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The Honorable Chair and Members
of the Hawai'i Public Utilities Commission
Kekuanao'a Building, First Floor
465 South King Street
Honolulu, Hawai'i 96813

PUBLIC UTILITIES
COMMISSION

Dear Commissioners:

Subject: Docket No. 2017-0352 – To Institute a Proceeding Relating to a Competitive Bidding Process to Acquire Dispatchable and Renewable Generation
Submission of Proposed Final Draft Variable Requests for Proposals

The Hawaiian Electric Companies¹ respectfully submit their proposed final variable requests for proposals (“RFPs”) for O‘ahu, Maui and Hawai‘i Island (“Proposed Final Variable RFPs”) and supporting documentation in accordance with Order No. 35224 *Providing Guidance on the Hawaiian Electric Companies’ Proposed Requests for Proposals for Dispatchable and Renewable Generation* issued by the Commission on January 12, 2018 in the subject proceeding (“Order 35224”).

In Order 35224, the Commission provided guidance to the Companies on several topics regarding the Companies’ draft RFPs, including the self-build option and affiliate transactions, RFP requirements, evaluation methodology, RFP stages, and the Companies’ proposed draft power purchase agreements (“PPAs”). The Commission also appointed Navigant Consulting, Inc. to serve as the independent observer (“IO”) for the Maui variable RFP, and Bates White, LLC to serve as the IO for the O‘ahu and Hawai‘i Island variable RFPs, and directed the Companies to work with IOs to prepare the Proposed Final Variable RFPs in accordance with the Commission’s guidance.

Following the Commission’s issuance of Order 35224, the Companies and IOs promptly held numerous telephone conferences and meetings to discuss the Commission’s guidance and actions that should be taken by the Companies to address the Commission’s guidance. Through those productive and collaborative discussions, the Companies ultimately prepared the Proposed Final Variable RFPs. In preparing the Proposed Final Variable RFPs, the Companies followed their five RFP guiding principles:²

¹ The “Hawaiian Electric Companies” or “Companies” are Hawaiian Electric Company, Inc. (“Hawaiian Electric”), Hawai‘i Electric Light Company, Inc. (“Hawai‘i Electric Light”), and Maui Electric Company, Limited (“Maui Electric”).

² The Companies’ guiding principles were attached as Exhibit 3 to the Companies’ October 23, 2017 filing of their draft RFPs.

- (1) The Companies' Power Supply Improvement Plans ("PSIP") provide the roadmap;
- (2) Transparency, predictability and streamlining lowers costs to customers and fosters trust in the process;
- (3) Community engagement is critical to near-term and long-term project success;
- (4) Coordination and collaboration of all parties involved is necessary to achieve a successful and timely procurement; and
- (5) There is no perfect answer, and tradeoffs must be considered.

The Companies' Proposed Final Variable RFPs and supporting documentation are organized as follows:

- Exhibit 1 – Description of Development of the Proposed Final Variable RFPs
- Exhibit 2 – Proposed Final Draft RFP for Variable Renewable Dispatchable Generation on the island of O'ahu, including the proposed final drafts of the Renewable Dispatchable Generation Power Purchase Agreement ("RDG PPA") for both photovoltaic ("PV") and wind (see Appendices C1 and C2 to Exhibit 2)
- Exhibit 3 – Proposed Final Draft RFP for Variable Renewable Dispatchable Generation on the Island of Maui (excluding Appendices C1 and C2)³
- Exhibit 4 – Proposed Final Draft RFP for Variable Renewable Dispatchable Generation on the Island of Hawai'i (excluding Appendices C1 and C2)
- Exhibit 5 – Revised Procurement Dates and Subsequent Timelines
- Exhibit 6 – Revised Code of Conduct
- Exhibit 7 – Maui Specific RDG PPA Attachments
- Exhibit 8 – Hawai'i Island Specific RDG PPA Attachments

As noted above, Exhibit 1 provides a detailed description of the Companies' development of the Proposed Final Variable RFPs and revisions made to the draft RFPs and supporting

³ The body of the Companies' RDG PPAs for both photovoltaic ("PV") and wind are the same for all three Companies and are therefore not reproduced as part of this Exhibit. Some of the attachments to the RDG PPA for both wind and PV are island specific and such island specific attachments for Maui and Hawai'i Island are provided in Exhibit 7 and Exhibit 8, respectively.

documents to address the Commission's guidance and stakeholder comments. The following is a summary of the key changes:

- **Self-Build Option and Affiliate Participation** – The Companies recognize the Commission's strong preference against self-build or affiliate proposals for the first phase of the variable RFPs in order to allow the procurement process to move forward expeditiously without direct or perceived conflicts of interest. Based on this recognition and the Companies' desire to allow the procurement process to move forward in an expedited manner, which is particularly important given the Companies' goal of enabling safe harboring of the 2019 federal investment tax credit ("ITC"), the Companies have revised the RFPs to remove the self-build option and specify that the Companies will not accept proposals by an affiliate for the first phase of the variable RFPs.
- **Specific RFP Requirements** – The Companies worked closely with the IOs to revise language in the RFPs to clarify language that may have been unclear, and to revise requirements that may have been interpreted as being overly restrictive.

Evaluation Methodology – The Companies worked closely with the IOs and have provided additional details in the Proposed Final Variable RFPs related to the Companies' evaluation methodology and process. The Companies made these revisions consistent with the Companies' stated desire to improve clarity, transparency and predictability to ensure a successful procurement process. In addition, per the Commission's guidance, the Companies worked with the IOs to determine appropriate modeling assumptions to provide to proposers. It was determined that Appendix J to the Companies' *PSIP Update Report: December 2016* provided ample detailed modeling assumptions for proposers. A reference to Appendix J along with a citation to where the appendix can be found on the Companies' website has been included in each of the draft RFPs.

- **Regarding the PPAs** – The Companies have revised their RFPs to allow proposers to propose modifications to the Companies' model RDG PPAs and have no longer designated any provision as non-negotiable. In addition, the Companies worked with the IOs to revise or remove language in the model RDG PPAs that may be viewed as being overly restrictive or onerous.
- **Updated RFP Timelines** – In accordance with the Commission's guidance to file executed PPAs by the end of 2018 (the "PPA Deadline"), the Companies have provided updated RFP Timelines and propose that the schedules for all three variable RFPs run concurrently.

The Proposed Final Draft RFPs will be made available to the public on Hawaiian Electric's website at www.hawaiianelectric.com/competitivebidding no later than February 6, 2018. In addition, to facilitate review by the Commission, IOs, Consumer Advocate, and stakeholders, redline versions of the PV RDG PPA, Wind RDG PPA, and body of the O'ahu

Variable RFP will also be made available on the website. These redlines show changes made to the drafts of such documents filed by the Companies on October 23, 2017, with the exception of the Wind RDG PPA, which was posted to the Companies' website on November 17, 2017.

In Order 35224, the Commission also stated that it intends to establish performance incentive(s) for the Companies "that will reward exceptional performance in acquiring renewable energy projects through this round of competitive procurement."⁴ The Commission encouraged stakeholders with innovative proposals to file comments with the Commission by January 29, 2018, and the Companies are reviewing stakeholders' timely filed comments proposing such performance incentives. The Companies appreciate and support the Commission's intent to establish performance incentives and would welcome the opportunity to provide input at the appropriate time on performance incentives for the first phase of the variable RFPs. The Companies agree that any performance incentive should provide balance to ensure both the Companies and the developer are properly motivated to work together to find the best solution for customers. The Companies do believe that if implemented appropriately, performance incentives can aid in the Companies' objectives to provide customers with affordable, quality services that are safe, reliable and resilient.

The Companies appreciate the Commission's guidance, as well as the IOs' feedback and assistance, which has enabled the Companies to develop what the Companies believe are much improved RFPs. The Companies look forward to working with the IOs to finalize the RFPs towards the successful execution of this phase of the competitive bidding process.

Sincerely,



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Senior Vice President
Business Development & Strategic Planning

Enclosures

c: Division of Consumer Advocacy

⁴ Order 35224 at 37.