

it can compete more favorably for funding.

The program consists of the components set forth below.

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I. Definitions

Advanced Funding Agreement (AFA): The document that sets forth the terms by which the Project Applicant provides advance funds to Western for development work on an Eligible Project. An AFA is executed after TIP has reviewed and accepted a Project Applicant's Business Plan Proposal.

Business Plan Proposal: The document prepared by the Project Applicant that articulates project development, commercial, and financial plans supported by Financial Model projections. The Business Plan Proposal is a preliminary plan that identifies the conditions precedent required for a Project Applicant to apply for financing. Submitted after Western and the Project Applicant have entered into a Memorandum of Understanding, a Business Plan Proposal is a detailed, comprehensive document that will mature and be revised by the Project Applicant prior to submission of a loan application.

DOE Loan Programs Office (LPO): A program within the Department of Energy. DOE LPO performs underwriting and loan monitoring and administration functions.

Eligible Project: A project that: (1) Facilitates the delivery to market of power generated by renewable energy resources constructed or reasonably expected to be constructed, (2) has one terminus in Western's service territory, (3) can demonstrate a reasonable expectation of repayment, (4) will not adversely impact system reliability or operations, and (5) is in the public interest.

Financial Model: A model that includes a simulation of relevant costs, benefits, values, and risks that will be assessed when making financial decisions affecting a project. Financial Models submitted to TIP must be in Microsoft Excel format and use standard industry conventions or templates provided by Western.

Western's Transmission Infrastructure Program

Western's Transmission Infrastructure Program implements Section 402 of the Recovery Act by identifying, prioritizing and participating in the study, facilitation, financing, planning, operating, maintaining and constructing new or upgraded transmission lines and related facilities to bring renewable energy resources to market across the western United States. A main objective of the Program is to encourage non-Federal participation to leverage Western's borrowing authority. Recognizing that most proposed transmission projects are, when first presented to Western, not mature enough to compete for financing through Western's borrowing authority, the Program allows applicants to leverage the expertise of TIP personnel in obtaining guidance on how to develop certain aspects of a project so

Memorandum of Understanding (MOU): The document that sets forth an understanding between Western and a Project Applicant after Western has approved a Project Applicant's Project Proposal. An MOU precedes the applicant's submission of a Business Plan Proposal.

Project Applicant: Term used to refer to an entity that submits a Project Proposal and Business Plan Proposal.

Project Development Phase: The phase of the project that precedes the Project Finance Phase and construction of the project. The Project Development Phase begins when a Project Applicant submits a Project Proposal and concludes when a Project Applicant submits an application for the use of Western's borrowing authority. The Project Development Phase may include activities associated with facilities studies, Western Electricity Coordinating Council (WECC) path rating, environmental review, design of facilities, obtaining necessary permits, negotiation and execution of commercial agreements, acquisition of external financing, and any other activity that must be completed prior to the submission of a loan application. Project Applicants may request the assistance of Program personnel during this phase.

Project Finance Phase: The Project Finance Phase involves the underwriting, financing, and loan monitoring and servicing for an Eligible Project. With few exceptions, it follows completion of the Project Development Phase. The DOE LPO is responsible for administering the Project Finance Phase.

Project Proposal: The document submitted by a Project Applicant that outlines its proposed project. The first step in the TIP Development Phase, there is no limit on the number of pages for a Project Proposal. A Project Proposal must, at a minimum, include a detailed description of the proposed project (including transmission route information, if applicable, and a preliminary financial model), the proposed role that TIP would play in project development, and sufficient information to demonstrate that the project meets or is reasonably expected to meet Western's Project Evaluation Criteria.

Public Interest: That which generally benefits the public at large. For purposes of determining whether a proposed project is in the "public interest," Western will examine the intent of the Recovery Act, existing transmission infrastructure needs, economic impacts and the environmental impacts.

II. Program Principles

In a May 14, 2009 **Federal Register** notice (FRN), Western identified the principles it would use to provide overarching guidance in implementing its borrowing authority. Application of the Program-related principles ensures, among other things, that the Program is separate and distinct from Western's power marketing functions and that each project stands on its own for loan repayment purposes. Western hereby reaffirms the Program-Related Principles set forth in the May 14, 2009 FRN. For convenience, the Program-Related Principles are set forth below. Consistent with its borrowing authority, Western will ensure the Program:

1. Provides an opportunity, where appropriate, for participation by other entities in constructing, financing, owning, facilitating, planning, operating, maintaining or studying construction of new or upgraded electric power transmission lines and related facilities under this authority.

2. Uses revenues from projects developed under this authority as the only source of revenue for,

- a. Repayment of the associated loan for the project;

- b. payment of expenses for ancillary services, and operation and maintenance and replacements; and
- c. payments for ancillary services that will be credited to the existing power system providing these services, when the existing Federal power system is the source of the ancillary services.

3. Maintain appropriate controls to ensure, for accounting and repayment purposes, each transmission line and related facility project in which Western participates under this authority is treated separate and distinct from:

- a. Each other such project; and
- b. all other Western power and transmission facilities.

4. Ensure that Project Applicants repay project costs.

III. Project Evaluation Criteria

1. Consistent with the requirements set forth in the Recovery Act, Western will evaluate projects based on the following criteria:

- a. Facilitates the delivery to market of power generated by renewable resources constructed or reasonably expected to be constructed.

- b. has at least one terminus within Western's service territory.

- c. establishes the reasonable expectation that the project will generate enough transmission service revenue to repay the principle investment, all operating costs including overhead, and accrued

interest by the end of the project's service life.

- d. will not adversely impact system reliability or operations, or other statutory obligations.

- e. is in the public interest.

2. Western will establish additional criteria to evaluate proposed projects as necessary.

3. Western may, at its discretion, use outside experts to assist in evaluating proposed project seeking funding under this authority. Western will use its current acquisition practices to retain any contractors to assist in project evaluation and will use the specific regulations in the Federal Acquisition Regulation to address any organizational conflicts of interest.

4. Western will treat data submitted by project participants related to this authority, including project descriptions, participation and financing arrangements by other parties, as available to the public consistent with the Freedom of Information Act (FOIA) (5 U.S.C. 552 et seq.) and DOE's implementing regulations at 10 CFR Part 1004. Participants may request confidential treatment of all or part of a submitted document under FOIA's exemption for "Confidential Business Information" and must mark the material as confidential. Materials so designated and which meet the criteria stipulated in the FOIA and DOE's implementing regulations will be treated as exempt from FOIA inquiries.

IV. Project Life-Cycle Overview

The majority of Eligible Projects will require some project development (e.g., environmental permitting, establishment of WECC path rating, and technical design work) before a loan can be issued using Western's borrowing authority. With this in mind, Western's involvement in each project is divided into two general phases—the Project Development Phase and the Project Finance Phase. Though there may be exceptions (e.g., a project that is fully developed and ready to submit a complete and comprehensive application to obtain funding through the use of Western's borrowing authority), the expectation is that each project will need some additional work before it completes the Project Development Phase and the underwriting and execution stages of the Project Finance Phase before it receives funding under the borrowing authority. Projects that receive funding under the borrowing authority enter a loan monitoring stage for the life of the loan (i.e., until all payments and other amounts due have been repaid).

1. Project Development Phase

The Project Development Phase involves the origination and development work for a potential project. This phase is divided into three parts: (1) Project introduction, which involves the initial intake and evaluation of a Project Proposal; (2) project initiation, which involves the development of a more substantial business proposal and initiation of due diligence for each project that advances beyond a Project Proposal; and (3) project development, which involves a review of the proposed baseline project plan and budget as well as the development of major project decision milestones for each project that advances beyond the business proposal stage. The elements of the Project Development Phase and relevant procedures are explained below.

a. Project Proposal

The review process begins when a Project Applicant submits a Project Proposal. Western will post instructions on submitting Project Proposals on its Web site. In the interest of accommodating applicants that have well-developed projects and who seek an expedited project review, Western will allow applicants to submit a Project Proposal and Business Plan Proposal concurrently. Applicants will be required to pay Western a minimum of \$50,000 upon the submission of a Project Proposal to cover the costs associated with Western's review of the proposal. For more information on specific charges, refer to Section V (Funding During the Project Development Phase) of this final notice.

Project Proposals can be submitted anytime at the Program Web site using the <http://ww2.wapa.gov/sites/Western/transmission/TIP/Pages/default.aspx> link.

Then, on or about the beginning of each quarter (approximately January 1, April 1, July 1, and October 1), Western will screen Project Proposals received during the previous quarter for purposes of determining whether or not each proposed project meets or is reasonably expected to meet the Project Evaluation Criteria (see Section III above). Western may, however, decide to screen Project Proposals at times other than the beginning of each quarter, as necessary. Western may contact Project Applicants for clarifications during the review period, but will not engage in material discussions about a Project Proposal. Western will make its determination no later than 30 business days after reviewing a proposal.

If Western determines that a Project Proposal does not or is not expected to meet all of the Project Evaluation Criteria, it will inform the Project Applicant in writing of the proposal's deficiencies, return unused funds, and take no further action on the proposal. Project Applicants who submit a Project Proposal that does not comport with the Project Evaluation Criteria will be invited to submit a revised Project Proposal. If Western determines that a Project Proposal meets the Project Evaluation Criteria, the proposed project will be deemed an Eligible Project and will be assigned to the development queue, and the Project Applicant will be offered the opportunity to enter into an MOU with Western. Because projects will possess varying degrees of maturity, a project may remain in the development queue until Western—after engaging in discussions with the Project Applicant—determines that the project is sufficiently developed to proceed to the Business Plan Proposal stage.

The Project Applicant is responsible for the costs associated with Western's review of a Project Proposal. Those costs are addressed in Section V below.

b. Memorandum of Understanding (MOU)

Project Applicants who submit a Project Proposal that meets or is reasonably expected to meet the Project Evaluation Criteria will be offered the opportunity to enter into an MOU with Western. The MOU is a document that, among other things, establishes the relationship among the parties, funding obligations for the submission of a Business Plan Proposal, confidentiality provisions, and the making of public statements regarding a project. The execution of an MOU does not imply that Western has approved a project for use of Western's borrowing authority. It does, however, represent Western's intent to move forward with its review and evaluation of the project for purposes of determining whether or not to participate in project development activities. Upon entering into an MOU, either party may terminate the document for any reason. Western will post a model MOU on its Web site. A Project Applicant may take up to six months to enter into an MOU with Western after receiving confirmation that its Project Proposal meets all the established evaluation criteria.

c. Business Plan Proposal

The Business Plan Proposal explains a project's development, commercial, and financial plans supported by Financial Model projections. A Business Plan Proposal is a preliminary plan that

may lead to the determination that a project is financially, technically, commercially, and legally viable and thus, appropriate to proceed on to development. A Business Plan Proposal also addresses anticipated conditions precedent that a commercial lender would require in a loan application. It is expected that a Business Plan Proposal submitted for development assistance will mature and be revised by the Project Applicant prior to submission of a loan application.

At a minimum, it is expected that a Business Plan Proposal will include the following information:

- A comprehensive project description that includes the history of the project to date.
- The names of all investors, partners, joint ventures, and other entities with a financial or legal interest in the proposed project.
- The status of all efforts to obtain project funding from other sources.
- Information to assess the financial viability of the proposed project, including audited financial statements and reports of the Project Applicant and any other investors in the project and detailed Financial Models.
- The Project Applicant's recent and relevant experience in developing projects of similar size and scope.
- A plan for how the Project Applicant expects to generate revenue from the project to:
 - (1) Repay principal and interest associated with a loan from Western's borrowing authority, and
 - (2) pay for project-related ancillary services and operations and maintenance and replacement expenses.
- A detailed analysis of any impact that the proposed project may have on the reliability of the integrated electrical grid.
- An explanation of how the project will obtain and deliver generation-related ancillary services (if appropriate).
- An independent analysis of any new technologies to be employed as part of the project.
- All known material economic, legal, and other risks that may have an effect on the project.
- A listing of all TIP development-related guidance that the Project Applicant seeks to obtain.
- Relevant information concerning required approvals, permits, licenses, land rights, and other permissions that must be obtained on behalf of the project.
- Detailed project technical specifications and designs.
- Required interconnections and path ratings.

At the Project Applicant's expense, Western will perform a project evaluation and due diligence review of a Business Plan Proposal to determine if the proposal is deficient in these or any other material respects, and will offer, in writing, to work with the Project Applicant to remedy any deficiencies. When Western determines that the Business Plan Proposal adequately addresses all technical, commercial, and financial aspects of a proposed project, it will invite the Project Applicant to enter into an Advance Funding Agreement (AFA).

A Project Applicant may take up to 12 months to submit a Business Plan Proposal after signing an MOU with Western. Due to the varying nature and complexity of Business Plan Proposals, Western will not establish a firm fixed time frame for reviewing such documents but will endeavor to complete its review expeditiously while keeping the Project Applicant apprised of its progress.

The Project Applicant is responsible for the costs associated with Western's review of a Business Plan Proposal. Those costs are addressed in Section V below.

d. Advance Funding Agreement

An AFA is an agreement that sets forth the terms under which Western will participate in the development of a project. The terms of an AFA call upon a Project Applicant to advance a mutually-agreed amount to cover costs Western incurs in performing project development activities as set forth in the document. No work will commence without receipt of advance payment. The AFA also provides that if there are insufficient funds to cover Western's project-related development expenses, Western will inform the Project Applicant of the insufficiency and request additional funding. TIP will post a model AFA on its Web site.

e. Project Development

Once an AFA is executed, the parties begin to perform project development-related activities. These activities often include facilities studies and designs; establishment of a WECC path rating; environmental, cultural, endangered species, and other assessments; negotiation and execution of commercial agreements; analysis of options for external financing for construction; negotiation of the project ownership structure; any needed interconnection agreements; and Western's continued performance of due diligence as it relates to the project and any other activity that must be completed prior to the start of

construction. Depending on the nature of the project and the amount of development that has already occurred, the Project Development Phase is likely to vary in length from less than a year to several years.

2. Transition From Project Development Phase to Project Finance Phase

Western, in consultation with LPO, will determine when a project has completed the Project Development Phase and will coordinate with LPO regarding the transition of a project from the Project Development Phase to the Project Finance Phase.

3. Project Finance Phase

The Project Finance Phase involves the underwriting, financing, and loan monitoring and servicing for a project. This phase can generally be divided into three parts: (1) Project underwriting, which involves submission by an applicant of a completed loan application and business plan, the completion of extensive due diligence and financial modeling by LPO and its advisors, and negotiation of a term sheet and conditional commitment containing the material business and legal terms of a possible financing transaction; (2) for any project that proceeds beyond underwriting, project execution, which involves the negotiation and documentation of definitive loan documents and any other agreements and instruments required for the financing of the project, as well as the closing of such financing; and (3) for any project that achieves execution, project implementation, which involves the actual implementation and funding disbursements in accordance with the loan documents as well as loan servicing and monitoring activities.

V. Funding During the Project Development Phase

1. Policies and Procedures

a. Accounting Principles

Western will use generally accepted accounting principles and practices in recording and tracking all expenses and revenue transactions for each project. Western will isolate TIP financial accounting transactions in its existing financial management system.

b. Program Funding

The Program must be financially self-sustaining. As such, expenses incurred by Western in reviewing Project Proposals and evaluating Business Plan Proposals must be borne by Project Applicants. Similarly, Project Applicants must provide adequate advance funding for services performed

by Program personnel or contractors during the Project Development Phase.

c. Allocation of Expenses—Project Proposal and Business Plan Proposal

i. Western's estimates that it can cost up to \$50,000 to review and screen a Project Proposal and \$200,000 to review a Business Plan Proposal. Accordingly, Western will require Project Applicants who concurrently submit a Project Proposal and Business Plan Proposal to make a one-time payment of \$250,000 to cover anticipated expenses. In the alternative, Project Applicants who desire to initially submit only a Project Proposal will be required to make a payment of \$50,000 to the Program, with the expectation that a \$200,000 payment will be submitted along with a Business Plan Proposal. Project Applicants who anticipate submitting a project should have adequate financial resources on-hand to cover these expenses. Project Applicants should contact the TIP office to make arrangements for this payment. Failure to make the appropriate payment will result in Western taking no action to review a Project Proposal and/or a Business Plan Proposal. A Project Applicant may elect to apply funds remaining (if any) from its \$50,000 Project Proposal payment that are in Western's control to the \$200,000 Business Plan Proposal charge.

ii. If, in the course of reviewing a Project Proposal or Business Plan Proposal, Western determines that there are insufficient funds to cover its expenses, Western will promptly inform the Project Applicant of the insufficiency and request adequate additional funding to complete its review. In addition, if Western determines during the review of a Project Proposal that a project does not meet or is reasonably expected not to meet all of the Project Evaluation Criteria, Western will so notify the applicant and return any funds in excess of actual costs incurred by Western in reviewing the proposal to the applicant. In a similar fashion, if Western determines that a Business Plan Proposal is not financially, technically, and commercially viable, it will notify the Project Applicant and return any funds paid by the Project Applicant in excess of actual costs incurred by Western in evaluating the proposal.

d. Allocation of Expenses—AFA

As part of the AFA, Western and the Project Applicant will mutually agree on an amount to cover costs associated with project development activities performed by Western. The Project Applicant may elect to apply funds

remaining (if any) from previous payments that are in Western's control to the mutually agreed upon amount.

VI. Project Development, Operations & Maintenance

1. Project Development and Operations & Maintenance

a. Applicability

All projects funded under this authority.

2. Policies and Practices

a. For study, facility development, construction and other related purposes, Western will consider projects constructed under its authority under Section 402 of the Recovery Act in accordance with procedures and requirements for arranging for transmission service or interconnection under its OATT, or related interconnection agreements. Western will, as necessary, use appropriate project management methods for all transmission projects approved for funding under this authority.

b. Available transfer capability surplus to Western's needs will be made available in a nondiscriminatory manner consistent with FERC open access transmission rules, Federal statutes, and Western policies.

c. Western will comply with all other applicable Federal laws, regulations and policies, including National Environmental Policy Act of 1969, Federal Acquisition Regulation, and other applicable provisions of the Recovery Act.

VII. Project Rates and Repayment

1. Applicability

a. All projects funded under this authority.

2. Policies and Practices

a. The repayment requirements and applicable transmission rates will be designed so that proceeds from a project meet the repayment obligation.

b. Before project development, Western will confirm the reasonable likelihood that the project will generate enough transmission service revenue to meet Western's financial repayment obligations including principal investment, operating costs including overhead, accrued interest, and other appropriate costs.

c. Transmission rates for transmission capacity controlled by Western will be developed in a public process following applicable requirements outlined in 10 CFR part 903 and RA6120.2, and set by the Administrator as specified in relevant DOE orders.

VIII. Request for Submission of New Project Proposals

With the revised Program now in place, TIP encourages interested parties to submit Project Proposals to construct, finance, facilitate, plan, operate, maintain, or study construction of new or upgraded electric power transmission lines and related facilities with at least one terminus within Western's service territory, that deliver or facilitate the delivery of power generated by renewable energy resources. On or about the beginning of each quarter (approximately January 1, April 1, July 1, and October 1) or, if necessary, at other times. Western will screen Project Proposals received during the previous quarter for purposes of determining whether or not each proposed project meets or is reasonably expected to meet the Project Evaluation Criteria (see Section III, above). Western will make its determination no later than 30 business days after reviewing a Project Proposal and promptly notify the Project Applicant in writing.

Environmental Compliance

In compliance with the National Environmental Policy Act of 1969 (NEPA) (42 U.S.C. 4321, et seq.), the Council on Environmental Quality Regulations for implementing NEPA (40 CFR parts 1500–1508), and the DOE NEPA Implementing Procedures and Guidelines (10 CFR part 1021), Western has determined that this action fits within category A13, Procedural Documents, of Appendix A to Subpart D of Part 1021 and is categorically excluded from NEPA analysis. Future actions under this authority will undergo appropriate NEPA analysis.

Dated: February 20, 2014.

Mark A. Gabriel,
Administrator.

[FR Doc. 2014-07700 Filed 4-4-14; 8:45 am]

BILLING CODE 6450-01-P