

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. 34206

ESTABLISHING STATEMENT OF ISSUES AND  
PROCEDURAL SCHEDULE FOR PHASE 2

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PUBLIC UTILITIES  
COMMISSION

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ESTABLISHING STATEMENT OF ISSUES AND  
PROCEDURAL SCHEDULE FOR PHASE 2

By this Order,<sup>1</sup> the Public Utilities Commission ("commission") establishes the statement of issues and procedural schedule which shall govern Phase 2 of this proceeding. This Order

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<sup>1</sup>The Parties to this proceeding are HAWAIIAN ELECTRIC COMPANY, INC. ("HECO"), HAWAII ELECTRIC LIGHT COMPANY, INC. ("HELCO"), MAUI ELECTRIC COMPANY, LIMITED ("MECO") (collectively, the "HECO Companies"), 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"), RON HOOSON ("Mr. Hooson"), the DISTRIBUTED ENERGY RESOURCES COUNCIL OF HAWAII ("DERC"), PUNA PONO ALLIANCE ("Puna Pono"), ULUPONO INITIATIVE LLC ("Ulupono"), and the ENERGY FREEDOM COALITION OF AMERICA, LLC ("EFCA").

may be subsequently modified by the commission, upon its own motion, or by motion of a Party, subject to the commission's approval.

I.

RELEVANT PROCEDURAL HISTORY

On October 3, 2016, the commission issued Order No. 33958, in which it stated its intent to commence Phase 2 of this proceeding by establishing a preliminary statement of issues and inviting comment by the Parties.<sup>2</sup> The commission received timely filed comments from REACH, KIUC, the Joint Parties,<sup>3</sup> Ulupono, DBEDT, the HECO Companies, EFCA, and the Consumer Advocate.<sup>4</sup>

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<sup>2</sup>See Order No. 33958, "Granting Intervention and Establishing A Preliminary Statement of Issues for Phase II," filed October 3, 2016 ("Order No. 33958").

<sup>3</sup>The "Joint Parties" refers collectively to Blue Planet, DERC, HPVC, HREA, HSEA, Mr. Hooson, SunPower, and TASC.

<sup>4</sup>See "Renewable Energy Action Coalition of Hawaii, Inc.'s Comments on the Preliminary Phase II Issues," filed October 10, 2016 ("REACH Comments"); "Letter From: Kent D. Morihara To: Commission Re: Docket No. 2014-0192: In the Matter of Public Utilities Commission Regarding a Proceeding to Investigate Distributed Energy Resource Policies: Kauai Island Utility Cooperative's Response to Order No. 33958," filed October 13, 2016 ("KIUC Response"); "Blue Planet Foundation's, Distributed Energy Resources Council of Hawaii's, Hawaii PV Coalition's, Hawaii Renewable Energy Alliance's, Hawaii Solar Energy Association's, Ron Hooson's, SunPower Corporation's, and The Alliance for Solar Choice's Comments on Proposed Phase II Issues; and Certificate of Service,"

## II.

### DISCUSSION

The commission instituted this ongoing proceeding to investigate the technical, economic, and policy issues associated with distributed energy resources ("DER") as they pertain to the electric operations of HECO, HELCO, MECO, and KIUC.<sup>5</sup> Phase 1 of this proceeding led to the development of interim options for customers to invest in new forms of DER, including the grid-supply, self-supply, and time-of-use tariff options. Phase 2 of this proceeding will continue a stakeholder process to develop a longer-term, competitive market structure for maximizing the benefits of DER in Hawaii.

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filed October 13, 2016 ("Joint Parties Comments"); "Comments Concerning the Proposed Phase [sic] II Issues By Ulupono Initiative LLC; and Annex A; and Certificate of Service," filed October 13, 2016 ("Ulupono Comments"); "Comments of the Department of Business, Economic Development, and Tourism on Preliminary Statement of Phase II Issues; and Certificate of Service," filed October 13, 2016 ("DBEDT Comments"); "Letter From: Kaiulani Shinsato To: Commission Re: Docket No. 2014-0192 - Instituting a Proceeding to Investigate Distributed Energy Resource Policies; Companies' Comments in Support of Order No. 33958," filed October 13, 2016 ("HECO Companies' Comments"); "Energy Freedom Coalition of America, LLC's Comments to the Proposed Phase II Issues Pursuant to Order No. 33958; and Certificate of Service," filed October 13, 2016 ("EFCA Comments"); and "Division of Consumer Advocacy's Comments on the Phase II Preliminary Issues," filed October 13, 2016 ("CA Comments").

<sup>5</sup>Order No. 32269, "Instituting a Proceeding to Investigate Distributed Energy Resource Policies," filed August 21, 2014.

The commission has carefully reviewed the comments submitted by the Parties and appreciates the thoughtful suggestions provided. After considering the Parties' suggestions, the commission has revised the preliminary statement of issues contained in Order No. 33958 to clarify that various sub-issues will be included for discussion in Phase 2. Additionally, the commission agrees with several Parties that certain "short-term" issues should be prioritized for immediate attention.

In establishing the Statement of Issues and Procedural Schedule set forth below, the commission has strived to incorporate the suggestions and concerns raised by the Parties while providing a realistic and manageable timeline within which to resolve these complex and interrelated issues. It is the commission's expectation that during Phase 2, the Parties will cooperate meaningfully and productively toward achieving the common goal of enabling all of Hawaii's ratepayers to benefit as DER adoption continues in Hawaii.

As stated in Order No. 33958, the commission envisions activities in this docket will occur in two parallel tracks, one focused on technical and interconnection issues, and one

focused on market and economic issues (the "technical" and "market" tracks, respectively).<sup>6</sup>

That being said, due to differences in scope, timing, resources, and circumstances, some Phase 2 issues require and allow for more immediate resolution than others. Accordingly, the commission does not expect to wait to issue a single, comprehensive decision and order at the conclusion of Phase 2. Rather, the commission intends to resolve or address issues as soon as practicable, after review of any stipulations or after limited briefing on specific issues by the Parties. The commission believes that this will allow for more efficient and timely review of the issues, in addition to allowing more flexibility to address unforeseen circumstances.

While the commission expects that work on all Phase 2 issues will proceed in parallel, the commission intends to consider near-term adjustments to the interim DER tariffs adopted during Phase 1 on an expedited basis, with decision-making on these "Priority Issues" occurring in early 2017. Subsequently, the Parties will collaborate and discuss the remaining Phase 2 issues. While the commission is providing specific deadlines by which the commission intends to ultimately address these issues,

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<sup>6</sup>See Order No. 33958, "Granting Intervention and Establishing a Preliminary Statement of Issues for Phase II," filed October 3, 2016 ("Order No. 33958"), at 16-17.

as noted above, the Parties should consider both the "technical" and "market" issues concurrently and in parallel. To the extent the Parties are able to reach agreement and stipulate to a proposal addressing any of the enumerated Phase 2 issues, the commission will review and consider any such proposal at such time and resolve it by order, regardless of when it is scheduled for final briefing. In the event that specific issues or sub-issues are resolved before their scheduled briefing date, the commission will modify the procedural schedule as warranted through a separate order.

Absent any stipulated agreement or changes in circumstances, the commission will address the technical track issues, including DER integration analyses and revisions to interconnection standards, before the end of 2017. Finally, the commission will address the more complex market issues in late 2018. Notwithstanding the sequential order of the commission's expected decisions on these issues, the commission emphasizes that the Parties should consider the issues involved in these parallel tracks contemporaneously, as developments in one track will often inform discussion in the other.

As such, the commission intends to expeditiously resolve the Phase 2 Priority Issues after limited briefing, as discussed below. Additionally, as Phase 2 progresses, the commission may prioritize other issues for expedited resolution. In such an event, the commission may modify the procedural schedule to allow

for limited briefing on specific issues prior to the conclusion of Phase 2, as necessary.

### III:

#### STATEMENT OF ISSUES FOR PHASE 2

Based on the preliminary statement of issues set forth in Order No. 33958, and the comments submitted by the Parties, the commission establishes the following issues to govern Phase 2 of this proceeding. The commission may modify the statement of issues at any time during this proceeding.

#### Priority Issues

1. What changes, if any, should be made to existing interim DER options (e.g., developing time-varying export credit rates, revising technical requirements to facilitate increased deployment, adjusting tariff features such as duration, eligibility, etc.) prior to resolution of other Phase 2 issues?
2. What changes, if any, should be made to interconnection standards to facilitate or enable proposed changes to interim DER options, prior to resolution of other Phase 2 issues?

#### Technical Track Issues

3. How can the utilities' DER integration analyses<sup>7</sup> be improved to more accurately characterize grid capacity for various forms of DER and other renewable resources?

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<sup>7</sup>See e.g., the hosting capacity studies filed in this proceeding as part of Phase 1 on December 11, 2015; and Appendix N



- a. What measures can be taken to proactively identify and address anticipated technical barriers to safely integrating increasing amounts of DER in a cost-effective manner?
  - b. What measures can be taken to improve the electric utilities' integration capacity at both the circuit and system level?
4. How should existing interconnection standards and procedures be modified to promote the safe and smooth integration of increasing levels of DER onto Hawaii's electric grids?
    - a. What modifications or additions to technical requirements should be included in Hawaii's interconnection standards for advanced inverters?
    - b. What revisions should be made to existing processes to improve the resolution of interconnection delays for DER systems?

#### Market Track Issues

5. How should a longer-term competitive market structure be established to determine compensation for exported energy and services from DER in Hawaii?
  - a. What successor tariff(s) should be developed to replace the current interim DER tariffs?
6. What alternative rate designs, including unbundled rate designs, should be considered to facilitate the safe and beneficial integration of DER onto Hawaii's electric grids?
  - a. What data and methods are appropriate to provide a cost and value basis for evaluating alternative rate designs?

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to the HECO Companies' April 2016 PSIP Update, filed on April 1, 2016, in Docket No. 2014-0183.

- b. How should customer impacts resulting from alternative rate designs be evaluated by the Parties? Should software tools be developed by the utilities to provide for simplified and meaningful comparison of alternative rate designs?
  - c. How can the costs of DER be reduced and the value of DER be increased, such as through improved integration and aggregation, such that DER provides benefits to Hawaii in general, and ratepayers in particular, as deployment grows over time?
  - d. How should the costs associated with DER deployment be allocated among customer classes and recovered through appropriate rate designs, and what data and methods are necessary to make these determinations?
  - e. Should sunset or expiration dates be established for existing DER tariffs and, if so, should participants in those programs be transitioned into other available tariffs and, if so, how?
- 7. How can DER options be expanded to ensure that all customers, including those customers that are unable to participate directly in such programs, have the opportunity to participate in the benefits of increased DER deployment, including low income customers?
  - 8. Should utilities be permitted or directed to participate directly in DER markets? If so, what measures should be established to ensure fair and appropriate competition and address other pertinent concerns?
  - 9. What mechanisms should be developed to facilitate the secure flow of market data between the electric utilities and third-parties, including customers?

#### IV.

##### PROCEDURAL SCHEDULE FOR PHASE 2

As noted above, the commission intends to address issues as circumstances may warrant. Accordingly, the procedural

schedule set forth in this Order, while establishing critical milestones for Phase 2, does not necessarily list every procedural event that will occur in Phase 2. With that caveat, the commission sets forth the following procedural schedule to govern Phase 2:

Procedural Step	Timing
Technical conferences on Phase 2 issues. Commission staff or its designee will chair the conferences and will release an agenda setting forth the issues for discussion in advance of each conference.	At least monthly, unless otherwise specified by the commission. <sup>8</sup> Technical conferences may be more frequent at the discretion of commission staff. The first technical conference shall be held within thirty (30) days of the date of this order.
Parties to submit tariff proposals for consideration, if any, for Phase 2 Issue Nos. 1 and 2	January 30, 2017. No page limit.
Comments by Parties on submitted tariff proposals for Issue Nos. 1 and 2	February 13, 2017. Limit twenty (20) pages, excluding exhibits.
Reply Comments by Parties on submitted tariff proposals for Issue Nos. 1 and 2	February 27, 2017. Limit fifteen (15) pages, excluding exhibits.
<b>Commission Decision and Order on Phase 2 Issue Nos. 1 and 2</b>	Subsequent to the filing of Reply Comments by the Parties

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<sup>8</sup>The commission distinguishes its informal technical conferences from stakeholder meetings that have been held by various DER docket Parties. As the stakeholder meetings are planned and coordinated directly by the Parties, they are not included in the commission's procedural schedule. That being said, the commission appreciates the Parties' efforts to hold these meetings and supports continued direct collaboration and dialogue, as needed, among the Parties during Phase 2 of this proceeding.

Procedural Step	Timing
Initial Statements of Position on Technical Track issues (Issue Nos. 3 and 4) by the Parties, including proposed tariff language, if applicable	August 7, 2017. Limit fifteen (15) pages, excluding exhibits.
Submission of information requests ("IRs") by the Parties regarding Initial Statements of Position on Technical Track Issues <sup>9</sup>	No later than August 21, 2017
Responses to IRs	Within fourteen (14) days of the date of service of the IR
Parties' Final Statement of Position on Technical Track issues	September 18, 2017. Limit thirty (30) pages, excluding exhibits.
Hearing on Technical Track issues, if deemed necessary by the commission	October 2017
Post-hearing briefing on Technical Track issues, if deemed necessary by the commission <sup>10</sup>	Within twenty (20) days of release of hearing transcript
Commission Decision and Order on Phase 2 Issue Nos. 3 and 4	Subsequent to the filing of a Stipulation, Final Statements of Position, or Post-hearing Briefs, if applicable

<sup>9</sup>The submission of, and response to, any IR shall be governed by the provisions of Order No. 33823. See Order No. 33823, "Granting Motion for Protective Order," filed July 21, 2016 ("Order No. 33823").

<sup>10</sup>In the event that the commission finds that post-hearing briefing is necessary, it will establish a post-hearing briefing schedule by subsequent order.

Procedural Step	Timing
Initial Statement of Position on Market Track issues (Issue Nos. 5 thru 9) by the Parties, including proposed tariff language, if applicable	August 6, 2018. Limit thirty (30) pages, excluding exhibits.
Submission of information requests ("IRs") by the Parties regarding Initial Statements of Position on Market Track Issues	No later than August 20, 2018
Responses to IRs	Within fourteen (14) days of the date of service of the IR
Parties' Final Statement of Position on Market Track issues	September 17, 2018. Limit thirty (30) pages, excluding exhibits.
Hearing on Market Track issues, if deemed necessary by the commission	October 2018
Post-hearing briefing on Market Track issues, if deemed necessary by the commission	Within twenty (20) days of release of hearing transcript
Commission Decision and Order on Phase 2 Issue Nos. 5 thru 9	Subsequent to the filing of a Stipulation, Final Statements of Position, or Post-hearing Briefs, if applicable

In addition, the commission reminds the Parties of the following procedural provisions that shall govern Phase 2 of this proceeding:

a. Discovery disputes shall be resolved upon a motion to the commission, in accordance with the provisions of Order No. 33823.

b. The commission reserves the discretion to modify this procedural schedule at any time. As noted above, the commission may decide to expedite resolution of certain issues during Phase 2, and may modify the procedural schedule accordingly.

c. The commission will reconsider any Party's participation in this proceeding if the commission determines that a Party is attempting to unreasonably broaden the pertinent issues established by the commission, is unduly delaying the proceeding, or is failing to meaningfully participate and assist the commission in the development of the record in this docket.<sup>11</sup>

## V.

### ORDERS

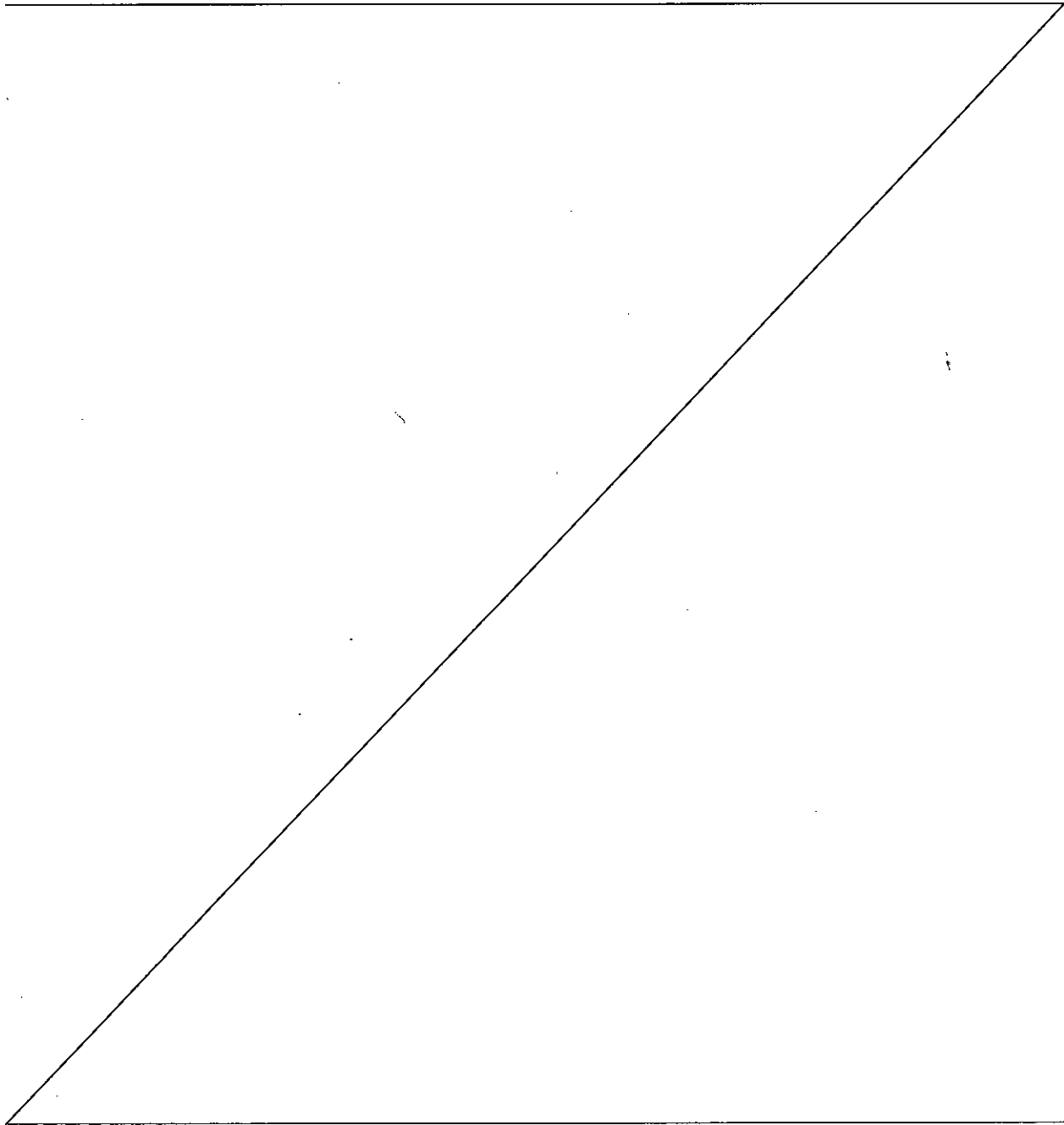
#### THE COMMISSION ORDERS:

1. The Statement of Issues governing Phase 2 shall be as set forth in Section III of this Order.
2. The Procedural Schedule governing Phase 2 shall be as set forth in Section IV of this Order.

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<sup>11</sup>See Order No. 32737, "Granting Motions to Intervene, Consolidating and Incorporating Related Dockets, and Establishing Statement of Issues and Procedural Schedule," filed May 31, 2015; and Order No. 33958, "Granting Intervention and Establishing a Preliminary Statement of Issues for Phase II," filed October 3, 2016.


3. The first technical conference for Phase 2 shall be held within thirty (30) days of the date of this Order. Commission staff or its designee will chair the conference and will release an agenda setting forth the issues for discussion in advance of the conference.



4. The commission may modify, amend, or alter the Statement of Issues and/or the Procedural Schedule at any time.

DONE at Honolulu, Hawaii DEC - 9 2016.

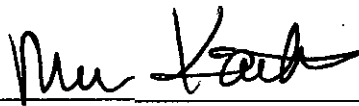
PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

By   
Randall Y. Iwase, Chair

By   
Lorraine H. Akiba, Commissioner

By   
Thomas C. Gorak, Commissioner

APPROVED AS TO FORM:

  
Mark Kaetsu  
Commission Counsel

2014-0192.rs



CERTIFICATE OF SERVICE

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

DEAN NISHINA  
ACTING EXECUTIVE DIRECTOR  
DIVISION OF CONSUMER ADVOCACY  
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS  
STATE OF HAWAII  
P.O. Box 541  
Honolulu, HI 96809

DEAN K. MATSUURA  
MANAGER, REGULATORY AFFAIRS  
HAWAIIAN ELECTRIC COMPANY, INC.  
P.O. BOX 2750  
Honolulu, HI 96840-0001

KENT D. MORIHARA  
KRIS N. NAKAGAWA  
LAUREN M. IMADA  
MORIHARA LAU & FONG LLP  
841 Bishop Street, Suite 400  
Honolulu, HI 96813

Counsel for KAUAI ISLAND UTILITY COOPERATIVE

ISAAC H. MORIWAKE  
EARTHJUSTICE  
850 Richards Street, Suite 400  
Honolulu, HI 96813-4501

Counsel for HAWAII SOLAR ENERGY ASSOCIATION

HENRY Q. CURTIS  
VICE PRESIDENT FOR CONSUMER AFFAIRS  
LIFE OF THE LAND  
P.O. Box 37158  
Honolulu, HI 96837

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ERIK KVAM  
PRESIDENT  
RENEWABLE ENERGY ACTION COALITION  
OF HAWAII, INC.  
4188-4 Keanu Street  
Honolulu, HI 96816

WARREN S. BOLLMEIER II  
PRESIDENT  
HAWAII RENEWABLE ENERGY ALLIANCE  
46-040 Konane Place 3816  
Kaneohe, HI 96744

MARK DUDA  
PRESIDENT  
HAWAII PV COALITION  
1003 Bishop Street, Suite 2020  
Honolulu, HI 96813

TIM LINDL  
KEYES, FOX & WIEDMAN LLP  
436 14<sup>th</sup> Street, Suite 1305  
Oakland, CA 94612

Counsel for THE ALLIANCE FOR SOLAR CHOICE

SANDRA-ANN Y.H. WONG  
1050 Bishop Street, #514  
Honolulu, HI 96813

Counsel for SUNPOWER CORPORATION and  
APOLLO ENERGY CORPORATION

RICHARD WALLSGROVE, PROGRAM DIRECTOR  
MELISSA MIYASHIRO, OPERATIONS DIRECTOR  
BLUE PLANET FOUNDATION  
55 Merchant Street, 17<sup>th</sup> Floor  
Honolulu, HI 96813

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DEBORAH DAY EMERSON  
GREGG J. KINKLEY  
DEPUTY ATTORNEY GENERALS  
DEPARTMENT OF THE ATTORNEY GENERAL  
STATE OF HAWAII  
425 Queen Street  
Honolulu, HI 96813

Counsel for the DEPARTMENT OF BUSINESS,  
ECONOMIC DEVELOPMENT, AND TOURISM

RON HOOSON  
1384 Aupupu Street  
Kailua, HI 96734

CHRIS DeBONE  
ACTING PRESIDENT  
DISTRIBUTED ENERGY RESOURCES COUNCIL OF HAWAII  
99-1350 Koaha Place  
Aiea, HI 96701

HENRY Q. CURTIS  
ASST. VICE PRESIDENT  
PUNA PONO ALLIANCE  
P.O. Box 37313  
Honolulu, HI 96837

GERALD A. SUMIDA  
TIM LUI-KWAN  
ARSIMA A. MULLER  
Carlsmith Ball LLP  
ASB Tower, Suite 2100  
1001 Bishop Street  
Honolulu, HI 96813

Counsel for ULUPONO INITIATIVE LLC

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CARLITO P. CALIBOSO  
WIL K. YAMAMOTO  
Yamamoto Caliboso  
1099 Alakea Street, Suite 2100  
Honolulu, HI 96813

Counsel for THE ENERGY FREEDOM COALITION OF AMERICA, LLC