

**HAWAIIAN ELECTRIC COMPANY, INC.**



# **REQUEST FOR PROPOSALS**

**BIOFUEL SUPPLY CONTRACTS  
(HECO, HELCO AND MECO)**

for Biofuels made from feedstocks  
grown in or made within the State of Hawaii

**MARCH 31, 2010**

**REVISION 1, APRIL 28, 2010**

Revision to Instructions for Submission of Proposals,  
Section 3.1, page 12 of the RFP



# REQUEST FOR PROPOSALS

Hawaiian Electric Company, Inc. (HECO) hereby requests proposals for the long-term supply (i.e. 10 years) and delivery of biofuels made from feedstocks grown in, made in, or otherwise originating within the State of Hawaii (“local biofuels”), the terms of which shall be negotiated between HECO and the Seller. These local biofuel supplies may be proposed for use in power generation at any individual or combination of generation sites operated by HECO to include: generation sites on the Island of Oahu, Hawaii Electric Light Company, Inc. (“HELCO”) generation sites on the Island of Hawaii, and Maui Electric Company, Limited (“MECO”) generation sites on the Islands of Maui, Molokai, and Lanai. HECO requests that responsive proposals be submitted to HECO between May 14, 2010 and June 18, 2010 consistent with the requirements set forth herein. HECO anticipates it may issue future RFP(s) for local biofuels as needed to respond to locally available biofuel sources that hold the potential to meet HECO’s biofuels needs.

## PROPRIETARY RIGHTS IN RFP

This RFP has been prepared exclusively by and for HECO. All recipients of this document shall consider and treat the information contained within as proprietary in nature. HECO reserves all copyrights for this document and its constituent parts and prohibits any unauthorized use or reproduction hereof.

## RFP DOCUMENTS

This RFP includes and incorporates the following attached documents:

|               |   |
|---------------|---|
| Attachment A: | Potential Site Locations, Volumes, and Fuel Types             |
| Attachment B: | Crude Biofuel Specifications                                  |
| Attachment C: | Biodiesel Specifications                                      |
| Attachment D: | Pricing Guidance  |
| Attachment E: | Sample Biofuel Contract Form                                  |
| Attachment F: | Contract Questionnaire  |
| Attachment G: | Proposal Evaluation Criteria Guidance                         |
| Attachment H: | HECO/NRDC Environmental Policy                                |
| Attachment I: | NRDC Letter of Position on Waste Animal Fat and Yellow Grease |
| Attachment J: | Non-utility Generator (NUG) Proposal Summary                  |



## **SUMMARY OF PROJECT**

### **BRIEF BACKGROUND**

HECO is a regulated public utility engaged in the production, transmission, distribution and sale of 95% of the electricity in the State of Hawaii through:

Hawaiian Electric Company, Inc. on the Island of Oahu, and its subsidiaries:  
Hawaii Electric Light Company, Inc. ("HELCO) on the Island of Hawaii, and  
Maui Electric Company, Limited ("MECO") on the Islands of Maui, Molokai, and Lanai.

As used hereinafter, "HECO" shall mean HECO, HELCO, and / or MECO.

HECO is currently significantly dependent upon imported sources of fossil fuels for the generation of electricity. HECO has stated goals to reduce its dependence on imported fossil fuels through both the addition of a diversified portfolio of local, renewable energy sources and through increased conservation state-wide. To meet these goals, HECO desires to replace some proportion of its existing fossil fuel use with renewable biofuels and its preference is to procure biofuels that are produced in the State of Hawaii from feedstocks that are grown in, made in, or otherwise originate within the State of Hawaii ("local biofuel").

HECO understands that local biofuel feedstocks are not yet produced at scale, that the conversion technologies are in various states of commercial readiness, and many of the biofuels have not been certified for use in its generators. HECO recognizes that the stimulation of local, renewable biofuel production will require a patient, long-term strategy, a potential network of partnerships, and some strategic choices on the part of many of the interested parties in the State of Hawaii. Through this RFP, HECO intends to begin this strategic process by requesting bids for future supplies of local biofuels with the intent of awarding reasonable long-term contract(s) to stimulate the development of those biofuels. HECO will also consider innovative and flexible contract terms to encourage development of new feedstocks and technologies as described in more detail in this RFP. HECO's selection of a type of biofuel and of the Selected Supplier(s) of that biofuel will be based on a number of factors, including, without limitation, price, value, timeliness of supply, technical considerations, security of supply, terms and conditions of supply, source of biofuel feedstock (Hawaii-grown or produced feedstock only), supplier experience, a demonstrated ability to perform, delivery means and methods, product quality, environmental compliance, reduction in greenhouse gas emissions, and positive impacts on the local economy and communities.

HECO has responsibilities to its customers to keep electricity supplies reliable and rates reasonable. HECO is a regulated utility and all fuels contracts must be approved by the Hawaii Public Utilities Commission ("PUC" or "Commission"). Thus, HECO will also work with bidders who submit potentially viable proposals to find ways to reasonably mitigate risks, reduce costs and to fit the realities of new technologies and local production constraints into the competitive bidding, price-sensitive context of the contract award and the subsequent PUC and public approval process. HECO anticipates that proposals will be structured for future supply timelines to allow for significant periods of farm and/or technology development. The awarded contract(s) will provide flexibility in the delivery time-table within the context of a number of pre-negotiated and firm performance benchmarks. There is a likelihood that multiple supplier contracts could be awarded to allow HECO to diversify its options and to stimulate growing and production technologies at a variety of scales. Further, HECO recognizes the historical value of agriculture to the State of Hawaii and understands that its contractual approach may be a valuable part of rebuilding some of that tradition.



## SPECIFICATIONS AND REQUIREMENTS

All proposals must be for a liquid biofuel produced from a feedstock that is grown or made in the State of Hawaii and should use a feedstock-to-liquid fuel conversion process that is located in the State of Hawaii. This RFP is open in terms of the type of feedstock used and produced to make liquid biofuel within the bounds described below and the ability to produce each locally in the State of Hawaii.

**Timing:** HECO will consider awarding a long-term contract(s) on delivery terms that are determined through negotiation with each Selected Supplier. For this RFP, HECO requires that initial deliveries of biofuel to HECO's generation site(s) will occur within five (5) years of the date of this RFP according to a negotiated schedule. Earlier delivery schedules, consistency of supply, and reliability of supply will be factored favorably in the evaluation of proposals. As a guideline, a contract duration of 10 years with multiple five-year renewal periods is potentially acceptable, but proposals for both longer and shorter duration terms will be considered. Potential suppliers that are developing a new feedstock or new conversion technology must provide specific intermediate technology development benchmarks with proposed hard deadlines for meeting those benchmarks. It will be understood that these mutually agreed upon benchmark deadlines and the compliance with the supply schedule will represent firm go/no-go decision points to be incorporated into the contract terms and that HECO would have the right (but not obligation) to terminate the contract on the Selected Supplier's failure to reach each benchmark or supply target deadline.

**Biofuel specifications:** The specifications for the biofuels being solicited are set forth in the Crude Biofuel Specifications and the Biodiesel Specifications, Attachments B and C hereto. Potential suppliers may suggest alternative specifications for HECO's consideration. The potential suppliers should consider that each site's generation unit(s) has specific fuel requirements (diesel, fuel oils, etc.) and that a proposed biofuel must ultimately fit within the unit's operating requirements. Proposals for biofuels that deviate from HECO's biofuel specifications may be considered but such deviation may require modification of the generating unit or additional investment in HECO's plant infrastructure. Any costs to modify HECO generators to match proposed biofuel standards will be considered as part of the overall costs of a biofuel supply bid. Proposals for biofuel without the ability to demonstrate compliance to HECO's biofuel specifications due to the early stage of the development of the bidder's technology must indicate the targeted biofuel specifications and propose specific benchmarks with hard deadlines for reaching those specifications.

**Biofuel Volumes:** Each generator has an anticipated, long-term fuel requirement as described in the Potential Site Locations, Volumes, and Fuel Types, Attachment A hereto. To promote diversification of the biofuel industry and to hedge the agricultural and technical risk associated with the realities that each of these biofuels represent innovative development, HECO may initially restrict each potential supplier to a portion of the fuel requirements for an individual generating site to mitigate HECO's supply risk. There is no restriction on the minimum bid volume. Bidders may propose supplies to multiple islands and facilities. Generally speaking there will be a trade-off in the evaluation process between risks and volume. Proposals that involve greater risks may be limited in the volumes that HECO would commit to a contract(s). Proposals that involve less risk may potentially secure a larger volume allocation of the total fuel consumption for a given generating unit or facility. However, HECO understands that there are economies of scale and expects bidders to propose terms that are economically viable.



**Point of Delivery:** The “Potential Site Locations, Volumes, and Fuel Types”, Attachment A, lists the preferred FOB delivery locations for each site. HECO requests that the fuel be delivered via truck in suitable transport containers to those sites listed with truck-capable facilities, as designated in Attachment A. Attachment A designates certain sites that currently receive fuel via pipeline into the generating facility. These sites that receive fuel via pipeline are not currently equipped to receive biofuel via truck. However, dependent upon the proposal, the biofuel properties, and other particulars of each facility, HECO may work with potential suppliers to evaluate options for biofuel delivery via truck into the facility. Proposals for delivery of “bio-crude” fuels to a third-party facility for refining and/or transport to HECO (i.e. transport via pipeline) should still define the points of delivery for the refined products as whole or blended biofuels.

**Local Feedstock Environmental Sustainability and Processing Requirements:** All bids in response to this RFP must use a local feedstock and local processing method for the production of the biofuel. “Local” indicates growth and production within the legal boundaries of the State of Hawaii. Each growing, production and processing method resulting in the supply of biofuels to HECO must comply with all applicable rules, laws and regulations.

HECO has partnered with the Natural Resource Defense Council (“NRDC”) to develop a larger set of environmental guidelines for its use of local biofuels. Proposals submitted in response to this RFP will be carefully evaluated on how well they meet these guidelines. The Contract Questionnaire, Attachment F, contains questions about the environmental impact of the Proposal and the biofuel feedstock. These questions must be filled out as completely as possible and any known deficiencies or unknowns must include a reasonable method for reaching compliance. The bid package must also include an analysis of the full life-cycle assessment of the greenhouse gas emissions using an accepted model as requested in section 5w of the Contract Questionnaire, Attachment F.

In August 2007, Hawaiian Electric and the Natural Resources Defense Council (“NRDC”) jointly published the “Environmental Policy for the Hawaiian Electric Company’s Procurement of Biodiesel from Palm Oil and Locally Grown Feedstocks” (“HECO-NRDC Policy”). This policy was developed to guide Hawaiian Electric and its subsidiaries in obtaining biofuel from sustainable palm oil and local sources. An update on Hawaiian Electric’s activities and progress under the HECO-NRDC Policy may be accessed at:

[http://www.hawaiisenergyfuture.com/Articles/HCEI\\_Progress\\_Report.html](http://www.hawaiisenergyfuture.com/Articles/HCEI_Progress_Report.html).

The HECO-NRDC policy and a supplemental position on waste animal fat and yellow grease feedstock are included as Attachments H and I of this RFP.

The issuance of this RFP and emerging sustainability standards for a broader array of feedstocks (for biofuel and biomass power) present an opportunity to reassess and potentially broaden HECO’s policy to apply to local feedstock supplies and production of biofuel from agricultural crops other than palm oil. The Roundtable on Sustainable Biofuels (“RSB”) has developed the RSB Principles and Criteria for Sustainable Biofuel Production. Version 1.0 of these principles and criteria can be found at:

<http://cgse.epfl.ch/page77270.html>

During 2010, the RSB will conduct pilot testing of their Principles, Criteria, and Indicators and may offer provisions for initial certification. In an effort to complement this process, the Hawaii Biofuel Foundation, created as a result of the HECO-NRDC policy, plans to conduct



local outreach meetings on the RSB Principles, Criteria, and Indicators to determine how the RSB standards may be applied to feedstock grown in Hawaii.

The RSB recognizes that biofuels' technical, social, and environmental issues are changing. Given this rapid evolution, Hawaiian Electric for the purpose of this RFP requests that the proposals indicate how the potential supplier would work toward compliance to the RSB Principles and Criteria and prepare to achieve future certification under RSB. Please reference the Contract Questionnaire, Attachment F, for specific questions regarding sustainability standards to which Proposals are asked to respond.

## **COMMERCIAL TERMS AND CONDITIONS**

**Pricing:** Pricing Guidance, Attachment D offers sample models for proposed price structures. Potential suppliers may propose one or more pricing methods provided that any pricing method shall produce a price per physical net volumetric unit for the calendar month of delivery, shall be explained in detail and shall at a minimum: (i) identify and define each and every pricing component; (ii) identify which components are fixed, which components, if any, are variable with respect to a referenced market price assessment or comprise an index derived from market price assessments, and which components, if any, are variable with respect to a specified monthly or annual volume range; (iii) identify and define any market price assessment reference or index used. Please be advised that, following the review of pricing methods received with all Proposals, HECO may request that some or all potential suppliers submit or resubmit proposals based on one or more specified pricing methods or formulas.

In this RFP, HECO understands the value of long-term contracts to early stage technology developers and intends to structure the pricing to induce the success of the agricultural and technology developers while maintaining responsibility to its shareholders, customers and the PUC. HECO has a preference for a long-term fixed-price contract(s) (with reasonable escalators) rather than prices that are tied to a volatile spot or commodities index. HECO may consider proposals that structure a slightly higher price for biofuel in the first years of a contract, offset by a price reduction in later years to potentially negotiate a price structure that yields a viable economic model for developers. Bidders that anticipate producing "bio-crude" fuels that are further refined or transported by a third-party should provide pricing for the final product at the point of delivery to HECO – a price that incorporates the third-party economics of the refining process. HECO may consider bids that are for blended fuels from third parties with the bid describing separate pricing structures for the renewable biofuel and for the fossil fuels to be blended.

Potential value propositions will be evaluated by HECO in the context of its regulatory framework. However, HECO does not intend to become an equity investor in any biofuel production facilities in Hawaii.

**Co-Generation of Electricity:** While this RFP is primarily soliciting proposals for liquid biofuels, HECO recognizes that potential suppliers may have technologies that also generate electricity directly as part of a mixed biofuel-electricity supply system. HECO will consider proposals for liquid biofuel that include energy resources eligible under the Hawaii Renewable Portfolio Standards ("RPS") accessible at:

[http://www.capitol.hawaii.gov/hrscurrent/Vol05\\_Ch0261-0319/HRS0269/HRS\\_0269-0091.htm](http://www.capitol.hawaii.gov/hrscurrent/Vol05_Ch0261-0319/HRS0269/HRS_0269-0091.htm)

wherein the primary purpose of the potential supplier's facility is the production of liquid biofuels. Accompanying power generation proposals for HELCO and MECO offering firm dispatchable power rather than as-available power are preferred. (Firm dispatchable power is



energy that has the capability of being scheduled or dispatched.) Accompanying firm or as-available power generation proposals may be considered for HECO. All proposals that include power generation as a component of the complete liquid biofuel package will be evaluated on the compatibility of the proposed power generator and its operational mode respective to the island's grid of operations. Incompatibility to the island's electrical system will result in a disqualification of the power generation proposal.

To avoid conflicts with the Framework for Competitive Bidding, proposals that include power generation capacity are encouraged to offer generation capacity that is less than the thresholds for competitive bidding: 2.7 MW on the MECO and HELCO systems and 5 MW on Oahu. Bids with a power generation component will be evaluated on the merits of the complete liquid biofuel/power generation package.

Proposals that include co-generation of electricity should complete and submit a Non Utility Generator (NUG) Proposal Summary, Attachment J. Should HECO select a biofuel proposal(s) for a contract award that includes a power purchase component, power sales will require execution of a power purchase agreement which will be subject to review and approval by the Hawaii Public Utilities Commission. The power purchase agreement will be based substantially on HECO's model for firm Power Purchase Agreement, which will be provided on request. Requests for HECO's model for firm Power Purchase Agreement are to be submitted via electronic mail to:

Jeff Vaughan  
Director, Energy Contract Origination  
Hawaiian Electric Company, Inc.  
E-mail: jeffrey.vaughan@heco.com

**Subsidies and Credits:** To encourage innovation, all possible tax credits, subsidies, carbon credits, or other forms of government support will remain with the potential supplier. These should be specifically identified and their potential value calculated.

**Qualifications:** Potential suppliers must be able to demonstrate the reliability of the entire supply chain for the proposed biofuel and its local provenance. Generally, potential suppliers should show the expected or granted title(s) or long-term lease(s) to the agricultural lands and other properties that are required to grow the feedstocks and produce the biofuels. Potential suppliers must also demonstrate a realistic understanding of their entitlement and permit obligations, which permits are already issued, and a reasonable plan for acquiring the remaining permits and permissions. They must also show a detailed and realistic plan for any new agricultural development and technology development.

**Feedstocks and Conversion Technologies:** This RFP does not place any pre-determined limits on the type of local feedstock that can be used. Agricultural feedstocks can include, but are not limited to, any of a variety of terrestrial crops, algae, aquatic plants, microbes or shrubs and trees. The crop must be legal in Hawaii and grown without violating applicable environmental and agricultural laws, rules and regulations. Plants that are invasive or have the potential to have negative environmental impacts will be evaluated carefully, even though legal, to ensure that they also help HECO meet the aspirational environmental goals that it has developed in consultation with NRDC and the local community. Microbes, algae and protists that are grown on sugars or other organic material can also be used, however, the sugars and organic matter themselves must be sourced from Hawaii-grown feedstocks. Waste animal fat and yellow grease collected from slaughterhouses, rendering facilities, or restaurants within the State of Hawaii may be proposed as long as these feedstocks truly represent a material that would otherwise be disposed as waste in the State of Hawaii.



HECO is also open in terms of the types of technologies that will be used to convert these feedstocks into fuels. The technologies must be installed and operated in Hawaii and meet all applicable environmental laws, rules and regulations. Companies that can produce “Bio-Crude” type fuels may choose to seek third-party refinery partnerships that may be most cost-effective for producing the final fuel or fuel blend.

**Business Operations:** Potential suppliers must present adequate details of their business plan to evaluate their viability as a company over the duration of the contract. For operating companies, this will include details of their recent performance and existing contracts. For new ventures or partnerships, proposals should include all of the normal elements of a business plan including a plan for financing, cost and construction schedules, agricultural plans and contractual relationships for services that must be acquired from third parties (refining, transportation, etc). Many of these details are to be submitted in response to the Contract Questionnaire, Attachment F.

**Support for Environmental Compliance and Permitting:** HECO intends to encourage a diversity of biofuel suppliers through this RFP. It understands that some of the bidders will not have experience with the full range of permitting, environmental compliance and jurisdictional issues associated with working in Hawaii. Thus, HECO is willing to consider offering non-legal assistance to potentially assist a selected supplier(s) in completing the required paperwork for environmental reviews. Proposals should specifically delineate the areas, if any, where some type of in-kind support by HECO would be most useful.

**Other Tangible Benefits:** Potential suppliers should think broadly about the larger benefits of their approach to the people of Hawaii, the local economy and the local environment. Each putative benefit should be described in appropriate quantitative and qualitative detail. This list may include, but is not limited to, the following:

- The number and types of jobs created, both directly and indirectly, detailed over the life of the project.
- Local expenditures detailed to the extent possible.
- Environmental services, if any, described and, where possible, valued.

**Contract:** Following the RFP process, should a proposal be accepted, HECO and a Selected Supplier will execute a biofuel supply contract (“the Contract”). The Contract will be based in part on the Selected Supplier’s Proposal and other information, if any, submitted by the Selected Supplier during the RFP process. A sample form of a Biofuel Contract is contained in Attachment E. Other or revised terms and conditions may be included in the Contract by mutual agreement of HECO and the Selected Supplier.

**Contract Commencement/Term:** The Contract commencement and duration shall be determined through mutual agreement of HECO and the Selected Supplier(s) to match a viable biofuel business model with HECO’s biofuel requirements. As a guideline, HECO expects that a biofuel supply may take up to five years from the contract date to commence. The potential contract duration of biofuel supply is contemplated to be up to 10 years for the initial contact and may contain renewal options.



**Financial Consolidation Compliance:** HECO maintains its financial statements in conformity with U.S. generally accepted accounting principles. Proposals should consider in particular HECO's accounting requirements to conform to the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 810 ("Consolidation"). HECO will not execute a contract that will require Consolidation with an entity such as a fuel supplier or independent power producer. FASB ASC Topic 810 guidance is included herein.

HECO will need to engage in very specific evaluations of the proposal and the potential supplier's company structure to determine the application of ASC Topic 810.

To avoid any Consolidation issues, HECO requests that the entity meet at least one of the following criteria: 1) be deemed a "business" wherein substantially all of the entity's sales are not made to HECO but are made to other customers; 2) be structured such that the entity would not be deemed a variable interest entity ("VIE"); or 3) if the entity is deemed a VIE, then an agreement would need to be structured wherein HECO is not the primary beneficiary of the entity.

FASB ASC Topic 810 guidance:

The Financial Accounting Standards Board Accounting Standards Codification Topic 810, "Consolidations" (previously known as FASB Interpretation No. 46R, "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51" as amended by Statement of Financial Accounting Standards No. 167, "Amendments to FASB Interpretation No. 46R") may require HECO to consolidate entities such as a fuel supplier or independent power if the entities are deemed variable interest entities ("VIE") and if HECO is the primary beneficiary of the VIE.

In general, VIEs are entities whose total equity at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support or whose equity investors lack the characteristics of a controlling financial interest. If HECO enters into a contract with an entity that is deemed a VIE, a determination then needs to be made whether or not HECO is the primary beneficiary. In general, the primary beneficiary is the entity that 1) has the power to direct the activities of a VIE that most significantly impact the VIE's economic performance, and 2) has the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. If HECO is the primary beneficiary, HECO will be required to consolidate the VIE into HECO's financial statements. In order for HECO to determine whether an entity is a VIE or primary beneficiary, the entity will be required to provide sufficient financial information to support the conclusions made by HECO.

Entities deemed to be a "business" under the accounting guidance of FASB ASC 810 do not need to be evaluated under FASB ASC 810 and would not be consolidated. In general, for entities to be deemed a "business" under FASB ASC 810, the entity cannot be among other things "...designed so that substantially all of its activities either involve or are conducted on behalf of the reporting entity and its related parties." In other words, substantially all of an entity's sales cannot be made primarily to HECO. HECO will require entities to provide sufficient information to support an entity's claim that it is deemed a "business" under FASB ASC 810.

**PUC Approval:** The Contract will be submitted to the Hawaii Public Utilities Commission by HECO to seek authorization of the full recovery of biofuel costs to be incurred under the Contract(s) in accordance with the State's Energy Cost Adjustment Clause ("ECAC"). HECO will be required to file separate Applications to the Commission for each company (HECO, HELCO, or MECO) that enters a biofuel contract(s) for submission to the Commission for approval. Commission approval of the contract will be a condition to the full effectiveness of



the Contract. If the Commission denies HECO's request to approve the Contract or approves the Contract on conditions that directly or indirectly require a modification to the material terms of the Contract, HECO will have the option to terminate the Contract without liability.

**Performance Bond or Letter Of Credit:** HECO may require the Selected Supplier to provide security for its performance under the Contract via an acceptable performance bond, irrevocable standby or other letter of credit. The purpose of the bond or letter of credit would be to protect HECO from any financial loss in the event that the Selected Supplier cannot perform and HECO is required to obtain the biofuel from another supplier at increased cost to HECO.

**Confidentiality:** Potential Suppliers shall clearly identify information in their Proposals that they are requesting be treated as confidential and not be disclosed outside of HECO and its employees, consultants and representatives involved with the RFP and its evaluation. Potential Suppliers shall describe the basis for such confidentiality designation. Blanket and unsupported confidentiality designations shall not be honored by HECO. HECO shall have the right to disclose proposals, including all information therein and otherwise submitted as part of the RFP process which is designated as confidential by a potential supplier to the State of Hawaii Public Utility Commission (PUC) and Consumer Advocate and the respective staffs and consultants of the same. As appropriate, HECO will request that any confidential information be submitted to the PUC and/or Consumer Advocate pursuant and subject to a protective order. HECO may also disclose potential supplier confidential information to any participant or party to any PUC docket who has agreed in writing to be bound by the terms of a protective order approved and entered by the PUC in such docket. Any statement or condition in any Proposal that attempts to restrict HECO's rights under this section shall be void

Notwithstanding the foregoing, pricing information in the proposals will be considered by HECO to be confidential. Accordingly, all pricing information should be submitted on separate pages in the proposal marked "confidential" (if bidder deems the pricing information confidential).

Non-confidential information contained in the proposals may be available for public disclosure. Bidders may choose to make public descriptions of proprietary information instead of describing the full proprietary details, but understand that this may influence the competitiveness of the proposal. In these cases, if HECO decides to make an award, HECO will make confirmation of the accuracy of the proprietary data implied in the public description a formal benchmark for continuation of the contract.

HECO may engage independent consultants to help review and evaluate the proposals. These individuals will be operating under a Confidentiality Agreement that binds them to not disclose or use any of the proprietary information in the proposals. The proposal must clearly describe all corporate partners and technical and senior business experts who will be involved in the project to guide HECO in selecting reviewers who do not have commercial conflicts of interest.

No Potential Supplier shall be entitled to see proposals from any other Potential Supplier or any information contained therein or provided by or with respect to any other Potential Supplier, nor shall any Potential Supplier or other person or entity be entitled to any information from HECO pertaining to this RFP or the evaluation of Proposals.



## SCHEDULE

HECO will accept proposals at any time between May 14, 2010 and June 18, 2010. HECO anticipates a 30-90 day review process that will begin upon receipt of the proposal. Bidders who have external deadlines for a decision (such as a deadline for meeting the requirements of federal ARRA funding) should very explicitly identify those timelines and strongly justify why an early decision is critical. All proposals will be considered competitively and any early decisions will not be made to exclude the opportunities of those that are submitted at the end of the submission period. HECO may make multiple awards over a period time.

|                |  |
|----------------|--|
| March 31, 2010 | Release RFP                              |
| April 27, 2010 | Bidders conference in Hawaii and online  |
| May 7, 2010    | Letters of Intent Due                    |
| May 14, 2010   | Opening day for early submissions        |
| June 18, 2010  | Final deadline for submissions           |
| July 15, 2010  | Technical and business reviews completed |

On April 27, 2010, HECO will hold a bidders conference in Honolulu, Hawaii for all potential respondents to this RFP. Potential respondents should RSVP to [debra.yoshimura@heco.com](mailto:debra.yoshimura@heco.com) to register and receive further information. The building location of the conference will be determined and communicated to attendees prior to April 27, 2010 and the conference will also be made available by webcast/webinar to registered participants. An archived version of the conference will be available online until the RFP submission deadline.



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# INSTRUCTIONS FOR SUBMISSION OF PROPOSALS

## PROPOSAL REQUIREMENTS, TERMS AND CONDITIONS

### 1. Additional Definition of Terms and Abbreviations

Bidder: A supplier submitting a Proposal in response to this RFP.

Proposal Due Dates:

Letters of Intent Due: **May 7, 2010**

Deadline for submissions: **May 14 to June 18, 2010**

Proposal: Bidder's proposal to supply biofuel as requested in this RFP.

### 2. Letters of Intent:

2.1. The Letter of Intent states a bidders' intention to prepare and submit a formal proposal in response to HECO's RFP. It should be no more than two (2) pages in length. The information will not be used for evaluation of the bid, but to help in preparing for the review of the full proposal. The Letter of Intent should be addressed to HECO to include, but is not limited to, the following information:

- a) The name and address of the bidder's company or firm.
- b) The contact information of the party who will be submitting the proposal.
- c) A brief description of the organization submitting the proposal and the nature of the company that intends to supply the biofuel.
- d) A complete list of all partner companies, major suppliers, technical experts, including all technical experts in each company (used to avoid conflicts of interest in the review process)
- e) An overview of the proposed biofuel to include:
  - i. The type of liquid biofuel proposed (biodiesel or bio-crude).
  - ii. The Island where the biofuel will be produced and the HECO company (e.g. Heco, Helco, Mecos) the biofuel producer plans to supply.
  - iii. The type of feedstock from which the biofuel will be produced.
  - iv. A high-level overview of the technology envisioned to produce the biofuel.
- f) Indicate if the proposal will include a biomass power generation component and a brief description of such.
- g) To the extent possible, a discussion of the current status of any development progress that will be included in the proposal: for example crops planted, or an operational facility under construction.
- h) The anticipated date of submission and a short description of the reason that an expedited review is requested if applicable.



- 2.2. A letter of intent must be submitted electronically on or before the Letter of Intent Due Date to the following email address:

[biofuelRFP@heco.com](mailto:biofuelRFP@heco.com)

In addition, a hard copy must be delivered to and received by HECO no later than seven days after the Proposal Due Date at the following address:

Hawaiian Electric Company, Inc.  
P.O. Box 2750  
Honolulu, Hawaii 96840-0001  
Attention: Debra Yoshimura, Mailstop WP3-IA

- 2.3. The electronically submitted Letter of Intent is due on or before **11:59 P.M., Hawaii Standard Time**, on the Letter of Intent Due Date. HECO reserves the right to cancel or postpone the Letter of Intent Due Date at any time up to, on, or after the Letter of Intent Due Date.

### 3. Proposals

- 3.1. Bidders may submit more than one proposal providing the proposals offer technology or partnerships that differ from the other proposals submitted by the single bidder. A single partnership and single technology shall submit a single Proposal only. (rev.1, 4/28/10) [Deleted 4/28/2010: "Bidders shall submit a single Proposal only."] Modification of a Proposal is addressed below. The Proposal shall be submitted electronically to meet the proposal due date with an identical hard copy proposal received by HECO no later than seven (7) days after the proposal due date.
- 3.2. The Proposal must be complete; mandatory information identified in section 3, below, must be provided in full.
- 3.3. The hard copy Proposal must be signed and dated by a corporate officer having authority to contractually obligate the Bidder by the terms of the Proposal.
- 3.4. The Proposal must be submitted electronically on or before the Proposal Due Date to the following email address:

[biofuelRFP@heco.com](mailto:biofuelRFP@heco.com)

In addition, a hard copy must be delivered to and received by HECO no later than seven days after the Proposal Due Date at the following address:

Hawaiian Electric Company, Inc.  
P.O. Box 2750  
Honolulu, Hawaii 96840-0001  
Attention: Debra Yoshimura, Mailstop WP3-IA

- 3.5. The electronically submitted Proposal is due on or before **11:59 P.M., Hawaii Standard Time**, on the Proposal Due Date. HECO reserves the right to cancel or postpone the Proposal Due Date at any time up to, on, or after the Proposal Due



Date.



- 3.6. Date and time of receipt of Proposals will be recorded by HECO and a confirmational response to each proposer will be delivered electronically within seven days of receipt. HECO's record of receipt will be deemed controlling in the event of any dispute whatsoever relating to the delivery of a Proposal.
- 3.7. Proposals that are delivered after the Proposal Due Date, or otherwise not in conformity with the requirements of this RFP, may be rejected at HECO's sole discretion and without notice.
- 3.8. Bidders have the sole responsibility for careful review of their Proposal to correct any errors prior to submission. HECO shall be entitled to rely on the correctness and accuracy of the Proposal contents.
- 3.9. Each Bidder is responsible for proposing all terms, conditions, agreements, services and everything else that will be required for its successful performance and delivery of the biofuel supply requested herein, including products, terms and services that may not have been specifically identified or requested herein. If a Bidder's Proposal is accepted and that Bidder failed to propose any such product, term or service, that Bidder will be responsible for providing such product, term or service at no cost to HECO.
- 3.10. This RFP, the Bidder's Proposal and all other material representations made by that Bidder may be written or incorporated into the Contract between that Bidder and HECO. Thus, by submitting a Proposal, Bidders understand and acknowledge that HECO will rely on the Proposal and other representations made by Bidder in HECO's selection of the Selected Supplier and in entering into the Contract, and each Bidder warrants that the statements made in its Proposal and its representations to HECO in connection with this RFP are truthful and accurate.
- 3.11. The Proposal constitutes an irrevocable offer to HECO if not properly modified or withdrawn prior to the Proposal Due Date, which shall remain open and which cannot be withdrawn by the potential supplier for a period of **one hundred and twenty (120)** days following the Proposal Due Date.
- 3.12. Based on its evaluation of the Proposals and answers to questions asked in Attachment F, HECO may require some or all Bidders to answer follow up questions and/or submit additional information. After the Proposal Due Date, HECO may ask for follow up information from and/or negotiate with one or more bidders, as HECO determines in its sole discretion.

#### **4. Required Information**

- 4.1. The Proposal shall contain a cover sheet to include:
  - a) Proposal Title, Bidder, and contact information. The Proposal must identify the legal name of the Bidder and identify the specific business entity that will perform the Contract, if other than Bidder.



- b) The HECO Company(s) (Heco, Helco, Meco) and specific sites for which the biofuel supply is proposed.
  - c) The location of the feedstock source and the biofuel processing site.
  - d) The type of biofuel proposed, i.e. biodiesel, bio-crude.
  - e) Expected annual volumes to be supplied to each location.
  - f) Expected inception date of biofuel supply for each location.
- 4.2. The Proposal shall contain narrative description of the project (with proprietary pricing information excluded) to address each of the specific specifications, requirements, terms and conditions in this RFP.
- 4.3. The Proposal shall contain a Technology Abstract (with proprietary pricing information excluded) describing the method through which the biofuel will be produced.
- 4.4. The Proposal shall contain a separate confidential pricing document detailing the proposed price of the biofuel according to the Pricing Guidance set forth in Attachment D hereto. The Proposal must include full pricing information with respect to all options.
- 4.5. The Proposal shall submit complete and accurate responses to the Contract Questionnaire set forth in Attachment F hereto.
- 4.6. The Proposal shall submit contract terms that generally following the Sample Contract format contained in Attachment E hereto that are acceptable to the Bidder.
- 4.7. If available, the Proposal shall submit the Environmental Life Cycle Analysis as requested in the Contract Questionnaire section 5w, Attachment F hereto.
- 4.8. The Proposal may submit a Business Plan if needed to adequately represent the project.
- 4.9. The Proposal may contain additional appendices if needed.

## **5. Preparation of Proposals**

- 5.1. Each Bidder shall have sole responsibility for careful review of the entire RFP and for thoroughly investigating all matters pertinent to this RFP, its Proposal and its anticipated performance under the Contract. Any failure by a Bidder to do so shall be at its sole risk.
- 5.2. The Bidder shall not rely upon any oral statements made or any written information from HECO or its employees or agents, nor upon any other information provided by or originating from any of the foregoing, except as explicitly set forth in this RFP.
- 5.3. Each Bidder shall be solely responsible for and shall bear all of its costs incurred in the preparation of its Proposal and/or its participation in this RFP, including, but not limited to, all costs incurred with respect to the review of the RFP documents, site visits, third party consultant consultation, and investigation and informing itself with respect to matters pertaining to its Proposal and this RFP, and the same shall not be reimbursed by HECO to any Bidder, including the Selected Supplier.



## **6. Modification of Proposals**

- 6.1. A Proposal may be modified at any time prior to the Proposal Due Date.
- 6.2. In order to modify its Proposal, the Bidder must submit a Revised Proposal, clearly identified as such, which expressly supersedes and replaces Bidder's earlier Proposal; the Revised Proposal must identify the date of the earlier Proposal which it is superseding and replacing.
- 6.3. Revised Proposals are subject to all requirements of this RFP, shall not incorporate or rely upon the Proposal that it is superseding and replacing and must be delivered to or received by HECO on or before the Proposal Due Date.
- 6.4. A Proposal may not be modified or revised after the Proposal Due Date.
- 6.5. Proposals that have been modified by a Revised Proposal letter or have been otherwise superseded or amended will not be considered by HECO and may be discarded by HECO.

## **7. Withdrawal of Proposals**

- 7.1. A Bidder may withdraw its Proposal at any time prior to the Proposal Due Date.
- 7.2. A Proposal will be deemed withdrawn upon receipt by HECO of a Withdrawal of Proposal notice at the office identified in subsection 2.4, above, on or before the Proposal Due Date.
- 7.3. Proposals that have been withdrawn pursuant to this section will not be considered by HECO and may be discarded by HECO.
- 7.4. Proposals may not be withdrawn after the Proposal Due Date for any reason, including, but not limited to, mistake.

## **8. Correction of Errors in Proposals**

- 8.1. A Bidder may correct errors in its Proposal prior to the Proposal Due Date by modification or withdrawal of a Proposal Letter pursuant to the requirements for modifications or withdrawals stated above.
- 8.2. After the Proposal Due Date, only HECO is authorized to correct errors in the Proposals.
- 8.3. Minor errors in a Proposal detected by HECO after the Proposal Due Date may be deemed waived, or the Bidder may be allowed to correct such error if HECO determines it is in its best interest to do so.
- 8.4. Errors in Proposals detected by HECO after the Proposal Due Date, when the error is patent and the correct information is clearly evident, may be corrected by HECO. Examples of such errors may include typographical errors, errors in extending unit prices, arithmetical errors and transposition errors.



## **9. Opening of Proposals**

- 9.1. Proposals will be opened on or after the Proposal Due Date as HECO, in its sole judgment and discretion, deems appropriate.
- 9.2. Proposals will be opened by HECO personnel only, in private, and the Bidders shall not be present.

## **10. Exceptions**

- 10.1. Any and all exceptions by Bidder to the Specifications and Requirements of this RFP shall be clearly stated in Bidder's Proposal. Each exception shall be separately stated, shall identify the relevant specification or requirement, shall identify the reason(s) for taking the exception, and shall propose a clearly stated alternative. No other exceptions shall be allowed.
- 10.2. HECO shall have the right in its sole judgment and discretion to accept these exceptions or to reject any Proposal or evaluate it unfavorably based on exceptions taken.

## **11. Evaluation of Proposals**

- 11.1. HECO will evaluate each proposal based on the general criteria set forth in the Proposal Evaluation Criteria Guidance, Attachment H hereto. The evaluation criteria outlined in Attachment H establish a foundation for the method under which HECO will compare the proposals, both to each other and to the HECO goals. However, HECO also understands that there are interactions among the criteria and reasons that some proposals may involve considerations that are not well described by these criteria. Thus, HECO reserves the right to use additional criteria to supplement the evaluation process as the combined method for making contract decisions. However, HECO believes that Proposal Evaluation Criteria Guidance reflects a fair representation of the proposal evaluation criteria as defined by HECO at the time of the RFP issuance.
- 11.2. This is a competitive solicitation and HECO intends to both pursue the best contracts as well as those that best meet its basic criteria for biofuel supply. It is important that applicants provide sufficient detail to properly evaluate the proposal. Proposals should be structured to the extent possible to enable a correlation to each criterion, as appropriate. Please respond directly to each the criterion to explain how the Proposal fulfills the criterion, with the criterion title as the heading for each response. This description should be part of the Proposal narrative, but can refer to another part of the Proposal, particularly for confidential pricing information submitted as a separate document to the Proposal.
- 11.3. Proposals will be considered in conjunction with information submitted by other Bidders as well as any additional information as HECO, in its sole discretion, deems appropriate.



- 11.4. The evaluation of Proposals will be based upon criteria that HECO, in its sole judgment and discretion, believes to be in the best interest of HECO and its customers. Bidders shall not be entitled to disclosure of HECO's evaluation criteria or information pertaining to HECO's actual evaluation and analysis of Proposals.
- 11.5. HECO shall have the right to reject any Proposal, which HECO, in its sole judgment and discretion, believes to be unsatisfactory, indefinite, equivocal or unresponsive. HECO also reserves the unconditional right at any time to withdraw, modify or amend this RFP, and to elect not to award the Contract(s) at all.
- 11.6. Subsequent to the opening of Proposals, but prior to award of the Contract(s), HECO shall have the right to contact any Bidder to request additional information or to clarify a Bidder's Proposal. HECO may do so without notice or disclosure to any other Bidder of such inquiry or of the information derived from such inquiry.

## **12. Award**

- 12.1. HECO shall have the right to award the Contract(s) to the Bidder(s) that, in HECO's sole and absolute judgment and discretion, has provided a Proposal that is in the best interests and affords the greatest value to HECO and its customers ("Selected Supplier(s)").
- 12.2. HECO shall have the right to award the Contract(s) to other than the lowest bidder(s).
- 12.3. HECO shall have the right to determine not to award the Contract, or to re-bid, restate, revise or cancel this Project.
- 12.4. HECO shall not be required to identify to any Bidder the basis upon which it awarded the Contract to the Selected Supplier and/or rejected the Proposals of any other Bidder.
- 12.5. The award of the Contract is anticipated to be made within 30-90 days following the Proposal Due Date. This is the estimation and expectation, but not a commitment by HECO.

## **13. Notification of Award**

- 13.1. The Selected Supplier(s) will be notified of its selection by HECO by phone, electronic mail or other means.
- 13.2. The selection is provisional until execution of a Contract by HECO and the Selected Supplier. Until such time, HECO may revoke or change its selection for any reason, including but not limited to failure of HECO and the Selected Supplier to agree on final terms for the Contract.



#### **14. Release of Internal Reviews**

14.1. HECO intends to provide summaries of its technical and business evaluations of each proposal to the Bidders to encourage improvements in case of future RFPs in this area. However, HECO reserves the right to not provide these evaluation reports at its own discretion.

#### **15. Protest or Appeal of Award**

No bidder shall have the right to protest or appeal the award of the Contract(s) made by HECO.

#### **16. Final Approval**

16.1. The award and the executed Contract(s) shall be subject to the final approval of the Commission.

16.2. Costs incurred by the Selected Supplier following the award and execution of the Contract up to the date performance under the Contract commences shall be the sole responsibility of the Selected Supplier in all instances, regardless of whether the award and/or Contract has been approved or disapproved by the PUC. Costs incurred following commencement of performance under the Contract shall be governed by the terms and conditions of the Contract.

#### **17. Questions Regarding the RFP**

17.1. Any questions regarding the RFP **must** be made in a written format and submitted via email to:

[RFPquestion@heco.com](mailto:RFPquestion@heco.com)

HECO shall have the sole option of determining whether a response to a question is necessary or appropriate under the circumstances.

17.2. If HECO elects to respond to a question, it shall have the further option of determining whether it shall respond solely to the Bidder raising the question or to all Bidders, based upon its assessment of the materiality of the question. Questions and answers responded to all Bidders will be periodically posted for viewing at <http://biodieselsupply.heco.com> until which time the RFP response deadline has passed.

#### **18. Confidentiality of Proposals**

Confidentiality of Proposal information is discussed in part in the Specifications and Requirements section above.



**19. Rights Reserved**

HECO may, at any time up to final award, at its sole discretion: postpone, withdraw and/or cancel this RFP; alter, extend or cancel any due date; and/or, alter, amend, withdraw and/or cancel any requirement, term or condition of this RFP, any and all of which shall be without any liability to HECO.

**20. Integration**

This RFP, including all documents attached hereto or referenced herein, constitutes the final agreement between HECO and Bidders with respect to the terms and conditions of this RFP, expressly superseding and replacing all prior and contemporaneous communications, understandings and agreements whatsoever; there are no terms, conditions or agreements relating hereto that are not found herein.

**21. Acceptance of RFP Terms and Conditions by Bidder**

All Bidders, by retaining this RFP, copies of it, and/or submitting a Proposal or other questions in response to this RFP, shall be deemed to accept all terms and conditions in the RFP, except for exceptions to any Specifications and Requirements stated in the Proposal.