

STATE OF HAWAII
REQUEST FOR SOLE SOURCE '04 JUL 12 P2:33

TO: Chief Procurement Officer (Request Approval by June 30, 2004)

STATE PROCUREMENT OFFICE
 STATE OF HAWAII

FROM: DBEDT / Strategic Industries Division
 (Department/Division/Agency)

Pursuant to § 103D-306, HRS, and Subchapter 9, Chapter 3-122, HAR, the Department requests sole source approval purchase the following:

Description of goods, services, or construction:

This request is for a new contract to supplement Contract 49947, which expired before an extension could be processed. The Hawaii Electric Light Company (HELCO) will provide services, under a Federal Grant from the U.S. Department of Energy (USDOE) State Energy Program. The project will evaluate the combination of hybrid, controllable distributed energy resources (DER) in systems to enable fuller development of the Island of Hawaii's renewable resources and DER at a lower cost to the utility and its customers, The project will also seek to resolve the technical interconnection and dispatch issues that are currently limiting use of these resources. The flexibility of hybrid DER enables them to better meet customers' cost and reliability needs for electric power. Integrating these DER with the utility's network control and monitoring systems will enable the DER to be dispatched to alleviate system problems and constraints, benefiting both the utility and its customers.

DBEDT will again contract with HELCO, the only public electric utility on the Island of Hawaii and the only entity capable of performing this work.

Name of Vendor: Hawaii Electric Light Company	Cost:
Address: 1200 Kilauea Avenue Hilo, Hawaii 96720	\$45,419

Term of Contract: From: Execution To: September 30, 2004	Prior Sole Source Reference No.: 02-91-R
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The goods, services, or construction has the following unique features, characteristics, or capabilities:

This project is funded by the United States Department of Energy (USDOE). The project as proposed and accepted by the U.S. Department of Energy names Hawaii Electric Light Company as the service provider. USDOE requires a match for the grant and HELCO will provide \$20,000 in-kind labor matching.

How the unique features, characteristics, or capabilities are essential for the agency to accomplish its work:

Hawaii Electric Light Company, a public electric utility, provides electrical service for the Island of Hawaii. It is the only public electric utility on the island of Hawaii. The project seeks to solve technical problems on the HELCO system, requiring the full involvement of the utility.

The project, as proposed and accepted by the U.S. Department of Energy, names Hawaii Electric Light Company as the service provider.

The following other possible sources for the goods, services, or construction were investigated but do not meet our needs because:

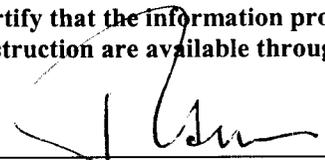
Information on the U.S. Department of Energy grant program was made available to the general public and posted on the Internet; any and all were invited to submit proposals under the Federal solicitation. The DBEDT-HELCO project team submitted a proposal for this project which was competitively selected by USDOE.

The project, as proposed and accepted by the U.S. Department of Energy, is to have Hawaii Electric Light Company as the service provider; as such, Hawaii Electric Light Company is the only possible service provider.

Direct Questions To: Steven C. Alber

Phone: 587-3837

I certify that the information provided above is to the best of my knowledge, true, correct and that the goods, services, or construction are available through only one source.



Department/Agency Head Date

Title (If other than Department/Agency Head)

Chief Procurement Officer's Comments:

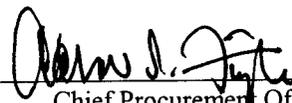
This is a procurement violation because it is directly related to previous sole source request, SS No 02-91-R, which had expired on March 31, 2004, and was not amended to extend the term of contract on a timely basis (prior to March 31, 2004).

In order for the contractor to complete its scope of work and/or be paid for the work performed, SPO Form 16, Procurement Violation, Report of Findings and Corrective Actions and Request for After-the-Fact Payment will need to be submitted to the SPO for approval.

Please ensure adherence to applicable administrative and statutory requirements.

Expenditure may be processed through a purchase order: Yes ____ No ____ . If no, a contract must be executed and funds certified.

____ Approved Denied



Chief Procurement Officer Date 7/21/04



DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

LINDA LINGLE
GOVERNOR
THEODORE E. LIU
DIRECTOR
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STRATEGIC INDUSTRIES DIVISION
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Tel.: (808) 587-3812
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June 4, 2004

To: Theodore E. Liu, Director

From: Maurice H. Kaya, Chief Technology Officer

Subject: Request to Supplement Contract No.49947 with a New Contract to Complete Project

This is to forward a Request for Project Approval to supplement State Contract No. 49947 with a new contract with a completion date of September 30, 2004. The contract was originally of 18 months' duration to March 31, 2004. The contractor, HELCO, was unable to complete the project before the expiration date due to events beyond HELCO's control. Our project manager had queried HELCO monthly for over six months about progress and was told in each case that HELCO would meet the expiration date. However, at the end of February 2004, HELCO requested an extension. Although an extension was initiated almost immediately, it was not processed soon enough to execute the agreement before the expiration date.

Extenuating circumstances in January and February had placed additional burdens on the two HELCO project engineers. The engineers had to deal with events with potentially significant impacts to HELCO's ability to sustain and continue operations that had to be addressed at the expense of working on the studies. Some of the events were:

- Jan. 23, 2004 Storm. A storm disrupted HELCO's transmission and distribution lines, caused loss of generation, and resulted in 13,800 customers out of service;
- Jan. 25, 2004 Storm. A storm disrupted HELCO's transmission and distribution lines, caused loss of generation, and resulted in 33,500 customers out of service;
- Jan. 13, 2004 Oil Spill Response. A contractor drilled into a HELCO fuel oil line and the engineers had to stop, mitigate and cleanup the spill;
- Jan.-Feb. Computer Failure. Three of the computers used for the man machine interface for the energy management system (EMS) had to be rebuilt; and
- Jan.-Feb. Modifications to Computer System. The engineers were also working to incorporate new generation to the EMS requiring modification of the computer

Theodore E. Liu
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models, the graphic displays, alarms, reports, etc. These systems are to be used in modeling as part of the project.

As noted above, following approval of project extension by USDOE, the DBEDT project manager promptly initiated, on March 2, 2004, the process to request and develop a Supplemental Agreement to extend the completion date to September 30, 2004. However, it was not provided by ASO for execution by the Contractor until April 7, 2004. The Contractor signed the Agreement on April 20 and it was received on April 22.

Based upon advice from ASO/Contracts, in early May, we prepared a letter to the Attorney General requesting an after-the-fact extension of the contract. It was returned by ASO on May 20, advising us that such requests were not being approved and suggesting that we pursue a new contract instead.

It is extremely important that this work be completed due to its funding by a competitively awarded USDOE State Energy Program Special Project grant. Over the last few years, DBEDT has won grants ranging from \$350,000 to \$600,000 annually. Failure to complete a project could jeopardize this vital source of funding for the Department's energy programs.

The project is funded by a U.S. Department of Energy (USDOE) Grant of \$70,000 with \$66,419 for the contract with HELCO and \$3,581 to the State of Hawaii for Indirect Costs. USDOE requires a match for the grant. DBEDT has provided a \$4,000 stripper well in-kind labor match and HELCO will provide \$20,000 in-kind labor match. HELCO will be paid \$21,000 for work completed under the Contract 49947 and has documented \$6,000 of its in-kind labor match.

This contract will pay HELCO the remaining \$45,419 from the USDOE Grant and HELCO will provide the final \$14,000 in-kind match to complete the project.

We ask your assistance in helping us expedite this request. We would like to have the new contract fully executed by July 30, 2004 to allow completion of the unfinished elements of the project by USDOE's revised completion date of September 30, 2004.

Thank you.

STATE OF HAWAII NOTICE OF SOLE SOURCE

The Chief Procurement Officer is in the process of reviewing the request from the Department of Business, Economic Development and Tourism for the sole source purchase of the following goods, services, or construction:

The Hawaii Electric Light Company (HELCO) will provide services, under a Federal Grant from the U.S. Department of Energy (USDOE) State Energy Program. The project will evaluate the combination of hybrid, controllable distributed energy resources(DER) in systems to enable fuller development of the Island of Hawaii's renewable resources and DER at a lower cost to the utility and its customers, The project will also seek to resolve the technical interconnection and dispatch issues that are currently limiting use of these resources. The flexibility of hybrid DER enables them to better meet customers cost and reliability needs for electric power. Integrating these DER with the utility's network control and monitoring systems will enable the DER to be dispatched to alleviate system problems and constraints, benefiting both the utility and its customers.

Vendor: Hawaii Electric Light Company
Address: 1200 Kilauea Avenue
Hilo, Hawaii 96720

Term of Contract:	From: Upon CPO Approval	To: September 30, 2004	Cost: \$45,419.00
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Direct any inquiries to:	
Department: of Business, Economic Development and Tourism	Phone Number:
Contact Name/Title: Steven C. Alber	808-587-3837
Address:	Fax Number:



Date Notice Posted: July 14, 2004

A copy of this notice of sole source shall be posted by the Chief Procurement Officer and the purchasing agency in an area accessible to the public, at least seven (7) calendar days prior to any approval action.

Submit written objections to this notice to issue a sole source contract within seven (7) calendar days from the date this notice was posted to:

Chief Procurement Officer
Office/Agency State Procurement Office
Address 1151 Punchbowl Street, Room 416
Honolulu, Hawaii 96813