



Save these Dates!

PMEA Spring Superintendents/ Foremen Meeting
April 10 & 11, 2025 @ The Nittany Lion Inn, State College
Registration now open

PMEA Reception – June 2, 2025
@ PSAB Conference, Cocoa 4&5, Hershey Lodge
Details coming soon – Reception begins @ 5:00 pm

PMEA 2025 Annual Conference – September 3 – 5, 2025
Omni Bedford Springs, Bedford

PMEA Business Workshop
– September 3, 2025 @ Omni Bedford Springs, Bedford

2025 Training for Line Crews –
Registration will open prior to each course

URD/ Splicing
March 20 & 21 - Grove City
March 24 & 25 - Chambersburg
March 26 & 27 - Lansdale

Job Briefings & Analysis
August 7 & 8 - Grove City
August 11 & 12 - Chambersburg
August 13 & 14 - Lansdale

Metering
May 12 & 13 - Grove City
May 19 & 20 - Chambersburg
May 21 & 22 - Lansdale

Team Building
October 16 & 17 - Grove City
October 20 & 21 - Chambersburg
October 22 & 23 - Lansdale

PJM Lawsuits: What's All the Fuss About?

*By: PMEA Solicitor G. Bryan Salzman, Esquire &
Matthew T. Boyer, Esquire of Salzman Hughes, P.C.*

By now, PMEA members are likely aware that the results of PJM Interconnection, LLC's ("PJM") 2025/2026 capacity auction in July 2024 resulted in an unprecedented jump in capacity prices from about \$2 billion to \$14.7 billion. In response, a number of complaints have been filed against PJM with the Federal Energy Regulatory Commission ("FERC") to challenge PJM's capacity market auction rules as unjust and unreasonable. The first such complaint, filed by Sierra Club, Natural Resources Defense Council, Public Citizen, Sustainable FERC Project, and Union of Concerned Scientists (collectively "Sierra Club") on September 27, 2024, asserts that PJM's rules fail to account for the resource adequacy contributions of Reliability Must Run units in the capacity auction. Sierra Club argues that PJM's capacity market unnecessarily costs consumers billions of dollars and imposes the greatest costs on disadvantaged communities that already bear the highest energy costs in the country.



The issue raised by the Sierra Club Complaint involves a supply and demand construct concerning the specific electricity transmission capacity supply that PJM includes in its calculations to offset demand. Specifically, PJM can require electricity generation units that are proposed to be retired to be maintained as a source of emergency power, while that generation capacity is not correspondingly included in the supply and demand construct that determines electricity pricing for consumers. Arguably, this construct skews pricing because it reduces the actual amount of capacity available in relation to the demand for that capacity, and thereby artificially inflates wholesale electricity prices in the auction market.

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PJM Lawsuits (continued)

The Sierra Club Complaint seeks to require PJM to include this emergency capacity in the supply side to alleviate the artificial price inflation created by the perception that less capacity is available than that which does exist. Many intervenors who have filed Comments with FERC agree with the basic premises raised in the Complaint. Others vehemently disagree with Sierra Club's assertions. Meanwhile, PJM believes that its market construct is just and reasonable and that Sierra Club ignores other complex issues that drive PJM's current supply formula. In any event, FERC has granted PJM's Motion to Delay the 2026/2027 Base Residual Auction ("BRA") that was scheduled for December 2024, and subsequent auctions through the 2029/2030 BRA for six months each to provide an opportunity for FERC to address the issues involved and give the market a reprieve from further price increases that could result either from those issues raised or simply from the uncertainty introduced by the assertions raised in the Complaint. Other similar complaints have been filed against PJM by various state joint consumer advocates.

On December 30, 2024, Governor Josh Shapiro and the Commonwealth of Pennsylvania filed a Complaint with FERC against PJM, which is distinct from the Sierra Club and joint consumer advocates complaints as it specifically addresses PJM's method for calculating the capacity auction price cap (also described as the top point on the Variable Resource Requirement curve or "VRR" curve). That price cap exists to ensure that the market does not exceed prices needed to incentivize a supply response.

The Commonwealth argues that PJM's use of the highest ever multiple of the Net Cost of New Entry ("Net CONE") produces a very steep VRR curve that will fail to elicit the intended supply response. This results primarily from the interconnection queue delays preventing new entry and compressed auction schedules. The Commonwealth explains further that recent market changes have undermined the assumptions on which the PJM's market design is based. Following 30 years of flat load growth new demand has been exponentially increasing. Sticking with PJM's market design based on outdated assumptions undermines its intended reliability and predictability by producing inflated pricing without any corresponding benefit. These trends prevent the market from responding to elevated price signals no matter how high they rise. The Commonwealth maintains that a price cap reduction is required to ensure proper market function and to protect consumers against inflated costs and requests that PJM be directed to reduce the price cap by lowering its multiplier from 1.75 times Net CONE to 1.5 times Net CONE until a new demand curve is established by the ongoing Sixth Quadrennial Review.

The decisions FERC makes in resolving these complaints will determine how the market responds and the resulting cost to consumers in future BRAs. For now, the upcoming capacity auctions have been delayed for six months each, which will provide a cooling-off period and ensure that prices do not immediately increase further. Nonetheless the market uncertainty will likely persist until the interconnection backlog is alleviated and new resource entry can stabilize capacity market prices. All of this comes at a time when there are unparalleled peak loads for winter electricity demand. PJM announced a record-breaking 145,000 MW peak load on Wednesday, January 22, 2025, in a region that is reportedly growing at an unprecedented pace.



A Preview of the 2025-26 Legislative Session

By Joe Uliana, Managing Principal, J.M. Uliana & Associates

On January 7th, the Pennsylvania General Assembly began the 2025-26 legislative Session with the swearing in of new Members. While the 2024 election brought some important and historic changes to Pennsylvania, with Republicans sweeping all the statewide offices for the first time. Continuity reigned in the state legislature. The State Senate is still controlled 28-22 by Republicans, the state House stayed in Democrat hands by the same 102-101 margin it was last Session, and the leaders in both chambers also remained unchanged.

The legislative agenda for the Session is expected to focus on energy, regulation and taxation of skill machines, transportation funding and the state budget. These priorities are not new, but the need for action on each is getting more urgent.

Being providers of electricity, PMEA members are acutely aware of the impact of the PJM's capacity auctions on electricity prices. Some experts are saying that without major changes, the 2026/27 capacity auction could increase electricity costs by \$20.4 Billion. Republicans in the Senate are pushing to repeal the Regional Greenhouse Gas Initiative (RGGI) imposed by Governor Wolf as a way to reduce electric costs. Governor Shapiro has weighed in by filing a complaint at the Federal Energy Regulatory Commission requesting changes to the PJM auction process to reduce costs. Other legislators are looking to increase Pennsylvania's generation capacity to reduce prices.

Over the past six years, there has been a proliferation in the electronic skill machines found at retail locations across the Commonwealth. Presently, these gambling machines are not regulated or taxed. This costs the Commonwealth hundreds of millions of dollars each year in lost tax revenue and leaves these gambling machines without any government oversight. A key group of Senators is planning to introduce legislation early this Session to change this. Their bill would tax these machines and regulate them. The details are still being worked out, but if approved this could mean hundreds of millions to the state's Treasury and oversight to prevent gambling abuses.

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Session Preview (continued)

Pennsylvania has more roads and bridges than New York, New Jersey, and all the New England states combined. Our large road system stresses the state transportation budget. PennDOT estimates that their annual transportation budget shortfall is around \$9.4 billion. In addition to these highway transportation needs, the funding source for mass transit in Pennsylvania has expired and needs to be replaced. This will require hundreds of millions in new revenue.

Greater highway funding and the need to find a new source of mass transit funding is uniting legislators from urban and rural communities to work together to explore ways to increase levels of state support for transportation.

The state budget is always a top item on the legislative agenda. While the state's balance sheet may look good today, the Commonwealth budget will rely on over \$3 Billion of the state's \$6.6 billion General Fund surplus to balance the \$47.598 Billion FY 24-25 budget. Future budgets will need to use the remaining General Fund money and \$7 Billion Rainy-Day Fund to bring them into balance. The state could exhaust these two pots of funding within three budgets, leaving a large gap between expenditures and revenues. It will be interesting to see how Governor Shapiro handles these fiscal issues when he announces his budget on February 3rd.

Over the next two years, watch these issues in Harrisburg. They will occupy the news and the legislative activity.

New Chapter for Lehighon Light & Power

In December 2024, long time Light & Power Superintendent Lonny Armbruster retired after 40-1/2 years with the Borough of Lehighon. PMEA extends its congratulations to Lonny for his outstanding service and commitment to Lehighon and public power.

Vice Superintendent, Barry Fisher, accepted an offer from Borough Council to fill Lonny's position. Barry has been with the Borough since 2007. PMEA welcomes Barry to his new role and looks forward to working together to support Lehighon's crew and future public power needs.



30 Stakeholder Comments Received by PA PUC on Adequacy of Electricity Supplies

The Public Utility Commission received thirty comments from a wide range of stakeholders on the issue of the adequacy of electricity supplies in Pennsylvania as a follow-up to the Commission's technical conference in November.

PUC Questions

The PUC's Technical Conference asked panelists and stakeholders to address three issues--

- What are the right mix of resources and how do we get them online? Will effective load carrying capacity (ELCC), properly designed, accomplish this?
- How do we facilitate completion of the construction of those generation resources?
- What can the PUC do to ensure resource adequacy for electric distribution customers?

Stakeholder Comments

Copies of stakeholder comments are posted online at [Docket No. M-2024-3051988](#). Here are just a few examples--

The **Natural Resources Defense Council** submitted comments included--

- Increasing Natural Gas Power Plant Reliability To 90-95% Would Mean No Imminent Capacity Problem. In 2025/26, PJM will have barely enough capacity to keep the risk of blackouts during extreme winter weather to an acceptable level. This scarcity will raise capacity costs from \$2 billion to over \$14 billion per year.
- If PJM could rely on its gas fleet to perform at 90 – 95% reliability during winter storms, there would be no imminent capacity problem.
- Raising their reliability value to an entirely achievable 90% would add 12.2GW of capacity to the system, saving billions of dollars over the next few years and delaying resource adequacy shortfalls until 2028.
- Critically, this buys PJM and project developers much-needed time to process the interconnection queue and build the storage, wind, and solar resources that will keep the system reliable well into the 2030's.

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Stakeholder Comments (*continued*)

These are all very solvable problems:

- PJM and Pennsylvania should work together to ensure full compliance with rigorous weatherization standards at power plants.
- Gas plants with liquid fuel backup are among the most reliable performers during winter storms. The legislature should consider actions to strongly encourage dual fuel upgrades at existing gas plants.
- NRDC argues that rapid investment in the reliability of the existing gas fleet is a highly cost-effective way to address resource adequacy issues in the short term and should be fully explored before considering green-field investment in new power plants or gas infrastructure.
- The electricity supply situation in PJM is precarious, and if not managed carefully will cost tens of billions of dollars and risk life-threatening winter power outages.

The **Energy Association of Pennsylvania**, representing electric and natural gas utilities, recommended--

- Conduct an Integrated Resource Assessment to identify and address generation shortfalls.
- Leverage Default Services Plans and other filings to enable proposals that will enhance resource adequacy.
- Address ancillary issues, including the limitations of intermittent resources and the impacts of large single-point loads.
- Encourage innovation and forward-looking resource planning to ensure Pennsylvania remains a leader in electric reliability and affordability.
- Set clear and realistic timelines for any required action on the part of utilities, which account for existing timelines set for acquiring generation and building infrastructure.

Glen Thomas, former Chair of the Public Utility Commission, said--

- **Stay Committed to Markets:** Establishing competitive markets was not an easy task and there have been ups and downs since 1996. Pennsylvania consumers paid billions of dollars in stranded costs to treat utilities fairly for the investments that were made in generation that would not have been recoverable in a competitive market.
- **Be Vigilant Without Being Hasty:** Markets by their nature are cyclical. There are ebbs and flows, highs, and lows. The key to successfully navigating them is allowing them to work as intended and history has proven they will.
- **Get Smart on Load Growth:** The PUC could play a very important role in improving the way load growth information is collected and processed. Specifically, the Commission could direct the Bureau of Audits to investigate and report on the load forecasting practices of Pennsylvania's EDC [electric utilities]. They could identify best practices and make recommendations to the Commission.
- **Get Smart on PJM Issues:** A big reason we are facing the challenges we face today is because PJM advanced and FERC approved policies that drove prices below competitive levels and drove resources off the system. Without going into details, between 2020 and 2023, market harming changes were made to the Minimum Offer Price Rule (MOPR), the Market Seller Offer Cap (MSOC) and the VRR Curve reference unit and parameters.
- Pennsylvania needs to be at the table and a loud voice in these discussions advocating for competitive market signals-- not signals that are artificially high or low because of policies that are disruptive to the market.

Sources: PA Environment Digest and PUC website.

Power Course Available

PMEA's Public Power Governance 101 educational video is available to all member municipalities. The course is designed for elected officials, staff, and stakeholders in Pennsylvania's 35 public power communities. This comprehensive module offers invaluable insights into the management and operation of municipal electric systems.

PUBLIC POWER
GOVERNANCE 101



Individuals completing the course may request a certificate of completion from PMEA. Borough councils may want to watch the video together and discuss the topics. PMEA staff is also available to come to your meetings to discuss the content with the council and/or staff. If you are interested in viewing the course, please contact Diane Bosak (bosak@papublicpower.org) at the PMEA office, for a private link to the video on our PMEA YouTube channel.

Share Your News....

Please share with us your exciting new projects, photos, personnel updates, and any other news you want to spread the word about. We know there is much happening in our member communities! Your submissions should be sent to bosak@papublicpower.org at any time and we will use them in upcoming editions. We also welcome your suggestions for topics of interest for our newsletters.