



## **REQUEST FOR PROPOSALS**

# **RENEWABLE ENERGY**

**Approximately 120 Average Megawatts**

## **AVISTA CORPORATION**

**June 15, 2020**

*The matters set forth in this Request for Proposal (“RFP”) are not intended to and do not constitute a binding offer or agreement of any party or establish any obligation of any party with respect to the subject matter of this RFP. This RFP may not be relied upon by any party as the basis for a contract by estoppel or otherwise. A binding agreement will arise only upon the negotiation, execution and delivery of mutually satisfactory definitive agreements and the satisfaction of the conditions set forth therein, including completion of due diligence and the approval of such agreements by the respective governing body(ies) and management of each party, which approval shall be in the sole subjective discretion of the respective governing body(ies) and management.*

## I. INTRODUCTION

Building on our commitment to renewable energy Avista Corporation (Avista) has set goals to serve customers with 100 percent clean electricity by 2045 and to have a carbon-neutral electricity supply by the end of 2027. Avista similarly is planning to meet requirements of the Clean Energy Transformation Act (CETA) by 2030 by acquiring clean energy resources and alternative compliance resources to meet the 2030 goal. Avista is on track to meet this goal and uses its Integrated Resource Plan (IRP) to address the progress toward the goal. Avista's IRP planning process is documented at <https://www.myavista.com/about-us/our-company/integrated-resource-planning>. This is a significant goal and Avista believes now is a good time to solicit, through a request for proposal (RFP), pricing for additional new renewable resources.

Industry indicators are less certain given the sun-setting of the Production Tax Credit (PTC), however, they continue to support the timing to request and evaluate competitively priced market options. Indicators include the expiring PTC, pricing and developer activity, competition for preferred projects, technology advancements and competition for least cost resources. The PTC is scheduled to decline for new projects after 2020 (and similarly the non-residential Investment Tax Credit (ITC) decreases to 10 percent in 2022).

Potential project timelines to capture PTC benefits are getting shorter. Developer activity along with industry market insights provide Avista opportunities to observe and analyze changes in renewable energy technology and pricing. Recent indicative and actual pricing for renewables in the west suggest renewable resources are competitive in the wholesale market. The advances of machine technologies and the sun-setting of tax credits may contribute to competitive pricing for renewables in the short term. Pricing may increase if remaining tax credit opportunities are not fully captured.

Avista's intent is to secure the output through Power Purchase Agreement (PPA) from renewable generation resources<sup>1</sup>, including electricity, capacity and associated environmental attributes. Avista will accept proposals that include PPA and/or the option to purchase the project. See section II below for more details on possible structures. Avista's interest in acquiring new renewable energy resources is to offset market purchases and fossil-fuel thermal generation. This interest is consistent with Avista's 2020 Integrated Resource Plan (IRP) filed in Idaho which identifies the utility will consider acquiring additional resources if such resources have lower long-term cost than electric market alternatives. The 2020 IRP was filed with the Idaho Public Utilities Commission (IPUC) on February 28, 2020.

Avista typically files its Electric IRP in both Washington and Idaho. However, because of the passage of (CETA), the Washington Utilities and Transportation Commission is currently in the rulemaking process that will impact the IRP. Rulemaking is expected to be complete by the end of the year and new IRPs filed in Washington and Idaho April 1, 2021. While this IRP is not an official filing in Washington, it was filed as an advisory report of Avista's ongoing resource planning efforts.

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<sup>1</sup> Defined in Washington under RCW 19.280.020



Avista is modeling a future reflecting both CETA requirements and its own clean electricity goals. The 2020 IRP has a larger portfolio of new resources than in previous IRPs. A combination of new wind, storage and demand response is planned to replace coal and some natural gas-fired generation by 2026. Avista will continue to maintain its existing clean hydropower and biomass plants and look for opportunities to upgrade or increase plant efficiency.

The RFP is open to parties who currently own, propose to develop, or hold rights to new renewable resource generating facilities. Avista may engage a third-party consultant to gain an outside perspective as it relates to the RFP. Avista will not accept proposals for renewable energy certificates only. Avista is not considering a self-build option for this facility or facilities.

Under this RFP, Avista seeks proposals from the following eligible nonemitting or renewable resources<sup>2</sup> as defined by RCW 19.405.020 whether through one or multiple proposals for the development of approximately 120 aMW (alternating current, or AC) with a minimum net annual output of 20 aMW<sup>3</sup> AC each year and that otherwise satisfy the requirements of the RFP. Bidders may submit more than one proposal or proposals with multiple developments but projects must be new renewable resources. Smaller projects between 20 aMW and 50 aMW may provide additional locational value, as well as projects that support equity goals would be scored accordingly.

- Wind
- Solar
- Geothermal
- Biomass
- Hydroelectric
- Other eligible nonemitting or renewable resources

Avista will consider proposals that include storage<sup>4</sup> associated with any of the above listed renewable resources. Avista plans to solicit capacity only project pricing through a separate request in the future<sup>5</sup>.

Avista's objective is to secure a new eligible renewable or nonemitting resource(s) under terms and conditions that are economical and favorable to Avista's customers. Energy delivery from all proposed projects must be commercially available no later than December 31, 2023. Bidders will assume all risks related to missing any federal tax incentives included in their bids. For purposes of this RFP, each party that responds by submitting a proposal is a Bidder, each response is a Proposal and the renewable energy generation proposed is a Project. Proposals may take different forms. While Avista will consider alternative approaches that are consistent with the stated objectives of this RFP, Avista prefers the structure as identified in Section II:

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<sup>2</sup> E.g. on and off-shore wind, solar, run-of-river hydro, tidal, etc.

<sup>3</sup> The goal is approximately 120 aMW total and alternative sizes may be accepted on a case by case basis.

<sup>4</sup> E.g. battery storage (lithium-ion, flow, etc.), pumped hydro, etc.

<sup>5</sup> See Avista 2020 Integrated Resource Plan (IRP) filed in Idaho Feb 28, 2020



## II. **PPA DELIVERY PERIOD/PRICE/OWNERSHIP STRUCTURES**

**PPA Delivery Period:** Pursuant to the terms of a power purchase agreement (“PPA”), Avista will obtain all rights to the output of the Project, including the energy (net of facility service power and losses), capacity, and all Environmental Attributes generated by the Project for a minimum 15-year term and maximum 20-year term.

**PPA Price:** Avista seeks competitive Proposals for the sale of Project output (including energy, capacity, and other attributes including Environmental Attributes) to Avista at the maximum value to customers.

**Ownership Structures:** Avista or its affiliates is willing to consider an option to purchase/own the Project outright during the term of the PPA. Bidders may propose other ownership structures, which may include (i) a turn-key Project to be owned by Avista, (ii) joint development and co-ownership, or (iii) another mutually beneficial arrangement. For PPA only Proposals Avista shall have a right of first refusal to purchase the Project.



### III. EVALUATION PROCESS

1. Avista will use a two-step evaluation process. First, Avista will evaluate and rank the Preliminary Information (Exhibit B) submitted by each Bidder against the Preliminary Information (Exhibit B) submitted by other Bidders in response to this RFP. The evaluation and ranking of Preliminary Information will focus on conformance of each Bidder's submittal with the requirements of this RFP and the proposed net price and other factors of each proposed Project. Such evaluation and ranking shall be performed in a fair and consistent manner to arrive at a Short List.

Second, once the Short List is compiled, Short-Listed Bidders will have the opportunity to submit a Detailed Proposal (Exhibit C). Each Short-Listed Bidder's Detailed Proposal will be evaluated against the other Short-Listed Bidders' Detailed Proposals. All Short-Listed Bidders should be prepared to discuss their projects and be available for questions either in person<sup>6</sup> or via phone after their Detailed Proposal (Exhibit C) is received by Avista. Only those Bidders who are Short-Listed shall submit a Detailed Proposal. Detailed Proposals submitted by any person or entity other than a Short-Listed Bidder will not be considered.

2. Detailed Proposals will not be opened in public; however, representatives of the Washington Utilities and Transportation Commission (WUTC) and the Idaho Public Utilities Commission (IPUC) will be invited to attend the opening of the Detailed Proposals.
3. All Detailed Proposals will first be screened to ensure they meet threshold criteria of the RFP. Avista may disqualify any Proposal from further consideration if the Proposal contains, in Avista's sole discretion, material deficiencies or if the Proposal does not meet Avista's needs for any reason. Avista may grant an extension to cure minor deficiencies in a Proposal, at its sole discretion. Selection for further consideration will be based both on qualitative and quantitative factors consistent with this RFP and the 2020 IRP, including but not limited to:
  - **Risk Management Characteristics:** The financial stability and credit rating of the Bidder, its ability to fund and complete construction, its ability to operate and maintain the Project (including related Project and managerial experience), and/or the availability of a parent company guaranty, the willingness to post a letter of credit, performance bond or cash to minimize the financial risks.
  - **Net Price and Price Risk Characteristics:** the overall cost of the Project including bid price, integration costs and imputed debt related to PPAs or other financing arrangements, costs of resource integration, transmission, fuel supply, construction and other charges relative to the benefits which Avista expects to receive from the Project such as market purchase offsets, generation capacity

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<sup>6</sup> Other electronic alternatives possible to meet Center for Disease Control (CDC) or corporate pandemic response guidelines



deferment, the value of Environmental Attributes and other attributes (including apprentice credits as outlined in RCW 19.285), and energy value. Avista will also evaluate market volatility risks, price risks, operation and maintenance and all related risks. Avista will include the social cost of carbon in this analysis for alternative carbon emitting alternatives where applicable for the portion of power serving Washington State customers. This would include known development or ongoing operational disposal or recycling costs.

- **Electric Power Characteristics:** the ability of the Project to meet size, location, transmission, interconnection, timeline, construction, operational and other technical and commercial characteristics of Avista's requirements, including but not limited to dispatchability, the effect of the resource on Avista's electric system operations and developer and O&M capabilities.
  - **Environmental Characteristics:** the ability of the Project to meet local, state, and federal agency environmental, land use and other permitting requirements, including carbon dioxide emissions and public policy issues, Project schedule risks, including any known community objections that are likely to delay or prevent Project milestones.
3. After completion of the evaluation process, those Proposals deemed to provide the greatest benefit to Avista's portfolio will be placed on the Negotiation List.
  4. All materials, including Preliminary Information and Proposal Summaries and Proposals, submitted to Avista will be retained by Avista and will not be returned to Bidder.

#### IV. LIMITATIONS

**AVISTA RESERVES THE RIGHT TO CANCEL OR MODIFY THE RFP, THE RFP SCHEDULE AND THE RFP PROCESS AS IT DEEMS NECESSARY OR TO COMPLY WITH REGULATORY ORDERS, RULES, REGULATIONS OR GUIDELINES WITHOUT LIABILITY OR OBLIGATION TO ANY BIDDER. AVISTA RETAINS SOLE DISCRETION TO DETERMINE WHICH PROPOSAL(S) WILL BE SELECTED FOR FURTHER REVIEW AND NEGOTIATION. ASPECTS OF BIDDER'S PROPOSAL MAY BE SUBJECT TO FURTHER INQUIRY TO SPECIFICALLY DEFINE THE OPERATION OF THE PROJECT, TO ENSURE ADEQUATE FINANCIAL AND CREDIT SUPPORT FOR BIDDER, TO ENSURE THAT THE PROJECT IS CONSISTENT WITH AVISTA'S REQUIREMENTS OR FOR ANY OTHER REASON. FURTHER INQUIRY SHALL NOT IMPLY THAT A PROPOSAL WILL BE SELECTED.**

**THERE SHALL BE NO BINDING CONTRACT UNTIL AVISTA AND BIDDER HAVE EXECUTED A FINAL DEFINITIVE AGREEMENT AND ANY APPLICABLE REGULATORY REVIEW HAS BEEN COMPLETED. IN ITS SOLE DISCRETION AND AT ANY TIME, AVISTA MAY SUBMIT ANY FINAL DEFINITIVE AGREEMENT TO THE IPUC, THE WUTC OR OTHER REGULATORY AGENCY OF WITH COMPETENT JURISDICTION FOR REVIEW BEFORE SUCH AGREEMENTS ARE ENFORCEABLE BY BIDDER.**



NEITHER THIS RFP NOR ANY FURTHER CORRESPONDENCE OR DISCUSSION SHALL CONSTITUTE AN OFFER BY AVISTA, AND SUBMITTAL OF A PROPOSAL SHALL NOT BE DEEMED AN ACCEPTANCE. AVISTA RESERVES THE RIGHT IN ITS SOLE DISCRETION TO (i) NEGOTIATE ONLY WITH THOSE BIDDERS WHOSE PROPOSALS AVISTA BELIEVES IN ITS SOLE DISCRETION ARE REASONABLY LIKELY TO LEAD TO A FINAL DEFINITIVE AGREEMENT SUBSTANTIALLY AS PROPOSED, (ii) REJECT ANY AND ALL PROPOSALS AT ANY TIME BEFORE EXECUTION OF A FINAL DEFINITIVE AGREEMENT, AND (iii) PURSUE PROJECTS OF THE SAME OR SIMILAR NATURE AS PROPOSED BY A BIDDER WITHOUT OBLIGATION TO ANY SUCH BIDDER.

AVISTA SHALL NOT BE LIABLE FOR ANY EXPENSES INCURRED BY ANY BIDDER IN CONNECTION WITH RESPONDING TO THIS RFP, OR FOR ANY DIRECT OR INDIRECT COSTS, FEES OR LOST OR FOREGONE PROFITS OF ANY BIDDER.

**V. CONFIDENTIALITY AGREEMENT**

Each Bidder is required to enter into a mutual confidentiality agreement with Avista by submitting an executed Mutual Confidentiality Agreement, Exhibit A, before or with submittal of its Preliminary Information (Exhibit B). Executed Mutual Confidentiality Agreement should be sent to 2020RenewableRFP@avistacorp.com Avista will countersign and return one fully executed Mutual Confidentiality Agreement to Bidder. Given the timeframe of this RFP process, Avista is unable to entertain modifications to the language contained in the Mutual Confidentiality Agreement.

**VI. PRELIMINARY INFORMATION AND DETAILED PROPOSAL REQUIREMENTS**

All Bidders must provide Preliminary Information by responding to the questions posed and requirements of Exhibit B to this RFP by July 22, 2020. Responses should be sent to 2020RenewableRFP@avistacorp.com. This Preliminary Information will be used in the evaluation process to select Short Listed Bidders. When developing and pricing your proposal, the proposal shall consider the guidance identified below. This guidance may be part of any future agreement with Avista.

If your project is Short Listed, you will be required to submit a Detailed Proposal that includes all items in Exhibit C by August 21, 2020. In addition to submitting Detailed Proposals electronically, each Short-Listed Bidder shall submit four hard copies of its Detailed Proposal to Avista at:

Chris Drake, MSC-7  
Avista Corporation  
1411 East Mission Ave.  
Spokane, WA 99202

Each Bidder shall include with its response(s) to this RFP a certification by an authorized individual for such Bidder that the information provided by such Bidder in accordance with Exhibit B and/or Exhibit C, as applicable, is complete and accurate.



All Bidders must meet the following requirements:

1) Credit Requirements

- a. Bidder has a long-term debt rating of at least BBB- (or its equivalent) from Standard and Poor's, Moody's, Fitch, Dominion Bond Rating Service or Canadian Bond Rating Service; or
- b. The Bidder's parent company has a long-term rating of at least BBB- (or its equivalent) from Standard and Poor's, Moody's, Fitch, Dominion Bond Rating Service or Canadian Bond Rating Service and is willing to provide a corporate guarantee to the counterparty guaranteeing performance under the PPA; or
- c. The Bidder is willing to post a letter of credit from domestic bank (or a domestic branch of a foreign bank) that has a senior debt rating of at least "A-" (or its equivalent) from Standard and Poor's, Moody's, Fitch, Dominion Bond Rating Service or Canadian Bond Rating Service. Credit requirements will include \$45/kW for delay security (by end of day PPA is signed) and \$25/kW per year for operations (by end of day of commercial operation date (COD)); or
- d. The Bidder is willing to post a performance bond from domestic bank (or a domestic branch of a foreign bank) or insurance company that has a senior debt rating of at least "A-" (or its equivalent) from Standard and Poor's, Moody's, Fitch, Dominion Bond Rating Service or Canadian Bond Rating Service. Credit requirements will include \$45/kW for delay security (by end of the day the PPA is signed) and \$25/kW per year for operations (by end of day of COD); or
- e. Bidder is willing to post cash with Avista of \$45/kW for delay security (by end of day PPA is signed) and \$25/kW per year for operations (by end of day of COD).

2) Insurance Requirements

- a. Builders Risk (Course of Construction): "All Risk" (Special Perils) coverage form, with limits equal to the completed value of the project and no coinsurance penalty provisions.
- b. Property Insurance: "All Risk" (Special Perils) coverage form at full replacement cost with no coinsurance penalty provision for repair or replacement of the facility. The policy shall include Boiler and Machinery, Earthquake, and Wind/Hail coverage. The deductible(s) shall not exceed the Seller's financial ability to fund the costs of losses and shall not be greater than prevailing practices for similar operations in the state in which the Facility is located.
- c. Commercial General Liability: Insurance coverage, on an occurrence basis, with a limit of \$2,000,000 per occurrence. The coverage must include: (i) Bodily Injury and Property Damage Liability, (ii) Contractual Liability, including coverage for the indemnity obligations under this Agreement and (iii) Products and Completed Operations Liability. Policy shall be endorsed to name





Avista as an Additional Insured. The deductible shall not exceed the Seller's financial ability to cover claims and shall not be greater than prevailing practices for similar operations in the state in which the Facility is located.

- d. Business Automobile Liability: Insurance coverage with a minimum single limit of \$2,000,000 per claim for bodily injury and property damage with respect to project operator's use of vehicles whether owned, hired or non-owned, assigned to, or used in the performance of the Work. Policy shall be endorsed to name Avista as an Additional Insured.
- e. Excess general liability policy – Minimum limit of \$25 million. Policy shall be endorsed to name Avista as an Additional Insured.
- f. Pollution liability – Minimum limit of \$5 million. Policy shall be endorsed to name Avista as an Additional Insured.
- g. Cyber Insurance – Minimum limit of \$5 million to cover 1<sup>st</sup> party damage related to a cyber related loss.

Workers Compensation/Employer's Liability: Insurance coverage with respect to all persons performing the Work, in accordance with the applicable laws of the state in which the Work is to be performed.

All required insurance policies that name Avista as an additional insured must include provisions that such insurance is primary insurance with respect to the interests of Avista and that any other insurance maintained by Avista is excess and not contributory insurance with the required insurance. Owner/Operator shall notify Avista within 30 days of any cancellation or change in limits of liability of any required insurance policy.

Owner/Operator shall ensure that any policy of insurance that operator or any subcontractor carries as insurance against property damage or against liability for property damage or bodily injury (including death) shall include a provision providing a waiver of the insurer's right to subrogation against Avista as the additional insured. To the extent permitted by the policies of insurance, Owner/Operator hereby waives all rights of subrogation against Avista as the additional insured

3) Station Service/Parasitic Load Requirements:

- a. Station service of the facility will be charged the applicable retail electric rate schedule if connected to Avista's system when the facility is not generating.
- b. Any station service when the facility is generating is netted from production.

4) Transmission Requirements:

- a. On-system interconnections must include direct assigned interconnect costs as part of the PPA price. Further, Avista is not responsible for any changes in these costs from estimates provided by the Transmission provider. These proposals do not require third party ancillary services.



- b. Proposals with off-system interconnections must be delivered to Avista's system, pricing shall include transmission wheeling and appropriate ancillary services required to deliver the output of the eligible renewable resource.

5) Operations Requirements:

- a. Avista reserves the right to limit facility upward output ramps to 10 MW per minute.
- b. Avista may curtail, interrupt, reduce or suspend delivery, receipt or acceptance of Delivered Facility Output if Avista, in its sole discretion, reasonably determines that such curtailment, interruption, reduction or suspension is necessary, consistent with Prudent Utility Practice, and that the failure to do so may:
  - i. endanger any person or property, or Avista's electric system, or any electric system with which Avista's system is interconnected;
  - ii. cause, or contribute to, reliability or an imminent significant disruption of electric service to Avista's or another utility's customers;
  - iii. cause, contribute to, or necessitate operation of any of Avista's hydroelectric projects in violation of any license or other regulatory requirements;
  - iv. interfere with any construction, installation, inspection, testing, repair, replacement, improvement, alteration, modification, operation, use or maintenance of, or addition to, Avista's electric system or other property of Avista; or
  - v. if such curtailment is required for Avista's compliance with any applicable law or regulatory requirement.
  - vi. For the avoidance of doubt, no payment shall be due Seller for any curtailment for these conditions.
- c. Avista may curtail, interrupt, reduce or suspend delivery, receipt or acceptance of facility output for any reason in its sole discretion. For lost energy during these discretionary curtailments, Avista will compensate the seller at an agreed upon price or pricing methodology. Bidder shall define the discretionary curtailment pricing methodology as part of its bid.
- d. All SCADA or other operational data available to the facility must be delivered to Avista on a real-time basis, including project weather station data for the site.
- e. Metering shall be capable of meeting California Independent System Operator (CAISO) Energy Imbalance Market (EIM) standards for five (5) minute metering<sup>7</sup>.
- f. Seller shall at a minimum provide hourly, 7-day generation forecasts, over the contract term.
- g. Generating resource must be capable of meeting all Federal Energy Regulatory Commission (FERC) and North American Electric Reliability Corporation (NERC) applicable requirements such as the FERC Frequency Response Standard as defined in FERC Order 842.

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<sup>7</sup> <http://www.caiso.com/market/Pages/MeteringTelemetry/Default.aspx>



6) Pricing Requirements:

- a. Bidder must hold bid prices, terms and conditions of their offer firm for at least ninety (90) days from the date of submittal.
- b. PPA pricing may be \$ per MWh AC and/or \$ per kW-year AC.
- c. For purchase options, offer prices can be included in any year after COD.
- d. Any proposals with storage must be priced both with and without storage.
- e. All proposals must include a discretionary curtailment price. Proposals with ability to provide ancillary services, such as regulation or grid support shall price the project appropriately for potential lost production.
- f. Avista will accept prices for variable energy production at a fixed price (i.e. \$/kW-month or tolling agreement). These proposals must have mechanical performance guarantee and its dispatch under Avista's full control.

