

Technical Conference Q&A's

- 1 Q. Provision of weighting factors for each evaluation criterion is common because it helps bidders design bids to best meet goals of RFP. Will HECO at least provide the prioritization of the evaluation criteria so bidders will understand relative importance of each criterion?

A. HECO will consider providing a relative prioritization of the pricing and non-pricing criteria into the proposed Final RFP as well as prioritization of the specific non-price criteria listed in the RFP.
- 2 Q. Will curtailment by HECO of project operations be considered in calculations whether 3-year average annual energy is less than 80% of the annual contract energy?

A. We will address this question in connection with responding to comments on the draft RFP and in the formulation of a proposed final RFP.
- 3 Q. For greater than 100MW projects, what performance standard template should be used in the bid? Can the bidder state the performance standards to which the project will conform to?

A. Performance Standards were not developed for projects in excess of 100 MW. Bidders with projects larger than 100MW could propose options such as (1) at minimum, propose to meet performance standards in the RFP for 100 MW projects, or (2) propose alternate performance standards and explain how these performance standards will address the system needs. The ability or inability of a facility to meet the performance standards will be taken into account in the evaluation process.
- 4 Q. Please advise on progress to “review procedures for addressing and/or responding to any such non-conforming proposals (>100 MW) with the Independent Observer.” (Reference RFP Section 2.7, pg.10)

A. The procedures for evaluating non-conforming proposals in the context of this RFP are intended to be addressed with the IO after receipt of any such proposals and supporting information. Attempting to develop a process in advance would be speculative at this time without having the specific information on the proposed project and the necessary information supplied by the Bidder to conduct such an evaluation.
- 5 Q. Will HECO provide guidelines (\$/MW) costs for “increase in system cost”? (One of the five price evaluation criteria) This is important information for bidders to consider when sizing project(s).

A. No. As indicated in the Draft RFP, the evaluation will consider the estimated increase in operating costs, if any, incurred by the utility to maintain grid reliability with the subject proposal assumed integrated

Technical Conference Q&A's

into the grid. In general, proposals that result in lower operating costs are expected to fare better in the initial pricing evaluation. We would also like to point out that the economic evaluation will also consider costs savings associated with proposed projects, such as avoided fuel costs.

- 6 Q. PPA duration is 20 years. Are there thoughts on extensions beyond 20 years or negotiation of new PPA's once initial PPA expires? i.e., if HECO is satisfied with performance over 20 years and costs are competitive, do you see reasons why PPA extensions would not be granted?
- A. The Model PPA has a provision that extends the term of the contract beyond 20 years subject to the ability of either party to terminate the PPA (an "evergreen" provision). Please see Section 12 (a) of the Model PPA.
- 7 Q. Will Technical Conference attendee list be available?
- A. The conference attendee list has been posted on the website.
- 8 Q. The period between proposal submittal and PPA negotiation is approximately one year. The schedule requires starting manufacture as soon as possible, but could result in actions taken that may ultimately be not awarded. What are your thoughts?
- A. Bidders may take exception to the schedule; however any exceptions will be taken into account in the evaluation. HECO appreciates the concern, but all bidders will have to evaluate this risk for themselves. HECO will not be responsible for any bidder expenses.
- 9 Q. Is the cap for the RFP based on MW's or quality of power? If quality, is there potential for grandfathered project plus this RFP to exceed 100 MW?
- A. The 100 MW cap is for individual proposals. With regard to total MWs procured under the RFP, the amount might be higher or lower than 100 MW, depending on the outcome of negotiations with the grandfathered proposals, as stated in Section 1.3 of the Draft RFP.
- 10 Q. Is the 46 kV portion of HECO's system considered "sub-transmission"?
- A. Yes, in general, the 46kV portion of HECO's system is considered "sub-transmission."

In general, HECO's 138kV system is considered the transmission system with its circuits networked or tied together at transmission substations. These circuits are designed to connect several power

Technical Conference Q&A's

sources together. Unlike the transmission system, the 46kV sub-transmission circuits are designed to be operated as radial circuits with the power flowing from a power source (normally the transmission system) at one end to the loads (normally the distribution system) at the other. Lower voltages are considered the distribution system which also consists of radial circuits that carry power to individual customers.

- 11 Q. Given the potential for up to 130 MW of grandfathered projects, is it possible HECO will not select any bidders under this RFP? (i.e., is the 100 MW level a firm maximum?)
- A. Please see the answer to question 9 above. Projects proposed in response to this RFP that are greater than 100MW will be considered non-conforming bids.
- 12 Q. Will the RFP bid scoring sheet be posted prior to the bid due date?
- A. Any forms used by the evaluation team will not be posted, but will be established with the Independent Observer prior to opening of proposals.
- 13 Q. What is HECO's current system avoided cost?
- A. HECO's filed quarterly avoided energy cost for the first quarter of 2008 has been provided on the HECO Generation Bidding web site.
- 14 Q. What is HECO's view of transmission system upgrades supporting projects in this RFP?
- A. The required system upgraded for each bid will be a factor in the proposal evaluation process.
- 15 Q. What is HECO's plan for reinforcing the 46kV grid supporting the North Shore?
- A. There are no current plans for reinforcing the 46kV circuits serving the North Shore.
- 16 Q. Is that to be integrated with projects resulting from the renewable RFP?
- A. The required system upgraded for each bid will be a factor in the proposal evaluation process.
- 17 Q. What should bidders submit if they cannot guarantee the requested ramp rates?

Technical Conference Q&A's

- A. Bidders are strongly encouraged to consider submitting proposals that can comply with the requested ramp rates. Bidders have the option to propose meeting an alternate level of ramp rates or taking exception to certain pricing scenarios if they so choose. This will be clarified in the Final RFP and in responses to written comments made on the draft RFP.
- 18 Q. Is the possible 75 MW of ocean thermal considered intermittent?
- A. HECO's evaluation of the technology for this proposed project has not been completed. Therefore, HECO cannot answer this question at this time.
- 19 Q. Is there any limit to HECO's curtailment i.e., convenience versus economic versus emergency?
- A. This will be clarified in responses to written comments made on the draft RFP that will be provided in connection with the proposed final RFP.
- 20 Q. Will HECO be posting an electronic version of the Technical Conference presentation on the website?
- A. The Technical Conference presentation has been posted on the generationbidding.heco.com website.
- 21 Q. Is there a limit to the number of curtailment hours per year?
- A. This will be clarified in responses to written comments made on the draft RFP that will be provided in connection with the proposed final RFP.
- 22 Q. When will status of grandfathered projects be finalized?
- A. The evaluation and negotiation process for the grandfathered projects is in progress. As of this date, there is no timetable for these discussions to be finalized.
- 23 Q. I understand HECO's avoided cost information is public. Where is it posted?
- A. Please see the response to Question 13 above.
- 24 Q. What is the proxy capacity charge and is it the same for all technologies?
- A. A response will be provided in connection with the proposed final RFP.

Technical Conference Q&A's

- 25 Q. If a 20 year financing term is presented, will there be a waiver on the additional security in year 15?
- A. We can only answer this question by considering a specific proposal. A response will be provided in connection with the proposed final RFP.
- 26 Q. Would two locations of 4 MW each be treated as one 8 MW proposal or should it be dealt with separately out of the RFP process?
- A. HECO would have to consider the specifics of such project(s) such as if the facilities at the two locations are inter-related and inter-dependent. A final determination may have to be obtained from the Commission.
- 27 Q. What will be the notice period for curtailment?
- A. A response will be provided in connection with the proposed final RFP which is being developed.
- 28 Q. Is HRRV planned expansion eligible?
- A. If the proposal meets the eligibility and threshold requirements given on Chapter 4 of the RFP, then the HRRV planned expansion would be eligible.
- 29 Q. Is project GET (general excise tax) exempt?
- A. This needs to be determined by the bidder.
- 30 Q. Is construction governed by HRS chapter 104, Prevailing Wages?
- A. This needs to be determined by the bidder.
- 31 Q. Permits are in the purview of City and County Department of Planning & Permitting and State Department of Health. What relief is allowed from damages for delay caused by third parties?
- A. Please refer to Section 21 Force Majeure provisions in the model PPA. Failure by the Seller to obtain permits and approvals are not considered force majeure under the Model Power Purchase Agreement.
- 32 Q. What is meant by "significant infrastructure improvements"?
- A. In general, significant infrastructure improvements are those involving more than nominal labor, materials and/or construction costs or those requiring any regulatory or other governmental approval that may result in the proposed project not being able to be completed within the

Technical Conference Q&A's

preferred timeframe of this RFP.

- 33 Q. Is HECO willing to pay more now for wind projects that exceed ramp rates, i.e., are less than the 2 MW/min up/down?
- A. HECO is requesting pricing for meeting ramp rate requirements that depend on the size of the proposal and on the time of day. The pricing among bidders to meet the different ramp rate requirements will be compared against each other and will be taken into consideration in the economic evaluation.
- 34 Q. To simplify or eliminate the need for contract re-openers, would HECO consider system ramp rate solutions, e.g., large batteries and/or pumped storage?
- A. The potential need for contract re-openers attributed to adjustments to performance standards to facilitate reliability and/or increased penetration levels may still be required.
- 35 Q. Will HECO conduct Interconnection Requirement Studies as part of the proposal evaluation phase? If so, will HECO pay for the IRS?
- A. An Interconnection Requirements Study (IRS) will not be conducted for every proposal. An IRS will likely only be done per the Rule 19 Tariff, section B.5, for a sub-set of proposals determined after an initial bid evaluation process. Bidders for projects selected for an IRS will be responsible for the cost of the IRS per the Rule 19 Tariff, section B.5.h.
- 36 Q. Why does HECO need the REC's (Renewable Energy Credits)? For example, (1) IPP's could reduce their offer price to HECO if they could sell REC's to a third party; and (2) HECO's decision now to require assignment of REC's to then preclude a decision later by the Commission that REC's ownership should go to IPP's.
- A. Under Hawaii Revised Statutes §269-92, HECO is required to meet Renewable Portfolio Standards, where of 10% of its net electricity sales will be from renewable energy by 2010, 15% of its net electricity sales will be from renewable energy by 2015, and 20% of its net electricity sales will be from renewable energy by 2020, and where renewable energy is as defined in HRS §269-91. When HECO purchases energy from a renewable energy independent power producer, HECO must be certain that the purchase includes the renewable attribute or "REC" that would count toward meeting the RPS requirements
- 37 Q. Threshold requirement on bidder experience requires that bidder or partners or affiliates have experience in development and operation of one generation project similar to proposal. If bidder has experienced

Technical Conference Q&A's

development team in similar projects, why can't operational experience be demonstrated prior to execution of PPA and interconnection agreement for bidders who plan to contract with experienced companies to operate their facility?

- A. We are reevaluating this matter and will address this in the final RFP.