



May 19, 2008

William A. Bonnet
Vice President
Government & Community Affairs

The Honorable Chairman and Members of the
Hawaii Public Utilities Commission
465 South King Street, First Floor
Kekuanaoa Building
Honolulu, Hawaii 96813

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PUBLIC UTILITIES
COMMISSION

Dear Commissioners:

Subject: Docket No. 2007-0331
Competitive Bidding Process for Renewable Energy on Oahu

Hawaiian Electric Company, Inc. (“Hawaiian Electric”) respectfully submits a copy of its proposed Final Request for Proposals for Non-Firm Renewable Energy Projects, Island of Oahu, May 2008 (“RFP”). (See Exhibit A.) New Energy Opportunities, Inc., the Commission-approved Independent Observer for Hawaiian Electric’s competitive bidding process, has been involved in the development of the RFP. This submittal is filed pursuant to Section IV.B.6.e. of the Framework for Competitive Bidding dated December 8, 2006 (“Framework”), adopted by the Commission in Decision and Order No. 23121 (“D&O 23121”).

In addition, New Energy Opportunities, Inc. has provided its comments and recommendations to the Commission concerning the RFP in accordance with Section IV.B.6.e.(i) of the Framework. (See attached Attachment 1.)

On March 14, 2008, Hawaiian Electric held a Technical Conference for the Hawaiian Electric Renewable Energy RFP in accordance with Section IV.B.6.b. of the Framework. The conference was held at the Company’s conference facilities in Honolulu. Potential Bidders and other interested parties were in attendance, along with the Independent Observer and members of the Commission and Consumer Advocate’s Office. Attendees were provided an opportunity to submit questions to the Hawaiian Electric presentation team during the conference. Most of the questions were responded to before the end of the conference; however, several questions required more research and responses were deferred to the Final RFP.

Additional written comments were also submitted by two parties on April 7, 2008. Those comments, as well as the comments deferred from the Technical Conference, have been summarized and responded to in the attached Exhibit B, “Response of Hawaiian Electric Company, Inc. (“HECO” or “Company”) to Comments Submitted in Connection with Hawaiian

Electric's Final Proposed Request for Proposals for Long-Term Power Purchase Agreements from Renewable Energy Projects". This exhibit, along with the associated revisions to the RFP and Model Power Purchase Agreement ("PPA") documents, has been shared with the Independent Observer to allow for the preparation of his report in accordance with Section IV.B.6.e.(i) of the Framework.

During the review of the comments, Hawaiian Electric particularly focused on comments that asserted that provisions of the Draft RFP or model PPA would unreasonably exclude potential bids that should be reasonably considered on their merits. In addition, Hawaiian Electric took a close look at comments that alleged that the Draft RFP, model PPA and/or RFP process is not structured in a way that would facilitate bids that could provide renewable energy in a reasonably cost-effective way consistent with the reliability needs of Hawaiian Electric and its customers.

With respect to comments on the RFP's Bid Response Package, Hawaiian Electric notes that the data requested in the Response Package is reasonable and consistent with industry standards. Bidders are being asked to provide the best information they have available at the time they submit their proposals and bids will be evaluated based on the quality of the information provided. The Company recognizes that for some bidders, only preliminary information will be available, while for more mature projects, the Bidder may be able to provide more detailed responses.

Many of the comments received were directed towards the model PPA. Hawaiian Electric notes that with regard to the model PPA, there are no mandatory provisions that bidders are absolutely required to adopt. As provided in Section 2.8 of the RFP, Bidders have the ability to take exception to and make counter proposals to specific provisions of the model PPA. Hawaiian Electric submits that the applicable standard of review for the model PPA is whether it represents a reasonable utility position that can reasonably be applied to most projects within the scope of the RFP, is consistent with industry practice, is reasonable in the context of specific conditions on the Island of Oahu and past practices, and provides a good basis for receiving and comparing bids.

Hawaiian Electric also notes that while the RFP is primarily soliciting proposals for non-firm generation, the resources solicited are designed to meet the Renewable Portfolio Standards ("RPS") adopted in Hawaii. Thus, the model PPA for this RFP will differ from previous as-available PPAs, and strives to achieve a balance between a contract for energy that is expected to be non-firm, while including contract provisions designed to provide assurances that projects are on-line and can deliver energy and associated renewable energy attributes to meet the Company's RPS requirements. Accordingly, the model PPA contains provisions for ensuring that the energy contracted for is delivered in accordance with the contract, with sufficient flexibility to take into consideration the variance associated with intermittent renewable energy resources, such as wind and solar.



Specific comments and responses are further explained in the referenced Exhibit B documents. For reference purposes, a redlined copy of the Draft RFP and Draft Model PPA have also been included. (See Exhibits C and D, respectively.)

Electronic notice of the submittal of the proposed Final RFP on Hawaiian Electric's Generation Bidding website (<http://generationbidding.heco.com>) will be made to all parties who have submitted an expression of interest to our Solicitation of Interest and Draft RFP.¹ A copy of the letter and all attachments will also be made available on the website.

Sincerely,



Attachments

cc: Division of Consumer Advocacy (with Attachments)

¹ Pursuant to Section IV.B.6.e.(ii) of the Framework, Hawaiian Electric has the right to issue the RFP if the Commission does not direct Hawaiian Electric to do otherwise within 30 days after the Commission receives the proposed RFP and the Independent Observer's comments and recommendations.

