

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

Exhibit A. Evaluation Criteria and Scoring

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

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

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

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

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

Quantitative metrics and price score (70%)

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

¹ See 2021 IRP Preferred Portfolio

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

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

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

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

PSE’s proprietary Portfolio Screening Model (“PSM”) calculates the revenue requirements for PSE’s incremental power portfolio based on the 2021 IRP generic resource strategy², any updates to the Company’s resource needs, as well as other inputs and assumptions (such as load forecast and market prices) from the IRP. PSE adds individual proposals to the power portfolio and uses PSM to optimize the lowest cost generic resources that meet needs while satisfying all constraints. This creates a new portfolio and portfolio cost that can be compared to the all-

² See the 2021 IRP preferred portfolio for a description of the generic portfolio

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

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

In the Phase 2 portfolio optimization modelling, PSE may perform analyses aimed at producing a resource portfolio that meets the capacity and renewable need while maximizing customer benefit indicators (“CBIs”) prioritized by the ongoing public participation and advisory group process with stakeholders. Any analysis performed by the resource acquisition team is anticipated to follow an approach similar to the Clean Energy Implementation Plan (“CEIP) team’s work on customer benefits and include the prioritization of CBIs developed through the ongoing public participation and advisory group process with stakeholders.

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

Table 2. Metrics calculated by PSM to assess RFP proposals

Metric	Description	Value
Portfolio benefit (\$)	Difference between the net present value portfolio revenue requirement with the proposed project in the portfolio replacing an equivalent amount of generic resource, and the net present value portfolio revenue requirement of the all-generic	Higher is better. Useful for comparing projects of similar size and technology type. Used to determine the least cost combination of resources that meets PSE’s resource needs.

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	portfolio. Projects may have a portfolio benefit by displacing higher cost capacity resources, renewable resources, or a combination of both.	
Portfolio benefit per offered Nameplate (\$/MW)	Net present value of a proposed project's portfolio benefit divided by the net present value of the project's offered nameplate capacity.	Higher is better. Useful for comparing different project sizes and technologies. Used along with qualitative metrics in establishing an initial ranking of projects for inclusion in the portfolio optimization.
Levelized cost of energy (\$/MWh)	Net present value of a proposed project's revenue requirement divided by the net present value of the project's generation.	Lower is better. Useful for comparing projects that have the same or similar operating characteristics. Less useful for projects with low or no generation.

Qualitative metrics and non-price score (30%)

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

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

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

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

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

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

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