

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAI'I

In the Matter of

PUBLIC UTILITIES COMMISSION

Instituting a Proceeding to Investigate
Performance-Based Regulation.

DOCKET NO. 2018-0088

HAWAIIAN ELECTRIC COMPANIES'
SUPPLEMENT TO INNOVATION PILOT FRAMEWORK WORKPLAN

AND

CERTIFICATE OF SERVICE

ROD S. AOKI
ATTORNEY-AT-LAW, A LAW
CORPORATION

951 Mariners Island Boulevard
Suite 300
San Mateo, CA 94404
Telephone: (808) 294-6971
Facsimile: (650) 931-2301

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SUPPLEMENT TO PILOT FRAMEWORK WORKPLAN**

Pursuant to Order No. 38578, *Instructing Hawaiian Electric to Supplement the Pilot Framework Workplan Filed November 12, 2021*, (“Order 38578”) issued on August 29, 2022, the following provides the Hawaiian Electric Companies’ supplemental information as directed by Order 38578.¹

I. INTRODUCTION

On December 23, 2020, the Commission issued Decision and Order No. 37507 (“D&O 37507”) which among other things, included a Pilot Process to “foster innovation by establishing an expedited implementation process for pilots that test new technologies, programs, business models, and other arrangements.”² The Commission expressly stated that the Pilot Process “is intended to support initiatives by the Companies to test new programs and ideas quickly and elevate any successful pilots for consideration of full-scale implementation.”³

¹ The “Hawaiian Electric Companies” or “Companies” are Hawaiian Electric Company, Inc., Hawai‘i Electric Light Company, Inc. and Maui Electric Company, Limited.

² D&O 375707 at 166.

³ *Id.*

In adopting and describing how the Pilot Process would be purposefully different from more traditional procurement methods in its governance and approach the Commission stated:

The Commission agrees with the Companies that flexibility is important to the success of the Pilot Process. Consequently, the Companies may exercise flexibility in selecting pilot vendors and need not strictly adhere to traditional contract bidding and selecting processes. As stated by the Companies, “[p]iloting is successful when testing and evaluation can happen fast and at a small enough scale to reduce technical and financial risk.” Although this presents some risk, the Commission finds that it is balanced, under the circumstances, by the speed and flexibility this will provide the Companies to explore and execute contracts for innovative new programs and services, as well as by the cap on costs allowed under the Pilot Process (discussed below).

Concomitantly, the traditional nature and scope of Commission review may not be appropriate for expeditiously reviewing pilots. As a result, the Pilot Process will afford the Companies with a greater degree of freedom to pursue pilots, with oversight by the Commission tailored to provide the Companies with greater discretion to proceed with pilots, while maintaining Commission approval for pilot costs, as well as requiring reporting on implementation of approved pilots. Relatedly, the Pilot Process shall be subject to a total annual cap of \$10 million. Requests to proceed with a pilot or annual portfolio of pilots in excess of this capped amount must be expressly approved by the Commission.⁴

In Order 38578, the Commission recognized the Companies’ work to develop the Pilot Workplan:

... including multiple meetings with stakeholders and opportunities to provide input and voice their views and concerns. The Commission is encouraged by the thoughtfulness of the meeting design and facilitation that allowed stakeholders to participate and interact with the Companies and one another in a collaborative manner. This has resulted in a Pilot Workplan that stakeholders generally agree is a good starting place for the Implementation phase and that included key [areas of collaboration (“AOCs”)] to act as an initial framework for pilot selection. The Commission agrees with the Parties that the AOCs are a good starting place to guide pilot development.⁵

The Commission also requested more information regarding: (1) how the Companies plan to identify, prioritize/budget, develop, and vet pilot proposals addressing these AOCS; and (2) how stakeholder engagement will be incorporated into this process.⁶

⁴ D&O 37507 at 169-170 (footnotes omitted).

⁵ Order 38578 at 10.

⁶ Order 38578 at 11.

The following provides the supplemental information requested by the Commission through Order 38578. The Companies' ongoing efforts described below are intended to reflect the balance between the stated intent of the Pilot Process as articulated in D&O 37507, the provision of additional detail where possible regarding proposal identification and vetting, and stakeholder engagement in response to Order 38578, and the PBR Guiding Principles of a Customer-Centric Approach, Administrative Efficiency, and Utility Financial Integrity.⁷

The Companies look forward to moving forward with stakeholders in an expedient manner to quickly pursue innovative new pilot projects, programs, and services for the benefit of customers, particularly those which involve cost-sharing opportunities that are time sensitive, with appropriate oversight by the Commission.

II. DISCUSSION

A. Identification, Prioritization/Budgeting, Development and Vetting of Pilot Proposals

While it agreed that the Pilot Workplan is “not intended to identify specific pilots that will be pursued,”⁸ the Commission also determined that “more information about the process that Hawaiian Electric intends to utilize to transform these broad and flexible guiding problem statements and principles into the selection and development of individual pilots over the next three years will provide valuable context for evaluating individual NOIs.”⁹

First, the Companies intend to develop pilots with stakeholders that address multiple AOCs where possible. In the first two concepts explored with stakeholders,¹⁰ the Companies have outlined how each pilot concept relates to specific AOCs paying particular attention to the

⁷ See D&O 37507 at 10.

⁸ Order 38578 at 12.

⁹ *Id.*

¹⁰ Data and Analytics Clearinghouse and EV Telematics Pilots.

foundational support that can be provided for numerous if not all AOCs. Since this is a relatively new process for all stakeholders, the Companies intend to clearly communicate how and why a particular pilot addresses specific AOCs, why it is being proposed, how it benefits customers, and most importantly, remain open to stakeholder feedback during the Implementation Phase.

The Companies have been soliciting a wide array of concepts through the pilot evaluation process. This includes discussion and initial evaluation of concepts with a select group of subject matter experts (“SME”) to preliminarily assess feasibility, value, costs, and potential tradeoffs. This initial process and identification of relevant issues can result in more informed and comprehensive discussions with customers and all stakeholders. These procedures, which include relevant stakeholders, potential vendors and customers, are in place to facilitate focus on high-impact objectives and elevation of the best pilot concepts for further development and refinement. Those concepts are then vetted with the broader PBR Pilot stakeholder group by soliciting feedback.

In order to prioritize opportunities, as a first step, the Companies assess the technical and business needs and gaps identified in their various strategic plans and planning processes, including Grid Modernization Strategy, Integrated Grid Planning, Electrification of Transportation, and customer renewable programs, to establish direction and alignment of piloting opportunities. The Companies are utilizing the specific eligibility criteria identified by the Commission in D&O 37507 (e.g., “involve products or services beyond the sale of basic electric service and align with an established regulatory goal, such as those established within the PBR Framework; seek to leverage funding from alternative sources, e.g., grants or third-party investments, to minimize impacts to customers; and incorporate preference for pilot partnerships with Hawaii-based vendors (e.g. contracting for services and/or technologies from local

businesses)”)¹¹ as well as the guiding principles proposed for the Pilot Process (Innovation; Flexibility; Iteration; Collaboration; Prioritize Learning; Customer-focused; Speed; and Ownership)¹² and additional feedback received during the Workplan development phase.

More specifically, at a high level the Companies are prioritizing pilots that pursue a path toward affordable decarbonization. They will be prioritizing projects that involve foundational capabilities, like data collection and analytics, to help all stakeholders make more informed decisions. The Companies will also be prioritizing projects and ideas, where applicable, that directly impact low- and moderate-income (“LMI”) customers. Additionally, the Companies are working to address a thematic need expressed by numerous stakeholders to gain better understanding of customer behaviors in particular as they relate to electric vehicle (“EV”) drivers and demand response. This applies to residential and commercial customers where pilot projects will attempt to collect relevant market information so that the State as a whole can design better programs and create more customer choice. The Companies are also prioritizing concepts with new technologies and business models that open future opportunities to enable more distributed energy resources (“DER”), utility-scale renewable energy, and grid reliability and resilience. The Companies are committed to fully utilize the flexibility and expeditious approach of the Innovation Pilot Framework to continuously evaluate and pursue evolving priorities based on discussions with stakeholders through pilot-specific stakeholder meetings and drawing from broader efforts such as through ongoing technical planning proceedings (e.g., IGP and Grid Modernization). The Companies realize that technical and business priorities may change over time or new ones may be created, and various partnering opportunities will present themselves

¹¹ D&O 37507 at 170.

¹² See the Companies’ *Proposed Pilot Process*, Exhibit 1, filed on April 30, 2021 in the subject proceeding at 3-4.

with time-sensitive commitment windows. As a result, the Companies and stakeholders must be flexible to apply pilot funding to the pilot projects that best meet the needs of customers.

Under the Innovation Pilot Framework, the Companies have the responsibility of managing the pilot process and portfolio of pilot projects. To do this, the Companies will lead the development and execution of pilots, and where applicable, the expansion or integration of the piloted solution into their business. To this end, the Companies have established an internal multi-layer vetting process to prioritize, approve, and track pilot projects within their business processes. This process includes the budgeting and managing of investments for pilots under a portfolio approach and will be conducted in conjunction with the engagement with stakeholders.

The Companies will continue stakeholder engagement meetings as they have throughout the spring and summer of 2022 with specific stakeholders and potential customers that could derive value from particular pilot concepts as they evolve. The Companies are also committed to hosting more general discussions and soliciting feedback from a broader stakeholder group as discussed in more detail below. The Companies are currently hosting meetings with a broad group of stakeholders. Initially the group consisted of the PBR Parties, but has been expanded to incorporate other groups (e.g., potential customers, vendors, local and State governments, community-based organizations) that may have an interest in pilot concepts as they are being developed. However, the Companies acknowledge that there inevitably will be limits to the number of pilots that can be implemented at any given time given resource and budget constraints, issues regarding confidential Company information, and other factors that may limit which stakeholders can reasonably be engaged for each specific pilot program. The Companies will take the initiative to outreach and engage with appropriate stakeholders to prioritize pilot opportunities in the most efficient manner possible.

B. How Stakeholder Engagement Will Be Further Incorporated into this Process

Although the Commission noted that it “is encouraged by the thoughtfulness of the meeting design and facilitation that allowed stakeholders to participate and interact with the Companies and one another in a collaborative manner” which “has resulted in a Pilot Workplan that stakeholders generally agree is a good starting place for the Implementation phase and that included key AOCs to act as an initial framework for pilot selection” the Commission nevertheless expressed a desire to “see more detail regarding how Hawaiian Electric intends to engage with stakeholders, both to solicit their feedback, as well as keep them apprised of ongoing identification and development of pilot projects.”¹³

As mentioned above, the Companies are committed to continuing stakeholder feedback meetings on new pilot concepts being developed and will commence with regular portfolio-level update meetings to discuss ongoing pilot projects. The Companies have hosted stakeholder feedback discussions with the PBR parties on two pilot concepts that have reached a “critical mass.” These pilot concepts were borne out of multiple discussions with stakeholders and have resulted in Letters of Support. The Companies have also provided surveys and offered for additional feedback to be submitted by email in case any parties were unable to attend or did not feel comfortable verbally providing feedback during the discussion. The Companies are committed to maintaining multiple open lines of feedback for all existing projects and future pilot concepts.

One example which illustrates the Companies’ ongoing commitment to stakeholder engagement is with regard to development of the Data and Analytics Clearinghouse pilot concept. This involved a number of discussions with stakeholders in the Fall of 2021 and Spring

¹³ Order 38578 at 10, 13.

of 2022 which culminated in a meeting to solicit feedback on the Data and Analytics Clearinghouse pilot concept on June 1, 2022. This meeting was open to all Workplan stakeholders and input provided in those discussions resulted in the development of a notice of intent (“NOI”). The Companies have received five letters of support from stakeholder groups, including the Division of Consumer Advocacy (“Consumer Advocate”), and are in a position to submit the NOI for review by the Commission shortly after an order approving the Workplan is filed and a procedural process established (e.g., opening of an appropriate repository docket for the Companies to submit their proposed Pilots for Commission review). The stakeholders have voiced a strong desire to gain access to the proposed clearinghouse portal as soon as possible and the Companies and their contractors are staffed and ready to execute the work, pending final approval from the Commission.

Similarly, the Companies have been listening for problem statements brought up in working groups and related dockets. As mentioned above, one set of ideas revolved around the desire expressed by multiple parties to better understand EV customer behavior. Through a number of follow-up discussions with stakeholders and potential vendors, an EV Telematics pilot concept crystalized. This concept was presented to the Drive Electric Hawaii group on August 15, 2022, and the Workplan stakeholder group on August 31, 2022. The Companies issued a survey to the Workplan stakeholders on September 2, 2022. Survey responses are entered into a website and included a freeform open box for “any other comments or suggestions” for additional feedback. The Companies are in the process of taking the feedback, working on an NOI, requesting written Letters of Support, and are seeking a cost-share commitment for this pilot concept.

The Companies also view ongoing discussions in dockets and with different stakeholder groups as critical sources of ideas and feedback that will continue to shape pilot projects. Other pilot concepts are in various stages of development from initial ideation with stakeholders/customers/potential participants to more advanced discussions around scope and objectives with potential project partners. The Companies also appreciate the opportunity to continuously engage with the Commission and Consumer Advocate Staff and SMEs to identify innovative solutions to problems and potential pilot project concepts.

Additionally, and notably, the Companies are exploring federal funding opportunities¹⁴ related to topic areas in the Workplan AOCs that may meet the criteria of a pilot project under this framework. Submitting grant proposals is opportunistic and intended to attract federal cost-share to projects in Hawai'i that would help reduce total costs to customers. The proposals do not constitute commitments to execute the project as costs may be contingent on Commission approval but need to be submitted according to timelines dictated by the U.S. Department of Energy.

There is a need for expediency to be able to submit such cost-share proposals. Federal funding timelines continue to move at a rapid pace. Since there may be pilot project candidates that emerge from this, the Companies value the ability to pursue this type of external funding. The Companies are very conscious of the collective desire to obtain cost-share on pilot projects wherever possible and will pursue opportunities where federal dollars may be part of the matching funds for a project.

¹⁴ For example, Hawaiian Electric is exploring participation in a project that would leverage federal funds appropriated by the Infrastructure Investment and Jobs Act (U.S. Department of Energy Funding Opportunity Announcement DE-FOA-0002745) with full applications due by November 17, 2022.

The Companies have also been meeting with the Consumer Advocate and other stakeholders to discuss existing pilot project (e.g., eBus Make-Ready Infrastructure Pilot Project Docket No. 2020-0098 and Charge Ready Hawaii Pilot Project Docket No. 2020-0202), learnings, and adjustments based on feedback from customers. Those projects are subject to the Innovation Pilot Framework requirements and fall under the overall cost cap. The Companies remain committed to transparently sharing learnings and being flexible enough on the initial pilot design to respond to feedback from potential pilot participants.

The Companies commit to continuing stakeholder engagement leading up to the development of pilot concepts. The concepts will continue to develop as feedback is received. The Companies are also committed to continuing stakeholder feedback and engagement throughout the duration of the pilot projects. The Companies intend to have quarterly status update meetings on the pilot project portfolio where learnings, progress, and potential changes can be discussed based on input received from customers and stakeholders during the Implementation Phase. As opportunities arise, the Companies also anticipate the need to schedule more frequent stakeholder meetings, in between scheduled quarterly meetings, with both select stakeholders and with the broader stakeholder group. Since this is a new process, the Companies also intend to keep asking stakeholders for feedback to make necessary process improvements. The goal is to provide value to stakeholders while minimizing burdens on time and resources of all involved.

The Companies also intend to have informal “working groups” to explore specific topics of interest in greater detail. These may be project- or topic-specific depending on the evolving needs. These working group discussions may result in new pilot concepts or pivots to new objectives for existing projects. In short, the period of stakeholder feedback and engagement is

not over when an NOI is submitted. The Companies remain committed to continuing these discussions through the Implementation Phase of each pilot and of the Pilot Framework as a whole. As discussed previously with stakeholders, there may be certain business arrangements that preclude early disclosure of pilot concepts with all stakeholders due to competitive business considerations. This may require the Companies to vet and develop pilot projects to a certain stage before engaging with a broader set of stakeholders.

The Companies intend to remain flexible and responsive to feedback from stakeholders on the duration, frequency, and content of regular updates. The Companies are committed to quarterly stakeholder meetings and will post a schedule on their website in October 2022. In addition, the Companies intend to participate in meetings to obtain feedback on pilot concepts as they are being developed (e.g., Drive Electric Hawaii) and brief a larger group as the concept turns into a more concrete project plan. Furthermore, the Companies will continue to solicit ideas from company employees as SMEs are listening in on dockets for ideas that can potentially be pilot concepts. Lastly, the door is open to receive ideas from any interested party or individual.

DATED: Honolulu, Hawai‘i, September 23, 2022.

/s/ Rod S. Aoki
ROD S. AOKI

Attorney for
HAWAIIAN ELECTRIC COMPANY, INC.
HAWAI‘I ELECTRIC LIGHT COMPANY, INC.
MAUI ELECTRIC COMPANY, LIMITED

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing document, together with this Certificate of Service, were duly served on the following parties and participants, by having said copies delivered by electronic service.

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Dean Nishina Executive Director Division of Consumer Advocacy Department of Commerce and Consumer Affairs 335 Merchant Street, Room 326 Honolulu, Hawai'i 96813 dnishina@dcca.hawaii.gov consumeradvocate@dcca.hawaii.gov	1		
Henry Curtis Life of the Land Vice President for Consumer Issues P.O. Box 37158 Honolulu, Hawai'i 96837-0158 henry.lifeoftheland@gmail.com	1		
Chris DeBone Distributed Energy Resources Council of Hawaii President Hawaii Energy Connection 99-1350 Koaha Pl. Aiea, HI 96701 chris@hawaiienergyconnection.com	1		
Beren Argetsinger Tim Lindl Keyes & Fox LLP 580 California Street, 12th Floor San Francisco, CA 94104 Attorneys for HAWAII PV COALITION bargetsinger@keyesfox.com tlindl@keyesfox.com steven.rymsha@sunrun.com	1		

Party	Electronic Service	Hand Delivery	U.S Mail
<p>Hannah Polikov Coley Girouard Advanced Energy Economy 1000 Vermont Ave., Third Floor Washington DC, 20005</p> <p>hpolikov@aee.net cgirouard@aee.net</p>	1		
<p>Melissa Miyashiro, Chief of Staff Blue Planet Foundation 55 Merchant Street, 17th Floor Honolulu, Hawai‘i 96813 melissa@blueplanetfoundation.org</p> <p>Isaac H. Moriwake Kylie W. Wager Cruz Earthjustice 850 Richards Street, Suite 400 Honolulu, Hawai‘i 96813 imoriwake@earthjustice.org kwager@earthjustice.org</p> <p>Attorneys for BLUE PLANET FOUNDATION</p>	1		
<p>Duane W.H. Pang 530 South King Street, Room 110 Honolulu, Hawai‘i 96813</p> <p>Attorneys for CITY AND COUNTY OF HONOLULU</p> <p>eyarbrough@honolulu.gov mele.coleman@honolulu.gov dpang1@honolulu.gov</p>	1		

Party	Electronic Service	Hand Delivery	U.S Mail
<p>Elizabeth Strance Malia A Kekai County of Hawai'i 101 Aupuni Street, Suite 325 Hilo, Hawai'i 96720</p> <p>Attorneys for COUNTY OF HAWAI'I</p> <p>Malia.Kekai@hawaiiicounty.gov Kris.mayes@asu.edu katharine.batten@asu.edu</p>	1		
<p>Rocky Mould Hawai'i Solar Energy Association Executive Director P.O. Box 37070 Honolulu, Hawai'i 96817</p> <p>rmould@hsea.org</p>	1		
<p>Douglas A. Codiga Mark F. Ito Topa Financial Center 745 Fort Street, Suite 1500 Honolulu Hawai'i 96813</p> <p>Attorneys for ULUPONO INITIATIVE LLC</p> <p>dcodiga@schlackito.com mito@schlackito.com</p>	1		

DATED: Honolulu, Hawai'i, September 23, 2022.

/s/ Andrew Nojiri
Andrew Nojiri
HAWAIIAN ELECTRIC COMPANY, INC.
Regulatory Affairs

Nojiri, Andrew

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