

Kitsap Non-Wires Alternatives RFP:

Exhibit A. Evaluation Criteria and Scoring

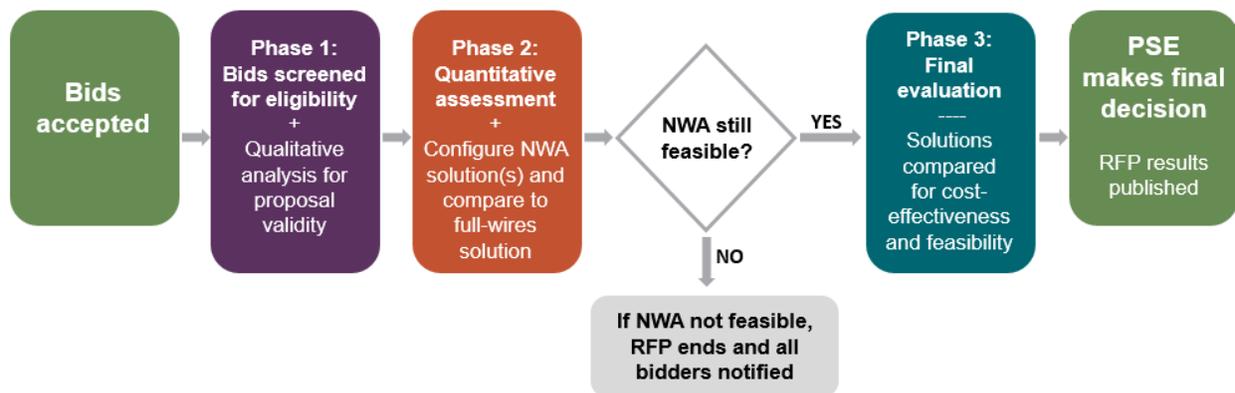
EXHIBIT A. EVALUATION CRITERIA AND SCORING

Evaluation Criteria and Scoring

The goal of this voluntary¹ Kitsap Non-Wires Alternatives RFP is to determine if a non-wires resource, or mix of resources, can best meet the need expressed in Section 1 of this Kitsap Non-Wires Alternatives RFP at the lowest reasonable cost and least risk. See Section 3 of the Kitsap Non-Wires Alternatives RFP for a description of the evaluation process, including a discussion of the analysis performed in each phase.

PSE’s evaluation of Clean Energy Transformation Act (“CETA”) compliant², dispatchable capacity resources is based on a combined qualitative and quantitative assessment of all proposals that meet the minimum requirements of the Kitsap Non-Wires Alternatives RFP. Taken together, the qualitative and quantitative evaluation criteria assess the feasibility of proposals and measure each proposal’s ability to satisfy capacity need, cost minimization, contribution to CETA customer benefit and equity provisions, risk management, and strategic and financial considerations.

As described in Section 3 of the Kitsap Non-Wires Alternatives RFP, PSE divides its evaluation process into three phases: an eligibility screening and qualitative assessment phase (Phase 1), a quantitative assessment (Phase 2), and a final evaluation and selection phase (Phase 3). A high-level summary of the entire process is shown below.



¹ Whenever a utility chooses to issue an RFP to meet resource needs outside of the timing of its required RFP, it may issue an all-source RFP or a targeted RFP. Voluntary RFPs are not subject to commission approval.

See <https://app.leg.wa.gov/WAC/default.aspx?cite=480-107-009&pdf=true>.

² The Clean Energy Transformation Act (CETA) (SB 5116, 2019), commits Washington state to an electricity supply free of greenhouse gas emissions by 2045. CETA-compliant resources PSE will consider for this RFP are biomass, hydropower, pumped hydro, geothermal, wind, and solar. Battery energy storage systems (BESS) are also acceptable resources for this RFP.

EXHIBIT A. EVALUATION CRITERIA AND SCORING

Phase 1: Qualitative Assessment

Once the intake process is complete, PSE’s Kitsap acquisition team will perform an eligibility screening to verify that all proposals meet the minimum requirements listed in Section 4 of this RFP. If a proposal is determined to be ineligible based on this initial screening, PSE will notify the respondent, and the respondent will be given three business days to remedy the proposal (the “cure period”). Proposals that fail to meet the minimum proposal requirements defined in Section 4 of the Kitsap Non-Wires Alternatives RFP will not be considered further.

For the Phase 1 assessment, PSE has developed a qualitative rubric designed to assign value and score certain key elements of resource proposals. The qualitative assessment will evaluate a proposal’s quality and viability for meeting the capacity need. In Phase 1, project costs are not a scored element; however, cost-effectiveness will be a primary factor for consideration in subsequent phases of PSE’s evaluation process.

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 4 of the Kitsap Non-Wires Alternatives RFP, will not be further considered or shortlisted for Phase 2 consideration. PSE’s eligibility and qualitative scoring rubric is provided as Table 1.

TABLE 1. Eligibility and qualitative scoring rubric

PHASE 1: Eligibility Screening	Yes / No
Is the project located in Kitsap County?	
Does the resource have a nameplate capacity of at least 10 MW for transmission-connected projects, or at least 5 MW and up to 10 MW for distribution-connected projects?	
Is the proposal able to deliver to PSE system on or before December 31, 2028?	
Does the bidder currently own or have legally binding rights to develop or market the project(s)?	
Does the bidder acknowledge that PSE disclaims and shall not assume any risk associated with any applicable federal or state tax incentives or other programs meant to support a relevant resource?	
Does the bidder acknowledge reading Sections 3, 4, and 5 of the RFP and acknowledge that the respondent will be responsible for meeting all contractual milestones as scheduled and may be required to pay liquidated damages if they are missed? PSE may also impose credit requirements based on the respondent's credit rating.	
Does the bidder agree that definitive agreements and obligations thereunder shall not be sold, transferred, assigned, or pledged as security or collateral for any obligation, without the prior written permission of PSE?	

EXHIBIT A. EVALUATION CRITERIA AND SCORING

PHASE 1: Qualitative Assessment Evaluation Categories		Weight	Points		
Counterparty Viability <i>Screening based on 2 key areas listed below. The total sum is applied towards this category.</i>		15%	x	0	_ / 8
<i>Experience Level</i>					
Bidding Entity (company) has no demonstrable experience implementing at least 1 similar size and technology deployment					1
Bidding Entity (company) has demonstrable experience implementing < 3 similar size and technology					2
Bidding Entity (company) has demonstrable experience implementing ≥ 3 similar size and technology deployments					3
Direct team working on project (at least one member) has demonstrable experience implementing ≥ 3 and ≤ 5 similar size and technology deployments					4
Direct team working on project (at least one member) has demonstrable experience implementing > 5 similar size and technology deployments					5
<i>Counterparty Stability</i>					
Bidder assessed to have weak or limited financial profile and/or has been engaged in recent material disputes or legal proceedings					1
Bidder assessed to have an acceptable financial profile and/or has not been engaged in recent material disputes or legal proceedings					2
Bidder assessed to have a strong financial profile and has not been engaged in recent material disputes or legal proceedings					3
* Material legal proceedings within past five years. PSE will generally consider legal breaches of greater than \$5 million to be material					
Project Viability <i>Screening based on applicable areas listed below. The total sum of the respective applicable areas is applied towards this category.</i>		20%	x	0	_ / 9
<i>Financing Plan</i>					
Plan provided but no actionable progress made					1
Project Financing yet to be achieved but in progress					2
Balance Sheet Financed or Financial arrangement established					3
<i>Execution Plan</i>					
Plans provide little or no details to evaluate robustness of execution plan					1
Plans provide general overview without necessary details to evaluate some areas of the robustness of outlined execution					2
Detailed plans describing among other items, overall program design and management, system integration, operations, dispatch, and performance guarantees.					3
<i>Technology Risk</i>					
Non-commercial / unproven technology					0
Commercial scale technology with minimal fleet deployment history (for ownership proposals: minimal operational experience of similar technology at PSE or another utility)					1
≥5 deployments with similar asset with ≥ 5 years of fleet deployment history (for ownership proposals: successful pilot programs with similar technology at PSE or another utility)					2
≥10 deployments with similar asset with ≥10 years of fleet deployment history (for ownership proposals: operational experience of similar technology at PSE or another utility)					3

EXHIBIT A. EVALUATION CRITERIA AND SCORING

Site Control	15%	x	0	_ / 6
<i>Site Acquisition Plan</i>				
Plan provides little or no detail about how sites will be identified and what constitutes a qualifying site.				0
Plan provides a general overview without necessary details about sites, and what constitutes a qualifying site.				1
Detailed plan describing how sites will be identified, and what constitutes a qualifying site.				2
Sites already identified.				3
<i>Project Site</i>				
No executed land ownership or lease agreements / Not feasible				0
≥25% Executed ownership or lease agreements for required land / Low probability of complete site control				1
≥50% Executed ownership or lease agreements for required land / Demonstrated consistent progress in complete site control				2
≥75% Executed ownership or lease land agreements / High probability of complete site control				3
Permitting and Studies <i>If Applicable</i>	15%	x	0	_ / 5
Permitting and long lead-time studies (such as Habitat Studies) not begun / no permitting plan submitted to PSE				0
Permitting and long lead-time studies (such as Habitat Studies) not begun / permitting plan submitted to PSE				1
Permitting and long lead-time studies (such as Habitat Studies) begun				2
All permits filed				3
Some permits obtained				4
All permits obtained				5
CETA and Cascade Order Equity Plan <i>Customer Benefits from Transition to Clean Energy Plan</i>	15%	x	0	_ / 10
<i>Does the project address Customer Benefit Indicators?</i>				
No CETA Equity plan provided				0
Plan submitted - Minimally addresses all CBI areas in CETA				1
Strongly addresses two (2) of the five CBI areas and minimally addresses the remaining three (3) CBI areas				2
Strongly addresses three (3) of the five CBI areas and minimally addresses the remaining two (2) CBI areas				3
Strongly addresses four (4) of the five CBI areas and minimally addresses the remaining one (1) CBI area				4
Strongly addresses all five (5) CBI areas (Environmental, Economic, Health, Energy and Non-Energy Benefits, and Energy Security and Resiliency)				5
<i>Does the project address the Cascade Order?</i>				
No Cascade order plan provided				0
Plan submitted - Minimally addresses all equity tenets in Cascade order				1
Strongly addresses one (1) of the four equity tenets and minimally addresses the remaining three (3) equity tenets				2
Strongly addresses two (2) of the four equity tenets and minimally addresses the remaining two (2) equity tenets				3
Strongly addresses three (3) of the four equity tenets and minimally addresses the remaining one (1) equity tenet				4
Strongly addresses all four equity tenets (Distributional, Procedural, Recognition, and Restorative)				5

EXHIBIT A. EVALUATION CRITERIA AND SCORING

CETA Business Plan <i>Business Values</i>	10%	x	0	_ / 9
Has your firm adopted an Environmental, Social, Corporate Governance - ESG/sustainability policy, implementation process and business procedures?				
No action plan				0
Partial action plan touching on at least one element				1
Comprehensive action plan touching on social, environmental and additional topics				2
Commitment to contracting with small businesses and minority, women and veteran owned business enterprises				
No commitment to contracting with SMWBE				0
<20% contract value subbed to SMWBE				1
≥20-<30% contract value subbed to SMWBE				2
>30% contract value subbed to SMWBE				3
Respondent is certified by the Washington State Office of Minority & Women's Business Enterprises (OMWBE), Washington State Department of Veterans Affairs (WDVA) and/or U.S. Small Business Administration				4
Does the developer intend to comply with the labor standards in RCW 82.08.962 and 82.12.962? If yes, provide a summary description.				
No, the developer does not intend to comply with labor standards consistent with RCW 82.08.962 and 82.12.962				0
The developer intends to comply with labor standards consistent with RCW 82.08.962(1)(c)(i) and RCW 82.12.962(1)(c)(i).				1
The developer intends to comply with labor standards consistent with RCW 82.08.962(1)(c)(ii) and RCW 82.12.962(1)(c)(ii).				2
The developer intends to comply with labor standards consistent with RCW 82.08.962(1)(c)(iii) and RCW 82.12.962(1)(c)(iii).				3
Named Communities	10%	x	0	_ / 1
Standalone projects located in named communities (<i>For Standalone Resources</i>)				
Not located in named community				0
Located in named community				1

Information used during qualitative evaluation

PSE will use information provided by the Bidder, as well as information available in the public domain, to make an informed evaluation of the maturity and readiness of the project in the categories of counterparty viability, project viability, site control status, permitting and studies, and CETA customer benefit plan. PSE will evaluate each proposal based on the merits of the quality and completeness of information sought in each of those categories. The information provided below is an outline of PSE’s qualitative rubric used in Phase 1.

A. Counterparty viability

- Assessment of experience implementing similar size and technology deployment
- Assessment of Bidder’s financial profile

B. Project viability

- Assessment of Bidder’s financial plan
- Assessment of Bidder’s execution plan
- Assessment of Bidder’s technology risk

EXHIBIT A. EVALUATION CRITERIA AND SCORING

C. Site control

- Assessment of Bidder's land agreement execution
- Assessment of Bidder's site acquisition plan

D. Permitting and studies

- Assessment of Bidder's permitting planning/progress

E. CETA and Cascade Order equity plan

- Assessment of Bidder's customer benefit indicators
- Assessment of Bidder's Cascade order plan

F. CETA business plan

- Assessment of Bidder's Environmental, Social, Corporate Governance - ESG/sustainability policy, implementation process and business procedures
- Assessment of Bidder's commitment to contracting with small businesses and minority, women and veteran owned business enterprises
- Assessment of Bidder's commitment to complying with labor standards

G. Named Communities

- Assessment of standalone projects located in named communities (*for standalone resources*)

Phase 2: Quantitative Assessment

In Phase 2, PSE will conduct a cost analysis and quantitative evaluation to compare proposals based on the Bidders' responses to Exhibit B. PSE will make high-level assumptions for costs to connect proposed resources to PSE's transmission or distribution system.

Each proposal will be evaluated for technical feasibility, cost effectiveness, and operability in meeting Kitsap transmission needs. During this process, the Phase 2 non-wires proposals will be compared to the full-wires solution being studied by PSE to determine if NWA are feasible and cost-effective.

PSE will use the following process to analyze Phase 2 proposals:

- PSE will first determine if any standalone NWA proposal(s) can fully meet the transmission capacity need.

EXHIBIT A. EVALUATION CRITERIA AND SCORING

- If not, PSE may consider combining proposals to meet the need – and/or adding specific wires upgrades if certain needs are not met by the NWA proposals. These NWA-configured solutions will then be verified and compared in cost and capability to the full-wires solution.
- If there is no NWA solution, either standalone or in combination, that can capably or cost-effectively meet the capacity need, PSE will conclude that NWA solutions are not feasible for Kitsap County, and the RFP process will end.
- If PSE determines that NWA solutions are feasible and cost-effective, the RFP process will continue, and qualifying Bidders will proceed to Phase 3.

There will be no formal scoring rubric for Phase 2. Cost and capability of meeting the capacity need will be the key comparison factors. This includes identifying and evaluating any secondary benefits (see Table 1 of the RFP) the proposed resource(s) might offer for PSE’s use during non-peak periods (i.e., outside of winter peak months) when a portion of the stated capacity need could be available for other grid benefits. However, the primary purpose of the NWA resource(s) is to provide capacity support during transmission contingencies.

PSE plans to perform a cost comparison using net present value (“NPV”) cost of an NWA solution versus the full-wires solution. PSE’s solution criteria require a solution to last at least 10 years (i.e., until 2038) after energization in 2028. Since the wires solution may support capacity needs beyond 10 years, NWA-configured solutions may need a capacity refresh or upgrades to match the longevity of a wires solution. PSE plans to use a 2.5% inflation and 6.62% discount rate to determine present value cost.

Alternatively, PSE may wish to determine the cost effectiveness of an NWA solution in terms of deferring the wires solution by 10 years, or until 2038.

Phase 3: Final Evaluation and Determination

During Phase 3, PSE will perform more detailed internal studies to refine cost estimates for incorporating proposed resources into PSE’s transmission or distribution system.

Once these studies have been completed – which could include requesting additional information and adjustments from Bidders – PSE will re-evaluate and compare the feasible NWA solution(s) with PSE’s full-wires solution. PSE will then determine if an NWA solution can be used to reliably meet Kitsap County’s capacity needs at the lowest reasonable cost and least risk.

EXHIBIT A. EVALUATION CRITERIA AND SCORING

After PSE makes a final decision, Bidders will be notified, and PSE will publish the results of the RFP. Any NWA resources that are part of PSE’s final solution for Kitsap may be subject to FERC interconnection studies. BESS resources would need to apply for load service.

Shortlist Selection

PSE reserves the right to conduct additional due diligence, as necessary, for shortlisted proposals. This may include engaging with Respondents regarding various aspects of the proposals to verify proposal claims with supporting data and documents from the respondent, engaging third-party consultants to independently verify resource performance, or using other publicly available information. PSE will assess proposed edits to the term sheets submitted from Respondents by screening for terms and conditions that present unreasonable or excessive risk to PSE or its customers. If PSE determines that a proposal contains such unacceptable terms or conditions, the respondent will be given three business days to remedy, consistent with the cure period allowed for the correction of other non-conforming criteria or fatal flaws. Term sheet redlines that pass the screening should not be deemed as having been accepted by PSE in any subsequent negotiation with a shortlisted respondent; final terms will be determined through negotiations with selected counterparties.

PSE reserves the right to suspend negotiations with any respondent and initiate discussions with an alternate shortlist candidate at its sole discretion and in the best interests of the Company and its customers. Execution of a contract may be held pending the results of any on-going study. Prior to shortlist selection, Bidders may be interviewed in order to clarify aspects of their business and offer including, but not limited to: demonstrated competence and experience, management structure and assigned personnel, quality of proposed equipment and services, pricing, and performance guarantees. Proposals that are unable to meet the “Must Have” requirements listed in Exhibit B: Proposal Requirements Forms (Tab 8), will have their capabilities compared to determine those that best meet PSE requirements. Shortlisted proposals may lead to negotiations of the terms and conditions of definitive agreements. Proposals that PSE determines present unacceptable risks, or that otherwise fail to meet the minimum proposal requirements defined in Section 4 of the Kitsap Non-Wires Alternatives RFP will not be selected for the short list. Proposals that are not cost-competitive with other alternatives will not be selected.

All Respondents will be notified of their selection status at the end of the evaluation. The timeline of key milestones is provided in Table 5 of the RFP.