



Project Cost Review Process

SPP Project Cost Working Group



Revision History

Date or Version Number	Author	Change Description	Comments
	PCWG	Initial Draft	
6/28/2012	PCWG Sub-group	Edited by sub-group	
7/31/2012	PCWG	Includes edits made and directed by PCWG at 7/10/12	
8/7/2012	PCWG	Includes edits made by PCWG at 8/7/12 meeting	
12/5/2012	SPP Staff	Added reference to Reporting Template	For consideration of PCWG
2/12/2013 v1.0	PCWG	As modified and approved by PCWG	

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Purpose

The purpose of this document is to set out the process to be used by the Project Cost Working Group (PCWG) to evaluate project cost estimates, and to describe the parameters to be used in the evaluations.

Definitions

Unless otherwise noted in this document, capitalized terms shall have the meaning as defined in the SPP Open Access Transmission Tariff (OATT), the SCERT Data Dictionary, or the SPP Business Practices 7050 and 7060.

- Stakeholder: Any person or group that has an interest in SPP's affairs.
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Scope

The PCWG will review Applicable Projects as defined in SPP Business Practice 7060 which have a Significant Variance from (are more than 20% above or below) the established baseline cost estimate for that Project. The PCWG may also review any other Projects as directed by the SPP Markets and Operations Policy Committee (MOPC) or Board of Directors (BOD), consistent with all relevant SPP Business Practices and the SPP OATT.

Initially, the PCWG will limit its reviews to Applicable Projects with operating voltages of 300 kV and greater and cost estimates of \$20 million and greater. This restriction may be lifted at the discretion of the PCWG.

The PCWG's review will be concerned primarily with the cost estimates reported for Applicable Projects.

Timeline

1. SPP provides a quarterly report to the PCWG of Applicable Projects with a Significant Variance with its background materials, including the Upgrade Variance Report and any other information provided by the Designated Transmission Owner (DTO).
 2. PCWG reviews the report and determines whether additional information is needed.
 3. PCWG directs SPP Staff to request the additional information to be provided prior to the next PCWG meeting.
 4. PCWG approves a recommendation for each Applicable Project
 5. PCWG provides its quarterly recommendations to the MOPC, RSC, and BOD at their regular quarterly meetings unless the PCWG determines that action should be taken sooner.
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Review Process

When the quarterly report is provided to the PCWG, the PCWG will review all Applicable Projects that have been identified as having a Significant Variance, including the Upgrade Variance Report. A comparison of the revised SCERT with the baseline SCERT will be made. If the PCWG determines that additional information is required from the DTO in order to complete its review, it will specify the additional information to be requested. SPP Staff will provide coordination as needed. The DTO should provide the requested information to SPP in time for it to be included in the background materials for the next regular PCWG meeting, generally at least seven calendar days prior to the meeting. The PCWG may request that a representative from the DTO be available at the next PCWG meeting, either in person or by phone, to help explain the information. DTO representatives may choose to be available even if not requested by the PCWG.

No recommendation will be made to the MOPC/RSC/BOD unless approved by the PCWG. Those PCWG members voting in opposition to a recommendation will be given an opportunity to provide a reason for their opposition to be included with the recommendation.

PCWG members are not required to abstain from voting on recommendations for Projects in which the DTO and the PCWG member are employees of the same company or an affiliate company. In accordance with the SPP Bylaws and Membership Agreement, a simple majority of participants present or represented by proxy and voting shall be required for approval of an action.

Potentially sensitive or confidential data shall be watermarked as such and comply with SPP member confidentiality.

Deliverables

From the PCWG Charter: In carrying out its purposes, the PCWG will:

1. Provide a monthly review of regionally funded projects that have been identified by the SPP project tracking process as having estimated costs that have exceeded allowable variance levels.
2. Provide recommendations for projects that exceed the allowable variance levels.
3. Provide a quarterly report to Stakeholders.

The monthly review will summarize for each reviewed Project the amount and root cause of the Significant Variance, the mitigating factors considered, and the PCWG's recommendation as to the action that should be taken by the MOPC and/or the BOD. The recommendation for each project that exceeds the allowable variance levels shall include:

- a. PCWG agrees with the variance and recommends that the project be re-baselined
- b. PCWG agrees with part of the variance and recommends that the project be re-baselined accordingly
- c. PCWG does not agree with the variance and recommends that the project be reviewed

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The PCWG will produce a quarterly written report to Stakeholders of its findings and comments. The report will include a report on any trends observed in cost estimates including consistent deviations from the Study Estimate Design Guide (SEDG).

Other Processes

Revisions to Study Estimate Design Guide

Resources/References

1. SPP Open Access Transmission Tariff
2. SPP Business Practices
3. Study Estimate Design Guide
4. Quarterly Project Tracking Report
5. SCERT
6. DTO explanation

Appendix 1: Upgrade Variance Report

Upgrade Variance Report

Complete this report for each individual upgrade (UID) for which the project (PID) is outside of the bandwidth.

Yellow=Inputs

Project/Upgrade Identification

Today's Date	
Transmission Owner	
SPP NTC Number	
Project ID (PID)	
Project Description	
Upgrade ID (UID)	
Upgrade Description	

Upgrade Cost Estimates

Baseline Cost Estimate (\$)		Baseline Cost Effective Date	
Updated Cost Estimate from Quarterly Update (\$)		Updated Cost Effective Date	
Variance Amount (Updated less Baseline) (\$)			

Variance Contributing Factors

	Describe the Major Factors Contributing to the Variance	Amount (should sum to total variance)
1		
2		
3		
4		
5		
TOTAL		

Upgrade Expenditures

Expenditures Made To-Date (\$)	
Materials ordered and services contracted, but not included in above Expenditures (\$)	

Status of Construction Phases

Use an "x" to select one status for each phase

Phase	Status		
	Not Started	In Progress	Complete
Engineering/Design			
Siting and Routing			
Environmental Studies			
Permits			
Material Procurement			
Construction			

Risk Assessment

Identify Future Financial Risks	Describe Financial Mitigation Plans

Use an "x" to select one

Future Projection (Confidence Level)

Low	Medium	High
<50% chance	50-80% chance	>80% chance

Estimate the probability that final cost **will be within** +/- 20% of updated cost estimate

Additional Information

Provide any additional information or comments below

[Empty yellow box for additional information]