



2020 ALL-SOURCE RFP

for Peak Capacity Resources

May 4, 2020

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SECTION 1. RESOURCE NEED

This All-Source Request for Proposals (" the All-Source RFP") seeks bids from qualified third parties ("respondents" or "bidders") to supply electric capacity resources to Puget Sound Energy, Inc. ("PSE" or "the Company"). It is an All-Source RFP, meaning that PSE will consider any electric generation or energy storage resource capable of providing a material capacity contribution consistent with the requirements described in this All-Source RFP. PSE is also planning to file a Demand Response RFP roughly in parallel with the All-Source RFP. Both the All-Source RFP and the Demand Response RFP will be available on PSE's web site at the following link: <http://www.pse.com/RFP>. The web site will also include a set of frequently asked questions ("FAQs") that may be of common interest to bidders.

This All-Source RFP process may or may not result in one or more transactions by PSE. PSE reserves the right to modify this All-Source RFP to comply with changes to regulatory policy, or federal, state, or local laws.

1. Resource Need

The integrated resource planning analysis, which evaluates and establishes the Company's capacity (physical reliability) and renewable energy (policy driven)¹ needs on a biennial basis, consistent with WAC 480-100-238, guides PSE's electric resource acquisition process. PSE's most recent *Integrated Resource Plan* (the "2017 IRP") included a discussion of the electric planning standard and described the methodology for analyzing the Company's resource needs. PSE filed an *IRP Progress Report* (the "IRP Progress Report") in November 2019.² The IRP Progress Report included an updated assessment of PSE's resource needs. Both the 2017 IRP and the IRP Progress Report can be found on PSE's web site at the following link: <http://www.pse.com/irp>.

The IRP Progress Report demonstrated a need for new resources to help meet PSE's peak capacity need. Given this objective, PSE's analysis of proposals will focus primarily on a resource's ability to meet this capacity need at the lowest reasonable cost to customers. PSE may source capacity from any commercially viable electric generation, storage, or other resource type or technology, provided that the resource complies with all applicable laws and regulations, and meets the minimum qualification requirements described in Section 4 of this All-Source RFP. Resources that offer both (i) a material capacity contribution and (ii) renewable attributes consistent with Washington state's Clean Energy Transformation Act ("CETA") and/or the Washington state

¹ PSE has a legal obligation to meet the requirements of the Energy Independence Act, Chapter 19.285 RCW and the Clean Energy Transformation Act ("CETA"), Chapter 19.405 RCW. The Energy Independence Act, also known as Washington state's Renewable Portfolio Standards, requires PSE to acquire qualifying eligible renewable resources and/or renewable energy credits to meet 15 percent of its load. CETA sets statewide policy goals for the elimination of coal-fired resources by December 31, 2025, 80 percent carbon free generation and overall carbon neutral electricity by 2030, and 100 percent carbon free electricity by 2045.

² In October 2019, the Washington Utilities and Transportation Commission Staff filed a Petition for Exemption from WAC 480-100-238 pursuant to WAC 480-07-100 until December 31, 2020. In November 2019, the WUTC held an open meeting concerning the matter and subsequently issued Order 2, exempting PSE (and other investor owned utilities in Washington) from WAC 480-100-238. Pursuant to Order 2, PSE filed an IRP Progress Report on November 15, 2019.

SECTION 1. RESOURCE NEED

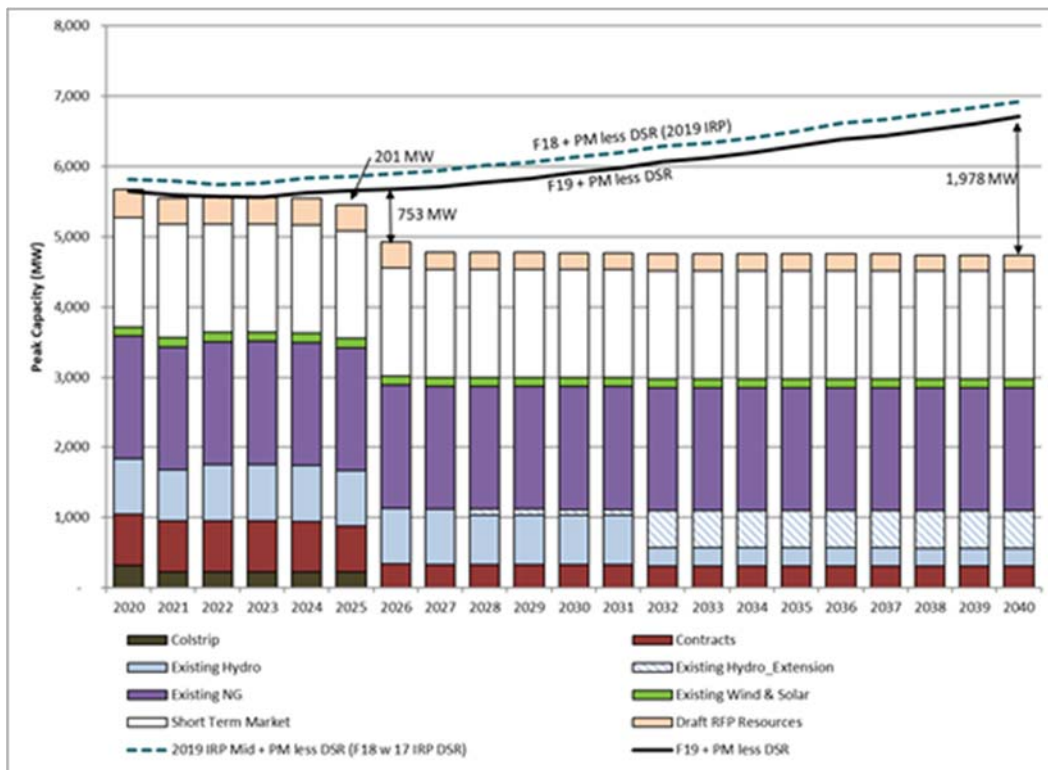
Renewable Portfolio Standard (“RPS”) will receive the benefit of both value streams in PSE’s analysis.

The IRP Progress Report further found that PSE has sufficient renewable resources to meet its RPS obligations through 2023. PSE’s first CETA implementation plan and the next IRP are due to be filed in 2021. In the meantime, the WUTC has initiated a process to establish rules for implementing CETA. PSE is monitoring the rulemaking process and continues to work on its plan to meet the RPS and CETA obligations. Future RFPs will seek additional resources to meet RPS and CETA compliance needs.

PSE has a need for new capacity resources

PSE’s demand forecast demonstrates a modest need for 82 MW of new electric resources in 2024 that is expected to increase to 753 MW in 2026. This forecast reflects PSE’s F2019 normal peak load forecast. It also includes the impact of the potential sale of PSE’s interests in Colstrip Unit 4, which is pending WUTC approval; the removal of Colstrip Unit 3 from PSE’s portfolio after 2025; the expiration of the Centralia Power Purchase Agreement (“PPA”); and the addition of PSE’s draft 2018 All-Source RFP short list resources.

Figure 1. Capacity need forecast



SECTION 1. RESOURCE NEED

Due to its pending status, PSE has included the potential impact of the announced sale of PSE’s interests in Colstrip Unit 4 prior to 2025 as a separate line item in Table 1 (below). The sale is expected to result in a need for new capacity resources beginning in 2021. Due to the relatively small size of the deficit between 2021 and 2023 (less than 50 MW), PSE intends to issue a separate RFP for short-term resources to meet this need.

Table 1. *Cumulative capacity need by year*

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Capacity need	(49)	(72)	(79)	(13)	106	753	935	997	1,048	1,133	1,198	1,310	1,362	1,442	1,534	1,630	1,683	1,788	1,867	1,978
Impact of pending Colstrip 4 sale	95	95	95	95	95															
Remaining capacity need	46	23	16	82	201	753	935	997	1,048	1,133	1,198	1,310	1,362	1,442	1,534	1,630	1,683	1,788	1,867	1,978

This All-Source RFP seeks resources to meet projected need beginning in 2024, 2025 and 2026. Given the large need for new resources in 2026 (753 MW), PSE has established a preferred glide path (shown in Table 2) to help ensure that PSE fulfills its reliability obligations to meet growing customer demand and to replace resources expiring or retiring from its portfolio. While this glide path demonstrates one way that PSE could successfully meet its capacity needs, PSE will consider any proposal consistent with requirements described in this All-Source RFP for a resource or combination of resources that help meet all or part of the identified resource needs.

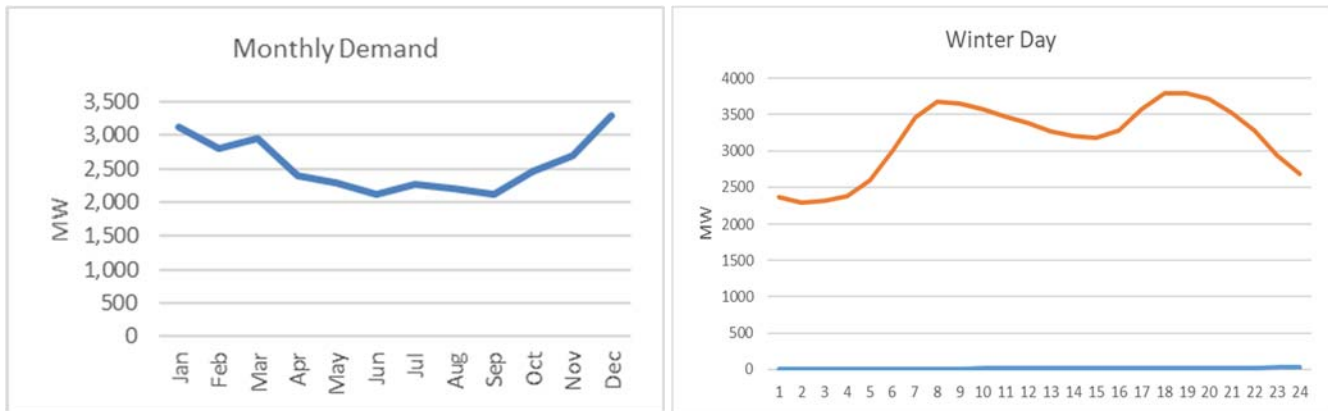
Table 2. *Preferred glide path for resource additions*

Year needed	2024	2025	2026
Resource additions	200	200	353
Operating/Available by	Dec. 31, 2023	Dec. 31, 2024	Dec. 31, 2025

Although PSE will primarily assess a resource’s contribution to capacity by its ability to meet PSE’s winter peak (Figure 1 above), PSE also has seasonal and daily capacity needs. PSE’s analysis will favor resources with production shapes that align well with PSE’s load or that offer the ability to dispatch to meet load. Proposals that can help meet seasonal (Nov.-Feb., Dec.-Feb. or Nov.-Mar.), heavy load hour (HE 0700-2200), and super peak (HE 0700-1000 and 1800-2100, Nov.-Jan.) needs, while reducing surpluses off peak, will benefit in PSE’s analysis. Figure 2 below illustrates PSE’s typical monthly load shape and its hourly load shape for a typical winter day.

SECTION 1. RESOURCE NEED

Figure 2. PSE’s typical monthly and hourly shapes

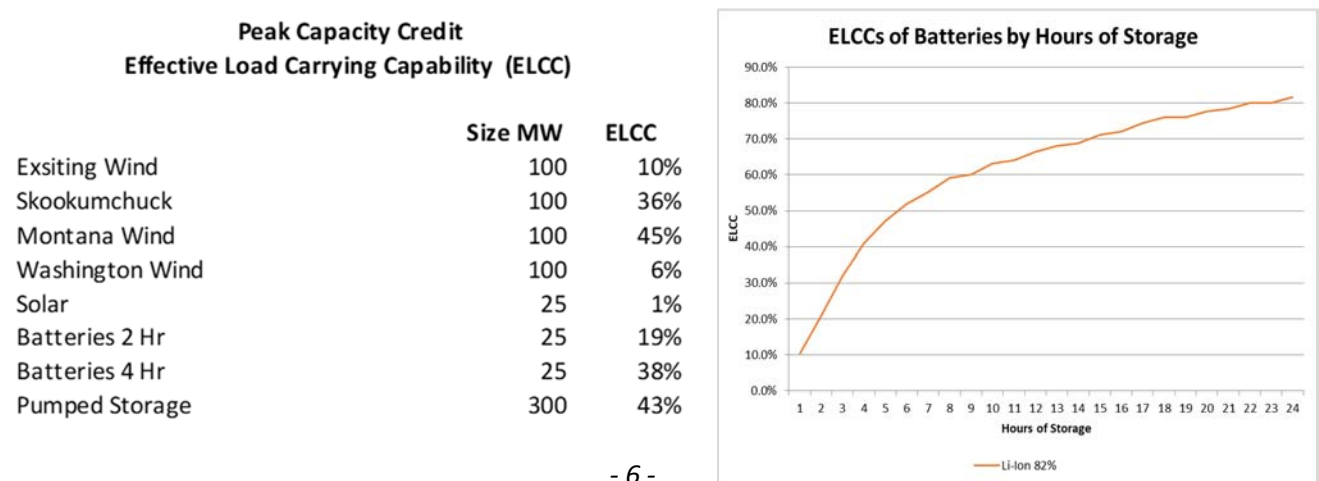


Evaluating the capacity contribution of resources

PSE’s analysis expresses a resource’s contribution to capacity as its effective load carrying capability (“ELCC”). ELCC is an approach to comparing the relative peak capacity contribution of resources with different operating characteristics. The ELCC, or peak capacity benefit, is the contribution of a resource to meeting a utility’s coincident peak capacity need. Because ELCC values are highly dependent on the load characteristics and mix of resources owned by a utility, they are unique to each utility.

As an example, PSE has calculated the current ELCC values of generic resources located in certain areas. However, it should be noted that an individual project’s ELCC will vary based on a variety of factors, such as exact location, generation shape, characteristics of the resource (ability to dispatch, duration of output, etc.), and the availability of firm delivery to PSE’s load center. PSE will use an ELCC approach to determine how well a proposed resource aligns with PSE’s capacity needs.

Figure 3. Generic ELCC Values by Resource Type and Location



SECTION 2. RESOURCES REQUESTED

2. Resources Requested

Resource Characteristics

PSE will consider proposals for renewable and baseload electric generation, capacity-only resources, and storage resources from a wide variety of technologies and fuel sources.³ PSE's capacity needs are greatest in winter; therefore, PSE will evaluate resources based on their ability to fill winter deficits while minimizing off-peak surpluses. Resources that are dispatchable, are shaped to meet winter peak needs, or with generation profiles that align well with PSE's load shape (Section 1) will perform best in PSE's analysis. PSE will consider the seasonality of the generation, the ability to control the project's output to match PSE's resource needs (up to and including real-time dispatch and displacement), and contractual mechanisms to shape project output to need. Proposals must be consistent with the evaluation criteria and proposal requirements described in Section 4 and in Exhibit A (Evaluation Criteria) and Exhibit B (Proposal Requirements) to this All-Source RFP. PSE encourages qualified respondents representing small projects (≥ 5 MW)⁴ or large-scale projects to participate in this All-Source RFP.

Energy delivery

PSE's capacity need forecast currently accounts for all of PSE's available transmission rights as existing capacity paired with either a specific generation resource or market purchases. This All-Source RFP seeks incremental capacity (i.e., capacity in addition to these existing resources) to meet PSE's projected capacity need. With the possible exception of any potentially available Colstrip transmission, PSE currently has no other available transmission rights (i.e., from any point east of the Cascades or elsewhere) to pair with proposed resources. Given the transmission constraints associated with delivering peak capacity to PSE's load center, PSE strongly prefers proposals for resources that (i) are located on PSE's system (at PSE's load center in western Washington) or (ii) demonstrate that the project has secure long-term firm delivery to PSE's system at BPAT.PSEI.⁵ Respondents that assume the use of the Colstrip Transmission System will be responsible for (i) confirming that there is sufficient available transmission capacity and (ii) demonstrating adequate rights to wheel resources west of Townsend, Montana.⁶ Delivery risk, required studies, and any required upgrade costs will be the responsibility of the respondent. PSE may not consider resources that deliver to the project's busbar, to the Mid-C trading hub, or to any other delivery point outside PSE's contiguous system west of the Cascade Mountains.

³ PSE intends to file a separate Demand Response RFP, which is currently being developed by PSE's demand response team. Demand response programs will be considered through that process. Because the purpose of this All-Source RFP is to seek resources to help fill PSE's peak capacity need, PSE will not consider REC-only products or generation resources with very little capacity value (see Section 1).

⁴ PSE encourages qualified facilities with nameplate capacities of 5 MW or less to sell power to PSE pursuant to electric tariff rate Schedule 91.

⁵ BPAT.PSEI is a transmission scheduling point in BPA Transmission Service's ("BPAT") Open Access Same-time Information System ("OASIS"), which represents 24 separate interconnections between the balancing authority areas of PSE ("PSEI") and BPAT.

⁶ Townsend, Montana is the transition point from the Colstrip Transmission System to the BPA network.

SECTION 2. RESOURCES REQUESTED

Operational status

PSE prefers existing and yet-to-be constructed resources with commercial operation dates aligned with the resource needs defined in Section 1. To minimize risk to customers and ensure that capacity resources will be online when needed, PSE prefers relatively mature development and construction stage resources for this All-Source RFP (see project status preferences and proposal requirements described in Section 4).

PSE will not consider conceptual projects. For the purposes of this All-Source RFP, conceptual projects are those that are in the ideation phase of development or that do not demonstrate sufficient progress to substantiate that the project is beyond a concept. PSE will expect respondents to demonstrate that resources can (i) meet certain key requirements to establish that the project is real, (ii) be developed and constructed as proposed by the proposed commercial operations date, and (iii) deliver capacity and energy to PSE's load. Such requirements include, but are not limited to, site control for the project lands; key discretionary permits in the applications phase; a reasonable and achievable transmission solution to deliver capacity and energy to PSE's system; the availability of a firm fuel supply and delivery (if applicable), or, for wind and solar, the availability of sufficient data to demonstrate that expected project output is reasonable.

Table 3. Resources Requested

Resource	Description
As produced	[e.g., wind, biomass, hydroelectric, etc.]
Baseload	7x24, delivered as firm
Intermediate	Dispatchable
Dispatchable/On peak or heavy load hours	6x16 (Mon-Sat) (HE ⁷ 0700-2200); seasonal (Nov-Feb, Dec-Feb or Nov-Mar)
Super peak products	HE 0700-1000 and HE 1800-2100, Nov-Jan
Temporal exchanges	Temporal exchanges (e.g., year round, seasonal), November-February; 7x16, 7x24, or 6x16 product with delivery to PSE on west side of Cascades
Storage	[e.g., battery storage (lithium-ion, etc.), pumped hydro, etc.]
Resources with additional system benefits	[e.g., operational flexibility, shaping, reserves or other system benefits]

⁷ hour ending ("HE")

SECTION 2. RESOURCES REQUESTED***Storage Resources***

Energy storage encompasses a wide range of technologies capable of shifting energy usage from one time period to another. PSE will evaluate all proposed energy storage technologies on a lowest reasonable cost and best-fit basis, consistent with PSE's most recent IRP analysis, and based on the evaluation process and proposal requirements described in Section 4 in this All-Source RFP. Section 4 and Exhibits A (Evaluation Criteria) and Exhibit B (Proposal Requirements) of this All-Source RFP further describes PSE's evaluation criteria and minimum proposal requirements. Resources requested in this All-Source RFP include proposals for energy storage systems ("ESS") sized up to 100 MW (i.e., 25 MW, 50 MW or 100 MW). PSE will give strong consideration to energy storage proposals with the ability to dispatch over a longer period of time.

PSE is working to identify potentially favorable locations on PSE's contiguous system (west of the Cascades) for siting energy storage. As of the filing of this draft All-Source RFP, the study remains ongoing. PSE intends to post the findings on its web site when it issues the final All-Source RFP.

PSE's 2017 IRP modeled three energy storage alternatives: lithium-ion batteries, flow batteries and pumped hydro. The IRP generally described PSE's views with respect to the relative advantages and disadvantages of storage, and how PSE would quantitatively evaluate the costs and operational characteristics of generic storage resources. For more on the IRP analysis that informs PSE's All-Source RFP evaluation process, see IRP Chapters 4 and 6. Storage characteristics and assumptions are further detailed in IRP Appendix D. The IRP can be viewed online at <http://www.pse.com/irp>.

Contract Types

PSE will consider the acquisition of generation from proposals under the following mechanisms: (1) ownership arrangements, including co-ownership arrangements in which PSE retains adequate dispatchability and rights of control; (2) power purchase agreements of varying lengths greater than four years, including power bridging agreements defined as short-term "bridges" to long-lead resources; or (3) temporal exchange agreements.

With regard to either an ownership arrangement or a power purchase agreement, PSE is interested in alternatives wherein the respondent fully assumes the risk of fuel supply, fuel price, environmental cost and deliverability, and which quantify the cost for assuming those risk factors.

All proposals must comply with Washington's Emissions Performance Standards.⁸ Additionally, Chapter 480-100 WAC prevents electric utilities in Washington state, including PSE, from entering

⁸ *Washington's Emissions Performance Standards (Chapter 173-407 WAC, updated September 19, 2018) require new and modified baseload electric generation to meet a greenhouse gas limit of 925 pounds per megawatt hour (lbs/MWh). The Emissions Performance Standards apply to all baseload electric generation for which electric utilities enter into long-term financial commitments on or after July 1, 2008.*

SECTION 2. RESOURCES REQUESTED

into contracts of five or more years when the supply is from unspecified sources, coal generation, or other resources that emit above the greenhouse gas limit.

All proposals must be consistent with the *Clean Energy Transformation Act* (“CETA”), which sets statewide policy goals for the elimination of coal-fired resources by December 31, 2025, 80 percent carbon-free generation and overall carbon neutral electricity by 2030, and 100 percent carbon-free electricity by 2045.

Ownership

The PSE ownership mechanism anticipates a proposal pursuant to which PSE would ultimately own the resource or a significant interest therein. This may be accomplished at various stages of development or operation using a variety of approaches such as sale of development rights, joint development by the respondent and PSE, development by the respondent followed by transfer to PSE, initial purchase of power by PSE with transfer of ownership occurring later, or other approaches that may be mutually beneficial and result in PSE’s ownership of the resource.⁹ Although PSE is willing to consider a wide range of arrangements, the prototype term sheet included as Exhibit E to this All-Source RFP presumes that PSE would acquire its ownership interest in the project prior to the commencement of construction and would fund its ownership share on a pro rata basis.

Power Purchase Agreements

Any proposal for a power purchase agreement (“PPA”) must specify the generation asset(s) underlying the agreement, and provide assurances of its commercial availability consistent with the resource needs defined in Section 1. PSE will consider contracts with terms greater than four (4) years for power from a specific generation facility. PSE will consider non-unit contingent capacity products with terms less than five years. Exhibit F to this All-Source RFP is a prototype term sheet for Gas Tolling Agreements, and Exhibit G to this All-Source RFP is a prototype term sheet for Clean Energy PPAs.

PURPA Qualifying Facility Agreements

Any agreement for the purchase and sale of power by PSE from a qualifying facility under PURPA will be subject to any federal enactments that apply to the purchase and sale of such power.

Temporal Exchange Agreements

PSE’s obligations pursuant to any temporal exchange agreement will be subject to Federal Energy Regulatory Commission (“FERC”) acceptance. Additionally, any transmission service component

⁹ To minimize risk to customers and ensure that capacity resources will be online when needed, PSE prefers relatively mature development and construction stage resources for this All-Source RFP.

SECTION 2. RESOURCES REQUESTED

of the exchange would be pursuant to the applicable transmission provider's Open Access Transmission Tariff or reciprocal agreement and would be payable by the respondent.

SECTION 3. SCHEDULE AND PROCESS

3. Schedule and Process

The following schedule is subject to adjustment based on WUTC review and the actual pace of the evaluation process. Updates will be posted online at <http://www.pse.com/RFP>.

Table 4. *2020 All Source RFP Schedule*

Date	Milestone
May 4, 2020	Draft All-Source RFP filed with WUTC
July 6, 2020	Public comment period closes
August 5, 2020	WUTC expected to approve the All-Source RFP ¹⁰
August 2020	PSE hosts respondent conference ¹¹
August 14, 2020	PSE issues the final All-Source RFP
August 21, 2020	Mutual Confidentiality Agreements due to PSE
September 4, 2020	Offers due to PSE
Q2 2021	PSE selects short list, notifies respondents
To follow	Post-proposal negotiations

Evaluation Process

PSE will follow a structured evaluation process designed to screen and rank individual proposals based on an evaluation of costs, risks, and benefits. PSE will consider a number of quantitative and qualitative factors to compare proposals with diverse attributes. PSE will evaluate each proposal based on its compliance with this All-Source RFP (including the term sheet and contractual provisions set forth in Exhibits E, F and G to this All-Source RFP) and according to the following set of criteria, which are described in detail in Exhibit A to this All-Source RFP.

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

¹⁰ The WUTC's Open Meeting is scheduled for July 30, 2020. A decision is likely to be issued by July 31, 2020.

¹¹ All-Source RFP respondents' conference details and registration instructions will be posted at www.pse.com/rfp as they become available.

SECTION 3. SCHEDULE AND PROCESS

Initially, PSE will screen proposals based on the proposal's portfolio cost (a portfolio evaluation designed to assess the interaction of the resource within PSE's power portfolio) and the qualitative criteria described in Exhibit A to this All-Source RFP. Upon completing the initial screening, PSE will select the most favorable proposals for a more thorough due diligence evaluation. This process may require further interaction with the respondents and requests for additional information. The due diligence process will include more in-depth review based on the same five primary criteria, individual and portfolio risk analysis, and resource flexibility analysis. The portfolio risk analysis evaluates the interaction and risk levels of the most favorable resources and combinations of resources within PSE's power portfolio. PSE's All-Source RFP evaluation process and analytic tools are generally consistent with those used in the 2017 IRP and the IRP Progress Report.¹²

Respondents should be aware that the quantitative cost screening of proposals received in response to the All-Source RFP will include costs associated with delivering the energy to PSE's system as well as the costs associated with financial and accounting regulations. PSE's analysis will include a cost adder for PPAs, consistent with rules set forth by CETA and codified in Chapter 80.28.410 RCW, which states as follows:

(2)(b) For the duration of a power purchase agreement, a rate of return of no less than the authorized cost of debt and no greater than the authorized rate of return of the electrical company, which would be multiplied by the operating expense incurred by the electrical company under the power purchase agreement. (Chapter 80.28.410 RCW)

PSE will place proposals that best meet its resource need at the lowest reasonable cost and least risk on a short list for further discussion with the respondent(s). Such discussions may lead to negotiations of the terms and conditions of definitive agreements.

Negotiations and Contracts

PSE may elect to negotiate price and non-price factors with any respondent whose proposal has been shortlisted. During negotiations, PSE will continue to update its economic and risk analysis on an as-needed basis to reflect any additional or revised factors that may impact the total cost of a proposed resource.

PSE has no obligation to enter into definitive agreements with any respondent to this All-Source RFP and may terminate or modify the All-Source RFP at any time without liability or obligation to any respondent. This All-Source RFP shall not be construed as preventing PSE from entering into any agreement that it deems appropriate at any time before, during, or after the All-Source RFP process is complete. PSE reserves the right to negotiate only with those respondents and other

¹² The 2017 IRP can be found at <http://www.pse.com/irp>. Three key sections of the 2017 IRP that describe PSE's Electric Resource analysis include Chapter 4 (Key Analytical Assumptions), Chapter 6 (Electrical Analysis) and Exhibit N (Electrical Analysis). Additional topics of interest (e.g., demand forecasting, wholesale market risk and operational flexibility) can be found in the 2017 IRP's Table of Contents.

SECTION 3. SCHEDULE AND PROCESS

parties who propose transactions that PSE believes, in its sole opinion, to have a reasonable likelihood of being executed substantially as proposed.

SECTION 4. PROPOSAL REQUIREMENTS

4. Proposal Requirements

Confidentiality Agreement

Each respondent shall email a signed and scanned copy of the Mutual Confidentiality Agreement (Exhibit C to this All-Source RFP) to AllSourceRFPmailbox@pse.com no later than August 21, 2020. PSE will return one fully executed scanned Mutual Confidentiality Agreement to the respondent.

To the extent required by law or regulatory order, such as the requirements of WAC 480-107-035, PSE will make available to the public a summary of all proposals received and the final ranking of all such proposals.

Additionally, in accordance with the requirements of WAC 480-107-145, PSE will retain all information pertinent to this All-Source RFP process for a period of seven (7) years or until PSE concludes its next general electric rate case, whichever is later. Except to the extent required by law or regulatory order, PSE shall have no obligation under this All-Source RFP to provide the models and data used in its evaluation process to respondents or other third parties. PSE may provide such models and data to the extent consistent with its business needs.

All-Source RFP Proposal Requirements

To ensure that all proposals are thorough and complete, PSE has provided a checklist for respondents to complete in Tab 1 of Exhibit B (Proposal Requirements) of this All-Source RFP.

PSE expects respondents to provide complete information in their original submittals. Failure to provide all of the requested information will not necessarily disqualify a proposal, but may result in lower prioritization during the evaluation process. PSE will not consider proposals that provide insufficient information to substantiate the project or offer.

SECTION 4. PROPOSAL REQUIREMENTS

Table 5. *Proposal Content Checklist (Exhibit B, Tab 1)*

1. Proposal Content Checklist			
Required for all RFP proposals. (Do not remove tab.)			
Proposal Element	Required for	Section	Select Yes or No
Required proposal contents	All proposals	Exhibit B	
Proposal contents checklist	All proposals	Tab 1	<input type="text"/>
Offer and commercial detail	All proposals	Tab 2	<input type="text"/>
Facility detail	All unit-contingent proposals	Tab 3	<input type="text"/>
Variable energy output profile (8760)	Intermittent resource proposals	Tab 4	<input type="text"/>
Integration and transmission	All proposals	Tab 5	<input type="text"/>
Development projects detail	Development or construction project proposals	Tab 6	<input type="text"/>
Project capital costs	Proposals including asset sale offers	Tab 7	<input type="text"/>
Operating costs	Proposals including asset sale offers	Tab 8	<input type="text"/>
Transmission costs	All proposals	Tab 9	<input type="text"/>
Proposal certification and contacts	All proposals	Tab 10	<input type="text"/>
Mutual Confidentiality Agreement	All proposals	Exhibit C	<input type="text"/>
Prototype Term Sheet (by offer structure)	All proposals (or specify Schedule C)	Exhibit E, F and G	<input type="text"/>
PSE Transmission Customer Consent	Proposals for projects with a pending request for or agreement for PSE transmission or integration	Exhibit H	<input type="text"/>

Proposals must be substantially complete consistent with the requirements of this RFP.
Proposals that do not provide sufficient information to substantiate a project or offer will not be considered in this RFP.

Minimum qualifying criteria and proposal preferences

PSE considers a wide variety of evaluation criteria when making resource decisions, as described in Exhibit A to this All-Source RFP. PSE has also identified a series of minimum qualifying criteria and strong preferences to help respondents craft proposals designed to best meet the objectives. Proposals must meet minimum criteria for consideration in this RFP. Additionally, PSE considers the criteria described as preferences below to be central to its analysis.

For all proposals

- Proposals must be substantially complete, including the Proposal Requirements (Exhibit B to this All-Source RFP) and all required attachments indicated therein, the Mutual Confidentiality Agreement (Exhibit C to this All-Source RFP) and the term sheet (Exhibit E, F or G to this All-Source RFP). PSE has provided respondents with a proposal contents checklist (Exhibit B, Tab 1 to this All-Source RFP). PSE will not consider proposals that do not provide sufficient information to substantiate a project or offer.
- PSE prefers proposals with delivery dates aligned with the resource capacity needs defined in Section 1.

SECTION 4. PROPOSAL REQUIREMENTS

- PSE prefers long-term, fixed priced products.¹³
- Projects must provide a material capacity contribution. PSE will determine capacity contribution based on the project's ability to match PSE's winter peak load (as defined in Section 1), taking into account its monthly and hourly shape. See figures 2 and 3 (Section 1 of this All-Source RFP) for load shapes and examples of peak capacity contributions for generic resources.
- PSE will not consider projects with very little or only minimal winter peak capacity contribution relative to the overall project size. See Section 1, Figure 3 of this All Source RFP.
- PSE will consider those capacity proposals that also include renewable attributes to have additional value for the purposes of meeting PSE's obligations under the Washington state RPS and the CETA. PSE will take this additional renewable benefit into account in its analysis.
- Proposals (for all but baseload or dispatchable resources) must provide a robust 8760 energy profile (Exhibit B, Tab 4 to this All-Resources RFP) to provide insight into variable energy resources.
- PSE strongly prefers storage projects with the ability to dispatch over a longer period of time. See Section 1, Figure 3 of this All-Source RFP for battery storage ELCCs based on discharge duration.
- All else equal, PSE prefers operational projects first, projects under construction second and development projects third. PSE will not consider purely conceptual projects (as described in Section 2) in this All-Source RFP.
- All respondents must provide a well-developed, reasonable, and achievable plan for acquiring long-term, firm transmission to PSE's load center (west of the Cascades). PSE strongly prefers proposals for resources that (i) are located on PSE's system (at PSE's load center in western Washington) or (ii) demonstrate that the project has secure long-term firm delivery to PSE's system at BPAT.PSEI. PSE may not consider resources delivered to the project's busbar, to the Mid-C trading hub, or to any other delivery point outside PSE's contiguous system west of the Cascade Mountains. The Mid-C trading hub is not an acceptable delivery point to meet the incremental peak capacity needs in this All-Source RFP.
- PSE does not have any excess transmission to assign to any project.
- Respondents that assume the use of the Colstrip Transmission System will be responsible for confirming that there is sufficient available transmission capacity. Additionally, the respondent must demonstrate adequate rights to wheel resources west of Townsend,

¹³ System PPAs longer than five years are eligible to participate in this All-Source RFP; however, they must comply with the Emissions Performance Standards (Chapter 173-407 WAC) and Chapter 480-100 WAC, which require disclosure of the underlying resource or resource pool to verify compliance with the standards.

SECTION 4. PROPOSAL REQUIREMENTS

Montana. Delivery risk, required studies, and any required upgrade costs will be the responsibility of the respondent.

- Respondent must specify interconnection and/or path to PSE's system and will be responsible for balancing costs for resources outside PSE's balancing authority.
- PSE prefers that the respondent has an executed interconnection agreement for the project.
- PSE requires a submitted transmission request(s) and issued system impact study, if applicable.
- Generation projects requiring fuel must have firm fuel arrangements. Gas-fired generation proposals must indicate that firm delivery transportation has been arranged. Biomass proposals must demonstrate a firm fuel supply.
- Proposals for renewable resources must include the environmental attributes¹⁴ of the project.
- Proposals with pricing based on the assumed use of tax incentives must specify the incentive(s) and any related impact to pricing if the proposed delivery date is not achieved.
- All proposals must comply with all applicable laws and regulations, including environmental laws, such as the Emissions Performance Standards.
- PSE will not accept credit requirements imposed on PSE by the respondent.
- If selected for acquisition, the respondent will be responsible for meeting its scheduled deadlines. PSE will require the respondent to accept the risk and agree to pay liquidated damages for failing to meet contractual milestones. PSE may impose credit requirements based on the respondent's credit rating.

For development and construction proposals

In addition to the minimum qualifying criteria and proposal preferences for all proposals (above), PSE has identified the following additional criteria for development and construction proposals:

- Development and construction projects must include a detailed schedule for meeting the commercial operation date. PSE's intent is to minimize a variety of project execution risks, including the risk that a project(s) commercial operation date may be delayed or otherwise unable to deliver as promised to meet PSE's capacity needs.
- Proposals must demonstrate site control for both the project and any other project-related infrastructure (e.g., generation tie-line, etc.).

¹⁴ "Environmental attributes" means generally credits, benefits, reductions, offsets and other beneficial allowances with respect to fuel, emissions, air quality, or other environmental characteristics, resulting from the use of certain generation resources or the avoidance of emissions.

SECTION 4. PROPOSAL REQUIREMENTS

- PSE does not have land available for 3rd party respondent projects.
- Proposals must identify required permits and approvals, their status, and provide a schedule for completion as part of the overall project schedule. PSE prefers proposals that further demonstrate a respondent's permitting acumen (e.g., providing a permitting plan or demonstrating progress, identifying required studies and status, successful outreach to lead agencies and stakeholders, indicating past success permitting other projects in the area). Discretionary permits should be in the application phase.
- Wind or solar project proposals must confirm that the project has three years of verifiable supporting data with historical wind generation and irradiance observations.
- Proposals must describe the respondent's labor plan, which should be constructed with high labor standards, including family-level wages, benefits and opportunities for local workers and businesses.
 - PSE strongly prefers projects that utilize a Project Labor Agreement or Community Workforce Agreement for major construction activities associated with the construction of the project. Respondents shall make commercially reasonable efforts to ensure that such Project Labor Agreement or Community Workforce Agreement is eligible to be certified by the Washington Department of Labor and Industries under the standards of the Washington State Clean Energy Transformation Act (RCW 19.405).
 - PSE strongly prefers projects that utilize apprenticeship labor during the construction phase of the project. Renewable projects that qualify for a one and two-tenths (1.2) multiplier of the environmental attributes generated from the project must indicate whether the additional renewable attributes resulting from the use of apprenticeship labor will accrue to PSE throughout the term of the PPA at the offer price specified in the proposal.
- Respondents must agree to adhere to all applicable safety laws, guidelines and industry practices. Respondents must provide a culture of safety.

Signatures and Certifications

Each proposal must contain the signature of a duly authorized officer or agent of the respondent submitting the proposal. The respondent's duly authorized officer or agent shall certify in writing that:

- The respondent's proposal is genuine; not made in the interest of, or on behalf of, any undisclosed person, firm, or corporation; and is submitted in conformity with any anti-competitive agreement or rules.
- The respondent has not directly or indirectly induced or solicited any other respondent to submit a false or sham proposal.

SECTION 4. PROPOSAL REQUIREMENTS

- The respondent has not solicited or induced any other person, firm, or corporation to refrain from proposing.
- The respondent has not sought to obtain for itself any advantage over any other respondent by collusion.

Tax-Incentive Risk

Each proposal shall acknowledge and state that PSE disclaims and shall not assume any risk associated with the potential expiration of (or the respondent's or other project entity's ability to utilize) any then applicable federal or state tax incentives, cash grant programs, or similar programs meant to support a relevant resource.

Environmental Attributes

All proposals must state that all environmental attributes associated with the proportionate share of the subject project, if any, will accrue to the ownership and beneficial use of PSE.

No Assignment

All proposals shall state that there will be no assignment of proposals during the evaluation or negotiation stage of this All-Source RFP and that, in the event the respondent and PSE negotiate and execute definitive agreements based on the respondent's proposal, the definitive agreements and obligations thereunder shall not be sold, transferred, or assigned, or pledged as security or collateral for any obligation, without the prior written permission of PSE. Any project lender who takes an assignment of the definitive agreements for security and exercises any rights under such agreements will be bound to perform such agreements to the same extent.

Eligibility and Conflict of Interest Disclosure

This All-Source RFP will accept proposals from all third-party project developers or owners, marketing entities, or other utilities that meet the project requirements and comply with the process guidelines described in this All-Source RFP. All respondents shall disclose in their proposals any and all relationships between themselves, the project and/or members of their project team and PSE, its employees, officers, directors, subsidiaries, or affiliates.

Self-build proposals

PSE may include one or more self-build proposals in the All-Source RFP. Consistent the requirements of WAC 480-107-135, PSE personnel involved in developing a self-build proposal will not participate in the evaluation or selection of proposals as part of this All-Source RFP. To facilitate this, a separate team within PSE will prepare and submit the self-build proposal in a

SECTION 4. PROPOSAL REQUIREMENTS

manner consistent with the process established for all other respondents. The All-Source RFP evaluation team will not disclose the contents of its All-Source RFP evaluation or competing proposals to anyone involved in developing PSE's self-build proposal prior to such information becoming publicly available. The All-Source RFP team will keep all All-Source RFP information in a secure location on its network drives and in a locked library. Personnel involved in developing PSE's self-build proposal will not have access to any of this All-Source RFP information.

Subsidiary or affiliate proposals

Subsidiaries or affiliates of PSE will also be eligible to submit proposals in response to this All-Source RFP. Each respondent in PSE's All Source RFP must disclose any subsidiary or affiliate relationship to PSE in its Exhibit B, Tab 2, to this All Source RFP. All respondents, including affiliates and subsidiaries of PSE, shall follow a consistent process for submittal. PSE will treat all respondents, including affiliates and subsidiaries of PSE, in a fair and consistent manner throughout the evaluation. Consistent with the requirements of WAC 480-107-135, the All-Source RFP evaluation team will neither give preferential treatment or special consideration to any subsidiary or affiliate of PSE, nor disclose the contents of its All-Source RFP evaluation or competing proposals to subsidiaries or affiliates of PSE prior to the information becoming publicly available.

Validity, Deadlines and Regulatory Approval

Each proposal shall specify the date through which the proposal is valid. Proposals must also state the dates by which (i) definitive agreements must be completed and approved by the boards of directors or other management bodies of PSE and the respondent and (ii) applicable regulatory approvals must be obtained to support the proposed project schedule.

Respondents should note that regulatory approvals for resources to be acquired may not be obtained until the latter half of 2021 or later. PSE may seek regulatory review of its anticipated resource purchases, exchanges, acquisitions, or costs associated therewith. Such regulatory review could include receipt by PSE from the WUTC of approvals and orders, as applicable, pertaining to and confirming the inclusion of the full amount of any asset purchase price plus PSE's transaction costs and other amounts allocable to the construction, start-up, testing and commissioning of the project, as applicable, in PSE's rate base. Such approvals and/or orders to be in form and substance satisfactory to PSE in its sole discretion. In this regard, no respondent may change any proposed price prior to the finalization of such agreements and approvals. PSE prefers that proposals remain valid for a period that would allow for negotiation of definitive agreements and applicable management and regulatory approvals.

In addition to being subject to the jurisdiction of the WUTC, PSE is also regulated by the Federal Energy Regulatory Commission ("FERC"). FERC's jurisdiction and authority over the activities of PSE are defined in the Federal Power Act and include certain aspects of the acquisition of electric power. In particular, Sections 203 and 205 of the Federal Power Act require, respectively, (i)

SECTION 4. PROPOSAL REQUIREMENTS

approval by FERC prior to transferring FERC-jurisdictional assets a value in excess of \$10,000,000; and (ii) certain filings by PSE to support its authorization to sell power and related products at market-based rates.

Pursuant to Section 203 of the Federal Power Act, FERC has approval authority over any acquisition by PSE of public utility facilities subject to FERC jurisdiction with a value in excess of \$10,000,000. In reviewing filings under Section 203 of the Federal Power Act, FERC considers the effect on competition, rates, and regulation. FERC's approval of such an acquisition will be based on a finding that it is "consistent with the public interest."

FERC has authorized PSE to sell power at market-based rates pursuant to Section 205 of the Federal Power Act. As a condition of its authority to sell power at market-based rates, PSE must demonstrate to FERC that it does not possess market power in the relevant markets. Acquisition by PSE of generation or power resources may require PSE to demonstrate that it continues to lack market power after the resource acquisition.

Accordingly, PSE will evaluate all proposals in light of the requirements of the Federal Power Act and the effect that such regulatory requirements and review may have on PSE's overall corporate position.

SECTION 5. CREDIT REQUIREMENTS

5. Credit Requirements

PSE will not accept collateral thresholds, credit ratings triggers, general adequate assurances language or similar language that might require PSE to provide performance assurance. However, PSE's credit risk department may require respondents to provide performance assurance. With few exceptions, PSE will expect respondents with sub-investment-grade credit ratings (or being of similar creditworthiness) to provide performance assurance acceptable to PSE.

In addition to any provisions included in the prototype term sheets for ownership agreements (Exhibit E to this All-Source RFP), gas tolling agreements (Exhibit F to this All-Source RFP), or clean energy power purchase agreements (Exhibit G to this All-Source RFP), PSE may require negative control provisions¹⁵ in any definitive agreements.

¹⁵ "Negative control provisions" means covenants restricting respondent business practices that could jeopardize respondent's ability to perform its obligations.

SECTION 6. CONTACT INFORMATION AND PROPOSAL SUBMISSION

6. Contact Information and Proposal Submission Instructions

PSE is developing a tool for respondents to submit electronic proposals to this All-Source RFP confidentially. PSE will provide Instructions for proposal submissions in the final All-Source RFP and on the RFP web site (www.pse.com/rfp).

In the meantime, questions or comments about the draft All-Source RFP may be submitted to AllSourceRFPmailbox@pse.com.

Table 6. *Deliverables and Deadlines*

Deliverable	Date Due	Format
Mutual Confidentiality Agreement <i>(Exhibit C)</i>	August 21, 2020	<ul style="list-style-type: none"> • Email one signed scanned copy to AllSourceRFPmailbox@pse.com
All-Source RFP Proposal <i>(See Section 4 and Exhibit B for Proposal Requirements)</i>	September 4, 2020	<ul style="list-style-type: none"> • One electronic copy of the proposal via PSE's confidential electronic proposal submission tool (instructions to be provided in the final All-Source RFP) <ul style="list-style-type: none"> ○ Proposal must include one complete Excel copy of the Exhibit B (Proposal Requirements) forms and all required attachments (as indicated therein)¹⁶ ○ Proposal must also include a signed scanned copy of the Proposal Certification form (Exhibit B, Tab 10) in addition to the live version included in the Excel form

All costs to participate in the All-Source RFP process, including preparation of proposals, negotiations, etc., are the responsibility of the respondent.

¹⁶ Please do not add, remove or modify tabs in the Exhibit B (Proposal Requirements) file. PSE has designed this Excel file to be an input to PSE's All-Source RFP proposal database and models. The database and models may not function properly if respondents add, remove or modify tabs in the Exhibit B (Proposal Requirements) file. PSE will ask respondents who do not fully complete Exhibit B, or who return a modified Exhibit B that does not function as designed, to provide the required forms before their proposals will be considered in this All-Source RFP.