

Analytical Framework Template #1:
*Disclosure Template for Assessing the Quality and Legal Enforceability
Of A Cost Containment Proposal*

Completed Template to Be Posted on PJM Website for Each PJM Proposal ID

QUALIFIED DEVELOPER _____

PROPOSAL ID FOR TRANSMISSION FACILITIES¹ PROPOSED: _____

Is this proposal a cost estimate or cost containment proposal? _____

Does the proposal include an Upgrade? _____

For PJM Use Only- PJM's Determination:

Cost Estimate Proposal _____ **Binding Cost Containment Proposal** _____

Binding Cost Containment Proposal Test:

To be considered a 'Binding Cost Containment Proposal' by PJM the proposal must meet each requirement of the three-pronged test regarding ratepayer protection, clarity, and legal enforceability below. Proposals that do not meet **all three requirements** will be treated by PJM as a cost estimate.

I. Binding Cost Containment Proposal Must Provide Distinct Ratepayer Protection Beyond a Cost Estimate

To be treated by PJM as a Binding Cost Containment Proposal, the proposal must shift risks from ratepayers to the developer in a manner beyond the requirements of current Commission regulations or policies (e.g., a proposal agreeing that incentive return on equity adders will not be applied to costs above a defined cost estimate would not be considered a 'binding cost containment proposal' because it is already required by the Commission's Policy Statement on Incentives).

Areas in which the proposal provides distinct ratepayer risk shifts beyond FERC requirements under current Commission regulations or policies:

_____ Binding Commitment to Cap Construction Costs

_____ Binding Commitment to File for ROE Lower than PJM-wide average ROE in FERC Filing, inclusive of incentives²

_____ Binding Commitment to File for Cap on Capital Structure in FERC Filing

_____ Binding Commitment to File for Annual Revenue Requirement Cap in FERC Filing³

¹ Transmission Facilities are defined in the PJM OA as facilities that: (i) are within the PJM region; (ii) meet the definition of transmission facilities pursuant to FERC's Uniform System of Accounts or have been classified as transmission facilities in a ruling by FERC addressing such facilities; and (iii) have been demonstrated to the satisfaction of the Office of Interconnection to be integrated with the transmission system of the PJM region and integrated into the planning and operation of such to serve all the power and transmission customers within a region.

² PJM-wide average ROE, inclusive of incentives, is approximately 11 percent. Per S&P Global dated August 2017: "The average authorized return on equity for PJM RTO companies in 2017 with formula rates for transmission was 11.23%, including a 50 basis point ROE incentive adder for membership in an RTO. FERC has also authorized additional ROE incentive adders on a company by company or project specific basis. Authorized ROEs range from a low of 10.38% for ATSI to 13%, including incentive adders, for specific projects developed by Exelon's Commonwealth Edison." <https://marketintelligence.spglobal.com/our-thinking/ideas/transmission-ratemaking-in-the-pjm-interconnection>

³ [Discuss in Stakeholder Process whether Annual Revenue Requirement Caps on O&M will be considered by PJM in the evaluation process.]

_____ Other

For PJM Use Only- PJM’s Determination of Distinction Test Met: Yes _____ No _____

II. Clarity Test:

To be treated as a Binding Cost Containment Proposal, the proposal shall include at the time of proposal submittal, specific details regarding the matters covered by the cost containment proposal as well as any exclusions or limitations to the cost containment proposal, each accompanied with the proposed contractual language on such covered and excluded items (Enforceability Test). A proposal meeting the Clarity requirement for cost containment proposals can include openers, caveats, and other flexible mechanisms so long as clearly identified. The developer must clearly identify these openers, caveats and other flexible mechanisms in their proposal.

- A. **Developer to Attach or Provide Below any Proposed Contractual Language for Binding Cost Containment Proposal, including Related to Covered and Excluded Items. For ROE / Capital Structure Caps, the Spreadsheet in Analytical Framework Template #3 must ALSO be provided and posted in order to be considered.**

Developer agrees that this language will be in the Designated Entity Agreement as a non-standard Term and Condition, and this language will also be part of any future FERC Rate Filing.

Developer Acknowledgment of and Agreement with the Above Statement:
Yes _____ No _____

B. Risks & Obstacle Identification with Respect to a Binding Cost Containment

Proposal:

Please complete the below table summarizing the current risks or obstacles for the Project for each line item. The matrix also identifies the risk allocation between Qualified Developer and PJM ratepayers with respect to Qualified Developer’s Binding Cost Containment Proposal. PJM shall use this table and the information provided in part C below in assessing the quality of the Binding Cost Containment Proposal.

<i>Risk Factor to Cost Cap</i>	<i>Risk Borne by Qualified Developer, Per Contractual Language (insert X, if yes)</i>	<i>Risk Not Borne by Qualified Developer, Per Contractual Language (insert X, if yes)</i>	<i>Additional information</i>
Costs Related to Gov’t Approvals, Permitting & Routing Risk			
Costs Related to Land and Land Right Acquisition			
Subsurface Soil and Geotechnical Cost Risk			
Environmental Assessment and Mitigation Costs			
Costs Associated with Designing and Engineering Project			
Costs Associated with Procuring Equipment, Supplies, and Other Materials			
Commodity Pricing Risk			
Completion of Construction Cost Risk			
Inflation Rate Risk			
List Other Covered Risks or Exclusions:			

C. Exclusions from Binding Cost Containment Proposal:

Please indicate below whether (i) any costs or types of costs are excluded from the Binding Cost Containment Proposal, (ii) the Binding Cost Containment Proposal is subject to Force Majeure (as defined in the Designated Entity Agreement⁴) or any other similar provision limiting developer’s responsibility for causes and events outside developer’s control (contract language must be provided under Section II.A above), and (iii) the Binding Cost Containment Proposal is subject to any other provisions enabling developer to seek recovery for costs that exceed the Construction Cost Cap amount (contract language must be provided under Section II.A above):

D. Timing Considerations or Limitations related to Cost Containment Proposal:

Qualified Developer should clearly outline below any timing considerations or timing limitations related to their Binding Cost Containment Proposal, if any.

For PJM Use Only- PJM’s Determination of Clarity Test Met: Yes _____ No _____

⁴ Section 10 of the PJM DEA reads: “For the purpose of this section, an event of force majeure shall mean any cause beyond the control of the affected Party, including but not restricted to, acts of God, flood, drought, earthquake, storm, fire, lightening, epidemic, war, riot, civil disturbance or disobedience, labor dispute, labor or material shortage, sabotage, acts of public enemy, explosions, orders, regulations or restrictions imposed by governmental, military, or lawfully established civilian authorities, which in any foregoing cases, by exercise of due diligence, it has been unable to overcome. An event of force majeure does not include: (i) a failure of performance that is due to an affected Party’s own negligence or intentional wrongdoing; (ii) any removable or remedial causes (other than settlement of a strike or labor dispute) which an affected Party fails to remove or remedy within a reasonable time; or (iii) economic hardship of an affected Party.”

III. Legal Enforceability and Disclosure of Binding Cost Containment Proposal:

The developer shall agree that (i) the language provided under Section II.A above, specifically, and the terms and obligations of its proposal, generally, legally binds it and its successors or assigns, and (ii) such language will be reflected in the Designated Entity Agreement and enforced by inclusion in the developer's existing or future FERC rate case.

Qualified Developer authorizes completed Analytical Framework Templates #1-4 and any non-commercially sensitive supporting documentation provided forthwith to be posted on the PJM Website upon completion.⁵

Developer Acknowledgment of and Agreement with the Above Statement:

Yes _____ No _____

For PJM Use Only- PJM's Determination of Legal Enforceability Test Met:

Yes _____ No _____

⁵ Qualified Developer may request that certain commercially sensitive supporting documentation be treated as Confidential and not posted on PJM website and treated as Confidential under PJM's Tariff. Any documentation provided on a Confidential Basis must also include a non-confidential version describing, in general terms, the content of the Confidential information.