

**Southwest Power Pool**  
**STRATEGIC PLANNING COMMITTEE TASK FORCE ON ORDER 1000 MEETING**  
**AEP Office, Dallas, Texas**  
**Thursday-Friday, September 4-5, 2014**

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**• MINUTES •**

**Agenda Item 1 – Administrative Items**

SPP Chair Ricky Bittle called the meeting to order at 10 a.m. The SPCTF members attending in-person included: Noman Williams (Sunflower), Terri Gallup (AEP), Todd Fridley (KCP&L/Transource), Jake Langthorn (OG&E), Dennis Reed (Westar), Bill Grant (SPS), and Paul Malone (NPPD). Also present in-person were Kip Fox (AEP), Mike Moffet (Sunflower), Brett Leopold (ITC Great Plains), Jim Krajecki (Customized Energy Solutions) and Cory Blair (RES Americas). SPP staff in attendance included Ben Bright, Sam Loudenslager, Cary Frizzell, Aaron Shipley, and Sherri Maxey. Michael Desselle attended via teleconference. Matt Binette from Wright and Talisman was also present. Other guests and staff participated via phone (Attendance – Attachment 1).

Chairman Bittle referenced the minutes from the August 6, 2014 meeting needed to be approved. Minutes were approved and accepted as submitted.

Dennis Reed advised that a special RTWG teleconference will be held 9/17/14 (10-12pm) to discuss tariff revisions (TRRs) which relate to the RFP items for joint RFPs, assignments and RFP deposit refunds for any members interested in attending.

**Agenda Item 2 & 3 – Straw Proposal Review and Action Plan**

Aaron Shipley presented the Order 1000 RFP Issuance and IEP Scoring Straw Proposal presentation (Attachment 2 and related straw proposal document attached as Attachment 3), which were prepared at stakeholder direction.

Aaron Shipley stated there would be three (3) main documents:

- Request for Proposal (RFP)
- RFP Response Form (required to be included with each RFP Response)
- RFP Instruction Document (for use with RFP Response Form)

These meeting minutes will highlight the action items recorded during this two-day meeting.

Ben Bright started the presentation with an introduction that SPP would be outlining what SPP will be issuing in the RFP, what will be expected to be received by the RFP Respondents. Once these items are determined, instructions to the IEP for scoring the RFPs will be developed.

*Action Item 1: SPP staff agreed to provide a sample RFP for both a line and substation for stakeholder feedback. SPP requests that stakeholders provide responses to these sample RFPs to assist staff in the further development of the RFPs and to use as training materials for the IEPs.*

*Action Item 2: The task force confirmed that the Regulatory Approvals Complete Date can be considered six (6) months prior to the financial need date (which is RTO Determined Need Date minus Project Lead Time).*

Dave Parrish provided an update on the Minimum Design Standards Task Force ("MDSTF"). Dave Parrish stated that the MDSTF started with the Study Estimate Design Guide and began modifying to create the MDS document. MDSTF began with the substation section and have completed the first round of revisions, but there is much work to complete in order for this document to be utilized with the RFP process. Dave Parrish stated that line ratings is a very board subject and expressed concern that they could establish a rating guide that would be satisfactory to all. When possible, MDSTF would prefer to refer to industry practices and have a requirement that the rating method or calculation be submitted with the RFP for the IEP to review and look for any abnormalities. A suggestion was made that the major items, like weather and line loading by area, be included in the MDS document. The next MDSTF meeting is Tuesday, September 16<sup>th</sup>.

*Action Item 3: MDSTF will provide a full report at the next SPCTF meeting based on new direction related to RFP work (Jeff Stebbins, Chair).*

The group discussed confidential information and staff asked for a clarification of what would be required to meet this requirement. Tariff states RFP respondent will identify what is confidential, but members expressed concern that the whole RFP Response Form could potentially be marked as confidential.

*Action Item 4: SPCTF members are to provide feedback on what items should be automatically considered confidential in the RFP Response by Friday, September 12, 2014.*

*Action Item 5: Matt Binette will research if legal precedent exists for allowing winning bidders into an existing substation or if that work should be issued as an NTC to the incumbent transmission owner (TO).*

The group discussion continued around transmission revenue rights (ATRR) and how everyone may not use the same formula rate to arrive at the 40-year formula. Dennis Reed commented that this section should be how SPP will instruct the IEP to weigh the data; SPP staff needs to decide on the right template and ensure the

important items are being captured. Kip Fox stated that an ATRR calculation and 40-year life need to be decided on in a consistent manner.

*Action Item 6: SPCTF members are to provide feedback on what minimum items should be considered for a base formula rate to calculate annual revenue rights (ATRR) by Friday, September 12, 2014.*

Paul Malone stated that there are five (5) scoring areas – Engineering Design, Project Management, Operation and Maintenance, Rate Analysis and Finance, and suggested the RFP template be more in line with the scoring categories.. Dennis Reed suggested that SPP would provide scoring guidance to the IEP and not specifics.

Aaron Shipley confirmed that the current RFP tariff language did not provide a one-to-one link to the IEP scoring section. Dennis Reed and others suggested that SPP staff rearrange the RFP template to more closely resemble the IEP scoring.

*Action Item 7: SPP staff agreed to rearrange the RFP template to more closely resemble the IEP scoring, as well as add more areas on the RFP Response Form to allow for a narrative description (i.e., adding “Other” to the individual sections on the RFP Response Form for line and substation work). In addition, a section on equipment abandonment would be included.*

*Action Item 8: SPP staff will add a section on the RFP Response form for the bidder to identify a cost certainty guaranty or “cost cap.”*

Dennis Reed expressed that a procurement process should be described rather than specific procurement dates.

*Action Item 9: SPP staff will modify the RFP Response Form to not require a procurement date, but rather a description of the bidder’s overall procurement process. In addition, SPP staff will remove the Estimated Procurement Date on the RFP Response Form.*

*Action Item 10: SPP staff will review the Tariff for possible changes needed based on “ability to secure” financing and not actual financing documents required.*

Sharon Segner questioned the plan to assign and Brett Leopold followed that ITC believes it is not needed. Bill Grant said any planned assignment would need to be described in the RFP response. Matt Binette said that the QRP submitting the bid would be evaluated, rather than the assignee, and the assignee would agree to everything the QRP agrees to under an assignment. Ben Bright agreed and stated that if assigned to an affiliate, the affiliate must comply with everything stated in the RFP response.

Chairman Bittle said the assignment process becomes an additional process outside of the bid evaluation for SPP to approve the assignee. Ben Bright stated the requirements are pending.

*Action Item 11: SPP will review the provided Quanta novation requirements as they may relate to assignments for reference.*

Kip Fox and Bill Grant discussed commissioning and how it would need to be included in the RFP Response. Bill Grant also questioned having a section for mitigation plans, since only the incumbent TO would be able to provide that information.

*Action Item 12: SPP staff agreed to include a section in the RFP Response Form where any commissioning requirements could be described and a narrative provided, and to remove any areas where mitigation plans are referenced.*

Slide 36 included the section on line routing from the RFP Response Form. It was agreed that more information should be included in this section for the RFP respondent to describe what the plans are for construction of the project.

*Action Item 13: SPP staff agreed to expand the Routing section on the RFP Response form to include additional information, such as:*

- *Provide a full description of the proposed routing by where it starts and where it goes through. Why was this routing chosen and how is it different from direct through?*
- *Identify any barriers or impediments to direct through route and identify any required permitting.*
- *Provide a map of the proposed routing, identifying any physical or environmental obstacles on map.*
- *Does the RFP respondent expect any schedule risk due to the chosen routing?*
- *For any outages required, describe and list any impacted facilities*

Slide 38 described where a description of any outages would be included on the RFP Response Form. Todd Fridley stated that, in general, more power than ever is being moved, and outages are difficult to schedule. Bill Grant commented that for the selected RFP, the selected RFP bidder will then sign the SPP membership agreement and be subject to SPP Criteria that states how to request an outage. Noman Williams confirmed that SPP would have to approve the outage. Kip Fox added that the RFP Respondent should provide a description about plans for an outage required or state that the project is making "x" number of crossings and it will be live lines, but include that in the description for the RFP Response.

*Action Item 14: SPP staff agreed to add additional information to the Outages section in the RFP Response Form to include, based on the routing provided, any impacted facilities and list conflicts and scheduling needed in general.*

*End of Day 1.*

A question was asked if the Board would see only the IEP Report or also see the individual RFP responses. Ben Bright asked Matt Binette's opinion. Matt Binette stated that the Board would see the IEP report, not the underlying submissions. Matt Binette further stated that the report must take everything into account, which included pricing, overall cost, design, etc., so the Board can make an informed decision, and that the ATRR cannot be the only public item since the ATRR may not have been the deciding factor. Ben Bright followed up that the tariff outlines what should be included in the IEP report, but that those items are fairly generic and leave it open for the IEP's discretion on how they want to document their process.

Aaron Shipley continued with slide 52, which provides that the QRP must demonstrate its financial strength by providing one of 3 items. A new item on this section was the 30% contingency. Matt Binette stated this originated from the Finance Committee. Kip Fox stated this was unique to SPP and his finance staff has told him it is difficult to show 30%. A couple other members provided dissenting opinions. Matt Bittle asked that SPP staff have the Finance Committee to review.

*Action Item 15: SPP staff will follow-up with Finance Committee to request they review the 30% contingency language.*

Brett Leopold said he thought the tariff included a specific dollar figure (\$20M) for parent guarantees not unlimited. Brett Leopold expressed concern how a credit agency might look at an uncapped guaranty and asked for some type of cap that the guaranty will not exceed. Ben Bright stated that SPP does not accept limited parent guaranties.

Sharon Segner asked about the tariff requirement for a letter of credit or bond in the amount of the project plus 30%. She stated that seemed excessive just to bid and did not line up with what other RTOs were requiring. In general, the group agreed this seemed excessive.

Chairman Bittle asked if someone could summarize what other RTOs are doing and Sharon Segner said she would be happy to provide a summary of FERC's ruling. Ben Bright asked if any SPCTF members would be in Little Rock when the Finance Committee meetings at the end of September to represent those items.

*Action Item 16: SPP staff to confirm an SPCTF representative will attend September Finance Committee meeting in Little Roc to discuss the financial bidding requirements and the time frame for certain financial documents (liquidity and cash flow analysis etc.).*

Jake Langthorn and others discussed how SPP would recover the costs for developing the Order 1000 processes, inquiring if the first group of RFP respondents would bear the bulk of the cost. Ben Bright discussed that all administrative costs of developing and implementing the SPP Order 1000 process (except DPP cost estimates) would be captured and charged to the initial group of RFP responses in year one. The group generally agreed this did not seem like the right thing to do and questioned whether any of the development costs should be recoverable.

*Action Item 17: SPP staff to provide clarification around recoverability of SPP staff time for the development of Order 1000 processes and how it will be handled. Staff expects this to be discussed with the Finance Committee.*

Following the presentation, the group reviewed the draft RFP template. Kip Fox asked that ACH and wiring information be included in the RFP template. Ben Bright stated that information cannot be included in the RFP. Kip Fox asked that instructions around ACH and wiring be given out by request.

Kip Fox suggested including a pre-bid meeting date for the RFP timeline. Ben Bright confirmed that SPP will add a Notice of Intent to bid for completion, as well as scheduling a pre-bid conference call for open discussion prior to the RFP deadline.

*Action Item 18: SPP will add to the RFP timeframe a Notice of Intent ("NOI") to respond to RFP, as well as a scheduled pre-bid call to respond to RFP questions/comments for clarification and discussion prior to the RFP response deadline.*

Todd Fridley asked for an explanation if the RFP response window is not 180 days, as well as to address if the deadline falls on a weekend or holiday.

*Action Item 19: SPP staff will add language to provide an explanation if the RFP response deadline is < 180 days, and to clarify that if the RFP response deadline falls on a weekend on holiday, that the due date will be the next following business day. (TRR 134)*

The group discussed a possibility that all RFP responses could come in higher than the +/- 30% staff estimate and require a project to be re-evaluated. If that were to occur, would RFP bidders receive a full refund of their deposit? Kip Fox stated that other RTOs have a set dollar figure if bids go over that amount that there is automatic re-evaluation. Todd Fridley suggested SPP develop a process to determine when a re-evaluation is required if all or a majority of RFP bids are higher than 20% above the study cost.

*Action Item 22: SPP staff to review if adding a re-evaluation process is feasible. In addition, SPP staff will verify the conditions of the bid against tariff requirements. SPP will consider a full refund of RFP deposit if a RFP is*

*withdrawn due to a decision to perform a re-evaluation, as well as consider having an identified dollar amount or percentage that would cause an automatic re-evaluation; would probably need to be included in BP 7060.*

*Meeting adjourned.*

**Next meeting:**

- Thursday, October 9, 2014 at AEP offices in Dallas, Texas – 8:30-5pm