



# Cost Cap Commitment for Competitive Proposals and Going Forward Principles

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## **Presentation Overview:**

- Proposed Draft of Manual 14F changes
  - Section 6 Proposal Requirements
    - 6.2.1 Short Term Windows
    - 6.2.2 Long Term Windows
    - 6.3 Redaction Requirements
  - Section 8 Project Evaluation
    - 8.1.3 Decisional Process
    - 8.1.5 Project Recommendation
- Next Steps

**Changes to Sections 6.2.1 and 6.2.2:** Revisions to submittal requirements to address specific information to be provided with the proposal:

- Specific and detailed information about cost cap commitment
- Contractual language of cost cap commitment
- Explanation of exclusions and discussion of risk

## **Changes to Section 6 Proposal Requirements**

- Cost commitments submitted for evaluation by PJM should be limited to cap on project construction costs (e.g., total costs associated with bringing the project into service).
- Cost cap commitments included in project proposals will be noted in presentation of the proposals to the TEAC
- Other types of cost cap commitments may be included in the project proposals but will not be considered in the evaluation

**Changes to 6.3 Redaction Requirements:** Revisions to the redaction requirements to be revised to address confidentiality.

- Terms and conditions relative to a cost cap commitment will be treated as public information
- Specific supporting information may be eligible for confidential treatment based on the particular stage of process and nature of information
- Proposers must request in writing for information to be treated as confidential and must designate as confidential
- After consultation with proposer, information that PJM considers inappropriately labeled as confidential will not be given consideration.

**Changes to 8.1.3 Decisional Process:** Additional detail is to be added to expand on what aspects of cost cap commitment will be evaluated, cost commitment being one of the considerations that may be relevant to the project evaluation.

- Cost cap commitment proposals are voluntary
- Cost commitments submitted for evaluation by PJM should be limited to cap on project construction costs (e.g., total costs associated with bringing the project into service)
- PJM will consider in its evaluation the risk of excluded event(s) and the potential cost impact of exclusions

**Changes to 8.1.5 Project Recommendation:** Revisions to the project recommendation section to be revised to address what will be included in the Designated Entity Agreement.

- Cost containment language will be included in the Designated Entity Agreement as a non-standard term and filed with FERC.[currently in 8.1.5]
- Enforcement of cost cap commitment shall be exclusively through FERC ratemaking process.
- The PJM Board reserves the right to reconsider projects that are not meeting agreement milestones or other agreement requirements.

### **Changes to 8.1.5 Project Recommendation**

If the Designated Entity commits to capping project construction cost or any other aspect related to revenue recovery for the Project, the following language shall be included in the Schedule E Non-Standard Terms and Conditions of the Designated Entity Agreement:

Nothing in the inclusion of the cost cap in the Designated Entity Agreement is intended to preempt the right of any party to seek modifications to be ordered by the Commission or otherwise challenge the recovery of costs through the FERC ratemaking process.

## **Proposed Principles**

Reporting on project progress – PJM will require quarterly updates on the progress of the project, including general status of the engineering, siting and construction; percentage of project complete; timely completion of milestones, including projected in service date, and updates on project costs and any additional project information to provide transparency in reporting. [This requirement is already covered in M14C, section 6.1.3]

## **Next Steps**

- Review with PC and the MRC/MC
- Implementation for 2018 Planning Year