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Andrew L. Ott
President and CEO
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October 15, 2018

OPSI President
Hon. John R. Rosales
The Organization of PJM States, Inc. (OPSI)
700 Barksdale Road, Suite 1
Newark, Delaware 19711

RE: OPSI Correspondence

Dear President Rosales,

Thank you for your letter dated September 26, 2018 sharing OPSI's interests and perspectives on PJM's capacity market proposal responsive to the FERC's June 29 Order.

PJM appreciates OPSI's support for a self-supply exemption for vertically integrated load-serving entities. In our October 2 filing, we proposed a MOPR exemption for public power and vertically integrated utilities. We have worked diligently to ensure that all states -- retail choice and traditionally regulated -- benefit from PJM's core functions of markets, system operations, and planning. OPSI can continue to expect our ongoing support for rules that respect diverse regulatory constructs that achieve the end goal of ensuring resource adequacy.

PJM also appreciates OPSI's constructive efforts to identify state-led solutions that utilize the competitive forces of the market to both achieve policy objectives and ensure resource adequacy. While the 'Competitive Carve-Out Auction' concept offers an alternative mechanism to the Resource Carve-Out, critical implementation details must be developed before it may be implemented. Resolution of such details is critical prior to any state's formal adoption of, or the ultimate implementation of, the proposal. It is not expected these details can be resolved in time for the 2019 capacity auction.

PJM commits to working with a team representing a cross-section of the interested states to more fully develop the proposal for the 2020 timeframe with opportunity for broader PJM stakeholder engagement. It will be important for this proposal to work for multiple states, so PJM encourages the states to participate in the work effort. We request the names and contact information for state representatives devoted to this effort be provided to Tim Burdis, manager of State Policy Analysis and Strategy (timothy.burdis@pjm.com). We intend to continue the dialog with the identified team.

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Last, PJM understands the general concern with electing to use the Resource Carve-Out before adequate resource compensation structures are established. Any transition plan proposed will need to be reconciled with FERC's findings that the existing PJM MOPR is unjust and unreasonable. PJM is open to dialogue on this point but would urge OPSI to ensure that any OPSI proposal in this area reconcile these competing goals.

Again, thank you for your letter. The PJM Board and I will be available to discuss these matters with OPSI representatives in attendance at the OPSI Annual Meeting this month or via conference call at another mutually convenient time.

Sincerely,

A handwritten signature in cursive script that reads "Andrew L. Ott".

Andy Ott