



**Avista Corporation 2022 All-Source RFP
Independent Evaluator's Report**

January 31, 2023

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January 31, 2023

Avista Utilities
1411 East Mission Avenue
Spokane, WA 99202

Subject: Independent Evaluator's Report

Ladies and Gentlemen:

Presented herein is Sapere's Final Report provided as the Independent Evaluator of Avista's 2022 All-Source RFP. This report is the result of our participation in the All-Source RFP from its development in 2021, through the regulatory approval, issuance, receipt and scoring of proposals, and ultimate selection of finalists.

Through this process, Sapere was provided access to the Avista staff managing the RFP process and to the bid materials and other communications provided by the All-Source RFP respondents. Sapere independently scored all the proposals and worked with Avista to reconcile differences in scoring and to reach resolution on the selection of preliminary and final shortlists.

Based on this participation, Sapere finds that Avista conducted a fair RFP process, including a fair evaluation of the proposals, and that their scoring of proposals was reasonable resulting in a reasonable selection of shortlist and finalists proposals to augment the planned power supply for their ratepayer customers. The details of this process are included in the enclosed report.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Steven E. Lewis'.

Steven E. Lewis
Senior Consultant/Energy Solutions Practice Lead
Sapere Consulting, Inc.

1. Introduction

Avista Corporation (“Avista”) completed an Integrated Resource Plan in 2021¹ (“2021 IRP”) which identified additional resource needs to meet its expected loads and to meet its clean energy goals into the future. The 2021 IRP identified a need for additional energy and capacity resources for which an all-source request for proposals would be issued. Based on the defined need, Avista prepared and issued their 2022 All-Source RFP (“All-Source RFP”)

Avista retained Sapere Consulting (“Sapere”) as the Independent Evaluator for the All-Source RFP. The responsibilities of the Independent Evaluator, as spelled out in the Washington Administrative Code² are:

- (a) Ensure that the RFP process is conducted fairly, transparently, and properly;
- (b) Participate in the design of the RFP;
- (c) Evaluate the unique risks, burdens, and benefits of each bid;
- (d) Provide to the utility the independent evaluator's minutes of meetings and the full text of written communications between the independent evaluator and the utility and any third-party related to the independent evaluator's execution of its duties;
- (e) Verify that the utility's inputs and assumptions, including capacity factors and capital costs, are reasonable;
- (f) Assess whether the utility's process of scoring the bids and selection of the initial and final shortlists is reasonable;
- (g) Prepare a final report to the commission after reconciling rankings with the utility in accordance with WAC 480-107-035(3) that must:
 - a. Include an evaluation of the competitive bidding process in selecting the lowest reasonable cost acquisition or action to satisfy the identified resource need, including the adequacy of communication with stakeholders and bidders; and
 - b. Explain ranking differences and why the independent evaluator and the utility were or were not able to reconcile the differences.

Sapere was retained to act as the Independent Evaluator with respect to Avista’s Washington State electricity load service. Avista serves load in both Washington and Idaho and the evaluation and scoring of proposals for use in those two states is different. As the Washington Independent Evaluator, Sapere only reviewed the scoring and evaluation of proposal for the Washington State load service.

Sapere worked with Avista staff in the preparation of the 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.

Sapere worked directly with the Avista staff to understand their review and scoring of the proposals as compared to Sapere’s scoring to resolve any discrepancies between the two processes.

¹ The Avista 2021 Electric Integrated Resource Plan was filed with the WUTC on April 1, 2021 and can be found here: <https://www.myavista.com/-/media/myavista/content-documents/about-us/our-company/irp-documents/2021-electric-irp-w-cover-updated.pdf>

² Excerpted from WAC 480-107-023.



2. All-Source RFP Preparation

Sapere put a contract in place with Avista in June 2021 and began working with the Avista staff reviewing their All-Source RFP preparation in July 2021. Sapere provided Avista with input on their All-Source RFP materials, including suggested edits to the RFP document and suggestions for managing the process. This feedback was provided in writing submitted to the Avista staff. This feedback was provided as part of the responsibilities identified in Washington Administrative Code 480-107-023 that the Independent Evaluator should “Participate in the design of the RFP”.

Sapere provided input on the content of the RFP documents as well as the process while maintaining a role as an Independent Evaluator. Input was provided in writing in the form of an RFP redline document and a separate summary of findings and recommendations related to the RFP over the period spanning July through October 2021. When Sapere started working with Avista in July, Avista was working towards a deadline to submit the All-Source RFP documents to the Washington Utilities and Transportation Commission (“WUTC”) for approval at the end of the month even through they had requested an extension of time for this filing. At the end of July, the extension of time was granted by the WUTC. As a result, the input to Avista on their documents and approach to the RFP were provided to large degree in July of that year and then to a lesser extent through the end of October leading up to the filing with the WUTC for approval on November 1, 2021.

The various documents transmitted to Avista as input on their process and some of the responses provided by Avista are summarized in Table 1..

Table 1. Record of Communications related to RFP Design Comments

Date	Documents	Summary
July 21, 2021	- Avista 2021 All Source RFP draft 7-189-21 SEL - Avista RFP Sapere Evaluation (2021-07-21)	Broad array of recommendations and redline edits.
July 22, 2021	- 21.07.22 WECC RFP Bid Descriptions and Fee Examples	Memo summarizing how bid fees had been implemented by other utilities in the WECC
July 23, 2021	- Update to Req_Acknlmt of Final Shortlist_PAC 2020 AS RFP	Letter from PacifiCorp to Oregon PUC requesting acknowledgement of shortlist.
July 27, 2021	- Avista 2021 All Source RFP draft 7-27-21 - Avista RFP Sapere Evaluation (2021-07-21)_CD 7-27-21 - Evaluation Methodology 2021 draft confidential 7-27-21	Response from Avista indicating their responses to input provided by Sapere on July 21.
July 28, 2021	- cl.Avista 2021 All Source RFP draft 7-27-21	Additional RFP redline edits provided by Sapere to Avista.
July 30, 2021	- 8 RFP documents	RFP documents provided by Avista in case request for extension of time was rejected.



Date	Documents	Summary
Aug 30, 2021	<ul style="list-style-type: none"> - cl edits_2021 All Source RFP draft 7-30-21 - cl.Avista 2021 All Source RFP Exhibit B draft 6-21-21 	Additional redline edits and input provided by Sapere to Avista.
Sep 15, 2021	<ul style="list-style-type: none"> - cl.Avista 2022 All Source RFP Exhibit B draft 9-14-21 	Input and edits provided by Sapere to Avista
Oct 6, 2021	<ul style="list-style-type: none"> - Avista 2022 All Source RFP Exhibit B draft 10-05-21 Sapere Edits 	Input provided by Sapere to Avista
Oct 21, 2021	<ul style="list-style-type: none"> - Avista 2022 Renewables RFP Exhibit C 9-10-21 draft SEL. CL 	Input provided by Sapere to Avista on Exhibit C, Detailed Proposals.

Sapere provided Avista with the input and suggestions in order to help improve the All-Source RFP process, but the suggestions provided were made with the understanding that Avista was ultimately responsible for the development and issuance of the materials. Avista was receptive to the input provided by Sapere and implemented many of the recommendations provided.

3. RFP Approval and Issuance

During the review and approval process of the All-Source RFP documents by the WUTC, Sapere maintained periodic contact with Avista and tracked the WUTC process but was not actively engaged in the process awaiting the approval and issuance of the All-Source RFP, which was distributed on February 18, 2022 with a proposal deadline of March 25, 2022.

During this period, Avista and Sapere interacted periodically, mainly with a focus on reviewing the scoring process and scoring criteria in preparation for reviewing the proposals. On February 22, 2022, Sapere provided Avista with advice on how to score the proposals, specifically identifying scoring criteria for which there would be information in the initial proposals and criteria for which the needed information would need to be requested with the detailed proposals. On March 1, 2022, Avista provided their thoughts on the scoring criteria and how they intended to score the different aspects of the proposal.

Avista held a virtual Bidder’s Workshop on February 28, 2022. The Bidder’s Workshop provided an opportunity for Avista to clarify aspects of the All-Source RFP and to answer bidder questions. Chris Drake made a presentation to the group and then opened up the meeting to questions. There were a number of questions raised on various topics, all of which were answered in the meeting. A written summary of the questions and answers was produced following the meeting which was posted to the All-Source RFP website.

During this time, Avista provided Sapere with their third-party communications related to the All-Source RFP in batches by forwarding the email traffic they received and sent.

4. Receipt of Proposals

Avista received the proposals on March 25, 2022 which were then transmitted to Sapere via email. Proposals were received from 21 distinct entities which ultimately were organized into 56 separate proposals for evaluation. Avista forwarded all submittal emails to Sapere providing any information in the email transmittal as well as the proposal documents themselves.

A couple issues did arise after the submittal deadline:

- 1) [REDACTED] contacted Avista on April 6, 2022, to ask about the bid fee invoice along with a forwarded copy of their email submittal dated Friday March 25, 2022 (the proposal deadline). Avista's IT group reviewed their email server data and determined that the [REDACTED] email from March 25, 2022 had been received by their servers but not delivered. The proposal was for a 10 MW virtual power plant. After reviewing the situation, Avista suggested that they accept the late submittal. Sapere agreed with the suggestion since it appeared that [REDACTED] had attempted to submit their proposal prior to the deadline, and it did not seem reasonable that they had gained a competitive advantage due to the delay in receipt by Avista.
- 2) Avista also received an inquiry from another interested party after the proposal deadline asking whether they could still submit a proposal. Avista did not accept the late proposal and Sapere agreed that this was the correct response.

Avista also received a proposal from their own generation group for an 11 MW expansion of the [REDACTED]. This proposal was delivered to the All-Source RFP team before the deadline indicated in the All-Source RFP.

Avista published a summary of the proposals to the All-Source RFP website on April 19, 2022. The summary contains additional information about the proposals such as installed capacity, commercial operation dates, resource types, and geographic locations.

Avista also wanted to evaluate contracts for hydropower output from an [REDACTED]. The [REDACTED] had conducted their own solicitation that Avista had bid on, and so the discussions for those contracts had run separate from the All-Source RFP process. Avista did score the [REDACTED] contracts using the All-Source RFP criteria. Since there was no proposal submitted into the All-Source RFP, Sapere did not evaluate this contract or score it according to the scoring criteria.

5. First Round of Scoring

Sapere initiated a review of the proposals and an independent scoring to be compared to Avista's scoring. Sapere followed the Exhibit C scoring criteria developed as part of the RFP. Some additional details regarding Sapere's approach to the scoring process are summarized below:

- 1) Risk Management (20%)
 - a. Adequate Financial Performance: In order to assign the highest score in this category (no deduction), Sapere looked for some explicit indication in the proposals that the

- respondent would balance sheet finance the project or that the project was already constructed and operational. If an explicit statement was not included, the next levels of deduction – either the respondent has experience obtaining financing for similar/any projects – could be validated through the proposal directly or through web-based research.
- b. Generation Project Development Experience in the US: This could be supported in the proposal or through web-based research.
- 2) Customer Energy Impact (40%): These scores were determined using Avista’s cost and value models for the different proposals. Sapere reviewed the models with Avista staff and had access to spreadsheet copies of the model output.
- 3) Price Risk (5%)
- a. Long-term Price Risk: Based on price proposal.
 - b. Energy Variability Risk: Proposals with variable energy risk (wind and solar) were scored based on the proportion of pricing that was fixed price. The second component for variable energy resources with a variable charge were not scored based on the variability of their annual production.
 - c. Construction Risk: Not scored in first round.
 - d. Fuel Supply Risk: Not scored in first round.
- 4) Electric Factors (20%)
- a. Interconnection Evaluation: This item was scored based on the progress in achieving interconnection to the grid. Some discretion was applied for proposals whose progress was partway between the defined scores. For example, some proposals had completed Facilities Studies, but did not yet have a signed LGIA. It was assumed these projects would not have difficulty completing the process and were scored accordingly.
 - b. Transmission Evaluation: The criteria for transmission to Avista’s system and projects connecting onto constrained paths were scored. The criterion for projects requiring upgrades to Avista’s transmission system was not scored by Sapere in the First Round, although Avista’s Transmission Department provided scoring advice for this category based on the potential interconnection costs for the project.
 - c. Technology Evaluation: This evaluation was applied and supported with web-based research as necessary.
 - d. Procurement Process: Other than the Demand Response requiring significant customer recruitment, these criteria were not scored in the First Round.
- 5) Environmental Factors (10%): The permitting status, mainly around Conditional Use Permits/SEPA were assessed along with the net air quality impact. The criteria related to the brownfield development and the status of various surveys were not scored in the First Round.
- 6) Non-Energy Impact (5%):
- a. Community Involvement: This was scored, but proved to be a little problematic in the First Round as most respondents failed to provide information related to the local community involvement and whether there was support and/or opposition to the project. The review of this criteria was improved in the second round of evaluation.
 - b. Named Community/Avista-Served Community: Points were awarded (rather than deducted) if the project was located in an Avista-served community, or was located in a

named community. Named communities were based on their rating of 9 or 10 as reported on the Environmental Health Disparities Map maintained by the Washington State Department of Health or whether the proposed project lay within Tribal Land boundaries (as identified by the Environmental Health Disparities Map). The map was accessed for review and assessment between May 2022 and October 2022.

- c. Diversity, Equity and Inclusion (“DEI”): Points deducted if respondent did not have a DEI program or similar in place.
- d. Local Labor: Points deducted if respondent didn’t have experience using local labor on their projects, regardless of location.
- e. Energy Resiliency and Security: Points deducted as they were moved further away electrically from Avista’s load customers.
- f. Quantitative Non-Energy Impacts: Not scored in the First Round. During the RFP process Avista was working to collect information that might have informed the scoring in this category. This effort proved to be challenging and it was decided to remove this subcategory from the scoring.

One other item to note is that Avista performed a split two-state evaluation as they serve customers in both Washington and Idaho. The analysis and review between the two states differs a bit which impacted the proposal scores and ranking. Sapere was assigned to the Independent Evaluator role for the Washington evaluation and therefore focused on that portion of the scoring and ranking. Sapere received Avista’s Idaho scoring and rankings but did not actively review those scores or the differences between them and their Washington scores.

Sapere performed the First Round of scoring by having two staff members independently review the proposals and then discuss the scoring for each proposal to come to a consensus. The two staff were Steve Lewis, and Marissa Steketee, both Senior Consultants working in the energy sector. Sapere completed scoring the proposals and met with Avista staff the first week of June 2022 to go through their scores compared to Sapere’s scores.

There were some high-level observations about how Avista scored the proposals compared to Sapere. For one, Sapere tended to grade the proposals more harshly than Avista when criteria were not met, which resulted in lower overall scores. Sapere’s top level scores ranged from 31 on the low end to 94.6 on the high end while Avista’s lowest scoring proposal was only 64 with a high of 97.7. Sapere’s scoring for transmission was based on the transmission table that had been published by Avista showing their import capacity from different locations combined with our understanding of the Avista system and where generators could connect to Avista. A graphical comparison of the comparative scores is shown in Figure 1. The details of the scores are enclosed in the Excel file *Sapere Avista Scoring Matrix 2022-06-01.xlsx*.

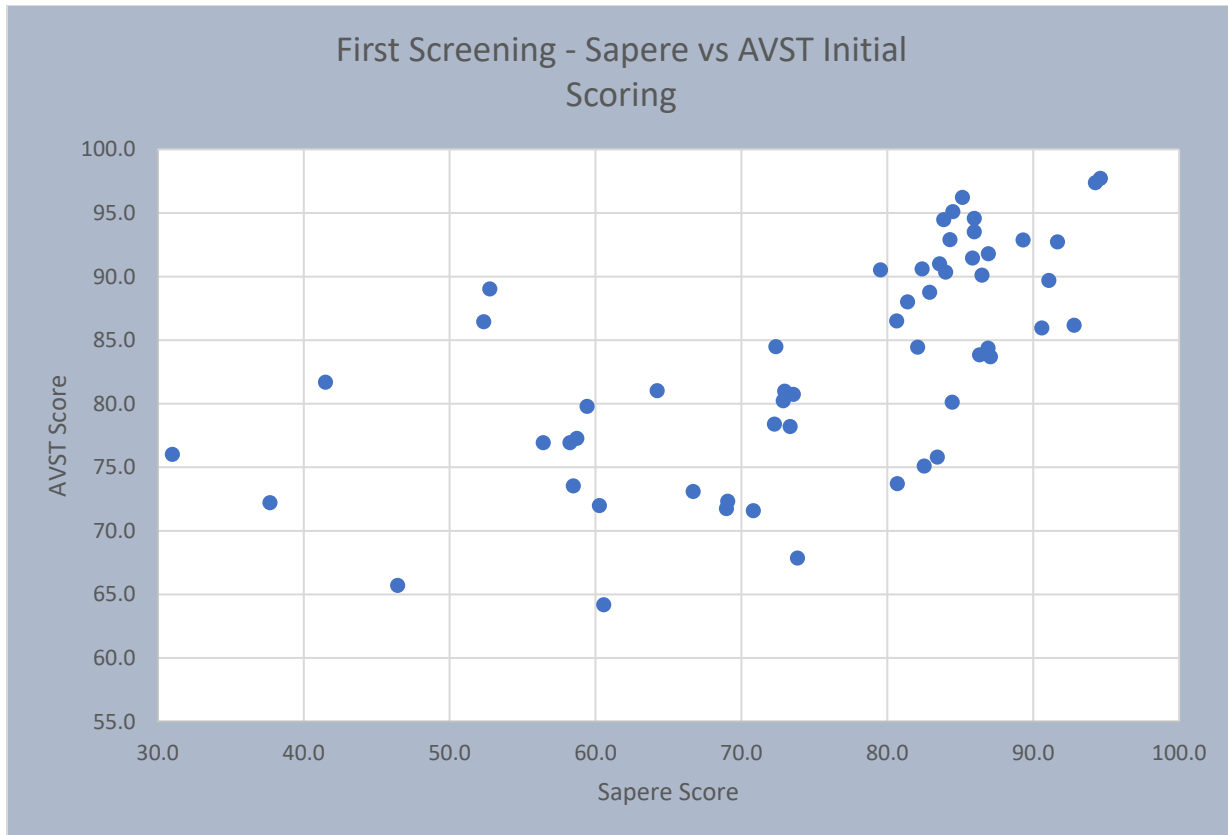


Figure 1: Initial Score Comparison for First Screening between Avista and Sapere.

Sapere met with Avista’s transmission staff on June 1, 2022, and discussed the details of the transmission assessment. Based on that discussion, Sapere agreed to adopt the Avista transmission scores which reflected challenges with respect to connecting and transmitting power from certain locations on the grid.

Sapere also met with Avista’s analytical staff and reviewed the compilation of the Customer Energy Impact score calculations. Avista had computed the net value of the proposals based on the costs combined with the value added to the portfolio. The net value was then applied to the energy and capacity contributions to account for the differences between the capacity and energy contributions of the different proposal. Each proposal was assigned the higher of their energy and capacity scores for the Customer Energy Impact. Sapere found these scores to have been reasonably determined for purposes of the First Screening.

Sapere and Avista completed the discussions of the scoring process and on June 10, 2022, agreed on a shortlist resulting from the scoring and screening process. Sapere and Avista did not adopt identical scoring for the proposals, but rather agreed that the Sapere and Avista scoring produced the same shortlist. The graphical display of the comparative scores after going through the conforming process is shown in Figure 2.

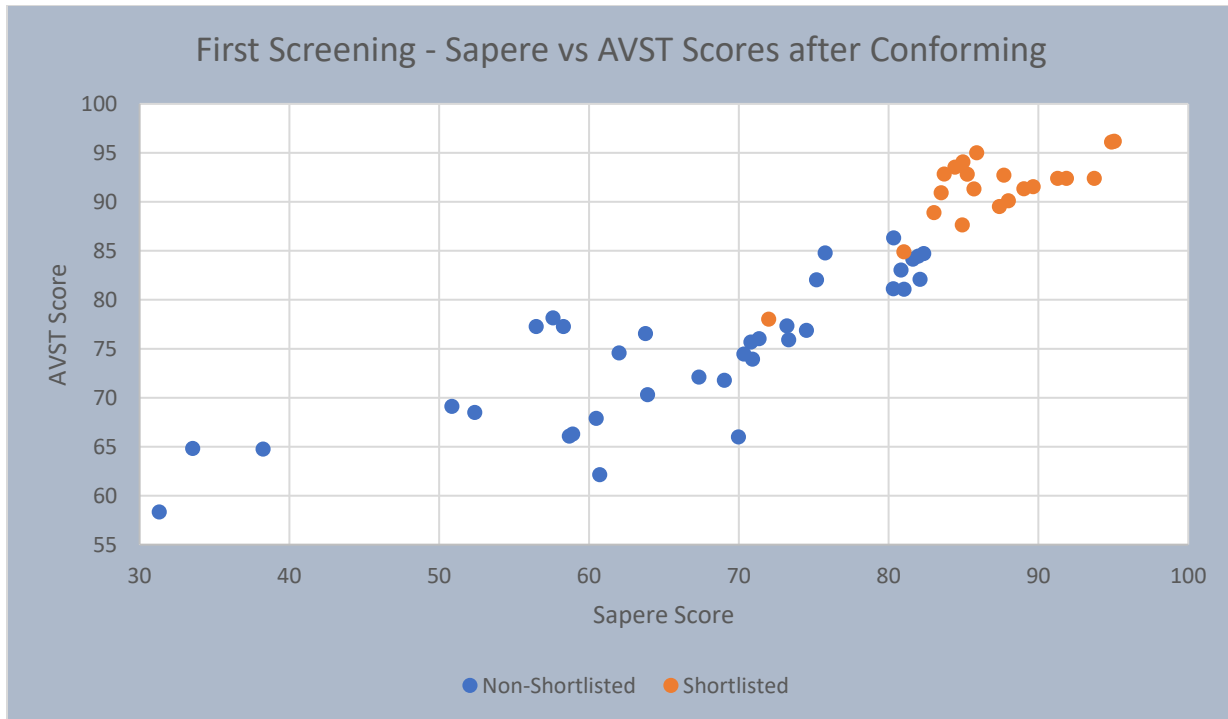


Figure 2: Score Comparison between Avista and Sapere After Conforming.

The grouping of shortlisted proposals is at the top for both the Avista and the Sapere scores with two outliers. One outlier was Proposal 1.2, which was the [REDACTED] project. Proposals 1.0 and 1.1, both scored higher, and clearly in the shortlisted group, so it was decided to shortlist all versions of that project. The other outlier was Proposal 22, which was [REDACTED] project. This was shortlisted as it was the highest scoring pure energy storage device. Sapere confirmed its agreement with Avista’s shortlist on June 10, 2022, via e-mail. The conformed scores are enclosed in the Excel file *Sapere Avista Scoring Matrix 2022-06-10.xlsx*.

Besides the Transmission and Customer Energy Impacts, Sapere changed the following scores:

- 1) Proposal 2, [REDACTED]: Price Risk/Long-term Price Risk increased from -50 to 0.

Sapere initially assigned a score reduction of 50 points for the proposal since the project presumably had fuel cost risk similar to a natural gas plant. Upon discussion, the Avista staff confirmed that the [REDACTED] had a lower price risk profile than natural gas by providing historical [REDACTED] prices. After review, Sapere agreed to remove this price reduction.

- 2) Proposals 4 & 4.1, [REDACTED] project: Environmental deduction reduced from 50 to 25.

Sapere agreed that a partial reduction in this score was appropriate given the plans to apply for the Conditional Use Permit.

- 3) Proposals 5 through 7.2, [REDACTED] Energy Project: Environmental deduction reduced from 30 to 15.

Sapere agreed that a deduction of 15 was more in line with environmental permitting required for [REDACTED]

Table 2: Initial Shortlist

Project Number	Developer	Project	Description
1	[REDACTED]	[REDACTED]	150 MW Solar
1.1	[REDACTED]	[REDACTED]	150 MW Solar + 75 MW/300 MWh BESS
1.2	[REDACTED]	[REDACTED]	150 MW Solar + 150 MW/600 MWh BESS
2	[REDACTED]	[REDACTED]	11 MW Expansion of Biomass
5	[REDACTED]	[REDACTED]	382 MW Wind
5.1	[REDACTED]	[REDACTED]	382 MW Wind + 84MW/420MWh BESS
5.2	[REDACTED]	[REDACTED]	382 MW Wind + 84MW/714MWh BESS
6	[REDACTED]	[REDACTED]	196 MW Wind
6.1	[REDACTED]	[REDACTED]	196 MW Wind + 50MW/425MWh BESS
6.2	[REDACTED]	[REDACTED]	220 MW Wind
11	[REDACTED]	[REDACTED]	100 MW Solar + 50MW/200MWh BESS
11.1	[REDACTED]	[REDACTED]	100 MW Solar + 100MW/400MWh BESS
13	[REDACTED]	[REDACTED]	120 MW Wind
17	[REDACTED]	[REDACTED]	100 MW Solar
19	[REDACTED]	[REDACTED]	97.5 MW Wind
19.1	[REDACTED]	[REDACTED]	97.5 MW Wind
22	[REDACTED]	[REDACTED]	100MW/400MWh BESS
29.1	[REDACTED]	[REDACTED]	15.8 MW Demand Response
31	[REDACTED]	[REDACTED]	280 MW Gas Turbine on 10 Year PPA
31.1	[REDACTED]	[REDACTED]	280 MW Gas Turbine on 15 Year PPA
31.2	[REDACTED]	[REDACTED]	280 MW Gas Turbine as Asset Purchase

6. Detailed Proposal Submittal and Revised Scoring

Following Sapere’s agreement with the Initial Screening shortlist, Avista notified the RFP respondents of the decisions and the status of their proposals. Avista asked that all shortlisted proposals be updated with a more detailed proposal consistent with the process that had been laid out in the RFP.

Detailed proposals were delivered to Avista on July 18, 2022 and were provided to Sapere by Avista via a shared drive on July 19, 2022.

On August 9, 2022, Avista requested a price refresh from all of the shortlisted respondents with a deadline for submittal of September 2, 2022. All of the repriced proposals were forwarded to Sapere as well as the following summary³:

[REDACTED]

Sapere initiated the same internal scoring process. Both Steve Lewis and Marissa Steketeer reviewed the revised proposals independently and then met to discuss and come to consensus on the detailed scores. This was completed by September 2, 2022. As with the first round, the transmission congestion and the detailed financial analysis were performed by Avista staff, so Sapere scored the remaining criteria. The additional information supplied by the shortlisted parties allowed Sapere and Avista to score the remaining criteria. There are a few things to note with respect to these added categories:

³ Summary received via email from Chris Drake on September 6, 2022 with some simplifying edits.

[REDACTED]

- 1) Price Risk
 - a. Energy Variability Risk, Variable Energy with Variable Price: Scoring based on the expected annual variation in energy proved to be unwieldy, so variable energy resources were assigned a deduction of 3 points.
 - b. Construction Risk: Scoring projects on the percentage of known to unknown costs proved to be unwieldy, so most of the projects were not given a deduction unless there was a known construction risk associated with the project.
 - c. Fuel Supply Risk: This criterion was scored with additional information.
- 2) Electric Factors, Procurement Process: This was scored based on additional information.
- 3) Environmental Factors: The additional information regarding site surveys and updated permitting status were used to determine scores in these areas.
- 4) Non-Energy Impacts: The request for updated information specifically asked for information related to these criteria, so there were a number of changes in this category.

The results of Sapere's scoring process are enclosed in the Excel file *Sapere Avista Scoring Matrix Round 2 2022-09-02.xlsx*. This file summarizes the scores without the updated financial analysis performed by Avista, so the Customer Energy Impact category is not completed.

Sapere and Avista met virtually on September 8 and 9, 2022 to review the shortlist scoring in these different categories and worked to resolve the scoring for each proposal. In this case, Sapere and Avista staff came to agreement on the scoring for each of the shortlisted proposals. There was one point of significant difference between the Sapere and Avista scores, which related to Proposal 2 – the [REDACTED] provided a significant amount of additional information, including the use of a [REDACTED] that was not included in the original submittal. It wasn't initially clear how much development responsibility was placed on [REDACTED]. As a result, Sapere initially scored the updated proposal as if [REDACTED]. After some discussion with Avista, and re-reading the proposal, Sapere agreed that [REDACTED] was more of a specialized contractor and re-scored the proposal in this manner, which brought the scores into closer alignment.

The financial analysis by Avista continued over the course of the next couple weeks. Avista provided the results of the financial analysis on September 27, 2022 and an updated scoring matrix that incorporated the financial analysis. Avista provided Sapere with the detailed data from the financial modeling and met with Sapere to go over the methodology. In determining a financial score, Avista analyzed the Net Value of the proposals on both an energy and a capacity basis using their portfolio planning model to determine the cost and value contributions of the resources. For the energy analysis, the total cost and total value on a dollar-per-megawatt-hour basis were compared to get a net value. All net values were adjusted to 2022 dollars and ranked. A similar process was applied to the capacity value, which was applied to the resources based on the Western Power Pool's recent analysis of anticipated Qualified Capacity Contributions for different resource types in the region. The financial analysis included factors for transmission, losses, integration, REC values, capacity values, and the cost of emissions allowances under the Washington State Climate Commitment Act. Net values were converted into scores using the

predetermined methodology where the net proposals were grouped into three tiers based on the groupings of the net values. The top tier was then assigned scores between 100 and 84 based on their relative net cost within the grouping. The same approach was applied to the next tier assigning scores in a range from 69 to 84. The third and lowest tier were assigned scores between 39 and 69. Each proposal was then assigned the higher of their energy or capacity score.

Sapere met with Avista staff to go through the details of their financial models. These details are provided in the Excel file *Financial Analysis_Short_List_092622.xlsm*. This file summarized the cost build up for each shortlisted proposal on a separate tab combined with the value provided by the resource to the portfolio. The workbook shows the direct costs associated with the proposal as well as other costs, including costs for transmission, fuel, integration, health and safety impacts, carbon allowances for Washington, and other miscellaneous costs. The values were determined using Avista’s portfolio model and grouped into Energy, Capacity, and Ancillary Services values for a combined total.

Combining the financial analysis with the other scores produced the following results:

Table 3: Final Scoring

Bid Number	Developer	Project	Risk MGMT	Customer Energy Impact	Price Risk	Electric Factors	Environmental	Non-Energy Impact	Total Score
[Redacted Table Content]									

Sapere agreed with the scoring and ranking of the proposals. From this group, Avista selected the [Redacted] proposal as finalists. Sapere agreed that these finalists represented the highest scoring proposals amongst the shortlist. [Redacted]

7. Conclusion and Recommendations

Sapere worked with Avista throughout the process for the All-Source RFP from the drafting of the RFP documents to the scoring and evaluation of proposals. Avista staff were open and forthright in discussing the process, their thinking regarding issues and questions that arose, modeling process and assumptions, and their outlook in making decisions, particularly those related to scoring the proposals and making shortlist and finalist selections. Avista applied the scoring criteria and managed the process in a fair and even-handed manner. Even in instances where we were not in initial agreement, we were able to talk through the differences and come to a resolution. In conclusion, Sapere finds that the RFP process was conducted fairly, transparently, and properly. Sapere participated in the design of the RFP and evaluated each of the proposals independently from Avista's staff. We maintained a record of our communications with Avista, which is provided. We reviewed the financial analysis performed by the utility and verified that the inputs seemed reasonable.

As with most processes of this nature, there are areas that bear some reflection and provide insight into how to improve future processes. Sapere recommends the following:

- 1) **Proposal Delivery Confirmation and Method:** As noted, there was some confusion regarding whether a proposal was delivered properly by the deadline. This could be addressed by clarifying a process for providing delivery receipt to all respondents and a deadline for inquiries if the delivery receipt is not received. It would also help to set up a process for respondents to upload files to Avista rather than emailing proposals as the verification of delivery can be made more reliable.
- 2) **Participation of Utility Self-Build:** Clarity regarding utility self-build proposal would be helpful. For example, Avista's generation department submitted an initial proposal containing the core information on costs and expected output improvements for the [REDACTED] but the proposal lacked supporting information comparable to other proposals. This caused a few issues in the scoring process. One was in the financing score. Sapere took a strict approach that proposals had to explicitly state that they would balance sheet finance the project or that financing was already secured to receive full credit while Avista staff felt, however, that the [REDACTED] proposal should receive full credit as utility financing is highly reliable. Sapere agrees that utility financing is reliable but felt this sort of latitude was not acceptable given the language of the scoring criteria. Another was the fuel supply risk, which is [REDACTED]. [REDACTED] Avista's initial proposal did not contain supporting information regarding the [REDACTED]. Sapere initially deducted points for this lack of information in the Long-Term Price Risk criteria but agreed to remove this deduction when Avista provided [REDACTED]. [REDACTED]. Requesting proposal clarifications is standard practice in RFP processes, so this is comparable to how questions about other proposals might be handled but is a little more sensitive with respect to self-build options. Avista's generation team provided much more information in the detailed proposal following the initial shortlist that was used to support the scoring, however that caused some confusion regarding the role [REDACTED]. [REDACTED] In order to avoid these situations regarding self-build options in the future, Sapere recommends that more detailed guidance be developed regarding the process to handle self-build proposals as part of competitive solicitations.

- 3) **Scoring Criteria:** There were some areas where the scoring criteria could be improved. These are:
- a. **Interconnection Status:** As noted in page 6, there were gaps in the different graded areas that should be defined and addressed in future RFPs.
 - b. **Match RFP Information Requested to Criteria:** In some cases, it could have been easier to score certain criteria if the RFP had more directly requested information linked to the criteria. Many of these areas were covered in the more detailed information requested of the shortlisted proposals, but more information regarding financing plans, comparable projects, construction risks, and community support would have been helpful upfront.
 - c. **Non-Energy Impacts:** Some of these criteria were new for Avista's evaluation and we know the Avista staff is already considering improved approaches. Sapere recommends the following:
 - i. **Community Involvement:** Specifically ask bidders for any objections made regarding the project in addition to evidence of support. It is important to get a complete picture of the local landscape and support and opposition to projects should be disclosed in proposals.
 - ii. **Named Community/Avista-served communities:** Proposals were scored based on their location in named communities within Washington and the presumption that additional development would provide economic opportunities to these communities. With respect to existing resources and renewable resources, this seems like the right approach, but we acknowledge that named communities may have already been impacted by industrial development in their area, which creates some tension between the desire to provide economic benefits that may further impact the local environment and health conditions. We expect that this may be topic of additional discussion as stakeholders consider the best ways to address these concerns.
- 4) **Independent Evaluator Participation in the Design of RFP:** The requirement was that Sapere participate in the RFP design, but it was not clear whether we were to participate in an observer role or as an active participant in the design. As a result, Sapere steered a mostly middle of the road approach to providing input and feedback to Avista on the RFP preparation although at times Sapere provided more detailed editing of the document. It would be helpful for the WUTC to provide additional guidance on the expectations for this portion of the Independent Evaluator role in the process.

As with any process, there are things that can be improved. These suggestions should in no way detract from what we assess to have been a fair RFP process. In considering the process, we point to the following indicators:

- The All-Source RFP was broadly announced in industry publications and developers were aware of the solicitation.
- There was a robust response to the All-Source RFP with 56 different proposals from 21 different entities.

- Sapere had access to the full proposals for our own review.
- Avista provided the records of their email communications with the bidders and interested parties.
- Avista took a thoughtful approach to scoring the different categories included in the Scoring Criteria.