Cost Containment Status and Next Steps

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Anticipated Schedule for FERC 1000 Cost Containment Framework

2018

Reliability Window (60 days)

Market Efficiency Window (120 days)

Develop initial Construction Cost Comparative Framework by 9/1/2019

2019

Reliability Window (60 days)

Implement initial Framework by 1/1/2020

Reliability Window (60 days)

Continue Development of additional ROE Framework

2020

Implement additional ROE Framework by 5/1/2020

ME Window

Dec 2019 Vote

MRC

May 2020 Vote

MRC

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Major Components of Cost Containment Evaluation

Proposal Submission → Independent Consultant Review and Analysis → Calculations Evaluation Data Analysis Risk Assessment

Comparative Matrix is input to overall solution recommendation → Comparative Matrix – Compare Across Proposals
The overall comparative framework effort is broken down into components.

See the next slides for individual component status and progress.
Process complete and in place

Provides the key input parameters used for the next steps in the overall evaluation

Proposal Submission

Submit a Proposal
Consultant Review and Data Evaluation

STATUS

Process under active development

- PJM & IMM
- Completed PJM / IMM / Consultant conference on Nov. 15, 2018

Independent Consultant Review and Analysis

Calculations Evaluation
Data Analysis
Risk Assessment
• Review of primary cost categories

• Components of a cost proposal

• Overview of customer revenue requirements

• Challenges in comparative analysis
  – Wide range of construction and O&M cost estimates
  – Ownership structures
  – Inconsistent assumptions on common variables
  – Many forms of cost caps and containment
• Potential approaches to comparative analysis
  – Data validation and normalization
  – Base net present value revenue requirement
  – Consider scenario analysis
  – Tradeoff analysis

• Quality of cost estimates
  – Levels of completeness and specificity

• Development of comparative framework and presentation of data
Initial work beginning in parallel with the other steps to ensure compatibility and integration with the overall RTEP decisional process.

Comparative Matrix is input to overall solution recommendation.
Next Steps

• Integrate and refine technical concepts into PJM compatible procedures & processes

• Continue to coordinate with the PJM IMM

• Continue to update the Planning Committee