

SELECTION PROCESS

There were 11 projects proposed by developers for Kahikinui which included solar, wind, and biofuel/biomass. Some developers submitted proposals for more than one type of project.

Out of the 11 projects, only four were wind projects submitted by Ka Ohana O Kahikinui, Inc.; Na Po'e Kokua; Sempra U. S. Gas & Power, LLC; and NextEra Energy Resources, LLC.

On October 20, 2014, SPS Energy & Financial, LLC, our energy consultant, issued its report assessing the four wind proposals and made its recommendations based on:

- documentation submitted by each developer
- structure and project financing
- underlying terms and conditions in HECO's standard power purchase agreements
- developer's team's capabilities to successfully execute a project of this scope and size

The recommendations were: 1) to disqualify Na Po'e Kokua and Ka Ohana O Kahikinui for several reasons, including incomplete information, but primarily for their lack of proven ability to develop and construct a renewable energy project; and 2) to invite Sempra and NextEra for further negotiations. Both were more than capable to execute a project of this scope and size.

After review of SPS' recommendations by the energy team comprised of DHHL Staff from Land Management and Land Development Divisions and the Planning Office, a recommendation was submitted to the Chairman for approval to select Sempra and NextEra for further negotiations. Approval was received on November 19, 2014.

Thereafter, a request was made to both finalists to submit their best and final offers. Separate face-to-face meetings with representatives of Sempra and NextEra with DHHL's energy team followed during the second week in January, 2015 to obtain clarification and conduct further negotiations based on these offers. Following the review and assessment of these offers, SPS recommended that NextEra be selected as the finalist to proceed with its wind project. NextEra's offer was superior in terms of its financial offer and because its wind project did not depend on the undersea cable. [I do not know if we can disclose that Sempra's offer depended on the undersea cable.]

The DHHL energy team met to deliberate on the finalized offers, what was discussed at the face-to-face meetings, and SPS' recommendation. The energy team concurred that NextEra should be selected as the finalist for the wind project. A request for approval was submitted

to the Chairman on January 16, 2015 and notification letters regarding the selection of the finalist were signed by the Chairman and mailed out to both Semptra and NextEra that same day. The Chairman signed the actual request for approval on February 12, 2015.