

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

----- In the Matter of -----)
)
PUBLIC UTILITIES COMMISSION) DOCKET NO. 2022-0212
)
Instituting a Proceeding Relating)
To an Innovative Pilot Process for)
The Hawaiian Electric Companies.)
_____)

ORDER NO. 38663

OPENING THE DOCKET

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

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To an Innovative Pilot Process for)
The Hawaiian Electric Companies.)
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OPENING THE DOCKET

By this Order, the Public Utilities Commission ("Commission") opens this docket to receive filings and adjudicate requests related to the HAWAIIAN ELECTRIC COMPANIES'¹ ("Hawaiian Electric" or the "Companies") notices for innovative pilot proposals ("Notice" or "Notices") submitted pursuant to the pilot process approved as part of the Performance-Based Regulation Framework in Docket No. 2018-0088 ("Pilot Process").²

¹The "Hawaiian Electric Companies" refers to Hawaiian Electric Company, Inc. ("HECO"), Hawaii Electric Light Company, Inc. ("HELCO"), and Maui Electric Company, Ltd ("MECO").

²See Docket No. 2018-0088, Decision and Order No. 37507, filed on December 23, 2020 ("D&O 37507"), at 166-181.

I.

BACKGROUND

On April 18, 2018, the Commission opened Docket No. 2018-0088, initiating a proceeding “to investigate the economic and policy issues associated with performance-based regulation (‘PBR’) for [Hawaiian Electric].”³

On December 23, 2020, in Docket No. 2018-0088, the Commission issued Decision and Order No. 37507, which established a PBR Framework to govern Hawaiian Electric. Broadly speaking, the PBR Framework relies on a suite of revenue adjustment mechanisms to incentivize Hawaiian Electric to control costs. These revenue adjustment mechanisms are complemented by a portfolio of performance incentive mechanisms, which provide for financial awards and penalties based on Hawaiian Electric’s performance in key areas, based on established targets and metrics.⁴

The PBR Framework also established the Pilot Process for Hawaiian Electric “to foster innovation by establishing an expedited implementation process for pilots that test new

³Docket No. 2018-0088, Order No. 35411, “Instituting a Proceeding to Investigate Performance-Based Regulation,” filed on April 18, 2018, at 1.

⁴See D&O 37507 at 14-17.

technologies, programs, models, and other arrangements.”⁵
The Pilot Process was divided into two phases: “an initial ‘Workplan Development’ phase, during which areas of interests are identified and scoped, so as to inform the subsequent ‘Implementation’ phase, during which specific pilot proposals are submitted for expedited review by the Commission and implemented, upon approval, by the Companies.”⁶

On April 30, 2021, Hawaiian Electric submitted their Proposed Pilot Process (“Proposed Pilot Process”),⁷ which the Commission approved on July 9, 2021.⁸ In broad terms, the Pilot Process was divided two phases, consistent with D&O 37507: (1) Workplan Development, during which the Companies would collaborate with stakeholders to develop “a portfolio of pilot concepts that may be refined and introduced as specific pilot proposals as part of the Implementation phase” for the Commission’s review and approval;⁹ and (2) Implementation, during which “the

⁵D&O 37507 at 166.

⁶D&O 37507 at 171.

⁷Docket No. 2018-0088, “Hawaiian Electric Companies’ Proposed Pilot Process; Exhibit 1; and Certificate of Service,” filed on April 30, 2021.

⁸Docket No. 2018-0088, Order No. 37865, “Approving the Hawaiian Electric Companies’ Pilot Process,” filed on July 9, 2021.

⁹Proposed Pilot Process at 4.

Companies will proceed with pursuing pilots for implementation, consistent with the portfolio described in the Workplan.”¹⁰

On November 12, 2021, the Companies submitted their proposed Pilot Workplan.¹¹ On August 29, 2022, the Commission issued Order No. 38578, instructing the Companies to supplement their Pilot Workplan.¹² On September 23, 2022, the Companies filed a supplement to their Pilot Workplan.¹³

On October 19, 2022, the Commission approved the Companies’ Pilot Workplan in Docket No. 2018-0088.¹⁴ With the approval of the Workplan, the Workplan Development phase concluded, and the Implementation phase commenced.

¹⁰Proposed Pilot Process at 5.

¹¹Docket No. 2018-0088, Letter From: K. Katsura To: Commission Re: Docket No. 2018-0088, Instituting a Proceeding to Investigate Performance-Based Regulation; Hawaiian Electric Companies’ Innovation Pilot Framework Workplan, filed on November 12, 2021 (“Pilot Workplan”).

¹²Docket No. 2018-0088, Order No. 38578, “Instructing Hawaiian Electric to Supplement the Pilot Framework Workplan Filed November 21, 2021,” filed on August 29, 2022.

¹³Docket No. 2018-0088, “Hawaiian Electric Companies’ Supplement to Innovation Pilot Framework Workplan; and Certificate of Service,” filed on September 23, 2022 (“Pilot Workplan Supplement”).

¹⁴See Docket No. 2018-0088, Order No. 38654, “Approving Hawaiian Electric’s Pilot Framework Workplan,” filed on October 19, 2022 (“Order No. 38654”).

II.

OPENING THE SUBJECT DOCKET

The Commission states as follows:

1. The Commission opens this docket to receive filings and adjudicate requests related to the Companies' Notices made pursuant to the Pilot Process of the PBR Framework.

2. Notwithstanding the foregoing, Commission review of the Pilot Process itself, as well as the resolution of revenue adjustments associated with the Pilot Process, may be addressed in other proceedings, including Docket No. 2018-0088.

3. In light of the structure and processes of the Pilot Process, the Commission will not be entertaining motions to intervene or participate. In so doing, the Commission takes into account the following considerations:

A. The Pilot Process is intended to provide expedited review to support the Companies' efforts to explore innovative pilot projects.¹⁵

B. Although the Companies' Pilot Framework Workplan identifies seven broad areas in which the Companies intend to develop pilot projects, set forth below, the details of each specific pilot will not be known until the actual submission of the Notice.

¹⁵See D&O 37507 at 169 and 172-174.

C. Thus, at this time, interested participants would be unable to reasonably address some of the criteria necessary to support a motion to intervene or participate prior to submission of a Notice.¹⁶

D. Resolving motions to intervene or participate following the submission of each individual Notice would delay the review of the Notice and run counter to the Pilot Process intent to facilitate expeditious review of the Companies' pilot project proposals.

E. The Pilot Process will incorporate opportunities for robust stakeholder engagement in the identification, prioritization, and development of pilot projects.¹⁷

F. The Companies will be making information about their pilot projects and proposals publicly available.¹⁸

G. This docket, by design, will provide interested persons or entities with the opportunity to participate in the process without the need to formally intervene in the docket.

4. Notwithstanding the preceding paragraph, the DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS, DIVISION OF CONSUMER ADVOCACY ("Consumer Advocate"), is admitted

¹⁶See e.g., HAR § 16-601-55(b) and -56(b).

¹⁷See Pilot Workplan Supplement at 3-6.

¹⁸See Order No. 38654 at 9-12.

as an ex officio party to this proceeding, pursuant to Hawaii Revised Statutes § 269-51 and Hawaii Administrative Rules § 16-601-62(a). That being said, the Consumer Advocate's opportunities for participating in this proceeding will mirror those provide to interested stakeholders and members of the public.

5. The Commission acknowledges that certain pilot proposals may involve proprietary or other confidential information. As a result, the Commission will issue a protective order to address situations in which confidential information may be necessary to support a Notice. Consistent with the Commission's decision to not entertain intervenors or participants in this proceeding, appropriate information designated by the Companies as confidential will be redacted from public view. That being said, the Commission emphasizes its desire for transparency in this docket and instructs the Companies to limit the use of confidential information, if any, to a minimum. Further, the Companies have committed to a robust stakeholder engagement process both preceding and during review of its Pilot Notices.¹⁹ As part of this process, the Commission expects that the Companies will address any concerns regarding confidential information with stakeholders, including, but not limited to, the reasons for

¹⁹See Pilot Workplan Supplement at 7-11; see also, Order No. 38654 at 9-12.

designating specified information as confidential and how the designation is reasonably tailored.

6. Pursuant to the Pilot Process outlined in D&O 37507 and the Companies' approved Pilot Workplan, the Companies may submit Notices for individual pilot projects in this docket.

A. Notices must reflect proposals for pilot projects that support one or more of the following categories: (1) Decarbonization; (2) Customer Resources and Services; (3) Beneficial Electrification; (4) Data Sharing, Access, and Analytics; (5) Technology Innovations and Cybersecurity Improvements; (6) Resilience and Innovative Reliability Approaches; and (7) Equity, Access, Affordability and Sustainability.²⁰

B. In addition, pilot projects should:

- 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;
- Incorporate a requirement for pilots involving non-local vendors and larger sole-sourced vendors (i.e., vendors with more than 100 employees) to participate in cost-sharing for the pilot (e.g., in-kind contributions,

²⁰See Pilot Workplan, Attachment 1 at 2-10.

such as engineering or project management support);

- Incorporate preference for pilot partnerships with Hawaii-based vendors (e.g., contracting for services and/or technologies from local businesses);
- Provide estimates for Net Present Value ("NPV") with considerations such as new sources of revenue, cost savings over a defined time period, or other metrics such as a reduction in [greenhouse gas emissions] and contributions to State policy goals via reduction in imported fossil fuels;
- Provide the Commission, Consumer Advocate, and key stakeholders with reasonable access to data (e.g., to assess key performance metrics; and
- Incorporate participant customer surveys or measurement and verification evaluation to measure progress against program success criteria and metrics.²¹

C. As set forth in D&O 37505, Notices shall include, at a minimum:

- A narrative explanation of the pilot project;
- Key customer benefits (for both participants and non-participants), where applicable;
- Eligibility requirements;
- Subscriber cap (if applicable);
- Lifecycle greenhouse gas emissions analysis (if applicable);

²¹D&O 37505 at 170-171 (footnotes omitted).

- Estimate of pilot costs and forecasted revenues (if applicable);
- Project timeline;
- Proposed reporting requirements; and
- Proposed success criteria.²²

D. In addition, Notices shall address:

(1) the expected outcomes of the proposed pilot, including methods and metrics for measuring success and risk of the project;

(2) how the outcomes of the proposed pilot are aligned with State energy goals and Commission orders; and (3) areas of potential overlap with other existing projects and programs and how such overlap will be addressed.²³

7. The Commission may issue information requests, schedule technical workshops, or undertake other actions pursuant to its review of a Notice.

8. The Commission will strive to issue an order addressing a Notice within forty-five (45) days of the Notice being filed. If the Commission does not take affirmative action on a Notice by the end of this 45-day period, the Notice shall be considered approved as submitted.²⁴

²²D&O 37507 at 173.

²³D&O 37507 at 173-174.

²⁴See D&O 37507 at 174; see also Order No. 37865 at 6-7.

A. "Affirmative action on a Notice" means issuance of a Commission order approving, denying, or modifying the proposed pilot as set forth in the Notice, within the forty-five (45) day period noted above. The Commission may also, where necessary, suspend the Notice for further investigation within the forty-five (45) day period noted above, where circumstances warrant (e.g., where more information is required).

B. If the Commission issues an order modifying the pilot as originally proposed in the Notice, the Companies shall have fifteen (15) days from the filing of the Commission order to notify the Commission, in writing, whether the Companies accept the modification, propose further modification, or withdraw the pilot Notice.²⁵

9. Any discontinuance of, or material changes to, the pricing, terms, or conditions of an approved pilot project shall be filed with the Commission forty-five (45) days in advance of the proposed discontinuance or material change for the Commission's review.²⁶ The Companies shall also provide forty-five (45) days advance notice to participants of the applicable pilot.²⁷

²⁵Order No. 37865 at 6-7.

²⁶D&O 37507 at 174.

²⁷D&O 37507 at 174.

A. The Commission will strive to issue an order addressing a proposal for discontinuance or material changes within forty-five (45) days of filing. If the Commission does not take affirmative action on the proposal by the end of this 45-day period, the proposed discontinuance or material changes shall be considered approved as submitted.

B. "Affirmative action on the proposal" means Commission issuance of an order approving, denying, or modifying the proposed discontinuance or material changes. The Commission may also, where necessary, suspend the proceeding for further investigation within the forty-five (45) day period, where circumstances warrant (e.g., where more information is required).

C. If the Commission issues an order modifying the proposed discontinuance or material changes as originally proposed by the Companies, the Companies shall have fifteen (15) days from the filing of the Commission order to notify the Commission, in writing, whether the Companies accept the modifications, propose further modifications, or withdraw the proposed discontinuance or material changes.²⁸

10. Within fifteen (15) days of the submission of any of the following by Hawaiian Electric: (1) a Notice; (2) response

²⁸Order No. 37865 at 7-8.

to a Commission order modifying a Notice; (3) notice of proposed pilot discontinuance or material changes; or (4) response to a Commission order modifying a proposal for pilot discontinuance or material changes, the Consumer Advocate and any interested stakeholders or members of the public may file responsive comments in this docket for the Commission's consideration.

11. This Pilot Process will be available throughout the Multi-year Rate Period of the PBR Framework as defined in D&O 37507 and may be extended at the Commission's discretion. The Commission will review each proposed pilot's duration, as set forth in each Notice, on a case-by-case basis.²⁹

12. The Commission will provide further guidance on this Pilot Process, as necessary.

III.

ORDERS

THE COMMISSION ORDERS:

1. This docket is opened to receive filings and adjudicate requests related to Hawaiian Electric's Notices for innovative pilot proposals submitted pursuant to the Pilot Process.

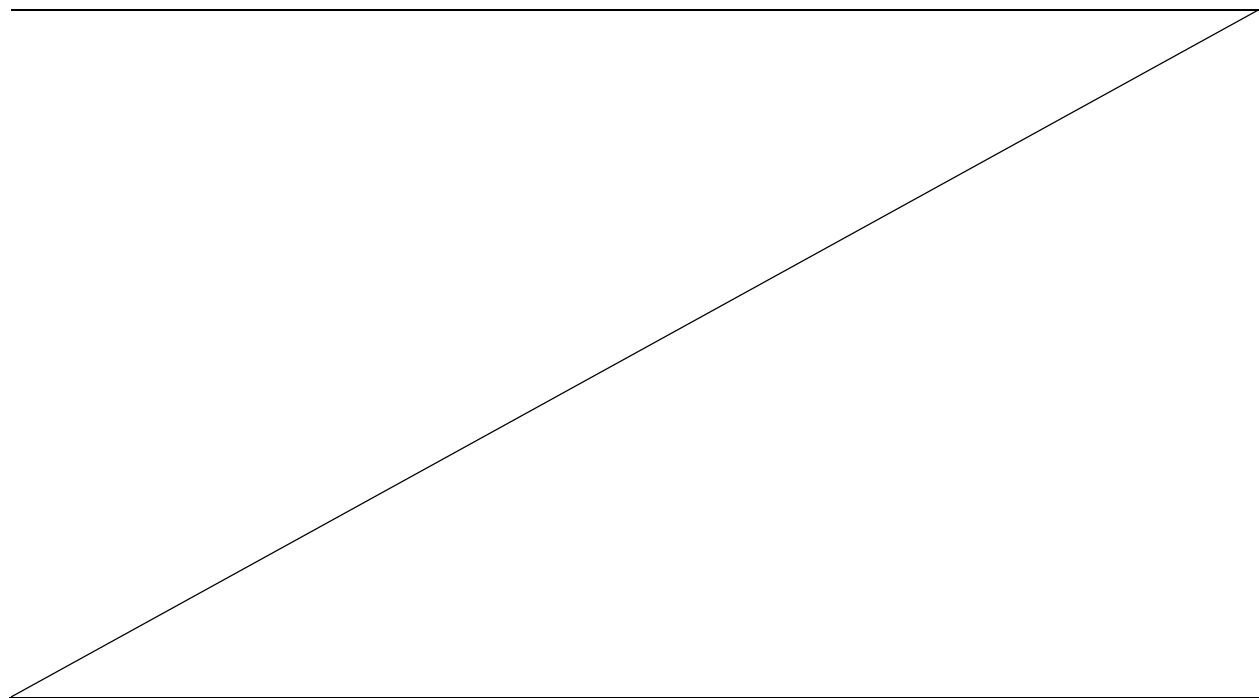
²⁹D&O 37507 at 175.

2. Notwithstanding the foregoing in Ordering Paragraph No. 1, Commission review of the Pilot Process itself, as well as the resolution of revenue adjustments associated with the Pilot Process, may be addressed in other proceedings, including Docket No. 2018-0088.

3. The Parties to this proceeding are Hawaiian Electric and the Consumer Advocate.

4. This docket, by design, will provide any other interested persons or entities with the opportunity to participate in the process without the need to formally intervene in the docket, as set forth above.


5. The Commission issues this order to enable Hawaiian Electric to commence the implementation of the Pilot Process.



6. The process for receiving and reviewing Notices, as well as for receiving public comments, shall be as set forth above.

DONE at Honolulu, Hawaii OCTOBER 20, 2022.


PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By 

Leodoloff R. Asuncion, Jr., Chair

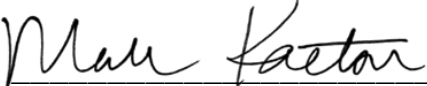
By 

Jennifer M. Potter, Commissioner

By 

Naomi U. Kuwaye, Commissioner

APPROVED AS TO FORM:



Mark Kaetsu
Commission Counsel

2022-0212.ljk

CERTIFICATE OF SERVICE

The foregoing order was served on the date of filing by
electronic mail addressed to the following parties:

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