

2022 RFP – Initial Contract Finalization

TYR ENERGY, INC RATHRDRUM POWER, LLC / LANCASTER NATURAL GAS CCCT

Background

Avista's 2021 Integrated Resource Plan (IRP)¹, filed on April 1, 2021, and updated on April 30, 2021, identified the need to procure resources to meet capacity requirements, energy needs, and renewable energy requirements. The following resource needs were identified: 1) approximately 196 MW of winter capacity and 190 MW of summer capacity by 2030; 2) approximately 148 aMW of energy in December of 2026, increasing to a maximum of 235 aMW in August of 2030; and 3), approximately 35-120 aMW of renewable energy. Because these resource needs began within four-year of filing the 2021 IRP, in accordance with WAC 480-107-009(2), the Company developed and issued an all-source Request for Proposals (All Source RFP or RFP) to solicit bids to meet fill its various resource needs.²

Per WAC 480-107-023, because there was a self-build option being bid into the RFP, Avista contracted with an Independent Evaluator (IE), Sapere Consulting, to aide in the development of the RFP and evaluation of bids received from the RFP.³ Sapere provided independent review of the preparation of Avista's All-Source RFP materials, monitored the process of issuing and communicating with the interested parties, reviewed the proposal materials submitted to Avista, and independently scored the proposals according to the scoring criteria established by Avista. Please see Attachment A for Sapere's IE report.

Evaluation Methodology

As specified in the RFP, Avista's intent was to secure resources, including but not limited

¹ Docket UE-200301

² The RFP, along with all exhibits, is found at [2022 All Source RFP \(myavista.com\)](https://myavista.com)

³ The Washington Utilities and Transportation Commission approved of Sapere as Avista's IE on August 12, 2021, per Docket UE-210545.

to, eligible resources as defined by RCW 19.285.030(12), through one or a combination of Power Purchase Agreements (PPAs), ownership (or future option to purchase) opportunities, Distributed Energy Resources (DERs), or Demand Response (DR) contracts to meet identified resource needs. Avista considered each project's ability to offset market purchases, provide dispatch flexibility, contribute to future resource adequacy requirements, and help Avista achieve its clean energy goals and requirements. Regarding the self-build option, Avista employees who evaluated RFP bids had restricted communication with Avista employees who prepared the RFP bid for a self-build option. Similarly, any Avista employees who prepared the bid for a self-build option were not involved in evaluating any bids.

The evaluation methodology utilized in the RFP, including category and weighting, built upon the template developed and refined as part of the Company's two prior RFPs for energy resources. In 2018, the RFP evaluation methodology was developed with the help of a third-party consultant, Black & Veatch, to gain an outside perspective and to ensure a fair and transparent process. In 2020, the evaluation methodology was slightly modified to include a "Community Impact" component, and further expanded in the 2022 RFP to include additional societal impacts, renamed as "Non-Energy Impacts" (NEIs).

In late 2020, the Washington Utilities and Transportation Commission (WUTC or Commission) adopted rules to implement the Clean Energy Transformation Act (CETA), which required Avista's first Clean Energy Implementation Plan (CEIP) to be filed on October 1, 2021.⁴ The CEIP was under review by the WUTC at the time of developing and issuing the RFP. However, where applicable, the Company included additional detail for the non-energy impacts category of the RFP, to incorporate preliminary CEIP Customer Benefit Indicators (CBI). CBIs were also included in the "Net Price" and "Environmental" categories. In total, each proposal was

⁴ Docket UE-210628.

evaluated and weighted based on six categories, listed in Table No. 1 below. The weightings for each category were determined based on their importance in helping the Company meet its needs of the 2021 IRP. Each category has a base value of 100 points, with points subtracted or added based on ability to meet Company stated goals.

Table No. 1: 2022 RFP Evaluation Categories and Weightings

| Characteristic | Weighting (%) |
|------------------------|---------------|
| Risk Management | 20 |
| Customer Energy Impact | 40 |
| Price Risk | 05 |
| Electric Factors | 20 |
| Environmental | 10 |
| Non-Energy Impact | 05 |
| Total | 100 |

For the 2022 RFP, given the different climate change legislation between Washington and Idaho, bids were evaluated based serving an individual jurisdiction and serving Avista’s combined system. Notably, the same resources were selected on a system basis and the top three were the same in each state.

Bid Process

Consistent with prior RFPs, Avista utilized a two-step bid process in the 2022 RFP. The first step consisted primarily of evaluating each proposal in the context of meeting minimum requirements, whereas the second step called for additional detailed information provided from bidders. As a result of the solicitation process, the Company obtained 32 bids comprised of 56 projects from 21 individual developers, which is summarized in Table 2 below. Bids were diverse, with 11 different types of resources bid, including a majority of wind, solar and wind, or solar combined with battery storage.

The first step of the bid evaluation included evaluating and ranking projects based on preliminary, condensed information provided by developers. The evaluation and ranking of the

preliminary information focused on removing proposals that did not meet the minimum RFP requirements. This step is focused on the proposal's conformance with the following minimum requirements:⁵

- Meets timeline in RFP;
- Site control;
- Financial plan to bring Project to completion;
- Credit requirements;
- Procurement plan; and,
- Delivery solution to Avista's balancing authority.

The template for this initial information, as well as the template for detailed information for those chosen for the short-list, was posted to the Avista All Source RFP webpage at www.myavista.com/AllSourceRFP. All proposals met the minimum requirement threshold. The RFP bid evaluation, to be performed in a fair and consistent manner with an IE, scored each proposal and ranked each potential bid against all other proposals. As this RFP included capacity resources, each bid was scored based on both the energy and capacity it could provide. The highest score between the two was selected as the final score for that bid. Sapere provided an independent review of all bidders and independently scored and ranked each bid. Please see Attachment B for the Initial Short List Bid Summary for those bids where additional detail was requested.

⁵ Avista may reject any bids per WAC 480-107-035(6), e.g. do not meet minimum RFP requirements or comply with applicable laws.

Table No. 2: 2022 Summary Initial Bids

| Resource | Type | # of Proposals | Total Capacity (MW) ¹ |
|----------|------------------------|----------------|----------------------------------|
| Wind | Wind | 12 | 1804.7 |
| | Wind + Storage | 6 | 856.2 |
| | Wind + Solar | 1 | 404 |
| | Wind + Solar + Storage | 4 | 2159.8 |
| Solar | Solar | 6 | 749.9 |
| | Solar + Storage | 7 | 660 |
| Storage | Battery | 6 | 643 |
| | Pumped Storage Hydro | 3 | 393.3 |
| Other | Biomass | 2 | 226 |
| | Waste Heat | 1 | 9.9 |
| | Geothermal | 1 | 8 |
| | Hydro | 1 | 38.7 |
| | Demand Response | 3 | 25.84 |
| | Natural Gas | 3 | 280 |

Avista and Sapere worked to reach consensus on short-list of bidders for the next step of the RFP. While Sapere and Avista did not have identical scores, there was consensus on the same projects identified and rankings for the final short-list. The second step in the process was to further evaluate short-listed bidders using the detailed information provided. Ten projects were selected for detailed review, and 22 different financial models were evaluated. These projects were comprised of 3 wind projects, 3 solar projects, a natural gas combustion turbine, demand response, biomass, and battery storage. While the stand-alone battery storage project was ranked below breakpoint used to determine short-listed bidders, the Company included the project in order to evaluate a unique resource type from the bids.

Given the passage of the Inflation Reduction Act (IRA) and its potential to influence prices, Avista allowed short-listed bidders to refresh their prices. Based on the new price information and

the previous project information received, a new assessment and project ranking was performed. This evaluation was performed on a portfolio level basis, whereas each project was evaluated on how it may fully meet all resource needs or could be combined with other resources. In this manner, the Company was able to determine the optimal mix of resources to best serve customers. Please see Confidential Attachment C for the final list of short-listed bidders and associated scores.

Negotiations

Avista and Sapere evaluated the results of the final portfolio modeling and agreed on the top three resources that fulfilled Avista’s needs. Table 4 below provides a summary of resources selected through the portfolio modeling:

Table 4: Final Resource Selection⁶

| Resource | MW | aMW | Start Date | Term (Year) | Levelized Cost | Contract Date |
|------------------------------|------|-----------------|------------|-------------|----------------|------------------|
| Kettle Falls Biomass Upgrade | 11.2 | 14 ⁷ | 07/01/2026 | 20 | | Tbd ⁸ |
| | 97.5 | 42 | 11/1/2026 | 30 | | 01-20-2023 |
| Lancaster Natural Gas CCCT | 280 | Varies | 11/01/2026 | 15 | | Q1 2023 |

Negotiations began in the fourth quarter of 2022, and after receiving internal approvals, Avista executed a final Power Purchase Agreement (PPA) for energy and capacity resources from Tyr Energy’s Rathdrum based Natural Gas CCCT (aka “Lancaster”) on March 31, 2023. The confidential PPA is provided in Confidential Attachment D. The contracted facility is a 280MW gas-fired, combined cycle power generation facility located in Rathdrum, Idaho for which Avista was offered several options for consideration including a 10-year PPA, a 15-year PPA and a facility

⁶ In addition to the RFP resources, the Company also evaluated a contract for Columbia Basin Hydro Power (CBHP). Avista was awarded the RFI as prior to the RFP finalization. However, in order to ensure the contract details were competitive, it was evaluated as if it was part of the RFP process. This will be described in additional detail in the final RFP Report.

⁷ 11.2 MW upgrade net of Biochar site load but gasifier produces more steam to increase dispatch/efficiency of entire plant.

⁸ Avista self-build project with contracting by GPSS for steam/fuel supply agreements and upgrades to plant.

purchase option. The 15-year option represented the most customer benefit and was selected. The terms of this contract resulted in the acquisition of a 280 MW of firm capacity and energy. Lancaster currently supplies Avista with energy and this contract extends the power as a resource from November 1, 2026 through December 31, 2041. The levelized fixed price for this resource is [REDACTED] per MWh.

The Lancaster executed PPA will help meet Avista's energy, capacity, and energy goals and requirements and also aligns with the analysis performed in the Company's 2021 IRP. The continuation of the Lancaster agreement provides years of affordable and reliable energy that will benefit Avista's system and its customers.

Avista remains committed to its clean energy goals and to provide safe, reliable and clean power to its customers. The extension of Avista's engagement with Lancaster represents a net zero addition of carbon to its system as the agreement does not add additional natural gas resources to Avista's system. This agreement optimizes Avista's current strategy by extending the current life of its firm resources to maximize the economic benefit to our customers. Moreover, securing these resources provides the baseload energy that enables efforts to pursue clean energy while mitigating economic impacts associated with higher cost resources.

Next Steps

With the execution of the agreement with the Lancaster, Avista has finalized the acquisition of resources from its 2022 All Source RFP. Efforts to finalize supporting agreements for Avista's self-build upgrade project at the existing Kettle Falls Generating Station in Kettle Falls, Washington are ongoing. A full RFP Summary Report, including additional detail such as a full financial analysis and scoring, short list analysis, presentations with Staff, and internal updates, will be filed in accordance with WAC 480-107-035(7).