

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Requests of)
)
HAWAIIAN ELECTRIC COMPANY, INC.,)
HAWAII ELECTRIC LIGHT COMPANY, INC.,)
AND MAUI ELECTRIC COMPANY, LIMITED)
)
To Institute a Proceeding Relating)
To a Competitive Bidding Process)
To Acquire Dispatchable and)
Renewable Generation.)
_____)

DOCKET NO. 2017-0352

ORDER NO. 34856

OPENING THE DOCKET

PUBLIC UTILITIES
COMMISSION

2017 OCT -6 A 1:57

FILED

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OF THE STATE OF HAWAII

In the Matter of the Requests of)
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HAWAIIAN ELECTRIC COMPANY, INC.,)
HAWAII ELECTRIC LIGHT COMPANY, INC.,)
AND MAUI ELECTRIC COMPANY, LIMITED)
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To Institute a Proceeding Relating)
To Competitive Procurement)
Of Dispatchable and)
Renewable Generation.)
_____)

Docket No. 2017-0352

Order No. **34856**

OPENING THE DOCKET

By this Order, the commission opens this docket, to receive filings, review approval requests, and resolve disputes, if necessary, related to the HAWAIIAN ELECTRIC COMPANIES'¹ requests to proceed with competitive procurement²

¹Hawaiian Electric Companies ("HECO Companies" or "the Companies"), refers to Hawaiian Electric Company, Inc. ("HECO"), Hawaii Electric Light Company, Inc. ("HELCO"), and Maui Electric Company, Limited ("MECO").

²The commission expects that procurement of new dispatchable and renewable generation through this round of solicitations will generally adhere to the Framework for Competitive Bidding, but the commission may exercise its discretion to expedite and/or amend certain parts of the Framework to accommodate time constraints that may apply to the potential commercial transactions under these solicitations. See Docket No. 2003-0372, Instituting a Proceeding to Investigate Competitive Bidding for Generating Capacity in Hawaii, Decision and Order No. 23121, Exhibit A - Framework for Competitive Bidding ("Framework"), filed on December 8, 2006.

of dispatchable firm generation and new renewable energy generation on the islands of Oahu, Hawaii, Maui, Molokai, and Lanai ("Letter Requests").

I.

Background

Hawaiian Electric Company, Inc. ("HECO"), Hawaii Electric Light Company, Inc. ("HELCO"), and MECO (collectively, the "HECO Companies"), are affiliated entities.

On July 14, 2017, the commission issued an order accepting the Companies' Power Supply Improvement Plans ("PSIPs"), which set forth the Companies' intention to competitively procure new grid-scale generation resources. Those plans included procurement of nearly 400 MW of new renewable resources across the HECO Companies' service territories by 2021.³

A.

Framework for Competitive Bidding

A description of the Framework, the commission's primary role and duties thereto (including the selection of an independent observer ("IO") for a competitive bidding proceeding initiated at the Companies' behest), and the commission's authority for

³See Docket No. 2014-0183.

opening the subject repository docket, is summarized in an Order issued on February 24, 2011, in In re Public Util. Comm'n, Docket No. 2011-0038, and that summary description is incorporated by reference herein. In addition, after review of the draft requests for proposals ("RFPs") and comments from interested stakeholders, as set forth below, the commission may exercise its discretion to expedite and/or amend certain parts of the Framework to accommodate time constraints that may apply to the potential commercial transactions under these solicitations (e.g., to allow for the opportunity to meet deadlines to qualify for federal tax incentives).

B.

HECO Companies' Letter Requests

By letter dated June 6, 2016, HECO requested, and by letters dated January 6, 2017, HELCO and MECO⁴ requested, that the commission: (1) open a docket for the purpose of receiving filings, reviewing approval requests, and resolving disputes relating to the Companies' plans to acquire dispatchable firm generation and

⁴MECO originally filed a letter request with the commission requesting that the commission open an RFP for dispatchable firm generation on May 5, 2016 ("MECO Maui Letter Request"), but filed an update to that request on January 6, 2017 ("Updated MECO Maui Letter Request"), as well as two additional letter requests pertaining to renewable energy RFPs on Molokai and Lanai.

new renewable energy generation on the islands of Oahu, Hawaii, Maui, Molokai, and Lanai; and (2) appoint an IO, consistent with the applicable provisions of the Framework.

The Companies state that they request the appointment of an IO due to their intent to submit a proposal in response to the RFPs that ultimately result from the subject proceeding. The Companies state that they are amenable to either submitting for Commission approval a contract for IO services for an IO selected from the list of qualified candidates for the IO position, or the commission appointing its own candidate as the IO.

A copy of all six letter requests⁵ are attached to this Order.

II.

Opening the Subject Docket

The commission states as follows:

1. The commission opens this docket to receive filings, review approval requests, and resolve disputes, if necessary, related to the HECO Companies' plan to acquire dispatchable firm generation and new renewable energy generation on the islands of Oahu, Hawaii, Maui, Molokai, and Lanai.

⁵This includes the May 5, 2016 MECO Maui Letter Request, the June 6, 2016 HECO Letter Request, and the January 6, 2017 HELCO, Updated MECO Maui, and MECO Molokai and Lanai Letter Requests.

2. The subject docket is intended to serve as a repository for the requisite filings and a forum for resolving approval requests and disputes, and any amendments for this proceeding adopted by the commission, if necessary.⁶

3. The commission does not consider the subject docket to be a contested case proceeding.⁷

4. All matters that may require commission approval related to the resulting RFPs, with the exception of the commission's review and adjudication of any power purchase agreements that may arise from the resulting RFP, will be resolved in this docket.⁸

5. The commission will appoint an IO to serve as the monitor of the competitive bidding process and to report on the progress and results thereto to the commission.⁹

6. The parties herein are the HECO Companies and the DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS, DIVISION OF CONSUMER ADVOCACY ("Consumer Advocate"), an ex officio party,

⁶See Docket No. 2011-0038, Order, filed on February 24, 2011, Section II.A, Authority, at 5-6 ("February 24, 2011 Order").

⁷See February 24, 2011 Order at 5-6.

⁸See February 24, 2011 Order at 5-6.

⁹The commission plans to oversee the initial filing of the draft RFPs and the subsequent comments by interested stakeholders discussed in this Order, but intends to bring in an IO(s) to oversee all additional steps in this process.

pursuant to Hawaii Revised Statutes HRS § 269-51 and Hawaii Administrative Rules § 6-61-62(a).¹⁰

7. In prior proceedings involving the development of an electric utility's RFP to solicit competitive bids for new or additional sources of energy generation, the commission has consistently held that such a proceeding, by design, provides interested persons with the opportunity to participate in the process set forth in the Framework without the need to formally intervene in the relevant proceeding.¹¹

8. As a repository docket, the commission specifically excludes from this Order any language which invites interested persons to move to intervene or participate in said docket. Instead, the subject repository docket, by design, provides interested persons with the opportunity to participate in the process set forth in the Framework without the need to formally intervene in the docket.¹²

9. The HECO Companies, through the subject docket, seek to acquire additional dispatchable firm generation and renewable generation through a competitive bidding, RFP process.

¹⁰See February 24, 2011 Order at 7.

¹¹See In re Public Util. Comm'n, Docket No. 2011-0225 ("Docket No. 2011-0225"), Order No. 31446, filed on September 10, 2013, at 13-15.

¹²See Docket No. 2011-0225, Order No. 31446, at 13.

To ensure open transparency in such a repository docket whereby non-parties will have the opportunity to review and comment on the relevant filings without the need to formally intervene, the commission anticipates that the issuance of a protective order will not be necessary.

10. As initial steps to initiate this competitive procurement process, the HECO Companies shall file in this docket their draft RFPs and supporting documentation, along with a detailed description of how the Companies propose to successfully execute the competitive bidding process, within fifteen (15) days of the date of this order.¹³

The HECO Companies' supporting documentation shall include, but not be limited to:

- a. Dates and subsequent timelines for each proposed procurement;
- b. The HECO Companies' evaluation methodology, including pricing and non-pricing criteria;
- c. A Code of Conduct;¹⁴
- d. The Proposed Interconnection Study Process, including the length of time needed to conduct the Interconnection Studies and associated review periods; and

¹³The commission directs the Companies to submit all draft RFPs together in one filing.

¹⁴The Code of Conduct must be consistent with the requirements set forth in Section IV.H.9.c of the Framework. See Framework at 26-27.

- e. Power Purchase Agreements ("PPAs") that will be used throughout the procurement(s).

Any comments by interested stakeholders on the draft RFPs, supporting documentation, and/or detailed description of how the Companies propose to successfully execute the competitive bidding process, shall be filed in this docket and served on the HECO Companies and Consumer Advocate at the addresses listed in the attached Certificate of Service, no later than twenty (20) days after the filing of the Companies' draft RFPs.¹⁵ The commission may thereafter hold a technical conference to review the HECO Companies' draft RFPs and comments by interested stakeholders.

The Companies' proposed RFPs, and any comments related to the draft RFPs, as well as comments and recommendations by the IO on the proposed RFPs shall be filed in this docket.

After review of the draft RFPs and comments, the commission intends to direct the Companies to finalize and release the RFPs after making any necessary modifications.

The commission will provide further guidance on this competitive procurement, as necessary.

¹⁵The commission notes that the Framework includes a step directing "[t]he utility [to] hold[] a technical conference to discuss the draft RFP with interested parties (which may include potential bidders)," before soliciting comments on a draft RFP. Framework at 19. Given the Framework's intention that competitive bidding be "structured and implemented in a flexible and efficient manner," the commission will not require the utility to hold a technical conference to discuss the draft RFPs here, but will move directly to the comment phase, as set forth above. Id. at 16.

III.

Orders

THE COMMISSION ORDERS:

1. This docket is opened to receive filings, review approval requests, and resolve disputes, if necessary, related to the HECO Companies' plan to proceed with a competitive bidding process to acquire dispatchable firm and renewable generation on the islands of Oahu, Hawaii, Maui, Molokai, and Lanai.

2. All matters that may require commission approval related to the resulting RFPs, with the exception of the commission's review and adjudication of any power purchase agreements that may arise from the resulting RFPs, will be resolved in this docket.

3. The commission will appoint an IO to monitor the competitive bidding process and to report on the progress and results thereto to the commission.

4. The parties are the HECO Companies and the Consumer Advocate.

5. The commission issues the subject Order to enable the Companies to commence the RFP process.


6. The HECO Companies shall file in this docket their draft RFPs and supporting documentation, along with a detailed description of how the Companies propose to successfully execute

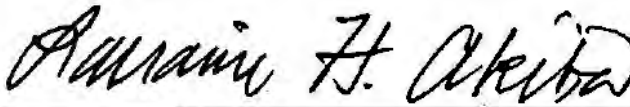
the competitive bidding process, within fifteen (15) days of the date of this order.

7. Any comments by interested stakeholders on the draft RFPs, supporting documentation, and/or detailed description of how the Companies propose to successfully execute the competitive bidding process, shall be filed in this docket and served on the HECO Companies and Consumer Advocate at the addresses listed in the attached Certificate of Service, no later than twenty (20) days after the filing of the Companies' draft RFPs.

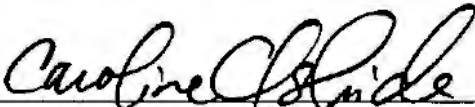
DONE at Honolulu, Hawaii OCT - 6 2017.

PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By 
Randall Y. Iwase, Chair

By 
Lorraine H. Akiba, Commissioner

APPROVED AS TO FORM:


Caroline C. Ishida
Commission Counsel

By 
James P. Griffin, Commissioner

2017-0352.ljk



SHARON M. SUZUKI
President

May 5, 2016

FILED

2016 MAY -5 P 3:45

The Honorable Chair and Members of the
Hawai'i Public Utilities Commission
465 South King Street
Kekuanaoa Building, 1st Floor
Honolulu, Hawai'i 96813

PUBLIC UTILITIES
COMMISSION

Dear Commissioners:

Subject: Maui Electric Company, Limited
Dispatchable Firm Generation Request for Proposals
Request to Open New Docket and Approval of an Independent Observer

Maui Electric Company, Limited ("Maui Electric" or the "Company") respectfully requests that the Commission open a new docket for the purposes of receiving filings, reviewing approval requests, and resolving disputes, if necessary, related to the Company's plan to acquire approximately forty (40)¹ megawatts ("MW") of Dispatchable Firm Generation on the island of Maui through a firm generation request for proposal ("Maui Electric Dispatchable Firm Generation RFP"). As proposed in the Hawaiian Electric Companies'² Power Supply Improvement Plan Update Report ("PSIP Update") filed on April 1, 2016 (Docket No. 2014-0183), approximately 20 MW of new generation capacity will be sought from renewable sources and approximately 20 MW will be sought from fuel-flexible³ firm generation resources by 2022. The Maui Electric Dispatchable Firm Generation RFP will be issued pursuant to the Framework for Competitive Bidding dated December 8, 2006 (the "Framework"), adopted by the Commission in Decision & Order No. 23121 (Docket No. 03-0372). In addition, the Company respectfully requests that the Commission appoint an Independent Observer ("IO"), as set forth in Section III.C.6 of the Framework, from the list of Commission-approved IOs. Alternatively, Maui Electric is also amenable to the Commission appointing its own candidate as IO.

¹ The final number of megawatts sought through the RFP may vary, up to and through the RFP development and selection process, due to changes in key parameters, such as the demand response forecast, load forecast, or the impacts of other capacity-contributing resources.

² "Hawaiian Electric Companies" refers collectively to Maui Electric, Hawaiian Electric Company, Inc., and Hawai'i Electric Light Company, Inc. (hereinafter collectively "Companies").

³ As indicated in the PSIP Update, new thermal generating units will be operated using both conventional and renewable fuels, as needed to meet Hawai'i Renewable Portfolio Standards goals.

New Dispatchable Firm Generation Capacity is Needed

New dispatchable firm generation capacity is needed on the island of Maui to address the following key issues as identified in the PSIP Update, as well as those discussed in Maui Electric's 2016 Adequacy of Supply Report ("AOS") filed January 29, 2016:

1. The planned retirement of the Kahului Power Plant ("KPP") (Units 1-4; 36 MW) at the end of 2022, and because of environmental constraints, under no circumstances later than November 30, 2024.⁴
2. Responding to community feedback opposing transmission line upgrades by providing for a non-transmission alternative⁵ ("NTA") to mitigate the current under-voltage situation in South Maui. Additional load growth in the South Maui area is expected and combined with constrained transmission capability from resources in other parts of the island, a NTA⁶ is needed to maintain the required voltage in an event of a transmission outage in South Maui.
3. Anticipated system load growth and reserve capacity shortfall expected in 2017 through 2022.
4. Hawaiian Commercial & Sugar ("HC&S") ceasing operations in 2017.

In the Companies' PSIP Update, Maui Electric developed a Preferred Plan for transforming the system from its current state to a future vision in which customers' electrical energy needs would be completely met by using a diverse portfolio of distributed and utility-scale renewable resources, demand response programs, and energy storage resources. Existing fossil-fueled steam generating units will be replaced with more flexible, fast-starting, cycling thermal generating units, with a considerable contribution coming from firm renewable generation.

The identification and procurement of additional firm capacity to offset the retirement of KPP aligns closely with the Company's overall efforts to safely transform the electric system on Maui and achieve unprecedented levels of renewable energy production while maintaining system reliability. The acquisition of new firm capacity via the Maui Electric Dispatchable Firm Generation RFP will help maintain system reliability and improve generating system flexibility. It will also be an important first step in advancing toward our goal of eventually eliminating the

⁴ As noted on page 8-23 of the PSIP Update, Maui Electric plans to retire KPP in 2022 to comply with stringent National Pollution Discharge Elimination System ("NPDES") requirements.

⁵ See PSIP Update page 8-27.

⁶ See PSIP Update page 6-2. Approximately 20 MW of flexible, fast-starting, cycling thermal generating units are needed.

use of fossil fuels and achieving 100% renewable generation by 2040.⁷ To that end, the procurement of new firm capacity now is essential to maintaining the reliability of the Maui island grid, thus facilitating the integration of more renewable energy resources in the future.

Maui Electric's Request is Consistent with the PSIP and AOS

Maui Electric's capacity planning analysis in its 2016 AOS report identified shortfalls in reserve capacity in the near term, and a much larger shortfall in 2022 due to the planned retirement of KPP. Maui Electric indicated that a reserve capacity shortfall of 3 MW is anticipated in 2017,⁸ even with a contribution from wind generation, based on the application of its Rule 1 capacity planning criterion.⁹ Reserve capacity shortfalls between 0.6 MW and 3.7 MW are anticipated from 2018 to 2022, even with a contribution from wind generation. In 2023, a reserve capacity shortfall of 39.9 MW is anticipated with the retirement of KPP in 2022.¹⁰

Maui Electric's capacity situation was also assessed in the PSIP Update. With the inclusion of the peak reduction benefits of future demand response programs and Time-of-Use ("TOU") rates, and the inclusion of the contribution from wind generation, the reserve capacity shortfall in 2023 was estimated to be 27 MW, as shown in Table 1 below, based on the application of Maui Electric's Rule 1 capacity planning criterion. With the application of the more stringent 30% reserve margin guideline,¹¹ the reserve capacity shortfall in 2023 will be an estimated 47 MW, as shown in Table 2. Table 1 below shows the estimated reserve capacity shortfalls based on the application of Rule 1 and on the information used in the PSIP Update.

⁷ See PSIP Update Table 3-1, Summary of Themes, page 3-4, Maui island achieving 100% renewable generation by 2040.

⁸ See Table 3, page 11, Maui Electric's 2016 AOS filing.

⁹ In essence, the Rule 1 criterion requires that there be enough firm capacity to serve the expected peak demand even with units unavailable due to planned maintenance and with the largest available unit forced out of service due to an unexpected event. Maui Electric's capacity planning criteria are explained more fully in its 2016 AOS filing, on page 4.

¹⁰ See Table 3, page 11, Maui Electric's 2016 AOS filing. The analysis did not include the potential peak reduction benefits of future demand response programs, which were under development at the time of the filing.

¹¹ See PSIP Update, page J-2, Reliability Criteria.

Table 1
Reserve Capacity Shortfalls Based on the Application of Rule 1

Year	Low Month System Peak (MW)	Demand Response (DR) (MW)	System Peak (DR Included) (MW)	System Cap (MW)	Unit Maintenance (MW)	Largest Unit Available (MW)	Rule 1 Load Service Capability (LSC) Diff (MW)	Rule 1 LSC Diff (DR Included) (MW)
[1]	[2]	[3]	[4]=[2]-[3]	[5]	[6]	[7]	[8]=[5]-[6]-[2]-[7]	[9]=[8]+[3]
2017	196.3	1.1	195.2	249.1	28.4	28.4	-4.0	-2.9
2018	194.6	3.4	191.1	249.1	28.4	28.4	-2.3	1.2
2019	196.6	7.7	188.8	249.1	28.4	28.4	-4.2	3.5
2020	196.8	4.5	192.4	249.1	28.4	28.4	-4.5	0.0
2021	198.2	8.5	189.7	249.1	28.4	28.4	-5.9	2.6
2022	199.0	12.3	186.7	249.1	28.4	28.4	-6.7	5.6
2023	199.5	16.3	183.2	213.2	28.4	28.4	-43.2	-26.8
2024	200.1	18.1	182.0	213.2	28.4	28.4	-43.7	-25.6
2025	201.8	18.7	183.1	213.2	28.4	28.4	-45.4	-26.7

Typically for the Maui system, the largest reserve capacity shortfall will occur when the largest generating unit (one-half of either dual train combined cycle) is on planned maintenance. These units are typically scheduled for maintenance during the low load months of April or May. Therefore, the reserve capacity shortfalls, indicated by negative numbers in the table under column [9], occur in April in 2017 and in May in all subsequent years. It can be seen from Table 1 that the reserve capacity shortfall in 2023 will be approximately 27 MW if no new capacity is added after KPP is retired in 2022.

Typically for the Maui system, the system peak occurs in the month of December. Since the reserve margins are a function of the system peak, the reserve margin MW and percentages are calculated for the month of December. It can be seen from Table 2 below, that the reserve margin will decline to 12.8 MW, or 6.4%, in 2023, as shown under column [13], if KPP is retired at the end of 2022 and no new firm capacity is added. The Maui system would need approximately 47 MW more of firm capacity, as shown under column [14], in order to achieve a reserve margin of 30% once capacity is added. A reserve margin of 12.8 MW, or 6.4%, will not be sufficient to operate the grid reliably with a peak demand of 200.4 MW. While Maui Electric should be able to serve the forecasted peak demand with 213.2 MW of firm capacity if no units are out of service, there will nearly be an insufficient amount of reserve capacity due to planned or forced outage events. If any of Maui Electric's generating units are taken out of service, Maui Electric will not be able to serve the peak demand if any additional unit suffers a forced outage or if the existing wind farms are not producing sufficient energy to help meet the system peak or if the demand response programs do not produce the projected amount of peak reduction benefits.

**Table 2
Reserve Capacity Shortfalls Based on 30% Reserve Margin**

Year (1)	System Peak (MW) (10)	Demand Response (DR) (MW) (3)	System Peak (DR Included) (MW) (11)=[10]-[3]	System Cap (MW) (5)	Reserve Margin (RM) (MW) (12)=[5]-[11]	Reserve Margin (%) (13)=[(12)]/[11]	Capacity Needed to Achieve 30% RM (MW) (14)=[1.30*[11]]-[5]
2017	206.8	1.1	205.8	249.1	43.3	21.1%	18.4
2018	210.5	3.4	207.1	249.1	42.0	20.3%	20.1
2019	212.7	7.7	205.0	249.1	44.1	21.5%	17.4
2020	213.3	4.5	208.8	249.1	40.3	19.3%	22.4
2021	214.9	8.5	206.4	249.1	42.7	20.7%	19.2
2022	215.8	12.3	203.6	249.1	45.5	22.4%	15.5
2023	216.7	16.3	200.4	213.2	12.8	6.4%	47.3
2024	216.7	18.1	198.6	213.2	14.6	7.4%	45.0
2025	218.7	18.7	200.0	213.2	13.2	6.6%	46.8

Given the capacity outlook, it is imperative that the process to procure new firm generating capacity begin now, based on the following factors:

- The estimated timeframe to bid, select, permit, procure and construct a sufficient amount of new firm generating capacity is four to six years. It would be prudent to commission the new capacity prior to the absolute deadline to allow for potential delays that are beyond the utility's control.
- Future peak demand could be significantly different from currently forecasted peak demand due to the uncertainty of assumptions such as economic drivers, energy efficiency impacts, weather patterns, and demand response adoption rates. Peaks that are higher than forecast would accelerate the need for new capacity. Peaks that are lower than forecast would defer the need for new capacity. Yet the ability to accelerate or defer the actual installation of new capacity around a given date is not symmetrical. There would be limited ability to shorten the time for permitting or to shorten the time to build a generating unit in a factory or construct it in the field. There would be a greater ability to postpone the fabrication of the unit or the construction in the field.
- Additional firm capacity will serve multiple purposes including but not limited to: (1) preserve generating system reliability and (2) improve transmission system reliability by providing an NTA for the South Maui area. Without the NTA, the South Maui area will be at greater risk of prolonged service interruptions due to low voltages when certain contingencies occur.

In light of the required retirement of KPP no later than November 2024 and given the capacity situation and other factors noted above, commencing the RFP process at this time is imperative.

By relying upon the peak reduction benefits of demand response and TOU programs, which are forecast to reduce peak demand by about 16 MW in 2023, and by also ascribing about 3 MW of capacity value to the wind farms, which is already included in the total system capability (Column [5] of Table 2), Maui Electric will need about 47 MW to satisfy its 30% reserve margin guideline. Maui Electric plans to seek new dispatchable firm capacity via this RFP and any additional capacity needed to achieve a 30% reserve margin may be provided by a battery energy storage system ("BESS") to be sought through a separate proceeding. Maui Electric's Preferred Plan contains a 20 MW, 4-hour BESS in 2022.¹²

Request for an Independent Observer

Section III.C.1 of the Framework requires that the electric utility contract with an IO acceptable to the Commission whenever the utility or its affiliate seeks to advance a project proposal, or when the Commission otherwise determines. Because Maui Electric intends to submit a proposal in response to this RFP, Maui Electric requests the appointment of an IO.

Maui Electric recommends that the IO chosen for this assignment possess the necessary independent bid evaluation experience to enhance transparency in the evaluation and selection process, and to ensure agreement among the parties that the final selection of bid(s) is in the best interests of Maui Electric's customers.

In accordance with Section III.C.6, Maui Electric requests the approval of Mr. Alan Taylor of Sedway Consulting, Inc., who is included within the existing Commission-approved IO list.¹³ Alternatively, Maui Electric is amenable to the Commission choosing its own IO, in particular, Boston Pacific Company, which the Commission has chosen in recent RFP dockets.

Maui Electric is amenable to either approach and believes that both candidates are well-qualified to serve as the IO as each have the desired independent evaluation and analysis capabilities described above.

To expedite the process and allow time for collaboration with the IO early in the process, it would be ideal if the IO could be quickly assigned, such that Maui Electric and the IO may work together in the creating the design of the RFP with associated system (technical, operational and performance) requirements. Having the IO assigned and involved early in the process will also allow the IO to have a better understanding of the PSIP planning process and

¹² See PSIP Update, Table 6-1, Maui Preferred Plan, page 6-25.

¹³ By Order dated September 9, 2010, in Docket No. 03-0372, the Commission approved the addition of Mr. Alan Taylor to the list of qualified candidates for the IO position.

the unique challenges, operational requirements and the resources needed for Maui Electric, as well as allow time to review all necessary assumptions prior to performing any independent evaluation and analysis during the evaluation of bids.

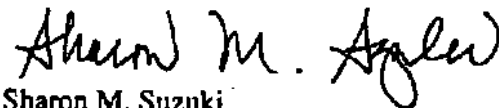
Cost Recovery for RFP Process

The Framework provides that the costs that an electric utility reasonably and prudently incurs in designing and administering its competitive bidding processes are recoverable through rates.¹⁴ Maui Electric will, in the near future, separately file an application with the Commission requesting deferred accounting treatment of the Maui Electric Firm Dispatchable RFP non-labor costs associated with the competitive bid process.

Maui Electric's Request

As set forth in this letter, Maui Electric respectfully requests that the Commission: (1) open a new docket for the Company's planned competitive bidding process for additional firm capacity resources on the island of Maui; and (2) direct Maui Electric to submit for Commission approval a contract with Mr. Alan Taylor of Sedway Consulting, Inc. for IO services in accordance with the Framework, or in the alternative, designate and contract for the services of an IO (such as Boston Pacific Company) selected by the Commission.

Sincerely,



Sharon M. Suzuki
President
Maui Electric Company, Limited

c: Division of Consumer Advocacy

¹⁴ See Section VII.A of the Framework.



June 6, 2016

FILED

2016 JUN -6 P 3:44

JOSEPH P VIOLA
Vice President
Regulatory Affairs

The Honorable Chair and Members of the
Hawai'i Public Utilities Commission
465 South King Street
Kekuanaoa Building, 1st Floor
Honolulu, Hawai'i 96813

PUBLIC UTILITIES
COMMISSION

Dear Commissioners

**Subject Hawaiian Electric Company, Inc
Request to Open a Docket for a Request for Proposals for Renewable Energy
Generation Resources for O'ahu and Appointment of an Independent Observer**

As detailed below, Hawaiian Electric Company, Inc ("Hawaiian Electric" or the "Company") hereby respectfully requests that the Commission open a docket and appoint an Independent Observer ("IO") to allow the Company to solicit proposals for new renewable energy generation (to be in service by the end of 2020), consistent with the Five-Year Action Plan proposed in the Company's Power Supply Improvement Plan ("PSIP") update report filed on April 1, 2016 ("Update")

Specifically, Hawaiian Electric requests that the Commission open a docket for the purposes of receiving filings, reviewing approval requests and resolving disputes, if necessary, related to the Company's proposed plan to acquire additional renewable energy resources on the island of O'ahu through a Hawaiian Electric Renewable Energy request for proposals ("RFP") issued pursuant to the Framework for Competitive Bidding dated December 8, 2006 (the "Competitive Bidding Framework"), adopted by the Commission in Decision and Order No 23121 (Docket No 03-0372). In addition, the Company requests that the Commission appoint an IO as set forth in Section II C 6 of the Competitive Bidding Framework

To expedite the process and allow time for collaboration with the IO early in the process, it would be beneficial if the IO could be quickly assigned, such that Hawaiian Electric and the IO may work together in the creating the design of the RFP with associated system (technical, operational and performance) requirements. Having the IO assigned and involved early in the process will also allow the IO to have a better understanding of the PSIP planning process and the unique challenges, operational requirements and resources needed for Hawaiian Electric, as well as allow time to review all necessary assumptions prior to performing any independent evaluation and analysis during the evaluation of bids

Hawaiian Electric's Plans to Seek Additional Renewable Energy Generation

Hawaiian Electric seeks to request proposals for new renewable energy generation projects consistent with the resource needs identified in the Five-Year Action Plan and the

Preferred Plan for the island of O'ahu identified in the Company's April 1, 2016 PSIP Update,¹ subject to any updates that may be filed in the August 2016 PSIP update. The request will solicit proposals for projects that can be placed into service by the end of 2020.² The Hawaiian Electric Renewable Energy RFP will be an important step in transforming the system from current state to a future vision of the utility in 2045 that includes unprecedented levels of renewable energy production integrated through a balanced portfolio of renewable energy resources, thermal renewable generation, energy storage and demand response. The RFP will identify a path to accomplish the 2020 renewable generation milestones in this plan in an open, competitive environment as prescribed by the Competitive Bidding Framework. While the PSIP is still under review by the Commission and other stakeholders, Hawaiian Electric believes that it is important to move forward in parallel to enable the procurement process of the near-term renewable generation identified to be launched quickly at the appropriate time as determined by the Commission.

The specific timing and amount of renewable energy generation capacity sought will be included in the draft RFP when submitted for review by the Commission.³

Request for an Independent Observer

As noted above, the Company is requesting that the Commission appoint an Independent Observer (IO) as provided for in Section II C 6 of the Competitive Bidding Framework.⁴ Hawaiian Electric recommends that the IO chosen for this assignment possess the necessary independent bid evaluation experience to enhance transparency in the evaluation and selection process, and to help ensure agreement among the parties that the final selection of bid(s) is in the best interest of Hawaiian Electric's customers.

The Company is in the process of drafting the Hawaiian Electric Renewable Energy RFP for Commission and IO review with a targeted filing date in the fall of 2016. Hawaiian Electric is submitting this request at this time in order to facilitate the timely review and processing of the RFP, with the ultimate objective of acquiring additional renewable resources at lower and/or fixed costs that will benefit customers and help achieve Hawai'i's renewable portfolio standards.

¹ See generally PSIP Update at 5-24, 8-16 and 8-21.

² See *id.* at 5-24.

³ In February of 2016, Hawaiian Electric terminated three power purchase agreements ("PPAs") with SunEdison, Inc. ("SunEdison") for reasons set forth in Docket Nos. 2014-0356, 2014-0357, and 2014-0359. As also indicated in those dockets, Hawaiian Electric had concerns related to the sale of these projects to a creditor of the developer before a looming bankruptcy. Since then, the bankruptcy has been filed and it is possible that the projects may be sold in a process approved by the bankruptcy court. This current request to open this docket will not preclude consideration of proposals that may arise from the SunEdison bankruptcy proceeding, whether inside or outside of this docket. Hawaiian Electric remains agreeable to reviewing any proposal that may emerge from the bankruptcy proceeding in the near term. However, if such an outcome is not apparent when Hawaiian Electric submits the RFP to the Commission for review, the capacity of such terminated projects will be added to the RFP to expedite the procurement of such renewable capacity.

⁴ Hawaiian Electric is amenable to either submitting for Commission approval a contract for IO services for an IO selected from the list of qualified candidates for the IO position, or the Commission appointing its own candidate as the IO.

(RPS) goals. Opening a docket and appointing an IO expeditiously will allow Hawaiian Electric to work with the IO as Hawaiian Electric develops the RFP details to be provided to the Commission for approval at a later date. For consistency and to maximize efficiencies between concurrent procurements, Hawaiian Electric requests that the Commission utilize the same IO for this procurement as is selected for Maui Electric Company, Limited's Dispatchable Firm Generation RFP.

Cost Recovery for RFP Process

The Competitive Bidding Framework provides that the costs that an electric utility reasonably and prudently incurs in designing and administering its competitive bidding processes are recoverable through rates to the extent reasonable and prudent.⁵ Upon the opening of the docket and confirmation by the Commission that cost recovery for the Hawaiian Electric Renewable Energy RFP is appropriate, Hawaiian Electric will, in the near future, separately file an application with the Commission requesting deferred accounting treatment of the non-labor costs associated with the competitive bidding process.

Hawaiian Electric's Request

As detailed above, Hawaiian Electric respectfully requests that the Commission (1) open a docket for the Company's planned competitive bidding process for additional renewable energy resources on the island of Oahu, and (2) either appoint an IO or direct the Company to submit for Commission approval a contract for IO services for the competitive bidding process.

Sincerely,



Joseph P. Viola
Vice President
Regulatory Affairs
Hawaiian Electric Company, Inc

c. Division of Consumer Advocacy

⁵ See Competitive Bidding Framework § VII A.



January 6, 2017

SHARON M. SUZUKI
President

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PUBLIC UTILITIES
COMMISSION

The Honorable Chair and Members of the
Hawai'i Public Utilities Commission
465 South King Street
Kekuanaoa Building, 1st Floor
Honolulu, Hawai'i 96813

Dear Commissioners

Subject: Maui Electric Company, Limited
Moloka'i Renewable Energy Request for Proposals
Request to Open New Docket and Appointment of an Independent Observer

Maui Electric Company, Limited ("Maui Electric" or the "Company") respectfully requests that the Commission open a docket and appoint an Independent Observer ("IO") to allow the Company to seek proposals for new renewable energy generation (with a target installation of 2020) consistent with the Near-Term Resource Plan proposed in the Companies' *PSIP Update Report December 2016*. As noted in the PSIP, we have a limited-time opportunity to take advantage of currently-available federal tax incentives before they phase out in the early 2020's.

Specifically, Maui Electric requests that the Commission open a docket for the purposes of receiving filings, reviewing approval requests, and resolving disputes, if necessary, related to the Company's proposed plan to acquire additional renewable energy resources on the island of Moloka'i through a Moloka'i Renewable Energy Request for Proposals ("RFP") issued pursuant to the Framework for Competitive Bidding dated December 8, 2006 (the "Framework"), adopted by the Commission in Decision & Order No. 23121 (Docket No. 03-0372). In addition, the Company respectfully requests that the Commission appoint an IO as set forth in Section II C 6 of the Framework.

To expedite the process and allow time for collaboration with the IO early in the process, it would be ideal if the IO could be quickly assigned, such that Maui Electric and the IO may work together in the creating the design of the RFP with associated system (technical, operational and performance) requirements. Having the IO assigned and involved early in the process will also allow the IO to have a better understanding of the PSIP planning process and the unique challenges, operational requirements and resources needed for Maui Electric, as well as allow time to review all necessary assumptions prior to performing any independent evaluation and analysis during the evaluation of bids.

Company's Plans to Seek Additional Renewable Energy Generation

Maui Electric seeks to request proposals for new renewable energy generation projects consistent with the renewable resources identified in the Near-Term Resource Plan for the island of Moloka'i identified in the PSIP Update Report December 2016,¹ subject to any updates that may be filed. The request will solicit proposals for projects with a target in-service date by the end of 2020.² The Moloka'i Renewable Energy RFP is an important step in transforming the Companies' systems from current state to a future vision of the utility in 2045 that includes unprecedented levels of renewable energy production integrated through a balanced portfolio of renewable energy resources, thermal renewable generation, energy storage, and demand response.

The RFP will be consistent with the Near-Term Resource Plan and will solicit the resources to accomplish the 2020 renewable generation milestones in an open, competitive environment as prescribed by the Framework. The Companies recognize that the *PSIP Update Report, December 2016* still requires full vetting by the Commission and other stakeholders. However, in order to achieve the aggressive timeframes proposed in the Near-Term Resource Plan, Maui Electric believes that there are certain steps that can move forward in parallel to advance the procurement process of the renewable generation identified so that the RFP can be launched quickly at the appropriate time as determined by the Commission.

Maui Electric also recognizes that the aggressive timeframes across all islands will require the procurement, regulatory, and development and construction efforts of many projects across the State to be executed in parallel. Therefore, wherever possible Maui Electric would like to work with the Commission, Consumer Advocate, and others to assess, coordinate, and align the associated resource and scheduling challenges that may be inherent among the utility, regulators, relevant supply chains for development and construction, and the communities in which these projects will be sited as we initiate this aggressive pursuit of renewable resources. Meeting the 2020 timeframes in the *PSIP Update Report December 2016* will require many parties working together in concert in a streamlined and aggressive pace.

Request for an Independent Observer

As noted above, the Company respectfully requests that the Commission appoint an IO as set forth in Section II C 6 of the Framework.³

Maui Electric recommends that the IO chosen for this assignment possess the necessary independent bid evaluation experience to enhance transparency in the evaluation and selection process, and to help ensure agreement among the parties that the final selection of bid(s) is in the best interests of Maui Electric's customers.

¹ *PSIP Update Report December 2016* at 6-15

² *Id.*

³ Maui Electric is amenable to either submitting for Commission approval a contract for IO services for an IO selected from the list of qualified candidates for the IO position, or the Commission appointing its own candidate as the IO.

Maui Electric is submitting this request at this time in order to facilitate the timely review and processing of the RFP and the ultimate goal of acquiring additional renewable resources at lower and/or fixed costs that will benefit customers and help achieve Hawaii's Renewable Portfolio Standards ("RPS") goals. Opening a docket and quickly appointing an IO will allow Maui Electric to work with the IO as the Company develops the RFP details to be provided to the Commission for approval at a later date.

Cost Recovery for RFP Process

The Competitive Bidding Framework provides that the costs that an electric utility reasonably and prudently incurs in designing and administering its competitive bidding processes are recoverable through rates to the extent reasonable and prudent.⁴ Maui Electric will separately file an application with the Commission requesting deferred accounting treatment of the Moloka'i Renewable Energy RFP non-labor costs associated with the competitive bid process.

Maui Electric's Request

As set forth above, Maui Electric respectfully requests that the Commission (1) open a docket for the Company's planned competitive bidding process for additional renewable energy resources on the island of Moloka'i, and (2) either appoint an IO or direct Maui Electric to submit for Commission approval a contract for IO services for the competitive bidding process.

Sincerely,



Sharon M. Suzuki
President
Maui Electric Company, Limited

cc Division of Consumer Advocacy

⁴ See Framework § VII A.



January 6, 2017

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SHARON M SUZUKI
President

PUBLIC UTILITIES
COMMISSION

The Honorable Chair and Members of the
Hawai'i Public Utilities Commission
465 South King Street
Kekuanaoa Building, 1st Floor
Honolulu, Hawai'i 96813

Dear Commissioners

Subject **Maui Electric Company, Limited**
Maui Renewable Energy Request for Proposals
Request to Open New Docket and Appointment of an Independent Observer

Maui Electric Company, Limited ("Maui Electric" or the "Company") respectfully requests that the Commission open a docket and appoint an Independent Observer ("IO") to allow the Company to seek proposals for new renewable energy generation (with a target installation of 2020) consistent with the Near-Term Resource Plan proposed in the Companies' *PSIP Update Report December 2016*. As noted in the PSIP, we have a limited-time opportunity to take advantage of currently-available federal tax incentives before they phase out in the early 2020's. This new renewable energy generation is requested in addition to the firm dispatchable generation requested in the Company's letter to the Commission dated May 5, 2016.

Specifically, Maui Electric requests that the Commission open a docket for the purposes of receiving filings, reviewing approval requests, and resolving disputes, if necessary, related to the Company's proposed plan to acquire additional renewable energy resources on the island of Maui through a Maui Renewable Energy Request for Proposals ("RFP") issued pursuant to the Framework for Competitive Bidding dated December 8, 2006 (the "Framework"), adopted by the Commission in Decision & Order No. 23121 (Docket No. 03-0372). In addition, the Company respectfully requests that the Commission appoint an IO as set forth in Section II C 6 of the Framework.

To expedite the process and allow time for collaboration with the IO early in the process, it would be ideal if the IO could be quickly assigned, such that Maui Electric and the IO may work together in the creating the design of the RFP with associated system (technical, operational and performance) requirements. Having the IO assigned and involved early in the process will also allow the IO to have a better understanding of the PSIP planning process and the unique challenges, operational requirements and resources needed for Maui Electric, as well as allow time to review all necessary assumptions prior to performing any independent evaluation and analysis during the evaluation of bids.

Company's Plans to Seek Additional Renewable Energy Generation

Maui Electric seeks to request proposals for new renewable energy generation projects consistent with renewable resources identified in the Near-Term Resource Plan for the island of Maui identified in the *PSIP Update Report December 2016*,¹ subject to any updates that may be filed. The request will solicit proposals for projects with a target in-service date by the end of 2020.² The Maui Renewable Energy RFP is an important step in transforming the Companies' systems from current state to a future vision of the utility in 2045 that includes unprecedented levels of renewable energy production integrated through a balanced portfolio of renewable energy resources, thermal renewable generation, energy storage, and demand response.

The RFP will be consistent with the Near-Term Resource Plan and will solicit the resources to accomplish the 2020 renewable generation milestones in an open, competitive environment as prescribed by the Framework. The Companies recognize that the *PSIP Update Report December 2016* still requires full vetting by the Commission and other stakeholders. However, in order to achieve the aggressive timeframes proposed in the Near-Term Resource Plan, Maui Electric believes that there are certain steps that can move forward in parallel to advance the procurement process of the renewable generation identified so that the RFP can be launched quickly at the appropriate time as determined by the Commission.

Maui Electric also recognizes that the aggressive timeframes across all islands will require the procurement, regulatory, and development and construction efforts of many projects across the State to be executed in parallel. Therefore, wherever possible Maui Electric would like to work with the Commission, Consumer Advocate, and others to assess, coordinate, and align the associated resource and scheduling challenges that may be inherent among the utility, regulators, relevant supply chains for development and construction, and the communities in which these projects will be sited as we initiate this aggressive pursuit of renewable resources. Meeting the 2020 timeframes in the *PSIP Update Report December 2016* will require many parties working together in concert in a streamlined and aggressive pace.

Request for an Independent Observer

As noted above, the Company respectfully requests that the Commission appoint an IO as set forth in Section II C 6 of the Framework.³

Maui Electric recommends that the IO chosen for this assignment possess the necessary independent bid evaluation experience to enhance transparency in the evaluation and selection process, and to help ensure agreement among the parties that the final selection of bid(s) is in the best interests of Maui Electric's customers.

¹ *PSIP Update Report December 2016* at 6-13

² *Id.*

³ Maui Electric is amenable to either submitting for Commission approval a contract for IO services for an IO selected from the list of qualified candidates for the IO position, or the Commission appointing its own candidate as the IO.

Maui Electric is submitting this request at this time in order to facilitate the timely review and processing of the RFP and the ultimate goal of acquiring additional renewable resources at lower and/or fixed costs that will benefit customers and help achieve Hawaii's Renewable Portfolio Standards ("RPS") goals. Opening a docket and quickly appointing an IO will allow Maui Electric to work with the IO as the Company develops the RFP details to be provided to the Commission for approval at a later date. Maui Electric requests the same IO that was requested for in the Maui Electric Dispatchable Firm Generation RFP be appointed for this procurement.

Cost Recovery for RFP Process

The Competitive Bidding Framework provides that the costs that an electric utility reasonably and prudently incurs in designing and administering its competitive bidding processes are recoverable through rates to the extent reasonable and prudent.⁴ Maui Electric will separately file an application with the Commission requesting deferred accounting treatment of the Maui Renewable Energy RFP non-labor costs associated with the competitive bid process.

Maui Electric's Request

As set forth above, Maui Electric respectfully requests that the Commission (1) open a docket for the Company's planned competitive bidding process for additional renewable energy resources on the island of Maui, and (2) either appoint an IO or direct Maui Electric to submit for Commission approval a contract for IO services for the competitive bidding process.

Sincerely,



Sharon M. Suzuki
President
Maui Electric Company, Limited

cc Division of Consumer Advocacy

⁴ See Framework § VII A



January 6, 2017

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PUBLIC UTILITIES
COMMISSION

SHARON M SUZUKI
President

The Honorable Chair and Members of the
Hawai'i Public Utilities Commission
465 South King Street
Kekuanaoa Building, 1st Floor
Honolulu, Hawai'i 96813

Dear Commissioners

Subject **Maui Electric Company, Limited
Lana'i Renewable Energy Request for Proposals
Request to Open New Docket and Appointment of an Independent Observer**

Maui Electric Company, Limited ("Maui Electric" or the "Company") respectfully requests that the Commission open a docket and appoint an Independent Observer ("IO") to allow the Company to seek proposals for new renewable energy generation (with a target installation of 2020) consistent with the Near-Term Resource Plan proposed in the Companies' *PSIP Update Report December 2016*. As noted in the PSIP, we have a limited-time opportunity to take advantage of currently-available federal tax incentives before they phase out in the early 2020's.

Specifically, Maui Electric requests that the Commission open a docket for the purposes of receiving filings, reviewing approval requests, and resolving disputes, if necessary, related to the Company's proposed plan to acquire additional renewable energy resources on the island of Lana'i through a Lana'i Renewable Energy Request for Proposals ("RFP") issued pursuant to the Framework for Competitive Bidding dated December 8, 2006 (the "Framework"), adopted by the Commission in Decision & Order No 23121 (Docket No 03-0372). In addition, the Company respectfully requests that the Commission appoint an IO as set forth in Section II C 6 of the Framework.

To expedite the process and allow time for collaboration with the IO early in the process, it would be ideal if the IO could be quickly assigned, such that Maui Electric and the IO may work together in the creating the design of the RFP with associated system (technical, operational and performance) requirements. Having the IO assigned and involved early in the process will also allow the IO to have a better understanding of the PSIP planning process and the unique challenges, operational requirements and resources needed for Maui Electric, as well as allow time to review all necessary assumptions prior to performing any independent evaluation and analysis during the evaluation of bids.

Maui Electric seeks to request proposals for new renewable energy generation projects consistent with the renewable resources identified in the Near-Term Resource Plan for the island of Lana'i identified in the *PSIP Update Report December 2016*,¹ subject to any updates that may be filed. The request will solicit proposals for projects with a target in-service date by the end of 2020.² The Lana'i Renewable Energy RFP is an important step in transforming the Companies' systems from current state to a future vision of the utility in 2045 that includes unprecedented levels of renewable energy production integrated through a balanced portfolio of renewable energy resources, thermal renewable generation, energy storage, and demand response.

The RFP will be consistent with the Near-Term Resource Plan and will solicit the resources to accomplish the 2020 renewable generation milestones in an open, competitive environment as prescribed by the Framework. The Companies recognize that the *PSIP Update Report December 2016* still requires full vetting by the Commission and other stakeholders. However, in order to achieve the aggressive timeframes proposed in the Near-Term Resource Plan, Maui Electric believes that there are certain steps that can move forward in parallel to advance the procurement process of the renewable generation identified so that the RFP can be launched quickly at the appropriate time as determined by the Commission.

Maui Electric also recognizes that the aggressive timeframes across all islands will require the procurement, regulatory, and development and construction efforts of many projects across the State to be executed in parallel. Therefore, wherever possible Maui Electric would like to work with the Commission, Consumer Advocate, and others to assess, coordinate, and align the associated resource and scheduling challenges that may be inherent among the utility, regulators, relevant supply chains for development and construction, and the communities in which these projects will be sited as we initiate this aggressive pursuit of renewable resources. Meeting the 2020 timeframes in the *PSIP Update Report December 2016* will require many parties working together in concert in a streamlined and aggressive pace.

Request for an Independent Observer

As noted above, the Company respectfully requests that the Commission appoint an IO as set forth in Section II C 6 of the Framework.³

Maui Electric recommends that the IO chosen for this assignment possess the necessary independent bid evaluation experience to enhance transparency in the evaluation and selection.

¹ *PSIP Update Report December 2016* at 6-17

² *Id.*

³ Maui Electric is amenable to either submitting for Commission approval a contract for IO services for an IO selected from the list of qualified candidates for the IO position, or the Commission appointing its own candidate as the IO.

process, and to help ensure agreement among the parties that the final selection of bid(s) is in the best interests of Maui Electric's customers

Maui Electric is submitting this request at this time in order to facilitate the timely review and processing of the RFP and the ultimate goal of acquiring additional renewable resources at lower and/or fixed costs that will benefit customers and help achieve Hawaii's Renewable Portfolio Standards ("RPS") goals. Opening a docket and quickly appointing an IO will allow Maui Electric to work with the IO as the Company develops the RFP details to be provided to the Commission for approval at a later date.

Cost Recovery for RFP Process

The Competitive Bidding Framework provides that the costs that an electric utility reasonably and prudently incurs in designing and administering its competitive bidding processes are recoverable through rates to the extent reasonable and prudent.⁴ Maui Electric will separately file an application with the Commission requesting deferred accounting treatment of the Lana'i Renewable Energy RFP non-labor costs associated with the competitive bid process.

Maui Electric's Request

As set forth above, Maui Electric respectfully requests that the Commission (1) open a docket for the Company's planned competitive bidding process for additional renewable energy resources on the island of Lana'i, and (2) either appoint an IO or direct Maui Electric to submit for Commission approval a contract for IO services for the competitive bidding process.

Sincerely,



Sharon M. Suzuki
President
Maui Electric Company, Limited

cc Division of Consumer Advocacy

⁴ See Framework § VII A



January 6, 2017

JAY IGNACIO, P E
President

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PUBLIC UTILITIES
COMMISSION

The Honorable Chair and Members of the
Hawai'i Public Utilities Commission
465 South King Street
Kekuanaoa Building, 1st Floor
Honolulu, Hawai'i 96813

Dear Commissioners

Subject Hawai'i Electric Light Company, Inc
Hawai'i Island Renewable Energy Request for Proposals
Request to Open New Docket and Appointment of an Independent Observer

Hawai'i Electric Light Company, Inc ("Hawai'i Electric Light" or the "Company") respectfully requests that the Commission open a docket and appoint an Independent Observer ("IO") to allow the Company to seek proposals for new renewable energy generation (with a target installation of 2020) consistent with the Near-Term Resource Plan proposed in the Companies' *PSIP Update Report December 2016*. As noted in the PSIP, we have a limited-time opportunity to take advantage of currently-available federal tax incentives before they phase out in the early 2020's.

Specifically, Hawai'i Electric Light requests that the Commission open a docket for the purposes of receiving filings, reviewing approval requests, and resolving disputes, if necessary, related to the Company's proposed plan to acquire additional renewable energy resources on the island of Hawai'i through a Hawai'i Island Renewable Energy Request for Proposals ("RFP") issued pursuant to the Framework for Competitive Bidding dated December 8, 2006 (the "Framework"), adopted by the Commission in Decision & Order No 23121 (Docket No 03-0372). In addition, the Company respectfully requests that the Commission appoint an IO as set forth in Section II C 6 of the Framework.

To expedite the process and allow time for collaboration with the IO early in the process, it would be ideal if the IO could be quickly assigned, such that Hawai'i Electric Light and the IO may work together in the creating the design of the RFP with associated system (technical, operational and performance) requirements. Having the IO assigned and involved early in the process will also allow the IO to have a better understanding of the PSIP planning process and the unique challenges, operational requirements and resources needed for Hawai'i Electric Light, as well as allow time to review all necessary assumptions prior to performing any independent evaluation and analysis during the evaluation of bids.

Company's Plans to Seek Additional Renewable Energy Generation

Hawai'i Electric Light seeks to request proposals for new renewable energy generation projects consistent with the renewable resources identified in the Near-Term Resource Plan for the island of Hawai'i identified in the *PSIP Update Report December 2016*,¹ subject to any updates that may be filed. The request will solicit proposals for projects with a target in-service date by the end of 2020.² The Hawai'i Island Renewable Energy RFP is an important step in transforming the Companies' systems from current state to a future vision of the utility in 2045 that includes unprecedented levels of renewable energy production integrated through a balanced portfolio of renewable energy resources, thermal renewable generation, energy storage, and demand response.

The RFP will be consistent with the Near-Term Resource Plan and will solicit the resources to accomplish the 2020 renewable generation milestones in an open, competitive environment as prescribed by the Framework. The Companies recognize that the *PSIP Update Report December 2016* still requires full vetting by the Commission and other stakeholders. However, in order to achieve the aggressive timeframes proposed in the Near-Term Resource Plan, Hawai'i Electric Light believes that there are certain steps that can move forward in parallel to advance the procurement process of the renewable generation identified so that the RFP can be launched quickly at the appropriate time as determined by the Commission.

Hawai'i Electric Light also recognizes that the aggressive timeframes across all islands will require the procurement, regulatory, and development and construction efforts of many projects across the State to be executed in parallel. Therefore, wherever possible Hawai'i Electric Light would like to work with the Commission, Consumer Advocate, and others to assess, coordinate, and align the associated resource and scheduling challenges that may be inherent among the utility, regulators, relevant supply chains for development and construction, and the communities in which these projects will be sited as we initiate this aggressive pursuit of renewable resources. Meeting the 2020 timeframes in the *PSIP Update Report December 2016* will require many parties working together in concert in a streamlined and aggressive pace.

Request for an Independent Observer

As noted above, the Company respectfully requests that the Commission appoint an IO as set forth in Section II C 6 of the Framework.³

Hawai'i Electric Light recommends that the IO chosen for this assignment possess the necessary independent bid evaluation experience to enhance transparency in the evaluation and

¹ *PSIP Update Report December 2016* at 6-20

² *Id.*

³ Hawai'i Electric Light is amenable to either submitting for Commission approval a contract for IO services for an IO selected from the list of qualified candidates for the IO position, or the Commission appointing its own candidate as the IO.

selection process, and to help ensure agreement among the parties that the final selection of bid(s) is in the best interests of Hawai'i Electric Light's customers

Hawai'i Electric Light is submitting this request at this time in order to facilitate the timely review and processing of the RFP and the ultimate goal of acquiring additional renewable resources at lower and/or fixed costs that will benefit customers and help achieve Hawai'i's Renewable Portfolio Standards ("RPS") goals. Opening a docket and quickly appointing an IO will allow Hawai'i Electric Light to work with the IO as the Company develops the RFP details to be provided to the Commission for approval at a later date.

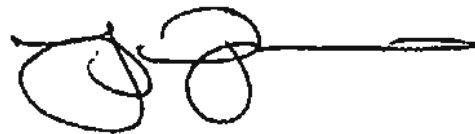
Cost Recovery for RFP Process

The Competitive Bidding Framework provides that the costs that an electric utility reasonably and prudently incurs in designing and administering its competitive bidding processes are recoverable through rates to the extent reasonable and prudent.⁴ Hawai'i Electric Light will separately file an application with the Commission requesting deferred accounting treatment of the Hawai'i Island Renewable Energy RFP non-labor costs associated with the competitive bid process.

Hawai'i Electric Light's Request

As set forth above, Hawai'i Electric Light respectfully requests that the Commission (1) open a docket for the Company's planned competitive bidding process for additional renewable energy resources on the island of Hawai'i, and (2) either appoint an IO or direct Hawai'i Electric Light to submit for Commission approval a contract for IO services for the competitive bidding process.

Sincerely,



Jay Ignacio
President
Hawai'i Electric Light Company, Inc

cc Division of Consumer Advocacy

⁴ See Framework § VII A

CERTIFICATE OF SERVICE

The foregoing order was served on the date of filing by mail, postage prepaid, and properly addressed to the following parties:

DEAN NISHINA
EXECUTIVE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
DIVISION OF CONSUMER ADVOCACY
P.O. Box 541
Honolulu, HI 96809

JOSEPH P. VIOLA, ESQ.
VICE PRESIDENT
REGULATORY AFFAIRS
HAWAIIAN ELECTRIC COMPANY, INC.
P.O. Box 2750
Honolulu, HI 96840-0001