



Southwest Power Pool

STRATEGIC PLANNING COMMITTEE TASK FORCE on ORDER 1000 MEETING

AEP Office – Dallas, Texas

Thursday - Friday, March 8-9, 2012

Agenda Item 1 – Call to Order

Mel Perkins called the meeting to Order. Guests participated in person or via phone (Attendance – Attachment 1). Of particular note, Paul Malone (NPPD) gave his proxy to Dennis Reed (Westar), Brian Thumm (ITC) gave his proxy to Dave Grover (ITC), and Todd Fridley (KCPL) gave his proxy to Terri Gallup (AEP). Mel noted one addition to the agenda (a recap of MISO's draft Order 1000 proposals) would occur at the beginning of the meeting.

Agenda Item 2 – Review of Part Action Items

Michael Desselle reviewed past action items. All the action items were incorporated into the background material for the meeting. It was noted that the sponsors of each option under consideration had not reached convergence, and accordingly a vote on the competing options (Option A: the Sponsorship Model and Option B: the Competitive Bid Model) would be taken.

Added Agenda Item – MISO Draft Order 1000 Proposals

Matt Binette (Wright and Talisman) reviewed MISO's February 29, 2012 presentation to their stakeholders on their Order 1000 ROFR draft proposals (MISO work on Order 1000 – Attachment 2). He noted that MISO is just beginning this effort, but does not currently favor the Sponsorship model. He noted that they wanted the competitive solicitation model but did not want to "pick the winners".

Agenda Item 3 – Convergence Group Outcome

As noted, the option sponsors did not reach convergence with their competing options. Accordingly, Mel asked Dennis Reed to briefly present the Competitive Bid Model option (Option Comparison by ITC, NPPD, Sunflower, Westar and Xcel – Attachment 3) and Terri Gallup to present the Sponsorship Model option (Planning vs. Construction Comparisons – Attachment 4) and (Front End/Back End of ITP Process – Attachment 5). Presentations by each were made without interruption, except for a few clarifying questions.

Agenda Item 4 – Selection Criteria for Builder and Project Models (Competitive Bid and Sponsorship, respectively)

Antoine Lucas presented staff's position of the proposed options for ROFR elimination (Presented on ROFR Elimination Proposal Options Criteria – Attachment 6 and Staff Selection Criteria for Planning and Developer Models Draft – Attachment 7). Antoine noted in summary that both models have advantages and disadvantages and that it was difficult to finalize criteria until a model is chosen. When pressed by task force members for staff's preference (Sponsorship v. Competitive Bid), Lanny Nickell noted a slight preference for the builder option (i.e., Competitive Bid option), but noted that either option could be made to work.

Agenda Item 5 – Model Selection

Mel noted that the task force was finally at the point to debating and voting on Option A (Sponsorship Model) and Option B (Builder Selection Model also known as the Competitive Bid model). Accordingly, Mel moved for the task force to vote on Option A or B and Noman Williams seconded followed by Mel opening the floor to questions/comments. Mel noted that he was "taking off his chair hat" and that while he participated in the convergence group supporting Option A, he was now changing his support to the builder selection model (i.e., the Competitive Bid model). Kelly Harrison (Westar) noted that he could see

both sides of the debate. Ricky Bittle noted that he has always supported postage stamp rates, but was concerned about a process that disrupts the strong planning process in place today and that he was not ready to take that risk. Noman Williams echoed Ricky's concern and noted that the planning approach (i.e., Sponsorship model) does not bring anything more robust to the current planning process and that we would still need a constructor process anyway. Terri Gallup noted that going forward without ROFR degrades the current planning process, thereby inhibiting creative transmission solutions. Bryan Rushing (LS Power) stated a preference for the Sponsorship model and its non-discriminatory attribute, noting that the Competitive bid model has the potential for discrimination. Paul Hassink (AEP) expressed concerns about "copycat" transmission proposals by bidders who would submit lower cost bids in the Competitive Bid model. Dennis Reed expressed concern about developing 2 processes in SPP. Dave Grover (ITC) noted that as a transmission developer the Sponsorship model is an attractive option, but preferred consistency of solutions by SPP and MISO and noted that builder selection at the back-end (i.e., the Competitive bid model was the right approach. He also noted that choosing the Sponsorship model would move SPP backwards causing SPP to lose its collaborative process already in place today.

Following discussion a roll call vote was taken for Option A or B. OGE, Sunflower, ITC, Westar, AECC, NPPD and SPS Xcel voted for Option B, the Construction Competition Model (aka, Builder Selection Model, or Competitive Bid model). AEP and KCPL were thus not supportive of Option B: voting instead as a second preference Option A, the Planning and Construction Model. Terri Gallup expressed AEP/KCPL's preference for Option C, the Planning Competition Model (aka, Sponsorship Model) but it was not offered for the vote(see Attachment 4, pages 5-7).

Agenda Item 6 – Aggregate Study and SPP Sponsored Projects Clarification Straw-Proposal

Paul Suskie presented the sub-group recommendation regarding SPP Sponsored Upgrades and SPP Transmission Service Upgrades/Ag study (Summary of Parking Lot Issues Subgroup Recommendation – Attachment 8). Paul noted that the sub-group recommends establishment of 3 categories of "Sponsored Upgrades" and to keep ROFR. With respect to Transmission Service Upgrades/Ag Study Upgrades, the subgroup recommends seeking to retain the ROFR for these type upgrades also. Following discussion of some "clean-up" in the supporting recommendation document Dennis Reed moved acceptance of the TF subgroup recommendation and Terri Gallup seconded. The TF unanimously approved the motion.

Agenda Item 7 – Other Policy and Parking Lot Issues

Regarding the *timing of when Order 1000 is applicable to facilities in the current ITP plans* Dennis Reed moved and Noman Williams seconded a recommendation that Order 1000 applicability would begin at the start of the next ITP Planning cycle after FERC approves Order 1000 modifications. The motion was unanimously accepted and direction was given that staff should begin to modify and "sync-up" the ITP Planning manual.

Regarding *the incorporation of Order 1000 "Public Policy" requirement*, the TF indicated a belief that we already comply and that nothing further needed to be added. Matt Binette noted that we may need to "tweak" the tariff language.

Regarding *Information requirements for non-participating Merchant transmission developers*, Paul noted that the TWG was working on interconnection criteria and that PJM may already have language that would serve as a model for SPP. Staff will come back to TF with a proposal.

New Agenda Item 8 – Builder Qualification Criteria and Builder Selection Criteria

Having finished early on the first day and having selected Option B (the Builder Selection Model also known as the Competitive Bid Model) staff prepared presentations overnight to discuss and propose Selection criteria and Qualification Criteria.

Antoine Lucas presented a high level overview of the existing SPP Business practice 7150 (SPP Draft Builder Model Criteria Options – Attachment 9). Questions were raised about the Oversight Committee makeup and expertise and selection of evaluators and how to remove subjectivity of evaluation criteria. It was noted that some of the criteria in BP 7150 could be done up front in pre-qualification. There was some discussion that if the SPC adopts the BP as policy, that some group would need to convene a

session to fully develop the criteria. Staff was tasked to bring a straw-proposal to the meeting on the 29th for the 6 weighted selection categories in BP7150. Staff was tasked to develop straw-proposal options for the selection committee in BP7150 to include the existing OC, staff, or a completely new committee. Bary Warren (EDE) suggested that the Task Force should consider adding system restoration and planning as additional qualification and/or selection criteria.

Paul Suskie presented an overview of builder qualification criteria and a staff recommendation to consider adopting existing OATT and Business Practices that govern qualification of alternate entities seeking to build transmission that a designated TO is unable or unwilling to build (Order 1000 Builder Qualification Criteria – Attachment 10). It was noted that there may be a disconnect with the recommendation contained on Slide 9 (#1 threshold eligibility requirement) and that was assigned to Staff and counsel to sort out. The TF seemed content with the 3 qualification criteria noted in the presentation and staff is tasked to bring details to the meeting on the 29th.

2 items were added to a parking lot list of concerns: 1. TO credit requirements; and, 2. Tracking process.

Agenda Item 9 – Next Steps

The TF plans to meet again on March 29 to consider straw-proposals on the criteria to be used to select the builder, criteria to be used to qualify builders in advance of RFPs, and the draft report and recommendation to the SPC.

Action Items include:

1. Staff to finalize other policy parking lot issues.
2. Staff to propose Builder selection criteria details.
3. Staff to propose Builder qualification criteria and timeline details.
4. Staff to present draft report and recommendation to SPC and timeline forward.

Respectfully Submitted,

Michael Desselle
Secretary



Southwest Power Pool, Inc.

STRATEGIC PLANNING COMMITTEE TASK FORCE on ORDER 1000 MEETING

Thursday, March 8, 2012 - 10 AM – 4 PM

Friday, March 9, 2012 - 8 AM – 3 PM

AEP Office, Dallas, Texas

• A G E N D A •

1. Call to Order Mel Perkins
2. Review of Past Action Items Michael Desselle
3. Convergence Group Outcome
 - Builder Selection Model Dennis Reed
 - Project Selection Model Terri Gallup
4. Selection Criteria for Builder and Project Models Antoine Lucas
5. Model Decision Mel Perkins
6. Aggregate Study and SPP Sponsored Projects Clarification Straw-proposal Paul Suskie
7. Other Policy and Parking Lot Issues Paul Suskie
 - Membership Agreement Changes
 - OATT Changes
 - Timing of When Order 1000 is Applicable to Facilities in Current ITP Plans
 - Incorporation of Order 1000 "Public Policy" Requirement
 - Information Requirements for Non-Participating Merchant Transmission Developers
8. Next Steps Mel Perkins

Southwest Power Pool

STRATEGIC PLANNING COMMITTEE TASK FORCE on ORDER 1000

March 8, 2012

ATTENDANCE LIST

Day 2

	Name	System
✓	Michael Dosselle	SPP
✓	Mel Perkins	OGE
✓	Paul Sustie	SPP
✓	Katherine Prewitt	SPP
✓	Antoine Lucas	SPP
✓	Dennis Reed	Western
✓	Pat Masier	ARK PSC
	PAUL HESSINK	AFSC
✓	Dave Grover	ITC
✓	David Linton	ITC - GP
✓	Sean Farrell	Alliance of XCEL cities
✓	Adam McLinnie	MO PSC Staff
✓	TEMUJIN ROACH	PLC TEXAS
✓	Matt Buntz	W+T
✓	Terri Gallup	AEP
✓	Mitch Elmore	Xcel Energy
	Ricky Bittle	AEC
✓	TRENT A. Campbell	OKLAHOMA CORP. COMMISSION
✓	Nolan Williams	Sunflower Electric Power Corp
✓	Michael O. Moffet	Sunflower Elec

Southwest Power Pool

STRATEGIC PLANNING COMMITTEE TASK FORCE on ORDER 1000

March 8, 2012

ATTENDANCE LIST

Day 2

Name

System

BARY WARREN

EMPIRE

✓ Bryan Rushing

LS Power

✓ Bruce Curtis

Xcel ENERGY / SPS

✓ Jake Langthorn

OG&E

Kelly Haroon

Wetb

~~John Martin~~

~~SPP BOB~~

see phone
list

Jim Eckelberger

SPP BOB

day 2

Lloyd Kolb

Day 2

GSEC

Southwest Power Pool

STRATEGIC PLANNING COMMITTEE TASK FORCE on ORDER 1000

March 8, 2012

ATTENDANCE LIST

Name

System

Day 2 By Conf Call

Susan Miller - FERP

✓ Jordan Kunk -

? Phyllis Bernard - SPP Director

✓ Joyce Davidson - FERP

✓ Keith Tykes - EREC

✓ Harry Skilton - SPP Director

✓ Sharon Segner - LSPower

✓ Josh Martin - SPP Board

Dan Klein - Xcel Energy

Day 2

~~Lloyd Kolb - GSEC~~

~~Day 2~~

✓ Tom DeBauer

Mitch Williams

Day 2

Order 1000 Right of First Refusal Draft MISO Proposals

February 29, 2012

Agenda

- Proposal Overviews
- MISO Proposals
 - Project Applicability
 - Transmission Developer Selection Process
 - Project Submission / Requirements
- Transmission developer criterion examples
- Compliance requirements and status summary
- Next steps

Overview of Proposals

- Reliability and participant funded projects will be excluded from the Order 1000 Right of First Refusal compliance requirements
 - Only Multi Value Projects (MVP) and Market Efficiency Projects (MEP) will be impacted by these requirements
- All MISO stakeholders will be eligible to submit projects for consideration in the regional plan
 - Prospective transmission developers will have additional requirements to submit a bid to build transmission facilities
- For MVPs and MEPs, the transmission developer will be selected through a competitive bidding process

Question / Proposal 1:

What facilities are impacted by the ROFR Requirements?

Stakeholder Comments

- **General Consensus**

- Right of first refusal should be retained for upgrades to existing equipment and participant funded projects
- Right of first refusal should be removed for Multi Value Projects

- **Other comments**

- Positions varied from eliminating right of first refusal from all projects that have any costs allocated outside the local zone, to eliminating right of first refusal for only Multi Value Projects
- Exclusions also varied
 - Reliability projects were the most frequently excluded project type
 - Projects on existing right of way were also excluded in many proposals
- Several commenters proposed using a set of criterion to narrow the definition of a reliability project that includes cost allocation, voltage thresholds, total cost, and project types

Question / Proposal 1:

What facilities are impacted by the ROFR Requirements?

Order 1000 Definition

- In general, the Order seeks to enhance the identification and evaluation of more efficient or cost effective alternative solutions to regional transmission needs (P63, P253)
- Project subject to the elimination of the federal right of first refusal include those that:
 - Are solutions to regional transmission needs (P63, P226)
 - Are eligible for cost allocation (P63) / regional cost allocation (P226)
 - Do not alter an incumbent's use or control of its existing rights-of-way (P319)
 - Are not upgrades to existing equipment (P319)
 - Are not granted to incumbent transmission owners through state or local laws or legislation (P287)

Question / Proposal 1:

What facilities are impacted by the ROFR Requirements?

MISO Proposal

Project Type	Driver(s)	Impact
Participant Funded ("Other")	Project that does not qualify for other cost allocation mechanisms	ROFR retained
Transmission Delivery Service	Transmission Service Request	ROFR retained
Generator Interconnection	Generator Interconnection Request	ROFR retained
Baseline Reliability	NERC reliability criteria	ROFR retained
Market Efficiency	Market congestion benefits	ROFR eliminated
Multi Value	Address energy policy laws and/or provide widespread benefits across the footprint	ROFR eliminated

Question / Proposal 1:

What facilities are impacted by the ROFR Requirements?

- Projects completely funded by the requestor or local zone are subject to the right of first refusal
 - Such projects are not included in a regional plan for purposes of cost allocation
 - Project types include:
 - Participant Funded (“Other”) Projects
 - Transmission Delivery Service Projects
 - Merchant Transmission

Question / Proposal 1:

What facilities are impacted by the ROFR Requirements?

- Projects designed for predominantly local reliability needs are subject to the right of first refusal
 - This will allow utilities the ability to ensure the reliability of their existing network
 - Additionally, these projects primarily
 - Are developed through the bottom-up planning process
 - Are driven by local needs
 - Require the construction of identified upgrades needed in the near term planning horizon to meet compliance timelines
 - Are paid for by the project requestor or local zone
 - Right of first refusal will be maintained for:
 - Generator Interconnection Projects
 - Baseline Reliability Projects

Question / Proposal 1:

What facilities are impacted by the ROFR Requirements?

- Projects developed in a top-down planning process, and therefore driven by regional needs, are subject to the elimination of the right of first refusal
 - These projects are primarily higher voltage regional transmission projects, which serve needs spread across the region
 - Their costs and benefits are more broadly spread to a combination of local and regional zones
 - Projects include
 - Multi Value Projects
 - Market Efficiency Projects

Question / Proposal 1:

What facilities are impacted by the ROFR Requirements?

- **Caveats**

- State policies or regulations take precedence
 - If states have laws or regulations requiring the construction of transmission facilities by a certain entity, the MISO proposal will not override these laws or regulations
- Incumbents have the right to upgrade their own equipment

Question / Proposal 1:

What facilities are impacted by the ROFR Requirements?

Questions?

Comments?

Concerns?

Question / Proposal 2:

How is the transmission developer selected?

Stakeholder Comments

- Proposals ranged from hybrid sponsorship approach to a competitive bidding methodology
- Other comments or proposals included:
 - The final solution must not delay or hinder the existing planning process
 - The project should be evaluated independently of the transmission developer
 - Intellectual capital or an approach which increase incentives to define new project alternatives is key
 - Cost and cost containment are a primary concerns

Question / Proposal 2:

How is the transmission developer selected?

MISO Principles

- The goal is to preserve the open, transparent and collaborative nature of the MISO transmission planning process
- The selection of the developer will be separate from the project selection process
 - The transmission developer will be selected after Board approval of the transmission projects
- The primary focus on selecting a transmission developer is to minimize the total lifetime cost for comparable quality and increase the cost certainty of the transmission facility
 - This is based upon criterion that ensure that developers will properly maintain and operate the facility
- MISO should not be placed in the role of deciding who should build planned transmission facilities

Question / Proposal 2:

How is the transmission developer selected?

MISO Proposal

- All applicable projects will be granted to transmission developers through a competitive bidding methodology
 - This bidding methodology will include a life-cycle cost analysis incorporating all the cost components that are recovered in annual revenue requirements
 - It should also consider qualitative factors including, but not limited to, transmission design standards, financial risk, etc.
 - Transmission developers must meet a specific set of criteria to be considered as potential project developers
- The authority to decide who will construct applicable transmission facilities will default to the state regulatory bodies, in all cases where the states have such authority and would seek to exercise it

Question / Proposal 2:

How is the transmission developer selected?

- **What information must be submitted as part of a competitive bid for a particular project?**
 - Project cost
 - Design specifications
 - Expected construction timeline
 - Transmission developer criterion
 - What else?
- **What weights are assigned to these criteria?**

Question / Proposal 2:

How is the transmission developer selected?

Example: CAISO Bid Criteria

- Description of project, including in-service date
- Construction capabilities
- Cost containment capabilities or agreements
- Financial and legal resources
- Technical and engineering qualifications and experience

Question / Proposal 2:

How is the transmission developer selected?

Example: SPP Bid Criteria

- Project Expertise-20 points
- Safety program/Current/Past statistics-15 points
- Cost to customer-20 points
- Reliability/Quality/General Design-15 points
- Operations-15 points
- Maintenance-15 points

Question / Proposal 2:

How is the transmission developer selected?

Questions?

Comments?

Concerns?

Question / Proposal 3:

What are appropriate project submittal criteria?

- Currently, regional transmission alternatives are submitted and studied in an iterative manner, during the study process
 - Examples: Top Congested Flowgate Study, Regional Generator Outlet Studies
 - This is separate from the bottom up transmission submittal process
- The current process is:
 - Identify transmission needs in conjunction with the stakeholder process
 - Determine potential transmission solutions
 - Evaluate alternatives against study needs
- MISO proposes retaining this project submittal process
 - All projects will be considered in the context of these regional studies, and tied to regional needs
 - Any stakeholder may submit valid projects for consideration, as per the current MISO study process

Question / Proposal 3:

What are appropriate project submittal criteria?

Questions?

Comments?

Concerns?

What are appropriate developer criteria?

Stakeholder Comments

- **General consensus**
 - Criterion should focus on a developer's legal, technical and financial capability to develop, construct, own, operate and maintain transmission facilities
 - State regulatory approval was also frequently mentioned
 - Criterion must be comparable for incumbent and nonincumbent developers
- **Several stakeholders proposed that a developer be qualified ahead of a particular planning cycle / bidding opportunity**
 - Both qualification criterion and a qualification process are required

What are appropriate developer criteria?

MISO Principles

- Developer criteria will focus on requirements for entities to submit bids to construct transmission facilities chosen in the regional plan
 - These requirements may be state specific
 - Once approved, developers will need to refresh their qualifications on a periodic basis
 - Developer approval will occur prior to any particular developer being able to bid on a project
- These criteria will focus on legal, technical and financial capabilities of a developer to construct, maintain and reliably operate the transmission facilities

What are appropriate developer criteria?

CAISO Example

- A proposed financial plan
- Summary of any history of bankruptcy, dissolution, merger, or acquisition
- Ability to assume liability for major losses resulting from failure of or damage to facilities.
- Description of the process that will be used for siting approval
- Demonstration of a capability to acquire right of way and construct the project
- Cost containment capabilities or agreements
- Demonstration of a capability to operate and maintain the project after it is in-service
 - Includes how Project Sponsor intends to comply with all applicable reliability standards.

What are appropriate developer criteria?

SPP Example

- **Entities must meet certain specified legal, regulatory, technical, financial and managerial qualifications**
 - All state regulatory authority necessary to construct, own and operate transmission facilities within the state(s) where the project is located,
 - Creditworthiness requirements
 - Capability and willingness to sign the SPP Membership Agreement as a Transmission Owner
 - Meet other technical, financial and managerial qualifications as are specified in the Transmission Provider's business practices.

Right of First Refusal Workshop

Compliance Requirements and Status Summary

Order 1000 Paragraph 253 - Requirement C1

Requirement:

Remove provisions from Commission-jurisdictional tariffs and agreements that grant a federal right of first refusal to construct transmission facilities selected in a regional transmission plan for purposes of cost allocation

MISO Assessment:

Action required

See questions / proposals 1-3

Order 1000 Paragraph 263, 329 - Requirement C2

Requirement:

Require each public utility transmission provider to amend its OATT to describe the circumstances and procedures under which public utility transmission providers in the regional transmission planning process will reevaluate the regional transmission plan to determine **if delays in the development of a transmission facility selected in a regional transmission plan for purposes of cost allocation require evaluation of alternative solutions**, including those the incumbent transmission provider proposes, to ensure the incumbent can meet its reliability needs or service obligations

MISO Assessment:

Action required

Proposal to be developed



Order 1000 Paragraph 323 - Requirement C3

Requirement:

Requires each public utility transmission provider to revise its OATT to demonstrate that the regional transmission planning process in which it participates has established appropriate qualification criteria for determining an entity's eligibility to propose a transmission project for selection in the regional transmission plan for purposes of cost allocation, whether that entity is an incumbent transmission provider or a nonincumbent transmission developer

MISO Assessment:

Limited action required

See question / proposal 3

Order 1000 Paragraph 325,326 - Requirement C4

Requirement:

Requires that each public utility transmission provider revise its OATT to identify: (a) the information that must be submitted by a prospective transmission developer in support of a transmission project it proposes in the regional transmission planning process; and (b) the date by which such information must be submitted to be considered in a given transmission planning cycle

MISO Assessment:

Limited action required

See question / proposal 3

Order 1000 Paragraph 328 - Requirement C5

Requirement:

Requires each public utility transmission provider to amend its OATT to describe a transparent and not unduly discriminatory process for evaluating whether to select a proposed transmission facility in the regional transmission plan for purposes of cost allocation

MISO Assessment:

Believed compliant

Order 1000 Paragraph 332, 335, 336 - Requirement C6

Requirements:

Requires that a nonincumbent transmission developer must have the same eligibility as an incumbent transmission developer to use a regional cost allocation method or methods for any sponsored transmission facility selected in the regional transmission plan for purposes of cost allocation

MISO Assessment:

Action required

See question / proposal 2

Order 1000 Paragraph 342, 343, 344 - Requirement C7

Requirement:

Requires that all entities, incumbent and nonincumbents alike, that are users, owners or operators of the electric bulk power system must register with NERC for performance of applicable reliability functions

MISO Assessment:

Action required

Propose this requirement is included in qualification criterion

Order 1000 Paragraph 336 – Requirement C8

Requirements:

Requires that public utility transmission providers in a region establish procedures to ensure that all projects are eligible to be considered for selection in the regional transmission plan for purposes of cost allocation. The regional transmission planning process would need to have a fair and not unduly discriminatory mechanism to grant an incumbent transmission provider or nonincumbent transmission developer the right to use the regional cost allocation method for transmission facilities selected in the regional plan for purposes of cost allocation

MISO Assessment:

Limited action required

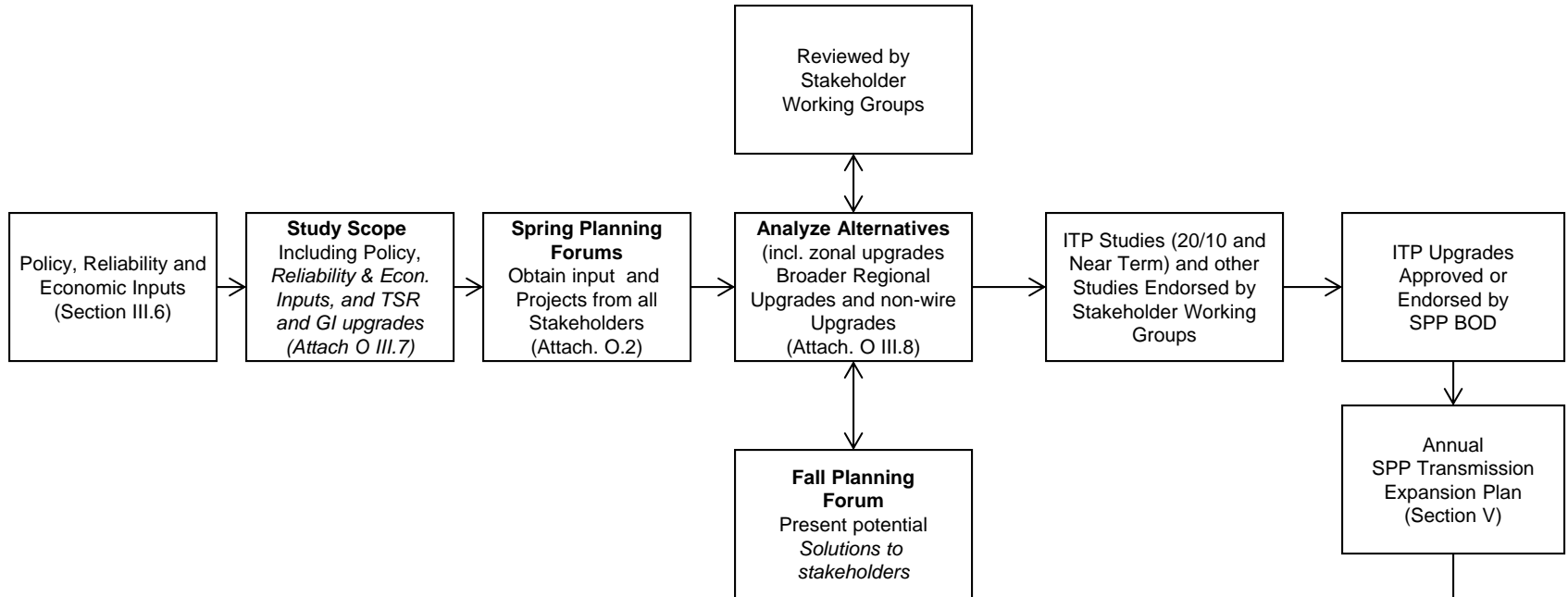
Next Steps

- New MISO Draft Proposals
 - Requirement C2
 - Describe the circumstances and procedures under which public utility transmission providers in the regional transmission planning process will reevaluate the regional transmission plan to determine **if delays in the development of a transmission facility selected in a regional transmission plan for purposes of cost allocation require evaluation of alternative solutions**
 - Transmission developer qualification
 - Criterion and qualification process
- Continue to refine proposals discussed today
 - Contents of competitive bid

SPP Planning Process Order 1000

Option Comparison by
ITC, NPPD, Sunflower, Westar and Xcel

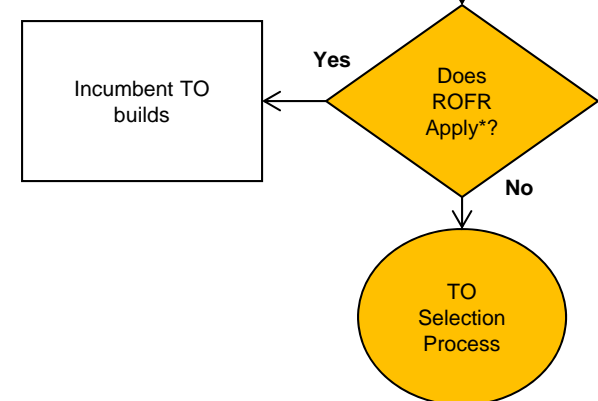
Option B: Construction Competition



Integrated Transmission Planning Process

(does not include upgrades related to TSRs, GI, or Sponsored Upgrades)

Note: * ROFR applies to any project that is either
(1) < 300 kV,
(2) is an upgrade to an existing facility
(3) Or an addition or expansion of an existing facility which is on existing right-of-way



Construction Competition

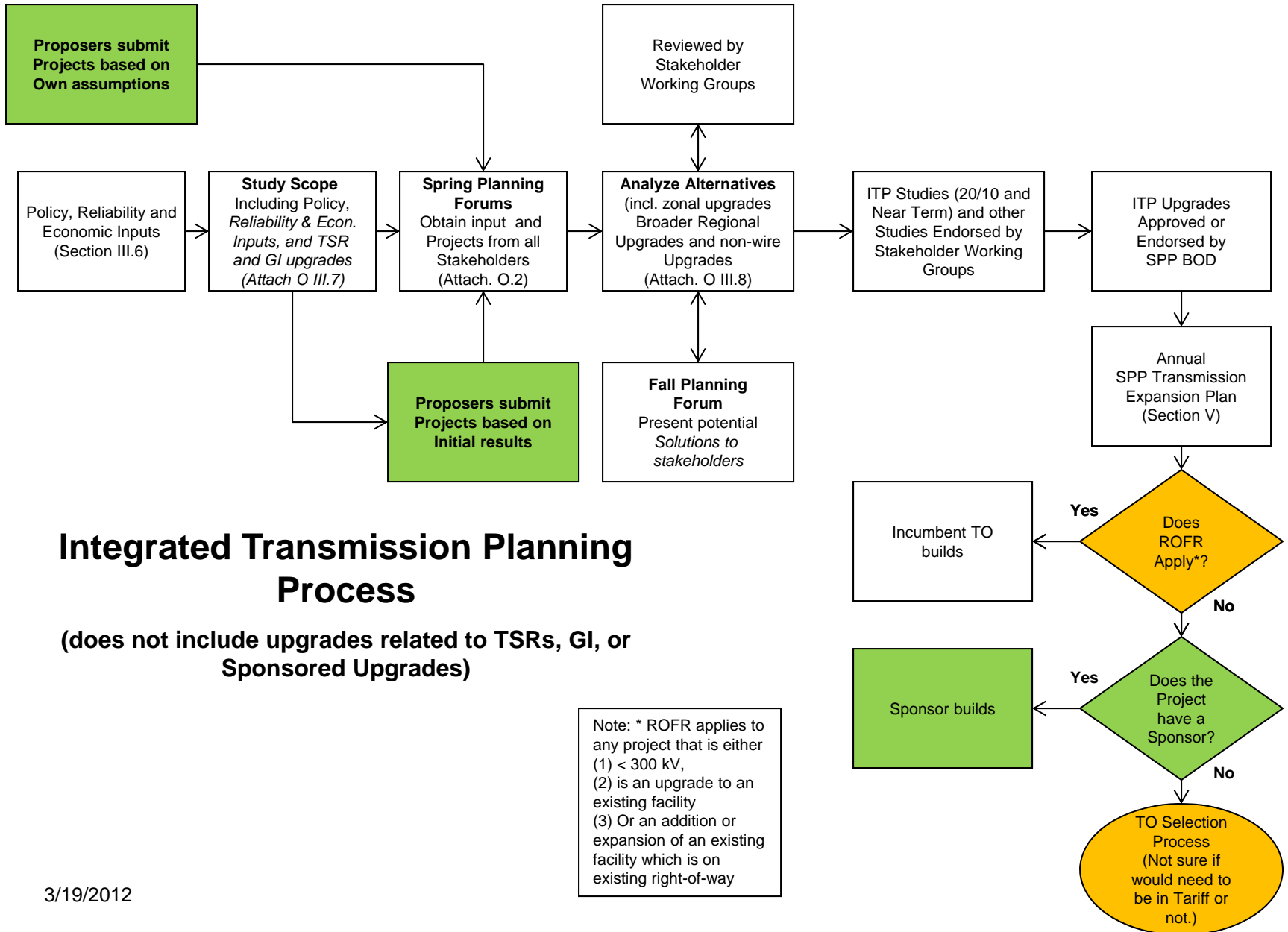
- **Strengths:**

- Preserves the current ITP process as recently approved by FERC. That approval came after the NOPR and Order 1000 was approved with no stipulations or comments related to Order 1000 when approving ITP
- Maintains an open, transparent and collaborative planning process. Keeps the ability of all stakeholders to supply options (including non-wire ones) regardless of who constructs
- Keeps the “need” component separated from the “construction” component so that the most cost effective solutions are built, not necessarily the project proposed by a specific stakeholder which may get financial gain
- Uses processes currently in place and approved by Stakeholders. The basis for the selection process is the current TO selection business practice (was 1.16) which requires a team of members from multiple areas of SPP (Finance, Regulatory, Engineering, etc.) and can call on consultants or outside experts as needed
- Opens process at construction stage for both incumbents and non-incumbents
- Provides for construction competition for projects, consistent with the non-discriminatory competitive bidding process identified in 336 of Order 1000
- Only one competitive process for SPP staff to manage at back-end (Most Recent STEP only had a total of 13 projects which would need to go through the builder selection process. The selection process had to be completed for 4 projects in 2012, 3 projects in 2013 and 6 projects in 2014)
- If time is added to the overall process (based on proposed NTC business practice this is unclear), it is added on the end of the planning process where it is more likely not to affect the construction of the project (e.g. some projects could be issued NTCs, but financial expenditures are not required for up to four years), builder selection can be staged such that those projects with more immediate timelines can be handled first.
- Has the least amount of Tariff work of the three options.

- **Weaknesses:**

- Tariff and business practice changes needed to reflect selection process after ITP.
- Requires the implementation of selecting a builder by comparing cost, operating and other components which are complex and potentially difficult to determine in advance.
- May be a disincentive to non-traditional participants in SPP for submitting solutions to problems since they are not guaranteed to construct the project they proposed if SPP approves it for construction
- The incumbent TO or project proposer (the default TO used by SPP to assist them during the planning stages) may have advantage over non-incumbents as they may have some additional data not generally distributed to all the Stakeholders
- Requires additional SPP Staff time to participate on the selection committee
- Proposal on the table reduces the response time for a construction estimate from 90 days (an NPE as defined in the PCWG whitepaper) to just 60 days (as currently contained in the TO selection BP), however, the TO will have already participated in the Stakeholder planning process and responded to the RFI so the difference of 30 days may not be an issue.

Option C: Planning Competition (Suskie Option)



Planning Competition (Suskie Option)

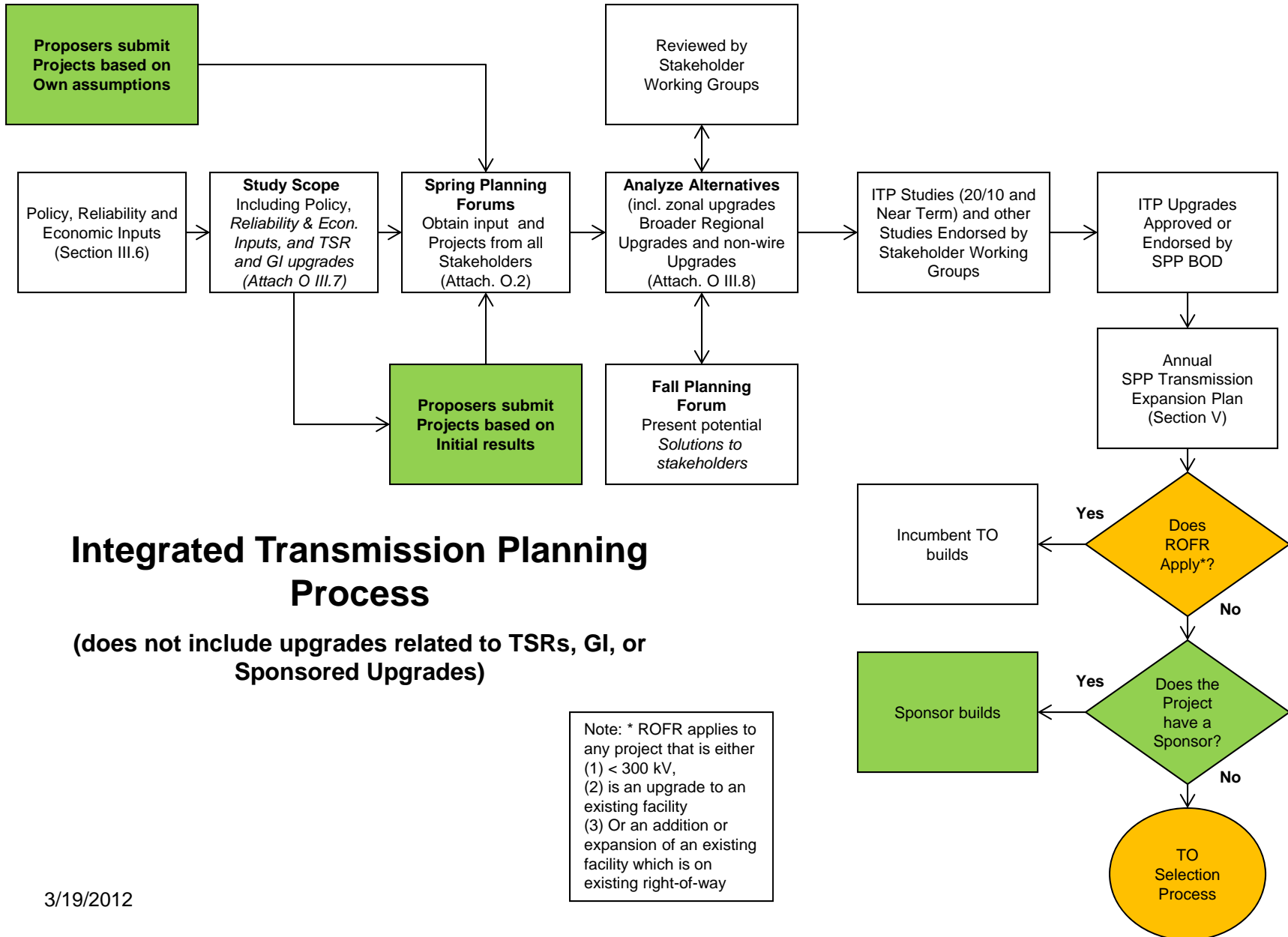
- **Strengths:**

- May promote more participation by outside entities and creative solutions from stakeholders since if the project is approved for construction, the proposer of the project will be able to build and profit from it
- Maintains the ability of SPP and all stakeholders to provide conceptual ideas into ITP process, without obligation to construct
- Planning competition is consistent with the sponsorship example identified in 336 of Order 1000
- Only one competitive process for SPP staff to manage at front-end

- **Weaknesses:**

- Tariff and business practice changes needed to reflect additional planning competition steps to the ITP process and the need to develop the project submission form as required in Order 1000 (par 325)
- While the most cost effective project is selected, it may not always be the least cost life-cycle transmission project
- No construction competition for unsponsored projects, potentially inconsistent with the sponsorship example identified in 336 of Order 1000 (this issue should be subject to legal review by SPP's outside counsel W&T to validate)
- Will potentially overload the planning process for SPP to sort through competing proposals
 - The same, or nearly the same, project is proposed by multiple entities, the current planning process would just allow SPP to note that the same solution was proposed by multiple entities and continue on, with the Planning competition process, SPP will need to determine who is the Project Sponsor, which also drives the costs, and other parameters used in the planning process.
 - If the entity is responding to a set of issues identified in the SPP planning process, how much time will it take for the entity to run its studies and do its required cost estimate? This is a lot of information not currently required at this stage of the planning process which could require more time for evaluation.
- Possible gaming due to the “flooding” of multiple projects by an entity
- Could require SPP to sort through various studies prepared by entities supplying projects if assumptions made by those entities are different from each other and the base assumptions being used by SPP in the ITP
- If the Proposer's project is selected for construction and discovers in its routing hearing at the State Commission (if required) that it is required to utilize existing rights of way to minimize environment impacts or meet state law.
- Will fundamentally change the planning process from a “top down” process to a more “bottom up” process
- Requires the determination of new processes and concepts, for proposing projects and selecting between competing projects, not previously reviewed by SPP Stakeholders

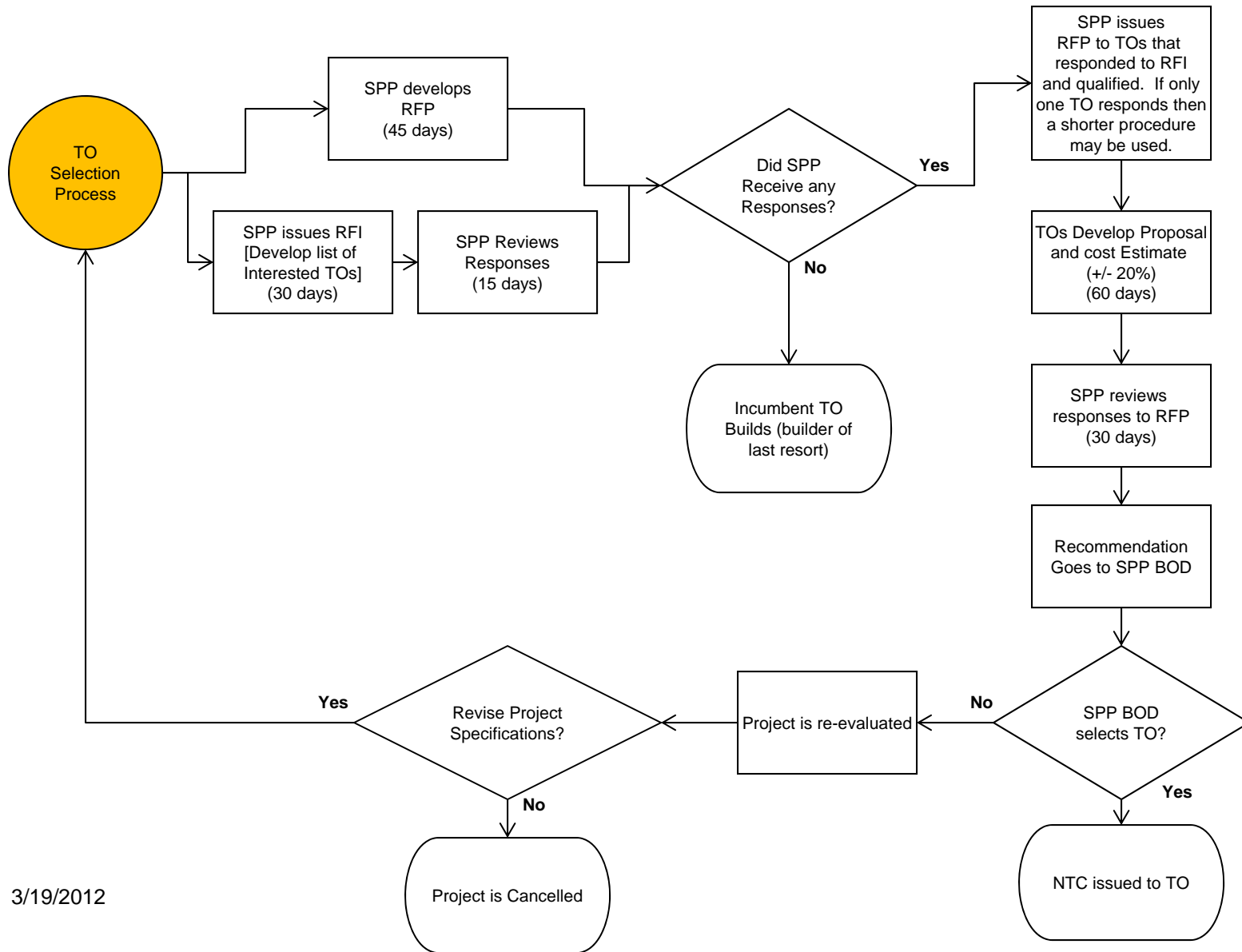
Option A: Planning and Construction Competition



Planning & Construction Competition

- Strengths:
 - Same as Option B and C
 - Meets Order 1000, Paragraph 336, requiring a builder selection process for non-sponsored projects.
- Weaknesses:
 - Same as Option B and C
 - Takes longer than Option B or C.
 - Requires SPP to have two competitive process.
 - Most extensive Tariff and business practice changes.

Transmission Constructor Selection Process

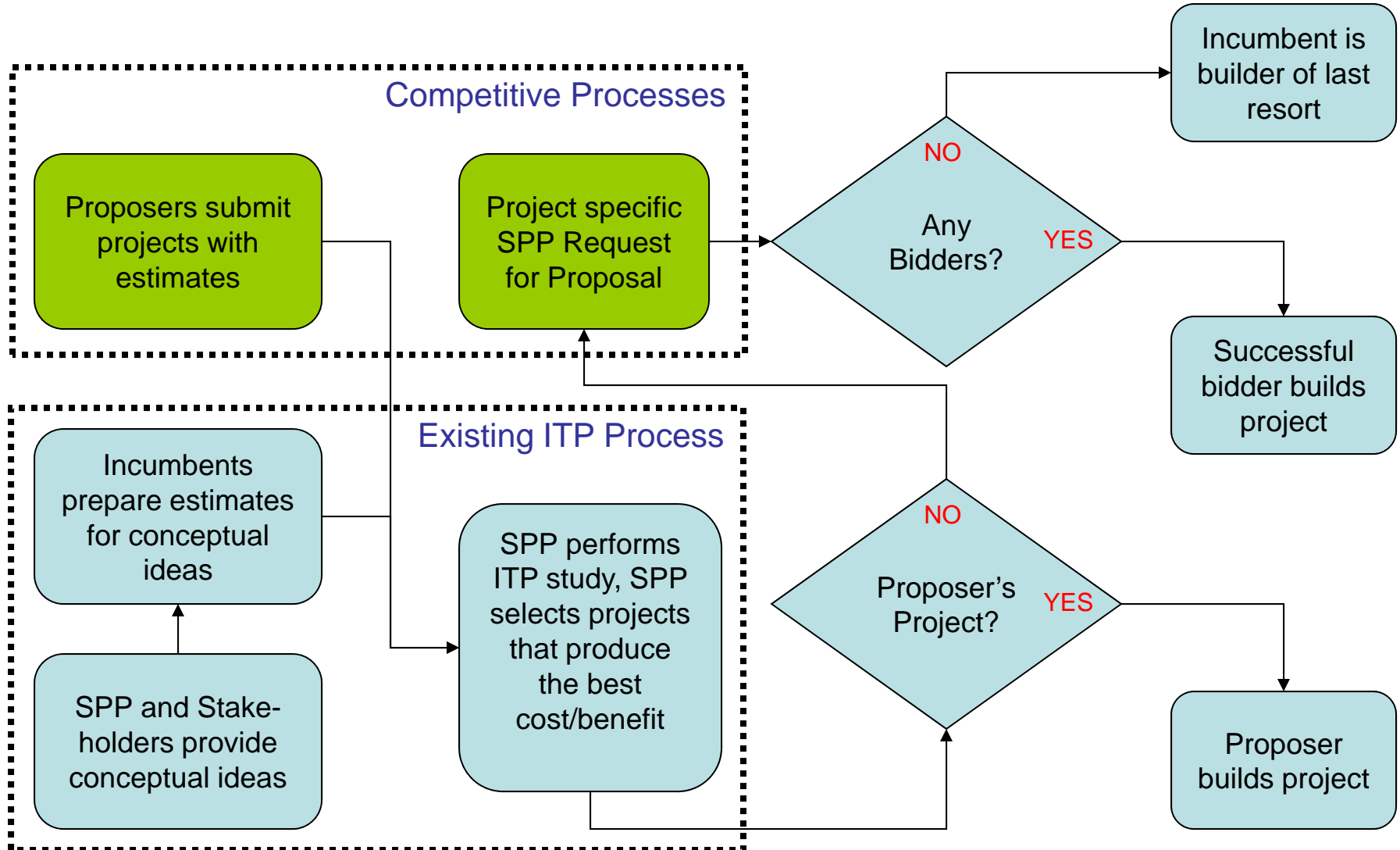


Transmission Owner Selection Process Description

- The “Default Transmission Owner” is the entity that SPP works with to get more detailed cost estimates during the planning process and is either the TO which would build it if a ROFR existed or the entity that proposed the project and has expressed an interest to construct if approved for construction
- Upon BOD approval of the project, SPP would issue a Request for Interest (RFI) to the default Transmission Owner(s), the remaining SPP Transmission Owners, other entities that have expressed interest in building projects in the SPP and post the project on the SPP web site.
 - All parties shall have 30 days to respond to SPP as to its interest in constructing, owning and maintaining the project. (Reasoning – These projects are coming out of a 1 year to 18 month open and transparent planning process which has already been presented to, and approved by, the SPP BOD. Any entity having an interest in becoming the TO for a project should already have the basic information and should have been following and participating in the planning process.)
 - If one or more parties other than the default Transmission Owner do apply to construct the project, then the SPP would go to the Transmission Owner selection process.
 - The default Transmission Owner can either remain in the process or drop out
 - Selection of the constructing Transmission Owner would not require that the participant currently be a Transmission Owner under the Tariff, but would have to be able to join SPP as a Transmission Owning member under the Tariff, be able to meet any State requirements to construct the project in the State(s) where the project is to be built, as well as all other requirements as outlined in the Tariff and the Transmission Owner Selection process.
 - If no entity responds to the RFI, then the project defaults to the Transmission Owner as determined in the current Tariff (i.e. the incumbent TO)
- Transmission Owner Selection Process
 - If no responses are received, the project goes to the incumbent TO.
 - If one or more responses to the RFI is received, a selection committee (SC) is formed by the Oversight Committee (Note: Arguably, if only one response is received, the need for forming a SC may not be needed, but even if formed, it would have a lot less to deal with than comparing two or more proposals.)
 - Voting members of the SC are SPP Staff (as outlined in the current BP)
 - Stakeholder experts and consultants may be utilized by the SC throughout the process at its discretion
 - The responses to the RFI are reviewed and determined which, if any of the responders should be advanced to receiving the RFP (15 days)
 - The SC develops the Request for Proposal (RFP) based upon the RFI and the responses to the RFI (30 days)
 - The RFP is issued to the interested parties (60 days)
 - SC evaluates the responses to the RFP – this includes the cost comparisons between what is received vs. the planning estimates (30 days)
 - SC makes a recommendation to the Oversight Committee
 - The Oversight Committee makes its recommendation to the BOD
 - The BOD selects the TO

Option A

Planning & Construction Competition

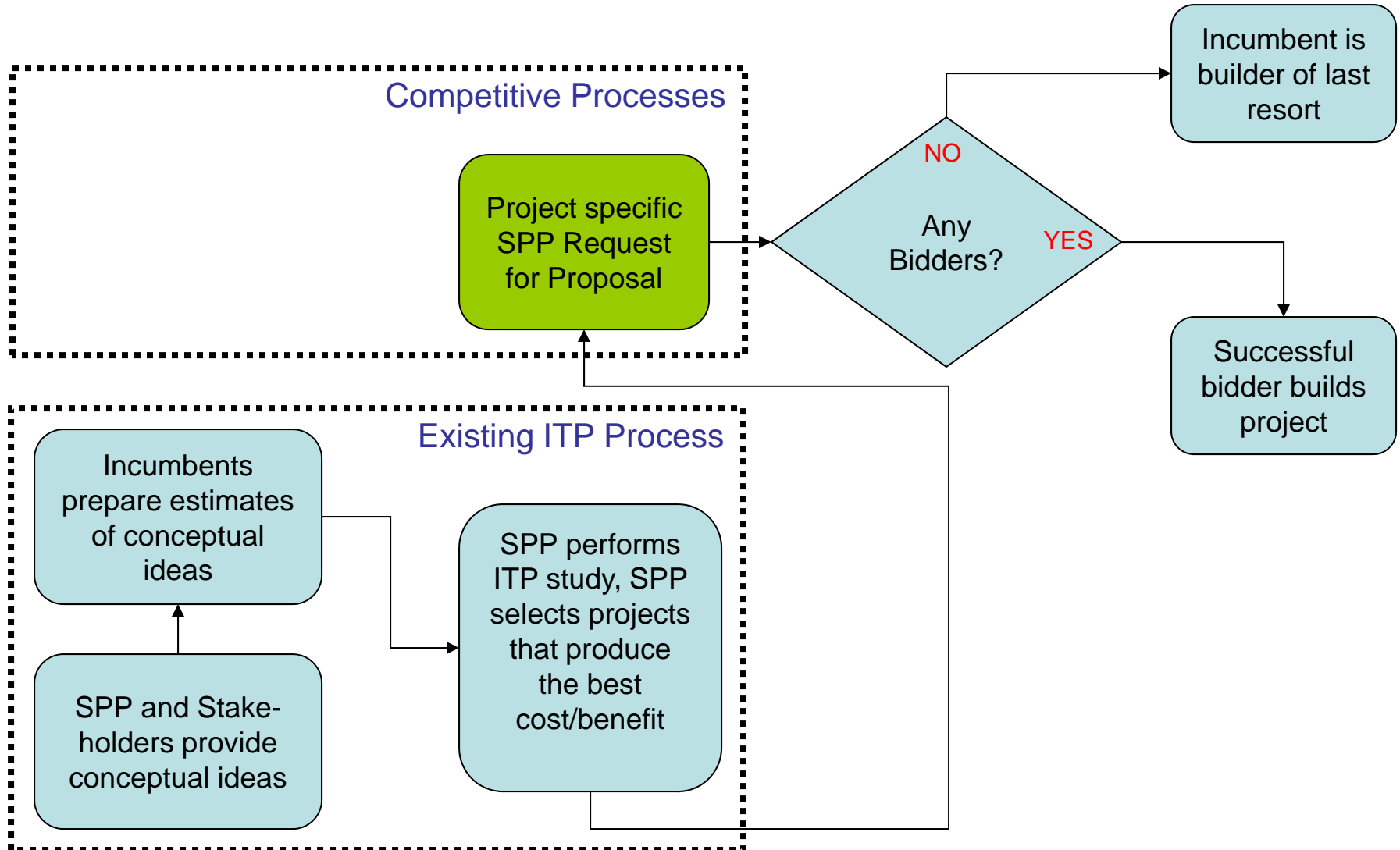


Planning & Construction Competition

- **Strengths:**
 - Opens process at planning stage & construction stage for incumbents & non-incumbents
 - Promotes ideas & creative solutions from stakeholders (instead of depending only on SPP staff and incumbent TOs) and utilizes SPP staff existing planning strengths
 - Allows for efficient technical solutions to advance into transmission planning process
 - Rewards project sponsors with right to construct projects, when their projects are selected
 - Planning competition could be performed in advance of planning cycle to avoid delays
 - Keeps existing SPP transmission planning process largely intact, and allows SPP and all stakeholders to provide conceptual ideas into ITP process, without obligation to construct
 - Provides for competition to achieve the least cost life-cycle solution for unsponsored projects, consistent with the sponsorship example identified in 336 of Order 1000
- **Weaknesses:**
 - Tariff and business practice changes to reflect additional planning and construction competition steps to the ITP process
 - Two competitive processes for SPP to manage at front-end and back-end
 - Constructor selection complex and creates unintended industry drivers resulting from the project constructor selection process. (i.e. narrow set of metric differences for selecting bid winners can result in: higher leveraging of debt/equity beyond traditional investment grade utility levels, reduction of requested (allowed) return on equity at FERC, inability to overcome base carrying charge differences between entities, complexity of bid versus actual construction cost issues)
 - Imposition of construction bidding expertise on SPP staff and processes
 - Construction competition will delay construction, as construction competition occurs at the end of ITP process and project selection process and may adversely affect the Need Date
 - Proposed to rely on TO Selection process that did not anticipate large quantities of projects for SPP to review and may require SPP to either increase staff for needed skills or to use consultants

Option B

Construction Competition



Construction Competition

- **Strengths:**

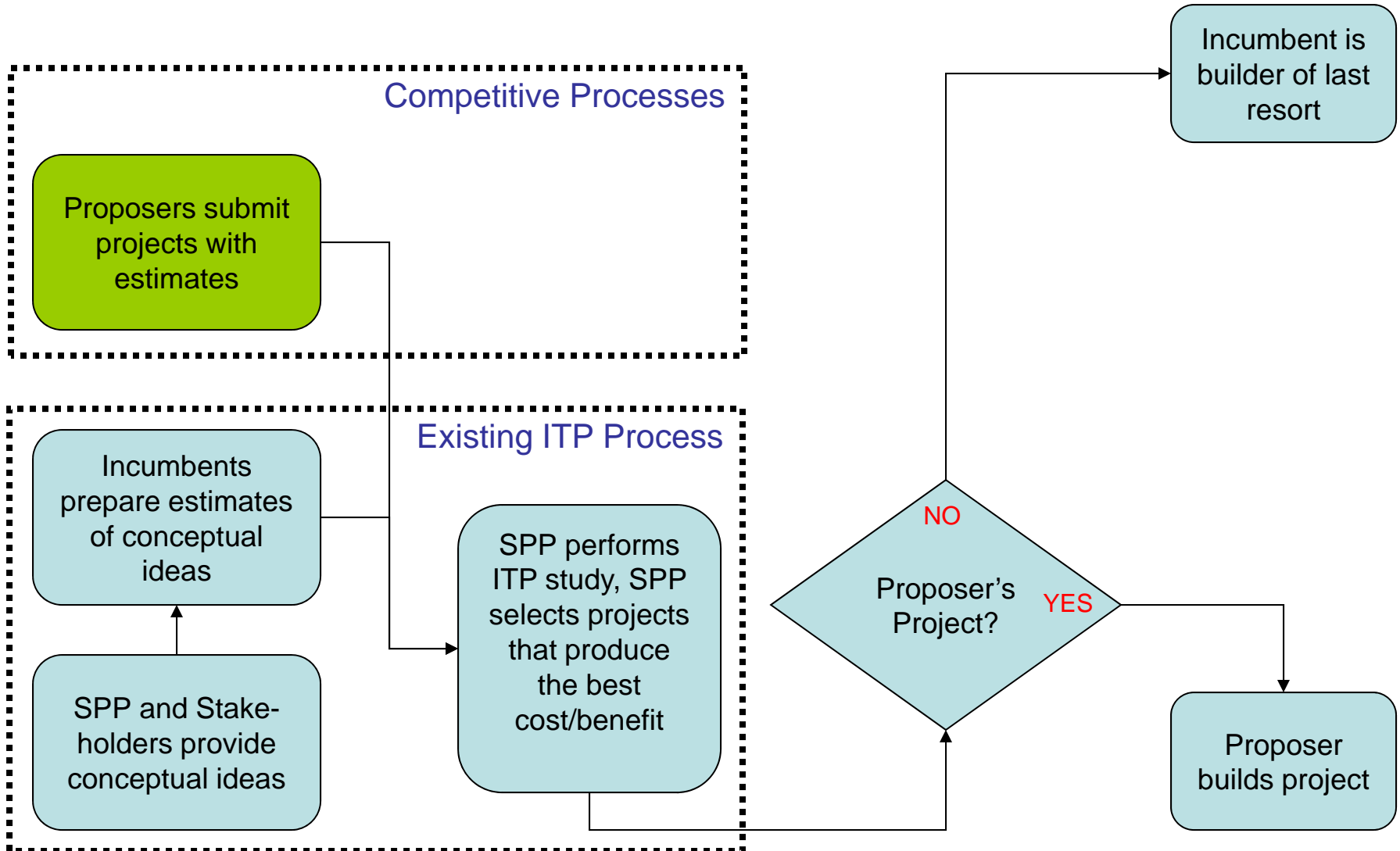
- Opens process at construction stage for both incumbents and non-incumbents
- Keeps existing SPP transmission planning process largely intact, and allows SPP and all stakeholders to provide conceptual ideas into ITP process, without obligation to construct
- Provides for construction competition for projects, consistent with the non-discriminatory competitive bidding process identified in 336 of Order 1000
- Only one competitive process for SPP staff to manage at back-end

- **Weaknesses:**

- Tariff and business practice changes needed to reflect additional construction competition steps to the ITP process
- Does not provide an incentive for any stakeholder, both incumbent and non-incumbent, to propose projects into the ITP process
- Constructor selection complex and creates unintended industry drivers resulting from the project constructor selection process. (i.e. narrow set of metric differences for selecting bid winners can result in: higher leveraging of debt/equity beyond traditional investment grade utility levels, reduction of requested (allowed) return on equity at FERC, inability to overcome base carrying charge differences between entities, complexity of bid versus actual construction cost issues)
- Relies on SPP planning staff and incumbent TO for ideas and solutions to problems
- Incumbents have advantage over non-incumbents as they will have access to projects and provide project cost estimates at early stage
 - Allows for transmission solutions < 300 kV, potentially resulting in artificial ROFR
 - Potential for gaming exists with incumbents setting the “bar” with initial project cost estimates/solutions
 - Does not allow sponsorship of projects when determining the most cost effective solution
- Imposition of construction bidding expertise on SPP staff and processes
- Construction competition will delay construction, as construction competition occurs at the end of ITP process and project selection process and may adversely affect the Need Date
- Proposed to rely on TO Selection process that did not anticipate large quantities of projects for SPP review; may require SPP to either increase staff for needed skills or use consultants
- Proposal on the table reduces the response time for an NPE from 90 days to just 60 days
- Incompatible with NTC-C process

Option C

Planning Competition



Planning Competition

- **Strengths:**

- Opens process at planning stage for incumbents and non-incumbents
- Promotes ideas & creative solutions from stakeholders (instead of depending only on SPP staff and incumbent TOs) and utilizes SPP staff existing planning strengths
- Allows for efficient technical solutions to advance into transmission planning process
- Rewards project sponsors with right to construct projects, when their projects are selected
- Prevents unintended industry drivers resulting from an additional project constructor selection process. (i.e. narrow set of metric differences for selecting bid winners can result in: higher leveraging of debt/equity beyond traditional investment grade utility levels, reduction of requested (allowed) return on equity at FERC, inability to overcome base carrying charge differences between entities, complexity of bid versus actual construction cost issues)
- Keeps existing SPP transmission planning process largely intact, and allows SPP and all stakeholders to provide conceptual ideas into ITP process, without obligation to construct
- Planning competition to achieve the most cost effective solution for projects, consistent with the sponsorship example identified in 336 of Order 1000
- Only one competitive process for SPP staff to manage at front-end
 - Utilizes existing practice in selecting projects and new cost estimate process
 - Does not disrupt current ITP planning process - folds into project identification planning phase – so delays not anticipated in project selection and meeting Need Dates (i.e., planning competition could be performed in advance of planning cycle)

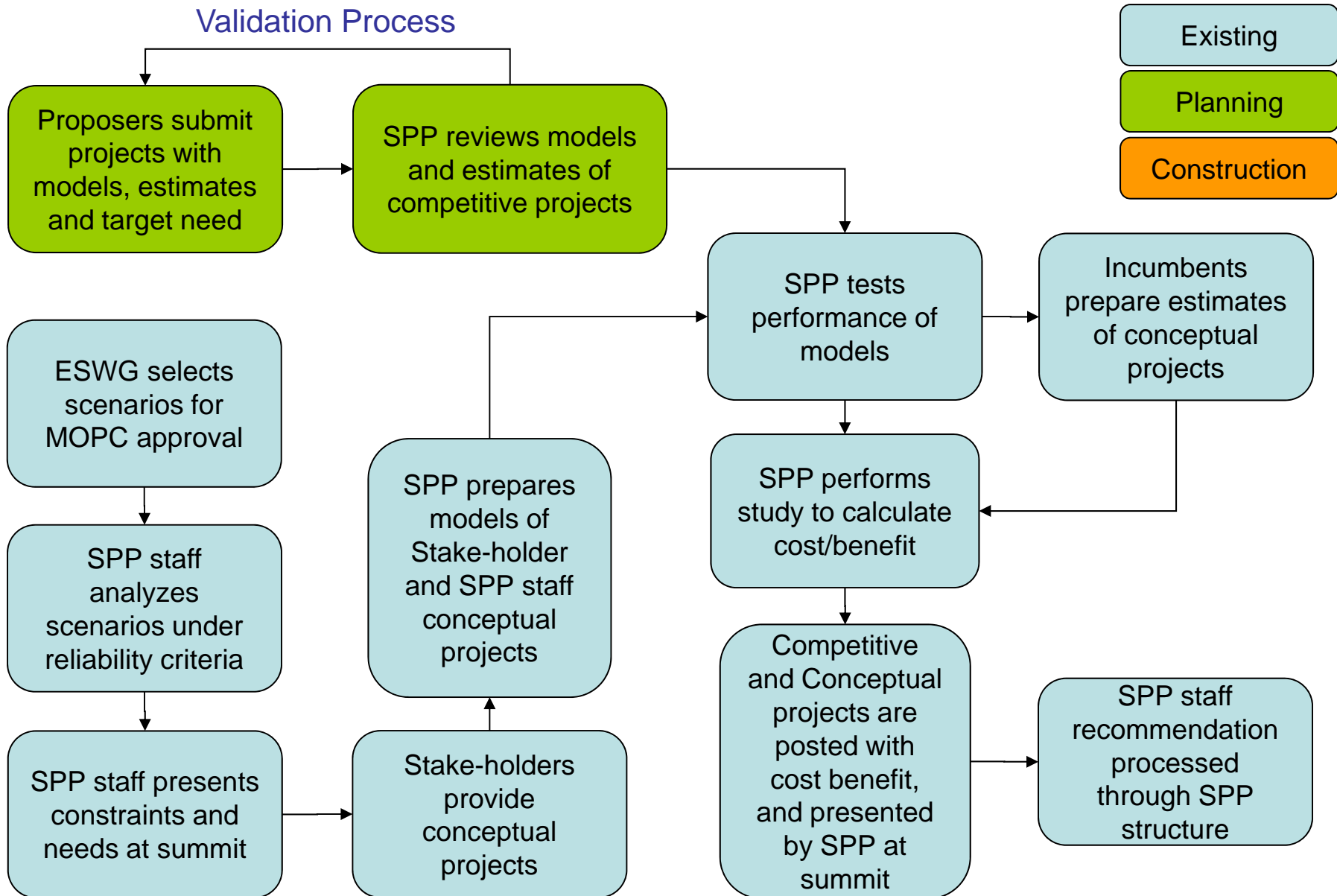
- **Weaknesses:**

- Tariff and business practice changes needed to reflect additional planning competition steps to the ITP process
- While the most cost effective project is selected, it may not always be the least cost life-cycle transmission project
- No construction competition for unsponsored projects, potentially inconsistent with the sponsorship example identified in 336 of Order 1000 (this issue should be subject to legal review by SPP's outside counsel W&T to validate)

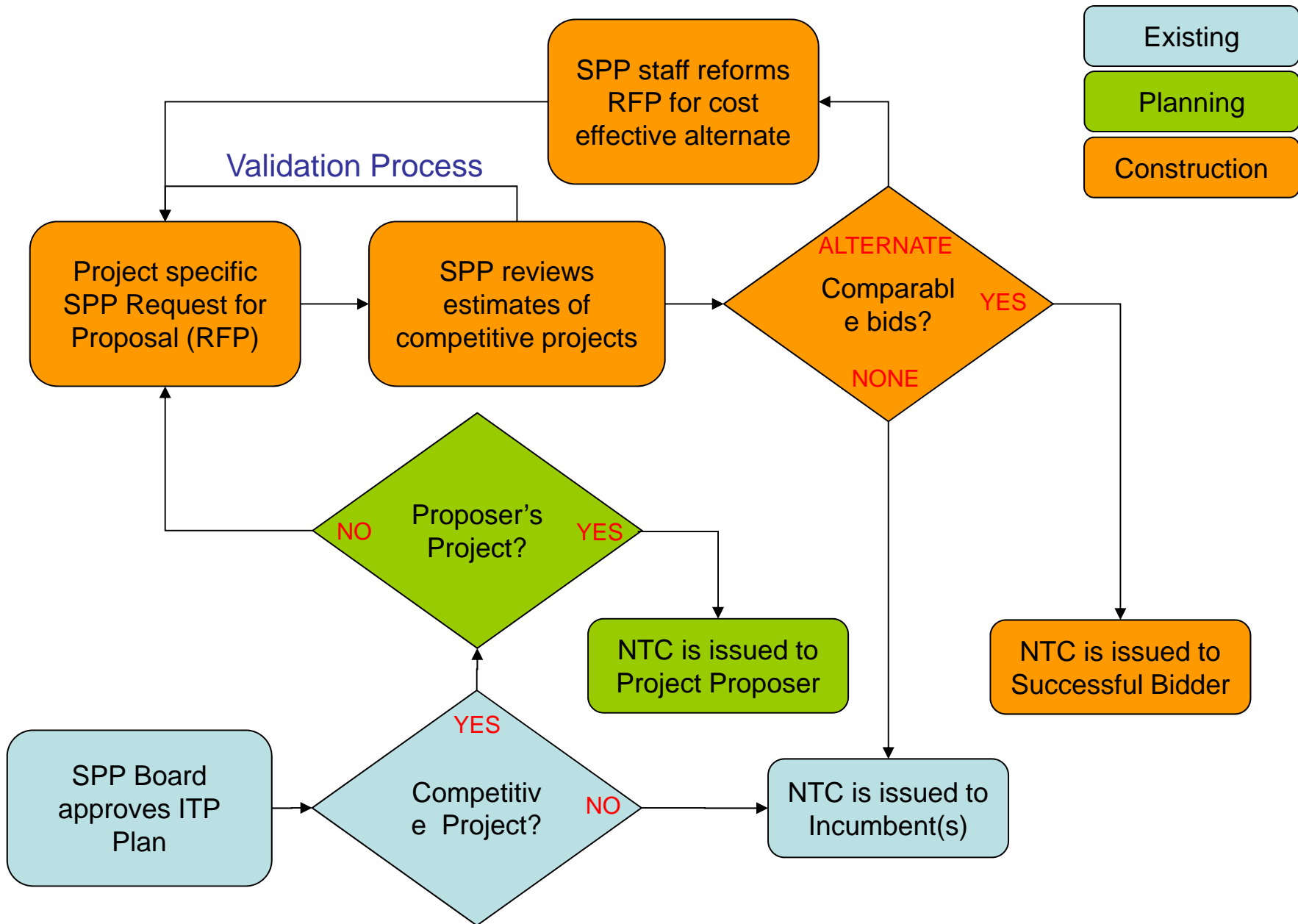
Paragraph 336, FERC Order 1000

“...The mechanism a regional planning process implements could also allow the sponsor of a transmission project selected in the regional transmission plan for purposes of cost allocation to use the regional cost allocation method associated with the transmission project. **In that case, however, the regional transmission planning process would also need to have a fair and not unduly discriminatory mechanism to grant to an incumbent transmission provider or nonincumbent transmission developer the right to use the regional cost allocation method for unsponsored transmission facilities selected in the regional plan for purposes of cost allocation.**”

Front-end of ITP Process



Back-end of ITP Process



2013 ITPNT	Start Date	Completion Date
Scoping	November 2011	February 2012
Model Development	February 2012	April 2012
Reliability Assessment	May 2012	
Solution Development	June 2012	August 2012
Stability Assessment	September 2012	October 2012
Final Reliability Assessment	October 2012	
Review report	November 2012	November 2012
Final report with recommended plan	November 2012	December 2012
	January 2013	
Note: NTCs must be issued within 15 days of BOD approval per the NTC Business Practice.		

2013 ITP20	Start Date	Completion Date
Futures & Scope	December 2011	March 2012
Economic Input Assumptions	January 2012	May 2012
Policy Survey	February 2012	March 2012
Load Forecast Review	February 2012	March 2013
Resource Plans Development & Review	March 2012	August 2012
Model Development & Review	April 2012	September 2012
Model Finalization	September 2012	
Constraint Review	May 2012	August 2012
Economic Assessment Begins	Early September, 2012	
Project Development Request	November 2012	December 2012
Final Reliability Assessment	February 2013	February 2013
Stability Assessment	January 2013	March 2013
Sensitivities Conducted	January 2013	March 2013
Final Benefit Metrics Calculations	March 2013	March 2013
Review draft report with recommended	March 2013	March 2013

solutions	April 2013	
Final report with recommended solutions	May 2013	June 2013
	July 2013	

2015 ITP10	Start Date	Completion Date
Futures & Scope	June 2013	September 2013
Economic Input Assumptions	July 2013	November 2013
Policy Survey	August 2013	September 2013
Load Forecast Review	August 2013	September 2013
Resource Plans Development & Review	September 2013	February 2014
Model Development & Review	October 2013	March 2014
Model Finalization	March 2014	
Constraint Review	November 2013	February 2014
Economic Assessment Begins	March 2014	
Project Development Request	May 2014	June 2014
Final Reliability Assessment	August 2014	August 2014
Stability Assessment	July 2014	September 2014
Sensitivities Conducted	July 2014	September 2014
Final Benefit Metrics Calculations	September 2014	September2014
Review draft report with recommended solutions	September 2014	September 2014
	October 2014	
Final report with recommended plan	November 2014	December 2014
	January 2015	
Note: NTCs must be issued within 15 days of BOD approval per the NTC Business Practice.		

SPP Draft ROFR Elimination Proposal Options Criteria

SPCTF Meeting

March 8, 2012

Dallas, TX

Antoine Lucas

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Overview

- SPP Staff has undertaken a preliminary evaluation of two RORF elimination models;
 - Competitive Solicitation Model (*Builder Selection Model*)
 - Sponsorship Model (*Project Selection Model*)
- Developed criteria considerations for each model.
- Estimated impacts to the planning process timeline under each model.

Competitive Solicitation (Builder Selection) Model

- Facilitates competition between prospective transmission developers at the conclusion of the planning process by allowing transmission developers to bid to own projects included in an approved transmission expansion plan.
- Has minimal impacts on current SPP planning processes.
- Is fairly consistent with an existing SPP Business Practice.
 - SPP Business Practice 7150 prescribes how a project builder is selected in the event an incumbent chooses not to build a project.

SPP Business Practice 7150

- SPP Business Practice 7150 establishes weighted categories of evaluation criteria that culminate in a point system used to facilitate developer selection.
 - Project Expertise: Weighted 20 points
 - Safety program/Current/Past statistics: Weighted 15 points
 - Cost to customer: Weighted 20 points
 - Reliability/Quality/General Design: Weighted 15 points
 - Operations: Weighted 15 points
 - Maintenance: Weighted 15 points

Competitive Solicitation Criteria Considerations

- Project Expertise
 - Experience/Track Record
- Safety program/Current/Past statistics
 - Record of Compliance with safety standards
 - Safety metrics
- Cost to Customer
 - Cost, ROI, all in
 - Material On Hand, ROW approval, Assets on hand
 - Credit Worthiness
 - Earnest Money
 - Time frame to construct

Competitive Solicitation Criteria Considerations

- Reliability/Quality/General Design
 - Record of Compliance
 - Reliability metrics
 - Experience/Track Record
 - Construction technology, willingness and ability to meet standards
- Operations
 - Record of Compliance
 - Reliability metrics
 - Experience/Track Record
 - Construction technology, willingness and ability to meet standards
- Maintenance
 - N/A

Competitive Solicitation Methodology

- Transmission projects are approved by the SPP Board
- SPP issues an RFP to own and construct approved transmission projects to qualified transmission developers.
- Qualified transmission developers will have a 30 day window to issue proposals following the issuance of the RFP.
- SPP will select developers to own and construct transmission projects within the 60 days following the close of the 30 day window.

Competitive Solicitation Methodology

- **SPP will present the transmission developer selection results to the SPP Board for their review and also request approval to issue NTCs.**
- **Upon approval by the Board to issue NTCs, SPP will issue NTCs to the selected developers within 15 days.**

Competitive Solicitation Challenges

- Extends the timeframe to issue NTCs following SPP Board approval of a transmission expansion plan.
- Requires SPP to assume the additional responsibility of selecting transmission developers for transmission projects.

Sponsorship (Project Selection) Model

- Facilitates competition between prospective transmission developers on the front end of the planning process by allowing transmission developers to propose transmission projects that they will have the right to own if approved in the planning process.
- May increase the creativity and cost effectiveness of projects submitted to the planning process due to the incentive offered to transmission developers that submit projects that are selected.

Sponsorship Model Methodology

- At the beginning of a planning cycle SPP staff will analyze the transmission system and identify the issues that are proposed to be addressed.
- These issues would then be presented to stakeholders at a summit at which point a 30 day window for project submission will be opened.
- During this window any qualified builder (as determined by the pending transmission developer qualification criteria mentioned in the introduction) will be able to submit projects that address one or more issues identified by SPP staff.

Sponsorship Model Methodology

- After the 30 day window for project submission has closed, SPP staff will begin evaluating projects in accordance with the planning process currently in place today.
- SPP staff may evaluate project submissions until such time a transmission expansion plan must be submitted for endorsement by the MOPC and acceptance by the SPP Board.
- Projects selected by the SPP Board will be awarded to transmission developers as follows.

Sponsorship Model Methodology

- In the event only one transmission developer submits a project that is selected by the SPP Board, that developer will be selected as the transmission developer for that project.
- In the event multiple developers submit the same project and that project is selected by the SPP Board, the first developer to submit the project will be selected.
- All projects approved by the SPP Board that are proposed and selected by SPP staff or a non-transmission developer will default to the Competitive Solicitation process at the end of the planning cycle.

Sponsorship Model Consideration Criteria

- SPP staff has grouped potential criteria into three categories of Cost, Benefits/Metrics, and Synergy.
- Cost
 - Cost, ROI, all in
 - Synergy
 - Cost Effectiveness
 - Sponsor willing to sponsor cost allocation
 - ROW acquisition standing
 - Economics of Scale

Sponsorship Model Consideration Criteria

- **Benefit/Metrics**

- Benefit
- Synergy
- Cost Effectiveness
- Ability to solve multiple problems
- Effectiveness across multiple futures & planning processes
- Projects that meet interregional needs
- Inline w/previous planning study solution/toolbox
- Best portfolio performance
- Minimize Environmental Impacts
- Usefulness of life
- Cleaner technology
- Proximity to wind

Sponsorship Model Consideration Criteria

- Synergy/Preference
 - Schedule (ability to meet lead time)
 - Synergy (system wide performance)
 - Ability to solve multiple problems
 - Previously submitted project
 - Effectiveness across multiple futures & planning processes
 - Projects that meet interregional needs
 - Inline w/previous planning study solution/toolbox
 - Best portfolio performance
 - Economies of scale
 - Consideration of other planning processes (ESRPP)

Sponsorship Model Challenges

- The sponsorship model may pose a significant risk for delay in the planning cycle due to at least three factors.
 1. Pending the determination of information submittal requirements for proposing projects, additional time may need to be given to prospective transmission developers to develop project proposals.
 2. Considering the number and complexity of transmission project proposals submitted by prospective developers, SPP staff's project evaluation time frame may increase significantly without resource additions.
 3. The sponsorship model will still require a RFP process at the end of the planning cycle to select developers for selected projects proposed by SPP staff or stakeholders that did not have the intent to construct

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QUESTIONS?

SPP Draft ROFR Elimination Proposal Options Criteria

March 8, 2012
SPCTF Meeting
Dallas, TX

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Overview

SPP stakeholders have developed two options to comply with the FERC Order 1000 requirement to eliminate the federal right of first refusal (ROFR) from FERC jurisdictional tariffs under certain scenarios. The options will facilitate competition between prospective transmission developers at the front end and/or back end of the SPP planning processes. The back-end approach will be referred to in this document as the Competitive Solicitation Model. The Competitive Solicitation Model facilitates competition to select transmission developers for new transmission projects selected in the regional planning process for purposes of cost allocation via RFP after the projects have been approved. The front-end approach, which will be referred to in this document as the Sponsorship Model, facilitates competition to select transmission developers for new transmission projects selected in the regional planning process for purposes of cost allocation based on the developer that proposed each of the projects that have been approved. If multiple prospective transmission developers recommend the same project, additional criteria is considered.

In addition to these two models, SPP is also developing qualifications that prospective transmission developers must meet in order to either submit a project to the SPP planning process or apply to own and develop a project (depending on which option is chosen). These guidelines will set minimum criteria which will be used to verify that the developer is qualified.

Competitive Solicitation Model

The Competitive Solicitation Model should enable SPP to incorporate FERC's Order 1000 requirements regarding the removal of the Federal ROFR with minimal impact to SPP's current planning processes. The Competitive Solicitation Model would facilitate selection of a transmission developer in a manner that is fairly consistent with the stakeholder approved SPP Business Practice 7150 which prescribes how a project builder is selected in the event an incumbent chooses not to build a project.

Once a project has been approved in the SPP regional planning process, SPP staff will notify qualified transmission developers (as determined by the pending transmission developer qualification criteria mentioned in the introduction) that a project has been approved for construction by the SPP Board. SPP will allow developers 30 days to present their request to build proposals to SPP. The request to build a proposal will be a formalized document that will include pre-approved sections that outline the requirements. After the window for developers to present their requests to build has closed, SPP will take up to 60 days to evaluate the submissions and select transmission developers for each project in the plan. This selection will be presented to the SPP Board for their review and approval to issue NTCs will be requested. Upon approval to issue NTCs by the Board, SPP will issue NTCs to the selected developers within 15 days.

Competitive Solicitation Planning and Project Selection

The Competitive Solicitation model does not change SPP's transmission planning processes, but may extend the timeframe to issue NTCs following SPP Board approval of a SPP transmission expansion plan. Currently, SPP members and other stakeholders are allowed to propose transmission projects to SPP during the planning cycle. These projects, projects identified by SPP staff, or projects identified through an interregional coordinated planning effort are evaluated using multiple criteria. The criteria used to select projects will be consistent with what currently exists and is listed in the ITP Manual. Throughout this process stakeholders have multiple opportunities to provide input. After the projects are evaluated they will proceed through the normal stakeholder approval process. Following the current process the MOPC will review and vote on the recommendation which will be followed by the review of the SPP Board. After the SPP Board approves a project or set of projects, the Competitive Solicitation process begins.

Business Practice 7150

SPP Business Practice 7150 establishes weighted categories of evaluation criteria that culminate in a point system used to facilitate developer selection. Below are the categories included in BP 7150 along with their associated weightings.

Project Expertise: Weighted 20 points
Safety program/Current/Past statistics: Weighted 15 points
Cost to customer: Weighted 20 points
Reliability/Quality/General Design: Weighted 15 points
Operations: Weighted 15 points
Maintenance: Weighted 15 points

Options for Criteria

Options for criteria suggested by SPP staff are listed below. Staff has grouped the criteria into the six categories already defined in SPP Business Practice 7150.

Project Expertise

Experience/Track Record

Safety program/Current/Past statistics

Record of Compliance with safety standards
Safety metrics

Cost to Customer

Cost, ROI, all in
Material On Hand, ROW approval, Assets on hand

Southwest Power Pool, Inc.

Credit Worthiness

Earnest Money

Time frame to construct

Reliability/Quality/General Design

Record of Compliance

Reliability metrics

Experience/Track Record

Construction technology, willingness and ability to meet standards

Operations

Record of Compliance

Reliability metrics

Experience/Track Record

Construction technology, willingness and ability to meet standards

Maintenance

N/A

Competitive Solicitation Model Summary

The Competitive Solicitation model is consistent with existing stakeholder approved SPP procedures. Also, this model yields smaller impact to SPP's current planning processes than does the sponsorship model. The selection of a project will be based completely on the merits of the project without concerns of perceived developer influence or preference.

Sponsorship Model

The Sponsorship Model will require changes to SPP's planning process. This model may increase the creativity and cost effectiveness of projects submitted to the planning process due to the incentive offered to transmission developers that submit projects that are selected. It may also incent the offering of many more projects for SPP to evaluate, some of which provide little added benefit, that could prolong and complicate SPP's planning process.

Sponsorship Model Planning & Project Selection

At the beginning of a planning cycle SPP staff will analyze the transmission system and identify the issues that are proposed to be addressed. These issues would then be presented to stakeholders at a summit at which point a 30 day window for project submission will be opened. During this window any qualified builder (as determined by the pending transmission developer qualification criteria mentioned in the introduction) will be able to submit projects that address one or more issues identified by SPP staff. After the 30 day window for project submission has closed, SPP staff will begin evaluating projects in accordance with the planning process currently in place today. SPP staff may evaluate project submissions until such time a transmission expansion plan must be submitted for endorsement by the MOPC and acceptance by the SPP Board. Projects selected by the SPP Board will be awarded to transmission developers as follows. In the event only one transmission developer submits a project that is selected by the SPP Board, that developer will be selected as the transmission developer for that project. In the event multiple developers submit the same project and that project is selected by the SPP Board, the first developer to submit the project will be selected. All projects approved by the SPP Board that are proposed and selected by SPP staff or a non-transmission developer will default to the Competitive Solicitation process at the end of the planning cycle.

Projects will be evaluated based on criteria currently used by SPP staff, as well as additional criteria which are described below. This process will be focused not only on the selection of a project but will also incorporate information provided by the builder.

The sponsorship model may adversely impact SPP's planning processes and pose a significant risk for delay in the planning cycle. This is due to at least three factors. First, pending the determination of information submittal requirements for proposing projects, additional time may need to be given to prospective transmission developers to develop project proposals. Second, considering the number and complexity of transmission project proposals submitted by prospective developers, SPP staff's project evaluation time frame may increase significantly without resource additions. Third, the sponsorship model will still require a RFP process at the end of the planning cycle to select developers for selected projects proposed by SPP staff or stakeholders that did not have the intent to construct.

Sponsorship Model Options for Criteria

Options for criteria suggested by SPP staff are listed below. SPP staff has grouped the criteria below into three categories. These are suggestions for discussion purposes and the final approved process is not limited to or by the items below.

Cost

Cost, ROI, all in
Synergy
Cost Effectiveness
Sponsor willing to sponsor cost allocation
ROW acquisition standing
Economics of Scale

Benefit/Metrics

Benefit
Synergy
Cost Effectiveness
Ability to solve multiple problems
Effectiveness across multiple futures & planning processes
Projects that meet interregional needs
Inline w/previous planning study solution/toolbox
Best portfolio performance
Minimize Environmental Impacts
Usefulness of life
Cleaner technology
Proximity to wind

Synergy/Preference

Schedule (ability to meet lead time)
Synergy (system wide performance)
Ability to solve multiple problems
Previously submitted project
Effectiveness across multiple futures & planning processes
Projects that meet interregional needs
Inline w/previous planning study solution/toolbox
Best portfolio performance
Economies of scale
Consideration of other planning processes (ESRPP)

Sponsorship Model Summary

The Sponsorship Model is a new approach not previously used by SPP to select projects and developers. This model may adversely impact SPP's planning processes and pose a significant risk for delay in the planning cycle. In order to alleviate these risks, additional resources may be required to complete the process within current timeframes.

DRAFT

Summary of the Parking Lot Issues Subgroup's

Recommendations to the Full SPCTF on Order 1000

At the February 10, 2012 meeting of the SPCTF on Order 1000, the TF asked for a group of volunteers to analyze FERC Order 1000 Right of First Refusal ("ROFR") issue as it relates to SPP's Sponsored Upgrades and SPP's Transmission Service Upgrades/AG Studies ("Parking Lot Issues"). Additionally, this group was asked to make a recommendation to the full TF on these issues. The following individuals volunteered to work on the "Parking Lot" issues and participated: Jack Langthorn (OGE), Terri Gallop (AEP), Dennis Reed (Westar), and Noman Williams (Sunflower) with Paul Suskie coordinating for SPP Staff. The issues that this group of volunteers were asked to consider were presented to the full TF as follows:

Voltage/Type of Facility	Should SPP Seek to Keep ROFR?	Justification of Maintaining ROFR?
Sponsored Upgrades	Yes - ????	Order 1000 <u>appears to exclude</u> SPP's Sponsored Upgrades: Sponsored Upgrades do not fall within the definition of "transmission facilities selected in a regional transmission plan for purposes of cost allocation" and therefore the requirement to eliminate ROFR does not apply. First, Sponsored Upgrades are not in the STEP for cost allocation, because the costs associated with Sponsored Upgrades are paid by the Project Sponsor. Thus, at the time that a Sponsored Project is included in the STEP, it is not included for purposes of cost allocation. Additionally, Sponsored Upgrades are built at the request of a Project Sponsor; they are not "selected pursuant to a transmission planning region's Commission-approved regional transmission process for inclusion in a regional transmission plan for purposes of cost allocation because they are more efficient or cost-effective solutions to regional transmission needs." The Order 1000 federal ROFR mandate, therefore, should not apply. <i>See Order 1000 at P 63.</i>
Transmission Service Upgrades	Yes - ????	Order 1000 <u>appears to exclude</u> Transmission Service Upgrades: Service Upgrades identified through the SPP Aggregate Transmission Service Study process do not appear to be subject to the requirement to eliminate the federal ROFR. While Service Upgrades are included in the STEP, and all or a portion of the costs of some Service Upgrades may be eligible for allocation under SPP's Base Plan funding (i.e., Service Upgrades associated with a Designated Resource that meet the conditions in Section III.B of Attachment J or have obtained a waiver of the requirements), such upgrades do not appear to fall within the description of "transmission facilities selected in a regional transmission plan for purposes of cost allocation" for several reasons. <i>See SPP Tariff at Attachment O § III.7.a. and Attachment J §§ III.B – III.C.</i>

On January 20, 2012 a conference call was held with all of the volunteers for this subgroup participating.

The following is the report and recommendation of the Parking Lot Issues subgroup to the full SPCTF on Order 1000 on the issue of how the ROFR aspects of Order 1000 should apply to (1) Sponsored Upgrades and (2) Transmission Service Upgrades/AG Study.

Sponsored Upgrades

Clarification 1: *For purpose of clarification, the term “Sponsored Upgrade” in the context herein, is describing SPP’s existing tariff provision that allows a Transmission Owner (“TO”) to build a transmission upgrade that the TO will fund. After the completion of the Upgrade, the TO may be eligible for credits for subsequent usage of the facility. This type of upgrade is not to be confused with the “Sponsorship Model” that FERC has indicated with comply with FERC rules related to the ROFR aspects of Order 1000.*

The Parking Lot Issues subgroup recommends to the full SPCTF on Order 1000 that in its compliance filing, SPP should establish three categories of “Sponsored Upgrades” in which the a stakeholder funds. These categories are: (1) a TO purposes to fund an upgrade on its own system, (2) a TO (or other stakeholder) proposes to fund and build an upgrade on another TO’s system, and (3) a TO (or other stakeholder) proposes to fund an upgrade on another TO’s system but not build the upgrade. The subgroup recommends that these category of upgrades be addressed as follows in SPP’s compliance filing:

Category	Summary	Who Builds
(1) TO (or other stakeholder) purposes to fund an upgrade on its own system	This is the same process that is currently in SPP’s tariff. This process has been used by SPP members.	Proposer TO Builds.
(2) TO (or other stakeholder) proposes to fund and build an upgrade on another TO’s system	This would be a new process in which a TO proposes to fund and build an upgrade on another TO’s system.	Proposer TO Builds.
(3) TO (or other stakeholder) proposes to fund an upgrade on another TO’s system but NOT build the upgrade.	This would be a new process in which a TO proposes to fund but NOT build an upgrade on another TO’s system.	Use existing SPP processes.

Transmission Service Upgrades/AG Study Upgrades:

Service Upgrades identified through the SPP Aggregate Transmission Service Study process do not appear to be subject to the requirement to eliminate the federal ROFR. While Service Upgrades are included in the STEP, and all or a portion of the costs of some Service Upgrades may be eligible for allocation under SPP's Base Plan funding (i.e., Service Upgrades associated with a Designated Resource that meet the conditions in Section III.B of Attachment J or have obtained a waiver of the requirements), such upgrades do not appear to fall within the description of "transmission facilities selected in a regional transmission plan for purposes of cost allocation" for several reasons. *See SPP Tariff at Attachment O § III.7.a. and Attachment J §§ III.B – III.C.* As a result the Parking Lot Issues subgroup recommends that SPCTF on Order 1000 recommend that the SPP make a compliance filing to seek to retain the ROFR for these types of upgrades.

SPP Draft Builder Model Criteria Options

SPCTF Meeting
March 9, 2012
Dallas, TX

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SPP Business Practice 7150

- SPP Business Practice 7150 establishes weighted categories of evaluation criteria that culminate in a point system used to facilitate developer selection.
 - Project Expertise: Weighted 20 points
 - Safety program/Current/Past statistics: Weighted 15 points
 - Cost to customer: Weighted 20 points
 - Reliability/Quality/General Design: Weighted 15 points
 - Operations: Weighted 15 points
 - Maintenance: Weighted 15 points

Project Expertise Criteria Considerations

- Project Expertise
 - Engineering
 - Permitting
 - Environmental
 - ROW Acquisition
 - Procurement
 - Project Management (including scope, schedule management)
 - Construction
 - Commissioning
 - Technology content
 - **Experience/Track Record**

Safety Program Criteria Considerations

- Safety program/Current/Past Statistics
 - Internal safety program
 - Contractor safety program
 - Safety performance record (program execution)
 - RFP conformance
 - Record of Compliance with safety standards
 - Safety metrics

Cost to Customer Criteria Consideration

- Cost to Customer
 - Estimated total cost of Project
 - Financing costs
 - FERC Incentives
 - Revenue Requirements
 - Lifetime cost of the project to customers
 - Cost, ROI, all in
 - Material On Hand, ROW approval, Assets on hand
 - Credit Worthiness
 - Earnest Money
 - Time frame to construct

Reliability/Quality Criteria Considerations

- Reliability/Quality/General Design
 - Type of Construction (wood, steel, design loading, etc.)
 - Estimated total owning costs
 - Losses (design efficiency)
 - Estimated life of construction
 - **Record of Compliance**
 - **Reliability metrics**
 - **Experience/Track Record**
 - **Construction technology, willingness and ability to meet standards**

Operations Criteria Considerations

- Operations
 - Control Center operations (staffing etc.)
 - NERC compliance –process/history
 - Storm/Outage response plan
 - Past reliability performance
 - **Record of Compliance**
 - **Reliability metrics**
 - **Experience/Track Record**
 - **Construction technology, willingness and ability to meet standards**

Maintenance Criteria Considerations

- Maintenance
 - Staffing
 - Maintenance plans
 - Equipment
 - Crew training
 - Maintenance performance/expertise
 - NERC compliance-process/history
 - **Restoration Experience**

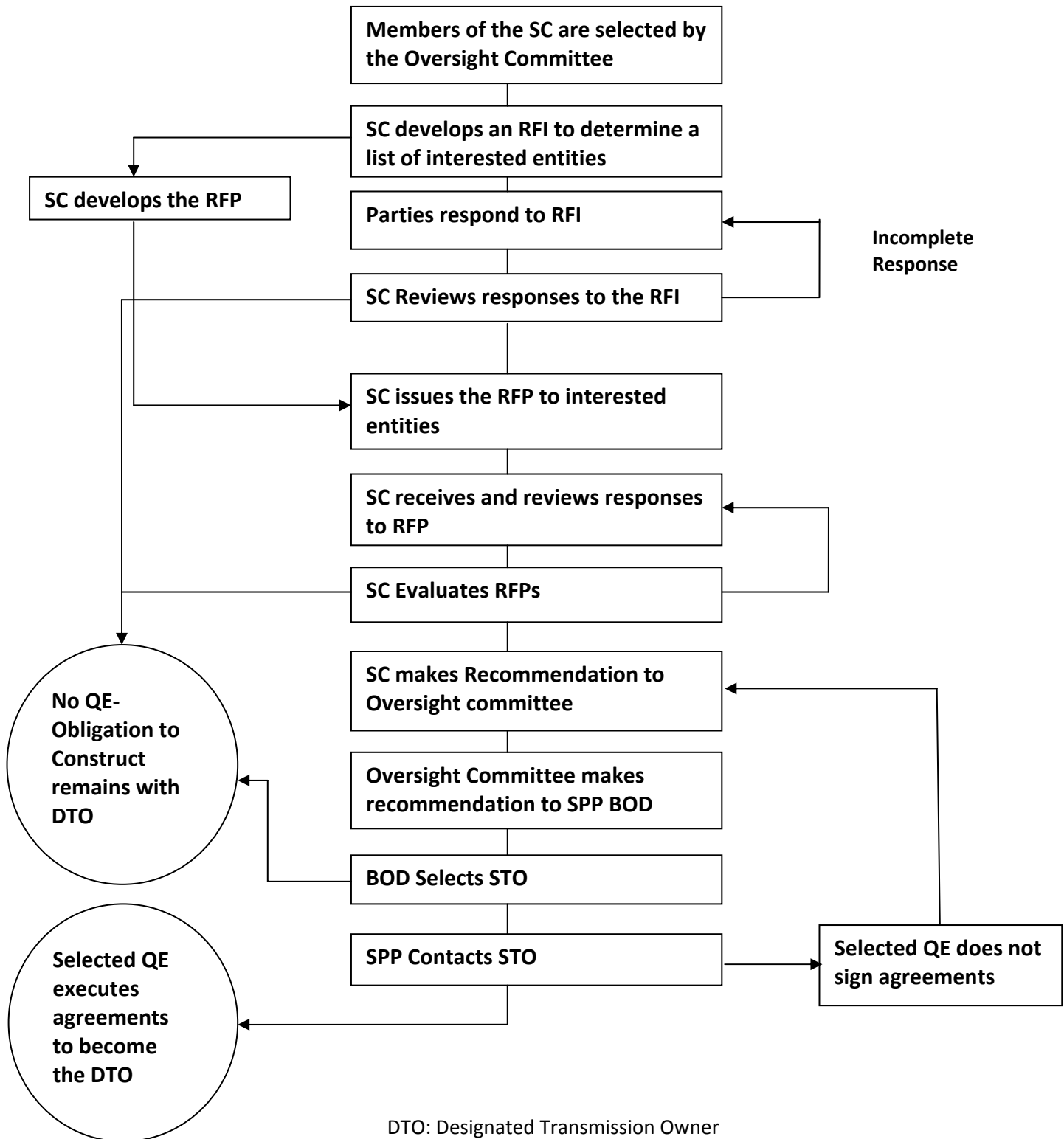
Criteria Weighting Assumptions

- How should points be assigned to transmission developers for each criterion?
- What is the appropriate level of subjective decision making?
- What aspects of the evaluation be purely objective or standardized?

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QUESTIONS?

Business Practice 7150 - Transmission Owner Selection Process



DTO: Designated Transmission Owner

QE: Qualified Entity

RFI: Request for Information

RFP: Request for Proposals

SC: Selection Committee

STO: Selected Transmission Owner

SPCTF on Order 1000 Builder Criteria

March 9, 2012

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Order 1000: Qualification Criteria

- Qualification criteria must provide potential transmission developers the opportunity to demonstrate that it has the necessary financial resources and technical expertise to develop, construct, own, operate, and maintain transmission facilities.
- Order No. 1000 allows each region to develop qualification criteria that are workable for the region, including procedures for timely notifying transmission developers of whether they satisfy the region's qualification criteria and opportunities to mitigate any deficiencies.
- Order No. 1000 anticipates that, in some regions, existing procedures allowing for stakeholders to offer potential solutions may provide a foundation for implementing the nonincumbent transmission developer participation requirements, including the qualification criteria.
- The qualification criteria are intended to apply only to entities that (1) propose transmission projects and (2) *intend to develop the proposed transmission project if selected.*
- Stakeholders that do not intend to develop transmission projects may continue to propose transmission projects for consideration in the regional transmission plan without being required to demonstrate compliance with the qualification criteria.

EXISTING SPP OATT AND BUSINESS PRACTICES

- SPP previously has adopted provisions in both its OATT and Business Practices that govern the qualification and selection of alternate entities seeking to build transmission projects that a Designated Transmission Owner is unable or unwilling to build.
- SPP staff recommends that the SPC consider these existing provisions when developing the qualification criteria that SPP will propose in its Order No. 1000 compliance filing.

Attachment O of the SPP OATT

- Attachment O of the SPP OATT, which governs SPP's Integrated Transmission Plan ("ITP") process, requires that if a Designated Transmission Owner for a transmission project does not provide an acceptable written commitment to construct a project within 90 days of receipt of a Notification to Construct, SPP must solicit and evaluate proposals for the project from other entities and select a replacement builder for the project. To be considered, a prospective replacement builder must meet several general legal, regulatory, technical, financial, and managerial qualifications specified in Section IV.6 of Attachment O. Specifically, the prospective replacement builder must:
 - (i) Have obtained all state regulatory authority necessary to construct, own and operate transmission facilities within the state(s) where the project will be located;
 - (ii) Meet SPP's creditworthiness requirements set forth in Attachment X of the SPP OATT;
 - (iii) Sign or being capable and willing to sign the SPP Membership Agreement as a Transmission Owner upon selection of its proposal to construct and own the project; and
 - (iv) Meet other technical, financial, and managerial qualifications as are specified in the SPP Business Practices.

SPP Business Practices

- Several of the RFP requirements and selection factors could form the basis for SPP's qualification criteria, including:
 - Managerial qualifications.
 - Financial Qualifications.
 - Transmission Project Construction Expertise.
 - Safety Qualifications.
 - Operations Expertise.
 - Maintenance Qualifications.
 - Identification of major partners, contractors, and associated contracts.
 - Ability to comply with Good Utility Practice, SPP criteria, industry standards, and applicable local, state, and federal requirements.

SPP Due Diligence Review Process for Novations

- In reviewing requested novation agreements, SPP has engaged in due diligence reviews of proposed replacement builders on an ad hoc basis. While the SPP OATT does not address the novation process nor the due diligence review, some of the characteristics SPP has reviewed in determining whether to approve a replacement builder and grant a novation include: staffing levels; engineering expertise; expertise in permitting (including environmental and cultural requirements); real estate acquisition and condemnation experience, including right-of-way and easement acquisition; procurement staffing; project management staffing, tools, and process; construction expertise and contracting; commissioning expertise; and operations center, field operations, and maintenance experience. SPP could use its due diligence review process as a basis for developing qualification criteria to adopt in its OATT to comply with Order No. 1000; however, as discussed above, SPP will need to define what it determines to be acceptable to satisfy each of the qualification criteria and include such information in its OATT.

SPP Staff Recommendations

(1) Eligibility criteria

(2) Submission/Application Process

(3) Changes & Eligibility

Recommendation: (1) Threshold eligibility criteria

(1) Threshold eligibility criteria:

- The developer must have obtained all state regulatory authority necessary to construct, own, and operate transmission facilities within the state(s) where the project will be located.
- The developer must sign or be capable and willing to sign the SPP Membership Agreement as a Transmission Owner upon selection of its proposal to construct and own the project.

Recommendation: (2) Financial criteria

(2) Financial criteria

- The developer must meet SPP's creditworthiness requirements set forth in Attachment X of the SPP OATT.
- The developer must demonstrate the ability to finance new transmission construction in SPP.

Recommendation: (3) Managerial criteria

(3) Managerial criteria

- The developer must demonstrate the ability to site the project.
- The developer must demonstrate the ability to construct the project.
- The developer must demonstrate the ability to operate and maintain the project.

Recommendation: Submission/Application Process

- (1) Prior to being eligible to propose transmission projects in the SPP regional planning process, transmission developers (including incumbent transmission owners and nonincumbent transmission developers) are required submit an application demonstrating their satisfaction of the qualification criteria to SPP;**
- (2) The application can be submitted at any time, but must be submitted at least 120 days before the developer plans to submit a project for consideration in the SPP planning process;**
- (3) SPP will review the transmission developer's application to determine whether it satisfies the qualification criteria and inform the applicant of its determination within 90 days of receipt of the application; and**
- (4) If SPP determines that the transmission developer fails to meet one or more of the qualification criteria, SPP will inform the transmission developers of such deficiency and the transmission developer will have 30 days to cure the deficiency**

Recommendation: Changes & Eligibility

All transmission developers that have been deemed qualified will be required to inform SPP if, at any time, there is any change to the information provided in their application, so that SPP may determine whether to satisfy the qualification criteria. If any change occurs, SPP will have the option to:

- (1) Determine that the change does not affect the transmission developer's qualification to propose and construct projects;
- (2) Determine that the transmission developer no longer qualifies to propose and construct projects;
- (3) Suspend the transmission developer's eligibility to propose and construct projects until the transmission developer has cured any deficiency in its qualifications to SPP's satisfaction; or
- (4) Allow the transmission developer to continue to participate in the proposal and construction process for a limited time period while it cures the deficiency to SPP's satisfaction.

Next Steps:

If the SPC agrees with these proposed criteria, SPP Staff will further define the specific qualification criteria.