

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)
Pertaining To The Hawaiian)
Electric Companies.)
_____)

DOCKET NO. 2019-0323

ORDER NO. 36538

OPENING THE DOCKET

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PUBLIC UTILITIES
COMMISSION

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OPENING THE DOCKET

By this Order, the Public Utilities Commission ("commission") institutes a proceeding to investigate the technical, economic, and policy issues associated with distributed energy resources ("DER") as they pertain specifically to HAWAIIAN ELECTRIC COMPANY, INC. ("HECO"), HAWAII ELECTRIC LIGHT COMPANY, INC. ("HELCO"), and MAUI ELECTRIC COMPANY, LTD. ("MECO") (collectively, the "HECO Companies" or "Companies").

I.

BACKGROUND

A.

Docket No. 2014-0192 (DER)

On August 21, 2014, the commission opened Docket No. 2014-0192 to investigate the technical, economic, and policy issues associated with DER as they pertain to the electric operations of the State's electric utilities.¹

Through the participation and collaboration of the electric utilities, the Department of Commerce and Consumer Affairs, Division of Consumer Advocacy ("Consumer Advocate"), and a variety of stakeholders and community groups, the commission made significant progress addressing the complicated issues associated with promoting and integrating customer-sited DER onto the State's electric grids. In particular, the commission approved a number of innovative DER customer options for the HECO Companies, including the Customer Grid Supply ("CGS"), Customer Self Supply ("CSS"), Customer Grid Supply Plus ("CGS+"), Smart Export, Net Energy Metering Plus ("NEM+"), and interim residential Time-of-Use ("TOU-RI") programs.²

¹See In re Public Util. Comm'n, Docket No. 2014-0192, Order No. 32269, "Instituting a Proceeding to Investigate Distributed Energy Resource Policies," filed August 21, 2014.

²See, Docket No. 2014-0192, Order No. 36476, "Modifying Hawaii Electric Light Company's Smart Export Program and Closing

The commission and Parties also made progress identifying and addressing a number of technical issues related to integrating increasing levels of customer-sited DER, including: improvements to the interconnection review process; expedited review for CSS system applications; revisions to the technical requirements for non-exporting energy systems; activation of certain advanced inverter functions; and improvements to the HECO Companies' hosting capacity analysis.³

Interest in the HECO Companies' DER programs has been strong, and the Companies are continuing to approve new program applications.⁴ However, circumstances have developed such that the commission determined its investigation into DER policies and programs should be consolidated with the proceeding to review HECO's Revised DR Portfolio in Docket No. 2015-0412. As the commission begins to examine longer-term options to replace the interim programs currently available, it has become evident that consideration of grid service offerings should be included and

the Docket," filed August 19, 2019 ("Order No. 36476"), at 2-7 (summarizing the DER Docket).

³See Docket No. 2014-0192, Decision and Order No. 34534, filed May 3, 2017; and Decision and Order No. 34924, filed October 20, 2017.

⁴See Docket No. 2014-0192, HECO Companies' Quarterly Compliance Filings, filed January 31, 2018, April 30, 2018, July 31, 2018, October 31, 2018, January 31, 2019, April 30, 2019, and July 31, 2019.

that the market for customer services to the utility, both in the form of energy exports and grid services, should be examined and developed comprehensively in a single proceeding.

This was recognized by the commission in Order No. 36476, filed on August 19, 2019, in which the commission closed the DER docket. In announcing the closure of the DER docket, the commission observed that progress in the DER docket and the Demand Response docket (Docket No. 2015-0412), as well as advances in technology and market opportunities, no longer made it practical to investigate DER and DR policies for Hawaii in separate proceedings.⁵ In particular, the commission noted:

The success of integrating additional distributed energy resources onto the electric system is highly dependent on coordinating the design and implementation of new grid service programs. As such, combining the DR and DER efforts into a single investigative proceeding should ensure conformity in the implementation of communication, outreach, and customer feedback efforts for distributed generation and grid service programs. Ultimately, combining the Companies' DR and DER initiatives into one proceeding will help the Companies develop programs that result in a more flexible and reliable grid and empower customers with expanded energy options and economic opportunity.⁶

⁵See Order No. 36476 at 23.

⁶Order No. 36476 at 23-24.

Consequently, the commission stated that it would (1) close the DER and DR dockets and open a new investigative docket, which would investigate these policies comprehensively, and (2) address Kauai Island Utility Cooperative-specific issues in its own, separate proceeding.⁷

B.

Docket No. 2015-0412 (DR)

On December 30, 2015, the Companies filed an application in Docket No. 2015-0412 seeking approval of a DR program portfolio tariff structure, reporting schedule, and program cost recovery.⁸ The Companies also proposed four grid service tariffs, including preliminary grid service rules and examples of corresponding DR riders and rates.⁹

In Docket No. 2015-0412, the Companies, Consumer Advocate, and stakeholders collaborated through a number of technical workshops and briefings to develop the Companies' Revised DR Portfolio, which was submitted to the commission on

⁷See Order No. 36476 at 24-26.

⁸In re Hawaiian Elec. Co., Inc., Hawaii Electric Light Co., Inc., and Maui Elec. Co., Ltd., Docket No. 2015-0412, Decision and Order No. 35238, filed January 25, 2018 ("D&O 35238"), at 9-10.

⁹D&O 35238 at 10.

February 10, 2017.¹⁰ The Companies' Revised DR Portfolio focused on four system-level grid service tariffs and a selection of riders to allow customers to participate in the following programs:

1. Capacity programs that compensate customers for providing capacity services to the grid through TOU rates, [real-time pricing], [critical peak incentives], and/or [day-ahead load shifting];

2. Fast Frequency Response ("FFR") programs that compensate customers on Oahu for providing a load-reducing response following a contingency scenario (e.g., a generation trip);

3. Regulating Reserve programs that help the Companies to balance their electric grids by operating DR resources in response to [automatic generation control] signals from [the Energy Management System]; and

4. Replacement Reserve programs that compensate customers for providing load-reduction in place of the Companies starting a fast-start generator.¹¹

On January 25, 2018, the commission issued D&O 35238, approving the Companies' Revised DR Portfolio, which the commission found is "sufficiently comprehensive and flexible to enable the successful deployment of a robust, cost-effective DR

¹⁰Docket No. 2015-0412, "Hawaiian Electric Company, Inc., Hawaii Electric Light Company, Inc., Maui Electric Company, Limited; Revised DR Portfolio; Docket No. 2015-0412," filed February 10, 2017 ("Revised DR Portfolio").

¹¹D&O 35238 at 16 (citing Revised DR Portfolio, Exhibit 1, at 2).

program portfolio."¹² D&O 35238 also approved a number of cost recovery mechanisms intended to support the Companies' DR efforts, including: (1) use of the DSM Surcharge to recover prudently incurred DR program variable costs, until such costs are incorporated into base rates; and (2) establishment of the Demand Response Adjustment Clause ("DRAC"), which provides quarterly reconciliation of the Companies' actual DR Portfolio variable expenditures against the DR Portfolio variable expenses provided in base rates.¹³

On September 3, 2019, the commission issued Order No. 36499, closing the DR docket.¹⁴ Similar to Order No. 36476 filed in the DER docket, Order No. 36499 recognized the increasing overlap between the issues and policies implicated by the commission's DER and DR investigations and concluded that the

¹²D&O 35238 at 105-106.

¹³See D&O 35238 at 108. The Companies' proposed DRAC tariff was approved by the commission on August 5, 2019. See Order No. 36453, "(1) Approving the Hawaiian Electric Company, Inc.'s and Maui Electric Company, Ltd.'s Demand Response Adjustment Clause, and (2) Declining to Grant Hawaiian Electric Company, Inc.'s and Maui Electric Company, Ltd.'s, Request for Approval of Their Demand Response Performance Incentive Mechanism Provision Tariffs," filed August 5, 2019 ("Order No. 36453").

¹⁴Docket No. 2015-0412, Order No. 36499, "Granting the Hawaiian Electric Companies' Letter Request and Closing the Docket," filed September 3, 2019 ("Order No. 36499").

DR docket had reached a point where it is now desirable to integrate it with the commission's DER investigation.¹⁵

II.

OPENING THE DOCKET

As noted above, appreciable progress has been made in both the DER and DR dockets,¹⁶ which have laid the foundation for development and implementation of a portfolio of broader DER customer options. Accordingly, pursuant to its investigative powers under Hawaii Revised Statutes ("HRS") § 269-7, the commission opens this proceeding to comprehensively investigate technical, economic, and policy issues associated with DER as they pertain to the HECO Companies.

At this time, the commission intends to focus its investigation on the following issues:

Programmatic Issues

- What types of new DER programs should be examined and developed?
- What advanced rate designs will be offered to customers?

¹⁵See Order No. 36499 at 10-12.

¹⁶"DER" includes "distributed generation, energy efficiency, demand response, electric vehicles, and distributed energy storage." See Order No. 33258, filed October 12, 2015 in Docket No. 2014-0192 at 1.

- How should existing DER programs and tariffs be addressed (e.g., maintained, phased out, grandfathered, etc.)?

Technical Issues

- What improvements can be made to the interconnection process and technical standards to better facilitate the integration of DER onto the Companies' systems?
- Should legacy equipment be updated or retrofitted to current equipment settings?

In addition, issues related to DER are also being explored and implicated in other on-going proceedings, including the Companies' Integrated Grid Planning (Docket No. 2018-0165), the implementation of the Companies' Grid Modernization Strategy (Docket No. 2018-0141), and the commission's investigation into performance-based regulation (Docket No. 2018-0088). As this proceeding develops, it will be important to monitor these related proceedings to avoid duplication of efforts, inconsistent results, and to carefully manage the Parties' and commission's resources.

Finally, the commission notes that the Companies currently provide a number of reports in the now closed DER docket, including a quarterly DER technical report, a quarterly TOU enrollment report, a quarterly report summarizing the Companies' weekly interconnection queue reports, and an annual interim TOU program report. The Companies shall continue providing these reports, as well as any other reports previously ordered in Docket Nos. 2014-0192 and/or 2015-0412, and shall file them in the

instant docket rather than in the closed dockets, unless otherwise ordered by the commission.

III.

NAMED PARTIES

The commission names the HECO Companies and the Consumer Advocate¹⁷ as Parties to this proceeding. The Consumer Advocate's involvement and participation in this proceeding will assist the commission in developing a sound record for its investigation.

IV.

PROCEDURAL MATTERS

A.

Intervention And Participation Without Intervention

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,

¹⁷The 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 HRS § 269-51 and Hawaii Administrative Rules ("HAR") § 16-601-62.

economic, and policy issues concerning DER. Potential intervenors and participants must be prepared to address these issues in depth and to meaningfully participate in the discussion and resolution of the 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.¹⁸

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 respect to DER issues, or that they will retain consultants that have such expertise. Thus, potential intervenors should

¹⁸In re Kauai Island Util. Coop., Docket No. 2009-0050, "Order Granting Intervention to Essex House Condominium Corporation on Behalf of Kauai Marriott Resort & Beach Club," filed October 6, 2009, at 18-19.

demonstrate engineering, economic, and/or 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 § 16-601-57(3)(B), and must comply with HAR Chapter 16-601.

B.

Docket Nos. 2014-0192 and 2015-0412 Records

As noted above, the commission began exploring technical, economic, and policy issues associated with DER in Docket Nos. 2014-0192 and 2015-0412. These provide a valuable basis upon which to develop the commission's investigation in this proceeding. Accordingly, the commission incorporates, by reference, the docket records in Docket Nos. 2014-0192 and 2015-0412 into this proceeding.

V.

ORDERS

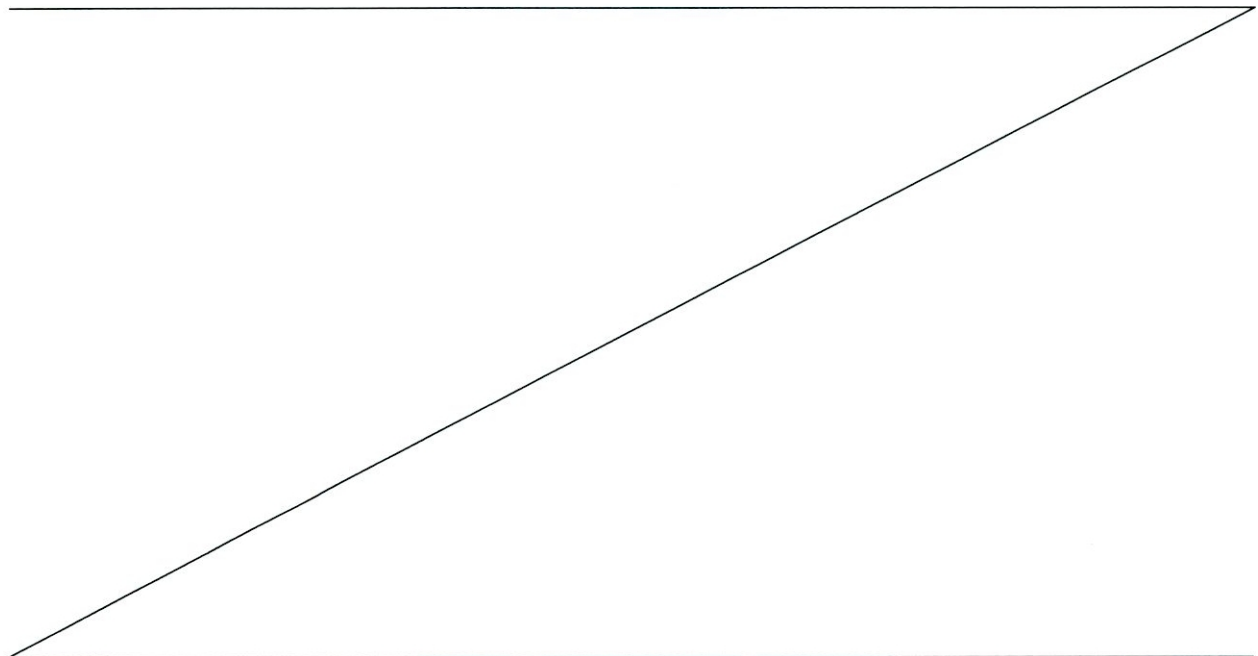
THE COMMISSION ORDERS:

1. This proceeding is instituted to investigate DER policies as they relate to the HECO Companies.

2. The HECO Companies shall continue to file any reports previously required in Docket Nos. 2014-0192 and/or 2015-0412 in the instant docket, rather than in the now-closed Docket Nos. 2014-0192 and/or 2015-0412, unless otherwise ordered by the commission.

3. The docket records from Docket Nos. 2014-0192 and 2015-0412 are incorporated into this docket by reference.

4. The HECO Companies and the Consumer Advocate are named as Parties to this proceeding.



5. 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 § 16-601-57(3)(B).

DONE at Honolulu, Hawaii SEP 24 2019.

PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By James P. Griffin
James P. Griffin, Chair

By Jennifer M. Potter
Jennifer M. Potter, Commissioner

By Leodoloff R. Asuncion, Jr.
Leodoloff R. Asuncion, Jr., Commissioner

APPROVED AS TO FORM:

Mark Kaetsu
Mark Kaetsu
Commission Counsel

2019-0323.ljk

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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