

HECO Non-Firm Renewable Energy RFP

Technical Conference
March 14, 2008

Discussion of Model PPA



Approach to Development of Model PPA

- Examined existing as-available contracts
- Reviewed over 25 contracts from other jurisdictions
- Long term contract – 20 years
- Company will rely on energy from these contracts for meeting RPS goals and GHG limits
- Accordingly, model PPA has stricter enforcement provisions than previous as-available contracts



Model PPA - Section 2(b) (Purchase and Sale of Energy; Rate for Purchase and Sale)

- Energy in excess of 120% of the Annual Contract Energy will be paid at a reduced rate, namely 75% of the Contract Price.
- After the 4th year of Contract, if 3-year Average Annual Energy is less than 80% of the Annual Contract Energy, Annual Contract Energy will be reduced.



Model PPA - Section 13 (Construction Milestones)

- §§13(b) and (e). Commercial Operation Date is the only Milestone tied to Daily Delay Damages.
- §13(d). Three of the Milestones require Seller to submit a remedial action plan if Milestone dates are missed:
 - Permit Application Filing Date Milestone
 - Construction Financing Closing Milestone
 - Construction Start Date



Model PPA - Section 14 (Credit Assurance and Security)

- Development Period Security is \$30/kW based on the original Contract Capacity.
- Operating Period Security is \$40/kW based on the original Contract Capacity; amount increases to \$50/kW on 15th anniversary of Commercial Operation Date.



Model PPA - Section 23 (Process for Addressing Revisions to Performance Standards)

- This section provides a mechanism for the Company to revise performance standards as needed during the contract Term because of increased penetration of intermittent generating sources while also providing protection for Seller through a dispute-resolution process involving a neutral third-party, i.e., the Independent Evaluator.
- §23(a). The following Performance Standards in Appendix B may be revised: Section 3(c), Ramp Rates; Section 3(d), Power Fluctuation Rate; and, Section 3(m), Frequency Regulation.

