

INDUSTRY EXPERT PANEL

IEP Process and Recommendations for:
RFP-000003 Wolf Creek- Blackberry 345 kV
Transmission Line

October 26, 2021

Agenda

- Introduction
- Phase 1 – RFP, IEP, & Report Development Process
 - *Josh Martin, SPP BOD Member & Oversight Committee Chair*
 - *Paul Suskie, SPP EVP & GC*
 - *Michael Jacobs, 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 7 RFP Proposals
 - *Michael Jacobs, IEP Chair*
 - IEP Evaluations
 - IEP Recommendations

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

SPP Oversight Committee RFP-000003 Timeline

Creation of the Industry Expert Pool

- In December 2018, the Oversight Committee (“OC”) recommended that the SPP Board of Directors (“BOD”) approve a 15 person Industry Expert Pool for 2019
- OC reviews affiliations any potential candidate has with (1) an SPP stakeholder or member as listed on the “Members” section of the SPP homepage; and (2) any entity that is listed as a Qualified RFP Participant (“QRP”) on the SPP homepage
 - *For purposes of SPP’s Transmission Owner Selection Process (“TOSP”), an affiliation is defined as the existence of a relationship or situation whereby an Industry Expert has past, present, or currently, planned interests that either directly or indirectly (through a client, contractual, financial, organizational or other relationship) may relate to a QRP or SPP stakeholder*
 - *OC has approved the following policy regarding IEP Pool members: “If an expert has been selected to serve in the IEP pool and their respective departure from the their previous employer is less than two years and appears to present a conflict of interest, they may not be chosen to serve on a panel until the two year period has expired.”*
- In December 2018 the SPP BOD approved a 15 member pool of experts for the 2019 planning cycle per the recommendation of SPP’s OC
- In November 2019, 12 of the 15 experts were contracted for the purpose of creating an expert panel to evaluate the Wolf Creek-Blackberry RFP

Industry Expert Pool Training

- On November 20, 2019 and November 21, 2019 SPP Staff conducted a two 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 participated on behalf of the OC/BOD

Industry Expert Panel Selection

- On September 22, 2020 the SPP Board of Directors authorized the issuance of the Wolf Creek - Blackberry RFP.
- On September 23, 2020 the SPP Oversight Committee approved the IEP panel to be seated for evaluation of the Wolf Creek – Blackberry RFP.
 - Following RFP issuance the OC selected 5 pool members to create the 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-000003

Area of Expertise	Primary Expert	Secondary Expert
Engineering Design	Tom Bozeman	Raj Rana
Project Management Construction	David Nevius	Tom Bozeman
Operations	Raj Rana	David Nevius
Rate Analysis	Bill Steele	Michael Jacobs/ External Consultant**
Finance	Michael Jacobs*	Bill Steele

* Industry Expert Panel Chair

** Non-voting position

Summary of IEP Members Background

Panel Members	Summary of Background
<p>Michael Jacobs (Chair)</p>	<p>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 30 years ago with Massachusetts regulatory agencies. He has been involved in the NYISO and ISO-NE region in multiple facets including rate design, OASIS site development, user groups, and Tariff development.</p>
<p>Tom Bozeman</p>	<p>Mr. Bozeman has been employed by and led some of the most recognizable Engineering consulting firms in the industry. He has led design and construction of over 58 projects/1,600 miles of transmission line projects from 34kV to 500kV. Has led design of over 170 substation projects from 34kV to 765kV. Has led system studies work for 700 mile DC lines.</p>
<p>David Nevius</p>	<p>Mr. Nevius has been in the utility industry for over 50 years. He has served as a Senior Engineer for PSE&G in its Transmission Planning Department beginning in 1969 and as an employee/officer for NERC from 1979-2013. He has vast experience in operations for both utilities and ISO/RTOs. He has lead NERC evaluations of system operating conditions associated with major blackouts including August 2003 and September 2011. He has been an IEEE member since 1969, testified before the U.S. Congress, and written publications on the history of the U.S. electricity industry with a emphasis on the evolution of NERC and its role in the industry.</p>
<p>Raj Rana</p>	<p>Mr. Raj Rana has served as a consultant for the past 10 years providing services in the areas of NERC reliability compliance, energy efficiency, transmission planning and operation, and project management. Prior to his retirement in 2010, 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.</p>
<p>Bill Steele</p>	<p>Mr. Steele has served as a consultant for the past 9 years providing his services to his clients as an expert witness, advisor and trainer in utility regulation. Prior to his retirement in 2012, Mr. Steele spent 34 years on the staff of the Colorado Public Utilities Commission where he supervised the financial/rate analysts and later in his career as an advisor to the Commissioners and the Administrative Law Judges. His areas of expertise are utility accounting, revenue requirements, class cost-of-service studies and rate design. He has also served for 23 years as an instructor at the New Mexico State University Center for Public Utilities.</p>

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

SPP Staff Action Upon Receipt of RFP Responses

- Between September 28, 2020 and March 29, 2021, SPP staff received 7 proposals from 4 entities. 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.
 - *Proposal A&B, C, D&E, F&G*
- On September 29, 2020, 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 April 12, 2021 SPP Staff gave the Industry Expert Panel Access to the 7 proposals 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 July 11, 2021
 - Attachment Y Section III.2(b)(vi) states that SPP staff shall facilitate the IEP's efforts

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 July 11, 2021 the IEP finalized their Report
 - From July 12, 2021 – October 1, 2021 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 by October 12, 2021.
 - Report 2
 - Public Report – the RFP Respondents’ names and any confidential information obtained during the TOSP are redacted. Posted publicly on October 12, 2021 at www.spp.org

Post IEP Evaluation Window Steps (Cont'd)

- Per the SPP BOD's 3 Phase Process SPP Staff received topics/questions from entities who had areas that they wanted the IEP to discuss during the October BODs meeting.
- Upon receiving these topics/questions SPP Staff forwarded directly to the IEP.
- Any IEP responses were posted prior to the BOD meeting.

**Phase I – RFP, IEP, & Report
Development Process - *Michael Jacobs***

IEP Evaluation Process

- IEP Chair, *Michael Jacobs*

IEP Evaluation Process

- The panel held its initial meeting by conference call on October 15, 2020
- In all the panel held 7 conference calls prior to the beginning of the evaluation window starting.
- In these conference calls, the panel developed internal administrative guidelines and procedures and identified resource requirements, including:
 - email and documentation protocols
 - the need for outside consultant assistance
 - procedures to govern Requests for Information (RFI)
 - identified a process schedule
 - defined what a successful project would be – *project would be built within the target in-service date, within budget, and would operate in accordance with the requirements set out by SPP.*
 - Developed and published IEP Direction to Respondents document

IEP Evaluation Process (Cont.)

- SPP Tariff - Attachment Y requirements:
 - “The IEP shall score and rank each RFP Proposal in a non-discriminatory manner...”
 - “The IEP may recommend that any RFP Proposal be eliminated from consideration due to a low score in any individual category.”
 - “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.”

IEP Evaluation Process (Cont.)

- “The IEP shall score and rank each RFP Proposal in a non-discriminatory manner...”
 - Prospective IEP members were screened to ensure no conflicts of interest
 - The IEP had no interaction with any representative of any proposal and all contacts, such as RFI requests, were conducted by SPP staff
 - The IEP assigned each proposal a letter designation when the proposals were received and referred to proposals by that designation for the full evaluation period and in the report
 - The IEP focused on finalizing the point allocations within each of the five scoring categories independently before the points were totaled and the proposal with the highest points was identified

IEP Evaluation Process (Cont'd)

- On December 21, 2020 the IEP published the “IEP Direction to Bidders” document to spp.org
 - This document was required as part of process improvement efforts following the first RFP SPP issued in 2015.
 - The Strategic Planning Committee (“SPC”) and Board of Directors (“BOD”) did not feel it was appropriate to have the IEP share their scoring matrices during the response window but agreed criteria to be evaluated by the IEP should be provided as part of the document
 - Through the SPC and BOD meetings in July-October 2016 the Board ultimately approved, “to seat the IEP early in the RFP process and required to publish their scoring criteria as far in advance of the RFP Response Window deadline as possible.”
 - Following this direction from the motion by the SPP BOD, the IEP created the Direction to Bidders document and published it on December 21, 2020, prior to the midpoint of the RFP Response Window.

IEP Evaluation Process (Cont'd)

- Prior to the beginning of the evaluation window, the five scoring category teams:
 - developed scoring methodologies to assign points to the evaluation criteria/sub-criteria
 - assigned points to the criteria/sub-criteria that would form the basis for their evaluations
 - adopted a common allocation methodology – 0% unacceptable, up to 50% meets minimum, up to 80% good, up to 90% better, and up to 100% best
- Panelists were given access to all RFP Proposals on April 12, 2021
- Panelists were also provided with SPP Tariff Attachment Y, Business Practices related to the TOSP, and the Minimum Transmission Design Standards Rev 2

IEP Evaluation Process (Cont'd)

- Panelists continued with weekly calls to
 - Address scoring issues including:
 - Overlapping scoring criteria/sub-criteria
 - Ensuring appropriate weighting among scoring categories
 - Focus the experts' knowledge and experience on common rating issues
 - Identify any RFIs needed to clarify information in the proposal (issued 1 RFI)
- The primary and secondary experts also communicated with each other outside of the weekly calls, as required
- Panelists used SPP regulatory, legal, and planning staff and a consultant for assistance on an as-needed basis

IEP Evaluation Process (Cont'd)

- 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 in total
- The IEP determined the proposal allocated the most points was the tentative recommended proposal
- The IEP then performed a reality check to confirm that the top proposal should be the Recommended RFP Proposal

IEP Evaluation Process (Cont'd)

- Alternate Recommended RFP Proposal
 - Attachment Y directs IEP to 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
 - Tariff recognizes “[t]he RFP Proposal with the highest score may not always be recommended.”

IEP Evaluation Process (Cont'd)

- IEP Report Development
 - Conducted six cycles of report draft reviews
 - Identified supporting information for inclusion in the Appendix
 - Issued a final, confidential IEP Internal Report to SPP Staff on July 11, 2021

**Phase II – IEP Substantive Evaluation of
7 RFP Proposals – *Michael Jacobs***

IEP Evaluations

IEP Evaluations

■ SPP Tariff

- “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.”
- “[i]f at any time the Transmission Owner cannot meet one or more of the terms agreed to in the NTC or cannot meet the regulatory approval need date set forth in the RFP for a Competitive Upgrade if applicable, it shall notify the Transmission Provider in a timely manner.”

IEP Evaluations

- “The IEP may recommend that any RFP Proposal be eliminated from consideration due to a low score in any individual category.”
 - The IEP reviewed all proposals and did not identify any deficiencies.
 - The IEP reviewed all proposals to identify any cross category impacts and validate the ability of the proposal to perform as submitted and within cost estimates as submitted

IEP Evaluations (Cont'd)

Category	Points*
Engineering Design	200
Project Management/Construction	200
Operations	250
Rate Analysis	225
Finance	125
<u>Incentive Points</u>	<u>100</u>
Total Points	1,100

* See final report for assignment of points to criteria/sub-criteria in each scoring category.

IEP Evaluation Results Reflecting Incentive Points

Scoring Results Matrix SPP-RFP-000003 Wolf Creek-Blackberry 345kV											
RFP Proposal	RRE	PVRR	Engineering Design (200pts)	Project Management (200pts)	Operations (250pts)	Rate Analysis (225pts)	Finance (125pts)	Total Score	Qualified for Incentive Pts?	Incentive Pts	Grand Total Score
C	\$ 85,168,938	\$ 63,235,728	184.00	169.00	243.25	225.00	113.13	934.38	Yes	100.00	1034.38
B	\$ 121,105,590	\$ 93,655,553	189.00	182.00	239.00	190.17	113.75	913.92	Yes	100.00	1013.92
A	\$ 116,544,151	\$ 90,494,897	186.00	182.00	239.00	192.75	113.75	913.50	Yes	100.00	1013.50
G	\$ 144,924,580	\$ 112,766,772	178.00	187.00	245.00	180.77	118.75	909.52	Yes	100.00	1009.52
F	\$ 126,505,598	\$ 101,289,581	182.00	188.00	196.25	188.32	118.75	873.32	Yes	100.00	973.32
E	\$ 151,156,536	\$ 116,566,959	185.00	179.00	214.38	177.49	93.13	848.99	Yes	100.00	948.99
D	\$ 143,802,827	\$ 110,971,071	179.00	179.00	214.38	180.33	93.13	845.83	Yes	100.00	945.83
Average Score	\$ 127,029,746	\$ 98,425,794	183.29	180.86	227.32	190.69	109.20	891.35	N/A	N/A	991.35

IEP Recommendations

IEP Recommendations

- IEP unanimously recommends Proposal C as the Recommended RFP Proposal for RFP-000003
 - Received highest point allocation of all proposals
 - Met all evaluation criteria set by the IEP
 - Exhibited strong performance in multiple scoring categories
 - Received highest point allocation in Rate Analysis which represents the lowest cost to SPP customers, both in the cost to construct and operate.
 - Strengths beyond cost
 - while demonstrating significant cost savings scored within 5 points of highest scored proposal in Engineering Design and just 1.8 points below highest scored proposal in Operations
 - IEP examined how well Proposal C scored in these areas to ensure the high points received were reflecting a true balance across all categories and criteria to determine the value to SPP customers, not just the cost
 - Proposal C demonstrated the capabilities and processes to deliver a successful project, proposed designs are robust and result in costs that are competitive

IEP Recommendations (Cont.)

■ In addition, Proposal C

- Proposal C provides very substantial savings to SPP customers with a net present value of the revenue requirements tens of millions of dollars lower than other proposals
- Proposal C includes design and materials solutions not offered by other Respondents, including the use of the highest thermal-rated conductor of any of the proposals.
- Proposal C demonstrated a strong procurement process and team that manages vendor relationships and leverages economies of scale to secure most favorable terms.
- The proposed construction schedule included significant time float, enabling the Respondent to offer a guaranteed schedule for the Project, and an anticipated in-service date earlier than in the RFP.
- Proposal C included well-defined construction cost estimates from a detailed and structured review process used over many years and many projects.
- Proposal C provided relevant agreements showing the preparedness of the Respondent to take on the required operations and maintenance responsibilities.
- Proposal C provided specific preventive and predictive maintenance plans specific to this project based on principles and examples of statistical process controls to determine appropriate frequency and the extent of future maintenance activities.

IEP Recommendations (Cont.)

- Summary of Proposal C
 - Proposed route:
 - 94 mile single circuit 345 kV
 - Structure:
 - Configuration: single pole braced horizontal post
 - Foundation Type: direct embed
 - Material: spun concrete
 - Total Structures: 540
 - Conductor:
 - Type: ACSS/TW “Falcon” Bundle of 2
 - Size: 1590 kcmil
 - Proposed construction complete date:
 - One year prior to RFP need date of January 1, 2026
 - Cost:
 - RFP Response Estimate (RRE) cost to construct: \$85,168,938
 - Present Value Revenue Requirement (PVRR) cost to operate and maintain: \$63,235,728
 - Cost guarantees

IEP Alternate Proposal Recommendation

- IEP unanimously recommends Proposal B as the Recommended Alternate Proposal
 - Received the second highest point total
 - Received the highest allocation of points in the Engineering Design scoring category, and third in Project Management, Operations, Rate Analysis, and Finance
 - Submitted by a Respondent viewed as having the capability and experience to construct, operate and maintain the Project successfully

IEP Alternate Proposal Recommendations (Cont'd)

- Summary of Proposal B
 - Proposed route:
 - 95 mile single circuit 345 kV
 - Structure:
 - Configuration: single pole braced horizontal post
 - Foundation Type: direct embed
 - Material: steel
 - Total Structures: 555
 - Conductor:
 - Type: ACSS/TW “Finch”
 - Size: 1113 kcmil
 - Proposed construction complete date:
 - Seven months prior RFP need date of January 1, 2026
 - Cost:
 - RFP Response Estimate (RRE) cost to construct: \$121,105,590
 - Present Value Revenue Requirement (PVRR) cost to operate and maintain: \$93,655,553
 - Cost guarantees

Questions

IEP Recommendation

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

- **RECOMMENDED MOTIONS:**

Motion 1: The IEP recommends designating the DTO as recommended in the IEP Report and to direct SPP Staff to issue a NTC to the DTO, per SPP's Tariff.

Motion 2: The IEP recommends designating the Alternate DTO as recommended in the IEP Report.

IEP Response to Respondent Questions Related to Wolf Creek- Blackberry RFP Public Report 10/25/2021

The Industry Expert Panel provides these responses to questions submitted to SPP by Respondents.

I. Questions related to Process and Procedures

1. Can SPP detail the process used to award DPP Incentive Points?
 - Specifically, did the recommended winner and runner-up provide the exact DPP (a connection from Wolf Creek to Blackberry) into the process for award of the 100 incentive points?
 - If not, which DPP was assigned to them, and on which technical points was it determined that assignment of the DPP incentive was appropriate?
 - If not, please provide the analysis determining DPP equivalency utilizing the process outlined in Section III.6 of Attachment O of the SPP Tariff (Tariff) and in SPP Business Practice 7650?

Response: SPP does not track or report if the DPP awarded was based on an exact DPP. DPP information tracked is limited to whether a DPP met Business Practice 7650 criteria for receiving incentive points. If any RFP Proposal indicates it should receive the incentive points, then the provided DPP number is verified for qualification of incentive points.

II. Substantive Stakeholder Topics

1. The proposed winning proposal seems to be a significant cost outlier from the other proposals. What analysis was done to determine the risks of the proposed winning proposal's failure to perform, or of incurring significant cost increases, considering this significant variance.

Response: The IEP evaluator in conducting their analysis for each of these primary evaluation sub-categories, performed a detailed analysis for each proposal, as well as a comparison to other proposals of the cost inputs that generated the cost output numbers for the RRE, PVRR and cost guarantee calculations.

Each of the evaluation categories effectively substantiated that Proposal C could design, build, operate and maintain this project as required in the RFP, and could deliver the project on time and within the cost estimate provided. The proposal also included cost protections.

2. Please provide the evaluation of any identified exceptions to Cost Containment listed within the proposed winning proposal and alternate proposals?

Response: As stated in the Final Report and the Appendix, the IEP evaluator reviewed each proposal as well as developed a matrix of six types of cost caps based on the proposals submitted by the Respondents. Utilizing this cost cap matrix, the IEP evaluator performed an evaluation of all proposed

cost caps offered by each Respondent, including how the terms and conditions for each cost cap provided assurances for cost certainty guarantees.

In addition, SPP retained an outside consultant to validate the concept of the matrix developed by the IEP evaluator. The scoring for each Respondent's cost cap proposal was performed solely by the IEP evaluator. The cost cap matrix and the IEP evaluator's analysis have been redacted from the public report due to confidentiality of the information.

3. Were there any differences on design factors, including required NESC clearances with respect to agricultural equipment, from the proposed winning proposal compared to other proposals? If so, please outline these differences and the impact on the ability of the bidder to meet siting and safety requirements.

Response: All proposals were reviewed, and all met or exceeded NESC Heavy Loading Grade B, as required in the RFP – MTDS. For agriculture use lands, the code requires design for known vehicles.

One proposal provided information on the assumed known vehicles, while other proposals simply stated they would design to code. All proposals utilized top tier engineering design firms with extensive experience designing multiple transmission line projects in agricultural use areas.

4. Were there any differences from the proposed winning bid's storm hardening and public safety designs, including resiliency measures such as extreme wind/ice and cascading risk?

Response: All proposals were reviewed, and all met or exceeded NESC Heavy Loading Grade B, as required in the RFP – MTDS.

Some proposals exceeded NESC requirements for extreme wind/ice, and that was what, in part, led to some differences in the scoring – see IEP Report, Table 11, 1a.1 Design Loading Criteria. All proposals included storm structures. All proposals were based on utilizing time tested and proven structures and designs.

5. Proposal F & Proposal G were identified as being provided by the same bidder. Please discuss the rationale for Section 3 (Operations and Maintenance) point allocations between Proposal F & Proposal G. Did the proposals provide different operations and maintenance support plans, or have different operations and maintenance capabilities?

Response: For the Operation evaluation process, all seven proposals were carefully reviewed and compared based on the information provided regarding the operations/maintenance plans, compliance, reliability, safety, and other aspects. The purpose was to determine whether the respondent has considered all aspects of the operations and maintenance plans, equipment, and expertise required to carry out operations and maintenance of the Project over its life.

Proposal F and G offered different line/tower configurations.

The operations and maintenance plans provided by the respondent for Proposal F did not address the special considerations associated with the proposed different line/tower configuration. The proposed different configuration offered would require somewhat different operations and maintenance plans/practices and other factors. Proposal F also lacked information addressing special considerations associated with this different configuration and did not address the potential impact of the different line configuration on the availability of the proposed Wolf Creek – Blackberry 345 kV line.

Accordingly, the scoring for the Proposals F and G was different.

6. Does the proposed winning proposal contemplate the use of existing corridors? How does this compare to the other proposals?
 - If not,
 - Please provide any analysis regarding the regulatory risk, including point differentials for certainty of reaching state siting approval, regarding regulatory and land use considerations compared to any proposal that utilized significant amounts of existing ROW or corridors?

Response: The IEP Evaluator reviewed and compared all Proposals in the scoring of the Environmental and ROW Acquisition sub-categories. After the initial review of the proposals, it was concluded, based upon individual experience and project management capabilities that all Respondents could construct the Project based on the scope specified in the RFP by the target in-service date, and within the proposed budget. The final analysis is reflected in the scoring table 12 of the IEP Public Report.

- Would the SPP please outline the process that will occur if the State regulatory commissions in Missouri or Kansas require the use of existing corridors, as pertains to the winning proposal.

Response: SPP would follow Attachment Y Section III.2.d(a)(ix) and Section V.4.