

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

----- In the Matter of -----)
)
 PUBLIC UTILITIES COMMISSION)
)
 Instituting a Proceeding to)
 Investigate Distributed Energy)
 Resource Policies.)
)

DOCKET NO. 2014-0192

ORDER NO. 32269

INSTITUTING A PROCEEDING TO INVESTIGATE
DISTRIBUTED ENERGY RESOURCE POLICIES

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PUBLIC UTILITIES COMMISSION) Docket No. 2014-0192
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Instituting a Proceeding to) Order No. **32269**
Investigate Distributed Energy)
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_____)

INSTITUTING A PROCEEDING TO INVESTIGATE
DISTRIBUTED ENERGY RESOURCE POLICIES

By this Order, the commission institutes a proceeding to investigate the technical, economic, and policy issues associated with distributed energy resources ("DER") as they pertain to the electric operations of Hawaiian Electric Company, Inc. ("HECO"), Hawaii Electric Light Company, Inc. ("HELCO"), Maui Electric Company, Limited ("MECO") (collectively, the "HECO Companies"), and the Kauai Island Utility Cooperative ("KIUC").

I.

Order Instituting Proceeding

In the "Commission's Inclinations on the Future of Hawaii's Electric Utilities; Aligning the Utility Business Model with Customer Interests and Public Policy Goals" (the "White Paper"), the commission, among other things, articulated guidance with respect to system planning and the future

development of new system projects on Hawaii's electric grids.¹ The commission specifically recognized that DER could provide benefits both to the system and to utility customers:

In recent years, Hawaii has seen exponential growth in rooftop photovoltaic (PV) systems. Coupled with continued innovation in other distributed energy resources, such as electric vehicles and distributed energy storage, the utilities will need to plan proactively for future additions of DER. The rapid adoption of these technologies will require the utilities to design programs and develop distribution system infrastructure to optimize the system and maximize customer benefits. In addition, the Commission believes supporting these programs could provide the utilities' new revenue-earning opportunities through activities such as enabling electric vehicle charging networks and aggregating DER.²

The White Paper also addressed how pricing and rate structures may be used to foster DER:

Current electric utility rate structures in Hawaii are not well suited for a future environment where there are significant quantities of variable renewable energy, customer-sited distributed energy resources and increasingly smart grid technologies.

¹In the Matter of PUBLIC UTILITIES COMMISSION Regarding Integrated Resource Planning, Docket No. 2012-0036, "Decision and Order No. 32052," filed on April 28, 2014, Exhibit A, "Commission's Inclinations on the Future of Hawaii's Electric Utilities; Aligning the Utility Business Model with Customer Interests and Public Policy Goals," at 11.

²White Paper at 15. The commission further observed that "[i]n some cases, these services may constitute so-called 'below the line' services or non-utility business activity more appropriately provided by a utility-affiliate." Id. at n. 20.

Existing utility rate and pricing structures need to be reconsidered to better respond to customer and technological changes. In addition, current rate structures do not provide the correct market signals to customers and market actors to address periods with an excess supply of energy to the grid.³

The commission observed that such issues could include consideration of the following: (1) whether "unbundled" rate structures could address customer preferences for varying levels of electricity service; (2) whether there should be greater utilization of capacity-based, fixed-cost based pricing; (3) whether time-of-use and dynamic pricing structures could help to better match customer demand with renewable energy supply; (4) whether new pricing incentives could be used to reduce curtailment of renewable resources; and (5) whether it is appropriate to implement a supplemental power service tariff structured to meet the needs of customers with distributed generator and/or energy storage.⁴

The commission also notes that, in Order No. 32053 (which addressed the work product of the Reliability Standards Working Group or "RSWG"), it had directed the HECO Companies to produce a Distributed Generation Integration Plan ("DGIP") which, among things, addressed DER:

³White Paper at 25.

⁴White Pater at 25-27.

A critical component of the overall DGIP is an Advanced DER Technology Utilization Plan that identifies how customers will install, and the utilities will utilize as an integrated DER portfolio, advanced inverters, distributed energy storage, demand response, and electric vehicles to mitigate adverse grid impacts on utility distribution circuits and the system as a whole.⁵

Thus, in Order No. 32053, the commission stated that it would initiate a proceeding to investigate various DER technical, economic, and policy issues:

The commission believes that the new proceeding will benefit greatly from the foundation of work developed by the RSWG and set forth in this decision and order. This proceeding will also benefit from the anticipated work products of the DER-TWG, the DGIP, and other utility submissions ordered in the instant decision and order.⁶

⁵White Paper at 15.

⁶In the Matter of PUBLIC UTILITIES COMMISSION Instituting a Proceeding to Investigate the Implementation Of Reliability Standards for Hawaiian Electric Company, Inc., Hawaii Electric Light Company, Inc., and Maui Electric Company, Limited, Decision and "Order No. 32053, Ruling On RSWG Work Product" ("Order No. 32053"), filed April 28, 2014, at 62.

The commission notes that the formation of the "Distributed Energy Resources Technical Working Group" ("DER-TWG") will take place after the filing and initial review of the HECO Companies' consolidated DGIP and the individual Power Supply Improvement Plans ("PSIPs") (which are to be filed and reviewed in Docket No. 2014-0183, In the Matter of PUBLIC UTILITIES COMMISSION Instituting a Proceeding to Review the Power Supply Improvement Plans for Hawaiian Electric Company, Inc., Hawaii Electric Light Company, Inc., and Maui Electric Company, Limited).

Consistent with these orders, the commission is instituting this proceeding to investigate these issues with respect to HECO, MECO, HELCO, and KIUC.⁷

⁷In Order No. 31424, filed on August 27, 2013, in Docket No. 2013-0194, the commission initiated an investigation into the Feed-In Tariff ("FIT") program, observing that "since its inception, the FIT program has experienced more than its fair share of challenges and setbacks." Order No. 31424 at 8. The commission further observed that "there have been significant changes in circumstances shaping efforts to integrate renewable resources onto Hawaii's electric grids since 2008 when the Energy Agreement was signed and the FIT Docket was opened." Id. at 11. Moreover, since the date on which Order No. 31424 was filed, the commission issued Order No. 32053 and the White Paper, which, as discussed herein, provide the basis for opening this docket based on the potential benefits that DER could provide both to the system and to utility customers.

Thus, the FIT program - as well as the issues it presents - continues to evolve. Given this evolution, various facets of the FIT program will be addressed in several related dockets. In Docket No. 2013-0194, the commission will address the existing FIT program, including the Joint Plan for Queue Administration. Future revisions or modifications to the FIT program will be addressed either in this docket or in Docket No. 2014-0183, which has been established to review the HECO Companies' Power Supply Improvement Plans ("PSIPs"). The specific issues to be addressed in this docket and in Docket No. 2014-0183 will be set forth in the orders establishing procedures for each of these dockets.

II.

Named Parties

The commission names HECO, MECO, HELCO, and KIUC individually as parties to this proceeding.⁸ In addition, the commission names the Consumer Advocate a party to this proceeding.⁹ The Consumer Advocate's involvement and participation in this proceeding will assist the commission in developing a sound record for its investigation.

III.

Procedural Matters

Any interested individual, entity, agency, or community or business organization may file a motion to intervene or participate without intervention in this docket. The commission advises that the investigation to be conducted in this docket will require detailed analysis and discussion of various technical,

⁸The commission recognizes that KIUC has not been directed to prepare either a PSIP or a DGIP. The commission is not requiring KIUC to conduct or file either plan by way of this Order, but is requiring KIUC to actively participate as a party to this docket as it may be subject to any applicable commission decision issued herein.

⁹The Consumer Advocate is statutorily mandated to represent, protect, and advance the interests of all consumers of utility service and is an ex officio party to any proceeding before the commission. See Hawaii Revised Statutes § 269-51 and Hawaii Administrative Rules ("HAR") § 6-61-62.

economic, and policy issues concerning DER. Potential intervenors or participants must be prepared to address these issues in depth and to meaningfully participate in the discussion and resolution of same.

With respect to the latter, the commission notes that, in a previous order, it granted a motion to intervene in a rate case subject to the following requirement:

[O]n public utility ratemaking matters, including revenues, expenses, cost of service, and rate design, and other issues requiring specialized knowledge, Kauai Marriott [is required to] offer testimony and other relevant evidence through qualified expert witnesses. The commission's decision to allow Kauai Marriott to intervene is based, to a significant extent, on Kauai Marriott's assurances that it will provide meaningful assistance to the commission. Accordingly, the commission expects Kauai Marriott, at its expense, to retain one or more qualified experts to provide such testimony, if necessary.¹⁰

Likewise, in this proceeding, potential intervenors and participants are required to present detailed information in their motions which demonstrates either that they possess expertise with

¹⁰In the Matter of the Application of KAUAI ISLAND UTILITY COOPERATIVE For Approval of Rate Changes and Increases, Revised Rate Schedules And Rules, and Other Ratemaking Matters, Docket No. 2009-0050, "Order Granting Intervention To Essex House Condominium Corporation On Behalf Of Kauai Marriott Resort & Beach Club," filed on October 6, 2009, at 18-19.

respect to DER issues, or that they will retain consultants that have such expertise. Thus, potential intervenors should demonstrate engineering, economic, and policy expertise commensurate with the highly complex and technical nature of these interrelated issues. This requirement is necessary so that the issues in this proceeding can be addressed in both a comprehensive and timely fashion.

A motion to intervene or participate without intervention must be filed not later than twenty days from the date of this Order, pursuant to HAR § 6-61-57(3)(B). Motions to intervene or participate without intervention must comply with HAR Chapter 6-61, Rules of Practice and Procedure Before the Public Utilities Commission. Intervenors and participants will not be allowed to broaden the issues or to unduly delay the proceeding.

After the commission has ruled on intervention and completed an initial review of the PSIPs and DGIP, the commission will develop a set of proposed issues and a procedural schedule for the docket.

IV.

Orders

THE COMMISSION ORDERS:

1. Pursuant to HRS §§ 269-6 and 269-7, this proceeding is instituted to investigate distributed energy resource policies as they relate to HECO, HELCO, MECO, and KIUC.

2. HECO, HELCO, MECO, KIUC, and the Consumer Advocate are named as parties to this docket.

3. A motion to intervene or participate without intervention must be filed not later than twenty days from the date of this Order, pursuant to HAR § 6-61-57(3)(B). Motions to intervene or participate without intervention must comply with HAR Chapter 6-61, Rules of Practice and Procedure Before the Public Utilities Commission.

DONE at Honolulu, Hawaii AUG 21 2014.

PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By Hermina Morita
Hermina Morita, Chair

By Michael E. Champley
Michael E. Champley, Commissioner

APPROVED AS TO FORM:

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By Lorraine H. Akiba
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CERTIFICATE OF SERVICE

The foregoing order was served on the date of filing by mail, postage prepaid, and properly addressed to the following parties:

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