

Date: 7/22/08

- 1 Q. It is likely that a prospective bidder will not have yet formed an entity that will be the bidding entity under the RFP by the deadline to submit the Notice of Intent. If that is the case (i.e., the bidding entity is not yet formed), may the parent entity of the to-be-formed bidding entity submit the Notice of Intent on behalf of the to-be-formed bidding entity?
 - A. Yes, the parent entity of the to-be-formed bidding entity may submit the Notice of Intent on behalf of the to-be-formed bidding entity.
- 2 Q. Section 2.8 of the RFP states “Bidders are required to review the PPA and provide a red-line version of the PPA with their requested changes, if any, as a component of their proposal”.

While it is understood that bidders must provide a red-line version reflecting desired changes to the PPA template, please confirm that bidders need not provide the “fill-in-the-blank” information in the Appendices of the PPA, since this information, in many cases, will not be finalized until after the Interconnection Requirements Study (IRS) stage. For example, the following are instances where information is not yet available or would likely need to be negotiated with HECO later in the RFP process:

Appendix B

1.b.(2), “list of seller’s facility”.

1.f., maintenance plan for Interconnection Facilities.

1.g., curtailment _ kW increment.

4.a., disconnection _ MW increment definition.

4.e., limit of Allowed Capacity to _ MW after 4th disconnection.

Appendix C

1.(d), list of Company-Owned Interconnection Facilities to be constructed by Seller.

2.(a),(2), Summary list of Company-Owned Interconnection Facilities and Related Services

2.(a),(3), Total Estimated Interconnection Cost

Appendix E & F

Milestone dates

- A. Bidders are allowed but not required to fill in the blanks at this point. For many of the sections identified in the question, the bidder cannot fill in the blanks until the interconnection study is complete.

However, with regard to Appendix E and F, bidders should provide dates associated with the milestones set forth in these appendices.

- 3 Q. Section 3.11 of the RFP, and by reference, HECO Tariff Rule 19, establish a “basis” for estimating bidders’ interconnection costs and advises bidders to use the breaker-and-a-half scheme for their estimates. The breaker-and-a-half scheme is based on the premise that the Grid Connection Point will occur along a span of transmission line, effectively establishing the new Interconnection Facility as a new transmission switching station. For a bidder with a proposed Point of Interconnection close to an existing HECO substation with an open line position, a direct radial interconnect (with appropriate means of disconnection, visible isolation, protection, etc.) into the vacant line position would appear to offer a more cost-effective and less land-intensive solution (for bidder and HECO) without sacrificing transmission reliability. May the bidder in such a case propose a radial substation interconnection?
- A. Yes, a bidder may propose a radial substation interconnection. Please refer to HECO’s Solicitation of Interest, Appendix A, Transmission Planning Criteria.
- 4 Q. Section 4.3 of the Final RFP states in part that

The Bidder, its affiliated companies, and/or its partners (which may include affiliates of a member or members of a limited liability company that is the bidder), consultants, contractors or subcontractors must have experience in the development and operation of at least one electricity generation project similar to the project being proposed. HECO will consider a Bidder to have reasonably met this threshold requirement if the Bidder can provide sufficient information to demonstrate that a member of the project team whose experiences is being identified to meet this Threshold criterion is under contract or otherwise has a firm commitment to provide services to the Bidder.”

However, the Independent Observer’s June 18 Supplemental Report on the Revised RFP states that Castle & Cooke’s concern in its June 3 Comments on the Revised RFP about having to sign a long term contract is misplaced and that the “RFP, as revised and corrected, allows a bidder to rely on the experience of ‘consultants, contractors or subcontractors’” and does "not require entering into a long-term operating agreement" at this stage. What, besides entering into a long term contract with a project operating company, would satisfy the threshold requirement regarding operating experience?

- A. A bidder can meet the threshold requirements via the experience one or more members of its project team that has the requisite project development and operating experience. For example, that team member could be an engineering firm or engineering consultant that has the applicable experience. To ensure this team member is going to be a part of the project team throughout the project development process, we are asking that the bidder have a contractual agreement

(i.e. consulting agreement) or a firm commitment that the team member is firmly “on the team”. A bidder cannot meet its threshold requirement by simply identifying an engineering firm capable of providing such service but have no agreement in place to retain the services of the firm.

The bidder does not have to have negotiated a long-term O&M agreement at the time submits its bid.

- 5 Q. What is the available transmission capacity on the 46 kV line from Waialua to Waimea?
- A. Please review HECO’s Solicitation of Interest, Figure 3 on page 16.
- 6 Q. What is the available transmission capacity on the 46 kV line from Waialua to Kahuku?
- A. Please review HECO’s Solicitation of Interest, Figure 3 on page 16.
- 7 Q. Can loadflow and dynamic PSS/E data files of HECO’s 138 kV and 46 kV systems be provided for analysis associated with generator interconnection for the HECO RFP? If so, what procedure needs to be followed to obtain that information?
- A. HECO can provide the loadflow for the 138 kV and the 46 kV systems although a dynamic model for the 46 kV system is not available. The information requested is considered confidential. HECO will provide the information to the requesting party upon receipt of the fully executed Non-Disclosure Agreement developed specifically for this Request for Proposal.
- 8 Q. Can easement be granted at an existing HECO right-of-way to facilitate underground duct bank to a project site?
- A. Generally, HECO’s easement documents (where HECO does not own the underlying property but has easements or rights of way) do not permit the subletting or assigning of existing easement right to another party. Moreover, the easement document covering the affected right of way may only permit overhead facilities. Therefore, without more specific information, an easement could not be granted over an existing HECO right-of-way to facilitate and underground duct bank owned by the developer to a project site absent the agreement of the property owner and HECO. Only if the underground lines were owned by HECO and the easement allowed underground facilities could such an installation be possible under the terms of existing agreements, provided the proposed underground lines did not interfere unduly with HECO’s existing facilities.
- 9 Q. Does HECO have OASIS interconnection queue? If so, can HECO furnish a copy of the queue?
- A. HECO does not have OASIS interconnection queue.

Date: 7/18/08, #2

- 1 Q. **Final RFP Section 2.8 Power Purchase Agreement:** This section states that “[b]ids that do not include proposed revisions to the attached PPA form will be deemed to have accepted the PPA terms.”

While bidders will attempt to provide proposed revisions to the PPA form that bidders believe will address the operating, risk management, and financing criteria prior to submission, it is likely that a bidders lenders and major equipment vendors (such as turbine manufacturers) and O&M providers will continue to provide and propose material revisions to the PPA form to address financeability and operational issues after the selection of a bidder to the short list of bidders and/or Final Award Group. In such event, will such bidder be precluded from negotiating any PPA terms that the bidder did not revise in its redline PPA submitted with the bidder's RFP response package?

- A. In accordance with Section 2.8 of the RFP, Bidders are required to redline the PPA with their requested changes. The objective of this step is to avoid the Bidder requesting material revisions after being selected to the short list which were not previously disclosed and may otherwise have had an effect on the initial evaluation. While it is possible that there may be a justified reason for the Bidder to request additional revisions to the contract after submittal of the bids, the objective is for Bidders to address any material issues with their bid submittal. Major contract revisions raised during negotiations that were not included in the red-lined version of the contract that could lead to changes in pricing and risk allocation are discouraged and may lead to termination of negotiations if the Bidder insists on contract provisions that deviate significantly from the proposal submitted by the Bidder.
- 2 Q. **Final RFP Section 3.8 Exceptions:** This section states that, “[b]idders are encouraged to state the rationale for their proposed changes to the model PPA.

Does HECO have a preferred format for bidders to state their rationale?

- A. The stated rationale should include a reference to the specific section/paragraph/line of the Model PPA, an explanation of the rationale for requiring the revision, and suggested alternative language, if applicable. It should be included as part of the bidder's response in Section 17 of the Response Package.
- 3 Q. **Final RFP Section 3.12 Credit Requirements:** This section provides that within 10 days after formal notification that a bidder has been selected for the short-list, the bidder will be required to post a bid deposit security in the amount of \$3/kW (\$3,000/MW).

If a short-listed bidder submits multiple bids and multiple bids are short-listed, does the bidder need to provide a bid security deposit for each bid that is short-listed?

- A. Yes. Each project that makes it to the short list must have a bid security deposit. If, however, a bidder has alternative bids proposed that are short-listed for a single project, only one bid deposit security will be required for the project (if the alternative bids have different project sizes, the amount of bid deposit security will be based on the nominal capacity of the largest sized proposal that is short-listed).
- 4 Q. If the answer to the above question is yes, if not all of the bidder's bids are selected to be part of the award group, will the remaining bid security deposits

for the bids which are not selected be returned to the bidder?

- A. Yes. Bid security deposits will be returned for all projects that are not selected for the Final Award Group.
- 5 Q. **Final RFP Section 4.3 Threshold Requirements/Variable Interest Entity Treatment:** Bidders are required to demonstrate, with supporting information to allow HECO to verify such conclusion, that the proposal will not result in the seller under the power purchase agreement being a VIE that would trigger consolidation of seller's finances on to HECO's balance sheet under FIN46R.

Please provide examples of how a bidder might demonstrate this, as well as examples of the supporting information that HECO might require.

- A. The bidder should contact your accounting firm or corporate financial advisor to assess whether or not, based on the bidder's proposed power sale agreement and structure of the seller, the proposal could trigger VIE treatment. Bidders should provide a memorandum that states a conclusion along with supporting rationale and applicable supporting information.
- 6 Q. **Final RFP Section 4.5 Selection of the Initial Short List:** HECO will work with the IO to develop a detailed evaluation and selection process and methodology for the short-list. The process and methodology will be established prior to receipt of bids.

When does HECO anticipate developing the evaluation and selection process and methodology for the short list?

- A. The work by HECO on the detailed evaluation and selection process and methodology continues and the IO has been kept apprised. The methodology is expected to be established prior to the opening of any bids.
- 7 Q. Upon completion of the evaluation and selection process and methodology for the short list, will HECO provide it to prospective bidders?
- A. No. The details of the evaluation and selection methodology will not be disclosed to Bidders, consistent with the typical practice in the industry.
- 8 Q. **Final RFP Chart 2/RFP Schedule/Notice of Intent to Bid:** The RFP Schedule short in Chart 2 indicates that the deadline to submit the Notice of Intent to Bid is "30 days from Final RFP Posting"?

Is the deadline for submission of the Notice of Intent to Bid on the Friday prior to Saturday July 21, or the Monday following Saturday July 21 (Saturday, July 21, 2008 is the thirtieth day after the posting of the Final RFP)?

- A. Question withdrawn by requestor.
- 9 Q. **Bid Response Package Section 7.13:** This section requires that bidders must disclose any litigation related to projects owned or managed by them or any of their affiliates in the United States.

If a bidder is part of a multi-billion dollar group of companies, with affiliates undertaking diverse business ventures in several state and foreign countries, can the response to this requirement generically state that there exists litigation arising out of operations of the parent, affiliates and subsidiaries, but

specifically state that there is no litigation that existing that would have a material adverse impact on the bidder or the project?

- A. The Bidder should disclose any and all litigation that may have a material adverse impact on the bidder or the project. In addition, the bidder should disclose any and all litigation of a material nature related to power plant projects owned or managed by them or any of their affiliates in the United States.
- 10 Q. Will HECO disclose the identity of the parties which submit bids? If so, when does HECO anticipate doing so?
- A. In accordance with Section 3.1 Chart 2 of the RFP, it is anticipated that Bidders that are selected to the short-list will be notified in December 2008.
- 11 Q. Will HECO disclose the identity of the parties which are short-listed? If so, when does HECO anticipate doing so?
- A. The list of bidders on the short list will not be made publicly available.
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Date: 7/18/08, #1

- 1 Q. Can you tell me how since this is not less than 5KW and not 20KW or less, how to proceed if not via the June 2008 RFP?
- A. (Question was not clear as submitted). If the requestor would like to submit a proposal under this RFP, a Notice of Intent to Bid form should be submitted to HECO. A copy of the form is available on the HECO Generation Bidding website. Please note that projects under 5 MW are exempt from the competitive bidding framework for the HECO system and may be submitted directly to HECO's Purchased Power Division for consideration.
- 2 Q. Will you be posting the Model PPA and RFP, Appendix B, Response Package in Word Format?
- A. Yes, it is now posted on the Generation Bidding website, RFP Documents & Updates page.
- 3 Q. This is a request for the grid, interconnect, capacity and location of nearest substations etc. for the North Shore of Oahu. More specifically from Laie to Haleiwa.
- A. Please refer to HECO's Solicitation of Interest, Figure 3, on page 16. ([link to document](#))
- 4 Q. Will you accept a conservation proposal that saves more than 5 MW in your RFP?
- A. This RFP is for supply side resources only. Conservation (DSM) type proposals should be discussed with HECO's Energy Services Division. Please contact Mr. Alan Hee at (808) 543-4788.