

Consolidated Cost Template

October 14, 2016



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Consolidated cost template benefits



- Promotes consistent reporting of all detailed estimates, change proposals and final costs
- Consolidates transmission project life-cycle costs into one spreadsheet
 - Service Proposal Estimate
 - Project Change Proposals (replaces appendix A)
 - Service Proposal Estimate – Post Permit & License
 - Final Cost Estimate
 - Final Costs (replaces current Final Cost Report)
- Simplifies variance analysis and benchmarking

Summary of cost template revisions



Summary of cost template revisions



Tab	Key Changes	Functionality	Comments
PCP	PCP tab replaces and eliminates the need for appendix A of the Change Proposal (PCP)	Requires users to update the status of PCP; i.e. rejected, pending, accepted	Consolidated cost estimate workbook to be updated when scope, schedule and cost increase exceed the authorized budget.
Tab 1 – Summary	Tab 1 provides a summary for changes to the project cost estimates and final costs in a consolidated template	The Summary cells are based on calculations derived from the other tabs; thus, requires the user to update the detailed tabs	Changes to Owners Costs and Other Costs are still required to be entered on the Summary tab as there are no detailed tabs for these costs.
Tabs 2 - 4 Detailed Line, Station and Telecom tabs	Detailed tabs are required to be updated as estimates change throughout the life of the project	The summary tab derives its information from these detailed tabs	Recommended that any assumptions are documented to avoid information requests from the AESO

Summary of template revisions



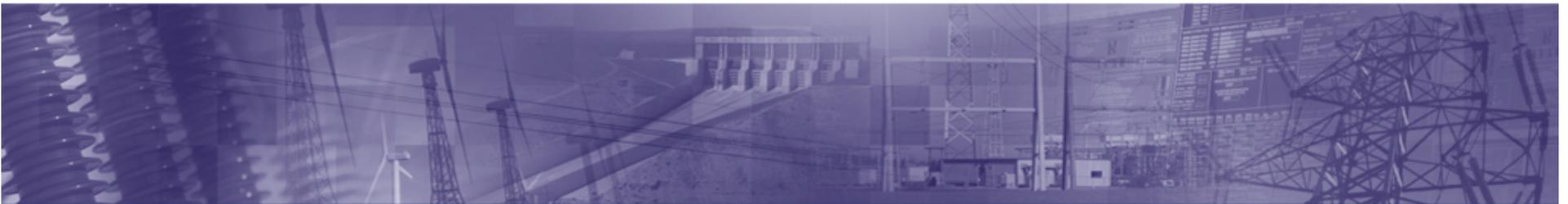
Tab	Key Changes	Functionality	Comments
Tab 5 - Distributed Labour	Similar to the detail tabs, updated costs are required to be entered for each change in estimates	Provides additional detail on Management costs: Construction, Project Management and Procurement	Recommend that any assumptions are documented to avoid information requests from the AESO
Tab 6 - Contingency for system and participant costs	There are now 2 tabs for risk and contingency; one for system and one for customer costs	Use the customer tab for customer projects and system tab for system projects and both tabs if a customer project has system facilities	The breakdown of contingency between system and customer facilities are required for customer contribution calculations
Tab 7 – Escalation	Formulas have been removed as each Facility Owner calculates escalation differently	Facility Owner is required to complete the tab by entering information manually	Perhaps a later revision of the template, all Facility Owners and the AESO can agree on standard calculations for escalation

Summary of template revisions



Tab	Key Changes	Functionality	Comments
Tab 8 – Salvage	Facility Owner to provide a detailed breakdown of salvage labour if applicable to the project in accordance with the AESO tariff	Creating a separate tab was selected as it was determined that it would be better to keep salvage costs separate rather than including them in the detailed capital sections	The tariff says participant-related costs include “salvage labour required to remove existing transmission facilities to allow the installation of new or replacement facilities for a connection project, except where the cost of the removed facilities is treated as a capital maintenance cost by the TFO”
Procurement	<p>The Final Cost Report is no longer required, as the cost template now contains a column for the Final Cost Report information</p> <p>A tab was created for the Procurement Report</p>	The Totals in the Procurement Report are pulled from the Final Cost column of the Summary Sheet (last column). The user will need to manually enter the amount of labour and materials that have been sole sourced	The AESO in consultation with our compliance team have made some revisions to the procurement sheet

Instructions



Expanded data input columns

- Consolidated cost template to be used for all estimates, change proposals and final costs
 - Tabs include columns for additional data to be provided
 - PCPs and Summary tab are automatically updated
 - Appendix D of the Change Proposal and Final Cost Report (including Procurement Report) are no longer required
- Cost template is to be used for NID and OOM estimates, however, since these estimates are not considered to be the project's original or control budget, the estimate will not be carried forward throughout the project life cycle
 - Create a new file for for each alternative
 - Recommend hiding unused columns

Cost estimates and change proposals



- Estimates for the 180 day Service Proposal, the Final Cost Estimate and the Final Cost Report (actuals) are classified as another Change Proposal in the new template
 - For updates to estimates and final costs, a Change Proposal form and an updated cost worksheet are required
 - In other words, the requirement is to provide cost updates at specified time intervals in accordance with ISO rule 504.5
 - Other than the Change Proposal form, no additional documents are required
- If a Change Proposal has no cost impact; i.e. ISD change, a PCP column in the detailed sheet must be used and “No cost impact” included in the “Comment on Change column of the PCP” in both the Summary and Detailed sheets, in order to properly keep the sequence of PCPs

New Projects – System and Customer

(Service Proposal has NOT been submitted)

- For projects where the service proposal has not been provided, the new template is to be used.
 - Appendix A of the Change Proposal is no longer required, as this information will now be included in the consolidated sheet
 - The Final Cost Report is no longer required, as this information will now be included in the consolidated sheet



Existing Customer Projects

(Service Proposal has been submitted)



- For existing customer projects where a Service Proposal estimate has been issued prior to October 14, 2016, the new consolidated template is not required.
 - Continue to use Appendix A for the Change Proposals until such time that the project is energized
 - The new template is required for the final cost estimate and reporting of actuals costs; unless otherwise agreed to by the AESO.

Existing System Projects

(Service Proposal has been submitted)



- For existing projects where the current cost template has been used for the Service Proposal:
 - Continue to submit Appendix A when submitting a Change Proposal up to the submission of the 180 estimate
 - Provide the Service Proposal 180 day estimate using the new consolidated template
 - Do not include the original Service Proposal estimate or Appendix A details in the new template
 - After the 180 day estimate submission, use the new template going forward for future Change Proposal estimates and do not use Appendix A
 - Use the new template for the Final Cost Estimate and reporting of final cost information

Existing System Projects

(Service Proposal cost estimate has been submitted)



- For existing projects where the current cost template has been used for the Service Proposal:
 - Continue to submit Appendix A when submitting a Change Proposal up to the submission of the 180 estimate
 - Provide the Service Proposal 180 day estimate using the new consolidated template
 - Do not include the original Service Proposal estimate or Appendix A details in the new template
 - After the 180 day estimate submission, use the new template going forward for future Change Proposal estimates and do not use Appendix A
 - Use the new template for the Final Cost Estimate and reporting of final cost information

Existing System Projects

Service Proposal Post P & L cost estimate has been submitted



- For existing projects where the existing 180 day estimate has been submitted to the AESO:
 - Continue to submit Appendix A when submitting a Change Proposal to the conclusion of the project
 - Provide the Final Cost estimate and Final Cost Report using the new consolidated template
 - Do not need to include the previous Service Proposal estimates or Appendix A details in the template
 - Use only the new cost template going forward for future reporting of the Final Cost Estimate and Final Cost Report

Existing System Projects

Final Cost estimate and/or Final Cost Report has been submitted



- For existing projects where either the Final Cost estimate or Final Cost Report has been submitted to the AESO:
 - There is no requirement to use the new cost template
 - Continue to submit Appendix A when submitting a Change Proposal to the conclusion of the project

Risk and contingency

- There are now two tabs for identifying project risks and related contingency
 - System development projects
 - Customer connection projects
- Segregation was required to clearly delineate between system and customer projects from a tariff perspective
 - The previous template used a proration formula which made the contributed costs ambiguous
- Use the System tab for system only projects, the Participant tab for system access projects
- If a system access project has a system component, use both tabs
- For 180 Service Proposal Estimate, the Final Cost Estimate and Final Cost Report, the AESO expects to see a revised risk register and updated contingency

Salvage



- If the Facility Owner applies salvage labour as project costs, they need to show the details in the new Salvage Tab
- The tariff says participant-related costs include “salvage labor required to remove existing transmission facilities to allow the installation of new or replacement facilities for a connection project, except where the cost of the removed facilities is treated as a capital maintenance cost by the TFO”

Contingency drawdown

- If the Facility Owner is drawing down on contingency, and there is no budget increase, it is up to the Facility Owner whether to communicate this to the AESO. Consider if this is only necessary for large system projects
 - If the Facility Owner is requesting a budget increase with a Change Proposal, the AESO would expect an explanation if Contingency was being used or not
 - For 180 Service Proposal Estimate, the Final Cost Estimate and Final Cost Report, the AESO expects to see a revised risk register and updated contingency

Version control

- The cost template name will be “aeso cost template” with a version number and date issued footer on the Notes, PCP and Summary tabs
 - aeso cost template.V1.xlsx
- TFOs submitting cost information are to use the following versioning
 - {P1234} {type of cost estimate/actual} {V#}.xlsx
 - Where P1234 is the AESO project #
 - Where type of estimate/actual is as follows
 - P1234 Service Proposal Cost Estimate V1.xlsx
 - P1234 Change Proposal #XX Cost Update V1.xlsx
 - P1234 Service Proposal Post Permit & License Cost Estimate V1.xlsx
 - P1234 Final Cost Estimate V1.xlsx
 - P1234 Final Cost Report V1.xlsx

Appendix A

Rule 504.5 Service Proposals and Cost Estimating and the Cost Estimate Template



ISO Rule 504.5



- Rule 504.5 Service Proposals and Cost Estimating - effective April 29, 2016
- ISO Rules 9.1.2 and 9.1.3.6 removed
- AESO has adopted the AACE practices
 - AACE is the Association for the Advancement of Cost Engineering - The Authority for Total Cost Management
www.aacei.org
 - Governs cost estimate accuracy bands
- New accuracy ranges are defined in the AESO Glossary
- Current accuracy bands in effect until AUC updates Rule 007
- Supplementary Information Document (ID) developed
- Rule now includes Final Cost Report which must have same level of detail as cost estimates

ISO Rule 504.5 – Revisions and additions



- ISO may provide a written request for a cost estimate (rather than a direction)
 - Needs identification document estimate
 - Service proposal estimate
- ISO may request estimate in a specified accuracy range in accordance with ISO definitions (**AACE** practice)
- Facility Owner has 15 days to respond to the request
 - Estimate of time to complete
 - Estimate cost to complete
 - If accuracy range cannot be met, provide indication of preferred range along with reason requested accuracy range cannot be met
- AACE classes and accuracy ranges are adopted; not written in the Rule, but are part of the AESO definitions
- States that the latest Service Proposal estimate is the original budget

ISO Rule 504.5 – Revisions and additions



- Post P & L Estimate (180 days) not required if final energization of all facilities is less than 180 days after permit and license are granted
- Final Cost Estimate is due 90 days after the final energization of all facilities (increased from 60 days)
- Final Cost Report (included in 504.5 and removed from 9.1.3.6) due 180 days after final energization of all facilities (previously: first day of the sixth full month after Project Energization)
- Final Cost Report to be provided in same level of detail as final cost estimate
- New section on Preparation of Estimates and provision of further information
 - Facility Owners must ensure estimate is accurate, complete and has appropriate level of detail
 - ISO may request additional information
 - Facility Owner must provide requested information

ISO Rule 504.5 – Summary of changes



Old Rule 9.1.2	New Rule 504.5
Direction for PPS	Written Request for Service Proposal
Informal request for TFO to provide information via TFO response letter	Written request will be issued by the AESO; email template to be provided
No timeline for TFO response	TFO response required w/in 15 business days; TFO letter has been updated
180-day P&L estimate required	180-day P&L estimate not required if final energization is less than 180 days after P&L is granted
Final Cost Estimate due 60 days after final energization	Final Cost Estimate due 90 days after final energization
Final Cost Report (R.9.1.3.6) provided in summary format	Final Cost Report to be provided at same level of detail of cost estimates
Final Cost Report (R.9.1.3.6) due “first day of the sixth full month after Project Energization”	Final Cost Report due 180 days after final project energization