

*2022 Distributed Energy Resources RFP:*

# Exhibit A. Evaluation Criteria and Scoring

**EXHIBIT A: EVALUATION CRITERIA AND SCORING***Evaluation Criteria and Scoring*

PSE's evaluation of new DERs is based on a combined quantitative and qualitative assessment of all proposals that meet the minimum requirements of the DER RFP. Taken together, 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.

As described in Section 4 of the DER RFP, PSE divides its evaluation process into two phases, a screening phase (Phase 1), and the Value Fit program building and portfolio design phase (Phase 2), followed by a concurrent evaluation with the All-Source RFP shortlist in Docket UE-210220.

In Phase 1, proposals are evaluated and scored based on the quantitative and qualitative metrics described in this exhibit. The proposals are then ranked according to the weighted average of their price (quantitative) and non-price (qualitative) scores. 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 portfolio analysis and qualitative evaluation to identify the candidate list of proposals selected to advance to the portfolio design in Phase 2. The candidate list will comprise of the best-in-class response(s) from each response type (e.g. for Category A: smart thermostats, residential batteries, etc. and for Category B: program design, customer outreach and enrollment, etc.)

In Phase 2, Value Fit programs will be built from the candidate list of Category B responses plus PSE program resources. Value Fit programs are essentially hybrid programs combining Category B vendor services with PSE resources to create a complete turnkey program. The Value Fit programs will then be added to the candidate list of Category A bids to test the portfolio impacts of potential resource combinations, and determine the best mix of proposals to meet PSE's resource needs at the lowest reasonable cost and highest customer benefit. The results of the portfolio design phase will determine the preferred resource portfolio to be selected for the preliminary short list.

Phase 2 will be followed by a concurrent evaluation of the preliminary short lists from both the DER and All-Source RFPs in Aurora to ensure an optimal total resource portfolio.

**EXHIBIT A: EVALUATION CRITERIA AND SCORING****Intake Process**

After proposals pass through the automated intake process (described in Section 4 of the DER RFP), the evaluation team will conduct a preliminary qualitative screening to verify that the minimum criteria have 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, SaaS solutions without a completed or in progress SOCII Type 2 audit, commercially unproven technology, excessive counterparty risk, safety risk, and regulatory or legal risk associated with noncompliance that could adversely affect PSE. 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”).

**Phase 1 Screening**

In Phase 1, PSE will conduct a preliminary 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. PSE’s 2021 All-Source RFP used a 70%/30% quantitative/qualitative split, but because DERs have higher impact on equitable distribution of benefits than utility-scale resources, PSE determined that a 60%/40% split was appropriate for this DER RFP.

***Quantitative metrics and price score (60%)***

In Phase 1, quantitative scoring for Category A (turnkey) proposals will be conducted separately from Category B (vendor service component) proposals.

**For Category A proposals**, the quantitative metrics assessed in Phase 1 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 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 DER 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).<sup>1</sup> To align with existing PSE modeling practices, where possible, the BCA utilizes the same base Aurora modeling assumptions used to develop the 2021 IRP. Table 1 lists major elements quantified in the BCA model, the host customer, utility, and societal costs and benefits.

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<sup>1</sup> See *National Standard Practice Manual For Benefit-Cost Analysis of Distributed Energy Resources August 2020*, [https://www.nationalenergyscreeningproject.org/wp-content/uploads/2020/08/NSPM-DErs\\_08-24-2020.pdf](https://www.nationalenergyscreeningproject.org/wp-content/uploads/2020/08/NSPM-DErs_08-24-2020.pdf)

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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	

PSE expects that not all cost categories will be applicable for all responses. See [Appendix D](#) 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. For this RFP, PSE does not envision differentiating between the value of capacity and energy at different locations.

**Table 2.** *Metrics calculated by BCA to assess RFP proposals*

Metric	Description	Value
<b>Net Resource benefit (\$)</b>	Difference between the net present value of bid resource and the net present value of equivalent generic resource. Projects may have a portfolio benefit by displacing higher cost DERs	Higher is better. Useful for comparing projects of similar size and technology type. Used to determine the optimal combination of resources that meets PSE's resource needs.
<b>Net Resource benefit per offered</b>	Net present value of a proposed project's net resource benefit divided by the net present value of the project's offered nameplate capacity.	Higher is better. Useful for comparing different project sizes and technologies. Used along with qualitative metrics in

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Metric	Description	Value
<b>Nameplate (\$/MW)</b>		establishing an initial ranking of projects for inclusion in the portfolio design.
<b>Cost Test Output (ratio)</b>	The ratio of net present value of benefits over net present value of costs with different cost tests using different specific costs, benefits, and discount rates.	Higher is better. Useful for comparing project cost and benefits from different perspectives.

Quantitative scoring for **Category B proposals** will consider the indicative pricing for each service or bundle of services offered. This pricing may be for specific hypothetical scenarios identified in the RFP, or for bidder-proposed scenarios per instructions in the RFP. See Section 3, Pricing for Vendor Service Components, in the RFP for examples of indicative pricing.

***Qualitative metrics and non-price score (40%)***

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.

In Phase 1, 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

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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 for Category A and Table 4 for Category B beginning on page A-8. Respondents should note the following:

- All cloud-based software solutions must have a SOCII Type 2 audit completed. Vendors who are in the process of a SOC2 audit will be considered if a letter is provided from their auditor stating they are in a SOC2 audit and have an estimated completion date on or before July 1, 2022.
- Any proposal that receives a score of "0" in the Project Viability, Site Control Status, Energy Delivery or the CETA customer benefit plan category 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
  - 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

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- 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 [Category A only]

- 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 [Category A only]

- Installed project lists

C. Site control / Customer acquisition status

FTM Resources [Category A only]

- 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

BTM or customer-sited proposals

- Description of how customers will be identified
- Marketing tactics
- Market potential assessment
- Acquisition timeline

D. Permitting and studies [Category A only]

- Engineering studies
- Habitat studies
- Environmental impact studies

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- State and/or federal discretionary permits
- Commercial and/or residential permits

## E. Energy delivery [Category A only]

FTM Resources

- Preliminary Site Assessments
- Interconnection request and/or agreements
- Feasibility, system impact, and/or facilities study
- SaaS or on premise interface with PSE

Aggregated BTM Resources

- Experience interfacing with VPPs
- Viability of interfacing with PSE's VPP
- SaaS or on premise interface with PSE

## F. CETA Equity Plan

CETA customer benefit indicators and Business Values

The 2022 DER 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 for Category A respondents, and Section VI of Exhibit C for Category B respondents. 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 [19.280.030](#) and [19.405.140](#), 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 five customer benefit indicators ("CBI") categories in the qualitative rubric are: 1) environmental 2) economic 3) health 4) energy and non-energy benefits and 5) energy



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security and resiliency. These are based on indicators presented by PSE’s IRP team in its February 10, 2021 public presentation to stakeholders. PSE partnered with its Equity Advisory Group to identify CBI’s in each of these categories. CBIs are discussed in detail in [Chapter 3 of PSE’s 2021 CEIP](#), including Table 3-15, which shows how PSE scored CBIs for its Preferred Portfolio.

As described above, PSE may perform analyses in the Phase 2 portfolio design phase aimed at producing a resource portfolio that meets the capacity and renewable need while maximizing CBIs prioritized by the ongoing public participation and advisory group process with stakeholders.

Named Communities Enrollment [Category A only]

For customer facing resources, respondents should state their commitment to enrolling customers in named communities, and describe their strategy to achieve the commitment. For standalone resources, respondents should state if they intend to build in a named community, and describe potential barriers and mitigation strategies. This is not applicable to Category B responses because it is not applicable to all vendor service components.

**Table 3. Category A Qualitative scoring rubric**

Evaluation Categories	Weight	Points
<b>Counterparty Viability</b>	10% x 0	_ / 8
<i>Screening based on 2 key areas listed below. The total sum is applied towards this category.</i>		
<i>Experience Level</i>		
Bidding Entity (company) has no demonstrable experience implementing <b>at least 1</b> similar size and technology deployment		1
Bidding Entity (company) has demonstrable experience implementing <b>&lt; 3</b> similar size and technology deployment		2
Bidding Entity (company) has demonstrable experience implementing <b>≥ 3</b> similar size and technology deployments		3
<b>Direct team working on project (at least one member)</b> has demonstrable experience implementing <b>≥ 3 and ≤ 5</b> similar size and technology deployments		4
<b>Direct team working on project (at least one member)</b> has demonstrable experience implementing <b>&gt; 5</b> similar size and technology deployments		5
<i>Counterparty Stability</i>		
Bidder assessed to have weak or limited financial profile and/or has been engaged in recent material disputes or legal proceedings		1
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 proceedings		3
* Material legal proceedings within past five years. PSE will generally consider legal breaches of greater than \$5 million to be material		

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<b>Project Viability</b>		10%	x	0	_ / 9
<i>Screening based on applicable areas listed below. The total sum of the respective applicable areas is applied towards this category.</i>					
<b>Financing Plan</b>					
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
<b>Execution Plan</b>					
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 execution					2
Detailed plans describing among other items, overall program design and management, system integration, operations, dispatch, and performance guarantees.					3
<b>Technology Risk</b>					
Non-commercial / unproven technology					0
Commercial scale technology with minimal fleet deployment history (for ownership proposals: minimal operational 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 experience of similar technology at PSE) * PSE may differentiate between technology upgrades and new classes of technology in assigning scores for deployment					3
<b>Site Control / Customer Acquisition Status</b>		20%	x	0	_ / 3
<b>Project Site (single POI distribution projects)</b>					
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
<b>Customer / Site Acquisition Plan (DR and Aggregated DER only)</b>					
Plan provides little or no detail about how sites / customers will be identified, what constitutes a qualifying site, or what marketing tactics will be utilized.					0
Plan provides a general overview without necessary details to evaluate some areas on the robustness; may not include an assessment of market potential within PSE service territory.					1
Detailed plan describing how sites will be identified, customer acquisition timeline and tactics, market potential, and timeline of resource additions.					2
Detailed plan and some customers / sites already identified.					3
<b>Permitting and Studies</b>		5%	x	0	_ / 5
<i>If Applicable</i>					
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
Discretionary permits filed					3
Discretionary permits obtained / Only Non-discretionary permits required					4
All permits obtained/Not required*					5

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<b>Energy Delivery</b>		10%	x	0	_ / 15
<i>For applicable resources, a completed application for schedule 152 is not required to bid into this RFP, but any resource without a submitted application by June 1, 2022 will be considered ineligible for this RFP</i>					
<i>DER/DR projects interconnected to the distribution system (on PSE system only)</i>					
Deliverability not feasible					0
No interconnection submitted					1
Submitted Preliminary Site Assessment application					2
Completed application for Schedule 152					3
Preliminary review indicates delivery is feasible					4
Transmission distribution study complete (if applicable) -or- Interconnection approved -or- Not required (DR)					5
<i>DER/DR aggregators and BESS dispatch if applicable</i>					
Interface with PSE through an on premise application or similar deployment					1
Interface with PSE through a SaaS platform					5
<i>BTM DER/DR aggregators if applicable</i>					
Interface with PSE VPP not feasible					0
Interface with PSE VPP feasible					5
<b>CETA Equity Plan</b>		25%	x	0	_ / 20
<i>Customer Benefits from Transition to Clean Energy Plan</i>					
Does the project reduce air pollution by decreasing carbon emissions and deploying renewable resources?					
May produce more annual metric tons of CO2					0
Not likely to reduce annual metric tons of CO2					1
Reduces annual metric tons of CO2					2
Does the program 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 program 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 program help abate health and safety issues, including indoor air quality (e.g., asthma, heart disease, and heat-related illnesses)? - Health factors like mortality, hospital admittance, work loss days					
% increase					0
No discernable % increase/decrease					1
% decrease					2
Does the program decrease the percentage of customers' income dedicated to energy costs for highly impacted communities and vulnerable populations?					
Non-measurable % decrease					0
Measurable % decrease, but only for targeted or participating customers					1
Measurable % decrease for all customers					2

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Does the program 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 program 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 program 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				1
Measurable % decrease for all customers				2
Does the program increase access to reliable clean energy for highly impacted communities or vulnerable populations?				
No impact				0
Minimal impact				1
Significant impact				2
Does the project improve home comfort for highly impacted communities or vulnerable populations including heating and cooling, and indoor air quality?				
No impact				0
Minimal impact				1
Significant impact				2
<b>CETA Equity Plan</b>				
<i>Business Values</i>				10% x 0 = 0 / 12
Has your firm adopted an Environmental, Social, Corporate Governance - ESG/sustainability policy, implementation process and business procedures?				
No action plan				0
Partial action plan touching on at least one element				2
Comprehensive action plan touching on social, environmental and additional topics				4
Commitment to contracting with small businesses and minority, women and veteran owned business enterprises				
No commitment to contracting with SMWBE				0
<20% contract value subbed to SMWBE				1
≥20-<30% contract value subbed to SMWBE				2
>30% contract value subbed to SMWBE				3
Respondent is certified by the Washington State Office of Minority & Women's Business Enterprises (OMWBE), Washington State Department of Veterans Affairs (WDVA) and/or U.S. Small Business Administration				4
Does the developer intend to comply with the labor standards in RCW 82.08.962 and 82.12.962? If yes, provide a summary description.				
No, the developer does not intend to comply with labor standards consistent with RCW 82.08.962 and 82.12.962				0
The developer intends to comply with labor standards consistent with RCW 82.08.962(1)(c)(i) and RCW 82.12.962(1)(c)(i).				1
The developer intends to comply with labor standards consistent with RCW 82.08.962(1)(c)(ii) and RCW 82.12.962(1)(c)(ii).				2
The developer intends to comply with labor standards consistent with RCW 82.08.962(1)(c)(iii) and RCW 82.12.962(1)(c)(iii).				4
<b>Named Communities Enrollment</b>				
<i>(For Aggregated Resources)</i>				10% x 0 = 0 / 2
Commitment to enrolling customers in named communities				
No commitment to enrolling customers in named communities				0
<30% enrollment of customers in named communities				1
≥30% enrollment of customers in named communities				2
Standalone projects located in named communities				
Not located in named community				0
Located in named community				2

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Table 4. Category B Qualitative scoring rubric

Evaluation Categories	Weight	Points
<b>Counterparty Viability</b> <i>Screening based on 2 key areas listed below. The total sum is applied towards this category.</i>	15% x 0	_ / 8
<i>Experience Level</i>		
Bidding Entity (company) has no demonstrable experience implementing <b>at least 1</b> similar size and technology deployment		1
Bidding Entity (company) has demonstrable experience implementing <b>&lt; 3</b> similar size and technology deployment		2
Bidding Entity (company) has demonstrable experience implementing <b>≥ 3</b> similar size and technology deployments		3
<b>Direct team working on project (at least one member)</b> has demonstrable experience implementing <b>≥ 3 and ≤ 5</b> similar size and technology deployments		4
<b>Direct team working on project (at least one member)</b> has demonstrable experience implementing <b>&gt; 5</b> similar size and technology deployments		5
<i>Counterparty Stability</i>		
Bidder assessed to have weak or limited financial profile and/or has been engaged in recent material disputes or legal proceedings		1
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 proceedings		3
* Material legal proceedings within past five years. PSE will generally consider legal breaches of greater than \$5 million to be material		
<b>Project Viability</b> <i>Screening based on applicable areas listed below. The total sum of the respective applicable areas is applied towards this category.</i>	15% x 0	_ / 9
<i>Execution Plan</i>		
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 execution		2
Detailed plans describing among other items, overall program design, management and performance guarantees.		3
Detailed plans as described above, but also include plans for integration of operations with other parties for completion of program		4
<b>Site Control / Customer Acquisition Status</b> <i>If Applicable</i>	15% x 0	_ / 3
<i>Customer / Site Acquisition Plan (DR and Aggregated DER only)</i>		
Plan provides little or no detail about how sites / customers will be identified, what constitutes a qualifying site, or what marketing tactics will be utilized.		0
Plan provides a general overview without necessary details to evaluate some areas on the robustness; may not include an assessment of market potential within PSE service territory.		1
Detailed plan describing how sites will be identified, customer acquisition timeline and tactics, market potential, and timeline of resource additions.		2
Detailed plan and some customers / sites already identified.		3

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CETA Equity Plan <i>Customer Benefits from Transition to Clean Energy Plan</i>	35%	x	0	_ / 20
Does the service enhance the program's ability to reduce air pollution by decreasing carbon emissions and deploying renewable resources? Not Applicable No (annual metric tons of CO2) Yes (annual metric tons of CO2)				N/A 0 2
Does the service enhance the program's ability to mitigate the impacts of climate change eg. Wildfires, droughts through reduced peak demand? Not Applicable No (%) Yes (%)				N/A 0 2
Does the service enhance the program's ability to outdoor air quality and help abate health issues (eg. asthma, heart disease)? Not Applicable No (annual metric tons of NOx, SOx, and PMP2.5) Yes (annual metric tons of NOx, SOx, and PMP2.5)				N/A 0 2
Does the service enhance the program's ability to abate health and safety issues, including indoor air quality (e.g., asthma, heart disease, and heat-related illnesses)? - Health factors like mortality, hospital admittance, work loss days Not Applicable No (%) Yes (%)				N/A 0 2
Does the service enhance the program's ability to decrease the percentage of customers' income dedicated to energy costs for highly impacted communities and vulnerable populations? Not Applicable No (%) Yes (%)				N/A 0 2
Does the service enhance the program's ability to provide additional, higher quality career opportunities to highly impacted communities or vulnerable populations? Not Applicable No (F/T, training and short term jobs) Yes (F/T, training and short term jobs)				N/A 0 2
Does the service increase outreach and accessibility for highly impacted communities or vulnerable populations by providing materials in non-English languages? Not Applicable No (%) Yes (%)				N/A 0 2
Does the service enhance the program's ability to decrease the number of and frequency of outages through the use of distributed resources? Not Applicable No (%) Yes (%)				N/A 0 2
Does the service enhance access to reliable clean energy for highly impacted communities or vulnerable populations? Not Applicable No Yes				N/A 0 2
Does the service improve home comfort for highly impacted communities or vulnerable populations including heating and cooling, and indoor air quality? Not Applicable No Yes				N/A 0 2

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CETA Equity Plan <i>Business Values</i>	20%	x	0	_ / 20
Has your firm adopted an Environmental, Social, Corporate Governance - ESG/sustainability policy, implementation process and business procedures?				
No action plan				0
Partial action plan touching on at least one element				2
Comprehensive action plan touching on social, environmental and additional topics				4
Is the Respondent a small business or minority, women and veteran owned business enterprise (SMWVBE)?				
Respondent is not a SMWVBE				0
Respondent is certified by the U.S. Small Business Administration				6
Respondent is certified by the Washington State Office of Minority & Women's Business Enterprises (OMWBE) and/or Washington State Department of Veterans Affairs (WDVA)				12
Does the developer intend to comply with the labor standards in RCW 82.08.962 and 82.12.962? If yes, provide a summary description.				
No, the developer does not intend to comply with labor standards consistent with RCW 82.08.962 and 82.12.962				0
The developer intends to comply with labor standards consistent with RCW 82.08.962(1)(c)(i) and RCW 82.12.962(1)(c)(i).				1
The developer intends to comply with labor standards consistent with RCW 82.08.962(1)(c)(ii) and RCW 82.12.962(1)(c)(ii).				2
The developer intends to comply with labor standards consistent with RCW 82.08.962(1)(c)(iii) and RCW 82.12.962(1)(c)(iii).				4

Phase 2 Portfolio Design

**Comparison of bids across Category A and Category B.** PSE envisions that some Category B respondents may be selected to support future PSE programs that could deliver DERs at a greater value than those offered by Category A respondents. In order to facilitate a comparison of bids across bid categories, PSE intends to build upon individual Category B service bids to construct Value Fit program offerings addressing all required services, utilizing internal program cost data and secondary data sources. Value Fit programs will be prepared by a separate team without access to Category A proposals to provide impartiality in the evaluation process. The IE will be incorporated in the Value Fit program development to ensure a fair and equitable approach is taken. Chosen service bids will be initially categorized for Value Fit development, with review from the IE. Final development of Value Fit programs will include review by the IE, with any pertinent data being provided to the IE for verification. If a Category B respondent is selected as part of a Value Fit program, the respondent may be required to provide more information for the Phase 2 analysis, such as any additional information needed to get Value Fit programs closer to what their actual cost will be. PSE will contact Category B bidders about additional pricing and proposal information to better equate the overall bid price and determine how PSE resources best fit. Value Fit programs will then be compared amongst each other using the same Phase 1 qualitative analysis. PSE will use the BCA model in Phase 2 to compare the entire pool of programs from successful Category A proposals and Value Fit programs.

PSE envisions that some of DER programs may be delivered through a combination of Category B responses and PSE’s internal program resources. Additionally, some Category B respondents may be selected to work with Category A respondents, for example to more effectively recruit low-income participants or to provide local labor from named communities. PSE will directly notify both Category A and Category B respondents if there is the potential for a partnership between bids. The proposed partnership is not a requirement for either party’s continued

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participation in the RFP. The intent of the partnership is to provide Category A respondents with potential subcontractors or partners aligned with Category A respondents' proposals.

During Phase 2, the combined impact of a portfolio of programs will be used to ensure the total DER portfolio meets PSE's stated resource needs while minimizing costs, maximizing benefits and providing opportunities for participation to all PSE customers.

In Phase 2, PSE reserves the right to conduct additional due diligence, as necessary, on the candidate list 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 Phase 2 candidate at its sole discretion and in the best interests of the Company and its customers.

Prior to short-list 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 K and Exhibit B: Proposal Requirements Forms (Tab 4), will have their capabilities compared to determine those that best meet PSE requirements. Proposals that pass the Phase 2 evaluation will be placed on the short list. 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 5 of the DER 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. There will be a diversity of resource types chosen, targeting at least the values listed in Table 2 of the RFP. All Respondents will be notified of their selection status at the end of Phase 2.

If available at the time of the Phase II evaluation, PSE will incorporate new avoided cost values, ELCCs and additional metrics being updated for the 2023 Electric progress report.

**All-Source and DER RFP Concurrent Evaluation**

At the end of the evaluation process, the short list from the 2022 DER RFP will be included in a combined portfolio analysis with the short list from the 2021 All-Source RFP for a concurrent evaluation, consistent with WAC 480-107-009(4). This approach allows for a fair comparison of



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resources meeting the specific requirements identified in the CEIP, and subsequently bid into this DER RFP, and of resources meeting the broader electric portfolio need identified in the All-Source RFP, regardless of the RFP into which the resources were bid. The Concurrent Evaluation will not remove any DER proposals by the end of the evaluation, but is instead used to inform the All-Source chosen bids; if DER RFP shortlist resources are displacing All-Source shortlist resources in lowest reasonable cost, PSE will perform additional co-optimization with Phase 2 DER resources to ensure cost-effective programs are not excluded. PSE expects to use the Aurora model to complete this concurrent evaluation. The metrics calculated by the Aurora model to assess the relative competitiveness of individual proposals are described in Table 5.

Aurora is a production cost model that will be used for optimal resource selection (also known as long-term capacity expansion modeling) and hourly economic dispatch. For the All-Source RFP and concurrent analysis between the DER and All-Source RFPs, PSE adds individual proposals to the power portfolio and uses the Aurora model to re-optimize generic resource selection and portfolio dispatch to meet the needs while satisfying all of the constraints. This creates a new portfolio and portfolio cost that can be compared to the all-generic portfolio. The portfolio benefit of each proposal is calculated by taking the cost of the all-generic portfolio less the cost of the portfolio with the new proposal. Consistent with RCW 19.280.030(3)(a)(iii) and the 2021 IRP, the social cost of greenhouse gases (“SCGHG”) is included as a cost adder to emitting resources in the long-term capacity expansion model. Proposals with a positive portfolio benefit reduce the net electric portfolio costs relative to a generic-only portfolio, whereas proposals with a negative portfolio benefit increases the net electric portfolio costs.

**Table 5. Metrics calculated by Aurora to assess RFP proposals**

Metric	Description	Value
<b>Portfolio benefit (\$)</b>	Difference between the net present value portfolio revenue requirement with the proposed project in the portfolio replacing an equivalent amount of generic resource, and the net present value portfolio revenue requirement of the all-generic portfolio. Projects may have a portfolio benefit by displacing higher cost capacity resources, renewable resources, or a combination of both.	Higher is better. Useful for comparing projects of similar size and technology type. Used to determine the least cost combination of resources that meets PSE’s resource needs.
<b>Portfolio benefit per offered Nameplate (\$/MW)</b>	Net present value of a proposed project’s portfolio benefit divided by the net present value of the project’s offered nameplate capacity.	Higher is better. Useful for comparing different project sizes and technologies. Used along with qualitative metrics in establishing an initial ranking of projects for inclusion in the portfolio optimization.

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Metric	Description	Value
<b>Levelized cost of energy (\$/MWh)</b>	Net present value of a proposed project’s revenue requirement divided by the net present value of the project’s generation.	Lower is better. Useful for comparing projects that have the same or similar operating characteristics. Less useful for projects with low or no generation.

Figure 1 below is a summarization of the evaluation process. The timeline of key milestones is provided in Table 11 of the RFP.

**Figure 1. Evaluation Process**

