service, plus (2) the total quantity in MWhs of energy input into the Transmission System during such month by such user as a Generation Provider, as defined below, plus (3) the total quantity in MWhs of all accepted Increment Offers and accepted Decrement Bids, and all accepted “Up-to” Congestion Transactions submitted pursuant to Tariff, Attachment K-Appendix, section 1.10.1A(c), submitted by such user during such month.

For purposes of this Schedule, a Generation Provider shall be: (i) a Generation Owner, as such term is defined in the Operating Agreement; provided, however, that if a Generation Owner is not the entity credited on PJM’s records for the energy input into the Transmission System from the generation facilities owned or leased (with rights equivalent to ownership) by such Generation Owner, as, for example, in the case of a qualifying facility selling energy to a public utility pursuant to section 210 of the Public Utility Regulatory Policies Act of 1978, then, with respect to such energy, the Generation Provider shall be the entity credited on PJM’s records for the energy input into the Transmission System from such generation facilities; (ii) a Network Customer or Point-to-Point Transmission Service customer, with respect to energy arranged by such customer to be delivered for import into the PJM Region; or (iii) a Market Seller with respect to energy arranged by such Market Seller to be delivered for import to the boundaries of the PJM Region and for which there is no separately identifiable Transmission Customer. As the term is used in this Schedule 9-3, energy “credited on PJM’s records” does not necessarily mean that a monetary credit resulted on any billing statement provided by PJM.

Furthermore, for purposes of this Schedule, Wheeling-Through Service is Point-to-Point Transmission Service for which both the Point of Receipt and the Point of Delivery are at interconnections of the PJM Region with other Control Areas.

$$\frac{\text{PJMSettlement Rate, Component 2e} = [\text{PMSC} * 0.32 * 0.25] * 0.013}{\text{Monthly MS Bid/Offer Segment Determinants}}$$

PJM will charge each user of PJMSettlement Service each month a charge equal to the sum of the PJMSettlement Rate, Component 2e, as defined above, times the number of Bid/Offer Segments, as defined below, submitted by such user during such month.

For purposes of this Schedule, a Bid/Offer Segment shall be each price/quantity pair submitted into the Day-ahead Energy Market, including those submitted in the generation rebidding period pursuant to Tariff, Attachment K-Appendix, section 1.10.9(a). Segments shall be hourly for each bid to purchase energy, each Increment Offer, each Decrement Bid, each “Up-to” Congestion Transaction, and each Day-ahead Pseudo-Tie Transaction. Segments shall be daily for each offer to sell other than an Increment Offer. Each “Up-to” Congestion Transaction also shall be considered a Bid/Offer Segment.

$$\frac{\text{PJMSettlement Rate, Component 2f} = [\text{PMSC} * 0.32 * 0.25]}{\text{CROM Determinants}}$$

PJM will charge each user of PJMSettlement Services each month a charge equal to the PJMSettlement Rate, Component 2f defined above times the summation for each day of such month of the Daily Unforced Capacity Obligation of such user as a Load Serving Entity, as determined for each such day pursuant to RAA, Schedule 8 or RAA, Schedule 8.1. In addition to any charge under this section, PJM will charge each month, to each user as an entity that included in an FRR Capacity Plan, self-scheduled, or sold and cleared, in a Reliability Pricing Model Auction, a Capacity Resource committed to serve load for such month, a charge equal to the Capacity Resource and Obligation Management Service Rate defined below times such entity's total share, in MWs, of the Unforced Capacity of all Capacity Resources cleared or self-scheduled (including through an FRR Capacity Plan) by such entity, for commitment to serve load during such month.

where

PMSC (PJMSettlement Costs) is the Actual Costs of PJMSettlement associated with PJMSettlement Services, calculated as the sum of PSI A.1 plus PSI A.2 plus PSI A.3 for the month for which the PJMSettlement Rate is being calculated, where

“PSI A.1” equals the product of 4.0% times the Actual Costs for all Divisions in the month for which the PJMSettlement Rate is being calculated.

“PSI A.2” equals an allocation to the PJMSettlement Services ~~Control Area Administration Service~~ of PJM’s Actual Costs for Management Service Cost during the month for which the PJMSettlement Rate is being calculated, based on the formula in Schedule 9-5.

“PSI A.3” equals PJM’s Actual Costs for Non-Divisional Costs that are assigned to PJMSettlement ~~Control Area Administration~~ Services for the month for which the PJMSettlement Rate is being calculated.

And where,

“Per-Invoice Determinants” are the number of invoices PJM Settlement, Inc. issues to Transmission Customers and Market Participants in the month for which PJMSettlement Rate is being calculated.

And where:

“PJMTHTU” are the same determinants as listed in Schedule 9-1 Control Area Administration Service.

“Monthly FTR MWh Determinants” are the same determinants as listed in Schedule 9-2 Financial Transmission Rights Administration Service.

“Monthly FTR Bid/Offer Hours Determinants” are the same determinants as listed in Schedule 9-2 Financial Transmission Rights Administration Service

“Monthly MS MWh Determinants” are the same determinants as listed in Schedule 9-3 Market Support Service

“Monthly MS Bid/Offer Segment Determinants” are the same determinants as listed in Schedule 9-3 Market Support Service; and

“CROM Determinants” are the same determinants as listed in Schedule 9-4 Capacity Resource and Obligation Management Service



**Article II (Terms of Settlement):** Section 2.1 provides that the Administrative Rate Revisions are accepted without refund condition effective January 1, 2022, and shall remain in effect until the pro forma revisions to Tariff, Schedule 9-PJM Settlement included in Attachments A and B to the Settlement become effective. Section 2.1 adds that PJM will file those Tariff revisions with the Commission upon the Settlement becoming effective, with a proposed effective date of the first day of the calendar month that begins at least thirty (30) days after this Settlement becomes effective pursuant to Section 3.1. Because the Settling Parties agreed that the complexities of administering refunds exceed the value of undertaking those refunds in light of the limited refund period, the Settling Parties are seeking shortened comment periods and expedited certification of the Settlement.

The pro forma revisions to Tariff, Schedule 9-PJM Settlement, Inc. shown in Attachment A to the Settlement implement the Settling Parties' intent that PJM Settlement, Inc. ("PSI") shall recover 68% of its costs on a per-invoice basis, and 32% of its costs subdivided into four equal shares and recovered using the same billing determinants that are used in Tariff, Schedules 9-1 through 9-4. The pro forma revisions to Tariff, Schedule 9-PJM Settlement therefore reflect that 8% of PSI's costs is recovered based on each customer's activity under Schedule 9-1, 8% of PSI's costs is recovered based on each customer's activity under Schedule 9-2, 8% of PSI's costs is recovered based on each customer's activity under Schedule 9-3, and 8% of PSI's costs is recovered based on each customer's activity under Schedule 9-4. For this purpose, the pro forma revisions to Tariff, Schedule 9-PJM Settlement employ billing determinant language identical to that in the current effective Tariff, Schedules 9-1 through 9-4, including further subdivision of the 8% share to match any division of costs among different billing determinants within Schedules



9-1 through 9-4 currently provided by those Schedules. The Settling Parties intend that the billing determinant language used for this purpose in Schedule 9-PJMSettlement shall remain identical to the corresponding billing determinant language in Schedules 9-1 through 9-4 as and when such language in Schedules 9-1 through 9-4 may be revised hereafter.

Section 2.2 states that upon Commission approval of the Settlement, and satisfaction of all conditions to the Settlement's effectiveness, the Settlement fully and finally resolves all issues in this proceeding.

Section 2.3 provides that the Settlement, including the Tariff revisions in Attachments A and B, constitutes the entire agreement among the Settling Parties, and no other agreement with regard to the matters addressed in the Settlement shall be binding on the Settling Parties except by written amendment to the Settlement.

*Article III (Effective Date and Conditions):* Section 3.1 provides that the various provisions of the Settlement are not severable and will become effective on the date the Settlement is approved by a final Commission order.

Section 3.2 provides that if the Commission approves the Settlement with condition, modification, or severance of any issue or party, then subject to the requirements of Section **Error! Reference source not found.**, the Settlement shall not become effective and shall be null and void only if a Settling Party notifies the other Settling Parties and the Commission in writing within thirty (30) days of such Commission order that it does not accept such condition, modification, or severance. Section 3.2 further provides that no Settling Party is to be bound by any part of the Settlement and the Settlement shall be null and void unless it becomes effective in the manner provided by Article III.

Section 3.3 provides that, in the event the Commission does not approve the Settlement, or approves the Settlement with conditions or modifications, the Settling Parties will promptly undertake negotiations to determine if the Commission's conditions or modifications are acceptable or, if not, to reach agreement on a modified settlement. Section 3.3 further provides that the Settling Parties reserve their rights to litigate the issues that are the subject of the Settlement if they are unable to reach agreement on a modified settlement within thirty (30) days after the date of the Commission order failing to accept the settlement without modification.

Section 3.4 requires each Settling Party to cooperate with, and not take any action inconsistent with: (i) the filing of the Settlement with the Commission, or (ii) efforts to obtain Commission approval of the Settlement and the Tariff, Schedule 9-PJM Settlement revisions shown in Attachments A and B without change or condition.

Section 3.5 requires the Settling Parties to make reasonable efforts to support and defend the terms of the Settlement against any attempt to modify or nullify any terms of the Settlement at the Commission, before other regulatory agencies, or in the courts. Further, section 3.5 provides that the Settlement will not limit any Settling Party's right to respond to any pleading or other filing, submitted by a participant other than a Settling Party, to the Commission or any other forum that seeks to alter or terminate the effectiveness of any term of the Settlement, and that any such response must be consistent with the Settling Party's obligation to support and defend the terms of the Settlement.

***Article IV (Miscellaneous):*** Section 4.1 affirms that nothing in the Settlement affects the filing rights of PJM or the other Settling Parties under Federal Power Act sections 205 and 206 and the Commission's regulations thereunder.

The remaining provisions of Article IV contain standard reservations stating that the discussions leading to the Settlement, including offers of settlement, are and shall remain privileged; that the Settlement is an integrated, negotiated agreement; that no Settling Party shall be deemed to have approved, accepted, agreed to, or consented to any principle or position advanced or taken in this proceeding by any other participant; that the provisions of the Settlement have no precedential effect and establish no “settled practice;” that the Settlement headings are used solely for convenience and should not be used to interpret or modify the Settlement; that the Settlement should not be construed against or in favor of any Settling Party; and that each person executing the Settlement represents and warrants that he or she is duly authorized and empowered to do so.

## **II. QUESTIONS RAISED BY THE DECEMBER 15, 2016 AMENDED NOTICE**

The Amended Notice to the Public issued on December 15, 2016<sup>4</sup> requires parties submitting settlement agreements to address the following four questions:

### **1. Does the settlement affect other pending cases?**

Response: No other pending cases are affected by this Settlement.

### **2. Does the settlement involve issues of first impression?**

Response: The Settlement involves no issues of first impression.

### **3. Does the settlement depart from Commission precedent?**

Response: The Settlement does not depart from Commission precedent.

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<sup>4</sup> *Amended Notice to the Public on Information to Be Provided with Settlement Agreements and Guidance on the Role of Settlement Judges*, Notice to the Public (Dec. 15, 2016).

**4. Does the settlement seek to impose a standard of review other than the ordinary just and reasonable standard with respect to any changes to the settlement that might be sought by either a third party or the Commission acting *sua sponte*?**

Response: No. The governing review standard for approval of the Settlement is provided by Rule 602, 18 C.F.R. § 385.602. Assuming that the Settlement is uncontested as PJM expects, Rule 602(g)(3) provides that the Commission may approve the Settlement “upon finding that the settlement appears fair and reasonable and in the public interest.” The Settlement does not seek to impose a standard of review with respect to any changes to the Settlement that might be sought by either a third party or the Commission acting *sua sponte* different from those established by sections 205 and 206 of the Federal Power Act.

Respectfully submitted,

/s/ Paul M. Flynn

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*Counsel to the PJM Industrial  
Customer Coalition*

March 31, 2022



3. The Commission's December 1, 2021 order in this proceeding accepted PJM's proposal, effective January 1, 2022, subject to refund and to the outcome of settlement judge and hearing procedures.<sup>1</sup> Among other reasons for this action, the December 1 Order stated that PJM had not shown that the Schedule 9-PSI billing determinant change was just and reasonable.
4. The Settlement revises the Schedule 9-PSI billing determinants, as shown on the pro forma Tariff revisions presented in redlined form in Attachment A to the Settlement. The Settlement revises the Schedule 9-PSI billing determinants on a prospective basis because the Settling Parties agreed, on a compromise basis in the overall context of the Settlement, that the complexities of administering refunds exceed the value of undertaking those refunds in light of the limited refund period.
5. The Tariff language implementing the revised Schedule 9-PSI billing determinants are extensive, but the governing concept accepted in the settlement process is simply stated: first, the per-invoice billing determinant is retained, but only as to 68% of PSI's costs; and second, the remaining 32% of PSI's costs is divided into four equal parts and each part is then recovered using the same billing determinants specified by one of the four sub-schedules of Schedule 9 that are used to recover PJM's administrative costs, i.e., Schedule 9-1, Schedule 9-2, Schedule 9-3, and Schedule 9-4.
6. The 68%/32% split between, respectively, per-invoice recovery and Schedule 9-1 through 9-4 recovery is reasonably based on differentiating between, on the one hand, PSI's billing and treasury functions and, on the other hand, its credit and risk functions. In simple terms, PSI's costs in the credit and risk functions reasonably relate to the level of customer and market participant activity under Schedules 9-1 through 9-4; and its costs in the billing and treasury functions reasonably relate to the number of customer sub-accounts PSI manages—each of which is separately invoiced. I discuss below in more detail: (a) the basis for the 68%/32% split; (b) the reasonable relation between the billing and treasury functions and the number of customer sub-accounts PSI manages; and (c) the reasonable relation between the credit and risk functions and the level of customer and market participant activity.
7. First, the 68%/32% split is supported by PJM's analysis of PSI's costs for billing and treasury and its costs for credit and risk. PSI's costs for billing and treasury can be reasonably identified as the costs and expenses that are assigned to PSI from PJM's Market Settlement Operations department, its Market Settlement Development department, and its Treasury department, plus technology and project costs for PJM's Markets Settlements Calculation System and PJM's Market Settlements Reporting System. These are the human resource and technology costs that support PSI's development and issuance of billing statements, its receipt of payments, and its remittance of payments. The Market Settlement Operations department conducts those settlements, while the Market Settlements Development

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<sup>1</sup> *PJM Interconnection, L.L.C.*, 177 FERC ¶ 61,154 (2021) (“December 1 Order”).

department is responsible for developing and implementing changes to PJM's market settlement procedures and systems. Costs for PJM's Treasury department round out the assessment of PSI's billing and treasury costs. As to technology, PJM's internal-facing Markets Settlements Calculation System calculates all settlements, and PJM's internal- and external-facing Market Settlements Reporting System reports the results of all settlement calculations, to PJM and to members.

8. PSI's costs for credit and risk management can be reasonably identified as the costs and expenses that are assigned to PSI from PJM's Credit Risk and Collateral Management department, its Trade Risk and Analytics department, and its Risk Management Department, plus technology and project costs for PJM's Historical Simulation Initial Margining ("HSIM") and eCredit systems. These are the human resource and technology costs that support PSI's assessment and management of Member credit risk. The Credit Risk and Collateral Management department is responsible for the developing and monitoring of credit requirements and collateral management for all PJM market participants; the Trade Risk and Analytics department is responsible for the measuring, quantifying and predicting risk related to the PJM markets; and the Risk Management department is responsible developing PJM's risk monitoring framework, policies, procedures for overall risk review of market participants, support of the Risk Management Committee at PJM and oversight of the above mentioned departments. As to technology, PJM's HSIM and eCredit systems are used by PJM staff to assist with the monitoring of the risk of market participants. Specifically HSIM is used to calculate FTR credit requirements for market participants and eCredit is used to calculate credit requirements for other markets as well as provide a platform for collateral management.
9. PJM reviewed PJM's approved 2022 budget and found \$10.1 million in budgeted costs and expenses for the departments and systems associated with PSI's billing and treasury functions described above, and \$4.7 million in budgeted costs and expenses for the departments and systems associated with PSI's credit and risk functions described above. Thus, billing and treasury accounts for 68% of PSI's total 2022 budget of \$14.8 million, and credit and risk accounts for 32% of PSI's total 2022 budget. Based on my experience as PJM's Chief Financial Officer and Treasurer, including overseeing the preparation of budgets, and ongoing comparison of budgeted costs to actual costs, the 2022 budgeted split between PSI's billing and treasury functions and its credit and risk functions should be reasonably reflective of the cost split in the near future. That split already incorporates the effects of PJM's significant reforms to and expansion of, the risk management function in 2020 in the wake of the GreenHat default, to enhance credit and risk modeling and market surveillance. Moreover, as previously explained in this proceeding, the PJM Finance Committee Financial Review, Reporting and Communications Protocol was amended late last year to require PJM to revisit every five years its Tariff, Schedule 9 allocation percentages, which will now include this percentage subdivision of PSI costs.



10. Second, the number of customer sub-accounts PSI manages is reasonably related to the costs of PSI's billing and treasury functions for the same reasons I explained in my November 8, 2021 affidavit, which is already part of the record of this proceeding. While my prior affidavit supported PJM's position in the Initial Filing that the per-invoice charge was also a reasonable means to recover credit and risk costs, there are sound reasons for recovering those credit and risk costs based on customers' activity under Schedules 9-1 through 9-4, as I explain below.
11. Third, PSI's credit and risk management expenses are reasonably related to customers' activity under Schedules 9-1 through 9-4. PJM conducts credit and risk evaluations for all the transaction types—transmission, energy, ancillary services, FTRs/ARRs, and capacity—that Schedules 9-1 through 9-4 encompass. While the relative level of activity for different types of transactions may vary within each year (based, e.g., on auction schedules), PSI's credit and risk functions substantially intersect with all of these transaction and customer types over the course of a year. An equal (25%) split among these four schedules is reasonable, given the risk functions' involvement with all of these transaction and customer types. There is no value in a more nuanced or sophisticated split among these schedules, given that the PSI credit and risk costs at issue are less than \$5 million (e.g., 32% of PSI's 2022 budget of \$14.8 million). Because these costs are thus only about 1.5% of the total PJM and PSI administrative costs PJM recovers under Schedule 9, even a large change in how to split that \$5 million in four pieces would not significantly affect customers' overall charges under Schedule 9.
12. This completes my affidavit.

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

PJM Interconnection, L.L.C.                    )  
  )  
  )           Docket No. ER22-26-00\_

**VERIFICATION**

I, Lisa M. Drauschak, state that I am the Lisa M. Drauschak referred to in the foregoing document entitled “Affidavit of Lisa M. Drauschak on behalf of PJM Interconnection, L.L.C. in Support of Settlement Agreement and Offer of Settlement” that I have read the same and am familiar with the contents thereof, and that the facts set forth therein are true and correct to the best of my knowledge, information, and belief.

In light of the steps that PJM Interconnection, L.L.C. has taken to address the ongoing emergency relating to COVID-19, including making arrangements for employees to work remotely, I respectfully request waiver of the Commission’s regulations with respect to any expectation or requirement that this verification be notarized.<sup>1</sup>

By: /s/ Lisa M. Drauschak

Name: Lisa M. Drauschak

Title: Vice President, Chief  
Financial Officer, and  
Treasurer  
PJM Interconnection, L.L.C.

Dated: March 31, 2022

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<sup>1</sup> See *Extension of Non-Statutory Deadlines*, Supplemental Notice Waiving Regulations, Docket No. AD20-11-000 (Dec. 8, 2021).