

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAI'I

In the Matter of

PUBLIC UTILITIES COMMISSION

Instituting a Proceeding to Investigate
Performance-Based Regulation.

DOCKET NO. 2018-0088

HAWAIIAN ELECTRIC COMPANIES'
PROPOSED PILOT PROCESS

EXHIBIT 1

AND

CERTIFICATE OF SERVICE

ROD S. AOKI
ATTORNEY-AT-LAW, A LAW
CORPORATION

951 Mariners Island Boulevard
Suite 300
San Mateo, CA 94404
Telephone: (808) 294-6971
Facsimile: (650) 931-2301

GOODSILL ANDERSON QUINN & STIFEL
A LIMITED LIABILITY LAW PARTNERSHIP
LLP

PETER Y. KIKUTA
First Hawaiian Center, Suite 1600
999 Bishop Street
Honolulu, Hawai'i 96813
Telephone: (808) 547-5600
Facsimile: (808) 547-5880

Attorneys for
HAWAIIAN ELECTRIC COMPANY, INC.
MAUI ELECTRIC COMPANY, LIMITED
HAWAI'I ELECTRIC LIGHT COMPANY, INC.

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The Hawaiian Electric Companies¹ respectfully submit this proposed Pilot Process for the Commission’s review and approval. This submission is made in compliance with Decision and Order No. 37507, issued on December 23, 2020.²

I. INTRODUCTION

In D&O 37507, the Commission approved an “expedited process for reviewing pilot projects (“Pilot Process”) as part of the PBR Framework.”³ The Commission stated that it included a Pilot Process “to foster innovation by establishing an expedited implementation process for pilots that test new technologies, programs, business models, and other arrangements.”⁴ According to the Commission, “this is intended to support initiatives by the Companies to test new programs and ideas quickly and elevate any successful pilots for consideration of full-scale implementation.”⁵ The Commission also ordered the Companies to

¹ Hawaiian Electric Company, Inc. (“Hawaiian Electric”), Hawai‘i Electric Light Company, Inc. (“Hawai‘i Electric Light”), and Maui Electric Company, Limited (“Maui Electric”), are collectively referred to as the “Hawaiian Electric Companies” or “Companies.”

² Decision and Order No. 37507 (“D&O 37507”) at 166-181. Internal citations omitted throughout.

³ Id. at 168.

⁴ Id. at 166.

⁵ Id.

develop a written Pilot Process consistent with D&O 37507 for Commission review and approval prior to commencement of the Workplan process (also described in D&O 37507).⁶

The Commission-established Pilot Process *itself* is innovative and the Companies appreciate the concept and direction for further developing it as set forth in D&O 37507. As directed, provided below is a proposed written description for the Pilot Process. This required the Companies to develop and propose certain details aligned with the purpose and intent of the Pilot Process set forth in D&O 37507. In addition, where noted, the Companies have suggested alternatives or supplements that may facilitate successful application and implementation of the Pilot Process.

II. PROPOSED PILOT PROCESS

A. BACKGROUND

In the PBR Docket, the Phase 1 Staff Proposal discussed the concept of an expedited process for pilot projects under which review and approval of pilots that test new technologies, customer engagement programs, business models, and other arrangements would be expedited to help drive innovation.⁷ During the course of the PBR proceeding, the Commission invited the Parties to consider developing proposals for such an expedited pilot process. In response, the Companies included in their Initial Statement of Position a conceptual description of an expedited pilot process.⁸ This proposal was later supplemented by the Companies' responses to Commission information requests, and subsequently, the Companies' proposed EOT pilot framework developed in Docket No. 2018-0135 was included in the PBR Docket for consideration.⁹

⁶ Id. at 181 and Ordering Paragraph 4 (at 226).

⁷ Id. at 166-167.

⁸ Id. at 167.

⁹ Id.

In D&O 37507, the Commission agreed with the Companies that “flexibility is important to the success of the Pilot Process.”¹⁰ Accordingly, the Commission granted the Companies the ability to “exercise flexibility in selecting pilot vendors” and noted that the Companies “need not strictly adhere to traditional contract bidding and selecting processes.”¹¹ Additionally, because “the traditional nature and scope of Commission review may not be appropriate for expeditiously reviewing pilots” “the Pilot Process will afford the Companies with a greater degree of freedom to pursue pilots, with oversight by the Commission tailored to provide the Companies with greater discretion to proceed with pilots, while maintaining Commission approval for pilot costs, as well as requiring reporting on implementation of approved pilots.”¹²

With respect to eligibility, D&O 37507 directed that pilot projects should:

- Involve products or services beyond the sale of basic electric service and align with an established regulatory goal, such as those established within the PBR Framework;
- Seek to leverage funding from alternative sources, e.g., grants or third-party investments, to minimize impacts to customers;
- Incorporate a requirement for pilots involving non-local vendors and larger sole-sourced vendors (i.e., vendors with more than 100 employees) to participate in cost-sharing for the pilot (e.g., in-kind contributions, such as engineering or project management support);
- Incorporate preference for pilot partnerships with Hawaii-based vendors (e.g. contracting for services and/or technologies from local businesses);
- Provide estimates of Net Present Value (“NPV”) with considerations such as new sources of revenue, cost savings over a defined time period, or other metrics such as a reduction in GHG and contributions to State policy goals via reduction in imported fossil fuels;
- Provide the Commission, Consumer Advocate, and key stakeholders with reasonable access to data (e.g., to assess key performance metrics); and

¹⁰ Id. at 169.

¹¹ Id.

¹² Id. at 169-170.

- Incorporate participant customer surveys or measurement and verification evaluation to measure progress against program success criteria and metrics.

B. THE DETAILED PROPOSED PILOT PROCESS

The Companies propose to implement the Pilot Process established in D&O 37507 as follows.

1. Process.

Once approved by the Commission, the Pilot Process will begin with Workplan Development, where the Companies will invite the Commission, Consumer Advocate, and other interested stakeholders to collaboratively identify an initial set of 5-10 areas of collaboration, taking into consideration the alignment and leveraging of the Companies' prior related strategic plans, including Integrated Grid Planning, Grid Modernization Strategy, RPS resource procurements, Customer Energy Resources Strategy, and the EoT Strategic Roadmap.¹³ This will lead to the development of a portfolio of pilot concepts that may be refined and introduced as specific pilot proposals as part of the Implementation phase.¹⁴ While there is no Commission ordered date for the completion of the Workplan, the Companies will endeavor to work expeditiously with the stakeholders to submit the Workplan to the Commission approximately 90 days from the start of the stakeholder engagement process. The Workplan is intended to provide as much information and detail as possible, so as to support the Commission's review process, described below.¹⁵

In preparation for the Workplan Development phase, the Companies have developed a Workplan Development Framework ("Framework") which broadly describes the goals,

¹³ Id. at 171-172.

¹⁴ Id. at 172.

¹⁵ Id.

governing principles, guidelines, and processes to facilitate and help focus collaboration with stakeholders to quickly seek input on prioritized pilot projects. This draft Framework is attached as Exhibit 1 for the Commission's information. As the Companies envision an open and collaborative stakeholder process, it is anticipated that the Framework would be revised over time to reflect stakeholder input, and lessons learned during the Workplan and Implementation phases of the Pilot Process.

Once the Commission has approved the Workplan, the Companies will proceed with pursuing pilots for implementation, consistent with the portfolio described in the Workplan.¹⁶ As the Commission observed in D&O 37507, the Companies have already submitted pilot proposals in Docket No. 2020-0098 (EBus Make-Ready Infrastructure Pilot Project); and Docket No. 2020-0202 (Charge Ready Hawaii Pilot Project). The Commission intends to continue with its review of these pilot project applications concurrently with the Companies' development of the Workplan (i.e., review of the pending pilot applications will not be affected by the development of the Workplan). However, if approved, the pending pilot projects will still be subject to the Pilot Process, including reporting requirements, and pilot costs will be counted toward the annual pilot process cost cap.¹⁷

Each pilot will be developed with additional input through the relevant stakeholder engagement process (e.g., potential customers, vendors, local and State governments, community-based organizations, etc.). While all ideas will be considered by the Companies, the Companies acknowledge that there inevitably will be limits to the number of pilots that can be implemented at any given time. The Companies will work with the Commission, and applicable

¹⁶ Id.

¹⁷ See, D&O 37507 at footnote 282.

stakeholders, to prioritize pilot opportunities. Once a pilot concept has been developed, the Companies shall submit written notice (“Notice”) to the Commission.¹⁸

2. Notice.

Consistent with D&O 37507, the Companies’ Notice will include a narrative explanation of the pilot project and, as relevant and applicable, additional details such as key customer benefits (participants and non-participants), eligibility requirements, subscriber caps, required GHG analysis, an estimate of the pilot costs and forecasted revenues, project timeline, proposed reporting requirements, and proposed success criteria.¹⁹

The Notice will also address:

- Expected outcomes of the pilot project (e.g., added or improved services), including methods and metrics for measuring success and risk of the pilot project, which may be used to evaluate progress throughout the course of the pilot.
- How the outcomes of the pilot project are aligned with State energy goals and Commission orders, including, but not limited to: Docket No. 2018-0088 (this proceeding), Docket No. 2018-0135 (EoT Strategic Roadmap); Docket No. 2019-0323 (DER investigation), Docket No. 2018-0165 (IGP investigation), and the State’s energy efficiency efforts.
- Areas of potential overlap with other existing project(s)/program(s) and, if so, how such overlap will be addressed by the pilot project.²⁰

As noted in D&O 37507, it is anticipated that the Commission will review the Notice and issue an order, approving, denying, or modifying the proposed pilot, within forty-five (45) days of receiving the Notice. To facilitate this expedited review, the Companies will keep the Commission and any relevant stakeholders, such as the Consumer Advocate, apprised of prospective pilot proposals and seek to incorporate stakeholder and Commission input into the

¹⁸ Id. at 172-173.

¹⁹ Id. at 173.

²⁰ Id. at 173-174.

Notices where feasible.²¹

Due to the possibility that an order significantly modifying a proposed pilot project could impact, among other things, the benefits, costs, timeline, expected outcomes, and risk, associated with the project, the Companies respectfully request that to the extent that the Commission elects to modify the proposed pilot, that the Companies, and if applicable the impacted stakeholders, be allowed to accept the modification, propose further modifications, or withdraw the Notice within 15 days of receiving the Commission's order.

3. Discontinuance or Material Change.

Any discontinuance of a pilot or material changes to the pricing, terms, or conditions of the pilot will be filed with the Commission forty-five (45) days in advance for Commission review, with written notice of the proposed changes also sent to pilot participants.²² The Commission may approve, modify, or deny the proposed changes. The Companies respectfully request that to the extent that the Commission elects to modify the proposed material changes to pilots, that the Companies, and if applicable the impacted Stakeholders, be allowed to accept the modification, propose further modifications, or withdraw the Notice within 15 days of receiving the Commission's order. As stated in D&O 37507, if the Commission does not take affirmative action during the 45-day window, the changes will be considered approved.²³ Following issuance of the Commission's order addressing the pilot changes, the Companies will provide pilot participants with notice of the Commission's ruling and any changes to the pilot.²⁴

4. Duration.

The Pilot Process will be available throughout the Multi-year Rate Period as defined in

²¹ Id. at 174.

²² Id.

²³ Id.

²⁴ Id.

D&O 37507 and may be extended at the Commission’s discretion. The Commission will review each proposed pilot’s duration, as set forth in each Notice, on a case-by-case basis.²⁵

5. Review and Reporting.

The Companies will file an annual comprehensive report covering all active pilots (“Pilot Update”) by March 31 each year, for the prior year. The Pilot Update will, at a minimum, contain the following information for each pilot, which the Companies have modified slightly for clarity:

- Implementation schedules and progress relative to the objectives and key performance metrics of the pilot;
- pilot impacts on underserved communities;
- pilot costs and revenues (if applicable), including cost analysis per participant, quantitative and qualitative benefits (for both pilot participants and non-participants);
- Updates to estimated costs and schedule (e.g. if there were significant delays in receiving signed agreements from government agencies);
- Qualitative description of the pilot and customer benefits; and
- Any proposed changes to material aspects of the pilot, such as program pricing, terms or conditions, eligibility requirements, changes to the implementation schedule, or program cancellations (including reason for the cancellation).²⁶

In addition to providing an update on ongoing pilots, the Pilot Update may include final reporting on completed projects, as applicable.²⁷ Any final reporting may also include the Companies’ marketing efforts and expenses incurred, methods for analyzing impacts, cost-effectiveness, and customer retention.²⁸ The Pilot Update will include reporting on challenges

²⁵ Id. at 175.

²⁶ Id. at 175-176.

²⁷ Id. at 176

²⁸ Id.

and lessons learned, process improvements, a listing of performance relative to all key metrics, and any future permanent implementation plans based on an evaluation against the metrics established.²⁹ The Companies will submit a single, consolidated Pilot Update report sooner than on a biennial basis.³⁰ The Companies do not anticipate filing a Pilot Update until March 31, 2022.

6. Cost Recovery.

As described in D&O 37507, once the Notice is submitted, the Commission will conduct an expedited review not to exceed forty-five (45) days, and issue an order addressing the Notice.³¹ The Notice will include the pilot's estimated costs and revenues (if applicable). If the Commission approves the Notice, the order will include authorization to commit a certain amount of resources towards the pilot. Given that pilots could have varying expense and revenue structures based on the pilot's intent, scope and objectives, the cost recovery treatment indicated in each Notice should be evaluated independently on a case-by-case basis. The Companies propose that all costs associated with the approved pilot be deferred and recovered the following year. While there may be pilot project costs that would normally be classified as capital (including labor to manage and execute capital projects) and depreciated based on approved depreciated rates for the classification of assets, the nature of the pilot projects may be more similar to research and development projects in that they may not all proceed to full development and implementation after the initial pilot period. Under generally accepted accounting principles, research and development³² costs are expensed as incurred, and generally these costs have been included as expenses in establishing electric rates. Therefore, the Companies propose

²⁹ Id.

³⁰ Id. at 176-177.

³¹ Id. at 177

³² Refer to Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 730-10-25-1.

that all project costs be deferred and recorded as expense in the applicable functional expense account(s), as the costs are recovered through the RBA rate adjustment. For example, a pilot project to test new technologies, programs, business models or other arrangements associated with a distribution issue would be recorded as expense in the appropriate distribution functional expense account. Deferral of all pilot project costs, and recovery of such costs in the following year would be consistent with treatment of research and development costs which the Companies record and recover in rates as O&M expense. The Companies propose that total expenditures for pilots implemented under the Pilot Process be deferred and recovered in full over twelve months beginning June 1 of the following year.

The estimated total expenditures for the pilot project would be provided in the Notice. The costs incurred in the calendar year up to the amounts included in the Notice for a pilot, will be included in the Spring Revenue report in the following year and included as part of the RBA rate adjustment effective June 1. The summary of actual costs incurred in the year will be included in the annual Pilot Update report to be filed by March 31 of the following year. The Companies plan to submit costs for recovery based on actual costs incurred in the prior calendar year (e.g., costs incurred January 1, 2022 to December 31, 2022 will be included in March 31, 2023 Spring annual decoupling filing). Upon Commission approval to include pilot costs in the RBA rate adjustment effective June 1, the Companies will amortize the deferred costs to match the recovery of the pilot costs through the RBA rate adjustment.

Although the Companies are proposing to recover the pilot costs incurred in the prior year in full over the 12 months beginning June 1 of the following year, they are not proposing to recover a return on the unamortized balance of the deferred costs or recover a carrying cost for the period from the incurrence of the cost until the onset of recovery of the pilot costs. However,

if the Commission determines that the deferred costs should be amortized over a period in excess of twelve months (or that the Companies must capitalize certain pilot costs), the Companies would request authority to recover a return (at the last authorized return on rate base) on the unamortized balance of deferred costs (and/or capital costs) and recover the carrying cost for the period from the incurrence of the cost until the commencement of recovery of those costs through rates, similar to the recovery of project costs through the Exceptional Project Recovery Mechanism (“EPRM”).

The Notice will estimate distribution of customers across each island, but artificial restrictions that obfuscate how the market is working should not be imposed (e.g., if customer demand for a product is higher on one island during the first few months, flexibility of responding to that market signal to better understand why it is occurring should be allowed).

As D&O 37507 states, “It is expected that recoverable costs will be consistent with those previously approved in the order addressing the Notice, but will take into account considerations such as cost overruns, changes to the pilot, offsetting revenues generated by the pilot, etc.”³³ For cases where the actual pilot costs are greater than the authorized estimate in an approved Notice, the Companies propose a 50%-50% sharing between customers and the Companies of overruns up to 10% greater than the authorized estimate. The Companies will absorb 100% of the portion of the overrun greater than 10% over the authorized estimate. The recovery of any overrun will count towards the total recovery for all pilots subject to the overall cap of \$10 million per year. This sharing mechanism will allow the Companies to meet unanticipated increases in demand and/or pilot costs but still provide an incentive for cost control and cap the amount of recovery to control the impact on customers. Further, as explained above, the Companies will recover only

³³ Id. at 178.

the actual costs of the pilot if such costs are less than the authorized estimate and they are not proposing to recover a return or carrying cost on the pilot costs.

The Companies will continue to submit the pilot’s costs and revenues (if applicable) as part of their Pilot Update, and approved costs will be incorporated as adjustments to target revenues for the duration of the pilot.³⁴ This process is consistent with the cost review process approved by the Vermont Public Utility Commission for the pilot framework approved for Green Mountain Power.³⁵ Cost recovery will be allowed for the duration of the pilot, pursuant to the schedule approved by the Commission; however, should the pilot be extended beyond its initial term, or if the pilot is expanded for larger-scale implementation, the nature and details of the pilot’s cost recovery will be re-visited by the Commission.³⁶

The Companies appreciate the Commission’s discretionary allowance for the Pilot Process of \$10 million per year for each year of the 5-year MRP period as well as the opportunity to seek approval from the Commission to exceed the annual allowance where good cause is shown.³⁷ The Companies agree that this will appropriately balance the need to have “speed and flexibility” with regard to the expedited implementation of prioritized pilots, programs and services with program costs and bill impacts, particularly given the Commission’s ongoing oversight of pilot projects and costs through the Workplan, Notice and Review and Reporting provisions of the Pilot Process.³⁸

7. Pilot Expansion.

Due to the inherent market risk over which the Companies do not have direct control, not

³⁴ Id.

³⁵ Id. at 179.

³⁶ Id.

³⁷ D&O 37507 at 170.

³⁸ Id. at 169-177.

every pilot will directly translate into a commercial program or product. The pilots will be designed to include stakeholder input and be as transparent as possible in order to share learnings and create long-term benefits for all stakeholders. At the conclusion of the scheduled operation of the pilot, as previously approved by the Commission, the Companies may seek to extend and/or expand the pilot beyond the initial set of customers.³⁹ This will allow pilots that are yielding benefits for electric utility customers to continue after the pilot period and can serve to maintain continuity during the evaluation period and any subsequent transition. The intent of the potential transition period is to avoid confusion, minimize disruption to customers, and limit defection from the pilot program while a larger roll-out is under review.⁴⁰

To minimize confusion, the Companies will notify the Commission in advance of any pilots it wishes to submit for extended operation and/or expanded scope. If the Companies plan to extend, or expand the pilot scope, including any potential modifications to the pilot, the Companies will submit a request to the Commission seeking to extend and/or expand the pilot project. As noted in D&O 37507, the Commission indicated filing such a request no later than one year prior to the scheduled termination of a pilot project.⁴¹ For situations where the ability to review key data and lessons learned in the last year of the pilot is deemed important for decision-making on extending and/or expansion of the pilot, the Companies anticipate a need to work with the Commission and applicable stakeholders on such requests. Any request will contain a description of the proposed extension and/or expansion of the pilot, inclusive of any potential modifications to the pilot, with supporting evidence, including proposed schedules, estimated costs and benefits, and a proposed method for cost recovery.⁴² As pilot projects are executed,

³⁹ Id.

⁴⁰ Id. at 179-180.

⁴¹ Id. at 180.

⁴² Id.

some learnings and metrics will indicate that the pilot should not be scaled up to a full commercial product/service in its current form; in those cases no extension would be filed.

III. CONCLUSION

The Companies appreciate the opportunity to submit this proposed Pilot Process for the Commission's review and approval. Once approval of the proposed Pilot Process is received, the Companies will begin the Workplan process described in D&O 37507.

DATED: Honolulu, Hawai'i, April 30, 2021.

/s/ Rod S. Aoki

PETER Y. KIKUTA

ROD S. AOKI

Attorneys for

HAWAIIAN ELECTRIC COMPANY, INC.

MAUI ELECTRIC COMPANY, LIMITED

HAWAI'I ELECTRIC LIGHT COMPANY, INC.

WORKPLAN DEVELOPMENT FRAMEWORK

April 2021
Revision 0
Hawaiian Electric Companies

I. Definitions

The following definitions will be used for this Workplan Development Framework:

- “Advisory Group” or “Advisors” means the umbrella organization designated to guide and collaborate with the various Stakeholders. The Advisory Group consists of Hawaiian Electric, the Commission, Consumer Advocate, and the interested PBR parties.
- “Areas of Collaboration” means broad topic areas of technical or non-technical needs that can be addressed by Stakeholders.
- “Commission” means the State of Hawaii Public Utilities Commission.
- “Company” means Hawaiian Electric Company, Inc. (Hawaiian Electric). Hawaiian Electric together with Hawai‘i Electric Light Company, Inc. (Hawai‘i Electric Light), and Maui Electric Company, Limited (Maui Electric), are collectively referred to as the “Companies” or “Hawaiian Electric Companies”.
- “Consumer Advocate” means the Division of Consumer Advocacy of the Department of Commerce and Consumer Affairs.
- “Pilot Process” is the expedited process for reviewing pilot projects as part of the PBR Framework approved by the Commission in Decision and Order No. 37507 issued on December 23, 2020.
- “Pilot Update” means an annual report prepared by the Companies and filed with the Commission by March 31 each year to provide Pilot updates, findings, and information on cost recovery.
- “Stakeholders” is a general reference to individuals or representatives of government, non-profit, third-party or community-based organizations who will collaborate with the Companies on the implementation of the Pilot Process as described herein.
- “Workplan” means the document prepared by the Companies in collaboration with the Advisory Group that describes the Companies’ plans and collaborative efforts with Stakeholders to develop and implement Pilots. The Workplan cycle will initially cover a three-year time horizon.
- “Workplan Planning Cycle” or “Workplan Cycle” is initially anticipated to be a 3-year cycle for filing of the Workplan as described herein.
- “Workplan Update” will be an opportunity for changes and additions to the Workplan to be incorporated sooner than the normal triennial Workplan Planning

Cycle to maintain flexibility in the implementation of Pilots while providing transparency of Pilot status.

II. Goal and Guiding Principles

The goal of the Pilot Process and this Workplan Development Framework (“Framework”) is to drive innovation and productive engagement through expedited ideation, approval, execution, and evaluation of new ideas, and full-scale expansion of successful piloted solutions, that provide benefits for utility customers.

The pace of change is accelerating, and the Companies and Commission realize the need for innovation across the energy ecosystem. Not only is the grid less centralized and more distributed, it includes new assets like renewable power generation, vehicle chargers, and batteries. This Framework creates a mechanism where Stakeholders can collaborate and test ideas, measure results, and build toward a better future.

The Framework will be guided, in part, by the Commission’s overall PBR guiding principles of (1) a customer-centric approach, (2) administrative efficiency, and (3) utility financial integrity. More specifically, the Framework is designed to achieve the following guiding principles:

- **Innovation**
Innovation can take many forms and does not require paradigm-shifting inventions. The Framework will be open to testing Pilots across a broad array, including but not limited to new technologies, customer engagement programs, business models, products, services, and other arrangements.
- **Flexibility**
The Framework process will incorporate innovative ideas and be open to input and continuous improvement. Since Pilots operate with a higher degree of technology risk and market uncertainty, there must be an ability to adjust and pivot during the Pilot, with reasonable communication and transparency.
- **Iteration**
The Framework process itself will incorporate lessons on the process of launching and executing multiple Pilots over time and be open to input from Stakeholders and will thereby improve over multiple iterations with time. Learnings from previous Pilots will be used in planning for future Pilots.
- **Collaboration**
Ideas for Pilots can originate from the Companies or from Stakeholders through a flexible engagement process that will value and respect the time commitments, contributions, and expertise of the participants.

- **Prioritize Learning**
The goals and objectives of each Pilot will be set to prioritize learning and communicating results to Stakeholders. Learning from Pilots includes clearly stating assumptions, measuring results, and adjusting. Since there is inherent uncertainty in testing new approaches, there is an understanding that not all Pilots will be expanded into full commercial or permanent business offerings as originally stated in a Workplan or Notice.
- **Customer-focused**
An overarching objective of all Pilots collectively will be to enable customers to make empowered choices or benefit from innovative solutions. Pilots will be set up to test ideas, assess solution readiness, and measure customer and market feedback.
- **Speed**
The Framework process is set up to act quickly within the guardrails set by the Commission. Notices should be filed and approved in a timely manner and Pilot schedules will be set to prioritize speed of execution.
- **Ownership**
All Stakeholders should take ownership of the Framework process and Pilots that emerge. The Companies recognize that developing Pilots will require a shared vision and common set of values. Empowering Stakeholders to identify opportunities for innovation, following through on implementing their ideas, sharing in others success, and achieving measurable impacts and lessons learned will help to build a strong foundation for transitioning successful Pilots to full-scale solutions.

III. Roles

The following sections describe the roles and responsibilities of the various Stakeholders in the Framework.

A. Commission

1. The Commission will provide input, feedback and guidance throughout the Pilot Process and facilitate the Companies' implementation of the Framework.
2. The Commission will review the Notice of Intent ("Notice") filed by the Companies and issue an order, approving, modifying, or denying the proposed Pilot, within forty-five (45) days of receiving said Notice.
3. The Commission will review the Companies' Pilot Updates for approval of cost recovery during the spring annual review.

B. Consumer Advocate

1. The Consumer Advocate will participate on the Advisory Group and provide feedback as directed by the Commission.
2. The Consumer Advocate may also elect to participate in any Stakeholder engagement process established by the Companies.

C. Companies

1. The Companies will lead the Framework process utilizing a collaborative approach.
2. The Companies will prepare and file the Workplan, incorporating feedback from Stakeholders, including any revisions or updates.
3. The Companies will prepare and file Notices to the Commission prior to start of Pilots.
4. The Companies will lead the administration of the portfolio of Pilots, including but not limited to the implementation of the Pilots.
5. The Companies will lead administration/execution/implementation of each Pilot.

D. Advisory Group

1. The Advisory Group members will consist of the Commission, Consumer Advocate, Companies, and interested PBR parties.¹
2. The Advisory Group will function as the umbrella organization tasked with guiding the Companies activities by providing input and feedback to the Companies', including, but not limited to, Pilot Process deliverables and associated regulatory filings.
3. Other appropriate Stakeholders identified by the Advisory Group members may be invited to participate in the Advisory Group process.

E. Stakeholders

1. The Companies envision multiple engagements with various Stakeholders on the objectives and scopes of Pilots related to but not limited to Customer Energy Resources (CER), Electrification of Transportation (EOT), Advanced Rate Design, new technologies, or new customer-driven products or services.

¹ The make-up of the Advisory Group may change over time as the IPF process evolves.

IV. Workplan Development

A. Description

The Framework is a process for prioritizing ideas for innovation (Workplan), refining ideas into actionable plans (Notice of Intent), and administering and implementing those ideas in Pilots (Pilot Update) to achieve the objectives which the Advisory Group believes are important to Hawai'i's future energy ecosystem.

The Pilot Process will afford the Companies with a greater degree of freedom to pursue Pilots, with oversight by the Commission tailored to provide the Companies with greater discretion to proceed with Pilots, while maintaining Commission approval for Pilot costs, as well as requiring reporting on implementation of approved Pilots.²

B. Planning Guidelines

Since the Framework is a new endeavor, the Companies acknowledge at the outset that there will be opportunities to continuously improve upon the Framework process. As described in the guiding principles section above, the Framework is intended to be flexible, and incorporate innovative, customer-centric ideas through thoughtful consideration and collaboration.

A key theme of the Planning cycle is to quickly incorporate incremental learnings into decision-making. To that end, the Companies have identified and adopted the following set of core continuous improvement guidelines.

1. Stakeholder ideas are valued

The Framework relies greatly upon Stakeholders to identify opportunities for innovation. The Stakeholder engagement process can be effective because Stakeholders are often the closest to problems and opportunities, and thus better equipped to identify problems and create new solutions. At the same time, in a competitive market situation, the Companies recognize that there may be limitations, contractual or otherwise, where proprietary or market intelligence information cannot be shared freely with Stakeholders, and that an open public process may lead to unintended consequences of more complex implementation. The Companies will work closely with vested Stakeholders, as necessary, and the Commission to resolve any potential conflicts or perceived conflicts of interest as it develops its Workplan, Pilot Notices, and implements Pilots.³

² Decision and Order No. 37507 (“D&O 37507”) at 169-170.

³ For example, in certain situations, key Stakeholders may be asked to recuse themselves from participating where conflicts of interest result in a material impact to the Framework process. The Companies will try to balance the desire for proactively seeking Stakeholder feedback and incorporating feedback into deliverables and the desire for fairness.

2. Improvements are based on small changes, not only on major paradigm shifts or new inventions

This concept is important because large changes tend to be complex, resource-intensive, and time consuming to implement. By approaching changes to Pilot implementation incrementally, in smaller pilot-scale steps, continuous improvement reduces the risks of the unknowns and increases the chances and speed of improvement. When following this guideline, the Companies do not need to wait for strategic shifts, major product releases, or strategic planning cycles to begin to make advances.

3. Enable decentralized decision-making.

Several principles of the Framework are intended to enable customer-focused solutions and incrementally move toward rapid solution development and implementation. The Pilots under the Framework will be designed to enable flexibility in the tactical approach, while keeping the strategic goals in sight. The Companies want to enable flexibility to quickly adapt and make small changes without a lot of top-down administrative expense and regulatory burden. To that end, the Companies will pursue a decentralized approach to undertake the Stakeholder and customer engagement processes. In some instances, Pilots identified in the Workplan are more shovel ready than others – having previously engaged with key Stakeholders and customers prior to the development of the Workplan.

V. Workplan Development Phase

The development of a Workplan will include input from the Advisory Group and anticipates meetings to be held over the course of 1-3 months depending on the amount of discussion required.

The Workplan filing is intended to support the Commission's review process as generally described below:

1. The Company will develop a draft of the 5-10 areas of collaboration for Advisory Group feedback.
2. The 5-10 areas of collaboration will take into consideration the alignment and leveraging of regulatory goals and the Companies' prior related strategic plans, including Integrated Grid Planning, Grid Modernization Strategy, RPS resource procurements, Customer Energy Resources Strategy, and the EoT Strategic Roadmap.⁴
3. The development of the Workplan will be an open and inclusive Stakeholder engagement process as described herein. Opportunities shall be provided for participation by Stakeholders in the development of the Workplan and throughout the Pilot implementation process.

⁴ Id. at 171-172.

4. Stakeholders will provide feedback on the Companies' proposed Pilots and may propose their own. Individual working groups may be formed to support the Companies' prioritization of the Pilots within respective topic areas.
5. The Company will prepare the Workplan with the prioritized Pilot portfolio and file with the Commission.
6. The Company will repeat the process such that Workplan updates are filed with the Commission on a triennial cycle (every three years). Should circumstances dictate that major updates are in order, then the Company will file an update to the Workplan within the triennial cycle.

VI. Workplan Updates

The Workplan will include a three-year planning horizon which may be updated, as needed, should new priorities arise, or existing priorities need to be shifted. While the intent is to stay on the path to achieve longer-term goals, the Companies recognize the need to be flexible and to take advantage of unforeseen cost-share opportunities (e.g., vendor cost share, start-up accelerator funding, Department of Energy Funding Opportunity Announcements, etc.).

The Companies may elect to update the Workplan sooner than the three-year planning horizon, in order to address changes to the Workplan. Innovation opportunities can move quickly, and the ability to shift or pivot must be maintained to ensure the right resources are deployed at the right time and scale.

If updates to the Workplan are necessary, the Companies will work with the Advisory Group to develop and file the Updated Workplan.

Future Workplans will be filed prior to the end of the three-year planning horizon to establish the prioritization for the 5-10 areas of collaboration for the next cycle.

VII. Stakeholder Engagement Process

In the spirit of collaboration, the Companies intend to establish a flexible Stakeholder engagement process that will value and respect the time commitments, contributions, and expertise of its Advisors and participants from the Stakeholder community.

The Stakeholder engagement process will attempt to streamline and leverage, when and where feasible, the efforts of other existing collaboration processes (e.g., grant opportunities from the Department of Energy and other government, non-profit, third-party, and community-based entities and organizations).

To support the expedited and collaborative engagement with Stakeholders, the Companies propose a two-tier Stakeholder engagement process.

1. Advisory Group Process

- a. The purpose of the Advisory Group is to function as the umbrella organization tasked with guiding activities of the Pilot Process and providing feedback for the Companies' input into Pilot Process deliverables and various regulatory filings.
- b. The Companies will convene the Advisory Group at major junctures of the Framework's process and participate in meetings with various Stakeholders.
- c. The Advisory Group will provide input on what types of Pilots to prioritize over the initial three-year implementation period.
- d. The Companies propose that these Advisory Group and Stakeholder meetings take an informal approach. The Companies value the ability to remain flexible and believe an informal approach is more likely to reach the desired outcomes. The purpose of these meetings is to advise and guide the assessment of technical and market opportunities.

2. Stakeholder Process

- a. Stakeholders will provide feedback to the Companies and Advisory Group on scoping of Pilots.
- b. Based upon feedback from the Advisory Group, the style and format of meetings will be adjusted to ensure active Stakeholder engagement opportunities. The Stakeholders will consider a variety of structures and approaches to solicit feedback on ideas and incorporate input from communities and customers.
- c. The Advisory Group could work directly with existing working groups within relevant docket proceedings, as applicable, to leverage existing collaborations and relationships. Additional working groups can be formed to pursue piloting opportunities in other areas of collaboration.

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing document, together with this Certificate of Service, were duly served on the following parties and participants, by having said copies delivered by electronic service, by hand delivery, and/or by mailing a copy by United States mail, postage prepaid, as set forth below:

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Division of Consumer Advocacy Department of Commerce and Consumer Affairs 335 Merchant Street, Room 326 Honolulu, Hawai‘i 96813 dnishina@dcca.hawaii.gov consumeradvocate@dcca.hawaii.gov	1		
Henry Curtis Life of the Land Vice President for Consumer Issues P.O. Box 37158 Honolulu, Hawai‘i 96837-0158 henry.lifeoftheland@gmail.com	1		
Chris DeBone Distributed Energy Resources Council of Hawaii President Hawaii Energy Connection 99-1350 Koaha Pl. Aiea, HI 96701 chris@hawaiienergyconnection.com	1		
Beren Argetsinger Tim Lindl Keyes & Fox LLP 580 California Street, 12th Floor San Francisco, CA 94104 Attorneys for HAWAII PV COALITION bargetsinger@keyesfox.com tlindl@keyesfox.com	1		

Party	Electronic Service	Hand Delivery	U.S Mail
<p>Hannah Polikov Coley Girouard Advanced Energy Economy 1000 Vermont Ave., Third Floor Washington DC, 20005</p> <p>hpolikov@aee.net cgirouard@aee.net</p>	1		
<p>Melissa Miyashiro, Chief of Staff Blue Planet Foundation 55 Merchant Street, 17th Floor Honolulu, Hawai‘i 96813 melissa@blueplanetfoundation.org</p> <p>Isaac H. Moriwake Kylie W. Wager Cruz Earthjustice 850 Richards Street, Suite 400 Honolulu, Hawai‘i 96813 imoriwake@earthjustice.org kwager@earthjustice.org</p> <p>Attorneys for BLUE PLANET FOUNDATION</p>	1		
<p>Duane W.H. Pang 530 South King Street, Room 110 Honolulu, Hawai‘i 96813</p> <p>Attorneys for CITY AND COUNTY OF HONOLULU</p> <p>eyarbrough@honolulu.gov mele.coleman@honolulu.gov dpang1@honolulu.gov</p>	1		
<p>Joseph K. Kamelamela Angelic M.H. Hall County of Hawai‘i 101 Aupuni Street, Suite 325 Hilo, Hawai‘i 96720</p> <p>Attorneys for COUNTY OF HAWAI‘I</p> <p>Angelic.hall@hawaiicounty.gov Kris.mayes@asu.edu</p>	1		

Party	Electronic Service	Hand Delivery	U.S Mail
Rocky Mould Hawai'i Solar Energy Association Executive Director P.O. Box 37070 Honolulu, Hawai'i 96817 rmould@hsea.org	1		
Douglas A. Codiga Mark F. Ito Topa Financial Center 745 Fort Street, Suite 1500 Honolulu Hawai'i 96813 Attorneys for ULUPONO INITIATIVE LLC dcodiga@schlackito.com mito@schlackito.com	1		

DATED: Honolulu, Hawai'i, April 30, 2021.

/s/ Andrew Nojiri
 Andrew Nojiri
 HAWAIIAN ELECTRIC COMPANY, INC.
 Regulatory Affairs

Nojiri, Andrew

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