

# EXHIBIT 1

Description of Development of the third draft  
Stage 3 Hawaii RFP

**Exhibit 1**  
**Description of Updates to the**  
**Proposed Stage 3 Request for Proposals for Hawai‘i Island**

This Exhibit 1 explains the Hawaiian Electric Companies’<sup>1</sup> refinements and updates reflected in this third draft of the Stage 3 Request for Proposals for Hawai‘i Island (“Stage 3 Hawai‘i RFP”).

**I. Background**

The Companies completed the Hawai‘i Island Near-Term Grid Needs Assessment Draft Report (“Grid Needs Assessment”) and filed it with the Commission on July 15, 2021. The Companies then filed a draft Stage 3 Hawai‘i RFP on October 15, 2021. Addressing comments received and including other updates, the second draft of the Stage 3 Hawai‘i RFP was filed on March 18, 2022 (“March 18, 2022 RFP draft”). In these drafts the RFP requirements were guided by the results of the Grid Needs Assessment and guidance provided by the Commission. In addition, as noted with prior drafts, the draft Stage 3 Hawai‘i RFP was shaped by the Companies’ following guiding principles, which are used for all the Company’s RFPs developed pursuant to the Competitive Bidding Framework (“Guiding Principles”): (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.

On April 14, 2022, the Companies held a Technical Conference. At the conference, an updated proposed RFP schedule was shared, providing more time for comments on the March 18, 2022 RFP draft to be submitted, and more time for the PUC to review another draft of the RFP and offer guidance.

This Exhibit 1 identifies the changes that were incorporated into the third draft, and where applicable, provides explanations if changes were not incorporated or alternative solutions offered.

**II. Requests for Proposals**

To the extent possible, the Companies have endeavored to be responsive to stakeholder comments received to date for this RFP, as well as those received for the draft O‘ahu and Maui Stage 3 RFPs that were filed on May 2, 2022 (“May 2<sup>nd</sup> O‘ahu and Maui filing”), when developing this third RFP draft. The Companies look forward to continuing to work with stakeholders on the development of all these RFPs. Most of the comments received for the March 18, 2022 RFP draft were similar to the comments received after the first draft filed on October 15, 2021. The reasons provided by the Companies for still proposing those approaches, such as pro forma and model checks requirements, were also explained in Exhibit 1 of the March 18, 2022 filing.

The discussion below describes key considerations taken into account and modifications made when

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<sup>1</sup> 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.”

updating this Stage 3 Hawai'i RFP.

### Grid Needs Assessment Update

The energy and capacity targets for the Stage 3 Hawai'i RFP were refined based on the update to the July 2021 *Hawai'i Island Near-Term Grid Needs Assessment* report, which was filed on April 21, 2022 ("GNA Update"). The RFP now seeks to acquire up to 325 GWh annually of energy and up to 65 MW of capacity to meet potential energy reserve margin needs. The GNA Update has also replaced the original July 2021 Grid Needs Assessment report in the RFP's Appendix I to provide the latest study information to Proposers on the grid needs for the System. Proposers must review Appendix I.

### Independent Engineer

The Companies continue to be open to including an Independent Engineer in their RFP process if directed by the Commission. As described in the May 2<sup>nd</sup> O'ahu and Maui filing, the Companies believe that an 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. 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. For now, the Companies have left a place in the draft RFP for the Independent Engineer information and have included a brief scope of the Independent Engineer's proposed responsibilities.

### 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. The Companies plan to continue to listen, understand, and work with communities throughout the development process. Updates based on prior feedback from the Stage 1 and Stage 2 RFPs and the Community-Based Renewable Energy RFPs have been carried over into this draft of Stage 3 Hawai'i RFP as well as further feedback based on community outreach for this RFP and the Stage 3 RFPs for O'ahu and Maui. Based on this feedback, the Companies have expanded requirements for community engagement by further defining the requirement for a community benefits package proposed in this Stage 3 Hawai'i RFP.

At minimum, Proposers should commit to setting aside at least \$3,000 per MW, capped at a minimum of \$200,000 per year, for community benefits. Proposers can offer amounts greater than these minimums. 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 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](#)).

#### Interconnection Cost and Single Line Diagram Updates

As outlined in [Section 2.2.1](#) and [Appendix H](#) of the Stage 3 Hawai'i RFP, the Companies offer five (5) existing Company transmission substations for interconnection consideration as potential opportunities to reduce cost or shorten development timelines, in addition to the eighteen (18) existing Company transmission (69 kV) lines offered. One of those substations, Keamuku, has the potential to interconnect a larger Facility than other interconnection locations and the Company proposes a cost share approach for interconnection to the Keamuku substation.

[Appendix H](#) Interconnection Facilities Cost and Schedule Information has been updated to include cost estimates unavailable at the time the second draft of the Stage 3 Hawai'i RFP was filed. The [Appendix H Attachment 1](#) Project Examples has also been further refined to include updated costs. [Attachments 7 to 9](#) that provide the single line diagrams and notes for three configurations of a new switching station to interconnect to the existing Keamuku substation will be made available upon request after executing the Mutual Confidentiality and Non-Disclosure Agreement for the Stage 3 Hawai'i RFP.

The Company is working on a conference to address questions and further discussion on the interconnection options for Keamuku and cost share approach. Information will be posted on the Stage 3 Hawai'i RFP webpage when a date has been selected.

#### 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<sup>2</sup> and the State of Hawai‘i.<sup>3</sup> The Companies have further refined the draft approach that was proposed in the March 18, 2022 RFP draft. As part of the Proposer’s Response Package, enclosed as Appendix B to the 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.

### Previous Performance Evaluation

The Companies took into consideration feedback from community members and stakeholders in other RFPs, and specific Commission guidance in this Stage 3 Hawai‘i RFP to consider the Companies’ past experiences with developers. Introduced in the March 18, 2022 RFP draft and refined in the May 2<sup>nd</sup> O‘ahu and Maui filing, the Stage 3 RFPs now contain an objective evaluation of a developer’s previous performance with the Companies, if any. While the Companies have continued to receive 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.” 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 refined the specific criteria that will be evaluated along with the points associated with each criterion, noting that the points would be capped at 10. The criterion and points associated with each criterion are clearly listed in the RFP and were intended to be objective and easily verifiable.

### Pro Forma Requirement

The Company maintains the 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 establishes a structure and set of procedures that separate the RFP and Development Teams of the Company to prevent the type of information sharing described. Further, developer 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 Development Team and other developers. The RFP

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<sup>2</sup> See <https://www.hawaiianelectric.com/about-us/our-vision-and-commitment/climate-change-action>.

<sup>3</sup> See HRS § 225P-5.

process and compliance with the code of conduct are overseen by the Independent Observer. 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. 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.

#### Certain Portions of the Stage 3 Contracts Non-Negotiable

In the Company's January 19, 2022 letter, 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<sup>4</sup> 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.

In the spirit of accelerating the overall development process, the Companies continue to 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. 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. 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. As the number of PPAs the Company executes continues to grow, ensuring consistency in key provisions will reduce the time and effort needed to administer such contracts and therefore ensure customers are not unduly burdened with costs associated with such administration.

#### Net Energy Potential Calculation

One comment received does not agree with the RFP requiring developers to revert to a Net Energy Potential ("NEP") RFP projection that excludes energy stored in the energy storage component in

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<sup>4</sup> "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, or ESPA). Collectively, these purchase agreements are referred to as the "Stage 3 Contracts."

the calculation. The Company maintains its position and definition of the NEP RFP Projection. As specified in Section 3.10.1.1, the NEP RFP Projection represents the energy generated by the Facility from the renewable resource and delivered to the point of interconnection assuming all energy is directly exported to the point of interconnection in the moment it is generated (full dispatch during all production hours) and never in excess of the Net Nameplate Capacity. The intent of the NEP RFP Projection is to represent the potential net generation expected to be made available to the Company from the Project's siting, generating equipment and design. A storage component of a facility does not generate energy. The benefits of the storage component, however, will be included and reflected in the Company's production modeling of the Project's dispatch.

#### Existing Facilities Proposing into this RFP

Previous drafts of this Stage 3 Hawai'i RFP already specified this RFP will accept Proposals from existing projects. This third draft expands the clarification that those projects can still maintain the rights to use their existing interconnection facilities and points of interconnection, however, upgrades or replacements may be needed. The Company is working on creating a baseline cost for existing projects to use if they participate into this RFP that will be made available to existing projects once the RFP is released and upon request.

#### Fuel

Based on feedback received, the Companies have attempted to clarify the language related to fuel supply requirements for projects that bid Firm Dispatchable Renewable Generation. This includes clarifying that Proposals for biofuel do not have to commit to a price of fuel for the term of the PPA or provide a contract for fuel for the entire term of the PPA.

### **III. Next Steps**

The Stage 3 Hawai'i RFP is offered to the Commission in near-final form for action or further guidance. The Companies look forward to continuing to work with the Commission, Consumer Advocate, Independent Observer, and stakeholders to finalize the Stage 3 Hawai'i RFP to significantly increase the benefits of renewable energy available to customers.