

**Hawaiian
Electric**



BIODIESEL SUPPLY CONTRACT

REQUEST FOR PROPOSALS

RFP NO. 052314-01

MAY 23, 2014



REQUEST FOR PROPOSALS

Hawaiian Electric Company, Inc. (“Hawaiian Electric”) hereby requests proposals for the supply and delivery of up to five (5) million gallons of biodiesel per year for a term of three (3) years to commence as early as November 2015 to be used as fuel for power generation at Hawaiian Electric’s generating unit located in Hawaiian Electric’s Barbers Point Tank Farm site in Campbell Estate Industrial Park, Kapolei, Oahu, Hawaii (“CIP CT-1”) and at the Honolulu International Airport Emergency Power Facility site in Honolulu, Oahu, Hawaii (“HIA EPF”). Hawaiian Electric requests that responsive proposals be submitted to Hawaiian Electric by July 31, 2014 consistent with the requirements set forth herein.

Hawaiian Electric, at its discretion, may choose to award a contract to more than one supplier resulting in multiple contract awards to meet the biodiesel supply requirements for CIP CT-1 and HIA EPF. Once awarded, Hawaiian Electric intends to submit the executed contract(s) for approval to the Hawaii State Public Utilities Commission (“Commission”). Hawaiian Electric desires to submit the proposed contract(s) to the Commission by November 2014. Any contract awarded and submitted to the Commission will not become effective until, and expressly will be contingent upon, receipt by Hawaiian Electric of an Approval Order as that term is defined in the attached form contract (“Contract Effective Date”).

PROPRIETARY RIGHTS IN RFP

This RFP has been prepared exclusively by and for Hawaiian Electric. All recipients of this document shall consider and treat the information contained within as proprietary in nature. Hawaiian Electric reserves all copyrights for this document and its constituent parts and prohibits any unauthorized use or reproduction hereof.

RFP DOCUMENTS

This RFP includes and incorporates the following attached documents:

Attachment A:	Site Locations – CIP CT-1 and HIA EPF
Attachment B:	Biodiesel Specifications
Attachment C:	Pricing Formula
Attachment D:	Sample Contract
Attachment E:	Questionnaire
Attachment F:	Developer’s Questionnaire
Attachment G:	Hawaiian Electric/NRDC Environmental Policy
Attachment H:	Roundtable on Sustainable Biofuels (RSB) Principles and Criteria

BIODIESEL SUPPLY SUMMARY

Hawaiian Electric is a regulated public utility engaged in the production, transmission, distribution and sale of electricity on the island of O’ahu, State of Hawai’i. Hawaiian Electric seeks sustainable supplies of biodiesel to use as renewable fuel to generate electricity at CIP CT-1 and HIA EPF.



RFP OBJECTIVE

The purpose of this RFP is to enable Hawaiian Electric to evaluate potential biodiesel suppliers and ultimately select and contract with a supplier(s) (“Selected Supplier”) to provide biodiesel for power generation at CIP CT-1 and HIA EPF. Hawaiian Electric’s selection of the Selected Supplier will be based on a number of factors, including, without limitation, price, value, timeliness of supply, technical considerations, terms and conditions of supply, source and type of biodiesel feedstock, feedstock sustainability, supplier experience and demonstrated ability to perform, delivery means and methods, and product quality.

The large majority of the annual biodiesel supply is to be delivered to the CIP CT-1. Bidders may propose to supply and deliver biodiesel to meet some or all of the annual supply volumes. It is intended for bidders to submit proposals that incorporate flexibility to enable delivery of the biodiesel to any nominated site on the Island of O’ahu.

Hawaiian Electric is currently significantly dependent upon imported sources of petroleum fuels for the generation of electricity. Hawaiian Electric has stated goals to reduce its dependence on imported petroleum fuels through both the addition of a diversified portfolio of local, renewable energy sources and through increased conservation state-wide. To meet these goals, Hawaiian Electric prefers to procure biofuels that are produced in the State of Hawai’i from feedstock that is grown in, made in, or otherwise originating within the State of Hawai’i (“Local Biofuel”). Bidders may propose a Local Biofuel supply with volume and/or timing of such local supply to be supplemented with feedstock and/or biofuel originating from outside the State of Hawai’i.

While Hawaiian Electric’s preference is to procure Local Biofuel, this RFP seeks to procure supplies of domestic biodiesel commercially ready to meet the timing and volume required as specified in this RFP to ensure continuous operation of CIP CT-1 and HIA EPF on biodiesel.

Bidders should propose to supply and deliver biodiesel to CIP CT-1 and HIA EPF via the truck/ISO method as instructed in Attachment D.

SPECIFICATIONS AND REQUIREMENTS

Timing: Hawaiian Electric desires the biodiesel to be available for delivery to CIP CT-1 and HIA EPF beginning as early as November 2015 contingent upon Commission approval and upon Hawaiian Electric's sole and absolute discretion. Supplier shall specify the maximum time needed to provide the biodiesel to CIP CT-1 and HIA EPF once given the order to proceed.

Biodiesel Specifications: The specifications for the biodiesel being solicited are set forth in Attachment B.

Biodiesel Volume: Up to five (5) million gallons annually to supply biodiesel at CIP CT-1 and HIA EPF.

Contract Term: Three (3) years to begin upon the Contract Effective Date, with a renewal option on a year-to-year basis with renewal notification to be made by Hawaiian Electric at least 180 days before the beginning of each extension of the contract.

Point(s) of Delivery:

CIP CT-1:

FOB CIP

HIA EPF:

FOB HIA EPF

Commercial Terms and Conditions:

Pricing: Bidders must propose a price per gallon in U.S. dollars with relevant components of any variable total price clearly delineated using the pricing formula set forth in Attachment C as an example. Failure to clearly explain the proposed pricing methodology may prevent Hawaiian Electric from quickly comparing price among bids and therefore may result in rejection of the proposal. Bidders may also propose one or more additional pricing methods provided that any pricing method shall produce a price per gallon delivered, shall be explained in detail and shall identify and define each and every pricing component. Hawaiian Electric will extend preference to pricing methods that are not directly tied to a petroleum fuel index.

Feedstock/Environmental Sustainability: Bids should propose to supply biodiesel that complies with the *Environmental Policy for Hawaiian Electric Companies' Procurement of Biofuel from Sustainably Produced Feedstock* (prepared by Hawaiian Electric and NRDC, dated August 2013) and the Roundtable on Sustainable Biofuels (RSB) Principles and Criteria, copies of which are attached hereto as Attachment G and H. All agricultural feedstock sourced under this policy must be certified, or show proof of working towards certification within a specific timeframe, by the RSB or similar certifications prior to the first shipment to Hawaiian Electric. Bidders' proposals should explain specifically how the Bidder will comply with these policies. Bidders may propose any sustainable source of feedstock (such as yellow grease, soy, canola, etc.), provided that the Bidder shall demonstrate feedstock cultivation practices that meet sustainable environmental standards endorsed by an independent governing body and provided that the potential supplier shall maintain a clear, documented and verifiable chain of custody for all feedstocks.

Blenders Credit: Proposals should include a price per gallon (1) for B100 biodiesel, and alternatively (2) for B99.9 biodiesel (0.1% petroleum diesel blend) to enable the



biodiesel to qualify for federal tax credits such as the Federal Alternative Fuel Blenders Credit (which may be reinstated in the future).

Contract(s): Hawaiian Electric and the Selected Supplier(s) will execute a biodiesel supply contract (“the Contract”). The Selected Supplier’s pricing will be incorporated into the Contract. Bidders may propose specific revisions to the terms of the Proposed Contract. However, the type, nature and extensiveness of exceptions taken to the terms of the Proposed Contract will be weighed in the selection process.

Commission Approval: The Contract will be submitted to the Commission for approval. Commission approval will be a condition to the full effectiveness of the Contract. If the Commission denies Hawaiian Electric’s request to approve the Contract or approves the Contract on conditions deemed by Hawaiian Electric to be unacceptable, as determined in Hawaiian Electric’s sole and absolute discretion, Hawaiian Electric will have the option to immediately terminate the Contract without liability.

Performance Bond or Letter Of Credit: Hawaiian Electric may require the Selected Supplier to provide security for its performance under the Contract via an acceptable performance bond, irrevocable standby or other letter of credit. The purpose of the bond or letter of credit would be to protect Hawaiian Electric from any financial loss in the event that the Selected Supplier cannot perform and Hawaiian Electric is required to obtain the biodiesel from another supplier at increased cost to Hawaiian Electric.

Confidentiality: Only pricing information in Proposals will be considered by Hawaiian Electric to be confidential. Hawaiian Electric shall not be required to treat any other information as confidential. This requirement is necessary so that Hawaiian Electric may file Proposals with the Commission with only pricing information protected from public disclosure. Accordingly, all pricing information should be submitted on separate pages in the Proposal marked confidential (if Bidder deems the pricing information confidential). Any other confidentiality designation by Bidder in its Proposal shall be void.

INSTRUCTIONS FOR SUBMISSION OF PROPOSALS

PROPOSAL REQUIREMENTS, TERMS AND CONDITIONS

1. Additional Definition of Terms and Abbreviations

Bidder: A supplier submitting a Proposal in response to this RFP.

Proposal Due Date: **July 31, 2014.**

Proposal: Bidder's proposal to supply biodiesel as requested in this RFP.

2. Proposals

- 2.1. Each Bidder shall submit a single Proposal only. A single Proposal may offer biodiesel supply for one (only) or both points of delivery, CIP CT-1 and HIA EPF. It is desired that the proposal include flexibility to deliver biodiesel to any site on the Island of O'ahu. Modification of a Proposal is addressed below.
- 2.2. The Proposal must be complete; mandatory information identified in section 3, below, must be provided in full.
- 2.3. The Proposal must be signed and dated by a corporate officer having authority to contractually obligate the Bidder by the terms of the Proposal.
- 2.4. The Proposal must be submitted electronically on or before the Proposal Due Date to the following email address.

biofuelRFP@heco.com

In addition, a hard copy must be delivered to and received by Hawaiian Electric no later than seven (7) days after the Proposal Due Date at the following address:

Hawaiian Electric Company, Inc.
P.O. Box 2750
Honolulu, Hawaii 96840-0001
Attention: Ken Sato, Mailstop CIP3-IG



- 2.5. The Proposal is due on or before **3:30 p.m., Hawaii Standard Time**, on the Proposal Due Date. Hawaiian Electric reserves the right to cancel or postpone the Proposal Due Date at any time before, on or after the Proposal Due Date.
- 2.6. Date and time of receipt of Proposals will be recorded by Hawaiian Electric. Hawaiian Electric's record of receipt will be deemed controlling in the event of any dispute whatsoever relating to the delivery of a Proposal.
- 2.7. Proposals that are delivered after the Proposal Due Date, or otherwise not in conformity with the requirements of this RFP, may be rejected at Hawaiian Electric's sole discretion and without notice.
- 2.8. Bidders have the sole responsibility for careful review of their Proposal to correct any errors prior to submission. Hawaiian Electric shall be entitled to rely on the correctness and accuracy of the Proposal contents.
- 2.9. Each Bidder is responsible for proposing all terms, conditions, agreements, services and everything else that will be required for its successful performance and delivery of the biodiesel supply requested herein, including products, terms and services that may not have been specifically identified or requested herein. If a Bidder's Proposal is accepted and that Bidder failed to propose any such product, term or service, that Bidder will be responsible for providing such product, term or service at no cost to Hawaiian Electric.
- 2.10. This RFP, the Bidder's Proposal and all other material representations made by such Bidder may be written or incorporated into the Contract between such Bidder and Hawaiian Electric. Thus, by submitting a Proposal, Bidders understand and acknowledge that Hawaiian Electric will rely on the Proposal and other representations made by Bidder in Hawaiian Electric's selection of the Selected Supplier and in entering into the Contract, and each Bidder warrants that the statements made in its Proposal and its representations to Hawaiian Electric in connection with this RFP are truthful and accurate.
- 2.11. The Proposal constitutes an irrevocable offer to Hawaiian Electric if not properly modified or withdrawn prior to the Proposal Due Date, which shall remain open and which cannot be withdrawn by the potential supplier for a period of **ninety (90)** days following the Proposal Due Date.
- 2.12. Based on its evaluation of the Proposals and answers to questions asked in Attachment E (Questionnaire) and Attachment F (Developer's Questionnaire) if applicable, Hawaiian Electric may require some or all Bidders to answer follow up questions and/or submit additional information. After the Proposal Due Date, Hawaiian Electric may ask for follow up information from and/or negotiate with one or more bidders, as Hawaiian Electric determines in its sole discretion.

3. Required Information

- 3.1. The Proposal shall contain an attachment with complete and accurate responses to the questions set forth in Attachment E (Questionnaire). If the Proposal offers all or a portion of the proposed supply from biodiesel produced in the State of Hawai'i from a project under development that is not currently

producing commercial volumes¹ of biofuel, please complete and submit Attachment F (Developer's Questionnaire) in addition to Attachment E hereto.

- 3.2. The Proposal shall affirmatively state that the contract terms contained in Attachment D are acceptable to the Bidder, or, the Bidder shall identify specifically in its Proposal which such terms and conditions are unacceptable and shall propose substitute language that is acceptable to the Bidder. Attachment D is to be submitted for a truck/ISO container delivery to CIP CT-1 and/or to HIA EPF. Terms and conditions with respect to which a Bidder does not identify exceptions shall be deemed acceptable to the Bidder.
- 3.3. The Proposal must identify the legal name of the Bidder and identify the specific business entity that will perform the Contract, if other than Bidder.
- 3.4. The Proposal must include full pricing information with respect to all options.
- 3.5. Hawaiian Electric may later require a Bidder to submit biodiesel samples to labs specified by Hawaiian Electric for testing at the Bidder's expense.

4. Preparation of Proposals

- 4.1. Each Bidder shall have sole responsibility for careful review of the entire RFP and for thoroughly investigating all matters pertinent to this RFP, its Proposal and its anticipated performance under the Contract. Any failure by a Bidder to do so shall be at its sole risk.
- 4.2. The Bidder shall not rely upon any oral statements made or any written information from Hawaiian Electric or its employees or agents, nor upon any other information provided by or originating from any of the foregoing, except as explicitly set forth in this RFP.
- 4.3. Each Bidder 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, site visits, third party consultant consultation, and investigation and informing itself with respect to matters pertaining to its Proposal and this RFP, and the same shall not be reimbursed by Hawaiian Electric to any Bidder, including the Selected Supplier.

5. Modification of Proposals

- 5.1. A Proposal may be modified at any time prior to the Proposal Due Date.
- 5.2. In order to modify its Proposal, the Bidder must submit a Revised Proposal, clearly identified as such, which expressly supersedes and replaces Bidder's earlier Proposal; the Revised Proposal must identify the date of the earlier Proposal which it is superseding and replacing.
- 5.3. Revised Proposals are subject to all requirements of this RFP, shall not incorporate or rely upon the Proposal that it is superseding and replacing and

¹ "Commercial volume" is defined for purposes of this Questionnaire as recorded annual sales of biodiesel greater than three (3) million gallons.



must be delivered to or received by Hawaiian Electric on or before the Proposal Due Date.

- 5.4. A Proposal may not be modified or revised after the Proposal Due Date.
- 5.5. Proposals that have been modified by a Revised Proposal or have been otherwise superseded or amended will not be considered by Hawaiian Electric and may be discarded by Hawaiian Electric.

6. Withdrawal of Proposals

- 6.1. A Bidder may withdraw its Proposal at any time prior to the Proposal Due Date.
- 6.2. A Proposal will be deemed withdrawn upon receipt by Hawaiian Electric of a Withdrawal of Proposal notice at the office identified in subsection 2.4, above, on or before the Proposal Due Date.
- 6.3. Proposals that have been withdrawn pursuant to this section will not be considered by Hawaiian Electric and may be discarded by Hawaiian Electric.
- 6.4. Proposals may not be withdrawn after the Proposal Due Date for any reason, including, but not limited to, mistake.

7. Correction of Errors in Proposals

- 7.1. A Bidder may correct errors in its Proposal prior to the Proposal Due Date by modification or withdrawal of a Proposal pursuant to the requirements for modifications or withdrawals stated above.
- 7.2. After the Proposal Due Date, only Hawaiian Electric is authorized to correct errors in the Proposals.
- 7.3. Minor errors in a Proposal detected by Hawaiian Electric after the Proposal Due Date may be deemed waived, or the Bidder may be allowed to correct such error if Hawaiian Electric determines it is in Hawaiian Electric's best interest for Bidder to do so.
- 7.4. Errors in Proposals detected by Hawaiian Electric after the Proposal Due Date, when the error is patent and the correct information is clearly evident, may be corrected by Hawaiian Electric. Examples of such errors may include typographical errors, errors in extending unit prices, arithmetical errors and transposition errors.

8. Opening of Proposals

- 8.1. Proposals will be opened on or after the Proposal Due Date as Hawaiian Electric, in its sole judgment and discretion, deems appropriate.
- 8.2. Proposals will be opened by Hawaiian Electric personnel only, in private, and the Bidders shall not be present.



9. Exceptions

- 9.1. Any and all exceptions by Bidder to the Specifications and Requirements of this RFP shall be clearly stated in Bidder's Proposal. Each exception shall be separately stated, shall identify the relevant specification or requirement, shall identify the reason(s) for taking the exception, and shall propose a clearly stated alternative. No other exceptions shall be allowed.
- 9.2. Hawaiian Electric shall have the right in its sole judgment and discretion to reject any Proposal or evaluate it unfavorably based on exceptions taken.

10. Evaluation of Proposals

- 10.1. Proposals will be considered in conjunction with information submitted by other Bidders as well as any additional information as Hawaiian Electric, in its sole discretion, deems appropriate.
- 10.2. The evaluation of Proposals will be based upon criteria that Hawaiian Electric, in its sole judgment and discretion, believes to be in the best interest of Hawaiian Electric and its customers. Bidders shall not be entitled to disclosure of Hawaiian Electric's evaluation criteria or information pertaining to Hawaiian Electric's actual evaluation and analysis of Proposals.
- 10.3. Hawaiian Electric shall have the right to reject any Proposal, which Hawaiian Electric, in its sole judgment and discretion, believes to be unsatisfactory, indefinite, equivocal or unresponsive. Hawaiian Electric also reserves the unconditional right at any time to withdraw, modify or amend this RFP, and to elect not to award the Contract at all.
- 10.4. Subsequent to the opening of Proposals, but prior to award of the Contract, Hawaiian Electric shall have the right to contact any Bidder to request additional information or to clarify a Bidder's Proposal. Hawaiian Electric may do so without notice or disclosure to any other Bidder of such inquiry or of the information derived from such inquiry.

11. Award

- 11.1. Hawaiian Electric shall have the right to award the Contract(s) to the Bidder(s) that, in Hawaiian Electric's sole and absolute judgment and discretion, has provided a Proposal that is in the best interests and affords the greatest value to Hawaiian Electric and its customers.
- 11.2. Hawaiian Electric shall have the right to award more than one Contract to meet the RFP requirements.
- 11.3. Hawaiian Electric shall have the right to award the Contract to other than the lowest bidder.
- 11.4. Hawaiian Electric shall have the right to determine not to award the Contract, or to re-bid, restate, revise or cancel this RFP.
- 11.5. Hawaiian Electric shall not be required to identify to any Bidder the basis upon

which it awarded the Contract to the Selected Supplier and/or rejected the Proposal of any Bidder.

- 11.6. The award of the Contract is anticipated to be made within sixty (60) to ninety (90) days following the Proposal Due Date. This is estimation and expectation, but not a commitment by Hawaiian Electric.

12. Notification of Award

- 12.1. The award, if any, will be announced in writing to the Selected Supplier(s). Hawaiian Electric will not provide notice to all other potential suppliers that their Proposals have not been accepted.

- 12.2. The award is conditioned upon the parties executing the Contract.

13. Protest or Appeal of Award

No Bidder shall have the right to protest or appeal the award of the Contract(s) made by Hawaiian Electric.

14. Final Approval

- 14.1. The award and the executed Contract shall be subject to the final approval of the Commission.

- 14.2. Costs incurred by the Selected Supplier following the award and execution of the Contract up to the date performance under the Contract commences shall be the sole responsibility of the Selected Supplier in all instances, regardless of whether the award and/or Contract has been approved or disapproved by the Commission. Costs incurred following commencement of performance under the Contract shall be governed by the terms and conditions of the Contract.

15. Questions Regarding the RFP

- 15.1. Any questions or communication regarding the RFP **must** be made in a written format via e-mail and submitted by Friday, July 18, 2014 to the following:

biofuelRFP@heco.com

- 15.2. Hawaiian Electric shall have the sole option of determining whether a response to a question is necessary or appropriate under the circumstances.

- 15.3. If Hawaiian Electric elects to respond to a question, it shall have the further option of determining whether it shall respond solely to the Bidder raising the question or to all Bidders, based upon its assessment of the materiality of the question. Responses to questions shared with all Bidders will be posted periodically at: <http://hawaiianelectric.com/biofuelsupply>. When question and answer postings and subsequent updates are made available on the website, Hawaiian Electric will notify Bidders via email.

16. Confidentiality of Proposals



16.1. Confidentiality of Proposal information is discussed in part in the Specifications and Requirements section above. Pricing information marked confidential shall be treated by Hawaiian Electric as confidential and shall not be disclosed to any person or entity other than Hawaiian Electric, employees, agents, professional consultants and representatives as may be necessary for purposes of this RFP, or as required by law. However, Hawaiian Electric intends to directly or indirectly disclose Proposal pricing information to the Commission, Division of Consumer Advocacy of the Department of Commerce and Consumer Affairs, and/or any other governmental regulatory agency and their respective staff and consultants, provided that Hawaiian Electric shall take reasonable steps to obtain approval to submit the same under seal or under other procedures designed to preserve the confidentiality of the pricing information.

16.2. No Bidder shall be entitled to Proposals from any other Bidder or any other information contained therein or provided by or with respect to any other Bidder, nor shall any Bidder or other person or entity be entitled to any information from Hawaiian Electric pertaining to the Contract, this RFP or the evaluation of Proposals.

17. Rights Reserved

Hawaiian Electric may, at any time, at its sole discretion: postpone, withdraw and/or cancel this RFP; alter, extend or cancel any due date; and/or, alter, amend, withdraw and/or cancel any requirement, term or condition of this RFP, any and all of which shall be without any liability to Hawaiian Electric.

18. Integration

This RFP, including all documents attached hereto or referenced herein, constitutes the final agreement between Hawaiian Electric and Bidders with respect to the terms and conditions of this RFP, expressly superseding and replacing all prior and contemporaneous communications, understandings and agreements whatsoever; there are no terms, conditions or agreements relating hereto that are not found herein.

19. Acceptance of RFP Terms and Conditions by Bidder

All Bidders, by retaining this RFP, copies of it, and/or submitting a Proposal or other questions in response to this RFP, shall be deemed to accept all terms and conditions in the RFP, except for exceptions to any Specifications and Requirements stated in the Proposal. If a Bidder does not accept these terms and conditions, all originals and copies of the RFP and any portion thereof should be returned to Hawaiian Electric immediately (address provided in Section 2.4) accompanied by a statement that the Bidder has chosen not to respond to the RFP.