

November 15, 2013

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Re: *Southwest Power Pool, Inc.*, Docket No. ER13-366-_____
Order No. 1000 Regional Compliance Filing

Dear Secretary Bose:

Pursuant to section 206 of the Federal Power Act, 16 U.S.C. § 824e, Order Nos. 1000, 1000-A, and 1000-B¹ of the Federal Energy Regulatory Commission (“Commission”), and the Commission’s July 18 Order in this proceeding,² Southwest Power Pool, Inc. (“SPP”), as authorized by its Board of Directors, submits revisions to its Open Access Transmission Tariff (“Tariff”)³ and conditional revisions to its Tariff to comply with Order No. 1000 and the July 18 Order.

I. BACKGROUND

A. Order No. 1000

The Commission issued Order No. 1000 on July 21, 2011, which required public utility transmission providers to: (1) participate in a regional transmission planning process that produces a regional transmission plan; (2) modify their Open Access Transmission Tariffs (“OATTs”) to describe procedures that provide for the consideration of transmission needs driven by Public Policy Requirements in both local and regional transmission planning processes; (3) eliminate provisions in Commission-jurisdictional tariffs and agreements that establish a federal right of first refusal for an

¹ *Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*, Order No. 1000, III FERC Stats. & Regs., Regs. Preambles ¶ 31,323 (2011), *order on reh’g and clarification*, Order No. 1000-A, 139 FERC ¶ 61,132, *order on reh’g and clarification*, Order No. 1000-B, 141 FERC ¶ 61,044 (2012).

² *Sw. Power Pool, Inc.*, 144 FERC ¶ 61,059 (2013) (“July 18 Order”).

³ Southwest Power Pool, Inc., Open Access Transmission Tariff, Sixth Revised Volume No. 1.

incumbent transmission provider with respect to transmission facilities selected in a regional transmission plan for purposes of cost allocation; (4) coordinate, through their regional transmission planning processes, with each of their neighboring transmission planning regions within their interconnection to implement interregional transmission coordination procedures; and (5) adopt in their OATTs a method or set of methods for allocating the costs of new transmission facilities selected in the regional transmission plan for purposes of cost allocation and for interregional transmission facilities.⁴

On May 17, 2012, the Commission issued Order No. 1000-A, denying rehearing and providing certain clarifications of Order No. 1000.⁵ On October 18, 2012, the Commission issued Order No. 1000-B, denying rehearing and providing certain clarifications of Order No. 1000-A.⁶

B. SPP Regional Compliance Filing and July 18 Order

On November 13, 2012, SPP filed in Docket Nos. ER13-366-000⁷ and ER13-367-000⁸ revisions to the SPP Tariff and conditional revisions to both the Tariff and SPP Membership Agreement to demonstrate SPP's compliance with the regional transmission planning and cost allocation requirements of Order No. 1000.⁹ In its compliance filings, SPP asserted that the *Mobile-Sierra* doctrine¹⁰ prohibits the Commission from ordering

⁴ Order No. 1000 at PP 149, 203, 313, 415, 482.

⁵ On August 31, 2012, SPP submitted a request for clarification or in the alternative reconsideration of Order No. 1000-A. Request for Clarification or in the Alternative Reconsideration of Southwest Power Pool, Inc., Docket Nos. RM10-23-000, *et al.* (Aug. 31, 2012) (“SPP Clarification Request”).

⁶ In Order No. 1000-B, the Commission rejected the SPP Clarification Request on procedural grounds. Order No. 1000-B at P 4 n.3.

⁷ Order No. 1000 Compliance Filing (Part 1 of 2) of Southwest Power Pool, Inc., Docket No. ER13-366-000 (Nov. 13, 2012) (submitting revisions and conditional revisions to the SPP Tariff) (“November 13 Compliance Filing”).

⁸ Order No. 1000 Compliance Filing (Part 2 of 2) of Southwest Power Pool, Inc., Docket No. ER13-367-000 (Nov. 13, 2012) (submitting conditional revisions to the SPP Membership Agreement) (“Part 2 Compliance Filing”).

⁹ The November 13 Compliance Filing and Part 2 Compliance Filing are collectively referred to in this filing as the “compliance filings.”

¹⁰ The *Mobile-Sierra* doctrine was established by two concurrent United States Supreme Court opinions: *United Gas Pipe Line Co. v. Mobile Gas Serv. Corp.*, 350 U.S. 332 (1956) (“*Mobile*”); *FPC v. Sierra Pac. Power Co.*, 350 U.S. 348 (continued . . .)

amendments to the Membership Agreement to address the Commission's nonincumbent transmission developer reforms without demonstrating that the current Membership Agreement seriously harms the public interest.¹¹ Because Order No. 1000 mandated that public utility transmission providers that believed their agreements to be protected by the *Mobile-Sierra* doctrine must nonetheless submit revisions to their agreements to comply with Order No. 1000,¹² SPP submitted its Tariff and Membership Agreement revisions addressing the Commission's nonincumbent developer reforms on a conditional basis.¹³

In the July 18 Order, the Commission rejected SPP's *Mobile-Sierra* arguments¹⁴ and conditionally accepted SPP's compliance filings, subject to a further compliance filing,¹⁵ finding that SPP partially complies with the regional transmission planning and cost allocation requirements adopted in Order No. 1000.¹⁶ The Commission accepted the proposed Tariff and Membership Agreement provisions effective as of March 30, 2014, and found "it reasonable to make the requirements of Order No. 1000 apply to

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(1956) ("*Sierra*"). The *Mobile-Sierra* doctrine limits the Commission's authority to modify or abrogate a valid contract, such as the Membership Agreement, unless the Commission first demonstrates that the contract "seriously harms the public interest" and that its modification is of "unequivocal public necessity." See *Morgan Stanley Capital Group, Inc. v. Pub. Util. Dist. No. 1*, 554 U.S. 527, 530, 550 (2008) (internal citations and quotations omitted). Courts have "characteriz[ed] the burden under the public interest standard as *practically insurmountable*." *Potomac Elec. Power Co.*, 210 F.3d, 403, 407-08 (D.C. Cir. 2000) (emphasis added) (internal citations and quotations omitted).

¹¹ See November 13 Compliance Filing, Transmittal Letter at 2, 8, 14-15, 38-52 (arguing that the Commission's compelled modification of the Membership Agreement is barred by the *Mobile-Sierra* doctrine).

¹² See Order No. 1000 at P 292; Order No. 1000-A at PP 388-89; Order No. 1000-B at P 40.

¹³ November 13 Compliance Filing, Transmittal Letter at 52-94 (discussing SPP's *Mobile-Sierra* defense and explaining SPP's conditionally-proposed revisions to address the Order No. 1000 nonincumbent developer mandates); see also *id.* at Exhibit No. SPP-9 (illustrative exhibit of SPP's conditionally proposed revisions).

¹⁴ July 18 Order at PP 123-35.

¹⁵ *Id.* at P 1.

¹⁶ *Id.* at PP 20, 184, 195, 241-42, 306.

Competitive Upgrades approved for construction by the Board [beginning] in January 2015.”¹⁷

On August 19, 2013, SPP filed a request for rehearing of the July 18 Order.¹⁸ SPP sought rehearing of the Commission’s decisions regarding: (1) the applicability of the *Mobile-Sierra* doctrine to the Membership Agreement; (2) elimination of rights of first refusal for facilities allocated under the “Byway” portion of SPP’s Highway/Byway cost allocation method; (3) inclusion of “Service Upgrades” identified through SPP’s Aggregate Transmission Service Study process (“Aggregate Study”) that are regionally funded in the definition of Competitive Upgrades; and (4) elimination of language referencing rights of first refusal provided under state law and provisions addressing rights associated with facilities located along rights-of-way where existing facilities are located. SPP’s Rehearing Request is currently pending before the Commission. Inclusion of Tariff revisions in this filing to comply with the July 18 Order does not constitute a waiver of any of aspect of SPP’s request for rehearing.

C. Request for Extension to Submit Compliance Filing Addressing Service Upgrades

In the July 18 Order, the Commission found, among other things, that Service Upgrades identified through SPP’s Aggregate Study process that receive Highway/Byway cost allocation should be included in the definition of “Competitive Upgrades,” and therefore directed SPP to revise the definition of Competitive Upgrades “to include Service Upgrades whose costs are allocated regionally.”¹⁹ Because compliance with this Commission directive will require not only amending the definition of Competitive Upgrade, but also modifying the SPP Aggregate Study process that is currently in the final stages of stakeholder reform, SPP requested an extension of time

¹⁷ *Id.* at P 32. SPP has proposed revisions to the introductory paragraph of Section I of Attachment Y to clarify that the Transmission Owner Selection Process will apply to projects that meet the definition of Competitive Upgrade for which SPP issues a Notification to Construct after January 1, 2015. This language is consistent with the Commission’s determination in the July 18 Order that “it is reasonable to make the requirements of Order No. 1000 apply to Competitive Upgrades approved for construction by the Board in January 2015.” July 18 Order at P 32.

¹⁸ Request for Rehearing of Southwest Power Pool, Inc., Docket Nos. ER13-366-001 & ER13-367-001 (Aug. 19, 2013) (“Rehearing Request”).

¹⁹ July 18 Order at P 205; *see also id.* at PP 201-04. As discussed *supra* Section I.B, SPP sought rehearing of the Commission’s determinations regarding Service Upgrades. SPP’s Rehearing Request is pending.

until August 15, 2014 solely to comply with this single directive.²⁰

On October 24, 2013, the Commission granted SPP an extension of time “to and including August 15, 2014 to comply with the Commission’s directive to revise the definition of Competitive Upgrades to include Service Upgrades whose costs are allocated regionally.”²¹ As a result, in this compliance filing, SPP is not addressing that Commission directive, but will do so in a subsequent filing to be submitted by August 15, 2014. This compliance filing addresses all of the Commission’s directives in the July 18 Order except for the directive regarding inclusion of regionally-funded Service Upgrades in the definition of “Competitive Upgrades” set forth in paragraphs 201-205 of the July 18 Order.

D. SPP Stakeholder Process

SPP re-engaged its Strategic Planning Committee²² Task Force on Order No. 1000 Compliance (“SPCTF”)²³ to develop policy recommendations for complying with the July 18 Order. The SPCTF conducted conference calls on July 23, 2013 and August 26, 2013, and held an in-person meeting on September 10-11, 2013 to develop the proposal contained within this filing.²⁴ The SPP Regional Tariff Working Group²⁵

²⁰ Motion for Extension of Time and Expedited Consideration of Southwest Power Pool, Inc., Docket Nos. ER13-366-000 & ER13-367-000 (Oct. 15, 2013).

²¹ *Sw. Power Pool, Inc.*, Notice of Extension of Time, Docket Nos. ER13-366-000 & ER13-367-000 (Oct. 24, 2013).

²² Among its other duties, the Strategic Planning Committee (“SPC”) is responsible for developing and recommending to the Board of Directors organizational mission and vision statements and accompanying goals and objectives, as well as formulating strategies and modifications to SPP processes to ensure achievement with SPP’s mission statement, goals, objectives, and responsibilities.

²³ As discussed in the transmittal letter accompanying the November 13 Compliance Filing, the SPCTF was comprised of representatives from both the transmission-owning and transmission-using sectors of the SPP membership. *See* November 13 Compliance Filing, Transmittal Letter at 9.

²⁴ This filing reflects the SPCTF policy recommendations except for the amount and determination of the Transmission Owner Selection Process deposit discussed in Section II.B.3.a, *infra*. The SPCTF approved an RFP deposit amount of \$50,000 per RFP proposal. The SPP Board of Directors approved the alternate deposit methodology proposed in this filing.

²⁵ The Regional Tariff Working Group (“RTWG”) is responsible for development, recommendation, overall implementation, and oversight of SPP’s Tariff. The RTWG also advises SPP staff on regulatory and implementation issues not
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developed and approved Tariff revisions to implement the SPCTF policy recommendations during meetings held on September 11-12, 2013 and on September 25, 2013. The Transmission Working Group²⁶ reviewed revisions related to Merchant Transmission Developer interconnections²⁷ during a meeting held on September 6, 2013 and a conference call held on September 18, 2013.

On October 15, 2013, the SPP Markets and Operations Policy Committee (“MOPC”)²⁸ reviewed and approved the Tariff revisions proposed in this filing.²⁹ On October 17, 2013, the SPC reviewed the recommendations of the SPCTF.³⁰ On September 4, 2013, the Regional State Committee’s (“RSC”) Cost Allocation Working Group (“CAWG”) reviewed and voted to recommend the proposed cost allocation policy reflected in Section II.C of this filing, and the RSC voted to approve the CAWG’s recommendation on October 28, 2013.³¹ On October 29, 2013, the Members

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specifically covered by the Tariff or issues where there may be conflicts or differing interpretations of the Tariff. As discussed *supra* note 24 & *infra* Section II.B.3.a, the Transmission Owner Selection Process deposit considered by the RTWG differed from the amount and method approved by the Board of Directors.

²⁶ The Transmission Working Group (“TWG”) is responsible for policy recommendations and implementation of regional planning efforts, review of transmission interconnections, and coordination with interregional transmission planning activities. In addition, the TWG coordinates its activities with SPP for the development of the SPP Transmission Expansion Plan (“STEP”).

²⁷ *See infra* Section II.A.1.

²⁸ The MOPC consists of a representative officer or employee from each SPP member and reports to the SPP Board of Directors. Its responsibilities include recommending modifications to the Tariff.

²⁹ The MOPC voted to recommend to the Board of Directors an RFP deposit amount of \$10,000 per RFP submission. *See infra* Section II.B.3.a.

³⁰ The SPC voted to endorse the SPCTF’s recommendations except for the RFP deposit amount. Instead, the SPC voted to direct SPP staff to develop a formulaic approach to calculating the deposit amount based on the estimated cost and complexity of the project. The SPP staff’s recommended tiered approach is reflected in the Tariff revisions submitted in this filing.

³¹ SPP’s Commission-approved Bylaws delegate to the RSC the responsibility and authority to develop cost allocation methods for transmission facilities under the Tariff. Southwest Power Pool, Inc., Bylaws, First Revised Volume No. 4 § 7.2.

Committee³² and the Board of Directors approved the revisions proposed in this filing. SPP recognizes that stakeholder approval does not by itself cause a filing to be just and reasonable; however, SPP requests that the Commission extend appropriate deference to the wishes of its stakeholders regarding the revisions and explanations submitted in this filing, consistent with Commission precedent.³³

II. COMPLIANCE FILING IN RESPONSE TO JULY 18 ORDER

As discussed above, in its initial compliance filings, SPP proposed a series of revisions to its Tariff to address the Order No. 1000 regional transmission planning requirements and conditional revisions to its Tariff and Membership Agreement to address the Commission's nonincumbent transmission developer reforms, subject to the outcome of SPP's *Mobile-Sierra* arguments. As also discussed above, the Commission rejected SPP's *Mobile-Sierra* arguments. SPP filed a request for rehearing of the Commission's decisions regarding *Mobile-Sierra* (among other issues), which is pending before the Commission. Accordingly, SPP submits in this compliance filing revisions to its Tariff to address the Commission's regional transmission planning, public policy, and cost allocation requirements from the July 18 Order, and conditional revisions to the Tariff in response to the Commission's nonincumbent transmission developer findings (conditioned upon final resolution of SPP's *Mobile-Sierra* arguments).³⁴

³² The Members Committee consists of up to 19 representatives of the Transmission Owning Member and Transmission Using Member sectors of SPP's Membership. This committee provides input to and assists the SPP Board of Directors with the management and direction of the general business of SPP. See Bylaws § 5.1.

³³ The Commission previously has recognized that provisions approved through the stakeholder processes of RTOs are due deference. See *Sw. Power Pool, Inc.*, 127 FERC ¶ 61,283, at P 33 (2009) (noting that the Commission "accord[s] an appropriate degree of deference to RTO stakeholder processes"); *New England Power Pool*, 105 FERC ¶ 61,300, at P 34 (2003) (Commission approval of transmission cost allocation proposal based upon an extensive and thorough stakeholder process); *Policy Statement Regarding Regional Transmission Groups*, 1991-1996 FERC Stats. & Regs., Regs. Preambles ¶ 30,976, at 30,872 (1993) (the Commission will afford an appropriate degree of deference to the stakeholder approval process). The Commission's deference to RTO stakeholder processes has been upheld by the courts. See *Pub. Serv. Comm'n of Wis. v. FERC*, 545 F.3d 1058, 1062-63 (D.C. Cir. 2008) (noting that the Commission often gives weight to RTO proposals that reflect the position of the majority of the RTO's stakeholders) (quoting *Am. Elec. Power Serv. Corp. v. Midwest Indep. Transmission Sys. Operator, Inc.*, 122 FERC ¶ 61,083, at P 172 (2008)).

³⁴ The revisions discussed in Sections II.B.1.a–II.B.1.c *infra* are proposed in response to Commission directives that are subject to SPP's pending Rehearing (continued . . .)

A. Regional Transmission Planning Requirements

In the July 18 Order, the Commission found that SPP partially complies with the regional planning and public policy requirements of Order No. 1000,³⁵ subject to SPP submitting an additional compliance filing to add certain language to the Tariff to: (1) incorporate language from SPP’s Criteria governing Merchant Transmission Developer interconnections; and (2) clarify further SPP’s consideration of transmission needs driven by Public Policy Requirements.

1. Merchant Transmission Developer Interconnections

In the July 18 Order, the Commission “agree[d] with SPP that Appendix 11 of its SPP Criteria enables SPP to assess the potential reliability and operational impacts of the Merchant Transmission Developer’s proposed transmission facilities on other systems in the region.”³⁶ The Commission directed SPP “to include in its OATT the information requirements for Merchant Transmission Developers that are currently listed in Appendix 11 of the SPP Criteria,”³⁷ including specifically the Transmission Interconnection Review Data Checklist of Appendix 11 of the SPP Criteria.³⁸

In response to the Commission’s directive, SPP proposes a new Addendum 5 to Attachment O of the Tariff, which incorporates the Transmission Interconnection Review Data Checklist from Appendix 11 of the SPP Criteria.³⁹ SPP also proposes language specifying that Addendum 5 applies to any Merchant Transmission Developer seeking to interconnect to the SPP Transmission System, as well as language defining a Merchant Transmission Developer as:

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Request. SPP’s inclusion of such revisions does not constitute a waiver of any of SPP’s rehearing arguments.

³⁵ July 18 Order at PP 20, 31-33, 46-48, 56-57, 73-80 (finding SPP to be partially compliant with the Order No. 1000 regional planning requirements, subject to certain limited Tariff revisions).

³⁶ *Id.* at P 57.

³⁷ *Id.*

³⁸ *Id.* at P 57 n.114. As the Commission observed, the Transmission Interconnection Review Data Checklist “includes, but is not limited to, estimated or proposed in-service dates; a detailed description of the proposed interconnection; details of any required mitigation plans; interconnection design information and rating; maps; and one-line diagrams.” *Id.*

³⁹ See Revised Tariff at Attachment O, Addendum 5.

[A]n entity that assumes all financial responsibility for the development, construction, and operation of the transmission facilities it seeks to interconnect to the Transmission System, does not seek regional cost allocation or cost recovery for such facilities under this Tariff, and does not intend to transfer functional control over such facilities to the Transmission Provider.⁴⁰

This definition is consistent with the definition of Merchant Transmission Developers in Order No. 1000 and subsequent orders.⁴¹ Finally, SPP proposes language to clarify that a Merchant Transmission Developer's compliance with the requirements in Addendum 5 does not automatically confer SPP's approval of the interconnection.⁴²

These revisions comply with the July 18 Order directive to incorporate the Transmission Interconnection Review Data Checklist of Appendix 11 of SPP's Criteria into the Tariff and are consistent with the Order No. 1000 Merchant Transmission Developer information requirements.

2. *Consideration of Transmission Needs Driven by Public Policy Requirements*

In the July 18 Order, the Commission found that SPP's existing Tariff and revisions proposed in the November 13 Compliance Filing partially comply with the Order No. 1000 requirements to consider transmission needs driven by Public Policy Requirements in local and regional transmission planning processes.⁴³ While the Commission "recognize[d] that SPP's [Integrated Transmission Plan ("ITP")] process . . . offers opportunities for stakeholders to provide input on the scope of SPP's planning studies" and that "SPP has revised the list of inputs it takes into consideration in developing the study scope to explicitly include '[t]ransmission needs driven by Public Policy Requirements identified by'" SPP and stakeholders,⁴⁴ the Commission found that the Tariff must be further modified to clarify SPP's process for stakeholders to identify transmission needs driven by Public Policy Requirements and to determine which such needs will be further evaluated for possible solutions.⁴⁵

⁴⁰ *See id.*

⁴¹ Order No. 1000 at PP 143, 163; Order No. 1000-A at PP 297, 299.

⁴² *See Revised Tariff at Attachment O, Addendum 5.*

⁴³ July 18 Order at PP 73-80.

⁴⁴ *Id.* at P 75.

⁴⁵ *Id.* at PP 75-76.

Specifically, the Commission stated that “SPP’s OATT does not explicitly state at what point(s) in the process stakeholders can offer proposals regarding transmission needs they believe are driven by public policy requirements.”⁴⁶ The Commission thus directed SPP to revise the Tariff to “include clear, transparent procedures for identifying transmission needs driven by public policy requirements . . . that allow stakeholders an opportunity to provide input and offer proposals regarding transmission needs driven by public policy requirements.”⁴⁷ The Commission also directed SPP to revise the Tariff “to explain . . . the process it will use to identify, out of the larger set of transmission needs driven by public policy requirements that stakeholders may propose, those needs for which transmission solutions will be evaluated.”⁴⁸

SPP proposes several revisions to Attachment O in response to these directives. First, SPP proposes to revise Section III.1 of Attachment O, which requires SPP to notify stakeholders at the beginning of each calendar year of the upcoming planning processes, to specify that “[s]uch notice shall include a timeline indicating when stakeholders are able to submit transmission needs, including transmission needs driven by Public Policy Requirements, and solutions to such needs as described in this Section III.”⁴⁹ SPP proposes further revisions to specify two points in the ITP process during which SPP will request that stakeholders submit transmission needs driven by Public Policy Requirements, including during the study scope development by the stakeholder working groups⁵⁰ and during an annual public policy survey that SPP sends to stakeholders.⁵¹ SPP’s revisions also reflect that all transmission needs driven by Public Policy Requirements that are identified by stakeholders in the stakeholder survey and in the assessment study scope will be included in SPP’s evaluation of potential transmission solutions.⁵²

SPP’s proposed revisions comply with the July 18 Order directives to clarify the process for stakeholders to propose and for SPP to select transmission needs driven by Public Policy Requirements for further evaluation. With these revisions, SPP fully

⁴⁶ *Id.* at P 75.

⁴⁷ *Id.*

⁴⁸ *Id.* at P 76.

⁴⁹ *See* Proposed Tariff at Attachment O § III.1.

⁵⁰ *See id.* at Attachment O §§ III.3.f, III.4.f, & III.5.d.

⁵¹ *See id.* at Attachment O § III.6.o.

⁵² *See id.* at Attachment O §§ III.3.f, III.4.f, III.5.d, & III.6.o.

complies with the Order No. 1000 requirements regarding transmission needs driven by Public Policy Requirements and the July 18 Order.

B. Nonincumbent Transmission Developer Requirements

As discussed above⁵³ and in the November 13 Compliance Filing,⁵⁴ SPP filed revisions to the Tariff and Membership Agreement to address the Commission's nonincumbent transmission developer reforms on a conditional basis pending the Commission's determination of SPP's *Mobile-Sierra* arguments. In the July 18 Order, the Commission rejected SPP's *Mobile-Sierra* arguments.⁵⁵ Given SPP's pending Rehearing Request on the Commission's findings addressing SPP's *Mobile-Sierra* arguments and other issues, SPP submits the revisions described in this Section II.B on a conditional basis.

1. Definition of Competitive Upgrade

a. Byway Facilities

In the July 18 Order, the Commission explained that because "Byway facilities are selected as part of SPP's regional transmission planning process and a portion of the cost of Byway facilities is allocated regionally . . . to comply with Order No. 1000, SPP must eliminate any federal right of first refusal for Byway facilities."⁵⁶ Therefore, the Commission directed SPP "to submit a compliance filing . . . revising the definition of Competitive Upgrades to include Byway facilities."⁵⁷

In response to the Commission's directive, SPP proposes to revise the definition of Competitive Upgrades in Section I.1.b of Attachment Y of the Tariff to include "Transmission facilities with a nominal operating voltage of 100 kV or greater."⁵⁸ The prior definition excluded Byway facilities because it only included transmission facilities with a nominal operating voltage of 300 kV or greater. Because the revised definition now includes facilities operating at or above 100 kV, it now encompasses Byway facilities and complies with the Commission's directive.

⁵³ See *supra* Section I.B.

⁵⁴ November 13 Compliance Filing at 38-52.

⁵⁵ July 18 Order at PP 123-35.

⁵⁶ *Id.* at P 150.

⁵⁷ *Id.* at P 153.

⁵⁸ See Revised Tariff at Attachment Y § I.1.b.

b. Rights-of-Way

In the July 18 Order, the Commission found that “SPP’s proposal to allow an incumbent transmission owner to maintain a federal right of first refusal for any new transmission facility built on a right-of-way with existing transmission facilities is not permitted by Order No. 1000.”⁵⁹ Therefore, it directed SPP to revise “its OATT to remove the proposed language related to rights-of-way in section I.1.c of Attachment Y of its OATT.”⁶⁰

In response to the Commission’s directive, SPP has removed the language in Section I.1.c of Attachment Y of the Tariff that created an exception for facilities located on rights-of-way of existing transmission facilities.⁶¹ By deleting this language, SPP is in compliance with the Commission’s directive.

However, the Commission further explained that, “while rights-of-way may not be used to automatically exclude proposals to develop more efficient or cost-effective transmission solutions to regional transmission needs, it is not necessarily impermissible to consider rights-of-way at appropriate points in the regional transmission planning process.”⁶² In fact, the Commission specifically stated that SPP may “consider whether an entity has existing rights-of-way as well as whether the entity has experience or ability to acquire rights-of-way as part of the process for evaluating whether to select a proposed transmission facility in the regional transmission plan for purposes of cost allocation.”⁶³

The Tariff provisions accepted in the July 18 Order already state that the Industry Expert Panel (“IEP”) will consider rights-of-way when evaluating an RFP respondent’s Project Management expertise and the cost to construct a Competitive Upgrade.⁶⁴ Nevertheless, to provide more clarity with regard to the IEP’s evaluation of rights-of-way in selecting a Competitive Upgrade, in accordance with the guidance provided by the Commission,⁶⁵ SPP further revises Attachment Y Sections III.f.iii.2.b and III.f.iii.4.g to state that the IEP will consider “ownership, control, or acquisition” of rights-of-way in

⁵⁹ July 18 Order at P 170.

⁶⁰ *Id.*

⁶¹ *See Revised Tariff at Attachment Y § I.1.c.*

⁶² July 18 Order at P 171.

⁶³ *Id.*

⁶⁴ *See Revised Tariff at Attachment Y §§ III.f.iii.2.b & III.f.iii.4.g.*

⁶⁵ July 18 Order at P 171.

determining the points to be awarded for Project Management (Construction Project Management) and Rate Analysis (Cost to Consumer). These revisions are just and reasonable because they provide more detail regarding the consideration of rights-of-way issues in the evaluation process and are consistent with Commission guidance as specified in the July 18 Order and Commission policy under Order No. 1000.

c. Relevant Law

In the July 18 Order, the Commission explained that “Order No. 1000 does not require removal from Commission-jurisdictional tariffs or agreements references to state or local laws or regulations with respect to construction of transmission facilities.” However, the Commission found that “SPP’s proposal goes beyond mere reference to state or local laws or regulations; it references relevant law and then uses that reference to create a federal right of first refusal.”⁶⁶ The Commission further explained that “Order No. 1000 does not permit a public utility transmission provider to add a federal right of first refusal for a new transmission facility based on state law.”⁶⁷ Accordingly, the Commission directed SPP to revise “its OATT to remove the proposed language referencing relevant laws in section I.1.d of Attachment Y to its OATT.”⁶⁸

In response to the Commission’s directive, SPP has removed the language in Section I.1.d of Attachment Y of the Tariff that referenced relevant law.⁶⁹ By deleting this language, SPP is in compliance with the Commission’s directive.

The Commission additionally explained, however, that, “[w]hile state laws and regulations may not be used to automatically exclude bids to develop more efficient or cost-effective transmission solutions to regional transmission needs, it may be permissible to consider the effect of the state regulatory process at appropriate points in the regional transmission planning process.”⁷⁰

Consistent with this Commission guidance, SPP further revises Attachment Y of the Tariff to permit the IEP, when awarding points for Project Management expertise, to

⁶⁶ *Id.* at P 178.

⁶⁷ *Id.*

⁶⁸ *Id.*

⁶⁹ *See Revised Tariff at Attachment Y § I.1.d.*

⁷⁰ July 18 Order at P 179 (citation omitted); *see also id.* at P 226 (“[I]t would be appropriate for SPP to consider whether an entity has the ability to comply with applicable local, state, and federal requirements as part of its process for evaluating bids.”) (citations omitted).

consider the RFP respondent's plan to obtain authorization to construct transmission facilities in the state(s) in which the Competitive Upgrade will be located and whether the RFP respondent has a right of first refusal for the Competitive Upgrade under relevant law.⁷¹ These changes are just and reasonable because they will enable the IEP to take into consideration "the particular strengths of either an incumbent transmission provider or a nonincumbent transmission developer"⁷² related to the state regulatory process and state law during the evaluation stage, as permitted by the Commission.

d. Rebuilt Transmission Facilities

In the July 18 Order, the Commission acknowledged that the "requirement to eliminate the federal right of first refusal does not apply to the right of an incumbent transmission owner to build, own, and recover costs for upgrades to its own transmission facilities."⁷³ The Commission further noted that, while SPP had clarified in its answer⁷⁴ that the term "Rebuild" is used in SPP's regional transmission planning process to distinguish between a change to an existing facility (a Rebuild) and a new facility, and that a Rebuild does not refer to entirely new transmission facilities,⁷⁵ the Tariff does not reflect this clarification. Therefore, the Commission directed SPP to revise its Tariff to provide a definition of "Rebuild" that is consistent with the clarification in the SPP Answer.⁷⁶

To comply with this directive, SPP adds a new definition to Attachment Y of the Tariff that defines "Rebuild" as "a transmission facility that is an improvement to, addition to, or replacement of all or part of, an existing transmission facility."⁷⁷ This definition complies with the July 18 Order because it is consistent with SPP's clarification in its answer as well as the Commission's clarification in Order No. 1000-A regarding what is considered an upgrade.⁷⁸

⁷¹ See Revised Tariff at Attachment Y §§ III.f.iii.2.i & III.f.iii.2.j.

⁷² July 18 Order at P 179 (citing Order No. 1000-A at P 454).

⁷³ *Id.* at P 184.

⁷⁴ See Answer of Southwest Power Pool, Inc., Docket Nos. ER13-366-000 & ER13-367-000, at 24 (Feb. 19, 2013) ("SPP Answer").

⁷⁵ July 18 Order at P 184.

⁷⁶ *Id.*

⁷⁷ Revised Tariff at Attachment Y § II.

⁷⁸ Order No. 1000-A at P 426; *see also* July 18 Order at P 184 n.385.

In addition, the Commission noted that “SPP has not explained how it will classify a transmission project that includes both an entirely new section of transmission line and a rebuild of an existing transmission substation to support the new transmission line.”⁷⁹ The Commission thus directed SPP to clarify “how it will classify projects that contain both upgrades to existing facilities and new transmission facilities.”⁸⁰

To comply with this directive, SPP amends Section I of Attachment Y of the Tariff to specify that, for projects that consist of both Rebuild and new facility components, “if 80% or more of the total cost of a project consists of the Rebuild of existing facilities,” then SPP will designate the Transmission Owner that owns the Rebuild portion as the Designated Transmission Owner for the project. For other projects that do not meet the 80% threshold, SPP will divide the project into segments. For those segments that are Rebuilds, SPP will designate the Transmission Owners that own the facilities comprising the Rebuild portions to construct those portions. For those segments that are new facilities, SPP will determine the Designated Transmission Owner(s) in accordance with the Transmission Owner Selection Process for Competitive Upgrades in Section III of Attachment Y.

The 80% threshold is just and reasonable because it strikes an appropriate balance between expanding competition in transmission development in accordance with Order No. 1000 and promoting administrative, regulatory, and economic efficiency.⁸¹ Most projects that are classified as a Rebuild will have portions that are considered new facilities that could theoretically be subject to a competitive process. However, if a project is predominantly a Rebuild, any possible benefit of competitively bidding the small portion of new facilities associated with the Rebuild would likely be outweighed by the additional costs, risks, inefficiencies, and complexities in the competitive bidding, regulatory permitting, project implementation, and operations and maintenance processes that would result from splitting the project into multiple segments. For example, when a project is overwhelmingly a Rebuild, it is more efficient and cost-effective for the owner of the facilities that comprise the Rebuild to seek and obtain state approvals, vendor contracts, and rights-of-way for the entire project than to split the project, which would require duplicate efforts on the part of several entities for much smaller portions of the project. The 80% threshold ensures that projects that are principally Rebuilds will be constructed in a more efficient and cost-effective manner, consistent with the goals of

⁷⁹ July 18 Order at P 184.

⁸⁰ *Id.*

⁸¹ A threshold based on project cost serves as an appropriate proxy to determine the relative amount of investment in new versus Rebuild facilities. SPP considered other factors such as line miles, but determined that such factors would not appropriately account for situations where a project consists of both transmission lines and substations.

Order No. 1000, while also permitting projects that have a significant new facility component to be open to the competitive Transmission Owner Selection Process with respect to that component. Accordingly, the Commission should accept SPP's 80% threshold as just and reasonable and consistent with Order No. 1000.

e. Exception for Transmission Projects Needed to Address Reliability Needs in a Shortened Time Frame

In its November 2013 Compliance Filing, SPP proposed a limited exception from the definition of Competitive Upgrades for certain projects that are needed to address reliability needs in a shortened time-frame that cannot accommodate the Transmission Owner Selection Process. In the July 18 Order, the Commission "agree[d] that it may be acceptable, in limited circumstances, for SPP to assign a limited category of projects to an incumbent transmission owner if such projects are needed to address an identified reliability violation and are shown to be time-sensitive."⁸² However, the Commission held that SPP must adopt five criteria to "place reasonable bounds on SPP's discretion to determine whether there is sufficient time to hold a competitive solicitation and, as a result, will ensure that an exception from the requirement to eliminate a federal right of first refusal for reliability projects will be used in limited circumstances."⁸³ Notably, these are the same "bounds" that the Commission placed on the discretion of PJM Interconnection, L.L.C and ISO New England, Inc. to invoke the same type of reliability-based right of first refusal exception.⁸⁴

⁸² *Id.* at P 195.

⁸³ *Id.* The five criteria that the Commission imposed include: (1) the Short-Term Reliability Project must be needed in three years or less to solve reliability criteria violations; (2) SPP must separately identify and then post an explanation of the reliability violations and system conditions for which there is a time-sensitive need; (3) SPP must provide stakeholders with a written description of its decision to designate a project as a Short-Term Reliability Project and why the reliability need was not identified sooner; (4) stakeholders must be permitted time to provide comments in response; and (5) SPP must maintain and post a list of prior year designations of all Short-Term Reliability Projects and submit an annual informational filing.

⁸⁴ *PJM Interconnection, L.L.C.*, 142 FERC ¶ 61,214, at P 248 (2013) ("[W]e believe that these five criteria will place reasonable bounds on PJM's discretion to determine whether there is sufficient time to hold a competitive solicitation for Immediate-need Reliability Projects and, as a result, will ensure that an exception from the requirement to eliminate a federal right of first refusal for reliability projects will be used in limited circumstances.") ("PJM Order"); *ISO New England, Inc.*, 143 FERC ¶ 61,150, at P 236 (2013) ("Therefore, we adopt the following five criteria, which we believe will place reasonable bounds on ISO-NE's discretion to determine whether there is sufficient time to permit
(continued . . .)

In compliance with the Commission's directive in the July 18 Order (and consistent with the PJM Order and ISO-NE Order), SPP revises its "Short-Term Reliability Project" Tariff provisions to adopt the five criteria articulated in the July 18 Order (along with an additional requirement that the Board of Directors approve any designation of a Short-Term Reliability Project, consistent with SPP's customary stakeholder process). Specifically, Section I.3 of Attachment Y of the Tariff now specifies that a "Short-Term Reliability Project" is an upgrade that is required to be in service within three years or less to address an identified reliability violation, and further lists the factors from the July 18 Order.

SPP's revised Short-Term Reliability Project provisions fully satisfy the Commission's directive in the July 18 Order and the policy established in the July 18 Order, the PJM Order, and the ISO-NE Order, and therefore are just and reasonable.

f. Local Facilities

In the July 18 Order, the Commission directed SPP "to revise its OATT to provide a definition of Competitive Upgrade that reflects the definition of local transmission project in Order No. 1000."⁸⁵ Specifically, the Commission instructed SPP "to clarify that for a transmission facility to be classified as a local project: (a) it must be located solely within a public utility transmission provider's retail distribution service territory or footprint, and (b) it must not be selected in a regional transmission plan for purposes of cost allocation."⁸⁶

In response to the Commission's directive, SPP amends Section II of Attachment Y to define a Local Transmission Facility as "[a] transmission facility that is located solely within a single Zone and has all of its costs allocated to such Zone."⁸⁷ This definition is based on the Commission's determination in the July 18 Order that projects whose costs are allocated entirely to a single pricing zone are considered "local" whether they are located in a zone with only one Transmission Owner or with multiple Transmission Owners,⁸⁸ and is consistent with the definition of "local transmission

(. . . continued)

competition to develop reliability projects and, as a result, will ensure that an exception from the requirement to eliminate a federal right of first refusal for reliability projects will be used in limited circumstances.") ("ISO-NE Order").

⁸⁵ July 18 Order at P 208.

⁸⁶ *Id.*

⁸⁷ *See Revised Tariff at Attachment Y § II.*

⁸⁸ July 18 Order at P 162.

project” set forth in the July 18 Order.⁸⁹ SPP also proposes to revise Section I.1.e to state that Local Transmission Facilities do not qualify as Competitive Upgrades. Together, these revisions clarify the definition of Competitive Upgrades as directed by the July 18 Order.⁹⁰

2. *Transmission Owner Qualification Criteria*

In the July 18 Order, the Commission largely accepted SPP’s qualification criteria as compliant with Order No. 1000,⁹¹ but directed SPP to revise certain aspects of the qualification criteria.

a. Contractual Requirement

In the July 18 Order, the Commission explained that “it is premature at the qualification stage to require a potential transmission developer to enter into executed contracts with any entity the transmission developer may rely on to meet the managerial qualification criteria.”⁹² The Commission therefore directed SPP to “remove[] the requirement for a prospective transmission developer to enter into executed contracts to meet the managerial qualification criteria in order to be eligible to submit a bid.”⁹³

In response to the Commission’s directive, SPP has removed the contractual requirement from Section III.1.b.iii of Attachment Y of the Tariff. Because removing this requirement would leave only corporate affiliations as an option for an Applicant seeking to rely on a third-party “Alternate Qualifying Entity,” SPP also proposes to remove the corporate affiliation option as well.⁹⁴ As modified, the language permits an Applicant to rely on an Alternate Qualifying Entity to satisfy one or more of the managerial criteria without having to demonstrate a corporate or contractual relationship. Instead, the Applicant need only submit materials demonstrating to SPP’s satisfaction that the Alternate Qualifying Entities meet the managerial criteria for the functions for

⁸⁹ *Id.* at P 208.

⁹⁰ *Id.* at P 208 (“We direct SPP to . . . revise its OATT to provide a definition of Competitive Upgrade that reflects the definition of local transmission projects in Order No. 1000.”) (citation omitted).

⁹¹ *Id.* at P 225.

⁹² *Id.* at P 227.

⁹³ *Id.*

⁹⁴ *See Revised Tariff at Attachment Y § III.1.b.iii.*

which the Applicant is relying upon the Alternate Qualifying Entity to satisfy.⁹⁵ With these revisions, SPP complies with the Commission's directive to eliminate the contractual requirement from SPP's managerial criteria.

b. Demonstration of Ability to Comply with Legal Requirements and NERC Reliability Standards

The Commission accepted the majority of SPP's managerial criteria, but directed SPP to modify criteria related to an Applicant's ability to comply with local, state, and federal requirements and NERC Reliability Standards. First, the Commission accepted SPP's clarification that its requirement related to NERC Reliability Standards "merely requires an entity to demonstrate 'how it plans to be able to comply' with NERC Standards," but directed SPP to revise the Tariff to include this clarification.⁹⁶ Addressing SPP's proposed criterion that an entity demonstrate its ability to comply with applicable local, state, and federal requirements, the Commission determined that it is not permissible to require, "as part of the qualification criteria, that a transmission developer demonstrate that it either has, or can obtain, state approvals necessary to operate in a state, including state public utility status and the right to eminent domain, to be eligible to propose a transmission facility."⁹⁷ The Commission therefore directed SPP "to remove[] this requirement from the qualification criteria."⁹⁸

In response to these Commission directives, SPP proposes two revisions to Section III.1.b.iii of Attachment Y. First, SPP has removed the requirement that an applicant demonstrate its ability to comply with local, state, and federal requirements.⁹⁹ Second, SPP has moved the requirement to demonstrate the ability to comply with NERC standards to a new Subsection III.1.b.iii.6 and has added language to allow the criterion to be satisfied by a "demonstration of how the Applicant plans to be able to comply" with

⁹⁵ See *id.* at Attachment Y § III.1.b.iii.

⁹⁶ July 18 Order at P 228.

⁹⁷ *Id.* at P 229.

⁹⁸ *Id.*

⁹⁹ See Revised Tariff at Attachment Y § III.1.b.iii.5. As discussed *supra* notes 70-72 and accompanying text, SPP has proposed to consider an applicant's state authorizations as part of the Transmission Owner Selection Process IEP evaluation. Including such a factor in the IEP's evaluation is consistent with the Commission's finding that "it would be appropriate for SPP to consider whether an entity has the ability to comply with applicable local, state, and federal requirements as part of its process for evaluating bids." July 18 Order at P 229.

NERC Reliability Standards.¹⁰⁰ With these revisions, SPP has complied with the Commission's directives.

c. Qualified RFP Participant Application Fee

In the July 18 Order, the Commission accepted SPP's proposal for an application fee for the qualification process.¹⁰¹ The Commission noted that only nonincumbent developers are required to pay this fee, which is intended "to offset the cost of the application process to become qualified to submit a bid."¹⁰² Observing that, "[b]ecause SPP must process applications submitted by both nonincumbent transmission developers and incumbent transmission owners to determine if they qualify to submit a bid," the Commission directed SPP either to revise its Tariff "to state that the application fee for the qualification process must be paid by both nonincumbent transmission developers and incumbent transmission owners" or in the alternative, to explain "why it is not unduly discriminatory to require nonincumbent transmission developers to pay the application fee."¹⁰³

Charging an application fee only to nonincumbent transmission developers that are not SPP members is just and reasonable and not unduly discriminatory.¹⁰⁴ SPP members and non-member nonincumbent transmission developers are not similarly situated when it comes to paying the costs of SPP services. As the Commission noted, the purpose of application fee is to defray SPP's costs to administer the qualification process. SPP members pay a yearly membership fee as well as administrative charges pursuant to Schedule 1-A of the Tariff, which are used to recover the costs of SPP services. Thus, current SPP members are already paying the costs of SPP's administration of the qualification process. It would be unduly discriminatory to existing SPP members for non-member nonincumbent transmission developers to benefit from SPP services without defraying the costs of such services, while members pay for

¹⁰⁰ See Revised Tariff at Attachment Y § III.1.b.iii.6.

¹⁰¹ July 18 Order at P 230.

¹⁰² *Id.*

¹⁰³ *Id.*

¹⁰⁴ Section III.1.a.i of Attachment Y of the Tariff provides that "[i]f the applicant is a Member of SPP and is current in payment of its annual membership fee, then no application fee shall be required." SPP notes that a member that is not current in its payment at the time of its application would be required to pay an application fee.

services through the membership and administrative fees.¹⁰⁵ Moreover, charging current SPP members an additional application fee, on top of the current membership fee and administrative charge, would result in members paying more than non-member nonincumbent transmission developers for SPP's administration of the qualification process.

By requiring an application fee of non-members that is equivalent to the membership fee, non-members and members will be treated comparably with regard to defraying the costs of SPP's administration of the qualification process. In other words, the application fee will ensure that non-member nonincumbent transmission developers adequately pay for SPP services from which they benefit and do not become free riders. Furthermore, non-member nonincumbent transmission developers are free to join SPP at any time and pay the membership fee rather than paying the application fee.

3. *Information Requirements*

In the July 18 Order, the Commission found that SPP's proposed Tariff revisions that address the submission of responses to RFPs largely comply with Order No. 1000.¹⁰⁶ However, the Commission directed certain modifications to SPP's proposal to collect a fee to defray the costs of the Transmission Owner Selection Process and to remove a requirement related to an RFP respondent's demonstration of financial strength.

a. RFP Fee and Deposit

The Commission accepted SPP's proposal to collect a fee (in the form of a deposit with subsequent true-up) for each submitted RFP proposal, finding that the proposed fee partially complies with the requirements of Order No. 1000.¹⁰⁷ The Commission directed SPP to modify its proposal to provide greater clarity and transparency in the determination of the fee and final costs, and to provide for interest on unspent deposit amounts.¹⁰⁸ Specifically, the Commission directed SPP to: (1) establish a precise dollar amount, or a formula for establishing that dollar amount, of the initial fee that an RFP respondent must submit with its RFP proposal; (2) clarify how SPP will calculate the actual costs associated with the Transmission Owner Selection Process for purposes of

¹⁰⁵ See, e.g., *Ala. Elec. Coop. v. FERC*, 684 F.2d 20, 27-28 (D.C. Cir. 1982) (“While the typical complaint of unlawful rate discrimination is leveled at a rate design which assigns different rates to customer classes which are similarly situated, a single rate design may also be unlawfully discriminatory.”).

¹⁰⁶ See July 18 Order at P 241.

¹⁰⁷ *Id.* at P 242.

¹⁰⁸ *Id.* at PP 243-44.

determining whether each RFP respondent must make additional payments or will receive refunds; and (3) provide interest on any fees that are refunded.¹⁰⁹

The amount of the deposit and methodology for determining the deposit generated significant discussion during the stakeholder process. Initially, SPP stakeholders considered various flat deposit amounts, ranging from \$10,000 per RFP proposal up to \$100,000 per RFP proposal. After much discussion across several stakeholder groups,¹¹⁰ SPP determined that a tiered approach based on the estimated cost of the project appropriately implements several stakeholder goals for establishing a deposit including facilitating full recovery of SPP's costs and encouraging only serious proposals to be submitted, while not unduly burdening the financial resources of entities seeking to submit multiple RFP proposals or creating a barrier to entry. SPP's tiered deposit proposal is the result of this robust stakeholder discussion.

SPP proposes several revisions to its Tariff to address the Commission's directives regarding the RFP deposit and fee. First, SPP adopts language to clarify that the initial fee that will be required with each RFP proposal is a *deposit*.¹¹¹ This clarification will facilitate SPP's tracking of such funds and payment of interest on any unspent amounts. Revised Section III.2.c.ix of Attachment Y states that each RFP will require that the RFP respondent both: (1) pay an initial deposit for each submission (as further outlined in Section III.2.e of Attachment Y) designed to recover the costs of administering the Transmission Owner Selection Process; and (2) agree to pay any additional costs that are assessed. These provisions are necessary to clarify the nature of the initial fee as a deposit and to put RFP respondents on notice that they may be required to submit additional funds if the initial deposits are insufficient to recover SPP's Transmission Owner Selection Process costs.¹¹² SPP also proposes to require that each RFP respondent provide its Internal Revenue Service Tax Identification Number in its RFP response.¹¹³ This requirement will enable SPP to establish segregated interest-bearing accounts for each RFP proposal, to facilitate SPP's ability to pay interests on any refunds.

¹⁰⁹ *Id.* at P 244.

¹¹⁰ *See supra* Section I.D.

¹¹¹ *See* Revised Tariff at Attachment Y §§ III.2.c.ix (clarifying that each RFP will include a requirement that the submitter pay “a deposit for each RFP proposal submitted” and “any additional costs that are assessed at the completion of the” process), III.2.e (clarifying the requirement to submit a Transmission Owner Selection Process deposit and the cost calculation for purposes of true-up).

¹¹² *See* Revised Tariff at Attachment Y § III.2.c.ix.

¹¹³ *See id.* at Attachment Y § III.2.c.xi.

Additionally, in response to the Commission's directive that SPP adopt a stated deposit amount or a formula for calculating the deposit, SPP proposes a three-tiered deposit structure for RFP proposal submissions, based on the estimated cost of the Competitive Upgrade at the time it is approved by the Board of Directors.¹¹⁴ Competitive Upgrades that are estimated to cost less than \$10 million at the time they are approved by the SPP Board of Directors will require a deposit of \$10,000 per proposal submission. Competitive Upgrades that are estimated to cost between \$10 million and \$100 million at the time they are approved by the SPP Board of Directors will require a deposit of \$25,000 per proposal submission. Finally, Competitive Upgrades that are estimated to cost more than \$100 million at the time they are approved by the SPP Board of Directors will require a deposit of \$50,000 per proposal submission.

SPP's proposed tiered deposit approach, which provides a stated deposit amount based on the estimated cost of the Competitive Upgrade, is just and reasonable and complies with the July 18 Order. First, a tiered deposit is appropriate because evaluating RFP proposals for smaller, more limited-scope Competitive Upgrades is less complex and therefore less expensive than evaluating RFP proposals for larger-scale Competitive Upgrades. In this manner, SPP's deposit proposal aligns the deposit cost with the expected level of complexity of the evaluation. Second, SPP's proposed deposit amounts are based on SPP's analysis of the anticipated cost of evaluating each RFP proposal (including the costs of administering the IEP process), yet are small in comparison to the expected cost of the project (e.g, approximately 0.1% for a project costing almost \$10 million). Thus, the deposit amounts are designed to recover SPP's costs without creating a barrier to entry.

Third, RFP respondents pay the costs of the Transmission Owner Selection Process rather than being subsidized by SPP's members and customers, which is consistent with cost causation. Fourth, SPP's deposits are structured in a way so that RFP respondents know the "up front" costs of submitting a proposal (subject to any true-up).

Finally, SPP's proposal eases participation by smaller entities by establishing reasonable deposits based on the scope of the Competitive Upgrade, to avoid impairing the financial ability of smaller entities to submit proposals for smaller-scale Competitive Upgrades for which they are more likely to compete. This, in turn, increases participation in the Transmission Owner Selection Process by reducing a potential barrier to entry for smaller parties that might exist if the deposit amount were the same regardless of the scope of the Competitive Upgrade. For all of these reasons, the

¹¹⁴ See *id.* at Attachment Y § III.2.e.i.

Commission should approve SPP's tiered deposit structure as just and reasonable and compliant with the July 18 Order.¹¹⁵

In response to the Commission's directive to clarify how it will calculate the actual costs of the Transmission Owner Selection Process to determine whether refunds or additional charges will be necessary, SPP proposes language stating that its Transmission Owner Selection Process costs "shall include the Transmission Provider's staff and administrative costs associated with administering the Transmission Owner Selection Process for the Competitive Upgrade and all costs associated with administering the IEP process for the Competitive Upgrade, including the identification, recruiting, hiring, and retention of industry experts to serve on the IEP(s)."¹¹⁶ These revisions provide greater transparency in the calculation of actual costs, and for that reason are just and reasonable and compliant with the July 18 Order.

SPP also proposes additional language clarifying that it will hold each deposit in a segregated interest-bearing account in the name of the RFP respondent (tied to the RFP respondent's Internal Revenue Service Tax Identification Number),¹¹⁷ and that all unused deposit amounts will be refunded with interest earned on such deposits.¹¹⁸ These revisions ensure SPP's compliance with the Commission's directive "to revise its OATT so that interest will be paid on any refunded portion of the fee that a transmission developer submitted with its bid."¹¹⁹ Finally, SPP proposes additional minor clarifying and conforming revisions.¹²⁰

With the revisions summarized above, SPP fully complies with the July 18 Order directives to clarify SPP's deposit and fee proposal.

¹¹⁵ Once SPP gains experience with administering the Transmission Owner Selection Process, SPP could revisit these deposit amounts if experience shows that the deposit amounts frequently result in large refunds or surcharges.

¹¹⁶ *See id.* at Attachment Y § III.2.e.ii.

¹¹⁷ *See id.* at Attachment Y § III.2.e.i.

¹¹⁸ *See id.* at Attachment Y § III.2.e.ii.

¹¹⁹ July 18 Order at P 243 (citation omitted); *see also id.* at P 244 (directing SPP "to file . . . OATT revisions that . . . provide interest on any bid fees that are refunded to a transmission developer.").

¹²⁰ *See Revised Tariff at Attachment Y §§ III.2.e.i & III.2.e.ii.*

b. Demonstration of Financial Strength

The Commission accepted most of SPP's proposed RFP requirements, including the requirement that the RFP respondent include in its submission a demonstration of its financial strength. However, the Commission found that SPP's proposal "to allow a Qualified Request for Proposals Participant to demonstrate its financial strength in its bid by showing that it is the incumbent transmission owner that would otherwise be obligated to build the Competitive Upgrade pursuant to Attachment Y, section IV of the SPP OATT" was unduly discriminatory and not in compliance with Order No. 1000.¹²¹ The Commission directed SPP to remove the provision.¹²²

In response to the Commission's directive, SPP proposes to remove the language that would allow an incumbent transmission owner to demonstrate financial strength by showing that it is the incumbent that otherwise would have an obligation to construct the project. Specifically, SPP proposes to delete in its entirety Section III.2.c.vi.4 of Attachment Y of the Tariff ("a demonstration that the QRP would otherwise be designated by the Transmission Provider as a DTO for the Competitive Upgrade pursuant to Section IV of this Attachment Y").¹²³ With this deletion, SPP has complied with the Commission's directive.

4. *Evaluation Process for Transmission Proposals for Selection in the Regional Transmission Plan for Purposes of Cost Allocation*

The Commission largely accepted SPP's proposed Transmission Owner Selection Process,¹²⁴ but required SPP to submit a compliance filing addressing its Transmission Owner Selection Process evaluation categories and point system, its proposal that the IEP have discretion to disqualify RFP proposals based on a low score in a single evaluation category, and its proposed "firm capital commitment" that is required of a Selected RFP Respondent to become the Designated Transmission Owner.

a. Evaluation Categories and Points

The Commission found that SPP had not provided sufficient justification for its Transmission Owner Selection Process point system and that SPP did not describe how the point system will result in a regional transmission plan that selects the more efficient

¹²¹ July 18 Order at P 245.

¹²² *Id.*

¹²³ *See Revised Tariff at Attachment Y § III.2.c.vi.4.*

¹²⁴ *See July 18 Order at PP 290-97.*

or cost-effective solution to regional transmission needs.¹²⁵ The Commission further found that SPP failed to justify or explain why it assigned a higher percentage to “non-cost-based criteria” relative to “the cost-based criterion.”¹²⁶ Accordingly, the Commission directed SPP to revise the relative point totals to reflect a greater weighting for costs in evaluating RFP responses or “to further explain and justify why its proposed weighting of costs in the evaluation process complies with the requirements of Order No. 1000.”¹²⁷

The stated purpose of Order No. 1000 is to promote more efficient and cost-effective transmission development. Nowhere in Order No. 1000 does the Commission equate “efficient or cost-effective” with “lowest cost.” SPP’s proposed evaluation factors and relative scoring are designed to evaluate the relative efficiency and cost-effectiveness of each RFP proposal during each stage of the lifecycle of the Competitive Upgrade. In SPP’s ITP process, transmission projects (including Competitive Upgrades) are “selected” for inclusion in the STEP by the SPP Board of Directors prior to any determination of the entity that will ultimately construct the project. In this manner, SPP’s ITP process, which has as its central tenet the identification of the most cost-effective transmission projects,¹²⁸ results “in a regional transmission planning process that selects more efficient or cost-effective transmission solutions, as required by Order No. 1000”¹²⁹ long before the identity of the Designated Transmission Owner is determined.

SPP’s proposed evaluation categories and their relative weights further the goal of promoting more efficient and cost-effective transmission development. Notably, under SPP’s proposed point weighting, the rate impact category (which is largely designed to evaluate an RFP proposal’s cost estimate at the time of submission) carries the second-highest possible point total. Each of the proposed evaluation categories is designed to ensure efficiency and cost-effectiveness, because each is designed to award points based on an individual RFP respondent’s capabilities in each stage of the lifecycle of the specific Competitive Upgrade. SPP’s point system is designed to look at the project over its entire useful life, from the conceptual (design) and financing stage (financial), through development and construction (project management), and into operation (rate analysis and operations). An RFP proposal that contains the lowest cost estimate (i.e., rate analysis) is not necessarily the more efficient and cost-effective solution, given that cost

¹²⁵ *Id.* at PP 282, 284-86.

¹²⁶ *Id.* at PP 284-86.

¹²⁷ *Id.* at P 282.

¹²⁸ *See* SPP Tariff, Attachment O §§ III.3.c, III.4.c, III.8.d, & III.8.h.

¹²⁹ July 18 Order at P 284.

estimates are inherently inaccurate. Thus, undue emphasis on the cost category during the RFP phase will not ensure that the more efficient or cost-effective RFP proposal is selected. Other factors, such as the ability of the RFP respondent to operate, maintain, and restore the project in the event of a failure, are equally—or in fact more—important to ensuring efficiency and cost-effectiveness as is the cost estimate. Plus, given that SPP develops cost estimates during the ITP process and bidders are likely to base their bids on SPP's cost estimate, other factors are necessary to distinguish among bidders to ensure efficiency and cost-effectiveness.

Additionally, the Commission's characterization of the design, financial, project management, and operations categories as "non-cost-based" is mistaken. In reviewing SPP's 225 point weighting on the rate impact category, the Commission has incorrectly determined that the rate impact category is the exclusive element that impacts the ultimate cost to the customer. In fact, each of SPP's evaluation categories is essential to ensuring more efficient and cost-effective transmission plans, because all of these metrics in some way evaluate the ultimate cost to the customer.

For example, engineering design is a major factor driving the cost of a project. Weighting this category as SPP proposed enables SPP to take account of the durability and reliability of the project design. Facility outages, which can result from inferior design, lead to congestion on the grid, which can have a huge potential impact on the cost to customers and the ability of SPP to provide service. Likewise, project management evaluates the ability of the RFP respondent to manage the development and construction activities and procurement of the regulatory approvals that are necessary to ensure that the project meets the requirements identified by SPP and the required in-service date. Delays in project implementation exacerbate the need for which the project was selected (e.g., addressing a reliability violation or alleviating congestion) and postpone the relief that the facility is selected to provide, which leads to increased costs to customers regardless of the original cost estimate included in the RFP response. A project that is delayed years beyond its need date cannot logically be characterized as "more efficient or cost-effective," regardless of whether the project received the highest points in the rate impact category.

The operations category is the most critical element to ensuring that the project is more efficient or cost-effective. Importantly, the operations category evaluates whether the RFP respondent is able to maintain continued safe and reliable operation of the transmission facility over its 40-year (or longer) lifespan, which is why it is appropriate to place the greatest weight (250 points) on the operations category. No matter how resilient an engineering design may be, it will always be at risk, no matter how small, for failure. The capability and availability of an RFP respondent to operate, maintain, and timely restore the facility is critical to ensuring reliable service to customers at just and reasonable rates. Outages can greatly affect whether a transmission facility is ultimately more efficient and cost-effective to customers over its lifespan, and the ability of an RFP respondent to restore service following an outage, storm, or accident is an appropriate and important factor for SPP to consider in its evaluation process. The likelihood of frequent outages and the ability or inability of a developer to respond timely to such

outages would not be reflected in the developer's cost estimate submitted in its RFP proposal, but ultimately could have a significant impact the cost of the project. Likewise, an RFP respondent's inability to maintain a facility could lead to the need to replace the facility prematurely, leading to higher costs to consumers, which would not be reflected in the RFP proposal's rate impact estimate at the time of evaluation. Therefore, weighing operations slightly higher than rate impact (250 points versus 225 points) is just and reasonable and fully compliant with Order No. 1000.

Finally, the Finance category *is* a cost-based criterion. The RFP respondent's ability to finance the project at favorable rates and terms has a direct bearing on the costs that customers will pay. Likewise, the soundness of an RFP respondent's financial and business plans play into whether it will develop, own, operate, and maintain a project in an efficient and cost-effective manner. The rate impact analysis category alone will not assess the appropriateness of the RFP respondent's financial and business plans.

For all of these reasons, SPP's proposed evaluation category point weightings are just and reasonable as proposed, and the Commission should accept them without further modification.

b. Disqualification of RFP Proposals

In reviewing SPP's proposed Transmission Owner Selection Process, the Commission determined that additional information and possible modification were necessary to ensure sufficient transparency.¹³⁰ Specifically, the Commission directed SPP to "either explain what basis the [IEP] would use if it were not to recommend to the Board the bid with the highest score, including how such a decision will be made in a transparent manner, or to remove any OATT language that allows the point system to be disregarded."¹³¹ The Commission further noted that if SPP retains the provision affording the IEP discretion to disqualify RFP proposals due to a low score, SPP must describe how the entity to construct a project will be selected in the event that all RFP proposals are disqualified.¹³²

The IEP may recommend that an RFP proposal be excluded from consideration due to a low score in one category if, for example, the proposal were deficient in one particular evaluation category and such deficiency caused the IEP seriously to question whether the bidder would be able to achieve the functions for the specific project that the evaluation category is designed to address. While SPP has adopted detailed qualification criteria that each Qualified RFP Participant is required to satisfy, that does not mean that

¹³⁰ July 18 Order at PP 283, 287.

¹³¹ *Id.* at P 287.

¹³² *Id.* at P 287 n.597.

every Qualified RFP Participant will be financially and technically capable to design, construct, own, operate, and maintain every Competitive Upgrade that SPP puts out for bid. The informed discretion of the IEP to reject RFP proposals that score low in one category helps to protect consumers by ensuring that an RFP respondent that, for instance, submits a low cost estimate in its RFP proposal but is wholly unqualified to operate the facility once in service does not get selected to construct the project.

By design, the IEP is comprised of individuals with expertise in various areas relevant to evaluating RFP proposals (e.g., engineering design, project management, operations, rate design and analysis, and finance).¹³³ The IEP's independence further ensures that its judgments will be rendered on a non-discriminatory basis. The IEP is required to publish a report outlining its recommendations, including why it chose not to recommend an RFP proposal to the SPP Board of Directors, ensuring transparency in the selection process. In addition, the IEP's decision is only a recommendation; the SPP Board of Directors makes the final decision on each Competitive Upgrade and will have access to all of the information that the IEP had (except for the identity of the RFP respondents) through the IEP report. The SPP Board of Directors, also an independent entity, can choose to reject the IEP's recommendation to disqualify an RFP proposal that scores low in one category. The two levels of independent review—the IEP and the SPP Board of Directors—ensure non-discriminatory decision-making. The IEP reports (which are made public in a redacted form) and the open meeting requirement for the SPP Board of Directors ensure transparency in the Transmission Owner Selection Process.

For these reasons, SPP's proposal to allow the IEP to recommend disqualification of RFP responses that score low in one category is just and reasonable.

In response to the Commission's directive that SPP clarify the process for selecting a Designated Transmission Owner if all RFP proposals are disqualified, SPP has revised the selection process in Section III.2.d.vii. Specifically, if the SPP Board of Directors accepts the IEP recommendation to disqualify all RFP proposals from consideration, SPP will reevaluate the project to determine whether to resubmit it to a second Transmission Owner Selection Process, modify and resubmit it to the Transmission Owner Selection Process, or cancel it.¹³⁴ However, if the project has become a "Short-Term Reliability Project" due to the delay resulting from the unsuccessful Transmission Owner Selection Process, SPP will designate the project as a Short-Term Reliability Project and follow the process applicable to such projects.¹³⁵ If, after resubmitting a project for a second Transmission Owner Selection Process, all RFP

¹³³ See Tariff at Attachment Y § III.2.b.i.

¹³⁴ See Revised Tariff at Attachment Y § III.2.d.vii.a.2.

¹³⁵ See *id.*

proposals have again been disqualified, SPP will assign the project to the incumbent Transmission Owner, which is consistent with Commission precedent.¹³⁶

These revisions are just and reasonable because they articulate a clear process for what occurs when the Board of Directors concurs with the IEP recommendation to disqualify all RFP responses, and subsequent efforts to designate a Transmission Owner through the Transmission Owner Selection Process likewise fail to result in the identification of a qualified entity to serve as Designated Transmission Owner.

c. Firm Capital Commitment Requirement

Despite accepting SPP's proposed requirement for a capital commitment by a Designated Transmission Owner, the Commission directed SPP to clarify in the Tariff "what is expected, in terms of demonstration of access to capital, when a transmission developer is accepting responsibilities as a Designated Transmission Owner, and to further describe why such requirements are just and reasonable and not unduly discriminatory."¹³⁷

During the stakeholder process to develop SPP's initial compliance filings, the SPP Finance Committee established six alternative methods for a Selected RFP Respondent to provide the necessary sufficient firm capital commitment to be incorporated into SPP's business practices. The six alternative methods include: (i) a binding commitment letter from lenders and/or equity providers; (ii) cash held in escrow; (iii) a performance and payment bond; (iv) a surety bond; (v) existing balance sheet liquidity; or (vi) demonstrated history of ability to obtain adequate capital to support the project. In compliance with the July 18 Order, these methods now are specified in Section III.2.d.xii.2 of Attachment Y of the Tariff.¹³⁸

The Finance Committee determined that each of these alternatives individually provides an adequate method for demonstrating that a Selected RFP Respondent has access to sufficient capital to ensure it has "the financial capability to finish the

¹³⁶ See, e.g., *PJM Interconnection, L.L.C.*, 142 FERC ¶ 61,214, at P 243 (2013) (finding that PJM's proposal to assign a transmission project to an incumbent transmission owner after determining that none of the submitted proposals is a more efficient or cost-effective solution "complies with Order No. 1000 because, at that point, both incumbent and nonincumbent transmission developers will have had an opportunity to submit proposals to address the identified need."). SPP's Tariff allows two opportunities for incumbent and nonincumbent entities to submit RFP proposals before assigning the project to the incumbent.

¹³⁷ July 18 Order at P 288.

¹³⁸ See Revised Tariff at Attachment Y §§ III.2.d.xii.2.a – III.2.d.xii.2.f.

project,”¹³⁹ without being unduly onerous. By allowing several different reasonable alternatives for demonstrating capital commitment, each Selected RFP Respondent is afforded flexibility in demonstrating its firm capital commitment in a way that best fits its circumstances. Finally, the requirement to demonstrate a capital commitment applies to all Selected RFP Respondents, incumbents and nonincumbents alike. For these reasons, the revisions to Sections III.2.d.xii.2.a through III.2.d.xii.2.f of Attachment Y of the Tariff are just and reasonable and not unduly discriminatory.

5. *Reevaluation Process for Proposals for Selection in the Regional Transmission Plan for Purposes of Cost Allocation*

In the July 18 Order, the Commission generally found SPP’s proposed reevaluation process to comply with the requirements of Order No. 1000, but required certain limited additional Tariff revisions to achieve full compliance.¹⁴⁰

First, the Commission agreed with SPP that “what constitutes a significant construction delay does not lend itself to a generic threshold” and explained that it “will not require SPP to specify a time period that would constitute a significant delay.”¹⁴¹ Rather, the Commission noted that the SPP Answer listed the factors that SPP “will consider in determining what constitutes a significant delay (e.g., need date, construction time, necessity for long-lead equipment, and permitting schedules)” and found that these factors are “reasonable for SPP to include . . . in its OATT to provide transparency.”¹⁴² The Commission therefore directed SPP to revise the Tariff “to include this list (and any other factors SPP may consider) so that stakeholders are aware of the factors SPP will consider in determining whether a transmission project selected in the regional transmission plan for purposes of cost allocation is significantly delayed.”¹⁴³

In response to the Commission’s directive, SPP proposes to add language to Section VI.4 of Attachment Y of the Tariff to set forth the factors that SPP will consider in determining whether a transmission project selected in the regional transmission plan for purposes of cost allocation is significantly delayed. Specifically, consistent with the SPP Answer in this proceeding, the factors will “include, but not be limited to, the need

¹³⁹ July 18 Order at P 288.

¹⁴⁰ *Id.* at PP 306-10.

¹⁴¹ *Id.* at P 307.

¹⁴² *Id.*

¹⁴³ *Id.*

date, construction time, necessity for long-lead equipment, and permitting schedules.”¹⁴⁴ By including this language, SPP complies with the Commission’s directive.

Second, the Commission explained that “SPP’s proposal to include consideration of cost in its reevaluation criteria” was acceptable, and did not require SPP “to include more detailed provisions relating to the reevaluation process, in the case of cost changes, given that the Commission in Order No. 1000 explicitly declined to require a cost containment component in compliance filings.”¹⁴⁵ The Commission further explained, however, that “SPP clarifie[d] that it has established a cost bandwidth for projects and that reevaluation will be triggered if the cost of a transmission project exceeds the bandwidth, but SPP’s OATT does not reflect this clarification.”¹⁴⁶ The Commission therefore directed SPP to revise the Tariff to reflect its clarification concerning the bandwidth, noting that “SPP does not need to include an exact bandwidth number,” but instead “may cite to the current bandwidth in its Business Practice Manuals by reference.”¹⁴⁷

In response to the Commission’s directive, SPP proposes to revise Section VI.3 of Attachment Y of the Tariff to provide the required reference to the current bandwidth in SPP’s business practices. Specifically, the relevant portion of that section now provides: “If at any time the cost projection varies from the estimated baseline cost by more than the bandwidth defined by the Transmission Provider in its business practices”¹⁴⁸ By including a reference to its business practices, SPP has complied with the Commission’s directive.

C. Cost Allocation for Projects Selected in the Regional Transmission Plan for Purposes of Cost Allocation

In the July 18 Order, the Commission found that SPP’s Highway/Byway and Balanced Portfolio cost allocation methods fully comply with all but one of the Commission’s six Regional Cost Allocation Principles, and partially comply with the remaining principle.¹⁴⁹ Specifically, the Commission explained that SPP did not comply with “the Regional Cost Allocation Principle 4 requirement that the regional transmission

¹⁴⁴ See Revised Tariff at Attachment Y § VI.4.

¹⁴⁵ July 18 Order at P 308.

¹⁴⁶ *Id.*

¹⁴⁷ *Id.*

¹⁴⁸ See Revised Tariff at Attachment Y § VI.3.

¹⁴⁹ July 18 Order at PP 347-59.

planning process identify the consequences of a transmission facility selected in the regional transmission plan for purposes of cost allocation for other transmission planning regions, such as upgrades that may be required in another region.”¹⁵⁰ Therefore, the Commission directed SPP to “revis[e] its OATT to provide for identification of the consequences of a transmission facility selected in the regional transmission plan for purposes of cost allocation for other planning regions.”¹⁵¹ The Commission also explained that SPP must address “whether the SPP region has agreed to bear the costs associated with any required upgrades in another transmission planning region and, if so, how such costs will be allocated within the SPP transmission planning region.”¹⁵²

In response to these Commission directives, SPP proposes several revisions to Attachment O of the Tariff. First, SPP proposes to revise Section V of Attachment O, which governs SPP’s annual development of the STEP Report, to clarify that the STEP will identify whether any approved Competitive Upgrades (i.e., transmission facilities selected in the regional transmission plan for purposes of cost allocation) cause reliability violations on adjacent neighboring transmission systems.¹⁵³ Second, SPP proposes a new Section V.7 to Attachment O that specifies SPP’s procedure for identifying impacts of Competitive Upgrades on neighboring transmission systems. Specifically, Section V.7 provides that SPP “will determine, based on its planning model, whether a proposed Competitive Upgrade causes any reliability violations on the transmission system of an adjacent transmission planning region” and that SPP will “identify any such violations as part of the transmission planning process that identified the Competitive Upgrade.”¹⁵⁴

Finally, to address the Commission’s requirement that SPP clarify whether the SPP region agrees to pay costs associated with upgrades required on other systems, proposed Section V.7 of Attachment O provides that where SPP has, based on its planning models, identified reliability violations on adjacent transmission systems caused by a proposed Competitive Upgrade, SPP “shall not pay any cost for any upgrade or system modification necessary to mitigate or resolve any such violation on an adjacent transmission system,” unless otherwise provided for in the Tariff or in an agreement between SPP and the adjacent transmission system.¹⁵⁵ Proposed Section V.7 of

¹⁵⁰ *Id.* at P 355.

¹⁵¹ *Id.*

¹⁵² *Id.*

¹⁵³ *See Revised Tariff at Attachment O § V (introductory paragraph).*

¹⁵⁴ *See id.* at Attachment O § V.7.

¹⁵⁵ *See id.* at Attachment O § V.7. The “unless otherwise provided” language is intended to address situations where SPP and a neighboring region have agreed to approve an interregional transmission facility pursuant to SPP’s Order No. 1000

Attachment O also provides that “listing of such violations in the SPP Transmission Expansion Plan does not constitute any agreement on the part of [SPP] or its stakeholders to pay any such cost.”¹⁵⁶ All of these revisions comply with the Commission’s directive in the July 18 Order to clarify SPP’s compliance with Regional Cost Allocation Principle 4, and therefore are just and reasonable and should be accepted.

III. ADDITIONAL INFORMATION

A. Documents Submitted with This Filing

In addition to this transmittal letter, SPP submits clean and redlined versions of the proposed Tariff revisions in electronic format.

B. Service

SPP has served a copy of this filing on all of its members and customers and all affected state commissions, as well as all parties listed on the official service lists in Docket Nos. ER13-366-000 and ER13-367-000. A complete copy of this filing will be posted on the SPP web site, www.spp.org.

C. Effective Date and Project Applicability

Consistent with the July 18 Order, SPP requests that the Tariff revisions proposed in this filing be effective March 30, 2014, and that they apply to projects approved by the SPP Board of Directors after January 1, 2015.

(. . . continued)

interregional compliance, pending in Docket Nos. ER13-1937-000 and ER13-1939-000, or where SPP and a neighbor have executed a joint operating agreement or other agreement to share the costs of transmission facilities.

¹⁵⁶ See Revised Tariff at Attachment O § V.7.

The Honorable Kimberly D. Bose

November 15, 2013

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IV. CONCLUSION

For all of the foregoing reasons, SPP respectfully requests that the Commission accept this filing as compliant with Order No. 1000 and the July 18 Order.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C., this 15th day of November, 2013.

/s/ Matthew J. Binette

Matthew J. Binette

**Attorney for
Southwest Power Pool, Inc.**

III. The Integrated Transmission Planning Process

The ITP process is an iterative three-year process that includes 20-Year, 10-Year and Near Term Assessments. The 20-Year Assessment identifies the transmission projects, generally above 300 kV, and provides a grid flexible enough to provide benefits to the region across multiple scenarios. The 10-Year Assessment focuses on facilities 100 kV and above to meet the system needs over a ten-year horizon. The Near Term Assessment is performed annually and assesses the system upgrades, at all applicable voltage levels, required in the near term planning horizon.

1) Commencement of the Process

At the beginning of each calendar year the Transmission Provider shall notify stakeholders as to which part(s) of the integrated transmission planning cycle will take place during that year and the approximate timing of activities required to develop the SPP Transmission Expansion Plan. Notice of commencement of the process shall be posted on the SPP website and distributed via email distribution lists. Such notice shall include a timeline indicating when stakeholders are able to submit transmission needs, including transmission needs driven by Public Policy Requirements, and solutions to such needs as described in this Section III.

2) Transmission Planning Forums

The transmission planning forums include planning summits and sub-regional planning meetings and these are conducted as follows:

a) Planning Summits

- i) The purpose of the planning summits is for the Transmission Provider and the stakeholders to share current SPP transmission network issues, develop the study scopes, provide solution alternatives and review study findings. These summits also provide an open forum where all stakeholders have an opportunity to provide advice and recommendations to the Transmission Provider to aid in the development of the SPP Transmission Expansion Plan.
- ii) The planning summits shall be open to all entities.
- iii) The Transmission Provider shall chair and facilitate the planning summits.
- iv) Planning summits shall be held at least semi-annually, including sub-regional breakout sessions of the SPP Region. Teleconference capability will be made available for planning summits. Planning summit web conferences shall be held as needed.

- v) Notice of the planning summits and web conferences shall be posted on the SPP website and distributed via email distribution lists.
- b) Sub-regional Planning Meetings
- i) The Transmission Provider shall define sub-regions from time to time to address local area planning issues.
 - ii) The purpose of the sub-regional planning meetings is to identify unresolved local stakeholder issues and transmission solutions at a more granular level. The sub-regional planning meetings shall provide stakeholders with local needs the opportunity to provide advice and recommendations to the Transmission Provider and to the Transmission Owners. The sub-regional planning meetings shall provide a forum to review local planning criteria and needs as specified in Section II of this Attachment O.
 - iii) The sub-regional planning meetings shall be open to all entities.
 - iv) The Transmission Provider shall facilitate the sub-regional planning meetings.
 - v) A planning meeting shall be held at least annually for each individual sub-region.
 - vi) The sub-regional planning meetings shall be held in conjunction with the stakeholder working group meetings. Teleconference capability will be made available for sub-regional planning meetings. Sub-regional planning web conferences shall be held as needed.
 - vii) Notice of the sub-regional planning meetings, teleconferences and web conferences shall be posted on the SPP website and distributed via email distribution lists.
- 3) Preparation of the 20-Year Assessment
- a) The Transmission Provider shall perform a 20-Year Assessment once every three years. The timing of this assessment shall generally be in the first half of each three-year cycle.
 - b) The 20-Year Assessment shall review the system for a twenty-year planning horizon and address, at a minimum, facilities 300 kV and above needed in year 20. This assessment is not intended to review each consecutive year in the planning horizon. The Transmission Provider

shall work with stakeholders to identify the appropriate year(s) to study in developing the assessment study scope.

- c) The 20-Year Assessment shall assess the cost effectiveness of proposed solutions over a forty-year time horizon.
 - d) The Transmission Provider shall develop the assessment study scope with input from the stakeholders. The study scope shall take into consideration the input requirements described in Section III.6.
 - e) The assessment study scope shall specify the methodology, criteria, assumptions, and data to be used.
 - f) The Transmission Provider, in consultation with the stakeholder working groups, shall finalize the assessment study scope including the identification of those transmission needs that will be studied, such as transmission needs driven by Public Policy Requirements, as further described in the Integrated Transmission Planning Manual.
 - g) The assessment study scope shall be posted on the SPP website and will be included in the published annual SPP Transmission Expansion Plan report. The assessment study scope shall include an explanation of which transmission needs driven by Public Policy Requirements will be evaluated for potential solutions in the local and regional transmission planning process, as well as an explanation of why other suggested transmission needs will not be evaluated.
 - h) In accordance with the assessment study scope, the Transmission Provider shall analyze potential solutions following the process set forth in Section III.8.
- 4) Preparation of the 10-Year Assessment
- a) The Transmission Provider shall perform a 10-Year Assessment once every three years as part of the three year planning cycle. The timing of this assessment shall generally be in the second half of the three-year planning cycle.
 - b) The 10-Year Assessment shall review the system for a ten-year planning horizon and address, at a minimum, facilities 100 kV and above needed in year 10. This assessment is not intended to review each consecutive year in the planning horizon. The Transmission Provider shall work with stakeholders to identify the appropriate year(s) to study in developing the assessment study scope.

- c) The 10-Year Assessment shall assess the cost effectiveness of proposed solutions over a forty-year time horizon.
 - d) The Transmission Provider shall develop the assessment study scope with input from the stakeholders. The study scope shall take into consideration the input requirements described in Section III.6.
 - e) The assessment study scope shall specify the methodology, criteria, assumptions, and data to be used.
 - f) The Transmission Provider, in consultation with the stakeholder working groups, shall finalize the assessment study scope, including the identification of those transmission needs that will be studied, such as transmission needs driven by Public Policy Requirements, as further described in the Integrated Transmission Planning Manual.
 - g) The assessment study scope shall be posted on the SPP website and will be included in the published annual SPP Transmission Expansion Plan report. The assessment study scope shall include an explanation of which transmission needs driven by Public Policy Requirements will be evaluated for potential solutions in the local and regional transmission planning process, as well as an explanation of why other suggested transmission needs will not be evaluated.
 - h) In accordance with the assessment study scope, the Transmission Provider shall analyze potential solutions, including those upgrades approved by the SPP Board of Directors from the most recent 20-Year Assessment, following the process set forth in Section III.8.
- 5) Preparation of the Near Term Assessment
- a) The Transmission Provider shall perform the Near Term Assessment on an annual basis.
 - b) The Near Term Assessment will be performed on a shorter planning horizon than the 10-Year Assessment and shall focus primarily on identifying solutions required to meet the reliability criteria defined in Section III.6.
 - c) The assessment study scope shall specify the methodology, criteria, assumptions, and data to be used to develop the list of proposed near term upgrades.
 - d) The Transmission Provider, in consultation with the stakeholder working groups, shall finalize the assessment study scope, including the identification of those transmission needs that will be studied, such as

transmission needs driven by Public Policy Requirements, as further described in the Integrated Transmission Planning Manual. The study scope shall take into consideration the input requirements described in Section III.6.

- e) The assessment study scope shall be posted on the SPP website and will be included in the published annual SPP Transmission Expansion Plan report. The assessment study scope shall include an explanation of which transmission needs driven by Public Policy Requirements will be evaluated for potential solutions in the local and regional transmission planning process, as well as an explanation of why other suggested transmission needs will not be evaluated.
- f) In accordance with the assessment study scope, the Transmission Provider shall analyze potential solutions, including those upgrades approved by the SPP Board of Directors from the most recent 20-Year Assessment and 10-Year Assessment, following the process set forth in Section III.8.

6) Policy, Reliability, and Economic Input Requirements to Planning Studies

The Transmission Provider shall incorporate, as appropriate for the assessment being performed, the following into its planning studies:

- a) NERC Reliability Standards;
- b) SPP Criteria;
- c) Transmission Owner-specific planning criteria as set forth in Section II;
- d) Previously identified and approved transmission projects;
- e) Zonal Reliability Upgrades developed by Transmission Owners, including those that have their own FERC approved local planning process, to meet local area reliability criteria;
- f) Long-term firm Transmission Service;
- g) Load forecasts, including the impact on load of existing and planned demand management programs, exclusive of demand response resources;
- h) Capacity forecasts, including generation additions and retirements;
- i) Existing and planned demand response resources;

- j) Congestion within SPP and between the SPP Region and other regions and balancing areas;
 - k) Renewable energy standards;
 - l) Fuel price forecasts;
 - m) Energy efficiency requirements;
 - n) Other relevant environmental or government mandates;
 - o) Transmission needs driven by Public Policy Requirements identified through a survey of stakeholders to identify Public Policy Requirements and additional Public Policy Requirements as determined by the Transmission Provider and stakeholders during study scope development; and
 - p) Other input requirements identified during the stakeholder process.
 - q) In developing the long term capacity forecasts, the studies will reflect generation and demand response resources capable of providing any of the functions assessed in the SPP planning process, and can be relied upon on a long-term basis. Such demand response resources shall be permitted to participate in the planning process on a comparable basis. These studies will consider operational experience gained from markets operated by the Transmission Provider.
- 7) Inclusion of Upgrades Related to Transmission Service and Generator Interconnection in Planning Studies
- a) Transmission upgrades related to requests for Transmission Service are described in Sections 19 and 32 of the Tariff and Attachment Z1 to the Tariff. These upgrades are included as part of the future expansion of the Transmission System, upon the execution of the various Service Agreements with the Transmission Customers. Transmission upgrades related to an approved request for Transmission Service may be deferred or supplemented by other upgrades based upon the results of subsequent studies. Changes in planned upgrades do not remove the obligation of the Transmission Provider to have adequate transmission facilities available to start or continue the approved Transmission Service.
 - b) Interconnection facilities and other transmission upgrades related to requests for generation interconnection service are described in Attachment V. These upgrades are included as part of the future expansion of the Transmission System upon the execution of the various interconnection agreements with the Generation Interconnection

Customers. Transmission upgrades related to an approved interconnection agreement may be deferred or supplemented by other upgrades based upon the results of subsequent studies. Changes in planned upgrades do not remove the obligation of the Transmission Provider to have adequate transmission facilities available to start or continue the approved interconnection service.

- c) The studies performed under this Section III of Attachment O shall accommodate and model the specific long-term firm Transmission Service of Transmission Customers and specific interconnections of Generation Interconnection Customers no later than when the relevant Service Agreements and interconnection agreements are accepted by the Commission.

8) Process to Analyze Transmission Alternatives for each Assessment

The following shall be performed, at the appropriate time in the respective planning cycle, for the 20-Year Assessment, 10-Year Assessment and Near Term Assessment studies:

- a) The Transmission Provider shall perform the required studies to analyze the potential alternatives for improvements to the Transmission System, provided by the Transmission Provider and by the stakeholders, in order to address the final assessment study scope agreed to with the stakeholders. This analysis shall consider the current and anticipated future needs of the SPP Region within the parameters of the study scope. The analysis shall also consider the value brought to the SPP Region by incremental changes to the proposed solutions.
- b) After the study scope has been approved, the Transmission Provider shall notify stakeholders of identified transmission needs and provide a transmission planning response window of thirty (30) days during which any stakeholder may propose a detailed project proposal (“DPP”). The Transmission Provider shall track each DPP and retain the information submitted pursuant to Section III.8.b(i). If the project described in a DPP is included in the ITP plan, the submitting stakeholder may qualify for incentive points as described in Section III of Attachment Y of this Tariff. A stakeholder that submits a DPP that is equivalent to a DPP or Transmission Provider identified project submitted in a previous assessment during the current three (3) year planning cycle shall not be eligible for incentive points.
 - i) The information supplied by the stakeholder must be sufficient to allow the Transmission Provider to evaluate the project described in the DPP. At a minimum, the DPP must include the following information:

- a. description of the project including one-line diagrams, configuration(s), proposed line routing, preliminary transmission line and substation engineering and design data;
 - b. description of the needs identified in the ITP process to be addressed;
 - c. proposed project schedule including, at a minimum timelines for completing regulatory, right-of-way, environmental, engineering, procurement and construction activities;
 - d. description of any known or anticipated risks to the project schedule and any recommended mitigation plans;
 - e. description of any known or anticipated environmental impacts;
 - f. engineering and modeling data required by the Transmission Provider;
 - g. identification and justification of any changes in modeling assumptions from those used in the current ITP process;
 - h. results of transmission project economic or reliability analysis, if applicable; and
 - i. any other information available to support the evaluation of the project.
- ii) Any Stakeholder providing a DPP that meets the requirements set forth in Section III.8.b(i) of this Attachment O will be recorded by the Transmission Provider for the ITP planning assessment for the which the DPP was submitted, including the contact information of the stakeholder that submitted the DPP.
- iii) If the Transmission Provider, in its sole discretion, determines that the information provided in a DPP is incomplete, the Transmission Provider shall provide written notice to the stakeholder that submitted the DPP. The stakeholder shall be permitted to cure the such deficiency by the later of the end of the transmission planning response window or 10 days after the Transmission Provider issues such notice. Failure to cure the deficiency shall result in the submission being disqualified as a DPP.

- iv) The Transmission Provider shall hold all DPPs in confidence until the thirty (30) day transmission planning response window has closed. Subsequent to the close of the transmission planning response window, information contained in a DPP shall be disclosed to stakeholders only as the Transmission Provider determines is necessary for review and documentation of the reason(s) why the DPP was or was not chosen in the current ITP assessment. The remaining information in the DPP will remain confidential.
- v) A stakeholder that submits a DPP may remain eligible for incentive points, in accordance with Section III of Attachment Y of this Tariff, for the remainder of the current three (3) year planning cycle of the ITP process. In order for the stakeholder to maintain its eligibility for incentive points in any subsequent ITP assessment within the current three (3) year planning cycle, the stakeholder must resubmit the information required by Section III.8.b(1) of this Attachment O, including identification of the need(s) in the ITP assessment that the DPP is proposed to solve. If the stakeholder does not provide the updated information, the stakeholder will not be eligible for incentive points for the DPP for that subsequent assessment; however, the stakeholder would be eligible for incentive points in any other ITP assessment during the current three (3) year planning cycle, provided that the stakeholder updates the DPP information for that assessment.
- c) For all potential alternatives provided by the stakeholders, including reliability upgrades that Transmission Owners (which includes those Transmission Owners that have their own FERC approved local planning process), propose to address violations of company-specific planning criteria pursuant to Section II.5 of this Attachment O, and upgrades to address transmission needs driven in whole or in part by identified Public Policy Requirements, the Transmission Provider shall determine if there is a more comprehensive regional solution to address the reliability needs, economic needs, and needs driven by Public Policy Requirements identified in the assessment.
- d) In addition to recommended upgrades, the Transmission Provider will consider, on a comparable basis, any alternative proposals which could include, but would not be limited to, generation options, demand response programs, “smart grid” technologies, and energy efficiency programs. Solutions will be evaluated against each other based on a comparison of their relative effectiveness of performance and economics.

- e) The Transmission Provider shall assess the cost effectiveness of proposed solutions. Such assessments shall be performed in accordance with the Integrated Transmission Planning Manual, which shall be developed by the Transmission Provider, in consultation with stakeholders, and approved by the Markets and Operations Policy Committee. SPP shall post this manual on its website.
- f) The analysis described above shall take into consideration the following:
 - i) The financial modeling time frame for the analysis shall be 40 years (with the last 20 years provided by a terminal value).
 - ii) The analysis shall include quantifying the benefits resulting from dispatch savings, loss reductions, avoided projects, applicable environmental impacts, reduction in required operating reserves, interconnection improvements, congestion reduction, and other benefit metrics as appropriate.
 - iii) The analysis shall identify and quantify, if possible, the benefits related to any proposed transmission upgrade that is required to meet any regional reliability criteria.
 - iv) The analysis scope shall include different scenarios to analyze sensitivities to load forecasts, wind generation levels, fuel prices, environmental costs, and other relevant factors. The Transmission Provider shall consult the stakeholders to guide the development of these scenarios.
 - v) The results of the analysis shall be reported on a regional, zonal, and state-specific basis.
 - vi) The analysis shall assess the net impact of the transmission plan, developed in accordance with this Attachment O, on a typical residential customer within the SPP Region and on a \$/kWh basis.
- g) The Transmission Provider shall make a comprehensive presentation of the preferred potential solutions, including the results of the analysis above, to the stakeholder working groups and at a planning summit meeting or web conference. The presentation shall include a discussion of all the Transmission Provider and stakeholder alternatives considered and reasons for choosing the particular preferred solutions.
- h) The Transmission Provider shall solicit feedback on the solutions from the stakeholder working groups and through the stakeholders attending the various planning summits. The Transmission Provider will also include feedback from stakeholders through other meetings, teleconferences, web

conferences, and via email or secure web-based workspace. Stakeholders may propose any combination of demand resources, transmission, or generation as alternate solutions to identified reliability and economic needs.

- i) Upon consideration of the results of the cost effectiveness analysis and feedback received in the subsequent review process, the Transmission Provider shall prepare a draft list of projects for review and approval in accordance with Section V.

V. The SPP Transmission Expansion Plan Report

The SPP Transmission Expansion Plan shall be a comprehensive listing of all transmission projects in the SPP for the twenty-year planning horizon. Projects included in the SPP Transmission Expansion Plan are: 1) upgrades required to satisfy requests for Transmission Service; 2) upgrades required to satisfy requests for generation interconnection; 3) approved projects from the 20-Year Assessment, 10-Year Assessment and Near Term Assessment (ITP Upgrades); 4) upgrades within approved Balanced Portfolios; 5) approved high priority upgrades; 6) endorsed Sponsored Upgrades; *and* 7) *approved Interregional Projects*. A specific endorsed Sponsored Upgrade will be included in the Transmission System planning model upon execution of a contract that financially commits a Project Sponsor to such upgrade or when such upgrade is otherwise funded pursuant to the Tariff. *An approved Interregional Project will be included in the Transmission System planning model upon approval for construction in accordance with Section IV.6 of this Attachment O.* To be included in the SPP Transmission Expansion Plan, each project must have been endorsed or approved through its proper process. This Section V describes the process used to approve or endorse the specific upgrades identified in 20-Year, 10-Year and Near Term Assessments, high priority upgrades, and Balanced Portfolios. The SPP Transmission Expansion Plan shall also identify whether any approved Competitive Upgrades, as that term is defined in Attachment Y of this Tariff, causes reliability violations on an adjacent neighboring transmission system, in Section V.7 of this Attachment O.

- 1) Development of the Recommended Set of Upgrades from Planning Studies
 - a) Upon completion of the analysis, studies and stakeholder review and comment on the results in accordance with Sections III and IV of this Attachment O, the Transmission Provider shall prepare a draft list of all projects for review by the stakeholders. The Transmission Provider shall post the draft project list on the SPP website and shall identify the assessment process with which they are associated.
 - b) Upon posting of the draft project list, the Transmission Provider shall invite written comments to be submitted to the Transmission Provider.
 - c) The Transmission Provider shall review the draft project list with the stakeholder working groups and the Regional State Committee.
 - d) Considering the input from the stakeholders through this review process, the Transmission Provider shall prepare a recommended list of proposed ITP Upgrades based upon the analysis as described in Section III, upgrades within proposed Balanced Portfolios, and proposed high priority upgrades for review and approval.

2) Disclosure of the Recommended Set of Upgrades and Supporting Information from Planning Studies

- a) The Transmission Provider shall disclose planning information, which includes the recommended list of proposed upgrades and the underlying studies, by providing:
 - i) All stakeholders equal access, notice and opportunity to participate in planning summits, the stakeholder working group meetings and the sub-regional planning meetings as well as any associated web conferences or teleconferences as set forth in Section II of this Attachment O; and
 - ii) For the contemporaneous availability of such meeting handouts on the SPP website.
- b) The related study results, criteria, assumptions, analysis results, and data underlying the studies used to develop the proposed ITP Upgrades, the list of upgrades within proposed Balanced Portfolios, and proposed high priority upgrades shall be posted on the SPP website, with password protected access if required to preserve the confidentiality of information in accordance with the provisions of the Tariff and the SPP Membership Agreement and to address CEII requirements. Additionally, Transmission Owner specific local plans and criteria shall be accessible via an electronic link on the SPP website in accordance with Section VII of this Attachment O. The CEII compliant redacted version of the SPP Transmission Expansion Plan and individual Transmission Owner specific local plans shall be posted on the SPP website. Redacted versions shall include instructions for acquiring the complete version of the SPP Transmission Expansion Plan and individual Transmission Owner specific local plans. An electronic link shall be provided on the SPP website by which stakeholders may send written comments on the SPP Transmission Expansion Plan and Transmission Owner specific local plans and criteria.

3) Approval and Endorsement Process

- a) The Markets and Operations Policy Committee shall make a recommendation regarding the approval of ITP Upgrades. Approval by the SPP Board of Directors is required for the inclusion of ITP Upgrades in the SPP Transmission Expansion Plan.
- b) The Markets and Operations Policy Committee shall make a recommendation regarding the inclusion of a proposed Balanced Portfolio in the SPP Transmission Expansion Plan. Approval by

the SPP Board of Directors is required for inclusion of a Balanced Portfolio in the SPP Transmission Expansion Plan. SPP is not required to have a Balanced Portfolio each year.

- c) If the SPP Board of Directors approves a list of ITP Upgrades, upgrades within Balanced Portfolios, or high priority upgrades other than those recommended by the Markets and Operations Policy Committee, the explanation for the deviation shall be included in the SPP Transmission Expansion Plan.
- d) The Markets and Operations Policy Committee shall make a recommendation regarding the approval of a high priority upgrade recommended by the Transmission Provider. Approval by the SPP Board of Directors is required for the inclusion of a high priority upgrade in the SPP Transmission Expansion Plan.
- e) The Markets and Operations Policy Committee shall make a recommendation regarding endorsement of a proposed Sponsored Upgrade. Endorsement by the SPP Board of Directors is required for the inclusion of a Sponsored Upgrade in the SPP Transmission Expansion Plan.
- f) The list of projects shall be posted on the SPP website by the Transmission Provider. The Transmission Provider shall, in addition to the posting, e-mail notice of such posting to the stakeholders at least ten days prior to a meeting at which the SPP Board of Directors is expected to take action on accepting or modifying the list.
- g) The list of approved ITP Upgrades, upgrades within approved Balanced Portfolios, approved high priority upgrades, and endorsed Sponsored Upgrades may be modified throughout the year by the SPP Board of Directors provided that such action shall be posted and noticed pursuant to this section.
- h) The list of upgrades for Transmission Service are approved in accordance with the provisions of Attachment Z1 and included in the STEP accordingly.
- i) The list of interconnection facilities and other transmission upgrades related to requests for generation interconnection service are approved in accordance with the provisions of Attachment V and included in the STEP accordingly.
- j) *The list of Interregional Projects is approved in accordance with Section IV.6 of this Attachment O and included in the STEP accordingly.*

k) The SPP Transmission Expansion Plan shall be presented to the SPP Board of Directors at least once a year. Approval of the ITP Upgrades, Balanced Portfolios, and high priority upgrades, and the endorsement of the other projects contained in the SPP Transmission Expansion Plan by the SPP Board of Directors shall certify a regional plan for meeting the transmission needs of the SPP Region.

4) Updates to the SPP Transmission Expansion Plan

a) Modifications to the SPP Transmission Expansion Plan may be made between the annual approvals as required to maintain system reliability and to meet new business opportunities as they are identified.

b) The Transmission Provider shall work with the stakeholders on an on-going basis throughout the year analyzing any newly identified issues and incorporating any necessary adjustments to the SPP Transmission Expansion Plan on an out of cycle basis.

c) On a quarterly basis, the Transmission Provider shall post any modifications to the SPP Transmission Expansion Plan on the SPP website.

d) The modifications shall be reviewed by the stakeholders and the Regional State Committee, endorsed by the stakeholder working groups, and approved or endorsed by the SPP Board of Directors, in accordance with Section V of this Attachment O.

5) Removal of an Upgrade from the SPP Transmission Expansion Plan.

The Transmission Provider, in consultation with the stakeholders in accordance with Section V of this Attachment O, may remove an upgrade from an approved SPP Transmission Expansion Plan. A Transmission Owner that has incurred costs related to the removed upgrade shall be reimbursed for any expenditure pursuant to Section VIII of Attachment J to the Tariff.

6) Status of Upgrades Identified in the SPP Transmission Expansion Plan

a) The Transmission Provider shall track the status of planned system upgrades to ensure that the projects are built in time or that acceptable mitigation plans are in place to meet customer and system needs.

b) On a quarterly basis, at a minimum, the Transmission Provider shall:

- i) Report to the Markets and Operations Policy Committee, the Regional State Committee and the SPP Board of Directors on the status of the upgrades identified in the SPP Transmission Expansion Plan; and
 - ii) Post the status of the upgrades on the SPP website.
- 7) Impacts on Adjacent Systems

As part of the evaluation of any Competitive Upgrade, the Transmission Provider will determine, based on its planning model, whether a proposed Competitive Upgrade causes any reliability violations on the transmission system of an adjacent transmission planning region. The Transmission Provider shall identify any such violations as part of the transmission planning process that identified the Competitive Upgrade. Except as otherwise provided in this Tariff or as otherwise provided in an agreement between the Transmission Provider and an adjacent transmission system, the Transmission Provider shall not pay any cost for any upgrade or system modification necessary to mitigate or resolve any such violation on an adjacent transmission system, and listing of such violations in the SPP Transmission Expansion Plan does not constitute any agreement on the part of the Transmission Provider or its stakeholders to pay any such cost.

ADDENDUM 5 TO ATTACHMENT O

MERCHANT TRANSMISSION DEVELOPER INTERCONNECTION

Other than for generation interconnections addressed by Attachment V of this Tariff, this Addendum 5 is applicable to Merchant Transmission Developers that request an interconnection to the Transmission System. For purposes of this Addendum 5, a Merchant Transmission Developer is an entity that assumes all financial responsibility for the development, construction and operation of the transmission facilities it seeks to interconnect to the Transmission System, does not seek regional cost allocation or cost recovery for such facilities under this Tariff, and does not intend to transfer functional control over such facilities to the Transmission Provider. Merchant Transmission Developers must comply with all requirements set forth in the SPP Criteria, including but not limited to providing the following information to the Transmission Provider, as required in Appendix 11 of the SPP Criteria:

Transmission Interconnection Review Data Checklist

1. Primary contact and all affected parties' contact information.
2. Overview of the proposed interconnection and its need.
3. Estimated or proposed in-service date.
4. List of all studies run by season.
 - a. Power flow studies minimum requirements met.
 - b. Short circuit studies minimum requirements met.
 - c. Dynamics studies minimum requirements met.
5. Affected parties planning criteria, if applicable.
6. A detailed description of the proposed interconnection.
 - a. In-service date
 - b. Design information
 - c. Ratings of the interconnection
 - d. A geographic map of the interconnection area
 - e. Electrical one-line diagrams of the facilities being connected.
7. Appropriate program files and program automation files to allow SPP staff to reproduce the studies performed.

8. Details of any required mitigation plans including identification of the affected parties responsible for mitigation.
 - a. In-service date
 - b. Design information
 - c. Ratings of the facilities
 - d. A geographic map of the facility area
 - e. Electrical one-line diagrams of the facilities being connected.
9. Comments of affected parties covering agreement or points of disagreement of the proposed interconnection, if any.
10. Additional studies may be required for DC interconnections.

Compliance with the data submission requirements specified in this Addendum does not constitute approval of the physical interconnection of the facility by the Transmission Provider.

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 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 to address an identified reliability violation (“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 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.
 - 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.

II. DEFINITIONS

The terms used in this Attachment Y shall have the meanings as defined in this Section II or as otherwise defined in this Tariff.

Applicant: An entity that has submitted an application to the Transmission Provider to be a Qualified RFP Participant.

Competitive Upgrades: Those upgrades defined in Section I.1 of this Attachment Y or an upgrade for which the Transmission Provider must select a replacement Transmission Owner pursuant to Section IV.3 of this Attachment Y.

Guaranty: This term shall have the meaning given in Attachment X of this Tariff.

Guarantor: This term shall have the meaning given in Attachment X of this Tariff.

Industry Expert Panel: The panel of industry experts designated by the Oversight Committee to review and evaluate proposals submitted in response to any Request for Proposals in the Transmission Owner Selection Process.

Local Transmission Facility: A transmission facility that is located solely within a single Zone and has all of its costs allocated to such Zone.

Not-For-Profit: This term shall have the meaning given in Attachment X of this Tariff.

Qualified RFP Participant (“QRP”): An entity that has been determined by the Transmission Provider to satisfy the qualification criteria set forth in Section III.1 of this Attachment Y.

Rebuild: Shall mean, for purposes of this Attachment Y, a transmission facility that is an improvement to, addition to, or replacement of all or part of, an existing transmission facility.

Transmission Owner Selection Process: The process of determining the Transmission Owner for Competitive Upgrades pursuant to Section III.2 of this Attachment Y.

III. TRANSMISSION OWNER SELECTION PROCESS FOR COMPETITIVE UPGRADES

1) Application and Qualification Process

a) Application

Any entity that desires to participate in the Transmission Owner Selection Process outlined in this Section III must submit an application and supporting materials to demonstrate that it satisfies the qualification criteria set forth in this Section III. The Transmission Provider will evaluate the Applicant's application and supporting materials to determine whether the Applicant satisfies the qualification criteria to be a QRP and participate in the Transmission Owner Selection Process in accordance with the timeline set out in Section III.1(c) of this Attachment Y.

- i) Any entity wishing to participate in the Transmission Owner Selection Process, whether a current Transmission Owner or another entity, must submit an application to the Transmission Provider in the form provided on the Transmission Provider's website. The initial application must be received no later than June 30 of the year prior to the calendar year in which the Applicant wishes to begin participation in the Transmission Owner Selection Process. The Applicant shall submit an application fee with its application equal to the amount of the SPP annual membership fee. If the Applicant is a Member of SPP and is current in payment of its annual membership fee, then no application fee shall be required. The amount of the application fee shall be posted on the Transmission Provider's website as part of the application form.
- ii) After the Transmission Provider determines that the entity is qualified to be a QRP, the entity shall remain a QRP for the five calendar years starting January 1 subsequent to that determination, subject to the annual certification process in Section III.1(d) of this Attachment Y and termination process set forth in Section III.1(e) of this Attachment Y. To be considered for continuation of QRP status for the subsequent five (5) year period, the QRP must submit a full application package in accordance with Section III.1(a)(i) of this Attachment Y by June 30 of the fifth year of the current period. The Transmission Provider shall evaluate the application in accordance with Section III.1(c) of this Attachment Y.
- iii) Any application from an Applicant will be posted on the Transmission Provider's website no later than July 15 of each year, subject to any applicable confidentiality protections.

b) Qualification Criteria

An Applicant must demonstrate that it meets the following qualification criteria:

i) SPP Membership Criterion

An Applicant must be a Transmission Owner or be willing to sign the SPP Membership Agreement as a Transmission Owner if the Applicant is selected as part of the Transmission Owner Selection Process.

ii) Financial Criteria

An Applicant must demonstrate that it meets one of the following financial criteria:

- (1) A senior unsecured investment grade rating or an issuer rating of BBB- or equivalent from a “nationally recognized statistical rating organization” as defined in Attachment X of this Tariff. If an Applicant maintains a rating from all three approved nationally recognized statistical rating organizations, it must maintain at least two ratings in the investment grade range. If an Applicant maintains a rating from two of the approved nationally recognized statistical rating organizations, it must maintain at least one of those ratings in the investment grade range.
- (2) If the Applicant does not satisfy the requirement set forth in (1) above, the Applicant may submit to the Transmission Provider a Guaranty from its parent or affiliated organization that possesses an investment grade rating or an issuer rating of BBB- or equivalent from a “nationally recognized statistical rating organization” as defined in Attachment X of this Tariff. A Guaranty obligates the Guarantor to satisfy the obligations of the guarantee entity. Parent Guaranties are acceptable where the Applicant is a subsidiary, joint venture, or affiliate of the parent Guarantor. The Guaranty may be cancelled at any time that the Applicant establishes an investment grade rating as discussed in Section III.1(b)(ii)(1) of this Attachment Y. The Guaranty will be in a form consistent with Appendix D of Attachment X of this Tariff and must satisfy the following requirements:

- (a) Be duly authorized by the Guarantor and signed by an officer of the Guarantor;
 - (b) State a minimum effective period of five (5) years, or provide for automatic renewal subject to cancellation with no less than sixty (60) days notice, provided that in all events the Guaranty is effective for all obligations of the Applicant undertaken prior to cancellation;
 - (c) Include a certification by the corporate secretary of the Guarantor that the execution, delivery, and performance of the Guaranty have been duly authorized;
 - (d) Certify that the Guaranty does not violate other undertakings or requirements applicable to the Guarantor and is enforceable against the Guarantor in accordance with its terms;
 - (e) Obligate the guarantor to submit a representation letter annually indicating any material changes from the information provided in the Applicant's application related to the Guarantor and Guaranty, and representing that the Guarantor continues to satisfy the financial criteria;
 - (f) Secure all obligations of the Applicant under or in connection with this Tariff and other agreements with the Transmission Provider;
 - (g) Be supported by adequate consideration and be otherwise binding as a matter of law; and
 - (h) Include as an attachment a resolution of the board of directors or other governing body of the Guarantor authorizing the Guaranty.
- (3) If the Applicant does not satisfy the requirements set forth in (1) or (2) above, the Applicant may submit to the Transmission Provider a formal letter of reference from a commercial bank evidencing an existing line of credit from commercial banks (or access to an existing line of credit

through Inter-company agreements with a Parent or Affiliate), or bonding indication letter from an insurance or surety company either of which indicate a willingness to extend credit to the Applicant in an amount of at least \$25,000,000 (for bank) or willingness to provide a surety bond in the amount of at least \$25,000,000 (for an insurance or surety company). Commercial bank reference letters acceptable to the Transmission Provider must be issued by a financial institution organized under the laws of the United States or any state of the United States or the District of Columbia or a branch or agency of a foreign commercial bank located in the United States, with a minimum corporate debt rating of A- or equivalent from a “nationally recognized statistical rating organization” as defined in Attachment X of this Tariff and total assets of at least \$10 billion. Bonding indication letters acceptable to the Transmission Provider must be issued by an insurance or surety company with a minimum financial strength rating of A- and a minimum financial size category of X from the A.M. Best Company.

- (4) If the Applicant is a municipality, a cooperative, or other Not-For-Profit entity, the Applicant may satisfy the financial criteria requirement by providing evidence of direct rate-setting authority or taxing authority. The Applicant must possess this authority and cannot rely on an affiliation with another entity that possesses rate-setting or taxing authority.

iii) Managerial Criteria

An application must show that the Applicant has requisite expertise by describing its capability, experience, and process to address the following areas:

- (1) Transmission Project Development
 - (a) engineering, permitting, environmental, equipment and material procurement, project management (including cost control, scope, and schedule management), construction, commissioning of new facilities, new or emerging technologies; and
 - (b) routing, surveying, rights-of-way, eminent domain, and real estate acquisition, including process for obtaining easements.

- (2) Internal safety program, contractor safety program, safety performance record and program execution.
- (3) Transmission Operations: control center operations, NERC compliance process and compliance history, registration or the ability to register for compliance with applicable NERC Reliability Standards, storm/outage response and restoration plan, record of past reliability performance, statement of which entity will be operating completed transmission facilities, staffing, equipment, and crew training.
- (4) Transmission Maintenance: staffing and crew training, transmission facility and equipment maintenance, record of past maintenance performance, NERC compliance process and history, statement of which entity will be performing maintenance on completed transmission facilities.
- (5) Ability to comply with Good Utility Practice, SPP Criteria, and industry standards.
- (6) Ability to comply with or demonstration of how the Applicant plans to be able to comply with NERC Reliability Standards.
- (7) Any other relevant project development experience that the Applicant believes may demonstrate its expertise in the above areas.

An Applicant can demonstrate that it meets the managerial criteria either on its own or by relying on one or more entities to satisfy any of the managerial criteria (“Alternate Qualifying Entity (ies)”). If the Applicant seeks to satisfy the managerial criteria in whole or in part by relying on one or more Alternate Qualifying Entity(ies), the Applicant must submit: materials demonstrating to the Transmission Provider’s satisfaction that the Alternate Qualifying Entity(ies) meet(s) the managerial criteria for which the Applicant is relying upon the Alternate Qualifying Entity(ies) to satisfy.

c) Determination of Qualifications

- i) Upon receiving an application, the Transmission Provider shall review the application to determine whether the Applicant satisfies the qualification criteria set forth in Section III 1(b) of this Attachment Y. The Transmission Provider shall notify each

Applicant of its determination no later than September 30 of the year in which the application was submitted.

- ii) If the Transmission Provider determines that the Applicant fails to satisfy one or more of the qualification criteria, the Transmission Provider shall inform the Applicant of such deficiency(ies), and the Applicant shall be allowed to cure any deficiency(ies) within thirty (30) calendar days of notice from the Transmission Provider by providing any additional information that the Applicant believes cures the deficiency(ies). The Transmission Provider shall review the information provided by the Applicant and render a final determination of whether the Applicant satisfies the qualification criteria within forty-five (45) calendar days of the Transmission Provider's receipt of the additional information. If, after attempting to cure the deficiency(ies), the Applicant still has not satisfied the qualification criteria, the Applicant shall be disqualified from the Transmission Owner Selection Process for the following year.
- iii) Upon the Transmission Provider's determination that an Applicant satisfies the qualification criteria, the Transmission Provider shall notify the Applicant that it has been determined to be a QRP and can participate in the Transmission Owner Selection Process effective January 1 of the following calendar year. By December 31 of each year, the Transmission Provider shall post on its website a list of all QRPs that are eligible to participate in the following calendar year for any Competitive Upgrade.

d) Annual Recertification Process and Reporting Requirements

- i) By June 30 of each year, each QRP must submit to the Transmission Provider a notarized letter signed by an authorized officer of the QRP certifying that the QRP continues to meet the current qualification criteria or indicating any material changes to the information provided in its application. The QRP shall pay an annual certification fee equal to the amount of the SPP annual membership fee. If the QRP is a Member of SPP and is current in payment of its annual membership fee, then no certification fee will be required.
- ii) If at any time there is a change to the information provided in its application, a QRP shall be required to inform the Transmission Provider within seven (7) calendar days of such change so that the Transmission Provider may determine whether the QRP continues to satisfy the qualification criteria. Upon notification of any such

change, the Transmission Provider shall have the option to: (a) determine that the change does not affect the QRP's status; (b) suspend the QRP's eligibility to participate in the Transmission Owner Selection Process until the QRP has cured any deficiency in its qualifications to the Transmission Provider's satisfaction; (c) allow the QRP to continue to participate in the Transmission Owner Selection Process for a limited time period, as specified by the Transmission Provider, while the QRP cures the deficiency to the Transmission Provider's satisfaction; or (d) terminate the QRP status in accordance with Section III.1(e) of this Attachment Y.

e) Termination of QRP Status

The Transmission Provider may terminate a QRP's status if the QRP: (1) fails to submit its annual certification letter; (2) fails to pay the applicable fee as required by Section III.1(d) of this Attachment Y; (3) experiences a change in its qualifications and the Transmission Provider determines that it may no longer be a QRP; or (4) informs the Transmission Provider that it no longer desires to be a QRP; or (5) fails to notify the Transmission Provider of a change to the information provided in its application in accordance with Section III.1(d) of this Attachment Y.

f) Dispute Resolution

If the Applicant or QRP ("Affected Party") disagrees with the Transmission Provider's determination regarding its qualifications under Section III.1 of this Attachment Y, the Affected Party may initiate dispute resolution procedures. Any such dispute shall first be referred to a designated senior representative of the Transmission Provider and a senior representative of the Affected Party for resolution on an informal basis as promptly as practicable. In the event the designated representatives are unable to resolve the dispute within thirty (30) calendar days (or such other period upon which the Transmission Provider and the Affected Party may agree) by mutual agreement, such dispute may be submitted to arbitration and resolved in accordance with the arbitration procedures set forth in Sections 12.2 through 12.5 of this Tariff.

2) Transmission Owner Selection Process

a) Overview

Once a Competitive Upgrade has been approved by the SPP Board of Directors, the Transmission Provider shall issue a Request for Proposals ("RFP") for the Competitive Upgrade as specified in this Section III of Attachment Y.

b) Industry Expert Panel

- i) On an annual basis, the Oversight Committee or its successor shall identify a pool of candidates to serve as industry experts on one or more Industry Expert Panel(s) (“IEP”) to evaluate proposals that are submitted in response to any RFP issued by the Transmission Provider pursuant to this Section III of Attachment Y. IEP candidates shall have documented expertise on file with the Transmission Provider in one or more of the following areas: (1) electric transmission engineering design; (2) electric transmission project management and construction; (3) electric transmission operations; (4) electric transmission rate design and analysis; and (5) electric transmission finance.
- ii) Each industry expert must disclose to the Oversight Committee any affiliation with any SPP stakeholder or any QRP. In the event an affiliation exists, the Oversight Committee will evaluate whether the affiliation may adversely impact an industry expert’s ability to independently evaluate RFP proposals, and the Oversight Committee may disqualify that industry expert.
- iii) The Oversight Committee shall present its recommended pool of IEP candidates to the SPP Board of Directors for approval. The name and qualifications of each recommended candidate shall be posted on the Transmission Provider’s website prior to SPP Board of Directors approval. Approval of the IEP candidate pool shall be made prior to the meeting in which a Competitive Upgrade is to be approved.
- iv) The Oversight Committee shall create an IEP from the IEP candidate pool to evaluate proposals resulting from the RFPs. The IEP shall consist of three (3) to five (5) industry experts such that the IEP will have expertise in all five (5) areas listed in Section III.2 (b) (i) of this Attachment Y. Upon SPP Board of Directors approval, the Oversight Committee may create additional IEPs. Each IEP member must sign a confidentiality agreement prior to participating in the Transmission Owner Selection Process.
- v) If a member of a designated IEP becomes affiliated with a stakeholder or QRP, the IEP member shall immediately notify the Transmission Provider and the Oversight Committee. The Oversight Committee shall evaluate whether any affiliation between a member of a designated IEP and a stakeholder or QRP may adversely impact the IEP member’s ability to independently evaluate RFP proposals reviewed by that IEP. In such event, the

Oversight Committee may remove the IEP member from that IEP. If necessary, the Oversight Committee may designate a replacement IEP member from the IEP candidate pool.

- vi) The Transmission Provider shall facilitate the IEP's efforts to develop recommendations to the SPP Board of Directors. The IEP will evaluate all aspects of each proposal submitted for its review. Once all evaluations are complete, the IEP will develop a single recommendation for the SPP Board of Directors consisting of its recommended RFP proposal and an alternate RFP proposal for each Competitive Upgrade.

c) **Request for Proposals**

The Transmission Provider shall issue an RFP for each Competitive Upgrade, which shall contain information including, but not limited to:

- i) An overview of the purpose for the RFP including the need for the Competitive Upgrade, regulatory context and authority, and other necessary information.
- ii) A deadline for all RFP proposal submissions and minimum RFP proposal submission requirements.
- iii) Minimum design specifications.
- iv) The date regulatory approvals are required to be completed as determined by the Transmission Provider.
- v) A requirement that the QRP provide the following information specific to the Competitive Upgrade for which it submits a proposal:
 - (1) financial information, including but not limited to demonstration of financing (including a reasonable contingency), detailed engineering and construction cost estimate, itemized revenue requirement calculations, and financial and business plans, including the nature of any FERC incentives the QRP intends to request;
 - (2) engineering information, including but not limited to engineering design of the project and technical requirements;
 - (3) construction information, including but not limited to anticipated project timeline including timeline for all

necessary regulatory approvals, equipment acquisition, description of applicable rights-of-way and real estate acquisition, description of routing, description of permitting, description of outage clearance(s), and identification of the party responsible for construction;

- (4) operations and maintenance information, including but not limited to demonstration of operations, statement of which entity will be operating and maintaining the transmission facility, storm and outage response plan, maintenance plan, staffing, equipment, crew training, and record of past maintenance and outage restoration performance;
 - (5) safety information, including but not limited to identification of the internal safety program, contractor safety program, and safety performance record; and
 - (6) identification of information in the RFP proposal that the RFP respondent considers to be confidential.
- vi) A requirement that the QRP demonstrate its financial strength by providing one of the following:
- (1) demonstration that the QRP continues to satisfy the financial criteria set forth in Section III.1(b)(ii)(1) or (2) of this Attachment Y and that the Competitive Upgrade does not exceed 30% of the total capitalization of the QRP or its parent Guarantor;
 - (2) a performance bond from an insurance/surety company acceptable to the Transmission Provider in an amount equal to the total cost of the Competitive Upgrade, including financing costs, and a 30% contingency; or
 - (3) a letter of credit from a financial institution acceptable to the Transmission Provider in an amount equal to the total cost of the Competitive Upgrade, including financing costs, and a 30% contingency.
- vii) Information exchange requirements including but not limited to, identification of data required to be provided to the Transmission Provider in accordance with NERC reliability standards and CEII requirements.

- viii) A description of the proposal evaluation procedure, including the statement of proposal evaluation methodology and criteria for acceptable proposals.
- ix) A requirement that the QRP agrees to pay, as outlined in Section III.2(e) of this Attachment Y: (1) a deposit for each RFP proposal submitted for its share of the Transmission Provider's costs to administer the Transmission Owner Selection Process; and (2) any additional costs that are assessed after the completion of the Transmission Owner Selection Process.
- x) A requirement that the QRP disclose any credit rating changes, bankruptcies, dissolutions, mergers, or acquisitions within the past five (5) years of the QTO or its parent, controlling shareholder, or entity providing a Guaranty pursuant to Section III.1(b)(ii)(2) of this Attachment Y.
- xi) A requirement that the QRP provide its Internal Revenue Service Tax Identification Number.

d) RFP Process and Timeline

- i) The Transmission Provider shall issue each RFP by or before the later of: (1) seven (7) calendar days after approval of the Competitive Upgrade by the SPP Board of Directors; or (2) eighteen (18) months prior to the date that anticipated financial expenditure is needed for a Competitive Upgrade. The RFP shall be issued only to QRPs.
- ii) Each RFP respondent shall submit a complete proposal in response to the RFP within ninety (90) calendar days from the date the RFP is issued ("RFP Response Window").
- iii) The Transmission Provider shall not disclose any information contained in any RFP proposal, except to the IEP, until the issuance of the IEP reports in accordance with Section III.2(d)(vi)(2) of this Attachment Y.
- iv) Upon receipt of an RFP proposal, the Transmission Provider shall immediately review the proposal for completeness, and shall promptly notify the RFP respondent if its proposal is incomplete. The RFP respondent may submit information in order to complete the proposal if such submittal is made within the RFP Response Window. Any RFP respondent that fails to submit a complete proposal within the RFP Response Window will be deemed to have waived its right to respond to the RFP.

- v) If the Transmission Provider does not receive any complete proposals in response to an RFP, the Transmission Provider shall inform the SPP Board of Directors and shall select the DTO in accordance with the process set forth in Section IV of this Attachment Y.

- vi) Upon the closing of the RFP Response Window, the Transmission Provider shall provide the RFP proposals to the IEP. The IEP shall review, score, and rank all RFP proposals and submit its recommendation to the SPP Board of Directors based upon selection criteria outlined in Section III.2(f) of this Attachment Y. The identity of RFP respondents that submitted the RFP proposals shall not be disclosed to the SPP Board of Directors as part of the IEP's recommendation. The IEP's recommendation shall be submitted to the SPP Board of Directors within sixty (60) calendar days of the initiation of the IEP's review ("Review Period"). Upon IEP request, the Oversight Committee may extend the Review Period an additional thirty (30) calendar days. Notification of such extension shall be provided to the SPP Board of Directors and posted on the Transmission Provider's website.
 - (1) During its review, the IEP may initiate communication with RFP respondents to obtain answers to any additional questions about proposals, and any such communications shall be documented by the IEP. Lobbying of the IEP by, or on behalf of, any RFP respondent is prohibited, and may result in disqualification of the RFP respondent by the Transmission Provider from the RFP process. The IEP shall score and rank each RFP proposal in a non-discriminatory manner based upon the information supplied in the RFP proposal or obtained during the Review Period.

 - (2) The IEP shall compile an internal report for the Transmission Provider detailing the process, data, results of its deliberations, and its recommended RFP proposal and an alternate RFP proposal for each Competitive Upgrade. The Transmission Provider shall be responsible for producing two redacted versions of the internal report, a Board of Directors report and a public report. The Board of Directors report shall exclude the names of the RFP respondents. The public report shall exclude the names of RFP respondents and any confidential information obtained during the Transmission Owner Selection Process. No later than fourteen (14) calendar days prior to the SPP Board of Directors meeting during which the SPP Board of Directors

will consider the IEP recommendation, the public report shall be posted on the Transmission Provider's website and the Board of Directors report shall be provided to the SPP Board of Directors.

- vii) Except as provided in Sections III.2(d)(vii)(a) and III.2(d)(vii)(b) of this Attachment Y, the SPP Board of Directors shall select an RFP proposal ("Selected RFP Proposal") and an alternate RFP proposal for each Competitive Upgrade based primarily on the information provided by the IEP. The Transmission Provider shall notify the RFP respondent that submitted the Selected RFP Proposal that it has been chosen by the SPP Board of Directors to become the DTO for the Competitive Upgrade ("Selected RFP Respondent") and the Transmission Provider shall issue an NTC for the Competitive Upgrade pursuant to Section V of this Attachment Y. To become the DTO for the Competitive Upgrade, the Selected RFP Respondent must, within seven (7) calendar days of receiving such notice: (1) sign any necessary agreement(s) to assume all of the responsibilities of a Transmission Owner related to the Competitive Upgrade pursuant to the SPP Membership Agreement and this Tariff; (2) submit to the Transmission Provider a deposit in accordance with Section III.2(d)(xii) of this Attachment Y; and (3) provide written notification to the Transmission Provider that it accepts the NTC.
 - a. If the Board of Directors accepts the IEP's recommendation, pursuant to Section III.2(f)(i) of this Attachment Y, resulting in all RFP proposals being eliminated from consideration due to a low score in any evaluation category, the DTO for the Competitive Upgrade will be identified as follows:
 - 1. If the Competitive Upgrade qualifies under Section I.3 of this Attachment Y, the DTO will be identified as set forth in Section I.3 of this Attachment Y.
 - 2. If the Competitive Upgrade does not meet the conditions set forth in Section III.2(d)(vii)(a)(1) of this Attachment Y, the Transmission Provider shall reevaluate the Competitive Upgrade to determine what action to take, including: (a) resubmission of the Competitive Upgrade for DTO selection under Section III of this Attachment Y; (b) modification of the Competitive Upgrade and resubmission of the Competitive Upgrade for DTO selection under

Section III of this Attachment Y; or (c) cancellation of the Competitive Upgrade.

- b. If a Competitive Upgrade was previously resubmitted, pursuant to Section III.2(d)(vii)(a) of this Attachment Y, for selection of a DTO under Section III of this Attachment Y and no DTO was selected, the Transmission Provider will identify the DTO pursuant to Section IV of this Attachment Y.

- viii) The Selected RFP Respondent shall be deemed to have waived its right to become the DTO if, within seven (7) calendar days of receiving such notice, the Selected RFP Respondent: (1) does not respond to such notice from the Transmission Provider; (2) notifies the Transmission Provider that it is no longer willing to become the Transmission Owner for the Competitive Upgrade; (3) fails to sign the necessary agreement(s); (4) fails to provide a deposit in accordance with Section III.2(d)(xii) of this Attachment Y; or (5) fails to provide written notification to the Transmission Provider that it accepts the NTC. In such circumstances, the Transmission Provider shall notify the SPP Board of Directors.

- ix) If the Selected RFP Respondent has waived its right to become the DTO pursuant to Section III.2(d)(viii) of this Attachment Y, the Transmission Provider shall notify the RFP respondent that submitted the alternate RFP proposal that it has been chosen by the SPP Board of Directors to become the DTO for the Competitive Upgrade, and the Transmission Provider shall issue an NTC for the Competitive Upgrade pursuant to Section V of this Attachment Y. To become the DTO for the Competitive Upgrade, the RFP respondent that submitted the alternate RFP proposal must, within seven (7) calendar days of receiving such notice: (1) sign any necessary agreement(s) to assume all of the responsibilities of a Transmission Owner related to the Competitive Upgrade pursuant to the SPP Membership Agreement and this Tariff; (2) submit to the Transmission Provider a deposit in accordance with Section III.2(d)(xii) of this Attachment Y; and (3) provide written notification to the Transmission Provider that it accepts the NTC.

- x) The RFP respondent that submitted the alternate RFP proposal shall be deemed to have waived its right to become the DTO if, within seven (7) calendar days of receiving such notice, the RFP respondent that submitted the alternate RFP proposal: (1) does not respond to such notice from the Transmission Provider; (2) notifies the Transmission Provider that it is no longer willing to become

the Transmission Owner for the Competitive Upgrade; (3) fails to sign the necessary agreement(s); (4) fails to provide a deposit in accordance with Section III.2(d)(xii) of this Attachment Y; or (5) fails to provide written notification to the Transmission Provider that it accepts the NTC. In such circumstances, the Transmission Provider shall notify the SPP Board of Directors, and the Transmission Provider shall determine the DTO in accordance with the process set forth in Section IV of this Attachment Y.

- xi) The DTO for a Competitive Upgrade cannot assign the Competitive Upgrade to another entity.
- xii) When accepting the responsibilities of being a DTO for a Competitive Upgrade, the Selected RFP respondent shall provide the following to the Transmission Provider:
 - (1) a cash deposit representing 2% of the estimated cost of the Selected RFP Proposal; and
 - (2) a firm capital commitment acceptable to the Transmission Provider that is sufficient to complete the Competitive Upgrade, including one of the following:
 - a. A binding commitment letter from lenders and/or equity providers;
 - b. Cash held in escrow;
 - c. A performance and payment bond;
 - d. Surety bond;
 - e. Existing balance sheet liquidity; or
 - f. Demonstrated history of ability to obtain adequate capital to support the project.

The cash deposit shall be held in escrow by the Transmission Provider. Upon reaching the 50% completion milestone of the Competitive Upgrade, as determined by the Transmission Provider, the Transmission Provider shall refund the deposit, plus any interest the deposit accrued while in escrow, to the DTO. If the DTO fails to reach the 50% completion milestone of the

Competitive Upgrade in accordance with Section III.2(g) of this Attachment Y, then the DTO shall forfeit the deposit and any accrued interest. The Transmission Provider shall then select a new DTO in accordance with Section III.2(g) and apply the deposit and accrued interest to reduce the final cost of the Competitive Upgrade. If the Transmission Provider cancels the Competitive Upgrade through no fault of the DTO, then the Transmission Provider shall refund the deposit and accrued interest to the DTO.

e) Transmission Owner Selection Process Deposit and Cost Calculation

- i. Each RFP proposal shall pay its share of the Transmission Provider's total cost incurred to administer the Transmission Owner Selection Process for each Competitive Upgrade, as calculated pursuant to this Section III.2(e). At the time of submission of each RFP proposal, each RFP respondent shall submit a Transmission Owner Selection Process deposit for each RFP proposal, which shall be, determined as follows (based on the value of the Competitive Upgrade as identified in the SPP Transmission Expansion Plan approved by the SPP Board of Directors):

Small Project (less than \$10 million): \$10,000 deposit

Medium Project
(between \$10 million and \$100 million): \$25,000 deposit

Large Project (greater than \$100 million): \$50,000 deposit

The Transmission Provider shall hold each RFP respondent's Transmission Owner Selection Process deposit in a segregated interest-bearing account in the name of the RFP respondent tied to the RFP respondent's Internal Revenue Service Tax Identification Number.

- ii. The Transmission Provider shall determine the actual Transmission Owner Selection Process costs at the completion of the process, and all RFP respondents will make additional payments or obtain refunds based on the reconciliation of Transmission Owner Selection Process deposits collected and actual Transmission Owner Selection Process costs. The Transmission Owner Selection Process costs shall include the Transmission Provider's staff and administrative costs associated with administering the Transmission Owner Selection Process for

the Competitive Upgrade and all costs associated with administering the IEP process for the Competitive Upgrade, including the identification, recruiting, hiring, and retention of industry experts to serve on the IEP(s). The costs shall be allocated to each RFP proposal on a pro-rata share basis, calculated by taking the total Transmission Owner Selection Process costs for each Competitive Upgrade and dividing by the number of RFP proposals submitted for that Competitive Upgrade. The Transmission Provider shall refund any unused deposit amounts with interest earned on such deposits.

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.

g) Failure of a Transmission Owner to Complete the Competitive Upgrade

If, after accepting the NTC, the DTO cannot or is unwilling to complete the Competitive Upgrade as directed by the Transmission Provider, the Transmission Provider shall evaluate the status of the Competitive Upgrade and may designate a new DTO for the Competitive Upgrade in accordance with Section V.4 of this Attachment Y. If the Transmission Provider has determined that there is sufficient time for the Transmission Owner Selection Process to be completed and the Competitive Upgrade placed in service prior to the required need date as determined by the Transmission Provider, the process described in Section III of this Attachment Y shall be used to designate another entity to become the DTO for the Competitive Upgrade. If sufficient time is not available, the Transmission Provider shall designate a new DTO for the Competitive Upgrade in accordance with Section IV of this Attachment Y.

VI. PROJECT TRACKING PROCESS

Costs and schedules related to all projects approved for construction under the Tariff shall be tracked by the Transmission Provider

- 1) Upon the acceptance of an NTC by a DTO, other than an NTC issued for refined cost estimation, the baseline cost of the project will be set. The baseline cost shall be the estimated cost of the project as agreed to between the DTO and the Transmission Provider at the time such NTC was accepted.
- 2) The DTO shall submit updates of the estimated costs and schedules to the Transmission Provider on at least a quarterly basis in a standard format and method defined by the Transmission Provider.
- 3) If at any time the cost projection varies from the estimated baseline cost by more than the bandwidth defined by the Transmission Provider in its business practices, the Transmission Provider shall investigate the reason for the change in cost and report to the SPP Board of Directors the reason for the change in cost and its recommendation on whether to accept the change in cost and reset the baseline cost. The SPP Board of Directors shall make the final determination as to the action that will be taken up to and including the cancellation of the project and withdrawal of the NTC.
- 4) If at any time the project schedule significantly changes, the Transmission Provider shall investigate the reason for the change and may take action in accordance with Section V.4 of this Attachment Y. Factors that the Transmission Provider shall consider in determining whether a project schedule delay is significant shall include, but not be limited to, the need date, construction time, necessity for long-lead equipment, and permitting schedules.

III. The Integrated Transmission Planning Process

The ITP process is an iterative three-year process that includes 20-Year, 10-Year and Near Term Assessments. The 20-Year Assessment identifies the transmission projects, generally above 300 kV, and provides a grid flexible enough to provide benefits to the region across multiple scenarios. The 10-Year Assessment focuses on facilities 100 kV and above to meet the system needs over a ten-year horizon. The Near Term Assessment is performed annually and assesses the system upgrades, at all applicable voltage levels, required in the near term planning horizon.

1) Commencement of the Process

At the beginning of each calendar year the Transmission Provider shall notify stakeholders as to which part(s) of the integrated transmission planning cycle will take place during that year and the approximate timing of activities required to develop the SPP Transmission Expansion Plan. Notice of commencement of the process shall be posted on the SPP website and distributed via email distribution lists. Such notice shall include a timeline indicating when stakeholders are able to submit transmission needs, including transmission needs driven by Public Policy Requirements, and solutions to such needs as described in this Section III.

2) Transmission Planning Forums

The transmission planning forums include planning summits and sub-regional planning meetings and these are conducted as follows:

a) Planning Summits

- i) The purpose of the planning summits is for the Transmission Provider and the stakeholders to share current SPP transmission network issues, develop the study scopes, provide solution alternatives and review study findings. These summits also provide an open forum where all stakeholders have an opportunity to provide advice and recommendations to the Transmission Provider to aid in the development of the SPP Transmission Expansion Plan.
- ii) The planning summits shall be open to all entities.
- iii) The Transmission Provider shall chair and facilitate the planning summits.
- iv) Planning summits shall be held at least semi-annually, including sub-regional breakout sessions of the SPP Region. Teleconference capability will be made available for planning summits. Planning summit web conferences shall be held as needed.

- v) Notice of the planning summits and web conferences shall be posted on the SPP website and distributed via email distribution lists.
- b) Sub-regional Planning Meetings
- i) The Transmission Provider shall define sub-regions from time to time to address local area planning issues.
 - ii) The purpose of the sub-regional planning meetings is to identify unresolved local stakeholder issues and transmission solutions at a more granular level. The sub-regional planning meetings shall provide stakeholders with local needs the opportunity to provide advice and recommendations to the Transmission Provider and to the Transmission Owners. The sub-regional planning meetings shall provide a forum to review local planning criteria and needs as specified in Section II of this Attachment O.
 - iii) The sub-regional planning meetings shall be open to all entities.
 - iv) The Transmission Provider shall facilitate the sub-regional planning meetings.
 - v) A planning meeting shall be held at least annually for each individual sub-region.
 - vi) The sub-regional planning meetings shall be held in conjunction with the stakeholder working group meetings. Teleconference capability will be made available for sub-regional planning meetings. Sub-regional planning web conferences shall be held as needed.
 - vii) Notice of the sub-regional planning meetings, teleconferences and web conferences shall be posted on the SPP website and distributed via email distribution lists.
- 3) Preparation of the 20-Year Assessment
- a) The Transmission Provider shall perform a 20-Year Assessment once every three years. The timing of this assessment shall generally be in the first half of each three-year cycle.
 - b) The 20-Year Assessment shall review the system for a twenty-year planning horizon and address, at a minimum, facilities 300 kV and above needed in year 20. This assessment is not intended to review each consecutive year in the planning horizon. The Transmission Provider

shall work with stakeholders to identify the appropriate year(s) to study in developing the assessment study scope.

- c) The 20-Year Assessment shall assess the cost effectiveness of proposed solutions over a forty-year time horizon.
 - d) The Transmission Provider shall develop the assessment study scope with input from the stakeholders. The study scope shall take into consideration the input requirements described in Section III.6.
 - e) The assessment study scope shall specify the methodology, criteria, assumptions, and data to be used.
 - f) The Transmission Provider, in consultation with the stakeholder working groups, shall finalize the assessment study scope including the identification of those transmission needs that will be studied, such as transmission needs driven by Public Policy Requirements, as further described in the Integrated Transmission Planning Manual.
 - g) The assessment study scope shall be posted on the SPP website and will be included in the published annual SPP Transmission Expansion Plan report. The assessment study scope shall include an explanation of which transmission needs driven by Public Policy Requirements will be evaluated for potential solutions in the local and regional transmission planning process, as well as an explanation of why other suggested transmission needs will not be evaluated.
 - h) In accordance with the assessment study scope, the Transmission Provider shall analyze potential solutions following the process set forth in Section III.8.
- 4) Preparation of the 10-Year Assessment
- a) The Transmission Provider shall perform a 10-Year Assessment once every three years as part of the three year planning cycle. The timing of this assessment shall generally be in the second half of the three-year planning cycle.
 - b) The 10-Year Assessment shall review the system for a ten-year planning horizon and address, at a minimum, facilities 100 kV and above needed in year 10. This assessment is not intended to review each consecutive year in the planning horizon. The Transmission Provider shall work with stakeholders to identify the appropriate year(s) to study in developing the assessment study scope.

- c) The 10-Year Assessment shall assess the cost effectiveness of proposed solutions over a forty-year time horizon.
 - d) The Transmission Provider shall develop the assessment study scope with input from the stakeholders. The study scope shall take into consideration the input requirements described in Section III.6.
 - e) The assessment study scope shall specify the methodology, criteria, assumptions, and data to be used.
 - f) The Transmission Provider, in consultation with the stakeholder working groups, shall finalize the assessment study scope, including the identification of those transmission needs that will be studied, such as transmission needs driven by Public Policy Requirements, as further described in the Integrated Transmission Planning Manual.
 - g) The assessment study scope shall be posted on the SPP website and will be included in the published annual SPP Transmission Expansion Plan report. The assessment study scope shall include an explanation of which transmission needs driven by Public Policy Requirements will be evaluated for potential solutions in the local and regional transmission planning process, as well as an explanation of why other suggested transmission needs will not be evaluated.
 - h) In accordance with the assessment study scope, the Transmission Provider shall analyze potential solutions, including those upgrades approved by the SPP Board of Directors from the most recent 20-Year Assessment, following the process set forth in Section III.8.
- 5) Preparation of the Near Term Assessment
- a) The Transmission Provider shall perform the Near Term Assessment on an annual basis.
 - b) The Near Term Assessment will be performed on a shorter planning horizon than the 10-Year Assessment and shall focus primarily on identifying solutions required to meet the reliability criteria defined in Section III.6.
 - c) The assessment study scope shall specify the methodology, criteria, assumptions, and data to be used to develop the list of proposed near term upgrades.
 - d) The Transmission Provider, in consultation with the stakeholder working groups, shall finalize the assessment study scope, including the identification of those transmission needs that will be studied, such as

transmission needs driven by Public Policy Requirements, as further described in the Integrated Transmission Planning Manual. The study scope shall take into consideration the input requirements described in Section III.6.

- e) The assessment study scope shall be posted on the SPP website and will be included in the published annual SPP Transmission Expansion Plan report. The assessment study scope shall include an explanation of which transmission needs driven by Public Policy Requirements will be evaluated for potential solutions in the local and regional transmission planning process, as well as an explanation of why other suggested transmission needs will not be evaluated.
- f) In accordance with the assessment study scope, the Transmission Provider shall analyze potential solutions, including those upgrades approved by the SPP Board of Directors from the most recent 20-Year Assessment and 10-Year Assessment, following the process set forth in Section III.8.

6) Policy, Reliability, and Economic Input Requirements to Planning Studies

The Transmission Provider shall incorporate, as appropriate for the assessment being performed, the following into its planning studies:

- a) NERC Reliability Standards;
- b) SPP Criteria;
- c) Transmission Owner-specific planning criteria as set forth in Section II;
- d) Previously identified and approved transmission projects;
- e) Zonal Reliability Upgrades developed by Transmission Owners, including those that have their own FERC approved local planning process, to meet local area reliability criteria;
- f) Long-term firm Transmission Service;
- g) Load forecasts, including the impact on load of existing and planned demand management programs, exclusive of demand response resources;
- h) Capacity forecasts, including generation additions and retirements;
- i) Existing and planned demand response resources;

- j) Congestion within SPP and between the SPP Region and other regions and balancing areas;
 - k) Renewable energy standards;
 - l) Fuel price forecasts;
 - m) Energy efficiency requirements;
 - n) Other relevant environmental or government mandates;
 - o) Transmission needs driven by Public Policy Requirements identified through a survey of stakeholders to identify Public Policy Requirements and additional Public Policy Requirements as determined by the Transmission Provider and stakeholders during study scope development by the Transmission Provider and stakeholders; and
 - p) Other input requirements identified during the stakeholder process.
 - q) In developing the long term capacity forecasts, the studies will reflect generation and demand response resources capable of providing any of the functions assessed in the SPP planning process, and can be relied upon on a long-term basis. Such demand response resources shall be permitted to participate in the planning process on a comparable basis. These studies will consider operational experience gained from markets operated by the Transmission Provider.
- 7) Inclusion of Upgrades Related to Transmission Service and Generator Interconnection in Planning Studies
- a) Transmission upgrades related to requests for Transmission Service are described in Sections 19 and 32 of the Tariff and Attachment Z1 to the Tariff. These upgrades are included as part of the future expansion of the Transmission System, upon the execution of the various Service Agreements with the Transmission Customers. Transmission upgrades related to an approved request for Transmission Service may be deferred or supplemented by other upgrades based upon the results of subsequent studies. Changes in planned upgrades do not remove the obligation of the Transmission Provider to have adequate transmission facilities available to start or continue the approved Transmission Service.
 - b) Interconnection facilities and other transmission upgrades related to requests for generation interconnection service are described in Attachment V. These upgrades are included as part of the future expansion of the Transmission System upon the execution of the various interconnection agreements with the Generation Interconnection

Customers. Transmission upgrades related to an approved interconnection agreement may be deferred or supplemented by other upgrades based upon the results of subsequent studies. Changes in planned upgrades do not remove the obligation of the Transmission Provider to have adequate transmission facilities available to start or continue the approved interconnection service.

- c) The studies performed under this Section III of Attachment O shall accommodate and model the specific long-term firm Transmission Service of Transmission Customers and specific interconnections of Generation Interconnection Customers no later than when the relevant Service Agreements and interconnection agreements are accepted by the Commission.

8) Process to Analyze Transmission Alternatives for each Assessment

The following shall be performed, at the appropriate time in the respective planning cycle, for the 20-Year Assessment, 10-Year Assessment and Near Term Assessment studies:

- a) The Transmission Provider shall perform the required studies to analyze the potential alternatives for improvements to the Transmission System, provided by the Transmission Provider and by the stakeholders, in order to address the final assessment study scope agreed to with the stakeholders. This analysis shall consider the current and anticipated future needs of the SPP Region within the parameters of the study scope. The analysis shall also consider the value brought to the SPP Region by incremental changes to the proposed solutions.
- b) After the study scope has been approved, the Transmission Provider shall notify stakeholders of identified transmission needs and provide a transmission planning response window of thirty (30) days during which any stakeholder may propose a detailed project proposal (“DPP”). The Transmission Provider shall track each DPP and retain the information submitted pursuant to Section III.8.b(i). If the project described in a DPP is included in the ITP plan, the submitting stakeholder may qualify for incentive points as described in Section III of Attachment Y of this Tariff. A stakeholder that submits a DPP that is equivalent to a DPP or Transmission Provider identified project submitted in a previous assessment during the current three (3) year planning cycle shall not be eligible for incentive points.
 - i) The information supplied by the stakeholder must be sufficient to allow the Transmission Provider to evaluate the project described in the DPP. At a minimum, the DPP must include the following information:

- a. description of the project including one-line diagrams, configuration(s), proposed line routing, preliminary transmission line and substation engineering and design data;
 - b. description of the needs identified in the ITP process to be addressed;
 - c. proposed project schedule including, at a minimum timelines for completing regulatory, right-of-way, environmental, engineering, procurement and construction activities;
 - d. description of any known or anticipated risks to the project schedule and any recommended mitigation plans;
 - e. description of any known or anticipated environmental impacts;
 - f. engineering and modeling data required by the Transmission Provider;
 - g. identification and justification of any changes in modeling assumptions from those used in the current ITP process;
 - h. results of transmission project economic or reliability analysis, if applicable; and
 - i. any other information available to support the evaluation of the project.
- ii) Any Stakeholder providing a DPP that meets the requirements set forth in Section III.8.b(i) of this Attachment O will be recorded by the Transmission Provider for the ITP planning assessment for the which the DPP was submitted, including the contact information of the stakeholder that submitted the DPP.
 - iii) If the Transmission Provider, in its sole discretion, determines that the information provided in a DPP is incomplete, the Transmission Provider shall provide written notice to the stakeholder that submitted the DPP. The stakeholder shall be permitted to cure the such deficiency by the later of the end of the transmission planning response window or 10 days after the Transmission Provider issues such notice. Failure to cure the deficiency shall result in the submission being disqualified as a DPP.

- iv) The Transmission Provider shall hold all DPPs in confidence until the thirty (30) day transmission planning response window has closed. Subsequent to the close of the transmission planning response window, information contained in a DPP shall be disclosed to stakeholders only as the Transmission Provider determines is necessary for review and documentation of the reason(s) why the DPP was or was not chosen in the current ITP assessment. The remaining information in the DPP will remain confidential.
- v) A stakeholder that submits a DPP may remain eligible for incentive points, in accordance with Section III of Attachment Y of this Tariff, for the remainder of the current three (3) year planning cycle of the ITP process. In order for the stakeholder to maintain its eligibility for incentive points in any subsequent ITP assessment within the current three (3) year planning cycle, the stakeholder must resubmit the information required by Section III.8.b(1) of this Attachment O, including identification of the need(s) in the ITP assessment that the DPP is proposed to solve. If the stakeholder does not provide the updated information, the stakeholder will not be eligible for incentive points for the DPP for that subsequent assessment; however, the stakeholder would be eligible for incentive points in any other ITP assessment during the current three (3) year planning cycle, provided that the stakeholder updates the DPP information for that assessment.
- c) For all potential alternatives provided by the stakeholders, including reliability upgrades that Transmission Owners (which includes those Transmission Owners that have their own FERC approved local planning process), propose to address violations of company-specific planning criteria pursuant to Section II.5 of this Attachment O, and upgrades to address transmission needs driven in whole or in part by identified Public Policy Requirements, the Transmission Provider shall determine if there is a more comprehensive regional solution to address the reliability needs, economic needs, and needs driven by Public Policy Requirements identified in the assessment.
- d) In addition to recommended upgrades, the Transmission Provider will consider, on a comparable basis, any alternative proposals which could include, but would not be limited to, generation options, demand response programs, “smart grid” technologies, and energy efficiency programs. Solutions will be evaluated against each other based on a comparison of their relative effectiveness of performance and economics.

- e) The Transmission Provider shall assess the cost effectiveness of proposed solutions. Such assessments shall be performed in accordance with the Integrated Transmission Planning Manual, which shall be developed by the Transmission Provider, in consultation with stakeholders, and approved by the Markets and Operations Policy Committee. SPP shall post this manual on its website.
- f) The analysis described above shall take into consideration the following:
 - i) The financial modeling time frame for the analysis shall be 40 years (with the last 20 years provided by a terminal value).
 - ii) The analysis shall include quantifying the benefits resulting from dispatch savings, loss reductions, avoided projects, applicable environmental impacts, reduction in required operating reserves, interconnection improvements, congestion reduction, and other benefit metrics as appropriate.
 - iii) The analysis shall identify and quantify, if possible, the benefits related to any proposed transmission upgrade that is required to meet any regional reliability criteria.
 - iv) The analysis scope shall include different scenarios to analyze sensitivities to load forecasts, wind generation levels, fuel prices, environmental costs, and other relevant factors. The Transmission Provider shall consult the stakeholders to guide the development of these scenarios.
 - v) The results of the analysis shall be reported on a regional, zonal, and state-specific basis.
 - vi) The analysis shall assess the net impact of the transmission plan, developed in accordance with this Attachment O, on a typical residential customer within the SPP Region and on a \$/kWh basis.
- g) The Transmission Provider shall make a comprehensive presentation of the preferred potential solutions, including the results of the analysis above, to the stakeholder working groups and at a planning summit meeting or web conference. The presentation shall include a discussion of all the Transmission Provider and stakeholder alternatives considered and reasons for choosing the particular preferred solutions.
- h) The Transmission Provider shall solicit feedback on the solutions from the stakeholder working groups and through the stakeholders attending the various planning summits. The Transmission Provider will also include feedback from stakeholders through other meetings, teleconferences, web

conferences, and via email or secure web-based workspace. Stakeholders may propose any combination of demand resources, transmission, or generation as alternate solutions to identified reliability and economic needs.

- i) Upon consideration of the results of the cost effectiveness analysis and feedback received in the subsequent review process, the Transmission Provider shall prepare a draft list of projects for review and approval in accordance with Section V.

V. The SPP Transmission Expansion Plan Report

The SPP Transmission Expansion Plan shall be a comprehensive listing of all transmission projects in the SPP for the twenty-year planning horizon. Projects included in the SPP Transmission Expansion Plan are: 1) upgrades required to satisfy requests for Transmission Service; 2) upgrades required to satisfy requests for generation interconnection; 3) approved projects from the 20-Year Assessment, 10-Year Assessment and Near Term Assessment (ITP Upgrades); 4) upgrades within approved Balanced Portfolios; 5) approved high priority upgrades; 6) endorsed Sponsored Upgrades; and 7) *approved Interregional Projects*. A specific endorsed Sponsored Upgrade will be included in the Transmission System planning model upon execution of a contract that financially commits a Project Sponsor to such upgrade or when such upgrade is otherwise funded pursuant to the Tariff. *An approved Interregional Project will be included in the Transmission System planning model upon approval for construction in accordance with Section IV.6 of this Attachment O.* To be included in the SPP Transmission Expansion Plan, each project must have been endorsed or approved through its proper process. This Section V describes the process used to approve or endorse the specific upgrades identified in 20-Year, 10-Year and Near Term Assessments, high priority upgrades, and Balanced Portfolios. The SPP Transmission Expansion Plan shall also identify whether any approved Competitive Upgrades, as that term is defined in Attachment Y of this Tariff, causes reliability violations on an adjacent neighboring transmission system, in Section V.7 of this Attachment O.

- 1) Development of the Recommended Set of Upgrades from Planning Studies
 - a) Upon completion of the analysis, studies and stakeholder review and comment on the results in accordance with Sections III and IV of this Attachment O, the Transmission Provider shall prepare a draft list of all projects for review by the stakeholders. The Transmission Provider shall post the draft project list on the SPP website and shall identify the assessment process with which they are associated.
 - b) Upon posting of the draft project list, the Transmission Provider shall invite written comments to be submitted to the Transmission Provider.
 - c) The Transmission Provider shall review the draft project list with the stakeholder working groups and the Regional State Committee.
 - d) Considering the input from the stakeholders through this review process, the Transmission Provider shall prepare a recommended list of proposed ITP Upgrades based upon the analysis as described in Section III, upgrades within proposed Balanced Portfolios, and proposed high priority upgrades for review and approval.

2) Disclosure of the Recommended Set of Upgrades and Supporting Information from Planning Studies

- a) The Transmission Provider shall disclose planning information, which includes the recommended list of proposed upgrades and the underlying studies, by providing:
 - i) All stakeholders equal access, notice and opportunity to participate in planning summits, the stakeholder working group meetings and the sub-regional planning meetings as well as any associated web conferences or teleconferences as set forth in Section II of this Attachment O; and
 - ii) For the contemporaneous availability of such meeting handouts on the SPP website.
- b) The related study results, criteria, assumptions, analysis results, and data underlying the studies used to develop the proposed ITP Upgrades, the list of upgrades within proposed Balanced Portfolios, and proposed high priority upgrades shall be posted on the SPP website, with password protected access if required to preserve the confidentiality of information in accordance with the provisions of the Tariff and the SPP Membership Agreement and to address CEII requirements. Additionally, Transmission Owner specific local plans and criteria shall be accessible via an electronic link on the SPP website in accordance with Section VII of this Attachment O. The CEII compliant redacted version of the SPP Transmission Expansion Plan and individual Transmission Owner specific local plans shall be posted on the SPP website. Redacted versions shall include instructions for acquiring the complete version of the SPP Transmission Expansion Plan and individual Transmission Owner specific local plans. An electronic link shall be provided on the SPP website by which stakeholders may send written comments on the SPP Transmission Expansion Plan and Transmission Owner specific local plans and criteria.

3) Approval and Endorsement Process

- a) The Markets and Operations Policy Committee shall make a recommendation regarding the approval of ITP Upgrades. Approval by the SPP Board of Directors is required for the inclusion of ITP Upgrades in the SPP Transmission Expansion Plan.
- b) The Markets and Operations Policy Committee shall make a recommendation regarding the inclusion of a proposed Balanced Portfolio in the SPP Transmission Expansion Plan. Approval by

the SPP Board of Directors is required for inclusion of a Balanced Portfolio in the SPP Transmission Expansion Plan. SPP is not required to have a Balanced Portfolio each year.

- c) If the SPP Board of Directors approves a list of ITP Upgrades, upgrades within Balanced Portfolios, or high priority upgrades other than those recommended by the Markets and Operations Policy Committee, the explanation for the deviation shall be included in the SPP Transmission Expansion Plan.
- d) The Markets and Operations Policy Committee shall make a recommendation regarding the approval of a high priority upgrade recommended by the Transmission Provider. Approval by the SPP Board of Directors is required for the inclusion of a high priority upgrade in the SPP Transmission Expansion Plan.
- e) The Markets and Operations Policy Committee shall make a recommendation regarding endorsement of a proposed Sponsored Upgrade. Endorsement by the SPP Board of Directors is required for the inclusion of a Sponsored Upgrade in the SPP Transmission Expansion Plan.
- f) The list of projects shall be posted on the SPP website by the Transmission Provider. The Transmission Provider shall, in addition to the posting, e-mail notice of such posting to the stakeholders at least ten days prior to a meeting at which the SPP Board of Directors is expected to take action on accepting or modifying the list.
- g) The list of approved ITP Upgrades, upgrades within approved Balanced Portfolios, approved high priority upgrades, and endorsed Sponsored Upgrades may be modified throughout the year by the SPP Board of Directors provided that such action shall be posted and noticed pursuant to this section.
- h) The list of upgrades for Transmission Service are approved in accordance with the provisions of Attachment Z1 and included in the STEP accordingly.
- i) The list of interconnection facilities and other transmission upgrades related to requests for generation interconnection service are approved in accordance with the provisions of Attachment V and included in the STEP accordingly.
- j) *The list of Interregional Projects is approved in accordance with Section IV.6 of this Attachment O and included in the STEP accordingly.*

k) The SPP Transmission Expansion Plan shall be presented to the SPP Board of Directors at least once a year. Approval of the ITP Upgrades, Balanced Portfolios, and high priority upgrades, and the endorsement of the other projects contained in the SPP Transmission Expansion Plan by the SPP Board of Directors shall certify a regional plan for meeting the transmission needs of the SPP Region.

4) Updates to the SPP Transmission Expansion Plan

a) Modifications to the SPP Transmission Expansion Plan may be made between the annual approvals as required to maintain system reliability and to meet new business opportunities as they are identified.

b) The Transmission Provider shall work with the stakeholders on an on-going basis throughout the year analyzing any newly identified issues and incorporating any necessary adjustments to the SPP Transmission Expansion Plan on an out of cycle basis.

c) On a quarterly basis, the Transmission Provider shall post any modifications to the SPP Transmission Expansion Plan on the SPP website.

d) The modifications shall be reviewed by the stakeholders and the Regional State Committee, endorsed by the stakeholder working groups, and approved or endorsed by the SPP Board of Directors, in accordance with Section V of this Attachment O.

5) Removal of an Upgrade from the SPP Transmission Expansion Plan.

The Transmission Provider, in consultation with the stakeholders in accordance with Section V of this Attachment O, may remove an upgrade from an approved SPP Transmission Expansion Plan. A Transmission Owner that has incurred costs related to the removed upgrade shall be reimbursed for any expenditure pursuant to Section VIII of Attachment J to the Tariff.

6) Status of Upgrades Identified in the SPP Transmission Expansion Plan

a) The Transmission Provider shall track the status of planned system upgrades to ensure that the projects are built in time or that acceptable mitigation plans are in place to meet customer and system needs.

b) On a quarterly basis, at a minimum, the Transmission Provider shall:

- i) Report to the Markets and Operations Policy Committee, the Regional State Committee and the SPP Board of Directors on the status of the upgrades identified in the SPP Transmission Expansion Plan; and
- ii) Post the status of the upgrades on the SPP website.

7) Impacts on Adjacent Systems

As part of the evaluation of any Competitive Upgrade, the Transmission Provider will determine, based on its planning model, whether a proposed Competitive Upgrade causes any reliability violations on the transmission system of an adjacent transmission planning region. The Transmission Provider shall identify any such violations as part of the transmission planning process that identified the Competitive Upgrade. Except as otherwise provided in this Tariff or as otherwise provided in an agreement between the Transmission Provider and an adjacent transmission system, the Transmission Provider shall not pay any cost for any upgrade or system modification necessary to mitigate or resolve any such violation on an adjacent transmission system, and listing of such violations in the SPP Transmission Expansion Plan does not constitute any agreement on the part of the Transmission Provider or its stakeholders to pay any such cost.

ADDENDUM 5 TO ATTACHMENT O

MERCHANT TRANSMISSION DEVELOPER INTERCONNECTION

Other than for generation interconnections addressed by Attachment V of this Tariff, this Addendum 5 is applicable to Merchant Transmission Developers that request an interconnection to the Transmission System. For purposes of this Addendum 5, a Merchant Transmission Developer is an entity that assumes all financial responsibility for the development, construction and operation of the transmission facilities it seeks to interconnect to the Transmission System, does not seek regional cost allocation or cost recovery for such facilities under this Tariff, and does not intend to transfer functional control over such facilities to the Transmission Provider. Merchant Transmission Developers must comply with all requirements set forth in the SPP Criteria, including but not limited to providing the following information to the Transmission Provider, as required in Appendix 11 of the SPP Criteria:

Transmission Interconnection Review Data Checklist

1. Primary contact and all affected parties' contact information.
2. Overview of the proposed interconnection and its need.
3. Estimated or proposed in-service date.
4. List of all studies run by season.
 - a. Power flow studies minimum requirements met.
 - b. Short circuit studies minimum requirements met.
 - c. Dynamics studies minimum requirements met.
5. Affected parties planning criteria, if applicable.
6. A detailed description of the proposed interconnection.
 - a. In-service date
 - b. Design information
 - c. Ratings of the interconnection
 - d. A geographic map of the interconnection area
 - e. Electrical one-line diagrams of the facilities being connected.
7. Appropriate program files and program automation files to allow SPP staff to reproduce the studies performed.

8. Details of any required mitigation plans including identification of the affected parties responsible for mitigation.
 - a. In-service date
 - b. Design information
 - c. Ratings of the facilities
 - d. A geographic map of the facility area
 - e. Electrical one-line diagrams of the facilities being connected.
9. Comments of affected parties covering agreement or points of disagreement of the proposed interconnection, if any.
10. Additional studies may be required for DC interconnections.

Compliance with the data submission requirements specified in this Addendum does not constitute approval of the physical interconnection of the facility by the Transmission Provider.

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 or high priority upgrades;
 - b) Transmission facilities with a nominal operating voltage of ~~300~~100 kV or greater;
 - c) Transmission facilities that are not a ~~Rebuild~~Rebuild of an existing facility ~~and do not use rights-of-way where facilities exist; and~~
 - d) Transmission projects that do not require both a Rebuild of existing facilities and new transmission facilities; and Transmission facilities located where the selection of a Transmission Owner pursuant to Section III of this Attachment Y does not violate relevant law where the transmission facility is to be built.
 - 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.
- 23) For any upgrade meeting the specifications listed in Section I.1 of this Attachment Y, the Transmission Provider may, ~~subject to approval by the SPP Board of Directors,~~ 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 to address an identified reliability violation (“Short-Term Reliability Project”). To have a transmission project approved as a Short-Term Reliability Project, the Transmission Provider shall: the following conditions are met: (i) the transmission facility is needed for the reliability of the grid; (ii) the transmission facility has a need date that cannot be met if the Transmission Owner Selection Process in Section III of this Attachment Y is followed; and (iii) no other transmission or non-transmission mitigation options are available to relieve the reliability issue to allow sufficient time for the Transmission Owner Selection Process to proceed.~~

- ~~a) Separately identify and post 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.~~
- ~~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.~~

- 34) 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.

| 45) The designation from the Transmission Provider shall be provided pursuant to Section V of this Attachment Y.

| 56) The Transmission Provider shall track all projects that are approved for construction in accordance with Section VI of this Attachment Y.

II. DEFINITIONS

The terms used in this Attachment Y shall have the meanings as defined in this Section II or as otherwise defined in this Tariff.

Applicant: An entity that has submitted an application to the Transmission Provider to be a Qualified RFP Participant.

Competitive Upgrades: Those upgrades defined in Section I.1 of this Attachment Y or an upgrade for which the Transmission Provider must select a replacement Transmission Owner pursuant to Section IV.3 of this Attachment Y.

Guaranty: This term shall have the meaning given in Attachment X of this Tariff.

Guarantor: This term shall have the meaning given in Attachment X of this Tariff.

Industry Expert Panel: The panel of industry experts designated by the Oversight Committee to review and evaluate proposals submitted in response to any Request for Proposals in the Transmission Owner Selection Process.

Local Transmission Facility: A transmission facility that is located solely within a single Zone and has all of its costs allocated to such Zone.

Not-For-Profit: This term shall have the meaning given in Attachment X of this Tariff.

Qualified RFP Participant (“QRP”): An entity that has been determined by the Transmission Provider to satisfy the qualification criteria set forth in Section III.1 of this Attachment Y.

Rebuild: Shall mean, for purposes of this Attachment Y, a transmission facility that is an improvement to, addition to, or replacement of all or part of, an existing transmission facility.

Transmission Owner Selection Process: The process of determining the Transmission Owner for Competitive Upgrades pursuant to Section III.2 of this Attachment Y.

III. TRANSMISSION OWNER SELECTION PROCESS FOR COMPETITIVE UPGRADES

1) Application and Qualification Process

a) Application

Any entity that desires to participate in the Transmission Owner Selection Process outlined in this Section III must submit an application and supporting materials to demonstrate that it satisfies the qualification criteria set forth in this Section III. The Transmission Provider will evaluate the Applicant's application and supporting materials to determine whether the Applicant satisfies the qualification criteria to be a QRP and participate in the Transmission Owner Selection Process in accordance with the timeline set out in Section III.1(c) of this Attachment Y.

- i) Any entity wishing to participate in the Transmission Owner Selection Process, whether a current Transmission Owner or another entity, must submit an application to the Transmission Provider in the form provided on the Transmission Provider's website. The initial application must be received no later than June 30 of the year prior to the calendar year in which the Applicant wishes to begin participation in the Transmission Owner Selection Process. The Applicant shall submit an application fee with its application equal to the amount of the SPP annual membership fee. If the Applicant is a Member of SPP and is current in payment of its annual membership fee, then no application fee shall be required. The amount of the application fee shall be posted on the Transmission Provider's website as part of the application form.
- ii) After the Transmission Provider determines that the entity is qualified to be a QRP, the entity shall remain a QRP for the five calendar years starting January 1 subsequent to that determination, subject to the annual certification process in Section III.1(d) of this Attachment Y and termination process set forth in Section III.1(e) of this Attachment Y. To be considered for continuation of QRP status for the subsequent five (5) year period, the QRP must submit a full application package in accordance with Section III.1(a)(i) of this Attachment Y by June 30 of the fifth year of the current period. The Transmission Provider shall evaluate the application in accordance with Section III.1(c) of this Attachment Y.
- iii) Any application from an Applicant will be posted on the Transmission Provider's website no later than July 15 of each year, subject to any applicable confidentiality protections.

b) Qualification Criteria

An Applicant must demonstrate that it meets the following qualification criteria:

i) SPP Membership Criterion

An Applicant must be a Transmission Owner or be willing to sign the SPP Membership Agreement as a Transmission Owner if the Applicant is selected as part of the Transmission Owner Selection Process.

ii) Financial Criteria

An Applicant must demonstrate that it meets one of the following financial criteria:

- (1) A senior unsecured investment grade rating or an issuer rating of BBB- or equivalent from a “nationally recognized statistical rating organization” as defined in Attachment X of this Tariff. If an Applicant maintains a rating from all three approved nationally recognized statistical rating organizations, it must maintain at least two ratings in the investment grade range. If an Applicant maintains a rating from two of the approved nationally recognized statistical rating organizations, it must maintain at least one of those ratings in the investment grade range.
- (2) If the Applicant does not satisfy the requirement set forth in (1) above, the Applicant may submit to the Transmission Provider a Guaranty from its parent or affiliated organization that possesses an investment grade rating or an issuer rating of BBB- or equivalent from a “nationally recognized statistical rating organization” as defined in Attachment X of this Tariff. A Guaranty obligates the Guarantor to satisfy the obligations of the guarantee entity. Parent Guaranties are acceptable where the Applicant is a subsidiary, joint venture, or affiliate of the parent Guarantor. The Guaranty may be cancelled at any time that the Applicant establishes an investment grade rating as discussed in Section III.1(b)(ii)(1) of this Attachment Y. The Guaranty will be in a form consistent with Appendix D of Attachment X of this Tariff and must satisfy the following requirements:

- (a) Be duly authorized by the Guarantor and signed by an officer of the Guarantor;
 - (b) State a minimum effective period of five (5) years, or provide for automatic renewal subject to cancellation with no less than sixty (60) days notice, provided that in all events the Guaranty is effective for all obligations of the Applicant undertaken prior to cancellation;
 - (c) Include a certification by the corporate secretary of the Guarantor that the execution, delivery, and performance of the Guaranty have been duly authorized;
 - (d) Certify that the Guaranty does not violate other undertakings or requirements applicable to the Guarantor and is enforceable against the Guarantor in accordance with its terms;
 - (e) Obligate the guarantor to submit a representation letter annually indicating any material changes from the information provided in the Applicant's application related to the Guarantor and Guaranty, and representing that the Guarantor continues to satisfy the financial criteria;
 - (f) Secure all obligations of the Applicant under or in connection with this Tariff and other agreements with the Transmission Provider;
 - (g) Be supported by adequate consideration and be otherwise binding as a matter of law; and
 - (h) Include as an attachment a resolution of the board of directors or other governing body of the Guarantor authorizing the Guaranty.
- (3) If the Applicant does not satisfy the requirements set forth in (1) or (2) above, the Applicant may submit to the Transmission Provider a formal letter of reference from a commercial bank evidencing an existing line of credit from commercial banks (or access to an existing line of credit

through Inter-company agreements with a Parent or Affiliate), or bonding indication letter from an insurance or surety company either of which indicate a willingness to extend credit to the Applicant in an amount of at least \$25,000,000 (for bank) or willingness to provide a surety bond in the amount of at least \$25,000,000 (for an insurance or surety company). Commercial bank reference letters acceptable to the Transmission Provider must be issued by a financial institution organized under the laws of the United States or any state of the United States or the District of Columbia or a branch or agency of a foreign commercial bank located in the United States, with a minimum corporate debt rating of A- or equivalent from a “nationally recognized statistical rating organization” as defined in Attachment X of this Tariff and total assets of at least \$10 billion. Bonding indication letters acceptable to the Transmission Provider must be issued by an insurance or surety company with a minimum financial strength rating of A- and a minimum financial size category of X from the A.M. Best Company.

- (4) If the Applicant is a municipality, a cooperative, or other Not-For-Profit entity, the Applicant may satisfy the financial criteria requirement by providing evidence of direct rate-setting authority or taxing authority. The Applicant must possess this authority and cannot rely on an affiliation with another entity that possesses rate-setting or taxing authority.

iii) Managerial Criteria

An application must show that the Applicant has requisite expertise by describing its capability, experience, and process to address the following areas:

- (1) Transmission Project Development
 - (a) engineering, permitting, environmental, equipment and material procurement, project management (including cost control, scope, and schedule management), construction, commissioning of new facilities, new or emerging technologies; and
 - (b) routing, surveying, rights-of-way, eminent domain, and real estate acquisition, including process for obtaining easements.

- (2) Internal safety program, contractor safety program, safety performance record and program execution.
- (3) Transmission Operations: control center operations, NERC compliance process and compliance history, registration or the ability to register for compliance with applicable NERC Reliability Standards, storm/outage response and restoration plan, record of past reliability performance, statement of which entity will be operating completed transmission facilities, staffing, equipment, and crew training.
- (4) Transmission Maintenance: staffing and crew training, transmission facility and equipment maintenance, record of past maintenance performance, NERC compliance process and history, statement of which entity will be performing maintenance on completed transmission facilities.
- (5) Ability to comply with Good Utility Practice, SPP Criteria, ~~NERC Reliability Standards, and~~ industry standards, ~~and applicable local, state, and federal requirements.~~
- (6) Ability to comply with or demonstration of how the Applicant plans to be able to comply with NERC Reliability Standards.
- ~~(67)~~ Any other relevant project development experience that the Applicant believes may demonstrate its expertise in the above areas.

An Applicant can demonstrate that it meets the managerial criteria either on its own or by relying on one or more an entity or entities to satisfy any of the managerial criteria with whom it has a corporate affiliation or contractual relationship (“Alternate Qualifying Entity (ies)”). If the Applicant seeks to satisfy the managerial criteria in whole or in part by relying on one or more Alternate Qualifying Entity(ies), the Applicant must submit: ~~(1) materials demonstrating to the Transmission Provider’s satisfaction that the Alternate Qualifying Entity(ies) meet(s) the managerial criteria for which the Applicant is relying upon the Alternate Qualifying Entity(ies) to satisfy,; and (2) an executed agreement that contractually obligates the Alternate Qualifying Entity(ies) to perform the function(s) for which the Applicant is relying upon the Alternate Qualifying Entity(ies) to satisfy.~~

c) Determination of Qualifications

- i) Upon receiving an application, the Transmission Provider shall review the application to determine whether the Applicant satisfies the qualification criteria set forth in Section III 1(b) of this Attachment Y. The Transmission Provider shall notify each Applicant of its determination no later than September 30 of the year in which the application was submitted.
- ii) If the Transmission Provider determines that the Applicant fails to satisfy one or more of the qualification criteria, the Transmission Provider shall inform the Applicant of such deficiency(ies), and the Applicant shall be allowed to cure any deficiency(ies) within thirty (30) calendar days of notice from the Transmission Provider by providing any additional information that the Applicant believes cures the deficiency(ies). The Transmission Provider shall review the information provided by the Applicant and render a final determination of whether the Applicant satisfies the qualification criteria within forty-five (45) calendar days of the Transmission Provider's receipt of the additional information. If, after attempting to cure the deficiency(ies), the Applicant still has not satisfied the qualification criteria, the Applicant shall be disqualified from the Transmission Owner Selection Process for the following year.
- iii) Upon the Transmission Provider's determination that an Applicant satisfies the qualification criteria, the Transmission Provider shall notify the Applicant that it has been determined to be a QRP and can participate in the Transmission Owner Selection Process effective January 1 of the following calendar year. By December 31 of each year, the Transmission Provider shall post on its website a list of all QRPs that are eligible to participate in the following calendar year for any Competitive Upgrade.

d) Annual Recertification Process and Reporting Requirements

- i) By June 30 of each year, each QRP must submit to the Transmission Provider a notarized letter signed by an authorized officer of the QRP certifying that the QRP continues to meet the current qualification criteria or indicating any material changes to the information provided in its application. The QRP shall pay an annual certification fee equal to the amount of the SPP annual membership fee. If the QRP is a Member of SPP and is current in payment of its annual membership fee, then no certification fee will be required.

- ii) If at any time there is a change to the information provided in its application, a QRP shall be required to inform the Transmission Provider within seven (7) calendar days of such change so that the Transmission Provider may determine whether the QRP continues to satisfy the qualification criteria. Upon notification of any such change, the Transmission Provider shall have the option to: (a) determine that the change does not affect the QRP's status; (b) suspend the QRP's eligibility to participate in the Transmission Owner Selection Process until the QRP has cured any deficiency in its qualifications to the Transmission Provider's satisfaction; (c) allow the QRP to continue to participate in the Transmission Owner Selection Process for a limited time period, as specified by the Transmission Provider, while the QRP cures the deficiency to the Transmission Provider's satisfaction; or (d) terminate the QRP status in accordance with Section III.1(e) of this Attachment Y.

e) **Termination of QRP Status**

The Transmission Provider may terminate a QRP's status if the QRP: (1) fails to submit its annual certification letter; (2) fails to pay the applicable fee as required by Section III.1(d) of this Attachment Y; (3) experiences a change in its qualifications and the Transmission Provider determines that it may no longer be a QRP; or (4) informs the Transmission Provider that it no longer desires to be a QRP; or (5) fails to notify the Transmission Provider of a change to the information provided in its application in accordance with Section III.1(d) of this Attachment Y.

f) **Dispute Resolution**

If the Applicant or QRP ("Affected Party") disagrees with the Transmission Provider's determination regarding its qualifications under Section III.1 of this Attachment Y, the Affected Party may initiate dispute resolution procedures. Any such dispute shall first be referred to a designated senior representative of the Transmission Provider and a senior representative of the Affected Party for resolution on an informal basis as promptly as practicable. In the event the designated representatives are unable to resolve the dispute within thirty (30) calendar days (or such other period upon which the Transmission Provider and the Affected Party may agree) by mutual agreement, such dispute may be submitted to arbitration and resolved in accordance with the arbitration procedures set forth in Sections 12.2 through 12.5 of this Tariff.

2) Transmission Owner Selection Process

a) Overview

Once a Competitive Upgrade has been approved by the SPP Board of Directors, the Transmission Provider shall issue a Request for Proposals (“RFP”) for the Competitive Upgrade as specified in this Section III of Attachment Y.

b) Industry Expert Panel

- i) On an annual basis, the Oversight Committee or its successor shall identify a pool of candidates to serve as industry experts on one or more Industry Expert Panel(s) (“IEP”) to evaluate proposals that are submitted in response to any RFP issued by the Transmission Provider pursuant to this Section III of Attachment Y. IEP candidates shall have documented expertise on file with the Transmission Provider in one or more of the following areas: (1) electric transmission engineering design; (2) electric transmission project management and construction; (3) electric transmission operations; (4) electric transmission rate design and analysis; and (5) electric transmission finance.
- ii) Each industry expert must disclose to the Oversight Committee any affiliation with any SPP stakeholder or any QRP. In the event an affiliation exists, the Oversight Committee will evaluate whether the affiliation may adversely impact an industry expert’s ability to independently evaluate RFP proposals, and the Oversight Committee may disqualify that industry expert.
- iii) The Oversight Committee shall present its recommended pool of IEP candidates to the SPP Board of Directors for approval. The name and qualifications of each recommended candidate shall be posted on the Transmission Provider’s website prior to SPP Board of Directors approval. Approval of the IEP candidate pool shall be made prior to the meeting in which a Competitive Upgrade is to be approved.
- iv) The Oversight Committee shall create an IEP from the IEP candidate pool to evaluate proposals resulting from the RFPs. The IEP shall consist of three (3) to five (5) industry experts such that the IEP will have expertise in all five (5) areas listed in Section III.2 (b) (i) of this Attachment Y. Upon SPP Board of Directors approval, the Oversight Committee may create additional IEPs. Each IEP member must sign a confidentiality agreement prior to participating in the Transmission Owner Selection Process.

- v) If a member of a designated IEP becomes affiliated with a stakeholder or QRP, the IEP member shall immediately notify the Transmission Provider and the Oversight Committee. The Oversight Committee shall evaluate whether any affiliation between a member of a designated IEP and a stakeholder or QRP may adversely impact the IEP member's ability to independently evaluate RFP proposals reviewed by that IEP. In such event, the Oversight Committee may remove the IEP member from that IEP. If necessary, the Oversight Committee may designate a replacement IEP member from the IEP candidate pool.
- vi) The Transmission Provider shall facilitate the IEP's efforts to develop recommendations to the SPP Board of Directors. The IEP will evaluate all aspects of each proposal submitted for its review. Once all evaluations are complete, the IEP will develop a single recommendation for the SPP Board of Directors consisting of its recommended RFP proposal and an alternate RFP proposal for each Competitive Upgrade.

c) **Request for Proposals**

The Transmission Provider shall issue an RFP for each Competitive Upgrade, which shall contain information including, but not limited to:

- i) An overview of the purpose for the RFP including the need for the Competitive Upgrade, regulatory context and authority, and other necessary information.
- ii) A deadline for all RFP proposal submissions and minimum RFP proposal submission requirements.
- iii) Minimum design specifications.
- iv) The date regulatory approvals are required to be completed as determined by the Transmission Provider.
- v) A requirement that the QRP provide the following information specific to the Competitive Upgrade for which it submits a proposal:
 - (1) financial information, including but not limited to demonstration of financing (including a reasonable contingency), detailed engineering and construction cost estimate, itemized revenue requirement calculations, and

financial and business plans, including the nature of any FERC incentives the QRP intends to request;

- (2) engineering information, including but not limited to engineering design of the project and technical requirements;
 - (3) construction information, including but not limited to anticipated project timeline including timeline for all necessary regulatory approvals, equipment acquisition, description of applicable rights-of-way and real estate acquisition, description of routing, description of permitting, description of outage clearance(s), and identification of the party responsible for construction;
 - (4) operations and maintenance information, including but not limited to demonstration of operations, statement of which entity will be operating and maintaining the transmission facility, storm and outage response plan, maintenance plan, staffing, equipment, crew training, and record of past maintenance and outage restoration performance;
 - (5) safety information, including but not limited to identification of the internal safety program, contractor safety program, and safety performance record; and
 - (6) identification of information in the RFP proposal that the RFP respondent considers to be confidential.
- vi) A requirement that the QRP demonstrate its financial strength by providing one of the following:
- (1) demonstration that the QRP continues to satisfy the financial criteria set forth in Section III.1(b)(ii)(1) or (2) of this Attachment Y and that the Competitive Upgrade does not exceed 30% of the total capitalization of the QRP or its parent Guarantor;
 - (2) a performance bond from an insurance/surety company acceptable to the Transmission Provider in an amount equal to the total cost of the Competitive Upgrade, including financing costs, and a 30% contingency; or
 - (3) a letter of credit from a financial institution acceptable to the Transmission Provider in an amount equal to the total

cost of the Competitive Upgrade, including financing costs, and a 30% contingency; ~~or~~

~~(4) a demonstration that the QRP would otherwise be designated by the Transmission Provider as a DTO for the Competitive Upgrade pursuant to Section IV of this Attachment Y.~~

vii) Information exchange requirements including but not limited to, identification of data required to be provided to the Transmission Provider in accordance with NERC reliability standards and CEII requirements.

viii) A description of the proposal evaluation procedure, including the statement of proposal evaluation methodology and criteria for acceptable proposals.

ix) A requirement that the QRP agrees to pay, as outlined in Section III.2(e) of this Attachment Y: (1) a deposit for each RFP proposal submitted for its share of the Transmission Provider's costs to administer the Transmission Owner Selection Process; and (2) any additional costs that are assessed after the completion of the Transmission Owner Selection Process. ~~the RFP fee for each RFP proposal submitted, as outlined in Section III.2(e) of this Attachment Y, including the initial deposit at the time of submission of the RFP proposal.~~

x) A requirement that the QRP disclose any credit rating changes, bankruptcies, dissolutions, mergers, or acquisitions within the past five (5) years of the QTO or its parent, controlling shareholder, or entity providing a Guaranty pursuant to Section III.1(b)(ii)(2) of this Attachment Y.

xi) A requirement that the QRP provide its Internal Revenue Service Tax Identification Number.

d) RFP Process and Timeline

i) The Transmission Provider shall issue each RFP by or before the later of: (1) seven (7) calendar days after approval of the Competitive Upgrade by the SPP Board of Directors; or (2) eighteen (18) months prior to the date that anticipated financial expenditure is needed for a Competitive Upgrade. The RFP shall be issued only to QRPs.

- ii) Each RFP respondent shall submit a complete proposal in response to the RFP within ninety (90) calendar days from the date the RFP is issued (“RFP Response Window”).
- iii) The Transmission Provider shall not disclose any information contained in any RFP proposal, except to the IEP, until the issuance of the IEP reports in accordance with Section III.2(d)(vi)(2) of this Attachment Y.
- iv) Upon receipt of an RFP proposal, the Transmission Provider shall immediately review the proposal for completeness, and shall promptly notify the RFP respondent if its proposal is incomplete. The RFP respondent may submit information in order to complete the proposal if such submittal is made within the RFP Response Window. Any RFP respondent that fails to submit a complete proposal within the RFP Response Window will be deemed to have waived its right to respond to the RFP.
- v) If the Transmission Provider does not receive any complete proposals in response to an RFP, the Transmission Provider shall inform the SPP Board of Directors and shall select the DTO in accordance with the process set forth in Section IV of this Attachment Y.
- vi) Upon the closing of the RFP Response Window, the Transmission Provider shall provide the RFP proposals to the IEP. The IEP shall review, score, and rank all RFP proposals and submit its recommendation to the SPP Board of Directors based upon selection criteria outlined in Section III.2(f) of this Attachment Y. The identity of RFP respondents that submitted the RFP proposals shall not be disclosed to the SPP Board of Directors as part of the IEP’s recommendation. The IEP’s recommendation shall be submitted to the SPP Board of Directors within sixty (60) calendar days of the initiation of the IEP’s review (“Review Period”). Upon IEP request, the Oversight Committee may extend the Review Period an additional thirty (30) calendar days. Notification of such extension shall be provided to the SPP Board of Directors and posted on the Transmission Provider’s website.
 - (1) During its review, the IEP may initiate communication with RFP respondents to obtain answers to any additional questions about proposals, and any such communications shall be documented by the IEP. Lobbying of the IEP by, or on behalf of, any RFP respondent is prohibited, and may result in disqualification of the RFP respondent by the Transmission Provider from the RFP process. The IEP shall

score and rank each RFP proposal in a non-discriminatory manner based upon the information supplied in the RFP proposal or obtained during the Review Period.

- (2) The IEP shall compile an internal report for the Transmission Provider detailing the process, data, results of its deliberations, and its recommended RFP proposal and an alternate RFP proposal for each Competitive Upgrade. The Transmission Provider shall be responsible for producing two redacted versions of the internal report, a Board of Directors report and a public report. The Board of Directors report shall exclude the names of the RFP respondents. The public report shall exclude the names of RFP respondents and any confidential information obtained during the Transmission Owner Selection Process. No later than fourteen (14) calendar days prior to the SPP Board of Directors meeting during which the SPP Board of Directors will consider the IEP recommendation, the public report shall be posted on the Transmission Provider's website and the Board of Directors report shall be provided to the SPP Board of Directors.

- vii) Except as provided in Sections III.2(d)(vii)(a) and III.2(d)(vii)(b) of this Attachment Y, the SPP Board of Directors shall select an RFP proposal ("Selected RFP Proposal") and an alternate RFP proposal for each Competitive Upgrade based primarily on the information provided by the IEP. The Transmission Provider shall notify the RFP respondent that submitted the Selected RFP Proposal that it has been chosen by the SPP Board of Directors to become the DTO for the Competitive Upgrade ("Selected RFP Respondent") and the Transmission Provider shall issue an NTC for the Competitive Upgrade pursuant to Section V of this Attachment Y. To become the DTO for the Competitive Upgrade, the Selected RFP Respondent must, within seven (7) calendar days of receiving such notice: (1) sign any necessary agreement(s) to assume all of the responsibilities of a Transmission Owner related to the Competitive Upgrade pursuant to the SPP Membership Agreement and this Tariff; (2) submit to the Transmission Provider a deposit in accordance with Section III.2(d)(xii) of this Attachment Y; and (3) provide written notification to the Transmission Provider that it accepts the NTC.

- a. If the Board of Directors accepts the IEP's recommendation, pursuant to Section III.2(f)(i) of this Attachment Y, resulting in all RFP proposals being eliminated from consideration due to a low score in any

evaluation category, the DTO for the Competitive Upgrade will be identified as follows:

1. If the Competitive Upgrade qualifies under Section I.3 of this Attachment Y, the DTO will be identified as set forth in Section I.3 of this Attachment Y.

2. If the Competitive Upgrade does not meet the conditions set forth in Section III.2(d)(vii)(a)(1) of this Attachment Y, the Transmission Provider shall reevaluate the Competitive Upgrade to determine what action to take, including: (a) resubmission of the Competitive Upgrade for DTO selection under Section III of this Attachment Y; (b) modification of the Competitive Upgrade and resubmission of the Competitive Upgrade for DTO selection under Section III of this Attachment Y; or (c) cancellation of the Competitive Upgrade.

b. If a Competitive Upgrade was previously resubmitted, pursuant to Section III.2(d)(vii)(a) of this Attachment Y, for selection of a DTO under Section III of this Attachment Y and no DTO was selected, the Transmission Provider will identify the DTO pursuant to Section IV of this Attachment Y.

viii) The Selected RFP Respondent shall be deemed to have waived its right to become the DTO if, within seven (7) calendar days of receiving such notice, the Selected RFP Respondent: (1) does not respond to such notice from the Transmission Provider; (2) notifies the Transmission Provider that it is no longer willing to become the Transmission Owner for the Competitive Upgrade; (3) fails to sign the necessary agreement(s); (4) fails to provide a deposit in accordance with Section III.2(d)(xii) of this Attachment Y; or (5) fails to provide written notification to the Transmission Provider that it accepts the NTC. In such circumstances, the Transmission Provider shall notify the SPP Board of Directors.

ix) If the Selected RFP Respondent has waived its right to become the DTO pursuant to Section III.2(d)(viii) of this Attachment Y, the Transmission Provider shall notify the RFP respondent that submitted the alternate RFP proposal that it has been chosen by the SPP Board of Directors to become the DTO for the Competitive Upgrade, and the Transmission Provider shall issue an NTC for the Competitive Upgrade pursuant to Section V of this Attachment Y.

To become the DTO for the Competitive Upgrade, the RFP respondent that submitted the alternate RFP proposal must, within seven (7) calendar days of receiving such notice: (1) sign any necessary agreement(s) to assume all of the responsibilities of a Transmission Owner related to the Competitive Upgrade pursuant to the SPP Membership Agreement and this Tariff; (2) submit to the Transmission Provider a deposit in accordance with Section III.2(d)(xii) of this Attachment Y; and (3) provide written notification to the Transmission Provider that it accepts the NTC.

- x) The RFP respondent that submitted the alternate RFP proposal shall be deemed to have waived its right to become the DTO if, within seven (7) calendar days of receiving such notice, the RFP respondent that submitted the alternate RFP proposal: (1) does not respond to such notice from the Transmission Provider; (2) notifies the Transmission Provider that it is no longer willing to become the Transmission Owner for the Competitive Upgrade; (3) fails to sign the necessary agreement(s); (4) fails to provide a deposit in accordance with Section III.2(d)(xii) of this Attachment Y; or (5) fails to provide written notification to the Transmission Provider that it accepts the NTC. In such circumstances, the Transmission Provider shall notify the SPP Board of Directors, and the Transmission Provider shall determine the DTO in accordance with the process set forth in Section IV of this Attachment Y.
- xi) The DTO for a Competitive Upgrade cannot assign the Competitive Upgrade to another entity.
- xii) When accepting the responsibilities of being a DTO for a Competitive Upgrade, the Selected RFP respondent shall provide the following to the Transmission Provider:
 - (1) a cash deposit representing 2% of the estimated cost of the Selected RFP Proposal; and
 - (2) a firm capital commitment acceptable to the Transmission Provider that is sufficient to complete the Competitive Upgrade, including one of the following:
 - a. A binding commitment letter from lenders and/or equity providers;
 - b. Cash held in escrow;

- c. A performance and payment bond;
- d. Surety bond;
- e. Existing balance sheet liquidity; or
- f. Demonstrated history of ability to obtain adequate capital to support the project.

The cash deposit shall be held in escrow by the Transmission Provider. Upon reaching the 50% completion milestone of the Competitive Upgrade, as determined by the Transmission Provider, the Transmission Provider shall refund the deposit, plus any interest the deposit accrued while in escrow, to the DTO. If the DTO fails to reach the 50% completion milestone of the Competitive Upgrade in accordance with Section III.2(g) of this Attachment Y, then the DTO shall forfeit the deposit and any accrued interest. The Transmission Provider shall then select a new DTO in accordance with Section III.2(g) and apply the deposit and accrued interest to reduce the final cost of the Competitive Upgrade. If the Transmission Provider cancels the Competitive Upgrade through no fault of the DTO, then the Transmission Provider shall refund the deposit and accrued interest to the DTO.

e) **RFP Fee Transmission Owner Selection Process Deposit and Cost Calculation**

- i. Each RFP proposal shall ~~pay its share of~~ be assessed a fee to ~~compensate~~ the Transmission Provider's ~~for all total~~ costs incurred to administer the Transmission Owner Selection RFP pProcess for each Competitive Upgrade, as calculated pursuant to this Section III.2(e). ~~Initially~~At the time of submission of each RFP proposal, each RFP respondent shall submit a Transmission Owner Selection Process deposit ~~with~~for each RFP proposal, which shall be ~~equal to the Transmission Provider's estimate of the fee for participation in the RFP process,~~ determined as follows (based on the value of the Competitive Upgrade as identified in the SPP Transmission Expansion Plan approved by the SPP Board of Directors):

Small Project (less than \$10 million): \$10,000 deposit

Medium Project

(between \$10 million and \$100 million): \$25,000 deposit

Large Project (greater than \$100 million): \$50,000 deposit

The Transmission Provider shall hold each RFP respondent's Transmission Owner Selection Process deposit in a segregated interest-bearing account in the name of the RFP respondent tied to the RFP respondent's Internal Revenue Service Tax Identification Number.

- ii. The Transmission Provider shall determine the actual RFP Transmission Owner Selection Process costs will be determined at the completion of the process, and all RFP respondents will make additional payments or obtain refunds based on the reconciliation of Transmission Owner Selection Process deposits collected and actual RFP Transmission Owner Selection Process costs. The Transmission Owner Selection Process costs shall include the Transmission Provider's staff and administrative costs associated with administering the Transmission Owner Selection Process for the Competitive Upgrade and all costs associated with administering the IEP process for the Competitive Upgrade, including the identification, recruiting, hiring, and retention of industry experts to serve on the IEP(s). The costs shall be allocated to each RFP proposal on a pro-rata share basis, calculated by taking the total RFP Transmission Owner Selection Process costs for each Competitive Upgrade and dividing by the number of RFP proposals submitted for that Competitive Upgrade. The Transmission Provider shall refund any unused deposit amounts with interest earned on such deposits.

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; ~~and~~
- (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 approval, assets on hand; 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.

g) Failure of a Transmission Owner to Complete the Competitive Upgrade

If, after accepting the NTC, the DTO cannot or is unwilling to complete the Competitive Upgrade as directed by the Transmission Provider, the Transmission Provider shall evaluate the status of the Competitive Upgrade and may designate a new DTO for the Competitive Upgrade in accordance with Section V.4 of this Attachment Y. If the Transmission Provider has determined that there is sufficient time for the Transmission Owner Selection Process to be completed and the Competitive Upgrade placed in service prior to the required need date as determined by the Transmission Provider, the process described in Section III of this Attachment Y shall be used to designate another entity to become the DTO for the Competitive Upgrade. If sufficient time is not available, the Transmission Provider shall designate a new DTO for the Competitive Upgrade in accordance with Section IV of this Attachment Y.

VI. PROJECT TRACKING PROCESS

Costs and schedules related to all projects approved for construction under the Tariff shall be tracked by the Transmission Provider

- 1) Upon the acceptance of an NTC by a DTO, other than an NTC issued for refined cost estimation, the baseline cost of the project will be set. The baseline cost shall be the estimated cost of the project as agreed to between the DTO and the Transmission Provider at the time such NTC was accepted.
- 2) The DTO shall submit updates of the estimated costs and schedules to the Transmission Provider on at least a quarterly basis in a standard format and method defined by the Transmission Provider.
- 3) If at any time the cost projection ~~significantly exceeds~~ varies from the estimated baseline cost by more than the bandwidth defined by the Transmission Provider in its business practices, the Transmission Provider shall investigate the reason for the change in cost and report to the SPP Board of Directors the reason for the change in cost and its recommendation on whether to accept the change in cost and reset the baseline cost. The SPP Board of Directors shall make the final determination as to the action that will be taken up to and including the cancellation of the project and withdrawal of the NTC.
- 4) If at any time the project schedule significantly changes, the Transmission Provider shall investigate the reason for the change and may take action in accordance with Section V.4 of this Attachment Y. Factors that the Transmission Provider shall consider in determining whether a project schedule delay is significant shall include, but not be limited to, the need date, construction time, necessity for long-lead equipment, and permitting schedules.