

**September 19, 2023**

**PJM Board of Managers:**

Mr. Mark Takahashi, Chair  
Mr. Manu Asthana  
Mr. Terry Blackwell  
Ms. Paula Conboy  
Ms. Jeanine Johnson  
Ms. Margaret Loebel  
Mr. David E. Mills  
Mr. O.H. Dean Oskvig  
Mr. Charles F. Robinson  
Ms. Vickie A. VanZandt

PJM Interconnection, LLC  
2750 Monroe Boulevard  
Valley Forge Corporate Center  
Audubon, PA 19403

**Subject: Finance Committee Recommendations**

The Finance Committee met on July 27, 2023 and again on August 31, 2023 to review the proposed PJM 2024 expense and capital budgets as well as the proposed 2024 budgets for OPSI, CAPS, Monitoring Analytics, and NERC/RFC as well as the 2024 Schedule 9-FERC and 9-MMU rates.

In addition, the Committee reviewed PJM's projected expenses and revenues for the remainder of 2023 through 2027, including the estimated rates. A presentation and review of the proposed capital projects for 2024 was made at the August 8, 2023 Planning Committee, the August 9, 2023 Market Implementation Committee, and the August 10, 2023 Operating Committee meetings.

**1. Proposed Expense Budget for 2024**

PJM has proposed an expense budget of \$365 million for 2024. This value exceeds the long-term projections discussed in the 2023 budget review and rates review processes discussed during 2021 by \$18 million. PJM staff and management stated the increase over the prior projection reflects the impact of several drivers including:

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- Transmission planning work related to FERC orders on regional transmission planning, new NERC standards, generator retirement analysis, and the complexity of the competitive window analysis.
- Focus on Capacity Market reform, reserve uncertainty, and the analysis for energy transition.
- The continued credit and risk buildout for market surveillance, expansion of Know-Your-Customer practices, and Enterprise Risk Management.
- Information technology lifecycle upgrade, data & analytics expansion, and cyber threat mitigation.
- Inflation levels remain at elevated levels.

The PJM Sector-Elected Finance Committee members appreciate PJM Management's efforts to control the company's expenses, transparency, and efforts to provide timely, accurate and detailed financial analysis for the committee.

For 2023, PJM Management proposed, and the PJM Board of Managers ("Board") approved, an expense budget of \$341 million. Current forecasts project PJM's actual expenses will be approximately \$341 million for 2023, which matches the original budget. The Sector-Elected representatives of the PJM Finance Committee recommend that the Board adopt the proposed 2024 expense budget while encouraging PJM Management to continue to seek and sustain cost-saving initiatives that enhance the efficiency, reliability, and effectiveness of PJM markets.

### **2. Proposed 2024 Capital Budget**

PJM has proposed a capital budget for 2024 of \$44 million. This budget is \$1 million lower than the 2023 budget. This aligns with the long-term projections discussed during the 2023 budget cycle and the projections reviewed in the rates discussions during 2021. The Sector-Elected representatives of the PJM Finance Committee recommend that the Board adopt the proposed \$44 million capital budget for 2024.

### **3. Proposed Schedule 9-FERC Rate for 2024**

PJM has proposed a Schedule 9-FERC rate of \$0.1346 per MWh of load for 2024 relative to PJM's projected transmission usage of 828 terawatt-hours for 2024. This represents a \$0.0408 per MWh of load increase from the current Schedule 9 FERC rate of \$0.0938 per MWh. The

Sector-Elected representatives of the PJM Finance Committee recommend that the Board adopt the proposed rate.

**4. Proposed Schedule 9-OPSI Rate for 2024**

The Organization of PJM States, Inc. (“OPSI”) presented its approved budget of \$1,136,000 for 2024. This represents a \$87,100 or 8.3% increase from the 2023 OPSI budget. Any OPSI budget increase in excess of 15% requires FERC review and approval. The proposed 2024 OPSI budget increase is below the FERC approval requirement identified in Schedule 9-OPSI. The Sector-Elected Representatives of the PJM Finance Committee received updates on OPSI’s proposed 2024 budget throughout the year and were given the opportunity to ask questions and comment.

**5. Proposed Schedule 9-CAPS Rate for 2024**

The Consumer Advocates of the PJM States, Inc. (“CAPS”) presented its budget of \$630,000 for 2024. This is an increase of \$20,538 or 3.4%. Any CAPS budget increase in excess of 7.5% requires FERC review and approval. The proposed 2024 CAPS budget increase is below the FERC approval requirement identified in Schedule 9-CAPS. The Sector-Elected Representatives of the PJM Finance Committee received updates on CAPS’ proposed 2024 budget throughout the year and were given the opportunity to ask questions and comment.

**6. Proposed Schedule 9-MMU Rate for 2024**

The 2024 Monitoring Analytics’ proposed budget is \$15.7 million, a \$0.5 million or 3.5% increase from the 2023 original budget and a \$1.6 million or 11.3% increase from the current projected costs for 2023. The budget increase is driven principally by employee compensation increases, technology spending and depreciation, offset by a decrease in non-employee labor. The Sector-Elected Representatives of the PJM Finance Committee received updates on Monitoring Analytics’ proposed 2024 budget throughout the year and were given the opportunity to ask questions and comment.

**7. Proposed Schedule 10 for NERC and RFC 2024 Budgets**

The NERC 2024 assessment to PJM members is proposed at \$14.1 million. The RFC 2024 assessment to PJM members is proposed at \$20.3 million. These amounts represent an

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increase of approximately 9.1% and 9.6%, respectively, from the 2023 budget for both the NERC and RFC assessments. The Sector-Elected Representatives of the PJM Finance Committee received updates on the proposed 2024 budget and were given the opportunity to ask questions and comment.

### **8. Comments**

The Finance Committee protocols continue to work well and foster collaborative efforts with PJM Management, the Board members, and the Sector-Elected Finance Committee representatives. This includes both the organization of the annual Finance Committee plan, the materials and presentation of information, additional responses to supplemental requests, independent financial analysis, and PJM's annual SOC 1 audits. The Finance Committee recommends continued focus on transparency and PJM Management's optimization of expenses and costs, consistent with the objective of PJM providing sound, reliable, efficient, and effective operations, while recognizing and adopting the potentially significant synergistic impacts of new technology deployment on the overall costs and effectiveness of PJM.

We would welcome the opportunity to meet with the Board, if requested, to explain these recommendations in more detail and would appreciate feedback from the Board regarding the effectiveness of these recommendations after the approval of the proposed 2024 budget by the Board. We stand ready to continue working with PJM management to make oversight by the Finance Committee as effective and constructive as required.

Sincerely,

Sector-Elected Representatives to the Finance Committee