

APPENDIX B

Escrow Account Strawman

From Section 8.

The Commission hereby shall establish a non-bypassable cost recovery mechanism pursuant to PUA § 7-1226 under which costs shall be recovered either through (i) a distribution rider on electric companies' customer bills, or (ii) a supply charge applied by retail electric suppliers or by electric companies for default supply service to ensure the timely and full payment of all ESCC price schedule obligations. This cost recovery mechanism shall remain in effect for the duration of the ESCC price schedule unless suspended or terminated pursuant to Commission decision to other conditions expressly provided herein.

From Section 10. Relationship Between the Project, the Escrow Administrator, and Electricity Suppliers¹

- A. There will not be a contract between the Project, the Commission, Electric Companies or Electricity Suppliers, but all terms and conditions are governed by this Order.
- B. The RFP for the Escrow Administrator contract and selection shall be established jointly by the Maryland Electric Companies. An Escrow Administrator with sufficient financial resources to properly administer its

¹ Since no zonal allocation has been specified in statute, this agreement has been developed to reflect an allocation to all Maryland customers and this allocation does not reflect differences in zonal clearing prices. The Maryland Joint Exelon Utilities ("MJEU") questioned if the intent of this program is to have all Maryland customers purchase ESCCs or is it the intent for only customers located in the Zone where the storage resource has a PJM capacity obligation? MJEU further questions if language should be included about the potential for PJM capacity market resource clearing price differences, which would impact the amount the ESCC? For example, if the BGE Zone separates from SWMAAC or MAAC or Rest of RTO, should BGE customers receive the BGE Resource Clearing Price as an offset? Workgroup Leader Response: PUA § 7-1226A(1)(ii) only specifies "that each electricity supplier shall be responsible for purchasing storage capacity credits at the monthly fixed price schedule proportional to the electricity supplier's capacity obligation."

responsibilities and minimize the risks associated with a default shall be jointly selected by the Maryland Electric Companies in consultation with the Commission.

- C. The Escrow Administrator as the central settlement agent is responsible for all invoicing and payment collection and shall manage the receipt and distribution of capacity revenues from PJM and payments through the Escrow Account as follows:
- (i) The Escrow Administrator will receive payment of the ESCCs monthly from the Electricity Suppliers or their Central Agent in an escrow account (the “Escrow Account”) and will in turn pay the Project based on the ESCC Price Schedule in Section 7.
 - (ii) The Project shall submit monthly invoices for ESCC Payments to the Escrow Administrator as follows:
 - (a) invoices can be submitted within the first five business days of each calendar month after the month in which capacity is delivered to PJM;
 - (b) each invoice must state the number of ESCCs created by the Project for the period and include PJM statements confirming the nameplate capacity for the ESCC Delivery Year and Class-Average ELCC for the applicable storage duration, and specify the dollar amount due; and
 - (c) each invoice shall include the name of the Project, remittance address, federal taxpayer identification number, invoice date, invoice number and invoice period starting at the 1st of the month through the end of each month.
 - (iii) The Escrow Administrator is responsible for verifying the accuracy of invoices for ESCC Payments by comparing them with PJM statements and may request additional information if needed, such as access to the Project’s PJM Subaccount used to settle the PJM Capacity Credits billing line item. However, any such access shall be limited to information reasonably necessary for such verification and shall not extend to any other units, plants, projects, or activities not subject to this Agreement.
 - (iv) If an invoice is accurate, the Escrow Administrator shall approve and provide payment within 10 business days. If there are errors, the Project shall be informed to correct them before payment. The Escrow Administrator will withdraw and apply funds from the Escrow Account to pay ESCC Payment invoices.

- (v) The Commission shall require Electricity Suppliers by Order to provide the Escrow Administrator with updated Electricity Supplier information in accordance with the PJM seasonal capacity schedule in order to establish the Electricity Supplier's capacity obligation which shall apply to both Standard Offer Service ("SOS") and retail choice Electricity Suppliers.
 - (a) A Non-bypassable Distribution Charge ("NBC") shall be applied to all electric customers to ensure equitable cost recovery.
 - (b) The electric companies shall determine a Central Agent to procure ESCCs on behalf of all retail suppliers, ensuring a single recovery pathway through the NBC and to reduce the risk of double billing.
 - (vi) The Escrow Administrator will invoice Electricity Suppliers or the Central Agent² monthly for ESCC purchases, and determine the amount invoiced based on ESCC Payment Rate, electricity sales data,³ the Electricity Supplier's capacity obligation and authorized ESCCs. The Commission Electricity Supplier's capacity obligation for purchasing ESCCs is based on the Electricity Supplier's share of PJM-assigned Zonal Peak Load Contribution ("PLC").
 - (vii) Electricity Suppliers or the Central Agent must pay invoices for ESCC purchases within 10 business days. Late payment notices are issued within 3 business days of the due date, and if payment isn't received within 10 business days, the matter is referred to the Commission. Late payments incur a compounded quarterly fee based on the average prime rate.
 - (viii) The Escrow Administrator shall submit annual reports on invoices for ESCC Payments and purchases, Escrow Account current balance, and delinquent ESCC purchasers to the Commission and to the Project.
- D. The Escrow Administrator shall manage the receipt and distribution of miscellaneous debits and credits through the Escrow Account as determined by the Commission including, but not limited to, recurring Escrow Administrator contract costs, any PJM related credits or charges as described herein or any penalties levied by the Commission in accordance with its Civil Penalty provisions of Title 13, Subtitle 2 of the Public Utilities Article of the Maryland Code.

² MJEU made a recommendation for a Central Agent, the details of which still need to be explored further between RESA and the utilities.

³ MJEU questions that since the Storage Resource will be credited by PJM on a \$/MW-day basis for capacity each month, what if the Electric Companies (acting as Central Agents) developed a non-bypassable surcharge based on the customer's individual capacity Peak Load Contribution (PLC) value instead of based on electricity sales that are presumably based on MWh?

- E. Energy and ancillary services revenues shall not be transmitted to the Escrow Account by the Project.
- F. The Escrow Administrator shall perform an annual true-up mechanism and produce and retain sufficient records in sufficient detail as required by an independent auditor to be approved by the Commission to ensure transparency and accuracy in escrow account reconciliations.
- G. The Escrow Administrator shall establish a clear process for dispute resolution governing the commercial relationship between the project, the Escrow Administrator and Electricity Suppliers. All final determinations by the Escrow Administrator may be appealed to the Commission.
- H. Good Faith Negotiation; Governing Law.⁴ Before filing any action in court or initiating any Commission proceeding, the Parties shall make a good faith, non-binding effort to reconcile any dispute arising under this Agreement. At either Party's request, such effort shall include a meeting between senior executives (Vice President level, or equivalent) within 30 calendar days of written notice of the dispute. This Agreement shall be governed by and construed in accordance with the laws of the State of Maryland without regard to conflicts of laws principles. If the Escrow Administrator disputes any portion of an invoice, the Escrow Administrator shall pay the undisputed portion within the 10-business-day period, provide written notice identifying the specific line items in dispute and the factual basis within 5 business days of receipt, and resolve the dispute in good faith within 30 calendar days of such notice.
- I. The Project and all Electricity Suppliers shall update their contact information with the Escrow Administrator promptly for any changes to entity name; entity contact person name, email address and phone number; remittance address and federal taxpayer identification number.

⁴ MAREC Recommended Addition - See Article 18 (Additional Provisions) from NYSERDA ISC Standard Form Agreement. See Article 11 (Government Action) from Illinois Index Storage Credit Contract.