



**Southwest Power Pool, Inc.**

**STRATEGIC PLANNING COMMITTEE TASK FORCE on ORDER 1000 MEETING**

**Thursday, July 3, 2014**

**1:30 PM – 3:30 PM**

**Teleconference**

**866-905-4020 Participant Code 9896988**

**• A G E N D A •**

1. Call to Order and Administrative Items..... Ricky Bittle
2. Policy Discussion on “Joint” RFP Responses.....SPP Staff
3. Policy Discussion on Assignment of Winning Bids.....SPP Staff
4. Clarification to MDSTF Inquiry Regarding Minimum Design Standards Applicability ..... Terri Gallup
5. QRP Process Status..... Ben Bright
6. DPP Process Status .....SPP Staff
7. Action Items .....Michael Desselle



## 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 18<sup>th</sup>, 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

### STRATEGIC PLANNING COMMITTEE TASK FORCE on ORDER 1000 MEETING

#### Teleconference

Friday, May 9, 2014

#### **Agenda Item 1 – Call to Order**

Michael Desselle called the meeting to Order. SPCTF Members on the teleconference included: Kristine Schmidt as proxy for Chuck Marshall (ITC); Paul Malone (NPPD); Jake Langthorn (OGE); Terri Gallup (AEP); Noman Williams (Sunflower), Dennis Reed (Westar); Todd Fridley (KCPL); and, Bill Grant (Xcel). SPP Staff included Michael Desselle, Lanny Nickell, Paul Suskie, Cary Frizzell, Brett Hooton, Aaron Shipley, Sherri Maxey, Tessie Kentner, and Ben Bright. Other guests and staff participated in person or via phone (Attendance – Attachment 1).

#### **Agenda Item 2 – PCWG Proposed RFP Response Time**

Terri Gallup, Chair of the PCWG, described the PCWG motion (PCWG Recommendation, RFP Response Time – Attachment 2) to move the RFP response time window associated with Competitive Bidding Cost Estimation proposals from 90 days to 180 days. She noted that the PCWG passed the recommendation unanimously. SPP Staff and Xcel expressed concerns that extending the response time creates the potential for delayed completion of reliability projects needed within three years. In response to a question from ITC, Terri noted that the PCWG had considered RFP response times based upon scope and scale of projects, but collectively came to the conclusion that the magnitude of the projects did not matter. Dennis Reed expressed concerns about the potential for delay and noted the NTC-C process allows just the affected entity to do the additional work necessary to refine the estimate instead of all entities being impacted. Dennis proposed a compromise response period of not less than 90 days but no more than 180 days that gives staff flexibility. Matt Binette (Wright & Talisman) noted that MISO has a similar provision. Noting that participants did not seem to be supportive of this alternative, Paul Malone moved adoption of the PCWG recommendation and Jake Langthorn seconded the motion. The motion passed with three opposed (Xcel, Westar, and ITC) and their opposition concerns were noted.

#### **Agenda Item 3 – Proposal for Minimum Design Standards**

Terri Gallup described the PCWG recommendation to implement minimum design standards for Competitively Bid transmission projects (PCWG Recommendation, Minimum Design Standards – Attachment 3). Following discussions an amended motion, moved by Terri Gallup and seconded by Kristine Schmidt, that minimum design standards for SPP transmission construction should be implemented was unanimously endorsed. Further, the Study Estimate Design Guide (SEDG) should be the starting point for the reorganized Design Best Practices and Performance Criteria Task Force (DBPPCTF) to consider further enhancements in time for the October round of MOPC meetings. Finally, the PCWG working with the TWG should periodically review the minimum design standards.

#### **Agenda Item 4 – RTWG Proposed Tariff Language for Competitive Ag Study Process**

Dennis Reed described the RTWG's proposed tariff modifications (RTWG Recommendation, Order 1000 Ag Study ATRR – Attachment 4) to comply with the ATSS process inclusion in Order 1000 Competitive Bidding. Recognizing that tariff language is approved at the MOPC, Dennis Reed, seconded by Noman Williams, moved endorsement of the proposed language as consistent with the SPC recommendation to comply with FERC's Order to include the ATSS in competitive bidding. The SPC will need to make a separate recommendation to the Board for their approval.

Strategic Planning Committee Task Force on Order 1000  
May 9, 2014

**Agenda Item 5 – Action Items**

Action Items include:

1. Schedule additional meeting to consider other Order 1000 issues.

Respectfully Submitted,

Michael Desselle  
Secretary

# SPCTF on Order 1000

## June 3, 2014

Paul Suskie  
[psuskie@spp.org](mailto:psuskie@spp.org)

Ben Bright  
[bbright@spp.org](mailto:bbright@spp.org)

Policy Questions raised by SPP  
stakeholders



# Two Issues Needing Policy Direction/Clarification

- SPP staff has been repeatedly asked two questions by SPP stakeholders related to RFP submissions and related certain regulatory items related to how affiliates might construct and build facilities for affiliate companies.
- These two questions are:
  - (1) Can 2 or more QRPs submit joint responses to a SPP RFP for competitive upgrades?
  - (2) Can a selected TO assign their NTC to an affiliate for regulatory purposes? (Example: QPR X is awarded a project after a competitive solicitation process. QPR X wishes/needs to assign it to a subsidiary of X for financial and regulatory purposes.)

## Policy Decisions for SPCTF on *FERC Order 1000*

- SPP Staff would like for the SPCTF to provide policy direction on these two questions.
- Clarifications and policy directions are needed on these subjects before SPP launches the first RFP process in 2015.
- It is preferable that any tariff changes be submitted quickly and request an effective date of January 2015 not to impact the Competitive Bidding process for 2015.



# Two Issues

- These two questions are:
  - (1) Can 2 or more QRPs submit joint responses to a SPP RFP for competitive upgrades?
  - (2) Can a “winning” bidder assign their NTC to an affiliate/subsidiary for regulatory purposes? (Example: QRP X is awarded a project after a competitive solicitation process. QPR X wishes/needs to assign it to an affiliate/subsidiary of X for financing and regulatory purposes.)

# First Issue: 1 sub issue

- (1) Can 2 or more QRPs submit joint responses to a SPP RFP for competitive upgrades?
- A review on the tariff shows that SPP's currently approved (and submitted) language is silent on the issue of joint submission by 2 or more QRPs
  - SPP Staff recommends that the safest route would be to clarify the SPP tariff on the topic of whether joint submissions by QRPs are authorized. This could head off potential litigation.
  - See pages 7-11 of the attached proposed revisions to Attachment Y.

# First Issue: 1 sub issue

(Sub Issue) How to handle the 100 incentive points for a joint submission?

- See Section III (2)(f)(iv) (pages 19-20).

## Second Issue:

- (1) Can a “winning” TO assign their NTC to an affiliate/subsidiary for regulatory purposes? (Example: QRP X is awarded a project after a competitive solicitation process. QRP X wishes/needs to assign it to an affiliate of X for financing and regulatory purposes.)
- Current Language state:
    - “The DTO for a Competitive Upgrade cannot assign the Competitive Upgrade to another entity.” See Section III (2)(d)(xi) (pages 15).
  - Based upon inquires from stakeholders SPP Staff believes that the SPCTF needs to offer guidance on the intent of Section III(2)(d)(xi).
  - Define what another entity means?
  - See possible clarification drafted on page 15.

# QUESTIONS

### **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. An RFP proposal may be submitted jointly by more than one entity, provided that each entity has met the qualifications set forth in Section III.1 of this Attachment Y and is a QRP at the time that the RFP

proposal is submitted and at all times during the Transmission Owner Selection Process set forth in this Section III. If at any time during the Transmission Owner Selection Process set forth in this Section III one of the entities submitting a joint RFP proposal ceases to be a QRP, the RFP proposal will be disqualified from the Transmission Owner Selection Process.

**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 or, in the case of a joint submission, QRPs 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 or, in the case of a joint submission, QRPs intend(s) 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 or, in the case of a joint submission, QRPs demonstrate its financial strength by providing one of the following:
- (1) demonstration that the QRP or, in the case of a joint submission, QRPs continue(s) 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, in the case of a joint submission, QRPs or its/their parent Guarantor(s);
  - (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 or, in the case of a joint submission, QRPs agree(s) 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 or, in the case of a joint submission, QRPs 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 or, in the case of a joint submission, QRPs provide its/their 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, except to an Affiliate (as that term is defined in this Tariff) of the DTO and only upon the express written approval of the Transmission Provider. Any such assignment shall be governed by Sections IV.4 and IV.5 of this Attachment Y.
  
- 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):

deposit	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

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.