

**Exhibit II, All Generation Source RFP – Stage II Evaluation Criteria**  
 (Stage I evaluation criteria continue to apply in Stage II.)

<b>Evaluation Criteria</b>		<b>Explanation of Criteria</b>	<b>Summary of Evaluation</b>
<b>Compatibility with PSE Resource Need</b>			
	1) Performance Within Existing PSE Generation Portfolio	Analyses in this stage of evaluation will include such factors as system dispatch and displacement, termination rights, location with respect to the regional transmission system and PSE's electric system, impacts on system reserves, load following, integration costs and other factors as appropriate.	
	2) Timing	Proposals which individually and in combination best meet PSE's need for energy from 2005 through winter '07/'08 time period are preferred. Proposals that provide flexibility in their development time-line are preferred.	
	3) Resource Mix/Diversity	The diversity of resource technology and fuel types will be considered consistent with PSE's Least Cost Plan and the RFP. Specific considerations include: <ul style="list-style-type: none"> <li>- technology type</li> <li>- fuel supply type</li> <li>- fuel supply source</li> <li>- fuel supply reliability &amp; deliverability</li> </ul>	

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<b>Evaluation Criteria</b>		<b>Explanation of Criteria</b>	<b>Summary of Evaluation</b>
<b>Cost Minimization</b>			
	Cost Impact	Proposals and combinations of proposals that result in the lowest impact on PSE's revenue requirements and rates when included into PSE's existing generation resource portfolio are preferred.	

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<b>Evaluation Criteria</b>		<b>Explanation of Criteria</b>	<b>Summary of Evaluation</b>
<b>Risk Management</b>			
	1) Impact on PSE Overall Risk Position	Proposals and combinations of proposals will be evaluated to determine the impact of the proposal(s) on the overall risk position with respect to PSE’s generation asset base. Risk scenarios will include such factors as hydroelectric production variation, fuel price volatility and price scenarios, and market price volatility and 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.	
	2) Environmental and Permitting Risk	Proposals will be evaluated considering their status in acquiring needed permits and the risk associated with further environmental regulation and taxes.	
	3) Respondent Risk	PSE will consider the information received in response to Section 5.4 and Section 7 to this RFP in determining risk associated with the financial condition of and performance by a respondent and any third parties depended upon by respondent. Lower-risk respondents are preferred.	

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<b>Risk Management (Cont'd)</b>			
	4) Ability to Deliver As Proposed (Development Status & Schedule)	Information submitted by respondents in response to Section 5.7 will be used to evaluate the ability of the respondent to meet the commercial operation date proposed.	
	5) Ability to Deliver As Proposed (Experience & Qualification of the Project Team)	An important consideration in judging the ability of a respondent to provide a commercially operable project in the time frame proposed is the experience and qualifications of the entire project team as further detailed in Section 5.7. PSE will use the information that is provided in response to Section 5.7 to evaluate the respondent team for this criterion. PSE prefers providers that have proven track records.	
	6) 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 effected and used to serve load with no or limited transmission congestion). PSE will use information provided in Section 5.6 of the RFP to assess whether and to what extent required transmission will be available and whether and to what extent the necessary transmission paths are subject to constraint.	

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<b>Risk Management (Cont'd)</b>			
	7) Security & Control	<p>Proposals that supply firm, fixed price fuel supply are preferred.</p> <p>Proposals that provide for other methods of managing price volatility will be favorably considered.</p> <p>Proposals that supply firm energy and capacity are preferred.</p>	

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<b>Evaluation Criteria</b>		<b>Explanation of Criteria</b>	<b>Summary of Evaluation</b>
<b>Public Benefits</b>			
	Environmental Impacts	PSE will further consider the environmental impacts of a proposed acquisition. PSE will consider information supplied in response to Sections 5.2 and 5.8.	

<b>Evaluation Criteria</b>		<b>Explanation of Criteria</b>	<b>Summary of Evaluation</b>
<b>Strategic &amp; Financial</b>			
	Guarantees & Security	PSE will consider the information provided in response to Section 5.4 of their proposal in determining whether it will require any additional guarantees or security pursuant to Section 7 of this RFP.	