

relevant information that will assist the Commission in its decision-making process,⁴ corrects factual inaccuracies and clarifies the issues,⁵ assures a complete record in the proceeding,⁶ provides information helpful to the disposition of an issue,⁷ or permits the issues to be narrowed.⁸

This Answer to Answer satisfies each of these criteria, and PJM therefore respectfully requests that the Commission grant leave and accept this Answer to Answer.

II. ANSWER

Despite Hill Energy's claims to the contrary, PJM fully responded to the Commission's Deficiency Notice. Hill Energy continues to ignore the fact that PJM's determination to seek permanent termination of Hill Energy as a PJM Member is the result of Hill Energy's defaults for: (i) failing to adhere to PJM's creditworthiness standards and credit policies three times during a 12 month period; and (ii) failing to make payments when due at least twice (and, in fact, five times) during a 12 month period.⁹ Hill Energy failed to make these payments in January and February of 2022, despite having requested and received in December of 2021 withdrawals from PJM totaling almost \$19 million. As a result of these defaults, PJM followed the Tariff and Operating

⁴ See, e.g., *Pioneer Transmission, LLC v. N. Ind. Pub. Serv. Co.*, 140 FERC ¶ 61,057, at P 94 (2012) (accepting answers that "provided information that assisted us in our decision-making process"); *Tallgrass Transmission, LLC*, 125 FERC ¶ 61,248, at P 26 (2008) (accepting answer in proceeding that "provided information that assisted us in our decision-making process"); *Midwest Indep. Transmission Sys. Operator, Inc.*, 120 FERC ¶ 61,083, at P 23 (2007) (permitting answer to protests when it provided information that assisted the Commission in its decision-making process).

⁵ See, e.g., *Entergy Servs., Inc.*, 126 FERC ¶ 61,227, at P 76, *order on clarification & reh'g*, 127 FERC ¶ 61,225 (2009).

⁶ See, e.g., *Pac. Interstate Transmission Co.*, 85 FERC ¶ 61,378, at 62,443 (1998), *order on reh'g*, 89 FERC ¶ 61,246 (1999); see also *Morgan Stanley Cap. Grp., Inc. v. N.Y. Indep. Sys. Operator, Inc.*, 93 FERC ¶ 61,017, at 61,036 (2000) (accepting an answer that was "helpful in the development of the record").

⁷ See, e.g., *CNG Transmission Corp.*, 89 FERC ¶ 61,100, at 61,287 n.11 (1999).

⁸ See, e.g., *PJM Interconnection, L.L.C.*, 84 FERC ¶ 61,224, at 62,078 (1998); *New Energy Ventures, Inc. v. S. Cal. Edison Co.*, 82 FERC ¶ 61,335, at 62,323 n.1 (1998).

⁹ Pursuant to Operating Agreement, section 15.1.6(c), if during any rolling 12 month period a Member fails to make timely payments when due twice, or adhere to any of its credit obligations to PJM three times, then its membership "shall be terminated" in accordance with Operating Agreement, section 4.1(c).

Agreement procedures and requirements, including filing to terminate Hill Energy's membership.

A. PJM Complied with the Commission's Request to Provide the Details of the Collateral Calls to Hill Energy

Hill Energy alleges that "PJM's response to the Commission's Deficiency Letter lack sufficient explanation and supporting detail to justify terminating Hill Energy's membership in PJM."¹⁰ Notwithstanding this allegation, PJM fully complied with the Commission's Deficiency Notice requests.

In the Deficiency Notice, the Commission requested that:

*PJM provide the details of the Collateral Calls to Hill Energy, including the Restricted Collateral Call. Specifically, please provide the dates of those calls, the amounts, and the methodology used to develop those amounts, and the tariff provisions PJM relied on in making those determinations.*¹¹

The specific information requested including the dates of the Collateral Calls, the amounts, the methodology used to develop those amounts, and the applicable Tariff provisions used by PJM were included in Attachment A to PJM's February 13 Responses. Attachment A specified that the methodology used to determine the \$17,000,000 Collateral Call was based on Tariff, Attachment Q, section II,E.8 contrary to Hill Energy's claim that PJM provided no information on the methodology employed.¹² Attachment Q, section II,E.8 sets forth the methodology and procedure under which PJM determines whether a Market Participant poses an unreasonable credit risk to any PJM Markets. PJM followed Attachment Q, section II,E.8 which applied to Hill Energy's Collateral Call and subsequent Default.

Therefore, the February 13 Responses together with the information already submitted by PJM in this proceeding establishes that PJM was required by the Operating Agreement to seek

¹⁰ March 2 Answer at page 2.

¹¹ Deficiency Notice Request No. 1.

¹² March 2 Answer at page 3.

permanent termination of Hill Energy as a PJM Member as a result of Hill Energy's defaults for: (i) failing to adhere to PJM's creditworthiness standards and credit policies three times during a 12 month period; and (ii) failing to make payments when due at least twice (and, in fact, five times) during a 12 month period.

B. PJM's February 13 Responses Addressed the Commission's Request to Explain why Tariff, Attachment Q, Section VI.C.7 is Inapplicable to Hill Energy's Defaults

Hill Energy makes 2 inaccurate statements in the March 2 Answer. First, Hill Energy claims that "PJM fails to justify its reliance on section 15.1 of the Operating Agreement, and Attachment Q, section IX of the Tariff, instead of the specific FTR default provisions set forth in Attachment Q, section VI.C.7."¹³ Second, Hill Energy states that "PJM acknowledges that the January 10, 2022 Collateral Call was based on a calculation of Hill Energy's FTR Credit Requirement for its Mark-to-Auction Value."¹⁴ Both statements are not accurate.

In response to the first allegation, the February 13 Responses provided a full and complete explanation to the Commission on why Tariff, Attachment Q, section VI.C.7 is inapplicable to Hill Energy's Defaults, and how PJM determines which provisions are applicable.¹⁵ While Hill Energy writes several pages on this issue, their arguments twist how the Mark-to-Auction Tariff rules work in an attempt to apply them to Hill Energy's collateral calls when in fact they are not applicable. As explained in the February 13 Responses:

Tariff, Attachment Q, section VI.C.7 deals narrowly with posting sufficient collateral to support FTR bids in FTR auctions (which was not the case here). The applicable provisions in this case are Operating Agreement, section 15.1, and Tariff, Attachment Q, section IX which apply to Member and Market Participant's breaches and defaults. Hill Energy was not participating in the January 2022, or February 2022 monthly FTR auctions. The last auction in which Hill Energy submitted bids was the FTR auction

¹³ March 2 Answer at pages 3-4.

¹⁴ March 2 Answer at page 4.

¹⁵ February 13 Responses at pages 2-3.

conducted in December 2021. Therefore, Tariff, Attachment Q, section VI.C.7 cannot be applied to Hill Energy's January 2022 Credit Defaults and the applicable breach and default provisions are Operating Agreement, section 15.1, and Tariff, Attachment Q, section IX.

As for the second allegation that "PJM acknowledged that the January 10, 2022 Collateral Call was based on a calculation of Hill Energy's FTR Credit Requirement for its Mark-to-Auction," PJM made no such acknowledgement. As stated above, PJM provided an explanation as to why those provisions were not applicable to Hill Energy's Collateral Defaults.

III. CONCLUSION

PJM respectfully requests that the Commission accept this Answer to Answer and the Hill Energy Termination Filing, effective January 17, 2023, as requested.

Respectfully submitted,

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March 17, 2023

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Audubon, PA, this 17th day of March 2023.

/s/ Steven R. Pincus

Steven R. Pincus