

Proposed Evaluation Process

Included with our Notice Petition, the Company submits a Proposed Evaluation Process. The purpose of the Proposed Evaluation Process is to provide a framework to assist the Commission, and parties, in weighing applications to meet the firm dispatchable resource need in a reliable and cost-effective manner.

This Proposed Evaluation Process sets up a five-phased process to evaluate proposal applications. The five phases of the process include:

1. Threshold Requirement Per Proposal
2. Individual Scoring Per Proposal
3. Portfolio Optimization in EnCompass
4. Portfolio Viability Assessment & Scoring
5. Cost to Value Modeling and Portfolio Selection

Together, these phases will help in framing the proceeding and ensure that the Company can procure the necessary resources to provide capacity and energy availability to satisfy the firm dispatchable need. The Company proposes that Phase 1 occur as part of the Commission's completeness determination, and the Company would provide testimony detailing the outcome of Phases 2 through 5 as part of our initial testimony after any applications received are deemed complete and passing proposal threshold requirements. Further detail regarding the Proposed Evaluation Process is provided below.

Phase 1: Proposal Threshold Review

As part of the Commission's completeness review, each proposal will be evaluated to ensure it meets the minimum requirements outlined in the Commission's Order and approved materials supplied by the Company after the Commission decision to open the competitive process.

Phase 2: Proposal Scoring

Each proposal will be scored according to its capabilities to provide preferred individual proposal attributes with particular attention to cost, reliability, and environmental impact attributes. At the end of this phase, the top scoring proposals shall be moved forward to Phase 3.

Phase 3: Portfolio Formation

Proposals will be combined into candidate portfolios that will be evaluated further in Phases 4 and 5. The first candidate portfolio is the Reference Portfolio, consisting of proposals that the Company has submitted into the acquisition process. The

Company will perform production cost modeling in EnCompass to evaluate the present value of societal cost (PVSC) and present value of revenue requirements (PVRR) of the proposals and set a baseline to which other portfolios will be compared.

All other portfolios will be identified using an iterative optimization process that selects from the highest scoring proposals moved forward from Phase 2, as follows:

- 1) Allow all proposals moved forward from Phase 2 to be selected resource options in EnCompass, including any proposals that are part of the Reference Portfolio.
- 2) Conduct capacity expansion plan modeling in EnCompass to identify the most economic combination of all proposals on a PVSC basis.
 - a. Once a capacity expansion plan is identified, conduct production cost modeling in EnCompass on that plan.
- 3) To create subsequent portfolios, we will create a process that removes proposals selected in step 2 and reoptimizes the capacity expansion plan one or more times to identify the “next best” portfolio(s).

Phase 4: Portfolio Viability Assessment & Scoring

a. Viability Assessment

Each of the portfolios identified in Phase 3 will be analyzed through additional system modeling to address the following:

- 1) As per MISO Blackstart Service BPM Manual 022, can the Transmission Operator achieve the goals of its System Restoration Plan with this portfolio?
- 2) Does an unacceptable level of LOLH or EUE occur during the planning period when the NSP system is modeled with this proposed portfolio¹?
- 3) Does Steady State or Stability modeling of the NSP system with this proposed portfolio meet transmission planning criteria²?

Should a portfolio fail any of the 3 questions above, the type and size of necessary infrastructure required for the portfolio to pass the question(s) will be identified (“Necessary Infrastructure”) for subsequent use in Phase 5.

¹ LOLH and EUE will be measured at years 5, 10, and 15 of the planning period.

² Transmission Planning Criteria Manual for the NSPM and NSPW Transmission System, V7, accessible at www.xcelenergy.com, or most current manual at the time of evaluation.

b. Additional Portfolio Evaluation Criteria

After the viability assessment in part 4 a., the portfolios from Phase 3 shall be scored on several additional factors, which will serve as additional evaluation criteria. These factors include:

- 1) Does this portfolio improve inertial/stability response relative to the Reference Portfolio?
- 2) Does this portfolio improve system ramps relative to the Reference Portfolio?
- 3) Does this portfolio decrease reliance on MISO market purchases relative to the Reference Portfolio?
- 4) Does this portfolio improve system restoration time relative to the Reference Portfolio?
- 5) Does this portfolio have more than 5 days of onsite fuel storage?
- 6) Is the carbon impact of this portfolio lower than that of the Reference Portfolio, assuming:
 - a. Any physical fuel assets in the proposed portfolio use only the primary fuel(s) indicated in their application?
 - b. Any physical fuel assets in the proposed portfolio substitute zero-carbon delivered fuels for fossil fuels if enough data has been provided in in each application to allow for such analysis?
- 7) Does this portfolio have less LOLH and EUE relative to the Reference Portfolio under identical test conditions?
- 8) Is the PVRR of the portfolio lower than the PVRR of the Reference Portfolio?

Phase 5: Cost to Value Comparison and Portfolio Selection

In this phase the cost of any Necessary Infrastructure identified in Phase 4 is calculated for each portfolio. The following adjustment is then made to each of the portfolios from Phase 4:

$$\begin{aligned} & \textit{Modeled EnCompass Value from Phase 3 (PVSC Results (\$))} \\ & \underline{+ \textit{Cost of Necessary Infrastructure from Phase 4a (\$)}} \\ & \textit{Adjusted Portfolio Value (Calculated in Phase 5)} \end{aligned}$$

For all portfolios identified in Phase 3, both cost (represented by each portfolio's Adjusted Portfolio Value) and the additional evaluation criteria in 4b) will be compared to identify the portfolio ultimately recommended for selection.

Appendix A Scoring Attribute Matrix