

INDUSTRY EXPERT PANEL

IEP Process and Recommendations for:
RFP-000001 North Liberal – Walkemeyer 115Kv

April 26, 2016

Agenda

- Introduction
- Phase 1 – RFP, IEP, & Report Development Process
 - Josh Martin, *SPP BOD Member & Oversight Committee Chair*
 - *Paul Suskie, SPP EVP & GC*
 - *Steve Strickland, IEP Chair*
 - Industry Expert Pool, IE Pool Training, & IE Panel Selection
 - Post IEP Evaluation Window Steps
 - IEP Evaluation Process
- Phase 2 – IEP Substantive Evaluation of 11 RFP Proposals
 - *Steve Strickland, IEP Chair*
 - IEP Evaluations
 - IEP Recommendations

**Phase I – RFP, IEP, & Report
Development Process - *Josh Martin***

SPP Oversight Committee RFP-000001 Timeline

Creation of the Industry Expert Pool

- On October 28, 2014, the Oversight Committee (“OC”) recommended that the SPP Board of Directors (“BOD”) approve a 10 person Industry Expert Pool for 2015
 - IE Pool Applicant Timeline:
 - Candidate application submissions were received by SPP between June 1, 2014 and September 1, 2014
 - 18 applications were received by SPP Staff
 - SPP Staff presented the 18 applicants to the OC on September 25, 2014
 - In Executive Session, each applicant was reviewed in detail and voted on individually by the OC members
 - OC approved 10 of the 18 applicants to present as the IE Pool to the SPP BOD
- In October 2014 the SPP BOD approved a 10 member pool of experts for the 2015 planning cycle per the recommendation of SPP’s OC
- In May 2015, 8 of the 10 experts were contracted for the purpose of creating an expert panel to evaluate the North Liberal -Walkemeyer RFP

Industry Expert Pool Training

- On September 30, 2015 and October 1, 2015 SPP Staff conducted a 1.5 day training exercise for all members of the IE Pool in Little Rock
- The training included an overview of SPP, FERC Order 1000, the SPP Planning Process, the SPP Tariff attachments on Order 1000, the Industry Expert Panel Responsibilities, and a mock RFP Response scenario.
 - Josh Martin attended on behalf of the OC/BOD

Industry Expert Panel Selection

- IEP selection
 - On November 11, 2015 (after RFP Responses were received) the OC met via conference call and selected 5 pool members to create SPP's first Industry Expert Panel, with one of the panelists acting as a Chair for the group.
 - SPP tariff requires that SPP's Oversight Committee create an IEP that consists of 3-5 members. Attachment Y Section III.2(b)(iv)

Industry Expert Panel for RFP-000001

Area of Expertise	Primary Expert	Secondary Expert
Engineering Design	Ron Brown	Raj Rana/Consultant*
Project Management Construction	Raj Rana	Ron Brown
Operations	Mike Jacobs	Raj Rana
Rate Analysis	Steve Strickland**	Bill Steele
Finance	Bill Steele	Mike Jacobs

Approved by the SPP Oversight Committee on November 11, 2015

* Non-voting position

** Industry Expert Panel Chair

Summary of IEP Members Background

Panel Members	Summary of Background
Steve Strickland (Chair)	Mr. Strickland's 35-year career with Entergy Arkansas spanned responsibilities in regulation, engineering, business development, and executive management. His educational background includes degrees in chemical engineering, business, and law. In addition to extensive involvement in utility regulatory policy issues, his engineering experience includes coal and nuclear power plant projects, and engineering management of advanced power plants, including coal gasification combined cycle.
Ron Brown	Mr. Brown is an electrical engineer. He spent over 24 years at Stanley Consultants, Inc. and became VP and Chief Electrical Engineer. Employment at East Kentucky Power Cooperative followed where he was employed for over ten years and served as VP of Planning and Engineering and then as VP of Planning and Technology before retiring.
Raja Rana	Mr. Raj Rana is a consultant providing services in the areas of NERC reliability compliance, energy efficiency, transmission planning and operation, and project management. He worked at AEP for over 35 years in system planning, operation, regulatory policy, and NERC compliance. Before taking early retirement, Raj was Director of NERC Compliance and RTO Policy.
Mike Jacobs	Mr. Jacobs was VP for Transmission with a wind developer, and worked in ISO/RTO affairs for a non-utility transmission developer. His career began over 25 years ago with Massachusetts regulatory agencies.
Bill Steele	Mr. Steele spent 34 years on the staff for the Colorado Public Utilities Commission where he worked on Revenue Requirements, Cost-of-Service Studies and Rates. He has also served for 18 years as an instructor at the New Mexico State University Center for Public Utilities.

**Phase I – RFP, IEP, & Report
Development Process - *Paul Suskie***

SPP Staff Action Upon Receipt of RFP Responses

- Between October 5 and November 2, 2015, SPP staff received 11 proposals. All proposals were submitted by an entity/entities that have been approved as Qualified RFP Participants (QRPs) as required by Attachment Y Section III.2 of the SPP Tariff.
- On November 11, 2015, SPP Staff notified the 5 members of the Industry Expert Pool of their selection to the Industry Expert Panel by SPP's Oversight Committee.
- On November 30, 2015 SPP Staff gave the Industry Expert Panel Access to the 11 proposal for the IEP to begin the panel evaluation per Attachment Y
- SPP Staff helped to facilitate the efforts of the Industry Expert Panel until the IEP's Report was finalized on February 28, 2016
 - Attachment Y Section III.2(b)(vi) states that SPP staff shall facilitate the IEP's efforts

SPP BOD Training Session

- On January, 27, 2016, SPP staff members conducted a one day training for SPP's BOD on SPP's Transmission Owners Selection Process (TOSP)
 - *SPP Staff included:*
 - Carl Monroe, COO and EVP,
 - Paul Suskie, EVP and GC
 - Ben Bright, Manager of Regulatory Processes
 - Aaron Shipley, Regulatory Analyst
- Training included
 - Overview of SPP's Transmission Planning Process
 - Overview of the Requirements of Attachment Y of SPP's Tariff
 - Included a Mock IEP Report
- SPP BODs agreed to the 2 Phase Process during SPP's April Meeting
 - Process was published on April 1, 2016

Post IEP Evaluation Window Steps

- Attachment Y requires SPP to produce two redacted versions of the Internal Report, a Board of Directors report and a Public report.
 - On February 28, 2016 the IEP finalized their Report
 - From February 29, 2016 – April 11, 2016 SPP Staff prepared two redacted versions of the Internal Report
 - Report 1
 - Board of Directors Report – the RFP Respondents’ names are redacted but not confidential information. Provided to the BOD members on April 12, 2016.
 - Report 2
 - Public Report – the RFP Respondents’ names and any confidential information obtained during the TOSP are redacted. Posted publicly on April 12, 2016 at www.spp.org

Post IEP Evaluation Window Steps (Cont'd)

- Per the SPP BOD's 2 Phase Process SPP Staff received topics/questions from 6 entities who had areas that they wanted the IEP to discuss during the April BODs meeting.
- Upon receiving these topics/questions SPP Staff forwarded directly to the IEP
 - *Staff was requested to provide input on 5 questions that were more specific to administration of the TOSP*
- Responses were posted on April 24, 2016

**Phase I – RFP, IEP, & Report
Development Process - *Steve Strickland***

IEP Evaluation Process

- IEP Chair, Steve Strickland

IEP Evaluation Process

- The panel held its kick-off phone call on November 12
- In all the panel held 3 conference calls prior to the beginning of the evaluation window starting.
 - November 12
 - November 17
 - November 24
- In these conference calls, the panel:
 - Developed email and documentation protocols
 - Developed a draft Scoring Methodology
 - Identified the need for outside consultant assistance
 - Developed Request for Information (RFI) procedures
 - Set an Evaluation Schedule
 - Determined what would make the IEP process successful
 - Perform as intended, be on schedule and on budget

IEP Evaluation Process (Cont'd)

- The RFP Evaluation Window started on Monday, November 30, 2015
 - On November 20, 2015 the OC approved the panel's request for a 30-day evaluation period extension (window end date of February 28, 2016)
- Panelists were given access to all RFP Proposals on November 30, 2015
- Panelists were also provided with SPP Tariff Attachment Y, Business Practices related to the TOSP, and the Minimum Transmission Design Standards Rev 1

IEP Evaluation Process (Cont'd)

- Panelists continued with weekly calls to
 - Address scoring issues that overlapped rating categories,
 - Identify the draft Scoring Methodology revision needs,
 - Focus the experts' knowledge and experience on common rating issues
 - The primary and secondary experts also held calls with each other outside of the weekly calls, as required
- The experts used SPP Regulatory, SPP Legal, SPP Planning and the consultant for assistance on an as-needed basis
 - Attachment Y states the Transmission Provider shall facilitate the IEP's efforts to develop recommendations to the SPP BOD.

IEP Evaluation Process (Cont'd)

- IEP Conference Calls
 - December 7, 2015
 - December 15, 2015
 - December 23, 2015
 - December 29, 2015
 - January 5, 2016
 - January 19, 2016
 - February 1, 2016
 - February 11, 2016
 - February 25, 2016
- In Person Meeting
 - January 11-12, 2016
- Many additional calls where held between panelists and panelists/consultants on an as-needed basis

IEP Evaluation Process (Cont'd)

- Scoring Process
 - Each Scoring Category Team:
 - Identified criteria/subcriteria for rating using SPP Tariff and other applicable factors
 - Evaluated relevant information in each proposal to identify point allocations using judgment/experience
 - Compiled results in summary tables by scoring category and overall
- The IEP then performed a “reality check” to confirm that the top two proposals should be the Recommended and Alternative RFP Proposals

IEP Evaluation Process (Cont'd)

- IEP Report Development
 - Produced five draft versions from January 22, 2016 – February 28, 2016
 - Identified supporting information for inclusion in the Appendix
 - Issued a final, confidential IEP Internal Report to SPP Staff on February 28, 2016

**Phase II – IEP Substantive Evaluation of
11 RFP Proposals - *Steve Strickland***

IEP Evaluations

IEP Evaluations

- SPP Tariff - Attachment Y requirements:
 - “The IEP shall score and rank each RFP Proposal in a non-discriminatory manner...”
 - “The IEP shall develop a final score for each RFP Proposal and provide its recommended RFP Proposal and an alternate RFP Proposal to the BOD...”
 - “The RFP Proposal with the highest total score may not always be recommended.”
 - “The IEP may recommend that any RFP Proposal be eliminated from consideration due to a low score in any individual category.”

IEP Evaluations (Cont'd)

Category	Points
Engineering Design	200
Project Management/Construction	200
Operations	250
Rate Analysis	225
Finance	125
Total Points	1,000

* See Industry Expert Panel Recommendation Report Appendix for breakdown of points in each evaluation category

IEP Evaluation Results

Scoring Results Matrix SPP-RFP-000001											
RFP Respondent	E & C	40 Year NPV **	Engineering Design	Project Management	Operations	Rate Analysis	Finance	Total Score	Qualified for Incentive Pts?	Incentive Pts	Grand Total Score
Proposal 1	\$8,325,610	\$10,566,038	167.6	143.5	201	168	112.75	792.85	Yes	100	892.85
Proposal 2	\$8,435,254	\$10,149,698	163.1	147.5	223	171	81.07	785.67	No	0	785.67
Proposal 3	\$11,693,201	\$15,469,918	155.3	131	221	137	115.87	760.17	No	0	760.17
Proposal 4	\$7,400,000 *	\$18,088,000	157.9	162.5	148	166	93.75	728.15	No	0	728.15
Proposal 5	\$10,423,689 *	\$17,455,360	168.9	143	172	150	83.7	717.60	No	0	717.6
Proposal 6	\$7,499,998 *	\$9,454,569	0	169	250	125	72.76	616.76	No	0	616.76
Proposal 7	\$10,097,059	\$16,880,219	0	155	180	78	72.26	485.26	Yes	100	585.26
Proposal 8	\$17,081,248	\$30,298,162	173.6	129	148	44	86.42	581.02	No	0	581.02
Proposal 9	\$8,611,286 *	\$11,843,235	0	168	225	110	73.63	576.63	No	0	576.63
Proposal 10	\$9,332,500 *	\$13,775,849	0	152.5	209	98	72.63	532.13	No	0	532.13
Proposal 11	\$16,406,496 *	\$21,149,129	0	160	205	51	71.26	487.26	No	0	487.26
Average Score	\$11,126,474	\$15,920,925	89.67	151.00	198.36	118.00	85.10	642.14	N/A	N/A	660.32

*See Report Appendix Rate Analysis section for more detail on individual Cost Cap Guarantee

**The 40 Year NPV above is based on responses to question 2C of the Request for Information issued to all RFP Respondents by the IEP on 12/18/2015

***See Report Appendix for scoring breakdown of each category and proposal

IEP Recommendations

IEP Recommendations

■ IEP Recommends

- Proposal 1 as the Recommended RFP Proposal for RFP-000001
 - Meets all evaluation criteria set by the IEP
 - Strong performance in all 5 categories
 - Scored highest overall points out of 11 proposals (13% greater than second highest Proposal) but was not high point scorer in any one category
 - Scored the most points prior to IEP knowledge of incentive points
 - Received 90% of the possible points for the Finance scoring section by receiving maximum points in 6 of the 9 categories
 - Fully described its capabilities to operate the line and respond to a contingency
 - Contained the second lowest 40-year NPV value, within 10% of the lowest respondent's project life cost for all proposals that met all engineering design requirements

IEP Recommendations (Cont'd)

- Summary of Proposal 1
 - Proposed route:
 - 22.6 mile single circuit 115kV
 - Structure:
 - Configuration: Single pole delta
 - Foundation Type: Direct Embed
 - Material: Steel – Weathering Steel
 - Total Structures: 138
 - Conductor:
 - Type: ACSR “Bittern”
 - Size: 1272 kcmil
 - Proposed construction complete date:
 - May 1, 2019
 - Cost:
 - Engineering & Construction: \$8,325,610
 - 40-year Net Present Value: \$10,566,038
 - No cost guarantee

IEP Recommendations (Cont'd)

- IEP Recommends
 - Proposal 2 as the Alternate RFP Proposal for RFP-000001
 - Meets all evaluation criteria as the second best alternative
 - Scored second highest points out of 11 proposals
 - Received highest point allocation in the Rate Analysis scoring category, which measures overall cost to customers over the life of the project
 - Scored high in Operations, conveyed success in maintaining reliability, and provided transmission-level performance metrics and restoration experience
 - Lowest initial cost and 40-year NPV of any respondent that met the minimum engineering design standards

IEP Recommendations (Cont'd)

- Summary of Proposal 2
 - Proposed route:
 - 22.5 mile single circuit 115kV
 - Structure:
 - Configuration: Delta - Modified
 - Foundation Type: Direct embed poles and guy anchors
 - Material: Light duty steel poles
 - Total Structures: 173
 - Conductor:
 - Type: ACSR “Bluejay”
 - Size: 1113 kcmil
 - Proposed construction complete date:
 - No later than 11/17/17
 - Cost:
 - Engineering & Construction: \$8,435,254
 - 40-year Net Present Value: \$10,149,698
 - No cost guarantee

Questions

IEP Recommendation

- Approve the IEP report and designate a Designated Transmission Owner (DTO) and Alternate DTO as recommended by the IEP.

- **RECOMMENDED MOTION:**

Motion to approve the IEP's recommendation to designate the DTO and Alternate DTO as recommended by the IEP in the IEP Report.