Proposal Fee Structure Review

Mark Sims
Manager, Infrastructure Coordination
Planning Committee
August 8, 2019
Current Fee Structure

- “Flat Fee” based on proposing entity project cost estimate

- All proposals, upgrade and greenfield solutions, submitted for consideration in any RTEP Proposal Window are subject to a proposal fee based on the following fee structure:

<table>
<thead>
<tr>
<th>Proposal Cost Estimate</th>
<th>Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;$20M</td>
<td>$0</td>
</tr>
<tr>
<td>$20M-$100M</td>
<td>$5k</td>
</tr>
<tr>
<td>&gt;$100M</td>
<td>$30k</td>
</tr>
</tbody>
</table>
Enhancements to Cost Evaluation Paradigm

• Previous Cost Evaluation Paradigm
  – Reliability and Benefit analysis performed first
  – Constructability analysis typically only performed on a subset of “finalists” that demonstrate good performance
  – Majority of work in serial, next evaluation steps dependent on completion of previous

• Future Cost Evaluation Comparative Framework
  – Bottom line: more studies
  – Parallel analysis
  – Increased volume of constructability analysis
  – Full Financial Analysis
Proposed Fee Structure

• **Proposed approach: Flat Fee + Itemized Study Costs**

  – Flat Fee structure = $5,000 non-refundable
    • Non-refundable, due at close of window
    • Intent is to cover general costs for every project submission associated with administering the process

  – Detailed Study Costs = the actual itemized evaluation expenses in excess of the $5,000 non-refundable fee incurred for detailed study of project proposals
    • Intent is to bill the projects that incurred the expense
    • Overflow evaluation expense beyond deposit due within standard PJM billing cycle
    • Late payment and non-payment conditions to be determined
Next Steps

- Develop redline PJM Manual 14F Attachment C – Proposal Fee Structure
- First and second read at PC and MRC
- Following PJM committee endorsements, FERC filing
• 8/5/2019
  – Original version posted to PJM.com