

PHIL MURPHY
GOVERNOR

SHEILA OLIVER
LT. GOVERNOR

State of New Jersey
BOARD OF PUBLIC UTILITIES
44 South Clinton Avenue, 3rd Floor, Suite 314
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/
(609)777-3300

Joseph L. Fiordaliso
President

Tel: (609)777-3311
Fax: (609)292-2264

Mary-Anna Holden
Commissioner

Dianne Solomon
Commissioner

Upendra Chivukula
Commissioner

Bob Gordon
Commissioner

July 5, 2019

PJM Board of Managers
c/o Ake Almgren, Ph.D., Chairman
2750 Monroe Blvd
Audubon, PA 19403-2497

Re: PJM President and Chief Executive Officer Search

Dear Dr. Almgren:

As President of the New Jersey Board of Public Utilities, we sincerely appreciate the invitation from the Executive Search Committee to provide feedback on the selection of PJM's next President and Chief Executive Officer. In evaluating potential candidate for the CEO position, we suggest that the Search Committee focus on candidates that bring:

- A fresh perspective from *outside* the existing organized RTO or ISO environment.

The ideal candidate must be seen as a fair and neutral arbiter for various stakeholder interests. We think this is best served by prioritizing candidates from outside of the existing PJM ecosystem. While familiarity with the energy industry is useful, we also recommend that the Search Committee avoid candidates from other RTOs/ISOs, given that the management of those organizations have struggled to balance the oft-conflicting views of State and Federal regulators.

- Willingness to engage in creative problem-solving.

The main challenge the next PJM CEO will face is marrying PJM's laser-focus on competitive markets and reliability with the desire of States to address the imperatives of climate change through State public policies. Too often there is a false narrative that PJM's concerns about reliability and economic efficiency must be pitted against States' efforts to address global climate change. Instead, we suggest that the new PJM executive team should focus on harnessing the enormous power of the PJM competitive market to drive the outcomes that State customers demand and that our statutes require.

- Experience in driving systemic change through organizations experiencing tectonic shifts in their mission.

As a result of technology advancements, disruptive innovation, and State policies, PJM stands at the precipice of transformational change in the energy industry. Proposed energy and capacity market overhauls continue to intertwine with varied State policy and intense political pressure. To ensure steady leadership through the imminent energy transition, the successful candidate should possess documented experience leading organizations through times of substantial transition. We recommend that the Search Committee focus on finding a candidate that has a demonstrated experience managing organizations through technological or regulatory disruption.

In a more tangible sense, we recommend that the Search Committee work to identify candidates capable of driving two (sometimes conflicting) policy agendas at the same time; this experience will ensure PJM's best-in-class management of *today's* electric grid and vigorous planning for the needs of *tomorrow's* electric grid. Virtually everyone agrees that the grid of the future is going to look substantially different. How would the new CEO get us there? The right candidate may not have all the answers, but should be able to articulate a clear and demonstrated framework for getting to those answers.

- Willingness to represent the interests of the PJM states over operational expediency.

The ability for PJM to constructively work across market seams with other ISOs and RTOs is necessary for our shared mission of reliability. However, the sense from New Jersey (as well as other States we speak with), is that PJM management too often elevates a desire for comity with its sister ISOs and RTOs over representing the public interests of its own constituent States. This issue is particularly important to States like New Jersey, which sit directly on the seam between PJM and the New York Independent System Operator, and which have been responsible for fully one-third of all PJM transmission costs allocated over the past 15 years. We are looking for a management team that will prioritize the public interests of PJM States over expediency.

- Ability to meaningfully engage with State Boards and Commissions.

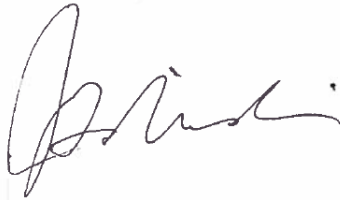
We would ask the Search Committee to focus on locating a candidate willing to forge partnerships and engage in regular communication with State regulators and policymakers. Too often, we observe, PJM management seeks our engagement, but then disregards our input. Without these key partnerships with States, PJM will routinely find itself at odds with key stakeholders representing the public interest. By seeking a candidate from the outside, we hope that the Committee is able to locate a candidate who is not jaded by the stakeholder process, but genuinely excited about seeking input from all stakeholders.

We sincerely hope that the successful candidate favors a style of personal, engaged communication to address the most contentious issues facing the PJM stakeholder community. A measured, collaborative approach may change the tenor of the debate, and promote a more inclusive environment open to creative and consensus-based problem solving.

- Experience in the energy industry does not require detailed subject matter expertise.

We encourage the Search Committee to focus on a candidate with a demonstrated ability to lead high-profile organizations over detailed subject matter expertise. PJM has a myriad of experts, but needs only one leader. This new leader should harness the substantial power of PJM to serve the public interest, and eagerly support policymakers and stakeholders in the development of the grid of tomorrow.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Fiordaliso". The signature is fluid and cursive, with a large initial "F" and a trailing flourish.

Joseph Fiordaliso
President, New Jersey Board of Public Utilities