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June 26, 2023

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

**Re: PJM Interconnection, L.L.C.  
*Potomac Electric Power Co.*  
Docket No. ER21-2020**

**PJM Interconnection, L.L.C.  
*Baltimore Gas and Electric Company*  
Docket No. ER21-2023**

**Settlement Agreement**

Dear Secretary Bose:

Pursuant to Rule 602 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“Commission” or “FERC”), 18 C.F.R. § 385.602 (2019), Potomac Electric Power Company (“Pepco”) and Baltimore Gas and Electric Company (“BGE”) submit for filing on behalf of the Parties<sup>1</sup> in these proceedings an executed Settlement Agreement (“Settlement Agreement” or “Settlement”) and related documents that resolve, upon the Commission’s approval of this Settlement Agreement without condition or modification

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<sup>1</sup> The Parties are: Pepco; BGE; Southern Maryland Electric Cooperative, Inc.; Maryland Office of People’s Counsel; Maryland Public Service Commission; and the Office of the People’s Counsel for the District of Columbia (each a “Party” and all collectively, the “Parties”).

unacceptable to the Parties, all issues in Docket Nos. ER21-2020-000, ER21-2020-001 and ER21-2023-000. The Settlement Agreement has been executed by all parties to this proceeding.<sup>2</sup>

## **I. INFORMATION SUBMITTED WITH THIS FILING**

This submission includes, along with this transmittal letter, the following documents:

- Explanatory Statement;
- Settlement Agreement;
- Exhibit A, W&S Allocator Cap; and
- Certificate of Service.

## **II. COMMENTS**

Pursuant to Rule 602(f) of the Commission's Rules of Practice and Procedure,<sup>3</sup> initial comments on the Settlement Agreement are due July 17, 2023, and reply comments are due July 26, 2023. Pursuant to Rule 602(f)(3),<sup>4</sup> any failure to file a comment constitutes a waiver of all objections to the Settlement Agreement.

## **III. SERVICE**

Pursuant to Rules 602(d)<sup>5</sup> and 2010,<sup>6</sup> Pepco and BGE have served, either by paper or electronic service, the Settlement Agreement and all related documents listed above on all parties listed on the official service list compiled by the Secretary in this proceeding and on all other persons required to be served by operation of Rule 602(d).

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<sup>2</sup> Pursuant to Order No. 714, this filing is being submitted by PJM Interconnection, L.L.C. ("PJM") on behalf of Pepco and BGE as part of a filing package that conforms with the Commission's regulations. PJM has agreed to make all filings on behalf of the PJM Transmission Owners in order to retain administrative control over the PJM Open Access Transmission Tariff ("OATT").

<sup>3</sup> 18 C.F.R. § 385.602(f) (2023).

<sup>4</sup> 18 C.F.R. § 385.602(f)(3) (2023).

<sup>5</sup> 18 C.F.R. § 385.602(d) (2023).

<sup>6</sup> 18 C.F.R. § 385.2010 (2023).

In addition, PJM has served a copy of this filing on all PJM Members and on all state utility regulatory commissions in the PJM Region by posting this filing electronically. In accordance with the Commission's regulations,<sup>7</sup> PJM will post a copy of this filing to the FERC filings section of its internet site, located at the following link:

<https://www.pjm.com/library/filing-order> with a specific link to the newly-filed document, and will send an e-mail on the same date as this filing to all PJM Members and all state utility regulatory commissions in the PJM Region<sup>8</sup> alerting them that this filing has been made by PJM and is available by following such link. If the document is not immediately available by using the referenced link, the document will be available through the referenced link within 24 hours of the filing.<sup>9</sup>

#### **IV. REQUESTED RELIEF**

The Parties request that the Settlement be certified to the Commission for its approval, and that the Commission approve the Settlement Agreement without condition or modification. In accordance with Section 3.1 of the Settlement Agreement, the Settlement Agreement will have an effective date of August 1, 2021 upon issuance of an order approving this Settlement Agreement without modification or condition, or if the Commission issues an order conditioning or modifying the Settlement Agreement, fifteen days after such order if no Party gives notice of termination pursuant to Section 3.1 of the Settlement Agreement.

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<sup>7</sup> See 18 C.F.R. §§ 35.2(e) (2023) and 385.2010(f)(3) (2023).

<sup>8</sup> PJM already maintains, updates and regularly uses e-mail lists for all PJM members and affected state commissions.

<sup>9</sup> Also, a copy of this filing will be available on the Commission's eLibrary website located at the following link: <http://www.ferc.gov/docs-filing/elibrary.asp> in accordance with the Commission's regulations and Order No. 714.

Thank you for your assistance in this matter.

Respectfully submitted,

/s/ Richard L. Roberts

Richard L. Roberts

Steptoe & Johnson LLP

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Washington, DC 20036

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*Counsel for Potomac Electric Power Company and  
Baltimore Gas and Electric Company*

cc: Hon. Andrew Satten  
All Parties

## CERTIFICATE OF SERVICE

Pursuant to Rule 2010, 18 C.F.R. § 385.2010, I hereby certify that I have this day caused the foregoing document to be served upon each person designated on the official service lists compiled by the Secretary in this proceeding.

Dated at Washington, D.C. on this 26th day of June, 2023.

/s/ Jeannette Crooks  
Jeannette Crooks  
Step toe & Johnson LLP  
1330 Connecticut Avenue, NW  
Washington, DC 20036  
jcrooks@steptoe.com

# **Exhibit A**

**Potomac Electric Power Company**  
**W&S ALLOCATOR CAP - Below the Cap**

I. Proxy Baseline Calculation (See Note 1)

| A   | B                | C                    | D = B + C          | E                       | F = D + E     | G = D/F       | H = B/F          | I = C/F                   |
|---|------------------|----------------------|--------------------|-------------------------|---------------|---------------|------------------|---------------------------|
| <b>Summary of Costs (January - December 2022)</b>         |                  |                      |                    |                         |               |               |                  |                           |
| Company   | Transmission TSO | Transmission Non-TSO | Total Transmission | Distribution & Customer | Total Non A&G | W&S Allocator | Transmission TSO | Transmission Non-TSO      |
| PEPCO   | \$ -             | \$ 6,801,858         | \$ 6,801,858       | \$ 59,178,499           | \$ 65,980,357 | 10.31%        | 0.00%            | 7.70%                     |
| EBSC  | \$ 2,958,496     | \$ 1,763,431         | \$ 4,721,927       | \$ 2,845,618            | \$ 7,567,544  | 62.40%        | 3.35%            | 2.00% (See Note 2)        |
| PHISCO  | \$ -             | \$ 1,066,494         | \$ 1,066,494       | \$ 13,746,284           | \$ 14,812,778 | 7.20%         | 0.00%            | 1.21% (See Note 2)        |
| <b>Total</b>  | \$ 2,958,496     | \$ 9,631,783         | \$ 12,590,279      | \$ 75,770,401           | \$ 88,360,680 | <b>14.25%</b> | 3.35%            | 10.90%                    |
| BASELINE Service Company Transmission Non-TSO Labor % ==> |                  |                      |                    |                         |               |               |                  | <b>3.20%</b> (See Note 3) |

II. Cap Calculation (See Note 4)

| A   | B                | C                    | D = B + C          | E                       | F = D + E     | G = D/F       | H = B/F                        | I = C/F                          |
|---|------------------|----------------------|--------------------|-------------------------|---------------|---------------|--------------------------------|----------------------------------|
| <b>Summary of Costs (For Illustrative Purposes)</b>                                   |                  |                      |                    |                         |               |               |                                |                                  |
| Company   | Transmission TSO | Transmission Non-TSO | Total Transmission | Distribution & Customer | Total Non A&G | W&S Allocator | Transmission TSO               | Transmission Non-TSO             |
| PEPCO   | \$ -             | \$ 6,801,858         | \$ 6,801,858       | \$ 59,178,499           | \$ 65,980,357 | 10.31%        | 0.00%                          | 7.65%                            |
| EBSC  | \$ 2,958,496     | \$ 2,263,431         | \$ 5,221,927       | \$ 2,845,618            | \$ 8,067,544  | 64.73%        | 3.33%                          | 2.55%                            |
| PHISCO  | \$ -             | \$ 1,066,494         | \$ 1,066,494       | \$ 13,746,284           | \$ 14,812,778 | 7.20%         | 0.00%                          | 1.20%                            |
| <b>Total</b>  | \$ 2,958,496     | \$ 10,131,783        | \$ 13,090,279      | \$ 75,770,401           | \$ 88,860,680 | <b>14.73%</b> | 3.33%                          | 11.40%                           |
| EBSC Transmission Non-TSO Labor Illustrative Additional Amount (Impacts Cell D25) ==> |                  |                      |                    |                         |               |               | <b>\$ 500,000</b> (See Note 4) |                                  |
| Service Company Transmission Non-TSO Labor % ==>                                      |                  |                      |                    |                         |               |               |                                | <b>3.75%</b>                     |
| Agreed-Upon Cap (BASELINE + 150 BASIS POINTS) ==>                                     |                  |                      |                    |                         |               |               |                                | <b>4.70%</b> (See Note 5)        |
| Adjustment if Non-TSO Impact exceeds Cap ==>  |                  |                      |                    |                         |               |               |                                | <b>0.00%</b> (See Notes 6 and 7) |
| Capped Transmission W&S Allocator ==>   |                  |                      |                    |                         |               |               |                                | <b>14.73%</b> (See Note 7)       |

**Notes**

- The Actual 12-month calendar year 2022 W&S allocator data has been used for purposes of establishing the actual baseline ratio.
- The Service Company Transmission Non – TSO Labor ratio is defined as: Service Company Transmission Non – TSO Labor / Total Non-A&G Labor (Utility + Service Companies).
- During each year in the cap period, the respective year’s Service Company Non – TSO Labor ratio will be compared to the same ratio for the 2022 baseline year.
- For each of the years 2022 - 2026, the table will be populated with actual results. For illustrative purposes, the Company has populated the table such that all inputs match the baseline table data, with the exception of the Service Company Transmission Non-TSO costs (cell D25), which has been increased for illustrative purposes by the amount included in cell J29.
- The Service Company Non – TSO Labor ratio cap will be 150 basis points higher than the Companies’ respective baseline ratio.
- If a respective rate year’s Service Company Non – TSO Labor ratio is equal to or less than the baseline ratio including the 150 basis points cap, no adjustment will be made to the W&S Allocator. If a respective rate year’s Service Company Non – TSO Labor ratio is more than the baseline ratio including the 150 basis points cap, the W&S Allocator shall equal the Capped Transmission W&S Allocator.
- The Parties agree in principle that the cap on the transmission percentage used to calculate the Companies’ W&S allocators set forth in this Settlement Agreement should not cause the combined transmission and distribution W&S allocators to total less or more than 100% for any 12-month period for purposes of functionalizing costs in transmission and distribution rate filings. This agreement in principle does not restrict the Parties from executing discovery or otherwise exercising their statutory rights and/or obligations to recommend disallowance of costs determined or believed not to be just and reasonable pursuant to their respective retail ratemaking authorities. This agreement also does not preclude any Settling Party from seeking information regarding the computation of the W&S allocators or any relevant costs, or challenging the computation of the W&S allocators or any relevant costs pursuant to Section 206 of the FPA, or the challenge procedures in the Companies’ Formula Rate Protocols.

**Potomac Electric Power Company  
W&S ALLOCATOR CAP - Above the Cap**

**I. Proxy Baseline Calculation (See Note 1)**

| A   | B                   | C                    | D = B + C            | E                       | F = D + E            | G = D/F       | H = B/F          | I = C/F                   |
|---|---------------------|----------------------|----------------------|-------------------------|----------------------|---------------|------------------|---------------------------|
| <b>Summary of Costs (January - December 2022)</b>         |                     |                      |                      |                         |                      |               |                  |                           |
| Company   | Transmission TSO    | Transmission Non-TSO | Total Transmission   | Distribution & Customer | Total Non A&G        | W&S Allocator | Transmission TSO | Transmission Non-TSO      |
| PEPCO   | \$ -                | \$ 6,801,858         | \$ 6,801,858         | \$ 59,178,499           | \$ 65,980,357        | 10.31%        | 0.00%            | 7.70%                     |
| EBSC  | \$ 2,958,496        | \$ 1,763,431         | \$ 4,721,927         | \$ 2,845,618            | \$ 7,567,544         | 62.40%        | 3.35%            | 2.00% (See Note 2)        |
| PHISCO  | \$ -                | \$ 1,066,494         | \$ 1,066,494         | \$ 13,746,284           | \$ 14,812,778        | 7.20%         | 0.00%            | 1.21% (See Note 2)        |
| <b>Total</b>  | <b>\$ 2,958,496</b> | <b>\$ 9,631,783</b>  | <b>\$ 12,590,279</b> | <b>\$ 75,770,401</b>    | <b>\$ 88,360,680</b> | <b>14.25%</b> | <b>3.35%</b>     | <b>10.90%</b>             |
| BASELINE Service Company Transmission Non-TSO Labor % ==> |                     |                      |                      |                         |                      |               |                  | <b>3.20%</b> (See Note 3) |

**II. Cap Calculation (See Note 4)**

| A   | B                   | C                    | D = B + C            | E                       | F = D + E            | G = D/F                           | H = B/F          | I = C/F              |
|---|---------------------|----------------------|----------------------|-------------------------|----------------------|-----------------------------------|------------------|----------------------|
| <b>Summary of Costs (For Illustrative Purposes)</b>                                   |                     |                      |                      |                         |                      |                                   |                  |                      |
| Company   | Transmission TSO    | Transmission Non-TSO | Total Transmission   | Distribution & Customer | Total Non A&G        | W&S Allocator                     | Transmission TSO | Transmission Non-TSO |
| PEPCO   | \$ -                | \$ 6,801,858         | \$ 6,801,858         | \$ 59,178,499           | \$ 65,980,357        | 10.31%                            | 0.00%            | 7.53%                |
| EBSC  | \$ 2,958,496        | \$ 3,763,431         | \$ 6,721,927         | \$ 2,845,618            | \$ 9,567,544         | 70.26%                            | 3.27%            | 4.16%                |
| PHISCO  | \$ -                | \$ 1,066,494         | \$ 1,066,494         | \$ 13,746,284           | \$ 14,812,778        | 7.20%                             | 0.00%            | 1.18%                |
| <b>Total</b>  | <b>\$ 2,958,496</b> | <b>\$ 11,631,783</b> | <b>\$ 14,590,279</b> | <b>\$ 75,770,401</b>    | <b>\$ 90,360,680</b> | <b>16.15%</b>                     | <b>3.27%</b>     | <b>12.87%</b>        |
| EBSC Transmission Non-TSO Labor Illustrative Additional Amount (Impacts Cell D25) ==> |                     |                      |                      |                         |                      | <b>\$ 2,000,000</b> (See Note 4)  |                  |                      |
| Service Company Transmission Non-TSO Labor % ==>                                      |                     |                      |                      |                         |                      | <b>5.35%</b>                      |                  |                      |
| Agreed-Upon Cap (BASELINE + 150 BASIS POINTS) ==>                                     |                     |                      |                      |                         |                      | <b>4.70%</b> (See Note 5)         |                  |                      |
| Adjustment if Non-TSO Impact exceeds Cap ==>  |                     |                      |                      |                         |                      | <b>-0.64%</b> (See Notes 6 and 7) |                  |                      |
| Capped Transmission W&S Allocator ==>   |                     |                      |                      |                         |                      | <b>15.50%</b> (See Note 7)        |                  |                      |

**Notes**

- The Actual 12-month calendar year 2022 W&S allocator data has been used for purposes of establishing the actual baseline ratio.
- The Service Company Transmission Non – TSO Labor ratio is defined as: Service Company Transmission Non – TSO Labor / Total Non-A&G Labor (Utility + Service Companies).
- During each year in the cap period, the respective year’s Service Company Non – TSO Labor ratio will be compared to the same ratio for the 2022 baseline year.
- For each of the years 2022 - 2026, the table will be populated with actual results. For illustrative purposes, the Company has populated the table such that all inputs match the baseline table data, with the exception of the Service Company Transmission Non-TSO costs (cell D25), which has been increased for illustrative purposes by the amount included in cell J29.
- The Service Company Non – TSO Labor ratio cap will be 150 basis points higher than the Companies’ respective baseline ratio.
- If a respective rate year’s Service Company Non – TSO Labor ratio is equal to or less than the baseline ratio including the 150 basis points cap, no adjustment will be made to the W&S Allocator. If a respective rate year’s Service Company Non – TSO Labor ratio is more than the baseline ratio including the 150 basis points cap, the W&S Allocator shall equal the Capped Transmission W&S Allocator.
- The Parties agree in principle that the cap on the transmission percentage used to calculate the Companies’ W&S allocators set forth in this Settlement Agreement should not cause the combined transmission and distribution W&S allocators to total less or more than 100% for any 12-month period for purposes of functionalizing costs in transmission and distribution rate filings. This agreement in principle does not restrict the Parties from executing discovery or otherwise exercising their statutory rights and/or obligations to recommend disallowance of costs determined or believed not to be just and reasonable pursuant to their respective retail ratemaking authorities. This agreement also does not preclude any Settling Party from seeking information regarding the computation of the W&S allocators or any relevant costs, or challenging the computation of the W&S allocators or any relevant costs pursuant to Section 206 of the FPA, or the challenge procedures in the Companies’ Formula Rate Protocols.



**Baltimore Gas and Electric Company  
W&S ALLOCATOR CAP - Below the Cap**

**I. Proxy Baseline Calculation (See Note 1)**

| A   | B                | C                    | D = B + C          | E                       | F = D + E      | G = D/F       | H = B/F          | I = C/F              |
|---|------------------|----------------------|--------------------|-------------------------|----------------|---------------|------------------|----------------------|
| <b>Summary of Costs (January - December 2022)</b> |                  |                      |                    |                         |                |               |                  |                      |
| Company   | Transmission TSO | Transmission Non-TSO | Total Transmission | Distribution & Customer | Total Non A&G  | W&S Allocator | Transmission TSO | Transmission Non-TSO |
| BGE   | \$ -             | \$ 6,254,181         | \$ 6,254,181       | \$ 88,381,113           | \$ 94,635,294  | 6.61%         | 0.00%            | 6.03%                |
| EBSC  | \$ 4,551,227     | \$ 2,830,693         | \$ 7,381,920       | \$ 1,732,759            | \$ 9,114,679   | 80.99%        | 4.39%            | 2.73%                |
| <b>Total</b>                                      | \$ 4,551,227     | \$ 9,084,874         | \$ 13,636,101      | \$ 90,113,872           | \$ 103,749,973 | <b>13.14%</b> | 4.39%            | 8.76%                |

BASELINE Service Company Transmission Non-TSO Labor % ==> **2.73%** (See Note 3)

**II. Cap Calculation (See Note 4)**

| A   | B                | C                    | D = B + C          | E                       | F = D + E      | G = D/F       | H = B/F          | I = C/F              |
|---|------------------|----------------------|--------------------|-------------------------|----------------|---------------|------------------|----------------------|
| <b>Summary of Costs (For Illustrative Purposes)</b> |                  |                      |                    |                         |                |               |                  |                      |
| Company   | Transmission TSO | Transmission Non-TSO | Total Transmission | Distribution & Customer | Total Non A&G  | W&S Allocator | Transmission TSO | Transmission Non-TSO |
| BGE   | \$ -             | \$ 6,254,181         | \$ 6,254,181       | \$ 88,381,113           | \$ 94,635,294  | 6.61%         | 0.00%            | 6.00%                |
| EBSC  | \$ 4,551,227     | \$ 3,330,693         | \$ 7,881,920       | \$ 1,732,759            | \$ 9,614,679   | 81.98%        | 4.37%            | 3.19%                |
| <b>Total</b>  | \$ 4,551,227     | \$ 9,584,874         | \$ 14,136,101      | \$ 90,113,872           | \$ 104,249,973 | <b>13.56%</b> | 4.37%            | 9.19%                |

EBSC Transmission Non-TSO Labor Illustrative Additional Amount (Impacts Cell D24) ==> **\$ 500,000** (See Note 4)

Service Company Transmission Non-TSO Labor % ==> **3.19%**

Agreed-Upon Cap (BASELINE + 150 BASIS POINTS) ==> **4.23%** (See Note 5)

Adjustment if Non-TSO Impact exceeds Cap ==> **0.00%** (See Notes 6 and 7)

Capped Transmission W&S Allocator ==> **13.56%** (See Note 7)

**Notes**

- The Actual 12-month calendar year 2022 W&S allocator data has been used for purposes of establishing the actual baseline ratio.
- The Service Company Transmission Non – TSO Labor ratio is defined as: Service Company Transmission Non – TSO Labor / Total Non-A&G Labor (Utility + Service Companies).
- During each year in the cap period, the respective year’s Service Company Non – TSO Labor ratio will be compared to the same ratio for the 2022 baseline year.
- For each of the years 2022 - 2026, the table will be populated with actual results. For illustrative purposes, the Company has populated the table such that all inputs match the baseline table data, with the exception of the Service Company Transmission Non-TSO costs (cell D24), which has been increased for illustrative purposes by the amount included in cell J27.
- The Service Company Non – TSO Labor ratio cap will be 150 basis points higher than the Companies’ respective baseline ratio.
- If a respective rate year’s Service Company Non – TSO Labor ratio is equal to or less than the baseline ratio including the 150 basis points cap, no adjustment will be made to the W&S Allocator. If a respective rate year’s Service Company Non – TSO Labor ratio is more than the baseline ratio including the 150 basis points cap, the W&S Allocator shall equal the Capped Transmission W&S Allocator.
- The Parties agree in principle that the cap on the transmission percentage used to calculate the Companies’ W&S allocators set forth in this Settlement Agreement should not cause the combined transmission and distribution W&S allocators to total less or more than 100% for any 12-month period for purposes of functionalizing costs in transmission and distribution rate filings. This agreement in principle does not restrict the Parties from executing discovery or otherwise exercising their statutory rights and/or obligations to recommend disallowance of costs determined or believed not to be just and reasonable pursuant to their respective retail ratemaking authorities. This agreement also does not preclude any Settling Party from seeking information regarding the computation of the W&S allocators or any relevant costs, or challenging the computation of the W&S allocators or any relevant costs pursuant to Section 206 of the FPA, or the challenge procedures in the Companies’ Formula Rate Protocols.

**Baltimore Gas and Electric Company  
W&S ALLOCATOR CAP - Above the Cap**

**I. Proxy Baseline Calculation (See Note 1)**

| A   | B                | C                    | D = B + C          | E                       | F = D + E      | G = D/F       | H = B/F          | I = C/F              |
|---|------------------|----------------------|--------------------|-------------------------|----------------|---------------|------------------|----------------------|
| <b>Summary of Costs (January - December 2022)</b> |                  |                      |                    |                         |                |               |                  |                      |
| Company   | Transmission TSO | Transmission Non-TSO | Total Transmission | Distribution & Customer | Total Non A&G  | W&S Allocator | Transmission TSO | Transmission Non-TSO |
| BGE   | \$ -             | \$ 6,254,181         | \$ 6,254,181       | \$ 88,381,113           | \$ 94,635,294  | 6.61%         | 0.00%            | 6.03%                |
| EBSC  | \$ 4,551,227     | \$ 2,830,693         | \$ 7,381,920       | \$ 1,732,759            | \$ 9,114,679   | 80.99%        | 4.39%            | 2.73%                |
| <b>Total</b>                                      | \$ 4,551,227     | \$ 9,084,874         | \$ 13,636,101      | \$ 90,113,872           | \$ 103,749,973 | <b>13.14%</b> | 4.39%            | 8.76%                |

BASELINE Service Company Transmission Non-TSO Labor % ==> **2.73%** (See Note 3)

**II. Cap Calculation (See Note 4)**

| A   | B                | C                    | D = B + C          | E                       | F = D + E      | G = D/F       | H = B/F          | I = C/F              |
|---|------------------|----------------------|--------------------|-------------------------|----------------|---------------|------------------|----------------------|
| <b>Summary of Costs (For Illustrative Purposes)</b> |                  |                      |                    |                         |                |               |                  |                      |
| Company   | Transmission TSO | Transmission Non-TSO | Total Transmission | Distribution & Customer | Total Non A&G  | W&S Allocator | Transmission TSO | Transmission Non-TSO |
| BGE   | \$ -             | \$ 6,254,181         | \$ 6,254,181       | \$ 88,381,113           | \$ 94,635,294  | 6.61%         | 0.00%            | 5.91%                |
| EBSC  | \$ 4,551,227     | \$ 4,830,693         | \$ 9,381,920       | \$ 1,732,759            | \$ 11,114,679  | 84.41%        | 4.30%            | 4.57%                |
| <b>Total</b>  | \$ 4,551,227     | \$ 11,084,874        | \$ 15,636,101      | \$ 90,113,872           | \$ 105,749,973 | <b>14.79%</b> | 4.30%            | 10.48%               |

EBSC Transmission Non-TSO Labor Illustrative Additional Amount (Impacts Cell D24) ==> **\$ 2,000,000** (See Note 4)

Service Company Transmission Non-TSO Labor % ==> **4.57%**

Agreed-Upon Cap (BASELINE + 150 BASIS POINTS) ==> **4.23%** (See Note 5)

Adjustment if Non-TSO Impact exceeds Cap ==> **-0.34%** (See Notes 6 and 7)

Capped Transmission W&S Allocator ==> **14.45%** (See Note 7)

**Notes**

- The Actual 12-month calendar year 2022 W&S allocator data has been used for purposes of establishing the actual baseline ratio.
- The Service Company Transmission Non – TSO Labor ratio is defined as: Service Company Transmission Non – TSO Labor / Total Non-A&G Labor (Utility + Service Companies).
- During each year in the cap period, the respective year’s Service Company Non – TSO Labor ratio will be compared to the same ratio for the 2022 baseline year.
- For each of the years 2022 - 2026, the table will be populated with actual results. For illustrative purposes, the Company has populated the table such that all inputs match the baseline table data, with the exception of the Service Company Transmission Non-TSO costs (cell D24), which has been increased for illustrative purposes by the amount included in cell J27.
- The Service Company Non – TSO Labor ratio cap will be 150 basis points higher than the Companies’ respective baseline ratio.
- If a respective rate year’s Service Company Non – TSO Labor ratio is equal to or less than the baseline ratio including the 150 basis points cap, no adjustment will be made to the W&S Allocator. If a respective rate year’s Service Company Non – TSO Labor ratio is more than the baseline ratio including the 150 basis points cap, the W&S Allocator shall equal the Capped Transmission W&S Allocator.
- The Parties agree in principle that the cap on the transmission percentage used to calculate the Companies’ W&S allocators set forth in this Settlement Agreement should not cause the combined transmission and distribution W&S allocators to total less or more than 100% for any 12-month period for purposes of functionalizing costs in transmission and distribution rate filings. This agreement in principle does not restrict the Parties from executing discovery or otherwise exercising their statutory rights and/or obligations to recommend disallowance of costs determined or believed not to be just and reasonable pursuant to their respective retail ratemaking authorities. This agreement also does not preclude any Settling Party from seeking information regarding the computation of the W&S allocators or any relevant costs, or challenging the computation of the W&S allocators or any relevant costs pursuant to Section 206 of the FPA, or the challenge procedures in the Companies’ Formula Rate Protocols.

# Settlement Agreement

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

|                                    |   |                           |
|------------------------------------|---|---------------------------|
| PJM Interconnection, L.L.C.        | ) | Docket Nos. ER21-2020-000 |
| Potomac Electric Power Company     | ) | ER21-2020-001             |
|                                    | ) |                           |
| PJM Interconnection, L.L.C.        | ) | ER21-2023-000             |
| Baltimore Gas and Electric Company | ) |                           |
|                                    | ) |                           |

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**SETTLEMENT AGREEMENT**

This Settlement Agreement (“Settlement Agreement”) is made pursuant to Rule 602 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“Commission” or “FERC”), 18 C.F.R. § 385.602 (2022), by and among Potomac Electric Power Company (“Pepco”), Baltimore Gas and Electric Company (“BGE”), Southern Maryland Electric Cooperative, Inc. (“SMECO”), Maryland Office of People’s Counsel (“MD-OPC”), Maryland Public Service Commission (“Maryland PSC”), and the Office of the People’s Counsel for the District of Columbia (“DC-OPC”) (each a “Party” and collectively, the “Parties”). The Parties enter into this Settlement Agreement to address (1) BGE’s and Pepco’s proposal to include direct labor costs incurred by Exelon Business Services Company (“EBSC”) and PHI Services Company (“PHISCO”) (collectively, Service Companies) in calculating the wages and salary (“W&S”) allocators in BGE’s and Pepco’s transmission rate templates, and (2) the treatment of certain other costs identified in Sections 2.2.2 and 2.2.4 below, in these consolidated proceedings. If the Settlement becomes effective pursuant to Section 3.1, the Settlement will resolve these consolidated proceedings.

## **ARTICLE I**

- 1.1** “Annual Update” has the meaning set forth in the Formula Rate Protocols.
- 1.2** “Baseline” means the percentage amount calculated in accordance with Section 2.2.3 and used to calculate the cap on the transmission wages and salary (“W&S”) allocator set forth in that section.
- 1.3** “BGE Formula Rate Protocols” means the provisions contained in Attachment H-2B of PJM’s OATT.
- 1.4** “BGE Formula Rate Template” means the provisions contained in Attachment H-2A of PJM’s OATT.
- 1.5** The “Companies” means Pepco and BGE.
- 1.6** “FERC Approval” has the meaning set forth in Section 3.1.
- 1.7** “Formula Rate Protocols” means the Pepco Formula Rate Protocols and the BGE Formula Rate Protocols.
- 1.8** “Formula Rate Templates” means the Pepco Formula Rate Template and the BGE Formula Rate Template.
- 1.9** “Pepco Formula Rate Protocols” means the provisions contained in Attachment H-9B to PJM’s OATT.
- 1.10** “Pepco Formula Rate Template” means the provisions contained in Attachment H-9A to PJM’s OATT.
- 1.11** “PJM OATT” means the PJM Open Access Transmission Tariff.
- 1.12** “Settlement Effective Date” means the date this Settlement Agreement becomes effective in accordance with Section 3.1 of the Settlement Agreement.
- 1.13** “TSO South” means the consolidated transmission control center operated by EBSC to serve both Pepco and BGE.

## ARTICLE II

**2.1** *Black Box Monetary Settlement Terms.* The Companies shall make one-time payments as follows in the form of credits to network integration transmission service customers in the next Annual Update following the date of FERC Approval of this Settlement Agreement: \$700,000 to BGE's transmission customers and \$200,000 to Pepco's transmission customers. In addition, Pepco shall make a payment of \$200,000 to SMECO thirty days after the date on which FERC approves this Settlement Agreement in accordance with Section 3.1.

**2.2** *Other Settlement Terms*

**2.2.1** *Implementation Rules for Calculation of the W&S Allocators.* In calculating the W&S allocators in accordance with the Formula Rate Templates, the following implementation rules shall apply:

(a) No labor cost will be included in the calculation of the W&S allocators unless those costs are also included as inputs into the formula rate to determine Pepco's or BGE's annual network integration transmission service revenue requirement. This rule does not predetermine that any particular labor cost included as an input to the Companies' formula rates is properly included in the calculation of the Companies' W&S allocators and the interested parties may seek discovery and challenge the inputs in accordance with the Annual Update procedures.

(b) Non-wage and salary costs including payroll taxes, pensions, and benefits shall not be included in calculating the W&S allocators.

**2.2.2** *Functionalization of TSO South.* The TSO South facility will be functionalized as general plant and recorded to FERC Account 390.

**2.2.3** *Cap on Transmission W&S Allocator.* The percentage amount of Pepco's and BGE's respective W&S allocators shall be subject to a cap as set forth in this Section 2.2.3.

(a) The cap shall be effective beginning on the Settlement Effective Date and ending on December 31, 2026.

(b) The amount of the cap shall be 150 basis points above Pepco's and BGE's respective 2022 Baselines. The calculation of the 2022 Baselines for Pepco and BGE is explained and illustrated in Exhibit A to this Settlement Agreement.

(c) The data used to calculate Pepco's and BGE's respective 2022 Baselines (but not the 2022 Baselines' formulaic methodology itself) shall be subject to review and challenge for errors in the 2022 Rate Year True-up filed in the 2023 Annual Updates. In the event that the Commission does not accept this Settlement by the deadline for informal or formal challenges to the 2023 Annual Update for the 2022 True-up, the Companies agree to extend those deadlines solely for the purpose of addressing any disputes of the inputs into the 2022 Baseline cap calculation agreed to in this Settlement.

(d) Each year during which the cap is in effect, the cap as established utilizing 2022 actuals for each Company will be compared to each Company's actual annual service company transmission non-TSO labor percentage for that year (as calculated in accordance with Exhibit A). If, for any year, the cap is exceeded, the transmission W&S allocator for that Company in that year will be reduced by the number of basis points by which the cap is exceeded.

(e) The Parties agree in principle that the cap on the transmission percentage used to calculate the Companies' W&S allocators set forth in this Settlement Agreement should not cause the combined transmission and distribution W&S allocators to total less or more than 100% for any 12-month period for purposes of functionalizing costs in transmission and distribution rate filings. This agreement in principle does not restrict the Parties from executing discovery or otherwise exercising their statutory rights and/or obligations to recommend disallowance of costs determined or believed not to be just and reasonable pursuant to their respective retail ratemaking authorities. This agreement also does not preclude any Settling Party from seeking information regarding the computation of the W&S allocators or any relevant costs, or challenging the computation of the W&S allocators or any relevant costs pursuant to Section 206 of the FPA, or the challenge procedures in the Companies' Formula Rate Protocols.

(f) To ensure symmetrical recovery of common costs in transmission and distribution rates, the Parties agree that the Maryland and District of Columbia's multi-year plan ("MYP") reconciliation processes would address the final W&S allocators' impact on distribution rates. This ensures appropriate alignment of the W&S allocators used respectively by transmission and distribution such that recovery of common costs is aligned for the same cost recovery period in both transmission and distribution rates for periods in which MYP reconciliations are applicable. As is the case with all issues that come before the local and state regulatory commissions with jurisdiction over distribution of electricity, the state and local



commissions and other interested parties can evaluate the impact of the allocator on rates in order to determine whether the overall rates are just and reasonable.

**2.2.4** *Treatment of Certain BGE A&G Costs.* Beginning January 1, 2024 (i.e. for the 2024 rate year included in the 2025 Annual Update), BGE shall remove the amounts recorded in Account 923 for the following project descriptions: (i) Bill & Payment Processing (Project ITBBPP01), and (ii) Customer Care Center (Project ITBCCC01) from the A&G portion of the transmission W&S allocators, and instead record them in distribution and customer accounts for purposes of computing the W&S allocators. No Party may challenge BGE's inclusion in the allocator of such costs for rate years prior to 2024. Except as otherwise provided in this Section 2.2.4, nothing in this Settlement Agreement otherwise affects the rights of any Party to challenge the inclusion of any other cost incurred by BGE, Pepco, EBSC or PHISCO in the W&S allocators.

**2.3** *Effect of Settlement.* This Settlement Agreement addresses BGE's and Pepco's proposal to include certain EBSC and PHISCO costs in calculating the W&S allocators in BGE's and Pepco's Commission-jurisdictional Formula Rate Templates in Docket Nos. ER21-2020 and ER21-2023, and resolves those dockets in their entirety. The Settlement Agreement does not address whether any particular EBSC or PHISCO costs may be included in calculating the W&S allocators, or in the Companies' NITS rates as a general matter. This Settlement Agreement does not foreclose any of the Parties' rights with respect to issues not explicitly addressed in the Settlement Agreement, nor shall it be deemed to bind

any Party (except in any proceeding to enforce this Settlement Agreement or as otherwise expressly provided for in the Settlement Agreement), in any future proceeding, and shall not be deemed precedential or prejudicial to any Party's rights.

### **ARTICLE III**

**3.1** *Effectiveness of Settlement Agreement.* Upon FERC Approval of this Settlement Agreement as set forth in this Section 3.1, the provisions of the Settlement Agreement shall be effective as of August 1, 2021. FERC Approval of this Settlement Agreement will occur if (a) FERC accepts or approves this Settlement Agreement without condition or modification by Final Order, or (b) FERC accepts or approves this Settlement Agreement with condition(s) or modification(s) by Final Order, if no Party files notice with FERC within fifteen (15) days of the acceptance or approval of the Settlement Agreement stating that it objects to such condition(s) or modification(s). If any Party files such notice, the Settlement Agreement shall be null and void and of no force or effect, and the Parties shall be deemed to have reserved all of their respective rights and remedies in this proceeding. For purposes of this Settlement Agreement, an order shall be deemed to be a "Final Order" as of the date rehearing is denied by FERC, either by order or by operation of law, or if rehearing is not sought, the date on which the right to seek rehearing from the FERC expires.

### **ARTICLE IV**

**4.1** *No Precedent.* This Settlement Agreement is submitted pursuant to Rule 602 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.602 (2022), and is inadmissible as evidence in any proceeding except a proceeding involving a claim

of breach of, or an effort to enforce, this Settlement Agreement. No element of this Settlement Agreement constitutes precedent or should be deemed a “settled practice” as that term was interpreted in *Public Service Commission of New York v. FERC*, 642 F.2d 1335 (D.C. Cir. 1980). It is further understood and agreed that this Settlement Agreement constitutes a negotiated agreement with multiple elements of consideration and, except as explicitly set forth herein, no Party shall be deemed to have approved, accepted, agreed or consented to any principle or position in this proceeding.

**4.2** *Settlement Discussions.* The discussions between and among the Parties that have produced this Settlement Agreement have been conducted with the explicit understanding, pursuant to Rules 602 and 606 of the Commission’s Rules of Practice and Procedure, 18 C.F.R. §§ 385.602 and 385.606 (2022), that all offers of settlement and discussions relating thereto shall be privileged and confidential, shall be without prejudice to the position of any Party or participant presenting any such offer or participating in any such discussion, and are not to be used in any manner in connection with this proceeding, any other proceeding, or otherwise, except to the extent necessary to enforce its terms.

**4.3** *Further Assurances.* All Parties shall cooperate with, and shall not take any action inconsistent with: (i) the filing of this Settlement Agreement with the Commission, and (ii) efforts to obtain Commission acceptance or approval of this Settlement Agreement without change or condition. No Party shall take any action that is inconsistent with the provisions of this Settlement Agreement.

- 4.4** *Waiver.* No provision of this Settlement Agreement may be waived except through a writing signed by an authorized representative of the waiving Party or Parties. Waiver of any particular provision of this Settlement Agreement shall not be deemed to waive any other provision or provisions hereof.
- 4.5** *Modifications/Standard of Review.* Unless the Parties otherwise agree in writing, any modification to this Settlement Agreement proposed by one of the Parties after the Settlement Agreement has become effective in accordance with Section 3.1 shall, as between them, be subject to the “public interest” application of the just and reasonable standard of review set forth in *United Gas Pipe Line Co. v. Mobile Gas Service Corp.*, 350 U.S. 332 (1956) and *Federal Power Commission v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956) (the *Mobile-Sierra* doctrine), as clarified in *Morgan Stanley Capital Group, Inc. v. Public Utility District No. 1 of Snohomish County, Washington*, 554 U.S. 527 (2008) and refined in *NRG Power Marketing, LLC v. Maine Public Utilities Commission*, 558 U.S. 165, 174-75 (2010). The standard of review for any modifications to this Settlement Agreement requested by a non-Party or initiated by the Commission acting *sua sponte* will be the most stringent standard permissible under applicable law. *See NRG Power Mktg., LLC v. Maine Pub. Utils. Comm’n*, 558 U.S. at 174-75.
- 4.6** *Successors and Assigns.* This Settlement Agreement is binding upon and for the benefit of the Parties and their successors and assigns.
- 4.7** *Captions and References to Sections.* The captions in this Settlement Agreement are for convenience of reference only and are not a part of this Settlement Agreement and do not in any way limit or amplify the terms and provisions of this

Settlement Agreement and shall have no effect on its interpretation. Unless otherwise indicated, references to “Sections” in this Settlement Agreement refer to sections in this Settlement Agreement.

- 4.8** *Ambiguities Neutrally Construed.* This Settlement Agreement is the result of negotiations among, and has been reviewed by, each Party and its respective counsel. Accordingly, this Settlement Agreement shall be deemed to be the product of each Party, and no ambiguity shall be construed in favor of or against any Party based on authorship of this Settlement Agreement.
- 4.9** *Authorization.* Each person executing this Settlement Agreement on behalf of a Party represents and warrants that he or she is duly authorized and empowered to act on behalf of, and to authorize this Settlement Agreement to be executed on behalf of, the Party that he or she represents.
- 4.10** *Notices.* All notices, demands, and other communications hereunder shall be in writing and shall be delivered to each Party’s “Corporate Official” as found on the Commission’s website at <http://www.ferc.gov/docs-filing/corp-off.asp> or the representative(s) of each Party included on the official service list in Docket Nos. ER21-2120 and ER21-2023 (consolidated). Notices will also be provided to the persons on the Commission’s official service list in the referenced dockets.
- 4.11** *Counterparts.* This Settlement Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.
- 4.12** *Section 205 and 206 Filings.* Nothing contained herein shall be construed as affecting in any way the rights of Pepco or BGE unilaterally to make an application

of any type to the Commission to modify prospectively, in whole or in part, their Formula Rate Templates and/or Formula Rate Protocols under section 205 of the FPA, or to oppose any filing made or action taken under section 206 of the FPA. Nothing contained herein shall be construed as affecting in any way the right of any Party, or any other entity, to unilaterally make an application of any type to the Commission to modify, in whole or in part, Pepco or BGE's Formula Rate Templates and/or Formula Rate Protocols under section 206 of the FPA, or to oppose any filing made under section 205 of the FPA.

IN WITNESS WHEREOF, the Parties have caused this Settlement Agreement to be duly executed.

**POTOMAC ELECTRIC POWER COMPANY**

By: Amber M Perry Date: 6/16/2023

**BALTIMORE GAS AND ELECTRIC COMPANY**

By: Mark D Case Date: 06/16/2023

**SOUTHERN MARYLAND ELECTRIC COOPERATIVE, INC.**

By: \_\_\_\_\_ Date: \_\_\_\_\_

**MARYLAND OFFICE OF PEOPLE’S COUNSEL**

By: \_\_\_\_\_ Date: \_\_\_\_\_

**MARYLAND PUBLIC SERVICE COMMISSION**

By: \_\_\_\_\_ Date: \_\_\_\_\_

**OFFICE OF THE PEOPLE’S COUNSEL FOR THE DISTRICT OF COLUMBIA**

By: \_\_\_\_\_ Date: \_\_\_\_\_

IN WITNESS WHEREOF, the Parties have caused this Settlement Agreement to be duly executed.

**POTOMAC ELECTRIC POWER COMPANY**

By: \_\_\_\_\_ Date: \_\_\_\_\_

**BALTIMORE GAS AND ELECTRIC COMPANY**

By: \_\_\_\_\_ Date: \_\_\_\_\_

**SOUTHERN MARYLAND ELECTRIC COOPERATIVE, INC.**

By: Barbara K. Mody Date: June 16, 2023

**MARYLAND OFFICE OF PEOPLE'S COUNSEL**

By: \_\_\_\_\_ Date: \_\_\_\_\_

**MARYLAND PUBLIC SERVICE COMMISSION**

By: \_\_\_\_\_ Date: \_\_\_\_\_

**OFFICE OF THE PEOPLE'S COUNSEL FOR THE DISTRICT OF COLUMBIA**

By: \_\_\_\_\_ Date: \_\_\_\_\_



PJM Interconnection, L.L.C. submits tariff filing per 35.13(a)(2)(iii): Pepco Submits Revisions to PJM Tariff, Attachment H-9A submitted on 5/27/2021 4:24:23 PM, Filing Type code: 10

IN WITNESS WHEREOF, the Parties have caused this Settlement Agreement to be duly executed.

**POTOMAC ELECTRIC POWER COMPANY**

By: \_\_\_\_\_ Date: \_\_\_\_\_

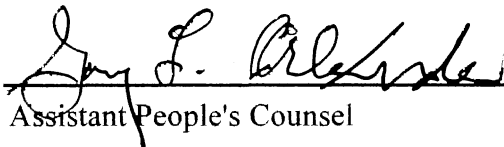
**BALTIMORE GAS AND ELECTRIC COMPANY**

By: \_\_\_\_\_ Date: \_\_\_\_\_

**SOUTHERN MARYLAND ELECTRIC COOPERATIVE, INC.**

By: \_\_\_\_\_ Date: \_\_\_\_\_

**MARYLAND OFFICE OF PEOPLE'S COUNSEL**

By:  \_\_\_\_\_ Date: \_\_\_\_\_  
Assistant People's Counsel

**MARYLAND PUBLIC SERVICE COMMISSION**

By: \_\_\_\_\_ Date: \_\_\_\_\_

**OFFICE OF THE PEOPLE'S COUNSEL FOR THE DISTRICT OF COLUMBIA**

By: \_\_\_\_\_ Date: \_\_\_\_\_

IN WITNESS WHEREOF, the Parties have caused this Settlement Agreement to be duly executed.

**POTOMAC ELECTRIC POWER COMPANY**

By: \_\_\_\_\_ Date: \_\_\_\_\_

**BALTIMORE GAS AND ELECTRIC COMPANY**

By: \_\_\_\_\_ Date: \_\_\_\_\_

**SOUTHERN MARYLAND ELECTRIC COOPERATIVE, INC.**

By: \_\_\_\_\_ Date: \_\_\_\_\_

**MARYLAND OFFICE OF PEOPLE'S COUNSEL**

By: \_\_\_\_\_ Date: \_\_\_\_\_

**MARYLAND PUBLIC SERVICE COMMISSION**

By: Miles H. Mitchell Miles H. Mitchell  
Deputy General Counsel Date: June 20, 2023

**OFFICE OF THE PEOPLE'S COUNSEL FOR THE DISTRICT OF COLUMBIA**

By: \_\_\_\_\_ Date: \_\_\_\_\_

IN WITNESS WHEREOF, the Parties have caused this Settlement Agreement to be duly executed.

**POTOMAC ELECTRIC POWER COMPANY**

By: \_\_\_\_\_ Date: \_\_\_\_\_

**BALTIMORE GAS AND ELECTRIC COMPANY**

By: \_\_\_\_\_ Date: \_\_\_\_\_

**SOUTHERN MARYLAND ELECTRIC COOPERATIVE, INC.**

By: \_\_\_\_\_ Date: \_\_\_\_\_

**MARYLAND OFFICE OF PEOPLE’S COUNSEL**

By: \_\_\_\_\_ Date: \_\_\_\_\_

**MARYLAND PUBLIC SERVICE COMMISSION**

By: \_\_\_\_\_ Date: \_\_\_\_\_

**OFFICE OF THE PEOPLE’S COUNSEL FOR THE DISTRICT OF COLUMBIA**

By: *Sandra Madrauous Sep* Date: 6.22.2023

# **Explanatory Statement**

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

|                                    |   |                           |
|------------------------------------|---|---------------------------|
| PJM Interconnection, L.L.C.        | ) | Docket Nos. ER21-2020-000 |
| Potomac Electric Power Company     | ) | ER21-2020-001             |
|                                    | ) |                           |
| PJM Interconnection, L.L.C.        | ) |                           |
| Baltimore Gas and Electric Company | ) | ER21-2023-000             |
|                                    | ) |                           |

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**EXPLANATORY STATEMENT**

The Parties in this proceeding submit this Explanatory Statement in support of the enclosed Settlement Agreement (“Settlement” or “Settlement Agreement”) that resolves Docket Nos. ER21-2020-000, ER21-2020-001 and ER21-2023-000 (collectively the “Proceeding”). As set forth in the Settlement Agreement the Parties are Potomac Electric Power Company (“Pepco”), Baltimore Gas and Electric Company (“BGE”), Southern Maryland Electric Cooperative, Inc. (“SMECO”), Maryland Office of People’s Counsel (“MD-OPC”), Maryland Public Service Commission (“Maryland PSC”), and the Office of the People’s Counsel for the District of Columbia (“DC-OPC”) (each a “Party” and all collectively, the “Parties”).<sup>1</sup>

**I. Background**

On May 27, 2021<sup>2</sup> pursuant to Section 205 of the Federal Power Act (“FPA”)<sup>3</sup> and Section 35.13 of the Rules of Practice and Procedure of the Federal Energy Regulatory

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<sup>1</sup> This Explanatory Statement is provided solely to comply with Rule 602(c)(1)(ii) of the Commission’s Rules of Practice and Procedure and is not intended, and does not, alter any of the provisions of the Settlement Agreement or Formula Rate. In the event of any inconsistency between the Explanatory Statement and the Settlement Agreement or Formula Rate, the Settlement Agreement and Formula Rate shall control.

<sup>2</sup> On May 28, 2021, Pepco filed a letter of clarification in Docket No. ER21-2020. Pepco explained that due to size limitations, its May 27, 2021 filing was entered into e-Tariff in two parts. Part 1 was assigned Docket No. ER21-2020-000 and Part 2 was assigned Docket No. ER21-2020-001.

<sup>3</sup> 16 U.S.C. § 824d.

Commission (“FERC” or “the Commission”),<sup>4</sup> Pepco submitted limited modifications to its formula transmission rates, contained in the PJM Interconnection, L.L.C. (“PJM”) Open Access Transmission Tariff (“OATT”), Attachment H-9A (“Pepco Formula Rates”), to revise the Transmission Wages and Salary (“W&S”) Allocator to include labor it receives and will receive from its affiliated Exelon utility services companies.<sup>5</sup>

Concurrently, on May 27, 2021, pursuant to Section 205 of the FPA<sup>6</sup> and Section 35.13 of the Rules of Practice and Procedure of the Commission,<sup>7</sup> BGE also submitted limited modifications to its formula transmission rates, contained in the PJM OATT, Attachment H-2A (“BGE Formula Rates”), to revise the Transmission W&S Allocator to include labor it receives and will receive from its affiliated Exelon utility services companies.

On June 17, 2021 MD-OPC and DC-OPC filed a protest opposing Pepco and BGE’s May 27, 2021 filings. SMECO also filed a protest on June 17, 2021, opposing Pepco’s May 27, 2021 filing.

On July 30, 2021, the Commission issued an order accepting Pepco’s and BGE’s proposed Tariff revisions for filing, suspending them for a nominal period, to become effective August 1, 2021, subject to refund, and establishing hearing and settlement judge procedures.<sup>8</sup>

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<sup>4</sup> 18 C.F.R. § 35.13.

<sup>5</sup> The Exelon affiliated service companies are Exelon Business Services Company (“EBSC”) for BGE, and EBSC and PHI Service Company (“PHISCO”) for Pepco. EBSC and PHISCO are collectively referred to herein as the “Service Companies.”

<sup>6</sup> 16 U.S.C. § 824d.

<sup>7</sup> 18 C.F.R. § 35.13.

<sup>8</sup> *PJM Interconnection, L.L.C.*, 176 FERC ¶ 61,055 (2021).

On August 17, 2021, the Chief Administrative Law Judge designated Judge Hempling as the Settlement Judge.<sup>9</sup> On August 18, 2021, the Chief Administrative Law Judge made a substitution, designating Judge Satten as the Settlement Judge.<sup>10</sup> Judge Satten convened multiple settlement conferences through which the Parties sought to settle their disputes. As a result of these efforts, the Parties have reached an agreement on the terms and conditions of a settlement that would resolve all issues in this Proceeding.

## **II. Items Included in the Settlement Package**

Along with this Explanatory Statement, the Settling Parties include the following items representing the complete settlement package:

- Transmittal letter;
- Settlement Agreement;
- Exhibit A, W&S Allocator Cap; and
- Certificate of Service.

## **III. Summary of the Settlement**

The Settlement addresses Pepco and BGE's proposal to include direct labor costs incurred by the Service Companies in calculating the W&S allocators in Pepco and BGE's transmission rate templates and resolves numerous disputes between the Parties. A summary of the provisions of the Settlement is included below.

Article I provides the definitions applicable to the Settlement.

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<sup>9</sup> *PJM Interconnection, L.L.C.*, Order of Chief Judge Designating Settlement Judge, Docket Nos ER21-2020-000, ER21-2020-001 and ER21-2023-000 (Aug. 17, 2021).

<sup>10</sup> *PJM Interconnection, L.L.C.*, Order of Chief Judge Substituting Settlement Judge, Docket Nos ER21-2020-000, ER21-2020-001 and ER21-2023-000 (Aug. 18, 2021).

Section 2.1 provides that the Companies shall make one-time payments in the form of credits to Pepco and BGE's network integration transmission service customer in the next Annual Update following FERC's approval of the Settlement Agreement. Section 2.1 also provides that Pepco will make a payment to SMECO thirty days following FERC's approval of the Settlement Agreement.

Section 2.2 sets forth settlement terms. Specifically, in Section 2.2.1, Pepco and BGE confirm that in calculating the W&S allocators, no labor cost will be included unless those costs are also included as inputs into the formula rate to determine Pepco or BGE's annual network integration transmission service requirement. Also, non-wage and salary costs, including payroll taxes, pensions, and benefits will not be included in calculating the W&S allocators.

Section 2.2.2 provides that the TSO South facility will be functionalized as general plant and recorded to FERC Account 390.

Section 2.2.3 provides that Pepco and BGE's respective W&S allocators shall be subject to a cap of 150 basis points above Pepco and BGE's respective 2022 Baselines, effective beginning on the Settlement Effective Date and ending on December 31, 2026. The 2022 Baselines shall be subject to review and challenge in the 2022 Rate Year True-up filed in the 2023 Annual Update. This Section also provides that if the cap is exceeded, the W&S allocator for that year will be reduced by the number of basis points by which the cap is exceeded. The Parties confirm that they agree in principle that the cap should not cause the combined transmission and distribution W&S allocators to total less or more than 100% for any 12-month period for purposes of functionalizing costs in transmission and distribution rate filings. The Parties further confirm that they agree that the Maryland and District of Columbia's multi-year plan reconciliation processes would address the final W&S allocators' impact on distribution rates. This Section also provides that in the event that the Commission does not accept the



Settlement by the deadline for informal or formal challenges to the 2023 Annual Update for the 2022 True-up, the Companies agree to extend those deadlines solely for the purpose of addressing any disputes of the inputs into the 2022 Baseline cap calculation agreed to in this Settlement.

Section 2.2.4 provides that beginning January 1, 2024, BGE shall remove the amounts recorded in Account 923: (i) Bill & Pymt Processing (Project ITBBPP01), and (ii) Customer Care Center (Project ITBCCC01) from the administrative and general (“A&G”) portion of the transmission W&S allocators, and instead record them in distribution and customer accounts for purposes of computing the W&S allocators.

Section 2.3 provides that the Settlement resolves all issues set for hearing in Docket Nos. ER21-2020 and ER21-2023 and all sub-dockets thereto. This Settlement does not foreclose any of the Parties’ rights with respect to issues not explicitly addressed in the Settlement, nor shall it be deemed to bind any Party (except in any proceeding to enforce this Settlement or as otherwise expressly provided for in the Settlement), in any future proceeding, and shall not be deemed precedential, or prejudicial to any Party’s rights.

Section 3.1 sets forth that upon Commission approval of the Settlement, the Settlement becomes effective as of August 1, 2021. This section also sets forth what constitutes Commission approval of the Settlement.

Section 4.1, 4.2, and 4.3 state that the Settlement constitutes a negotiated agreement and shall be inadmissible as evidence in any proceeding except a proceeding to enforce the Settlement; that the settlement discussions among the Parties are privileged and confidential; and that each Party shall cooperate with and not take any action inconsistent with the Settlement. Section 4.1 also states that the Settlement is inadmissible as evidence and does not constitute precedent. Section 4.4 discusses waiver requirements, and Sections 4.6 through 4.11 contain

miscellaneous provisions regarding Settlement interpretation, successors and assigns, authorization, and notices. Section 4.12 states that nothing in the Settlement shall be construed as affecting Section 205 or Section 206 filing rights.

Section 4.5 discusses the standard of review to be applied for any proposed modification to the Settlement after it has become effective. Unless the Parties otherwise agree in writing, any modification to the Settlement Agreement proposed by one of the Parties after the Settlement Agreement has become effective in accordance with Section 3.1 shall, as between them, be subject to the “public interest” application of the just and reasonable standard of review set forth in *United Gas Pipe Line Co. v. Mobile Gas Serv. Corp.*, 350 U.S. 332 (1956) and *Federal Power Commission v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956) (the Mobile-Sierra doctrine), as clarified in *Morgan Stanley Capital Group, Inc. v. Public Util. Dist. No. 1 of Snohomish County, Washington*, 128 S.Ct. 2733, 171 L. Ed. 2d 607 (2008) and refined in *NRG Power Mktg. v. Maine Pub. Utils. Comm’n*, 130 S. Ct. 693, 700 (2010). The standard of review for any modifications to the Settlement Agreement requested by a non-Party or initiated by the Commission acting *sua sponte* will be the most stringent standard permissible under applicable law. See *NRG Power Mktg. v. Maine Pub. Utils. Comm’n*, 130 S. Ct. 693, 700 (2010).

#### **IV. Required Information**

In accordance with the Chief Administrative Law Judge’s December 15, 2016 Amended Notice to the Public on Information to be Provided with Settlement Agreements and Guidance on the Role of Settlement Judges, the Settling Parties provide the following information:

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

The Settlement by its terms shall have no effect on other cases currently pending before the Commission.

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

The Settlement does not involve issues of first impression.

**C. Does the settlement depart from Commission precedent?**

The Settlement does not depart from Commission precedent.

**D. 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*?**

Section 4.5 of the Settlement provides that the standard of review for any modifications to the Settlement requested by a non-Party or initiated by the Commission acting *sua sponte* will be the most stringent standard permissible under applicable law.<sup>11</sup>

**V. Conclusion**

For the foregoing reasons, the Settlement Agreement is in the public interest, and the Settling Parties respectfully request that the Commission approve it without condition or modification.

Respectfully submitted,

/s/ Richard L. Roberts

Richard L. Roberts  
Steptoe & Johnson LLP  
1330 Connecticut Avenue, NW  
Washington, DC 20036

On Behalf of the Parties

cc: Hon. Andrew Satten  
All Parties

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<sup>11</sup> See *NRG Power Mktg. v. Maine Pub. Utils. Comm'n*, 588 U.S. 165, 174-75 (2010).