



Agreement Between PJM and Heritage Power Marketing, LLC, *et al.*

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Risk Management Committee
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On January 24, 2023, PJM Member Heritage Power Marketing, LLC (HPM), along with certain of its affiliates (collectively, Debtors), filed a Chapter 11 bankruptcy case in the United States Bankruptcy Court for the Southern District of Texas (Case No. 23-90032).

- The Debtors, 16 generation-owning entities and certain of their direct and indirect equity holders, are reorganizing through a Chapter 11 plan.
- The Debtors are assuming, as applicable, the PJM Operating Agreement, interconnection agreements, and ancillary service obligations in order to remain in PJM.
- PJM and HPM reached an agreement resolving HPM's Non-Performance Charges for the Performance Assessment Intervals relating to Winter Storm Elliott ("PAI Charges") in connection with HPM's assumption of PJM agreements.
- In bankruptcy, assumption of agreements by a debtor generally requires the debtor to satisfy, or "cure," all outstanding defaults.

- PJM’s entire asserted claim against HPM for PAI Charges is “allowed” (accepted for purposes of the bankruptcy case) without compromise.
- The “Cure Amount” – the amount HPM must pay in full – is equal to 60% of the total asserted claim amount.
- The Cure Amount will be paid in part through PJM’s retention and application of PAI bonus credit earned by HPM, which has been withheld by PJM during the bankruptcy case.
- The balance of the Cure Amount will be paid by HPM in cash.

- Cure Amount reflects a “Litigation Risk Adjustment” – a discount for resolving any and all objections HPM has raised or could raise with respect to the PAI, including a bankruptcy-specific argument that the PAI Charges are a form of penalty that, under a Bankruptcy Code exception, need not be cured as a requirement for assuming the PJM agreements.
- Balance of PJM’s claim for PAI Charges will be a general unsecured claim entitled to equal treatment with other general unsecured claims in HPM’s bankruptcy case.

Cure Amount expected to be satisfied in full before the end of 2023.

The Bankruptcy Court approved both this agreement and the Debtors’ Chapter 11 plan on October 4, 2023.

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Heritage Power Marketing Agreement



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