

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

In the Matter of the Application of )  
HAWAIIAN ELECTRIC COMPANY, INC., )  
HAWAII ELECTRIC LIGHT COMPANY, INC., )  
and MAUI ELECTRIC COMPANY, LIMITED )  
For Approval to Commit Funds )  
in Excess of \$2,500,000 for the )  
Smart Grid Foundation Project, to )  
Defer Certain Computer Software )  
Development Costs, to Recover Capital )  
and Deferred Costs through the )  
Renewable Energy Infrastructure )  
Surcharge, and Related Requests. )  
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DOCKET NO. 2016-0087

ORDER NO. 34436

ADDRESSING MOTION FOR PARTIAL RECONSIDERATION

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PUBLIC UTILITIES  
COMMISSION

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Renewable Energy Infrastructure )  
Surcharge, and Related Requests. )

Order No. 34436

By this Order, the Public Utilities Commission ("commission") grants, in part, the Motion for Partial Reconsideration of Hawaiian Electric Company, Inc. ("HECO"), Hawaii Electric Light Company, Inc. ("HELCO"), and Maui Electric Company, Limited ("MECO") (collectively the "HECO Companies" or "Companies").

I.

PROCEDURAL HISTORY

A.

Order No. 34281

On January 4, 2017, by Order No. 34281,<sup>1</sup> the commission dismissed, without prejudice, the HECO Companies' Application for approval to commit funds for the Smart Grid Foundation Project ("SGF Project").<sup>2</sup> In dismissing the Application, the commission identified a number of concerns, including: the cost effectiveness of the SGF Project; the nexus between the SGF Project and the primary issues currently facing the Companies' distribution grids; and, the Application's failure to adequately address the risk of redundancy due to the growth of distributed energy resources ("DER") or obsolescence as a result of technological advancement.<sup>3</sup> The commission also expressed its concern about the timing and sequencing of the substantial investments proposed in the

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<sup>1</sup>Order No. 34281, "Dismissing Application without Prejudice and Providing Guidance for Developing a Grid Modernization Strategy," filed January 4, 2017 ("Order No. 34281").

<sup>2</sup>"Application of Hawaiian Electric Company, Inc., Hawaii Electric Light Company, Inc., and Maui Electric Company, Limited, Exhibits A-I; Verification; and Certificate of Service," filed on March 31, 2016 ("Application").

<sup>3</sup>See Order No. 34281 at 3-5.



Application, and whether, or when, corresponding benefits to customers would be realized.<sup>4</sup>

The commission emphasized the importance of grid modernization to enable greater penetration of renewables and customer-sited DER, expand energy options for customers to manage their energy usage, and automate system control and operation. Grid modernization represents a set of critical strategic investments for the Companies to position themselves for future opportunities and to address grid challenges. As such, investments in modernizing Hawaii's electric grids will require thoughtful and deliberate deployments of capital over the next decade or more. Such investments must be strategically calibrated and prioritized to meet clearly-defined goals to achieve the vision for Hawaii's integrated grid of the future. Each project or series of projects must methodically and cost-effectively advance this ultimate objective. Strategic missteps today could have substantial ramifications in lost opportunities, technological lock-in, or result in significant stranded assets.<sup>5</sup>

The commission stated its concern that the Companies' strategic vision, as outlined in its Smart Grid Strategy and Roadmap, lacks the level of detail necessary for the commission to

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<sup>4</sup>See Order No. 34281 at 41.

<sup>5</sup>See Order No. 34281 at 41-42.

effectively evaluate the SGF Project. This is particularly troubling where, as here, the SGF Project is intended "to implement the initial Smart Grid capabilities that will serve as the platform to support not only immediate customer benefits, but also as the cornerstone for additional projects."<sup>6</sup> Given the magnitude of the proposed investment, and what is at stake, the commission directed the Companies to articulate and submit a well-vetted and detailed strategy that addresses grid modernization in a comprehensive and holistic manner. The Companies' Grid Modernization Strategy must be informed by input from the community and stakeholders who are to utilize, and be served by, the platform that is a modern grid.<sup>7</sup>

Rather than expend commission and stakeholder resources evaluating the instant Application without the benefit of a rigorous and stakeholder-informed grid modernization strategy, the commission chose to create the space and time necessary to explore the full spectrum of innovative approaches to grid modernization as it relates to Hawaii's unique characteristics. Accordingly, the commission dismissed the Application without prejudice and concluded that there is a need for the development

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<sup>6</sup>Application at 2.

<sup>7</sup>See Order No. 34281 at 42.

of a well-vetted, overarching strategy for grid modernization that is informed by stakeholder input.<sup>8</sup>

The commission expects the Companies to facilitate a process that will provide a forum to convene industry experts and representatives to deliver presentations and advance dialogue on a variety of grid modernization topics that would appear to be most critical in Hawaii. The dialogue generated by this process should inform the Companies as they develop detailed, grid modernization strategies for each island system.

The commission directed the HECO Companies to submit a detailed, scenario-based Grid Modernization Strategy for each utility no later than June 30, 2017. The commission ordered an initial draft be made available to stakeholders no later than one hundred and twenty (120) days from the date of Order No. 34281. In addition, the commission instructed the Companies to brief the commission in April 2017 on the approach and content of the Draft Grid Modernization Strategy.<sup>9</sup>

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<sup>8</sup>See Order No. 34281 at 4.

<sup>9</sup>See Order No. 34281 at 67-68.



B.

Motion for Partial Reconsideration

On January 17, 2017, the HECO Companies filed a Motion for Partial Reconsideration,<sup>10</sup> wherein the Companies' request "that the [c]ommission partially reconsider Order No. 34281 and eliminate the requirement that an initial Grid Modernization Strategy draft be made available to stakeholders 120 days from the date of the Order, while maintaining the June 30, 2017 deadline to file the final, proposed Grid Modernization Strategy."<sup>11</sup>

More specifically, the Companies contend that the one hundred and twenty (120) days contemplated by Order No. 34281 to complete and make available an initial Grid Modernization Strategy draft to stakeholders "will not be sufficient to both (1) conduct the comprehensive level of stakeholder engagement necessary for an undertaking as complex and important as the Companies' grid modernization process and (2) complete an initial strategy draft after completion of this stakeholder engagement."<sup>12</sup>

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<sup>10</sup>"Hawaiian Electric Companies' Motion for Partial Reconsideration of Order No. 34281 and Certificate of Service," filed January 17, 2017 ("Motion for Partial Reconsideration").

<sup>11</sup>Motion for Partial Reconsideration at 2.

<sup>12</sup>Motion for Partial Reconsideration at 6.

Given the anticipated comprehensive stakeholder involvement, the HECO Companies "believe the requirement that an initial draft be submitted within 120 days of the Order should be eliminated, with the June 30, 2017 submittal serving as the final proposed strategy."<sup>13</sup> Accordingly, the Companies request that the commission "partially reconsider Order [No.] 34281 and eliminate the requirement that an initial Grid Modernization Strategy draft be made available to stakeholders 120 days from the date of the Order, while keeping the June 30, 2017 deadline to file the final, proposed Grid Modernization Strategy."<sup>14</sup>

In the alternative, "should the [c]ommission wish to retain a two-step process of providing a draft strategy, the Companies respectfully request that the planning process be extended sixty days, such that the initial Grid Modernization Strategy draft shall be made available to stakeholders on or before June 30, 2017, and the final proposed Grid Modernization Strategy shall be submitted to the [c]ommission on or before August 29, 2017."<sup>15</sup>

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<sup>13</sup>Motion for Partial Reconsideration at 7.

<sup>14</sup>Motion for Partial Reconsideration at 7.

<sup>15</sup>Motion for Partial Reconsideration at 2-3.



C.

Consumer Advocate's Response to  
Motion for Partial Reconsideration

On January 24, 2017, the Consumer Advocate filed its Response to Motion for Partial Reconsideration of Order No. 34281,<sup>16</sup> wherein the Consumer Advocate conditionally supports the HECO Companies' "request for an alternative two-step process that retains the requirement for a Grid Modernization Strategy draft."<sup>17</sup> More specifically, the Consumer Advocate "supports allowing additional time to sufficiently 'conduct the comprehensive level of stakeholder engagement,' but disagrees with the [HECO] Companies['] assertion that one hundred eighty (180) days is necessary for an initial draft."<sup>18</sup> Accordingly, the Consumer Advocate contends that "[t]he [c]ommission should set an earlier deadline, than what is proposed by the [HECO] Companies, for an initial Grid Modernization Strategy draft, on or before one hundred fifty (150) days from the date of the Order instead of

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<sup>16</sup>"Division of Consumer Advocacy's Response to Motion for Partial Reconsideration of Order No. 34281," filed January 24, 2017 ("Response to Motion for Partial Reconsideration").

<sup>17</sup>Response to Motion for Partial Reconsideration at 1-2.

<sup>18</sup>Response to Motion for Partial Reconsideration at 5 (quoting Motion for Partial Reconsideration at 6).

one hundred twenty (120) days as mandated by the [c]ommission."<sup>19</sup> By this recommendation, the Consumer Advocate seeks "to strike the balance between the [c]ommission acknowledging the Companies' urgency and need for adequate time for community and stakeholder engagement."<sup>20</sup>

The Consumer Advocate also states, as an added benefit, that such an earlier deadline would provide additional time, ninety (90) days, for stakeholder review and input between the initial draft and the final proposed Grid Modernization Strategy to be filed with the commission on or before August 29, 2017.<sup>21</sup>

The Consumer Advocate also articulated a few additional concerns, including: (1) if circumstances and factors allowed, earlier actions on the earlier versions of the Smart Grid Roadmap and business case could have allowed Hawaii to be further along in grid modernization; (2) there may be an assumption that a "Field of Dreams" investment strategy should be the de facto strategy, where "if you build it, [they] will come"; and (3) clearer guidance would provide the proper direction and

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<sup>19</sup>Response to Motion for Partial Reconsideration at 5.

<sup>20</sup>Response to Motion for Partial Reconsideration at 5.

<sup>21</sup>Response to Motion for Partial Reconsideration at 5.

analysis toward the development of appropriate strategies to modernizing the grid.<sup>22</sup>

D.

Public Comment

On January 24, 2017, the Energy Freedom Coalition of America, LLC ("EFCA") submitted a Public Comment.<sup>23</sup> EFCA expressed gratitude to both the HECO Companies and the commission "for taking proactive steps to consider critical grid modernization investments necessary to facilitate the state's ambitious renewable energy goals, as well as to support the increasing role of [DER] in Hawaii's energy system."<sup>24</sup> EFCA also stated its support for "a more focused and deliberative effort to establish an overarching [Grid Modernization Strategy] before making determinations regarding specific funding requests like those proposed in the Companies' Application."<sup>25</sup>

With respect to the two options presented by the HECO Companies in their Motion for Partial Reconsideration,

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<sup>22</sup>Response to Motion for Partial Reconsideration at 2-3.

<sup>23</sup>"Public Comment of Energy Freedom Coalition of America, LLC and Certificate of Service," filed January 24, 2017 ("Public Comment").

<sup>24</sup>Public Comment at 4-5.

<sup>25</sup>Public Comment at 5.



EFCA "prefers and recommends the Companies' alternative request, i.e., the Extension Option[,] as [EFCA] believe[s] it appropriately ensures robust stakeholder engagement through the development of the initial draft [Grid Modernization Strategy] and prior to submission of the final proposed [Grid Modernization Strategy] to the [c]ommission."<sup>26</sup>

## II.

### DISCUSSION

#### A.

##### Regulatory Provisions

HAR § 6-61-137 sets forth the requirements for reconsideration. It states:

Motion for reconsideration or rehearing.  
A motion seeking any change in a decision, order, or requirement of the commission should clearly specify whether the prayer is for reconsideration, rehearing, further hearing, or modification, suspension, vacation, or a combination thereof. The motion shall be filed within ten days after the decision or order is served upon the party, setting forth specifically the grounds on which the movant considers the decision or order unreasonable, unlawful, or erroneous.<sup>27</sup>

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<sup>26</sup>Public Comment at 5.

<sup>27</sup>HAR § 6-61-137.

In addition, HAR § 6-61-140 states, "[t]he commission may allow replies to a motion for rehearing or reconsideration or a stay, if it deems those replies desirable or necessary."

B.

Commission Ruling

Upon careful review of the record, and having given due consideration to the arguments advanced, the commission grants the alternative relief sought in the Companies' Motion for Partial Reconsideration, and hereby extends the deadlines outlined in Order No. 34281. In support of this conclusion, the commission finds as follows:

1. As stated in Order No. 34281, given the questions the commission has regarding the HECO Companies' Application, and given the leadership role Hawaii maintains regarding DER penetration, the commission wishes to leverage the insights and expertise of industry and the stakeholder community to assist the Companies' development of a detailed, comprehensive, and holistic Grid Modernization Strategy that will guide the HECO Companies' approach to grid modernization investment over the short, medium, and long term. The expectation is that a detailed Grid Modernization Strategy will provide the necessary context to inform the commission's review of discrete grid modernization project application(s) subsequently submitted by the Companies.

2. The Companies' Grid Modernization Strategy must be informed by input from the community and stakeholders who are to utilize, and be served by, the platform that is a modern grid. Accordingly, the commission finds there is a need to retain a two-step process, such that the initial Grid Modernization Strategy draft be made available to stakeholders to allow for necessary and critical feedback to help inform and shape the final Grid Modernization Strategy submitted for the commission's review. The preservation of this process should allow ample opportunity for stakeholder input and comments to be vetted and incorporated into the final proposal.

3. Given the complexity and breadth of issues to be addressed by the Grid Modernization Strategy, and given the time needed to plan and coordinate the stakeholder engagement process as well as the time needed to execute and complete the planning process for all three utilities, and the required drafting time after stakeholder planning has concluded, the commission finds that additional time will help to ensure the initial draft of the Grid Modernization Strategy achieves the objectives outlined in Order No. 34281.

4. Accordingly, the commission concludes an extension of the planning process is warranted and reasonable. An initial draft of the Grid Modernization Strategy shall be made available to stakeholders for their review and comment no later than



June 30, 2017. The final Grid Modernization Strategy documents shall be filed with the commission no later than August 29, 2017.

5. Nevertheless, the commission observes that actions to address grid modernization, including DER integration strategies, have been pending for some time, and the HECO Companies have been studying these strategies since 2008.<sup>28</sup> The commission, through its Inclinations on the Future of Hawaii's Electric Utilities (the commission's "Inclinations"), issued on April 28, 2014,<sup>29</sup> stated its belief that the HECO Companies would need to move promptly with plans to upgrade the utilities' distribution systems to enable new clean energy technologies and improve customer service. However, while the HECO Companies have taken some incremental steps in this direction, it is imperative that the Companies produce actual, concrete plans and begin immediate implementation of those plans. Thus, in granting this extension, the commission expects concrete, specific, and actionable plans from the HECO Companies by the date set forth herein.

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<sup>28</sup>See, e.g., In re Hawaiian Elec. Co., Inc., Hawaii Elec. Light Co., Inc., Maui Elec. Co., Ltd., Docket No. 2008-0303, "Advanced Meter Infrastructure (AMI) Project Application," filed December 1, 2008.

<sup>29</sup>In re Public Util. Comm'n, Docket No. 2012-0036, Decision and Order No. 32052, filed April 28, 2014, Exhibit A, at 1.

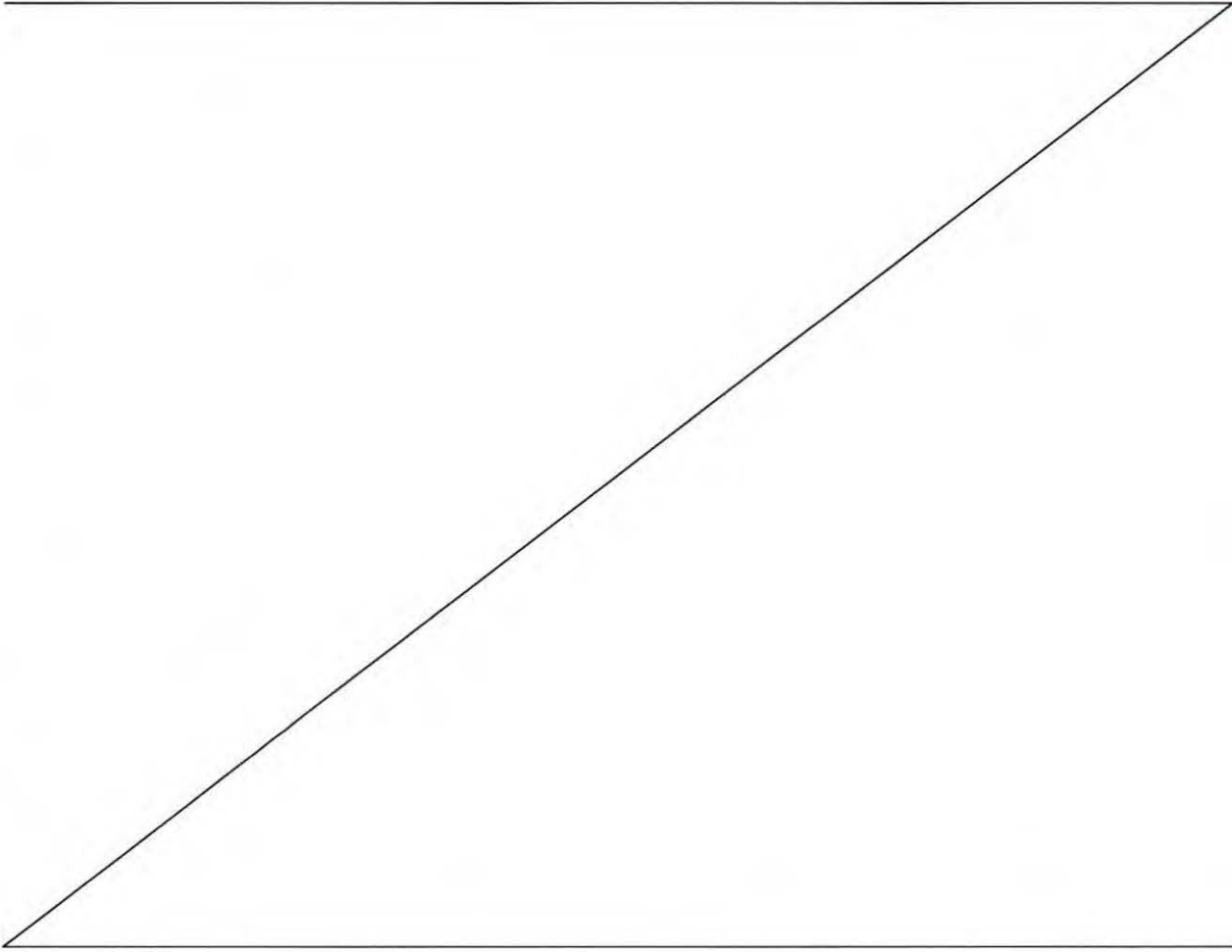
III.

ORDERS

1. The commission grants, in part, the HECO Companies' Motion for Partial Reconsideration and grants the Companies an extension to the deadlines set forth in Order No. 34281.

2. As a result, the HECO Companies shall make an initial draft of the Grid Modernization Strategy available for stakeholder review and comment no later than June 30, 2017.

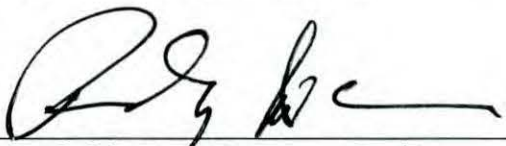
3. The final Grid Modernization Strategy documents shall be filed with the commission no later than August 29, 2017.



4. The HECO Companies shall brief the commission in June 2017 on the then-current approach and provide an overview of the content in the initial draft Grid Modernization Strategy.

DONE at Honolulu, Hawaii MAR - 9 2017.


PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

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By   
Lorraine H. Akiba, Commissioner

By   
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APPROVED AS TO FORM:

  
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2016-0087.lm



CERTIFICATE OF SERVICE

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