



PJM / IMM Principles to Improve Unit-specific MOPR Review Process

Package A Summary

MRC

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- Develop more standardized assumptions and modeling approach that is consistent with assumptions utilized to develop Net CONE parameters
- Reduce PJM / IMM discretion by defining more narrow and objective standards for review in the tariff
- Increase transparency of the process

Basic assumptions to calculate alternative unit-specific minimum offer price include:

- Levelization Technique - Require use of Nominal Levelized Values
- Asset Life - Require use of 20 year asset life
- Residual Value – Utilize residual value of zero
- Sunk costs - No sunk costs are permitted

- Develop Objective standards for review of project specific costs
- Detailed list of cost components and standards
- Calculation of Weight Average Cost of Capital (WACC)
 - Approach to WACC calculation should be objective and verifiable.
 - WACC calculation should be based on readily available market data.
 - PJM shall post WACC calculation in advance of review period for all projects to utilize

- Require use of standard forecast Net Revenues
- Calculation approach should be objective and verifiable.
- First-year revenue reference
- The forecast net revenues should be based on forecast LMPs and fuel costs, including emissions costs, which are inputs to a model which simulates the operation of the specific unit type
- PJM shall post standard forecast net revenues by unit type in advance of review period for all projects to utilize