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**PUBLIC UTILITIES COMMISSION**  
**DEPARTMENT OF BUDGET AND FINANCE**  
465 S. KING STREET, #103  
HONOLULU, HAWAII 96813

May 13, 2005

Re: Docket No. 03-0372 – Instituting a Proceeding to Investigate Competitive Bidding for New Generating Capacity in Hawaii.

To: The Parties and Participants

The Hawaii Public Utilities Commission ("Commission") requests that you respond to the enclosed information requests in accordance with Order No. 21575, filed on January 28, 2005 ("Order No. 21575"). This request is made consistent with the Regulatory Schedule the Commission approved and adopted in Order No. 21575, and is intended to facilitate our review of the above-referenced docket.

Should you have any questions, please do not hesitate to contact the undersigned.

Sincerely,

Kevin M. Katsura  
Commission Counsel

KN:KK:ac

Enclosure

c: List of Parties and Participants

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Docket No. 03-0372  
In the Matter of Public Utilities Commission  
Instituting a Proceeding to Investigate  
Competitive Bidding for New Generating Capacity in Hawaii

**INFORMATION REQUESTS OF THE PUBLIC UTILITIES COMMISSION**

Please respond to the following information requests relating to the above-referenced docket. To the extent that the requested information is included in a prior filing, please identify where this information may be found. If you are unable to respond to a particular information request, please state the reason(s). References to other information requests refer to the responses.

**PUC-IR-1 (Parties urging competitive bidding)** Ref: CA SOP at 3; HESS SOP at 1; HREA SOP at 2.

Please identify, if any, specific examples of efficiencies or innovations foregone in Hawaii as a result of the absence of competitive bidding?

**PUR-IR-2 (CA)** Ref: CA SOP at 17 states:

[One benefit of competitive bidding is to] "create an opportunity for consumer savings by imposing price competition among resource options..."

- a. Has the CA quantified the potential savings that would arise from competitive bidding?
- b. Can the CA identify cost-benefit analyses from other jurisdictions that quantify savings to consumers resulting from competitive bidding programs?

**PUC-IR-3 (All Parties)** Ref: HECO SOP, Exhibit A at 4; HREA-HECO-IR-9.

These references address the potential for an increased reliability risk as a result of the implementation of competitive bidding and purchased power. Please elaborate on the solutions to this potential problem, and specifically identify potential mitigating factors that can be incorporated into the competitive bid process.

**PUC-IR-4 (HECO)** Ref: HREA-HECO-IR-9(2)at 2.

- a. The first load-shedding incident involving AES appears to have been initiated by the loss of the Waiau-Koolau #1 line, and the subsequent loss of Waiau #7. Is this correct?
- b. Was AES responsible for the loss of the Waiau-Koolau #1, or the loss of Waiau #7?
- c. If the AES units had been HECO-owned and operated, how might this load-shedding incident have changed?
- d. HECO notes three (3) load-shedding incidents involving AES since 1992. Does HECO consider this frequency substandard or indicative of a problem that requires resolution?
- e. In general, how does this frequency (i.e., for AES) compare to what HECO has experienced with its own comparable facilities during the same period?

**PUC-IR-5 (HECO)** Ref: HREA-HECO-IR-17.

Does HECO possess any operational data that demonstrates that existing Independent Power Producer (IPP) facilities and utility-owned facilities of comparable age and type in Hawaii have differing levels of reliability?

**PUC-IR-6 (CA)** Ref: HECO-CA-IR-31 states:

Where the utility can demonstrate that reliability would be jeopardized by the utilization of a third-party resource, the Consumer Advocate would support not using a competitive solicitation.

Please identify or describe the information the utility would need to provide to adequately demonstrate that reliability would be jeopardized by the utilization of a third-party resource for a generation requirement.

**PUR-IR-7 (HECO)** Ref: HECO SOP, Exhibit A at 5, states:

In some cases, developers have been known to walk away from partially or nearly completed projects simply because the cost of completing the project and

operating the facility were not economically viable.

- a. Please identify the cases referred to.
- b. For each case identified, please indicate whether the power purchase agreements imposed penalties for abandoning the project. If penalties were imposed, were they paid and what were the amounts?
- c. Please comment on the effectiveness of these penalty clauses. Is it possible to design penalty clauses that effectively discourage this type of behavior? Please explain.

**PUR-IR-8 (HECO)** Ref: HECO SOP, Exhibit A at 5-6.

Six (6) examples are provided of how a utility's operating flexibility can be constrained by IPPs. For each one, please discuss to what extent, if any, contractual provisions can be designed to limit or eliminate these constraints. Provide specific contractual language where feasible.

**PUR-IR-9 (HECO)** Ref: HECO SOP, Exhibit A at 7 states:

The ability of an IPP to respond to the utility's needs would be governed by the terms and conditions of the PPA. The only way to provide the PPA with flexibility to adjust to all potential changed circumstances would be to grant the utility the right to act unilaterally to serve its own interests, provided that the facility was not damaged by the utility's actions. To the extent that an IPP is unwilling to grant the utility such rights under a PPA, the utility's flexibility would be diminished.

Is HECO aware of examples of PPAs under which the utility has the right to act unilaterally to serve its own interests, provided that the facility is not damaged by the utility's actions? If not, is it aware of utilities that have unsuccessfully attempted to obtain such a provision? Is it aware of utilities that have included such a requirement in their RFP? Please elaborate.

**PUC-IR-10 (All Parties)**

If the Commission requires competitive bidding, what would be the disadvantages of requiring independent competitors to limit their participation to turnkey projects, at least initially, so that the utility would have maximum control over the project operations upon construction?

**PUC-IR-11 (HECO and KIUC) Ref: HECO-CA-IR-32.**

- a. Please indicate whether power purchase agreements have evolved over time to better allocate risks between the utility and the independent power producer ("IPP"), and if so, identify those factors that have led to this improvement.
- b. Please identify those factors that can reasonably be incorporated into future power purchase agreements, and that would help better allocate risks between the utility and the IPP.

**PUC-IR-12 Ref: HECO-HREA-IR-5(b)(2)at 6 states:**

For example, would the failure to meet predicted system availability become a basis for a penalty? We are not aware of case where this has been done elsewhere. Also, if the utility is not going to be subjected to a penalty, which is the current case with our RPS law, why should the windfarm owner/operator?

- a. **(HREA)** Please clarify what the "penalty" would be for, as the term is applied to the utility performance under the RPS law. Is this "penalty" associated with the system availability or reliability provided by the utility?
- b. **(All Parties)** What type of provisions can be reasonably incorporated into as-available contracts to encourage the IPP to improve on system availability and/or reliability?

**PUC-IR-13 (HREA)** Ref: HECO-HREA-IR-5(b)(2) at 6.

HREA notes that it would "like to consider this type of requirement further" (at line 23). Please expand and explain what is being proposed for consideration.

**PUC-IR-14 (HECO)** Ref: CA-HECO-IR-12 at 4 states:

On September 21, 1987, HECO withdrew its application in Docket No. 5778 after it determined that the power purchase alternative was superior.

- a. Why was the power purchase alternative superior?
- b. What were the specific factors and attributes of the power purchase alternative that caused HECO to withdraw its application?
- c. Would HECO have been likely to proceed with the Docket No. 5778 application process and proceeded with development and completion of Kahe 7 at that time, if it had not issued the solicitation for power purchase proposals?

**PUC-IR-15 (HECO)** Ref: CA-HECO-IR-12 at 4 states:

Because of the short lead time available to have additional generation in place by October 1990, HECO pursued alternative ownership options in parallel with its Kahe 7 approach.

Also Ref: CA-HECO-IR-13(b).

- a. It appears that the HECO companies did not pursue alternative ownership options in parallel with generating facilities listed in response to CA-HECO-IR-13 and as referred to in CA-HECO-IR-13(b). If this understanding is correct, please explain why the HECO companies did not pursue this type of parallel planning process for the newer facilities, but did use this approach with the Kahe 7 unit.
- b. Why was competitive bidding not considered by HECO, MECO and HELCO as an alternative for any of the unit additions?

- c. Was a process similar to HECO's 1987 solicitation of power purchase proposals considered as an alternative for any of the unit additions, and if not, why not?
- d. What assurances can HECO, MECO and HELCO provide that a competitive bid or solicitation for power purchase proposals would not have met the generating facility requirements either sooner or at lesser expense?
- e. Could purchased power alternatives potentially have offered other benefits, similar to the instance where "AES-BP's use of coal provided HECO with a valuable opportunity to diversify its fuel base on Oahu"? (See CA-HECO-IR-12 at 6.)

**PUR-IR-16 (HECO)** HECO SOP, Exhibit A at 8 states:

The risk of project failure and reliability concerns will likely result in maintaining the requirement for parallel planning ...

Exhibit A at 13, further states:

Due to the nature of the power system in Hawaii with no outside interconnections and available options, HECO may be required to undertake a parallel planning process in case a selected project fails.

Please elaborate on the nature and extent of "parallel planning" process that would be required. What would it entail and what would be its costs, under various plausible scenarios? From whom would the costs be recovered? Would it be undertaken only in the event that a project fails, or as "backup" as the project progresses?

**PUR-IR-17 (HECO)** HECO SOP, Exhibit A, at 40 states:

This [terminating negotiations and having to initiate contract negotiations with the back-up bidder] is not uncommon in the industry today in cases where the bidder is under no penalty if it decides to terminate negotiations or cancel the project.

- a. Does HECO intend to impose penalties upon a bidder that decides to terminate negotiations or to cancel the project? What methods would it use to assure payment of the penalties?
- b. If so, is HECO confident that it can impose sufficiently stringent penalties to provide a significant disincentive to such behavior?
- c. Is there an analogy to this problem in terms of utility decision-making; e.g., is it possible for a utility in planning its own generation project to cancel a project; and if so, how would the penalty system discussed in your answer to (a) above be applied to the utility? Can such application of a penalty occur objectively if the utility is on both sides of the penalty table?

**PUC-IR-18 (All parties, except HREA)** Ref: HECO-HREA-IR-12 at 15 states:

[Ratepayers]...will bear the risk related to...failure to obtain appropriate authorizations...

- a. Who should bear the risk and associated costs of a winning bidder's failure to obtain appropriate authorizations within a specified time period - the utility, the winning bidder or ratepayers?
- b. What mechanisms, if any, are available to guard against the risk of delays arising out of inability to obtain permits or other authorizations?

**PUR-IR-19 (All Parties)** Ref: CA SOP at 60.

...an electric utility must be prepared with a "backstop" plan (i.e., the specific resources that the utility would develop and put into rate base if necessary to meet its service obligations. The backstop plan may be satisfied by the utility's resource proposals.

If a utility has a "backstop" plan that can be satisfied by its resource proposal, does this mean that it is always effectively competing with other bidders?

**PUC-IR-20 (HECO, KIUC)** Ref: HECO SOP, Exhibit B at 1.

The HECO exhibit notes that PURPA requires utilities to offer to purchase capacity and energy from qualifying facilities at the utility's avoided cost.

- a. If a utility is in the middle of a competitive bidding process for a specific resource requirement, and it receives an offer from a qualifying facility that meets that resource requirement, is the utility required to purchase from the qualifying facility under PURPA?
- b. How do the utilities envision the competitive bid process working in conjunction with the obligations imposed on the utilities by PURPA?

**PUR-IR-21 (HECO)** HECO SOP, Exhibit A at 2, states:

An important benefit of competitive bidding is that all bidders and proposals participate in an organized, structured process. This is generally accomplished through a bidding process that requires all bids to be submitted at the same time, with all bidders providing complete and consistent information, with all bids being evaluated based on the same set of economic and fuel price assumptions, and with all bidders playing by the same set of rules. The evaluation of unsolicited proposals, such as traditional PURPA projects, can be complicated by different timing for proposal submission, and incomplete or inconsistent proposals.

- a. Are unsolicited proposals the only alternative to a formal RFP, or is there a range of options?
- b. Is HECO aware of any utilities that have invited proposals from independent power producers, without making use of a formal RFP?

**PUR-IR-22 (HECO)** HECO SOP, Exhibit A at 4, states:

A 1996 study by the National Regulatory Research Institute (NRRI) entitled State Commission Regulation of Self-Dealing Power Transactions focused on issues associated with self-dealing and concluded that competitive bidding can limit self-dealing.

Please provide a copy of this study.

**PUC-IR-23 (All Parties)**

What measures can and should be taken to avoid self-dealing or an unfair competitive advantage over other bidders (or even the appearance of such)?

**PUR-IR-24 (All Parties)**

What is the desirable outcome of this proceeding -- a specific competitive bidding procedure, a specific change to the IRP process, a specific model RFP, a specific model PPA, or anything else?

**PUC-IR-25 (All Parties)** Ref: HECO SOP at 12; CA-HECO-IR-6; HREA-HECO-IR-14.

- a. Should the competitive bidding process be of a "framework" nature, i.e. a set of guidelines in the form of an enforceable Commission order (which would involve an evidentiary hearing to test the recommendations of the various parties to the proceeding)?
- b. If the answer to (a) is "yes", then if the Commission does decide to initiate a proceeding to develop the competitive bidding "framework", should it hold public hearings, workshops and/or panel format hearings?
- c. If the answer to (a) is "no", then should the competitive bidding process be established through a rulemaking proceeding (which would necessitate public hearings and comments)?

**PUC-IR-26 (All Parties except CA)** Ref: CA SOP at 4;  
HECO-CA-IR-4.

- a. As advocated by the Consumer Advocate, should each utility be allowed to design its own competitive bidding process according to current "best practices," subject to commission approval?
- b. How should "best practices" be determined?
- c. Should the Commission provide guidelines to the utilities regarding what it considers to be current "best practices"?

**PUR-IR-27 (All Parties)** HECO SOP, Exhibit A at 34 states:

... the development of competitive bidding rules and guidelines should be developed from the ground up without superimposing another state's system directly in Hawaii.

Is HECO aware of any state system that could profitably be used as a starting point for developing Hawaii's competitive bidding rules or guidelines, in order to reduce the cost and time required to develop them from the ground up? What aspects of such state's approach are particularly helpful?

**PUR-IR-28 (HECO)** HECO SOP, Exhibit A, at 15 states:

In a number of jurisdictions, the bidding guidelines were integrated with the state statutes underlying how jurisdictional utilities are regulated in the state.

- a. Please indicate which states have used this approach.
- b. Under what circumstances is it necessary or desirable to do so?
- c. In HECO's opinion, should bidding guidelines be integrated into Hawaii statutes? Please explain your answer. If so, what legislative modifications would be required?

**PUC-IR-29 (All Parties except HREA)** Ref: HREA SOP at 11-12; HREA-HECO-IR-11; HREA-KIUC-IR-1.

Please comment on the competitive bidding models offered by HREA, where the utility would identify the site, capacity, and (possibly) fuel type, then prepare and submit a "facility bidding baseline" to an independent contractor who would solicit and review bids against the utility's baseline.

**PUC-IR-30 (HREA)** Ref: HREA SOP at 10-12.

- a. Does HREA have a preference between its proposed Model 1 and Model 2 for competitive solicitation? What are the advantages and disadvantages of each Model?
- b. Can both Model 1 and Model 2 be used if competitive bidding is implemented - or are they mutually exclusive?

**PUC-IR-31 (All Parties except KIUC)** Ref: HREA-KIUC-IR-1.

- a. Should the competitive bidding process be different for an IOU than for a co-op?
- b. Please comment on KIUC's contentions that competitive bidding should be used by it only when KIUC initiates the process and has sole authority for key project decisions.
- c. Please comment on KIUC's contentions that its Board of Directors "provides the same oversight and risk mitigation for its members as would an ICA [independent contracting agent] for ratepayers of an investor-owned utility."

**PUR-IR-32 (HECO)** HECO SOP, Exhibit A at 34 states:

As noted in the response to Issue 2, the HECO Companies recommend that the IRP be used to identify the timing and amount of resource requirements along with the preferred resource or resources. The RFP will then be used to fill that need based on actual market options.

And HECO SOP, Exhibit A at 35 states:

HECO supports a multi-stage evaluation system that includes threshold, price and non-price evaluation criteria. HECO, however, proposes to use a price-driven process as the basis for selection of the preferred resources. (Under such approach, the utility subjects all proposals to the threshold criteria, then organizes or clusters bids that pass the threshold criteria by type of resource (i.e. wind bids, combined cycles and combustion turbines will be evaluated together) and subjects all proposals to a price screen and non-price analysis. Price and non-price points are determined for each proposal within the cluster. The best projects within each cluster (from a price and non-price perspective) are included on the short list. Generally, all proposals on the short list are considered viable and feasible projects. The final evaluation is based on determining the option or portfolio of options which result in the lowest net present value revenue requirements for the overall resource plan.) (*emphasis added*)

And HECO SOP, Exhibit A at 39 states:

Based on the detailed or portfolio analysis, the preferred resources can be selected based on their total system cost impact. (*emphasis added*)

And HECO SOP, Exhibit A at 44 states:

HECO proposes a process whereby the IRP is initiated first before the RFP is issued. The IRP identifies the preferred resource plan. The IRP also determines the amount and timing of resources required, the preferred capacity type, any preference or criteria for resource selection, and determines the avoided cost. The preferred plan or target portfolio is identified.

In parallel with this process, the utility develops the RFP. The RFP is issued after the preferred plan or target portfolio is identified. The

utility then collects and evaluates bids from suppliers. The bids are compared to the cost of the generic resource or project selected in the IRP. The preferred bid is selected from the bids received and evaluated and the utility negotiates a contract with the selected bidder.

Is there any contradiction or tension between the proposed RFP selection procedure, which is based on minimizing net present value revenue requirements, and the approach underlying the IRP process, which takes into account many factors other than cost? Please elaborate.

**PUC-IR-33 (HECO and CA)** Ref: HECO SOP at 12-13; HECO Exhibit A at 18; CA SOP at 45-49.

Please explain how the Company's preferred approach to how competitive bidding could be integrated within the current IRP framework is different from that proposed by the CA.

**PUC-IR-34 (HECO)** Ref: HECO SOP at 13 states:

[t]he utility also would have the right to submit proposals for resources that may differ from the preferred resource type included in the preliminary resource plan."

Please describe under what circumstances the utility might propose a resource different from that which it identified in its resource plan.

**PUC-IR-35 (HECO)** Ref: HECO SOP at 13.

HECO states that the "IRP Plan would establish the parameters for the RFP."

- a. Please explain further what "parameters" would be established.
- b. If the IRP Plan would establish these parameters, does this imply that the Advisory Group would have an opportunity to provide input on the parameters?

**PUC-IR-36 (HREA)** Ref: HECO-HREA-IR-16.

- a. Does HREA suggest that the IRP framework should be modified to incorporate its specific recommendations with respect to the role of the Advisory Group?
- b. If so, please specify the modifications it would seek referring specifically to the content of the current framework.
- c. If not, explain what Commission actions HREA would seek.

**PUR-IR-37 (All Parties except CA)** Ref: e.g., CA SOP at 51-54.

Can a competitive bidding program succeed in the absence of the changes proposed by the CA to the IRP Process?

**PUC-IR-38 (CA)** Ref: CA SOP at 49.

Does the CA recommend changes to the IRP framework to identify when an independent evaluator is required and the evaluator's role or responsibility?

**PUC-IR-39 (All Parties)**

- a. Should the competitive bidding process be an "open" bidding process, wherein the utility or the commission develops self-scoring criteria and bidders know what the utility is seeking and how the bid will be evaluated?
- b. Or should it be a "closed" bidding process, wherein the utility provides general guidance about planning objectives, but does not reveal all of the information about the evaluation process?

**PUC-IR-40 (All Parties)** Ref: CA-HECO-IR-7.

- a. Should competitive bidding be required for all transactions, required but subject to exceptions, or merely encouraged but not required?
- b. If there are to be exceptions to a competitive bidding requirement, what should those exceptions be based on?

**PUC-IR-41 (All Parties)** Ref: HECO-HREA-IR-6.

- a. Should there be a "dollar threshold above which competitive bids would be required"?
- b. How should this dollar threshold be determined, and how often should it be reevaluated?

**PUC-IR-42 (All Parties)** Ref: CA-HECO-IR-7.

Should "near-term" needs be exempted from the competitive bidding process? If so, how should "near-term" be defined?

**PUR-IR-43 (HECO)** HECO SOP, Exhibit A at 27 states:

Given the time that it takes to develop and implement competitive bidding processes, it will be necessary to exempt certain near-term facilities from these processes to future units to allow for near-term needs to be met in a timely manner.

- a. Please specify the near-term facilities that HECO believes must be exempted from any RFP process.
- b. Once these near-term facilities are built or acquired, when does HECO next expect to need substantial new supply-side resources?
- c. Please estimate the in-service date and magnitude of the first resources likely to be acquired under a competitive bidding process, in the event that this approach is used.

**PUC-IR-44 (All Parties)** Ref: CA-HECO-IR-9; HECO-HREA-IR-11.

Should the competitive bidding process differ depending on what type of resource is to be acquired (e.g., renewable resources, new technologies, and traditional resources; supply-side and demand-side resources, as-available v. firm capacity resources; and distributed resources)?

**PUR-IR-45 (All Parties)**

Concerning relations between developers and utilities, what are the most likely areas of dispute, and what Commission involvement (e.g., rules upfront, vs. dispute resolution later) is best suited to minimize these disputes?

**PUR-IR-46 (HECO) HECO SOP, Exhibit A, at 21 states:**

In fact, in several recent RFP processes, utility self-build or turnkey options have been the successful bidders among a large number of options, including recent Portland General Electric, PacifiCorp and Florida Power & Light RFP processes.

Do these examples include cases where the successful bidders were utility-owned generating affiliates or functionally separated generating divisions, as opposed to the utility *per se*? Please elaborate.

**PUR-IR-47 (HECO) HECO SOP, Exhibit A, at 22 states:**

Portland General had to submit its proposal to the Commission in advance of receipt of other bids and had to provide the same information required of other bidders.

Is it common for the self-build option to be treated differently from other bids? Please specify.

**PUR-IR-48 (HECO) HECO SOP, Exhibit A, at 22 states:**

The bidding rules in Quebec allow Hydro-Quebec Generation to bid into the Distribution Company's Call for Tenders process as long as everyone abides by the same rules. The Generation Company has been awarded contracts but other independent power producers have been successful bidders as well.

At Hydro-Québec, distribution and generation are functionally separated, with a code of conduct governing the relations between employees of the two divisions. In HECO's view, is this type of functional separation necessary in order for a

utility's generation division to participate in an RFP without an unfair advantage?

**PUR-IR-49 (HECO)** HECO SOP, Exhibit A at 42 states:

There are a number of examples of recent RFPs that highlight these points. For example, the Portland General Electric RFP was developed within the bidding guidelines in Oregon. ... Portland General included general information about its self-build option in the RFP including the technology selected, estimated overnight capital costs, heat rate information, etc.

- a. In the Oregon example cited, would the self-build option have been subject to cost-of-service regulation?
- b. If not, on what basis would the cost borne by consumers of this new utility generation be established?
- c. Is HECO aware of examples where the cost to consumers of a utility's self-build option is based on market factors?

**PUR-IR-50 (HECO)** HECO SOP, Exhibit A, at 27 states:

For CHP resources, the Companies plan to use a competitive procurement process. ...

Please explain in detail the differences between an RFP and a competitive procurement process, and explain why HECO considers the latter to be more appropriate for CHP resources.

**PUC-IR-51 (Hess)** Ref: Hess SOP at 1.

A fair and timely competitive bidding system would allow Hess the opportunity to offer its combined CHP units to whoever installs customer site generation, whether it is the utility, utility affiliate or some other third party.

- a. Is Hess assuming that any Commission rules on competitive bidding would apply where a non-utility customer selects a provider to install CHP? If not, then what competitive bidding system is Hess referring to?
- b. Does Hess believe that a utility must engage in competitive bidding to select a contractor to install CHP on behalf of the utility?

**PUC-IR-52 (All parties)** Ref: CA SOP at 20.

Competitive bidding is one [mechanism for procurement]. The others include auctions, standard offers and selection through direct negotiations as well as approaches that combine elements of these mechanisms...

- a. Should the Commission consider mechanisms like auctions, standard offers and others identified by the CA as part of this competitive bidding docket?
- b. Identify those situations where other methods such as standard offers or direct negotiations might be appropriate alternatives to competitive bidding.

**PUC-IR-53 (All Parties)** Ref: HECO-CA-IR-34 at 67.

What are the benefits and drawbacks to a utility offering utility-controlled sites for 3<sup>rd</sup> parties to develop in the competitive bidding process? What terms and process should apply?

**PUR-IR-54 (HECO)** HECO SOP, Exhibit A at 21 states:

The above mentioned roles for the host utility are common in most RFP processes and are recognized by regulators and third-party bidders as a reasonable role for the host utility. Recent competitive bidding dockets have recognized the role of the utility and have supported an active role for the host utility.

- a. Is HECO aware of any other jurisdictions where the host utility plays a different role in the RFP process?

- b. If so, please provide examples including, for each, the utility, the approach used, and the outcome of the RFP.

**PUC-IR-55 (All Parties)** Ref: CA SOP at 56 states.

The Commission should ensure that a utility's RFP design and bid package materials are developed in a manner that will ensure an appropriate measure of transparency.

- a. **(CA)** Please specify the components of "appropriate measure of transparency."
- b. **(All Parties)** What features should be included in the RFP design and bid packages to provide enough information about the selection process so as to maximize participation by the widest possible range of bidders?

**PUC-IR-56 (All Parties)**

- a. Should the Commission have an active role in the RFP development process?
- b. Should an independent consultant be hired to provide input and recommendations to the utility and Commission regarding the drafting of the RFP? If so, who should fund the cost of the independent consultant?
- c. Should the utility independently develop the RFP (subject to approval by the Commission prior to its issuance)?
- d. Should the utility hold a workshop with potential bidders and other interested parties prior to the release of the RFP, and potentially incorporate comments and suggestions into the final RFP?

**PUC-IR-57 (All Parties)** Ref: HREA SOP at 13; HECO-HREA-IR-11; CA SOP at 3; HECO-CA-IR-3.

- a. Should different types of resources (e.g., renewable resources, new technologies, and traditional resources; supply-side and demand-side resources, as-available v. firm capacity resources; and distributed resources) compete through the same RFP? or

- b. Should there be separate RFPs issued for different types of resources, which would all be issued simultaneously, to address a particular need? or
- c. Should a solicitation be targeted to a particular resource for a particular need, such that there will only be one RFP issued at one time
- d. Where different types of resources compete through the same RFP, what criteria should be used to evaluate the different benefits of different resources?
- e. Discuss the benefits and drawbacks of issuing one RFP for different types of resources versus targeted solicitations that seek a particular resource?

**PUR-IR-58 (HECO)** HECO SOP, Exhibit A at 3 states:

While natural gas-fired combined cycle options have been the dominant form of capacity contracted through competitive bidding processes, other resources have been selected as well. Contracts for renewable resources have been increasing and many projects have been selected either through all supply source RFPs or targeted solicitations.

Please provide examples, including underlying RFP documents, where renewable resources have been selected through all supply source RFPs.

**PUC-IR-59 (All Parties)**

- a. Who should determine what the required qualifications for bidders (e.g. creditworthiness, reputation, experience) should be?
- b. Should the required qualifications of potential bidders be clearly outlined in the RFP?
- c. Should a pre-qualification process be conducted on bidders before accepting bids?
- d. If yes, who should pre-qualify the bidders?

**PUC-IR-60 (All Parties)**

- a. Should the Commission have an active role in the development of the bid evaluation criteria?
- b. Should an independent consultant be hired to provide input and recommendations to the utility and Commission regarding the bid evaluation criteria? If so, who should fund the cost of the independent consultant?
- c. Should the utility independently establish the bid evaluation criteria (subject to approval by the Commission prior to its issuance)?
- d. Should the utility hold a workshop with interested parties prior to the release of the RFP, to discuss the bid evaluation criteria so that bidders clearly understand how their bids will be evaluated?

**PUC-IR-61 (All Parties)** Ref: HECO-CA-IR-12(b) states.

Some of the important factors may include, but are not limited to, generation system reliability and capacity requirements, opportunities to secure low-cost energy, renewables requirements, emissions impacts, location, risk exposure and rate impacts.

The above response identifies certain factors that should be considered in the review of competitive bid responses. Please identify any other factors that should be considered during the review of the competitive bids.

**PUR-IR-62 (All Parties)** HECO SOP, Exhibit A, at 30 states:

To ensure that all reasonable options are effectively considered, there should be no unreasonable restrictions on sizes and types of projects. It is generally preferable that all types of eligible projects (e.g. supply-side options) have a fair opportunity to compete. (emphasis in original)

And HECO SOP, Exhibit A, at 32 states:

4. Price-related evaluation criteria are the predominant selection criteria. Non-price criteria are used to ensure the project or portfolio is viable and feasible but price is usually the ultimate determinant.

What mechanisms, if any, are appropriate to account for the non-monetary costs or benefits of different types of resources?

**PUR-IR-63 (HECO)** HECO SOP, Exhibit A, at 42 states:

In some RFP processes, an Independent Observer or Independent Reviewer is retained by the utility (in some cases with the approval of the Commission) to observe and/or audit the bid evaluation and selection process. The utility conducts the evaluation of the bids and is responsible for selecting the winners and negotiating contracts. If an Independent Observer is requested, HECO recommends that the role of the Independent Observer be to manage correspondence between the utility and bidders, review and audit the results of the evaluation process, and advise the utility if there are any fairness issues.

- a. Is there a distinction between Independent Observer and Independent Reviewer?
- b. If so, please explain the distinction and the roles of each; and the advantages and disadvantages of each.

**PUC-IR-64 (All Parties)**

- a. Who should hire the Independent Consultant - the utility or the Commission?
- b. Should the Independent Consultant develop bid evaluation criteria and make a recommendation for the project award without input by the utility? [Ref. HREA Response to HECO-IR-9 at 11] Or can the input be from all parties?

- c. Is an Independent Consultant required for all competitive bids - or only those where a utility affiliate does not compete?

**PUC-IR-65 (CA)** Ref: HECO-CA-IR-61.

- a. Please identify the Consumer Advocate's positions with respect to whether to require utility participation via an affiliate for distributed generation and for the competitive bid process. If the positions differ, describe the factors that account for, or contribute to the difference(s).
- b. Identify the potential benefits and adverse impacts of requiring utility participation via an affiliate for both distributed generation and the competitive bid process.

**PUC-IR-66 (All Parties)** Ref: CA SOP at 59; HECO-CA-IR-64.

- a. If the Commission adopts the guidelines recommended by the Consumer Advocate, and implements these concepts, are these sufficient to ensure that a utility's participation in the competitive bid process is fair?
- b. What are the advantages and disadvantages of adopting these guidelines?
- c. What other safeguards should be adopted?

**PUC-IR-67 (All Parties)** Ref: HECO-CA-IR-48 states:

The Consumer Advocate recommends that each electric utility should be expected to design bid evaluation processes that are specific to the circumstances of each competitive solicitation, and in keeping with "best practices" in the industry.

To the extent that this approach could potentially allow a utility to tailor specific bid evaluations to favor certain bidders, what safeguards can be implemented to prevent this?

**PUC-IR-68 (All Parties)** Ref: HECO-CA-IR-68.

The Consumer Advocate suggests a generic policy intended to balance the needs for "transparency" and confidentiality during the bid review process.

Please provide specific suggestions on how this balance can be met.

**PUC-IR-69 (All Parties) HECO-CA-IR-10.**

- a. Should bidders' track record on past projects be a factor in selection and if so, how significantly should it be weighted? What elements of the track record should be considered?
- b. Will according significant weight to a track record cause newer generators without track records or smaller independent companies to lose out to more established utility affiliates or large independents? Should the Commission be concerned about this impact?

**PUC-IR-70 (HECO and KIUC) Ref: HREA-HECO-IR-21.**

- a. Have any of the utilities offered or provided a tolling option for fuel to any existing IPPs?
- b. Have any of the utilities otherwise offered or had experience with fuel sharing, or with sharing of fuel storage or transport expenses with an IPP?
- c. If the utilities were to provide tolling options for fuel to the IPPs, might the associated additional fuel purchases by the utility (i.e., as opposed to not purchasing the volume of fuel required by the IPPs) be beneficial to the utility in negotiating future fuel contracts?

**PUC-IR-71 (All Parties)**

- a. Should the Commission have an active role in the development of the purchase agreement?
- b. Should an independent consultant be hired to provide input and recommendations to the utility and Commission regarding the drafting of the purchase agreement? If so, who should fund the cost of the independent consultant?
- c. Should the utility and the winning bidder independently develop the purchase agreement (subject to approval by the Commission prior to its issuance)?

**PUC-IR-72 (All Parties)**

Should a copy of the proposed purchase agreement be included as part of the issuance of the RFP?

**PUC-IR-73 (All Parties)** Ref: HREA SOP at 10-11;  
HREA-HECO-IR-11.

Should there be a standard model purchase agreement to be used for all purchases (with possible minor modifications), or should the purchase agreement for each new transaction be separately drafted?

**PUC-IR-74 (All Parties)** Ref: HECO-CA-IR-17.

- a. To what extent should the price and non-price terms of a purchase agreement be subject to subsequent negotiation with the utility and amendment, if the changes are beneficial to both parties and the ratepayers?
- b. What should be the conditions placed on further negotiation?
- c. If the utility affiliate is the winning bidder, do your answers to (a) or (b) change, or are there safeguards that would allow for further negotiation with the utility?

**PUC-IR-75 (All Parties)** Ref: CA SOP at 61 states:

...the Commission should make explicit that costs would be recoverable through rates on a "pass-through" basis if incurred through an approved contract that results from an RFP issued in response to approved competitive bidding process.

Are there any circumstances where the Commission might disallow costs resulting from an approved contract that results from an RFP and if so, what are they?

**PUC-IR-76 (All Parties) Ref: HECO-CA-IR-19(b).**

- a. In the future, how should we evaluate to what extent the competitive bid process has been "successful" - what are the specific factors that can and should be recorded and evaluated?
- b. Should we set target values for these factors, such that continuation or amendment of the competitive bid process may be contingent on meeting these target values?
- c. What is the appropriate process and time frame for review of the success of the competitive bid process?

**PUC-IR-77 (All Parties) Ref: CA SOP at 56 states:**

If a utility can demonstrate that it is doing a particularly good job in resource procurement, the Commission should consider an increase to its allowed return. Conversely, poor performance will require the consideration of a reduction.

- a. What criteria should be applied to determine whether a utility is doing a "good job" in competitive resource procurement?
- b. What factors, such as savings or added efficiencies, would a utility have to demonstrate to qualify for an added rate of return?
- c. **(All parties except CA)** Do you agree that an increase in return is justified for a utility that successfully implements competitive bidding?