Evaluation Criteria

1 Compatibility with Resource Need

Evaluation Criteria	Description
1. Timing	PSE prefers proposals that offer: • energy and/or capacity in a time frame consistent with PSE's needs • substantial assurance of being commercially available according to the schedule proposed • flexibility in development schedule and/or contract start date to accommodate PSE's timing needs
2. Match to need through ownership	Proposals that offer generation from an underlying asset that closely matches PSE's annual capacity requirements, or that offer output which can be controlled by PSE are preferred to those that rely on shaping through short- or long-term arrangements.
3. Match to need through contract	PSE prefers proposals that provide a fixed annual price and closely match PSE's annual capacity requirements. PSE also prefers proposals that provide fixed transmission capacity from BPA's system to PSE's system and closely match PSE's annual capacity requirements.
4. RPS requirement	Proposals in which qualified renewable generation or RECs are closely aligned with PSE's renewable need as mandated by the Energy Independence Act, Chapter 19.285 RCW.

Evaluation Criteria	Description
5. Operational flexibility	PSE prefers proposals that offer control of project output whereby the Company may respond to seasonal and real-time fluctuations in load/resource balance and system reliability events. This includes, for example, dispatch or displacement of the project in real time and, for jointly-owned projects, the ability for PSE to elect to use generation output that would otherwise have been displaced by the other owner for reliability purposes. Additionally, PSE prefers proposals that provide the ability to carry operating reserves.
6. Performance within existing PSE generation portfolio	Analyses will include such factors as: • impact on system reliability • system dispatch and displacement • location with respect to the regional transmission system and PSE's electric system • impacts on system reserves, load following, integration costs and other factors
7. Resource mix / diversity	The diversity of resource technology and fuel types will be considered in a manner consistent with PSE's Integrated Resource Plan. Specific considerations shall include: • technology type • fuel supply type • fuel supply source • fuel supply reliability, including control and deliverability

2 Cost Minimization

Evaluation Criteria	Description
1. Resource cost	PSE prefers proposals that provide the lowest reasonable cost throughout the project life, taking into account the price of the proposal and other factors that impact PSE's overall cost. Such factors include, but are not limited to: • capital cost • financing cost • operation and maintenance cost • fuel and fuel transportation cost • fixed and variable power purchase agreement cost • transmission cost • ancillary services • integration costs • transmission system upgrades • cost to rebalance debt/equity ratio for imputed debt and consolidated debt • cost of credit facilities • transaction costs and other management costs, etc. • cost to meet environmental compliance, including capital improvements and/or capacity limitations and restrictions • renewable energy credits

Evaluation Criteria	Description
2. Transmission	PSE prefers long-term firm delivery of energy to its service area. In the absence of the assurance of firm delivery at the time of proposal, PSE prefers proposals that provide a high likelihood of acquiring adequate transmission rights. Proposals that do not include long-term firm transmission to PSE's service area, that would produce congestion or that would increase PSE's transmission costs will be compared unfavorably with other proposals and/or will be assessed the additional cost to PSE as part of the evaluation process.
3. Portfolio cost impact	PSE prefers proposals and combinations of proposals that result in the lowest impact on PSE's revenue requirements and rates when included in PSE's existing generation resource portfolio.

3 Risk Management

Evaluation Criteria	Description
1. Status and schedule	All other things being equal, PSE prefers operating projects first, projects under construction second, and development projects third. With respect to development projects, PSE prefers proposals which demonstrate that the respondent has the experience and financial resources to complete the project and has made significant progress in securing necessary permits, property rights, equipment, regulatory approvals, water rights, wastewater and disposal rights, project agreements and all other rights or arrangements necessary for a completely commercially operational project within the time frame proposed for commercial operation.
2. Price volatility	Proposals that provide significant long-term control of fixed and variable costs are preferred.
3. Resource flexibility and stability	PSE prefers proposals that provide flexibility for expansion to meet PSE's growing needs as required. Proposals that include project agreements and all other rights and arrangements coterminous with power purchase delivery periods or project life are preferred.
4. Resource technology	Proposals that are based on commercially-proven technology with demonstrated long-term reliability and performance history are preferred. Proposals that are based on technologies whose output may be controlled are preferred.

Evaluation Criteria	Description
5. Long-term flexibility	PSE prefers proposals that offer the Company the flexibility to adjust its position in a resource long term, up to and including termination.
6. Project risk	Proposals that involve minimal risk for timely plant completion within cost projections are preferred. Proposals that minimize exposure to environmental risk or other potential liability, including expected or potential carbon control or mitigation costs, are preferred.
7. Impact on PSE's overall risk position	Proposals and combinations of proposals will be evaluated to determine the impact of the proposal(s) on PSE's overall risk position with respect to PSE's generation portfolio. Risk scenarios will include such factors as hydroelectric production variation, wind generation variability, fuel price volatility, carbon control costs, and power market price volatility. Additional risk scenarios will examine the correlation between fuel prices and power market prices, and alternative market price scenarios. Other considerations will include exposure to transmission congestion and costs. All other factors being equal, PSE prefers proposals that result in lower generation portfolio performance risk.

Evaluation Criteria	Description
8. Environmental and permitting risk	PSE's evaluation process will include an assessment of the following criteria: • status in acquiring needed permits • risk associated with future environmental regulation and taxes, including greenhouse gas emissions • compliance with regional RPS • compliance with regional generator performance standards and import standards
9. Respondent risk	PSE will consider information received in response to Part II of the RFP document and Exhibit B in determining risk associated with the financial condition and performance of a respondent and any third parties relied upon by the respondent. Lower-risk respondents are preferred.
10. Ability to deliver as proposed	An important consideration in judging a respondent's ability to provide a commercially operable project in the time frame proposed is the experience and qualifications of the entire project team. PSE will use the information provided in response to Exhibit B to evaluate the respondent team for this criterion. PSE prefers providers with proven track records. Information submitted in response to Exhibit B, which addresses project development status and schedule, will also be used to evaluate the respondent's ability to meet the proposed commercial operation date.

Evaluation Criteria	Description
11. Status of transmission rights	The ability to transmit power from the project site to one or more points on PSE's electric system is a requirement (particularly to points on its system at which the deliveries may be used to serve load with limited or no transmission congestion). PSE will use information provided in Exhibit B and, if necessary, the PowerWorld software tools, to assess whether and to what extent the required transmission will be available, and whether and to what extent the necessary transmission paths are constrained.
12. Managerial control	PSE prefers proposals that provide control of key elements of the value chain.
13. Security and control	Proposals that supply firm, fixed price fuel supply are preferred. Proposals that offer other methods of managing price volatility will be favorably considered. Proposals that supply firm energy and capacity are preferred.
14. Federal regulatory approvals	Proposals will be evaluated to determine the effect of any federal regulatory approvals that would result from accepting the proposal, including, but not limited to, requirements under Sections 203 and 205 of the Federal Power Act. Proposals that eliminate or minimize the effect of any such federal regulatory approval are preferred.

4 Public Benefits

Evaluation Criteria	Description
1. Environmental impacts	Proposals with lower environmental impacts are preferred. Environmental impacts refer to the full range of issues evaluated in an environmental impact statement (EIS) or environmental assessment (EA). PSE will consider information supplied in response to Exhibit B in its evaluation of the environmental impacts of a proposed acquisition.
2. Resource location	Proposed resources located such that they provide benefits to the regional and PSE transmission systems, or require minimal or no transmission upgrades are preferred. Proposals that are not dependent upon constrained transmission or fuel transportation paths are preferred. Proposed resources located within PSE's service territory are preferred.
3. Community impacts	Proposals that demonstrate support from public, local, state and federal government entities and Native American nations, if applicable, as well as other stakeholders, are preferred.

5 Strategic and Financial

Evaluation Criteria	Description
1. Capital structure impacts	PSE's quantitative analysis will impute the anticipated equity cost needed to offset any adverse effects on its capital structure associated with accounting requirements (e.g., FASB ASC 810) that may require PSE to consolidate the respondent's balance sheet. All else being equal, PSE prefers proposals that avoid risks associated with a requirement to consolidate a respondent's financials with PSE's financials (e.g., pursuant to FASB ASC 810). All else being equal, proposals are preferred that would not increase PSE's exposure to adverse impacts on its financial position (e.g., by requiring PSE to impute debt, to account for the transaction as a capital lease (e.g., under FASB ASC 840), to account for or report the transaction as a financial derivative transaction (e.g., pursuant to FASB ASC 815), by otherwise adversely affecting PSE's financial leverage, operating leverage, credit rating, cash flow, income statement or balance sheet, or by imposing credit requirements or increasing liquidity risk).
2. Future exposure to environmental regulations and/or taxes	Proposals for resources with lower potential exposure to future environmental regulations and/or taxes are preferred.

Evaluation Criteria	Description
3. Guarantees and security	PSE will consider information provided in response to Exhibit B to determine whether it will require any additional guarantees or credit support pursuant to Part II, Section 6 of the RFP document. PSE's credit risk department may require the seller to provide performance assurance. With few exceptions, PSE will expect sellers with subinvestment-grade credit ratings (or being of similar creditworthiness) to provide performance assurance acceptable to the Company. PSE will not accept collateral thresholds, credit ratings triggers, general adequate assurances language or similar language that might require the Company to provide performance assurance.