

DAVID Y. IGE
GOVERNOR

JOSH B. GREEN
LT. GOVERNOR



JAMES P. GRIFFIN
CHAIR

JENNIFER M. POTTER
COMMISSIONER

LEODOLOFF R. ASUNCION, JR.
COMMISSIONER

STATE OF HAWAII
PUBLIC UTILITIES COMMISSION
465 S. KING STREET, #103
HONOLULU, HAWAII 96813

Telephone: (808) 586-2020
Facsimile: (808) 586-2066

Website: puc.hawaii.gov
E-mail: puc@hawaii.gov

December 10, 2020

To: Service List

Re: **Commission Guidance, In re Public Utilities Commission, Docket No. 2018-0163**
= Instituting a Proceeding to Investigate Establishment of a Microgrid Services
Tariff.

By this letter, the Commission reviews recent procedural events in the subject proceeding; requests the Parties reconvene the Working Group to revise the Draft Tariff and related documents; and provides additional feedback to guide the Working Group's efforts.

Timeframe to Complete Recommended Actions

The Commission acknowledges that the Draft Tariff and accompanying documents are very close to completion. As such, the Commission is asking that the Parties reconvene the Working Group as often as necessary to work collaboratively to deliver a final Draft Tariff, revised Hybrid Microgrid Operator Disclosure Checklist (if necessary), revised Hybrid Microgrid Operator Interconnection Agreement, and revised Rules within **forty-five (45) days** of issuance of this letter. These revised documents should address all the recommended actions provided below and any other issues that the Parties identify as needing attention. Additionally, all documents should be sufficiently streamlined to meet the intent of Act 200.

Concurrent with the issuance of this letter, the Commission will send to the Parties (via email) the Commission's redlined Word document files to assist the Parties in making necessary revisions.

The Commission requests that the Parties jointly file the revised documents by **Monday, January 25, 2021**. For areas of disagreement, the Commission requests that the Parties individually file alternative redlines with supporting arguments.

Background

On March 30, 2020, Hawaiian Electric (alternatively, "the Company") submitted its Draft Microgrid Services Tariff ("Draft Tariff") along with seven attachments ("Attachments"). These Attachments included accompanying documents such as the Draft Hybrid Microgrid Operator Disclosure Checklist, Draft Hybrid Microgrid Operator Interconnection Agreement, and Draft Modifications to Rule 24.

On April 27, 2020, the Division of Consumer Advocacy (“Consumer Advocate”), Ulupono Initiative LLC (“Ulupono”), and Microgrid Resources Coalition (“MRC”) each submitted comments on and proposed revisions to the Company’s Draft Tariff (collectively, “Parties’ Comments”).¹

Among the concerns raised in the Parties’ Comments were that: (1) certain documents had not been reviewed by the Working Group prior to the filing of the Draft Tariff due to the cancellation of a Working Group meeting scheduled for March 24, 2020;² (2) the Parties should be allowed to meet to determine whether consensus on the Parties’ recommendations and proposed changes can be achieved prior to the Commission issuing a Decision and Order;³ and (3) the Company should be directed to engage stakeholders to ensure a complete agenda and an open discussion of the issues in this proceeding.⁴

On November 30, 2020, the Commission convened a technical conference (“Technical Conference”) to discuss the Draft Tariff and Attachments. At the Technical Conference, the Commission identified nine issues in the Draft Tariff, and several other issues in the Draft Hybrid Microgrid Operator Interconnection Agreement and Draft Modifications to Rule 24, as topics for discussion. After considerable discussion of these issues (and various other issues raised by the Parties), Commission staff requested the Parties to continue their work on the Draft Tariff, Draft Hybrid Microgrid Operator Interconnection Agreement and Draft Modifications to Rule 24 (in addition to draft modifications to all other applicable DER programs) within the auspices of the Working Group.

¹Neither Distributed Energy Resources Council nor Energy Island, the other Parties to this proceeding, filed comments on or proposed revisions to the Draft Tariff or accompanying documents.

²Ulupono’s Comments filed on April 27, 2020, at 3. The date of March 30, 2020, that Ulupono originally noted as the date of the cancelled Working Group meeting appears to be a typo; based on e-mails among the Working Group members and Commission Staff, the Working Group was scheduled to meet on March 24, 2020, whereas the Draft Tariff was due on March 30, 2020 (see Order No. 36514, “Establishing a Procedural Schedule” filed on September 12, 2019, at 9).

³Consumer Advocate’s Comments filed on April 27, 2020, at 7.

⁴MRC’s Comments filed on April 27, 2020, at 4 and 12.

To assist the Parties in their efforts, and drawing from the discussions at the Technical Conference, the Commission sets forth recommended actions by the Parties:

1. Customer Microgrid Interconnection Agreement (Tariff Section A)

Hawaiian Electric clarified that an Interconnection Agreement for Customer Microgrids would not be necessary. The Parties generally agreed that the Application for Customer Microgrids, as well as enrollment in applicable DER Programs, would accommodate the needs of Customer Microgrids. It appears that no further action is needed regarding the Interconnection Agreement for Customer Microgrids.

2. Definition of the Customer (Tariff Sections A.1.g and E.1.a)

MRC explained that its proposed edits to the Tariff section A.1.g stem from concerns about variety of different relationships that a Microgrid Operator could have with Microgrid Participants, and that so long as the definition does not preclude a third party Microgrid Operator that is different than the Microgrid Owner the definition does not need to be updated. MRC agreed that this concept should be clarified in Section E.1.a. Ulupono Initiative stated that the definition of customer may still be problematic, but agreed that Section E.1.a needed further clarification. The Parties should discuss MRC's redlines to the definition of Customer in the Draft Tariff (which includes the Microgrid Operator of a Customer Microgrid in the definition) and revise the definition accordingly. In doing so, the Parties should consider the roles of the owner of a Microgrid and the Microgrid Operator, any applicable laws in Hawaii, and determine whether a distinction should be made between these roles in the Tariff.

3. Applicability of Other Tariffs (Tariff Section B.3)

MRC clarified that its proposed edits to section B.3 stem from the idea that in a Customer Microgrid, only the owner of the generating unit or lessee of the generating unit would be compensated under existing DER Programs. The Parties agreed to review MRC's proposed edits to clarify and further distinguish between the Microgrid Operator and the Microgrid Owner. The Commission recommends that the Parties discuss MRC's proposed redlines, including the inclusion of language stating that a Customer Microgrid shall not be subject to Rule 15. The Parties should decide whether those redlines should be included in the revised Draft Tariff.

4. Indemnification (Tariff Sections C.1-2)

Hawaiian Electric favored including indemnification language in the tariff, at least as a starting point, in order to account for the variety of possible structures behind the meter and corresponding relationships. However, Ulupono asserted that having the indemnification language in the tariff would not necessarily provide the desired flexibility

and recourse; Ulupono instead suggested that having the indemnification language in the interconnection agreement would allow for negotiating and tailoring the language to each unique project. Hawaiian Electric raised additional concerns that interconnection agreements under other tariffs may need to be rewritten to account for customer microgrids specifically.

The Commission recommends that the Parties decide whether further edits are necessary in the indemnification sections of the Draft Tariff and determine whether indemnification language should be removed from the tariff and instead be included in only the Hybrid Microgrid Operator Interconnection Agreement. The Parties should also evaluate and propose any other necessary changes needed other tariffs to account for customer microgrids.

5. Data Set Satisfaction Prior to Conducting the Feasibility Study (Tariff Section D.3.b)

Hawaiian Electric agreed to create a list for this data standard. The Company should create a list of standardized data that will be required of all Applicants of a Hybrid Microgrid who request a feasibility study, incorporate this list in all pertinent documents, and provide all revisions to the Parties for review.

6. Hybrid Microgrid Compensation (Tariff Section E.2)

Hawaiian Electric's consultant acknowledged that leasing has not been discussed significantly in this proceeding and remains a very complicated topic in other jurisdictions. MRC asserted that leasing could be a way to allow Hybrid Microgrids to operate as if they were Customer Microgrids and commented that there will be very few providers that would pursue a Hybrid Microgrid project under the singular arrangement considered in the Draft Tariff. The Parties should discuss the possibility of including language in the Draft Tariff that allows for a leasing arrangement between the Microgrid Operator and the Company for Hybrid Microgrids.

7. Hybrid Microgrid Applications Interconnection Queue (Tariff Section G)

Hawaiian Electric clarified that the term "queue" refers to an Interconnection queue for hybrid microgrids. No further action appears necessary regarding this topic.

8. Project Caps, Program Caps, and Rated Power (Tariff Sections D.2, I.2, and H.3.a.i)

Hawaiian Electric stated that the Project caps were justified by the size of a feeder being around 3MW, and thus Hawaiian Electric selected a 3MW cap. Hawaiian Electric acknowledged that Molokai and Lanai may not need to be excluded from the Draft Tariff

and agreed to discuss this topic with the Parties. Regarding Rated Power, Hawaiian Electric agreed to clarify the reference as it related to the transition from grid connected to islanded mode that required zero power with a nominal margin allowed based upon the generating capability of the Microgrid.

The Parties should evaluate the impacts of increasing (or altogether eliminating) proposed project caps and program caps for all islands. Additionally, the Parties should discuss inclusion of Molokai and Lanai and propose corresponding project caps and program caps for those islands, if necessary.

The Company should revise the definition of Rated Power in the Draft Tariff and accompanying documents in light of the Parties' discussions, or otherwise provide reference to any applicable definition.

9. Anti-Islanding Provisions (Tariff Section H.3 paragraph 4)

Hawaiian Electric explained that these provisions were included to allow a transition to island mode whenever the system would otherwise trip offline and stated that it was willing to re-write item (2) to be clearer. The Company should provide its revisions to the Parties for review.

10. Draft Hybrid Microgrid Operator Interconnection Agreement

The Parties are requested to engage in further dialogue on and revise the Draft Hybrid Microgrid Operator Interconnection Agreement to reflect discussion at the Technical Conference. For instance, at the Technical Conference, the Company clarified that a phoneline requirement may not be necessary for Company-owned meters (as specified in Section 1.d.i.B of Exhibit B), as advanced meters could provide the necessary functionalities. In addition, the Company should replace or revise any references to a Soft-Start Ramp Rate (as seen in Section H.3.a.i of the Draft Tariff) to ensure consistency in definitions of ramp rate throughout the Draft Tariff and accompanying documents.

With respect to the Draft Hybrid Microgrid Operator Disclosure Checklist referenced in the Draft Hybrid Microgrid Operator Interconnection Agreement, the Commission has proposed removal of the checklist. At the Technical Conference, the Consumer Advocate emphasized the importance of protecting customers. The Parties should discuss the Consumer Advocate's concerns and work to identify ways to further streamline the Draft Hybrid Microgrid Operator Disclosure Checklist.

The Commission emphasizes the importance of Parties working collaboratively to revise and further streamline the Draft Hybrid Microgrid Operator Interconnection Agreement as this draft does not appear to adequately meet the intent of Act 200.

11. Draft Modifications to Rule 24 and Other DER Programs for Customer and Hybrid Microgrids

At the Technical Conference, the Company reaffirmed its intent to include the Draft Modifications to Rule 24 in all other applicable DER programs. The Company should identify all such other applicable DER programs (“Other Rules”) which are expected to contain redlined language. Further, if there are any additional modifications that need to be made to Rule 24 and the Other Rules (whether broadly applicable or applicable to only a subset of the Rules), the Commission directs the Parties to provide such additional modifications for both Customer and Hybrid Microgrids for review. The Commission requests that the Parties provide redlined versions of the DER tariffs for the Commission’s review incorporating the modifications, along with any necessary justifications or comments.

The Commission appreciates the efforts of, and progress made, by the Parties to date in this proceeding. The Commission encourages continued collaboration and attention of the Parties to address the remaining steps.

Please contact the undersigned at (808) 586-2020 with any questions regarding this letter or email ashley.l.agcaoili@hawaii.gov.

Sincerely,


Ashley L. Agcaoili

AKLA:ljk

FILED

2020 Dec 10 AM 11:15

PUBLIC UTILITIES
COMMISSION

The foregoing document was electronically filed with the State of Hawaii Public Utilities Commission's Document Management System (DMS).