

Competitive Procurement Working Group Meeting #9
Wednesday, February 12, 2020
9:00am – 12:00am
American Savings Bank, Training Room 1

Attendees

In-person

Greg Shimokawa, HE
Isaac Kawahara, HE
Dale Murdock, Newport
Consulting
Rebecca Dayhuff-
Matsushima, HE
Christopher Lau, HE
Vladimir Shvets, HE

Amanda Yano, HE
Jay-Paul Lenker, HPUC
Mike Wallerstein, HPUC
Gerald Sumida, Carlsmith
Ball/ Ulupono
Wren Wescoatt,
Progression HI Offshore
Wind

Kylie Wager Cruz,
Earthjustice
Duke Oishi, HE
Nohea Hirahara, HE
Robert Foley, HE
Christin Chang, HE

WebEx

Marcey Chang, DCA
Rene Kamita, DCA
Jason Prince, RMI

Emily Erickson, Hawai'i
Energy Strategists
Robert Uyeunten, HE
Marisa Chun, HE

James Abraham, HE
Allison Hilliard, Hawai'i
Solar Energy Association
Dean Nishina, DCA

Agenda

- Welcome
 - Ground Rules
- CPWG Meeting Objectives for Today
- Discuss the redlines made to Competitive Bidding Framework (CBF)
- Next Steps, Proposed Meeting Schedule & Deliverables

Purpose

The Competitive Procurement Working Group will establish a fair, efficient, streamlined procurement process that will facilitate the procurement of resources in alignment with Hawaiian Electric's grid plans as identified through the IGP process.

Objectives for Today

- Develop a shared understanding of the revised IGP Sourcing Process
 - 2nd PUC Review Point
 - RFP related blocks (Capacity Energy and Ancillary Services; T&D NWA; Long Term)
 - Cyclical nature of the IGP Sourcing Process
 - Removal of Develop 5 Year Plan block
- Review and discuss proposed modifications to the Competitive Bidding Framework (CBF)
 - Applicability of CBF
 - Section II as a starting point
- Discuss next steps and path forward for CPWG and CBF evolution

Discussion

- I. Proposed Modifications to the CBF – Initial Discussion
 - Who is covered by the CBF?
 - Is it Hawaiian Electric Only?
 - Stakeholder: The CBF was written in a way to provide oversight to the procurements for HECO, as it is an investor-owned utility. KIUC is a co-op and exempt from the CBF.
 - Context of Competitive Bidding
 - Definition of Integrated Grid Planning (IGP)
 - Stakeholder: Is the intent of IGP to have a needs assessment every year?
 - HECO: It is meant to have one complete (Transmission, Distribution and Capacity, Energy & AS) needs assessment per IGP cycle, so in the first year of the two-year cycle.
 - Consultant: What happens in the in-between year?
 - HECO: There will be time to solicit for solutions, evaluation and optimize the resource portfolio, procure, and update the Distribution Needs.
 - Stakeholder: It makes sense to have the needs assessment once per cycle, it would take a lot of effort to run the needs assessment every year. Recommendation to have a specific term that will replace the term “approved IRP”. “Needs Assessment” is a limited term, it doesn’t fully capture the thought that there will be a procurement that follows to fulfill those needs.
 - Stakeholder: Is the PUC going to provide an approval in the second orange diamond?
 - HECO: They may provide approval or accept what we’ve filed at the review point.
 - Stakeholder: Is the concept of parallel planning and terminology specific to IGP only or does it have other uses?
 - HECO: It’s specific to the Competitive Bidding Framework to fulfill the system needs, originally, based on adequacy of supply and

firm generation, and now it's evolving to include renewable projects and additional grid services.

- HECO: The parallel plan would occur as the procurement is ongoing to determine what the utility will do if it doesn't obtain the necessary resources through the CBF.
- Stakeholder: Would be great to have just one term to describe that if the utility is not able to obtain the adequate resources through a procurement. What is the contingency plan?
- Stakeholder: What if the utility has a solar plus storage self-build project, should it be treated in the same manner as an IPP project? It doesn't sound like that is currently in the CBF. Recommendation to treat a self-build project as an IPP in the same way, if possible. In that sense, the parallel plan becomes the utility's projects versus IPP projects. Then the contingency plan is for other specific services.
- HECO: Right now we're focused on procuring for capacity and energy needs for the system, to continue serving our customers. The focus isn't necessarily driven only by achieving RPS.

II. Definition of System Resource Types, Size, and Exceptions

- Stakeholder: Section II. Context for Competitive Bidding, A. Use of Competitive Bidding, Item 3.a. Would it make sense to remove the "and" between (iv) and (v)?
 - Stakeholder: Recommendation to be clear about what's in CBF, and what's not in CBF, and what is a waiver to CBF. Is there a way to clean this section up?
 - Stakeholder: Typically, the CBF would describe what should be done, and everything else is outside of the CBF and considered an exemption.
 - HECO: Are we focusing on procuring resources or services? Or resources with services?
 - Stakeholder: The recommendation for the term, "System Resources" would be to keep it broad and inclusive of different services.
 - Stakeholder: For purposes of the framework, the "System Resources" used is specific to that in contrast to being too broad. Perhaps you could list the types of services that are common, and clearly define what is meant by that.
 - Stakeholder: Agree with the definition of "System Resources." However, we could further define "grid services" and insert language such as "including but not limited to... (ex. DR, DER, ancillary services)."
 - HECO: The intent of the framework would be to produce an RFP, and in that RFP, we would specify which services are needed. The intent of the CBF is to note the types of services that are available. It's meant to say how the procurement process works overall.
 - Stakeholder: Recommendation to be more specific in the framework.

- Stakeholder: Regarding Section II. Context for Competitive Bidding, A. Use of Competitive Bidding, Item 3.C. Why was “(v) the lack of a sufficient market to support a competitive procurement” added?
 - HECO: To include the situation where there are no responses to an RFP, such as land is unavailable or there is no interest.
 - Stakeholder: There will be cases where there are new project technologies that have never been done before and to which the CBF doesn't apply or isn't able to be applicable.
 - HECO: By broadening the framework, we don't want do away with programs and tariffs.
 - Stakeholder: Perhaps you could add in another bullet that covers smaller projects.
 - Stakeholder: The Commission has made exceptions to help smaller projects get into service if the utility agrees to purchase power from them.
 - HECO: Alternatively, if the NWA is for a smaller upgrade, perhaps there could be a threshold.
 - Stakeholder: Have you calculated how much it costs for the utility to run a procurement?
 - HECO: We do keep track.
 - Stakeholder: How do you do it now, when you have smaller projects?
 - HECO: Are you talking about generation or smaller projects like NWA?
 - Stakeholder: Poles, substations... how do you decide when you will go for competitive procurement?
 - HECO: If it's for a substation over \$2.5M, we would file a G07 application and seek competitive procurement. However, if we're replacing poles, then our Purchasing would do an internal procurement from inventory.
 - Stakeholder: Is there an issue here to be solved in terms of when to competitively procure and when not to?
 - HECO: We want to avoid being too broad and forcing everything through a competitive bidding process.
 - Stakeholder: Suggestion to use the G07 threshold of \$2.5M as the cut-off point.
 - HECO: We can open this up for discussion.
 - Stakeholder: Right, for competitive bidding, does it make sense to do it or not, what is the cost.
- Stakeholder: Regarding Section II. Context for Competitive Bidding, A. Use of Competitive Bidding, item 3.e. Why does it say that the Framework doesn't apply to any procurements ongoing.
 - HECO: We could bracket any open projects that the revised CBF wouldn't apply, i.e., Stage 2 RFP, etc.

- Stakeholder: It's meant to exclude any projects underway prior to the acceptance of the revised CBF.
- Stakeholder: Regarding Section II. Context for Competitive Bidding, A. Use of Competitive Bidding, item 3.h. Why would the utility need to exercise control over the operation and maintenance of a facility?
 - HECO: Certain operations and maintenance work done is exclusive to the utility for safety purposes, e.g., substation maintenance, we wouldn't necessarily allow non-HECO folks to access it for safety reasons. However, with the thought of broadening the types of System Resources we will be seeking, there may be situations where the utility won't be the only party that needs to operate and maintain a resource.

III. Waivers

- Section II. Context for Competitive Bidding, A. Use of Competitive Bidding, Item 4.a.
 - Stakeholder: Sounds like as long as the procurement is consistent with the IGP the CBF doesn't apply?
 - Stakeholder: Basically, what you want to say is, in the procedure seeking a waiver is as follows, what you need to do to get a waiver.
 - HECO: Also saying, you don't need a waiver if it you have these exemptions.
 - Stakeholder: After a waiver is submitted, would there be a contract that automatically follows?
 - HECO: The intent of this was to offer both, submitting the waiver and an application. If the waiver is denied, there's no ruling in the application.
 - Stakeholder: Wouldn't it make sense to do the waiver first, then do the application?
 - HECO: There are pros and cons to that because it can prolong the process to procure the resource. As an example, one of the past projects waited until the waiver was approved before negotiating a contract and that took three years to file the PPA.
- Stakeholder: In the IGP Sourcing Process, what are the different resource assessments?
 - HECO: There is a Transmission Needs Assessment and CEAS Needs Assessment at the generation level, and then Distribution Needs which are performed annually.
 - Stakeholder: Would it be possible to have the RFP development as a step in the IGP Process Diagram.

IV. Stakeholder: Regarding Section II. Context for Competitive Bidding, B. Scope of Competitive Bidding, Item 2. Is it necessary to keep the term, "tolling arrangements"?

- Stakeholder: Would you make "RFP" plural?
- Stakeholder: What does tolling arrangements mean?
 - HECO: It pertains to a situation where fuel is procured, such as someone builds a generator, and the utility provides the fuel, or vice versa. It would be specific to resources that we don't own. There might be a point

in time where a resource might need assistance from the utility for economies of scale.

- Stakeholder: For example, a hydrogen generator.

V. Stakeholder: Regarding Section II. Context for Competitive Bidding, B. Scope of Competitive Bidding, Item 4. Suggestion to add in after “establish a separate procurement process”, “technology, location and in-service date”

- HECO: Perhaps it would be easier to remove “by resource type”.
- Stakeholder: The term “set aside” would be broad to include resources limited by their location? It seems like resource agnostic is not always the case if you’re looking for a variety of resources, it might keep out too much solar or too much wind, etc.

VI. HECO: Regarding Section II. Context for Competitive Bidding, B. Scope of Competitive Bidding, Item 5.

- Stakeholder: Does this require PUC approval?
- Stakeholder: Suggestion to make it an exemption based on short-term needs.
- Stakeholder: You would also need to consider the project’s costs, because the CA and PUC would want to know how much cost is deferred by the NWA.
- Stakeholder: Wants to know what is the PUC’s view on NWAs? Does the PUC want to be involved or do they seek an expedited process?

VII. Section II. Context for Competitive Bidding, C. Relationship to Integrated Grid Planning

- Determination of Resource Need
- Stakeholder: In regards to the IGP Sourcing Process, at the orange Review Points step, would the Commission be reviewing that document and waivers?
 - HECO: No, the Commission would evaluate the Review Points and then provide direction if we can proceed to RFP development, evaluation and procurement.
- Stakeholder: What are the differences between IRP and IGP?
 - HECO: They are very similar processes, with the IGP being on an accelerated timeframe, and the integration aspect of bringing in the T&D needs into the Resource needs identification steps, as well as evaluating solutions in a way to create an optimized portfolio.
- Stakeholder: We need to ensure that we follow this IGP cycle, so that procurements are consistent and expected every two years. It will keep the market interest up and build the market because it allows for more projects to be proposed and for pricing to improve.
- HECO: There may be some pause though, to identify the land-potential for new projects on the islands. We might need to reassess where those projects would go.
- Stakeholder: Suggestion to not stop procurements though, keep letting the market compete. In addition, as land becomes sparse and creative solutions are proposed, the Commission should recognize that the pricing of these projects may increase.
- Stakeholder: Regarding Section II.C.6 – Would like to add language that allows for additional cost-effective projects and identify in your System Needs that the

utility may move forward with those projects. With the intent of creating flexibility for the utility to do the right thing.

- HECO: We have done that in the past. We can see that the language can be interpreted in such a way to box in a type of resource that can be procured, to your concern.

VIII. Additional Comments

- Stakeholder: What is the timeline for submitting comments?
 - HECO: In our next meeting we will be discussing Section III, however if you have comments going back to Section II, we can discuss.

CPWG Upcoming Meeting Schedule

Meeting 10	March 16, 2020 (tentative)
Meeting 11	TBD

Next Steps

- Next Meeting:
 - Date: March 16, 2020
 - Time: TBD
 - Location: American Savings Bank Building, 8th Floor, Training Room 1, 1001 Bishop Street
 - Topics:
 - Continue discussion of additional proposed modification to the CBF.
 - Please send any additional comments on today's discussion to: IGP@hawaiianelectric.com and Isaac Kawahara (renewableacquisition@hawaiianelectric.com)