

Attachment 7

In its annual June 1 Base Rate Adjustment filing, made on June 1 of each year of the plan, GMP will include **Supporting Cost Documentation** for each capital project proposed as a rate year addition to plant. All **Supporting Cost Documentation** for each capital project will be included in a folder dedicated to that project. **Supporting Cost Documentation** folders can be provided either electronically or in hard copy, as agreed to by GMP and PSD. Any **Supporting Cost Documentation** that is not provided in the relevant folder at the time of the June 1 filing will be excluded from consideration and the associated project will be excluded from rates.

Supporting Cost Documentation shall include:

1. A Capital Project Summary Sheet with amounts tying out to the amount requested
2. A Work Order with a project description & the reason GMP is undertaking it plus the projected start and end dates of the project and the Oracle Project Number.
3. Any capital projects over \$3 million will contain a cost/benefit analysis. Any capital project less than \$3 million will contain either a financial analysis or a cost/benefit analysis. Capital Projects under \$300,000 may include a qualitative analysis if adequately justified, so long as there is a sufficient explanation as to why a quantitative analysis was not performed. Documentation for reliability projects shall include a description of the reliability issue being addressed and a summary of alternatives considered and rejected.

A "cost-benefit analysis" means an analysis that describes:

- how the project advances customer service, reliability, safety, operational efficiency and/or state energy policy
- why the project is appropriate at this time
- the capital, estimated O&M and retirement costs associated with the project
- a quantitative comparison of costs and benefits where such costs and benefits should reasonably be quantified in monetary value
- a qualitative comparison of costs and benefits where such costs and benefits include factors that should not reasonably be converted to monetary value
- what alternative(s) was/were considered and the cost associated with alternative(s)

4. Actual Costs and Cost Estimates:

- a. if developed on external labor and/or materials, will be supported by either:

- (i) external current quotes/estimates; or
 - (ii) recent similar invoices or GMP project costs with a written explanation on a standardized form of why the projects are similar;
 - (iii) any use of escalation on quotes, estimates or recent project cost documentation must be justified with an explanation and documentation that shows the costs have increased;
- b. if developed on GMP's materials, will be supported by the GMP materials list;
 - c. if developed on GMP labor, will be supported by GMP payroll information with an explanation as to how the hours were estimated;
 - d. if developed on direct overhead costs, will be supported by a description of each direct overhead rate and how it is calculated (any studies performed in determining overhead rate will also be provided);
 - e. if developed on indirect overhead costs, will be supported by a documented study;
 - f. if developed on blanket work orders, will be supported by five-year GMP historical averages inflated by the CPI;
 - g. for projects with costs already incurred, each project folder will contain an actual cost summary reflecting the actual costs recorded in GMP's financial system detailing labor, materials, contractor costs and overhead costs. Actual invoices will be included for costs over \$5,000;
 - h. if actual costs related to projects carried over from year-to-year have a variance of more than 20% from the original projected costs, an explanation will be provided as to what caused the variance.
5. All project folders will include the documentation listed in 1 – 4 above whether the project is completed or not, and whether or not actual costs are available.