



March 6, 2020

PJM Interconnection
Mr. Manu Asthana, President and CEO
PO Box 1525
Southeastern, PA 19399-1525

Dear Mr. Asthana:

On behalf of East Kentucky Power Cooperative, Inc. (EKPC), I wish to congratulate you on your new role as President and CEO of PJM Interconnection, LLC (PJM) and to express that our team looks forward to working with you.

EKPC is a not-for-profit, member-owned generation and transmission electric cooperative regulated by the Kentucky Public Service Commission (PSC). We serve some of the most economically vulnerable communities in the Commonwealth. EKPC's mission, much like PJM's, is to serve its member-owned cooperatives by safely delivering reliable, affordable and sustainable energy and related services.

I write today to share with you the EKPC perspective regarding two significant policy developments. We urge your continued support on the first, and your caution on the second.

The first significant policy development is the Federal Energy Regulatory Commission's (FERC) Order ("the Order") issued in December 2019 on the Minimum Offer Price Rule (MOPR) in PJM's capacity market. The Order represents a significant departure from the policy that was in place, and on which EKPC relied, when it integrated into PJM in 2013. The ability to participate in the Reliability Pricing Model (RPM), with that market respecting the unique business model of electric cooperatives, was a key benefit that EKPC relied upon in presenting its case before the Kentucky PSC, demonstrating that the integration would be beneficial for Kentucky consumers. The Order poses a significant threat to those benefits.

Of paramount concern is the Order's elimination of the Self-Supply exemption for electric cooperatives by sweeping the business model of electric cooperatives into the definition of "State Subsidy." Our strong opposition drove us to join the National Rural Electric Cooperative Association (NRECA) in its filing to FERC as well as to file our own separate request for rehearing and clarification of the Order. We greatly appreciate PJM's advocacy in the request for FERC's reconsideration of the elimination of the Self-Supply exemption. We agree that FERC had no evidence to support the reversal of its previous determination that a Self-Supply exemption is just and reasonable. This exemption is absolutely essential for electric cooperatives, in that they utilize their own supply resources to hedge the price outcomes in the market and are not incented to utilize their assets to move the market price up or down. Moreover, according to guidance from the Kentucky PSC, EKPC is required to have sufficient generating resources to satisfy its peak load obligations for the over 1.1 million customers served by EKPC's sixteen owner-member distribution cooperatives. As a winter peaking utility, this requirement materially increases the long-

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term negative impacts of the Order on future resource planning, including planning for significant additions of sustainable resources.

The Fixed Resource Requirement (FRR) alternative does not provide the same benefit as direct participation in the capacity market. Additionally, as PJM acknowledged, the Order has the potential to fracture and balkanize the market. Such a result would negatively impact not just Kentucky consumers, but all consumers in the PJM region.

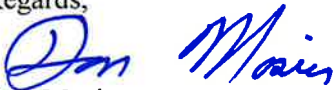
Understanding that PJM too may have been surprised by elements of the Order, EKPC has monitored PJM's public conversation on the subject. A key driver for changes to the MOPR is the evolution of state energy policies, including carbon-free or clean energy. This brings me to the second significant policy development I wish to highlight.

While there may be multiple paths to achieve state energy policy objectives, EKPC cautions PJM from leaning too far into a space where it would be advocating that a price on carbon is the answer to the conundrum of state energy policy objectives and the capacity market. EKPC was alarmed by statements from a PJM executive recently that urged such an answer. Although last week, we did hear more balanced comments from PJM representatives in the Carbon Pricing Senior Task Force.

We encourage PJM to continue striking the appropriate balance in engaging on this topic. Educational discussions and analytical assessments of potential price and emissions outcomes are appropriate uses of the PJM stakeholder process and of PJM resources. However, EKPC does not support PJM stepping into the advocacy space on policies that would have disparate impacts across its membership – and policies that go beyond PJM's mandate to ensure reliability using fair and efficient markets. Our industry is in a state of transition, and like many utilities, has embraced and adopted sustainability as a key strategic initiative. EKPC believes the diverse resource mix within PJM acts as an enabler for transitioning to lower carbon dioxide emission resources without putting reliable and reasonably priced energy in jeopardy. We are concerned that creating a financial burden to the resources that will enable the transition is premature, at best, and counter to, at worst, the missions of both PJM and EKPC.

We welcome discussion of these perspectives, as well as of the top challenges that you perceive from PJM's perspective, and we look forward to future collaboration as you lead PJM through a significant transition in our industry. EKPC will continue to be an available resource to you and plans to remain actively engaged in ensuring that you and your leadership team have the benefit of the unique perspective of electric cooperatives.

Regards,



Don Mosier
Executive Vice President and Chief Operating Officer

cc: PJM Board of Managers
Stu Bresler, Senior Vice President – Market Services