

AEP Suggestions on Qualifications Submitted to PJM on 06/21/12

Financial Requirements

Transmission sponsor/developer should demonstrate it has adequate financial resources by meeting all of the criteria outlined below.

Definitions – The following terms when used in this section have the following meaning unless the context indicates otherwise:

Corporate Commitment – Legally binding agreement to provide the capital requirements for another entity to construct, operate, and maintain a transmission facility.

Credit Rating – With respect to any entity, the rating then assigned to such entity's unsecured, senior long-term debt obligations (not supported by third party credit enhancements) or if such entity does not have a rating for its senior unsecured long-term debt, then the rating then assigned to such entity as an issuer rating by S&P, Moody's or any other nationally recognized rating agency.

Investment Grade Credit Rating – The Credit Rating for the transmission sponsor/developer or its parent company or controlling shareholder providing a Corporate Commitment shall be a minimum of "BBB-" for S&P or "Baa3" for Moody's.

Moody's – Moody's Investor Services, Inc., or its successor.

S&P – Standard & Poor's Rating Group, or its successor.

Average Project Cost – [the average projected] cost for all the projects in the upcoming expansion plan to be published by PJM. If no projected cost information is available at the time of qualification, the average cost for all projects in the prior expansion plan should be used to determine the average project cost.

Criteria – The transmission sponsor/developer should meet the following:

The transmission sponsor/developer or its parent company or controlling shareholder providing a Corporate Commitment to the transmission sponsor/developer must demonstrate an Investment Grade Credit Rating, or if no such rating is held, the transmission sponsor/developer must post for the benefit of PJM a surety bond, letter of credit, or cash in the amount of 25% (twenty five percent) of the Average Project Cost.

The transmission sponsor/developer shall provide evidence that it or its parent or controlling shareholder providing a Corporate Commitment has the capability to finance a transmission facility with an estimated cost of at least the Average Project Cost. In evaluating an interested transmission sponsor/developer's financial capability, the following will be considered:

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- a. Transmission sponsor/developer or its parent or controlling shareholder's history in obtaining financing for transmission facilities, and their willingness and ability to fix the cost of financing for a fixed period of time;
- b. Transmission sponsor/developer or its parent or controlling shareholder providing a Corporate Commitment shall demonstrate adequate liquidity by evidencing cash or cash equivalents per the most recent audited financial statements or proven access to bank facilities and availability under lines of credit or a combination thereof providing 10% or greater of the Average Project Cost; and
- c. Transmission sponsor/developer shall provide a summary of any history of bankruptcy, dissolution, merger, or acquisition of the transmission sponsor/developer, any predecessors in interest, parent company or controlling shareholder for the current calendar year and the five calendar years immediately preceding its application to become a transmission sponsor/developer in PJM. The transmission sponsor/developer shall also prove that there are no remaining material issues from any of these aforementioned events.

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Technical Requirements

Transmission sponsor/developer should demonstrate its current and expected capabilities to design, license/permit, and construct the transmission facilities by providing the following information to PJM. If the transmission sponsor/developer plans to use contractors that are yet to be identified, then the transmission sponsor/developer should provide its plans to identify and select the contractors that will be used for the project, as well as its business practices to procure materials, right-of-way, etc., to ensure its ability to meet PJM's needs.

1. Identification and qualifications of the transmission sponsor/developer, including major partners, contractors, (e.g., design engineers, project managers, right-of-way procurement, siting and routing, environmental analysis, material and equipment procurement, and suppliers, etc.), who the transmission sponsor/developer proposes will provide the engineering design, construction, and NERC compliance requirements, if applicable, for the project.
2. Technical and engineering qualifications and experience, and proposed plans to identify and select any consultants or contractors, if necessary, to provide this task.
3. Transmission sponsor/developer's relevant experience in designing transmission facilities, such as lines, stations, relaying, etc., including experience in designing and constructing facilities outside the PJM footprint, and proposed plans to identify and select any consultants or contractors, if necessary, to provide this task.
4. Procurement practices and experience or transmission sponsor/developer's plans to perform this function.
5. Project management expertise (including scope and schedule management), and proposed plans to identify and select any consultants or contractors, if necessary, to provide this task.
6. Plans and experience in obtaining the required licensing and permits, such as state siting approvals or Corps of Engineering permits, and environmental needs for transmission facilities.
7. Plans and experience in acquiring rights-of-way, and the authority to acquire rights-of-way by eminent domain, if necessary, that would facilitate approval and construction of the project.
8. Demonstrated ability to meet a development schedule.
9. If applicable, the previous record regarding construction of transmission facilities, including facilities located in various RTO footprints.

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10. Construction experience, including overview of major partners, contractors, and associated contracts proposed to be used to complete the project on time and on budget.
11. Demonstration of cost containment capability and other advantages the transmission sponsor/developer may have to construct the project.

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Submittal Requirements

The transmission sponsor/developer should have the ability to provide its proposed plans to design and construct the project. It is understood that specific decisions as to specific contractor selection and material procurement may not be known until the transmission sponsor/developer is actually awarded the project to build, but the process the transmission sponsor/developer will use to make those decisions should be known. The design of major elements and associated cost estimate for the project should not change from what is submitted to PJM as such information may be critical on which transmission sponsor/developer is awarded the project over a competing sponsor/developer. Specific requirements include the following:

1. Project Schedule
 - a. Schedule to develop and construct the project to meet required in-service date.
 - b. Plans to meet the schedule, such as the granting of state approvals (if needed), material acquisition plans, etc.
 - c. Identification of key schedule constraints.
2. Project Cost Estimate
 - a. Itemized cost estimate on major project elements (i.e., line, station, etc.), with material and labor costs separately identified.
 - b. Assumptions used for pricing of major cost elements.
3. Project Engineering and Design
 - a. Complete description of all proposed design and performance criteria.
 - b. Structure and foundation type(s) proposed to be used on project.
 - c. Losses (design efficiency).
 - d. Estimated life of construction of project.
 - e. Overview of internal material inventory business practices.
 - f. Merits of design and assumption and rationale around the design (such as wind speed and ice loading design chosen, list design standards used for project, etc.).
 - g. Engineering consultants and their qualifications that are proposed to be used on the project (strategy and selection methodology).
4. Routing and Siting Methodology
 - a. Plans to select siting and environmental contractors and their qualifications (strategy and selection methodology).
 - b. Description of process for public review involvement, if necessary.
 - c. Identification of major permits required.
 - d. Known environmental sensitivities and constraints.
 - e. Methods used for environmental assessments.
 - f. Methods used for route study and selection.
5. ROW Acquisition Process and Strategy
6. Material and Equipment

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- a. Plans to select material suppliers (strategy and selection methodology).
 - b. Description of material and equipment requirements and justification that PJM project needs are satisfied.
 - c. Overview of internal material inventory business practices.
7. Project Risks
- a. Identification of major project risks and proposed mitigation.
 - b. Ability to assume liability for major losses resulting from failure of project.
8. Construction Practices and Performance Metrics
- a. Proposed construction team and major contractors and their qualifications (strategy and selection methodology).
 - b. Contracting processes, and terms and conditions that may affect successful completion of project.
 - c. Environmental and best management practices used for project execution.
 - d. Contractor safety plan, labor and qualifications, safety performance record (performance execution), current and past safety statistics, and historical safety program and experience.
 - e. Labor requirements and staffing plan.
 - f. Work scope controls and change approval process.
 - g. Restoration plan.
9. PJM and Regulatory Reporting Requirements
- a. Provide affidavit that will follow PJM and state regulatory requirements regarding any PJM practices related to owning transmission facilities and any state filing, reporting, etc., requirements for the project.

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Operations, Maintenance, and Historical Performance Requirements

The transmission sponsor/developer should demonstrate operational and maintenance competence and establish its ability to operate and maintain those transmission facilities in a safe, reliable, efficient, and cost effective manner in accordance with industry practice and requirements. In addition, the transmission sponsor/developer should be able to demonstrate that it has an acceptable track record as a developer, owner, and/or operator of existing transmission facilities.

1. Operations Requirements
 - a. Plans to utilize existing, develop new, or contract access to operations office that is staffed 24/7, and utilize trained operators (NERC certified).
 - b. Plans to fully SCADA the new transmission facilities.
 - c. Ability to dispatch first responders and execute emergency maintenance under formal emergency operations and restoration plans.
 - d. Ability to dispatch field personnel to operate the transmission facilities during scheduled maintenance and other non-emergency system conditions.
 - e. Ability to comply with applicable NERC, RFC, SERC, PJM, and other regulatory requirements.

2. Maintenance Requirements
 - a. Ability to dispatch first responders and execute emergency maintenance under formal emergency operations and restoration plans.
 - b. Ability to dispatch field personnel to maintain the transmission facilities during scheduled maintenance and other non-emergency system conditions.
 - c. Ability to comply with applicable NERC, RFC, SERC, PJM, and other regulatory requirements.
 - d. Ability to develop/contract/execute formal preventative maintenance program.
 - e. Ability to access replacement equipment and spare parts in a timely manner.

3. Historical Performance Requirements
 - a. Track record as developer in submitting credible project proposals to PJM, and delivering projects on time and under budget.
 - b. Track record as owner/operator in meeting commitments and obligations from previous project designations, and meeting (not meeting) regulatory requirements.