

## Competitive Procurement Working Group Meeting #11

Monday, April 20, 2020

9:00am – 11:00am

WebEx

### Attendees

#### WebEx

Greg Shimokawa, HE

Isaac Kawahara, HE

Dale Murdock, EnerNex

Rebecca Dayhuff-

Matsushima, HE

Christin Chang, HE

D. Noelani Kalipi,

Progression Energy

Wren Wescoatt,

Progression HI Offshore

Wind

Gerald Sumida, Ulupono/

Carlsmith Ball

Jay-Paul Lenker, HPUC

Mike Wallerstein, HPUC

David Parsons, HPUC

Grace Relf, HPUC

Dean Nishina, DCA

Marcey Chang, DCA

Rene Kamita, DCA

Kylie Wager Cruz,

Earthjustice/Blue Planet

Foundation

Jeremy Laundergan,

EnerNex

Andy McCoy, County of

Hawaii

Robert Harris, Sunrun

Tricia Rohlfing, Hawaii

Pacific Solar

Ken Aramaki, HE

Marc Asano, HE

Kanoa Jou, HE

Duke Oishi, HE

Kevin Oda, HE

Eaton O'Neill, HE

Lisa Hiraoka, HE

Marisa Chun, HE

Yoh Kawanami, HE

Nohea Hirahara, HE

Christopher Lau, HE

Vladimir Shvets, HE

Amanda Yano, HE

### Agenda

- Welcome
  - Ground Rules
- CPWG Meeting #11 Objectives
- Review and discuss the updated IGP Sourcing Process diagram
- Long Term RFP Discussion – focusing on Procurement
- Discuss the redlines made to Competitive Bidding Framework (CBF)
  - Incorporation of feedback on Definitions, Section III, Contingency and Parallel Plans
  - Sections IV, V, VII and VIII
- 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

- Review the revised IGP Sourcing Process
- Long Term RFP
- Review and discussion session
  - Incorporation of feedback from Meeting #10
    - Definitions, Section III and Contingency & Parallel Plans
  - Additional proposed modifications to the CBF
    - Sections IV, V, VII and VIII
- Discuss next steps and path forward for CPWG and CBF evolution

## Discussion

- I. Revised IGP Sourcing Process
  - Stakeholder: For the utility to maximize all of the technologies coming forward in the three procurement paths, from a timing perspective, are you looking at all projects at the same time? Meaning, are there three parallel paths occurring at the same time, not sequential?
    - HECO: It's really dependent upon what the grid needs show to determine how many procurements will occur, and their timing based on when the resources are needed.
- II. Long Term RFP – Procurement Process
  - Stakeholder: Suggestion to have the utility provide assurances or some sort of commitment to a long-term RFP sooner rather than later, since these projects take more time to develop. There are certain milestones in a long-term RFP project that would need to be considered in building the RFP and in the solution evaluation step.
  - Stakeholder: Suggestion to insert a step between 1) final award group selection and 2) execution of PPA of the RFP process to provide the utility and develop confidence that the project is moving along.
  - Stakeholder: Suggestion to procure more than what you need for the longer-term projects to compensate for the risk of some projects dropping out.
- III. Proposed Modifications to the CBF
  - Section I: Definitions
    - Changes – listed all types of contracts that could result from a procurement; expanded on Grid Needs Assessment and Non-wires Alternatives.
  - Section II. Context for Competitive Bidding
    - II. b – Removed specific references to other dockets, provided general language.
    - II. f – Updates to what the Framework does not apply to. Proposing to keep the 5MW threshold for Oahu and the 2.5MW for Hawaii Island and

- Maui service territories (Maui, Molokai and Lanai) or less does not apply to the Framework.
- Stakeholder: What is the expectation of how this change will affect CBRE?
    - HECO: It sounds like more of a timing question, and this update may not be approved by then.
    - HECO: The Commission would need time to review and approve this revised CBF version before it can take effect.
  - Stakeholder: Are there other types of projects that do not fall within the thresholds, and therefore are lost in the procurement process? Is the expectation that NAWs will be smaller or larger than the thresholds?
    - HECO: We can give more thought into that.
  - II. f – Proposing to handle resiliency issues and solutions outside of the Framework.
    - Stakeholder: What do you have in mind for this provision to provide resiliency?
      - HECO: There could be an emergency situation where we would provide mobile generation to address any generation shortfalls.
  - Section III. Rules in Competitive Bidding
    - III.A – Electric Utility
      - No comments.
    - III.B – Commission
      - No comments.
    - III.C - Independent Observer
      - III.C.7 – Stakeholder: Question about the prequalification step, what’s included?
        - HECO: We didn’t want to build a rigid prequalification step into the Framework that couldn’t be modified in the future.
  - Section IV. The Request for Proposals Process
    - IV.D – Issuance of the RFP and Development of Proposals.
    - IV.B.6 – Stakeholder: Could you clarify here when consultation for non-conforming bids occurs, would it be after all bids are received?
      - HECO: Sure, we can provide clarification.
    - IV.D.6 – Stakeholder: Concerned with the one-day after timeframe. There is concern for the visibility of submitted bids to other parties who haven’t submitted bids, such as the utility self-build project?
      - HECO: The industry-standard third-party software provides a “sealed bid” function where the Company will not be able to see or access any submitted information until after the event closes.

Code of Conduct in place would also prevent any sharing of information.

- Stakeholder: As long as the intent is explained here in the Framework, it would provide clarification and be reasonable.
  - HECO: Thank you for the feedback. Clarify the distinction between utility self-build and Affiliate. Affiliates covered by ATR and treated like any other IPP.
- IV.E – Bid Evaluation/ Selection Criteria
  - Stakeholder: Are GHG emissions a requirement of the bid proposals and evaluation criteria?
    - HECO: We can take a look at this, are you suggesting that the developers provide this information in the bid?
    - Stakeholder: Yes, feels that developers would be open to providing that information and it should be included in the Framework language. Suggestion to not only consider the price component, need to start looking at the climate price as well.
      - HECO: We need to give that more thought, how it relates to the RPS law and other factors.
- IV.G – Contract Negotiations
  - Stakeholder: Suggestion to allow space for revisions to bids, by allowing mid-stream negotiations with developers to reduce the bid price and improve the results of the procurement.
    - HECO: There is potential for other bids that were not selected for the shortlist to feel this action would be unfair, because they didn't have the opportunity to negotiate and modify their bids to improve them. With the timing of the procurement, there may not be enough time to negotiate mid-stream.
    - Stakeholder: Perhaps then this could be applied to the final award group, at the interconnection costs, to work together to reduce the purchase price. Perhaps there could be batteries or NWAs to absorb some of the interconnection costs.
    - HECO: Sure, if you have any examples of other RFPs that have used this mechanism to reduce costs, then we can review it and see how it relates to our utility procurements.
- IV.I – Transmission Interconnection and Upgrades
  - Stakeholder: For any project bidding into an RFP, the interconnection costs are a significant cost for the project, about 10-15% of the cost, which goes into the resulting project pricing. Therefore, it should be considered that the interconnection costs are being passed on to final pricing. It doesn't seem like the utility

is doing anything to reduce their interconnection costs through discussions with the developer. In the current Framework, there is no provision to allow negotiations between the developer and the utility to save time and money on the interconnection costs, if the utility shows what they need for reliability and resiliency or even line placement that the developer might have a solution for and save millions of dollars. Proposing:

- 1) Commission would have the responsibility to review those interconnection costs, as the costs may be very different between the developer and utility. There might be a chance for a shared mechanism for cost savings.
- 2) Facilitate a low-cost solution.
- HECO: We are open to hearing more about what this mechanism would look like and we get your point that there are areas we can look at to streamline and improve. It's a matter of finding a way to do it. It would be helpful to see what other jurisdictions are doing and have this mechanism in place.
- Section VIII. Qualifying Facilities
  - HECO: Proposing to remove this from Framework.
  - No comments.

#### IV. Additional Comments

- Stakeholder: Would the proposed recommendations to modify the CBF include some indication of the timing for the procurements to come in the IGP?
  - HECO: The timing would depend on the state of the IGP process and how the procurement fits into the IGP process. We may not necessarily set a schedule with this filing but restate our alignment with the IGP process.
  - HECO: When the IGP Needs Assessment is submitted for approval, then we would begin the procurement process and submit an RFP schedule for approval.
  - Stakeholder: Which group works on the IGP Needs Assessment?
    - HECO: The process for the Needs Assessment is being discussed in the SEOWG. We anticipate that the IGP Needs Assessment takes about 5 months, and if we start IGP for May 2020, then we would be done by Nov/Dec 2020 timeframe.

## CPWG Upcoming Meeting Schedule

Meeting 12	Friday, May 22, 2020
Meeting 13	TBD

## Next Steps

- Next Meeting:
  - Date: Friday, May 22, 2020
  - Time: 1:00pm – 3:00pm
  - Location: WebEx
  - Topics:
    - Continue discussion of additional proposed modification to the CBF.
    - 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))