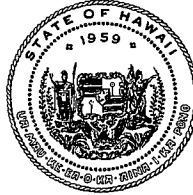


DAVID Y. IGE
GOVERNOR

DOUGLAS S. CHIN
LIEUTENANT GOVERNOR



CATHERINE P. AWAKUNI COLÓN
DIRECTOR

DEAN NISHINA
EXECUTIVE DIRECTOR

**STATE OF HAWAII
DIVISION OF CONSUMER ADVOCACY
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS**

335 MERCHANT STREET, ROOM 326

P.O. Box 541

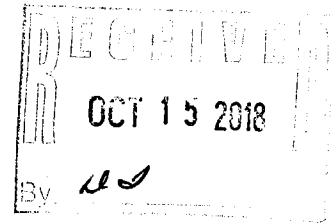
HONOLULU, HAWAII 96809

Phone Number: 586-2800

Fax Number: 586-2780

cca.hawaii.gov/dca/

October 15, 2018



The Honorable Chair and Members of
the Hawaii Public Utilities Commission
Kekuanaoa Building
465 South King Street, Room No. 103
Honolulu, Hawaii 96813

Dear Commissioners:

RE: Docket No. 2018-0165 – Public Utilities Commission Instituting a Proceeding to Investigate Integrated Grid Planning, Hawaiian Electric Companies' Integrated Grid Planning Report.

Pursuant to the Public Utilities Commission's ("Commission") Order No. 35569 Instituting a Proceeding to Investigate Integrated Grid Planning, filed July 12, 2018, ("Order No. 35569"), the Division of Consumer Advocacy ("Consumer Advocate") offers the following initial comments based on its review of the Hawaiian Electric Companies' Integrated Grid Planning Report² ("IGP Report"). While the Consumer Advocate supports the Hawaiian Electric Companies' efforts to integrate supply-side and demand-side resources, transmission, and distribution planning processes with procurement processes and program and state policy initiatives in a timely and transparent manner, the Consumer Advocate identifies several areas where additional information would be useful as part of the Hawaiian Electric Companies' IGP Workplan.

¹ The "Hawaiian Electric Companies" refer collectively to Hawaiian Electric Company, Inc. ("Hawaiian Electric"), Hawai'i Electric Light Company, Inc. ("Hawaii Electric Light"), and Maui Electric Company, Limited ("Maui Electric").

² See letter from K. Katsura to Commission Re: Docket No. 2018-0165 - Instituting a Proceeding to Investigate Integrated Grid Planning; Hawaiian Electric Companies' Integrated Grid Planning Report, filed on July 13, 2018, submitting the IGP Report in the subject docket.

Background.

In its IGP Report, the Hawaiian Electric Companies are proposing a change to their traditional energy planning processes and practices, which the Companies state will streamline “traditionally disparate and serial tasks related to planning and procurement into a unified process.”³ In doing so, the Companies state that their proposed process:

... aims to establish a market for grid solutions that is tightly integrated into the optimization and decision-making process, thus increasing the number of market opportunities for unbundled grid services.⁴

In Order No. 35569, the Commission stated:

The commission supports the stated goals of the IGP Report, but recognizes that many critical details are yet unknown. Given the uncertainty inherent in this early stage of a new process, the commission, in conjunction with the Companies and stakeholders, intends to foster a process that is: (1) transparent; (2) inclusive; (3) coordinated with other planned capital investments and commission initiatives; (4) flexible so that it can improve with experience and adapt to new technologies, planning capabilities, and grid conditions; and (5) consistent with State energy policies.⁵

The Commission directed the Hawaiian Electric Companies to “develop an IGP Workplan to build upon and supplement the IGP Report.”⁶ The Commission stated:

At a minimum, the IGP Workplan must include additional detail and description of the following: (1) the proposed Working Groups, including their specific objectives, composition, expected deliverables, and timelines for those deliverables; (2) a specific proposal for how forecasting assumptions, system data, modeling inputs, studies, analyses, meeting summaries, and other data will be shared with the commission and stakeholders throughout the IGP process; (3) the process and timeline for defining and quantifying grid needs (including generation, transmission, and distribution); (4) the process and timeline for sourcing

³ IGP Report, at 2.

⁴ IGP Report, at 2.

⁵ Order No. 35569, at 20.

⁶ Order No. 35569, at 27.

and procuring solutions to meet identified grid needs; (5) the process and timeline for optimization of the grid solutions identified in the procurement phase; (6) opportunities for midstream evaluation and potential course correction for the IGP process; and (7) when and how independent facilitation will assist the IGP process.⁷

The Commission stated that “[a]fter the commission has ruled on intervention, the commission will develop a set of proposed issues and a procedural schedule for the docket.” Public comments on the IGP report are due October 15, 2018. The Commission ordered that the Hawaiian Electric Companies file the IGP Workplan on December 14, 2018.

Recommendations for Inclusion in IGP Workplan.

Understanding the areas identified above by the Commission is critical to further assess the effectiveness of the proposed IGP process. The Consumer Advocate believes the following items will also be critical in evaluating the extent to which the proposed process will or can achieve the desired goals of transparency, inclusiveness, coordination and consistency (with other planned capital investments, Commission initiatives, and State policy), and flexibility.

Balanced consumer and community representation. Further description is required to establish how the Hawaiian Electric Companies will actively engage customers and communities to ensure balanced representation. For example, how will the Hawaiian Electric Companies ensure that outreach to consumers and communities has been sufficiently inclusive and diverse, and takes into consideration the preferences and priorities of representative consumers (vs. select consumer groups or communities)?

Relationship between the Performance-Based Regulation docket and the IGP process. The Hawaiian Electric Companies reference the consideration of certain criteria or performance measures, such as those related to resilience⁸ and the implementation of certain planning actions.⁹ The Consumer Advocate notes that such items, as well as the development of potential metrics around other goals and objectives including but not limited to affordable bills and utility cost control, service reliability, grid planning effectiveness, and the achievement or incorporation of certain policy goals are ongoing topics in Docket No. 2018-0088, Instituting a Proceeding to Investigate

⁷ Order No. 35569, at 27-8.

⁸ IGP Report, at 6.

⁹ IGP Report, at 15.

Performance Based Regulation. The Consumer Advocate recommends that the IGP Workplan explicitly discuss the relationship between the subject docket and Docket No. 2018-0088, and what should be done to ensure that the two processes are consistent

Use of Sourcing/Procurement Information in Planning Efforts. The Hawaiian Electric Companies propose to shorten the planning process timeframe and incorporate market-based solutions into planning initiatives by integrating procurement and sourcing efforts within the planning process. While the Consumer Advocate recognizes the gains in integrating these processes (as opposed to following a more sequential process), the Consumer Advocate seeks further clarification regarding how the results of resource procurement will be used to inform the overall planning process. For example, the Hawaiian Electric Companies observe that the “evaluation of alternatives will involve proprietary and confidential information” and that, as a result, a “select group of non-market participants should be convened.”¹⁰ The Consumer Advocate fully understands and supports the need to keep competitively sensitive information confidential and believes that a further description regarding the proposed use of such information, or information derived from Requests for Information and Requests for Proposals, in the planning process would be useful.

Additional information regarding more refined, transparent Value of Service (“VoS”) analysis. The Hawaiian Electric Companies plan to utilize a “refined, more transparent version” of the VoS methodology used in Docket No. 2015-0412 to “provide a reasonableness test against market pricing”¹¹ for resource and grid services. In Docket No. 2015-0412, although the Consumer Advocate supported the use of the VoS methodology at that time, the Consumer Advocate also noted that the methodology should not be viewed as a “final” product and “continued analyses and vetting of this methodology, underlying assumptions, and inputs will occur on a going-forward basis.”¹² At the time of the its VoS Comments, the Consumer Advocate identified a number of questions, such as whether the VoS methodology should include a check to ensure that the methodology does not result in excessively valuing individual services, where the accumulated individual values exceed the underlying fully embedded costs of all the services, whether service proxy assets, such as the use of the contingency battery for the Fast Frequency Response service overstates the value for the service and ultimately the Demand Response tariff price of the service. The Consumer Advocate believes that further elaboration on the more transparent version of the VoS methodology, as well as discussion on questions raised by the Consumer Advocate in its VoS Comments would be beneficial.

¹⁰ IGP Report, Appendix B, at 16.

¹¹ IGP Report, Appendix B, at 4.

¹² The Consumer Advocate’s Comments on “Value of Services Methodology,” filed on January 6, 2017, in Docket No. 2015-0412 (“Consumer Advocate VoS Comments”).

Further description regarding the interactions between the Stakeholder Council, Technical Advisory Panel, Working Groups, and customer and public engagement efforts. The Hawaiian Electric Companies describe the proposed Stakeholder Council, Technical Advisory Panel, Working Groups, and plan for customer engagement in Appendix A to the IGP Report. The Hawaiian Electric Companies state that “stakeholder engagement will be utilized in the development of forecast assumptions and scenarios critical to the overall IGP process” and that “stakeholders will be engaged again as part of the core IGP development process in review and input of the analytical tools and methodologies to be utilized.”¹³ The Consumer Advocate believes further description regarding the relationships between these groups, how these groups will communicate and make available information to the Stakeholder Council and in the subject docket, and the role of a potential facilitator in decision-making, would be helpful.

Additional Comments

The Consumer Advocate would like to take this opportunity to encourage the Commission and the Hawaiian Electric Companies to pursue the “market track” issues and to advance efforts to unbundle the costs of service into relevant, disaggregated detail. These unbundling efforts will be a foundational and integral part of evaluating various alternatives, whether it be supply side, demand response, energy efficiency, transmission, distribution, or any electric service, as part of the IGP process. Relying only on market information to gauge the reasonableness of proposed prices could result in customers paying higher prices on an “ala carte” basis as compared to the price paid for an integrated service. The comparative evaluation that will be conducted in the IGP process should consider all aspects of any service in an “all-in” equal basis¹⁴ to ensure that consumers are receiving the maximum benefits associated with any alternative. The Consumer Advocate urges the Commission to not let market or third-party interests be put ahead of consumers’ interests.

¹³ IGP Report, Appendix B, at 16.

¹⁴ To elaborate, if additional infrastructure, such as monitoring equipment, must be installed to allow a new DR service, all relevant costs should be considered when evaluating alternatives, not just certain incremental costs.

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October 15, 2018
Page 6

The Consumer Advocate appreciates the opportunity to offer these comments and looks forward to any future procedural steps to offer additional contributions to the proposed IGP process.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Dean Nishina". The signature is fluid and cursive, with a long horizontal stroke at the end.

Dean Nishina
Executive Director

DN:lm

c: Service List

SERVICE LIST

DEAN MATSUURA
MANAGER, REGULATORY RATE
PROCEEDINGS
HAWAIIAN ELECTRIC COMPANY, INC.
P.O. Box 2750
Honolulu, Hawaii 96840-0001

1 copy
by hand delivery

MELISSA MIYASHIRO
CHIEF OF STAFF
BLUE PLANET FOUNDATION
55 Merchant Street, 17th Floor
Honolulu, Hawaii 96813

1 copy
by U.S. mail

JOSEPH K. KAMELAMELA
CORPORATION COUNSEL
ANGELIC M.H. HALL
DEPUTY CORPORATION COUNSEL
COUNTY OF HAWAII
101 Aupuni Street, Suite 325
Hilo, Hawaii 96720

1 copy
by U.S. mail

Attorneys for County of Hawai'i

CARLITO P. CALIBOSO
DAVID A. MORRIS
YAMAMOTO CALIBOSO
A Limited Liability Law Company
1100 Alakea Street, Suite 3100
Honolulu, Hawaii 96813

1 copy
by U.S. mail

Counsel for Energy Freedom Coalition of America, LLC

WILLIAM J. ROLSTON
DIRECTOR
ENERGY ISLAND
73-4101 Lapa`au Place
Kailua Kona, Hawaii 96740-8424

1 copy
by U.S. mail

BEREN ARGETSINGER
KEYES & FOX, LLP
P.O. Box 166
Burdett, NY 14818

1 copy
by U.S. mail

TIM LINDL
KEYES & FOX, LLP
436 14th Street, Suite 1305
Oakland, CA 94612

1 copy
by U.S. mail

Counsel to Hawaii PV Coalition

WILLIAM G. GIESE
EXECUTIVE DIRECTOR
HAWAII SOLAR ENERGY ASSOCIATION
P.O. Box 37070
Honolulu, Hawaii 96817

1 copy
by U.S. mail

HENRY CURTIS
VICE PRESIDENT FOR CONSUMER ISSUES
LIFE OF THE LAND
P.O. Box 37158
Honolulu, Hawaii 96837-0158

1 copy
by U.S. mail

DOUGLAS A. CODIGA
MARK F. ITO
SCHLACK ITO
A Limited Liability Law Company
Topa Financial Center
745 Fort Street, Suite 1500
Honolulu, Hawaii 96813

1 copy
by U.S. mail

Attorneys for Progression Hawaii Offshore Wind, LLC

ERIK KVAM
PRESIDENT
RENEWABLE ENERGY ACTION
COALITION OF HAWAII, INC.
4188-4 Keanu Street
Honolulu, Hawaii 96816

1 copy
by U.S. mail

GERALD A. SUMIDA
ARSIMA A. MULLER
CARLSMITH BALL LLP
ASB Tower, Suite 2100
1001 Bishop Street
Honolulu, Hawaii 96813

1 copy
by U.S. mail

Attorneys for Ulupono Initiative LLC