



JIM ALBERTS
Senior Vice President
Business Development and Strategic Planning

July 10, 2019

The Honorable Chair and Members
of the Hawai'i Public Utilities Commission
Kekuanao'a Building, First Floor
465 South King Street
Honolulu, Hawai'i 96813

Subject: Docket No. 2017-0352 – To Institute a Proceeding Relating to a Competitive Bidding Process to Acquire Dispatchable and Renewable Generation Submission of Proposed Final Draft Requests for Proposals

Dear Commissioners:

The Hawaiian Electric Companies¹ respectfully submit their proposed final Stage 2 Request for Proposals for Variable Renewable Dispatchable Generation and Energy Storage for O'ahu, Maui and Hawai'i Island ("Proposed Final Renewable RFPs"), proposed final Request for Proposals for Delivery of Grid Services from Customer-Sited Distributed Energy Resources on the islands of O'ahu, Maui and Hawai'i Island ("Proposed Final Grid Services RFP"), and supporting documentation in accordance with Order No. 36356 *Providing Guidance on the Hawaiian Electric Companies' Phase 2 Draft Requests for Proposals for Dispatchable and Renewable Generation* issued by the Commission on June 10, 2019 in the subject proceeding ("Order 36356") and Order No. 36406 *Addressing the Hawaiian Electric Companies' Motion for Clarification of Order No. 36356* issued by the Commission on July 5, 2019 in the subject proceeding ("Order 36406").

In Order 36356, the Commission requested the Companies to revise the Draft Renewable RFPs and Draft Grid Services RFP "to ensure that (1) procurement targets are consistent with the needs of the grid, (2) a fair and transparent process is conducted, and (3) feedback provided by stakeholders is considered."² The Commission provided guidance to the Companies on several topics related to these three tenets, including procurement targets and scope, portfolio selection and evaluation, procurement timelines, self-build proposals, Company-owned sites, the Grid Services Code of Conduct (as defined below), the Companies' proposed renewable dispatchable power purchase agreements ("RDG PPAs"), energy storage power purchase agreement ("ESPPA"), and grid services purchase agreement ("GSPA"), treatment of State tax credits for renewable energy projects, the pro forma submittal requirement, bid transparency, and future

¹ The "Hawaiian Electric Companies" or "Companies" are Hawaiian Electric Company, Inc. ("Hawaiian Electric"), Hawai'i Electric Light Company, Inc. ("Hawai'i Electric Light"), and Maui Electric Company, Limited ("Maui Electric").

² Order 36356 at 9.

procurements for the islands of Moloka'i and Lana'i.³ Order 36356 directed the Companies to work with the Independent Observers ("IOs") to prepare the Proposed Final Variable RFPs in accordance with the Commission's guidance.

Following the Commission's issuance of Order 36356, the Companies and IOs promptly held numerous telephone conferences to discuss the Commission's guidance and actions that should be taken by the Companies to address the Commission's guidance. Through those productive and collaborative discussions, the Companies ultimately prepared the Proposed Final Renewable RFPs and Proposed Final Grid Services RFP. In preparing the Proposed Final Renewable RFPs and Proposed Final Grid Services RFP, the Companies followed their five RFP guiding principles:⁴

- (1) The Companies' Power Supply Improvement Plans ("PSIP") provide the roadmap;
- (2) Transparency, predictability and streamlining lowers costs to customers and fosters trust in the process;
- (3) Community engagement is critical to near-term and long-term project success;
- (4) Coordination and collaboration of all parties involved is necessary to achieve a successful and timely procurement; and
- (5) There is no perfect answer, and tradeoffs must be considered.

The Companies' Proposed Final Variable RFPs and supporting documentation are organized as follows:

- Exhibit 1 – Description of Development of the Proposed Final Variable RFPs;
- Exhibit 2 – Proposed Timelines for the RFPs;
- Exhibit 3 – Hawaiian Electric Companies' Code of Conduct Pertaining to Implementation of a Competitive Bidding Process for Delivery of Grid Services from Customer-Sited Resources ("Grid Services Code of Conduct");
- Exhibit 4 – Hawaiian Electric Companies' Code of Conduct Pertaining to the Implementation of a Competitive Bidding Process for New Power Supplies ("Competitive Bidding Code of Conduct");

³ Id. at 10-26.

⁴ The Companies' guiding principles were set forth in the transmittal letter to the Companies' April 1, 2019 filing in this docket.

- Exhibit 5 – Delivery of Grid Services Via Customer-sited Distributed Energy Resources Bid Receipt and Bid Evaluation Protocol (“Grid Services Evaluation Protocol”) (Confidential);⁵
- Exhibit 6 – Variable Renewable Dispatchable Generation and Energy Storage Stage 2 Proposal Receipt and Proposal Evaluation Protocol (“Renewable Evaluation Protocol”) (Confidential);⁶
- Exhibit 7 – Confidentiality Justification Table;
- Exhibit 8 – Proposed Final Grid Services RFP, including the Draft Grid Services Purchase Agreement (“GSPA”) (see Appendix L to Exhibit 8);
- Exhibit 9 – Proposed Final Renewable RFP for the island of O‘ahu, including the proposed final drafts of the Renewable Dispatchable Generation Power Purchase Agreement (“RDG PPA”) for both photovoltaic (“PV”) and wind (see Appendices J and L to Exhibit 9) and the Energy Storage Power Purchase Agreement (“ESPPA”) (see Appendix K to Exhibit 9);
- Exhibit 10 – Proposed Final Renewable RFP for the Island of Hawai‘i including the proposed final drafts of the Renewable Dispatchable Generation Power Purchase Agreement (“RDG PPA”) for both photovoltaic (“PV”) and wind (see Appendices J and L to Exhibit 10) and the Energy Storage Power Purchase Agreement (“ESPPA”) (see Appendix K to Exhibit 10);
- Exhibit 11 – Proposed Final Renewable RFP for the Island of Maui including the proposed final drafts of the Renewable Dispatchable Generation Power Purchase Agreement (“RDG PPA”) for both photovoltaic (“PV”) and wind (see Appendices J and L to Exhibit 11) and the Energy Storage Power Purchase Agreement (“ESPPA”) (see Appendix K to Exhibit 11); and

⁵ The Companies are following a closed bidding process per the terms of Section IV.H. of the Framework for Competitive Bidding adopted by the Commission in Decision and Order No. 23121, issued December 8, 2006 in Docket No. 03-0372 (“Comp Bid Framework”). Pursuant to the Comp Bid Framework “bidders shall not have access to the utility’s bid evaluation models, the detailed criteria used to evaluate bids, or information contained in proposals submitted by other bidders.” (Comp Bid Framework at 24). Therefore, to preserve the closed bidding process and ensure a competitive process, a redacted version of the Grid Services Evaluation Protocol is attached hereto. Attached Exhibit 7 (Confidentiality Justification Table) identifies the redacted information and the basis for confidentiality.

⁶ The Companies are following a closed bidding process per the terms of Section IV.H. of the Comp Bid Framework. Pursuant to the Comp Bid Framework “bidders shall not have access to the utility’s bid evaluation models, the detailed criteria used to evaluate bids, or information contained in proposals submitted by other bidders.” (Comp Bid Framework at 24). Therefore, to preserve the closed bidding process and ensure a competitive process, a redacted version of the Renewable Evaluation Protocol is attached hereto. Attached Exhibit 7 (Confidentiality Justification Table) identifies the redacted information and the basis for confidentiality.

Exhibit 1 provides a description of the Companies' development of the Proposed Final Renewable RFPs and Proposed Final Grid Services RFP and revisions made to the draft RFPs and supporting documents to address the Commission's guidance and stakeholder comments. Exhibit 1 also provides further information regarding the Companies requirement for grid charged storage and the need for contingency storage on Hawai'i Island. The following is a summary of some of the key points in Exhibit 1:

- **Self-Build Option and Affiliate Participation** – The Companies have worked with the IOs to ensure that the participation and evaluation of self-build and affiliate proposals are fair and will not unduly constrain competition. The Companies have incorporated their commitments for self-build and affiliate transactions made at the Commission's May 2, 2019 Status Conference and in the Companies' May 20, 2019 and June 10, 2019 filings in this docket, and have included them in the proposed final documentation attached hereto.
- **Specific RFP Requirements** – The Companies worked with the IOs to revise language in the RFPs to clarify language that may have been unclear, and to otherwise further incorporate Commission and stakeholder feedback, including for the Proposed Final Renewable RFP, removing the requirement to submit a financial pro forma, providing for the allowance of a state tax credit pass through instead of requiring developers to include such tax credit in their proposal pricing, updating the required Guaranteed Commercial Operation Dates, and modifying the shared representative requirement. The Companies have also updated the Proposed Final Renewable RFP to incorporate assistance that will be needed from developers to ensure that such a large procurement can be successful, as detailed at the May 2, 2019 Status Conference, provisions for greenhouse gas review, and revisions to the interconnection requirements study process based on current experience with Stage 1 projects. After reviewing the further guidance in Order 36406, the Companies have also revised the Proposed Final Renewable RFP for Hawai'i island to allow for generation projects paired with storage to provide contingency storage if certain parameters are met. However, given the short timeframe between receiving Order 36406 and the date of this filing, the Companies have not had sufficient time to fully develop the required updates to incorporate this concept. Further, while the Companies informed the IO of these changes, the Companies have not had time to seek review of the actual revisions. The Companies will work with the IO to further refine and update this change in scope. The Proposed Final Grid Services RFP update delineated the Fast Frequency Response ("FFR") grid service requirements for the different islands by creating two different types of response of FFR-1 and FFR-2. Per the Exhibit A-1 to the Proposed Final Grid Services RFP, the Companies will seek to further define FFR-1 which is a faster proportional response that is comparable to the requirements for Contingency Storage. O'ahu will be soliciting aggregators to deliver FFR-2 and Hawai'i AND Maui will solicit aggregators to deliver FFR-1. Further, on July 9, 2019, the Companies received Decision and Order 36410 in Docket No. 2018-0102 denying without prejudice Hawaiian Electric's request to

commit approximately \$104 million for a Contingency and Regulating Reserve (“CRR”) Battery Energy Storage System (“BESS”) issued on July 8, 2019 (“CRR BESS Order”). The Companies are reviewing the CRR BESS Order and evaluating whether changes to the Proposed Final RFPs will need to be made to address the CRR BESS Order or in order to leverage the Proposed Final Renewable RFP for O‘ahu and the Proposed Final Grid Services RFP to seek contingency and regulating reserve for the island of O‘ahu.

- Evaluation Methodology – The Companies filed their Grid Services Evaluation Protocol and Renewable Evaluation Protocol on June 10, 2019 in this docket. The Companies have worked with the IOs to further refine and clarify these evaluation protocol documents.
- RDG PPAs, ESPPA, and GSPA – The Companies have revised their RFPs to allow proposers to propose modifications to the Companies’ model RDG PPAs, ESPPA, and GSPA and have no longer designated any provision as non-negotiable, with the exception of the Performance Standards (as defined in the RFP) set forth in Attachment B, Section 3 to the RDG PPAs and ESPPA and the Exhibits to the GSPA and the certain provisions to the terms of use for Company-Owned sites included as Attachment X to the ESPPA. In accordance with the RFP, proposers will have the ability to propose changes to the Exhibits to the GSPA, but changes are highly discouraged. The Exhibits to the GSPA are akin to market participation rules, and with multiple proposer responses expected, the Companies would prefer to keep terms and key components consistent for administrative efficiency. The Companies have also made modifications to remain consistent with the updates to the Proposed Final Renewable RFPs, and to further refine storage requirements.
- Updated RFP Timelines – The Companies have provided updated RFP timelines based on the current state of the Proposed Final Renewable RFPs and Proposed Final Grid Services RFP.

The Proposed Final Draft RFPs will be made available to the public on Hawaiian Electric’s website at www.hawaiianelectric.com/competitivebidding no later than July 16, 2019. In addition, to facilitate review by the Commission, IOs, Consumer Advocate, and stakeholders, redline versions of the PV RDG PPA, Wind RDG PPA, ESPPA, GSPA, the body of the Proposed Final Renewable RFP for O‘ahu, and the body of the Proposed Final Grid Services RFP will also be made available on the website. These redlines will show changes made to the drafts of such documents filed by the Companies on April 1, 2019.

The Companies appreciate the Commission’s guidance, as well as the IOs’ feedback and assistance, which together with stakeholder input, has enabled the Companies to develop what the Companies believe are much improved RFPs. The Companies look forward to working with the IOs to finalize the RFPs towards the successful execution of this phase of the competitive bidding process.

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Sincerely,

A handwritten signature in black ink, appearing to read "J. Alberts", with a long horizontal flourish extending to the right.

Jim Alberts
Senior Vice President
Business Development & Strategic Planning

Attachments

cc: Division of Consumer Advocacy (with Attachments)