2022 All Source RFP Evaluation Methodology

Confidential 10/20/2021

A. Each proposal will be reviewed to verify it meets the general qualifications. If the proposal fails to meet these guidelines it will not receive further consideration.

Evaluation Criteria

1. Meets timeline requirements set forth in the RFP document.
2. Site control is demonstrated by ownership, leases, options, or other proof of control.
3. A viable financial plan to bring project to completion is documented by a balance sheet, funding sources, or a viable business plan.
4. Bidder must meet credit requirements as outlined in RFP.
5. For new generating resources, a major component procurement plan must be in place.
6. Project must be able to demonstrate ability to interconnect or deliver to Avista's system.

B. For each proposal meeting the general qualifications, it will be evaluated on six characteristics (Table 1). Weightings are determined based on importance to meet Avista's resource development goals stated in the 2021 Integrated Resource Plan and 2021 Clean Energy Implementation Plan. Within each criterion evaluated, points can be subtracted or added to the initial 100 points based upon responses to the RFP and Avista's interpretation of provided data. The evaluation scoring may change depending upon proposals with circumstances not considered in this evaluation methodology.

Given Avista's objectives in the RFP to add both clean energy and capacity, the selection of proposals will be determined by the best combination of proposals to meet both clean energy and capacity objectives on a lowest reasonable cost basis.

Table 1: Evaluation Criteria

Characteristic	Weighting (%)
Risk Management	[redacted]
Customer Energy Impact	[redacted]
Price Risk	[redacted]
Electric Factors	[redacted]
Environmental	[redacted]
Non-Energy Impact	[redacted]
Total	100

1. Risk Management ([redacted]%)

An investment grade credit rating is required for the bidder. If the bidder is not rated by Standard & Poor's and/or Moody's, a guaranty from an investment grade parent company/credit support provider will be considered. Absent an investment grade rating, the bidder or its parent company/credit support provider will be asked to provide collateral in the form of a letter of credit, a cash deposit, or another form of collateral acceptable to Avista[1]. For a bidder or its credit support provider, the credit rating utilized will be the lower of the long term, unsecured and unsubordinated debt ratings assigned by either Standard & Poor's or Moody's[2]. Further, the bidder must have a solid corporate track record and must be capable of (A) providing adequate financial performance assurance and (B) demonstrating experience developing and/or operating generation projects.

Evaluation Criteria

Adequate Financial Performance

- Either the project is constructed; or will be "balance sheet" financed; or the project has secured a power purchase agreement (PPA) financing and Bidder can verify that such financing has been secured. [redacted]
- Project needs to secure PPA financing. The Bidder has experience obtaining financing for at least 1 project of similar technology and capacity. [redacted]
- Project needs to secure PPA financing. The Bidder has experience obtaining financing for at least 1 project of any technology and capacity. [redacted]
- None of the above. [redacted]

Generation Project Development Experience in the United States

- The Bidder has completed 2 or more projects of similar technology and capacity. [redacted]
- The Bidder has completed 2 or more projects of any technology and capacity (wholesale generation). [redacted]
- The Bidder Team (not Bidder entity) has only one project of similar technology and capacity; or begun construction of at least one other similar project. [redacted]
- The Bidder Team (not Bidder entity) has completed at least one project of any technology and capacity (wholesale generation); or begun construction of at least one other similar project. [redacted]
- None of the above. [redacted]

[1] A bank, serving as the credit support provider or issuer of a Letter of Credit, must have a minimum credit rating of A- or A3 (S&P, Moody's). Foreign guarantors will be allowed on a case by case basis determined by the Avista legal department.
[2] Should a party be rated by both S&P and Moody's and a split rating situation exists, the lower of the two ratings will be utilized.

2. **Customer Energy Impact ([redacted]%)**

Proposals will be evaluated using a portfolio optimization approach to determine the mix of the lowest cost resources with the minimum impact to customer's energy burden. Each proposal will be an option to meet Avista's capacity, energy, and clean energy needs. Avista will choose resources similar to Avista's Integrated Resource Plan where resources can serve both states or individually Idaho or Washington. Each proposal will be evaluated within the wholesale marketplace to determine the market value of the energy based upon the individual resource characteristics. The market values in combination with each proposal's cost, energy production, and capacity contribution will be evaluated simultaneously to determine the best resource combination to meet Avista's objectives.

The analysis will include the following costs and/or benefits beyond those bid into the RFP:

- **Mid-Columbia Price Forecast** – wholesale electric price forecast; forecast will include expected market impacts of Washington's cap and trade.
- **Ancillary Services and Load Following** – Avista is currently conducting an intermittent resource integration study; this RFP analysis will use the best available information from this study for resource consuming capacity; for projects with ability to assist with intermittent resources will receive a credit based on its ability to provide these services.
- **Renewable Energy Certificate Pricing –** For the Idaho jurisdiction; Avista will include a forecast of REC prices using currently available prices.
- **Greenhouse Gas Reduction Compliance** – for projects serving Washington customers; a carbon allowance price will be included using the best pricing information available at the time of the analysis. Avista may use California's CEC price forecast unless a Washington specific price forecast is identified.
- **Transmission Costs** – Avista will include total Avista interconnection and transmission cost for project on its system or third-party wheeling cost for projects outside the service territory. Avista will include any benefit Projects may deliver to optimize existing transmission capacity.
- **Capital Recovery** – for projects with ownership options, Avista will use its current cost of capital and regulatory recovery mechanisms to spread upfront cost over the life of the project.
- **Imputed Debt –** In the event a power purchase agreement (PPA) will require additional equity capital Avista will include these costs for the PPA option.
- **Miscellaneous Revenue Charges –** for all expense items, Avista will include revenue gross up charges to illustrate all cost as customer revenue requirements.
- **Terminal impacts –** in the event a resource has end of life consequences a terminal value will be assessed either for retirement obligations of brownfield site value.
- **Resource Adequacy** – The ability of the project to meet capacity requirements (Qualifying Capacity Contribution- QCC) will be evaluated in the context of NWPP regional resource adequacy efforts, provided information is available.

Evaluation Criteria

Projects will be assigned points based on its selection within the portfolio model. For example, all projects will be options in the model for selection, the top selected project will receive 100 points. Then the top projects will be removed as options, to identify the next best projects. The next selected projects will receive points based on the relativity to other projects. All bids will be ranked from lowest to highest and divided into three or four natural price breaks. The best price in each group will get maximum points for the group, the remaining bids will get points awarded based on a percentage difference from the top bid in the group. All bids will be financially reviewed, and points could be adjusted based upon financial results. Avista may utilize a simplified project evaluation to pre-screen proposals in advance of this methodology.

- Group 1: up to [redacted] points
- Group 2: up to [redacted] points
- Group 3: up to [redacted] points
- Group 4: up to [redacted] points (if necessary)

3. Price Risk ([redacted]%)

Price risk is the risk of the project costing more than the expected price. Price variance can result from fuel supply, cost of construction, operations and maintenance, inflationary risks, or annual generation variance causing subsequent market energy/REC purchases.

Evaluation Criteria

- Long-term price risk
  - Fixed price over contract term (known escalator is acceptable). [redacted]
  - Cost based pricing without price cap. [redacted] based on an assessment of relative cost increases.
  - PPA tied to the U.S. Implicit Price Deflator or similar index. [redacted] multiplied by the percentage of contract price tied to index.
  - Pricing is subjected to the natural gas market. [redacted]
- Energy variability risk
  - Fixed price with variable energy risk is scored based on the proportion of the fixed cost as a percentage of the total project cost. [redacted]
  - Variable energy with a price per MWh is scored based upon the expected annual variation in generation. [redacted]
- Construction Risk is scored based upon the percentage of estimated construction costs that are not known as a proportion of the total cost of the project. [redacted]
- Fuel supply risk
  - Bidder demonstrates that the resource can support the production profile. [redacted]. For example:
    - Geothermal: Based on results of test wells, verified third party resource assessment or comparable facilities in the region.
    - Wind: Based on meteorological tower data, verified third party resource or in-house assessment or comparable facilities in the region.

- Biomass: Sufficient quantities of fuel stock under control or contract for a minimum of five years.
- Solar: Based on verified third party resource assessment.
- Hydro: Based on either BPA, Power Pool, or other long-term assessment
- Natural Gas: Need to show adequate fuel transportation supply
- Demand Response: Perspective list of loads to be curtailed under contract vs not under contract.
- Other: Demonstrate adequate source of supply.
- None of the above. [redacted]

o Project without a verified fuel supply will receive up to [redacted] reduction if its production estimates are 20 percent higher than known energy deliveries from similar technologies within the region.

4. <u>Electric Risk Factors ([redacted]%)</u>

Quantifies the stage of the proposal's transmission/interconnect process, quality of interconnection, transmission costs, and project technology's quality and history. To receive 100 points the project must have a completed interconnection facilities study, proven transmission capability to serve Avista's customers, and use proven high-quality generation technology. Other transmission advantages such as no impact on transmission capability, lessening congestion issues, or creating redundancy will be awarded points depending upon the ramifications to the system.

<u>Interconnection Evaluation Criteria</u>

- Interconnection feasibility study not started. [redacted]
- Interconnection system impact study not started. [redacted]
- Interconnection facilities study not started. [redacted]
- LGIA completed: [redacted]

<u>Transmission Evaluation Criteria</u>

- Lack of firm transmission to Avista's system. [redacted]
- Lack of non-firm transmission to Avista's system. [redacted]
- Project requiring upgrades to Avista's transmission system will be evaluated within the financial analysis.
- Project is on constrained path (see "transmission table"). [redacted] depending on solutions to resolve path constraints.

<u>Technology Evaluation Criteria</u>

- Proposal will use commercialized technology that is currently in use at a minimum of two utility scale operating facilities (programs for DR) without significant operational issues. [redacted]

[redacted] Either (i) the proposal will use key components of commercialized technology, but in an application that has not yet been commercially proven; or (ii) project feasibility is supported by third party, independent engineer's report that verifies the cost and performance; or (iii) technology is subject to foreign adversary supply chain risk. (Technology is not commercially proven or supply chain risk). [redacted]

- None of the above[redacted].

Procurement Process Criteria

- For bids with the major component procurement process not complete
  - Bidder has financial assurance or a frame agreement with supplier – [redacted]
  - Bidder requires letter of credit or credit supporter or PPA with no major component agreement- [redacted]
  - Demand Response program relying on significant customer recruitment. [redacted] depending upon history of customer program recruitment.

5. Environmental ([redacted]%)

This criterion quantifies the proposal's capability to meet local, state, and federal agency permit requirements and its ability to acquire land for right away or other uses. This section evaluates how a resource impacts the environment, including air quality impacts. This section also evaluates if the technology is proven to meet environmental laws and regulations. A project must be fully permitted and can meet project schedule to receive 100 points.

Evaluation Criteria

- Bidder has a Conditional Use Permit and all other permits required to construct and/or operate the project. [redacted]
- SEPA/CUP filed and pending approval. [redacted]
- Brownfield sites requiring additional permits. Minus up to 50 points based on analysis of probability of completion.
- Failure to file SEPA/CUP filing. [redacted] Projects may receive partial credit if similar projects have received permits in a timeline acceptable to meet the requirements of this RFP.
- Survey Status- Projects with failing to receive a SEPA/CUP but completed some of the following studies may receive partial credit.
  - Avian
  - Bat
  - Wetlands
  - Habitat
  - Cultural
  - Visual
  - Microwave
  - FAA
  - Air emission permits
  - Other Required Permits
- Project has a net negative outdoor air quality impact. [redacted]

6. Non-Energy Impact ([redacted]%)

This criterion values non-energy impacts, qualitative and where available quantitative.

- Community Involvement – demonstrated local support (e.g. public meetings, letter(s) of support from municipality or project neighbors) in an effort to avoid project delays and gain local project support. [redacted].
- Named community – projects located in named communities that will deliver additional benefit (increased tax base, jobs, access to clean energy) receive [redacted]
- Lack of community involvement, [redacted]
- Energy resiliency and security Projects outside the states of Idaho or Washington receive [redacted]
- Energy resiliency and security Projects within the service territory or outside the service territory but directly connected receive [redacted]
- *Quantitative Non-Energy Impacts – Avista has engaged a third-party consultant to determine non-energy impacts of supply side resource opportunities, if available these impacts will be used in this analysis for projects serving Washington customers. Could be added or minus points or replace other point qualifications.*