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Vice President
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April 4, 2005

PUBLIC UTILITIES
COMMISSION

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

Dear Commissioners:

Subject: Docket No. 03-0372
Competitive Bidding for New Generation

Pursuant to Order No. 21037, filed June 9, 2004, as modified by Order No. 21575, filed January 28, 2005, in the subject proceeding, attached are HECO/HELCO/MECO's (collectively referred to as the Companies) information requests (IRs) regarding the Statements of Position filed by: (1) Division of Consumer Advocacy, and (2) Hawaii Renewable Energy Alliance. HECO does not have IRs for Kauai Island Utility Cooperative, County of Maui, County of Kauai, Hess Microgen, LLC, The Gas Company, or Johnson Controls, Inc.

Also enclosed is a diskette with an electronic copy (in Word 2003 and PDF formats) of the Companies' IRs. (A copy of the Word and PDF files was emailed to the parties and participants on April 4, 2005.)

Sincerely,

Attachments

cc: Division of Consumer Advocacy
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C. Young, Esq.
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HECO/HELCO/MECO
Information Requests ("IRs") to the Division of Consumer Advocacy ("CA")

HECO/CA-IR-1 Ref: CA SOP, page 3, fourth bullet from the top of page 3.
Please specifically identify what additional "innovative resource proposals" the CA anticipates will be forthcoming with the implementation of competitive bidding in Hawaii that have not in the past or are not at present being proposed by developers in Hawaii.

HECO/CA-IR-2 Ref: CA SOP, page 3, fifth bullet from the top of page 3.

- a. Please specifically identify all "barriers to developers with innovative resource proposals" that the CA claims to presently exist in Hawaii.
- b. For each of the specific barriers identified, please explain in detail how competitive bidding in Hawaii will remove each barrier.

HECO/CA-IR-3 Ref: CA SOP, page 3, third bullet at the bottom of page 3.

- a. Please define "all-source bidding".
- b. FERC's use of "all source bidding" on page 13 of the CA's SOP, 3rd paragraph, appears to mean both QF and non-QF generators, rather than QFs alone. Does the CA agree? If not, why not?
- c. Does the CA favor "all-source" bidding?
- d. If so, please specifically identify each of those resource options that would be eligible to bid.
- e. Should all resource options be solicited using the same RFP and evaluated based on the same criteria? Please explain your response.

HECO/CA-IR-4 Ref: CA SOP, page 4, third bullet at the top of the page.
The CA states that utilities must adhere to "best practices".

- a. What specifically does the CA mean by "best practices" in regard to how competitive bidding processes are to be conducted?
- b. Please provide a full list with supporting references of what the CA considers to be "best practices" for competitive bidding.
- c. How would the "best practices" for competitive bidding in Hawaii be established and implemented? Please describe the mechanism for determining "best practices" and the parties that would have input in developing "best practices".
- d. Does the CA consider the RFP process undertaken by Portland General Electric as referenced in Appendix 2 and Appendix 3 of its SOP to reflect "best practices"?
- e. If the response to part d is "no", please identify RFP processes that reflect "best practices."

HECO/CA-IR-5 Ref: CA SOP, page 8.
The CA's SOP presents three reasons why competitive bidding was not contemplated in the early implementation of PURPA. Please provide specific support and underlying foundation for these conclusions.

HECO/CA-IR-6 Ref: CA SOP, page 10.
Please provide a copy of the four reports listed in Footnotes 7 and 8 on page 10 of the CA's SOP.

HECO/CA-IR-7 Ref: CA SOP, page 12.

The CA discusses the inclusion of option concepts in competitive bidding (first full paragraph on page 12).

- a. Please describe in detail the types of applications for which option concepts could be applied in competitive bidding.
- b. Are option concepts still used in competitive bidding processes today? If so, in which jurisdictions are they still used and describe in detail their level of success in each such jurisdiction?
- c. Would such concepts be applicable for competitive bidding in Hawaii? If so, please explain how and why such concepts would be applicable in Hawaii and their projected level of success.
- d. What concerns, if any, are there with applying option concepts in competitive bidding in Hawaii?
- e. For each concern identified in response to d. above, how does the CA propose such concerns be addressed?

HECO/CA-IR-8 Ref: CA SOP, page 14.

Please provide a copy of the report listed in footnote 14: A Joint Proposal to State Utility Regulators: Defining Electricity-Resource Portfolio Management Responsibilities (July 2003).

HECO/CA-IR-9 Ref: CA SOP, page 15.

Please explain how, if at all, the ISO New England GAP RFP is applicable to or illustrative as a model for competitive bidding in Hawaii.

HECO/CA-IR-10 Ref: CA SOP, page 18.

On page 18, second full paragraph, the CA concludes that the independent power market was mature and developed by 1995. Please explain in detail how a developed and mature independent power market influences or supports the CA's position regarding the eligibility of developers and utilities to competitively bid in Hawaii, the type of bid evaluation and selection criteria, the bid evaluation and selection process, and the contract provisions to be included in a competitive bidding framework in Hawaii?

HECO/CA-IR-11 Ref: CA SOP, page 19, second full paragraph.

What are the specific reasons underlying the CA's conclusion that resource plans that employ a larger number of smaller (relative to the size of larger, central-station generating plants), sometimes localized, supply- and demand-side resources are "particularly attractive" in Hawaii? Please explain in detail.

HECO/CA-IR-12 Ref: CA SOP, page 20, the paragraph on Competitive Bidding.

- a. Is the CA of the view that “multiple objectives” should be considered and weighed in selecting resources through a competitive bidding process in Hawaii?
- b. If so, please specifically and fully describe the factors other than price that are important?
- c. How should contract negotiations be addressed in the competitive bidding process?
- d. Of the various factors deemed important in a competitive bidding process, which specific factors are appropriate for negotiation following bid submittal and why?
- e. Should there be a limit on the time allotted for negotiating with each bidder? If so, please explain in detail how long the time limit should be and the reasons why. If not, please fully explain why a time limit is not needed.
- f. Should price be subject to negotiations or fixed once the bid is submitted? Please explain your response fully.

HECO/CA-IR-13 Ref: CA SOP, pages 20-21, the paragraph on Standard Offers.

- a. Is the CA of the opinion that standard offers are an acceptable approach for the procurement of long-term capacity and energy products in Hawaii? If so, please fully describe the circumstances in which it may or may not be applicable in Hawaii and the underlying basis for your conclusions.
- b. Please identify the jurisdictions where standard offers have been utilized, the specific types of resources to which they have been applied, the level of success achieved in their use, and in which jurisdictions they are presently in use.

HECO/CA-IR-14 Ref: CA SOP, page 21, Footnote 18.

Please explain in detail the underlying basis for the statement that “standard contracts” have been developed that seek to specify some contract terms and/or establish a starting point for subsequent contract negotiations. In your response, please provide examples where such contracts have been developed.

HECO/CA-IR-15 Ref: CA SOP, the first paragraph on page 22 and the associated Footnote 19.

- a. Please specifically describe all “situations in Hawaii where other methods, particularly standard offers or direct negotiations may be useful alternatives” to competitive bidding.
- b. Please describe in detail the possible circumstances and specific conditions “under which an electric utility may wish to establish a standard offer for very small quantities of supply from CHP facilities”.
- c. What specific provisions would such a standard offer contain?
- d. Please provide applicable examples from other jurisdictions.

HECO/CA-IR-16 Ref: CA SOP, page 22, Footnote 20.

- a. Is it the CA's position that competitive bidding is only applicable to third party facilities and DSM options or that all options are allowed to compete in aggregate including utility options and third-party proposed turnkey proposals (i.e., a proposal by a third-party developer which is based on a turnkey contractual option)?
- b. Why would competitive bidding in the CA's view not include a bid for a project developed by third-parties but turned over to the utility on a "turnkey" basis?
- c. Please describe in detail how the CA proposes DSM resources be evaluated relative to supply-side resources in a competitive bid.
- d. Please provide examples of DSM bidding programs in other states that can serve as models for Hawaii and provide the reasons such programs may be applicable for Hawaii.
- e. Please identify the DSM contract provisions and measurements and verification methods that can be applied to ensure that the DSM measures are reliable and produce the savings proposed.

HECO/CA-IR-17 Ref: CA SOP, page 23, the second bullet.

- a. Under what circumstances are the price and non-price terms of any contract (presumably based on the bid proposal) not subject to negotiations?
- b. Would financial terms of a contract, such as security requirements, liquidated damages, and similar terms and conditions be subject to negotiations?

HECO/CA-IR-18 Ref: CA SOP, page 23, first paragraph after the three bullets.

- a. Please explain in specific detail what is meant by the statement "it is conducive to the evaluation of different sets of resource options in a way that the other procurement methods are not"?
- b. Is it the CA's position that price and non-price criteria can be compared to each other?
 - i. If so, please identify the non-price criteria that would be compared to price criteria and the factors that would be evaluated in the comparison.
 - ii. How does the CA propose that price and non-price factors be integrated to evaluate and select the preferred bids?

HECO/CA-IR-19 Ref: CA SOP, bottom of page 23 and the top of page 24.

- a. Please provide specific examples of recent competitive procurements undertaken by small utilities in the states identified along with copies of such solicitations and the dates issued.
- b. What is the basis for the statement that these utilities have been "successful" with all-source solicitations that were open to proposals from both supply and demand-side bidders? Please describe what the CA means by the term "successful" in this context.
- c. Please fully explain how these solicitations are relevant for Hawaii? What specific features of these solicitations by small utilities should be adopted in Hawaii, what features should be rejected, and why?
- d. Is the CA aware of any small isolated utilities (i.e., systems without interconnections to other utilities or merchants) that recently completed competitive procurements?
- e. If the response to part d is "yes", please identify the utilities, provide a copy of the solicitations, and the dates such solicitations were issued.

HECO/CA-IR-20 Ref: CA SOP, page 24, first full paragraph.

- a. Please specifically explain the basis for the conclusion that “competitive bidding does not require substantial incremental cost relative to the planning and resource development activities that utilities must perform”.
- b. Please provide an estimate of the costs incurred by each of these small utilities in undertaking a competitive bidding process.
- c. Do these estimates include the cost of an Independent Observer? If so, what was the cost of the Independent Observer?
- d. How did the costs incurred by each of these small utilities in undertaking a competitive bidding process compare to the measurable cost savings if any realized by securing resources through a competitive bidding process?

HECO/CA-IR-21 Ref: CA SOP, page 29, first paragraph at the top of the page.

- a. Is it the CA’s position that DSM resources will be procured separately as is currently the case or should DSM be part of an all-source competitive bidding process? Please fully explain and provide the basis for the CA’s position, including specific references to other utility’s competitive bidding processes (if applicable).
- b. If DSM should be part of an all-source process, please describe in detail how the competitive bidding process should be structured to accommodate DSM options. Please provide the basis for the CA’s position, including specific references to other utility’s competitive bidding processes (if applicable).
- c. Please identify the names of all utilities that are currently including DSM programs as part of an all source competitive bidding process.
- d. Please identify the names of all utilities that are currently including DSM programs as part of a competitive bidding process that is not an all source competitive bidding process.

HECO/CA-IR-22 Ref: CA SOP, page 29, second paragraph.

- a. Please fully explain what the CA means by the term “successfully implemented” in this context.
- b. Please provide the basis for the statement that “competitive bidding processes open to bids from demand-side providers have been successfully implemented”. As part of this response please identify the names of the utilities, the date of such “competitive bidding processes open to bids from demand-side providers” that have been “successfully implemented”, and the size and type of demand-side management resources that were acquired.
- c. For each “successfully implemented” “competitive bidding process” that was open to bids from demand-size providers, please provide the names of the utilities that implemented such “successfully implemented” competitive bidding process, when such process was implemented, describe how they were implemented, and provide a copy of the solicitations.
- d. Should DSM resources be solicited as a component of an all-source bidding process or as a separate process?
- e. Please provide supporting documentation for the basis to the response to part d above.

HECO/CA-IR-23 Ref: CA SOP, page 29, second paragraph.

- a. Please explain the relevance of the ISO New England December 2003 RFP for Southwest Connecticut for competitive bidding in Hawaii.
- b. Is the process undertaken by ISO New England similar to the competitive bidding program the CA envisions for Hawaii? Please identify the features of the program that the CA believes should be included and the features of the program that the CA believes should not be included in a Hawaii competitive bidding program, and fully explain the basis for the CA's position.
- c. Is it the position of the CA that emergency generation be classified as DSM? (e.g., "The capacity is from demand reduction, which in this instance includes both emergency generation and reductions in electricity use, and from more traditional conservation resources"). Please fully explain the basis for the CA's response.

HECO/CA-IR-24 Ref: CA SOP, page 31.

Please provide a copy of the ISO New England GAP RFP and the Long Island Power Authority RFP issued in February 2005.

HECO/CA-IR-25 Ref: CA SOP, page 31, last line on the page.

- a. Please provide the basis for the CA's statement that "competitive bidding processes such as these are replicable in Hawaii". As part of the response, identify the factors that are in existence in Hawaii that makes the CA believe that such competitive bidding processes are "replicable in Hawaii".
- b. Have these RFPs been issued as part of an all-source RFP or are they targeted to specific applications?

HECO/CA-IR-26 Ref: CA SOP, page 32.

The CA indicated that competitive bidding might be an appropriate procurement mechanism for customer-based DG applications.

- a. Please describe in detail (1) each step in such a process, and (2) how such a process would be designed and implemented in situations where multiple parties (i.e., the non-utility host site, the utility, and the third-party provider) would be involved in the process.
- b. Would host customers likely solicit and select the preferred supplier for the DG application through some form of competitive procurement process? Please fully explain and provide the basis for the CA's response.
- c. Please list all utilities that have involved customer-based DG applications as part of a competitive bidding process, and provide the date of such competitive bidding process.

HECO/CA-IR-27 Ref: CA SOP, page 32, second paragraph.

Please identify and fully explain all circumstances when it would be "sensible" for the utility to provide "incentives for cost-effective installations".

HECO/CA-IR-28 Ref: CA SOP, page 32, next to last sentence.

In discussing the utility's role in DG, the sentence states one of the roles is to "provide incentives for cost-effective installations". Please fully identify and explain what "incentives" are being referenced. Please fully explain whether the utility will be able to receive cost recovery from its ratepayers for paying such "incentives", and provide the basis for the CA's response. If the utility is not able to obtain cost recovery from its ratepayers for paying such incentives, who will be responsible for the cost of such incentives? Please identify all utilities that currently offer such "incentives".

HECO/CA-IR-29 Ref: CA SOP, page 34.

- a. Please provide a copy of the NYSERDA RFP and Massachusetts Technology Collaborative RFP referenced.
- b. What products are these RFPs soliciting and would such an approach be applicable for Hawaii? Please fully explain your response. As part of the response, please identify the factors in Hawaii that make the CA believe that such an approach would be applicable to Hawaii.

HECO/CA-IR-30 Ref: CA SOP, page 35 and 36 (beginning with last paragraph on page 35). The CA indicates that contractual terms will be important regarding the reliability and operational performance impacts of non-utility facilities on Hawaii's utilities. Please list and describe each of the contractual terms and conditions that the CA believes are required to address these issues, and discuss which issue each term and condition is intended to address and how such term and condition addresses such issue.

HECO/CA-IR-31 Ref: CA SOP, page 35 and 36 (beginning with the last paragraph on page 35)

- a. Does the CA share the same concern for system reliability as HECO as articulated in HECO's Statement of Position assuming competitive bidding is adopted in Hawaii?
- b. If the CA does not share the same concerns for reliability as HECO, what is the basis for the CA's viewpoint?
- c. Does the CA believe the unique characteristics of the electrical system in Hawaii should be considered/included in the development of the competitive bidding process in Hawaii?

HECO/CA-IR-32 Ref: CA SOP, page 37, middle paragraph.

The CA indicates that "power purchase agreements have evolved over time to better allocate risks". Please provide samples of such contracts that the CA believes meet the requirements it has outlined, and identify all the provisions of such contracts that the CA believes has resulted in the better allocation of risks.

HECO/CA-IR-33 Ref: CA SOP, last paragraph on page 37.

- a. Please list all the factual circumstances (and provide examples of actual instances) in which competitive bidding should not be undertaken.
- b. Are there other factors than size of incremental capacity requirements and availability of sites and critical infrastructure that rebut the presumption of competitive bidding as proposed by the CA?
- c. If the response to part b is “yes”, please identify and describe all such factors.

HECO/CA-IR-34 Ref: CA SOP, page 39.

- a. Please identify all utilities that have made their sites available for other than turnkey proposals. For each utility identified, please provide a copy of the RFP where the utilities made their sites available for other than turnkey proposals.
- b. Would the CA agree that offering utility sites for third-parties could have negative implications on the potential benefits of competitive bidding such as not encouraging creative options, and biasing the process against some types of resources (i.e., wind, geothermal, etc.)?

HECO/CA-IR-35 Ref: CA SOP, page 40.

- a. Please explain in detail the meaning of the first full sentence at the top of the page, “In the absence of real competition, the utility itself should not be able to put in a power plant bid that deviates from its expected cost”. Please fully explain the basis for the CA’s statement.
- b. What does the CA mean by “real competition”. As part of the CA’s response, please provide an example of a situation where there is “real competition” and where there is not “real competition”.
- c. What does the CA mean by “its expected cost”.
- d. Please identify all jurisdictions that have this same condition concerning not being able to put in a power plant bid that deviates from its expected cost. As part of this response, please provide a copy of the pertinent law, rule, regulation or other authority that implemented such a condition.

HECO/CA-IR-36 Ref: CA SOP, page 41.

- a. Please list and explain all the costs that the CA means by “direct cost impacts associated with competitive bidding”.
- b. What is the CA’s estimate of the direct cost impacts associated with competitive bidding in Hawaii? Please provide the basis for the CA’s estimate.
- c. If the expected costs of implementing such a process exceed the expected benefits (i.e., savings to customers), would the CA recommend that a competitive bidding process be implemented? Please fully explain the CA’s response.

HECO/CA-IR-37 Ref: CA SOP, page 41, last paragraph on the page.

- a. Please clarify, is it the CA’s position that all source bidding should be required?
- b. Please identify all the reasons that the CA believes would be included in the phrase “clear reasons to do otherwise”.

HECO/CA-IR-38 Ref: CA SOP, page 42.

- a. Does the CA believe that the risk of litigation is minimized or increased if rules are not established?
 - i. Please fully explain the CA's response and provide the basis for such response.
- b. What is the CA's definition of a "solid foundation for competitive bidding in Hawaii"?
- c. Please identify and fully explain the parameters of this "solid foundation".
- d. Please fully identify and explain the "enhanced" benefits that will result if the Commission "sets a solid foundation for competitive bidding in Hawaii".

HECO/CA-IR-39 Ref: CA SOP, page 43, second paragraph.

- a. Please provide a list of all public utility commissions that have implemented competitive bidding but have no rules specific to competitive bidding.
- b. Please provide a list of all public utility commissions that established rules specific to competitive bidding before implementing a competitive bidding process.

HECO/CA-IR-40 Ref: CA SOP, the end of page 43 and beginning of page 44.

- a. Is it the CA's position that the referenced "best practices" be submitted to the PUC for approval prior to a solicitation? If the answer is anything other than an unqualified "yes", please fully explain the CA's response.
- b. If the answer to part a is "yes", please fully explain how the process would be streamlined to provide flexibility in developing and implementing solicitations?
- c. If the answer to part a is "no", how will the utility be assured that the "best practices" it has identified will be acceptable to the PUC in the demonstration the CA proposes at the top of page 44.
- d. Will a determination that the utility has met proposed "best practices" requirement also be considered an authorization to include in the appropriate rate base all costs associated with the competitive bidding process, including but not limited to, developing and implementing "best practices," developing the solicitation(s), costs of accepted bids, and utility oversight of the accepted bidder during contract implementation? Please fully explain the CA's response.
- e. Please list all utilities that have a competitive bidding process that is the same as the CA's recommended "best practices" proposal. For each utility identified, please provide a copy of the most recent utility submission to the public utility commission that was the utility's effort to demonstrate that the utility satisfied the "best practices" requirement.

HECO/CA-IR-41 Ref: CA SOP, page 44, 8 bullet points listed.

For each bullet point listed, provide the CA's estimate of the time required to complete each step. As part of the response, provide (1) the basis for the CA's time estimate for each step, and (2) all the intermediate steps necessary to complete each bullet point.

HECO/CA-IR-42 Ref: CA SOP, page 45, second paragraph.

- a. Please identify and fully explain all circumstances in which competitive bidding may not be practical.
- b. Please identify and fully explain all the circumstances in which competitive bidding would be contrary to the public interest.

HECO/CA-IR-43 Ref: CA SOP, pages 47-49.

On pages 47-49 of its SOP, the CA recommends a sequence of activities that would lead to implementation of a competitive bidding process.

- a. Please provide a timeline for the process suggested beginning with the initiation of the IRP as described in the first bullet on page 47 to the last bullet on page 49.
- b. Please provide the timeline, by task, as identified in the bullets on pages 47-49.

HECO/CA-IR-44 Ref: CA SOP, page 48, first paragraph at the top of the page.

- a. Under the CA's proposal, would bidders be required to submit bids based on the specific unit included in this phase of the IRP?
- b. Could the host utility select a unit different than the type included in this phase of the IRP?

HECO/CA-IR-45 Ref: CA SOP, pages 47-48, bullet at the bottom of page 47 to the top of page 48.

The CA proposes that the utility's backstop proposal (in the IRP) would essentially become the utility's bid in the competitive bidding process.

- a. Under this proposal, is it the CA's position that the utility would have the opportunity to "fine tune" its pricing prior to receipt of the bids through the competitive bidding process? Please fully explain the CA's response.
- b. Is it the CA's position that the utility be authorized to make changes from the backstop proposal? (e.g., if the backstop were a combustion turbine alone, could the utility submit a competitive bid for a smaller CT combined with DSM?) If the response is anything other than an unqualified "yes", please fully explain the CA's response and identify the situations where the utility would be authorized to make changes from the backstop proposal.

HECO/CA-IR-46 Ref: CA SOP, page 48.

The CA states that stakeholder (i.e. public participation) process in the IRP would occur after the utility has provided a detailed review of its needs, its proposed resources, and the mechanisms by which it proposes to procure those resources.

- a. Is it the position of the CA that the utility develop the forecasts, screen and characterize supply-side and demand-side resources, and develop a draft IRP plan prior to initiating the Stakeholder process?
- b. If the answer to part a is "yes", how would the utility mitigate the risk that stakeholders would disagree with forecasts, and supply-side and demand-side resource information used by the utility to develop the draft IRP plan, which would take significant amounts of time to resolve.
- c. If the answer to part b is "no", then please explain how the utility would obtain stakeholder input to develop the information and determine the assumptions required to identify its needs, proposed resources, and the mechanisms by which it proposes to procure the resources, prior to initiating the stakeholder process.

HECO/CA-IR-47 Ref: CA SOP, page 48, footnote 26.

Please identify and fully explain all the situations where the CA believes it would be appropriate for a utility to seek "alternative approaches" to competitive bidding.

HECO/CA-IR-48 Ref: CA SOP, bottom of page 48 to the top of page 49.

Please refer to the bottom of page 48 and the top of page 49 with regard to the CA's suggestion for implementing a competitive bidding process.

- a. Please describe in detail the CA's suggested approach and process for undertaking the evaluation of the bids received.
- b. Should price and non-price criteria be included in the evaluation? Please explain.
- c. How should they be included in the evaluation and selection of bids? Please explain.
- d. With regard to the price evaluation criteria, does the CA believe that all costs to customers associated with the proposal (i.e., direct costs bid, transmission costs/interconnection costs, system operational costs, and balance sheet impacts associated with PPA debt obligations) should be included in the evaluation of bids?
- e. If the CA does not believe such costs should be included in the evaluation of bids, please provide support for such a conclusion.

HECO/CA-IR-49 Ref: CA SOP, page 50.

In its discussion of adopting a method for determining avoid cost that is consistent with all-source competitive bidding, the CA asserts that the Commission should follow "other states." What state(s) does the CA propose the Commission should follow in establishing avoided cost?

HECO/CA-IR-50 Ref: CA SOP, page 50.

- a. For each of the states listed in the response to HECO/CA-IR-49 above, please provide a description of how additional transmission costs incurred as a result of new generation are incorporated in avoided cost.
- b. Which of the methodologies described in the response to part (a) does the CA propose?
- c. If the CA does not propose any of the methodologies described in the response to part (a), please provide the CA proposal to address additional transmission costs incurred as a result of new generation.
- d. If transmission costs are not proposed to be addressed in the avoided cost calculation, who does the CA propose should pay for the additional transmission costs and why?

HECO/CA-IR-51 Ref: CA SOP, page 50.

- a. For each of the states listed in the response to HECO/CA-IR-49 above, please provide a description of how additional balance sheet restructuring costs incurred as a result of the debt or debt-like features of long-term purchase power agreements are incorporated in avoided cost.
- b. Which of the methodologies described in the response to part (a) does the CA propose?
- c. If the CA does not propose any of the methodologies described in the response to part (a), please provide the CA proposal to address additional balance sheet restructuring costs incurred as a result of the debt or debt-like features of long-term purchase power agreements.
- d. If balance sheet restructuring costs are not proposed to be addressed in the avoided cost calculation, who does the CA propose should pay for the additional balance sheet restructuring costs and why?

HECO/CA-IR-52 Ref: CA SOP, top of page 50.

- a. Please provide specific procedures that the CA would adopt to provide stakeholders a “more meaningful role” in the IRP process than they already have?
 - i. What additional specific changes, if any, in the IRP process are necessary to enhance the stakeholder role in shaping a consensus regarding the utility’s “needs.” In answering this information request, please delineate the “needs” to which the CA refers.
 - ii. What additional specific changes, if any, in the IRP process are necessary to enhance the stakeholder role in shaping a consensus regarding the resources necessary to best respond to such needs?
 - iii. What procedures would be necessary in the event consensus could not be reached among stakeholders?
- b. How does the CA’s position that stakeholders have a “more meaningful role” in selecting a procurement strategy work in the context of circumstances where competitive bidding may not be appropriate? (See CA SOP Section II.C beginning on page 34.)

HECO/CA-IR-53 Ref: CA SOP page 50, second paragraph.

- a. What cost elements related to competitive bidding should be included in the calculation of avoided costs in Hawaii?
 - i. The incremental costs associated with implementing the CA’s proposed amendments to the IRP process?
 - ii. The cost of developing and implementing “best practices” as proposed by the CA?
 - iii. The incremental costs associated with preparing bid packages/solicitations under competitive bidding?
 - iv. The costs of an “independent observer?”

HECO/CA-IR-54 Ref: CA SOP, page 50.

The CA states “In implementing a competitive bidding policy, the Commission should establish competitive bidding as the basis for establishing avoided costs in Hawaii, where the acquisition of long-term contracts is at issue. Once the Commission has adopted competitive bidding as its preferred approach to resource procurement, the electric utilities should incorporate competitive pricing principles into their PURPA contracts and other resource acquisition activities.”

- a. Please list and fully explain the process that the CA believes is necessary to establish competitive bidding as the basis for establishing avoided costs in Hawaii. As part of the response please identify the specific changes/amendments to statutes, rules, and/or regulations that would be necessary.
- b. Please fully explain what the CA means by “the electric utilities should incorporate competitive pricing principles into their PURPA contracts and other resource acquisition activities.”

HECO/CA-IR-55 Ref: CA SOP, page 51.

What is the benefit to stakeholders of knowing a forecast of production costs for each generating unit?

HECO/CA-IR-56 Ref: CA SOP, page 53

The CA states that the Commission should prescribe that each electric utility must file an annual update to its 5-year Implementation Plan.

- a. If the utility submits its IRP filing (either its major review or annual update) and it takes more than a year for the Commission to approve the utility's IRP filing, is it the position of the CA that the utility should still file an annual update of its 5-year Implementation Plan even though the Commission has not yet approved its IRP filing?
- b. If the answer to part a is "yes", should the utility's annual update be an update of the previously approved 5-year Implementation Plan, or an update of the most recently filed (but not approved) 5-year Implementation Plan? Please explain how the possible confusion that could arise as to which plan is to be approved be managed.
- c. If the answer to part b is "no", then please explain how the 5-year Implementation Plan would not be immutable and changes to the approved 5-year Implementation Plan be documented by the utility and approved by the Commission.

HECO/CA-IR-57 Ref: CA SOP, page 56.

Please provide a copy of the FERC Order in 108 FERC 61,081.

HECO/CA-IR-58 Ref: CA SOP, page 56.

- a. Please provide more details regarding the incentive mechanism proposed by the CA in the last bullet (i.e., linkage between a utility's earned return and its performance in implementing competitive bidding).
- b. What criteria would be used for determining if the utility is doing a good job in resource procurement?
- c. How would the increase and reduction in the utility's earned return be determined?
- d. Provide a description of the methodology, algorithm, or formula that the CA proposes as the basis for calculating the amount of the incentive applied.
- e. Would the incentive mechanism proposed be symmetrical?

HECO/CA-IR-59 Ref: CA SOP, page 57.

- a. Please describe in detail the relevance of Appendix 1 to the CA's SOP.
- b. Identify specific aspects of the document that the CA agrees with and disagrees with.

HECO/CA-IR-60 Ref: CA SOP, page 57.

- a. Please describe in detail the relevance of Appendix 3 to the CA's SOP.
- b. Identify specific aspects of the document that the CA agrees with and disagrees with.
- c. Is the CA in agreement with the functions and the role for the Independent Observer in the Portland General Electric competitive bidding process?
- d. Please provide the specifics regarding the role envisioned for an Independent Observer if different than the role provided in the Portland General Electric competitive bidding process.

HECO/CA-IR-61 Ref: CA SOP, top of page 58.

The CA appears to indicate that if a utility is to bid, it should be submitted by its own affiliate. On page 48, the CA stated that the utility's backstop proposal in the IRP would essentially be its bid in the competitive bidding process. Please clarify these two positions.

HECO/CA-IR-62 Ref: CA SOP, page 59.

- a. Given the CA's position on page 48-49 that the utility should design and develop the RFP and implement the process, is it the CA's position that the Oversight role identified in the FERC principles is not consistent with its position?
- b. If the answer is that the Oversight role is consistent with the referenced CA position, please explain the consistency.

HECO/CA-IR-63 Ref: CA SOP, page 59.

The CA states "Where there are or can be competitive markets in which independent, third party providers can be tapped to obtain needed capacity and energy resources, utilities should avail themselves of those markets - unless there is some clear reason for expecting that the utility can better achieve its planning objectives (including cost minimization, etc.) without competitive bidding."

- a. Please identify, discuss and provide the basis for all the reasons that the CA believes fall into the category of a "clear reason for expecting that the utility can better achieve its planning objectives (including cost minimization, etc.) without competitive bidding". As part of the response please state whether not having sufficient time to establish a competitive bidding process (including developing the program specifics, rules, etc.) before a resource is needed by the utility would be such a "clear reason for expecting that the utility can better achieve its planning objectives (including cost minimization, etc.) without competitive bidding".
- b. Please identify all public utility commissions that impose such a showing on utilities and provide the reference to the applicable statute, regulation, rule or other authority that imposes such a requirement.

HECO/CA-IR-64 Ref: CA SOP, pages 59-60.

The CA lists seven bullet points concerning the guidelines that should be imposed if a utility is to submit a bid in its own solicitation.

- a. What does the CA mean by the term "guideline"? As part of the response, please state whether a "guideline" is a requirement that must be followed in every instance or whether there are situations where the "guideline" does not have to be followed.
- b. Please identify each public utility commission that has imposed all of these seven "guidelines" on utilities that want to submit a bid in their own solicitation and provide the reference to the applicable statute, regulation, rule or other authority that imposes such "guidelines".
- c. For each bullet point, please provide (1) the basis for such a "guideline", and (2) the public utility commissions that impose such a "guideline" on utilities.

HECO/CA-IR-65 Ref: CA SOP, page 60, 1st bullet at top of the page.

Should the utility's costs to prepare a "backstop" plan as a contingency against the failure of a competitive bidding process be added to the cost of the of the winning bid? Please explain.

HECO/CA-IR-66 Ref: CA SOP, page 60, second bullet at the top of the page.

- a. Is it the CA's position that the utility's bid should be evaluated based on the same price and non-price criteria as other bidders?
- b. Is it the CA's position that an outside observer is required only when a utility is bidding on its own RFP? Please explain.

HECO/CA-IR-67 Ref: CA SOP, first full paragraph on page 63.

The statements in this paragraph suggest that the identified bidding processes (RPS vs reliable resources for load) differ.

- a. Is it the CA's position that such processes differ?
 - i. If the response to part a is "yes", would these processes be part of an all-source bidding process with separate criteria and requirements or would they effectively be separate targeted competitive bidding processes? Please explain your response.
 - ii. If the response to part a is "no", please explain why the CA believes that these processes do not differ.

HECO/CA-IR-68 Ref: CA SOP, page 64, second paragraph.

Please define in detail the CA's meaning of the term "transparent 'to the market.'"

HECO/HELCO/MECO
Information Requests (“IRs”) to the Hawaii Renewable Energy Alliance (“HREA”)

HECO/HREA-IR-1 Ref: HREA Preliminary SOP, pages 3 and 4.

Please confirm or clarify the following: HREA considers the Hamakua Energy Partners plant to be “Decentralized Generation”, while “Hilo’s” plant is “Central Generation”, because the Hamakua Energy Partners plant is closer to the load center.

HECO/HREA-IR-2 Ref: HREA Preliminary SOP, page 4.

Please provide examples of “Demand-Side Distributed Generation” technologies.

HECO/HREA-IR-3 Ref: HREA Preliminary SOP, page 5.

Please confirm that by the term “synonymous”, HREA believes that there are no significant differences between “merchant generators”, “Qualifying facilities”, and “Independent Power Producers”.

HECO/HREA-IR-4 Ref: HREA Preliminary SOP, page 7 (lines 9 – 11)

Please provide examples of how an improperly designed competitive bidding process can stifle innovation and competition.

HECO/HREA-IR-5 HREA Preliminary SOP, page 9.

HREA states “including reliability and safety requirements in the specifications for requests for proposals (RFPs) in competitive bidding”.

- a. Please identify each of the “reliability and safety requirements” that should be included in the specifications for requests for proposals.
- b. Is it HREA’s position that such “reliability and safety requirements” should be included in contracts with the successful bidder?
- c. If the response to part b. is anything other than an unqualified “yes”, please fully explain HREA’s response.

HECO/HREA-IR-6 HREA Preliminary SOP, page 9.

HREA states “requiring competitive bidding on all new wholesale power facilities and retrofits to existing facilities.” Please fully explain what the HREA means by “retrofits to existing facilities”. As part of the response, please fully explain how a determination would be made as to whether a proposed project was a “retrofit” to an existing facility.

HECO/HREA-IR-7 HREA Preliminary SOP, page 11.

HREA states the “utility provides the bidding baseline to independent contracting agent (ICA), selected and monitored by the PUC”

- a. Please (1) list the process that would be used by the PUC to “select” the independent contracting agent, (2) identify the criteria that the PUC would look at to “select” the independent contracting agent, (3) identify the utility’s role (if any) in the process to “select” the independent contracting agent, (4) provide the basis for HREA’s responses to parts (1) through (3), and (5) provide a list of all public utility commissions that use the same process and/or criteria identified in parts (1) through (3).
- b. Please identify and explain the differences (if any) in the process and/or criteria provided in response to subpart “a” in the “Model 2” scenario discussed on page 12 of HREA’s SOP. If there are differences in the process and/or criteria in the “Model 2” scenario, provide a list of all public utility commissions that use the same process and/or criteria identified in this response.

HECO/HREA-IR-8 Ref: HREA Preliminary SOP, page 11.

Please provide a list of other jurisdictions where the Model 1 process has been used. Please identify the docket number and year, if known, in the response.

HECO/HREA-IR-9 Ref: HREA Preliminary SOP, page 11.

- a. Is it HREA’s position that the Independent Contracting Agent (ICA) evaluates the bids and makes a recommendation for project award to the PUC without input and approval by the utility?
- b. Is the ICA liable to the utility’s customers if any ICA recommendations made to the PUC result in near-term or long-term harm to ratepayers?
- c. What experience and capabilities must an ICA possess, in order to serve in this role?
- d. Who pays for the cost of the ICA?

HECO/HREA-IR-10 Ref: HREA Preliminary SOP, page 12.

HREA states “The PUC reviews and approves the ICA recommendation for the project award.”

- a. Please (1) list the process that would be used by the ICA to recommend the awarding of a project, (2) identify the criteria that the ICA would use to recommend the awarding of a project, (3) provide the basis for HREA’s responses to parts (1) through (2), and (4) provide a list of all public utility commissions that use the same process and/or criteria identified in parts (1) through (2).
- b. Please (1) list the process that would be used by the PUC to approve the awarding of a project, (2) identify the criteria that the PUC would use to approve the awarding of a project, (3) provide the basis for HREA’s responses to parts (1) through (2), and (4) provide a list of all public utility commissions that use the same process and/or criteria identified in parts (1) through (2).
- c. Please identify and explain the differences (if any) in the process and/or criteria provided in response to subparts “a” and “b” in the “Model 2” scenario discussed on page 12 of HREA’s SOP. If there are differences in the process and/or criteria in the “Model 2” scenario, provide a list of all public utility commissions that use the same process and/or criteria identified in this response.

HECO/HREA-IR-11 Ref: HREA Preliminary SOP, page 13.

- a. Please provide a detailed explanation of what HREA means by the following statement “HREA recommends that separate competitive bidding processes be implemented for fossils, renewables and storage, i.e. a fossil-only vs. a renewable only vs. a storage-only?”
- b. Does this mean that HREA favors targeted solicitations using separate bid documents and done at different times?
 - i. If so, what are the conditions under which each type of competitive bidding process is undertaken?

HECO/HREA-IR-12 Ref: HREA Preliminary SOP, page 13, lines 19-21.

- a. Please explain what HREA means by the reference “an agreement to gain access to the project site”.
 - i. Does this mean a bidder has to own a site or secure a letter of intent? Please explain the level of site control anticipated at this point.
- b. Please explain the process if the time period specified proves to be inadequate for obtaining site access, permits, environmental review and other authorizations?
- c. Who will bear the risk related to system reliability for a failure to obtain appropriate authorizations within the specified time period?

HECO/HREA-IR-13 Ref: HREA Preliminary SOP, page 14.

- a. Does HREA agree that Hawaii has certain unique factors (e.g., lack of interconnection, no spot market for electricity), which can influence the implementation of Competitive Bidding in Hawaii? Please explain your response.
- b. If HREA does agree that Hawaii has certain unique factors which can influence the implementation of Competitive Bidding in Hawaii, what Hawaii-specific factors need to be considered in designing the Competitive Bidding process (i.e., that would be absent from a “review of lessons learned from other jurisdictions”)?

HECO/HREA-IR-14 Ref: HREA Preliminary SOP, page 15, lines 15-19.

Is it HREA’s position that the terms and conditions of the contract should be non-negotiable? Please fully explain HREA’s response.

HECO/HREA-IR-15 Ref: HREA Preliminary SOP, page 18.

- a. Is it the position of HREA that DSM resources should be part of the competitive bidding process? Please fully explain HREA’s response.
- b. If so, how should bidding for DSM resources be implemented (i.e., as part of an all-source solicitation or part of a targeted solicitation)?
- c. Please describe in detail how HREA proposes DSM resources be evaluated relative to supply-side resources.
- d. Please provide examples of DSM bidding programs in other states that can serve as models for Hawaii and provide the reasons such programs may be applicable for Hawaii
- e. Please describe in detail how utilities can be sure that the expected savings proposed by bidders through a competitive bidding process are actually being achieved.
- f. Identify DSM contract provisions and measurement and verification methods that can be applied to ensure the measures are reliable and provide the savings proposed.

HECO/HREA-IR-16 Ref: HREA Preliminary SOP, page 19, lines 13-17.

- a. Please describe in detail the role of the Advisory Group in the competitive bidding process and as proposed by HREA.
- b. Please list other jurisdictions which incorporate an Advisory Group process in their Competitive Bidding proceedings.