

HAWAIIAN ELECTRIC COMPANY, INC.



**REQUEST
FOR
PROPOSALS**

KAHE BIOFUEL SUPPLY CONTRACT

APRIL 29, 2011



REQUEST FOR PROPOSALS

Hawaiian Electric Company, Inc. (“HECO”) hereby requests proposals for the supply and delivery of up to forty-two (42) million gallons of biofuel per year for a term of two (2) years to commence as early as July 2014 to be used as fuel for power generation at HECO’s Kahe Power Plant, Kapolei, Hawaii (“KPP”). There is no restriction on the minimum bid quantity and multiple awards are possible. HECO requests that responsive proposals be submitted to HECO by July 29, 2011 consistent with the requirements set forth herein.

HECO intends to award a contract for the desired biofuel and submit the contract for approval to the Hawaii State Public Utilities Commission (“Commission”). Specifically, HECO expects to submit a proposed contract to the Commission in 2012. A contract awarded and submitted to the Commission is to become effective upon issuance of an Approval Order by the Commission (“Contract Effective Date”).

HECO at its discretion may choose to award a contract to more than one supplier resulting in multiple contract awards to meet the biofuel supply requirements for KPP. Potential suppliers who may not be able to supply 42 million gallons per year are encouraged to propose lesser volumes within their range of capacity. Hawaiian Electric will consider biofuels made from varieties of feedstock if the proposed biofuel meets the requested Biofuel Specification.

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:	Delivery Location
Attachment B:	Biofuel Specification
Attachment C:	Pricing Formula
Attachment D:	Sample Contract
Attachment E:	Financial Compliance
Attachment F:	Questionnaire
Attachment G:	Developer’s Questionnaire
Attachment H:	HECO/NRDC Environmental Policy
Attachment I:	Roundtable on Sustainable Biofuels (RSB) Principles and Criteria

BIOFUEL SUPPLY SUMMARY

HECO is a regulated public utility engaged in the production, transmission, distribution and sale of electricity on the island of Oahu, State of Hawaii. HECO seeks sustainable supplies of biofuel to use as fuel to generate electricity at KPP.



RFP OBJECTIVE

The purpose of this RFP is to enable HECO to evaluate potential biofuel suppliers and ultimately select and contract with one or more suppliers (“Selected Supplier”) to provide biofuel for power generation at KPP. HECO expects to generate electricity with a blend of biofuel and low sulfur fuel oil (“LSFO”) at one or more generating units at KPP through co-firing biofuel and LSFO. The biofuel and LSFO will be blended in the generating unit’s fuel delivery system at the time of consumption. HECO does not expect to co-store biofuel with LSFO in its fuel storage tanks. HECO’s selection of the Selected Supplier will be based on a number of factors, including, without limitation, price, value, timeliness of supply, technical considerations, terms and conditions of supply, source and type of biofuel feedstock, feedstock sustainability, supplier experience and demonstrated ability to perform, delivery means and methods, and product quality.

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 to increase energy security through both the addition of a diversified portfolio of local, renewable energy sources and through increased conservation state-wide. To meet these goals, HECO encourages 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”). Bidders may propose a Local Biofuel supply with volume and/or timing of such local supply to be supplemented with feedstock and/or biofuel originating from outside the State of Hawaii.

HECO understands that Local Biofuel feedstocks are not yet produced at scale, and that the conversion technologies are in various states of commercial readiness. While HECO’s preference is to procure Local Biofuel, this RFP seeks to procure supplies of biofuel commercially ready to meet the timing and volume required as specified in this RFP.

When evaluating proposals received in response to this RFP, HECO will extend a qualitative value to proposals for domestic biofuel made in the United States from feedstock originating within the United States.



SPECIFICATIONS AND REQUIREMENTS

Timing: HECO desires the biofuel to be available for delivery as early as July 2014 contingent upon Commission approval and upon HECO's sole and absolute discretion. Supplier shall specify the maximum time needed to provide the biofuel once given the order to proceed.

Biofuel Specifications: The specifications for the biofuel being solicited are set forth in Attachment B. HECO will extend preference to proposals that meet the preferred specifications in addition to the required specifications.

Biofuel Volume: Up to forty-two (42) million gallons annually. There is no minimum volume bid requirement and multiple awards are possible.

Contract Term: Two (2) years, to begin upon Contract Effective Date, with a 2-year renewal option.

Point of Delivery: The fuel shall be delivered in bulk ex-ship inside customs passing the outboard flange of the delivering vessel's cargo discharge hose connected to a nominated petroleum receiving facility at Pier 5 or Pier 6, Kalaeloa Barbers Point Harbor, Oahu, Hawaii, USA. Kalaeloa Barbers Point Harbor is located 19 nautical miles West of Honolulu Harbor near the Southwestern tip of the island.

Commercial Terms and Conditions:

Pricing: Bidders must propose a price per gallon in U.S. dollars with relevant components of any variable total price clearly delineated using the pricing formula set forth in Attachment C as an example. Failure to clearly explain the proposed pricing methodology may prevent HECO from quickly comparing price among bids and therefore may result in rejection of the proposal. Bidders may also propose one or more additional pricing methods provided that any pricing method shall produce a price per gallon delivered, shall be explained in detail, and shall identify and define each and every pricing component. HECO will extend preference to fixed pricing and pricing methods that are not directly tied to a petroleum fuel index.

Feedstock/Environmental Sustainability: Bids should propose to supply biofuel that complies with the *Environmental Policy For The Hawaiian Electric Company's Procurement Of Biofuel From Palm Oil And Locally Grown Feedstocks* (prepared by HECO and NRDC, dated August 2007) and the Roundtable on Sustainable Biofuels (RSB) Principles and Criteria, copies of which are attached hereto as Attachment H and I. Bidders' proposals should explain specifically how the Bidder will comply with these policies. Bidders may propose any sustainable source of feedstock (such as soy, camelina, etc.), provided that the Bidder shall demonstrate feedstock cultivation practices that meet sustainable environmental standards endorsed by an independent governing body and provided that the potential supplier shall maintain a clear, documented and verifiable chain of custody for all feedstocks. Waste feedstock such as animal fat and cooking grease are acceptable.

Contract: HECO and the Selected Supplier will negotiate to execute a biofuel supply contract ("the Contract"). The Selected Supplier's pricing will be



incorporated into the appropriate Contract. Bidders may propose specific revisions to the terms of the Proposed Contract. However, the type, nature and extensiveness of exceptions taken to the terms of the Proposed Contract will be weighed in the selection process.

Commission Approval: The Contract will be submitted to the Commission for approval. Commission approval 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 deemed by HECO to be unacceptable as determined in HECO's sole and absolute discretion, HECO will have the option to immediately 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: Until such time that a Contract is finalized, HECO will consider pricing information in Proposals to be confidential. HECO shall not be required to treat any other information as confidential. Accordingly, if Bidder deems pricing information to be confidential, then Bidder should submit such information on separate pages in the Proposal marked confidential (if Bidder deems the pricing information confidential). Any other confidentiality designation by Bidder in its Proposal shall be void. HECO may file Proposals with the Commission and may request to protect the quantity and pricing information from public disclosure. The Commission, however, may not consider such information to be subject to protection.



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 Date: **July 29, 2011.**

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

2. Proposals

- 2.1. Bidders shall submit a single Proposal only. Modification of a Proposal is addressed below.
- 2.2. The Proposal must be complete; mandatory information identified in section 3, below, must be provided in full.
- 2.3. The Proposal must be signed and dated by a corporate officer having authority to contractually obligate the Bidder by the terms of the Proposal.
- 2.4. The Proposal must be submitted electronically on or before the Proposal Due Date to the following email address.

biofuelRFP@heco.com

In addition, a hard copy must be delivered to and received by HECO no later than seven (7) days after the Proposal Due Date at the following address:

Hawaiian Electric Company, Inc.
Attention: Nick Paslay
220 South King Street, Suite 1270
Honolulu, Hawaii 96813



The Proposal is due on or before **3:30 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 before, on or after the Proposal Due Date.

- 2.5. Date and time of receipt of Proposals will be recorded by HECO. HECO's record of receipt will be deemed controlling in the event of any dispute whatsoever relating to the delivery of a Proposal.
- 2.6. 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.
- 2.7. 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.
- 2.8. 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.
- 2.9. 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.
- 2.10. 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 **ninety (90)** days following the Proposal Due Date.
- 2.11. Based on its evaluation of the Proposals and answers to questions asked in Attachment F (Questionnaire) and Attachment G (Developer's Questionnaire) if applicable, 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.



3. Required Information

- 3.1. The Proposal shall contain an attachment with complete and accurate responses to the questions set forth in Attachment F (Questionnaire). If the Proposal offers all or a portion of the proposed supply from biofuel produced in the State of Hawaii from a project under development that is not currently producing commercial volumes¹ of biofuel, please complete and submit Attachment G (Developer's Questionnaire) in addition to Attachment F hereto.
- 3.2. The Proposal shall affirmatively state that the contract terms contained in Attachment D and the financial compliance contained in Attachment E are acceptable to the Bidder, or, the Bidder shall identify specifically in its Proposal which such terms and conditions are unacceptable and shall propose substitute language that is acceptable to the Bidder. Terms and conditions with respect to which a Bidder does not identify exceptions shall be deemed acceptable to the Bidder.
- 3.3. 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.
- 3.4. The Proposal must include full pricing information with respect to all options.
- 3.5. HECO may later require a Bidder to submit biofuel samples to labs specified by HECO for testing at the Bidder's expense.

4. Preparation of Proposals

- 4.1. 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.
- 4.2. 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.
- 4.3. 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.

¹ "Commercial volume" is defined for purposes of this Questionnaire as recorded annual sales of biofuel greater than three (3) million gallons.



5. Modification of Proposals

- 5.1. A Proposal may be modified at any time prior to the Proposal Due Date.
- 5.2. 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.
- 5.3. 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.
- 5.4. A Proposal may not be modified or revised after the Proposal Due Date.
- 5.5. 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.

6. Withdrawal of Proposals

- 6.1. A Bidder may withdraw its Proposal at any time prior to the Proposal Due Date.
- 6.2. 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.
- 6.3. Proposals that have been withdrawn pursuant to this section will not be considered by HECO and may be discarded by HECO.
- 6.4. Proposals may not be withdrawn after the Proposal Due Date for any reason, including, but not limited to, mistake.

7. Correction of Errors in Proposals

- 7.1. 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.
- 7.2. After the Proposal Due Date, only HECO is authorized to correct errors in the Proposals.
- 7.3. 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.
- 7.4. 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.



8. Opening of Proposals

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

9. Exceptions

- 9.1. 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.
- 9.2. HECO shall have the right in its sole judgment and discretion to reject any Proposal or evaluate it unfavorably based on exceptions taken.

10. Evaluation of Proposals

- 10.1. 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.
- 10.2. 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.
- 10.3. 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 at all.
- 10.4. Subsequent to the opening of Proposals, but prior to award of the Contract, 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.



11. Award

- 11.1. HECO shall have the right to award the Contract to the Bidder 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.
- 11.2. HECO shall have the right to award more than one Contract to meet the RFP requirements.
- 11.3. HECO shall have the right to award the Contract to other than the lowest bidder.
- 11.4. HECO shall have the right to determine not to award the Contract, or to re-bid, restate, revise or cancel this Project.
- 11.5. 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 Proposal of any Bidder.
- 11.6. The award of the Contract is anticipated to be made within sixty (60) to ninety (90) days following the Proposal Due Date. This is estimation and expectation, but not a commitment by HECO.

12. Notification of Award

- 12.1. The award, if any, will be announced in writing to the Selected Supplier. HECO will not provide notice to all other potential suppliers that their Proposals have not been accepted.
- 12.2. The award is conditioned upon the parties executing the Contract.

13. Protest or Appeal of Award

No Bidder shall have the right to protest or appeal the award of the Contract made by HECO.

14. Final Approval

- 14.1. The award and the executed Contract shall be subject to the final approval of the Commission.
- 14.2. 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.



15. Questions Regarding the RFP

15.1. Any questions or communication regarding the RFP **must** be made in a written format via e-mail and submitted by Friday, July 29, 2011 to the following:

biofuelRFP@heco.com

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

15.3. 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. Responses to questions shared with all bidders will be posted periodically at: <http://biofuelsupply.heco.com>. When question and answer postings and subsequent updates are made available on the website, HECO will notify bidders via email.

16. Confidentiality of Proposals

16.1. Confidentiality of Proposal information is discussed in part in the Specifications and Requirements section above. Until a final contract is entered, HECO will treat pricing information marked confidential as confidential and will not disclose such information to any person or entity other than HECO and its employees, agents, professional consultants and representatives as may be necessary for purposes of this RFP, or as required by law. However, HECO intends to directly or indirectly disclose Proposal pricing information and other material terms to the Commission, Hawaii Consumer Advocate, and/or any other governmental regulatory agency, provided that HECO shall take reasonable steps to obtain approval to submit the same under seal or under other procedures designed to preserve the confidentiality of the pricing information.

16.2. No Bidder shall be entitled to Proposals from any other Bidder or any other information contained therein or provided by or with respect to any other Bidder, nor shall any Bidder or other person or entity be entitled to any information from HECO pertaining to this Project, the Contract, this RFP or the evaluation of Proposals.

17. 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.



18. 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.

19. 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. If a Bidder does not accept these terms and conditions, all originals and copies of the RFP and any portion thereof should be returned to HECO immediately (address provided in Section 2.4) accompanied by a statement that the Bidder has chosen not to respond to the RFP.