

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of))
MAUI ELECTRIC COMPANY, LTD.) DOCKET NO. 2020-0132
For Approval to Commit Funds in))
Excess of \$2,500,000 for the))
Purchase and Installation of Item))
MZ.005002 Waena Battery Energy))
Storage System Project, and to))
Recover Costs through the))
Exceptional Project Recovery))
Mechanism.))
_____))

ORDER NO. 38439

AMENDING THE PROCEDURAL SCHEDULE

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)	

AMENDING THE PROCEDURAL SCHEDULE

By this Order,¹ the Public Utilities Commission ("Commission") notifies the Parties that the procedural schedule is hereby amended to require MECO to conduct additional analysis and provide, for the Commission's review, a detailed proposal for integrating solar generation into the Waena Battery Energy Storage System ("BESS") Project to help meet the grid capacity and system stability needs for Maui. The proposal can be provided as an

¹The Parties are MAUI ELECTRIC COMPANY, LTD. ("MECO" or "Company") and the DIVISION OF CONSUMER ADVOCACY ("Consumer Advocate"), an ex officio party, pursuant to Hawaii Revised Statutes § 269-51 and Hawaii Administrative Rules § 16-601-62(a). No persons moved to intervene or participate in this proceeding.

amendment to MECO's Amended Application in this docket, as appropriate.²

MECO filed its Application seeking Commission approval to commit funds in excess of \$2,500,000, estimated to be \$60,003,000, for the purchase and installation of a 40 megawatt ("MW")/160 megawatt-hour ("MWh") BESS at its Waena site in Central Maui ("Project") on September 8, 2020, which was subsequently amended on May 28, 2021, pursuant to Order No. 37768,³ to allow MECO to seek cost recovery through the Exceptional Project Recovery Mechanism ("EPRM").⁴

A procedural schedule was issued, pursuant to Order No. 37456,⁵ which was subsequently modified by

²See "Application of Maui Electric Company, Limited; Verification; Exhibits A-B; and Certificate of Service," filed on September 8, 2020, at 1 and 5.

³See Order No. 37768, "Granting Maui Electric Company, Ltd.'s Motion to Amend Application to Seek Recovery Through the Exceptional Project Recovery Mechanism and Instructing the Parties to File a Stipulate Procedural Schedule," filed on May 7, 2021 ("Order No. 36678"). The Application was amended to allow MECO to seek relief under the EPRM, in lieu of the Major Project Interim Recovery adjustment mechanism.

⁴"Amended Application of Maui Electric Company, Ltd.; Verification; Exhibits 1-10; and Certificate of Service; Books 1 and 2," filed on May 27, 2021.

⁵Order No. 37456, "Approving, with Modifications, the Parties' Stipulated Procedural Schedule and Establishing a Statement of Issues," filed on November 24, 2020 ("Order No. 37456"), at 7-8.

Order Nos. 37719,⁶ 37768, and 37833,⁷ with the briefing schedule concluding with MECO's filing of a Supplemental Reply Statement of Position on August 11, 2021.⁸ However, pursuant to Order No. 37738, the Commission advised the Parties that, because the Project was part of the greater issue of evaluating the merits of the transition plan for the retirement of Kahului Power Plant ("KPP") as well as the existing capacity needs on Maui, the decision and order on the Project's approval would not be issued immediately following the conclusion of the briefing schedule.⁹

Instead, the Commission specified that a decision would be rendered following a comprehensive evaluation of the KPP Transition Plan and other related issues developed in Docket No. 2021-0024,¹⁰ which could also result in additional

⁶Order No. 37719, "Granting the Division of Consumer Advocacy's Motion for Enlargement of Time," filed on April 9, 2021.

⁷Order No. 37833, "Approving the Parties' Stipulated Procedural Schedule and Modifying the Statement of Issues," filed on June 17, 2021.

⁸"Maui Electric Company, Ltd.'s Supplemental Reply Statement of Position; and Certificate of Service," filed on August 11, 2021.

⁹Order No. 37738, "Regarding the Procedural Schedule," filed on April 19, 2021 ("Order No. 37738"), at 8.

¹⁰See generally, Docket No. 2021-0024.

modifications to the procedural schedule in this docket.¹¹ The Commission further stated that “[i]n addition to monitoring the information being developed in Docket No. 2021-0024, the Commission will continue its investigation in this proceeding to assess the proposed Project against other alternatives for addressing Maui’s current grid needs.”¹²

Later, on December 3, 2021, MECO advised the Commission that the proposed pricing included in its Stage 2 RFP self-bid for the BESS would be impacted by pandemic-related supply chain and logistical issues, which indicate a significant spike in current pricing that might not stabilize in the near-term.¹³

Then, on December 6, 2021, MECO submitted an updated KPP Transition Plan in Docket No. 2021-0024, wherein MECO described the current status of plans to retire KPP and potential mitigation efforts to address delays or setbacks with capacity replacement projects.¹⁴ MECO acknowledges that mitigation plans are needed, at least in part, because “[t]his is an unprecedented time for development with an ongoing global pandemic that has led

¹¹Order No. 37738 at 8.

¹²Order No. 37738 at 2.

¹³Letter From: J. Shriver To: Commission Re: Docket No. 2020-0132 - Maui Electric Company, Inc. For Approval to Commit Funds for Waena BESS Project; Informational Filing - Pandemic Pricing Impact, filed on December 3, 2021.

¹⁴See KPP Transition Plan Update.

to significant supply chain issues and labor shortages[,]” which has resulted in several projects experiencing difficulties that MECO and the projects’ respective developers are working to resolve.¹⁵ The potential mitigation plans include, among other things, procurement of additional grid services of up to 30 MW with at least a four-hour duration.¹⁶

Subsequently, in a status update dated April 20, 2022, MECO advised that, given changing market conditions, the Company was working on preparing a comprehensive update on the current Project pricing and schedule, which it expects to provide the Commission during the third quarter of this year.¹⁷

Despite project delays in the near-term¹⁸, the KPP Transition Plan Update raises additional questions and concerns

¹⁵KPP Transition Plan Update at 2.

¹⁶Letter From: M. Asano To: Commission Re: Docket No. 2021-0024 - Opening a Proceeding to Review Hawaiian Electric’s Interconnection Process and Transition Plans for Retirement of Fossil Fuel Power Plants; Kahului Power Plant Transition Plan Update filed on December 6, 2021 (“KPP Transition Plan Update”), at 4.

¹⁷Letter From: J. Shriver To: Commission Re: Docket No. 2020-0132 - Maui Electric Company, Inc.; For Approval to Commit Funds for Waena BESS Project; Informational Filing - Project Status Update, filed April 20, 2022 (“April 2022 Project Update”).

¹⁸See Letter From: R. Dayhuff Matsushima To: Commission Re: Docket No. 2021-0024 - Opening a Proceeding to Review Hawaiian Electric’s Interconnection Process and Transition Plans for Retirement of Fossil Fuel Power Plants; May 2022 Monthly Update, filed on May 20, 2022.

regarding the true long-term need for the Project, as proposed, which could lead to overbuilding of the system at customers' expense, given the current status of planned projects and MECO's representation of the presumed capability of the approved Stage 1 and 2 RFP projects to provide necessary capacity to retire KPP.¹⁹ The Commission also notes its previously stated concerns with procuring standalone storage resources that will be charged by fossil fuels at a significant cost to ratepayers.²⁰ For that reason, the Commission has cautioned against the pursuit of standalone storage projects and, instead, supported the consideration of opportunities to reduce fossil fuel reliance and maximize renewable generation.²¹

These concerns, among other things, have prompted the need to reassess or reevaluate this Project and consider appropriate alternatives. Accordingly, the Commission requested that MECO provide some preliminary information as to whether the BESS could be modified to include solar generation in order to

¹⁹See KPP Transition Plan Update.

²⁰See Docket No. 2017-0352, Order No. 36356, "Providing Guidance on the Hawaiian Electric Companies' Phase 2 Draft Requests for Proposals for Dispatchable and Renewable Generation," filed on June 10, 2019, at 14; see also Docket No. 2017-0352, Order No. 36604, "Establishing Performance Incentive Mechanisms for the Hawaiian Electric Companies' Phase 2 Requests for Proposal," filed on October 9, 2019, at 30.

²¹D&O No. 37754 at 58.

help meet Maui's near-term grid needs.²² The Company indicated that the potential integration of solar generation with the BESS is a feasible option.²³ MECO further explained that 10 MW of fixed-tilt photovoltaic panels could be integrated into the BESS at a cost of approximately \$25,000,000, with interconnection to the switchyard being relatively inexpensive.²⁴ The Company also indicated that, with evidence of the Commission's support, a detailed proposal for this option could be provided.²⁵

At this time, given the near-term need, the Commission is open to exploring such proposal as a backstop for reliability on Maui, provided MECO demonstrates the requisite justification and need for such revised option. Such willingness, however, does not necessarily suggest that the Commission shall automatically approve or accept any such proposal.

²²See Letter From: Commission To: K. Katsura Re: Docket No. 2020-0132, Application for Maui Electric Company, Ltd., for Approval to Commit Funds in Excess of \$2,500,000 for the Purchase and Installation of Item MZ.005002 Waena Battery Energy Storage System Project, and to Recover Costs through the Exceptional Project Recovery Mechanism, filed on May 10, 2022.

²³Letter From: K. Katsura To: Commission Re: Docket No. 2020-0132 - Maui Electric Company, Limited; For Approval to Commit Funds for Waena BESS Project; Responses to Commission's Information Requests, filed on May 23, 2022 ("MECO Response to PUC-MECO-IR-120").

²⁴MECO Response to PUC-MECO-IR-120(a).

²⁵MECO Response to PUC-MECO-IR-120(a).

Accordingly, the Commission instructs MECO to conduct additional analysis and submit a detailed proposal and justification for the integration of 10 MW of solar generation with the Waena BESS Project. The detailed proposal and justification should also consider adding BESS capacity in increments of 20 MW, up to 60 MW (i.e. options for 10 MW of solar paired with 20 MW, 40 MW, and 60 MW of BESS). The proposal can be provided as an amendment to MECO's Amended Application in this docket, as appropriate. Although MECO has suggested a scaled-up version of the BESS to 60 MW may help meet Maui's near-term grid needs, the Commission is reluctant to consider such increased capacity in the current climate, but may be willing to consider the possibility of increasing the size of the BESS in the future when market and supply chain conditions are more favorable and/or stable and requests the additional information for those purposes. Therefore, the analysis may also consider what would be necessary in the near-term to make the Project ready to add BESS capacity incrementally over time. As the Company has stated its intent to provide updated pricing and schedule information for the BESS in the near future,²⁶ the alternative detailed proposal should be provided in conjunction with such update.

²⁶April 2022 Project Update; see MECO Response to PUC-MECO-IR-120(a) (noting HECO's intent to provide a revised Project schedule in July 2022).


Therefore, the procedural schedule is hereby amended to require MECO to submit its completed analysis and proposal to the Commission within 60 days of the date of this Order. Thereafter, the Commission and Consumer Advocate shall review and consider such analyses and proposals, which may result in further modifications to the procedural schedule that will be addressed in a separate order, as appropriate.

DONE at Honolulu, Hawaii JUNE 23, 2022.


PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By 
James P. Griffin, Chair

By 
Jennifer M. Potter, Commissioner

By 
Leodoloff R. Asuncion, Jr., Commissioner

APPROVED AS TO FORM:


Keira Y. Kamiya
Commission Counsel

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CERTIFICATE OF SERVICE

The foregoing Order was served on the date it was uploaded to the Public Utilities Commission's Document Management System and served through the Document Management System's electronic Distribution List.

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