

File - Geothermal

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DEPARTMENT OF LAND & NATURAL RESOURCES
STATE OF HAWAII

DIV. OF WATER &
LAND DEVELOPMENT

September 20, 1989

Mr. William W. Paty
Chairman of the Board
Department of Land & Natural
Resources
State of Hawaii
1151 Punchbowl Street, Room 130
Honolulu, HI 96813

Dear Mr. Paty:

Subject: Hawaii Geothermal/Interisland Transmission Project

Enclosed is a copy of the letter sent to Intended Proposers as a result of our meetings with them September 6 through September 8, 1989.

If you need any of the attachments, please give me a call at 543-4420.

Thank you.

Sincerely,

J. F. Richardson, Jr.
J. F. Richardson, Jr.
Executive Staff Engineer

JFR, JR: ajr
Enclosure



Richard K. McQuain
Vice President
Engineering

September 19, 1989

Subject: Hawaii Geothermal/Interisland Transmission Project

We are pleased with the continued interest shown in the Hawaii Geothermal/Interisland Transmission Project during the meetings held September 6-8, 1989. We found these meetings beneficial from our standpoint in understanding the progress being made in planning your approaches and some of the problems that have surfaced. We trust that the meetings were beneficial to you also.

In reviewing our notes from the several meetings, we do not believe that any individual response from us is required. This general letter thus constitutes our response to the meetings collectively. If there is a specific item that you believe requires clarification or if anything else comes up during preparation of your Proposals, the avenue of communication through John Richardson is still available and you are encouraged to use it.

Items that we believe require a general response are as follows:

PROPOSAL SCHEDULE: The schedule was prepared with two milestones in mind: a) the early 1990 session of the Hawaii Legislature, and b) HECO's need to make a decision on the next capacity increment by the end of 1990. We thus are unable to relax the submittal dates, and Proposal Volumes should be submitted on November 1 and December 1 as described in the RFP.

PROPOSAL COMPLETENESS: The Proposals should address all technical and financial issues and complete all exhibits at the time of submittal, as requested in the RFP. As stated in the RFP, we understand that only a conceptual design will be described in your

Proposal. However, this design should be described completely in your Technical Proposal. Although we may not reject a Proposal as non-responsive if it does not contain all the requested information, it must be recognized that Proposal evaluation and short-list selection will occur in a competitive environment.

POWER DELIVERY SCHEDULE: The information in RFP Sections 5.1 and 5.2 are for information only. As stated in Section 5.3, Proposers are free to define their own Project development schedule. If you believe that the earliest achievable program results in different amounts of power delivered according to a different schedule, that is what you should build your Proposal around. The RFP material is simply to provide guidance and demonstrate that there is a market for the geothermal power as early as 1995.

GEOHERMAL RESOURCE PARAMETERS: HECO realizes that the sparse existing data allows a broad spread of estimates on well spacing, flow rates, character of produced fluids, etc. However, we will not provide standard assumptions of produced fluids and well capacity for Proposal purposes. One of the intents of the RFP is to determine your opinion on the commercial viability of the Project. To achieve this requires a credible assessment of the reservoir by the Proposer and a realistic development schedule. This assessment should reflect not only the known information on produced and tested geothermal fluids but your judgment as to the significance of the information for the proposed commercial venture and your selection of production well completion techniques. (See RFP discussion Exhibit A, Sections A9 and A10.)

STATE GEOHERMAL FUNDING: The State has \$3,000,000 committed to the Scientific Observation Hole program. An additional \$2,600,000 is available and uncommitted. In addition, DBED will be asking the Governor to request the 1990 Legislature for an additional \$3,000,000. Proposers are strongly urged to suggest ways to the State that this money can best be committed to assist the Project.

TRANSMISSION CORRIDOR: The State (DBED) has a verbal opinion from the Attorney General's Office that existing law allows the Department of Transportation to acquire energy corridors for transmission line use. We expect to have a written opinion shortly and will share it with you upon receipt. Although the State has not established a final position on the issue, we are working with the State to obtain their commitment to acquire the overland corridors if necessary. Based on the status of these discussions, for the purposes of the Proposal, you are to assume that the State will acquire the overhead transmission line right of way, thus removing that uncertainty from your schedule. However, you should assume and include in your Commercial Proposal a cost for use of the



right of way. It is not proposed that the State or HECO acquire land rights for cable terminations, converter stations, or power production facilities.

AIR QUALITY GUIDELINES: It is anticipated that final air quality standards will be published by year-end rather than October, as we had indicated in our meetings. We will forward a copy of them to you upon receipt. As we noted, implementing regulations are not likely to be published for several months after the standards have been established.

Enclosed is a copy of the current draft of Hawaii Administrative Rules, Title 11, Department of Health, Chapter 59, "Ambient Air Quality Standards" and Chapter 60, "Air Pollution Control." We have been advised that the draft standards have some flaws and will again be subjected to public hearings.

NOISE GUIDELINES: There are no State guidelines applicable to this Project. The County of Hawaii acceptable noise levels for geothermal development are as follows:

- a. That a general noise level of 55 dBA during daytime and 45 dBA at night not be exceeded except as allowed under b. For the purposes of these guidelines, night is defined as the hours between 7:00 p.m. and 7:00 a.m.;
- b. That the allowable levels for impact noise be 10 dBA above the generally allowed noise level. However, in any event, the generally allowed noise level should not be exceeded more than 10% of the time within any 20 minute period;
- c. That the noise level guidelines be applied at the existing residential receptors which may be impacted by the geothermal operation; and
- d. That sound level measurements be conducted using standard procedures with sound level meters using the "A" weighting and "slow" meter response unless otherwise stated.

LOAD DURATION CURVE: A 1988 load duration curve for the HECO system, as well as data from which the duration curve was constructed, is enclosed.

SURROGATE CABLE AT-SEA TEST SCHEDULE: The at-sea testing of the surrogate cable will begin as scheduled on October 10. Laboratory testing of the electrical cable was successfully completed in November 1988; the U.S. Department of Energy has accepted the test report. The surrogate cable has been manufactured and is in Houston for loading and shipment to Hawaii on September 23 aboard



the cable laying ship to be used for the at-sea testing. Key subsystems to be used in the test have been successfully checked out at sea aboard a smaller vessel, and the 18 transponders required for bottom navigation are in place in the Alenuihaha Channel.

The test series is scheduled for 22 days and preliminary summary results will be available at the end of November, with the final report expected to be completed by the end of March 1990.

REACTIVE REQUIREMENTS AND VOLTAGE SUPPORT STUDY: The Proposers are reminded that they must include in the Waimanalo Inverter Terminal cost analysis sufficient reactive capability to supply not only the reactive requirements of the inverter, but also of the HECO AC system. This requirement is detailed in Section 3.6.4.4 pages 3-40, 41 and 42. The HECO voltage support study results mentioned on page 3-41 will be available to the Developer for use in final design studies.

AVOIDED COSTS: Due to the two open dockets, HECO is not in a position to provide an avoided cost methodology for this Project at this time. These two dockets will provide some information on the PUC's position as one docket represents a lower capital cost, higher fuel cost application and the other a higher capital cost, lower fuel cost application. HECO expects to reach agreement with the PUC regarding avoided costs specifically for this Project shortly after final decisions are received in the two open dockets.

Enclosed for your information is a portion of the materials on file with the PUC on the AES Purchase Power Contract, Docket No. 6177, which further addresses HECO's avoided costs:

- a) Decision and Order No. 10296 (July 28, 1989).
- b) Motion for Partial Reconsideration . . . (August 7, 1989).
- c) Testimony of R. K. McQuain, HECO T-7, Docket No. 6177.
- d) HECO 703 through 708, Docket No. 6177.
- e) Testimony of George R. Hall, HECO T-9, Docket No. 6177.

We will send you information on the Kalaeloa Purchase Power Contract (Docket No. 6378) Decision and Order and the results of the AES Motion for Partial Reconsideration . . . (Docket No. 6177) when they become available.



STATE ASSISTANCE: If the Project requires public sector financial assistance, Proposers are strongly encouraged to detail the nature and scope of that assistance. It would be very advantageous if you will include several alternate forms this assistance could take and include sufficient detail to allow HECO and the State to consider them.

However, we wish to remind you of the qualification in the Governor's letter in the Executive Summary of the RFP that the State is willing to explore financial support mechanisms if the State is satisfied the Project cannot be accomplished without State support. Therefore, Proposals requesting State support will need to justify the necessity of the support.

STATE ROLE IN NEGOTIATIONS: We are asking the State to provide HECO with an executed Confidentiality Agreement that includes the State and its consultants by October 6, 1989 so that a copy can be forwarded to Proposers.

The Governor has already indicated his willingness to consider State assistance to the project, if necessary. Presumably, the form of that assistance will be requested in the submittals to the RFP and more clearly defined during the evaluation and negotiation process. As a result of possible State involvement, it is appropriate that everyone have an understanding of the submittals made, the assistance requested, and the State's role in the evaluation and negotiations process.

With respect to the proposed evaluation process, it would seem appropriate with HECO's concurrence that the State, through its representative, be involved in the evaluation of the submittals. The State may decide to include counsel in that process as well. The role of the State will be to enhance negotiations but in a manner which would not compromise our opportunity to ultimately obtain a viable and enforceable Power Purchase Agreement ("PPA").

Because HECO and the successful Proposer will be the signatories to the PPA, HECO and the short list proposers will be the sole participants directly negotiating the PPA. At any time, the State may be advisor to the participants or HECO. Hence, once HECO determines the short list, it is expected that HECO will initiate fact-finding and subsequent negotiations with one or more of the short-listed Proposers.

RFP STEERING COMMITTEE: As part of HECO and the State's ongoing efforts to inform and involve the various levels of government in the process, Mr. Duane Kanuha, Director, County of Hawaii Planning



Department, has been added to the Steering Committee. The enclosed committee sheet dated September 1, 1989 reflects this addition.

ACT 301 REGULATIONS: The consolidated geothermal permitting regulations have been promulgated. Copies were provided in all of the meetings. If you need additional copies, contact Jerry Lesperance.

PUBLIC DOCUMENT ROOM: The State has established a new geothermal project office at 130 Merchant Street, Suite 1060, Honolulu Hawaii 96813. The Public Document Room and Jerry Lesperance's office have been moved to this location. His telephone numbers are (808) 548-7208, and (808) 548-7209. His FAX number is (808) 548-7210, and can also be used for recording voice messages.

MASTER DEVELOPMENT PLAN AND PROGRAMMATIC EIS: The State has executed a contract with ERC Environmental and Energy Services Co. to prepare a master development plan, a programmatic EIS, and transmission corridor alignments, and to provide a public information and involvement program regarding the master planning process. ERC has established a local Honolulu office at 900 Fort Street Mall, Suite 1550, Honolulu, HI 96813. Their telephone number is (808) 545-2462. The scope and schedule for this work is enclosed.

HECO will assume the task of coordinating ERC's work with HECO's RFP and subsequent power purchase negotiations to assure that the resulting development plan and EIS are of maximum benefit to the Project. In addition, Proposers are encouraged to contact ERC directly.

ENEL: The State is continuing to consider a contract with ENEL for the following:

- a) Advise the State on how best to allocate geothermal funding to benefit the project.
- b) Assist the State in the assessment of the geothermal resource as evidenced by the results of the Scientific Observation Hole program.
- c) Provide specific inputs to the development Master Plan.
- d) Advise the State on ways it might assist the project financially, if necessary.



With regard to the latter, presumably this would be completed by December 1, 1989 when the Commercial Proposals are due. We have informed the State that we do not expect any State consultant except their legal consultant to be, or perceived to be, a participant (even as an advisor to the State) in the evaluation of a Proposal or selection of a Proposer. Hence, after HECO selects the short list, the State's consultant may be involved in the evaluation of proposals in order to advise the State on ways to financially assist the project. However, the State has advised us that its consultant will not be used in any manner which may prejudice the State's role or opportunities for the short list proposers. We will provide you with a copy of ENEL's scope of work and Confidentiality Agreement upon receipt.

LEGISLATURE ORGANIZATION AND SCHEDULE: Enclosed is a Telephone Directory of Elective Officials, State of Hawaii, 1989, and includes the Senate and House Committees and their membership.

Additionally, the Legislative Timetable in 1990 will be about the same as the enclosed 1989 Timetable except with respect to the dates; i.e., the Legislature will start on Wednesday, January 17, 1990, and other deadlines will be approximately one date sooner.

The DBED is establishing a mechanism whereby they will be able to introduce legislation based on innovative ideas contained in the Commercial Proposal to the RFP. However, if your Proposal requires public sector financial assistance which would entail some action in the 1990 Legislature, you are encouraged to contact Jerry Lesperance prior to September 30, 1989 and indicate the type of assistance necessary to ensure it be given proper consideration in adequate time.

HECO COMMUNICATIONS: For your information on what HECO has recently done relative to our position on the project, we have enclosed a copy of a newspaper article written by our Manager of Corporate Communications. You will also find a copy of our September 1989 "Consumer Lines," an electric bill insert which goes to every HECO, HELCO and MECO customer.

The delivery instructions of RFP Section 2.3 are modified as follows. Four copies of the Technical Proposal are due in Honolulu by 4:00 p.m., November 1, 1989. Four copies of the Technical



Page 8
September 19, 1989

Proposals are due in Denver, Colorado by 4:00 p.m., November 1, 1989. The Denver copies should be addressed to:

Mr. V. R. Fesmire
Project Manager
Stone & Webster Engineering Corp.
5500 South Quebec Street
Englewood, CO 80111

Sincerely,

Richard K. McQuinn

JFR, JR/RKM:dnn
Enclosures



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Sons
Sons

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EXHIBIT 2.7

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CONFIDENTIALITY AGREEMENT

DIV. OF WATER &
LAND DEVELOPMENT

THIS CONFIDENTIALITY AGREEMENT ("Agreement") is entered into by _____ (the "PROPOSER") and Hawaiian Electric Company, Inc. ("HECO"), Honolulu, Hawaii, and shall govern all confidential information submitted by or on behalf of the PROPOSER in connection with a Proposal responding to the Request for Proposals to deliver electric power for sale to HECO from the Geothermal/Interisland Transmission Project issued by HECO in May, 1989, ("Proposal").

1. The PROPOSER agrees that information it considers confidential and that contains trade secrets and/or privileged or confidential commercial or financial information will be clearly and specifically identified by segregating such information, placing bars in the margin beside such information, or otherwise providing notation as to what portions of material submitted in the Proposal are to be treated as confidential, and by placing the following notation on the bottom of the Proposal page that contains confidential information: "This page contains confidential or proprietary information." The PROPOSER agrees to refrain from indiscriminately requesting confidential treatment pursuant to this Paragraph.

2. It is understood and agreed that the obligations of this Agreement do not apply to any information known by HECO, or prior to the date of this agreement which enters the public domain or is obtained from a third party through no action by HECO.

3. HECO agrees that information submitted pursuant to Paragraph 1 of this Agreement shall be used by HECO solely for evaluation purposes by officers, directors, employees, consultants, counsel and agents of HECO.

4. HECO may at any time seek the consent of the PROPOSER to disclose confidential information submitted in a Proposal pursuant to Paragraph 1 to other persons or entities by requesting in writing that the PROPOSER authorize such disclosure. If the PROPOSER does not respond in writing within ten (10) working days of the postmarked date of notice from HECO, the PROPOSER will be deemed to have agreed to said disclosure, provided that HECO must provide the PROPOSER with an executed copy of an agreement, as set forth in Attachment A to this

Agreement, signed by the person or entity, or representative thereof, to whom such disclosure is to be made.

5. Notwithstanding anything contained hereinabove or the RFP to the contrary, PROPOSER consents to the disclosure to the State of Hawaii of Confidential Information submitted in its Proposal pursuant to Paragraph 1, provided HECO provides PROPOSER with an executed copy of the Agreement with the State as set forth in Attachment B to this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and duly attested as of the day and year indicated on the face of this Agreement.

ATTEST:

HAWAIIAN ELECTRIC COMPANY, INC.

By _____
Name _____
Title _____

ATTEST:

By _____
Name _____
Title _____

ATTACHMENT A

The form of an agreement pursuant to Paragraph 4 shall be as follows:

I certify my understanding that access to confidential material is provided to me pursuant to the terms and conditions of the "Confidentiality Agreement" in connection with a Proposal responding to the "Request for Proposal for the Geothermal/Interisland Transmission Project ("RFP")," issued by the Hawaiian Electric Company, Inc. ("HECO"), Honolulu, Hawaii, May, 1989. I agree that the contents of the confidential information shall be used solely for evaluation purposes in connection with the RFP and shall not be disclosed to anyone other than as permitted in the "Confidentiality Agreement."

I further certify that I have authority to bind to the "Confidentiality Agreement" all officers, employees and agents of [name of company] or other person to whom I may disclose any material provided to me pursuant to the terms and conditions of this Agreement, and that [name of company] agrees to defend, indemnify and hold harmless Hawaiian Electric Company for any claims, suits, actions, and liability on the part of HECO to any person arising or resulting from the use or disclosure of materials or information obtained pursuant to the terms and conditions of the "Confidentiality Agreement."

By: _____

Title: _____

Representing: _____

Date: _____

ATTACHMENT B

A G R E E M E N T

THIS AGREEMENT ("Agreement") is entered into by the State of Hawaii ("State") and Hawaiian Electric Company, Inc. ("HECO") and shall govern all information obtained by the State in connection with the Geothermal/Interisland Transmission Project described in HECO's Request for Proposal for the Project issued in May, 1989 ("Project").

WHEREAS, the State desires to support the Project by providing certain assistance to enhance opportunities for submittal of viable proposals and final acceptance by HECO of one proposal.

NOW THEREFORE, HECO and the State hereby agree as follows:

1. State will receive one copy of each proposal submitted to HECO for the Project ("Proposal") provided the proposer ("Proposer") and HECO reach a mutual agreement in writing for the State's receipt of such proposal.

2. State understands and agrees that any and all confidential or proprietary information, communications and data, particularly those containing trade secrets and/or privileged or confidential commercial or financial information ("Confidential Information") whether or not noted accordingly, made available to the State through the Proposals or otherwise, shall be held in trust and confidence and used solely for evaluation purposes, and to provide assistance to the proposer submitting the Proposal. State and the undersigned for the State shall prevent any inadvertent disclosure to anyone not authorized pursuant to this Agreement.

3. State shall not disclose Confidential Information to any person or entity except employees who are required to have such information for evaluation or assistance purposes.

4. State agrees that all information provided hereunder is not a public record, public document or anything else which may subject such information to public disclosure.

5. It is understood that the obligations of this Agreement do not apply to any information known by the State prior to the date of this Agreement or which enters the public domain through no action of the State.

6. State understands Proposer has an interest in protecting the disclosure and use of any Confidential Information and therefore State agrees that Proposer shall be fully entitled to take any action against the State as though it were a party, the same as HECO, to this Agreement. State further waives any lack of privity to this Agreement with Proposer.

7. The undersigned for the State certifies that he or she has the authority to bind the State to this Agreement and further agrees to defend, indemnify and hold HECO harmless for any and all suits, claims, actions and liability on the part of HECO to any entity or person arising or resulting from the State's use or disclosure of any Confidential Information obtained pursuant to the terms and conditions of this Agreement.

HAWAIIAN ELECTRIC COMPANY, INC.

By _____
Its _____

Date _____

"HECO"

STATE OF HAWAII

By _____
Its _____

Date _____

"STATE"



Hawaiian Electric Company

NEWS • RELEASE

CONTACT: Scott Shirai - (808) 543-5602

FOR IMMEDIATE RELEASE

August 8, 1989

Six geothermal developers have indicated to Hawaiian Electric Company (HECO) that they intend to submit proposals for the development and transmittal of 500 megawatts of geothermal power from the Big Island to Oahu.

The six are ABB Energy Ventures, Inc., Fluor Daniel, Inc., Mission Energy Company, Mission Power Engineering Company, PG&E-Bechtel Generating Company, and C. Itoh & Co. (America), Inc.

"We are greatly encouraged by this initial response," said HECO President Harwood D. Williamson, "and we look forward to a thorough review of the detailed particulars later this year."

In May, HECO issued a Request for Proposals on this project which, if completed as scheduled in 1995, would move Hawaii many steps forward in achieving the State goal of energy self-sufficiency.

Technical proposals indicating how the geothermal developers expect to realize this task are due by November 1 of this year. The developers have until December 1, 1989 to submit commercial proposals for a Purchase Power Agreement with HECO, along with plans of how they intend to finance the project. HECO hopes to consummate a draft contract with the successful geothermal developer by October 1, 1990.

Oahu accounts for about 80 percent of Hawaii's electrical consumption and the successful implementation of this project would displace some 7.3 million barrels of imported fuel oil.

* * * * *

PROJECT STATUS

HAWAII GEOTHERMAL/UNDERSEA CABLE PROJECT



Department of Business and Economic Development
Energy Division

September 1, 1989

HAWAII GEOTHERMAL/UNDERSEA CABLE PROJECT

- HAWAII DEEP WATER CABLE PROGRAM
- ACT 301, SLH 1988, GEOTHERMAL PERMIT STREAMLINING
- GEOTHERMAL EXPLORATION PROGRAM
- RFP TO SELECT DEVELOPMENT CONSORTIUM
- GEOTHERMAL MASTER PLAN, PUBLIC INVOLVEMENT, EIS
- HGP-A AND PUNA GEOTHERMAL VENTURE
- SPECIALIZED CONSULTANTS
- MISCELLANEOUS

HAWAII DEEP WATER CABLE PROGRAM (HECO)

- **FEDERAL FUNDING OBTAINED**
- **FINAL CONTRACT NEGOTIATED**
- **AT-SEA TESTING OCTOBER OR NOVEMBER 1989**
- **FINAL RESULTS AVAILABLE EARLY 1990**

**ACT 301, SLH 1988,
GEOHERMAL PERMIT STREAMLINING (DLNR)**

- DRAFT ADMINISTRATIVE RULES DEVELOPED
- PUBLIC HEARINGS HELD IN JUNE 1989
- APPROPRIATE REVISIONS MADE
- BLNR HAS APPROVED
- RULES FOR GOVERNOR'S APPROVAL IN SEPTEMBER
- INTERAGENCY COORDINATING GROUP FORMED

GEOHERMAL RESOURCE VERIFICATION AND CHARACTERIZATION (DBED, UH)

- HNEI SLIM HOLE PROJECT AWAITING PERMITS
- PLANS TO UTILIZE ADDITIONAL STATE MONEY NEEDED
- FEDERAL FUNDS SOUGHT
- CASSIDY AND ASSOCIATES ASSISTING DBED
- TRUE/MID-PACIFIC PERMIT VIOLATIONS

RFP TO SELECT PRIVATE CONSORTIUM (DBED, DLNR, HECO)

- RFP ISSUED MAY 1989
- RFP STEERING COMMITTEE GUIDES POLICY
- OPEN BIDDERS CONFERENCE HELD JUNE 5, 1989
- CONCERNS OVER STATE ROLE RAISED
- FORMAL WRITTEN RESPONSE ISSUED JULY 12, 1989
- INDIVIDUAL MEETINGS WITH PROPOSERS SEPTEMBER 5, 1989
- TECHNICAL PROPOSALS DUE NOVEMBER 1, 1989
- FINANCIAL PROPOSALS DUE DECEMBER 1, 1989
- CONTRACT NEGOTIATIONS COMPLETE DECEMBER 1990

**DEVELOP MASTER PLAN,
CONDUCT PUBLIC INVOLVEMENT (DBED)**

- CONTRACT AWARDED TO ERC ENERGY & ENVIRONMENTAL SERVICES CO.
- INCLUDES MASTER PLAN, PUBLIC INVOLVEMENT, TRANSMISSION LINE, EIS
- CURRENTLY PRODUCING DETAILED WORK PLAN
- HELD PUNA COMMUNITY ROUNDTABLE AUGUST 1
- ENERGY DIVISION ALSO MEETING WITH OTHER GROUPS

HGP-A AND PUNA GEOTHERMAL VENTURE (NELH)

- HGP-A STILL CONTROVERSIAL
- NELH HAS RESPONDED TO COUNTY CONCERNS
- HELCO NEEDS HGP-A POWER
- PGV INTERESTED IN ACQUIRING STEAM
- RESEARCH COMMITMENTS IN PLACE
- PGV PERMIT FOR 25 MW DEFERRED BY COUNTY

SPECIALIZED CONSULTANTS (DBED)

- LEGAL -- G. SUMIDA OF CARLSMITH ET AL
- TECHNICAL -- ENEL (ITALIAN GOVERNMENT POWER AUTHORITY)
- FINANCIAL?

MISCELLANEOUS

- MAYOR AKANA'S GEOTHERMAL ADVISORY COMMISSION
- DBED INTERVENTION IN KALAELOA PROCEEDING
- ALTERNATE ENERGY WORKSHOP
- GOV'S ADVISORY BOARD ACTIVITIES
- BUDGET AND FINANCE, PUC ISSUES
- DEPT OF HEALTH ISSUES
- DLNR ISSUES
- ATTORNEY GENERAL
- HAWAII COUNTY
- MAUI COUNTY



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DEPARTMENT OF NATURAL RESOURCES
STATE OF HAWAII

DIV. OF WATER & LAND DEVELOPMENT
July 31 1989

Ms. Hallie Simmons
P. O. Box 11693
Lahaina, Hawaii 96761

Dear Ms. Simmons:

Thank you for your letter of July 13 regarding geothermal development and the deep water cable. Protection of Hawaii's environment has been a primary objective of both Hawaiian Electric Company and the State of Hawaii throughout the feasibility analyses and preliminary planning for this highly complex proposed development. To this end, the State Department of Business and Economic Development (DBED) has funded, and continues to provide funding for a number of studies which directly address your questions. As part of the Hawaii Deep Water Cable Program, the State funded studies that resulted in two particularly relevant documents:

- o HDWCP Phase II-A, "Environmental Analyses" and
- o HDWCP Phase II-C, "Environmental Assessment"

Similarly, on the geothermal side, the State has funded a comprehensive examination of environmental issues in its "Environmental Review: 500 MW Geothermal Development."

These documents are but two of the more than 100 dealing with the technical, economic and environmental feasibility of the deep water cable, and but one of more than 450 dealing with geothermal development in Hawaii. All of these documents are available at the DBED Energy Division library. I suggest you call Mr. Gerald Lesperance at 548-4020 to arrange to see any of these documents.

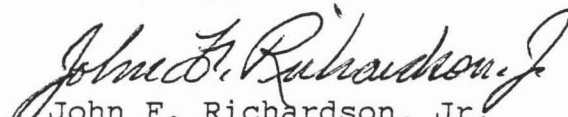
In addition, DBED has very recently entered into a contract for the production of a master development plan, transmission line routing study and environmental impact statement (EIS) specific to HECO's solicitation of a developer for the integrated geothermal/cable system. The EIS process is designed to encourage public participation in assessment of the impacts of any development. In this instance, the first such opportunity will be when DBED's consultant files the EIS Notice of Preparation in the biweekly bulletin produced by the State Office of Environmental Quality

Ms. Hallie Simmons
July 31, 1989
Page Two

Control. We encourage you to respond to this notice when it becomes available and become a "consulted party" for the EIS.

Thank you again for your interest in this important project.

Sincerely,


John F. Richardson, Jr.
Executive Staff Engineer

WAB:cat

cc: Wayne Nishiki (Maui County Council)
W. Paty^v(Chairman, DL&NR)
Gary Kubota (Editor, Lahaina News)





DEPARTMENT OF BUSINESS AND ECONOMIC DEVELOPMENT

KAMAMALU BUILDING, 250 SOUTH KING ST., HONOLULU, HAWAII
MAILING ADDRESS: P.O. BOX 2139, HONOLULU, HAWAII 96804 TELE: 743026 H10P2D

^{P.3}
JOHN WAIHEE
GOVERNOR
ROGER A. ULVELING
DIRECTOR
BARBARA KIM STANTON
DEPUTY DIRECTOR
LESLIE S. MATSUBARA
DEPUTY DIRECTOR

88:838B

FACSIMILE TRANSMITTAL PAGE

PLEASE DELIVER THE FOLLOWING PAGES TO:

NAME: DEAN NAKANO
COMPANY: _____
FROM: G. LESPERANCE
DATE: 8/9/89 TIME: NOON
MESSAGE: _____

Total number of pages (including Transmittal Page): 2

IF YOU DO NOT RECEIVE ALL OF THE PAGES LEGIBLY, PLEASE CALL BACK.
PHONE (808) 548-4080.

Sending Facsimile Number: (808) 531-5243
Receiving Facsimile Number: () _____



Hawaiian Electric Company

N E W S • R E L E A S E

CONTACT: Scott Shirai - (808) 543-5602

FOR IMMEDIATE RELEASE

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Oahu accounts for about 80 percent of Hawaii's electrical consumption and the successful implementation of this project would displace some 7.3 million barrels of imported fuel oil.

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PROJECT STATUS
HAWAII GEOTHERMAL/UNDERSEA CABLE PROJECT

July 25, 1989

The following outline status report on the major issue areas involved in implementing the Hawaii Geothermal/Undersea Cable Project is provided to update participants knowledge, clarify understanding, discuss unresolved issues, and aid in strategy development.

Hawaii Deep Water Cable Program (HECO)

- o All Congressional funding to complete the research is in place
- o U.S. DOE and HECO have completed final contract negotiations
- o Final phase at-sea testing, deployment, and retrieval of a surrogate cable scheduled for October-November 1989
- o Test results should be available to the public/bidders in early 1990

Implementing Act 301, SLH 1988, Geothermal Permit Streamlining Act (DLNR)

- o DLNR has developed draft administrative rules
- o Public hearings to consider rules were held throughout State in June 1989
- o DLNR staff and the BLNR are reviewing public comments for final rule making
- o Current goal to recommend rules for Governor's approval this summer
- o DLNR has established an Interagency Coordinating Group that includes Hawaii County representatives. However, lack of representation has been raised as an issue by their Planning Director.

Geothermal Resource Verification and Characterization Program (DBED, UH)

- o HNEI Slim Hole Project, managed by Dr. Harry Olson, is still seeking land use permits for the \$3 million project
 - Well drilling permits have been obtained from DLNR
 - County Geothermal Resource Permit mediation process was completed on July 6, mediator's report filed with the County on July 17
 - Planning Commission deferred decision on the permit until the first week of August
 - Private sector is watching what occurs with this permit with great interest
 - Permit application for SOH 3 in State conservation lands is pending review and approval by DLNR

- o 1989 Legislature also provided \$2.6 million for additional geothermal exploration work; plans to utilize these resources must be firmed up
- o DBED expects to request additional \$3 million for 1990 Legislature for geothermal exploration
- o State request for Federal funding for geothermal exploration being pursued by consultants, Cassidy and Associates
 - Requesting \$15 million total, spread over three years
 - Money was not included in the House markup of the Appropriations bill (no "new start" criteria by Committee)
 - Cassidy and Associates are pursuing the Senate version with Senator Inouye's assistance
- o True/Mid-Pacific has initiated their exploration program; their initial overzealous road-clearing activities has caused problems
 - Work is currently stopped, pending BLNR enforcement action
 - Hawaii County has expressed concern over their lack of jurisdiction over this incident

Request for Proposal (RFP) to Select Private Consortium (DBED, DLNR, HECO)

- o Technical RFP development by HECO, their consultants, DBED representative, forming a Working Committee (RFP issued May 1989)
- o RFP scope provides for privately owned and financed "complete" project (geothermal, power plants, and transmission) with power delivered to HECO grid
- o Contract arrangement is private PPA; alternatives such as cost sharing; build, own, transfer, public financing not considered at this time
- o RFP Steering Committee (HECO, DLNR, DBED, Mr. Quinn) meets regularly to guide policy framework for RFP
- o All-day open bidders conference held on June 5, 1989; over 125 persons attended, several issues of concern to bidders were discussed
 - Proposers were concerned over their lack of ability to acquire overland transmission routes. Through DOT, the State may be able to use Chapter 227, HRS, "Energy Corridors" to acquire rights-of-way. 277
 - Proposers wanted clarification on other land acquisition issues. They were advised that the State cannot use eminent domain to acquire access for geothermal fields and power plants to be owned by the private sector.

- Proposers inquired of the level of State financial assistance available. This was not quantified, but the State is open to indirect financial assistance.
- Permitting assistance was raised as an issue. DBED and DLNR are committed to provide assistance, but the developer must apply for site-specific and technology-based permits.
- Formal written response to questions issued by HECO/State on July 12, 1989
- o Next milestone is a second-round of proposers meetings (individually this time) about September 5
- o Technical proposals due November 1, 1989, financial proposals due December 1, 1989; HECO wants to negotiate power purchase agreement by the end of 1990

Develop Geothermal Master Plan, Conduct Public Involvement Program (DBED)

- o On June 30, 1989, a contract for \$400,000 was negotiated and awarded to ERC Energy and Environmental Services for first phase Master Development Plan, public involvement program, and overland transmission corridor analysis
- o FY 1989-90 CIP of \$800,000 will increase scope to complete planning and prepare programmatic EIS, completion date before end of 1990
- o Consultant currently working on a detailed work plan
- o DBED is sponsoring another roundtable on August 1, 1989, with the Puna Community in Hilo. ERCE and subconsultant, Communications Pacific, will join State representative in a July 29 coordination session.
- o DBED (Kaya) and HECO (Bonnet) presented a talk on the project to Waimea-Kawaihae Community Association on July 6. A similar presentation has been requested by the Kona Chamber of Commerce.

HGP-A and Puna Geothermal Venture (PGV) (NELH)

- o HGP-A continues to receive media attention
- o NELH, in writing and in person, has addressed items of immediate concern to Hawaii County Planning
- o Critical power needs of HELCO at present argue for maintaining HGP-A operation.
- o HELCO expects to have additional generation (diesel, at Keahole) on line about October, pending issuance of air quality permits
- o PGV has expressed interest in using the existing steam resource when their first plant is on line. Requires BLNR approval.

- o There are numerous operating commitments to ongoing research at HGP-A and NELH's Puna Research Center that rely on this same steam
- o PGV's geothermal permit from Hawaii County is also in mediation. The same parties are involved as those with SOH, with the addition of County Planning and Council Chair Kokubun.

Specialized Consultants (DBED)

- o Gerald Sumida of Carlsmith et al has been retained as special counsel to the State for the project
- o ENEL-Italian National Electric Energy Organization
 - Has proposed to DBED to provide expertise on program review and oversight, assistance with evaluations of State/HECO RFP, and preparation of a geothermal resource development plan
 - Contract currently pending Governor's approval
- o DBED is also pursuing specialized expertise in financial program development

Miscellaneous

- o Mayor Akana has recently formed a Geothermal Advisory Commission to "advise and advocate" on behalf of geothermal to the Mayor and Council
- o DBED has intervened before the PUC regarding Kalaeloa oil-fired cogeneration plant; issues are conformance with State policy, effect of additional fossil plants on a transition to geothermal in 1995, and use of demand-side management techniques to defer need for additional generation capacity
- o DBED is also conducting a workshop to "identify and deal with impediments to renewable energy development" on July 26 and 27
- o Governor's Advisory Board continues to provide needed counsel on the project; next meeting planned in Hilo
- o Budget and Finance and PUC address policy questions regarding financial mechanisms, financial assistance, direct or indirect subsidy, other incentives, attracting foreign capital
- o Department of Health needs to issue final rules for Air Quality Permitting (relating to emissions, particularly hydrogen sulfide)
- o DLNR ongoing issues
 - Designation of Kilauea S.W. Rift Zone as Geothermal Resource Subzone (GRS)
 - Determine whether property owners in existing GRS can withdraw their properties from the subzone since geothermal activity already occurring

- Determine the applicability of the 3,500 feet buffer zone for all proposed geothermal development
 - Express a position on the legality of ongoing geothermal activity and permitting in Campbell lands pending Pele suit
- o Attorney General's Office
- Counsel on how to handle liability for damages from geothermal-related activities (damage to property, agriculture crops, health and nuisance)
 - Applicability of energy corridor (Chapter 227, HRS) statute to geothermal transmission lines, and whether State can exercise eminent domain
 - Possible challenge to right of due process by eliminating contested case provisions and direct appeal to the Supreme Court
 - Chapter 343 concern over whether all geothermal activities held off until master project EIS is filed
- o Hawaii County issues
- Statement of position on geothermal related to County Policy and General Plan
 - Understanding and communication of benefits of project to State and County (\$158 million PDV 1986 dollars, Plasch report)
 - Address perceived and real land use conflicts, i.e., suitability of geothermal in agriculture zone with residences
- o Maui County needs to adopt rules for geothermal development on Maui

JOHN WAIHEE
GOVERNOR OF HAWAII



STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE MANAGEMENT

P. O. BOX 621
HONOLULU, HAWAII 96809

WILLIAM W. PATY
CHAIRPERSON

JOHN C. LEWIN, M.D.
MICHAEL J. CHUN, Ph.D.
ROBERT S. NAKATA
RICHARD H. COX, P.E.
GUY K. FUJIMURA

MANABU TAGOMORI, P.E.
DEPUTY

JUL 3 1989

Mr. Richard K. McQuain
Vice President, Engineering
Hawaiian Electric Company, Inc.
P.O. Box 2750
Honolulu, Hawaii 96840

Dear Mr. McQuain:

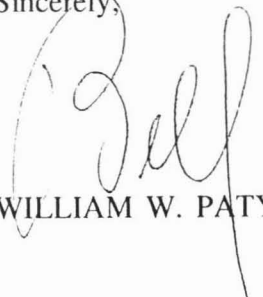
Thank you for your letter dated June 15, 1989, concerning the coordination of communications and requests for information from those parties interested in submitting a proposal for the Geothermal/Inter-island Transmission Project.

The Department of Land and Natural Resources concurs with your request to advise each other of any release of information or discussions that HECO or the State may have with prospective proposers regarding the geothermal/cable RFP. As such, please direct all such acknowledgements of any interaction with interested parties to:

Manabu Tagomori, Deputy Director
Division of Water and Land Development
Department of Land and Natural Resources
P.O. Box 373
Honolulu, Hawaii 98609
Phone: 548-7533
Telefax: 548-6052

Please be assured that our Department will make every effort to notify either Mr. Richardson or Ms. Erickson of any similar contacts by proposers. Should you have any questions, please contact Manabu Tagomori.

Sincerely,



WILLIAM W. PATY

RECEIVED

33 JUN 20 AID: 00

DIV. OF WATER &
LAND DEVELOPMENT

June 15, 1989

Richard K. McQuain
Vice President
Engineering

Mr. William W. Paty
Chairman of the Board
Department of Land & Natural
Resources
State of Hawaii
1151 Punchbowl Street, Room 130
Honolulu, HI 96813

Dear Mr. Paty:

I want to take this opportunity to thank you and others of your staff and colleagues for participating in and contributing to the successful open proposers conference on the Geothermal/Inter-island Transmission Project held Monday, June 5.

Hawaiian Electric Company is very pleased with the breadth of attendance and interest in the request for proposals (RFP). Importantly, I think, the project has now reached the stage where serious proposers are identified, and those entities will begin defining their proposals. To that end, questions including confidential matters will be posed about aspects of intended proposals. Some may be potentially unique, others not. In an effort to ensure that all proposers are treated fairly, I hope you will join with me in coordinating, to the extent possible, our various and separate communications with individual parties interested in submitting a proposal.

The two volumes constituting the RFP represent HECO's official documentation for the solicitation. We have identified a procedure (see page 2-1, section 2.2 of HECO's RFP) by which addenda or clarifications to the RFP will be issued and made available to all parties intending to submit a proposal. Out of any conversations which HECO or the State may have with prospective proposers, information may be imparted to one of us that will be helpful to all in preparing a submittal. Such information submitted to us by the State which is appropriate for clarification or addition by addenda in accordance with the RFP procedure will be disseminated to proposers by HECO. Admittedly, what information may qualify for broader dissemination is judgmental in nature and a sense of "fair play" is likely to be the governing principle.

Mr. William W. Paty
Page 2
June 15, 1989

I request at this time that, in an attempt to coordinate our efforts, it would be helpful to try to advise each other of the overtures being made by various interested parties and the nature of discussions. Perhaps a log of such interactions and, if possible, a quick call by your office to John Richardson, HECO's Project Manager of the RFP, or Jackie Erickson, HECO's Corporate Counsel, in John's absence, would allow us to maintain the integrity of the process. Transmittals should be sent to:

John F. Richardson, Jr.
Hawaiian Electric Company, Inc.
820 Ward Avenue
Honolulu, HI 96814
Telephone Number: 543-4420
Fax: 543-7898

or

Jackie M. Erickson
Hawaiian Electric Company, Inc.
220 S. King Street, 13th Floor,
Honolulu, HI 96813
Telephone Number: 543-4700
Fax: 543-6857

We, at HECO, will afford the State the same courtesy. Please let me know the contact point in the State administration if you think this an appropriate process.

Again, my personal thanks for your time and continued assistance and interest. I believe we have successfully begun a momentous undertaking for HECO and the State of Hawaii and I look forward to continuing our close working relationship.

Sincerely,

David M. Rodriguez
for R. K. McQuain

RKM:ajr



PGS 4-19, MR. PATY'S REMARKS ¹

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HAWAII GEOTHERMAL/INTERISLAND TRANSMISSION PROJECT

OPEN PROPOSERS CONFERENCE

Taken at the Hawaiian Electric Company Auditorium, 900 Richards Street, Second Floor Auditorium, Honolulu, Hawaii, on Monday, June 5, 1989, at approximately 9:14 a.m., as reported by Stephen B. Platt, Registered Professional Reporter, CSR No. 248, a Notary Public in and for the State of Hawaii at Large.

MODERATOR: Richard K. McQuain,
Vice President of Engineering, HECO

REPORTED BY: STEPHEN B. PLATT, CSR, RPR

REG KNIPES & ASSOCIATES, COURT REPORTERS *Red-File*
1088 Bishop Street, Suite 902
HONOLULU, HAWAII 96813
(808) 531-4291

COPY

1 I would like to turn it over to Mr. Paty
2 now, and give him an opportunity to respond to those
3 written questions.

4 MR. PATY: Thank you.

5 What I'll do is walk through these
6 questions that we have had submitted to us, and that
7 are particularly related to the Department of Land
8 and Natural Resources; and then if you have follow-up
9 questions we'll try to handle 'em. We have staff
10 people, and if we can't find the answers for you, or
11 put the finish on it that you would like, we will be
12 available, and we will make ourselves available to
13 you for the balance of the time that you're here.

14 I'm going to start right off with the first
15 question: What authority does the State of Hawaii
16 have to resolve impasses in negotiations between
17 developers and the holders of geothermal resource
18 leases? If this authority differs for privately-held
19 state-owned Hawaiian Crown and federal properties,
20 please describe the state authority in each case.

21 Now some of these are a little bit more
22 than we can get our arms around, but -- so that our
23 answer on this one has to be fairly short.

24 The State of Hawaii does not have the
25 authority to resolve impasses in negotiations between

1 developers and holders of geothermal resource leases.
2 The state can only encourage settlement, but not to
3 intervene in all cases.

4 I think you recognize that we want to
5 maintain a very active presence, but legally, I've
6 tried to set forth the basis on which we would have
7 to proceed.

8 The second question: Are records of
9 pending challenges to existing leases available in
10 the document room? If not, please provide such
11 records.

12 We are not aware of any pending challenges
13 to existing leases. There are, however, two pending
14 suits filed against the state: One in federal court
15 and one in circuit court, regarding the land exchange
16 between the state and Campbell Estate.

17 A potential legal question that may arise
18 in the future relates to the ownership of mineral
19 rights. The State's position on mineral rights
20 belongs to the State.

21 Third question: Are copies of all
22 geothermal resource leases available in the document
23 room? If not, please provide such copies.

24 The answer: A complete set of all leases
25 will be available tomorrow in the documents room, and

1 in the Geothermal Permit Center.

2 The fourth question: Have any cognizant
3 federal permitting agencies refused to participate in
4 the interagency permitting group? If so, please
5 identify them.

6 The answer: The federal agencies, by
7 Statute (Chapter 196-D, HRS) are not required to
8 participate, and as such shall only be invited to
9 participate in the consolidated permit application
10 and review process. To date, no federal agency has
11 refused to participate in the interagency group.

12 I might add that they all come to our
13 meetings, they participated and have lent their
14 resource and input into our discussions.

15 Question Five: Has the State begun its
16 "slim hole" test? When will the next phase of
17 testing begin?

18 These were the SOH's that were referred to
19 earlier -- that are looking to help us evaluate the
20 resource.

21 To date, DLNR has assigned three geothermal
22 well drilling permits, (SOH 1, 2 and 4) for the
23 University of Hawaii's Scientific Observation Hole
24 Project. The County of Hawaii's Planning Commission
25 has completed public hearings on the matter, and is

1 currently scheduling mediation proceedings between
2 the applicant and objecting parties.

3 Next question: Will the State exercise its
4 power of eminent domain on behalf of the developer in
5 the event of impasse in negotiation with land owners?

6 The answer is no. Eminent domain powers
7 cannot be exercised to the benefit of private
8 parties.

9 Again, we lend a supportive presence to the
10 extent we can, but we are not permitted to do so for
11 the benefit of private parties.

12 When will the consolidated permit form be
13 issued?

14 The answer: A preliminary draft of the
15 consolidated permit application form is being
16 prepared, and a final version will be available for
17 distribution when the Act -- that's Act 301 I
18 mentioned that was passed by the last session of the
19 legislature -- administrative rules are promulgated.
20 It should be noted that all application forms
21 currently used by each respective agency will be
22 incorporated in its entirety in order to facilitate
23 the review and processing of such applications by the
24 members of the consolidated permit application and
25 review team.

1 The next question: What is the historical
2 turnaround time for permit appeals submitted to the
3 Hawaii Supreme Court?

4 Hey, I hate to tell ya'... (laughter) -- on
5 a very generalized basis, considering only the H-3 --
6 that was our third major interstate highway going
7 over the pali, and geothermal cases, the turnaround
8 time for appeals has been three years nine months,
9 and four years five months respectively -- although
10 the U.S. Supreme Court denied the submission three
11 months later. So the Supreme Court acted on 'em
12 quicker than our State Supreme Court did.

13 Our next question: I do not understand the
14 relationship between the State's intent to secure
15 permits, and the RFP assignment of responsibility for
16 permitting to the developer. Can you clarify this
17 for me?

18 It is the applicant's responsibility to
19 secure permits for the various activities to be
20 undertaken as part of the 500 MW geothermal cable
21 project. The letters included in the RFP demonstrate
22 the commitment of Governor Waihee and his
23 administration to the development of geothermal
24 power, including steps taken to facilitate applying
25 for permits, making offices, information and

1 personnel available to assist. However, the State is
2 not the applicant, the developer is the applicant,
3 and therefore, it is the developer that is
4 responsible for securing the permits.

5 But again, you would understand that, where
6 we are, with Act 301, we are committed to assist and
7 aid, and lead, and support in every way we can.

8 MR. EVERLING: I would like to add
9 something at this point: The State, through my
10 department, is doing a master plan, and will try to
11 get a master permit for the whole development.

12 If we are successful in that, the developer
13 would be responsible for site-specific permits, but
14 they in turn should be facilitated by the efforts
15 that are going on in my department. So we will try
16 to facilitate that as much as possible.

17 MR. PATY: Our next question: There is
18 some indication of geothermal potential in the
19 southwest rift zone of Kilauea. Does the State
20 intend to designate additional geothermal subzones in
21 that area? If so, what is the timetable?

22 There is currently pending designation of
23 8,090 acres in the Kilauea Southwest Rift Zone.
24 Total acreage in geothermal resource subzones will be
25 approximately 26,000 acres.

1 A procedural question is currently being
2 reviewed by the Attorney General's Office. The
3 question is whether requests made by a group opposing
4 geothermal development for a formal contested case
5 hearing before the Board of Land and Natural
6 Resources should be granted since a similar request
7 involving the Southeast Rift was already disposed of
8 by the board and the courts.

9 Next question: Will the State mandate the
10 schedule to be adhered to by the Department of Land
11 and Natural Resources, Department of Health, and
12 other state agencies for receipt and issuance of
13 permit approvals, or denials? If yes, when is this
14 legislative action to be taken? Will the State
15 guarantee this mandate prior to submission of bids?

16 Our response: Act 301 Session Laws of
17 Hawaii, 1988, requires that the State and the County
18 Agencies participate in the consolidated permitting
19 process in which all State and County Permitting
20 Agencies affected by the Geothermal System
21 Development Project must sit down and participate in
22 coordinating and consolidating their permitting
23 efforts. However, the Act provides that nothing in
24 the Act shall affect or invalidate the jurisdiction
25 or authority of any agency under existing law.

1 This means that the schedule for issuance
2 of permits cannot be mandated by the State. The
3 process shall take place according to existing
4 statutes; however, Act 301 provides that the
5 permitting process will be approached in a
6 coordinated and consolidated manner. The
7 administrative rules for implementing Act 301 should
8 be in place by August of 1989.

9 Our next question:

10 Events of default: Since the State has not
11 established guidelines for permit reviews and
12 approvals, or disapprovals, and licensing and
13 permitting approvals are included in a milestone
14 schedule subject to default, it would appear that
15 defaults associated with the permit receipt, and in
16 service dates require significant changes to insure
17 prospective developers that their investment in the
18 Project are not forfeited. What action does HECO or
19 the state propose to mitigate this concern?

20 This is our part of the response:

21 Processes for the issuance of permits are
22 established by statutes, ordinances and duly-approved
23 rules. These are public processes whose outcomes are
24 determined by the interaction of public officials,
25 concerned members of the public and existing laws.

1 There is no guarantee of the outcome of a particular
2 permitting process. The outcome can be anything from
3 denial to approval; to approval with many, few, or no
4 conditions attached to the permit.

5 While the State cannot guarantee the
6 outcome of a public process, its policy makers,
7 namely the Governor and his cabinet member, can lend
8 their full support and influence to a positive
9 outcome -- as they have done in the letters attached
10 to the RFP.

11 MR. PATY: All right, we'll continue with
12 some others we received here:

13 Will HECO or the State provide rights of
14 eminent domain or other assistance to the developer
15 to acquire the required rights of ways to construct
16 the project?

17 Again, as we indicated before: No.
18 Eminent domain powers cannot be exercised for the
19 benefit of private parties.

20 The next question: To what extent and with
21 what legal rights will the State of Hawaii intervene
22 on behalf of the successful developer in any actions
23 which are likely to occur by environmental and social
24 groups, such as the Pele Defense Fund?

25 Our response is: Subject to a legal

1 opinion from the State Attorney General's Office, the
2 Department of Water and Land Development's position
3 is that it is unlikely that the State would directly
4 intervene on the behalf of a private party/developer
5 in any legal action or quasi-judicial proceeding.

6 To the extent that it is prudent and
7 legally permissible, the Department may encourage
8 settlement of conflicts between opposing parties by
9 recommending fact-finding or mediation proceedings.

10 And in that connection, why, we're not
11 without our resources to talk to people that are
12 involved in these various areas of concern, and would
13 hope to be a positive force in settling something of
14 this nature.

15 Our next question: Will the State mandate
16 the permitting schedules to be adhered to by did the
17 DLNR, DOH, and other state agencies for receipt and
18 issuance of permit approvals? If yes, when is this
19 legislative action to be taken? Will the State
20 guarantee this mandate prior to submission of bids?

21 As we indicated before, Act 301 requires
22 that the State and County agencies participate in a
23 consolidated permitting process -- in which all
24 agencies come together. And they have to sit down
25 and coordinate. However, the act, as I indicated

1 before, also provides that nothing in the Act shall
2 affect or invalidate the jurisdiction or authority of
3 any agency under existing law -- and we covered that
4 previously.

5 Now, have I got them all, as far as you
6 know?

7 MR. PATY: Okay. That appears to be the
8 extent of the written questions we have. We are
9 available for follow-up, or other questions that you
10 might have, or --

11 MR. McQUAIN: Again, what we would like to
12 do, because of the availability, is to move in to
13 questions that you might have for the Department of
14 Land and Natural Resources, primarily permitting
15 issues. Those that are of general state policy
16 nature, or related to the activities of the
17 Department of Business and Economic Development, try
18 to hold off on 'em a little bit. If we do overlap,
19 then I'll trust Mr. Paty and Mr. Everling to figure
20 out which one of them is going to answer the
21 question. But for the most part, I would like to go
22 ahead and just open it to questions from the floor
23 now.

24 MR. PATY: Rick, I might add one thing,
25 because, during the break we got questions on the

1 energy corridor, and I responded to questions
2 relative to eminent domain; and Roger has a point
3 that he brings to my attention relative to the
4 authority on the Department of Transportation that I
5 think ought to be set out for you.

6 MR. EVERLING: The question came up
7 relative to the State exercising powers of eminent
8 domain, to assist in corridors and so forth, and
9 while Mr. Paty expressed the view of the Department
10 of Land and Natural Resources, I think that there do
11 exist other situations within state law that could
12 assist.

13 For example, within the Department of
14 Transportation there is a provision for energy
15 corridors which can be used by private concerns. So
16 the State does have the ability to establish an
17 energy corridor using eminent domain if necessary,
18 for -- in that way, to the benefit of private
19 parties.

20 And I believe another method that could be
21 used is that HECO has the power of eminent domain,
22 and to the benefit of -- or transmission for its
23 benefit could probably use eminent domain powers
24 there. So the answer was correct, but not totally...

25 MR. McQUAIN: When it comes to the

1 generation site in particular, that's the one where
2 we're all --

3 MR. EVERLING: That's right --

4 MR. McQUAIN: Yeah.

5 Okay, questions from the floor? As someone
6 said, "Speak now or forever hold your peace." Here
7 is your opportunity.

8 It may be helpful, because a number of
9 questions related to documents that would be
10 available in the reading room, or the document room
11 that's being made available by the Department of
12 Business and Economic Development, when we get to
13 DBD, I'll make sure to explain where the room is, and
14 what the guidelines are for access to it. That's one
15 of the services they are providing to us.

16 (A hand was raised.)

17 MR. McQUAIN: Yes?

18 A SPEAKER: One of the difficulties with
19 permitting geothermal activities in the state has
20 been the sequence of permits. For instance, if you
21 take the three general land use permits, specific use
22 permits, or specific operational permits, and, say,
23 the Department of Health permits, the difficulty has
24 arisen in the past of, which one do you get first?
25 And which ones depend on others?

1 In other words, if you go and get an air
2 emissions permit, for example, will that hold over in
3 large part to the other permits that are required?
4 Does the State have any plans to make a sequence
5 where it does not now exist, in which permit a
6 developer should seek first?

7 MR. PATY: I don't know that we have a
8 sequence. Obviously, some appear more natural than
9 others, but I'm going to, perhaps, ask Mr. Susono,
10 who is serving as our consultant in our current lead
11 on this thing, whether he has any insight into
12 whether that might be facilitated.

13 MR. SUSONO: Yes, right now there is no
14 formal written procedure, as far as Mr. Patterson's
15 question, of sequencing the permitting steps;
16 however, with the Act 301 coming into being -- or
17 becoming effective, with that adoption of the rules
18 in August of this year, there will be a committee
19 formed, an agreement signed by all of the agencies
20 that will be involved in permitting, and from there,
21 the agencies, themselves, would have to parcel out,
22 or phase in the various steps, logically.

23 So the answer is, there is no written
24 procedure right now, but with the Act coming into
25 being in August, we feel that some of the kinds of

1 questions that Mr. Patterson raised will be addressed
2 and taken care of. In fact, that's about the most
3 beneficial kinds of results coming out of Act 301,
4 because as was previously stated by Mr. Paty, the
5 act, itself, does not overrule any existing
6 permitting requirements, or transfer any
7 jurisdictional powers to the Land Board, other than
8 two minor exceptions.

9 So we expect a major improvement to take
10 place in that regard.

11 (A hand was raised.)

12 MR. McQUAIN: Yes, sir?

13 MR. CHASE: Dan Chase, with Mission Power.
14 You mentioned in your fourth question about the
15 interagency permit group, as we were just talking,
16 and you said that the agencies are not required to
17 join that group, but they are invited. You said that
18 none of the federal agencies had refused.

19 How many have not responded? How many are
20 extra that we would have to get independently of this
21 permit group?

22 MR. PATY: All of the federal agencies that
23 we asked to come aboard with us did so. If I
24 indicated that they were not, I didn't mean to; it's
25 just that they are not required to be there. But the

1 presence has been there, and as I tried to indicate,
2 they are very active in providing their input to the
3 process.

4 So I think we have a good working
5 relationship with the federal agencies involved, and
6 they are trying to be a part of what we are trying to
7 do here.

8 The permitting process requires state and
9 county agencies to participate, but the federal
10 one -- I think your question was directed at.

11 MR. McQUAIN: We can go after the federal
12 agencies to help, but state can't mandate they do.
13 Oh, but we could...

14 Any other questions for Mr. Paty?

15 (No response.)

16 MR. McQUAIN: Okay. He is available for a
17 little bit longer. As long as he is with us, we can
18 go ahead and go to DBD, and if something comes up
19 that needs to be shifted back, we'll...

20 MR. PATY: I would just like to add that
21 our staff team here, with Mr. Susono, will be
22 available, and in the event I'm not around, why, tap
23 into them -- and we, as I indicated, will be
24 available for you all week.

25 MR. McQUAIN: Roger, before you get into

PGS 4-19, MR. PATTY'S REMARKS)

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HAWAII GEOTHERMAL/INTERISLAND TRANSMISSION PROJECT

OPEN PROPOSERS CONFERENCE

Taken at the Hawaiian Electric Company Auditorium, 900 Richards Street, Second Floor Auditorium, Honolulu, Hawaii, on Monday, June 5, 1989, at approximately 9:14 a.m., as reported by Stephen B. Platt, Registered Professional Reporter, CSR No. 248, a Notary Public in and for the State of Hawaii at Large.

MODERATOR: Richard K. McQuain,
Vice President of Engineering, HECO

REPORTED BY: STEPHEN B. PLATT, CSR, RPR

REG KNIPES & ASSOCIATES, COURT REPORTERS
1088 Bishop Street, Suite 902
HONOLULU, HAWAII 96813
(808) 531-4291

JUN 14 1989
Rich - Platt

COPY

1 I would like to turn it over to Mr. Paty
2 now, and give him an opportunity to respond to those
3 written questions.

4 MR. PATY: Thank you.

5 What I'll do is walk through these
6 questions that we have had submitted to us, and that
7 are particularly related to the Department of Land
8 and Natural Resources; and then if you have follow-up
9 questions we'll try to handle 'em. We have staff
10 people, and if we can't find the answers for you, or
11 put the finish on it that you would like, we will be
12 available, and we will make ourselves available to
13 you for the balance of the time that you're here.

14 I'm going to start right off with the first
15 question: What authority does the State of Hawaii
16 have to resolve impasses in negotiations between
17 developers and the holders of geothermal resource
18 leases? If this authority differs for privately-held
19 state-owned Hawaiian Crown and federal properties,
20 please describe the state authority in each case.

21 Now some of these are a little bit more
22 than we can get our arms around, but -- so that our
23 answer on this one has to be fairly short.

24 The State of Hawaii does not have the
25 authority to resolve impasses in negotiations between

1 developers and holders of geothermal resource leases.
2 The state can only encourage settlement, but not to
3 intervene in all cases.

4 I think you recognize that we want to
5 maintain a very active presence, but legally, I've
6 tried to set forth the basis on which we would have
7 to proceed.

8 The second question: Are records of
9 pending challenges to existing leases available in
10 the document room? If not, please provide such
11 records.

12 We are not aware of any pending challenges
13 to existing leases. There are, however, two pending
14 suits filed against the state: One in federal court
15 and one in circuit court, regarding the land exchange
16 between the state and Campbell Estate.

17 A potential legal question that may arise
18 in the future relates to the ownership of mineral
19 rights. The State's position on mineral rights
20 belongs to the State.

21 Third question: Are copies of all
22 geothermal resource leases available in the document
23 room? If not, please provide such copies.

24 The answer: A complete set of all leases
25 will be available tomorrow in the documents room, and

1 in the Geothermal Permit Center.

2 The fourth question: Have any cognizant
3 federal permitting agencies refused to participate in
4 the interagency permitting group? If so, please
5 identify them.

6 The answer: The federal agencies, by
7 Statute (Chapter 196-D, HRS) are not required to
8 participate, and as such shall only be invited to
9 participate in the consolidated permit application
10 and review process. To date, no federal agency has
11 refused to participate in the interagency group.

12 I might add that they all come to our
13 meetings, they participated and have lent their
14 resource and input into our discussions.

15 Question Five: Has the State begun its
16 "slim hole" test? When will the next phase of
17 testing begin?

18 These were the SOH's that were referred to
19 earlier -- that are looking to help us evaluate the
20 resource.

21 To date, DLNR has assigned three geothermal
22 well drilling permits, (SOH 1, 2 and 4) for the
23 University of Hawaii's Scientific Observation Hole
24 Project. The County of Hawaii's Planning Commission
25 has completed public hearings on the matter, and is

1 currently scheduling mediation proceedings between
2 the applicant and objecting parties.

3 Next question: Will the State exercise its
4 power of eminent domain on behalf of the developer in
5 the event of impasse in negotiation with land owners?

6 The answer is no. Eminent domain powers
7 cannot be exercised to the benefit of private
8 parties.

9 Again, we lend a supportive presence to the
10 extent we can, but we are not permitted to do so for
11 the benefit of private parties.

12 When will the consolidated permit form be
13 issued?

14 The answer: A preliminary draft of the
15 consolidated permit application form is being
16 prepared, and a final version will be available for
17 distribution when the Act -- that's Act 301 I
18 mentioned that was passed by the last session of the
19 legislature -- administrative rules are promulgated.
20 It should be noted that all application forms
21 currently used by each respective agency will be
22 incorporated in its entirety in order to facilitate
23 the review and processing of such applications by the
24 members of the consolidated permit application and
25 review team.

1 The next question: What is the historical
2 turnaround time for permit appeals submitted to the
3 Hawaii Supreme Court?

4 Hey, I hate to tell ya'... (laughter) -- on
5 a very generalized basis, considering only the H-3 --
6 that was our third major interstate highway going
7 over the pali, and geothermal cases, the turnaround
8 time for appeals has been three years nine months,
9 and four years five months respectively -- although
10 the U.S. Supreme Court denied the submission three
11 months later. So the Supreme Court acted on 'em
12 quicker than our State Supreme Court did.

13 Our next question: I do not understand the
14 relationship between the State's intent to secure
15 permits, and the RFP assignment of responsibility for
16 permitting to the developer. Can you clarify this
17 for me?

18 It is the applicant's responsibility to
19 secure permits for the various activities to be
20 undertaken as part of the 500 MW geothermal cable
21 project. The letters included in the RFP demonstrate
22 the commitment of Governor Waihee and his
23 administration to the development of geothermal
24 power, including steps taken to facilitate applying
25 for permits, making offices, information and

1 personnel available to assist. However, the State is
2 not the applicant, the developer is the applicant,
3 and therefore, it is the developer that is
4 responsible for securing the permits.

5 But again, you would understand that, where
6 we are, with Act 301, we are committed to assist and
7 aid, and lead, and support in every way we can.

8 MR. EVERLING: I would like to add
9 something at this point: The State, through my
10 department, is doing a master plan, and will try to
11 get a master permit for the whole development.

12 If we are successful in that, the developer
13 would be responsible for site-specific permits, but
14 they in turn should be facilitated by the efforts
15 that are going on in my department. So we will try
16 to facilitate that as much as possible.

17 MR. PATY: Our next question: There is
18 some indication of geothermal potential in the
19 southwest rift zone of Kilauea. Does the State
20 intend to designate additional geothermal subzones in
21 that area? If so, what is the timetable?

22 There is currently pending designation of
23 8,090 acres in the Kilauea Southwest Rift Zone.
24 Total acreage in geothermal resource subzones will be
25 approximately 26,000 acres.

1 A procedural question is currently being
 2 reviewed by the Attorney General's Office. The
 3 question is whether requests made by a group opposing
 4 geothermal development for a formal contested case
 5 hearing before the Board of Land and Natural
 6 Resources should be granted since a similar request
 7 involving the Southeast Rift was already disposed of
 8 by the board and the courts.

9 Next question: Will the State mandate the
 10 schedule to be adhered to by the Department of Land
 11 and Natural Resources, Department of Health, and
 12 other state agencies for receipt and issuance of
 13 permit approvals, or denials? If yes, when is this
 14 legislative action to be taken? Will the State
 15 guarantee this mandate prior to submission of bids?

16 Our response: Act 301 Session Laws of
 17 Hawaii, 1988, requires that the State and the County
 18 Agencies participate in the consolidated permitting
 19 process in which all State and County Permitting
 20 Agencies affected by the Geothermal System
 21 Development Project must sit down and participate in
 22 coordinating and consolidating their permitting
 23 efforts. However, the Act provides that nothing in
 24 the Act shall affect or invalidate the jurisdiction
 25 or authority of any agency under existing law.

1 This means that the schedule for issuance
2 of permits cannot be mandated by the State. The
3 process shall take place according to existing
4 statutes; however, Act 301 provides that the
5 permitting process will be approached in a
6 coordinated and consolidated manner. The
7 administrative rules for implementing Act 301 should
8 be in place by August of 1989.

9 Our next question:

10 Events of default: Since the State has not
11 established guidelines for permit reviews and
12 approvals, or disapprovals, and licensing and
13 permitting approvals are included in a milestone
14 schedule subject to default, it would appear that
15 defaults associated with the permit receipt, and in
16 service dates require significant changes to insure
17 prospective developers that their investment in the
18 Project are not forfeited. What action does HECO or
19 the state propose to mitigate this concern?

20 This is our part of the response:

21 Processes for the issuance of permits are
22 established by statutes, ordinances and duly-approved
23 rules. These are public processes whose outcomes are
24 determined by the interaction of public officials,
25 concerned members of the public and existing laws.

1 There is no guarantee of the outcome of a particular
2 permitting process. The outcome can be anything from
3 denial to approval; to approval with many, few, or no
4 conditions attached to the permit.

5 While the State cannot guarantee the
6 outcome of a public process, its policy makers,
7 namely the Governor and his cabinet member, can lend
8 their full support and influence to a positive
9 outcome -- as they have done in the letters attached
10 to the RFP.

11 MR. PATY: All right, we'll continue with
12 some others we received here:

13 Will HECO or the State provide rights of
14 eminent domain or other assistance to the developer
15 to acquire the required rights of ways to construct
16 the project?

17 Again, as we indicated before: No.
18 Eminent domain powers cannot be exercised for the
19 benefit of private parties.

20 The next question: To what extent and with
21 what legal rights will the State of Hawaii intervene
22 on behalf of the successful developer in any actions
23 which are likely to occur by environmental and social
24 groups, such as the Pele Defense Fund?

25 Our response is: Subject to a legal

1 opinion from the State Attorney General's Office, the
2 Department of Water and Land Development's position
3 is that it is unlikely that the State would directly
4 intervene on the behalf of a private party/developer
5 in any legal action or quasi-judicial proceeding.

6 To the extent that it is prudent and
7 legally permissible, the Department may encourage
8 settlement of conflicts between opposing parties by
9 recommending fact-finding or mediation proceedings.

10 And in that connection, why, we're not
11 without our resources to talk to people that are
12 involved in these various areas of concern, and would
13 hope to be a positive force in settling something of
14 this nature.

15 Our next question: Will the State mandate
16 the permitting schedules to be adhered to by did the
17 DLNR, DOH, and other state agencies for receipt and
18 issuance of permit approvals? If yes, when is this
19 legislative action to be taken? Will the State
20 guarantee this mandate prior to submission of bids?

21 As we indicated before, Act 301 requires
22 that the State and County agencies participate in a
23 consolidated permitting process -- in which all
24 agencies come together. And they have to sit down
25 and coordinate. However, the act, as I indicated

1 before, also provides that nothing in the Act shall
2 affect or invalidate the jurisdiction or authority of
3 any agency under existing law -- and we covered that
4 previously.

5 Now, have I got them all, as far as you
6 know?

7 MR. PATY: Okay. That appears to be the
8 extent of the written questions we have. We are
9 available for follow-up, or other questions that you
10 might have, or --

11 MR. McQUAIN: Again, what we would like to
12 do, because of the availability, is to move in to
13 questions that you might have for the Department of
14 Land and Natural Resources, primarily permitting
15 issues. Those that are of general state policy
16 nature, or related to the activities of the
17 Department of Business and Economic Development, try
18 to hold off on 'em a little bit. If we do overlap,
19 then I'll trust Mr. Paty and Mr. Everling to figure
20 out which one of them is going to answer the
21 question. But for the most part, I would like to go
22 ahead and just open it to questions from the floor
23 now.

24 MR. PATY: Rick, I might add one thing,
25 because, during the break we got questions on the

1 energy corridor, and I responded to questions
2 relative to eminent domain; and Roger has a point
3 that he brings to my attention relative to the
4 authority on the Department of Transportation that I
5 think ought to be set out for you.

6 MR. EVERLING: The question came up
7 relative to the State exercising powers of eminent
8 domain, to assist in corridors and so forth, and
9 while Mr. Paty expressed the view of the Department
10 of Land and Natural Resources, I think that there do
11 exist other situations within state law that could
12 assist.

13 For example, within the Department of
14 Transportation there is a provision for energy
15 corridors which can be used by private concerns. So
16 the State does have the ability to establish an
17 energy corridor using eminent domain if necessary,
18 for -- in that way, to the benefit of private
19 parties.

20 And I believe another method that could be
21 used is that HECO has the power of eminent domain,
22 and to the benefit of -- or transmission for its
23 benefit could probably use eminent domain powers
24 there. So the answer was correct, but not totally...

25 MR. McQUAIN: When it comes to the

1 generation site in particular, that's the one where
2 we're all --

3 MR. EVERLING: That's right --

4 MR. McQUAIN: Yeah.

5 Okay, questions from the floor? As someone
6 said, "Speak now or forever hold your peace." Here
7 is your opportunity.

8 It may be helpful, because a number of
9 questions related to documents that would be
10 available in the reading room, or the document room
11 that's being made available by the Department of
12 Business and Economic Development, when we get to
13 DBD, I'll make sure to explain where the room is, and
14 what the guidelines are for access to it. That's one
15 of the services they are providing to us.

16 (A hand was raised.)

17 MR. McQUAIN: Yes?

18 A SPEAKER: One of the difficulties with
19 permitting geothermal activities in the state has
20 been the sequence of permits. For instance, if you
21 take the three general land use permits, specific use
22 permits, or specific operational permits, and, say,
23 the Department of Health permits, the difficulty has
24 arisen in the past of, which one do you get first?
25 And which ones depend on others?

1 In other words, if you go and get an air
2 emissions permit, for example, will that hold over in
3 large part to the other permits that are required?
4 Does the State have any plans to make a sequence
5 where it does not now exist, in which permit a
6 developer should seek first?

7 MR. PATY: I don't know that we have a
8 sequence. Obviously, some appear more natural than
9 others, but I'm going to, perhaps, ask Mr. Susono,
10 who is serving as our consultant in our current lead
11 on this thing, whether he has any insight into
12 whether that might be facilitated.

13 MR. SUSONO: Yes, right now there is no
14 formal written procedure, as far as Mr. Patterson's
15 question, of sequencing the permitting steps;
16 however, with the Act 301 coming into being -- or
17 becoming effective, with that adoption of the rules
18 in August of this year, there will be a committee
19 formed, an agreement signed by all of the agencies
20 that will be involved in permitting, and from there,
21 the agencies, themselves, would have to parcel out,
22 or phase in the various steps, logically.

23 So the answer is, there is no written
24 procedure right now, but with the Act coming into
25 being in August, we feel that some of the kinds of

1 questions that Mr. Patterson raised will be addressed
2 and taken care of. In fact, that's about the most
3 beneficial kinds of results coming out of Act 301,
4 because as was previously stated by Mr. Paty, the
5 act, itself, does not overrule any existing
6 permitting requirements, or transfer any
7 jurisdictional powers to the Land Board, other than
8 two minor exceptions.

9 So we expect a major improvement to take
10 place in that regard.

11 (A hand was raised.)

12 MR. McQUAIN: Yes, sir?

13 MR. CHASE: Dan Chase, with Mission Power.
14 You mentioned in your fourth question about the
15 interagency permit group, as we were just talking,
16 and you said that the agencies are not required to
17 join that group, but they are invited. You said that
18 none of the federal agencies had refused.

19 How many have not responded? How many are
20 extra that we would have to get independently of this
21 permit group?

22 MR. PATY: All of the federal agencies that
23 we asked to come aboard with us did so. If I
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10 one -- I think your question was directed at.

11 MR. McQUAIN: We can go after the federal
12 agencies to help, but state can't mandate they do.
13 Oh, but we could...

14 Any other questions for Mr. Paty?

15 (No response.)

16 MR. McQUAIN: Okay. He is available for a
17 little bit longer. As long as he is with us, we can
18 go ahead and go to DBD, and if something comes up
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20 MR. PATY: I would just like to add that
21 our staff team here, with Mr. Susono, will be
22 available, and in the event I'm not around, why, tap
23 into them -- and we, as I indicated, will be
24 available for you all week.

25 MR. McQUAIN: Roger, before you get into

Attachment 5
STATE RESPONSES TO ORAL QUESTIONS

- Q There has been difficulty in the past in Hawaii with the sequence of permits? Which permits do you get first? Which permits depend on first getting other permits?
- A There is presently no formal written procedure on the sequence of permits. However, one of the major benefits of Act 301 is that it sets up an interagency group that can work out the permit sequence issues.
- Q How many Federal agencies accepted the State's invitation to join the interagency permit group?
- A All Federal agencies that we asked are on board. They are U.S. Army Corp of Engineers, U.S. Coast Guard, U.S. Navy, National Park Service, U.S. Geological Survey, Environmental Protection Agency, National Marine Fisheries Service, and U.S. Fish and Wildlife Service.
- Q Describe the relationship between DBED and DLNR?
- A They are both cabinet level. They do cooperate. DBED is the advocate for the geothermal/cable project. DLNR is responsible for permitting. The Department of Land and Natural Resources manager State-owned land, land regardless of ownership that is in the Conservation District, wildlife, minerals including the geothermal resources, water, flood control, aquatic resources, forestry, aquaculture, natural area reserves, state parks, outdoor recreation and historic sites. As a natural resource manager, some of the DLNR functions are regulatory.
- Q When will the hydrogen sulfide standards be established by the Department of Health?
- A We intend to send these rules to the Governor for approval in September or October, 1989.
- Q Is there a Geothermal Resource Subzone established on Maui?
- A Yes, there is a 4,108 acre GRS in the Haleakala Southwest Rift.
- Q Will there be a copy of Act 301 in the documents room?
- A Yes, as well as a copy of the draft Administrative Rules relating to Act 301.

Q Are different options for the overland portion of the interisland transmission system going to be surveyed in the Master Development Plan.

A In June 1989 DBED will award a major contract for planning services relating to the geothermal cable project. These services include, somewhat in time sequence; preparation of a Master Development Plan; a public participation program; analysis of alternative overland transmission corridors; and the preparation of a programmatic Environmental Impact Statement. The overland transmission corridor analysis will reach the point of recommending alignments. We will have the planning consultant address the right of way acquisition in this analysis.

Q Is there any value that any islands could assign to the cable, aside from transmitting geothermal energy from the Island of Hawaii to Oahu via Maui?

A We do have a plan for Maui Electric Company to link the Islands of Maui, Molokai and Lanai with an undersea cable. That effort is somewhat independent of the Hawaii to Oahu via Maui system which is driven by the need to get the Big Island's geothermal energy to the Oahu market. However in the long-term there probably will be other benefits to be gained by tying the state together.

Q Is there any uncertainty about obtaining \$15 million from the federal government for a drilling program, and when will the drilling start?

A We have \$3 million of State funds available now, the last Legislature appropriated \$2.6 million which will be available after July 1, 1989 and we will include another \$3 million request in the budget that will be considered by the legislative session that convenes in January 1990 and is scheduled to adjourn in April 1990. In addition, we are working through the U.S. Congress - not the U.S. Department of Energy - for \$15 million (probably in increments of \$5 million annually for 3 successive years) for our geothermal resource verification and characterization program.

With the initial \$3 million in State funds, we expect the University of Hawaii to commence drilling this year up to 6 scientific observation holes with 4 throughout the Geothermal Resource Subzones in the Kilauea East Rift and 1 or 2 on Maui.

We have no specific plans beyond the initial scientific observation holes. We will be asking the private sector for recommendations. One option is to use the public funds to share the risks of additional exploration that is primarily financed by the private sector.

Q Has the State undertaken any studies to estimate the cost of this project insofar as their estimate of what the delivered power would be?

A Yes, the most comprehensive concerning economics was, "Undersea Cable to Transmit Geothermal-Generated Electrical Energy from the Island of Hawaii to Oahu: Economic Feasibility," prepared by Decision Analysts Hawaii, Inc. in February 1988. This is the so called Plasch report since Dr. Bruce Plasch prepared it. This analysis necessarily made a lot of assumptions especially relating to capital costs which were estimated to cost \$1.68 million. "Preliminary Analysis: Legal, Institutional and Financial Aspects of an Inter-Island Electrical Transmission Cable" prepared by Gerald A. Sumida from a local law firm and Alan L. Hills, then of Prudential-Bache Securities, Inc. was published in April 1984. A follow-on report, "Alternative Approaches to the Legal, Institutional and Financial Aspects of Developing an Inter-Island Electrical Transmission Cable System whose principal author was Gerald A. Sumida assisted by others from a local law firm and Alan L. Hills, then with First Interstate Cogeneration Cogeneration Capital Associates, was published in 1986. Mr. Hill, now with Cogeneration Capital Associates of Larkspur, California prepared a report for DBED in July 1988, "Hawaii Geothermal Project: Overview of Status, Development Approach and Financial Feasibility Assessment." All of these reports addressed both the geothermal and the cable aspects of Hawaii's project. All are available in the public documents room. Extra copies of the April 1986 and July 1988 documents are available. Call Jerry Lesperance at (808) 548-4020 or Fax him at (808) 531-5243.

Q Has any investigation been carried out regarding reinjection in this fields?

A HGP-A is 43% steam and 57% brine, by weight. The liquid phase is super-saturated with silica. The brines are disposed in surface ponds. Ormat intends to use the approach successful in Coso, California, recombine the condensate from the steam phase with the brine, and reinject that along with the noncondensable gases. The Ormat wells show a higher ratio of steam to brine than HGP-A.



STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE MANAGEMENT
P. O. BOX 821
HONOLULU, HAWAII 96809

WILLIAM W. PATY
CHAIRPERSON
JOHN C. LEWIN, M.D.
MICHAEL J. DHUN, Ph.D.
ROBERT S. NAKATA
RICHARD N. COX, P.E.
GUY K. FUJIMURA
MANABU TAGOMORI, P.E.
DEPUTY

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reply by Mr. Paty to RFP question.

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RFP(draft1)7/3/89

QUESTION: How many Federal agencies accepted the State's invitation to join the interagency permit group?

ANSWER: (draft of revised reply) All of the following Federal agencies were invited to participate in the Interagency Group and with the exception of the Environmental Protection Agency, have attended all of preliminary meetings convened by the Department of Land and Natural Resources: U.S. Army Corp of Engineers, U.S. Coast Guard, U.S. Navy, National Park Service, U.S. Geological Survey, Environmental Protection Agency, National Marine Fisheries Service, and U.S. Fish and Wildlife Service.

The EPA's non-attendance at these meetings should not construed to mean non-participation by that Federal agency, but rather as indicated by the local EPA administrator, a problem resulting from limited staffing of the Honolulu District Office. Furthermore, they have stated that in the majority of cases their environmental concerns would be addressed in the permitting process regulated and administered by the Corps of Engineers. The EPA office has requested to be kept on board (in a non-attending capacity) and be kept apprised of any geothermal/cable activity through regular correspondence with the Interagency Group.

June 1, 1989

Memorandum

To: Manabu Tagomori

From: Janet Swift *Janet*

Subject: Meeting with DBED and Representatives of Ente Nazionale Per l'Energia Elettrica (ENEL)

ENEL representatives met with DBED personnel - Les Matsubara, Maurice Kaya, Gerald Lesperance -, and myself (representing the Geothermal Permit Center) to present their proposal for the 500 MW RFP.

Mssrs. Aloya (sp.?), Trama, Remondino of ENEL and Vincent Versage of Cassidy and Associates, Inc. presented their approach to what Hawaii wants to do (as expressed in HECO's RFP).

For background, they said that in Italy, geothermal power has been in use since 1904. The state run utility has a 557 MW plant, and also has experience with underwater cables between Italy's mainland and offshore island users of geothermally produced energy. They have some 110,000 employees, and 10,000 university trained specialists in every aspect of geothermal power generation.

Their proposal is to cost share in the project with the State of Hawaii, since they have an interest in learning from this project. They propose charging only direct costs, bearing any indirect costs themselves. They have divided their proposal into three phases. The first would be to put two people in Hawaii for four months to collect data, analyze existing data. These technical people would provide support wherever they were needed. In this stage there is a great risk, since the decision arrived at may be to not proceed.

In Phase II there would be agreement on commercial conditions. In this phase there would be three man months of staff time. People from the State would be assigned to work with the ENEL staff who would work as if they were setting up the project, using subcontractors that the State would hire.

The ENEL representative also elaborated on the social and political master plan that could be developed if the State wants this (ENEL realizes the State is already contracting for a master plan, so this could be scratched or modified). Under environmental assistance, ENEL would use its extensive experience in Europe to help Hawaii provide incentives to local residents.

In general, the ENEL proposal as presented orally was very flexible. ENEL said they are the best and have the most experience, and would proceed as they would if they were running the project themselves, however the State and HECO would have control over who was hired for the various tasks. ENEL could advise which would be the best if that was desired. They could start work after 20 days of acceptance of their proposal.

Maurice Kaya asked some questions, and ENEL asked some questions of him. Maurice expressed concern that the ENEL proposal sounded like it would start out from scratch again in studies. The State doesn't want any more studies, they want to go ahead with the project. ENEL answered that what they meant by feasibility study was commercial feasibility. He explained that the master plan is to serve as the catalyst for the project development plan for geothermal and transmission line routing.

There was some discussion of ENEL's philosophy on approach - ENEL said they would not start with slim observation holes but would have gone right into commercial size holes. Their estimate of how many wells and the cost was very similar to the figures the State has been using.

ENEL asked what is the relationship between the State and HECO. Maurice answered that that depends on who you talk to. Pinning it down is like hitting a moving target. He went on to elaborate about the State's role in persuading HECO to go ahead with the geothermal development. In answering the question he said that it is something of a gray area, but it is the steering committee that really heads the project since it has members from both sides. ENEL commented that from their reading of the RFP the utility is taking on no risk. The consortium in effect then becomes a second utility and takes all the risk.

Maurice went over again what the State is looking for - verification of resources, a development plan, a socio-economic analysis, environmental/permitting/public acceptance, and financial expertise. He said the Department would read ENEL's proposal.

Mr. Kaya invited the ENEL representatives to the 9:30 a.m. Steering Committee meeting 6/1/89 and promised they could meet again at 9:00 a.m. Friday June 2, 1989.

RECEIVED
1989

Office of the Mayor

BERNARD K. AKANA
Mayor

April 28, 1989

Mr. Harwood D. Williamson, President
Hawaiian Electric Company, Inc.
P. O. Box 2750
Honolulu, HI 96840-0001

Dear Mr. Williamson:

I am writing in support of current efforts by HECO and the State to elicit industry interest in the development of geothermal resources on the island of Hawaii. Knowing the devastating impacts that can be wrought upon our island economies as a result of foreign energy dependency, I can assure you of my interest in achieving our State's energy independence. Orderly development of our abundant renewable resources might be the answer to our State's efforts to achieve energy self-sufficiency. Importantly also for the island of Hawaii and its people, a major energy project, like that contemplated, will increase our tax revenue base, expand employment opportunities for our people, and perhaps allow us to become a major net exporter of an important basic commodity—energy.

Further, I am hopeful that if the geothermal project proceeds forward, there will be other direct and indirect benefits for our Big Island and other forms of economic development will be spawned for our citizenry.

Every effort will be made by my administration to ensure that those who propose projects will be treated fairly and expeditiously. To that end, I will seek to work with the Hawaii County Council, various citizen groups and the geothermal developers so that all interests will be benefitted by this important project.

We welcome the opportunities that will likely attend the development of Hawaii renewable energy resources. We will be attentive to the impact upon our communities, our way of life and our environment. By working together, I have no doubt that the County and the State, as well as those who develop this wonderful natural resource, will prosper.

I look forward to working with all of you.

Sincerely,

A handwritten signature in cursive script that reads "Bernard K. Akana".

Bernard K. Akana
MAYOR

RECEIVED
DIRECTORS OFFICE
May 26 1 21 PM '89
BUSINESS & ECONOMIC
DEVELOPMENT

213

May 23, 1989

Mr. Harwood D. Williamson
President and Chief Operating Officer
Hawaiian Electric Company, Inc.
P. O. Box 2750
Honolulu, Hawaii 96840-0001

Dear Mr. Williamson:

Thank you for participating in the May 3, 1989, press conference to announce that the Request for Proposals for the geothermal/cable project is available. You, your staff, and your consultants did a fine job in getting the RFP completed on schedule.

I want to take this opportunity to reinforce our earlier agreement (your letter to me dated August 31, 1988, and my response dated September 14, 1988) that the RFP process would be a cooperative HECO and State process. This understanding is based on our firm belief that State leadership and involvement is essential in the RFP process to allow my Administration to provide for the public's interest.

Recently, the Director of the Department of Business and Economic Development (DBED) advised HECO of his concern regarding the State's role and the direction in which the RFP development had turned. I understand some of his specific concerns about the RFP have been resolved.

We proceeded on this joint effort with the understanding that the State would be fully involved during proposal evaluations and in subsequent negotiations with the most qualified proposers. I believe it is essential that the State participate throughout the RFP process so that any decision on the outcome of this project will serve the best interests of the State, and can be fully supported by the State.

Mr. Harwood D. Williamson
May 23, 1989
Page Two

DBED has advised me that there is an RFP Steering Committee consisting of HECO and State officials as well as the Chairman of the Governor's Advisory Board on the Geothermal/Cable Project. I believe that this committee is the appropriate organization to establish the specific State role in the evaluation and negotiation processes.

Again, thank you for the outstanding effort that has brought us to this point in furthering our mutual goal to become more energy self-sufficient.

With kindest regards,

Sincerely,


JOHN WAIHEE

cc: Hon. William F. Quinn
Mr. Yukio Naito

bcc: ~~Hon.~~ Roger A. Ulveling
Hon. Yukio Kitagawa



STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE MANAGEMENT
P. O. BOX 831
HONOLULU, HAWAII 96809

WILLIAM W. PATY
CHAIRPERSON
JOHN C. LEWIN, M.D.
MICHAEL J. OHUN, Ph.D.
ROBERT S. NAKATA
RICHARD H. COX, P.E.
GUY K. FUJIMURA
MANABU TAGOMORI, P.E.
DEPUTY

FACSIMILE TRANSMITTAL PAGE

Please deliver the following pages to:

Name: MR. JOHN RICHARDSON
Company: HAWAIIAN ELECTRIC CO.
From: DEAN NAKANO - DLNR / DONALD
Date: 6-6-89 Time: _____

Message: Per yr phone request for copy of DLNR
responses to RFP questions presented
on 6-5-89 @ the open proposals conf.

Total number of pages (including Transmittal Page): -6-

* * * * *

If you do not receive all of the pages legibly, please call back: (808) 548-7541

Sending Facsimile Number: (808) 548-6052
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NO	REMOTE STATION I. D.	START TIME	DURATION	#PAGES	COMMENT
1	808 543 7898	6- 6-89 3:00PM	3'30"	6	

TOTAL 0:03'30" 6

JOHN WAIHEE
GOVERNOR OF HAWAII



STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES
COMMISSION ON WATER RESOURCE MANAGEMENT

P. O. BOX 621
HONOLULU, HAWAII 96809

WILLIAM W. PATY
CHAIRPERSON

JOHN C. LEWIN, M.D.
MICHAEL J. CHUN, Ph.D.
ROBERT S. NAKATA
RICHARD H. COX, P.E.
GUY K. FUJIMURA

MANABU TAGOMORI, P.E.
DEPUTY

FACSIMILE TRANSMITTAL PAGE

Please deliver the following pages to:

Name: MR. JOHN RICHARDSON

Company: HAWAIIAN ELECTRIC CO.

From: DETAN NAKANO - DLNR/DONALD

Date: 6-6-89 Time: _____

Message: PER YR PHONE REQUEST FOR COPY OF DLNR
RESPONSES TO RFP QUESTIONS PRESENTED
ON 6-5-89 @ THE OPEN PROPOSERS CONF.

Total number of pages (including Transmittal Page): -6-

* * * * *

If you do not receive all of the pages legibly, please call back: (808) 548-7541

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14. Will HECO or the State provide rights of eminent domain or other assistance to the Developer to acquire the required rights of ways to construct the Project?

No, Eminent Domain powers cannot be exercised to the benefit of private parties.

*16. To what extent and with what legal rights will the State of Hawaii intervene on behalf of the successful developer in any actions which are likely to occur by environmental and social groups such as the Pele Defense Fund.

ANSWER

Subject to a legal opinion from the State Attorney General's Office, Dowald's position is that it is unlikely that the State would directly intervene on the behalf of a private party/developer in any legal action or quasi-judicial proceeding.

To the extent that it is prudent and legally permissible, the Department may encourage settlement of conflicts between opposing parties by recommending fact finding or mediation proceedings.

*21. Will the state mandate the permitting schedules to be adhered to by the DLNR, DOH, and other State agencies for receipt and issuance of permit approvals? if yes, when is this legislative action to be taken? Will the state guarantee this mandate prior to submission of bids?

ANSWER:

Act 301, Session Laws of Hawaii 1988, requires that State and county agencies participate in a consolidated permitting process in which all state and county permitting agencies affected by a geothermal/cable system development project must sit down and participate in coordinating and consolidating their permitting efforts. However, the Act also provides that nothing in the Act shall affect or invalidate the jurisdiction or authority of any agency under existing law. This means that the schedule for issuance of permits cannot be mandated by the state - the process shall take place according to existing statutes; however, Act 301 provides that the permitting process will be approached in a coordinated and consolidated manner. The administrative rules for implementing Act 301 should be in place by August 1989.

HAWAII GEOTHERMAL/INTERISLAND TRANSMISSION PROJECT

- *1. What authority does the State of Hawaii have to resolve impasses in negotiations between developers and the holders of geothermal resource leases? If this authority differs for privately held, State-owned, Hawaiian Crown, and federal properties, please describe the State's authority in each case.

The State of Hawaii does not have the authority to resolve impasses in negotiation between developers and the holders of geothermal resources leases.

The State can only encourage settlement but not to intervene in all cases.

2. Are records of pending challenges to existing leases available in the document room? If not, please provide such records.

We are not aware of any pending challenges to existing leases. There are however, two pending suits filed against the State (one in Federal Court; another in Circuit Court) regarding the land exchange between the State and Campbell Estate.

A potential legal question that may arise in the future relates to ownership of mineral rights. The State's position in mineral rights belong to the State.

- *3. Are copies of all geothermal resource leases available in the document room? If not, please provide such copies.

A complete set of all leases will be available tomorrow in the documents room and in the Geothermal Permit Center.

- *4. Have any cognizant federal permitting agencies refused to participate in the interagency permitting group? If so, please identify them.

ANSWER

Federal agencies, by Statute (Chapter 196-D, HRS) are not required to participate and as such, shall only be invited to participate in the consolidated permit application and review process. To date, no Federal agency has refused to participate in the Interagency Group.

- * 5. Has the State begun its "slim hole" test? When will the next phase of testing begin?

ANSWER

To date, DLNR has issued (3) geothermal well drilling permits (SOH 1, 2, and 4) for the University of Hawaii's Scientific Observation Hole Project. The County of Hawaii Planning Commission has completed public hearings on the matter and is currently scheduling mediation proceedings between the applicant and objecting parties.

6. Will the State exercise its power of eminent domain on behalf of the developer in the event of impasse in negotiation with land owners?

No, Eminent Domain powers cannot be exercised to the benefit of private parties.

12. When will the consolidated permit form be issued?

ANSWER

A preliminary draft of the consolidated permit application form is being prepared and a final version will be available for distribution when the (Act 301) administrative rules are promulgated. It should be noted, that all application forms currently used by each respective agency will be incorporated in its entirety in order to facilitate the review and processing of such applications by the members of the consolidated permit application and review team.

13. What is the historical turnaround time for permit appeals submitted to the Hawaii Supreme Court?

13. On a very generalized basis, considering only the H-3 and geothermal cases the turnaround time for appeals has been 3 years 9 months and 4 years 5 months, respectively.

US Supreme Ct denied within 3 mo later

- ~~CONFIDENTIAL~~
2. I do not understand the relationship between the State's intent to secure permits and the RFP assignment of responsibility for permitting to the developer. Can you clarify this for me?

ANSWER: It is the applicant's responsibility to secure permits for the various activities to be undertaken as part of the 500 MW geothermal/cable project. The letters included in the RFP demonstrate the commitment of Governor Waihee and his administration to the development of geothermal power, including steps taken to facilitate applying for permits, making offices, information and personnel available to assist. However, the State is not the applicant, the developer is the applicant, and therefore it is the developer that is responsible for securing the permits.

3. There is some indication of geothermal potential in the southwest rift zone of Kilauea. Does the State intend to designate additional geothermal subzones in that area? If so, what is the timetable?

There is currently a pending designation of 8,090 acres in the Kilauea Southwest Rift Zone. Total acreage in geothermal resource subzones will be approximately 26,000 acres.

A procedural question is currently being reviewed by the Attorney General's office. The question is whether a request made by a group opposing geothermal development for a formal contested case hearing before the Board of Land and Natural Resources should be granted since a similar request involving the Southeast Rift was already disposed of by the Board and Courts.

B-1 Permits: Will the state mandate the schedules to be adhered to by the DLNR, DOH, and other State agencies for receipt and issuance of permit approvals (denials)? If yes, when is this legislative action to be taken? Will the state guarantee this mandate prior to submission of bids?

ANSWER:

Act 301, Session Laws of Hawaii 1988, requires that State and county agencies participate in a consolidated permitting process in which all state and county permitting agencies affected by a geothermal/cable system development project must sit down and participate in coordinating and consolidating their permitting efforts. However, the Act also provides that nothing in the Act shall affect or invalidate the jurisdiction or authority of any agency under existing law. This means that the schedule for issuance of permits cannot be mandated by the state - the process shall take place according to existing statutes; however, Act 301 provides that the permitting process will be approached in a coordinated and consolidated manner. The administrative rules for implementing Act 301 should be in place by August 1989.

7.2.6.1 Events of Default: Since the State has not established guidelines for permit reviews and approvals (or disapprovals) and licensing and permitting approvals are included in a milestone schedule subject to default, it would appear that defaults associated with permit receipt and in service dates require significant changes to insure prospective developers that their investment in the Project are not forfeited. What action does HECO or the State propose to mitigate this concern?

ANSWER:

Processes for the issuance of permits are established by statutes, ordinances and duly approval rules - these are public processes whose outcomes are determined by the interaction of public officials, concerned members of the public, and the existing laws. There is no guarantee of the outcome of a particular permitting process. The outcome can be anything from denial to approval (to approval) with many, few, or no conditions attached to the permit. While the state cannot guarantee the outcome of a public process, its policy makers, namely Governor Waihee and his cabinet members, can lend their full support and influence to a positive outcome, as they have done in the letters attached to the RFP.

Hawaii Geothermal/Interisland Transmission Project

OPEN PROPOSERS CONFERENCE - June 5, 1989

Hawaiian Electric Company
900 Richards Street
(Enter from King Street)
2nd Floor Auditorium

AGENDA

- 7:30 a.m. - Registration of Attendees - Security
- 8:00 a.m. - Opening Welcome - RKM
 - ~~Remarks by Governor John D. Waihee, III~~
 - ~~Remarks by H. D. Williamson, President, HECO~~
 - ~~Introduction of Steering Committee (*) - Purpose~~
 - ~~Introduction of Working Committee (*) - Purpose~~
 - ~~Introduction of HECO Resource Persons (*)~~
 - ~~DBED Support Statement~~
 - ~~DLNR Support Statement~~
 - ~~DOH Support Statement~~
 - ~~County of Hawaii Representative Support Statement~~
- 9:00 a.m. - Coffee Break
- 9:30 a.m. - Reconvene - RKM
 - Answers to Submitted Questions
 - DBED
 - DLNR
 - DOH
 - Answers to Floor Questions
- 11:30 a.m. - Lunch
- 1:30 p.m. - Reconvene - RKM
 - Answers to Submitted Questions
 - HECO
 - Consultants
 - Answers to Floor Questions
- 2:30 p.m. - Coffee Break
- 3:00 p.m. - Reconvene - RKM
- 4:00 p.m. - Pau

*Refer to the attached.

Hawaii Geothermal/Interisland Transmission Project

Steering Committee

1. William F. Quinn, Chairman, Governor's Advisory Board on the Geothermal/Cable Project
2. Leslie S. Matsubara, Deputy Director, Dept. of Business and Economic Development
(Maurice H. Kaya, Energy Program Administrator, DBED alternate)
- *3. Richard K. McQuain, Vice President of Engineering, HECO
4. William W. Paty Jr., Chairperson, Dept. of Land and Natural Resources
(Susumu Ono, former DLNR Chairperson, DLNR alternate)

Working Committee

1. William A. Bonnet, Mgr., Environmental Department, HECO
2. Jackie M. Erickson, Corporate Counsel, HECO
- *3. J. F. Richardson, Jr., Executive Staff Engineer, HECO
4. David M. Rodrigues, Vice President of Operations, HECO
5. Gerald O. Lesperance, Alternative Energy Specialist, DBED
6. Vincent R. Fesmire, Project Manager, S&W Engr. Corp.
7. Robert W. Flugum, Transmission Consultant
8. William L. D'Olier, Geothermal Consultant
9. Ben Yamagata, Van Ness, Feldman, Sutcliff & Curtis, Legal Consultant

HECO Resources

1. Engineering - Roy Uemura
2. System Planning
Generation - Tom Simmons
Transmission - Paul Oshiro
Maui Electric - Miles Hamano
3. Corporate Communications - Scott Shirai
4. Government Relations - Andy Chang
5. Rate & Regulatory Affairs - Barry Utsumi
6. System Operation - Howard Kim
7. Production - Tom Jezierny
8. Financial Analysis - Marv Hawthorne

*Indicates leader/chairman of group/committee.

5/19/89

Hawaii Geothermal/Inter-island Transmission Project
 Open PROPOSERS Conference
 Intended Attendees

LEAD ORGANIZATION

SUPPORT ORGANIZATION

- | | |
|---|---|
| <p>1 ABB Energy Services, Inc.
 a. Mike Shevade
 Assist. V.P.
 b. _____
 c. _____
 d. _____
 _____</p> | <p>20 None</p> |
| <p>49 American Line Builders, Inc.
 a. David E. Frame
 Chairman</p> | <p>Sea Energy Corp.
 a. Correll Gordon
 _____</p> |
| <p>51 Brian Tolley Corp. Ltd.
 a. Brian Tolley
 President</p> | <p>KRTA Limited
 a. _____
 _____</p> |
| <p>6 Dow Chemical U.S.A.
 a. None</p> | <p>Destec Energy, Inc.
 a. Richard H. Davis
 V.P.
 b. William C. Chambers
 Director
 Project Mgt.
 c. _____
 _____</p> |
| <p>57 ENCON Ltd., Inc.
 a. Audre Rezos
 President</p> | <p>None</p> |
| <p>17 ERC Environmental &
 Energy Services Co.
 a. John F. Walter
 Vice President</p> | <p>None</p> |
| <p>53 Ebasco Services Inc.
 a. Keith Sipes
 Mgr. of Geothermal Proj.</p> | <p>None</p> |

Hawaii Geothermal/Inter-island Transmission Project
 Open PROPOSERS Conference
 Intended Attendees

<u>LEAD ORGANIZATION</u>	<u>SUPPORT ORGANIZATION</u>
58 Federal Gulf Corp. a. Cecil L. Smith President	None
9 Fluor Daniel a. _____ b. _____ c. _____ d. _____ e. _____ f. _____ g. _____ h. _____	None
56 Fujikura Ltd. a. K. Kashiwase Gen. Mgr., 1st Export Dept. b. Y. Iizuka Gen. Mgr., Power Cable Dept.	None
12 Les Cables de Lyon a. Antoine Auquier V.P. and Gen. Mgr. b. Yves Bonnamour V.P. U.S. Div.	13 Alcatel - STK - A/S a. Oswald Gilbertson Factory Rep.
18 McConnell Dowell Corp. Ltd. a. D. Marshall Hudson Mgr., Internat. Bus. Div.	20 E. E. Black Ltd. a. Ian R. Murray President
16 Marubeni America Corporation a. H. Saito Mgr., Pwr. Proj. Dept. b. Alex Sugaka Project Director c. Isao Kikuchi Asst. Mgr. Power Proj. Sec. VIII	None

Hawaii Geothermal/Inter-island Transmission Project
Open PROPOSERS Conference
Intended Attendees

LEAD ORGANIZATION

SUPPORT ORGANIZATION

- | | | |
|----|--|--|
| 2 | Mid-Pacific Geothermal, Inc.
a. Rod Moss
Vice President | None |
| 24 | Mission Power Engineering Co.
a. J. Jack Adrian
President
b. Edan Prabhu
Project Mgr.
c. Dan Chase
Financial & Geological
Analyst | 25 California Energy Co.
a. Michael H. Heys
President
b. Gary Lavering
V.P. |
| 29 | Mitsubishi International Corp.
a. Katsuhiko Kobayashi
Mgr. Machinery Div. "B" | 28 Sumitomo Corp. of America
a. Takahiro Moriyama
Product Mgr. -
Elec. & Mach. |
| 30 | Mitsui & Co. (U.S.A.), Inc.
a. T. Kodama
Deputy Gen. Mgr. | None |
| | | 31 Sargent & Lundy
a. T. J. Murray
Div. Head
T&S Div.
b. G. R. Russ
Mgr., Northwest Reg. |
| | | 32 DesignPower
New Zealand Ltd.
a. Stephen E. Blanch
Chief Exec. |
| 55 | Morrison Knudsen Corp.
a. None | MK-Ferguson Co.
a. Roy L. Cline
Exec. V.P.
b. Ralph A. Neal
Sr. V.P.
c. Jerry L. Naaf
V.P.
d. Jack Fabregas
V.P. |

Hawaii Geothermal/Inter-island Transmission Project
Open PROPOSERS Conference
Intended Attendees

LEAD ORGANIZATION

SUPPORT ORGANIZATION

- | | |
|--|--|
| <p>59 Ormat Energy Systems, Inc.
 a. Hezy Ram
 President
 b. Maurice Richard
 Regional Develop. Mgr.
 c. _____
 _____</p> | <p>None</p> |
| <p>35 PG&EE/Bechtell Power Corp.
 a. Alastair D. Campbell
 Project Mgr.
 b. J. M. Dunstan
 _____</p> | <p>39 Mitsubishi Heavy Ind., Ltd.
 a. M. Kubo
 b. _____
 _____</p> |
| <p>34 Parsons Hawaii
 a. Madison Oliver
 General Mgr.
 b. George Krasnick
 Project Mgr.</p> | <p>40 Sumitomo Electric Ind., Ltd.
 a. T. Usui
 b. _____
 _____</p> |
| <p>41 Pirelli Cable Corp.
 a. Ugo Arnaud
 V.P., Submarine Systems
 b. John T. Barteld
 V.P., Corp. Marketing</p> | <p>None</p> |
| <p>44 Siemens Energy & Automation, Inc.
 a. None</p> | <p>42 GIE
 a. B. Parziale
 Proposal Mgr.
 b. M. Bianchi
 Area Mgr. (Pacific)</p> |
| <p>3 True Geothermal Energy Co.
 a. Allan Kawada
 b. _____
 _____</p> | <p>Pacific Factors, Inc.
 a. Howard Wilson
 President</p> |
| <p>8 The Wing Group, Inc.
 a. None</p> | <p>None</p> |
| <p></p> | <p>Enron Power Corp.
 a. Cheryl Perchal
 Dir.
 Financial Analysis</p> |

FLUOR DANIEL

Fluor Daniel Development Corporation
3333 Michelson Drive, Irvine, CA 92730
(714) 975-6917 Fax: (714) 975-5981

Douglas H. Cortez
President

MAY 26 1989

May 26, 1989

Mr. John F. Richardson, Jr., PE
Executive Staff Engineer
Hawaiian Electric Company, Inc.
P.O. Box 2750
Honolulu, HI 96840

Dear Mr. Richardson:

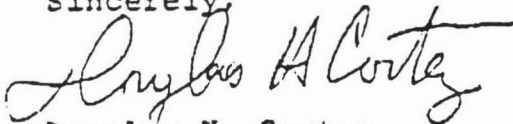
Subject: Interisland Transmission Project

Enclosed please find a list of questions regarding the Request for Proposal for the subject project.

I estimate that eight persons-representing members of our consortium will attend the Open Proposers Conference on Monday, June 5 in Honolulu.

We look forward to working with HECO on this important project.

Sincerely,



Douglas H. Cortez
President

Attachment

FLUOR DANIEL

QUESTIONS for HECO

1. If the Interisland transmission system is constructed, will the MECO generating capacity be considered as an integral part of the HECO system?
2. Will HECO disclose the identity of all Proposers, including those on the short list?
3. Will HECO please rank in order of importance the technical evaluation factors as listed in Section 1.6.3.1 of the RFP?
4. Will HECO please rank in order of importance the commercial evaluation factors listed in Section 1.6.3.2 of the RFP?
5. In evaluating the price of capacity and energy, does HECO intend to use a leveled cost of service for each phase or all phases for the term of the PPA? What discount rate will HECO use to compute leveled cost?
6. What alternate sources of long term capacity and energy will HECO consider in evaluating the Proposals? What capital, fuel, and operating and maintenance costs is HECO forecasting for such alternative sources?
7. Will HECO disqualify a Proposal if the proposed cost of power exceeds HECO's projected avoided costs?
8. Will HECO please clarify the conflicting statements in Section 7.1.3 regarding the importance of acquiring geothermal mineral rights? Does HECO intend to give no credit to a Proposal that owns or controls a geothermal resource? Please clarify the extent to which a Proposer must control the geothermal resource in order to be shortlisted?
9. Will the Developer be granted schedule relief for force majeure events, including permitting and financing delays beyond the reasonable control of the Developer?
10. Is HECO willing to pay liquidated damages to the Developer in the event HECO is in default or delays or cancels the Project?
11. If a Developer is unwilling to grant HECO a first right of refusal to purchase the project, will his Proposal be disqualified?
12. Will HECO please rank in order of importance the Evaluation Criteria listed in Section 7.4?

HECO Questions
page 2

13. At the time the PPA is executed must the Developer control sufficient geothermal mineral resources for 500 MW or just for the Phase I capacity?
- Cons Pvt
" state *14. Will HECO or the State provide rights of eminent domain or other assistance to the Developer to acquire the required rights of ways to construct the Project? *No Commitment
Will Review -*
15. Will HECO clarify what seismic risk assessment in Section 3.1.1 includes other than that the design conform to Zone 3? Also, please clarify what volcanic risk assessment in Section 3.1.2 is to include.
- *16. To what extent and with what legal rights will the State of Hawaii intervene on behalf of the successful developer in any actions which are likely to occur by environmental and social groups such as the Pele Defense Fund. *LB may have to make a decision on drilling permits - LM - DEED is best for this*
17. The capacity characteristics described in the RFP are not typical of geothermal power. Can HECO rank in order of importance the characteristics listed in Section 1.6.
18. What role will the State of Hawaii play in the PPA negotiations?
19. Will HECO please clarify the reference to "relative environmental and social impact" in Section 1.6.3?
20. Will HECO assume exchange rate risk for foreign suppliers of goods and services?
- see
writeup *21. Will the state mandate the permitting schedules to be adhered to by the DLNR, DOH, and other State agencies for receipt and issuance of permit approvals? If yes, when is this legislative action to be taken? Will the state guarantee this mandate prior to submission of bids?
22. HECO refers to additional planning required for post 1994 growth. If HECO were to proceed now with the projected 146 MW fluidized bed addition, what would the revised on-line date for geothermal power be and at what MW level?
23. Other than lower load growth, what factors does HECO envision would cause HECO to delay or defer the project?
24. Has HECO and/or the State applied for PUC declaration of general guidelines under which the PPA would be negotiated, and if negotiated within those guidelines, will the State guarantee PUC approval of the PPA?

Cons part
" state

14. Will HECO or the State provide rights of eminent domain or other assistance to the Developer to acquire the required rights of ways to construct the Project?

No commitment
will Review +

No, Eminent Domain powers cannot be exercised to the benefit of private parties.

*16. To what extent and with what legal rights will the State of Hawaii intervene on behalf of the successful developer in any actions which are likely to occur by environmental and social groups such as the Pele Defense Fund.

LB may have to
make a decision on drilling permits - LM - DDEO is best for this

ANSWER

Subject to a legal opinion from the State Attorney General's Office, Dowald's position is that it is unlikely that the State would directly intervene on the behalf of a private party/developer in any legal action or quasi-judicial proceeding.

To the extent that it is prudent and legally permissible, the Department may encourage settlement of conflicts between opposing parties by recommending fact finding or mediation proceedings.

see
writeup

*21. Will the state mandate the permitting schedules to be adhered to by the DLNR, DOH, and other State agencies for receipt and issuance of permit approvals? if yes, when is this legislative action to be taken? Will the state guarantee this mandate prior to submission of bids?

ANSWER:

Act 301, Session Laws of Hawaii 1988, requires that State and county agencies participate in a consolidated permitting process in which all state and county permitting agencies affected by a geothermal/cable system development project must sit down and participate in coordinating and consolidating their permitting efforts. However, the Act also provides that nothing in the Act shall affect or invalidate the jurisdiction or authority of any agency under existing law. This means that the schedule for issuance of permits cannot be mandated by the state - the process shall take place according to existing statutes; however, Act 301 provides that the permitting process will be approached in a coordinated and consolidated manner. The administrative rules for implementing Act 301 should be in place by August 1989.

PG&E Enterprises

50 Beale Street, 22nd Floor, Room C60
San Francisco, CA 94105
415/768-0414

Bechtel Enterprises

Fifty Beale Street
San Francisco, California
Mail Address: P.O. Box 3965, San Francisco, CA 94118



MAY 26 1989

May 26, 1989

Mr. John F. Richardson, Jr., P.E.
Executive Staff Engineer
Hawaiian Electric Company, Inc.
P. O. Box 2750
Honolulu, HI 96840

Subject: Hawaiian Geothermal/Interisland Transmission Project

Dear Mr. Richardson:

Please find enclosed questions regarding the subject project.

Sincerely,

Alastair Campbell

Alastair Campbell
Project Manager
PG&E-Bechtel Generating Company

ADC:ml

Enclosure

HAWAII GEOTHERMAL/INTERISLAND TRANSMISSION PROJECT

Requests for Clarification of RFP

- DLNR - (1.) What authority does the State of Hawaii have to resolve impasses in negotiations between developers and the holders of geothermal resource leases? If this authority differs for privately held, State-owned, Hawaiian Crown, and federal properties, please describe the State's authority in each case.
- (LM)
- DLNR - (2.) Are records of pending challenges to existing leases available in the document room? If not, please provide such records.
- (LM)
- DLNR - (3.) Are copies of all geothermal resource leases available in the document room? If not, please provide such copies.
- (LM)
- DLNR - (4.) Have any cognizant federal permitting agencies refused to participate in the interagency permitting group? If so, please identify them.
- (DOWNARD)
- DLNR - (5.) Has the State begun its "slim hole" test? When will the next phase of testing begin?
- (DOWNARD)
- DLNR - (6.) Will the State exercise its power of eminent domain on behalf of the developer in the event of impasse in negotiation with land owners?
- (LM)
7. Does HECO have control of the site for the Aniani Substation?
8. We assume that in the event of cancellation of the project that HECO will make the developer whole for all out-of-pocket costs incurred. We also assume that in the event of delay at HECO's convenience that HECO will compensate the developer for all additional costs incurred due to the delay.
9. Reference Table 3.7, Physical Conditions - Please specify the site design wet bulb temperature.
10. Please discuss how the unique characteristics of the proposed project will enter into HECO's evaluation of proposed formulas for the cost of power produced by the project.
- DLNR - (11.) The Governor's letter indicates that the State will assist in both permitting and financing. Please discuss the relationship of DBED and DLNR in the development of the proposed project. Specifically, will DBED provide assistance in arranging financing, and, if so, in what ways?
- (DLNR)

HAWAII GEOTHERMAL/INTERISLAND TRANSMISSION PROJECT

Requests for Clarification of RFP
(continued)

DLWR
(OLEA -
DOWNS)
DLWR
(OLEA)

12. When will the consolidated permit form be issued?

13. What is the historical turnaround time for permit appeals submitted to the Hawaii Supreme Court?

14. Please clarify Figures 5.1A and 5.2A. Both appear to show an initial capacity increment in 1995 of about 25 MW, whereas the RFP requests an initial increment of 125 MW. Figure 5.2A uses an hypothetical 50 MW/yr uniform installation rate whereas Figure 5.1A shows nonuniform increments that total 150 MW in 1998 and a jump of about 150 MW in 2001. Does the stepped line in Figure 5.1A represent HECO's projected system peak (or base load) demand growth or HECO's view of how the project might add increments of capacity?

PG & E - BECHTEL

HAWAII GEOTHERMAL/INTERISLAND TRANSMISSION PROJECT

- *1. What authority does the State of Hawaii have to resolve impasses in negotiations between developers and the holders of geothermal resource leases? If this authority differs for privately held, State-owned, Hawaiian Crown, and federal properties, please describe the State's authority in each case. *Missing lease - doesn't true play bandit - what is set up.*

The State of Hawaii does not have the authority to resolve impasses in negotiation between developers and the holders of geothermal resources leases.

The State can only encourage settlement but not to intervene in all cases.

2. Are records of pending challenges to existing leases available in the document room? If not, please provide such records. *no*

We are not aware of any pending challenges to existing leases. There are however, two pending suits filed against the State (one in Federal Court; another in Circuit Court) regarding the land exchange between the State and Campbell Estate.

A potential legal question that may arise in the future relates to ownership of mineral rights. The State's position in mineral rights belong to the State.

- *3. Are copies of all geothermal resource leases available in the document room? If not, please provide such copies. *yes will provide*

A complete set of all leases will be available tomorrow in the documents room and in the Geothermal Permit Center.

- *4. Have any cognizant federal permitting agencies refused to participate in the interagency permitting group? If so, please identify them.

ANSWER

Federal agencies, by Statute (Chapter 196-D, HRS) are not required to participate and as such, shall only be invited to participate in the consolidated permit application and review process. To date, no Federal agency has refused to participate in the Interagency Group.

- * 5. Has the State begun its "slim hole" test? When will the next phase of testing begin?

ANSWER

To date, DLNR has issued (3) geothermal well drilling permits (SOH 1, 2, and 4) for the University of Hawaii's Scientific Observation Hole Project. The County of Hawaii Planning Commission has completed public hearings on the matter and is currently scheduling mediation proceedings between the applicant and objecting parties.

- State cannot enter for private party* 6. Will the State exercise its power of eminent domain on behalf of the developer in the event of impasse in negotiation with land owners?

No, Eminent Domain powers cannot be exercised to the benefit of private parties.

12. When will the consolidated permit form be issued?

ANSWER

A preliminary draft of the consolidated permit application form is being prepared and a final version will be available for distribution when the (Act 301) administrative rules are promulgated. It should be noted, that all application forms currently used by each respective agency will be incorporated in its entirety in order to facilitate the review and processing of such applications by the members of the consolidated permit application and review team.

13. What is the historical turnaround time for permit appeals submitted to the Hawaii Supreme Court?

13. On a very generalized basis, considering only the H-3 and geothermal cases the turnaround time for appeals has been 3 years 9 months and 4 years 5 months, respectively.

US Supreme CT David Martin 3/20/02

QUESTIONS FROM JOHN RICHARDSON

DBED * 1. Would the State be willing to underwrite at least a portion of the resource risk associated with the first increment of development?

DLNR
DBED * 2. I do not understand the relationship between the State's intent to secure permits and the RFP assignment of responsibility for permitting to the developer. Can you clarify this for me?

DLNR
(301) * 3. There is some indication of geothermal potential in the southwest rift zone of Kilauea. Does the State intend to designate additional geothermal subzones in that area? If so, what is the timetable?

DOH * 4. Air permitting requires that hydrogen sulfide standards be established by the Department of Health. When will these standards be in place?

DBED * 5. Although this project is endorsed by both HECO and the State administration, we see no evidence of strong public support. Why not?

QUESTIONS FROM JOHN RICHARDSON

- DLNR
USED
2. I do not understand the relationship between the State's intent to secure permits and the RFP assignment of responsibility for permitting to the developer. Can you clarify this for me?

ANSWER: It is the applicant's responsibility to secure permits for the various activities to be undertaken as part of the 500 NW geothermal/cable project. The letters included in the RFP demonstrate the commitment of Governor Waihee and his administration to the development of geothermal power, including steps taken to facilitate applying for permits, making offices, information and personnel available to assist. However, the State is not the applicant, the developer is the applicant, and therefore it is the developer that is responsible for securing the permits.

- DLNR
3. There is some indication of geothermal potential in the southwest rift zone of Kilauea. Does the State intend to designate additional geothermal subzones in that area? If so, what is the timetable?

There is currently a pending designation of 8,090 acres in the Kilauea Southwest Rift Zone. Total acreage in geothermal resource subzones will be approximately 26,000 acres.

A procedural question is currently being reviewed by the Attorney General's office. The question is whether a request made by a group opposing geothermal development for a formal contested case hearing before the Board of Land and Natural Resources should be granted since a similar request involving the Southeast Rift was already disposed of by the Board and Courts.

Proposed questions for HECO/Geothermal
Bidder's Conference

DBED 1.4 To what extent and with what legal rights will the State of Hawaii intervene on behalf of the successful developer in any actions which are likely to occur by environmental and social groups such as the Pele Defense Fund?

1.6 The type of firm capacity described in the RFP is not typical of geothermal power as confirmed in the document later (by HECO). With this in mind, the RFP appears to provide a major qualification affecting HECO's purchase of this type of power.

DBED 1.6.1 Evaluation Criteria; what role will the State of Hawaii play in the PPA negotiations. Assuming that a subsidy may be required to make this project feasible, who will commit for the state during these negotiations?

1.6.2 What weighting system is being applied to the various evaluation factors? Project performance must be weighted very low, since by RFP definition, geothermal power does not meet desirable requirements. Will HECO amend the RFP to include the appropriate weighting factors?

1.6.3 Will HECO define the reference to "relative environmental and social impact"?

2.5.4 Will HECO assume exchange rate risk for foreign suppliers of goods and services?

DLNR (OLEA) B-1 Permits: Will the state mandate the schedules to be adhered to by the DLNR, DOH, and other State agencies for receipt and issuance of permit approvals (denials)? If yes, when is this legislative action to be taken? Will the state guarantee this mandate prior to submission of bids?

5.1 CAPACITY: HECO refers to additional planning required for post 1994 growth. If HECO were to proceed now with the projected 146MW fluidized bed addition, what would be the revised on line date for geothermal power be and at what MW level?

7.2.3 Guarantee Structure: What level of liquidated damages does HECO define as "HECO's best estimate"?

7.2.3.2 Defer or Cancel Rights: Other than lower load growth, what factors does HECO envisage would cause HECO to delay or defer this project?

7.2.3.6 Loss of Reduction of Services: reference is made to an "agreed upon sum" as liquidated damages per percent of loss of availability. Will HECO define an exact sum it has in mind as an addendum to the RFP?

HECO
DLNR
DBED

7.2.6.1 Events of Default: Since the State has not established guidelines for permit reviews and approvals (or disapprovals) and licensing and permitting approvals are included in a milestone schedule subject to default, it would appear that defaults associated with permit receipt and in service dates require significant changes to insure prospective developers that their investment in the Project are not forfeited. What action does HECO or the State propose to mitigate this concern?

DBED
PUC

Exhibit 2.5A Certification: This is the only reference to possible disapproval of the PPA (and therefore the Project) by the Hawaii Public Utilities Commission. Has HECO and/or the State applied for PUC declaration of general guidelines under which the PPA would be negotiated, and if negotiated within those guidelines, will the State guarantee PUC approval of the PPA?

DLNR
Same as
DLNR
21 Denial

B-1 Permits; Will the state mandate the schedules to be adhered to by the DLNR, DOH, and other State agencies for receipt and issuance of permit approvals (denials)? If yes, when is this legislative action to be taken? Will the state guarantee this mandate prior to submission of bids?

ANSWER:

Act 301, Session Laws of Hawaii 1988, requires that State and county agencies participate in a consolidated permitting process in which all state and county permitting agencies affected by a geothermal/cable system development project must sit down and participate in coordinating and consolidating their permitting efforts. However, the Act also provides that nothing in the Act shall affect or invalidate the jurisdiction or authority of any agency under existing law. This means that the schedule for issuance of permits cannot be mandated by the state - the process shall take place according to existing statutes; however, Act 301 provides that the permitting process will be approached in a coordinated and consolidated manner. The administrative rules for implementing Act 301 should be in place by August 1989.

HECO
DLNR
(DBED)

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ANSWER:

Processes for the issuance of permits are established by statutes, ordinances and duly approval rules - these are public processes whose outcomes are determined by the interaction of public officials, concerned members of the public, and the existing laws. There is no guarantee of the outcome of a particular permitting process. The outcome can be anything from denial to approval (to approval) with many, few, or no conditions attached to the permit. While the state cannot guarantee the outcome of a public process, its policy makers, namely Governor Waihee and his cabinet members, can lend their full support and influence to a positive outcome, as they have done in the letters attached to the RFP.

Rescinded to ? #6

NATURE OF CASE: Review of the invalidation of an Act providing for land condemnation whereby title is taken from lessor and transferred to lessees to reduce the concentration of land ownership.

FACT SUMMARY: Federal Court of Appeals reversed a holding by the Federal District Court upholding the basic constitutionality of the Act under the Public Use clause of the Fifth Amendment, holding that the Act violated the public use requirement of the Fifth and Fourteenth Amendments in that the Act was an attempt on the part of the State of Hawaii to take the private property of A and transfer it to B solely for B's private use and benefit.

CONCISE RULE OF LAW: The mere fact that property taken by eminent domain and transferred in the first instance to private beneficiaries does not condemn that taking as having only a private purpose. It is the taking's purpose, not the mechanics that must pass scrutiny under the public use clause.

FACTS: The Hawaiian Islands, originally settled by Polynesians developed a feudal land system with no private ownership of land. In the early 1800's Hawaiian leaders and American settlers attempted, largely unsuccessfully, to divide the land between the crown, the chiefs, and the common people. In the mid 1960's, the State Legislature found that concentrated land ownership was responsible for skewing the State's residential fee simple market, inflating land prices and injuring the public tranquility and welfare. The Legislature enacted the Land Reform Act of 1967 creating a mechanism for condemning residential tracts and for transferring ownership of the condemned fee simple to existing lessees. Rather than comply the appellees filed suit in Federal District Court based on unconstitutionality. The Court found that the Act's goals were within the bounds of the State's police power and that the Legislature was not arbitrary, capricious or had acted in bad faith in selecting these goals. The ninth circuit court of appeals reversed, holding that the Land Reform Act could not pass the requisite judicial scrutiny of the public use clause. The court concluded that the Act was simply a naked attempt on the part of the State to take the private property of A and transfer it to B solely for B's private use and benefit.

ISSUE: One persons private property taken for the benefit of another private person without a justifying public purpose even though compensation be paid.

HOLDING AND DECISION: Reversed and Remanded. Where the exercise of eminent domain is rationally related to a conceivable public purpose, the court has never held a compensated taking to be proscribed by the Public Use clause. If a legislature, state or federal, determines there are substantial reasons for an exercise of the taking power, courts must defer to its determination that the taking will serve a public use. The Hawaii Legislature enacted its Land Reform Act not to benefit a particular class of identifiable individuals but to attack certain perceived evils of concentrated property ownership, a legitimate public purpose.



DEPARTMENT OF BUSINESS AND ECONOMIC DEVELOPMENT

ENERGY DIVISION, 335 MERCHANT ST., RM. 110, HONOLULU, HAWAII 96813 FAX: (808) 531-5243

JOHN WAIHEE GOVERNOR

ROGER A. ULVELING DIRECTOR

BARBARA KIM STANTON DEPUTY DIRECTOR

LESLIE S. MATSUBARA DEPUTY DIRECTOR

89:1088B-407

Sus
MT
who show
all

May 22, 1989

DEPARTMENT OF WATER & LAND DEVELOPMENT
HONOLULU, HAWAII

MEMORANDUM

TO: The Honorable John Lewin, M.D., Director
Department of Health

The Honorable William W. Paty, Chairperson
Department of Land and Natural Resources

FROM: Roger A. Ulveling

SUBJECT: Open Proposers Conference for the Geothermal/Cable Project,
June 5, 1989

Manabai:
Jim ready
discuss at your
convenience.
Sus

I ask that you or your representative, as well as appropriate members of your staff attend the Open Proposers Conference for the Geothermal/Cable Project to be held in HECO's second-floor auditorium at the corner of Richards and King Streets on June 5, 1989. The conference schedule is attached. I have asked the Governor to present the opening remarks.

I also ask that your staff remain until the lunch break to answer questions from the audience. The Request for Proposals (RFP) requested that prospective respondents submit their questions in writing 10 days prior to the conference. I understand you have received the 2-volume RFP.

Maurice H. Kaya, whose (phone number is 548-4150), is DBED's coordinator. He is being assisted by Gerald O. Lesperance whose phone number is 548-4020. Both can be reached at facsimile number 531-5243.

It would be helpful if Mr. Kaya could be provided with the name, phone number and, if available, facsimile number of a person from your department to whom written questions about the RFP can be addressed.

Rog

RAU/GOL:1ta

Attachment



DEPARTMENT OF BUSINESS AND ECONOMIC DEVELOPMENT

ENERGY DIVISION, 335 MERCHANT ST., RM. 110, HONOLULU, HAWAII 96813 FAX: (808) 531-5243

JOHN WAIHEE GOVERNOR

ROGER A. ULVELING DIRECTOR

BARBARA KIM STANTON DEPUTY DIRECTOR

LESLIE S. MATSUBARA DEPUTY DIRECTOR

89:1088B-407

May 22, 1989

MEMORANDUM

TO: The Honorable John Lewin, M.D., Director Department of Health

The Honorable William W. Paty, Chairperson Department of Land and Natural Resources

FROM: Roger A. Ulveling

SUBJECT: Open Proposers Conference for the Geothermal/Cable Project June 5, 1989

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Rog

RAU/GOL:1ta

Attachment

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Sos
who should attend?
who should attend?

PT: 80
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DEPT. OF WATER & LAND DEVELOPMENT

59 MAY 30 9:50
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Hawaii Geothermal/Interisland Transmission Project

OPEN PROPOSERS CONFERENCE - June 5, 1989

Hawaiian Electric Company
900 Richards Street
(Enter from King Street)
2nd Floor Auditorium

AGENDA

- 7:30 a.m. - Registration of Attendees - Security
- 8:00 a.m. - Opening Welcome - RKM
Remarks by Governor John D. Waihee, III
Remarks by H. D. Williamson, President, HECO
Introduction of Steering Committee (*) - Purpose
Introduction of Working Committee (*) - Purpose
Introduction of HECO Resource Persons (*)
DBED Support Statement
DLNR Support Statement
DOH Support Statement
County of Hawaii Representative Support Statement
- 9:00 a.m. - Coffee Break
- 9:30 a.m. - Reconvene - RKM
Answers to Submitted Questions
DBED
DLNR
DOH
Answers to Floor Questions
- 11:30 a.m. - Lunch
- 1:30 p.m. - Reconvene - RKM
Answers to Submitted Questions
HECO
Consultants
Answers to Floor Questions
- 2:30 p.m. - Coffee Break
- 3:00 p.m. - Reconvene - RKM
- 4:00 p.m. - Pau

WL

RECEIVED
30 MAY 8 P2:34
DIV. OF WATER &
LAND DEVELOPMENT



RECEIVED
30 MAY 4 P1:34
DEPARTMENT OF LAND & NATURAL RESOURCES
STATE OF HAWAII

EXECUTIVE CHAMBERS
HONOLULU

JOHN WAIHEE
GOVERNOR

April 28, 1989

Mr. Harwood D. Williamson, President
Hawaiian Electric Company, Inc.
900 Richards Street
Honolulu, Hawaii 96813

Dear Mr. Williamson:

I am pleased to affirm the strong and continuing support of the State of Hawaii for the Hawaii Geothermal/ Interisland Transmission Project, and endorse the joint efforts of the State and Hawaiian Electric Company (HECO) in seeking proposals for the development of our State's geothermal resources. With cooperative assistance from the State and HECO, I am confident that the creative forces of the private sector will provide viable proposals to insure Hawaii and its people a long-term source of electrical power that is generated from our own renewable energy resource base.

I believe that we mutually and realistically recognize the enormous scope of the venture. While the benefits are great, so too are the risks. To the extent necessary and possible, the State of Hawaii will act to facilitate the efforts of the private sector in determining the financial and technical feasibility of this project and in constructing viable proposals.

I have directed those of my Cabinet most directly involved in the development of geothermal resources to lend the assistance that will be needed for private sector interests to meaningfully evaluate the viability of developing geothermal resources in Hawaii. To that end, the State will establish and staff a public documents room; this will be a source of technical and economic information specifically pertinent to this project. In addition, a facility will be available to serve as a permit information and coordination center, a repository of relevant laws, rules, and permitting requirements. In general, these facilities will centrally locate and make easily accessible the documents which we believe will be useful to those preparing responses to the request for proposal to be issued by HECO.

Mr. Harwood D. Williamson
April 28, 1989
Page Two

The State can, and will, be helpful in other ways as well. I have recently commissioned the preparation of a master development plan. The objective of this effort is to determine citizen concerns and, with input from the community, format the best means by which to develop several hundred megawatts of geothermal power on Hawaii. Public involvement is crucial to this study, and my goal is to seek the cooperation and support of Hawaii's citizens for this renewable energy project. I will actively work for a coordinated effort with Federal agencies and county governments toward this objective.

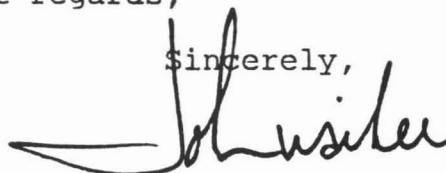
Based on the results of this development plan, the State will move to obtain what permits it can for the commercial project, including the preparation of appropriate environmental impact statements, and will work closely with the selected developer to facilitate the acquisition of all other required permits. Recognizing the critical nature of issues associated with this venture, my Administration will work cooperatively with all parties involved to help insure its timely progress. If deemed appropriate, I will personally involve myself in addressing issues that may be impeding the advancement of this project.

Finally, I recognize that the State must be receptive to ideas for public financial assistance if such assistance is necessary. The magnitude of the venture precludes significant direct funding by the State; however, there may be mechanisms for indirect financial support. My Administration is willing to explore such mechanisms with those prospective developers whose proposals are judged technically viable, but only if we are satisfied the project cannot be accomplished without State support.

We are indeed fortunate to have a natural resource which offers the potential of energy security for Hawaii's people and its economy. I strongly believe the development of geothermal energy is a key to achieving the State's goal of significant reduction in imported oil. To this end, I again pledge my personal support and the support of my Administration.

With kindest regards,

Sincerely,



JOHN WAIHEE

bcc: Hon. Roger A. Ulveling
Hon. William Paty
Hon. Yukio Takemoto



WILLIAM W. PATY, CHAIRPERSON
BOARD OF LAND AND NATURAL RESOURCES

DEPUTIES

LIBERT K. LANDGRAF
MANABU TAGOMORI
RUSSELL N. FUKUMOTO

STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES

P. O. BOX 621
HONOLULU, HAWAII 96809

AQUACULTURE DEVELOPMENT
PROGRAM
AQUATIC RESOURCES
CONSERVATION AND
ENVIRONMENTAL AFFAIRS
CONSERVATION AND
RESOURCES ENFORCEMENT
CONVEYANCES
FORESTRY AND WILDLIFE
LAND MANAGEMENT
STATE PARKS
WATER AND LAND DEVELOPMENT

REF:W/L-KO

MAR 15 1989

MEMORANDUM

TO: Honorable Roger A. Ulveling, Director
Department of Business and Economic Development

FROM: William W. Paty

SUBJECT: Availability of Public Documents for Bidders to
the Geothermal/Cable Project (Your Ref. 89:1053B-78)

With reference to your memorandum request, the records transmitted to your office in 1986, are no longer confidential and are public record. As such, this information may be placed in your public document room for all parties and potential bidders relating to the proposed Request for Proposal for the Geothermal/Cable Project.

In addition, the data for Kapoho State 1A is now public record and will be transmitted under separate cover to your office for use in the public document room.

Should you have any questions, please contact Manabu Tagomori at Ext. 7533.


WILLIAM W. PATY



s/o no

RECEIVED

DEPARTMENT OF BUSINESS AND ECONOMIC DEVELOPMENT

MAR 17 P 1: 59

JOHN WAIHEE
GOVERNOR
ROGER A. ULVELING
DIRECTOR
BARBARA KIM STANTON
DEPUTY DIRECTOR
LESLIE S. MATSUBARA
DEPUTY DIRECTOR

ENERGY DIVISION, 335 MERCHANT ST., RM. 110, HONOLULU, HAWAII 96813 FAX: (808) 531-5243

DIV. OF WATER & LAND DEVELOPMENT

89:1064B-174

March 13, 1989

4:10 PM
STATE OF HAWAII
P 2: 33
4:10 PM

MEMORANDUM

TO: The Honorable John Lewin, M.D., Chairman
Department of Health

The Honorable Harold Masumoto, Director
Office of State Planning

The Honorable William W. Paty, Chairperson ✓
Department of Land and Natural Resources

FROM: Roger A. Ulveling

SUBJECT: Request for Proposals (RFP) for Planning Services Related
to the Geothermal/Cable Project

As discussed at the March 10, 1985 meeting on the geothermal/cable project, attached is subject RFP.

Roger A. Ulveling

RAU/GOL:1ta
Attachment

March 10, 1989

REQUEST FOR PROPOSALS

DEVELOPMENT OF A MASTER PLAN, TRANSMISSION LINE ROUTING
STUDY, AND ENVIRONMENTAL IMPACT STATEMENT FOR
HAWAII'S PROPOSED GEOTHERMAL/INTER-ISLAND CABLE PROJECT

This letter is to invite your proposal to prepare a Master Development Plan, conduct a public involvement program, conduct an evaluation of overland transmission corridors and prepare a routing report, conduct a public involvement program, and prepare an Environmental Impact Statement for the development of 500 megawatts (net) of geothermal resource in the Kilauea East Rift Zone on the Island of Hawaii and transmit it to Maui and Oahu via an inter-island electrical transmission system. The Master Development Plan is desired by the end of 1989. It is expected that the location and selection of overland transmission line corridors will take place in 1989, with the preparation of routing report to be completed in 1990. It is expected that this routing study be conducted with the full benefit of a public involvement program. With the completion of the master plan and routing work, the State desires an Environmental Impact Statement which will lead to the permitting of the project. Permitting assistance will be requested as a separate additive proposal item under this solicitation.

Proposals are due no later than April 13, 1989.

The attached Notice of Intent to Respond is due no later than March 29, 1989.

Attached, for your information and use, is a brief description of the purpose and intended scope of this project. Any questions concerning this Request for Proposals shall be addressed to:

Director, Department of Business and Economic Development
Attn: Maurice H. Kaya, Energy Program Administrator
335 Merchant Street, Room 110
Honolulu, Hawaii 96813
Tel: (808) 548-4150



Director of Business and
Economic Development

March 10, 1989

REQUEST FOR PROPOSALS

DEVELOPMENT OF A MASTER PLAN, TRANSMISSION LINE
ROUTING STUDY, AND ENVIRONMENTAL IMPACT STATEMENT
FOR HAWAII'S PROPOSED GEOTHERMAL/INTER-ISLAND
CABLE PROJECT

The State of Hawaii's Department of Business and Economic Development (DBED) invites proposals to prepare a Master Development Plan, conduct a public involvement program, evaluate overland transmission line corridors, prepare a routing report, and prepare an Environmental Impact Statement for the development of 500 megawatts (net) of geothermal resource on the Island of Hawaii and transmit it to Oahu and Maui via an inter-island cable system, hereinafter called the geothermal/cable project. Included as an additive proposal item is the preparation and submission of Federal, State and County permit applications. Seven copies of the proposal are due on, or before 4:00 p.m., HST, on April 13, 1989. The proposals shall be mailed or delivered to:

Director, Department of Business and Economic Development
335 Merchant Street, Room 110
Honolulu, Hawaii 96813

Attn: Maurice H. Kaya
Energy Program Administrator

I. INTRODUCTION

A. PURPOSE

The purpose of this Request for Proposals is to select a consultant to perform planning and engineering functions relating to the geothermal/cable project to guide public and private decision-making relative to the implementation of the project. During 1989 and 1990, the State of Hawaii and the Hawaiian Electric Company, Inc. (HECO) will be requesting, receiving and evaluating proposals for the private sector to finance and implement the geothermal/cable project. The Master Development Plan to be developed as a result of this RFP will assist that process.

The development of this plan must consider the multitude of reports and studies that have already been conducted to date regarding geothermal and deep water cable development in Hawaii. This project has not been without controversy, and the preliminary work that has been done has revealed concern particularly by those communities in the lower Puna district of the Big Island, over the impact of this widespread development on their neighborhoods. It is therefore expected that the public in potentially affected areas of all counties would want to have input in the planning for this project.

Despite the controversies, the State recognizes the importance of developing its geothermal resource to its fullest potential to achieve a significant degree of energy independence. Private development of the resource has been slow, and the State believes that it is necessary to conduct this planning to show leadership and commitment, to invest in the upfront engineering activities so that an eventual private development consortium will assume responsibility for financing and development and sale of electricity to HECO.

B. BACKGROUND

Hawaii's deep concern for its energy future is a result of the State's extremely high reliance upon petroleum in an unstable world market. Despite the current world oversupply and the recent decline in price, there is widespread opinion that the current worldwide surplus oil production capacity will likely be exhausted in less than a decade. Thereafter an escalation in oil price is expected. Energy experts differ greatly as to exactly when and how rapidly prices will rise. This uncertainty emphasizes the need for Hawaii to take active measures to reduce its oil dependence and improve its energy stability and security. This need becomes imperative in the light of the serious negative impact of high energy costs on our State economy.

Petroleum accounts for ninety percent of Hawaii's total energy supply, twice the national average. In the case of electrical power generation, the contrast between Hawaii and the rest of the nation is even greater. While the nation's utilities have reduced their use of oil to a point where petroleum products now account for only about five percent of the fuel consumed for power generation, Hawaii's utilities have continued to rely almost entirely on oil. Nationally, coal is the leading source of energy for power generation, accounting for fifty-six percent of the fuel used. Locally, coal will be used for the generation of power on Oahu for the first time starting in 1992.

Recognizing Hawaii's energy vulnerability, the Hawaii State Plan, adopted by the State Legislature in 1978, sets forth the following energy objectives: Dependable, efficient, and economical statewide energy--systems capable of supporting the needs of the people; and increased energy self-sufficiency.

To meet the objectives stated above requires serious consideration of the use of locally available energy resources. There are several candidates in various stages of technical maturity. However, geothermal energy is the only near-term indigenous source which can bring about significant energy self-sufficiency in Hawaii.

Geothermal energy has proven to be technically and economically feasible elsewhere. Scientists estimate that there is sufficient thermal energy on the Big Island to satisfy at least half of the State's total electricity requirements. Because geothermal resources are located primarily on the Big Island, and Oahu represents eighty percent of the demand, successful utilization of geothermal energy requires transmission of electric power between the Islands. The most feasible method of transporting electricity under the conditions involved is by high-voltage, direct-current (HVDC) submarine cables. Such a transmission method has been under study for several years.

The Hawaii Deep Water Cable (HDWC) Program, a \$27 million project funded by the Federal Government and the State, was started in 1980. Its purpose is to develop the technology of a cable system to transmit electricity between the islands of Hawaii. This requires a transmission cable capable of traversing a distance of 150 miles in ocean depths down to 6,300 feet. This is twice the distance and four times the depth of the longest and deepest cable laid to date anywhere in the world. The HDWC has produced a design for an electric transmission cable which is expected to satisfy Hawaii's requirements. A segment of a cable meeting design requirements has undergone electrical and mechanical testing in the laboratory. This testing demonstrated that the cable can withstand a thirty-year operating life under the design parameters identified for the Hawaii application. These laboratory tests are being followed by testing to confirm the validity of the subsystem integration plans in 1989 at sea with a six mile length of surrogate cable. The technical feasibility of a cable system for commercial application will be confirmed with the completion of these at-sea tests. Ocean bottom surveys have identified a feasible cable route linking Hawaii with Maui and Oahu.

The Hawaiian Electric Company, providing Oahu with electricity, will be the buyer of power produced and transmitted by the geothermal/cable project. It has confirmed that the utility system on Oahu is capable of accepting 500 megawatts of "competitively priced" baseload geothermal power phased in between 1995 and 2006. This is the basis upon which cable and geothermal development planning is proceeding. The cable system is estimated to cost about \$450 million, with the geothermal development for 500 MW estimated to cost approximately \$1.3 billion in 1986.

Private investments made to date for geothermal development in Hawaii exceed \$20 million, although no commercial plant has yet been constructed. Presently there are two firms actively involved in geothermal development activities on the Island of Hawaii--Ormat Energy Systems, Inc., and True/Mid-Pacific Geothermal Venture. Ormat has entered into a contract with the Hawaii Electric Light Company on the Island of Hawaii to provide 25 MW of geothermal power by 1991 to meet the Island's needs. True/Mid-Pacific Geothermal Venture has been trying for years to get the necessary permits to start exploration for geothermal resources. Although one of the objecting parties are still in the courts, it is anticipated that its permits will soon be confirmed and it can at long last begin its work. It will have land-use approval for the development of up to 100 MW of geothermal power. True/Mid-Pacific has also indicated an interest in developing geothermal energy on Maui.

Development of geothermal energy in Hawaii has been slow, for a number of reasons. Temporarily depressed petroleum prices have discouraged alternatives. Private developers are reluctant to undertake the risk of large-scale geothermal exploration and development in the absence of an assured market. The market in turn depends upon the availability of an inter-island transmission system. Numerous and complex permitting policies and procedures as administered by various government agencies have hampered progress in development. Strong encouragement and cooperation by the State and Hawaiian Electric Company are required if geothermal energy is to provide some energy self-sufficiency for Hawaii.

The State Legislature has supported geothermal development in recent years by adopting several bills intended to encourage development. Bills to establish geothermal resource subzones, to address the requests for hearings on some geothermal development activities, to give the BLNR flexibility with respect to royalty payments to the State, and to streamline and provide for a consolidated permit application process have offered significant encouragement.

There is wide public support for geothermal energy development. An August 1987 opinion poll indicated that eighty-four percent of the statewide population favor geothermal development, with only seven percent opposed. On the Big Island, seventy-five percent were in favor of geothermal development while five percent were opposed.

II. SCOPE OF WORK

A. Master Plan

The State will prepare an EIS and may obtain master permits for the geothermal/cable project. It is necessary, therefore, to prepare a Master Development Plan of the project which includes, but is not limited to, the following elements:

1. Descriptions and elements of the Hawaii Deep Water Cable Program (HDWC).
2. Descriptions of the geothermal resource development, and plan for development of the steam fields and power generating stations, drilling requirements, resource exploration, and AC-DC converter stations.
3. Development of a realistic time schedule in critical path format for permitting, completion of the Hawaii Deep Water Cable Program geothermal exploration/reservoir assessment, public information/public involvement, overland transmission line corridor selection, and private development of the geothermal wells, steam gathering systems, power plants, converter stations, overland transmission lines and submarine cables.
4. Describe the management structure and appropriate responsibilities of the organizations for each element of the project.
5. Identify critical path elements and the relationship they have in meeting the project timetable. Describe measures that could be considered to facilitate meeting project timetables. Consult with the DLNR, who is responsible for implementing the streamlining and consolidation of the permitting for the geothermal/cable project and identify the needed permits and responsible agencies involved in permitting the overall project.
6. Provide descriptions and cost estimates for each element of the project.
7. Describe the public involvement and community acceptance approach that formed the basis for decisions and recommendations comprising the master plan.
8. Describe the legal, financial and regulatory framework of the project, based on a review of past studies and reports. Recommend appropriate legislation or rulemaking that would be required to support, expedite, facilitate, or otherwise clarify the project in order to remove impediments. Further describe crucial roles for agency action that would facilitate private sector development.

The master plan must address specific characteristics of the project that reflect local, environmental, physical and cultural conditions. For example, development of the geothermal resource and siting of transmission line corridors must consider the effects of these facilities on environmentally sensitive constraints.

In addition to defining the project for the State and County permit process, the Master Plan, together with the EIS, will also form the basis for discussion and pre-application review by affected federal agencies for a National Environmental Policy Act (NEPA) EIS or applicable federal permitting actions.

B. Public Involvement Program.

Public acceptance of this project is determined to be critical for its successful implementation since a multitude of permits are anticipated to support the action. A comprehensive public involvement program is therefore desired as part of the scope of work. This public involvement program should include, but not be limited to the following:

1. Describe and analyze system requirements. Develop and describe the project purpose and need, and develop the project process. The detailed public involvement program plan should be developed as part of this task.
2. Develop and describe transmission line routing methodology. Identify and describe the sequence of steps that will be used in analyzing and selecting the transmission line routes.
3. Describe and analyze transmission line alternatives. Identify, describe and analyze the basic options for linking the geothermal power plants overland, through each County jurisdiction, to the location of the delivered resource, Maui and Oahu Counties. The options shall include, as a minimum, overhead lines, underground lines and submarine cables.
4. Select overland corridors by identifying the criteria for corridor selection, collecting and analyzing broad-scale data factors, identifying potential corridors for potential further detailed study, developing evaluation criteria for corridor selection, evaluating and selecting the preferred corridor, and surveying and mapping conditions along the preferred corridor. The corridor selection process shall combine the technical expertise made available to the project with the consultation and active participation of the affected publics, including HECO, in the development of constraints and opportunities. Evaluation data categories should include, but not be limited to

exclusion areas, geophysical hazards, biological factors, socio-economic factors, and cost factors. The information already obtained by DBED to identify environmental constraints (see References) shall be made available to the consultant. The consultant will be responsible to review this information and advise whether additional work is necessary.

5. Alignment selection. This task will analyze and identify potential alignments within the preferred corridors using the constraints that are developed for analytical purposes. Where analysis of the trade-offs between constraints indicate that more than one alignment is feasible, all identified alignments shall be delineated. The consultant shall work with DBED to develop the rationale for selecting (i.e., selection criteria) the preferred alignment and the application of the rationale to select the preferred alignment. Public involvement for alignment selection is also considered to be a significant element in constraint development and acceptance.
6. Prepare a routing study. This document shall be a final report that will describe the details of the work performed in the above five tasks.
7. The consultant shall include in his public involvement program for transmission lines, appropriate coverage of the development of the eo hermal resource to enable public understanding for the purpose of the project, and likely development scenarios. This task shall also include the identification of the need and schedules for public information programs, workshops, etc., and the preparation of materials for these programs. Materials to be prepared under this task shall include, but not be limited to, speeches, graphic presentations, newsletters, and handouts. The consultant shall recommend in his proposal, elements in this task that will lead to a better public understanding of the program, with a goal that increased public awareness will lead to a more effective public involvement campaign and acceptance during the permitting phase of the project.

C. Prepare Environmental Impact Statement

DBED has determined that an EIS is required under Hawaii Revised Statutes (HRS), Chapter 343, because the proposed action, which will involve the use of State lands and/or State funds, could have a significant effect on the environment based on the significant criteria set forth in Title 11, Department of Health, Chapter 200, Environmental Impact Statement Rules (Section 11-200-12b). Because federal permits may be required to install the facility, preparation of the EIS should be closely coordinated with the affected federal agencies in order to

ensure that all NEPA requirements are fulfilled in the State EIS. The consultant shall recommend ways in which this EIS could also serve to fulfill NEPA requirements to expedite and facilitate federal permitting efforts that would be required. The preparation of the EIS should also be closely coordinated with the affected County Planning Departments to ensure that the statement adequately addresses impacts as required for the County's permit review.

Prior to starting the EIS process, a public scoping meeting(s) must be held to assure that all public concerns are addressed. Public input and informational meetings shall also be held during the development of the EIS. The proposer is expected to develop a plan that would capitalize on the public involvement work that precedes the preparation of this EIS in the routing study phase of the contract.

This scope item includes, but is not limited to:

1. Prepare Notice of Preparation; conduct needed field surveys and collect needed data either not currently available or not developed during the routing study. The State intends that the routing process develops most, if not all, of the environmental impact data needed for environmental documentation and review.
2. Hold informational hearings on each affected island.
3. Prepare Draft EIS, submit fifteen (15) copies of a review draft to DBED, and prepare 100 copies of the Draft EIS for submittal to OEQC.
4. Prepare written responses to all written comments to the Draft EIS. These responses will be prepared for signature by the Director, DBED, or his designated representative.
5. Prepare Final EIS, submit five (5) copies of a review draft to DBED, and prepare 150 copies of the Final EIS for submittal to DBED and OEQC.

D. Project Management

This task shall include all administrative, financial and technical functions including scheduling, costing, reporting, and enforcement of technical adequacy and quality assurance controls to maintain overall study costs, schedules, and technical information levels. The consultant shall prepare subcontractor's scopes of work and subcontract documents and monitor the subcontractor's performance on the scopes of work and subcontract to ensure that the quality and quantity of work meet the requirements of the contract with DBED. DBED reserves the right to approve all subcontractors proposed for portions of the work scope.

E. Permitting (Additive Proposal Item)

DBED has prepared a listing of anticipated permits that would be required for this project. This list is attached to this RFP, and includes permitting actions at the federal, State and county levels (note that three counties are involved). It is the respondent's responsibility to develop a list of all required permits and approvals required, using the developed master plan as a basis. The master plan and EIS must be prepared to support the permitting requirement although the work on both may proceed simultaneously. Hawaii is committed to full public disclosure in the land use permitting process. The respondent should anticipate the requirement to attend public hearings, provide supporting testimony and exhibits, and generally assist DBED during the process.

A proposal for this additive item should be included. DBED may initiate the permitting actions for this project, or the permitting may become the responsibility of the development consortium for the project. The contract for the master planning/EIS consultant agreement will be developed with enough flexibility to accommodate either course of action.

III. PROPOSAL GUIDELINES

1. Timetable. The State desires completion of the master plan and routing report by March 31, 1990. The State desires a preliminary master plan within six months from the notice to proceed. The completion of the EIS is desired as soon as practicable after enough elements of the master plan and routing report are available to initiate environmental documentation processes. A goal of this program is to complete the planning work so that it can be provided to a development consortium for the project which will be selected by the State and HECO by the end of 1990. The consultant is requested to develop an approach that will be responsive to this requirement.
2. Phasing. The State will receive proposals for the entire scope of services. The contract will be funded in two phases, with the first to be limited to a fee not exceeding \$400,000. The total estimated cost range for these services is expected to be \$850,000 to \$1.2 million. Proposals should specify those scope elements that can be funded in the initial phase, for example, work on a preliminary master plan, development of a public involvement plan, and initiating the routing activities can be started in Phase 1. Funding for Phase 2 (the respondent's remaining elements in his comprehensive approach) is subject to DBED obtaining additional appropriations for this effort. Respondents shall advise DBED on a Phase 1 approach that would derive the maximum benefit to meet overall project objectives within the Phase 1 funding limitation.

3. The State reserves the right to reject any and all proposals.
4. The State reserves the right to organize its own "team" from proposed contractors and subcontractors. The State further reserves the right to approve each and every subcontractor.
5. It is anticipated that the selected respondent to this RFP will be given a notice to proceed 40 to 45 days after the date proposals are due.
6. Preparation of the proposals and the presence at an interview shall be at the respondent's own expense.
7. The respondent agrees that the proposal shall constitute a firm offer to DBED and cannot be withdrawn for sixty (60) calendar days after the due date for submission of the proposals. The respondent shall agree that prices listed are firm and shall remain so throughout the performance of the work.
8. Alternate scopes of service may be suggested. Justification for any major changes, including how they will accomplish the goals and purposes of the requirements, should be provided.
9. All changes to this RFP will be made by DBED in the form of written addenda sent only to those interested respondents who have completed and returned the NOTICE OF INTENT TO RESPOND attached hereto.
10. The proposal shall be signed by an individual authorized to bind the respondent. It shall include the name, title, address and the telephone number and facsimile number of individuals with authority to negotiate and contractually bind the company, and also who may be contacted during the period of proposal evaluation to answer any questions concerning their proposal.
11. Interviews may be held in DBED's offices in Honolulu after the derivation of a short list of qualified consultants. An opportunity will be provided DBED to meet key team members assigned to this project.
12. DBED reserves the right to contract for any, a portion, or all of the scope elements of this RFP. Accordingly, the proposal should be costed individually, by scope items.

IV. REQUIRED CONTENTS OF THE PROPOSAL

Proposals shall consist of two parts: Technical and Cost, for each proposal item. The technical portion of the proposal must include a complete description of the methodologies to be used and the tasks involved, including timetable estimates. The cost portion of the

proposal must include estimated costs to accomplish the scope of work and all other associated costs.

The proposal shall be organized in the following sequence:

1. A statement of the respondent's understanding of the assignment and identification of the proposed approach, including methodology, special studies required, and consultants to be utilized. A detailed outline of the proposed technical approach for executing the requirements specified in the Scope of Services is required.
2. Statement and discussion of any anticipated major difficulties and problem areas, together with the potential or recommended approaches for their resolution.
3. Statement of any interpretations, qualifications, or assumptions made by the respondent concerning the work to be performed.
4. A schedule in graphic format of respondent's choosing that clearly shows the major tasks and milestones, including deliverables, in weeks after receipt of Notice to Proceed. This schedule should also show the relationship with Phases 1 and 2 and the listed tasks from the scope of work.
5. Description of the project team including the name, title, and qualifications of the project manager and other key participants in the employ of the respondent, as well as the name, qualifications and description of the role of each subconsultant.
6. Experience and qualification of the respondent and subconsultants, including but not limited to a description of comparable work previously performed by the project team.
7. Total cost to DBED by major budget categories showing: direct costs, including salaries, air travel, other travel-related costs, per diem, subconsultants, printing and other direct costs; and indirect costs such as overhead, profit and State of Hawaii General Excise tax. Fringe benefits related to direct salary costs may be included as direct costs or an element of overhead cost. The direct labor portion of the budget shall list each of respondent's participating professional or technical people by title, and if determined, by name, with the number of hours of that person's time that will be charged to DBED. The budget shall clearly differentiate costs related to Phase 1 efforts versus the remainder.

8. Assistance and/or information that will be required from DBED. Respondents shall note that the list of references included with this RFP reflect information already available from DBED. Respondents are advised that DBED desires that previous studies be utilized to full advantage in this master plan/EIS, and the State does not wish to replicate previous efforts.

V. EVALUATION FACTORS

A. General

1. Unless all responses are rejected, award shall be made to that responsible respondent whose offer, conforming to the RFP, is determined to be the best overall response, price or cost and other factors considered.
2. "Best overall response" is defined as the response that is evaluated as the most superior technically; however, in the event two or more competing proposals are assessed as substantially equal, the lower or lowest estimated cost shall be the determinant. "Substantially equal" proposals are those which do not demonstrate in DBED's or the State's judgement any clear and convincing evidence of technical superiority relative to each other.
3. An evaluation committee formed by DBED will evaluate the technical and cost portions of each proposal. (See evaluation checklist). If deemed necessary, the evaluation committee may conduct discussions with potential respondents. Final consultant selection for work scope and fee negotiations will be made by the Director of DBED.
4. Multiple awards. In addition to other factors, responses will be evaluated on the basis of advantages and disadvantages to the State that might result from making more than one award. If after evaluation of the offers, it is determined that one or more awards would be advantageous, individual awards will be for bid items or combination of bid items listed in the scope of work. DBED prefers single source contracting for this project.

B. Technical Evaluation

All proposals received will be evaluated using the following criteria:

1. Technical Approach:

- Understanding of problems and tasks.
- Responsiveness to scope, concept and time of performance.
- Organization, with clear, concise articulation of the project.
- Appropriateness to Hawaii's situation.

2. Technical Personnel Qualifications:

- Sufficient personnel available to perform all tasks.
- Available personnel experienced to perform all tasks.

3. Corporate Background/Experience/Location:

- Prior experience in performing similar work.
- Company presence in Hawaii or relation with local planning or engineering firm.
- Ability to participate in and support DBED during public meetings.

C. Cost Evaluation

In evaluating the respondent's proposed cost for this project, DBED's concern is to determine whether (a) it reflects the respondent's understanding of the project and its ability to successfully organize and perform the contract, (b) it is based on adequate estimating procedures and is supportable and realistic in terms of the respondent's proposed technical approach, and (c) it is reasonable when compared to any similar complex work efforts. Technical considerations will be given priority over proposed cost. The proposed cost and budget for this planning effort should break down the hours of professional and technical time that will be devoted to the study and the proportion of the total cost that will be budgeted to productive direct cost.

D. Evaluation Check List

The following checklist will be used as a guide by the evaluation committee in determining the "Best Overall Response."

1. Size and resources of company - the availability of suitable resources to meet the objectives of this program in a timely manner.
2. Professional staff experience on projects of similar scope and complexity.
3. Documented experience in geothermal and high voltage transmission line planning, and environmental documentation.
4. Office location in Hawaii, or relationship with local planning, engineering, or environmental firms.
5. Selection of subcontractors who are technical experts in the necessary fields.
6. Scope of statements and discussion that would indicate understanding of anticipated major difficulties and their potential solutions.
7. Understanding of the assignment, identification of proposed approach, innovative concepts, and responsiveness to the RFP and its schedule.
8. Ability to assist the State in public meetings, processing permits and land use changes that might be required, etc.
9. Understanding of the nature of energy issues in Hawaii, the geothermal development, and siting and transmission line routing issues.
10. Familiarity with the local publics and agencies whose consensus would facilitate permitting of the program.
11. Management plan, including staffing quality, quantity, and availability including both prime and subcontractor personnel.
12. Qualifications and ability of the proposed project manager.
13. Program for making the affected community a part of the planning process.
14. Capability to define the legal and financial issues that are crucial to project success.
15. Fully understandable cost estimating procedures.

VI. REFERENCES

- Hills, A.L., Hawaii Geothermal Project, Overview of Status, Development Approach and Financial Feasibility Assessment, Cogeneration Capital Associates for the Department of Business and Economic Development, July 1988.
- Krasnick, G. and J. Mansur, HDWC Program, Phase II-C, Executive Summary, Parsons Hawaii, August 1987.
- Lesperance, Gerald O., Geothermal Development in Hawaii, pp 75-79, Geothermal Resources Council, Transition, Vol 12, October 1988.
- Mountford, J.D., HDWC, Phase II-C, Studies, Final Report for Hawaiian Electric Company, Vols. I, II, III, Power Technologies, Inc., May 22, 1987.
- Patterson, Ralph A., Geothermal/Cable Development Project Planning, R.A. Patterson & Associates for the Department of Business and Economic Development, January, 1989.
- Plasch, Bruce S., Undersea Cable to Transmit Geothermal-Generated Electrical Energy from the Island of Hawaii to Oahu: Economic Feasibility, Decision Analysts, Hawaii, Inc. for Department of Business and Economic Development, February 1988.
- Quinn, William F., Preliminary Report, Governor's Advisory Board on the Underwater Cable Transmission Project, January 15, 1988.
- Sumida, Gerald A., Preliminary Analysis: Legal, Institutional and Financial Aspects of an Inter-Island Electrical Transmission Cable, Carlsmith, Carlsmith, Wich an and Case and Prudential-Bache Securities, Inc. for the Department of Business and Economic Development, April 1984.

Sumida, Gerald A., Alternative Approaches to the Legal, Institutional and Financial Aspects of Developing an Inter-Island Electrical Transmission Cable System, Carlsmith, Case, Mukai and Ichiki and First Interstate Cogeneration Capital Associates for the Department of Business and Economic Development, April 1986.

Request for Proposals (RFP) for the selection of a consortium to develop the geothermal/cable project. This RFP is currently under preparation by a working committee with members from the Hawaiian Electric Company, Inc. (HECO), consultants to HECO, and DBED.

A consolidated permit application and review procedure for the geothermal/cable project, with the State's Department of Land and Natural Resources as lead agency, was established by Act 301, Session Laws of Hawaii, 1988 (Geothermal and Cable System Development Permitting Act of 1988).

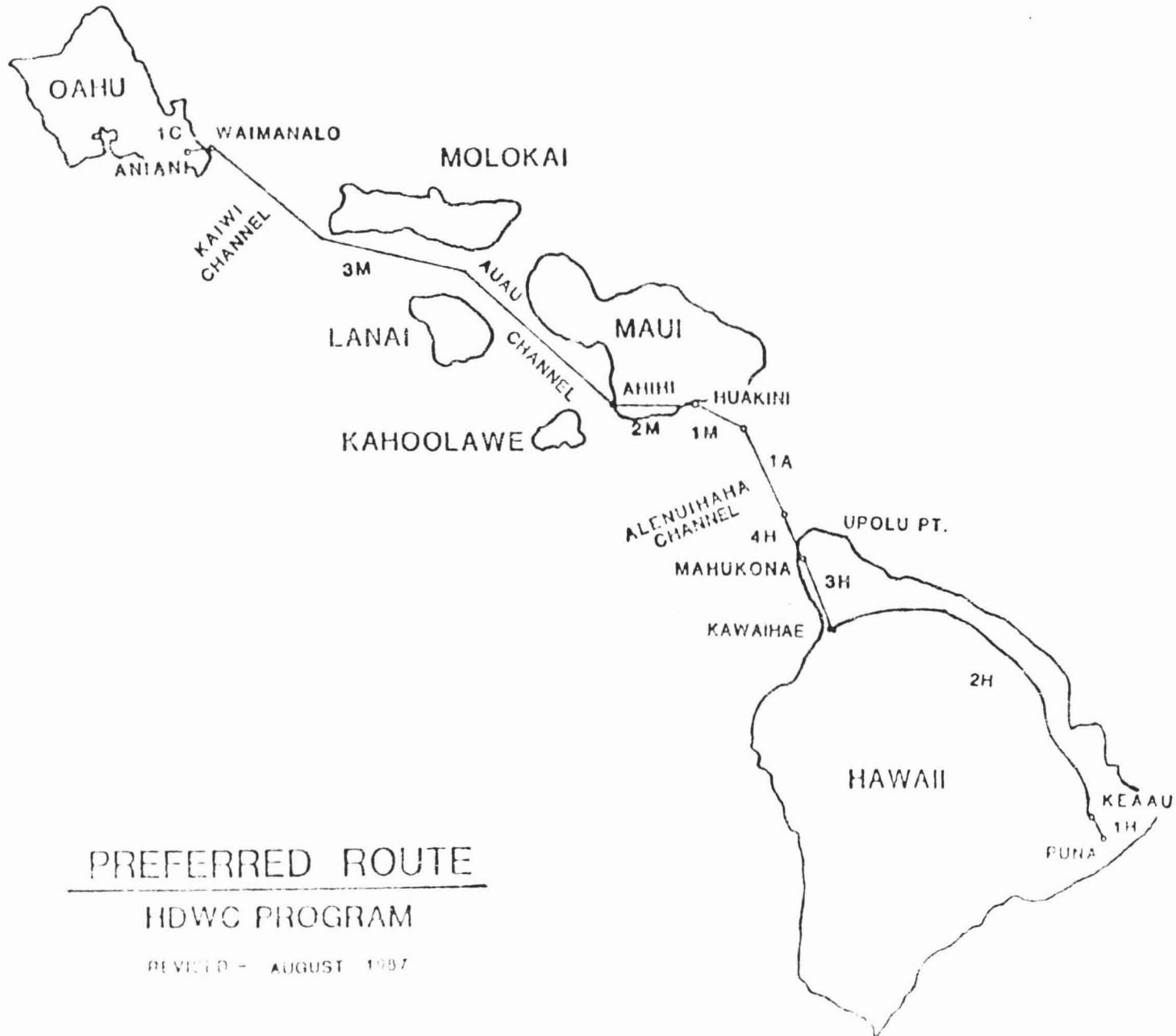
VII. ATTACHMENTS

A. Project Timeline

B. Project Map

C. DBED List of Potential Permits

D. Notice of Intent to Respond



PREFERRED ROUTE

HDWC PROGRAM

REVISED - AUGUST 1987

GEOHERMAL/CABLE PERMITTING REGIMES

	PERMIT ALWAYS REQUIRED	GOVT LEVEL	AGENCY	PROCESSING TIME (MONTHS)		PUBLIC HEARING REQUIRED	CONTESTED CASE PROVISION APPLY	EIS
				MIN	MAX			
GEOHERMAL								
GEOHERMAL RESOURCE SUBZONE	Y	STATE	DLNR	6	12	Y	N	N
CONSERVATION DISTRICT USE PERMIT	Y	STATE	DLNR	6	6	Y	N	N
GEOHERMAL RESOURCE PERMIT	Y	COUNTY	PLNG	6	6	Y	N	N
GEOHERMAL MINING LEASE	Y	STATE	DLNR	7	12	?	?	N
GEOHERMAL EXPLORATION PERMIT	Y	STATE	DLNR	2	2	N	N	N
GEOHERMAL PLAN OF OPERATION	Y	STATE	DLNR	2	2	N	N	N
GEOHERMAL WELL DRILLING PERMIT	Y	STATE	DLNR	2	2	N	N	N
AUTHORITY TO CONSTRUCT WELLS (AIR)	Y	STATE	DOH	3	6	?	?	N
PERMIT TO OPERATE WELLS (AIR)	Y	STATE	DOH	1	2	N	N	N
AUTHORITY TO CONST. POWER PLANT (AIR)	Y	STATE	DOH	3	6	?	?	N
PERMIT TO OPERATE POWER PLANT (AIR)	Y	STATE	DOH	1	2	N	N	N
UNDERGROUND INJECTION CONTROL	N	STATE	DOH	3	3	?	?	N
VARIANCE FROM POLLUTION (WATER)	N	STATE	DOH	3	3	?	?	N
PREVENTION OF SIGNIFICANT DETERIORATION	Y	FEDERAL	EPA	12	18	Y	N	N
BUILDING PERMITS	Y	COUNTY	PW	1/2	1/2	N	N	N
TRANSMISSION — INLAND — HAWAII								
PUBLIC UTILITIES COMMISSION APPROVAL	Y	STATE	PUC	—	—	Y	Y	N
CONSERVATION DISTRICT USE PERMIT	N	STATE	DLNR	6	6	Y	Y	N
NATURAL AREA RESERVE SYSTEM	N	STATE	DLNR	6	9	?	N	N
HISTORIC SITES	N	STATE	DLNR	—	12	?	N	N
EASEMENT FOR STATE PARKS, FORESTS	N	STATE	DLNR	—	11	N	N	N
BUILDING PERMITS	Y	COUNTY	PW	1/2	12	N	N	N
TRANSMISSION — COASTAL ZONE — HAWAII								
WASTAL ZONE CONSISTENCY	Y	STATE	DBED	1 1/2	6	N	N	N
SPECIAL MANAGEMENT AREA PERMIT	Y	COUNTY	DLNG	4	?	Y	Y	N
SHORELINE SETBACK VARIANCE	Y	COUNTY	DLNG	4	?	Y	Y	N
TRANSMISSION — OCEAN — STATEWIDE								
U.S. ARMY CORPS OF ENGR. PERMIT	Y	FEDERAL	ARMY	2	?	Y	—	N
NATIONAL ENVIRONMENTAL PROT. ACT EIS	N	FEDERAL	CEQ	6	?	?	—	N
OCEAN WATERS CONSTRUCTION PERMIT	Y	STATE	DOT	2	3	?	?	N
NPDES	N	STATE	DOH	—	6	N	N	N
LEASE SUBMERGED LANDS	Y	STATE	DLNR	—	12	Y	N	N
TRANSMISSION — COASTAL ZONE — MAUI								
COASTAL ZONE CONSISTENCY	Y	STATE	DBED	1 1/2	6	N	N	N
SPECIAL MANAGEMENT AREA PERMIT	Y	COUNTY	PLNG	4	?	Y	Y	N
SHORELINE SETBACK VARIANCE	Y	COUNTY	PLNG	4	?	Y	Y	N
TRANSMISSION — INLAND — MAUI								
PUBLIC UTILITIES COMMISSION APPROVAL	Y	STATE	PUC	—	—	Y	Y	N
CONSERVATION DISTRICT USE PERMIT	N	STATE	DLNR	6	6	Y	Y	N
NATURAL AREA RESERVE SYSTEM	N	STATE	DLNR	6	9	?	N	N
HISTORIC SITES	N	STATE	DLNR	—	12	?	N	N
EASEMENT FOR STATE PARKS, FORESTS	N	STATE	DLNR	—	11	N	N	N
BUILDING PERMITS	Y	COUNTY	PW	1/2	12	N	N	N
TRANSMISSION — COASTAL ZONE — OAHU								
COASTAL ZONE CONSISTENCY	Y	STATE	DBED	1 1/2	6	N	N	N
SPECIAL MANAGEMENT AREA PERMIT	Y	COUNTY	DLU	4	?	Y	Y	N
SHORELINE SETBACK VARIANCE	Y	COUNTY	DLU	4	?	Y	Y	N
TRANSMISSION — INLAND — OAHU								
PUBLIC UTILITIES COMMISSION APPROVAL	Y	STATE	PUC	?	?	Y	Y	N
CONSERVATION DISTRICT USE PERMIT	N	STATE	DLNR	6	6	Y	Y	N
NATURAL AREA RESERVE SYSTEM	N	STATE	DLNR	6	9	?	N	N
HISTORIC SITES	N	STATE	DLNR	—	12	?	N	N
PUBLIC FACILITIES MAP AMENDMENT	Y	COUNTY	DGP	16	?	Y	?	N
BUILDING PERMITS	Y	COUNTY	BLDG	1/2	12	N	N	N
EASEMENT FOR STATE PARKS, FORESTS	N	STATE	DLNR	—	11	N	N	N

Director of Business and Economic Development
335 Merchant Street, Room 110
Honolulu, Hawaii 96813

Attention: Maurice H. Kaya, P.E.
Energy Program Administrator

NOTICE OF INTENT TO RESPOND

This is to inform you that:

ORGANIZATION'S NAME:

ADDRESS:

CONTACT PERSON:

TELEPHONE:

Intends to submit a proposal to perform master planning functions for the Proposed Geothermal/Inter-Island Cable Project, in accordance with the Request for Proposals dated March 10, 1989.

Name

Date

Title