

# **COST CONTAINMENT & RECOVERY**

MHP OIR Workshop #2

March 20-21, 2019

# Cost Containment Measures

- » Competitive bid process for TTM and BTM
  - Periodic TTM bidding
    - Joint IOU participation
    - Flexibility in contract types for competitive pricing:
      - Unit Pricing
      - Fixed Price
    - Geographic work assignments
  - BTM bid per park
    - Standardized bid template to break down costs
    - Multiple bids requirement
    - MHP Owner justification of contractor selection
    - BTM payment assignment to contractors
      - Mitigates BTM contractor risk
      - Intended to increase BTM contractor participation in bids

# Cost Containment Measures (Cont.)

- » Design
  - Joint Trenching
- » Project monitoring
  - Detailed review of bids and contractor scope
    - Initial "Tasking" process with contractors reduces risk of subsequent change orders
  - Focused construction inspection
  - Detailed review of change orders
  - Validation and approval of contractor invoices
  - Reconciliation of construction packages and project costs

# Cost Caps

A cost cap should not be adopted due to the following factors:

- Unknown underground conditions (e.g., substructures, soil, rock)
- MHP layout variation (e.g., access, street control)
- Contractor resource availability and logistics
- Variations across IOUs (e.g., construction standards)
- Municipal Code variations
- Variations in mobile home structures
- Changing and unpredictable market conditions (e.g., materials, inflation)

The average costs across MHPs can vary greatly depending on – but not limited to – the above factors, making cost caps challenging

# Cost Recovery

- » The following topics were extensively litigated in OIR 11-02-018 and resolved in D14-03-021
  - Capitalization policy (TTM/BTM/Outreach)
  - Two-way balancing account
  - Reasonableness review occurring in the GRC

# Cost Recovery (Cont.)

- » Responsibility for costs (*Scoping Memo 2.8.b*)
  - The entities responsible for costs were also resolved in D.14-03-021
  - However, additional responsibility clarifications would be beneficial as a future discussion point for the following topics:
    - Environmental/cultural
    - Discontinuation of legacy system