

**Competitive Procurement Working Group Meeting #4**  
**Wednesday, September 11, 2019**  
**1:00pm – 4:00pm**  
**American Savings Bank Tower, Training Room 1**

**Attendees**

**In-Person**

Greg Shimokawa, HE  
Isaac Kawahara, HE  
Dale Murdock, Newport  
Consulting  
Christopher Lau, HE  
Rebecca Dayhuff-  
Matsushima, HE  
Duke Oishi, HE  
James Abraham, HE

Justin Somelofske, HE  
Yoh Kawanami, HE  
Nohea Hirahara, HE  
Julie Yunker, Hawaii  
Energy  
Henry Curtis, LOL  
Gerald Sumida, Carlsmith  
Ball

Wren Westcoatt,  
Progression Energy  
Jay-Paul Lenker, PUC  
Samantha Ruiz, PUC  
Clarice Schafer, PUC  
Vladimir Shvets, HE  
Amanda Yano, HE

**WebEx**

Dean Nishina, DCA  
Marcey Chang, DCA  
Patty Cook, ICR  
Steven Rymsha, Sunrun

Lisa Hiraoka, DCA  
Ken Aramaki, HE  
Eric Kunisaki, HE  
Marisa Chun, HE

Peter Young, HE  
Jessie Ciulla, RMI

## Objective

- Define the CPWG Deliverables
  - To be completed by March 30, 2020
  - Determining the CP process steps
    - Why is it important within the IGP?
    - Dependencies
    - Mechanisms, data and timing

## Agenda

<ul style="list-style-type: none"><li>• Welcome<ul style="list-style-type: none"><li>○ Ground Rules; IGP Objectives; CPWG Objectives; CPWG Deliverables</li></ul></li></ul>
<ul style="list-style-type: none"><li>• Recap of CPWG Meeting 3</li></ul>
<ul style="list-style-type: none"><li>• CPWG Meeting 4 Objectives</li></ul>
<ul style="list-style-type: none"><li>• Stakeholder Presentation &amp; Discussion</li></ul>
<ul style="list-style-type: none"><li>• IGP Sourcing Review &amp; Detailed Discussion<ul style="list-style-type: none"><li>○ Bidder Pre-Qualification; RFP Part 1</li></ul></li></ul>
<ul style="list-style-type: none"><li>• Next Steps, Proposed Meeting Schedule &amp; Deliverables</li></ul>

## Key Takeaways:

- Understanding of overall IGP Sourcing process and estimated durations
- Specific deliverables and timing for this working group

## Discussion

- I. CPWG Meeting 3 Recap & Discussion
  - a. Stakeholder: With the final Stage 2 RFP issued on August 22, 2019, how long do you anticipate being able to negotiate the selected bids to be able to file the PPA?
    - i. HECO: The intent in Stage 2 RFP, being that there are larger capacity and energy targets in this procurement, it is likely that a single project may not be able to meet the entire need on its own. Therefore, we anticipate having rolling negotiations for proposals in the order of their proposed commercial operation date.
  - b. Stakeholder: The proposed two-year IGP procurement process seems like a long time between RFPs, are there any further thoughts on this?
    - i. HECO: There is value added to the planning process to integrate T&D needs and allowing time for the market to respond to the needs.
    - ii. Then, allowing appropriate time to assess any potential impacts to the T&D system that may require mitigation such as new construction or via NWA evaluation.
  - c. HECO: From the developer's perspective, is there a 'right' amount of time needed to prepare a proposal and perform negotiations for the PPA?

- i. Stakeholder: There is no simplistic way to come up with that answer, however there are steps that can be taken to mitigate some of the risks.
      - 1. Mechanisms were discussed about price adjustments (due to both increased or decreased costs).
      - 2. Before the work is done, there needs to be a common understanding between the utility and the developer.
- II. Guest Speaker – Wren Wescoatt, Progression Energy
  - a. Past experience with Hawaii wind projects – Kahuku Wind, Kawaiiloa Wind.
  - b. Sharing perspectives on procurement; development factors; development milestones; risk-value considerations; and procurement takeaways.
  - c. Utility’s Perspective vs. IPP’s Perspective on procurements.
    - i. Utility is seeking projects from a variety of bidders and technology types, with lower prices than conventional generation, to meet the grid needs and perform as contracted.
    - ii. IPP considers proposing a project that meets the criteria of the RFP to serve the grid needs - is it priced low enough to be competitive and ultimately approved by the Commission, yet priced high enough to be profitable. Minimizing the risk to the developer and considering when will the project be completed.
  - d. Development Factors
    - i. Community support – does the community support your project?
    - ii. Land factors – soil types matter to project costs, and site suitability.
    - iii. Ecological impact – e.g., Hawaiian Hoary Bat, birds, others.
    - iv. Construction costs and financing.
  - e. Development Milestones
    - i. The community milestone is one the greatest challenges in building a project. If the community doesn’t want the project, it’s very hard to get the project off the ground.
    - ii. As you pass each milestone, the risks are minimized and the investment value increases.
    - iii. Stakeholder Comment – isn’t it true that the utility wouldn’t accept a project without the developer having a site control?
      - 1. The diagram (in the presentation deck) is not quite in order for all types of procurements, however the development needs some certainty of the utility’s interest in the project before signing the lease with the landowner.
    - iv. Permits can be challenging to obtain, as there are many different types that are needed.
    - v. Completing the PPA leads into finalizing the financing from the lenders to move the project forward.
  - f. Risk-Value Considerations
    - i. Market – the predictability of market opportunities, knowing when there will be an RFP, improves project quality and helps with developers’ planning.

- ii. Timing – taking advantage of near-term incentives such as federal and state tax credits can improve the economics of a project. However, there is uncertainty in what incentives would be available for projects further out in the future.
- iii. Bid pricing – developers have to commit to a price earlier on in the process, without knowing the later costs such as interconnection costs, etc.
- iv. Down-selection – shortlisting proposals decreases some developer risk, however, there is a difference between narrowing down a large list of proposals versus determining a shortlist that has a far greater potential for final award. Having a clearer definition of what defines a “shortlist” would be helpful (i.e., a down-select from 50 to 40 bids does not appreciably increase probability of being a final selection whereas down-select from 50 to 3 represents a 1-in-3 probability versus a 1-in-50 probability).
- v. Optimizing – knowing where interconnection is most affordable would be very helpful for the developer to know. The savings created by the developer at the lower-priced interconnection point could be passed on to the electricity customer.
  - 1. HECO: What are some of the examples of Interconnection Requirements Studies that don’t cost the developer a large amount of money?
    - a. Stakeholder: Confirming that the point of interconnection is viable, and what potential upgrades/ and upgrade costs are required to interconnect.
  - 2. HECO: In the Stage 2 RFP, the Company specified land parcels which are available for potential standalone storage projects. How would the developer respond for this type of procurement?
    - a. Stakeholder: The developer could communicate via email to ask more about the site to find out more information on what the interconnection costs would be, if that information is available.
    - b. Stakeholder: Suggestion to have a form for the developer to fill out where they can briefly state the type of project, project size, land area, etc. that can be submitted to the utility to get a quick analysis of the potential interconnection costs, e.g., ‘Yes/No’ system upgrades are needed, ‘Yes/No’ this is a viable interconnection point, etc.
  - 3. Improved technologies that come out mid-stream of the proposal evaluation could improve the cost of the bid. Shared savings from the reduced costs haven’t been discussed before. This becomes more important as procurement cycle is extended such as proposed in the IGP RFP Parts 1 and 2.

4. It is important in the proposal evaluation to consider and apply appropriate value to climate, environmental and health impacts.
- g. Procurement Takeaways
- i. Stakeholder feedback:
    1. Procuring generation at known regular intervals can improve competition and project quality.
    2. Having different types of projects – beyond wind and solar, could help to diversify the market.
    3. Resiliency should be one of the evaluation criteria.
    4. Sharing technical information (such as operational requirements, interconnection requirements/costs, etc.) earlier helps developers to build better project proposals.
    5. Suggestion to over-procure to avoid projects that don't make it to commercial operation with some mechanism to adjust if all projects proposed are successfully developed and reach contracted COD.
  - ii. HECO: How would you suggest comparing short-term versus long-term project proposals?
    1. Stakeholder feedback:
      - a. It is challenging. For example, looking at cost trends, the cost of PV panels decreased then flattened out.
      - b. It would be very difficult for the utility to select a long-term project without knowing what the needs are that far out in the future. Things can change.
      - c. Suggestion to allow long-term projects to play in the RFP by allowing them to start the process now but bid into it in the future. Having an allotted and known lead-time.
    - iii. Stakeholder: Shared savings/cost mechanism would be useful to incorporate into the evaluation to provide an adjustment for cost increases/ decreases.
- h. Other considerations
- i. Stakeholder: Comment that the government projects do not include the requirement to have site control before executing the PPA.
  - ii. Stakeholder: How long would you suggest from the final RFP's release date would the development need to obtain site control?
    1. Stakeholder: With respect to government projects, the developer's experience estimated around 2-3 years, depending on the land ownership. Ocean-sited projects may take 4-5 years potentially.
  - iii. Stakeholder: Suggestion to consider making a carve-out for longer-term projects and technology types, based on the PUC's feedback in the recent Palehua Order.
  - iv. Stakeholder: Considering the idea of virtual power plants, where every rooftop has PV incorporated with existing DER and DR, and

other customer projects are aggregated to serve the customer need. Will there even be a need for these longer-term projects? As we have seen through the IGP process, the long-term need has been shortened to a 5-year plan as a result of each 2-year IGP cycle.

- v. Stakeholder: How successful was the Land RFI?
  - 1. HECO: It was successful, there were a few sites that were selected for bid proposals in the Stage 1 RFP process.
- vi. Stakeholder: Suggestion to pre-select project sites in more detail. Identify the interconnection costs ahead of time and include that in the RFP.
  - 1. HECO: The utility has done this on Lanai and Molokai; and is preparing to perform the soil sampling and environmental studies ahead of time. However, knowing the interconnection costs upfront is difficult without knowing the size and type of projects, the types of inverters and technical requirements. Community outreach is also being done.
  - 2. Stakeholder: Developers like having the opportunity to show their creativity in utilizing the land space for various types of projects; without the utility micromanaging the offer.
- vii. HECO: Discussion topic around what to do in the situation where the utility over-procures resources with regard to an RFP.
  - 1. Pros: Reach RPS goals in a shorter amount of time. Better public relations for meeting RPS milestones, exceeding expectations. Ability to retire fossil generation sooner, if possible.
  - 2. Cons: Increased upfront costs, locking in pricing when solar/wind resources have shown to become cheaper over time. Reliability and resilience issues with a large amount of intermittent resources.
- viii. HECO: Limiting the risk to the utility's customers is one of the top priorities. How does the developer consider the end-user risk? Is the project going to get built – what is the construction-phase risk? Is the developer a good community-steward? Will they promote job opportunities for customers? What is the follow through? And if the utility signs a contract with the developer, how do you handle the parallel impact if the project has issues?
  - 1. Stakeholder:
    - a. The developers care about what happens to the end-user. They all want to build projects that the community stands behind, however you cannot escape that fact that there is no perfect project that everyone likes. There will always be opposition.
    - b. One of the things to consider is that projects, sometimes get sold to different owners. The new owner has an opportunity to continue investing in the community where the previous owner made community

contributions (e.g., monetary donations, provided free educational seminars on renewable energy, etc.).

- III. IGP System Level Procurement
  - a. See Outline
  - b. Stakeholder: Question about whether there will be competitive procurements for all and future NWA opportunities.
    - i. Stakeholder: Wouldn't a battery be an example of an NWA, since it reduces the load on the circuit? Does that need an RFP?
      - 1. HECO: Not necessarily.
- IV. Additional stakeholder comments:
  - a. Suggestion to post a single calendar with all the tentative IGP and other company initiative meetings on the website. It would make it easier for the stakeholders to plan out their schedules accordingly.
  - b. Developer wish-list item for a 20-page PPA.
  - c. Do you include a proforma contract?

## CPWG Proposed Meeting Topics, Deliverables & Schedule

Meeting 5	Conference call week of October 14 <sup>th</sup> (tentative)
Meeting 6	November 13, 2019 (tentative)
Meeting 7	Conference call week of November 18 <sup>th</sup> (tentative)
Meeting 8	December 9, 2019 (tentative)
Meeting 9	Conference call week of December 16 <sup>th</sup> (tentative)
Meeting 10	January 8, 2020 (tentative)
Meeting 11	February 12, 2020 (tentative)
Meeting 12	Conference call week of March 2 <sup>nd</sup> (tentative)
Meeting 13	March 18, 2020 (tentative)

### Next Steps

- Conference Call:
  - Date: Week of October 14, 2019 (tentative)
  - Topics: Outline feedback
- Next Meeting:
  - Date: Wednesday, November 13, 2019 (tentative)
  - Location: American Savings Bank Building, 8<sup>th</sup> Floor, Training Room 2, 1001 Bishop Street
  - Topics:
    - Examine and discuss relevant feedback and learning from other Working Groups
    - Review and discussion of Stakeholder comments on Bidder Prequal and RFP Part 1 description document.
    - Develop timeline and dependencies in the context of overall IGP process
      - Stakeholder presentations welcome and open discussion
    - Please send any additional comments on today's discussion to;
      - [IGP@hawaiianelectric.com](mailto:IGP@hawaiianelectric.com) and Isaac Kawahara ([renewableacquisition@hawaiianelectric.com](mailto:renewableacquisition@hawaiianelectric.com))

### Action Items

1. Outline to be completed by participants. Please consider the inputs into the box, what do we with the inputs in the box, and what are the expected outputs from the box? Box meaning the Bidder Pre-qualification step.