Design Component Options Poll Results

Janell Fabiano
Special Planning Committee –
Consideration of Cost Commitment for Evaluation of Competitive Transmission Proposals
April 27, 2018
Results of a non-binding poll on the Design Component Options developed in the Special Planning Committee – Consideration of Cost Commitment for Evaluation of Competitive Transmission Proposals.

- 22 unique responders
- 123 companies represented
- Poll ran from 4/11/18 – 4/19/18
- Graphs are showing shortened design components (full language can be found on question slides)
1. How do you prefer PJM communicate proposal details and the outcome of proposal evaluations?

A. Status Quo: Analytical Comparisons posted to TEAC including considerations to inform decisions. And whitepapers are published periodically as applicable. All greenfield proposals and DEA agreements posted.

B. Evaluation and submitted templates posted publically (Posted LS Power Templates 1-4)

C. Bifurcated level of disclosure

D. LS Power Analytical Framework Templates (2) are Prepared by Proposers and Posted for both Greenfield and Upgrade Proposals to assist PJM in cost estimating and analyzing cost containment proposals. PJM to complete and post two additional Analytical Framework Templates related to Strength of Cost Cap Proposals and Cost Estimates vs. Cost Containment Analysis. All information in a structured, standardized form for easy posting and viewing at the point of project selection.

E. Disclosures should be posted during Order 1000 process

F. Communications should have a separate cost area that is easily identified

G. In addition to status quo - PJM will provide an end-of-RTEP cycle comparative summary (including performance, constructability, cost and cost commitment) and will post all PJM project submittal templates, and will update the PJM templates to include clear information about cost containment.

H. Expand the PJM submittal template for proposers to include construction details for transmission owner upgrades (e.g. reconductor/rebuild) to enable greater understanding in cost estimates for upgrade projects.
1. How do you prefer PJM communicate proposal details and the outcome of proposal evaluations?

<table>
<thead>
<tr>
<th></th>
<th>Can Support</th>
<th>May be able to support</th>
<th>Cannot support</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Status Quo: Analytical C</td>
<td>56%</td>
<td>1%</td>
<td>43%</td>
</tr>
<tr>
<td>B. Evaluation and submitted</td>
<td>56%</td>
<td>1%</td>
<td>43%</td>
</tr>
<tr>
<td>C. Bifurcated level of disclosure</td>
<td>65%</td>
<td>2%</td>
<td>34%</td>
</tr>
<tr>
<td>D. LS Power Frame</td>
<td>56%</td>
<td>1%</td>
<td>43%</td>
</tr>
<tr>
<td>E. Disclosures should be positive</td>
<td>49%</td>
<td>7%</td>
<td>43%</td>
</tr>
<tr>
<td>F. Communications should be had</td>
<td>81%</td>
<td>14%</td>
<td>5%</td>
</tr>
<tr>
<td>G. In addition to status quo</td>
<td>52%</td>
<td>45%</td>
<td>2%</td>
</tr>
<tr>
<td>H. Expand the PJM submittal</td>
<td>50%</td>
<td>50%</td>
<td>0%</td>
</tr>
</tbody>
</table>

1. How do you prefer PJM communicate proposal details and the outcome of proposal evaluations?
2. How do you prefer PJM handle proposal confidentiality?

A. Status Quo: Details posted but developer can redact confidential data. If winning project includes cost containment then the terms and conditions of the cost containment will be included in the DEA agreement.

B. Disclosure of project submittals

C. Disclosure and signed consent per LS Power Template 1 p 5

D. Terms and Conditions of All Cost Containment Proposals are Made Public in the Evaluation and Selection Phase (including losing bids). Terms and Conditions are Compared in LS Power Analytical Template #4.

E. Redaction requirements per modified Manual 14F plus revised PJM submittal templates to include explicit questions on cost commitment.
2. How do you prefer PJM handle proposal confidentiality?

- **A. Status Quo: Details post**
  - Can Support: 51%
  - May be able to support: 11%
  - Cannot support: 38%

- **B. Disclosure of project sub**
  - Can Support: 70%
  - May be able to support: 29%
  - Cannot support: 2%

- **C. Disclosure and signed contract**
  - Can Support: 32%
  - May be able to support: 32%
  - Cannot support: 17%

- **D. Terms and Conditions of**
  - Can Support: 43%
  - May be able to support: 31%
  - Cannot support: 25%

- **E. Redaction requirements**
  - Can Support: 96%
  - May be able to support: 0%
  - Cannot support: 0%
3. What is your preferred evaluation method for analysis of cost commitment?

A. Status Quo: Manual 14 F Decisional Diagram - full scenario/legal cost containment analysis as needed - No specific standard trigger for evaluation of cost containment. PJM determines cost/benefit of cost commitment

B. PJM retains its ability to select the project based on all relevant factors, with cost being one component, cost analysis is measurably more transparent with the completion of 4 LS Power Analytical Framework Templates. Rationale on evaluation process and resulting decision will be explained and reviewed at TEAC and stakeholders will be given opportunity to provide feedback. Additionally PJM will provide an end-of-RTEP cycle comparative summary table (including performance, constructability, cost and cost commitment).

C. PJM retains its ability to select the project based on all relevant factors, with cost being one component. Rationale on evaluation process and resulting decision will be explained and reviewed at TEAC and stakeholders will be given opportunity to provide feedback. Additionally PJM will provide an end-of-RTEP cycle comparative summary table (including performance, constructability, cost and cost commitment).

D. Evaluation of cost commitment in a quantitative approach similar to LS Power templates 1-4.

E. Evaluation of cost commitment in a qualitative approach.

F. Quantitative approach using the current (or amended) PJM templates.

G. Market Efficiency benefit/cost ratio would reflect the cost containment proposal in the B/C ratio formulation (consistent with CAISO)

H. Add a clarifying statement to the M14F in section 8 on Project evaluation, that if PJM receives two or more proposals that are equal in all respects and one or more offer firm construction cost commitments that is deemed to be reasonable, PJM will give preference to the proposal(s) with the firm cost commitment in the selection process.
3. What is your preferred evaluation method for analysis of cost commitment?

- **A. Status Quo:** Manual 14 F
- **B. PJM retains its ability t**
- **C. PJM retains its ability t**
- **D. Evaluation of cost commit**
- **E. Evaluation of cost commit**
- **F. Quantitative approach usei**
- **G. Market Efficiency benefit**
- **H. Add a clarifying statement**

Options: Can Support, May be able to support, Cannot support
4. What is your preferred method to assess cost commitment exceptions?

A. Status Quo: PJM makes a qualitative judgment of the cost cap including review of legal language when compared to the independent cost estimate.

B. LS Power Analytical Framework Template #1 and #4 are used to aid PJM in making a qualitative judgment on the overall strength of cost cap compared to independent cost estimate.

C. Standardized cost cap and exclusion language (drop down) inside the templates.

D. Standardized ROE and capital structure cap language. Construction cost caps, that legal language would be provided by market participants and evaluated by PJM.

E. PJM reviews the cost estimates of all projects for reasonableness, assesses the risk factors specific to the project, and determines if the project cost estimate should be adjusted to reflect the expected project cost and reasonable cost commitments. PJM will use the adjusted cost estimate for use in evaluation.
4. What is your preferred method to assess cost commitment exceptions?

- A. Status Quo: PJM makes a 57% Can Support, 42% May be able to support, 1% Cannot support
- B. LS Power Analytical Frame 43% Can Support, 5% May be able to support, 42% Cannot support
- C. Standardized cost cap and 52% Can Support, 45% May be able to support, 12% Cannot support
- D. Standardized ROE and 45% Can Support, 12% May be able to support, 34% Cannot support
- E. PJM reviews the cost esti 39% Can Support, 37% May be able to support, 24% Cannot support
5. What is your preferred method for evaluation of total project cost, and risk of actual cost exceeding the independent PJM estimate?

A. Status Quo: Initial Review and Detailed Review per Manual 14F

B. PJM maintains the discretion to determine the reasonableness of any cost containment proposal and uses LS Power Analytical Template #4 to determine a comparative cost value when comparing cost caps vs. cost estimates.

C. Evaluate risk of cost cap offer being delivered: assessment to length of time and financial strength of proposing entity. Reasonableness of cost containment based on financial strength of proposer.

D. PJM maintains the discretion to determine the reasonableness of any cost containment and associated cost estimates for construction cost only and uses the cost estimate it determines appropriate based on project risks and feasibility.

E. Standard force majeure language and template for exclusion consideration

F. Constructability analysis and independent cost estimates should be performed on no more than 4 finalists.

G. PJM determines the reasonableness of any cost containment and associated cost estimates. PJM determines appropriate cost estimate based on project risks and feasibility. Stakeholders request more detailed analysis at initial review. PJM performs more detailed analysis that is tailored to the projects in question. Cost caps would not be limited in any element but evaluation would not be formulaic, but tailored to meet unique aspects of each project.
5. What is your preferred method for evaluation of total project cost, and risk of actual cost exceeding the independent PJM estimate?

- Can Support
- May be able to support
- Cannot support

<table>
<thead>
<tr>
<th>Method</th>
<th>Can Support</th>
<th>May be able to support</th>
<th>Cannot support</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Status Quo: Initial Review</td>
<td>57%</td>
<td>43%</td>
<td>0%</td>
</tr>
<tr>
<td>B. PJM maintains the discretion</td>
<td>53%</td>
<td>41%</td>
<td>6%</td>
</tr>
<tr>
<td>C. Evaluate risk of cost cap</td>
<td>55%</td>
<td>37%</td>
<td>7%</td>
</tr>
<tr>
<td>D. PJM maintains the discretion</td>
<td>57%</td>
<td>43%</td>
<td>0%</td>
</tr>
<tr>
<td>E. Standard force majeure law</td>
<td>36%</td>
<td>26%</td>
<td>38%</td>
</tr>
<tr>
<td>F. Constructability analysis</td>
<td>49%</td>
<td>2%</td>
<td>50%</td>
</tr>
<tr>
<td>G. PJM determines the reason</td>
<td>83%</td>
<td>13%</td>
<td>3%</td>
</tr>
</tbody>
</table>
Question 6

6. What is your preferred method for cost containment mechanisms (capping components) evaluated by PJM?

A. Status Quo: Currently all are allowed to be submitted and all are evaluated at PJM's discretion
B. PJM will consider cost commitment on construction cost, ROE and equity structure. O&M Caps are not part of evaluation.
C. PJM will consider cost commitment on construction cost only.
D. Cost caps limited to Market Efficiency projects and are not submitted in Reliability Projects. Only construction costs are eligible for cost caps.
E. Cost caps limited to Market Efficiency projects and are not submitted in Reliability Projects. All components are eligible for cost caps.
F. PJM will consider cost commitment proposals.
G. Allow cost commitments for all areas but O&M caps only for the first five years.
6. What is your preferred method for cost containment mechanisms (capping components) evaluated by PJM?

- **Can Support**
- **May be able to support**
- **Cannot support**

### A. Status Quo: Currently all
- 60%

### B. PJM will consider cost co
- 63%

### C. PJM will consider cost co
- 52%

### D. Cost caps limited to Mark
- 36%

### E. Cost caps limited to Mark
- 1%

### F. PJM will consider cost co
- 88%

### G. Allow cost commitments fo
- 74%
7. Where would you prefer to see the rules documented going forward?
B. Additional PJM templates incorporated into M14F (plus original PJM edits). Standardization of submittal, evaluation, and communication.
D. Status Quo + Restructuring of the PJM webpage surrounding Order 1000 competitive projects to make the information more accessible.
E. Edits for the proposed changes in Manuals only (not in the OA)
7. Where would you prefer to see the rules documented going forward?

- B. Additional PJM templates
- D. Status Quo + Restructuring
- E. Edits for the proposed changes

![Bar chart showing support levels for different options.]

- Can Support
- May be able to support
- Cannot support

- Options and corresponding support levels:
  - A. Status Quo: OA, Manual, 58%
  - B. Additional PJM templates, 42%
  - C. OA, Manual 14F, Manual, 93%
  - D. Status Quo + Restructuring, 57%
  - E. Edits for the proposed changes, 15%

- Support breakdown:
  - Can support: 0%
  - May be able to support: 6%
  - Cannot support: 2%

- Support breakdown:
  - Can support: 0%
  - May be able to support: 15%
  - Cannot support: 50%

- Support breakdown:
  - Can support: 0%
  - May be able to support: 36%
  - Cannot support: 20%

- Support breakdown:
  - Can support: 0%
  - May be able to support: 20%
  - Cannot support: 80%