



VIA ELECTRONIC MAIL

March 27, 2019

Ake Almgren, Chair
The PJM Board of Managers
2750 Monroe Blvd.
Audubon, Pennsylvania 19408

Re: Energy Price Formation

Dear Dr. Almgren and the PJM Board of Managers:

American Municipal Power, Inc. ("AMP") writes to express concern regarding the process and timeline for filing PJM's energy price formation changes with the Federal Energy Regulatory Commission ("FERC"), particularly given the lack of a finalized product and a rush to file.

As the Board is well aware, on December 5, 2018, the Board issued a letter outlining the components that a package needed to include and asserted that if consensus could not be reached by January 31, 2019, the Board would direct PJM management to make a 206 filing to implement the components on which no consensus had been reached.

Since that pronouncement, PJM has been scurrying to complete its own proposal to meet an artificial and self-inflicted deadline.

During the March 14, 2019 meeting dedicated to discussing PJM's proposal, PJM provided Operating Agreement language with nine different sections that were marked as "still under construction" and "thirteen different locations as yet to be determined" in accordance with the PJM Manuals." On the day before the meeting, PJM provided PowerPoint slides introducing "seven areas of the proposal that have evolved since the proposal was last discussed with stakeholders." (March 15, 2019 Inside Lines). Several of these evolutions were significant, including the removal of one of the Board's stated principal components, and PJM had an obligation to inform stakeholders of such fundamental changes prior to voting at either the January MRC or the special MC that was called to vote on the consensus proposal. During the meeting, PJM staff made clear that it was still crafting certain components of its proposal and that the Operating Agreement language presented to

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stakeholders was far from final. PJM staff also made clear that the manual language memorializing the components has not been drafted.

While we appreciate PJM's attempt to provide additional clarity to what PJM may actually file, we wish to bring to the Board's attention that such evolving details and considerations should have been allowed to occur within the stakeholder process, rather than be the product of two months of PJM independent activity, especially if PJM was working in good faith to develop a Section 205 filing. Had stakeholders been given this additional time, either in formal PJM meetings or informal discussions, there may have been an opportunity to agree on a section 205 filing. That this level of detail is still being developed should be a clear sign to the Board that PJM was no more prepared than the rest of the stakeholders to act within the Board's arbitrary deadline. Forcing a solution and an unrealistic deadline has resulted in PJM being forced to make a FPA section 206 filing rather than a 205 that could have resulted from a reasonably managed process. Additionally, leaving a number of important aspects of PJM's proposal to be determined in the PJM Manuals does not strike the appropriate level of granularity that should be included in the Operating Agreement. Not addressing these components of PJM's proposal fails to give stakeholders the opportunity to understand and provide feedback on PJM's proposed changes.

At the March 14th meeting, PJM staff stated that PJM will file this still-evolving proposal with the Commission by the end of the month. Given the lack of detail and incompleteness of PJM's proposal, it is clear that PJM is rushing these important changes to the energy market. Not only does this go-it-alone rush undermine the stakeholder process, it significantly raises the potential for design flaws that will negatively impact the market and require future stakeholder and PJM attention. Broad review of all aspects of market changes is one of the primary benefits of the stakeholder process; a benefit PJM staff seems disinterested in availing itself of. While PJM and stakeholders are often under tight timelines, that is not the case here. There is simply no need for PJM to rush ahead with this 206 process. We respectfully request the Board to pause and consider whether a 206 filing is in anyone's best interest.

We look forward to your reply.

On behalf of the Members,



Marc S. Gerken
President and CEO
American Municipal Power, Inc.