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COMMISSIONER

**STATE OF HAWAII**  
**PUBLIC UTILITIES COMMISSION**  
465 S. KING STREET, #103  
HONOLULU, HAWAII 96813

Telephone: (808) 586-2020  
Facsimile: (808) 586-2066

Website: [puc.hawaii.gov](http://puc.hawaii.gov)  
E-mail: [puc@hawaii.gov](mailto:puc@hawaii.gov)

January 20, 2022

To: Ms. Rebecca Dayhuff Matsushima  
Vice President, Resource Procurement  
Hawaiian Electric Company, Inc.  
[rebecca.matsushima@hawaiianelectric.com](mailto:rebecca.matsushima@hawaiianelectric.com)

From: James P. Griffin, Chair, Hawaii Public Utilities Commission

Date: January 19, 2022

Re: Docket No. 2017-0352 – Request that Hawaiian Electric Consider Further Revisions to the Draft Stage 3 Request for Proposals for Hawaii Island, filed on October 15, 2021

Dear Ms. Dayhuff Matsushima,

The Hawaii Public Utilities Commission (“Commission”) has reviewed the documents filed by the Hawaiian Electric Companies (“Hawaiian Electric” or “Companies”) in development of the Stage 3 Request for Proposals (“Draft Stage 3 RFP”) for Hawaii Island. Additionally, the Commission has reviewed the subsequent public comments submitted in response to the Draft Stage 3 RFP filings on November 19, 2021,<sup>1</sup> Hawaiian Electric’s response, filed on November 22, 2021, feedback from past RFPs, and filings in Docket No. 2021-0024 on interconnection-related matters.

In response to these filings, the Commission provides guidance in this letter to Hawaiian Electric on how to proceed with the development of the Draft Stage 3 RFP.

The Commission acknowledges that Hawaiian Electric addressed a recommendation to remove the geographic requirement in the Draft Stage 3 RFP that limited bids to the eastern portion of Hawaii Island’s electric grid; however, the Companies added that they do not intend to revise any other requirements. In light of the number of issues raised regarding the proposed Stage 3 RFP, as well as previous issues that have arisen since the Stage 1 and 2 RFPs, the Commission directs Hawaiian Electric to consider the following additional comments when making revisions to the Draft Stage 3 RFP.

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<sup>1</sup>Public comments were submitted by developers AES Clean Energy, Clearway Energy Group, Innergex Renewables, Longroad Energy, and a labor non-profit organization, Pacific Resource Partnership.

**Interconnection Costs:** The Commission is aware of the concerns raised by stakeholders regarding interconnection costs and how they factor into the bidding process. Stakeholders with experience in the Stage 1 and 2 RFPs that submitted comments on the Draft Stage 3 RFP reiterated the lack of certainty regarding interconnection costs when developing bids, and the volatility of these costs throughout the interconnection study process. The Commission directs Hawaiian Electric to explain how its proposal to change the order of the Interconnection Requirements Study (IRS) may alleviate cost uncertainty in the PPA negotiation phase, and how Hawaiian Electric will account for this uncertainty in the bidding phase. Additionally, the Commission directs Hawaiian Electric to consider the following two suggestions to remedy the concerns around cost uncertainty and variability in the interconnection step:

**Not-to-exceed Amount for Interconnection Costs:** One stakeholder expressed concern with unexpected and unforeseen costs that may be allocated to the developer after cost estimates are agreed upon and bids are developed accordingly, which it states are largely out of the control of the developer. To address this, a potential mechanism could be establishment of an interconnection cost cap at a certain level above the estimates. The Commission acknowledges that Hawaiian Electric is still developing a revised Appendix H to provide cost estimates and encourages the Companies to consider a mechanism that provides more assurance for these cost estimates.

**Shared Interconnection Cost Savings Mechanism:** Another mechanism to encourage reductions to interconnection costs is a Shared Savings Mechanism (SSM). Such a cost mechanism would incentivize cost reductions for both Seller-Owned Interconnection Facilities (SOIF) and Company-Owned Interconnection Facilities (COIF), by sharing resulting savings between the ratepayer, the Companies, and the developer. Establishing a SSM would have implications for the order of interconnection studies, PPA execution, and an original estimate for SOIF and COIF in the RFP bid. The Commission requests that Hawaiian Electric consider developing a SSM proposal to incentivize developers and the Companies to work together to lower interconnection costs for the benefit of customers.

**Evaluation Criteria:** Stakeholders have expressed concerns regarding multiple components of the evaluation criteria, including the criteria's weights, reasonableness, and timing. For example, with regards to the State of Project Development and Schedule criterion, two stakeholders expressed concern that they do not have adequate information to accurately estimate interconnection costs (e.g., COIF and SOIF). As such, Hawaiian Electric should explain its rationale regarding the need to evaluate a developer's ability to estimate interconnection costs for these components and the rationale for doubling the weight of this criterion.

Additionally, while the Commission is supportive of the emphasis on community engagement in the evaluation criteria, Hawaiian Electric should explain how it will ensure that its evaluation of community engagement and outreach is conducted in an objective manner.

The Commission also requests that Hawaiian Electric consider a non-price criterion that evaluates the performance of a bidder's existing or past projects under contract with Hawaiian Electric. This criterion would reduce a bidder's score based on underperformance of their existing or past projects during the term of the applicable PPA with the Companies but would not affect a bidder's score who has no existing contracts or past contracts with Hawaiian Electric.

**Interconnection Process:** In addition to the cost-related concerns with interconnection, stakeholders identified a number of additional concerns with the overall interconnection process. A chief concern is the transparency of the timeline and key components of the interconnection process. The Companies should carefully consider stakeholder feedback on this process, including but not limited to providing more upfront information about interconnection to inform the bids (i.e., identifying substations that are available for interconnection, providing grid conditions, hosting capacity, and other important details) and developing uniform timeline estimates for various stages of the interconnection process.

**PPA Negotiations:** While one stakeholder suggested introducing more uniformity into the PPA documents in an RFP process evaluation filed in Docket No. 2021-0024 in March 2021,<sup>2</sup> other stakeholders expressed concern with the requirement that the model PPA documents would be non-negotiable and that providing red-lined revisions to the PPA would negatively affect evaluation of any proposal. The Commission is supportive of the separation of the island-specific addendum from the model PPA to make it uniform across all islands as a starting point; however, as in Stage 2, the Commission does not support making this portion of the model PPA non-negotiable.

**Scope:** Stakeholders made multiple recommendations related to the scope and size of the RFP. In light of these recommendations and the Commission's concerns, the Commission directs Hawaiian Electric to update the Grid Needs Assessment (GNA) for Hawaii Island, submitted in July 2021, to provide the most current and accurate assessment of the grid needs to be procured in the Stage 3 RFP. Updates to the GNA should include the most recent Inputs and Assumptions developed in the ongoing Integrated Grid Planning (IGP) proceeding and should be based upon active and approved projects as a starting point. Based on the results of the updated GNA and

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<sup>2</sup>See Docket No. 2021-0024, Ulupono Initiative "Interconnection and RFP Process Improvement Recommendations," dated February 2021, filed on March 25, 2021.

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Vice President, Resource Procurement  
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approval status of Hawaii Island projects, Hawaiian Electric may consider including flexibility, as it did in the Stage 2 RFP, to incorporate more bids and have a pool of potential resources to select based on the outcomes of certain projects.

In addition to the size of the resource need, one stakeholder suggested including more granularity in the timing of the resource needs, as the current RFP forecasts the need for resources prior to 2030. Using results from the GNA and the latest IGP updates, Hawaiian Electric should consider adding clarity on near-term resource needs and how those needs may change over time between now and 2030, to provide potential bidders additional insight into the evolving grid needs and to assist bidders in presenting the strongest proposals to meet those needs.

Beyond these specific issues, the Commission directs Hawaiian Electric to address the additional areas of concern that were raised in the stakeholder comments, detailing any additional revisions it has made to the documents based on these comments. The areas of concern include the following: GHG analysis costs, interconnection cost-based price adjustments, the available substations for interconnection, model checks and field inspection reports as threshold criteria, non-price evaluation clarity, and project modifications made by Hawaiian Electric. Additional areas of concern include Net Energy Potential adjustments, Pro Forma requirements, Affiliate Proposal treatment, Real Property Tax issues, technology requirements, additional cost estimates, workforce requirements, and suggested topics for discussion at a Technical Conference. Additionally, the Commission requests that Hawaiian Electric propose a date for a Technical Conference where additional discussion may take place on further RFP updates and other relevant topics.

In summary, the Commission requests that Hawaiian Electric revise the Draft Stage 3 RFP, taking into consideration the recommendations of stakeholders who have taken part in prior RFP and interconnection processes, as well as the recommendations of stakeholders who filed comments on the Draft Stage 3 RFP in this docket. The Commission encourages Hawaiian Electric to address the concerns raised in these comments and highlight any revisions that are made to the Draft Stage 3 RFP materials.

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