

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

-----In the Matter of -----))
PUBLIC UTILITIES COMMISSION) DOCKET NO. 2018-0163
Instituting a Proceeding to)
Investigate Establishment of a)
Microgrid Services Tariff.)
_____)

ORDER NO. 38293

- (1) PRIORITIZING ISSUES FOR RESOLUTION IN PHASE 2 OF THIS DOCKET
AND (2) ESTABLISHING A PHASE 2 PROCEDURAL SCHEDULE

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By this Order,¹ the Public Utilities Commission ("Commission"): (1) prioritizes issues for resolution in Phase 2 of this docket and (2) sets a procedural schedule to guide Phase 2 of this docket.

¹Order No. 35566, "Opening the Docket," filed on July 10, 2018, named HAWAIIAN ELECTRIC COMPANY, INC.; HAWAI'I ELECTRIC LIGHT COMPANY, INC.; and MAUI ELECTRIC COMPANY, LIMITED (collectively, "HECO Companies," "Companies," or "Hawaiian Electric"); and the DIVISION OF CONSUMER ADVOCACY ("Consumer Advocate") as Parties to this proceeding.

Additionally, the Commission has granted intervenor status to DISTRIBUTED ENERGY RESOURCES COUNCIL OF HAWAII; ENERGY ISLAND; the MICROGRID RESOURCES COALITION ("MRC"); and ULUPONO INITIATIVE LLC ("Ulupono").

I.

RELEVANT PROCEDURAL HISTORY

Here, the Commission summarizes this docket's procedural history beginning with and following the issuance of Decision and Order No. 37786 on May 17, 2021 ("Decision and Order No. 37786").²

On May 17, 2021, the Commission issued Decision and Order No. 37786, in which the Commission approved a Microgrid Services Tariff ("Tariff") for the HECO Companies. In particular, by Decision and Order No. 37786, the Commission: (1) accepted the Working Group's proposed Microgrid Services Tariff; Appendix I (Disclosure Checklist); and Appendix II (Microgrid Services Tariff Hybrid Microgrid Agreement), submitted with the Working Group's February 1, 2021 Transmittal, with modifications therein; (2) accepted the Microgrid Participant Bill of Rights, submitted as Attachment 2 to the Consumer Advocate's February 10, 2021 Comments; and (3) accepted the Working Group's proposed modifications to Hawaiian Electric's Rules 14H (Interconnection), 18 (Net Energy Metering), 22 (Customer Self-Supply), 23 (Customer Grid-Supply), 24 (Customer Grid-Supply Plus), 25 (Smart Export), 26 (Community-Based

²For a summary of this docket's procedural history up to the issuance of Decision and Order No. 37786 on May 17, 2021, please see Decision and Order No. 37786 at 1-18.

Renewable Energy Program Phase 1), and 27 (Net Energy Metering Plus), as they apply to Oahu, Hawaii Island, and Maui County.

In Decision and Order No. 37786, the Commission acknowledged that various issues remained unresolved and noted that it intended to initiate the next phase of this proceeding ("Phase 2") to address those and other remaining issues.³

On May 27, 2021, pursuant to Decision and Order No. 37786, the Hawaiian Electric Companies filed: (1) the Companies' Microgrid Services Tariff; (2) the Companies' Microgrid Services Tariff Appendix I Hybrid Microgrid Operator Disclosure Checklist; (3) the Companies' Microgrid Services Tariff Appendix II Hybrid Microgrid Agreement; and (4) the Companies' DER Tariff Rule Nos. 14H, 18, and 22 through 27.⁴

On September 21, 2021, the Commission issued a Guidance Letter for Phase 2, recognizing that the remaining issues are complex and that a variety of approaches are possible in addressing and resolving these issues. The Commission noted that it intended to develop a list of priority items to address during Phase 2, and the Commission invited the Parties to recommend

³See Decision and Order No. 37786 at 61-66.

⁴See: (1) Hawaiian Electric Companies' Transmittal of a Microgrid Services Tariff; Book 1 of 2; Docket No. 2018-0163, filed on May 27, 2021; and (2) Hawaiian Electric Companies' Transmittal of a Microgrid Services Tariff; Book 2 of 2; Docket No. 2018-0163, filed on May 27, 2021.

priority topics, along with supporting rationale, for inclusion in this list. To provide guidance to the Parties, the Commission, in the September 21, 2021 Guidance Letter: (1) set forth intended objectives for Phase 2; (2) solicited recommendations from the Parties to assist in developing a list of priority issues for the Commission's consideration; (3) established a timeframe for Phase 2; and (4) proposed continuation of the previous Working Group structure and process, with slight modifications, for Phase 2.⁵ Furthermore, the Commission asked Parties to submit their recommendations by October 21, 2021.

On October 21, 2021, the Consumer Advocate and the HECO Companies filed their recommendations.⁶ No other Parties submitted recommendations.

⁵See generally Letter From: Commission To: Service List Re: Commission Guidance for Phase 2, In re Public Utilities Commission, Docket No. 2018-0163 - Instituting a Proceeding to Investigate Establishment of a Microgrid Services Tariff, filed on September 21, 2021 ("September 21, 2021 Guidance Letter").

⁶See Letter From: Consumer Advocate To: Commission Re: Docket No. 2018-0163 - Instituting a Proceeding to Investigate Establishment of a Microgrid Services Tariff Phase 2, filed on October 21, 2021 ("Consumer Advocate's Phase 2 Priority Recommendations"); and Letter From: K. Shinsato To: Commission Re: Docket No. 2018-0163 - Microgrid Services Tariff; Hawaiian Electric's Specific Recommendations and Supporting Rationale for Phase 2 Priority Issues, filed on October 21, 2021 ("Hawaiian Electric's Phase 2 Priority Recommendations").

On January 14, 2022, the Commission issued a Notice notifying the Parties that it would convene a Technical Conference to discuss priority topics for Phase 2 of this proceeding.⁷

On January 25, 2022, Commission staff provided its proposed list of Phase 2 priority topics to the Parties, through DMS, for review,⁸ and the Commission issued an Agenda and additional details for the January 28, 2022 Technical Conference.⁹

On January 28, 2022, the Commission held the Technical Conference. Content shared at the Technical Conference included best practices from other jurisdictions, an expert panel on lessons learned from microgrid development in California, and party presentations on Phase 2 priority topics.

⁷Letter From: Commission To: Service List Re: Notice of Technical Conference on Friday, January 28, 2022, Docket No. 2018-0163, In re Public Utilities Commission, Instituting a Proceeding to Investigate Establishment of a Microgrid Services Tariff, filed on January 14, 2022.

⁸See Letter From: Commission To: Service List Re: Commission Staff's List of Proposed Phase 2 Priority Topics; Parties' Presentations Guidelines; Technical Conference on Friday, January 28, 2022. Docket No. 2018-0163, In re Public Utilities Commission, Instituting a Proceeding to Investigate Establishment of [Microgrid] Services Tariff, filed on January 25, 2022, Attachment A ("Commission Staff's Proposed List of Phase 2 Priority Topics") at 1.

⁹Letter From: Commission To: Service List Re: Agenda and YouTube Link for Technical Conference on Friday, January 28, 2022. Docket No. 2018-0163, In re Public Utilities Commission, Instituting a Proceeding to Investigate Establishment of a Microgrid Services Tariff, filed on January 25, 2022.

Participants discussed the proposed list of Phase 2 priority topics.

II.

PHASE 2 OBJECTIVES

Here, for reference and convenience, the Commission reiterates its objectives for Phase 2 of this proceeding, as initially provided in its September 21, 2021 Guidance Letter:

Continue development of the Tariff. Phase 2 should continue the development of the Microgrid Services Tariff, building on the measures approved in Phase 1. Considerations during Phase 2 should focus on further meeting the intent of Act 200,¹⁰ which "is to encourage and facilitate the development and use of microgrids through the establishment of a standard microgrid services tariff." Phase 1 of this proceeding focused on ways to reduce the regulatory barriers preventing microgrids from providing energy to consumers during outages or emergency events. The Commission's objective for Phase 2 is to promote self-sufficiency and resilience among microgrid project operators, as well as to further streamline the Microgrid Services Tariff where applicable.

¹⁰House Bill 2110, H.D. 2, S.D. 2, 29th Leg. Reg. Sess. (2018), which was signed by the Governor and assigned Act 200 on July 10, 2018.

Enhance Tariff to support broader use of microgrids in non-emergency situations.¹¹ The Commission believes that the Tariff should, at minimum, enable voluntary islanding, including islanding as a normal mode of operation. As such, the Parties should plan to focus further discussion and development of the Tariff to support microgrid projects seeking to island voluntarily.

Further explore opportunities to support resiliency through microgrid development. Consistent with the intent of Act 200 and priority items outlined in Order No. 36481, “(1) Prioritizing Items for Resolution in this Docket and (2) Making Determinations on Issues Raised by the Preliminary Questions in Order No. 35884,” filed on August 20, 2019 (“Order No. 36481”),¹² the Commission encourages the Parties to explore opportunities to make the development of microgrids more compelling and to support the building of microgrids in ways that will be useful and beneficial to the public and to the broader community. Among other topics, the Commission would like the Parties to consider how the Tariff can encourage

¹¹See also Decision and Order No. 37786 at 63-64 (discussing expanding the Tariff to consider operation of microgrids in non-emergency situations).

¹²See, e.g., Order No. 36481 at 54 (discussing resiliency benefits and public benefits in relation to priority items for resolution).

development of microgrids that can provide power to remote communities and to critical facilities such as schools, shelters, and hospitals (e.g., by establishing funding mechanisms to promote such efforts).

Relatedly, the Commission notes that the HECO Companies will be helping to develop a microgrid map on Oahu as part of the U.S. Department of Energy's inaugural Energy Transitions Initiative Partnership Project (ETIPP).¹³ The Commission notes that this map is intended to "help identify areas on Oahu that are optimal for developing microgrids to build a more resilient electric grid"; would "take[] into account the technical and practical viability of microgrid development"; and "would allow developers to contact potential microgrid participants and work with Hawaiian Electric to apply for the development of a specific microgrid."¹⁴ The Commission is interested in the HECO Companies' plans for this project and requests that the HECO Companies report their progress to the Commission throughout Phase 2 of

¹³See "Hawaiian Electric selected to help develop microgrid map to improve resilience on Oahu," April 26, 2021, <https://www.hawaiianelectric.com/hawaiian-electric-selected-to-help-develop-microgrid-map-to-improve-resilience-on-oahu> (last visited March 4, 2022).

¹⁴"Hawaiian Electric selected to help develop microgrid map to improve resilience on Oahu," April 26, 2021, <https://www.hawaiianelectric.com/hawaiian-electric-selected-to-help-develop-microgrid-map-to-improve-resilience-on-oahu> (last visited March 4, 2022).

the proceeding, especially in light of possible applicability to meeting the Phase 2 objectives and priorities. Specifically, the Commission requests that the HECO Companies provide an update on their progress on this project at each Working Group meeting and at each status conference (described in more detail below).

Identify grid services that can be provided by microgrids. Related to the objective of expanding the Tariff to consider operation of microgrids in non-emergency situations, as noted in Decision and Order No. 37786, "grid services should be discussed in the next phase of this proceeding."¹⁵ Additionally, Act 200 directed that the Tariff should "provide fair compensation for . . . electric grid services," among other benefits.¹⁶ In particular, the Commission is interested in exploring ways related exchanges between the utilities and microgrid operators could happen.

III.

PARTIES' RECOMMENDATIONS FOR PHASE 2 PRIORITY ISSUES

Having set forth its Phase 2 objectives in the September 21, 2021 Guidance Letter, the Commission "ask[ed] the Parties to submit their specific recommendations and supporting

¹⁵Decision and Order No. 37786 at 64.

¹⁶See also Hawaii Revised Statutes ("HRS") § 269-46.

rationale for Phase 2 priority issues no later than October 21, 2021, keeping in mind the objectives, guidance, and timeframe set forth [in the letter].”¹⁷

Below, the Commission summarizes the Parties’ responses and their recommendations for Phase 2 priority issues:

A.

Hawaiian Electric Companies

Customer Protection: The Companies contend that, as the Tariff continues to be developed, “[m]odifications to the [Tariff] must preserve and ensure protections to customers.”¹⁸ As an example, the Companies noted that the Hybrid Microgrid Disclosure Checklist, developed in Phase 1, “provided a form of protection for Microgrid Participants.”¹⁹ The Companies recommend that, “[s]hould significant changes be made to the Tariff, the Working Group should in parallel prioritize protections to all customers – whether they are participants/users of a Microgrid or not.”²⁰

¹⁷September 21, 2021 Guidance Letter at 4 (bold formatting removed).

¹⁸Hawaiian Electric’s Phase 2 Priority Recommendations at 1.

¹⁹Hawaiian Electric’s Phase 2 Priority Recommendations at 1.

²⁰Hawaiian Electric’s Phase 2 Priority Recommendations at 1.

Consideration of Societal and Environmental Value:

Consistent with the Commission's objective "to 'further explore opportunities to support resilience through microgrid development'"²¹ and to address the vulnerability of "Hawaii's residents and businesses . . . to disruptions in the islands' energy systems caused by extreme weather events or other disasters[,]"²² the Companies assert that they "are continuing to explore microgrid projects that increase resilienc[e] in vulnerable communities or in critical social infrastructure, such as the North Kohala Microgrid[.]"²³ The Companies furthermore note that they "would appreciate additional feedback from the Working Group on additional ways on how microgrids can best provide societal and environmental value."²⁴

Grid Services Compensation and Docket Interaction

(Grouped From the Phase 1 "Parking Lot Items"): With regard to the Commission's objectives of "identify[ing] grid services that can be provided by microgrids" and "provid[ing] fair compensation

²¹Hawaiian Electric's Phase 2 Priority Recommendations at 2 (citing September 21, 2021 Guidance Letter at 2).

²²Hawaiian Electric's Phase 2 Priority Recommendations at 2 (citing Act 200) (internal quotation marks removed) .

²³Hawaiian Electric's Phase 2 Priority Recommendations at 2.

²⁴Hawaiian Electric's Phase 2 Priority Recommendations at 2.

for . . . electric grid services[,]”²⁵ Hawaiian Electric “believes several of the Phase 1 ‘Parking Lot Items’ touch upon grid services and compensation” and therefore “can be grouped into a general ‘Grid Services Compensation’ category for Phase 2 discussions.”²⁶ Namely, the Companies believe that the topic of Grid Services Compensation could include the following subtopics:

- Harmonize compensation with other grid service mechanisms.
- Contractual obligations for other grid services - customers with existing distributed energy resources/demand response obligations still need to meet performance if included in a microgrid.
- Interaction with other dockets;
 - DER Tariff/Programs, Docket No. 2019-0323 [(Instituting a Proceeding to Investigate Distributed Energy Resource Policies Pertaining To The Hawaiian Electric Companies)]
 - IGP Resiliency, Docket No. 2018-0165[.]²⁷

Furthermore, the Companies “recommend[] establishing a methodology to determine the value of resilience and specifically, the value

²⁵Hawaiian Electric’s Phase 2 Priority Recommendations at 2 (citing September 21, 2021 Guidance Letter at 3) (internal quotation marks removed).

²⁶Hawaiian Electric’s Phase 2 Priority Recommendations at 2.

²⁷Hawaiian Electric’s Phase 2 Priority Recommendations at 2.

microgrids provide relative to alternative solutions (e.g., circuit hardening).”²⁸

In addition, the Companies acknowledge that “compensation is key to the commercial viability of microgrids[.]”²⁹ However, the Companies contend that compensation for grid services “should be aligned with compensation and obligations for other grid services and should be equitable for all ratepayers.”³⁰

Standby Charges or Exit Fees: With respect to the Commission’s Phase 2 objective of enhancing the Tariff to support broader use of microgrids in non-emergency situations, including enabling voluntary islanding and islanding as a normal mode of operations, the Companies explain that:

For existing developments, for which microgrids may be developed, the Companies have placed investments in electrical infrastructure to serve all customers at all times. Should the [Microgrid Services Tariff] allow islanding during non-emergencies, the Companies will still be required to provide backup (e.g., standby) energy during times when the microgrid is unavailable (or when the microgrid operator chooses to operate in grid-connected mode).³¹

²⁸Hawaiian Electric’s Phase 2 Priority Recommendations at 2.

²⁹Hawaiian Electric’s Phase 2 Priority Recommendations at 2.

³⁰Hawaiian Electric’s Phase 2 Priority Recommendations at 2.

³¹Hawaiian Electric’s Phase 2 Priority Recommendations at 3.

As such, the Companies recommend that standby and exit fees be applied to ensure that other (non-participating) customers are not burdened with paying for the infrastructure that customers (such as those bypassing payment for their share of the infrastructure by going off grid) needed but no longer pay for.³²

1.

Remaining Phase 1 "Parking Lot Items"

With regard to other Phase 1 "Parking Lot Items" that the Companies have not recommended for prioritization in Phase 2, the Companies recommend that these topics "be addressed in a future Phase(s) of the subject proceeding."³³ Specifically, these topics include:

- Change of ownership of Microgrid ("MG");
- Considerations of gaming between utility-owned and third-party MGs;
- Other types of MG that don't fit Act 200 definition;
- Customer approvals – does a Hybrid MG need a full customer subscription;
- Resiliency Tariff;
- Retail wheeling;

³²Hawaiian Electric's Phase 2 Priority Recommendations at 3.

³³Hawaiian Electric's Phase 2 Priority Recommendations at 3 (citation omitted).

- Compensation when Grid Connected; and
- Gap in tariff for customers greater than 100 kW participation and compensation in non-normal, non-island scenarios (e.g. Standard Interconnection Agreement program).³⁴

B.

The Consumer Advocate

The Consumer Advocate recommends that the following topics be prioritized in Phase 2:

Resiliency Tariff: Interaction with other dockets

(IGP Resiliency): The Consumer Advocate states that it "supports the development of a resiliency tariff to meet the Commission's objective to 'further explore opportunities to support resiliency through microgrid development.'"³⁵ In support of this recommendation, the Consumer Advocate asserts "that the identification of critical facilities, loads, and areas that can be impacted by extreme weather events or disasters and the facilitation to develop microgrids to maintain electric service in those areas is important in meeting the resiliency objectives of

³⁴Hawaiian Electric's Phase 2 Priority Recommendations at 3 (citation omitted).

³⁵Consumer Advocate's Phase 2 Priority Recommendations at 2.

Act 200.”³⁶ In addition, “[t]he Consumer Advocate believes that the establishment of a resiliency tariff will help to facilitate the development of microgrids and the associated facilities by developers and [Hawaiian Electric] to meet this objective.”³⁷ The Consumer Advocate also “notes that the development of this issue may interact with IGP Resiliency.”³⁸

Standby charges and exit fees; Customer protection-related considerations: The Consumer Advocate notes that, in order for the Microgrid Services Tariff to enable voluntary islanding, “the establishment of standby charges and exit fees will need to be considered to ensure that non-participating customers will not be inadvertently harmed by subsidizing costs for standby services to microgrid operations that depend on [Hawaiian Electric’s] systems for back up service to the microgrid.”³⁹ The Consumer Advocate also recommends that “customer protection-related issues . . . also be considered as microgrid operations will be expanded to non-emergency situations.”⁴⁰

³⁶Consumer Advocate’s Phase 2 Priority Recommendations at 2 (citation omitted).

³⁷Consumer Advocate’s Phase 2 Priority Recommendations at 2-3.

³⁸Consumer Advocate’s Phase 2 Priority Recommendations at 3.

³⁹Consumer Advocate’s Phase 2 Priority Recommendations at 3.

⁴⁰Consumer Advocate’s Phase 2 Priority Recommendations at 3.

Harmonize compensation with other grid service mechanisms; Contractual obligations for other grid services:

The Consumer Advocate recommends that the issues of harmonizing compensation with other grid service mechanisms and contractual obligations for other grid services, which were topics reserved as "Parking Lot Items" in Phase 1, be prioritized in Phase 2 "[a]s part of the development to identify grid services that can be provided by microgrids[.]"⁴¹

Interaction with other dockets (DER Tariff/Programs):

The Consumer Advocate noted that further discussion and resolution were needed on "MRC's proposed addition to the Microgrid Services Tariff Section B. (Availability), (i.e., paragraph B.4.b and appropriate compensation for services[])." ⁴² Should this issue be

⁴¹Consumer Advocate's Phase 2 Priority Recommendations at 3.

⁴²Consumer Advocate's Phase 2 Priority Recommendations at 3 (citing Decision and Order No. 37786 at 61). Specifically, MRC's proposed addition to the Tariff, paragraph B.4.b., would read as follows:

(b) The Company shall not exclude a Customer Microgrid from eligibility for any Rule or Program of the Company based on the ownership structure of the Customer Microgrid or ownership of the included generating or storage resources. In particular, any requirement that a generating or storage resource be located on a Customer's Premises may be satisfied by any ownership, lease or easement interest in Premises or any portion thereof including any building, structure or appurtenance thereon or any portion of or unit within any such building, structure or

raised in Phase 2, the Consumer Advocate "continues to recommend that further consideration of MRC's language should be discussed and vetted with other parties, such as in Docket No. 2019-0323, to ensure that the proposed addition does not have any unintended impacts."⁴³

IV.

PROPOSED PRIORITY LIST

On January 25, 2022, to facilitate discussion and feedback at the January 28, 2022 Technical Conference, Commission staff distributed a proposed list of priority topics for Phase 2 of this docket, as follows:

appurtenance; and any requirement that a Customer own or lease a generating or storage resource may be satisfied by an agreement that gives the Customer the right to purchase the[sic] all or a portion of the output of or have the beneficial use of all or a portion of such generating or storage resource.

"Comments of Microgrid Resources Coalition on Hawaiian Electric's Transmittal of a Draft Microgrid Services Tariff and Certificate of Service," filed on February 10, 2021, at 4-5.

⁴³Consumer Advocate's Phase 2 Priority Recommendations at 3-4 (citing Letter From: Consumer Advocate To: Commission Re: Docket No. 2018-0163 - Instituting a Proceeding to Investigate Establishment of a Microgrid Services Tariff, filed on February 17, 2021) ("provid[ing] its comments to address other Parties' areas of disagreement and associated red-lines of the Microgrid Services Draft Tariff and other related documents, as filed on February 10, 2021." Id. at 1 (citation omitted)).

- a. Microgrid Compensation and Grid Services
 - i. Harmonization with other programs' grid service mechanisms
 - ii. Customers with existing DER/DR grid service agreements
 - iii. Resilience services and compensation, including societal and environmental value
- b. Utility Compensation
 - i. Standby charges, exit fees, and/or other charges
- c. Customer Protection and Related Considerations⁴⁴

V.

JANUARY 28, 2022 TECHNICAL CONFERENCE

On January 28, 2022, the Commission hosted a technical conference in order to facilitate discussion on Phase 2 priority topics. During this Technical Conference, Commission staff presented the scope of issues and the list of proposed priority topics for Phase 2.

Gridworks (the Commission's consultant) presented on best practices for microgrid development, based on lessons learned from other jurisdictions, and a panel of experts shared and discussed objectives and experiences in developing a microgrid

⁴⁴Commission Staff's Proposed List of Phase 2 Priority Topics at 1.

project and tariff in California. In addition, the Companies and the Consumer Advocate gave presentations in response to Commission staff's proposed list of Phase 2 priority topics.

The Companies' presentations included: i) an update on activity after the Tariff was submitted on May 27, 2021 (e.g., applications received, experiences in implementation of the Tariff, etc.); and ii) an update on the Oahu microgrid map under development as part of the U.S. Department of Energy's Energy Transitions Initiative Partnership Project ("ETIPP").⁴⁵ Specifically, the HECO Companies informed the Commission and attendees that they are working on aligning internal processes to facilitate microgrid inquiries and applications. The Companies reported that they have not yet received new microgrid applications under the Tariff. Additionally, the Companies shared that, as part of the ETIPP, they are currently working with the National Renewable Energy Lab, Sandia National Labs, and Hawaii Natural Energy Institute to create a map identifying potential locations and opportunities for siting hybrid microgrids on Oahu. The HECO Companies stated that they anticipate completing

⁴⁵See Letter From: K. Shinsato To: Commission Re: Docket No. 2018-0163 - Microgrid Services Tariff; Companies' Presentation for the January 28, 2022 Technical Conference, filed on January 27, 2022 ("Hawaiian Electric's Technical Conference Presentation Slides") (providing the Companies' presentation slides).

a draft map in July 2022 and a final map and report in December 2022.⁴⁶

Following the Parties' presentations and comments, Gridworks facilitated a discussion on the key issues, and Commission staff discussed next steps in the proceeding.

VI.

DISCUSSION

The Commission appreciates the responses offered by the Parties in their written recommendations. The Commission also notes that the priority list proposed by Commission staff was generally consistent with the Hawaiian Electric Companies' and Consumer Advocate's recommendations and provided a good starting point for finalizing the priority list.

The Commission also appreciates Parties' discussions and feedback during the January 28, 2022 Technical Conference and notes that additional priorities were raised at the January 28, 2022 Technical Conference.

⁴⁶See Hawaiian Electric's Technical Conference Presentation Slides at PDF page 6. For ease of reference here and hereafter, page number cites referencing a "PDF page" refer to the page numbers as seen on an electronic viewer.

A.

Priority Topics for Phase 2

Having considered, and building on, the Parties' written recommendations, as well as discussion and feedback during the January 28, 2022 Technical Conference, the Commission has determined that the following issues and goals should be prioritized for Phase 2 of this proceeding in revising the Tariff and other related documents (as needed) to meet the Phase 2 objectives:

a. Microgrid Compensation and Grid Services

- i. Harmonization with other programs' grid service mechanisms**
- ii. Customers with existing DER/DR grid service agreements**
- iii. Resilience services and compensation, including societal and environmental value, to inform development of a resilience tariff**

As noted in a previous guidance letter, the Commission believes that harmonizing the Tariff with other programs' grid services mechanisms should be addressed.⁴⁷ Identification of grid

⁴⁷See Letter From: Commission To: Service List Re: Microgrid Working Group Status Update - Commission Guidance, In re Public Utilities Commission, Docket No. 2018-0163 - Instituting a Proceeding to Investigate Establishment of a Microgrid Services Tariff, filed on January 16, 2020, at 1-2.

services that can be provided by microgrids is one of the objectives for Phase 2.⁴⁸

Consideration of that topic also touches on compensation for grid services. Act 200 explicitly requires that the Tariff “provide fair compensation for . . . grid services,” among other benefits, and therefore compensation for grid services should be discussed in Phase 2.⁴⁹

Further, discussions regarding customers with existing DER/DR grid service agreements should also take into account related contractual obligations.

With respect to resilience, the Consumer Advocate in particular recommended a resiliency tariff as a priority issue for Phase 2.⁵⁰ At the January 28, 2022 Technical Conference, the Consumer Advocate acknowledged the need to coordinate on the type of microgrid and critical facilities served and noted that compensation may vary; the Consumer Advocate also suggested discussing a resiliency fee as a compensation stream for hybrid microgrids.

⁴⁸September 21, 2021 Guidance Letter at 3.

⁴⁹Act 200, Section 2; see also HRS § 269-46.

⁵⁰Consumer Advocate’s Phase 2 Priority Recommendations at 2-3. See also Microgrid Technical Conference; Presentation by the Division of Consumer Advocacy; Docket No. 2018-0163, filed on January 27, 2022, at 3.

The Commission agrees with the Consumer Advocate in considering the development of a resiliency tariff in Phase 2. To that end, the Commission agrees with the HECO Companies that discussion of microgrids' societal and environmental value is a priority in Phase 2⁵¹ and believes that such discussion should aim towards inclusion within any resiliency tariff. For resiliency services, the first step would be to address resiliency inherent to a microgrid's existence and capabilities and compensation thereof, then address compensation for voluntary versus involuntary islanding. Furthermore, the Working Group will need to discuss whether resiliency services should be addressed separate from, or included within, the Microgrid Services Tariff. The Working Group is thus asked to propose revisions to the existing Microgrid Services Tariff or, alternatively, propose language for a separate resiliency tariff.

b. Utility Compensation

i. Standby charges, exit fees, and/or other charges⁵²

The Commission believes the topic of standby charges, exit fees, and/or other charges should be addressed to ensure

⁵¹See Hawaiian Electric's Phase 2 Recommendations at 2.

⁵²During the January 28, 2022 Technical Conference, the Company's representative clarified that the Company believes that standby and exit fees are about protecting non-participants, not about the Company's revenue stream.

equitable allocation of electric grid infrastructure costs across all ratepayers. Equitable cost allocation would help avoid cross-subsidies from non-participating customers to customers with microgrids. The Working Group is encouraged to identify and/or frame this issue as a group and offer a proposal to address this issue.

In addition, the Commission is interested in examining the consistency of messaging to customers regarding these charges and fees, as well as for any grid access charges and fees. The Working Group should consider these issues in crafting its proposal.

c. Customer Protection and Related Considerations

The Commission agrees with the HECO Companies' and Consumer Advocate's recommendations to discuss and prioritize customer protection in Phase 2. For Phase 2, the Commission is interested in whether existing customer protections would be adequate for new microgrid use cases. The Commission encourages the Working Group to discuss these and related considerations as they come up in Phase 2 discussions.

d. Interconnection

The Commission believes that interconnection of microgrids is a priority for Phase 2. Discussions around interconnection should build on the work completed in Phase 1.

The Commission notes that, at the January 28, 2022 Technical Conference, representatives from Hawaiian Electric provided an update that the Companies had enabled a Customer Interconnection Tool to track Microgrid Services Tariff applications.⁵³

For Phase 2, the Commission asks that the Working Group discuss, develop, and incorporate into their Phase 2 Working Group Report (described in more detail in Section VI.B.1, below), a comprehensive plan that details how the HECO Companies will bring microgrids onto the larger grid efficiently, including how the HECO Companies will make internal changes to accommodate distributed microgrid resources. Furthermore, the Working Group should take into account the costs of interconnecting those resources.

In developing its plan, the Working Group should also consider discussions and developments in Docket No. 2021-0024 (Opening a Proceeding to Review Hawaiian Electric's Interconnection Process and Transition Plans for Retirement of Fossil Fuel Power Plants), in which the Commission has been examining Hawaiian Electric's current interconnection process and improvements to help maintain system reliability.

⁵³See Hawaiian Electric's Technical Conference Presentation Slides at PDF page 4.

e. Working group coordination with related microgrid and resilience initiatives at Hawaiian Electric and government agencies

Various additional priorities were raised and identified during the January 28, 2022 Technical Conference. In addressing these priorities, as set forth below, the Working Group should consider and coordinate its work with related microgrid and resilience initiatives at Hawaiian Electric and government agencies. The Working Group should also take into consideration the guidance provided below:

i. Identifying critical facilities

At the January 28, 2022 Technical Conference, expert panelists raised the importance of identifying critical facilities and considering how critical facilities and other community services can be made part of a microgrid.⁵⁴ The Consumer Advocate in particular acknowledged the importance of identifying critical facilities in Phase 2. Relatedly, the HECO Companies commented that they were working through the details of how they identified disadvantaged areas.

⁵⁴See, e.g., Letter From: Commission To: Service List Re: Presentation Slides for Technical Conference on Friday, January 28, 2022; Docket No. 2018-0163, In re Public Utilities Commission, Instituting a Proceeding to Investigate Establishment of a Microgrid Services Tariff, filed on January 28, 2022 ("January 28, 2022 Technical Conference Panelists' Presentation Slides"), at PDF page 22 (presentation by Jeremy Donnell of PG&E).

The Commission agrees that identifying critical facilities is a priority for Phase 2. For Phase 2, the Working Group should continue discussion and offer proposals on how the HECO Companies should define and identify critical facilities, as well as disadvantaged areas and customers that could be assisted by and benefit from microgrids.

ii. Identifying a variety of funding mechanisms for microgrid development, including possible state and federal funds that can be leveraged to support pilots and/or demonstration projects

At the January 28, 2022 Technical Conference, the Commission and Ulupono expressed interest in identifying funding mechanisms and financing opportunities to support and accelerate microgrid development, including state funds and Department of Energy grants that can be leveraged to support pilots and/or demonstration projects.

As such, for Phase 2, the Working Group is asked to identify and provide recommendations for utilizing available funding mechanisms for microgrid development, including possible state and federal funds that can be leveraged to support pilots and/or demonstration projects.

iii. Identifying community needs

At the January 28, 2022 Technical Conference, an expert panelist raised the importance of understanding a community's and

customers' needs and whether a tariff would help meet those needs.⁵⁵ Similarly, during discussion at that Technical Conference, the Consumer Advocate's representative noted the importance of identifying community needs in order to determine where microgrids can be of most benefit.

The Commission agrees that identifying community needs is a priority for Phase 2. The Working Group is encouraged to discuss current processes and methods of identifying community needs and to propose improvements and/or alternative strategies where appropriate.

vi. Better understanding barriers to microgrid development (e.g., economic, project opportunities, technical expertise) and what would make the microgrid tariff more attractive for developers

At the January 28, 2022 Technical Conference, Hawaiian Electric's representative noted a desire to better understand barriers to microgrid development, for example, economics, opportunities, and technical expertise. Relatedly, Commission staff recommended discussing what incentives, policies, and/or programs would make the Tariff more attractive for developers.

⁵⁵See January 28, 2022 Technical Conference Panelists' Presentation Slides at PDF pages 18-22.

For Phase 2, the Working Group should note and discuss existing barriers to microgrid development. The Working Group should furthermore discuss and propose incentives, policies, and/or programs that would make the Tariff more attractive for developers.

v. Customer education and outreach

At the January 28, 2022 Technical Conference, a consultant to Hawaiian Electric noted that outreach and education were major factors in reducing barriers to microgrid development in California. The Consumer Advocate agreed that customer education would be important in enabling customer microgrids and questioned what can be done in the near term to further develop customer education.

The Commission agrees that customer education and outreach is a priority topic for Phase 2. In particular, in Phase 2, the Working Group should offer proposals for customer education and outreach strategies that would help to reduce identified barriers to microgrid development.

In addressing the Priority Topics for Phase 2 set forth above, the Commission furthermore encourages the Working Group to consider utilizing outside resources and expertise for assistance in addressing the Phase 2 priority topics (for example, guest speakers presenting on priority topics to the Working Group). Commission staff can assist the Working Group in

pursuing these options (for example, helping to facilitate guest speakers).

B.

Working Group

The Commission noted in its September 21, 2021 Guidance Letter that it intended to utilize the same Working Group structure and process used in Phase 1 for Phase 2 of this proceeding.⁵⁶ For reference and clarity moving forward, the Commission summarizes the original Working Group structure and process below and provides additional guidance for Phase 2.

The Commission notes that the Parties were asked to organize into two working groups for Phase 1: the Market Facilitation Working Group and Interconnection Standards Working Group.⁵⁷ As this docket progressed, the two Working Groups eventually combined their work "due to the overlap of identified topics that needed to be addressed and the individuals involved in the Working Groups."⁵⁸

⁵⁶September 21, 2021 Guidance Letter at 4.

⁵⁷See Order No. 36481 at 55.

⁵⁸Letter From: M. Chang, K. Aramaki, and M. Asano To: Commission Re: Docket No. 2018-0163 - Instituting a Proceeding to Investigate Establishment of a Microgrid Services Tariff; Working Group Report, filed on February 14, 2020, at PDF page 4 (cited in Decision and Order No. 37786 at 6 n.9).

For Phase 2, the Commission requests that the Parties reconvene into at least one working group to address the Phase 2 priority issues as set forth above. The Working Group should again decide the structure that best fits the topics that need to be addressed. Working Group co-chairs (discussed in more detail below) should file a high-level Work Plan in this docket as soon as possible to share Working Group objective(s) and expected meeting schedule and topics.

1.

Process for Working Group

Earlier in this proceeding, each Working Group determined two co-chairs from among its members. Working Group co-chairs for Phase 2 were discussed briefly during the January 28, 2022 Technical Conference. If the Working Group has not yet decided on their co-chairs for Phase 2, they should do so by the next Working Group meeting. The Working Group is asked to confirm with Commission staff when the co-chairs have been determined.⁵⁹

⁵⁹The Working Group can opt to do so by submitting the co-chairs' names with the high-level Work Plan discussed above.

As with Phase 1 of this proceeding,⁶⁰ the Working Group co-chairs will be responsible for coordinating the Working Group's activities and managing the Working Group meetings, which will require that co-chairs are able to commit additional time and effort to administering and facilitating the Working Group process. Commission staff will also attend the Working Group meetings and may assist the co-chairs, as appropriate. To that end, the Commission asks that the Working Group members or their co-chairs confirm the Working Group's meeting dates and details with Commission staff at least two (2) weeks in advance, or as early as possible, so that Commission staff and other interested stakeholders can plan to attend.

The Commission asks that the Working Group again collaborate independently of Commission facilitation and be available for quarterly status conferences with the Commission and Commission staff. In these status conferences, the Commission or its staff will inquire on the Working Group's progress towards reaching its identified objective(s).

⁶⁰See Order No. 36514, "Establishing a Procedural Schedule," filed on September 12, 2019, at 5.

The Commission recognizes that the Parties may not reach consensus on all elements. Should this occur, the Commission asks that the Parties identify areas of consensus and provide their individual perspectives on areas of disagreement.

As an initial estimate, the Commission is targeting an approximate ten-month timeline for the Working Group to develop and submit the requested work products, detailed below.⁶¹ Upon submission, the Commission will take appropriate actions to develop the final Tariff language, Rule 14H updates, potential modifications to existing tariffs and programs, and new programs, as appropriate.

Participation in the Working Group will require a significant commitment of time and attention by the Parties, and the Commission continues to expect that each member of the Working Group will exercise a high level of engagement and preparedness and partake in thoughtful, collaborative discussion during Working Group meetings. Attendance at Working Group meetings is expected, as is completion of all preparatory or follow-up assignments issued by the Working Group's co-chairs.

Consistent with the targeted ten-month timeline, the Working Group should meet as frequently as necessary to enable

⁶¹See September 21, 2021 Guidance Letter at 3 (Section 3, Phase 2 Timeframe, estimating that Phase 2 will take approximately a year).

Working Group members to complete and submit the requested work products by November 23, 2022. Specifically, by November 23, 2022, the Working Group shall file and serve on the Parties a report that includes a summary of the Working Group's efforts and recommendations, including identified areas of consensus, the Parties' individual perspectives on areas of disagreement, and explanations supporting the Working Group's recommendations ("Phase 2 Working Group Report"). Thereafter, on December 8, 2022, the Commission will hold a Technical Conference with the Parties to discuss the Phase 2 Working Group Report.

Following the Technical Conference and discussion of the Phase 2 Working Group Report, the HECO Companies shall then update the Microgrid Services Tariff and Rule 14H, as warranted, taking into account the Working Group recommendations and input from the Commission at the Technical Conference. The HECO Companies shall file the revised Draft Microgrid Services Tariff, Rule 14H updates, and any other related documents by January 6, 2023, and serve copies upon the Parties. The Parties will then have the opportunity to provide comments on, and propose revisions to, the HECO Companies' revised Microgrid Services Tariff, Rule 14H Updates, and related documents.

C.

Status Conferences

As noted in the September 21, 2021 Guidance Letter, the Commission will hold quarterly status conferences throughout the Phase 2 Working Group process to discuss the Working Group's progress.⁶² As with Phase 1, at each status conference, the co-chairs of the Working Group will provide a status report, either written or as a presentation, on the Working Group's progress towards completing the requested work products. The quarterly status reports will be made a part of the docket record. In terms of content, the status reports may be brief and should, at a minimum, detail the Working Group's progress so far and summarize unresolved issues and challenges, if any. The status reports can also include requests from the Working Group for guidance from the Commission on a particular issue and/or specific questions for the Commission. The Working Group should also be prepared for more detailed discussion and/or documentation, if requested by the Commission.

In addition, similar to Phase 1, the Working Group should plan to e-mail to Commission staff and all docket Parties any presentation materials, status reports, and any other materials that it intends to use at the Status Conference, at least

⁶²September 21, 2021 Guidance Letter at 4.

two (2) days prior to each Status Conference. The Working Group should also plan to file its Status Conference materials in the docket immediately following each Status Conference.

D.

Participation

As this proceeding enters Phase 2, the Commission also takes this opportunity to remind all Parties that "it is imperative that participation in this docket reflect a high standard of quality, relevance, and timeliness" and that the Commission "will reconsider any Intervenor's participation in this docket if, at any time during the course of this proceeding, the [C]ommission determines that any Intervenor . . . is failing to meaningfully participate and assist the [C]ommission in the development of the record in this docket."⁶³ The Commission appreciates the work the Parties have done throughout this proceeding and encourages the Parties to build on that work in Phase 2.

⁶³Order No. 35884, "(1) Granting Motions to Intervene; (2) Scheduling Technical Conference; and (3) Setting Deadlines for Opening Briefs and Reply Briefs," filed on November 21, 2018, at 23.

VII.

PROCEDURAL SCHEDULE

Consistent with the discussion above, the Commission sets forth the following procedural schedule to govern the remainder of this proceeding. Notwithstanding the schedule below, the Commission retains the discretion to modify this schedule at any time upon the Commission's own motion.

Procedural Steps	Dates/Timing
Working Group Meetings	Ongoing through November 2022
Status Conference with Commission	Thursday, May 5, 2022
Status Conference with Commission	Thursday, July 28, 2022
Status Conference with Commission	Thursday, October 27, 2022
Parties file Phase 2 Working Group Report	Wednesday, November 23, 2022
Technical Conference to discuss Phase 2 Working Group Report	Thursday, December 8, 2022
HECO Companies file draft revised Microgrid Services Tariff, Rule 14H Updates, and any related documents and revisions	Friday, January 6, 2023
Parties file comments on proposed revisions to draft revised Microgrid Services Tariff, Rule 14H updates, and any related documents and revisions	Monday, February 6, 2023
Commission Decision and Order	Subsequent to receiving comments on draft revised Microgrid Services Tariff and any related documents and updates

VIII.

ORDERS

THE COMMISSION ORDERS:

1. The priority issues for Phase 2 are established as set forth above in Section VI.A (Priority Topics for Phase 2), subject to modification at the Commission's discretion.

2. The Working Group process for Phase 2 is established as described above in Section VI.B. (Working Group), subject to modification at the Commission's discretion.

3. The procedural schedule for Phase 2 is established as set forth in Section VII (Procedural Schedule) above, subject to modification at the Commission's discretion.

DONE at Honolulu, Hawaii April 1, 2022.

PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By James P. Griffin, Chair By Jennifer M. Potter, Commissioner

APPROVED AS TO FORM:

By Ashley K. L. Agcabili, Commission Counsel By Leodoloff R. Asuncion, Jr., Commissioner

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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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