STATE OF HAWAII
PUBLIC UTILITIES COMMISSION

ANNUAL REPORT

FOR

FISCAL YEAR 2016

(July 1, 2015 – June 30, 2016)

DECEMBER 2016

Executive Summary

The mission of the Public Utilities Commission ("PUC" or "Commission") of the State of Hawaii ("State") is to provide effective, proactive, and informed oversight of all regulated entities to ensure that they operate at a high level of performance so as to serve the public fairly, efficiently, safely, and reliably, while addressing the goals and future needs of the State in the most economically, operationally, and environmentally sound manner, and affording the opportunity for regulated entities to achieve and maintain commercial viability.

Administrative Update

In the one year since the Commission completed its transfer from the Department of Budget and Finance to the Department of Commerce and Consumer Affairs, the Commission successfully completed its reorganization by establishing all 17 of the remaining authorized and funded reorganization positions. During the fiscal year, the Commission also re-described 19 positions, and recruited and filled 16 vacant and newly established or re-described positions. Due to limited space, it was necessary for some staff from the overcrowded Oahu office to take occupancy of a temporary "swing space" in a state-owned building. The Commission is currently in Phase 2 and working on securing funding for Phase 3 of the expansion and renovation project. When complete, the renovation will provide space for all funded and authorized full-time Commission Oahu office staff to be situated in the same building, increasing the efficiencies and effectiveness of Commission operations.

Commission Proceedings and Regulatory Issues

In Fiscal Year ("FY") 2016, the Commission regulated 1,705 entities, which includes all chartered, franchised, certificated, and registered public utility companies that provide electricity, gas, telecommunications, private water and sewage, and motor and water carrier transportation services in the State.

The Commission issued a total of 783 decisions and orders in FY 2016. The Commission began FY 2016 with 232 open dockets that had been initiated in previous fiscal years. During the fiscal year, an additional 387 new dockets were opened (most of which were applications filed by entities regulated by the Commission), and 428 dockets were completed (closed). As of the end of FY 2016, 191 open dockets remained, to carry over to FY 2017.

The majority of the Commission's time and resources in FY 2016 were dedicated to the important and complex area of regulating Hawaii's electric utilities, as Hawaii transforms its energy sector.

The application for approval of the transfer of control of the Hawaiian Electric Companies to NextEra Energy required significant staff resources. After a 20-month review of more than 88,000 pages of filed documents, 22 days of formal evidentiary hearings, and seven public listening sessions on each of the main Hawaiian Islands, the Commission dismissed the application in a 2-0 decision shortly after the close of the fiscal year.

During the fiscal year, the Commission made major progress on the advancement of the following priority dockets that will contribute to the State achieving its energy goals:

- HECO Companies' Power Supply Improvement Plans
- Distributed Energy Resource Policies Investigation
- Community Based Renewable Energy Program
- HECO Companies' Demand Response Program
- Re-examination of Decoupling Mechanisms for HECO, HELCO, and MECO

The following section briefly summarizes major docketed proceedings by industry.

<u>Electric Utilities</u>

During the Fiscal Year, the Commission prioritized its work in the electric utility sector in several priority dockets that will have major implications for Hawaii's energy future.

HECO Companies and NextEra Energy Transfer/Merger, Docket No. 2015-0022

The HECO Companies[1] and NextEra Energy's joint application requested the PUC to approve the change of control of the HECO Companies from Hawaiian Electric Industries, Inc. ("HEI") to Hawaiian Electric Holdings, a wholly owned subsidiary of NextEra Energy.

More than 88,000 pages of documents were filed in the docket. The Commission held 22 days of formal evidentiary hearings between November 2015 and March 2016 and seven public listening sessions throughout September and October of 2015. Although not legally required to hold public hearings, the Commission held the public listening sessions on each of the islands served by the HECO Companies (e.g., Oahu, Maui, Lanai, Molokai, and Hawaii) and an additional session on the island of Kauai to provide members of the public the opportunity to address the Commission on issues concerning the Proposed Change of Control.

On July 15, 2016, by Order No. 33795, the Commission concluded that while NextEra was fit, willing, and able to step into the shoes of the HECO Companies, the Application for the proposed Change of Control was not in the public interest and dismissed the Joint Application for the Change of Control without prejudice in a 2-0 decision. Commissioner Thomas C. Gorak abstained from signing the Order.

HECO Companies' Power Supply Improvement Plans ("PSIPs"), Docket No. 2014-0183

The ultimate purpose of this proceeding is to determine a reasonable power supply plan for each of the HECO Companies that can serve as a strategic basis and provide context to inform important pending and future resource acquisition and system operation decisions. After a review of the HECO Companies' submitted PSIPs, the Commission issued Order No. 33320 on November 4, 2015, where it found several shortcomings in the PSIPs that need to be addressed. On April 1, 2016, the HECO Companies filed their PSIP Update with the Commission. The Commission continues to have concerns with the transparency, objectivity, and credibility of the analysis supporting the PSIP Update. In order to address these concerns and conclude this proceeding in an expeditious and productive manner, the Commission hosted two technical conferences to facilitate stakeholder input and to address remaining issues. The Commission directed the Companies to file a revised PSIP by December 23, 2016 for Commission review.

Distributed Energy Resource Policies Investigation, Docket No. 2014-0192

The evolution in distributed energy resource ("DER") policies is essential given the extraordinary level of distributed renewable energy already achieved in Hawaii and the State's commitment to meet a 100% renewable portfolio standard by 2045. On October 12, 2015, the Commission issued Order No. 33258 and established a transitional market structure for DER. On October 3, 2016, by Order No. 33958, the Commission established a preliminary statement of issues for Phase II of the proceeding. The Commission views Phase II as encompassing two parallel tracks for investigation: a "technical" track and a "market" track and continues to investigate these DER policy issues. Phase II will continue a stakeholder process to develop a longer-term, competitive market structure for maximizing the benefits of DER in Hawaii.

Community Based Renewable Energy Program, Docket No. 2015-0389

In June 2015, the Hawaii State Legislature passed Act 100 to establish the Community-Based Renewable Energy ("CBRE") Program to make the benefits of renewable energy generation more accessible to a greater number of Hawaii residents. Completed applications by Hawaii's electric utilities were filed in late November of 2015. However, many stakeholders provided feedback suggesting modifications and improvements to the utilities' applications. As a result, the Commission opened an investigation to resolve the issues that were raised. In June 2016, the Commission provided a staff-prepared draft proposal for a CBRE Program, recommending key

[1] The HECO Companies are comprised of Hawaiian Electric Company, Inc. (HECO), serving the island of Oahu; Maui Electric Light Company, Limited (MECO), serving the islands of Maui, Lanai, and Molokai; and Hawaii Electric Light Company, Inc. (HELCO), serving Hawaii Island.

components for KIUC's and the HECO Companies' CBRE tariffs. After considering further comments from stakeholders, the Commission expects to approve a CBRE program in early 2017.

HECO Companies' Demand Response Program, Docket Nos. 2007-0341, 2015-0412, 2015-0411

Fundamental changes in electricity markets are creating dramatic changes in the operation of electric grids, which, in turn, provide opportunities for additional fast, flexible, and continuously responsive distributed energy resources. Demand response ("DR") programs have emerged as an essential tool to address the myriad challenges that arise out of an increasingly dynamic electric grid. The Commission provided the HECO Companies with specific guidance concerning the standards to be met by a fully integrated demand response portfolio plan ("IDRPP") and assigned a Special Advisor to guide, monitor, and review the IDRPP design and implementation process. Given the expected value from DR to both participating and non-participating customers, as well as the potential for DR to enable further renewables integration in accordance with the State's energy goals, the Commission directed the HECO Companies to begin DR program implementation before the end of calendar year 2016. The Companies will commence demonstration phase projects in December 2016 with a revised DR Portfolio filing to be submitted in February 2017. Customer enrollment in the re-designed DR Portfolio is expected in August 2017.

Re-examination of Decoupling Mechanisms for the HECO Companies, Docket No. 2013-0141

Decoupling mechanisms separate a utility's revenues from its sales. A decoupling mechanism must be carefully balanced so as to achieve the goal of encouraging the integration of energy efficiency and renewable energy by a utility while, at the same time, avoiding a situation whereby utility costs are simply passed through to customers without appropriate regulatory scrutiny. The Commission has ordered modifications to the decoupling mechanism and continues to investigate whether the decoupling mechanisms are serving their intended purposes.

Water and Wastewater Utilities

The Commission currently regulates 39 privately-owned water service utilities that provide water services and wastewater services. During FY 2016, the Commission approved a rate increase for one utility, opened two rate cases, and approved the sale or transfer of two companies.

Telecommunications

The Commission oversees 187 telecommunications providers. In FY 2016, the Commission certificated 12 new telecommunications companies to provide services in the State. The Commission also designated one new Lifeline-only eligible telecommunications carrier ("ETC") and provided certifications to the Federal Communications Commission and the Universal Service Fund ("USF") administrator for certain State-designated ETCs participating in USF disbursements that were able to show that the high-cost support they received was used and would be used only for its intended purpose.

Water Carriers

During FY 2016, the Commission began reviewing a rate case filed by Young Brothers, and approved tariff changes requested by Sea Link of Hawaii.

Motor Carriers

During FY 2016, 112 new certificates or permits were issued to 91 passenger carriers and 21 property carriers, bringing the total number of regulated motor carriers to 1,469. The total includes 943 passenger carriers and 526 property carriers. The Commission also reviewed and approved rates for members of the Western Motor Tariff Bureau, Inc., and 40 independent motor carriers.

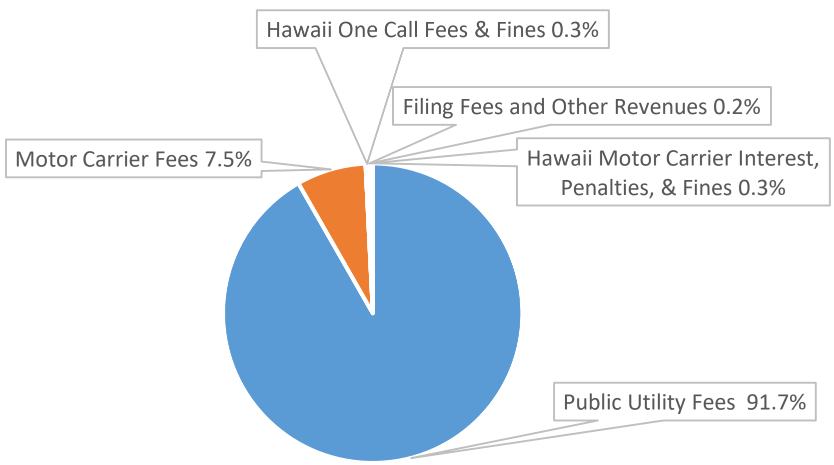
Enforcement Activities

There were eight formal complaints and 165 written informal complaints processed in FY 2016. The Commission issued 25 civil citations assessing civil penalties totaling $30,500. 39 motor carrier certificates were also revoked.

Commission Funding

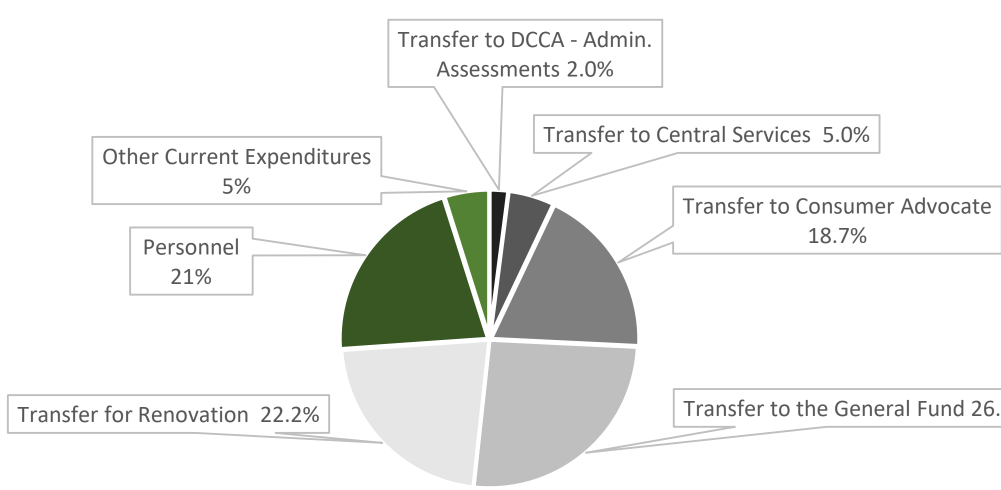
Fees from public utilities and motor carriers are deposited into a Special Fund for expenses incurred in the administration of Chapters 269, 269E, 271, and 271G of the Hawaii Revised Statutes. In FY 2016, total Special Fund revenues were $22,497,327. The majority, 91.7%, came from public utility fees; 7.5% came from motor carrier fees; 0.3% came from One Call Center fees and fine; 0.3% came from motor carrier interest, penalties, and fines; and 0.2% came from other sources.

Figure – Breakdown of FY 2016 Commission Revenue



In FY 2016, Commission direct expenditures totaled $5,822,905 and accounted for only 26.1% of total expenditures and transfers. Of the 73.9% remaining, 26% was transferred to the General Fund, 22.2% funded the Commission's Office Space and Renovation Project, 18.7% was transferred to the Division of Consumer Advocacy, 5% was transferred to Central Services, and 2% was transferred for Administrative Support Services from the DCCA.

Figure – Breakdown of FY 2016 Commission Expenditures and Transfers



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Introduction

The Public Utilities Commission ("Commission" or "PUC") of the State of Hawaii ("State") submits this Annual Report pursuant to §269-5, Hawaii Revised Statutes ("HRS"). In short, this report summarizes the activities and operations of the Commission and the public utilities it regulates during the 2016 Fiscal Year ("FY"), which runs from July 1, 2015 to June 30, 2016. Where possible, this report reflects the most current information. Therefore, discussion and information on key regulatory issues are current through November 2016. Regulated utilities' reports, financial, and budget information reflect information from the 2016 fiscal year.

The Commission regulates 1,705 entities, which include all chartered, franchised, certificated, and registered public utility companies that provide electricity, gas, telecommunications, private water and sewage, and motor and water carrier transportation services in the State. See Figure 1. The Commission also enforces applicable State statutes, and establishes rules and regulations.

Figure 1: Entities Regulated by the PUC

Energy					Transportation					Telecom		Water/ Waste-water
Electricity				Gas	Water Carriers			Motor Carriers				
Hawaiian Electric Company	Maui Electric Company	Hawaii Electric Light Company	Kauai Island Utility Cooperative	The Gas Company, dba Hawaii Gas	Young Brothers	Sea Link	Hone Heke	943 Passenger Services	526 Property Carriers	Hawaiian Telcom	187 Wireless and Wireline Companies	39 Private Water and Sewer Companies

The Commission has offices on four islands.

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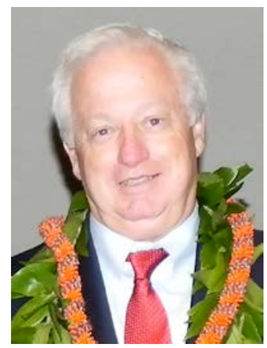
Commissioners

The Hawaii Public Utilities Commission is a full-time body comprised of three commissioners, each serving six-year terms on a staggered basis. The governor, with the consent of the state senate, appoints the commissioners. The three commissioners during FY 2016 were:

Randall Y. Iwase, Chair

Randall Y. Iwase was appointed as the Chair of the Commission in January 2015 by Governor David Y. Ige for a term to expire on June 30, 2020. Prior to his appointment to the Commission, Chair Iwase served as the Chair of the Hawaii State Tax Review Board and Chair of the Hawaii Labor and Industrial Relations Appeals Board. He also served as the Supervising Deputy Attorney General where his division provided legal counsel to the Department of Commerce and Consumer Affairs and the Public Utilities Commission. Chair Iwase is a former state senator and former Honolulu city council member. Chair Iwase holds a J.D. from the University of San Francisco School of Law, and a B.A. from the University of Florida, Gainesville, where he graduated with honors.

Michael E. Champley, Commissioner[2]



Michael E. Champley was appointed to the Commission on September 15, 2011 by Governor Neil Abercrombie for a term that expired on June 30, 2016. Commissioner Champley has over 40 years of experience analyzing, integrating and managing complex economic, public policy and technical issues confronting the energy utility industry. Prior to his appointment, Commissioner Champley was a Maui-based senior energy consultant focused on clean energy resource integration in Hawaii. Before relocating to Hawaii, Commissioner Champley was a senior executive with DTE Energy, where he held various executive positions including Senior Vice President-Regulatory Affairs and Senior Vice President-Power Supply. He holds a B.S. in Electrical Engineering from the University of Dayton and an M.B.A. from Indiana University, with emphasis in Finance and Public Utility Economics and Regulation.

Lorraine Akiba, Commissioner

Lorraine H. Akiba was appointed to the Hawaii Public Utilities Commission in January 2012 by Governor Neil Abercrombie for a term to expire June 30, 2018. She was previously a law partner at McCorriston Miller Mukai MacKinnon LLP and Cades Schutte Flemming & Wright LLP, where she headed each firm's Environmental Practice Group. She has held leadership positions at a number of national and state professional organizations including the American Bar Association Young Lawyers Division, the Hawaii Women's Legal Foundation and the National Conference of Women's Bar Associations. She previously served as Director of the State of Hawaii Department of Labor and Industrial Relations and as Chair of the State of Hawaii Environmental Council. Commissioner Akiba is a member of the Advisory Council to the Board of Directors of the Electric Power Research Institute. She also is a member of the U.S. DOE and Lawrence Berkeley National Laboratory Future Electric Utility Regulation Advisory Group. She also serves on the National Association of Regulatory Utility Commissioners Board of Directors, and its Energy Resources and Environment Committee. She also is a member of the State and Local Energy Efficiency Action Network (SEE Action) Financial Solutions Working Group. Commissioner Akiba holds a J.D. from the University of California, Hastings College of the Law, and graduated with honors from the University of California at Berkeley with a B.A. in political science.

[2] On June 29, 2016, Thomas C. Gorak was appointed to the Commission by Governor David Ige on an interim basis and sworn in as a Commissioner effective July 1, 2016.

Goals and Objectives of the Commission

Mission Statement

The Commission's mission is to provide effective, proactive, and informed oversight of all regulated entities to ensure that they operate at a high level of performance so as to serve the public fairly, efficiently, safely, and reliably, while addressing the goals and future needs of the State in the most economically, operationally, and environmentally sound manner, and affording the opportunity for regulated entities to achieve and maintain commercial viability.

Strategic Goals

The Commission's strategic goals are to:

- Increase the efficiency and effectiveness of the regulatory process;
- Foster greater understanding of the regulatory process by the public;
- Inspire confidence in the regulatory process;
- Require regulated entities to continually achieve outstanding performance;
- Create a regulatory environment that contributes to the economic and clean energy goals of the State;
- Stimulate and encourage competition where appropriate and feasible; and
- Cultivate high morale and performance among Commission employees.

Long-Term Objectives

The long-term objectives of the Commission are to:

- Review and propose updates to regulatory laws and rules to address the future needs of the public, the utility industries, and the State;
- Develop processes for educating and informing the public about the regulatory process and Commission decisions;
- Provide meaningful guidance to regulated utilities with respect to expected levels of performance;
- Identify areas where competition may achieve results that are superior to regulation and foster competition in those areas;
- Provide regular and relevant training opportunities for staff to improve knowledge and skills;
- Take appropriate actions to insure adequate funding levels to perform all Commission functions;
- Actively monitor pending legislation at the State and Federal levels to determine potential impacts on Commission duties and responsibilities; and
- Develop a knowledge base of industry, economic, and policy trends to allow better anticipation of regulatory impacts.

Short-Term Objectives

The short-term objectives of the Commission are to:

- Review and revise, where necessary, organization and position descriptions to ensure clarity of responsibilities and duties;
- Fill remaining vacancies with individuals having the requisite skills, knowledge, and attributes;
- Provide basic training in the regulatory field to all professional staff within the first six months of employment;
- Review and modify, as necessary, internal communication, information and document flow to ensure accuracy, efficiency, and appropriate dispersal among personnel;
- Review and modify, as necessary, work processes to improve efficiency, accuracy, and timeliness; and
- Review IT requirements to facilitate timely and accurate dissemination of information.

Recommendations for Legislative & Executive Action

Allow an increase to the PUC Special Fund ceiling in FY18 to retain consultants and train staff.

In the FY 18, the PUC fully anticipates current work load to increase due to the undertaking of numerous dockets of significant impact such as the review of anticipated applications for general rate increases by HECO, HELCO, MECO, KIUC and The Gas Company during 2017; HECO, HELCO, and MECO's grid modernization applications; as well as many other ongoing dockets directly related to achieving the State's renewable energy goals. These dockets must be handled while the Commission continues to meet its regulatory responsibilities in the motor carrier, water carrier, telecommunication, water service, and wastewater service industries.

Due to the highly complex and technical nature of the Commission's workload, the rapidly evolving electric service industry, and the Commission's limited staff resources, it is important for the PUC to retain expert consultants, maintain an adequately trained professional staff, and stay up-to-date on current and emerging technologies as well as the progressive regulatory approaches needed to move the State towards its clean energy goals. The Commission is requesting an increase to the PUC Special Fund ceiling in FY 18 of $942,000 to effectively perform the rigorous analyses required in the upcoming dockets.

Allow an increase to the PUC Special Fund ceiling in FY 18 to cover costs necessitated by the Commission's reorganization and office space expansion project.

The PUC will be requesting an additional $303,949 in non-recurring costs for FY 18 and an additional $35,800 in recurring costs for FY 18 and FY 19 to meet expenses necessitated by the Commission's reorganized and expanded staff and office expansion project. These expenses, due to moving costs and communication and networking equipment, must be met to adequately complete the PUC's ongoing office space expansion project in the Kekuanaoa Building. In short, the approval of this request will allow the PUC staff, in its entirety, to have an office space in one building with adequate resources that will allow for their continued effective performance of daily tasks and duties.

Administrative Update

Office Expansion Project and Recruitment Activities

In FY 2016 the Commission continued to work with the Department of Accounting and General Services Public Works Division ("DAGS") and the selected design consultant to finalize plans and secure funding for Phase 3 of the Commission's office space expansion and renovation project ("Project") in the State's Kekuanaoa Building ("Building"). The Project is divided into three Phases. Phase 1 involved the long term design and plan for the Project. Phase 2 includes the design and renovation of rooms B1 and B2 of the Building and is scheduled to be completed at the end of FY 2017. Phase 3 of the Project includes the design, total renovation of the Building's Room 103, and construction of a multi-purpose hearing and conference/training room. The Project's completion in Spring 2018 will provide the Commission with sufficient resources to enable all funded and authorized full-time Commission office staff on Oahu to be situated in one building, which will increase the efficiencies and effectiveness of Commission operations.

Act 177, Session Laws of Hawaii ("SLH") 2007 ("Act 177"), provided the initial approval for the Commission's much needed reorganization plan ("reorganization"), and appropriated funding for 14 new reorganization positions. Act 108, SLH 2014 ("Act 108") added and appropriated funding for three key administrative positions, bringing the Commission's Oahu staffing to a total of 62 full-time, permanent, and funded positions.[3]

Prior to the initiation of the Project, the Commission's existing office space in the Building had been reconfigured to maximize the use of all available space but had no capacity to accommodate the immediate hiring of the additional 17 reorganization positions. In January 2016, the Commission took occupancy of a temporary 'swing space', for the duration of the Project, in a State-owned office building that allowed for the immediate recruitment of all vacant positions and eliminated the need to prioritize recruitment.

In FY 2016, the Commission filled the following 16 vacant positions:

- 1 Office Assistant IV
- 2 Office Assistants
- 1 Engineer III
- 3 PUC Attorneys
- 2 Utility Analysts
- 1 Supervising Attorney
- 1 Supervising Economist
- 1 Compliance Officer
- 1 Account Clerk III
- 1 Procurement & Contract Specialist
- 1 Legal Clerk
- 1 Enforcement Officer

Administrative Transfer and Reorganization Update

In the one year since the Commission completed its transfer from the Department of Budget and Finance to the Department of Commerce and Consumer Affairs pursuant to Act 108, the Commission successfully completed its much needed reorganization, initiated by Act 177. In FY 2016, the Commission established all 17 of the remaining authorized and funded reorganization positions, re-described 19 positions, and recruited and filled 16 vacant and newly established or re-described positions, bringing Commission staffing to 85% filled with 55 employees out of the 65 funded and authorized full-time permanent positions. The Commission fully expects to fill the remaining ten vacancies in FY 2017.

In the coming Biennium FY 2017 – 2019, the Commission faces the challenge of providing accelerated basic, targeted, specific, and relevant training to almost 50% of its professional staff, which is necessary because of the increased workload and technical complexity of matters under investigation by the Commission in a rapidly changing regulatory and energy industry environment.

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[3] The Commission is funded and authorized for a full staff of 65 permanent positions, however, the reorganization and office space expansion does not affect the three existing neighbor island positions.

Docket Proceedings and Regulatory Issues

Regulatory proceedings are conducted in a formal docket process. Docket filings, decisions, and orders are available on the Commission's Document Management System ("DMS") website at: http://dms.puc.hawaii.gov/dms/. You may also view non-docketed filings on DMS. Non-docketed filings in calendar year 2015 are located under docket number 2015-0000, and those from calendar year 2016 are located under docket number 2016-0000.

This section provides the Commission's docket statistics, as well as summarizes major proceedings and regulatory issues by sector.

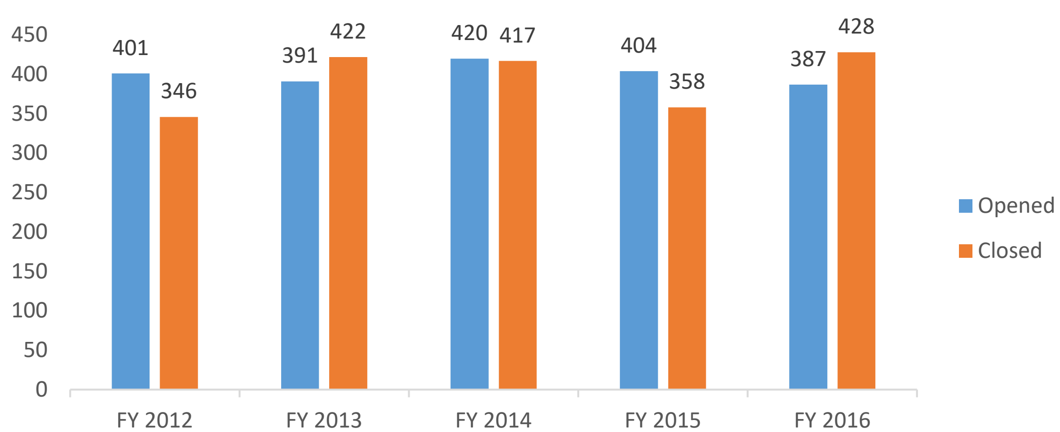
Docket Statistics

The Commission issued a total of 783 decisions and orders in FY 2016. The Commission began FY 2016 with 232 pending dockets that were carried over from previous fiscal years. During the fiscal year, an additional 387 new dockets were opened (most of which were applications filed by regulated entities with the Commission). Thus, during FY 2016, a total of 619 dockets were before the Commission for review and consideration. Of the 619 dockets, 428 were completed by the end of FY 2016. As of June 30, 2016, 191 open dockets remained pending and will carry over to FY 2017. The number of dockets by type and status are shown in Table 1. The number of dockets opened and closed during the past five fiscal years are shown in Figure 2.

Table 1 - Public Utilities Commission Dockets

Sector	Carried over from FY 2015	Opened in FY 2016	Total of FY15 Carried Over + FY16 Opened	Closed in FY 2016	To Carry Forward to FY 2017
Electric	70	42	112	52	60
Gas	6	2	8	7	1
Telecommunication	22	64	86	64	22
Water/Sewer	6	7	13	8	5
Motor Carrier - Passenger	90	203	293	216	77
Motor Carrier - Property	32	65	97	76	21
Water Carrier	4	1	5	2	3
One Call Center	2	2	4	2	2
Other	0	1	1	1	0
TOTAL	**232**	**387**	**619**	**428**	**191**

Figure 2 - Dockets Opened and Closed, Fiscal Years 2012-2016



The majority of the Commission's time and resources in FY 2016 was dedicated to the important and complex area of regulating Hawaii's electricity service providers, as Hawaii transforms its energy sector to achieve the State's energy goals, including meeting a 100% Renewable Portfolio Standard by 2045.

The following sections summarize the Commission's docketed proceedings in the following categories: electric utilities and energy, which includes the PUC Priority Dockets; gas; water and wastewater; telecommunications; water carriers; motor carriers; and program proceedings.

Electric Utilities and Energy Proceedings

The Commission regulates four electric utility companies or entities engaged in the production, purchase, transmission, distribution, and sale of electric energy in the State: Hawaiian Electric Company, Inc. ("HECO"), serving the island of Oahu; Maui Electric Light Company, Limited ("MECO"), serving the islands of Maui, Lanai, and Molokai; Hawaii Electric Light Company, Inc. ("HELCO"), serving Hawaii Island; and Kauai Island Utility Cooperative ("KIUC"), serving the island of Kauai.

The following section summarizes the Commission's electric utilities and energy-related proceedings in the following categories: PUC Priority Dockets, Generation Resource Acquisition, Capital Expenditures, Ratemaking and Tariffs, Financing, Fuel Contracts, Petitions of Declaratory Order and Formal Complaints, and Miscellaneous.

PUC Priority Dockets

During the Fiscal Year, the Commission prioritized its work and made progress on the advancement of the following priority dockets that will have major implications for the future of Hawaii's electric utilities and will contribute to helping the State achieve its energy goals.

HECO Companies and NextEra Energy Transfer/Merger: Application for Approval of the Proposed Change of Control and Related Matters
Docket No. 2015-0022, Status: Closed

On January 29, 2015, the HECO Companies and NextEra Energy, Inc. submitted an application requesting the PUC approve the change of corporate control of the Hawaiian Electric Companies from Hawaiian Electric Industries, Inc. ("HEI") to Hawaiian Electric Holdings, a wholly owned subsidiary of NextEra Energy.

Throughout September and October of 2015, the Commission held public listening sessions on each of the islands served by the HECO Companies: Oahu, Maui, Lanai, Molokai, and Hawaii. A session was also held on the island of Kauai. Although the Commission is not legally required to hold public hearings with respect to the Application, the Commission provided members of the public the opportunity to address the Commission concerning the Proposed Transaction at public listening sessions. Twenty-two days of formal evidentiary hearings were held between November 30, 2015 - March 1, 2016.

On July 15, 2016, by Order No. 33795, the Commission dismissed without prejudice the HECO Companies' and NextEra Energy's Joint Application for the Change of Control in a 2-0 decision. Commissioner Thomas C. Gorak[4] abstained from signing the Order.

In assessing whether or not the Application should be approved, the Commission applied two legal standards: (1) is the Application reasonable and in the public interest; and (2) is the applicant (NextEra) fit, willing, and able to provide the services currently offered by the HECO Companies. It is the Applicants' evidentiary burden to prove that both of these legal standards are met by a preponderance of the evidence. After reviewing the entire record, the Commission concluded that while NextEra is fit, willing, and able to step into the shoes of the HECO

[4] Thomas C. Gorak was appointed to the Commission by Governor David Ige on an interim basis and sworn in as a Commissioner effective July 1, 2016.

Companies without a loss in performance, the Application for the proposed Change of Control is not in the public interest.

In reaching this decision, the Commission considered the ninety-five (95) specific commitments proposed by the Applicants, as well as the evidentiary record as a whole. Specifically, the Commission concluded that the Applicants had not shown the Application to be reasonable and in the public interest with respect to five fundamental areas of concern: (1) benefits to ratepayers; (2) risks to ratepayers posed by NextEra's complex corporate structure; (3) Applicants' clean energy commitments; (4) the proposed Change of Control's effect on local governance; and (5) the proposed Change of Control's effect on competition in local energy markets.

First, the Commission concluded that the benefits offered by Applicants were both inadequate and uncertain. The Applicants proposed a combination of rate credits, investment funds, and a rate case moratorium. Upon reviewing the record, the Commission concluded that each of these lacked sufficient assurances that they would translate into tangible, enforceable benefits to ratepayers. Second, the Commission concluded that Applicants had not offered sufficient protection to the HECO Companies, and their ratepayers, to offset the risks presented by NextEra's complex corporate structure. Third, with respect to the State's clean energy goals, the Commission concluded that notwithstanding NextEra's extensive management capabilities, experience, and finances, Applicants had failed to put forth near-term commitments for specific action tailored to Hawaii's unique circumstances and clean energy goals. Rather, Applicants' commitments were in the nature of providing "best efforts" and maintaining existing practices and standards. Additionally, the Commission noted Applicants' lack of specific commitments relating to Distributed Energy Resources ("DER"), which runs contrary to Hawaii's status as a national leader in integrating high levels of distributed solar photovoltaic systems. Fourth, the Commission concluded that while local regulatory control would not be diminished, Applicants had failed to adequately demonstrate how the proposed Change of Control would affect local governance. Fifth, the Commission concluded that Applicants had not adequately demonstrated that competition would be preserved if the Change of Control was approved.

In dismissing the Application, the Commission emphasized that it is not precluding the HECO Companies from seeking another partner, or from renewing discussions with NextEra. As part of its decision, the Commission included a section that provides guidance on key elements that should serve as the foundation for any future applications seeking a change of control of the HECO Companies.

HECO Companies' Power Supply Improvement Plans
Docket No. 2014-0183, Status: Open

On April 28, 2014, the Commission issued four major orders that collectively provided broad guidance with respect to electric utility planning and operations, including instructions to the HECO Companies to develop and file Power Supply Improvement Plans ("PSIPs"). On August 7, 2014, the Commission initiated this docket to consolidate the review of the PSIPs filed by the HECO Companies. The ultimate purpose of this proceeding is to determine a reasonable power supply plan for each of the HECO Companies that can serve as a strategic basis and provide context to inform important pending and future resource acquisition and system operation decisions.

On November 4, 2015, the Commission issued Order No. 33320 which granted intervention and participant status to certain movants; identified an initial statement of issues and a schedule of proceedings; and made preliminary observations regarding the PSIPs. The Commission found several shortcomings in the initial PSIP, and identified several matters requiring further supplementation and amendment in this proceeding. In particular, the Commission identified observations and concerns in the eight subject areas:

1) *PSIP cost impacts and risks did not appear reasonable:*
The HECO Companies' characterization of PSIP costs and rate impacts appeared misleading and relied on uncertain presumed cost-saving measures. Additionally, the plans required extensive and possibly problematic amounts of capital expenditure.

2) *PSIPs did not appear to aggressively seek lower-cost, new utility-scale renewable resources:* The PSIPs did not clearly demonstrate that the proposed renewable energy

portfolios in the "Preferred Plans" represent a reasonable, cost-effective strategy to meet State energy policy objectives. The HECO Companies appeared to have included resources with higher costs and uncertain feasibility at the expense of other lower-cost renewable sources that could be developed sooner and with lower development risk.

3) *PSIPs did not adequately address utilization and integration of distributed energy resources:* The HECO Companies' analyses did not appear to consider contributions from all types of distributed resources, including demand response, energy efficiency, electric vehicles, distributed generation, and distributed energy storage to supply high-value grid services or offset future transmission-and-distribution infrastructure.

4) *Proposed plans for fossil-fueled power plants were not sufficiently justified:* The PSIPs did not convincingly demonstrate that the proposed plans for each island's generation fleet are a preferred or most cost-effective option. In light of substantial uncertainties regarding the cost effectiveness, feasibility, and timing of possible availability of LNG fuels, the strategies in the PSIPs to convert existing fossil-fueled generating units to LNG fuels was not sufficiently justified.

5) *System security requirements appeared costly and were not sufficiently justified:* The HECO Companies' technical basis for the proposed system security requirements was not clearly established and defined in technology-neutral terms. Additionally, the proposed requirements appeared to excessively limit utilization of and increase costs to integrate renewable resources.

6) *Proposed plan for provision of ancillary services lacked transparency and may not be most cost-effective option:* The HECO Companies did not sufficiently consider the potential of all sources of ancillary services, including the contributions of demand response resources, and did not demonstrate that the proposed selection, sizing, and design of resources are the most cost-effective options. Additionally, the HECO Companies' analytical methods appeared flawed.

7) *PSIP analysis on inter-Island transmission lacked sufficient detail:* The HECO Companies did not provide reasonable cost-benefit analysis of inter-island transmission options and did not sufficiently explain why the conclusions in the PSIPs contrast so markedly with prior analyses.

8) *Customer and implementation risks were not adequately addressed:* The PSIPs did not provide adequate consideration or analysis of substantial risks and uncertainties for customers, including the impacts of the timing, availability, and pricing of LNG imports; impacts of improvements in technology and the availability of renewable resources; and potential risks of stranded costs and rate impacts in light of the extensive proposed capital expenditure plans.

By Order No. 33320, the Commission directed the HECO Companies to file a PSIP Update to supplement, amend, and update the PSIPs in order to address the Commission's observations and concerns along with the comments and analyses filed by the Parties. On April 1, 2016, the HECO Companies filed their PSIP Update with the Commission. On June 3, 2016, by Order No. 33740, the Commission requested comments on the PSIP Update.

On August 16, 2016, by Order No. 33877, the Commission established a procedural schedule to address the HECO Companies' PSIP Update Report and provided initial comments on the PSIP Update. The Commission observed that while the PSIP Update incorporated some improvements on the HECO Companies' prior filings, the Commission continued to have concerns with the transparency, objectivity, and credibility of the analysis supporting the PSIP Update. The PSIP Update appears to have introduced new ambiguities and potential biases, fails to correct some of the methodological problems in the previous versions of PSIP analyses, and does not provide the full scope of analysis required by the commission in Order Nos. 32053 and 33320. In addition, the HECO Companies have indicated that several portions of the underlying analysis have not yet been completed.

In order to address these concerns and conclude this proceeding in an expeditious and productive manner, the Commission hosted technical conferences to facilitate stakeholder input and to address remaining issues. In Order No. 33877, the Commission directed the HECO Companies to submit a work plan that describes anticipated revisions and further documentation of input assumptions, refinement and changes in analytical methods, and a timeline for developing supplemental analytical results. The deadline for the Companies to file their revised PSIPs is December 23, 2016.

Distributed Energy Resources Policies Investigation
Docket No. 2014-0192, Status: Open

The evolution in distributed energy resource ("DER") policies is essential given the extraordinary level of distributed renewable energy already achieved in Hawaii and the State's commitment to meet a 100% renewable portfolio standard by 2045. As Hawaii expands its portfolio of renewable energy, new market structures, including competitive markets, should be developed to assist the State in ensuring that the costs and benefits of all forms of renewable energy are appropriately considered. Creation of these markets for DER is a central objective of this proceeding.

On August 21, 2014, the Commission opened Docket No. 2014-0192 to institute a proceeding to investigate the technical, economic, and policy issues associated with DER as they pertain to the electric operations of HECO, HELCO, MECO, and KIUC. On March 31, 2015, in Order No. 32737, Commission staff prepared a Staff Report and Proposal intended to serve as a framework to facilitate collaboration among the Parties and Intervenors to resolve the distributed energy resources issues identified through a two-phase schedule.

Phase I focused on establishing a transitional market structure for DER, that would allow the Parties to this docket sufficient time to fully examine the issues inherent in expanding DER deployment statewide. Phase II will build upon the transitional market structure established in this docket to develop a set of longer-term policies to enable continued beneficial deployment of DER across the State.

On October 12, 2015, the Commission issued Decision and Order No. 33258, which made several key determinations on Phase I of the docket including: (1) approving revised interconnection standards for inclusion in the HECO Companies' Tariff Rule 14H to streamline and improve the HECO Companies' interconnection process; (2) capping the Net Energy Metering ("NEM") program at existing levels, including current NEM customers and those with applications pending in the queue at time of this Order; and (3) approving new self-supply and grid-supply tariffs to expand customer options and ensure that customers can efficiently interconnect new DER systems that are configured to provide grid-supportive benefits. Under the self-supply tariff, customers will have the opportunity for fast-tracked interconnection of DER systems that do not rely on exporting excess energy to the grid. The self-supply tariff has no participation cap. Under the grid-supply tariff, the Commission ordered that the credit for exported energy be established at a rate equal to the average on-peak avoided cost for the 12 months ending in June 2015, which varies for each island grid from 15.07 to 27.88 cents per kWh. The grid-supply tariff has an initial participation cap of 25 MW for HECO, 5 MW for MECO, and 5 MW for HELCO.

The Commission also ordered the HECO Companies to (1) refile their Time-of-Use ("TOU") tariff proposal; (2) develop a reasonable self-certification process for the advanced inverter functions approved for inclusion in Rule 14H; (3) develop a test plan for the highest priority advanced inverter functions that do not yet have UL certification; and (4) complete the circuit-level hosting capacity analysis for all islands in the Companies' service territories in Decision and Order No. 33258.

From November 2015 to March 2016, the Commission held several technical conferences to address the following matters: (1) the preliminary planning and scoping for Phase II of the docket; (2) the TOU tariff proposal filed by the HECO Companies; (3) the HECO Companies' analyses on system-level and circuit-level hosting capacity in the Companies' service territories; (4) the HECO Companies' Advanced Inverter Test Plan; and (5) the status of the Grid Supply Tariff and the Self Supply Tariff.

On December 8, 2015, by Order No. 33383, the Commission invited the Parties in this Docket to submit reply comments on the HECO Companies' TOU tariff proposal that was refiled on November 12, 2015. On February 26, 2016, by Order No. 33559, the Commission directed the HECO Companies to continue to allow minor PV system capacity changes of less than or equal to 1 kW in HECO and MECO service territories, and less than or equal to 100 W in HELCO's service territory, for pending NEM applications. On June 15, 2016, by Order No. 33760, the Commission approved the HECO Companies' Advanced Inverter Test Plan subject to certain conditions and ordered the HECO Companies to file the required supplements to the Test Plan with additional use cases and testing procedures. On July 11, 2016, by Order No. 33791, the Commission approved, subject to the modifications, the Stipulation for Proposed Revisions to Rule No. 14H Interconnection of Distributed Generation Facilities, and Rule No. 22 Customer Self-Supply that was filed by several Parties on May 2, 2016.

On September 16, 2016, by Order No. 33923, the Commission concluded that the HECO Companies' proposed Interim TOU program is reasonable and in the public interest, subject to certain modifications, and instructed the HECO Companies to file an interim TOU tariff. The Commission provided detailed guidance to the HECO Companies regarding several structural adjustments to their TOU proposal, including time periods, customer eligibility, participation caps, bill protection, metering costs, and reporting requirements. The interim TOU tariff was received and became effective on September 21, 2016.

On October 3, 2016, by Order No. 33958, the Commission addressed pending motions to intervene and established a preliminary statement of issues for Phase II of this proceeding. After receiving comments from stakeholders, the Commission issued Order No. 34206 establishing a statement of issues and procedural schedule for Phase II. Consistent with Order Nos. 33958 and 34206, the Commission views Phase II as encompassing two parallel tracks for investigation: a "technical" track and a "market" track. Some "technical" track issues include: improving the accuracy of the utilities' DER integration analyses, modifying interconnection standards and requirements to enable additional DER deployment, and improving the transparency and efficiency of the interconnection process. "Market" track issues include: developing successor tariffs to enable a longer-term competitive market structure for DER, developing alternative, unbundled rate designs to facilitate integration of DER, ensuring DER options are expanded to enable all customers to benefit, and developing mechanisms to facilitate the secure from of market data among participants.

In addition, the Commission will consider high priority adjustments to the interim DER options on an expedited basis in early 2017.

Community-Based Renewable Energy Program
Docket No. 2015-0389, Status: Open

In June 2015, Governor Ige signed Act 100, codified at HRS § 269-27.2, to establish the Community-Based Renewable Energy ("CBRE") Program to make the benefits of renewable energy generation more accessible to a greater number of Hawaii residents. While residential solar energy use has grown dramatically across the State in recent years, many residents and businesses are currently unable to directly participate in renewable energy generation because of their location, building type, access to the electric utility grid, and other impediments. The CBRE Program seeks to expand the market for eligible renewable energy resources to include residential and business renters, occupants of residential and commercial buildings with shaded or improperly oriented roofs, and other groups who are unable to access the benefits of onsite clean energy generation.

Act 100 describes desired CBRE Program outcomes, including that the CBRE Program accommodate a variety of community-based renewable energy projects, models, and sizes. Further, Act 100 describes the CBRE tariff as one that: 1) Allows an electric utility customer to participate in an eligible renewable energy project that is providing electricity and electric grid services to the electric utility; 2) Allows the electric utility to implement a billing arrangement to compensate those customers for the electricity and electric grid services provided to the electric utility; 3) Is designed to provide fair compensation for electricity, electric grid services, and other benefits provided to or by the electric utility, participating ratepayers, and nonparticipating ratepayers; and 4) To the extent possible, standardizes and streamlines the related Interconnection processes for community-based renewable energy projects.

Act 100 required each electric utility in the state to file proposed CBRE tariffs with the Commission by October 1, 2015, and instructed the Commission to "establish a community-based renewable energy tariff or tariffs, pursuant to Hawaii Revised Statutes section 269-16; provided that the tariff or tariffs are found to be in the public interest."

Accordingly, on October 1, 2015, the HECO Companies filed Transmittal No. 15-09 requesting Commission approval of the proposed CBRE Program tariff rule, and informing the Commission that it still needed to file certain portions of its CBRE Program proposal, and it intended to do so by November 30, 2015. On October 1, 2015, KIUC filed a letter ("Letter Notice") with the Commission stating that it believed that its recently-added Time-of-Use Solar Rate Pilot Program, approved by the commission as Transmittal No. 15-01, was a CBRE tariff.

On October 21, 2015, the Commission issued Order No. 33268 in response to KIUC's Letter Notice, in which the Commission instructed KIUC to comply with Act 100 and file a CBRE tariff as a docketed application, but granted an extension to November 16, 2015. Accordingly, on November 16, 2015, KIUC filed its CBRE program and tariff application which was assigned Docket No. 2015-0382.

On November 27, 2015, by Order No. 33358, the Commission suspended the HECO Companies' Transmittal No. 15-09 for further investigation in this docketed proceeding. On November 30, 2015, the HECO Companies submitted a revised CBRE tariff rule as well as model power purchase agreements and a model customer agreement.

On December 17, 2015, stakeholders filed an Alternative to the Proposal by the Hawaiian Electric Companies Transmittal No. 15-09 ("Stakeholders' Proposal").[5] The Stakeholders' Proposal stated that while the HECO Companies Proposal appears to have appropriately considered some of the perspectives of stakeholders and customers, other aspects of the HECO Companies Proposal are inconsistent with the CBRE concept envisaged by Act 100 and the Stakeholders.

On June 7, 2016, by Order No. 33747, the Commission transferred the contents of Docket No. 2015-0382 (the CBRE proceeding for KIUC) to Docket No. 2015-0389 for the purposes of evaluating and developing comprehensive and consistent CBRE programs and tariffs across the entire state.

After a thorough review of the HECO Companies', Stakeholders' and KIUC's CBRE Program filings, the Commission issued Order No. 33751, which included a Commission-developed CBRE Program Framework ("Commission Staff Proposal"). The Commission Staff Proposal combined elements of each of the submitted proposals and incorporated additional parameters to create a market-based framework that enables greater renewable energy opportunities and makes the benefits of renewable energy generation more accessible for Hawaii residents in order to achieve the vision of Act 100.

The Commission sought comments and responses on its Staff Proposal from all Parties to shape a comprehensive CBRE program tariff that fosters both customer and developer participation in the projects. On September 28, 2016, the Commission held an informal technical conference to solicit feedback and aid in addressing the issues raised by Parties in response to Order No. 33751. After considering further comments from stakeholders, the Commission expects to approve a CBRE program in early 2017.

HECO Companies Demand Response Proceedings
(Docket Nos. 2007-0341, 2015-0412, 2015-0411)

[5] The Stakeholders' Proposal was filed as an attachment to the December 17, 2015 motions to intervene by the Blue Planet Foundation ("Blue Planet"), the Hawaii Renewable Energy Alliance ("HREA"), and the Ulupono Initiative ("Ulupono"), with the support of several other parties.

HECO Companies' Integrated Demand Response Portfolio Plan
Docket 2007-0341, Status: Open

Fundamental changes in electricity markets are creating dramatic changes in the operation of electric grids, which, in turn, provide opportunities for additional fast, flexible, and continuously responsive distributed energy resources. Demand response ("DR") programs have emerged as an essential tool to address the myriad challenges that arise out of an increasingly dynamic electric grid. On April 28, 2014, the Commission issued Order No. 32054 directing the HECO Companies to consolidate their existing DR programs into a single integrated DR portfolio. In response, the HECO Companies developed an Integrated Demand Response Portfolio Plan ("IDRPP"), which it filed on July 28, 2014. On July 28, 2015, by way of Order No. 33027, the Commission assigned a Special Advisor to guide, monitor, and review the IDRPP process. Accordingly, the Companies, the Special Advisor, and the Division of Consumer Advocacy ("Consumer Advocate") have engaged in numerous technical meetings pertaining to the design and implementation of the IDRPP. The Commission directed the HECO Companies, in collaboration with the Special Advisor, to address the following issues:

(a) Define and identify the power systems' existing and future need for grid services including cost to provide these services, giving particular attention to ancillary services and load shifting;
(b) Define and identify the technical requirements for the requisite grid services, thoroughly justifying any limitations imposed on DR penetration and identifying customer segments that may provide synergistic DR opportunities;
(c) Correct flaws in the HECO Companies' cost benefit analysis, specifically addressing issues related to the avoided cost calculation and the design of an adequate modeling system; and
(d) Any other issues identified by the Special Advisor.

On December 30, 2015, the HECO Companies submitted an interim DR Portfolio filing which opened Docket No. 2015-0412 ("DR Portfolio Application"). Concurrent with the DR Portfolio Application, the Companies also filed an application for a computer software system to manage DR resources in Docket No. 2015-0411 ("DRMS Application").

HECO Companies' Demand Response Portfolio Application
Docket 2015-0412, Status: Open

In accordance with Order No. 32054, Policy Statement and Order Regarding Demand Response Programs ("DR Policy Statement") issued by the Commission on April 28, 2014 in Docket No. 2007-0341, and in accordance with the Companies' IDRPP, the HECO Companies filed an interim Demand Response Portfolio ("DR Portfolio") on December 30, 2015. The DR Portfolio encompasses a broad range of potential DR programs to deliver grid services as defined in the IDRPP Supplemental Report including capacity grid service, fast-frequency response, regulating reserve, and supplemental reserve. A properly deployed DR program may permit customer-sited resources to provide grid services that would otherwise be provided by traditional generating resources. Accordingly, DR programs can provide additional grid flexibility to enable further renewable energy penetration without compromising service reliability.

The HECO Companies' DR Portfolio application requests Commission approval of a proposed DR program portfolio tariff structure, reporting schedule, and program cost recovery through the demand-side management surcharge. In its review of the Companies' application, the Commission is examining the following: 1) Whether the proposed DR tariff structure framework is sufficiently comprehensive and flexible to enable the successful deployment of a robust, cost-effective DR program portfolio; 2) Whether the proposed grid service tariffs are accurately defined in a technology-neutral manner; 3) Whether the proposed demand-side management surcharge is an appropriate mechanism through which to recover costs associated with the Companies' DR programs; 4) Whether a two-year program and budget approval cycle provides sufficient flexibility for DR program course correction; and 5) Whether the Companies' proposed reporting structure provides sufficient transparency and timely updates to inform the relative success of the DR program and/or whether there is a need for revisions.

On July 28, 2016, in Order No. 33835, the Commission instructed the Companies to move forward with the development of DR programs for all islands and elucidated that it expects the Companies to meet the articulated DR Program implementation schedule, with applicable DR program implementation commencing before January 1, 2017. The Commission also directed the Companies to submit a detailed process timeline through which the Companies' proffered implementation deadlines will be met. Pursuant to the HECO Companies' proposed implementation timeline, submitted August 31, 2016, the Companies plan to initiate demonstration projects in December 2016, with a Revised DR Portfolio filing to be submitted in February 2017. Customer enrollment in the DR Portfolio is expected to begin in August 2017.

On October 21, 2016, the Commission set forth a procedural schedule in Order No. 34051 and held a technical conference on November 4, 2016.

The Commission is reviewing the HECO Companies' DR Portfolio application alongside the Companies' DRMS application in Docket No. 2015-0411.

HECO Companies' Demand Response Management System Application
Docket 2015-0411, Status: Open

Concurrent to the HECO Companies' interim Demand Response Portfolio application (Docket No. 2015-0412), the HECO Companies submitted an application requesting Commission approval of a Demand Response Management System ("DRMS") project on December 30, 2015. The proposed DRMS is a software platform that is a prerequisite for the implementation of the HECO Companies' proposed DR Portfolio. DRMS Project functions include load curtailment forecasting, aggregation of DR resources by availability and location, and integration with third party head-end systems. Installation of a DRMS would allow the flow of information between the Companies' operational systems and residential, commercial, and industrial customer resources, thereby allowing the Companies to manage and control the dispatch of DR resources.

On December 30, 2015, the HECO Companies submitted an application requesting Commission approval to 1) defer computer software development costs associated with the acquisition, development, and installation of the Demand Response Management System ("DRMS") project; 2) amortize the deferred costs over a twelve-year period beginning the month following the implementation of the DRMS Project; 3) recover the revenue requirement associated with the deferred costs through the Renewable Energy Infrastructure Program Surcharge until base rates that reflect such costs are approved and in effect; and 4) include the unamortized deferred costs (including applicable carrying costs) in rate base in the Companies' next respective rate cases.

The Commission is reviewing the HECO Companies' DRMS application alongside the Companies' DR Portfolio application in Docket No. 2015-0412.

Re-examination of Decoupling Mechanisms for HECO, HELCO, and MECO
Docket No. 2013-0141, Status: Open

On May 31, 2013, by Order No. 31289, the Commission instituted an investigation of whether the decoupling mechanisms, which separate a utility's revenues from its sales, are serving their intended purposes. Thus, when sales decline due to energy efficiency measures or customer installations of solar and other types of renewable energy, the utility's revenues are protected. In theory, this means that the utility should be indifferent to energy efficiency programs or interconnection of customer-sited renewable energy projects as its revenues will not decline even though its sales might decline as a result of those projects. A decoupling mechanism must be carefully balanced so as to achieve the goal of encouraging - or, at the least, not discouraging - the utility's integration of efficiency and renewable resources, while, at the same time, avoiding a situation whereby utility costs are simply passed through to customers without appropriate regulatory scrutiny. It is this latter element of decoupling that has concerned the Commission with respect to the HECO Companies. The Commission has modified certain provisions of the decoupling mechanism, and further issues concerning decoupling continue to be investigated.

Generation Resource Acquisition

HECO Companies

HECO Application for Approval to Amend Power Purchase Agreement with AES Hawaii, Inc.
Docket No. 2016-0007, Status: Open

AES Hawaii, Inc.("AES") owns and operates a 180 MW coal fired electric and steam cogeneration plant located in Campbell Industrial Park on Oahu. Since 1992, HECO has purchased firm capacity and associated energy from AES under a power purchase agreement ("PPA") which expires September 1, 2022. On January 22, 2016, HECO filed an application with the Commission for approval of Amendment No. 3 of the PPA between HECO and AES to increase the capacity of AES up to 9 MW. More specifically, HECO requested that the Commission: (1) Find that the purchased power costs and purchased power arrangements are just, reasonable, and in the public interest; and (2) Authorize HECO to include the following purchased power costs (and related revenue taxes) in HECO's energy cost adjustment clause and/or purchased power adjustment clause to the extent that such costs are not included in base rates: a) Capacity Charge, b) Energy Charge, and c) Reliability Bonus for each Contract Year commencing October 1, 2015. HECO's proposal is the result of an arbitration agreement between AES and HECO pursuant to the dispute resolution provision of the PPA. On September 15, 2016 in Order No. 33917, set forth a procedural schedule and established issues for the docket. The Commission is reviewing the application.

Power Purchase Agreements for Utility Scale Solar Projects, "Waiver Projects"
Docket No. 2014-0308, Status: Closed
Docket No. 2014-0354, Status: Closed
Docket No. 2014-0355, Status: Closed
Docket No. 2014-0356, Status: Closed
Docket No. 2014-0357, Status: Closed
Docket No. 2014-0358, Status: Closed
Docket No. 2014-0359, Status: Closed

On July 31, 2015, the Commission issued decisions and orders in seven dockets concerning HECO's requests for approval of Power Purchase Agreements ("PPAs") for renewable, as available energy. The Commission evaluated each project's PPA to determine whether such agreement (1) was cost effective and would result in lower rates to ratepayers; (2) would negatively impact system reliability; (3) would preclude consideration of other renewable energy projects in the future; and (4) would contribute to geographic diversity of utility-scale solar resources, so that changing weather conditions (such as cloud cover) would not impact all such projects in the same way.

In reviewing these long-term agreements, the Commission was guided by a fundamental principle of continuing to lower the costs and associated risks of each electric utility's power supply portfolio. After review of the record, the Commission determined that it was reasonable and in the public interest to approve some, but not all, of the proposed power purchase agreements subject to conditions that would more fairly balance the risks of the agreements between HECO and customers. On August 14, 2015, the Commission approved, subject to certain modifications and conditions, the PPAs listed on Table 2 and rejected the PPAs listed on Table 3.

Table 2 – HECO Utility Scale PPAs "Waiver Projects" Approved

Approved Project Name and Docket No.	Size (MW)	Energy Payment Rate/Initial Term (cents per kWh)	Region	Project Developer	Banked Curtailed Energy Term Rate – *up to 5 years* (cents per kWh)
Leeward Oahu					
EE Waianae Solar Project, LLC (2014-0354)	27.6	14.5(RAP[6])	Waianae	Eurus Energy	7
North Central Oahu					
Kawailoa Solar, LLC (2014-0356)	49	13.475 (RAP)	Waialua	SunEdison	4.25
Waiawa PV, LLC (2014-0359)	45.9	13.475 (RAP)	Waiawa	SunEdison	4.25
Lanikuhana Solar,LLC (2014-0357)	14.7	13.575 (RAP)	Mililani	SunEdison	4.25

Table 3 - HECO Utility Scale PPAs "Waiver Projects" Denied

Denied Project Name and Docket No.	Size (MW)	Energy Payment Rate/Initial Term (cents per kWh)	Region	Project Developer	Banked Curtailed Energy Term Rate – *up to 5 years* (cents per kWh)
Leeward Oahu					
Ka La Nui Solar, LLC (2014-0308)	13.8	14.74 (RAP)	Waianae	NextEra Energy Hawaii	7.435 to 8.048
North Central Oahu					
SunE Waiawa Solar, LLC (2014-0358)	50	13.975 (RAP)	Waiawa	SunEdison	6.945
Hoohana Solar 1, LLC (2014-0355)	19	15.9 (non-RAP)	Kunia / Waipio	Hanwha Corp. / Forest City	15.9

Due to a number of concerns associated with missed milestones in the PPAs and payments, on February 12, 2016, HECO sent a letter to Kawailoa, Lanikuhana, and Waiawa, stating that it was terminating the north central Oahu PPAs developed by SunEdison and approved in Docket Nos. 2014-0356, 2014-0359, and 2014-0357.

On March 2, 2016, the Chair of the Public Utilities Commission, Randall Iwase, directed the Commission staff to undertake an investigation of the events that led to HECO's decision to terminate the three PPAs. The purpose of this investigation was to set forth the relevant facts and circumstances surrounding HECO's decision to terminate the PPAs, and to provide Staff's preliminary assessment of whether HECO's decision was supported by those facts and circumstances.

On April 12, 2016, Commission staff issued a report concerning the termination of the three PPAs. Commission staff's preliminary conclusion is that HECO has not carried its burden to clearly demonstrate that its termination of the three PPAs were consistent with the public interest. Given the importance of these Projects to the State of Hawaii's renewable energy goals, Commission staff found HECO's decision to terminate to be premature. The Commission found that when HECO was presented with an opportunity to get the Projects "back on track," HECO instead concentrated on terminating the Projects.

[6] The underlying purpose of risk adjusted pricing, also known as RAP or "take or pay" pricing, is to mitigate a developer's financial risk associated with "excess energy curtailment" by transferring or shifting such risk from the developer to ratepayers.

Amendment to PPA between HECO and Kahuku Wind Power
Docket No. 2014-0086, Status: Closed

On April 17, 2014, HECO requested an amendment to its PPA with Kahuku Wind Power, LLC that amends the pricing structure and rates under which HECO pays for energy generated and delivered by Kahuku Wind's Facility to HECO.

On June 6, 2016, by Decision and Order No. 33745, the Commission approved HECO's request to amend its PPA with Kahuku Wind Power, LLC and HECO's request to include the purchased energy charges and related revenue taxes that it incurs under the amendment, to the extent that such costs are not included in HECO's base rates, for the term of the PPA, subject to certain terms and conditions.

MECO Application for Approval of the Amended and Restated PPA with Hawaiian Commercial & Sugar Company
Docket 2015-0094, Status: Closed

On March 31, 2015, MECO filed its Application, requesting that the Commission: (1) approve the Amended and Reinstated PPA ("Amended PPA") with Hawaiian Commercial & Sugar Company ("HC&S"); (2) find that the purchased energy charges contained in the Amended PPA are just and reasonable; (3) find that the purchased power arrangements under the Amended PPA are prudent and in the public interest; (4) authorize MECO to include the purchased energy charges, and related revenue taxes, incurred under the Amended PPA into MECO's revenue requirements for ratemaking purposes and for determining the reasonableness of MECO's rates during the term of the Amended PPA; and (5) authorize MECO to include the purchased energy charges, and related revenue taxes, in MECO's Energy Cost Adjustment Clause ("ECAC"), to the extent that such costs are not included in base rates. On June 9, 2015, the Commission denied the Sierra's Club's Motion to Intervene. The Sierra Club filed a motion for reconsideration on June 22, 2015, which was denied by the Commission on July 30, 2015. The Sierra Club appealed the Commission's decision to the Hawaii Supreme Court. On September 24, 2015, by Order No. 33160, the Commission approved MECO's Application, subject to certain conditions.

On January 19, 2016, MECO informed the Commission that it received a notice of termination of the amended and restated agreement HC&S, effective January 6, 2017 as HC&SC has decided discontinue the growing and harvesting of sugar cane and therefore, will not be producing energy.

MECO Application for Approval of PPA for Renewable As-Available Energy with Kuia Solar
Docket 2015-0224, Status: Closed

On February 19, 2016, by Decision and Order No. 33541, the Commission approved, subject to certain modifications and conditions, the PPA for Renewable As-Available Energy between MECO and Kuia Solar for a 2.87 MW photovoltaic project. The Project will be located in Lahaina, Maui, on land owned by Kamehameha Schools and situated on approximately twelve acres of land on a 1,138-acre parcel that is currently zoned agricultural. Kuia's Contract Price of 11.06 cents/kWh offers the lowest energy pricing when compared to the energy prices among all of MECO's other existing as-available renewable projects. MECO's residential bill impact analysis shows that the 11.06 cents/kWh energy price is projected to decrease customer bills in both the short- and long-term over the twenty-two-year Initial Term of the PPA, even when taking into account the various curtailment scenarios. Furthermore, in terms of ratepayer benefits, the fixed PPA energy price is de-linked from the price of fossil fuels. The PPA is also intended to reduce the State's reliance and dependence on fossil fuels, diversify both MECO's generation resources, and assist MECO, and by extension, the Hawaiian Electric Companies, in meeting or exceeding the State's RPS law.

MECO Application for Approval of PPA for Renewable As-Available Energy with South Maui Renewable Resources, LLC ("SSMR")
Docket 2015-0225, Status: Closed

On February 18, 2016, by Decision and Order No. 33537, the Commission approved, subject to certain modifications and conditions, the PPA for Renewable As-Available Energy between MECO and SSMR for a 2.87 MW photovoltaic project. The Project will be located in Kihei, Maui on land owned by Haleakala Ranch and situated on approximately twelve acres of land that is currently zoned agricultural. SSMR's Contract Price of 11.06 cents/kWh offers the lowest energy pricing when compared to the energy prices among all of MECO's other existing as-available renewable projects. MECO's residential bill impact analysis shows that the 11.06 cents/kWh energy price is projected to decrease customer bills in both the short- and long-term over the twenty-two-year Initial Term of the PPA, even when taking into account the various curtailment scenarios. Furthermore, in terms of ratepayer benefits, the fixed PPA energy price is de-linked from the price of fossil fuels. The PPA is also intended to reduce the State's reliance and dependence on fossil fuels, diversify both MECO's generation resources, and assist MECO, and by extension, the Hawaiian Electric Companies, in meeting or exceeding the State's RPS law.

KIUC

KIUC Application for Approval of PPA with Gay & Robinson, Inc.

Docket 2014-0203, Status: Closed

On August 25, 2014, KIUC submitted an application requesting that the Commission approve a PPA between KIUC and Gay & Robinson, Inc. (“G&R”), with a contract term of 25 years, and authorize the inclusion of all of the purchased energy charges (and related revenue taxes) to be incurred by KIUC under the PPA in KIUC's energy rate adjustment clause (“ERAC”). On March 14, 2016, by Order No. 33589, the Commission approved KIUC’s new PPA with G&R and directed KIUC to perform a system study to analyze the impacts of high penetration PV on its system, and identify the near- and long-term solutions to address these issues. KIUC filed its report with the Commission on September 14, 2016.

KIUC Application for Approval of PPA with SolarCity Corporation

Docket 2015-0331, Status: Closed

On September 10, 2015, KIUC submitted an application for approval of a PPA with SolarCity. Pursuant to the PPA, SolarCity will construct: (1) an approximately 17 megawatt direct current ("MWdc")/13 megawatt alternating current ("MWac") solar photovoltaic system ("PV system"); (2) related interconnection facilities, which include a dedicated 12.47 kV overhead infrastructure ("Interconnection Facilities"); and (3) a 13 MWac/52 MWh battery energy storage system ("BESS") (collectively referred to as the "Facility"). The Facility will be located directly adjacent to KIUC's existing Kapaia Power Plant and switchyard. Pursuant to the PPA and the Interconnection Agreement, SolarCity will build, operate, maintain, and repair the Facility, in accordance with standards specified in the PPA. Under the PPA, the Contract Price for all Energy Product is fixed at $139.00 per MWh (i.e., 13.9 cents/kWh), without escalation, for the entire 20-year Initial Term. In the event that the PPA is extended from the Initial Term into the Additional Term, the Contract Price for the Additional Term will be subject to mutual agreement by the Parties and further approval by the Commission.

On February 26, 2016, by Decision and Order No. 33557, the Commission determined that it is reasonable and in the public interest to approve the PPA, subject to conditions that will more fairly balance the risks of the agreement between KIUC and its members/customers. At this time, it appears that a solar plus storage facility, as covered by the PPA, will best benefit KIUC, as compared to other alternative sources of energy and grid services. KIUC has compared the PPA to solar PV, distributed PV/BESS, wind energy, hydro and pumped-hydro projects, and new combustion units and determined that the PPA is best suited to meet KIUC's present needs. Additionally, the PPA appears to be more economical than procuring separate contracts for solar energy generation and energy storage. A comparison of the PPA to the responses to KIUC's 2014 RFP shows that the PPA's Contract Price offers lower energy pricing compared to other third-party developers who provided proposals to KIUC for renewable energy generation plus storage. Additionally, the PPA is anticipated to provide numerous other benefits, including: (a) contributing approximately 4.73% toward KIUC's RPS in 2017; (b) reducing KIUC's oil intake by approximately 37,474 barrels annually; and (c) assisting KIUC in achieving its goals in its Strategic Plan for renewable energy and storage.

Capital Expenditures

HECO Capital Expenditure Request for Schofield Generating Station Project
Docket No. 2014-0113, Status: Open

On September 29, 2015, in Decision and Order No. 33178, the Commission approved, with certain conditions and modifications, the application filed by HECO on May 16, 2014, for HECO's commitment of funds in excess of $2,500,000 for the purchase and installation of the Schofield Generating Station Project ("SGS Project"). The proposed SGS Project is a 50 Megawatt ("MW") power plant that would be configured with six 8.4 MW multi-fuel capable engines. Under normal operating conditions, the proposed SGS Project would serve all HECO customers. Because the Project would be centrally located over eight miles from and approximately 900 feet above the sea, the Project may be able to continue operations in times of weather related emergencies, such as tsunami and storm surge. Under defined state or national emergency conditions, the SGS Project would be able to provide power directly to the Army facilities of Schofield Barracks, Wheeler Army Airfield, and Field Station Kunia.

In approving HECO's request, the Commission concluded that the SGS Project, among other things, (a) is consistent with the State's commitment to support the military, particularly in light of the military's impact on the State's economy; (b) is supportive of both State and national security; (c) may accelerate the retirement of old generating assets; (d) may result in increased operational flexibility and reliability of HECO's system; and (e) may enhance HECO's capability to operate its grid to accommodate increased amounts of low-cost renewable energy. The Commission also ruled that HECO must shift its current biofuel use at CIP CT-1, the combustion turbine generating unit at Campbell Estate Industrial Park, to the SGS Project in order to minimize the impact on ratepayers of the cost of biofuel.

HECO Companies' Application for Approval of an Enterprise Resource Planning & Enterprise Asset Management System Implementation Project and Related Accounting Treatment
Docket No. 2014-0170, Status: Open

On July 23, 2014, the HECO Companies submitted an application requesting a Commission decision and order approving:

1) The Companies' Enterprise Resource Planning ("ERP")/Enterprise Asset Management ("EAM") system implementation project;
2) The proposed commitment of funds estimated to be $2,590,000 for the hardware costs of the project; and
3) The accounting and ratemaking treatment proposed to be applied to the project ("ERP/EAM Accounting Treatment"), including: a) Deferral of all software development costs ($79,857,000); b) Accrual of AFUDC ($5,710,000) on certain of the deferred development costs of the Project; c) Amortization of the total deferred costs (including any accrued AFUDC) over a twelve-year period beginning upon Go-Live and inclusion of the unamortized amounts (including AFUDC) in rate base; d) Continuation of the amortization of the cost of the Companies' Human Resources Suite System ("HRSS") following retirement of the HRSS upon Go-Live through the twelve-year HRSS amortization period approved in Docket No. 2006-0003; and e) The sample Enterprise System Adjustment Provision tariff.

On October 2, 2015, in Decision and Order No. 33233, the Commission concluded and took the following actions in response to the HECO Companies' application:

1) The Commission found that there is a need to replace the HECO Companies' existing Ellipse system, which primarily operates as an ERP system with selected features that enable EAM system functionality.
2) The Commission also found that the Companies have yet to meet their burden of proving that it is reasonable and in the public interest for the Companies to commence with their proposed new ERP/EAM System Implementation Project, a computer software development project, specifically, the Implementation Project phase, which is the scope of the subject proceeding.
3) The Commission deferred any ruling on whether it is reasonable and in the public interest for the Companies to commence with the ERP/EAM Project under Options B or A, specifically, the Implementation Project phase.

4) The Commission deferred ruling on the following requests, which are ultimately dependent upon the commission's forthcoming ruling on the Companies Updated Request No. 1:
   a) The commitment of funds for the ERP/EAM Project's hardware costs
   b) Accrual of allowance for funds used during construction ("AFUDC") on non-Expense Items
   c) Amortization of the total deferred costs, including any accrued AFUDC, over a twelve-year period, or such other period as the commission finds to be reasonable, beginning upon Go-Live, with the inclusion of the unamortized amounts, including AFUDC, in rate base
   d) Continuation of the amortization of the cost of the Companies' Human Resources Suite System following the system's retirement upon Go-Live through the twelve-year amortization period approved by the commission in Docket No. 2006-0003, including the commission's approval to include in determining revenue requirements such amortization expense in cost of service and the unamortized costs in rate base in determining electric rates for each of the Companies
   e) The Companies' sample Enterprise System Adjustment Provision tariff
   f) The Companies' proposed reporting requirement

Conversely, the Commission denied the Companies' request to defer all software development costs for the Implementation Project phase of the ERP/EAM Project. In Order No. 33233, the Commission instructed the Companies to file:

1) Bottom-Up Low-Level Benefits Analyses for both Options A and B; and
2) Additional information which provides in much greater detail the costs and benefits of Option B, in a manner similar to the level of detail the Companies' provided under Option A as part of their Costs and Benefits of the SAP ERP/EAM System, dated July 23, 2014. Such information shall include, at a minimum:
   a) A full accounting of likely on-going support costs and charges from NextEra;
   b) Information which separates project costs from merger costs;
   c) Information on the anticipated remaining service life and planned upgrade cycles for the NextEra software products proposed under Option B; and
   d) The level of benefits expected under Option B.
3) Information which identifies the variances in functionality that will be delivered under Options A and B.
4) To the extent applicable, information on the estimated dates of mid-life upgrade cycles of the applicable software products.

On August 11, 2016, by Decision and Order No. 33861, the Commission approved subject to certain conditions, the Companies' underlying request to commence with the ERP/EAM System Implementation Project, pursuant to Option A (i.e., the non-merged scenario); specifically, the Implementation Project phase.

HELCO Application to Purchase the Hamakua Energy Partners ("HEP") Power Plant
Docket 2016-0033, Status: Open

HEP is located in Honokaa on the island of Hawaii and has 60 MW of capacity, and HELCO has purchased firm generation capacity from the HEP Power Plant since 2001 pursuant to a PPA. On December 21, 2015 HELCO entered into an agreement with HEP to purchase the HEP Power Plant for $84,500,000 plus an associated transfer of taxes of approximately $1,700,000. On February 2, 2016, HELCO submitted an application to the Commission to approve HELCO's purchase of the HEP Power Plant and related assets pursuant to General Order No. 7. HELCO's application also requests Commission approval for the following items: 1) overhaul costs for HEP generating unit combustion turbine 2 ("CT-2"), which is scheduled to be performed in early 2017 shortly after the anticipated HEP asset purchase closing date, and which has a capital cost component of approximately $1,865,000; 2) a financing plan which includes debt and equity financing; 3) the recovery of revenue requirements for the plant additions associated with the purchase of the HEP Facility through the Decoupling Rate Adjustment Mechanism ("RAM") above the RAM Cap; and 4) the inclusion of the costs and any credits issued under that certain Fuel Supply agreement, as amended, dated December 2, 2011 between Chevron Products Company. On September 1, 2016, in Order No. 33894, the Commission established issues and set forth a procedural schedule, which was subsequently amended in Order No. 33900 on September 8, 2016. The Commission is currently reviewing the application.

Smart Grid Foundation Project
Docket 2016-0087, Status: Open

On March 31, 2016, the HECO Companies filed an application for approval to commit an estimated $786,000,000 for a smart grid foundation project ("Project"). The Project proposes to transform the HECO Companies' electric power system by establishing a more dynamic and secure power grid that gives customers more control, greater flexibility and more choices, responds to outages more quickly, seamlessly connects with cleaner energy resources, and better secures the grid from attacks.

The HECO Companies filed the Application in accordance with Section 2.3.g.2 of General Order No. 7. Given the size, complexity, and unique nature of the Project, on June 27, 2016 by Order No. 33774, the Commission suspended the Application as well as the triggering of the 90-day automatic approval provision, in order to allow the Consumer Advocate, the Commission, and any potential intervenors and/or participants sufficient time to review and investigate the proposed Project. The Commission is currently reviewing the application.

MECO Fast Demand Response Pilot Program
Docket No. 2016-0232

On September 2, 2016, MECO submitted an application for the approval of the expansion of the Company's Fast Demand Response Program ("Fast DR") on the island of Maui from the currently approved 0.2 MW total load amount to 5MW to approval to recover those costs totaling $1,968,000. The Commission is currently reviewing the application.

MECO Application to Purchase and Install Temporary Distributed Generating Units
Docket No. 2016-0234

On September 6, 2016, MECO filed an application requesting commission approval for the purchase, installation, operation, and subsequent disposal of three used, temporary mobile distributed generation ("DG") diesel engines ("Temporary DG Units") at the Company's Kuihelani Substation ("Project") that are needed to address increasing reserve capacity shortfalls on the island of Maui. MECO is requesting to recover the costs for the purchase and installation of the Temporary DG units through the Company's proposed Decoupling RAM above the RAM cap. MECO is also requesting to include certain costs to procure the associated ultra low sulfur diesel and related taxes and fees, in the Company's ECAC.

Overhead and Underground Power Lines

Pursuant to HRS § 269-27.5, whenever a public utility plans to place, construct, erect, or otherwise build a new 46 kilovolt or greater high-voltage electric transmission system above the surface of the ground through any residential area, the Commission shall conduct a public hearing prior to its issuance of approval thereof. Additionally, pursuant to HRS § 269-27.6, for any new 46 kilovolt or greater high-voltage electric transmission system, either above or below the surface of the ground, the Commission shall determine whether the electric transmission system shall be placed, constructed, erected, or built above or below the surface of the ground. Table 4 summarizes dockets relating to overhead and underground transmission lines during the fiscal year.

Table 4 – Overhead and Underground Power Lines Dockets

Docket No.	Status	Utility	Description
2014-0027	Closed	HECO	On June 3, 2015, by Decision and Order No. 32882, the Commission approved HECO's request to relocate, above the surface of the ground, a section of the existing Kahe-Standard Oil 2 46 kV overhead sub-transmission line located in D.R. Horton's Makakilo C&D Ph.2 residential development on the island of Oahu.
2014-0200	Closed	HELCO	On July 2, 2015, by Decision and Order No. 32959, the Commission approved HELCO’s application to construct a 69 kV transmission line above the surface of the ground near Puuanahulu, between Waikoloa and Kailua-Kona.
2015-0044	Closed	HECO	On August 25, 2015, by Decision and Order No. 33084, the Commission approved HECO’s applications to construct an overhead extension to an existing 46 kV subtransmission line. The line is located in Mililani, and the costs of construction will be paid for by Waihonu North, LLC
2015-0070	Closed	MECO	On March 11, 2015, MECO submitted an application for the following capital improvements: (1) new distribution substation ("Kuihelani Substation"); (2) new 69 kV and 12.47 kV line extensions to/from the Kuihelani Substation; (3) new telecommunication fiber optic cable run to be underbuilt along the existing 69 kV transmission line from the Kuihelani Substation to the existing Pu'unene Substation; and (4) acquisition of land and easements required to build the Kuihelani Substation and Transmission and Distribution lines. On April 28, 2016, by Decision and Order No. 33672, the Commission approved MECO's request to construct the Project's 69 kV overhead line extension.
2015-0071	Closed	MECO	On October 13, 2015, in Decision and Order No. 33216, the Commission granted MECO’s March 11, 2015 request for approval to commit approximately $14.1 million for the purchase, construction, and installation of Item X00003, Kaonoulu Substation, Kaonoulu Transformers #1 and #2, Kaonoulu Transmission and Distribution 69 kV and 12.47 kV Circuits, Kaonoulu Telecommunication, and Kaonoulu Land Acquisition. On November 19, 2015, in Decision and Order No. 33345, the Commission approved MECO's request to construct the Project's 69 kV line extensions partially underground and partially overhead.
2015-0114	Closed	HECO	On November 19, 2015, by Decision and Order No. 33346, the Commission approved HECO’s application for approval to construct a temporary and permanent relocation of an existing section of the Kahe-Permanente 46 kV subtransmission line above the surface of the ground.
2015-0223	Closed	HECO	On April 11, 2016, by Decision and Order No. 33639, the Commission approved HECO’s application for approval to construct a 46kV underground subtransmission line for the Aloha Solar I 46kV project in Nanakuli, Oahu.
2015-0229	Suspended	HELCO	On August 10, 2015, HELCO submitted an application to the Commission for approval of a 69kV overhead transmission line extension for its planned Ocean View Substation, which HELCO stated is required to interconnect 27 proposed Tier-2 FIT solar photovoltaic projects in the Ocean View Ranchos subdivision. HELCO states that the overhead line extension is needed because the “FIT companies will produce more than 700% of the daytime load during peak production, and the excess energy will need to be exported to the transmission system.” The existing Kapua substation that serves Ocean View does not have enough capacity to allow for the interconnection of these projects. The 27 FIT projects proposed to be constructed in a residential area in Ocean View each have a capacity of 250 kW, for a total of 6.75 MW. On September 9, 2016, by Order No. 33903, the Commission suspended HELCO’s application pending the resolution of a formal complaint filed in Docket No. 2016-0224.

2015-0354	Closed	HELCO	On May 20, 2016, by Decision and Order No. 33714, the Commission approved HELCO's application to construct a relocated section of 69 kV overhead transmission line in Hilo, Hawaii.
2015-0369	Closed	HECO	On March 18, 2016, by Decision and Order No. 33597, the Commission approved HECO's requests to relocate, above the surface of the ground, five spans of the Kalaeloa-Ewa Nui 138 kV overhead line.
2016-0008	Closed	HECO	On January 22, 2016, HECO submitted an application proposing to relocate a portion of three 46kV lines, which are presently underground along Halekauwila Street between Ala Moana Boulevard and Cooke Street, and will be in conflict with the guideway columns to be installed for the Honolulu Rail Transit project. Hawaiian Electric proposes to relocate these facilities underground in new 46kV ducts that the Honolulu Authority for Rapid Transportation ("HART") constructs and transfers to Hawaiian Electric as part of the project. HART has agreed to pay for the entire cost of the project, estimated at approximately $4.7 million. For these reasons, Hawaiian Electric requests the Commission to determine that the relocation of the three 46kV subtransmission lines shall be constructed below the surface of the ground. The Commission issued an order approving HECO's request on October 11, 2016.
2016-0075	Open	HECO	On March 17, 2016, HECO submitted an application proposing to relocate 138kV overhead transmission lines at the request of Aina Nui in order to minimize the easements on their property by relocating the existing lines to the edge of their property and along the future Harbor Access Road. Aina Nui will pay for the relocation. The Commission is reviewing the application.

Ratemaking

Rate Cases

HECO Rate Case for the 2014 Test Year

Docket No. 2013-0373, Status: Open

On October 30, 2013, HECO filed a notice of intent to file a rate case. On June 27, 2014, HECO filed an abbreviated rate case for the 2014 test year. In its application, HECO did not request any increase to base rates.

MECO Rate Case for the 2015 Test Year

Docket No. 2014-0318, Status: Open

On December 17, 2014, MECO submitted an intent to file a rate case. On December 30, 2014, MECO filed an abbreviated rate case for the 2015 test year. In its application, MECO did not request any increase to base rates.

HELCO Rate Case for the 2016 Test Year

Docket No. 2015-0170, Status: Open

On June 17, 2015, HELCO filed a notice of intent to request a rate increase and to delay the date to file its rate case. By Order No, 33342 issued on November 19, 2015, the Commission granted HELCO's request in a 2-1 vote, which extended the rate case filing deadline from the end of 2015 to no later than December 30, 2016. HELCO filed its rate increase application for the 2016 test year on September 12, 2016. Public hearings on HELCO's application were held on December 13, 2016 in Hilo, and December 14, 2016, in Kona.

HECO Rate Case for the 2017 Test Year

Docket No. 2016-0328

On September 16, 2016, HECO filed a notice of intent to file an application for a general rate increase no later than December 30, 2016. HELO filed its rate increase application for the 2017 test year on December 16, 2016.

Tariffs

Transmittal of HECO Companies Approval to Extend Schedule EV-F, Commercial Public Electric Vehicle Charging Facility Service Pilot, and Schedule EV-U, Commercial Public Electric Vehicle Charging Service Pilot.

Docket 2016-0168, Status: Open

On June 27, 2016, the HECO Companies jointly filed a transmittal requesting that the Commission extend by ten years, from June 30, 2018 to June 30, 2028, the Companies' current five-year pilot program for public electric vehicle ("EV") charging facilities that operate within each of the Companies' respective service territories.

A public EV charging facility is a separately metered commercial facility that provides charging services to EV end-users that seek to charge their electric vehicles using Level 2 chargers or DC fast chargers. Schedule EV-F, Commercial Public Electric Vehicle Charging Facility Service Pilot, prescribes the manner of the Companies' sale of electricity to the third-party operator of a public EV charging facility. In other words, Schedule EV-F covers the electric utility's supplying of electric service to the public EV charging facility operator, but does not control the transaction between the third-party operator and the EV end-user that utilizes the operator's facility. Conversely, Schedule EV-U, Commercial Public Electric Vehicle Charging Service Pilot, establishes the rates by which the Companies provide electric charging service directly to EV end-users.

On July 5, 2016, by Order No. 33783, the Commission opened this docket for the purpose of reviewing and adjudicating the transmittal jointly filed by the HECO Companies. The Commission established issues and set forth a procedural schedule for the Docket in Order No. 33918, issued on September 15, 2016. The Commission continues to review the HECO Companies’ transmittal.

Feed-In Tariff (“FIT”) for HECO, HELCO, and MECO

Docket No. 2013-0194, Status: Open

On October 24, 2008, the Commission opened this docket to examine the implementation of FITs in the HECO Companies' service territories. Prompted by an "Energy Agreement," which included a commitment to implement a FIT program for the HECO Companies, the Commission described FITs in the Opening Order as a "set of standardized, published purchased power rates, including terms and conditions, which the utility will pay for each type of renewable energy resource based on project size fed to the grid.” Further issues concerning the valuation of renewable energy continue to be investigated in the Docket No. 2014-0192, the DER docket. (See page 10.)

Time-of-Use Rates

Docket No. 2014-0192; Status: Open

Traditional electricity prices are flat and do not change based on time of day. Time-of-use (“TOU”) pricing is a variable rate structure that charges for energy depending on the time of day that the energy is used. TOU rates are designed to price electricity in a way that reflects electricity’s true costs, by charging customers different rates at different times of the day, instead of a flat rate. A primary objective of TOU rates is to encourage customers to shift energy usage behavior in order to reduce overall grid costs associated with serving peak loads and, in Hawaii’s case in particular, the cost to effectively integrate additional solar PV generation. TOU pricing encourages customers to reduce electricity use during times when electricity is more expensive to produce, while allowing them to take advantage of less expensive electricity at times when demand is lower.

The Commission continues to investigate TOU pricing in Docket No. 2014-0192, the docket investigating distributed energy resources policies (“DER Docket”; see page 10.) The following section summarizes dockets relating to specific TOU tariff proposals.

HECO Companies' Application for Approval to Establish Electric Vehicle Rates, Schedules, TOU EVD, EV-RD, and EV-CD, and to Extend Schedules TOU EV and EV-R
Docket No. 2015-0342, Status: Closed

On September 25, 2016, by Decision and Order No. 33156, the Commission approved in part, denied in part, and suspended in part Transmittal No. 15-08, jointly filed by the HECO Companies for a pilot program consisting of the following three time-of-use tariff schedules (two residential rate options and a commercial rate option): Schedule TOU EV, Residential Time-of-Use Service with Electric Vehicle Pilot; Schedule EV-R, Residential Electric Vehicle Charging Service Pilot; and Schedule EV-C, Commercial Electric Vehicle Charging Service Pilot. Specifically, the Commission: 1) Approved the Companies' request to extend Schedule TOU EV, subject to the commission's adoption of a different rate design as part of its review of other related proceedings involving time-of-use rates; 2) Denied the Companies' corresponding request to close Schedule TOU EV to any new customers after September 30, 2015; 3) Denied the Companies' request to extend Schedule EV-R for an additional five years, until June 30, 2020. As a result, consistent with the Companies' alternative request, the Commission allowed Schedule EV-R to remain in effect for an additional sixty days beyond September 30, 2015, i.e., until November 29, 2015, for the purpose of transitioning existing Schedule EV-R participants to an alternative, applicable rate schedule. The Commission also approved the Companies' request to terminate Schedule EV-C, as of October 1, 2015. In addition, the Commission suspended the Companies' request to establish the following three superseding electric vehicle time-of-use tariff schedules: Schedule TOU EVD, Residential Time-of-Use Service with Electric Vehicle; Schedule EV-RD, Residential Electric Vehicle Charging Service; and Schedule EV-CD, Commercial Electric Vehicle Charging Service. The Commission suspended the Companies' proposed Schedules TOU EVD, EV-RD, and EV-CD pending the Commission's decision-making in Docket No. 2014-0192, the DER Docket. (See page 10.)

HECO Companies' Application for Approval to Establish New Time-of-Use Rate Schedules for the State of Hawai'i, Department of Education
Docket 2015-0410, Status: Closed

On November 6, 2015, the HECO Companies filed Transmittal No. 15-10, seeking the Commission's approval to establish two new TOU rate schedules as a pilot program for the State Department of Education ("DOE"). On December 28, 2015, the Commission issued Order No. 33423, which suspended Transmittal No. 15-10. On October 4, 2016, by Order No. 33959, the Commission transferred the subject docket to 2014-0192, the DER docket, and closed this docket. The Commission continues to investigate TOU rates, including the DOE TOU proposal, in Docket No. 2014-0192. (See page 10.)

Other Ratemaking Proceedings

HECO Companies

HECO Companies' Request for Cost Recovery for Stage-2 Inter-Island Interconnection Study
Docket No. 2013-0393, Status: Closed

On November 22, 2013, the HECO Companies requested approval for recovery of their deferred costs for outside contractor services totaling $405,000 for the Stage 2 Inter-Island Interconnection Study through the Renewable Energy Infrastructure Program Surcharge. By Order No. 32980 issued on July 10, 2015, the Commission approved the Companies' request. On July 24, 2015, the Commission issued Order No. 33021 approving the Companies' accompanying tariff sheets and closing the docket.

HECO Application for Approval to Record Fuel Infrastructure Kalaeloa Barbers Point Harbor Project Costs as a Deferred Debt
Docket No. 2013-0439, Status: Closed

On December 31, 2013, HECO submitted an application requesting that the Commission issue a decision and order that: (1) approves accounting for the fuel infrastructure project costs associated with the Kalaeloa Barbers Point Harbor as deferred debt; (2) allows HECO to address in its next rate case the amortization of the Project Costs and inclusion of such costs in revenue requirements in HECO's next rate case, or in the alternative to recover the Project Costs through the Renewable Energy Infrastructure Program Surcharge; and (3) grants the Company such other and further relief as may be just and equitable in the premises.

On January 5, 2016, by Decision and Order No. 33431, the Commission approved HECO's request to amortize certain Project Costs as expenses over a three-year period, subject to the following conditions: (1) HECO shall not incorporate any normalized amortization expense for the Project Costs in any future rate case or any other recovery mechanism; (2) shall not include the average unamortized balance in rate base in the rate of return calculations for the earnings sharing mechanism; and (3) shall not use or attempt to use this Decision and Order as setting precedent in any future proceeding.

HELCO Application for Approval to Record Lava Flow Related Costs as a Deferred Debt
Docket No. 2015-0074, Status: Open

On March 13, 2015, HELCO submitted an application requesting the Commission to: (1) approve the accounting for costs incurred by the HELCO to monitor, prepare for, respond to, and otherwise address the June 27, 2014, Kilauea lava flow as a deferred debit, and (2) grant HELCO such other and further relief as may be just and equitable in the premises. On July 31, 2015, the CA submitted its SOP objecting to the application because HELCO did not provide sufficient justification to support its relief. The Commission is reviewing the application.

HELCO Application for Approval to Defer Certain Costs for the Interactive Voice Response ("IVR") System Replacement
Docket No. 2012-0331, Status: Closed

On October 19, 2012, the HECO Companies filed a joint application requesting the Commission to: (1) defer the computer software and development costs with related allowance for funds used during construction ("AFUDC") of approximately $2,332,000 for the IVR System Replacement project; (2) accrue and defer AFUDC on the deferred amount from the date of filing of the Application; (3) amortize the deferred costs over a twelve-year period, beginning the month following the implementation of the IVR; (4) include the unamortized deferred costs (including AFUDC) in the rate base; and (5) commit funds in excess of $2,500,000 for the purchase and installation of the IVR project under provisions of G.O. 7 Paragraph 2.3(g)(2). On October 19, 2015, the Commission issued Decision and Order No. 33082 where it approved the project deferral of costs subject to certain conditions. The Commission dismissed the Companies' request in the Application to accrue and defer AFUDC on the deferred amount from the date of Application filing is dismissed as moot because the date on which the Commission approved the Application occurred after the date of the Companies' new IVR system implementation and the Companies ultimately decided not to include AFUDC in the final costs for the IVR Project.

HECO Companies Application for Approval to Defer Consultant Outside Services Costs Incurred in the Development of the Interim and Updated PSIPs
Docket 2016-0156, Status: Open

On June 20, 2016, the HECO Companies submitted an application requesting Commission approval for deferred accounting treatment of outside consultant costs incurred in developing and supplementing the HECO Companies' updated PSIPs (<u>see</u> Docket No. 2014-0183, pg. 8, for more information regarding the PSIPs). The time period for the costs involved is 2016 forward. Deferred accounting treatment means that the Companies would defer these costs in a regulatory asset account and later seek approval to recover them in a future rate case(s) or through an appropriate surcharge mechanism. The Commission is reviewing the request.

KIUC

KIUC Decoupling Mechanism
Docket No. 2014-0016, Status: Closed

On January 23, 2014, KIUC requested approval to implement a proposed revenue decoupling mechanism and to include a decoupling adjustment clause in its applicable rate schedules. On October 2, 2014, KIUC and the Consumer Advocate informed the Commission that the Parties reached a stipulation/agreement on a proposed decoupling mechanism and reached a global settlement on the issues established by the Commission in Order No. 32197. On October 10, 2014, KIUC and the Consumer Advocate filed its Stipulation requesting that the Commission approve KIUC's establishment of a new Renewable Integration Cost Adjustment Mechanism ("RICA") Mechanism, incorporate the new mechanism in its tariffs, terminate the existing incentive mechanism in KIUC's ERAC and terminate KIUC's existing Patronage Capital Condition. In Decision and Order No, 34133 issued on November 28, 2016, the Commission denied KIUC's decoupling Application and the Stipulation Between KIUC and the Consumer Advocate filed on October 10, 2014. In denying the Application and Stipulation, the Commission concluded that: (1) as an electric cooperative, KIUC should not and does not need a decoupling mechanism to remove any perceived undesirable institutional disincentives to implement State energy policies; (2) the scope of the proposed RICA decoupling mechanism, which would allow KIUC's revenues to automatically increase based on the amount of KIUC's expenditures, is overly broad and includes provisions that go beyond what is reasonably necessary for KIUC to maintain sufficient revenues in the face of potential sales erosion; (3) the proposed RICA Mechanism would not provide for sufficient safeguards and incentives for reasonable cost control and would not result in adequate regulation of KIUC's rates; and (4) the customer benefits of the Requested Approvals are overstated in the Application and Stipulation and could, in large part, be obtained by simpler means.

KIUC Petition for a Declaratory Ruling Regarding Changing Depreciation Rates
Docket 2015-0127, Status: Open

On May 8, 2015, KlUC filed a petition for a declaratory ruling requesting that the Commission confirm that KlUC is not required to obtain Commission approval to change its depreciation rates. In the alternative, KlUC requested: 1) a waiver or exemption, pursuant to HRS § 269-31(b), from any requirement that Commission approval be obtained in order to implement changes to its depreciation rates that are made in accordance with the United States Department of Agriculture Rural Utilities Service's rules, regulations, and requirements, or 2) alternatively, if the Commission is not inclined to grant a waiver or exemption. Commission approval to implement the proposed depreciation rates.

On May 28, 2015, the Consumer Advocate filed its Preliminary Statement of Position stating that it did not support KlUC's request for a declaratory ruling and that the Consumer Advocate would be participating in the instant proceeding. On July 7, 2015, the Commission filed Order No. 32970, Approving the Parties' Proposed Procedural Schedule and approved its modification in Order No. 33089 filed on September 1, 2015. Further issues concerning KIUC's request continue to be investigated.

Financing

HECO Companies

Application of HECO and MECO for Approval of Issuance of Unsecured Obligations and Guarantee
Docket 2016-0057, Status: Closed

On August 10, 2016, by Decision and Order No. 33860, the Commission granted HECO's and MECO's Application to issue up to $70 million in unsecured taxable debt obligations for HECO and up to $20 million in unsecured taxable debt obligations for MECO, in one or more private placements and/or registered public offerings on or before December 31, 2016. The obligations may be designed as bonds, notes, debentures, or some similar instrument. HECO also states that it intends to guarantee MECO's borrowing and seeks approval to issue this guarantee as part of HECO's respective obligation. In its Decision and Order, the Commission limited the maximum interest rate that may be affixed to the issued obligations to 5.75%.

In November 2016, the Commission issued an order clarifying that the maximum interest rate of 5.75% did not include a Default Rate, which is an additional rate of interest that is applied to overdue interest on obligations, or overdue principals or premiums on the obligations that occur during the continuance of an event of default. An event of default has never occurred, but the commission made this clarification as a precaution, so that the relationship between the maximum interest rate and the default rate is clear.

HECO Companies' Letter Request for Expedited Approval to Refinance Outstanding Series of Revenue Bonds

Docket 2015-0189, Status: Closed

On June 30, 2015, the Companies filed their Letter Request in the subject proceeding, seeking the Commission's approval to participate with the State Department of Budget and Finance, in one or more issuances and sales of new refunding special purpose revenue bonds during 2015 at the Companies' discretion and for their benefit, in the aggregate principal amounts of up to $40 million for HECO, up to $5 million for HELCO, and up to $2 million for MECO. On August 10, 2015, by Decision and Order No. 33052, the Commission approved the HECO Companies' joint letter request.

KIUC

KIUC Application for Approval to Extend Term of Revolving Line of Credit

Docket No. 2015-0180, Status: Closed

On September 1, 2015, in Decision and Order No. 33093, the Commission approved KIUC's June 22, 2015 application to enter into the Second Amendment to Secured Revolving Line of Credit. The Commission ordered KIUC to provide the Commission and the Consumer Advocate with an executed copy of the Second Amendment within thirty days of its execution with National Rural Utilities Cooperative Finance Corporation.

KIUC Application for Approval to Enter into a New Form of Agreement for the $1,300,000 Irrevocable Letter of Credit Approved by the Commission, and Other Related Matters

Docket 2015-0228, Status: Closed

On August 7, 2015, KIUC filed its Application requesting the Commission's approval to: 1) use and enter into a new form of agreement for the purpose of the $1,300,000 irrevocable letter of credit ("LOC") with the National Rural Utilities Cooperative Finance Corporation, that was previously approved by the Commission in Docket No. 2008-0068, and subsequently approved for renewal in Docket No. 2012-0081; and (2) renew and/or extend the Proposed LOC with CFC, for so long as Chevron (as KIUC's petroleum fuel supplier) requires KIUC to furnish such an LOC to Chevron. The Commission approved the request by Decision and Order No. 33255 issued on October 8, 2015.

KIUC Application for Waiver or Exemption with Respect to Proposed Refinancing of the 2002 RUS Term Loan

Docket 2016-0091, Status: Closed

On June 6, 2016, by Decision and Order No. 33743, the Commission approved the requested waiver from any requirement that KIUC obtain approval from the Commission in order to consummate its proposed refinancing of the remaining balance of the 2002 United States Department of Agriculture Rural Utilities Service ("RUS") Term Loan, as set forth in the Application.

KIUC Petition for a Declaratory Ruling Regarding HRS §§ 269-17 and 269-19, or, in the Alternative, For Waiver or Exemption, Pursuant to HRS § 269-31(b) or Approval of Twelve-Month Unsecured Line of Credit

Docket 2016-0092, Status: Closed

On May 17, 2016, by Decision and Order No. 33706, the Commission declared that, based on the specific facts and circumstances presented in this docket, as well as KIUC's representations, HRS §§ 269-17 and 269-19(a) do not apply to KIUC's twelve-month unsecured line of credit.

Fuel Contracts

Application of HECO for Approval of the Biodiesel Supply Contract with Pacific Biodiesel Technologies, LLC, and to include the Biodiesel Supply Contract Costs in Hawaiian Electric's Energy Cost Adjustment Clause
Docket No. 2015-0064, Status: Closed

On September 29, 2015, in Decision and Order No. 33179, the Commission approved, subject to conditions, HECO's fuel supply contract with Pacific Biodiesel Technologies ("PBT") to supply B99 biodiesel for use primarily in HECO's combustion turbine generating unit at Campbell Estate Industrial Park ("CIP CT-1"), and to fuel the Honolulu International Airport Emergency Power Facility and any other facility on Oahu that may use biodiesel. In Order No. 33179, the Commission also approved the inclusion of the costs of the Biodiesel Supply Contract, including without limitation, the costs associated with the biodiesel, transportation, storage, and related taxes and fees in HECO's ECAC, to the extent such costs are not recovered in HECO's base rates. In this Decision and Order, the Commission also discusses the relationship between this docket and Docket No. 2014-0113, in which it approved, subject to certain conditions and modifications, HECO's application concerning the commitment of funds for the purchase and installation of the Schofield Generating Station ("SGS") Project. In Docket No. 2014-0113, the Commission ruled that "HECO shall shift its current biofuel use at CIP CT-1 to the SGS Project in order to minimize the impact on ratepayers of the cost of biofuel." (See page 19.)

HECO Companies' Application for Approval of Fuel Supply Contracts and Fuel Terminalling Agreement with Chevron
Docket 2016-0054, Status: Closed

On February 26, 2016, the HECO Companies submitted an application for approval of fuel supply contracts and a fuel terminal agreement with Chevron Products Company ("Chevron") and to include the contracts' costs in the Companies' Energy Cost Adjustment Clause. Currently, the fossil fuels for all of the Hawaiian Electric Companies' utility-owned generation are supplied by Chevron and PAR Hawaii Refining, LLC ("PAR"). Oahu's current Low Sulfur Fuel Oil ("LSFO") supply is provided by HECO's contract with Chevron. Inter-island fuel supply for Oahu, Hawaii Island, Maui, and Molokai for Industrial Fuel Oil ("IFO"), Diesel, and Ultra-Low Sulfur Diesel ("ULSD") is provided by the HECO Companies' contracts with Chevron, which was recently acquired by Island Energy, and BHP Petroleum Americas Refining, Inc. (a predecessor to PAR). The Commission approved the application in Decision and Order No. 33956 issued on September 30, 2016.

Other Petitions and Formal Complaints

Hu‘ena Power, Inc.'s Petition for Declaratory Order and Complaint against HELCO
Docket 2016-0027, Status: Closed

On February 9, 2016, Hu‘ena Power Inc. ("Hu‘ena") filed a formal complaint and a petition for a declaratory order regarding HELCO's request for proposals ("RFP") for 50 MW of dispatchable renewable geothermal firm capacity generation on the island of Hawaii, approved by the Commission in Docket No. 2012-0092. The filing alleged violations of the Commission's competitive bidding framework ("CB Framework"). On March 28, 2016, the Commission issued Order No. 33604, in which, pursuant to HAR § 6-61-39, the Commission found good cause to separate Hu‘ena's petition for a declaratory order from its Complaint. In Order No. 33604, the Commission dismissed, without prejudice, Hu‘ena's petition for a declaratory order. On May 9, 2016, in Order No. 33690, the Commission directed HELCO to file an answer to the Complaint. In lieu of an answer to the Complaint, HELCO filed a motion to dismiss the Complaint on May 31, 2016. On June 3, 2016, Hu‘ena filed a memorandum in opposition to the Motion to Dismiss. On June 7, 2016, the Consumer Advocate filed a response in support of the Motion to Dismiss. On December 15, 2016, the Commission granted HELCO's motion to dismiss the Complaint in Order No. 34211. In its Order, the Commission note that the CB Framework is designed to produce the lowest, competitive bid for a project for the benefit of ratepayers. The CB Framework is neither intended nor designed to force a utility to accept a proposal that is not competitive in price or that does not meet the standards for a bid, nor is it designed to favor one bidder over another on any basis other than that specified as "winning" criteria. Hu‘ena's Complaint does not comply with either the spirit or the letter of the CB Framework, and would, if the Commission granted Hu'ena's requested relief, force consumers to accept, and pay for through rates, a bid that is significantly higher than other bids received under the CB Framework.

Petition of Anaergia Services, LLC, Maui Energy Park, LLC, and Maui Resource Recovery Facility, LLC for Declaratory Order and Complaint Against HECO and MECO
Docket 2015-0324, Status: Closed

On September 4, 2015, Anaergia Services, LLC, Maui Energy Park, LLC, and Maui Resource Recovery Facility, LLC (collectively, the "Anaergia Companies") filed a Petition for Declaratory Order ("Petition") and Complaint where the Anaergia Companies alleged that HECO and MECO violated State law and legislative policy by failing to forward several of Anaergia's proposals involving preferential rates for renewable energy produced in conjunction with agricultural activities to the Commission.

In the Petition for the Declaratory Order, the Anaergia Companies requested that the Commission (1) approve the preferential rates for the purchase of renewable energy by MECO from the Anaergia Companies and prescribe the rate for such non-fossil fuel generated electricity as authorized by law; (2) issue an order to MECO to negotiate a biogas fuel supply contract based on any preferential rates approved by the Commission; (3) direct MECO to acquire electricity generated by the Anaergia Companies as a nonfossil fuel producer; (4) issue such orders as may be necessary and appropriate to enforce and compel MECO's obligations to purchase any energy and capacity made available from the Anaergia Companies as a "Qualifying Facility," and (5) take further action as the Commission may deem appropriate, including the initiation of an enforcement or investigatory action against MECO.

On March 7, 2016, the Commission held a declaratory hearing to define what constitutes a "bona fide request for preferential rates for the purchase of renewable energy produced in conjunction with agricultural activities" under HRS § 269-27.3. On April 19, 2016, the Commission Hearing Officer issued a Recommended Decision and Order as a result of the Declaratory Order Hearing held on March 7, 2016. The Hearing Officer made several recommendations regarding what should constitute “renewable energy”, “agricultural activities”, and a “bona fide request”. The Hearings officer found the determination of "preferential rates" should be decided by the Commission, and a public utility does not possess this authority. The Hearings Officer found that none of Anaergia's proposals constituted a "bona fide request for preferential rates for the purchase of renewable energy produced in conjunction with agricultural activities" under HRS § 269-27.3.

On September 26, 2016, by Decision and Order No. 33945, the Commission declared that under the specific facts and circumstances presented in this docket, MECO did not violate HRS § 269-27.3 by declining to forward any of Anaergia's proposals to the Commission, and dismissed without prejudice the Complaint filed in conjunction with the Petition for a Declaratory Order.

PhotonWorks Engineering, LLP Formal Complaints Against HECO Regarding NEM Applications
Docket 2016-0043, Status: Closed
Docket 2016-0050, Status: Closed
Docket 2016-0051, Status: Closed
Docket 2016-0052, Status: Closed
Docket 2016-0053, Status: Closed
Docket 2016-0085, Status: Closed

From February 23, 2016 to March 24, 2016, PhotonWorks Engineering, LLP filed six formal complaints with the Commission on behalf of the Dynasty Tower AOAO, J Mahoney & Associates, Inc., Island Princess, Barclay AOAO, Aloha Gourmet, and four other individual Net Energy Metering (“NEM”) applicants. The complainants maintain that their NEM applications should be grandfathered into the NEM program since the applications were submitted prior to the NEM program closure on October 13, 2015. The complainants are requesting Commission intervention to re-subscribe the subject NEM applications back into the NEM queue. The Commission issued orders dismissing the complaints without prejudice for failure to comply with HAR § 6-61-67, the Commission’s rules for the filing of Formal Complaints.

Formal Complaint in the Matter of DSR Holdings' (FIT Application 205-2) Cancelled Application
Docket 2016-0082, Status: Closed

On March 23, 2016, PhotonWorks Engineering, LLP filed a Formal Complaint with the Commission on behalf of DSR Holdings. The complainant maintains that HECO cancelled DSR Holding FIT project without due notice. The complainant is requesting the PUC's intervention to re-subscribe FIT Application 205-2 back into the FIT queue and allow complaint to close out the project. On December 6, 2016, the Commission returned the formal complaint for failure to substantially comply with the requirements of HAR § 6-61-67.

Miscellaneous

HECO and Hawaiian Telcom, Inc. Application for Approval to Sell a Jointly-Owned Utility Strip Property in Waikiki to PACREP 2 LLC
Docket No. 2015-0039, Status: Closed

On July 9, 2015, in Decision and Order No. 32979, the Commission approved, with certain conditions, the Application of HECO and Hawaiian Telcom, Inc. to sell a jointly-owned utility strip property in Waikiki to PACREP 2, LLC. On July 31, 2015, in Order No. 33039, the Commission approved the proposed grant of easement.

HELCO Application for Approval to Donate Used Wood Poles
Docket No. 2016-0144, Status: Closed

On June 1, 2016, by Decision and Order No. 33734, the Commission approved HELCO’s request to donate used wood poles to Parker Ranch and Maunakea Observatories Support Services to use as parking stops and for fencing.

Gas Proceedings

The Gas Company (“TGC”), dba Hawaii Gas, is the only duly franchised public utility providing gas service for residential, commercial, and industrial uses throughout the State. The following are Commission proceedings initiated by Hawaii Gas and active during FY 2016.

Application for Approvals and Authorizations Related to the Proposed 30% SNG Conversion Project
Docket No. 2014-0315, Status: Closed

On October 16, 2014, TGC filed an application for various approvals and authorizations for its 30% SNG Conversion Project, which proposes to displace synthetic natural gas (“SNG”) with liquefied natural gas (“LNG”). On January 12, 2015, the Commission issued Interim Decision and Order No. 32614 approving, on an interim basis, the LNG gas sales and dispensing service agreement. In approving the project in Decision and Order No. 33621 issued on April 4, 2016, the Commission concluded that the project is reasonable and in the public interest because fuel diversity can reduce the security and reliability risks associated with the interruption or loss of naphtha supply.

Application for Approval of the Additional Fuel Supply Arrangement for the Existing Backup Enhancement Project Approved in Decision and Order No. 31964 in Docket No. 2013-0184, etc.
Docket No. 2014-0171, Status: Closed

On July 25, 2014, TGC requested approval of an additional fuel supply arrangement for the existing backup enhancement project approved in Order No. 31964 in Docket No. 2013-0184 to diversify its sources of LNG supply, and to include the costs of the arrangement in its fuel adjustment clause. In Decision and Order No. 33263 issued on October 19, 2016, the Commission concluded that the terms and conditions set forth in the Additional Fuel Supply Arrangement and the Fuel Delivery Amendment are reasonable and in the public interest, and approved the application, to the extent that such costs are not recovered through TGC's base rates or other cost recovery mechanism. On November 2, 2015, TGC filed a Motion for Partial Reconsideration of Decision and Order No. 33263 to amend Ordering Paragraph No. 1.a. On

August 24, 2016, the Commission granted in part, denied in part TGC's motion and clarified Decision and Order No. 33263 to adopt TGC's proposed "on a per therm basis" phrase, and adopted two exceptions.

Application for Approval (1) to commit funds in excess of $500,000 for the proposed SNG System Backup Enhancement Project, (2) of the Fuel Supply Agreement, (3) of the Fuel Delivery Contract, and (4) to include the costs of the Fuel Supply Agreement, etc.
Docket No. 2014-0070; Status: Closed

On April 7, 2014, TGC filed an application for expenditures related to the relocation of gas transmission and distribution lines to accommodate the Honolulu Rail Transit Project. On May 5, 2014, the Commission issued Interim Order No. 32066 granting the waiver of regulatory requirements modifications to Section 2.3.f.2 of G.O. 9, which requires that proposed capital expenditures for any single project related to plant replacement, expansion or modernization, in excess of $500,000 or 10 percent of the total plant in service, whichever is less, be submitted to the Commission for review at least 60 days prior to the commencement of construction or commitment for expenditure, whichever is earlier. On July 28, 2015, the Commission issued Decision and Order No. 33030 adopting the Interim Order.

Application for Modifications of General Order No. 9 Paragraph 2.3.f.2. Requirements Relating to Capital Improvements.
Docket No. 2015-0004, Status: Closed

On January 7, 2015, TGC filed an application for the approval of a permanent exemption from, and a modification of General Order No. 9 Section 2.3f.2 by: (1) increasing the $500,000 capital expenditure threshold for Commission approval to $2.5 million and (2) excluding customer and third-party contributions from the dollar threshold. Finding that the current $500,000 CIP application filing threshold does not present an unreasonable hardship for Hawaii Gas, the Commission denied without prejudice TGC's requested Threshold Increase in Decision and Order No. 33659 on April 25, 2016.

Application for Proposed Refinancing and Security Arrangements and Other Matters
Docket No. 2015-0332, Status: Closed

On September 10, 2015, TGC filed an application requesting that the Commission approve TGC's proposed refinancing ("Proposed Refinancing") of its existing $80 million term loan facility of HGC Holdings, LLC, and TGC's $60 million revolving credit facility. In its application, TGC stated that the proposed refinancing would allow it to continue to finance operations necessary for the continued provision of safe, secure, and reliable gas utility services to its customers across the State. On January 13, 2016, the Commission approved the proposed financing subject to certain conditions.

Water and Wastewater Proceedings

The Commission regulates 39 privately owned water service utilities that provide water services and wastewater services. The majority of these utilities are located on the neighbor islands. During FY 2016, the Commission's key proceedings in this area included reviewing rate cases and requests for transferring Certificates of Public Convenience and Necessity ("CPCNs").

Ratemaking

During FY 2016, the Commission reviewed rate cases for the following water and sewage utilities:

Hawaii Water Service Company, Kaanapali Division Rate Case
Docket No. 2015-0230, Status: Closed

On August 12, 2015, the Hawaii Water Service Company gave notice of its intent to file a general rate increase for its Kaanapali Division and followed suit with its application for approval of a net revenue increase of $1,704,975 for its operations, an increase of approximately 32.8% over the present rates that had been approved in 2012. The company provides potable water service to residential and resort developments within its Kaanapali service area in Maui. On March 23, 2016, the Commission held a public hearing at the Lahaina Intermediate School to allow parties and ratepayers to testify. On September 12, 2016, the Commission found that the applicant and Consumer Advocate's stipulated rate of return of 7.75% was fair, and approved an increase of $1,061,351 or approximately 20% over revenues at present rates.

Hawaii Water Service Company, Pukalani Wastewater Division Rate Case
Docket No. 2015-0236, Status: Open

On August 19, 2015, the Hawaii Water Service Company ("HWSC") gave notice of its intent to file a general rate increase application for its Pukalani Wastewater Division. HWSC's last general rate increase for the Pukalani Wastewater Division became effective pursuant to Decision and Order No. 31810, filed on January 14, 2014, in Docket No. 2011-0148. The increase in revenue approved in Decision and Order No. 31810 was implemented in three phases, with the third and final phase effective January 14, 2016.

Laie Water Company Rate Case
Docket No. 2016-0229, Status: Open

On September 1, 2016, the Laie Water Company ("LWC") submitted an application for approval of a net revenue increase of $901,953 for its operations, which amounts to an approximate 79% increase. The Commission last approved LWC's rates in 2007 in Docket No. 2006-0502. The Commission held a public hearing on November 7, 2016. The last filing by the parties in this docket is due by January 27, 2017.

Kaupulehu Water Company
Docket No. 2016-0363, Status: Open

On October 24, 2016, the Kaupulehu Water Company ("KWC") filed a notice of intent to file an application for a general rate increase for the 2017 test year. KWC states that it intends to file is application on December 29, 2016. The Commission last approved a change in KWC's rates in 2006 in Docket No. 05-0124.

Authority and Certificates of Public Convenience and Necessity

Kalaeloa Water Company
Docket No. 2013-0134, Status: Open
Docket No. 2015-0399, Status: Open

On February 2, 2015, the Commission issued Order No. 32661 in Docket No. 2013-0134 approving Kalaeloa Water Company's ("KWC") request for a CPCN to provide potable water and wastewater services in Kalaeloa on Oahu, and ordered the utility to file a rate case on or before June 30, 2016. The applicants subsequently filed a Joint Application for Commission approval of the sale and transfer of one hundred percent of the membership interests of KWC from Pural Water Specialty Company to Hunt Kalaeloa Water LLC on December 14, 2015 filed in Docket No. 2015-0399. By Order No. 33511, issued on January 27, 2016, the Commission consolidated Docket Nos. 2013-0134 and 2015-0399. On July 26, 2016, the Commission issued Decision and Order No. 33831 extending the deadline for the utility to file a rate case to December 30, 2016.

Puhi Sewer and Water Company, Inc. and Aqua Puhi LLC
Docket No. 2013-0131, Status: Closed

On May 23, 2013 the Puhi Sewer and Water Company, Inc and Aqua Puhi, LLC submitted a joint application for the sale and transfer of Puhi Sewer and Water Company to Aqua Puhi, LLC. On December 11, 2014, the Commission approved the sale and transfer of assets in Order No. 32519. On August 11, 2015, the Commission clarified Decision and Order No. 32519 in Decision and Order No. 33054 and closed the docket.

Hana Water Company, Inc., Hana Resources, Inc., and Hana Water Systems, LLC
Docket No. 2014-0097, Status: Closed

On May 1, 2014, the Hana Water Company, Inc. and Hana Water Resources, Inc. filed a joint application with Hana Water Systems, LLC for the approval of the sale and transfer of the Hana Water Company, Inc and Hana Resources, Inc, to Hana Water Systems, LLC. On January 12, 2016 the Commission approved the transfer of the authority to provide water services to residential, agricultural, and commercial users in the Hana area on Maui, in Decision and Order No. 33484.

Financing

Kapalua Water Company's Application for Approval of the Pledge of Stock Interests
Docket No. 2016-0194, Status: Open

On August 4, 2016, Kapalua Water Company, Ltd., submitted an application requesting approval to allow all of the shares of its stock to be pledged by its sole shareholder, MLP, as part of the security required as a post-closing condition in connection with MLP's Overall Financing and Security Arrangement.

ATC Makena WWTP Services Corp. Application for Approval of the Pledge of Stock Interests
Docket No. 2014-0230, Status: Closed

On September 24, 2014, ATC Makena WWTP Services Corp. submitted an application requesting approval to pledge stock interests as part of an overall financing and security arrangement. On June 1, 2016, the Commission approved the application in Decision and Order No. 33733.

Telecommunications Proceedings

The Commission oversees the intrastate cellular, paging, mobile telephone and other services of 187 telecommunications providers, in addition to the services of Hawaiian Telcom, Inc. the State's only incumbent local exchange carrier and largest carrier of intrastate services.

The Commission is also the State entity responsible for designating and certifying eligible telecommunication carriers ("ETCs") seeking Universal Service Fund ("USF") disbursements under the federal USF program. For more information regarding ETC certification, see discussion beginning on Page 65.

Certificates of Registration and Certificates of Authority

In FY 2016, the Commission certificated 12 new telecommunications companies. See Table 5, below.

Table 5 - New Telecommunications Companies Certified in FY 2016

Certificate of Authority	Carrier Type	Docket No.	Date Approved
BCN Telecom, Inc.	Wireline Reseller	2015-0144	10/23/2015
New Horizons Corp.	Wireline Reseller	2014-0336	7/28/2015
Vitcom LLC	Wireline Reseller	2015-0194	12/14/2015
Certificate of Registration			
Boomerang Wireless LLC	Wireless Reseller	2016-0055	5/6/2016
IM Telecom, LLC dba Infiniti Mobile	Wireless Reseller	2015-0162	7/28/2015
K G Communications	Wireless Reseller	2015-0326	1/5/2016
MetroPCS California LLC	Wireless Reseller	2015-0362	12/14/2015
The People's Operator USA, LLC	Wireless Reseller	2016-0041	3/31/2016
Puretalk Holdings, LLC	Wireless Reseller	2015-0218	1/11/2016
Stream Communications, LLC	Wireless Reseller	2015-0214	9/10/2015
Telrite Corporation	Wireless Reseller	2015-0329	1/5/2016
Vodafone US Inc. dba Vodafone Americas	Wireless	2015-0319	10/19/2015

The Commission also approved the voluntary surrender of 10 telecommunication companies' certificates. See Table 6.

Table 6 - Telecommunications Companies Who Surrendered Certificates in FY 2016

Certificate of Authority	Carrier Type	Docket No.	Date Surrendered
American Telecommunications Systems, Inc	Wireline Reseller	2015-0202	10/7/2015
Bellsouth Long Distance, Inc.	Wireline Reseller	2015-0191	7/2/2015
Interstate Telecommunications, Inc	Wireline Reseller	2015-0364	10/15/2015
Network Operator Services	Wireline Reseller	2015-0128	6/9/2015
Certificate of Registration			
Americatel Corporation dba Americatel Mobile	Wireless Reseller	2015-0102	2/19/2016
BYO Wireless LLC	Wireless Reseller	2015-0334	12/30/2015
Cricket Communications, Inc.	Wireless Reseller	2016-0018	4/28/2016
NetZero Wireless, Inc	Wireless Reseller	2016-0059	5/9/16
Nextel Boost West, LLC	Wireless Reseller	2015-0237	10/8/2015
Talton Communications, Inc.	Wireless Reseller	2016-0068	3/31/2016

Interconnection Agreements

Pursuant to Section 252(e) (1) of the Telecommunications Act of 1996 and HAR § 6-80-54, the Commission may only reject a negotiated interconnection agreement if the Commission finds: (A) The agreement, or any portion of the agreement, discriminates against a telecommunications carrier not a party to the agreement; or (B) The implementation of the agreement, or any portion of the agreement, is not consistent with the public interest, convenience, and necessity. Thus, Commission approved interconnection agreements in the following dockets.

- **Wide Voice LLC's Adoption of the Amended Interconnection Agreement Between Level 3 Communications and Hawaiian Telcom**
  Docket No. 2015-0330, Status: Closed

- **Addendum to the Interconnection Agreement by and between Hawaii Dialogix Telecom and Hawaiian Teleom**
  Docket No. 2015-0351, Status: Closed

- **Amendment No. 3 to the Interconnection Agreement by and between MCImetro Access Transmission Services, LLC and Hawaiian Telcom**
  Docket No. 2015-0385, Status: Closed

- **Red Road Telecom, LLC Adoption of the Interconnection Agreement and its Addendum, between Hawaii Dialogix Telecom, LLC and Hawaiian Telcom**
  Docket No. 2016-0119, Status: Closed

- **Addendum to the Interconnection Agreement between Hawaiian Telcom and Broadvox-Clec**
  Docket No. 2016-0138, Status: Closed

Miscellaneous

Transfer of Control of Time Warner Cable Information Services (Hawaii) and Time Warner Cable Business (TWC Subsidiaries) from Time Warner Cable Inc. to Charter Communications
Docket No. 2015-0207, Status: Closed

On July 15, 2015, the petitioners requested the Commission's approval of the indirect transfer of control, and to approve the assumption by TWC Subsidiaries of certain financial guarantees associated with the transaction. The Commission found and concluded that

Petitioners have met their burden of proving that the transfer of control will not adversely affect the TWC Subsidiaries' fitness, willingness, and ability to provide intrastate telecommunications services in the State, or the rates, terms, and conditions of such telecommunications services. As such, on March 24, 2016, the Commission issued D&O No. 33602 approving the transfer subject to certain conditions including a prohibition on rate increases until a written report detailing Charter's post-merger plans is filed with the Commission and undertaken.

Black Diamond Capital Management LLC's Request to Acquire More Than 25% of the Voting Stock of Hawaiian Telcom Holdco, Inc
Docket No. 2015-0371, Status: Closed

By Decision and Order No. 33701, the Commission approved, subject to certain conditions, Black Diamond's request for two of its managed investment funds to purchase additional shares of the outstanding common stock of Hawaiian Telcom Holdco, Inc. As a result, Black Diamond, through two of its managed investment funds, may increase its ownership interest in said shares from 24.1%, in the aggregate, to up to 33%, in the aggregate.

The Commission waived the regulatory requirements applicable for the following dockets shown on Table 7.

Table 7 – FY 2016 Telecom Dockets for which the Commission Waived Applicable Regulatory Requirements

Application	Docket No.	Status
Change of Control		
Transfer of Indirect Control of Grasshopper Group LLC to Citrix Systems, Inc.	2015-0131	Closed
Transfer of Indirect Control of ExteNet Systems, Inc. to Odyssey Acquisition	2015-0221	Closed
Transfer of Indirect Control of Matrix Telecom, Inc. to Garrison TNCI LLC	2015-0381	Closed
Pro Forma Internal Change in Direct Ownership of ExteNet Systems, Inc. from ExteNet Holdings to Odyssey	2015-0408	Closed
Transfer of Indirect Control of Broadvox-CLEC, LLC to GTCR Onvoy Holdings LLC	2016-0004	Closed
Pro Forma Change in Indirect Ownership of Crown Castle NG West LLC	2015-0063	Closed
Transfer of Indirect Control of Anpi Business, LLC and Anpi, LLC to Onvoy, LLC	2016-0116	Closed
Corporate Structure		
Total Call International Inc. and Total Call Mobile's Reorganization and Corporate Conversion	2015-0075	Closed
Sprint Communications Company LP's Changes in the Internal Organizational Structure of Applicant's Parent Companies	2016-0103	Closed
Entity Conversion		
Notice of Entity Conversion (Talk America, Inc. to Talk America, LLC)	2015-0321	Closed
Notice of Entity Conversion (Windstream Communications, Inc. to Windstream Communications, LLC)	2015-0322	Closed
Notification of Company Name Change (ACN Communication Services, Inc. to ACN Communication Services, LLC)	2015-0353	Closed
Financing Arrangements		
Level 3 Communications Financing Arrangements	2015-0388	Closed
Access Point, Inc. Financing Transaction	2016-0146	Closed
Other Telecommunications Dockets		
Extension of Existing Lease of Office Space in Hawaiian Telcom's Headquarters	2015-0407	Closed
Right of Entry at Hawaiian Telcom, Inc.'s Moanalua Baseyard	2016-0005	Closed
Telecommunication Systems, Inc. and Comtech Telecommunications Corp's Petition for Approval to Acquire All Regulated Telecommunications Assets in Hawaii	2016-0029	Closed

Water Carrier Proceedings

The Commission regulates three water carriers[7]: Young Brothers, Limited, a provider of inter-island cargo service between all major islands; Sea Link of Hawaii, Inc., a passenger and cargo carrier providing water transportation services between the islands of Maui and Molokai; and Hone Heke Corporation, a passenger and cargo carrier providing water transportation services between the islands of Maui and Lanai.

The statute governing the regulation of water carriers is HRS Chapter 271G, the Hawaii Water Carrier Act. Water carrier proceedings during FY 2016 are summarized below.

Young Brothers Application For Approval To Institute An Annual Freight Rate Adjustment Pilot Program
Docket No. 2013-0032, Status: Open

On February 11, 2013, Young Brothers, Ltd. ("YB") proposed a new rule in its Local Freight Tariff No. 5-A to institute an Annual Freight Rate Adjustment ("AFRA"), capped at 5.5% annually, as a three-year pilot program. In approving the AFRA, in Decision and Order No. 31493, the Commission stated that a "streamlined ratemaking process, in conjunction with the establishment of performance metrics/indices, can serve as a tool to potentially create the same efficiency incentives as those experienced in competitive markets while maintaining service quality, provide Young Brothers with a reasonable opportunity to recover its prudently incurred costs, including a fair rate of return, and allow YB's customers to share in the benefits of a streamlined ratemaking process. On June 16, 2015, the Commission, in a 2-1 decision, extended the pilot for an additional year. On April 13, 2016, the Commission issued Order No. 33460 adopting performance metrics and standards in twelve areas to govern YB's AFRA Program.

Young Brothers Application for Approval of a General Rate Increase and Certain Tariff Changes
Docket No. 2016-0014, Status: Open.

On January 27, 2016, Young Brothers filed a notice of intent to file a rate case, and stated that it intends to file an application for approval of a general rate increase ("GRI") and certain revisions to its Local Freight Tariff No. 5-A. On April 12, 2016, YB filed the application, seeking an across-the-board general rate increase of 4.36%, for an increase in revenues of $3,135,000. YB states that the increase is based on an intrastate rate of return of 10.25% and an intrastate revenue requirement of $75,019,721. On May 26, 2016, the Commission suspended the application in its entirety and instituted an investigation to examine the merits of the application. On September 22, 2016, and again on November 30, 2016, the Commission approved the Parties' voluntary and intentional waiver of the six-month deadline for the issuance of the Commission's final order in this docket. Based on the Parties' representations that additional time is needed to work on the settlement of any or all of the issues between the Parties, and further discovery on Young Brothers' Rebuttal Testimonies and Exhibits is necessary to assist the Consumer Advocate in its review of this Application, evidentiary hearings originally scheduled for September 2016 were postponed to March 2017.

Sea Link of Hawaii's request to revise its sailing schedule and tariff
Docket No. 2015-0109, Status: Closed
Docket No. 2015-0181, Status: Closed

On March 25, 2015, Sea Link of Hawaii, Inc ("Sea Link") filed a transmittal letter, seeking the Commission's approval to amend its current sailing schedule by reducing the number of sailings between Kaunakakai, Molokai, and Lahaina, Maui. Sea Link asserted that due to a number of factors, including decreased passenger counts and resulting financial losses, and the recent expansion of airline services to Molokai at fares lower than the ferry, Sea Link must suspend one of its two daily round trips between the Islands of Maui and Molokai and berth its vessel overnight at the Lahaina harbor rather than the Kaunakakai harbor. On April 14, 2015, the Consumer Advocate filed a protest in opposition to Sea Link's transmittal letter. On April 21, 2015, the

[7] Intrastate marine transport

Commission issued Order No. 32798 suspending Sea Link's transmittal letter and opening a docket (i.e., Docket No. 2015-0109) to investigate the merits of Sea Link's proposed tariff changes to its current sailing schedule. On May 13, 2015, Sea Link withdrew its proposed tariff changes. On May 15, 2015, the Commission approved the withdrawal and closed Docket No. 2015-0109.

Subsequently, on June 23, 2015, Sea Link filed an application, seeking the Commission's approval of certain tariff changes to the water carrier's sailing schedule and conditions of service. In Order No. 33083, filed on August 25, 2015, in Docket No. 2015-0181, the Commission found and concluded that Sea Link's tariff changes are just and reasonable and approved Sea Link's request to implement tariff changes including terminating the employee commuter passengers program, changing from a daily round trip operation to operating a minimum of three round-trip voyages per week, and changing Sea Link's existing cancellation policy.

Sea Link of Hawaii's request to voluntarily surrender its certificate of public convenience and necessity (CPCN)
Docket No. 2016-0214, Status: Closed

On August 24, 2016, Sea Link of Hawaii filed its request to voluntarily surrender its CPCN and cease operations asserting that despite operation under a revised tariff approved by the Commission in Decision and Order No. 33083, and its best efforts to cut costs, the recent expansion of airline services to Molokai at fares lower than the ferry have continued to lower passenger counts resulting in financial losses. Between September 7 and 27, 2016, the Commission solicited submission of written public comments on the matter. On October 17, 2016, the Commission approved the requested relief in Decision and Order No. 33977 and allowed Sea Link to terminate its service within 10 days subject to the following conditions: (A) Sea Link shall implement and complete its phase-out plan which includes (1) providing written notice to its passengers/customers; and (2) refunds to passengers/customers for unused fares previously purchased, during a sixty calendar day refund redemption period; and (B) publishing written notices in local news media; and (C) file its 2016 annual financial report on a prorated basis.

Motor Carrier Proceedings

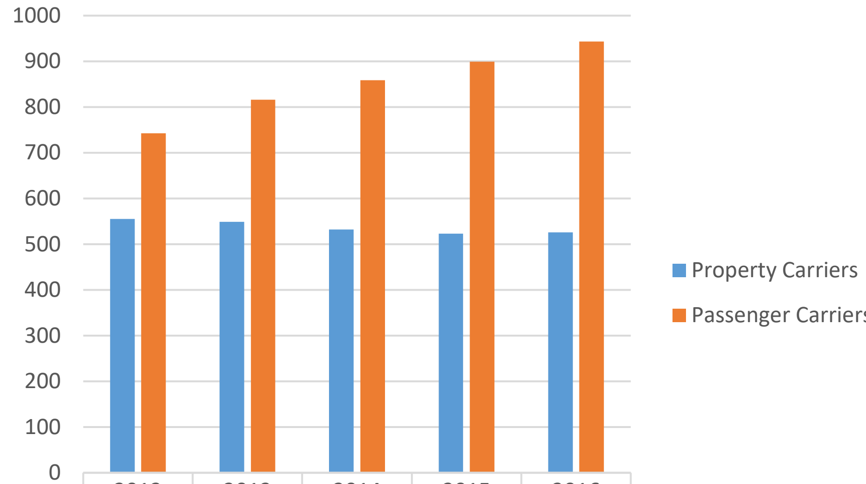
The Commission regulates passenger and property motor carriers transporting passengers or property for compensation or hire on the public highways.[8] By law, certain transportation services, including taxis, school and city buses, ambulance services, refuse haulers, farming vehicles, and persons transporting personal property, are exempt from Commission regulation.[9] Passenger carriers are classified by authorized vehicle seating capacity. They include tour companies, limousine services, and other transportation providers. Property carriers are classified by the types of commodities transported and the nature of services performed, namely: general commodities, household goods, commodities in dump trucks, and specific commodities. The Commission performs the following functions in the regulation of motor carriers: (1) certification and licensing; (2) ratemaking; and (3) business regulation.

New Motor Carrier Certifications

The Commission regulates 1,469 motor carriers, which includes 943 passenger carriers and 526 property carriers. During FY 2016, 112 new certificates or permits were issued to 91 passenger carriers and 21 property carriers. Figure 3 shows the number of active motor carriers over the past five fiscal years.

[8] HRS §271.
[9] HRS §271-5.

Figure 3 – Number of Active Motor Carriers, Fiscal Years 2012-2016



	2012	2013	2014	2015	2016
Property Carriers	555	549	532	523	526
Passenger Carriers	743	816	859	899	943

Ratemaking and Tariffs

Many of the State's motor carriers are members of either the Western Motor Tariff Bureau, Inc. or the Hawaii State Certified Common Carriers Association. During the fiscal year, Western Motor Tariff Bureau, Inc. filed requests for rate changes for their members. The Commission also reviewed and approved rate requests from 40 independent motor carriers.

Rates that are increased or decreased by ten percent within a calendar year are presumed to be just and reasonable pursuant to the Zone of Reasonableness Program ("ZRP").[10] Motor carriers who request rate increases or decreases that do not fall within the ±10 percent zone are required to show that their rate requests are just and reasonable. In reviewing a request, the Commission requires the carrier to submit financial statements containing the carrier's revenues, expenditures, and operating ratio. The Commission will review and may approve the rate change based on whether the operating ratio reported in the financial statements is determined to be acceptable.

[10] The Zone of Reasonableness was initially a pilot program approved in Order No. 20704 for a period of one year beginning on January 1, 2004. By Order No. 21490, the ZRP was extended for an additional three years with a expiration date of December 31, 2007. On June 22, 2007, the Commission opened Docket No. 2007-0159 to investigate whether it is in the public interest to continue the ZRP for motor carriers, with or without modification, or to terminate the Zone. In Order No. 23862, the Commission again extend the ZRP for four calendar years with an expiration date of December 31, 2011, pursuant to certain terms and conditions. On September 22, 2010, the Commission issued an order in Docket No. 2007-0159 authorizing the permanent continuation of the ZRP.

Program Proceedings

Public Benefits Fee

Proceeding to Investigate the Issues and Requirements Raised by, and Contained in, Hawaii's Public Benefits Fund, Part VII of Chapter 269, Hawaii Revised Statutes
Docket No. 2007-0323, Status: Open

The Public Benefits Fee ("PBF"), established by State law[11], is a demand-side management surcharge collected by the HECO Companies to support energy-efficiency programs and services in the HECO Companies' service territories,[12] subject to Commission approval. The PBF moneys fund the Commission's Hawaii Energy Efficiency Program ("Hawaii Energy"). Pursuant to HRS §269-122, the Commission contracts with a third party administrator, Leidos Inc., to implement and administer Hawaii Energy.

The PBF surcharge amount for FY 2016 was set at 1.5 percent of forecasted utility revenues. The PBF collections amount, net of the Green Infrastructure Fee ("GIF")[13] was projected to be $24 million. The actual PBF collections amount, net of the GIF, was $23.85 million.

For the coming Fiscal Year 2017, the Commission has held the surcharge amount at 1.5 percent, and the PBF collection amount will continue to be reduced by the GIF offset.

Green Energy Market Securitization Program

Application for a Financing Order to Issue Bonds and to Authorize the Green Infrastructure Fee
Docket No. 2014-0134, Status: Open

The Green Energy Market Securitization Program ("GEMS") was established through Act 211, Session Laws of Hawaii 2013 ("Act 211"), codified in HRS Chapter 196, Part IV. Act 211 allowed GEMS to access funding from the Public Benefits Fee, and established the Hawaii Green Infrastructure Authority, under the State of Hawaii Department of Business, Economic Development and Tourism, as the administrative authority for the GEMS Program.

In Decision and Order No. 32281, the Commission required that the Green Infrastructure Fee ("GIF") be reviewed and adjusted by true-up semiannually. Each true-up adjustment is designed to correct for any over-collections or under-collections of GIF through the proposed True-Up Adjustment Date, and ensure that the expected GIF remittances to the Trustee during the applicable collection period are adequate. On December 15, 2015 and again on June 13, 2016, the Commission approved a GIF Semiannual true-up adjustment.

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[11] HRS § 269-121 through 125.

[12] Electric utility customers on Kauai do not contribute to the PBF; KIUC customers pay a demand-side management surcharge that is used in efficiency programs of KIUC

[13] On November 14, 2014, the HECO Companies' filed proposed tariff sheets to implement the PBF adjustment mechanism approved by the Commission in Docket No. 2014-0134, which reduces the PBF in relation to the Green Infrastructure Fee ("GIF") to limit the overall impact of the GIF on ratepayers. The collection of the GIF began on December 1, 2014, effectively reducing the PBF collection amount.

On-Bill Financing Program

Instituting a Proceeding to Establish and Implement an On-Bill Financing Program
Docket No. 2014-0129, Status: Suspended

Act 204, SLH 2011 (“Act 204”), later codified as HRS §269-125, directed the Commission to investigate the feasibility of an on-bill financing (“OBF”) program for electric utility customers to acquire renewable energy or energy efficient devices through an assessment on the customer’s electric bill. The Commission opened an investigatory proceeding and determined that an on-bill financing program could be viable, contingent upon specific program design elements, including contracting with a Finance Program Administrator (“FPA”), securing low-cost private capital, and ensuring bill neutrality. The Commission also established a working group to continue discussions and development of an on-bill financing program.[14]

The Commission recognized the importance of the FPA, stating that the success of the on-bill financing program is predicated on the success of the financing program obtaining reasonably low-cost money and the details of the financing are a necessary part of obtaining the low-cost capital. This low-cost capital would need used to leverage public benefit funds in order to provide the necessary capital to fund such a major on-bill financing program, as public benefit funds alone would be inadequate.

After consultation with the Working Group, the Commission issued a request for proposals (“RFP”) on September 30, 2015 to find an FPA. Only a very small number of entities responded to the RFP and as a result, the Commission contracted with AFC First Financial ("AFC") to be the FPA. In an attempt to obtain the essential low-cost private funds to be leveraged with the public benefits funds, AFC, in its role as the FPA, solicited private investors in May of 2014. However, AFC was only able to secure the interest of a very small number of potential investors. However, the negotiations to finalize the necessary agreements with the investors were unsuccessful due to, among other things, an inability of the investors to fully utilize the associated tax credits or fulfill their investor role.

On June 3, 2014, the Commission opened Docket No. 2014-0129 to establish and implement an OBF program. On January 9, 2015, the Commission issued the Final Program Manual which provided an overall description of the OBF program and a description of the roles and responsibilities of the various entities involved, including the FPA, in executing the Program.

In October of 2015, AFC informed the Commission that it had been acquired by another company, RenewFinancial, and that RenewFinancial and AFC had no interest in continuing to fulfill the role of FPA after the contract end date of December 31, 2015. After a number of discussions, RenewFinancial agreed to assist the Commission until a new FPA could be found. In December of 2015, the Commission issued a limited RFP for a replacement FPA. As was the case with the initial RFP, a very small number of entities responded. After reviewing the responses, the Commission determined that there was no viable FPA that met the Commission's needs in the current Program structure.

On May 20, 2016, the Commission issued Order No. 33715, concluding that an on-bill financing program is not viable at present time, and suspended the docket. The Commission found that current market conditions, which affect critical program components, including the retention of a FPA, the attraction of low-cost capital, and the requirement that saving exceed bill neutrality, are such that the likelihood of a successful launch of the program is extremely low. Nevertheless, the Commission directed the HECO Companies to work directly with the Hawaii Green Infrastructure Authority (“HGIA”) to design and implement an on-bill repayment mechanism for the exclusive use of HGIA.

[14] Docket No. 2011-0186, Decision and Order No. 30974, filed February 1, 2013.

One Call Center

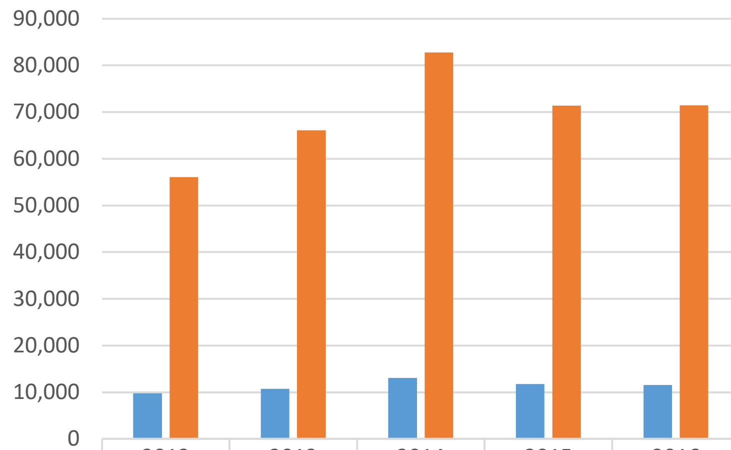
Instituting Proceedings Relating to the Determination of Appropriate Fees and Assessments to Finance the Administration and Operation of the One Call Center
Docket No. 05-0195; Status: Open

Hawaii's One Call Center was established by State law[15] to coordinate the location of subsurface installations, including underground utilities, and to provide advance notice of proposed excavation work to the operators of these systems. The Commission began operation of the One Call Center in 2006.

Under a contract that runs through June 30, 2019, the Center is operated by One Call Concepts, Inc. An 18-member Advisory Committee advises the Commission on implementation of the One Call Center.

In FY 2016, the number of requests called in from excavators to the Hawaii One Call Center and the number of requests transmitted to facility operators by Hawaii One Call Center remained relatively steady in FY 2016.

Figure 4 - Requests Made and Transmitted to the Hawaii One Call Center by Excavators, FY 2012-2016



	2012	2013	2014	2015	2016
Requests Made	9,784	10,714	13,053	11,734	11,559
Requests Transmitted	56,065	66,078	82,738	71,363	71,423

[15] Pilot program established by Act 141, SLH 2004; made permanent by Act 72, SLH 2009; codified in HRS Chapter 269E.

Utility Company Operations, Capital Improvements, and Rates

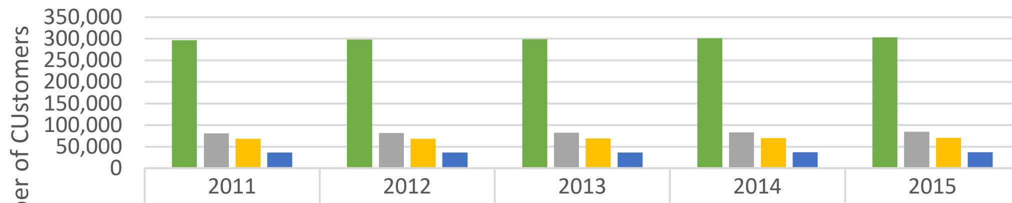
Utility Company Operations

Electric Utilities

The Commission regulates four electric utility companies or entities engaged in the production, purchase, transmission, distribution, and sale of electric energy in the State: Hawaiian Electric Company ("HECO"), serving the island of Oahu; Maui Electric Company ("MECO"), serving the islands of Maui, Lanai, and Molokai; Hawaii Electric Light Company ("HELCO"), serving the island of Hawaii (collectively referred to as "the HECO Companies"); and Kauai Island Utility Cooperative ("KIUC"), serving the island of Kauai. The islands of Niihau and Kahoolawe do not have electric service provided by a public utility.

The number of customers served by electric utilities has been fairly stable with a slight increase in the growth of the number of customers.[16] See Figure 5.

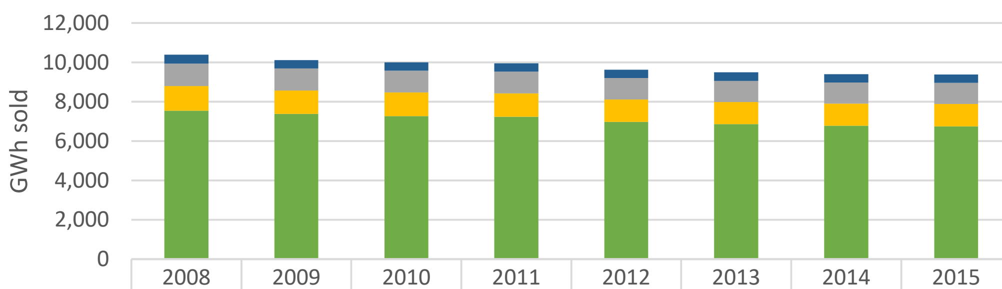
Figure 5 – Number of Electric Utility Customers, Calendar Years 2011-2015



	2011	2012	2013	2014	2015
HECO	296,679	297,598	298,921	300,722	302,958
HELCO	80,807	81,537	82,074	83,104	84,309
MECO	68,010	68,575	69,303	69,804	70,533
KIUC	36,222	36,473	36,704	36,942	37,040

Annual electricity sales had generally been decreasing over the years. See Figure 6.

Figure 6 – Annual Electricity Sales in Gigawatt-hours, 2010-2015



	2008	2009	2010	2011	2012	2013	2014	2015
KIUC	454	436	435	435	433	431	430	432
HELCO	1,141	1,120	1,110	1,104	1,085	1,076	1,063	1,065
MECO	1,240	1,192	1,191	1,182	1,145	1,134	1,132	1,138
HECO	7,556	7,378	7,277	7,242	6,976	6,859	6,782	6,754

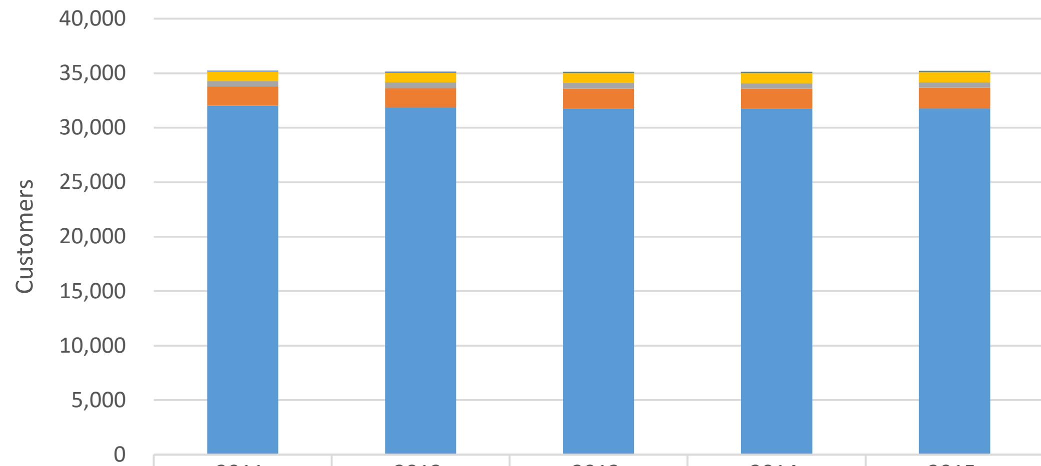
[16] Data obtained from the electric utilities' Annual Financial Reports filed with the Commission

Gas Utility

Utility gas service delivers fuel directly to a property, using a system of gas pipes that cross property lines; this service is regulated by the Commission. Sales of gases in cylinders (for example, propane, medical, and industrial gases) are not regulated by the Commission.

The Commission regulates Hawaii's only utility gas provider, the Gas Company, dba Hawaii Gas ("Hawaii Gas" or "TGC") that serves over 35,000 customers in its six gas districts: Honolulu, Hilo, Maui, Molokai, Lanai, and Kauai. Between 2011 through 2015, the number of customers has remained relatively flat. Over 90% of Hawaii Gas' customers are in its Honolulu District.

Figure 7 – Gas Customers, 2011-2015



	2011	2012	2013	2014	2015
Lanai	19	21	21	22	22
Molokai	75	89	89	87	81
Kauai	858	888	924	937	951
Maui	518	516	512	510	510
Hilo	1,767	1,779	1,844	1,851	1,873
Honolulu	32,019	31,876	31,749	31,730	31,792

Capital Improvements

Electric Utilities

The following section provides information on capital improvement projects ("CIPs") for HECO, HELCO, MECO, and KIUC for the calendar year ("CY") 2015.

HECO

HECO's actual CY 2015 plant additions, before reduction for contributions in aid of construction received, total $266.5 million, and consist primarily of investments in the following categories: (1) modern grid and technology platform; (2) cost-effective, clean energy portfolio; and (3) quality customer experience and innovative energy solutions. As shown in Table 8 below, HECO's CY 2015 actual plant additions are less than its CY 2015 budgeted plant additions.

Table 8 - HECO Summary of CY 2015 Plant Additions[17]

($ in millions)	Actual	Budget	Variance
Plant Additions less than $2.5 million	$263.8	$242.1	$21.7
Less than $2.5 million – Plant Additions budgeted in 2015, delayed to 2016 or beyond	$0.0	$62.6	($62.6)
Subtotal – Net, Less than $2.5 million due to reprioritization of work	$263.8	$304.7	($40.9)
Plant Additions more than $2.5 million	$2.7	$8.6	($5.9)
Total	$266.5	$313.3	($46.8)

HELCO

HELCO's actual CY 2015 plant additions, before reduction for contribution in aid of construction received, total $51.7 million, and consist primarily of investments in the following categories: (1) modern grid and technology platform; (2) cost-effective, clean energy portfolio; and (3) quality customer service and innovative energy solutions. As shown in Table 9 below, HELCO's CY 2015 actual plant additions are slightly less than its CY 2015 budgeted plant additions.

Table 9 - HELCO Summary of CY 2015 Plant Additions[18]

($ in millions)	Actual	Budget	Variance
Plant Additions less than $2.5 million	$51.8	$43.6	$8.2
Less than $2.5 million – Plant Additions budgeted in 2015, delayed to 2016 or beyond, or cancelled	$0	$0.5	($0.5)
Subtotal – Net, less than $2.5 million	$51.8	$44.1	$7.7
Plant Additions more than $2.5 million	($0.1)	$8.0	($8.1)
Total *	$51.7	$52.1	($0.4)

*Total may not tie due to rounding.

MECO

MECO's actual CY 2015 plant additions, before reduction for contribution in aid of construction received, total $33.3 million, and consist primarily of investments in the following categories: (1) modern grid and technology platform; (2) quality customer experience and innovative energy solutions; and (3) cost-effective, clean energy portfolio. As shown in Table 10 below, MECO's CY 2015 actual plant additions are less than its CY 2015 budgeted plant additions.

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[17] HECO, Letter from Joseph P. Viola. March 29, 2016. Exemption From and Modification of General Order No. 7 Paragraph 2.3(g), Relating to Capital Improvements Capital Projects Completed in 2015. Attachment 1, Docket 03-0257.

[18] HECO, Letter from Joseph P. Viola. March 29, 2016. Exemption From and Modification of General Order No. 7 Paragraph 2.3(g), Relating to Capital Improvements Capital Projects Completed in 2015. Attachment 2, Docket 03-0257.

Table 10 - MECO Summary of CY 2015 Plant Additions[19]

($ in millions)	Actual	Budget	Variance
Plant Additions less than $2.5 million	$33.3	$36.8	($3.5)
Less than $2.5 million – Plant Additions budgeted in 2015, delayed to 2016 or beyond, or cancelled	$0.0	$16.1	($16.1)
Plant Additions more than $2.5 million	$0.0	$0	$0
Application filed prior to July 1, 2004	$0.0	$0.0	$0.0
Other	$0	$0	$0
Total*	$33.3	$52.9	($19.7)

*Total may not tie due to rounding.

KIUC

For CY 2015, KIUC completed 60 CIPs for which none of the individual projects had a total cost exceeding $1 million, and 2 CIPs for which each project had an individual total cost between $1 million and $2.5 million. KIUC did not complete any CIPs with a total cost at or exceeding $2.5 million in CY 2015. As shown in Table 11 below, the total aggregate cost of the 62 CIPs completed in 2015 is approximately $12.804 million.

Table 11 - KIUC Summary of CY 2015 Completed CIPs[20]

($ in millions)	Actual	Budget	Variance
Completed CIPs with total cost of less than $1 million	$10.163	n/a	n/a
Completed CIPs with a total cost between $1 million to under $2.5 million	$2.641	$2.517	$0.124
Completed CIPs with a total cost of $2.5 million or more	$0	$0	$0
Total	$12.804	n/a	n/a

Gas Utility

Hawaii Gas files its annual five-year capital budget report pursuant to General Order No. 9, Rule 2.3.f.1. The capital expenditure forecast for Hawaii Gas is approximately $30.08 million in 2016, $14.42 million in 2017, $14.48 million in 2018, $13.72 million in 2019, and $10.50 million in 2020, for a total of approximately $83.20 million over the five-year period. Table 12 and Figure 8 show the five-year capital expenditure budget forecast for Hawaii Gas.

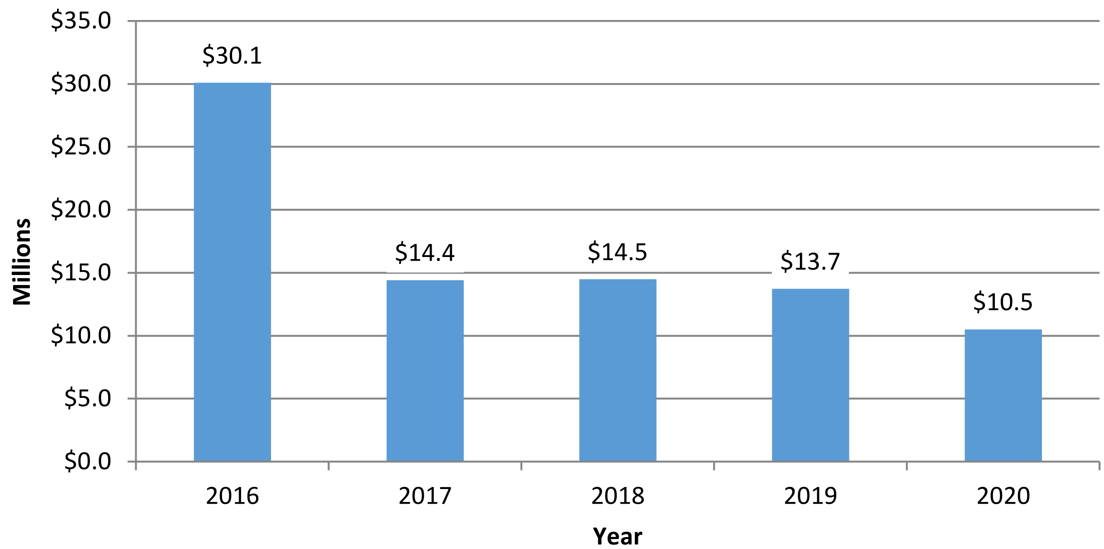
Table 12 - Gas Utility Expenditure Forecast

	2016	2017	2018	2019	2020
Hawaii Gas	$30,079,254	$14,418,578	$14,477,121	$13,721,013	$10,504,533

[19] HECO, Letter from Joseph P. Viola. March 29, 2016. Exemption From and Modification of General Order No. 7 Paragraph 2.3(g), Relating to Capital Improvements Capital Projects Completed in 2015. Attachment 3, Docket 03-0257.

[20] Docket No. 03-0256; Kaua'i Island Utility Cooperative ("KIUC") for Exemption from and Modification of General Order No. 7, Paragraph 2.3(g)2, Regarding Capital Improvements; Annual Report Regarding Completed Projects in 2015

Figure 8 - Five-year Capital Expenditure Budget Forecast for Hawaii Gas



Rates

Rates for the Commission's regulated entities are filed in tariffs, which the Commission reviews and approves. Rates for telephone services do not require Commission approval and are filed with the Commission for informational purposes. Tariff filings are available on the Commission's Document Management System at: http://dms.puc.hawaii.gov/dms/

Electric Utilities

Electric utility rates are the sum of various components, all of which are analyzed and approved by the Commission.

In Figure 9, the electricity rates consist of the base energy rate, plus the fuel adjustment clause[21] and other adjustments. The total of the base energy rate and adjustments is also known as the "effective energy rate."

[21] The fuel adjustment clause is an automatic adjustment provision of a rate schedule approved by the Commission, which provides for increases or decreases, or both, without prior hearing, in rates reflecting changes in cost incurred by an electric or gas utility for fuel or purchased energy due to changes in the unit cost of fuel and purchased energy. The fuel adjustment clause is called either, the energy rate adjustment clause ("ERAC") or energy cost adjustment clause ("ECAC"), depending on the utility.

Figure 9 - Five Year Comparison of Effective Residential Energy Rates and Monthly Residential Electric Bill, Based on 600 kWh

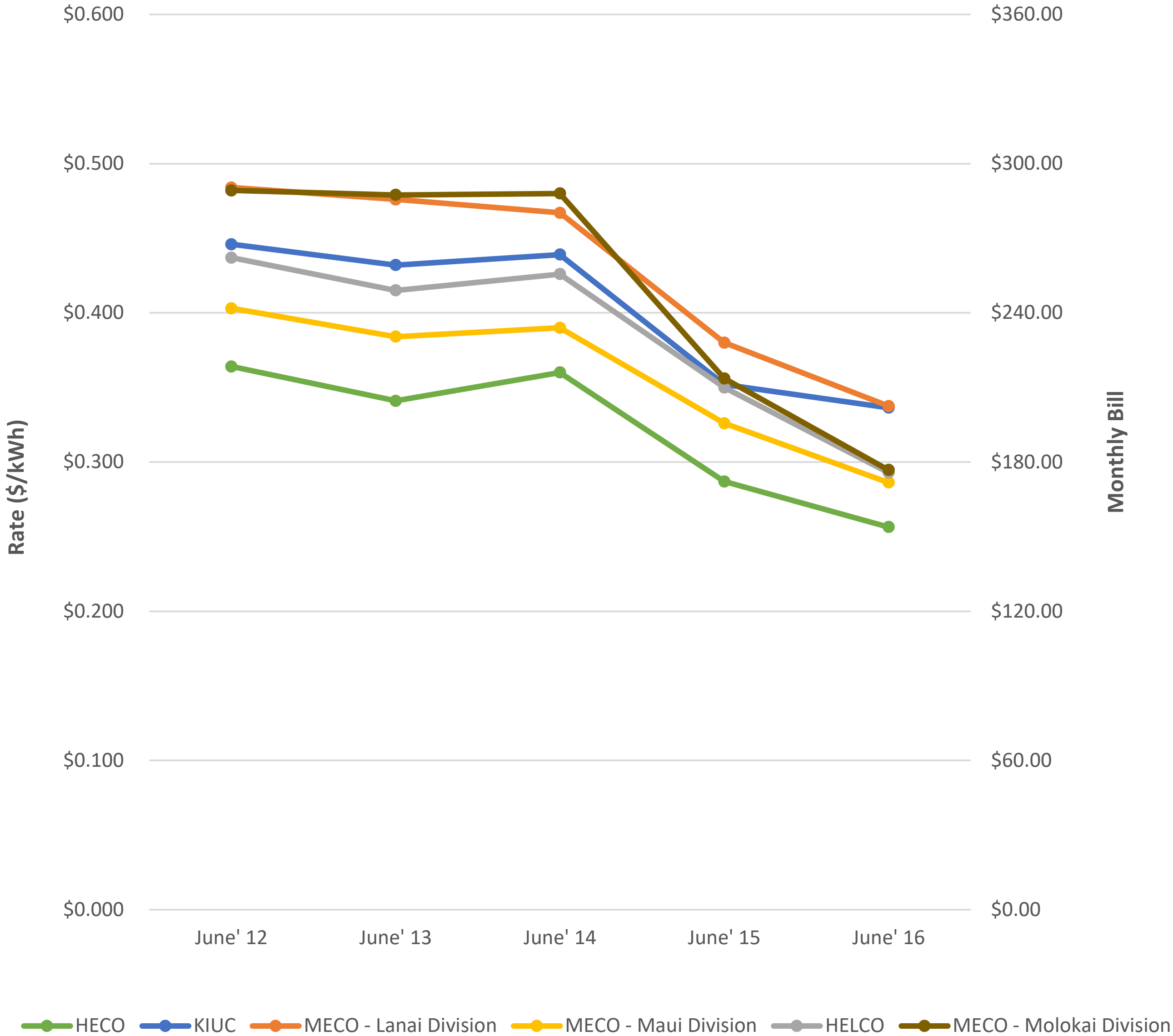


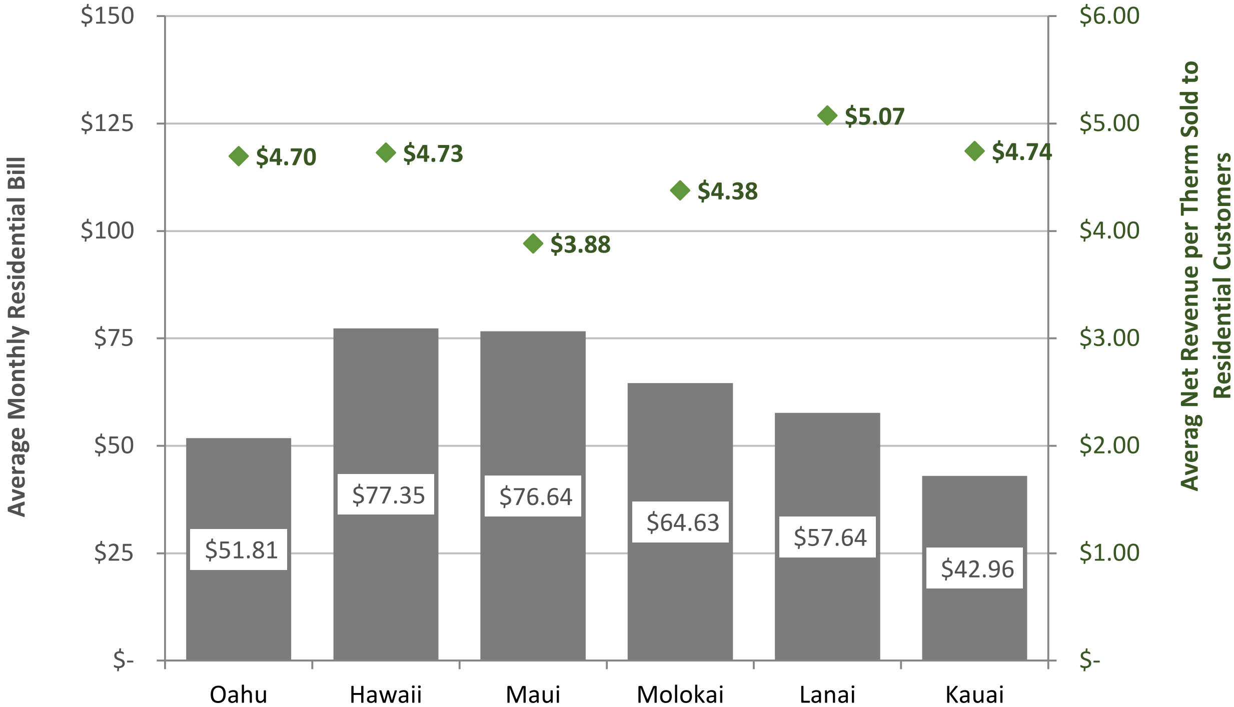
Table 13 - Five Year Comparison of Effective Residential Energy Rates and Monthly Residential Electric Bill, Based on 600 kWh

	June' 12		June' 13		June' 14		June' 15		June' 16	
	Rate	Bill	Rate	Bill	Rate	Bill	Rate	Bill	Rate	Bill
HELCO	$0.437	$262.41	$0.415	$249.02	$0.426	$255.62	$0.350	$209.85	$0.293	$175.74
HECO	$0.364	$218.60	$0.341	$204.47	$0.360	$216.08	$0.287	$172.20	$0.257	$153.95
KIUC	$0.446	$267.30	$0.432	$259.46	$0.439	$263.57	$0.352	$211.04	$0.336	$201.89
MECO - Lanai Division	$0.484	$290.18	$0.476	$285.63	$0.467	$280.40	$0.380	$227.98	$0.338	$202.55
MECO - Maui Division	$0.403	$241.90	$0.384	$230.35	$0.390	$234.15	$0.326	$195.74	$0.286	$171.79
MECO - Molokai Division	$0.482	$289.58	$0.479	$287.56	$0.480	$287.83	$0.356	$215.14	$0.295	$176.82

Gas

For CY 2015, average residential utility gas bills ranged from approximately $42.96 on Kauai to $77.35 on Hawaii and the cost per therm ranged from approximately $3.88 on Maui to $5.07 on Lanai. See Figure 10**.**

Figure 10 - Average Monthly Residential Utility Gas Bills and Costs Per Therm, 2015



Utility Company Performance

Electric Utilities' Reliability and Quality of Service

The service reliability reports submitted to the Commission in FY 2016 by HECO, MECO, HELCO, and KIUC cover the 2015 calendar year. The following electric utility service quality information is derived or excerpted directly from those service reliability reports, except where otherwise noted.

The reliability indices are based on all sustained[22] system outages. Data normalization is done using the guidelines specified in the "Methodology for Determining Reliability Indices for HECO Utilities," dated December 1990. Normalization is allowed for "abnormal" situations such as hurricanes, tsunamis, earthquakes, floods, catastrophic equipment failures, and single outages that cascade into a loss of load greater than 10 percent of the system peak load. These normalizations are made in calculating the reliability indices because good engineering design takes into account safety, reliability, utility industry standards, and economics, but cannot always account for catastrophic events within economic limitations.

Indices used to measure reliability are defined in the box below.

ASAI: *Average Service Availability Index: overall availability of electrical service*

SAIFI: *System Average Interruption Frequency Index: the frequency or number of times a company's customers experience an outage during the year*

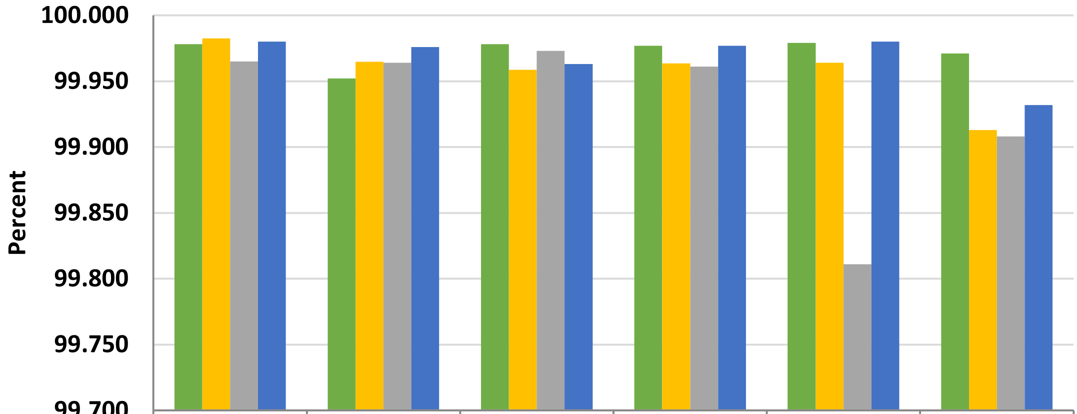
CAIDI: *Customer Average Interruption Duration Index: the average length of time an interrupted customer is out of power*

SAIDI: *System Average Interruption Duration Index: the average length of time the company's customers are out of power during the year*

As illustrated in Figure 11, the Average Service Availability Indices (ASAI) system availabilities of the four utilities over the past six years were between 99.811 percent (HELCO in 2014) and 99.982 percent (MECO in 2010).

[22] A "sustained" outage is an electrical service interruption of more than one minute. Reliability indices do not include customer maintenance outages.

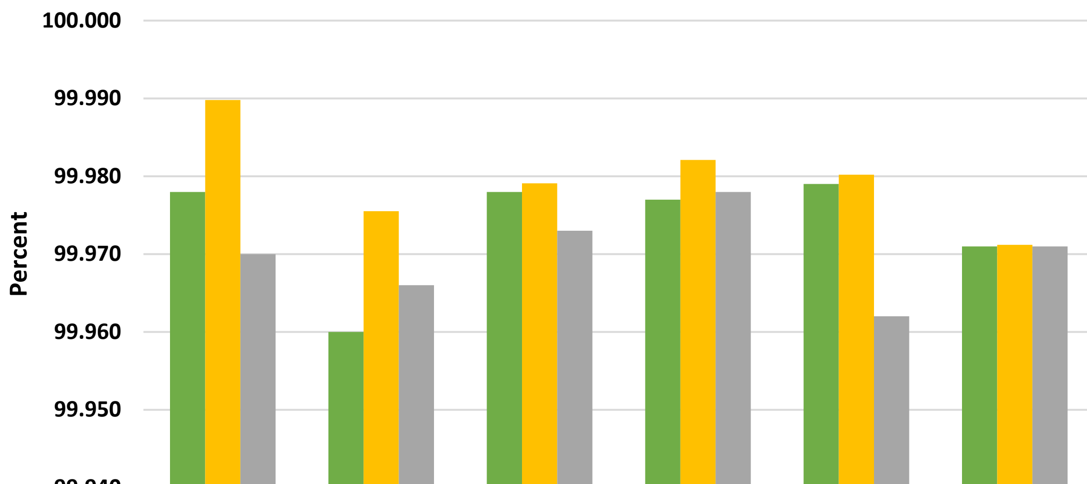
Figure 11 - Average Service Availability Index – All Events



	2010	2011	2012	2013	2014	2015
HECO	99.978	99.952	99.978	99.977	99.979	99.971
MECO	99.982	99.965	99.959	99.964	99.964	99.913
HELCO	99.965	99.964	99.973	99.961	99.811	99.908
KIUC*	99.980	99.976	99.963	99.977	99.980	99.932

Note: A higher percent is better
*The KIUC 2010 ASAI value is from the KIUC 2014 Annual Reliability report.

Figure 12 – HECO Companies' Average Service Availability Index - Normalized



	2010	2011	2012	2013	2014	2015
HECO	99.978	99.960	99.978	99.977	99.979	99.971
MECO	99.990	99.976	99.979	99.982	99.980	99.971
HELCO	99.970	99.966	99.973	99.978	99.962	99.971

System Average Interruption Duration Index (SAIDI), also an indication of overall system reliability, is the product of System Average Interruption Frequency Index (SAIFI) and Customer Average Interruption Duration Index (CAIDI) and incorporates the impact of frequency and duration of outages on the company's total customer base. The reliability indices for each utility are presented in the following section.

HECO Service Quality

HECO's reliability indices for 2015 and the prior five years are shown in Table 14 (all events) and Table 15 (normalized). Figure 13 shows the 2015 SAIDI in graphical form.

Table 14 - HECO Annual Service Reliability Indices (All Events)

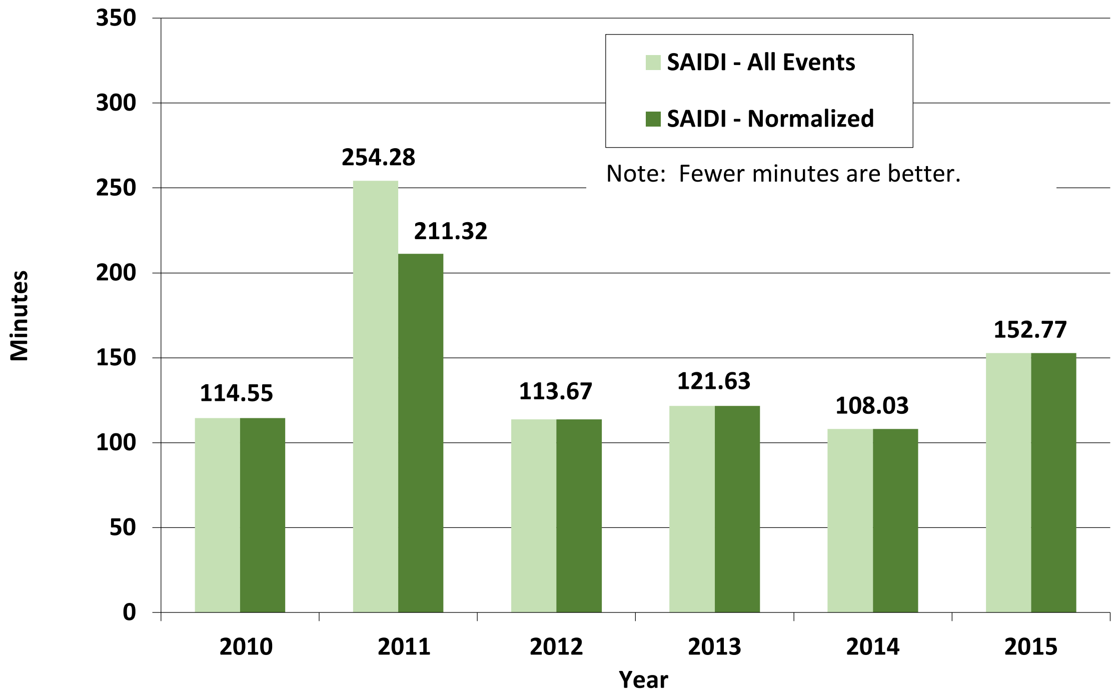
	2010	2011	2012	2013	2014	2015
Number of Customers	295,637	296,679	297,598	298,920	300,722	302,499
Customer Interruptions	361,334	502,253	407,197	409,516	447,048	642,380
Customer-Hours Interrupted	564,424	1,257,349	563,807	605,965	541,435	770,215
SAIDI (Minutes)	114.55	254.28	113.67	121.63	108.03	152.77
CAIDI (Minutes)	93.72	150.21	83.08	88.78	72.67	71.94
SAIFI (Average Number of Interruptions per Customer)	1.222	1.693	1.368	1.370	1.487	2.124
ASAI (Percent)	99.978	99.952	99.978	99.977	99.979	99.971

Table 15 - HECO Annual Service Reliability Indices (Normalized) [23]

	2010	2011	2012	2013	2014	2015
Number of Customers	295,637	296,679	297,598	298,920	300,722	302,499
Customer Interruptions	361,334	408,327	407,197	409,516	447,048	642,380
Customer-Hours Interrupted	564,424	1,044,916	563,807	605,965	541,435	770,215
SAIDI (Minutes)	114.55	211.32	113.67	121.63	108.03	152.77
CAIDI (Minutes)	93.72	153.54	83.08	88.78	72.67	71.94
SAIFI (Average Number of Interruptions per Customer)	1.222	1.376	1.368	1.370	1.487	2.124
ASAI (Percent)	99.978	99.960	99.978	99.977	99.979	99.971

[23] The HECO service reliability data is normalized for 2011 by excluding a labor work stoppage event on 03/04/11 and a lightning storm event that occurred on 05/02/11 - 05/03/11.

Figure 13 - HECO System Average Interruption Duration Index



In addition to the reliability indices, HECO provides normalized outage cause data for 2015 by customer interruption hours and number of customer interruptions. The data provided by HECO regarding the top five outage causes and the balance of the outage causes (i.e., "Other") by customer interruption hours is presented in Table 16. The data provided by HECO regarding the top five outage causes and the balance of outage causes (i.e., "Other") by number of customer interruptions is presented in Table 17.

Table 16 - HECO Outage Causes, Sorted by Interruption Hours per Outage Cause (Normalized)

Rank	Outage Cause	Customer Interruption Hours per Outage Cause	Total Customer Interruption Hours for All Outage Causes	Percent
1	High Winds	213,075.28	770,215.47	27.66%
2	Equipment Deterioration	108,233.28	770,215.47	14.05%
3	Trees/Branches in Lines	93,318.12	770,215.47	12.12%
4	Cable Fault	85,489.52	770,215.47	11.10%
5	Scheduled Maintenance	50,684.22	770,215.47	6.58%
	Other	219,415.05	770,215.47	28.49%
	Total	770,215.47		100%

Table 17 - HECO Outage Causes, Sorted by Number of Interruptions per Outage Cause (Normalized)

Rank	Outage Cause	Number of Customer Interruptions per Outage Cause	Total Number of Customer Interruptions for All Outage Causes	Percent
1	Automatic Underfrequency Loadshed	155,919	642,380	24.27%
2	High Winds	121,947	642,380	18.98%
3	Cable Fault	66,607	642,380	10.37%
4	Equipment Deterioration	53,901	642,380	8.39%
5	Trees/Branches in Lines	46,992	642,380	7.32%
	Other	197,014	642,380	30.67%
	Total	642,380		100%

HELCO Service Quality

HELCO’s reliability indices for 2015 and the prior five years are shown in Table 18 (all events) and Table 19 (normalized). Figure 14 shows the 2015 SAIDI in graphical form.

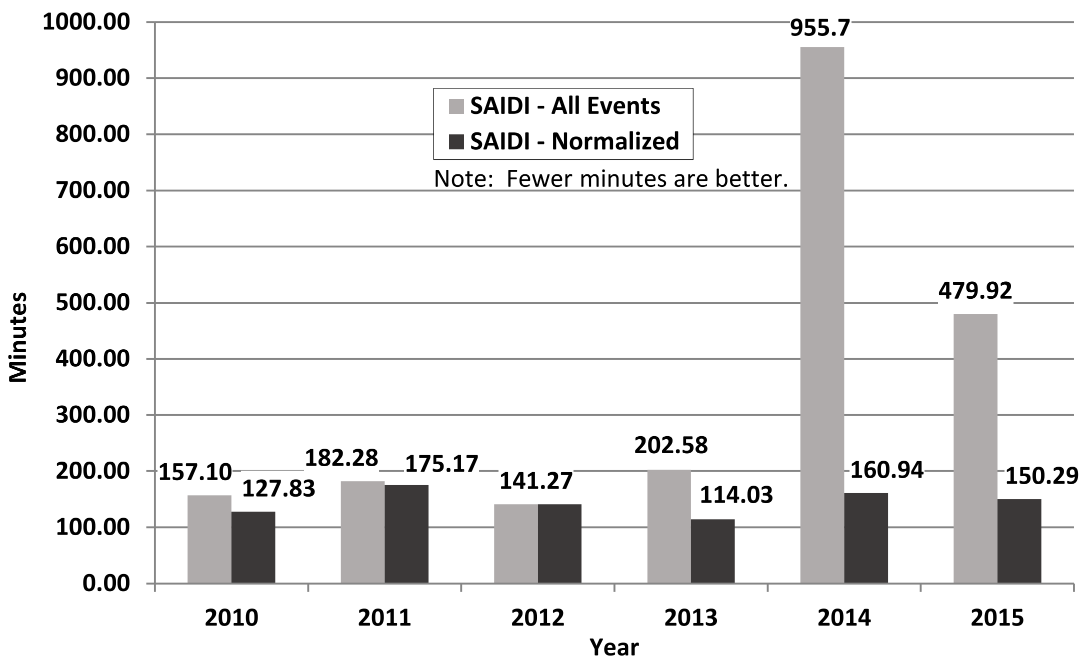
Table 18 - HELCO Annual Service Reliability Indices (All Events)

	2010	2011	2012	2013	2014	2015
Number of Customers	80,171	80,800	81,537	82,068	82,872	83,622
Customer Interruptions	300,528	289,448	229,461	377,561	405,362	432,794
Customer-Hours Interrupted	209,919	245,465	191,973	277,087	1,320,024	668,864
SAIDI (Minutes)	157.10	182.28	141.27	202.58	955.7	479.92
CAIDI (Minutes)	41.91	50.88	50.20	44.03	195.38	92.73
SAIFI (Average Number of Interruptions per Customer)	3.749	3.582	2.814	4.601	4.891	5.176
ASAI (Percent)	99.965	99.964	99.973	99.961	99.811	99.908

Table 19 - HELCO Annual Service Reliability Indices (Normalized) [24]

	2010	2011	2012	2013	2014	2015
Number of Customers	80,171	80,800	81,537	82,068	82,872	83,622
Customer Interruptions	176,252	235,520	229,461	239,369	281,467	228,540
Customer-Hours Interrupted	170,798	235,894	191,973	155,975	222,297	209,464
SAIDI (Minutes)	127.83	175.17	141.27	114.03	160.94	150.29
CAIDI (Minutes)	58.14	60.10	50.20	39.10	47.39	54.99
SAIFI (Average Number of Interruptions per Customer)	2.198	2.915	2.814	2.917	3.396	2.733
ASAI (Percent)	99.970	99.966	99.973	99.978	99.962	99.971

Figure 14 - HELCO System Average Interruption Duration Index



In addition to the reliability indices, HELCO provides normalized outage cause data for 2015 by customer interruption hours and number of customer interruptions. The data provided by HELCO regarding the top five outage causes and the balance of outage causes (i.e., "Other") by customer interruption hours is presented in Table 20. The data provided by HELCO regarding the top five outage causes and the balance of outage causes (i.e., "Other") by number of customer interruptions is presented in Table 21.

[24] The HELCO service reliability data is normalized for 2010 by excluding underfrequency load shed events (Puna Plant on 01/26/10, Keahole CT 5 on 04/09/10 and 07/03/10, and Keahole CT 4 on 10/27/10); for 2011 by excluding underfrequency load shed events (Keahole CT 4 on 06/30/11, Keahole CT 5 and ST 7 on 07/16/11, and HEP on 08/02/11); for 2013 by excluding underfrequency load shed events (Keahole CT 4 on 03/02/13, PGV on 10/26/13 and 12/30/13, and Hill 6 on 11/25/13), 7600 Line fault on 01/25/13, 6500 Line fault on 03/13/13, Waimea Substation upgrade on 06/27/13 and 08/14/13, wind storm on 07/29/13, and lightning storm on 12/30/13; for 2014 by excluding wind storm on 01/22/14, Keahole CT 5 underfrequency load shed on 04/12/14, and Hurricane Iselle on 08/07/14; and for 2015 by excluding wind storms on 01/02/15 and 02/13/15, and underfrequency load shed (Keahole CT 5 on 05/06/15 and Keahole CT 4 on 06/25/15).

Table 20 - HELCO Outage Causes, Sorted by Interruption Hours per Outage Cause (Normalized)

Rank	Outage Cause	Customer Interruption Hours per Outage Cause	Total Customer Interruption Hours for All Outage Causes	Percent
1	Tree or Branches	78,607.5	209,463.8	37.53%
2	Deterioration	44,800.4	209,463.8	21.39%
3	System Addition/Removal	13,027.3	209,463.8	6.22%
4	Auto Accident	12,873.5	209,463.8	6.15%
5	Faulty Equipment Operation	12,674.7	209,463.8	6.05%
	Other	47,480.4	209,463.8	22.67%
	Total	209,463.8		100%

Table 21 - HELCO Outage Causes, Sorted by Number of Interruptions per Outage Cause (Normalized)

Rank	Outage Cause	Number of Customer Interruptions per Outage Cause	Total Number of Customer Interruptions for All Outage Causes	Percent
1	Faulty Equipment Operation	87,781	228,540	38.41%
2	Tree or Branches	45,046	228,540	19.71%
3	Deterioration	29,134	228,540	12.75%
4	Customer Equipment	10,989	228,540	4.81%
5	Lightning	9,646	228,540	4.22%
	Other	45,944	228,540	20.10%
	Total	228,540		100%

MECO Service Quality

MECO's reliability indices for 2015 and the prior five years are shown in Table 22 (all events) and Table 23 (normalized). Figure 15 shows the 2015 SAIDI in graphical form.

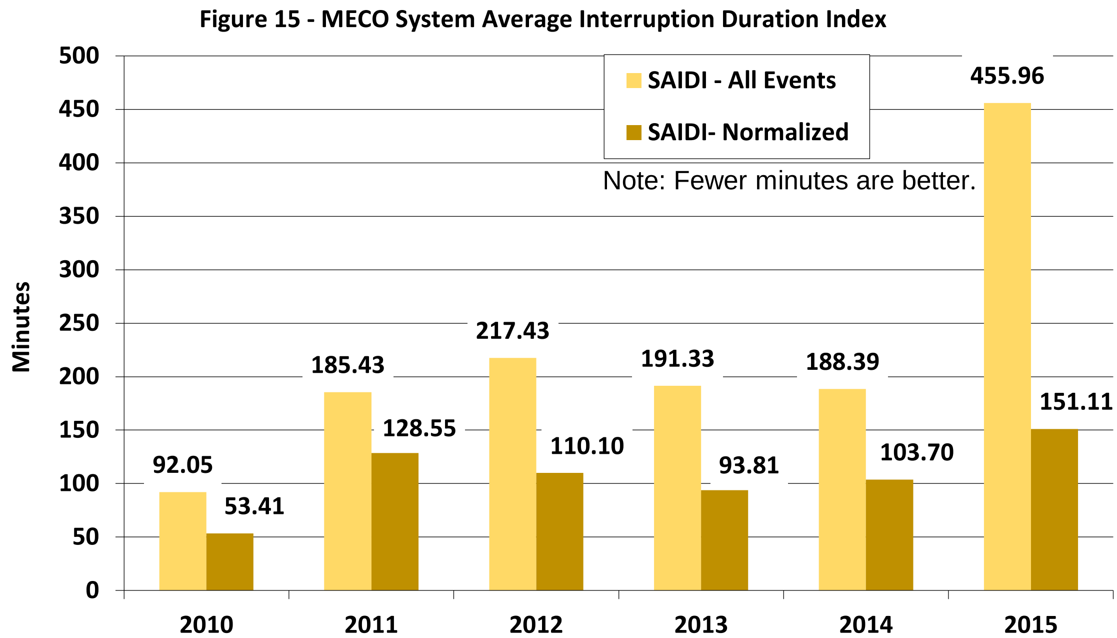
Table 22 - MECO Annual Service Reliability Indices, All Islands (All Events)

	2010	2011	2012	2013	2014	2015
Number of Customers	67,405	68,010	68,575	69,303	69,825	70,303
Customer Interruptions	131,294	170,379	195,618	138,480	179,256	230,381
Customer-Hours Interrupted	103,416	210,186	248,501	221,000	219,244	534,260
SAIDI (Minutes)	92.05	185.43	217.43	191.33	188.39	455.96
CAIDI (Minutes)	47.26	74.02	76.22	95.75	73.38	139.14
SAIFI (Average Number of Interruptions per Customer)	1.948	2.505	2.853	1.998	2.567	3.277
ASAI (Percent)	99.9824	99.9646	99.9586	99.9635	99.9641	99.9130

Table 23 - MECO Annual Service Reliability Indices, All Islands (Normalized) [25]

	2010	2011	2012	2013	2014	2015
Number of Customers	67,405	68,010	68,575	69,303	69,825	70,303
Customer Interruptions	67,481	101,268	81,428	71,894	107,847	112,984
Customer-Hours Interrupted	60,007	145,711	125,836	108,361	120,685	177,063
SAIDI (Minutes)	53.41	128.55	110.10	93.81	103.70	151.11
CAIDI (Minutes)	53.35	86.33	92.72	90.43	67.14	94.03
SAIFI (Average Number of Interruptions per Customer)	1.001	1.489	1.187	1.037	1.545	1.607
ASAI (Percent)	99.9898	99.9755	99.9791	99.9821	99.9802	99.9712

[25] The MECO service reliability data is normalized for 2010 by excluding a high winds event on 03/28/10 - 04/01/10, flashover on 06/07/10, Kona Storm on 12/09/10 – 12/10/10, and various equipment failures and faults on Lanai and Molokai in 2010; for 2011 by excluding two high winds events (01/10/11 and 12/24/11), a high winds/lightning storm event on 01/12/11 - 01/14/11, and various equipment failures and faults on Lanai and Molokai in 2011; for 2012 by excluding a high winds event on 02/07/12 - 02/08/12, operator error event on 09/05/12, flashover on 11/06/12, substation fire on 12/04/12, and various equipment failures and faults on Lanai and Molokai in 2012; for 2013 by excluding a trees in transmission lines event on 01/02/13, Tropical Storm Flossie on 07/29/13 - 07/30/13, and various equipment failures and faults on Lanai and Molokai in 2013; for 2014 by excluding a flashover on the Maalaea/Kihei 69 kV Line on 05/09/14, Tropical Storm Iselle on 08/07/14 – 08/09/14, equipment failure on 10/07/14, and various equipment failures and faults on Lanai and Molokai in 2014; for 2015 by excluding Kona Storm on 01/02/15 – 01/04/15, Valentine's Day Storm on 02/13/15 – 02/15/15, equipment failure on 04/18/15 and 12/18/15, and various equipment failures and faults on Lanai and Molokai in 2015.



In addition to the reliability indices, MECO provides normalized outage cause data for 2015 by customer interruption hours and number of customer interruptions. The data provided by MECO regarding the top five outage causes and the balance of the outage causes (i.e., "Other") by customer interruption hours is presented in Table 24. The data provided by MECO regarding the top five outage causes and balance of the outage causes (i.e., "Other") by number of customer interruptions is presented in Table 25.

Table 24 - MECO Outage Causes, Sorted by Interruption Hours per Outage Cause (Normalized)

Rank	Outage Cause	Customer Interruption Hours per Outage Cause	Total Customer Interruption Hours for All Outage Causes	Percent
1	Trees or Branches in Lines	73,417.3	177,063.2	41.46%
2	Automobile Accident	13,393.8	177,063.2	7.56%
3	Deterioration, Rot, Corrosion, Termites	13,320.0	177,063.2	7.52%
4	Unknown Failure	12,740.3	177,063.2	7.20%
5	Mylar Balloons	11,171.8	177,063.2	6.31%
	Other	53,020.0	177,063.2	29.94%
	Total	177,063.2		100%

Table 25 - MECO Outage Causes, Sorted by Number of Interruptions per Outage Cause (Normalized)

Rank	Outage Cause	Number of Customer Interruptions per Outage Cause	Total Number of Customer Interruptions for All Outage Causes	Percent
1	Trees or Branches in Lines	29,429	112,984	26.05%
2	Unknown Failure	15,297	112,984	13.54%
3	High Wind	10,224	112,984	9.05%
4	Deterioration, Rot, Corrosion, Termites	9,902	112,984	8.76%
5	Automobile Accident	9,094	112,984	8.05%
	Other	39,038	112,984	34.55%
	Total	112,984		100%

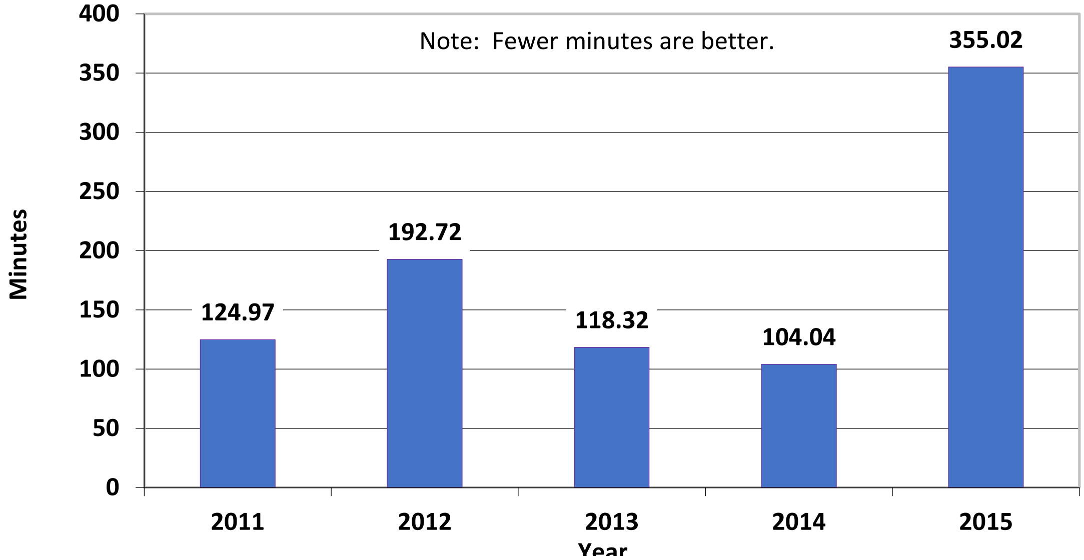
KIUC Service Quality

KIUC's reliability indices for 2015 and the prior four years are shown in Table 26. Figure 16 shows the 2015 SAIDI in graphical form.

Table 26 - KIUC Annual Service Reliability Indices (All Events)

	2011	2012	2013	2014	2015
System Peak (MW)	72.05	73.06	72.96	72.90	74.92
Number of Customers	36,222	36,473	36,704	36,831	36,832
SAIDI (Minutes)	124.97	192.72	118.32	104.04	355.02
CAIDI (Minutes)	21.53	44.20	36.62	38.56	56.57
SAIFI (Average Number of Interruptions per Customer)	5.80	4.36	3.23	2.70	6.28
ASAI (Percent)	99.976	99.963	99.977	99.980	99.932

Figure 16 - KIUC System Average Interruption Duration Index (All Events)



In addition to the reliability indices, KIUC provides sustained interruption cause data for 2015. KIUC breaks down that data via causes by frequency (i.e., what caused the most interruptions) and causes by magnitude (i.e., what caused the most severe interruptions). Figure 17 illustrates the sustained interruptions by magnitude and Figure 18 illustrates the sustained interruptions by frequency.

Figure 17 - KIUC Outage Causes, Sorted by Hours of Interruption per Cause of Outage (Magnitude)

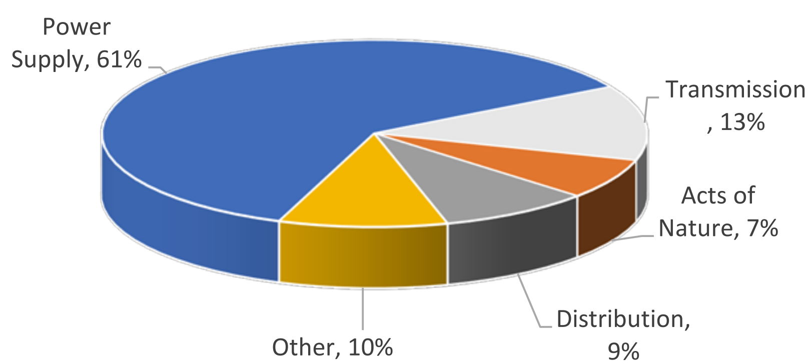
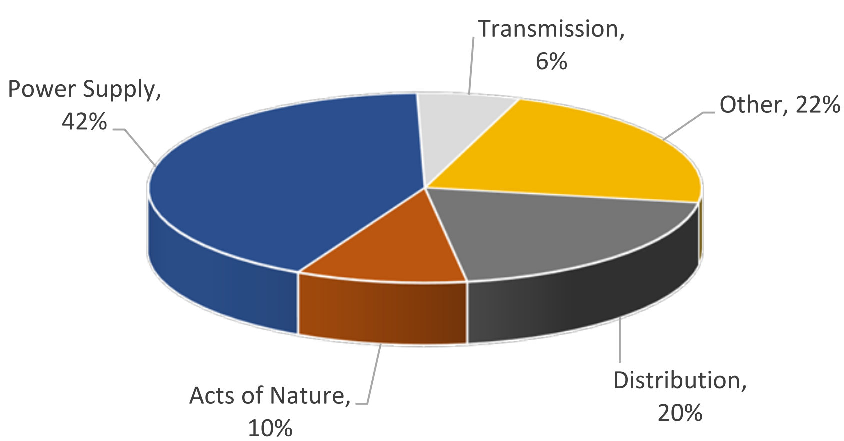


Figure 18 - KIUC Outage Causes, Sorted by Number of Interruptions per Cause of Outage (Frequency)



Gas Service Reliability and Quality of Service

Monthly Line Breakage/Service Interruption Reports are filed by Hawaii Gas each month. As shown in Table 27, between July 1, 2015, and June 30, 2016, there were 147 line breaks caused by third parties, affecting 68 customers, and resulting in 119.5 customer-hours of interruption. Fiscal Year 2016 had approximately an 11.4 percent increase in line breaks and approximately a 16.8 percent decrease in customer-hours of interruption in comparison to Fiscal Year 2015, which had 132 line breaks and 143.7 customer-hours of interruption.

Table 27 – Gas Line Breaks and Service Interruptions

Month, Year	Number of Line Breaks	Number of Customers Affected	Customer-Hours of Interruption
July, 2015	22	10	52.5
August, 2015	2	3	3
September, 2015	7	31	10
October, 2015	10	3	4
November 2015	9	1	4
December, 2015	5	1	24
January, 2016	12	6	4
February, 2016	10	1	2
March, 2016	15	4	1
April, 2016	19	2	9
May, 2016	13	1	4
June, 2016	23	5	2
FY 2016	147	68	119.5

Meter Performance Control Program Annual Reports are filed by Hawaii Gas each calendar year. The objectives of the program are to: (1) provide accurate measurement of gas delivery to consumers and (2) extend the service lives of the meters. Separate reports are compiled for meters with flow rates of 0 to 250 cubic feet per hour ("CFH"), and for meters with flow rates of 251 to 1500 CFH. As shown in Table 28, Hawaii Gas had 25,038 meters in service in 2015 and removed 1,700 meters from service by the end of 2015.

Table 28 – Meter Performance Control Program

	Meters in Service in 2015	Meters Removed from Service by Year-End 2015
0-250 CFH Meters	22,142	1,547
251-1500 CFH Meters	2,896	153
Total	25,038	1,700

Enforcement Activities

The Commission enforces its rules, regulations, standards, and tariffs by monitoring the operational practices and financial transactions of the regulated utilities and transportation carriers. Enforcement activities involve customer complaint resolution, compliance with financial reporting and other requirements, and issuance of citations.

Complaint Resolution

The Commission's role in protecting the public is carried out in part through its investigation and resolution of complaints. The Commission accepts written complaints against any public utility, water carrier, motor carrier, or others subject to the Commission's jurisdiction. There are two kinds of written complaints - formal and informal. The Commission's rules of practice and procedure, Hawaii Administrative Rules Chapter 6-61, provide the requirements for formal and informal written complaints.

Formal Complaints

During FY 2016, ten formal complaints were filed. Discussion on the status and content of the formal complaints can be found on page 29.

Written Informal Complaints

As shown in Table 29, the Commission received a total of 165 written informal complaints in FY 2016 against utility and transportation companies.

Table 29 - Total Number of Informal Complaints Received by the Commission, FY 2011-2015

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Utilities					
Telecommunications	**50**	**50**	**43**	**29**	**79**
Wire line (telephone)	28	24	27	14	60
Cellular and Paging	22	20	14	8	18
Other	0	6	2	7	1
Electricity	**41**	**99**	**57**	**85**	**69**
Gas	**3**	**8**	**3**	**5**	**0**
Water/Sewer	**2**	**3**	**3**	**3**	**2**
Other	**2**	**2**	**1**	**0**	**1**
Transportation Carriers					
Water Carrier	**1**	**1**	**0**	**1**	**0**
Motor Carrier	**15**	**6**	**6**	**11**	**13**
One Call Center	**0**	**0**	**1**	**0**	**0**
Total Complaints	**114**	**169**	**118**	**135**	**164**

In October 2015, the Commission initiated an informal inquiry regarding the status of service restorations after receiving numerous complaints against the wire line telecommunications provider, Hawaiian Telcom ("HTI"). The Commission learned that the increase in complaints against HTI were in large part due to heavy rain storms in August and September of 2015 brought on by the threat of Hurricanes Guillermo and Ignacio, which interrupted repairs as HTI could not make repairs to damaged cables until the cables were and remained dry.

Civil Citations

The Commission enforces provisions in HRS Sections 269, 269E, 271 and 271G as well as applicable rules, orders, and regulations and may assess civil penalties, subject to providing the alleged violators with notice and opportunity to be heard in accordance with HRS Chapter 91.

For violations of the Motor Carrier Law, HRS Chapter 271, the Commission may impose civil penalties up to $1,000 per offense and penalties of $50-500 per day in the case of a continuing violation.

For violations of the Water Carrier Law, HRS Chapter 271G or the One Call Law, HRS Chapter 269E, the Commission may impose various civil penalties for up to $5,000 per offense and penalties up to $5,000 per day in the case of a continuing violation.

For any other public utility violating HRS Chapter 269, and/or the Commission's applicable rules, orders and regulations, the Commission may impose various civil penalties not to exceed $25,000 each day so long as such violation continues.

Some of the common types of citations include: operating without a certificate or permit issued by the Commission, failure to publish a tariff, failure to maintain the required liability insurance, improper vehicle marking, and stop-in-transit violations (i.e., shipping intrastate cargo described as interstate cargo).

Table 30 lists by category, the number of citations issued and the civil penalties issued for fiscal years 2012-2016.

Table 30 – Citations and Civil Penalties Issued, FY 2012-2016

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Citations					
Motor Carrier	11	10	11	8	17
Stop in Transit	0	5	0	1	8
Total # of Citations Issued	**11**	**15**	**11**	**9**	**25**
Civil Penalties					
Motor Carrier	$19,500	$10,000	$12,000	$11,500	$17,000
Stop in Transit	$0	$9,000	$$0	$2,000	13,500
One Call Center	$0	$0	$0	$0	$5,000
Total Civil Penalties Issued	**$19,500**	**$19,000**	**$12,000**	**$13,500**	**$305,500**

Revocation of CPCNs

In FY 2016, the Commission revoked 39 motor carrier certificates for failure to pay the civil penalties imposed, and/or for failure to file an Annual Financial Report, and/or for failure to pay the requisite Motor Carrier Gross Revenue Fee failure, and/or failure to comply with the other Commission's requirements.

Environmental Matters and Actions of the Federal Government

The following section highlights environmental matters and actions of the federal government that may affect the regulation of public utilities in Hawaii.

Mercury and Air Toxics Standards

The Mercury and Air Toxics Standards (“MATS”)[26] limit mercury, acid gases, and other toxic pollution from coal- and oil-fired power plants with capacities of 25 MW or greater. The MATS final rule established separate standards for non-continental (“NCO”) electric generating units. On April 30, 2015, the EPA denied HECO’s Petition for Reconsideration of the MATS NCO limits. On June 29, 2015, the U.S. Supreme Court ruled the EPA unreasonably interpreted the Clean Air Act when it decided to set limits on emissions of hazardous air pollutants from power plants without considering the costs on the industry to do so and left the authority to the D.C. Circuit to decide how to remand this issue to the EPA. On June 13, 2016, the Supreme Court left in place a lower-court ruling that found that the regulations, put in place by the EPA, could remain in effect while the agency revised the way it had calculated the potential industry compliance costs. The EPA finalized its updated cost analysis in April 2016.

Hawaiian Electric implemented its MATS compliance plan on April 16, 2016, which was the deadline for the EPA’s MATS regulation. Hawaiian Electric had planned to switch Kahe units 5 and 6 to a MATS fuel blend of 70% low sulfur fuel oil (“LSFO”) and 30% low sulfur diesel as part of its compliance plan to reduce particulate emissions for its two largest units, while the other units (Kahe 1-4 and Waiau 3-8) would continue to operate on 100% LSFO. However, after completing field tests and in light of the ability to modify other operating practices and testing protocols, Hawaiian Electric determined that Kahe units 5 and 6 could also remain on 100% LSFO, which eliminated the need for a more expensive blended fuel. Hawaiian Electric expects to demonstrate initial compliance by achieving facility averages less than the 0.03 Ib/MMBtu MATS PM requirement while operating all MATS generating units on 100% LSFO. [27]

National Ambient Air Quality Standards

The Clean Air Act requires the EPA to set National Ambient Air Quality Standards (“NAAQS”) for wide spread pollutants from various sources. The six principal pollutants under NAAQS include Carbon Monoxide, Lead, Nitrogen Dioxide, Ozone, Particulate Matter, and Sulfur Dioxide (“SO2”).[28] NAAQS will affect all of Hawaii's major combustion power plants. The HECO Companies have proposed to comply with NAAQS through the use of LNG.[29] Furthermore, the HECO plans to monitor ambient SO2 concentrations in the area of Kahe and Waiau for at least three years beginning no later than January 1, 2017 through December 31, 2019.[30]

[26] USEPA, “Mercury and Air Toxics Standards,” Final Rule published February 16, 2012. Accessed September 18, 2015.
[27] HECO Companies’ Status Report on the Companies’ Fuels Master Plan, filed on July 29, 2016 in Docket No. 2014-0217.
[28] USEPA, “National Ambient Air Quality Standards,” accessed September 18, 2015.
[29] Hawaiian Electric Company, “Environmental Compliance,” Hawaiian Electric Power Supply Improvement Plan, filed August 26, 2014 in Docket No. 2011-0206.
[30] HECO Companies, “Environmental Compliance,” HECO Companies’ PSIP Update Report, filed April 1, 2016 in Docket No. 2014-0183

Clean Power Plan

On August 3, 2015, the EPA finalized the Clean Power Plan Rule to cut carbon dioxide pollution from existing electric generating units.[31] This is the first time the EPA has established greenhouse gas emissions guidelines for existing power plants. The Clean Power Plan was established under Section 111(d) of the Clean Air Act and, at the moment, standards have only been set for contiguous U.S. states. Affected states will be required to develop and implement plans that set emission standards for the affected power plants. Standards were not set for electric generating units ("EGUs") in Hawaii, Alaska, Guam, and Puerto Rico. As stated in the rule, [32]

> "The CAA section 111(d) emission guidelines apply to the 50 states, the District of Columbia, U.S. territories … Because the EPA lacks appropriate information … for the two non-contiguous states with affected EGUs (Alaska and Hawaii) and the two U.S. territories with affected EGUs (Guam and Puerto Rico), we are not finalizing emission performance rates in those areas at this time, and those areas will not be required to submit state plans until we do."

National Pollution Discharge Elimination System

On August 15, 2014, the EPA published the Final Regulations to Establish Requirements for Cooling Water Intake Structures at Existing Facilities and Amended Requirements at Phase I Facilities.[33] The purpose of Section 316b is to reduce impingement and entrainment of fish and other aquatic organisms at cooling water intake structures used by existing power generation. This rule establishes requirements under section 316(b) of the Clean Water Act for existing power generating facilities that are designed to withdraw more than 2 million gallons per day of water and use at least 25 percent of the withdrawn water exclusively for cooling purposes.

The NPDES permits for Honolulu, Waiau and Kahe expire in 2017, while the permits for Ma'alaea and Kahului expire in 2019 and 2020. The HECO Companies plan on renewing its permits and include 316(b) requirements if applicable.[34]

Federal Universal Service Fund and Eligible Telecommunications Carrier Certification

The Commission is the State entity authorized and responsible for designating and certifying Hawaii eligible telecommunications carriers ("ETCs") seeking Universal Service Fund ("USF") disbursements under the federal USF program. The USF program, created by the U.S. Congress through the Telecommunications Act of 1934, as amended in 1996 ("Telecommunications Act"), is intended to preserve and advance a basic level of quality, affordable telecommunications service to "all regions of the Nation" in favor of "the public interest, convenience, and necessity."[35] The Federal Communications Commission ("FCC"), with the assistance of the designated USF Administrator, the Universal Service Administrative Company ("USAC"), oversees the distribution of USF support.

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[31] USEPA, Clean Power Plan Final Rule, accessed September 23, 2015.

[32] In the EPA's final rule for the Clean Power Plan, a CO_2 emission performance was established for two subcategories of fossil fuel-fired electric generating units (fossil-fuel fired steam generating units and stationary combustion turbines). The CO_2 emission performance rate expresses "best system of emissions reduction" (BSER).

[33] USEPA, "Cooling Water Intakes," accessed September 24, 2015.

[34] HECO Companies, "Environmental Compliance," HECO Companies' PSIP Update Report, filed April 1, 2016 in Docket No. 2014-0183

[35] See 47 U.S.C.A. § 254(b). States are also authorized to have their own supplemental USF support programs and associated funding mechanisms to bolster the federal USF. See 47 U.S.C.A. § 254(f). See also Haw. Rev. Stat. §§ 269-35, -41, -42. However, the Hawaii USF has been specifically designated as a "fund of last resort," which limits funding-eligible carriers to only those not otherwise able to get funding from other sources, including the federal USF. See H.A.R. § 6-81-6 (1996).

To receive USF support, a telecommunications carrier must first be designated as an ETC by the Commission or the FCC in accordance with the requirements of 47 U.S.C.A. § 214(e) and additional federal regulations[36] as well as the Commission's own certification requirements.[37] ETC designation also includes a required determination that an applicant's designation as an ETC would be in the public interest.[38] The Consumer Advocate participates in all dockets where telecommunications carriers seek designation as an ETC.

On March 31, 2016, the FCC adopted a comprehensive reform and modernization of the Lifeline Program. In the FCC 2016 Lifeline Modernization Order, the FCC included broadband as a support service in the Lifeline program. The FCC also set out minimum service standards for Lifeline-supported services, and established a National Eligibility Verifier to make independent subscriber eligibility determinations.

Commission proceedings relating to ETC designations and certification during FY 2016 are summarized in the following section. See Table 31 for a list of ETCs in Hawaii.

Table 31 - Eligible Telecommunications Carriers in Hawaii

Eligible Telecommunications Carriers ("ETCs")	Carrier Type	Date Designated	Docket No.	Notes
Hawaiian Telcom, Inc.	Incumbent	12/04/1997	1997-0363	
Sandwich Isles Communications, Inc.	Incumbent	12/09/1998	1998-0317	Certification to FCC and USAC for USF high-cost support not granted, 9/28/2015, Docket No. 2015-0083; and 9/30/2016, Consolidated Docket Nos. 2016-0093, 2016-0120, 2016-0121.
Coral Wireless, LLC, dba Mobi PCS	Wireless	02/23/2007	2005-0300	
Pa Makani LLC, dba Sandwich Isles Wireless	Wireless	04/10/2012	2011-0145	Certification to FCC and USAC for USF high-cost support not granted, 9/28/2015, Docket No. 2015-0083; and 9/30/2016, Consolidated Docket Nos. 2016-0093, 2016-0120, 2016-0121..
ETC Lifeline-Only				
TracFone Wireless, Inc. dba SafeLink Wireless	Wireless	03/27/2013	2012-0144	
Total Call Mobile, Inc	Wireless	07/09/2013	2012-0233	
Budget PrePay, Inc., dba Budget Mobile	Wireless	07/26/2013	2012-0327	
Blue Jay Wireless, LLC	Wireless	08/21/2013	2013-0029	
American Broadband and Telecommunications Company	Wireless	08/17/2015	2015-0061	

[36] See 47 U.S.C.A. § 254(e); See also 47 U.S.C.A. §§ 214(e)(2) and (6).
[37] Order No. 30932, filed on December 28, 2012, in Docket No. 2011-0052.
[38] See 47 C.F.R. § 54.202(b) (2012). See Decision and Order No. 30309, Application of Pa Makani LLC for Designation as an Eligible Telecommunications Carrier in the State of Hawaii, Docket No. 2011-0145, filed April 10, 2012, page 25.

Eligible Telecommunications Carriers, Annual Certification to the FCC

State commissions seeking “high-cost” program support for ETCs must annually certify to the FCC that the ETCs have used and will use the support only for the provision, maintenance, and upgrading of facilities and services for which the support is intended. Reporting requirements were established by the Commission in Decision and Order No. 30932, filed on December 28, 2012, in Docket No. 2011-0052. Commission proceedings relating to ETC certification during FY 2016 are summarized below.

Investigation on Whether Designated ETCs Participating in the High-Cost Program of the USF Should be Certified for 2015
Docket No. 2015-0083, Status: Closed

On September 28, 2015, in Order No. 33167, the Commission determined that the ETC parties have each sufficiently complied with the annual ETC certification requirements and certified to the FCC and the USAC that ETCs Hawaiian Telcom and Mobi have been or will be using USF high-cost support only for the purposes which the USF high-cost support is intended. The Commission did not certify to the FCC and the USAC that ETCs Sandwich Isles Communications (“SIC”) and Pa Makani have been or will be using USF high-cost support only for the purposes intended due to uncertainty regarding use of the USF high-cost support consistent with 47 C.F.R. § 54.314(a).

Investigation on Whether Designated ETCs Participating in the High-Cost Program of the USF Should be Certified for 2016
Docket No. 2016-0093, Status: Closed

Sandwich Isles Application for Annual Certification as an ETC
Docket No. 2016-0120, Status: Closed

Pa Makani Application for Annual Certification as an ETC
Docket No. 2016-0121, Status: Closed

On April 6, 2016, the Commission initiated an investigation on whether state designated ETCs participating in the high-cost support of the USF should be certified by the Commission in 2016 pursuant to 47 C.F.R. § 54.314(a). In its opening order in Docket No. 2016-0093, the Commission named Hawaiian Telcom (“HTI”), and Mobi as parties to the docket, but did not name previously designated ETCs, SIC and Pa Makani as parties to the docket because the Commission determined that there remains uncertainty as to whether all federal high-cost support provided to Sandwich Isles Communications and Pa Makani was used only for the purposes intended.

On April 26, 2016, SIC and Pa Makani filed a motion to intervene as parties to the proceeding and on May 2, 2016, filed applications for annual certification for the purpose of resuming its ETC status and USF funding pursuant to 47 C.F.R. § 54.313 and 54.314 and provided progress reports and explanation of how USF support was used in 2015. On August 8, 2016, the Commission Issued Order No. 33849 granting SIC and Pa Makani’s motion to intervene and consolidating Docket Nos. 2016-0120 and 2016-0121 to Docket No. 2016-0093.

The Commission found that Mobi did not sufficiently comply with annual reporting requirements and that there is uncertainty as to whether or not support provided to Mobi was used only as intended. The Commission also determined that while SIC and Pa Makani complied with reporting requirements, there was still uncertainty as to whether support provided to SIC and Pa Makani was used only as intended.

On September 30, 2016, the Commission issued Decision and Order No. 33955 certifying HTI as a high-cost ETC in 2016, but did not certify Mobi, SIC, or Pa Makani as high-cost ETCs to the FCC and USAC.

Eligible Telecommunications Carriers, Lifeline-Only Designation

The Lifeline Program is administered by the USAC and part of the USF Fund that provides discounted phone service for qualifying low-income consumers. The Commission grants limited ETC Lifeline-only status for the purposes of receiving federal Lifeline support. Commission proceedings relating to ETC Lifeline-only designations during FY 2016 are summarized below.

iWireless Application for ETC Lifeline-Only Designation
Docket No. 2013-0199, Status: Suspended

On September 3, 2013, i-wireless, LLC filed an application for designation as a Lifeline-only ETC. In its initial Statement of Position filed on January 21, 2014, the Consumer Advocate was unable to provide the Commission a recommendation on i-wireless' request for Commission approval based on the following circumstances: (1) the unresolved issue relating to the FCC's Notice of Apparent Liability for Forfeiture ("NAL"); (2) whether i-wireless was in compliance with the certification and verification of FCC Rules; and (3) whether i-wireless had offered full disclosure related to its Lifeline service and with respect to its FCC filings. On May 2, 2014, the Consumer Advocate submitted its updated Statement of Position recommending that the Commission either suspend the application until there is a resolution of the matter involving i-wireless before the FCC, or dismiss the application without prejudice. On July 7, 2014, the Commission issued Order No. 32192 suspending the docket pending receipt of the final determination by the FCC. On May 5, 2015, the Commission issued Order No. 32850 denying i-wireless's motion to lift suspension filed December 4, 2014 because the FCC has not issued determination on its NAL.

American Broadband and Telecommunications Company Application for ETC Lifeline-Only Designation
Docket No. 2015-0061, Status: Closed

On March 5, 2015, the American Broadband and Telecommunications Company ("American Broadband") filed a petition for designation as a Lifeline-only ETC. On August 7, 2015, the Commission approved, subject to conditions and requirements, and designated American Broadband as a Lifeline-only ETC throughout the state.

Telrite Corporation, dba Life Wireless, Application for ETC Lifeline-Only Designation
Docket No. 2015-0349, Status: Suspended

On September 30, 2015, Telrite Corporation, dba Life Wireless, filed a petition for designation as a Lifeline-only ETC. On December 11, 2013, the FCC issued a NAL stating that Telrite had apparently willfully and repeatedly violated § 54.407, § 54.409, and § 54.410 of the FCC's rules by requesting and/or receiving support from the Lifeline program of the USF for ineligible subscriber lines. Telrite filed appeals on December 30, 2013, and January 17, 2014 challenging the basis of the FCC's NAL. The Consumer Advocate's Statement of Position filed on March 22, 2016, recommended that the PUC suspend the Application or dismiss the Application without prejudice until there is a resolution of the matter involving Telrite before the FCC. The Commission finds that there is a need to be informed by an FCC NAL Order in order to adequately evaluate Telrite's Application, and thus, suspended the docket on August 21, 2016, in Order No. 33853, pending receipt i-wireless' FCC NAL Order

Boomerang Wireless, LLC dba enTouch Wireless, Application for ETC Lifeline-Only Designation
Docket No. 2016-0048, Status: Open

On February 26, 2016 Boomerang Wireless, LLC dba enTouch Wireless, filed a petition for designation as a Lifeline-only ETC. On August 26, 2016, the Commission amended its stipulated procedural order issued on April 26, 2016.

IM Telecom, LLC dba Infinito Mobile, Application for ETC
Docket No. 2016-0179, Status: Open

On July 15, 2016, IM Telecom, LLC dba Infinito Mobile, filed a petition for designation as a Lifeline-only ETC solely to provide Lifeline service to qualifying households.

Summary of Power Purchase Agreements

In accordance with Act 260, SLH 2013, summaries of power purchase agreements, including pricing, are provided in the following tables.

Table 32 - Summary of Power Purchase Agreements in Effect on Oahu, FY 2016

OAHU Facility Name	Export Capacity (MW)	Facility Type	Average FY16 Energy Price ($ per kWh)[a]	Time of Production	Fuel / Energy Source	Identifying Docket or In Service Date	End Date / Term
Kahuku Wind Power	30	As Available	$ 0.1993	Any	Wind	2009-0176	5/31/2031
Kawailoa Wind	69	As Available	$ 0.2125	Any	Wind	2011-0224	11/30/2032
Kalaeloa Renewable Energy Park	5	As Available	$ 0.2160	Any	Solar	2011-0384	11/30/2033
Kalaeloa Solar Two	5	As Available	$ 0.2060	Any	Solar	2011-0051	12/31/2032
Kapolei Sustainable Energy Park	1	As Available	$ 0.2360	Any	Solar	2011-0085	12/31/2031
Chevron USA Hawaiian Refinery[c]	9.6	As Available	$ 0.0908	On Peak[b]	Refinery Gas / Naphtha	Docket No. 6717. In service 8/2/1990.	Year to year
			$ 0.0879	Off Peak[b]			
Par Hawaii Refining LLC[d]	18.5	As Available	$ 0.0901	On Peak	Refinery Gas / Naphtha	Docket No. 5025. In service 12/28/1983.	Year to year
			$ 0.0876	Off Peak			
AES Hawaii[e]	180	Firm	$ 0.0529	Any	Coal	Docket No. 6177. In service 9/1/1992.	9/1/2022
Kalaeloa Partners[f]	208	Firm	$ 0.0968	Any	LSFO*	Docket No. 6378. In service 5/23/1991.	10/31/2017
H-POWER	68.5	Firm	$ 0.1654	On Peak	Waste	2012-0129	4/2/2033
			$ 0.1196	Off Peak			
Feed-in Tariff	Varied	As Available	$ 0.2318	Any	Solar	2008-0273	20 years
Avoided Energy Cost Rate			$ 0.0908	On Peak	Docket No. 7310, Decision and Order No. 24086; 2008-0069		
			$ 0.0879	Off Peak			

a Based on 12-month averages of actual energy costs; do not include capacity payments (if applicable).
b "On peak" is from 7 AM to 9 PM. "Off peak" is from 9 PM to 7 AM.
c Temporary Agreement for 4th cogen was filed with the Hawaii Public Utilities Commission on April 9, 2013. Chevron exported a limited amount of kWh to Hawaiian Electric; however per Temporary Agreement, Hawaiian Electric did not pay for such kWh. Average Energy Price is the average of the energy cost rate filings.
d Average Energy Price does not include reactive adjustment.
e Energy Price based on AES Hawaii Energy Cost which includes Fuel, Variable O&M, and Fixed O&M components.
f Energy Price based on Kalaeloa Partners Energy Cost which includes Fuel, Nonfuel, and Additive components.

Table 33 - Summary of Power Purchase Agreements in Effect on Hawaii Island, FY 2016

HAWAII Facility Name	Export Capacity (MW)	Facility Type	Average FY16 Energy Price ($ per kWh)[a]	Time of Production	Fuel / Energy Source	Identifying Docket or In Service Date	End Date / Term
Hawi Renewable Development	10.56	As Available	$ 0.0965	On Peak	Wind	2004-0016	5/18/2021
			$ 0.0971	Off Peak			
Hamakua Energy Partners	60	Firm	$ 0.1197	Any	Naphtha	1998-0013	12/31/2030
Puna Geothermal Venture (PGV)	25	Firm	$ 0.0983	On Peak	Geo-thermal	2011-0040	12/31/2027
			$ 0.0992	Off Peak			
	5	Firm	$ 0.1239	Any			
	8	Cycling	$ 0.0946	On Peak			
			$ 0.0630	Off Peak			
Tawhiri Power (Pakini Nui)	20.5	As Available	$ 0.1704	On Peak	Wind	2004-0346	4/2/2027
			$ 0.1335	Off Peak			
Wailuku River Hydro	12.1	As Available	$ 0.0997	On Peak	Hydro	6956	5/12/2023
			$ 0.0968	Off Peak			
Feed-in Tariff	Varied	As Available	$ 0.2346	Any	Solar	2008-0273	20 years
Schedule Q[b]	Varied	As Available	$ 0.0983	Any	Docket No. 7310 Decision and Order No. 24086; 2008-0069		
Avoided Energy Cost Rate (>100 kW)			$ 0.0969	On Peak	Docket No. 7310 Decision and Order No. 24086		
			$ 0.0990	Off Peak			

a Based on 12-month averages of actual energy costs; do not include capacity payments (if applicable).
b Includes County of Hawaii Department of Water Supply; Palm Valley Farm; Wenko Energy.

Table 34 - Summary of Power Purchase Agreements in Effect on Maui Island, FY 2016

MAUI Facility Name	Export Capacity (MW)	Facility Type	Average FY16 Energy Price ($ per kWh)[a]	Time of Production	Fuel / Energy Source	Identifying Docket or In Service Date	End Date / Term[c]
Hawaiian Commercial & Sugar Company[b]	16	Scheduled and emergency	$ 0.23365	On Peak	Biomass and Hydro	6616, 6374, 4072, 2015-0094	1/6/17
			$ 0.11540	Off Peak			
Kaheawa Wind Farm	30	As Available	$ 0.13413	On Peak	Wind	2004-0365 6/9/2006	6/9/2026
			$ 0.12611	Off Peak			
Kaheawa Wind Power II	21	As Available	$ 0.21599	Any	Wind	2010-0279 7/2/2012	7/2/2032
Auwahi Wind Energy	21	As Available	$ 0.20207	Any	Wind	2011-0060 12/8/2012	12/28/2032
Makila Hydroelectric Plant	0.5	As Available	$ 0.12265	On Peak	Hydro	2005-0161 9/22/2006	9/22/2026
			$ 0.10768	Off Peak			
Feed-in Tariff	Varied	As Available	$ 0.21152	Any	Solar	2008-0273	20 years
Avoided Energy Cost Rate			$ 0.11614	On Peak	Docket No. 7310 Decision and Order No. 24086		
			$ 0.10168	Off Peak			

a Based on 12-month averages of actual energy costs; do not include capacity payments (if applicable).

b Data simplified for table. Prior to September 2015, capacity of HC&S was 16 MW and type was Firm. Effective September 2015, the HC&S Time of Production was amended from On Peak and Off Peak to up to 4 MW of scheduled energy during the months of March through May and October through December, and up to 16MW of immediate emergency power. For details, see docket 2015-0094.

c All non-FIT agreements automatically continue in effect thereafter until terminated by either party.

Table 35 - Power Purchase Agreements[a] in Effect on Molokai, FY 2016

MOLOKAI Facility Name	Facility Capacity (MW)	Facility Type	Average FY16 Energy Price ($ per kWh)	Time of Production	Fuel / Energy Source	Identifying Docket or In Service Date	End Date / Term
Feed-in Tariff	Varied	As Available	$ 0.21800	Any	Solar	2008-0273	20 years

Table 36 - Power Purchase Agreement[a] in Effect on Lanai, FY 2016

LANAI Facility Name	Facility Capacity (MW)	Facility Type	Average FY16 Energy Price ($ per kWh)	Time of Production	Fuel / Energy Source	Identifying Docket or In Service Date	End Date / Term[b]
Lanai Sustainability Research, LLC	1.2	As Available	$ 0.27000	Any	Solar	2008-0167 12/19/2008	12/19/2033

a There are no FIT projects on Lanai.

b Non-FIT agreements automatically continue in effect thereafter until terminated by either party.

Table 37 - Summary of Power Purchase Agreements in Effect on Kauai, FY 2016

KAUAI Facility Name	Facility Capacity MW	Facility Type	Average FY16 Energy Price ($ per kWh)	Time of Production	Fuel / Energy Source	Identifying Docket or In Service Date	End Date / Term
Gay & Robinson	1	As Available	$ 0.1330	Any	Hydro	2000-0086	Year to year
Green Energy	0.13	As Available	$ 0.1872	Any	Hydro	2007-0059	8/20/2029
Kapaa	1	As Available	$ 0.2000	Daytime	Solar	2010-0179	3/4/2031
Kauai Coffee	4.8	As Available	$ 0.1963	Any	Hydro	2012-0150	1/31/2033
Kekaha Ag Assoc	1.5	As Available	$ 0.0994	Any	Hydro	2001-0055	Year to year
McBryde	6	As Available	$ 0.2000	Daytime	Solar	2011-0180	12/3/2032
MP2 Kaneshiro	0.300	As Available	$ 0.2000	Daytime	Solar	2011-0362	1/4/2033
Pioneer Seed	0.25	As Available	$ 0.1046	Daytime	Solar	2010-0122	Year to year
KRS2 Koloa	12	As Available	$ 0.1220	Daytime	Solar	2012-0383	9/5/2039
Green Energy	6.7	Baseload	$ 0.1230	Any	Biomass	2011-0032	1/31/2036
KRS1 Anahola	12	As Available	$ 0.1280	Daytime	Solar	2011-0323	4/1/2040
Avoided Energy Cost Rate			$ 0.1139	Docket No. 7310 Decision and Order No. 24086			

Special Fund Update for Fiscal Year 2016

Act 226, SLH 1994, established the Commission's Special Fund to be administered by the Commission and to be used by the Commission and the Division of the Consumer Advocacy, Department of Commerce and Consumer Affairs ("Consumer Advocate") for all expenses incurred in the administration of HRS Chapters 269, 269E, 271, and 271G. At the beginning of each fiscal year, the Special Fund starts with a $1 million balance carried over from the prior fiscal year. Pursuant to HRS §269-33(d), moneys in excess of $1 million remaining in the Special Fund at the end of each FY are required to lapse to the General Fund.

All fees and other revenues collected by the Commission are deposited into the Special Fund. Public utilities are required to pay an annual fee of one-half of one percent (0.5 percent) of the gross income of each respective public utility's previous year's business, paid semi-annually, in July and December. Motor carriers pay annual fees of one-fourth of one percent (0.25 percent) of their gross revenues of the previous year's business. Other Special Fund revenues include filing fees, duplication fees, interest and penalties, and One Call Center fees.

This update on the Special Fund is provided to the legislature as required by HRS §269-33(c), as amended by Act 24, SLH 2013.

Revenue

Total FY 2016 Special Fund revenues of $22,497,327, reflect a .4% increase compared to FY 2015 revenues. The Commission collected $20.6 million in public utility fees for FY 2016, 0.1 percent more than FY 2015 public utility fees. Motor carrier fees of $1.7 million collected in FY 2016 were 5.4 percent more than the fees collected in FY 2015. The revenues derived from each source of income for FY 2016 are shown in Figure 19 and Table 38.

Figure 19 - Public Utilities Commission Special Fund FY 2016 Revenues

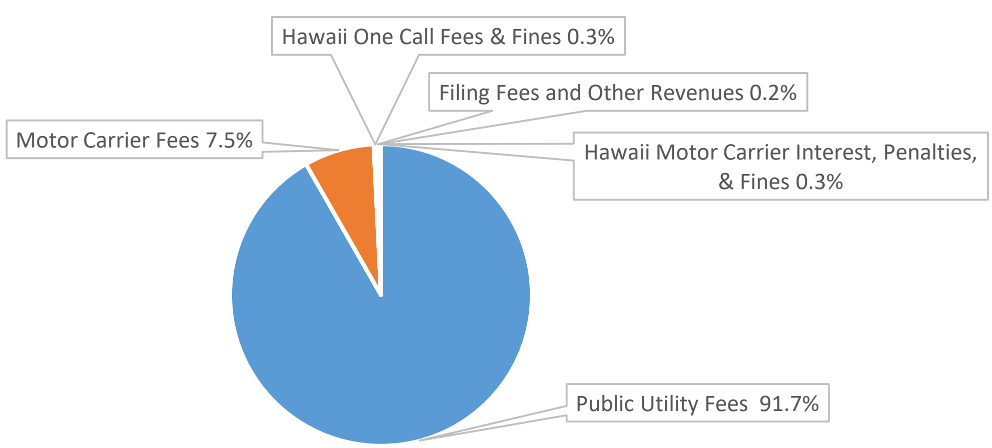

Table 38- Public Utility Commission Special Fund Revenues, FY 2015 and 2016

Description of Revenues	FY 2015	FY 2016
Public Utility Fees	20,608,664	20,635,565
Motor Carrier Fees	1,601,023	1,686,718
Hawaii One Call Center Fees	65,840	75,722
Filing Fees and Other Revenues	81,964	36,075
Hawaii Motor Carrier Interest, Penalties, and Fines	45,233	63,247
Total Revenues	$22,402,724	$22,497,327

Expenditures and Transfers

In FY 2016, although Special Fund revenues were in excess of $22M, the Commission was appropriated $17,828,567 to cover expenditures related to the Commission's Office Space Expansion and Renovation project ("Project"), statutory required transfers, and Commission direct expenditures for personnel and other expenses.

Pursuant to HRS § 269-33(d), moneys in excess of $1 million remaining in the fund at the end of each FY are transferred to the general fund. In FY 2016, this amount was $5,788,511 and accounted for 26.0% of total Commission expenditures and transfers.

In FY 2016, statutory transfers accounted for 25.7% of total Commission expenditures and transfers with $18.7% going to the Consumer Advocate pursuant to HRS § 269-33; 5% going to Central Services pursuant to HRS § 36-27; and 2% going to the Department of Commerce and Consumer Affairs for administrative support services pursuant to HRS § 36-30.

In FY 2016, Commission direct expenditures totaled $5,822,905 and accounted for only 26.1% of total expenditures and transfers. The breakdown of total FY 2016 Commission Expenditures and Transfers are detailed in Figure 20 and Table 39.

Figure 20 - Public Utilities Commission Special Fund Fiscal Year 2016 Expenditures and Transfers

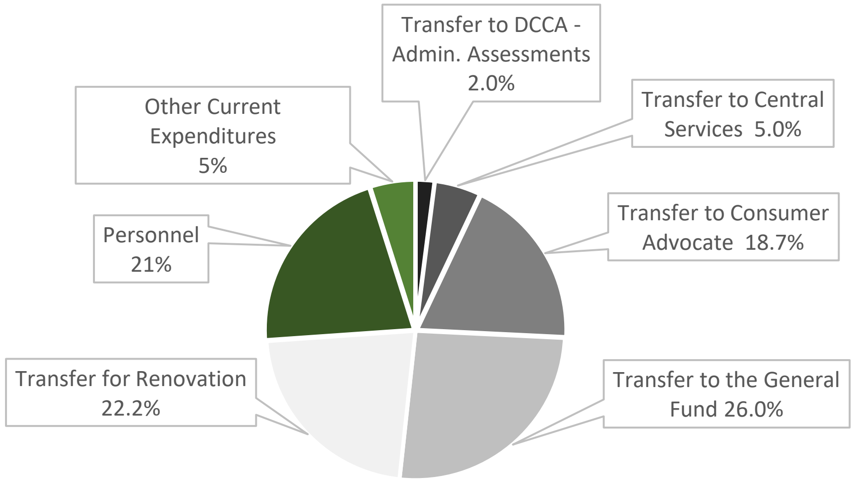

Table 39- Public Utilities Commission Special Fund Expenditures and Transfers, FY 2015 and 2016

Description of Expenditures and Transfers	FY 2015	FY 2016
Transfer for Administrative Assessments	298,783	452,508
Transfer to Central Services	1,115,322	1,120,030
Transfer to Consumer Advocate	3,918,303	4,175,467
Transfer for Renovation	4,421,992	4,964,894
Transfer to the General Fund	6,050,417	5,788,511
Personnel	3,962,793	4,732,254
Other Current Expenditures	2,635,114	1,090,651
Total	$22,402,724	22,306,315