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PUBLIC UTILITIES
COMMISSION

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

Subject: Docket No. 2017-0352 – To Institute a Proceeding Relating to a Competitive
Bidding Process to Acquire Dispatchable and Renewable Generation
Companies’ Comments re Stage 2 Draft RFPs

Dear Commissioners:

This letter is being submitted by the Hawaiian Electric Companies¹ in response to the Commission’s Order No. 36290 issued on May 6, 2019 Soliciting Comments on the Hawaiian Electric Companies’ Phase 2 Draft RFPs. This letter is intended to further stakeholder engagement and address comments from the Commission, State of Hawai‘i Division of Consumer Advocacy (“Consumer Advocate”), and other stakeholders from the April 18th and May 2nd status conferences. The Companies’ proposed competitive bidding process was set forth in detail in their draft Request for Proposals for Variable Renewable Dispatchable Generation and Storage on the island of O‘ahu (“Draft Renewable RFP”) and the Draft Request for Proposals for Delivery of Grid Services from Customer-Sited Distributed Energy Resources on the islands of O‘ahu, Maui and Hawai‘i (“Draft Grid Services RFP”) (Draft Renewable RFP and Draft Grid Services RFP, collectively, the “Stage 2 RFPs”) filed on April 1, 2019 (“April 1, 2019 filing”). The Companies appreciate the thoughtful engagement and discussion that arose at the April 18th and May 2nd status conferences and feedback from written comments received to date in this docket.

The Companies truly believe that collaboration of all stakeholders will be necessary to achieve the Companies’ procurement objectives and to successfully achieve the State’s 100% renewable energy goal. The Companies, Commission, Consumer Advocate, developers, permitting agencies, land owners and communities all play an important role. The Companies, to the extent possible, have attempted to develop a competitive bidding process that addresses needs and concerns of each of these stakeholders while still maintaining a fair and competitive

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”).

process. To that end, the Companies approached the feedback from the status conferences and written comments received as an opportunity to truly improve the procurement process and to facilitate successful achievement of the Companies’ 100% renewable energy goal.

As described in Exhibit 1 to the Companies’ April 1, 2019 filing, the Companies believe that the following set of guiding principles are still applicable: (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 made. These guiding principles shaped the Companies’ comments in this letter. In addition, the Companies have utilized lessons learned in the Stage 1 Requests for Proposals for Variable Renewable Dispatchable Generation for O‘ahu, Maui and Hawai‘i Islands issued in February 2018 (“Stage 1 RFPs”) and the Companies’ RFP No. 061715-02 Provision of Grid Services Utilizing Demand-Side Resources issued in May 2015 with best and final offers solicited in April 2018 (“Grid Services Initial RFP”) to help inform the Companies’ comments and improvements to the Stage 2 RFPs.

The Companies have organized their comments by topic and major themes: (1) Scope; (2) Commercial Operation Dates; (3) Self-Build; (4) Evaluation; (5) Grid Services Code of Conduct; (6) Grid Services Shared Savings Mechanism; (7) Company-Owned Sites; (8) Assistance Required from Developers; and (9) Lāna‘i and Moloka‘i. The Companies believe that providing their comments on these topics will speed the overall process, as it will allow the Companies to continue their open dialogue with the Commission, Consumer Advocate, and stakeholders to improve the competitive bidding process. Where applicable, the Companies have provided explanations as to why the proposed changes discussed at the April 18th and May 2nd status conferences could not or should not be made, and where appropriate, have offered alternative solutions.

Scope

The Companies have carefully considered the feedback from the Commission and Consumer Advocate and discussion at the April 18th and May 2nd status conferences regarding the scope of the RFPs. The Companies’ original scope of the Stage 2 RFP was grounded in the PSIP and included procuring the remaining variable energy set forth in the PSIP for 2022 targets that was not awarded in the Stage 1 RFP, as well as fulfilling the capacity needs from the retirement of Kahului Power Plant (“KPP”) and the expiration of the power purchase agreement (“PPA”) for the AES facility (“AES”). Using the Companies’ PSIP as the roadmap, the Companies knew that such procurement was feasible and that limited system upgrades and other

changes would be needed to the Companies’ grids to implement the Stage 2 RFPs and ensure needed resources were in place upon retirement of KPP and expiration of the AES PPA. However, the Companies also understand the Commission’s desire to accelerate renewable energy procurements to replace not just the needed capacity from the loss of KPP and expiration of the AES PPA, but also the energy provided from those facilities. While the Companies’ scope set forth in the April 1, 2019 filing resulted in a reduction of fossil fuel use and greenhouse gasses on all islands, accelerating the scope of the Stage 2 RFPs would further reduce fossil fuel use and greenhouse gasses with the goal of providing a greater cost benefit to customers by lessening the use of oil. The Companies also heard the concerns of developers that the Companies’ procurements often tend to be just in time for the current need, which does not allow developers to prepare for and propose projects for future timeframes. Therefore, after careful consideration, the Companies are accelerating the scope of the Stage 2 RFPs even further than as presented at the May 2nd status conference to address the Commission’s desire and developer concerns.

The Companies have endeavored to keep such acceleration within the PSIP, accelerating the majority of their PSIP 2025 grid services for all islands and the renewable energy resources for O‘ahu. As noted, at the May 2nd status conference, the Maui Island targets for renewable energy were increased to include the next renewable resource under the PSIP, which is the equivalent MWh for a 40 MW biomass plant. While there are still significant challenges and risks to such acceleration, following the roadmap which was laid out in the accepted PSIP helps to ensure that the Companies have the system tools in place to balance the rapid infusion of renewable projects and maintain stability and reliability of each island grid. The Companies have discussed system upgrades and operational integration efforts that must be conducted in parallel, and have also proposed numerous process efficiencies that are needed to allow the RFPs to move faster, such as non-negotiable portions of contracts and areas where process improvement assistance is required from developers. The Companies believe there was a general sense of support for these process efficiencies and mitigation efforts at the status conferences, making the Companies more willing to accelerate their procurement targets despite the potential challenges and risks associated with such acceleration.

Draft Renewable RFP

The following table shows the increase in the scope of the Renewable RFP from what was included in the Companies’ April 1, 2019 filing to what the Companies are proposing as the final scope for the RFP.

	APRIL 1 FILING		MAY 2 STATUS CONFERENCE		PROPOSED FINAL	
Island	MWh	MW of Energy Storage	MWh	MW of Energy Storage	MWh	MW of Energy Storage
O‘ahu	160,000	200 MW (438,000 MWh)	590,000	200 MW (438,000 MWh)	1,300,000	200 MW (438,000 MWh)
Maui	65,000	40 MW (58,000 MWh)	295,000	40 MW (58,000 MWh)	295,000	40 MW (58,000 MWh)
Hawai‘i	70,000	18 MW	70,000	18 MW	70,000 – 444,000	18 MW

The proposed acceleration of the Draft Renewable RFP scope, depending on the final scope of the Hawai‘i Island targets as discussed below, results in an increase of almost 600% from the April 1, 2019 filing scope.

O‘ahu Requirements

As can be seen from the table, the Companies are proposing to increase the energy scope of the O‘ahu RFP to 1,300,000 MWh. The 1,300,000 MWh is roughly equal to the average annual energy currently provided to the O‘ahu system from the AES facility and as noted above, accelerates the majority of the Companies’ PSIP 2025 renewable energy resources. The 200 MW storage requirement ensures that the dispatchable capacity to replace the AES facility’s MW contribution to the system will be in place upon its contract expiration and includes the ability for standalone storage projects to meet this requirement.

Maui Requirements

The Companies have proposed to increase the energy scope of the Maui RFP to 295,000 MWh. As noted above, this scope now includes the energy that would have been provided by the 40 MW biomass plant in the PSIP in 2022. The 40 MW of storage requirement ensures that the capability to replace KPP’s MW contribution to the system will be in place upon its retirement and includes the ability for standalone storage projects to meet this requirement.

Hawai‘i Island Requirements

For Hawai‘i Island, the 70,000 MWh energy target amount represents the remaining renewable energy sought in the PSIP 2022 target after Stage 1 project awards. The final targeted amount of variable renewable dispatchable generation for Hawai‘i Island will be dependent on the availability of the PGV and Hu Honua facilities. The following table identifies the different targeted amounts of variable renewable dispatchable generation that the Companies will be seeking should it be determined that one or both of the PGV and Hu Honua facilities will or will not be placed into service. The Companies will consult with the Independent Observer as to the appropriate target amount based on the latest developments for the two facilities at the time of the Priority List selection. In order to address this uncertainty in the targeted amount, in the Hawai‘i Island Draft Renewable RFP, the Companies will invite, but will not require Proposers,

for a single Proposal Fee, to submit a sizing variation of their Proposals that addresses each of the four (4) possible variable renewable dispatchable generation targets. Each of these sizing variations may have up to three (3) additional minor variations (e.g., pricing terms, size, with/without storage, with/without grid-charging or level of grid-charging capability). This will be further described in the final RFP for Hawai‘i Island that will be filed with the Commission after receiving the Commission’s comments to the Draft Renewable RFP.

	Hu Honua Facility Available	Hu Honua Facility Not Available
PGV Facility Available	70,000 MWh annually	173,000 MWh annually
PGV Facility Not Available	341,000 MWh annually	444,000 MWh annually

Considerations for Energy Storage

On both Maui and O‘ahu, the Companies are retaining the need for MWs of energy storage and the ability for standalone storage projects to bid into the RFPs to ensure the Companies have the capacity to replace the AES facility upon its PPA expiration and retire KPP. The separate storage requirements for O‘ahu remain at 200 MW for a 6-hour duration and the separate storage requirements for Maui remain at 40 MW for a 4-hour duration, as proposed in the Companies’ April 1, 2019 filing. The Energy Storage requirement for Hawai‘i Island remains at 18 MW for standalone contingency storage. The Companies desire to procure this 18 MW in two separate, geographically diverse locations as set forth in the Companies’ April 1, 2019 filing. As noted below, the Companies will also be seeking 18 MW of Fast Frequency Response (“FFR”) on Hawai‘i Island.² As discussed in further detail below, the Companies will only be seeking a total of 18 MW of contingency response, and these resources are not mutually exclusive.

The acceleration of energy targets increases the Companies’ needs for storage on the Companies’ grids to ensure that renewable energy can be utilized to serve customers, especially in cases where the Companies are unable to take renewable energy due to oversupply at the time of production; storage allows use of renewable energy when it is needed. On Maui and Hawai‘i Island, there is already curtailment of existing renewable energy resources; see the curtailment reports in Docket No. 2011-0092 and Docket No. 2011-0040, respectively. On O‘ahu, the expected addition of renewable energy from the 20 MW West Loch PV project, the 109.6 MW of PV from three Clearway projects, the 24 MW Na Pua Makani wind project, and the proposed

² FFR is a local discrete response at a specified frequency trigger. FFR acts to limit the frequency drop resulting from a frequency disturbance, such as loss of a generator. It assists in arresting the decline in frequency as a result of a contingency event. The Companies will seek FFR1 for Hawai‘i island, which has a response requirement of 12 cycles.

48.6 MW Palehua wind project, will challenge the system’s ability to accept Stage 2 RFP and future DER energy when produced.

In view of these situations, on Maui, all generation projects must be paired with storage. Maui paired projects require a minimum of 4-hour duration storage. Proposals for solar energy on Hawai‘i Island must be paired with storage. Proposers may elect to propose other variable renewable energy projects, such as wind, with storage, but paired storage will not be required for such other resources. For O‘ahu, projects are not required to be paired with storage, but the Companies may not be able to take all of the energy if it was all bid as unpaired. O‘ahu paired projects will require a minimum of 4-hour duration storage.

Standalone storage projects are expected to be grid chargeable. With respect to storage projects that are paired with renewable generation, the Companies have maintained the need that a portion of the energy storage being sought must be grid chargeable. As set forth in Exhibit 1 to the Companies’ April 1, 2019 filing:

[G]rid charging of storage facilities enables the storage resources to provide energy to the grid, or be recharged, when needed at any hour. Upon retirement of KPP and AES facilities, this ability is essential to maintaining electric service to customers, particularly in periods of extreme conditions where sustained low availability of sun and wind severely limit both utility-scale and customer-sited renewable energy production. For instance, if a storage facility is paired with a renewable resource such as photovoltaic generation, absent the ability to be grid-charged, such storage facility can only be recharged if there is sufficient irradiance the next day after a discharge day. A paired storage facility’s recharging ability will then be limited if there are continuous days of low irradiance (for example, during storm conditions), or if the storage resource is needed to discharge in the morning hours before it can recharge, and therefore, may not be able to be counted on to provide for the island’s energy needs at any hour on a reliable basis.

The Companies continue to acknowledge the Commission’s concerns that retirement of firm power facilities could be replaced with batteries that are primarily charged with non-renewable generation.³ As previously noted in the Companies’ April 1, 2019 filing and reiterated at the April 18th status conference, this is not the Companies’ intent. When storage facilities are charged from the grid, the initial grid “energy” used for charging will be excess available renewable energy that would otherwise be curtailed including solar and wind energy produced by independent power producers (“IPPs”), distributed energy sources, and Company-owned

³See Order 36187 at 10.

facilities. If storage facilities must be further charged from the grid, the energy used for charging may need to be energy generated from fossil fuels, in the near-term. However, the amount of fossil fuels used in charging is expected to be limited, in particular if the expanded energy target is met in large measure with renewable energy projects paired with storage.

Grid Services

As with the Draft Renewable RFP, the Companies are proposing to accelerate and increase the scope of the Draft Grid Services RFPs. The change in scope of the Draft Grid Services RFP is set forth in the following tables.

O‘AHU GRID SERVICES						
YEAR	FFR (MW)			Capacity (MW)		
	April 1 Filing	May 2 Status Conf	Proposed Final	April 1 Filing	May 2 Status Conf	Proposed Final
2020	26	27	27	37	87	87
2021	27	29	29	62	103	103
2022	27	39	39	87	119	119
2023	27	39	39	87	119	119
2024	27	39	39	87	119	119

MAUI GRID SERVICES						
YEAR	FFR (MW)			Capacity (MW)		
	April 1 Filing	May 2 Status Conf	Proposed Final	April 1 Filing	May 2 Status Conf	Proposed Final
2020	NA	NA	8	11.5	12	12
2021	NA	NA	8	12	16	16
2022	NA	NA	8	16	21	21
2023	NA	NA	8	16	21	21
2024	NA	NA	8	16	21	21

HAWAII GRID SERVICES						
YEAR	FFR (MW)			Capacity (MW)		
	April 1 Filing	May 2 Status Conf	Proposed Final	April 1 Filing	May 2 Status Conf	Proposed Final
2020	NA	NA	18	4	4	4
2021	NA	NA	18	4	4	4
2022	NA	NA	18	4	4	4
2023	NA	NA	18	4	4	4
2024	NA	NA	18	4	4	4

The Companies are proposing to add FFR¹⁴ targets for both Maui and Hawai‘i Island, as per the tables above. The decision to proceed with these new targets is based upon feedback received at the May 2nd status conference. The Companies are interested in testing market response, which will in turn help the Companies refresh fundamental assumptions built into the DR Potential Study performed in 2015. The quantities established as the procurement targets were derived from an analysis conducted by the Companies.

⁴ See footnote 2 above, describing FFR1.

For both Maui and Hawai‘i Island, the Companies will be defining specific requirements associated with the FFR1 services. In general, the FFR1 service will be defined as a duration of 30 minutes, which represents the time required to bring standby generation online, with the potential of extending to a full hour to allow more flexibility to respond to over-frequency events. The Grid Services FFR1 service will be held to the same technical requirements included in the Companies’ draft Energy Storage PPA (“ESPPA”), including the specific technical attachments for the Hawai‘i Island storage.⁵ In addition to these requirements, the following reflect specific considerations for DER-provided FFR:

- FFR1 resources may not be connected to any distribution circuit participating in the dynamic under frequency load shed (“UFLS”) scheme. FFR1 as a grid service is a separate grid function from UFLS and must be maintained separately. If FFR1 grid services are provided from the same customers and circuits as the UFLS, load shedding will result in the loss of the FFR1 grid service (if FFR1 is provided by distributed generation) or a reduction in the load shed block size (if FFR1 is provided by a flexible reduction in load).
- Telemetry to the Companies’ system operator would be required such that the system operator knows the quantity of the resource being provided and can determine the replacement reserves, which can then be initiated accordingly.
- Any charging of an FFR device must be coordinated with the Companies’ system operator or in accordance with agreed scheme.

As discussed above and explained at the May 2nd status conference, the Draft Grid Services RFP targets for Maui and O‘ahu were increased in alignment with the increased targets for the Draft Renewable RFP by accelerating the achievement of 2025 PSIP targets to maximize the replacement potential for the retiring plants. This applies to Maui Capacity, O‘ahu Capacity and O‘ahu FFR⁶. Capacity targets for Hawai‘i Island, as discussed at the May 2nd status conference, did not change since the system need, whether Hu Honua and PGV comes online does not drive additional capacity needs.

Ultimately, increasing the total amounts for Grid Services procurement will afford the Companies, and by proxy all customers, the ability to identify the true market potential and market willingness to deliver the services as specified. In turn, this should result in the most cost-efficient solution for aggregated customer-sited distributed energy resources. Conversely, this approach raises two important risks: (1) This approach does add degrees of complexity to the

⁵ The ESPPA and specific Hawai‘i Island technical attachments are available at www.hawaiielectriclight.com/competitivebidding.

⁶ Oahu FFR will remain as FFR2 which has a response requirement of 30 cycles.

evaluation and selection process, especially as the Companies have not had time to fully develop a true all-resources procurement methodology. The Solution Evaluation and Optimization Working Group in the Integrated Grid Planning (“IGP”) process is currently considering how to develop an evaluation method to fairly assess a diverse range of solutions.⁷ Increasing the amount of resources being procured by both the Draft Grid Services RFP as well as the Draft Renewable RFP increases the risk associated with the evaluation uncertainty; and, (2) Given the nature of aggregated DER procurements, as has been evidenced in some wholesale markets on the mainland, the quantities associated with long term enrollment and enablement periods tied to procurements such as these (or more accurately with look-ahead bid periods in ISO markets) have often been proven to be speculative. In many wholesale markets, aggregators have had the opportunity to sell out of this position prior to the delivery year; this is a less likely option in the Hawai‘i market. There would thus be tremendous uncertainty regarding the size of projected DER asset pools that exceed the DR potential identified to date. In a limited market, for example, it may be the case that multiple aggregators speculatively bid the same resources; were these all to be selected and awarded, execution risk would be high. Alternatively, aggregators may assess this risk and will not bid.

With respect to the first risk, the Companies will use a staged evaluation process as described below to enable, to the extent possible, the cost-effective acquisition of multiple resources types. Regarding the second risk, the Companies will assess further refinements to the Draft Grid Services RFP requirements to employ evaluation measures in the detailed evaluation to filter out duplicate or unattainable enrollment targets to the degree practical.

Additional Challenges, Risks and Mitigation Measures

As noted above, the Companies’ scope of the Stage 2 RFPs in the April 1, 2019 filing was based on the Companies’ 2022 PSIP needs for variable renewable dispatchable generation and grid services, as well as meeting the capacity needs created by the expiration of the AES PPA and the retirement of KPP. The Companies limited the Stage 2 RFPs to this scope as it provided for a quick path to increase the amount of renewable generation on O‘ahu, Maui and Hawai‘i Island, with limited work needed to the system to integrate such renewables, with the understanding that greater amounts of renewable energy and grid services would be able to be procured shortly after the completion of the Stage 2 RFPs through the Companies’ IGP process. However, as explained at the May 2nd status conference, the Companies recognize there may be benefits to accelerating the scope of the procurements under the Stage 2 RFPs. It will allow the Companies to gain more renewable dispatchable generation sooner, increasing and accelerating the Companies’ RPS goals. If the Companies were to procure the accelerated targets set forth above, the Companies’ RPS would be approximately 61% for O‘ahu, 109% for Maui, and 96%

⁷ Docket No. 2018-0165, Hawaiian Electric Companies’ Integrated Grid Planning Workplan, pg. 68

for Hawai‘i Island. In addition, the reduction in fossil fuel consumption and greenhouse gas emissions could be realized sooner. In the Companies’ PSIP, it was forecasted to have about a 12% reduction of fossil fuel consumption and 14% of GHG reduction between years 2022 and 2025 after the addition of large amounts of renewable resources in 2025. This will lead to increased bill stabilization, as more renewables stabilize bills versus fluctuating fossil fuel costs. Bill stabilization is an important objective for the Companies and brings great value to customers. Accelerating the targets may also allow more projects to take advantage of currently available, but declining tax credits resulting in potentially lower priced projects. Finally procuring larger amounts of energy may allow for economies of scale for larger projects again resulting in potentially lower prices.

The accelerated scope will likely result in the selection of a larger number of projects than what was selected in the Stage 1 RFPs and Grid Services Initial RFP. For example, using the average project size on O‘ahu from the Stage 1 RFPs as a proxy for the average size project to be procured under the Draft Renewable RFP on O‘ahu, the resulting number of projects could be as high as 19 projects just on O‘ahu under the Draft Renewable RFP. In the Stage 1 RFP, four projects were procured on O‘ahu. Similarly, large increases in the number of projects selected are possible for Maui and Hawai‘i Island under the Draft Renewable RFP and for each of the three islands under the Draft Grid Services RFP. To procure this amount of energy, storage and grid services at one time will be a tremendous undertaking for all parties involved. The Companies’ ability to procure these increased targets is dependent on a number of factors, including, but not limited to, all stakeholders working together to achieve these ambitious goals, the availability of land, the availability of resources, robust competition and a market with available projects, receiving proposals that will result in a significant benefit for customers, and being able to accelerate system upgrades and operational integration efforts simultaneously with the procurement and integration of the renewable energy, storage and grid services. Recognizing these challenges is not intended to be seen as an argument against larger procurements. It is meant to highlight the partnership between stakeholders that will be necessary to ensure safe and successful integration of the procured energy, storage, and grid services into the Companies’ grids. Since the conclusion of Stage 1, the Companies have been carefully analyzing the process and preparing possible mitigation measures, and continue to seek further input from the various stakeholders to further improve the procurement process.

At a minimum, consistent with the PSIP, synchronous condensers will be required to provide short circuit current and voltage regulation on each of the Companies’ grids.⁸ The Companies are still studying the specific size need of the synchronous condensers. Short circuit current requirements are driven by adequate fault clearing times and transient voltage stability, to

⁸ Depending on the amount of energy awarded and the location of those projects, synchronous condensers may be deferred on O‘ahu.

ensure public safety, equipment protection, and system reliability. However, additional system upgrades may be needed based on the final projects selected and their specific location and characteristics. There are numerous location specific factors that affect protection schemes and system security. The interconnection requirements studies (“IRS”) will indicate additional system security or renewable integration measures that would need to be taken to ensure safe and reliable operation. The Companies will then perform additional protection and system security studies to further evaluate system issues that may result from the integration of the Stage 2 projects. If synchronous fault current issues are identified, conventional generation may be required to be online until synchronous condensers are put into service. In addition, operational integration efforts, including modifications to the Companies’ Automatic Generation Control (“AGC”) programs and upgrades to the Companies’ Energy Management System (“EMS”), will be critical to integrating the projects and being able to maintain system reliability.

Incorporating such a large number of renewable, storage and grid services projects, while working simultaneously on system upgrades and operational integration efforts, will result in a strain on resources not just for the Companies, but for all parties involved. For example, developers and aggregators will potentially have multiple projects to complete at one time, the Commission and Consumer Advocate will have multiple projects to review and approve, and permitting agencies will have multiple applications to review and evaluate in the same time frame. The Companies have limited resources to complete the Stage 2 RFPs and also to complete interconnection work and test and commission facilities procured through the Stage 1 and Stage 2 RFPs. Accelerated targets mean a larger, more complex evaluation process, more PPAs, ESPPAs, and grid services purchase agreements (“GSPA”) to negotiate at one time, more IRS, and more projects to interconnect, on the heels of the Stage 1 RFPs and Grid Services Initial RFP projects and other existing renewable projects in the development process.

To address these challenges, the Companies have thought of several mitigation measures. These include considering the use of consultants for testing, providing a preference for larger project sizes, capping the total number of projects selected under the Renewable RFPs, and requesting help of developers to improve processes for testing and commissioning. The request for help from developers is explained in greater detail below. As an alternative to providing a preference for project size and capping the total number of projects selected from the Draft Renewable RFPs, the Companies are proposing to allow for a portion of the energy targets sought under the Draft Renewable RFPs to have commercial operations dates that extend beyond 2022. The Companies believe that the extension of the commercial operations date will also help to increase competition, as per comments received from potential bidders, a 2022 commercial operations date is extremely aggressive and may deter participation in the Renewable RFPs. This proposal for an extension of the commercial operations date is set forth in more detail below.

To prevent the risk of the economic impact of additional system upgrades and equipment needed to integrate accelerated scope of renewables outweighing the benefits of the procured projects, to the extent the costs for such upgrades are known, they will be included in the evaluation of projects to ensure that the ultimate portfolio of projects selected will result in a significant benefit for customers.

The Companies have also proposed that the non-technical provisions of the Companies' PPAs, ESPPA, and GSPA be made non-negotiable to limit the time needed to negotiate and file such agreements for approval. The Companies have updated the commercial and legal terms of the PPAs, ESPPA, and GSPA to consider the positions of various developers from the Stage 1 RFP PPA negotiations, initial GSPA negotiations, and stakeholder outreach through the IGP process for standardizing the GSPA, and believe the agreements represent fair contracts for developers, aggregators and the Companies. To the extent stakeholders have additional comments regarding the draft agreements and provide these to the Commission and/or the Companies, the Companies will review such comments and consider making further revisions to the agreements as appropriate and acceptable to the Companies to further the efforts to reduce the need to negotiate the non-technical provisions of the PPAs, ESPPA, and GSPA. The Companies' April 1, 2019 filing also included stricter requirements for developers in the Draft Renewable RFP to provide correct models in a timely manner to improve the efficiency of the IRS process. With the intent of preventing delays that may be caused by any potential community opposition to projects, the Companies have strengthened community outreach requirements for developers. These are also detailed in the Companies' April 1, 2019 filing and the Draft Renewable RFP. Finally, the Companies are in the process of refreshing their Land Request for Information materials to provide developers access to information about available sites on each of the islands for possible project development.

Therefore, while the Companies' accelerated goals are ambitious and present a higher level of risk than set forth in the April 1, 2019 filing, if all stakeholders in the process support and help implement the mitigations discussed above, the Stage 2 RFPs can result in successful procurements.

Commercial Operation Dates

As noted above, in the PSIP and in the Companies' status conference presentations, the Companies identified the need for replacement capacity in advance of the expiration of the AES PPA in September 2022 on O‘ahu and the retirement of KPP on Maui ahead of the expiration of its environmental permits. To accomplish this, in the April 1, 2019 filing, the Companies set

guaranteed commercial operations dates (“GCOD”) of March 31, 2022 for the 200 MW / 6-hour storage on O‘ahu and December 31, 2022 for the 40 MW / 4-hour storage on Maui.

With regard to the energy targets set forth in the Draft Renewable RFP, as set forth in the Companies’ April 1, 2019 filing, even though the most immediate need is for capacity, the Companies have stated the intention to require the remainder of the amount of energy sought in the Stage 1 RFPs to be in-service by December 31, 2022 to align with Order No. 36187 from the Commission, issued on February 27, 2019 (“Order 36187”), expressing a desire for the portfolio of projects selected under the Stage 2 RFPs to be in place no later than 2022. However, recognizing the short development timeframe, for projects that do not intend to apply their storage components to the identified energy storage need, the Companies proposed in the April 1, 2019 filing to allow for developers to submit a variation of their proposal with a GCOD as late as December 31, 2024 to determine if allowing for more time results in more benefits to the Companies’ customers.

As explained at the April 18th status conference, allowing the proposal variation was a hybrid approach intended to address concerns of a short development timeframe potentially limiting the number of proposal-ready projects, which would decrease the competitiveness within the RFP. However, such a solution does not completely eliminate the risk of limited proposals bidding into the RFP, because in order to bid, a developer would still need to submit a proposal that could meet the 2022 GCOD.

Given the significant increase in the scope of the Draft Renewable RFP, in order to address developers’ concerns about the short development timeline, address the Companies’ and other stakeholders’ limited resources, and to ensure the RFP is drafted in a way to encourage participation in the process and to promote robust competition, the Companies proposed a modified approach to required GCODs at the May 2nd status conference. Recognizing the Commission’s desire to see projects on the Companies’ grids as quickly as possible so that customers may begin to receive the intended benefits of the procurements, the Companies are proposing that MWh energy targets set forth in the Companies April 1, 2019 filing will be required to have a GCOD of December 31, 2022 or earlier. For the increased MWh energy targets set forth in this letter, the Companies are proposing that projects meeting such needs could bid a GCOD of December 31, 2024 or earlier, with a preference being given in the evaluation to projects with earlier GCOD dates. Allowing later GCODs will provide developers the opportunity to bid projects that may have longer development timelines, will allow the Companies to stagger PPA negotiations and IRS so that projects with an earlier GCOD can be focused on first and allow resources to be allocated efficiently, will allow the Companies to stagger development activities for interconnection facilities, testing and commissioning so that multiple projects are not all vying for these resources and holdoffs at one time, and will alleviate

pressure on the Commission and Consumer Advocate to expedite review and approval of all of the projects procured under the Stage 2 RFPs at the same time.

In response to questions from the Consumer Advocate about the need to have an in-service date of March 31, 2022 on O‘ahu for replacement capacity for AES, the Companies explained that in order to ensure reliability of service through the transition, it was necessary to have a period to account for any potential delays in the selected project(s) reaching commercial operations, as well as to have a seasoning period for the replacement resource far enough ahead of the removal of the existing firm resources. This seasoning period would allow for sufficient testing and operational integration prior to the loss of 180 MW of capacity from AES. However, the Companies are willing to move the GCOD to June 1, 2022, with certain conditions. In their response to CA/HECO-IR-1, the Companies stated that “the Companies would require such projects to meet the availability and performance metrics immediately and liquidated damages would be assessable beginning on September 1, 2022 for failure to meet such metrics instead of 12 months post commercial operation date (“COD”) as currently required under the RDG PPA.” Further details on the Companies proposed GCOD’s can be found in the Companies’ responses to CA/HECO-IR-1 and CA/HECO-IR-2.

Self-Build

The Commission’s Framework for Competitive Bidding⁹ allows for utility self-build proposals, specifically “[w]here the electric utility is addressing a need for firm capacity in order to address system reliability or concerns.”¹⁰ The Framework also provides that “[i]f the RFP process results in the selection of non-utility (or third-party) projects to meet a system reliability need or statutory requirement, the utility shall develop and periodically update its Contingency Plan, and if necessary, its Parallel Plan to address the risk that the third-party projects may be delayed or not completed.”¹¹

The Framework defines a “Contingency Plan” as:

[A]n electric utility’s plan to provide either temporary or permanent generation or load reduction programs to address a near-term need for capacity as a result of an actual or expected failure of an RFP process to produce a viable project proposal, or of a project selected in an RFP. The utility’s Contingency Plan may be different from the utility’s Parallel Plan and the utility’s bid.

⁹ The Framework for Competitive Bidding, adopted by the Commission in Decision and Order No. 23121, issued December 8, 2006 in Docket No. 03-0372 (“Framework for Competitive Bidding” or “Framework”).

¹⁰ Framework, Part VI.A.1.

¹¹ Framework, Part VI.C.

The Framework defines a “Parallel Plan” as:

[T]he generating unit plan (comprised of one or more generation resources) that is pursued by the electric utility in parallel with a third-party project selected in an RFP until there is reasonable assurance that the third-party project will reach commercial operation, or until such action can no longer be justified to be reasonable. The utility’s Parallel Plan unit(s) may be different from that proposed in the utility’s bid.

Based on the foregoing, the Companies do intend to submit Self-Build Options (“SBO”) that will serve as the Companies’ Parallel Plan and will meet the storage needs being sought on O‘ahu and Maui, which are necessary to replace the capacity of the AES facility and KPP. The Companies also plan to submit a SBO for the Hawai‘i Island contingency storage requirement. The Companies may also choose to submit SBO for the energy being sought under the RFP. The energy targets, however, are not required in order to provide reliable and safe electric service to the Companies’ customers. Therefore, such SBO proposals, if submitted, would not be considered part of the Companies’ Parallel Plans.

The Companies’ intent is to evaluate all self-build and IPP proposals as equally as possible on an “apples to apples” basis through comparative analysis. An SBO cannot be evaluated in exactly the same way as an IPP proposal because cost recovery methods between a regulated utility SBO proposal and IPP proposals are fundamentally different due to the business environments they operate in. However, the Companies have been working closely with the Independent Observers to develop an evaluation process that is fair to all parties and customers, including procedures for evaluating the SBO with regards to eligibility, threshold, price, and non-price criteria.

In lieu of providing a Lump Sum Payment and an Energy Payment, the RFP requires an SBO Proposal to provide its total project capital costs and ongoing variable O&M costs. These costs will be components of a provided calculated revenue requirement value within the proposal, which in turn will be calculated into a levelized energy price using the SBO’s net energy potential in the evaluation process that can be compared to IPP proposals. The Companies have taken several steps to create as level of a comparison as possible. To obtain a complete representation of the costs, in the Draft Renewable RFP, the Companies have described the items for inclusion in the revenue requirement calculation for an SBO. The Companies have further refined such descriptions since its April 1, 2019 filing, taking into consideration feedback from the Commission and the IOs, and will include such updates in the final Draft Renewable RFP. For example, the costs of developing the proposal (including, as an example, labor and external consultants) must be included in the SBO for evaluation purposes so there is a fair comparison to IPP proposals, which would include the cost of project development in their bids. To be clear,

this is for evaluation purposes only. Only the incremental costs of developing the SBO proposal should be charged to the project and passed through to customers. However, to the extent that internal resources used in developing the bid are already funded through rates, such costs should not be assessed again to customers. Incremental costs for an SBO proposal that also serves as the Companies’ Parallel Plan should be recoverable even if such project is not selected per the terms of the Competitive Bidding Framework.¹² Incremental costs for SBO proposals not serving as the Parallel Plan and which are not selected to the Final Award Group will not be recoverable from the Companies’ customers.

There are several mechanisms in place or in development that will serve as safeguards for the process. Appendix G to the RFP, the Self-Build Team Option Certification, will require a Company self-build team to certify, among other things, that it will cap the Company’s recovery for project capital costs and O&M costs at the amount included in the Proposal. Furthermore, if actual project capital costs are less than the costs included in the Proposal, the Company will only recover actual project capital costs. If selected out of the RFP, an SBO Proposal will not be executing a PPA, as the Company cannot be both counterparties to a contract. As such, Appendix G will also require the Company self-build team to certify that its Proposal will adhere to the requirements and milestones in the PPA, excluding inapplicable terms related to commercial and legal interactions between an IPP and the Company. For example, the Self Build Team will be required to certify that it will meet the performance metrics in Article 2 of the PPA. An SBO will also be held to Guaranteed Project Milestones (as defined in the PPA), including a GCOD. Similar to selected IPP proposals, these dates will be set after completion of the IRS, with oversight of the Independent Observer. In the May 2nd status conference, the Companies committed to paying liquidated damages if such Guaranteed Project Milestones are missed or if the SBO fails to meet the performance metrics as set forth in Article 2 of the PPA. These liquidated damages would be paid from shareholder funds and similar to liquidated damages received from IPPs, would be passed to customers through the Companies’ Power Purchase Adjustment Clause.

In the April 1, 2019 filing, the Companies proposed that SBO proposals not be required to remit a Proposal Fee to the Companies. Under the Framework, the Companies are obligated to submit a bid for capacity needs being sought in an RFP.¹³ As stated above, the Companies are also obligated to keep Contingency and Parallel Plans to address system reliability needs to mitigate the risk that third-party projects may be delayed or not completed. However, to temper any perceived notion of advantage to the Company, where an SBO Proposal would not otherwise also be the Contingency or Parallel Plan, the Companies propose to limit the number of proposals that the self-build team can submit to one proposal per island and have agreed to waive

¹² Framework, Part VII.B.

¹³ Framework, Part VI.A.1.

proposal fees for IPPs bidding at one of the three sites offered by the Companies. So, for example, on O‘ahu the self-build team could submit an SBO that serves as the Parallel Plan to procure the 200 MW of energy storage the Companies are seeking and could submit one additional project to meet the energy needs being sought under the Draft Renewable RFP.

Finally, in the revised draft RFPs, the Companies will explicitly state that any affiliate proposal will be treated identically to an IPP proposal.

Evaluation

The Companies have been working with the Independent Observers to update the evaluation process for both the Draft Renewable RFP and the Grid Services RFP. This effort continues to be a work in progress. Working with the Independent Observers, in addition to updating the language in the RFPs, the Companies are also putting together internal evaluation protocol documents. While these documents will remain confidential and part of the Companies’ closed bidding process, the Companies will file these confidentially under protective order with the Commission and Consumer Advocate for review. The Companies anticipate being able to file these by June 10, 2019.

The eligibility, threshold and initial evaluation, including the non-price evaluation, set forth in the Draft Renewable RFPs in the April 1, 2019 filing remains largely unchanged. The Companies have made some minor revisions to clarify language and ensure clear requirements, but have not significantly altered the original criteria proposed for evaluation at these stages. As noted in the Draft Renewable RFP filed on April 1, 2019, for the Detailed Evaluation, the Companies anticipate completing a portfolio evaluation. This is a change from the Stage 1 RFPs. The Companies are currently working with the Independent Observers to clarify how the portfolios will be created and evaluated. The base case used to evaluate the portfolios will be based on the PSIP as done in the Stage 1 RFPs. However, the base case will be updated to use the Companies’ 2019 fuel price forecast and the resource plan will reflect known changes, including the inclusion of Stage 1 projects, the West Loch PV project and other proposed projects such as the Palehua Wind project. Project portfolios will compete to have a lower net present value than the base case. Due to the significant increase in the scope of the Draft Renewable RFPs, the Companies want to ensure that the Draft Renewable RFPs remain competitive. Therefore, the Companies reserve the right to not select the number of projects needed to award the entire scope of the Draft Renewable RFPs if the projects do not provide a significant benefit to customers.

The Draft Grid Services RFP initial evaluation also remains unchanged; however, as discussed with the Independent Observer as well as during each of the two status conferences, the Companies are committed to revising the Detailed Evaluation step as depicted in the Draft

Renewable RFP. The result of this update will be that the Grid Services timeline will shift into 2020, with the final prioritized proposals ready for consideration sufficiently in advance of the Draft Renewable RFP Priority List of bids moving to the detailed evaluation stage. This would allow the Companies time to adjust system load assumptions to reflect the selected Grid Services targets. In determining the short list of Grid Services bids, the Companies will assess, among other things, the cost effectiveness of the proposals, accepting and awarding bids up to the targeted MW targets as presented herein. This updated and detailed evaluation step will be incorporated into the final Grid Services RFP; changes to the overall Grid Services schedule will be reflected accordingly.

The Commission provided feedback at the April 18th and May 2nd status conferences encouraging the Companies to combine the evaluations for the Draft Grid Services RFP and Draft Renewable RFP. The Commission also encouraged the Companies to consider a preferred resource loading order. While the Companies support the notion of a combined evaluation (in fact, this is the intent and purpose of the Companies’ IGP process), at this time the Companies have not been able to determine a specific solution in order to do so. The Companies have consulted with the Independent Observers and with several consultants but have not yet found an example that clearly demonstrates how to evaluate Grid Services against utility scale generation and storage in a fair and unbiased manner. There are a myriad of issues that would have to be addressed in such an evaluation, including, but not limited to, the differences in what is being provided, for example capacity and energy from a Draft Renewable RFP project versus just capacity from a Draft Grid Services RFP, the significant difference in the length of contracts, the differences in technical capabilities, such as speed to respond, and the difference in market prices. We appreciate that the Commission also recognized the complexities of such an evaluation in Order 36187, stating “These parallel procurement processes would allow the Companies to set targets for grid services contributions to the overall grid needs separately, rather than within an all resource procurement, reducing any concerns about the potential complexity of wrapping aggregated demand side resources into an all resource procurement.”¹⁴ Going into detail regarding just one of these issues shows the complexity of determining the process for such an evaluation, for example, the difference in market pricing of the resources. It is possible that projects resulting from the Draft Grid Services RFP may have a cost premium and thus be more expensive than projects resulting from the Draft Renewable RFPs. If this were to be the case, it is unlikely that any proposals from the Grid Services RFP would be selected on a cost basis; however, the Companies recognize that despite the potential for a cost premium, proposals under the Grid Services RFP may be beneficial to the Companies and their customers. Given the already extremely compressed timeframe for the RFPs and the amount of time it would take to develop a combined evaluation methodology, the Companies are proposing a

¹⁴ Order 36187 at 12.

hybrid solution for these RFPs, with the intent that a combined evaluation can be further developed and evaluated as part of the IGP process, which will take into account considerations of various stakeholders including, but not limited to, the Companies, the Commission, the Consumer Advocate and IGP working group members.

As noted above, the Companies propose to complete the evaluation and project selection for the Draft Grid Services RFP prior to the detailed evaluation of the Draft Renewable Energy RFPs. The Companies would have the ability to select up to the amount of the accelerated scope of the Grid Services RFPs. However, the Companies reserve the right to not select the entire scope of the Grid Services RFPs if the Companies do not receive enough proposals or if the proposals received do not provide a clear and significant benefit to customers. The one exception to this is the FFR targets for Hawai‘i Island. The 18 MW FFR targets and the 18 MW contingency storage targets for Hawai‘i Island are not mutually exclusive. The Companies only need a combined 18 MW from these sources. Therefore, the Companies will need to evaluate the responses proposed to fulfill these resources against each other to ensure the best selection of projects to meet the 18 MW need. The contingency resource evaluation will therefore be closer to an “all resource” evaluation, to the extent possible, and will be a step closer to the ultimate goal of a combined evaluation being formed as part of the IGP process.

As noted above, once the projects are selected from the Draft Grid Services RFP, these specific projects will be included in the updated resource plans for the Detailed Evaluation of the Draft Renewable RFPs. This will result in the cost effectiveness of projects from the Draft Renewable RFPs being determined, in part, based on the selected grid services projects.

Grid Services Code of Conduct

The Companies wish to clarify their responses to the Commission regarding the need for a Grid Services Code of Conduct. The Companies are fully committed to conducting a fair and unbiased administration of any RFP process. The Companies did not intend to convey any contrary intent when they initially indicated that a specific Grid Services Code of Conduct was not necessary. In completing the Grid Services Initial RFP in April 2018, the Companies were subject to its overall Code of Conduct and followed their established bidding policy and procedures to ensure a fair and unbiased process. Selection of the preferred vendor from such RFP required justification consistent with the requirements of such policy/procedures. From this background, the fact that the Companies have no present intention to submit any self-build (a.k.a. “self-deliver”) option for grid services, and the existence of the Commission’s Affiliate Transaction Rules, the Companies’ initial response was that an additional code of conduct specific to future Grid Services RFPs was thought to be unnecessary as a comprehensive process was already in place.

Nonetheless, the Companies acknowledge the Commission’s guidance that a code of conduct specific to the Grid Services RFP would be appropriate. Accordingly, the Companies have committed to developing a specific Grid Services Code of Conduct for this and future Grid Services RFPs. A preliminary draft has been developed and is currently under internal review. Once completed, a proposed final draft will be presented to the Commission for approval. In the interest of time and current circumstances, the Grid Services Code of Conduct will not address measures regarding any self-build/self-deliver option, as there is no present intent for the Companies to venture into this opportunity. If this intent ever changes, the Companies will: (1) inform the Commission, (2) complete appropriate amendments to the Grid Services Code of Conduct to address self-deliver options, (3) complete an appropriate Procedures Manual similar to that which has been completed for the Renewable RFPs; and (4) obtain Commission approval of such drafts prior to initiating any future Grid Services RFP that the Companies intend to propose a self-deliver option.

Grid Services Shared Savings Mechanism

In response to CA/HECO-IR-10, the Companies have considered a refined approach to the realization of shared savings as presented in the proposed shared savings mechanism for the Grid Services RFP. The Companies recognize the risk associated with claiming all shared savings percentages up-front, and herein share the concepts around a revised shared savings mechanism, which will be filed on May 31, 2019 for Commission consideration.

The Companies contemplate a shared savings model wherein the Companies will receive a total incentive equal to 30% of the total deemed shared savings for each GSPA (as compared to the Value of Services associated with the services procured). The Companies would receive 20% of the total shared savings allocation at contract approval. The Companies would then receive an annual allocation of the remainder of the shared savings over the five-year contract term. The annual amount would be calculated by multiplying the following factors:

- (1) Total shared savings value
- (2) 0.8, representing 80% of the full shared savings
- (3) The total MW enabled and under management for each contract by year-end divided by the total cumulative MW under management for the entirety of the five-year contract.
- (4) The Performance Factor as defined in the GSPA Exhibit A-1 and A-3 associated with each contract for the preceding 12-months.

Company-Owned Sites

In response to feedback received during the May 2nd status conference, the Companies are developing the details of how more space on Company-owned properties can be made available for these Stage 2 RFPs. The Companies plan to offer three sites, one site each on Maui, O‘ahu and Hawai‘i Island to prospective bidders in the Renewable RFPs. These sites, by the nature of their size and interconnection location, will be offered for siting storage-only projects. Developers who propose projects located at the identified Company-owned properties will have their Proposal Fee waived.

On Maui, in the Stage 1 Maui Variable Renewable Dispatchable Generation RFP, the Companies offered about half of their greenfield site in central Maui (the Waena site) to Proposers to site a potential renewable dispatchable generation project. For Stage 2, a smaller area of the Waena site will be offered to Proposers specifically for a storage-only project. All interconnection costs will be borne by the prospective Proposer.

On O‘ahu, a portion of land within the Kahe Generating Station property will be made available to Proposers to site a storage-only project. The area is situated on undeveloped land south-east beyond the developed portion of the generating station. Any project should account for all infrastructure it will require, as we are unable to offer any auxiliary services from the generating station. The interconnection point for the potential storage-only project will be at the switchyard on the Kahe Generating Station property. All interconnection costs will be borne by the prospective Proposer.

On Hawai‘i Island, a portion of land within the Keahole Generating Station property will be made available to Proposers to site a storage-only project. The area is situated on open land in the south-east corner of the property. Any project should account for all infrastructure it will require, as we are unable to offer any auxiliary services from the generating station. The interconnection point for the potential storage-only project will be at the substation on the Keahole Generating Station property. All interconnection costs will be borne by the prospective Proposer.

Please see visual reference images of the three sites on Attachment 1. More details will be provided regarding the three sites in the final Renewable RFPs which will be updated and filed with the Commission after receipt of the Commission’s comments to the Draft Renewable RFPs and a sufficient time for inclusion of such comments into the Draft Renewable RFPs.

Assistance Required from Developers

The successful completion of Stage 1 represented the biggest step to date towards the Companies’ 100% renewable energy goal. Taking this step was only possible because of the combined extraordinary efforts by all stakeholders working together. The Companies have accepted the challenge to take an even bigger step in the upcoming Stage 2 Draft Renewable RFP and Draft Grid Services RFP, which features a greatly expanded combined scope. The Companies have reflected on the lessons learned from Stage 1 and have looked for ways to build on its success.

As noted in the May 2nd status conference, and mentioned earlier, the Companies cannot meet the Stage 2 challenge alone. The Companies have described some proposed changes to expedite the process and improve chances for success. To provide added flexibility in scheduling construction so that developers are not competing to schedule the Companies’ construction crews, the Companies will require developers to build the switching station and construct the line work (excluding the final connection), as needed for their project. Additionally, because the number of projects that the Companies are anticipating will be necessary to fulfill the RFPs’ target scopes will be significantly larger than the number of projects selected in the Stage 1 RFPs, and the specialized resources to test and commission such facilities are very limited, the Companies have proposed changes to expedite the testing and commissioning process. Developers will be required to submit relay and protective device settings and the protection coordination study four weeks prior to the submittal of final construction drawings. All drawings must be approved by the Companies and the entire facility must be ready (communication infrastructure and equipment must be ready for operation) prior to testing. If these requirements are not met, or if the facility cannot pass the tests within the allotted scheduled time, the developer will have to reschedule the required tests, and will be placed at the end of the queue for such rescheduled work. Developers may cure any deficiencies within their originally scheduled time, but no extension of time will be given and liquidated damages will be assessed per terms of the PPA for missed milestones if the facility cannot pass the required tests and be placed into service on time. The Companies are working to reflect these requirements in revised drafts of the Draft Renewable RFP and associated draft PPAs.

In addition, as noted in the April 1, 2019 filing, the Companies are expecting developers to follow the requirements of the RFPs, including the requirements to submit proposals in good faith and without fraud or collusion. To this end, the Companies had included language in the Draft Renewable RFP limiting the use of shared Representatives (as defined in the Draft Renewable RFP). However, the Companies heard the concerns from developers at the May 2nd status conference that such language may have unintended consequences by forcing developers to compete for limited specialized consultant resources, and therefore may limit the number of

projects available to bid into the RFPs. This was not the Companies’ intent. The Companies propose revising Section 1.7.3 of the RFP to read as follows to address this concern.

- 1.7.3 In submitting a Proposal in response to this RFP, each Proposer certifies that the Proposal has been submitted in good faith and without fraud or collusion with any other person or entity. The Proposer shall acknowledge this in the Response Package submitted with its Proposal.

Without limiting the foregoing, unaffiliated Proposers are prohibited from using shared Representative(s) (as defined below), to prepare their Proposals or for contract negotiations with the Company where the Representative is an individual person. If a Representative is an entity with multiple individuals, unaffiliated Proposers may use the same Representative only if (1) such Representative assigns a separate individual to each Proposer, (2) such individuals are prohibited from (i) sharing a Proposer’s confidential information or the Company’s confidential information associated with such Proposer with others, or (ii) accessing another Proposer’s confidential information or Company’s confidential information associated with such Proposer from another individual in that Representative entity, (3) the Representative has appropriate procedures, safeguards and policies in place to ensure that separations exist so that an individual assigned to a Proposer does not share or have access to confidential information of another Proposer or of the Company which was obtained through another individual’s representation of a Proposer, and (4) an authorized signatory of the Representative, as well as each individual assigned to a Proposer shall provide Company with a written certification in the form attached as _____. A “Representative” shall mean any person, - or entity, acting as a contractor, or consultant or agent (including without limitation, financial advisors, legal counsel and accountants) for Proposer(s). - Furthermore, in executing the NDA provided as Appendix E to this RFP, the Proposer agrees on behalf of its Representatives that the Company’s confidential negotiating positions will not be shared with other Proposers or their respective Representatives.

Lāna‘i and Moloka‘i

As previously indicated, the Companies are working on draft RFPs for Lāna‘i and Moloka‘i. The Companies intend to file draft RFPs to begin the stakeholder comment period and receive Commission review and approval in July and August 2019, respectively. Community outreach is especially important on Lāna‘i and Moloka‘i, as these islands were not part of the Stage 1 RFPs and therefore are not familiar with the RFP process. The Companies plan to issue the Lāna‘i and Moloka‘i RFPs in October and November 2019, respectively. Although the Companies are still developing the targets for the Lāna‘i and Moloka‘i RFPs, tentatively the Lāna‘i RFP will seek to procure between 13,300 MWh to 20,800 MWh of renewable dispatchable energy paired with storage, and the Moloka‘i RFP will seek to procure between 7,200 MWh to 15,800 MWh of renewable dispatchable energy paired with storage. This would bring the RPS on Moloka‘i to approximately 80% and Lāna‘i to approximately 93%.

The Honorable Chair and Members
of the Hawai‘i Public Utilities Commission
May 20, 2019
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Conclusion

The Companies appreciate the feedback received, which allows the Companies to contemplate how to build on and improve each solicitation while simultaneously working towards a seamless transition to the IGP process.

Sincerely,



Jim Alberts
Senior Vice President
Business Development & Strategic Planning

Attachment

cc: Division of Consumer Advocacy (with Attachments)

Maui



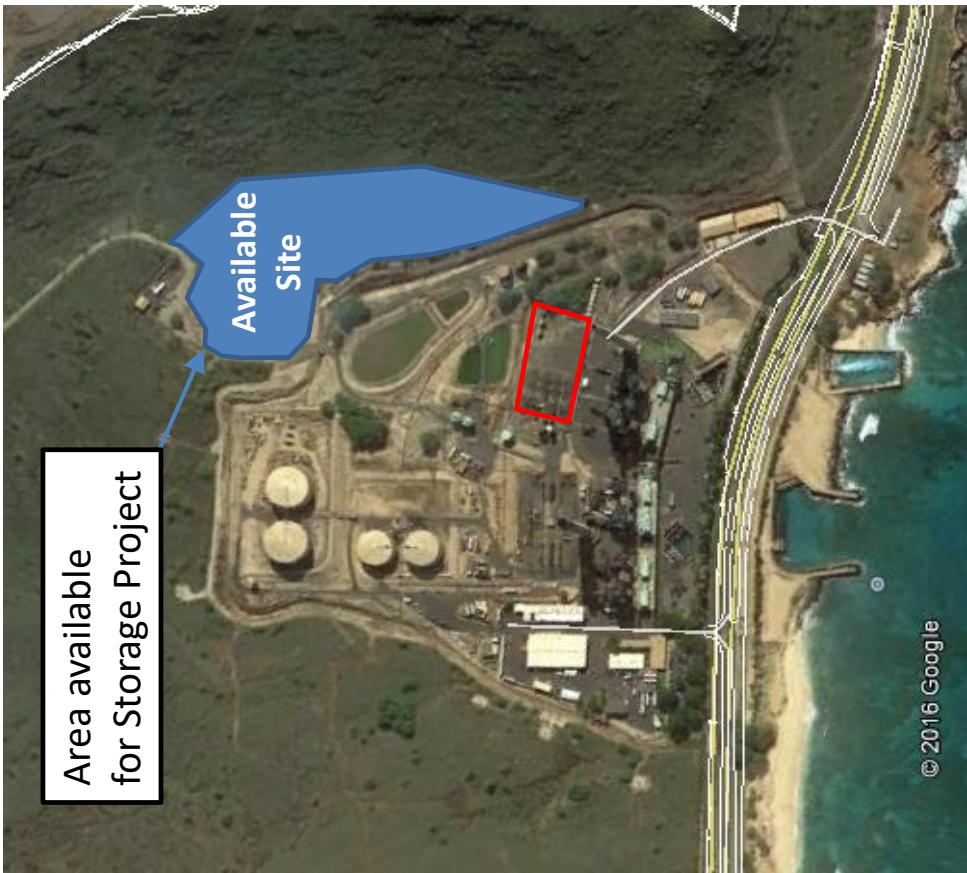
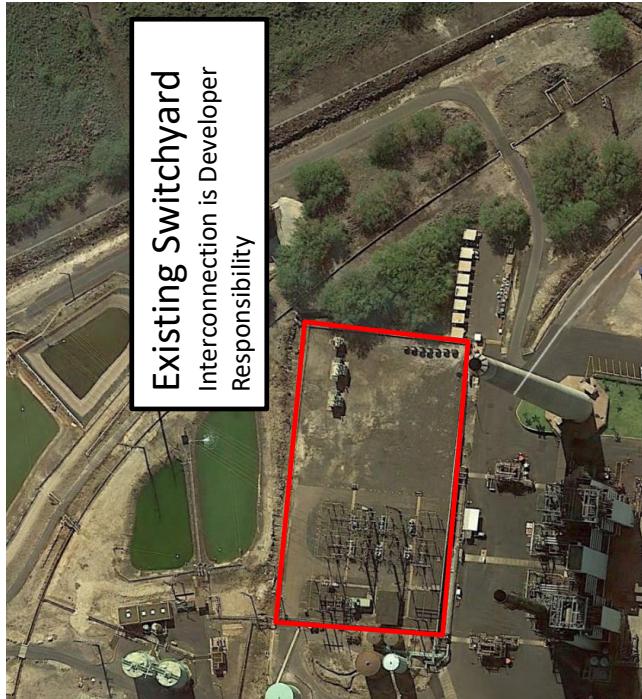
Waena Site



Oahu



Kahe Generating Station



Hawaii Island

