

**EXH. WTE-5  
DOCKETS UE-19 \_\_\_/UG-19 \_\_\_  
2019 PSE GENERAL RATE CASE  
WITNESS: WILLIAM T. EINSTEIN**

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**PUGET SOUND ENERGY,**

**Respondent.**

**Docket UE-19 \_\_\_**

**Docket UG-19 \_\_\_**

**FOURTH EXHIBIT (NONCONFIDENTIAL) TO THE  
PREFILED DIRECT TESTIMONY OF**

**WILLIAM T. EINSTEIN**

**ON BEHALF OF PUGET SOUND ENERGY**

**JUNE 20, 2019**

*2017 RFP for Renewable Energy*

## Exhibit A. Evaluation Criteria

## EXHIBIT A. EVALUATION CRITERIA

### *Evaluation Criteria*

PSE's evaluation of new long-term electric generation resources is based on an assessment of five primary criteria:

- Compatibility with resource need
- Cost minimization
- Risk management
- Public benefits
- Strategic and financial

Each criterion is further delineated into more detailed criteria elements, as described in the following tables.

#### *1. Compatibility with Resource Need*

Criteria Element	Description
1. Timing	CODs: Green Direct – January 2020 or sooner Solar Choice – January 2019 or sooner Green Power – January 2019 or sooner Community Solar – June 2018 preferred
2. Match to need through ownership	Proposals that offer generation from an underlying asset that matches PSE's investment interests.
3. Match to need through contract	PSE prefers proposals that provide a fixed annual price. For community solar leveraging the state incentives, PSE prefers proposals that offer prices competitive with market power after incentive eligibility ends.

## EXHIBIT A. EVALUATION CRITERIA

Criteria Element	Description
4. Project location	Proposals for community solar projects must be sited within PSE electric service territory. Based on expressed customer preference for local projects, PSE prefers that these projects be distributed throughout its service territory to create proximity to customers. PSE acknowledges that projects located in Western Washington have lower solar potential which may impact costs.
5. Project scale	<p>Community solar project proposals may be of any scale up to the maximum capacity of 10 MW. A mix of larger and smaller projects may be chosen to balance customer appeal with cost.</p> <p>Projects under 5 MW that interconnect directly to PSE distribution system may be eligible for Schedule 91.</p>

### 2. *Cost Minimization*

Criteria Element	Description
1. Resource cost	<p>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.</p> <p>Such factors include, but are not limited to:</p> <ul style="list-style-type: none"> <li>• capital cost</li> <li>• financing cost</li> <li>• operation and maintenance cost</li> <li>• expected or potential carbon control or mitigation costs</li> <li>• fuel and fuel transportation cost</li> <li>• fixed and variable power purchase agreement cost</li> <li>• transmission cost</li> <li>• ancillary services</li> <li>• integration costs</li> <li>• transmission system upgrades</li> <li>• cost to rebalance debt/equity ratio for imputed debt and consolidated debt</li> <li>• cost of credit facilities</li> <li>• transaction costs and other management costs, etc.</li> <li>• cost to meet environmental compliance, including capital</li> </ul>

## EXHIBIT A. EVALUATION CRITERIA

Criteria Element	Description
	<p>improvements and/or capacity limitations and restrictions</p> <ul style="list-style-type: none"> <li>• renewable energy credits or other environmental attributes</li> <li>• eligibility for state production incentives</li> </ul>
2. Transmission	<p>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 the proposal, PSE prefers proposals that provide a high likelihood of acquiring adequate transmission on a non-firm basis.</p> <p>Proposals that do not include long-term firm transmission to PSE's service area, that would produce congestion or 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.</p>
3. Distribution	<p>For projects proposing to connect to PSE's distribution system, proposals with lower anticipated interconnection costs will compare favorably. Factors that minimize interconnection cost typically include: proximity to substations, interconnection to feeders with higher load levels, and proximity to three-phase lines. These costs will be considered by PSE as part of the evaluation process.</p>

### 3. Risk Management

Criteria Element	Description
1. Status and schedule	<p>PSE prefers proposals that demonstrate 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.</p>
2. Project risk	<p>Proposals that minimize risk for timely plant completion within</p>

## EXHIBIT A. EVALUATION CRITERIA

Criteria Element	Description
	<p>cost projections are preferred.</p> <p>Proposals that minimize exposure to environmental risk or other potential liability are preferred.</p>
3. Environmental and permitting risk	<p>PSE's evaluation process will include an assessment of the following criteria:</p> <ul style="list-style-type: none"> <li>• status in acquiring needed permits</li> <li>• risk associated with future environmental regulation and taxes, including greenhouse gas emissions</li> <li>• compliance with regional generator performance standards and import standards</li> </ul>
4. Respondent risk	<p>PSE will consider information requested in <b>Section 4</b> of the RFP document and <b>Exhibit B</b> in determining the 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.</p>
5. Ability to deliver as proposed	<p>PSE will use the information provided in response to <b>Exhibit B</b> to evaluate the experience and qualifications of the project team, an important consideration when judging a respondent's ability to deliver a commercially operable project in the time frame proposed. PSE prefers respondents with proven track records.</p> <p>Information submitted in response to <b>Exhibit B</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.</p>
6. Status of transmission rights	<p>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 the system where the deliveries may be used to serve load with limited or no transmission congestion).</p>
7. Federal regulatory approvals	<p>PSE will consider 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</p>

**EXHIBIT A. EVALUATION CRITERIA**

Criteria Element	Description
	effect of any such federal regulatory approvals are preferred.

## EXHIBIT A. EVALUATION CRITERIA

### 4. Public Benefits

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



## EXHIBIT A. EVALUATION CRITERIA

### 5. Strategic and Financial

Criteria Element	Description
1. Capital structure impacts	<p>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.</p> <p>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).</p> <p>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).</p>
2. Guarantees and security	<p>PSE will consider information provided in response to <b>Exhibit B</b> to determine whether it will require any additional guarantees or credit support pursuant to <b>Section 5</b> of the RFP document.</p> <p>PSE's credit risk department may require the seller to provide performance assurance. PSE will expect sellers with sub-investment-grade credit ratings (or being of similar creditworthiness) to provide performance assurance acceptable to the Company.</p> <p>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.</p>