



# **WestConnect Developer Selection Process Task Force**

TEP Offices

Tucson, AZ

September 22, 2016



# Welcome & Introductions

Bob Smith, PMC Vice-Chair, TransCanyon



# Antitrust Statement Reminder

Bob Smith, PMC Vice-Chair, TransCanyon



# **Finalize Small Team Recommendations**



# **Topic 1: Developer Selection Evaluation/Selection Team**



## Relevant Tariff Excerpts

- Selection of a Transmission Developer for Sponsored and Un-sponsored Projects:
  - “For any project (sponsored or unsponsored) determined by the PMC to be eligible for regional cost allocation and selected in the Regional Plan for purposes of cost allocation, the PMC shall select a transmission project developer...”
  - “...the PMC shall upon posting the selected projects, issue a request for information to all Eligible Transmission Developers...”
  - “The PMC shall provide to each developer indicating interest in developing a project a request for proposals for the identified project(s)...”
  - “The evaluation of the requests for proposals will be at the direction of the PMC, and will involve representatives of the beneficiaries of the proposed project(s).”



# Evaluation/Selection Team Proposal

*It is proposed that:*

- WestConnect will use an independent contractor to develop the RFIs, develop the RFPs, and evaluate the proposals submitted in response to a developer selection RFP issued for a project selected into the Regional Plan for purposes of cost allocation
  - To help reduce the potential for conflict of interest (COI) between specific firms and PMC members, the PMC may want to consider identifying two or three firms to be available to support the evaluation effort
  - **Discussion point:** The PMC should initiate the process to identify an independent contractor(s) by **TBD**
- Role of beneficiaries:
  - Beneficiaries will present the selected project(s) to the independent contractor in order to identify key project characteristics and/or design requirements and recommend priorities of selection criteria. The independent contractor will then develop the RFI and RFP.
  - Beneficiaries will serve an advisory role only: they will review the RFI and RFP before it is issued, and they will be the reviewers of the evaluator's preliminary findings/recommendations
  - The independent contractor will be responsible for developing the recommendation for a selected developer to present to the PMC
- The PMC will be the entity to issue the RFIs and RFPs and will approve the recommendation for a selected developer
  - Developer-specific proprietary and confidential information will not be shared with PMC members, including beneficiaries
  - **Discussion point:** Potential COI with PMC members with corporate affiliation to developers. Should PMC members recuse themselves if they or their affiliate have submitted project proposals?



# Evaluation/Selection Team – PMC Feedback

➤ TBA following PMC meeting





## **Topic 2: Evaluation Criteria**



## Relevant Tariff Excerpts

- Selection of a Transmission Developer for Sponsored and Un-sponsored Projects:
    - “The evaluation will include, but not be limited to, an assessment of the following evidence and criteria.
      - General qualifications of the bidding entity;
      - Evidence of financing/financial creditworthiness, including
        - ...”
- see tariffs for complete list of criteria*



# Evaluation Criteria Proposal

*It is proposed that:*

- The developer selection evaluation criteria consist of both qualitative *and* quantitative criteria:

## Proposed Evaluation Criteria

- Cost – **Quantitative**
  - Tied to design of project
  - Capital Cost
  - Cost Caps
  - CBR – we can adapt CAS work
- O&M - **Qualitative**
  - O&M plan
  - Qualify sub-contractors

## ➤ Project Plan – **Qualitative/Quantitative**

- Design – **Qualitative**
- Permitting - **Qualitative**
- Schedule - **Quantitative**
- Construction – **Qualitative/Quantitative**
- Financing - **Quantitative**
- Diversity - **Qualitative**
- Planning Participation - See Topic 3
- Ability to present - See Topic 4



## Evaluation Criteria Proposal, cont.

- Cost will be a significant aspect of the evaluation criteria and the specific criteria is still under discussion among the task force
  - **Cost – Quantitative**
    - Tied to design of project
    - Capital Cost
    - Cost Caps
    - CBR – we can adapt CAS work
- The tariffs address the cost criteria as follows:
  - total project cost (development, construction, financing, and other non-O&M costs)
  - operation and maintenance costs, including evaluation of electrical losses
  - revenue requirement, including proposed cost of equity, FERC incentives, proposed cost of debt and total revenue requirement calculation
  - present value cost of project to beneficiaries.



## Evaluation Criteria Proposal, cont.

- Project Plan criteria discussed by the task force has been reviewed against similar criteria contemplated in the tariffs:
  - **Project Plan – Qualitative/Quantitative**
    - Design – **Qualitative**
      - Project Description (*from tariffs*)
        - Detailed proposed description and route - **Qualitative**
        - Design parameters – **Qualitative/Quantitative**
          - Design alternatives considered to facilities/equipment  
(*Note – this was reorganized and renamed from “description of alternative project variations” as listed in the tariffs*)
        - Design life of equipment and facilities
    - Permitting – **Qualitative**
      - Plan to obtain permits/ROW (*Note – the “experience with and current capabilities” aspect of this criteria as described in the tariffs was removed because it is thought this aspect should have already been addressed as part of the qualification process*)



## Evaluation Criteria Proposal, cont.

- **Project Plan (continued from previous slide)**
  - Schedule - **Quantitative**
  - Construction – **Qualitative/Quantitative**
    - experience with and current capabilities and plan for project construction  
**Discussion point:** was **experience** and **current capabilities** covered sufficiently enough in the developer qualification process? If not, should it/can it be? )
    - third party contractors
    - procurement plan
    - project management (cost and schedule control)
    - construction schedule - **Quantitative**
    - construction budget (including all construction and period costs) - **Quantitative**
  - Financing - **Quantitative**
  - Diversity – **Qualitative** (*Note – not listed in the tariffs*)



## Evaluation Criteria Proposal, cont.

- A proposal regarding O&M-related and other criteria, and evaluation principles, will be forthcoming following future task force discussions (i.e. agenda item 4)



## Evaluation Criteria – PMC Feedback

- TBA following PMC meeting
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## **Topic 3: Planning Credit**



# Relevant Tariff Excerpts

- The tariffs do not address planning credits in the developer selection process



## Planning Credit Proposal

*It is proposed that:*

- The PMC will grant a 5% planning credit to a developer for having submitted a project into the planning process
  - The credit will be granted to any developer who submits a project to satisfy any regional need (i.e. reliability, economic, or public policy) as long as the project they submit is confirmed through the study process to meet the regional need.
  - The developer's project need not be selected as the more efficient or cost-effective solution to a need in order to be granted the planning credit
- Note – the final recommendation regarding a planning credit will need to be conformed to the final recommendation regarding the evaluation criteria and scoring approach



## Planning Credit – PMC Feedback

➤ TBA following PMC meeting



**Topic 4:**  
**Opportunity for collaboration, cure deficiencies,  
and present proposals**



## Relevant Tariff Excerpts - Collaboration

- The tariffs do not address opportunities for collaboration in the developer selection process
- For the purpose of this discussion, *collaboration* is not the involvement of contractors and subcontractors in the RFP response, but rather the joint bidding of two or more developers



## Collaboration Proposal

*It is proposed that:*

- Opportunities for collaboration on RFP responses must occur before proposals are submitted to the PMC
- Non-qualified entities (i.e. entities that have *not* been identified as an Eligible Transmission Developer through the Developer Qualification Process) can participate with qualified entities (Eligible Transmission Developers) on a collaborative proposal *IF* the qualified entity assumes the liability for the entire proposal team
- *Per McGuire Woods feedback:* If collaboration results in a joint bid between 2 or more beneficiaries, the bid should explicitly state the benefit of the collaboration



## Collaboration – PMC Feedback

- TBA following PMC meeting





## Relevant Tariff Excerpts – Cure Deficiencies

- The tariffs do not address opportunities to cure deficiencies in the developer selection process



## Cure Deficiencies Proposal

*It is proposed that:*

- Developers will be provided an opportunity to cure deficiencies in their RFP responses only to the extent it involves providing clarifying information
  - Once bids have been received, they should be reviewed for completeness, and if it is determined that information is missing, developers will be given an opportunity to provide the missing information within a designated timeframe
  - In addition, the independent evaluator may request clarifying information during the evaluation process and the developers will be required to respond within a given timeframe



## Cure Deficiencies – PMC Feedback

➤ TBA following PMC meeting



# Relevant Tariff Excerpts – Present Proposals

- The tariffs do not address opportunities to present proposals in the developer selection process



## Presentation Proposal

*It is proposed that:*

- Developers responding to the developer selection RFP will have an opportunity to present their proposal to the *appropriate parties* close to the time that the bid is submitted
  - At this time, it is undetermined who *appropriate parties* would be given that the details of who is involved in the various aspects of the evaluation process still need to be finalized



# Proposal Presentation – PMC Feedback

➤ TBA following PMC meeting



# Evaluation Criteria Recommendations



# Evaluation Criteria Proposal

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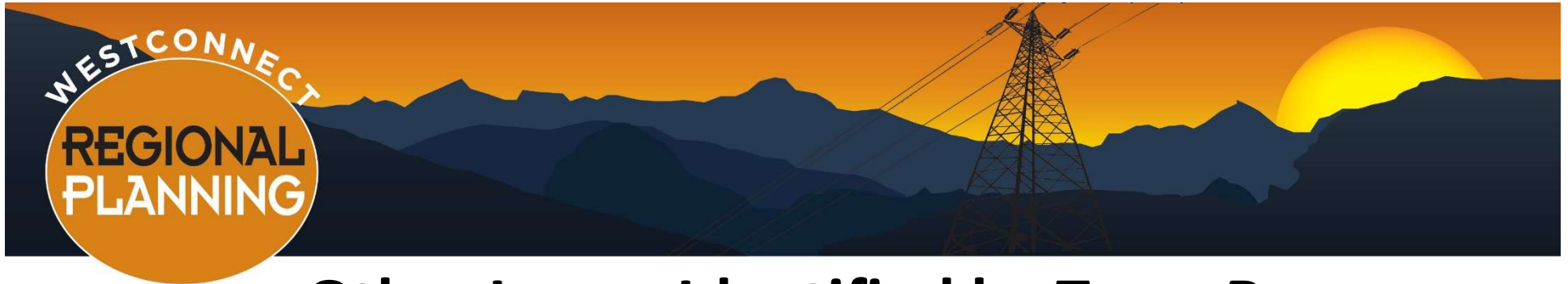




## Team B Thoughts:

### Evaluation Principles

- Cost – Overall cost
- Certainty – developer’s capacity to perform
- Specificity – in RFP, that identifies priorities and award criteria
- Risk Mitigation – cost containment

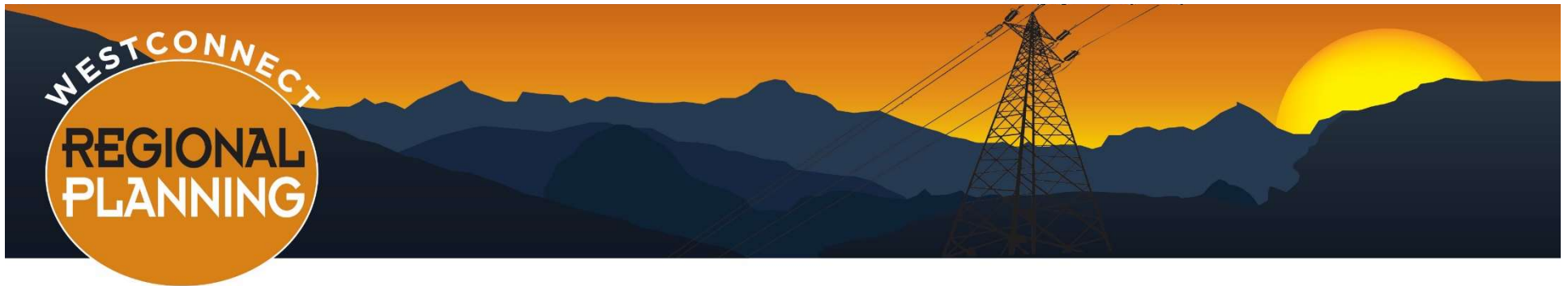


## Other Issues Identified by Team B

- Criteria should allow **flexibility** on a project by project basis to determine what is “most important”
- Goal is to minimize overlap and duplication between qualification criteria and evaluation criteria – i.e. must be consistent and compatible
- Quantitative scoring (points based) **and** Qualitative scoring? – a blend, with specificity on each criteria
- Compatibility, consistency with Cost Allocation Subcommittee (CAS)
- Sponsorship **AND** Competitive model?
  - Needs will be determined & posted, and then
  - Developers will propose their solution
  - “Incentives” for sponsorship (Team C)



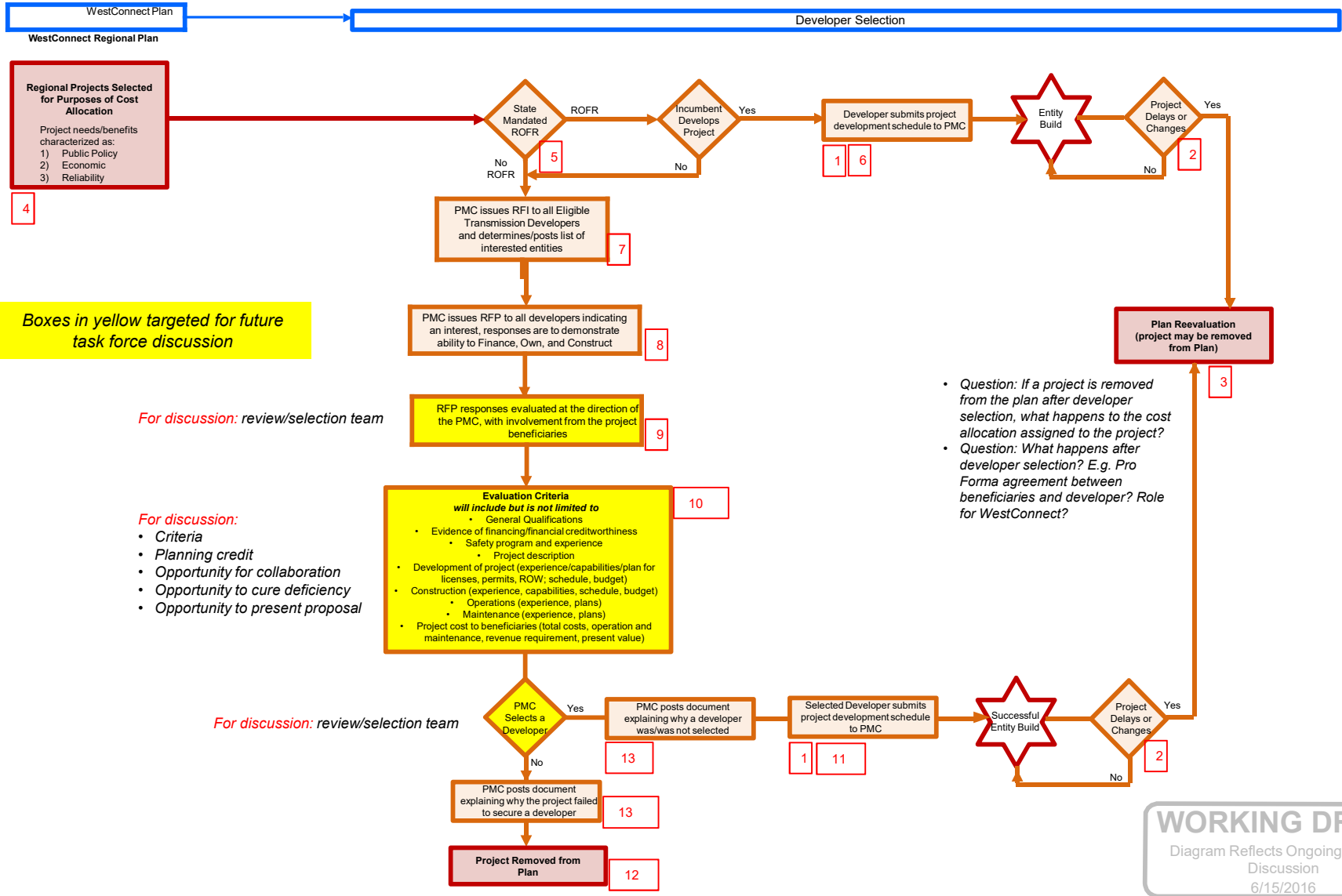
# Work Plan Review



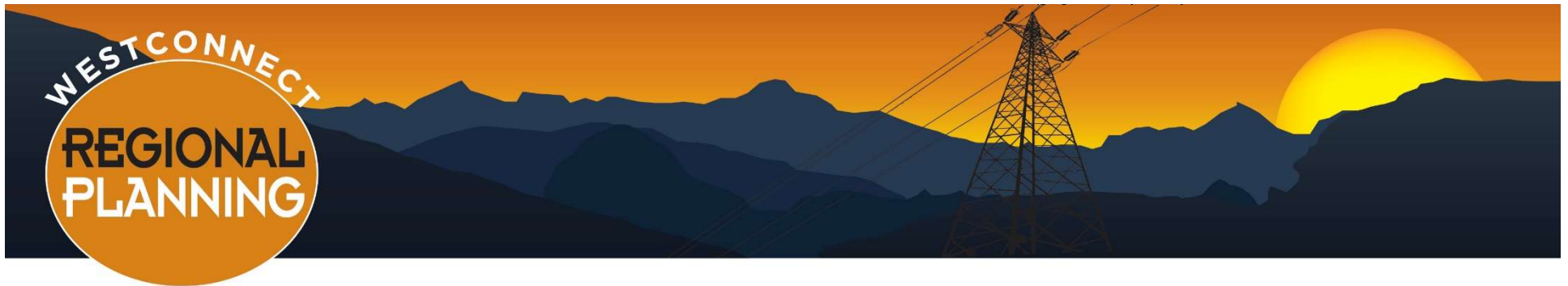
# Task Force Work Plan

2016 Deliverable:	Description:	Est. Effort Duration:	Est. Completion:
Process diagram	Use tariff-based process diagram to develop/illustrate recommended process	3 meetings	August 27
Process timeline	Define timeline to include start and completion of process, and interim steps, as possible	2 meetings	September 27
Identify responsible parties	Identify groups to be involved with the various steps of the process and their roles/responsibilities	2 meetings	November 27
Suggested tariff revisions	Prepare list of possible tariff additions/changes for review/consideration by Tariff Task Force	1 meeting	November 27
2017 Work Plan	Identify activities to be conducted in 2017 to complete process development effort	1 meeting	December 27
Recommendation to PMC	Package 2016 deliverables as a set of recommendations for PMC consideration	1 meeting	December 27

# Are there new steps or other changes to this diagram? See next slides.

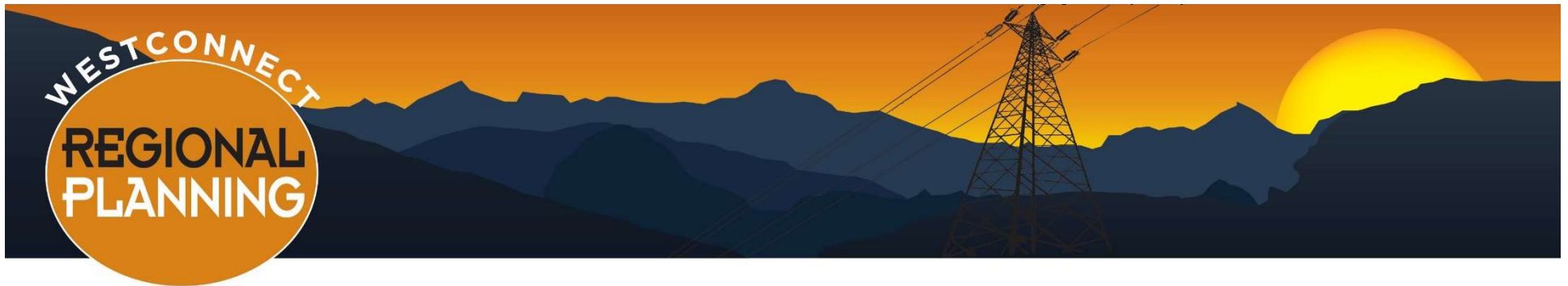


\*\* 1 Numbered boxes correspond to language regarding the process step as found in the approved WestConnect Enrolled TO tariffs. Reference document titled "APS Posted Tariff\_05012016\_Developer Selection.pdf"



# Developer Selection Process Detail

Process Step	Responsible Parties	Est. Timeline:
Beneficiaries present selected project(s) to independent evaluator	Beneficiaries	Within 30 days of posting the <i>draft</i> Regional Transmission Plan
Issue RFI	Independent evaluator drafts RFI PMC issues RFI	Within 30 days of posting the <i>final</i> Regional Transmission Plan
RFI responses due	Eligible developers	10 business days following issuance of RFI
Post list of interested developers	PMC	5 business days following RFI deadline
Issue RFP	Independent evaluator drafts RFP PMC issues RFP	Within 10 business days following posting of interested developers (or within 60 days of posting the final regional plan?)
RFP responses due	Interested developers	?? 60 days??
Bids reviewed for completeness	Independent evaluator	Within 30 days following bid deadline
Opportunity to cure deficiencies	Developers	10 business days following notification of missing information
Bid presentations	Developers	Within 30 days following bid deadline

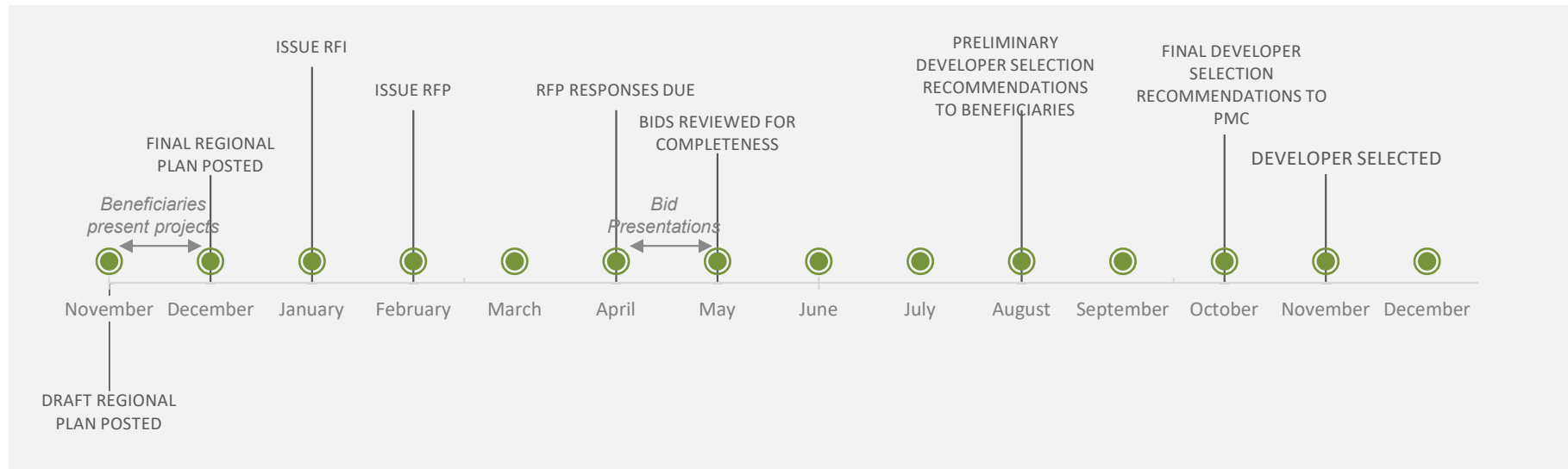


# Developer Selection Process Detail, cont.

Process Step	Responsible Parties	Est. Timeline:
Bid evaluations	Independent evaluator	?? 90 days??
Review of preliminary developer selection recommendations	Beneficiaries	30 days following issuance of preliminary recommendations
Final developer selection recommendations	Independent evaluator	30 days following beneficiary review of preliminary recommendations
Developer selected	PMC	Next PMC meeting, at least 30 days following receipt of final recommendations
Post document explaining why a developer was/was not selected	Independent evaluator and PMC	Within 60 days of selecting a developer (per tariff language)
Submit project development schedule to PMC	Selected developer	Within 30 days of notifying selected developer



# Developer Selection Timeline - Draft







# Action Items and Next Steps



## Next Meeting

- October 26<sup>th</sup> - 2:00 p.m. to 4:00 p.m. (MDT)/ 1:00 p.m. to 3:00 p.m. (PDT) - webinar



**Adjourn**