

PSE&G Proposed Changes to Draft PJM Manual 14F Language

Following up from the October 9, 2017 Special PC: Cost Cap/ Cost Containment meeting, PSE&G is providing clarifying language which it believes reflects some of the issues discussed:

1. Changes to/Comments on 6.2.1

- a) PJM appropriately included language looking to impose obligations on the proposing party to include in its cost cap proposal a process for notifying stakeholders of the incurrence of conditions triggering any cost cap exclusions, as follows:

As to any exclusions proposed to the cost cap, the proposal should detail a process for notifying stakeholders of the incurrence of a condition within the exclusion, the proposer's plans to address questions as to the nature and estimated level of costs incurred within the exclusion and the proposer's plan as to the recovery of those costs which fall within the exception to the cost cap;

However, PSE&G does not think that this language is clear enough and it also appears to leave too much discretion to the Designated Entity. PJM should adopt a specific requirement applicable to all Designated Entities that would require notification of such conditions in a timely fashion and within a specific timeframe from the occurrence of the condition. The notice should preferably go to PJM and PJM should communicate the occurrence either on its website or via a dedicated email distribution list.

Suggested language for this notification requirement is as follows:

When an event or condition occurs triggering an exclusion under the Designated Entity's cost cap, the Designated Entity shall provide notice to PJM no later than ten (10) business days from the date on which the Designated Entity knew or should have known that the exclusion had been triggered. PJM, in turn, shall immediately, but no later than two (2) business days, communicate out to all affected stakeholders, the notice provided by the Designated Entity through a posting on its website or through some other suitable means.

- b) The proposed revisions below make clear that section 6.2.1 is not restricting the ability of the Designated Entity to make filings at FERC but steers clear of language that could be interpreted as authorizing or endorsing such filings at FERC.

6.2.1 Short Term Windows

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Nothing in this Manual is intended to interfere with the ability option for of the Designated Entity to propose rates, through the FERC ratemaking process, ~~other cost cap mechanisms associated with the project.~~

2. Comments on section 8.1.5 (regarding enforcement)

At the October 9th meeting, the group had a lengthy discussion regarding the following proposed language at the end of Section 8.1.5:

8.1.5 Project Recommendation

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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.

As stated during the meeting, PSE&G believes that PJM must retain responsibility for providing oversight at the implementation level over the Designated Entity's compliance with the provisions of its cost cap. We completely agree with the proposition that PJM should not become the rate-maker. However, as the party on the other end of the contract with the Designated Entity, PJM must exercise some responsibility at the contract management level to monitor compliance with the terms and conditions of the cost caps and to act as an information source for stakeholders to utilize as they deem appropriate, including, but not limited to information regarding spend as against the cost cap and triggering of exclusions. Where appropriate, PJM should also retain some ability to exercise authority to enforce the cost cap terms at FERC if necessary.

Suggested language is as follows

Enforcement of the rate aspects of the Designated Entity's cost cap commitment shall be exclusively through the FERC ratemaking process. However, PJM will retain contract management oversight, including monitoring ~~compliance with the~~ Designated Entity's compliance with the terms and conditions of its cost cap commitment and acting as an information source for stakeholders to utilize as they deem appropriate, including, but not limited to information regarding spend as against the cost cap and triggering of exclusions. PJM shall also exercise its discretion as appropriate to file a complaint, protest, petition or other pleading at FERC to seek enforcement of any aspect of the cost cap commitment set forth in the DEA. Furthermore, tThe PJM Board reserves the right to reconsider projects that are not meeting agreement milestones or other agreement requirements.

We appreciate your consideration of the above comments, recommendations, and specific proposed language changes.