

**DRAFT REQUEST FOR PROPOSALS**

**FOR**

**VARIABLE RENEWABLE DISPATCHABLE GENERATION**

**ISLAND OF O‘AHU**

OCTOBER 23, 2017

Docket No. 2017-0352

This Request for Proposals (“RFP”) is a DRAFT only. Hawaiian Electric Company, Inc. (“Hawaiian Electric”) will employ a competitive bidding process to select renewable energy projects consistent with the State of Hawai‘i Public Utilities Commission’s (“PUC”) Competitive Bidding Framework. Under the Competitive Bidding Framework, Hawaiian Electric will file the initial draft RFP with the PUC. Then, Hawaiian Electric will seek input from prospective Proposers and other stakeholders through a Technical Conference as described in the draft RFP and will modify the draft RFP to the extent feasible to address input received in order to foster a robust competitive process. The proposed final RFP will be submitted to the PUC for approval and is subject to further revision based upon direction received from the PUC. After approval by the PUC, Hawaiian Electric will issue the final RFP. The proposed schedule for the foregoing process is set forth in this draft RFP in Table 1.

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# Chapter 1: Introduction and General Information

Hawaiian Electric Company, Inc. (“Hawaiian Electric” or “Company”) seeks proposals for the supply of qualified renewable energy to be delivered to the Hawaiian Electric System in accordance with this Request for Proposals (“RFP”). The total amount of electric energy being solicited for O‘ahu is up to 485,000 megawatt hours[[1]](#footnote-2) (“MWh”) annually, over a term of 20 years. The resources acquired through this Final RFP must have Guaranteed Commercial Operations Dates that are no later than December 31, 2022 with the intent being that successful Proposers will be able to take advantage of the 2019 investment tax credit.

The Company intends to contract for variable generation projects under this RFP using its new Renewable Dispatchable Generation Power Purchase Agreement (“RDG PPA”), which treats variable resources as fully dispatchable. A copy of the Model RDG PPA is attached hereto as Appendix C. The Company plans to issue a separate RFP for renewable firm, dispatchable capacity and energy for O‘ahu.

Each successful Proposer will provide energy to the Company pursuant to the terms of an RDG PPA to be negotiated between the Company and Proposer, which shall also be subject to PUC review and approval. If the proposed project contains an energy storage component, then the terms of the Model RDG PPA shall be modified to include additional attachments to address the operational characteristics and performance requirements of storage.

The Company will evaluate Proposals using the evaluation and selection process and described in Chapter 4 of this RFP. The Company will evaluate and select Proposals based on both price and non-price factors that impact the Company, its customers, and communities affected by the proposed projects.

A detailed description of the technical requirements for Proposers is included in Chapter 2 of this RFP, in the Proposer’s Response Package attached to this RFP as Appendix B (and various model contracts attached as exhibits to this RFP), and on the Electronic Procurement Platform described in Section 3.2 (i.e. PowerAdvocate Platform).

All requirements necessary to submit Proposal(s) are provided in this RFP. All capitalized terms used in this RFP shall have the meaning set forth in the Glossary of defined terms attached hereto as Appendix A. Capitalized terms that are not included in Appendix A shall have the meaning ascribed herein.

## Authority and Purpose of the Request for Proposals

* + 1. This RFP is issued in response to Order No. 34856 issued on October 6, 2017 in Docket No. 2017-0352 as part of a procurement process established by the State of Hawai‘i Public Utility Commission (“PUC”).
    2. This RFP is subject to Decision and Order (“D&O”) No. 23121 in Docket No. 03-0372 (To Investigate Competitive Bidding for New Generating Capacity in Hawai‘i), which sets forth the PUC’s Framework for Competitive Bidding (“Framework” or “Competitive Bidding Framework”).
    3. All Proposals submitted in response to this RFP shall utilize qualified Renewable Energy resource(s) as defined under the Hawai‘i Renewable Portfolio Standards (“RPS”).[[2]](#footnote-3) By statute, “Renewable energy” means energy generated or produced using the following sources: (1) wind; (2) the sun; (3) falling water; (4) biogas, including landfill and sewage-based digester gas; (5) geothermal; (6) ocean water, currents, and waves, including ocean thermal energy conversion; (7) biomass, including biomass crops, agricultural and animal residues and wastes, and municipal solid waste and other solid waste; (8) biofuels; and (9) hydrogen produced from renewable energy sources. HRS §269-91.
    4. Proposers should thoroughly review the Hawaiian Electric Companies’ Power Supply Improvement Plans (“PSIPs”), filed in Docket No. 2014-0183 on December 23, 2016 (“PSIP Update Report: December 2016”).
    5. Consistent with the PSIP Update Report: December 2016, the primary purpose of this RFP is to obtain Renewable Energy to enable the Company to continue to transform Oahu’s power supply portfolio from fossil fuel‑based generation to renewable-based generation to lower costs for customers. The Company does not have a predetermined preference for a particular renewable energy source or technology and acknowledges that the requirements of this RFP may be satisfied by a portfolio of generation resource options. The Company believes this approach allows for flexibility and encourages Proposers to develop and submit a broad range of innovative Proposals.
    6. This RFP is intended to elicit Proposals that will enable Hawaiian Electric to obtain renewable energy generation at a competitive, reasonable cost with reliability, viability and operational characteristics consistent with the Company’s long-term planning and energy policy requirements.

## Scope of the RFP

* + 1. Consistent with the resource needs for the island of O‘ahu in the Company’s PSIP Update Report: December 2016, the Company is seeking Proposals for the supply of up to approximately 485,000 MWh per year (“MWh/year”) of Renewable Energy to be delivered to the Hawaiian Electric System on the Island of Oʻahu in the State of Hawai‘i, under contract terms to be negotiated between the Company and the Proposer in an RDG PPA.
    2. This RFP targets projects that can satisfy the resource needs identified in the PSIP Update Report: December 2016. In the event the Company does not procure all of the energy needed to meet the Company’s requirements set forth in the PSIP, orgeneration is needed to fulfill later requirements set forth in the PSIP, or as otherwise determined by the Company, then the Company intends to issue “Stage 2” of this RFP to procure such additional generation. System needs, including available hosting capacities, will be updated prior to the issuance of Stage 2 or any subsequent RFPs. The Company would consider projects that cannot reach a Commercial Operations Date by December 31, 2022 in subsequent RFPs.
    3. The Company will approach procuring the energy amount targeted in this RFP in two stages. The Company is focused on helping projects meet the 2019 investment tax credit, and is targeting signing two PPAs on O‘ahu in “Stage 1” of the procurement process**.** The Company believes that limiting the number of projects during Stage 1 of the procurement process will help projects move through contracting and PUC approval in a more timely manner. The targeted number of Proposals sought in Stage 1 was determined based on several factors, including the size of the largest contingency unit and available hosting capacity on circuits. As noted in Section 1.2.2 above, if the Company is unable to procure all of the energy needed to meet the Company’s requirements in Stage 1, the remaining generation need will be sought in Stage 2 of this RFP. In Stage 2, the Companies will also use lessons learned in Stage 1 and reevaluate the storage options and requirements being sought to take advantage of advancements in technology and declining storage costs.
    4. Proposers are required to offer proposals for Facilities that are no larger than 135 MW due to system reliability requirements. The minimum size of a Facility shall be the threshold for a waiver from the Framework for Competitive Bidding applicable to O‘ahu. See Framework Section II.A.f.
    5. Proposals that will require extensive system upgrades (e.g., that cannot be constructed in time to meet the targeted Guaranteed Commercial Operations Date) will not be considered in this RFP. See Section 4.3 (Threshold Requirements).
    6. Proposers will determine their project site. Proposers have the option of submitting a proposal for any potential Company Offered Sites that may be offered as described in Section 3.10 below.
    7. Proposers accepting the terms and conditions of the Model RDG PPA will be given preference over Proposers that take exceptions to the Model RDG PPA’s terms and conditions. Any provisions of the Model RDG PPA approved and deemed non-negotiable by the PUC may not be modified by the Proposer.
    8. For purposes of this RFP, the Company shall only consider Proposals for Projects located on the Island of O‘ahu.
    9. Each Proposal submitted in response to this RFP must represent a Project that is capable of meeting the requirements of this RFP without having to rely on the completion or implementation of any other Project submitted in response to this RFP or any other RFP.
    10. Successful Proposers will own and operate the Facility during the term of the PPA and will be responsible for all costs including project development, completion of an Interconnection Requirement Study (“IRS”), land acquisition,[[3]](#footnote-4) permitting, financing, construction of the facility and all Interconnection Facilities, and operations and maintenance.
    11. Proposer will build, finance, and operate the Facility. PPAs for projects selected through this RFP will be based on the Model PPA, as described in Section 3.8 below. Under the Model PPA, the Company will maintain rights to fully direct the dispatch of the Facility.
    12. Term of the PPA will be twenty (20) years.

* + 1. Proposals may be submitted in either of the following configurations:[[4]](#footnote-5)
* Not coupled with energy storage. Where a proposed Facility is not coupled with energy storage, the maximum output of the Facility shall not exceed the circuit-level hosting capacity of the circuit to which the Facility will be interconnected. [[5]](#footnote-6)
* Coupled with energy storage.

Where a photovoltaic (“PV”) energy resource is coupled with energy storage, the energy storage shall be sized to provide sufficient storage capacity to avoid export from the project that exceeds the available circuit-level hosting capacity and able to discharge the stored energy for at least four hours.  For example, if the PV has a maximum output rating of 50 MWac and the available circuit-level hosting capacity is 20 MW, the project may export up to 20 MW directly to the system.  In this case, the energy storage shall be sized to store the excess energy that exceeds the available circuit-level hosting capacity (up to 50 MW – 20 MW = 30 MW). The amount of energy stored shall be sufficient to export the excess capacity (30 MW in this example) over a four-hour period at some later time.   If the available circuit-level hosting capacity is 0 MW, the project may not be dispatched between 9 a.m. and 4 p.m., and the energy storage shall be sized to store its energy for export at the project’s rated capacity over a four-hour period at some later time.  The Company will reserve the right to dispatch net energy available from the facility, either from the PV and/or storage, at times that are beneficial to the system and for customers under the terms of the PPA.  It should be noted that excess energy conditions may occur from time to time between 9 a.m. and 4 p.m., even though the circuit-level hosting capacity is not exceeded.

Where a wind energy resource is coupled with storage, the energy storage shall consider the reduced need and ability to accept available energy production during solar production periods and low customer use. The Company will provide data to support design (net demand data). Excess energy conditions are also likely to occur during the midnight to 5 a.m. period, when system demand is typically low. During these periods, the export from the wind resource may need to be adjusted.  Projects with wind coupled with storage must have adequate circuit capacity to allow the combined export of the wind resource and storage.

Proposers are encouraged to confer with the Company as described in Section 2.2.1 below should they have any questions about circuit-level or system-level hosting capacity or system-level hosting capacity or excess energy concerns.

* + 1. Consistent with the assumptions in the PSIP Update Report: December 2016, Proposer will pursue all available applicable federal and state tax credits and Proposal pricing shall be set to incorporate the benefit of such tax credits or pass the benefit of the tax credits to the Company’s customers (See Appendix C (Model PPA, Attachment J, Section 5)).
    2. Payments under the Model RDG PPA will be made by the Company to the Seller as set forth in the Model RDG PPA.
    3. Project will interconnect to the Company’s grid at the subtransmission or transmission level. Interconnection Requirements and IRS process are set forth in Section 5.1 below.
    4. Proposer’s proposed Interconnection Facilities shall be compatible with the Company System and must meet the requirements set forth in the IRS and the Model PPA, as may be revised to reflect the results of the IRS. Proposer shall be responsible for all costs related to the design and installation of all Interconnection Facilities. The communications and control requirements will be determined during the Interconnection Requirements review, and will define telemetry, control, and communications facilities provided by the Proposer to the Point of Interconnection. Alternate control will be required and may consist of interconnection with the Company’s microwave system.
    5. Storage systems that are coupled with a Facility shall only be charged by Renewable Energy generated by the Facility (and not delivered from the grid).
    6. Storage systems may be utilized by the Seller, in Seller’s discretion, to meet the Performance Requirements for energy delivery specified in the Model RDG PPA, including frequency response (droop characteristics), company dispatch of power, ramp rates, disturbance ride through capabilities, etc., in addition to shifting energy delivery to the power system to periods where resource production exceeds Company dispatch requirements. Where storage is utilized, the functionality of the storage shall be maintained throughout the life of the facility.

* + 1. If selected, Proposers shall be responsible for the decommissioning of the Project and the restoration of the Site upon the expiration of the PPA, as described in Attachment G, Section 7 of the Model RDG PPA. In addition to the requirements in the PPA, decommissioning responsibilities should also include developing and implementing a program for the recycling to the fullest extent possible, or otherwise proper disposal, of installed infrastructure. Proposer should describe its decommissioning plan, including programs for recycling of installed infrastructure, if any, and how Site restoration to its original ecological condition will be guaranteed in the event of default by the Proposer in the applicable Site Control documentation.

## Competitive Bidding Framework

Consistent with the Framework, this RFP outlines the Company’s requirements in relation to the resources being solicited, the procedures for conducting the RFP process, and includes information and instructions to prospective Proposers participating in and responding to this RFP.

## Role of the Independent Observer

* + 1. Part III.C.1 of the Framework sets forth the circumstances under which an Independent Observer is required in a competitive bidding process. In particular, the Framework provides that “[a]n Independent Observer is required whenever the utility or its affiliate seeks to advance a project proposal (i.e., in competition with those offered by [Proposers]) in response to a need that is addressed by its RFP, or when the Commission otherwise determines.” Accordingly, the PUC has retained an Independent Observer to oversee and monitor the process for this RFP. The Independent Observer will coordinate with PUC staff throughout the RFP process to ensure that the RFP process is undertaken in a fair and unbiased manner.
    2. The role of the Independent Observer, as described in the Framework, will include the following:

• Monitor all steps in the competitive bidding process

• Monitor communications (and communications protocols) with Proposers

• Monitor adherence to the Company’s Code of Conduct

• Submit comments and recommendations, if any, to the PUC concerning the RFP

• Review the utility’s Proposal evaluation methodology, models, criteria, and assumptions

• Review the utility’s evaluation of Proposals

• Advise the utility on its decision-making

• Monitor contract negotiations with Proposers

• Report to the PUC on monitoring results during each stage of the competitive bidding process

• Provide an overall assessment of whether the goals of the RFP were achieved

* + 1. The Independent Observer for this RFP is listed below:

**[NAME, ADDRESS, CONTACT INFO]**

## Communications Between the Company and Proposers – Procedures Manual

* + 1. Communications and other procedures under this RFP are governed by the “Procedures Manual,” developed by the Company as required by the Framework, which describes: (1) the protocols for communicating with bidders, the self-build team, and others; (2) the evaluation process in detail and the methodologies for undertaking the evaluation process; (3) the documentation forms, including logs for any communications with bidders; and (4) other information consistent with the requirements of the RFP process. The Company’s Procedures Manual is attached hereto as Appendix D (Code of Conduct Procedures Manual for the Competitive Bidding Program).
    2. Pursuant to the Procedures Manual, all pre-Proposal communication with prospective Proposers, including the Company’s Self-Build Team and any Affiliate Team (as those terms are defined in the Procedures Manual), will be conducted via the Company’s website, Electronic Procurement Platform and/or electronic mail (“Email”) as specified in the Procedures Manual. Any Email to the Company must be sent to the address specified in Section 1.6 below (the “RFP Email Address”). Any correspondence sent to any other Email address will not receive a response. Frequently asked questions submitted by prospective Proposers and the answers to those questions may be posted on the Company website or sent through the Electronic Procurement Platform to registered individuals. The Company reserves the right to respond only to comments and questions it deems are appropriate and relevant to the RFP, in its sole discretion.
    3. After submission of Proposals, all contacts between the Company and Proposers will be coordinated by the Energy Contract Manager identified in Section 1.6. During this post-Proposal submission period, the Company may have communications and meetings with individual Proposers for purposes of clarifying Proposals.
    4. Each Proposer must execute a Mutual Confidentiality and Non-Disclosure Agreement (“NDA”) attached hereto as Appendix F. All confidential information will be transmitted to the requesting party via the RFP email address and/or the Electronic Procurement Platform, only after receipt of such fully executed NDA. Notwithstanding the execution of a NDA by a requesting party, the Company reserves the right, in its sole discretion, not to disclose certain confidential information.
    5. Except as expressly permitted and in the manner prescribed in the Procedures Manual, any unsolicited contact by a Proposer or prospective Proposer with personnel of the Company pertaining to this RFP is prohibited and may constitute grounds for disqualification.
  1. Company Contact for Proposals

The Energy Contract Manager and primary contact for this RFP is:

Greg Shimokawa

Energy Contract Manager

Hawaiian Electric Company, Inc.

Central Pacific Plaza Building, 21st Floor

220 South King Street

Honolulu, Hawai‘i 96813

RFP Email Address: [oahuvariablerfp@hawaiianelectric.com](mailto:oahurenewablerfp@hawaiianelectric.com)

* 1. Proposal Submittal Requirements
     1. Detailed requirements regarding the form and organization of the Proposal are set forth in Chapter 3 of this RFP. Proposals shall be submitted in the form of the Proposer’s Response Package attached hereto as Appendix B (Proposer’s Response Package) pursuant to Chapter 3 of this RFP.
     2. By 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. Proposer shall complete with each Proposal, a Certificate of Non-Collusion in the form provided on the Electronic Procurement Platform.
     3. Proposals shall be submitted via the Electronic Procurement Platform and must be received (confirmed by a time and date stamp) by 2:00 pm Hawai‘i Standard Time (HST) on the date shown in the RFP Schedule in Section 3.1, Item 11, below. Incomplete Proposals will not be accepted. No hard copies of the Proposals will be accepted.
  2. Proposal Fee
     1. Proposers are required to tender a non-refundable Proposal Fee of $10,000 for each proposal submitted.
     2. Proposers may submit multiple Proposals for projects on the same or differing Sites if a Proposal Fee is paid for each separate Proposal. The only exception being that a Proposer may submit a Proposal for a project with and without a storage option for a Project on the same site for a single Proposal Fee, as described in Section 1.2.13.
     3. The Proposal Fee shall be in the form of a cashier’s check made payable to Hawaiian Electric Company, Inc. and delivered to the Company’s Energy Contract Manager by 2:00 pm (HST) on the date shown in the RFP Schedule in Section 3.1, Item 11, below, the same day that the Proposal is due. Failure to submit the Proposal Fee by the specified deadline shall result in disqualification.
  3. Procedures for a Self-Build Option
     1. Consistent with the Competitive Bidding Framework, the Company will have the opportunity to offer a response to this RFP (the “Self‑Build Option”). With regard to the preparation of the evaluation of the Self‑Build Option, the Company will follow certain procedures designed to safeguard against and address concerns associated with preferential treatment or preferential access to information. If the Company decides to propose a Self-Build Option, the Framework provides that the procedures developed for an RFP shall call for arms-length dealing with regard to agents of the Company who are developing a Self-Build Option (the “Self-Build Team”) and those agents of the Company who perform the evaluation of the RFP (the “Evaluation Team”). The Company’s Code of Conduct and Procedures Manual submitted to the PUC in Docket No. 2017-0352 on October 23, 2017, are in place to safeguard against and address concerns associated with preferential treatment or preferential access to information. A copy of the Procedures Manual is attached hereto as Appendix D. The Independent Observer will assist the PUC in ensuring that the established procedures and the terms of the Code of Conduct are followed and administered fairly such that no preferential treatment or preferential access to information will be provided to the Self-Build Team by the Evaluation Team. Pursuant to the Framework and as set forth in the RFP Schedule, the Company will submit the Proposal for the Self-Build Option(s) through the Electronic Procurement Platform a minimum of one (1) Day before other Proposals are due.
  4. Dispute Resolution Process
     1. If disputes arise under the RFP, the provisions of this Section 1.10 and the dispute resolution process established in the Framework shall control. See Part V of the Framework.
     2. Proposers who challenge or contest any aspect of the RFP process must first attempt to resolve their concerns with the Company and the Independent Observer (“Initial Meeting”). The Independent Observer will seek to work cooperatively with the parties to resolve any disputes or pending issues, and may offer to mediate the Initial Meeting to resolve disputes prior to such issues coming before the PUC.
     3. Any and all disputes arising out of or relating to the RFP which remain unresolved for a period of twenty (20) days after the Initial Meeting takes place may, upon the agreement of the Proposer and the Company, be submitted to confidential mediation in Honolulu, Hawai‘i, pursuant to and in accordance with the Mediation Rules, Procedures, and Protocols of Dispute Prevention Resolution, Inc. (“DPR”) (or its successor) or, in its absence, the American Arbitration Association then in effect (“Mediation”). The Mediation shall be administered by DPR. If the parties agree to submit the dispute to Mediation, the Proposer and the Company shall each pay fifty percent (50%) of the cost of the Mediation (i.e., the fees and expenses charged by the mediator and DPR) and shall otherwise each bear their own Mediation costs and attorney’s fees.
     4. If settlement of the dispute is not reached within sixty (60) days after commencement of the Mediation, or if after the Initial Meeting, the parties do not agree to submit any unresolved disputes to Mediation, then as provided in the Framework, the Proposer may seek a determination of the issue by the PUC.
     5. In accordance with the Framework, the PUC will serve as the arbiter of last resort for any disputes relating to this RFP involving Proposers. The PUC will use an informal expedited dispute resolution process to resolve the issue within thirty (30) days, as described in Parts III.B.8 and V of the Framework.[[6]](#footnote-7) There shall be no right to hearing or appeal from this informal expedited dispute resolution process.
     6. If any Proposer initiates a dispute resolution process for any dispute or claim arising under or relating to this RFP other than permitted by the Framework and Section 1.10 of this RFP (e.g. arbitration or court proceeding), then such Proposer shall be responsible for any and all attorney’s fees and costs that may be incurred by the Company or PUC in order to resolve such claim.
  5. No Protest or Appeal

Subject to Section 1.10 of this RFP, no Proposer or other person will have the right to protest or appeal any award of a Project made by the Company.

* 1. Modification or Cancellation of the Solicitation Process
     1. Unless otherwise expressly prohibited, the Company may, at any time up to final award, in consultation with the Independent Observer, postpone, withdraw and / or cancel any requirement, term or condition of this RFP, including deferral of the award of any contract, and / or cancellation of the award all together, all of which shall be without any liability to the Company.
     2. The Company may modify this RFP subject to requirements of the Framework, i.e. review by the Independent Observer and submission to the PUC with thirty (30) Days’ notice before the modified RFP may be issued, unless the PUC directs otherwise. See Framework Part IV.B.10. The Company will follow the same procedure with regard to any potential postponement, withdrawal or cancellation of the RFP or any portion thereof.

# Chapter 2: Resource Needs and Requirements

* 1. Performance Standards

Proposals must meet the attributes set forth in this RFP and the Performance Standards identified in the Model RDG PPA.

* 1. Transmission and Distribution System
     1. Company information regarding the relative remaining capacity of subtransmission and transmission circuits on O‘ahu will be made available to Proposers only after execution of a Non-Disclosure Agreement.  Non-confidential information has been published in the Companies’ December 23, 2016 PSIP Update Report on beginning on page N-56 of Appendix N. Proposers should perform their own evaluation of project locations and the Company does not guarantee any project output or ability to connect based on such information.  Proposers are invited to meet with the Company prior to submitting a Proposal to discuss specific questions regarding a particular Proposal. Please direct inquiries to Interconnection Services at [Interconnection.services@hawaiianelectric.com](file:///C:/Users/khorita/AppData/Local/Microsoft/Windows/Temporary%20Internet%20Files/Content.Outlook/I8ZKQD9X/Interconnection.services@hawaiianelectric.com).
     2. Prior to the RFP, developers may inquire as to viability of proposed real project locations. Hypothetical projects and location strategies will be addressed only in general terms.
     3. Additional site-specific information will be provided in the IRS process.
  2. Interconnection to the Company System
     1. The means of interconnection between a proposed Facility and the Company System is a critical consideration for all Proposers. The Proposers’ proposed Interconnection Facilities shall be compatible with the Company System. Proposers shall demonstrate that all proposed Projects adequately consider their impacts on the performance and reliability of the Company System. The design of the Interconnection Facilities, including power rating, Point(s) of Interconnection with the Company System, and scheme of interconnection, shall meet Company standards and be designed such that, with the addition of the facility, the Company system can meet all relevant Transmission Planning Criteria[[7]](#footnote-8) and any amendments thereto.
     2. The Interconnection Facilities includes both: (1) Seller-Owned Interconnection Facilities; and (2) Company-Owned Interconnection Facilities.
     3. Tariff Rule No. 19, a copy of which is attached hereto as Appendix J, establishes provisions for Interconnection and Transmission Upgrades. The tariff provisions are intended to simplify the rules regarding who pays for, installs, owns and operates interconnection facilities in the context of competitive bidding. The Company uses the breaker-and-a-half scheme for its transmission switching station as shown in Attachment A of Tariff Rule No. 19. Proposers should follow this scheme for purposes of their estimates.
     4. Selecting a site for new generation and / or transmission line terminus has cost impacts to the Company System. The Proposer shall be responsible for all costs required to interconnect a Project to the Company System, including all Seller-Owned Interconnection Facilities and Company-Owned Interconnection Facilities.
     5. Proposers are required to include in their pricing proposal, all costs for interconnection and transmission upgrades or distribution upgrades expected to be required between their Facility and their proposed Point of Interconnection. See Appendix I (Interconnection Facilities and Cost Information). Selected Proposers will be responsible for the actual final costs of all Seller-Owned Interconnection Facilities and Company-Owned Interconnection Facilities.
     6. Proposals that include a storage component must design their facility to provide:
* Load Shifting, which means that energy is absorbed by the battery in one period of time and discharged to the grid at another period of time; and
* Frequency Response, which means that the battery will respond with rapid import or export during imbalances of supply and demand on the grid where the system frequency will increase or decrease suddenly.
* Frequency Regulation, which means that the power output of or input to the battery can be adjusted in response to signals from the Company EMS such that the battery can contribute to the system’s regulating reserve capacity
* Regulating Reserve, which means the amount of capacity between the current load operating point and its maximum import and export capacity.
* Storage functionality that is maintained throughout the lifetime of their facility.
  + 1. Proposers are required to include in their Proposal a $/year Lump Sum Payment amount per $100,000 of actual interconnection costs (de-escalator). The Company will use the $/year figure along with the Proposer’s interconnection cost estimate (or, in the Company’s discretion, the Company’s estimate) in the initial economic analysis of the Proposal.
    2. All projects will be screened for general readiness to comply with the requirements for interconnection. Proposals selected to the Final Award Group will be subject to further study in the form of an Interconnection Requirements Study. The IRS process is further described in Section 5.1 of this RFP. The IRS will provide information including, but not limited to, a power systems analysis and identification of equipment, costs, and schedule to evaluate the upgrades necessary to interconnect the proposed Project into the Company System, individually or on a portfolio basis. The results of the completed IRS, as well as any mitigation measures identified, will be incorporated into the terms and conditions of a final executed PPA. The Proposer must provide all Proposal information required to complete the IRS with the Proposal, as described in Appendix B. Any additional information required must be provided no later than 15 days after request by the Company.

# Chapter 3: Instructions to Proposers



## Schedule for the Proposal Process

Table 1 sets forth the schedule for the proposal process (the “RFP Schedule”). This schedule is designed to provide Proposers the opportunity to safe harbor tax credits. The Company reserves the right to revise the RFP Schedule as necessary. Changes to the RFP Schedule will be posted to the RFP website.

**Table 1**

**RFP Schedule**

|  |  |
| --- | --- |
| **Milestone** | **Schedule Dates** |
| 1. PUC Opens RFP Docket | October 6, 2017 |
| 1. Draft RFP is filed | October 23, 2017[[8]](#footnote-9) |
| 1. Technical Conference Webinar | November 3, 2017 |
| 1. 1st Round of Stakeholder Comments submitted to Companies | November 17, 2017 |
| 1. Companies Filing of Proposed Final RFP and Model PPA | December 21, 2017 |
| 1. 2nd Round of Stakeholder Comments submitted to Commission | January 12, 2018 |
| 1. Completion of Commission review period of Proposed Final RFPs | January 29, 2018 |
| 1. Commission approves Final RFP and Model PPA | 30 days after (7)[[9]](#footnote-10) |
| 1. Final RFP is issued | 5 business days after (8) |
| 1. Proposal due for Self-Build Option | 1 day before (11) at 2:00 pm HST |
| 1. Proposals due for all Other Proposals | 60 days after (9) at 2:00 pm HST |
| 1. Selection of Short List | 30 days after (11) |
| 1. Publication of BAFO Information | 5 business days after (12) |
| 1. Self-Build Option BAFO due (if any) | 1 business day before (15) |
| 1. Other Proposers’ BAFOs due | 5 business days after (13) |
| 1. Selection of Final Award Group | 120 days after (15) |
| 1. Contract Negotiations Start | 5 business days after (16) |

In order to enable developers to safe harbor the 2019 ITC the Companies are proposing to file PPA applications for selected projects in Stage 1 in approximately the first quarter of 2019 for the O‘ahu ,Hawai‘i Island, and Maui variable RFPs and that PUC approval for such PPAs is obtained for the O‘ahu, Hawai‘i Island, and Maui variable RFPs in the third quarter of 2019 and the Maui variable RFP in August of 2019. Construction for these projects would be expected in the same timeframe. The above timeline and the ability to enable the safe harboring of the 2019 ITC will be contingent on the ultimate procedural schedule for this docket, including approval of the final RFPs in this docket and issuance of such RFPs and the results of contract negotiations. Further, the Companies anticipate beginning Stage 2 of the competitive bidding process in approximately August of 2019, though this is subject to further evaluation based on the results and final timing of Stage 1.

## Company RFP Website / Electronic Procurement Platform

* + 1. The Company has established a website for general information to share with potential Proposers. The website is located at the following link:  
         
       [www.hawaiianelectric.com/competitivebidding](http://sharepoint/depts/HE-RenAcq/Programs/RFP/PROJ/P_2016_Oahu%20Renewable/09_RFP%20Specifications/2017_10_23%20Order%2034856%20Filing/www.hawaiianelectric.com/competitivebidding)  
         
       The Company will provide general notices, updates, schedule and other information on the RFP website throughout the process. Proposers should check the website frequently to stay abreast of any new developments. This website will also contain the link to the Electronic Procurement Platform employed by the Company for the receipt of Proposals. The Company will send updates posted on the website through the Electronic Procurement Platform.
    2. “Sourcing Intelligence,” developed by Power Advocate is the Electronic Procurement Platform that the Company has licensed and will utilize for this RFP. Proposers who do not already have an existing account with PowerAdvocate, and intend to submit a Proposal for this RFP, will need to register as a “Supplier” with PowerAdvocate.
    3. There are no license fees, costs, or usage fee to Proposers for the use of the PowerAdvocate Platform.
    4. Proposers can register for a new account by clicking on the “Registration” button on the PowerAdvocate website at the following address:  
       [www.poweradvocate.com](http://www.poweradvocate.com)

See Appendix E for user information and instructions on PowerAdvocate’s Sourcing Intelligence procurement platform.

* + 1. In order to complete the registration, the Proposer will need to review and accept PowerAdvocate’s Terms of Use. The Terms of Use are available online and a copy is also attached for convenience in Appendix E (PowerAdvocate User Information).
    2. Once a Proposer has successfully registered as a Supplier with PowerAdvocate, the Proposer shall request access to the subject RFx[[10]](#footnote-11) event from the Company Contact via email through the RFP Email Address. The email request must list the Supplier name under which the Proposer has registered with PowerAdvocate. Once the RFx event is opened, Proposers will have online access to general notices, RFP-related documents, and other communications via Sourcing Intelligence, and may begin to submit their Proposal.
    3. Proposals shall be accepted only through the PowerAdvocate Platform.
    4. Proposals must be submitted through Sourcing Intelligence by 2:00 pm Hawai‘i Standard Time (HST) on the date shown in the RFP Schedule in Section 3.1. Sourcing Intelligence will not accept the submittal of late information for this RFx event. It is the Proposer’s sole responsibility to ensure that its complete information has been submitted on time. Any Proposal information that is merely SAVED, but not SUBMITTED will not be considered.
    5. All Proposals must be prepared in accordance with the procedures and format specified in the RFP and the RFx event. Proposers are also required to respond to all questions and provide all information requested in the RFP and the RFx event, as applicable. This process is intended to provide an orderly, consistent and fair evaluation of the Proposals.

## Technical Conference

The Company is open to ideas and feedback on these draft RFP documents and on the RFP process in general.To facilitate that feedback, the Company will hold a Technical Conference (webinar) in accordance with the Competitive Bidding Framework to discuss the provisions and requirements of this and other RFPs being offered in parallel for prospective Proposers and other stakeholders. The Technical Conference will allow stakeholders to ask questions and better understand the Companies’ proposed competitive bidding process and draft documents. Such opportunity will then allow the stakeholders to provide more refined and detailed feedback regarding the process and draft documents.

The Company encourages any party interested in submitting a Proposal to attend the Technical Conference. This Technical Conference will be held on November 3, 2017 as described in the Schedule in Section 3.1 above. Parties interested in attending the Technical Conference should check the RFP Website for updates or further announcements on the time of the Technical Conference. An electronic version of the webinar will be made available on demand via the RFP website listed in Section 3.2.1 above. Prospective Proposers may submit written questions in advance regarding the proposed RFP to the RFP Email Address set forth in Section 1.6. The Company will attempt to answer such questions during the Technical Conference. No answers to questions will be sent or posted prior to the Technical Conference. The Company will respond only to questions it deems relevant and reserves the right not to respond to questions. The Company will endeavor to address questions and comments received during the Technical Conference and may, but is not required to, post or send select written responses subsequent to the Technical Conference. In the event a conflict exists between any oral and post-conference written response, the post-conference written response shall control.   
  
After PUC approval and issuance of the final RFP, the Company may hold a Proposers’ Conference to clarify any aspect of the RFP for potential Proposers. If the Company elects to hold such a conference, the date and time will be posted on the RFP Website.

The Company has also prepared a webinar to introduce the concepts and provisions of the new Model RDG PPA. The Company encourages any party interested in submitting a Proposal to view the RDG PPA Webinar. This RDG PPA Webinar will be made available on-demand on October 24, 2017 via the Company website listed in Section 3.2.1 above. Parties interested in submitting questions regarding the RDG PPA Webinar may send them to [renewableacquisition@hawaiianelectric.com](file:///C:/Users/khorita/AppData/Local/Microsoft/Windows/Temporary%20Internet%20Files/Content.Outlook/I8ZKQD9X/renewableacquisition@hawaiianelectric.com).

## Preparation of Proposals

* + 1. Each Proposer shall be solely responsible for reviewing the RFP (including all attachments and links) and for thoroughly investigating and informing itself with respect to all matters pertinent to this RFP, the Proposer’s Proposal and Proposer’s anticipated performance under the PPA.
    2. Proposers shall rely only on official information provided by the Company in this RFP when preparing their Proposal. The Company will rely only on the information included in the Proposals and additional information from Proposers solicited by the Company to evaluate the Proposals received.
    3. Each Proposer shall be solely responsible for and shall bear all of its costs incurred in the preparation of its Proposal and / or its participation in this RFP, including, but not limited to, all costs incurred with respect to the review of the RFP documents, attending meetings with the Company, Site visits, third-party consultant consultation, and investigation and informing itself with respect to matters pertaining to its Proposal and this RFP, and any costs associated with the same shall not be reimbursed by the Company to any Proposer, including the selected Proposer(s).
    4. Each Proposal shall contain the full name and business address of the Proposer and shall be signed by an authorized officer or agent[[11]](#footnote-12) of the Proposer.
  1. Organization of the Proposal

Appendix B (Proposer’s Response Package) provides information for submitting Proposal information though the PowerAdvocate Platform.

Proposer shall be required to agree to the use of electronic signature within the PowerAdvocate Platform and provide an electronic signature on the appropriate certification form for the Proposal.

* 1. Proposal Limitations

Proposers expressly acknowledge that Proposals are submitted subject to the following limitations:

The RFP does not commit or require the Company to award a contract, pay any costs incurred by a Proposer in the preparation of a Proposal, or procure or contract for products or services of any kind whatsoever. The Company reserves the right, in its sole discretion, to accept or reject, in whole or in part, any or all Proposals submitted in response to this RFP, to negotiate with any or all Proposers eligible to be selected for award, or to withdraw or modify this RFP in whole or in part at any time.

* Company reserves the right, in its sole discretion, to request additional information from any or all Proposers relating to their Proposals or to request Proposers to clarify the contents of their Proposals. Proposers that are not responsive to such information requests may be eliminated from further consideration upon consultation with the Independent Observer.
* Company reserves the right, in its sole discretion, to solicit additional Proposals from Proposers after reviewing the initial Proposals. Other than as provided herein, no Proposer will be allowed to alter its Proposal or add new information to a Proposal after the due date for submission of Proposals.
* All material submitted in response to this RFP shall become the sole property of the Company, subject to the terms of the NDA.
  1. Proposal Compliance and Bases for Disqualification

Proposers may be deemed non-responsive and / or Proposals may not be considered for reasons including, but not limited to, the Eligibility Requirements listed in Section 4.2 and the following:

* The Proposal is not in conformance with the RFP requirements and instructions;
* The Proposal is conditional in a manner not permitted by the RFP;
* Company is not satisfied, in its sole discretion, that the Proposer is capable of meeting its financial obligations with respect to its Proposal for reasons including, but not limited to, Proposer’s inadequate credit rating or creditworthiness or Proposer’s failure to supply a requested letter of credit, or other form of security acceptable to the Company; and/or
* Company is not satisfied, in its sole discretion, that the Proposer is capable of fully and timely implementing its Proposal.
  1. Power Purchase Agreement
     1. The Power Purchase Agreement for Proposers selected under this RFP will be in the form of the Company’s Model PPA[[12]](#footnote-13), attached as Appendix C to this RFP.
     2. In general, under the Model RDG PPA, payment to the Seller shall be made in two parts: a Lump Sum Payment component to cover the fixed costs of the Project and an Energy Payment ($/MWh component) to cover variable operations and maintenance costs (if applicable, depending on the resource). In return, the Seller shall guarantee minimum availability metrics to ensure that the Facility is maintained and available for production as well as provide an indication of the available energy available in near real-time for the Company’s dispatch.
     3. Proposers who elect to propose modifications to the Model RDG PPA shall provide a red-line version of the Model RDG PPA with their requested changes and revisions as a component of their Proposals. Such modifications will be evaluated as a non-price evaluation criteria as further described in Section 4.4 and Attachment L. In order to facilitate this process, the Company will make available electronic versions of the Model PPA. The Company will review and consider the requested changes and reflect the suggested changes in the overall risk assessment associated with the evaluation of each Proposal. Proposers are strongly discouraged from proposing fundamental changes to the risk allocation set forth in the Model PPA. Any terms of the Model PPA designated as non-negotiable by the PUC will not be open for negotiation and must be accepted by the selected Proposer(s) as is.
     4. The following sections of the PPA, in addition to any additional sections designed by the PUC as non-negotiable, are not negotiable and Proposers who submit proposals showing revisions to these sections are subject to disqualification: Article 1, Article 2, Article 3, Article 7, Article 8, Article 9, Article 11, Article 12.3, Article 14, Article 15, Article 16, Article 17, Article 18, Article 20, Article 21, Article 22, Article 25, Article 26, Article 27, Section 29.15, Sections 2 and 3 of Attachment B, Attachment C, Attachment H, Attachment I, Attachment J, Attachment M, Attachment T, and Attachment U. Changes to the above sections will be allowed to reflect the results of the IRS and or changes in law that occur prior to the Execution Date. Although the Company is unlikely to consider substantive changes to Attachment Q, the Company intends to receive Proposer input on this attachment.
     5. Proposals that do not include proposed revisions to the attached Model PPA shall be deemed to have accepted the Model PPA terms. Modifications to the PPA provisions previously identified in Section 3.8.4 are not allowed and such provisions will not be subject to negotiation.
     6. The Company shall have the right to reject any Proposal or evaluate it unfavorably based on the nature of the exceptions to the Model PPA proposed by a Proposer.
  2. Pricing Formula Requirements
     1. Proposers may submit pricing for one or both options, as described in Section 1.2.13. Please also refer to Section 1.8:
* Proposal without a storage component
* Proposal with a storage component
  + 1. Proposer’s Response Package shall include the following pricing for each option:
* Lump Sum Payment – ($/year) payment amount for full availability. Payment will be made in monthly increments. No escalation of the Lump Sum Payment over time will be allowed. A Proposal’s Lump Sum Payment will be compared to other Proposals on a $/MWh basis based on the NEP RFP Projection, which is the annual estimated Net Energy Production (MWh) of Facility for the term of the PPA as described further in Section 3.14.2.
  + Estimated Total Interconnection Costs (See Appendix I (Interconnection Facilities and Cost Information)). Proposers are required to include in their pricing proposal all costs for interconnection and transmission upgrades or distribution upgrades expected to be required between their Facility and their proposed Point of Interconnection (see diagrams from Tariff Rule No. 19).
* Energy Payment Price – ($/MWh) payment for delivery of Net Energy.
* Total Project Capitalization Costs ($) – for Self-Build Proposals only.
* Annual Revenue Requirement ($) – for Self-Build Proposals only.
* $/year amount per $100,000 (lower than the estimate) of actual interconnection costs.
  + 1. All proposal information must be independent of changes to state or federal investment tax credit policies.
  1. Sites Identified by the Company

As an alternative to a site identified by the Proposer, the Company has identified potential Sites where landowners have expressed a willingness to negotiate a lease or purchase of the land to support a renewable energy project. These Sites were identified through a Land Request for Information (“RFI”). Proposers will be responsible for working directly with the land owner and must secure site control with such land owner as set forth in Section 4.3 prior to submitting a Proposal. Additional information about the sites identified in the Land RFI were provided to interested parties that signed Land RFI NDAs. Land RFI information remains available to other interested parties that sign the Land RFI NDA. The Land RFI is further described in Appendix G.

* 1. Project Description
     1. Proposers must agree to provide all information pertaining to the design, development and construction of the Interconnection Facilities as specified in Appendix B (Proposer’s Response Package), including, but not limited to, the following:
* Proposed interconnection point;
* Site Plan including any line extension;
* Single line and three line diagrams with a wet stamp by a registered Professional Engineer in Hawaiʻi;
* Details of major equipment, including performance specifications;
* Projected hourly annual energy production profile[[13]](#footnote-14) of Facility (8760 hours/year);
* Weather profile (solar resource information; wind resource information; etc.) used in arriving at Net Energy Potential information.

Proposers must also agree to provide open and complete access to their books and project financial information as described, including a Project financial pro forma with supporting documentation and proposed project finance structure in the form attached in Appendix B.

* + 1. Proposers must also provide the following information in their Proposer’s Response Package template:
* NEP RFP Projection – estimated annual Net Energy Production (MWh) of Facility for the term of the PPA, including relevant supporting information and assumptions used such as resource measurements, energy production studies, warranted levels of annual degradation, and related information. If a Proposal is selected to the Final Award Group and a PPA is executed by the Company and the Proposer, the NEP RFP Projection will be further evaluated at several steps throughout the process as set forth in the Model PPA and adjustments to the Lump Sum Payment will be required to be made accordingly. After the Facility has achieved commercial operations, baseline performance metrics will be established. The performance of the Facility will be assessed on a continuing basis.
* A Self-Build Proposal shall also provide revenue requirements for the term of the PPA.
  + 1. Proposer agrees that no material changes or additions to Facility from what is submitted with this Proposal shall be made without Proposer first having obtained prior written consent from Company.
  1. Confidentiality
     1. Each prospective Proposer must submit an executed NDA in the form attached hereto as Appendix F by the due date for Proposals specified in the RFP Schedule in Section 3.1. The form of the NDA is not negotiable. Information designated as confidential by the Company will be provided on a limited basis and only those prospective Proposers that have submitted an executed NDA will be considered.
     2. Proposers must clearly identify all confidential information in their Proposals. However, Proposers should take care to designate as confidential only those portions of their Proposals that genuinely warrant confidential treatment. The Company discourages the practice of marking each and every page of a Proposal as “Confidential.” The Company will make reasonable efforts to protect any such confidential information that is clearly marked as “Confidential.” The Company reserves the right to share any information, even if marked Confidential, to its agents or contractors for the purpose of evaluating the Proposal, as set forth in the NDA.
     3. The Company will request that the PUC issue a Protective Order to protect confidential information provided by Proposers to the Company. A copy of the Protective Order, once issued by the PUC, will be provided to Proposers. Proposers should be aware that the Company may be required to share certain confidential information contained in Proposals with the PUC, the Division of Consumer Advocacy, State of Hawaii Department of Commerce and Consumer Affairs, and the parties to any docket instituted by the PUC, provided that recipients of confidential information have first agreed in writing to abide by the terms of the Protective Order. Notwithstanding the foregoing, no Proposer shall be provided Proposals from any other Proposer or any other information contained therein or provided by or with respect to any other Proposer, except as expressly stated herein with respect to the Self-Build Option and the Best and Final Offer.
  2. Credit Requirements Under the PPA
     1. Proposers with whom the Company concludes contract negotiations of a PPA are required to post Development Period Security and Operating Period Security as set forth in the Model PPA, attached as Appendix C.
     2. The Development Period Security and Operating Period Security identified in the Model PPA are minimum requirements. Proposers may not propose an amount lower than set forth in the Model PPA.
     3. Proposer shall be required to provide a satisfactory irrevocable standby letter of credit in favor of the Company to secure Proposer’s payment of all Company-Owned Interconnection Facilities costs which are payable to Company as described in Appendix G of the Model PPA.
     4. Proposer may be required to fund a monetary escrow account in lieu of the required Source Code Escrow required under Attachment B of the Model PPA.

Chapter 4: Evaluation Process and Evaluation Criteria

* 1. Proposal Evaluation and Selection Process

The Company will be employing a multi-step evaluation process. Once the Proposals are received, the Proposals will be subject to a consistent and defined review, evaluation and selection process. This Chapter will provide a description of each step of the process along with the requirements of Proposers at each step. Figure 1 sets forth the flowchart for the proposal evaluation and selection process.

Upon receipt of the Proposals, the Company will ensure that the Proposals meet the Eligibility Requirements, and if so, review the Proposals to ensure that the Threshold Requirements have been met. Proposals that have successfully passed the initial eligibility and threshold criteria will then enter a two-phase process for Proposal evaluation, which encompasses the development of a Short List and then an evaluation of the selected Short List Proposals based on Best and Final Offers.



**Figure 1 – Evaluation Workflow**



* 1. Eligibility Requirements

Upon receipt of the Proposals, each Proposal will be reviewed to ensure that it meets the following Eligibility Requirements. Failure to meet any of these requirements could lead to disqualification of the Proposal from further review and evaluation.

* The Proposal must be received on time.
* The Proposal Fee must be received on time.
* The Proposal must not contain material omissions.
* The Proposal must be signed and certified by an officer or other authorized person of the Proposer.
* There must not have been, in the Company’s sole determination, illegal or undue attempts by or on behalf of the Proposer or others to influence the Proposal review process.
* The Proposal must not contain misrepresentations.
* Proposers have fully executed the agreements or other documents required pursuant to this RFP.
* Proposer provides a certificate of good standing from the State of Hawai‘i Department of Commerce and Consumer Affairs.
* Proposer provides Federal and State tax clearance certificates for Proposer.
* The Proposal is not contingent upon changes to existing county, state or federal laws or regulations.
* Proposed Project is located on the Island of O‘ahu.
  1. Threshold Requirements

Proposals that meet all the Eligibility Requirements will then be evaluated to determine compliance with the Threshold Requirements, which have been designed to screen out proposals that are insufficiently developed, lack demonstrated technology or will impose unacceptable financial accounting consequences for the Company. Proposers should provide explanations and supporting information as to how and why it believes the Project they are proposing meets each of the Threshold Requirements. The Threshold Requirements for this RFP are the following:

* **Site Control**

The Proposal must demonstrate that the Proposer has Site Control for all real property required for the successful implementation of a specific Proposal at a site not controlled by the Company, including any Interconnection Facilities for which the Proposer is responsible. The need for a firm commitment is necessary to ensure that Proposals are indeed realistic and can be relied upon as the Company moves through the remainder of the RFP process. To meet this Site Control requirement, Proposers must either provide:

* + documentation indicating that they own the Site on which the Project will be situated;
  + hold a leasehold interest in the Site for a term at least equal to the term of a 20 year PPA (taking into account the timelines set forth in this RFP from selection, negotiation and execution of a PPA, and PUC approval of a PPA); or
  + have an executed option agreement to purchase the Site or to lease the Site for a term at least equal to the term of a 20-year PPA. This option agreement does not need to be exclusive to the Proposer at the time the Proposal is submitted, but may be contingent upon selection of the Proposal to the Final Award Group.

Where government or publicly‑owned lands are part of the Site or are required for the successful implementation of the Proposal, the Proposer must provide a credible and viable plan, including evidence of any steps taken to date, to secure all necessary Site Control for the Proposal, including securing necessary and appropriate permits, approvals, rights-of-way, access and other appurtenances necessary for the project, including but not limited to evidence of sufficient progress toward approval of the government agency or other body with authority to grant such approval (as demonstrated by records of the agency). Proposals that do not demonstrate Site Control will be rejected.

If the Threshold Requirement for Site Control is met, Site Control will be further evaluated as a part of the Non-Price evaluation. See Section 4.4 below.

* **Performance Standards**

The proposed Facility is able to meet the Performance Standards identified in this RFP and the Model PPA. Additional Performance Standards may be required based on the results of the IRS.

* **Proven Technology**

The Company will only consider Proposals utilizing technologies that have been sufficiently proven in multiple commercial applications as the scale being proposed. Technologies proposed in this RFP are required to be of a “bankable” grade asset class.[[14]](#footnote-15) Proposals should include any supporting information for the Company to assess the commercial and financial maturity of the technology being proposed.

* **Experience of the Proposer**

The Proposer, its affiliated companies, partners, and / or contractors and consultants on the Proposer’s Project team shall have experience in the development and operation of at least one (1) electricity generation project similar in size, scope, and structure to the Project being proposed by Proposer. The Company will consider a Proposer to have reasonably met this Threshold Requirement if the Proposer can provide sufficient information to demonstrate that the member of the project team whose experience is being identified to meet this threshold criterion has a firm commitment to provide services to the Proposer.

* **Financial Compliance**

This Project must not cause the Company to be subject to consolidation and capital lease treatment as set forth in Financial Accounting Standards Board (“FASB”) Accounting Standards Codification Topic 810 (“Consolidation”) and 840 (“Leases”), respectively, as issued and amended from time to time by FASB. Proposers are required to state to the best of their knowledge, with supporting information to allow the Company to verify such conclusion, that the proposal will not: (1) trigger a capital lease accounting treatment under FASB ASC 840 or; (2) result in the Seller under the PPA being a Variable Interest Entity (“VIE”) that would trigger consolidation of the Sellers’s finances on to the Company’s financial statements under FASB ASC 810. The Company will perform a preliminary consolidation and capital lease assessment based on the Proposals received. If the Company believes that the Proposal may be subject to such treatment, it will inform the Proposer and either may request additional information or work with the Proposer to structure its agreement to avoid the capital lease and consolidation treatment. The Company reserves the right to allow a Proposal to proceed through the evaluation process through selection of the Short List and work with the Proposer on this issue. If the Company believes, in its discretion, that the Company and the Proposer cannot resolve consolidation and capital lease issues during the RFP process, the Company reserves the right to reject the Proposal as nonconforming to the Threshold Requirements. A final consolidation and capital lease assessment will be performed prior to execution of a PPA.

* **Credit / Collateral Requirements**

Proposers shall agree to post Development Period Security and Operating Period Security as set forth in Section 3.13 (Credit Requirements Under the PPA) of this RFP.

* **Available Circuit Capacity**

The output capacity of the Proposed project must not exceed the available capacity of the circuit to which it will interconnect. Circuit available capacity information should be confirmed with the Company during project-specific discussions regarding interconnection feasibility.

* **Financial Viability of Proposer**

Proposers shall provide evidence that the Proposer has the financial resources and financial strength to complete and operate the project as planned. Proposers must demonstrate they have completed a sufficient degree of planning and due diligence on how the proposed Project is to be financed by submitting a financing plan, as well as describing their experience in successfully financing electrical generation projects, as described in Appendix B.

* **Guaranteed Commercial Operations Date**

The project’s Guaranteed Commercial Operations Date shall be no later than December 31, 2022. This date will be a Guaranteed Milestone in Attachment K to the Model RDG PPA.

Proposers should provide a description of the Project and an explanation as to how and why the project meets the Threshold Requirements in its submission.

* 1. Initial Evaluation – Price and Non-Price Analysis

Proposals that meet the Threshold Requirements will then be subject to a price and non-price analysis. The results of the price and non-price analysis will be a relative ranking and scoring of all eligible proposals. Price-related criteria will account for SIXTY PERCENT (60%) of the total score and non-price-related criteria will account for FORTY PERCENT (40%) of the total score. This 60% price-related criteria / 40% non-price criteria weighting is consistent with previous RFPs.[[15]](#footnote-16) The criteria and methodology for applying the criteria are explained below and in Appendix L.

Appendix L (Selection Criteria) of this RFP provides the components of the price and non-price evaluation criteria that will be included in the initial evaluation, but is not necessarily an exhaustive list of all criteria that may be considered.

The Company will employ a closed bidding process for this solicitation in accordance with Part IV.H.3 of the Framework where neither the specific weights of the non-price evaluation criteria nor the price and non-price evaluation models to be used will be provided to Proposers. However, the Company will provide the Independent Observer with all necessary information to allow the Independent Observer to understand the evaluation models and to enable the Independent Observer to observe the entire analysis in order to ensure a fair process. The evaluation models will be finalized prior to receipt of Proposals.

* + 1. Initial Evaluation of the Price Related Criteria

As an initial filter before additional evaluation is performed, using the provided Lump Sum Payment ($/month), Energy Payment Price ($/MWh), and the NEP RFP Projection (MWh) information defined in Section 3.11.2 of the RFP, an equivalent energy price ($/MWh) will be calculated for each Proposal. Equivalent energy pricing for self-build proposals will be determined from the Total Project Capitalization Costs and the NEP RFP Projection.

In the initial evaluation of proposals for a variable generation resource-only compared with proposals for a variable generation resource coupled with energy storage, the Company will adjust the variable generation resource-only bid by adding the cost of an energy storage facility of the size described in Section 1.2.13 above. This will enable the Company to compare proposals on an equal basis. The Company will then rank Proposals from lowest equivalent energy price to highest equivalent energy price. Clear outliers will be eliminated from further consideration in Stage 1 of the overall RFP process. Further evaluation will then be performed by using production simulations to assess the effects both types of projects may have on grid operations. These effects will be evaluated in determining which type of project would produce greater benefits for customers.

One of the key pricing related considerations will be the extent to which customers’ bills will be impacted by integration of the proposed project onto the system. The proposed project that provides the greatest bill savings on a particular circuit will advance to the next step in the evaluation process. A proposed project with the lowest equivalent energy price may not necessarily result in the largest customer bill reduction as factors such as project size and energy output profile may influence the customer bill impact calculation. Production simulations will be performed to determine how the overall system will behave when the proposed project is integrated onto the system. The production simulation results and calculations of total resources costs over the long-term will be used to estimate impacts on customer bills. The proposed projects will then be ranked from highest to lowest customer bill reduction. A project’s impact on changing long-term total resource costs may be used as an indicator of customer bill impacts.

4.4.2 Initial Evaluation of the Non-Price Related Criteria

For the non-price analysis, each Proposal will be evaluated on each of the non-price criteria set forth in Appendix L. During the non-price criteria evaluation, a fatal flaws analysis will be conducted such that any Proposal that is deemed to not meet the minimum standard level for two or more of the non-price criteria will be disqualified. The minimum standard level for each non-price criteria is defined in Appendix L. The Company will then rank Proposals using the score received and weighting assigned for each evaluation criteria and award evaluation points in accordance with the relative rankings.

* 1. Selection of the Short List

At the conclusion of both the price and non-price analysis, a total score will be calculated for each Proposal using the 60% price-related criteria / 40% non-price criteria weighting outlined above. Proposals will then be grouped according to the circuit to which the proposed Project will interconnect. In order to minimize the complexities associated with studying the cumulative effects and interdependencies of multiple projects on a circuit, only the highest scoring Projects (one with storage and one without storage) per circuit will be eligible to advance to the Short List.

The Company will select a Short List from the highest-scoring Proposals submitted per circuit. While the total price and non-price rankings will serve as the basis of evaluation, the Company reserves the right to select a Short List that could include a diversity of resource characteristics, project types, and other options. The Company reserves the right to determine the number of projects selected to the Short List. Proposals that are not included on the Short List will be released when the Short List is established. All other Proposals must remain valid through the selection of the Final Award Group, and if included in the Final Award Group, through the signing of a PPA for the Project and approval of the PPA by the PUC.

* 1. Best and Final Offer
     1. The Company will solicit a Best and Final Offer from Proposers selected to the Short List. Proposers will have the opportunity to update (downward only) the following pricing elements of their Proposal:
* Lump Sum Payment ($/year) amount
* Energy Payment price ($/MWh) amount
  + 1. If a Proposer does not modify its Proposal, the original Proposal will be deemed its Best and Final Offer.
    2. Proposers will not be allowed to increase the pricing in their Proposals to address interconnection and/or system upgrade costs or for any other reason.
    3. If selected to the Short List, the Self-Build Option, will also have the same opportunity to provide a Best and Final Offer in accordance with the terms of this RFP. The Best and Final Offer for the Self‑Build Option will be due prior to the Best and Final Offers for all other Proposers, as specified on Table 1.
  1. Detailed Evaluation

The Best and Final Offers of the Short Listed Proposals will be further analyzed, as described in Appendix L, to determine the optimal portfolio of Proposals for the Company system’s needs as identified for the island of O‘ahu in the Company’s PSIP Update: December 2016, subject to any limitations provided in this RFP. Every Proposal on the Short List will not necessarily be included in the final optimized portfolio of Proposals.

* 1. Selection of the Final Award Group

Based on the results of the Detailed Evaluation and review with the Independent Observer, the Company will select a Final Award Group from which to begin contract negotiations. The Company intends to select two (2) Projects in this Stage 1 RFP. All Proposers will be notified at this stage of the evaluation process whether their Proposal is included in the Final Award Group. However, Proposal evaluation results and rankings will not be disclosed to the Proposers in the Final Award Group. Selection to the Final Award Group and/or entering into contract negotiations does not guarantee execution of a PPA. Any project not selected to the Final Award Group may resubmit their projects in Stage 2 of this RFP or in a subsequent RFP.

Chapter 5: Post Evaluation Process

* 1. Interconnection Requirements Study

The Company will complete Interconnection Requirements Studies for the Proposals selected to the Final Award Group to assess the costs of system upgrades necessary to integrate the Projects into the Company System. Submission of Facility models and documentation required to perform the IRS is required at Proposal due date. Proposers must be prepared to provide, any additional data necessary for the IRS within fifteen (15) days of request. Failure to provide all requested material within the time specified, or changes to the data provided after the deadline, is grounds for elimination from the Final Award Group. Proposer will pay for the cost of the IRS, which will take into consideration other Proposals selected to the Final Award Group. The IRS provides information including, but not limited to, an estimated cost for required Interconnection Facilities for a particular Project and mitigation measures. Proposer will be responsible for the actual final costs of all Seller-Owned Interconnection Facilities and Company-Owned Interconnection Facilities. No upward adjustments to pricing will be permitted as a result of the actual final costs. However, there may be downward adjustments to the pricing as a result of a lower estimated cost for required Interconnection Facilities previously provided for a particular Project. Proposer will have the opportunity to terminate the PPA in the event that the actual final costs are higher than the estimate provided by the Company. See Section 12.4 of the Model RDG PPA.

All Proposals selected to the Final Award Group will require a new IRS, including any Proposal at a Site where an IRS might have been previously performed in connection with other RFPs or proposed PPAs.

* 1. Contract Negotiation Process

Proposers selected for the Final Award Group will be required to indicate, in writing, to the Company’s primary contact for this RFP, whether they intend to proceed with their Proposals within five (5) business days of being notified by the Company of its intent to enter into contract negotiations. Proposers who elect to remain in the Final Award Group will be required to keep their Proposal valid through the award period. Contract negotiations will take place in parallel with the IRS process.

The Company’s goal is to complete contract negotiations within four (4) months of notification of intent to enter into contract negotiations. The IRS may not be completed at such time. If this is the case, the Company intends to execute and file the PPA with the PUC for approval and later amend the PPA to include the results of the IRS.

* 1. Community Outreach and Engagement

No later than in parallel with the PPA contract negotiation process, Proposers shall at minimum conduct a public meeting in the community where the proposed Project is located, provide adequate public notice of the meeting of two weeks or more, and inform the Company of the meeting . This public meeting shall include an opportunity for stakeholders and other interested parties to learn about the proposed Project, engage in dialogue about concerns, mitigation measures and potential community benefits, and inform the community of the process and/or intent for input and engagements. Following the public meeting, the public will be allowed 30 days to submit comments to the Company. If a PPA is executed by the Proposer and the Company, the Company’s application for PUC approval of that PPA will contain an attachment including those comments. Proposers must also comply with any other requirement set forth in the Model RDG PPA relating to Community Outreach.

Following submission of the PUC approval application, the Company will provide another opportunity for the public to comment on the proposed Project. The Company’s statement of position filed in the docket associated with the Project will contain an attachment including those comments.

* 1. PUC Approval of PPA

Any signed PPA resulting from this RFP is subject to PUC approval as described in the Model PPA, including Article 12 and Section 29.20 thereof.

1. The resource need for the island of Oʻahu identified in the Companies’ PSIP Update Report: December 2016 identified 180 MW of grid-scale PV and 30 MW of grid-scale wind in 2020, and an additional 40 MW of grid-scale PV in 2022. Hawaiian Electric completed a wind expression of interest ("Wind EOI") for O‘ahu and is currently in confidential non-binding discussions with respondents to this Wind EOI which may result in a request for waiver or waivers from the competitive bidding framework. As a result, the amount of generation set forth in the Companies PSIP through 2022 for O‘ahu has been reduced to remove the 30 MW of generation specified for wind. As the RFP only contains an annual energy target, these megawatts were converted to MWh for this RFP. For simplicity, Hawaiian Electric has described the energy target as up to 485,000 MWh per year. [↑](#footnote-ref-2)
2. RPS requirements in Hawai‘i are codified as Hawai‘i Revised Statutes (“HRS”) 269-91 through 269-95. [↑](#footnote-ref-3)
3. See Section 3.11 regarding results of the Land RFI. [↑](#footnote-ref-4)
4. For context each subtransmission circuit (46 kV on O‘ahu) has a certain amount of “hosting capacity.” This is the amount of power a conductor can safely carry within engineering limits. For the purposes of this RFP, the hosting capacity is expressed in megawatts (“MW”). The remaining hosting capacity on a given circuit is the difference between the total hosting capacity and the amount of peak power already carried on a circuit. [↑](#footnote-ref-5)
5. Proposers are advised that circuit loadings may change in the future. This will reduce the available circuit-level hosting capacity. [↑](#footnote-ref-6)
6. The informal expedited dispute resolution process does not apply to PUC review of contracts that result from the RFP. See Decision and Order No. 23121 at 34-35. Further, the informal expedited dispute resolution process does not apply to the Framework’s process relating to issuance of a draft and final RFP, and/or the PUC approval of the RFP as: (1) the Framework (and the RFP) set forth specific processes whereby interested parties may provide input through the submission of comments; and (2) the Framework’s dispute resolution process applies to “Bidders” and there are no “Bidders” at this stage in the RFP process. [↑](#footnote-ref-7)
7. Transmission Planning Criteria is further described in the Companies’ December 23, 2016 PSIP Update Report on beginning on page O-11 of Appendix O. [↑](#footnote-ref-8)
8. Subsequent dates are dependent on the procedural schedule set by the PUC. [↑](#footnote-ref-9)
9. The Framework for Competitive Bidding Company intends to request PUC approval of the Proposed Final RFP and Model PPA within 30 days of filing of the Proposed Final RFP. The Framework for Competitive Bidding, adopted by the Commission through Order No. 23121, filed on December 8, 2006 in Docket No. 03-0372, summarized in an Order issued on February 24, 2011 in Docket No. 2011-0038, and cited throughout Order No. 34856, provides for a thirty day period for Commission review and approval of the RFPs. The Companies propose expanding this review period as shown here in order to allow additional time, given that the review falls during the holidays. [↑](#footnote-ref-10)
10. RFx event is the terminology used in Sourcing Intelligence to describe the RFP event. [↑](#footnote-ref-11)
11. Proposer’s officer or agent must be authorized, in writing, via Proposer’s organizational documents (i.e., Articles of Incorporation, Articles of Organization, By-laws, etc.), resolution or similar documentation. [↑](#footnote-ref-12)
12. As directed by the PUC in the Kuia Solar (2015-0224) and South Maui Renewable Resources (2015-0225) dockets, the Company has been exploring alternative contract structures to implement that better address the growing issue of curtailment of excess energy as the Company progresses towards 100% renewable energy. Additionally, as generation resources continue to shift from primarily centralized, utility-owned facilities to more distributed facilities owned by independent power producers, greater operational flexibility is required to ensure the safe, reliable, and cost effective operation of the grid. Consistent with meeting the future needs of the grid, the expectation is that all generation resources, whether utility, IPP or customer owned, will contribute to maintaining system stability. As a result, the Company is looking to move away from the traditional, intermittent renewable energy model of payments for energy and is seeking to select Projects based on the Model PPA where payments are instead based on a Facility’s availability and performance for a measured level of available solar or wind resource. This eliminates the revenue uncertainty associated with curtailment for IPPs while also providing the Company’s system operators with the ability to dispatch resources as required to meet load as well as to address reliability needs through their use as ancillary services. The proposal evaluation methods and contract provisions for this approach are further described in Appendix L and Appendix C in this RFP respectively. [↑](#footnote-ref-13)
13. The projected hourly annual energy production profile shall be the projected output from the generating facility without curtailment and before any energy is directed to an energy storage facility, if one will be provided. [↑](#footnote-ref-14)
14. An asset is considered “bankable” (i.e. financial investors view the technology risk as very low) if it has known standards, known performance expectations and appropriate warranties. Vendor capabilities (including both technology vendors and specifying vendors), pricing, and other market forces drive market uptake (i.e. “demand pull”). [↑](#footnote-ref-15)
15. Including the evaluation weighting in the Company’s Docket No. 2013-0156 Waivers from the Framework for Competitive Bidding. [↑](#footnote-ref-16)