2020 Renewable RFP Evaluation Methodology

06/15/2020

A. Each proposal will be reviewed to verify it meets the general qualifications.

Evaluation Criteria

1. Compatibility with resource need
2. Site control
3. Financial plan to bring project to completion
4. Credit requirements
5. Procurement plan
6. Project completion no later than December 31, 2023

B. For each proposal meeting the general qualifications, it will be evaluated on five characteristics. Weightings are determined based on importance to Avista to meet its resource development goals stated in the 2020 IRP. The evaluation scoring may change depending upon proposals with circumstances not considered in this evaluation methodology.

Table 1: Evaluation Criteria (Discuss Weightings)

Characteristic	Weighting (%)
Risk Management	
Net Price	
Price Risk	
Electric Factors	
Environmental	
Community Impact	
Total	100

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1. Risk Management

An investment grade credit rating is required for the developer. If the developer is not rated by Standard & Poor's and/or Moody's, a guaranty from an investment grade parent company/credit support provider will be considered. Absent an investment grade rating, the developer or its parent company/credit support provider may be asked to provide collateral in the form of: a letter of credit, a cash deposit, or another form of collateral acceptable to Avista. For a developer or its credit support provider, the credit rating utilized will be the lower of the long term, unsecured and unsubordinated debt ratings assigned by either Standard & Poor's or Moody's. Further, the developer must have a solid corporate track record and the developer must be capable of (A) providing adequate financial performance assurance and (B) demonstrating experience developing generation projects.

Evaluation Criteria

Adequate Financial Performance

- Either the project will be "balance sheet" financed; or the project will rely on a power purchase agreement (PPA) for its financing and Bidder can verify that such financing has been secured.
- Project will rely on PPA financing. The Bidder has obtained financing for at least 1 project of similar technology and capacity.
- Project will rely on PPA financing. The Bidder has obtained financing for at least 1 project of any technology and capacity.

Generation Project Development Experience in the United States

- The Bidder has completed 2 or more projects of similar technology and capacity.
- The Bidder has completed 2 or more projects of any technology and capacity (wholesale generation).
- The Bidder Team (not Bidder entity) has only one project of similar technology and capacity; or begun construction of at least one other similar project.
- The Bidder Team (not Bidder entity) has completed at least one project of any technology and capacity (wholesale generation); or begun construction of at least one other similar project.

2. **Net Price**

The overall cost of the proposal is determined by the nominal levelized cost per MWh based on information provided in the proposal such as generation profiles and operational characteristics. Costs in addition to those provided in the proposal include calculated costs for imputed debt for PPAs, variable generation integration, forecasting services, miscellaneous charges, project transmission and associated project network costs, and other costs.

To determine a project's net price, all costs will be compared against Avista's 2020 IRP electric price forecast and for projects with REC credits (apprentice/DG). Current forward prices will replace IRP forecasts where available. Proposals providing capacity will include a capacity value based on Avista's 2020 IRP.

Evaluation Criteria

All bids will be ranked from lowest to highest and divided into three or four natural price breaks.

3. Price Risk

Price risk is the risk of the project costing more than the expected price. Price variance can result from fuel supply, cost of construction, operations and maintenance, inflationary risks, or annual generation variance causing subsequent market energy/REC purchases.

Evaluation Criteria

- Long-term price risk exclusive of O&M
    - Fixed price over contract term (known escalator is acceptable).
    - PPA tied to the U.S. Implicit Price Deflator or similar index.
- Construction Risk and to the extent Avista is at risk for construction costs
- Fuel supply risk
    - Bidder demonstrates that the resource can support the production profile. For example:
        - Geothermal: Based on results of test wells, verified third party resource assessment or comparable facilities in the region.
        - Wind: Based on meteorological tower data, verified third party resource assessment or comparable facilities in the region.
        - Biomass: Sufficient quantities of fuel stock under control or contract for a minimum of five years.
        - Solar: Based on verified third party resource assessment.

4. Electric Risk Factors

Quantifies the stage of the proposal's transmission/interconnect process, quality of interconnection, transmission costs, and project technology's quality and history. Project status of interconnection facilities study, proven transmission capability to serve Avista's customers, and use of proven high-quality generation technology will be evaluated. Other transmission advantages such as no impact on transmission capability, lessening congestion issues, or creating redundancy will also be evaluated.

Interconnection Evaluation Criteria

- Interconnection feasibility study status.
- Interconnection system impact study status.
- Interconnection facilities study status.

Transmission Evaluation Criteria

- Firm transmission to Avista's system.
- Non-firm transmission to Avista's system.
- Project requiring upgrades to Avista's transmission system will be evaluated within the financial analysis

Technology Evaluation Criteria

- Project will use commercialized technology that is currently in use at a minimum of two utility scale operating facilities (worldwide).
- Either (i) the project will use key components of commercialized technology, but in an application that has not yet been commercially proven; or (ii) project feasibility is supported by third party, independent engineer's report that verifies the cost and performance; or (iii) technology is subject to foreign adversary supply chain risk.

Procurement Process Criteria

- For bids with the major component procurement process not complete
    - Bidder has financial assurance or a frame agreement with supplier
    - Bidder requires letter of credit or credit supporter or PPA with no major component agreement

5. Environmental

This criterion quantifies the proposal's capability to meet local, state, and federal agency permit requirements and its ability to acquire land for right away or other uses. This section also evaluates if the technology is proven to meet environmental laws and regulations.

Evaluation Criteria

- Bidder has a Conditional Use Permit and all other permits required to construct the project.
- SEPA/CUP filed and pending approval.
- Failure to file SEPA/CUP filing. Projects may receive partial credit if similar projects have received permits in a timeline acceptable to meet the requirements of this RFP.
- Survey Status- Projects without SEPA/CUP but completed the following studies.
  - Avian
  - Bat
  - Wetlands
  - Habitat
  - Cultural
  - Visual
  - Microwave
  - FAA
  - Other Required Permits Required

6. **Community Impact**

This criterion quantifies the proposals ability benefit local communities.

- Community Involvement – demonstrated local support (e.g. public meetings, letter(s) of support from municipality or project neighbors) to avoid project delays and gain local project support.
- Avista's electric service territory – Projects within the electric service territory benefits from increased energy security and resiliency by direct interconnect to Avista's system. Further, the local economy (Avista customers) benefits from local labor and tax revenues.
- Vulnerable Populations and Highly Impacted Communities. Evaluation of project impact as it relates to Washington State identified Highly Impacted Communities or in an area identified by the Washington State Health Disparities map (sensitive populations and socioeconomic factors).