

The Inclusion of Steam and Electric Generator Major Inspection and Overhaul Costs in Incremental Operations and Maintenance Expenses - Draft

The purpose of this draft is to specify the long term major inspection and overhaul costs that are eligible for inclusion in valid Cost Based Offers consistent with Section 6.4.2 (a) (ii) of the PJM OATT. These costs must represent actual expenditures that are due to incremental degradation of generating equipment directly related to generation, starts or a combination of both. Expenditures that are not directly related to these operations are not recoverable under cost based offers.

Some generation owners have historically classified some variable costs as capital expenses. As a result, these costs cannot be included in variable operations and maintenance expenses as currently defined in Section 5 of PJM Manual M-15 Cost Development Guidelines and FERC Accounts 512, 513, 530, 531 and 553 as identified in that section. In order to qualify for classification as variable costs, it must be clear that these costs would have been includable under the current Cost Development Guidelines, and the allowable FERC accounts identified in the Guidelines, had they had been booked as variable expenses instead of capitalized investments. These expenses must be certified under this rule by the PJM MMU prior to inclusion in cost based offer calculations.

Regardless of the accounting method used by generation owners, these major inspection and overhaul costs may represent a long term incremental expense and may be allowable for inclusion. Expenses such as Combustion Chamber and Hot Gas Path inspections for Combustion Turbines and Steam Generator and Turbine inspections for steam units are includable for cost based offer calculations. These expenses include spare parts, tools, technical contractor and consultant work, incremental maintenance and operating personnel, specialized vendor inspection equipment and expertise and other incremental expenses only as they directly relate to major inspection and overhaul work. A detailed listing of requested expenses must be provided to the PJM MMU for review prior to certification.

Combustion Turbine and Combined Cycle Plant major inspection and overhaul costs include:

1. Combustion Turbine Generator Inlet Air System
 - a. Inlet Air Filter Replacement
 - b. Evaporative cooling system media replacement
 - c. Mechanical inlet air cooling chiller and pump inspection and overhaul

2. Fuel System
 - a. Fuel Gas Compressors Inspection and Overhaul
 - b. Distillate Fuel Pumps Inspection and Overhaul

3. Water Treatment
 - a. Resin Replacement
 - b. RO Cartridges Replacement

4. Environmental
 - a. SCR and/or CO Reduction Catalyst Replacement

5. Combustion Turbine Generator ("CTG")
 - a. Combustion Inspections
 - i. Parts
 - ii. Labor
 - iii. Rentals
 - iv. Specialized technical expertise and support
 - b. Hot Gas Path Inspect
 - i. Parts
 - ii. Labor
 - iii. Rentals
 - iv. Specialized technical expertise and support
 - c. Major Overhaul
 - i. Parts
 - ii. Labor
 - iii. Rentals
 - iv. Specialized technical expertise and support
 - d. Electric Generator Inspection and Overhaul
 - i. Parts
 - ii. Labor
 - iii. Rentals

- iv. Specialized technical expertise and support
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- 6. Heat Recovery Steam Generator ("HRSG")
 - a. Chemical Cleaning or Hydro-Blasting of Heat Transfer Surfaces
 - b. BFW Pump Inspection and Overhaul
 - c. Heat Transfer Surface Replacements
 - d. Casing Repair and Replacements
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- 7. Steam Turbine Generator ("STG")
 - a. Major Overhaul
 - i. Parts
 - ii. Labor
 - iii. Rentals
 - iv. Specialized technical expertise and support
 - b. Electric Generator Inspection and Overhaul
 - i. Parts
 - ii. Labor
 - iii. Rentals
 - iv. Specialized technical expertise and support
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- 8. Surface Condenser
 - a. Chemical Cleaning or Hydro-Blasting of Heat Transfer Surfaces
 - b. Condensate Pump Inspection and Overhaul
 - c. Heat Transfer Surface Replacements
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- 9. Cooling Tower
 - a. Circulation Pump Inspection and Overhaul
 - b. Cooling Tower Fan Motor and Gearbox Inspection and Overhaul
 - c. Replacement of Cooling Tower Fill and Drift Eliminators