

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

----- In the Matter of -----)
)
PUBLIC UTILITIES COMMISSION) DOCKET NO. 2022-0212
)
Instituting a Proceeding Relating)
To an Innovative Pilot Process for)
The Hawaiian Electric Companies.)
_____)

ORDER NO. 40129

PROVIDING ADDITIONAL GUIDANCE ON THE PILOT PROCESS

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PROVIDING ADDITIONAL GUIDANCE ON THE PILOT PROCESS

By this Order,¹ the Public Utilities Commission ("Commission") provides additional guidance on the Innovative Pilot Process ("Pilot Process"). In particular, the Commission elaborates on its expectations for notices for pilot proposals submitted under the Pilot Process ("Notices"). In doing so, the Commission expounds upon the expectations it earlier shared in Decision and Order No. 37507, issued in

¹The Parties to this proceeding are HAWAIIAN ELECTRIC COMPANY, INC. ("HECO"), HAWAII ELECTRIC LIGHT COMPANY, INC. ("HELCO") and MAUI ELECTRIC COMPANY, LIMITED ("MECO") (collectively, "Hawaiian Electric" or the "Companies") and the DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS, DIVISION OF CONSUMER ADVOCACY ("Consumer Advocate"), an ex officio party to this proceeding, pursuant to Hawaii Revised Statutes § 269-51 and Hawaii Administrative Rules ("HAR") § 16-601-62(a).

Docket No. 2018-0088,² and reiterated in Order No. 38663 in this proceeding.³

With the issuance of this guidance, the Commission hereby lifts the suspension on submitting Notices in this Docket and Hawaiian Electric may submit Notices for pilots, consistent with the approved Innovation Pilot Framework Workplan ("Pilot Workplan")⁴ and related Commission guidance.

I.

BACKGROUND

On December 23, 2020, in Docket No. 2018-0088, the Commission issued Decision and Order No. 37507, which established a PBR Framework to govern the Hawaiian Electric Companies.⁵ In pertinent part, the PBR Framework provides for the Pilot Process for the Hawaiian Electric Companies "to foster innovation by establishing an expedited implementation process for pilots that test new technologies, programs, models, and other

²Docket No. 2018-0088, Decision and Order No. 37507, filed on December 23, 2020 ("D&O 37507"), at 170-171 and 173-174.

³Order No. 38663, filed on October 20, 2022 ("Order No. 38663"), at 8-10.

⁴See Docket No. 2018-0088, Order No. 38654, "Approving Hawaiian Electric's Pilot Framework Workplan," filed on October 19, 2022 ("Order No. 38654").

⁵See generally Decision and Order No. 37507.

arrangements.”⁶ Thereafter, Hawaiian Electric collaborated with parties and other stakeholders to develop the Pilot Workplan to support the Pilot Process. Briefly, the Pilot Workplan identifies seven categorical areas that the Companies will target for pilot development, based on discussions with stakeholders.⁷

To date, the Commission has reviewed and approved two Notices: the Data Analytics Clearinghouse Pilot⁸ and the Electric Vehicle (“EV”) Telematics Pilot.⁹ In approving the EV Telematics Pilot, the Commission offered:

Notwithstanding this approval, the Commission believes that the Pilot Process can continue to improve and that these initial pilot notices (i.e., the Data Analytics Pilot and the EV Telematics Pilot) have provided valuable experience to evaluate the implementation of the Pilot Process. Accordingly, at this juncture, the Commission believes it would be prudent to meet with the parties and interested stakeholders to evaluate the Pilot Process and collaboratively

⁶Decision and Order No. 37507 at 166.

⁷See Docket No. 2018-0088, 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. See also Docket No. 2018-0088, Order No. 38578, “Instructing Hawaiian Electric to Supplement the Pilot Framework Workplan Filed November 12, 2021,” filed on August 29, 2022; Docket No. 2018-0088, “Hawaiian Electric Companies’ Supplement to Pilot Framework Workplan” filed on September 23, 2022; and Order No. 38654, “Approving Hawaiian Electric’s Pilot Framework Workplan,” filed on October 19, 2022 (“Order No. 38654”).

⁸See Decision and Order No. 38753, filed on December 8, 2022.

⁹See Decision and Order No. 39099, filed on March 22, 2023 (“D&O 30900”).

discuss how it may be improved outside of the context of a particular pilot notice. This may include some revisions to the Pilot Process and/or Pilot Workplan to refine notice requirements and/or better reflect the Pilot Process' objective and expectations.¹⁰

As a result, the Commission announced its intent to "host an informal meeting with the parties and interested stakeholders to discuss the Pilot Process and potential areas for improvement."¹¹ Relatedly, the Commission found it "prudent to temporarily suspend the submission of pilot notices under the Pilot Process until after this meeting takes place."¹² The Commission stated its intent to hold the informal meeting during Q2 of 2023.¹³

On June 15, 2023, the Commission hosted an informal meeting with the parties and interested stakeholders.¹⁴

¹⁰D&O 30900 at 21.

¹¹D&O 30900 at 22.

¹²D&O 30900 at 22.

¹³D&O 30900 at 22-23.

¹⁴See Letter From: Commission To: Service list Re: Notice of Informal Party and Stakeholder Meeting - Docket No. 2022-0212, In re Public Utilities Commission, Instituting a Proceeding Relating to an Innovative Pilot Process for The Hawaiian Electric Companies, filed on June 1, 2023; see also, Letter From: Commission To: Service List Re: PBR Working Group Meeting Agenda and Slides - Docket No. 2022-0212, In re Public Utilities Commission, Instituting a Proceeding Relating to an Innovative Pilot Process for the Hawaiian Electric Companies, filed on June 13, 2023.

II.

DISCUSSION

A.

Areas of Improvement for the Pilot Process

After reflecting on the first two pilot Notices (the Data Clearinghouse Pilot and EV Telematics Pilot), the Commission has broad concerns that pilots being submitted under the Pilot Process are not sufficiently aligned with the intent of the Pilot Process, as envisioned by the Commission when it established it in D&O 37507. In particular, the Commission has identified concerns with the following:

1. Proposed projects or initiatives do not appear to appear to be "pilots" in the sense of testing new ideas that have the potential to be scaled-up, if successful.
2. Pilots are not sufficiently conveyed as being "innovative."
3. Notices have not prioritized the appropriate information to support the Commission's evaluation, especially given the expedited period for review.

As noted in D&O 30900, this is not intended to be "a critique of the Pilot Process or Hawaiian Electric's efforts

related thereto.”¹⁵ The Commission recognizes that the Pilot Process represents a novel form of review and that “the parties, the Commission, and stakeholders are still gaining familiarity with this Process”¹⁶ and may interpret the concepts of a “pilot” and “innovation” differently. Accordingly, after considering these first two pilot Notices, as well as the feedback and discussion with parties and interested stakeholders at the informal meeting on June 15, 2023, the Commission offers the following guidance to further improve the Pilot Process.

B.

Commission Guidance

As stated in D&O 37507:

[T]he Commission is including a Pilot Process to foster innovation by establishing an expedited implementation process for pilots that test new technologies, programs, business models, and other arrangements. 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.¹⁷

Consistent with this intent, the Commission offers the following guidance to support Hawaiian Electric’s efforts in

¹⁵D&O 30900 at 21.

¹⁶D&O 30900 at 21.

¹⁷D&O 37507 at 166.

identifying, refining, and supporting pilot Notices submitted under the Pilot Process.

Nature of pilots. For purposes of the Pilot Process, a Notice should reflect a small-scale model of a concept that is intended to be scaled up, if proven successful. The pilot should have clear and unique characteristics that distinguish it as a distinct effort. Pilots should be focused on testing new ideas and technologies which are not currently being pursued through other Company initiatives. For example, a pilot which seeks to implement or expand upon an already proven program or theory would generally not be considered a "pilot" under the Pilot Process. Future Notices should include an explicit description of why and how the proposal meets this definition of a "pilot" and is appropriate for the Pilot Process. Future Notices should also include objectives, defined metrics, a finite duration, intended participation levels, and criteria to evaluate the performance of the pilot and whether it should be scaled up.

The Commission clarifies that this guidance is limited to pilots submitted pursuant to the Pilot Process. The Pilot Process is unique compared to other utility applications, in that it is designated for expedited review and has a designated amount of funding set aside. As a result, there is a corresponding expectation that pilot proposals will be consistent with the intent of the Pilot Process. Notably, to the

extent Hawaiian Electric may wish to pursue a program or project that is not consistent with these parameters, they are still free to file an application seeking approval for such pilots, simply not pursuant to the Pilot Process.

Reflecting innovation. Pilots submitted under the Pilot Process should test new technologies, programs, business models, or other arrangements.¹⁸ Accordingly, Notices should reflect how the pilot is innovative or represents the leading edge of industry innovation. For example, pilot proposals should seek to develop a solution or service that would not otherwise be expected as a standard service (i.e., business as usual). As explained in D&O 37507, an innovative pilot project should go “beyond the sale of basic electric service and align with an established regulatory goal, such as those established within the PBR Framework[.]”¹⁹ The Commission further clarifies that an innovative pilot project should not include proposals that would be redundant, duplicative, or already part of another initiative the Companies are already pursuing. Additionally, improvement in efficiency, alone, does not constitute innovation if it relates to simply improving the utility’s fundamental duties and responsibilities; in this

¹⁸D&O 37507 at 166.

¹⁹D&O 37507 at 170.

regard, the PBR Framework contains other mechanisms that incentivize improved efficiency in utility operations.²⁰

The Pilot Process is intended to focus on new ideas that have never been tried by Hawaiian Electric. To this end, pilots should reflect a novel technology or approach to addressing an issue, such as by incorporating new methods, means, technologies, models, and/or processes, or otherwise reflecting consideration of non-traditional and/or un-tested solutions.

In summary, future Notices should provide a clear description of how the intended project satisfies this definition of innovation (e.g., how it is advancing the state of the industry, goes beyond "standard service," and reflects a novel approach).

Supporting materials. The Commission recognizes Hawaiian Electric's efforts to comply with past guidance in providing support for their two prior pilot Notices. However, the Commission believes Notices can be improved by more clearly and concisely addressing certain elements, including, but not limited to:

1. Greater emphasis and discussion on the pilot's innovative potential;

²⁰The most prominent example is the Multi-year Rate Period, through which the Companies can retain any savings produced as a result of improved cost control for utility operations during a five-year period. See generally, D&O 37507 at 35-37.

2. Focused explanation on how the Notice constitutes a "pilot," as appropriate for the Pilot Process; and
3. Enhanced focus on describing the following elements:
 - a. The underlying issue the pilot seeks to address, and why it is not currently being addressed;
 - b. How the pilot will address this issue(s);
 - c. Who will benefit from the pilot and in what ways and who will bear the pilot's costs; and
 - d. Clear metrics and/or criteria for evaluating the pilot.

This guidance is intended to be constructive and assist the Companies in developing future pilot Notices to be submitted under the Pilot Process. The Commission also encourages stakeholders to participate in the quarterly meetings hosted by Hawaiian Electric. These quarterly meetings should include updates of the approved pilot projects, as well as a preview and update of potential pilot Notices under development or consideration. Input from a diverse group of stakeholders can offer valuable insights in selecting, refining, and vetting potential pilot concepts prior to the filing of a pilot notice. Quarterly meetings should offer stakeholders a clear opportunity

to help Hawaiian Electric assess whether a pilot concept is or is not fit for the Pilot Process before significant resources have been spent in pilot development. Relatedly, the Commission clarifies that ideas for a pilot need not originate exclusively from Hawaiian Electric, but may be proposed by stakeholders during quarterly meetings or through other communications with Hawaiian Electric. Hawaiian Electric may consider soliciting agenda items, such as pilot ideas for discussion, from stakeholders prior to the meetings.

C.

Next Steps

The Commission hereby lifts the suspension on the submission of pilot Notices established in D&O 30900. Hawaiian Electric may resume submitting pilot Notices, pursuant to the Pilot Process, in this Docket.

III.

ORDERS


THE COMMISSION ORDERS:

1. The Commission offers further guidance regarding pilot Notices submitted under the Pilot Process, as set forth above.

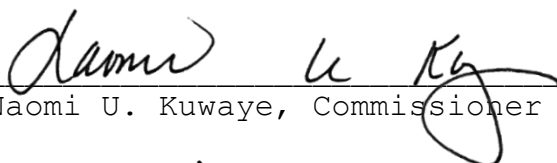
2. The Commission lifts the suspension of submission of pilot Notices in this Docket.

DONE at Honolulu, Hawaii JULY 28, 2023.

PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By 

Leodoloff R. Asuncion, Jr., Chair

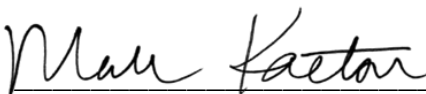
By 

Naomi U. Kuwaye, Commissioner

By 

Colin A. Yost, Commissioner

APPROVED AS TO FORM:



Mark Kaetsu
Commission Counsel

2022-0212:mt

CERTIFICATE OF SERVICE

The foregoing Order was served on the date it was uploaded to the Public Utilities Commission's Case and Document Management System and served through the Case and Document Management System's electronic Distribution List.

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