DISCLAIMER FOR TODAY'S CALL

• Purpose of today’s meeting is to review the Transmission Owner Selection Process (TOSP) and to touch on various steps in the process.

• What we can talk about:
  • The process and steps required
  • Defined terms and questions related to those
  • Standard TOSP process expectations

• What we cannot talk about:
  • Anything about specific projects or potential Competitive Upgrades (CU) including specific Request for Proposal (RFP) issuances, timing, materials, or public notices related to potential CU decisions.
TOS  P  OVERVIEW

OCTOBER 21, 2019

SPP REGULATORY PROCESSES
TOPICS TO BE COVERED

• Transmission Owner Selection Process “TOSP”
  • TOSP Highlights
    • Applicable SPP Governing Documents
    • Competitive Upgrade “CU” criteria
  • Who is eligible to participate?
  • Request for Proposal “RFP” Process
  • Industry Expert Pool “IEP” highlights
  • TOSP Standard Process & Timeline
  • RFP Proposals

• Q&A
TOSP HIGHLIGHTS
SPP PROCESS HIGHLIGHTS

• All entities desiring to participate in the SPP TOSP must apply to become Qualified RFP Participants (QRPs)

• Entities can participate in the planning process by submitting Detailed Project Proposals (DPPs) for transmission needs

• CU projects approved for construction now require RFPs prior to Notice to Construct (NTC)

• A panel of Industry Experts will review, rank and score all RFP responses and make recommendations to the SPP Board (respondent information is redacted)

• SPP Board will select Designated Transmission Owner (DTO) and an NTC will be issued
GOVERNING DOCUMENTS

• What documents govern this process?
  • SPP Tariff Attachment Y – Transmission Owner Designation Process
  • SPP Business Practices:
    • BP7600 Order 1000: Transmission Owner Selection Process
    • BP7650 Order 1000: Detailed Project Proposal
    • BP7660 Order 1000: Upgrade Determination and Short-Term Reliability Project Process
    • BP7700 Order 1000: Competitive Upgrade Request for Proposal (RFP) Process
    • BP7725 50% Project Completion Milestone Determination
    • Minimum Transmission Design Standards (MTDS) Rev 2
SPP TARIFF PROVISIONS

Attachment Y:

• TOSP - how SPP shall designate Transmission Owners (TOs) to construct approved transmission facilities.

• Attachment Y includes:
  • Upgrade Determination
  • Qualified RFP Participants
  • Request for Proposal
  • Industry Expert Panel (IEP)
  • Designated Transmission Owner
  • Notification to Construct
  • Competitive Upgrade Re-Evaluation Process
WHAT IS A COMPETITIVE UPGRADE?

- **Competitive Upgrades “CU”:** 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.
  - a) Transmission facilities that are: ITP Upgrades, high priority upgrades, or Interregional Projects;
  - b) Transmission facilities with a nominal operating voltage of greater than 100 kV;
  - c) Transmission facilities that are not a Rebuild of an existing facility;
  - d) Transmission facilities that do not alter a Transmission Owner’s use and control of its existing right of way under relevant laws or regulations;
  - e) 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;
  - f) Transmission projects that do not require both a Rebuild of existing facilities and new transmission facilities; and
  - g) Transmission facilities that are not a Local Transmission Facility.
QUALIFIED RFP PARTICIPANT

WHO IS ELIGIBLE TO PARTICIPATE?
QUALIFIED RFP PARTICIPANT

- Annual process
- Any entity desiring to participate in the SPP TOSP must apply to become a QRP
  - Annual Open Enrollment period for QRPs: April 1st - June 30th
- **Only approved QRPs can participate in the TOSP**
  - QRPs approved at time of RFP issuance would be eligible to participate
- Qualification criteria found in Att. Y, Section III(b):
  - Must be a TO or willing to sign the SPP Membership Agreement as a TO if selected
  - Financial Criteria
  - Managerial Criteria
REQUEST FOR PROPOSAL
PROCESS
RFP PROCESS HIGHLIGHTS
REQUEST FOR PROPOSAL

- RFP will be issued for each CU after study reports have been published and the list of recommended upgrades has been approved for construction by the SPP Board of Directors in accordance with Attachment Y Section III.2.D(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.

- Only QRPs are allowed to respond to the RFP

- Each response must include a RFP Deposit to pay for the costs associated with the administration and evaluation of the RFP.

- RFP Proposal submissions will have 180 days from the RFP issue date for the QRPs to complete their RFP response. (RFP Response Window)

- Each completed RFP response will be analyzed and scored by the IEP
REQUEST FOR PROPOSAL CONT.

• Each response must include a RFP Deposit to pay for the costs associated with the administration and evaluation of the RFP, which shall be determined as follows (based on the value of the CU 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 Proposal’s TOSP deposit in a segregated interest-bearing account in the name(s) of the RFP Respondent(s) tied to the RFP Respondent’s(s’) Internal Revenue Service Tax Identification Number(s).
INDUSTRY EXPERT PANEL
INDUSTRY EXPERT POOL CREATION

• Industry Expert Pool: Group of industry experts recommended to the SPP BOD by the Oversight Committee

• Industry Expert Panel: 3 -5 person group of industry experts selected from the pool by the Oversight Committee who are engaged to review and evaluate proposals submitted in response to the Transmission Owner Selection RFP. The SPP BOD may approve the use of multiple industry expert panels.

![Diagram showing Industry Experts flowing into Industry Expert Pool, with 3 - 5 Experts per IE Panel and Approved Experts in IE Pool]
INDUSTRY EXPERT APPLICATION

- Industry Expert applicants must complete an application and submit it to SPP
- The Industry Expert candidate shall have documented expertise on file with SPP 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
  5. Electric transmission finance
INDUSTRY EXPERT PANEL’S ROLE IN TOSP

• IEP panels are created “as needed”

• IEP reviews, ranks, and scores the RFP Proposals

• IEP may award up to 1000 base points for each RFP Proposal

• High level scoring categories are defined in the Tariff
  • No specific requirements* for how the points are awarded within each category

*Process Improvement requires IEP to publish scoring criteria specific to that panels CU by mid-point of RFP Response Window
# SCORING CRITERIA & ELIGIBLE POINTS

<table>
<thead>
<tr>
<th>TOSP Scoring Criteria</th>
<th>Maximum Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engineering Design</td>
<td>200 Points</td>
</tr>
<tr>
<td>Project Management (Construction Project Management)</td>
<td>200 Points</td>
</tr>
<tr>
<td>Operations</td>
<td>250 Points</td>
</tr>
<tr>
<td>Rate Analysis (Cost to Customers)</td>
<td>225 Points</td>
</tr>
<tr>
<td>Finance (Financial Viability and Creditworthiness)</td>
<td>125 Points</td>
</tr>
<tr>
<td><strong>Total Base Points</strong></td>
<td><strong>1,000 Points</strong></td>
</tr>
<tr>
<td>Detailed Project Proposal (Incentive Points)</td>
<td><strong>100 Points</strong></td>
</tr>
<tr>
<td><strong>Total Maximum Points</strong></td>
<td><strong>1,100 Points</strong></td>
</tr>
</tbody>
</table>

INDUSTRY EXPERT TARIFF REQUIREMENTS

• SPP Tariff requirements:
  
  • 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 (Att. Y Section III.2.b.(vi))
  
  • 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 (Att. Y Section III.2.d.(vi)(1))

  • The IEP shall develop an internal report for the Transmission Provider detailing the process, data, results of deliberations, and its recommended RFP Proposal and an alternate RFP Proposal (Att. Y Section III.2.d.(vi)(2))

  • Att. Y Section III.2(f)(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 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 category.
DESIGNATED TRANSMISSION OWNER SELECTION

- IEP reviews RFP responses, ranks and scores solutions
  - Each submitted RFP response is scored according to established criteria
  - The IEP creates “Internal Report”; recommendation report provided to SPP Staff
  - Staff creates two redacted reports:
    - Board of Directors Report - *RFP respondent names are redacted*
      - Published 14 calendar days prior to BOD meeting
    - Public Report - *excludes names of RFP Respondents and any confidential information obtained during the TOSP*
- SPP Board of Directors selects an RFP Proposal (“Selected RFP Proposal”) and an alternate RFP Proposal for each CU based primarily on the information provided by the IEP.
  - SPP will issue NTC for the CU to Selected RFP Respondent(s)
TOSP STANDARD TIMELINE
# TOSP PROCESS

## 2019 Transmission Owner Selection Process

<table>
<thead>
<tr>
<th>PRE RFP RELEASE</th>
<th>RFP RESPONSE WINDOW</th>
<th>IEP REVIEW PERIOD</th>
<th>POST IEP REVIEW PERIOD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOSP Process</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>STEP 1: IEP Pool Creation</td>
<td>STEP 2: RFP Published</td>
<td>STEP 5: IEP Create Scoring Matrix</td>
<td>STEP 8: IEP Evaluation &amp; Recommendation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>STEP 7: RFP Proposals Submitted</td>
<td>STEP 10: BOD Action</td>
</tr>
</tbody>
</table>

*Oversight Committee tasks – In green
SPP tasks – In red
IEP tasks – In blue
QRP tasks – In purple
SPP BOD tasks – In Beige*
SAMPLE TOSP STANDARD TIMELINE
ASSUMES ISSUANCE OF RFP 7 DAYS AFTER BOARD APPROVES PROJECT FOR CONSTRUCTION

* This timeline applies once SPP issues a Request for Proposal:
  - SPP may issue RFP by or before later of: (1) 7 calendar days after approval of CU by SPP Board; or (2) 18 months prior to date that anticipated financial expenditure is needed for CU
  * Assumes IEP request 30 extension on review window
RFP PROPOSALS
HOW TO RESPOND TO AN RFP?

• All responses should be submitted using the Request Management System (RMS)

• RFP Response Forms
  • Will be provided to all QRPs at time of RFP publishing. There are certain pieces required to be completed by SPP that are specific to each CU so a standard template posted online would not be proper form to use as part of an RFP Proposal
  • Word and Excel combination – Process Improvements included modifying RFP Responses to utilize a Word document as the main response document and an accompanying Excel template to apply to mainly finance related responses.
HOW TO RESPOND TO AN RFP?

Multiple ways to respond:

• QRP Only – An entity that has been determined by the Transmission Provider to satisfy the qualification criteria set forth in Section III.1 of Att Y.

• Competitive Upgrade Participant (CU Participant) – An entity that has signed or will sign the SPP Membership Agreement as a TO that proposes to participate in a CU but that will not be the DTO for the CU.

• Joint-Owner responses – An RFP Proposal may be submitted jointly by more than one QRP for the purposes of identifying more than one DTO for a CU.
  
  • Each RFP Respondent for a Joint RFP Proposal must be a QRP at the time that the Joint RFP Proposal is submitted and at all times during the TOSP.

• Multi-Owner responses – An RFP Proposal may include one or more CU Participants. A Multi-Owner RFP Proposal must include at least one QRP that will serve as the RFP Respondent and the DTO for the CU if the Multi-Owner RFP Proposal is selected.
RFP RESPONSES UTILIZING WORD DOCUMENT

• When responding utilizing the Word document, responses should be specific in nature to the CU and not simply high level and general in character. A driving force in moving to a Word document was to allow narrative responses in an easier format.
RFP RESPONSE UTILIZING EXCEL TEMPLATES

• Finance excel templates
  • To better accommodate varying business models the process improvement efforts created three options a respondent may choose when creating a Present Value Revenue Requirement (PVRR).
  • Complete only one of the following tabs:
    • PVRR_ROE, PVRR_MFI, or PVRR_DSC based on entity business model
### Present Value Revenue Requirement / Carrying Charge Analysis

<table>
<thead>
<tr>
<th>Line</th>
<th>Assumptions</th>
<th>Value</th>
<th>Notes</th>
<th>CWIP Recovery Assumptions</th>
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<tbody>
<tr>
<td>1</td>
<td>Investment</td>
<td>$</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Tax Life</td>
<td>0</td>
<td></td>
<td>Recover CWIP (Yes: 1; No: 0)</td>
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<tr>
<td>3</td>
<td>Book Life</td>
<td>40</td>
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<td>Percent of Total CWIP in Rate Base (up to 50%)</td>
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<tr>
<td>4</td>
<td>Discount Rate</td>
<td>8.00%</td>
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<td></td>
</tr>
<tr>
<td>5</td>
<td>Composite Tax Rate</td>
<td>0.00%</td>
<td>See Wkst 3A</td>
<td>Spend Per Year</td>
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<tr>
<td>6</td>
<td>Property Tax Rate</td>
<td>0.00%</td>
<td>See Wkst 3B</td>
<td>Year -3 Spend Percentage</td>
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<tr>
<td>7</td>
<td>Rate Base Adjustment (annual, year 1)</td>
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<td>See Wkst 3C</td>
<td>Year -2 Spend Percentage</td>
</tr>
<tr>
<td>8</td>
<td>O&amp;M (annual, year 1)</td>
<td>$</td>
<td>See Wkst 3D</td>
<td>Year -1 Spend Percentage</td>
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<tr>
<td>9</td>
<td>A&amp;G (annual, year 1)</td>
<td>$</td>
<td>See Wkst 3E</td>
<td>Year - 0 Spend Percentage</td>
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<tr>
<td>10</td>
<td>Other Annual Costs (year 1)</td>
<td>$</td>
<td>See Wkst 3F</td>
<td>Total Project Spend (should be 100%)</td>
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<tr>
<td>11</td>
<td>AFUDC (adds to investment to get total project cost)</td>
<td>$</td>
<td>See instruction to the right</td>
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<tr>
<td>12</td>
<td>Tax Basis for Land Costs (informational only)</td>
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<tr>
<td>13</td>
<td>Tax Basis Reductions (AFUDC-Equity, Land, etc.)</td>
<td>$</td>
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<tr>
<td>14</td>
<td>Present Value Revenue Requirement</td>
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</tr>
</tbody>
</table>

**Bidders:** Enter bid-specific values in yellow shaded cells, and make no changes in gray or other cells.

**SPP Transmission Project:**

- Finance excel templates
- Only “yellow” highlighted boxes should be completed. All other cells are “locked”
RFP RESPONSE UTILIZING EXCEL TEMPLATES

• Finance excel templates
  • Tabs 3D, 3E, 3F contain options 1 and 2
  • Only complete one option
    • Option 1 – provides a formulaic calculation that provides the same expense over 40 years
    • Option 2 – allows respondents to itemize expenses as they prescribe over 40 years, however the inflation rate remains locked at 2.5%
  • Inflation is prescribed at 2.5%
  • Discount rate is prescribed at 8%
QUESTIONS & ANSWERS
COMMUNICATION

• Submitted question prior to meeting –
  • Are there any restrictions on contacting the incumbent Transmission Owner if there are questions on the interconnection to their substation, operational questions or maintenance questions? Or are we required to work through SPP?

• SPP prefers that all communications go through SPP, we will utilize the RMS to document and respond communications. Information that applies to all potential RFP respondents shall be communicated to all.
POST DESIGNATED TRANSMISSION OWNER AWARD

• Submitted question prior to meeting –
  • What type of changes after TOSP award should be communicated to SPP? Should formal and/or informal changes in bid be communicated to SPP? What type of changes might require approval/review?
  • Example – significant changes in RFP Proposal such as cost, vendor/contractor etc that impact the bid as submitted
• SPP would expect items to follow the standard project tracking procedures. Material changes should be communicated and documented to SPP.
COMPETITIVE NTC

• Developer Agreements?
  • SPP and Stakeholders have discussed but not pursued creating Developer Agreements specific to selection of a RFP Respondent for a CU.
  • Currently, SPP and stakeholders rely on the requirement to become an SPP member and execute the SPP Membership Agreement as a TO to cover many aspects that a Developer Agreement may include.
  • A Competitive NTC will be utilized that includes standard NTC items and any specific requirements or details of a selected RFP Proposal as a way to document and enforce bid specific details.
    • Example: Cost cap on bid
RESTRICTIONS

• Warnings on IEP contact?

• (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 or CU Participant is prohibited, and may result in the Transmission Provider disqualifying the RFP Respondent and the RFP Proposal 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 and information, if any, obtained during the Review Period. (Att. Y Section III.2.d.(vi)(1))
OTHER ITEMS

• Are there any other questions or topics for discussion?