

**DRAFT REQUEST FOR PROPOSALS**

**FOR**

**FIRM CAPACITY RENEWABLE DISPATCHABLE GENERATION**

**ISLAND OF MAUI**

OCTOBER 23, 2017

Docket No. 2017-0352

This Request for Proposals (“RFP”) is a DRAFT only. Maui Electric Company, Limited. (“Maui Electric” or “Company”) will employ a competitive bidding process to select firm renewable dispatchable generation projects consistent with the State of Hawai‘i Public Utilities Commission’s (“PUC”) Competitive Bidding Framework. Under the Competitive Bidding Framework, Maui Electric will file the initial draft RFP with the (PUC). Then, Maui Electric will seek input from prospective Proposers and other stakeholders through a Technical Conference as described in the draft RFP and will modify the draft RFP to the extent feasible to address input received in order to foster a robust competitive process. The proposed final RFP will be submitted to the PUC for approval and is subject to further revision based upon direction received from the PUC. After approval by the PUC, Maui Electric will issue the final RFP. The proposed schedule for the foregoing process is set forth in this draft RFP in Table 1.

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1. : **Introduction and General Information**

Maui Electric Company, Limited. (“Maui Electric” or “Company”) seeks proposals for the supply of qualified firm capacity renewable dispatchable energy to be delivered to the Maui Electric System in accordance with this Request for Proposals (“RFP”). The total amount of Capacity being solicited for Maui is approximately forty (40) megawatts[[1]](#footnote-2) (“MW”), over a term of 25 years. The resources acquired through this Final RFP must have Guaranteed Commercial Operations Dates that are no later than December 31, 2022.

The Company intends to contract for firm capacity renewable dispatchable generation projects under this RFP using its Model Power Purchase Agreement for Renewable Firm Capacity and Dispatchable Energy (“PPA”), which require generating resources as fully dispatchable. A copy of the Model PPA is attached hereto as Appendix C. The Company is concurrently issuing a separate RFP for variable renewable dispatchable energy for Maui.

Each successful Proposer will provide firm capacity dispatchable energy to the Company pursuant to the terms of a PPA to be negotiated between the Company and Proposer, which shall also be subject to PUC review and approval.

The Company will evaluate Proposals using the evaluation and selection process and described in Chapter 4 of this RFP. The Company will evaluate and select Proposals based on both price and non-price factors that impact the Company, its customers, and communities affected by the proposed projects.

A detailed description of the technical requirements for Proposers is included in Chapter 2 of this RFP, in the Proposer’s Response Package attached to this RFP as Appendix B (and various model contracts attached as exhibits to this RFP), and on the Electronic Procurement Platform described in Section 3.2 (i.e. PowerAdvocate Platform).

All requirements necessary to submit Proposal(s) are provided in this RFP. All capitalized terms used in this RFP shall have the meaning set forth in the Glossary of defined terms attached hereto as Appendix A. Capitalized terms that are not included in Appendix A shall have the meaning ascribed herein.

## Authority and Purpose of the Request for Proposals

* + 1. This RFP is issued in response to Order No. 34856 issued on October 6, 2017 in Docket No. 2017-0352 as part of a procurement process established by the State of Hawai‘i Public Utility Commission (“PUC”).
		2. This RFP is subject to Decision and Order (“D&O”) No. 23121 in Docket No. 03-0372 (To Investigate Competitive Bidding for New Generating Capacity in Hawai‘i), which sets forth the PUC’s Framework for Competitive Bidding (“Framework” or “Competitive Bidding Framework”).
		3. All Proposals submitted in response to this RFP shall utilize qualified Renewable Energy resource(s) as defined under the Hawai‘i Renewable Portfolio Standards (“RPS”).[[2]](#footnote-3) By statute, “Renewable energy” means energy generated or produced using the following sources: (1) wind; (2) the sun; (3) falling water; (4) biogas, including landfill and sewage-based digester gas; (5) geothermal; (6) ocean water, currents, and waves, including ocean thermal energy conversion; (7) biomass, including biomass crops, agricultural and animal residues and wastes, and municipal solid waste and other solid waste; (8) biofuels; and (9) hydrogen produced from renewable energy sources. HRS §269-91.
		4. Proposers should thoroughly review the Hawaiian Electric Companies’ Power Supply Improvement Plans (“PSIPs”), filed in Docket No. 2014-0183 on December 23, 2016 (“PSIP Update Report: December 2016”).
		5. Consistent with the PSIP Update Report: December 2016, the primary purpose of this RFP is to obtain firm capacity renewable dispatchable energy to enable the Company to continue to transform Maui’s power supply portfolio from fossil fuel‑based generation by retiring Kahului Power Plant to new renewable-based generation in a manner that will continue to lower costs for customers. The Company does not have a predetermined preference for a particular renewable energy source or technology and acknowledges that the requirements of this RFP may be satisfied by a portfolio of generation resource options. The Company believes this approach allows for flexibility and encourages Proposers to develop and submit a broad range of innovative Proposals.
		6. This RFP is intended to elicit Proposals that will enable Maui Electric to obtain renewable energy generation at a competitive, reasonable cost with reliability, viability and operational characteristics consistent with the Company’s long-term planning and energy policy requirements.

## Scope of the RFP

### Consistent with the resource needs identified for the island of Maui, as stated in the Company’s PSIP, the Company seeks Proposals for the supply of approximately forty (40) megawatts (“MW”) of qualified firm capacity renewable dispatchable generation to be provided under the terms of a PPA to be negotiated between the Company and the Proposer.

### An additional attribute which the Company seeks is locational in order to mitigate the following transmission deficiency -- the Company has identified that its 69 kV transmission line between the Kihei and Wailea substations may experience under-voltage and possible voltage collapse in the event of a loss of transmission line (N-1 contingency) in south Maui. Accordingly, any Proposal able to site a Facility with an approximate twenty (20) MW capacity situated between the Wailea and Kihei substations will be considered a positive attribute if it is able to serve as a non-transmission alternative to mitigate these potential voltage issues. The capacities for this Facility is not an addition to the forty (40) megawatts that the Company is seeking.

### To avoid increasing the size of contingency events and to ensure system reliability requirements, no single point of failure from the Facility shall result in a decrease in net electrical output greater than thirty (30) MW.

### Rather than defining the specific technology to be Proposed in response to this RFP (such as combustion turbine, combined cycle, internal combustion engine, steam unit, etc.), this RFP identifies the attributes and Performance Standards that the renewable resources will need to provide in order to: (1) maintain the proper function of the Maui Electric System; (2) meet statutory RPS requirements; (3) satisfy Company’s capacity planning criteria; and (4) increase the flexibility of the Maui generation mix to accommodate greater quantities of renewable energy resources.

### This RFP targets Proposals for projects that can achieve Commercial Operations on or before December 31, 2022.

### Proposer will determine the project site for its Proposal. However, the Company will offer its Waena site**[[3]](#footnote-4)**  as one potential project site for consideration by Proposers. Only one firm Facility will be allowed at the Waena site. Description of the Waena site can be found in Appendix G (Description of Available Sites).

### Whether a proposal utilizes the Waena site or not, a successful Proposer will be required to own and operate its Facility during the term of the PPA and will be responsible for all costs and expenses for the development, construction, operation and maintenance of the Facility (see Attachment B of the Model PPA), including completion of an Interconnection Requirement Study (“IRS”), land acquisition,**[[4]](#footnote-5)**  permitting, financing and construction of all Interconnection Facilities, fuel supply and fuel inventory.

### For purposes of this RFP, the Company shall only consider Proposals for Facilities located on the Island of Maui.

### Generation must be provided from either new facilities or from the demonstrated expansion of existing eligible facilities.

### Each Proposal submitted in response to this RFP must represent a Project that is capable of meeting the requirements of this RFP without relying on or being conditioned upon the completion or implementation of any other Project submitted in response to this RFP or any other RFP.

### Proposer will build, finance and operate the desired Facility. The successful Proposer will be required to execute a PPA in the form of the Model PPA, as defined and described in Section 3.8 below. Under the Model PPA, the Company shall retain all rights to fully dispatch the full capacity, including real and reactive power of the Facility (see Section 3.3 of the Model PPA).

### The Company will submit a Self-Build Option as permitted under the Framework.

### Term of the PPA will be twenty five (25) years. Proposer will operate and maintain the Facility for the term of the PPA.

### Proposer will pursue all available applicable tax credits and, if available, will adjust its Proposal pricing accordingly to pass the benefit of the tax credits on to Company’s customers (see Appendix C Model PPA).

### Payments under the PPA will be made by the Company to the Seller as set forth in the Model PPA.

### Project will interconnect to the Company’s System either at the 23 kV or the 69 kV level and not on a radial circuit. The 69 kV level is preferred. Interconnection Requirements and IRS process are set forth in Section 5.1 below.

### The Proposer’s proposed Interconnection Facilities shall be compatible with the Company System and must meet the requirements set forth in the IRS and the Model PPA. The PPA may be revised to reflect the results of the IRS. The Proposer shall be responsible for all costs related to the design and installation of all Interconnection Facilities. The control and coordination requirements of the power flow from the Generator(s) will be determined by the IRS and may consist of and include fiber optic communications facilities provided by the Proposer to the Point of Interconnection.

### A combined total of 40 MW is required for the reasons described in Section 1.2.1.  The minimum capacity that will be considered in this RFP is 2.64 MW-net.  However, Proposals with capacity less than 40 MW will require other projects to be received and then evaluated as part of a portfolio of Proposals in order to meet the 40 MW need, as opposed to larger Proposals that meet the 40 MW need individually.

### If selected, Proposers shall be responsible for the decommissioning of the Project and the restoration of the Site upon the expiration of the PPA, as described in Attachment G, Section 7 of the Model PPA. In addition to the requirement in the PPA, decommissioning responsibilities should also include developing and implementing a program for the recycling to the fullest extent possible, or otherwise proper disposal, of installed infrastructure. Proposer should describe its decommissioning plan, including programs for recycling of installed infrastructure, if any, and how Site restoration to its original ecological condition will be guaranteed in the event of default by the Proposer in the applicable Site Control documentation.

## Competitive Bidding Framework

### Consistent with the Framework, this RFP outlines the Company’s requirements in relation to the resources being solicited, the procedures for conducting the RFP process, and includes information and instructions to prospective Proposers participating in and responding to this RFP.

Contingency Plan and Parallel Plan. As required by Section VI of the Framework, the Company will undertake a Contingency Plan to respond in a reasonable timeframe if the competitive bidding process relative to this RFP unexpectedly fails to produce a viable Proposal or Proposals. In addition, the Company will undertake a Parallel Plan that is capable of being implemented, to the extent feasible, after an appropriate amount of planning, which may or may not be the Self-Build Option(s). In the event that a Proposer(s), other than the Company, is selected under this RFP, the Company will periodically update its Contingency Plan (and Parallel Plan, if necessary), to address the potential risk that the Proposer’s Project(s) may be delayed or not completed. The Company intends to propose a competing proposal satisfying the requirements of this RFP. In accordance with the Framework, the Company will implement and adhere to a PUC-approved Code of Conduct to avoid self-dealing in both fact and perception. The Company’s additional steps in this regard are more particularly described in Section 1.9 below.

## Role of the Independent Observer

### Part III.C.1 of the Framework sets forth the circumstances under which an Independent Observer is required in a competitive bidding process. In particular, the Framework provides that “[a]n Independent Observer is required whenever the utility or its affiliate seeks to advance a project proposal (i.e., in competition with those offered by Proposers) in response to a need that is addressed by its RFP, or when the Commission otherwise determines.” As noted in Section 1.2.12 above, the Company intends to submit a Proposal for a Self-Build Option in response to the generation needs solicited in this RFP. Accordingly, the PUC has retained an Independent Observer to oversee and monitor the process for this RFP. The Independent Observer will coordinate with PUC staff throughout the RFP process to ensure that the RFP process is undertaken in a fair and unbiased manner.

### The role of the Independent Observer, as described in the Framework, will include the following:

* Monitor all steps in the competitive bidding process
* Monitor communications (and communications protocols) with Proposers
* Monitor adherence to the Company’s Code of Conduct
* Submit comments and recommendations, if any, to the PUC concerning the RFP
* Review the Company’s Proposal evaluation methodology, models, criteria, and assumptions
* Review the Company’s evaluation of Proposals
* Advise the utility on its decision-making
* Monitor contract negotiations with Proposers
* Report to the PUC on monitoring results during each stage of the competitive bidding process
* Provide an overall assessment of whether the goals of the RFP were achieved

### The Independent Observer for this RFP is listed below:

[**NAME, ADDRESS, CONTACT INFO**]

## Communications Between Company and Proposers – Procedures Manual

### Communications and other procedures under this RFP are governed by the “Procedures Manual,” developed by the Company as required by the Framework, which describes: (1) the protocols for communicating with bidders, the self-build team, and others; (2) the evaluation process in detail and the methodologies for undertaking the evaluation process; (3) the documentation forms, including logs for any communications with bidders; and (4) other information consistent with the requirements of the RFP process. The Company’s Procedures Manual is attached hereto as Appendix D (Code of Conduct Procedures Manual for the Competitive Bidding Program).

### Pursuant to the Procedures Manual, all pre-Proposal communication with prospective Proposers, including the Company’s Self-Build Team and any Affiliate Team (as those terms are defined in the Procedures Manual), will be conducted via the Company’s website, Electronic Procurement Platform and/or electronic mail (“Email”) as specified in the Procedures Manual. Any Email to the Company must be sent to the address specified in Section 1.6 below (the “RFP Email Address”). Any correspondence sent to any other Email address will not receive a response. Frequently asked questions submitted by prospective Proposers and the answers to those questions may be posted on the Company website or sent through the Electronic Procurement Platform to registered individuals. The Company reserves the right to respond only to comments and questions it deems are appropriate and relevant to the RFP, in its sole discretion.

### After submission of Proposals, all correspondence between the Company and Proposers will be coordinated by the Energy Contract Manager identified in Section 1.6. During this post-Proposal submission period, the Company may have communications and meetings with individual Proposers for purposes of clarifying Proposals.

### Each Proposer must execute a Mutual Confidentiality Agreement and Non-Disclosure Agreement (“NDA”) attached hereto as Appendix F. All confidential information will be transmitted to the requesting party via the RFP Email address and/or the Electronic Procurement Platform, only after receipt of such fully executed NDA by a requesting party. Notwithstanding the execution of a NDA by a requesting party, the Company reserves the right, in its sole discretion, not to disclose certain confidential information.

### Except as expressly permitted and in the manner prescribed in the Procedures Manual, any unsolicited contact by a Proposer or prospective Proposer with personnel of the Company pertaining to this RFP is prohibited and may constitute grounds for disqualification.

## Company Contact for Proposals

The Energy Contract Manager and primary contact for this RFP is:

Kevin Kuo

Energy Contract Manager

Hawaiian Electric Company, Inc.

Central Pacific Plaza Building, 21st Floor

220 South King Street

Honolulu, Hawai‘i 96813

RFP Email Address: **mauifirmrfp@hawaiianelectric.com**

## Proposal Submittal Requirements

### Detailed requirements regarding the form and organization of the Proposal are set forth in Chapter 3 of this RFP. Proposals shall be submitted in the form of the Proposer’s Response Package attached hereto as Appendix B (Proposer’s Response Package) pursuant to Chapter 3 of this RFP.

### By submitting a Proposal in response to this RFP, each Proposer certifies that the Proposal has been submitted in good faith and without fraud or collusion with any other person or entity. Proposer shall submit with each Proposal a Certificate of Non-Collusion in the form provided on the Electronic Procurement Platform.

### Proposals shall be submitted via the Electronic Procurement Platform and must be received (confirmed by a time and date stamp) by 2:00 pm Hawai‘i Standard Time (HST)on the date shown in the RFP Schedule in Section 3.1, Item 11, below. Incomplete Proposals, as determined by the Electronic Procurement Platform, will not be considered. No hard copies of the Proposals will be accepted.

## Proposal Fee

### The Proposers are required to tender a non-refundable Proposal Fee of $10,000 for each proposal submitted.

### Proposers may submit multiple Proposals if a Proposal Fee is paid for each separate Proposal. Proposals that contain variations or options for different Project types, contract structure, technology or sites could constitute a separate Proposal and require an additional Proposal Fee, as determined by the Company, in its sole discretion. Proposals in which all of the proposed Generators are not located on the same site shall be required to submit a separate Proposal Fee for each site.

### The Proposal Fee shall be in the form of a cashier’s check made payable to Maui Electric Company, Limited and delivered to the Company’s Energy Contract Manager by 2:00 pm HST, on the same day shown in the RFP Schedule in Section 3.1, Item 11, below, the same day that the Proposal is due. Failure to submit the Proposal Fee by the specified deadline will result in disqualification of the Proposer’s Proposal.

## Procedures for the Self-Build Option

The Company intends to offer a Self-Build Option in response to this RFP pursuant to the Framework. See Framework § VI.A.

### The Framework provides that the procedures developed for an RFP shall call for arms-length dealing with regard to employees, agents and representatives of the Company who are developing a Self-Build Option (the “Self-Build Team”) and those employees, agents and representatives of the Company who perform the evaluation of the RFP (the “Evaluation Team”). The Company’s Code of Conduct and Procedures Manual submitted to the PUC in Docket No. 2017-0352 on October 23, 2017 are in place to safeguard against and address concerns associated with potential perceived preferential treatment or preferential access to information. A copy of the Procedures Manual is attached hereto as Appendix D. The Independent Observer will assist the PUC in ensuring that the established procedures and the terms of the Code of Conduct are followed and administered fairly such that no preferential treatment or preferential access to information will be provided to the Self-Build Team by the Evaluation Team. Pursuant to the Framework and as set forth in the RFP Schedule, the Company will provide the Proposal for the Self-Build Option(s) to the Independent Observer through the Electronic Procurement Platform a minimum of one (1) Day before other Proposals are due.

## Dispute Resolution Process

### If disputes arise under the RFP, the provisions of this Section 1.10 and the dispute resolution process established in the Framework shall control. See Part V of the Framework.

### A Proposer or Proposers who challenge or contest any aspect of the RFP process must first attempt to resolve their concerns with the Company and the Independent Observer via a meeting of all interested parties (“Initial Meeting”). The Independent Observer will seek to work cooperatively with the parties to resolve any disputes or pending issues, and may offer to mediate (but with no decision making authority) the Initial Meeting to resolve disputes prior to such issues coming before the PUC.

### Any and all disputes arising out of or relating to the RFP which remain unresolved for a period of twenty (20) Days after the Initial Meeting takes place may, upon the agreement of the Proposer and the Company, be submitted to confidential mediation in Honolulu, Hawai‘i, pursuant to and in accordance with the Mediation Rules, Procedures, and Protocols of Dispute Prevention Resolution, Inc. (“DPR”) (or its successor) or, in its absence, the American Arbitration Association then in effect (“Mediation”). The Mediation shall be administered by DPR. If the parties agree to submit the dispute to Mediation, the Proposer and the Company shall each pay fifty percent (50%) of the cost of the Mediation (i.e. the fees and expenses charged by the mediator and DPR) and shall otherwise each bear their own Mediation costs and attorney’s fees.

### If settlement of the dispute is not reached within sixty (60) Days after commencement of the Mediation, or if after the Initial Meeting, the parties do not agree to submit any unresolved disputes to Mediation, then as provided in the Framework, the Proposer seek determination of the issue by the PUC.

### In accordance with the Framework, the PUC will serve as the arbiter of last resort for any disputes relating to this RFP involving Proposers. The PUC will use an informal expedited dispute resolution process to resolve the issue within thirty (30) Days, as described in Parts III.B.8 of the Framework. There shall be no right to hearing or appeal from this informal expedited dispute resolution process.

### If any Proposer initiates a dispute resolution process for any dispute or claim arising under or relating to this RFP other than permitted by the Framework and Section 1.10 of this RFP (e.g. arbitration or court proceeding), then such Proposer shall be responsible for any and all attorney’s fees and costs that may be incurred by the Company or PUC in order to resolve such claim.

## No Protest or Appeal

Subject to Section 1.10 of this RFP, no Proposer or other person will have the right to protest or appeal any award of a Project made by the Company.

## Modification or Cancellation of the Solicitation Process

### Unless otherwise expressly prohibited, the Company may, at any time up to final award, in consultation with the Independent Observer, postpone, withdraw and / or cancel any requirement, term or condition of this RFP, including deferral of the award of any contract, and / or cancellation of the award all together, all of which shall be without any liability to the Company.

### The Company may modify this RFP subject to requirements of the Framework, i.e., review by the Independent Observer and submission to the PUC with thirty (30) Days’ notice before the modified RFP may be issued, unless the PUC directs otherwise. See Section IV.B.10 of the Framework. The Company will follow the same procedure for any Proposed postponement, withdrawal or cancellation of the RFP or any portion thereof.

1. : Resource Needs and Requirements
2.

## Performance Standards

Proposals must meet the Performance Standards set forth in the Model PPA. Such Performance Standards are specified in Appendices of the Model PPA and in particular Attachment B and Attachment G. To the extent that certain Performance Standards in the Model PPA are blank, such standards may be dependent on the generation resource of the selected Proposal. The Company will consider and determine the requirements of such standard in conjunction with negotiations on the final terms of the PPA and the results of the IRS.

## Attributes of Resources Requested

A list of the desired attributes is described generally below. The descriptions associated with this partial list are intended to provide the Proposer with background information specific to Company and are not ranked or selected according to priority or importance. The attributes described below are more particularly described and specified in the Model PPA. In the event of any inconsistency between the descriptions below and the terms and conditions of the Model PPA, the Model PPA shall control. Proposers are encouraged to consult the Model PPA for further details regarding any of the attributes described below. Proposers are strongly encouraged to offer Proposals with the following attributes:

### Firm Capacity – Each Generator shall provide defined and steady amounts of Firm Capacity.

### Dispatchable – The output of the resources shall be fully controllable by Company from moment to moment via automatic generation controls (“AGC”) or other means specified by the Company as described in Attachment B of the Model PPA. Each Generator shall be fully Dispatchable between its minimum and maximum output range whenever it is in operation.

### Cycling - The Facility generating unit(s) may be shut down and restarted as many times per day as deemed appropriate by Company pursuant to Company Dispatch.

### Ramp Rate – Each Generator shall be capable of ramping up and down in response under Company’s control system to help balance supply (generation) and demand (system load) and maintain a constant system frequency. Higher ramp rate is desirable.

### Black-Start Capability – The Facility proposed by the Self-Build team proposal shall have Black-Start Capability (i.e., capability of starting up on a completely de-energized utility grid and contributing to system restoration). For evaluation purposes, pricing for the Black-Start Capability will be itemized separately in the Self-Build Option.

### Modes of Operation - Generators with Black-Start Capability shall have the capability to operate in either isochronous or governor droop modes with the ability to transition from one mode to the other on the fly.

### Interconnection - The Proposers’ proposed Interconnection Facilities shall be connected to the Company’s 23 kV or 69 kV level and not on a radial circuit. 69 kV level is preferred.

### Generator Inertia - The Company needs to replace the inertia that will be lost with the retirement of the Kahului Power Plant. The aggregate amount of inertia, expressed as an H-constant, for the four existing generating units at the Kahului Power Plant is approximately 15.25 MJ/MVA. Proposers need to specify the amount of inertia that will be provided by their proposed project. Higher Generator inertia is desirable.

### Planned Outage – The Facility planned outages should not exceed 20 MW.

### Single Point of Failure - The failure of any Generator (which may consist of multiple Generators) must not result in a decrease in net electrical output greater than thirty (30) MW.

### Fault Current – The Proposer shall specify the amount of fault current that will be provided by their proposed project.

## Transmission and Distribution System

### The Company’s transmission system consists of 69,000 volt (69 kV) and 23,000 volt (23kV) lines. The distributions system consists of 12,500 volt (12 kV) and 4,160 volt (4 kV) lines. The system also includes transmission and distribution substations, SCADA equipment and an energy management system.

### The impact to the transmission and distribution system of a generating resource is highly dependent on many variables such as geographic location, circuit configuration, transmission and distribution line capabilities, growth rates, and customer use.

### Company information regarding the relative remaining capacity of transmission circuits on Maui may be made available to Proposers only after execution of a NDA. Non-confidential information has been published in the Companies’ December 23, 2016 PSIP Update Report beginning on page N-56 of Appendix N. Proposers should perform their own evaluation of project locations and the Company does not guarantee any project output or ability to connect based on such information. Proposers are invited to meet with the Company prior to submitting a Proposal to discuss specific questions regarding a particular Proposal. **Please direct inquires to Interconnection Services at** **Interconnection.services@hawaiianelectric.com**

### Additional site-specific information will be provided in the IRS process.

## Interconnection to the Company System

### The means of interconnection between a proposed Facility and the Company System is a critical consideration for all Proposers. The Proposers’ proposed Interconnection Facilities shall be compatible with the Company System. Proposers shall demonstrate that all proposed Projects adequately consider their impacts on the performance and reliability of the Company System. The design of the Interconnection Facilities, including power rating, Point(s) of Interconnection with the Company System, and scheme of interconnection, shall meet Company standards and be designed such that with the addition of the Facility, the Company system can meet all relevant Transmission Planning Criteria**[[5]](#footnote-6)** and any amendments thereto.

### The Interconnection Facilities includes both: (1) Seller-Owned Interconnection Facilities; and (2) Company-Owned Interconnection Facilities.

### Tariff Rule 19, a copy of which is attached hereto as Appendix J , establishes provisions for Interconnection and Transmission Upgrades. The tariff provisions are intended to simplify the rules regarding who pays for, installs, owns and operates interconnection facilities in the context of competitive bidding. The Company uses the breaker-and-a-half scheme for its transmission switching station as shown in Attachment A of Tariff Rule 19. Proposers should follow this scheme for purposes of their estimates.

### Selecting a site for new generation and / or transmission line terminus has cost impacts to the Company’s System. The Proposer shall be responsible for all costs required to interconnect a Project to the Company System, including all Seller-Owned Interconnection Facilities and Company-Owned Interconnection Facilities.

### Proposers are required to include in their pricing proposal all costs for interconnection and transmission upgrades or distribution upgrades expected to be required between their Facility and their proposed Point of Interconnection See Appendix I (Interconnection Facilities and Cost Information)**.** Selected projects will be responsible for the actual final costs of all Seller-Owned Interconnection Facilities and Company-Owned Interconnection Facilities.

### Proposers are required to include in their Proposal a $/kW-mo. Capacity Charge Payment amount per $100,000 of actual interconnection costs (de-escalator). The Company will use the $/kW-mo. figure along with the Proposer’s interconnection cost estimate (or, in the Company’s discretion, the Company’s estimate) in the initial economic analysis of the Proposal.

### All projects will be screened for general readiness to comply with the requirements for interconnection. Proposals selected to the Final Award Group will be subject to further study in the form of an Interconnection Requirements Study. The IRS process is further described in Section 5.1 of this RFP. The IRS will provide information including, but not limited to, a power systems analysis and identification of equipment, costs, and schedule to evaluate the upgrades necessary to interconnect the proposed Project into the Company System, individually or on a portfolio basis. The results of the completed IRS, as well as any mitigation measures identified, will be incorporated into the terms and conditions of a final executed PPA. The Proposer must provide all Proposal information required to complete the IRS with the Proposal, as described in Appendix B. Any additional information required must be provided no later than 15 days after request by the Company.

1. : Instructions to Proposers
2.

## Schedule for the Proposal Process

Table 1 provides the proposed schedule for the RFP process (“RFP Schedule”). The Company reserves the right to revise the RFP Schedule, as necessary. Changes to the RFP Schedule will be posted to the RFP Website.

**Table 1**

**RFP Schedule**

|  |  |
| --- | --- |
| **Milestone** | **Schedule Dates** |
| 1. PUC Opens RFP Docket
 | October 6, 2017 |
| 1. Draft RFP is filed
 | October 23, 2017[[6]](#footnote-7) |
| 1. Technical Conference Webinar
 | November 3, 2017 |
| 1. 1st Round of Stakeholder Comments submitted to Companies
 | November 17, 2017 |
| 1. Companies Filing of Proposed Final RFP and Model PPA
 | December 21, 2017 |
| 1. 2nd Round of Stakeholder Comments submitted to Commission
 | January 12, 2018 |
| 1. Completion of Commission review period of Proposed Final RFPs
 | January 29, 2018 |
| 1. Commission approves Final RFP and Model PPA
 | 30 days after (7)[[7]](#footnote-8)  |
| 1. Final RFP is issued
 | 5 business days after (8) |
| 1. Proposal due for Self-Build Option
 | 1 day before (11) at 2:00 pm HST |
| 1. Proposals due for all Other Proposals
 | 110 days after (9) at 2:00 pm HST |
| 1. Selection of Short List
 | 30 days after (11) |
| 1. Publication of BAFO Information
 | 5 business days after (12) |
| 1. Self-Build Option BAFO due (if any)
 | 1 business day before (15) |
| 1. Other Proposers’ BAFOs due
 | 5 business days after (13) |
| 1. Selection of Final Award Group
 | 120 days after (15)  |
| 1. Contract Negotiations Start
 | 5 business days after (16) |

## Company RFP Website / Electronic Procurement Platform

### The Company has established a website for general information to share with potential Proposers. The website is located at the following link:

### [**www.hawaiianelectric.com/competitivebidding**](http://www.hawaiianelectric.com/competitivebidding)

### The Company will provide general notices, updates, schedule and other information on the RFP website throughout the process. Proposers should check the website frequently to stay abreast of any new developments. This website will also contain the link to the Electronic Procurement Platform utilized by the Company for the receipt of Proposals. The Company will send updates posted on the website through the Electronic Procurement Platform.

### “Sourcing Intelligence,” developed by Power Advocate is the Electronic Procurement Platform that the Company has licensed and will utilize for this RFP. Proposers who do not already have an existing account with PowerAdvocate, and intend to submit a Proposal for this RFP, will need to register as a “Supplier” with PowerAdvocate.

### There are no license fees, costs, or usage fee to Proposers for the use of the PowerAdvocate Platform.

### Proposers can register for a new account by clicking on the “Registration” button on the PowerAdvocate website at the following address:[**www.poweradvocate.com**](http://www.poweradvocate.com)

See Appendix E for user information and instructions on PowerAdvocate’s Sourcing Intelligence procurement platform.

### In order to complete the registration, the Proposer will need to review and accept Power Advocate’s Terms of Use. The Terms of Use are available online and a copy is also attached for convenience in Appendix E (PowerAdvocate User Information).

### Once a Proposer has successfully registered as a Supplier with PowerAdvocate, the Proposer shall request access to the subject RFx[[8]](#footnote-9) event from the Company Contact via email through the RFP Email Address. The email request must list the Supplier name under which the Proposer has registered with PowerAdvocate. Once the RFx event is opened, Proposers will have online access to general notices, RFP-related documents, and other communications via Sourcing Intelligence, and may begin to submit their Proposal.

### Proposals shall be accepted only through the PowerAdvocate Platform.

### Proposals must be submitted through Sourcing Intelligence by 2:00 pm Hawai‘i Standard Time (HST) on the date shown in the RFP Schedule in Section 3.1. Sourcing Intelligence will not accept the submittal of late information for this RFx event. It is the Proposer’s sole responsibility to ensure that its complete information has been submitted on time. Any proposal information that is merely SAVED, but not SUBMITTED will not be considered.

### All Proposals must be prepared in accordance with the procedures and format specified in the RFP and the RFx event. Proposers are also required to respond to all questions and provide all information requested in the RFP and the RFx event, as applicable. This process is intended to provide an orderly, consistent and fair evaluation of the Proposals.

## Technical Conference

### The Company is open to ideas and feedback on these draft RFP documents and on the RFP process in general to facilitate that feedback. The Company will hold a Technical Conference (webinar) in accordance with the Competitive Bidding Framework to discuss the provisions and requirements of this and other RFPs being offered in parallel for prospective Proposers and other stakeholders. The Technical Conference will allow stakeholders to ask questions and better understand the Companies’ proposed competitive bidding process and draft documents. Such opportunity will then allow the stakeholders to provide more refined and detailed feedback regarding the process and draft documents.

### The Company encourages any party interested in submitting a Proposal to attend the Technical Conference. This Technical Conference will be held on November 3, 2017 as described in the Schedule in Section 3.1 above. Parties interested in attending the Technical Conference should check the RFP Website for updates or further announcements on the time of the Technical Conference. An electronic version of the webinar will be made available on demand via the RFP website listed in Section 3.2.1 above. Prospective Proposers may submit written questions in advance regarding the proposed RFP to the RFP Email Address set forth in Section 1.6. The Company will attempt to answer such questions during the Technical Conference. No answers to questions will be sent or posted prior to the Technical Conference. The Company will respond only to questions it deems relevant and reserves the right not to respond to questions. The Company will endeavor to address questions and comments during the Technical Conference and may, but is not required to, post or send select written responses subsequent to the Technical Conference. In the event a conflict exists between any oral and post-conference written response, the post-conference written response shall control. After PUC approval and issuance of the final RFP, the Company may hold a Proposers’ Conference to clarify any aspect of the RFP for potential Proposers. If the Company elects to hold such a conference, the date and time will be posted on the RFP Website.

## Preparation of Proposals

### Each Proposer shall be solely responsible for reviewing the RFP (including all attachments and links) and for thoroughly investigating and informing itself with respect to all matters pertinent to this RFP, the Proposer’s Proposal and Proposer’s anticipated performance under the PPA.

### Proposers shall rely only on official information provided by the Company in this RFP when preparing their Proposal. The Company will rely only on the information included in the Proposals and additional information from Proposers solicited by the Company to evaluate the Proposals received.

### Each Proposer shall be solely responsible for and shall bear all of its costs incurred in the preparation of its Proposal and / or its participation in this RFP, including, but not limited to, all costs incurred with respect to the review of the RFP documents, attending meetings with the Company, Site visits, third-party consultant consultation, and investigation and informing itself with respect to matters pertaining to its Proposal and this RFP, and any costs associated with the same shall not be reimbursed by the Company to any Proposer, including the selected Proposer(s).

### Each Proposal shall contain the full name and business address of the Proposer and shall be signed by an authorized officer or agent[[9]](#footnote-10) of the Proposer.

## Organization of the Proposal

Appendix B (Proposer’s Response Package) provides information for submitting Proposal information though the PowerAdvocate Platform.

Proposer shall be required to agree to the use of electronic signature within the Power Advocate Platform and provide an electronic signature on the appropriate certification form for the Proposal.

## Proposal Limitations

Proposers expressly acknowledge that Proposals are submitted subject to the following limitations:

The RFP does not commit or require the Company to award a contract, pay any costs incurred by a Proposer in the preparation of a Proposal, or procure or contract for products or services of any kind whatsoever. The Company reserves the right, in its sole discretion, to accept or reject, in whole or in part, any or all Proposals submitted in response to this RFP, to negotiate with any or all Proposers eligible to be selected for award, or to withdraw or modify this RFP in whole or in part at any time.

* Company reserves the right, in its sole discretion, to request additional information from any or all Proposers relating to their Proposals or to request Proposers to clarify the contents of their Proposals. Proposers that are not responsive to such information requests may be eliminated from further consideration upon consultation with the Independent Observer.
* Company reserves the right, in its sole discretion, to solicit additional Proposals from Proposers after reviewing the initial Proposals. Other than as provided herein, no Proposer will be allowed to alter its Proposal or add new information to a Proposal after the due date for submission of Proposals. Company reserves the right, in its sole discretion, to solicit additional Proposals from Proposers after reviewing the initial Proposals. Other than as provided herein, no Proposer will be allowed to alter its Proposal or add new information to a Proposal after the due date for submission of Proposals.
* All material submitted in response to this RFP shall become the sole property of the Company, subject to the terms of the NDA.

## Proposal Compliance and Bases for Disqualification

### Proposers may be deemed non-responsive and / or Proposals may not be considered for reasons including, but not limited to, the Eligibility Requirements listed in Section 4.2 and the following:

* The Proposal is not in conformance with the RFP requirements and instructions;
* The Proposal is conditional in a manner not permitted by the RFP;
* Company is not satisfied, in its sole discretion, that the Proposer is capable of meeting its financial obligations with respect to its Proposal for reasons including, but not limited to, Proposer’s inadequate credit rating or creditworthiness or Proposer’s failure to supply a requested letter of credit, or other form of security acceptable to the Company; and/or
* Company is not satisfied, in its sole discretion, that the Proposer is capable of fully and timely implementing its Proposal.

## Power Purchase Agreement

### Power Purchase Agreement (“PPA”): Company and the successful Proposer will execute a Firm Capacity Renewable Dispatchable Generation Power Purchase Agreement, in the form attached hereto as Appendix C (Model Firm Renewable Dispatchable Generation PPA) (“Model PPA”), subject to modifications as mutually agreed by the parties in the contract negotiation process. The Project shall be situated at a Proposer-owned Site or at the Company Site. Subject to a mutually acceptable lease of the Company Site for a term coinciding with the term of the PPA. The proposed form of lease from the Company to the successful Proposer for the Company Site is attached hereto as Appendix K. The term of the PPA shall be for a period of twenty five (25) years from the Commercial Operations Date. Proposers who select the PPA option shall own and operate the Project for the term of the PPA and shall be responsible for all costs including Project development, Site and Land Rights acquisition, permitting, financing, construction of the Facility, construction of the interconnection facility, fuel supply and operations and maintenance as further described in the Model PPA.

### Proposers who elect to propose modifications the Model PPA as part of their proposals shall provide a red-line version of the Model PPA with their requested changes and revisions as a component of their Proposals. Such modifications will be evaluated as a non-price evaluation criteria as further described in Section 4.4 and Appendix L. In order to facilitate this process, the Company will make available electronic versions of the Model PPA. The Company will review and consider the requested changes and reflect the suggested changes in the overall risk assessment associated with the evaluation of each Proposal. Proposers are strongly discouraged from proposing fundamental changes to the risk allocation set forth in the Model PPA. Any terms of the Model PPA designated as non-negotiable by the PUC will not be open for negotiation and must be accepted by the selected Proposer(s) as is.

### The following sections of the PPA are not negotiable and Proposers who submit proposals showing revisions to these sections are subject to disqualification: Article 1, Article 2, Article 3, Article 7, Article 8, Article 9, Article 11, Article 12.3, Article 14, Article 15, Article 16, Article 17, Article 18, Article 20, Article 21, Article 22, Article 25, Article 26, Article 27, Section 29.15, Sections 2 and 3 of Attachment B, Attachment C, Attachment H, Attachment I, Section 3 of Attachment J, Attachment M, Attachment T, and Attachment U. Changes to the above sections will be allowed to accommodate the results of the IRS and or changes in law that occur prior to the Execution Date. Although the Company is unlikely to consider substantive changes to Attachment C, the Company will receive Proposer input to this attachment.

### Proposals that do not include proposed revisions to the attached Model PPA shall be deemed to have accepted the Model PPA terms.Modifications to the PPA provisions previously identified in Section 3.8.3 are not allowed and such provisions will not be subject to negotiation.

### The Company shall have the right to reject any Proposal or evaluate it unfavorably based on the nature of the exceptions to the Model PPA proposed by a Proposer.

### Proposals in which all of the proposed Generators are not located on the same site shall be required to execute a separate PPA for each site.

## Pricing Formula Requirements

For Independent Power Producers, the Proposer’s Response Package shall include the following pricing in 2017 dollars (Proposers should refer to Article 5 and Attachment J of the Model PPA for a definition of the terms):

* Capacity Charge Rate in $/kW-mo
* Fixed O&M Component Rate in $/kW-mo (including an indication of whether this component is to be escalated annually)
* Fuel Component in $/kWh
* Per kWh Variable Component of the Variable O&M Component in $/kWh (including an indication of whether this component is to be escalated annually)
* Per Hour Variable Component of the Variable O&M Component in $/hr (including an indication of whether this component is to be escalated annually)
* In addition, Proposers are required to include in their Proposal, a $/kW-month amount per $100,000 (lower than the estimate) of actual interconnection costs. The Company will use the $/kW-month figure along with the Proposer’s interconnection cost estimate (or, in the Company’s discretion, the Company’s estimate) in the initial economic analysis of the Proposer’s Proposal.

For Self-Build Proposals, the Proposer’s Response Package shall include the following pricing information:

* Total capital generating costs
	+ Cost breakout to incorporate Black-Start Capability
* Total capital interconnection costs
* Total overhead costs
* AFUDC
* Annual revenue requirements ($)
* Annual cash flow ($) without AFUDC

### In evaluating the economics of Proposer’s Projects, the Company will also include transmission system or distribution system upgrade costs, if any, beyond the Grid Connection Point that would be incurred by the Company to integrate the Proposer’s Project onto the Maui Electric System.

### Metering shall be provided by Company as set forth in the Model PPA.

### All proposal information must be independent of changes to state or federal investment tax credit policies.

## Sites Identified by the Company

* + 1. As an alternative to a site identified by the Proposer, the Company has identified potential Sites where landowners have expressed a willingness to negotiate a lease or purchase of the land to support a renewable energy project. These Sites were identified through a Land RFI. Proposers will be responsible for working directly with the land owner and must secure site control with such land owner as set forth in Section 4.3 prior to submitting a Proposal. Additional information about the sites identified in the Land Request for Information (“RFI”) were provided to interested parties that signed Land RFI NDAs. The Land RFI information remains available to other interested parties that sign the Land RFI NDA. The Land RFI is further described in Appendix G.
		2. Additionally, a Company-owned Site, referred to as the Waena site is being offered to Proposers for their consideration. The Company Site is currently vacant land owned by the Company. Up to 15 acres (approximate -- the final available acreage is subject to change) will be available, provided that any Proposer shall only be permitted to lease as much acreage as is necessary for its project. Additional acreage shall not be available and Proposers may only use the available land for its project and for no other uses. Only one firm Facility will be allowed at the Waena site. The current plan anticipates that the Company Site will be subdivided from the rest of the Company land and any Proposer proposing to use the Company Site shall be required to execute a lease for the Company Site coterminous with the term of the PPA. An access easement for access to the Company Site from Pulehu Road shall be provided. Proposer shall be required to pay all expenses to subdivide of the lot and ongoing prorata maintenance and other charges for such access road and any other services provided as part of the Company Site lease. Proposer shall be responsible, at its sole cost and expense, for all other site improvements, utilities, permits and other required infrastructure and regulatory requirements necessary for use of the Company Site for Proposer’s project (see Appendix K attached hereto).

## Project Description

Proposers must agree to provide all information pertaining to the design, development and construction of the Interconnection Facilities as specified in Appendix B (Proposer’s Response Package), including, but not limited to, the following:

• Proposed Interconnection Point;
• Site plan , including any line extension;
• Single line and Three line diagrams with a wet stamp by a registered professional engineer in Hawaiʻi;
• Details of major equipment, including performance specifications.

Proposers must also agree to provide open and complete access to their books and project financial information as described, including a Project financial pro forma with supporting documentation and proposed project finance structure in the form attached in Appendix B.

Proposer agrees that no material changes or additions to Facility from what is submitted with this Proposal shall be made without Proposer first having obtained prior written consent from Company.

## Confidentiality

### Each prospective Proposer must submit an executed NDA in the form attached hereto as Appendix F by the due date for Proposals specified in the RFP Schedule in Section 3.1. The form of the NDA is not negotiable. Information designated as confidential by the Company will be provided on a limited basis and only those prospective Proposers that have submitted an executed NDA will be considered.

### Proposers must clearly identify all confidential information in their Proposals. However, Proposers should take care to designate as confidential only those portions of their Proposals that genuinely warrant confidential treatment. The Company discourages the practice of marking each and every page of a Proposal as “Confidential.” The Company will make reasonable efforts to protect any such confidential information that is clearly marked as “Confidential.” The Company reserves the right to share any information, even if marked Confidential, to its agents or contractors for the purpose of evaluating the Proposal, as set forth in the NDA.

### The Company will request that the PUC issue a Protective Order to protect confidential information provided by Proposers to the Company. A copy of the Protective Order, once issued by the PUC, will be provided to Proposers. Proposers should be aware that the Company may be required to share certain confidential information contained in Proposals with the PUC, the Division of Consumer Advocacy, State of Hawaii Department of Commerce and Consumer Affairs, and the parties to any docket instituted by the PUC, provided that recipients of confidential information have first agreed in writing to abide by the terms of the Protective Order. Notwithstanding the foregoing, no Proposer shall be provided Proposals from any other Proposer or any other information contained therein or provided by or with respect to any other Proposer, except as expressly stated herein with respect to the Self-Build Option and the Best and Final Offer.

## Credit Requirements Under the PPA

### Proposers with whom the Company concludes contract negotiations of a PPA are required to post Development Period Security and Operating Period Security as set forth in the Model PPA, attached hereto as Appendix C.

### The Development Period Security and Operating Period Security identified in the Model PPA are minimum requirements. Proposers may not propose an amount lower than set forth in the Model PPA.

### Proposer shall be required to provide a satisfactory irrevocable standby letter of credit in favor of the Company to secure Proposer’s payment of all Company-Owned Interconnection Facilities costs which are payable to Company as described in Attachment G of the Model PPA.

### Proposer may be required to fund a monetary escrow account in lieu of the required Source Code Escrow required under Attachment B of the Model PPA.

1. : Evaluation Process and Evaluation Criteria
2.

##  Proposal Evaluation and Selection Process

The Company will be employing a multi-step evaluation process. Once the Proposals are received, the Proposals will be subject to a consistent and defined review, evaluation and selection process. This Chapter will provide a description of each step of the process along with the requirements of Proposers at each step. Figure 1 sets forth the flowchart for the proposal evaluation and selection process.

Upon receipt of the Proposals, the Company will ensure that the Proposals meet the Eligibility Requirements, and if so, review the Proposals to ensure that the Threshold Requirements have been met. Proposals that have successfully passed the initial eligibility and threshold criteria will then enter a two-phase process for Proposal evaluation, which encompasses the development of a Short List and then an evaluation of the selected Short List Proposals based on Best and Final Offers.

**Figure 1 – Evaluation Workflow**



## Eligibility Requirements

### Upon receipt of the Proposals, each Proposal will be reviewed to ensure that it meets the following Eligibility Requirements. Failure to meet any of these requirements could lead to disqualification of the Proposal from further review and evaluation.

* The Proposal must be received on time.
* The Proposal Fee must be received on time.
* The Proposal must not contain material omissions.
* The Proposal must be signed and certified by an officer or other authorized person of the Proposer.
* There must not have been, in the Company’s sole determination, illegal or undue attempts by or on behalf of the Proposer or others to influence the Proposal review process.
* The Proposal must not contain misrepresentations.
* Proposers have fully executed the agreements or other documents required pursuant to this RFP.
* Proposer provides a certificate of good standing from the State of Hawai‘i Department of Commerce and Consumer Affairs.
* Proposer provides Federal and State tax clearance certificates for Proposer.
* The Proposal is not contingent upon changes to existing county, state or federal laws or regulations
* Proposed Project is located on the Island of Maui.

### Company may waive non-material deviations in a Proposal that are merely a matter of form, and not substance, and the correction of which would not be prejudicial to other Proposals.

## Threshold Requirements

Proposals that meet all the Eligibility Requirements will then be evaluated to determine compliance with the Threshold Requirements, which have been designed to screen out proposals that are insufficiently developed, lack demonstrated technology or will impose unacceptable financial accounting consequences for the Company. Proposers should provide explanations and supporting information as to how and why it believes the Project they are proposing meets each of the Threshold Requirements. The Threshold Requirements for this RFP are the following:

* **Site Control**

The Proposal must demonstrate that the Proposer has Site Control for all real property required for the successful implementation of a specific Proposal at a site not controlled by the Company, including any Interconnection Facilities for which the Proposer is responsible. The need for a firm commitment is necessary to ensure that Proposals are indeed realistic and can be relied upon as the Company moves through the remainder of the RFP process. To meet this Site Control requirement, Proposers must either provide:

* + - documentation indicating that they own the Site on which the Project will be situated;
		- hold a leasehold interest in the Site for a term at least equal to the term of the PPA (taking into account the timelines set forth in this RFP from selection, negotiation and execution of a PPA, and PUC approval of a PPA); or
		- have an executed option agreement to purchase the Site or to lease the Site for a term at least equal to the term of the PPA. This option agreement need not be exclusive at the time the Proposal is submitted, but may be contingent upon selection of the Proposal to the Final Award Group.

Where government or publicly‑owned lands are part of the Site or are required for the successful implementation of the Proposal, Proposer must provide a credible and viable plan, including evidence of steps taken to date of Proposal, to secure all necessary Site Control for the Proposal, including securing necessary approvals, rights-of-way, access and other appurtenances necessary for the project, including but not limited to evidence of sufficient progress toward approval of the government agency or other body with authority to grant such approval (as demonstrated by records of the agency). Proposals that do not demonstrate Site Control will be rejected.

If the Threshold Requirement for Site Control is met, Site Control will be further evaluated as a part of the Non-Price evaluation. See Section 4.4 below.

Proposers electing to utilize the Company Site for its Proposal must be prepared to execute the proposed lease for the Company Site, a copy of the proposed form of which is attached hereto as Appendix K. Minimal and mutually agreeable revisions to the lease form may be agreed to by the Company in its sole discretion.

* **Performance Standards**

Proposed Facility is able to meet the Performance Standards set forth in the Model PPA. Such Performance Standards are specified in Appendices of the Model PPA and in particular Attachment B and Attachment G. To the extent that certain Performance Standards in the Model PPA are blank, such standards may be dependent on the generation resource of the selected Proposal. The Company will consider and determine the requirements of such standard in conjunction with negotiations on the final terms of the PPA and the results of the IRS.

* **Proven Technology**

The Company will only consider Proposals utilizing technologies that have been sufficiently proven in multiple commercial applications as the scale being proposed. Technologies proposed in this RFP are required to be of a “bankable” grade asset class.[[10]](#footnote-11) Proposals should include any supporting information for the Company to assess the commercial and financial maturity of the technology being proposed.

* **Experience of the Proposer**

The Proposer, its affiliated companies, partners, and / or contractors and consultants on the Proposer’s Project team shall have experience in the development and operation of at least one (1) electricity generation project similar in size, scope, and structure to the Project being proposed by Proposer. The Company will consider a Proposer to have reasonably met this Threshold Requirement if the Proposer can provide sufficient information to demonstrate that the member of the project team whose experience is being identified to meet this threshold criterion has a firm commitment to provide services to the Proposer.

* **Generator Size**

The size of any single Generator shall not exceed 20 MW at unity power factor as measured at the Metering Point.

* **Financial Compliance**

This Project must not cause the Company to be subject to consolidation and capital lease treatment as set forth in Financial Accounting Standards Board (FASB) Accounting Standards Codification (“ASC”) Topic 810 (“Consolidation”) and 840 (“Leases”), respectively, as issued and amended from time to time by FASB. Proposers are required to state to the best of their knowledge, with supporting information to allow the Company to verify such conclusion, that the proposal will not: (1) trigger a capital lease accounting treatment under FASB ASC 840 or; (2) result in the Seller under the PPA being a Variable Interest Entity (“VIE”) that would trigger consolidation of the Sellers’s finances on to the Company’s financial statements under FASB ASC 810. The Company will perform a preliminary consolidation and capital lease assessment based on the Proposals received. If the Company believes that the Proposal may be subject to such treatment, it will inform the Proposer and either may request additional information or work with the Proposer to structure its agreement to avoid the capital lease and consolidation treatment. The Company reserves the right to allow a Proposal to proceed through the evaluation process through selection of the Short List and work with the Proposer on this issue. If the Company believes, in its discretion, that the Company and the Proposer cannot resolve consolidation and capital lease issues during the RFP process, the Company reserves the right to reject the Proposal as nonconforming to the Threshold Requirements. A final consolidation and capital lease assessment will be performed prior to execution of a PPA.

* **Credit / Collateral Requirements**

Proposers shall agree to post Development Period Security, Operating Period Security and the other credit requirements as set forth in Section 3.13 (Credit Requirements Under the PPA) of this RFP.

* **Financial Viability of Proposer**

Proposers shall provide evidence that the Proposer has the financial resources and financial strength to complete and operate the project as planned. Proposers must demonstrate they have completed a sufficient degree of planning and due diligence on how the proposed Project is to be financed by submitting a financing plan, as well as describing their experience in successfully financing electrical generation projects, as described in Appendix B.

## Initial Evaluation – Price and Non-Price Analysis

Proposals that meet the Threshold Requirements will then be subject to a price and non-price analysis. The results of the price and non-price analysis will be a relative ranking and scoring of all eligible proposals. Price-related criteria will account for SIXTY PERCENT (60%) of the total score and non-price-related criteria will account for FORTY PERCENT (40%) of the total score. This 60% price-related criteria / 40% non-price criteria weighting is consistent with previous RFPs.[[11]](#footnote-12). The criteria and methodology for applying the criteria are explained below and in Appendix L.

### Appendix L (Selection Criteria) of this RFP provides the components of the price and non-price evaluation criteria that will be included in the initial evaluation, but is not necessarily an exhaustive list of all criteria that may be considered.

The Company will employ a closed bidding process for this solicitation in accordance with Part IV.H.3 of the Framework where neither the specific weights of the non-price evaluation criteria nor the price and non-price evaluation models to be used will be provided to Proposers. However, the Company will provide the Independent Observer with all necessary information to allow the Independent Observer to understand the evaluation models and to enable the Independent Observer to observe the entire analysis in order to ensure a fair process. The evaluation models will be finalized prior to receipt of Proposals.

### Initial Evaluation of the Price Related Criteria

#### The price-related evaluation will be based on the criteria set forth in Appendix L. Preference will be given to Proposers able to provide firm renewable dispatchable generation to the Company at the lowest possible cost. Initial screening will be performed on a “busbar cost” basis (in $/MWh) as a function of capacity factor. Busbar cost is the total all-in cost (capacity, energy, fixed O&M and variable O&M payments) divided by the amount of energy, in MWh, delivered in one hour at a given MW output. For self-build proposals, busbar costs will be determined from annual revenue requirements for capital, fuel, variable O&M and fixed O&M expenses. Clear outliers will be eliminated from further consideration.

#### Projects remaining after the initial screening step described above will be simulated in the computer program in accordance with the Proposer’s pricing formulas and any requirements and constraints specified by the Proposer (See Section 3.9). The project will be dispatched economically within the production simulation computer program. The simulation will be performed over the proposed term of the PPA (or in the case of a self-build option, over the specified service life of the asset) and will determine impacts on a system-wide basis.

#### A “Reference Plan” based on the Companies’ December 2016 PSIP Update Report will be used as a baseline for comparison. In evaluating each proposal, the Proposer’s proposed project will be added to the baseline plan to produce an “Alternate Plan.” The proposed project may defer or displace firm, dispatchable capacity that exists in the Reference Plan. Production simulations will be performed for both the Reference and Alternate Plans. Differences in revenue requirements between the two plans will be calculated. Determinations will be made as to whether the proposed project increases or decreases total resource costs. The Company will then rank Proposals from lowest price to highest impact on total resource costs and award evaluation points in accordance with the relative rankings.

#### Pursuant to the Framework, during the course of this RFP process, the Company reserves the right to reject all Proposals based on non-economic pricing. In the event that the Company selects a Proposer, the Company shall meet with any losing Proposer to provide a general assessment of the losing Proposer’s specific Proposal, if requested by the losing Proposer within seven (7) Days of such selection. See Framework, Section IV.H.4.b.

4.4.2 Initial Evaluation of the Non-Price Related Criteria

4.4.2.1 For the non-price analysis, each Proposal will be evaluated on each of the non-price criteria set forth in Appendix L. During the non-price criteria evaluation, a fatal flaws analysis will be conducted such that any Proposal that is deemed to not meet the minimum standard level for two or more of the non-price criteria will be disqualified. The minimum standard level for each non-price criteria is defined in Appendix L. The Company will then rank Proposals using the score received and weighting assigned for each evaluation criteria and award evaluation points in accordance with the relative rankings.

## Selection of the Short List

### Based on the initial evaluation of the price-related and the non-price-related criteria as described above, the Company will select a Short List from the Proposals submitted. While the total price and non-price rankings will serve as the basis of evaluation, the Company reserves the right to select a Short List that could include a diversity of resource characteristics, project types, and other options. The Company reserves the right to determine the number of projects selected to the Short List.

### Due to the complexity of evaluating different types of resource options and the Project operational attributes expected to be required by the Company, the Company is interested in maintaining flexibility in the Short List selection process. The Company will work with the Independent Observer to ensure the use of a fair evaluation and selection process and methodology which will be established prior to receipt of Proposals. The Company reserves the right to have a reasonable degree of flexibility in implementation of the evaluation and selection process, subject to consultation with, and review by, the Independent Observer.

### Proposals will be compared to each other in this phase of the evaluation based on the methodology and cost components described below. The Company will utilize a computer simulation tool to model the Proposal in order to assess the costs and benefits to the Maui Electric System. The computer simulation will revise the Company’s reference resource plan, which is comprised of existing resources and anticipated additional proxy resources to maintain system reliability and operating characteristics. For each combination described above, the Company will utilize information in the Proposal to model the addition of the resource and will replace either existing generation or proxy additions to assess the difference in cost with the proposed resource as compared to the reference resource plan. The total net system cost analysis will include a calculation of the Company’s fuel cost savings and any other direct savings resulting from the displacement of generation by the proposed Project.

### The Company proposes to conduct a detailed cost analysis that incorporates all the costs attributed to each Project as contained in the Proposers’ Proposal including, but not limited to:

* Capacity Charge (for PPA Proposals), Total Capital Cost (for Self-Build Option )
* Fixed O&M Charge
* Energy Charge
* Variable O&M Charge
* Transmission System Impact
* Cost associated with Imputed Debt

## Best and Final Offer

### The Company will solicit a modified Best and Final Offer from Proposers selected to the Short List. Proposers will have the opportunity to update (downward only) the following pricing elements of their Proposal:

* Capacity Charge Rate in $/kW-mo
* Fixed O&M Component Rate in $/kW-mo (including an indication of whether this component is to be escalated annually)
* Fuel Component in $/kWh
* Per kWh Variable Component of the Variable O&M Component in $/kWh (including an indication of whether this component is to be escalated annually)
* Per Hour Variable Component of the Variable O&M Component in $/hr (including an indication of whether this component is to be escalated annually)

### If a Proposer does not modify its Proposal, the original Proposal will be deemed its Best and Final Offer.

### Proposers will not be allowed to increase the pricing in their Proposals to address interconnection and/or system upgrade costs or for any other reason.

### If selected to the Short List, the Self-Build Option will also have the same opportunity to provide a Best and Final Offer in accordance with the terms of this RFP. The Best and Final Offer for the Self‑Build Option will be due prior to the Best and Final Offers for all other Proposers, as specified on Table 1.

## Detailed Evaluation

### The Best and Final Offers of the Short Listed Proposals will be further analyzed as described in Appendix L, to determine the optimal portfolio of Proposals for the Company system’s needs as identified for the island of Maui in the Company’s PSIP Update: December 2016. Every Proposal on the Short List will not necessarily be included in the final optimized portfolio of proposals.

## Selection of the Final Award Group

Based on the results of the Detailed Evaluation and review with the Independent Observer, the Company will select a Final Award Group from which to begin contract negotiations. All Proposers will be notified at this stage of the evaluation process whether their Proposal is included in the Final Award Group. However, Proposal evaluation results and rankings will not be disclosed to the Proposers in the Final Award Group. Selection to the Final Award Group and/or entering into contract negotiations does not guarantee execution of any contract.

1. : Post Evaluation Process
2.

## Interconnection Requirements Study

The Company will complete Interconnection Requirements Studies (IRS) for Proposals selected to the Final Award Group to further assess the costs of system upgrades necessary to integrate the Projects into the Company System. Submission of Facility models and documentation required to perform the IRS is required at Proposal due date. Proposers must be prepared to provide any additional data necessary for the IRS within fifteen (15) days of request. Failure to provide requested material within the time specified is grounds for elimination from the Final Award Group. Proposer will pay for the IRS. The IRS will take into consideration other Proposals selected to the Final Award Group. The IRS provides information including, but not limited to, an estimated cost for required Interconnection Facilities for a particular Project. Proposer will be responsible for the actual final costs of all Seller-Owned Interconnection Facilities and Company-Owned Interconnection Facilities. No upward adjustments to pricing will be permitted as a result of the actual final costs. However, there may be downward adjustments to the pricing as a result of a lower estimated cost for required Interconnection Facilities previously provided for a particular Project. Proposer will have the opportunity to terminate the PPA in the event that the actual final costs are higher than the estimate provided by the Company prior to Proposal submission.  See Attachment G (Company-Owned Interconnection Facilities) to the Model PPA.

All Proposals selected to the Final Award Group will require a new IRS, including any Proposal at a Site where an IRS might have been previously performed in connection with other RFPs or proposed PPAs.

## Contract Negotiation Process

### Proposers selected for the Final Award Group will be required to indicate, in writing, to the Energy Contract Manager whether they intend to proceed with their Proposals within five (5) business days of being notified by the Company of its intent to enter into contract negotiations. Proposers who elect to remain in the Final Award Group will be required to keep their Proposal valid through the award period.

### The Company’s goal is to complete contract negotiations within six (4) months of notification of intent to enter into contract negotiations. The IRS may not be completed at such time. If this is the case, the Company intends to execute and file the PPA with the PUC for approval and later amend the PPA to include the results of the IRS.

### The Company highly recommends that Proposers do not significantly modify the Model PPA and instead only request revisions to the Model PPA specifically tailored to Proposer’s project.

## Community Outreach and Engagement

No later than in parallel with the Contract Negotiation Process, Proposers shall at minimum conduct a public meeting in the community where the proposed project is located, provide adequate public notice of the meeting of two weeks or more, and inform the Company of the meeting. This public meeting shall include an opportunity for stakeholders and other interested parties to learn about the proposed project, engage in dialogue about concerns, mitigation measures and potential community benefits, and inform the community of the process and/or intent for input and engagements. Following the public meeting, the public will be allowed 30 days to submit comments to the Company. If a PPA is signed, the Application for Regulatory Approval of that PPA will contain an Attachment including those comments. Proposers must also comply with any other requirement set forth in the Model PPA relating to Community Outreach.

Following submission of the Application, the Company will provide another opportunity for the public to comment on the proposed Project. The Company’s Statement of Position filed in the docket associated with the Project will contain an Attachment including those comments.

## Required PUC Approvals

Anticipated PUC approval requirements that will govern the application for approval of any executed PPA resulting from this RFP are set forth in Section 25.12 of the Model PPA.

1. The resource need for the island of Maui identified in the Company’s PSIP Update Report: December 2016 identified 40 MW of qualified firm capacity to replace the generating capacity of Kahului Power Plant by 2022. [↑](#footnote-ref-2)
2. RPS requirements in Hawai‘i are codified as Hawai‘i Revised Statutes (“HRS”) 269-91 through 269-95. [↑](#footnote-ref-3)
3. The Waena site consists of 65.7 acres located along Pulehu and Waiko roads in central Maui (TMK 3-8-03:23 and 3-8-03:24). The site is zoned Heavy Industrial. Approximately 15 acres will be allotted for use with this RFP. [↑](#footnote-ref-4)
4. See Section 3.11 regarding Sites Identified by Company. [↑](#footnote-ref-5)
5. Transmission Planning Criteria is further described in the Companies’ December 23, 2016 PSIP Update Report on beginning on page O-11 of Appendix O. [↑](#footnote-ref-6)
6. Subsequent dates are dependent on the procedural schedule set by the PUC. [↑](#footnote-ref-7)
7. The Framework for Competitive Bidding Company intends to request PUC approval of the Proposed Final RFP and Model PPA within 30 days of filing of the Proposed Final RFP. The Framework for Competitive Bidding, adopted by the Commission through Order No. 23121, filed on December 8, 2006 in Docket No. 03-0372, summarized in an Order issued on February 24, 2011 in Docket No. 2011-0038, and cited throughout Order No. 34856, provides for a thirty day period for Commission review and approval of the RFPs. The Companies propose expanding this review period as shown here in order to allow additional time, given that the review falls during the holidays. [↑](#footnote-ref-8)
8. RFx event is the terminology used in Sourcing Intelligence to describe the RFP event. [↑](#footnote-ref-9)
9. Proposer’s officer or agent must be authorized, in writing, via Proposer’s organizational documents (i.e., Articles of Incorporation, Articles of Organization, By-laws, etc.), resolution or similar documentation. [↑](#footnote-ref-10)
10. An asset is considered “bankable” (i.e. financial investors view the technology risk as very low) if it has known standards, known performance expectations and appropriate warranties. Vendor capabilities (including both technology vendors and specifying vendors), pricing, and other market forces drive market uptake (i.e. “demand pull”). [↑](#footnote-ref-11)
11. Including the evaluation weighting in Hawaiian Electric Company’s Docket No. 2013-0156 Waivers from the Framework for Competitive Bidding. [↑](#footnote-ref-12)