

# LS POWER

PJM Members Committee  
On Main Motion



June 2018

# Highlights of LS Power / DC Office of People's Counsel's Main Motion

---

- No PJM tariff language or RRA changes are proposed. Proposed PJM Operating Agreement changes were endorsed in May MRC Vote (3.79).
- Operating Agreement changes to be filed at FERC consistent with normal PJM procedure
- Adds PJM Operating Agreement language that the quality and effectiveness of any voluntarily-submitted binding cost containment proposals related to construction cost caps (either in whole or in part), project total return on equity (including incentive adders), and/or capital structure shall be considered by PJM in the evaluation process.
  - *Caps on O&M costs will not be part of the selection process; PJM requirement for consideration of annual revenue requirement caps is removed from previous January 2018 MRC Alternative Motion OA language proposal.*
  - *These additional factors are in addition to current PJM OA selection factors of:*
    - *The extent to which the project addresses and solves the posted violation, system condition or economic constraint;*
    - *The benefit/cost ratio of the market efficiency project;*
    - *The other secondary benefits associated with the project, including system reliability, operational performance, economic efficiency issues, or public policy drivers;*
    - *The ability to timely complete the project and project development feasibility; and*
    - *Other factors such as cost-effectiveness.*

# Highlights of LS Power / DC Office of People's Counsel's Main Motion

---

- Adds PJM Operating Agreement language that the Office of Interconnection shall determine for each project finalist proposal, the comparative risks to be borne by ratepayers as a result of the proposal's binding cost containment proposal or the use of non-binding cost estimates.
- Adds PJM Operating Agreement language that the materials provided to the TEAC shall describe in a clear and transparent manner, the method by which the Office of Interconnection scrutinized the cost aspects of each finalist proposal, including any binding cost commitments.
- Adds PJM Operating Agreement language that PJM is not making a determination of just and reasonable rates in its evaluation, and no party is waiving any of its respective Federal Power Act 205 or 206 rights through process.

# Examples: More Robust Cost Analysis Framework and Transparency Would Have Been Useful in Past Windows

---

Window	Project Area	Identifier	TEAC	Link
2014/15 LT Window #1	AP South	9A	May 12, 2016	<a href="#">RTEP Slides</a>
2014 Window #2	Pratts	Pratts	June 11, 2015	<a href="#">RTEP Slides</a>
2017 Window #1	DEOK	Kentucky SS	November 2, 2017	<a href="#">RTEP Slides</a>

Window	Project Area	Identifier	TEAC	Link
2016 Window #3/ 3A	ATSI	Cleveland	June 8, 2017	<a href="#">RTEP Slides</a>
2016 Window #3	ATSI	NW Ohio	April 13, 2017	<a href="#">RTEP Slides</a>
2016 Window #2	DEOK/EKPC	Greentree	January 12, 2017	<a href="#">RTEP Slides</a>
2015 Window #2	AEP	Rattle Creek	November 5, 2015	<a href="#">RTEP Slides</a>
2015 Window #2	AEP	Smyrna	November 5, 2015	<a href="#">RTEP Slides</a>
2015 Window #2	AEP	Glencoe 69 kV	November 5, 2015	<a href="#">RTEP Slides</a>
2015 Window #1	AEP	Grassy Creek	October 8, 2015	<a href="#">RTEP Slides</a>

# Other Already FERC-Approved Tariffs and Policy

---

- **California ISO**
  - All forms of “Binding Cost Containment Commitments” and “Binding Cost Control Measures” are considered in its evaluation process and selection reports specifically including binding capital cost caps, ROE and incentive proposals, and capital equity structures
- **SPP**
  - From SPP Tariff: “Criteria considered in this evaluation category shall include, but not be limited to: estimated total cost of project, financing costs, FERC incentives, revenue requirements, lifetime cost of project to customers, ROE,..., cost certainty guarantee.” (SPP, Attachment Y, Section III.2(f)(iii)(4))
- **MISO**
  - ROE and annual revenue requirements are part of evaluation process (MISO, Attachment FF, 35.0.0(E)(3))