



Southwest Power Pool

STRATEGIC PLANNING COMMITTEE TASK FORCE on ORDER 1000 MEETING

AEP Office, Dallas, Texas

Wednesday, February 19, 2014

Agenda Item 1 – Call to Order

Ricky Bittle called the meeting to Order. This was a joint meeting with the SPCTF, the Business Practices Working Group (BPWG) and Regional Tariff Working Group (RTWG) leadership. SPCTF Members present in-person or on the phone included: Brian Thumm (ITC); Paul Malone (NPPD); Jake Langthorn (OGE); Terri Gallup (AEP); Noman Williams (Sunflower), Dennis Reed (Westar); and, Bruce Cude as proxy for Bill Grant (Xcel). Grant Wilkerson and Dennis Reed were present in person as chair of the BPWG and RTWG, respectively. SPP Staff included Michael Desselle, Lanny Nickell, Paul Suskie, Steve Purdy, Brett Hooton, Brenda Fricano, Tessie Kentner, and Ben Bright. Other guests and staff participated in person or via phone (Attendance – Attachment 1).

Agenda Item 2 – Compliance Proposal Discussion

A consensus was formed at the November 18th, 2013 SPCTF meeting that projects that are identified through the new Aggregate Study process that are needed in less than three years for reliability purposes should not have to go through the competitive process and that projects needed beyond the three year window would be subject to the Competitive Bidding process. Dennis Reed and Jake Langthorn were tasked to develop a joint proposal for consideration. Dennis Reed presented the Order 1000 compliance proposal to include changes to the Aggregate Transmission Service Study (Proposed Changes to the Aggregate Transmission Service Study – Attachment 2). Recognizing that projects needed beyond the three year window would go through the Competitive Bidding Process, the proposal proffered two options for when to include stakeholder input into the Aggregate Transmission Service Study (ATSS) process. The first option (Attachment 2 – Page 1 & 2) proposed to include such input at the Facilities Study stage as opposed to the second option (Attachment 2 – Page 3 & 4) which would modify the completion process to include stakeholder input.

Questions were raised about the need for stakeholder input and whether entities would or should be allowed to submit Designated Project Proposals (DPPs). Staff noted that stakeholder input was another way to potentially get good solutions. Staff noted that the question would be whether to award the bonus points. A question also arose regarding whether upgrades for “point-to-point” service still applied. Staff noted that there may be some exceptions and that a legal opinion was probably warranted. Accordingly, the issue of applicability for point-to-point service was deferred as a follow-up action item.

Following Dennis' presentation, staff reported its legal opinion sought as a follow-up action item from the previous SPCTF meeting, that the FERC Order does not require stakeholder input on the Aggregate Transmission Study process. Consequently, a third option could be that SPP require RFPs for the ATSS with no stakeholder input. In response to questions regarding the impact of various options on the timing of the ATSS, staff responded that Option 3 had the least impact on timing.

Dennis Reed moved and Noman Williams seconded approval of Option 3 (RFPs for ATSS projects needed beyond the three year window with no stakeholder input) which passed with no opposition.

Returning to the question of whether to award the 100 bonus points for projects that had been previously identified (and tagged as DPPs), arguments opposing and supporting awarding the points were made. Opposition (OGE, NPPD, ITC, Sunflower, Xcel, Westar) comments noted: that the transmission issue being solved in the ATSS may not be the same as proposed through the ITP/DPP processes; that modeling differences will complicate planning; that not allowing stakeholder input in the competitive process for the ATSS (just approved unanimously) is inconsistent with awarding points; and, that awarding bonus points complicates the ATSS process. Support (AEP) centered on the question of whether not awarding the points defeated the 3-year DPP logic. Dennis Reed moved and Bruce Cude

seconded that the "100 point" DPP bonus would not be applicable to projects coming out of the ATSS. The vote passed with 5 supporting, 2 voting no (AEP and ITC) and one abstention (AECC).

Agenda Item 3 – Continued Discussion on RFP Cost Estimate Bandwidth

Michael Desselle provided a recap of the discussion from the January 16 SPC meeting on the SPCTF's recommendation to the SPC to adopt staff's motion for a business practice requiring that RFP bid participants in the Competitive Process submit cost estimates at $\pm 20\%$ and that the NTC-C process would not be applicable to the Competitive Bidding Process (SPCTF recommendation to the SPC – Attachment 3). He noted that the motion passed, though each of the Independent Directors opposed the motion, and that a subsequent motion, passed unanimously, asked the SPCTF to consider:

1. Allowing more than 30 days for RFP respondents to submit bids (following the Board's approval of NTC's to be issued); and,
2. To consider provisions "with teeth" intended to control costs following the awarding of bids.

Ben Bright described the timeline contained in the tariff (RFP timeline – Attachment 4), noting that there was a misperception about the amount of time RFP respondents have to submit complete proposals. He noted that RFP respondents have 90 days, not 30. Brett Hooton described the two components to staff's initial proposal (SPCTF Proposal – Attachment 5). Paul Malone noted that 90 days may be sufficient for some projects but not be enough time for entities to prepare a "large" project cost estimate. Discussions focused on the pros/cons of allowing NTC-Cs and requiring submissions at $\pm 20\%$. Dennis Reed moved and Paul Malone seconded adoption of $\pm 20\%$ RFP submittal cost estimate bandwidth *and* retention of the NTC-C process. The motion failed with 3 in favor and 5 against. Paul Malone then moved and Noman Williams seconded that the PCWG evaluate and recommend to the SPCTF RFP response times based upon scope and scale of transmission projects. The motion passed unanimously.

Added Agenda Item 4 – HPILS implication for delay to ITP10

Lanny Nickel and Noman Williams discussed the potential implications associated with projects resulting from the HPILS and how inclusion of those transmission projects in the ITP10 planning models may impact and potentially delay by one quarter implementation of start of the competitive bidding process for the ITPNT and ITP10 underway now. They noted that no action was needed today.

Agenda Item 5 – Action Items

Action Items include:

1. RTWG to adopt tariff modifications to implement Option 3 to comply with inclusion of the competitive process to encompass the ATSS.
2. Staff to provide legal opinion regarding upgrades resulting from point to point service in the ATSS; and,
3. The SPCTF will consider at a future meeting PCWG input (expected in March) on expanding the RFP response time associated with Competitive Bidding Cost Estimation proposals.

Respectfully Submitted,

Michael Desselle
Secretary



Southwest Power Pool, Inc.

STRATEGIC PLANNING COMMITTEE TASK FORCE on ORDER 1000 MEETING

Wednesday, February 19, 2014

9 AM – 3 PM

8th Floor Conference Room

AEP Office, Dallas, Texas

• A G E N D A •

1. Call to OrderRicky Bittle
2. Compliance Proposal Discussion Dennis Reed
3. Continued Discussion on RFP Cost Estimate BandwidthBrett Hooton/Ben Bright
4. Action Items Michael Desselle

Southwest Power Pool

STRATEGIC PLANNING COMMITTEE TASK FORCE ON ORDER 1000

February 19, 2014

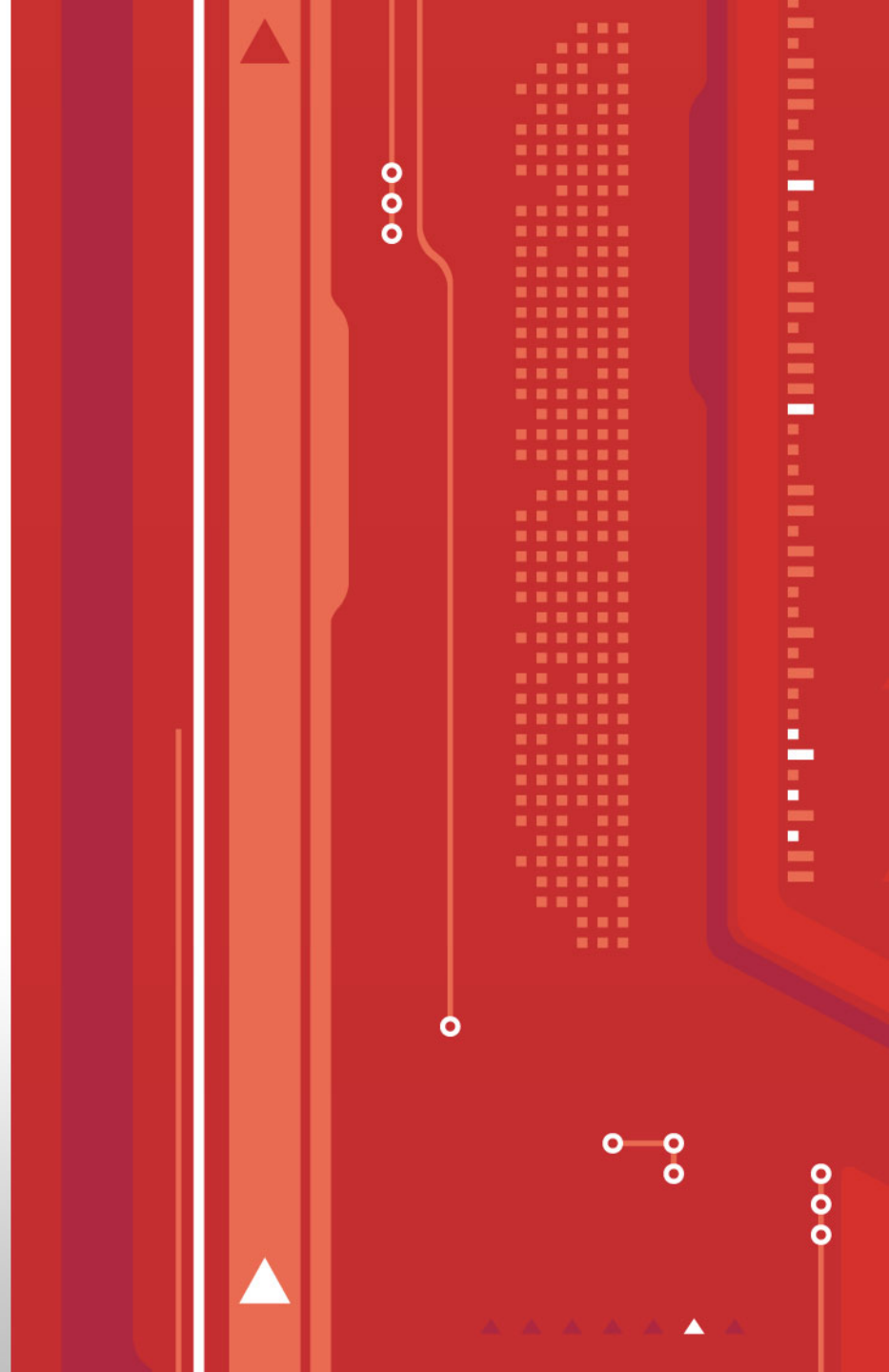
ATTENDANCE LIST

Name	System
✓ Michael Desselle	SPP
Ricky Bittle	AEC
✓ BEN BRIGHT	SPP
✓ LANNY NICKELL	SPP
Terri Gallup	AEP
✓ Steve Purdy	SPP
✓ Tessie Kentner	SPP
✓ Brenda Fricano	SPP
✓ Brett Hooton	SPP
Paul Malone	NPPD
✓ Paul Soske	SPP
BRIAN THUMM	ITC
Noman Williams	Sunflower
Wenrs Reed	Wester
Debbie Prater	OCC
CHUCK MARSHALL	ITC
GRANT WICKERSON	Westar Energy
DAVID KAYS	OGE

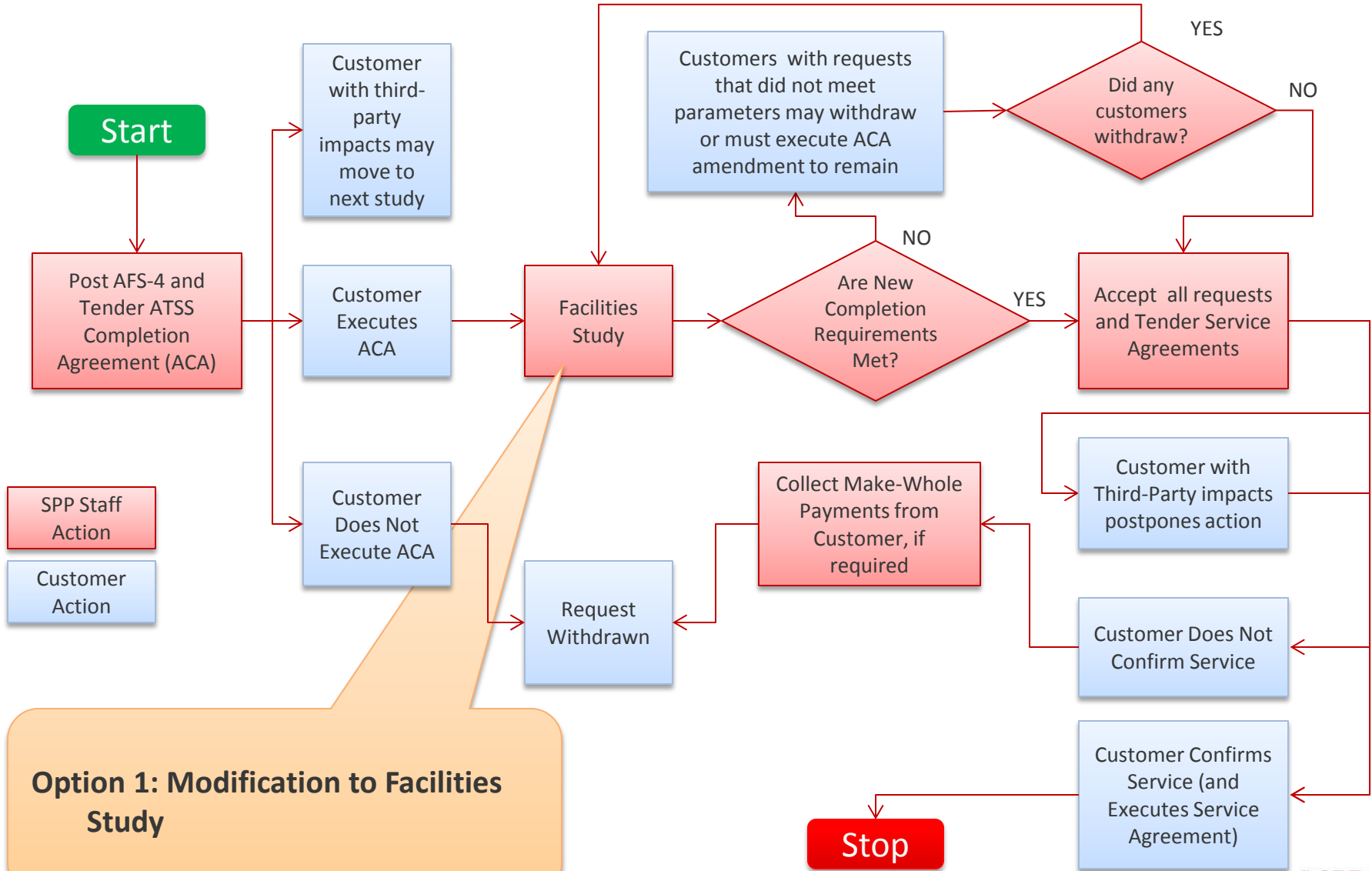
Order 1000 Compliance

Proposed Changes to the
Aggregate Transmission
Service Study

Dennis Reed, Jake
Langthorn



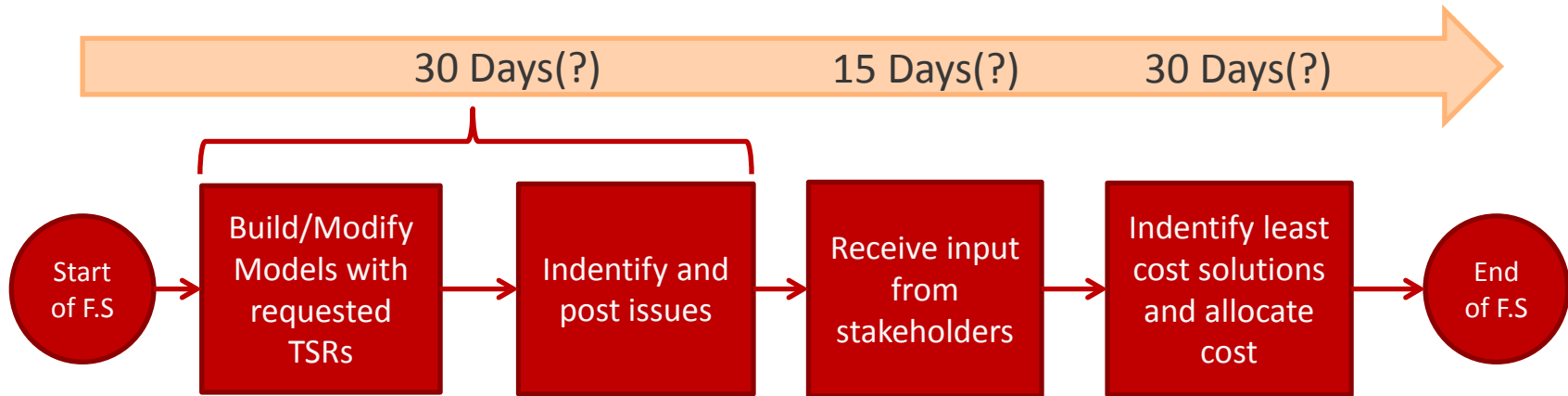
Insertion of Stakeholder Input in ATSS: Option 1



Option 1: Modification to Facilities Study

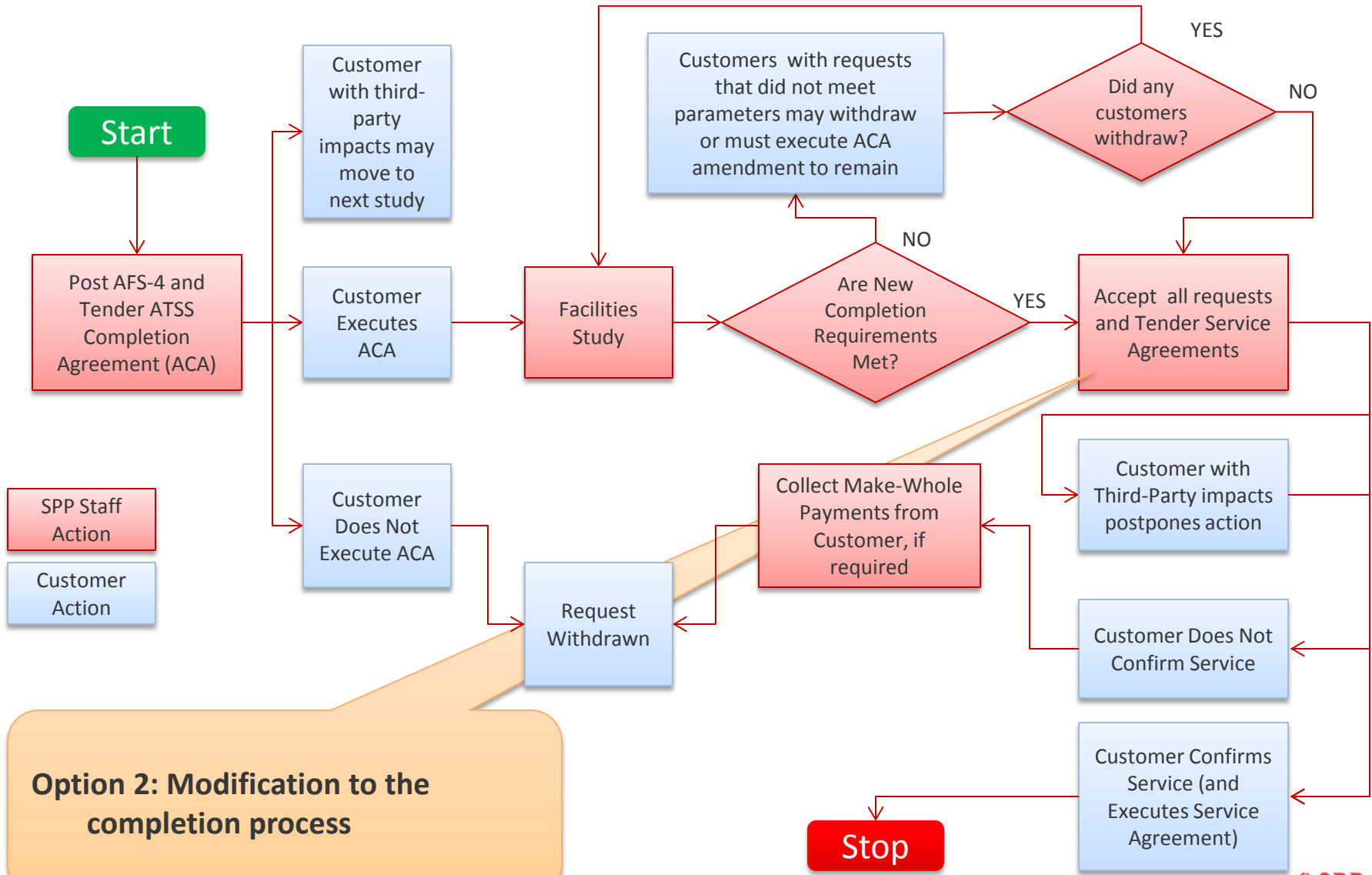
SPP Staff Action
Customer Action

Option 1: Modified Facilities Study



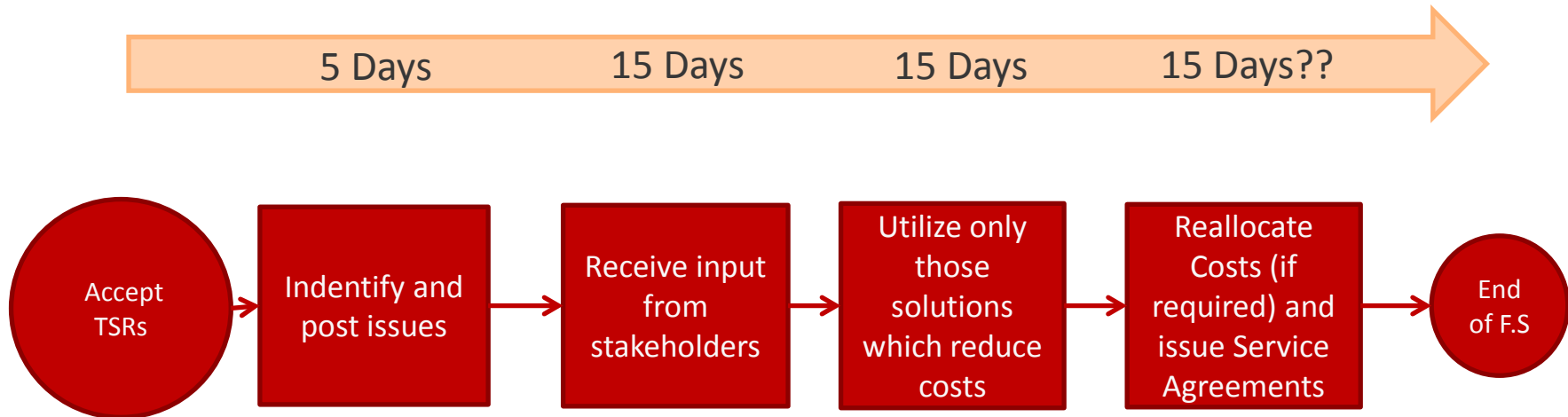
- Increases time to complete a Facilities Study
- Stakeholders submitting solutions do not qualify for DPP status
- Make the posting and receipt of solutions from Stakeholders optional after the first round, or contingent upon a need to solicit new solutions due to the elimination of some requests.
 - This assumes SPP still works with local T.O.s to identify and determine local issues, but allows for non-TO input
- This process could be inserted in the latest version of the ATSS process as part of the first iteration of the Facilities Study only.
- **Theory: The most complex version of system upgrades will be the first iteration, from that point on the number of upgrades generally decrease.**

Insertion of Stakeholder Input in ATSS: Option 2



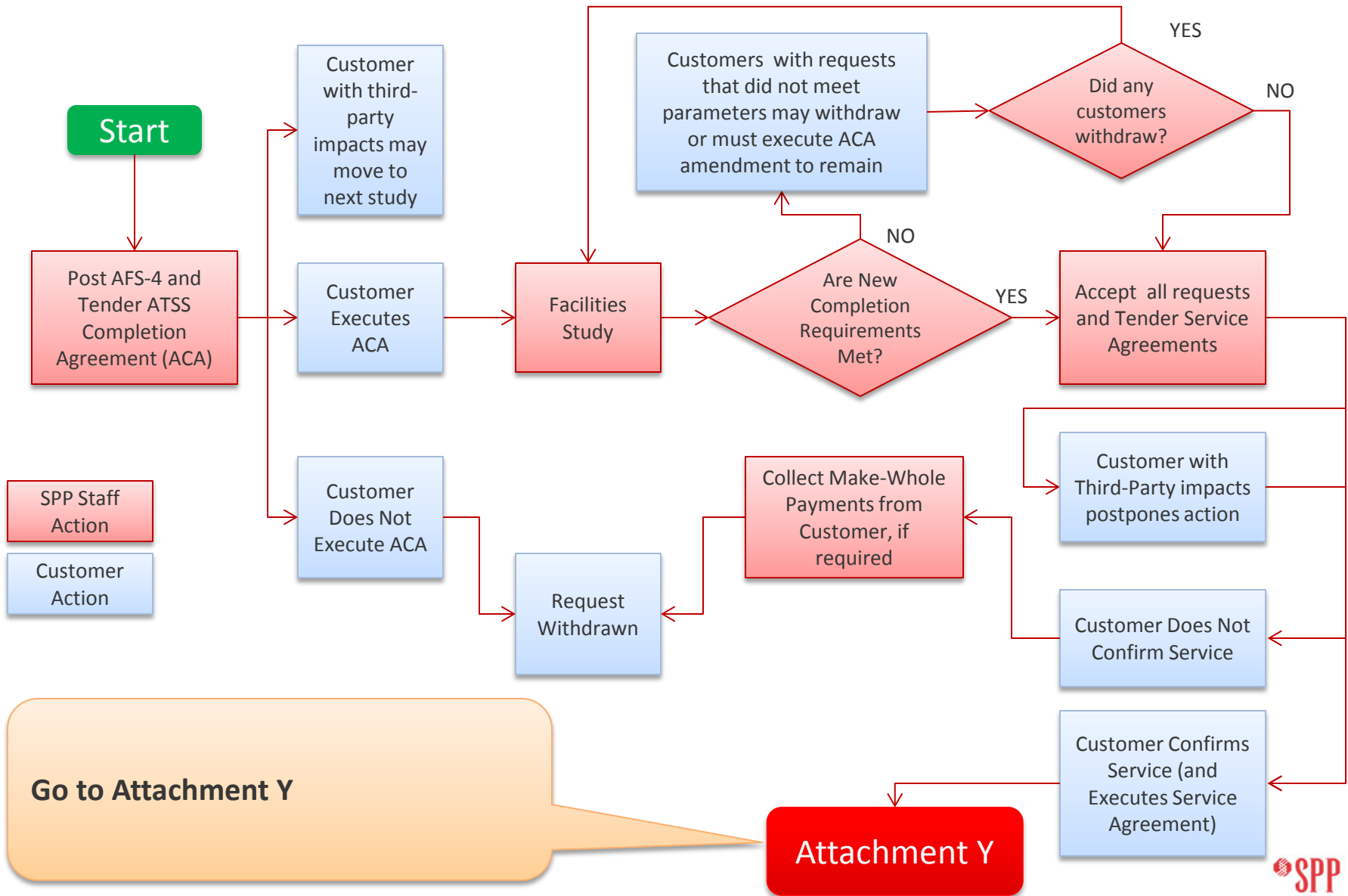
Option 2: Modification to the completion process

Option 2: Modified Completion Process



- Increases time to Issue Service Agreements
- Possible issue: May cause a TSR to be withdrawn due to upgrade costs by not having the least cost solution
- Stakeholders submitting solutions do not qualify for DPP status
- This assumes SPP still works with local T.O.s to identify and determine local issues, but allows for non-TO input
- This process could be inserted in the latest version of the ATSS process.
- **Theory: Causes least amount of impact to the ATSS process while allowing Stakeholder input on proposed process but could cause issues with customers having to accept a Service Agreement without the final costs**

Building an Upgrade from the ATSS



Issuing NTC.s

- **Include Upgrades from an ATSS as being eligible to become a Competitive Upgrade**
- **To become a Competitive Upgrade would still require:**
 - Upgrade to be > 100 kV
 - Not a rebuild of an existing facility
 - Not a Local Transmission Facility
- **Add language to include upgrades from an ATSS if needed within 3 years**
- **Proposed Tariff changes are attached**
 - Still need Attachment O Changes

Proposed Tariff Language Revisions (Redlined)

ATTACHMENT Y

I. OVERVIEW OF TRANSMISSION OWNER DESIGNATION PROCESS

- 1) The Transmission Provider shall designate a Transmission Owner in accordance with the process set forth in Section III of this Attachment Y for transmission facilities approved for construction or endorsed by the SPP Board of Directors for which the Transmission Provider issues a Notification to Construct after January 1, 2015 that meet all of the following criteria:
 - a) Transmission facilities that are ITP Upgrades, Aggregate Transmission Service Study 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, or an upgrade identified in an Aggregate Transmission Service Study (ATSS) which is required for the granting of transmission service (“Short-Term Reliability Project”). To have a transmission project approved as a Short-Term Reliability Project, the Transmission Provider shall:
- a) Separately identify and post either an explanation of the reliability violations and system conditions for which there is a time-sensitive need, in sufficient detail to allow stakeholders to understand the need and why it is time sensitive; or the ATSS which identifies the need for the upgrade.
 - b) Provide to stakeholders and post on its website a full and supported written description explaining:
 - i. The decision to designate the Transmission Owner pursuant to Section IV of this Attachment Y, including an explanation of other transmission or non-transmission options that the Transmission Provider considered but concluded would not sufficiently address the immediate reliability need; and
 - ii. The circumstances that generated the immediate reliability need and an explanation of why that immediate reliability need was not identified earlier.
 - c) Permit stakeholders thirty (30) days to provide comments in response to the description required under Section I.3.b of this Attachment Y and make such comments publicly available.
 - d) Maintain and post a list of prior year designations of Short-Term Reliability Projects. The list must include the Short-Term Reliability Project’s need date and the date that the DTO actually energized the project. Such list must be filed with the Commission as an informational filing in January of each calendar year covering the designations of the prior calendar year.
 - e) Obtain approval by the SPP Board of Directors.
- 4) For any upgrade not defined in Section I.1 or not meeting the requirements of Sections I.2 or I.3 of this Attachment Y, the Transmission Provider shall designate the Transmission Owner(s) in accordance with the process set forth in Section IV of this Attachment Y.

- 5) The designation from the Transmission Provider shall be provided pursuant to Section V of this Attachment Y.
- 6) The Transmission Provider shall track all projects that are approved for construction in accordance with Section VI of this Attachment Y.



Southwest Power Pool, Inc.

STRATEGIC PLANNING COMMITTEE TASK FORCE ON ORDER 1000

Recommendation to the Strategic Planning Committee

January 16, 2014

Cost Estimate Bandwidth for Competitive Process RFPs

Organizational Roster

The following persons are members of the Strategic Planning Committee Task Force on Order 1000:

Ricky Bittle, AECC
Todd Fridley, Transource Energy
Terri Gallup, AEP
William Grant, Xcel
Jake Langthorn, OGE

Paul Malone, NPPD
Dennis Reed, Westar
Noman Williams, Sunflower
Brian Thumm, ITC Holdings

Background

In response to the removal of a Federal Right of First Refusal (ROFR) due to FERC's Order 1000 the SPP stakeholders developed a transmission owner selection process (TOSP). The TOSP includes a competitive bidding process. The competitive bidding process includes the issuance of an RFP for a transmission project to provide an opportunity for qualified entities to bid on projects. While the bids from the qualified entities will include multiple items. Cost and rate impact will be a component of the bids.

The TOSP impacts the timeline for when NTCs are issued. Due to the impact to the timeline and for a desire for the cost estimates included in the bids to be valuable, it was determined by the Strategic Planning Committee Task Force (SPCTF) that the cost estimate included in the bids for competitive upgrades should be at an expected +/-20% precision bandwidth.

Analysis

In SPP's current planning process there are three cost estimate stages for transmission project cost estimates. The first is the Conceptual Estimate which is a -50/+100% estimate. The Conceptual Estimate is used for initial project review and screening. The second is the Study Estimate which is a +/-30% estimate. The Study Estimate is used for project evaluation and inclusion in a final report. The Study Estimate is the estimate at the time the SPP Board of Directors makes a decision for project approval. For large transmission projects an NTC-C is issued after project approval. The third estimate is the baseline estimate which is a +/-20% estimate. Once the NTC-C is issued the developer has a certain amount of time to respond with a revised cost estimate. This estimate is the baseline estimate (+/-20%).

To incorporate the cost estimation process into the TOSP adjustments are needed. Utilizing the current process without adjustments would create additional delays in issuing an NTC. Additionally, without adjustments the cost estimate included in a bid would not be binding as it wouldn't be utilized as the baseline +/-20% value used for project tracking.

Requiring the cost estimate included in the bid to be the baseline estimate negates the need for the NTC-C process for competitive upgrades.



Recommendation

The Strategic Planning Committee Task Force on Order 1000 adopted the Staff proposal to create a business practice requiring that RFP bid participants in the Competitive Process submit cost estimates at an expected \pm -20% precision bandwidth and that the NTC-C process would not be applicable to the Competitive Bidding Process.

Approved: Strategic Planning Committee Task Force November 18, 2013

Westar and KCPL Opposed

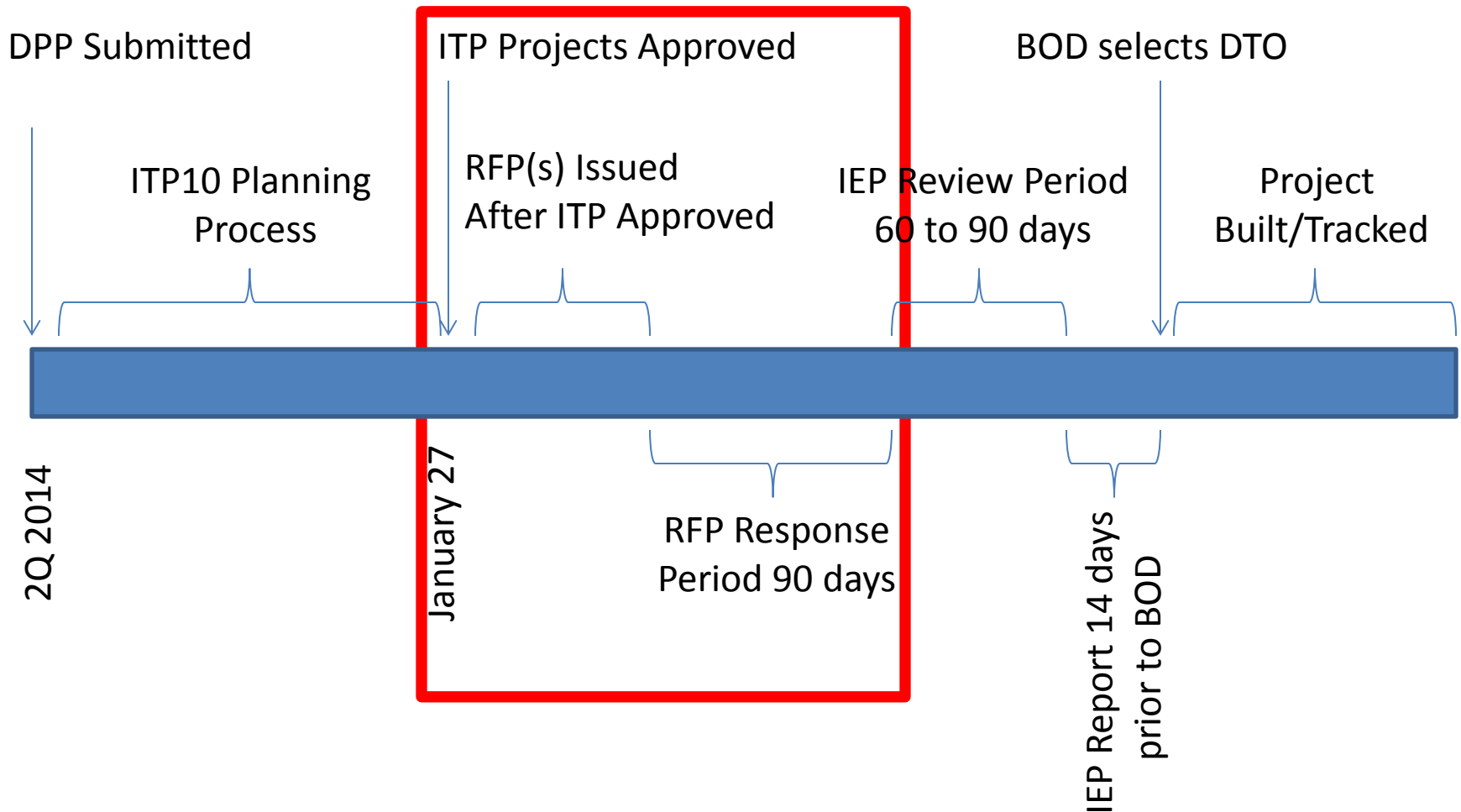
Action Requested: Affirm SPCTF recommendation.

RFP Timeline

Tariff Language

- Attachment Y.III.2(d)
 - RFP issued the later of:
 - 7 days after approval of Competitive Upgrade by BOD; or
 - 18 months prior to anticipated financial expenditure
 - RFP respondent has 90 days from RFP issue date to submit complete proposal
 - Industry experts have 60 days to make recommendation to BOD
 - Optional 30 days extension; approval by OC

2015 Competitive Upgrade Timeline



SPCTF PROPOSAL FOR RFP COST ESTIMATE LEVEL OF CONFIDENCE

SPCTF Proposal

- **Require +/-20% estimate in RFP bids which will be used in SPP's project tracking process**
 - **No NTC-C process for Competitive Upgrades**
 - **Ensures the RFP response bid is meaningful**
 - **Fits better in ITP timeline**

Cost Estimate Proposal Rationale

- **Cost estimates used in the scoring should be meaningful**
- **If there is an opportunity to adjust the bid after the NTC has been awarded there is no incentive to provide a true estimate**
 - **Encourages underbidding**
- **Developer selection provides the SPP Board an additional opportunity for project review after previously approving a project, negating the need for the NTC-C process**

Possible Scenario w/o SPCTF's Recommendation

- **Developer 1 bids \$370 million**
- **Developer 2 bids \$320 million**
- **Developer 1 more aware of local and environmental issues**
- **Developer 2 may be selected due to the lower bid**
- **After winning the RFP, Developer 2 revises the bid in the NTC-C process to \$380 million to account for recently identified local and environmental issues**

Rationale for Eliminating NTC-C Process for Competitive Upgrades

- **NTC-C provides SPP Board an opportunity after project approval to review the estimate before issuing an NTC**
 - ITP approval (+/-30%)
 - NTC-C approval (+/-20%)
- **Proposal also provides an opportunity after project approval to review the estimate before issuing an NTC**
 - ITP approval (+/-30%)
 - RFP response selection (+/-20%)
- **NTC-C adds up to an additional 13 months to the process for ITP10 and 7 months for ITPNT**