

March 4, 2025

Honorable Debbie-Anne A. Reese, Secretary
Federal Energy Regulatory Commission
888 First Street, NE, Room 1A
Washington, DC 20426

*Re: PJM Interconnection, L.L.C., Docket No. ER25-1501-000
Proposed Tariff Revisions for Generator Deactivation*

Dear Secretary Reese:

Pursuant to section 205 of the Federal Power Act (“FPA”),¹ part 35 of the Federal Energy Regulatory Commission’s (“Commission”) regulations,² PJM Interconnection, L.L.C. (“PJM”) submits for filing proposed enhancements to Part V of its Open Access Transmission Tariff (“Tariff”) to update the generator deactivation process and compensation provisions for any resources that agree to remain online to address PJM-identified transmission reliability issues (the “Deactivation Proposal”).³ This Deactivation Proposal is the culmination of the first phase of the Deactivation Enhancements Senior Task Force’s (“DESTF”) work, which will now move on to the next phase. PJM requests an effective date of May 5, 2025, which is 62 days after filing.

¹ 16 U.S.C. § 824d.

² 18 C.F.R. part 35.

³ For the purpose of this filing, capitalized terms not defined herein shall have the meaning as contained in the Tariff.

I. BACKGROUND

As a Regional Transmission Organization (“RTO”), PJM is responsible for administering the Tariff and overseeing the reliable operation of the bulk electric system in the PJM Region. Part V of the Tariff sets forth rules governing generator deactivation requests, including: (1) the process and timeline for submitting deactivation requests; (2) PJM’s evaluation of such requests; and (3) certain compensation approaches for units that agree to continue to operate beyond the requested deactivation date.⁴ The current deactivation rules have not been substantively revisited since they were proposed by PJM in November 2004,⁵ and accepted by the Commission in January 2005.⁶

Under the current Tariff, a generator that intends to deactivate must provide PJM with at least 90 days’ notice prior to doing so.⁷ This notice period allows PJM to study the deactivation for resulting reliability issues and the Independent Market Monitor for PJM (“Market Monitor”) to evaluate whether the deactivation may result in market power issues.⁸ PJM processes deactivation notices in batches on a quarterly basis and then has 60 days following the end of the quarter to perform the reliability analysis, and the Market

⁴ *Problem/Opportunity Statement, Enhancements to Deactivation Rules*, PJM Interconnection, L.L.C. (Sept. 28, 2023), <https://www.pjm.com/-/media/DotCom/committees-groups/task-forces/destf/postings/problem-statement.pdf>.

⁵ *PJM Interconnection, L.L.C.*, Compliance Filing of PJM Interconnection, L.L.C., Docket No. EL03-236-003, at 9-21 (Nov. 2, 2004) (“Docket No. EL03-236 Filing”).

⁶ See *PJM Interconnection, L.L.C.*, 110 FERC ¶ 61,053, at PP 123-54, *order on reh’g*, 112 FERC ¶ 61,031 (2005) (“January 2005 Order”).

⁷ Tariff, Part V, section 113.1.

⁸ See *PJM Manual 14D: Generational Operational Requirements*, PJM Interconnection, L.L.C., section 9.1.2 (Dec. 18, 2024), <https://www.pjm.com/-/media/DotCom/documents/manuals/m14d.pdf>.

Monitor has the same time period to perform the market power analysis.⁹ In reviewing deactivation notices, PJM performs a holistic evaluation of transmission reliability impacts and then looks for operational measures or transmission upgrades needed to address transmission reliability issues resulting from a deactivation.¹⁰ In the event transmission upgrades are necessary to address transmission reliability issues from a deactivation but those upgrades cannot be completed prior to the end of the deactivation notice period, PJM will notify the Generation Owner of this fact and request that the unit remain in operation until the necessary upgrades can be completed.¹¹ Whether the generator complies with this request, however, is entirely voluntary.¹² The Generation Owner may either accept or reject PJM's request to remain in service beyond the desired Deactivation Date.¹³ Once the desired Deactivation Date has passed, the generator is free to retire and cease operations, regardless of the reliability impacts.¹⁴

If a Generation Owner agrees to continue operating beyond its desired Deactivation Date at PJM's request, the Generation Owner may recover its costs through a Tariff-based

⁹ Perry Ng, *Generation Deactivation Education*, PJM Interconnection, L.L.C., 5, 11 (Oct. 12, 2023), <https://www.pjm.com/-/media/DotCom/committees-groups/task-forces/destf/2023/20231012/20231012-item-07---generation-deactivation-education.pdf> ("Generation Deactivation Education").

¹⁰ Generation Deactivation Education at 8.

¹¹ Tariff, Part V, section 113.2.

¹² PJM previously proposed a Tariff modification that would allow PJM to require a generator to remain in service while PJM's solutions to the transmission reliability issues are addressed, but the Commission rejected that proposal. See *PJM Interconnection, L.L.C.*, 110 FERC ¶ 61,053, at P 137 ("However, we are rejecting the specific language in Original Sheet No. 224A 4, that provides that PJM can 'require' generators to continue to operate for an indeterminate period, because PJM has not adequately shown that it has the authority to require generators to operate beyond a reasonable notice period.").

¹³ Tariff, Part V, section 113.2.

¹⁴ See Tariff, Part V, section 113.2 ("Regardless of whether the Deactivation of the generating unit would adversely affect the reliability of the Transmission System, the Generation Owner or its Designated Agent may deactivate its generating unit, subject to the notice requirements in Tariff, Part V, section 113.1.").

default formula (i.e., the “Deactivation Avoidable Cost Credit”) or file for a cost of service rate pursuant to section 205 of the FPA.¹⁵ Under Tariff, Part V, section 114, a generator can recover the Deactivation Avoidable Cost Credit via a formula that allows the recovery of otherwise avoidable costs, plus an adder that increases with the amount of notice given and the amount of time the unit must remain in service for reliability.¹⁶ The adder starts at 10 percent of the Deactivation Avoidable Cost Rate and increases with additional notice and each year the unit must continue to operate for reliability purposes.¹⁷ This formula rate allows the unit to recover the costs that would have been avoided if the generator had deactivated, to the extent the costs are not recovered by the generator’s net revenues.¹⁸ The formula is stated as follows:

$$\text{Deactivation Avoidable Cost Credit} = ((\text{Deactivation Avoidable Cost Rate} + \text{Applicable Adder}) \times \text{Megawatt capability of the unit} \times \text{Number of days in the month}) - \text{Actual Net Revenues}$$

The Deactivation Avoidable Cost Rate is defined in section 115 of the Tariff to include various operating and maintenance costs associated with operating a generating unit, including Project Investment costs needed to enable such operation. Currently, the Project

¹⁵ See Tariff, Part V, section 113.2 (“Upon receipt of notification from the Transmission Provider that Deactivation of the generating unit would cause reliability concerns, the Generation Owner shall immediately be entitled to file with the Commission a cost of service rate to recover the entire cost of operating the generating unit until such time as the generating unit is deactivated pursuant to this Part V (“Cost of Service Recovery Rate”). In the alternative, the Generation Owner may elect to receive the Deactivation Avoidable Cost Credit provided under this Part V.”), *PJM Interconnection, L.L.C.*, 112 FERC ¶ 61,031, at P 21 (“generators within PJM retain their rights to seek a just and reasonable rate by filing a [cost of service] rate case with the Commission.”).

¹⁶ *PJM Interconnection, L.L.C.*, 110 FERC P 61,053, at P 125; Tariff, Part V, section 114.

¹⁷ *PJM Interconnection, L.L.C.*, 110 FERC P 61,053, at P 126.

¹⁸ *PJM Interconnection, L.L.C.*, 110 FERC P 61,053, at P 125.

Investment costs associated with investments needed to allow a generating unit to operate beyond its desired Deactivation Date are capped at \$2 million.¹⁹

Due to the anticipated pace of generator retirements expected in coming years, PJM initiated a stakeholder process in October 2023 to evaluate whether the deactivation rules should be revised to address generator compensation, notice requirements, and transparency.²⁰ DESTF was created to propose enhancements to the deactivation rules for review and endorsement by the Markets and Reliability Committee (“MRC”) and the Members Committee (“MC”).²¹ The DESTF was tasked with reviewing the compensation mechanism for units agreeing to operate beyond their desired Deactivation Date, the timeline for deactivation notification, and the transparency surrounding the foregoing.²² The DESTF met 14 times over a 15-month period to consider these issues and evaluate different packages of potential changes.²³ Ultimately, the DESTF reached consensus on the changes in this Deactivation Proposal and will continue evaluating other potential changes to the deactivation rules.²⁴ The Deactivation Proposal was endorsed by the

¹⁹ Tariff, Part V, section 115.

²⁰ *Issue Charge, Enhancements to Deactivation Rules*, PJM Interconnection, L.L.C. (Sept. 28, 2023), <https://www.pjm.com/-/media/DotCom/committees-groups/task-forces/destf/postings/issue-charge.pdf> (“Issue Charge, Enhancements to Deactivation Rules”).

²¹ *Issue Charge, Enhancements to Deactivation Rules* at 2.

²² *Issue Charge, Enhancements to Deactivation Rules* at 1. The stakeholder-endorsed transparency changes do not require governing document changes and will be reflected in appropriate Manual revisions.

²³ *See generally Deactivation Enhancements Senior Task Force*, PJM Interconnection, L.L.C., <https://www.pjm.com/committees-and-groups/task-forces/destf> (last visited Feb. 5, 2025).

²⁴ *See Issue Charge, Enhancements to Deactivation Rules*, PJM Interconnection, L.L.C. (July 24, 2024), <https://www.pjm.com/-/media/DotCom/committees-groups/task-forces/destf/postings/issue-charge-revised.pdf>.

DESTF on October 17, 2024, with a vote total of 69 percent.²⁵ The Deactivation Proposal was then endorsed by the MRC at its January 23, 2025, meeting by a sector-weighted vote of 3.804 and by a sector-weighted vote at the MC meeting the same day of 4.714.²⁶ In both instances, the proposal needed a sector-weighted vote of 3.335 to pass.

II. THE DEACTIVATION PROPOSAL IS JUST AND REASONABLE AND SHOULD BE APPROVED.

The Deactivation Proposal updates to the Tariff, Part V notification timelines and compensation mechanisms are just and reasonable, and should be accepted as filed. As noted above, Tariff, Part V has not been substantially revised since it was accepted by the Commission in 2005. Given the anticipated volume of generation resource retirements expected in the coming years and the uncertainty surrounding the current compensation mechanisms, certain changes to the Tariff's deactivation provisions are appropriate to support PJM's current planning needs, market conditions, and grid reliability. As noted above, the Deactivation Proposal was vetted through an extended stakeholder process and endorsed by the DESTF, the PJM MC and the MRC. The Commission has indicated its willingness to respect the outcome of such process.²⁷

²⁵ *DESTF Voting Results*, PJM Interconnection, L.L.C. (Oct. 17, 2024), <https://www.pjm.com/-/media/DotCom/committees-groups/task-forces/destf/2024/20241017/20241017-destf-vote-results.pdf>.

²⁶ *Voting Results*, Markets and Reliability Committee (Jan. 23, 2025), <https://www.pjm.com/-/media/DotCom/committees-groups/committees/mrc/2025/20250123/20250123-mrc-summarized-voting-report.pdf>; *Supplemental Voting Results*, Members Committee (Jan. 23, 2025), <https://www.pjm.com/-/media/DotCom/committees-groups/committees/mc/2025/20250123/20250123-mc-voting-results---item-02---enhancements-to-deactivation-rules.pdf>.

²⁷ The Commission's policy is to respect filings that are the result of an involved stakeholder process to address regional issues, with compromises made on all sides, and high-level stakeholder support for the final package of reforms, and it should do so here. *Preventing Undue Discrimination and Preference in Transmission Service*, Order No. 890, 118 FERC ¶ 61,119, at P 561 ("[R]egional solutions that garner the support of stakeholders, including affected state authorities, are preferable."), *order on reh'g*, Order No. 890-A, 121 FERC ¶ 61,297 (2007), *order on reh'g & clarification*, Order No. 890-B, 123 FERC ¶ 61,229 (2008), *order on reh'g and clarification*, Order No. 890-C, 126 FERC ¶ 61,228, *order on clarification*, Order No. 890-D, 129 FERC ¶ 61,126 (2009); see *Pub. Serv. Comm'n of Wis. v. FERC*, 545 F.3d 1058, 1062-63

A. PJM Proposes to Extend the Notification Deadline from 90 Days to 12 Months.

The instant filing revises Tariff, section 113.1, to replace the existing three-month notice requirement with a 12-month notice requirement. Under PJM's current procedures, when a Generation Owner desires to deactivate a unit, the Generation Owner (or its Designated Agent) must provide at least three months' notice, based on when the proposed deactivation would take place. For example, a Generation Owner that wishes to deactivate a generation unit as of July 1 in a given year must give notice of the proposed deactivation no later than March 31 of that year, with similar provisions applying when deactivation would occur during a different calendar quarter.²⁸ PJM batches all such requests on a quarterly basis and then has 60 days following the end of the quarter to perform a reliability analysis.²⁹ The Market Monitor has the same time period to perform the market power

(D.C. Cir. 2008) (stating that the Commission gives weight to RTO proposals that reflect the position of the majority of the RTO's stakeholders (citing *Am. Elec. Power Serv. Corp. v. Midwest Indep. Transmission Sys. Operator, Inc.*, 122 FERC ¶ 61,083, at P 172 (2008))).

²⁸ Tariff, section 113.1. The third sentence of this section states: "The desired Deactivation Date may be no earlier than the following: (a) July 1 of the current calendar year, if the Transmission Provider receives the notice between January 1 and March 31; (b) October 1 of the current calendar year, if the Transmission Provider receives the notice between April 1 and June 30; (c) January 1 of the following calendar year, if the Transmission Provider receives the notice between July 1 and September 30; or (d) April 1 of the following calendar year, if the Transmission Provider receives the notice between October 1 and December 31." Depending on the date of the proposed deactivation, this provision requires the Generation Owner to provide between three and six months' notice of its intent to deactivate the generating unit.

²⁹ Tariff, section 113.2. The first sentence of this section states: "The Transmission Provider shall inform the Generation Owner, or its Designated Agent, whether the Deactivation of the generating unit would adversely affect the reliability of the Transmission System ('Notice of Reliability Impact') by the following date: (a) May 31 of the current calendar year, if the Transmission Provider received the notice required pursuant to Tariff, Part V, section 113.1 between January 1 and March 31; (b) August 31 of the current calendar year, if the Transmission Provider received the notice required pursuant to Tariff, Part V, section 113.1 between April 1 and June 30; (c) November 30 of the current calendar year, if the Transmission Provider received the notice required pursuant to Tariff, Part V, section 113.1 between July 1 and September 30; or (d) February 28 of the following calendar year, if the Transmission Provider received the notice required pursuant to Tariff, Part V, section 113.1 between October 1 and December 31."

analysis.³⁰ The greater notice period will facilitate PJM's ability to study and plan for potential deactivations.

Accordingly, PJM has revised Tariff Part V, section 113.1 as follows in order to replace the existing provisions with 12-month notice period:

When a Generation Owner desires to deactivate a generating unit located in the PJM Region, such Generation Owner, or its Designated Agent, must provide notice of such proposed Deactivation in writing to the Transmission Provider at least twelve (12) months prior to the desired Deactivation Date. This notice shall include an indication of whether the generating unit is being retired or mothballed, the desired Deactivation Date, and, if mothballing, a good faith estimate of the time period the generating unit would be out of service. The desired Deactivation Date may be no earlier than the following: (a) ~~July~~ April 1 of the ~~following current~~ following calendar year, if the Transmission Provider receives the notice between January 1 and March 31; (b) ~~October~~ July 1 of the ~~following current~~ following calendar year, if the Transmission Provider receives the notice between April 1 and June 30; (c) ~~January~~ October 1 of the following calendar year, if the Transmission Provider receives the notice between July 1 and September 30; or (d) ~~April~~ January 1 of the ~~second following~~ second calendar year, if the Transmission Provider receives the notice between October 1 and December 31. The Transmission Provider shall promptly provide a copy of such notice to the Market Monitoring Unit. The desired Deactivation Date may be earlier than the above-referenced dates if the Generation Owner, or its Designated Agent, (i) receives notice from a state or federal regulatory entity that requires or compels the Generation Owner, as a matter of law, to deactivate its generating unit by a date earlier than the dates permitted by this Tariff, Part V, section 113.1 ~~and~~ (ii) receives such notice on a date that renders compliance with this provision infeasible; and (iii) the generating unit experiences a catastrophic failure as reasonably determined by the Transmission Provider which renders compliance with this provision infeasible.

Specifically, PJM has added language to the end of the first sentence of Tariff, Part V, section 113.1 to state that the notice of the intent to deactivation must be provided at least

³⁰ See PJM Manual 14D at section 9.1.2.

12 months prior to the proposed deactivation date.³¹ The third sentence of this section has been revised to require the Generation Owner to provide at least 12 months' notice of the intent to deactivation, with the due date for the notice based on the calendar quarter in which the deactivation is proposed to occur.³² The last change to this section is to provide that the deactivation date may be sooner than 12 months to the extent "the generating unit experiences a catastrophic failure as reasonably determined by the Transmission Provider which renders compliance with this provision infeasible."³³

Each of these changes is just and reasonable. As noted above, the amount of generator deactivations is expected to increase over time, and implementing a 12-month notice period will provide PJM with additional time to process and study the deactivation impacts and for solutions to come on-line. The Commission has accepted similar timeframes for other RTOs³⁴ and should do the same here. The adoption of a 12-month

³¹ See proposed Tariff, Part V, section 113.1 (the Generation Owner must "provide notice of such proposed Deactivation in writing to the Transmission Provider at least twelve (12) months prior to the desired Deactivation Date.").

³² See proposed Tariff, Part V, section 113.1 ("The desired Deactivation Date may be no earlier than the following: (a) April 1 of the following calendar year, if the Transmission Provider receives the notice between January 1 and March 31 . . .").

³³ See proposed Tariff, Part V, section, 113.1.

³⁴ See *Midcontinent Indep. Sys. Operator, Inc.*, 182 FERC ¶ 61,066, at P 13 (2023) (accepting proposal to extend deactivation notice period from 26 weeks to four full quarterly study periods, in recognition of the fact that Midcontinent Independent System Operator, Inc. ("MISO") expects to continue to receive a substantial number of retirement notices, and that the proposed Tariff "revisions will enhance the study process by allowing MISO more time to conduct the Attachment Y Study that is needed to assess whether the reliability of the MISO transmission system is impacted by specific unit suspensions and retirements."); *New York Indep. Sys. Operator, Inc.*, 161 FERC ¶ 61,189, at PP 28-29 (2017) (accepting proposed one-year deactivation notice period, stating that the New York Independent System Operator, Inc. ("NYISO") had shown this is the shortest practical period to complete its generation deactivation prices, and that this time period is justified "based on [NYISO's] long-standing experience in administering its planning and market monitoring requirements and performing related responsibilities"), *order on reh'g and clarification*, 163 FERC ¶ 61,047 (2018).

notice period is also the result of the negotiated stakeholder process, and the Commission should provide the outcome of such process with the appropriate amount of respect.³⁵

In addition, the last sentence of this section provides a listing of instances when the full year notice requirement may not be required. PJM proposes to revise this sentence to add the provision that the Generation Owner may not be subject to the full 12-month notice period “when the generating unit experiences a catastrophic failure as reasonably determined by the Transmission Provider which renders compliance with this provision infeasible.” This language would apply in instances when, by way of example, a generating unit experiences a catastrophic failure such a boiler explosion or fire that renders infeasible compliance with the one-year notice period. The proposed revision is consistent with other terms of the sentence, which exempt compliance with the notice provisions when a state or federal entity requires or compels such requirement and where compliance with the notice provisions is otherwise infeasible. The Commission should therefore accept this provision as just and reasonable.

B. PJM Proposes Changes to the Compensation for Units Retained to Address Transmission Reliability Issues.

The remaining Tariff modifications involve the adder provisions and the Deactivation Avoidable Cost Credit compensation provisions set forth in Tariff, Part V, sections 114, 115, 117, 118, 118A and 119. Although many of these revisions are clarifying or ministerial in nature, there are two substantive changes. First, PJM proposes to remove the adder for providing more than three months’ notice for deactivation, given that such notice will now be required under section 113. Second, PJM proposes to remove

³⁵ See *supra* n.27.

the \$2 million Avoidable Project Investment Recovery (“APIR”) cap contained in Tariff, Part V, section 115 and make related, conforming changes in sections 117, 118, 118A, and 119.

1. Removal of Notice Adder in Section 114

Currently, section 114 has incentives for a Generation Owner to provide more than the minimum notice required for deactivation that increases the adder applied to the Generation Owner’s Deactivated Avoidable Cost Rate for such notice.³⁶ Specifically, the Tariff increases the Generation Owner’s adder applied to the Deactivation Avoidable Cost Rate by one percent for each additional thirty days of notice provided beyond the minimum up to maximum of twenty percent.³⁷ Because PJM is proposing to require a minimum of twelve months’ notice for deactivation in section 113, PJM proposes to revise section 114 to remove the adder for additional notice. This change should be accepted as it removes incentive provisions that are no longer necessary, as the minimum notice period is now twelve months.

2. Removal of \$2 Million Cap on Project Investment

As explained above, Generation Owners that continue operating at PJM’s request past their desired Deactivation Date can elect to be compensated via the formulaic Deactivation Avoidable Cost Rate or file an individual cost of service rate. Under the

³⁶ Tariff, Part V, section 114 (“If the Generation Owner, or its Designated Agent, provides the Transmission Provider with notice pursuant to section 113.1 of this Tariff 180 days prior to the proposed Deactivation Date of the generating unit, the First Year Adder will be increased to 14 percent of the Generation Owner’s Deactivation Avoidable Cost Rate. For each additional 30 days notice greater than 180 days, the First Year Adder will increase by 1 percent of the Generation Owner’s Deactivation Avoidable Cost Rate, up to a maximum of 20 percent for 12 months notice or greater.”).

³⁷ *Id.*

currently-effective Tariff provisions, when electing compensation through the formulaic rate, a Generation Owner's recovery of Project Investment costs for continued operations are capped at \$ 2 million.³⁸ The \$2 million cap was established as part of PJM's Docket No. EL03-236 Filing to limit the Project Investment amount that can be recovered through the formulaic Deactivation Avoidable Cost Rate without an individualized cost of service filing.³⁹ The Commission accepted this mechanism in the January 2005 Order, stating:

The Commission concludes that PJM's proposal provides sufficient compensation to generation owners required to operate their generating units for reliability beyond the units' proposed Deactivation Dates. As PJM states in its answer, the Deactivation Avoidable Cost Credit is intended as a default formula mechanism to provide reasonable compensation to generation owners continuing to operate on a temporary basis until the transmission upgrades are constructed that will enable the unit to retire.⁴⁰

Although the \$2 million cap was just and reasonable at the time it was adopted in 2005, it may no longer reflects the actual costs a Generation Owner is likely to face in 2025 and future years. Some stakeholders expressed concerns that this cap is too restrictive given the historical level of Project Investment that has been needed for resources. The cap might also serve as a disincentive for a Generation Owner to use the Deactivation

³⁸ Tariff, Part V, section 115 (indicating that "in no event shall recovery through the APIR exceed \$2 million").

³⁹ Docket No. EL03-236 Filing at 15-19; *see also* January 2005 Order at P 129 (describing cap proposal). The Generation Owner has the option of submitting a separate section 205 filing to recover its costs if it views the \$2 million cap as inadequate to recover its costs of not deactivating as planned. *See* Tariff, section 113.2. The Commission recently reiterated that Generation Owners are entitled to recover their full cost of service in approving a settlement for reliability service, including compensation for sunk costs. *NRG Business Marketing LLC*, 190 FERC ¶ 61,026, at PP 33-35 (2025) (concluding that a generator is entitled to recover its full cost of service, including sunk costs, for providing reliability service).

⁴⁰ January 2005 Order at P 146. The Commission also found that the adders contained in the filing "are a reasonable compromise for reflecting costs associated with delayed deactivation or retirement." *Id.* at P 148.

Avoidable Cost Credit mechanism and instead file a separate cost of service rate.⁴¹ In order to remove the cap, PJM proposes to modify Tariff, Part V, section 115, third to last paragraph, to state as follows:

PI recovered through the APIR, shall not commence before the in-service date of the PI. The amount recovered through the APIR shall not exceed the actual amount of the PI, ~~and in no event shall recovery through the APIR exceed \$2 million.~~

Removal of the \$2 million cap is a key component of the overall solution adopted through the stakeholder process. Generation Owners that defer or cancel deactivation are entitled to reasonable compensation,⁴² and, as described above, the \$2 million cap may no longer be indicative of the Project Investment costs such a Generation Owner will face (particularly given general inflation in materials and labor costs since 2004). Left in place are provisions that promote engagement between the generating unit owner and the Market Monitoring Unit on the appropriate level of each component included in the Deactivation Avoidable Cost Credit.⁴³ Customers will continue to be protected against any excess cost recovery, as each component of the Deactivation Avoidable Cost Rate is reviewed by the Market Monitoring Unit, which may petition the Commission for relief to the extent the costs are unreasonable.⁴⁴ Any Generation Owner using this Deactivation Avoidable Cost Rate will also continue to make an informational filing with the Commission that includes

⁴¹ See Tariff, Part V, sections 113.2 & 119 (establishing provisions allowing a Generation Owner to submit a cost of service rate to recover the entire cost of operating the generating unit until such time as the generating unit is deactivated).

⁴² See *NRG Bus. Mktg. LLC*, 190 FERC ¶ 61,026, at P 34 n.66 (noting “the Commission has accepted a range of reasonable compensation methodologies for RMR units in RTOs/ISOs” (citing *Midcontinent Indep. Sys. Operator, Inc.*, 184 FERC ¶ 61,057, at P 84 (2014))).

⁴³ Tariff, Part V, section 114.

⁴⁴ *Id.*

cost support and a certification from a company officer attesting to the accuracy of the information provided.⁴⁵ Therefore, the removal of the Project Investment cap is intended to facilitate the utilization of the formula rate option, while retaining the measures that protect against excess cost recovery. Moreover, increased use of the Deactivation Avoidable Cost Rate mechanism as a result of this change is intended to reduce the burden on Generation Owners of developing a separate cost of service filing, and, in turn, reduce the burden on the Commission and interested parties of having to review and litigate such filings. Therefore, the removal of the \$2 million cap on Project Investment is just and reasonable and should be approved.

3. Changes to Remove Annual Escalation for Project Investment

PJM made a number of additional changes to Part V as part of the overall stakeholder consensus to limit the escalation of the adder applied to Project Investment. Currently, the Deactivation Avoidable Cost Rate includes all costs associated with prolonged operations (including Project Investment costs) and is subject to an adder that starts at 10 percent and escalates each year until it reaches 50 percent to disincentivize continued reliance units that desire to deactivate.⁴⁶ Because the cap on Project Investment is being removed, the Deactivation Avoidable Cost Credit formula in Tariff, Part V, section 114 has been revised to eliminate the yearly increase as applied to those Project Investment costs. Accordingly, the Deactivation Avoidable Cost Credit formula has revised as follows:

$$\text{Deactivation Avoidable Cost Credit} = ((\text{Deactivation Avoidable Cost Rate} \div \text{Applicable Adder Multiplier}) * \text{MW capability of the})$$

⁴⁵ Tariff, Part V, section 116.

⁴⁶ Tariff, Part V, section 114.

unit * Number of days in the month) + (APIR * First Year Multiplier) – Actual Net Revenues

The multipliers that apply to the remainder of the costs covered under this rate formula escalate each year the same as currently set forth in the Tariff. Given that the remainder of the Deactivation Avoidable Cost Rate is based on historical expenses, the stakeholder-endorsed proposal reflects a compromise allowing for the adder to continue to escalate each year—in recognition of inflation and as an incentive for resources that are asked to prolong deactivation for a significant amount of time to postpone deactivation (as mentioned earlier in the transmittal letter).

To effectuate the limitation on escalating Project Investment costs, the Deactivation Avoidable Cost Rate in section 115 has been revised to remove the Avoidable Project Investment Recovery Rate (“APIR”) from the rate formula:

$$\text{Deactivation Avoidable Cost Rate} = ((\text{AOML} + \text{AAE} + \text{AME} + \text{AVE} + \text{ATFI} + \text{ACC} + \text{ACLE}) / 12) - \text{APIR}$$

This change allows a different multiplier to be applied to the APIR and the Deactivation Avoidable Cost Rate in section 114. Otherwise, the multipliers that escalate annually would continue to apply to APIR contrary to the proposal’s intent.⁴⁷

In addition, for clarity and to avoid confusion in applying the rate formulas, the provisions of Tariff, section 114 that set forth the formula for the Deactivation Avoidable Cost Credit are being revised to use multipliers rather than adders. Currently, the adder is defined as a percentage of the Deactivation Avoidable Cost Rate. However, because APIR is being removed from the Deactivation Avoidable Cost Rate formula to avoid applying the annual increase to the APIR, conforming changes are being made to the percentages

⁴⁷ A heading preceding the APIR rate formula was also added to section 115 for clarity.

reflected in the multiplier. For example, section 114 contains revisions that state the following:

Applicable ~~Multiplier Adder~~ is the appropriate ~~multiplier adder~~ specified below:

First Year ~~Multiplier Adder~~: 110 percent of the Generation Owner's Deactivation Avoidable Cost Rate. This ~~multiplier adder~~ shall apply commencing on the desired Deactivation Date of the generating unit proposed for Deactivation and for the 12 months thereafter.

The use of word “multiplier” adds clarity but the result is mathematically the same. For example, if the Generation Owner’s Deactivation Avoidable Cost Rate is \$100, the first year 10 percent adder would result in a rate of \$110, and 110 percent multiplier would result in a rate of the same amount.

4. Removal of Daily Deficiency Rate Limit

PJM also proposes to remove the clause in Tariff, section 114 that limits the Deactivation Avoidable Cost Credit to the Daily Deficiency Rate in the event the Daily Deficiency Rate plus the adder exceeds the Daily Deficiency Rate.⁴⁸ This provision was included as part of the Docket No. EL03-236 Filing to encourage new entry over keeping a more costly generating unit in service. At the time it was originally adopted, the Daily Deficiency Rate was assumed to be the Cost of New Entry (“CONE”).⁴⁹ This provision pre-dated the implementation of PJM’s current Reliability Pricing Model (“RPM”) capacity construct and should be revised in light of changes since introduced under the

⁴⁸ Specifically, PJM proposes to revise the paragraph on the second page of Tariff, section 114 as follows:

Deactivation Avoidable Cost Credit shall not be less than zero. ~~If at any time, the Deactivation Avoidable Cost Rate + Applicable Adder, expressed in \$/MW day, exceeds the Daily Deficiency Rate, the Generation Owner shall be credited the Daily Deficiency Rate multiplied by the generating unit's MW capability, less any Actual Net Revenues.~~

⁴⁹ Docket No. EL03-236 Filing at 15; January 2005 Order at P 127.

current RPM construct. Under RPM, the Daily Deficiency Rate is no longer defined as the CONE for the reference resource. Instead, the Daily Deficiency Rate is now defined as the weighted Capacity Resource Clearing Price applicable to the Generation Capacity Resource plus the greater of: (a) 0.20 times such weighted average Capacity Resource Clearing Price; or (b) \$20/MW-Day.⁵⁰ That deficiency rate may be significantly below the CONE in certain years, as has been observed in the past when RPM clearing prices have been well below CONE, and may not provide sufficient compensation to a generation unit being compensated under Part V of the Tariff.

In addition, the concern around providing compensation in excess of the CONE is also no longer valid under PJM's current capacity market construct. If PJM has entered into a Reliability Assurance Agreement with the unit, it has already identified that there are not any other resources available to remediate the reliability issue. It is therefore appropriate to pay the Deactivation Avoidable Cost Credit to the Generation Owner regardless of whether the Deactivation Avoidable Cost Rate exceeds the CONE. If a new resource is able to be built and negate the need for the unit at a future time, then Part V termination provisions⁵¹ allow the ability to terminate the payment of Deactivation Avoidable Cost Credits and end any arrangement for continued operation once that additional resource is available.

⁵⁰ See Tariff, Attachment DD, section 7.1(b-1).

⁵¹ Tariff, Part V, section 114 (indicating that the payment of Deactivation Avoidable Cost Credits will terminate upon the earlier of: (a) the generating unit is deactivated; (b) the completion date of the necessary transmission upgrades; or (c) when PJM determines the that operation of the unit is no longer required for reliability reasons).

5. Conforming and Clean Up Changes

Because PJM is proposing to eliminate the \$2 million cap on Project Investment, Tariff, Part V, section 117 is being stricken, as it only applies to Project Investment that exceeds the cap. While that section applied in certain instances when the Generation Owner faced costs in excess of the \$2 million cap, it is no longer needed because the \$2 million cap is being removed. Relatedly, references to Tariff, Part V, section 117 have been removed from Tariff, Part V, sections 118, 118A and 119. Minor revisions have been made to Tariff, Part V, sections 118 and 118A to conform to PJM's Tariff citations practices.⁵²

III. EFFECTIVE DATE

Consistent with 18 C.F.R. § 35.3, PJM requests an effective date for the proposed revisions to Tariff, Part V of May 5, 2025, which is 62 days from the date of this filing. PJM also requests that the Commission grant any waivers of the Commission's rules and regulations necessary for acceptance of these Tariff changes.

IV. DOCUMENTS ENCLOSED

In addition to this transmittal letter, PJM encloses the following:

1. Attachment A: Revisions to the Tariff in redline format; and
2. Attachment B: Revisions to the Tariff in clean format.

⁵² Finally, PJM notes the Tariff language being filed today contain the following minor changes from the Tariff sheets as approved at the January 23, 2025 MC and MRC meetings: (1) in the portion of Tariff, section 114 providing the breakdown of the annual multiplier has been revised to remove the phrase "of the Generation Owner's Deactivation Avoidable Cost Rate" after the stated percentage. The multiplier is simply the percentage that increases each year, and the inclusion of that phrase could lead to confusion about to what the multiplier applies. In addition, the word "adder" has been replaced with "multiplier" throughout for internal consistency; and (2) PJM also corrected the spelling of the word "Tariff" in section 118. While each of the changes are different from what was approved at the MC and MRC meetings, these are minor clarifying that are consistent with the intent of the DESTF and this filing.

V. CORRESPONDENCE AND COMMUNICATIONS

Correspondence and communications with respect to this filing should be sent to, and PJM requests the Secretary to include on the official service list, the following:⁵³

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Vice President – Federal Government
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VI. SERVICE

PJM has served a copy of this filing on all PJM Members and on the affected state utility regulatory commissions in the PJM Region by posting this filing electronically. In accordance with the Commission's regulations,⁵⁴ PJM will post a copy of this filing to the FERC filings section on its internet site, <https://pjm.com/library/filing-order>, and will send an email on the same date as this filing to all PJM Members and all state utility regulatory

⁵³ To the extent necessary, PJM requests waiver of Rule 203(b)(3) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.203(b)(3), to permit all of the persons listed to be placed on the official service list for this proceeding.

⁵⁴ See *id.* §§ 35.2(e) and 385.2010(f)(3).

commissions in the PJM Region,⁵⁵ 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.

VII. CONCLUSION

PJM respectfully requests that the Commission accept the Deactivation Proposal for filing, effective May 5, 2025.

Respectfully submitted,

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⁵⁵ PJM already maintains, updates, and regularly uses email lists for all PJM Members and affected state commissions.

Attachment A

Revisions to the PJM Open Access Transmission Tariff

(Marked/Redline Format)

113 Notices

113.1 Generation Owner Notice:

When a Generation Owner desires to deactivate a generating unit located in the PJM Region, such Generation Owner, or its Designated Agent, must provide notice of such proposed Deactivation in writing to the Transmission Provider at least twelve (12) months prior to the desired Deactivation Date. This notice shall include an indication of whether the generating unit is being retired or mothballed, the desired Deactivation Date, and, if mothballing, a good faith estimate of the time period the generating unit would be out of service. The desired Deactivation Date may be no earlier than the following: (a) ~~July-April~~ 1 of the ~~current~~-following calendar year, if the Transmission Provider receives the notice between January 1 and March 31; (b) ~~October~~ July 1 of the ~~current~~-following calendar year, if the Transmission Provider receives the notice between April 1 and June 30; (c) ~~January-October~~ 1 of the following calendar year, if the Transmission Provider receives the notice between July 1 and September 30; or (d) ~~April-January~~ 1 of the ~~following~~-second calendar year, if the Transmission Provider receives the notice between October 1 and December 31. The Transmission Provider shall promptly provide a copy of such notice to the Market Monitoring Unit. The desired Deactivation Date may be earlier than the above-referenced dates if the Generation Owner, or its Designated Agent, (i) receives notice from a state or federal regulatory entity that requires or compels the Generation Owner, as a matter of law, to deactivate its generating unit by a date earlier than the dates permitted by this Tariff, Part V, section 113.1 ~~and~~ (ii) receives such notice on a date that renders compliance with this provision infeasible; and (iii) the generating unit experiences a catastrophic failure as reasonably determined by the Transmission Provider which renders compliance with this provision infeasible.

113.2 Notice of Reliability Impact:

The Transmission Provider shall inform the Generation Owner, or its Designated Agent, whether the Deactivation of the generating unit would adversely affect the reliability of the Transmission System ("Notice of Reliability Impact") by the following date: (a) May 31 of the current calendar year, if the Transmission Provider received the notice required pursuant to Tariff, Part V, section 113.1 between January 1 and March 31; (b) August 31 of the current calendar year, if the Transmission Provider received the notice required pursuant to Tariff, Part V, section 113.1 between April 1 and June 30; (c) November 30 of the current calendar year, if the Transmission Provider received the notice required pursuant to Tariff, Part V, section 113.1 between July 1 and September 30; or (d) February 28 of the following calendar year, if the Transmission Provider received the notice required pursuant to Tariff, Part V, section 113.1 between October 1 and December 31. In the event there are no reliability issues associated with the proposed Deactivation of the generating unit, the Notice of Reliability Impact shall so notify the Generation Owner, or its Designated Agent, and the Generation Owner or its Designated Agent may deactivate its generating unit at any time thereafter. The Generation Owner shall coordinate with the appropriate Transmission Owner and the Transmission Provider regarding the removal of any transmission equipment located at the generating unit proposed for Deactivation. In the event the Transmission Provider determines that, in accordance with established reliability criteria, the Deactivation of the Generation Owner's generating unit would adversely affect the

reliability of the Transmission System absent upgrades to the Transmission System, the Notice of Reliability Impact shall notify the Generation Owner, or its Designated Agent, of the reliability concerns. Such Notice of Reliability Impact shall (1) identify the specific reliability impact resulting from the proposed Deactivation of the generating unit; and (2) provide an initial estimate of the period of time it will take to complete the Transmission System reliability upgrades necessary to alleviate the reliability impact. Regardless of whether the Deactivation of the generating unit would adversely affect the reliability of the Transmission System, the Generation Owner or its Designated Agent may deactivate its generating unit, subject to the notice requirements in Tariff, Part V, section 113.1. Within 30 days of the Generation Owner's or its Designated Agent's receipt of the Notice of Reliability Impact identifying reliability concerns pursuant to this Tariff, Part V, section 113.2, the Generation Owner or its Designated Agent shall inform Transmission Provider whether the generating unit proposed for Deactivation will continue operating beyond its desired Deactivation Date during the period of construction of the Transmission System reliability upgrades necessary to alleviate the reliability impact resulting from the Deactivation of the generating unit, and if the generating unit will continue operating, provide the Transmission Provider with an estimate of the amount of any project investment and the time period the generating unit would be out of service for repairs, if any, that would be required to keep the unit in, or return the unit to, operation. For generating units that will continue operating beyond their desired Deactivation Dates, the Transmission Provider shall (a) within 45 days of the Transmission Provider issuing the Notice of Reliability Impact pursuant to this Tariff, Part V, section 113.2, provide an updated estimate of the period of time it will take to complete the Transmission System upgrades necessary to alleviate the reliability impact; and (b) within 60 days of the Transmission Provider issuing the Notice of Reliability Impact pursuant to this Tariff, Part V, section 113.2, post on its internet site full details of the transmission upgrades necessary to alleviate the reliability impact that would result from the Deactivation of the generating unit. Upon receipt of notification from the Transmission Provider that Deactivation of the generating unit would cause reliability concerns, the Generation Owner shall immediately be entitled to file with the Commission a cost of service rate to recover the entire cost of operating the generating unit until such time as the generating unit is deactivated pursuant to this Part V ("Cost of Service Recovery Rate"). In the alternative, the Generation Owner may elect to receive the Deactivation Avoidable Cost Credit provided under this Part V.

113.3 Subsequent Deactivation Notice for Generating Units Continuing to Operate:

In the event that a Generation Owner or its Designated Agent, which has informed Transmission Provider pursuant to section 113.2 that a generating unit will continue operating, desires to deactivate such generating unit prior to the completion date of the Transmission System reliability upgrades necessary to alleviate the reliability impact resulting from the Deactivation of the generating unit, or the date that the Transmission Provider otherwise determines, in accordance with established reliability criteria, that the continued operation of the generating unit is no longer necessary for the reliability of the Transmission System, the Generation Owner or its Designated Agent shall provide notice of such proposed Deactivation in writing to the Transmission Provider no later than 90 days prior to the desired Deactivation Date for the generating unit.

113.4 Notice for Generation Units Providing Reactive Supply and Voltage Control:

In addition to the notice requirements in this Tariff, Part V, when a Generation Owner desires to deactivate a generating unit that provides reactive supply and voltage control service under Tariff, Schedule 2, such Generation Owner, or its Designated Agent, must satisfy the notice and filing requirements in Tariff, Schedule 2.

114 Deactivation Avoidable Cost Credit:

In the event that the Generation Owner or its Designated Agent informs Transmission Provider pursuant to section 113.2 that it will continue operating a generating unit beyond its desired Deactivation Date, the Generation Owner or its Designated Agent shall receive a monthly Deactivation Avoidable Cost Credit for such continued operation pursuant to the terms and conditions of this section 114.

Subject to section 119 of this Tariff, a Generation Owner or its Designated Agent shall be eligible for Deactivation Avoidable Cost Credits commencing on the later of the proposed Deactivation Date of its generating unit or the day after the Generation Owner or its Designated Agent submits the informational filing pursuant to section 116 of this Tariff and continuing until the earlier of such time as the generating unit is deactivated or the completion date of the necessary

Transmission System reliability upgrades that would alleviate the reliability impact resulting from the Deactivation of the generating unit, or the Transmission Provider otherwise determines, in accordance with established reliability criteria, that the continued operation of the generating unit is no longer necessary for the reliability of the Transmission System. The Transmission Provider shall give at least thirty days notice to a Generation Owner or its Designated Agent of the date when continued operation of a generating unit is no longer required under Part V of the Tariff.

Deactivation Avoidable Cost Credits shall be determined according to the following formula:

Deactivation Avoidable Cost Credit = ((Deactivation Avoidable Cost Rate ~~+~~^{*} Applicable ~~Adder~~ Multiplier) * MW capability of the unit * Number of days in the month) + (APIR * First Year Multiplier) – Actual Net Revenues

Where:

Deactivation Avoidable Cost Rate is the Generation Owner's Deactivation Avoidable Cost Rate determined pursuant to section 115 of this Tariff.

Applicable Adder is the appropriate ~~adder~~ multiplier specified below:

First Year ~~Adder~~ Multiplier: 110 percent ~~of the Generation Owner's Deactivation Avoidable Cost Rate~~. This multiplier ~~adder~~ shall apply commencing on the desired Deactivation Date of the generating unit proposed for Deactivation and for the 12 months thereafter.

Second Year ~~Adder~~ Multiplier: 120 percent ~~of the Generation Owner's Deactivation Avoidable Cost Rate~~. This multiplier ~~adder~~ shall apply commencing on the first day of the 13th month after the desired Deactivation Date of the generating unit proposed for Deactivation and for the 12 months thereafter.

Third Year ~~Adder~~Multiplier: ~~135 percent of the Generation Owner's Deactivation Avoidable Cost Rate.~~ This ~~adder~~multiplier shall apply commencing on the first day of the 25th month after the desired Deactivation Date of the generating unit proposed for Deactivation and for the 12 months thereafter.

Fourth Year ~~Adder~~Multiplier: ~~150 percent of the Generation Owner's Deactivation Avoidable Cost Rate.~~ This ~~multiplier~~adder shall apply commencing on the first day of the 37th month after the desired Deactivation Date of the generating unit proposed for Deactivation and until the earlier of such time as the generating unit is deactivated or the completion date of the necessary Transmission System reliability upgrades that would alleviate the reliability impact resulting from the Deactivation of the generating unit, or the Transmission Provider otherwise determines, in accordance with established reliability criteria, that the continued operation of the generating unit is no longer necessary for the reliability of the Transmission System.

~~If the Generation Owner, or its Designated Agent, provides the Transmission Provider with notice pursuant to section 113.1 of this Tariff 180 days prior to the proposed Deactivation Date of the generating unit, the First Year Adder will be increased to 14 percent of the Generation Owner's Deactivation Avoidable Cost Rate. For each additional 30 days notice greater than 180 days, the First Year Adder will increase by 1 percent of the Generation Owner's Deactivation Avoidable Cost Rate, up to a maximum of 20 percent for 12 months notice or greater.~~

(Deactivation Avoidable Cost Rate + ~~*~~* Applicable ~~Adder~~Multiplier) is expressed in \$/MW day.

Actual Net Revenues are all revenues from PJM markets and unit-specific bilateral contracts net of marginal cost of service recoverable under cost-based offers to sell energy from operating capacity on the PJM Interchange Energy Market under the Operating Agreement, not less than zero.

Deactivation Avoidable Cost Credit shall not be less than zero. ~~If at any time, the Deactivation Avoidable Cost Rate + Applicable Adder, expressed in \$/MW day, exceeds the Daily Deficiency Rate, the Generation Owner shall be credited the Daily Deficiency Rate multiplied by the generating unit's MW capability, less any Actual Net Revenues.~~

The Market Monitoring Unit and the generating unit owner shall attempt to come to agreement on the appropriate level of each component included in the Deactivation Avoidable Cost Credit. If a generating unit owner includes a cost component inconsistent with its agreement or inconsistent with the Market Monitoring Unit's determination regarding such cost components, the Market Monitoring Unit may petition the Commission for an order that would require the generating unit owner to include an appropriate cost component. This provision is duplicated in section IV.2 of Attachment M – Appendix.

115 Deactivation Avoidable Cost Rate:

The Deactivation Avoidable Cost Rate for a generating unit proposed for Deactivation shall be determined using the following formula:

$$\text{Deactivation Avoidable Cost Rate} = ((\text{AOML} + \text{AAE} + \text{AME} + \text{AVE} + \text{ATFI} + \text{ACC} + \text{ACLE}) / 12) - \text{APIR}$$

Where:

- **AOML (Avoidable Operations and Maintenance Labor)** consists of the avoidable labor expenses related directly to operations and maintenance of the generating unit proposed for Deactivation for the twelve months preceding the Generation Owner's notice pursuant to section 113.1 of this Tariff. The categories of expenses included in AOML are those incurred for: (a) on-site based labor engaged in operations and maintenance activities; (b) off-site based labor engaged in on-site operations and maintenance activities directly related to the generating unit; and (c) off-site based labor engaged in off-site operations and maintenance activities directly related to generating unit equipment removed from the generating unit site.
- **AAE (Avoidable Administrative Expenses)** consists of the avoidable administrative expenses related directly to employees at the generating unit proposed for Deactivation for twelve months preceding the Generation Owner's notice pursuant to section 113.1 of this Tariff. The categories of expenses included in AAE are those incurred for: (a) employee expenses (except employee expenses included in AOML); (b) environmental fees; (c) safety and operator training; (d) office supplies; (e) communications; and (f) annual plant test, inspection and analysis.
- **AME (Avoidable Maintenance Expenses)** consists of avoidable maintenance expenses (other than expenses included in AOML) related directly to the generating unit proposed for Deactivation for the twelve months preceding the Generation Owner's notice pursuant to section 113.1 of this Tariff. The categories of expenses included in AME are those incurred for: (a) chemical and materials consumed during maintenance of the generating unit; and (b) rented maintenance equipment used to maintain the generating unit.
- **AVE (Avoidable Variable Expenses)** consists of avoidable variable expenses related directly to the generating unit proposed for Deactivation incurred in the twelve months preceding the Generation Owner's notice pursuant to section 113.1 of this Tariff. The categories of expenses included in AVE are those incurred for: (a) water treatment chemicals and lubricants; (b) water, gas, and electric service (not for power generation); and (c) waste water treatment.
- **ATFI (Avoidable Taxes, Fees and Insurance)** consists of avoidable

expenses related directly to the generating unit proposed for Deactivation incurred in the twelve months preceding the Generation Owner's notice pursuant to section 113.1 of this Tariff. The categories of expenses included in AFTI are those incurred for: (a) insurance; (b) permits and licensing fees; (c) site security and utilities for maintaining security at the site; and (d) property taxes.

- **ACC (Avoidable Carrying Charges)** consists of avoidable short term carrying charges related directly to the generating unit proposed for Deactivation in the twelve months preceding the Generation Owner's notice pursuant to section 113.1 of this Tariff. Avoidable short term carrying charges shall include short term carrying charges for maintaining reasonable levels of inventories of fuel and spare parts that result from short-term operational unit decisions as measured by industry best practice standards. For the purpose of determining ACC, short term is the time period in which a reasonable replacement of inventory for normal, expected operations can occur.

- **ACLE (Avoidable Corporate Level Expenses)** consists of avoidable corporate level expenses directly related to the generating unit proposed for Deactivation incurred in the twelve months preceding the Generation Owner's notice pursuant to section 113.1 of this Tariff. Avoidable corporate level expenses shall include only such expenses that are directly linked to providing tangible services required for the operation of the generating unit proposed for Deactivation. The categories of avoidable expenses included in ACLE are those incurred for: (a) legal services; (b) environmental reporting; and (c) procurement expenses.

The Avoidable Project Investment Recovery Rate (APIR) for a generating unit proposed for Deactivation shall be determined using the following formula:

- **APIR (Avoidable Project Investment Recovery Rate) = PI/NMR**

Where:

PI is the amount of project investment required to enable a generating unit proposed for Deactivation to continue operating beyond its proposed Deactivation Date.

NMR is the number of months beyond the proposed Deactivation Date of a generating unit proposed for Deactivation that the Transmission Provider has specified in its updated estimate pursuant to section 113.2 of this Tariff that such generating unit shall be required to operate.

PI recovered through the APIR, shall not commence before the in-service date of the PI. The amount recovered through the APIR shall not exceed the actual amount of the PI, ~~and in no event shall recovery through the APIR exceed \$2 million.~~

For the purpose of determining Deactivation Avoidable Cost Rate, avoidable expenses are incremental expenses directly required for the operation of a generating unit proposed for Deactivation that a Generation Owner would not incur if such generating unit deactivated on its proposed Deactivation Date rather than continuing to operate beyond its proposed Deactivation Date. A generating unit owner shall direct all inquiries regarding avoidable expenses to the Market Monitoring Unit.

For the purpose of determining a Deactivation Avoidable Cost Rate, avoidable expenses shall exclude variable costs recoverable under cost-based offers to sell energy from operating capacity on the PJM Interchange Energy Market under the Operating Agreement.

117 ~~Excess Project Investment Required:~~ [Reserved]

~~In the event that a Generation Owner has informed Transmission Provider pursuant to section 113.2 that a generating unit will continue operating beyond its desired Deactivation Date, but such generating unit cannot continue to operate without PI, as defined in the APIR set forth in section 115 of this Tariff, that exceeds the limit for recovery of PI specified in the APIR, the Generation Owner, or its Designated Agent, may file a rate with the Commission to recover the PI in excess of the permissible limit for recovery of PI through the APIR. Prior to PI in excess of the recovery limit set forth in the APIR being made, the need for such PI shall be verified by an independent third party retained by the Generation Owner, or its Designated Agent, and provided to the Transmission Provider. Transmission Provider shall credit Generation Owner the amount of such rate commencing on the effective date established by the Commission for the rate.~~

118 Refund of Project Investment Reimbursement:

In the event that the Generation Owner's PI in the generating unit proposed for Deactivation and credited ~~either under section 117 of this Tariff or~~ through the APIR set forth in [Tariff, Part V, section 115 of this Tariff](#) enables the generating unit to remain operational beyond the completion date of the necessary Transmission System reliability upgrades that would alleviate the reliability impact resulting from the Deactivation of the generating unit, or the date that the Transmission Provider otherwise determines, in accordance with established reliability criteria, that the continued operation of the generating unit is no longer necessary for the reliability of the Transmission System, and the generating unit remains in service beyond such date, the Generation Owner or its Designated Agent shall refund Transmission Provider a pro-rata share of the amount of any PI for which it received reimbursement pursuant to ~~section 117 and/or~~ the APIR set forth in [Tariff, Part V, section 115 of this Tariff](#). The Refund of Project Investment Reimbursement shall be determined using the following formula:

Refund of Project Investment Reimbursement = ((Number of months the PI permits the generating unit proposed for Deactivation to operate – The number of months Transmission Provider determines is required to construct the Transmission System reliability upgrades necessary to alleviate the reliability impact resulting from the Deactivation of the generating unit) / (Number of months the PI permits the generating unit proposed for Deactivation to operate)) * (The amount of the PI/ (Number of months the PI allows the generating unit proposed for Deactivation to continue to operate past the completion date of the necessary Transmission System reliability upgrades that would alleviate the reliability impact resulting from the Deactivation of the generating unit, or the date that the Transmission Provider otherwise determines, in accordance with established reliability criteria, that the continued operation of the generating unit is no longer necessary for the reliability of the Transmission System)).

Where:

The number of months the PI permits the generating unit proposed for Deactivation to operate is determined by the Generation Owner or its Designated Agent and verified by an independent entity.

Generation Owner or its Designated Agent shall make the Refund of Project Investment Reimbursement each month for the number of months the PI allows the generating unit proposed for Deactivation to continue to operate past the completion date of the necessary Transmission System reliability upgrades that would alleviate the reliability impact resulting from the Deactivation of the generating unit, or the date that the Transmission Provider otherwise determines, in accordance with established reliability criteria, that the continued operation of the generating unit is no longer necessary for the reliability of the Transmission System and shall be credited to transmission customers in such month on the same basis as costs are allocated under section 120. The months the generating unit proposed for Deactivation continues to operate past the completion date of the necessary Transmission System reliability upgrades that would alleviate the reliability impact resulting from the Deactivation of the generating unit, or the date that the Transmission Provider otherwise determines, in accordance with established reliability

criteria, that the continued operation of the generating unit is no longer necessary for the reliability of the Transmission System need not be continuous, and the Refund of Project Investment Reimbursement will continue regardless of ownership of the generating unit.

118A Recovery of Project Investment:

A Generation Owner or its Designated Agent shall be entitled to continue to recover its PI costs under [Tariff, Part V](#), section 115 ~~and/or section 117 of this Tariff~~ in situations where the Transmission Provider subsequently determines the generation unit is no longer needed for reliability of the Transmission System and the generating unit is deactivated prior to recovering its PI costs; provided however, that any PI cost recovery pursuant to this section shall be net of any PI reimbursements already credited to the Generation Owner to its Designated Agent pursuant to ~~section 117 and/or~~ the APIR set forth in [Tariff, Part V](#), section 115 ~~of this Tariff~~.

119 Cost of Service Recovery Rate:

Notwithstanding anything to the contrary in Part V of this Tariff, a Generation Owner with a generating unit proposed for Deactivation that continues operating beyond its proposed Deactivation Date may file with the Commission a cost of service rate to recover the entire cost of operating the generating unit until such time as the generating unit is deactivated pursuant to this Part V ("Cost of Service Recovery Rate"). In the event that the Generation Owner or its Designated Agent files a rate pursuant to this section 119, the Generation Owner shall not be eligible to receive Deactivation Avoidable Cost Credits ~~or any compensation pursuant to section 117 of this Tariff~~, except as provided pursuant to this section 119, and PJMSettlement shall pay the Generation Owner the Cost of Service Recovery Rate accepted by the Commission commencing on the effective date established by the Commission for the rate. In the event the Generation Owner or its Designated Agent already is receiving Deactivation Avoidable Cost Credits, prior to filing an Cost of Service Recovery Rate, such Deactivation Avoidable Cost Credits will cease as of the date that the Generation Owner or its Designated Agent files its Cost of Service Recovery Rate, and PJMSettlement shall begin paying the Generation Owner or its Designated Agent the Cost of Service Recovery Rate accepted by the Commission commencing on the effective date established by the Commission for the rate. ~~In the event the Generation Owner or its Designated Agent already is receiving compensation pursuant to section 117 of this Tariff, prior to filing an Cost of Service Recovery Rate, such compensation shall continue until the effective date established by the Commission for the Cost of Service Recovery Rate.~~

A generating resource owner shall direct all inquiries regarding avoidable expenses to the Market Monitoring Unit. If a generating resource owner includes a cost component inconsistent with its agreement or inconsistent with the Market Monitoring Unit's determination regarding such cost components, the Market Monitoring Unit may petition the Commission for an order that would require the generating resource owner to include an appropriate cost component. This provision is duplicated in section IV.2 of Attachment M – Appendix.

Attachment B

Revisions to the PJM Open Access Transmission Tariff

(Clean Format)

113 Notices

113.1 Generation Owner Notice:

When a Generation Owner desires to deactivate a generating unit located in the PJM Region, such Generation Owner, or its Designated Agent, must provide notice of such proposed Deactivation in writing to the Transmission Provider at least twelve (12) months prior to the desired Deactivation Date. This notice shall include an indication of whether the generating unit is being retired or mothballed, the desired Deactivation Date, and, if mothballing, a good faith estimate of the time period the generating unit would be out of service. The desired Deactivation Date may be no earlier than the following: (a) April 1 of the following calendar year, if the Transmission Provider receives the notice between January 1 and March 31; (b) July 1 of the following calendar year, if the Transmission Provider receives the notice between April 1 and June 30; (c) October 1 of the following calendar year, if the Transmission Provider receives the notice between July 1 and September 30; or (d) January 1 of the second calendar year, if the Transmission Provider receives the notice between October 1 and December 31. The Transmission Provider shall promptly provide a copy of such notice to the Market Monitoring Unit. The desired Deactivation Date may be earlier than the above-referenced dates if the Generation Owner, or its Designated Agent, (i) receives notice from a state or federal regulatory entity that requires or compels the Generation Owner, as a matter of law, to deactivate its generating unit by a date earlier than the dates permitted by this Tariff, Part V, section 113.1 (ii) receives such notice on a date that renders compliance with this provision infeasible; and (iii) the generating unit experiences a catastrophic failure as reasonably determined by the Transmission Provider which renders compliance with this provision infeasible.

113.2 Notice of Reliability Impact:

The Transmission Provider shall inform the Generation Owner, or its Designated Agent, whether the Deactivation of the generating unit would adversely affect the reliability of the Transmission System ("Notice of Reliability Impact") by the following date: (a) May 31 of the current calendar year, if the Transmission Provider received the notice required pursuant to Tariff, Part V, section 113.1 between January 1 and March 31; (b) August 31 of the current calendar year, if the Transmission Provider received the notice required pursuant to Tariff, Part V, section 113.1 between April 1 and June 30; (c) November 30 of the current calendar year, if the Transmission Provider received the notice required pursuant to Tariff, Part V, section 113.1 between July 1 and September 30; or (d) February 28 of the following calendar year, if the Transmission Provider received the notice required pursuant to Tariff, Part V, section 113.1 between October 1 and December 31. In the event there are no reliability issues associated with the proposed Deactivation of the generating unit, the Notice of Reliability Impact shall so notify the Generation Owner, or its Designated Agent, and the Generation Owner or its Designated Agent may deactivate its generating unit at any time thereafter. The Generation Owner shall coordinate with the appropriate Transmission Owner and the Transmission Provider regarding the removal of any transmission equipment located at the generating unit proposed for Deactivation. In the event the Transmission Provider determines that, in accordance with established reliability criteria, the Deactivation of the Generation Owner's generating unit would adversely affect the reliability of the Transmission System absent upgrades to the Transmission System, the Notice of

Reliability Impact shall notify the Generation Owner, or its Designated Agent, of the reliability concerns. Such Notice of Reliability Impact shall (1) identify the specific reliability impact resulting from the proposed Deactivation of the generating unit; and (2) provide an initial estimate of the period of time it will take to complete the Transmission System reliability upgrades necessary to alleviate the reliability impact. Regardless of whether the Deactivation of the generating unit would adversely affect the reliability of the Transmission System, the Generation Owner or its Designated Agent may deactivate its generating unit, subject to the notice requirements in Tariff, Part V, section 113.1. Within 30 days of the Generation Owner's or its Designated Agent's receipt of the Notice of Reliability Impact identifying reliability concerns pursuant to this Tariff, Part V, section 113.2, the Generation Owner or its Designated Agent shall inform Transmission Provider whether the generating unit proposed for Deactivation will continue operating beyond its desired Deactivation Date during the period of construction of the Transmission System reliability upgrades necessary to alleviate the reliability impact resulting from the Deactivation of the generating unit, and if the generating unit will continue operating, provide the Transmission Provider with an estimate of the amount of any project investment and the time period the generating unit would be out of service for repairs, if any, that would be required to keep the unit in, or return the unit to, operation. For generating units that will continue operating beyond their desired Deactivation Dates, the Transmission Provider shall (a) within 45 days of the Transmission Provider issuing the Notice of Reliability Impact pursuant to this Tariff, Part V, section 113.2, provide an updated estimate of the period of time it will take to complete the Transmission System upgrades necessary to alleviate the reliability impact; and (b) within 60 days of the Transmission Provider issuing the Notice of Reliability Impact pursuant to this Tariff, Part V, section 113.2, post on its internet site full details of the transmission upgrades necessary to alleviate the reliability impact that would result from the Deactivation of the generating unit. Upon receipt of notification from the Transmission Provider that Deactivation of the generating unit would cause reliability concerns, the Generation Owner shall immediately be entitled to file with the Commission a cost of service rate to recover the entire cost of operating the generating unit until such time as the generating unit is deactivated pursuant to this Part V ("Cost of Service Recovery Rate"). In the alternative, the Generation Owner may elect to receive the Deactivation Avoidable Cost Credit provided under this Part V.

113.3 Subsequent Deactivation Notice for Generating Units Continuing to Operate:

In the event that a Generation Owner or its Designated Agent, which has informed Transmission Provider pursuant to section 113.2 that a generating unit will continue operating, desires to deactivate such generating unit prior to the completion date of the Transmission System reliability upgrades necessary to alleviate the reliability impact resulting from the Deactivation of the generating unit, or the date that the Transmission Provider otherwise determines, in accordance with established reliability criteria, that the continued operation of the generating unit is no longer necessary for the reliability of the Transmission System, the Generation Owner or its Designated Agent shall provide notice of such proposed Deactivation in writing to the Transmission Provider no later than 90 days prior to the desired Deactivation Date for the generating unit.

113.4 Notice for Generation Units Providing Reactive Supply and Voltage Control:

In addition to the notice requirements in this Tariff, Part V, when a Generation Owner desires to deactivate a generating unit that provides reactive supply and voltage control service under Tariff, Schedule 2, such Generation Owner, or its Designated Agent, must satisfy the notice and filing requirements in Tariff, Schedule 2.

114 Deactivation Avoidable Cost Credit:

In the event that the Generation Owner or its Designated Agent informs Transmission Provider pursuant to section 113.2 that it will continue operating a generating unit beyond its desired Deactivation Date, the Generation Owner or its Designated Agent shall receive a monthly Deactivation Avoidable Cost Credit for such continued operation pursuant to the terms and conditions of this section 114.

Subject to section 119 of this Tariff, a Generation Owner or its Designated Agent shall be eligible for Deactivation Avoidable Cost Credits commencing on the later of the proposed Deactivation Date of its generating unit or the day after the Generation Owner or its Designated Agent submits the informational filing pursuant to section 116 of this Tariff and continuing until the earlier of such time as the generating unit is deactivated or the completion date of the necessary

Transmission System reliability upgrades that would alleviate the reliability impact resulting from the Deactivation of the generating unit, or the Transmission Provider otherwise determines, in accordance with established reliability criteria, that the continued operation of the generating unit is no longer necessary for the reliability of the Transmission System. The Transmission Provider shall give at least thirty days notice to a Generation Owner or its Designated Agent of the date when continued operation of a generating unit is no longer required under Part V of the Tariff.

Deactivation Avoidable Cost Credits shall be determined according to the following formula:

$$\text{Deactivation Avoidable Cost Credit} = ((\text{Deactivation Avoidable Cost Rate} * \text{Applicable Multiplier}) * \text{MW capability of the unit} * \text{Number of days in the month}) + (\text{APIR} * \text{First Year Multiplier}) - \text{Actual Net Revenues}$$

Where:

Deactivation Avoidable Cost Rate is the Generation Owner's Deactivation Avoidable Cost Rate determined pursuant to section 115 of this Tariff.

Applicable Adder is the appropriate multiplier specified below:

First Year Multiplier: 110 percent. This multiplier shall apply commencing on the desired Deactivation Date of the generating unit proposed for Deactivation and for the 12 months thereafter.

Second Year Multiplier: 120 percent. This multiplier shall apply commencing on the first day of the 13th month after the desired Deactivation Date of the generating unit proposed for Deactivation and for the 12 months thereafter.

Third Year Multiplier: 135 percent. This multiplier shall apply commencing on the first day of the 25th month after the desired Deactivation Date of the generating unit proposed for Deactivation and for the 12 months thereafter.

Fourth Year Multiplier: 150 percent. This multiplier shall apply commencing on the first day of the 37th month after the desired Deactivation Date of the generating unit proposed for Deactivation and until the earlier of such time as the generating unit is deactivated or the completion date of the necessary Transmission System reliability upgrades that would alleviate the reliability impact resulting from the Deactivation of the generating unit, or the Transmission Provider otherwise determines, in accordance with established reliability criteria, that the continued operation of the generating unit is no longer necessary for the reliability of the Transmission System.

(Deactivation Avoidable Cost Rate * Applicable Multiplier) is expressed in \$/MW day.

Actual Net Revenues are all revenues from PJM markets and unit-specific bilateral contracts net of marginal cost of service recoverable under cost-based offers to sell energy from operating capacity on the PJM Interchange Energy Market under the Operating Agreement, not less than zero.

Deactivation Avoidable Cost Credit shall not be less than zero.

The Market Monitoring Unit and the generating unit owner shall attempt to come to agreement on the appropriate level of each component included in the Deactivation Avoidable Cost Credit. If a generating unit owner includes a cost component inconsistent with its agreement or inconsistent with the Market Monitoring Unit's determination regarding such cost components, the Market Monitoring Unit may petition the Commission for an order that would require the generating unit owner to include an appropriate cost component. This provision is duplicated in section IV.2 of Attachment M – Appendix.

115 Deactivation Avoidable Cost Rate:

The Deactivation Avoidable Cost Rate for a generating unit proposed for Deactivation shall be determined using the following formula:

$$\text{Deactivation Avoidable Cost Rate} = ((\text{AOML} + \text{AAE} + \text{AME} + \text{AVE} + \text{ATFI} + \text{ACC} + \text{ACLE}) / 12)$$

Where:

- **AOML (Avoidable Operations and Maintenance Labor)** consists of the avoidable labor expenses related directly to operations and maintenance of the generating unit proposed for Deactivation for the twelve months preceding the Generation Owner's notice pursuant to section 113.1 of this Tariff. The categories of expenses included in AOML are those incurred for: (a) on-site based labor engaged in operations and maintenance activities; (b) off-site based labor engaged in on-site operations and maintenance activities directly related to the generating unit; and (c) off-site based labor engaged in off-site operations and maintenance activities directly related to generating unit equipment removed from the generating unit site.
- **AAE (Avoidable Administrative Expenses)** consists of the avoidable administrative expenses related directly to employees at the generating unit proposed for Deactivation for twelve months preceding the Generation Owner's notice pursuant to section 113.1 of this Tariff. The categories of expenses included in AAE are those incurred for: (a) employee expenses (except employee expenses included in AOML); (b) environmental fees; (c) safety and operator training; (d) office supplies; (e) communications; and (f) annual plant test, inspection and analysis.
- **AME (Avoidable Maintenance Expenses)** consists of avoidable maintenance expenses (other than expenses included in AOML) related directly to the generating unit proposed for Deactivation for the twelve months preceding the Generation Owner's notice pursuant to section 113.1 of this Tariff. The categories of expenses included in AME are those incurred for: (a) chemical and materials consumed during maintenance of the generating unit; and (b) rented maintenance equipment used to maintain the generating unit.
- **AVE (Avoidable Variable Expenses)** consists of avoidable variable expenses related directly to the generating unit proposed for Deactivation incurred in the twelve months preceding the Generation Owner's notice pursuant to section 113.1 of this Tariff. The categories of expenses included in AVE are those incurred for: (a) water treatment chemicals and lubricants; (b) water, gas, and electric service (not for power generation); and (c) waste water treatment.
- **ATFI (Avoidable Taxes, Fees and Insurance)** consists of avoidable

expenses related directly to the generating unit proposed for Deactivation incurred in the twelve months preceding the Generation Owner's notice pursuant to section 113.1 of this Tariff. The categories of expenses included in AFTI are those incurred for: (a) insurance; (b) permits and licensing fees; (c) site security and utilities for maintaining security at the site; and (d) property taxes.

- **ACC (Avoidable Carrying Charges)** consists of avoidable short term carrying charges related directly to the generating unit proposed for Deactivation in the twelve months preceding the Generation Owner's notice pursuant to section 113.1 of this Tariff. Avoidable short term carrying charges shall include short term carrying charges for maintaining reasonable levels of inventories of fuel and spare parts that result from short-term operational unit decisions as measured by industry best practice standards. For the purpose of determining ACC, short term is the time period in which a reasonable replacement of inventory for normal, expected operations can occur.

- **ACLE (Avoidable Corporate Level Expenses)** consists of avoidable corporate level expenses directly related to the generating unit proposed for Deactivation incurred in the twelve months preceding the Generation Owner's notice pursuant to section 113.1 of this Tariff. Avoidable corporate level expenses shall include only such expenses that are directly linked to providing tangible services required for the operation of the generating unit proposed for Deactivation. The categories of avoidable expenses included in ACLE are those incurred for: (a) legal services; (b) environmental reporting; and (c) procurement expenses.

The Avoidable Project Investment Recovery Rate (APIR) for a generating unit proposed for Deactivation shall be determined using the following formula:

- **APIR (Avoidable Project Investment Recovery Rate) = PI/NMR**

Where:

PI is the amount of project investment required to enable a generating unit proposed for Deactivation to continue operating beyond its proposed Deactivation Date.

NMR is the number of months beyond the proposed Deactivation Date of a generating unit proposed for Deactivation that the Transmission Provider has specified in its updated estimate pursuant to section 113.2 of this Tariff that such generating unit shall be required to operate.

PI recovered through the APIR, shall not commence before the in-service date of the PI. The amount recovered through the APIR shall not exceed the actual amount of the PI.

For the purpose of determining Deactivation Avoidable Cost Rate, avoidable expenses are

incremental expenses directly required for the operation of a generating unit proposed for Deactivation that a Generation Owner would not incur if such generating unit deactivated on its proposed Deactivation Date rather than continuing to operate beyond its proposed Deactivation Date. A generating unit owner shall direct all inquiries regarding avoidable expenses to the Market Monitoring Unit.

For the purpose of determining a Deactivation Avoidable Cost Rate, avoidable expenses shall exclude variable costs recoverable under cost-based offers to sell energy from operating capacity on the PJM Interchange Energy Market under the Operating Agreement.

118 Refund of Project Investment Reimbursement:

In the event that the Generation Owner's PI in the generating unit proposed for Deactivation and credited through the APIR set forth in Tariff, Part V, section 115 enables the generating unit to remain operational beyond the completion date of the necessary Transmission System reliability upgrades that would alleviate the reliability impact resulting from the Deactivation of the generating unit, or the date that the Transmission Provider otherwise determines, in accordance with established reliability criteria, that the continued operation of the generating unit is no longer necessary for the reliability of the Transmission System, and the generating unit remains in service beyond such date, the Generation Owner or its Designated Agent shall refund Transmission Provider a pro-rata share of the amount of any PI for which it received reimbursement pursuant to the APIR set forth in Tariff, Part V, section 115. The Refund of Project Investment Reimbursement shall be determined using the following formula:

Refund of Project Investment Reimbursement = ((Number of months the PI permits the generating unit proposed for Deactivation to operate – The number of months Transmission Provider determines is required to construct the Transmission System reliability upgrades necessary to alleviate the reliability impact resulting from the Deactivation of the generating unit) / (Number of months the PI permits the generating unit proposed for Deactivation to operate)) * (The amount of the PI/ (Number of months the PI allows the generating unit proposed for Deactivation to continue to operate past the completion date of the necessary Transmission System reliability upgrades that would alleviate the reliability impact resulting from the Deactivation of the generating unit, or the date that the Transmission Provider otherwise determines, in accordance with established reliability criteria, that the continued operation of the generating unit is no longer necessary for the reliability of the Transmission System)).

Where:

The number of months the PI permits the generating unit proposed for Deactivation to operate is determined by the Generation Owner or its Designated Agent and verified by an independent entity.

Generation Owner or its Designated Agent shall make the Refund of Project Investment Reimbursement each month for the number of months the PI allows the generating unit proposed for Deactivation to continue to operate past the completion date of the necessary Transmission System reliability upgrades that would alleviate the reliability impact resulting from the Deactivation of the generating unit, or the date that the Transmission Provider otherwise determines, in accordance with established reliability criteria, that the continued operation of the generating unit is no longer necessary for the reliability of the Transmission System and shall be credited to transmission customers in such month on the same basis as costs are allocated under section 120. The months the generating unit proposed for Deactivation continues to operate past the completion date of the necessary Transmission System reliability upgrades that would alleviate the reliability impact resulting from the Deactivation of the generating unit, or the date that the Transmission Provider otherwise determines, in accordance with established reliability criteria, that the continued operation of the generating unit is no longer necessary for the

reliability of the Transmission System need not be continuous, and the Refund of Project Investment Reimbursement will continue regardless of ownership of the generating unit.

118A Recovery of Project Investment:

A Generation Owner or its Designated Agent shall be entitled to continue to recover its PI costs under Tariff, Part V, section 115 in situations where the Transmission Provider subsequently determines the generation unit is no longer needed for reliability of the Transmission System and the generating unit is deactivated prior to recovering its PI costs; provided however, that any PI cost recovery pursuant to this section shall be net of any PI reimbursements already credited to the Generation Owner to its Designated Agent pursuant to the APIR set forth in Tariff, Part V, section 115.

119 Cost of Service Recovery Rate:

Notwithstanding anything to the contrary in Part V of this Tariff, a Generation Owner with a generating unit proposed for Deactivation that continues operating beyond its proposed Deactivation Date may file with the Commission a cost of service rate to recover the entire cost of operating the generating unit until such time as the generating unit is deactivated pursuant to this Part V ("Cost of Service Recovery Rate"). In the event that the Generation Owner or its Designated Agent files a rate pursuant to this section 119, the Generation Owner shall not be eligible to receive Deactivation Avoidable Cost Credits, except as provided pursuant to this section 119, and PJMSettlement shall pay the Generation Owner the Cost of Service Recovery Rate accepted by the Commission commencing on the effective date established by the Commission for the rate. In the event the Generation Owner or its Designated Agent already is receiving Deactivation Avoidable Cost Credits, prior to filing an Cost of Service Recovery Rate, such Deactivation Avoidable Cost Credits will cease as of the date that the Generation Owner or its Designated Agent files its Cost of Service Recovery Rate, and PJMSettlement shall begin paying the Generation Owner or its Designated Agent the Cost of Service Recovery Rate accepted by the Commission commencing on the effective date established by the Commission for the rate.

A generating resource owner shall direct all inquiries regarding avoidable expenses to the Market Monitoring Unit. If a generating resource owner includes a cost component inconsistent with its agreement or inconsistent with the Market Monitoring Unit's determination regarding such cost components, the Market Monitoring Unit may petition the Commission for an order that would require the generating resource owner to include an appropriate cost component. This provision is duplicated in section IV.2 of Attachment M – Appendix.