

SETTLEMENT AGREEMENT ARTICLE 602
EVALUATION PROCESS FOR USE
OF BAKER FUNDS
GUIDELINES FOR PROJECT APPROVAL

BAKER RIVER HYDROELECTRIC PROJECT
FERC No. 2150

Puget Sound Energy
Bellevue, Washington

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Introduction

Settlement agreement article 602 (SA 602) of the Baker River Hydroelectric Project license provides for the funding of license implementation activities. SA 602 requires that a process be used to evaluate such projects. The article states as follows:

Evaluation Process for Use of Baker Funds

Proposed projects must be consistent with applicable laws and, to the extent feasible, will be consistent with policies and comprehensive plans in effect at the time the project is proposed. Within two years following license issuance, licensee shall, in consultation with the BRCC, develop a system to evaluate potential resource projects that is to be approved by each of the ARG, TRIG, RRG, and CRAG. The Project Evaluation System shall include criteria and procedures for fund expenditures required by this article.

For each project proposed, licensee shall apply the factors and criteria established in the Project Evaluation System and submit a written recommendation to the Resource Group(s) charged with funding review, and request a meeting of the Resource Group(s) to discuss the proposed project. Decisions and/or disputes of each Resource Group related to a proposed project shall be documented. The development of criteria for evaluating projects in the Project Evaluation System may include, without limitation, the following considerations:

- a) Timeframe for project implementation and permitting requirements and cost;
- b) Horizon and scope for benefits (long-term multiple benefits best);
- c) Whether the project could be cost shared with other funding sources;
- d) Probability of success based on prior implementation; and
- e) Cost-effectiveness.

Project Evaluation System Checklist

Proposed implementation projects must be justified to their respective resource groups and be approved in order to receive SA 602 funding. As noted above, the general criteria for resource group approval are stated in the license. The following information must be provided to demonstrate justification for all SA 602 funding of a proposed implementation project.

While the system outlined below is intended specifically for projects related to SA 602, it also provides a framework for evaluating other projects requesting PSE funding. This system, or a comparable system developed by the appropriate resource group, should be used to provide justification for all PSE-funded projects.

1. *Preliminary Consideration of Proposals*

Sponsors of any proposal must provide a summary of the project (two pages or less) for initial feedback from the Baker River Coordinating Committee (BRCC) or the appropriate resource group before preparing detailed proposals. The resource group has up to 30 days to accept or reject the proposal. If the proposal is rejected, a clear and concise reason for rejection must be stated. If no opinion is rendered within 30 days, then acceptance of the preliminary proposal for full consideration is implied. If the applicant so desires, a proposal for full consideration as defined below can be submitted in lieu of preliminary consideration.

2. *Full Consideration of Proposals*

Upon preliminary approval by the BRCC or Resource Group, the applicant must submit a formal proposal for full consideration according to the guidelines described below. The resource group has up to 30 days to accept or reject the proposal.

The following outcomes may be decided upon.

- **Project approved** with or without any stated modifications
- **Project denied** for stated reasons
- **Project approval deferred** pending additional information or clarification

3. *Competing Projects*

Projects competing for funding will be evaluated and ranked according to their predicted costs and benefits. If a project's proposal is considered incomplete, then a competing project that has a complete proposal will be considered for implementation before the incomplete proposal. Competing proposals may be ranked considering the following factors, among others.

Actual costs. Projects that are not likely to exceed available funding will be considered prior to projects that may likely exceed funding.

Location. Proposals located within the project boundary will receive priority over projects outside the boundary.

Timing. Proposals that provide lasting benefits sooner will receive priority over projects that do not.

4. *Post-Project Accounting and Evaluation*

Within three months of project completion, recipients of funding will provide a complete accounting of all expenses incurred. Supporting documentation, such as invoices, time sheets, receipts of payment, and so on will be provided to the resource lead or resource group. The applicant will document the scope of the work accomplished, and will compare the project's actual benefits with the benefits estimated in the project proposal. Projects with long-term benefits will be evaluated annually by the applicant or any member of the resource group as to the benefits provided.

Proposal Outline

All formal proposals must address each section of the outline below. Preliminary proposals should provide summary information for each category if possible.

1. *Title and Description of Project*

Provide a name by which the project can be identified in discussion and notes. Also provide a description of the proposed project, including its location and extent. Provide relevant Exhibit G sheet that graphically shows the physical location of proposed project. Document authors and date should also be stated.

2. *Timeframe for Project Implementation, Permitting Requirements, and Cost*

Provide a project schedule with milestones. The schedule must, at a minimum, clearly state start and completion dates, show the relationship between activities, and indicate the critical path for the project. Provide a cash flow and cost breakdown for the project. Clearly state any factors that may delay or expedite the project, or increase or decrease its cost. List the permits that must be obtained and complied with, and who is responsible for permit acquisition. State the effect that these permits will have on the project's schedule and cost.

3. *Horizon and Scope of Benefits*

Clearly state the anticipated benefits of the project and the duration of such benefits, including any assumptions these benefits are based on. Multiple long-term benefits provide better justification for project funding than a single short-term benefit. Clearly present the timing and duration of benefits.

4. *Other Funding Sources*

List all other funding sources for the project, along with the amount of funding each source can provide. State whether the project can proceed without other funding sources. State the total amount of funding available and the amount of funding requested.

5. *Probability of Success Based on Prior Implementation*

Provide a history of similar projects. Include a timeline, project costs, and variances between these past projects and the newly proposed project. Estimate the likelihood of the new project's success based on the past projects.

6. *Cost-Effectiveness*

Can the project's anticipated outcome be achieved by other means? Provide an analysis of alternatives to the proposed project, comparing their costs, benefits, and effectiveness.