2022 DISTRIBUTED ENERGY RESOURCES

Request for Proposals

November 15, 2021

PUGET SOUND ENERGY

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Acronyms and Definitions

Term	Definition
ADMS	Advanced Distribution Management System
BESS	Battery Energy Storage System
BTM	Behind-the-Meter (BTM) refers to customer-sited resources (e.g., solar and BESS) that are connected to the distribution system on the customer's side of the utility's service meter.
CAISO	California Independent System Operator
CBI	Customer Benefits Indicator
Clean Energy Implementation Plan ("CEIP")	The Clean Energy Implementation is a four-year roadmap that guides PSE's clean electricity actions, programs, and investments for the years 2022-2025.
Clean Energy Transformation Act ("CETA")	PSE is obligated to meet the requirements of the Clean Energy Transformation Act ("CETA"), Chapter 19.405 RCW. CETA sets statewide policy goals for the elimination of coal-fired resources by December 31, 2025, 80 percent carbon free generation and overall carbon neutral electricity by 2030, and 100 percent carbon free electricity by 2045.
COD	Commercial Operation Date
DEI	Diversity, Equity, and Inclusion
DER	Distributed Energy Resource
Distribution System	Medium-voltage (12.5 kV-55 kV) infrastructure that carries electricity from a substation to customers; includes the substation transformer
DR	Demand Response
EIM	Energy Imbalance Market
ELCC	Effective Load Carrying Capability
EMS	Energy Management System
EV	Electric Vehicle
EVSE	Electric Vehicle Supply Equipment
FTM	Front-of-the-Meter (FTM) resources are interconnected to the distribution and transmission system.
Highly Impacted Community ("HIC")	As defined by CETA, "a community designated by the department of health based on the cumulative impact analysis required by RCW 19.405.140 or a community-located in census tracts that are fully or partially on "Indian country," as defined in 18 U.S.C Sec. 1151" [WAC 480-100-605]
IRP	Integrated Resource Plan
LI	Low-Income
Named Communities	Overarching term covering "Highly Impacted Communities" and "Vulnerable Populations".
PPA	Power Purchase Agreement

ACRONYMS AND DEFINITIONS

Term	Definition
SCADA	Supervisory Control and Data Acquisition: a system of remote control and telemetry used to monitor and control the transmission and distribution system including substations, transformers, and other electrical assets.
VPP	Virtual Power Plant
Vulnerable Populations	As defined by RCW 19.405.020 (40), communities that experience a disproportionate cumulative risk from environmental burdens due to (a) Adverse socioeconomic factors, including unemployment, high housing and transportation costs relative to income, access to food and health care, and linguist isolation; and (b) Sensitivity factors, such as low birth weight and higher rates of hospitalization.
WUTC	Washington Utilities and Transportation Commission

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1. Introduction

Overview

This Distributed Energy Resources ("DER") Request for Proposals ("the DER RFP") seeks bids from qualified parties ("respondents" or "Respondents") to collectively supply a minimum of 129 MW of DERs by 2025 and 522 MW of DERs by 2031 to Puget Sound Energy ("PSE" or "the Company") to fulfill the Clean Energy Transformation Act ("CETA") compliance requirements,[1] and consistent with the Washington Utilities and Transportation Commission's ("WUTC") Order 05 issued in Docket UE-200413 on March 25, 2021. This RFP includes procurement of **distribution interconnected solar PV generation (includes ground and rooftop solar PV), Battery Energy Storage System ("BESS"), and Demand Response ("DR")** located within PSE's service area that can meet all or part of the Company's resource need, consistent with the requirements described herein. The DER RFP will be available on PSE's website at the following link: http://www.pse.com/RFP.

PSE's priorities for the DER RFP are as follows:

- Identify opportunities to add DERs to the PSE grid to meet system level capacity needs, increase PSE's clean energy portfolio, and explore additional DER grid benefits;
- Maximize customer benefits of DERs in every stage from procurement through the life-cycle of the DER equipment, focusing on Highly Impacted Communities[2] and Vulnerable Populations[3] ("named communities"), and
- Learn from Respondent submissions and resulting programs to inform future RFPs and program development.

[1] PSE is obligated to meet the requirements of the Energy Independence Act, Chapter 19.285 RCW and the Clean Energy Transformation Act ("CETA"), Chapter 19.405 RCW. The Energy Independence Act, also known as Washington State's renewable portfolio standards, requires PSE to acquire qualifying eligible renewable resources and/or renewable energy credits to meet 15 percent of its load. CETA sets statewide policy goals for the elimination of coal-fired resources by December 31, 2025, 80 percent carbon free generation and overall carbon neutral electricity by 2030, and 100 percent carbon free electricity by 2045.

[2] Highly Impacted Communities as defined at https://www.doh.wa.gov/DataandStatisticalReports/WashingtonTrackingNetworkWTN/ClimateProjections/CleanEnergyTransformationAct

[3] Pursuant to RCW 19.405.020 (40), "Vulnerable populations" means communities that experience a disproportionate cumulative risk from environmental burdens due to: (a) Adverse socioeconomic factors, including unemployment, high housing and transportation costs relative to income, access to food and health care, and linguist isolation; and (b) Sensitivity factors, such as low birth weight and higher rates of hospitalization. PSE further defined Vulnerable Populations in Chapter 3 of the draft 2021 CEIP.

Acquisition Categories

Through this RFP, PSE plans to acquire DERs under two broad categories: 1) Turnkey Resources (**Category A)**, which are complete resources ready for deployment, and 2) Vendor Service Components (**Category B)** as described in Table 1 below.

Table 1. *Acquisition Categories*

Category A: Turnkey Resource Acquisition
Applies to solar, DR, and BESS resources
Under this category, PSE requests bids for **turnkey pay-for-performance or ownership contracts** for delivering solar, BESS, or DR. The purpose for obtaining bids under this category is to acquire: • Turnkey DR and BESS programs that maximize grid and customer benefits • Aggregated and individual solar and other DER resources that are accessible across multiple customer types
Category B: Vendor Service Components
Applies to future PSE DER Programs, including solar, DR, and BESS programs
Under this category, PSE requests bids for providing **program services where Respondents could select one or more service components** to bid on. PSE will use the bids to develop a portfolio of programs as outlined in the Company's Clean Energy Implementation Plan ("CEIP").[4] The purpose for obtaining bids under this category is to: • Apply diversity, equity and inclusion ("DEI") best practices by providing opportunities for small, diverse businesses to participate in the procurement process and maximize impact on the local economy • Leverage community organizations to maximize benefits to named communities.

Respondents can submit proposals under either Category A or Category B or can submit bids under both categories A and B. Multiple proposals under each or both categories are acceptable, but each proposal requires a separate response.

Respondents should note that PSE issued an All-Source RFP on June 30, 2021, which included DERs, however, no DER or DR proposals were received.[5] PSE will compare all resources in a

[4] *The complete draft of PSE's CEIP and instructions for providing comments are at https://www.cleanenergyplan.pse.com/ceip-documents*

[5] *See PSE's 2021 All-Source RFP: Proposal Summary Report at Docket UE-210220 (October 1, 2021), or at this link.*

combined analysis with the shortlists from both RFPs to ensure an optimal portfolio, consistent with WAC 480-107-009(4). PSE will pursue a resource procurement process that is accessible and fair for all Respondents and values Respondents with similarly equitable procurement processes. PSE encourages all Respondents able to meet the requirements of this DER RFP to participate, including Respondents representing minority-, women-, disabled- and veteran-owned businesses.

This DER RFP process may or may not result in one or more transactions by PSE. PSE reserves the right to modify and/or cancel this DER RFP to comply with changes to regulatory policy or federal, state, or local laws.

Resource Need

The integrated resource planning analysis, which evaluates and establishes the Company's capacity (physical reliability) and renewable energy (policy driven) needs, consistent with WAC 480-100-620, guides PSE's electric resource acquisition process. PSE's most recent Integrated Resource Plan (the "2021 IRP") includes a discussion of the electric planning standard and describes the methodology for analyzing the Company's resource needs. PSE filed the 2021 IRP in April 2021. The 2021 IRP includes an assessment of PSE's resource needs and can be found on PSE's website at the following link: http://www.pse.com/irp.[6]

Washington's new Clean Energy Transformation Act ("CETA") sets a trajectory for electric utilities, including PSE, to provide electricity that is carbon neutral by 2030 and 100 percent carbon-free by 2045. PSE's 2021 IRP modeling shows DERs as a growing part of PSE's electricity resource portfolio to "achieve targets at the lowest reasonable cost", per CETA requirements. PSE anticipates that in addition to new large-scale resources, a diversified portfolio of DERs, including distributed renewable generation, distributed BESS, and flexible DR resources will be necessary, at scale, to affectively execute its approach. PSE's 2021 CEIP has the same DER targets as the IRP, with the exception of DR. The CEIP does not include time-of-use programs in its DR target calculation because PSE is actively developing a time-of-use pilot to identify these savings. The targets identified in this DER RFP are aligned with the 2021 CEIP DER additions, as shown in Table 2 below.

[6] *See also WUTC Docket Nos. UG-200305 (natural gas) and UE-200304 (electric).*

Table 2. ***PSE's 2021 CEIP Incremental DER Additions through 2045***

Distributed Energy Resource Type	Incremental Resource Additions			Total
	2022-2025	2026-2031	2032-2045	
Solar	80 MW	180 MW	420 MW	680 MW
Battery Energy Storage	25 MW	175 MW	250 MW	450 MW
Demand Response	24 MW	167 MW	21 MW	212 MW
Total	**129 MW**	**522 MW**	**691 MW**	**1,342 MW**

This RFP seeks to add DERs to PSE's portfolio, particularly the following types:

- **Distributed Solar (ground and rooftop):** PSE is seeking to acquire a minimum of 80 MW of distributed solar capacity by 2025 through this DER RFP. The longer-term goal is to acquire 180 MW of distributed solar capacity by 2031. These include both Front-Of-The-Meter ("FTM") and Behind-The-Meter ("BTM") solar installations from ground and rooftop solar installations.

- **Distributed Battery Energy Storage System ("BESS") (standalone or paired with solar):** PSE is seeking to acquire a minimum of 25 MW of BESS capacity by 2025 through this DER RFP. The longer-term goal is to acquire 175 MW of distributed BESS by 2031. This includes both FTM and BTM BESS installations that are either standalone resources or paired with solar installations. BTM BESS is treated as a dispatchable resource similar to Demand Response.

- **Demand Response ("DR"):** PSE is seeking to acquire a minimum of 24 MW of DR for winter peak reduction by 2025 through this DER RFP. The longer-term goal is to achieve 167 MW of DR for winter peak reduction by 2031. This includes any type of curtailable load at customer premises (e.g., space heating/cooling, water heating, lighting, EV charging, etc.) and dispatch of BTM batteries for load shifting during DR events. At this time, PSE does not allow power export from BTM batteries that are not paired with solar to the grid. DR acquisition will cover all customer sectors (residential, commercial, and industrial).

To be considered eligible under this RFP, all individual solar and BESS projects must interconnect to PSE's distribution system.[7]

PSE anticipates selecting one or more Proposals for all three resource types. PSE will evaluate any commercially viable distributed solar, distributed BESS, and DR that complies with all applicable laws and regulations and meets the minimum qualification requirements described in Section 5 of this DER RFP.

[7] *See Schedule 152 and PSE's Small Generation Technical Specification 160.70 for requirements for distribution interconnected generators*

PSE's Preferred DER Portfolio from Clean Energy Implementation Plan (CEIP)

PSE's 2021 CEIP preferred DER portfolio modeled a scenario that meets the 2021 IRP DER targets while balancing cost, customer benefits (especially for named communities), and a mix of customer participation structures. PSE expects this RFP to result in the acquisition of programs that provide the same benefits as in the preferred portfolio, but may not align fully with the specified program mix. PSE encourages Respondents, especially those responding under Category B, to use the preferred portfolio as informative as to the type and mix of programs PSE is interested in offering to customers. The programs listed in Table 3 below are representative examples and convey PSE's priorities. PSE currently offers "Green Power", "Solar Choice", "Net Metering", and "Community Solar" programs. Information on these programs is available at PSE's Renewable Energy Programs website.

Table 3. *PSE's 2021 CEIP Preferred Portfolio*

PSE 2021 CEIP Preferred Portfolio	
Program	**Program Description**
PSE Customer-sited Solar + Storage Offering	PSE enrolls customers' solar + storage systems in an incentive program that can offset customers' load from the grid in response to operating settings or dispatch signals from PSE
Commercial and Industrial (C&I) and Multi-Family Roof-top Solar Incentive	PSE offers upfront incentive to C&I and Multi-Family (MF) customers, discounting their upfront cost to install and own distributed solar generation throughout service territory.
3rd Party Distributed Solar PPA	3rd party installs/provides rooftop solar panels to customers throughout service territory. PSE off-takes Renewable Energy via PPA while the 3rd party is responsible for managing program and financing equipment.
Residential PSE Battery Leasing + Targeted Low Income (LI)	PSE installs batteries in customer homes. Customers pay a fee for backup power services; PSE uses battery to manage system/local peaks.
Residential and Commercial Roof-top Solar Leasing + Targeted LI	PSE offers to lease residential and commercial customers' rooftop space to install solar PV. Customer receives a recurring lease payment; PSE generates RE to supply grid.
Multi-Family Solar Partnership	PSE facilitates installation of solar PV at Multi-Family Unit buildings by connecting with technology providers and/or billing support to share production across units.
Additional Community Solar (MF Focus)	PSE offers customers the ability to subscribe to the output of solar panels. Customers pay a monthly fee and receive a monthly credit for generation.
C&I Space for Batteries - Leasing	PSE leases space from/at C&I customers to deploy BESS to improve power quality and/or resiliency and manage system/local peak. Backup power for host customer as additional integration.
Demand Response Programs	Programs utilizing technologies to reduce customer loads during peak load events.

SECTION 1. INTRODUCTION

About Puget Sound Energy

Puget Sound Energy, a subsidiary of Puget Energy, is Washington State's oldest local energy company, providing electric and natural gas service to homes and businesses primarily in the vibrant Puget Sound area. PSE serves approximately 1.1 million electric customers and more than 790,000 natural gas customers in 10 counties. PSE meets the energy needs of its customers, in part, through cost-effective energy efficiency, procurement of sustainable energy resources, and far-sighted investment in the energy-delivery infrastructure. PSE employees are dedicated to providing great customer service and delivering energy that is safe, dependable, and efficient.

Please visit the company website at www.pse.com for more detailed information. A service area map depicting PSE's service coverage area as well as other pertinent company information may be found under the "Who We Are" tab.

PSE Core Values

PSE is committed to its core values of safety, honesty, responsibility, and integrity and has specific expectations of entities with which we do business. As such, PSE expects all suppliers to comply with all applicable laws and regulations, such as those pertaining to the environment, safety and employment, discrimination, and labor laws.

For more information, please review PSE's Responsible Contractor Guidelines and Corporate Ethics and Compliance Code:

- http://pse.com/aboutpse/VendorsSuppliers/Pages/Supplier-Contractor-Guidelines.aspx
- http://www.pugetenergy.com/pages/codeethics.html.

2. Category A: Turnkey Resource Acquisition

In order for a proposal to be considered, the bidding entity must demonstrate that it currently owns or has legally binding rights to develop or market the resource(s). The Respondent must also demonstrate an ability to meet the minimum requirements for eligibility, which can be found in Section 5 of this DER RFP.

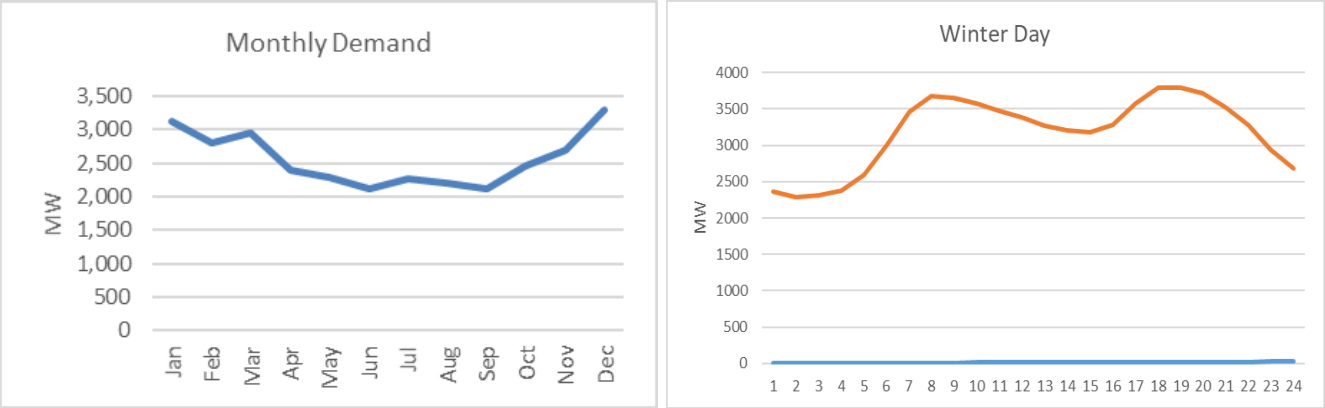
PSE will accept responses from consortiums or multiple parties in partnership to complete a Turnkey Resource. Proposals from consortiums or multiple parties must clearly identify the relationship (actual or proposed) among the parties for the purposes of a transaction with PSE, including the party (or parties) with whom PSE will have the contractual relationship.

Eligible Resources and Performance Requirements

Under Category A, PSE will consider turnkey contracts and ownership agreements for distributed solar, distributed BESS, and demand response. PSE has a dual need for resources to help meet the CETA requirement to achieve an 80 percent renewable or non-emitting resource portfolio by 2030, and to help meet the capacity need described in the IRP.

PSE's capacity needs are greatest in winter; therefore, PSE will evaluate DERs based on their ability to fill winter deficits while minimizing off-peak surpluses. Although PSE's resource need is expressed as a winter peak, PSE also has seasonal and daily capacity needs. PSE's effective load carrying capability ("ELCC") quantitative analysis will favor resources with production shapes that align well with PSE's load or that offer the ability to dispatch to meet load. Figure 1 below illustrates PSE's typical monthly load shape and its hourly load shape for a typical winter day. Proposals that can help meet seasonal (Nov.-Feb., Dec.-Feb. or Nov.-Mar.), heavy load hour (HE 0700-2200), and super peak (HE 0700-1000 and 1800-2100, Nov.-Feb.) needs, while reducing surpluses off peak, will benefit in PSE's quantitative analysis. Exhibit E: Schedule of Estimated Avoided Cost is provided as a reference for information on avoided cost by time and resource.

Figure 1. ***PSE's typical monthly and hourly shapes***



Resources that are dispatchable (BESS and DR), shaped to meet winter peak needs, or have generation profiles (for solar) that align well with PSE's load shape will perform best in PSE's analysis. PSE will consider the seasonality of the generation, the ability to control the resource's output to match PSE's resource needs (up to and including real-time dispatch and displacement), and contractual mechanisms to shape project output to need. Proposals must be consistent with the proposal requirements described in Section 5 of this RFP: Minimum Proposal Requirements, Exhibit B: Proposal Requirements Forms, and Exhibit K: Requirements List. PSE encourages qualified respondents representing individual projects interconnected to PSE's distribution system to participate in this DER RFP. Table 4 below lists the resource types PSE plans to acquire under Category A. PSE anticipates selecting one or more proposals to meet the cumulative need for each resource type.

Table 4. ***Resource Types***

Resource	Description	Ownership
Solar	• Minimum 80 MW cumulative needed by 2025 • Includes Front-Of-The-Meter (FTM) and Behind-the-Meter (BTM) solar • FTM projects must interconnect to PSE's distribution system	Power Purchase Agreement (PPA) / Ownership
Battery Energy Storage System (BESS)	• Minimum 25 MW cumulative needed by 2025 • Includes FTM and BTM BESS (BTM BESS for load shifting included under DR; grid export not allowed for BTM BESS) • BESS could be either standalone or paired with solar for both BTM and FTM systems.	Pay-for-performance contract / Ownership

	• FTM projects must interconnect to the distribution system	
Demand Response	• Minimum 24 MW cumulative needed by 2025 • Includes any type of curtailable BTM load at customer sites that could be dispatched (load shed and/or load shift) during DR events in response to grid needs • Includes distribution and transmission interconnected customers	Pay-for-performance contract

Resources currently taking service under Schedule 91 or Schedule 92 PPAs must complete the full term they selected under those Schedules and as noted in those PPAs. These resources may bid into an RFP for the years after/outside the obligated term under those Schedule 91 and Schedule 92 PPAs.

Type of Connection and Control

The type of connection and control for the three types of DERs listed above in Table 4 vary by resource size and whether the resource is FTM or BTM aggregated resource. Figure 2 below represents the types of control for the different types of DERs, differentiated by size and whether they are FTM or BTM resources.

To prepare for the significant amount of DERs, PSE is currently developing a virtual power plant ("VPP") platform for the operational integration of a sizeable DER presence on PSE's system as dispatchable network resources. In order to monitor, dispatch, and track these resources, it is PSE's preference that all resources (particularly dispatchable resources) be integrated into PSE's VPP platform, see the energy delivery section of the qualitative scoring rubric in Exhibit A: Evaluation Criteria and Scoring.

The two types of control for DERs are (1) SCADA or (2) PSE's VPP.

- **SCADA control*:*** PSE requires that all FTM DERs of greater than or equal to 2 MW capacity be SCADA controlled.

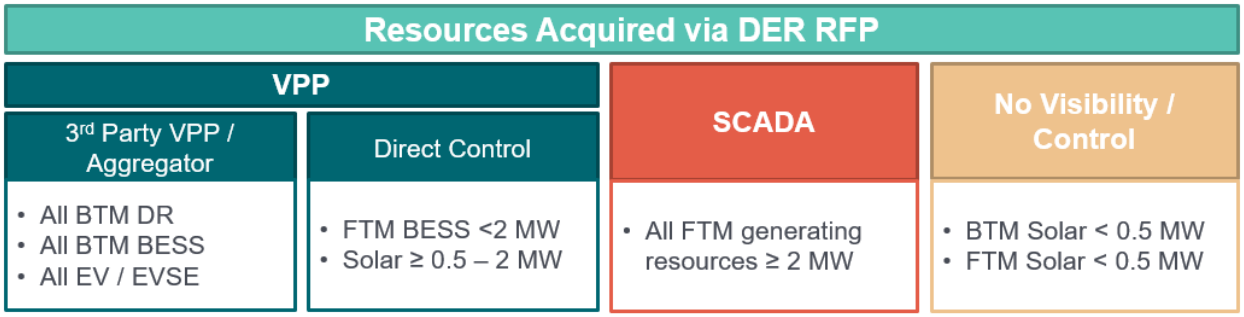
- **VPP integration:** PSE requires that all aggregated BTM DERs be integrated with PSE's VPP, except for solar less than 0.5 MW. FTM solar greater than 0.5 MW and less than 2 MW, and FTM BESS less than 2 MW, also require integration with PSE's VPP.

PSE is in the process of updating its "Technical Specifications for Small Generation Interconnections" for generation interconnecting to PSE's distribution system, and PSE anticipates that the updated version will be published and publicly available in January 2022, prior to the final version of this RFP being issued. Accordingly, capacity thresholds for SCADA interconnection may change, and PSE will update the final version of this RFP to reflect any such

changes. Respondents with bids subject to the Technical Specifications for Small Generation Interconnections are required to adhere to the published version of the Technical Specifications and interconnection process.

PSE does not require monitoring and control of FTM solar resources with less than 0.5 MW capacity. These resources need to be metered but do not need to be monitored and controlled using either PSE's SCADA or VPP platform.

Figure 2. ***Types of Control for Acquired DERs***



The specific requirements by resource type are listed below. Also refer to Exhibit K: Requirements List for general requirements across the different DERs. Respondents can provide suggested redlines to Exhibit K if a requirement cannot be met.

Solar

Distributed solar resources acquired through this RFP can be either FTM or BTM solar resources. Table 5 below lists the type of connection for distributed solar resources.

Table 5. ***Distributed Solar Connection Type***

Category	Type of Connection
FTM Solar ≥ 2MW	Connected to PSE's SCADA system
FTM Solar ≥ 0.5MW and <2MW	Connected to PSE's VPP
FTM Solar < 0.5 MW	Metered; not connected to either SCADA or VPP
BTM Solar < 0.5 MW	Control not applicable. PSE does not require visibility through VPP platform.

Requirements for the above-referenced solar categories are as follows:

- Solar Resources must interconnect as Tier 1, Tier 2, or Tier 3 under Schedule 152: Interconnection with Electric Generators.
- All resources will require interconnection following PSE's established processes and technical standards, linked at the Distributed Renewables website.
- Respondents for solar generation must have the capability to measure performance and communicate performance data to PSE.

PSE's cross-Cascades transmission path, the Intermountain Power ("IP") line, which crosses the Cascade Mountains to Kittitas County is fully subscribed. System upgrade costs from previously proposed distributed renewable projects in Kittitas County have proven to be cost-prohibitive because they trigger an upgrade to the IP line. PSE expects that solar projects proposed in Kittitas County will likely result in the same cost-prohibitive system upgrades. The Hosting Capacity Map, linked in Exhibit L: Resources, shows the location of capacity for generation resources on PSE's system, which reflects lower interconnection costs.

The Information and Operation Technology (IT/OT) specific requirements, depending on the type of connection and control are described under the IT/OT Requirements section as well as in both Exhibit B: Proposal Requirements Forms (Tab 4) and Exhibit K: Requirements List.

Battery Energy Storage System (BESS)

PSE will evaluate BESS on a value fit basis, and based on the evaluation process described in Section 4 and Exhibit A: Evaluation Criteria and Scoring of this DER RFP. The evaluation of BESS will consider the additional benefits BTM BESS provides in terms of providing back-up power to customers, and allowing customers to load shift in response to time-varying rates.

Table 6 below lists the type of connection and control for distributed BESS.

Table 6. *BESS Characteristics*

Category	Type of Control
FTM BESS ≥ 2 MW	Directly controlled using PSE's SCADA
FTM BESS < 2 MW	Integrated with PSE's VPP platform
BTM BESS	Aggregate BTM batteries, controlled either by an aggregator VPP or individual APIs, which in turn communicate with PSE's VPP. This is covered under Demand Response

The requirements for these BESS categories are described below.

The proposed FTM BESS configuration (pricing, O&M costs, lifecycle, and warranties) in Exhibit B: Proposal Requirements Forms (Tab 3b) should reflect the following operating characteristics (shown in Table 7 below); however, PSE will consider other operating characteristics proposed by respondents. Respondents choosing other operating characteristics should describe them thoroughly in their response.

- Full cycle – PSE may charge and discharge all usable energy[8] on average one time per day 365 days per year.

Table 7. *BESS configuration characteristics*

Full Cycles Per Year	Maximum Annual MWh Discharged
Average 1 cycle/day & 365 days/year	730 MWh per installed MW

Due to the unique risks associated with ownership of BESS and PSE's limited experience, PSE prefers lithium ion technology and PPAs for FTM BESS resources acquired through this RFP, see the technology risk section of the qualitative scoring matrix in Exhibit A: Evaluation Criteria and Scoring. Proposals must describe the BESS they propose to deploy and provide information regarding the following:

- Installation information: Proposed targeted customer sites for installing the BESS and a conceptual site layout

- BESS characteristics, including:

    - forecasted charge and discharge cycles,
    - roundtrip efficiency and losses,
    - proposed energy management and control systems, and
    - methods of communication to ensure they can be reliably dispatched and controlled using PSE's SCADA or PSE's VPP (see Table 6).

- Proposals should include only batteries and associated equipment (transformers, inverters, controllers, etc.) from industry-recognized top-tier battery suppliers and integrators.[9]

- Proposals should include a full description of the battery technology proposed including history of successful implementation for the application proposed.

[8] Usable energy will be evaluated as the total energy available to be discharged, without voiding the warranty or minimum state of charge requirements, and is defined as rated MW capacity multiplied by hours of run time at rated capacity.

[9] Some examples of top-tier battery manufacturers include Samsung, BYD, LG Chem, Tesla, A123, Beacon Power, NEC, Saft, NGK and Toshiba.

- Proposals should indicate the names of the manufacturers of all the major system components along with their history in providing equipment in similar applications.

- Proposals should state the design life of the batteries selected and detail plans for operation as they degrade in performance, as well a plan for ultimately replacing and recycling the batteries upon end of life.

- Proposal should include a fire protection system and address fire and explosive gas detection, prevention, and mitigation.

- Proposals should include a description of the manufacturer warranties/guarantees for all major equipment in the system including batteries, inverters, control systems, generator step-up ("GSU") transformers, etc.

- Proposals should include a conceptual description of the proposed cooling system.

- Proposals should include documentation including system and equipment compliance with appropriate governing agencies and standards including Federal Energy Regulatory Commission ("FERC"), North American Electric Reliability Corporation ("NERC"), Western Electric Coordinating Council ("WECC"), Underwriters Laboratories ("UL"), Institute of Electrical and Electronics Engineers ("IEEE"), National Electrical Code ("NEC"), Industry Foundation Classes ("IFC"), etc., as applicable.

- All proposed design engineering firms and project constructors should have proven expertise and experience in projects of similar scope and size.

Additionally, the supplier will be required to fulfill the following general requirements:

- Conduct a site inspection to determine the feasibility and safety of installing BESS at the provided customer location.
- Obtain all permits associated with any work required.
- All FTM BESS systems must be interconnected on the utility-side of the revenue meter and operate in parallel with PSE's electric system and must meet the interconnection requirements per Schedule 152: Interconnection with Electric Generators.

The IT/OT specific requirements, depending on the type of connection and control are described under the IT/OT Requirements section as well as in both Exhibit B: Proposal Requirements Forms (Tab 4) and Exhibit K: Requirements List.

Demand Response

PSE is seeking bids from qualified firms to develop DR resources covering all customer sectors – residential, commercial, and industrial. PSE's primary objective through the DR resource acquisition is to achieve winter peak demand reduction. Through this DER RFP, PSE seeks to

acquire a minimum 24 MW of DR by 2025 for winter peak reduction, with a longer-term goal of developing 167 MW of DR by 2031 for winter peak reduction. PSE's secondary objectives for DR resource acquisition are to achieve summer peak demand reduction and to utilize DR for providing additional types of grid services (e.g., ancillary and load following services) with flexible loads that are available year-round. There is no minimum size threshold requirement for stand-alone or aggregated DR resources to be eligible for the DER RFP.

Additional details on Demand Response are available in Exhibit J: Demand Response Addendum.

Respondents are required to respond to the DR-specific items listed in Exhibit B: Proposal Requirement Forms (Tab 3c). Respondents should provide responses for a five-year contract period of 2023-2028. Respondents may also propose alternate proposals with a longer contract period (e.g., 10-year contract over 2023-2033).

DR will include the customer segments and combinations of end-uses and enabling technologies represented below in Table 8. Aggregate customer information (count and sales) is provided in Exhibit J: Demand Response Addendum. Respondents are not restricted to the types of DR represented in Table 8 and can propose additional types of DR beyond those listed here. **PSE will consider any type of end use control technology** (e.g., switches, thermostats, etc.), **delivery mechanism** (e.g., direct install, bring-your-own-device [BYOD], etc.), **or combination of technologies and delivery mechanisms**, provided the proposed solution meets PSE's primary objectives.

Table 8. *Demand Response Characteristics*

Type of DR	Eligible Customer Classes / Devices	Controlled End-Uses and Enabling Technologies
Direct Load Control	• Residential • Small/Medium Commercial Customers with ≤ 150 kW max. demand[10]	• Space heating/cooling control via thermostats • Water heating controls These devices would be directly controlled by aggregators communicating with PSE's VPP.
Behavioral DR	Residential	No control: customers are free to make any type of load adjustments.
C&I Curtailment	Large C&I customers with >150 kW max. demand	• Custom curtailment strategies, depending on the type of facility (can be either manual curtailment or Auto-DR).

[10] *Customers in Rate Schedules 24 and 25.*

Type of DR	Eligible Customer Classes / Devices	Controlled End-Uses and Enabling Technologies
		• Facilities could also shift load to back-up generators as long as emissions regulations are fulfilled. Controlled by aggregators communicating with PSE's VPP.
Electric Vehicle ("EV") Managed Charging	Passenger and Fleet EVs	• Control of EVs/EVSEs during DR events at home (single-family and multi-family) and at workplaces • Managed charging of fleet vehicles. Controlled by aggregators communicating with PSE's VPP.
BTM Battery Dispatch	BTM batteries across all customer classes (Residential, Small/Medium C&I, Large C&I)	• Dispatch of BTM batteries during DR events for home/facility load shifting. *Grid export not allowed for standalone BTM batteries.* Controlled by aggregators communicating with PSE's VPP.

PSE plans to utilize DR resources to fulfill the Company's primary and secondary objectives outlined below. In addition to calling DR events for fulfilling PSE's primary and secondary objectives, DR events can be triggered at any time due to system emergency conditions.

DR Performance Requirements for Fulfilling PSE's Primary Objective

PSE's primary objective is to utilize the DR resources for achieving winter peak load reduction. In order to fulfill this objective, DR resources must meet the following minimum performance requirements:

- Be available to provide load reduction during winter events that typically occur during weekday peak hours, between 6 a.m. to 10 a.m., and 5 p.m. to 9 p.m., from November 1 through February 28 (29).[11] PSE may call DR events outside these time windows, but Respondents will not necessarily be expected to provide the same level of curtailment.

[11] *PSE uses a daily forecast high below 40 degrees Fahrenheit and/or a forecast low below 30 degrees Fahrenheit to trigger a higher state of readiness for peak load. DR events can also be triggered at any time to address system emergency conditions within the program parameter constraints.*

- The combined total duration of events from November 1 through February 28/29 shall be no more than 40 hours per individual device, and PSE shall call up to 10 events.
- A maximum of one event per day per device may be called, and event duration shall be a minimum of 1 hour and a maximum of 4 hours per device. Events will not be called on more than two consecutive days.
- Capacity must be dispatchable with one of the following notification options: (1) hour ahead, (2) day ahead, or (3) a combination of hour ahead and day ahead.
- Provide real-time (≤15 seconds) resource delivered data in MW

Respondent will incur damages for failing to deliver contracted capacity during a dispatch event.

DR Performance Requirements for Fulfilling PSE's Secondary Objectives

PSE's secondary objectives for DR are as follows:

- Year-round availability to enable load curtailment during summer and shoulder months, if needed.
- Develop flexible DR capability that provides fast response (10 minutes or less) and greater integration of DR dispatch with grid monitoring.
- Schedule DR Resources in wholesale market operations and bid DR in CAISO's Energy Imbalance Market (EIM) and accordingly follow the EIM performance requirements.
- Offer potential for energy arbitrage by shifting consumption from high-priced to low-priced periods.
- Provide additional products/services (other than EE) that could be bundled with the DR program offering to enhance customer engagement, service, and satisfaction.

These performance requirements related to fulfilling PSE's secondary objectives are further described in Exhibit J: Demand Response Addendum.

Additionally, Exhibit J: Demand Response Addendum presents additional details relevant for DR proposal submission.

Implementation Plan

The Respondent should include a detailed plan for implementing customer resources necessary to acquire and deliver the DERs to PSE. When preparing the Implementation Plan, Respondents should refer to the Implementation Plan requirements provided by resource type in Exhibit B. The Respondent should highlight plans to contract and partner with local businesses that align with their goals. The Implementation Plan should provide the manner and timing in which Respondent and its subcontractors plan to conduct the implementation activities described below and address, at a minimum, the following subsections:

Marketing, Customer Recruitment and Enrollment

Respondent shall perform tasks related to recruiting customers, including marketing, advertising and execution of a Participant Services Agreement. PSE values its relationships with customers. Service partners should understand these relationships, and combine a high degree of technical expertise with superior customer-focused awareness and service during planning and implementation. It is PSE's preference to 'own' the customer relationship with the selected Respondent and co-coordinate DER implementation efforts with the selected respondent(s) and PSE's Product and Services teams and other customer service and program implementation conduits, see Exhibit A: Evaluation Criteria and Scoring for scoring implications for owning the customer relationship.

Each Proposal must describe how Respondent will market participation in any proposed resource to PSE's customers, further details of which are listed in Section 3 (Customer Outreach and Enrollment), and how Respondent will coordinate program outreach and education activities with PSE to ensure consistent messaging. At a minimum, PSE must be able to review and approve all customer-facing marketing materials, which may include PSE branding or co-branding of programs (see Exhibit M: Co-Branding and Customer Interaction Requirements). Each Proposal should also describe how Respondent will support a seamless and positive customer experience for all resource participants throughout all aspects of their participation including pre-enrollment, enrollment, incentive payments, notifications, operations and events, and un-enrollment processes. If available, proposal should include proposed evaluation metrics and any required data that would be needed to monitor success. If a Respondent chooses to do so, a Respondent could offer minimal marketing, and rely on PSE to provide marketing support as required. Respondents shall perform tasks related to scheduling customer visits for audits and/or installation and testing.

The Respondent's Implementation Plan must include a Customer Acquisition Plan that clearly identifies the customer classes to be targeted for recruitment and specifies their marketing strategy. The Implementation Plan must highlight the Respondent's capabilities and experience in marketing customer-side programs to utility customers. Respondents must provide the methodology used to project the number of customers and plans to recruit and enroll customers in customer-side programs. The Plan must also identify the tasks required before the recruitment process begins, including a timeline. Respondent should articulate if and how local entities will be performing customer recruitment, especially for named communities.

Technology Provision

Respondent shall provide the customer-sited device (if applicable), Virtual End Node (VEN), and Virtual Top Node (VTN), as follows:

- *Customer-sited Device* - The device, which is connected to the VEN on the customer side of the meter, is the equipment that ultimately provides the response that results in a grid service. This applies to all BTM dispatchable resources.

- *VEN - Virtual End Node*, also known as a gateway. The VEN is a device that allows communication between the customer-sited devices and the Respondent's VTN, which will participate during a DR event by connecting to PSE's VPP Platform. The VEN could be at the device itself (e.g., thermostat) or it could be a cloud-based VEN.
- *VTN - Virtual Top Node*, also known as a head-end. The VTN signals customers VEN to start and end event participation. VTN can also send price signals to VEN's. In this instance, there are two types of VTNs: Respondent VPP platform/individual APIs and PSE's VPP platform.

At a minimum, the Plan should cover the following:

- *Installation of Customer-sited Devices:* All efforts associated with the installation of, or retrofitting of, a customer-sited device such that the device is enabled and can perform to an event signal from the Respondent's VEN or VTN. Respondent should articulate if and how local entities will be performing the installation or retrofit.
- *Commission VEN:* Respondent shall perform tasks related to purchasing VEN, installing VEN, connecting VEN with VTN, and verifying VTN to VEN connection and resource response during test events. Respondent should articulate if and how local entities will be performing the VEN commissioning.
- *Operation of VTN:* Operations performed by a VTN include, but are not limited to, provisioning of VENs, execution of events, contacting participants, tracking participant information, and reporting related to events and participation.

The Company has specified technical design principles for the architecture. These are described under IT/OT Requirements in this section and identified in Exhibit K: Requirements List. The Respondent's technology solution must adhere to those principles and requirements. They include:

- Cyber Security
- Scalable Solution
- Leverage Industry Protocols
- Interoperability

The Respondent's Implementation Plan should clearly explain the technical solutions to be employed by the Respondent. PSE reserves the right to require a field demonstration of technical solutions proposed by Respondents if they are unproven technologies.

The Plan should also explain how the Respondent's systems are logistically operated including staffing levels, server locations, communications requirements, and the availability of secure communications networks.

In the Plan, the Respondent should clearly identify the responsibilities of PSE, if any, necessary to implement the technical solution, including required integration with the Company's back-office systems.

Operations and Maintenance

- *Customer Maintenance:* Respondent shall perform tasks related to the customer premise, maintaining customer devices and/or VEN's, addressing customer inquiries and performing baseline calculations for purposes of determining customer performance. Respondent should articulate if and how local entities will be performing the customer maintenance.
- *Measurement & Verification (M&V)* – For all dispatchable BTM resources, M&V is the use of data to quantify customer performance when the resources are dispatched. PSE is currently deploying AMI meters across all customer classes, and deployment is scheduled to be complete by the end of 2023. AMI interval meter data can be used to measure customers' performance, which in turn can be used for incentive payments. For customers with pending AMI meter installation by PSE, M&V requirements will be waived until their AMI meter is installed. Respondents should provide a sub-meter or on-board resource telemetry for measurement purposes, where applicable.
- *Settlement* – Respondent shall perform tasks related to settlement of compensation for the provision of DERs. Respondent shall submit settlement results to PSE for delivery of customer incentive.

The Respondent's Implementation Plan should address its plan for the installation of VENs/gateways and other in-premise devices, including personnel requirements, transportation requirements, scheduling practices, customer service level requirements, installation status reporting practices and safety training and practices. The Plan must identify any subcontractors to be used for this work, or if such subcontractors have not yet been identified, then a plan for identifying and retaining subcontractors. Respondent should articulate if and how local entities will be performing the installation or retrofit.

The Respondent must describe its plan for providing service related to customer and/or Company-initiated trouble calls, repairs and other field services. Respondents are expected to meet all industry standards.

Continuity of Business Plan

A Continuity of Business Plan will be required, and must demonstrate how the enabled devices will be capable of containing the delivery of grid services in accordance with contractual obligations in the event of a Respondent's default or bankruptcy. The Continuity of Business Plan will elaborate on how the Respondent will provide the Source Code, which provides the compilation, linking, packaging and platform requirements of equipment (inverters, energy

storage system, DVAR equipment and additional applicable equipment), or other means to provide surety of operations for PSE.

Achieving Performance Requirements

The Respondent shall prepare information in the Implementation Plan to clearly depict the overall approach to portfolio design and management such that the Respondent can be reasonably expected to meet the bid and the contractual obligations as set forth in this DER RFP. The Respondent may include information about the expected load shapes of the customers and load profiles of associated participating devices, the analysis employed to derive the quantity of services to be committed, the risk adjustments made and applied to the assumptions to minimize exposure to failure to meet obligations, and so forth.

IT/OT Requirements

There are two main types of DER connection types that PSE is requesting in this RFP. The first is aggregated DERs interfacing with PSE's VPP. The second type is direct connected DERs to PSE's system with monitoring and control through PSE's VPP or EMS / ADMS depending upon size and electrical level of connection. A common set of requirements apply across both cases, and there are requirements specific to each case. The common and specific requirements are described in Exhibit K: Requirements List, including requirements tagged "IT" and "Operations". In addition, the Respondent must complete the questions found in Exhibit B: Proposal Requirements Forms (Tab 4).

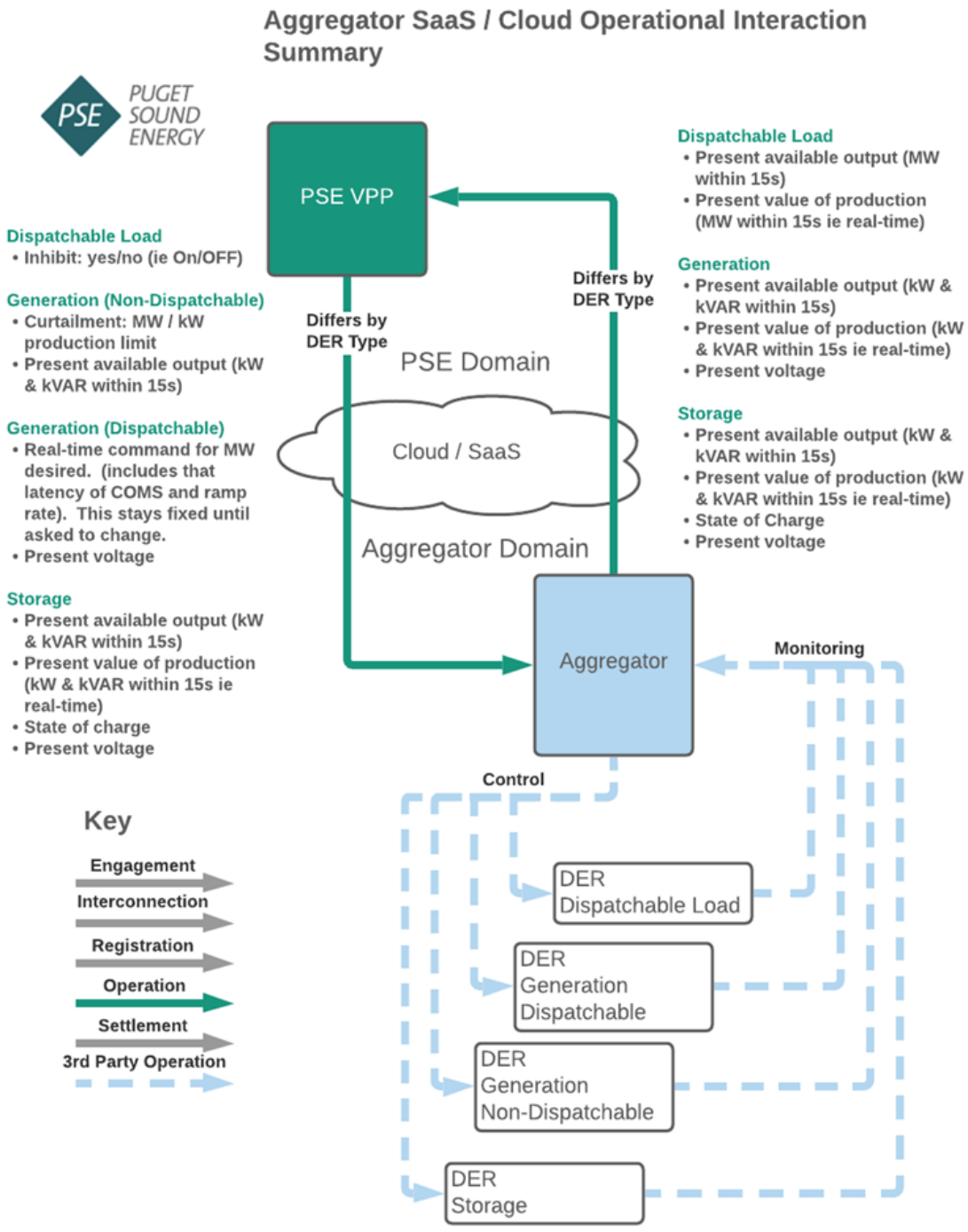
The connection types are described below with graphical representations of each type. Note that the types here apply to the different types of DERs shown in Figure 2 "Types of Control for Acquired DERs" and Table 4 "Resource Types".

System Descriptions and Diagrams by Types of Control

Aggregated DER

The Aggregated DER case is for BTM DERs that are connected to PSE's system and that PSE has indirect visibility, control, or influence over. The DER aggregator will respond to the commands from the PSE VPP shown on the left in Figure 3 below by DER type. In addition, the DER aggregator will provide a variety of forecasting, presently available, and current production information by DER type (see Figure 3). Respondents should respond to any requirement in Exhibit K: Requirements List tagged with "Aggregator" for this type of DER control.

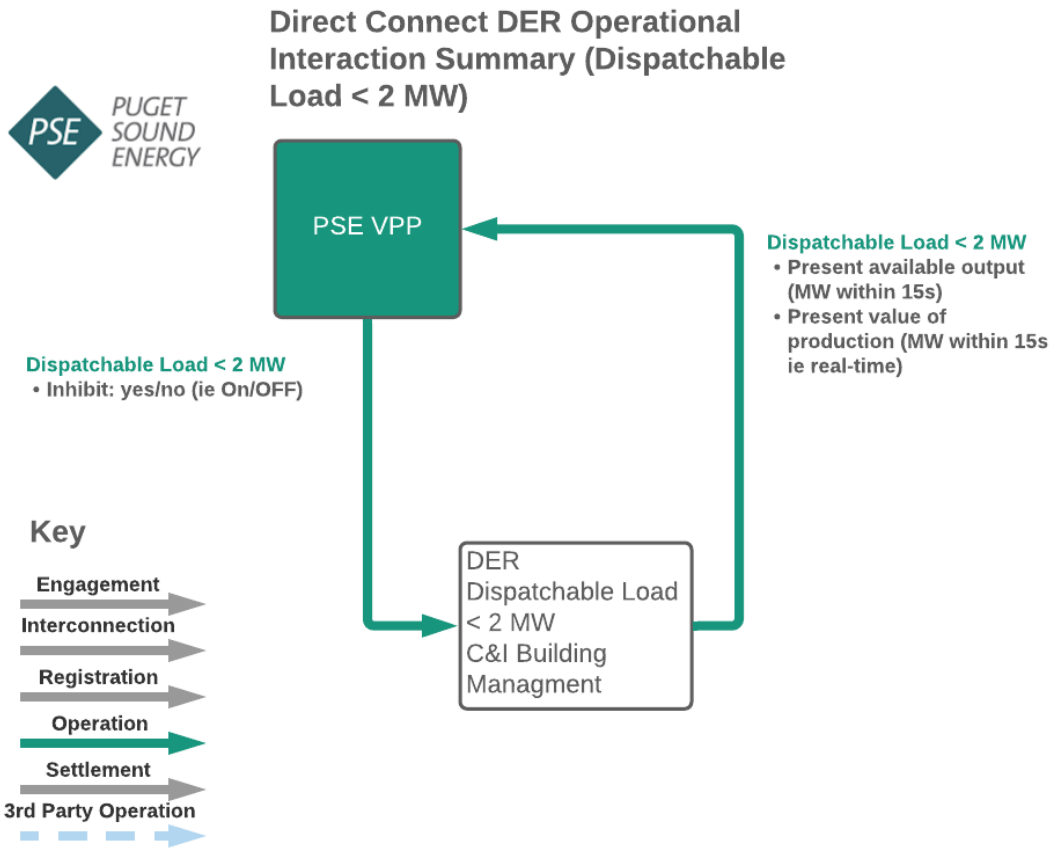
Figure 3. ***DER Aggregator***



Direct Connect DER with monitoring & control in PSE's VPP

Monitoring and control for directly connected solar resources greater than or equal to 0.5 MW and less than 2 MW, or BESS less than 2 MW, are shown in Figure 4 below. The interactions for these types of DERs consist of control and forecasting interactions. Respondents should respond to any requirement in Exhibit K: Requirements List tagged with "Direct Connect" for this type of DER control.

Figure 4. ***Direct Connect < 2 MW***

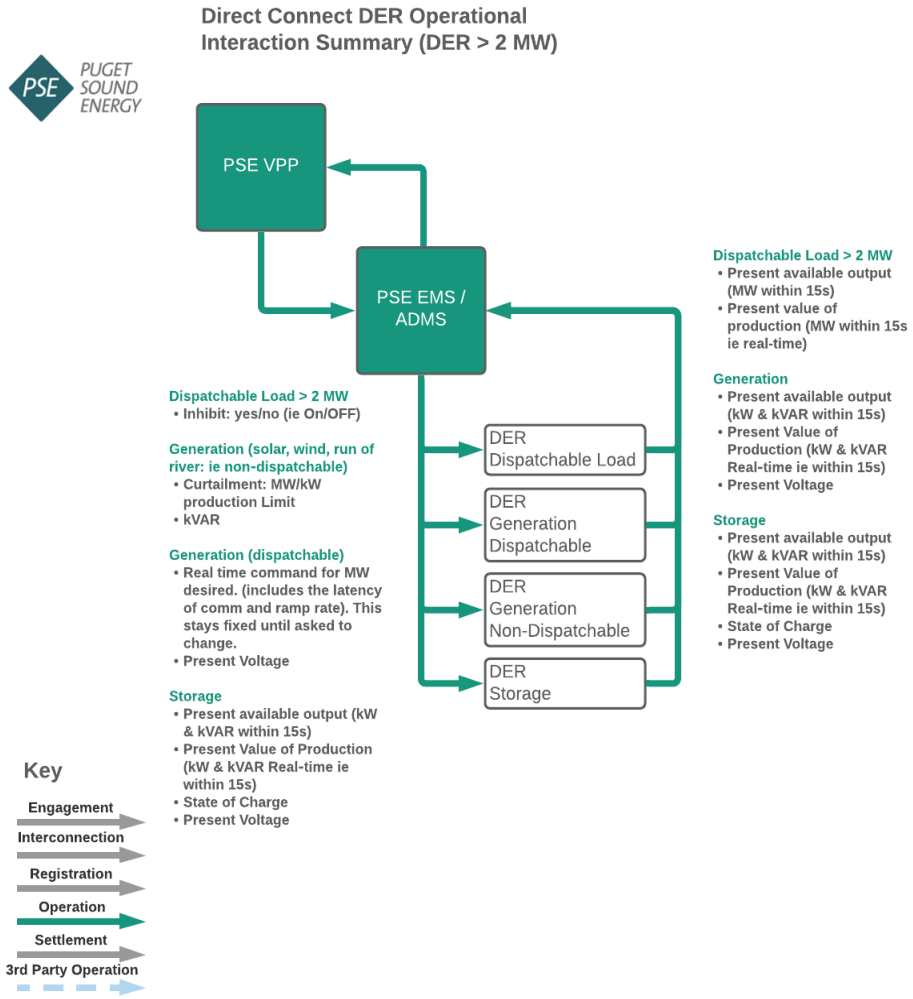


Direct Connect DER with monitoring & control in PSE's EMS / ADMS

Monitoring and control for directly connected resources that are greater than or equal to 2 MW are shown in Figure 5. These types of resources require monitoring, control, and protection from PSE's EMS and/or ADMS systems. The interactions for these types of DER are more complicated and consist of control and forecasting interactions separated by type. Please respond to any

requirement in Exhibit K: Requirements List that is tagged with "Direct Connect" for responses with DERs greater than or equal to 2 MW.

Figure 5. ***Direct Connect ≥ 2 MW***



Requirements by Category Type

The requirements in Exhibit K: Requirements List are separated by functional areas including Business, Engineering, IT, Load Office, Operations, and Planning. Each requirement is tagged by the primary type of DER control: Aggregator or Direct Connect. In general, most of the business and load office requirements apply to all DER control types, while engineering, IT, operations, and planning requirements apply to one or more DER control types. These two different aspects of the requirements, as shown below, introduce complication but are intended to meet the

Commission's goal of broadly enabling interconnection of DER into PSE's system to meet the long-term energy goals.

Please review each requirement by functional group and respond to any requirement in Exhibit K: Requirements List that is tagged for the applicable type of DER resource. Note that the Direct Connect can apply to DER < 2 MW and to DER ≥ 2 MW. The primary difference is that PSE expects that DER ≥ 2 MW will be monitored and controlled in PSE's EMS or ADMS system depending upon a variety of factors including size, interconnect voltage, and type of DER.

Pricing

Respondents should refer to the pricing sheets by resource type in Exhibit B: Proposal Requirements Forms and must follow the pricing structure outlined below. Respondents are encouraged to review Exhibit E: Schedule of Estimated Avoided Cost.

Solar and Battery Energy Storage System (BESS)

The price for solar and FTM BESS must be expressed in one of the following three options outlined below. Pricing for BTM BESS is included under Demand Response.

- *A fixed capacity ($/kW-year) and energy charge ($/MWh) for the term of the PPA:* In this case, respondents need to specify the fixed charges and the PPA term start and end dates for which the fixed charges are valid.
- A *first-year capacity ($/kW-year) and energy charge ($/MWh) with an annual escalation rate for the PPA term*: In this case, Respondents are required to provide the start year capacity and energy charges, an annual escalation rate, and specify the PPA term start and end dates.
- *Market Index premium/discount:* In this case, respondents need to specify the premium or discount over the Mid-C price forecast ($/MWh), see Exhibit E: Schedule of Estimated Avoided Cost.

For BESS, Respondents should indicate whether the pricing is for BESS paired with solar or standalone BESS.

The offer price should be inclusive of equipment prices, installation, and O&M charges. Additionally, Respondents need to separately specify the fixed O&M costs ($/kW-yr.) and variable O&M costs ($/MWh), which include maintenance and repair costs.

Respondents may also specify a buyout price and timeframe as part of their response.

For solar and FTM BESS where the ownership option applies, in which assets are transferred over for PSE's ownership, Respondents should specify the ownership start year and the ownership price.

For PPAs, Respondents are required to include underlying fixed and variable cost of production. In PSE's view, a pricing structure that closely mirrors the actual cost structure of the project aligns the Respondent's and PSE's interests with respect to scheduling and dispatch.

Demand Response

Respondent should provide pricing for the collective products and services being offered under DR in sufficient detail such that PSE will understand precisely what is being proposed and how much the proposed products and services will cost. Respondents should provide this pricing information with the understanding that products and services must fulfill DR-specific performance requirements in fulfillment of PSE's primary and secondary objectives.

The Respondents shall reflect pricing in the Pricing Section Exhibit B: Proposal Requirements Forms (Tab 3c). Respondents are required to provide firm pricing for a five-year contract term as indicated in this pricing section. Respondents can submit alternate pricing proposals for a longer contract term if they choose to in addition to the required pricing for a five-year contract term for providing DR.

For DR, Respondents are required to provide pricing in the following format, broadly under two sections that correspond to PSE's primary and secondary objectives for DR (specified in Exhibit B (Tab 3c)):

<u>Pricing for Fulfillment of PSE's Primary Objectives for DR</u>

- *Pricing for Winter Capacity ($/kW-season):* Respondents are required to provide an all-inclusive $/kW-season capacity charge for achieving winter peak demand reduction in fulfillment of PSE's primary objectives and the corresponding annual MWs for winter peak demand curtailment for each year of the contract period. Separately, Respondents must indicate the normalized customer incentive charges ($/kW-season), which is included in the capacity charges. This needs to be specified for every year over a five-year contract duration.
- *Pricing for Delivered Energy ($/MWh):* Respondents can provide an optional energy charge ($/MWh) associated with achieving the winter peak demand reductions for the actual energy reduced during winter DR events.
- *Total Annual Costs ($/year):* Respondents are required to provide a summary of total costs corresponding to the annual winter capacity rollout indicated in their proposal. These costs should include capacity charges, customer incentives, and any "other pricing elements" specified by the Respondent.
- *Estimated Breakdown of Costs by Category:* PSE's BCA model uses disaggregated resource costs from respondents as inputs to cost tests, used in evaluation, and thus, Respondents are required to provide an estimated breakdown of the total annual costs (as percentage of total costs) for providing winter curtailment capacity by the following categories.

- Program startup costs
- Software licensing
- Marketing/Recruitment
- Equipment Capital
- Equipment Installation
- Equipment Maintenance
- Participant Incentives
- Customer Service
- Tracking and Reporting, M&V
- Other (please specify)

Pricing for Additional Products/Services

Under this item, Respondents may provide pricing for year-round DR capacity in fulfillment of PSE's Secondary Objectives. This includes meeting capacity requirements during summer and shoulder months, and for providing the additional grid services identified as PSE's secondary objectives. PSE does not require that Respondents provide year-round curtailment capability, but the value of proposals may be enhanced by competitively priced curtailment capability beyond just the winter months. Respondents' pricing for additional products/services must specify the following:

- *Capacity charges, by season, for summer and shoulder months ($/kW-season):* Respondents should indicate the pricing by season for providing seasonal capacity in terms of $/kW-season for summer and shoulder months.
- *Pricing for additional grid services, as identified in PSE's secondary objectives:* Respondents should indicate the additional grid services that DR resources can provide (e.g., different types of ancillary and load following services) and the incremental capacity charges for providing these services. Respondents should specify the type of grid service and the associated pricing for that type.

3. Category B: Vendor Service Components

PSE's goal under this category is to secure responses to support the implementation of existing and new DER offerings, programs, and services to provide demand savings, renewable energy and related services to PSE customers. PSE is seeking proposals for new and existing DER programs[12] and/or program support services that will produce electric demand savings and/or renewable energy from both residential and business customer sectors throughout PSE's service area. The purpose of Category B is to encourage and seek responses from local and diverse firms that specialize in providing specific types of services, and may not be equipped to offer turnkey solutions for deployment of DERs under Category A. Respondents may provide proposals under both categories A and B.

Respondents to Category B are expected to provide indicative pricing (discussed further in the Pricing for Vendor Service Components section), and can expect to engage in negotiations with PSE to revise and finalize the proposal if selected for the short list. Respondents should anticipate a delay in contract development as compared to turnkey solutions due to the additional program evaluation step.

PSE will accept, and encourages, responses from consortiums or multiple parties in partnership. Proposals from consortiums or multiple parties must clearly identify the relationship (actual or proposed) among the parties for the purposes of a transaction with PSE, including the party (or parties) with whom PSE will have the contractual relationship.

PSE is committed to making this RFP accessible to small, diverse and local respondents. In order to encourage participation in this RFP from these types of respondents, PSE will be reaching out to potential respondents to notify them of the upcoming RFP and seek their interest in providing a proposal. This is not meant to show preference or limit applicants to those who are contacted, but to proactively build engagement with under-represented respondents pursuant to WAC 480-107-015(2).

DER Program Types and PSE's CEIP Preferred Portfolio

Table 9 below lists the representative DER programs in PSE's 2021 CEIP-preferred DER portfolio that PSE wishes to develop. PSE does not expect this RFP to result in the acquisition of all programs in the preferred portfolio, but the Company encourages Respondents to use the preferred portfolio as an informative guide as to the type and mix of programs PSE is interested in offering to customers.

[12] *See PSE's Renewable Energy Programs website*

Table 9. ***DER Program Types in PSE's CEIP Preferred Portfolio***

Type of DER	Position	Customer Segments	Representative Program Types in Priority Areas
Solar	FTM	Residential *(multifamily and low income are priority segments)* C&I	PSE Community Solar- Multifamily PSE Community Solar – Low Income Rooftop Solar Leasing-Low Income 3rd Party Distributed Solar PPA
	BTM	Residential *(multifamily is a priority area)* C&I	Multifamily Solar Partnership C&I Roof-top Solar Incentive
BESS (standalone or paired with solar)	FTM	Residential C&I	C&I Space Leasing for Batteries
	BTM	Residential C&I	Residential PSE Battery Leasing-Low Income PSE Customer-Sited Solar+Storage Offering
Demand Response	BTM	Residential C&I	Direct Load Control- Smart Thermostats (Residential and Small C&I) Direct Load Control- Water Heaters (Residential and Small C&I) C&I Curtailment (Large C&I) BTM Battery Dispatch (all sectors) EV Managed Charging (passenger and fleet vehicles)

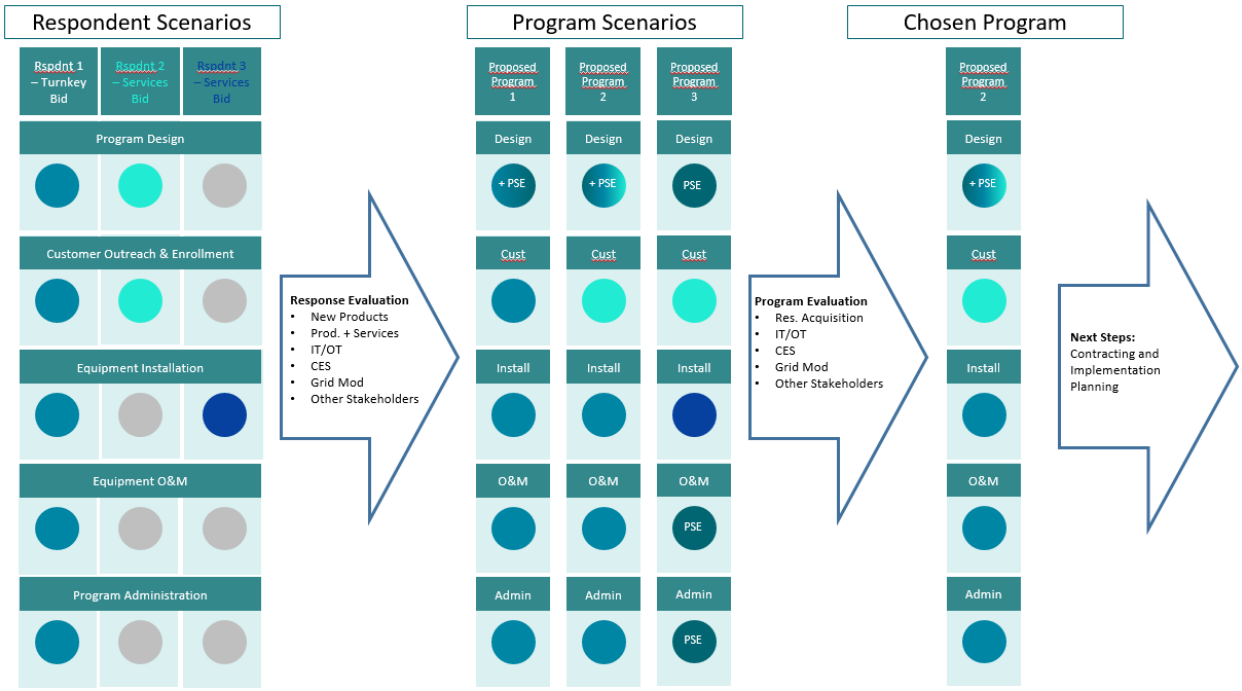
Error! Reference source not found.3 in Section 1 provides brief descriptions of the programs in PSE's 2021 CEIP preferred portfolio listed above.

The program components for which PSE is seeking implementation support services are:

- Program Design
- Customer Outreach and Enrollment
- Equipment Installation
- Equipment O&M
- Program Administration
- Other

Respondents may submit proposals for providing one or more service components listed above. PSE will evaluate the service components together with the Turnkey bids and PSE's internal capabilities to develop a portfolio of best solutions (represented in Figure 6 below). Respondents can propose a separate 'other' component if the services being proposed do not fit the above-mentioned service types.

Figure 6. ***Bid to Program Process (High-Level Example)***



Respondents should refer to Exhibit C: Proposal Requirements Forms for the proposal requirements.

Component Descriptions and Requirements

Program Design

PSE's 2021 CEIP Preferred Portfolio includes representative DER programs PSE would like to develop as part of the Company's DER Portfolio, and highlights priority areas in which PSE is seeking development and deployment of DERs. PSE is also open to innovative and new DER program design ideas beyond those listed in PSE's CEIP Preferred Portfolio. Specifically, PSE seeks new offerings designed to help customers reduce peak grid loads, increase customer participation in clean energy programs, and maximize customer benefits from DERs in every stage, from procurement through the life-cycle of the DER equipment, focusing on Highly Impacted Communities and Vulnerable Populations (collectively, "Named Communities").

In this RFP, the key elements of Program Design are:

a) Type of DERs included (either singly or in combination) for the proposed program(s),

b) Targeted customer segments for the proposed program(s),

c) Incentive design for the proposed program(s), and

d) Implementation plan for the proposed program(s).

Respondents should describe their experience in providing program design with a focus on innovative DER program design.

Written responses should demonstrate market readiness for an innovative idea and provide additional detail on the need for the program, savings sources and/or estimates, data supporting the need for the new approach, and any best practices or examples from other utilities implementing similar programs.

Customer Outreach and Enrollment

Respondents proposing Customer Outreach and Enrollment services shall perform tasks related to recruiting customers, including marketing, advertising, and executing Participant Services Agreements. PSE values its relationships with customers. Service partners should understand these relationships and combine a high degree of technical expertise with superior customer-focused awareness and service during planning and implementation. It is PSE's preference to 'own' the customer relationship with the selected Respondent and co-coordinate DER implementation efforts with the selected respondent(s) and PSE's customer-facing program implementation teams. See Exhibit A: Evaluation Criteria and Scoring for scoring implications for owning the customer relationship.

Respondent should articulate if and how local entities will be performing the customer recruitment and enrollment. The proposal should indicate to what extent the Respondent would rely on PSE to provide marketing support as required.

The key elements of an Implementation Plan for providing Customer Outreach and Enrollment services are as follows:

- Customer Acquisition Plan that clearly identifies the customer sectors and segments to be targeted for recruitment with sector/segment specific marketing strategies.
- Types of DERs by customer segment (e.g., Community Solar for multi-family customers) and DER programs being considered (either from PSE's 2021 CEIP Preferred Portfolio and/or other programs not represented in the Preferred Portfolio).

- Respondent's capabilities and experience in marketing customer-side programs to utility customers.
- A description of the methodology used to project the number of customers that can be recruited and enrolled in customer-side programs over a certain period.
- Tasks required before the recruitment process begins, including a timeline.
- New or innovative ways of targeting specific customer segments, focusing on named communities.
- Eligibility recommendations, and how customers will be contacted and selected, or rejected, for participation.
- Customer communication channels and specific recruitment strategies that the Respondent has successfully utilized and proposes to employ in this proposal.
- Marketing assistance the respondent expects PSE to provide. This may include customer lists, customer billing records, letters of introduction, or support by PSE's customer service representatives.
- Overview of customer interaction points and expectations of customer and PSE. Selected Respondents must agree to the Customer Interaction Requirements found in Exhibit M: Co-branding and Customer Interaction Requirements. Respondents must explicitly state any exceptions that may be required for the proposal.
- Process used to track and report customer information to PSE.

PSE reserves the right to implement and/or coordinate all marketing activities. Specific and final Marketing Plans will be defined with PSE during contract negotiations. All marketing plans, materials, messaging, and deliverables must be reviewed and vetted through the DER program's designated PSE Marketing representative prior to implementation. The use of any third-party contractors or vendors must be reviewed and approved by the PSE marketing team. Respondent may include specific marketing activities, labor, and third-party vendor costs within budget and response, but all costs are subject to review and approval during the negotiation period.

Respondent's marketing and outreach strategies should consider how a DER program directly improves customer experience and satisfaction with PSE. If available, proposal should include proposed evaluation metrics and any required data that would be needed to measure success.

Equipment Procurement and Installation

Respondents may submit proposals for providing "Equipment Procurement and Installation" service for a single type of DER (e.g., solar) or combinations of DERs (e.g., solar + BESS), and indicate the customer segments for which the Respondent proposes to provide this service.

Respondents may refer to PSE's 2021 CEIP Preferred Portfolio (see Table 9 above) for information on PSE's priorities on combinations of types of DERs and customer segments that PSE is seeking to target. Respondents may submit proposals for providing Equipment Procurement and Installation Services only or consider providing this in combination with other services listed in Category B: Vendor Service Components.

Respondents should articulate if and how local entities will be performing the equipment installation.

PSE expects the following from Respondents proposing Equipment Procurement and Installation services:

- Respondent must possess a valid State of Washington contractor license of the appropriate classification(s) required to perform the work for this Project and have a good safety record for at least the last three years. The license shall be valid for the entire term of the awarded contract.
- Respondent is responsible for obtaining any necessary approvals from the customer and property owner to install, maintain, and operate the DER (e.g., installing a rooftop PV on single family residential customers).
- Respondent must conduct a site inspection to determine the feasibility and safety of installing a DER System at the provided customer location and must obtain all permits associated with equipment installation. For example, if a Respondent is installing a rooftop PV system and if the roof at the customer location is under a warranty, Respondent is responsible for performing all work in a manner that is consistent with the requirements of such warranty and will be solely liable for any act or omission that voids such warranty.
- Respondent shall perform tasks related to scheduling customer visits for audits and/or installation and testing.
- Respondent is responsible for interconnection of the DER system consistent with the requirements of Schedule 152, and ensuring that IT/OT requirements are fulfilled. For dispatchable DERs, the Respondent is responsible for ensuring that the installed equipment is enabled and can respond to dispatch signals.
- For PSE-owned resources, Respondent must remove the DER system if, and when, required by PSE.
- Respondent must include details of all PSE obligations necessary for Equipment Procurement and Installation. Additionally, proposals should indicate any customer share of the cost of the installed equipment, and other fees or costs for participation, estimates of customer's time involvement, use of customer premises, etc.
- Respondent must include an overview of customer interaction points and expectations of customer and PSE. Selected Respondents must agree to the Customer Interaction

Requirements found in Exhibit M: Co-Branding and Customer Interaction Requirements. Explicitly state any exceptions that may be required for the proposal.

- Include any and all written or implied warranties that will be provided to customers regarding quality of materials and installation.
- Include the process used to track and report customer information to PSE.

Equipment O&M

Respondents may submit proposals for providing "Equipment O&M" service for a single type of DER (e.g., solar) or combinations of DERs (e.g., solar + BESS), and indicate the customer segments for which the Respondent proposes to provide this service. Respondents may refer to PSE's 2021 CEIP Preferred Portfolio (see Table 9 above) for information on PSE's priorities on combinations of types of DERs and customer segments that PSE is seeking to target. Respondents may submit proposals for providing Equipment O&M service only or consider providing this in combination with other services listed under Category B: Vendor Service Components. Respondent should articulate if and how local entities will be providing the O&M services.

Key considerations for Respondents proposing Equipment O&M services are listed below:

- Indicative pricing should include performing all tasks related to O&M of installed DERs, including addressing customer inquiries related to equipment O&M.
- Include details of all PSE obligations necessary for Equipment O&M. Additionally, proposals should indicate any customer share of the equipment O&M cost, and other fees or costs for participation, estimates of customer's time involvement, use of customer premises, etc.
- Provide an overview of customer interaction points, and expectations of customer and PSE. Selected Respondents must agree to the Customer Interaction Requirements found in Exhibit M: Co-Branding and Customer Interaction Requirements. Explicitly state any exceptions that may be required for the proposal.
- Include any and all written or implied warranties that will be provided to customers regarding quality of O&M services.
- Describe process used to track and report customer information to PSE.

Program Administration

Respondents may submit proposals for providing "Program Administration" service for DER programs. Respondents may refer to PSE's 2021 CEIP Preferred Portfolio (see Table 9), for information on representative DER programs that indicate PSE's priorities. Respondents may propose to provide program administration services across multiple DER programs.

Selected Respondent will collaborate with PSE program team to achieve specific DER program targets (budgets & capacity/energy), forecasting, strategic planning, and customer issue resolution. Procedure changes may take place during the contract duration warranting a contract amendment or scope change. Selected Respondent(s) will oversee program implementation services which may include the following:

- Administrative support
    - Manage subcontractors, trade allies, and cross vendor coordination to ensure efficient delivery of program services.
    - Ensure the safety of Respondent staff, sub-contractors, trade-allies, and customers being served.
    - Undertake incentive processing for DER programs.
- Training
    - Provide appropriate training to Respondent staff, subcontractors, and trade allies needed to provide the DER program services.
    - Provide training to inform trade allies and necessary parties (e.g., contractors and property managers) of program procedures, and provide new contractors the training necessary to perform work for a given DER program.
    - Coordinate with PSE's Trade Ally program staff to plan contractor meetings, and cross-program contractor messaging, where applicable.
- Reporting and evaluation
    - Be responsible for verification of DER measures, tracking DER performance, and conducting evaluation studies.
    - Collect, store, and track data on customer's DER energy use and customer workflow through program implementation steps. Interface with PSE, as required, to allow for secure, automated data transfers of key program metrics meeting PSE data transfer protocols.
- Customer service
    - Collect, store, and track data on customer satisfaction metrics.
    - Manage a call center according to PSE customer interaction standards found in Exhibit M: Co-Branding and Customer Interaction Requirements.
    - Provide timely resolution to customer complaints and issues, with documented call center scripting and complaint escalation processes.

Pricing for Vendor Service Components

Respondents must submit indicative pricing for the proposed components and provide responses to the items listed in Exhibit C: Proposal Requirements Forms. The pricing requirements vary by service component. Respondents should clearly state the assumptions on which the proposed prices are based, and any caveats and/or considerations related to the proposed pricing.

Respondents may specify component pricing for providing services across multiple DER programs and should refer to PSE's 2021 CEIP Preferred Portfolio for a list of representative DER programs in PSE's priority areas. As noted previously, Respondents may indicate other DER programs not listed in the Preferred Portfolio. The pricing assumptions should clearly state the DER program types for which the Respondent proposes to provide services, and the customer segments being served. Respondents should indicate whether the prices by component are for providing bundled services across multiple components, or for providing services for individual components. If providing pricing by individual component, Respondents should indicate how the pricing would vary if Respondents were to combine multiple components into a bundled offer.

Table 10 below shows the indicative pricing structure by service component that Respondents should use as a guideline to provide pricing for each component. Respondents may suggest additional pricing structures not specified below, and should include clear descriptions of assumptions and considerations for the proposed pricing.

Table 10. ***Indicative Pricing Structure by Service Component***

Service Component	Indicative Pricing Structure

Program Design	• Provide pricing for undertaking a representative program design for proposed DER program(s) which includes:
	  ○ Blended hourly rates for key staff
	  ○ Hours and cost estimate

Customer Outreach and Enrollment	• Specify customer segments and the types of DERs for which the Respondent is providing the pricing for Customer Outreach and Enrollment services.
	• Provide unit pricing (e.g., $/1000 enrolled customers) for a hypothetical case (e.g., Solar PV installation for Res SF homes) and state the pricing assumptions for the types of DERs and customer segments being targeted.
	  ○ Clearly describe the unit for the proposed pricing
	  ○ Indicate how pricing varies by customer segments being targeted and by the type of DER.
	  ○ State the program scale (in terms of number of customers and/or units being targeted) for which the indicated pricing

Service Component	Indicative Pricing Structure
	applies and describe to how the pricing would change at a different scale of the program.

Equipment Procurement/ Installation	• Provide the price for one installed system (unit price) and describe the configuration of the installed system by DER type and customer segment (e.g., a rooftop solar PV system with 4 kW peak output, installed at single family homes).
	• Indicate underlying assumptions on the scale (number of units proposed to be installed) for different types of DERs (Solar, BESS, DR) and applicable customer segments.
	• Indicate price per unit for equipment installation.
	  ○ Equipment cost
	  ○ Installation costs with required labor hours for equipment installation
	  ○ Include any additional cost items related to equipment procurement and installation
	  ○ Indicate variations in unit price by customer segment, if applicable.

Equipment O&M	• Indicate pricing for providing O&M services for one installed system (unit system) and describe the configuration of the system by DER type and customer segment (e.g., a rooftop solar PV system with 4 kW peak output, installed at single family homes).
	• Indicate underlying assumptions on the scale (number of units assumed for providing O&M services) for different types of DERs (Solar, BESS, DR) and applicable customer segments
	  ○ Describe O&M items included in services
	  ○ Include any additional cost items related to equipment procurement and installation
	  ○ Indicate variations in unit price by customer segment, if applicable.

Program Administration	• Describe the specific services being proposed under Program Administration and the DER programs being considered. • Provide blended hourly rates by staff with hours and cost estimate for providing program administration services, with clear descriptions of underlying assumptions on the DER program types for which the administration services are being proposed.

Key Considerations for Respondents

- Any services bid through this RFP should be available for implementation starting January 1, 2023 and ending December 31, 2024.
- PSE will determine from the list of responding interested parties, those vendors and contractors with whom PSE, in its sole judgment, wishes to engage in further discussion and/or negotiate a contract.
- PSE is under no obligation to select any proposal or move forward with any proposed services.
- For all awarded contracts, the Respondent must collect and provide to PSE staff: data on individual customers, DERs being proposed, and fulfill requirements related to DER evaluation, measurement & verification (EM&V). PSE must approve EM&V, marketing, IT infrastructure, sales and/or promotional plans.
- All DERs included in a program and service offering must produce CETA-compliant energy or capacity that can be reliably measured or estimated with accepted M&V methods.
- Written response should highlight integration with other PSE programs, products and/or services such as (but not limited to): energy efficiency programs, existing renewable customer-facing programs, electric vehicle programs, myPSE, paperless billing, autopay, etc.
- PSE requires successful respondents to use PSE branding in activities contracted by the parties. Co-branding helps PSE customers recognize that program activities are authorized by, and performed on behalf of PSE. Include in proposal those areas that might be considered for co-branding if company is a successful respondent. Co-branding Guidelines are found in Exhibit M: Co-Branding and Customer Interaction Requirements.
- If the proposal includes a digital user interface, it should be integrated with established PSE digital architecture, providing a seamless and consistent digital experience across all channels (i.e. website, mobile applications, interactive voice response systems, etc.) The interface should include single sign-on capability through PSE's myPSE Account login.
- Respondents must respond to the IT security questions in Exhibit N: IT Security Questionnaire and must be willing and able to adhere to PSE's data security requirements.
- Any customer data (including all transaction and interaction data) collected or generated through the idea or created as part of the program shall be the property of Puget Sound Energy and must be accessible to PSE at all times in near real time as necessary via secure automated means. This includes data such as (but not limited to) customer contact information and the customer journey across all channels. If data collection is part of the product, program and/or support service, written response should include detailed requirements related to data inventories and movement.

Vendor will be required to demonstrate adherence to PSE's Co-Branding and Customer Interaction Requirements and IT Security Requirements as outlined in Exhibits M and N.

- Outside of the Service Level Agreements outlined by PSE, Key Performance Indicators (KPIs) specific to the program will be developed in collaboration with the selected respondent and the Program planning teams to ensure operational efficiency and a high level of customer satisfaction.
- All respondents must submit Exhibit I: Master Services Agreement with a statement of acceptance or must identify area(s) for discussion with suggested language modifications. Include the specific Section and Item number for clarity.
- PSE anticipates selecting a short list in Q3 2022. Unless a bid is withdrawn, PSE will assume that it is valid through completion of the RFP. PSE further assumes that proposals will remain valid for a period that would allow for negotiation and execution of definitive agreements, including any applicable management and regulatory approvals.

4. Schedule and Process

RFP schedule

The following schedule (Table 11) is subject to adjustment based on Commission review and the actual pace of the evaluation process. Updates will be posted online at http://www.pse.com/RFP.

Table 11. *2022 DER RFP Schedule*

Date	Milestone
November 15, 2021	Draft DER RFP filed with WUTC
December 30, 2021	Public comment period ends[13]
January 31, 2022	WUTC review period ends; decision anticipated
February 7, 2022	PSE issues final DER RFP
Late February 2022	PSE hosts Respondents' conference[14]
March 21, 2022	Offers due to PSE
April 20, 2022	PSE posts compliance report to its RFP website, consistent with the requirements of WAC 480-107-035(5)
Q2 2022	PSE completes Phase 1 screening process and selects Phase 2 candidates, notifies Respondents
Q3 2022	PSE selects DER RFP short list, notifies Respondents
To follow	Post-proposal negotiations

Evaluation process

PSE will follow a structured evaluation process designed to screen and rank individual proposals based on an evaluation of costs, risks, and benefits. These include resource cost, market-volatility risks, demand-side uncertainties and benefits, resource dispatchability, effects on system operation, customer benefits, credit and financial risks to the utility, the risks to ratepayers, public policy, and Washington State and federal government requirements. PSE will consider a number of quantitative and qualitative factors to compare proposals with diverse attributes. PSE will evaluate each proposal based on its compliance with this DER RFP and according to the

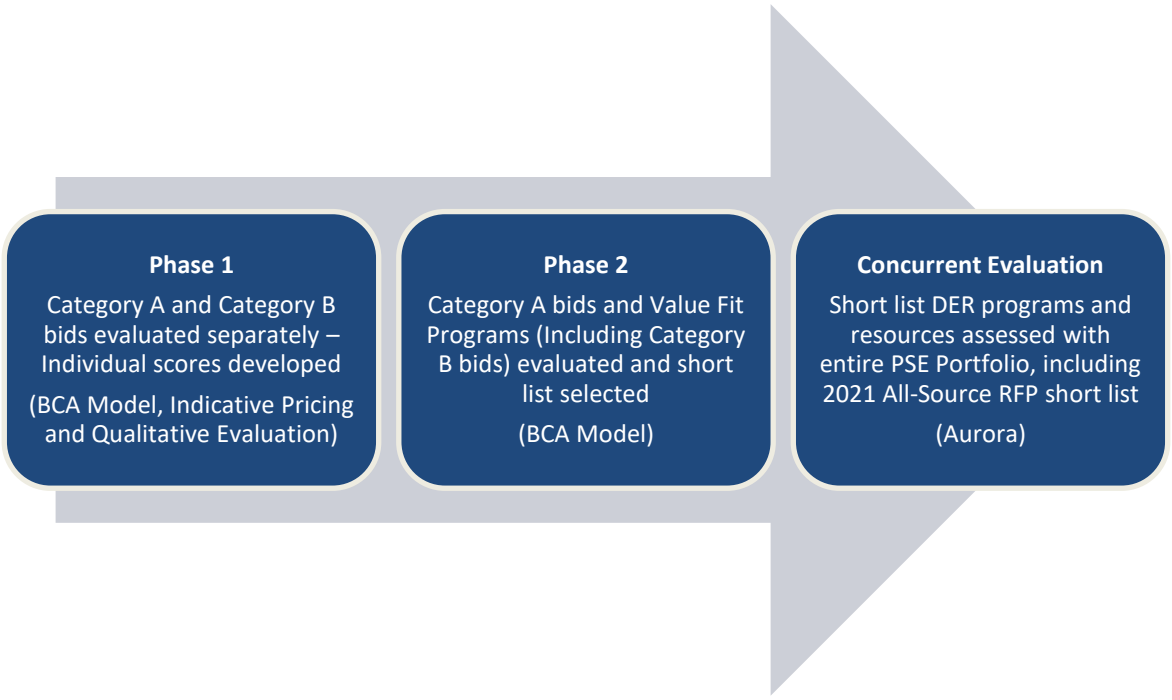
[13] WAC 480-107-017(3) allows interested parties to submit comments within 45 days after a draft RFP is filed. Based on a November 15, 2021 filing date, this period will close on December 30, 2021.

[14] The DER RFP Respondents' conference details and registration instructions will be posted at www.pse.com/rfp as they become available.

criteria described in Section 5: Minimum Requirements and Exhibit A: Evaluation Criteria and Scoring to this DER RFP.

The evaluation process will be divided into two phases, followed by a concurrent evaluation with the All-Source RFP in Docket UE-210220. Phase 1 is a screening phase, Phase 2 is the Value Fit program building and portfolio design phase, and the Concurrent Evaluation is an assessment of the entire PSE portfolio across the All-Source RFP and DER RFP, see Figure 7 below.

Figure 7. ***2022 DER RFP Evaluation Process***



Intake process

PSE's evaluation process will begin with the intake of proposals through a web platform. Respondents will download the RFP forms from PSE's RFP website (www.pse.com/rfp) and submit the completed forms and attachments through the platform. The platform will be accessible by a link from the RFP website when the final RFP is issued.

Category A proposals will be tested for completeness and adherence to minimum criteria requirements (described in Section 5) in two ways during the intake process. First, an automated system performs real-time validation of proposal completeness and adherence to certain minimum criteria. If the automated system determines that a proposal is incomplete or fails to meet required criteria, it will generate an error-specific response, allowing the Respondent to adjust the proposal and resubmit it by the due date. Second, because certain minimum criteria may be difficult to confirm with a simple algorithm, PSE's DER acquisition team will perform a preliminary eligibility screening to verify that all proposals accepted by the system appear to

meet the minimum requirements. Category B proposals will not go through the automated screening and will be reviewed by PSE's DER acquisition team. If a proposal is determined to be ineligible based on the screening, PSE will notify the Respondent and the Respondent will be given three business days to remedy the proposal (the "cure period").

Phase 1: Screening phase

Once the intake process is complete, PSE will begin Phase 1 of the evaluation. In Phase 1, PSE will conduct a preliminary cost analysis and qualitative risk screening to produce a list of the most promising resources for further consideration. In this phase only, Category A and Category B bids will be evaluated separately. PSE will use its benefit-cost analysis ("BCA") model, Qualitative analysis, and the scoring approach for price and non-price factors presented in Exhibit A: Evaluation Criteria and Scoring to screen and rank proposals based on the Respondent's responses to Exhibit B/C: Proposal Requirements Forms. Upon completing its evaluation, the DER acquisition team will combine its quantitative and qualitative screening results to produce a Phase 1 individual score and ranking for each proposal. See Exhibit A: Evaluation Criteria and Scoring for the ranks and weights associated with price and non-price factors considered by PSE, and a description of PSE's approach to scoring individual proposals.

At the end of Phase 1, PSE will select a candidate list of proposals that will proceed to Phase 2 for portfolio design (the "Candidate List"). PSE will select a pool of resources that represents the best-performing proposals from different resource types and vendor service components, and for different programs in the preferred portfolio. PSE will stack resources by type and advance proposals to Phase 2 that are price-competitive within each resource stack. Examples of resource stacks for Category A include smart thermostat DR, FTM solar, BTM BESS, etc. For Category B, each vendor service component (e.g. program design, customer outreach & enrollment, etc.) is a separate resource stack. Resource stacks will also take into account responses that target specific communities and overlapping market potential. In determining price-competitiveness, PSE will look for scoring gaps and establish cut-off points, with the goal of advancing as many proposals as needed such that the resources included in Phase 2 amount to at least 150 percent of the resource need, see Table 2. PSE may also hold in reserve a certain number of proposals that fall short of the cut-off point, in the event that one or more of the selected proposals are subsequently withdrawn or eliminated for any reason, including unacceptable risks or fatal flaws identified during the course of additional due diligence.

Proposals that fail to substantiate a viable resource, lack credible detail, involve unacceptable risks or prohibitive costs, or otherwise fail to meet the minimum proposal requirements defined in Section 5 of the DER RFP will not be further considered. Any proposal that does not meet the minimum requirements of this RFP in the preliminary eligibility screening will be disqualified and will not receive a Phase 1 price or non-price score.

All Respondents will be notified of their selection status at the end of Phase 1. Respondents whose proposals have been selected to proceed to Phase 2 will be given an opportunity to submit an updated best and final offer price ("BAFO"). The BAFO may not be higher than the original

price, and no other aspect of the proposal may be changed. If no BAFO is submitted, the original bid price will be used in Phase 2.

Phase 2: Program Building and Design Phase

During Phase 2 of the RFP evaluation process, PSE will design a suite of programs for evaluation from the candidate list developed in phase 1 of Category A "turnkey" and Category B, Value Fit programs, further described in Exhibit A: Evaluation Criteria and Scoring. PSE will then use the BCA tool and qualitative metrics to compare different portfolio mixes to determine the shortlisted portfolio of DERs. Exhibit A provides further details on how PSE will quantitatively evaluate programs and resources, and qualitatively evaluate the customer benefit plans submitted by respondents and associated CBIs.

At the end of Phase 2, PSE will develop a short list of proposals that best align with the Company's overall objective to select a portfolio of resources delivered to its system that balances lowest reasonable cost[15] considering risk, customer benefits, and broad customer class inclusion. The risks associated with determining lowest reasonable cost include compliance with all applicable state laws and regulations, including CETA. The costs and risks associated with compliance with CETA include the customer benefit and equity considerations outlined in RCW 19.405.040(8).

Concurrent Evaluation of the DER and All-Source RFPs

The analysis of the DER and All-Source RFPs will be coordinated to create the most holistically optimized portfolio. Each RFP is separately evaluated through short list selection (Phases 1 and 2 above for the DER RFP). The short list from the targeted DER RFP will be included in a combined portfolio analysis with the short list from the All-Source RFP. Phase 2 of the All-Source RFP evaluation will include a sensitivity that considers optimized portfolio scenarios in which the DER RFP targets are and are not fully met. Aurora will be used for this portfolio optimization and will compare different combinations of resources over a variety of future pricing scenarios. This approach allows for a fair comparison and concurrent evaluation to identify the best resources from both RFPs.

Quantitative modeling

The RFP will use modeling tools and methodologies that are consistent with the 2021 CEIP. In Phase 2 of the DER RFP, the BCA will be used to evaluate all proposals; PSE will use the Aurora model only for the Concurrent analysis. Aurora is a production cost model that will be used for optimal resource selection (also known as long-term capacity expansion modeling) and hourly

[15] *Lowest reasonable cost is defined in WAC 480-107-007 and 480-100-605 to mean "the lowest cost mix of generating resources and conservation and efficiency resources determined through a detailed and consistent analysis of a wide range of commercially available resources. At a minimum, this analysis must consider resource cost, market-volatility risks, demand-side resource uncertainties, resource dispatchability, resource effect on system operation, the risks imposed on the utility and its customers, public policies regarding resource preference adopted by Washington or the federal government, and the cost of risks associated with environmental effects, including emissions of carbon dioxide. The analysis of the lowest reasonable cost must describe the utility's combination of planned resources and related delivery system infrastructure and show consistency with chapters 19.280, 19.285, and 19.405 RCW."*

economic dispatch. Consistent with RCW 19.280.030(3)(a)(iii) and the 2021 IRP, the social cost of greenhouse gases ('SCGHG") is included as a cost adder to emitting resources in the long-term capacity expansion model.

Independent evaluator

In early February 2021, following Commission approval in Docket UE-210037, PSE hired Bates White to provide independent evaluator ("IE") services for the All-Source RFP. For information about PSE's IE selection process and the qualifications of Bates White, please see PSE's petition dated January 19, 2021 in Docket UE-210037, found on the WUTC website. Subsequently, PSE hired Bates White as the IE for the DER RFP to leverage the knowledge gained on PSE's internal processes and priorities through their work on the All-Source RFP.

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Role and scope of the IE

Consistent with the requirements in WAC 480-107, the following sections describe the role and scope of the IE: (i) Role and expectations, (ii) Responsibilities and tasks, and (iii) Deliverables.

Role and expectations

The function of the IE is to consult with PSE, as needed, on the procurement activities in the 2022 DER RFP as described below. The IE will:

- ensure that PSE's 2022 DER RFP process is conducted fairly, transparently, and properly;
- participate in the design of the 2022 DER RFP;
- evaluate the unique risks, burdens, and benefits of each bid;
- provide to PSE the IE's minutes of meetings and the full text of written communications between the IE and PSE and any third-party related to the IE's execution of its duties;
- verify that PSE's inputs and assumptions, including capacity factors and capital costs, are reasonable;
- assess whether PSE's process of scoring the bids and selection of the initial and final shortlists is reasonable;
- prepare a final report to the WUTC after reconciling rankings with PSE in accordance with WAC 480-107-035(3) that must:
    - 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 Respondents; and

- explain ranking differences and why the IE and PSE were or were not able to reconcile the differences.

The IE will participate in meetings with the WUTC and PSE, on an as-needed basis, to discuss its findings. If called upon to testify, the IE may serve as an expert witness in proceedings.

The IE will be given reasonable access to information, meetings and communications related to offers submitted by all respondents. The IE will immediately report to PSE and the WUTC any perceived attempt by any individual or party, including any PSE self-build or affiliate Respondents, to improperly influence any findings determined by the IE, or to challenge or interfere with their independent role in the solicitation process. See also Section 5 subsection Eligibility and Conflict of Interest Disclosure for more information about self-build and affiliate bids.

Responsibilities and tasks

In support of the functions discussed above, the IE responsibilities and tasks will include the following:

- Review and provide feedback and recommendations on PSE's draft 2022 DER RFP, including stakeholder comments. Assess the 2022 DER RFP's design, including review of the adequacy, accuracy and completeness of solicitation materials to ensure compliance with the WUTC's Purchase of Electricity Rules and consistency with accepted industry standards and practices. The IE will participate in the design of the RFP and provide feedback to PSE on the draft 2022 DER RFP prior to their release.
- Advise on the consistency of solicitation activities with the WUTC's rules and procedures and PSE's WUTC-approved 2022 DER RFP.
- Advise on the evaluation process, including recommending data requests, as needed, to supplement the information requested from Respondents in the 2022 DER RFP to allow for a full and fair evaluation of proposals.
- Assess whether the quantitative and qualitative bid evaluation criteria and methodologies are applied to all bids in a fair and non-discriminatory manner and whether PSE's process of scoring the bids and selection of the initial and final shortlists is reasonable. The IE will be provided reasonable access to the evaluation meetings and documentation of PSE's DER acquisition and cross-functional teams, in order to credibly assess the bid evaluation and selection processes.
- Verify that PSE's inputs and assumptions, including capacity factors and capital costs, are reasonable. The IE will be provided with a description of how the evaluation models function, including the inputs and outputs of all models used during the evaluation process.

- Assess whether PSE's process of scoring the bids and selection of the initial and final shortlists is reasonable The IE will score and rank qualifying bids based on PSE's modeling output and an independent qualitative assessment using the RFP's ranking criteria and methodology and consult with PSE to reconcile any ranking differences. If a Respondent makes material changes to its bid after shortlist selection, PSE and the IE will re-rank bids according to the revised bid.
- Monitor the evaluation processes and promptly submit recommendations to PSE's DER manager to ensure that no Respondent has an information advantage and that all respondents or counterparties, if applicable, receive access to relevant communications in a non-discriminatory manner.

Deliverables

- Prepare a final written report as to whether or not PSE's competitive bidding process, evaluation process and decisions were reasonable and appropriate and were applied in a transparent, fair and non-discriminatory manner for all offers received. The report will explain why the IE and PSE were (or were not) able to reconcile any ranking differences. The IE will protect confidential Respondent information subject to the terms of the confidentiality agreement included in the IE RFP and consistent with the terms of the confidentiality agreement included in the 2022 DER RFP.
- Provide to PSE 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.
- Participate as an independent witness or in an advisory capacity during administrative hearings, as required, before the WUTC in any associated proceedings.

Negotiations and contracts

PSE may elect to negotiate price and non-price factors with any Respondent whose proposal has been shortlisted. During negotiations, PSE will continue to update its economic and risk analysis on an as-needed basis to reflect any additional or revised factors that may impact the total cost of a proposed resource.

PSE has no obligation to enter into definitive agreements with any respondent to this DER RFP and may terminate or modify the DER RFP at any time without liability or obligation to any Respondent. This DER RFP shall not be construed as preventing PSE from entering into any agreement that it deems appropriate at any time before, during, or after the DER RFP process is complete. PSE reserves the right to negotiate only with those Respondents and other parties who propose transactions that PSE believes, in its sole opinion, to have a reasonable likelihood of being executed substantially as proposed.

5. Proposal Requirements

Summary of Proposal Submission Requirements

Table 12 below lists required exhibits for Category A and Category B proposal submission. The primary proposal submission documents are Exhibit B for Category A respondents, and Exhibit C for Category B respondents. In addition, Respondents are required to address the requirements included in other specified exhibits as part of the proposal submission. A few of the exhibits (as indicated below in Table 12) are for reference only and do not include any submission requirements.

Table 12. ***Summary of Required Exhibit Submissions***

Exhibit	Required Submission for Category A Respondents	Required Submission for Category B Respondents	For Reference Only
Exhibit A: Evaluation Criteria and Scoring			✓
Exhibit B: Proposal Requirements Forms (Category A)	✓		
Exhibit C: Proposal Requirements Forms (Category B)		✓	
Exhibit D: Mutual Confidentiality Agreement	✓	✓	
Exhibit E: Schedule of Estimated Avoided Cost			✓
Exhibit F: Prototype Ownership Agreement Term Sheet	If Applicable		
Exhibit G: Prototype Capacity and/or Energy Agreement Term Sheet	If Applicable		
Exhibit H: Prototype Clean Energy PPA Term Sheet	If Applicable		
Exhibit I: Master Services Agreement	✓	✓	
Exhibit K: Requirement List			✓
Exhibit L: Resources			✓
Exhibit M: Co-Branding and Customer Interaction Requirements			✓
Exhibit N: IT Security Questionnaire		✓	

Exhibit	Required Submission for Category A Respondents	Required Submission for Category B Respondents	For Reference Only
Exhibit O: Vendor Questionnaire for Non-SaaS Provider[16]			✓
Exhibit P: PSE Customer Consent Letter	If Applicable	If Applicable	

Confidentiality agreement

Each bid submittal shall include a signed and scanned copy of Exhibit D: Mutual Confidentiality Agreement, which is due no later than March 21, 2022. PSE will return one fully executed scanned Mutual Confidentiality Agreement to the respondent.

Consistent with the requirement in WAC 480-107-023, PSE must provide the IE with all data and information necessary to perform a thorough investigation of the bidding process and responsive bids. Consistent with the requirements of WAC 480-107-035, PSE will make available on its website a summary of all proposals received within 30 days of the close of the bidding period.[17] PSE will also file a final summary report with the WUTC pursuant to WAC 480-107-145.

Additionally, in accordance with the requirements of WAC 480-107-145, PSE will retain all information pertinent to this DER RFP process for a period of seven (7) years or until PSE concludes its next general electric rate case, whichever is later. Except to the extent required by law or regulatory order, PSE shall have no obligation under this DER RFP to provide the models and data used in its evaluation process to respondents or other third parties.

DER RFP Proposal Requirements

PSE expects respondents to provide complete information in their original submittals. PSE will not consider proposals that provide insufficient information to substantiate the project or offer. Minimum qualifying criteria are defined later in this section.

[16] *This is provided for reference only and applies to non-SaaS providers. PSE will require Respondents to fill this out in the post selection stage.*

[17] *PSE will post a non-confidential summary of proposals consistent with the requirements of WAC 480-107-035. Past proposal summaries have included a PSE-assigned Project ID#, the state in which the proposed resource is located, the resource type, the operating status of the resource, project COD, term start/end, commercial structure (contract type) and nameplate capacity. For storage resources, PSE includes both capacity (MWh) and duration (hours). For DR resources, PSE typically includes a capacity range (over the program life) and the customer class. Unless otherwise required by law or regulatory order, PSE will not include any specific confidential information (e.g., bid price, owner/developer name, project name, or specific project location) in any non-confidential summary of proposals.*

To ensure that all proposals are thorough and complete, PSE has developed Exhibit B and Exhibit C for proposal requirements forms, Exhibit B (Tab 1) includes a checklist of required items for respondents to complete (see Figure 8 below), and Exhibit C (Section VII) includes a list of additional exhibits for respondents to complete. All respondents must complete a set of Exhibit B or Exhibit C forms, including any required attachments identified therein, for each proposal submitted. Additional information, such as a cover letter or other attachments not specifically required in Exhibit B/C, may be provided as part of a respondent's proposal and will be considered supplementary information to the required Exhibit B/C forms.

Exhibit B/C shall be considered the primary proposal document. While it is the Respondent's responsibility to ensure that all information provided in Exhibit B/C is true and accurate, if PSE identifies an inconsistency between the Exhibit B/C forms and other proposal contents, PSE will seek to clarify the discrepancy with the respondent with a data request. The respondent will be given three business (3) days to correct the discrepancy.

Category A Respondents must complete Exhibit B: Proposal Requirements Forms. PSE has designed the Exhibit B Excel file to be an automated key input to PSE's DER RFP proposal database and models. Respondents may not add, remove or modify tabs in Exhibit B. PSE will reject Exhibit B forms if respondents add, remove or modify tabs in the Exhibit B file. Any changes to the integrity, or failure to complete the required fields of Exhibit B will result in a validation error response and the web platform will not accept the proposal until the error is corrected.

Figure 8. ***Proposal content checklist (Exhibit B, Tab 1)***

1. Proposal Content Checklist

Required for all RFPproposals submitted under Category A: Turnkey Resource Acquisition (Do not remove tabs)

	Proposal element	Required for	Section		Select response from drop-down list
	Required proposal contents	**All proposals**	**Exhibit B**		
1	Proposal Content Checklist	All proposals	Tab 1	1	
2	Commercial Details	All proposals	Tab 2a	2	
3	Offer Details	Proposals including Solar and BESS; Not applicable to Demand Response	Tab 2b	3	
4	Facility	Proposals including Solar and BESS; Not applicable to Demand Response	Tab 3	4	
5	Solar	Proposals including Solar	Tab 3a	5	
6	Battery Energy Storage System (BESS)	Proposals including BESS	Tab 3b	6	
7	Demand Response	Proposals including DR	Tab 3c	7	
8	IT/OT Requirements	All Proposals	Tab 4	8	
9	Energy Output (8760)	Proposals including Solar	Tab 5a	9	
9	Solar Irradiance (8760)	Proposals including Solar	Tab 5b	9	
10	Interconnection	Proposals that include Schedule 152 interconnection	Tab 6	10	
11	Development - Projects Detail	Development or construction project proposals	Tab 7	11	
12	Ownership - Capital Costs	Proposals including asset sale offers	Tab 8	12	
13	Ownership - Operating Costs	Proposals including asset sale offers	Tab 9	13	
14	Bid Certification and contacts	All proposals	Tab 10	14	
15	Mutual Confidentiality Agreement	All proposals	Exhibit D	15	
16	Prototype Term Sheet (by offer structure)	All proposals	Exhibit F, G and H	16	
17	PSE Customer Consent Letter	Proposals for projects with a pending request for or agreement for PSE distribution interconnection	Exhibit P	17	

Proposals must be substantially complete consistent with the requirements of this RFP.

Proposals that do not provide sufficient information to substantiate a project or offer will not be considered in this RFP.

Category B Respondents must complete Exhibit C: Proposal Requirements For Category B. The Exhibit C file asks Respondents for information about their vendor service component proposal, as well as background information about the Respondent and their capabilities. Respondents may not modify Exhibit C in any way. Additional information not required as part of Exhibit C may be included with the proposal and will be considered supplementary. Exhibit C is intended to be accessible to small and medium sized respondents as well as providing broader information to PSE about the respondent's capabilities and potential to be part of a Value Fit program. More information may be needed for later-stage evaluation; Category B respondents who are selected for Phase 2 will be asked for more information at that time.

If any Respondents are interested in providing bids for both Category A and B resources, they must provide separate proposals for each resource with the correct Exhibit completed for each.

Minimum qualifying criteria

PSE considers a variety of evaluation criteria when making resource decisions, as described in Exhibit A: Evaluation Criteria and Scoring to this DER RFP. PSE has also identified a set of minimum qualifying criteria to help respondents craft proposals designed to best meet the objectives of this solicitation. Proposals must meet the minimum criteria outlined below for consideration in this RFP.

For all proposals (as applicable)

- Respondents must submit a complete proposal by the due date specified in Section 7 of the DER RFP, including either Exhibit B or C: Proposal Requirements Forms[18] and all required attachments indicated therein, and all the relevant Exhibits, as stated in Table 12 above. PSE has provided respondents with a proposal contents checklist in Exhibit B: Proposal Requirements Forms (Tab 1), and an additional exhibits list in Exhibit C: Proposal Requirements Forms (Section VII). PSE will not consider proposals that do not provide sufficient information to substantiate a project or offer.
- Each proposal (if applicable) shall acknowledge and state that PSE disclaims and shall not assume any risk associated with the potential expiration of (or the respondent's or other project entity's ability to utilize) any then applicable federal or state tax incentives, cash grant programs, or similar programs meant to support a relevant resource.
- All proposals shall state that there will be no assignment of proposals during the evaluation or negotiation stage of this DER RFP and that, in the event the respondent and PSE negotiate and execute definitive agreements based on the respondent's proposal, the definitive agreements and obligations thereunder shall not be sold, transferred, or assigned, or pledged as security or collateral for any obligation, without the prior written permission of PSE. Any project lender who takes an assignment of the definitive

[18] *Respondents may not modify the contents or structure of the Exhibit B forms in any way. The forms are designed to be inputs to our modeling process. Validation errors in the submission process will result from attempting to modify the forms or a failure to complete the forms, and the proposal will not be accepted by PSE's online platform until the errors are corrected.*

agreements for security and exercises any rights under such agreements will be bound to perform such agreements to the same extent.

- At a minimum, all qualifying Category A responses must:
    - Demonstrate site control consistent with guidance in the non-price scoring matrix in Exhibit A: Evaluation Criteria and Scoring for both the project and any other project-related infrastructure.
    - For proposals requiring interconnection, submit an interconnection application on or before June 1, 2022.
    - Use commercially viable technology.
- To align with PSE's first CEIP, PSE is seeking renewable resources beginning no later than December 31, 2025. Proposals must include a plan to deliver energy and/or capacity by this date.
- All resources proposed must be CETA compliant and connected to PSE's system.
    - FTM BESS resources must demonstrate the ability to charge and discharge as required to meet the need. (PSE requires batteries to be studied additionally as a load. These resources will need to establish both a generation interconnection and a means to charge the load either through retail load service or otherwise.)
- PSE reserves the right to request additional data and engage third-party consultants to independently verify project data.
- For development projects, proposals must describe the respondent's labor plan. As specified in Exhibit A: Evaluation Criteria and Scoring, preference will be given to projects constructed with high labor standards, including family-level wages, benefits and opportunities for local workers and businesses.[19]
- All proposals must state that all environmental attributes [20] associated with the proportionate share of the subject project, if any, will accrue to the ownership and beneficial use of PSE. PSE will not accept REC-only proposals at this time.
- Respondent must provide a customer benefit plan consistent with the provisions in RCW 19.405.040(8). See Exhibit B: Proposal Requirements Forms, Tab 2a. Commercial Details, "CETA Equity Plan and Company Commitments" section or Exhibit C: Proposal Requirements Forms, Section VI: Equity Plan, which guide Respondents to describe a

[19] *As referenced in Exhibit A, PSE prefers projects that utilize a Project Labor Agreement or Community Workforce Agreement for major construction activities associated with the construction of the project. Respondents shall make commercially reasonable efforts to ensure that such Project Labor Agreement or Community Workforce Agreement is eligible to be certified by the Washington Department of Labor and Industries under the standards of the Washington State Clean Energy Transformation Act (RCW 19.405).*

[20] *"Environmental attributes" means generally credits, benefits, reductions, offsets and other beneficial allowances with respect to fuel, emissions, air quality, or other environmental characteristics, resulting from the use of certain generation resources or the avoidance of emissions.*

proposed plan. Respondents may also provide a separately attached written diversity commitment, policy, or plan in addition to their responses to Exhibit B/C.

- All proposals must comply with all applicable laws, regulations and executive orders, including environmental laws, such as the Emissions Performance Standards[21], and labor regulations such as prevailing wage regulations and, if applicable, Clean Energy Labor Standards Certification[22].
- PSE will not accept credit requirements imposed on PSE by the respondent.
- Respondents must certify to adhere to all applicable safety laws, guidelines and industry practices. If proposal is selected for acquisition, PSE reserves the right to review and assess at least the previous three (3) year safety performance of companies responding to this RFP to ensure that they meet acceptable standards. A corporate safety plan and corporate drug and alcohol plan will be required in the proposal.
- Proposal will certify that if selected for acquisition, the respondent will be responsible for meeting its scheduled deadlines. PSE will require the respondent to accept the risk and agree to pay liquidated damages for failing to meet contractual milestones. PSE may impose credit requirements based on the respondent's credit rating.
- Applicable proposals for standalone projects must identify the geographical boundaries of the overall project by map, sketch or drawing, depict all property ownerships within those boundaries on the map, sketch or drawing and provide real estate agreements demonstrating respondent's degree of project site control for the purposes of the proposed project. Per PSE's qualitative scoring matrix shown in Exhibit A: Evaluation Criteria and Scoring, proposals that demonstrate more site control will score higher.
- Proposals must identify required permits and approvals, their status, and provide a schedule for completion as part of the overall project schedule. As discussed in Exhibit A: Evaluation Criteria and Scoring, PSE prefers proposals that further demonstrate a respondent's permitting acumen (e.g. providing a permitting plan or demonstrating progress, identifying required studies and status, successful outreach to lead agencies and stakeholders, indicating past success permitting other projects in the area). Respondents should have begun permitting or long lead-time studies, such as habitat studies. If permitting or studies have not begun, Respondents should present a plan for receiving or completing the aforementioned, respectively.
- Development proposals must include sufficient detail to substantiate a viable project and to adequately assess risk. For example, community solar proposals must also provide the

[21] *System PPAs longer than five years are eligible to participate in this DER RFP; however, they must comply with the Emissions Performance Standards (Chapter 173-407 WAC) and Chapter 480-100 WAC, which require disclosure of the underlying resource or resource pool to verify compliance with the standards.*

[22] *Washington State Labor & Industries is in the process of adopting WAC 296-140 to create a Clean Energy Labor Standards certification program that allows tax breaks for contractors who use diverse labor. As of the filing of this RFP, it is not in effect, but respondents are encouraged to certify for applicable responses when it does go into effect.*

information listed below. Other resource types should plan to provide a similar level of detail and expect a similar level of scrutiny.

- Proposals should include only PV panels from industry-recognized top-tier suppliers.
- Proposals should include full description of PV panels to be used. Proposals should indicate anticipated date of third-party certification of proposed PV panels along with the name of the recognized industry third-party providing certification.
    - Proposals should include documentation of a site-suitability review performed by a third-party.
- Proposals should include documentation indicating the plant's ability to comply with IEEE 1547, CA-21, and UL-1741 for ride-through.

For ownership proposals

In addition to the minimum qualifying criteria required for all proposals listed above, PSE has identified the following additional criteria for ownership proposals:

- PSE will only accept proposals for ownership at or after COD.
- If project is selected, PSE will require comprehensive engineering design documents and drawings well in advance of project construction. Projects will be required to meet all PSE requirements and specifications.
- Respondents shall certify that all proposed design engineering firms and project constructors will have proven expertise and experience in projects of similar scope and size.
- Proposals should include a description of the manufacturer warranties/guarantees for major equipment and the GSU/step-up transformers. Proposals should also include the maintenance requirements to maintain manufacturer warranties.

Additional requirements

In addition to the applicable requirements in the sections above, proposals for Solar, BESS, or Demand Response should provide the following items:

<u>Category A</u>

- Solar
    - Respondents seeking to bid a solar resource must respond to solar-specific requirements in tab '3a. Solar' of Exhibit B.

  - To inform the planning process, Respondents must provide an 8760 generation forecast for the proposed resource (tab '5a. Energy Output' in Exhibit B) and one year of solar irradiance data (tab '5b. Solar Irradiance (8760)' in Exhibit B).

- BESS
  - Respondents seeking to bid a BESS resource must respond to BESS-specific requirements in tab '3b. BESS' of Exhibit B.
    - If available at the time of bid submittal, provide comprehensive engineering design documents and drawings well in advance of project construction. If available, Respondents should also provide one-line diagrams, three-line schematics, communication plans and protocols used, and a list of tags and alarms used in the battery management system ("BMS"). If unavailable at the time of bid submittal, PSE will request this information during the evaluation or negotiation process. Projects will be required to meet all PSE requirements and specifications. These items are described in tab '3b. BESS' of Exhibit B.
- DR
  - Respondents seeking to bid DR resources must respond to DR-specific requirements in tab '3c. DR' of Exhibit B.

Category B

- All Category B respondents must submit a completed Exhibit C: Proposal Requirements Forms, along with the other required exhibits as indicated in Table 12.

Signatures and certifications

Each electronic proposal must include a scanned copy of the Bid Certification Form: Exhibit B (Tab 10) or Exhibit C (Section VIII), signed by a duly authorized officer or agent of the respondent submitting the proposal. By signing the form, the respondent's duly authorized officer or agent certifies that:

- The respondent's proposal is genuine; not made in the interest of, or on behalf of, any undisclosed person, firm, or corporation; and is submitted in conformity with any anti-competitive agreement or rules.
- The respondent has not directly or indirectly induced or solicited any other respondent to submit a false or sham proposal.
- The respondent has not solicited or induced any other person, firm, or corporation to refrain from proposing.
- The respondent has not sought to obtain for itself any advantage over any other respondent by collusion.

Code of conduct, eligibility and conflict of interest disclosure

This DER RFP will accept proposals from all third-party project developers or owners, marketing entities, or other utilities that meet the minimum requirements and comply with the process guidelines described in this DER RFP. All respondents shall disclose in their proposals any and all relationships between themselves, the project and/or members of their project team and PSE, its employees, officers, directors, subsidiaries, or affiliates.

Code of conduct

PSE is committed to a culture of ownership, accountability, honesty, integrity and trust. In conducting this RFP, PSE will follow its Code of Conduct. This Code of Conduct outlines the honest and ethical manner in which all employees and board of directors at Puget Energy, Inc., Puget Sound Energy, and related subsidiaries are expected to behave, with each employee having a duty to uphold the Code of Conduct.

The Federal Energy Regulatory Commission's ("FERC") regulations governing the sales of energy and/or capacity at market-based rates impose restrictions on transactions between "market-regulated power sales affiliates" and their affiliated traditional franchised public utilities with captive wholesale or retail customers. Under FERC regulations, "affiliate" is defined in 18 C.F.R. section 35.36(a)(9).

Washington state law and regulations define what constitutes an "affiliated interest," which is different than how FERC defines "affiliate." In Washington, affiliated interest is defined in RCW 80.16.010.

Self-build proposals

PSE does not plan to submit a self-build proposal in the 2022 DER RFP.

Subsidiary or affiliate proposals

Subsidiaries or affiliates of PSE will be eligible to submit proposals in response to this DER RFP. Each respondent to PSE's DER RFP must disclose any subsidiary or affiliate relationship to PSE in Exhibit B (Tab 2a) to this DER RFP or Exhibit C (Section II). All respondents, including affiliates and subsidiaries of PSE, shall follow a consistent process for submittal. PSE will treat all respondents, including affiliates and subsidiaries of PSE, in a fair and consistent manner throughout the evaluation. Consistent with the provisions in WAC 480-107-023 and -024, the DER RFP evaluation team will neither give preferential treatment or special consideration to any subsidiary or affiliate of PSE to ensure no unfair advantage occurs, nor will PSE or its independent evaluator disclose the contents of its DER RFP evaluation or competing proposals to subsidiaries or affiliates of PSE prior to the information becoming publicly available. The IE will immediately report to PSE and the WUTC any perceived attempt by any individual or party to improperly influence any findings

determined by the IE, or to challenge or interfere with their independent role in the solicitation process.

Validity, deadlines and regulatory approval

Bid validity and deadlines

PSE anticipates selecting a short list in Q3 2022. Unless a bid is withdrawn, PSE will assume that it is valid through completion of the RFP. PSE further assumes that proposals will remain valid for a period that would allow for negotiation and execution of definitive agreements, including any applicable management and regulatory approvals.

Regulatory approvals

Regulatory approvals for resources acquired may not be obtained until the latter half of 2023 or later. PSE may seek post-closing regulatory review of any resource purchases, exchanges, acquisitions, or associated costs that result from this RFP. Such regulatory review could include receipt by PSE from the WUTC of approvals and orders, as applicable, pertaining to and confirming the inclusion of the full amount of any asset purchase price plus PSE's transaction costs and other amounts allocable to the construction, start-up, testing and commissioning of the project, as applicable, in PSE's rate base. Such approvals and/or orders to be in form and substance satisfactory to PSE in its sole discretion.

In addition to being subject to the jurisdiction of the WUTC, PSE is also regulated by the FERC. FERC's jurisdiction and authority over the activities of PSE are defined in the Federal Power Act and include certain aspects of the acquisition of electric power. In particular, Sections 203 and 205 of the Federal Power Act require, respectively, (i) approval by FERC prior to transferring FERC-jurisdictional assets a value in excess of $10,000,000; and (ii) certain filings by PSE to support its authorization to sell power and related products at market-based rates.

Pursuant to Section 203 of the Federal Power Act, FERC has approval authority over any acquisition by PSE of public utility facilities subject to FERC jurisdiction with a value in excess of $10,000,000. In reviewing filings under Section 203 of the Federal Power Act, FERC considers the effect on competition, rates, and regulation. FERC's approval of such an acquisition will be based on a finding that it is "consistent with the public interest."

FERC has authorized PSE to sell power at market-based rates pursuant to Section 205 of the Federal Power Act. As a condition of its authority to sell power at market-based rates, PSE must demonstrate to FERC that it does not possess market power in the relevant markets. Acquisition by PSE of generation or power resources may require PSE to demonstrate that it continues to lack market power after the resource acquisition. In addition, FERC's regulations prohibit PSE from engaging in the wholesale purchase of energy or capacity from an affiliate without first

seeking FERC authorization. As a result, PSE may be required to seek prior FERC approval of any transaction with an affiliated entity.

Accordingly, PSE will evaluate all proposals in light of the requirements of the Federal Power Act and the effect that such regulatory requirements and review may have on PSE.

6. Credit Requirements

PSE will not accept collateral thresholds, credit ratings triggers, general adequate assurances language or similar language that might require PSE to provide performance assurance. PSE developed this policy in order to protect its customers and to avoid undue costs, especially in the event of an industry-triggered credit downgrade.

PSE will require respondents to provide performance assurance. PSE will expect respondents with sub-investment-grade credit ratings (or being of similar creditworthiness), or whose credit ratings drop below investment grade, to provide performance assurance acceptable to PSE. Non-investment grade entities have inherent default risks. Collateral requirements are utilized to mitigate such risks. When certain PPAs are in default, physical supply will be affected. The collateral gives PSE an option to purchase market power to bridge the gap and, in turn, protect its ratepayers from both cost and reliability risks. This is consistent with standard industry practices.

In addition to any provisions included in the prototype term sheets for ownership agreements (Exhibit F to this DER RFP), capacity and/or energy agreements (Exhibit G to this DER RFP), or clean energy power purchase agreements (Exhibit H to this DER RFP) PSE may require negative control provisions[23] in any definitive agreements.

[23] *"Negative control provisions" means covenants restricting respondent business practices that could jeopardize respondent's ability to perform its obligations.*

7. Proposal Submission

Submission process, deliverables and deadlines

PSE is developing a web platform for respondents to confidentially submit electronic proposals to this DER RFP. PSE will provide a link to the platform and instructions for proposal submission on the RFP web site (www.pse.com/rfp) once the final RFP is issued, or soon thereafter.

Questions or comments about the DER RFP may be submitted to DERRFPmailbox@pse.com. PSE will post answers to questions on its RFP website. RFP schedule updates and any supplemental informational updates associated with this RFP will also be posted to PSE's RFP website. Table 13 outlines the relevant deliverables and deadlines.

Table 13. *Deliverables and Dea*dlines

Deliverable	Date Due	Format
DER RFP proposal *(See Section 5 and Exhibit B/C for Proposal Requirements)*	March 21, 2022	• One electronic copy of the proposal via PSE's confidential electronic proposal submission web platform (instructions will be provided on www.pse.com/rfp when the final RFP is issued) ○ Proposal must include one complete Excel copy of the Exhibit B or C: Proposal Requirements Forms and all required attachments (as indicated therein) [24] ○ Proposal must include one signed scanned copy of Exhibit D: Mutual Confidentiality Agreement ○ Proposal must also include a signed scanned copy of the Bid Certification Form, Exhibit B (Tab 10) or Exhibit C (Section VIII) in addition to the live version included in the form

[24] *Respondents may not add, remove or modify tabs in Exhibit B (Proposal Requirements Forms). PSE has designed this Excel file to be a key input to PSE's DER RFP proposal database and models. PSE will reject Exhibit B forms, if respondents add, remove or modify tabs in the Exhibit B file. Any changes to the integrity of, or a failure to complete the required fields of, the Exhibit B file will result in a validation error response and the web platform will not accept the proposal until the error is corrected.*

Proposal requirements forms (Exhibit B and Exhibit C)

PSE is committed to providing Respondents with the guidance needed to successfully complete Exhibit B or C and to navigate the newly designed proposal submission process. Only Exhibit B will be subject to the automatic intake and data validation processes. PSE will not simply reject bids due to a data entry error or a misunderstood direction for a specific field. To help Respondents successfully submit their proposals, PSE will provide the following:

- a downloadable user instruction manual on how to navigate and use the RFP submission portal and its core features and functions,
- a downloadable user reference on typical expected data validation error messages,
- a live demonstration at the Respondents' conference to show Respondents how to submit a proposal and what to expect with the automated screening,
- unlimited access to submit and resubmit proposals during the RFP submission window, and
- a three-day curing period after the RFP due date to allow Respondents to remedy an unacceptable term or condition, or other non-conforming criteria or fatal flaw in a proposal.

Respondents may also reach out to DER RFP team staff through the DER RFP mailbox (DERRFPmailbox@pse.com) with questions about Exhibit B or C, and the automated submission process.

Respondents should note that the bid submittal deadline is not subject to the three-day cure period. It is expected that respondents will plan ahead to submit their bids on time, allowing for sufficient time to seek advice from the DER RFP team, in the event of any data entry errors. Respondents are encouraged to submit early to confirm that their proposal forms will be accepted by the automated system. Respondents will have until the due date to delete and resubmit forms and other supporting files from the portal.