

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)
)
HAWAIIAN ELECTRIC COMPANY, INC.)
MAUI ELECTRIC COMPANY, LIMITED)
HAWAII ELECTRIC LIGHT COMPANY, INC.)
dba HAWAIIAN ELECTRIC)
)
For Approval of the eBus Make-Ready)
Infrastructure Pilot Project and to)
Recover Costs through the Renewable)
Energy Infrastructure Program)
Surcharge.)
)
_____)

DOCKET NO. 2020-0098

DECISION AND ORDER NO. 37769

I.

BACKGROUND

HECO is the franchised provider of electric utility service on the island of Oahu, HELCO is the franchised provider of electric utility service on the island of Hawaii, and MECO is the franchised provider of electric utility service on the islands of Lanai, Maui, and Molokai.

A.

Procedural Background

On July 10, 2020, the Companies filed their Application seeking the Commission's approval to (1) implement their proposed eBus Pilot ("Pilot"); (2) utilize their proposed accounting and ratemaking treatment for the Pilot; (3) recover the revenue requirements for the Pilot costs, including capital and incremental O&M costs totaling a cap of \$4.25 million, through the Renewable Energy Infrastructure Projects ("REIP") Surcharge until base rates that reflect the revenue requirements associated with the Pilot take effect in a future rate case for each respective Company;³ and (4) waive the Companies'

³Pursuant to the Phase 2 Performance-Based Regulation ("PBR") Decision and Order No. 37507 in Docket No. 2018-0088, Instituting a Proceeding to Investigate Performance-Based Regulation ("Decision and Order No. 37507"), issued on December 23, 2020, Pilot costs will be recovered through the REIP surcharge until target revenues reflecting the revenue requirements associated with the Pilot take

Tariff Rule No. 14 ("Rule 14") Service Connections for customers under the eBus Pilot ("Rule 14 waivers"), as necessary to provide electrical service and facilities up to the customer owned charging stations.⁴

The Companies filed their Application pursuant to HRS §§ 269-6, and 269-91 through -96, and HAR § 16-601-74.

Between July 23, 2020, and August 10, 2020, the Commission received public comments and letters of support, filed in the docket record in the Commission's document management system ("DMS").⁵

On September 14, 2020, the Commission issued Order No. 37281, approving the Parties' proposed procedural schedule.⁶

Between September 24, 2020, and October 13, 2020, the Consumer Advocate filed two rounds of information requests ("IRs")⁷

effect in a future adjustment to target revenues for each respective Company, rather than being incorporated into base rates that take effect pursuant to a rate case.

⁴Application at 8.

⁵Available at: <https://dms.puc.hawaii.gov/>, enter 2020-0098 into the "Docket Quick Link" field on the left side of the page.

⁶Order No. 37281, "Approving the Parties' Proposed Procedural Schedule," filed September 14, 2020.

⁷"Division of Consumer Advocacy's Submission of Information Requests," filed September 24, 2020 ("CA-IR-__"); "Division of Consumer Advocacy's Submission of Supplemental Information Requests," filed October 15, 2020 ("CA-SIR-__").

to the Companies, to which, in both cases, the Companies timely responded.⁸

On September 29, 2020, the Companies filed their Greenhouse Gas Report.⁹

On November 13, 2020, the Companies filed a Motion for Protective Order,¹⁰ which the Commission granted on November 30, 2020.¹¹

On December 15, 2020, the Consumer Advocate filed its Statement of Position.¹²

On January 19, 2021, the Companies filed their Reply Statement of Position.¹³

⁸"Hawaiian Electric Responses to Consumer Advocate's IRs," filed October 15, 2020 ("Companies' Response to CA-IR-__"); "Hawaiian Electric Responses to Consumer Advocate's SIRs," filed November 13, 2020 ("Companies' Response to CA-SIR-__").

⁹Hawaiian Electric's "Submission of Greenhouse Gas Report," filed September 29, 2020 ("GHG Report").

¹⁰"Hawaiian Electric's Motion for Protective Order; and Certificate of Service," filed November 13, 2020.

¹¹Protective Order No. 37460, filed November 30, 2020.

¹²"Division of Consumer Advocacy's Statement of Position," filed December 15, 2020 ("CA SOP").

¹³"Hawaiian Electric's Reply Statement of Position; and Certificate of Service," filed January 19, 2021 ("Reply SOP").

B.

EoT Workplan and Innovative Pilot Framework

On October 29, 2019, pursuant to Commission guidance in Order No. 36448,¹⁴ issued in Docket No. 2018-0135, the Companies filed their Electrification of Transportation (“EoT”) Workplan (“EoT Workplan”),¹⁵ which included among other things, schedule modifications to “ensure alignment of assumptions used to inform the Companies’ EOT Rate Design filing with updated Integrated Grid Planning cost modeling, utilization of the newest data available, and incorporation of load impacts from the Companies’ Stage 2 RFPs.”¹⁶

Following the Companies’ EoT Workplan submission, the Commission requested that Hawaiian Electric develop “an innovative pilot projects framework for use in establishing new technologies, programs, and business models related to the Companies’ EoT efforts.”¹⁷ On August 31, 2020, the Companies filed

¹⁴Docket No. 2018-0135, Instituting a Proceeding Related to the Hawaiian Electric Companies Electrification of Transportation Strategic Roadmap, Order No. 36448, “Providing Guidance and Directing the Hawaiian Electric Companies to File a Workplan,” filed July 31, 2019 (“Order No. 36448”).

¹⁵“Companies’ Electrification of Transportation Workplan,” filed October 29, 2020 (“EoT Workplan”).

¹⁶Docket No. 2018-0135, Letter from Commission to K. Katsura re: “Workplan Schedule Extension and Pilot Projects Program Development,” filed June 19, 2020 (“PUC Guidance”).

¹⁷PUC Guidance at 1.

their EoT Innovation Pilot Framework.¹⁸ On October 16, 2020, the Commission, on its own motion, issued Order No. 37373,¹⁹ which transferred the EoT IPF into Docket No. 2018-0088, the Commission's proceeding to investigate performance-based regulation ("PBR"). The Commission determined that this transfer would "better position the EoT IPF for resolution as part of the comprehensive changes to Hawaiian Electric's regulatory structure."²⁰

On December 23, 2020, the Commission issued Decision and Order No. 37507, which established a PBR Framework ("PBR Framework") to govern Hawaiian Electric. Of immediate relevance to the instant docket, Decision and Order No. 37507 ordered that the "PBR Framework will incorporate . . . an expedited Pilot Process,"²¹ ("Pilot Process") which is informed by, among other things, the Companies' EoT IPF, and "intended to support initiatives by the Companies to test new programs and ideas quickly and elevate any successful pilots for consideration

¹⁸Hawaiian Electric's "Electrification of Transportation ("EoT") Strategic Roadmap EoT Innovation Pilot Framework Filing," filed August 31, 2020 ("EoT IPF").

¹⁹Docket No. 2018-0135, Order No. 37373, "Transferring the Electrification of Transportation Innovative Pilot Framework into Docket No. 2018-0088," filed October 16, 2020 ("Order No. 37373").

²⁰Order No. 37373 at 2.

²¹Decision and Order No. 37507 at 32.

of full-scale implementation.”²² Further, in Decision and Order No. 37507, the Commission noted:

that the Companies’ EoT activities are expected to increase over the [Multi-year Rate Period] MRP, and that the Companies currently have several EoT pilot proposals before the Commission. If approved and successful, such pilots may be considered for elevation to larger-scale programs. These activities and increased data availability will inform the most appropriate areas where incentives are required to align performance with desired outcomes.²³

Relatedly, in Decision and Order No. 37507, the Commission observed that the Companies had submitted pilot proposals in 2020 in Docket Nos. 2020-0098, 2020-0152, and 2020-0202 (each of which the Commission stated it intended to actively review throughout the Companies’ progression through the Workplan Development phase of the PBR Pilot Process).²⁴ In observing these existing pilot proposals, the Commission noted that the pending pilot applications (i.e., in Docket

²²Decision and Order No. 37507 at 166.

²³Decision and Order No. 37507 at 159.

²⁴The Workplan identified in Decision and Order No. 37507 refers to the resulting product following the undertaking of a “Workplan Development” phase, a component of the Pilot Process. During this phase, areas of interests are identified and scoped, so as to inform the subsequent “Implementation” Phase, during which specific pilot proposals are submitted for expedited review by the Commission and implemented, upon approval, by the Companies. These two phases are the two primary activities drawn from the EoT Pilot Framework. This Workplan is separate and different from the EoT Workplan developed and filed in Docket No. 2018-0135.

Nos. 2020-0098, 2020-0152, and 2020-0202) would not be affected by the development of the Workplan, but would still be subject to other components of the Pilot Process, if approved.

C.

Companies' Proposed Pilot

The Companies' eBus Pilot proposes installing make-ready²⁵ infrastructure to support up to 20 eBus charging stations at 5-10 customer sites, over a 3-year period, at a total cost of \$4.25 million.²⁶ Further, the Companies request "leeway to develop program participation details after Commission approval[.]"²⁷

²⁵The Companies explain that "make-ready" includes all infrastructure that the customer would otherwise be responsible for under Hawaiian Electric's Tariff Rule No. 14 Service Connections and is necessary to provide electrical service to the charging stations (including facilities on the customer side of the meter), but excludes the customer-provided eBus charging stations. Application at 15.

²⁶Application at 8-9.

²⁷Application at 39.

1.

Make-Ready Infrastructure Responsibilities

The Companies' proposal intends to reduce upfront costs for customers seeking to install high capacity eBus charging stations by providing make-ready infrastructure at Hawaiian Electric's expense, an approach that the Companies state has been implemented successfully in other states.²⁸ The table below captures the main roles and responsibilities for Hawaiian Electric and eBus Pilot customers during the Pilot.

Responsibility	Hawaiian Electric	eBus Pilot Customer
Pays for and manages construction of the utility side of the meter such as line extensions, transformer upgrades, installing wire, and installing and testing metering	X	
Pays for and manages construction on the customer-side of the meter, up to the charger such as trenching, installing conduit, installing wire, and installing and testing metering	X	
Maintains make-ready infrastructure over the useful life of the infrastructure asset.	X	
Procure new Battery Electric Bus		X
Procures and pays for charging station and manages installation, testing, and commissioning		X

²⁸Application at 15.

Responsibility	Hawaiian Electric	eBus Pilot Customer
Maintains and incurs all costs associated with maintaining the charging station for the duration identified in the program agreement		X
Agrees to the terms and conditions of the participation agreement that will be developed upon program approval		X
Obtains and pays for electric service under the E-Bus-J or E-Bus-P tariffs		X

Application, Table 1, at 16.

2.

Eligible Buses and Customers

The Companies advise that eligible bus types can be within the Class 5 to Class 8 categories, as defined by the U.S. Department of Energy, and are described generally in the following table.

Class	Weight	Example
Class 5	16,001 to 19,500 lbs	Shuttle bus
Class 6	19,501 to 26,000 lbs	School bus
Class 7	26,001 to 33,000 lbs	Transit bus
Class 8	Greater than 33,000 lbs	Motor coach

Application, Table 2, at 17.

Additionally, the Companies identify that the Pilot “aims to support owners and operators across Hawaiian Electric’s service territories,” and “participating customers must have buses

dedicated for publicly accessible transportation, for end uses including transit, tourism, or school transport.”²⁹ Relatedly, the Companies submit that under this Pilot, eligible participants and their sites will be selected on a first come, first served basis until the Pilot budget is depleted, and that in order to participate, a customer must meet specific eligibility criteria, as well as execute a participation agreement.³⁰ The Companies provide that following Commission approval of the Pilot, minimum eligibility requirements (for both the customer, and the customer site) and the screening process (which may include a scorecard approach) will be finalized.³¹ In support of eligibility determination and customer and site selection, the Companies identify the following as some of the requirements Hawaiian Electric plans to consider regarding customer eligibility:

- a. Participant must be a non-residential customer of Hawaiian Electric.
- b. Participant must own and/or operate a class 5-8 transit bus, school bus, tourist bus or other similar bus dedicated to providing publicly accessible transportation services.
- c. Participant must own or lease (with at least [ten (10)] years remaining) the participating site and be the customer of record associated with the

²⁹Application at 17.

³⁰Application at 34.

³¹Application at 31, 33-34.

premises meter where the charging equipment for the buses would be deployed.

- d. All necessary access and easement rights must be granted to Hawaiian Electric related to the siting, construction, and maintenance of the make-ready infrastructure.
- e. Participant must commit to acquire at least one new eBus (or plug-in hybrid bus) used to provide public transportation during the pendency of the Pilot Program.
- f. Participant agrees to take service on an eligible eBus tariff rate or future high capacity [time of use ("TOU")] rate, if approved. The charging station must be separately metered from the rest of the site to support data collection.
- g. Participant agrees to provide acceptable proof of qualified charging equipment and bus purchase (together with actual pricing information) prior to makeready deployment by Hawaiian Electric.
- h. Participant must commit to install their qualified network capable charge station at their own expense according to the agreed-upon project schedule between the Company and customer.
- i. Participant agrees to participate in the Pilot program for the full Pilot duration of approximately three years including program-related surveys and interviews, as well as the post Pilot obligation to maintain operation of the charging station and allow the Company data collection for an additional [ten (10)] years.
- j. Participant commits to maintain charging equipment in working order and to comply with data collection, including EV charging usage data, for ten years after installation of the charging station.

- k. Participant agrees to terms of a participation agreement, including indemnity, insurance, and liquidated damages for non-performance.³²

Regarding site eligibility, the Companies plan to consider:

- a. Participant site must be located within Hawaiian Electric's service territories.
- b. Participant site must serve as the primary charging location for all participating vehicles and charging equipment.
- c. Participant site must install at least one qualified charging station.
- d. Participant site must include an appropriate and sufficient location within the site to cost-effectively install make-ready infrastructure and charging equipment, based upon parameters including proximity to transformers, length of required trenching, available transmission and distribution capacity and facilities as determined by Hawaiian Electric.
- e. Participant site must not have environmental, land use or other permitting issues such as existing contamination, flooding or zoning concerns.³³

In determining the implementation framework, the Companies have preliminarily identified a six-step participant journey to inform the Pilot implementation process. The steps as currently envisioned, are: (1) Application, (2) Funding Reservation, (3) Pre-Construction Commitment and Documentation, (4) Design and Build, (5) Charger Installation,

³²Application at 32-33.

³³Application at 33-34.

and (6) Verification and Data Collection.³⁴ Considering the impacts following implementation, the Companies determined that due to the relatively small size of the Pilot, "the eBus Pilot will not trigger any major distribution projects, beyond the line extensions and transformer upgrades already included in the Pilot's cost estimates."³⁵ The Companies acknowledge that:

[w]hile this particular Pilot is not expected to trigger any major distribution-level upgrades, the Pilot will enable the Company to collect additional data on the impacts of eBuses, which will help develop a more detailed and thorough distribution-level analyses to support future load modeling efforts at the transportation sector transforms.³⁶

Finally, the Companies present that they are exploring the feasibility of grid services. Namely, the Companies are considering whether a non-binding requirement for participating Pilot customers to engage with demand response aggregators (when the demand response program is active) to determine if and how such a program might fit within the aggregator's operating profile.

³⁴Application at 35-36.

³⁵Application at 37.

³⁶Application at 37-38.

3.

Pilot Costs

The Companies offer that a conservative approach was taken in developing an "all in" cost estimate, the basics of which are captured in the table that follows. The Companies further assert that evaluation of cost assumptions will take place as a part of the Pilot.³⁷

	Oahu (5 sites) \$	Hawaii (3 sites) \$	Maui (2 sites) \$	Total \$
Outside services - engineering (site assessment, design, permits)	100,000	60,000	40,000	200,000
Utility side of the meter work				
Outside services - engineering	34,836	20,907	13,938	69,691
Outside services - construction	383,301	229,980	153,320	766,601
Materials	278,764	167,258	111,506	557,528
Customer side of the meter work				
Outside services - engineering	52,568	31,541	21,027	105,136
Outside services - construction	578,248	346,949	231,299	1,156,496

³⁷Application at 18.

	Oahu (5 sites) \$	Hawaii (3 sites) \$	Maui (2 sites) \$	Total \$
Materials	420,544	252,326	168,218	841,088
Outside services - project management of capital projects	125,000	75,000	50,000	250,000
AFUDC	87,914	52,639	33,001	173,554
Total Capital	2,061,185	1,236,600	822,309	4,120,094
O&M	62,500	37,500	25,000	125,000
Total Cost	\$2,123,685	\$1,274,100	\$847,309	\$4,245,094

Application, Table 3, at 17-18.

4.

Timeline and Impact of COVID-19

The eBus Pilot is planned to include three phases: (1) Ramp up, during which the Companies will develop necessary documentation for Pilot implementation, while continuing to solicit customer interest (estimated to be 8 months), (2) Implementation, during which the Companies will work with customers to confirm eligibility and site sufficiency, as well as design, construction, and installation of make-ready infrastructure (estimated to be 16 months), and (3) Data Collection (estimated to be 12 months), which will begin following completion of the Implementation phase and will involve the Companies

collecting data to support a final eBus Pilot report (which is planned to be filed with the Commission upon completion of the Pilot).³⁸

The Companies have conducted interviews with potential program participants to better understand how the COVID-19 pandemic may have impacted their eBus procurement schedules and ability to participate in the eBus Pilot, and learned that while procurement has slowed in some cases, potential participants remain intent on moving forward with electrification of their fleets.³⁹

D.

Companies' Position

The Companies provide that their business case analyses indicate that a budget of \$4.25 million "will fund the make-ready infrastructure for 20 eBus charging stations which can support 20-60 eBuses."⁴⁰ Although Hawaiian Electric does not currently expect revenues from the eBus tariff to cover the costs of implementing this Pilot, the Companies' overall projection for bus electrification over the next 12 years supposes that total eBus

³⁸Application at 18-19.

³⁹Application at 21.

⁴⁰Application at 22.

revenue will outweigh Pilot costs, "thereby continuing to apply downward pressure on rates for all customers."⁴¹

The Companies note that they anticipate the local eBus sector to grow over the next 12-15 years, and that the costs undertaken in this Pilot are a preliminary investment, which will result in broader ongoing benefits to all ratepayers in the future.

At present, however, the eBus Pilot's one bus per charger benefit to cost ratio ("BCR") is 0.49, and its three buses per charger BCR is 0.75, which indicates that non-participating ratepayers would need to contribute less with higher utilization of the stations, but would be contributing to the Pilot costs, regardless of utilization.⁴² Still, the Companies offer that, in general, the role of pilot programs in jump-starting eBus adoption and improving renewable energy integration is important.⁴³

Other benefits of the Pilot are specific to participants and are captured in the Companies' Participant Cost Test ("PCT"), which measures the costs and benefits incurred by a participating bus owner or operator. When the eBus customer has one bus using each charging station, the PCT BCR is 0.90. If, however, three buses are using one charging station, the PCT BCR is 1.01.

⁴¹Application at 22-23.

⁴²Application at 24-26.

⁴³Application at 24-27.

This is offered to demonstrate that the charging stations become more cost-effective with increased utilization.⁴⁴

Finally, the Companies offer that the Pilot is a necessary preliminary step to help Hawaii realize reductions in emissions, an expected outcome from the conversion to electric fleets. This necessary conversion, the Companies provide, will reduce the use of diesel by bus fleets and help to drive Hawaii towards net zero carbon emissions.⁴⁵

E.

Consumer Advocate's Position

The Consumer Advocate finds that "the Pilot should help facilitate eBus adoption by lowering upfront costs associated with charging infrastructure" and that it could "provide Hawaiian Electric with information to further assess the costs and workflows necessary to support make-ready infrastructure and inform the feasibility and cost-effectiveness of a broader program development."⁴⁶

Ratepayer Impacts. The Consumer Advocate is concerned that "residential ratepayers may not receive a positive financial

⁴⁴Application at 29.

⁴⁵Application at 31.

⁴⁶CA SOP at 13.

benefit over the term of the Pilot if participants only make limited use of the infrastructure.”⁴⁷ The Consumer Advocate also notes that, because the costs associated with the Pilot are expected to extend well beyond the Pilot, the bill impacts that the Companies identify do not reflect the full costs that will be assessed to ratepayers. For this reason, the Consumer Advocate utilized a ratepayer impact model (“RIM”) to account for the full costs of the Pilot, including costs that would continue to be incurred after the Pilot’s duration, which differs from the Company’s residential customer bill impact analysis, which is based on the Project infrastructure and O&M costs.⁴⁸

The results of the Consumer Advocate’s RIM analysis provide that “if it is assumed that all projected revenues under the Full eBus forecast are directly attributable to the Pilot, and the only costs incurred are the Pilot’s costs, including electricity supply costs, the RIM indicates a net financial benefit to ratepayers on Oahu and Maui Island.”⁴⁹

To minimize the risk to non-participating ratepayers, the Consumer Advocate recommends prioritization of make-ready infrastructure provision that focuses first on electric vehicle

⁴⁷CA SOP at 17.

⁴⁸CA SOP at 14-20.

⁴⁹CA SOP 19.

supply equipment ("EVSE") sites serving the highest number of eBuses and the lowest deployment costs, and that the Companies should coordinate their commitment of funds to coincide with commitments from eBus owners/operators.⁵⁰ To address the Consumer Advocate's concern that Hawaiian Electric will consider the infrastructure used and useful and pass on the costs to ratepayers:

1. "[T]he Consumer Advocate recommends that Hawaiian Electric clarify whether it would seek to recover Pilot revenue requirements for a site that no longer purchased electricity from the [Companies][;]"⁵¹ and

2. "[T]hat Hawaiian Electric consider requiring participants to commit to a certain amount of charging and/or revenue to mitigate the financial risks of the [P]ilot on ratepayers."⁵²

Ratepayer Benefits. Regarding the Companies' contention that "revenues from eBus charging will benefit all ratepayers by contributing to the total fixed costs to generate and deliver energy,"⁵³ the Consumer Advocate recommends that, following each

⁵⁰CA SOP at 17-18.

⁵¹CA SOP at 20.

⁵²CA SOP at 20.

⁵³CA SOP at 22.

year in which the eBus program does not provide a net positive contribution to total revenue requirements, Hawaiian Electric should provide a plan on how it will work with eBus owners/operators to create downward pressure on rates.⁵⁴ The Consumer Advocate concludes that, depending on infrastructure utilization, the Pilot may result in slight bill increases during the term of the Pilot and beyond, but that the proposed Pilot should facilitate and help increase eBus adoption by reducing upfront costs.⁵⁵

Greenhouse Gas ("GHG") Emissions Analysis. The Consumer Advocate offers that the Companies' analysis appears to utilize well-vetted resources for quantifying emissions.⁵⁶ Recognizing Hawaiian Electric's commitment to report GHG emissions as part of its annual report for Schedule E-Bus-J and E-Bus-P, the Consumer Advocate still recommends that avoided GHG emissions specific to the Pilot also be calculated based on actual charging and provided in the final Pilot report.⁵⁷ Relatedly, the Consumer Advocate notes that:

[w]hile Hawaiian Electric has not considered the Pilot's impact on the State's [Renewable Portfolio Standards] RPS goals; it appears

⁵⁴CA SOP at 22.

⁵⁵CA SOP at 22.

⁵⁶CA SOP at 27.

⁵⁷CA SOP at 28.

that Hawaiian Electric considers its current eBus Forecast as largely reflective of the number of eBus projects in its service territories irrespective of the Pilot. Furthermore, although not explicitly stated, because Hawaiian Electric considers the Pilot to be only a small portion of its current eBus Forecast it appears that Hawaiian Electric does not anticipate that its total load forecast would be materially impacted by the Pilot.

In sum, the Consumer Advocate recognizes the role the Pilot may play in facilitating public and private organizations to switch from diesel-fueled buses to eBuses, thereby reducing GHG emissions in the transportation sector.⁵⁸

Accounting Treatment. The Consumer Advocate remains consistent with its position in Docket No. 2018-0088, with regard to the Companies' proposed accounting treatment for Pilot costs, which is as follows:

Revenues from the pilot that are related to electric sales will be part of the revenue decoupling mechanism. Revenues from the pilot program that do not fall under electric sales revenues, will be included as Other Operating Revenues. Other Operating Revenues would be excluded from the comparison to target revenues under the decoupling mechanism. Other Revenues would be part of the calculation in comparing the achieved return on average common equity to the authorized levels to determine the earnings sharing revenue credit (referred to as the "Earning Sharing Mechanism" or "ESM") under the decoupling mechanism.⁵⁹

⁵⁸CA SOP at 29.

⁵⁹CA SOP at 34-35 (citation omitted).

The Consumer Advocate recommends that all Pilot revenues should be considered within the revenue decoupling mechanism, so as not to “encourage the Companies to find ways to classify future revenue streams as non-electric sales to avoid consideration within the decoupling mechanism.”⁶⁰

Cost Recovery. In review of the Companies’ request for approval to recover the Pilot’s costs through the REIP Surcharge, the Consumer Advocate finds that “the provision of make-ready infrastructure through the Pilot is an eligible REIP project because it encourages renewable choices for customers seeking to offer eBus transit service[,]”⁶¹ and does not object to the Commission allowing Hawaiian Electric’s use of the REIP Surcharge (“and allowing qualifying costs that meet the eligibility requirements for recovery through the surcharge”).⁶²

Waiver of Rule 14. Finally, with regard to the Companies’ requested Rule 14 waivers (i.e., Rule 14.A.1.a and 2.a; Rule 14.B.1.c, 2.a, 2.b.(2), 3.a. and 3.b.; and Rule 14.C.2.b., 2.c., 3.b., and 3.c.),⁶³ the Consumer Advocate does not oppose said

⁶⁰CA SOP at 35

⁶¹CA SOP at 40.

⁶²CA SOP at 45.

⁶³CA SOP at 47.

waivers to the extent necessary for Pilot implementation.⁶⁴ Additionally, the Consumer Advocate recommends that Hawaiian Electric address the potential for increased liability risk raised by the requested waivers, and that the Companies describe evaluation results of said risks.⁶⁵

In consideration of the aforementioned content, and in light of a series of recommendations:⁶⁶

the Consumer Advocate does not object to the proposed Pilot to the extent that it will help support the State's electrification of transportation goals while allowing Hawaiian Electric to further assess the costs and workflows necessary to support make-ready infrastructure and inform the feasibility and cost-effectiveness of a broader program development.⁶⁷

F.

Public Comments

The Commission received a number of public comments and letters of support filed in the instant docket, and, while they are not dispositive of the Commission's decision in this matter, they demonstrate the level of public and stakeholder interest in

⁶⁴CA SOP at 47.

⁶⁵CA SOP at 48.

⁶⁶For a concise list of all the Consumer Advocate's recommendations, see CA SOP at 48-50.

⁶⁷CA SOP at 48.

this Pilot. In addition to comments, which identified particular considerations, for instance, project selection criteria, infrastructure interoperability, standardized contracts, and additional participant feedback, as suggested by Ulupono Initiative,⁶⁸ a number of comments expressed support for the Pilot as a means to "spur infrastructure investments, economic development and create new green jobs," such as the July 31, 2020 comments filed by the Hawaii Green Infrastructure Authority.⁶⁹ Comments in support of the Pilot were received from a number of other entities, including Big Island Electric Vehicle Association, Maui Economic Opportunity, JTB Hawaii, Amply, Hawaii Electric Vehicle Association, Hawaii County Council Member Rebecca Villegas, Hawaii Climate Change Mitigation and Adaptation Commission, the authors of Think B.I.G., Elemental Excelerator, Hawaii State Department of Transportation Statewide Transportation Planning, Honolulu Authority for Rapid Transit, Electrify America, Anser Advisory, Freewire, Aloha Charge/National Car Charging,

⁶⁸Letter From: M. Clay To: Commission Re: Docket 2020-0098 - Application for Approval of the eBus Make-Ready Infrastructure Pilot Project and to Recover Costs Through the Renewable Energy Infrastructure Program Surcharge, filed August 3, 2020.

⁶⁹Letter From: G. Lau To: Commission Re: Docket No. 2020-0098 - Application for Approval to Establish an Electric Bus Make-Ready Infrastructure Pilot Program, filed July 31, 2020.

TESIAC, Proterra, Greenlots, Blue Planet Foundation, Enel X, and the Office of the Mayor, Maui County.

G.

Companies' Reply

Ratepayer Impacts and Benefits.

The Companies acknowledge the Consumer Advocate's concern regarding minimizing risk to nonparticipating ratepayers as well as its consideration of net positive benefit to said ratepayers. In response, the Companies note that "pilot risks are already mitigated by the Pilot cap, the limited scope and duration, as well as ongoing reporting and Commission oversight under the PBR Pilot Process."⁷⁰ The Companies concede to a number of the Consumer Advocate's reporting recommendations to include, among other things, collecting, tracking and reporting any costs incurred as a result of the Pilot to upgrade distribution network capacity.⁷¹

The Companies state that a net positive benefit to nonparticipating customers "is not required under the PBR Pilot Process[,] " and clarify that "the statement regarding downward pressure on rates was made in the context of the aggregate growth of electric vehicles and would not be manifested during the

⁷⁰Companies' Reply SOP at 11.

⁷¹Companies' Reply SOP at 18.

three-year Pilot period itself.”⁷² Given these clarifications, the Companies agree:

to prioritize sites that serve the greatest number of eBuses; [and] confirm[] that the Participant Agreement will provide certain protections, such as mitigating potential liability risk, requiring that the Company be made whole should a participant terminate its participation, and addressing Distributed Energy Resource (“DER”) participation, if the Commission determines this is appropriate.⁷³

Concerning the Consumer Advocate’s request for clarity regarding infrastructure being considered used and useful and the passing on of the costs to ratepayers, the Companies offer:

The Company plans to include protections in the Participation Agreement to require, among other things, that if a participant terminates its participation in the pilot, fails to install, or removes without replacing, the charging equipment, or the Company terminates the Participation Agreement due to participant’s failure to comply with the terms and conditions of the Agreement, the participant will pay all costs incurred or committed to be incurred by the Company in connection with designing, implementing, and deploying make-ready infrastructure at the pilot site - both on the utility side of the meter and behind the meter (“Site Costs”), prorated over the 10 year term of the Participation Agreement, including all unamortized Site Costs.⁷⁴

⁷²Companies’ Reply SOP at 15.

⁷³Companies’ Reply SOP at 2.

⁷⁴Companies’ Reply SOP at 13 (citation omitted).

The Companies offer that when considering the net impact of the Pilot, due consideration should be given to the broader, unquantified Pilot benefits, such as benefits to Hawaii's communities and environment, in addition to the measures in place that mitigate pilot risk.⁷⁵

GHG Emissions Analysis. The Companies state that GHG emissions specific to the Pilot will already be included in the annual report for Schedules E-BUS-J and E-BUS-P, and propose to report GHG emissions associated with the Pilot program as required by Decision and Order No. 36220 in Transmittal No. 18-06, for the duration of the Pilot.⁷⁶

Accounting Treatment. With respect to the Consumer Advocate's concerns regarding the revenue decoupling process, the Companies assert the following:

Revenue from Pilot participants collected under tariffs E-BUS-J and E-BUS-P are considered electric sales revenue and subject to the revenue decoupling process, whereby they are included as part of Recorded Adjusted Revenues that are compared to Target Revenues in the determination of the monthly Revenue Balancing Account ("RBA") adjustment.

Miscellaneous revenue from the Pilot, such as application fees, will be treated as Other Operating Revenue. The amount of the application fee is still being determined and expected to be small and these revenues are

⁷⁵Companies' Reply SOP at 4.

⁷⁶Companies' Reply SOP at 17.

not electric sales revenue; therefore, these revenues will not be subject to the revenue decoupling process and will not be included in the determination of Recorded Adjusted Revenues that is compared against Target Revenues in the determination of the monthly RBA adjustment.

Revenues related to the recovery of the Pilot program costs will be tracked, recovered, and reconciled separately through the REIP surcharge. REIP revenues are not subject to the revenue decoupling process and are excluded from the determination of Recorded Adjusted Revenues that are compared to Target Revenues in the determination of the monthly RBA adjustment.⁷⁷

Cost Recovery. The Companies reiterate that the Consumer Advocate does not object to the Commission allowing the Companies' requested use of the REIP surcharge. In acknowledgement of the implications of PBR implementation, the Companies contemplate the application of the PBR Pilot Process, as provided for in Decision and Order No. 37507, to the instant Application. The Companies propose that since there will be no Pilot Update in 2021, and the Companies believe they have satisfied the Workplan Phase, Implementation, and Notice components of the Pilot Process, "that target revenues can be adjusted to include the projected revenue requirement of the costs the Companies will incur in 2021 for the [P]ilot, effective June 1, 2021."⁷⁸

⁷⁷Companies' Reply SOP at 18-19.

⁷⁸Companies' Reply SOP at 8.

Following this reasoning, the Companies intend to include the projected revenue requirement of the Pilot in proposed target revenues in the annual decoupling filing (by March 31, 2021).⁷⁹

II.

DISCUSSION

A.

Proposed Pilot and the PBR Pilot Process

The Commission notes the Companies' contemplation of the application of the PBR Pilot Process,⁸⁰ and agrees with their proposition that Hawaiian Electric has satisfied the Workplan Phase, Implementation plan, and Notice components identified in the PBR Framework, however this only applies to the instant Pilot contemplated in this Application.⁸¹ It follows then,

⁷⁹Companies' Reply SOP at 8.

⁸⁰The Pilot Process is an expedited process for reviewing pilot projects as part of the PER Framework. See Decision and Order 37507, Docket No. 2018-0088, - Instituting a Proceeding to Investigate Performance-Based Regulation, 168.

⁸¹The Commission notes that the Companies have submitted their Proposed Pilot Process in Docket No. 2018-0088, but reiterates that while the instant docket contemplates the PBR Pilot Process, the instant Application was filed prior to the submission of the Companies' Proposed Pilot Process, and as the Commission has yet to review and respond to said submission, the review and approval identified herein is not subject to the process identified in the Companies' Proposed Pilot Process. See Docket No. 2018-0088, "Hawaiian Electric Companies' Proposed Pilot Process; Exhibit 1; and Certificate of Service," filed April 30, 2021.

and the Commission highlights, that this Pilot will, by and large, be subject to the Pilot Process, which includes reporting requirements,⁸² as well as counting Pilot costs toward the \$10 million annual Pilot Process cost cap.

B.

REIP

In the Commission's Decision and Order filed on December 30, 2009, in Docket No. 2007-0416, the Commission acknowledged the importance of "the identification and development of renewable energy infrastructure projects to encourage advancement of third-party renewable energy resources," finding that such efforts embody sound policy that is consistent

⁸²Per Decision and Order No. 37507, the Companies will file an annual comprehensive report covering all active pilots ("Pilot Update") by March 31 of each year. The Pilot Update should, at minimum, contain the following information: (1) Implementation schedules and progress relative to the Pilot's objective and key performance metrics; (2) Pilot impacts on underserved communities; (3) Pilot costs and revenues (if applicable), including cost analysis per subscriber, quantitative and qualitative benefits (for both pilot participants and non-participants), and an NPV analysis; (4) Qualitative description of the pilot and customer benefits; and (5) 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). Decision and Order No. 37507 at 175-176.

with State law and the State's energy policy."⁸³ The Commission also expressed its support for the underlying important policies and goals of the REIP, and recognized that "a cost recovery tool like the REIP Surcharge may have the ability to maintain the HECO Companies' financial health (although to what extent is uncertain) while they pursue the objectives of the REIP and satisfy the RPS."⁸⁴

In alignment with the aforementioned support, the Commission approves the Companies' proposed accounting and ratemaking treatment for the Pilot and recovery of the revenue requirements for the Pilot costs, including capital and incremental O&M costs totaling a cap of \$4.25 million, through the REIP Surcharge, until target revenues reflecting the revenue requirements associated with the Pilot take effect in a future adjustment to target revenues for each respective company. In arriving at this determination, the Commission considered, among other factors, the Consumer Advocate's assessment of whether: (1) the Pilot is eligible to be included in the REIP and (2) whether Hawaiian Electric should be granted recovery of REIP eligible components through the REIP Surcharge, and agrees with

⁸³Docket No. 2007-0416, Decision and Order, filed December 30, 2009 ("2007-0416 Decision and Order").

⁸⁴2007-0416 Decision and Order at 19.

the Consumer Advocate's conclusion that "the provision of make-ready infrastructure through the Pilot is an eligible REIP Project because it encourages renewable choices for customers seeking to offer eBus transit service."⁸⁵

The Commission also considered the implications of the PBR Framework on reporting requirements and oversight, as well as the intention of moving quickly and efficiently toward innovative programming, and how the PBR Framework aligns with the REIP Surcharge. The Commission offers that this Pilot will be the first pilot to be implemented under the PBR Framework, and will in many ways, be a learning experience for all involved. The structures provided through the PBR Framework, such as reporting requirements through the Pilot Process and Performance Incentive Mechanisms, are meant to encourage and reward the Companies for operating in alignment with policy objectives, system needs, and regulatory requirements, in a way that provides benefit to electricity consumers, utility customers, and the Companies. The Commission is aware that utilizing existing mechanisms like the REIP in a new regulatory paradigm presents opportunities to meaningfully deploy previously established tools to address current and future needs. The Commission highlights this to articulate the criticality of robust and consistent

⁸⁵CA SOP at 40.

tracking and reporting throughout the implementation of this Pilot and any future pilots.

In the Companies' Reply SOP, the Companies indicated their intention to include the Pilot's projected revenue requirement in proposed target revenues in the annual decoupling filing on March 31, 2021.⁸⁶ However, the annual decoupling filing did not in fact include the eBus Pilot, thus the Companies shall, within 30 days of the issuance of this Order, file with the Commission an update on the Companies' intended treatment of the projected revenue requirement of the Pilot.

All things considered, the Commission is in agreement with the Consumer Advocate in allowing the Companies "to use the REIP Surcharge and allowing qualifying costs that meet the eligibility requirements for recovery through the surcharge."⁸⁷

C.

GHGs

The Commission notes that the Companies state that "GHG emissions specific to the Pilot will already be included in the annual report for schedules E-Bus-J and E-Bus-P."⁸⁸ Further,

⁸⁶Companies' Reply SOP at 8.

⁸⁷CA SOP at 45.

⁸⁸Companies' Reply SOP at 17.

the Commission notes and agrees with the Consumer Advocate's recognition of the role the Pilot may play in facilitating organizational transition to eBuses, thereby reducing GHG emissions attributed to the transportation sector,⁸⁹ as well as the State's reliance on fossil fuels, and any associated price volatility, export of funds for fuel imports, and/or fuel supply reliability risk.⁹⁰

D.

Rule 14

To help facilitate Pilot implementation, and incentivize customer adoption of the eBus Pilot and the use of renewable energy via time-of-use rates, the Companies request the following Rule 14 waivers: waivers of Rules 14.A.1.a. and 2.a.; 14.B.1.c., 2.a., 2.b.(1), 2.b.(2), 3.a. and 3.b.; and Rule 14.C.2.b., 2.c., 3.b., and 3.c.⁹¹ The categories addressed by the Rule 14 waivers are meter installations and miscellaneous service equipment on customers' premises, service connections, and transformer installations on customers' premises.⁹² The Companies' Application

⁸⁹CA SOP 29-30.

⁹⁰See HRS 269-6(b).

⁹¹Application at 52-55.

⁹²Application at 53-54.

proposes to install, own, and maintain all make-ready infrastructure, including equipment necessary for service connections. As such, Rule 14, in its current iteration, imposes responsibilities on the customer, such as, among other requirements, requiring the customer to provide:

(1) a transformer vault or room and all secondary equipment, grounding, ventilation equipment and other material necessary to receive service at the secondaries of the transformer or the secondary bus or (2) a transformer pad or foundation, structure, and necessary grounding as well as all secondary equipment and material necessary to receive service at the secondaries of the transformers or the secondary bus.⁹³

The Companies submit that the imposition of such requirements, and others identified in various sections of Rule 14, would be inconsistent with the Pilot's intent for the Companies to install, own, and maintain the make-ready infrastructure.

The Commission agrees and approves the Companies' request for a waiver of its Rule 14 Service Connections for customers under the eBus Pilot, as necessary to provide electrical service and facilities up to the customer-owned charging stations.

⁹³Application at 55 (citations omitted).

E.

Reporting

The Commission, in Decision and Order No. 37507, provided that "no Pilot Update will be required for 2021, as it is expected that no new pilots will yet be in place, given the PBR tariff implementation details and Workplan process that must be accomplished first."⁹⁴ While a Pilot Update will not be required in 2021, the Companies will be required to file a Pilot Update that reflects all pilots approved in 2021. This Pilot Update shall include, at a minimum, the requisite update on the eBus Pilot, and shall be filed on March 31, 2022, pursuant to the filing requirements provided by the PBR Framework.

Relatedly, given the Companies' contention and the Commission's agreement that relative to the Pilot proposed in the instant docket, the Companies have, through their Application and subsequent filings in support of the Application, satisfied the "Workplan Development" phase of the Pilot Process. Further, approval of the Companies' Application, and the subsequent implementation of the Pilot, evidences the "Notice" and "Implementation" phase contemplated in the PBR Framework.⁹⁵ While satisfactory for this Pilot, the Commission notes that the

⁹⁴Decision and Order No. 37507 at 177.

⁹⁵Decision and Order No. 37507 at 171-73.

Companies have not fully satisfied the Workplan Development phase contemplated in Decision and Order No. 37507 with respect to future pilots. The Commission's directives regarding completing a written Pilot Process and Workplan Development phase remain unchanged from those identified in Decision and Order No. 37507. Namely, the Workplan Development phase should, "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 'IGP']] Grid Modernization Strategy 'GMS'), [RPS] resource procurements. Customer Energy Resources 'CER' Strategy, and the EoT Strategic Roadmap."⁹⁶

The Commission reiterates that, the Companies shall develop a written Pilot Process for the Commission's review and approval, which shall occur prior to the commencement of the Workplan Development phase process identified in Decision and Order No. 37507.⁹⁷ In addition to the Pilot Process reporting requirements that apply to this Pilot approval, the Pilot Process cost cap will also apply, thus, this Pilot's costs will be counted toward the cumulative \$10 million annual Pilot Process cost cap.⁹⁸

⁹⁶Decision and Order No. 37507 at 171-72.

⁹⁷Decision and Order No. 37507 at 181.

⁹⁸Decision and Order No. 37507 at 173 n.283.

In contemplation of a potential expansion of the eBus Pilot, the Commission provides the following guidance regarding the Companies' final report (which, pursuant to Decision and Order No. 37507, may be included in the respective annual Pilot Update⁹⁹). The final report shall, at a minimum, include:

1. Actual costs of the Pilot, to include any costs that were previously unidentified, but were found to be necessary for Pilot implementation, with an explanation as to whether those costs were likely anomalies or would be expected to be necessary in future iterations of the program;

2. Lessons learned from project deployment, including ways to improve Pilot economics and efficiencies and reduce costs, as part of a potential program expansion; and

3. An analysis of charger utilization and the feasibility of developing a minimum usage condition.

Pursuant to Decision and Order No. 37507, the Pilot Update should, at a minimum, contain the following information:

- Implementation schedules and progress relative to the pilot's objective and key performance metrics;
- Pilot impacts on underserved communities;
- Pilot costs and revenues (if applicable), including cost analysis per subscriber, quantitative and qualitative benefits

⁹⁹Decision and Order No. 37507 at 176.

(for both pilot participants and non-participants), and an NPV analysis[;]

- 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).¹⁰⁰

Additionally, the Companies shall:

1. In the Companies' annual Pilot Update, collect, track, and report any costs incurred as a result of the Pilot to upgrade distribution network capacity (as indicated in CA-SIR-1.a); provide any data regarding grid services, to the extent available (response to CA-SIR-2.a); and report information including participant service areas, type of service provided, and intensity and range of eBus use (in number of days per week a participating eBus was used), as provided by Pilot participants;¹⁰¹ and

2. Report GHG emissions specific to the Pilot in the annual report required by Decision and Order No. 36220 in Transmittal No. 18-06, in accordance with the annual reporting requirements established for the E-Bus-J and E-Bus-P tariffs.¹⁰²

¹⁰⁰Decision and Order No. 37507 at 175-76.

¹⁰¹Companies' Reply SOP at 18.

¹⁰²Companies' Reply SOP at 17.

F.

Final Program Design Report

The Companies provide that the program design phase of the Pilot will be eight (8) months following the Commission's approval of the Pilot.¹⁰³ Further, the Companies represent that they will submit a Final Program Design Report to the Commission "at the end of the program design phase and prior to launch, which will include the final program implementation details."¹⁰⁴

The Commission, in approving the Companies' request to be allowed "leeway to develop program participation details after Commission approval[,]"¹⁰⁵ notes that final reports can often take the form of narrative summaries, and finds that, in addition to narrative summaries, particular documents should be included, in the entirety of their final format, in the submission of the Final Program Design Report. Specifically, the Companies shall include in their Final Program Design Report finalized copies of documents relating to the following design elements:

- Terms and conditions for participation (i.e., the participation agreement)
- Grant of easement documentation
- Program overview documentation
- Program reporting templates
- Program outreach collateral
- Ongoing public outreach engagement

¹⁰³Application at 38.

¹⁰⁴Application at 39.

¹⁰⁵Application at 39.

- Design of IT systems, such as webpage and/or online application
- Customer screening and enrollment processes and any exception handling:
 - Internal site validation, cost estimation, design, and construction processes for Hawaiian Electric and engagement with third-party contractors/vendors
 - Issuing requests for procurement (RFP) on external contracting services necessary to install infrastructure
- Qualifications for EVSEs to be selected by the participating eBus sites
- Treatment and impact of change in ownership of real property
- Post-approval program design changes related to subsequent orders from the Commission
- Evaluation and request for information (RFI) for external maintenance and repair contracting services.¹⁰⁶

The Commission reserves the right to review and provide comments to the Companies on the Final Program Design Report generally, and specifically the finalized documents related to minimum eligibility requirements (for both the customer, and the customer site), documentation of the screening process, and the participation agreement, within 30 days of filing, provided that if the Commission does not issue comments, the Companies may proceed with the filed versions as scheduled. The Consumer Advocate may also provide comments within this timeframe, and the Companies may consider both Commission

¹⁰⁶Application at 39.

comments and Consumer Advocate comments and need not amend the finalized documents unless ordered to do so by the Commission.

III.

ORDERS

THE COMMISSION ORDERS:

1. The Companies' Application, filed on July 10, 2020, to (1) implement their proposed eBus Pilot; (2) utilize their proposed accounting and ratemaking treatment for the Pilot; (3) utilize recovery of the revenue requirements for the Pilot costs, and capital and incremental O&M costs totaling a cap of \$4.25 million, through the REIP Surcharge until target revenues reflecting the revenue requirements associated with the Pilot take effect in a future adjustment to target revenues for each respective company; and (4) waive the Company's Rule 14 Service Connections for customers under the eBus Pilot, as necessary to provide electrical service and facilities up to the customer owned charging stations, is approved, with the following conditions:

A. The Companies shall adhere to the reporting requirements detailed in Section II.E.

B. The Companies shall file their Final Program Design Report adhering to the requirements identified in Section II.F.

2. The Companies shall, within 30 days of the issuance of this Order, file with the Commission an update on the Companies'

intended treatment of the projected revenue requirement of the Pilot.

3. The Commission reserves the right to review, modify, and terminate the eBus Pilot Program, consistent with the public interest.

DONE at Honolulu, Hawaii MAY 7, 2021 .

PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By James P. Griffin
James P. Griffin, Chair

By Jennifer M. Potter
Jennifer M. Potter, Commissioner

By Leodoloff R. Asuncion, Jr.
Leodoloff R. Asuncion, Jr., Commissioner

APPROVED AS TO FORM:

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2020-0098.ljk

CERTIFICATE OF SERVICE

Pursuant to Order No. 37043, 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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COMMISSION

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