

New facilities which are not upgrades and will be included in the SPP Tariff rates:

SPP would utilize the current process of designating the default Transmission Owner(s) of the facilities to which the new line would interconnect or the entity which may have suggested the project if the entity is, or can be, qualified as a Transmission Owner in the SPP. This would allow SPP to work with the default Transmission Owner(s) related to cost estimates, etc. for planning purposes. Details behind the cost estimates and other issues shall remain confidential between SPP and the default Transmission Owner during the planning process. The current levels of cost estimation accuracy shall be maintained for the planning process as defined in the PCTF whitepaper.

- 100 kV and Below – Default to the local Transmission Owner using current process.
- 100 kV to 300 kV facilities – Default to the local Transmission Owner using current process.
 - In accordance with the vote of the task force.
- 300 kV and higher.
 - Upon BOD approval of the project, SPP would issue a Request for Interest (RFI) to the default Transmission Owner(s), the remaining SPP Transmission Owners, other entities that have expressed interest in building projects in the SPP and post the project on the SPP web site.
 - All parties shall have 30 days to respond to SPP as to its interest in constructing, owning and maintaining the project. (*Reasoning – These projects are coming out of a 1 year to 18 month open and transparent planning process which has already been presented to, and approved by, the SPP BOD. Any entity having an interest in becoming the TO for a project should already have the basic information and should have been following and participating in the planning process.*)
 - If one or more parties other than the default Transmission Owner do apply to construct the project, then the SPP would go to the Transmission Owner selection process.
 - The default Transmission Owner can either remain in the process or drop out
 - Selection of the constructing Transmission Owner would not require that the participant currently be a Transmission Owner under the Tariff, but would have to be able to join SPP as a Transmission Owning member under the Tariff, be able to meet any State requirements to construct the project in the State(s) where the project is to be built, as well as all other requirements as outlined in the Tariff and the Transmission Owner Selection process.
 - If no entity responds to the RFI, then the project defaults to the Transmission Owner as determined in the current Tariff (i.e. the incumbent TO)
 - Transmission Owner Selection Process
 - If no responses are received, the project goes to the incumbent TO.
 - If one or more responses to the RFI is received, a selection committee (SC) is formed by the Oversight Committee (*Note: Arguably, if only one response is*

received, the need for forming a SC may not be needed, but even if formed, it would have a lot less to deal with than comparing two or more proposals.)

- Voting members of the SC are SPP Staff (as outlined in the current BP)
- Stakeholder experts and consultants may be utilized by the SC throughout the process at its discretion
- The responses to the RFI are reviewed and determined which, if any of the responders should be advanced to receiving the RFP (15 days)
- The SC develops the Request for Proposal (RFP) based upon the RFI and the responses to the RFI (30 days)
- The RFP is issued to the interested parties (60 days)
- SC evaluates the responses to the RFP – this includes the cost comparisons between what is received vs. the planning estimates (30 days)
- SC makes a recommendation to the Oversight Committee
- The Oversight Committee makes its recommendation to the BOD
- The BOD selects the TO

PROS:

- Preserves the current ITP process as recently approved by FERC. That approval came after the NOPR and Order 1000 was approved with no stipulations or comments related to the Order approving ITP.
- Maintain an open, transparent and collaborative planning process. Keeps the ability of all stakeholders supplying options (including non-wires ones) regardless of who constructs, thus having a decision based more on regional portfolio solutions rather than individual band aids.
- Uses currently approved, and stakeholder approved processes.
- If time is added to the overall process, it is added only for large projects with long lead times and after the planning process is completed, when it is more likely to have time available to complete the project without affecting the ultimate completion of the project, including the ability to get state approval to construct the project.
- Separates out the “need” component from the construction so the best regional solutions are identified. Selection process after the project has been approved allows SPP to compare the various proposals for construction, maintenance, financial and cost components allowing the “best” builder to build. The process does not guarantee the entity with the lowest cost (construction cost) will be approved to construct the project if other mitigating factors, like projected lower O&M costs, are considered .

CONS:

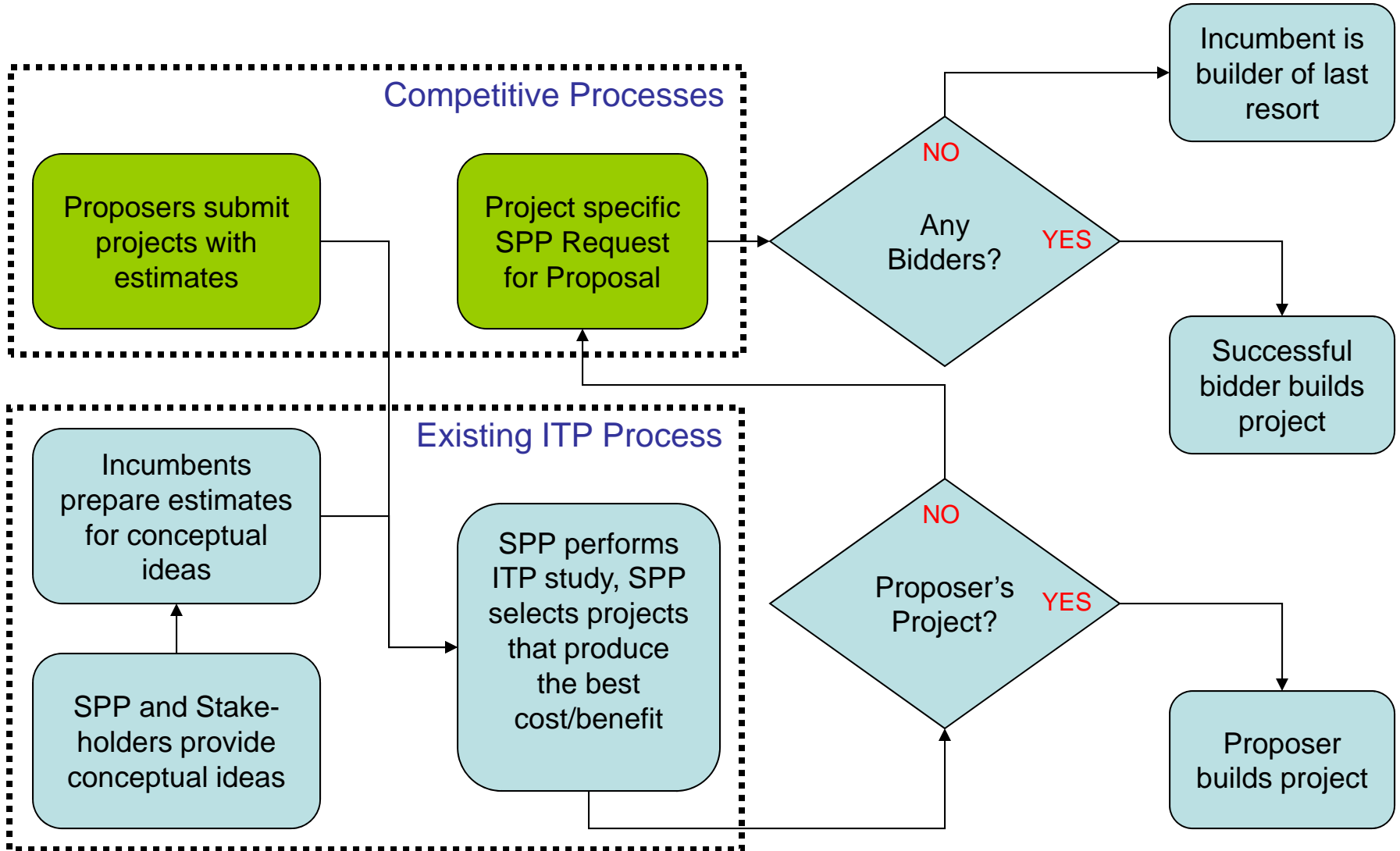
- Does not guarantee an entity that proposes a project will build the project if it wants regional funding.
- May discourage outside entities from proposing projects if not guaranteed to build

TO Selection Process – March 1, 2012

- If not properly addressed in the selection process, could cause a minimum cost design philosophy for construction. *(However, there is no guarantee this doesn't happen today or under the proposer builds option as well.)*

Option A

Planning & Construction Competition

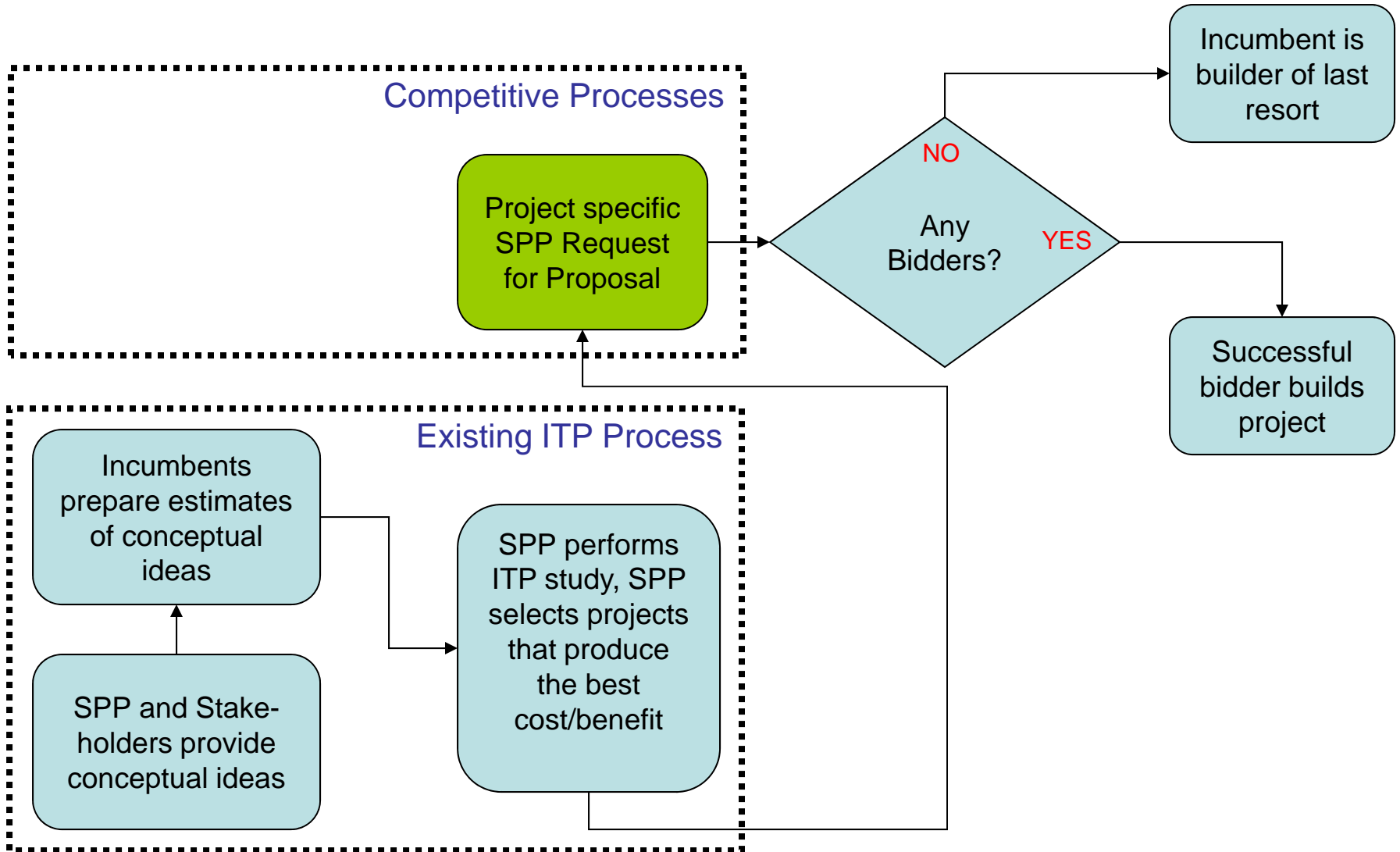


Planning & Construction Competition

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

Option B

Construction Competition

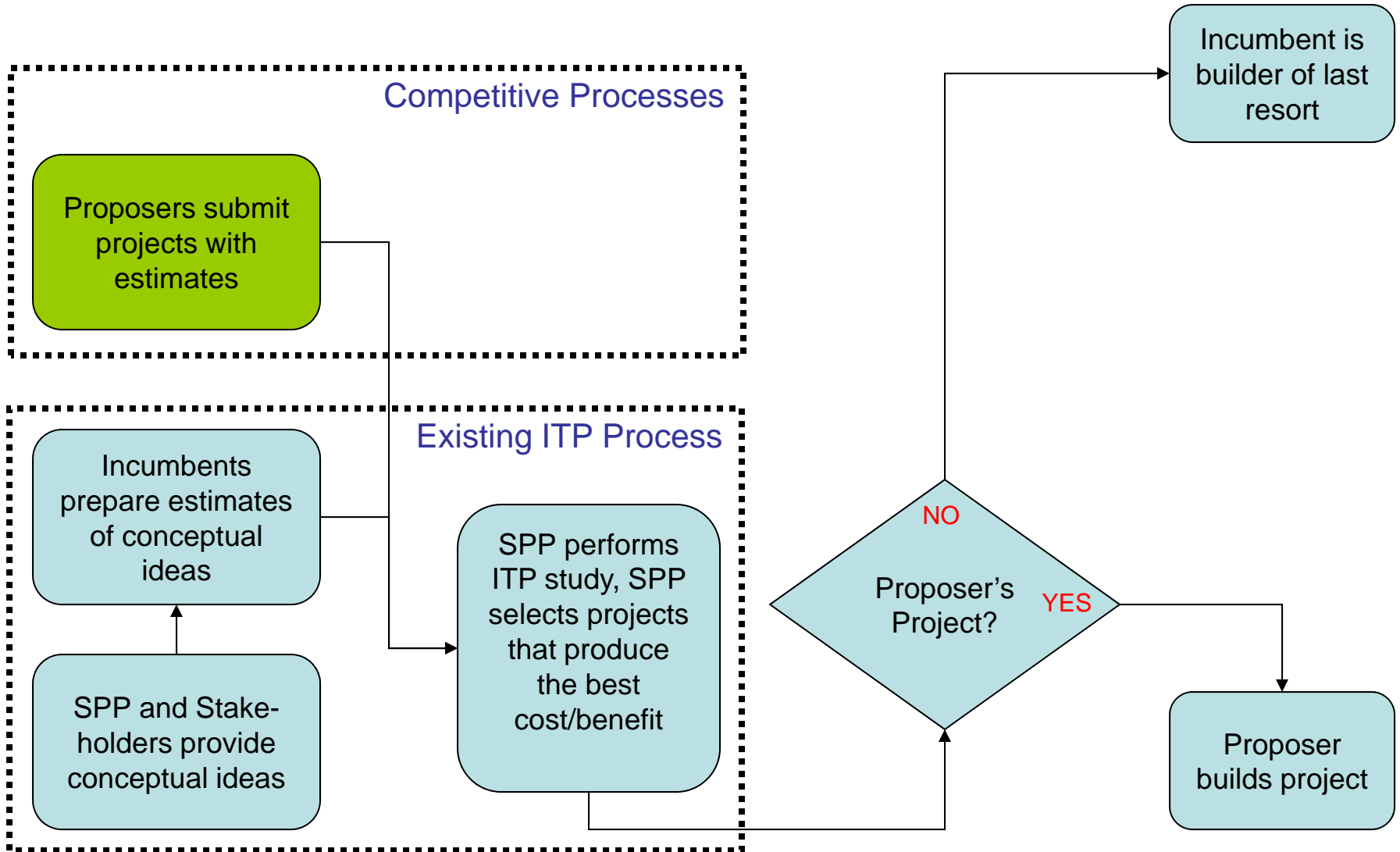


Construction Competition

- **Strengths:**
 - Opens process at construction stage for both incumbents and non-incumbents
 - Keeps existing SPP transmission planning process largely intact, and allows SPP and all stakeholders to provide conceptual ideas into ITP process, without obligation to construct
 - Provides for construction competition for projects, consistent with the non-discriminatory competitive bidding process identified in 336 of Order 1000
 - Only one competitive process for SPP staff to manage at back-end
- **Weaknesses:**
 - Tariff and business practice changes needed to reflect additional construction competition steps to the ITP process
 - Does not provide an incentive for any stakeholder, both incumbent and non-incumbent, to propose projects into the ITP process
 - Constructor selection complex and creates unintended industry drivers resulting from the project constructor selection process. (i.e. narrow set of metric differences for selecting bid winners can result in: higher leveraging of debt/equity beyond traditional investment grade utility levels, reduction of requested (allowed) return on equity at FERC, inability to overcome base carrying charge differences between entities, complexity of bid versus actual construction cost issues)
 - Relies on SPP planning staff and incumbent TO for ideas and solutions to problems
 - Incumbents have advantage over non-incumbents as they will have access to projects and provide project cost estimates at early stage
 - Allows for transmission solutions < 300 kV, potentially resulting in artificial ROFR
 - Potential for gaming exists with incumbents setting the “bar” with initial project cost estimates/solutions
 - Does not allow sponsorship of projects when determining the most cost effective solution
 - Imposition of construction bidding expertise on SPP staff and processes
 - Construction competition will delay construction, as construction competition occurs at the end of ITP process and project selection process and may adversely affect the Need Date
 - Proposed to rely on TO Selection process that did not anticipate large quantities of projects for SPP review; may require SPP to either increase staff for needed skills or use consultants
 - Proposal on the table reduces the response time for an NPE from 90 days to just 60 days
 - Incompatible with NTC-C process

Option C

Planning Competition



Planning Competition

- **Strengths:**

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

- **Weaknesses:**

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

Paragraph 336, FERC Order 1000

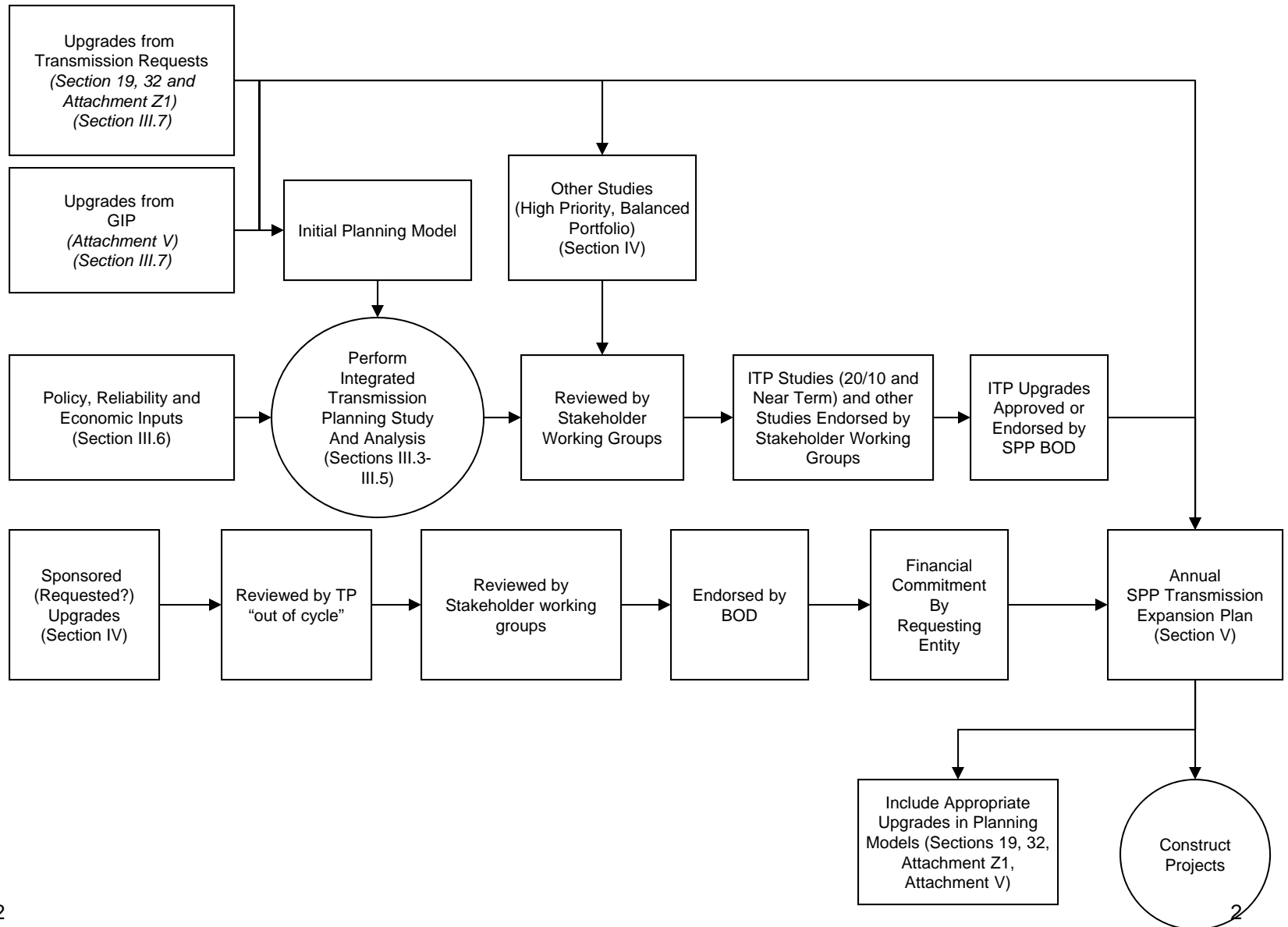
“...The mechanism a regional planning process implements could also allow the sponsor of a transmission project selected in the regional transmission plan for purposes of cost allocation to use the regional cost allocation method associated with the transmission project. **In that case, however, the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

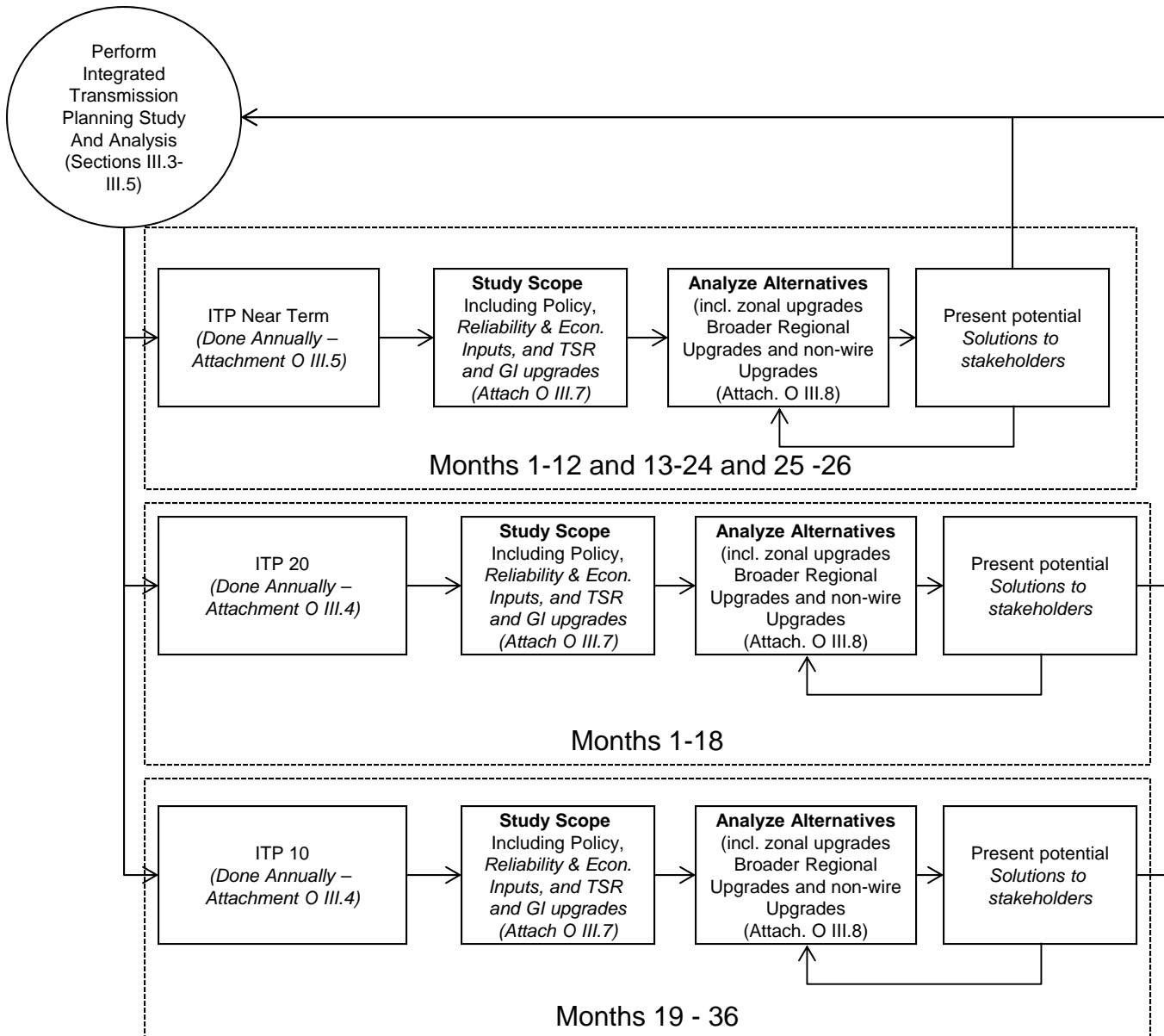
SPP Planning Process Order 1000

Constructor Selection Process

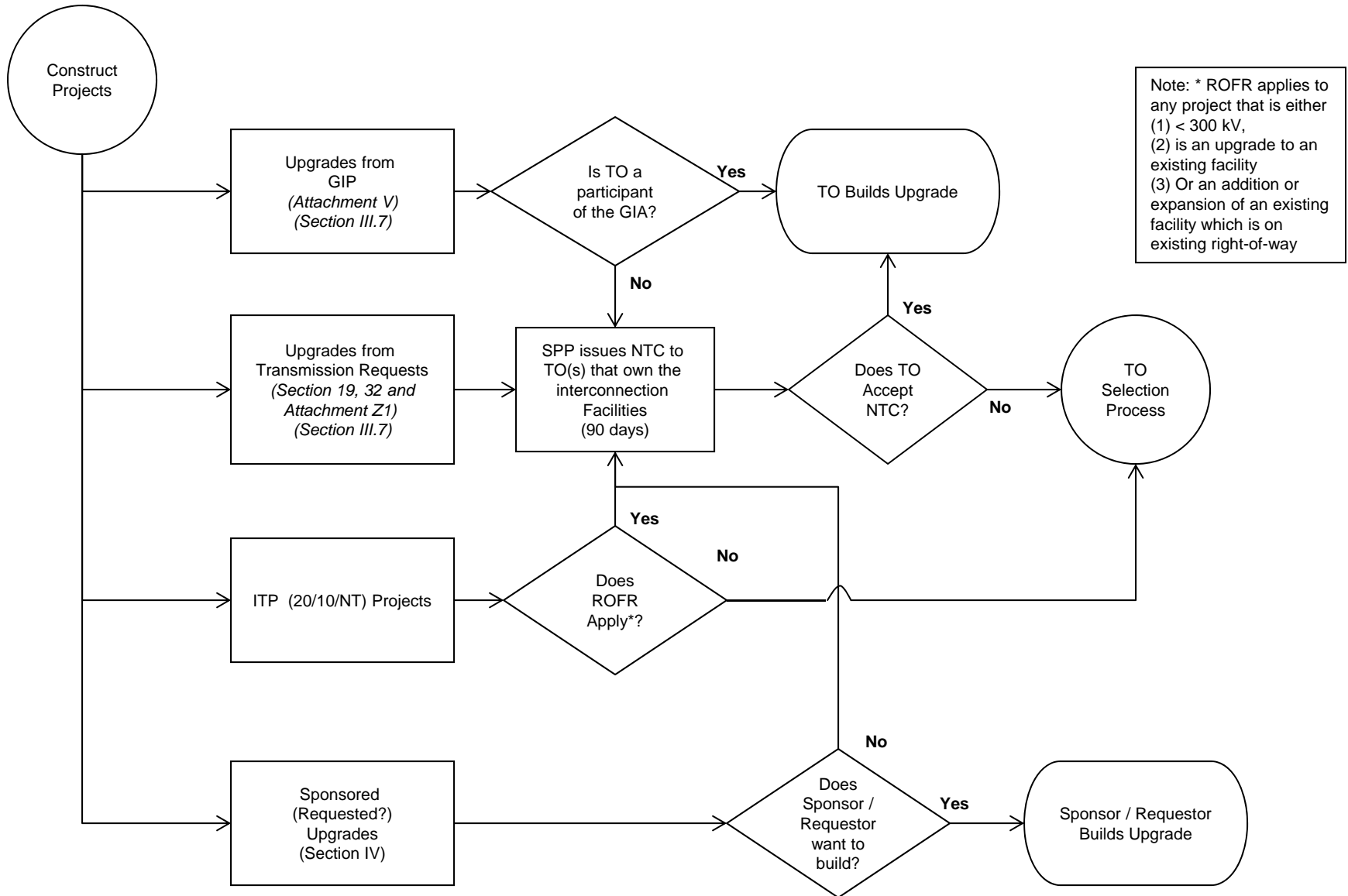
Draft: 3/1/2012

The Annual Transmission Planning Process





Transmission Constructor Selection Process



Transmission Constructor Selection Process

