

*PJM Proposed Principles – LS Power Additions and Edits to PJM Proposed Principles*

- Cost Caps and Cost Containment Proposals are Voluntary.
- Cost Caps and Innovative Cost Containment Proposals Should be encouraged as they could have the potential to bring significant consumer benefits to consumers.
- Cost Caps and Cost Containment should be viewed differently in the evaluation process than non-binding cost estimates.
- Cost Caps and Cost Containment should be clearly articulated at the time of proposal submittal with specific details regarding the matters covered by the cost containment proposals as well as exclusions to the cost containment proposal, accompanied with the proposal sponsor's proposed contractual language on such covered and excluded items.
- The Developer should agree in their proposal that the cost containment proposal is legally binding, and it will be reflected in any Designated Entity Agreement, as well as reflected and enforced in the FERC rate case. Fully binding would mean that any cost overrun not explicitly excepted out of a proposal would not be prudently incurred, and would not be recoverable in rates.
- Consideration of Cost Caps and Cost Containment is not limited to a cap on construction costs a defined set of parameters such as a cap on construction costs.
- PJM should develop the analytical and legal capabilities to analyze and compare cost containment proposals. The cost to develop such analytical and legal capabilities should be recovered from the proposal fees.
- Cost cap is one factor in the overall project review, but cost caps and cost containment should be viewed as fundamentally superior to cost estimates. This is true for all types of projects – reliability, market efficiency and public policy.
- Confidentiality Requests limited to specific construction phase detail – still available to stakeholders thru NDAs. PJM shall post all cost containment proposals in their evaluation materials (including legal language), outline how they compared the cost containment proposals against each other and against cost estimates.

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- Exclusions – ~~Entities must submit rationale and supporting~~ Supporting information to be provided and documented by the project developer
- ~~Exclusions – PJM will consider the risk of excluded events~~ in its evaluation. PJM should clearly identify and compare the openers, caveats, and other flexible mechanisms against other cost containment proposals in their evaluation and selection process, with a preference for proposals with fewer exceptions, openers, caveats, or flexible mechanisms that limit consumer risk. and the potential cost impact of exclusions
- Reporting – Err on the Side of Transparency in reporting
- Challenges to the Cost Cap – Stakeholder Comments and any Protests to be submitted to FERC prior to finalizing DEA Enforcement related to cost caps should be considered by PJM, after PJM posts the cost cap proposals, as part of the normal course of TEAC and Board feedback on transmission project selection.
- Enforcement – Done exclusively through FERC ratemaking process. Board reserves the right to reconsider projects that are not timely progressing. In addition, binding cost cap language will also be attached to the Designated Entity Agreement as a non-conforming term and condition of the DEA and filed at FERC.