

Exhibit D: Cost-effectiveness Evaluation Criteria

PSE prefers proposals that provide the lowest reasonable cost throughout the program or project life, taking into account the price of the proposal and other factors that impact PSE's overall cost. PSE intends to analyze the cost-effectiveness of demand response proposals in a manner consistent with the IRP.

PSE will evaluate bids in two ways: using benefits and costs as indicated in the Program Administrator Cost Test (PAC) and Total Resource Cost (TRC) Test. The benefits and costs shown in the tables below will be included in the bid evaluation process when applicable, quantifiable, and significant. PSE prefers proposals and combinations of proposals that result in the lowest impact on PSE's revenue requirements and rates when included in PSE's existing generation resource portfolio.

PSE will adjust the bidder's proposed capacity during the evaluation process using Effective Load Carrying Capability (ELCC) as shown in Table 3. The ELCC used in this evaluation will be dependent on the bidder's proposed resource availability, i.e., frequency and duration of events. For example, a proposal with a program with no more than one, 4-hour event per day will be evaluated with an ELCC of 58%, while a program with up to two, 3-hour events per day with 6 hours of recovery time between events will be evaluated with an ELCC of 77%.

Benefits	PAC	TRC
Avoided Capacity Costs	✓	✓
Avoided Energy Costs	✓	✓
Avoided Transmission & Distribution Costs	✓	✓
Avoided Environmental Compliance Costs	✓	✓

Table 1. Cost-effectiveness Benefits for PAC and TRC Test

Costs	PAC	TRC
Program Administrator Expenses	✓	✓
Program Administrator Capital Costs	✓	✓
Financial Incentive to Participant	✓	x
DR Measure Cost: Program Administrator	✓	✓
DR Measure Cost: Participant Contribution	x	✓
Participant Transaction Costs	x	✓
Participant Value of Lost Service	x	✓
Increased Energy Consumption	✓	✓
Environmental Compliance Costs	✓	✓

Table 2. Cost-effectiveness Costs for PAC and TRC Test

ELCC Estimates for Various DR Event Parameters						
Event Duration (Hours)	Call Frequency					Elapsed Hours Since Start of Last Event
	Elapsed Hours After Last Event					
	4	6	8	12	24	24
2	63%	61%	57%	49%		
3	80%	77%	77%	59%		
4	90%	85%	80%	65%	53%	58%
5	94%	89%	84%	68%	55%	

Table 3. Effective Load Carrying Capability Based on Frequency and Duration of Demand Response Events