

**IEP Response to Respondent Questions Related to
IEP Transmission Provider Internal Report for RFP000001**

The Industry Expert Panel provides these responses to the questions submitted to SPP by Respondents. Many of the questions touched on similar topics. Therefore, the questions have been summarized by topic with the response below.

I. General

1. Questions regarding the scoring methodologies developed by the IEP Rating Category teams.

Response: Each of the five Rating Category scoring teams developed its own scoring methodology starting with the factors in the SPP Tariff, Attachment Y, supplemented as each team felt appropriate based upon judgment and experience. The criteria and subcriteria used to determine the point allocation by each rating team are shown in that team's section of the Appendix.

While the scoring methodology for each team was largely completed before the IEP had access to the proposals, some adjustments were made based upon review of the proposals. For example, in the Rate Analysis area, the methodology had been set to assign 175 points based upon the Respondent's 40-year Net Present Value, with +/- 50 points assigned depending upon factors that made the project cost less or more risky. Some factors had already been identified prior to reviewing the proposals, such as cost guarantees, while other factors, such as the impact on the 40-year NPV from not meeting an engineering design standard, was not identified until after reviewing the proposals. Another example is that the Engineering Design scoring team originally allocated 15 points to routing, but discovered in the IEP conference calls that the Project Management scoring team also planned to evaluate many of the same routing factors. Therefore, the two teams decided that Engineering Design would limit its evaluation only to routing features that would affect difficulty of construction and/or present unduly difficult design problems.

While SPP Staff participated in all IEP conference calls in which the panel discussed the formation of the scoring methodologies and helped facilitate the process, SPP Staff was not involved in the development of the methodologies, the evaluation of the proposals, and the allocation of points using the methodologies.

2. Questions regarding IEP information requests and determination for when clarification or more information was needed.

Response: The IEP evaluated each proposal based upon the information presented in the proposal. The IEP determined as a matter of policy that it would request information from a Respondent only if it was necessary for clarification to avoid providing an individual Respondent

an opportunity to supplement its proposal. See page 7 of the IEP Report. The Project Management scoring team issued an RFI to a Respondent to clarify the in-service date. In addition, the Rate Analysis scoring team requested every Respondent provide revised calculations of the 40-year NPV because it appeared that the initial NPV calculations from all Respondents were not made on a comparable basis. The lack of information in a given area was not viewed as creating a need for an RFI but would instead provide a Respondent with an unfair advantage to supplement its proposal.

3. Questions related to the independence and objectivity of the IEP.

Response: In addition to the safeguards SPP put in place to ensure independence of selected panel members, several IEP operational measures served a check and balance function. First, the allocation of points among the five rating categories specified in the SPP Tariff ensured that no single panel member would have undue influence across all rating categories because of the limited role a single panel member had in the scoring process. Also, the scoring within each rating category was subject to peer review by the whole panel. In addition, the IEP did not know the highest scoring proposals until the results of each scoring category team were compiled in its face-to-face meeting in January. Finally, a significant factor in the selection of engineering consultants to assist the Engineering Design scoring team was to ensure that the consultant would have little or no knowledge of, or association with, any of the stakeholders.

II. Engineering Design

4. Questions related to the determination of conductor sufficiency.

Response: The Engineering Design scoring team directed its engineering consultant to perform a conductor analysis of the 11 RFP proposals based upon the methodology in IEEE Publication 738-2006, Standard for Calculating the Current-Temperature Relationship of Bare Overhead Conductors, in order to evaluate the reasonableness of the proposed conductor and compare all bids on a common ground. The consultant used the IEEE standard with the following assumptions provided in SPP Criteria 12.2 as a guide:

- Air temperature (35°C – Corresponding to summer ambient air temperature appropriate to the geographic location). It may be noted that SPP criteria did not specify ambient temperature but provided a methodology to determine ambient temperature in Appendix A.
- Wind Speed – 2 Ft/s (SPP Criteria 12.2)
- Wind to conductor – 90 degrees (SPP Criteria 12.2)
- Conductor Elevation (appropriate to geographic location)
- Solar heating – calculated for the day of the year producing maximum solar heating for a given conductor latitude appropriate to the geographic location.
- Conductor Absorptivity & Emissivity were set to 0.5 (within an acceptable range provided in SPP Criteria 12.2)

- The kcmil input (size of the whole conductor and the number of conductors per phase) used by the Consultant was taken from Item 1A.4 in each Respondent's "SPP-RFP-000001" response form. For example, if a Respondent offered 477 kcmil as the size of the whole conductor in Item 1A.4, and indicated 1 as the number of conductors per phase under Item 1A.4, then 477 kcmil was considered as the size of one whole conductor.

Only one method and one set of parameters per the SPP Criteria 12.2 were used to compare all proposals on a common ground to ensure that the proposal meets the RFP requirements.

In addition, the consultant made parallel calculations as per IEEE 738-2013 and CIRGRE Brochure 207 2002 to check the sensitivity and validity of the results.

The IEP did not seek any additional information from Respondents whose proposals did not meet this conductor sizing because the calculations were performed based on information provided by the Respondents in their RFP Response Form and then checked and rechecked using two other methods, as described above, producing results that were almost identical.

5. Questions related to awarding discretionary points for exceeding specifications.

Response: As indicated on page 9 of the IEP Report, 20 discretionary points were awarded for design efficiency, as outlined in the Attachment Y, such as lower losses. The transfer capacity was also considered to be part of the design efficiency.

Attachment Y under Section III.2(f)(iii) Transmission Owners Selection Criteria and Scoring provides a minimum list of criteria for each evaluation category. These criteria for Engineering Design include:

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

Attachment Y Section III.2(f)(iii)(1) states, "Criteria considered in this evaluation category shall include but not be limited to ...", which provides discretion to add more. The Engineering Design scoring team deemed it appropriate to add criteria for a more thorough evaluation.

6. Question related to the allocation of points based on "staff expertise".

Response: As indicated on page 9 of the IEP Report, the Engineering Design scoring team allocated 15 points to evaluate the qualifications and experience of the engineering design staff as part of the reliability/quality metrics criterion outlined in Attachment Y. Similarly, Attachment Y also lists criteria for Project Management and Operations scoring categories for staffing, experience, and track record.

7. Question related to scoring based on the transmission line route.

Response: As **described** on page 22 of the IEP Report, the Engineering Design scoring team considered a proposal whose transmission route did not have any crossings as more reliable than one with one or more crossings.

8. Questions related to the evaluation of the “life of construction” criteria and scoring methodology for this category in general.

Response: As explained on page 19 of the IEP Report, the rating category teams reviewed and evaluated each bid by applying the previously developed scoring methodology to the information provided by each RFP Respondent in its RFP response. The lead and second in each rating category discussed the allocation of points for each criterion to arrive at a mutually agreed upon point allocation based on experience and judgement. Each proposal was thoroughly evaluated using the criteria and associated factors described on pages 24 - 27. If information to be used to evaluate these factors was not available from the Respondent’s response and/or attachments provided by a Respondent, then that Respondent was scored less as compared to the Respondent that considered the factor and provided relevant information. Therefore, each proposal was evaluated not only based on the extent of the specific information provided for this Project, but also on reasonableness and credibility of such specific information.

“Life of construction” – This category, which is also termed as “Life Expectancy or Design Life” was considered for the correct application of the weather related loads and durability (page 22). This item was evaluated using three factors, namely, years life expectancy (durability) after the project is constructed and in service, relative reliability of load, and nominal design wind speed (three second gust).

III. Project Management

9. Question related to the selection of criteria for this scoring category.

Response: Attachment Y of the SPP Tariff allocates a maximum of 200 base points for the Project Management scoring category to measure each RFP Respondent’s capability, expertise, commitment, and experience in constructing the Project in a timely manner within the limits of the approved scope and budget. Attachment Y provides nine criteria to evaluate each proposal and gives IEP the discretion to add more criteria to enable a thorough evaluation of each proposal.

10. Question related to potential overlap of schedule and in-service date criteria.

Response: As described in detail on page 25 of the IEP Report, Criterion 5A evaluates reasonableness and specificity of the project schedule to meet the in-service date using the factors such as scope, primary and secondary activities, time line, critical path analysis, and plan to maintain look-ahead schedules, etc.,

Criterion 11, as described on Page 26 of the IEP Report, evaluates the ability to meet the latest in-service date using the following major factors:

- a. Demonstrated capability to meet the schedule (from the list of previously completed projects);
- b. Experience of the construction/project management staff, resumes and organization chart;
- c. Incentive commitment to meet the in-service date, such as the RFP Respondent would forego a portion of its return for missing the scheduled in-service date.

11. Question related to potential overlap of right-of-way acquisition and use of existing right-of-way criteria.

Response: As explained on page 11 of the IEP Report, the criterion/subcriterion that affected the in-service date of the Project were considered of high significance because this is a reliability project which must be constructed and made available by the fixed date in order to maintain the transmission grid reliability. Therefore, the criterion/subcriterion associated with the siting process, including ROW acquisition, permits, state approvals, construction schedule, scope, and procurement were weighted 10% higher. Furthermore, as explained on page 27, if a proposal included already-acquired ROW for the Project, that merited additional points because the existing ROW would reduce/eliminate the need for permitting and ROW acquisition process and associated uncertainty. The Project Management scoring category team considered the ROW acquisition as one of the most important, uncertain and risky parts of the project's management, and therefore deserving of a higher weighting.

IV. Operations

12. Questions regarding the Operations scoring method generally, and the relevance of a control center in particular.

Response: The Operations category in Attachment Y describes 12 criteria for evaluation, including control center operations. To recognize this provision, the Operations scoring category team viewed the definition of a control center for the proposed line in broad terms, meaning any connection to an operations or dispatch center, or other means to be aware of changes in operating status. The most relevant function for the control center for an RFP Respondent to operate, maintain, and restore a transmission facility is to take notice of damage to the line and activate the response to make repairs. The IEP included control center

operations in the set of seven Operations criteria that were allocated more points, reflecting the judgment that timing is relevant for repairs and storm recovery.

The highest possible scores for criteria in the Operations category were awarded where the Respondent made a specific reply with substantial evidence regarding its capability to operate, maintain, and restore the proposed transmission facility. Respondents that did not relate planned or existing capabilities to the North Liberal – Walkemeyer line in a specific and substantial way did not receive as high a score.

V. Rate Analysis

13. Questions related to the deduction of points for proposals not meeting Engineering Design criteria.

Response: A proposal that failed to meet the required conductor standard had a carry-over impact in the Rate Analysis area, as explained on page 31 of the IEP Report. The Rate Analysis scoring category team determined that proposals which failed to meet the conductor standard would increase the risk of a higher cost impact on customers because the initial project cost that served as an input to the NPV calculation was understated. In addition, those projects imposed a risk of failing during the operating life of the project, which introduced risk associated with future O&M expenditures. As a result, any proposal that did not meet the conductor standard was assigned a -50 point allocation. Proposals that contained a cost guarantee provision, but did not meet all engineering standards, were not considered for positive discretionary point allocations because guarantees associated with a project cost that was not representative of what would be required to be built for a successful project were not considered meaningful.

14. Question related to the interaction of cost guarantee proposals and unreasonable O&M and initial costs.

Response: The IEP conducted a cross-category evaluation between the Rate Analysis and Operations scoring teams to examine whether any Respondent's O&M costs were so low as to appear unreasonable in relation to the projected initial cost and to other Respondents' costs.

15. Questions related to the use of Net Plant Carrying Charge and Net Present Value in the evaluation.

Response: In reviewing the responses, the Rate Analysis scoring category team was not confident that all Respondents had interpreted the RFP ATRR/NPV requirements consistently. The intent of the Rate Analysis RFI was to allow the Rate Analysis scoring category team to further clarify the information needed from each Respondent to place the proposals on a comparable basis. Responses to this RFI were used in the NPV analysis and evaluations. Each Respondent provided its own NPCC factor for use in the NPV calculation.

VI. Finance

16. Questions related to point deductions for not meeting engineering design criterion.

Response: A proposal that failed to meet the required conductor standard had a carry-over impact in the Finance scoring category. As explained on page 20 of the IEP Report, the Finance scoring category team determined that proposals which failed to meet the conductor standard would require a downward adjustment to reflect the higher risk of financial viability for the Project because failure to meet the engineering design would result in the costs being too low, for both capital and future operating costs. (See discussion on pages 116, 118 and 124 of the IEP Report Appendix). The Finance scoring category team did award some points in recognition that these Respondents did file information for these criteria pursuant SPP Tariff, Attachment Y.

17. Questions related to scoring of Finance criteria in general.

Response: The IEP in determining the finance criterion as well as the method for awarding points turned to the SPP Tariff, Attachment Y and SPP-RFP-000001 document for guidance. As discussed on page 32 of the IEP Report, each individual RFP Respondent was rated on how its response presented financial risk and demonstrated the ability of its bid to meet the criteria of financial viability and creditworthiness. These two main categories were further broken down to individual criterion and assigned individual points based on their impact on the proposal evaluation for this section. The next step was to calculate for each criterion the midpoint of the number of points assigned to it. Once the midpoint number was calculated, then each RFP Respondent's initial score was established at the midpoint of the range. Then each RFP Respondent's midpoint score was adjusted up or down from the midpoint based on whether the RFP Respondent provided relevant financial evidence to its financial viability and creditworthiness that was superior to the information provided by the other RFP Respondents. See discussion on pages 15, 16, 17 and 32 of the IEP Report. These criteria, which can be found in Tab 5 of the SPP RFP Response Form, required the RFP Respondent to submit information that would allow quantitative analysis for financial viability and creditworthiness of each criterion. However, there were three exceptions to this scoring methodology: the financial criteria of material conditions, debt covenants, and dividend policy. As discussed on pages 114, 120 and 122 of the IEP Appendix, the reason for these three exceptions were based on the fact that neither the SPP Tariff, Attachment Y nor the SPP-RFP-000001 document provided a definitional means to measure and quantify the degree of financial viability or creditworthiness required in providing a response to these criteria. It should also be noted that because every RFP Respondent provided a response to these criteria, as required by the SPP Tariff, Attachment Y, no RFP Respondent received a 0 score for any of the financial criteria.

VII. SPP

The IEP asked SPP Staff to answer the following questions as these questions were better addressed to Staff than the IEP. Below are responses for SPP Staff.

1. In accordance with Attachment Y, Section III.2(b)(v), have any of the current IEP members notified the Transmission Provider or Oversight Committee of a new affiliation with a stakeholder or QRP?

Response: SPP has not received any notification of new affiliations following the approval of each expert to the 2015 Planning Cycle pool of experts.

2. Has the Oversight Committee evaluated whether any of the current IEP members have the ability to independently evaluate RFP Proposals?

Response: Yes. This was part of the discussions held by the OC on each individual applicant prior to voting on whether to approve them to the pool of experts or not.

3. Please describe any charge, instructions, or directions given to the IEP by SPP staff or the Oversight Committee regarding the IEP's adoption of the scoring methodology presented in Section 2 of the Report.

Response: The development and implementation of the IEP's scoring methodology was solely done by the IEP itself. SPP only provided the SPP Tariff requirements the IEP was charged with fulfilling.

4. Will there be an opportunity to get more detailed feedback on any of the Industry Expert Panelist scores?

Response: The Public Report for RFP-000001 provides detail analysis for the scoring of each proposal in the five scoring areas. It is not anticipated at this time more feedback will be provided.

5. Please confirm that all exhibits provided as a part of the RFP Response and referenced in the response itself were provided to the Industry Expert Panelists and considered in their scoring.

Response: All exhibits and information submitted by RFP Proposals in the RMS ticket submission were provided in entirety to the IEP.