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February 26, 2014

To: Parties in Docket No. 2012-0092, "In the Matter of PUBLIC UTILITIES COMMISSION Instituting a Proceeding Related to a Competitive Bidding Process for 50 MW of Dispatchable Renewable Geothermal Firm Capacity Generation on the Island of Hawaii"

From: Thomas C. Gorak, Chief Counsel *TCG*

Re: Memorandum Prepared By Independent Observer

Attached please find a copy of a memorandum to the Public Utilities Commission of the State of Hawaii prepared by the Independent Observer, Boston Pacific Company, Inc., entitled "Implications of Planning Issues for HELCO's Geothermal RFP." This memorandum is being filed in the record in the above-captioned docket on this date. Thank you.

TCG:sr

c: Service List, Docket No. 2012-0092

SERVICE LIST

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February 21, 2014

Ms. Brooke Kane
Kekuanaoa Building, 1st Floor
465 South King Street
Honolulu, Hawaii 96813

Re: Instituting a Proceeding Related to a Competitive Bidding Process for 50 MW of
Dispatchable Renewable Geothermal Firm Capacity Generation on the Island of Hawaii
Docket No. 2012-0092

Dear Ms. Kane,

I hereby submit Boston Pacific's memorandum regarding our recommendations on
implications of planning issues for HELCO's Geothermal RFP.

Sincerely,

Sam Choi

Enclosure

MEMORANDUM

February 21, 2014

TO: Chair Hermina Morita
Commissioner Michael Champley
Commissioner Lorraine Akiba
Hawaii Public Utilities Commission

CC: Jay Griffin

FROM: Craig Roach
Sam Choi

SUBJECT: Implications of Planning Issues for HELCO's Geothermal RFP

As the Independent Observer of the HELCO Geothermal RFP, we share the concerns of other parties with the delays in the RFP process. We certainly understand the importance of efficiently completing an RFP. However, it does not benefit ratepayers if an RFP is conducted without first knowing whether there is a need for the project being solicited. The last thing we would want is an RFP that leads to ratepayers paying for a resource that is not needed or one that gives bidders a false impression of how often their projects will be run once they are online. While our scope is primarily limited to the monitoring of the geothermal RFP, it is apparent to us that the continued delays in the RFP are due to HELCO "putting the cart before the horse" by not having performed sufficient planning before the issuance of the RFP.

In our experience across the United States, successful and efficient RFPs are typically preceded by a thoroughly vetted resource plan, (often an Integrated Resource Plan (IRP)) that clearly identifies a need and the best resource alternatives to meet that need across different scenarios. For example, we just completed the independent evaluation of an RFP that successfully procured 600 MW of wind generation in Oklahoma within just six months; the three PPAs that came out of the RFP went to the Oklahoma Commission without any opposition. The utility provided substantial assessment of need prior to the RFP and then supplemented that assessment at our request as the RFP was expanded. Similarly, on behalf of the Oregon Commission, we have completed independent evaluations of several successful RFPs for renewable and conventional fuel resources which were preceded by comprehensive IRP analyses that had substantial stakeholder participation.

These same planning concerns were raised by the Commission in the guidance to HELCO at the beginning of this RFP process and, in fact, more recently in its Decision

and Order in the Hu Honua Docket.¹ These concerns relate to HELCO's modeling and analysis of its system, excess capacity, fossil generation retirements, and treatment of dispatchable renewable energy generation. We believe that these same unresolved issues have been the reason for the delays with the Geothermal RFP. In particular, we find the lack of clarity in HELCO's planning inhibits anyone from determining whether the system will be able to accommodate a new geothermal resource, and also how the project being solicited by the RFP should be defined in terms of size, capacity factor, and dispatchability.

We feel that the Commission made a sound recommendation in requiring HELCO to submit a Power Supply Improvement Plan (PSIP) that will hopefully provide answers to the concerns raised in the Decision and Order. Given this, we recommend that the Geothermal RFP be put on hold until the PSIP is completed, which is required to be filed with the Commission no later than April 21, 2014. We believe this is the best course of action so all parties can reassess what is needed going forward. We also recommend that upon completion of the PSIP a technical conference be held to allow all stakeholders an opportunity to provide comments on the new plan.

Boston Pacific is impressed with Hawaii's ambitious goals for renewables and with the very real opportunity to meet those goals. And we believe asking HELCO to provide clear answers to key questions in an open forum is the next best step. Thank you.

¹ Docket No. 2012-0212, Decision and Order No. 31758, December 20, 2013