Exhibit 1

Description of Development of the Proposed Stage 3 O‘ahu and Maui Request for Proposals

This Exhibit 1 explains the Hawaiian Electric Companies'[1] actions and rationale for developing the proposed Stage 3 Request for Proposals ("RFPs") for O‘ahu and Maui.

I. Background

On February 18, 2022 and March 23, 2022, the State of Hawai‘i Public Utilities Commission ("Commission") issued letters to Hawaiian Electric in Docket No. 2017-0352 requesting that the Companies proceed with developing Stage 3 RFPs specifically for O‘ahu and Maui.

In December 2016, Hawaiian Electric issued its Power Supply Improvement Plan update ("PSIP"), which was accepted by the Commission on July 4, 2017. In alignment with the Companies' 2015 commitment to reach 100% renewable energy by 2045, the PSIP included several firm resources on O‘ahu and Maui. Subsequent to the PSIP, Hawaiian Electric's integrated grid planning efforts have also identified the need for firm generation.

For O‘ahu, the Companies filed a letter with the Commission on November 17, 2021, proposing to "conduct a streamlined renewable firm generation RFP for O‘ahu to address future grid needs." The Companies noted that solicitation through an RFP would "help to ensure that the best solution or solutions are chosen for the island by allowing for competition and the consideration of multiple projects in making such determination." On December 22, 2021, the Commission responded with a letter approving the Companies' request to proceed with developing a Renewable Dispatchable Firm Generation RFP, specifically for O‘ahu ("O‘ahu Renewable Firm RFP"). The letter stated, "The Commission is amenable to this proposal to develop a competitive solicitation through which to review and evaluate opportunities to develop additional renewable generation, which could include allowing existing facilities to repower or fuel switch." As a result, on February 28, 2022, Hawaiian Electric requested that the Commission open a docket to institute a proceeding relating to a competitive bidding process to acquire renewable dispatchable firm generation on O‘ahu, and filed a draft O‘ahu Renewable Firm RFP. In light of the Commission's March 23, 2023 letter and to streamline efforts and create efficiencies on the path to achieve 100% renewable energy, instead of executing two separate RFPs, the Companies have decided to combine the February 28, 2022 O‘ahu Renewable Firm RFP scope with the O‘ahu Stage 3 RFP while maintaining the need for firm renewable generation to meet reliability requirements.

For Maui, efforts to procure renewable firm generation to facilitate the retirement of existing firm generation facilities such as Kahului Power Plant ("KPP") began as early as 2011 when Hawaiian Electric requested permission to conduct an RFP for approximately 50 megawatts ("MW") of new renewable firm generation. Thereafter, on May 5, 2016, the Companies requested permission to conduct an RFP for approximately 40 MW of new renewable firm generation to address issues such as the planned retirement of KPP, providing a non-transmission alternative to mitigate under-voltage

[1] Hawaiian Electric Company, Inc., ("Hawaiian Electric"), Maui Electric Company, Limited ("Maui Electric"), and Hawai‘i Electric Light Company, Inc. ("Hawaii Electric Light") are each referred to as a "Company" and collectively as the "Hawaiian Electric Companies" or "Companies."

situations in South Maui, anticipated system load growth and reserve capacity shortfall expected through 2022, and Hawaiian Commercial & Sugar ceasing operations in 2017, as specified in the PSIP and Maui Electric's 2016 AOS report. Although recent RFP efforts have focused on the procurement of new energy resources to cover the loss of KPP and other existing firm generation resources, there is still a need on Maui to procure resources that can provide specific grid services that variable generation resources are not able to perform yet are needed to maintain normal operations on Maui. The Companies have decided to include this scope for renewable firm generation for Maui into the Maui Stage 3 RFP, similar to the O'ahu Stage 3 RFP.

The draft Stage 3 RFPs were shaped by the Companies' following guiding principles, which are used for all the Companies' RFPs developed pursuant to the Competitive Bidding Framework: (1) transparency, predictability and streamlining lowers costs to customers and fosters trust in the process; (2) community engagement is critical to near-term and long-term project success; (3) coordination and collaboration of all parties involved is necessary to achieve a successful and timely procurement; and (4) there is no perfect answer; tradeoffs must be considered.

II. Requests for Proposals

To the extent possible, the Companies have endeavored to be responsive to stakeholder comments received to date in regards to the O'ahu Renewable Firm RFP and the Hawai'i Island Stage 3 RFP when developing the proposed Stage 3 RFPs for O'ahu and Maui. The Companies look forward to continuing to work with stakeholders on the development of these RFPs. The discussion below describes key considerations taken into account and modifications made when developing the Stage 3 RFPs for O'ahu and Maui.

The Companies had several objectives with the Stage 3 RFPs. In considering the procurement targets, the Companies seek to accomplish the following objectives through the O'ahu and Maui Stage 3 RFPs:

1. Modernize the aging, generation fleet with more flexible resources;
2. Improve and address near-term reliability concerns with the aging fossil fuel generation fleet on O'ahu and expected end-of-life and retirement of fossil fuel firm generation on Maui;
3. Reduce fossil fuel usage through acquisition of cost-effective renewable dispatchable generation;
4. Acquire more flexibility for the current future generation system, building on the resources acquired through the Companies' Stage 1 and Stage 2 RFPs to date; and
5. Diversify the Companies' resource portfolio to be more resilient against weather dependent generation.

<u>Procurement Targets and Scope</u>

The O'ahu Stage 3 RFP seeks proposals to acquire at least 475 gigawatt hours ("GWh") annually of renewable dispatchable generation to be commercially operational by December 2027. Hawaiian Electric also seeks proposals to acquire a total of 500 to 700 MW of firm power from renewable generation resources on the island of O'ahu. By the end of 2029, Hawaiian Electric will target having in service 300 to 500 MW of firm power under this RFP, and by the end of 2033, Hawaiian Electric will target having an additional 200 MW of firm power in service under this RFP. As used in the Companies' Stage 3 RFPs, firm generation means a synchronous machine-based technology that is available up to 100% of the contract capacity at any time under Company dispatch for as long as needed, except during periods of outage and deration, independent of source energy resource availability. Firm generation must not be energy limited or weather dependent. From the targeted amount of firm power for 2029, Hawaiian Electric will seek proposals for at least 150 MW of non-spinning reserves that can be dispatched from offline to full load within 15 minutes or less.

The Maui Stage 3 RFP seeks proposals to acquire a minimum of 180 GWh annually of renewable dispatchable generation, to be commercially operational by December 2027. Hawaiian Electric also seeks proposals to acquire a minimum of 40 MW of firm power from renewable generation resources on the island of Maui, to be commercially operational by December 2027.

Both the Oʻahu and Maui RFPs are intended to address the specific firm generation needs, separate from the general renewable dispatchable generation needs, to ensure a diverse renewable energy portfolio to maintain or improve reliability and resilience of the generation system. Proposals submitted to meet firm generation needs will be evaluated separately from proposals for variable renewable dispatchable generation intending to meet the general renewable dispatchable generation energy target. If either target in a particular RFP is not completely met by the proposals received in either the firm generation or the renewable dispatchable generation categories, the Companies may then, if the Companies determine that such proposals can meet the needs identified for such targets, consider proposals responsive to one target to satisfy the needs of the alternate target.

The Companies seek three general types of projects in these RFPs: (1) new variable renewable dispatchable generation projects (with or without energy storage systems),[2] (2) standalone energy storage projects, and (3) new firm renewable dispatchable generation projects. The Companies will also accept Proposals from existing renewable generation projects or existing fossil fuel projects that convert to a renewable source for new terms after the expiration of their current agreements. The number of projects that the Companies may acquire from these RFPs depends on, among other things, the quality and cost of proposals received in response to the reliability needs defined in each RFP and economic and technical comparison to other RFP responses. If proposals are received that will provide capacity and other services in excess or less than the targeted amounts, the Companies will consider selecting such proposal(s), if found to be in the best interest of customers.

Stage 3 Contracts

The Companies intend to contract any variable renewable dispatchable generation projects using their Model Renewable Dispatchable Generation Power Purchase Agreement ("RDG PPA"), which treats variable generation facilities as fully dispatchable; any firm dispatchable generation projects using their Model Firm Renewable Dispatchable Generation Power Purchase Agreement ("Firm PPA"); and any standalone energy storage projects using their Model Energy Storage Purchase Agreement ("ESPA"). If a proposed project utilizes a technology that is not encompassed by the model purchase agreements provided, then the terms of the most applicable model purchase agreement will be modified to address the specific technology and/or component. If a Proposer is not sure which contract form is appropriate for their technology, they should contact the Companies prior to submitting their Proposal.

Inclusion of Fuel

[2] Any photovoltaic ("PV") projects must be paired with an energy storage component.

All proposals with a generation component that operates on qualified renewable energy fuel must commit to providing the fuel for the entire proposed term of the applicable Stage 3 contract. With the exception of biofuel, proposals operating on fuel must also include any and all cost of its fuel for the entire Stage 3 contract term in its proposal. The fuel price must be fixed and not tied to an index, but it can escalate at a fixed escalation rate. However, recognizing the unlikelihood of securing biofuel pricing for the entire term of a Stage 3 contract and that there is a well-developed market to procure biofuel, unlike other types of firm renewable fuel, such as biomass, a concession for proposals operating on biofuel was included to require only a biofuel price forecast and heat rate curves. In addition, biofuel proposals are not required to maintain a fixed fuel price throughout the term of the Firm PPA. Also, while biofuel proposals must commit to providing fuel for the entire proposed term of the Firm PPA, given that there is a well-developed market for biofuel, such Proposals only need to show evidence of a contract for biofuel for the first three years of the term with a plan to secure biofuel through the term of the Firm PPA. Proposals utilizing fuel must also describe their fuel supply plan that will ensure sufficient fuel for unconstrained dispatch and fuel storage on island for at least 47 days on Oʻahu, and 30 days on Maui. In addition to a fuel component, firm generators can also include a variable operations and maintenance ("O&M") component in their pricing. The variable O&M component must be fixed, but is allowed to escalate at a fixed rate. In other words, escalation must not be tied to an index. Variable generation and storage projects must only provide fixed lump sum pricing.

Community Outreach and Engagement

Across many different initiatives, the Companies have heard the desire of communities to play a more engaged role early on in the process for renewable energy development. Building upon the outreach done with stakeholders in the development of the Hawaiʻi Island Stage 3 RFP and previous Oʻahu Firm RFP, the Companies plan to continue to listen, understand, and work with communities throughout the process in developing the Oʻahu and Maui Stage 3 RFPs. Community meetings are scheduled for May 10 on Oʻahu and May 24 on Maui in order to continue engaging community members and solicit feedback on the RFPs.

In addition to this community outreach, the Companies have also taken into consideration the community feedback discussed in the community meetings held for the community based renewable energy ("CBRE") RFPs on October 13 and 17, 2021 and elsewhere in the CBRE proceeding (Docket No. 2015-0389), as well as prior feedback from the Stage 1 and Stage 2 RFPs. Those proposed updates have been carried over into the proposed Oʻahu and Maui Stage 3 RFPs. Furthermore, based on this prior engagement, as well as the more recent feedback received, the Companies have, as was also proposed in the Hawaiʻi Island Stage 3 RFP and Oʻahu Renewable Firm RFP, expanded requirements for community engagement by adding a requirement for a community benefits package to be submitted as part of the Oʻahu and Maui Stage 3 RFPs.

At minimum, Proposers should commit to setting aside at least $3,000 per MW, up to $200,000 per year, for community benefits. These funds shall be donated for actions and/or programs aimed at addressing specific needs identified by the host community, or to a 501(c)(3) not-for-profit community-based organization(s) to directly address host community-identified needs. A documented community benefits package highlighting the distribution of funds must be developed by Proposers for Hawaiian Electric's review. This document will be made public on each

Proposer's website and must demonstrate how funds will directly address needs in the host community to benefit community members. The community benefits package must include documentation of each Proposer's community consultation and input collection process to define host community needs, along with actions and programs aimed at addressing those needs. Preference will be given to Proposers that commit to setting aside a larger amount or commit to providing other benefits (including but not limited to creating local jobs, payment of prevailing wages, or improving community infrastructure). The Companies are open to being flexible regarding the timing of the funding of the community benefits, as it may make sense to do so, depending on the nature of the needs being addressed. Proposers can either make an upfront payment for community benefits, or pay annual installments over the life of the PPA. The first contribution must be made in support of the host community by the end of the first year of the PPA. The Proposer may choose to identify and select an eligible non-profit organization to serve as the administrator for the duration of the contract term responsible for ensuring the project's community benefit is appropriately disbursed. Should a Proposer need an example of the use of a community benefit funding host, the Companies will provide such example(s) upon request. Community members from the same census tract and any adjoining census tract(s) of the project location would then be able to apply to the non-profit for grants to be used to fund community projects. The non-profit would be responsible for reviewing such applications and administering the funds. Proposers would receive additional points under this metric for committing to additional community benefits, such as providing local jobs, improving infrastructure, creating shared community facilities, community event sponsorship, creating educational afterschool programs, etc. To clarify, in response to stakeholder comments received, such additional community benefits, including the provisions for using local labor and prevailing wage, are not required under the RFP, but a Proposal will be given preference in the Community Outreach evaluation criteria for making such commitments as part of the Proposal's community outreach and benefit plans (see RFP Section 4.4.2).

Available Sites

As shown in Section 2.3.7.1 of the O‘ahu Stage 3 RFP, Hawaiian Electric will offer eight (8) existing Company transmission (138 kV) substations for interconnection consideration as potential opportunities to reduce cost or shorten development timelines. As shown in Section 2.3.7.1 of the Maui Stage 3 RFP, the Maui Electric will offer two (2) existing Company transmission (69 kV) substations for interconnection consideration as potential opportunities to reduce cost or shorten development timelines. Proposers must inquire about the available MW capacity and substation conditions. To maintain the integrity of the system, there are specific requirements for each type of interconnection.

Interconnection Requirements Study

As first suggested in their October 15, 2021 first draft of the Stage 3 Hawai‘i Island RFP, the Companies are again proposing to complete the interconnection requirements study ("IRS") prior to execution of the applicable Stage 3 Contract and filing of the contract with the Commission. In the Stage 1 and Stage 2 RFPs, PPA negotiations and the IRS were bifurcated, with the IRS being completed after the PPA was executed and filed, and in many cases approved. This was done to allow for submission and approval of the PPA while technical details were being finalized. The benefits to this were to allow developers the potential to take advantage of declining tax credits and move the project forward in parallel with the IRS. However, in some instances this has led to further delay with the need to seek separate Commission approval for overhead interconnection lines after completion of all, or a substantial portion, of the IRS. It also has appeared to lead to some confusion with stakeholders as to the process, and what is being proposed, for each project.

In the Stage 2 RFPs, the Companies saw marked improvements to the IRS process, significantly shortening the time to complete the IRS. Building on these improvements, the Companies believe that the IRS can be completed within approximately ten months of selection of projects in the O‘ahu and Maui Stage 3 RFPs, with an additional two months to complete the PPA negotiations and file the PPAs for approval with the Commission. Therefore, to eliminate the confusion that seemed to arise from bifurcation of the process, and given the efforts made to improve the IRS process to date, the Companies have proposed completing the IRS prior to execution of a PPA. This change has been reflected in the proposed draft O‘ahu and Maui Stage 3 RFPs. However, this change has not yet been reflected in the model Stage 3 Contracts. To the extent that such proposal is acceptable to the Commission and stakeholders, the Companies intend to modify the model contract to reflect such change before finalizing the documents.

A comment was received from a developer suggesting that equipment models for the IRS not be due until 90 days after final award group selection. This approach is not consistent with the Commission’s and stakeholders’ desire to see the interconnection process move more quickly. Starting model checks earlier is an opportunity for the Companies to check the Proposers’ models and provide a first round of feedback, so that Proposers have a chance to address any model deficiencies in time for the updated model submission required 30 days after final award group. The intent is to provide Proposers feedback earlier in the process and so that the study may start on time.

Pro Forma Requirement

In the O‘ahu and Maui Stage 3 RFPs, the Companies are again proposing a requirement that each Proposer provide project financial information, including a proposed project finance structure and a project pro forma cashflow for each variation that is submitted. In addition to providing information beneficial for a more robust evaluation of projects in the RFPs, including the Financial Compliance Threshold Requirement and the Financial Strength and Financing Plan and State of Project Development and Schedule non-price criteria, the increased requests for tracking of costs in the Performance Based Ratemaking and other dockets would be better informed by this information.

Comments received from developers with concerns about confidentiality of information should be adequately addressed by the RFP Code of Conduct in place that prevents the type of information sharing described. The RFPs and compliance with the code are overseen by the Independent Observer. Furthermore, without the information provided in a pro forma, it is difficult for the Companies to ascertain whether developers have properly accounted for the cost needed to meet the interconnection requirements set forth in the RFP. One of the most valuable components to ensuring the success of a project and avoiding project delays once selected is ensuring that the developer has properly accounted for the cost and schedule to build the facility and the interconnection facilities. Without more detailed information, the Companies evaluation of such a vital category can only be completed to a certain level. Despite not being required in previous RFPs, project pro formas have been requested by the Consumer Advocate for Stage 1 and Stage 2 RFP projects, though not made available to the Companies. Additionally, a project pro forma would assist both the Companies and the Commission in evaluating concerns raised by developers after selection with regards to project cost or pricing.

Interconnection Cost Updates

To assist Proposers in developing more accurate cost estimates, the Companies are currently updating the interconnection facilities and cost information provided in Appendix H of the O'ahu and Maui Stage 3 RFPs. All updated costs and drawings have not been completed at the time of this filing, but work continues to ensure they will be available in the final issuance of the RFPs. In addition to providing updated and more detailed cost information than past RFPs, the Companies have also provided examples at the end of Appendix H on how to calculate the interconnection costs for Proposals.

Independent Engineer

The Companies continue to be open to including an Independent Engineer in their RFP process if directed by the Commission. The Companies believe that am Independent Engineer should have familiarity with interconnecting projects on an island grid in order to provide an independent technical perspective to the interconnection relevant to Hawai'i. As described in the Companies' January 19, 2022 letter in response to stakeholder comments on the Hawai'i Island Stage 3 RFP, the Companies propose that the Independent Engineer report to the Independent Observer, and would assist the process by reviewing the Companies' requirements and standards for interconnection as well as the interconnection documents provided by Proposers, while also participating in discussions with the Companies and developers over interconnection requirements, scope, and cost. The Companies seek further guidance from the Commission regarding whether the Companies should provide recommendations for engaging an Independent Engineer or if the Commission would be engaging an Independent Engineer as the Commission did with the Independent Observer.

Number of Variations Allowed

In trying to balance developers' interest in proposal flexibility with the difficulty and complexity of evaluating portfolios, the Companies have proposed to accept up to three (3) variations that may be submitted with a single proposal fee. Variations of Guaranteed Commercial Operations Date ("GCOD"), pricing terms, and/or Facility size can be offered. The Companies understand that allowing variations gives Proposers flexibility to consider different options. However, options proposing a different Project Site or different generation technology will not be considered a variation and will be deemed a separate Proposal. A separate Proposal Fee must be paid for each such Proposal.

Proposers must bid to a GCOD in 2029 or 2033 for firm projects on O'ahu, and 2027 for variable projects on O'ahu as well as variable and firm projects on Maui. However, Proposers responding to the firm need on O'ahu must provide at minimum one (1) variation with the earliest achievable GCOD. This variation will constitute one of the three (3) variations allowed. On Maui, if the December 1, 2027 date is not achievable for renewable firm Proposals, a Proposal stating its earliest achievable commercial operations date may be submitted, though preference will be given to proposals who can achieve this date.

Carbon Emissions Evaluation

While striving to achieve 100% renewable energy by 2045, the Companies aim to simultaneously work toward the carbon neutral goals set forth by Hawaiian Electric[3] and the State of Hawaiʻi.[4] Recognizing that different types of renewable generation may emit varying levels of carbon emissions, the Companies have included a Carbon Emissions Evaluation criteria in the Oʻahu and Maui Stage 3 RFPs. The Companies have further refined the draft approach that was proposed in the Hawaiʻi Island Stage 3 RFP and the Oʻahu Renewable Firm RFP. As part of the Proposer's Response Package, enclosed as Appendix B to each RFP, Proposers will be required to respond to a series of questions regarding high-level greenhouse gas ("GHG") information, site development, specific questions based on a project's proposed generation technology, as applicable, construction, and lifecycle O&M of the proposed facility. Responses to these questions will be evaluated to determine, at a high level, a project's estimated carbon emissions and GHG impacts. A further detailed life cycle GHG emissions analysis, using project specific data, will be required for any project selected and the Companies will work with Proposers to complete such evaluation after selection. The Companies are seeking stakeholder input to further refine this new and innovative evaluation criteria.

Previous Performance Evaluation

The Companies took into consideration feedback from community members and stakeholders in other RFPs, and specific Commission guidance for the Hawaiʻi Island Stage 3 RFP to consider the Companies' past experiences with developers. While the Companies have received feedback requesting the removal of this provision, the Companies note that the Commission specifically requested such provision in Docket No. 2017-0352 on January 20, 2022, providing the following guidance: "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." Therefore, the Companies have included a Past Performance Evaluation criterion to be able to take into consideration a developer's past performance with the Companies.

The Companies modeled this criterion based on criteria found in a demand response RFP from California. The evaluation factor uses a set of objective criteria to evaluate past performance, such as whether a developer has ever withdrawn from an RFP after selection or whether a developer has been assessed liquidated damages by Hawaiian Electric or any of its subsidiaries under a PPA. A point value is assigned to each criterion, and the evaluation factor will be capped at ten points. These points would then be subtracted from a Proposal's total non-price score. A developer that has not proposed a project in a prior RFP or does not have an existing project within the last five years, would be assigned zero points (i.e., no points deducted from the Proposal's total non-price score for this criterion). The intent of this criterion is not to punish developers for events out of their control, but rather to score on their own actions. The Companies note that feedback was also received for this criterion requesting that it be clear what past experience was specifically taken into account. In response, the Companies have listed the specific criteria that will be evaluated along with the points associated with each criterion, noting that the points would be capped at 10. As this is a new criterion, the Companies appreciate the feedback received so far, and will seek to further refine it throughout development of the RFPs.

[3] See https://www.hawaiianelectric.com/about-us/our-vision-and-commitment/climate-change-action.
[4] See HRS § 225P-5.

Best and Final Offer and Price Adjustment Considerations

Due to current economic and market conditions and uncertainty, the Companies are allowing a Best and Final Offer ("BAFO") from any proposers selected to the Priority List, including the Hawaiian Electric proposal, as well as a one-time capped indexed pricing adjustment of BAFO price and cost components. Allowing all Proposers to have the opportunity to submit a downward price adjustment to their project will provide time for Proposers to further understand fluctuating market conditions and allow Proposers to further refine their costs, hopefully resulting in lower costs for customers being presented during the BAFO stage. However, due to the coronavirus pandemic, supply chain shortages, shipping delays, and now a war in Europe, the Companies have seen rising prices throughout many sectors needed to bid and develop a project. The Companies believe this may, in the short term, until market conditions settle, result in higher bid prices even with the additional time to refine Proposal pricing at the BAFO stage.

Therefore, in addition to allowing a downward pricing adjustment at the BAFO stage, as described in the March 18, 2022 Hawaiʻi Island Stage 3 RFP filing, a one-time capped pricing adjustment to the BAFO price/cost components is being offered to projects based on the Gross Domestic Producer Price Index ("GDPPI"). Several metrics were considered, but GDPPI was selected in part because the Commission and Companies are already familiar with it due to its usage in decoupling filings and as the Annual Revenue Adjustment inflation rate. The Companies have found through their research that this is a concept that has been employed by other utilities on the mainland. This provision is intended to be as simple as possible for calculation and administration and to ensure consistency among projects.

The projects selected to the final award group will be allowed to adjust their BAFO-defined Lump Sum Payment amounts for PV and wind projects and standalone storage projects, their BAFO-defined Capacity Charge payment for Firm projects, or Total Project Capital Costs for the Hawaiian Electric Proposal Projects by the percentage difference between the GDPPI value at the BAFO submission date and the GDPPI value at Commission approval of the Stage 3 Contract. For firm projects, no adjustment will be allowed for the Energy Charge payment of the Firm PPA pricing. A cap of the maximum adjustment percentage is proposed at ten percent (10%). For example, if a project bid a Lump Sum Payment of $10 million dollars and GDPPI increased by 5% from the date of BAFO submittal to the date of Commission approval of the PPA, the Lump Sum Payment would be increased to $10.5 million.

This encourages bidders to provide lower pricing now, without having to assume how the market will continue to evolve given the current unprecedented uncertainty, while also ensuring that project selection would not change due to such increase, as all project pricing if approved around the same dates would increase by the same or substantially similar amounts. If there was no inflation during such period or the index decreased, pricing would remain as bid in the BAFO. The Companies are only considering these price adjustment mechanisms due to extreme supply chain and market circumstances at this time and does not expect these mechanisms to be a normal part of future procurements.

Storage

Solar projects must pair their projects with a battery energy storage system ("BESS"). The paired BESS must be sized to cover a four-hour duration at minimum. Wind projects may choose to, but are not required to, pair their projects with a BESS. All paired storage projects, whether paired with wind or solar, and standalone storage projects must allow for grid charging in order to extract greater reliability and resilience benefits from these resources. For paired storage, grid charging will be allowed after the first five years of the project so that the project can take advantage of the federal Investment Tax Credit ("ITC"). Storage projects that are not capable of taking advantage of the ITC must be capable of grid charging from commercial operations.

<u>Microgrids</u>

The Companies are not seeking microgrids in the Stage 3 RFPs. However, the Companies have carried over microgrid language from its proposed Oʻahu Renewable Firm RFP into the Oʻahu Stage 3 RFP. Comments were received from developers requesting further information and requirements regarding microgrids under the RFP due to this language. The Companies are clarifying that such language is only included in the event the landowner is requiring a microgrid to service the landowner in order for the project to be sited on such land. The Companies have provided the requirements for operation for those situations, noting that the facility can only operate as a microgrid at the Companies' sole discretion and that the generator must return to grid-connected mode at the Companies' sole discretion. The Companies will not pay for energy or capacity during such microgrid operations.

III. Contracts

To capture the technologies that the Companies anticipate the Stage 3 RFPs will attract, the Companies developed four different model contracts to utilize: Model PV+BESS RDG PPA; Model Wind+BESS RDG PPA; Model Firm PPA; Model ESPA.

<u>RDG PPAs</u>

The PV+BESS RDG PPA and Wind+BESS RDG PPA adhere closely to the model RDG PPAs submitted with the Stage 2 RFPs, with modifications made to further improve and streamline the contracts. Many of the same revisions made to the CBRE Large RDG contracts[5] were captured in the Stage 3 updates to the RDG PPAs. The largest change is the bifurcation of the commercial terms and technical attachments into separate documents. This change allowed the Companies to create a PPA that is applicable to all islands. The project specific information (such as which island a project is located on and operating requirements) is now in a separate Project Specific Addendum. A number of revisions were made to provide further clarification. For example, clarifications were made regarding calculation of performance metrics, liquidated damages ("LD") measurement periods, and dispatch rights. Many of the revisions made were based on requested revisions or negotiated revisions by developers during the Stage 2 RFP PPA negotiations.

Both RDG PPAs were updated to allow only for a Lump Sum Payment, eliminating the option of a purchase price for an electric energy component. This change reflects what has been seen in the market in recent procurements, where few PV and wind projects bid a purchase price for electric

[5] The model contracts for Large CBRE projects were filed on August 25, 2021 in Docket 2015-0389, *Application for Approval to Establish a Rule to Implement a Community Based Renewable Energy Program*.

energy, and is reflective of the fact that such technologies have minimal variable cost. It also helps to simplify contract administration and allow for a more predictable pricing structure for Proposers.

In the spirit of accelerating the overall development process, the Companies are proposing to make certain portions of the RDG PPAs non-negotiable; primarily the performance standards and a minimum level of development period security and operating period security. These particular provisions, if modified, could result in significant risk shifting to the Companies' customers as well as change the economic modeling of a Proposal. The Companies also endeavor to keep certain provisions such as payment terms the same to insure in efficiency in monthly invoicing and avoid needing to set up multiple different invoicing mechanisms to be deployed each month to compensate Projects. The Companies had previously proposed making the entire RDG PPA, with the exception of project specific information, non-negotiable. However, the Companies have scaled this back and note that, with the exception of the above provisions, the majority of the remaining commercial terms and the Project Specific Addendum would remain negotiable.

Firm PPAs

The O‘ahu and Maui Firm PPAs included in the subject filing started with the model Firm PPA for the island of O‘ahu, filed on February 28, 2022 as the base document. The Firm PPAs were revised to make them applicable to multiple types of firm generation and to incorporate updates to commercial and legal terms similar to what is found in the Companies' RDG PPAs. Terms were also made consistent with the requirements of the Stage 3 RFP, including performance standards, pricing, and single point of failure requirements.

ESPA

The model ESPA, similar to the RDG PPAs, was based on the Stage 2 model ESPA and updated to provide clarifications and incorporate lessons learned from Stage 2. The biggest change made to the ESPA was the allowance for either 2 hours or 4 hours of storage to be proposed. Additionally, the ESPA has been re-formatted to align with the RDG PPAs, in that the model ESPA is also a bifurcated document with commercial and technical terms separated so that the model ESPA can be used for all islands. As with the RDG PPAs, clarification edits were made to further clarify LD measurement periods, calculation of performance metrics, and Company dispatch.

IV. Next Steps

The Companies have scheduled separate community meetings for O‘ahu on May 10, 2022, and for Maui on May 24, 2022. The Companies also anticipate that the Commission will continue its practice of holding a Technical Status Conference. The Companies have tentatively indicated a date of June 17, 2022 for the O‘ahu and Maui Technical Status Conference. However, the Companies recognize the Commission may set a different date for such conference or may forgo holding such conference at all. The Companies will present the details of the draft RFPs and contract documents at these meetings. Stakeholders are invited to participate and may submit comments to the Companies until June 2, 2022 or such other time the Commission may set. The Companies will review submitted comments and thoughtfully consider them, in coordination with the Independent Observer, prior to preparing proposed final O‘ahu and Maui Stage 3 RFPs, which the Companies proposed be filed on July 18, 2022, subject to further Commission guidance.

The Companies look forward to continuing to work with the Commission, Consumer Advocate, Independent Observer, and stakeholders to finalize the O‘ahu and Maui Stage 3 RFPs to significantly increase the benefits of renewable energy available to customers.