



2021 RFP Evaluation Process Document

Appendix F. Customer Benefits and Equity

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APPENDIX F. CUSTOMER BENEFITS AND EQUITY

Customer Benefits and Equity

This attachment describes PSE's approach to considering customer benefits and equity in its evaluation and selection of proposals submitted in response to the 2021 All-Source RFP.

RFP participation and outreach

PSE's All-Source RFP encouraged all bidders able to meet the requirements of the RFP to participate, including those representing minority-, women-, disabled- and veteran-owned businesses. Further, the RFP encouraged bidders interested in partnering with PSE to support supplier diversity through inclusive, competitive procurement processes to participate. To support this effort, PSE issued a press release for its All-Source RFP, posted an announcement and details about the RFP on its public web site, sent notifications to the members of its Integrated Resource Planning Advisory Group, and sent announcements and updates to more than 800 stakeholders and interested parties on its RFP distribution list. PSE also reached out directly to the Washington Office of Minority and Women's Business Enterprises ("OMWBE") to inform them of the upcoming RFP and public comment process, and encouraged them to notify their membership base. As part of its outreach effort, PSE reviewed the OMWBE public database of member organizations and sent RFP notifications to all potentially relevant members.

RFP minimum requirements

PSE included consideration of equity and customer benefits in each phase of its RFP evaluation process. The RFP required bidders to provide an equity and customer benefit plan ("ECB plan")¹ demonstrating their proposals' alignment with goals set forth in Washington's Clean Energy Transformation Act ("CETA"), RCW 19.405. Bidders were required to respond to a series of questions in the RFP proposal forms (Exhibit B to the All-Source RFP), which were designed to capture the following information about the project relevant to supporting goals set forth in RCW 19.405.040(8)² related to customer benefits; diversity, equity and inclusion; and labor:.

1. Customer Benefits from Transition to Clean Energy
 - a. How the proposed resource would improve the equitable distribution of energy and non-energy benefits to highly impacted communities and vulnerable populations

¹ The ECB plan was initially called an "equity plan" in the draft RFP and later changed to "customer benefit plan" in the final RFP subsequent to public comment from WUTC staff. The terms are used interchangeably in the 2021 RFP documentation and both terms are used here, since this part of the RFP evaluation broadly considered both customer benefit indicators and equity, diversity and inclusion.

² In complying with this section, an electric utility must, consistent with the requirements of RCW 19.280.030 and 19.405.140, ensure that all customers are benefiting from the transition to clean energy: Through the equitable distribution of energy and nonenergy benefits and reduction of burdens to vulnerable populations and highly impacted communities; long-term and short-term public health and environmental benefits and reduction of costs and risks; and energy security and resiliency.

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- b. How the proposed resource would reduce burdens to highly impacted communities and vulnerable populations
 - c. What long-term and/or short-term public health impacts the proposed resource would produce
 - d. What long-term and/or short-term environmental impacts the proposed resource would produce
 - e. How the proposed resource will help maintain or strengthen the energy security and resiliency of PSE's service area
2. For projects located in Washington:
 - a. Whether the location has been designated as a highly impacted community in the Department of Health's Cumulative Impact Analysis
 - b. A description of the estimated local employment impacts from the proposed resource
3. Diversity, Equity, and Inclusion
 - a. Whether the bidding entity is a women-, minority-, disabled-, and/or veteran-owned business per WAC Chapter 480-107-145(2)(f) and if yes, to specify relevant demographics.
 - b. Description of the bidder's use diverse businesses, including (but not limited to), women-, minority-, disabled-, and veteran-owned businesses in the past
 - c. If and how the bidder intends to or will seek out and utilize diverse businesses, including (but not limited to), women-, minority-, disabled-, and veteran-owned businesses for the proposed resource
 - d. Whether the bidder offers diversity training for its employees and if it has a written diversity commitment, policy or plan, and a description
4. Labor
 - a. If and how the bidder intends to comply with the labor standards in RCW 82.08.962 and 82.12.962, and to provide a labor plan, if established
 - b. Whether the bidder will utilize a Project Agreement or Community Workforce Agreement for major construction activities associated with the construction of the project
 - c. If the bidder participates in any programs that offer apprenticeship or workforce development specifically to minorities and/or women, and a description
 - d. Whether the project will utilize apprenticeship during the construction phase of the project

In addition to the above, bidders were strongly encouraged to provide a supplemental customer benefit plan further describing how the proposal would contribute to CETA's equity goals, including specific commitments to support of those goals and any additional detail that would help PSE assess the credibility and viability of the bidder's plan with respect to furthering equity. All bidders were given an opportunity to update their ECB plans after PSE filed its final 2021 CEIP in December 2021, and asked to take into account the prioritized customer benefit indicators identified in the 2021 CEIP.

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Evaluation approach

Phase 1 criteria and evaluation

In Phase 1 of the RFP, proposals were evaluated and ranked based on their combined quantitative (price) and qualitative (non-price) scores, weighted at 70% and 30% respectively. Qualitative scoring was based on a rubric composed of six overall categories. Exhibit A to the the 2021 RFP document (Evaluation Criteria and Scoring) describes the details of each scoring rubric category and provided related guidance for bidders. The ECB plan category carried the highest weight of the six overall categories in the qualitative evaluation:

1. Counterparty Viability	3%
2. Project Viability	3%
3. Site Control	3%
4. Permitting & Studies	3%
5. Energy Delivery	7.5%
6. Equity/Customer Benefit	10.5%
TOTAL	30%

PSE evaluated and scored each proposal based on the degree to which the proposal information and ECB plan addressed one or more or of the five customer benefit indicator (“CBI”) categories in alignment with the CETA statute, RCW 19.405.040 (8):

1. Environment
2. Health
3. Economic
4. Energy and non-energy benefits
5. Energy security and resiliency

A cross-functional- team of subject matter experts (“SMEs”) including resource acquisition, clean energy strategy, distributed energy resources, and other internal teams worked together to evaluate each proposal on the basis of its potential contribution to each CBI category and merits with respect to diversity, equity and inclusion. This cross-functional team led both the evaluation and rubric scoring, engaging as needed other internal SMEs on topics such as regulatory, public relations and labor. The evaluation team considered specific plans to address the CBI categories, as well as commitments from bidders to carry out their plans and/or track the contributions of the proposed project. Bidders were encouraged to include in their plan methods by which non-energy benefits may be quantified.

After PSE filed its final 2021 CEIP, PSE invited all RFP bidders to submit updates to their ECB plans by taking into account the prioritized CBIs identified and described in the 2021 CEIP. PSE finalized ECB plan score for each proposal only after these updates were received and reviewed. Proposals that minimally addressed equity and customer benefits across the five CBI categories received a score of one, while those that strongly addresses at least two CBI categories received a two, with a potential

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highest score of five for proposals that strongly addressed all five categories. No project received a score higher than three in the CBI category at the end of Phase 1.

Throughout the the qualitative evaluation and scoring process, PSE held recurring meetings with its independent evaluator (“IE”) to review and discuss draft preliminary scoring results, findings and rationale, including specific discussion associated with PSE’s evaluation of the ECB plans and ECB scores. The IE also offered guidance to help ensure that evaluation criteria were applied consistently and fairly to all proposals.

Phase 2 evaluation and results

In Phase 2 of the RFP, PSE performed a portfolio optimization sensitivity analysis (the “CBI sensitivity analysis”) aimed at producing a resource portfolio that would meet the capacity and renewable need identified while also maximizing CBIs for comparison with the base case portfolio. In this sensitivity that aims to “maximize CBIs”, PSE identifies and models a specific set of resources that help to achieve the maximum amount of customer benefits. PSE conducted this sensitivity as one of the final steps taken prior to selecting the short list. During phase 2, PSE also conducted a due diligence review of each proposal to verify proposal information, identify key commercial issues and assess project risks. To establish the pool of resources included in the CBI sensitivity analysis (the “CBI pool”), PSE (i) identified the list of proposals with a Phase 1 ECB plan score of two or better, and (ii) eliminated proposals set aside (or withdrawn) during the Phase 2 due diligence as the result of the project having one or more identified fatal flaws or excessive risk. PSE also relied on its Phase 2 due diligence (in subject matter areas such as community, regulatory and permitting) to help validate proposal claims used to determine the Phase 1 ECB plan scores and inform selection of the CBI pool.

The resulting CBI pool was a mix of resources sufficiently large and diverse to allow the portfolio optimization model to solve for the capacity and clean energy targets of the RFP: These included:

- 11 Battery Energy Storage Systems (1,875 MW)
- 3 Biodiesel (643 MW)
- 3 Standalone wind (458 MW)
- 3 Standalone solar (550 MW)
- 2 Solar hybrid (300 MW)

Since no project scored above a three in Phase 1, projects with an ECB plan score of two or higher that had no identified fatal flaws in the risk analysis were eligible for inclusion in the CBI sensitivity analysis conducted during Phase 2. Table 1 below provides a quick summary of the resources included in the CBI pool.

Table 1. *Phase 2 resources included in the CBI Pool*

Resource Type	Proposal Name	Proposal ID	Capacity (MW)
Solar Hybrid	[REDACTED]	6236, 7621	100
Flexible Capacity	[REDACTED]	5964	215
Standalone Solar	[REDACTED]	9015	160
BESS	[REDACTED]	4644, 5008	100

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BESS		5684	100
MT/WY Wind		2958	98.7
Standalone Solar		9374	90
BESS		9851	200
BESS		6465	200
BESS		4101	200
MT/WY Wind		1413	220
BESS		7418	200
Flexible Capacity		4240	214
WA/OR Wind		4091	140
BESS		3771	300
BESS		9439	125
Standalone Solar		8652	300
Flexible Capacity		4929	214
BESS		2841	100
BESS		1054, 1058, 9831	200
BESS		5435	150
Solar Hybrid		2725	200

CBI sensitivity results and conclusions

The results of the CBI sensitivity analysis showed that the combination of resources selected from the CBI pool produced a net present value (“NPV”) portfolio cost approximately \$126 million higher than the base case results. Five of the proposals from the CBI sensitivity analysis were already selected in the base case for the short list, two were included in the backup list, and two were not included in either the base case or the backup list. Specifically, the “CBI portfolio” included:

- Five proposals on the base case short list:
 - [REDACTED] (#7621)
 - [REDACTED] (#8652)
 - [REDACTED] (#9015)
 - [REDACTED] (#2958)
 - [REDACTED] (#5684)
 - [REDACTED] (#9851)
- Two proposals on the backup list:
 - [REDACTED] (#1413)
 - [REDACTED] (#4101)
- Two proposals on neither the shortlist nor backup list:
 - [REDACTED] (#9374)
 - [REDACTED] (#5435)

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It should be noted that PSE treated the three shortlisted resources from the concurrent targeted DER RFP as “must take” resources in the portfolio optimization modelling in both the base case and CBI sensitivity. PSE identified increased and expanded access to DER resources as a key goal and prioritized CBI in the 2021 CEIP.

PSE reviewed and discussed the sensitivity results with the IE as part of its short list reconciliation process. Based on the commonalities between the base case and CBI sensitivity, and delta between the two optimized portfolios, the IE agreed with PSE’s recommendation to proceed with shortlisting using the base case portfolio.

Contracting provisions for shortlisted bidders

PSE expanded the reporting requirements in its standard form contracts for shortlisted bidders in the 2021 RFP. These requirements aim to provide PSE with data to track CBIs identified in the 2021 CEIP relevant to utility scale resources, and in particular those CBIs relating to *highly impacted communities* and *vulnerable populations*, as defined by the Washington State Department of Health in its Cumulative Impact Analysis. The standard contract language also includes provisions requiring bidders to provide periodic reports on their engagement and activities within the local community, and to report on how they have fulfilled commitments made in their ECB plans.