



Southwest Power Pool, Inc.

STRATEGIC PLANNING COMMITTEE TASK FORCE on ORDER 1000 MEETING

Friday, May 9, 2014

9 AM – 11 AM

Teleconference

• A G E N D A •

1. Call to Order Ricky Bittle
2. PCWG Proposed RFP Response Time Terri Gallup
3. PCWG Proposal for Minimum Design Standards..... Terri Gallup
4. RTWG Proposed Tariff Language for Competitive Ag Study ProcessDennis Reed
5. Action ItemsMichael Desselle

Legal Review Completed	<input checked="" type="checkbox"/> Yes— <i>(Include any comments from the review)</i> <input type="checkbox"/> No
Market Protocols Implications or Changes	<input type="checkbox"/> Yes—Section No.: <i>(Include a summary of impact and/or specific changes)</i> <input checked="" type="checkbox"/> No
Business Practices Implications or Changes	<input type="checkbox"/> Yes—Section No.: <i>(Include a summary of impact and/or specific changes)</i> <input checked="" type="checkbox"/> No
Criteria Implications or Changes	<input type="checkbox"/> Yes—Section No.: <i>(Include a summary of impact and/or specific changes)</i> <input checked="" type="checkbox"/> No
Other Corporate Documents Implications or Changes (i.e., SPP Bylaws, Membership Agreement, etc.)	<input type="checkbox"/> Yes—Section No.: <i>(Include a summary of impact and/or specific changes)</i> <input checked="" type="checkbox"/> No
Credit Implications	<input type="checkbox"/> Yes— <i>(Include a summary of impact and/or specific changes)</i> <input checked="" type="checkbox"/> No
Impact Analysis Required	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Proposed Tariff Language Revision (Redlined)

Proposed Tariff Language Revisions (Redlined)

TRR 126

ATTACHMENT Y

I. OVERVIEW OF TRANSMISSION OWNER DESIGNATION PROCESS

- 1) The Transmission Provider shall designate a Transmission Owner in accordance with the process set forth in Section III of this Attachment Y for transmission facilities approved for construction or endorsed by the SPP Board of Directors for which the Transmission Provider issues a Notification to Construct after January 1, 2015 that meet all of the following criteria:
 - a) Transmission facilities that are ITP Upgrades, Service Upgrades, or high priority upgrades;
 - b) Transmission facilities with a nominal operating voltage of 100 kV or greater;
 - c) Transmission facilities that are not a Rebuild of an existing facility;
 - d) Transmission projects that do not require both a Rebuild of existing facilities and new transmission facilities; and
 - e) Transmission facilities that are not a Local Transmission Facility.
- 2) For transmission projects involving both a Rebuild of existing facilities and the construction of new transmission facilities, the Transmission Provider shall designate the Transmission Owner(s) as follows:
 - a. If 80% or more of the total cost of a project consists of the Rebuild of existing facilities, then the Transmission Provider shall designate the Transmission Owner(s) for the project in accordance with Section IV of this Attachment Y; or
 - b. Otherwise, the Transmission Provider shall divide the project into two or more segments based upon whether that portion of the project is a Rebuild of existing facilities or new facilities. For those segments that are Rebuilds of existing facilities, the Transmission Provider shall designate the Transmission Owner(s) in accordance with Section IV of this Attachment Y. For those segments that are new facilities, the Transmission Provider shall designate the Transmission Owner(s) in accordance with Section III of this Attachment Y.
- 3) For any upgrade meeting the specifications listed in Section I.1 of this Attachment Y, the Transmission Provider may designate the Transmission Owner(s) in accordance with Section IV of this Attachment Y if such upgrade is required to be in service within 3 years or less and: (i) is needed to address –an identified reliability violation; or (ii) is a Service Upgrade which is required for the granting of transmission service (“Short-Term Reliability Project”). To have a transmission project approved as a Short-Term Reliability Project, the Transmission Provider shall:
 - a) Separately identify and post either an explanation of the reliability violations and system conditions for which there is a time-sensitive need, in sufficient detail to allow stakeholders to understand the need and why it is time sensitive, or the

Aggregate Transmission Service Study (“ATSS”) which identifies the need for the Service Upgrade.

- b) Provide to stakeholders and post on its website a full and supported written description explaining:
 - i. The decision to designate the Transmission Owner pursuant to Section IV of this Attachment Y, including an explanation of other transmission or non-transmission options that the Transmission Provider considered but concluded would not sufficiently address the immediate reliability need; and
 - ii. The circumstances that generated the immediate reliability need and an explanation of why that immediate reliability need was not identified earlier.
- c) Permit stakeholders thirty (30) days to provide comments in response to the description required under Section I.3.b of this Attachment Y and make such comments publicly available.
- d) Maintain and post a list of prior year designations of Short-Term Reliability Projects. The list must include the Short-Term Reliability Project’s need date and the date that the DTO actually energized the project. Such list must be filed with the Commission as an informational filing in January of each calendar year covering the designations of the prior calendar year.
- e) Obtain approval by the SPP Board of Directors.
- 4) For any upgrade not defined in Section I.1 or not meeting the requirements of Sections I.2 or I.3 of this Attachment Y, the Transmission Provider shall designate the Transmission Owner(s) in accordance with the process set forth in Section IV of this Attachment Y.
- 5) The designation from the Transmission Provider shall be provided pursuant to Section V of this Attachment Y.
- 6) The Transmission Provider shall track all projects that are approved for construction in accordance with Section VI of this Attachment Y.

ATTACHMENT Y, Section III.2

f) Transmission Owner Selection Criteria and Scoring

- i) The IEP will develop a final score for each RFP proposal and provide its recommended RFP proposal and an alternate RFP proposal to the SPP Board of Directors for each Competitive Upgrade. The IEP evaluation and recommendation shall not be administered in an unduly discriminatory manner. The RFP proposal with the highest total score may not always be recommended. The IEP may recommend that any RFP

proposal be eliminated from consideration due to a low score in any individual evaluation category.

ii) The IEP may award up to one thousand (1000) base points for each RFP proposal. Additional details on each evaluation category are provided in the Transmission Provider's business practices. An additional one hundred (100) points shall be available to provide an incentive for stakeholders to share their ideas and expertise to promote innovation and creativity in the transmission planning process.

iii) **Base Points:** The evaluation categories and maximum base points for each category are listed below.

(1) Engineering Design (Reliability/Quality/General Design), 200 points: Measures the quality of the design, material, technology, and life expectancy of the Competitive Upgrade. Criteria considered in this evaluation category shall include, but not be limited to:

- (a) Type of construction (wood, steel, design loading, etc.);
- (b) Losses (design efficiency);
- (c) Estimated life of construction; and
- (d) Reliability/quality metrics.

(2) Project Management (Construction Project Management), 200 points: Measures an RFP respondent's expertise in implementing construction projects similar in scope to the Competitive Upgrade that is the subject of the RFP. Criteria considered in this evaluation category shall include, but not be limited to:

- (a) Environmental;
- (b) Rights-of-way ownership, control or acquisition;
- (c) Procurement;
- (d) Project scope;
- (e) Project development schedule (including obtaining necessary regulatory approvals);
- (f) Construction;
- (g) Commissioning;
- (h) Timeframe to construct;
- (i) RFP respondent's plan to obtain authorization to construct transmission facilities in the state(s) in which the Competitive Upgrade will be located;
- (j) RFP respondent has a right of first refusal granted under relevant law for the Competitive Upgrade; and
- (k) Experience/track record.

(3) Operations (Operations/Maintenance/Safety), 250 points: Measures safety and capability of an RFP respondent to operate,

maintain, and restore a transmission facility. Criteria considered in this evaluation category shall include, but not be limited to:

- (a) Control center operations (staffing, etc.);
- (b) Storm/outage response plan;
- (c) Reliability metrics;
- (d) Restoration experience/performance;
- (e) Maintenance staffing/training;
- (f) Maintenance plans;
- (g) Equipment;
- (h) Maintenance performance/expertise;
- (i) NERC compliance-process/history;
- (j) Internal safety program;
- (k) Contractor safety program; and
- (l) Safety performance record (program execution).

(4) Rate Analysis (Cost to Customer), 225 points: Measures an RFP respondent's cost to construct, own, operate, and maintain the Competitive Upgrade over a forty (40) year period. Criteria considered in this evaluation category shall include, but not be limited to:

- (a) Estimated total cost of project;
- (b) Financing costs;
- (c) FERC incentives;
- (d) Revenue requirements;
- (e) Lifetime cost of the project to customers;
- (f) Return on equity;
- (g) Material on hand, assets on hand, or rights-of-way ownership, control, or acquisition; and
- (h) Cost certainty guarantee.

(5) Finance (Financial Viability and Creditworthiness), 125 points: Measures an RFP respondent's ability to obtain financing for the Competitive Upgrade. Criteria considered in this evaluation category shall include, but not be limited to:

- (a) Evidence of financing;
- (b) Material conditions;
- (c) Financial/business plan;
- (d) Pro forma financial statements;
- (e) Expected financial leverage;
- (f) Debt covenants;
- (g) Projected liquidity;
- (h) Dividend policy; and
- (i) Cash flow analysis

iv) **Incentive Points:** Each RFP respondent that submitted a detailed project proposal (“DPP”) in accordance with Attachment O Section III. 8(b) of this Tariff that was selected and

approved for construction as a Competitive Upgrade shall receive one hundred (100) incentive points in the Transmission Owner Selection Process for that Competitive Upgrade, which shall be added to the total base points awarded by the IEP. To demonstrate eligibility for the incentive points, the RFP respondent must document in its RFP response that it submitted a DPP for that Competitive Upgrade. The eligibility for the incentive points may only be awarded to the RFP respondent if the DPP was submitted during the ITP assessment from which the Competitive Upgrade was approved. The Transmission Provider shall confirm such eligibility in accordance with Attachment O Section III.8(b) of this Tariff and inform the IEP. No incentive points will not be awarded to any Competitive Upgrade approved for construction from an ATSS. unless the A Competitive Upgrade that has already been approved for construction by the Transmission Provider as an ITP Upgrade or high priority upgrade and the results of an ATSS that requires an earlier in-service date for the Competitive Upgrade may be eligible for incentive points.

Proposed Market Protocols Language Revision (Redlined)

Proposed Business Practices Language Revision (Redlined)

Proposed Criteria Language Revision (Redlined)

Proposed Revisions to Other Corporate Documents (Redlined)

**Southwest Power Pool, Inc.
PROJECT COST WORKING GROUP**

**Recommendation to the Strategic Planning Committee Task Force (Order 1000)
Minimum Design Standards**

Organizational Roster

Terri Gallup (Chair), AEP
David Kimball (Vice-Chair), NPPD
Al Ackland, KCPL
Scott Benortham, Westar
Brent Carr, AECC
Peter Day, OG&E
Tom Hestermann, Sunflower
Larry Holloway, KPP
Leland Jacobson, OPPD

Lloyd Kolb, Golden Spread
Tom Littleton, OMPA
Thomas Maldonado, SPS
Brian Slocum, ITC Great Plains
Jeff Stebbins, Tri-County Electric
John Krajewski, Nebraska Power Review Bd.
(CAWG Liaison)
Cary Frizzell, SPP Staff Secretary

Background

At its meeting on April 8, 2014, the Project Cost Working Group (PCWG) discussed various topics related to FERC Order 1000, including the modification of the Study Estimate Design Guide (SEDG) to accommodate the Transmission Owner Selection Process (TOSP). Questions were raised over how the SEDG will be used in the TSOP, and concern was expressed about the differing design standards for transmission construction across the diverse group of potential builders in the SPP footprint.

Recommendation

The PCWG recommends to the Strategic Planning Committee Task Force for FERC Order 1000 to consider the implementation of minimum design standards for SPP transmission construction. The PCWG further suggests that the SEDG be used as the starting point for those minimum design standards.

Approved: PCWG
Passed Unanimously

April 8, 2014

Southwest Power Pool, Inc.
PROJECT COST WORKING GROUP

Recommendation to the Strategic Planning Committee Task Force (Order 1000)
RFP Response Time in the Transmission Owner Selection Process

Organizational Roster

Terri Gallup (Chair), AEP	Lloyd Kolb, Golden Spread
David Kimball (Vice-Chair), NPPD	Tom Littleton, OMPA
Al Ackland, KCPL	Thomas Maldonado, SPS
Scott Benortham, Westar	Brian Slocum, ITC Great Plains
Brent Carr, AECC	Jeff Stebbins, Tri-County Electric
Peter Day, OG&E	John Krajewski, Nebraska Power Review Bd.
Tom Hestermann, Sunflower	(CAWG Liaison)
Larry Holloway, KPP	Cary Frizzell, SPP Staff Secretary
Leland Jacobson, OPPD	

Background

At its meeting on February 19, 2014, the Strategic Planning Committee Task Force for FERC Order 1000 (SPCTF) asked the Project Cost Working Group (PCWG) to consider expanding the RFP response time associated with Competitive Bidding Cost Estimation proposals. As written, the tariff allows 90 days for RFP respondents to submit proposals. Concern was expressed at the SPCTF that 90 days was an insufficient amount of time for entities to prepare a project cost estimate expected to be accurate within a $\pm 20\%$ bandwidth of the final cost.

Recommendation

The PCWG recommends to the SPCTF to modify the RFP response window from 90 to 180 days.

The PCWG offers the following points for justification of this recommendation:

- To increase and maintain the $\pm 20\%$ accuracy of the RFP response
- To minimize the degradation of the RFP response by going from a 13-month CPE response time for ITP10 projects to a 6-month response time for Competitive Projects, as opposed to a 3-month period
- To improve the scope definition of the Competitive Project
- To provide more flexibility to the approach for implementation and execution of the project
- Consistent with MISO response time

Approved: PCWG
Passed Unanimously

April 8, 2014