Cost Containment Status and Next Steps

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Anticipated Schedule for FERC 1000 Cost Containment Framework

- **2018**
  - Develop initial Construction Cost Comparative Framework by 9/1/2019

- **2019**
  - Implement initial Framework by 1/1/2020
  - Continue Development of additional ROE Framework

- **2020**
  - Implement additional ROE Framework by 5/1/2020

Reliability Window (60 days)
Market Efficiency Window (120 days)
Reliability Window (60 days)
Reliability Window (60 days)
Major Components of Cost Containment Evaluation

1. Proposal Submission
2. Independent Consultant Review and Analysis
3. Calculations Evaluation Data Analysis Risk Assessment
4. Comparative Matrix is input to overall solution recommendation
5. Comparative Matrix – Compare Across Proposals
Consultant Review and Data Evaluation

**STATUS**

Process under active development

- PJM & IMM
- Completed PJM / IMM / Consultant conference November 2018

Independent Consultant Review and Analysis

Calculations Evaluation Data Analysis Risk Assessment
Comparative Framework – Analytical Steps

- Constructability Analysis
- Financial Analysis
- Legal Analysis
Comparative Framework – Analytical Steps

- **Constructability Analysis**
  - Determine a cost estimate and schedule
  - Identify project specific risk factors
  - Determines relative likelihood for identified project specific risk factors
Comparative Framework – Analytical Steps

• Legal Analysis
  – Evaluate the cost containment legal language

• Financial Analysis
  – Develop base revenue requirement analysis case
    • Normalization
    • Base case
  – Determine scenarios to evaluate performance
Project Net Present Value Revenue Requirement Estimates
Without Cost Containment

Risk Weighted Expected NPVRR

NPVRR Estimate (millions)

Project 1 | Project 2 | Project 3 | Project 4

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Project Net Present Value Revenue Requirement Estimates

With Cost Containment

Risk Weighted Expected NPVRR

NPVRR Estimate (millions)

Project A  Project B  Project C  Project D
Next Steps

- Continue coordination with the IMM
- Continue framework development
- Update Planning Committee