

Exhibit 1
Proposed Final Changes Addressing Order 38735

This Exhibit 1 describes the Hawaiian Electric Companies'¹ proposed final changes to the Stage 3 Requests for Proposals for O‘ahu and Maui (“Stage 3 O‘ahu and Maui RFP”) and supporting documentation in accordance with Order 38735.²

I. Order 38735, Motion for Partial Reconsideration and/or Clarification, and Order 38653

After a review of the Companies’ first draft of the Stage 3 O‘ahu and Maui RFP filed on May 2, 2022, the Commission issued Order 38735 on December 1, 2022 approving, with modifications, the Companies’ draft RFP and directed the Companies to file the final Stage 3 O‘ahu and Maui RFP within 15 business days. Order 38735 also stated the final Stage 3 O‘ahu and Maui RFP will be approved for issuance automatically 15 business days after it is filed, unless the Commission orders otherwise.

On December 12, 2022, the Companies filed a Motion for Clarification and/or Partial Reconsideration of Order No. 38735 filed on December 1, 2022 (“Motion”), requesting clarification and/or partial reconsideration of Order 38735 for reasons set forth in the Motion. Specifically, the Motion sought reconsideration or clarification of Order 38735 “regarding cost estimates related to Proposers’ interconnection of their projects, in order to be consistent with prior Commission direction issued in [Docket No. 2017-0352]”.

This Exhibit 1 identifies the changes that were incorporated into the proposed final Stage 3 O‘ahu and Maui RFP, consistent with Order 38735. The Companies note that many discussion points outlined in Order 38735 were also noted in the Stage 3 Hawai‘i RFP and underwent the following discussion process.

After a review of the Companies’ third draft of the Stage 3 Hawai‘i RFP filed on May 31, 2022, the Commission issued Order 38479 on June 30, 2022, approving, with modifications, the Companies’ third draft. On July 11, 2022, the Companies filed a Motion for Partial Reconsideration and/or Clarification of Order No. 38479 filed on July 11, 2022 (“Hawai‘i RFP Motion”), requesting partial reconsideration and/or clarification of Order 38479 for reasons set forth in the July Motion. Specifically, the Hawai‘i RFP Motion sought reconsideration or clarification of Order 38479 regarding: (1) State of Project Development and Schedule Evaluation Criteria; (2) Community Benefits Package; (3) Pro Forma Requirement; (4) Non-Negotiable Sections of the PPA; (5) Hosting Capacity Results; (6) Carbon Emissions Analysis; (7) Previous Performance Scoring Criteria; and (8) Independent Engineer (“IE”). On October 17, 2022, the Commission issued Order 38653, addressing the Hawai‘i RFP Motion and clarifying modifications directed to the Companies in Order 38479.

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.”

² Order No. 38735, Approving the Hawaiian Electric Companies’ Final Stage 3 Request for Proposals for Oahu and Maui, with Modifications, issued on December 1, 2022 in the subject proceeding (“Order 38735”).

II. Proposed Final Changes to Stage 3 O‘ahu and Maui RFP

A. State of Project Development and Schedule Evaluation Criteria

In Order 38735, “the Commission direct[ed] the Companies not to deduct points from a proposal based on its interconnection-related costs.” Order 38735 at 18. Order 38735 also clarified that the Companies may deduct points if a proposal does not include *any* interconnection cost estimates, but may not deduct points if the Companies find the proposed interconnection costs to be inaccurate. Order 38735 at 18. The Companies understand the Commission’s directive to permit the Companies to deduct points in the non-price evaluation if proposals fail to account for all of the applicable line items in Appendix H.

Additionally, consistent with the Commission’s suggestion in Order 38735 and as discussed in the Companies’ Proposed Final Changes Addressing Orders 38479 and 38653 filed on December 2, 2022 (“Stage 3 Hawai‘i Exhibit 1”), the Companies will continue to engage with Proposers throughout the RFP process “to answer questions related to interconnection cost estimates, review interconnection cost studies conducted by proposers, and prioritize the sharing of information to improve the accuracy of interconnection cost estimates.” Order 38735 at 18. Also, as discussed in Stage 3 Hawai‘i Exhibit 1, in the event that it appears that a Proposer has not provided accurate interconnection costs with their bid submittal, the Companies intend to require an attestation from Proposers confirming that such Proposer understands that (1) it appears they have not accurately followed Appendix H in their bid submittal or that their proposed interconnection costs otherwise do not appear accurate and (2) should the Proposer continue to proceed with their proposal, and be selected, the Proposer shall be responsible for the final determination of interconnection costs, whether or not it is higher than what the Proposer has included in its bid.

In addition, the Company has added a new Threshold Criterion to more clearly require that Proposals demonstrate that they have developed and can execute on a schedule that will allow the project to reach commercial operations as specified and as required by the RFP. As meeting the GCODs set forth in the RFP will be a critical item, especially for the firm generation resources these RFPs are seeking, the Company inserted a new State of Project Development and Schedule & Permitting Threshold Criterion. This will allow the Company to be able to more definitively address proposals with deficient schedules rather than depend on reducing scores in the non-price evaluation. This will, for example, allow for the disqualification of Proposals that have not accounted for objective issues such as long-lead permitting or providing for the task durations provided in Appendix H. In the event that a Proposal is identified for possible disqualification, the Company will offer the Proposer a chance to clarify and if applicable, a chance to cure its Proposal. The Company will not disqualify any Proposal without concurrence from the Independent Observer.

B. Community Benefits Package

The Commission recognized the efforts of the Companies to incorporate stakeholder feedback, but found “that capping the minimum commitment of funds for the [Community Benefits Package (“CBP”)] could provide an advantage for larger projects, while potentially reducing the proportionality between community impacts and benefits,” and directed the Companies to remove the cap on the \$200,000 minimum commitment of funds for CBPs. Order 38735 at 21. The

Companies removed the cap on the minimum commitment of funds for the CBPs and revised the relevant Model Contracts to reflect such removal.

The Commission also directed the Companies “to add flexibility to the census tract requirement to allow for case-by-case review of CBP components that may fall outside of, or stretch beyond, the census tract of the proposed project” and to “remove the requirement contained in the O‘ahu and Maui Stage 3 Draft RFPs, Sections 4.4.2, footnotes 38 (Oahu) and 37 (Maui), to the extent it restricts funds from non-profits to recipients from the same census tract as the project.” Order 38735 at 22.

In response to the Commission’s directive and consistent with the discussion in Stage 3 Hawai‘i Exhibit 1, the Companies have removed footnotes 38 (O‘ahu) and 37 (Maui) from the Stage 3 O‘ahu and Maui RFP. The Companies reiterate the concern that the removal of the census tract requirement will create subjectivity in the community outreach evaluation. To mitigate this concern, the Companies have revised Sections 4.4.2 and 5.3 of the Stage 3 O‘ahu and Maui RFP to require that Proposers provide details regarding the intended beneficiaries of the CBP, including recipients and the area(s) in which the funds will be directed.

In Order 38735, “the Commission emphasize[d] that the size of the proposed CBPs should be proportionate to the needs of the communities affected by the project, with considerations, for example, of the share of LMI and underserved populations in these communities.” Order 38735 at 23. Consistent with the discussion in Stage 3 Hawai‘i Exhibit 1, the Companies interpret this language as a directive to Proposers in drafting their CBPs and Proposals.

In an effort to further address community concerns and to improve community engagement, and as discussed in Stage 3 Hawai‘i Exhibit 1, the Companies introduced a new step in the evaluation process in Section 4.5 of the Stage 3 O‘ahu and Maui RFP, stating that, within 30 days of Priority List Notification, the Companies will provide feedback to Proposers advancing to the Priority List regarding their (1) Community Outreach Plan and (2) Cultural Resource Impacts. Proposers are expected to respond to any requests for clarification and resolve potential issues identified by the Companies during this period of feedback. The Companies hope that the opportunity for further feedback regarding community and cultural outreach will improve engagement by the Proposer as specified in the RFP.

C. Net Energy Potential

The Commission ordered the following with respect to proposals’ Net Energy Potential (“NEP”):

Pursuant to feedback from stakeholders in response to the Third Draft Hawai‘i Island Stage 3 RFP, the Commission found it reasonable to allow for upward adjustments to a project’s Net Energy Potential (“NEP”), to provide an incentive for bidders to pursue greater efficiencies in energy production. In accordance with Order No. 38479, the Commission orders the Companies to allow a one-time adjustment in NEP of up to five percent above the RFP NEP prior to the commercial operations date of the project. The Companies may allow for an increase in lump sum payment pursuant to the updated NEP but will not allow a change in the project’s unit price. The IE

may assist in verifying the requested increase to the NEP.

Order 38735 at 24-25. Accordingly, the Companies revised Section 3.10.11 of the Stage 3 O‘ahu and Maui RFP, as well as the Model RDG PPAs, to reflect this directive in Order 38735.

The Commission identified in the draft RFPs “[t]he NEP RFP Projection should ignore any contributions from the energy storage component of the Facility.” The Commission was concerned with the possible adverse effects this could have on the pricing evaluation. The Commission therefore “direct[ed] the Companies to clarify how the benefits from the storage component of a paired storage project will be assessed in the initial evaluation and how projects of different storage durations will be evaluated fairly to the production modeling step. Should the Companies include language similar to the Final Hawaii Island Stage 3 RFP, as provided in Exhibit 4, Section 4.4.1, footnote 41, the Commission directs the Companies to also explain the modified process, its intent, and any anticipated effects of such change.” Order at 25.

In Section 4.4.1, the Companies indicated that “[i]n order to fairly evaluate Proposals with different technologies and characteristics, the Company will group Proposals into technology-based and storage-based evaluation categories” and that “[i]f Proposals with various storage sizes are received in the RFP, different categories based on storage size will be established during the Initial Evaluation to enable the benefits of the Projects’ storage to be assessed.” In effect, creating separate categories to recognize different storage sizes ensures that the top scoring projects of a particular storage size advance to the Priority List and Detailed Evaluation wherein the modeling tools (i.e., RESOLVE and/or PLEXOS) are allowed to determine the optimal mix of Proposals to meet the grid’s needs. For example, the modeling tools can determine whether a 4-hour or 6-hour duration storage (paired with a PV system) would better fit the grid needs. Distinguishing the various types of storage proposals in the Initial Evaluation mitigates any unintended consequence of removing a potentially beneficial project from the evaluation process prematurely.

D. Pro Forma Requirement

The Commission “direct[ed] the Companies to remove the pro forma requirement.” Order 38735 at 26. While the Companies continue to believe pro formas should be required, the Companies revised Sections 3.10.3 and 4.4.2(2) of the Stage 3 O‘ahu and Maui RFP to remove the pro forma requirement. Consistent with the Commission’s suggestion in Order 38735 and as discussed in Stage 3 Hawai‘i Exhibit 1, the Companies revised Sections 2.1, 2.2.3, and 2.3.2.2 of Appendix B to remove the pro forma requirement and update the RFPs with a general requirement for high-level cost estimates similarly requested in Stage 1, Stage 2, and CBRE RFPs.

In directing the Companies to remove the pro forma requirement in the Stage 3 Hawai‘i RFP, the Commission suggested instead that the Companies “require that Proposers provide interconnection cost estimates prior to bid submission,” further requiring that those cost estimates be provided directly to the IE prior to a proposal submission. Order 38479 at 20-21, 32-33. Order 38735 also included this requirement with respect to interconnection costs. However, the Companies sought reconsideration and removal of this requirement, and reiterated that the Stage 3

Hawai‘i RFP already requires an interconnection cost estimate for each proposal. Order 38479’s requirement to provide interconnection cost estimates to the IE prior to proposal submission allows Proposers to circumvent the Companies’ review of such estimates, separating them from the proposal entirely. In Order 38653, the Commission denied the Companies’ request for reconsideration, instead clarifying that “the Companies will instead provide the IE with access to the interconnection cost estimates as a component of each project’s bid package.” Order 38653 at 12. Based on this guidance, in the Stage 3 Hawai‘i Exhibit 1, the Companies noted that it will provide the IE with access to PowerAdvocate, which will allow the IE access to each Proposer’s entire bid submittal, and will include the IE on all communications with Proposers regarding interconnection cost estimates. The Commission, however, did not provide this same clarification in Order 38735 for O‘ahu and Maui, and reverted back to the language from Order 38479. Therefore, as noted above, the Companies filed the Motion noted above requesting that this direction regarding providing the IE access to PowerAdvocate for the purpose of reviewing interconnection cost estimates also be ordered with respect to the Stage 3 O‘ahu and Maui RFPs. The Companies are currently awaiting the Commission’s response to the Motion and proceeding with the same direction as the Stage 3 Hawai‘i RFP assuming the Commission will issue the same clarification for consistency across the Stage 3 RFPs.

E. Non-Negotiable Sections of the PPA

The Commission “is amenable to retaining non-negotiability for the development period security and operating period security specified amounts.” Order 38735 at 27. Additionally, the Commission “accepts the non-negotiability of the Performance Standards; however, the Commission shall require the Companies to provide additional clarity related to the Performance Standards, as requested by the Proposers, and should involve the IE when using the IRS results to determine Performance Standards.” Order 38735 at 28.

Consistent with the Commission’s suggestion in Order 38735 and as discussed in Stage 3 Hawai‘i Exhibit 1, the Companies have not made any further revisions to the RFP or the model PPAs on this point as the RFP already provides for the non-negotiability of Performance Standards. However, the Companies confirm that Performance Metrics, which are different than Performance Standards, and other sections of the model PPAs are negotiable, and have been since the first draft O‘ahu and Maui Stage 3 RFP was filed on May 2, 2022.

F. Available Sites

The Commission ordered the Companies to “specify that the offered transmission lines and substations listed [in the RFP] are recommendations, not requirements for interconnection of the projects.” Order 38735 at 30.

Consistent with the Commission’s suggestion in Order 38735 and as discussed in the Stage 3 Hawai‘i Exhibit 1, the Companies will provide Proposers the opportunity to propose interconnecting at non-offered locations. This process will undoubtedly be onerous, and Proposers should be prepared for major transmission infrastructure expansions/upgrades, as the offered list was developed based on a preliminary assessment of feasible interconnections. With these transmission upgrades, Proposers will provide cost estimates based on unit pricing provided in Appendix H, which may or may not be accurate in the evaluation phase. Within the evaluation phase,

determining a best value portfolio will be complex to evaluate with major transmission upgrades given the uncertainty of such estimates. The Companies do not disagree with the Commission's position on this point, as outlined in Order 38735; however, the Commission should expect the RFP process to take longer than anticipated due to such added complexities.

G. Carbon Emissions Analysis

In Order 38735, the Commission directed the Companies to not only consider modifications to this criterion regarding carbon emissions estimates to mitigate underestimation, but also provide further clarity on how the Companies intended to evaluate the carbon emissions analysis in the Stage 3 O'ahu and Maui RFP. Order 38735 at 32-33. The Companies clarify that they will utilize indicative information obtained from Proposers through the Carbon Emissions Questionnaire in Section 2.15 of Appendix B to assess a project's carbon impacts relative to other proposed projects.

To address the Commission's concerns with potential underestimation of the factors in the Carbon Emissions Questionnaire (i.e., concerns that Proposers provide responses to questions that are optimistic or would result in a better score for the Carbon Criteria questions), and consistent with the Commission's suggestion in Order 38735 and as discussed in Stage 3 Hawai'i Exhibit 1, the Companies revised and clarified Section 2.15 of Appendix B to the Stage 3 O'ahu and Maui RFP, Carbon Emissions Questionnaire, to improve questions and include explicit guidance to Proposers for providing conservative answers.

H. Previous Performance Scoring Criteria

The Commission found the inclusion of the Previous Performance scoring criteria helpful to ensure Proposers are "equipped and motivated to deliver on proposal commitments." Order 38735 at 34. The Commission directed the Companies to revise the Stage 3 O'ahu and Maui RFP with respect to the Previous Performance scoring criteria consistent with the following:

First, the Companies should notify bidders of any potential deductions and provide them with the opportunity to respond with a written explanation within five business days. Second, the Companies, in consultation with the IO, will review and consider these written responses in determining instances that were outside of the Proposer's control or otherwise excusable. Third, the Companies will finalize deductions with the express objective of determining the risk of future under- or non-performance based on past performance.

The Companies, with confirmation from the IO, shall avoid penalizing bidders for negative past performance that was beyond their reasonable control. Throughout the process, the IO will ensure that any subjective judgments are conducted reasonably and are applied fairly, transparently, and consistently across proposals. In addition, the IO will review each determination with the Companies and ensure that the Companies inform Proposers of specific infractions and provide an adequate opportunity to respond.

Order 38735 at 36-37. The Companies revised Section 4.4.2 of the Stage 3 O'ahu and Maui RFP to reflect the ordered modifications.

Further, the Commission “direct[ed] the Companies to add new infractions for these three circumstances and determine an appropriate point deduction to account for the magnitude of detriment caused by this circumstance” and “remove the first eligibility requirement, which considers these three circumstances.” Order 38735 at 35-36. The Companies revised Section 4.4.2 of the RFP consistent with Order 38735 with respect to situations where (1) the Proposer, its parent company, or an affiliate has defaulted on a current contract with the Company, unless such default was cured by the contracting Proposer, parent company, or affiliate in an expeditious manner to the satisfaction of the Company; and (2) the Proposer, its parent company, or an affiliate had a contract terminated by the Company, which was not reinstated or otherwise superseded by a subsequent contract.

I. Community Engagement Website

The Commission found it reasonable that the Companies “provide five business days after notification of selection to the Final Award Group for the Proposer to launch the project website, and the Companies to modify the RFP as such.” Order 38735 at 37-38. Consistent with the Commission’s suggestion in Order 38735 and as discussed in Stage 3 Hawai‘i Exhibit 1, the Companies revised Section 5.3 of the RFP to state that by the “fifth (5th) business day after the Company notifies a Proposer they were selected, each Proposer shall provide the Company with links to their Project website, which the Company will then post on the Company’s website. Each Proposer will launch a Project website that will go-live by that fifth (5th) business day after notification of Final Award Group selection.”

J. Independent Engineer

The Commission indicated in Order 38735 that it “has hired an IE, PA Consulting Group Inc. (“PA Consulting”), to assist in matters related to interconnection for the Stage 3 RFP processes on Hawaii Island, Oahu, and Maui”. The Companies appreciate the inclusion of an IE in the RFP process and that the Commission considered the Companies’ feedback to Order 38479 when including this provision in Order 38653. The Companies note the following with regard to the IE’s duties and work as encapsulated by Order 38735.

First, the Commission ordered that the IE “will assist in determining whether project re-designs necessitate re-studies.” Order 38735 at 38. The Companies sought clarification of this requirement for the Stage 3 Hawai‘i RFP, as the Companies must retain the ability to determine when a restudy is necessary in order to properly maintain the Companies’ grid and provide the accurate modeling information to execute future studies. In Order 38653, the Commission found that the Companies’ concerns are “justified and reasonable,” but did not otherwise address the Companies’ request for reconsideration. Order 38653 at 22-23. Therefore, in the Stage 3 Hawai‘i RFP, the Companies did not include this directive. The Commission did not object to that non-inclusion; therefore, the Companies also did not include this directive in the O‘ahu and Maui RFPs.

Second, Order 38735 gave the IE the power to “verify that any required transmission system upgrades attributed to a project are justified and reasonable.” Order 38735 at 40. In Order 38735, the Commission also clarified that “the IE will not have authority to overrule the Companies’ decisions” and that “the IE’s duty is to assist the Commission in overseeing the Companies’ conduct

during the RFPs, including decisions made pertaining to the operation, reliability, and safety of the grid.” Order 38735 at 40. The Companies appreciate that the Commission further clarified the scope of the IE’s role in the RFP process.

K. Proposed Contract Modifications

While the Commission noted initial concerns about the Proposed Contract Modifications non-price evaluation criterion, “[t]he qualification and representation by the Companies alleviate the Commission’s concerns.” Order at 42. As such, no revisions have been made to the Proposed Contract Modifications non-price criterion.

The Commission did caution the Companies “to not strictly apply this criterion to discourage mutually beneficial provisions.” Order at 42. The Companies appreciate the guidance of the Commission and will conduct its evaluations accordingly.

L. GCOD Evaluation

The Commission acknowledged the removal of the non-price scoring criteria for GCOD but still directed the Companies “to highlight that GCODs are no longer a non-price criteria.” Consistent with the Commission’s direction in Order 38735 and as discussed in the Stage 3 Hawai‘i Exhibit 1, the Companies added a footnote in Section 1.8.3 of the RFP that states, “[d]iffering from the Stage 2 RFPs, GCOD is no longer a non-price criteria, though all GCODs must be no later than December 1, 2030 to meet the threshold requirement.”

M. Independent Observer

The Companies created placeholders for the Independent Observer’s information in the Draft Stage 3 RFP. Bates White will continue as the IO for the Hawai‘i, Maui, and O‘ahu Stage 3 RFPs. The Commission “directs the Companies to incorporate the specific details for the IO, Bates White, and their contact information into the RFPs.” Order at 44. The Companies have updated the Stage 3 O‘ahu and Maui RFP as directed by the Commission.

N. Federal and State Tax Credits

Section 1.2.19 of the Draft Stage 3 RFP stated that Proposers shall pursue all available federal and state tax credits. In Order 38735, the Commission noted that the Final Hawai‘i Island Stage 3 RFP included language stating that the provision included tax credits available under the federal Inflation Reduction Act. The Commission instructed the Companies to include similar language in the Stage 3 RFP. The Companies have updated the Stage 3 O‘ahu and Maui RFP in the same manner as the Final Hawai‘i Island Stage 3 RFP.

O. Clarifications for the Evaluation of Firm Generation

Targets for Firm Capacity

The RESOLVE model will be used to evaluate proposals in this RFP to develop least-cost portfolios of firm and variable renewable resources. It utilizes the Energy Reserve Margin and

Hourly Dependable Capacity criteria to define the capacity contributions of firm and variable resources that can be selected to meet the hourly planning reserve margin. The same model and criteria were used in the Near-Term Grid Needs Assessments to define the RFP targets where capacity contributions of variable renewables were already accounted for in defining the firm renewable needs. In particular, on Maui, the 40 MW firm target has been identified as a critical need by 2027 to address, among other things, the upcoming retirement of the Kahului Power Plant. This target assumes the acquisition of the entire amount of variable generation and storage sought in the Stage 3 RFPs. Similarly, on O‘ahu, the 300-500 MW by 2029 and 200 MW by 2033 firm targets also assume the acquisition of the entire amount of variable generation and storage sought in the Stage 3 RFP.

RESOLVE will be able to evaluate all proposals (of all technologies) to select resources to meet the capacity targets and other operational needs to determine a least cost portfolio. In other words, depending on the actual cost and capabilities of the Proposals, the Final Award Group may be different than the variable renewable and renewable firm generation targets set forth in the RFP (which used different generation technology cost projections as approved in the Integrated Grid planning proceeding). Additional analyses may be required to stress test the resource portfolio selected by RESOLVE to ensure that system reliability is maintained under alternate scenarios (i.e., different forced outages, weather conditions, or generating unit retirement assumptions, etc.).

Capacity Factor, Dispatch Assumptions, and Fuel Requirements

The Near-Term Grid Needs Assessments for O‘ahu and Maui, included as Appendix I to their respective Stage 3 RFPs, provide the annual capacity factors for the new firm thermal units that were modeled as a proxy for the Stage 3 RFP renewable firm capacity targets.

Maui (from page 65 of Appendix I to the Stage 3 Maui RFP)

<u>Capacity Factor (%)</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>
<u>ICE Unit 1</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>2%</u>	<u>6%</u>	<u>1%</u>	<u>1%</u>	<u>2%</u>	<u>2%</u>
<u>ICE Unit 2</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>2%</u>	<u>6%</u>	<u>2%</u>	<u>1%</u>	<u>2%</u>	<u>2%</u>

On Maui, due to the high amount of variable renewables that are expected to be added to the portfolio, the new firm thermal units will primarily act as standby capacity and run infrequently as shown by their low capacity factors.

O‘ahu – Base Case (from page 123 of Appendix I to the Stage 3 O‘ahu RFP)

<u>Capacity Factor (%)</u>	<u>Base 508 Staggered</u>		<u>Base 607 Staggered</u>			<u>Base 688 Staggered</u>		
	<u>CT</u>	<u>CC</u>	<u>CT</u>	<u>ICE</u>	<u>CC</u>	<u>CT</u>	<u>Biomass</u>	<u>CC</u>
<u>2029</u>	<u>12%</u>	<u>N/A</u>	<u>4%</u>	<u>26%</u>	<u>N/A</u>	<u>1%</u>	<u>97%</u>	<u>N/A</u>
<u>2030</u>	<u>5%</u>	<u>N/A</u>	<u>2%</u>	<u>10%</u>	<u>N/A</u>	<u>0%</u>	<u>76%</u>	<u>N/A</u>
<u>2031</u>	<u>5%</u>	<u>N/A</u>	<u>2%</u>	<u>8%</u>	<u>N/A</u>	<u>0%</u>	<u>73%</u>	<u>N/A</u>
<u>2032</u>	<u>4%</u>	<u>N/A</u>	<u>1%</u>	<u>8%</u>	<u>N/A</u>	<u>0%</u>	<u>72%</u>	<u>N/A</u>
<u>2033</u>	<u>0%</u>	<u>10%</u>	<u>0%</u>	<u>2%</u>	<u>11%</u>	<u>0%</u>	<u>69%</u>	<u>1%</u>
<u>2034</u>	<u>1%</u>	<u>8%</u>	<u>0%</u>	<u>2%</u>	<u>9%</u>	<u>0%</u>	<u>66%</u>	<u>1%</u>
<u>2035</u>	<u>0%</u>	<u>6%</u>	<u>0%</u>	<u>1%</u>	<u>6%</u>	<u>0%</u>	<u>59%</u>	<u>0%</u>

O‘ahu – Land Constrained Case (from page 125 of Appendix I to the Stage 3 O‘ahu RFP)

Capacity Factor (%)	LC 508 Staggered		LC 607 Staggered			LC 688 Staggered		
	CT	CC	CT	ICE	CC	CT	Biomass	CC
2029	24%	N/A	10%	44%	N/A	4%	97%	N/A
2030	13%	N/A	6%	21%	N/A	3%	95%	N/A
2031	13%	N/A	6%	23%	N/A	2%	96%	N/A
2032	23%	N/A	12%	36%	N/A	5%	96%	N/A
2033	11%	56%	4%	23%	50%	1%	96%	24%
2034	12%	57%	5%	27%	50%	2%	96%	24%
2035	3%	31%	1%	9%	28%	0%	89%	11%

On O‘ahu, a range of variable renewable additions and firm thermal units were considered. In the Base Case with a high level of variable renewable additions, the new firm thermal units (internal combustion engine (ICE), combustion turbine (CT), combined cycle (CC)) have low capacity factors, consistent with Maui’s GNA, where these units act as standby capacity. The exception is biomass, which, due to its assumed low fuel cost, runs at very high capacity factors.

In the Land Constrained Case with a low, constrained level of variable renewable additions, the new firm thermal units run at higher capacity factors to serve the load that was previously being served by a larger amount of variable renewables in the Base Case. The biomass runs at a consistently high capacity factor, similar to the Base Case. In both the Base Case and Land Constrained Case, the new ICE, CT, and CC units were assumed to run on biofuel.

The capacity factors provided above are intended to represent typical conditions and are for illustrative purposes only. If an emergency occurs, e.g., a severe weather event that causes the forced outage of multiple resources, higher capacity factors of the new firm thermal units may be required. Additionally, many other factors may affect the capacity factor or run hours of generating units, such as the type and cost of fuel oil used, heat rate, existing generating units that remain in-service or retired, and the amount of variable renewable dispatchable projects on the system, among others.

The Company has refined its guidance with respect to the fuel requirements for firm generators. See Order at 54. Instead of setting the requirement at 47 days of fuel on O‘ahu and 30 days of fuel on Maui, the Company has clarified that it seeks a minimum Fuel Floor Requirement of fourteen (14) days of fuel and any other necessary consumables required to operate the proposed facility on site, assuming full dispatch of 16 hours per day. This minimum on-site requirement can be reduced to seven (7) days of fuel and any other necessary consumables required to operate the proposed facility at 16 hours of full load operation with the additional 7 days off site if offsite storage connected via pipeline is utilized or if the fuel is otherwise immediately accessible. This floor allows Proposers to calculate minimum fuel requirements without any need for understanding the expected dispatch of the facility. In addition, Proposers must demonstrate that they have a guaranteed contract that allows the Project at any time to obtain 30 days of any fuel that the developer is permitted to consume and other necessary consumables required to operate the

proposed facility based on normal expected operation³ from an on-island source. Proposers must also have a fuel management plan to guarantee that fuel stored offsite will be delivered to the project when needed, particularly during an emergency event when fuel is required. These refinements were made with the intent to remove any uncertainty regarding dispatch assumptions and capacity factors with regard to developing fuel supply and storage plans but still provide for reasonable fuel inventories for normal dispatch to support resiliency requirements. These refinements will also be added to the Hawai'i Stage 3 RFP.

Environmental Constraints

The Commission highlighted a public comment regarding the Companies maintaining discretion over the operations of the generating units while developers are responsible for the control of and consequences of emissions produced from the operation of the facility. The Commission, in Order 38735, “directs the Companies to clarify whether there are contractual obligations in place for the Company with respect to such operational constraints to protect the Proposers from incurring potential penalties, and, if not, the Companies should clarify whether they will accept operational limitations, if requested by the Proposers, to avoid such penalties.”

The Companies would like to clarify that it is the responsibility of the Seller to operate within the limits of its permit while being able to operate per the terms in the Firm PPA. Any operational constraints need to be identified in their proposal (see Appendix B, Section 2.2.4). The Seller must also demonstrate in its Proposal that it understands the applicable state and federal laws, and any environmental limitations, in force at the time of bid proposal. The evaluation of the Seller’s proposal will take into account any constraints identified in their proposal and these operational limitations would be included in the executed PPA. In the event that there are changes to operational limitations due to permitting or other governmental requirements, such changes will be memorialized in an amendment to the Firm PPA, which must be mutually agreed to between the parties. A right to amend the PPA based on changes imposed in permitting should not be seen as a blanket right for Proposers to submit their proposal with no limitations in order to be evaluated under more favorable terms and then assume a PPA amendment will be executed later. At a minimum, Proposers are responsible for researching permitting and environmental requirements in existence and identifying such requirements and any resulting operational limits in their Proposal. The Company will not be amenable to entering into PPA amendments for environmental constraints that were known at the time of bid and were not specified in the Proposer’s Proposal.

P. Conforming Revisions to Model Contracts

The Companies have made a number of changes to the Model Contracts in order to align the PPAs with the changes made to the RFP (e.g., allowing a one-time adjustment to raise the NEP RFP Projection no more than 5% in the Model RDG PPAs, fuel supply requirements, and changes to provisions regarding community outreach requirements). Changes have also been made to the Model Contracts to correct and clarify certain commercial and technical terms (e.g., commercial terms relating to the provision of a substitute letter of credit, subcontractor insurance requirements,

³ The Grid Needs Assessment information provided in App. I of the RFPs can be used to estimate the future normal expected operation for initial fuel supply planning purposes. Over the term of the Project, the future normal expected operation shall be based upon (i) the average level of Company Dispatch during the previous six (6) months and (ii) the expected level of Company Dispatch during the following month as indicated by Company.

and requests for additional interconnection cost payments; and technical terms relating to Ramp Rate requirements), and to make the Model Contracts consistent where appropriate (e.g., incorporating into the ESPA tax credit pass through provisions similar to those in the other Model Contracts). Additional material revisions include adding a termination right for Company if Seller fails to demonstrate satisfaction of the BESS EFOF Performance Metric at the expiration of the applicable cure period, and adding an exception to the force majeure exclusion regarding Seller's inability to obtain government approvals.

Q. Modifications to RDG Energy Targets

The Companies revised the energy target for annual gigawatt hours of variable renewable dispatchable generation for O'ahu from 928 gigawatt hours to 965 gigawatt hours to account for the withdrawal of the Barbers Point Solar Project. In addition, the Companies have revised the energy target for Maui from 349 gigawatt hours to 425 gigawatt hours to account for the termination of the Kahana Solar project.

R. Bifurcation of PPAs and Interconnection-Related Requests

The Commission noted that "it is disinclined to consider the bifurcation of its review of an application for a PPA with its review of any associated interconnected-related request for projects awarded pursuant to the Stage 3 RFPs for Hawai'i Island, Oahu, and Maui, unless compelling justification is provided." See Order at 57. The Companies confirm that it is not seeking bifurcation of PPA applications with interconnected-related request and therefore no changes have been made to the Stage 3 RFP regarding this issue.

S. Additional Stakeholder Feedback Provided

The Companies have begun a process to identify future areas for renewable energy development. While the whole of this work is not yet complete and available for the Stage 3 O'ahu and Maui RFPs, as part of this process the Companies have started community outreach and invited members of the community to provide feedback on areas of O'ahu and Maui where the Community may or may not be amenable to renewable energy and to provide other feedback that would be helpful in siting renewable energy projects. While intended to be used as part of the development of Renewable Energy Zones for future RFPs after these Stage 3 RFPs, such community feedback may be instructive for projects in these Stage 3 RFPs and Proposers are encouraged to carefully review such information when selecting sites and developing their community outreach plans. This information will be made available at www.hawaiipowered.com/rez once it has been compiled by January 2023. Further, community members are invited to go to www.hawaiipowered.com/rez and leave further comments on maps for each island.

In addition, the Hawaii State Energy Office has developed a community engagement strategy called Energize Kākou⁴ which includes a guide for best practices for community engagement. This resource has also been identified in the RFP documents.

⁴ Energize Kākou website is available at <https://energy.hawaii.gov/get-engaged/energize-kakou/>. The Playbook of community engagement best practices is available at https://energy.hawaii.gov/wp-content/uploads/2022/10/Energize-Kakou-Playbook_FINAL.pdf.

III. Next Steps

The Companies look forward to working with the Commission, the Consumer Advocate, the Independent Observer, and the Independent Engineer to launch and execute a competitive and successful procurement.