

REQUEST FOR PROPOSALS
FOR
COMMUNITY-BASED RENEWABLE ENERGY TRANCHE 1
O‘AHU, MAUI AND HAWAI‘I ISLAND

April 14, 2022

Docket No. 2015-0389

*Appendix G – Self-Build Option and
Self-Build Option Team Certification Form*



**Hawaiian
Electric**

Appendix G - Self-Build Option

Overview

To the extent that there are Self-Build Option (“SBO”) Proposals to the RFP, the Company will endeavor to evaluate these SBO Proposals on a fair basis compared to third party Proposals. As described in Section 1.9.1 of the RFP, “[t]he Competitive Bidding Framework allows the Company the option to offer a Proposal(s) in response to this RFP (“Self-Build Option” or “SBO”). Accordingly, the Company must follow certain requirements and procedures designed to safeguard against and address concerns associated with: (1) preferential treatment of the SBO or members, agents or consultants of the Company formulating the SBO (the “Self-Build Team”); and (2) preferential access to proprietary information of the Self-Build Team.” Any Proposal from the Self-Build Team will be required to comply with the provisions in the Framework for Competitive Bidding (“Framework”) as well as this RFP.

In addition to its Proposal, the Self-Build Team will be required to submit Attachment 1 to this Appendix G, Self-Build Option Team Certification Form, acknowledging it has followed the rules and requirements of the RFP to the best of its ability and has not engaged in any collusive actions or received any preferential treatment or information providing an impermissible competitive advantage to the Self-Build Team over other proposers responding to this RFP, as well as adherence to PPA or Mid-Tier SFC terms and milestones required of all proposers and the SBO’s proposed cost protection measures.

Pursuant to the Framework and as set forth in the RFP Schedule, the Company will require that the Proposal for the SBO(s) be submitted electronically through the Electronic Procurement Platform a minimum of one (1) Day before other Proposals are due.

Except where specifically noted, a SBO Proposal must adhere to the same price and non-price Proposal requirements as required of all Proposers.

As described in Section 3.8.4 of the RFP, if selected, a Self-Build Proposer will not be required to enter into a PPA or Mid-Tier SFC with the Company. However, the SBO will be held to the same performance metrics and milestones set forth in the RDG PPA or Mid-Tier SFC to the same extent as all Proposers, as attested to in the SBO’s Appendix G Attachment 1 Self-Build Option Certification submittal. If liquidated damages are assessed, they will be paid from shareholder funds and returned to customers through the Purchased Power Adjustment Clause (“PPAC”),

In lieu of price components, the SBO will need to provide their total project capital costs, any associated annual O&M costs, as well as annual revenue requirements by year see Appendix B Section 2.0). The SBO shall submit revenue requirement worksheets with their Proposal that support their annual revenue requirements estimates. A starter revenue requirements template file can be requested by the Self-Build Team via email to the RFP Email Address or through the PowerAdvocate Messaging function once the RFP event opens. The revenue requirements

worksheets submitted will be customized to reflect the details of the Project's Proposal. All assumptions used will be reflected in an assumptions input tab.

SBO Total Project Capital Cost

The following is a high-level breakdown followed by a narrative explanation of the total capital cost estimate for a potential SBO Proposal. The total project capital cost (and annual O&M costs) will be used to calculate the Revenue Requirement, which will then be used to calculate a LB for Proposal comparison purposes. The categories of costs include:

- Facility
 - EPC Contract
 - Allowance for Change Orders
 - Equipment
 - Owner's Cost
- Outside Services
- Interconnection
- Overheads
- AFUDC

These costs will be identified in Section 2.3.2.2 of the SBO Proposal see Appendix B Section 2.3.2.2).

- Facility (including any generation and storage components) - This line item, to the extent applicable, should include costs such as:

Engineering, Procurement, and Construction ("EPC") Contract

The total cost estimate of the facility is the projected EPC contract cost including the design of the facility up to the high-voltage terminals of the step-up transformers, procurement of all the equipment, and services necessary to build the facility and construction and commissioning of the facility.

Allowance for Change Orders

This allocation accounts for items such as additional requirements resulting from unforeseen conditions, unexpected permitting requirements, force majeure events, unanticipated interferences, different interpretations of design requirements, material unavailability, and longer than normal delivery times.

Equipment

This cost includes the generator and the facility equipment that support the operation of the generator and the distribution of electrical power around the station, as applicable. Engineering and testing services required to ensure that the equipment is properly functioning at the site, training and documentation necessary to operate and maintain the equipment, and performance guarantees may also be included here.

Owner's Cost

Owner's costs for the facility are all the costs necessary for the design, permitting, procurement, construction, and commissioning of the facility and for the preparation of the Proposal that are not included in the major contracts (i.e. EPC). The Companies' Labor includes Project Management, Station Operator training and commissioning, Environmental, Safety, Legal, Corporate Communications, Community and Government Relations, Engineering, and Regulatory Affairs. Company Labor for the preparation of the Proposal is also included here. For purposes of recovery, only the incremental costs of Labor will be subject to separate recovery.

- Outside Services - This line item, to the extent applicable, should include costs such as:
 - Construction Management to oversee the EPC contractor
 - Legal for the preparation of the Environmental Impact Statement and PUC process
 - Engineering for development and evaluation of the project technical specifications, Interconnection Requirements Study (IRS), and emissions testing
 - Environmental to conduct the Environmental Impact Statement (EIS) and Air Permit consulting
 - General Services such as surveys, land appraisals, Environmental Condition Reports, public relations, office trailer rental, archeological services, landscaping, miscellaneous permits, builder's risk insurance, switchgear testing, hazard analysis, painting, monitoring services, and moving costs.
 - Material costs including spare parts, furnishings, IT equipment, appliances, generator system initial fills (fuels, oils, water), and telecommunications equipment for the station.
 - Travel costs required to inspect other similar facilities, observe final acceptance testing of critical equipment, and station operators' factory training
- Interconnection – This line item covers all interconnection costs that a similarly situated IPP would be responsible for as described in RFP Section 2.3.5, and to the extent applicable, should include costs such as:

Distribution Line

The cost estimate includes the design, procurement, and construction of any new distribution infrastructure needed to interconnect with the designated substation.

Switchyard

Work at the switchyard will include design, procurement, and construction of the switchyard and the interfaces between the high voltage terminals of the generator step-up transformers and the circuit to which it will be connected. Site preparation

of the switchyard and the design, procurement, and installation of the step-up transformers located in the switchyard, are typically included in the EPC contract.

Substation

Work at the designated substation that will include the design, procurement, and construction of the interfaces between the new distribution line and the substation buswork to which it will be connected.

Telecom

Accounts for direct labor, materials, and outside services to install telecommunication requirements for the project.

Project Management

Cost estimate of the project management design, procurement, contracting, and scheduling efforts for the interconnection only. Project management costs for the facility are included in the Owner's Cost estimate above.

- Overhead Costs

Overhead costs for the proposed facility will be estimated by the Company's budgeting software (UI Planner) and represent an allocation for those Company costs that are not attributable to any particular project or operation, but are essential nonetheless. Overheads are comprised of non-productive wages (such as holiday, sick, and vacation pay), employee benefits, payroll taxes, corporate administrative costs, and clearing costs.

- Allowance for Funds Used During Construction ("AFUDC")

The AFUDC will be calculated using the Company's budgeting software (UI Planner) and represents the cost of capital funding for the Project. The Company strives to minimize the cost of the AFUDC by ensuring that Project elements that are used or useful are placed in service as soon as possible, as well as minimizing the amount of time that AFUDC can accumulate, by minimizing the amount of time between expenditures on Project elements and their placement in service.

The SBO Proposal will include a Revenue Requirement for each year, which is calculated from the total project capital cost to determine the revenues needed to recover the cost of the project. The value of the Revenue Requirement Calculation for the Total SBO Project Capital Cost will be included in the Levelized Benefit calculation described below.

Annual O&M

The cost for ongoing O&M (fixed and variable) will be a component of the Revenue Requirement. All O&M should be included in this category, unless captured elsewhere in the Revenue Requirement Calculation, including but not limited to annual O&M expense to maintain facility; property taxes (if applicable), and insurance. As described in RFP Appendix G, a SBO Proposal

will be required to cap its O&M costs at the amount included in the Proposal. Only actual costs will be recovered if such actual costs are lower than the maximum amounts in the Proposal.

Annual Revenue Requirement

The SBO Proposal will include a Revenue Requirement for each year, which is calculated from the total project capital cost to determine the revenues needed to recover the cost of the project. The value of the Revenue Requirement Calculation for the Total SBO Project Capital Cost will be included in the Levelized Benefit calculation.

The following is a narrative description of the proposed revenue requirement calculation and significant assumptions that the SBO Proposal should account for. The objective of a revenue requirement analysis is to illustrate the annual revenue requirements (ARR) for a utility SBO Proposal.

Revenue Requirement is defined as a calculated value which represents the estimated revenues needed from ratepayers which would allow the Company to recover its capital investment and expenses, honor its debt obligations, pay its revenue and income tax liabilities, and pay its preferred shareholders while providing a fair return to its common shareholders for their investment. Specific factors or assumptions related to that particular project will be included in the analysis.

The purpose of a revenue requirement calculation is to determine the annual and total revenue requirements of a capital investment and annual O&M expense needed from customers. The ratemaking formula for revenue requirements is shown below.

$$RR = O + T + D + r(RB)$$

Where:

- RR = Revenue Requirements
- O = Operating and Maintenance Expense
- T = Tax Expense (Income and Revenue)
- D = Depreciation Expense
- r = Rate of Return on Rate Base
- RB = Rate Base

The Company, in conjunction with the Independent Observer, may also conduct a risk assessment of the SBO Proposal to ensure an appropriate level of customer cost protection measures are included in such proposal.

APPENDIX G ATTACHMENT 1 - SELF-BUILD OPTION TEAM CERTIFICATION

Name of SBO Team Contact: _____

Unique Name of Facility: _____

This Certification of the Self-Build Option (SBO) Team's SBO Proposal for Hawaiian Electric Company, Inc.'s ("Company, Maui Electric Company, Ltd., and Hawai'i Electric Light Company, Inc.'s (the "Hawaiian Electric Companies")) Request for Proposals for Community-Based Renewable Energy Projects (RFP) is made as of the date stated below.

A. COMPLIANCE WITH THE RFP AND CODE OF CONDUCT

The SBO Team certifies and acknowledges that it will/has:

1. Adhered to the terms of the RFP applicable to the SBO Team, including but not limited to: Section 1.7.1 (proposal submittal requirements) , Section 1.7.3 (certification of non-collusion), Section 1.9 (Procedures for the Self-Build or Affiliate Proposals), and Section 3.4.4 (authorized signatory);
2. Adhered to the technical requirements of the RFP, excluding however those requirements inapplicable to the SBO Team such as execution of the Model RDG PPA or Mid-Tier SFC, pricing formula requirements for independent power producer proposals, submission of a Proposal Fee, dispute resolution, credit requirements, selection of a priority list, and submission of a best and final offer;
3. Complied with the Company's Code of Conduct Procedures Manual, attached as Appendix C to this RFP, with particular attention to the Communications Protocols described in Section C therein with respect to communication with the Company RFP Team.

B. INDEPENDENT INVESTIGATION

The SBO Team further certifies and acknowledges that it will/has:

1. Submitted the SBO Proposal based on its own investigations, examinations, and determinations, including assessments of any risks that could have an effect on its obligations under the SBO Proposal.
2. Carefully examined the Company's RFP documents and its appendices and has a clear and comprehensive knowledge of what is required of a Proposer under the RFP, and correspondingly, what is required of the SBO Team.

3. Examined and understands the technical requirements, schedule, and evaluation process as it is laid out in the RFP.

C. COST PROPOSAL ACKNOWLEDGEMENTS

The Self-Build Team acknowledges and agrees that:

1. Recovery for Project capital costs and O&M costs will be capped at the amount included in the SBO Team's SBO Proposal.
2. Only actual capital costs and O&M costs will be recovered even if such actual costs are lower than the SBO Team's proposed maximum amounts.
3. Costs of developing the proposal must be included in the SBO for evaluation purposes only. Only the incremental costs of developing the SBO Team's proposal will be charged to the project and passed through to customers. Incremental costs for the SBO Proposal not serving as the Parallel Plan and which are not selected to the Final Award Group will not be recoverable from the Companies' customers.

D. ADHERENCE TO PPA REQUIREMENTS AND MILESTONES

The Self-Build Team acknowledges and agrees that:

1. The SBO Proposal will be consistent with the scope of work and responsibilities of the "Seller" under the terms of the applicable Model PPA or Mid-Tier SFC excluding inapplicable terms related to commercial and legal interactions between the Seller and the Company.
2. The SBO Facility will be designed and constructed to:
 - a. Achieve the Performance Standards identified in Section 3 - Performance Standards, in Attachment B of the applicable Model PPA or Mid-Tier SFC as modified by the IRS (subject to reasonable adjustment agreeable to the Company consistent with the Company's negotiation of such performance standards that would be completed with an independent power producer under similar circumstances);
 - b. Meet the performance metrics as specified in Article 2 of the applicable Model RDG PPA or Attachment C of the Mid-Tier SFC.
 - b.1. For facilities with a photovoltaic generation component, (i) PV System Equivalent Availability Factor, and (ii) Measured Performance Ratio;
 - b.2. For facilities with paired energy storage, (i) Storage Annual Equipment Availability Factor, (ii) Storage Annual Equivalent Forced Outage Factor, and (iii) Storage Capacity Ratio;
 - c. Pass the Acceptance Test specified in Attachment N – Acceptance Test General Criteria of the applicable Model RDG PPA or Attachment F of the Mid-Tier SFC.

- d. Pass the Control System Performance Test specified in Attachment O – Control System Acceptance Test Criteria of the applicable Model RDG PPA or Attachment F of the Mid-Tier SFC;
- e. If applicable, pass the On-line Performance Test specified in Attachment W – BESS Capacity Test of the applicable Model RDG PPA or Attachment H of the Mid-Tier SFC;
- f. If applicable, achieve a Demonstrated Capacity equal to or greater than that indicated in the SBO Proposal as measured pursuant to Attachment W – BESS Capacity Test of the applicable Model RDG PPA or Attachment H of the Mid-Tier SFC;
- g. Meet the project milestones identified in the SBO Proposal no later than the dates specified therein, which shall be consistent with the guaranteed project milestones required in Attachment K – Guaranteed Project Milestones of the applicable Model RDG PPA or Mid-Tier SFC (subject to reasonable adjustment agreeable to the Company consistent with the Company’s negotiation of such milestones that would be completed with an independent power producer under similar circumstances). Notice of completion of milestones and any delay will be provided to PUC and Consumer Advocate.
- h. Achieve the reporting milestones identified in the SBO Proposal no later than the dates specified therein, which shall be consistent with the reporting milestones required in Attachment L – Reporting Milestones of the applicable Model RDG PPA or Mid-Tier SFC (subject to reasonable adjustment agreeable to the Company consistent with the Company’s negotiation of such milestones that would be completed with an independent power producer under similar circumstances). Notice of completion of milestones and any delay will be provided to PUC and Consumer Advocate.
- i. Will be subject to the applicable liquidated damages for the applicable Model RDG PPA or Mid-Tier SFC provisions above. These liquidated damages would be paid from shareholder funds and would be passed through to customers through the Companies’ Power Purchase Adjustment Clause. Notice of any liquidated damages assessed and amounts of such liquidated damages will be provided to PUC and Consumer Advocate.
- j. Will reconfirm requirements in GO7 application and any resulting approval order for such application.
- k. Will provide annual report to PUC and Consumer Advocate on performance metrics.

E. DECLARATION AND SIGNATURE

1. The individual(s) that has (have) signed this Self-Build Option Team Certification is (are) duly authorized by the SBO Team to execute such on behalf of the SBO Team; and
2. All statements, specifications, data, confirmations, and other information set out in this Self-Build Option Team Certification are complete and accurate in all material respects.

IN WITNESS WHEREOF, the SBO TEAM hereby makes the certifications, acknowledgements, and agreements stated herein as of the date stated under the signature of its authorized representative:

Dated at _____, _____ this _____ day of _____ 20_____.

Signature of SBO Team Representative

Name of SBO Team Representative (please print)

Title of SBO Team Representative (please print)