

Exhibit A. Evaluation Criteria and Scoring

Evaluation Criteria and Scoring

PSE's evaluation of DERs is based on a quantitative, qualitative and technical assessment of all proposals that meet the minimum requirements of the DSS RFP. The quantitative and qualitative evaluation criteria assess the feasibility of proposals and measure each proposal's ability to satisfy compatibility with resource need, cost minimization, contribution to Clean Energy Transformation Act ("CETA") customer benefit and equity provisions, risk management, and strategic and financial considerations. The technical assessment involves a preliminary study for initial interconnection analysis and a Schedule 152 study, with a completed application and queue number required to be submitted by May 19, 2023. A potential system impact study and facility study could also be required during the evaluation process. PSE will notify Respondents of any additional studies that may be required.

As described in Section 3 of the DSS RFP, proposals are scored and evaluated based on the quantitative and qualitative metrics as well as the technical studies described in this exhibit. The proposals are scored and ranked according to the weighted average of their price (quantitative) and non-price (qualitative) elements. The weights of the price and non-price scores in the combined scoring are 60 percent and 40 percent, respectively. Only those proposals that satisfy the RFP minimum requirements will receive a qualitative or quantitative score. The evaluation team will continue to check for any non-conforming criteria or fatal flaws throughout the evaluation process. PSE will use the results of the individual quantitative analysis, qualitative evaluation and technical studies to identify the short list of proposals.

A key element of this RFP is the equitable development and inclusion of renewable energy resources onto the grid. Details on the involvement of named communities, inclusion of DEI contracting practices and implementation of appropriate labor standards are further provided in the Qualitative Metrics section and Table 3 of this Exhibit.

Intake Process

After proposals pass through the automated intake process (described in Section 3 of the DSS RFP), the evaluation team will conduct a preliminary screening to verify that the minimum criteria has been met, and to check for non-conforming criteria or fatal flaws that would eliminate proposals from further consideration. Common examples of non-conforming criteria or fatal flaws include, but are not limited to: proposals with insurmountable or otherwise prohibitive feasibility constraints, resources that are not CETA-compliant, commercially unproven technology, excessive counterparty risk, safety risk, and regulatory or legal risk associated with noncompliance that could adversely affect PSE. All the information required to conduct a Preliminary Study Assessment will be collected from Exhibit B and required by all bids as well as the study fee due by March 17, 2023. A Schedule 152 application is not required to submit a proposal, but any project that passes the Preliminary Study Assessment will require a Schedule 152 application to be completed by May 19, 2023. Any proposal identified to have non-

conforming criteria or fatal flaws will be notified and given three (3) business days to remedy (the "cure period").

Evaluation

PSE will perform an initial analysis of the site and interconnection requirements through the Preliminary Site Assessment. After the Preliminary Site assessment is complete, PSE will begin its qualitative screening and notify qualifying bidders to complete their Schedule 152 application. PSE will conduct a cost analysis and qualitative screening to produce a list of the most promising resources for further consideration. For this DER RFP, the quantitative cost analysis will account for 60% of the score, and the qualitative analysis will account for 40% of the score.

Preliminary Site Assessment

The Preliminary Site Assessment will be performed prior to the completion of the qualitative screening and will determine the rough cost and requirements for interconnecting a project, which will inform the quantitative and qualitative evaluation. The study will provide PSE with an interconnection cost estimate that it will use in its quantitative analysis and details on project feasibility that it will use for its qualitative analysis. Respondents may provide an estimate for the interconnection cost of the project and apply it to their pricing, but PSE will rely on its own study to determine interconnection costs.

Information gathered from Exhibit B will be used to conduct the study and a \$300 fee will be collected prior to initiation. Payment details can be found in Section 6 of the 2023 DSS RFP. PSE will notify all bidders of the results of the Preliminary Site Assessment and allow bidders to determine if they want to move forward with a Schedule 152 application, which is required to be shortlisted for the DSS RFP, or dropout of the RFP process. The Schedule 152 application will need to be completed through the PowerClerk portal at http://www.pse.com/distributedrenewables. PSE strongly recommends all Respondents to begin compiling materials for the Schedule 152 application prior to receiving the Preliminary Site Assessment results. A completed Schedule 152 application and queue number is due by May 19, 2023.

Quantitative metrics and price score (60%)

The quantitative metrics assessed are expected costs associated with the capacity and energy prices offered for each response. PSE will use the DER Benefit Cost Analysis ("BCA") tool developed for the 2021 CEIP and used in the 2022 DER RFP to model the costs and benefits of each proposal. The BCA model analyzes both the utility's and customers' economic perspectives and the interdependencies between the two. The BCA was selected as the primary modeling tool for the DSS RFP for this ability to model both customer and utility economic impact as well as calculate cost tests that align with practices outlined in the National Standard Practice Manual

(NSPM).¹ To align with existing PSE modeling practices, where possible, the BCA utilizes the same base Aurora modeling assumptions used to develop the 2021 IRP and evaluate the 2021 All Source RFP. Table 1 lists major elements quantified in the BCA model, the host customer, utility, and societal costs and benefits. The BCA model was constructed to quantify each of these costs and benefits, when applicable, and apply cost tests consistent with the NSPM.

Table 1.BCA Model Costs and Benefits

Costs	Benefits
Utility initial capital outlay	Utility reduced system peak capacity
Utility grossed-up return on asset base	Utility reduced transmission peak capacity
Utility O&M costs	DER generation hedge value
Utility PPA payments	Utility flexibility benefit and frequency response offset value
Utility owned/operated battery energy storage system charging costs	Customer backup power savings
Host customer initial capital outlay	Societal greenhouse gas benefits
Host customer program participation costs	
Host customer battery energy storage system market purchase charging costs	
Host customer O&M	

See <u>Appendix D</u> of the CEIP for more details on the BCA model. PSE will score responses based on the cost metrics shown in Table 2 from the BCA analysis.

Table 2.Metrics calculated by BCA to assess RFP proposals

Metric	Description	Value
Societal Cost Test (ratio)	A ratio of the net present value of societal benefits over societal costs using a societal specific discount rate.	Higher is better. Useful for comparing project cost and benefits from different perspectives.

¹ See National Standard Practice Manual For Benefit-Cost Analysis of Distributed Energy Resources August 2020, <u>https://www.nationalenergyscreeningproject.org/wp-content/uploads/2020/08/NSPM-DERs_08-24-2020.pdf</u>

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Metric	Description	Value
Utility Cost Test (ratio)	Indicates the extent to which ratepayer-funded resources will reduce costs to that same group of ratepayers; provides a foundation for all resource assessment tests.	Higher is better. Useful for comparing project cost and benefits from different perspectives.
Levelized Cost of Energy/Capacity (\$/kW; \$/kWh)	Represents the average cost per unit of energy or capacity required to install and operate a resource.	Lower is better. Includes the costs of the resource over its economic operating life, amortized over the lifetime and discounted back to the first year divided by the total lifetime energy produced

Qualitative metrics and non-price score (40%)

For qualitative analysis, PSE will determine the locational benefits for the electric distribution system of the project based on data shown in PSE's interactive heat map².

Depending on whether the project is a solar, storage or paired project, it can potentially bring unique benefits to the local electric system. PSE will provide location value scoring for projects that consider available locational data, including: hosting capacity, distribution substation loading, and named communities. The hosting capacity heatmap shows the potential for a DER to be installed at a location without requiring significant infrastructure upgrades based on daytime loading constraints. The distribution substation load map includes peak substation loading data for both summer and winter and shows areas of the distribution system that would benefit from DER resources. DER installations located where PSE has either known capacity constraints or heavily loaded distribution transformers have the potential to support Non-Wire Alternatives (NWA) or defer major infrastructure upgrades by reducing or shifting the peak demand. Seasonal benefit by project type include:

- **Solar:** Potential to defer known Summer seasonal capacity needs or benefit areas identified with high Summer peak loading.
- **Storage:** Potential to defer known Summer or Winter seasonal capacity needs or benefit areas identified with high Summer or Winter peak loading.

²https://pugetsoundenergy.maps.arcgis.com/apps/webappviewer/index.html?id=980fc190ffd6 <u>48489a492f8363a1d2cc</u>.

• **Paired**: Potential to defer known Summer or Winter seasonal capacity needs or benefit areas identified with high Summer or Winter peak loading.

PSE has developed a qualitative rubric designed to assign value and score certain key non-price elements of resource proposals that meet the following minimum requirements. The qualitative review will include an assessment of the risks, benefits and viability factors set forth in the qualitative evaluation rubric provided in Exhibit A, including: counterparty and project viability, status of site control, status of permitting, deliverability, and contribution to CETA customer benefit and equity considerations. PSE will score proposals based on the information provided by Respondents and any further due diligence required to verify that the information provided is accurate and complete. In conducting due diligence and risk assessment, the DER acquisition team will consult as necessary with subject matter experts from specific functional areas throughout the company. Certain elements in the qualitative rubric may not apply in the same manner to all types of resources.

PSE will perform additional due diligence, where necessary, to understand the unique risks and merits of particular proposals, verify proposal claims, clarify offer details, and answer any outstanding questions. To do this, the evaluation team may:

- submit data requests to respondents for clarification of proposal details or for further information to help illuminate the particular risks and benefits of proposals,
- discuss elements of the proposals with respondents by phone,
- draw on publicly available and non-confidential information as per the Mutual Confidentiality Agreement (Exhibit D) to better understand key elements of the proposals,
- utilize a third-party consultant to help assess the reasonableness of resource data.

The resource evaluation team will assign qualitative scores based on the information that respondents provided in their proposals, as well as PSE's experience in the market, as a resource owner/operator and program implementer, and on publicly available information. The evaluation team will also consult as necessary with subject matter experts from specific functional areas throughout the company.

PSE's qualitative scoring rubric is provided as Table 3 on page A-8. Respondents should note the following:

- All proposals must be for a project that directly connects to PSE's VPP or SCADA. PSE is not seeking aggregated resources bundled under cloud-based software solutions.
- PSE will grade projects on their locational value, refer to PSE's interactive heat map³. The heat map displays hosting capacity, distribution substation loading and named

³https://puqetsoundenergy.maps.arcqis.com/apps/webappviewer/index.html?id=980fc190ffd64 <u>8489a492f8363a1d2cc</u>.

communities. For solar projects, picking a location with ample hosting capacity and high summer loading will increase the proposal score. For storage projects, a location with high loading in either summer or winter will increase the proposal score. For paired projects, a location with ample hosting capacity and high locating in either summer or winter will increase the proposal score.

- Any proposal that receives a score of "0" in any sub section of the Project Viability, Site Control Status and Energy Delivery sections will be deemed to have failed to meet the minimum criteria of the 2022 DER RFP and disqualified from further consideration (provided that such failure to meet minimum criteria has not been remedied within the three-business-day cure period).
- For categories that require a greater degree of judgement in assessing risk (Counterparty Viability, Project Viability and CETA customer benefit plan), the rubric indicates factors that the evaluation team will consider when assigning appropriate scores. Respondents should therefore ensure that the information in their responses adequately addresses these factors.

PSE will use information provided by the respondent as well as information available in the public domain to make an informed evaluation of the maturity and readiness of the proposal in the categories of counterparty viability, project viability, site control/customer acquisition status, permitting status, energy delivery, and CETA equity 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 serves to aid respondents to build as complete a proposal as possible in order to achieve the highest qualitative score attainable for their project.

A. Counterparty viability

Experience

- Direct experience implementing similar size and technology deployment in the United States
 - Summary CV of all key project team members
 - o Company structure and organization
 - List of previous projects and technology types, linking key project team members if applicable
- Previous safety performance record

Counterparty stability

- Credit history and stability
- Financial reports/10K/ CPA certified for previous 3 years
- Material legal proceedings within past five years. (PSE will generally consider legal breaches of greater than \$5 million to be material)

B. Project viability

Financing plan

- Project financing
- Project's development history
- Project's ownership taxonomy
- Interconnection and transmission cost with studies complete

Execution plan

- OEM fleet monitoring statistics
- Program design
- Management
- Performance guarantees

Technology risk

• Installed project lists

C. Site control

FTM Resources

- Description of how sites will be identified
- Evidence of local community support for the proposed project
- For larger sites or those further along in planning
 - Binding letters of land use agreement
 - Non-binding letters of land use agreement
 - Ownership documentation

D. Permitting and studies

- Engineering studies
- Habitat studies
- Environmental impact studies
- State and/or federal discretionary permits
- Commercial and/or residential permits

E. Energy delivery

FTM Resources

- Preliminary Site Assessments
- Interconnection request and/or agreements
- Feasibility, system impact, and/or facilities study

Locational value based on heatmap

• Substation loading on heatmap

F. CETA Equity Plan

CETA customer benefit indicators and Business Values

The 2023 DSS RFP requires respondents to submit an equity plan that at a minimum addresses the questions in the CETA Equity Plan and Company Commitments section: Tab 2a of Exhibit B. Respondents are strongly encouraged to submit additional material with more detail, as appropriate, to help PSE assess the credibility and viability the respondent's equity plan. The Equity Plan should be guided by the principles set forth in RCW 19.405.040(8) of the Clean Energy Transformation Act, which states:

(8) In complying with this section, an electric utility must, consistent with the requirements of RCW <u>19.280.030</u> and <u>19.405.140</u>, ensure that all customers are benefiting from the transition to clean energy: Through the equitable distribution of energy and non-energy benefits and reduction of burdens to vulnerable populations and highly impacted communities; long-term and short-term public health and environmental benefits and reduction of costs and risks; and energy security and resiliency.

PSE will evaluate a respondent's Equity Plan based on the degree to which it identifies and explains specific plans and/or ways that the proposal addresses the CETA customer benefits and incorporates diversity, equity and inclusion in its business practices and program. PSE will also look for commitments from respondents to carry out those plans and/or track the contributions of the proposed project. Respondents are encouraged to include in their Equity Plan the methods by which non-energy benefits may be quantified, which the evaluation team may consider in the qualitative evaluation.

The customer benefit indicator ("CBI") categories which inform the qualitative rubric are: 1) Energy and non-energy benefits 2) Reduction of burdens 3) Public health 4) Environment 5) Reduction in cost 6) Reduction in risk and 7) Energy security and Resilience. These are based on indicators presented by PSE's CEIP team in its public participation process with stakeholders. PSE partnered with its Equity Advisory Group to identify CBI's in each of these categories. CBIs are discussed in detail in <u>Chapter 3 of PSE's</u> <u>2021 CEIP</u>, including Table 3-15, which shows how PSE scored CBIs for its Preferred Portfolio. Based on the Commission's review and approval of the 2021 CEIP, PSE may adjust the CBIs it uses in its evaluation process for the updates required by the Commission.

Named Communities Impact

Respondents should state if they intend to build in a named community and describe the direct impact their project will provide (direct lease payments, local grid resilience, etc...). Also describe any potential barriers and mitigation strategies.

Table 3.Category A Qualitative scoring rubric

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Evaluation Categories	Weight			Points	
Counterparty Viability		Г			
Screening based on 2 key areas listed below. The total sum is applied towards this category.	10%	x	0	_/6	
Experience Level					
Bidding Entity (company) has no demonstrable experience implementing at least 1 similar size and technology				1	
deployment Bidding Entity (company) has demonstrable experiences implementing < 2 similar size and technology deployment					
Bidding Entity (company) has demonstrable experience implementing < 3 similar size and technology deployment				2	
Bidding Entity (company) has demonstrable experience implementing ≥ 3 similar size and technology deployments				3	
Counterparty Stability					
Bidder assessed to have weak or limited financial profile and/or has been engaged in recent material disputes or lega	1			1	
proceedings					
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				3	
proceedings				-	
* Material legal proceedings within past five years. PSE will generally consider legal breaches of greater than \$5 million to be material					
Project Viability					
Screening based on applicable areas listed below. The total sum of the respective applicable areas is applied	10%	x	0	_ / 9	
towards this category.					
Financing Plan					
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	
Execution Plan					
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				2	
execution				2	
Detailed plans describing among other items, overall program design and management, system integration, operations, dispatch, and performance guarantees.				3	
Fechnology Risk Non-commercial / unproven technology				0	
Commercial scale technology with minimal fleet deployment history (for ownership proposals: minimal operational				0	
experience of similar technology at PSE)				1	
≥5 deployments with similar asset with ≥ 5 years of fleet deployment history (for ownership proposals: successful pilot programs with similar technology at PSE)				2	
≥10 deployments with similar asset with ≥10 years of fleet deployment history (for ownership proposals: operational				3	
experience of similar technology at PSE)				Ū	
* PSE may differentiate between technology upgrades and new classes of technology in assigning scores for deployment					
Site Control / Customer Acquisition Status Some form of site control is required by April 14, 2023.	15%	x	0	_/3	
Project Site (single POI distribution projects)					
No executed land agreements / Not feasible				0	
≥25% Executed land agreements / Low probability of complete site control	-			1	
≥50% Executed land agreements / Demonstrated consistent progress in complete site control				2	
≥75% Executed Land agreements / High probability of complete site control				3	
Permitting and Studies If Applicable	5%	x	0	_/5	
Permitting or long lead-time studies (such as Habitat Studies) not begun / no plan submitted				0	
Permitting or long lead-time studies (such as Habitat Studies) not begun / plan submitted				1	
Permitting and long lead-time studies (such as Habitat Studies) begun				2	
				3	
Discretionary permits filed					
Discretionary permits obtained / Only Non-discretionary permits required				4	

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Energy Delivery A Preliminary Site Assessment and Schedule 152 application is required. The study fee for the Preliminary Site Assessment is required by March 17, 2023. The completed Schedule 152 application is required by May 19, 2023.	20% x 0	_/ 10
DER projects interconnected to the distribution system (on PSE system only)		
Deliverability not feasible or information for Preliminary Site Assessment not provided		0
Preliminary review indicates delivery is feasible		1
Hosting Capacity Map indicates DER project can be accomodated on the system		3
Schedule 152 study complete (if applicable) -or- Interconnection approved		5
Does the project provide Location Value for PSE distribution system based on heatmap data?		
Project is located in an area with medium peak substation loading (identified in Yellow on distribuiton substation		
loading heatmap). Solar only projects will only score this benefit if summer loading is medium.		1
Project is located in an area with high peak substation loading (identified in Red on distribuiton substation loading heatmap). Solar only projects will only score this benefit if summer loading is high.		3
Projected is located in an identified Non-Wire Alternative (NWA) location as indicated on distribution substation		
loading heatmap		5
CETA Equity Plan	20% x 0	_/ 22
Customer Benefits from Transition to Clean Energy Plan	20% X 0	_1 22
Does the program increase participation in distributed resource programs for highly impacted communities or vulnerable		
populations?		
No impact Minimal impact		0
Significant impact		2
Does the project reduce air pollution by decreasing carbon emissions and deploying renewable resources? May produce more annual metric tons of CO2 Not likely to reduce annual metric tons of CO2 Reduces annual metric tons of CO2		0 1 2
Does the project mitigate the impacts of climate change eg. Wildfires, droughts through reduced peak demand?		
Increases impacts of climate change		0
Does not mitigate		1
Can measurably mitigate		2
Does the project improve outdoor air quality and help abate health issues (eg. asthma, heart disease)?		
May produce more annual metric tons of NOx, SOx, and PMP2.5		0
Not likely to reduce annual metric tons of NOx, SOx, and PMP2.5		1
Reduces annual metric tons of NOx, SOx, and PMP2.5		2
Does the project help abate health and safety issues? Health factors like mortality, hospital admittance, work loss days		
% increase		0
No discernable % increase/decrease		1
% decrease		2
Does the project decrease the percentage of customers' income dedicated to energy costs for highly impacted communities and vulnerable populations?		
Non-measurable % decrease Measurable % decrease, but only for targeted or participating customers		0
Measurable % decrease, but only for targeted of participating customers Measurable % decrease for all customers		2

Measurable % decrease for all customers

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Does the project provide additional, higher quality career opportunities to highly impacted communities or vulnerable		
populations? No new full-time clean energy jobs		0
<20 new full-time clean energy jobs in named communities		1
≥20 new full-time clean energy jobs in named communities		2
Does the project increase outreach and accessibility for highly impacted communities or vulnerable populations by providing materials in non-English languages?		
No effort made		0
Partial effort with at least one to two additional translations		1
Significant effort made with three or more translations made		2
Does the project decrease the number of and frequency of outages through the use of distributed resources?		
No discernable impact or decrease		0
May help to mitigate risk or lessen impact of potential number and/or duration of outages for direct customers Measurable % decrease for all customers		1
		2
Does the project increase access to reliable clean energy, specifically access to emergency power, for highly impacted		
communities or vulnerable populations?	r	
No impact		0
Minimal impact Significant impact		1 2
organizati inpact		2
Does the project improve home comfort for highly impacted communities or vulnerable populations including heating		
and cooling?	r	
No impact		0
Minimal impact		1
Significant impact		2
CETA Equity Plan	10% x 0	/ 12
Business Values		
Has your firm adopted an Environmental, Social, Corporate Governance - ESG/sustainability policy, implementation		
Has your firm adopted an Environmental, Social, Corporate Governance - ESG/sustainability policy, implementation process and business procedures?		
Has your firm adopted an Environmental, Social, Corporate Governance - ESG/sustainability policy, implementation process and business procedures? No action plan		0
Has your firm adopted an Environmental, Social, Corporate Governance - ESG/sustainability policy, implementation process and business procedures? No action plan Partial action plan touching on at least one element		0 2
Has your firm adopted an Environmental, Social, Corporate Governance - ESG/sustainability policy, implementation process and business procedures? No action plan		0
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Has your firm adopted an Environmental, Social, Corporate Governance - ESG/sustainability policy, implementation process and business procedures? No action plan Partial action plan touching on at least one element Comprehensive action plan touching on social, environmental and additional topics Commitment to contracting with small businesses and minority, women and verteran owned business enterprises No commitment to contracting with SMWBE <20% contract value subbed to SMWBE		0 2 4 0 1
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Shortlist Selection

PSE reserves the right to conduct additional due diligence, as necessary, for the 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. PSE will assess such risk on a pass/fail basis. 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 I and Exhibit B: Proposal Requirements Forms (Tab 4), will have their capabilities compared to determine those that best meet PSE requirements. If there is a large discrepancy between the results or initial analysis from the Schedule 152 study and Preliminary Site Assessment, PSE will model the impacted project with the values from the Schedule 152 study and assess the impact to the proposal.

Short listed 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 DSS RFP will not be selected for the short list. Proposals that are not cost-competitive with other alternatives will not be selected for the short list. All Respondents will be notified of their selection status at the end of the evaluation.

The timeline of key milestones is provided in Table 6 of the RFP.