



September 3, 2019

FILED

2019 SEP -3 P 3:47

PUBLIC UTILITIES
COMMISSION

The Honorable Chair and Members of the
Hawai'i Public Utilities Commission
Kekuanaoa Building, First Floor
465 South King Street
Honolulu, Hawai'i 96813

Dear Commissioners:

Subject: Hawai'i Electric Light Company, Inc.
Rebuild Agreement and PPA Negotiations with Puna Geothermal Venture
Quarterly Update

The Commission requested in its letter dated May 9, 2019 that Hawai'i Electric Light Company, Inc. ("Hawai'i Electric Light" or the "Company") keep the Commission updated quarterly, beginning on June 1, 2019, regarding the status of permits required for the Puna Geothermal Venture ("PGV") facility to come back online (including but not limited to those set forth in Exhibit D, PGV's Government Approvals, of Exhibit A (Rebuild Agreement) to the Company's March 8, 2019 letter) and status of negotiations of a restated PPA, and updated, as necessary, regarding any other relevant developments, until the Commission determines otherwise. In addition, the Commission issued Order No. 36484 on August 22, 2019, suspending the proceeding in Docket No. 2019-0119 until December 31, 2019, with the expectation that Hawai'i Electric Light provide information on an expected timeline for various permit approvals and substantive details on a renegotiated PPA. In response to the Commission's letter and Order, Hawai'i Electric Light respectfully submits its quarterly report on relevant developments for the months of June, July, and August 2019.

Status of Permits

PGV has provided Hawai'i Electric Light with an update with regards to the status of PGV's permits as well as a revised Exhibit D, which we've attached hereto as Attachment 1. In summary, according to PGV, every permit required to operate the PGV facility is in full force and effect and is active. PGV has indicated that it needs no other permit to resume operations of its facility.

a. Geothermal Resource Permit (GRP 2).

- This permit is issued, administered and enforced by the County of Hawai'i and governs the operation of PGV's facility.
- Regulatory oversight is by the County Planning Department.
- This permit remains in full force and effect and continues to be active.

b. County Building Permits.

- PGV's three Air Quality Monitoring Stations received Final Plan Approval permits from the Planning Department on July 22, 2019. All three Station permits are being reviewed by the Department of Public Works and the various required sub-departments. These permits are not required to restart the Plant. These permits are required for installing the three new Monitoring Stations that are replacing the original three Monitoring Stations covered by lava.
- PGV's Grading and Grubbing permit for driveways and the substation work was received on December 7, 2018. This permit remains active as bulldozing, rock crushing and grading work continues.

c. Plan Of Operation (POO).

- This permit is approved, administered and enforced by the State Department of Land and Natural Resources ("DLNR") for the operation of all geothermal wells.
- Regulatory oversight resides within the DLNR Engineering Department.
- This permit remains in full force and effect and continues to be active.

d. Well Permits - Geothermal Wells. Several permits for maintenance and drilling of specific geothermal wells have been issued by DLNR and each remains in full force and effect and is active.

- | | |
|-----------------------------|-------------------------|
| • KS-14 well maintenance | Active since 12/21/2018 |
| • KS-9 well maintenance | Active since 4/5/2019 |
| • KS-16 well maintenance | Active since 4/5/2019 |
| • KS-15 well maintenance | Active since 7/16/2019 |
| • KS-13 well maintenance | Active since 7/20/2019 |
| • KS-18 drilling (new well) | Active since 8/9/2019 |
| • KS-17 drilling (new well) | Active since 8/19/2019 |

e. Well Permits - Groundwater Wells. Two groundwater wells have also been permitted through DLNR's Commission on Water Resource Management and each remains in full force and effect and is active.

- | | |
|-----------------------|----------------------|
| • MW-4 new water well | Active since 6/11/18 |
| • MW-5 new water well | Active since 3/8/19 |

f. Non-Covered Source Permit (NSP) No. 0008-02-N.

- This permit is issued, administered and enforced by the Hawai'i State Department of Health ("DOH") for the operation of the PGV's facility.
- Regulatory oversight resides within the Clean Air Branch.
- This permit remains in full force and effect and is active.

g. Non Covered Source Permit (NSP) No. 0008-03-N.

- This permit is issued, administered and enforced by the DOH for the operation of the PGV's wellfield.
- Regulatory oversight resides within the Clean Air Branch.
- This permit remains in full force and effect and is active.

h. Underground Injection Control (UIC) Permit No. UH-1529.

- This permit is issued, administered and enforced by the DOH for the operation of PGV's reinjection wells.
- Regulatory oversight resides within the Safe Drinking Water Branch.
- This permit remains in full force and effect and is active.

i. Underground Injection Control (UIC) HI 596002.

- This permit is issued, administered and enforced by the US Environmental Protection Agency Region IX for the operation of PGV's reinjection wells.
- Regulatory oversight resides within the Clean Water Branch of DOH.
- This permit remains in full force and effect and is active.

Status of PGV's work:

Please see PGV's July 2019 Progress Report related to Force Majeure Event dated August 20, 2019, attached as Attachment 2 hereto. Prior monthly progress reports were filed in Hawai'i Electric Light 2019 Test Year Rate Case, Docket No. 2018-0368, in response to CA-IR-19 and CA-IR-95.¹

Status of Rebuilding of Transmission Lines

As a result of the Commission's directives in the May 9, 2019 letter, the Company immediately ceased work on the transmission lines and filed an Application for Approval to Construct 69 kV Overhead Transmission Line Segments to Reconnect the PGV facility on June 7, 2019 (see Docket No. 2019-0119). In this application, Hawai'i Electric Light proposed to construct certain 69 kilovolt overhead transmission line segments necessary to reconnect the PGV generating facility to the Company's electric system and respectfully requested the Commission's approval by October 15, 2019. Approval by this date would support the re-energization of Pohoiki Switching Station in approximately March 2020.² The Company

¹ The Company's response to CA-IR-19 and CA-IR-95 was filed on March 15, 2019 and June 4, 2019, respectively.

² Hawai'i Electric has been diligently performing its obligations under the Rebuild Agreement in order to enable the facility to achieve a return to Normal Commercial Operations (as defined in the Rebuild Agreement). While PGV and the Company aspired to a December 31, 2019 date for return to Normal Commercial Operations, now that work has begun as noted in the application for approval of the overhead transmission line this work is now expected to be complete in March 2020.

continues to prepare for such work and is currently ordering the steel poles which have a long-lead time, and which PGV has paid for 100% of the cost of the poles.

Status of Rebuilding of Pohoiki Switching Station

In addition to rebuilding the overhead transmission line segments, the Company must also rebuild the Pohoiki Switching Station that was destroyed during the 2018 Kilauea eruptions. The Company has worked on procuring long-lead materials for the Pohoiki Switching Station. The land covering the site has been cleared and surveyed. Electrical designs are complete. Construction bid packages for the CSA work were sent out in July and proposals were received in August. The Company is in discussions with the County of Hawai'i on whether a plan approval and/or building permits are required for this restoration work.

Community Outreach

Exhibit E of the Rebuild Agreement provided PGV's Community Outreach Plan. During this quarter, PGV conducted its third community meeting on July 17, 2019, with presenters from PGV, the Company and the County of Hawai'i. PGV provided updates of the project and were available to answer questions from the community. PGV's next community meeting is scheduled for September 18, 2019.

Status of Negotiations of a Restated PPA

As noted in the rebuild agreement prior to the 2018 volcanic eruption in the Kilauea Lower East Rift Zone, PGV and Hawai'i Electric Light were in discussions to amend and restate the power purchase agreement ("PPA") with PGV for a proposed PGV repowering project which will consist of decommissioning the older original equipment and installing new more efficient equipment. As part of these discussions, PGV proposed to consolidate all contracts into one contract, while de-linking the energy price from the price of oil. It was contemplated that the new contract would take effect after PUC approval and after the new equipment has been installed and placed into Commercial Operation.

These contract negotiations are not a result of the 2018 Kilauea eruptions or damage caused by such eruptions and the equipment to be installed as part of this amendment is not anticipated to be done as part of the Kilauea eruption repair work or return to service. The rebuild agreement and current restorations efforts described above are to restore the existing generating equipment under the existing contracts and pricing. This work is needed because the current PPA with PGV is valid through December 31, 2027 and the Company needs the overhead transmission line and Pohoiki substation in place in order to receive energy from the PGV facility as required under the PPA. As noted in the application for overhead line approval, the Company anticipates this work being completed in the March 2020 timeframe in order to allow PGV to return to service under the terms of the existing PPA, while the repowering work associated with the PPA negotiations is ongoing.

The parties continue to negotiate pricing and terms for an amended and restated PPA with the intent to execute it no later than the end of 2019 for Commission review and approval. We

are mindful of the Commission's guidance of May 9, 2019, in which the Commission expressed that a re-negotiated PPA "should de-link the PPA pricing from the cost of fossil fuel, lower costs to customers to a level that is competitive with currently-priced renewables, and do so within the timeframe by which PGV expects to come back online."³ Our next meeting with PGV is scheduled on September 20, 2019.

The Company appreciates this opportunity to update the Commission on the status of PGV related to both the rebuild and operations of the facility and PPA renegotiations. The Company will continue to update the Commission as progress continues and we look forward to successfully bringing PGV back into service and restoring a valuable renewable resource to the Company's grid. Please contact Sharon Hirai at (808) 969-0428 should you have any questions regarding this matter.

Sincerely,



Kevin M. Katsura
Director
Regulatory Non-Rate Proceedings

Enclosures

cc: Division of Consumer Advocacy

³ Letter from Commission to Kevin M. Katsura dated May 9, 2019, at 1.

EXHIBIT D – GOVERNMENTAL APPROVALS
[Rev. August 30, 2019]

N.B. Each of the permits listed is in full force and effect and is active, and no further action or approval is required by Puna Geothermal Venture to maintain such permit.

Government Agency	County of Hawaii Planning Commission	State of Hawaii Department of Land and Natural Resources (DLNR)	State of Hawaii Department of Health Clean Air Branch (HDOH - CAB)	State of Hawaii Department of Health Safe Drinking Water Branch	United States Environmental Protection Agency (EPA) Region IX
Permit	Geothermal Resource Permit (GRP 2)	Plan of Operation (POO)	Non Covered Source Permits (NSP) No. 0008-02-N (Power Plant) & No. 0008-03 (Wellfield)	Underground Injection Control (UIC) UIC Permit No. UH-1529	Underground -Injection Control (UIC) HI 596002
Status/Scope	Active, primarily for land use issues. Allows Facility to increase up to 60 MW	Active, primarily for wellfield development and maintenance. As of 1/17/06, allows development of up to 28 Wells and up to 60 MW.	Active, Primarily Air Quality for a 41 MW Nominal Power Plant & Wellfield	Active, regulates injection of fluids	Active, Regulates injection of fluids



8/20/2019

Hawaii Electric Light Company, Inc.
Sharon Suzuki, President
1200 Kilauea Avenue
Hilo, Hawaii 96720-4295

Delivery by email and mail

Dear Mrs. Suzuki:

Subject: July 2019 Progress Report related to Force Majeure Event

References:

Power Purchase Contract For Unscheduled Energy Made Available from A Qualifying Facility dated March 4, 1986, as amended ("1986 PPA")

Power Purchase Agreement between Puna Geothermal Venture ("PGV") and Hawaii Electric Light Company, Inc. dated February 7, 2011 ("2011 PPA") PGV Notice of Force Majeure of May 30, 2018 ("PGV Notice of Force Majeure")

Rebuild Agreement Between Puna Geothermal Venture and Hawai'i Electric Light Company, Inc. dated March 7, 2019

The plant remained offline for the month of July 2019 due to the lava intrusion.

Plant personnel met with HELCO on July 11th, 2019 to discuss the ongoing work required to restore the Pohoiki Switching Station and transmission lines.

Plant personnel held a community meeting on on July 17th, 2019.



This month the plant made progress in its ability to return to service. HELCO has finished standing up transmission poles and transmission lines for Phase 2. There is ongoing well work with KS-9 and KS-14. Rig 4 will be moved to KS-15. The plant is performing leak testing on OEC 15, 25, and 14, and generator preventive maintenance on OEC 22, 23, 21, and 24.

Sincerely,

A handwritten signature in black ink, appearing to read "E. Warner", written in a cursive style.

Evan Warner
Asset Manager