2023-2024 Independent Evaluator Report for PSE

Kitsap Non-wires Alternatives Solicitation

December 17, 2024

Bringing Ingenuity to Life
paconsulting.com

PUBLIC VERSION

Denver Office

PA Consulting Group Inc.
Suite 3550
1700 Lincoln Street
Denver
CO 80203
USA
+1 720 566 9920

paconsulting.com

Prepared by: PA Consulting

Reference: Kitsap NWA RFP – IE Report

Version: 1

Contents

Glossary

BESS - Battery Energy Storage System

BTA - Build-Transfer Agreement

BTM - Behind-the-Meter

CapEx - Capital Expenditures

CETA - Clean Energy Transformation Act

CIA - Cumulative impact analysis

COD - Commercial Operation Date

EHD - Environmental Health Disparities

EV - Electric Vehicle

FERC - Federal Energy Regulatory Commission

FOTM - Front-of-the-Meter

IE - Independent Evaluator

ITC - Investment Tax Credit

NPV - Net Present Value

NWA - Non-wires Alternatives

O&M - Operations and Maintenance

OpEx - Operating Expenses

PA - PA Consulting Group, Inc.

PPA - Power Purchase Agreements

PSE - Puget Sound Energy

PTC - Production Tax Credit

RCW - Revised Code of Washington

RFP - Request for Proposal

the Company - Puget Sound Energy

the Solicitation - Kitsap NWA RFP

WUTC - Washington Utilities and Transportation Commission

Executive Summary

PA Consulting Group, Inc. (PA) served as the Independent Evaluator (IE) for the Puget Sound Energy (PSE or the Company) Kitsap Non-Wires Alternatives Request for Proposals (Kitsap NWA RFP or the Solicitation). This report provides PA's evaluation of PSE's voluntary procurement process.

Overview of Solicitation

On February 9, 2024, PSE issued the Kitsap NWA RFP to explore transmission- and distribution-sited dispatchable resources that complied with the Clean Energy Transformation Act (CETA)[1] to address transmission capacity needs in Kitsap County. The Solicitation required that resources have a COD by December 31, 2028. PSE held an open Q&A period prior to the Kitsap NWA RFP launch that ran from February 9 through February 29, 2024. Responses to these questions were posted on March 15, 2024. The proposal submission period began on March 29 and closed on May 24, 2024, at 6 pm PST.

A compliance report, per WAC 480-107-035(5), was filed by PSE on June 24, 2024. The Phase 1 screening and qualitative scoring for the Solicitation was conducted in July 2024. Subsequently, PSE conducted a Phase 2 feasibility analysis of potential non-wires solutions and found that although there were non-wires solutions that were technically feasible, there were none that were cost competitive with the wires solution. As a result, PSE closed the Solicitation, did not select any resources onto a shortlist, and therefore did not execute any agreements under the Solicitation.

PA's IE Report

PA's IE report includes the following main sections:

- Section 1: Background and Overview
- Section 2: RFP Design and Material Development
- Section 3: Offers received
- Section 4: Evaluation of Offers
- Section 5: Results of the RFP and Recommendations

Main IE activities during Solicitation

PA's role in the Kitsap NWA RFP spanned approximately 15 months from August 2023 through November 2024. The following provides a summary of PA's main activities during the Kitsap NWA RFP:

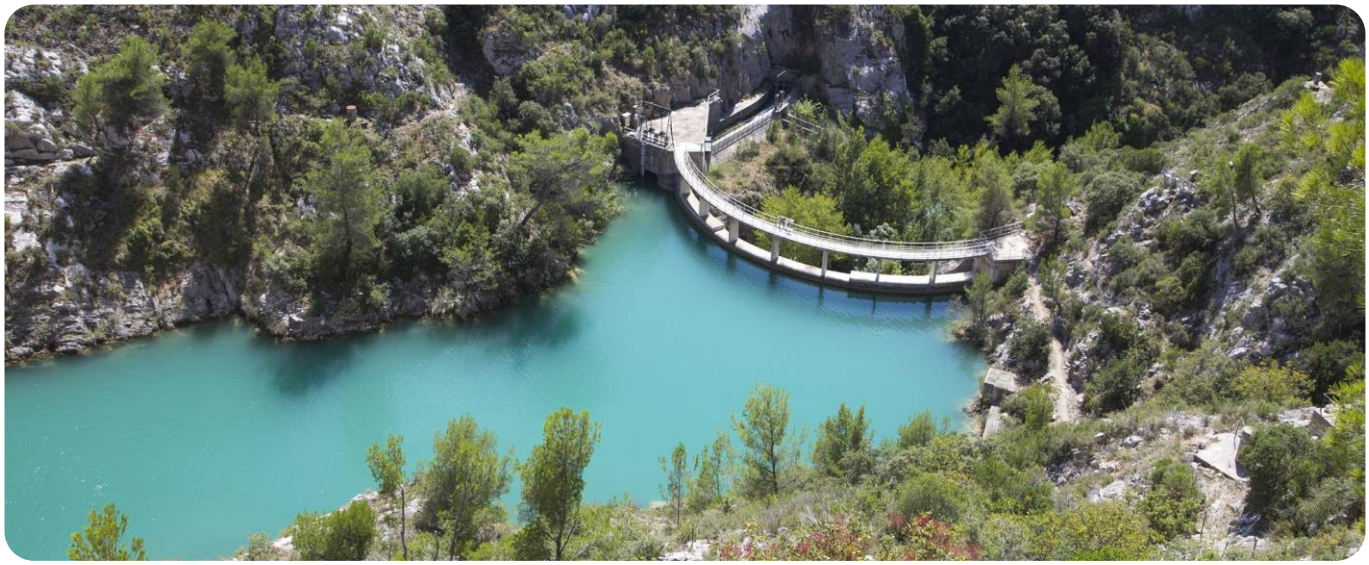
- PA assisted with the design of the RFP and development of supporting materials prior to PSE issuing the Solicitation.
- PA reviewed questions submitted by participants to PSE, along with PSE's responses.
- PA and PSE conducted regular meetings, during which PSE and PA discussed updates related to the RFP, including the status of offers submitted, evaluation of potential NWA solutions, and correspondence with participants.
- PA independently received the offers via email and reviewed all offers. In one instance, a participant submitted offers with a file size that was too large to be received via email and as a result, the participant submitted the offers to PSE via an alternative delivery method. PSE promptly shared the offers with PA.
- PA reviewed the offers received and completed a full reconciliation of PSE's offer summary file. PA discussed all potential conformance issues with PSE.
- PA performed a qualitative evaluation for a sample of the offers received into the RFP. PA reviewed PSE's qualitative evaluation and discussed the differences in qualitative scores.
- PA reviewed PSE's feasibility analysis and quantitative evaluation, including the NWA process flow diagram, potential solutions, and the associated NPV for each offer.
- PA met with PSE to discuss the findings of the feasibility analysis and quantitative evaluation and found PSE's decision to close the RFP without selecting any offers to be a reasonable outcome.

[1] CETA is discussed further in Section 3.1

High Level Summary of Findings

Overall, PA confirms that PSE conducted a fair and reasonable Kitsap NWA RFP. Some specific findings are noted below:

- PSE in no way prevented PA from observing its process and analyzing its methods and did not interfere with PA's conducting of the Independent Evaluation.
- PA finds that PSE's outreach for this Solicitation was adequate and that the Solicitation materials were clear.
- PA finds that the assumptions used in PSE's qualitative and quantitative evaluation were applied fairly across projects and counterparties and were arrived to in a reasonable manner.
- PA further finds that PSE's evaluation methodology was adequate in properly evaluating offers received into the Solicitation.
- Based on PA's review of PSE's analysis, PA's communication with PSE, and completion of other independent evaluation activities, PA finds that PSE conducted the Kitsap NWA RFP fairly.



1 Background and Overview

1.1 Background of the 2024 Kitsap NWA Procurement

Background of Solicitation

PSE issued a voluntary RFP and invited offers from entities for NWA projects to be implemented in Kitsap County, Washington. As part of its solutions development process, PSE explored transmission- and distribution-sited dispatchable resources that complied with the Clean Energy Transformation Act (CETA)[2] to address transmission capacity needs in Kitsap County. These resources could also offer additional, system-wide benefits to PSE. The Company noted in its protocol document that it was open to considering smart grid solutions or other innovative technologies capable of addressing Kitsap County's transmission capacity needs.

PSE identified capacity needs on both the bulk transmission system (230 kV) and the local network transmission system (115 kV) serving Kitsap County, based on forecasted load over a 10-year horizon. Through this RFP, PSE sought to procure dispatchable capacity resources that could be utilized to meet part or all of these capacity needs within the Kitsap County service area, consistent with the requirements outlined in the RFP. Listed below were PSE's priorities for the Kitsap NWA RFP:

- Develop a robust and cost-effective solution for Kitsap County transmission capacity needs by investigating NWAs;
- Identify opportunities to add non-wires solutions in Kitsap County and potentially provide system benefits to the PSE grid; and,
- Maximize customer benefits of non-wires solutions in every stage from procurement through the life cycle of the non-wires equipment, focusing on Tribes, Highly Impacted Communities and Vulnerable Populations (Named Communities).[3]

PSE selected PA as the IE for this voluntary Solicitation.

Overview of the Solicitation

The bulk electric system in Kitsap County requires significant capacity that encompasses the 230 kV and 115 kV transmission networks within the county. These requirements are determined by current load levels and projected loads over a 10-year planning period. In this RFP, the winter months were defined as December, January, February, and March, while the summer months were July and August.

- **Bulk capacity need** – The transmission elements of the existing 230 kV transmission network in Kitsap County exceeded their emergency limits for contingencies during winter and summer peak loading conditions.

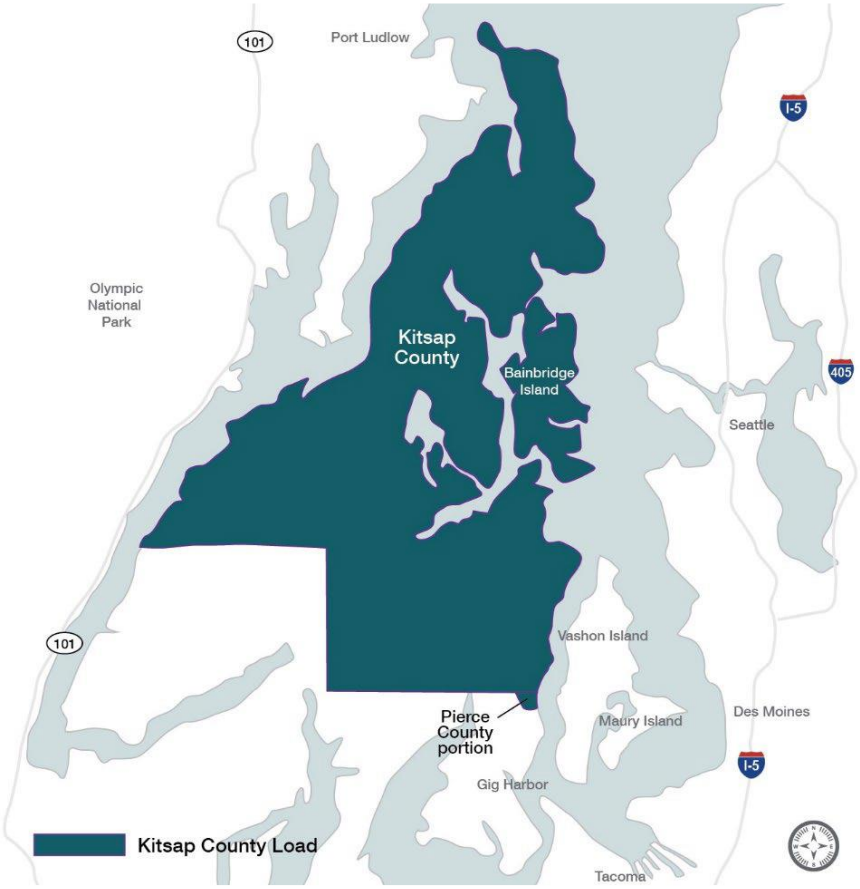
[2] CETA is discussed further in Section 3.1

[3] The Department of Health designates as a highly impacted community any census tract with a 9 or 10 overall rank on the Environmental Health Disparities map, or any census tract with tribal lands. For the purposes of designating highly impacted communities, the Environmental Health Disparities (EHD) map is the Cumulative impact analysis (CIA) referenced under Revised Code of Washington (RCW) 19.405.140.

- **Network capacity need** – The existing 115 kV transmission lines in Kitsap County exceeded their emergency limits for contingencies during winter and summer peak loading conditions.

In the spring and fall seasons, when the load is lighter, the demand for transmission capacity is generally lower than during peak months. Nevertheless, capacity support remains necessary during unexpected events. To maintain reliable service for customers in this expanding area, upgrades to the transmission system are essential and necessary. PSE identified that a wires solution would need to be in-service by December 31, 2028 and as such, the RFP required that NWA resources be operational and able to deliver to PSE's system on or before December 31, 2028.

Figure 1-1: Map of PSE's Kitsap County Study Area[4]



PSE considered proposals for CETA-compliant, dispatchable capacity resources available through ownership contracts or Power Purchase Agreements (PPA). The following NWA solutions were considered by PSE in the Solicitation:

Table 1-1: NWA Solution Options

Option	Solution Type	Capacity Need	Location	Minimum Capacity Requirement	Additional Considerations
1	Non-wires solution for 230 kV bulk transmission	Up to 260 MW/88,400 MWH (340 HR)	Connected to PSE 115 kV transmission system in Kitsap County	Transmission-connected: 10 MW	Further detail in footnote below[5]
2	Non-wires solution for 115 kV	Up to 141 MW/1,128	Connected to PSE 115 kV transmission	Transmission-connected: 10 MW	Further detail in footnote below[6]

[4] Source: PSE Kitsap NWA RFP Main Document
[5] Charging of Battery Energy Storage System (BESS) resources will need to be studied for bulk transformer loading capability. Non-BESS resources must provide capacity support for up to 420 hours (or 2.5 weeks) annually. Further study on bulk transformer loading may be needed.
[6] Charging of BESS resources will need to be studied due to existing transmission capacity constraints.

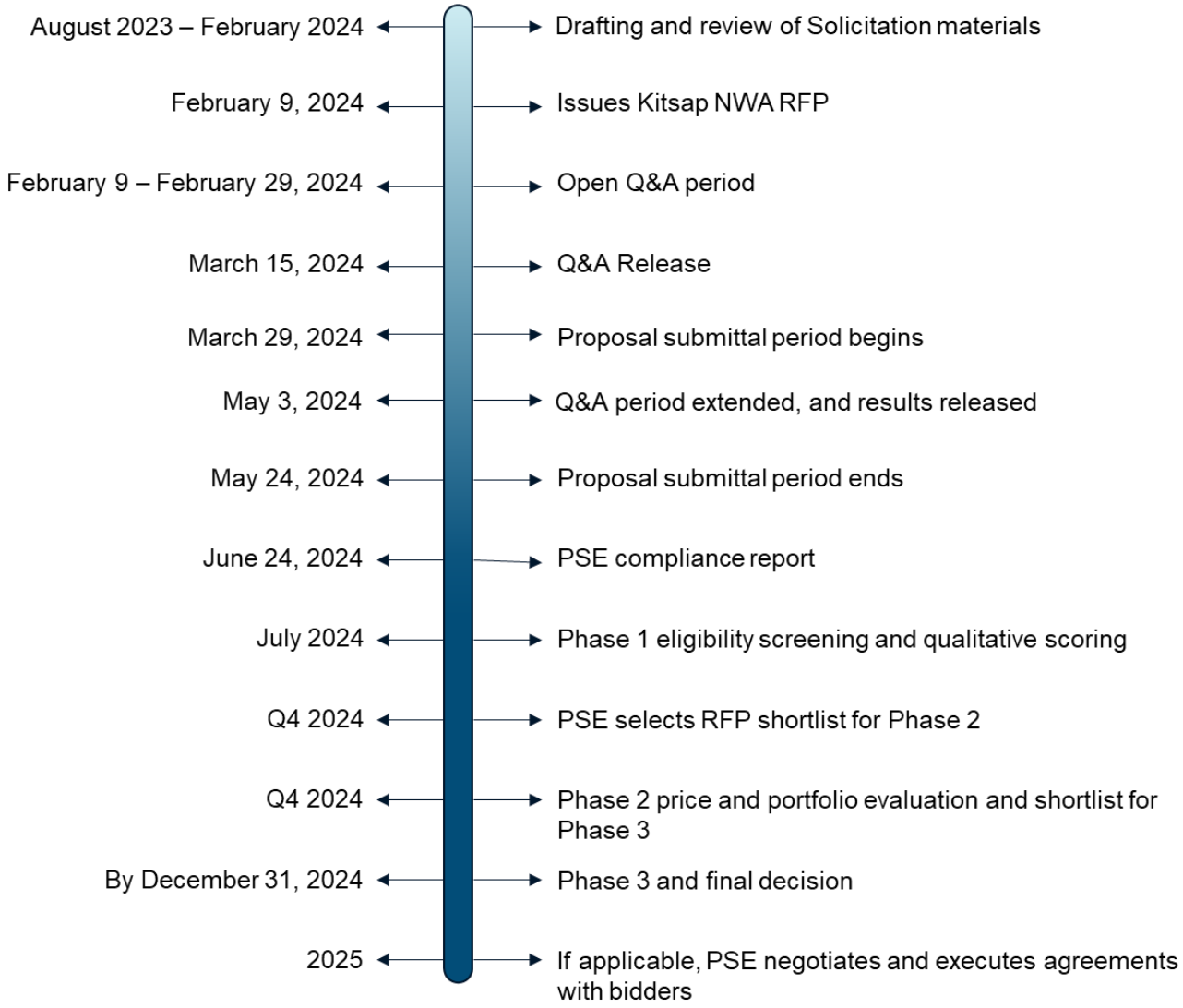
Option	Solution Type	Capacity Need	Location	Minimum Capacity Requirement	Additional Considerations
	network transmission	MWH (8 HR)	system in N. Kitsap area		
3	Non-wires solution for 115 kV network transmission (allows distribution-connected resources)	Up to 56 MW/448 MWH (8 HR)	Connected to PSE 115 kV transmission or 12.5 kV distribution system in N. Kitsap area	Transmission-connected: 10 MW Distribution-connected: minimum of 5 MW and less than 10 MW	Further detail in footnote below[7]

Due to the significant transmission capacity needs in Kitsap County, PSE expected that a combination of proposals might be necessary if individual proposals couldn't fulfil the capacity requirements. PSE was also open to accepting proposals, or a combination thereof, that exceeded the specified capacity needs by up to 20%. Participants were permitted to submit more than one proposal, with no limit on the number of submissions. The proposals could differ in terms of capacity (MW), contract length, start or end dates, pricing structure, system delivery point, combinations of co-located resources, or other proposal components.

The Company launched the Kitsap NWA RFP on February 9, 2024. From August 2023 to February 2024, the IE collaborated closely with the PSE Kitsap NWA team to refine the Kitsap RFP design and develop supporting materials in preparation for the solicitation launch. The teams maintained regular touchpoints to review and discuss the RFP documents ahead of the launch. Figure 1-2: Timeline of Solicitation outlines the preliminary timeline for the Solicitation.

[7] Charging of BESS resources will need to be studied due to existing transmission capacity constraints.

Figure 1-2: Timeline of Solicitation



WUTC Informational Filing Requirement

On December 28, 2020, the Washington Utilities and Transportation Commission (WUTC) issued General Order R-602 in Docket UE-190837, amending WAC Chapter 480-107. These updated regulations, referred to as the "Purchases of Resources" rules, went into effect on the same day. Under the new rules, electrical companies are required to publish a summary of proposals received from an RFP within 30 days after the bidding period ends.[8]

The Company issued the Kitsap NWA RFP on February 9, 2024. Offers were due on May 24, 2024. The Company filed their Kitsap NWA RFP Proposal Summary Report on June 24, 2024, in accordance with the Purchases of Resources rules.

Within the Proposal Summary Report the Company provided summary tables of the proposals received in the Kitsap NWA RFP along with individual summaries for each proposal and each offer received. The Solicitation received 43 BESS proposals ranging from 5 MW – 200 MW and received 1 CETA-compliant dispatchable resource for 219 MW. Three counterparties for the Kitsap NWA RFP submitted multiple proposals, each with varying terms or features. Participants were permitted to submit more than one proposal, with no limit on the number of submissions. The proposals could differ in terms of capacity (MW), contract length, start or end dates, pricing structure, system delivery point, combinations of co-located resources, or other proposal components.

Many proposals included PPAs, with approximately 14% also offering an ownership option. Four proposals provided both a PPA and an ownership option, and all proposals were at various stages of development.

[8] See WAC 480-107-035(5).

1.2 IE's Key Roles and Responsibilities

PSE's NWA RFP, for which PA was the Independent Evaluator (IE), resulted from the following WUTC decisions:

- The WUTC requires an IE for solicitations under the following circumstances:[9]
    - The utility or its subsidiary or affiliate participates in the utility's RFP offer process;
    - The utility intends to retain the option to procure resources that will result in the utility owning or having a purchase option in the resource over its expected useful life; or
    - The utility is considering repowering its existing resources to meet its resource need.

As the Company intended to retain the option to procure resources that would result in the utility owning or having a purchase option for the resource over its expected life, an IE was required for the Solicitation.

On May 25, 2023, PSE submitted a Petition to the WUTC seeking approval for its chosen IE in accordance with WAC 480-107-023(2) for the Kitsap NWA RFP. PSE outlined that it had defined the scope of work for the IE and evaluated proposals from three different companies, ultimately selecting PA Consulting Group, Inc. (PA) to provide the IE services. The RFP used to solicit IE services was included as Exhibit A in the Petition.

In August 2023, PSE received WUTC approval for the IE selection in Docket UE-230283 and appointed PA as an IE for the Kitsap NWA RFP. The selection process for the IE can be found in PSE's petition from May 25, 2023, in the same docket on the WUTC website.

The IE was required to, at a minimum:[10]

- Ensure that the RFP process is conducted fairly, transparently, and properly;
- Evaluate the unique risks, burdens, and benefits of each offer;
- Provide to the utility the IE's minutes of meetings and the full text of written communications between the IE and the utility and any third-party related to the IE's execution of its duties;
- Verify that the utility's inputs and assumptions, including capacity factors and capital costs, are reasonable;
- Assess whether the utility's inputs and assumptions, including capacity factors and capital costs, are reasonable;
- Prepare a final report to the WUTC after reconciling rankings with the utility in accordance with WAC 480-107-035 (3).

According to the WUTC rules, utility companies are required to submit voluntary RFPs and related documents at least 30 days before accepting bids as per WAC 480-107-021. Additionally, if a utility needs an IE, they must make information about their selection process and WUTC approval process available on their public website, including details on how interested individuals can participate in this approval process, in accordance with WAC 480-107-023.

PSE complied with WAC 480-107-021 by submitting their voluntary RFP and related documents over 30 days before accepting bids.

This report serves as PA's final IE report for the Solicitation.

[9] WAC 480-107-023
[10] *Ibid.*

2 RFP Design and Material Development

PA and PSE discussed the Kitsap NWA RFP on August 14, 2023, in preparation of the Solicitation. At this time PA was introduced to the PSE Kitsap NWA team that would be facilitating the Solicitation. On August 18, 2023, the PA team met in-person with the PSE Kitsap NWA team to kick-off the Solicitation.

2.1 Solicitation Planning

From August 2023 to February 2024, the IE worked closely with the PSE Kitsap NWA team to refine the RFP design and develop supporting materials ahead of the Solicitation launch. This collaborative and iterative process involved key discussions on various topics, including the project schedule, pre-offer webinars, preferred resources, offer fees, and secondary system benefits. The teams also examined critical distinctions between Front-of-the-Meter (FOTM) and Behind-the-Meter (BTM) projects.

Further topics discussed were the qualitative scoring criteria, prohibitive vendors, interconnection costs, secondary benefits, term length, RFP exhibits, and Federal Energy Regulatory Commission (FERC) interconnection processes. Additionally, considerations regarding ownership structures and PPA terms were explored. This comprehensive review ensured that all aspects of the RFP were thoroughly addressed.

Project Schedule

When deciding on the offer submittal period, PA and PSE discussed how developers already in the interconnection queue were found to generally manage documentation requirements quickly, though projects outside the queue may need additional time, potentially exceeding the typical 45-day timeline. A proposed solution suggested extending the timeline to fall between 60 and 90 days, depending on the level of detail expected from developers. Notably, many developers are holding back on entering the queue, awaiting opportunities to advance their projects.

PA suggested a 90-day window was reasonable and suggested gathering market feedback if adjustments to the timeline were needed. Ultimately, the RFP was issued later than originally intended and the offer submittal period was extended beyond the 90-day timeline to allow for more time for internal reviews and give participants sufficient time to submit their offers.

Pre-Offer Webinar

PA and PSE discussed the possibility of hosting a pre-offer webinar to raise awareness about the upcoming Kitsap NWA RFP. While PA encouraged PSE to conduct a pre-offer webinar, PSE chose instead to send an email to a distribution list that included news outlets, regional developers, and community partners. PA considered this approach reasonable, though we do note that we believe that conducting a pre-offer webinar may have provided potential bidders with additional clarity on the Solicitation.

Preferred Resources

PSE expressed openness to emerging technologies, including long-duration batteries for energy storage. PA suggested an approach of technology agnosticism regarding energy storage, advocating for flexibility and allowing submissions to define the available options rather than imposing restrictions from the outset.

This approach would allow PSE to evaluate a broader range of solutions and potentially discover innovative, efficient energy storage options that meet future needs.

Offer Fees

It was noted that some transmission resources targeting the Kitsap area have already completed feasibility and System Impact Studies, placing them in a favorable position. While it is standard for participants to pay both an offer submission fee and associated study fees, PSE decided not to charge an offer fee for developers participating in the Kitsap NWA RFP. PA further recommended that the RFP avoid addressing study fees entirely to simplify participation requirements. PA found PSE's approach to not charge offer fees to be reasonable.

Secondary System Benefits

During the RFP design process PA and PSE discussed the possibility of using resources for secondary system benefits during light load periods. Ultimately PA and PSE agreed that the Kitsap NWA RFP would consider secondary benefits in the evaluation process.

FOTM vs. BTM

PSE initially explored options for addressing transmission needs by focusing on FOTM resources, which could meet the demand for dispatchable generation. However, it became clear that incorporating demand response solutions would require BTM technologies. While PSE considered including both FOTM and BTM resources in the Kitsap NWA RFP to demonstrate a comprehensive evaluation, it ultimately decided to proceed exclusively with FOTM resources because BTM DERs could not be firmly counted upon to meet Kitsap County's transmission needs. PA found this approach to be reasonable.

The timeline resulting from the Solicitation planning is shown in Table 2-1.

Table 2-1: Solicitation Timeline

Milestone	Date
Issues Kitsap NWA RFP	February 9, 2024
Open Q&A period	February 9 – February 29, 2024
Q&A release	March 15, 2024[11]
Proposal submittal period begins	March 29, 2024
Proposal submittal period ends	May 24, 2024
PSE posts compliance report to the RFP website, consistent with the requirements of WAC 480-107-035(5)	June 24, 2024
PSE conducts Phase 1 eligibility screening and non-price qualitative scoring process	July 2024
PSE selects RFP shortlist for Phase 2 and notifies Participants	Q4 2024
PSE conducts Phase 2 price and portfolio evaluation and selects shortlist for Phase 3 and notifies Participants	Q4 2024
PSE conducts Phase 3 evaluation and makes final selection	By December 31, 2024
If applicable, PSE negotiates and executes agreement(s) with participant(s)	2025

[11] The Q&A release date was extended to May 3, 2024.

2.2 Pre-RFP Communications

On October 20, 2023, PSE sent an email to a distribution list of news outlets, regional developers, and community partners announcing the upcoming launch of the Kitsap NWA RFP. The email provided information about the open Pre-RFP Q&A period for offerors, which ran from October 20 to November 3, 2023.

2.3 Solicitation Materials

As discussed above, the IE and the PSE Kitsap NWA team collaborated closely to refine the RFP design and develop supporting materials prior to the Solicitation launch, with PA providing comments on the Solicitation materials to the PSE Kitsap NWA team. PSE established a website[12] where the following materials were available:

- Main RFP Document
- Exhibit A: Evaluation Criteria and Scoring
- Exhibit B: Proposal Requirements and Forms
- Exhibit C: BESS Requirements
- Exhibit D: Mutual Confidentiality Agreement
- Exhibit E: Prototype Ownership Agreement Term Sheet
- Exhibit F: Prototype Capacity and/or Energy Agreement Term Sheet
- Exhibit G: Prototype Clean Energy PPA Term Sheet
- Exhibit H: Requirement List

2.4 Offer Submittal Process

PSE launched the Solicitation via their website[13] on February 9, 2024, and also distributed a notice of the publication of the Solicitation to its email distribution list of approximately 148 email addresses. PSE received proposals via email to an inbox dedicated to the Solicitation and required offerors to copy the IE.

2.5 Post-RFP Launch Communications

PSE directed offerors to copy PA on any emails submitting questions about the RFP. PA assisted PSE in drafting responses to offerors and was copied on PSE's responses to offerors.

Initially, PSE planned to release offerors' questions and PSE's answers on their website on March 15, 2024. However, due to the high volume of inquiries received, PSE extended the release date to May 3, 2024, to allow more time to address the offerors' questions.

[12] PSE Kitsap NWA RFP website
[13] *Ibid.*

3 Offers Received

3.1 Types of Resources Sought

The Kitsap NWA RFP sought transmission- and distribution-sited dispatchable resources that complied with CETA to address transmission capacity needs in Kitsap County. These resources could also offer additional, system-wide benefits to PSE. The Company was open to considering smart grid solutions or other innovative technologies capable of addressing Kitsap County's transmission capacity needs. The Solicitation accepted both ownership contracts and PPA offers. The following NWA solutions were considered by PSE in the Solicitation:

Table 3-1: NWA Solution Options

Option	Solution Type	Capacity Need	Location	Minimum Capacity Requirement	Additional Considerations
1	Non-wires solution for 230 kV bulk transmission	Up to 260 MW/88,400 MWH (340 HR)	Connected to PSE 115 kV transmission system in Kitsap County	Transmission-connected: 10 MW	Further detail in footnote below[14]
2	Non-wires solution for 115 kV network transmission	Up to 141 MW/1,128 MWH (8 HR)	Connected to PSE 115 kV transmission system in N. Kitsap area	Transmission-connected: 10 MW	Further detail in footnote below[15]
3	Non-wires solution for 115 kV network transmission (allows distribution-connected resources)	Up to 56 MW/448 MWH (8 HR)	Connected to PSE 115 kV transmission or 12.5 kV distribution system in N. Kitsap area	Transmission-connected: 10 MW Distribution-connected: 5 MW - 10 MW	Further detail in footnote below[16]

[14] Charging of BESS resources will need to be studied for bulk transformer loading capability. Non-BESS resources must provide capacity support for up to 420 hours (or 2.5 weeks) annually. Further study on bulk transformer loading may be needed
[15] Charging of BESS resources will need to be studied due to existing transmission capacity constraints.
[16] *Ibid.*

Secondary Grid Benefits

The capacity needs for Options 1, 2, and 3 were evaluated for the winter peak load, typically expected in the months of December, January, February, and March. During lighter loading periods, resources would be expected to have excess capacity to provide secondary grid benefits for PSE. Excluding the winter peak months, PSE estimated that a portion of the stated capacity needs would be available for PSE to use for secondary benefits (see Table 3-2). The primary purpose of the NWA resource(s) sought would be to provide capacity support during transmission contingencies. When capacity permitted, secondary uses of these resources included system-wide capacity support, frequency and voltage regulation, and spinning reserves. PSE considered these potential secondary benefits in the evaluation process.

Table 3-2: Periods and Percentages for Secondary Benefits

Option	Months Impacted	Excess NWA Capacity for Potential Secondary Benefits[17,18]
Option #1	May, June, July, August, September, October	~45% of 260 MW (~117 MW)
Option #2	May, June, July, August, September, October	~20% of 141 MW (~28 MW)
Option #3	May, June, July, August, September, October	~80% of 56 MW (~45 MW)

CETA and Equity Compliance

CETA requirements set a trajectory for electric utilities, including PSE, to provide electricity that is carbon neutral by 2030 and 100% carbon-free by 2045. CETA requires that utilities "ensure that all customers are benefiting from the transition to clean energy through the equitable distribution of energy and non-energy 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."

PSE is required to comply with the Energy Independence Act (Chapter 19.285 RCW) and CETA (CETA, Chapter 19.405 RCW). The Energy Independence Act, also known as Washington State's renewable portfolio standards, mandates that PSE obtain eligible renewable resources and/or renewable energy credits to cover 15% of its energy demand. CETA establishes statewide goals to phase out coal-fired power by December 31, 2025, achieve 80% carbon-free electricity and overall carbon neutrality by 2030, and reach 100% carbon-free electricity by 2045.

3.2 Summary of Offers Received

The Solicitation received 43 BESS proposals ranging from 5 MW to 200 MW, as well as one CETA-compliant dispatchable resource for 219 MW. All offers received into the Solicitation were CETA-compliant. Three offerors submitted multiple proposals, each with different terms or features. There was no limit on the number of submissions, allowing offerors to present more than one proposal. These proposals could vary in aspects such as capacity (MW), contract length, start or end dates, pricing structure, system delivery point, combinations of co-located resources, or other proposal elements. Many submissions included PPA offers, with approximately 14% also offering an ownership option. Four proposals provided both a PPA and an ownership option, and all were at different stages of development. All of the offers indicated an intent to provide secondary grid benefits.

[17] From November through April, resources would be used exclusively for contingency capacity support and will not be available for secondary uses.
[18] These approximate numbers are a portion of the total capacity need. The secondary uses for PSE are yet to be quantified or determined.

Figure 3-1: Project Ownership Structures of Offers Received

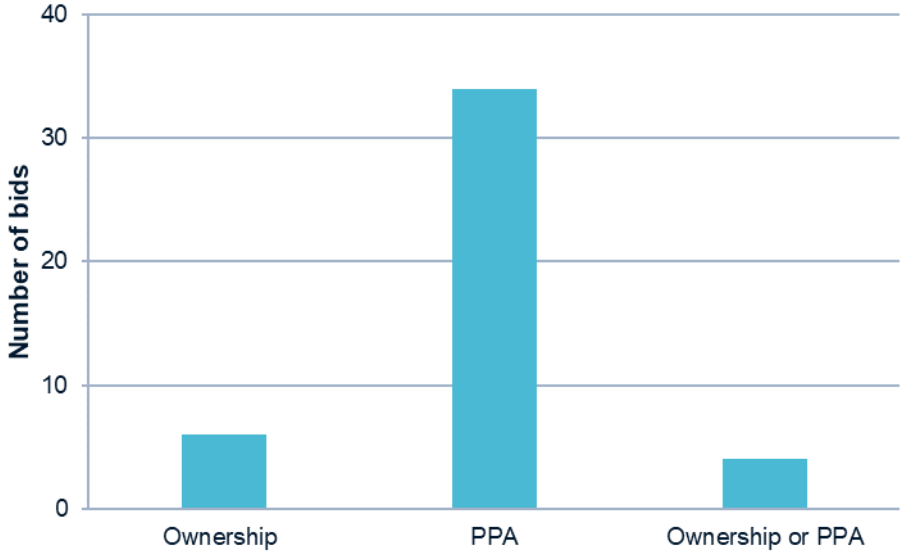


Figure 3-2: Technologies of Offers Received

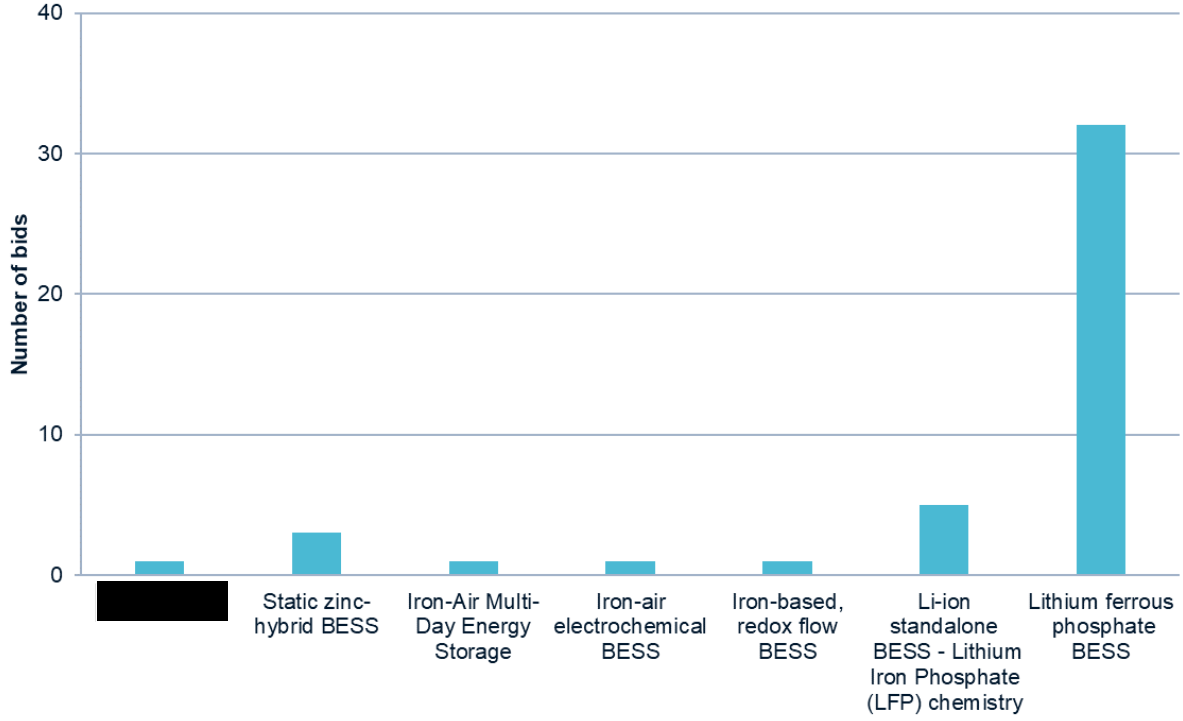


Figure 3-3: Term Lengths of Offers Received

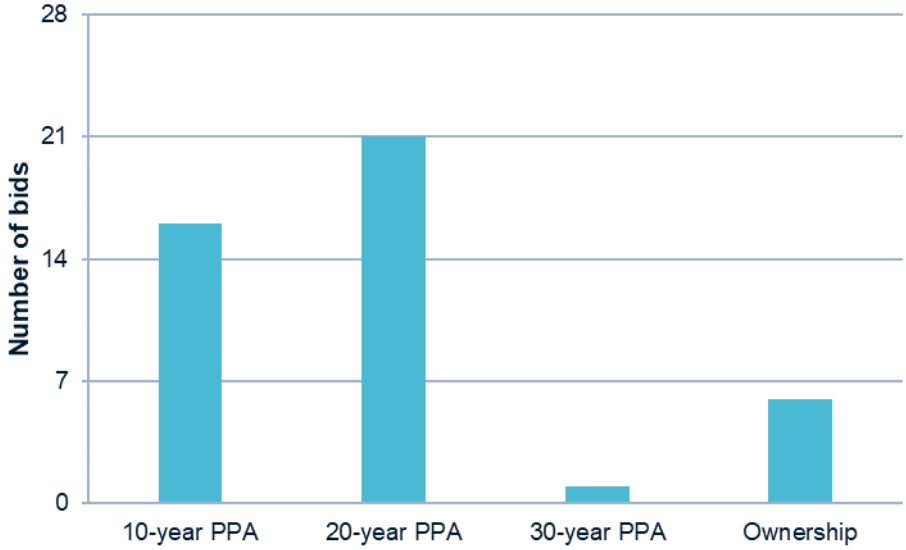
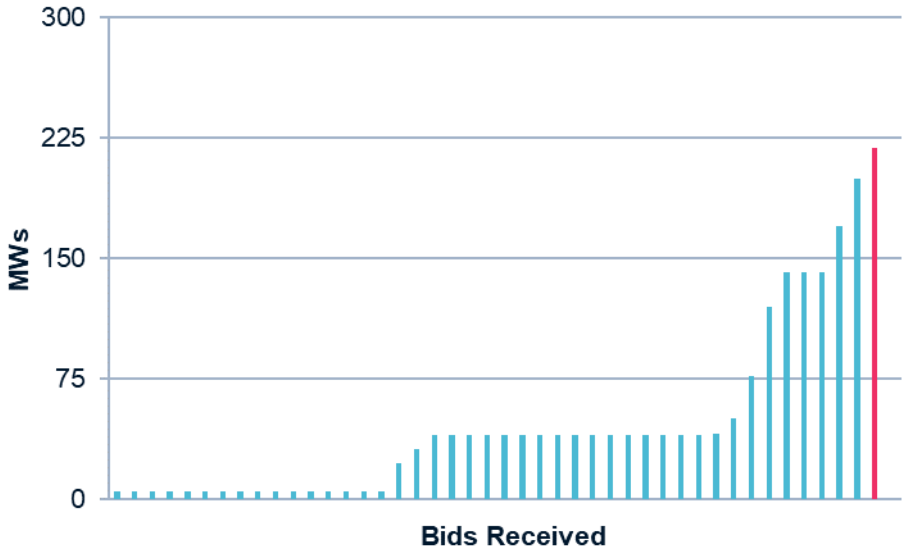


Figure 3-4: Size of Offers Received



In Figure 3-4, the red line represents a CETA-compliant, non-BESS dispatchable resource offer which was structured as a PPA for 219 MW. This was the largest project submitted in the Solicitation, with other projects ranging from 5 to 200 MW.

3.2.1 Initial Offer Review

In Exhibit B: Proposal Requirements Form, under Tab 1 – Proposal Content Checklist, there is a section outlining the minimum qualifying criteria for all proposals. Once the offers were received, the PSE Kitsap NWA team reviewed them for eligibility and compliance with the RFP requirements. PA conducted an independent review of the offers and resolved any discrepancies with the PSE Kitsap NWA team. PSE did not exclude any offers from evaluation based on the initial review.

However, PSE eliminated one offer from further evaluation in the Kitsap NWA RFP because the project would be located on PSE-owned property that happened to be a non-conforming site. The RFP Main Document clarified that offerors proposing the use of PSE land could locate publicly available information about PSE-owned properties through the County Assessor, Recorder, or Auditor's offices in the relevant counties. Offerors who had conducted due diligence regarding siting and permitting feasibility (including zoning and environmental considerations) for a project on PSE-owned land were required to contact PSE[19] in advance of the submission of their offer(s).

[19] PSE noted in the requirement that the offeror copy PA as the IE on communications inquiring about the use of PSE-owned land.

4 Evaluation of Offers

4.1 Conformance Screening

After the offers were received, the PSE Kitsap NWA team completed a high-level eligibility and conformance check of each offer against the RFP requirements. PA independently reviewed the offers and resolved any inconsistences with the PSE Kitsap NWA team through clarification of methodology, exchange of files and other communications as required.

The PSE Kitsap NWA team deemed an offer qualified if it met the requirements and eligibility criteria specified in the Main RFP Document and Exhibit B: Proposal Requirements Forms. In early September 2024, participants were notified by the PSE Kitsap NWA team whether their offers were qualified and if they would advance to Phase 2: Quantitative Evaluation. All offers submitted in the Kitsap NWA RFP were considered qualified, however, one counterparty submitted four offers for the same project, which would be sited on PSE land. These four offers were deemed non-conforming because the counterparty did not conduct the necessary due diligence of contacting PSE to use utility-owned land.

4.2 Qualitative Screening

The PSE Kitsap NWA team evaluated qualified offers against a pre-identified qualitative evaluation methodology. The qualitative criteria that the PSE Kitsap NWA team considered in its evaluation include:

Eligibility scoring criteria

- Is the project located in Kitsap County?
- Does the resource have a nameplate capacity of at least 10 MW of transmission-connected projects, or at least 5 MW and up to 10 MW for distribution-connected projects?
- Is the proposal able to deliver to PSE system on or before December 31, 2028?
- Does the offeror currently own or have legally binding rights to develop or market the project(s)?
- Does the offeror acknowledge that PSE disclaims and shall not assume any risk associated with any applicable federal or state tax incentives or other programs meant to support a relevant resource?
- Does the offeror acknowledge reading Sections 3, 4, and 5 of the RFP and acknowledge that the respondent will be responsible for meeting all contractual milestones as scheduled and may be required to pay liquidated damages if they are missed? PSE may also impose credit requirements based on the respondents' credit rating.
- Does the offeror agree that definitive agreements and obligations thereunder shall not be sold, transferred, assigned or pledged as security or collateral for any obligation, without prior written permission of PSE?

Qualitative scoring criteria

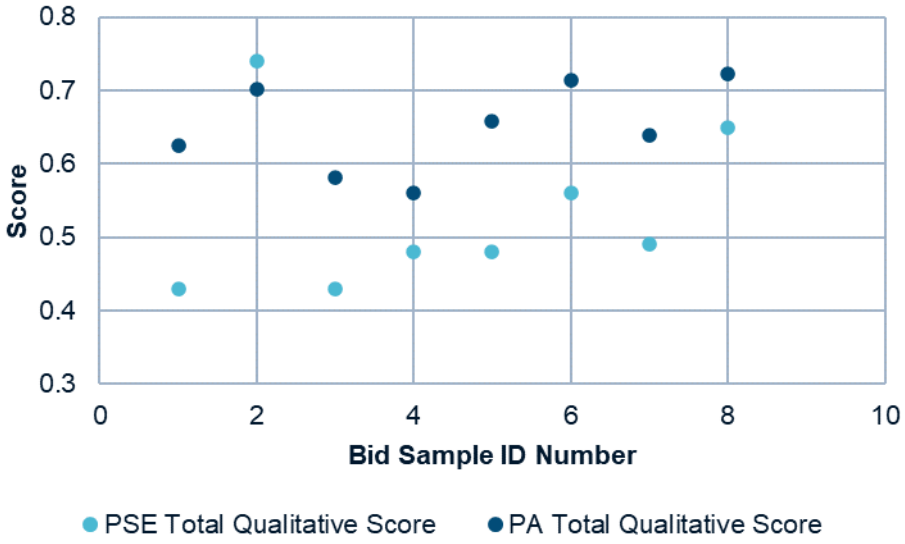
- Experience level
- Counterparty stability

- Financing plan
- Execution Plan
- Technology risk
- Site acquisition plan
- Project site
- Customer benefit indicators
- Cascade Order
- ESG
- Contracting with small business and minority, women and veteran owned business enterprises
- Labor standards
- Named communities

The eligibility criteria required a yes/no response. If the offeror answered "yes" to all the questions, their offer was deemed eligible. The PSE Kitsap NWA team specified scores ranging from 0 to 5 for each qualitative criterion and clarified that specific qualitative criteria would be applied consistently across offers where appropriate. PA reviewed the qualitative evaluation criteria outlined by the PSE Kitsap NWA team and discussed the evaluation process with its representatives. After this review and discussion, PA concluded that the qualitative criteria and methodology were both reasonable and appropriate.

PA conducted a sampling of the offers received, ensuring that each counterparty, ownership/PPA, technology, Commercial Operation Date (COD), and term length were represented. PA then compared their qualitative scores with those of PSE's. Overall, PA generally provided higher scores than PSE in the qualitative evaluation, particularly in the areas of experience level, counterparty stability, execution plan, and financing plan. Figure 4-1 below illustrates the differences between PA and PSE's qualitative scores. Despite consistently scoring higher, PA found the PSE Kitsap NWA team's qualitative scoring did not favor one participant or offer type relative to others. As such, PA found PSE's qualitative scoring to be reasonable.

Figure 4-1: Difference between PA and PSE's Scores



PA scored higher than PSE primarily due to differing interpretations of experience, counterparty stability, and execution plan criteria within the scoring rubric. PA's approach emphasized experience and stability indicators, viewing offerors' qualifications and available information more favourably. The PSE Kitsap NWA team applied a more conservative approach, often reflecting lower scores for financial stability when companies demonstrated liabilities exceeding assets or provided limited financial transparency. The methodology also differed in how scoring points were normalized, where PA considered a range of possible scoring frameworks, while the PSE Kitsap NWA team applied a weight-driven normalization formula that they felt aligned with their previous RFP evaluations. PA acknowledged that these differences did not impact the rankings materially and did not suggest any adjustments but sought clarification to ensure consistency in future evaluations.

[redacted]

[redacted]

4.3 Feasibility Analysis

After completing the conformance screening and qualitative analysis, the PSE Kitsap NWA team completed a feasibility analysis of the offers received. The intent of the feasibility analysis was two-fold; first, the PSE Kitsap NWA team looked to understand potential combinations of offers which would comprise non-wires or hybrid solutions. Second, the PSE Kitsap NWA team looked to understand if any of the previously identified non-wires or hybrid solutions would be more cost effective than a full wires solution for the Kitsap need. Sections 4.3.1 and 4.3.2 below discuss an overview of the PSE Kitsap NWA team's methodology and outcomes from the feasibility analysis.

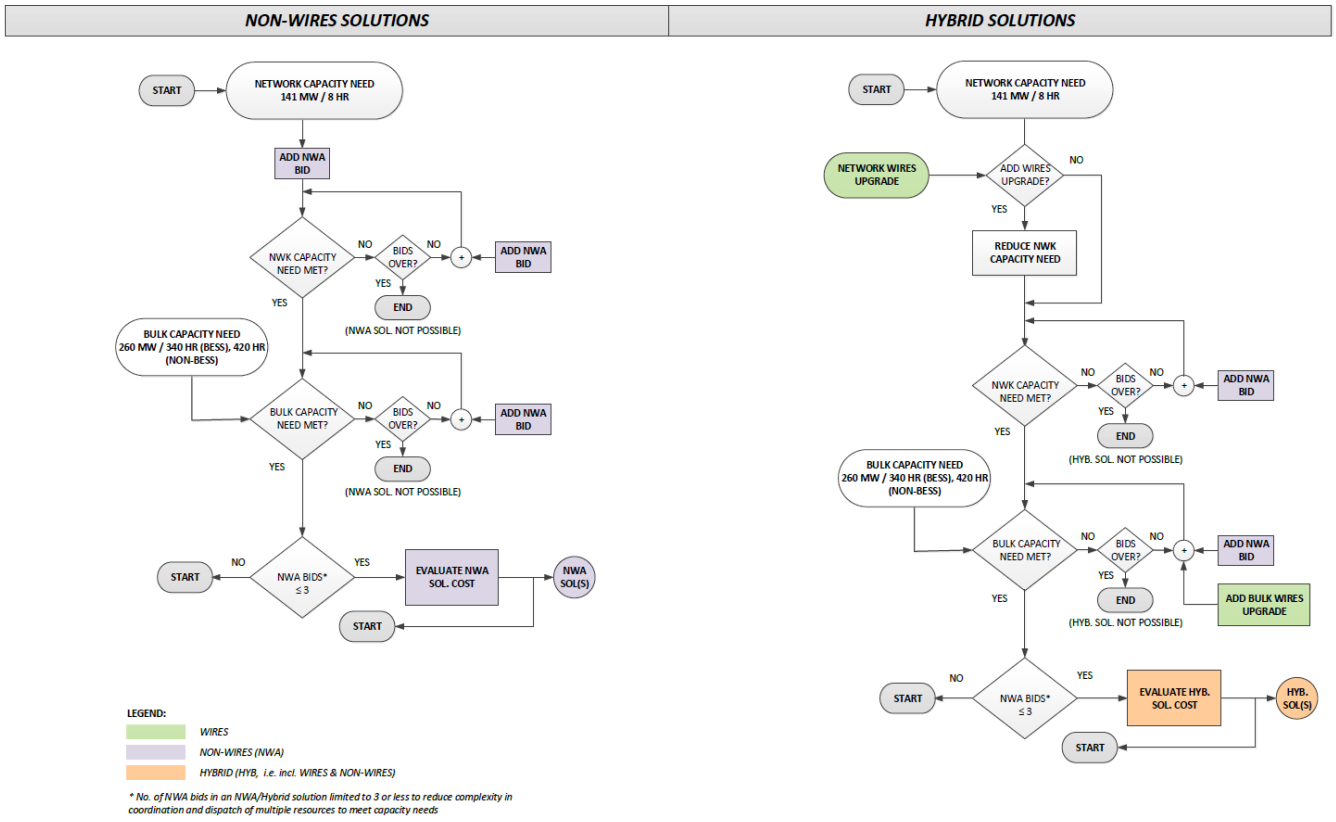
4.3.1 Identification of Potential NWA and Hybrid Solutions

Methodology Overview

Within the feasibility analysis, the PSE Kitsap NWA team first sought to understand the potential combination of offers that could result in a full or partial non-wires solution. A full non-wires solution is a solution that would use only non-wires resources that were submitted into the Solicitation and would mitigate the transmission system capacity constraints. A partial non-wires solution is a hybrid solution in which the solution depends on non-wires resources that were submitted into the Solicitation as well as wires upgrade(s), the combination of which would mitigate the transmission system capacity constraints. Wires upgrades could include either network wires upgrades or bulk wires upgrades. Both the full or partial non-wires solution could use one or multiple non-wires resource projects in the composition of a potential solution, depending on the resource attributes for each project.

The PSE Kitsap NWA team developed a process decision diagram to help develop the potential combinations of resource offers that could be used for a full or partial non-wires solution. The full non-wires solution process decision diagram outlined the process for combining offers to meet both the network capacity need and the bulk capacity need. The partial non-wires solution, or hybrid, process decision diagram outlined the process for reducing the network capacity need and/or the bulk capacity need with wires upgrades, and combining with offers to meet PSE's need. The PSE Kitsap NWA team identified in its process decision diagrams that full or partial non-wires solutions should be comprised of no more than three NWA offers from the solicitation. Furthermore, the PSE Kitsap NWA team defined that the evaluation of costs associated with the full or partial non-wires solution(s) would occur after identifying the potential solutions. The PSE Kitsap NWA team's process decision diagrams are shown further below in Figure 4-2.

Figure 4-2: Kitsap Non-Wires Hybrid Solution Building Process



The PSE Kitsap NWA team and PA met regularly throughout the development of the methodology to identify potential non-wires solutions. PA provided feedback to the PSE Kitsap NWA team regarding the methodology and PSE implemented the feedback as appropriate. PA found the methodology to be fair and reasonable. Furthermore, PA found the limit of three offers per non-wires solution to be appropriate, as the risk of any solution coming to commercial operation increases as the number of offers included in a non-wires solution increases. This is due to various factors including supply chain risks, counterparty risks, and the ability of PSE and multiple counterparties to come to commercial and legal terms. Given all offers in an identified solution would need to be operational in order for PSE to defer the wires upgrade(s), PA found PSE's offer cap per solution to be reasonable, as PSE would otherwise run the risk of potentially paying for both non-wires resources and wires upgrades.

Outcomes and Conclusions

The PSE Kitsap NWA team identified several combinations of non-wires resource offers which could be used as a full or partial non-wires solution. For a full non-wires solution, the PSE Kitsap NWA team identified seven possible combinations of offers. For the partial non-wires solution, the PSE Kitsap NWA team categorized different potential non-wires solutions by the type of wires upgrade (e.g. network or bulk wires upgrade) and the size and location of the wires upgrade. The PSE Kitsap NWA team identified seven potential categories of partial non-wires solutions, two of which would necessitate both a partial bulk and network capacity upgrade. Within the seven categories of partial non-wires solutions, the PSE Kitsap NWA team identified 57 possible combinations of potential partial non-wires solutions. A majority of the partial non-wires solutions identified would require a bulk wires upgrade. [redacted]

PA and the PSE Kitsap NWA team met regularly throughout the development the identified full and partial non-wires solutions and discussed any issues related to the development of potential solutions. PA reviewed the solutions that the PSE Kitsap NWA team identified and found PSE's combination of offers within each solution category to be reasonable.

4.3.2 Cost Analysis and Review

Methodology Overview

In parallel with identifying technically feasible non-wires solutions, PSE completed an initial analysis to understand the costs and Net Present Value (NPV) of each of the identified solutions. The PSE Kitsap NWA team's pre-defined methodology for the RFP prescribed that PSE compare the identified NPV of each non-wires solution to the cost of the bulk and network wires upgrades.

For each conforming offer that was submitted into the Solicitation, PSE developed annual cost figures which extended out through 2067. All resources offered into the Solicitation had term lengths[20] that were less than 40 years, however PSE's identified wires upgrades would have a lifespan of 40 years. Therefore, PSE projected the associated costs for each project by escalating the project's costs after the end of its term and holding it constant through the remaining portion of the term. For resources with an initial term length of 10 years PSE escalated the costs every 10 years through the 40-year term period.

The NPV of PPA offers was calculated based upon the PPA costs that were provided in the counterparty's offer form that was submitted into the Solicitation. The annual cost streams and resulting NPV of BTA offers that were submitted into the Solicitation were calculated in individual workbooks for each offer. These workbooks used as an input the initial capital, operating, and maintenance cost information provided in counterparty's offer forms. Using this information, PSE developed income and cash flow statements, and the revenue requirement for each offer. The revenue requirement included related O&M, property tax, insurance, PTC, ITC, depreciation, and deferred tax costs. A PSE resource outside of the PSE Kitsap NWA team completed this portion of the cost stream analysis. PSE then used the resulting annual cost streams to calculate a NPV for each offer.

Many of the projects offered into the solicitation provided various offer iterations based upon different variables including term length, capacity size, and resource augmentation. In order to help facilitate the feasible solution combination process discussed in the prior section above, the PSE Kitsap NWA team identified one offer iteration per project which had the most desirable NPV and/or project characteristics of the iterations offered. Additionally, PSE calculated the secondary benefits and required interconnection costs associated with each project. PSE summed the costs associated with each project that was identified in the potential full and partial non-wires solutions using the NPV for the offer iteration identified for each project as discussed previously. The resulting sum was the total cost for each of the potential partial and full non-wires solutions. The PSE Kitsap NWA team compared the total cost for each non-wires solution to the previously identified cost for the network and bulk capacity wires upgrade. PSE intended to further evaluate individual resources if the total cost of a non-wire solution or solutions was less than the wires upgrade cost.

Outcomes and Conclusions

PSE completed its cost analysis following the methodology outlined above. PSE developed the costs associated with the bulk and network wires upgrades and used it to evaluate non-wires solutions against. PA did not review the development of the wires upgrades costs as it was not within the scope of the IE and therefore cannot opine on the reasonableness of the wires upgrade costs for either the bulk capacity wires upgrade or the network capacity wires upgrade.

[redacted]

[20] Or in the case of BESS BTA structured offers, the assumed non-augmented lifespan of the resource was less than 40 years.

The cost analysis for full non-wires solutions resulted in total solution costs ranging from $1.284 billion to $1.494 billion, while total solution costs for partial non-wires solutions ranged from $736 million to $1.533 billion. PA reviewed the cost analysis build-up of a sample of the offers and raised questions and feedback related to the evaluation. The PSE Kitsap NWA team considered PA's feedback and implemented it where appropriate. In comparison to the costs associated with a bulk and network wires solution, the costs identified for all potential full and partial non-wires solutions were materially greater than the wires solution. As a result, the PSE Kitsap NWA team decided to halt further evaluating offers and close the RFP. PA discussed this decision with the PSE Kitsap NWA team and found the decision to be reasonable.

4.4 PA's Assessment of PSE's Offer Review

PA found PSE's overall methodology for identifying technically feasible non-wires solutions and evaluating the costs of those solutions to be appropriate and reasonable. Furthermore, PA finds that the methodology did not unduly favour any one counterparty, offer, or resource type. Additionally, PA found the regular discussions and meetings with the PSE Kitsap NWA team to be constructive and that they were receptive of PA's feedback and suggestions. However, PA notes that PSE had some initial data accuracy errors and omissions in its cost analysis. These included the omission of modelling two offer iterations of a project as well as miscalculating the O&M costs associated with a BTA structured offer. In other instances, PSE found that the detailed CapEx or OpEx information provided in the offer form did not match the information provided on the summary offer details section of the form. PSE made reasonable assumptions in which data to use from the offer forms and applied the assumptions fairly across different offers as necessary. The areas PA identified were updated by PSE and ultimately, the cost analysis results did not change the outcome of the Solicitation and the decision to end the Solicitation.

5 Results of the RFP & Recommendations

The Kitsap NWA RFP resulted in several offers and dozens of technically feasible full or partial non-wires solutions. However, the cost analysis found that none of the non-wires solutions identified were economically feasible, as all non-wires solutions had a total cost that was greater than the cost associated with completing the network and bulk capacity wires upgrades. As such, PSE decided to close the RFP without selecting any of the offers submitted in the Solicitation. In doing so, PSE will pursue developing and completing the wires solution identified previously. Overall, PA finds that PSE conducted a fair and reasonable solicitation and conducted an appropriate level of due diligence of offers throughout the evaluation process.

Through PA's observations and review of materials during this Solicitation, PA has identified recommendations for PSE's consideration for future NWA solicitations. Our recommendations are:

- [redacted] As such, PA recommends that PSE consider further alignment of potential resource procurement needs between PSE's transmission and resource planning groups. In doing so, PSE may be able to better align the schedule and evaluation processes of multiple solicitations and thereby potentially identify unique solutions or resources that fulfil multiple needs.
- Additionally, PA recognizes that NWA solicitations are relatively novel, but are beginning to be used more frequently by utilities in their resource and transmission planning activities. As such, PA recommends that PSE look to complete a post-RFP review to understand where it can better strengthen its NWA RFP framework and materials. Doing so could help decrease the overall RFP timeline in future NWA solicitations that PSE conducts. Furthermore, the refinement of PSE's NWA framework, evaluation methodologies, and solicitation materials can help ensure consistency between PSE's different types of resource procurements (e.g. All-Source RFPs and NWA RFPs).