STATE OF HAWAII
PUBLIC UTILITIES COMMISSION

ANNUAL REPORT

FOR

FISCAL YEAR 2017

(July 1, 2016 – June 30, 2017)

DECEMBER 2017

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

During the fiscal year, the Commission re-described 8 positions and recruited and filled 23 vacant positions. The Commission successfully completed Phase 2 of the expansion and renovation project and is entering the final phase, estimated to be completed mid-2018. 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 efficiency and effectiveness of Commission operations.

Commission Proceedings and Regulatory Issues

In Fiscal Year ("FY") 2017, the Commission regulated 1,759 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 859 decisions and orders in FY 2017. The Commission began FY 2017 with 191 open dockets that had been initiated in previous fiscal years. During the fiscal year, an additional 426 new dockets were opened (most of which were applications filed by entities regulated by the Commission), and 454 dockets were completed (closed). As of the end of FY 2017, 163 open dockets remained, to carry over to FY 2018.

The majority of the Commission's time and resources in FY 2017 were dedicated to the important and complex area of regulating Hawaii's electric utilities, as Hawaii transforms its energy sector.

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

- 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 critical dockets that will have significant implications for Hawaii's energy future.

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

The purpose of this proceeding was to determine a reasonable power supply plan for each of the HECO Companies[1] 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

[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.

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 had several 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 revised PSIPs by December 23, 2016. On July 14, 2017, by Order No. 34696, the Commission accepted the PSIPs laid out in the revised PSIP Update reports. The Commission also provided guidance regarding the implementation of the plan and future planning activities. The Commission acknowledged improvements over previous PSIP filings, and outlined several high-priority, near term actions deemed extremely critical to the success of the plan.

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 programs as stakeholder discussions continued. On October 3, 2016, by Order No. 33958, the Commission established a preliminary statement of issues for Phase II of the proceeding, which is a stakeholder process to develop a longer-term, competitive market structure for maximizing the benefits of DER in Hawaii. On May 3, 2017, by Decision and Order No. 34534, the Commission approved the Parties’ stipulations for proposed revisions to DER tariffs, instructed the Parties to collaborate on developing joint proposals for a smart export program and revisions to the Customer Self-Supply ("CSS") tariff, and directed the Parties to collaborate in four different Working Groups to discuss Phase II issues, including revisions to tariff terminology and interconnection standards during the technical track of this proceeding, advanced inverter functions, DER integration analyses, smart export programs, and issues specific to KIUC. From May 2017 through September 2017, Commission staff attended weekly stakeholder working group meetings. On October 20, 2017 by Decision and Order No. 34924, the Commission approved a new Smart Export Program and established a CGS+ Program to expand opportunities for customers to install rooftop solar and battery energy storage systems. Stakeholders will continue to discuss DER issues during the “Market Track” of the proceeding in FY 2018.

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

On June 8, 2015, Act 100 took effect, requiring electric utility companies to file a Community-Based Renewable Energy ("CBRE") tariff with the Commission. The impetus behind the establishment of a CBRE program is to make the benefits of renewable energy generation more accessible to a greater number of Hawaii residents. Complete applications for the utilities’ CBRE program and tariff were filed in November 2015. In the same month, the Commission suspended the utilities’ transmittals to fully review program details and explore alternative options. In June 2016, the Commission issued an order with a staff proposal, recommending guidelines for key elements in the CBRE program and tariffs. Stakeholders were afforded the opportunity to provide comments on the staff proposal. After reviewing party comments and conducting an informal technical conference with stakeholders, the Commission filed an order in February 2017, in which it granted, in part, KIUC’s motion for reconsideration, and issued a draft CBRE program framework and model tariff language. Formal technical conferences were held with stakeholders in June 2017 to address certain elements and themes of the proposed framework. In August 2017, in response to a KIUC motion filed in May 2017, the Commission issued an order, scheduling a hearing on KIUC’s subsequent motion for exemption regarding the application of the proposed CBRE Program to KIUC. On December 22, 2017, the Commission approved the CBRE Framework and directed the Utilities to file CBRE tariffs.

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

Fundamental changes in electricity markets have dramatically affected the operation of electric grids, which, in turn, provide opportunities for additional fast, flexible, and continuously responsive resources to help optimize the system. 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 and assigned a Special Advisor to guide, monitor, and review HECO’s 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 began demonstration phase projects in December 2016. On February 10, 2017, the HECO Companies filed a Revised DR Portfolio with the goal of implementing a suite of programs to provide cost-effective energy dispatch options for each island's system operations. Following the HECO Companies Revised DR Portfolio, intervenors reviewed the new proposal and filed Statements of Position on April 21, 2017 offering perspective on the Revised DR Portfolio. The HECO Companies filed their Reply Statement of Position on May 5, 2017. The Commission continues to review the HECO Companies' Revised DR Portfolio Application alongside other related DER proceedings and intends to provide further guidance as the HECO Companies implement the new programs.

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

The Commission is examining alternative regulatory approaches to help achieve the State's energy goals. Decoupling mechanisms separate a utility's revenues from its sales, providing revenue stability for the utility during the transition to renewable energy. 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 where utility costs are simply passed through to customers without appropriate regulatory scrutiny to ensure customer benefits. The Commission has ordered modifications to the decoupling mechanism and continues to investigate whether the decoupling mechanisms are serving their intended purposes. On April 27, 2017, the Commission issued Order No. 34514, directing the HECO Companies to submit draft tariffs to implement specific performance incentive mechanisms (PIMs). Three of the proposed PIMs were approved, related to customer service and system reliability. Through the order, the Commission also established guidelines for interim recovery of revenues for major projects placed in service between general rate cases, formally titled the "Major Project Interim Recovery" (MPIR) Adjustment Mechanism.

Water and Wastewater Utilities

The Commission currently regulates 38 privately-owned water service utilities that provide water services and wastewater services. During FY 2017, the Commission approved rate increases for two utilities, opened two rate cases, and approved the sale of assets of one company.

Telecommunications

The Commission oversees 185 telecommunications providers. In FY 2017, the Commission certificated 19 new telecommunications companies and approved the voluntary surrender of 6 telecommunication companies' certificates.

Water Carriers

During FY 2017, the Commission approved the rate case filed by Young Brothers and approved a request to voluntarily surrender a certificate of public convenience and necessity (CPCN) requested by Sea Link of Hawaii.

Motor Carriers

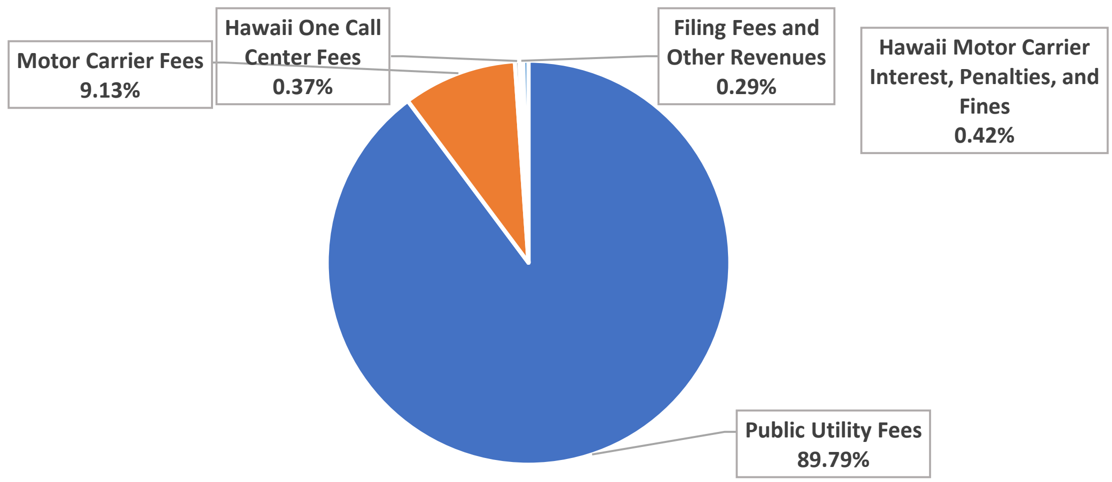
The Commission regulates 1,528 motor carriers, which includes 992 passenger carriers and 536 property carriers. During FY 2017, 128 new certificates or permits were issued to 96 passenger carriers and 32 property carriers.

Enforcement Activities

There were 2 formal complaints and 106 written informal complaints against regulated utilities processed in FY 2017. The Commission issued 18 civil citations assessing civil penalties totaling $43,400. 37 motor carrier certificates were also revoked.

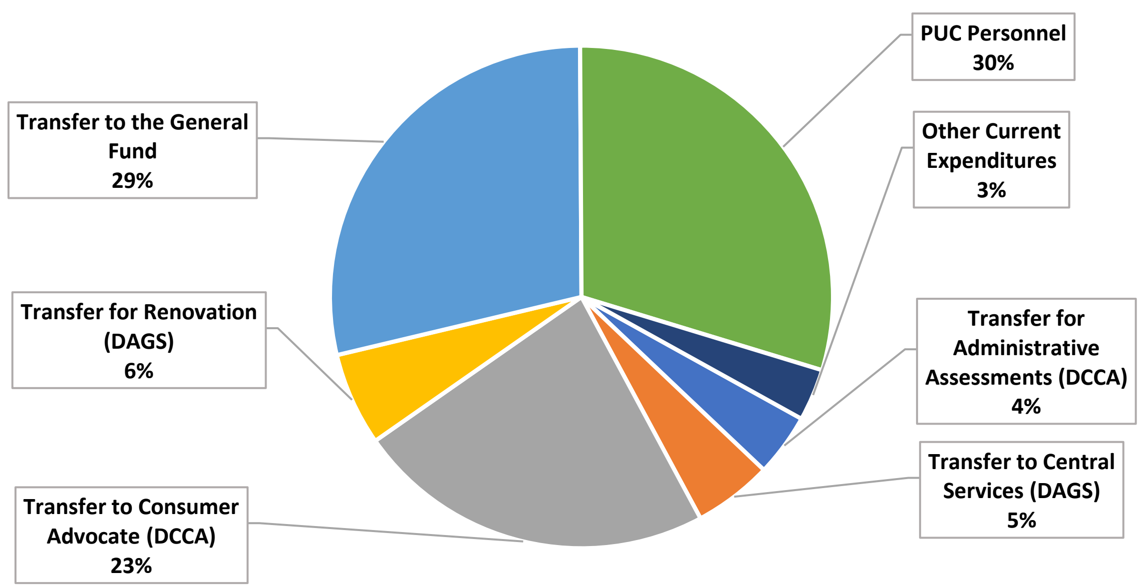
Commission Funding

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 2017, total Special Fund revenues were $19,148,380. The majority, 90%, came from public utility fees; 9% came from motor carrier fees; and approximately 1% came from motor carrier interest, penalties, and fines,One Call Center fees and fines, and other sources.



In FY 2017, the Commission's direct expenditures totaled $6,227,943 and accounted for 33% of total expenditures and transfers from the Commission's Special Fund.

During the fiscal year, the remaining 67% of expenditures consisted of transfers to other State agencies or the General Fund, including 29% was transferred to the General Fund, 23% was transferred to the Division on Consumer Advocacy, 6% funded the Office Space and Renovation Project, 5% was transferred to Department of Accounting and General Services for Central Services, and 4% was transferred to Department of Commerce and Consumer Affairs for Administrative Support Services.



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Introduction

The Public Utilities Commission of the State of Hawaii submits this Annual Report pursuant to §269-5, Hawaii Revised Statutes ("HRS"). This report summarizes the activities and operations of the Commission and the public utilities it regulates during the 2017 Fiscal Year ("FY"), which runs from July 1, 2016 to June 30, 2017. Where possible, this report reflects the most current information. Regulated utilities' reports, financial, and budget information reflect information from the 2017 fiscal year.

The Commission regulates 1,759 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 the requirements of Chapter 269 HRS and other 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[2]	Hone Heke	992 Passenger Services	536 Property Carriers	Hawaiian Telcom	185 Wireless and Wireline Companies	38 Private Water and Sewer Companies

The Commission has offices on four islands.

OAHU: Public Utilities Commission
465 South King Street, #103
Honolulu, HI 96813
Phone: (808) 586-2020
Fax: (808) 586-2066

KAUAI: PUC Kauai District Office
3060 Eiwa Street, #302-C
Lihue, HI 96766-1310
Phone: (808) 274-3232
Fax: (808) 274-3233

MAUI: PUC Maui District Office
2200 Main Street, #540
Wailuku, HI 96793
Phone: (808) 984-8182
Fax: (808) 984-8188

HAWAII: PUC Hawaii District Office
688 Kinoole Street, #106-A
Hilo, HI 96720
Phone: (808) 974-4533
Fax: (808) 974-4534

Website: http://puc.hawaii.gov/

Email: puc@hawaii.gov

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[2] The Commission approved Sea Link's request to voluntarily surrender their CPCN in Order No. 33977 issued on October 17, 2016.

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 2017 were:

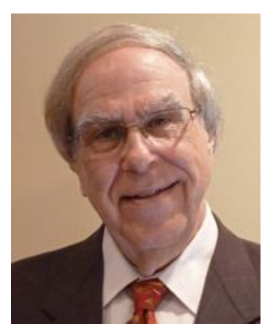
Randall Y. Iwase, Chair

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.

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.

Thomas C. Gorak, Commissioner – July 1, 2016 to May 4, 2017



Thomas C. Gorak was appointed to the Hawaii Public Utilities Commission on an interim basis, beginning on July 1, 2016. Commissioner Gorak has practiced law since 1977, specializing in public utility regulation at both the federal and state levels for the past 37 years. From September 2013 through June 2016, Commissioner Gorak worked closely with the Commission as its chief counsel, serving as the chief legal and regulatory advisor. Commissioner Gorak previously worked as a staff attorney with the Maryland People's Counsel, where he was co-counsel in two major federal court cases which led to the restructuring of federal regulation of the natural gas industry, and later and as a private attorney in Washington, D.C., representing a broad spectrum of clients in public utility matters. After moving to Hawaii in 2003, Commissioner Gorak continued to represent clients in public utility matters, both on the mainland and before the Hawaii Public Utilities Commission.

Over the years, Commissioner Gorak has gained national recognition for his expertise in matters concerning the regulated utility industry. For seventeen years, Commissioner Gorak served as an instructor at regulatory courses for the National Association of Regulatory Utility Commissioners. He has also published a number of articles concerning utility restructuring issues. Commissioner Gorak holds a Juris Doctor from the University of Maryland School of Law, and a Bachelor of Science degree in finance and general business from the University of Maryland. He is admitted to the bars of Hawaii, Maryland, and the District of Columbia, as well as a number of federal bars.

James P. Griffin, Commissioner

James P. Griffin was appointed to the Public Utilities Commission by Governor Ige in May 2017. Commissioner Griffin was previously a faculty member at the Hawaii Natural Energy Institute (HNEI), an independent research institute within the University of Hawaii that conducts clean energy research and development activities. At HNEI, Dr. Griffin worked on research and demonstration projects related to grid integration of renewable energy sources, energy storage, and emerging distributed energy resource technologies. From 2012 to 2016, he served as the Commission's Chief of Policy and Research. Commissioner Griffin has also worked as a policy analyst at the RAND Corporation and as a legislative analyst in the Hawaii State Legislature. Commissioner Griffin holds a Ph.D. in policy analysis from the Pardee RAND Graduate School, an M.A. in economics from the University of California at Santa Barbara, a joint master's degree from Duke University in Environmental Management and Public Policy, and a B.A. in Political Economy from Williams College. He recently participated as a core advisory team member for the U.S. Department of Energy's (DOE) DSPx Initiative, and previously served on peer review panels for DOE smart grid and microgrid programs. He was also a member of the Hawaii Clean Energy Initiative Electricity Working Group and a mentor for the Hawaii Renewable Energy Development Venture Energy Excelerator program.

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;
- 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

The Commission is not requesting any Legislative or Executive consideration for FY 2018, other than requests to continue to fund and support the Commission's activities pursuant to State law.

Administrative Update

During the Fiscal Year, the Commission re-described 8 positions and recruited and filled 23 vacant positions. The Commission successfully completed Phase 2 of the expansion and renovation project and is entering the final phase, estimated to be completed mid FY 2018. 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.

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/. Non-docketed filings may also be viewed on DMS. Non-docketed filings in calendar year 2016 are under docket number 2016-0000 and those from calendar year 2017 are under docket number 2017-0000.

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

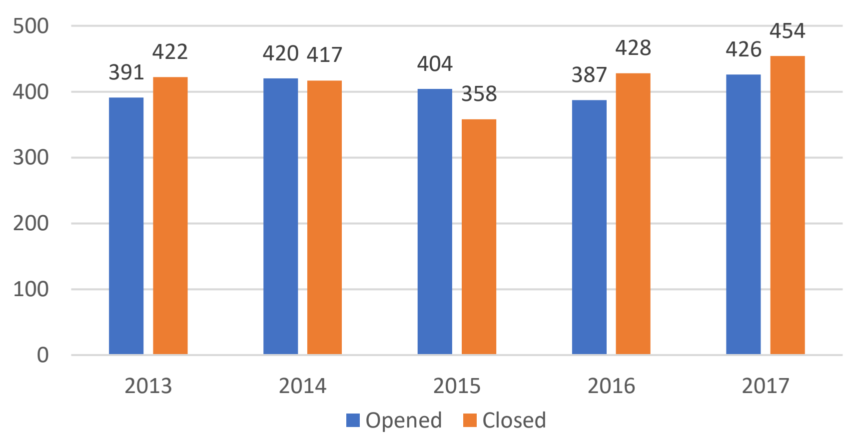
Docket Statistics

The Commission issued a total of 859 decisions and orders in FY 2017. At the beginning of FY 2017, there were 191 pending dockets that had been opened and carried over from previous fiscal years. During the fiscal year, an additional 426 new dockets were opened. Thus, during FY 2017, a total of 617 dockets were before the Commission for review and consideration. Of the 617 dockets, 454 were closed during FY 2017. As of June 30, 2017, 163 open dockets remained pending and will carry over to FY 2018. The number of dockets by type and status are shown in Table 1.

Table 1 - Public Utilities Commission Dockets

Sector	Carried over from FY 2016	Opened in FY 2017	Total of FY16 Carried Over + FY17 Opened	Closed in FY 2017	To Carry Forward to FY 2018
Electric	60	25	85	37	48
Gas	1	3	4	2	2
Telecommunication	22	59	81	61	20
Water/Sewer	5	7	12	7	5
Motor Carrier - Passenger	77	237	314	257	57
Motor Carrier - Property	21	81	102	84	18
Water Carrier	3	3	6	2	4
One Call Center	2	9	11	2	9
Other	0	2	2	2	0
TOTAL	**191**	**426**	**617**	**454**	**163**

Figure 2- Dockets Opened and Closed, Fiscal Years 2013-2017



Electric Utilities and Energy Proceedings

The Commission regulates four electric utilities 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: Priority Dockets, Generation Resource Acquisition, Capital Expenditures, Ratemaking and Tariffs, Financing, Fuel Contracts, Petitions and Complaints, and Miscellaneous.

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' Power Supply Improvement Plans
Docket No. 2014-0183, Status: Closed

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, including costs and rate impacts, utility-scale renewable energy, integration of distributed resources, system security requirements and ancillary services, interisland transmission, and customer risks.

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. After review and comment by stakeholders, 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.

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 to describe 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 was December 23, 2016.

On July 14, 2017, by Order No. 34696, the Commission accepted the PSIPs laid out in the revised reports submitted in December of 2016. The Commission prefaced the acceptance of the PSIPs Update Report by providing guidance regarding the actual implementation of the plan and future planning activities. The Commission acknowledged improvements over previous PSIP filings.

The Commission views several parts of revised plan as "high priority near-term actions." The procurement of approximately 400 MW of new renewable resources across all services territories as an integral part of the plan, in which action should be taken quickly. The Commission would like to see the HECO Companies take advantage of available incentives, such as the federal investment tax credit (ITC), before the credit expires, while still maintaining an appropriate level of transparency, expediency, and success through the procurement and implementation process.

The Commission instructed the HECO Companies to begin preparations for the next round of planning, including an integrated resource, transmission, and distribution planning process. The HECO Companies will file their proposed process and timeline by March 1, 2018.

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 to ensure 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.

The Commission instituted this ongoing proceeding to investigate the technical, economic, and policy issues associated with distributed energy resources as they pertain to the electric operations of HECO, HELCO, MECO, and KIUC. Phase 1 of this proceeding led to the development of interim options for customers to invest in new forms of DER, including the grid-supply, self-supply, and time-of-use tariff options. Phase 2 of this proceeding will continue a stakeholder process to develop a longer-term, competitive market structure for maximizing the benefits of DER in Hawaii.

On July 11, 2016, by Order No. 33791, the Commission approved, subject to 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. The issues to be addressed in Phase 2 of the DER proceeding include: 1) Further review of Hosting Capacity Analysis; 2) Further Revisions to Applicable Interconnection Standards; 3) Improvements to existing DER tariffs, including NEM, CSS, CGS, TOU, and electric vehicle tariffs; 4) and Successor tariff(s) for CGS, CSS, and the Interim TOU Program.

On October 4, 2016, by Order No. 33959, the Commission transferred Docket No. 2015-0410 (The HECO Companies' Application for Approval to Establish New Time-of-Use Rate Schedules for the State of Hawaii, Department of Education) to Docket No. 2014-0192. Consolidation of these dockets was necessary because the HECO Companies' proposed Schedules DOE-J and DOE-P (Docket No. 2015-0410) involves the review and consideration of the same or similar issues, facts, and DER policies that are being considered in the DER Policy Investigatory Docket.

On October 17, 2016, by Order No. 33976, the Commission clarified Order No. 33923 regarding the scope of an electric vehicle owner's participation in the interim time-of-use ("TOU") program. On its own motion, the Commission clarified that electric vehicle owners can still sign up for a "TOU EV only" rate schedule under the interim TOU program without having to simultaneously adopt the interim TOU program for their residential consumption. The commission also clarified that any residential electric vehicle owner may sign up for service under the interim TOU program.

On December 9, 2016, by Order No. 34205, the Commission determined that the HECO Companies shall transfer capacity associated with withdrawn NEM applications, if any, to the CGS tariff, and that any pending CGS tariff application, including those approved as a result of this transfer of capacity, shall continue to be governed by, and compensated under, the CGS tariff. This was a reasonable way in which to distribute available grid capacity, as the capacity associated with any withdrawn NEM systems should not result in additional incremental curtailment of other renewable energy projects.

On December 9, 2016, after receiving comments from stakeholders on the preliminary Phase II issues set forth in Order No. 33598 issued on October 3, 2016, the Commission issued Order No. 34206 establishing a statement of issues and procedural schedule for Phase 2. Consistent with Order Nos. 33958 and 34206, the Commission views Phase 2 as encompassing two parallel tracks for investigation: a "technical" track and a "market" track. Some "technical" track issues included: 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. Phase II will continue a stakeholder process to develop a longer-term, competitive market structure for maximizing the benefits of DER in Hawaii. Phase II builds 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.

From February to March 2017, Commission staff held technical conferences to provide guidance related to the Parties' efforts within Phase II and discuss hosting capacity analysis methodology revisions, advanced inverter functions, interconnection process improvements, issues pertaining to battery energy storage as it relates to customer self-supply, and other technical issues.

On May 3, 2017, by Decision and Order No. 34534, the Commission approved the Parties' stipulations for proposed revisions to DER tariffs, instructed the Parties to collaborate on developing joint proposals for a smart export program and revisions to the Customer Self-Supply ("CSS") tariff, and directed the Parties to collaborate in four different Working Groups to discuss Phase II issues, including revisions to tariff terminology and interconnection standards during the technical track of this proceeding, advanced inverter functions, DER integration analyses, smart export programs, and issues specific to KIUC. From May 2017 through September 2017, Commission staff attended weekly working group meetings.

On October 20, 2017, by Decision and Order No. 34924, the PUC approved two innovative programs (the Smart Export program and the CGS+ program) that will expand opportunities for customers to install rooftop solar and battery energy storage systems, while clarifying terms of existing programs to provide greater certainty for customers who have already invested in a rooftop photovoltaic (PV) system. The Market Track of the proceeding is expected to continue throughout 2018.

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

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"), 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").

Since the filing of both the DR Portfolio Application and the DRMS Application, the HECO Companies have provided the Commission with Annual Program Accomplishments and Surcharge Reports in accordance with Order No. 32660 in Docket 2007-0341.

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

In parallel with 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. 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, allowing the Companies to manage and control 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.

On December 7, 2016, the Consumer Advocate filed its Statement of Position providing its perspective on the DRMS Program Application. On December 21, 2017, the HECO Companies filed its Reply Statement of Position responding to the Consumer Advocate's concerns.

On October 18, 2017, the Commission approved the HECO Companies' DRMS Program Application and HECO's related requests for interim cost-recovery of the DRMS project costs until they are reflected in base rates.

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 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 examined 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, the Commission issued Order No. 33835 which identified observations and concerns that the Commission had with the interim filing.

On February 10, 2017, the HECO Companies filed a Revised DR Portfolio with the goal of implementing a suite of programs to provide cost-effective energy dispatch options for each island's system operations. The DR Application presents four system-level grid service tariffs and a selection of riders to allow customers to deliver the following programs:

a) Capacity programs that compensate customers for providing DR services to the grid through time-of-use ("TOU") rates, real-time pricing, critical peak incentives ("CPI"), and or day ahead load shifting ("DALS");
b) Fast Frequency Response ("FFR") programs that compensate customers on Oahu for providing a load-reducing response following a contingency scenario (e.g. a generation trip);
c) Regulating Reserve ("RR") programs that help the Companies to balance their electric grids by operating DR resources in response to automatic generation control signals from the Energy Management System; and
d) Replacement Reserve programs that compensate customers for providing load-reduction in place of the Companies starting a fast-start generator.

Following the HECO Companies Revised DR Portfolio, intervenors filed Statements of Position on April 21, 2017 offering perspective on the Revised DR Portfolio. The HECO Companies filed their Reply Statement of Position on May 5, 2017.

The Commission is reviewing the HECO Companies' Revised DR Portfolio Application and Demonstration Phase Monthly Status Reports alongside other related Demand Response proceedings and intends to provide further guidance as the HECO Companies implement the new programs.

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"). 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 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 ("Staff Proposal"). The 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.

On February 10, 2017, the Commission issued Order No. 34388, which granted, in part, KIUC's motion for reconsideration, and issued a program framework for CBRE for the State of Hawaii and model tariff language. The Commission invited pertinent parties to comment by no later than March 1, 2017.

On June 1, 2017 and June 2, 2017, the Commission held another technical conference to solicit feedback and aid in addressing the issues raised by parties in response to Order No. 34388.

On August 11, 2017, the Commission issued Order No. 34753, scheduling a non-evidentiary hearing for August 31, 2017 on KIUC's motion requesting exemption of the application of the proposed CBRE Program to KIUC.

On August 31, 2017, the Commission held a non-evidentiary hearing to address KIUC's motion. The Commission is currently reviewing KIUC's motion as well as the Parties' feedback on the draft CBRE program framework.

On December 22, 2017, the Commission approved the CBRE Framework and directed the Utilities to file CBRE tariffs.

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

The Commission instituted an investigation of whether the decoupling mechanisms, are serving their intended purposes. The HECO Companies' decoupling mechanism separates the utility's revenues from its sales. 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 the utility's integration of efficiency and renewable resources, while at the same time, avoiding a situation where 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.

On April 27, 2017, the Commission issued Order No. 34514, directing the HECO Companies to submit draft tariffs to implement specific performance incentive mechanisms (PIMs). Three of the proposed PIMs were approved. The Commission found that the implementation of a System Average Interruption Duration Index (SAIDI) PIM, System Average Interruption Frequency Index (SAIFI) PIM and a Call Center Performance PIM were reasonable and beneficial mechanisms. Through the order, the Commission also established guidelines for interim recovery of revenues for major projects placed in service between general rate cases, through the Major Project Interim Recovery ("MPIR") Adjustment Mechanism.

On August 11, 2017, in Order No. 34750, the Commission instructed the HECO Companies to file revised PIM tariffs for Commission approval. On December 1, 2017, Order No. 35075 provided amendments to the Performance Incentive Mechanism and Revenue Balancing Account Tariffs. New PIM tariffs are expected to be in effect in early 2018. Further issues concerning decoupling continue to be investigated by the Commission in this docket and related proceedings, including the utilities' respective general rate cases.

Generation Resource Acquisition

HECO Companies

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

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 January 4, 2017, by Order No. 34283, the Commission denied HECO's request to amend its PPA with AES Hawaii, Inc. without prejudice. The Commission determined HECO did not meet its burden of proving Amendment No. 3 was reasonable and in the public interest. The Commission did not find the amendment consistent with HRS§ 269-92, which requires an increasing percentage of electricity to be generated by renewable energy sources. The proposed PPA would have increased coal fired capacity by 9MW.

The Commission dismissed HECO's claims that the proposed pricing laid out in the amendment was reasonable for the added fossil fuel generation from the AES power plant. It was unclear whether the projected cost reductions suggested by the amendment were realistic due to uncertainty surrounding fuel cost forecasts. The proposed amendment could also carry ratepayer costs, such as the costs of taxes on fossil fuels and a proposed "reliability bonus" to be paid to AES.

Power Purchase Agreements for Utility Scale Solar Projects, Consolidation of "Waiver Projects"
(Docket No. 2014-0356, Status: Closed; Docket No. 2014-0357, Status: Closed;
Docket No. 2014-0359, Status: Closed; Docket No. 2017-0108, 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.

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)[3]	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

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 May 15, 2017, by Order No. 34545, the Commission consolidated HECO's letter requests for Commission approval of three amended and restated PPAs (Kawailoa Solar, LLC, Lanikuhana Solar, LLC, and Waipio PV, LLC (formerly known as Waiawa PV, LLC)) between HECO and NRG Renew LLC, the purchaser of the three projects, which were sold in the federal bankruptcy court after the termination of the original PPAs.

On July 27, 2017, the Commission approved the amended and restated PPAs, which will provide a combined total of 110 MW of cost-effective, renewable energy, increasing the Oahu renewable portfolio by 3%.

[3] Risk adjusted pricing, also known as RAP or "take or pay" pricing, is intended to mitigate a developer's financial risk associated with curtailment of energy production. .

HELCO's Application for Approval of PPA with Hu Honua
Docket No. 2017-0122, Status: Closed

On May 9, 2017, HELCO filed a Letter Request in Docket No. 2012-0212, seeking Commission review of 1) The Amended & Restated Power Purchase Agreement between Hu Honua and HELCO, 2) Hu Honua's request for preferential rates for purchase of renewable energy produced in conjunction with agricultural activities pursuant to HRS § 269-27.3; as well as a waiver of the Competitive Bidding Framework, and expedited review by July 3, 2017. Docket No. 2012-0212 served as the "Underlying Docket" in which the Commission had previously approved an agreement between Hu Honua and HELCO in Decision and Order No. 31758, filed on December 20, 2013. The Commission closed that Docket on September 8, 2016 due to HELCO's termination of the original PPA, a result of Hu Honua's delays in bringing the project online. The Commission issued Order No. 34554 which opened Docket No. 2017-0122 to review and adjudicate HELCO's letter request.

On July 28, 2017, by Decision and Order No. 34726, the Commission 1) approved HELCO's request for a waiver to the Framework for Competitive Bidding, 2) approved HELCO's Amended and Restated Power Purchase Agreement with Hu Honua. The Commission approved the Amended & Restated PPA, and therefore did not address Hu Honua's request for preferential rates for purchase of renewable energy produced in conjunction with agricultural activities.

HELCO's Application for Approval of Schedule Q PPA with Hawai'i Water Service, and to Include Costs in its ECAC (Energy Cost Adjustment Clause)
Docket No. 2017-0010, Status: Closed

On January 18, 2017, HELCO submitted an application with the Commission, seeking approval for its Schedule Q Purchased Power Contract with Hawai'i Water Service Co., Inc., and the inclusion of costs of purchased energy under this contract in it is Energy Cost Adjustment Clause (ECAC) pursuant to Section 6-60-6(2) of the Hawai'i Administrative Rules regarding Standards for Electric and Gas Utility Service in the State of Hawai'i and the Hawai'i Electric Light Schedule Q tariff. On October 2, 2017, the Commission issued Decision and Order No. 34851 approving HELCO's two requests.

KIUC

KIUC's Application for Approval of a PPA with AES Lawai Solar, LLC
Docket No. 2017-0018, Status: Closed

On January 25, 2017, KIUC submitted an application for the approval of a PPA with AES Lawai Solar, LLC for a contract price of $110.80 per MWh to be paid by KIUC pursuant to the PPA. Pursuant to the PPA, AES would construct a 28 MW direct current, 20 MW alternating current solar photovoltaic generating system, together with related auxiliary, controls, and interconnection facilities, coupled with a 100 MWh battery energy storage system ("BESS").

On July 28, 2017, the Commission issued Decision and Order No. 34723, approving KIUC's request, subject to certain conditions. The Commission cited the numerous benefits the PPA offers, including: 1) a fixed pricing regime that delinks energy pricing from the price of fossil fuels; 2) bill savings for KIUC's members/customers; and 3) significant savings over the term of the PPA.

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 "island" from the electric grid and 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.

On April 22, 2016, the Commission issued Order No. 33658, requesting HECO to file the final, executed lease agreement with the Army. On August 29, 2016, HECO submitted the "final and fully executed" lease in a letter to the Commission.

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 approval of the Companies' Enterprise Resource Planning ("ERP")/Enterprise Asset Management ("EAM") system implementation project; including the proposed commitment of funds estimated to be $2,590,000 for the hardware costs of the project; and the accounting and ratemaking treatment proposed to be applied to the project ("ERP/EAM Accounting Treatment"), which involved:

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

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. Through this order, the Commission mandated the HECO Companies to pass on a minimum of $244 million in savings over the twelve-year service life of the ERP/EAM System. On November 7, 2016, the companies filed their proposed methods for passing onto customers the monetary benefits attributable to the ERP/EAM System.

On August 9, 2017, the Commission issued Order No. 34740, asking HECO and the Consumer Advocate to file joint letters reporting on the status of their efforts in reaching agreement on the Companies' proposed pass-through methods.

On November 30, 2017, the Commission issued Order No. 35068, scheduling further briefing from HECO and the Consumer Advocate on concerns related to the Low-Level Benefits Analysis.

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

HEP is located in Honokaa on the island of Hawaii and has 60 MW of capacity. 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 requested approval for the following items: 1) overhaul costs for HEP generating unit combustion turbine 2 ("CT-2"); 2) a financing plan for 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, with the Chevron Products Company.

On May 4, 2017, by Order No. 34536, the Commission denied HELCO's request to purchase the HEP Power Plant due to the uncertainty of customer benefits and the additional risks that would have been transferred to HELCO from the proposed purchase.

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

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"). Given the size, complexity, and unique nature of the Project, on June 27, 2016 by Order No. 33774, the Commission suspended the Application to allow the Consumer Advocate and the Commission sufficient time to review and investigate the proposed Project.

On January 4, 2017, the Commission issued Order No. 34281, dismissing the application without prejudice, while also supplying guidance on developing a grid modernization strategy. The Commission discussed a number of concerns, including: the cost effectiveness of the project; the nexus between the protect and the primary issues currently facing the Companies' distribution grids; and the failure to address redundancy and obsolescence issues because of the increase in distributed energy resources ("DER") and possible technological advancements.

On March 9, 2017, the Commission issued Order No. 33436, granting, in part, HECO's motion for partial reconsideration and extended the timeline developing the Gird Modernization Strategy. The Commission ruled the requested extension of the planning process was warranted and reasonable. The Commission set a June 30, 2017 deadline for an initial draft of the Grid Modernization Strategy for stakeholder review and comment. HECO provided a final draft on August 29, 2017. The Commission is reviewing stakeholder comments on the final draft and expects to provide further guidance to HECO as the Companies implement their modernization plans.

MECO Fast Demand Response Pilot Program
Docket No. 2016-0232, Status: Closed

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 5 MW and approval to recover project costs. MECO submitted this application in response to the expected reserve capacity shortfall caused by the phasing out of Hawaii Commercial and Sugar's (HC&S) sugar operations and energy generation in December 2016.

On July 17, 2017, in Decision and Order No. 34697, the Commission approved the application. The Commission approved MECO's request to expand the Fast DR program to address the reserve capacity shortfalls. Additionally, the cost of the DR portfolio was less than the cost of buying new assets. The Commission also allowed MECO to recover those costs pertinent to the DR Program expansion through the demand-side management (DSM) component of the DSM Surcharge.

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

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 requested 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 requested to include certain costs to procure the associated ultra-low sulfur diesel and related taxes and fees in the Company's ECAC.

On March 9, 2017, the Commission approved MECO's request to suspend the docket to allow the company to further evaluate the risk of the reserve capacity shortfall. However, the Commission noted several concerns regarding MECO's projection, specifically the apparent and ongoing risk of inadequate reserve capacity for the calendar year of 2017.

HECO Application for Approval to Recover Costs for Schofield Generating Station Through the Major Project Interim Recovery Adjustment
Docket No. 2017-0213, Status: Open

On August 14, 2017, HECO filed an application requesting the Commission to approve cost recovery for authorized costs of the Schofield Generating Station ("SGS") project through the Major Project Interim Recovery Adjustment Mechanism ("MPIR Mechanism"). The plant is scheduled to commence service in April 2018. The Commission is reviewing the Company's request.

HELCO's Application for Approval to Commit Funds in Excess of $2,500,000 for Waiau Hydro Repowering Project
Docket No. 2016-0192, Status: Closed

On July 29, 2016, HELCO filed an application requesting that the Commission approve their commitment of funds in excess of $2,500,000 (excluding contributions), for Item H0002550, the Waiau Hydroelectric Repowering project, in accordance with the provisions of Paragraph 2.3(g)(2) of the Commission's General Order No. 7. The proposed Project will include 1) a repowering of a 105-year old 350 kW unit with a larger new turbine rated at 1.500kW, 2) the rehabilitation of Unit 1 by increasing its capacity from 750 kW to 800 kW, 3) the replacement of 300 feet of 38-inch riveted penstock with 45-inch wielded steel pile; and 4) minor modifications of the Waiau Plant powerhouse. Total nameplate capacity of the plant upon completion of the Project would be approximately 2,300 kW, with an estimated actual capacity of approximately 2,075 kW.

By Decision and Order No. 34868, the Commission approved, subject to certain conditions, HELCO's request to commit approximately $5,285,000 in funds for the Waiau Hydro Repowering Project.

HELCO's Application for Approval of Waiver from the Framework for Competitive Bidding and to Commit Funds in Excess of $2,500,00 (excluding Customer Contributions) for the Purchase and Installation for Item P0003966, West Loch PV Project
Docket No. 2016-0342, Status: Open

The West Loch PV Project involves HECO's development and operation of a 20 MW PV farm on property leased from the United States Navy in West Loch Annex are of O'ahu, which includes a 37-year land lease for approximately 102 acres. On October 3, 2016, HECO filed an application with the Commission requesting 1) approval of a waiver to the Competitive Bidding Framework pursuant to Section II.A.3 of the Framework, for the West Loch PV Project; 2) approval of a commitment of funds in excess of $2,500,000, in accordance with Section 2.3.g.2 of GO7 for Item Pooo3966, West Loch PV Project, which as an estimated cost of approximately $67,000,000; 3) approving the proposed accounting and ratemaking treatment for the Project including: a) depreciation of capital costs of the Project over a 25-year period, b) deferral of the lease rent expense during the period of constructions of the Project, and recovery of the deferred cost over a 25-year period, including the unamortized cost in rate base, and c) recovery of the revenue requirements through the REIP Surcharge; 4) determining that the 46 kV sub-transmission line be constructed above the surface of the ground, pursuant to Section 26-27.6(a) of Hawai'i Revised Statutes; and 5) approving the Lease to the extent it is deemed to be an evidence of indebtedness pursuant to HRS §269-17.

On June 30, 2017, by Decision and Order No. 34676, the Commission approved HECO's request for a waiver from the Competitive Bidding Framework, subject to 1) HECO providing a performance guarantee mechanism, to ensure the stated benefits of 9.56 cents per kWh (or lower) ELEP are provided to customers; and 2) requiring a shared cost savings incentive mechanism for the Project, in order to incentivize HECO to reduce the cost of the Project. Furthermore, the Commission approved HECO's request to commit funds in excess of $2,500,000, excluding contributions, in accordance with the provisions of General Order No. 7, subject to 1) no part of the Project being included in HECO's rate base unless and until the Project is complete and used and useful for public utility purposes, as determined in a rate case proceeding; 2) cost recovery for Project capital costs is capped at $62,400,00; 3) cost recovery for in-kind consideration services is capped at $4,739,000; 4) cost recovery for operations and maintenance expenses are capped at $476,000 annually (adjusted for 2% annual inflation), 5) except as may be allowed later in a shared cost savings mechanism, HECO may seek recovery only for the actual costs incurred for the capital costs of the Project, if lower than the $62,400,000 cap; and 6) except as may be allowed in a shared cost savings mechanism, HECO may seek recovery only for the actual costs incurred for the in-kind consideration services costs of the Project, if lower than the $4,739,000 million cap. Finally, the Commission ordered that 1) the proposed 46kV sub-transmission line may be constructed above the surface of the ground; and 2) the Consumer Advocate and HECO are to refile their applicable Statements of Position, with recalculated ELEP unredacted (within 10 days of the Order). HECO requested and was granted by the Commission via Order 34707, issued July 21, 2017, an extension of time to file the supplemental materials for its request to recover project costs through the MPIR, the Shared Cost Savings Incentive Mechanism, and the Performance Guarantee Incentive Mechanism. The Commission is currently reviewing HECO's proposal to use the MPIR for interim cost recovery.

Application for Approval to Commit Funds in Excess of $2,500,000 (Excluding Customer Contributions) For the P00003975 – AES – CEIP 2 138 KV Overhead Transmission Line Relocation Project
Docket No. 2016-0349, Status: Open

On December 30, 2016, HECO applied for approval to commit $3,007,232 for the P0003975 – AES – CEIP – 2 138 kV Overhead Transmission Line Relocation Project. They also requested for the Commission to determine that it was necessary for the transmission line to be constructed above the surface of the ground, pursuant to HRS 269-27.6. On March 7, 2017, the Commission approved the proposed procedural schedule and subsequently amended the schedule on June 20, 2017 in Order No. 34643.

Na Pua Makani Wind Project
Docket No. 2013-0423, Status: Closed

On December 31, 2014, in Decision and Order No. 32600, the Commission approved HECO's application to waive the CB Framework requirements for the 24 MW Na Pua Makani Wind Project and approved the PPA, subject to certain conditions, with Na Pua Makani Power Partners. The levelized price for the project is 14.998 cents per kWh.

Based on the Commission's review of the entire record, the Commission concluded that the project qualifies for a waiver under the CB Framework. The Commission also found that procuring renewable energy from this Project by way of a waiver would likely be more expeditious than procurement through the competitive bidding process.

As a wind farm, the Project would diversify HECO's portfolio of renewable energy sources and permit the utilization of more renewable energy for about the same price as recent solar projects. Because wind generation has fundamentally different electricity production characteristics than solar, the Project should increase the amount of variable renewable energy capacity that could be reliably and economically integrated into the grid. The Commission concluded that a waiver for this project would likely result in a lower cost supply of electricity to the utility's general body of ratepayers.

On February 2, 2017, a public hearing was held relating to HECO's request to construct an overhead 46 kilovolt ("kV") sub-transmission line originating from the Na Pua Makani Wind Project. On October 13, 2017, the Commission issued Decision and Order No. 34866, approving HECO's request.

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 any issuance of approval. Additionally, pursuant to HRS § 269-27.6, for any new 46 kilovolt or greater high-voltage electric transmission system, the Commission shall determine whether the electric transmission system shall be placed, constructed, erected, or built above or below the surface of the ground. The following table summarizes dockets relating to overhead and underground transmission lines during the fiscal year.

Table 3 – Overhead and Underground Power Line Dockets

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	Closed	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 approved the request on February 2, 2017.
2016-0416	Closed	HECO	On September 1, 2017, through Decision and Order No. 34788, the Commission approved HECO's request to relocate two sections of 46 kV sub-transmission cables that currently traverse the Ala Wai Canal and feed into HECO's Waikiki substation, above and below the surface of the ground. The Commission also approved the request to commit approximately $13.9 million for the proposed relocation.
2016-0439	Open	HECO	On December 30, 2016, HECO submitted their application for Commission approval to commit funds in exces of $2,500,000 for the relocation of approximately 4,500 feet of the AES-CEIP 2 138kV transmission line, resulting from easement terms with Kapolei Properties and Aina Nui Corporation. The Commission is currently reviewing the application.
2017-0008	Closed	HECO	On August 21, 2017, the Commission issued Decision and Order No. 34762, approving HECO's request to construct two 46 kV subtransmission lines above and below the surface of the ground for the (1) installation of the Fort Shafter Mauka Substation, and (2) installation of the Fort Shafter Line Extensions.

KIUC

KIUC's Application for Approval Under Section 2.3.g.2 of General Order No. 7 of the Commitment and Expenditure of Funds in Excess of $2,500,000 for the Aepo Substation

Docket No. 2017-0098, Status: Closed

On April 26, 2017, KIUC applied for approval to commit and expend approximately $6.713 million (including a 10% contingency) for the construction of the Aepo Substation and connecting it to the existing system. AES Lawai Solar, LLC has agreed to commit up to $500,000 for the project, bringing the cost incurred by KIUC down to $6.213 million. The project will include a sectionalized 57 kV bus arrangement with five dedicated transmission bays, including a 57 kV interconnection bay for the AES Lawai solar and battery system, as well as other equipment for transmission, distribution, protection, control, communication, and metering. If approved, the project is expected to be in service by August 31, 2018.

On September 13, 2017, the Commission issued Decision and Order No. 34816, approving KIUC's request, subject to certain conditions. The Commission found that the project was reasonable and in the public interest for several reasons, including, but not limited to the following: 1) the need for the substation to serve the increase in electrical loads in Poipu area, due to commercial and other developments; 2) the ability for the substation to interconnect the AES Lawai solar and battery system to the current system; and 3) the substation will provide various system and reliability benefits for KIUC's operations.

Ratemaking and Tariffs

Rate Cases

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.

On August 21, 2017, the Commission issued an interim decision and order through Order No. 34766, approving rate relief of approximately 3.42% over current effective rates, or $9,940,000 in additional revenues for the 2016 Test Year. The proposed implementation of the incremental 2017 RAM Revenue adjustment of $3,242,187 was also approved. The approved increase will raise the typical Hawaii Island monthly residential bill for 500 kWh by $4.98. The increase came after a settlement between HELCO and the Hawaii Division of Consumer Advocacy, where both parties agreed to reduce the revenue increase request from 6.5% to 3.42%.

The Commission will issue a final decision and order after completing its review of HELCO's requests.

HECO Rate Case for the 2017 Test Year
Docket No. 2016-0328, Status: Open

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. HECO filed its rate increase application for the 2017 Test Year on December 16, 2016. A public hearing on HECO's application was held on February 22, 2017 in Honolulu. The Commission expects to provide an interim decision by December 15, 2017.

MECO Rate Case for the 2018 Test Year
Docket No. 2017-0150, Status: Open

On June 9, 2017, MECO filed a notice of intent to file an application for a general rate increase no later than December 30, 2017. MECO filed its rate increase application on October 12, 2017. The Commission is reviewing MECO's request.

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 to review the HECO Companies' proposal. On June 2, 2017, the Commission issued Decision and Order No. 34592, approving a five-year extension of the pilot program, subject to several conditions. The Commission will also allow the Companies to request an additional five-year extension before the approved extension ends.

In Decision and Order No. 34592, the Commission instructed the Companies to file proposed revised tariff sheets, which the Companies filed on September 5, 2017. On October 13, 2017, the Commission approved the Companies' proposed revised tariff sheets. The revised tariffs were put into effect on December 12, 2017.

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.

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.

Financing

HECO Companies

Application for Approval to Recover Implementation Costs Related to the On-Bill Financing Program
Docket No. 2017-0102, Status: Open

On April 28, 2017, the HECO Companies filed an application to receive approval on recovering costs related to the implementation of the On-Bill Financing Program. On August 10, 2017, the Commission issued Order No. 34742, approving the parties' proposed procedural schedule. The application is currently being reviewed by the Commission.

Application of the HECO Companies for Approval of the Issuance and Purchase of Common Stock
Docket 2017-0074, Status: Closed

On October 31, 2017, the Commission issued Decision and Order No. 34968, approving the HECO Companies request to issue and sell common stock, subject to certain reporting requirements.

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.

Application for Approval to Refinance Outstanding Series of Revenue Bonds Through the Issuance of Unsecured Obligations and/or Refunding Special Purpose Revenue Bonds and Related Notes and Guarantees, and etc.
Docket No. 2016-0373, Status: Closed

On April 28, 2017, the Commission approved the HECO Companies request to refinance, within the parameters proposed by the Companies in Section V.I. of their application, three series of outstanding tax-exempt special purpose revenue bonds, in the principal amounts of up to $252 million for HECO, up to $88 million for HELCO, and up to $75 million for MECO, through the issuance of taxable debt and/or the Companies' participation in one or more sales of tax-exempt debt for the Companies' benefit, and the use of the proceeds of such issuances to redeem (in whole or in part) one or more series of such bonds. The approval is limited to the 2017 period.

Fuel Contracts

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 Ratemaking Proceedings

HECO Companies

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

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.

On February 2, 2017, in Decision and Order No. 34394, the Commission ruled to not allow HELCO to record certain non-labor and labor costs incurred in connection with lava flow as a deferred debit. First, the Commission declared that deferrals must not be a routine part of a business model for HELCO or any other utility. Furthermore, the Commission reviewed the request for relief with a two-pronged test for determining whether deferral accounting is appropriate. The cost must be (1) beyond the utility's control; and (2) of such magnitude to impact the revenue requirement as to warrant relief. The incurred lava flow costs did not meet the second requirement regarding magnitude because the HELCO failed to provide an estimate for future lava flow costs and the Commission could only review the costs incurred thus far. The lava flow costs would increase the total net revenue requirement by no more than 0.15% and the Commission did not view this increase as significant enough to warrant deferral accounting.

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 (see Docket No. 2014-0183, pg. 4, for more information regarding the PSIPs). The time period for the costs involved is 2016 forward. The HECO Companies' maintain that over $3.5 million has been incurred from January 2016 through May 2016. The Companies state that they expect to incur slightly over $2 million in additional costs in 2016 to further update and supplement the PSIPs, and additional costs may be incurred in 2017. 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.

On June 23, 2017, the CA issued their SOP. The CA opposed the HECO Companies' request to defer the consultant costs. They argued that single-issue and retroactive ratemaking negated the purpose of rate proceedings and that deferral accounting should only be used in cases where costs are not only beyond the control of the utility, but of a sufficient magnitude to justify relief. The Commission is reviewing the application.

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 requests. By Decision and Order No. 34144, the Commission denied KIUC's request, determining that KIUC did not establish a compelling need for the proposed mechanism, which went far beyond a typical decoupling proposal. In addition, the proposed mechanism would not provide sufficient safeguards and incentives for cost control, and customer benefits could be obtained through simpler means.

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 filed a petition 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 contained both a petition for a declaratory order and a formal complaint. 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 ordered HELCO to file an answer to the Complaint within 20 days of the Order. On May 31, 2016, HELCO filed a motion to dismiss the complaint. On June 7, 2016, the CA issued a response in support of the motion to dismiss the complaint filed by HELCO and on December 15, 2016, the Commission issued Order No. 34211, granting HELCO's motion to dismiss the complaint. The Commission found that Hu'ena is bound by the terms of the Geothermal RFP, including the dispute resolution process set in the Competitive Bidding (CB) framework.

Peter Bosted and Ann Bosted, Complainants vs. HECO and HELCO, Respondents
Docket No. 2016-0224, Status: Open

On August 29, 2016, Peter and Ann Bosted filed a complaint against HECO and HELCO for not holding developers of a 6.5 MW solar project in Ocean View in compliance with the FIT program.

The complainants believe that FIT permits should not have been issued for the project, stating the high probability the energy being produced by the project will be curtailed due to the large surplus of daytime power on Hawai'i Island.

On July, 25, 2017, the Commission issued Order No. 34708, where it adopted a modified procedural schedule as requested by the parties for the review of the complaint and on September 15, 2017, the complainants were granted an extension of time for the submission of "Other Parties' Direct Testimony," "Complainants' Rebuttal Testimony," and the "Witness and Exhibit Lists." The complaint is currently being reviewed by the Commission.

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.

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.

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

Hawaiian Electric Companies' Application for Approval of Changes in Depreciation and Amortization Rates and CIAC Amortization Period
Docket No. 2016-0431, Status: Open

On December 22, 2016, Hawaiian Electric Companies filed an application, seeking approval for changes in their depreciation and amortization rates, and amortization period for Contributions in Aid of Construction. The Companies presented a study conducted by Gannett Fleming, Inc., which proposed consolidated rates and a (shorter) consolidated amortization period of 50 years. The Consumer Advocate indicated in their April 6, 2017 filing, that due to the highly technical nature of the requests, that they retained the services of consultant, who will assist them in their review process of this application. The Commission is currently reviewing the application.

MECO's Application for Approval to Defer O&M Expenses, and to Recover Deferred and Capital Costs for the Ma'alaea M14 HRSG and M16 HRSG Low Load Modification Projects through the Renewable Energy Infrastructure Program Surcharge
Docket No. 2016-0345, Status: Open

On October 3, 2016, MECO applied to defer approximately $2,536,176 of O&M expense for the Ma'alaea M14 HRSG and M16 HRSG Low Load Modification Projects. On December 28, 2016, the Commission approved the proposed procedural schedule and on May 9, 2017, granted the CA an enlargement of time to submit their statement of position.

Application for Approval of a Master Agreement for Licensing of Poles Between Maui Electric and Crown Castle NG West
Docket No. 2016-0325, Status: Closed

On June 26, 2017, the Commission issued Decision and Order No. 34662, approving a master agreement for licensing of poles between Maui Electric and Crown Castle NG West LLC. The agreement allows Crown Castle to install its communications equipment on MECO's distribution poles solely for telecommunications services by Crown Castle.

Application for Approval to Recover Costs for Items X00003, Ka'ono'ulu Substation, Transformers #1 and #2, Transmission and Distribution 69 KV and 12.47 KV Circuits, Telecommunication and Land Acquisition, and X00004, etc.
Docket No. 2016-0219, Status: Open

On August 25, 2016, MECO requested approval to recover through the Rate Adjustment Mechanism ("RAM"), above the 2017 RAM Cap, revenue requirements associated with net plant additions for two substation projects (Ka'ono'ulu and Kuihelani Substations) expected to be completed in 2017. The application is pending Commission review.

Application for Approval of Issuance of Unsecured Obligations and Guarantee
Docket No. 2016-0202, Status: Closed

On January 26, 2017, the Commission issued Decision and Order No. 34349, where they granted approval of the HECO Companies' application, but limit the maximum interest rate that may be affixed to the issued unsecured obligations to 5.75%, exclusive of the Default Rate of Interest[4].

Instituting a proceeding related to the Hawaiian Electric Companies' Grid Modernization Strategy
Docket No. 2017-0226, Status: Open

On August 29, 2017, the Commission issued Order No. 34773, opening a docket regarding the HECO Companies' Grid Modernization Strategy. The Commission solicited comments from interested stakeholders on the HECO Companies' filing. The Commission is reviewing the stakeholder comments and intends to provide additional guidance to the HECO Companies in advance of applications for capital expenditures to implement the Grid Modernization Strategy.

KIUC

Application for Waiver or Exemption with Respect to RUS Loan, pursuant to HRS, Section 269-31(b)
Docket No. 2016-0394, Status: Closed

On February 13, 2017, through Decision and Order No. 34390, the Commission approved KIUC's requested waiver from any requirement that mandates them to receive Commission approval to enter into and effectuate its loan with the United States Department of Agriculture's Rural Utilities Service ("RUS") in the principal amount $60,712,000.

KIUC's Application for Approval of Fourth Amendment to Existing Fuel Supply Agreement and Related Matters
Docket No. 2016-0175, Status: Closed

On July 12, 2016, KIUC filed an application for the approval of the Fourth Amendment to the Fuel Supply Agreement, as well as allow KIUC to include the payments to be incurred by KIUC under the Existing Fuel Supply Agreement, as amended by the Fourth Amendment in KIUC's Energy Rate Adjustment Clause ("ERAC").

On December 2, 2016, the Commission issued Decision and Order No. 34162, approving KIUC's requests, subject to certain conditions.

[4] The Default Rate is an additional rate of interest that is applied to overdue interest on the Obligations, or overdue principals or premiums on the Obligations that occur during the continuance of an event of default.

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 2017.

Application for Approval to Commit Funds in Excess of $500,00 for the Purchase and Installation of Certain Biogas Equipment and Pipeline Extensions, and for Approval of the Fuel Purchase Agreement with the City and County of Honolulu, etc.
Docket No. 2016-0340, Status: Closed

On September 30, 2016, TGC filed an application requesting that the Commission: 1) approve, pursuant to paragraph 2.3.f of General Order No. 9, Standards for Gas Service Calorimetry, Holders & Vessels in the State of Hawaii, the commitment of expenditures to: a) purchase and install certain biogas purification equipment, and b) construct approximately one mile of new pipeline to connect the purification system to the existing synthetic natural gas utility pipeline distribution system; and 2) approve the fuel supply agreement between Hawaii Gas and City and County of Honolulu; 3) authorize Hawaii Gas, pursuant to HAR § 6-60-6(2), to include the costs to be incurred under the Fuel Supply Agreement for recovery in Hawaii Gas' Fuel Adjustment Clause, including production costs associated with purifying the biogas to utility quality specifications; and 4) grant other relief as deemed reasonable to allow Hawaii Gas to purchase and purify raw biogas from the City so that it can be converted to nearly 100% methane or renewable natural gas for injection into the utility pipeline distribution system. On September 12, 2017, the Commission issued Decision and Order No. 34811, which approved the application subject to certain conditions.

Application for Approval of Petroleum Feedstock Agreement with Par Hawaii Refining, LLC, and to Include Costs in the Fuel Adjustment Clause of The Gas Company, LLC dba Hawaii Gas
Docket No. 2016-0341, Status: Closed

On September 30, 2016, TGC filed an application requesting that the Commission approve the 2016 Feedstock Agreement with Par Hawaii Refining, and the inclusion of the payments to be incurred by Hawaii Gas pursuant to said agreement in Hawaii Gas' Fuel Adjustment Clause ("FAC"). On January 13, 2017, the Commission filed Interim Decision and Order No. 34342, which approved on an interim basis: 1) the 2016 Feedstock Agreement, and 2) Hawaii Gas' request to include the payments in the Hawaii Gas' FAC. The interim approvals are subject to the following conditions: A) the Consumer Advocate retains its statutory right to undertake and complete its review of Hawaii Gas' Application, and B) the Commission has the discretion to ultimately decide not to approve Hawaii Gas' Application, in the Commission's future final decision. On September 7, 2017, the Commission issued Decision and Order No. 34793, which approved the application subject to certain conditions.

Application for Approval of Rate Increases and Revised Rate Schedules and Rules
Docket No. 2017-0105, Status: Open

On May 4, 2017, TGC filed a Notice of Intent to file a general rate increase application. On August 1, 2017, TGC submitted their application to the Commission seeking approval to increase its existing gas utility rates and to revise certain rate schedules and rules. TGC has asked the Commission to 1) hold the required public hearings and evidentiary hearing on the Application, 2) establish a procedural schedule to allow an interim decision and order relief within 10 months and a final decision and order approving the final revenue requirement for the 2018 Test Year as soon as practicable, 3) approve the requested increase of $14.962 million over revenues at current effective rates for normalized 2018 Test Year, 4) approve an interim increase, pursuant to HRS $ 269-16(d), 5) approve a final increase based on revenue requirement of $14.962 million, 6) approve a fair rate of return on rate base of 7.51%, 7) approve Hawaii Gas' revised rate schedules and rules, 8) approve Hawaii Gas' request that its net cost of $2,643,781 for the Bio-Syn Pilot Project be amortized over three years with a carrying charge equal to Hawaii Gas' cost of debt as an expense item in this rate case, 9) approve Hawaii Gas' request to include in its FAC its electricity costs in processing SNG and LPG transportation costs, and 10) include in Hawaii Gas' rate base the capital improvement projects described in Docket Nos. 2012-0389, 2013-0061, 2013-0076, and 2013-0184. The Commission is continuing its review of this application.

Water and Wastewater Proceedings

The Commission regulates 38 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 2017, 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 2017, 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: Closed

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. On December 9, 2016. HWSC submitted its application for approval of a net revenue increase of $1,275,598 for its operations, an increase of approximately 113.5% over its pro forma revenue amount of $1,123,833 at present rates, for the 2017 Test Year. If approved, HWSC alleges that the requested increase would provide HWSC the opportunity to earn a 7.75% rate of return. This division of the company provides wastewater collection and treatment services to approximately 880 residential and commercial customers, located on the lower slopes of Haleakala.

On March 16, 2017, the Commission held a public hearing at the Pukalani Elementary School to allow parties and ratepayers to testify. On September 15, 2017, the Commission issued a Proposed Decision and Order No. 34822, which found that 1) HWSC's Test Year revenues, expenses, and average depreciated rate base balance are reasonable, 2) the stipulated rate of return at 7.75% is fair, and 3) HWSC is entitled to an increase of $770,684 or approximately

67.36% over revenues at present rates, based on Test Year revenue requirement of $1,914,844 and a rate of return of 7.75%.

On October 18, 2017, the Commission found that, with the exception of amendments included in Order 34825 (results of operations schedules), HWSC was approved for a rate increase, as described in Proposed Decision and Order No. 34822.

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

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. On March 20, 2017, the Commission approved the stipulated increase of $737,258 (approximately 63.74% increase over revenues at present rates) and adopted a four-step, eighteen-month phase-in of LWC's water utility rates.

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

On May 31, 2017, Kaupulehu Water Company ("KWC") submitted in their entirety, application materials for approval of a net revenue increase of $273,571.99, which amounts to an increase of 6.15% from the pro forma revenue amount of $4,446,623 at present rates for the Test Year. If approved, the proposed revenue increase will provide KWC with a 5.0924% rate of return. On August 17, 2017, the Commission held a public hearing at West Hawaii Civic Center to allow parties and ratepayers to testify. The application also requested to transfer certain facilities from Hualalai Investors ("HILLC") to KWC. The Commission decided to bifurcate the request to transfer facilities from the rest of the rate increase requests on June 14, 2017 in Order No. 34620. On September 19, 2017, the Consumer Advocate issued a Statement of Position in favor of the approval of the transfer of facilities. Additional testimony and discovery is expected throughout 2017.

Aqua Puhi Rate Case
Docket No. 2017-0118, Status: Closed

On May 15, 2017, Puhi Sewer and Water Company ("PSW") filed its application, requesting approval of a rate increase, revised rate schedule, and changes to its tariff. Specifically, PSW is seeking an overall net revenue increase of $332,320 for its combined wastewater and non-potable operations based on a 2018 calendar Test Year. The proposal represents an increase of approximately 19.68% over the pro forma revenue amount of $1,688,296 at present rates. On August 3, 2017, the Commission held a public hearing at the Lihue State Office Building, to allow parties and ratepayers an opportunity to testify.

On November 28, 2017, the Commission approved PSW's stipulated general increase of $252,859 (14.9% over revenues at present rates) based on a total revenue requirement to $1,950,354 for the 2018 calendar Test Year.

Certificates of 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. On September 29, 2017, the Commission approved, subject to certain conditions, the application for approval of the proposed change of control of KWC.

Miscellaneous

Wailuku Water Company – Application for Approval of Sale of Assets
Docket No. 2017-0134, Status: Closed

On May 30, 2017, Wailuku Water Company filed an application with the Commission, seeking approval for sale of certain real property, totaling approximately 4,620 acres of land, to Ting Ranch, LLC. The Commission approved the land sale on September 22, 2017 in Decision and Order No. 34838.

Waimea Wastewater Company - Application for Expansion of Service Area
Docket No. 2016-0335, Status: Closed

On September 29, 2016, Waimea Wastewater Company, Inc. filed an application with the Commission, seeking approval to amend its CPCN to include a New Service Area (two properties totaling approximately 3.35 acres), with no amendments required to its existing Tariff/Rules and Regulations. On September 8, 2017, the Commission Decision and Order No. 34795, which approved the application, subject to the conditions of 1) Applicant filing a rate case within 2 years of the Decision and Order, and 2) as part of the next rate case filing, Applicant shall discuss any plans to expand its wastewater treatment plant facilities.

Telecommunications Proceedings

The Commission oversees the intrastate cellular, paging, mobile telephone and other services of 184 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 64.

Certificates of Registration and Certificates of Authority

In FY 2017, the Commission certificated 19 new telecommunications companies. See Table 4 below.

Table 4 - New Telecommunications Companies Certified in FY 2017

Certificate of Authority	**Carrier Type**	**Docket No.**	**Date Approved**
808Phone.com LLC	Wireline Reseller	2016-0371	5/10/2017
CallCatchers, Inc dba FreedomVoice Systems	Wireline Reseller	2016-0162	9/27/2016
eNetworks, LLC	Wireline Reseller	2016-0218	12/16/2016
GoDaddy.com, LLC	Wireline Reseller	2016-0209	12/13/2016
Inmate Calling Solutions dba ICSolutions	Wireline Reseller	2016-0159	10/11/2016
Mobilite Management, LLC	Wireline Reseller	2016-0095	11/29/2016
Teleport Communications America, LLC	Wireline Reseller	2016-0318	1/27/2017
Certificate of Registration			
Alliant Technologies, LLC	Wireless Reseller	2017-0068	5/10/2017
China Unicom (Americas) Operations Limited	Wireless Reseller	2017-0021	4/6/2017
Comcast OTR1, LLC	Wireless Reseller	2017-0092	6/8/2017
Excellus Communications, LLC	Wireless Reseller	2017-0039	3/30/2017
Garmin USA Inc.	Wireless Reseller	2017-0055	5/19/2017
Ignition Wireless, LLC dba Expo Mobile and Ignition Wireless	Wireless Reseller	2016-0073	1/27/2017
Onvoy Spectrum, LLC	Wireless Reseller	2017-0002	3/31/2017
Plintron Technologies USA LLC	Wireless Reseller	2016-0339	11/28/2016
Republic Wireless, Inc	Wireless Reseller	2016-0437	2/8/2017
STS Media Inc. dba FreedomPop	Wireless Reseller	2017-0003	5/31/2017
Telispire Ohana, LLC	Wireless Reseller	2016-0204	9/27/2016
UVNV, Inc.	Wireless Reseller	2016-0157	8/10/2016

The Commission also approved the voluntary surrender of 6 telecommunication companies' certificates. See Table 5.

Table 5 - Telecommunications Companies Who Surrendered Certificates in FY 2017

Certificate of Authority	Carrier Type	Docket No.	Date Surrendered
BT Communications Sales, LLC	Wireline Reseller	2017-0110	6/9/2017
TNCI Operating Company, LLC	Wireline Reseller	2016-0165	7/19/2016
Total Call International, Inc.	Wireline Reseller	2016-0336	11/23/2016
Certificate of Registration			
i-wireless, LLC	Wireless Reseller	2016-0361	11/23/2016
NTT Docomo USA, Inc.	Wireless Reseller	2016-0040	7/29/2016
PLDT (US) Mobility, LLC	Wireless Reseller	2016-0186	7/29/2016

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.

- **Addendum to the Interconnection Agreement by and between Hawaiian Telcom, Inc. and Level 3 Communications, LLC**
    - *Docket 2016-0067, Status: Closed*

Miscellaneous

Transfer of control of Electric Lightwave LLC to Zayo
Docket No. 2016-0410, Status: Closed

On December 6, 2016, the petitioners requested the Commission's approval of the indirect transfer of control, and to waive the procedural requirements, including the power to examine the parties' participation in certain financial transactions. The Commission found and concluded that the transaction is consistent with the public interest, and that the requirements of HRS §§ 269-17 and 269-19(a) should be waived to the extent applicable, pursuant to HRS § 269-16.9(e) and HAR § 6-80-135. The Commission also waived the provisions of HAR §§ 6-61-101 and 6-61-105, but did not grant a waiver from HRS §§ 269-7(a) and 269-18, as it found no grounds to waive its investigative authority. The Commission issued Decision and Order No. 34373 on February 2, 2017, approving the transfer subject to certain conditions.

Approval of Holding Company Level Transfer of AccessLine and for Certain Financing Arrangements
Docket No. 2016-0332, Status: Closed

On September 23, 2016, the entities MDP, Oak Hill, and Accessline, filed a joint application requesting that the commission waive all regulatory requirements for 1) a holding company transaction that will result in the transfer of control of AccessLine to MDP, and 2) to participate in certain financing arrangements to be entered into, in connection with that transfer of control. By Decision and Order No. 34265, issued December 28, 2016, the Commission granted waivers of HRS §§ 269-17 and 269-19(a), to the extent applicable, and also waived the filing requirements of HAR §§ 6-61-101 and 6-61-105. The Commission found no reason to waive its investigative authority, in HRS § 269-7(a), in the proposed transaction.

Investigation into Availability of Quality TRS Providers – Sprint
Docket No. 2016-0365, Status: Closed

On November 3, 2016, by Order No. 34097, the Commission initiated an investigation into the availability of experienced providers of quality telecommunications relay services ("TRS") for intrastate service period beginning July 1, 2017 through June 30, 2020. A request for services ("RFS") notification was issued on January 30, 2017, and an evaluation committee was formed to review submissions. Sprint was the sole bidder, so the RFS committee evaluated its proposal based on a set of criteria, and in comparison to Sprint's previous proposal. Sprint had been consistent in fulfilling the expectations of the existing contract, and by its current proposal, represented its intent to maintain the manner and quality of its provision of TRS in Hawaii. The Commission awarded the TRS Contract to Sprint through Decision and Order No. 34537, issued May 4, 2017.

The Commission waived the regulatory requirements applicable for the following dockets shown on Table 6.

Table 6 – FY 2017 Telecom Dockets for which the Commission Waived Applicable Regulatory Requirements

Application	Docket No.	Status
Change of Control		
Transfer of control of Verizon to Communications Services	2016-0076	Closed
Transfer of control of inContact to NICE Systems	2016-0173	Closed
Transfer of control of Neutral Tandem-Hawaii to Onvoy, LLC	2016-0378	Closed
Transfer of control of Earthlink Licensees to Windstream Parent	2016-0389	Closed
Transfer of control of Level 3 Communications to Centurylink Communications	2016-0427	Closed
Transfer of control of Broadview Networks to Windstream Holdings	2017-0100	Closed
Corporate Structure		
Spring Communications Company changes in organizational structure	2017-0022	Closed
Airus, Inc changes in organizational structure	2017-0078	Closed
Entity Conversion		
Conversion of MCI LLC from LLC to Corp.; Name Change from MCImetro Access Transmission Services, LLC to MCImetro Access Transmission Corp.	2016-0200	Closed
Financing Arrangements		
Level 3 Communications, LLC	2016-0099	Closed
Petition of Incontact, Inc fka United Carrier Networks and Nice Systems	2016-0172	Closed
Bandwidth.com Financing Arrangements	2016-0353	Closed
ANPI, ANPI Business & Broadvox-Clec	2016-0359	Closed
Metropolitan Communications of Hawaii, Inc. Financing Arrangements	2017-0064	Closed
Other Telecommunications Dockets		
Second Extension of Existing Lease between Hawaiian Telcom and MAXIMUS, Inc.	2016-0227	Closed

Water Carrier Proceedings

The Commission regulates two water carriers[5]: Young Brothers, Limited, a provider of inter-island cargo service between all major islands; and Hone Heke Corporation, a passenger and cargo carrier providing water transportation services between the islands of Maui and Lanai. A third water carrier, Sea Link of Hawaii, ceased operations in FY2017.

The statute governing the regulation of water carriers is HRS Chapter 271G, the Hawaii Water Carrier Act. Water carrier proceedings during FY 2017 are summarized below.

Young Brothers Application for Approval of a General Rate Increase and Certain Tariff Changes

Docket No. 2016-0014, Status: Closed

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 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 of 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. On May 4, 2017, the Commission issued Decision and Order No. 34535, which approved an increase of Young Brothers' intrastate revenue requirement to $72,130,526 for the 2016 adjusted Test Year. This reflected an $88,000, or 0.12 percent, increase over present rates of $72,042,526.

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.

[5] Water carriers are utility providers of intrastate marine transport.

Application for Approval to Dispose of Barge Kamaluhia and Enter Into Lease for Barge KRS 286-6
Docket No. 2016-0412, Status: Open

On December 7, 2016, Young Brothers filed an application requesting the Commission to approve: 1) disposal and transfer of the Barge Kamaluhia to KRS Marine, LLC; and 2) the proposed Bareboat Charter Party agreement with KRS Marine to lease the Barge KRS 286-6 for a term of five years, at a rate of $900 per day. On October 26, 2017, the Commission approved Young Brothers' requests to 1) dispose of and transfer Barge Kamaluhia to KRS Marine, LLC and 2) enter into the Standard Bareboat Charter Agreement.

Application for Approval to Dispose of Tug Mahi
Docket No. 2017-0084, Status: Open

On April 13, 2017, Young Brothers filed an application with the Commission, requesting approval to dispose of Tug Mahi, and transfer to Madrona Bay Holdings, LLC.. The Consumer Advocate did not object to the terms of the application, and on August 4, 2017, Young Brothers submitted its final executed agreements with Madrona Bay to the Commission. The Commission is reviewing the request.

Motor Carrier Proceedings

The Commission regulates passenger and property motor carriers transporting passengers or property for compensation or hire on the public highways.[6] By law, certain transportation services, including taxis, school and city buses, ambulance services, refuse haulers, farming vehicles, and persons transporting their own personal property, are exempt from Commission regulation.[7] 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.

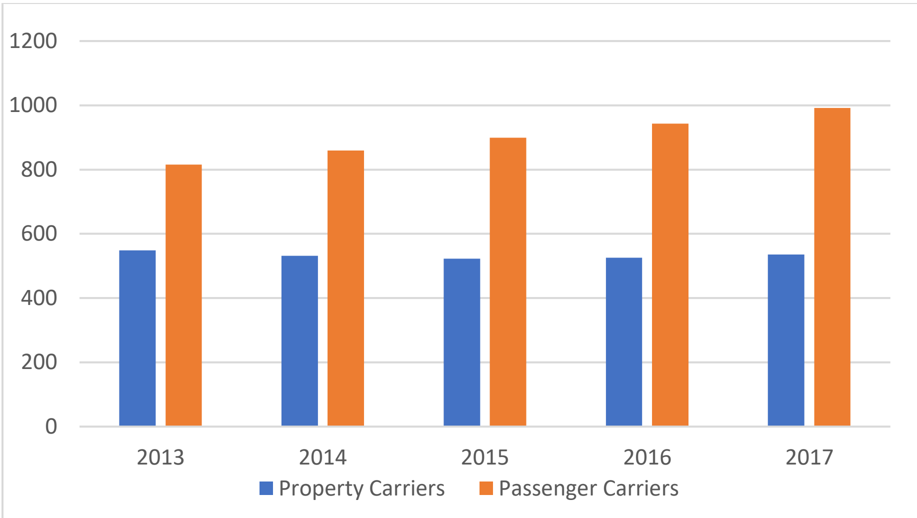
New Motor Carrier Certifications

The Commission regulates 1,528 motor carriers, which includes 992 passenger carriers and 536 property carriers. During FY 2017, 128 new certificates or permits were issued to 96 passenger carriers and 32 property carriers. Figure 3 shows the number of active motor carriers over the past five fiscal years.

[6] HRS §271.
[7] HRS §271-5.

Figure 3 – Number of Active Motor Carriers, Fiscal Years 2013-2017

	2013	2014	2015	2016	2017
Property Carriers	549	532	523	526	536
Passenger Carriers	816	859	899	943	992



Ratemaking and Tariffs

Many of the State's motor carriers are members of either the Western Motor Tariff Bureau, Inc. ("WMTB") or the Hawaii State Certified Common Carriers Association ("HSCCCA"). During the fiscal year, both WMTB and HSCCCA filed requests for rate changes for their members. The Commission also reviewed and approved rate requests from 52 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").[8] 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.

[8] 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[9], is a demand-side management surcharge collected by the HECO Companies to support energy-efficiency programs and services in the HECO Companies' service territories,[10] subject to Commission approval. The PBF collections fund the 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 2017 was held at 1.5 percent of forecasted utility revenues. The PBF collections amount, net of the Green Infrastructure Fee ("GIF")[11] was projected to be $26.5 million. The actual PBF collections amount, net of the GIF, was $27.33 million.

For the coming Fiscal Year 2018, 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
Application for an Order Approving the Green Infrastructure Loan Program
Docket No. 2014-0134, Status: Open
Docket No. 2014-0135, 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 Benefit Fee, and established the Hawaii Green Infrastructure Authority, 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 21, 2016 and again on June 8, 2017, the Commission approved a GIF Semiannual true-up adjustment.

The Commission continues to review requests filed by Hawaii Green Infrastructure Authority ("HGIA") in relation to the GEMS Program. On February 22, 2017, the Commission approved Program Notification No. 11, filed by Hawaii Green Infrastructure Authority ("HGIA") to deploy not more than $60,000,000 in GEMS loan funds to the State of Hawaii Department of Education ("DOE") Ka Hei Energy Sustainability Program. The program will use the funding to support its

[9] HRS § 269-121 through 125.
[10] 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.
[11] 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.

energy efficiency ("EE) infrastructure improvements to meet State EE goals, including technologies such as lighting (LED), controls and monitoring devices, mechanical upgrades, and other commercial-grade energy efficiency measures.

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

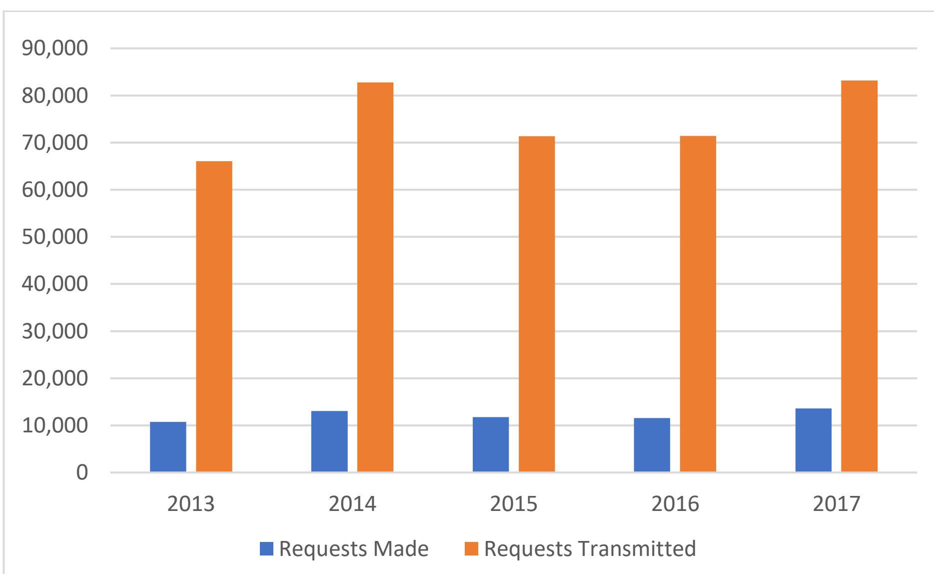
Hawaii's One Call Center was established by State law[12] to coordinate the location of subsurface installations, including underground utilities, and to provide advance notice of proposed excavation work to the operators of these systems. The Commission began operation of the One Call Center in 2006.

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 2017, the number of request called in from excavators to the Hawaii One Call Center and the number of requests transmitted to facility operators by Hawaii One Call Center increased by roughly 2,000 and 12,000 respectively, from FY 2016 activity.

Figure 4 – Requests Made and Transmitted to the Hawaii One Call Center, FY 2013-2017

	2013	2014	2015	2016	2017
Requests Made	10,714	13,053	11,734	11,559	13,609
Requests Transmitted	66,078	82,738	71,363	71,423	83,201



[12] 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

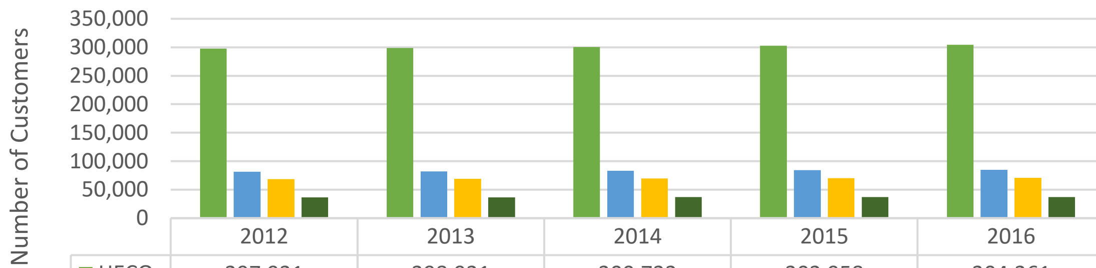
Utility Company Operations

Electric Utilities

The Commission regulates four electric utilities 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.[13] See Figure 5.

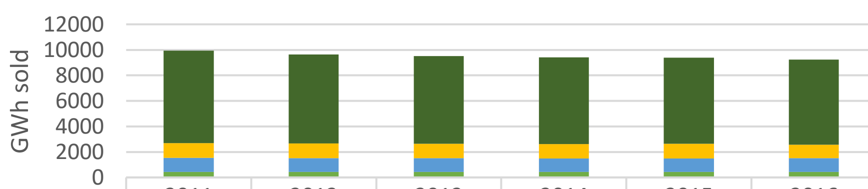
Figure 5 – Number of Electric Utility Customers, Calendar Years 2012-2016



	2012	2013	2014	2015	2016
HECO	297,921	298,921	300,722	302,958	304,261
HELCO	81,537	82,074	83,104	84,309	85,029
MECO	68,575	69,303	69,804	70,533	70,872
KIUC	36,473	36,704	36,942	37,040	36,985

Annual electricity sales have been decreasing statewide over the years, with slight increases recently on some islands. See Figure 6.

Figure 6 – Annual Electricity Sales in Gigawatt-hours, 2011-2016



	2011	2012	2013	2014	2015	2016
HECO	7,242	6,976	6,859	6,782	6,754	6,660
MECO	1,145	1,145	1,134	1,132	1,138	1,059
HELCO	1,104	1,085	1,076	1,063	1,065	1,067
KIUC	435	433	431	430	432	439

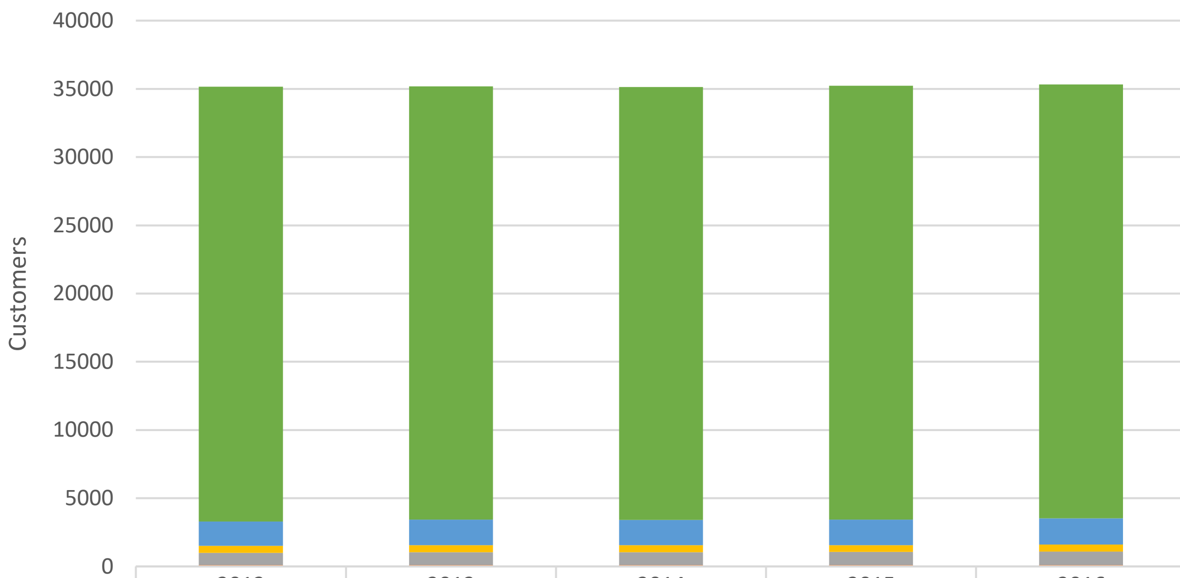
[13] Data obtained from the electric utilities' Annual Financial Reports filed with the Commission.

<u>Gas Utility</u>

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 2012 through 2016, the number of customers has remained relatively flat. Over 90% of Hawaii Gas' customers are in its Honolulu District.

Figure 7 – Gas Customers, 2012-2016



	2012	2013	2014	2015	2016
Honolulu	31,876	31,749	31,730	31,792	31,787
Hilo	1,779	1,884	1,851	1,873	1,929
Maui	516	512	510	510	508
Kauai	888	924	937	951	985
Molokai	89	89	87	81	84
Lanai	21	21	22	22	22

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") 2016.

HECO

HECO's actual CY 2016 plant additions, before reduction for contributions in aid of construction received, total $241.3 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 7 below, HECO's CY 2016 actual plant additions are less than its CY 2016 budgeted plant additions.

Table 7 - HECO Summary of CY 2016 Plant Additions[14]

($ in million)	Actual	Budget	Variance
Less than $2.5 million	$234.4	$273.9	($39.5)
Less than $2.5 million - Plant additions budgeted in 2016, delayed to 2017 or beyond or cancelled	$0.0	$4.6	($4.6)
Subtotal - Less than $2.5 million	$234.4	$278.5	($44.1)
GO7 - Greater than $2.5 million	$6.9	$9.3	($2.4)
Total	$241.3	$287.8	($46.5)

HELCO

HELCO's actual CY 2016 plant additions, before reduction for contribution in aid of construction received, total $52.7 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 8 below, HELCO's CY 2016 actual plant additions are slightly more than its CY 2016 budgeted plant additions.

Table 8 - HELCO Summary of CY 2016 Plant Additions[15]

($ in million)	Actual	Budget	Variance
Less than $2.5 million	$43.7	$29.8	$13.9
Less than $2.5 million - Plant additions budgeted in 2016, delayed to 2017 or beyond or cancelled	$0.0	$6.0	($6.0)
Subtotal - Less than $2.5 million	$43.7	$35.8	$7.9
GO7 - Greater than $2.5 million	$9.0	$12.1	($3.1)
Total	$52.7	$47.9	$4.8

[14] HECO, Letter from Joseph P. Viola. March 30, 2017. Exemption From and Modification of General Order No. 7 Paragraph 2.3(g), Relating to Capital Improvements Capital Projects Completed in 2016. Attachment 1, Docket 03-0257.

[15] HECO, Letter from Joseph P. Viola. March 29, 2017. Exemption From and Modification of General Order No. 7 Paragraph 2.3(g), Relating to Capital Improvements Capital Projects Completed in 2016. Attachment 2, Docket 03-0257.

MECO

MECO's actual CY 2016 plant additions, before reduction for contribution in aid of construction received, total $52.7 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 9 below, MECO's CY 2016 actual plant additions are less than its CY 2016 budgeted plant additions.

Table 9 - MECO Summary of CY 2016 Plant Additions[16]

($ in million)	Actual	Budget	Variance
Less than $2.5 million	$38.1	$35.0	$3.1
Less than $2.5 million - Plant additions budgeted in 2016, delayed to 2017 or beyond or cancelled	$0.0	$5.6	($5.6)
Subtotal - Less than $2.5 million	$38.1	$40.6	($2.5)
GO7 - Greater than $2.5 million	$0.0	$0.0	$0.0
Total	$38.1	$40.6	($2.5)

KIUC

For CY 2016, KIUC completed 64 CIPs for which none of the individual projects had a total cost exceeding $1 million. KIUC did not complete CIPs for which each project had an individual total cost between $1 million and $2.5 million or any CIPs with a total cost at or exceeding $2.5 million in CY 2016. As shown in Table 10 below, the total aggregate cost of the 64 CIPs completed in 2016 is approximately $7.6 million.

Table 10 - KIUC Summary of CY 2016 Completed CIPs[17]

($ in million)	Actual	Budget	Variance
Completed CIPs with a total cost of less than $1 million	$7.6	n/a	n/a
Completed CIPs with a total cost of between $1 million to under $2.5 million	$0.0	n/a	n/a
Completed CIPs with a total cost of $2.5 million or more	$0.0	n/a	n/a
Total	$7.6	n/a	n/a

<u>The Gas Company (Hawaii Gas)</u>

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 $23.19 million in 2017, $10.53 million in 2018, $40.12 million in 2019, $47.23 million in 2020, and $7.86 million in 2021, for a

[16] HECO, Letter from Joseph P. Viola. March 30, 2017. Exemption From and Modification of General Order No. 7 Paragraph 2.3(g), Relating to Capital Improvements Capital Projects Completed in 2016. Attachment 3, Docket 03-0257.

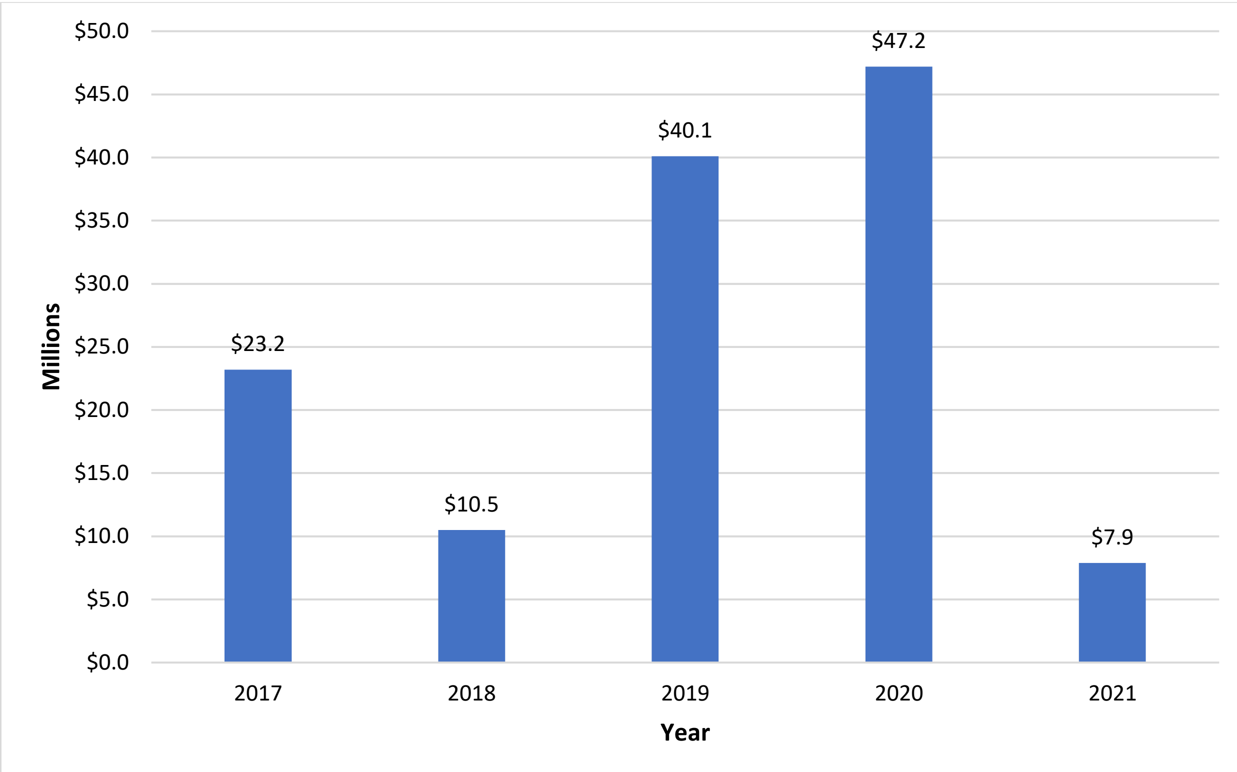
[17] Docket No. 03-0256; Kaua'i Island Utility Cooperative ("KIUC") for Exemption from and Modification of General Order No. 7, Paragraph 2.3(g)2, Regarding Capital Improvements; Annual Report Regarding Completed Projects 2016.

total of approximately $128.93 million over the five-year period. Table 11 and Figure 8 show the five-year capital expenditure budget forecast for Hawaii Gas.

Table 11 - Gas Utility Expenditure Forecast

	2017	2018	2019	2020	2021
Hawaii Gas	$23,187,117	$10,531,988	$40,115,394	$47,234,526	$7,856,993

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



Rates

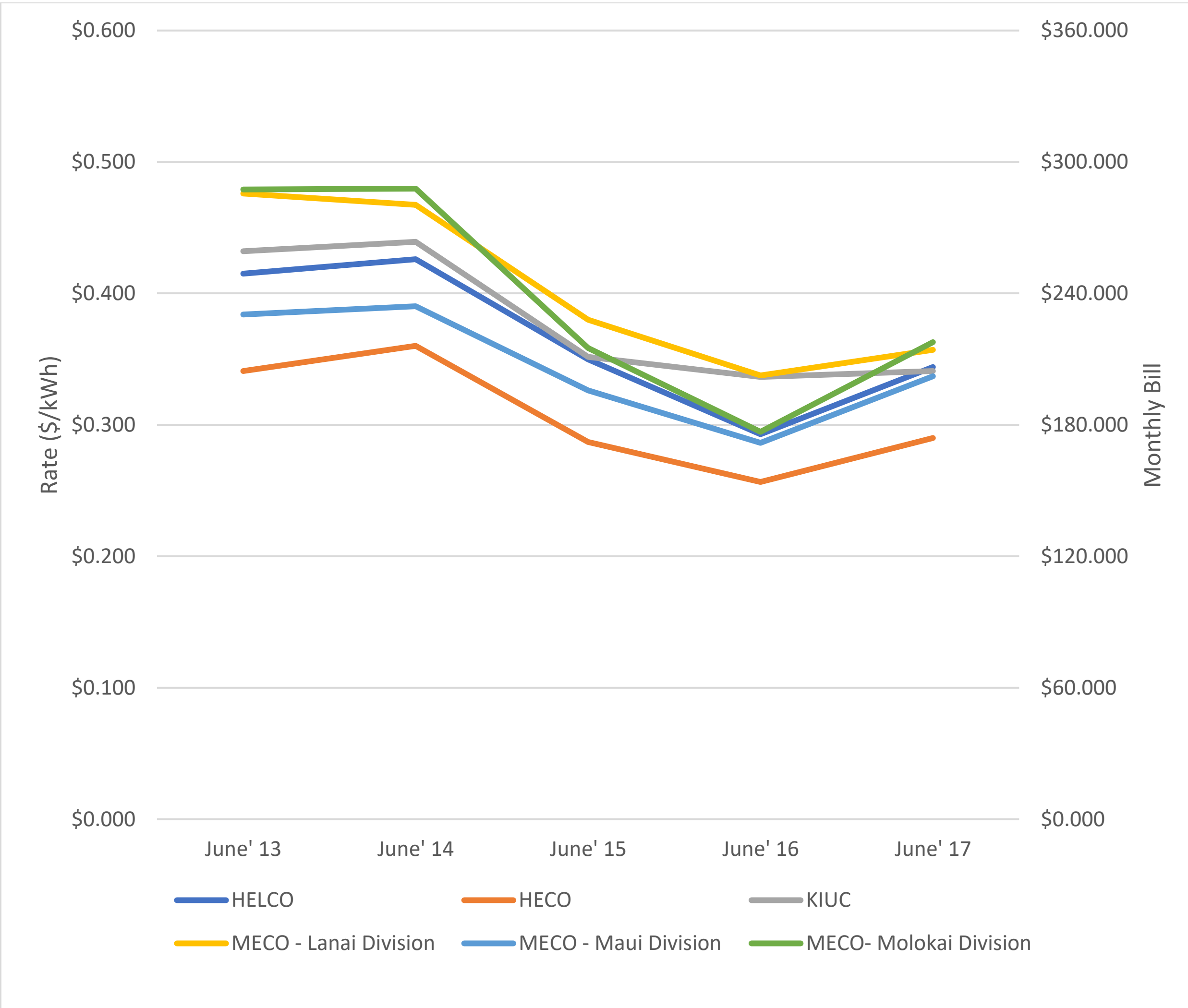
Rates for the Commission's regulated entities are filed in tariffs, which the Commission reviews and approves. Rates for telephone services do not require Commission approval and are filed with the Commission for informational purposes. Tariff filings are available on the Commission's Document Management 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[18] and other adjustments. The total of the base energy rate and adjustments is also known as the "effective energy rate."

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



[18] 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.

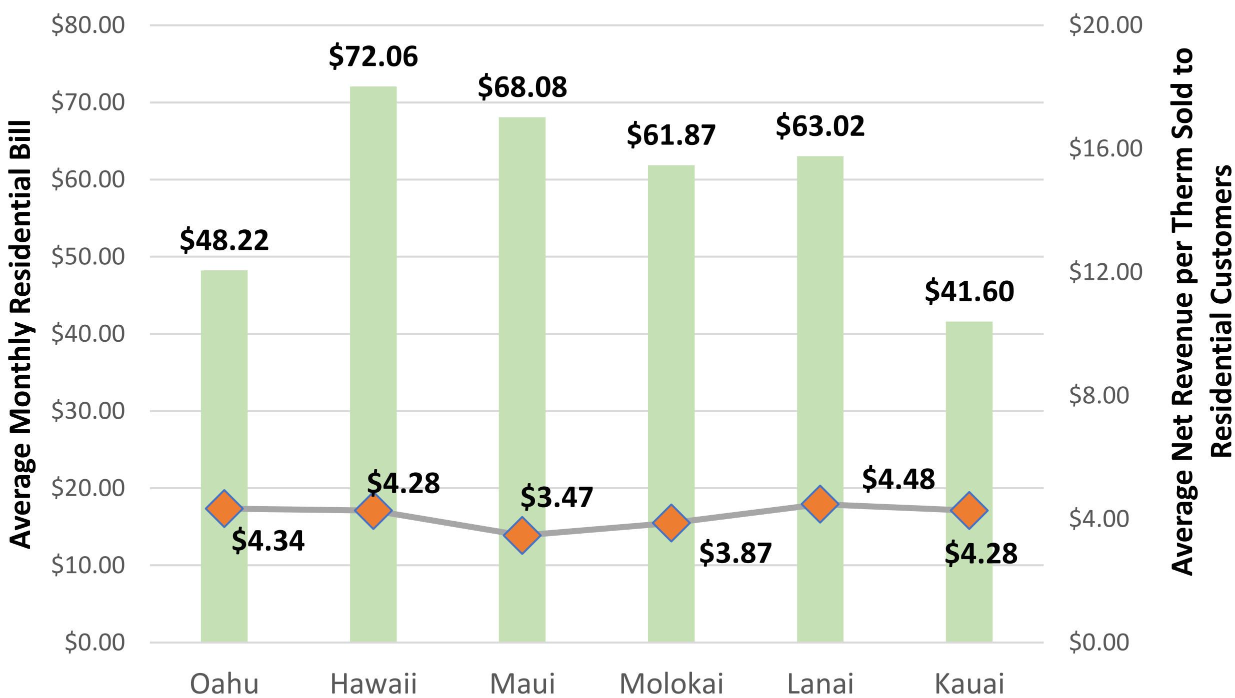
Table 12 – Five Year Comparison of Effective Residential Energy Rates and Monthly Residential Electric Bill, Based on 600 kWh

	June' 13		June' 14		June' 15		June' 16		June' 17	
	Rate	Bill	Rate	Bill	Rate	Bill	Rate	Bill	Rate	Bill
HELCO	$0.415	$249.02	$0.426	$255.62	$0.350	$209.85	$0.293	$175.74	$0.344	$206.40
HECO	$0.341	$204.47	$0.360	$216.08	$0.287	$172.20	$0.257	$153.95	$0.290	$174.00
KIUC	$0.432	$259.46	$0.439	$263.57	$0.352	$211.04	$0.336	$201.89	$0.341	$204.60
MECO - Lanai Division	$0.476	$285.63	$0.467	$280.40	$0.380	$227.98	$0.338	$202.55	$0.357	$214.20
MECO - Maui Division	$0.384	$230.35	$0.390	$234.15	$0.326	$195.74	$0.286	$171.79	$0.337	$202.20
MECO- Molokai Division	$0.479	$287.56	$0.480	$287.83	$0.359	$215.14	$0.295	$176.82	$0.363	$217.80

Gas

For CY 2016, average residential utility gas bills ranged from approximately $41.60 on Kauai to $72.06 on Hawaii and the cost per therm ranged from approximately $3.47 on Maui to $4.48 on Lanai. See Figure 10.

Figure 10 – Average monthly Residential Utility Gas Bills and Costs Per Therm, 2016



Utility Company Performance

Electric Utilities' Reliability and Quality of Service

The service reliability reports submitted to the Commission in FY 2017 by HECO, MECO, HELCO, and KIUC cover the 2016 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[19] 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.

Certain indices used to measure reliability are defined in the box below.

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

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

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 and incorporates the impact of frequency and duration of outages on the company's total customer base. SAIDI and SAIFI are presented in the following section for each utility.

HECO Service Quality

HECO's SAIDI and SAIFI reliability indices for 2016 and the prior five years are shown in Figure 11 and Figure 12, respectively.[20]

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

[20] 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; and for 2016 by excluding flooding to Iwilei Substation and surrounding area that occurred on 7/24/16.

Figure 11- HECO System Average Interruption Duration Index

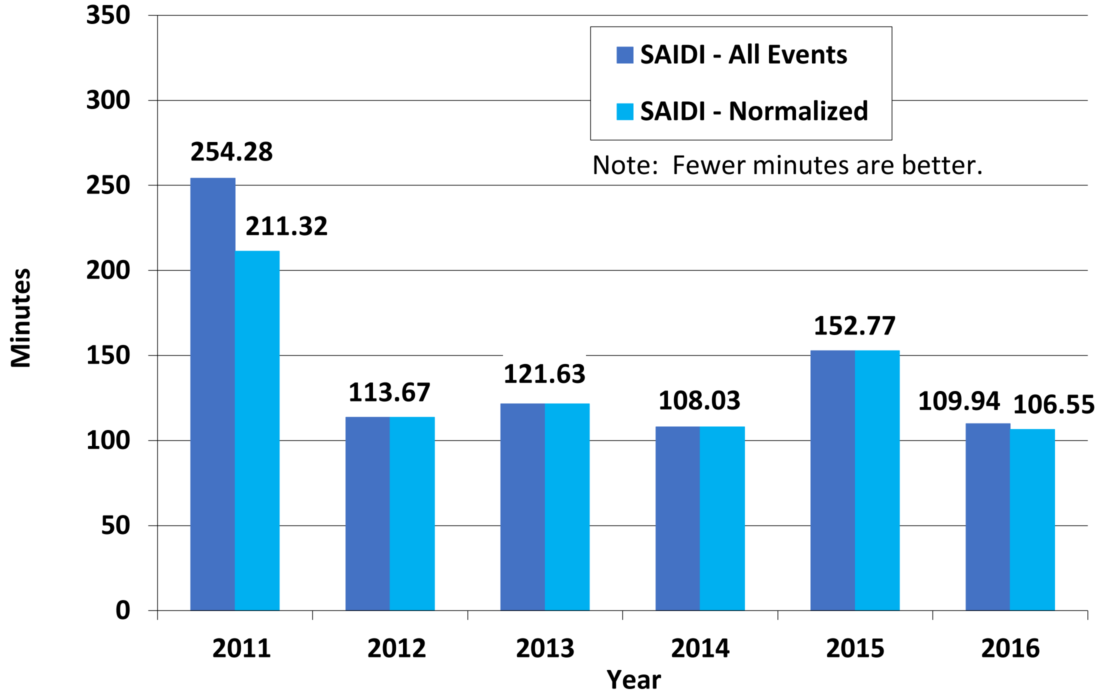
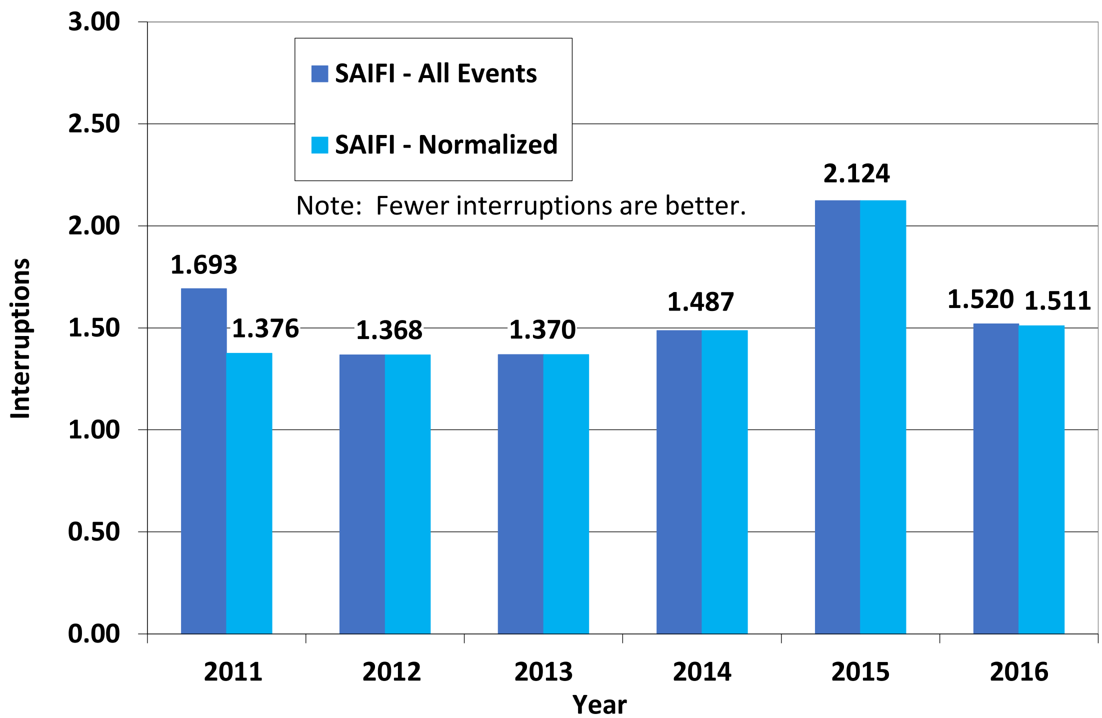


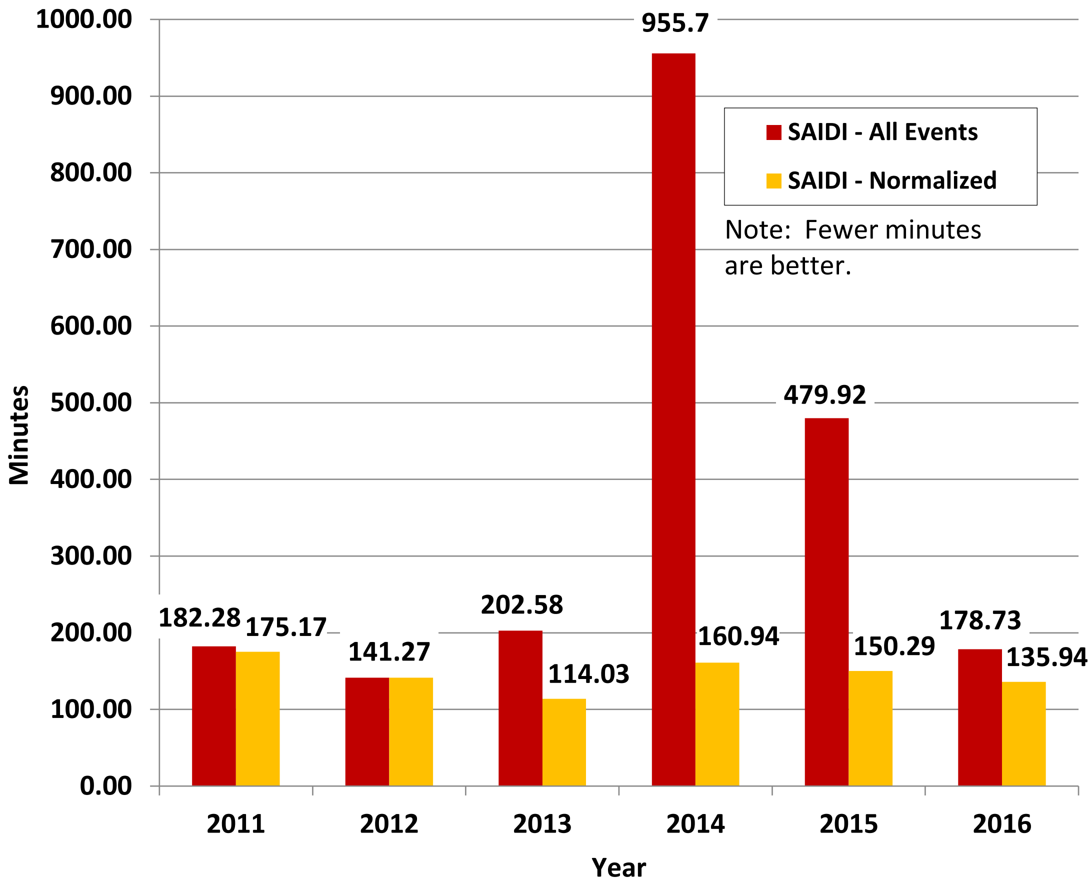
Figure 12 - HECO System Average Interruption Frequency Index



HELCO Service Quality

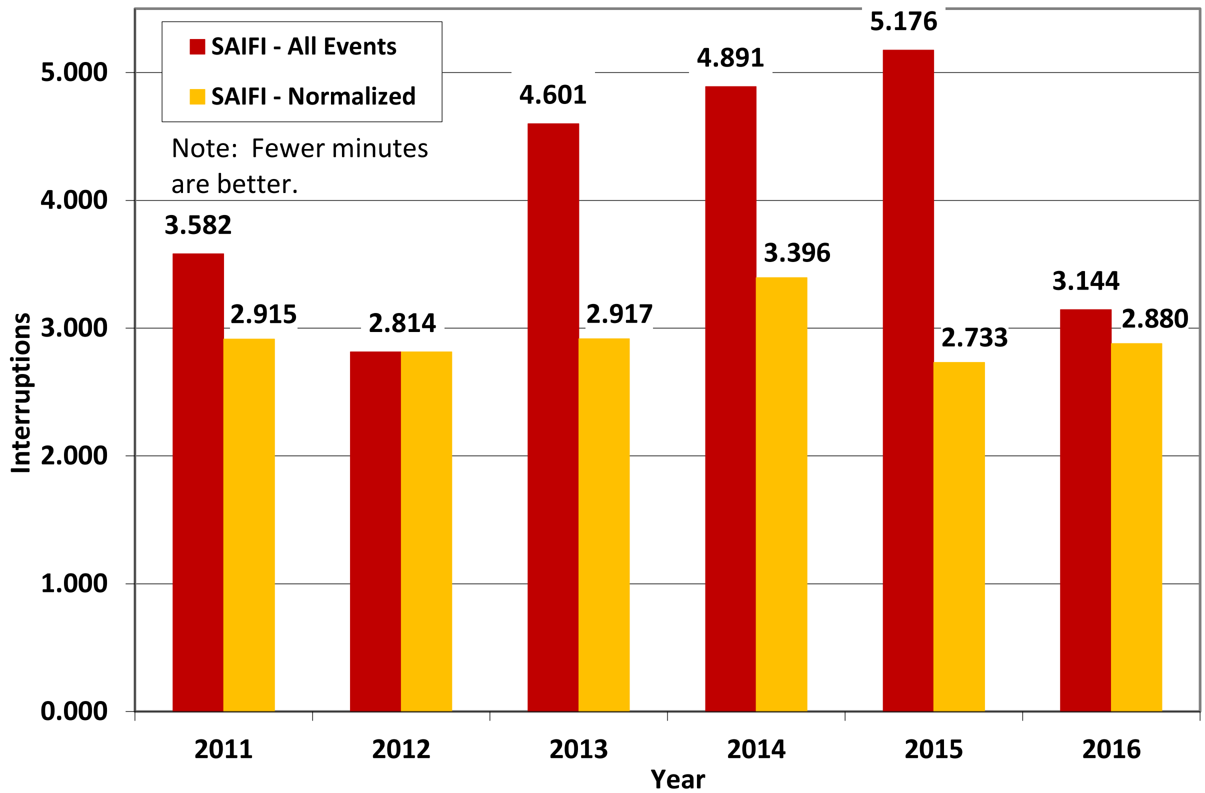
HELCO's SAIDI and SAIFI reliability indices for 2016 and the prior five years are shown in Figure 13 and Figure 14, respectively.[21]

Figure 13 - HELCO System Average Interruption Duration Index



[21] The HELCO service reliability data is normalized 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 events (Keahole CT 5 on 05/06/15 and Keahole CT 4 on 06/25/15); for 2016 by excluding Tropical Storm Darby on 7/23/16 and Hurricane Madeline on 8/31/16.

Figure 14 - HELCO System Average Interruption Frequency Index



MECO Service Quality

MECO's SAIDI and SAIFI reliability indices for 2016 and the prior five years are shown in Figure 15 and Figure 16, respectively.[22]

[22] The MECO service reliability data is normalized for 2011 by excluding two high winds events (01/10/11 and 12/24/11), a high winds/lightning storm event during the period of 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 during the period of 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 during the period of 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 during the period of 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 during the period of 01/02/15 – 01/04/15, Valentine's Day Storm during the period 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; and for 2016 by excluding West Maui Mountains wild fire on 07/2/16 and various equipment failures and faults on Lanai and Molokai in 2016.

Figure 15 - MECO System Average Interruption Duration Index

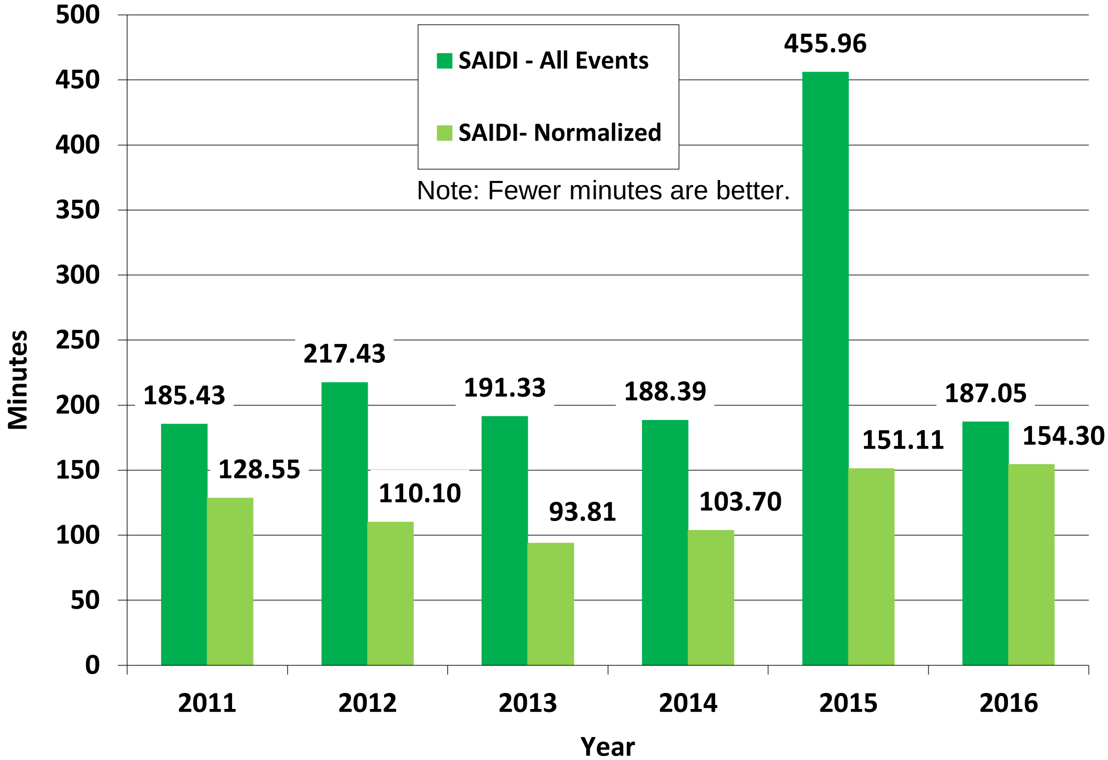
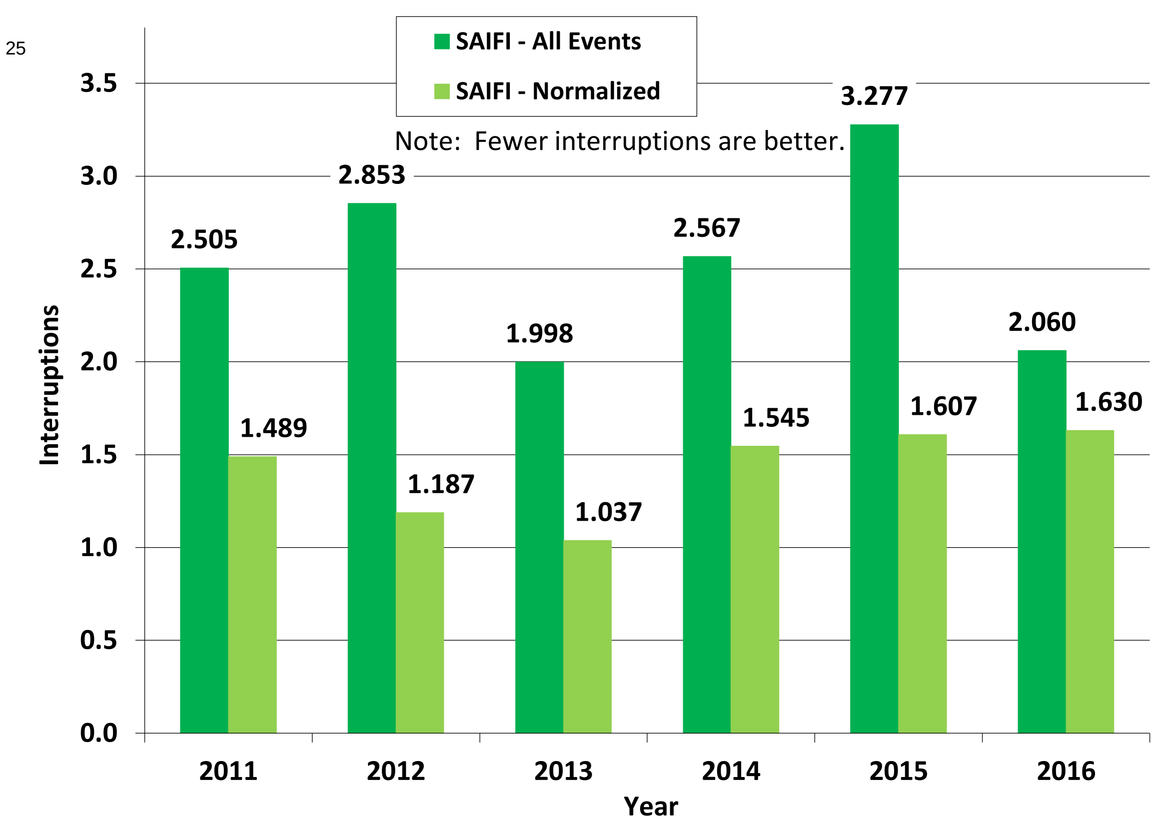


Figure 16 - MECO System Average Interruption Frequency Index



KIUC Service Quality

KIUC's SAIDI and SAIFI reliability indices for 2016 and the prior four years are shown in Figure 17 and Figure 18, respectively.

Figure 17 - KIUC System Average Interruption Duration Index (All Events)

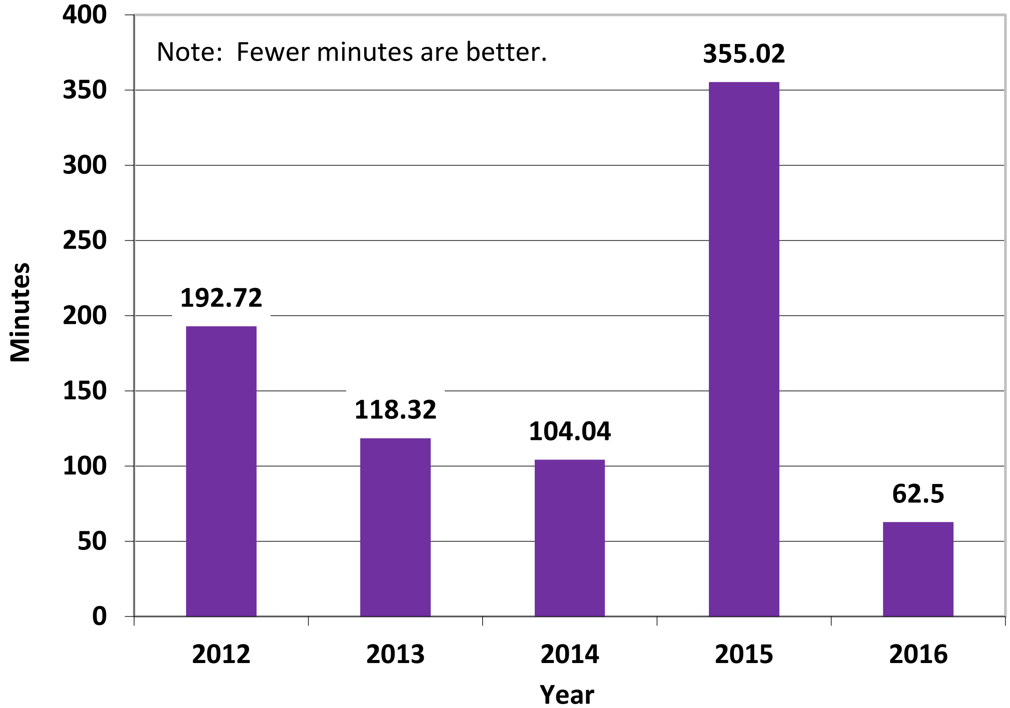
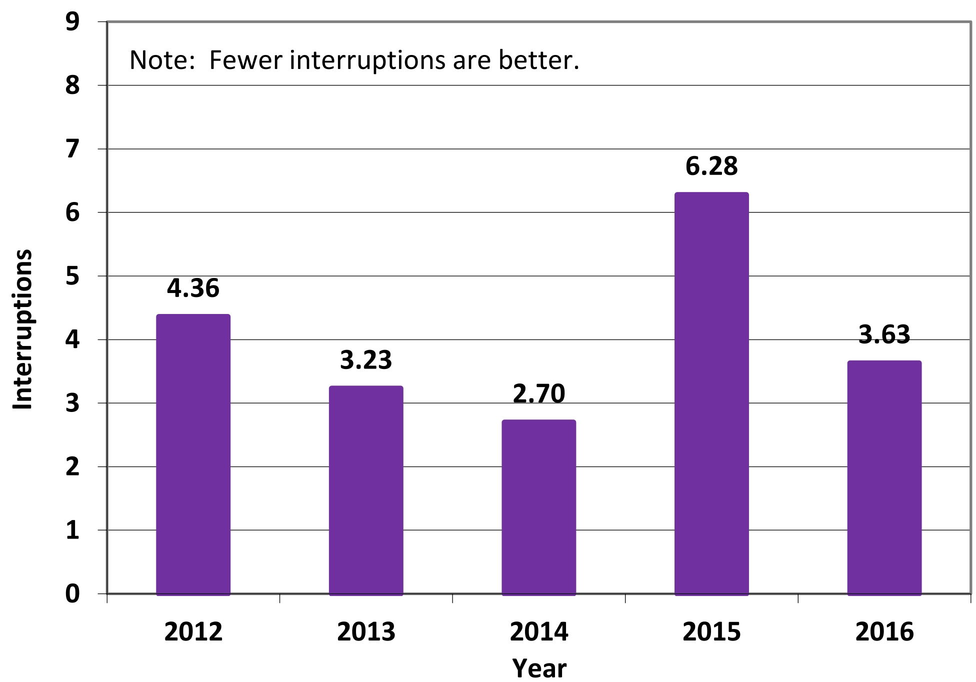


Figure 18- KIUC System Average Interruption Frequency Index (All Events)



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 2017, 2 formal complaints were filed. Discussion of formal complaints can be found on pages 28-30.

Written Informal Complaints

As shown in Table 13, the Commission received a total of 106 written informal complaints in FY 2017 against utility and transportation companies.

Table 13 - Total Number of Informal Complaints Received by the Commission, FY 2013-2017

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Utilities					
Telecommunications	**50**	**43**	**29**	**79**	**38**
Wire line (telephone)	24	27	14	60	25
Cellular and Paging	20	14	8	18	13
Other	6	2	7	1	0
Electricity	**99**	**57**	**85**	**69**	**27**
Gas	**8**	**3**	**5**	**0**	**0**
Water/Sewer	**3**	**3**	**3**	**2**	**6**
Other	**2**	**1**	**0**	**1**	**0**
Transportation Carriers					
Water Carrier	**1**	**0**	**1**	**0**	**0**
Motor Carrier	**6**	**6**	**11**	**13**	**35**
One Call Center	**0**	**1**	**0**	**0**	**0**
Total Complaints	**169**	**118**	**135**	**164**	**106**

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 14 lists by category, the number of citations issued and the civil penalties issued for fiscal years 2013-2017.

Table 14 – Citations and Civil Penalties Issued, FY 2013-2017

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Citations					
Motor Carrier	10	11	8	17	18
Stop in Transit	5	0	1	8	0
One Call Center	0	0	0	1	0
Total # of Citations Issued	**15**	**11**	**9**	**26**	**18**
Civil Penalties					
Motor Carrier	$10,000	$12,000	$11,500	$17,000	$17,400
Stop in Transit	$9,000	$0	$2,000	$13,500	$0
One Call Center	$0	$0	$0	$5,000	$26,000
Total Civil Penalties Issued	**$19,000**	**$12,000**	**$13,500**	**$35,500**	**$43,400**

Revocation of CPCNs

In FY 2017, the Commission revoked 37 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")[23] 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. [24]

As of December 31, 2016, Hawaiian Electric has met all the MATS rule compliance requirements. Hawaiian Electric performed their next series of source tests in the first quarter of 2017 and has stated they will do so quarterly.

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").[25] 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.[26] Furthermore, 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.[27] The compliance deadline has been pushed back from the original deadline of 2017 to 2025.

[23] USEPA, "Mercury and Air Toxics Standards," Final Rule published February 16, 2012. Accessed September 18, 2015.
[24] HECO Companies' Status Report on the Companies' Fuels Master Plan, filed on January 30, 2017 in Docket No. 2014-0217.
[25] USEPA, "National Ambient Air Quality Standards," accessed September 18, 2015.
[26] Hawaiian Electric Company, "Environmental Compliance," Hawaiian Electric Power Supply Improvement Plan, filed August 26, 2014 in Docket No. 2011-0206.
[27] 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.[28] 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, [29]

> "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."

However, in October 2017, the EPA decided to start the process to repeal the Clean Power Plan. While the standards set in place in the original guidelines did not directly affect Hawaii, any future changes or replacement of the Clean Power Plan Rule will have to be analyzed to ensure the implementation of new policies or regulations is done effectively and lawfully.

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.[30] 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.

Hawaiian Electric's Honolulu, Kahe, and Waiau steam electric generating stations will need to comply with some or all of the NPDES standards. While there is no firm deadline for compliance, six years of impingement and entrainment data have been collected at Kahe and Waiau and will be used to complete the required studies for these facilities. The Honolulu station is currently deactivated, but will have to comply with impingement standards before being reactivated. Maui Electric will have to retire their Kahului Power Plant by no later than 2024 in accordance with the compliance plan as approved by the Hawaii Department of Health in July 2015.[31]

[28] USEPA, Clean Power Plan Final Rule..

[29] 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).

[30] USEPA, "Cooling Water Intakes.".

[31] HECO Companies, "Environmental Compliance," HECO Companies' PSIP Update Report, filed December 23, 2016 in Docket No. 2014-0183.

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."[32] 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.

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[33] as well as the Commission's own certification requirements.[34] ETC designation also includes a required determination that an applicant's designation as an ETC would be in the public interest.[35] 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 2017 are summarized in the following section. See Table15 for a list of ETCs in Hawaii.

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 2017 are summarized below.

[32] 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).
[33] See 47 U.S.C.A. § 254(e); See also 47 U.S.C.A. §§ 214(e)(2) and (6).
[34] Order No. 30932, filed on December 28, 2012, in Docket No. 2011-0052.
[35] 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.

Table 15 - 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	Requested voluntary surrender of certificate of registration on December 12, 2016 in Docket No. 016-0417
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	Relinquished, 02/08/2017 Docket No. 2016-0404
Budget PrePay, Inc., dba Budget Mobile	Wireless	07/26/2013	2012-0327	Relinquished, 06/30/2017 Docket No. 2017-0079
Blue Jay Wireless, LLC	Wireless	08/21/2013	2013-0029	
American Broadband and Telecommunications Company	Wireless	08/17/2015	2015-0061	
Boomerang Wireless, LLC dba enTouch Wireless	Wireless	03/03/2017	2016-0048	

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, Sandwich Isles Communications, Inc ("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 SIC 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. On October 12, 2016, SIC and Pa Makani filed a Motion for Reconsideration of Order No. 33955, which the Commission denied in its Order No. 34558, filed May 19, 2017.

Investigation on Whether Designated ETCs Participating in the High-Cost Program of the USF Should be Certified for 2017
Docket No. 2017-0126, Status: Closed

On May 24, 2017, in Order No. 34568, the Commission initiated an investigation to determine whether the ETC parties have each sufficiently complied with the annual ETC certification requirements and certified to the FCC and the USAC that ETCs have been or will be using USF high-cost support only for the purposes which the USF high-cost support is intended, consistent with 47 C.F.R. § 54.314(a).

The Commission issued Decision and Order No. 34841 on September 28, 2017, and determined that HTI and Coral sufficiently complied with the Annual Reporting Requirements; that there is no uncertainty as to whether all federal high-cost support provided to HTI was used and will be used only for the provision, maintenance, and upgrading of facilities and services for which the support is intended, per 47 C.F.R. Section 54.314(a), and that HTI should be certified by the commission as a USF high-cost ETC in 2017; and that there is no uncertainty that all federal high-cost support provided to Coral was used only for the provision, maintenance, and upgrading of facilities and services for which the support is intended, per 47 C.F.R. Section 54.314(a).

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 2017 are summarized below.

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

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.

On November 23, 2016, the Commission issued Order No. 34125 in Docket No. 2016-0361, which approved i-wireless, LLC's request to surrender its commission-approved certificate of registration to provide resold wireless telecommunications services within the State of Hawaii. As a result, the Commission issued Order No. 34152, which closed the suspended Docket No. 2013-0199.

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: Closed

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. On March 3, 2017, the Commission found and concluded that Boomerang met its applicable federal and state requirements for Lifeline-only ETC designation, and approved its petition with conditions.

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

On July 15, 2016, IM Telecom, LLC dba Infiniti Mobile, filed a petition for designation as a Lifeline-only ETC solely to provide Lifeline service to qualifying households. The Consumer Advocate filed its Statement of Position on November 21, 2016, in which it recommended that the Commission not approve the ETC designation request, due to several public interest concerns, including a lack of state-specific advertising and outreach. On November 28, 2016, Infiniti Mobile requested a "withdrawal without prejudice" of their application, citing a determination to adequately address the Consumer Advocate's stated issues. The Commission approved the request to withdraw the application, and closed the docket on December 16, 2016, via Order No. 34221.

Q Link Wireless LLC Application for ETC Lifeline-Only Designation
Docket No. 2017-0032, Status: Closed

On February 7, 2017, Q Link Wireless LLC ("Q Link") filed a petition for designation as a Lifeline-only ETC. On August 21, 2017, the Consumer Advocate submitted its Statement of Position, which recommends that the Commission approve Q Link's application. On November 30, 2017, the Commission found and concluded that Boomerang met its applicable federal and state requirements for Lifeline-only ETC designation, and approved its petition with conditions.

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.

Summary of Power Purchase Agreements in Effect on Oahu, FY 2017

OAHU Facility Name	Export Capacity (MW)	Facility Type	Average FY17 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	$ 0.2021	Any	Wind	2009-0176	5/31/2031
Kawailoa Wind	69	As Available	$ 0.2154	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	$ 0.2120	Any	Solar	2011-0051	12/31/2032
Kapolei Sustainable Energy Park	1	As Available	$ 0.2360	Any	Solar	2011-0185	12/31/2031
IES Downstream LLC	9.6	As Available	$ 0.0976	On Peak [b]	Refinery Gas / Naphtha	Docket No. 6717. In service 8/2/1990.	Year to year
			$ 0.0976	Off Peak [b]			
Par Hawaii Refining LLC[c]	18.5	As Available	$ 0.0978	On Peak	Refinery Gas / Naphtha	Docket No. 5025. In service 12/28/1983.	Year to year
			$ 0.0979	Off Peak			
Waianae Solar	27.6	As Available	$0.1450	Any	Solar	2014-0354 In service 1/14/2017	1/31/2039
AES Hawaii[d]	180	Firm	$ 0.0539	Any	Coal	Docket No. 6177. In service 9/1/1992.	9/1/2022
Kalaeloa Partners[e]	208	Firm	$ 0.1088	Any	LSFO*	Docket No. 6378. In service 5/23/1991.	10/31/2017
H-POWER	68.5	Firm	$ 0.1676	On Peak	Waste	2012-0129	4/2/2033
			$ 0.1186	Off Peak			
Feed-in Tariff	Varied	As Available	$ 0.2267	Any	Solar	2008-0273	20 years
Avoided Energy Cost Rate			$ 0.0976	On Peak	Docket No. 7310, Decision and Order No. 24086; 2008-0069		
			$ 0.0976	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 Average Energy Price does not include reactive adjustment.
d Energy Price based on AES Hawaii Energy Cost which includes Fuel, Variable O&M, and Fixed O&M components.
e Energy Price based on Kalaeloa Partners Energy Cost which includes Fuel, Nonfuel, and Additive components.

Summary of Power Purchase Agreements in Effect on Hawaii Island, FY 2017

<table>
<tr><th>HAWAII Facility Name</th><th>Export Capacity (MW)</th><th>Facility Type</th><th>Average FY17 Energy Price ($ per kWh)[a]</th><th>Time of Production</th><th>Fuel / Energy Source</th><th>Identifying Docket or In Service Date</th><th>End Date / Term</th></tr>
<tr><td rowspan="2">Hawi Renewable Development</td><td rowspan="2">10.56</td><td rowspan="2">As Available</td><td>$ 0.0999</td><td>On Peak</td><td rowspan="2">Wind</td><td rowspan="2">2004-0016</td><td rowspan="2">5/18/2021</td></tr>
<tr><td>$ 0.1078</td><td>Off Peak</td></tr>
<tr><td>Hamakua Energy Partners</td><td>60</td><td>Firm</td><td>$ 0.1336</td><td>Any</td><td>Naphtha</td><td>1998-0013</td><td>12/31/2030</td></tr>
<tr><td rowspan="5">Puna Geothermal Venture (PGV)</td><td rowspan="2">25</td><td rowspan="2">Firm</td><td>$ 0.1013</td><td>On Peak</td><td rowspan="5">Geo-thermal</td><td rowspan="5">2011-0040</td><td rowspan="5">12/31/2027</td></tr>
<tr><td>$ 0.1084</td><td>Off Peak</td></tr>
<tr><td>5</td><td>Firm</td><td>$ 0.1257</td><td>Any</td></tr>
<tr><td rowspan="2">8</td><td rowspan="2">Cycling</td><td>$ 0.0696</td><td>On Peak</td></tr>
<tr><td>$ 0.0640</td><td>Off Peak</td></tr>
<tr><td rowspan="2">Tawhiri Power (Pakini Nui)</td><td rowspan="2">20.5</td><td rowspan="2">As Available</td><td>$ 0.1406</td><td>On Peak</td><td rowspan="2">Wind</td><td rowspan="2">2004-0346</td><td rowspan="2">4/2/2027</td></tr>
<tr><td>$ 0.1187</td><td>Off Peak</td></tr>
<tr><td rowspan="2">Wailuku River Hydro</td><td rowspan="2">12.1</td><td rowspan="2">As Available</td><td>$ 0.0967</td><td>On Peak</td><td rowspan="2">Hydro</td><td rowspan="2">6956</td><td rowspan="2">5/12/2023</td></tr>
<tr><td>$ 0.1070</td><td>Off Peak</td></tr>
<tr><td>Feed-in Tariff</td><td>Varied</td><td>As Available</td><td>$ 0.2349</td><td>Any</td><td>Solar</td><td>2008-0273</td><td>20 years</td></tr>
<tr><td>Schedule Q[b]</td><td>Varied</td><td>As Available</td><td>$ 0.1007</td><td>Any</td><td colspan="3">Docket No. 7310 Decision and Order No. 24086; 2008-0069</td></tr>
<tr><td colspan="3" rowspan="2">Avoided Energy Cost Rate (>100 kW)</td><td>$ 0.1015</td><td>On Peak</td><td colspan="3" rowspan="2">Docket No. 7310 Decision and Order No. 24086</td></tr>
<tr><td>$ 0.1086</td><td>Off Peak</td></tr>
</table>

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.

Summary of Power Purchase Agreements in Effect on Maui Island, FY 2017

MAUI Facility Name	Export Capacity (MW)	Facility Type	Average FY17 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	$ 0.19100	On Peak	Biomass and Hydro	6616, 6374, 4072, 2015-0094	1/6/17
			$ 0.19100	Off Peak			
Kaheawa Wind Power	30	As Available	$ 0.13505	On Peak	Wind	2004-0365 6/9/2006	6/9/2026
			$ 0.12694	Off Peak			
Kaheawa Wind Power II	21	As Available	$ 0.18715	Any	Wind	2010-0279 7/2/2012	7/2/2032
Auwahi Wind Energy	21	As Available	$ 0.21158	Any	Wind	2011-0060 12/8/2012	12/28/2032
Makila Hydro	0.5	As Available	$ 0.12448	On Peak	Hydro	2005-0161 9/22/2006	9/22/2026
			$ 0.11329	Off Peak			
Feed-in Tariff	Varied	As Available	$ 0.20783	Any	Solar	2008-0273	20 years
Avoided Energy Cost Rate			$ 0.12351	On Peak	Docket No. 7310 Decision and Order No. 24086		
			$ 0.11260	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 16 MW of immediate emergency power. For details, see docket 2015-0094. The HC&S contract was terminated on January 6, 2017. HC&S did not sell any energy to Maui Electric in 2017. Therefore, the HC&S information represents only 2016 statistics.

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

Power Purchase Agreement in Effect on Molokai, FY 2017

MOLOKAI Facility Name	Facility Capacity (MW)	Facility Type	Average FY17 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

Power Purchase Agreement[a] in Effect on Lanai, FY 2017

LANAI Facility Name	Facility Capacity (MW)	Facility Type	Average FY17 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	$ 0.26999	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.

Summary of Power Purchase Agreements in Effect on Kauai, FY 2017

KAUAI Facility Name	Facility Capacity MW	Facility Type	Average FY17 Energy Price ($ per kWh)	Time of Production	Fuel / Energy Source	Identifying Docket or In Service Date	End Date / Term
Gay & Robinson	1	As Available	$0.0900	Any	Hydro	2000-0086	Year to year
Green Energy	0.13	As Available	$0.1203	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	$0.0729	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	$0.1197	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	$0.1393	Any	Biomass	2011-0032	1/31/2036
KRS1 Anahola	12	As Available	$0.1280	Daytime	Solar	2011-0323	4/1/2040
SolarCity/Tesla	13	As Available	$0.1390	Any	Solar & Storage	2015-0331	5/25/2036
Avoided Energy Cost Rate			$0.1173	Docket No. 7310, Decision and Order No. 24086			

Special Fund Update for Fiscal Year 2017

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 2017 Special Fund revenues of $19,148,380 reflect a 14.83% decrease compared to FY 2016 revenues. The Commission collected $17.2 million in public utility fees for FY 2017, 16 percent less than FY 2016 public utility fees. Motor carrier fees of $1.7 million collected in FY 2017 were 3.6 percent more than the fees collected in FY 2016. The revenues derived from each source of income for FY 2017 are shown in Figure 18 and Table 16.

Figure 18 - Public Utilities Commission Special Fund FY 2017 Revenues

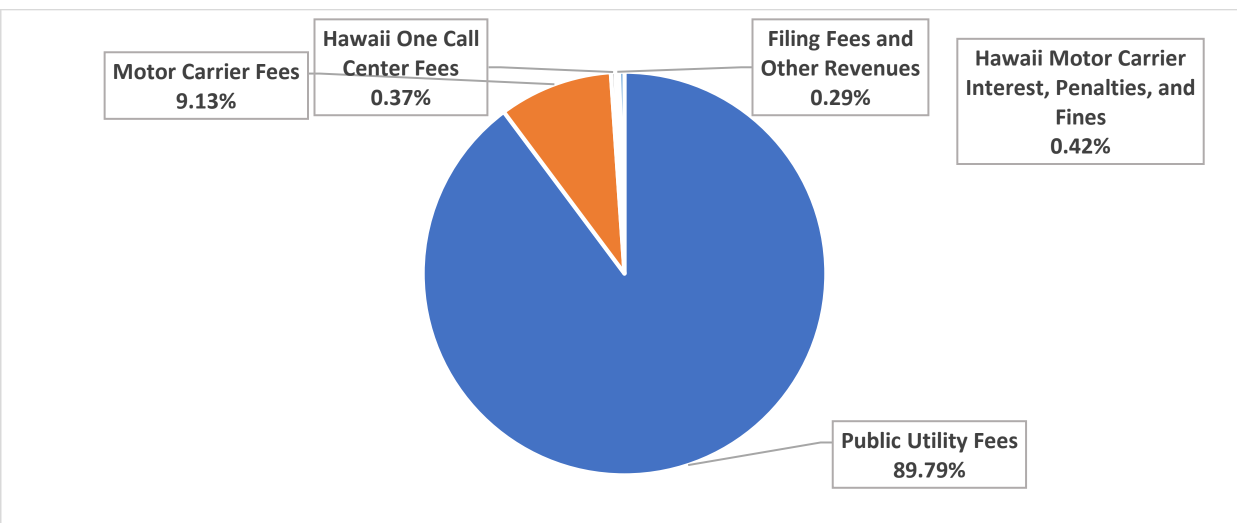


Table 16 - Public Utility Commission Special Fund Revenues, FY 2016 and 2017

Description of Revenues	FY 2016	FY 2017
Public Utility Fees	20,635,565	17,193,514
Motor Carrier Fees	1,686,718	1,747,764
Hawaii One Call Center Fees	75,722	70,553
Filing Fees and Other Revenues	36,075	55,637
Hawaii Motor Carrier Interest, Penalties, and Fines	63,247	80,912
Total Revenues	$22,497,327	$19,148,380

Expenditures and Transfers

In FY 2017, Commission direct expenditures totaled $6,227,943 and accounted for 33.1% of total expenditures and transfers from the Commission's Special Fund.

During the fiscal year, the remaining 67% of expenditures consisted of transfers to other State agencies or the General Fund, including 23% transferred to the Division of Consumer Advocacy pursuant to HRS § 269-33, 5% was transferred to the Department of Accounting and General Services for Central Services pursuant to HRS § 36-27, 6% funded the Office Space and Renovation Project, and 4% was transferred to Department of Commerce and Consumer Affairs for Administrative Support Services pursuant to HRS § 36-30.

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 2017, this amount was $5,379,571 and accounted for 29% of total Commission expenditures and transfers.

The breakdown of total FY 2017 Commission Expenditures and Transfers are detailed in Figure 19 and Table 17.

Figure 19 - Public Utilities Commission Special Fund Fiscal Year 2017 Expenditures and Transfers

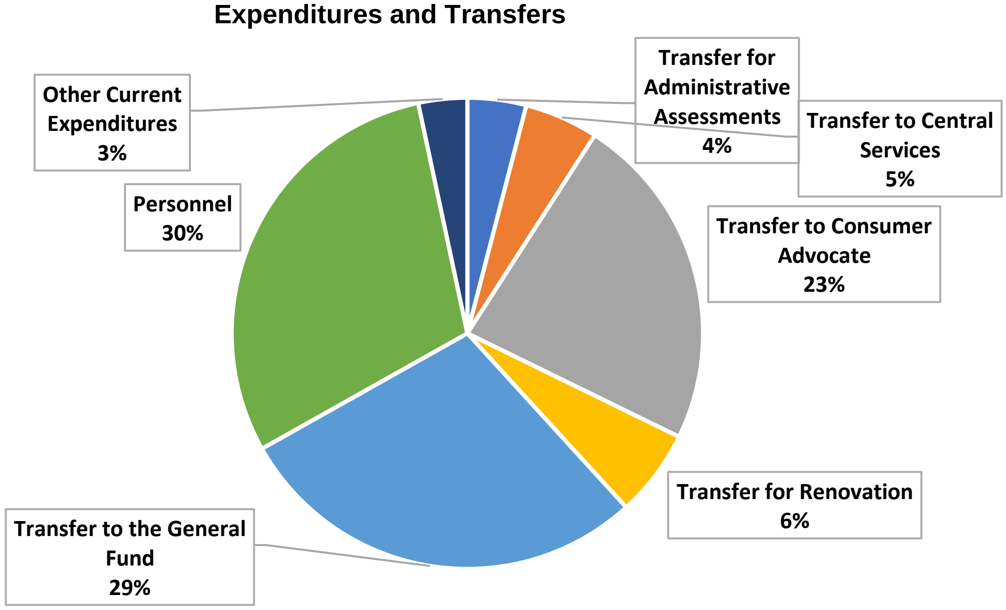


Table 17- Public Utilities Commission Special Fund Expenditures and Transfers, FY 2016 and 2017

Description of Expenditures and Transfers	FY 2016	FY 2017
Transfer for Administrative Assessments	452,508	757,397
Transfer to Central Services	1,120,030	952,147
Transfer to Consumer Advocate	4,175,467	4,348,405
Transfer for Renovation	4,964,894	1,124,617
Transfer to the General Fund	5,788,511	5,379,571
Personnel	4,732,254	5,598,702
Other Current Expenditures	1,090,651	629,241
Total	22,306,315	18,790,080