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Via Federal Express

June 8, 2005

Wendell F. Holland, President  
Organization of PJM States, Inc.  
Pennsylvania Public Utility Commission  
Commonwealth of Pennsylvania  
400 North Street  
Harrisburg, Pennsylvania 17120

Re: Memorandum of Understanding between PJM Interconnection, L.L.C. and the  
Organization of PJM States, Inc.

Dear President Holland:

On behalf of Phillip G. Harris, enclosed for your records is a fully executed copy of a Memorandum  
of Understanding between PJM Interconnection, L.L.C. and the Organization of PJM States, Inc.

Thank you for your assistance in the facilitation and execution of this document.

Very truly yours,

A handwritten signature in black ink, appearing to read 'F. John Hagele', written over a large, stylized 'F'.

F. John Hagele

Enclosure

DOCS #323406

CHAIRMAN'S OFFICE

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**MEMORANDUM OF UNDERSTANDING  
BETWEEN PJM INTERCONNECTION, L.L.C.  
AND THE ORGANIZATION OF PJM STATES, INC.**

This MEMORANDUM OF UNDERSTANDING (“MOU”), dated as of June 1, 2005, between PJM INTERCONNECTION, L.L.C. (“PJM”), which operates in accordance with requirements of the Federal Energy Regulatory Commission (“FERC”) as the Regional Transmission Organization for the PJM Control Area, and the ORGANIZATION OF PJM STATES, INC. (“OPSI”), the multi-regional organization of state utility commissions located in the PJM Control Area, defines an organizational structure to facilitate communication and, when appropriate, cooperative action among the undersigned parties on matters as to which each has substantial responsibilities so as to promote and protect the public interest in the provision of reliable and reasonably priced electric service within the PJM Control Area. To achieve this objective, the undersigned parties state and agree as follows:

**WHEREAS**, the Board of Managers of PJM is responsible under Section 7.7 (i) of the Amended and Restated Operating Agreement of PJM Interconnection, L.L.C., dated June 2, 1997, as amended (“PJM Operating Agreement”), to supervise and oversee all matters pertaining to PJM, including ensuring that PJM performs its duties and responsibilities in a manner consistent with (1) safe and reliable operations, (2) the creation and operation of a robust, competitive, and non-discriminatory electric power market in the PJM Control

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Area, and (3) so that no PJM Member or group of Members has undue influence over the operation of the PJM Interconnection; and,

**WHEREAS**, the current and future member Commissions of OPSI are responsible under their respective state laws to ensure that residents and businesses located in their states have access to safe, adequate, reliable and reasonably priced electric service; and,

**WHEREAS**, OPSI, as a collective organization of state commissions within the control area of PJM, and PJM, as Regional Transmission Operator share a mutual interest in the successful development, operation and monitoring of the wholesale electricity market which directly affects each state's retail end-users; and,

**WHEREAS**, PJM and OPSI agree that, to discharge their respective responsibilities efficiently and properly, it is important that they establish a mutually agreed upon protocol and organizational structure for communications and cooperation; and,

**WHEREAS**, PJM and OPSI have executed this MOU setting forth their current intent and understanding,

**NOW THEREFORE**, PJM and OPSI mutually agree and commit to the following:

1. OPSI has been established by the state public utility commissions of the states of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia, and the

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District of Columbia for the purpose of functioning as a liaison group to PJM, the PJM Board of Managers, and the PJM Market Monitor. OPSI intends, as an organization, and through the staffs of the member Commissions, to collect information, monitor markets and events, and to consider proposals related to the operations and functions of PJM which affect those member Commissions' responsibilities for reliability, safety, facility siting and reasonably priced electric service imposed by law upon member Commissions of OPSI.

2. The PJM Board of Managers will meet at least annually with OPSI to discuss matters of mutual interest and at such other times as may be mutually agreed upon. PJM will participate in periodic or *ad-hoc* meetings or conference calls with OPSI on a mutually agreed upon basis as may be requested by either OPSI or PJM. OPSI representatives will meet with PJM staff to discuss issues of mutual interest and to plan agendas for the joint meetings between OPSI and the PJM Board. The goal of such meetings and conference calls will be to increase communication on relevant topics of interest and to facilitate working relationships among the parties.

3. PJM shall promptly provide such information as requested by OPSI, or shall state in writing its basis for withholding such information.

4. OPSI and/or one or more of its Regional Interest Committees for the Mid-Atlantic, Western and/or Southern regions (as defined in its bylaws) may adopt, from time to time, proposals for consideration by PJM. PJM will consider such proposals, consistent with the provisions of the PJM Operating Agreement, the

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PJM Open Access Transmission Tariff (“PJM Tariff”) and the requirements of the Federal Energy Regulatory Commission.

5. Participation in OPSI by Member Commissions shall not preclude such Commissions from acting independently to take such action respecting matters covered by this MOU or otherwise, as may be permitted by each Commission’s responsibilities under its applicable state laws.

6. This MOU shall not preclude Member Commissions, or PJM, the PJM Board of Managers, or the PJM Market Monitor from acting independently to communicate, make proposals, or take other action respecting any matter covered by this MOU as may be permitted by applicable law or, regulation or by provision of the PJM Operating Agreement or the PJM Tariff.

7. PJM will provide funding to OPSI by and through a new FERC-approved schedule to the PJM Tariff pursuant to which OPSI shall submit an annual budget for each calendar year to PJM by no later than September 30<sup>th</sup> of the preceding year, and PJM, on a monthly basis, shall charge each customer using Point-to-Point and/or Network Integration Transmission Service of PJM an amount equal to the OPSI funding rate set forth in the FERC-approved schedule which charge shall be based on the total quantity of megawatt-hours of transmission delivered during said month by customers using Point-to-Point and/or Network Integration Transmission Service, as said terms are defined in the PJM Tariff.

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8. PJM will remit payments of funds received from each customer using Point-to-Point and/or Network Integration Transmission Service of PJM to OPSI on a monthly basis.

9. PJM understands that it does not have the right to direct the affairs of OPSI due to the mere fact that OPSI is receiving funding from PJM through a FERC-approved tariff.

10. Any disputes that arise between PJM and OPSI regarding this MOU, OPSI's budget or the applicable FERC-approved schedule to the PJM Tariff will be submitted to the FERC for resolution. The rights and obligations of the parties hereto will be governed by Delaware law without regard to its rules regarding conflicts of laws.

11. This MOU may be executed in any number of counterparts, each of which shall be an original but all of which together will constitute one instrument. The MOU shall be effective as to the parties that execute it upon the date of their signatures.

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IN WITNESS WHEREOF, the Parties have caused this MOU to be executed by their duly authorized representatives on the dates shown below:

PJM INTERCONNECTION, L.L.C.

By: Phillip G. Harris  
Phillip G. Harris, President and CEO

June 8, 2005  
Date

ORGANIZATION OF PJM STATES, INC.

By: Wendell F. Holland  
Wendell F. Holland, President

June 1, 2005  
Date