Appendix 15
Evaluation Process Summary
Example of Strike Price Adjustments

Parameters

There are four (4) "Categories" of Projects:

- **Utility-scale wind projects**
  - Nameplate capacity greater than 5,000 kW (AC rating)
- **Utility-scale solar projects**
  - Nameplate capacity greater than 5,000 kW (AC rating)
- **Brownfield site photovoltaic projects**
  - No minimum size requirement
- **Hydropower projects**
  - No minimum size requirement

One-time Strike Price Adjustment Mechanism Opt-in vs Opt-out Bids:

If the Bidder is electing to opt into the one-time Strike Price Adjustment Mechanism under the Indexed REC Contract for the Project, the Bid will be called an "Opt-in Bid." If the Bidder is electing to not opt into the Strike Price Adjustment Mechanism, the Bid will be called an "Opt-out Bid."

Parameters

Bid Evaluation Price Reduction(s):

- If Construction Activities for a Project have not begun as of the submission of the Part 1 Proposal, the Seller may commit to an Equity Level (%) for a Project greater than the Minimum Equity Standard ("MES") of 14% in order to qualify for a bid evaluation price reduction. The Procurement Administrator will notify the Bidder whether all requirements related to such commitment have been met, and if so, will confirm that the Project qualifies for the bid evaluation price reduction.

- If the Project is a Utility-Scale Solar Project or a Utility-Scale Wind Project and at least 50% of the Project site is located within an Energy Transition Community Grant Area, then the strike price or Forecasted Strike Price for such Project will be reduced by ten percent (10%) times the lowest strike price for that Category.

- If the Project is a Hydropower Project and the Project site is located in or adjacent to a Hydropower Preference Community, then the strike price or Forecasted Strike Price for such Project will be reduced by $10/MWh.

Evaluation Steps Summary

Step 1

For a given Category of project, if the bid is an Opt-in Bid, multiply the strike price for the Opt-in Bid by the "Forecast Factor" specific to that Category.

Step 2

For a given Category of project, eliminate bids with strike prices or Forecasted Strike Prices that do not meet or beat the benchmark associated with that Category.

Step 3

For a given Category of project, rank bids with strike prices or Forecasted Strike Prices that meet or beat the benchmark from lowest to highest.

Lowest strike price or Forecasted Strike Price for a given Category is identified.

Step 4

A "Final Strike Price" is the value of the strike price after adjusting for the Forecast Factor, if applicable, and the following reductions, if applicable:

<u>If Seller commits to Equity Level (%) for the Project above the Minimum Equity Standard:</u> 1% x lowest strike price or Forecasted Strike Price for that Category x ratio of (a) Equity Level (%) for that Project to (b) 14%

<u>If a Project is a Utility-Scale Solar Project or a Utility-Scale Wind Project and at least 50% of the Project site is located within an Energy Transition Community Grant Area:</u> 10% x lowest strike price or Forecasted Strike Price for that Category

<u>If a Project is a Hydropower Project and the Project site is located in or adjacent to a Hydropower Preference Community:</u> $10/MWh

*It is possible for a Project to qualify for multiple adjustments.
**If a bid is an Opt-out Bid and no such adjustments are applicable, the Final Strike Price is equal to the strike price.

Step 5

Separately for Utility-Scale Solar Projects and Brownfield Site Photovoltaic Projects, bids are re-ranked from lowest to highest in order of Final Strike Price.

Together for Utility-Scale Wind Projects and Hydropower Projects, bids are re-ranked from lowest to highest in order of Final Strike Price.

Step 6

The full quantities of the Projects with the lowest Final Strike Prices are selected until (i) all Projects are selected or (ii) selecting the Project with the next highest Final Strike Price (the "marginal Project") would exceed the Target associated with that Category. The rules surrounding selection of the marginal Project are described on the second to last page of this Appendix and in the RFP Rules. It is possible to exceed the Target associated with a given Category. In no case will a Project be selected out of price order.

Step 7

If there is a remaining target for one or more Categories because an insufficient number of Projects were bid for that Category, and for one or more of the other Categories there is at least one Project in addition to the marginal Project that has not yet been selected, then the evaluation continues to a seventh step. The seventh step is described on the final page of this Appendix and in the RFP Rules.

Step 1: Application of Forecast Factor

The strike price for an Opt-in Bid is multiplied by the "Forecast Factor" specific to the Category of project. The Forecast Factor is the expected percent change in the strike price of an Opt-in Bid if the strike price adjustment described in Exhibit G to the Indexed REC Contract were to be made 30 months from the Commission Bid Approval Date. The Forecast Factor for a Category is calculated as the weighted average of forecasts for each Index in Exhibit G to the Indexed REC Contract using weightings from the Strike Price Adjustment Mechanism formula for that Category. The Forecast Factor by Category will be provided to Bidders on the date the Part 2 Window opens.

Step 1: Application of Forecast Factor

Example 1. Applying the Forecast Factor to Utility-Scale Wind Projects

(all numbers are for illustrative purposes only)

Forecast Factor for Utility-Scale Wind Projects = **3.00%**

Bids		
Project	Opt-in vs Opt-out	Strike Price ($/MWh)
Project 1	Opt-in	$50.00
Project 2	Opt-out	$60.00
Project 3	Opt-in	$45.00
Project 4	Opt-out	$58.00
Project 5	Opt-in	$55.00
Project 6	Opt-out	$70.00

Bids		
Project	Opt-in vs Opt-out	Strike price or Forecasted Strike Price* ($/MWh)
Project 1	Opt-in	**$51.50**
Project 2	Opt-out	$60.00
Project 3	Opt-in	**$46.35**
Project 4	Opt-out	$58.00
Project 5	Opt-in	**$56.65**
Project 6	Opt-out	$70.00

*Forecasted Strike Price will be rounded to the nearest cent.

Step 1: Application of Forecast Factor

Example 2. Applying the Forecast Factor to Hydropower Projects

(all numbers are for illustrative purposes only)

Forecast Factor for Hydropower Projects = **4.00%**

Bids		
Project	Opt-in vs Opt-out	Strike Price ($/MWh)
Project 7	Opt-in	$80.00
Project 8	Opt-out	$57.00
Project 9	Opt-in	$48.00
Project 10	Opt-out	$85.00
Project 11	Opt-in	$64.00
Project 12	Opt-out	$67.00

Bids		
Project	Opt-in vs Opt-out	Strike price or Forecasted Strike Price* ($/MWh)
Project 7	Opt-in	**$83.20**
Project 8	Opt-out	$57.00
Project 9	Opt-in	**$49.92**
Project 10	Opt-out	$85.00
Project 11	Opt-in	**$66.56**
Project 12	Opt-out	$67.00

*Forecasted Strike Price will be rounded to the nearest cent.

Step 2: Application of Benchmarks

Benchmarks are established by the Procurement Administrator, in consultation with the IPA, the Procurement Monitor, and the ICC Staff. The benchmarks are confidential and are subject to review and approval by the ICC.

For a given Category of project, Bids with strike prices or Forecasted Strike Prices that fail to meet or beat the benchmark associated with that Category are eliminated. If there are no Bids with strike prices or Forecasted Strike Prices that meet or beat the benchmark, then the evaluation ends, and no Projects are selected.

Step 3: Ranking of Bids for a Given Category

For a given Category of project, Bids with strike prices or Forecasted Strike Prices that meet or beat the benchmark are ranked from lowest to highest and the lowest strike price or Forecasted Strike Price is identified.

An example follows on the next page.

Step 3: Ranking of Bids for a Given Category

Example 1. Ranking of Bids for Utility-Scale Wind Projects

(all numbers are for illustrative purposes only)

Unranked Bids	
Project	Strike price or Forecasted Strike Price ($/MWh)
Project 1	$51.50
Project 2	$60.00
Project 3	$46.35
Project 4	$58.00
Project 5	$56.65
Project 6	$70.00

Ranked Bids	
Project	Strike price or Forecasted Strike Price ($/MWh)
Project 3	$46.35
Project 1	$51.50
Project 5	$56.65
Project 4	$58.00
Project 2	$60.00
Project 6	$70.00

Lowest strike price or Forecasted Strike Price = **$46.35/MWh**

Step 3: Ranking of Bids for a Given Category

Example 2. Ranking of Bids for Hydropower Projects

(all numbers are for illustrative purposes only)

Unranked Bids	
Project	Strike price or Forecasted Strike Price ($/MWh)
Project 7	$83.20
Project 8	$57.00
Project 9	$49.92
Project 10	$85.00
Project 11	$66.56
Project 12	$67.00

Ranked Bids	
Project	Strike price or Forecasted Strike Price ($/MWh)
Project 9	$49.92
Project 8	$57.00
Project 11	$66.56
Project 12	$67.00
Project 7	$83.20
Project 10	$85.00

Lowest strike price or Forecasted Strike Price = **$49.92/MWh**

Step 4: Adjusting Strike Price or Forecasted Strike Price (when applicable)

Three instances in which strike price or Forecasted Strike Price is adjusted:

- For a given Category of project, the following adjustment is made: if in the Part 1 Proposal, the Seller commits to an Equity Level (%) for the Project above the Minimum Equity Standard of 14% and is notified by the Procurement Administrator that all requirements related to such commitment have been met, then the strike price or Forecasted Strike Price for such Project will be **reduced by**:

  one percent (1%) x the lowest strike price (or Forecasted Strike Price) for that Category (identified in Step 2) x the ratio of (a) the Equity Level (%) for that Project to (b) fourteen percent (14%)

- For a given Category of project, the following adjustment is made: if the Project is a Utility-Scale Solar Project or a Utility-Scale Wind Project and at least 50% of the Project site is located within an Energy Transition Community Grant Area, then the strike price or Forecasted Strike Price for such Project will be **reduced by**:

  ten percent (10%) x the lowest strike price (or Forecasted Strike Price) for that Category (identified in Step 2)

- If the Project is a Hydropower Project and the Project site is located in or adjacent to a Hydropower Preference Community, then the strike price or Forecasted Strike Price for such Project will be **reduced by**:

  $10/MWh

A “Final Strike Price” for a bid is the value of the strike price reflective of the application of the Forecast Factor and the adjustments above. It is possible for a Project to qualify for multiple adjustments. If no such adjustment is applicable, the Final Strike Price for a bid is equal to the strike price provided in the Bid Form.

An example of each adjustment follows on the next page.

Step 4: Adjusting Strike Price or Forecasted Strike Price (when applicable)

Example 3. Adjusting Price for Utility-Scale Wind Projects

(all numbers are for illustrative purposes only)

Project	Strike price or Forecasted Strike Price ($/MWh)	Energy Transition Community Grant Area	Calculation of price reduction related to Energy Transition Community Grant Area (if applicable)**	Equity Level (%)*	Calculation of price reduction related to Equity Level (if applicable)**	Final Strike Price
Project 3	$46.35	No	--	15%	$0.4635 x (15%/14%) = $0.50	$46.35 - $0.00 - $0.50 = $45.85
Project 1	$51.50	Yes	$46.35 x 10% = $4.64	20%	$0.4635 x (20%/14%) = $0.66	$51.50 - $4.64 - $0.66 = $46.20
Project 5	$56.65	No	--	14%	--	$56.65 - $0.00 - $0.00 = $56.65
Project 4	$58.00	No	--	40%	$0.4635 x (40%/14%) = $1.32	$58.00 - $0.00 - $1.32 = $56.68
Project 2	$60.00	Yes	$46.35 x 10% = $4.64	30%	$0.4635 x (30%/14%) = $0.99	$60.00 - $4.64 - $0.99= $54.37
Project 6	$70.00	Yes	$46.35 x 10% = $4.64	75%	$0.4635 x (75%/14%) = $2.48	$70.00 - $4.64 – $2.48 = $62.88

Lowest strike price = $46.35/MWh

10% x $46.35/MWh = $4.64/MWh

Lowest strike price = $46.35/MWh

1% x $46.35/MWh = $0.4635/MWh

*The Equity Level (%) will be noted for the Project in the Bid Form.

**Price reduction will be rounded to the nearest cent.

Step 4: Adjusting Strike Price or Forecasted Strike Price (when applicable)

Example 4. Adjusting Price for Hydropower Projects

(all numbers are for illustrative purposes only)

Project	Strike price or Forecasted Strike Price ($/MWh)	Hydropower Preference Community	Price reduction related to Hydropower Preference Community (if applicable)**	Equity Level (%)*	Calculation of price reduction related to Equity Level (if applicable)**	Final Strike Price
Project 9	$49.92	No	--	20%	$0.4992 x (20%/14%) = $0.71	$49.92 - $0.00 - $0.71 = $49.21
Project 8	$57.00	Yes	$10.00	20%	$0.4992 x (20%/14%) = $0.71	$57.00 - $10.00 - $0.71 = $46.29
Project 11	$66.56	No	--	14%	--	$66.56 - $0.00 - $0.00 = $66.56
Project 12	$67.00	No	--	15%	$0.4992 x (15%/14%) = $0.53	$67.00 - $0.00 - $0.53 = $66.47
Project 7	$83.20	Yes	$10.00	25%	$0.4992 x (25%/14%) = $0.89	$83.20 - $10.00 - $0.89 = $72.31
Project 10	$85.00	Yes	$10.00	75%	$0.4992 x (75%/14%) = $2.67	$85.00 - $10.00 – $2.67 = $72.33

Lowest strike price = $49.92/MWh

1% x $49.92/MWh = $0.4992/MWh

*The Equity Level (%) will be noted for the Project in the Bid Form.
**Price reduction will be rounded to the nearest cent.

Step 5: Ranking Again of Bids

For bids associated with Utility-Scale Solar Projects or Brownfield Site Photovoltaic Projects, bids are ranked separately by Category of project from lowest to highest in order of Final Strike Price.

For bids associated with Utility-Scale Wind Projects or Hydropower Projects, bids are ranked together from lowest to highest in order of Final Strike Price.

An example follows on the next page.

Step 5: Ranking Again of Bids

Example 5. Ranking Again of Bids for Utility-Scale Wind Projects and Hydropower Projects

(all numbers are for illustrative purposes only)

Ranked Final Strike Prices from Step 4		
Project	Category	Final Strike Price ($/MWh)
Project 3	Utility-Scale Wind	$45.85
Project 1	Utility-Scale Wind	$46.20
Project 8	Hydropower	$46.29
Project 9	Hydropower	$49.21
Project 2	Utility-Scale Wind	$54.37
Project 5	Utility-Scale Wind	$56.65
Project 4	Utility-Scale Wind	$56.68
Project 6	Utility-Scale Wind	$62.88
Project 12	Hydropower	$66.47
Project 11	Hydropower	$66.56
Project 7	Hydropower	$72.31
Project 10	Hydropower	$72.33

Step 6: Selection of Winning Projects

In order of Final Strike Price, the full quantities of the Projects with the lowest Final Strike Prices are selected until all Projects are selected or until selecting the Project with the next highest Final Strike Price (the "marginal Project") would exceed the Target associated with that Category. In the latter case, the difference between the Target associated with that Category and the sum of the full quantities of the Projects already selected is calculated as the "remaining target". If the remaining target is equal to or exceeds the minimum quantity for the marginal Project, the marginal Project is selected to meet the remaining target associated with that Category. If the remaining target is less than the minimum quantity for the marginal Project, then the marginal Project is selected at the minimum quantity if this would result in exceeding the Target associated with that Category by no more than 50%. In no case will a Project be selected out of price order.

- If after completing the sixth step, there is a remaining target for one or more Categories because an insufficient number of Projects were bid for that Category so that the Category is undersubscribed, and for one or more of the other Categories there is at least one Project in addition to the marginal Project that has not yet been selected so that the Category is oversubscribed, then the evaluation continues to a seventh step.

Step 7: Allocation of Shortfall Quantity

The remaining target across undersubscribed Categories will be combined and called the "shortfall quantity". In a similar fashion as the sixth step, Projects that have not yet been selected or were not selected at the full quantity from Categories that are oversubscribed will be selected in price order based on Final Strike Price regardless of Category. The following process will continue until all Projects are selected or the marginal Project is identified: the shortfall quantity will be added to the remaining Target associated with the lowest priced Project to select the full quantity, if possible, of that Project. If selecting the full quantity is not possible, the marginal Project is selected in a similar fashion as the sixth step except that the result may exceed the Target associated with the Category of the marginal Project plus the shortfall quantity by no more than 50%. If after completing this seventh step, the number of RECs selected for a Category does not exceed the number of RECs selected under the sixth step, then the result of the sixth step is the final selection for the Category so that shortfall quantities from undersubscribed Categories may be used in a future procurement event.