Guiding principles for screening & preliminary selection of DER opportunities

Screening and DER Portfolio Design Guiding Principles

- Aligned with IRP Resource Portfolio
- Contributes to longer-term CETA objectives
- Prioritizes near-term scalability of solutions
- Prioritizes near-term feasibility of solutions

Aligns with PSE’s three Evaluation Dimensions

- **Strategic Fit**: Encompasses ability to scale DER solutions that contribute MWh and MW to CETA goals
- **Feasibility**: Encompasses feasibility from multiple internal stakeholder perspectives
- **Accessibility**: Decreased barriers to customer participation in DER programs and immediate benefits resulting from savings and local job creation
DER concept screening to date

Feedback has been solicited from the following groups on each of the 40 DER program concepts to date:

- IT/Grid Mod.
- Electric Ops.
- Customers
- Clean Energy Strategy
- Regulatory Affairs

Three key dimensions for program suitability have been used to screen concepts for further inclusion in PSE’s Clean Energy Implementation Plan (CEIP):

- Strategic Fit
- Feasibility
- Accessibility
Current mapping and ranking of key dimensions

Mapping of DER concepts by **strategic fit** and **feasibility**

- **I. Recommended**
- **II. Consider for Pilots**
- **III. Back-up Options**
- **IV. On hold**

DER concepts are further ranked based on **availability impact**

- **I. Recommended**
  - Medium
- **II. Consider for Pilots**
  - High
- **IV. On hold**
  - High
  - Low

Legend:
- High
- Medium
- Low
Current scoring uses a three-tier rating system that assigns point values

- **Strategic Fit**
- **Feasibility**
- **Availability**

All key dimensions are currently being ranked as either **High**, **Medium**, or **Low** – each with a numerical point values as follows:

- **Strategic Fit**: +2
- **Feasibility**: +1
- **Availability**: 0

Criteria are ranked as based addition of scores with those having the highest point total being ranked highest.
West Monroe has conceptualized a weighted scoring approach which aligns with PSE’s existing approach, incorporates scalability & emphasizes strategic priorities.

**Strategic Fit Score**
- System Benefits (40%)
  - Contributes to clean kWh (20%)
  - Reduce System Peak (15%)
  - NWA System Relief (5%)
- Scalability (30%)
  - Near-Term MW (15%)
  - Long-Term MW (15%)
- Strategic Characteristics (30%)
  - Direct Device Management (10%)
  - Cohesive PSE Customer Exp. (10%)
  - Strategic Pilot Opportunity (10%)

**Feasibility Score**
- Feasibility
  - IT/Grid Mod (40%)
  - Customer (30%)
  - Regulatory (10%)
  - Program Operations (20%)

**Accessibility Score**
- Availability
  - Up-Front Participation Cost (50%)
  - Immediate customer savings (10%)
  - Applicable to Renters (25%)
  - Customer assistance incentives (10%)
- Provides local jobs (5%)

Accessibility scoring is overlaid on the strategic fit and feasibility.

**Accessibility**
- All of the above are Y/N categories
  - Within in 4-year CEIP planning horizon
  - Within in 4-10-year horizon
- Scored on H/M/L scale

**Continued mapping of programs by strategic fit and feasibility**

**DER Screening Recommendations**
- DER concepts are further ranked based on equity impact
- High
- Medium
- Low
- On hold
- Consider for Pilots
- Recommended
### Scoring Criteria Descriptions and Weighting

<table>
<thead>
<tr>
<th>Scoring Metric</th>
<th>Subcategories</th>
<th>Description</th>
<th>Additional Subcategories</th>
<th>Relative Weighting</th>
<th>Scoring Mechanism</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Fit</td>
<td>System Benefits</td>
<td>Evaluates if a DER concept can support the use cases which directly support achievement of CETA targets: clean kWh, system peak shaving, or deferral of capital expenditure using DER concepts.</td>
<td>Contributes to clean kWh</td>
<td>20%</td>
<td>Y/N</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Reduced System Peak</td>
<td>15%</td>
<td>Y/N</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Non-wire Alternative</td>
<td>5%</td>
<td>Y/N</td>
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<td></td>
<td>Scalability</td>
<td>Qualitatively evaluates how much of a contribution a DER concept can provide toward IRP/CETA goals in the short-term (within the 4-year CEIP timeframe) and/or over the long-term (4-10-year timeframe).</td>
<td>Near Term MW</td>
<td>15%</td>
<td>H/M/L</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Longer Term MW</td>
<td>15%</td>
<td>H/M/L</td>
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<tr>
<td></td>
<td>Strategic Characteristics</td>
<td>Represents various key program characteristics which assess alignment to PSE’s strategy of becoming its customer’s clean energy partner of choice, outside of CETA contributions.</td>
<td>Direct Device Management</td>
<td>10%</td>
<td>H/M/L</td>
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<td></td>
<td></td>
<td></td>
<td>Cohesive PSE Customer Experience</td>
<td>10%</td>
<td>H/M/L</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Stakeholder Strategic Fit Score</td>
<td>0%</td>
<td>H/M/L</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Strategic Pilot Opportunity</td>
<td>10%</td>
<td>H/M/L</td>
</tr>
<tr>
<td>Feasibility</td>
<td>IT/Grid Modernization</td>
<td>Evaluates the level complexity and maturity of supporting technology required to enable to program</td>
<td>N/A</td>
<td></td>
<td>H/M/L</td>
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<tr>
<td></td>
<td>Customer</td>
<td>Evaluates the practicality &amp; experience of participating from a customer’s point of view</td>
<td></td>
<td>30%</td>
<td>H/M/L</td>
</tr>
<tr>
<td></td>
<td>Regulatory</td>
<td>Evaluates the alignment to policy goals &amp; likelihood of receiving support/approval</td>
<td></td>
<td>10%</td>
<td>H/M/L</td>
</tr>
<tr>
<td></td>
<td>Program Operations</td>
<td>Evaluates the level of complexity &amp; difficulty in operating the program, from the utility’s perspective.</td>
<td></td>
<td>20%</td>
<td>H/M/L</td>
</tr>
<tr>
<td>Availability</td>
<td>Reduction in Upfront Participation Cost</td>
<td>Reduces barriers associated with customers needing up-front capital to participate in programs</td>
<td>N/A</td>
<td></td>
<td>H/M/L</td>
</tr>
<tr>
<td></td>
<td>Immediate Customer Savings</td>
<td>Provides savings and benefits to customers and does not depend solely on savings to accrue over a given payback time</td>
<td>N/A</td>
<td></td>
<td>H/M/L</td>
</tr>
<tr>
<td></td>
<td>Applicable to Renters</td>
<td>Enables tenants to make energy decisions that align with CETA targets</td>
<td></td>
<td>25%</td>
<td>H/M/L</td>
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<td></td>
<td>Customer Assistance Incentives</td>
<td>Program or offering features the ability for customers to easily procure and benefit from DERs to alleviate arrearage</td>
<td></td>
<td>10%</td>
<td>H/M/L</td>
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<td></td>
<td>Provides Local Jobs</td>
<td>DER solution provider leverages local labor and/or meaningfully contributes to workforce development opportunities</td>
<td></td>
<td>5%</td>
<td>H/M/L</td>
</tr>
</tbody>
</table>
Defining Strategic Fit Subcategories

**System Benefits (40%)**: Scores the capability to contribute to clean kWh, system peak shaving, or deferral of capital expenditure using DER concepts. Concepts not contributing to any of these three system benefits are not directly aligned with meeting CETA targets. *System benefits applicability is scored on a Yes/No basis.*

**Scalability (40%)**: Qualitatively evaluates how much of a contribution a DER concept can provide toward IRP/CETA goals in the short-term (within the 4-year CEIP timeframe) and/or over the long-term (4-10-year timeframe). *Scalability is scored on a qualitative High/Medium/Low basis.*

**Strategic Characteristics (20%)**: Represents various key program characteristics which assess alignment to PSE’s strategy of becoming its customer’s clean energy partner of choice, outside of CETA contributions. *Strategic characteristics are scored on a qualitative High/Medium/Low basis.*