

*2021 All-Source RFP for Renewable and Peak Capacity Resources:*

# Exhibit A. Evaluation Criteria and Scoring

**EXHIBIT A. EVALUATION CRITERIA AND SCORING*****Evaluation Criteria and Scoring***

The goal of the All-Source RFP is to select the resource or mix of resources that best meet the need expressed in Section 1 of this All-Source RFP at the lowest reasonable cost and least risk, while taking into account the public interest. See Section 3 of the All-Source RFP for a description of the evaluation process, including a discussion of the quantitative and qualitative analysis performed in each phase.

PSE's evaluation of new long-term electric generation resources is based on a combined quantitative and qualitative assessment of all proposals that meet the minimum requirements of the All-Source RFP. Taken together, the quantitative and qualitative evaluation criteria assess the feasibility of proposals and measure each proposal's ability to satisfy compatibility with resource need, cost minimization, contribution to public benefits and Clean Energy Transformation Act ("CETA") equity goals, risk management, and strategic and financial considerations.

As described in Section 3 of the All-Source RFP, PSE divides its evaluation process into two phases: a screening phase (Phase 1) and a portfolio optimization phase (Phase 2). In Phase 1, resource proposals are evaluated and scored based on the quantitative and qualitative metrics described in this exhibit. The proposals are then ranked according to the weighted average of their price (quantitative) and non-price (qualitative) scores. The weights of the price and non-price scores in the combined scoring are 70 percent and 30 percent, respectively. Only those proposals that satisfy the RFP minimum requirements will receive a qualitative or quantitative score. The evaluation team will continue to check for any non-conforming criteria or fatal flaws throughout the evaluation process.

PSE will use the results of the individual quantitative portfolio analysis and qualitative evaluation to identify the list of resources selected to advance to the portfolio optimization modeling in Phase 2. The portfolio optimization analysis tests the portfolio impacts of potential resource combinations and determines the best mix of proposals to meet PSE's resource needs at the lowest reasonable cost. The results of the portfolio optimization will determine the preferred resource portfolio to be selected for the short list.

**Quantitative metrics and price score (70%)**

PSE's quantitative analysis primarily relies on the portfolio benefit metric. As measured and evaluated, portfolio benefit is a holistic economic indicator that captures all of the benefits, energy/production costs, capacity contribution, renewable credits, and emission reductions of a resource relative to the alternatives identified in PSE's 2021 IRP preferred portfolio.<sup>1</sup> PSE's quantitative analysis also considers the levelized cost of energy, which is a traditional metric used by the industry to compare the cost of resources with the same or similar operating

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<sup>1</sup> See 2021 IRP Preferred Portfolio

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characteristics; however, this metric does not take into account a resource’s contribution toward meeting PSE’s physical capacity or renewable energy resource needs.

PSE seeks proposals for resources that provide the lowest reasonable portfolio cost, taking into account the price of the proposal, the proposal’s contribution to CETA and capacity needs, the term of the proposal and other factors that impact PSE’s overall cost. Depending upon whether the proposed structure is for a power purchase agreement or an ownership arrangement, such cost factors include, but are not limited to, those listed in Table 1 below.

Table 1. *Proposal cost factors that impact PSE’s overall cost*

Cost Factor	PPA	Ownership
Capital cost	-	X
Financing cost (rate of return)		X
Operation and maintenance cost		X
Expected or potential carbon control or mitigation costs	X	X
Fuel and fuel transportation cost	X	X
Fixed and variable power purchase agreement cost*	X	
Transmission cost	X	X
Ancillary services	X	X
Integration costs	X	X
Transmission system upgrades	X	X
Cost to rebalance debt/equity ratio for imputed debt and consolidated debt **	X	X
Cost of credit facilities		X
Transaction costs and other management costs, etc.	X	X
Cost to meet environmental compliance, including capital improvements and/or capacity limitations and restrictions		X
CETA provision allowing utilities to earn a return on PPAs	X	
Renewable energy credits or other environmental attributes	X	X
* Assumes all relevant capital, financing and O&M costs included in PPA price.		
** Individual analysis includes PPA return; during portfolio analysis, imputed debt considered for the purposes of consolidated company balance sheet and credit analysis.		

PSE’s proprietary Portfolio Screening Model (“PSM”) calculates the revenue requirements for PSE’s incremental power portfolio based on the 2021 IRP generic resource strategy<sup>2</sup>, any updates to the Company’s resource needs, as well as other inputs and assumptions (such as load forecast and market prices) from the IRP. PSE adds individual proposals to the power portfolio and uses PSM to optimize the lowest cost generic resources that meet needs while satisfying all constraints. This creates a new portfolio and portfolio cost that can be compared to the all-

<sup>2</sup> See the 2021 IRP preferred portfolio for a description of the generic portfolio

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generic portfolio. The portfolio benefit of each proposal is calculated by taking the cost of the all-generic portfolio less the cost of the portfolio with the new proposal. Proposals with a positive portfolio benefit reduce the net electric portfolio costs relative to a generic-only portfolio, whereas proposals with a negative portfolio benefit increases the net electric portfolio costs.

In Phase 1, proposals will be grouped into resource categories based on resource and/or technology type, and assigned price scores based on their relative proposal-specific Portfolio Benefit per MW of offered nameplate. As described in Section 3 of the All-Source RFP, a selection of price-competitive projects from each resource category will proceed to the Phase 2 portfolio optimization stage based on their combined quantitative and qualitative scores (see below), such that at least 150 percent of the renewable and capacity resource needs are represented. In Phase 2, PSE's portfolio optimization modelling will determine the optimal combination of resources to meet both the CETA renewable need and the capacity need at the lowest portfolio cost. The portfolio optimization will capture projects' CETA-renewable energy credit contribution and capacity credit contribution (based on project-specific effective load carrying capability, or "ELCC", values) with the balance of their costs; projects that provide a material contribution to both capacity and CETA needs will generally perform more favorably due to the benefit produced by the dual value streams.

The metrics calculated by PSM to assess the relative competitiveness of individual proposals are described in Table 2. PSE will conduct sensitivity analysis that consider different load and market price assumptions and scenarios.

Table 2. *Metrics calculated by PSM to assess RFP proposals*

Metric	Description	Value
<b>Portfolio benefit (\$)</b>	Difference between the net present value portfolio revenue requirement with the proposed project in the portfolio replacing an equivalent amount of generic resource, and the net present value portfolio revenue requirement of the all-generic portfolio. Projects may have a portfolio benefit by displacing higher cost capacity resources, renewable resources, or a combination of both.	Higher is better. Useful for comparing projects of similar size and technology type. Used to determine the least cost combination of resources that meets PSE's resource needs.
<b>Portfolio benefit per offered Nameplate (\$/MW)</b>	Net present value of a proposed project's portfolio benefit divided by the net present value of the project's offered nameplate capacity.	Higher is better. Useful for comparing different project sizes and technologies. Used along with qualitative metrics in establishing an initial ranking of projects for inclusion in the portfolio optimization.

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<p><b>Levelized cost of energy (\$/MWh)</b></p>	<p>Net present value of a proposed project’s revenue requirement divided by the net present value of the project’s generation.</p>	<p>Lower is better. Useful for comparing projects that have the same or similar operating characteristics. Less useful for projects with low or no generation.</p>
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**Qualitative metrics and non-price score (30%)**

PSE has developed for the 2021 All-Source RFP a qualitative rubric designed to assign value and score certain key non-price elements of resource proposals that meet the minimum requirements described in Section 4 of the RFP. The qualitative rubric is structured to capture what PSE considers to be the principal qualitative elements, risks and benefits of the proposals, while also recognizing that certain elements may not apply in the same manner to all types of resources, in particular demand-side resources. In such instances, the evaluation team will apply the breakout categories indicated in the rubric in order to score such proposals on an equivalent basis.

After proposals pass through the automated intake process (described in Section 3 of the All-Source RFP), the evaluation team will conduct a preliminary qualitative screening to verify that the minimum criteria have been met and to check for non-conforming criteria or fatal flaws that would eliminate proposals from further consideration. Common examples of non-conforming criteria or fatal flaws include, but are not limited to: proposals with insurmountable or otherwise prohibitive feasibility constraints, inability to permit the project or deliver energy, commercially unproven technology, excessive counterparty risk, safety risk, and regulatory or legal risk associated with noncompliance that could adversely affect PSE. Any proposal identified to have non-conforming criteria or fatal flaws will be notified and given three (3) days to remedy (the “cure period”).

In Phase 1, PSE will perform additional due diligence, where necessary, to dig deeper into the unique risks and merits of particular proposals, verify proposal claims, clarify offer details, and answer any outstanding questions. To do this, the evaluation team may:

- submit data requests to respondents for clarification of proposal details or for further information to help illuminate the particular risks and benefits of proposals,
- discuss elements of the proposals with respondents by phone,
- draw on publically available and non-confidential information as per the Mutual Confidentiality Agreement (Exhibit C) to better understand key elements of the proposals (such as transmission availability, local support/opposition, or the likelihood of successful permitting),
- utilize a third-party consultant to help assess the reasonableness of resource data,

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The resource evaluation team will assign qualitative scores based on the information that bidders provided in their proposals, as well as PSE's experience in the market and as a resource owner/operator, and on publicly available information. The evaluation team will also consult as necessary with subject matter experts from specific functional areas throughout the company.

PSE's qualitative scoring rubric is provided as Table 3 beginning on page A-6. Bidders should note the following:

- Any proposal that receives a score of "0" in the Site Control Status, Permit/Studies, Energy Delivery or the CETA Equity Plan category will be deemed to have failed to meet the minimum criteria of the 2021 All-Source RFP and disqualified from further consideration (provided that such failure to meet minimum criteria has not been remedied within the three-business-day cure period).
- For categories that require a greater degree of judgement in assessing risk (Counterparty Viability, Project Viability and CETA Equity Plan), the rubric indicates factors that the evaluation team will consider when assigning appropriate scores. Bidders should therefore ensure that the information in their bids adequately addresses these factors.

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Table 3. *Qualitative scoring rubric*

Evaluation Categories	Weight	Points	Score
<b>Counterparty Viability</b> <i>Screening based on 2 key areas listed below. The total sum is applied towards this category.</i>	10% x	_ / 6	
<b>Experience Level</b>			
Bidding Entity (company) or Team has no demonstrable experience implementing <b>at least 1</b> similar size and technology deployment		1	
Bidding Entity (company) or Team has demonstrable experience implementing <b>at least 1</b> similar size and technology deployment		2	
Bidding Entity (company) or Team has demonstrable experience implementing <b>≥ 5</b> similar size and technology deployments		3	
<b>Counterparty Stability</b>			
Bidder assessed to have weak or limited financial profile and/or has been engaged in recent material disputes or legal proceedings		1	
Bidder assessed to have an acceptable financial profile and/or has not been engaged in recent material disputes or legal proceedings		2	
Bidder assessed to have a strong financial profile and has not been engaged in recent material disputes or legal proceedings		3	
<b>Project Viability</b> <i>Screening based on applicable areas listed below. The total sum of the respective applicable areas is applied towards this category.</i>	10% x	_ / 9 or _ / 8 (ORDER)	
<b>Financing Plan (All Projects)</b>			
Plan provided but no actionable progress made		1	
Project Financing yet to be achieved but in progress		2	
Balance Sheet Financed or Financial arrangement established		3	
<b>Supply Chain (Transmission Interconnected projects)</b>			
<5% Project Major Equipment inventory secured / No arrangements made		1	
<50% but >=5% of Project Major Equipment inventory / Safe Harbored Equipment / or Pre-existing arrangements		2	
>50% Project Major Equipment Inventory or Construction Complete		3	
<b>Program Design (DR and Aggregated DER only)</b>			
Plans provide little or no details to evaluate robustness of execution plan		1	
Plans provide general overview without necessary details to evaluate some areas of the robustness of outlined execution		2	
Detailed plans describing among other items, overall program design and management, system integration, operations, dispatch, and performance guarantees.		3	
<b>IT Security and Data Privacy (DR and Aggregated DER only)</b>			
Little or no information provided on IT security and data privacy		0	
Bidder does not have SOC2 Type 2 certification, but is willing to pursue it if selected.		1	
Bidder already holds a SOC2 Type 2 certification / project does not require access to customer data so SOC2 Type 2 does not apply.		2	
<b>Technology Risk (All Projects)</b>			
Non-commercial / unproven technology		0	
Commercial scale technology with minimal fleet deployment history (for ownership proposals: minimal operational experience of similar technology at PSE)		1	
>5 deployments with similar asset with > 5 years of fleet deployment history		2	
>10 deployments with similar asset with >10 years of fleet deployment history		3	
* PSE may differentiate between technology upgrades and new classes of technology in assigning scores for deployment			

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<b>Site Control / Customer Acquisition Status</b>	<b>10%</b>	<b>x</b>	<b>_ / 3</b>
<i>Project Site and Gen-tie Line (Transmission-interconnected projects and single POI distribution projects)</i>			
No executed land agreements / Not feasible			0
>25% Executed land agreements / Low probability of complete site control			1
>50% Executed land agreements / Demonstrated consistent progress in complete site control			2
>75% Executed Land agreements / High probability of complete site control			3
<i>Customer / Site Acquisition Plan (DR and Aggregated DER only)</i>			
Plan provides little or no detail about how sites / customers will be identified, what constitutes a qualifying site, or what marketing tactics will be utilized.			0
Plan provides a general overview without necessary details to evaluate some areas on the robustness; may not include an assessment of market potential within PSE service territory.			1
Detailed plan describing how sites will be identified, customer acquisition timeline and tactics, market potential, and timeline of resource additions.			2
Detailed plan and some customers / sites already identified.			3
<b>Permitting and Studies</b>	<b>10%</b>	<b>x</b>	<b>_ / 5</b>
Permitting or long lead-time studies (such as Habitat Studies) not begun / no plan submitted			0
Permitting or long lead-time studies (such as Habitat Studies) not begun / plan submitted			1
Permitting and long lead-time studies (such as Habitat Studies) begun			2
Discretionary permits filed			3
Discretionary permits obtained / Only Non-discretionary permits required			4
All permits obtained/Not required*			5
<b>Energy Delivery</b>	<b>25%</b>	<b>x</b>	<b>_ / 4 (off PSE system) or _ / 6 (on PSE system)</b>
<i>Interconnection and Transmission (on and off PSE system)</i>			
No LGIA/SGIA / No TSR Plan Submitted / Deliverability not feasible			0
LGIA/SGIA yet to be Awarded / TSR submitted			1
LGIA/SGIA Awarded and TSR submitted			2
Point to Point Transmission Study (FS, SIS, Facilities) in process			3
Point to Point Transmission Service awarded			4
Network Integration Transmission Study (FS, SIS, Facilities) in process			5
Network Integration Transmission Service awarded			6
<i>DER/DR projects interconnected to the distribution system (on PSE system only)</i>			
No interconnection submitted / Deliverability not feasible			0
Complete application for schedule 152			3
Preliminary review indicates delivery is feasible & Transmission distribution study complete (if applicable) / Interconnection approved / Not required (DR)*			6
<b>CETA Equity Plan</b>	<b>35%</b>	<b>x</b>	<b>_ / 5</b>
No CETA Equity plan provided			0
Plan submitted - Minimally addresses all areas			1
Strongly addresses two (2) of the five CBI areas and minimally addresses the remaining three (3) CBI areas			2
Strongly addresses three (3) of the five CBI areas and minimally addresses the remaining two (2) CBI areas			3
Strongly addresses four (4) of the five CBI areas and minimally addresses the remaining one (1) CBI area			4
Strongly addresses all five (5) CBI areas (Environmental, Economic, Health, Energy and Non-Energy Benefits, and Energy Security and Resiliency)			5

\* For certain types of resources (e.g. DERs, DR), interconnection and transmission award may not be required



**EXHIBIT A. EVALUATION CRITERIA AND SCORING****Additional information used during qualitative evaluation**

PSE will use information provided by the bidder as well as information available in the public domain to make an informed evaluation of the maturity and readiness of the project in the categories of counterparty viability, project viability, site control/customer acquisition status, permitting and studies, energy delivery, and CETA equity plan. PSE will evaluate each proposal based on the merits of the quality and completeness of information sought in each of those categories. The information provided below serves to aid bidders to build as complete a proposal as possible in order to achieve the highest qualitative score attainable for their project.

**A. Counterparty viability**Experience

- Direct experience implementing similar size and technology deployment in the United States
  - Summary CV of all key project team members
  - Company structure and organization
  - List of previous projects and technology types
- Previous safety performance record

Counterparty stability

- Credit history and stability
- Financial reports/10K/ CPA certified for previous 3 years
- Material legal proceedings within past five years. (PSE will generally consider legal breaches of greater than \$5 million to be material)

**B. Project viability**Financial plan

- Project financing
- Project's development history
- Project's ownership taxonomy
- Interconnection and transmission cost with studies complete

Supply chain

- Bill of lading
- Supply agreements
- Fuel supply agreements (if applicable)

Technology risk

- Installed project lists
- OEM fleet monitoring statistics

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## C. Site control

Project site and gen-tie line

- Binding letters of land use agreement
- Non-binding letters of land use agreement
- Ownership documentation
- Evidence of local community support for the proposed project

## D. Permitting and studies

- Engineering studies
- Habitat studies
- Environmental impact studies
- State and/or federal discretionary permits
- Commercial and/or residential permits

## E. Energy delivery

- Transmission plan
- Interconnection request and/or agreements
- Transmission request and/or agreements
- Feasibility, system impact, and/or facilities study
- firm, conditional firm, non-firm transmission

## F. CETA Equity Plan

CETA Customer Benefit Indicators

The 2021 All Source RFP requires bidders to submit an equity plan that at a minimum addresses the questions in Tab 2a of Exhibit B under Equity Plan. Bidders are strongly encouraged to submit additional material with more detail, as appropriate, to help PSE assess the credibility and viability the bidder's equity plan. The equity plan should be guided by the principles set forth in RCW 19.405.040(8) of the Clean Energy Transformation Act, which states:

*(8) In complying with this section, an electric utility must, consistent with the requirements of RCW [19.280.030](#) and [19.405.140](#), ensure that all customers are benefiting from the transition to clean energy: Through the equitable distribution of energy and nonenergy benefits and reduction of burdens to vulnerable populations and highly impacted communities; long-term and short-term public health and environmental benefits and reduction of costs and risks; and energy security and resiliency.*

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PSE will evaluate a bidder's Equity Plan based on the degree to which it identifies and explains specific plans and/or ways that the proposal addresses the CETA customer benefits and incorporates diversity equity and inclusion. PSE will also look for commitments from bidders to carry out those plans and/or track the contributions of the proposed project. Bidders are encouraged to include in their Equity Plans the methods by which non-energy benefits may be quantified, which the evaluation team may consider in the qualitative evaluation.

The five customer benefit indicators ("CBI") metrics in the qualitative rubric are: 1) environmental 2) economic 3) health 4) energy and non-energy benefits and 5) energy security and resiliency. These are based on indicators presented by PSE's IRP team in its February 10, 2021 public presentation to stakeholders. Work on developing CBIs is still ongoing through the CETA Equity Advisory Group and CEIP public participation process, and PSE may incorporate the findings of that work in the qualitative rubric when issuing the final All-Source RFP on July 1, 2021.