January 19, 2022

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

Dear Commissioners:

Subject: Docket No. 2017-0352 – To Institute a Proceeding Relating to a Competitive Bidding Process to Acquire Dispatchable and Renewable Generation
Company's Comments for Stage 3 RFP for Hawai‘i Island

The proposed schedule in Hawaiian Electric's[1] draft Request for Proposals for Hawai‘i Island ("Stage 3 Hawai‘i RFP") filed on October 15, 2021 invited stakeholders to file comments on the RFP by November 19, 2021. The Company submits this letter to further stakeholder engagement and address comments received from AES Clean Energy, Longroad Development Company, LLC, Innergex Renewables USA, LLC, Clearway Energy Group, Pacific Resource Partnership, and Hawai‘i Island Group. In addition to the written comments received to date, Hawaiian Electric appreciates the thoughtful engagement and discussion that arose at the October 28, 2021 virtual community meeting and written comments received to date in this docket.

The Company truly believes that collaboration of all stakeholders will be necessary to achieve the Company's procurement objectives and to successfully achieve the State's 100% renewable energy goal. The Company, Commission, Consumer Advocate, developers, permitting agencies, land owners and communities all play an important role. The Company has attempted to develop a competitive bidding process that addresses the needs and concerns of each of these stakeholders to the extent possible, while still maintaining a fair and competitive process. To that end, the Company approached the feedback from the community meeting and written comments received as an opportunity to improve the procurement process and to facilitate successful achievement of the Company's 100% renewable energy goal.

The Company has organized its comments below by topic and major themes: (1) Scope; (2) Storage Duration; (3) Pro Forma Financial Template; (4) Non-Negotiable Sections; (5) NEP Adjustment; (6) Guaranteed Commercial Operation Dates; (7) More Information; (8) Interconnection Costs; (9) Community Outreach; (10) Cultural Impacts; (11) Greenhouse Gases Analysis Costs; (12) Model Checks; (13) Price Adjustment Option; (14) Affiliates Submission; (15) Evaluation; (16) Technical Conference; (17) Local Hire; and (18) Ethical Sourcing. The Company believes that providing comments on these topics will expedite the overall procurement

[1] "Hawaiian Electric" or the "Company" collectively refers to Hawaiian Electric Company, Inc., Hawai‘i Electric Light Company, Inc., and Maui Electric Company, Limited.

process, as it will allow the Company to continue its open dialogue with the Commission, Consumer Advocate, Independent Observer, and stakeholders to improve the competitive bidding process.

The Company has reviewed the filed comments with the Independent Observer. In the spirit of collaboration, the Company has proposed changes to address concerns related to expanding the RFP scope, lengthening the storage duration, scoring a project's proposed guaranteed commercial operations date ("GCOD"), and hosting a technical conference. The Company also notes that proactive modifications have already been incorporated from the Stage 1 and Stage 2 RFPs to address comments related to making more information available, concerns with interconnection costs and interconnection delays, and comments regarding model checks. The Company invites stakeholders to complete a deeper review of such changes and provide more detailed comments if they believe such changes that were already incorporated into the draft RFP prior to filing do not address their concerns. Further, where applicable, the Company has provided explanations as to why changes suggested by stakeholders could or should not be made, and where appropriate, has offered alternative solutions.

Scope

Aligned with comments received from all of the developer stakeholders to expand the scope of the RFP, especially in light of the withdrawal of the Stage 2 project from the Waikoloa area of Hawaiʻi island, the Company, as indicated in its November 22, 2021 letter filed in this docket, will broaden the geography of where projects can interconnect to in this RFP. In addition, as stated in the RFP, the Company will consider energy and other services in excess of the targeted amounts if attractive Proposals are received that will provide demonstrated benefits to customers.

Expanded Geographic Areas

In addition to the eastern portion[2] of the Hawaiʻi Electric Light system initially defined in the RFP draft, the Company will include areas in West Hawaiʻi. The Company will also make available interconnection to transmission lines on the west side and cross-island transmission lines in the Saddle Road, Hamakua Coast, and Waimea areas.[3] A more precise set of boundaries on the

[2] The draft RFP defined the area as having "Point(s) of Interconnection interconnect to the 69 kV lines or substations within the area extending south of the Pepeʻekeo Switching Station, north of the Puna Power Plant Switching Station, and east of the Kaumana Switching Station." Within these areas, "Projects can interconnect via a new substation to a 69 kV transmission-level line. The Company will also offer available space within two existing Company substations for interconnection consideration – the Puueo substation and the Kanoelehua substation. Proposers must inquire about the transmission line available MW capacity or substation conditions."

[3] The draft RFP states, "The following transmission lines will not be included: the 7200 transmission line (connecting Waimea and Keamuku) and the 8100 transmission line (connecting Anaehoomalu and Keamuku). The Company will be seeking locational diversity in the Stage 3 Hawaii portfolio to support resiliency. Total interconnection to the west areas will be limited to 60 MW of capacity."

west side areas will be laid out in the next iteration of the Company's draft RFP.

More Substations

Also aligned with a comment received to make more substations available, the Company will offer three additional substations on the west side of the island for potential interconnection: Ouli, Poopomino,[4] and Keamuku.[5]

East Hawaiʻi vs. West Hawaiʻi

Two comments received suggested evaluating proposals for projects on the east side of the island differently from proposals on the west side because of price and characteristic differences between the two sides of the island. The Company appreciates the suggestion and is currently evaluating a maximum target capacity for the west side of the island with the goal of encouraging selection of RFP projects in other locations to increase resource and geographic diversity. Further details regarding a proposed approach to address these comments will be provided in the next iteration of the Company's draft RFP.

Restrict Certain Renewable Energy Sources

One comment cautioned on the types of renewable energy sources the RFP should select. The Company recognizes that all types of renewable energy sources have their pros and cons across many factors such as reliability, dependability, capacity, grid benefits, community acceptance, and life cycle considerations. Resource diversity offers many advantages. The Commission has indicated that this RFP should be an "all-source" procurement. Thus, the Company does not intend to eliminate any specific type of renewable energy source. The types of issues that are identified in the comment received are in the purview of the Federal, State, and local agencies that issue permits for a particular project. For instance, the State of Hawaiʻi Department of Health has an extensive permitting process that includes the following branches that implement and maintain statewide programs for controlling air and water pollution, assuring safe drinking water and the proper management of solid and hazardous waste to protect public health and the environment: the Clean Air Branch; the Clean Water Branch; the Safe Drinking Water Branch; the Solid and Hazardous Waste Branch. In turn, as part of the RFP process, the Company requires that Proposers provide a roadmap of required permits. The RFP's model contracts require developers to follow all laws and obtain all permits as required. As written in the draft RFP, the scoring of proposals for the Environmental Compliance and Permitting Plan non-price evaluation criteria is based on the completeness and thoroughness of responses to specific criteria that is set forth in the

[4] Should a Proposer select to interconnect to the Poopoomino substation, the Proposer must work with a private landowner to secure land rights for the substation expansion.
[5] Should a Proposer select to interconnect to the Keamuku substation, the Proposer should expect to construct a new switching station adjacent to the existing Keamuku substation.

Proposer's Response Package, including the information provided with regards to required permits and the applicable developer's plans to receive such permits (see Sections 2.6.1, 2.6.2 and 2.6.3 of the draft RFP's Appendix B).

Storage Duration

Comments from a developer requested clarification on the duration requirement for Paired Projects. The Company will clarify the requirement to specify that the storage component for a Paired Project must be sized to support the Facility's Net Nameplate Capacity (in MW) for two (2) continuous hours for a Wind+BESS Project or four (4) continuous hours for a PV+BESS Project. These durations were set consistent with the peak solar day for energy arbitrage use and as modeled in the RFP evaluation. If any interested stakeholder believes that longer durations provide value, the Company is interested in what that purpose would be. The Company will also add a field into the Appendix B Proposer's Response Package to have Proposals specify the number of charge/discharge cycles above 365 per year to capture its capabilities.

Pro Forma Financial

All four developers who submitted comments recommend not including a requirement to provide pro forma financial information in the RFP proposal submission. They cite the concern that the Company is a potential competitor of independent power producers ("IPP") in the RFP and the information is highly competitive and proprietary. The Company disagrees with the concerns raised. First, the reviews, discussions, and vetting conducted in both the Stage 1 and Stage 2 RFP proceedings have resulted in a structure and set of procedures that separate the RFP and self-build teams of the Company. Second, IPP proposals submitted in response to the RFP already contain proprietary competitive information that the RFP team ensures remains segregated and not accessible to the Hawaiian Electric self-build team and other IPPs. Hawaiian Electric's RFP team will treat the pro forma information with the same level of confidentiality and maintain the information on a segregated basis.

Third, experiences with the Stage 1 and 2 project proceedings have demonstrated to the Company that developers were willing to share pro formas with the Company when requesting contract pricing adjustments. The RFP's proposed pro forma requirement simply requires similar information with the initial proposal.

Fourth, without further granularity on the cost estimate makeup of developer's proposals, the Company has no visibility to understand the reasonableness of a proposal's interconnection cost estimates and scope, and cannot verify whether the developer adequately understands and has accounted for what is required to interconnect to the Company's system. Further, without such information, it is impossible to determine whether requests from developers for pricing adjustments or to make other material project changes after selection, as seen in Stage 1 and 2, are reasonable and justified. The Company has expended significant effort with each RFP submission to improve the information offered to proposers to develop their proposal cost estimates and pricing, including significantly expanding and detailing more information provided in the RFP's Appendix H Interconnection Facilities Cost and Schedule Information and follow-on studies in preparation of sharing more system capacity information once the RFP is launched. However, without details that the pro forma can offer, there is little understanding whether the information offered has been utilized. Additionally, in situations where developers assert that their projects are not financeable, the Company lacks the visibility of how costs were estimated at the time of proposal submission to substantiate the developers' claims.

Although for the Stage 1 and 2 RFPs, the Commission was not receptive to the inclusion of a pro forma requirement, the Company believes that situations encountered while bringing the Stage 1 and 2 projects to commercial operations shed supportive light on the need for including a pro forma requirement in the Stage 3 Hawai‘i RFP. The Company believes that this requirement is necessary and will ultimately improve the procurement process.

Non-Negotiable PPA

As a way to accelerate the procurement process, the Company offered in Exhibit 1 of its October 15, 2021 Transmittal Letter, a proposal to make the RDG PPAs non-negotiable. All four developers recommend not including such requirement in the RFP. As a compromise to the comments received, if the Commission is agreeable to the Company's proposal to complete the IRS prior to execution of a Stage 3 Contract[6] and filing of the Stage 3 Contract for approval, the Company believes that this new process should provide sufficient time to negotiate the Stage 3 Contracts and not require the entire Stage 3 Contract to be non-negotiable. The Company's revised IRS process would result in contracts not being executed and filed until approximately 12 months after selection. However, the Company would still maintain the three non-negotiable sections that were specified in the Stage 2 RFPs. Those sections are the Performance Standards sections of all Stage 3 Contracts, the 50% allocated portion of the Lump Sum Payment specified for energy storage for the Facility for determining liquidated damages in the RDG PPA, and the Development Period Security and Operating Period Security specified amounts in the RDG PPA, Firm PPA and ESPA. The GSPA draft filed as Exhibit 9 in the Company's October 15th RFP filing should have included the same restrictions as in the GSPA3 on O‘ahu, and the GSPA will include those same non-negotiable sections in the next iteration of the Company's draft RFP. These sections are vital to ensuring that selected projects meet the requirements of the RFP and that customers will receive the full benefit of the proposed project.

[6] "Stage 3 Contract" generally refers to the applicable purchase agreement for a given technology (i.e., PV+BESS RDG PPA, Wind+BESS RDG PPA, Firm PPA, ESPA or GSPA). Collectively, these purchase agreements are referred to as the "Stage 3 Contracts."

NEP Adjustment

Two developers recommend allowing the NEP to increase above the value identified at proposal submission. The developers did not specifically state so in their comments, but presumably the developers would want the unit price to be applied to the increased NEP so that the lump sum payment bid by the proposers would also increase. Though the Company appreciates an offering to increase the NEP, the Company believes that this change would run counter to a fundamental principle of competitive bidding. The NEP RFP Projection is critical in the evaluation process of proposals. The Company understands that the uncertainty of what a developer contractually guarantees for its output decreases with time within the development process. However, allowing for changes to the NEP after the evaluation process comes with significant negative consequences. The NEP plays a prominent role in the evaluation and comparison between proposals. In an all-source RFP like the Stage 3 Hawaiʻi RFP, evaluation between proposals of varying technologies create even greater challenges to try to maintain an apples-to-apples comparison, and allowing changes to the NEP RFP Projection would undermine those comparisons. Allowing upward adjustments to the NEP may provide a windfall for developers who find later they can guarantee more output with the same equipment, and assumed proportional increases in payments, without any increase in costs to the developer. This would leave the Company and its customers vulnerable to impacts on the RFP's procurement targets. The RDG PPA provides developers with lump sum payments regardless of the amount of energy received. Allowing increases to the NEP after the proposal risks over-procuring energy that the system may not need or be able to take. The NEP RFP Projection for the projects selected forecasts the energy the Company can rely on to achieve its procurement target. If developers are permitted to increase their NEP later after evaluation, the Company may be paying more for energy it cannot use. Further, if such post-selection changes are allowed, it would be impossible to determine if a different project would have been a better proposal and would have provided greater customer benefits. While the Company does not agree with allowing adjustments to the NEP at the developers' option for the foregoing reasons and the significant potential to game the system, the Company does recognize there may be times when after selection the Company may have a need for additional generation. Therefore, the Company proposes as a compromise that increases to the NEP could be made after selection, solely at the Company's discretion and subject to Commission approval.

Another developer recommended including the effects of the storage component of a project into the NEP calculation. The Company also does not agree with this change, as it risks inflating the NEP with both export energy and storage charging when only the generation component of the project generates energy and should be counted in the NEP. The Company recognizes that more explanation in the RFP might help better explain this and can expand on this in the next iteration of the Company's draft RFP.

Guaranteed Commercial Operations Dates

There were comments received by all developers pertaining to the GCOD. Unlike previous RFPs that required aggressive commercial operation need dates, the Stage 3 Hawai‘i RFP offers a longer timeframe to achieve commercial operation. The Company has also found that incentivizing early GCODs has led to GCODs being proposed that are too aggressive and do not allow for any flexibility to adjust for even small unanticipated events and issues arising during the development of a project. After further consideration, the Company agrees and will remove the non-price scoring criteria for GCOD in the next iteration of the Company’s draft RFP.

A comment was received which requested more granularity on when resources were needed on the system. The Grid Needs Assessment offered as Appendix I of the RFP was intended to outline the grid needs of the system and timing of those needs. The Company will take this comment into consideration and provide more explanation in the next iteration of the Company’s draft RFP to provide further clarity.

Two developers recommend extensions to the GCOD if the IRS extends beyond the timeframe they predict for the completion of the IRS. The Company does not support this recommendation. While the Company recognizes that improvements to the interconnection process are beneficial, the Company believes it has already accounted for interconnection timing concerns through process improvements included in this Stage 3 Hawai‘i RFP. If the delay in completion of the IRS is due to the fault of the developer (e.g., if the developer does not timely provide working models), the developer should not be given a free pass to automatically extend the GCOD. Experience from the Stage 1 and 2 RFPs have shown that the duration of the IRS is greatly affected by the quality of the developer’s models submitted. To address this, as part of improvements planned for this Stage 3 Hawai‘i RFP, the Company has added both a threshold requirement and a non-price criterion specifically to address the completeness and quality of the model components of the developer’s proposal. The Company also added a new step during the Detailed Evaluation to commence with a Generation Facility Technical Model Review Process and perform one cycle of model reviews to further address this issue. Further, the Company has provided for additional time to rectify model problems. Assuming these added steps are maintained in this RFP process, the Company is willing to offer a 12-month completion target for the IRS. Experience has shown that getting models to work has been the cause for the longest delays in the IRS process, and since developers have control over providing models that work, they have control over the IRS process duration. Developers bidding into the RFP process should assume, at a minimum, this 12-month process for the completion of the IRS and execution and filing of the PPA for approval.

More Information

Several comments from developers pertain to requesting more information. One comment requests more interconnection information regarding available MW capacity and thermal line ratings. In preparation for the launch of the Stage 3 Hawai‘i RFP, the Company is conducting follow-on studies to determine available MW capacity at various system locations that will be offered for interconnection. These studies cannot account for the interactions among proposed projects in close proximity with each other because it is not known which projects will be selected for the final award group. However, the available MW capacity under the assumption that there is only one project interconnecting to the line will be made available upon request once the RFP is ready for launch. The interactions among proposed projects in close proximity with each other will be analyzed when the Company performs load flow analyses during the final checkout in the Detailed Evaluation. To mitigate issues encountered in the Stage 2 RFP, developers will be required to reach out to the Company regarding the available MW capacity for their proposed point of interconnection, and the information based on the results of these studies will be available at the start of the RFP.

Another comment requested the Company provide a baseline IRS schedule with the RFP. The RFP’s Appendix H, Interconnection Facilities Cost and Schedule Information, includes Section 4.3, Typical Company Durations for Interconnection Projects for Transmission Projects. That section outlines various milestones and process durations, which address this comment. Further as noted above, the Company estimates that – assuming developers provide working models as part of the RFP and finalize those models for study within 30 days of selection – the entire IRS process should take approximately 12 months.

Interconnection Costs

There were several suggestions from three developers recommending different approaches for treatment of interconnection costs. At the onset and as detailed above, the Company intends to provide unit cost information in the RFP’s Appendix H, Interconnection Facilities Cost and Schedule Information, that will be included in the next iteration of the Company’s draft RFP. Improvements from Stage 2 are already incorporated into the process, including providing an option to developers for early engineering, providing developers additional documentation, reducing the Company’s design review turnaround times, completing a preliminary Facility Study prior to the completion of the System Impact Study, and performing system studies to determine the available MW capacity in transmission lines and available substations to have information available with the issuance of the RFP. Further, developers can also use the email communication portal to ask questions once the RFP is launched to improve their scope of work. The Company believes that these improvements will be sufficient. The Company provides the following further comments regarding the specific proposals suggested.

One suggestion proposed a shared interconnection cost savings mechanism. The Company believes that such discussions are already ongoing as part of the PBR docket and would be better addressed as part of such docket. Developers are responsible for building a large majority of the Company-Owned Interconnection Facilities (“COIF”) and do not provide the Company specific information regarding their costs. Any such mechanism would require significantly more transparency from developers of the pricing and cost breakdown within the proposal to ensure proposals are not gaming the mechanism by artificially allocating interconnection costs into other categories of costs. This would further the need to by require a pro forma. Another suggestion recommends proposals specify a COIF estimate and include an incremental price adjustment ($/MWh) for each additional $100,000 of COIF cost. This appears to be similar to what was proposed in the Company's Stage 1 RFP, which provided a downward adjustment for every $100,000 the COIF costs came in lower than expected, but is difficult to enforce without being provided detailed estimates of such costs by developers in their bids so that such estimates can be compared against actual costs. Like the suggestion above, any such proposal would require more transparency of the pricing and cost breakdown within the proposal to ensure proposals are not gaming the mechanism by artificially allocating interconnection costs into other categories of costs. This approach also would encourage developers to not seek lower prices from contractors and vendors since they are responsible for the majority of the procurement and construction of the COIF and could rely instead on such price adjustment mechanisms to recover higher costs, which would not be in the interest of customers.

Another comment referred to the difficulty of estimating the COIF and Seller-Owned Interconnection Facilities, and suggested the evaluation of reasonableness of such costs not be used for evaluation. It also suggests removing the COIF from proposals and creating a price adder mechanism instead. The Company has sought improvements to the information offered to Proposers with each succeeding RFP. The Stage 3 Hawai‘i RFP incorporates further improvements to the interconnection facilities costs offered in Appendix H with updated cost information prepared in time for the next iteration of the Company's draft RFP. Developers are highly encouraged to review Appendix H in more detail.

A final comment requested information on costs for remote substation work. The Company will be addressing this in the draft Stage 3 Hawai‘i RFP by providing more detail regarding what is required for remote substation work as part of the interconnection process, including unitized costs for such requirements. This can be found in Appendix H. Once the RFP is launched, Proposers may email the Company to request anticipated remote substation requirements based on the Proposer's indicated interconnection point. The Company will endeavor to respond to those questions if the information is available to the Company. The Company will also review the language in the RFP to make this clearer in the next iteration of the Company's draft RFP.

The Company is also exploring how an Independent Engineer ("IE") could add value to this process. The Company believes that, combined with the improvements noted above, the use of an IE could eliminate the need for complicated cost sharing mechanisms. The general concept centers around the PUC approving the use of an IE to perform roles similar in nature to the Independent Observer as an interconnection facilitator focused on the technical merits of the interconnection design and process of proposed projects. The IE must have experience with island system grids and would provide an independent technical perspective to the interconnection review. The IE could review the Company requirements and standards for interconnection, review the interconnection documents proposed by the developer, be included in all interconnection discussions, and be a part of discussions with the Company and developers over interconnection requirements, scope, and cost. The IE could be engaged by either the Commission or by the Company, as ultimately decided by the Commission. The Company recommends that if the Commission determines that having an IE would be beneficial, that the IE report to the Independent Observer to ensure there is one overall oversight authority. The Company encourages stakeholders to provide further comments on how they envision this to operate with the goal of improving the RFP interconnection process, while also ensuring it does not add any further delay to current timelines.

Model Checks

Comments were received from developers recommending removing the model check threshold and non-price requirements from the RFP. The Company maintains support for this new approach to address the longest cause of delay in the IRS process. As discussed in the GCOD section above, experience from the Stage 1 and 2 RFPs have shown that the duration of the IRS is greatly affected by the quality of the developer’s models submitted.

As had been experienced in the Stage 1 and Stage 2 RFPs, deficiencies in developer models have been identified as one of the bottlenecks in starting the system impact study on time, including delaying other projects (as portions of the study are completed as a group). The Company proposes putting more rigor upfront to have developers place more attention into the facility design and model development upfront. The intent is to have all developers be close to the same level in terms of model readiness, so that the Company may start the system impact study on time.

The draft Stage 3 Hawai‘i RFP adds a threshold requirement to check whether Proposers have provided the required models and provided documentation that show Proposers have successfully self-tested their models under various scenarios. A non-price criterion grades the completeness and quality of the Proposer’s model documentation. The Company also added a new step during the Detailed Evaluation to perform one cycle of model reviews to further address any issues and provides added time for Proposers to rectify model problems before the start of the system impact study after final award. Assuming these added steps are maintained in this RFP process, the Company is willing to offer a 12-month completion target for the IRS.

Results from the Stage 2 IRS have shown that four original equipment manufacturers (“OEMs”) (who represent the majority of all projects from Stage 2 and are some of the most well-known OEMs in the industry) were able to successfully provide models that meet the Company’s requirements. Thus, it is possible for the Proposer to find an OEM and model consultant who are able to provide the required models and self-testing documentation in the timeframe the Company proposes. Updates to code and capabilities are a natural part of the industry. The current inverter models should be submitted at time of proposal submission. If updates are made, there is an opportunity to update the model after the final award group and prior to the start of the system impact study.

Community Outreach

One developer proposed giving developers thirty calendar days after notification of selection to the final award group to provide an updated comprehensive Community Outreach Plan. The draft RFP specifies five business days. The Company does not support this change to the requirement. Proposers should not wait until selection to the final award group to draft and refine their Community Outreach Plan. Time should be spent engaging with impacted communities early and frequently to collect input and incorporate the input into their Community Outreach Plan.

The Hawai‘i Island Group recommends requirements for upfront community engagement by incorporating a formal notice to the local community associations on the development plans be given, with evidence provided in their proposal. The Company already supports this recommendation with its double weighted non-price criterion that calls for the Community Outreach Plan to include community scoping, the project description, and a communication plan that includes a detailed community outreach schedule that lists the names of the community leaders, groups and organizations that will be contacted and briefed about the project. As mentioned above, the Company maintains support that an updated comprehensive Community Outreach Plan is submitted within five business days of notification of selection to the final award group – with evidence of the documented letter or presentation to community associations in the updated Community Outreach Plan.

Cultural Impacts

One developer recommends the removal of the Field Inspection Report stating it is too burdensome and unnecessary to complete. The Company does not support removal of the requirement. This requirement must be applied consistently for all proposed projects to identify culturally sensitive sites upfront for protection and preservation on the record. The analysis to account for documented and undocumented culturally sensitive sites in the area is critical to developing the project schedule and the Community Outreach Plan. However, as a compromise, the Company is willing to allow the Archaeological Literature Review and Field Inspection Report to be submitted before priority list selection, as opposed to with the proposal, to allow more time to complete the studies.

The Hawai‘i Island Group recommends mandating a meaningful process that engages and collaborates with the surrounding community on cultural and natural resource protection. The Company supports this. This could be done by requiring that the Archaeological Literature Review and Field Inspection Report be shared with the public and community as part of the Proposer's Community Outreach Plan, including the development of a plan for mitigation.

Greenhouse Gases Analysis Costs

One developer suggested the Company should seek a more cost-effective means of calculating the Greenhouse Gas ("GHG") analysis required. The process for analyzing GHG emissions for the Commission has been evolving since the requirement for GHG analyses was first implemented in 2019. Hawaiian Electric's consultant, Ramboll US Consulting, Inc. ("Ramboll"), continues to leverage the increasing inventory of past GHG analyses to further streamline the GHG analyses process and for consistency and uniformity in lifecycle methodology and report format. The Company is complying with the requirements set forth by the Commission with regards to completing this analysis. Therefore, the Company believes it is up to the Commission whether changes should be made to the depth and breadth of the analysis and is not a decision that can unilaterally be made by the Company.

Hawaiian Electric has on occasion allowed a developer to use its own consultant. However, since Hawaiian Electric is the applicant before the Commission and ultimately responsible for the GHG analysis that is filed with the Commission, Hawaiian Electric prefers to use its consultant, Ramboll, to maintain consistency among the filed reports in part to streamline the review process for the Commission and the Consumer Advocate. Even if the developer were to use its own consultant, the Company and Ramboll, at additional costs to the developer, would still need to be involved in the GHG analysis process to ensure the GHG analysis is performed using methodology that is reasonable and within the usual custom and practice of the GHG accounting industry.

Hawaiian Electric remains open to collaborating with the Commission and the Consumer Advocate to further streamline the GHG analysis methodology and process.

Price Adjustment Option

Several comments were received from developers to allow for price adjustments to their proposal if (1) the County of Hawaiʻi adjusts its real property tax in a similar manner to an effort by the City and County of Honolulu; (2) the Company requires the Proposer to downsize as a result of the load flow analysis; and (3) supply side issues related to Covid-19 affect all markets. The Company remains opposed to allowing opportunities to increase the price of any proposal after submission.

When viewing the prevailing property tax rates of the County of Hawaiʻi against the tax rates of the City and County of Honolulu, the impact risk of a change in land classification for the purposes of real property tax on Hawaiʻi island appears much lower because the differences between the agricultural tax rate and the industrial tax rate is significantly less than Oahu's. For the fiscal year beginning July 1, 2021, the difference in the Hawaiʻi County tax rate between the Industrial and Agricultural and Native Forest tax rates was $1.35 per $1,000 net taxable value, while the Honolulu County difference between Industrial and Agricultural tax rates was $6.70 per $1,000 net taxable property. Further, as was the case for Oʻahu, developers can go through the legislative process and tax appeal process to avoid negative consequences from such changes. If developers are allowed to increase their price for such changes to tax law, developers may not be willing to avail themselves of the legislative and administrative options available. Maintaining incentives for developers to take action against any property tax rate change or governmental regulation change that adversely impacts the project's financial benefit is beneficial to the Company and its customers.

The Company also opposes any upward price adjustment for projects that require modifications to size, POI, location, capabilities, etc. Such changes do not impact the lump sum payment under the RDG PPA, ESPA and to a large extent under the Firm PPAs. The lump sum payment and capacity payment are based on the availability of the facility and the amount of energy that is taken from the Facility does not impact such payments. In cases in Stage 1 or Stage 2 where projects were required to limit their output due to system constraints, there were no impacts to the lump sum payments bid by the developers.

The Company assumes Proposers will account for anticipated situations in their proposals. Unlike for the Stage 1 and Stage 2 projects, where an event like the ongoing pandemic could not possibly have been foreseen, Covid-19 effects at this point in the pandemic should no longer be a surprise. Developers should account for such risks within their proposal.

Further, one of the main benefits of the Company's newer contract structures and renewable energy in nature is the ability to move away from the volatility that is seen in fossil fuel pricing. This allows for customers to be able to anticipate a more stable and predictable electric bill on a month-to-month basis. Introducing the ability to change contract pricing eliminates one of the main benefits of these contract structures to customers.

Affiliates Submission

A recommendation received from a developer recommends requiring all Affiliate proposals to be submitted one day earlier than the IPP proposal deadline. The Company modified this requirement after Stage 2, realizing all other requirements of the Affiliate align with the requirements imposed on an IPP. Any Affiliate also operates completely autonomously from the Company. Thus, the Company may not even recognize whether a Proposer is an Affiliate or an IPP. As specified in the RFP, Affiliate Proposals are also subject to any applicable Affiliate

Transaction Requirements issued by the Commission in Decision and Order No. 35962 on December 19, 2018, and subsequently modified by Order No. 36112, issued on January 24, 2019, in Docket No. 2018-0065. Finally, all proposal submissions – whether from an Affiliate, Hawaiian Electric Proposer, or IPP – is sealed within the PowerAdvocate platform and cannot be seen by the Company until the submission due date has elapsed. Nevertheless, if the Commission prefers, the Company can align the due date for Affiliate Proposals to the same one-day-early due date that applies to Hawaiian Electric Proposals.

Evaluation

Three comments received relate to evaluation: one seeking further transparency on the scoring rubrics and providing scores in the non-price categories and suggesting robust involvement of the Independent Observer, a second requesting flexibility considerations with cutting edge technologies which might not have been incorporated in other projects, and a third recommending the removal of COIF cost estimation from the evaluation in the State of Project Development and Schedule. On the comment of transparency, the Company employs a closed-bidding process for these solicitations to mitigate proposers from gaming the process. With this closed-bidding process, the Independent Observer is given full visibility over the entire process and scoring to ensure a fair process is maintained throughout the procurement and among the participants. The Independent Observer is consulted with during the RFP development process and maintains complete oversight once the procurement process begins, including meeting with the Company and going through the Company’s evaluation of each project prior to selection to the priority list and prior to selection of the final award group. As it has done in the past, the Company will endeavor to respond to inquiries and provide constructive feedback on a proposer’s performance in a category after the conclusion of the procurement in the spirit of developing better proposals in the future. However, the Company does not agree it should change from past practice and provide the actual scores of the non-price categories to proposers.

On the comment of flexibility, the Company will take the feedback into consideration in its evaluation especially when encountering any cutting-edge feature of the technology, as the criteria is intended to vet the viability and reasonability of the technology to perform the objectives of the RFP. However, the Company maintains the importance of ensuring that the technologies selected are commercially viable and tested, as the projects are vital to the State’s clean energy goals and assurance is needed the projects will be operational and meet the requirements of the RFP.

On the comment of removing the COIF cost estimations from the non-price criteria scoring, the Company is updating the costs provided in the Appendix H, Interconnection Facilities Cost and Schedule Information, and will include the updates in its proposed final RFP. The Company believes this updated information will improve the Proposer’s ability to provide more accurate estimates and that therefore the removal of such costs from the evaluation process is not necessary.

Technical Conference

The Company agrees with the request to conduct a Technical Status Conference to answer questions and receive comments from developers and other stakeholders. A virtual Community Meeting was held on October 28, 2021 that appeared well received and offered a forum to receive feedback from the community on the plans for the Stage 3 Hawai‘i RFP. Another forum for potential proposers that allows for live question and answers will be planned after further guidance is offered by the Commission on the draft Stage 3 Hawai‘i RFP.

Local Hire

A recommendation was received to require the RFP to include “local hire” provisions: to require the use of contractors who hire at least 80% of their workers from local residents, pay a “living wage” to workers, require contractors to certify they provide specific benefits, and require preference to contractors who hire apprentices from state-approved apprenticeship programs. Since the Company requires developers to follow all existing labor laws, the Company believes that such requirements are more appropriate to be made via the legislative process. Nonetheless, the Company values building the local work force. Therefore, the Company proposes revisions to the non-price Community Outreach criteria of the RFP to encourage the use of local labor. Proposers would be highly encouraged to make a commitment that eighty percent (80%) of non-supervisory construction and operations workers’ hours associated with the construction or repowering the project will be paid at the prevailing wage equivalent indicated under Hawai‘i Revised Statutes Chapter 104 during all periods of construction. In addition, the Proposer would be encouraged to give preference to hiring qualified construction and operations/maintenance workers from Hawai‘i County, and the State of Hawai‘i, in that order, before hiring non-resident laborers. Proposers that agree to such commitments would be given a higher non-price score in the Community Outreach category.

Ethical Sourcing

A comment was received to prioritize ethical manufacture and sourcing of materials. The RFP requires that all Proposers must comply with industry standards and all laws, rules, and licensing requirements. To the extent those standards, laws and rules encompass the ethical manufacturing and sourcing of materials, the Proposals in this RFP will embody them.

Additional Changes

In the next iteration of the Company’s draft RFP, stakeholders will see changes that are intended to further clarify the requirements in the RFP and clean up some editorial errors that were not caught into the October 15, 2021 draft filing. In the next iteration, the Company:

- Will make edits to provide further clarity to various requirements in the RFP and consistency in the purchase agreement, including to reflect the positions above;
- Will further clarify the intent of providing the Appendix I Hawai‘i Island Near-Term Grid Needs Assessment; and
- Will specify how many additional variations besides the base variation is allowed per Proposal.

With respect to the next iteration of the draft RFP, the Company will also be considering whether to add language to the RFP/purchase agreements to allow for downward pricing adjustments prior to the final award group selection if any new legislation regarding federal tax credits for renewable energy, such as the Build Back Better Act, is passed.

Conclusion

The Company appreciates the comments and feedback received, which allows the Company to contemplate how to continue building on and improving each solicitation, and looks forward to finalizing this Stage 3 Hawai‘i RFP and launching a competitive and successful procurement.

Sincerely,

/s/ Rebecca Dayhuff Matsushima

Rebecca Dayhuff Matsushima
Vice President,
Resource Procurement

c: Division of Consumer Advocacy

Chun, Marisa

From: puc@hawaii.gov
Sent: Wednesday, January 19, 2022 2:30 PM
To: Chun, Marisa
Subject: Hawaii PUC eFiling Confirmation of Filing

Your eFile document has been filed with the Hawaii Public Utilities commision on 2022 Jan 19 PM 14:27. The mere fact of filing shall not waive any failure to comply with Hawaii Administrative Rules Chapter 6-61, Rules of Practice and Procedure Before the Public Utilities Commission, or any other application requirements. Your confirmation number is MARI22142733296. If you have received this email in error please notify the Hawaii Public Utilities Commission by phone at 808 586-2020 or email at hawaii.puc@hawaii.gov.