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LA Public Service Commission

BEFORE THE
LOUISIANA PUBLIC SERVICE COMMISSION

IN RE: APPLICATION OF SOUTHWESTERN
ELECTRIC POWER COMPANY FOR
(i) CERTIFICATION OF THE TRINITY SOLAR
PROJECT AND (ii) EXPEDITED RELIEF

DOCKET NO. U-_____

DIRECT TESTIMONY OF

PAUL E. PRATT

FOR

SOUTHWESTERN ELECTRIC POWER COMPANY

MARCH 2021

PUBLIC VERSION

TESTIMONY INDEX

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EXHIBITS

<u>EXHIBIT</u>	<u>DESCRIPTION</u>
EXHIBIT PP-1	TRINITY PROJECT SUMMARY - CONFIDENTIAL
EXHIBIT PP-2	AEP PROCUREMENT

1 I. INTRODUCTION

2 Q. PLEASE STATE YOUR NAME, POSITION, AND BUSINESS ADDRESS?

3 A. My name is Paul Pratt, and my position is Director of Customer Services & Marketing for
4 Southwestern Electric Power Company ("SWEPCO" or "Company"). My business address
5 is 428 Travis Street, Shreveport, Louisiana 71101.

6 Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL EXPERIENCE?

7 A. I received a Bachelor of Science degree from Louisiana State University Shreveport in
8 1997. In addition, I received a Master of Business Administration from Louisiana Tech
9 University in 2002. I began my employment at SWEPCO in October 2006 as an Energy
10 Efficiency and Consumer Programs Coordinator. In that position I was responsible for
11 implementing and administering energy efficiency programs. In 2013, I was named
12 Consumer Programs Manager. In my current position, I manage SWEPCO's Customer
13 Services and Marketing functions.

14 Q. HAVE YOU TESTIFIED ON BEHALF OF SWEPCO AS A WITNESS BEFORE ANY
15 STATE COMMISSION?

16 A. Yes. I have previously testified before the Public Utility Commission of Texas (PUCT),
17 and I have also appeared on behalf of SWEPCO at several Louisiana Public Service
18 Commission ("LPSC" or "Commission") Technical Conferences.

19
20 II. PURPOSE OF TESTIMONY

21 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

22 A. The purpose of my testimony is to support SWEPCO's Application for approval of a
23 Louisiana solar generating resource pursuant to the requirements of the Commission's

1 September 20, 1983 General Order (“1983 Order” or “Certification Order”) governing
2 certification of generation assets to serve ratepayers, as acquisition of this resource is in the
3 public interest. The proposed Trinity Bluff Solar Project (“Trinity Project” or “Project”)
4 would include approximately 750 kW of solar generation in north Caddo Parish, Louisiana,
5 adjacent to the planned Trinity Bluff subdivision. The project is being proposed to improve
6 reliability and grid resiliency for SWEPCO customers. In order to bring our customers the
7 benefits of this Project, as well as secure the benefits of a Louisiana solar resource,
8 SWEPCO respectfully requests expedited treatment by the Commission, with an approval
9 of the project no later than Summer 2021.

10 III. TRINITY PROJECT BENEFITS

11 Q. PLEASE DESCRIBE THE TRINITY PROJECT.

12 A. The proposed Trinity Project would include approximately 750 kW of solar generation in
13 north Caddo Parish, Louisiana, adjacent to the planned Trinity Bluff subdivision. The
14 Project would improve reliability and grid resiliency for SWEPCO customers and would
15 include a planned solar array at the back of the subdivision, thus raising the visibility of
16 Louisiana-based solar generation for SWEPCO’s customers. The Project would also
17 include onsite battery storage of two, 320 kWh batteries for resiliency, and utilize a
18 platform to manage the solar and battery output and storage relationship with the grid for
19 the benefit of Louisiana utility customers. Finally, SWEPCO intends to install advanced
20 metering infrastructure (AMI) meters at the homes in the Trinity Bluff subdivision to better
21 understand customer usage and the benefits the Project provides to customers and the grid.
22 A summary of the Trinity Project, including a detailed timeline, cost estimate, projected
23 specifications for the solar array and battery systems, as well as photographs of the

1 proposed location for the generation facilities in Caddo Parish, Louisiana are all included
2 in the Confidential Exhibit PP-1.

3 Q. HAS SWEPCO STUDIED THE PROPOSED LOCATION OF THE GENERATION
4 FACILITIES?

5 A. Yes. SWEPCO has carefully evaluated the proposed location in Caddo Parish, and
6 conducted surveys to evaluate soil conditions, and usable acreage determined by flood
7 plain elevation. SWEPCO has also carefully considered storm water drainage aspects in
8 selecting the proposed site. SWEPCO is very experienced in managing generation
9 construction projects and will use this expertise to secure all necessary permits.

10 Q. WILL SWEPCO USE A COMPETITIVE BID PROCESS TO SECURE THE LOWEST
11 QUALIFIED BIDDER FOR THE MAIN COMPONENTS?

12 A. Yes. SWEPCO, and its parent American Electric Power (AEP), has a well-managed and
13 efficient procurement process to secure qualified competitive bids at a low cost to within
14 the estimated Project budget. AEP/SWEPCO has substantial experience in managing large
15 scale projects at reasonable costs and can leverage this expertise for the benefit of
16 SWEPCO customers. A copy of AEP/SWEPCO's Procurement Policy is attached at
17 Exhibit PP-2. SWEPCO will maintain a strong focus on using local businesses to construct
18 the Project.

19 Q. WILL SWEPCO CUSTOMERS BENEFIT FROM IMPROVED RELIABILITY AND
20 RESILIENCY WITH THIS PROJECT?

21 A. Yes. This Project will help promote generation diversity from a local renewable resource
22 and will also promote grid stability for SWEPCO customers, with the Project's blackstart
23 capabilities.

1 Q. WILL THE STATE AND COMMUNITY BENEFIT FROM THIS PROJECT?

2 A. Yes. The Trinity Project will support local construction jobs and help bring the benefits of
3 Louisiana solar to SWEPCO customers.

4 Q. ARE THERE SIMILAR SOLAR PROJECTS IN LOUISIANA?

5 A. Yes. SWEPCO conducted a site visit to a similar solar site built by S&C Electric in
6 Lafayette, Louisiana, located on the campus of University of Louisiana at Lafayette. This
7 site is similar in size and scope to the Trinity Project site, however the Trinity site will also
8 have black start capability to further provide reliability benefits for customers. Confidential
9 Exhibit PP-1 includes photographs of similar solar arrays to what will be installed with the
10 Trinity Project.

11 IV. SWEPCO'S COMPLIANCE WITH THE 1983 ORDER
12 AND EXEMPTION FROM THE MARKET-BASED MECHANISM (MBM) ORDER
13

14 Q. PLEASE DESCRIBE HOW THE TRINITY PROJECT COMPLIES WITH THE 1983
15 GENERAL ORDER?

16 A. The Project summary included as Confidential Exhibit PP-1 includes an itemized
17 projection of total costs, as well as the scheduled completion date with project schedules
18 and specific target dates, all in compliance with the 1983 Order. The total Project costs are
19 estimated to be approximately \$[REDACTED] million. The current timeline provides for the Project
20 to reach completion within thirty-six (36) weeks of Commission approval, bringing jobs to
21 Louisiana during construction, and further benefiting the region through development of
22 local energy resources.

23 Q. DID SWEPCO'S PRIOR INTEGRATED RESOURCE PLAN (IRP) ALSO IDENTIFY A
24 NEED FOR ADDITIONAL SOLAR RESOURCES?

1 A. Yes. SWEPCO's most recent Integrated Resource Plan identified a need for new Solar
2 resources during the term of the IRP process in Order I-34715, dated June 24, 2020. The
3 Trinity Project will help meet a portion of those needs while adding resiliency to the grid.

4 Q. PLEASE DESCRIBE HOW THE TRINITY PROJECT IS EXEMPT FROM THE MBM
5 ORDER?

6 A. This Project is exempt from the Request for Proposals (RFP) requirement in the General
7 Order of October 29, 2008 (known as the Amended Market Based Mechanism Order or
8 MBM Order), found in Docket No. R-26172, as the solar generation will be well below the
9 50 MW threshold of the exemption paragraph found in MBM Order paragraph 2(a), which
10 provides in pertinent part:

11 "2. The following generating capacity investments or contracts do not
12 require the formal use of a market-based mechanism:

13 a. Resources less than 50 MW summer rating, LPSC jurisdictional share."

14 As the planned Project is equivalent to approximately 750 kW of solar generation, it is well
15 below the 50MW threshold and thus, exempt from the MBM Order.

16 Q. IS SWEPCO REQUESTING COST RECOVERY IN THIS PROCEEDING?

17 A. No. SWEPCO does not seek cost recovery in this proceeding. Rather, after Commission
18 and Staff's review of its request, SWEPCO will seek appropriate cost recovery in its current
19 base rate proceeding pending before this Commission in Docket No. U-35441, or in a
20 separate proceeding if needed.

21 Q. IS SWEPCO REQUESTING EXPEDITED TREATMENT IN THIS PROCEEDING?

1 A. Yes. SWEPCO respectfully requests expedited treatment by the Commission so that the
2 Project may proceed with construction to be completed in 2021 for the benefit of Louisiana
3 customers.

4 V. CONCLUSION
5

6 Q. PLEASE SUMMARIZE SWEPCO'S REQUEST IN THIS PROCEEDING?

7 A. In order to secure the advantages of improved reliability and solar generation resources
8 located in Louisiana for the benefit of SWEPCO ratepayers, SWEPCO respectfully
9 requests expedited treatment by the Commission so that the Project may proceed.

10 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

11 A. Yes.
12



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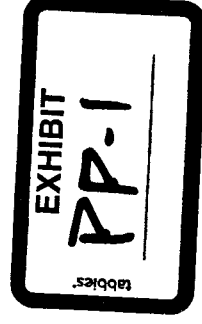


Trinity Community Microgrid Project

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Project Introduction

A developer is preceding with an 83 lot development in North Shreveport known as Trinity Bluff (TB). DSLD, the TB developer, is interested in allocating to SWEPCO a parcel in or adjacent to TB for solar power production and islanding/resiliency infrastructure such as a BESS and DACR. SWEPCO has an interest in Louisiana Solar and is utilizing this project as a solar and resiliency pilot with cost recovery through the state regulatory body.



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Project Description

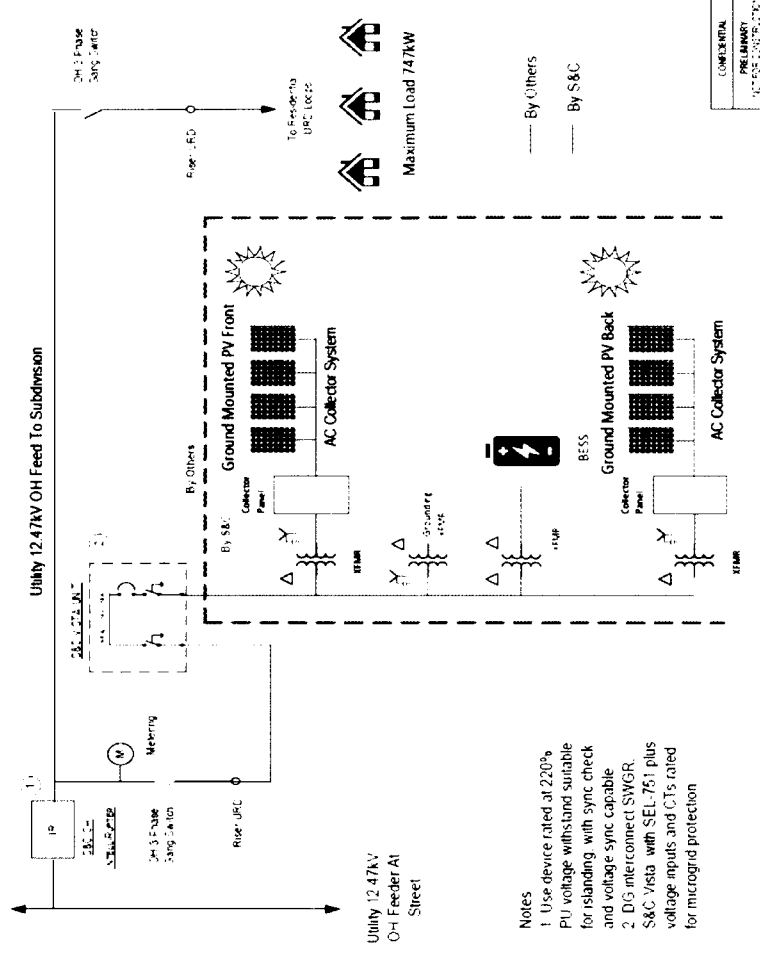
The Trinity Bluff development is adjacent to Trinity Heights Church at 3820 Old Mooringsport Rd, Shreveport, LA. The proposed sites are a 1 acre lot within Trinity Bluff, and a 3.6 acre area located to the north of the development, between the development and Twelve Mile Bayou. Trinity Bluff is located 3.1 miles from North Market substation along the trunk line of circuit 8510. Thus, excepting protective devices such as fusing and power quality devices such as switched capacitors, the upper limit for theoretical production capacity is taken as total load on the circuit.

This project consists of designing, procuring, constructing/installing, and commissioning a Microgrid System consisting of photovoltaic generation and a Battery Energy Storage System (BESS). The system will include three 250kW AC solar systems with ground-mounted, fixed-tilt racking solar generation and lithium ion batteries.

When grid-tied, the photovoltaic system will feed electric energy back to the grid through the local distribution system. During a service disruption, the system will disconnect from the grid and use both the solar generation and the BESS to supply power to the subdivision until the battery is depleted. When the local distribution grid has been restored, the system will seamlessly synchronize back to the grid

Project Overview

- Community Micro-grid solution combining Photovoltaic generation and battery energy storage
- When grid-tied, the photovoltaic system feeds electric energy back to the grid through the local distribution system.
- During a service disruption, the system will disconnect from the grid and use both the solar generation and the BESS¹ to supply power to the subdivision until the battery is depleted.
- When the local distribution grid has been restored, the system will seamlessly synchronize back to the grid.



¹ Battery Energy Storage System



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REDACTED



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REDACTED



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REDACTED



Timeline/Schedule

- 36-week project from commencement to completion

Week	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	
Project Planning																																					
Engineering Design																																					
System Studies																																					
Controls System Development & Deployment																																					
Procurement & Shipping																																					
Site Work & Construction																																					
Commissioning																																					
Project Closeout																																					



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Project Engineering and Procurement

- SWEPCO has partnered with S&C Electric to provide Engineering services
 - Layout design of Photovoltaic array
 - Racking system design
 - Photovoltaic panel recommendation – panel efficiency considerations for acreage
 - B.E.S.S. recommendation
 - Switchgear and MPT design
 - DERMS (Distributed Energy Resource Management System) design
- S&C Electric will provide SWEPCO with information on Procurement
 - Type of photovoltaic panels, B.E.S.S., Switchgear, DERMS, MPT
 - Type of inverter to work with Photovoltaic panels.
 - Inverters will need to have black start capability



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Project Construction

- SWEPCO will bid construction of the Trinity Micro-grid following the AEP Procurement Policy (REV 005)
- This Policy establishes the minimum requirements that a Business Unit shall follow for the Acquisition of Goods and/or Services. Additionally, it sets expectations for all Business Units within AEP having an influence on cost, quality, and delivery of Goods and/or Services.
- SWEPCO will have a strong focus on using local businesses to Construct.



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Project Risks

-
- Land assignment – Customer to deed property to SWEPCO
 - Site development limitations
 - Storm water/drainage aspects
 - Soil conditions
 - Actual usable acreage determined by flood plain elevation
 - Environmental studies and permitting
 - Procurement lag due to COVID-19 impact



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Appendix

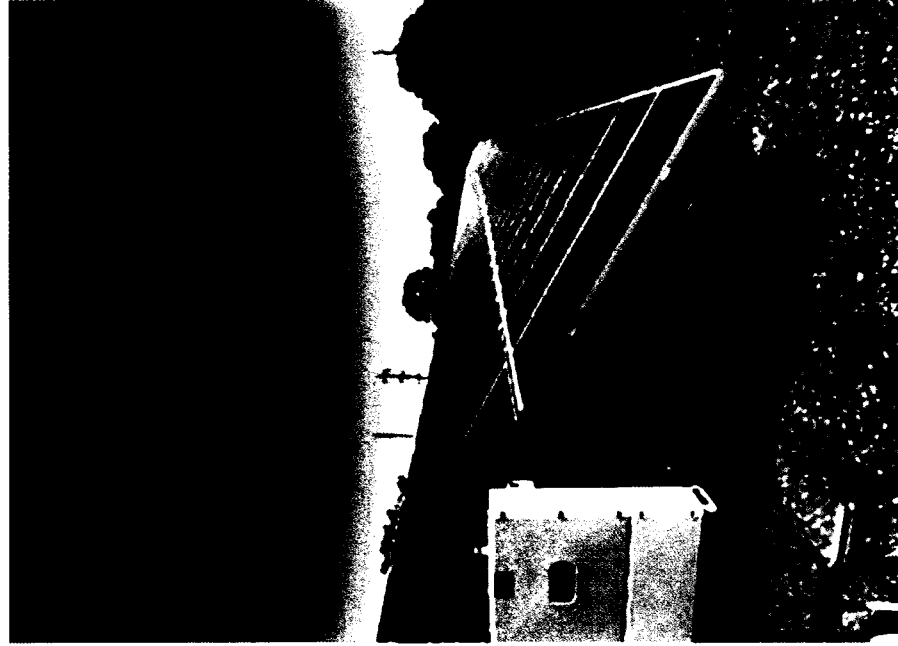
SWEPCO representatives had an opportunity to visit a photovoltaic site designed and built by S&C Electric in Lafayette, LA. Located on the campus of ULL. This site will be similar in nature to the Trinity site. The ULL site has a capacity of a little over 1MW, the trinity project will be a little less at 750kw.

The ULL site does not have black start capability and will not generate if a loss of voltage is experienced nor will the site have a B.E.S.S. Outside of these difference there are strong similarities between the ULL array and the proposed Trinity array.



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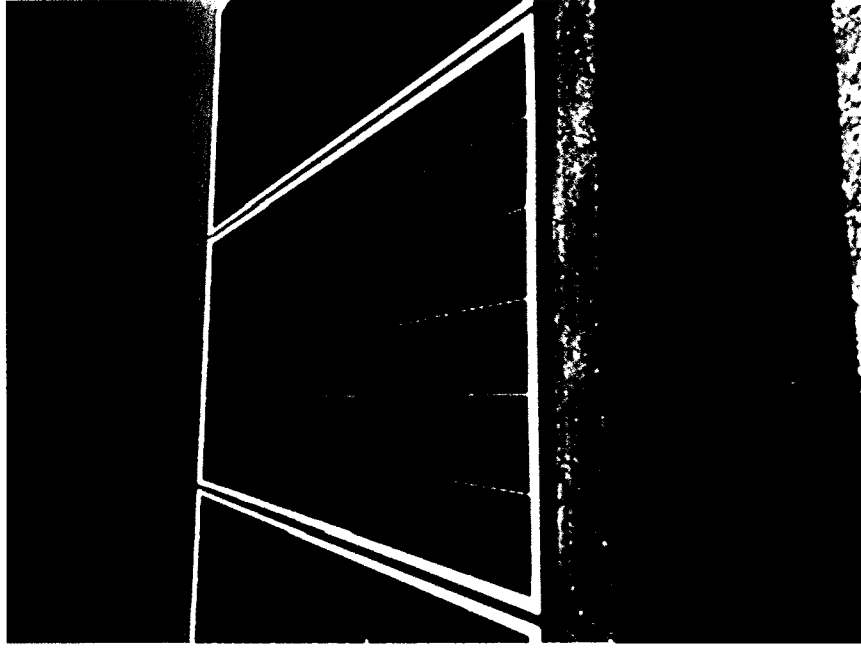
Appendix





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Appendix



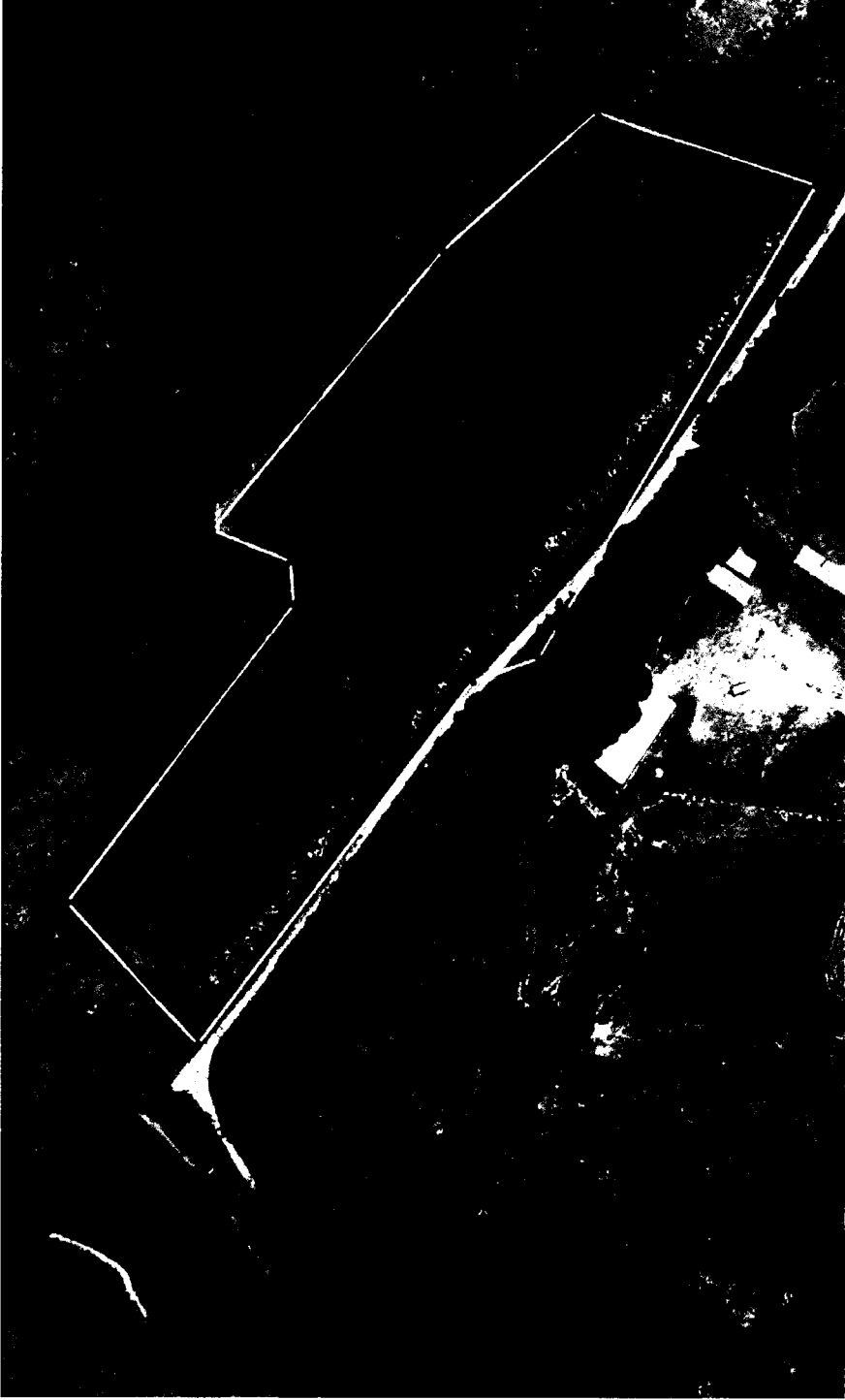
Appendix

Location of future Photovoltaic Array at proposed Trinity Project



Appendix

Location of future Photovoltaic Array at proposed Trinity Project



Title:	AEP Procurement Policy (REV 005)	Effective Date:	July 1, 2013
Owner:	Brian Tierney, Chief Financial Officer	Sponsoring Area(s):	Supply Chain, Procurement & Fleet

Policy/Purpose Statement:

This Policy establishes the minimum requirements that a Business Unit shall follow for the Acquisition of Goods and/or Services. Additionally, it sets expectations for all Business Units within AEP having an influence on cost, quality, and delivery of Goods and/or Services.

Detail:

1.0 Scope: This Policy shall apply to the Acquisition of Goods and/or Services. The Policy governing Procurement of fuels, transportation, and related products is part of the Coal Procurement Policy and is administered separately. Acquisitions of Goods and/or Services for Joint Ventures shall be governed by the agreements, policies, and protocols established for each Joint Venture.

2.0 Definitions: Refer to Attachment A for the definition of any capitalized terms herein.

3.0 Compliance: The provisions set forth in this Policy shall be followed when acquiring any Goods and/or Services on behalf of AEP. Failure to comply with these provisions may result in disciplinary action up to and including termination. Any exceptions to this Policy shall be approved in writing by the owner of this Policy.

4.0 Approval of Commitments: All Contracts, Purchase Requisitions, lease agreements, Releases, and other agreements/expenditures that commit funds of the Company for the Acquisition of Goods and/or Services shall comply with the AEP Authorization Policy. The Authorization Policy can be found on the AEP Policy Central website.

5.0 Sourcing and Selection:
5.1 Standards:

5.1.1 Acceptable Transaction Methods: The Acquisition of Goods and/or Services will be requested through the use of the following methods. Every effort should be made to buy Goods through established AEP Catalogs (Asset Suite, Office Supplies, AEPGear.com, T&D WESCO Tool Catalog).

- Material Requests resulting in material issuances, transfers or Purchase Orders
- Purchase Requisitions resulting in Purchase Orders
- Contract Requisitions resulting in Contracts
- Other BU requests processed into Purchase Orders or Contracts
- Credit Card purchases in accordance with the AEP Corporate Credit Card Policy

5.1.1.1 Exceptions to Acceptable Transaction Methods: The list of exceptions is maintained on the SCPFO SharePoint site. New permanent exceptions can be requested by following the "New PO-Contract Exception Request" process.

5.1.2 Required Use of Sourcing Professional:

5.1.2.1 NERC CIP Regulated Actions: All acquisitions of Goods and/or Services that may be used in a **NERC CIP** or **NRC** regulated environment must utilize a designated Sourcing Professional as defined by this Policy regardless of anticipated acquisition value.

5.1.2.2 All other Actions: Acquisitions of Goods and/or Services that will not be used in a NERC CIP or NRC regulated environment with an estimated value over \$100,000 must utilize a designated Sourcing Professional as defined by the Policy. A Sourcing Professional may also be involved with an event less than \$100,000, as requested.

5.1.3 Competitive Bidding Threshold: Unless exempted under Section 5.1.4 of this Policy, any Acquisition of Goods and/or Services with an estimated value above \$100,000 shall be made through competitive bidding. For Acquisitions of Goods and/or Services below the \$100,000 threshold, the use of competitive bidding to Procure Goods and/or Services, regardless of the value, is strongly encouraged as a good business practice.

5.1.4 Exceptions to Competitive Bidding:

- Sole, Single Source and/or Other Than Low Bidder Awards for Goods and/or Services (in accordance with Section 5.1.6)
- Releases, Work Authorizations, or Purchase Orders issued against a Blanket Purchase Order, Blanket Contract or Blanket Service Agreement
- Exceptions listed under Section 5.1.1.1 of this Policy
- Software licenses for annual renewals associated with a Contract
- Legal service contracts written by AEP Legal Department

5.1.5 Inclusion of Small Business/Diverse Suppliers in Bid Opportunities: Unless exempted under Section 5.1.4 of this Policy, any Acquisition of Goods and/or Services with an estimated value above \$100,000 shall solicit a qualified minority, woman or veteran-owned supplier. For Acquisitions of Goods and/or Services below the \$100,000 threshold, the inclusion of a diverse supplier is strongly encouraged as a good business practice. (Refer to attachment D for diverse supplier classifications.)

5.1.6 Sole, Single Source and Other Than Low Bidder Justification: Prior to Award, any Sole Source, Single Source, or Other Than Low Bidder Acquisition of Goods and/or Services, with an actual or estimated value above \$100,000 shall be supported by a Single/Sole Source Justification Statement. The Justification Statement must be reviewed and initialed by the appropriate Procurement Professional (see 5.1.6.1 below). Business Unit approval must be one Authorization Level above the financial Authorization Level for that dollar value.

5.1.6.1 Procurement Review: Use the table below to determine the appropriate Procurement Review level based on the actual or estimated value:

Procurement Review	Range
Sourcing Professional	\$100,000 - \$1,000,000
Category Manager	\$1,000,000 - \$2,500,000
Director of Procurement	\$2,500,000 - \$5,000,000
CPO	> \$5,000,000

5.1.5.2 Justification Statement: As a minimum, the Justification Statement shall include, but not be limited to: 1) Business Unit; 2) description of the Goods and/or Services being acquired; 3) dollar value; 4) detailed description of why only this suggested source can furnish the requirements 5) signature of the individual(s) writing and approving the Justification Statement. A standard template that shall be used for a Justification Statement can be found as Attachment B to this Policy.

5.1.7 Zero Dollar Blankets: Blanket Contracts/Purchase Orders which provide no financial commitment, but establish a commercial relationship with a Supplier, require the oversight and approval outlined below.

	Competitively Bid	Sole/Single Sourced or Other Than Low Bidder
Procurement Review		
\$100,000 - \$10,000,000	Category Manager	Director of Procurement
➤ \$10,000,000	Category Manager	CPO
Business Unit Approval	Vice President	Vice President

5.1.8 Intentional Transaction Split: Acquisition of Goods and/or Services shall not be split into multiple transactions with the same Supplier in order to avoid the requirements of competitive bidding.

5.1.9 Competitive Affiliates: Competitive bidding that includes a Competitive Affiliate must meet additional requirements contained in the state codes of conduct. Information on additional requirements can vary based on state codes of conduct; please direct questions to Ethics and Compliance.

5.2 Methods and Form of Solicitations:

5.2.1 Methods of Solicitation: Any Acquisition of Goods and/or Services valued above the Competitive Bidding Threshold defined in Section 5.1.3 shall utilize one or more of the formal methods of solicitation as defined in Attachment A and listed below:

- Request For Information (RFI)
- Request For Proposal (RFP)
- Request For Quote (RFQ)

5.2.2 Solicitation Documentation:

5.2.2.1 Control Desk: An RFP response (manual or electronic) must be strictly controlled through the formal establishment of a Control Desk in order to receive a bid or proposal from a Supplier. The electronic submission of a Supplier's response through a secure Electronic Sourcing Tool (EST) does not require the establishment of a Control Desk provided the EST functions in a method that prevents access to a response until the bid open date and time.

5.3 Awards and Approvals:

5.3.1 Other Than Low Bidder: Prior to an Award of a Contract that was competitively bid as part of Section 5.2.1 of this Policy, but that will not be awarded to the lowest price bidder, a Justification Statement must be reviewed by the appropriate Sourcing Professional (shown in the table 5.1.5.1) and must be approved by the Business Unit at the next Authorization Level above the level having the dollar

authorization to make the commitment. In the case of a Zero Dollar Blanket, an Other Than Low Bidder Justification Statement must be written and approved by the individual listed in the "Competitively Bid" Column in Section 5.1.6.

- 5.3.2 Evaluations/Analysis:** Evaluation and analysis of a Supplier's response shall be conducted in a fair and impartial manner and the Award made to the Lowest and Best Supplier responsive to the requirements described in the Rules Document.
- 5.3.3 Certificate of Award (COA):** A Certificate of Award shall be executed for any Acquisition that results in the Award of a Purchase Order/Contract to a Supplier for the purchase of Goods and/or Services above \$100,000.
- 5.3.4 Award Notifications:** All Suppliers participating in an RFP shall be formally notified (electronically or by letter) as to the status of an Award by the Sourcing Professional conducting the RFP.
- 5.3.5 Limited Notice To Proceed (LNTP):** All LNTP's, regardless of the value, shall be reviewed and approved by AEP Legal.
- 5.3.6 Verbal Agreements:** The Purchase Order/Contract constitutes the entire agreement between the parties and supersedes all previous and collateral agreements or understandings with respect of the subject matter of the Contract. No waiver, alteration, amendment or modification of any of the provisions of the Contract shall be binding unless in writing and signed by duly authorized representatives of the parties.

6.0 Risk Management: Risk management is a fundamental aspect of purchasing and supply management and involves three key activities: risk assessment, risk scoring and risk treatment, all of which facilitate the taking of decisions and actions to control risk appropriately by providing a disciplined and objective approach. When procuring goods and services, procurement professionals will facilitate and consult risk management activities.

- 6.1 Credit Risk Review:** It is the role of the Sourcing Professional to work with the Business Unit to comply with the AEP Credit Risk Management Policy, Appendix 5: CRM Procurement Policy in order to protect AEP from serious financial management impacts due to default of counterparties, or failure of counterparties to perform contracted obligations.
- 6.2 Legal Review of Contracts:** The following Contracts require review by the AEP Legal Department.
 - 6.2.1** All Contracts with a total value of \$1,000,000 or more. The value of the Contract is determined based on the total requisition amount, or, for Zero Dollar Blankets, the intended spend under the Contract rather than the annual amount or an amount attributable to any particular phase.
 - 6.2.2** All Contracts that include changes to the AEP General Terms and Conditions.
 - 6.2.3** All Contracts that are prepared using the counterparty's form of contract.
 - 6.2.4** All Work Authorizations, statements of work and/or written Releases against Blanket Contracts with a value of \$10 million or more.
 - 6.2.5** All Contracts that use a form of contract other than one of the standard forms that appear on the AEP Legal Contract Forms and Instructions webpage (including LOIs, LNTPs, MOUs, etc.).
 - 6.2.6** All Contracts in which American Electric Power Company, Inc. is a party and all requests for guarantees by American Electric Power Company, Inc. or any of the AEP companies.
 - 6.2.7** Contracts that could significantly alter AEP's risk profile or liability.

- 6.2.8 All Contracts for which the business unit requests Legal review or involvement.
- 6.2.9 All Amendments where there may be changes to the General Terms and Conditions or where AEP's legal or financial risk is significantly changed.

6.3 Third Party Risk Governance (TPRG) Risk Rank: The Sourcing Professional shall ensure the Third Party Risk Governance (TPRG) Risk Rank is completed by the Business Unit prior to Contract execution and, when applicable, ensure the AEP Security Supplement is incorporated into the Contract.

6.3.1 The TPRG Risk Rank will determine the need for inclusion of the AEP Security Supplement

6.3.2 The TPRG team will facilitate and coordinate the negotiation of the AEP Security Supplement.

6.4 Insurance Risk Review: In addition, the Sourcing Professional shall ensure that all modifications, Amendments or revisions (the "Deviations") to AEP's insurance requirements set out in AEP's standard Contract templates are reviewed and approved by:

1. Business Unit; and
2. Risk & Insurance Management (and if Risk & Insurance Management will not provide approval of such Deviations); then
3. Business Unit Vice President

6.5 Procurement Hold: AEP has a responsibility to its customers, shareholders and employees to enter into agreements with suppliers who are deemed to be worthy based on past and current legal standing, safety performance and with an acceptable level of risk. Suppliers placed on Procurement Hold shall not be awarded any new Contracts without the written approval of the Chief Procurement Officer.

7.0 Contract Standards, Documents, & Modifications:

7.1 Contract Standards:

7.1.1 General: Notwithstanding the use of a credit card in accordance with the AEP Credit Card Policy, any transaction that contains the provisions of an Offer, Acceptance, and Consideration shall utilize one or more Forms of the Contract Documents residing on AEP Legal's website: <http://legal/contractforms/> or in another Form acceptable to AEP Legal.

7.1.2 Releases against Blanket Contracts: Refer to the Business Unit Contract Standards for guidelines as to whether a competitive bid is required or whether the existing blanket can be used for the order.

8.0 Documentation and Records Retention:

8.1 Retention of Bid and Contract Files: Bid documents and Contracts must be retained in accordance with AEP's Records Retention Manual which can be found on the following website: <http://dsapp2or/DATABASE/CORPSRVS/CSRRM00a.nsf?OpenDatabase>

Review / Revision:

Every policy must be reviewed and certified as current on an annual or more frequent basis. The most current of those dates and the employee conducting it should be shown here, with that date added to the top of the first page and the footer of all pages. At the discretion of the owner, more detailed "Edit History" and/or "Approvals" areas may be maintained here, showing all activity on this policy over the specified time period.

Reviewers/Approver:

Reviewed by:	Rich Mueller, VP, Audit Services	04/15/13
Reviewed by:	Craig Rhoades, VP Supply Chain, Procurement & Fleet	04/15/13
Approved by:	Brian Tierney, Chief Financial Officer	06/05/13

Revision History:

Revision 001, Paragraphs 5.1.1.1 and 5.1.6 – additions are highlighted		
Reviewed by:	Rich Mueller, VP, Audit Services	10/01/13
Reviewed by:	Craig Rhoades, VP Supply Chain, Procurement & Fleet	10/01/13
Approved by:	Brian Tierney, Chief Financial Officer	12/12/13

Revision 002, Paragraphs 1.0, 3.0, 4.0, 5.0-5.3, 6.1.4		
Reviewed by:	Procurement Policy and Procedures Team	01/25/16
Reviewed by:	DVT	01/21/16
Reviewed by:	SCPFO Steering Committee	03/08/16
Approved by:	Brian Tierney, Chief Financial Officer	03/17/16

Revision 003, Paragraphs 5.1.1.1, 5.1.4-5.1.7, 5.3.6, Attachment C, Attachment D		
Reviewed by:	Procurement Policy and Procedures Team	12/06/16
Reviewed by:	DVT	12/08/16
Reviewed by:	SCPFO Steering Committee	12/19/16
Approved by:	Brian Tierney, Chief Financial Officer	02/07/17

Revision 004, Paragraphs 6.0-6.4, 7.1.3		
Reviewed by:	Procurement Policy and Procedures Team	06/13/18
Reviewed by:	L4	08/06/18
Reviewed by:	L3	10/18/18
Reviewed by:	Craig Rhoades, Chief Procurement Officer	11/01/18
Approved by:	Brian Tierney, Chief Financial Officer	12/12/18

Revision 005: Paragraphs 5.1.2.1, 5.1.2.2, 5.1.5, 5.1.6, 5.1.6.1, Definitions		
Reviewed by:	Procurement Policy and Procedures Team	12/16/19
Reviewed by:	L3	01/10/20
Reviewed by:	Craig Rhoades, Chief Procurement Officer	01/17/20
Reviewed by:	Brian Tierney, Chief Financial Officer	01/17/20

Signed: _____

Date: _____

Attachment A**Definitions**

The following words, terms, and phrases defined in this attachment shall have the meanings set forth below whenever they appear in this Policy, except where:

- 1) the context in which they are used clearly requires a different meaning; or
- 2) a different definition is prescribed for a particular section or provision.

Words not defined shall be given the meaning provided under their common and ordinary meaning unless the context suggests otherwise.

Acceptance – the decision by a Business Unit to agree to an Offer from a Supplier. One part of Contract formation

Acquisition - the taking of possession and control (in the form of title and ownership) of property from a third party

Amendment – any change or modification to the original Terms and Conditions of a Contract or other document

Asset Suite – the work management system used by AEP to record transactions associated with Contracts and Purchase Orders

Authorization Level – the specific dollar amount to which an individual may commit or legally bind AEP

Award – the formal Acceptance by the Business Unit of an Offer of Goods and/or Services made by a Supplier

Blanket Contract – A Contract that is funded for future Services, which is parceled as needed in the form of a Release

Blanket Purchase Order – A Purchase Order that is funded for future Goods, which is parceled as needed in the form of a Release

Business Unit – an entity within AEP having specific responsibilities and identified by a unique accounting string

Catalog ID Items – Goods that are assigned a unique numeric identifier in Asset Suite

Category Manager - a manager within Procurement responsible for a subset of Goods and/or Services who strives to improve Total Cost of Ownership and increase Internal Business Partner value by leveraging the total spend of the organization, proactively managing supplier relationships, rationalizing demand, streamlining the procurement process and focusing on the value drivers

Competitive Affiliate - an unregulated AEP affiliate whose business includes providing products in the open market

Consideration – something of value which is given by both parties in a Contract which induces the parties to enter into the subject agreement and to exchange mutual performance

Control Desk - the location to which bids/proposals are sent, logged, and kept under lock and key during an RFx that specifies requirements for sealed bids

Contract – the agreement detailing the specific terms of the Offer and Acceptance for the provision of Goods and/or Services between AEP and a Supplier in return for Consideration. Some examples of Contracts are Service Agreements, Standard Contracts or Blanket Contracts

Contract Requisition - the electronic document in AEP's Enterprise Asset Management tool whereby an individual initiates a request for a Contract

Electronic Sourcing Tool (EST) - a software tool utilized to collect profile information about potential suppliers and to conduct RFI and RFP bidding events

Goods – all tangible items

Joint Venture – an association of two or more companies engaged in a solitary business enterprise for profit without actual partnership or incorporation

Justification Statement – a document which clearly indicates the reason for not competitively bidding the Acquisition of a Good and/or Service or for not making an Award to the low bidder

LNTP – an instrument used to place a Supplier on notice to start a Service or deliver a Good prior to the execution of a Contract and is normally contingent upon successful negotiation of the terms and conditions

Lowest and Best – as applied to ranking of bids or proposals; lowest and best refers to the identification of a bid or proposal that provides the best outcome (without reference to cost) and then the ranking from lowest to highest price. The lowest and best is determined by the lowest price of those bids or proposals which are deemed to be responsive to providing the best solution

Material Request – the electronic document in AEP's Enterprise Asset Management tool whereby an individual initiates a request for Goods

NERC CIP (North American Electric Reliability Corporation Critical Infrastructure Protection) – a regulatory requirement governed by the Federal Energy Regulatory Commission (FERC) that places increased responsibility on utilities to evaluate the cybersecurity of their third-party vendors and partners. Failure to comply may result in contractors' employees being banned from the site, associated penalties, and termination of the contract. NERC CIP applies to acquisitions of Goods or Services that regulate, enforce, monitor, and manage the physical and logical security of systems that manage the electrical power of grids.

NRC – the U.S. Nuclear Regulatory Commission (NRC) ensures the safe use of radioactive materials for beneficial civilian purposes while protecting people and the environment. NRC regulates commercial nuclear power plants as well as other uses of nuclear materials.

Offer – a promise that, according to its terms, is contingent upon a particular act or promise given in exchange for the original promise

Other Than Low Bid Acquisition – selecting the supplier that is not the lowest commercially evaluated bidder for the Acquisition of a Good and/or Service

Procurement – the act of buying, purchasing, renting, or otherwise acquiring any Goods and/or Services for AEP. Procurement also includes all functions that pertain to the afore-stated, including, but not limited to: description of requirements, selection and solicitation of sources, preparation and Award of Contracts, and all phases of contract administration

Procurement Hold – Suppliers who have been placed on a contracting hold due to legal, safety, security, or other risk concerns

Proposal – an Offer by a Supplier in response to an RFP invitation

Purchase Order - an Offer made to a Supplier through AEP's Enterprise Asset Management tool to purchase Goods from a Supplier contingent upon the Supplier meeting the terms included in the Offer

Purchase Requisitions – the electronic document in AEP's Enterprise Asset Management tool whereby an individual initiates a request for a Purchase Order

Release(s) – see Work Authorization. Release has a specific legal definition and for this Policy will only refer to the name given to the mechanism for issuing work against a Blanket Contract or Purchase Order in Asset Suite

Rules Document - the document provided with an RFx that provides the instructions for its completion and submission

Request for Information (RFI) - may be used to solicit information about a potential or existing Supplier's experience, service or product, capability, quality, and other information required to screen potential Suppliers prior to the formal process of requesting an RFP, RFQ, quote, or proposal

Request for Proposal (RFP) - shall be used to solicit an Offer from a Supplier when the scope, product, or work is not defined specifically enough, or when AEP is soliciting a solution to a product or Service requirement. This method will normally include the negotiation of both price and non-price factors for Award and shall be delineated in the Rules Document

Request for Quote (RFQ) - an RFQ may be utilized as an acceptable method to solicit and document a price for Goods and/or Services under the specific terms issued as part of a Contract or Service Agreement for Goods and/or Services resulting in a Work Authorization, Release, or Purchase Order as defined by this Policy

RFx – refers to any of the family of "Request For" documents, see RFI, RFP, RFQ

Service Agreement – the Form of Contract for Services that are generally low risk and up to \$500,000 in value. The Service Agreement is intended to be used with the Service Agreement Terms and Conditions

Service – any activity performed by a third party for the benefit of AEP, including, but not limited to labor, consulting, construction, training, maintenance and/or staff augmentation

Single Source - not competitively bidding the Acquisition of a Good and/or Service due to a business unit decision to select a specific supplier based on a technical, commercial or other valid business reason

Sole Source - not competitively bidding the Acquisition of a Good and/or Service due to a unique situation where there is only one supplier that offers that particular Good and/or Service

Sourcing – the act of identifying potential or existing Suppliers who are able to meet the form, fit, function, design or Service requirements identified in Contracts

Sourcing Professional – an individual within Procurement or Cook Procurement who possess specialized knowledge, skills, abilities, education, and experience to facilitate an RFx event

Supplier – one who provides Goods and/or Services

Standard Contract – the Form of Contract Services that are generally moderate or high risk and are over \$500,000 in value

Work Authorization - a specialized Contract Form, issued against a Blanket Contract, that authorizes a Supplier to perform Services and/or deliver Goods as described in its body or attached documents

Zero Dollar Blankets - Blanket Contracts or Blanket Purchase Orders which provide no financial commitment, but establish a commercial relationship with a Supplier

**AEP PROCUREMENT POLICY ATTACHMENT B
JUSTIFICATION FOR SOLE SOURCE, SINGLE SOURCE OR OTHER THAN LOW BID ACQUISITION**

I certify the statements enclosed and the information provided is complete and correct to the best of my knowledge. I understand that the processing of a justification form precludes the use of full and open competition in accordance with American Electric Power's Procurement Policy dated July 1, 2013. Section 5 requires that all purchases in excess of the Competitive Bid threshold of \$100,000 require competitive bidding unless justified by a Sole Source or Single Source Justification. I understand further that Awards to Other than Low Bidder must be similarly justified. Requisitioners are required to justify a Sole Source, Single Source or Other than Low Bid selection of a supplier in accordance with the instructions in the policy. This form must be completed and forwarded with the Contract and/or Purchase Requisition to proceed with the acquisition process.

At a minimum, the Justification Statement shall include, but not be limited to: 1) Business Unit; 2) description of the Goods and/or Services being acquired; 3) dollar value; 4) detailed description of why only this suggested source can furnish the requirements 5) signature of the individual(s) writing and approving the Justification Statement.

Purpose of Form: Sole Source ☐ Single Source ☐ Other than Low Bid Acquisition ☐

The preliminary estimated dollar expenditure for this material, software and/or services is: \$ _____

Requisitioner:

Signature _____
Name _____
Title _____
Date _____

Item(s) or service(s): (Description of Goods and/or Services)

Suggested source/supplier: (Supplier Name)

Contract/PO number (if known): (Contract No.)

Describe in detail why only this suggested source can furnish the requirements to the exclusion of other sources.

Approver:

Signature _____
Name _____
Title _____
Date _____
User ID _____

Procurement Review:

Initials _____
Name/Title _____

**AEP PROCUREMENT POLICY ATTACHMENT C
PO/CONTRACT EXCEPTION FORM**

This form allows for an exception to the PO/Contract requirement in the Procurement Policy given the nature of the transaction. This form can also be used to request that a permanent exception to the Procurement Policy's PO/Contract requirement.

The preliminary estimated dollar expenditure for this material, software and/or services is: \$ _____

One time Exception (PO/Contract Pending) ☐

Seeking Permanent Exception ☐

Explanation for Exception: (must include date of purchase or service, reason a contract or purchase order was not obtained, and whether this transaction will be recurring)

Does vendor/contractor accept credit card payments? YES ☐ NO ☐

Requisitioner:

Signature _____

Name _____

Title _____

Date _____

Business Unit Approval (Director, Plant Manager, or next level above):

Signature _____

Name _____

Title _____

Date _____

Suggested source/supplier: (Supplier Name)

Item(s) or service(s): (Description of Goods and/or Services)

Procurement Director Approval:

☐ Corporate – Mannie Alvarez

☐ Generation – Dan George

☐ Transmission – Judd Schumacher
or Jon Burns

☐ Distribution – Matt Curtis

Signature _____

Date _____

Signature Required

*Completed form shall be submitted with invoice using the Online Payment Request Tool in PeopleSoft. Payment type of "DIR" shall be selected under "Special Options" of the Online Payment Request.

**AEP PROCUREMENT POLICY ATTACHMENT D
DIVERSE SUPPLIER CLASSIFICATIONS**

Diverse Suppliers, in accordance with the guidelines set by the Small Business Administration, are defined below. The following words, terms and phrases defined in this attachment shall have the meanings set forth below when they appear in this Policy.

Words not defined shall be given the meaning provided under this common and ordinary meaning unless the context suggests otherwise.

Small Business – To qualify as a small business a business concern eligible for assistance from SBA as a small business is one that is organized for profit, with a place of business located in the United States. It must operate primarily within the United States or make a significant contribution to the U.S. economy through payment of taxes or use of American products, materials or labor. Together with its affiliates, it must meet the numerical size standards as defined in the Small Business Size Regulations 13 CFR 121.

Minority-Owned – A business that is at least 51% owned by, and whose management and daily business operations are controlled by, one or more members of a socially and economically disadvantaged minority group, namely US citizens who are African Americans (Black), Hispanic Americans, Native Americans, Asian-Pacific Americans and Indian sub-Continent Americans.

Minority Business Enterprise (MBE) – A business enterprise at least 51% owned by a minority individual or group, or in case of any publicly owned business, at least 51% of the stock of which is owned by one or more minority groups, and whose management and daily business operations are controlled by one or more of these individuals. American Electric Power shall presume that minority includes, but is not limited to Black Americans, Hispanic Americans, Asian Pacific Americans and other groups.

Women Owned – A business that is at least 51% owned by and whose management and daily business operations are controlled by one or more women who are U.S. citizens.

Woman Business Enterprise (WBE) – A business that is at least 51% owned by a woman; or, in the case of any publicly owned business, at least 51% of the stock of which is owned by one or more women, and whose management and daily business operations are controlled by one or more women.

Woman-owned or Minority-owned Business Enterprise (WMBE) - A woman-owned or minority-owned business enterprise; business that is at least 51% owned by a woman or minority; or, in the case of any publicly owned business, at least 51% of the stock of which is owned by one or more women or minority, and whose under these rules, the woman and/or minorities owning such an enterprise should be either U.S. citizens or legal aliens having permanent resident status in the United States.

Veteran Owned (VET) – A business that is at least 51% owned by one or more veterans, or in the case of any publicly owned business, not less than 51% of the stock of which is owned by one or more veterans; and the management and daily business operations of which are controlled by one or more veterans.

Service Disabled Veteran Owned (SDV) – Service Disabled Veteran a business that is a least 51% owned by one or more service-disabled veterans, or in the case of any publicly owned business, at least 51% of the stock of which is owned by one or more service disabled veterans; and the management and daily business operation of which are controlled by one or more service-disabled veterans, or in the case of a veteran with a permanent and severe disability, a spouse or permanent caregiver of such veteran.

HUBZone (HUB) - HubZones are small businesses located in "historically underutilized business zones", are owned or controlled by a U.S. Citizen, and at least 35% of its employees reside in a Hub zone.

8a – A program to assist eligible small disadvantaged businesses with business concerns compete in the American economy through business development.



SOUNDLESS ENERGY