IGP Stakeholder Council Meeting

Tuesday, March 9, 2021
2:00pm - 4:00pm
WebEx

Attendees

WebEx

Murray Clay, Ulupono Initiative
Colton Ching, HE
Marc Asano, HE
Alex de Roode, Maui County Energy Commissioner
Audrey Newman
Barry Usugawa, Board of Water Supply
David Parsons, HPUC
Dean Nishina, DCA
Donalyn Dela Cruz, S360
Gerald Sumida, Carlsmith Ball
Henry Curtis, Life of the Land
Jennifer Zelko-Schlueter, HE
Jeremy Laundergan, EnerNex
Kirsten Turner, HSEO
Kurt Tsue, HE
Kylie Wager Cruz, Earthjustice
Mahina Martin, HE
Melissa Miyashiro, Blue Planet
Mike Wallerstein, HPUC
Noelani Kalipi, Progression HI Offshore Wind
Paul De Martini, Newport Consulting
Rick Pinkerton, HE
Riley Ceria, HE
Robert Harris, Sunrun
Robert Uyeunten, HE
Robin Kaye
Rocky Mould, HSEA
Scott Glenn, HSEO
Wren Wescoatt, Progression HI Offshore Wind
Yvette Maskrey, Honeywell
Shelee Kimura, HE
Ken Aramaki, HE
Earlynne Maile, HE
Christopher Lau, HE
Christopher Kinoshita, HE
Collin Au, HE
Amanda Yano, HE
Sorapong Khongnawang, HE
Brian Lam, HE
Greg Shimokawa, HE
Isaac Kawahara, HE
Christin Chang, HE
Yoh Kawanami, HE

Discussion

Strategic Docket Coordination

1. HE: Moloka'i RFP to be rescoped
2. Stakeholder: Other areas for coordination could include:
   - Feedback from energy efficiency annual plans into IGP
   - New investigative docket for DR
   - Grid Services RFP
3. Stakeholder: We've raised the issue that the IGP process should be used to identify needs and programs like DER, EE, and EoT that can be shaped to meet those needs

Questions for Consideration

1. Stakeholder: What state legislation may also affect the related dockets?
   a. Stakeholder: PBR, redefining RPS, EoT, and changes related to the investment tax credits
   b. HE: Other changes in policy
   c. Stakeholder: Legislation regarding wheeling (government or other)
   d. Stakeholder: How will PBR affect cost, revenue, and sales assumptions that go into the modeling?
      i. Stakeholder: The key is to get an accurate cost forecast to go into the optimizer. Optimizer will pick the lowest cost options. The cost controls in PBR do not create problems in IGP because the optimizer will choose the lowest cost options. Without PBR, there may be an incentive to choose the more capital intense option, not saying the utility would act on it.
      ii. Stakeholder: How do these PBR incentives relate to HECO's net profit?
         1. Stakeholder: If they are more efficient with the money spent, they can profit if they are under budget.
      iii. Stakeholder: Are the incentives significant?
         1. Stakeholder: Yes, they could be 1.5% ROE if they accelerated renewables for example.

PBR Considerations for IGP

1. HE: What should be incorporated into the modeling? The RPS law or RPS-A?
   a. Stakeholder: Why wouldn't you incorporate all of the incentives into the modeling?
      i. HE: The PBR incentives that can be modeled quantitatively should be modeled. For example, one incentive has to do with interconnection request approval times.
      ii. Stakeholder: This was a struggle in the PBR docket i.e. the behavioral finance side. An optimizer can't model what will happen with an attractive incentive. Given PBR incentives, it might be reasonable to assume more DER, but should that be in the "high case" for DER?

iii. Stakeholder: Can you run a scenario for RPS-A?
    1. Stakeholder: Ulupono modeled an assumption to meet RPS-A in PBR. Can show what that renewable price path looks like.
    2. HE: Before RPS-A, RPS defined the flow. RESOLVE can model any level of renewable achievement as long as it meets the statutory RPS. Does RESOLVE identify the RPS as the most cost effective or higher levels of DER and renewables as the most cost effective?

2. Stakeholder: Can retirements be modeled in IGP?
    a. HE: Yes, they can be addressed in IGP.
    b. Stakeholder: The optimizer can decide when to retire or an assumption can be made for when to retire the plant.
3. Stakeholder: Would RESOLVE count the cost of developing a resource for a program?
    a. HE: The cost of acquisition and payment for provision of services can be factored into RESOLVE and compare the services that can be provided by candidate resources. If there truly are no costs, the optimizer would most likely select the resource.
4. Stakeholder: In terms of new pilot programs (EV tariffs or E-Bus make ready), they roll out with limited scale and rates may differ and move towards a new program that's available to a wider customer base. That evolution from pilot to program – how does that occur?
    a. HE: If there is a program, we can include that in the model as a resource that the model can select from with appropriate costs or incorporate it as a fixed assumption in a sensitivity.
    b. HE: The pathway from pilot to program can't be captured in the modeling, but should be part of the discussion. Pilots help identify which programs should be prioritized and identify important parameters of the program.
    c. Stakeholder: You can extrapolate results from a pilot but behavioral finance is hard to predict.
    d. Stakeholder: Sometimes, correlation is not causation. How can the Stakeholder Council be more involved in recommending pilots that can help achieve IGP objectives? Or do we comment in a docket?
        i. HE: In PBR, there is an innovation pilot aspect. A portion of future meetings could explore pilots to inform programs to consider.
    e. Stakeholder: Could the cost of pilots (i.e. 1-2%) be added as a standard cost of a potential total program to address potential cost?
        i. HE: If the pilot is done through the innovation pilot, the cost would be paid for there.
    f. HE: EV adoption could also be looked at as a sensitivity. Alternatively, we could look at the range of forecasts done to date to see if a sensitivity analysis of the bookends are more appropriate.
5. Stakeholder: We should know the bigger levers and what they do, such as how rate design impacts the need for future utility investment. This information should be available to the related dockets. Let's avoid treating EV adoption, rate design, and DER

programs simply as inputs but rather tools that should benefit from information gathered through the IGP process.

a. Stakeholder: I believe sensitivity analysis on some of the biggest levers is one of the topics for a future Stakeholder Council meeting.

<u>Community Outreach</u>

1. Stakeholder: Standing in line at the post office and talking to the people in line. It's much different than O'ahu. Talking about Big Wind from 2007-2008, the relationship between developer and community.
   - Early engagement is important
   - Listen rather than lecture
   - Ask what the community wants
   - Shut up and listen
2. Stakeholder: Communities should be engaged earlier than you think and often. There's a tendency for experts in any field to want to come with clear ideas and get input and then go away to do their work. If the community is not engaged in an ongoing way to build trust, then a project won't be successful.
3. Stakeholder: Haven't had a successful utility scale project in 10 years with a series of obstacles that no one has been successful navigating.
4. Stakeholder: Have met with the State Energy Office on how the community can be involved. Looking into setbacks, what is better for agriculture and other things. Early engagement is important. Too often developers come in who want to build no matter what. Too often want to check off the box that they met with the community X times.
5. Stakeholder: Community engagement builds trust that people are trying to do the right thing. For projects, it comes down to how it can benefit them – will it reduce my bill? May not understand that trying to change the model and transition to a clean energy system and be more resilient. How does a project fit into that?
6. Stakeholder: How do you define community and who is in that community? Ears out front, not mouths out front.
7. Stakeholder: Getting customers to adopt EE, it's important to work with the community to understand what is going on. Spending time getting to know the people. On Moloka'i, understanding the logistics challenge by going door to door.
8. Stakeholder: Participate at the neighborhood boards on O'ahu. Talk about the issues that affect the community. Report regularly every month to those boards. They can refer you to community leaders.
9. HE: Agree on meeting with the neighborhood boards. Also, talk with employees who live in the areas and identify the leaders in the community.
   a. HE: Community associations also work where there are no neighborhood boards.
10. HE: When using the term community, is it on a geographic basis?
11. Stakeholder: One tension in engaging with the community. Really early engagement with lots of pieces still up in the air, the community will have lots of questions that can't be answered in the early stage planning. On the other hand, come in late with a plan but everything has been decided.

    a. Stakeholder: It's helpful to be honest but come back with an answer when you have it. Take the list of questions and come back with answers.
12. Stakeholder: Are there other ways of thinking about community?
    a. Stakeholder: There's no one definition. Need to work through engagement. Business community, cultural community, these are very specific to the place. Need to stay engaged there. Developers need to be selective about who they work with.
13. Stakeholder: Some projects are bad ideas and will not move forward. Engagement will identify those problems early on and determine work arounds or whether the project will not move forward. Checking the stakeholder engagement box or trying to sell the project doesn't work.
14. Stakeholder: If someone proposes a project with a lot of opposition, should be able to walk away from it. That establishes credibility.
15. Stakeholder: Working from a shared set of facts and constraints is very helpful for the community. Electricity and grid 101.
16. Stakeholder: How do we take these principles and fold them into a formal procurement and regulatory process? These fossil fuel facilities need to go offline by a certain date. Make timely progress on goals.
17. Stakeholder: On the RFP Stage 1 and 2, the RFP says community outreach is required, mandated. Some do it well, some don't. Some meetings went well and resulted in changes. The need is clear – don't want to hear about the project when the bulldozers wake you up. Managing outreach before projects are finalized is also hard. Is the mandate good, bad, difficult? Suggest looking at what should be mandated or encouraged.
18. Stakeholder: A lot of projects need to be built over the next several years. How can the Stakeholder Council help and make recommendations? There's a tension between checking the box and genuine engagement.
19. Stakeholder: What is HECO's role in facilitating community outreach with developers? What is the community's role in developing RFPs and engaging in the PUC process?

Summary and Next Steps

- Stakeholders may provide feedback on today's discussion to IGP@hawaiianelectric.com