June 2, 2022

Mr. James Griffin  
Chair  
Public Utilities Commission  
465 South King Street Room 103  
Honolulu, Hawaii 96813  

Dear Mr. Griffin:

Subject: Docket No. 2017-0352 – HSEO Comments Regarding Hawaiian Electric Companies’ Draft Stage 3 Request for Proposals for Oahu and Maui (“RFPs”)

The Hawai‘i State Energy Office (HSEO) offers the following comments on the Proposed Draft Stage 3 Request for Proposals (Draft RFP 3) for O‘ahu and Maui filed by Hawaiian Electric on May 2. HSEO’s comments are guided by its mission to promote energy efficiency, renewable energy, and clean transportation to help achieve a resilient, clean energy, and ultimately carbon negative economy.

HSEO supports Hawaiian Electric’s efforts to procure as much renewable energy as possible in the foreseeable future to meet and maintain Hawai‘i’s renewable energy and negative carbon mandates (HRS 269-92 and 225P-5). Given the significant amount of fossil fuel-powered electricity that needs to be replaced on O‘ahu and Maui in the next three to ten years, prioritizing the procurement of renewable energy generation from a wide range of sources should be done promptly without compromising key values and priorities, including energy affordability, equity, preservation of natural resources, and decarbonization. This will also give Hawai‘i residents greater opportunities to benefit from price stability, decreased environmental impacts from fossil fuels, and the current state and federal tax incentives. A well-structured procurement process will provide Hawaiian Electric, the Public Utilities Commission (PUC), stakeholders, and communities more options to consider and better clarity on the path to achieving Hawai‘i’s renewable energy mandates.

HSEO appreciates Hawaiian Electric’s care to incorporate the community feedback gathered during preceding RFPs, public meetings, and the Community Based Renewable Energy (CBRE) RFP proceedings. Specifically, HSEO appreciates the incorporation of non-price criteria including preference points for projects with adequate community outreach plans, projects with lower carbon emissions, and projects sited on parcels with preferable characteristics such as land with greater impervious surface, land zoned for non-agricultural and non-rural land use, and land with existing soil contamination (brownfields).
Further comments on specified sections of the RFP are provided below.

**Targets and Scope**

On O‘ahu, the RFP seeks 475-gigawatt hours (GWh) of renewable dispatchable generation with commercial operations by December 2027, as well as an additional 200-700 MW of firm power from renewable generation resources with 300-500 MW of firm power by the end of 2029 comprising Tranche 1 Firm and an additional 200 MW by end of 2033 comprising Tranche 2 Firm. Firm projects will be given a 30-year term PPA. Further, the RFP seeks existing firm generation projects and allows for these projects to repower existing facilities with renewable fuel.

On Maui, the RFP seeks 180 GWh annually of renewable dispatchable generation commercially operational by December 2027 with 40 MW of firm power, commercially operational by December 2027.

HSEO notes that the solicited capacities align with the capacities identified in the latest grid need assessment and therefore HSEO supports the solicitation of these capacities. However, given the large size of the solicitation, HSEO notes the need to balance energy generation across the geographic regions on both O‘ahu and Maui. As an example, Hawaiian Electric could provide extra points to bidders if the proposals offer needed upgrades to the transmission system.

**Available Sites**

The RFP should clarify if proposals are required to interconnect to the existing Company transmission (138 kV for O‘ahu, 69 kV for Maui) substations listed in the Draft RFP. If these are only offered “as potential opportunities to reduce cost or shorten development timelines” as stated in the Draft RFP (p. 5), HSEO supports not including the use of the listed preferred substations in the scoring criteria to level the playing field for projects who want to interconnect elsewhere. It may also be helpful to bidders for Hawaiian Electric to list the O‘ahu substations deemed less feasible and therefore not recommended for interconnection, as it does for Maui (Section 2.3.7.1).

Further, the listed interconnection substations are not geographically balanced. On O‘ahu, the majority of the nineteen (19) available terminations are located on the west side or the ‘Ewa plain eleven (11) terminations available, seven (7) terminations are available in Central O‘ahu, and just one (1) termination is available on the windward side. No connections were available on the north or easternmost sides of the island.

On Maui, only two (2) points of interconnection were offered with three (3) termination points. Two termination points were available in Lahaina on the western side of Maui, and one (1)

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termination located in central Maui. With the future retirement of Maalaea and Kahului power plants imminent, HSEO encourages interconnection at substations served by these plants.

**Interconnection Requirements Study**

Given the lessons learned through the number of Stage 1 and 2 projects requiring renegotiated and amended PPAs after completion of the Interconnection Requirements Study (IRS), HSEO supports Hawaiian Electric’s proposal to complete the IRS before execution of the PPA.

**Inclusion of Fuel**

HSEO agrees with requiring proposals to commit to providing fuel for the entire proposed term of the Firm PPA proposal. As currently written, the biofuel proposals will need to show evidence of a contract for biofuel for the first three years of the PPA. HSEO suggests incorporating the requirement that any plans to procure fuel beyond the three-year contract shall procure fuel with carbon intensity equal to or less than the value procured in the first three years. HSEO recommends this information be included in the required fuel supply plan.

The RFP states “Proposers for facilities that elect to use a liquid or gaseous fuel source must also be capable of operating using fossil fuel, including obtaining the proper permitting, and include the costs for the use of such fuel in its Proposal.” while HSEO sees the value in this for emergency response and resiliency purposes, this may not be appropriate for all fuel types and suggests revising to give proposals more options and flexibility. Given the lifespan of projects in this RFP, HSEO notes fossil fuels cannot be used beyond 2045. Consequently, such proposals need to reflect this requirement in their cost proposals and fuel supply plan.

HSEO agrees with the requirements for proposals utilizing fuel to describe their fuel supply plan to ensure sufficient fuel for unconstrained dispatch and fuel storage on O‘ahu for at least 47 days and 30 days on Maui.

**Pro Forma Requirement**

Given the uncertainty with the global supply chain and the need for some Stage 1 and Stage 2 projects to seek PPA pricing changes after PPA approval, HSEO supports requiring bids to provide project pro forma. HSEO agrees with Hawaiian Electric’s statement that this information is also valuable to ensure bids have entirely accounted for the cost and schedule to deliver project equipment to O‘ahu or Maui and build the facility and interconnection facilities.

Along these lines, HSEO supports requiring bids to demonstrate no project equipment is subject to any ongoing United States Customs and Border Protection investigations in which the outcome is unclear at the time Final and Best Offers are due.

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2 RFP For O‘ahu and Maui Exhibits 4 and 5, page 5.
Best and Final Offer and Price Adjustment Considerations
Given the unprecedented times and fluctuating market conditions, HSEO supports Hawaiian Electric’s decision to allow proposers selected to the priority list, including Hawaiian Electric, the opportunity to submit a downward price adjustment at the Best and Final Offer (BAFO) stage of the project review. HSEO supports the use of the Gross Domestic Producer Price Index as the capped value for the pricing adjustment. While HSEO acknowledges that the provision is intended to be as simple as possible for calculation and administration, HSEO notes that applying the price adjustment to the entirety of the project may could result in projects artificially deflating their bids before selection then inflating them at BAFO point. Therefore, HSEO encourages refining the adjustment to have it only apply to the material costs, or capital expenditures, that are susceptible to market fluctuation.

Interconnection Cost Updates
HSEO recommends Hawaiian Electric provide an estimated timeline for when it believes the updated interconnection facilities and cost information will be completed. HSEO agrees making these available in the Final RFP would best to inform project bids.

Independent Engineer
HSEO supports retaining an Independent Engineer familiar with interconnecting renewable energy projects on an island grid, who would report to the Independent Observer. HSEO defers to the PUC about whether Hawaiian Electric should provide recommendations for engaging an Independent Engineer and about who would retain the Independent Engineer: Hawaiian Electric, PUC, or Independent Observer.

Previous Past Performance
HSEO supports a non-price criterion that evaluates the performance of a bidder’s existing or past projects under contract with Hawaiian Electric. HSEO shares Hawaiian Electric’s intent for this criterion not to punish developers for events out of their control, but rather their own actions. The scoring criteria should not subtract points for any events outside a developer’s control and agrees with the clause that any infraction caused by a legally determined force majeure not be counted in the deductions. HSEO supports the eight (8) performance criteria set forth by Hawaiian Electric. HSEO requests that the RFP clarify how this criterion will be accounted for in final scoring for proposals. It is not listed in the eleven (11) non-price criteria that the company lists in the RFP.3

Conversely, HSEO asks Hawaiian Electric and the PUC to consider how this RFP can give credit to projects that made considerable progress (i.e., PPA execution or approval) and/or investments but were subsequently discontinued due to legally determined force majeure events out of the proposer’s control. The intent of this consideration is to build upon past public and private efforts and investments to develop these projects. If determined to be appropriate, such criterion

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3 RFP For O‘ahu and Maui Exhibits 4 page 45 and Exhibit 5 page 44.
could be added under Non-Price Related Criteria # 2. State of Project Development and Schedule or #5. Experience and Qualifications.

**Microgrids**
HSEO understands RFP 3 is not seeking microgrids, but appreciates the eligibility of projects that have the capability to provide microgrid services to the landowner provided the projects operate primarily in grid-connected mode and can go to island mode at Hawaiian Electric’s sole discretion or in the event of an emergency. HSEO supports proposals with the ability to provide microgrid services in the event of emergencies, particularly for those projects sited near an emergency shelter or isolated community.

**Non-Price Related Criteria**

1. **Community Outreach**
HSEO supports the current community outreach requirements described in the RFP. Specifically, HSEO strongly supports non-price criteria including a robust community outreach plan that involves early communications with a customized stakeholder list that includes area residents, elected officials, and community leaders; and meeting frequency and identification of community issues, concerns, and sentiment. HSEO also supports the inclusion of a thorough explanation in the community outreach plan of the required government permits and approvals, public hearings, and other opportunities for public comment. This explanation should be required to be included early and often in all communications and outreach events.

**Community Benefits Package**
HSEO supports the community benefits package requirement. HSEO recommends consideration of a greater amount of funds committed on an annual basis as community benefits. The minimum requirement of at least $3,000 per MW up to $200,000 per year for community benefits is regressive because it allows larger projects to pay a lesser portion of their profit margin to communities. With a $200,000 community benefits cap, projects that are larger than 66 MW will not pay a proportionate share. Despite the increased profit from each additional megawatt, no additional benefit will accrue to the host community. Larger projects have greater impacts on communities in which they are sited, so proportionality is important to be retained across project sizes.

HSEO recommends projects be required to pay community benefits based on a set portion of their revenue, in proportion to the plant’s yearly net generation, rather than a fixed dollar amount. This would result in a fairer payment to communities hosting the projects and would lessen the burden on developers in the event there are unanticipated issues that keep the facility from generating power. Further, HSEO suggests the percentage be based on impacts to communities. Impact based criteria should be set to determine the percentage paid by the developer to the community. Projects with lower impacts, such as those sited in industrial areas and away from communities, would pay a lower percentage. Projects that meet higher impact...
criteria, such as being sited in low-moderate income communities or close to residential neighborhoods would pay a higher percentage to the community of concern.

HSEO agrees the community benefits package document should demonstrate how funds will directly address needs in the host community to benefit community members. Every project in every community has specific concerns and needs that are unique to that community, and the impacts on community are also specific and unique. Proposers, therefore, should also demonstrate how the impacts will be mitigated, the host community is supportive of the mitigation plan, the project, and the community benefits package. This is of particular concern in low and moderate income communities that have historically held the burden of energy development on O‘ahu and Maui.

The RFP states “The Proposer may choose to identify and select an eligible non-profit organization to serve as the administrator for the duration of the contract term responsible for ensuring the project’s community benefit is appropriately disbursed.” It would be more appropriate for the proposer to work with the host community to identify and select an eligible non-profit to serve as the administrator. HSEO recommends this being a requirement rather than an option on how to structure a community benefits package in the event the agreement is not a direct profit sharing arrangement.

For community benefits packages to meaningfully impact the communities in which the projects are sited, careful consideration should also be given to the definition of host community. Footnote #38 in the RFP states that each project will be required “to commit a certain dollar amount per year to a to be designated by Hawaiian Electric non-profit. Communities in the same census tract or any adjoining census tract would be able to then apply to such non-profit for community grants using such funds. The non-profit will be responsible for awarding such grants.” HSEO suggests that preference be given to communities in the same census blocks, census tract, or census designated place to avoid competition by community organizations located outside the census blocks, census designated place, or census tract.

HSEO supports preference for bids that commit to paying prevailing wages for at least 80% of non-supervisory construction and operations workers’ hours associated with project construction or repowering. HSEO also supports preference for bids that will hire qualified operations/maintenance workers from the county in which the project is sited and the State of Hawai‘i, in that order, before hiring non-resident laborers.

4. Environmental Compliance and Permitting Plan
HSEO recommends the term “major” be removed from the criterion that requires identification and disclosure of all project permits, approvals, appurtenances, and entitlements. Requiring bids to identify and disclose “all” project permits, approvals, appurtenances, and entitlements may result in more developed bids and less likelihood of proposals omitting a “minor” permit or

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4 RFP For O‘ahu and Maui Exhibits 4 page 43 and Exhibit 5 page 42.
approval, which is a subjective term. This has shown to be beneficial for the Stage 1 and Stage 2 projects.

8. Carbon Emissions
HSEO strongly supports the addition of these criteria and offers the following comments and suggestions for criteria refinement. HSEO understands this criterion will only contribute to a small percentage of the final project evaluation score; however, given the importance of this criteria in achieving state decarbonization goals, and the large contribution of carbon emissions from the energy sector, HSEO suggests increasing the weight value of the carbon emissions evaluation. It may be appropriate to double weight the Carbon Emissions criteria in the same manner that the Community Outreach, State of Project Development and Schedule, and Performance Standards are weighted in the final scoring.

HSEO understands Hawaiian Electric seeks to further refine carbon emissions criteria in the next draft of the RFP. HSEO requests Hawaiian Electric provide more information to answer the following outstanding questions:

1) How will each of the sub-criteria listed in Appendix B, Section 2.15 be weighted?
2) How will Hawaiian Electric standardize responses to compare projects?
3) How will the production capacity be used when accounting for carbon emissions?
4) How will Hawaiian Electric ensure that proposals are appropriately scored against each other if methods for determining high-level emissions are inconsistent between projects?

Regarding the carbon emission questionnaire, there is no reference to how each criterion within the table will be considered and how numerical criteria will be weighted. Additionally, there is little information on how non-numerical answers will be considered in the final scoring.

HSEO acknowledges that it is not appropriate for proposals to complete a full life cycle analysis at the initial project selection stage, but notes that it is important that proposals are fairly compared; subjectivity and discretion should be minimized as much as practicable. Further, projects with the highest carbon intensities, or projects that utilize technologies that are inherently carbon intensive should have points subtracted in the final scoring.

Finally, the RFP currently identifies carbon emissions as a criterion in Section 2.6, Environmental Compliance and Permitting. Specifically, in Section 2.6.6, the RFP requests the proposer “explain how the Proposer intends to reduce carbon emissions from the proposed facility” and further noted that “Hawaiian Electric will provide emissions factors for different renewable generation technologies based on publicly available industry data.” HSEO suggests this be removed from this section and moved to section 2.15, where it can be appropriately accounted for in the Carbon Emissions Questionnaire.

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5 RFP For O‘ahu and Maui Exhibit 5, Appendix B, page 19
9. Cultural Resource Impacts
It is important to identify important cultural resources at a proposed site as early as possible in the site prospecting process, given the potential for cultural resources to cancel or derail projects. HSEO supports the requirement that bids identify valued cultural, historical, or natural resources in the area in question, and supports preference for bids that are further along in the cultural assessment process as stated in the Draft RFP.

11. Land Use and Impervious Cover Criteria
HSEO supports this criterion to incentivize and reward projects proposing to use impervious surfaces and sites with known soil contamination. In addition to “such as brownfields,” HSEO recommends adding language to include “other sites under a remediation program administered by the Hawai‘i Department of Health.”

For projects proposed in the State Agricultural District, HSEO recommends preference be provided for projects that use poorer quality agricultural land; specifically, lands with D or E soils as related by the Land Study Bureau and lands not identified as Important Agricultural Lands or Agricultural Lands of Importance to the State of Hawai‘i. HSEO also recommends providing preference for projects in the State Agricultural District that incorporate active crop cultivation into their project design. HSEO supports preference for projects that include active livestock grazing within the project site, but notes that preference should be given to projects with food crops to support the State’s doubling food production by 2030 goal.

Additional Considerations

Materials Sourcing
HSEO suggests adding additional criteria for material and feedstock sourcing. Proposals with materials and equipment sourced in the United States should be given additional points. Additionally, given the disruptions to the Stage 1 and 2 projects caused by equipment imported from countries under investigation by the United States, HSEO recommends preference be provided to bids using equipment from countries not subject to ongoing investigation, if legally possible.

For bioenergy projects, HSEO recommends additional points be given to projects that seek to source feedstock material from Hawai‘i first, and secondarily from the continental United States and its territories. Proposals that plan to source feedstock from foreign countries should demonstrate appropriate environmental safeguards are in place to protect the source country’s natural resources.

Criteria Weighting
The RFP states the price and non-price criteria are split 60:40, respectively. A breakdown of how the sub-criteria within each non-price criteria will be weighted would help stakeholders and bidders better understand the weight of the non-price criteria framework Hawaiian Electric is proposing.
Non-price criteria comprise a total of 40% or 400 points out of 1000 points. Each non-price criterion is scored on a 1 to 5 scale, with 3 out of 5 being the minimum standard. Assuming eligible Proposals meet the minimum standard for each criterion with a score of 3 out of 5, all eligible Proposals will receive 60% of the non-price score. This leaves 40% of the non-price score, or 16% of the total evaluation score, as the variable component for distinguishing between eligible Proposals. When applied to the eleven non-price criteria, normal-weighted criteria account for approximately 1.1% of the total score and double-weighted criteria account for approximately 2.3% of the total score. When considering the multiple components that comprise each of these non-price criteria, the overall impact of any one sub-criterion may be insignificant despite its importance to community, based on previous feedback gathered during formal outreach.

Additionally, the RFP lists eleven non-price criteria, three of which will be weighted double that of the other eight criteria. However, there are additional criteria in the non-price category, such as the bidder’s past-performance that are not included in the eleven criteria which are listed as criteria in the RFP. To better clarify the assigned weighting for each listed criterion, HSEO recommends including a table showing a percentage break down for each price and non-price criterion. If Hawaiian Electric plans to subtract the past performance criteria from the total score, including price and non-price, then this should be clarified in Section 4.4 of the RFP.

In closing, HSEO appreciates Hawaiian Electric and the PUC’s consideration of our recommendations. This Draft RFP is a marked improvement compared to previous procurement rounds. It demonstrates that Hawaiian Electric has taken into consideration stakeholder and community concerns and applied lessons learned from previous efforts. HSEO looks forward to working with Hawaiian Electric, the PUC, and stakeholders and communities to further improve the RFP. If you have any questions, please contact me at scott.glenn@hawaii.gov or at (808) 587-3807.

Sincerely,

Scott J. Glenn
Chief Energy Officer
The foregoing document was electronically filed with the State of Hawaii Public Utilities Commission's Document Management System (DMS).