AMENDMENT TO THE OWNER'S COST COMPONENT

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OWNER'S COST - OVERVIEW

- **Owner's costs are:**
  - **Costs associated with initial development of the project and management of the project through the Commercial Operations Date (COD), and**
  - **Would be expected to be managed through maintaining separate cost line items in the overall project budget.**
- **Typical costs may be described in 3 distinct project phases:**
  - **Initial screening studies and work sufficient to qualify for a Forward Capacity Auction (FCA) and to obtain a capacity supply obligation (CSO),**
  - **Activities conducted during the EPC phase necessary to install the equipment and interconnect it, and**
  - **Activities necessary to ensure successful operation of the facility post-COD.**
- **For this discussion we ignore direct costs associated with electrical interconnection, network upgrades, gas interconnection, gas pipeline upgrades, initial fuel inventory, and financing costs.**
- **Mott MacDonald (MM) has estimated that $2.5 million is sufficient to adequately capture these activities and contingency.**

OWNER'S COST - BENCHMARKS

- In the 2017 CONE/ORTP analysis, MM acknowledged that Owner's must incur certain non-EPC costs ("Owner's costs") but did not include these Owner's costs in its Gross CONE value for the reference unit.

- In PJM's 2018 CONE analysis, Brattle estimated Owner's costs at $18.4 million based on percentages applied to the EPC Costs.

- In NYISO's 2020 Demand Curve Reset analysis, the Analysis Group estimated Owner's costs at $19.0 million based on a bottom's up cost estimating approach.

- NEPGA proposes this bottom's up approach, which provides stakeholders with a representative, transparent, and defensible estimate of Owner's costs.

OWNER'S COST BOTTOM'S UP APPROACH – INITIAL COSTS

- Typical tasks:
  - market analysis, siting/location studies, conceptual design/cost estimates, environmental analysis for permitting, EPC contract drafting / proposal evaluation, electrical interconnection studies, preliminary engineering, real estate services, local tax agreement negotiations, local outreach, independent (i.e., lender's) engineer review, legal fees;
- Typical duration:
  - Begins 18-24 months before the first auction cycle and concludes when the project obtains a Capacity Supply Obligation.
- Proposed amount:
  - $3,050,000.
- Discussion:
  - Costs are weighted across the identified activities approximately evenly.

Owner's Cost Bottom's Up Approach – EPC Phase

- Typical tasks:
  - independent engineer on-going oversight, owner's project manager and back office staff, site security, builder's risk / business interruption insurance, backfeed electricity, gaseous and liquid fuel for commissioning and contractual and statutory testing, project close-out;
- Typical duration:
  - Begins 9-12 months before the first auction cycle and concludes 2-4 months after COD.
- Proposed amount:
  - $4,750,000.
- Discussion:
  - fuel cost, net of energy revenues, represent half of the total. 50-hours of gaseous fuel and 50-hours of liquid fuel testing to be performed in April-May for initial commissioning activities, tuning, emissions monitoring (i.e., CEMS) testing, and permit-required stack testing.

OWNER'S COST BOTTOM'S UP APPROACH – COD RELATED ACTIVITIES

- Typical tasks:
  - O&M contractor mobilization fee, recruitment/hiring/relocation of operating staff, operating staff training, development of operation and maintenance programs and procedures (e.g., Computerized Maintenance Management System, NERC, safety programs, environmental compliance, etc.), purchase of initial spare parts inventory, Title V Operating Permit application
- Typical duration:
  - Begins 9-12 months before anticipated and concludes 2-4 months after COD.
- Proposed amount:
  - $4,650,000
- Discussion:
  - initial spares inventory represent $3.2 MM, which is 3% of the EPC direct costs less an allowance for the gas turbine. The gas turbine is covered under an LTSA and minimal spares are required. O&M mobilization accounts for another $1.25 MM.

OWNER'S COST – SUMMARY

- **MM's $2.5 million estimate is woefully inadequate to cover the anticipated known Owner's costs based on a review of the typical scope, let alone Owner's contingency.**

- **Brattle and Analysis Group estimated $18.4 – 19.0 million for just the Owner's cost.**

- **NEPGA proposes $12,450,000 in Owner's cost based on the typical, anticipated scope and reasonable cost estimates for this scope.**

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Questions?

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