

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

----- In the Matter of ----- )  
 )  
PUBLIC UTILITIES COMMISSION ) DOCKET NO. 2018-0088  
 )  
Instituting a Proceeding )  
To Investigate Performance- )  
Based Regulation. )  
\_\_\_\_\_ )

ORDER NO. 38578

INSTRUCTING HAWAIIAN ELECTRIC TO SUPPLEMENT THE  
PILOT FRAMEWORK WORKPLAN FILED NOVEMBER 12, 2021

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OF THE STATE OF HAWAII

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INSTRUCTING HAWAIIAN ELECTRIC TO SUPPLEMENT THE  
PILOT FRAMEWORK WORKPLAN FILED NOVEMBER 12, 2021

By this Order,<sup>1</sup> the Public Utilities Commission  
("Commission") instructs Hawaiian Electric to file a supplement to

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<sup>1</sup>The Parties to this proceeding are HAWAIIAN ELECTRIC COMPANY, INC. ("HECO"), HAWAII ELECTRIC LIGHT COMPANY, INC. ("HELCO"), MAUI ELECTRIC COMPANY, LTD. ("MECO") (collectively, HECO, HELCO, and MECO are referred to as "Hawaiian Electric" or the "Companies") and the DIVISION OF CONSUMER ADVOCACY ("Consumer Advocate"), an ex officio party, pursuant to Hawaii Revised Statutes § 269-51 and Hawaii Administrative Rules § 16-601-62(a). Additionally, the Commission has granted the following entities intervenor status: CITY AND COUNTY OF HONOLULU, COUNTY OF HAWAII, BLUE PLANET FOUNDATION ("Blue Planet"), LIFE OF THE LAND ("LOL"), DER COUNCIL OF HAWAII, HAWAII PV COALITION, HAWAII SOLAR ENERGY ASSOCIATION (collectively, the "DER Parties"), and ULUPONO INITIATIVE, LLC ("Ulupono"). Order No. 35542, "Admitting Intervenors and Participant and Establishing a Schedule of Proceedings," filed June 20, 2018. The Commission has also granted participant status to ADVANCED ENERGY ECONOMY INSTITUTE. Id.

The COUNTY OF MAUI was formerly an intervenor, but has since withdrawn from this proceeding. See Order No. 36252, "Granting the County of Maui's Motion to Withdraw," filed April 3, 2019.

the Innovation Pilot Framework Workplan ("Pilot Workplan") filed on November 12, 2021.<sup>2</sup>

I.

BACKGROUND

On December 23, 2020, the Commission issued Decision and Order No. 37507, which, in pertinent part, established a pilot process to expeditiously review and implement pilots "that test new technologies, programs, business models, and other arrangements."<sup>3</sup> The pilot process is divided into two phases: "an initial 'Workplan Development' phase, during which 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."<sup>4</sup>

On April 30, 2021, Hawaiian Electric submitted their Proposed Pilot Process ("Proposed Pilot Process").<sup>5</sup> In broad

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<sup>2</sup>Letter From: K. Katsura To: Commission Re: Docket No. 2018-0088, Instituting a Proceeding to Investigate Performance-Based Regulation; Hawaiian Electric Companies' Innovation Pilot Framework Workplan, filed on November 12, 2021.

<sup>3</sup>Decision and Order No. 37507, filed on December 23, 2020 ("D&O 37507"), at 166.

<sup>4</sup>D&O 37507 at 171.

<sup>5</sup>"Hawaiian Electric Companies' Proposed Pilot Process; Exhibit 1; and Certificate of Service," filed on April 30, 2021.

terms, Hawaiian Electric divided their Proposed Pilot Process into two phases, consistent with D&O 37507: (1) Workplan Development, during which the Companies would collaborate with stakeholders to develop "a portfolio of pilot concepts that may be refined and introduced as specific pilot proposals as part of the Implementation phase" for the Commission's review and approval;<sup>6</sup> and (2) Implementation, during which "the Companies will proceed with pursuing pilots for implementation, consistent with the portfolio described in the Workplan."<sup>7</sup>

On July 9, 2021, the Commission issued Order No. 37865, which approved the Proposed Pilot Process, with slight modifications.<sup>8</sup> On July 28, 2021, Hawaiian Electric submitted their revised Pilot Process, consistent with Order No. 37865.<sup>9</sup>

On November 12, 2021, Hawaiian Electric submitted its Pilot Workplan. Hawaiian Electric states that this was developed through "a three-month collaborative stakeholder process," and "identif[ies] broad Areas of Collaboration . . . ,

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<sup>6</sup>Proposed Pilot Process at 4.

<sup>7</sup>Proposed Pilot Process at 5.

<sup>8</sup>Order No. 37865, "Approving the Hawaiian Electric Companies' Pilot Process," filed July 9, 2021 ("Order No. 37865").

<sup>9</sup>Letter From: D. Matsuura To: Commission Re: Docket No. 2018-0088 - Instituting a Proceeding to Investigate Performance-Based Regulation; Hawaiian Electric Companies' Pilot Process," filed on July 28, 2021 ("Revised Pilot Process").

or broad topic areas of technical and non-technical needs, with respect to which the Companies may propose specific pilot projects for Commission review and approval.”<sup>10</sup> “Subject to Commission guidance and approval, the submission of the Workplan completes the Workplan Development Phase and marks the start of the Implementation Phase[.]”<sup>11</sup>

On November 30, 2021, the Commission issued Order No. 38092 inviting Parties to comment on the Pilot Workplan to inform the Commission’s review.<sup>12</sup> The Commission requested that Parties address the following questions:

- Whether there are any concerns with the seven identified pilot topic areas?;
- Whether there are any concerns with the identified “problem statements and goals” listed under each of the seven identified pilot topic areas?;
- What steps, if any, should be included to ensure that “the relevant stakeholder engagement process” is utilized in the development of pilot notices?[]; and
- Whether there are any other concerns with the Implementation phase?<sup>13</sup>

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<sup>10</sup>Pilot Workplan at 1.

<sup>11</sup>Pilot Workplan at 1.

<sup>12</sup>Order No. 38092 “Soliciting Comments on Hawaiian Electric’s Innovation Pilot Framework Workplan Filed November 12, 2021,” (“Order No. 38092”).

<sup>13</sup>Order No. 38092 at 4 (citations omitted).

Parties submitted comments between December 15, 2021, and December 17, 2021,<sup>14</sup> and Hawaiian Electric submitted reply comments on January 5, 2022.<sup>15</sup> The comments are summarized below.

## II.

### POSITIONS OF THE PARTIES

#### A.

##### Consumer Advocate

The Consumer Advocate notes that the Pilot Workplan provides areas of collaboration ("AOCs") that are appropriately broad and flexible to act as a starting place for pilot selection, noting that the Workplan can be updated if necessary with Commission approval.<sup>16</sup> The Consumer Advocate further encourages Hawaiian Electric to conduct stakeholder outreach well in advance

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<sup>14</sup>Division of Consumer Advocacy's Comments on Hawaiian Electric's Innovation Pilot Framework Workplan, Filed November 12, 2021, filed December 15, 2021 ("CA Comments"); Letter From: B. Argetsinger To: Commission Re: Docket No. 2018-0088: I/M/O Public Utilities Commission Instituting a Proceeding to Investigate Performance-Based Regulation - Letter Filing Regarding the Joint Parties' Comments on Hawaiian Electric Companies' Innovative Pilot Framework Workplan, filed December 16, 2021 ("Joint Parties Comments"); and "County of Hawaii's Comments on Hawaiian Electric's Innovation Pilot Framework Workplan, Filed November 12, 2021; and Certificate of Service," filed December 17, 2021 ("COH Comments").

<sup>15</sup>Hawaiian Electric Companies' Reply Comments; and Certificate of Service," filed January 5, 2022 ("Companies Reply").

<sup>16</sup>CA Comments at 1-2.

of submission of notices of intent (“NOIs”) and the annual report, in order to give stakeholders adequate time to provide input and process information.<sup>17</sup>

B.

The Joint Parties

The Joint Parties responded to the Commission’s questions in their comments, in turn. First, the Joint Parties state that the Pilot Workplan’s seven identified AOCs are useful for guiding pilot selection, but that they should be considered a starting place for further development over time.<sup>18</sup> The Joint Parties also recommend that “the pilot evaluation and selection process include[] criteria to rank pilots for their ability to serve cross-cutting goals across multiple AOCs to maximize administrative efficiency and the impact of limited pilot budgets.”<sup>19</sup>

Second, the Joint Parties state that the Pilot Workplan “should articulate a portfolio of pilot concepts from which ‘next generation’ transformative technologies, grid service opportunities, communications capabilities, and related elements

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<sup>17</sup>CA Comments at 2-3.

<sup>18</sup>Joint Parties Comments at 2.

<sup>19</sup>Joint Parties Comments at 2 (citation omitted).

are developed based on Hawaii's core resource strengths," and that some of the Pilot Workplan's problem statements and goals "are underwhelming in their ability to drive innovation and do not appear to be part of an overall vision for maximizing the potential for coordinated pilot efforts to advance core energy policy goals."<sup>20</sup>

The Joint Parties contend that the Pilot Workplan should advance programs that further Hawaii's energy policy goals and should avoid pilots that are not needed to advance workable solutions at scale or that address issues that are not suitable for pilots.<sup>21</sup>

Third, the Joint Parties provide recommendations for systematic stakeholder engagement throughout the pilot process, including pilot development, selections, metric development, budgeting, timing, and data sharing.<sup>22</sup> To this end, the Joint Parties recommend expanding upon the existing data sharing language established in D&O 37507 to be more expansive.<sup>23</sup>

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<sup>20</sup>Joint Comments at 3.

<sup>21</sup>See Joint Parties Comments at 4-6.

<sup>22</sup>Joint Parties Comments at 11.

<sup>23</sup>Joint Parties Comments at 11.



C.

County of Hawaii (COH)

COH expanded upon feedback provided on the Pilot Workplan during the stakeholder engagement process. In particular, COH asserts that the Pilot Workplan should prioritize the needs of low and moderate income ("LMI") customers, and that pilots should not be pursued unless they reduce greenhouse gas emissions.<sup>24</sup> COH provided specific suggestions for changes to the Pilot Workplan that would help to address these concerns.<sup>25</sup> COH additionally requested more specificity on the process Hawaiian Electric will follow for selecting specific pilots, engaging stakeholders in the process, and learning from other utilities' pilots.<sup>26</sup>

D.

Hawaiian Electric's Reply Comments

Hawaiian Electric agrees that the AOCs are broad and flexible, and that the Workplan should be focused on innovation.<sup>27</sup> Hawaiian Electric also affirms its commitment to continuing

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<sup>24</sup>COH Comments at 3-4.

<sup>25</sup>COH Comments at 4.

<sup>26</sup>COH Comments at 4.

<sup>27</sup>See Companies Reply Comments at 4-5.

stakeholder engagement and keeping stakeholders and the Commission timely apprised of prospective pilot proposals and seeking prompt review and feedback.<sup>28</sup>

Hawaiian Electric clarifies that it intends to work with stakeholders to quickly arrive at decisions about implementing pilots, but that in competitive market situations, it may not be possible to openly share information with stakeholders.<sup>29</sup> In terms of criteria to rank pilots, the Companies clarify that they intend to give strong consideration to those that benefit LMI customers.<sup>30</sup> Ultimately, the Companies agree with many of the Parties' comments conceptually, such as pursuing de-carbonization and climate change goals, but clarify that it does not intend to exclude any topics or areas of pilots at this time and that the Pilot Workplan should remain flexible to react to changing circumstances.<sup>31</sup>

The Companies maintain that many of the other issues and concerns raised by the Parties will be addressed as they gain experience with the Pilot Workplan and Pilot Process, which is intentionally designed to preserve flexibility and allow for

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<sup>28</sup>See Companies Reply Comments at 6-7.

<sup>29</sup>Companies Reply Comments at 12-13.

<sup>30</sup>Companies Reply Comments at 13; see also, id. at 16-17.

<sup>31</sup>See generally, Companies Reply Comments at 14-19.

improvement and affirm that they intend to ensure that stakeholder engagement will play a key role.<sup>32</sup>

### III.

#### DISCUSSION

The Commission appreciates Hawaiian Electric's work to develop the Pilot Workplan, including multiple meetings with stakeholders and opportunities to provide input and voice their views and concerns. The Commission is encouraged by the thoughtfulness of the meeting design and facilitation that allowed stakeholders to participate and interact with the Companies and one another in a collaborative manner. This has resulted in a Pilot Workplan that stakeholders generally agree is a good starting place for the Implementation phase and that included key AOCs to act as an initial framework for pilot selection. The Commission agrees with the Parties that the AOCs are a good starting place to guide pilot development.

The Commission supports the COH's focus on better serving LMI customers and facilitating equitable outcomes. The Commission agrees that this should be a priority and that pilots related to more effective community and customer engagement and outreach could be beneficial. However, the Commission also

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<sup>32</sup>See generally, Companies Reply Comments at 19-21.

notes that there are a number of existing programs and incentives related to LMI customers and that pilots should not reflect duplicative efforts, but should represent innovative solutions to targeting currently unaddressed areas.

The Commission also notes that the approved Proposed Pilot Process (as reflected in the Revised Pilot Process) includes reporting on “[p]ilot impacts on underserved communities.”<sup>33</sup> The Commission encourages Hawaiian Electric to work with stakeholders to identify more specific equity-focused metrics that can be included in pilot reporting both on a standard- and individual-pilot basis.

Notwithstanding Parties’ general agreement that the AOCs identified in the Workplan are a sufficient starting point for developing pilot proposals, the Commission agrees with Party comments and is concerned with the lack of detail describing the steps that facilitate the transition of these conceptual AOCs and problem statements and goals into specific NOIs that will be submitted to the Commission. In particular, the Commission would like more information regarding: (1) how the Companies plan to identify, prioritize/budget, develop, and vet pilot proposals addressing these AOCs; and (2) how stakeholder engagement will be incorporated into this process.

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<sup>33</sup>Revised Pilot Process at 5.

For example, Hawaiian Electric clarified that the AOCs are not organized in order of priority,<sup>34</sup> and the Joint Parties have suggested that the Pilot Workplan could benefit "from a more cohesive vision for a coordinated approach to advancing pilot proposals."<sup>35</sup> Similarly, the Commission agrees with Parties that additional clarity is warranted regarding opportunities for stakeholder engagement in the Implementation Phase of the Pilot Framework.<sup>36</sup>

While the Commission agrees with Hawaiian Electric that the Pilot Workplan is not intended to identify specific pilots that will be pursued, more information about the process that Hawaiian Electric intends to utilize to transform these broad and flexible guiding problem statements and principles into the selection and development of individual pilots over the next three years will provide valuable context for evaluating individual NOIs. The Commission observes that once the Workplan is approved and the Implementation phase commences, NOIs will be reviewed on an expedited basis and will be deemed approved if the

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<sup>34</sup>Companies Reply Comments at 16.

<sup>35</sup>Joint Parties Comments at 6.

<sup>36</sup>See Joint Parties Comments at 1-2 and 11; and COH Comments at 4. See also, CA Comments at 2-3.

Commission does not take affirmative action within 45 days.<sup>37</sup> Improved insight into how the Companies intend to address the AOCs in its Pilot Framework, including how they intend to prioritize various AOCs and problem statements, assess and budget the annual pilot framework fund among pilots in consideration of the magnitude of potential pilot impacts, and solicit and incorporate stakeholder feedback prior to filing NOIs will provide valuable assistance to the Commission in expeditiously reviewing NOIs and understanding how they fit into the Companies' larger plan for utilizing the Pilot Process component of the PBR Framework.

In particular, the Commission would like to see more detail regarding how Hawaiian Electric intends to engage with stakeholders, both to solicit their feedback, as well as keep them apprised of ongoing identification and development of pilot projects. As stated in D&O 37507, "[t]o facilitate this expedited review, the Companies should 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 [NOIs]."<sup>38</sup> The Commission further observes that the Companies have begun to describe a

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<sup>37</sup>See Decision and Order No. 37507, filed December 23, 2020 ("D&O 37507"), at 174.

<sup>38</sup>D&O 37507 at 174.

two-tier stakeholder engagement process in their pilot process,<sup>39</sup> which could be supplemented with additional details, such as a calendar denoting the frequency of stakeholder meetings, reports to stakeholders regarding pilot ideas and development, and processes for receiving and incorporating stakeholder feedback. Additional details could include how the Companies intend to leverage progress from working groups in other, related dockets, as well as existing relationships with other interested entities.

Accordingly, the Commission instructs the Companies to supplement their Pilot Workplan with additional information consistent with the Commission's guidance above. Upon review of the Companies' submission, the Commission will issue a subsequent order addressing the Companies' proposed Pilot Workplan.

#### IV.

#### ORDERS

##### THE COMMISSION ORDERS:

1. Hawaiian Electric shall submit a supplement to its Pilot Workplan as directed above.


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<sup>39</sup>See "Hawaiian Electric Companies' Proposed Pilot Process; Exhibit 1; and Certificate of Service," filed on April 30, 2021, Exhibit 1 at 8-9; see also, Orde No. 37865, "Approving the Hawaiian Electric Companies' Pilot Process," filed on July 9, 2021.

2. Following review of Hawaiian Electric's supplement, the Commission will issue a subsequent order addressing the Pilot Workplan.

DONE at Honolulu, Hawaii AUGUST 29, 2022.

PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

By   
Leodoloff R. Asuncion, Jr., Chair

By   
Jennifer M. Potter, Commissioner

By   
Naomi U. Kuwaye, Commissioner

APPROVED AS TO FORM:

  
Mark Kaetsu  
Commission Counsel

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CERTIFICATE OF SERVICE

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