BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF HAWAII

---- In the Matter of ----)	
PUBLIC UTILITIES COMMISSION)	DOCKET NO. 2014-0192
Instituting a Proceeding to Investigate Distributed Energy Resource Policies.)	

ORDER NO. 34205

DENYING HAWAII PV COALITION'S, HAWAII SOLAR ENERGY ASSOCIATION'S, SUNPOWER CORPORATION'S, AND THE ALLIANCE FOR SOLAR CHOICE'S MOTION TO ADJUST CUSTOMER GRID SUPPLY TARIFF CAP

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By this Order,[1] the Public Utilities Commission ("commission") denies Hawaii PV Coalition's, Hawaii Solar

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[1]The Parties to this proceeding are HAWAIIAN ELECTRIC COMPANY, INC. ("HECO"), HAWAII ELECTRIC LIGHT COMPANY, INC. ("HELCO"), MAUI ELECTRIC COMPANY, LIMITED ("MECO"), KAUAI ISLAND UTILITY COOPERATIVE ("KIUC"), and the DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS, DIVISION OF CONSUMER ADVOCACY (the "Consumer Advocate"), an ex officio party, pursuant to Hawaii Revised Statutes ("HRS") § 269-51 and Hawaii Administrative Rules ("HAR") § 6-61-62(a).

Additionally, the commission has granted intervenor status to the DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT, AND TOURISM ("DBEDT"), HAWAII SOLAR ENERGY ASSOCIATION ("HSEA"), RENEWABLE ENERGY ACTION COALITION OF HAWAII ("REACH"), HAWAII RENEWABLE ENERGY ALLIANCE ("HREA"), HAWAII PV COALITION ("HPVC"), BLUE PLANET FOUNDATION ("Blue Planet"), THE ALLIANCE FOR SOLAR CHOICE ("TASC"), SUNPOWER CORPORATION ("SunPower"), LIFE OF THE LAND ("LOL"), and RON HOOSON ("Mr. Hooson"). Following the submission of the Solar Parties' motion which is the subject of this Order, the commission has also allowed the DISTRIBUTED ENERGY RESOURCE COUNCIL OF HAWAII ("DERC"), APOLLO ENERGY CORPORATION ("Apollo"), PUNA PONO ALLIANCE ("Puna Pono"), ULUPONO INITIATIVE

Energy Association's, SunPower Corporation's, and The Alliance for Solar Choice's (collectively, the "Solar Parties") Motion to Adjust Customer Grid Supply Tariff Cap.[2] However, the HECO Companies shall transfer capacity associated with withdrawn NEM applications, if any, to the CGS tariff. Any pending CGS tariff application, including those approved as a result of this transfer of capacity, shall continue to be governed by, and compensated under, the CGS tariff.

I.

RELEVANT PROCEDURAL HISTORY

On October 12, 2015, the commission issued Decision and Order No. 33258, which, among other things, closed the net energy metering ("NEM") program to new participants, grandfathered existing NEM customers, and approved two interim programs for customers to interconnect DER into the HECO Companies'[3] electric grids: the customer self-supply ("CSS")

LLC ("Ulupono"), and the ENERGY FREEDOM COALITION OF AMERICA ("EFCA") to intervene in this proceeding.

[2]"Hawai'i PV Coalition's, Hawai'i Solar Energy Association's, SunPower Corporation's, and The Alliance for Solar Choice's Motion to Adjust Customer Grid Supply Tariff Cap; Memorandum in Support of Motion; Affidavits of Hajime Alabanza and Mark Duda; and Certificate of Service," filed May 16, 2016 ("Solar Parties' Motion to Adjust CGS Cap").

[3]The "HECO Companies" refers collectively to HECO, HELCO, and MECO.

option and the customer grid-supply ("CGS") option.[4] The CGS option is "intended to provide customers with the option to export excess energy to the grid in exchange for energy credits against the customer's bill, to the extent such energy export provides benefits to the electrical system."[5] The CGS option is "functionally similar to the existing NEM program, . . . with the difference that the energy credit rate under the grid-supply option need not be tied to the retail electricity price, but rather can be set at a rate that approximates the relative value of such exported energy to the system."[6]

Pursuant to Decision and Order No. 33258, the HECO Companies filed tariff sheets for the CSS and CGS options on October 19, 2015.[7]

On May 16, 2016, the Solar Companies filed their Motion to Adjust CGS Cap.

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[4]See Decision and Order No. 33258, "Decision and Order Resolving Phase I Issues," filed October 12, 2015 ("Decision and Order No. 33258").

[5]Decision and Order No. 33258 at 126.

[6]Decision and Order No. 33258 at 126-27.

[7]See "The Hawaiian Electric Companies' Self Supply, Grid Supply, and Rule 14H Tariffs; Books 1 and 2," filed October 19, 2015. A stipulation to the proposed revisions to Rule No. 14H was later reached among the Parties and filed with the commission on May 2, 2016, and approved by the commission on July 11, 2016. See Decision and Order No. 33791, filed July 11, 2016.

On May 24, 2016, KIUC filed a statement of no opposition to the Solar Parties' Motion to Adjust CGS Cap.[8]

On May 25, 2016, the HECO Companies filed a response in which they opposed the Solar Parties' Motion to Adjust CGS Cap,[9] and the Consumer Advocate filed an opposition to the Solar Parties' Motion to Adjust CGS Cap.[10]

On June 1, 2016, REACH and Mr. Hooson filed a letter which appears to be in response to the Solar Parties' Motion to Adjust CGS Cap.[11]

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[8]"Kauai Island Utility Cooperative's Response to Hawaii PV Coalition's, Hawaii Solar Energy Association's, SunPower Corporation's, and The Alliance for Solar Choice's Motion to Adjust Customer Grid Supply Tariff Cap," filed May 24, 2016.

[9]"Hawaiian Electric Companies' Response to Hawaii PV Coalition's, Hawaii Solar Energy Association's, SunPower Corporation's, and The Alliance for Solar Choice's Motion to Adjust Customer Grid Supply Tariff Cap; Affidavit of Kaiulani Shinsato; and Certificate of Service," filed May 25, 2016 ("HECO Companies' Response").

[10]"Division of Consumer Advocacy's Opposition to Hawaii PV Coalition's, Hawaii Solar Energy Association's, SunPower Corporation's, and The Alliance for Solar Choice's Motion to Adjust Customer Grid Supply Tariff Cap," filed May 25, 2016 ("CA Opposition").

[11]See Joint Letter From: E. Kvam and R. Hooson To: Commission Re: Docket No. 2014-0192: "Request for Status Conference re Customer Grid Supply Tariff," filed June 1, 2016 ("REACH-Hooson Letter").

On June 2, 2016, the Solar Parties filed their Motion for Leave to File a Reply in support of their Motion to Adjust the CGS cap.[12]

On June 13, 2016, KIUC filed a response in which it did not object to the Solar Parties' Motion for Leave to File a Reply.[13] The commission did not receive a response to the Solar Parties' Motion for Leave to File a Reply from any of the other Parties.

II.

PARTIES AND POSITIONS

A.

The Solar Parties

The Solar Parties state that the recent popularity of the CGS tariff had resulted in the rapid depletion of available CGS cap space, and estimate that, as of May 3, 2016, there is only

[12]"Hawai'i PV Coalition's, Hawai'i Solar Energy Association's, SunPower Corporation's and The Alliance for Solar Choice's Motion for Leave to File Reply; Reply in Support of Motion to Adjust Customer Grid Supply Tariff Cap; Affidavits of Robert Harris and Mark Duda; Exhibit A; and Certificate of Service," filed June 2, 2016. To avoid confusion, references to the Solar Parties' motion for reply ("Solar Parties' Motion for Leave to File a Reply") and the reply itself ("Solar Parties' Reply") are cited separately.

[13]"Kauai Island Utility Cooperative's Response to Hawaii PV Coalition's, Hawaii Solar Energy Association's, SunPower Corporation's and The Alliance for Solar Choice's Motion for Leave to Reply; and Certificate of Service," filed June 13, 2016.

approximately 50% cap space on Oahu, 54% cap space on Maui, and 62% cap space on the Big Island.[14] The Solar Parties also contend that the rate of CGS applications will accelerate, and estimate that CGS cap space for all islands will be depleted by the beginning of August 2016.[15]

The Solar Parties state that CGS is currently the only practical DER option available to customers, as the CSS option "is still being developed and more advanced DER 2.0 options are pending."[16] Accordingly, the Solar Parties request an unspecified upward adjustment to the CGS tariff cap so that the CGS tariff can continue to serve as a bridge between Decision and Order No. 33258 in Phase 1 and a more permanent DER market structure that will be developed in Phase 2.[17] Additionally, the Solar Companies assert that increasing the CGS tariff cap will help provide stability to

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[14]See Solar Parties' Motion to Adjust CGS Cap at 4. On June 22, 2016, MECO issued a news release in which it announced that the CGS capacity limit for MECO's grid had been reached. On August 4, 2016, HELCO issued a similar release, in which it announced that its own CGS capacity limit was also close to being reached. On September 8, 2016, HECO issued its own release, in which it announced that the CGS capacity limit for Oahu was also nearly reached. However, the HECO Companies clarified that these announcements were based on received applications that represent prospective, not actual, installed capacity.

[15]See Solar Parties' Motion to Adjust CGS Cap at 6. As noted, supra, based on pending applications with the HECO Companies, nearly all CGS cap space has been fulfilled.

[16]Solar Parties' Motion to Adjust CGS Cap at 6-7.

[17]Solar Parties' Motion to Adjust CGS Cap at 6.

the solar industry, which is still adjusting to the closure of the NEM program.[18] The Solar Companies also contend that there are many outstanding issues related to the CGS tariff, and increasing the cap will provide more time to explore these issues.[19]

In their Reply, the Solar Companies also cite on-going interconnection disputes related to the CSS tariff and the near-term fulfillment of the Maui CGS tariff cap as additional reasons for supporting an increase to the CGS tariff cap.[20]

B.

The HECO Companies

The HECO Companies oppose the Solar Parties' Motion to Adjust CGS Cap, arguing that the Solar Parties' arguments do not accurately reflect the commission's objectives, as stated in Decision and Order No. 33258.[21] Rather than increase the CGS tariff cap, the HECO Companies state that focus should shift to the CSS program instead, until more permanent offerings are produced during Phase 2 of this proceeding.[22]

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[18]See Solar Parties' Motion to Adjust CGS Cap at 10-11.

[19]Solar Parties' Motion to Adjust CGS Cap at 11-12.

[20]See Solar Parties' Reply.

[21]See HECO Companies' Response at 15-17 and 27.

[22]See HECO Companies' Response at 18-19.

In the event that the commission decides to increase the CGS cap, the HECO Companies recommend exercising caution to ensure that any CGS growth does not exacerbate the concerns raised by the commission in Decision and Order No. 33258 regarding the NEM and CGS program (e.g. system-level integration challenges), and recommends only allowing increased CGS capacity on Oahu.[23] The HECO Companies also suggest tapping into capacity allotted to approved, but uninstalled, NEM system applications (estimated at 13,000 applications, or 102 megawatts [("MW")]).[24]

Additionally, the HECO Companies recommend that any increase to the CGS cap come with a provision requiring all CGS systems to be right-sized, which will allow more customers to participate in the CGS program in a more efficient manner and avoid situations in which customers are sold systems larger than they require.[25] Finally, the HECO Companies suggest re-visiting the credit rate for CGS exports for any additional CGS systems, arguing that recent data indicate that the current CGS program export rate, based on July 2014-June 2015 figures, is no longer reflective of the current monthly average on-peak avoided cost.[26]

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[23]See HECO Companies' Response at 19-21.

[24]See HECO Companies' Response at 2 and 22-23.

[25]HECO Companies' Response at 23.

[26]HECO Companies' Response at 24-26.

C.

The Consumer Advocate

The Consumer Advocate opposes the Solar Parties' Motion to Adjust CGS Cap. The Consumer Advocate states that the Solar Parties have not shown how increasing the CGS tariff cap is in the public interest.[27] In particular, the Consumer Advocate challenges the Solar Parties' assumptions, arguing that their estimations regarding CGS applications are based on arbitrary calculations and are contrary to estimates by other solar industry representatives.[28]

Additionally, the Consumer Advocate maintains that the increase in CGS activity is largely precipitated by the solar industry itself in an effort to "maximize profits associated with solar PV system sales," and that this self-interest appears to be the primary concern in advocating for an increase in CGS cap space.[29] Finally, the Consumer Advocate notes that the Solar Parties' Motion to Adjust CGS Cap is contrary to their earlier position in this proceeding, which alleged that the CGS tariff would encounter difficulties and should not be approved.[30]

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[27]CA Opposition at 1-2.

[28]CA Opposition at 3-4.

[29]See CA Opposition at 4.

[30]See CA Opposition at 4-5.

In sum, the Consumer Advocate concludes that raising the CGS cap reduces motivation to address the technical, economic, and policy issues slated for Phase 2 and exacerbates the cross-subsidization among customer classes that is already occurring.[31]

D.

REACH and Mr. Hooson

REACH and Mr. Hooson do not directly respond to the Solar Parties' Motion to Adjust CGS Cap, but filed a letter on June 1, 2016, in which they requested that the commission schedule a status conference to discuss "avenues for agreement on a method of valuing energy supplied to the grid from distributed generation ('DG') systems under the customer grid supply ('CGS') tariff (a 'CGS valuation method')."[32]

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[31]See CA Opposition at 6-8.

[32]See REACH-Hooson Letter.

III.

DISCUSSION

A.

The Solar Parties' Motion for Leave to File a Reply

The commission's rules do not expressly provide for a reply filing in support of a motion.[33] Accordingly, leave to file a reply in support of a motion is subject to the discretion of the commission. The commission observes that no Party filed any opposition to the Solar Parties' motion for leave to file a reply. Additionally, the Solar Parties' reply is confined to addressing arguments raised in the HECO Companies' Response and the Consumer Advocate's Opposition. Based on the circumstances presented here, the commission grants the Solar Companies' Motion for Leave to File a Reply and has considered their attached Reply in addressing the Solar Parties' Motion to Adjust CGS Cap.

B.

Denying the Solar Parties' Request to Adjust the CGS Tariff Cap

Pursuant to Decision and Order No. 33258, the commission retains the ability to adjust the CGS cap at its discretion:[34]

[33]See HAR § 6-61-41.

[34]See Decision and Order No. 33258 at 142.

> The commission will retain the ability to adjust the transitional grid-supply tariff cap to accommodate other offerings that may become available to customers in this interim time period, and may consider adjustments to the grid-supply tariff caps in Phase 2 of this proceeding.

When the commission described the CGS option in Decision and Order No. 33258, it specifically envisioned the program as an *interim* measure that would provide a *transitional* option for customers who wished to interconnect DER systems that export uncontrolled energy to the electric grid.[35] Indeed, the commission noted that the CGS tariff would be "functionally similar" to the existing NEM program, which the commission had concluded was "not designed for DER deployment at the scale experienced today."[36]

In discussing the CGS tariff, the commission noted that the CGS tariff option does not resolve all of the concerns related to the NEM program, including exports of "uncontrolled energy onto the grid, regardless of whether the power system can economically or physically accommodate such exports," and that

> unconstrained growth in the grid-supply option is not in the public interest, given the finite capacity of each island grid to accommodate uncontrolled export of energy during mid-day hours . . . . particularly if such growth comes at the expense of future opportunities to acquire even lower-cost renewable energy from other sources, or prevents the HECO Companies from offering

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[35]See Decision and Order No. 33258 at 139.

[36]Decision and Order No. 33258 at 160 and 162.

community-based renewable energy options for their customers.[37]

Due to these concerns, the commission established specific limitations for the CGS tariff, including a two-year fixed rate for exports and an initial enrollment cap of 35 MW.[38]

The commission's intent with regard to the CGS and CSS tariffs was to begin to address the technical and economic concerns associated with the uncontrolled export of energy under the NEM program, while avoiding a complete termination of all customer DER export options. In setting the initial CGS tariff cap, the commission expressly allowed uncontrolled exports to grow modestly for an interim period, in order to allow for a transition in the DER market from the availability of the NEM program to a re-designed market structure for DER that will be developed in Phase 2.

In Decision and Order No. 33258, the commission repeatedly emphasized that the CGS tariff cap was designed to be an interim measure, with more detailed examination and potential modification to follow in Phase 2.[39] The CGS tariff has served

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[37]Decision and Order No. 33258 at 139-141.

[38]See Decision and Order No. 33258 at 139-140. The 35 MW cap was allocated at 25 MW for the HECO service territory, and 5 MW each for the MECO and HELCO service territories. Id. at 140.

[39]See Decision and Order No. 33258 at 127, 137-38, 140, 142, and 167-68.

as a transitionary option for customers (alongside the CSS tariff, for which there is no participation cap), between the closing of the NEM program and the offerings that will arise from discussion during Phase 2 of this proceeding, consistent with the commission's goal of developing improved, affordable DER options for Hawaii.

Thus, the transition from NEM to CGS and CSS is intended to give the Parties an opportunity to "comprehensively consider the complex and inter-related technical and economic issues associated with establishing a market structure to acquire beneficial DER in Phase 2 of this proceeding."[40]

After reviewing the record, the commission concludes that the Solar Parties have not adequately demonstrated how increasing the CGS tariff cap is consistent with Decision and Order No. 33258 or in the public interest. In their Motion, the Solar Parties focus their concerns on continuing the interim CGS option in light of the rapid fulfillment of CGS tariff cap space, providing a continuing option for installing export DER, providing certainty for the solar market, and allowing additional time to evaluate the CGS tariff.[41] In their Reply,

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[40]Decision and Order No. 33258 at 140.

[41]See Solar Parties' Motion to Adjust CGS Cap at 3-12; see also, Solar Parties' Reply at 3-7.

the Solar Parties also cite on-going problems with implementing the alternative CSS tariff option.[42]

However, these claims are not fully responsive to the concerns discussed by the commission in Decision and Order No. 33258 when it established the CGS cap. On the contrary, the rapid success of the CGS program suggests continued caution is warranted before allowing additional uncontrolled exports to the grid.

Likewise, the popularity of the CGS program does not diminish the importance of ensuring adequate grid space is available for other, lower-cost or otherwise desirable, renewable energy projects. When the commission established the CGS tariff cap, the commission specifically expressed concern that unconstrained growth of the CGS option might "[come] at the expense of future opportunities to acquire even lower-cost renewable energy from other sources, or [prevent] the HECO Companies from offering community-based renewable energy options ['CBRE'] for their customers."[43] Approving an upward adjustment to the CGS tariff cap at this time, before the HECO Companies have finished developing a CBRE offering, is contrary to the commission's intent

[42]See Solar Parties' Reply at 2-3.

[43]See Decision and Order No. 33258 at 140-41.

to enable the success of the CBRE program, pursuant to statutory requirements.[44]

Additionally, the commission has repeatedly stated that reaching the State's RPS goals will require adoption of a diverse portfolio of renewable energy sources,[45] and allocating more grid space to the CGS tariff may delay or even prevent the development of alternative renewable energy sources. While increasing the CGS tariff cap may appear to provide a solution in the short term, the commission must consider the long-term consequences of allocating increasing amounts of limited grid space to accommodate uncontrolled DER exports.

Nevertheless, the commission acknowledges the concerns raised by the Solar Parties, particularly with respect to ensuring that a practical and economical option is available for customers to continue to invest in grid-supportive DER, in accordance with the State's energy policy goals. The rapid subscription of the CGS tariff requires the commission to strike a balance between

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[44]See Order No. 33358, "Suspending Transmittal No. 15-09, Filed by Hawaiian Electric Company, Inc., Hawaii Electric Light Company, Inc., and Maui Electric Company, Limited," filed November 27, 2015, and Order No. 33751, "Admitting Intervenors and Participants, Seeking Clarification Regarding the Stakeholders' Community-Based Renewable Energy Proposal, and Providing 'Draft Hawaii Public Utilities Commission Staff Proposal for Community-Based Renewable Energy Program' For Review and Comment," filed June 8, 2016, in Docket No. 2015-0389.

[45]See Haw. Rev. Stat. § 269-145.5.

addressing market developments while also ensuring consistency with long-term policies and statutory requirements. Additionally, the commission is aware that circumstances have changed since the establishment of the CGS tariff in October 2015.[46]

At the present time, the commission is not persuaded that there is sufficient evidence to support an increase to the CGS tariff cap as requested by the Solar Parties in their Motion. That being said, the commission is open to considering modifications to existing interim DER options to accommodate additional growth, including export-capable DER, provided that such modifications will not conflict with the State's objectives of developing a diverse portfolio of renewable energy sources for Hawaii. However, more discussion among the Parties is necessary to ensure that any potential modifications represent improvements to the interim DER tariffs, will continue to reduce the costs of distributed renewable energy in Hawaii, and will not jeopardize or otherwise interfere with the utilities' ability to provide safe and reliable electrical services to their customers.

In the order establishing the statement of issues and procedural schedule for Phase 2, which is being issued concurrently with this Order, the commission has prioritized the issue of

[46]For example, several utility-scale renewable energy projects expected to be operational in 2016 have been cancelled.

revising the existing interim DER options for immediate discussion by the Parties, with an interim order expected to follow in early 2017. Accordingly, while the commission denies the Solar Parties' Motion as currently presented, it is not the commission's intent to foreclose further discussion on this issue. Rather, the commission envisions the issues raised in the Solar Parties' Motion as a starting point for continued discussions during Phase 2 of this proceeding. Ideally, this will result in an improved suite of interim DER offerings and increase stability as the market transitions into a long-term, re-designed DER structure at the conclusion of Phase 2.[47]

C.

Allowing Transfer of Queue Capacity from the NEM Program to the CGS Tariff Program

While the commission denies the Solar Parties' Motion, the commission instructs the HECO Companies to transfer grid capacity from the NEM program queue, as suggested by the HECO Companies.[48] The Solar Parties and the HECO Companies shall work together to determine which customers who had submitted

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[47]See e.g., issues 5-9, as set forth in the commission's order establishing the statement of issues and procedural schedule for Phase 2, which is being filed concurrently with this Order.

[48]See HECO Companies' Response at 2 and 22-23.

NEM applications prior to the closure of the NEM program have subsequently withdrawn their applications, or are no longer interested in pursuing installation of a renewable energy system under the NEM program.[49] This may result in the opening of available grid capacity which can then be transferred to the CGS tariff cap.

As the HECO Companies and Solar Parties are able to identify and confirm withdrawal of NEM applications, the capacity of those systems, if any, will be transferred to the CGS tariff cap for the Company from which the removed NEM system originated (i.e., if a MECO customer is no longer interested in installing a NEM system, the associated capacity for that NEM system will be added to the CGS tariff cap for MECO's service area). The commission finds that this is a reasonable way in which to distribute available grid capacity, as the capacity associated with any withdrawn NEM systems should not result in additional incremental curtailment of other renewable energy projects.[50]

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[49]According to the HECO Companies, there are approximately 13,000 uninstalled PV systems on all islands, some of which have been sitting in the queue for over 12 months, representing approximately 102 MW of capacity. HECO Companies' Response at 22-23.

[50]The commission is aware that HELCO and MECO are currently curtailing existing renewable energy projects in order to accommodate exports under the NEM and CGS tariffs, and have requested that any increase in the CGS tariff program be applied to Oahu only. See HECO Companies' Response at 20-21. Nevertheless, transferring capacity from the NEM program to the

The HECO Companies shall approve pending applications as additional CGS tariff space becomes available, based on the date and time the CGS application was submitted.

Any customer system installed as a result of any additional CGS tariff cap space created by the transfer of capacity from the NEM queue shall be governed by the existing CGS tariff, including export compensation rates. While the commission notes that the HECO Companies have suggested downwardly adjusting the CGS export compensation rate to reflect recent decreases in on-peak avoided cost rates,[51] the commission concludes that given the interim nature of the CGS tariff, as well as the unknown amount of additional capacity that can be transferred from the NEM queue, revising the CGS tariff export rate may result in a disproportionate amount of confusion and expended resources,

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to Oahu only. See HECO Companies' Response at 20-21. Nevertheless, transferring capacity from the NEM program to the CGS program should not result in undue incremental curtailment of other renewable resources, beyond what is expected as a result of customer participation in the NEM program. Notwithstanding the HECO Companies' concerns, the commission concludes that allocating available grid capacity according to the origin of the withdrawn NEM system is the simplest, most efficient solution under the circumstances. Additionally, the commission emphasizes that this is an *interim* measure, as is the entire CGS tariff, and serves a *transitional* function, pending the development of long-term DER polices in Phase 2. See Decision and Order No. 33258 at 127 and 139. The allocation of CGS cap space, as well as the future of the CGS tariff itself, will be reconsidered as part of Phase 2 of this proceeding.

[51]See HECO Companies' Response at 25-26.

and this issue is better addressed as part of Phase 2 of this proceeding.

Finally, the commission declines to adopt the HECO Companies' recommendation that all additional CGS systems be "right sized," at this time.[52] The commission shares the HECO Companies' concerns regarding over-sized PV systems, particularly to the extent that "over-size" systems preclude other customers from similarly investing in renewable energy technologies.[53] Notwithstanding the CGS provisions designed to encourage "right-sized" PV systems, the HECO Companies state that the size of residential PV systems has been steadily increasing.[54]

That being said, the record does not contain sufficient information at this time to determine what "right size" criteria, if any, should govern additional CGS systems. While the HECO Companies currently offer "right-sizing criteria" for the CGS program, these come with the caveat that they are "estimates only

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[52]See HECO Companies' Response at 23-24.

[53]See Decision and Order No. 33258 at 145-46.

[54]See HECO Companies' Response at 24.

and are for illustrative purposes,"[55] and the Solar Parties contend that there are issues with these criteria.[56]

Accordingly, the commission will not impose a "right-sized" requirement for the CGS tariff at this time, but finds that this is an issue that will be explored in Phase 2 of this proceeding. The commission encourages the HECO Companies to continue to collect data to help determine what factors, if any, have contributed to the increasing size of installed PV systems.

IV.

FINDINGS AND CONCLUSIONS

After careful review of the briefings submitted, the evidence in the record, and the circumstances surrounding this Motion, the commission finds and concludes as follows:

1. Based on the relevant scope of, and lack of opposition to, the Solar Parties' Motion for Leave to File a Reply,

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[55]See the HECO Companies' "Sizing Rooftop Solar Right" brochure, at:

https://www.hawaiianelectric.com/Documents/clean_energy_hawaii/producing_clean_energy/getting_rooftop_solar_right_0716.pdf.

[56]The Solar Parties state that the HECO Companies' criteria "fail to account for trends seen prior to the CGS tariff, changing customer load preferences, recent modification in how the HECO Companies measure DER system capacities, and other potential factors." Solar Parties' Reply at 8.

the commission grants that motion and considers their Reply in issuing this Order.

2. Decision and Order No. 33258, which created the CGS tariff, specifically designed the CGS tariff to be an interim program that contemplated future adjustments to be determined in Phase 2 of this proceeding.

3. In developing the CGS tariff, the commission was aware of the concerns arising from the uncontrolled growth of energy exports to the grid allowed under the NEM program.

4. One of the primary reasons for limiting the CGS tariff was to ensure that adequate grid space would be preserved for other renewable energy offerings.

5. The Solar Parties' Motion to Adjust CGS Cap does not adequately address these concerns. The Solar Parties do not propose a specific cap increase, nor does the Motion provide any assurances that sufficient grid space will remain for other renewable resources. This makes the long-term effects, and effectiveness, of the requested CGS cap increase ambiguous and indeterminable.

6. Rather, the Solar Parties' Motion to Adjust CGS Cap focuses on the rapid subscription of the CGS tariff and the lack of CGS cap space available for remaining CGS tariff applicants.

7. However, the rapid success of the CGS tariff does not justify an interim adjustment to the CGS tariff cap. Moreover,

because such a cap increase would compete with, and potentially reduce, the grid space available for other lower cost or otherwise desirable renewable energy programs, it is contrary to the commission's intent in Decision and Order No. 33258.

8. Accordingly, the commission concludes that the Solar Parties have failed to sufficiently support or justify an increase to the CGS tariff cap as requested in their Motion.

9. Nevertheless, the commission finds that the issues raised by the Solar Parties in their Motion warrant immediate attention and has designated these issues for priority consideration during Phase 2 of this proceeding.

10. Notwithstanding the denial of the Solar Parties' Motion, the commission concludes that unutilized capacity from withdrawn NEM systems shall be transferred and added to the capacity allowed under the CGS tariff cap in order to create more capacity for pending CGS tariff applicants, provided the NEM capacity is withdrawn from the NEM program.

11. The commission concludes that to the extent that a customer with a NEM system in the queue withdraws from the program, the capacity for that system can be transferred to the CGS tariff with a minimal expected incremental impact on curtailment of other renewable energy projects or capacity for other renewable energy programs.

12. The HECO Companies and the Solar Parties shall work together to review the queue of NEM system applicants and identify which, if any, applicants will not ultimately install a NEM system. To the extent that any such NEM systems are withdrawn from the queue, the associated unutilized capacity for any such withdrawn NEM systems shall be transferred and added to the CGS tariff which corresponds to the island grid on which the unutilized capacity is identified.

13. To the extent CGS tariff capacity becomes available, the respective HECO Company shall approve pending CGS applications consistent with this Order, according to the date and time the CGS applications were submitted.

14. CGS tariff customers shall continue to be credited for their electricity exports consistent with the CGS tariff.

15. Consistent with the interim nature of the CGS tariff, all aspects of the CGS tariff shall be open to discussion and potential modification during Phase 2 of this proceeding.

16. Accordingly, the Solar Parties' Motion to Adjust CGS Cap is denied. However, the commission will require the HECO Companies to transfer surplus capacity resulting from withdrawn NEM applications, if any, to the CGS tariff.

V.

ORDERS

THE COMMISSION ORDERS:

1. The Solar Parties' Motion for Leave to File a Reply is granted.

2. The Solar Parties' Motion to Adjust CGS Cap is denied.

3. The HECO Companies shall transfer capacity resulting from withdrawn NEM applications, if any, to the CGS tariff.

DONE at Honolulu, Hawaii DEC - 9 2016.

PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By ______________________
Randall Y. Iwase, Chair

By ______________________
Lorraine H. Akiba, Commissioner

By ______________________
Thomas C. Gorak, Commissioner

APPROVED AS TO FORM:

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