

HAWAIIAN HOMES COMMISSION PUBLIC HEARINGS

INNERGEX RENEWABLES USA LLC PROPOSED KALAELOA SOLAR PROJECT

**Department of Hawaiian Home Lands
Hale Ponoʻī, Kapolei, Oʻahu
Monday, July 8, 2019 • 6:00 p.m.
Tuesday, July 9, 2019 • 9:00 a.m.**

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PUBLIC HEARING FORMAT AND AGENDA July 8, 2019 and July 9, 2019

PART I: BACKGROUND INFORMATION

- A. Introduction:**
 - Roll Call and Approval of the Agenda
 - Purpose of the Public Hearing
- B. Overview of DHHL Lands and Renewable Energy Development**
- C. Innergex Presentation of their Proposed Kalaeloa Solar Project**
- D. Questions for Clarification**

PART II: PUBLIC TESTIMONY (No Discussion or Responses)

- A. Public Testimony-- Sign-up to testify at the Registration Table**
- B. Adjournment**

NOTE: the same information will be covered in both hearings; you only need to one hearing

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PURPOSE OF THE PUBLIC HEARING

1. To address requirements of Section 171-95.3, Hawai'i Revised Statutes, which allows the HHC to lease DHHL lands to renewable energy producers without public auction.
2. Prior to the lease of DHHL lands, the HHC is required to conduct two Public Hearings on the island where the project is located, to:
 - ☞ Inform the public of the lease of DHHL land for a renewable energy project
 - ☞ Distribute an outline of the proposal for the renewable energy project
 - ☞ Receive testimony from interested parties and the general public
3. Requires HHC action on the proposal to be taken on the island where the project is located. HHC Action will be taken during a Special Commission Meeting on July 9, 2019 at 10:00 a.m.

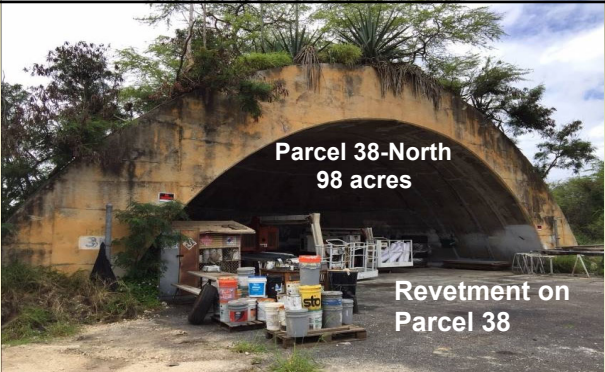
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DHHL KALAELOA LANDS, HONOULIULI AHUPUA'A



- DHHL Kalaeloa Lands = 555 acres
- Land Use Designation = Industrial
- **Blue area** = Location of existing Kalaeloa Solar Two Project:
 - 5 MW
 - Started Oct 2013
 - Lease rent \$374,000/year
- **Red** = Focus of 2019 Renewable Energy Solicitation

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Parcel 38-North
98 acres

Revetment on
Parcel 38


EXISTING STRUCTURES

Parcel 38 (North): 98 acres

- 47 acres contain revetments which are not usable for the solar project
- Revetments will be preserved and maintained


Parcel 40 (South): 49 acres

- Contains 6 high-explosive bunker buildings eligible for historic register and will be preserved



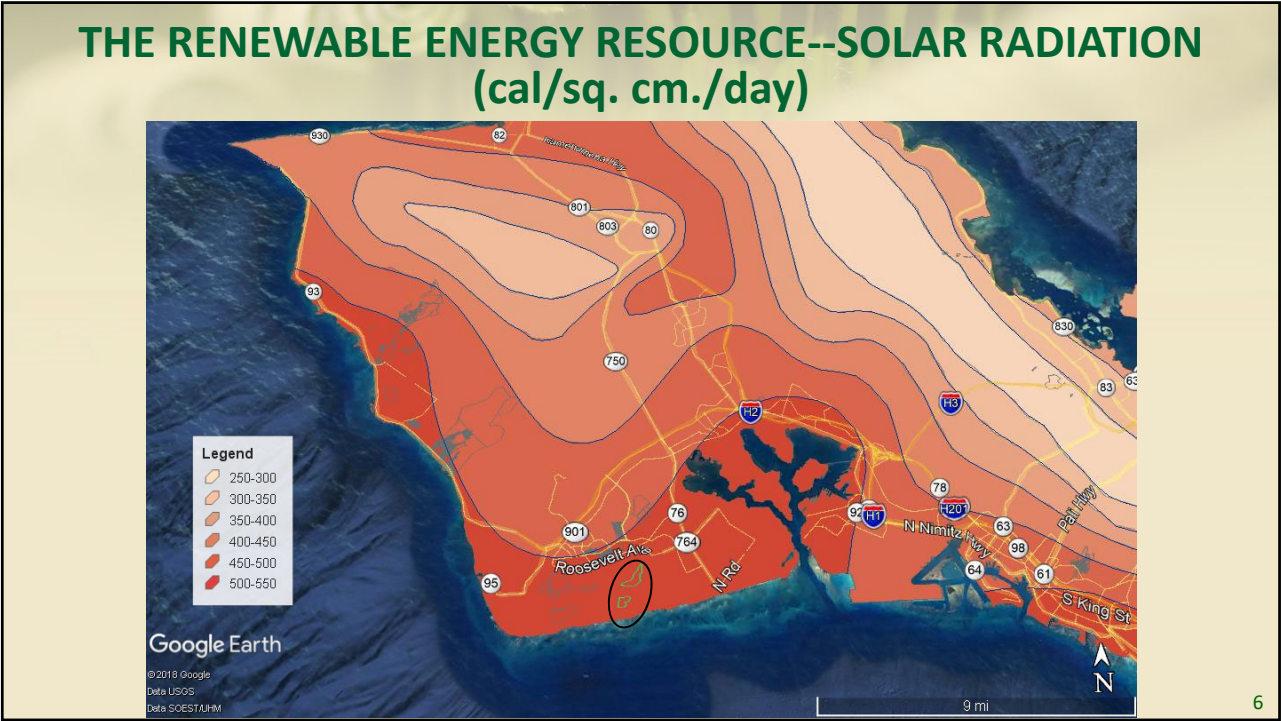
Parcel 40-South
49 acres

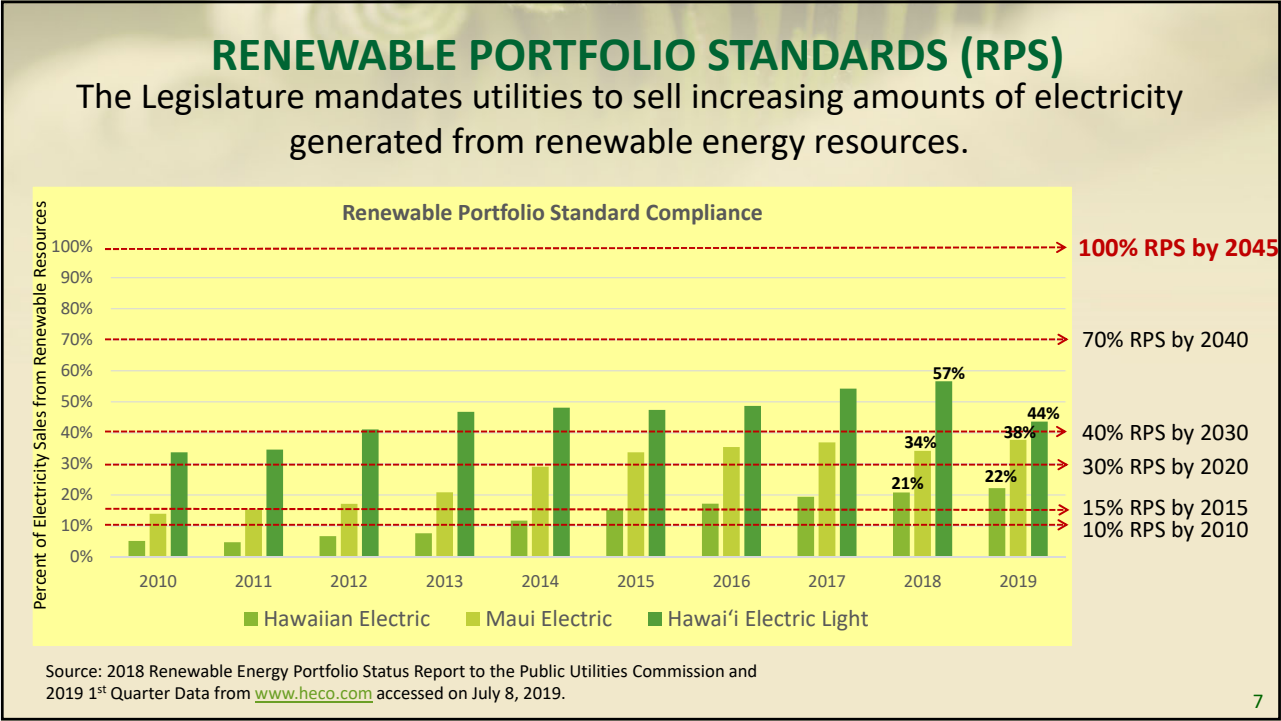
Grass-covered
Bunker on Parcel 40



Interior of Bunker

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- ### HECO'S COMPETITIVE BIDDING PROCESS

HECO uses different ways to meet the Renewable Portfolio Standards. The proposed Kalaeloa project will go through HECO's competitive bidding process:
1. HECO is completing its Phase 1 RFP process: 8 new projects; 247 MW of renewable energy statewide.
 2. HECO's Phase 2 RFP will be issued in July. For O'ahu, HECO seeks 73 MW of solar generation and 1,200 MWh of daily storage.
 3. Innergex will submit their project and competitive bid to HECO. **Innergex needs to have a land disposition ('site control') in order to submit a bid.**
 4. HECO selects producers through a competitive process.
 5. A "Power Purchase Agreement" (PPA) is negotiated—establishes what HECO will pay the producer.
 6. PPAs have to be approved by the PUC.
 7. Phase 2 projects will be operational by June 1, 2022 to the end of 2025.
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RENEWABLE ENERGY DEVELOPMENT ON DHHL LANDS

DHHL FILTER/PROCESS	INNERGEX'S PROPOSED SOLAR PROJECT AT KALAELOA	TIMEFRAME
Consistent with Policy	DHHL's Ho'omalū Energy Policy: --Pursue leasing of lands suitable for renewable energy development	2009
Consistent with Island Plan: -Land Use Designation -Land Use Suitability	The O'ahu Island Plan: --Land Use Designation: Industrial --States that the lands are ideal for commercial solar energy development: south-facing, no tall obstructions, flat land, designated for industrial use, close to an electric sub-station	2014
DHHL Solicitation for Renewable Energy Projects	Published a solicitation notice for Kalaeloa renewable energy projects.	Dec. 2018
	--Received 4 solar energy proposals for Kalaeloa. --Selection Committee scored the 4 proposals--Innergex Renewables USA LLC received the highest score.	Jan. 2019
	Conducted a Beneficiary Consultation meeting with Kapolei beneficiaries.	Mar. 2019
	The Beneficiary Consultation Report was submitted to the HHC.	April 2019
	Two (2) Public Hearings	July 2019
	HHC Decision on Land Use Disposition	July 2019

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RENEWABLE ENERGY DEVELOPMENT ON DHHL LANDS (Continued)


LAND DISPOSITION	INNERGEX'S PROPOSED SOLAR PROJECT AT KALAELOA	TIMEFRAME
Right-of-Entry (ROE) Permit	Access Land for Due Diligence purposes: -- Technical Studies -- Develop Site Plan -- Complete an Environmental Assessment Engage in HECO's Phase 2 RFP Process -- Selected by HECO -- Power Purchase Agreement with HECO, approved by the PUC Construction of Project	2 Years + option for 3 one-year extensions for a total of 5 years
	Conditions for conversion to a General Lease: -- PPA with HECO approved by the PUC -- Site Plan approved by DHHL -- Legal description of the leased land -- Completion of Chapter 343, HRS requirements (Environmental Assessment/Finding of No Significant Impact) If conditions are met, Innergex requests the option to convert to Lease -- Pays a conversion fee.	
Long-Term General Lease	-- General Lease begins when Innergex can deliver energy to the power grid (Dec. 2022) -- General Lease rent with annual percentage increases -- Community Benefits	25 years + 3 five-year extensions for a total of 40 years

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INNERGEX’S PROPOSED SOLAR ENERGY PROJECT

Eddie Park, Manager – Business Development, Innergex Renewables
Jody Allione, Consultant

- Innergex Renewables USA LLC is a wholly-owned subsidiary of Innergex Renewable Energy, Inc., a publicly-traded \$1.39 billion Canadian corporation



- HECO selected 2 Innergex projects under its 2018 RFP:
 - 15MW solar project in Ulupalakua, Maui
 - 30MW solar project in Waimea, Hawai’i

WHAT IS THE PROPOSED PROJECT?

- Construction of a utility-scale solar energy project generating up to 20 MW
- High-efficiency PV panels will include battery storage

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INNERGEX'S PROPOSED SOLAR ENERGY PROJECT

WHERE?

- Exact areas to be determined in due diligence and investigation period during the Right-of-Entry agreement

HOW MUCH LAND IS NEEDED?

- Total: 147 acres available
- Usable acreage to be determined

WHEN?

- Due diligence and investigation period - 2 Years
- Option to extend ROE for three one-year periods
- Project completion and operation by December 2022
- Innergex requesting a 25-year lease term from date when solar project can deliver energy to power grid and extensions to match the HECO PPA.

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Business Concept for the Project

- HECO is launching two stages of competitive solicitations in 2018 and 2019 for clean, renewable energy projects that would help the state meet its goal of 100% renewable energy by 2045, bringing more stable electricity costs to consumers and reduce its dependency on imported sources of energy.
- In the 2018 solicitation, Innergex submitted two solar PV plus BESS (Battery Energy Solar System) projects that were selected by HECO and resulted in power purchase agreements.
- Innergex will submit a similar proposal in response to HECO's 2019 Request for Proposals for Variable Renewable Energy.

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INNERGEX’S PROPOSED SOLAR ENERGY PROJECT

FINANCIAL OFFER

- Innergex is offering deposits for the first two years under the ROE plus three one-year ROE extensions, if needed
- Lease rent is based on expected usable acreage and will include percentage annual increases
- Community benefits package of 1% of gross revenues during the 25-year lease term
- The Community benefits will be donated to Kapolei Community Development Corporation for the Heritage Center
- The Community benefits package depends on the price that HECO agrees to pay for the solar energy Innergex produces

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First Nations Projects: Community Involvement

Innergex has gained a reputation as a partner of choice for First Nations seeking to develop business opportunities in the renewable energy sector.

Our development model with neighbor communities is based on:

- Sharing information,
- Understanding local issues and concerns
- Community benefits and education.

Four operating facilities with local communities or First Nations.

“We trust that Innergex will work within our traditional territory in a manner respectful of the environment, our culture and our constitutional aboriginal rights, titles and interest.”

Chief Stanley Thomas, Saik’uz First Nation, BC.

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Innergex’s Kalaeloa Solar Energy Project

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HOW WILL THE PROJECT BE FINANCED?

- Innergex has significant experience developing, financing and operating renewable projects in the U.S. using the tax equity financing structure.
- The Project is expected to be financed with a construction loan and equity from a sponsor during construction.
- Innergex intends to retire the construction loan, and have it replaced by tax equity and back-leverage financing at the beginning of operation.

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REASONS FOR STAFF SUPPORT OF INNERGEX'S SOLAR PROJECT

- With the goal of 100% renewable energy by 2045, there is a need and demand for more renewable energy, especially on O'ahu
- Kalaeloa parcels have qualities that solar companies look for:
 - High level of solar radiation
 - South-facing exposure
 - Flat land, free of shading from mountains, buildings or trees
 - Close to existing transmission lines
- Lease rent and community benefits provide a steady stream of revenue for homestead development priorities and community development projects for Kapolei homesteads
- Innergex has the financial resources, qualifications, and experience to develop the Kalaeloa solar project and already has PPAs for similar projects on Maui and Hawai'i Island
- Innergex has developed a reputation for being a supportive and valued member of their host communities.

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Next Steps

- HHC approval of ROE and conditional General Lease
- ROE issued
- Due diligence studies to develop site plan
- Innergex engages in HECO's Phase 2 RFP process; submits a competitive bid; Innergex is selected by HECO; PPA is negotiated
- Chapter 343, HRS compliance – identify and mitigate cultural, environmental, social, and economic impacts of the proposed project and site plan
- Construction of Project
- General Lease issued when project delivers energy to the grid
- Operation and maintenance activities

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Questions for Clarification

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