



Item E: Business Case for PRAMP Equipment Purchase

November 23, 2018

Introduction

PRAMP spends approximately \$200K per year on rental of air monitoring trailers and equipment from Maxxam Analytics. The Board directed staff to prepare a business case and analysis to compare continuing to rent with purchasing equipment over the next few years.

This document provides a summary of the pros and cons of renting versus purchasing, and the attached figures summarize the financial implications.

Operational Implications

| | Continue to Rent | Purchase Equipment (years 1-3) |
|-------------|--|--|
| Pros | <ul style="list-style-type: none">Predictable costsPRAMP focuses on monitoring plan and outcomes and Operator (Maxxam) focuses on equipment maintenance | <ul style="list-style-type: none">Significant cost savings over timePRAMP has more control over equipment quality and reliability |
| Cons | <ul style="list-style-type: none">Rental costs will be \$1.2 million over 6 years | <ul style="list-style-type: none">Cost risk associated with maintaining and replacing equipment |

Purchase Assumptions:

- PRAMP will purchase 1 trailer and the associated monitoring equipment per year for each of the next 3 years, starting in 2019-20 (cost per station is approximately \$200K).
- Rental costs for a station will continue to be paid for the full year while new station and equipment is brought on-stream (Rental costs decline year to year).
- Other program costs are assumed to increase by 5% per year.
- Maxxam or another contractor will be in place to maintain and operate the stations whether they are owned or rented by PRAMP.
- An equipment maintenance and replacement amount for the owned equipment will be included in the PRAMP budget each year.

The break-even timeframe is approximately 3 years when the costs incurred will result in savings for all future years. Note that the timing may be adjusted depending on possible equipment purchases in the current budget year (2018-19).

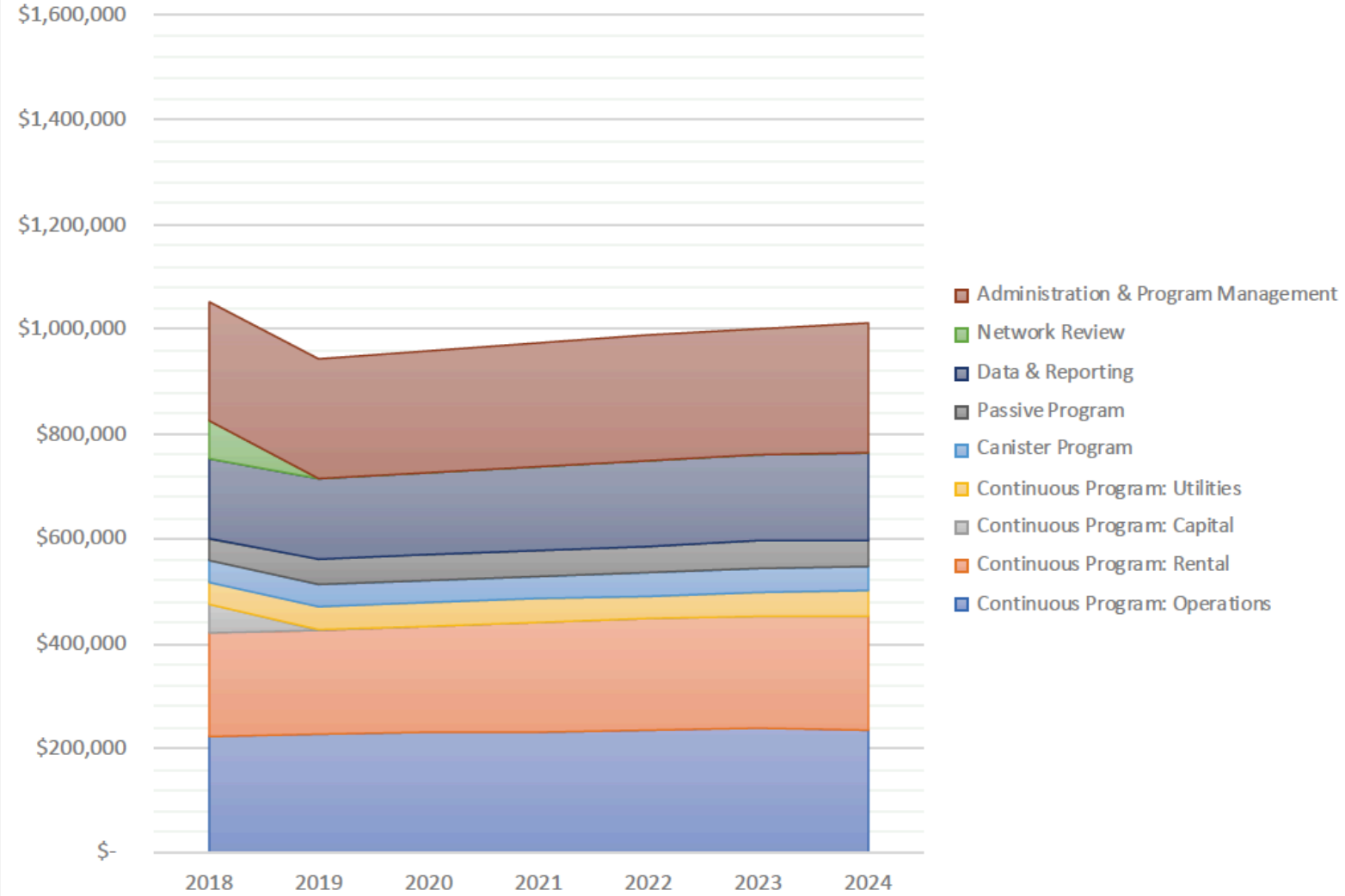
Board Decisions

The Board is asked to decide on the following:

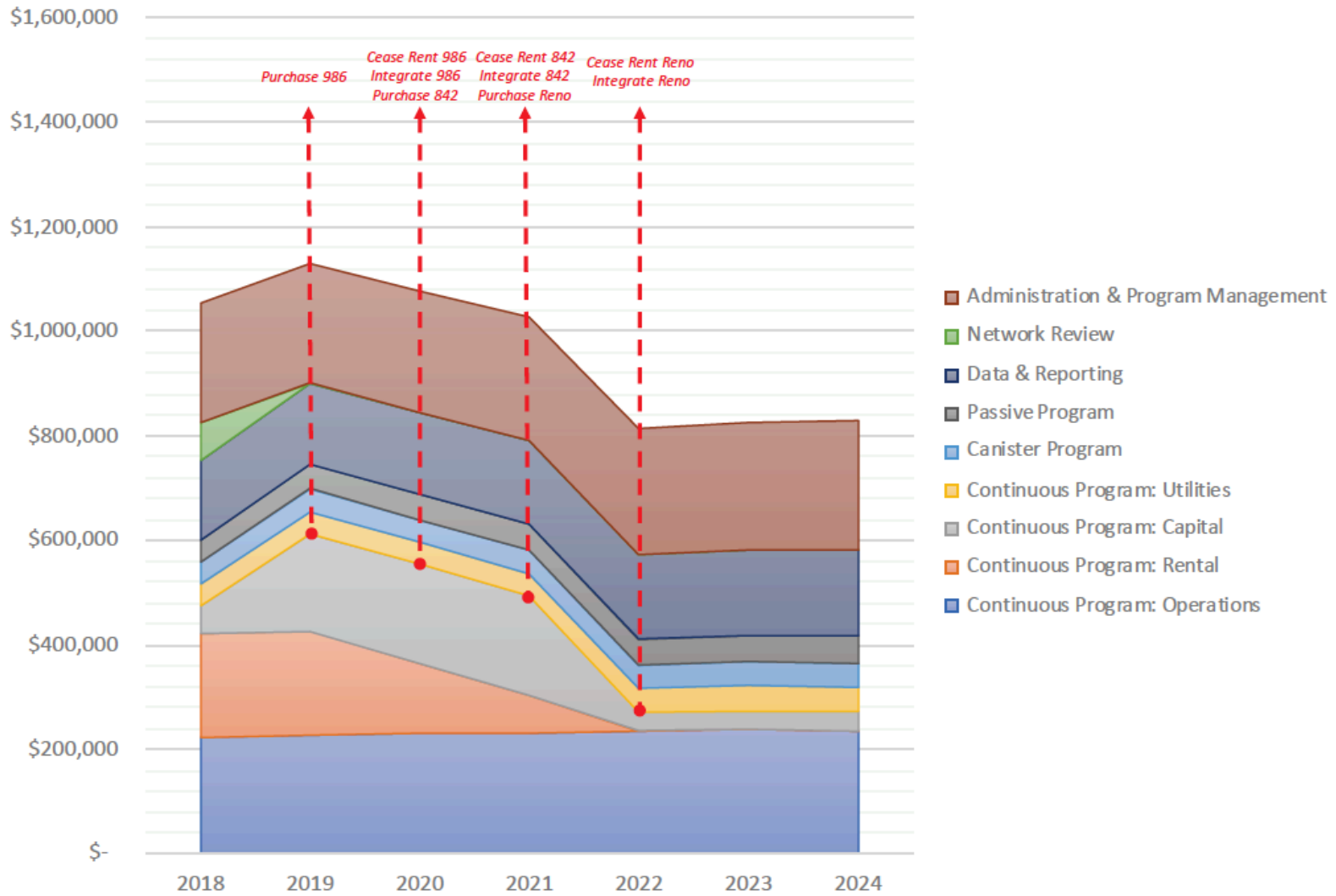
- Will PRAMP include the proposed business case in the 2019-20 work plan and budget to be submitted to AEP?

Business Case Figures

PRAMP Core Programs: Business as Usual



PRAMP Core Programs: Phase-in Equipment Ownership



PRAMP Continuous Program: Phased-in Ownership

