Cost Containment Status and Next Steps

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Manager, Infrastructure Coordination
August 9, 2018
Cost Containment – Past Milestones

May 24, 2017:
• PC - Cost Containment special sessions started

January 25, 2018:
• MRC - main motion (PJM) fails vote. Alternate motion (LS Power) moved and seconded.

May 3, 2018:
• PC - informational votes on PJM packages and a recommendation to the MRC to defer for more time to allow additional consideration.

May 24, 2018:
• MRC - LS Power proposal with AMP friendly amendment endorsed

June 7, 2018
• PC - status update including a review of the proposal templates with implementation planned for the 2018 window.

June 18, 2018:
• Initial Comparative Framework kickoff meeting with IMM and PJM Planning.

June 21, 2018:
• MC - Proposed OA revisions endorsed
### Cost Containment – Anticipated Milestones

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
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<tbody>
<tr>
<td>July 12, 2018</td>
<td><strong>PC</strong> &lt;br&gt;• Provide update to the PC on the IMM/PJM comparative framework effort  &lt;br&gt;• Timeline update  &lt;br&gt;• Status update  &lt;br&gt;• First read of Manual 14F language for the PJM project proposal submittal template</td>
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<tr>
<td>July 26, 2018</td>
<td><strong>MRC</strong> &lt;br&gt;• First read of Manual 14F language for the PJM project proposal submittal template</td>
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<td>August 9, 2018</td>
<td><strong>PC</strong> &lt;br&gt;• Provide a timeline and status update to the PC.  &lt;br&gt;• Request endorsement of Manual 14F language for the PJM project proposal submittal template</td>
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<tr>
<td>August 23, 2018</td>
<td><strong>MRC</strong> &lt;br&gt;• Endorsement of Manual 14F language for the PJM project proposal submittal template</td>
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<td>September 1, 2018</td>
<td><strong>IMM/PJM</strong> &lt;br&gt;• Collaboratively develop the initial Comparative Framework</td>
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<td>December 6, 2018</td>
<td><strong>MRC</strong> &lt;br&gt;• Present Comparative Framework for vote by December 6, 2018</td>
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**2019 Initiatives**<br>• Continue framework development with an ROE Comparative Framework that includes analysis of ROE and/or capital structure components
Manual 14F: Competitive Planning Process

- Performance
- Cost
- Feasibility
Comparative Framework Development

Qualitative and Quantitative Data

- Scope covered
- Legal language
- Financial
- Capital Expenditures
- Cap in Current and Future Year $’s
- Cap components (engineering, permitting, taxes, etc.)
- Risk
Comparative Cost Framework Approach

Proposal Template Data
- Constructability data
- Financial data
- Cost containment data

Data Analysis
- Making sense of the numbers
- Compare data
- Volume of data

Evaluation of Project Risk Factors
- Ranges
- Considerations

Bigger Picture
- Consider other proposals aspects
- Evaluate and compare

Comparative Analysis
• IMM and PJM staff coordination
  – Education
  – Information exchange
  – Comparative Framework development
Next Steps

• Continue comparative framework development coordination between IMM and PJM staff

• Anticipate monthly PC updates

• Move forward with Manual 14F reviews