

**STATE OF HAWAII**  
**PUBLIC UTILITIES COMMISSION**

**ANNUAL REPORT**  
**FOR**  
**FISCAL YEAR 2018**

(July 1, 2017 – June 30, 2018)

**DECEMBER 2018**

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# Executive Summary

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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 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, while affording the opportunity for regulated entities to achieve and maintain commercial viability.

## Commission Proceedings and Regulatory Issues

During Fiscal Year (“FY”) 2018 (July 1, 2017 – June 30, 2018), the Commission regulated 1,806 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 862 decisions and orders in FY 2018. The Commission began FY 2018 with 163 open dockets that had been initiated in previous fiscal years. During the fiscal year, an additional 429 new dockets were opened (most of which were applications filed by entities regulated by the Commission), and 451 dockets were completed (closed). As of the end of FY 2018, 141 open dockets will carry over into FY 2019.

The majority of the Commission’s time and resources in FY 2018 were dedicated to the important and complex area of regulating Hawaii’s electric utilities as Hawaii continues to transform 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:

- Performance Based Regulation Investigation
- Community Based Renewable Energy
- Competitive Procurement of Renewable Energy
- Integrated Grid Planning
- Grid Modernization Strategy
- Distributed Energy Resources Investigation
- Demand Response Program

The following sections briefly summarize major docketed proceedings by industry.

### Electric Utilities

During FY 2018, the Commission approved rate cases filed by Hawaii Electric Light Company (“HELCO”) and Hawaiian Electric Company (“HECO”) and approved an interim rate adjustment for Maui Electric Company (“MECO”). HELCO filed a notice stating its intent to file its next rate case by December 2018. In addition, the Commission prioritized and actively advanced several critical dockets that will have significant implications for Hawaii’s energy future.

### ***Performance Based Regulation (“PBR”) Investigation, Docket No. 2018-0088***

The Commission opened Docket 2018-0088 to examine performance-based regulation, recognizing that traditional regulatory approaches may not provide the proper incentives for Hawaii’s electric utilities to make the needed rapid, but cost-effective, transition from fossil-fuel based generation to renewable technologies and respond to changing customer preferences while achieving the State’s energy goals. Subsequently, Governor David Ige signed SB 2939 into law, directing the Commission to establish performance incentives and penalties by 2020. Docket 2018-0088 is a forum to evaluate the current regulatory environment through a holistic review of the current regulatory framework, regulatory mechanisms, and the potential benefits, rewards, and risks of PBR.

This proceeding is divided into two phases. Phase 1 has assessed and evaluated the current regulatory framework in Hawaii and identifies specific areas of utility performance to be targeted for improvement. Phase 2 will explore and develop new PBR frameworks, including additional performance incentives to

further enhance the alignment between the utilities' financial interest and their customers. The Commission has instituted a series of collaborative, facilitated technical workshops to advance the first phase of this proceeding. The technical workshops hosted to date have established a common foundation and lens to review the existing regulatory framework and will inform any modifications or refinements to the existing regulatory framework. Stakeholders will continue to discuss PBR and related issues within this proceeding throughout 2019.

### ***Community Based Renewable Energy ("CBRE") Program, Docket No. 2015-0389***

The Community-Based Renewable Energy ("CBRE") program, based on legislation passed in 2015, is intended to provide a way for electric utility customers without privately-owned rooftop solar to benefit from electricity generated by a renewable energy facility located in their utility service territory. On December 22, 2017, the Commission issued its Decision and Order, which included a CBRE Framework, and directed the utilities to file their CBRE tariffs. KIUC and the HECO Companies began accepting community solar project applications in July of 2018. The first phase of CBRE aims to bring on a total of 11 megawatts of solar across the state. The second phase of CBRE is expected to expand the energy capacity offered and include technologies beyond conventional solar, including energy storage.

### ***HECO Companies' Competitive Bidding Process to Acquire Utility-Scale Renewable Generation, Docket No. 2017-0352***

On July 14, 2017, the Commission issued an order accepting the HECO Companies' Power Supply Improvement Plans ("PSIP"), which set forth the HECO Companies' intention to competitively procure nearly 400 MW of new renewable resources by 2021. The Commission subsequently opened docket 2017-0352 for filings related to the HECO Companies' competitive procurement of new generation. On February 2, 2018, the HECO Companies filed their Final Draft Variable RFPs, which the Commission approved. Additionally, the Commission established a Performance Incentive Mechanism ("PIM") for the HECO Companies, to encourage a successful and timely execution of the procurement process. The PIM provides a shared-savings incentive based on the savings from each project compared to benchmarks of recent low-cost renewable energy projects. In June 2018, the Commission authorized the HECO Companies to expand the number of project selected for the Final Award Group in response to the volcanic activity along Kilauea Volcano's lower east rift zone on Hawaii Island, which will contribute to achievement of the statewide 2020 Renewable Portfolio Standard ("RPS") goal. On October 9, 2018, the HECO Companies announced that seven solar plus storage projects were selected for Oahu, Maui and Hawaii Island. The HECO Companies are in contract negotiations with developers and are expected to file the final negotiated contracts with the Commission by December 2018.

### ***Integrated Grid Planning ("IGP"), Docket No. 2018-0165***

Electric utilities utilize resource planning to identify long-term investments that can reliably meet electricity demand and public policy goals at reasonable cost. With the increasing prominence of flexible resources (such as storage and controllable electric demand), the Commission has directed the HECO Companies to continue to integrate their planning processes, and consider the interaction of generation, transmission, and distribution systems for the benefit of customers. As a result, the HECO Companies are undertaking an integrated grid planning ("IGP") approach intended to integrate bulk system planning with transmission and distribution planning efforts. This ambitious and holistic new approach to power system planning, if implemented successfully, could accelerate the State's progress towards a 100% renewable portfolio standard by 2045. The HECO Companies have begun stakeholder outreach and will file an IGP Workplan in December 2018 that will provide further detail on the proposed IGP process and schedule.

### ***HECO Companies' Phase 1 Grid Modernization Project, Docket No. 2018-0141***

At the Commission's direction, the HECO Companies developed a Grid Modernization Strategy ("GMS"), filed on August 29, 2017. The HECO Companies state that the proposed grid modernization investments will increase the use of renewable energy, integrate new technologies, enable Demand Response ("DR"), Distributed Energy Resources ("DER"), and Time-of-Use ("TOU") programs, and empower customers to better manage their energy usage. The HECO Companies intend to file a sequential series of GMS applications to build a grid that is a platform for coordinated import and export of energy and related services. Phase 1 of the GMS includes (1) advanced meters with integrated communication capabilities, (2) a meter data management system, and (3) a telecommunications network that allows for communication between advanced meters and field devices. The HECO Companies are proposing to implement Phase 1

between the 2019-2023 timeframe at a total estimated cost of approximately \$86.3 million. The Commission is currently reviewing the application.

### ***Distributed Energy Resources (“DER”) Investigation, Docket No. 2014-0192***

The evolution of distributed energy resource (“DER”) policies is essential given the high level of distributed renewable energy in Hawaii and the State's commitment to meet a 100% renewable portfolio standard by 2045. Over the past two years, the Commission has established a transitional DER market structure that now includes a variety of program offerings for customers, such as, Customer Grid Supply (“CGS”), Customer Grid Supply Plus (“CGS+”), Customer Self Supply (“CSS”), Smart Export, NEM Plus (“NEM+”), and a time-of-use (“TOU”) rate option. Throughout FY 2017 and 2018, stakeholders within the DER proceeding participated in working groups to refine advanced DER tariff terminology and interconnection standards, enable advanced inverter functionality, and develop advanced DER integration analyses. Additionally, the Commission ordered the HECO Companies to allow Net Energy Metering (“NEM”) customers to add non-export technology onto their systems. The Commission anticipates additional discussion on advanced DER tariffs, rate design, and related issues within the DER docket throughout FY 2019.

### ***HECO Companies’ Demand Response (“DR”) Program, Docket No. 2015-0412***

Demand response (“DR”) programs have emerged as an essential tool to address an increasingly dynamic electric grid. The Commission provided the HECO Companies with specific guidance concerning standards to be met by a fully integrated DR portfolio and assigned a Special Advisor to guide, monitor, and review HECO's design and implementation process. The HECO 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. The Commission approved the HECO Companies' Revised DR Portfolio, stating the program creates the economic and technical means where customers can use their own equipment and behavior to have a role in the management of the electric grid. The Commission directed the HECO Companies to begin immediate implementation of the revised DR Portfolio, offering the HECO Companies a one-time Performance Incentive Mechanism (“PIM”) to reward positive outcomes. The HECO Companies are in negotiations with DR services providers and are expected to begin a second phase of the DR portfolio in 2019.

### Utility Gas

In Docket No. 2017-0105, the Commission reviewed the request by Hawaii Gas for a change in rates and rules throughout its service territories. An Interim Decision and Order was issued on June 27, 2018. The final Decision and Order was issued on December 21, 2018.

### Water and Wastewater Utilities

The Commission currently regulates 39 privately-owned water service utilities that provide water and wastewater services. During FY 2018, there were eleven active water- and wastewater-related dockets, primarily related to requests for rate increases and approval of change of control.

### Telecommunications

The Commission oversees 177 telecommunications providers operating in Hawaii. In FY 2018, the Commission approved change of control applications of Hawaiian Telecom and others, certificated 18 new telecommunications companies, and approved the voluntary surrender of 13 telecommunication companies' certificates.

### Water Carriers

During FY 2018, the Commission approved Young Brothers' requests to dispose of two shipping vessels and is currently reviewing its rate case application.

## **Motor Carriers**

The Commission regulates 1,583 motor carriers, which includes 1,041 passenger carriers and 543 property carriers. During FY 2018, 153 new certificates or permits were issued to 116 passenger carriers and 37 property carriers.

## **Enforcement Activities**

There were 2 formal complaints and 75 written informal complaints against regulated utilities processed in FY 2018. The Commission issued 22 civil citations assessing civil penalties totaling \$29,000. 48 motor carrier certificates were also revoked.

## **Administrative Update**

During the fiscal year, the Commission re-described 5 positions and recruited and filled 11 vacant positions. The Commission successfully completed Phase 2 of the expansion and renovation project, providing space for all funded and authorized full-time Commission Oahu office staff to operate in the same building, increasing the efficiency and effectiveness of Commission operations.<sup>1</sup>

The Commission received 4 Uniform Information Practices Act ("UIPA") requests. All requests were completed within the fiscal year.

In 2018, the Office of the State Auditor performed an audit (Report No. 18-05) of the Commission, pursuant to Act 198, Session Laws of Hawaii 2017 (SB382). The Auditor expressed concern with the Commission's Document Management System (DMS). DMS allows the Commission to manage dockets, handle applications, and make documents available to Commission staff and the public by capturing and archiving all filed documents, processing electronic payments, and posting and notifying the public of filings. The Commission has maintained this system since 2005, and while improvements have been made over the years, the Auditor noted the difficulty experienced by Commission staff and the public in utilizing the system. The Auditor also identified a lack of formalized staff training as a concern that contributes to challenges with staff retention and maintaining institutional knowledge. The Commission has taken action to address the recommendations of the Auditor, including working with a consultant to evaluate and improve the DMS system, and providing in-house training sessions for all employees.

## **Commission Funding**

Fees from public utilities and motor carriers are deposited into the Public Utilities Commission Special Fund for expenses incurred in the administration of Chapters 269, 269E, 271, and 271G of the Hawaii Revised Statutes. In FY 2018, total Special Fund revenues were \$16,905,331. The majority, 88%, came from public utility fees; 11% 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.

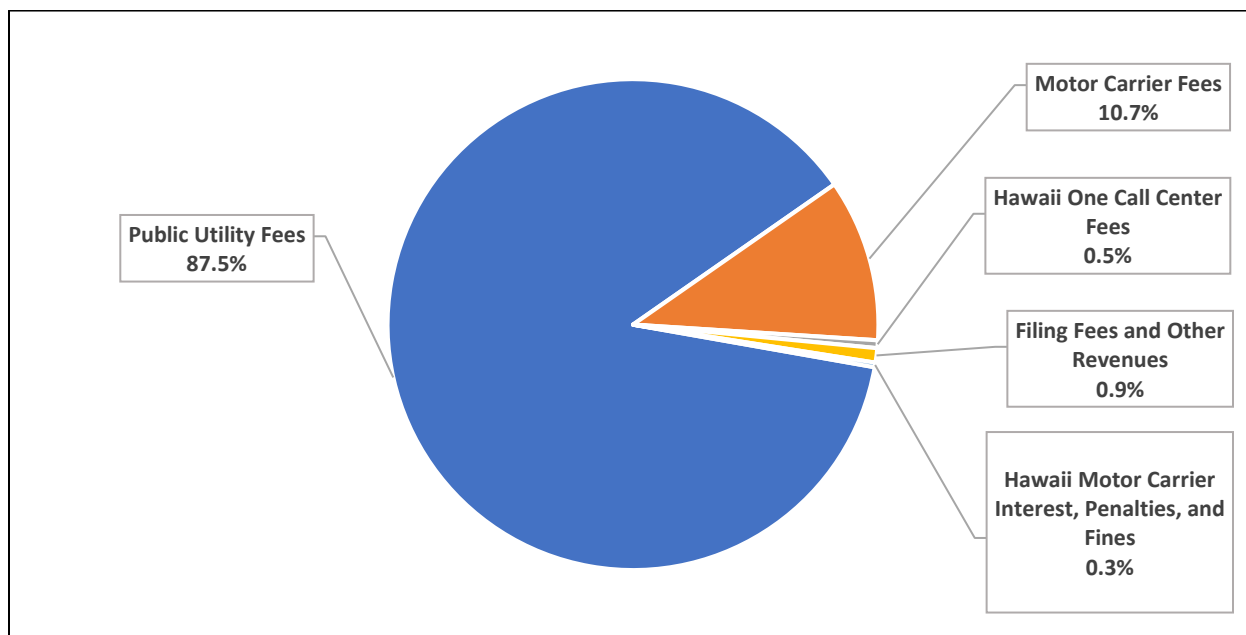
In FY 2018, the Commission's direct expenditures totaled \$7,071,298 and accounted for 45% of total expenditures and transfers from the Commission's Special Fund.

During the fiscal year, the remaining 55% of expenditures consisted of transfers to other State agencies or the General Fund, including 27% transferred to the Division of Consumer Advocacy pursuant to HRS § 269-33, 20% transferred to the General Fund, 5% transferred to the Department of Accounting and General Services for Central Services pursuant to HRS § 36-27, 3% transferred to Department of Commerce and Consumer Affairs for Administrative Support Services pursuant to HRS § 36-30, and 0.5% funded the Office Space and Renovation Project.

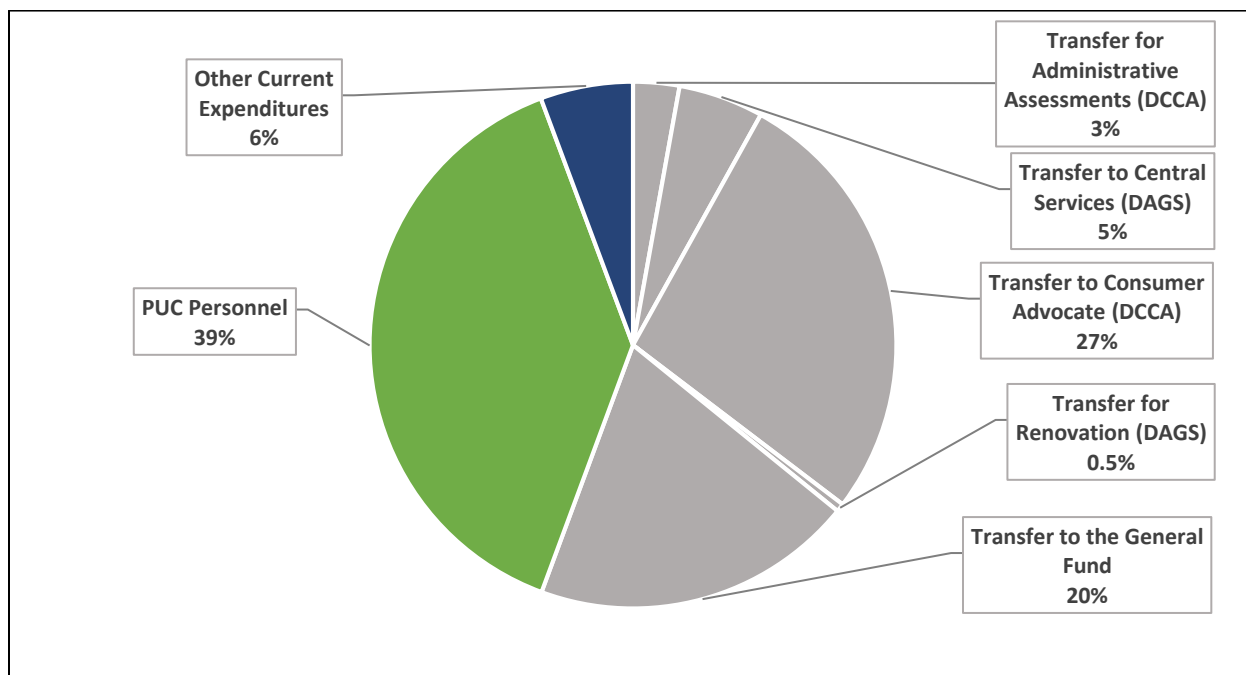
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<sup>1</sup> The final phase, the renovation of Room 103, was completed in early fiscal year 2019 (after the period covered by this report).

### PUC Special Fund Revenues (FY 2018)



### PUC Special Fund Expenditures (FY 2018)



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# Introduction

The Public Utilities Commission of the State of Hawaii submits this Annual Report pursuant to § 269-5 and § 269-33, Hawaii Revised Statutes (“HRS”). This report summarizes the activities and operations of the Commission and the public utilities it regulates during the 2018 Fiscal Year (“FY”), which runs from July 1, 2017 to June 30, 2018. Where possible, this report reflects the most current information. Regulated utilities’ reports, and financial and budget information reflect information from the 2017 fiscal year.

The Commission regulates 1,806 entities in Hawaii, 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. 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	Hone Heke	1,040 Passenger Services	543 Property Carriers	Hawaiian Telcom	177 Wireless and Wireline Companies	39 Private Water and Sewer Companies

The Commission has offices on four islands.

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## Commissioners

The Hawaii Public Utilities Commission is a full-time body comprised of three commissioners, each serving six-year terms on a staggered basis. The governor, with the consent of the state senate, appoints the commissioners. The three commissioners during FY 2018 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 (term ended June 30, 2018)**

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.



### **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 Excelsator program.



**Jennifer M. Potter, Commissioner (term beginning July 1, 2018)**

Jennifer M. Potter was appointed to the Public Utilities Commission by Governor Ige in March 2018 for a term to expire June 30, 2024. Commissioner Potter was previously a faculty member at the Hawaii Natural Energy Institute (“HNEI”), an independent research institute within the University of Hawaii, where she conducted research on demand response, Distributed Energy Resource (“DER”) technologies, locational benefits of DERs, and energy efficiency. Prior to joining HNEI, Commissioner Potter was a Sr. Scientific Engineering Associate in the Electricity Market and Policy group at Lawrence Berkeley National Laboratory where she was the project lead on the 2025 California Demand Response Potential Study for the California Public Utilities Commission. During her tenure, she conducted a number of studies on demand response and integrated demand side management for the U.S. Department of Energy. Commissioner Potter previously worked at Sacramento Municipal Utility District (“SMUD”) as the Project Manager on SMUD’s SmartSacramento team working on the Department of Energy’s American Recovery and Reinvestment Act funded Consumer Behavior Study, known as SmartPricing Options pricing pilot. While at SMUD, she also worked as the Customer Strategy Planner for residential and small commercial EE and DR programs, as well as serving as the Enterprise Performance Data Manager. Commissioner Potter also worked as the Principal Market Analyst in the Pricing and Resource Planning department at SMUD. Prior to her time at SMUD, Commissioner Potter worked at City of Roseville, Roseville Electric, as the principal load and revenue forecaster, load researcher, and business analyst for the utility. Commissioner Potter holds a Master of Science in Public Policy and Management from Carnegie Mellon University and a Bachelor of Arts in International Studies and Economics from Southern Oregon University.



# Goals and Objectives of the Commission

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## 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, affording the opportunity for regulated entities to achieve and maintain commercial viability.

## Strategic Goals

The Commission's strategic goals are to:

- Increase the efficiency of the regulatory process;
- Foster greater understanding of the regulatory process by the public;
- Actively monitor pending legislation at the State and Federal levels to determine potential impacts on Commission duties and responsibilities;
- Take appropriate actions to insure adequate funding levels to perform all Commission functions;
- Review IT requirements to facilitate timely and accurate dissemination of information; and
- Cultivate high morale and performance among Commission employees.

### ***Goal 1: Increase the efficiency of the regulatory process.***

Objectives:

- Resolve 100% of all dockets within statutory timeframes where specified.
- Resolve 100% of all dockets within 90 days after the docket is ready for decision making.

### ***Goal 2: Foster greater understanding of the regulatory process by the public.***

Objectives:

- Revise existing web content, create new content and conduct updates every six months to ensure the website adequately and accurately explains Commission actions.
- Provide guest speakers at a minimum of four public venues each year in Hawaii.

### ***Goal 3: Actively monitor pending legislation at the State and Federal levels to determine potential impacts on Commission duties and responsibilities.***

Objectives:

- Identify 100% of proposed legislation affecting the Commission within one week of the legislative deadline for bill introduction.
- Where necessary, submit written testimony to relevant legislative committee by the required deadline as set by the committee.
- Attend or monitor 100% of legislative hearings dealing with legislation affecting the Commission during the Legislative Session.

### ***Goal 4: Take appropriate to ensure adequate funding to perform all Commission functions.***

Objectives:

- Review actual expenditures versus budgeted amounts quarterly and review variances. Review anticipated special fund collections annually to ensure collections are sufficient to cover anticipated expenditures.
- Prepare draft legislation to supplement special fund collections for introduction at the Legislative Session when necessary.

**Goal 5: Review Information Technology requirements to facilitate timely and accurate dissemination of information.**

Objectives:

- Consistent with recommendations of the State Auditor's report, determine whether the Commission's current Document Management System ("DMS") system should be replaced or enhanced with the assistance of a consultant.
- Based on the consultant's recommendation, prepare the Commission's biennial budget to include the cost of implementing the recommended course of action for submission to the Legislature.

**Goal 6: Cultivate high moral and performance among Commission employees.**

Objectives:

- Offer at least two professional, issue specific in-house training sessions per year to all professional employees.
- Offer state-offered training classes to all employees annually.

## **Recommendations for Legislative & Executive Action**

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The Commission is not requesting any Legislative or Executive action for FY 2019, other than requests to continue to fund and support the Commission's activities pursuant to State law. However, the Commission is currently evaluating revenues received into the PUC Special Fund from public utility fees collected from utilities regulated by the Commission, which have declined significantly in the past several years. If public utility fee collections continue to decline, the Commission may request authorization to increase fees collected from public utilities, to ensure adequate funding to cover the Commission's budget appropriation.

## **Administrative Update**

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During the fiscal year, the Commission re-described 5 positions and recruited and filled 11 vacant positions. The Commission successfully completed Phase 2 of the expansion and renovation project and the final phase, the renovation of Room 103, will be completed in early FY 2019. 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.

The Commission received 4 Uniform Information Practices Act ("UIPA") requests during FY 2018. All requests were completed within the fiscal year.

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# 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 DMS website at: <http://dms.puc.hawaii.gov/dms/>. Non-docketed filings may also be viewed on DMS. Non-docketed filings in calendar year 2017 are under docket number 2017-0000 and those from calendar year 2018 are under docket number 2018-0000.

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

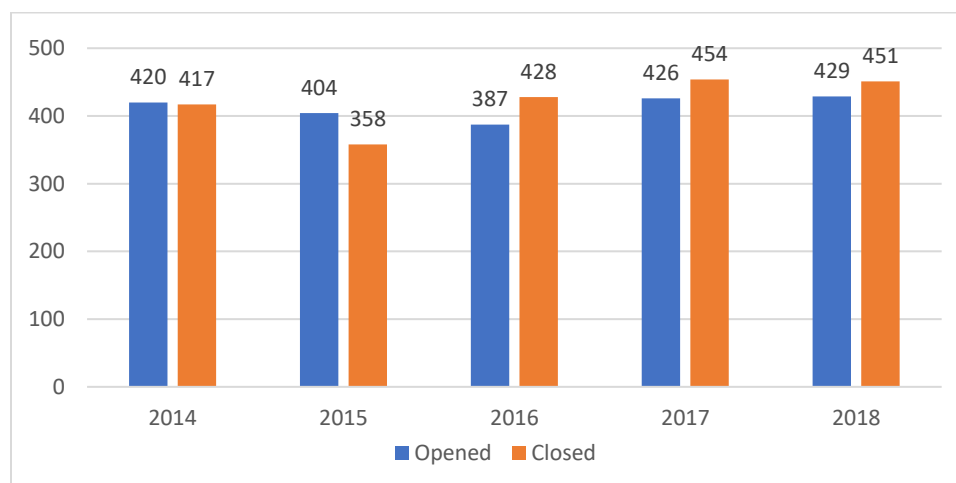
## Docket Statistics

The Commission issued a total of 862 decisions and orders in FY 2018. At the beginning of FY 2018, there were 163 pending dockets that had been opened and carried over from previous fiscal years. During the fiscal year, an additional 429 new dockets were opened. Thus, during FY 2018, a total of 592 dockets were before the Commission for review and consideration. Of the 592 dockets, 451 were closed during FY 2018. As of June 30, 2018, 141 open dockets remained pending and will carry over to FY 2019. The number of dockets by type and status are shown in Table 1.

**Table 1 - Public Utilities Commission Dockets**

Sector	Carried over from FY 2017	Opened in FY 2018	Total of FY17 Carried Over + FY18 Opened	Closed in FY 2018	To Carry Forward to FY 2019
Electric	48	31	79	26	53
Gas	2	0	2	2	0
Telecommunication	20	54	74	55	19
Water/Sewer	5	9	14	7	7
Motor Carrier - Passenger	57	236	293	246	47
Motor Carrier - Property	18	92	110	102	8
Water Carrier	4	1	5	2	3
One Call Center	9	5	14	11	3
Other	0	1	1	0	1
<b>TOTAL</b>	<b>163</b>	<b>429</b>	<b>592</b>	<b>451</b>	<b>141</b>

**Figure 2- Dockets Opened and Closed, Fiscal Years 2014-2018**



## 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 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 made progress on the advancement of the following priority dockets. The priority dockets will have major implications for the future of Hawaii’s electric utilities and will contribute to helping the State achieve its energy goals.

#### **Performance-Based Regulation (“PBR”) Investigation**

*Docket 2018-0088, Status: Open*

On April 14, 2018, the Commission opened Docket 2018-0088 – Instituting a Proceeding to Investigate Performance Based Regulation (“PBR”) (“Docket 2018-0088”). In opening the investigatory proceeding, the Commission intends to holistically assess and evaluate the current regulatory framework, ensuring that the various regulatory mechanisms in place are working efficiently and as intended. More specifically, the Commission seeks to refine and/or modify the present regulatory framework and examine additional revenue and incentive mechanisms that encourage exemplary utility performance through this proceeding.

On June 20, 2018, the Commission issued Order 35542 – Admitting Intervenor and Participant and Establishing a Schedule of Proceedings (“Order 35542”). Within Order 35542, the Commission bifurcated the proceeding into two phases. Phase 1 of the proceeding considers regulatory goals and outcomes to (1) inform and a performance-based regulatory framework, (2) evaluate the current regulatory framework in Hawaii to examine which incentive mechanism and regulatory components may be not functioning as intended, (3) identify specific areas of utility performance that should be targeted for improvement, and (4) identify specific performance metrics and regulatory mechanisms that may be appropriate at this time. In Phase 2, the Commission intends to continue the collaborative process to (1) streamline and/or refine elements of the existing regulatory framework, and (2) develop incentive mechanisms to better address specific objectives or areas of utility performance that meet the goals and outcomes established in Phase 1.

The Commission has instituted a series of collaborative, facilitated technical workshops to advance the proceeding. The technical workshops hosted to date have established a common foundation and lens to view and assess the existing regulatory framework and inform the need for any modifications or refinements thus far. Stakeholders will continue to discuss PBR and related issues within this proceeding throughout FY19.

#### **Integrated Grid Planning (“IGP”) Investigation**

*Docket 2018-0165, Status: Open*

Electric utilities utilize resource planning to identify long-term investments that can reliably meet electricity demand and public policy goals at reasonable cost. With the prominence of flexible resources on the electric grid, planning and operations has become more important. A careful assessment is now required to ensure that electric utilities are taking a more holistic approach to the system, developing a grid that is integrated and benefits all customers. As such, the Commission directed the HECO Companies to initiate the process of an integrated grid planning (“IGP”) approach based on enhancing the methods and tools of the prior Power Supply Improvement Plans (“PSIP”). Within Order 34696, the Commission noted that the HECO Companies proposed a planning process that integrates bulk system planning with transmission and distribution planning within related reports and found it reasonable for the HECO Companies to file a report detailing the HECO Companies’ planning approach and schedule for the next round integrated planning. On March 1, 2018, the HECO Companies submitted an Integrated Grid Planning (“IGP”) Report that proposes an ambitious and holistic new approach to power system planning, that, if implemented successfully, could accelerate the State’s progress towards a 100% renewable portfolio standard by 2045.



On July 12, 2018 the Commission issued Order No. 35569 that provided initial feedback on the IGP Report and guidance on HECO's next steps. On August 30, 2018, HECO hosted (1) a stakeholder meeting, (2) a public workshop was convened on September 20, 2018, and (3) public comments were accepted until October 15, 2018. Moving forward, stakeholder meetings will continue and by December 14, 2018, HECO will file an IGP Workplan that will provide further detail on their IGP proposal.

### **HECO Companies' Application for Approval to Commit Funds in Excess of \$2,500,000 for the Phase 1 Grid Modernization Project ("Phase 1 – Grid Modernization")**

*Docket 2018-0141, Status: Open*

On June 21, 2018, the HECO Companies filed an Application for Approval to Commit Funds in Excess of \$2,500,000 for Phase 1 of the Grid Modernization Project ("Application"). The Application follows the HECO Companies' proposed strategy as discussed in the Companies' Grid Modernization Strategy ("GMS") filed on August 29, 2017.

As set forth in the GMS, the HECO Companies' grid modernization investments will enable the incorporation of more renewable energy resources and the integration of new technologies, including, Demand Response ("DR"), Distributed Energy Resources ("DER") programs, Time-of-Use ("TOU") rates, and capabilities to provide customer insight to better manage their energy usage. Specifically, the Companies' proposed investments will provide the modernized platform for evolving needs and improved services, tools, offerings and capabilities. The HECO Companies propose a sequential series of GMS applications to build a grid that is a conduit for coordinated import and export of energy and related services, and to balance electricity supply and demand. Therefore, Phase 1 of the GMS consists of investment in the following three technologies – (1) advanced meters with integrated communications, (2) a meter data management system, and (3) an interoperable, scalable telecommunications network, which enables the communication for both advanced meters and field devices for distribution sensing, control and automation. The Companies state these three foundational platform components support each other, with a focus on the near-term approach laid out in the GMS – to ensure flexibility over the longer term, and to adjust to changing circumstances, including considerations from the HECO Companies' Integrated Grid Planning ("IGP") process and technological innovations.

Phase 1 will also provide the basis for future GMS deployments, such as an Advanced Distribution Management System and other field devices necessary to increase grid efficiency and resilience while continuing to grow customer options and utility-based program opportunities in Hawaii, such as the electrification of transportation. The HECO Companies are proposing to implement Phase 1 over the 2019-2023 timeframe at a total estimated cost of approximately \$86.3 million, and to recover the costs of Phase 1 through the Major Project Interim Recovery ("MPIR") adjustment mechanism until base rates that reflect the revenue requirements associated with the costs of Phase 1 take effect in a future rate case for each respective company.

On August 14, 2018, the Commission issued Order 35645 – Approving with Modifications, the Parties' Proposed Procedural Schedule ("Order 35645"). Since the issuance of Order 35645, there have been a series of Information Requests ("IR") to the HECO Companies related to specific aspects of the HECO Companies' Application. The Commission is currently reviewing the application and anticipates a decision on the Application within FY19.

### **Affiliate Transaction Requirements ("ATR") Proceeding**

*Docket 2018-0065, Status: Open*

On March 22, 2018, the Commission opened a proceeding to establish Affiliate Transaction Requirements ("ATR"). The ATRs are intended to provide structure to navigate the HECO Companies' affiliate relationships, and those affiliates' potential transaction with the HECO Companies. Broadly, the Draft ATRs seek to "establish safeguards to govern the interaction between utilities and their affiliates, both during the transition to and after the introduction of competition, to avoid potential market-power abuses and cross-subsidization between regulated and unregulated activities. The draft ATRs build upon mandates and guidance already provided in the 1982 Conditions of Merger and the Thomas Report (1995) and provide additional detail regarding how the Commission may determine whether the contracts and agreements between a regulated entity and its affiliates are shown by clear and convincing evidence to be in furtherance of the public interest. On August 28, 2018, the Commission issued Order 35657, granting intervention and participation to stakeholders and establishing a procedural schedule for the proceeding. Stakeholders have provided comment on the Draft ATRs and which are under review by the Commission.



## **Distributed Energy Resources Policies Investigation**

*Docket No. 2014-0192, Status: Open*

The Commission instituted this proceeding to investigate the technical, economic, and policy issues associated with DER as it pertains 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 address any remaining issues that are related to DER throughout Hawaii and will support a longer-term market for DER. Throughout 2017, the Commission took a number of actions to further support the development of a longer-term, competitive DER market by the review and consideration of established DER policies that were approved between 2014 and 2016, including the interim Time of Use ("TOU") tariff, Customer Grid Supply ("CGS"), Customer Self Supply ("CSS"), and Net Energy Metering ("NEM") programs. Following the Commission's guidance as provided by Order 33958, the issues addressed throughout the DER proceeding in 2017 have included: 1) further review of the HECO Companies' Hosting Capacity Analysis, 2) further revisions to applicable Interconnection Standards, 3) improvements to existing DER tariffs, and successor tariffs for CGS, CSS and the Interim TOU program.

Between 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 Commission addressed the Technical Track issues, as well as components of the Priority Issues, as set forth in the DER Statement of Issues issued in Order No. 34206. Specifically, Order No. 34922 approved two innovative programs (the Smart Export program and the CGS+ program) to expand opportunities for customers to install rooftop solar and battery energy storage systems, and ordered the HECO Companies to submit: 1) proposed revisions to Rule 14H (Interconnection Standards), Rule 22 (Customer Self Supply tariff), and Rule 23 (Customer Grid-Supply tariff), and the HECO Companies' proposed policy and procedure to allow NEM customers to add non-export technology to their system. On November 21, 2017, the HECO Companies submitted the tariff modifications and a proposed NEM proposal.

On December 22, 2017, the Commission issued a letter inviting stakeholders to submit comments on the HECO Companies' DER filings. The Commission requested any comments related to the DER filings should be filed with the Commission by January 8, 2018. On February 5, 2018, the Commission issued Order No. 35266, Addressing the HECO Companies' proposed tariffs filed pursuant to Decision and Order No. 34924. Within Order 35266, the Commission specifically 1) approved the proposed tariff revisions to the CSS and CGS tariff, 2) approved with modifications, the proposed tariff revisions to Rule No. 14H, 3) approved, with modifications, the proposed tariffs for the CGS+ and the Smart Export program, and 4) instructed the HECO Companies to collaborate with stakeholders and submit a revised proposed policy and procedure for allowing NEM customers to add non-exporting technology to their systems within thirty days of the Order. On March 9, 2018, the HECO Companies submitted their revised proposed policy and procedure to allow NEM customers to add a non-export technology to their system. On March 28, 2018, the Commission issued Order 35369, requesting the HECO Companies clarify specific aspects of the DER tariffs, and asking for comments on the HECO Companies' Revised Proposed NEM Policy. The Commission asked for comments by April 10, 2018. On April 9, 2018, the Joint Parties filed a Motion to Reaffirm and Enforce Commission Approved Interconnection and Queuing Policy regarding modifications to DER system size. Specifically, the Joint Parties requested the Commission reaffirm the 1kW tolerance rule for minor capacity expansions to a DER system, in a situation where an applicant can demonstrate a reasonable basis for changing the PV system design or equipment.

On June 29, 2018, the Commission issued Order No. 35563, addressing a number of outstanding issues in the DER proceeding, including: 1) approving the HECO Companies' Smart Export tariff sheets, filed April 30, 2018, 2) requesting comment related to the HECO Companies' CGS+ tariff sheets, filed April 30, 2018,

3) addressing the HECO Companies' CGS+ tariff sheet compliance filing, filed May 31, 2018, 4) approving, with modification, the HECO Companies' policy and procedure for allowing NEM customers to add non-export energy storage systems, and 5) granting the Joint Parties' Motion to Reaffirm, filed April 9, 2018. Additionally, Order 35563, suspended the procedural schedule governing the Market Track of Phase 2. The Commission noted that there are several issues that continue to require the Parties' and Commission's attention and should be resolved before moving on to the new issues identified for the Market Track. Within Order 35563, the Commission noted that the suspension of the Market Track delays the ability to address some of the issues identified for Phase II.

On September 20, 2018, the Commission issued Order 35701, approving, with modifications, the HECO Companies revisions to the Customer Grid Supply Plus program, submitted by the HECO Companies on May 31, 2018. On October 9, 2018, the Commission issued Order 35740, partially approving the HECO Companies request to extent the TOU-Residential ("TOU-RI") tariff sheets that were filed on September 10, 2018. Specifically, the Commission approved the HECO Companies' request to revise the TOU-RI effective date of the TOU-RI tariff sheets to October 18, 2018. In doing so, Hawaiian Electric shall update their TOU-RI rates with estimated marginal costs for 2019.

On October 12, 2018, the Commission issued Order No. 35746, Approving, in Part, the HECO Companies' proposed revisions to Rule 14H and proposed Rule No. 27 (NEM+). In addition, the Commission instructs the HECO Companies to work with stakeholders and Commission staff to develop an inverter update policy and workplan to address the issue of updating advanced inverters for DER systems. On October 22, 2018, the HECO Companies filed its compliance filing for Rule 14H and Rule No. 27 ("NEM+"). On October 22, 2018, the HECO Companies filed a Motion for Partial Reconsideration of Order No. 35746, requesting that the Commission reconsider the Commission's revisions to the "Technical System Size" tariff definition as provided in Order No. 35746. The Commission denied the HECO Companies' motion on November 28, 2018. The DER proceeding will continue throughout FY19.

### **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. The Companies have also requested approval to utilize the Demand Side Management surcharge to collect costs of the DR Portfolio from customers. On September 25 and November 13, 2018, the Commission provided guidance to the Companies on information that would be required prior to approval of such a request.

## 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 reviewed the HECO Companies' Revised DR Portfolio Application and Demonstration Phase Monthly Status Reports alongside other related Demand Response proceedings. On January 25, 2018, the Commission issued Decision and Order No. 35238 approving the HECO Companies revised Demand Response portfolio ("Revised DR Portfolio") tariff structure framework and directed the Companies to begin immediate implementation of the DR Portfolio. The Commission noted the Revised DR Portfolio is the result of more than two years of effort to:

- a) Quantify and value the grid service needs over the next fifteen years;
- b) Describe the technical means through which these services can be delivered;
- c) Identify and forecast various customer assets that are capable of delivering grid services in accordance with operational requirements; and
- d) Develop the means and market mechanisms to allow customers to provide these services.

Within Order 35238, the Commission underscored the importance of successfully launching the DR Portfolio over the next 12 to 18 months, and provided the HECO Companies with critical near-term milestones, including, 1) commencing programs via short-listed third-party aggregators, and 2) successfully scaling the DR Portfolio through a subsequent, open round of third-party aggregator bidding. To encourage the Companies to act expeditiously, the Commission established a one-time performance incentive related to the timely acquisition of cost-effective DR from the RFP shortlist. For cost-effective MWs acquired, enrolled and operational by December 31, 2018, the Companies shall receive a one-time performance incentive equivalent up to 5% of the aggregate annual contract value, subject to a cap of \$500,000. Longer

term, the commission will consider different performance incentives to inform and reward DR Portfolio outcomes.

The Commission believes the Revised DR Portfolio will support the Companies' key strategic initiatives around enhancing the customer experience and modernizing the grid by gathering and presenting the status, availability, and control of DER, facilitating renewable energy resource integration, improving operational efficiency, and providing more customer options. The docket remains open for the HECO Companies to submit their Demonstration Phase Monthly Status Reports. The last report was filed on September 18, 2018.

### **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 HECO 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.

### **Community-Based Renewable Energy ("CBRE") 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 their 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. Additionally, 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, pursuant to Commission Order No. 33268, issued on October 21, 2015, KIUC filed its CBRE program and tariff application on November 16, 2015.

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 KIUC CBRE proceeding) 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 on June 8, 2016, which included a Staff Proposal. The Staff Proposal combined elements of the submitted proposals from parties 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 to achieve the vision of Act 100.

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 August 11, 2017, the Commission issued Order No. 34753, scheduling a non-evidentiary hearing 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.

On December 22, 2017, the Commission issued Decision and Order No. 35137, in which it directed the HECO Companies to file their CBRE program and tariffs in accordance with the included CBRE program framework. On February 20, 2018, the HECO Companies filed their CBRE program tariffs with the Commission. On April 5, 2018, the Commission issued Order No. 35395, approving KIUC's CBRE Program tariff. Further, the Commission invited parties and participants of the proceeding to comment on the HECO Companies' CBRE program tariffs that were filed on February 20, 2018. The Commission received comments from parties and participants on April 30, 2018.

On May 11, 2018, the Commission issued Order No. 35445, directing the HECO Companies to develop a new standard form contract to govern the HECO Companies CBRE program, as the Commission was previously concerned with the length and complexity within the HECO Companies' initial standard form contract. On June 1, 2018, the HECO Companies submitted a new standard form contract for the first phase of the CBRE program, a new interconnection agreement, a new Subscriber Agency Agreement and Consent Form, along with a revised CBRE Program tariff for Commission review. On June 15, 2018, pursuant to Order No. 35445, the parties filed their comments on the HECO Companies' revised program tariff filings with the Commission.

On June 29, 2018, the Commission issued Order No. 35560, approving, subject to modifications, the HECO Companies CBRE program filings and directed the HECO Companies to file their revised CBRE tariff and program filings with an effective date as of the filing date. On July 10, 2018, the HECO Companies filed their CBRE Phase I tariff. The HECO Companies and KIUC are currently reviewing applications for Phase 1 capacity of the CBRE program.

## **Generation Resource Acquisition**

### **HECO Companies**

#### **Competitive Bidding Process to Acquire Dispatchable and Renewable Generation**

*Docket 2017-0352, Status: Open*

On July 14, 2017, the Commission issued an order accepting the HECO Companies' Power Supply Improvement Plans ("PSIPs"), which set forth the HECO Companies' intention to competitively procure new grid-scale generation resources. The plans included procurement of nearly 400 MW of new renewable resources across the HECO Companies' service territories by 2021. The HECO Companies originally planned to procure five projects for all islands – two renewable energy projects for Oahu, two renewable energy projects for Maui, and one renewable energy project for Hawaii Island.

On October 6, 2017, the Commission opened a docket to receive filings, review approval requests, and resolve disputes related to the HECO Companies' request to proceed with a competitive procurement of dispatchable firm generation and new renewable energy generation throughout Hawaii. Within the opening order, the Commission directed the HECO Companies to file their draft Requests for Proposals ("RFPs") and supporting documentation, along with a detailed description of how the HECO Companies propose to successfully execute the competitive bidding process.

On October 23, 2017, the HECO Companies filed their Draft RFPs. Parties within the docket provided comment on the Draft RFPs throughout November 2017. On December 20, 2017, the HECO Companies filed their Response to Stakeholder Comments.

On January 12, 2018, the Commission issued Order No. 35224, providing guidance on the HECO Companies Draft RFPs. Within Order 35224, the Commission also provided that a performance incentive mechanism ("PIM") was being considered to encourage the HECO Companies to procure resources in a timely manner. The Commission asked for parties to provide considerations for the PIM design by January 29, 2018.

On February 2, 2018, the HECO Companies filed their Final Draft Variable RFPs. On February 20, 2018, the Commission issued Order 35286, approving the HECO Companies Final Draft RFPs.

On April 6, 2018, the Commission issued Order No. 35405, establishing a PIM for the procurement of energy in Phase I of the procurement process. The PIM is a shared-savings performance incentive that is based on an 80% customer 20% utility split of the savings from each PPA, compared to established benchmarks of recent low-cost renewable energy projects. The Commission capped the PIM at \$3.5 million.

On June 15, 2018, the Commission authorized the HECO Companies to expand the number of project selected for the Final Award Group for each respective Company in response to the increased volcanic activity along Kilauea Volcano's lower east rift zone on Hawaii Island, and to continue the statewide 2020 RPS goal. Regarding the PIM, the Commission stated the original PIM established by Order 35405 is not intended to be negatively affected by the potential expansion of the number of projects selected in Phase I and asked the HECO Companies to propose PIM amendments by June 20, 2018.

On June 20, 2018, the HECO Companies filed a letter to the Commission proposing an additional PIM up to a cap of \$3 million which would be applicable to any Power Purchase Agreement ("PPA") that is submitted to the Commission by the HECO Companies pursuant to the authorization in Order 35529 to expand and accelerate the selection of new renewable projects. On September 6, 2018, the Commission approved the HECO Companies proposed PIM amendment.

On October 9, 2018, the HECO Companies announced that seven solar plus storage projects were selected for Oahu, Maui and Hawaii Island. The seven projects include: three projects totaling 120 megawatts ("MW") and 515 megawatt-hours ("MWh") of storage for Oahu, two projects totaling 75 MW and 300 MWhs of storage on Maui, two projects totaling approximately 60 MW and 240 MWhs of storage on Hawaii Island. The HECO Companies are now in contract negotiations with the developers.

**Application for Approval to Commit Funds in Excess of \$2,500,000 for the Purchase and Installation of Contingency & Regulating Reserve Battery Energy Storage System Project**

*Docket No. 2018-0102, Status: Open*

On May 1, 2018, HECO requested Commission approval to commit funds in excess of \$2,500,000 for a Contingency & Regulating Reserve (“CRR”) Battery Energy Storage System (“BESS”) project. The proposed CRR BESS Project, which involves the development and operation a 100-megawatt /100 megawatt-hour battery energy storage system at HECO’s Campbell Industrial Park Generating Station, is on part of HECO’s envisioned portfolio of large scale battery deployments. The CRR BESS project is scheduled to commence construction in October 2019 with an in-service date of October 2020, at a total estimated cost of \$104 million. The application is under review by the Commission.

**Application for Approval to Commit Funds in Excess of \$2,500,000 for the Purchase and Installation of West Loch Battery Energy Storage System Project**

*Docket 2018-0103, Status: Open*

On May 1, 2018, HECO requested Commission approval to commit funds in excess of \$2,500,000 to develop, own and operate a 20 megawatt battery capable of storing 80 megawatt-hours of energy at the West Loch Naval Annex that has been leased from the United States Navy for HECO’s West Loch solar photovoltaic project. This project is one part of HECO’s envisioned portfolio of large-scale battery deployment. Construction on the Project is scheduled to start in October 2019 with the unit placed in service in February 2020. The total estimated cost is \$43.5 million. The application is under review by the Commission.

**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 the 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.

Due to a number of concerns associated with missed milestones in the PPAs and payments, on February 12, 2016, HECO sent a letter to Kawaihoa, 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 (Kawaihoa Solar, LLC, Lanikuhana Solar, LLC, and Waipio PV, LLC (formerly known as Waiawa PV, LLC)) between the HECO Companies and NRG Renew LLC, the purchaser of the three projects, 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%.



**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)
<b>Leeward Oahu</b>					
EE Waianae Solar Project, LLC (2014-0354)	27.6	14.5 (RAP) <sup>2</sup>	Waianae	Eurus Energy	7
<b>North Central Oahu</b>					
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

**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.

On August 7, 2017, the Consumer Advocate filed a Motion for Modification of Decision and Order 34726. The Consumer Advocate requested the Commission require Hu Honua to comply with specific reporting requirement conditions. On August 14, 2017, Hu Honua filed a Motion for Leave to file a reply to the Consumer Advocate's Motion for Modification of Decision and Order 34726, opposing the Consumer Advocate's requested conditions. The Consumer Advocate responded to Hu Honua's Motion for Leave on August 15, 2017. The Commission issued Order 34767 on August 21, 2017, denying the Consumer Advocates' motion to modify Decision and Order No. 34726, to include certain reporting requirements.

**HELCO's Application for Approval of Schedule Q PPA with Hawai'i Water Service, and to Include Costs in its Energy Cost Adjustment Clause (“ECAC”)***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 its 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

<sup>2</sup> 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. .

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**

### **Application for Approval of PPA with AES Kekaha Solar, LLC**

*Docket 2017-0443, Status: Closed*

On December 22, 2017, KIUC filed its Application requesting that the commission approve a Power Purchase Agreement ("PPA") with AES Kekaha Solar, LLC ("Kekaha Solar"), for a contract price of \$108.50 per megawatt-hour ("MWh") to be paid by KIUC pursuant to the PPA. Pursuant to the PPA, AES would develop a 14 megawatt ("MW") solar photovoltaic ("PV") generating system, coupled with a 70 MWh Battery Energy Storage System ("BESS"). Pursuant to the PPA, KIUC will construct a substation that will be adjacent to the Facility. The substation, together, with short transmission and distribution lines, will connect the project to KIUC's electric power system.

On June 20, 2018, the Commission issued Order 35538, approving KIUC's application for approval of the PPA with AES Kekaha Solar.

### **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.

### **Application for Approval of the Commitment and Expenditure of Funds in Excess of \$2,500,000 for the Aepe Substation Project**

*Docket 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 Aepe 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.

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.

## **Capital Expenditures**

### **HECO Request to Commit Funds for the 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.

On June 8, 2018 the HECO Companies filed a letter informing the Commission that the Schofield Generating Station was placed into service on Thursday, June 7, 2018.

On July 26, 2018, the Commission issued Order No. 35604 clarifying Order No. 33658, filed on April 22, 2016, addressing the Commission's Finding of Fact and Conclusions of Law No. 9 ("FOF/COL No. 9"), which stated that any increased biofuel costs over 3 million gallons, or 50% biofuel, whichever is less, shall not be recoverable through the Energy Cost Adjustment Clause ("ECAC"). The Commission issued Order No. 35604, removing FOF/COL No. 9.

### **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 HECO 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:

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. The

Commission also found that the HECO Companies have yet to meet their burden of proving that it is reasonable and in the public interest for the HECO 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. The Commission deferred any ruling on whether it is reasonable and in the public interest for the HECO Companies to commence with the ERP/EAM Project under Options B or A, specifically, the Implementation Project phase.

On August 11, 2016, by Decision and Order No. 33861, the Commission approved subject to certain conditions, the HECO 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. 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 the HECO Companies and the Consumer Advocate to file joint letters reporting on the status of their efforts in reaching agreement on the HECO Companies' proposed pass-through methods. On November 30, 2017, the Commission issued Order No. 35068, scheduling further briefing from the HECO Companies and the Consumer Advocate on concerns related to the Low-Level Benefits Analysis. On December 27, 2017, the Commission issued Order No. 35153, established additional dates for the HECO Companies to file their joint letters reporting on the status of their efforts in reaching agreement on the HECO Companies' proposed delivery mechanism.

On February 20, 2018, the Commission issued Order No. 35285, in response to the Bottom-Up, Low Level Benefits Analysis, filed by the HECO Companies on December 18, 2017. Order 35285 instructed the HECO Companies to file updated information which: 1) more accurately reflects the value of savings resulting from improved workforce productivity attributable to the HECO Companies' ERP/EAM System Implementation Project; and 2) includes details regarding reductions in: A) planned full-time equivalents, and B) outside services spend. On April 3, 2018, the Commission issued Order 35385, instructing the HECO Companies to re-calculate the value of savings resulting from improved workforce productivity attributable to the HECO Companies' ERP/EAM System Implementation Project. On April 17, 2018, the HECO Companies filed their response to Order 35385 providing "additional information" concerning the savings resulting from improved workforce productivity attributable to their ERP/EAM System Implementation Project.

On May 22, 2018, the Commission issued Order No. 35475, rejecting "additional information" set forth in the HECO Companies' response, filed on April 17, 2018, to Order 35385, issued on April 3, 2018. The HECO Companies filed their "additional information" in response to the Commission's directive that the HECO Companies re-calculate the value of savings resulting from improved workforce productivity attributable to the HECO Companies ERP/EAM System Implementation Project.

On October 9, 2018, the HECO Companies filed their Monthly Status Report, pursuant to Decision and Order No. 33861, reporting that the ERP/EAM system went live, as planned on October 1, and opened it for general use for all users on October 2, 2018.

**Application for Approval to Commit Funds in Excess of \$2,500,000 for Iwilei Substation Downtown Network Transformer and Switchgear N2 Replacement Project**

*Docket 2018-0017, Status: Open*

The HECO "Downtown Network" is a specialized distribution system that serves the Downtown Honolulu area with an underground network system. Since the Downtown Network is completely isolated from the remainder of the HECO distribution grid, the transformer configuration of the network provides redundancy so that the failure or removal from service of any one primary circuit, primary breaker or network distribution transformer, will not disrupt service to customers. On February 1, 2018, the Hawaiian Electric Company ("HECO") filed a request to commit funds in excess of \$2,500,000 for the proposed Iwilei Substation Downtown Network Transformer and Switchgear N2 Replacement Project. Within the application, HECO states the deterioration of the Iwilei Substation transformers and switchgears, which were purchased and installed in 1972, are putting the reliability of the Downtown Network at risk. The replacement of Iwilei Substation Transformer and Switchgear N2 is consistent with the Company's plans to maintain and modernize existing assets of the HECO Companies' infrastructure. On August 9, 2018, the Consumer Advocate filed its Statement of Position ("SOP") stating it does not object to HECO's requested relief. On August 10, 2018, HECO provided a letter to the Commission stating that it would not be submitting a reply to the Consumer Advocate's Statement of Position, filed on August 9, 2018. The application is under review by the Commission.

### **Application for Approval to Commit Funds in Excess of \$2,500,000 for the Ka'aahi Substation**

*Docket 2018-0055, Status: Open*

Hawaiian Electric proposes to construct the Ka'aahi Substation near the Honolulu Authority for Rapid Transportation ("HART") Maintenance and Storage Facility ("Facility") in Waipahu to provide the necessary capacity to serve the projected load from the Facility under normal and contingency conditions. HECO states its existing electrical infrastructure lacks adequate distribution and sub-transmission capacity to serve the Facility's projected load growth in the Leeward Community College, Pearl Highlands, and Waipahu areas. On March 8, 2018, HECO requested the Commission approve the commitment of approximately \$8.8 million for the purchase and construction of the Ka'aahi Substation to provide the needed capacity for the area. HECO also requests that the Commission issue a decision on this matter by May 1, 2019 to accommodate for HART's construction schedule and expected load. The application is under review by the Commission.

### **Application for Approval to Commit Funds in Excess of \$2,500,000 for the He'eia Bridge Pole**

*Docket 2018-0064, Status: Closed*

Hawaiian Electric's Ko'olau-Kane'ohe overhead lines serve customers on the windward side of Oahu north of the Ko'olau-Kane'ohe substations. During routine inspections, HECO discovered that the four wood utility poles that carry those lines, located in the He'eia Stream, are highly degraded due to termite damage and rot. HECO states failure of these poles would impact electric service reliability, as well as pose a potential environmental risk to the surrounding wetland. On March 20, 2018, HECO request the Commission approve a commitment of funds to replace the existing wood poles with two 100-foot steel poles with 20-foot-deep concrete foundations, which will be located on the banks of the He'eia Stream to support the 46 kV and 12 kV overhead lines to span over the stream. The total cost of the He'eia Project is currently estimated to be \$3.6 million. On August 20, 2018, the Consumer Advocate filed its Statement of Position stating that it does not object to HECO's requested relief as described in the application. On November 15, 2018, the Commission approved HECO's requests.

### **Application for Approval to Commit Funds in Excess of \$2,500,000 to Purchase and Install a Substation Transformer**

*Docket 2018-0145, Status: Open*

On June 25, 2018, HECO requested Commission approval to commit funds in excess of \$2,500,000 to purchase and install four transformers – two spare transformers, and Wahiawa Transformer #1, and Kahe Transformer #2. On October 24, 2018, the Commission issued Protective Order No. 35848 to govern the classification, acquisition and use of trade secrets, and other confidential information produced in this docket. The application is under review by the Commission.

### **Application for Approval to Commit Funds in Excess of \$2,500,000 for the Auiki Substation**

*Docket 2018-0185, Status: Open*

On August 2, 2018, HECO requested Commission approval for a commitment of approximately \$15.2 million in funds for the construction and installation of the Auiki Substation, line extensions and related equipment. HECO states the Auiki Substation Project is needed to address reliability and safety risks associated with forecasted overload conditions on HECO's distribution system in the Kalihi/Kai/Palama area of Oahu. According to the application, the Company's existing distribution system contains insufficient capacity to serve near-term electrical loads, which are expected to increase over the next three years. On October 18, 2018, the Commission issued Order No. 35805 approving the parties' proposed procedural schedule. The application is under review by the Commission.

### **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") pursuant to the MPIR guidelines. On November 13, 2017, the Commission issued Order No. 35026, which established a statement of issues for the proceeding. The Commission also issued a protective order to govern the designation of confidential



material filed in this proceeding. Pursuant to Order No. 34862, between October 6 and December 15, 2017, the Consumer Advocate issued rolling information requests (“IR”) to HECO. HECO provided responses between October 20, 2017 and January 2, 2018. On January 17, 2018, the Consumer Advocate filed its Statement of Position. HECO filed its Reply Statement of Position on January 31, 2018. On June 27, 2018, the Commission issued Decision and Order 35556, approving the HECO Companies’ application to recover costs for the SGS project through the MPIR adjustment mechanism, subject to certain conditions.

**Application for Approval to Commit Funds in Excess of \$2,500,000 for the Smart Grid Foundation (“SGF”) Project**

*Docket 2016-0087, Status: Closed*

In 2014, the Hawaiian Electric Companies (the “Companies”) filed a *Smart Grid Roadmap and Business Case* with the Commission, proposing to implement a Smart Grid for all three of the Companies’ operating utilities. The Companies stated the Smart Grid would help to modernize the power grids, enable the integration of more renewables, reduce outage times, increase efficiency of operations, reduce costs for customers, and further the state’s public policy goals.

On March 31, 2016, the Companies requested Commission approval to commit funds in excess of \$2,500,000 to develop the Smart Grid Foundation (“SGF”) Project. The purpose of the SGF Project was to establish the initial Smart Grid capabilities to serve as the platform to support various components of the SGF Project, as well as additional projects specific to expanding customer options, such as Demand Response (“DR”), time-of-use (“TOU”) rates, and real-time pricing (“RTP”). The proposed timeline for the SGF Project was planned over five years, beginning immediately after the issuance of a decision and order enabling the project to commence. The total estimated cost for the SGF Project was \$340 million. On April 20, 2016, the Consumer Advocate filed a preliminary statement of position, indicating that it had numerous questions and concerns regarding the reasonableness of the proposed project.

On June 27, 2016, the Commission issued Order No. 33774, suspending the application to allow the Consumer Advocate, the Commission and other stakeholders sufficient time to review and investigate the proposed project. On January 4, 2017, the Commission issued Order No. 34281, dismissing the Companies’ request and providing guidance for developing a Grid Modernization Strategy. Within Order 34281, the Commission directed the Companies to submit a comprehensive Grid Modernization Strategy for each of the electric utilities.

The intent of the Grid Modernization Strategy is to provide the comprehensive and holistic approach and context to inform the Commission’s review of discrete grid modernization project application(s) submitted by the Companies to effectuate the overarching strategy. On January 17, 2017, the Companies filed a Motion for Partial Reconsideration of Order 34281. The Companies requested that the Commission extend the planning process by sixty days, such that the initial Grid Modernization Strategy draft would be made available to stakeholder on or before June 30, 2017, and the final, proposed Grid Modernization Strategy be submitted to the Commission on or before August 29, 2017. On March 9, 2017, the Commission issued Order 34436 granting the Companies’ Motion for Partial Reconsideration. On June 30, 2017, the Companies filed the Grid Modernization Strategy Draft for stakeholder review and comment.

**MECO Application to Purchase and Install Temporary Distributed Generating Units**

*Docket No. 2016-0234, Status: Suspended*

On September 6, 2016, Maui Electric Company, Limited (“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. The docket is currently suspended. However, MECO continues to

file Reserve Margin Violations Notifications within the docket, pursuant to Order No. 34437, Ordering Paragraph 4. The last Reserve Margin Violation Notification was filed on October 2, 2018.

**Application for Approval to Commit Funds in Excess of \$2,500,000 for Item M0001718, Perform Major Overhaul on Maalaea Unit 17**

*Docket 2017-0230, Status: Closed*

On September 7, 2017, Maui Electric Company, Limited (“MECO”) requested Commission approval to commit funds in excess of \$2,500,000 to perform a major overhaul on Maalaea Unit 17 (“M17”) combustion turbine generator (“CT”). The proposed overhaul was being done pursuant to the recommendation of General Electric (“GE”), the original equipment manufacturer of M17. The scope of the Project included maintenance activities intended to enable M17 to remain in service until at least 2045, as assumed in the MECO’s PSIP Update Report: December 2016. On June 20, 2018, the Commission issued Decision and Order No. 35537 approving MECO’s request.

**Application for Approval to Commit Funds in Excess of \$2,500,000 for Item M0001718, Perform Major Overhaul on Maalaea Unit 19**

*Docket 2017-0172, Status: Closed*

On July 12, 2017, Maui Electric Company, Limited (“MECO”) requested Commission approval to commit funds in excess of \$2,500,000 to perform a major overhaul on Maalaea Unit 19 (“M19”) combustion turbine generator (“CT”). The proposed overhaul was being done pursuant to the recommendation of General Electric (“GE”), the original equipment manufacturer of M19. The scope of the Project included maintenance activities intended to enable M19 to remain in service until at least 2045, as assumed in the MECO’s PSIP Update Report: December 2016. On June 20, 2018, the Commission issued Decision and Order No. 35536 approving MECO’s request.

**Applications for Approval to Commit Funds in Excess of \$2,500,000 (Excluding Customer Contributions) for the Waiau Hydro Repowering Project**

*Docket 2016-0192, Status: Closed*

On July 29, 2016, Hawaii Electric Light Company, Inc. (“HELCO”) requested Commission approval to commit funds in excess of \$2,500,000, for the Waiau Hydro Repowering project (“Project”). 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 welded 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. The project benefits customers of Hawaii Island by extending the service life of the plant, while also increasing the Company’s contributions to the State’s renewable portfolio standards (“RPS”) goals. On October 16, 2017, the Commission issued Decision and Order No. 34868 approving HELCO’s request to commit funds for the project and closed the docket. Decision and Order 34868 ordered, among other things, that HELCO file reports describing the status of: (1) project completion and (2) HELCO’s efforts in securing a long-term lease from the Bureau of Land and Natural Resources (“BLNR”) for the water rights and source water needed to generate hydroelectric power from the Waiau Plant on a quarterly basis. The last report was filed by HELCO on October 15, 2018.

**HECO’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 utility scale 20 MW solar photovoltaic (PV) installation located on Navy-owned property in the West Loch Annex of Joint Base Pearl Harbor Hickam. On October 3, 2016, HECO filed an application with the Commission requesting 1) Approval for a waiver from the Competitive Bidding Framework for the Project; 2) Approval for the commitment of funds in excess of \$2,500,000, excluding contributions, in accordance with the provisions of Paragraph 2.3(g)(2) of General Order 7 for the West Loch PV Project, which originally had an estimated cost of approximately \$67,000,000; 3) Approval of the proposed accounting and ratemaking treatment for the Project; 4) A determination that the proposed 46 kV sub-transmission line be constructed above the



surface of the ground, pursuant to Hawaii Revised Statutes (“HRS”) Section 269-27.6(a); and 5) Approval of 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 HECO providing a performance guarantee mechanism, to ensure the stated benefits of 9.56 cents per kWh (or lower) Equivalent Levelized Energy Price (“ELEP”) is provided to customers. 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 certain conditions including 1) a cap on cost recovery equal to the actual cost of the project if lower than the \$62,400,000 cap; 2) a cap on cost recovery for in-kind consideration services of \$4,739,000; 3) a cap on cost recovery for operations and maintenance expenses of \$476,000 annually (adjusted for 2% annual inflation); 4) a cap on the costs for in-kind consideration services costs equal to the actual costs of services if lower than a \$4,739,000 cap; and 1) the proposed 46kV sub-transmission line.

On August 31, 2017, in response to D&O 34676, HECO proposed its original Performance Guarantee. HECO proposed a second version of the Performance Guarantee in response to PUC-HECO-IR-15a on December 20, 2017. HECO and the CA disagree on the role of the performance guarantee and how it should function. On August 29, 2018, HECO again changed its position on the Performance Guarantee in response to PUC-HECO-IR-129. The Commission is in the final stages of reviewing the proposed Performance Guarantee and how interim cost recovery should be applied through the MPIR mechanism with respect to the following issues 1) First-Year Conventions for Plant Additions in Rate Base, 2) Depreciation Accrual Rate, 3) In-Service Criteria, 4) Rate of Return (“ROR”), 4) O&M Recovery, 5) In-Kind Consideration Treatment, and 6) Cost of Capital. The current estimated cost of the project is \$56.7 million with an ELEP of 8 cents per kWh. This is \$10.3 million less than the original estimated cost of the project.

### 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**

2016-0439	Closed	HECO	On December 30, 2016, Hawaiian Electric Company (“HECO”) requested Commission approval to relocate 4,500 feet of the AES-CEIP 2 138 kV transmission line, 250 feet east, in parallel with the current location. The relocation of the transmission line includes: (1) the installation of nine new 138 kV self-supporting steel poles, (2) the installation of a new section of optical ground wire and 138 kV overhead conductors, (3) the removal of six existing 138 kV steel poles, and (4) the removal of existing section of OPGW and 138 kV overhead conductors between the existing AES and CEIP transmission substations. On March 21, 2018 the Commission issued Decision and Order No. 35312 approving HECO’s request and closed the docket.
2016-0416	Closed	HECO	On December 9, 2016, Hawaiian Electric Company (“HECO”) requested Commission approval to commit funds in excess of \$2,500,000 to relocate two sections of 46 kV sub-transmission cables that traverse the Ala Wai Canal (“Canal”) and feed into the HECO’s Waikiki substations, above and below the surface of the ground. The project was proposed as it would allow for the removal of the cables and protective concrete panels that would interfere with dredging the Canal for planned and future canal maintenance. September 1, 2017 the Commission issued Decision and Order No. 34788 approving HECO’s request to commit approximately \$13.9 million for the proposed relocation and closed the docket.

2017-0008	Closed	HECO	On August 21, 2017, the Commission issued Decision and Order No. 34762, approving a Hawaiian Electric Company (“HECO”) request to construct two 46 kV subtransmission lines above and below the surface of the ground or the (1) installation of the Fort Shafter Mauka Substation, and (2) installation of the Fort Shafter Line Extensions.
2018-0065	Open	HECO	On March 8, 2018, Hawaiian Electric Company (“HECO”) filed an application requesting Commission approval to develop and install a Tier 3 Feed-In-Tariff (“FIT”) 3.5 megawatt (MW) solar farm in Kahuku, on the island of Oahu. The proposed Mauka FIT One 46 kV Overhead Extension Project consists of, among other things, approximately twenty-seven (27) poles, and 3,400 circuit feet of 46 kV overhead conductors. The Overhead Extension Project is needed to interconnect the Mauka FIT One Tier 3 FIT facility to HECO’s system. The estimated cost of the Overhead Extension Project is approximately \$1,049,681. The application is currently under review by the Commission.
2016-0439	Closed	HECO	On December 30, 2016, Hawaiian Electric Company (“HECO”) requested Commission approval to relocate 4,500 feet of the AES-CEIP 2 138 kV transmission line, 250 feet east, in parallel with the current location. The relocation of the transmission line includes: (1) the installation of nine new 138 kV self-supporting steel poles, (2) the installation of a new section of optical ground wire and 138 kV overhead conductors, (3) the removal of six existing 138 kV steel poles, and (4) the removal of existing section of OPGW and 138 kV overhead conductors between the existing AES and CEIP transmission substations. On March 21, 2018 the Commission issued Decision and Order No. 35312 approving HECO’s request and closed the docket.

## **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 Consumer Advocate, where both parties agreed to reduce the revenue increase request from 6.5% to 3.42%.

On April 10, 2018, HELCO filed a “Revision to Exhibits in Motion to Adjust Interim Increase” which contain revised calculations and exhibits that result from a subsequent agreement between HELCO and the Consumer Advocate to apply 18-month amortization periods in the calculations of flow through amounts to customers.

On April 24, 2018, the Commission issued Order No. 35419, granting HELCO’s Motion to Adjust Interim Increase. The Commission stated upon consideration of the record and parties’ submission, for purposes of interim relief, the Commission grants the Motion “to reflect the net reduction of the effects of the 2017

Tax Act and revised treatment of Contributions in Excess of NPPC” and an adjusted interim revenue requirement of \$290,659,000. On June 29, 2018, the Commission issued Decision and Order No. 35559, approving a 2016 test year revenue requirement of \$292,246,000, and a downward Tax Act Implementation Lag Adjustment of \$1,587,000, which resulted in an adjusted final revenue requirement of \$290,659,000 for HELCO.

On July 30, 2018, HELCO submitted its PIM tariffs, which set forth proposed revisions to the PIM performance targets, deadbands, and maximum financial incentives in the PIM Tariffs.

On September 21, 2018, the Commission issued Order No. 35709 approving HELCO’s proposed final tariffs, refund plan, and performance incentive tariff revision. The Final Tariffs and PIM Tariffs will take effect on October 1, 2019, as requested by HELCO. On September 28, 2018, in accordance with Order No. 35709, HELCO filed its approved tariff sheets.

### **HECO Rate Case for the 2017 Test Year**

*Docket No. 2016-0328, Status: Open*

On December 16, 2016, pursuant to the Mandatory Triennial Rate Case Cycle and its notice of intent, HECO filed an application for approval for rate increases and revised rate schedules and rules in which HECO requested a general rate increase of approximately \$106,383,000 or 6.9% over revenues at current effective rates. HECO based this requested increase on an overall revenue requirement of \$1,642,362,000 for its normalized 2017 Test Year, which incorporated an 8.2% rate of return on HECO’s average rate base. On December 23, 2016, the Commission issued Order No. 34206, transferring HECO’s 2014 filing into this proceeding. On February 22, 2017, the Commission held a public hearing on HECO’s application, pursuant to HRS 269-12 and 269-16. On June 28, 2017, the Commission issued Order No. 34664, which, among other things, 1) certified HECO’s supplemented Application as complete, and 2) grant Participant status to several stakeholders. On July 28, 2017, the Commission issued Procedural Order No. 34721, which established, among other things, the Statement of Issues and Procedural Schedule governing this proceeding.

On November 15, 2017, HECO and the Consumer Advocate submitted the November 2017 Settlement in which they stipulated to an interim rate increase of approximately \$53,678,000, a roughly 3.5% increase in revenues at current effective rates. On December 15, 2017, the Commission issued Interim Decision and Order No. 35100, in which it partially approved the Parties’ November 2017 Settlement, but made several downward adjustments to HECO’s interim revenues. In addition, Interim Decision and Order 35100 identified several deferred matters the Commission stated it intended to examine during the remainder of the proceeding. In light of the adjustments to the Parties’ November 2017 Settlement set forth in Interim Decision and Order 35100, the Commission instructed the Parties to indicate whether they wished to withdraw from the November 2017 Settlement and whether they wished to exercise their right to an evidentiary hearing.

On December 22, 2017, HECO filed a Motion for Partial Reconsideration of Interim Decision and Order 35100, in which it requested that the Commission reconsider the downward adjustment made to HECO’s 2017 Test Year pension and OPEB asset/liability tracker balances. HECO did not request reconsideration of the other interim adjustments to the Parties’ November 2017 Settlement made by the Commission in Interim Decision and Order 35100. Also, on December 22, 2017, the President of the United States signed the Tax Cuts and Jobs Act (“2017 Tax Act”) into law, with an effective date of January 1, 2019, which, among other things, reduced the federal corporate income tax rate from 35% to 21%.

On December 27, 2017, the Parties filed letters with the Commission stating that neither intended to withdraw from the November 2017 Settlement and wished to exercise their right to a hearing on the Deferred Issues.

On January 5, 2018, HECO filed its Rebuttal Testimonies and Exhibits, consistent with Procedural Order No. 34721. On January 8, 2018, HECO filed a Motion to Supplement its Motion for Partial Reconsideration of Interim Decision and Order 35100, in which HECO sought leave to propose an alternative resolution to the Pension and OPEB Tracker Adjustment. On January 11, 2018, the Commission issued Order No. 35220, in which it granted HECO’s Motion to Supplement Motion for Partial Reconsideration. On January 16, 2018, HECO responded to Order No. 35220 by accepting the alternative proposal set forth by the Commission. On January 18, 2018, the Commission issued Order No. 35229, which modified Interim

Decision and Order 3100 to reflect HECO's acceptance of the Commission's proposed alternative to the Pension and OPEB Tracker Adjustment.

On January 19, 2018, HECO submitted its revised schedules of operations and proposed tariff sheets reflecting the interim rates approved in Interim Decision and Order 35100. On February 9, 2018, the Commission issued Order 35280, which approved HECO Interim Schedules with an effective date of February 16, 2018. On January 31, 2018, HECO submitted its estimates of the impacts the 2017 Tax Act will have on its operations. On February 9, 2018, the Commission issued Order No. 35281 which addressed various procedural issues. On February 16, 2018, the Commission issued a Notice of Evidentiary Hearing, which scheduled the evidentiary hearing for the proceeding from March 12-16, 2018.

On March 5, 2018, the Parties submitted the March 2018 Settlement, which the Parties stated resolved all the Amended Issues set forth in Order No. 35281, except for sub-issue No. 4(a). On March 9, 2018, the Commission issued Order No. 35335, in which the Commission approved the Parties' March 2018 Settlement and cancelled the evidentiary hearing scheduled. In addition, the Commission instructed HECO to submit tariff sheets consistent with the March 2018 Settlement. On March 16, 2018, HECO submitted tariff sheets reflecting the March 2018 Settlement. HECO's March 2018 Tariffs included the estimated impacts of the 2017 Tax Act, as provided in HECO's Tax Impact Estimates. As a result, the effect of HECO's March 2018 Tariffs was an overall decrease in rates, as compared to the current effective rates based on HECO's last 2011 test year rate case. On March 29, 2018, the Commission issued Order No. 35372, approving HECO's March 2018 Tariffs. On June 22, 2018, the Commission approved final rate relief for HECO, including an ROE of 9.50% and a corresponding rate of return on average rate base of 7.57%. The proceeding will close upon submission of HECO's Energy Cost Recovery Clause tariff on or before December 24, 2018.

#### **MECO Rate Case for the 2018 Test Year**

*Docket No. 2017-0150, Status: Open*

On June 9, 2017, MECO filed a notice of intent that it would submit a general rate case application on or after August 17, 2017, but before December 30, 2017. On October 12, 2017, MECO filed its Application seeking the Commission's approval of an increase in its revenues of \$30,062,000 (approximately 9.26%) over revenues at current effective rates of \$324,798,000. MECO states that it is filing its Application in accordance with the Mandatory Triennial Rate Case Cycle. MECO asserts that rate relief is required in order to provide it with a reasonable opportunity to recover its prudently incurred costs of providing electric service to customers. In addition to an increase in revenues, MECO also requested that the Commission approve the following: 1) modifications to MECO's Rate Adjustment Mechanism ("RAM"), 2) Modifications to MECO's Revenue Balancing Account ("RBA") Provision Tariff, 3) Modifications to MECO's Energy Cost Adjustment Clause ("ECAC"), 4) Discontinuing MECO's Monthly Curtailment Report, and 5) Modifications to certain Tariff rules.

On December 26, 2017, the Commission issued Procedural Order No. 35152, which, among other things, established the Statement of Issues and procedural schedule governing the proceeding. On February 9, 2018, the Commission issued Order No. 35276, which instructed MECO to update its Application with revised schedules that reflect the effects of the federal "Tax Cuts and Jobs Act of 2017" ("2017 Tax Act"). The Commission subsequently granted MECO an extension of time to comply with Order 35276, and MECO filed its revised schedules on February 26, 2018 and February 28, 2018. On June 15, 2018, MECO and the Consumer Advocate (the "Parties") submitted the Settlement Agreement. On July 6, 2018, pursuant to the amended procedural schedule, the Parties submitted their Joint Statement of Probable Entitlement.

On August 9, 2018, the Commission issued Interim Decision and Order No. 35631, authorizing interim rate relief for MECO, as set forth in the Joint Statement of Probable Entitlement. As such, MECO may increase its rates, on an interim basis, to such levels as will produce in the aggregate, \$12,481,000 in additional revenues over current effective rates for the 2018 Test Year, for a total 2018 Test Year revenue requirement of \$338,879,000. The interim increase took effect on August 23, 2018.

On August 21, 2018, MECO submitted its Performance Incentive Mechanism ("PIM") Tariff. MECO's PIM Tariffs set forth proposed revisions to the PIM performance targets, deadbands, and maximum financial incentives in the PIM tariffs. On September 14, 2018, the Commission issued Order No. 35690, approving MECO's PIM tariff revisions. On September 10, 2018, MECO timely filed its Revised Pension and OPEB Tariffs pursuant to Interim Decision and Order 35631. On October 2, 2018, the Commission issued Order No. 35726 approving MECO's Revised Pension and OPEB Tracking Mechanism Tariffs.



## 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 HECO Companies' current five-year pilot program for public electric vehicle ("EV") charging facilities that operate within each of the HECO 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 HECO 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 HECO 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. On July 21, 2017, the Commission issued Order No. 34702, establishing additional procedural steps to follow up on the Commission's Decision and Order No. 34592, issued on June 2, 2017. Specifically, Order No. 34702 asked for comments on whether the HECO Companies' revised rate structures comply with Decision and Order No. 34592. Parties to the docket filed comments on September 22, 2017. On October 13, 2017, the Commission issued Order No. 3487, approving HECO's revised tariff sheets for the EV-F and EV-U rate schedules. On December 11, 2017, HECO filed the tariffs for EV-F and EV-U rate schedules. The revised tariffs were put into effect on December 12, 2017.

Additionally, on March 29, 2018, HECO filed their Electrification of Transportation Strategic Roadmap ("Roadmap"). The Roadmap represents a guide, based on inputs from stakeholders, transportation, and technical experts, that describes 1) increasing electric vehicle ("EV") adoption by helping to lower costs and educating customers, 2) accelerating the buildout of EV charging infrastructure, 3) supporting the electrification of buses and other heavy equipment, 4) incentivizing EV charging with ongoing grid modernization and planning efforts to help maximize the use of renewable resources.

### **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."

As of March 31, 2017, the FIT Active Queues for the HECO Companies contained 49 projects totaling 25.047 megawatts ("MW") of capacity. On March 31, 2017, the term of the Independent Observer ("IO") contract expired and the IO indicated an unwillingness to execute an amendment to the IO contract to allow for the continued provision of services. As a result, on May 9, 2017, the HECO Companies submitted a FIT Program Proposal to resolve the issue. On November 30, 2017, the Commission approved the HECO Companies' proposed process to administer the FIT program in the absence of an IO. On March 2, 2018, the HECO Companies filed their Revised FIT Program Tariffs and Agreements. On November 29, 2018 the Commission approved the HECO Companies' revised FIT Program Tariffs, which were subsequently filed by the Companies on December 10, 2018.

## **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 a customer for energy depending on the time of day 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 to reduce overall grid costs associated with serving peak loads and, in Hawaii’s case, 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.

## **Financing**

### **HECO Companies**

#### **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 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 for 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.

#### **Approval of Issuance of Unsecured Obligations and Guarantee**

*Docket 2017-0248, Status: Open*

On September 22, 2017, HECO, MECO, and HELCO (collectively the “HECO Companies”), requested approval for the issuance of the Obligations, which may be designated as bonds, notes, debentures, or some similar term, over a four-year period beginning in 2018 to December 31, 2021. The principal amounts are as follows: up to \$280 million for HECO, up to \$30 million for HELCO, and up to \$10 million for MECO. Each Company plans to use the proceeds to finance capital expenditures to repay long-term debt and/or short-term debt used to finance capital expenditures, and/or reimburse funds used for the payment of capital expenditures. In the Application, the HECO Companies assert that their request is based on their need to finance estimated capital expenditures planned from 2018 to 2021.

On April 30, 2018, the Commission issued Decision and Order No. 35423, finding the Applicants proposed issuance(s) of the Obligations is reasonable and in the public interest. The Commission also finds that the terms of the issuance(s) of the Obligations, are also reasonable and in the public interest.

Within Decision and Order 35423, the Commission found it reasonable to allow the Applicants to use the expedited approval procedure, described in Section IV.D of the Application, to request approval for additional taxable debt to be issued between January 1, 2019 through December 31, 2021, after the Applicants provide additional support that addresses changes caused by the 2017 Tax Act.

#### **Approval to Sell a Utility Substation Property in Paia, Maui**

*Docket 2017-0423, Status: Open*

On December 7, 2017, Maui Electric Company, Limited (“MECO”) filed an application seeking the Commission’s approval to: 1) sell the property to Paia Bay, 2) sell the property to an alternative purchaser in the event that (i) the sale to Paia Bay cannot be completed, but only if (ii) the sale of the property to such alternative purchaser is for an amount equal or greater than the appraised value, and 3) apply all gains

from the sale to its NARUC 253 or FERC accounts and amortize the gains on a straight line basis to the utility operating income account over a five-year period. On June 7, 2018, the Commission issued Decision and Order 35519, approving MECO's request to sell and the proposed accounting treatment of the net gain from the sale, with the modification that the period of amortization be over three years, rather than five years. However, the Commission denied MECO's request to approve a contingent sale of the property to an alternative purchaser.

### **Application for Approval of the Issuance and Purchase of Common Stock**

*Docket 2018-0089, Status: Open*

On April 20, 2018, the HECO Companies requested that the Commission approve a supplemental increase to 1) issue and sell additional HECO common stock, in the amount of up to \$280,000,000, to Hawaiian Electric Industries, 2) issue and sell additional HELCO common stock to HECO in the amount of up to \$100,000,000, 3) issue and sell MECO common stock to HECO in the amount of up to \$100,000,000, 4) purchase such additional HELCO and MECO common stock by HECO, and 5) extend the period to issue common stock from December 31, 2021 to December 31, 2022.

On August 22, 2018, the Consumer Advocate filed its Statement of Position ("SOP"), objecting to the HECO Companies primary requested relief, but stated that it would not object if the Commission believes it is necessary to provide MECO additional equity financing authority.

On October 22, 2018, the Commission issued Decision and Order No. 35838, approving the HECO Companies' request.

### **Application for Approval of Issuance of Unsecured Obligations and Guarantee**

*Docket 2018-0168, Status: Open*

On July 12, 2018, HECO, MECO and HELCO (collectively, the "HECO Companies") filed a request for approval of 1) issuance of taxable, long-term, unsecured obligations, which may be designated as bonds, notes, debentures, or some similar term, in 2019 through 2020, for the remaining amounts pursuant to the expedited approval process authorized in Docket 2017-0248 (the "2017 Taxable Debt Application"), Decision and Order 35423. The application is under review by the Commission.

## **Fuel Contracts**

### **For Approval of the Biodiesel Supply Contract with Pacific Biodiesel Technologies, LLC**

*Docket 2017-0393, Status: Closed*

On November 30, 2017, HECO filed its application requesting Commission approval of: 1) the 2017 Biodiesel Supply Contract for use primarily at HECO's Schofield Generating Station ("SGS") facility, and to fuel the Honolulu International Airport Emergency Power Facility ("HIA") and any other facility on Oahu that may use biodiesel, 2) the inclusion of the costs of the 2017 Biodiesel Supply Contract in HECO's Energy Cost Adjustment Clause ("ECAC") to the extent such costs are not recovered in HECO's base rates, and such other and further relief as may be just and equitable. According to HECO, the biodiesel to be used under the 2017 Biodiesel Supply Contract is designed to deliver biodiesel to any facility on Oahu, including HIA and SGS beginning in 2018.

On June 8, 2018, the Consumer Advocate filed its Statement of Position ("SOP") wherein it recommended 1) approval of the 2017 Biodiesel Supply Contract, and 2) inclusion of the costs associated with the biodiesel, transportation, storage, and related taxes and fees in HECO's ECAC to the extent that the costs are not recovered in HECO's base rates. The Consumer Advocate recommended approval of the 2017 Biodiesel Supply Contract because the 2017 Biodiesel Supply Contract 1) will provide biodiesel to meet the SGS requirements as set forth in Decision and Order No. 33178, 2) was the result of a "competitive RFP process" and is anticipated to result in a lower biodiesel price than the 2014 Biodiesel Supply Contract (i.e. 5.6% lower) and 3) will continue to contribute to HECO's Renewable Portfolio Standard ("RPS") HECO's continued use of biodiesel. On June 27, 2018, HECO filed its Reply SOP. On July 26, 2018, the Commission issued Decision and Order No. 35603, approving the 2017 Biodiesel Supply Contract between HECO and Pacific Biodiesel Technologies.



### **Application for Approval of Power Purchase Agreement for Renewable As Available Energy and Electric Services with Molokai New Energy Partners, LLC**

*Docket 2018-0053, Status: Closed*

On March 7, 2018, Maui Electric Company, Limited (“MECO”) filed an application requesting approval of a Power Purchase Agreement (“PPA”) with Molokai New Energy Partners (“MNEP”) for a 4.8 megawatt (“MW”) photovoltaic project, coupled with a 3 MW/15 MW-hour battery energy storage system (“BESS”) with a maximum allowed export of 2.64 MW, proposed to be located in Kaunakakai, on the island of Molokai. The term of the PPA is in effect for twenty-two years following the Commercial Operations Date. The energy rate pursuant to the PPA is comprised of 1) Real-time PV Energy rates, 2) a Time-Shifted PV Energy rate, and 3) a monthly BESS Services Payment. The Real-Time PV Energy has a two-tier rate structure, with an Initial Energy Rate of \$0.05211/kWh and a Post Initial Energy Rate of \$0.02246/kWh. The time-shifted PV Energy is energy generated by the Facility that is stored in the BESS before being exported to the grid. The energy rate for Time-Shifted PV Energy is \$0.05211/kWh and is subject to 1.2% escalation on the first day of each contract year. The BESS service payment is \$101,083.50/month, or \$1,213,002/year for Contract Year 1.

The Consumer Advocate filed its Statement of Position (“SOP”) on June 25, 2018. The Consumer Advocate raises concerns related to the cost of the Project, however, because of the absence of competitive bidding and the pricing structure of the PPA, the Consumer Advocate does not object to the Commission approving MECO’s requests, based on certain conditions.

On July 30, 2018, the Commission issued Decision and Order No. 35609, approving the PPA with MNEP, subject to certain conditions. Commissioner Jennifer M. Potter filed a concurring opinion to Decision and Order No. 35609.

### **Application for Approval of Power Purchase Agreement Amendment No. 4 with AES Hawaii, Inc.**

*Docket 2018-0090, Status: Suspended*

On April 20, 2018, HECO filed an application seeking Commission approval of an amendment (“Amendment 4”) to an existing power purchase agreement (“PPA”) between HECO and AES. According to HECO, Amendment 4, among other things, will enable AES to comply with the State’s Greenhouse Gas reduction administrative rules by allowing AES, Hamakua Energy, LLC, and Kalaeloa Partners to partner with HECO and combine their GHG emission limits (“GHG partnership”).

On June 25, 2018, the Commission issued Order No. 35549, suspending this proceeding until the conclusion of Department proceeding regarding the proposed GHG Emission Reduction Plan (“ERP”), the GHG partnership, and any associated CO2 emission limits.

## **Other Ratemaking Proceedings**

### **HECO Companies**

#### **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: Closed*

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 HECO Companies’ maintain that over \$3.5 million has been incurred from January 2016 through May 2016. The HECO 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 HECO 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.

On July 2, 2018, HECO withdrew their application, stating that on June 22, 2018, the Commission issued the Final Decision and Order No. 35545 in HECO's 2017 test year rate case, which inter alia approved the Parties' Stipulated Settlement Letter, and the Parties' Stipulated Settlement on Remaining Issues between the Consumer Advocate and HECO. The Stipulated Settlements, among other things, agreed to remove all PSIP Deferred Costs from the rate case. In the Final Decision and Order No. 35545, the Commission found it reasonable to remove the PSIP deferred costs. On July 17, 2018, the Commission issued Order No. 35573, accepting the withdrawal of HECO's application and closed the docket.

#### **Application for Approval of the Transfer of Equity Ownership Interest in Certain Joint Poles**

*Docket No. 2018-0075, Status: Closed*

On April 4, 2018, Hawaiian Telecom, Inc. ("Hawaiian Telecom") and the HECO Companies jointly requested Commission approval for the transfer of Hawaiian Telecom's ownership equity interest in joint poles to the HECO Companies. The proposed transfer consists of Hawaiian Telecom transferring all of its rights, titles, interests, and ownership in all of its jointly owned poles to the HECO Companies in exchange for the HECO Companies providing a credit to Hawaiian Telecom. Hawaiian Telecom's joint pole equity ownership which is valued at \$47,970,092, would be transferred to the HECO Companies. The total number of poles included in the proposed transfer is 119,585.

On August 27, 2018, the Consumer Advocate filed their Statement of Position ("SOP") recommending the Commission approve the request to transfer the ownership interest, with certain regulatory conditions.

On October 16, 2018, the Commission issued Decision and Order No. 35768. Decision and Order No. 35768 approved Hawaiian Telecom and the HECO Companies' request, approved the HECO Companies' request to commit funds to acquire Hawaiian Telecom's interest in the joint poles, approved the Asset Transfer Agreement – Pole Licensing Agreement ("PLA") and approved the accounting and ratemaking treatment as proposed within the application.

### **Other Petitions and Formal Complaints**

#### **Edward C. Murley, Complainant vs. HECO, Respondent**

*Docket 2018-0109, Status: Open*

On May 10, 2018, Edward C. Murley filed a formal complaint against HECO asserting that HECO had failed to provide proper notice to Complainant under the notice procedure set forth in Decision and Order No. 33166, filed in Docket 2013-0082 (Instituting a Proceeding to Investigate the Exemption and Waiver Provisions of HAR 6-73-15 in the Context of Maintenance Replacements of Wood Poles by HECO in Residential Areas on Oahu). The Complainant's assertion concerns HECO's replacement of seven utility poles of increased height and girth at Pukalani Place. The Complainant alleges that one of these seven poles, damages the Complainant's property value and view in multiple ways. The Complainant requests relief that includes, among other things, an assessment of a civil penalty against HECO for its alleged violations of the notice procedure set forth in Decision and Order No. 33166, and removal and replacement of the pole at HECO's expense.

On June 5, 2018, the Commission issued Order No. 35516, directing HECO to file an answer to the Complainant's Formal Complaint. On June 27, HECO issued a Motion to Dismiss the Formal Complaint. On July 5, 2018, the Complainant responded to HECO's Motion in opposition. On July 26, 2018, the Commission issued Order 35605, scheduling a non-evidentiary hearing. On November 9, 2018, the Commission issued Order No. 35874, which granted in part and denied in part HECO's request to dismiss the complaint and ordered the parties to participate in non-binding mediation.

#### **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." On September 8, 2017, the Complainants filed a Motion for Extension of time to File Other Parties' direct testimony and their rebuttal testimony. On September 15, 2017, the Commission granted the Motion for an Extension of Time and adopted a modified procedural schedule. Peter Bosted and Ann Bosted filed their direct testimonies on September 15, 2017. On September 19, 2017, the Direct Testimony of Kevin White, the Authorized Representative of Intervenor Kona 50-18, LLC et al was filed. On December 1, 2017, the Rebuttal Testimony of Peter and Ann Bosted, was filed. In April 2018, Peter and Ann Bosted filed a request for certain documents from Respondents that they state is necessary to complete their records related to this complaint. The commission will address this procedural issue, and further consider the outstanding issues presented by the complaint, in 2019.

## **KIUC**

### **Petition for a Declaratory Ruling Regarding Changing Depreciation Rates**

*Docket 2015-0127, Status: Open*

On May 8, 2015, KIUC filed a petition for declaratory ruling. As its primary request, KIUC seeks a declaratory ruling which "confirms" that KIUC is not required to obtain Commission's approval to change its depreciation rates. In the alternative, KIUC requests that 1) the Commission, pursuant to HRS 269-31(b), waive or exempt any requirement that KIUC obtain the Commission's approval in order to implement changes to KIUC's depreciation rates; or 2) the Commission approve the implementation of KIUC's proposed changes to its depreciation rates.

On June 9, 2015, the Commission issued Order No. 32898, dismissal without prejudice, KIUC's primary request for a declaratory ruling and established further actions within the proceeding. Rather than dismissing KIUC's petition for declaratory ruling in its entirety, the Commission will preserve and address the remaining requests for relief.

The Consumer Advocate filed its Statement of Position ("SOP") on September 21, 2015. KIUC responded to the Consumer Advocate's SOP on September 23, 2015. Pursuant to Order No. 36023, the Commission approved KIUC's proposed depreciation rates on December 27, 2018.

## **Miscellaneous**

### **Instituting a Proceeding to Investigate the Impacts of the Tax and Jobs Act of 2017**

*Docket 2018-0012; Status: Open*

The Tax Cuts and Jobs Act was signed into law on December 22, 2017 ("2017 Tax Act"). The 2017 Tax Act is the first comprehensive change in federal law since 1986 and will impact all U.S. taxpayers. The 2017 Tax Act makes several principle changes that are relevant all regulated entities throughout the state, as the Act significantly reduces corporate income tax rate.

Due to the potentially significant effects of the 2017 Tax Act on regulated entities the Commission issued Order No. 35241 opening a proceeding to investigate the impacts of the Tax Cuts and Jobs Act of 2017 on January 26, 2018. The Commission states until it is able to issue final decisions regarding any utility rate adjustments necessary to account for the 2017 Tax Act, the Commission finds it reasonable and in the public interest for these utilities to immediately begin tracking the impacts of the 2017 Tax Act, as of January 1, 2018. The Commission will use this information in the affected utilities' next rate proceeding to determine any possible rate adjustments that may be necessary. For example, in FY 2018 rate cases, HELCO and HECO revised their revenue requirements downward, and Hawaii Gas was ordered to refund to ratepayers \$113,965 attributable to the impact of the 2017 Tax Act. The proceeding is currently under investigation by the Commission.

### **Instituting a Proceeding Related to the Electrification of Transportation Strategic Roadmap**

*Docket 2018-0135, Status: Open*

On June 13, 2018, the Commission issued Order 35527 opening the docket to serve as a repository for HECO's Electrification of Transportation ("EoT") Strategic Roadmap ("EoT Roadmap") and invited public comment on HECO's EoT Roadmap. The Commission requested comments from any interested parties by July 16, 2018. On November 29, 2018, the HECO Companies filed an addendum to the EoT Roadmap. The docket is currently under review by the Commission.

### **Hawaiian Electric Companies' Application for Approval of Changes in Depreciation and Amortization Rates and CIAC Amortization Period**

*Docket No. 2016-0431, Status: Closed*

On December 22, 2016, the HECO Companies filed an application, seeking approval for changes in their depreciation and amortization rates, and amortization period for Contributions in Aid of Construction. The HECO 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, a consultant was retained to assist them in the review of the application. On March 5, 2018, the Consumer Advocate and the HECO Companies (the "Parties") filed a letter to the Commission requesting an Extension of Time to file a Stipulated Settlement Letter. On March 13, 2018, the Commission issued Order No. 35337, granting the parties' extension of time. On March 23, 2018, the Parties filed a Stipulated Settlement Agreement. On July 30, 2018, the Commission approved the Stipulated Settlement Agreement.

### **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. On October 15, 2018, MECO filed a letter withdrawing their prior motion for leave to respond to Order No. 34514. On November 5, 2018, the Commission approve MECO's motion. The docket is currently under review by the Commission.

### **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: Closed*

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.

On July 25, 2018, the Commission issued Order No. 35602, dismissing MECO's application without prejudice. Several developments related to the Substation Projects have occurred since MECO originally filed its application on September 25, 2016, including the delay in putting the substation project into service, the establishment of the MPIR guidelines, and the filing of MECO's 2018 Test Year rate case. As a result, the Commission finds that, in the interest of promoting administrative efficiency and to avoid the duplication of effort, as well as MECO's statements in Docket 2017-015, that it is "evaluating its options for the recovery of these capital projects", the issue of cost recovery for the Substation Project should be addressed in the ongoing MECO rate case, rather than in this proceeding.

### **Instituting a proceeding related to the Hawaiian Electric Companies' Grid Modernization Strategy**

*Docket No. 2017-0226, Status: Closed*

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 reviewed stakeholder comments and on

February 7, 2018 issued Decision and Order 35268 directing the HECO Companies to implement the Grid Modernization Strategy (“GMS”).

#### **Application for Approval to Donate Wood Poles to Kapapala Ranch**

*Docket 2017-0342, Status: Closed*

On September 27, 2017, HELCO filed its Application seeking Commission approval, pursuant to Paragraph Number 13 of the “Conditions for the Merger and Corporate Restructuring of HECO”, to donate certain used wood poles to the Ranch. On October 17, 2017, the Consumer Advocate filed its Preliminary Statement of Position, stating it had questions and concerns pertaining to the Application. On May 15, 2018, the Consumer Advocate issued Information Requests (“IRs”) to HELCO, to which HELCO responded on June 5, 2018, and June 21, 2018. On June 29, 2018, the Consumer Advocate filed its Statement of Position (“SOP”). On July 3, 2018, HELCO filed a letter with the Commission stating that it would not be filing a response to the Consumer Advocate’s SOP, and that the proceeding was ready for decision-making. On July 25, 2018, the Commission issued Decision and Order No. 35601 approving HELCO’s request.

## **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 2018.

#### **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 asked the Commission to approve a requested increase of \$14.962 million over revenues at current effective rates, a 14.58% increase. The Commission held statewide public hearings on November 27 (Kailua-Kona, Hawaii) November 28 (Hilo, Hawaii) and November 30 (Lihue, Kauai), 2017; December 5 (Honolulu, Oahu), December 13 (Wailuku, Maui), and December 14 (Lanai City, Lanai), 2017; and on January 23 (Kaunakakai, Molokai), 2018. On February 14, 2018, in response to the 2017 Tax Act, TGC revised its increase in total revenues to \$13,470,401, a 12.7% increase over revenues at present rates.

On June 27, 2018, the Commission issued Interim Decision and Order No. 35550 which found TGC probably entitled to a revenue increase of \$8,896,152, an increase of 8.39% over revenues at present rates. The Commission also ordered TGC to refund to ratepayers \$113,965 attributable to the impact of the 2017 Tax Act for the six-month period from January 1, 2018 to June 30, 2018. In its Interim Decision and Order, the Commission stated that it does not intend to issue its Final Decision and Order until TGC’s Honouliuli WWTP Biogas Project is in-service and used and useful. TGC estimated the completion date for the project to be October 2018. On December 13, 2018, TGC filed a letter notifying the Commission that the Honouliuli WWTP Biogas Project is in-service and used and useful for utility purposes. The Commission issued the final decision and order on December 21, 2018.

## **Water and Wastewater Proceedings**

The Commission regulates 39 privately owned water service utilities that provide water services and wastewater services. The majority of these utilities are located on the neighbor islands. During FY 2018, the Commission’s key proceedings in this area included reviewing rate cases and requests for transferring Certificates of Public Convenience and Necessity (“CPCN”).

## **Ratemaking**

During FY 2018, the Commission reviewed rate cases for the following water and sewage utilities:

#### **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 December 28, 2017, the Commission approved the transfer of facilities in Order No. 35158. A total of four requests for extensions of the December 29, 2017 deadline for Settlement Letter or Agreement were filed in this proceeding. The Commission granted the requests, thereby extending the deadline for submission of Settlement Letter or Agreement from December 29, 2017, to February 14, 2018. On February 14, 2018 the Parties filed a partial settlement on outstanding issues. However, the Parties could not reach agreement on 1) the rate of return; 2) rate design; and 3) issues arising from the 2017 Tax Act. The Commission directed the Parties to provide supplemental filings addressing these issues by October 19, 2018. The Commission continues to review the request.

**Waikoloa Resort Utilities Rate Case***Docket No. 2017-0350, Status: Open*

On November 8, 2017, Hawaii Water Service Company filed a motion that requested the Commission approve the consolidation of Waikoloa Resort Utilities, Waikoloa Sanitary Sewer Company, and Waikoloa Water Company’s rate case applications into a single proceeding. These entities are wholly owned subsidiaries of Hawaii Water Service Company. Because the applicants are not requesting consolidated rates and are requesting separate rate increases for five distinct rate-making divisions, the Commission denied the motion in Order No. 35083. On December 29, 2017, Waikoloa Resort Utilities filed an application for approval of a revenue increase of \$2,400,603 for its consolidated operations. This amounts to an approximate increase of 29.2% from revenue at present rates. The applicant is a public utility that provides water, wastewater, and irrigation services in the Waikoloa Beach Resort area on the Island of Hawaii. On June 7, 2018, a public hearing was held at Waikoloa Elementary and Middle School to allow ratepayers to testify.

**Waikoloa Sanitary Sewer Company Rate Case***Docket No. 2017-0449, Status: Open*

On December 29, 2017, Waikoloa Sanitary Sewer Company filed an application for approval of a revenue increase of \$714,059 for its operations. This amounts to an approximate increase of 41.5% from revenue at present rates. The applicant is a public utility that provides wastewater treatment services within Waikoloa Village on the Island of Hawaii. Because of the 2017 Tax Act, on May 29, 2018, the applicant revised their requested revenue increase to \$604,706, or an approximate increase of 35.1% from revenue at present rates. On June 7, 2018, a public hearing was held at Waikoloa Elementary and Middle School to allow ratepayers to testify. On November 13, 2018, the Commission issued Proposed Decision and Order No. 35877, approving the stipulation of the parties and an increase of \$349,381, or approximately 20.2% over revenues at present rates for Waikoloa Sanitary Sewer Company.

**Waikoloa Water Company Rate Case***Docket No. 2017-0450, Status: Open*

On December 29, 2017, Waikoloa Water Company filed an application for approval of a revenue increase of \$728,105 for its operations. This amounts to an approximate increase of 38.4% from revenue at present rates. The applicant is a public utility that provides potable water services within Waikoloa Village on the Island of Hawaii. Because of the 2017 Tax Act, on May 29, 2018, the applicant revised their requested revenue increase to \$704,437, or an approximate increase of 37.2% from revenue at present rates. On June 7, 2018 a public hearing was held at Waikoloa Elementary and Middle School to allow ratepayers to testify.

On November 15, 2018, the Commission issued Proposed Decision and Order No. 35878, approving, in part, the Parties’ Partial Stipulation by approving an increase of \$509,762, or approximately 26.8 percent over revenues at present rates for Waikoloa Water Company and by resolving the outstanding issue regarding Deep Well DW-8.

### **Hana Water Systems, North Service Area Rate Case**

*Docket No. 2017-0446, Status: Closed*

On December 28, 2017, Hana Water Service (“HWS”) filed an application that requested Commission approval of a net increase in revenues of \$269,960 for its North Division operations, an approximately 635% increase over the pro forma revenue amount of \$42,530 at current rates for the Test Year. HWS’ last general rate case was in 1995, and current rates have been in effect for 22 years. HWS-North provides potable water services to 97 residential, agricultural, and commercial customers in the Hana Agricultural Park and Hana Airport service area.

On May 21, 2018, a public hearing was held at the Hana Community Center to allow ratepayers to testify. On July 25, 2018, the parties filed their Partial Stipulation, which was approved by the Commission on August 31, 2018. On October 1, 2018, the Commission issued Order No. 35724 that approved an increase of \$197,316, or 476% over revenues at present rates. The rate increase will be adopted under a five-step, four-year phase-in plan.

### **Hana Water Systems, South Service Area Rate Case**

*Docket No. 2017-0447, Status: Closed*

On December 28, 2017, Hana Water Service (“HWS”) filed an application that requested Commission approval of a net increase in revenues of \$261,760 for its South Division operations, an approximately 503% increase over the pro forma revenue amount of \$58,760 at current rates for the Test Year. HWS’ last general rate case was in 1995, and current rates have been in effect for 22 years. Hana Water Service-South provides potable water services to approximately 74 residential, agricultural, and commercial customers, including the Hana town center area. On May 21, 2018, a public hearing was held at the Hana Community Center to allow ratepayers to testify. On July 25, 2018, the parties filed their Partial Stipulation, which was approved by the Commission on August 31, 2018. On October 1, 2018, the Commission issued Order No. 35725 that approved an increase of \$211,510, or 360% over revenues at present rates. The rate increase will be adopted under a five-step, four-year phase-in plan.

## **Certificates of Authority and Certificates of Public Convenience and Necessity**

### **Kalaeloa Water Company**

*Docket No. 2013-0134, Status: Closed*

*Docket No. 2015-0399, Status: Closed*

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. On February 15, 2018, the applicants filed executed ownership transfer documents, and on June 1, 2018, the Commission approved the transfer and directed KWC to file a rate case application within one year.

## **Miscellaneous**

### **Molokai Properties Limited, Molokai Public Utilities, Inc., Mosco, Inc., and Wai’ola O Moloka’i, Inc.**

*Docket No. 2017-0198, Status: Closed*

On August 4, 2017, the petitioners filed a joint application that requested Commission approval of a series of direct and indirect changes of control of Wai’ola, MPU, and Mosco, the expansion of Mosco’s service territory to include additional service areas and customers, and certain declaratory rulings. On August 23, 2017, the applicants filed a motion to withdraw their application to address new developments and concerns raised by stakeholders. In Order No. 34777, the Commission approved the applications joint motion to withdraw.

**Punalu'u Water & Sanitation***Docket No. 2018-0133, Status: Closed*

On June 8, 2018, Punaluu Water and Sanitation Corporation filed its notice of entity conversion and name change that: (1) notified the Commission of its conversion from corporation to limited liability company; and (2) requested Commission approval to amend its existing water and sewer tariffs by changing its name from Punaluu Water and Sanitation Corporation to Punaluu Water and Sanitation, LLC. The Commission issued Order No. 35568 on July 12, 2018, that approved the requested entity conversion and name change.

**Turtle Bay Wastewater Treatment***Docket No. 2017-0408, Status: Closed*

On November 21, 2017, Turtle Bay Wastewater Treatment, LLC ("TBWT") and BRE Turtle Bay Wastewater LLC ("BRE") filed an application that requested Commission approval of the sale and transfer of 100% of the membership interests of TBWT, presently owned by Turtle Bay Resort, LLC, to BRE, as well as Commission confirmation that the current TBWT Tariff shall continue in effect following the close of the transaction. On August 16, 2018, the Commission found the proposed transaction to be in the public interest, and BRE to be financially and technically fit, and willing and able to provide wastewater services. Subject to certain conditions, the Commission approved the proposed transaction in Order No. 35648.

**Telecommunications Proceedings**

The Commission oversees the intrastate cellular, paging, mobile telephone and other services of 177 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 2018, the Commission certificated 18 new telecommunications companies. See Table 4 below.

**Table 4 - New Telecommunications Companies Certified in FY 2018**

<b>Certificate of Authority</b>	<b>Carrier Type</b>	<b>Docket No.</b>	<b>Date Approved</b>
Legacy Long Distance International, Inc.	Wireline Reseller	2017-0047	8/14/2017
Inteltrace, Inc.	Wireline Reseller	2017-0359	1/29/2018
Time Clock Solutions, LLC	Wireline Reseller	2017-0400	3/29/2018
Birch Communications, Inc.	Wireline Reseller	2017-0410	1/29/2018
QuantumShift Communications, Inc.	Wireline Reseller	2017-0438	5/31/2018

<b>Certificate of Registration</b>			
Horizon River Technologies, LLC	Wireless Reseller	2017-0146	8/21/2017
Visible Service, LLC	Wireless Reseller	2017-0224	10/27/2017
Zang, Inc.	Wireless Reseller	2017-0445	5/18/2018
ROK Mobile, Inc.	Wireless Reseller	2018-0057	5/14/2018
Lunar Labs, Inc.	Wireless Reseller	2018-0060	7/17/2018
InReach, Inc.	Wireless Reseller	2018-0059	7/17/2018
Global Connection Inc. of America dba Standup Wireless	Wireless Reseller	2018-0066	5/14/2018
Spectrum Mobile, LLC	Wireless Reseller	2018-0120	9/10/2018
Q Link Mobile, LLC	Wireless Reseller	2018-0169	9/14/2018
Horizon River Technologies, LLC	Wireless Reseller	2017-0146	8/21/2017
Visible Service, LLC	Wireless Reseller	2017-0224	10/27/2017
Zang, Inc.	Wireless Reseller	2017-0445	5/18/2018
ROK Mobile, Inc.	Wireless Reseller	2018-0057	5/14/2018

The Commission also approved the voluntary surrender of 13 telecommunication companies' certificates. See Table 5.

**Table 5 - Telecommunications Companies Who Surrendered Certificates in FY 2018**

<b>Certificate of Authority</b>	<b>Carrier Type</b>	<b>Docket No.</b>	<b>Date Surrendered</b>
Gold Line Telemanagement, Inc.	Wireline Reseller	2016-0190	1/9/18
Telecom North America Inc	Wireline Reseller	2017-0054	10/26/17
1 800 Collect, Inc.	Wireline Reseller	2017-0104	3/20/2018
TTI National, Inc.	Wireline Reseller	2017-0424	12/13/2017
iBasis Retail, Inc.	Wireline Reseller	2018-0121	5/24/2018
<b>Certificate of Registration</b>			
American Messaging Service, LLC	Wireless Reseller	2016-0044	7/27/17
Coral Wireless, LLC dba MOBI PCS	Wireless Reseller	2016-0417	9/29/17
AAA Rent to Own - Hawaii, Inc., dba Colortyme	Wireless Reseller	2017-0087	8/10/17
Total Call Mobile, Inc.	Wireless Reseller	2017-0106	7/21/17
NPCR, Inc., dba Nextel Partners	Wireless Reseller	2017-0424	12/26/2017
Telispire Ohana LLC, dba Mobi PCS	Wireless Reseller	2018-0002	1/29/2018
Garmin USA Inc.	Wireless Reseller	2018-0009	1/29/2018
Horizon River Technologies, LLC	Wireless Reseller	2018-0108	9/6/2018

### **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.

- **Teleport Communications America, LLC's Adoption of the Agreement by and between Hawaii Dialogix Telecom, LLC and Hawaiian Telcom, Inc.**
  - *Docket No. 2018-0052, Status: Closed*

## **Miscellaneous**

### **Approval of Transfer of Securus Technologies, Inc. to SCRS Acquisition Corporation and for Certain Financing Arrangements**

*Docket No. 2017-0114, Status: Closed*

On May 12, 2017, the applicants requested that the Commission waive all regulatory requirements applicable to the proposed Transaction and Financing Arrangements. In the alternative, the applicants requested Commission approval of the Transaction and Financing Arrangements. The Commission found and concluded in Order No. 34699 that the Transaction and Financing Arrangements are consistent with the public interest, and that the requirements of HRS §§ 269-17 and 269-19(a) should be waived to the extent applicable. 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), as it found no grounds to waive its investigative authority.

### **Instituting an Investigation into the Carrier Contribution Factor and Telecommunications Relay Services Fund Size**

*Docket No. 2017-0142, Status: Closed*

On June 13, 2017, the Commission instituted a proceeding to investigate modifications to the Telecom Relay Services ("TRS") carrier contribution factor and fund size, which would become effective on July 1, 2017. The TRS fund provides compensation to Sprint Communications Company, L.P. to administer a telecommunications relay service, and requires every telecommunications carrier providing intrastate telecommunications service in the State to contribute to the fund on the basis of gross operating revenue.

In Order No. 34665, the Commission modified the existing carrier contribution factor of 0.0012 to 0.0023 starting with the 2017 TRS funding period and continuing for each period going forward, until revised otherwise by the Commission. In addition, the Commission established an annual fund size of approximately \$309,492.00 which represents an approximate 4.8-month operating fund reserve for the 2017 TRS funding period and each period going forward.

### **Transfer of Customers from TTI National, Inc. to MCI Communication Services, Inc. dba Verizon Business Services and Cancellation of Tariffs and Certificate of Authority**

*Docket No. 2017-0193, Status: Closed*

On July 31, 2017, the petitioners filed an application seeking Commission approval of the planned transfer of telephone customers from TTI to MCI, and the cancellation of TTI's tariffs and Certificate of Authority. On September 21, 2018, the Commission dismissed the application without prejudice after concluding that no Commission approval was required in the transaction.

### **Transfer of Control of Hawaiian Telecom, Inc., Hawaiian Telecom Services Company Inc., and Wavecom Solutions Corporation to Cincinnati Bell Inc.**

*Docket No. 2017-0208, Status: Closed*

On July 10, 2017, Cincinnati Bell and Hawaiian Telcom announced a merger agreement had been reached between the two companies, by which Hawaiian Telecom, Inc. ("HTI"), Hawaiian Telecom Services Company Inc. ("HTSC"), and Wavecom Solutions Corporation would become wholly-owned, indirectly-controlled subsidiaries of Cincinnati Bell. On August 11, 2017 the applicants filed an application that requested the Commission (1) approve the proposed indirect transfer of control of Hawaiian Telcom (i.e., HTI, HTSC and Wavecom) to Cincinnati Bell; (2) authorize the pro forma transfer of ownership of HTI and HTSC to Cincinnati Bell, through merger of intermediate holding companies; (3) approve and authorize HTI, HTSC, and Wavecom to participate in Cincinnati Bell's financing arrangements; and (4) modify and extend the waivers granted in Decision and Order No. 32193, Docket No. 2014-0033, so HTI, HTSC, and Wavecom can, in the future, expeditiously participate in new or modified financing arrangements under favorable market conditions without seeking prior approval from the Commission.



The terms of the proposed merger provided for each outstanding share of Hawaiian Telecom common stock to be converted into the right to receive, at the shareholder's election:

- (1) 1.6305 common shares, par value \$0.01 per share, of the Cincinnati Bell (the "CB Common Shares") (the "Share Consideration");
- (2) 0.6522 Cincinnati Bell Common Shares and \$18.45 in cash, without interest (the "Mixed Consideration"); or
- (3) \$30.75 in cash per Holdco share, without interest (the "Cash Consideration").

Additionally, any Hawaiian Telecom stockholder who does not make an election will be treated as having elected to receive the Mixed Consideration. The applicants value this merger at approximately \$650 million.

On March 1, 2018, the Consumer Advocate filed its Statement of Position, which indicated that, subject to some conditions, it supports Commission approval of the merger and the related requests presented in the application. On April 4, 2018, the parties reached a Settlement Agreement with the Consumer Advocate on all outstanding issues.

The Commission issued Order No. 35427 on April 30, 2018, approving the merger and found Cincinnati Bell to be fit, willing, and able to perform the telecommunication services currently provided by Hawaiian Telecom and concluded that the proposed merger is in the public interest. However, the order only adopted the parties Settlement Agreement in part, in that; (1) the Commission imposed additional conditions intended to clarify certain aspects of the Settlement Agreement to ensure that they provide meaningful benefits to the public, consistent with satisfying the public interest standard; and (2) the Commission denied, without prejudice, the applicants' request to modify and extend the waivers granted in Decision and Order No. 32193 (the "Waiver Request").

#### **Mitel Cloud Services, Inc. Transfer of Control and for Certain Financing Arrangements**

*Docket No. 2018-0096, Status: Open*

*Docket No. 2018-0117, Status: Open*

On April 26, 2018 and May 21, 2018, Mitel Cloud Services, Inc filed joint petitions that requested Commission approval of a series of organizational transfers related to an internal corporate restructuring at the Mitel holding company level. The petitioners also requested Commission approval to participate in certain financing arrangements resulting from the restructuring. The Commission is reviewing the request.

#### **Approval of Transfer of Inmate Calling Solutions, LLC dba ICSolutions to Securus Technologies, Inc. and for Certain Financing Arrangements**

*Docket No. 2018-0119, Status: Open*

On May 22, 2018, petitioners requested that the Commission (1) waive all regulatory requirements for the proposed transfer of control of ICSolutions to Securus Technologies, Inc., and (2) the Commission allow ICS to participate in certain Financing Arrangements. The Commission is currently reviewing this request.

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

**Table 6 – FY 2018 Telecom Dockets for which the Commission Waived Applicable Regulatory Requirements**

Application	Docket No.	Status
<b>Change of Control</b>		
Transfer control of MagicJack VocalTec Ltd., and YMax Communications Corp. to B. Riley Financial	2017-0430	Closed
Transfer control of XO Communications Services, LLC to MCI Communications Services, Inc.	2018-0067	Closed
Bandwidth.com CLEC, LLC	2017-0231	Closed
Transfer control of West Corporation, West Safety Communications Inc to Olympus Holdings II, LLC	2017-0129	Closed
Transfer control of GC Pivotal, LLC to GTT Americas, LLC	2017-0163	Closed
<b>Corporate Structure</b>		
Sprint Communications Company changes in organizational structure	2018-0005	Closed
Airus, Inc changes in organizational structure	2017-0078	Closed
<b>Entity Conversion</b>		
Conversion of Birch Communications from Inc. to LLC.; Name Change from Birch Telecom of the West, Inc., dba Birch Communications to Birch Telecom of the West LLC, dba Birch Communications	2018-0083	Closed
<b>Financing Arrangements</b>		
GC Pivotal, LLC	2017-0167	Closed
Exenet Systems, Inc.	2017-0246	Closed
CenturyLink Communications, LLC	2018-0048	Closed
GC Pivotal, LLC dba Global Capacity	2018-0072	Closed
Access Point, Inc	2018-0076	Closed
Level 3 Communications, LLC, Broadwing Communications, LLC, Global Crossing Telecommunications, Inc., Level 3 Telecom of Hawaii, LP, and WiTel Communications, LLC	2017-0407	Closed
<b>Other Telecommunications Dockets</b>		
Hawaiian Telecom's waiver from the regulatory requirements of GO No. 8, "Standards for Telephone Service in the State of Hawaii".	2017-0184	Closed
Hawaiian Telecom's waiver from regulatory requirements regarding the lease of retail space in Hawaiian Telecom's headquarters property.	2018-0140	Closed

## Water Carrier Proceedings

The Commission regulates two water carriers<sup>3</sup>: 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.

The statute governing the regulation of water carriers is HRS Chapter 271G, the Hawaii Water Carrier Act. Water carrier proceedings during FY 2018 are summarized below.

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

*Docket No. 2017-0363, Status: Open*

On December 20, 2017, Young Brothers ("YB") filed an application for approval of a 13.32% rate increase, or an increase in revenues of \$9,455,000. On January 30, 2018, due to YB's belated submission of voluminous documents that relate to the substantive testimony and evidence in support of its requested rate increase, including information relating to the impact of the 2017 Tax Act on rates, the Commission rejected the December 20, 2017 application without prejudice. On February 9, 2018, YB refiled its

<sup>3</sup> Water carriers are utility providers of intrastate marine transport.

application and found that the 2017 Tax Act reduced its 2018 Test Year intrastate revenue requirement by \$770,000, reducing the proposed rate increase from 13.32% to 12.23%. On February 23, 2018, YB filed supplemental information that further reduced its rate increase request to 11.05%. During the months of May, June, and July 2018, public hearings on YB's refiled application were held on all islands where YB provides service. YB and the Consumer Advocate engaged in extensive settlement meetings and discussions, and as a result, the Parties were able to resolve their differences and reach a settlement on YB's overall revenue requirements and requested tariff changes. On October 10, 2018, the Parties filed a joint letter informing the Commission of their settlement and their waiver of the evidentiary hearing and requesting the cancellation of said hearing. The settlement stipulation was filed with the Commission on October 19, 2018, and YB filed additional supporting documents on November 14, 2018. On December 6, 2018, the Commission instructed the parties to resubmit the stipulation and supporting documentation to resolve discrepancies among the prior filings.

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

On December 7, 2016, Young Brothers filed an application requesting the Commission to approve: 1) the 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.

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

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. On December 13, 2017, the Commission approved the request, subject to certain conditions.

## **Motor Carrier Proceedings**

The Commission regulates passenger and property motor carriers transporting passengers or property for compensation or hire on the public highways.<sup>4</sup> 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.<sup>5</sup> 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.

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<sup>4</sup> [HRS §271.](#)

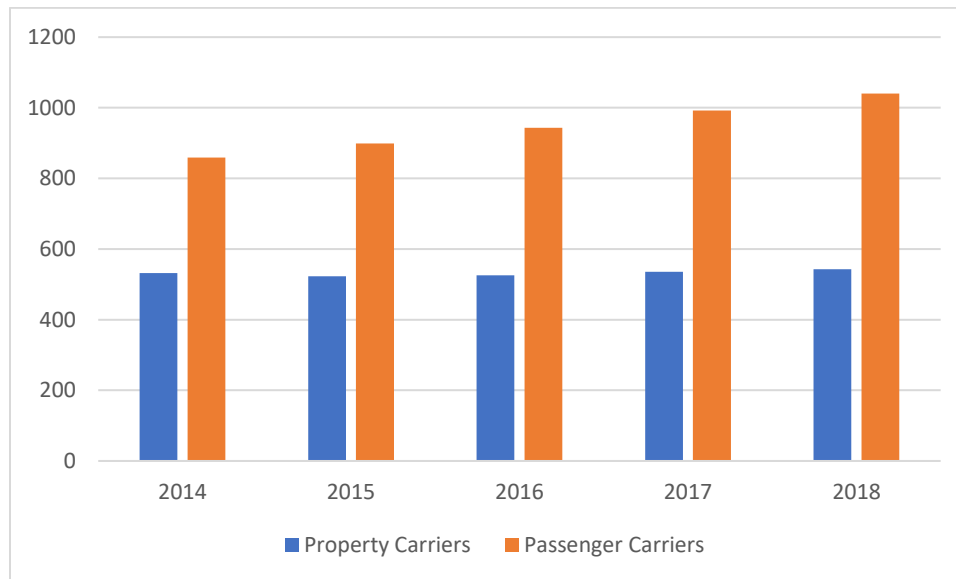
<sup>5</sup> [HRS §271-5.](#)

## **New Motor Carrier Certifications**

The Commission regulates 1,583 motor carriers, which includes 1,040 passenger carriers and 543 property carriers. During FY 2018, 153 new certificates or permits were issued to 116 passenger carriers and 37 property carriers. Figure 3 shows the number of active motor carriers over the past five fiscal years.

**Figure 3 – Number of Active Motor Carriers, Fiscal Years 2014-2018**

	2014	2015	2016	2017	2018
<b>Property Carriers</b>	532	523	526	536	543
<b>Passenger Carriers</b>	859	899	943	992	1040



## **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, WMTB filed requests for rate changes for their members. The Commission also reviewed and approved rate requests from 40 independent motor carriers.

Rates that are increased or decreased by ten percent within a calendar year are presumed to be just and reasonable pursuant to the Zone of Reasonableness Program ("ZRP").<sup>6</sup> Motor carriers who request rate increases or decreases that do not fall within the  $\pm 10$  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.

<sup>6</sup> 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 an 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<sup>7</sup>, is a demand-side management surcharge collected by the HECO Companies to support energy-efficiency programs and services in the HECO Companies' service territories,<sup>8</sup> 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 2018 was held at 1.5 percent of forecasted utility revenues and the PBF collections amount was projected to be \$20.33 million.

### **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 Benefits Fee and established the Hawaii Green Infrastructure Authority ("HGIA"), 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 January 4, 2018 and July 12, 2018, the Commission approved a GIF Semiannual true-up adjustment.

The Commission continues to review requests filed by HGIA in relation to the GEMS Program. In October 2017, the Commission declared in Order No. 34861 that the grid connection requirement in Order No. 323218 did not preclude HGIA from committing funds to the Kahauiki Village project; and in April 2018, the Commission conditionally approved Program 12.

On May 30, 2018, the Commission also conditionally approved Program Notification No. 13, which HGIA filed to align with Hawaii Legislature House Bill 1508 to "provide all state agencies and departments the opportunity to obtain low-cost financing from the green energy market securitization program, at an interest rate of 3.5 per cent a year, to reduce energy costs and consumption by installing energy-efficiency measures." To assist in this goal, HGIA will convert \$50 million of GEMS funds into a revolving line of credit for any State Agency or Department to finance cost-effective commercial energy efficiency measures.

On December 6, 2018, the Commission approved the On-Bill Repayment Mechanism, which was jointly filed by HGIA and HECO.

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<sup>7</sup> HRS § 269-121 through 125.

<sup>8</sup> 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.



## 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*

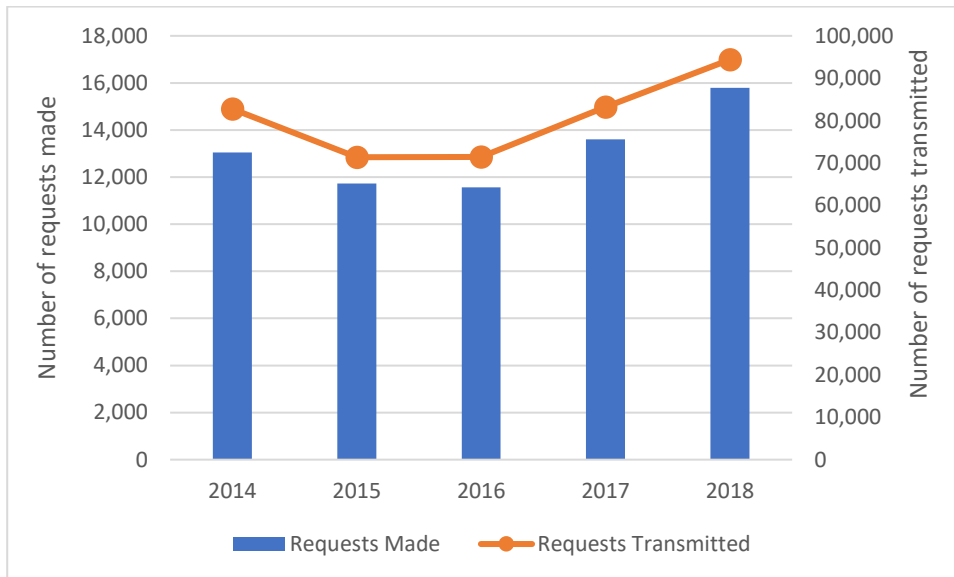
Hawaii's One Call Center was established by State law<sup>9</sup> to coordinate the location of subsurface installations, including underground utilities, and to provide advance notice of proposed excavation work to the operators of these systems. The Commission began operation of the One Call Center in 2006.

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

In FY 2018, the number of requests called in from excavators to the Hawaii One Call Center and the number of requests transmitted to facility operators by Hawaii One Call Center increased by roughly 2,000 and 11,000 respectively, from FY 2017 activity.

**Figure 4 – Requests Made and Transmitted to the Hawaii One Call Center, FY 2014-2018**

	2014	2015	2016	2017	2018
<b>Requests Made</b>	13,053	11,734	11,559	13,609	15,795
<b>Requests Transmitted</b>	82,738	71,363	71,423	83,201	94,387



<sup>9</sup> 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

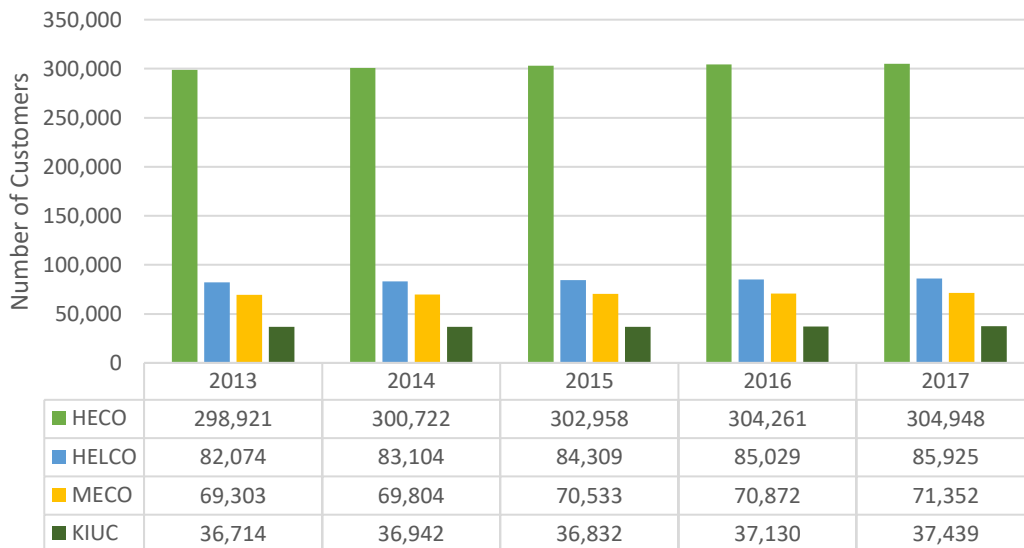
## Utility Company Operations

### 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.

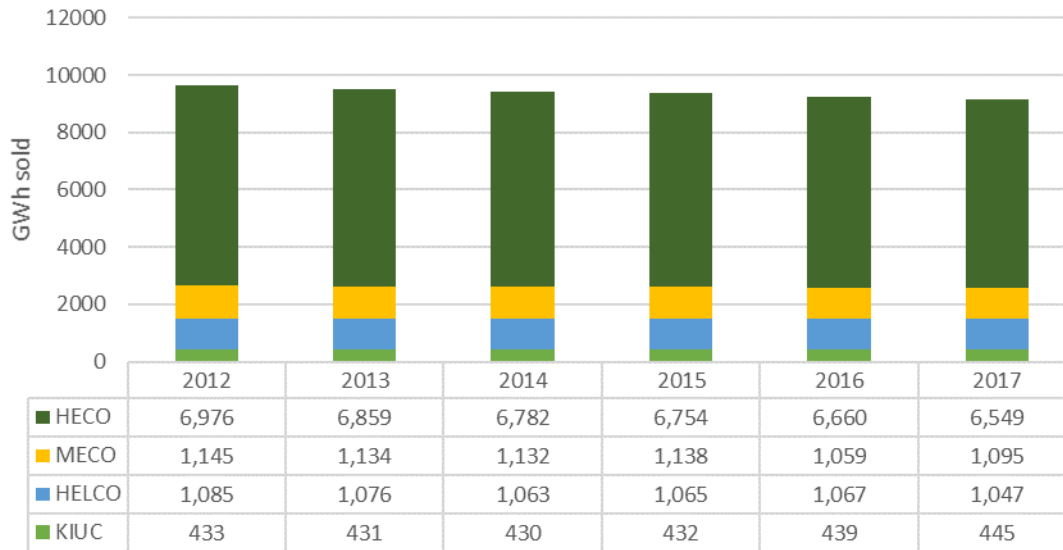
The number of customers served by electric utilities has year over year growth of approximately 0.5% to 0.8% since 2013.<sup>10</sup> See Figure 5.

**Figure 5 – Number of Electric Utility Customers, Calendar Years 2013-2017**



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

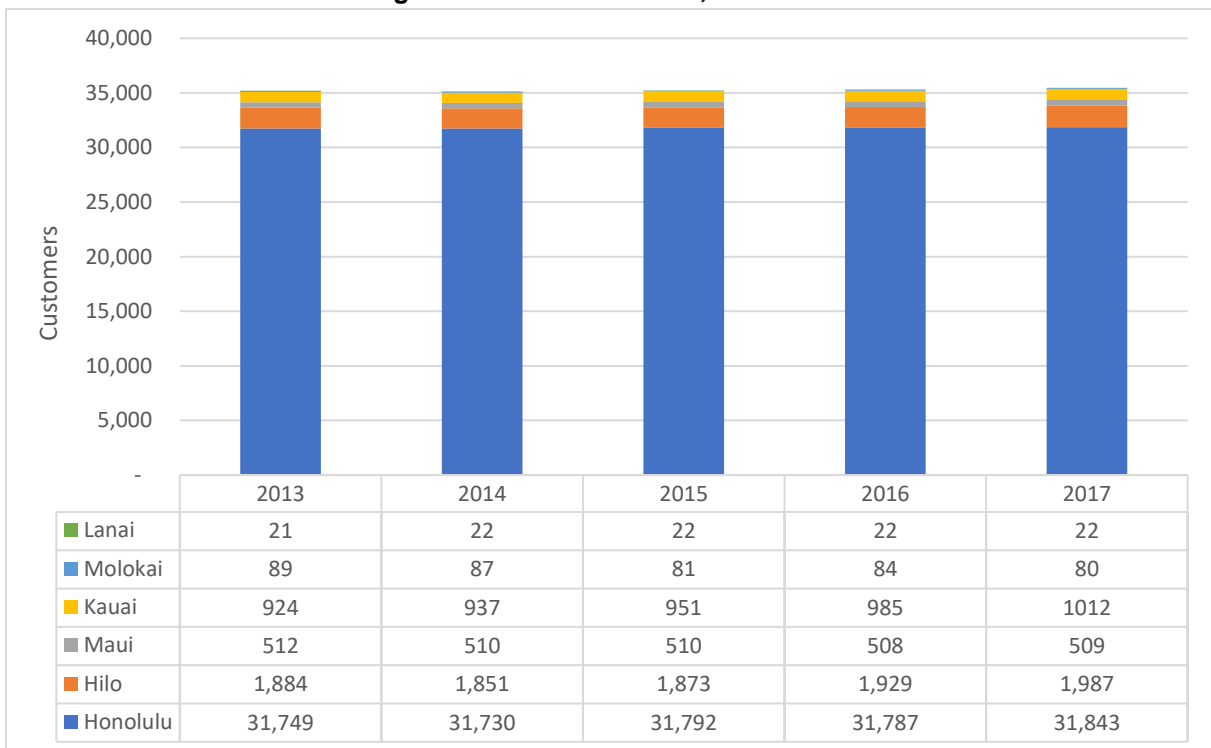
<sup>10</sup> Data obtained from the electric utilities' Annual Financial Reports filed with the Commission.

**Figure 6 – Annual Electricity Sales in Gigawatt-hours, 2012-2017**

### **Gas Utility**

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

The Commission regulates Hawaii's only utility gas provider, the Gas Company, dba Hawaii Gas ("Hawaii Gas" or "TGC") that serves over 35,000 customers in its six gas districts: Honolulu, Hilo, Maui, Molokai, Lanai, and Kauai. Between 2013 through 2017, the number of customers has remained relatively flat. Over 90% of Hawaii Gas' customers are in its Honolulu District.

**Figure 7 – Gas Customers, 2013-2017**

## Capital Improvements

### Electric Utilities

The following section provides information on capital improvement projects ("CIP") for HECO, HELCO, MECO, and KIUC for the calendar year ("CY") 2017.

#### HECO

HECO's actual CY 2017 plant additions, before reduction for contributions in aid of construction received, total \$276.7 million.

**Table 7 - HECO Summary of CY 2017 Plant Additions<sup>11</sup>**

(\$ in million)	Actual	Budget	Variance
Less than \$2.5 million	\$272.6	\$259.0	\$13.6
Less than \$2.5 million - Plant additions budgeted in 2016, delayed to 2017 or beyond or cancelled	\$0.0	\$44.4	(\$44.4)
Subtotal - Less than \$2.5 million	\$272.6	\$303.4	(\$30.8)
GO7 - Greater than \$2.5 million	\$4.1	\$4.4	(\$0.3)
Total	\$276.7	\$307.8	(\$31.1)

#### HELCO

HELCO's actual CY 2017 plant additions, before reduction for contribution in aid of construction received, total \$55.2 million.

**Table 8 - HELCO Summary of CY 2017 Plant Additions<sup>12</sup>**

(\$ in million)	Actual	Budget	Variance
Less than \$2.5 million	\$54.2	\$32.3	\$21.9
Less than \$2.5 million - Plant additions budgeted in 2016, delayed to 2017 or beyond or cancelled	\$0.0	\$18.3	(\$18.3)
Subtotal - Less than \$2.5 million	\$54.2	\$50.6	\$3.6
GO7 - Greater than \$2.5 million	\$1.0	\$1.2	(\$0.2)
Total	\$55.2	\$51.8	\$3.4

#### MECO

MECO's actual CY 2017 plant additions, before reduction for contribution in aid of construction received, total \$46.7 million.

**Table 9 - MECO Summary of CY 2017 Plant Additions<sup>13</sup>**

(\$ in million)	Actual	Budget	Variance
Less than \$2.5 million	\$38.9	\$37.5	\$1.4
Less than \$2.5 million - Plant additions budgeted in 2016, delayed to 2017 or beyond or cancelled	\$0.0	\$5.5	(\$5.5)
Subtotal - Less than \$2.5 million	\$7.8	\$32.7	(\$24.9)
GO7 - Greater than \$2.5 million	\$0.0	\$0.0	\$0.0
Total	\$46.7	\$75.7	(\$29.0)

<sup>11</sup> HECO, Letter from Joseph P. Viola. March 27, 2018. Exemption From and Modification of General Order No. 7 Paragraph 2.3(g), Relating to Capital Improvements Capital Projects Completed in 2017. Attachment 1, Docket 03-0257.

<sup>12</sup> HECO, Letter from Joseph P. Viola. March 27, 2018. Exemption From and Modification of General Order No. 7 Paragraph 2.3(g), Relating to Capital Improvements Capital Projects Completed in 2017. Attachment 2, Docket 03-0257.

<sup>13</sup> HECO, Letter from Joseph P. Viola. March 27, 2018. Exemption From and Modification of General Order No. 7 Paragraph 2.3(g), Relating to Capital Improvements Capital Projects Completed in 2017. Attachment 3, Docket 03-0257.

## **KIUC**

For CY 2017, KIUC completed 58 CIPs for which none of the individual projects had a total cost exceeding \$1 million. KIUC completed two (2) CIPs for which each project had an individual total cost between \$1 million and \$2.5 million and one (1) CIP with a total cost at or exceeding \$2.5 million in FY 2017. As shown in Table 10 below, the total aggregate cost of the 58 CIPs completed in 2017 is approximately \$10.6 million.

**Table 10 - KIUC Summary of CY 2017 Completed CIPs<sup>14</sup>**

(\$ in million)	Actual	Budget	Variance
Completed CIPs with a total cost of less than \$1 million	\$10.6	n/a	\$10.6
Completed CIPs with a total cost of between \$1 million to under \$2.5 million	\$4.0	\$3.9	\$0.1
Completed CIPs with a total cost of \$2.5 million or more	\$3.7	\$3.8	(\$0.1)
Total	\$18.3	\$7.7	\$10.6

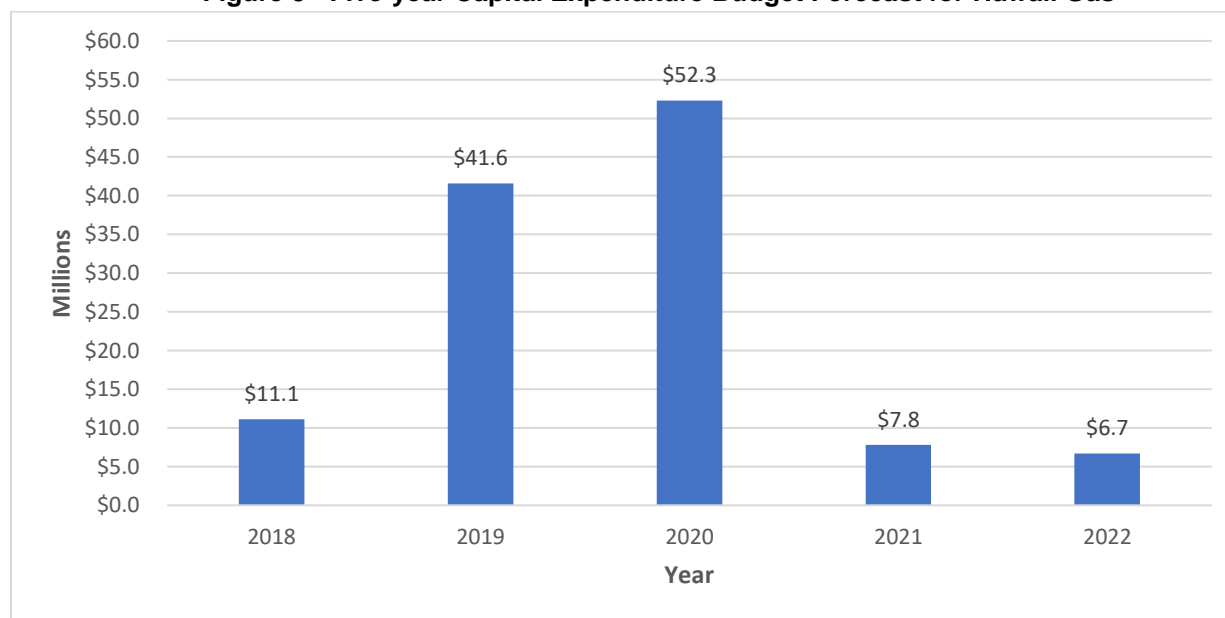
## **The Gas Company (Hawaii Gas)**

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 \$11.1 million in 2018, \$41.6 million in 2019, \$52.3 million in 2020, and \$7.8 million in 2021, and \$6.7 million in 2022 for a total of approximately \$119.5 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**

	2018	2019	2020	2021	2022
Hawaii Gas	\$11,077,594	\$41,554,225	\$52,298,026	\$7,754,493	\$6,749,077

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



<sup>14</sup> KIUC, Letter from M. Yamane. May 29, 2018. Exemption from and Modification of General Order No. 7, Paragraph 2.3(g)2, Regarding Capital Improvements; Annual Report Regarding Completed Projects 2017. Docket No. 03-0256



## Rates

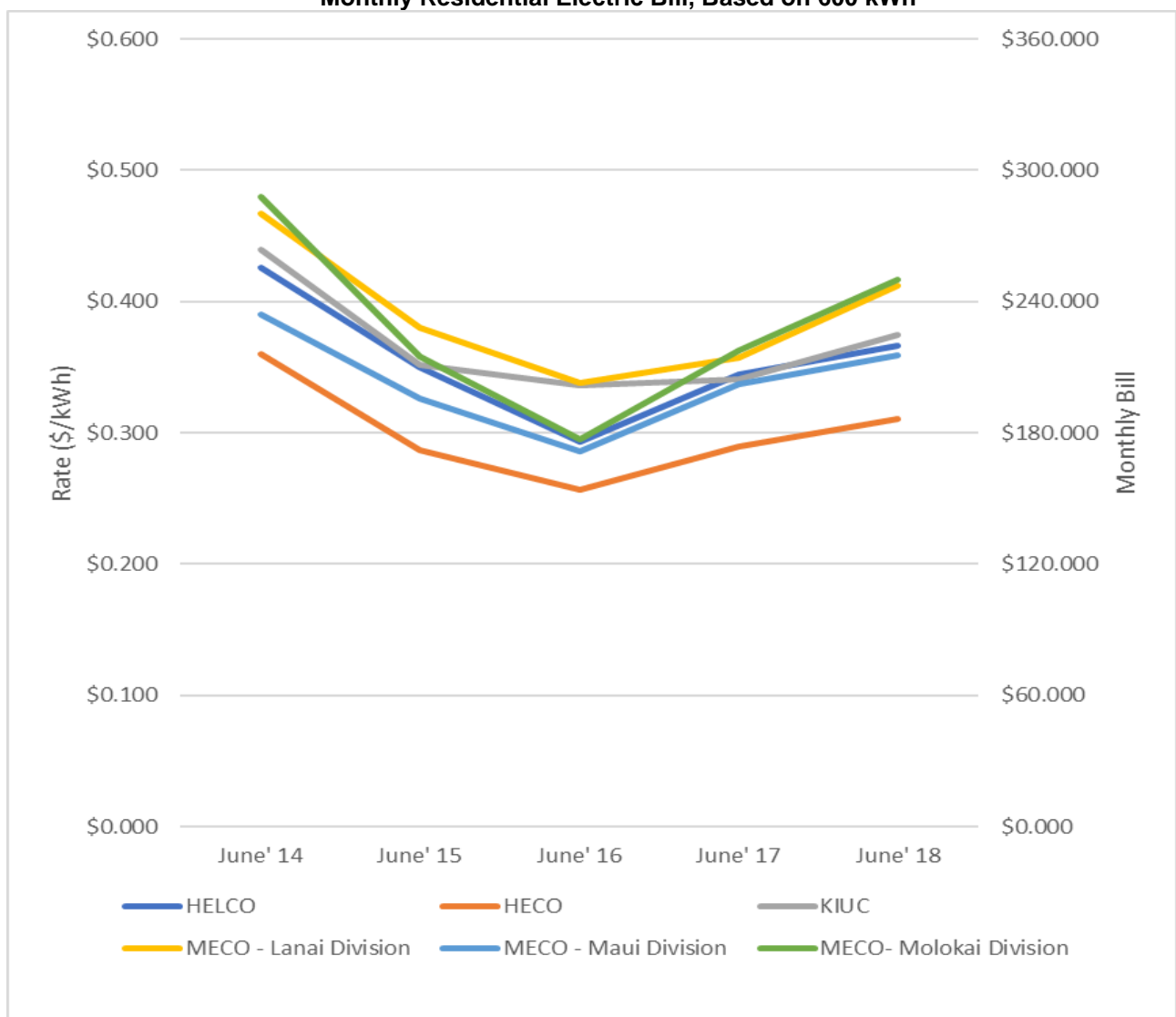
Rates for the Commission's regulated entities are filed in tariffs, which the Commission reviews and approves. Rates for telephone services do not require Commission approval and are filed with the Commission for informational purposes. Tariff filings are available on the Commission's Document Management 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<sup>15</sup> 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**



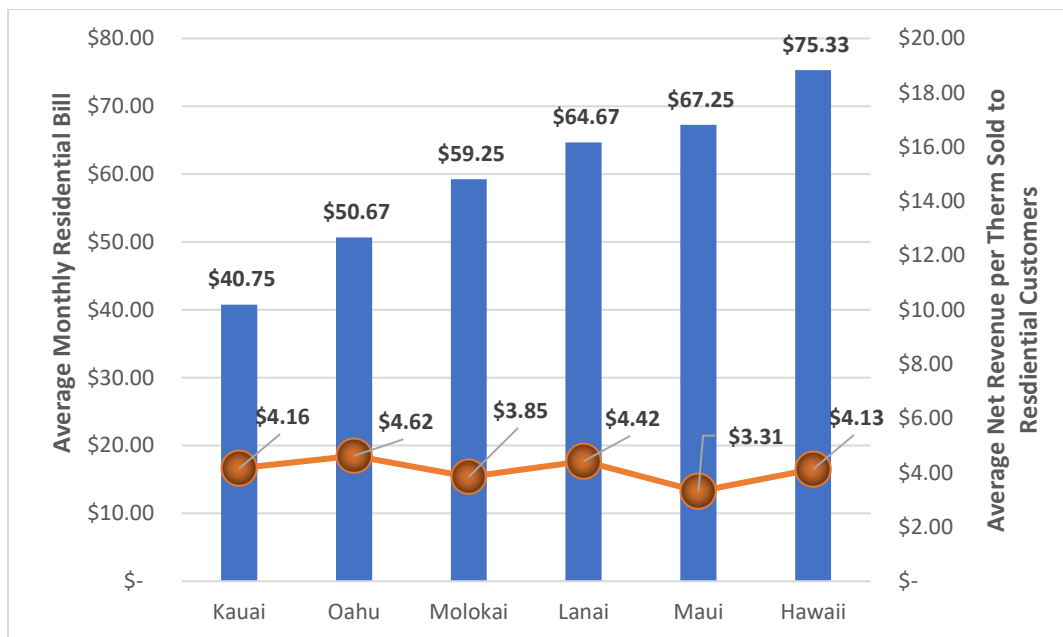
<sup>15</sup> The fuel adjustment clause is an automatic adjustment provision of a rate schedule approved by the Commission, which provides for increases or decreases, or both, without prior hearing, in rates reflecting changes in cost incurred by an electric or gas utility for fuel or purchased energy 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' 14		June' 15		June' 16		June' 17		June' 18	
	Rate	Bill	Rate	Bill	Rate	Bill	Rate	Bill	Rate	Bill
HELCO	\$0.426	\$255.62	\$0.350	\$209.85	\$0.293	\$175.74	\$0.344	\$206.40	\$0.366	\$219.60
HECO	\$0.360	\$216.08	\$0.287	\$172.20	\$0.257	\$153.95	\$0.290	\$174.00	\$0.311	\$186.78
KIUC	\$0.439	\$263.57	\$0.352	\$211.04	\$0.336	\$201.89	\$0.341	\$204.60	\$0.375	\$225.00
MECO - Lanai Division	\$0.467	\$280.40	\$0.380	\$227.98	\$0.338	\$202.55	\$0.357	\$214.20	\$0.412	\$247.20
MECO - Maui Division	\$0.390	\$234.15	\$0.326	\$195.74	\$0.286	\$171.79	\$0.337	\$202.20	\$0.359	\$215.40
MECO- Molokai Division	\$0.480	\$287.83	\$0.359	\$215.14	\$0.295	\$176.82	\$0.363	\$217.80	\$0.417	\$250.20

**Gas**

For CY 2017, average residential utility gas bills ranged from approximately \$40.75 on Kauai to \$75.33 on Hawaii and the cost per therm ranged from approximately \$3.31 on Maui to \$4.92 on Oahu. See Figure 10.

**Figure 10 – Average monthly Residential Utility Gas Bills and Costs Per Therm, 2017**

# Utility Company Reliability and Quality of Service

## Electric Utilities' Reliability and Quality of Service

The annual service reliability reports submitted to the Commission by HECO, MECO, HELCO, and KIUC provide information by calendar (not fiscal) year. Reliability indices are calculated using the data from system outages that cause sustained interruptions.

### Reliability Indices: SAIDI and SAIFI

Although there are a variety of reliability indices, there are two that are both in widespread use and are currently being used as a measure of performance of the HECO companies. These indices are SAIDI and SAIFI, further described in the box below.

**SAIDI:** *System Average Interruption Duration Index: the average length of time the company's customers are out of power during the year, i.e. "minutes."*

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

### Methodology used by the HECO Companies prior to 2017

In prior years, reliability data and indices were developed using the guidelines specified in the "Methodology for Determining Reliability Indices for HECO Utilities," dated December 1990 ("1990 Methodology"). These guidelines defined a sustained outage as an electrical service interruption of more than one minute. As explained in the 1990 Methodology,<sup>16</sup>

The EEI report was written in such general terms that the utilities needed to develop their own specific guidelines. To remain within the intent and definition of the EEI report, it was initially determined that the reliability indices would be calculated on the basis of "sustained interruptions" with durations greater than five minutes.

However, [the Hawaii PUC's] General Order No. 7 section 7.5a specifies that for interruption data collection requirements:

"Each utility shall keep records of all planned and unplanned interruptions of service of more than one-minute duration..."

For the purpose of collecting data for internal analysis of system operations, the HECO utilities have followed the practice of recording all outages regardless of their magnitude and/or duration ... To eliminate the difference in the data used for the EEI indices calculations and the record keeping requirements specified in General Order No. 7, the HECO utilities will redefine a sustained outage as an outage that has a duration greater than one minute and all indices reported will be on the same basis (that is, **greater than one-minute durations**).

<sup>16</sup> Docket No. 7049, Exhibit C1, Reliability Task Force, December 1990, *Methodology for Determining Reliability Indices for HECO Utilities*, pages 8-9. Emphasis added. "EEI" is Edison Electric Institute.

The *1990 Methodology* guidelines also allowed normalization to “remove the anomalies in the data” (*1990 Methodology*, p. 8). It went on to describe anomalies as “those condition that have a low probability of occurring” and listed:

- Hurricanes
- Tsunamis
- Earthquakes
- Floods
- Catastrophic Equipment Failures
- A single outage resulting in the loss of greater than 10% of the system peak load.

### Guidelines used by the HECO Companies in 2017

Reliability indices for 2017 reported in the HECO Companies' *Annual Service Reliability Reports for 2017* use guidelines outlined in IEEE Std. 1366™-2012: *IEEE Guide for Electric Power Distribution Reliability Indices* ("IEEE 1366"), including the definition of sustained interruption as any outage event lasting longer than five minutes. This is different from the *1990 Methodology*, which defined "sustained" as an outage with a duration of longer than one minute.

Another difference between the calculations is the *1990 Methodology* process of "normalization," which removed a variety of outages (listed above) from the calculation of the reliability indices. The IEEE 1366 guidelines take the approach of using Major Event Days ("MEDs"). A Major Event Day is defined as a day in which the daily system SAIDI exceeds a Major Event Day threshold value (" $T_{MED}$ "). According to the HECO Companies, "[d]ays having a daily system SAIDI greater than [ $T_{MED}$ ] indicate days on which the energy delivery system experienced stresses beyond that normally expected (such as during severe weather)."<sup>17</sup> The IEEE 1366 explains that the purpose of removing MEDs is:

...to allow major events to be studied separately from daily operation, and in the process, to better reveal trends in daily operation that would be hidden by the large statistical effect of major events... Activities that occur on days classified as MEDs should be separately analyzed and reported.<sup>18</sup>

and recommends that:

indices should be calculated for two conditions:

- 1) All events included
- 2) MEDs removed<sup>19</sup>

IEEE 1366 also discussed special treatment for "catastrophic days":

...a certain number of [utilities] have experienced large-scale events (such as hurricanes or ice storms) that result in unusually sizable daily SAIDI values. The events that give rise to these particular days, considered "catastrophic events,"... could cause a relatively minor upward shift in the resulting reliability metric trends...

It is recommended that the identification and processing of catastrophic events for reliability purposes should be determined on an individual company basis by regulators and utilities since no objective method has been devised that can be applied universally to achieve acceptable results.<sup>20</sup>

### HECO Data for 2012-2016 Using Both Methodologies

To enable a historical comparison of the 1990 Methodology with the IEEE 1366 guidelines, HECO provided the Commission with the indices for 2012-2016 historical data when calculated using the IEEE 1366 guidelines. This comparison is provided for the purposes of transition, with the expectation that HECO's future reliability reports will discontinue calculations using the 1990 Methodology.

<sup>17</sup> *Hawaiian Electric Companies Annual Service Reliability Reports for 2017*, filed June 21, 2018, Attachment 1, page 2.

<sup>18</sup> IEEE 1366, page 10.

<sup>19</sup> IEEE 1366, page 13.

<sup>20</sup> IEEE 1366, "5.3 Major Event Days and catastrophic days," pages 19-20.

<b>HECO</b>								
<b>Year</b>	<b>SAIDI (minutes), Generation, Transmission, and Distribution events</b>				<b>SAIFI (interruptions), Generation, Transmission, and Distribution events</b>			
	<b>All Interruptions</b>		<b>Normalized/MEDs removed</b>		<b>All Interruptions</b>		<b>Normalized/MEDs removed</b>	
	1990 Methodology	IEEE 1366	1990 Methodology	IEEE 1366	1990 Methodology	IEEE 1366	1990 Methodology	IEEE 1366
<b>2012</b>	113.67	113.51	113.67	105.71	1.368	1.304	1.368	1.111
<b>2013</b>	121.63	121.28	121.63	108.24	1.370	1.268	1.370	1.216
<b>2014</b>	108.03	107.30	108.03	107.30	1.487	1.280	1.487	1.280
<b>2015</b>	152.77	151.95	152.77	99.34	2.124	1.911	2.124	1.454
<b>2016</b>	109.94	109.33	106.55	83.24	1.520	1.300	1.511	1.002

<b>HELCO</b>								
<b>Year</b>	<b>SAIDI (minutes), Generation, Transmission, and Distribution events</b>				<b>SAIFI (interruptions), Generation, Transmission, and Distribution events</b>			
	<b>All Interruptions</b>		<b>Normalized/MEDs removed</b>		<b>All Interruptions</b>		<b>Normalized/MEDs removed</b>	
	1990 Methodology	IEEE 1366	1990 Methodology	IEEE 1366	1990 Methodology	IEEE 1366	1990 Methodology	IEEE 1366
<b>2012</b>	141.27	138.53	141.27	138.53	2.814	1.947	2.814	1.947
<b>2013</b>	202.58	198.14	114.03	126.64	4.601	3.124	2.917	2.824
<b>2014</b>	955.70	953.50	160.94	172.58	4.891	3.916	3.396	2.726
<b>2015</b>	479.92	474.78	150.29	154.09	5.176	4.127	2.733	2.298
<b>2016</b>	178.73	176.12	135.94	145.12	3.144	2.326	2.880	2.193

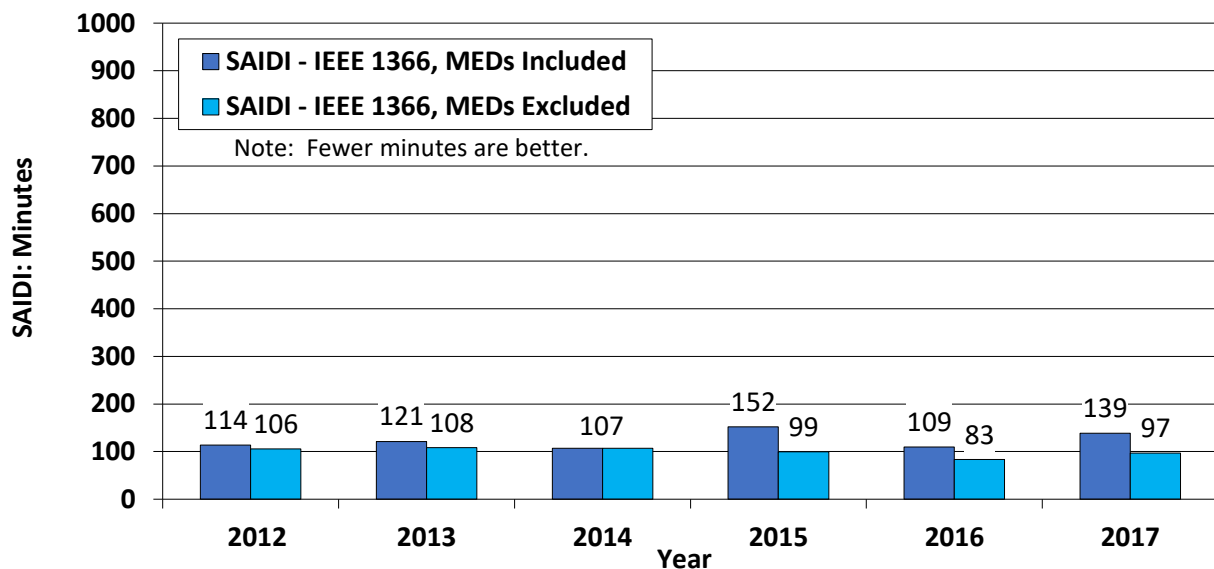
<b>MECO</b>								
<b>Year</b>	<b>SAIDI (minutes), Generation, Transmission, and Distribution events</b>				<b>SAIFI (interruptions), Generation, Transmission, and Distribution events</b>			
	<b>All Interruptions</b>		<b>Normalized/MEDs removed</b>		<b>All Interruptions</b>		<b>Normalized/MEDs removed</b>	
	1990 Methodology	IEEE 1366	1990 Methodology	IEEE 1366	1990 Methodology	IEEE 1366	1990 Methodology	IEEE 1366
<b>2012</b>	217.43	217.16	110.10	144.17	2.853	2.791	1.187	1.980
<b>2013</b>	191.33	191.15	93.81	121.87	1.998	1.933	1.037	1.589
<b>2014</b>	188.39	188.25	103.70	144.83	2.567	2.516	1.545	2.119
<b>2015</b>	455.96	455.33	151.11	134.03	3.277	3.040	1.607	1.625
<b>2016</b>	187.05	186.87	154.30	135.18	2.060	2.001	1.630	1.608



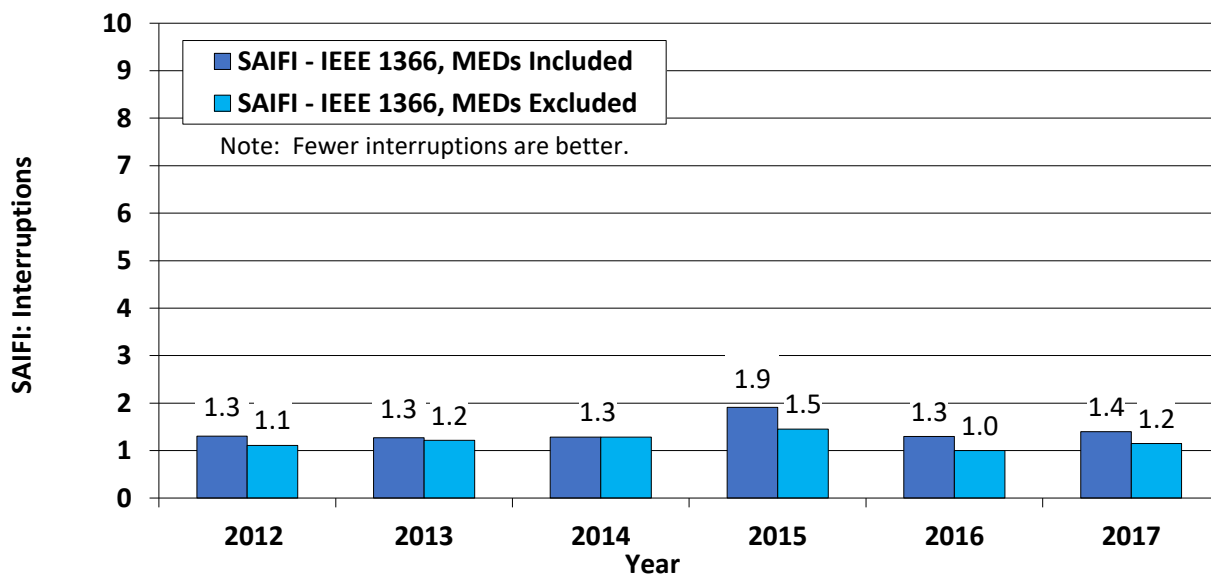
## HECO Service Quality

HECO's SAIDI and SAIFI reliability indices for 2017 and the prior five years, using the IEEE 1366 guidelines, are shown in Figure 1 and Figure 2, respectively.<sup>21</sup>

**Figure 1 - HECO System Average Interruption Duration Index**  
(Generation, Transmission, and Distribution events)



**Figure 2 - HECO System Average Interruption Frequency Index**  
(Generation, Transmission, and Distribution events)

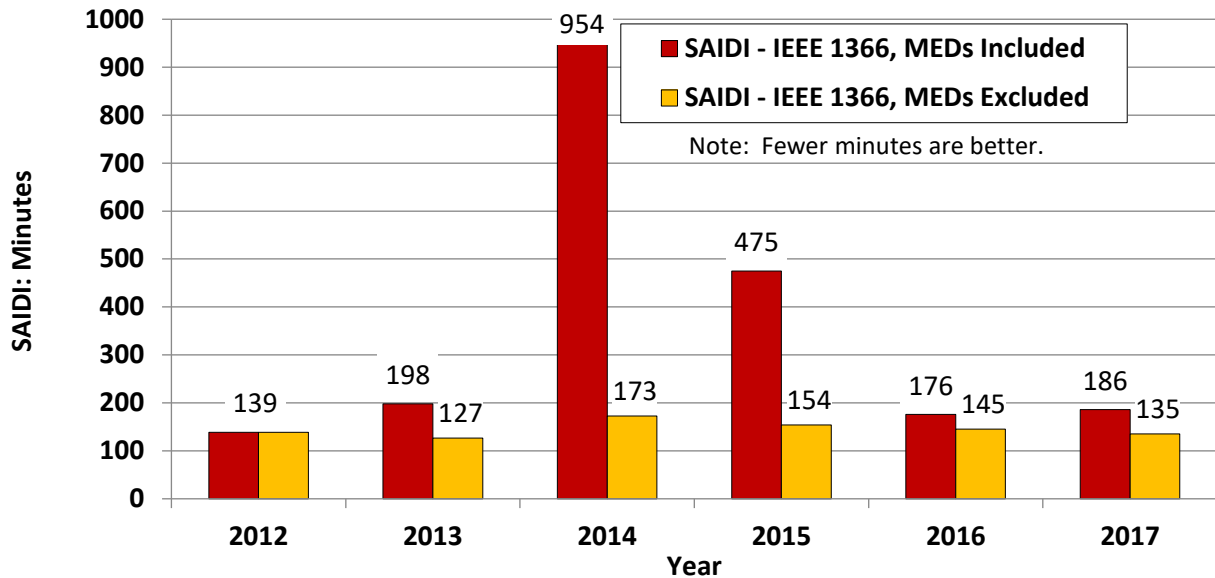


<sup>21</sup> Reasons for HECO Major Event Day Exclusions: 2012 - 1/5/12 generation; 2013 - 2/17/13 equipment failure; 2015 - 1/2/15 high winds, 2/14/15 high winds, and 2/19/15 high winds; 2016 - 3/25/16 generation, 7/24/16 weather & flooding, and 10/4/16 overload; 2017 - 1/21/17 high winds, 1/22/17 high winds, and 2/05/17 high winds.

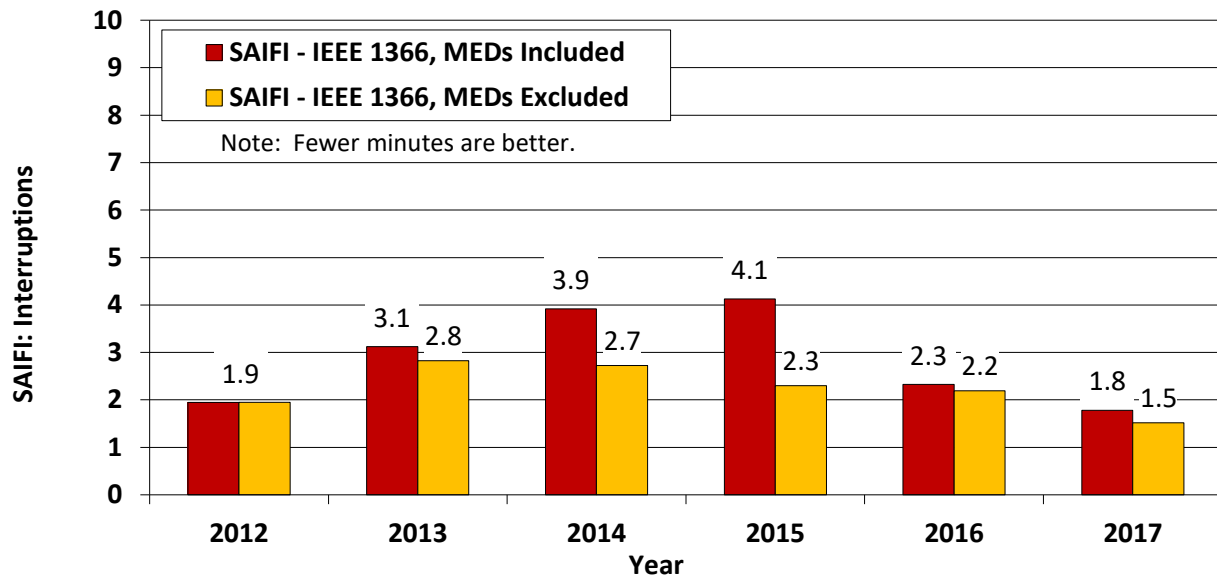
## HELCO Service Quality

HELCO's SAIDI and SAIFI reliability indices for 2017 and the prior five years, using the IEEE 1366 guidelines, are shown in Figure 3 and Figure 4, respectively.<sup>22</sup>

**Figure 3 - HELCO System Average Interruption Duration Index**  
(Generation, Transmission, and Distribution events)



**Figure 4 - HELCO System Average Interruption Frequency Index**  
(Generation, Transmission, and Distribution events)

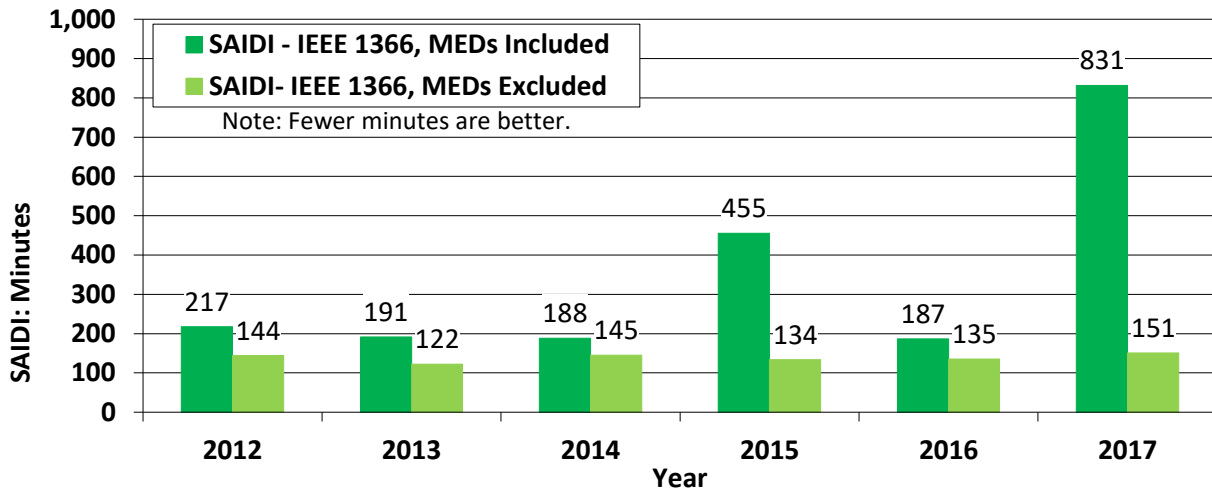


<sup>22</sup> Reasons for HELCO Major Event Day Exclusions: 2013 - 6/26/13 scheduled, 6/27/13 scheduled, 7/29/13 branches, 8/13/13 scheduled, and 8/14/13 scheduled; 2014 - 1/22/14 branches, 8/7/14 high winds, 8/8/14 high winds, 8/16/14 high winds, and 12/24/14 accident; 2015 - 1/2/15 high winds, 1/3/15 high winds, and 2/14/15 high winds; 2016 - 7/23/16 high winds; 2017 - 9/21/17 scheduled and 12/5/17 vegetation.

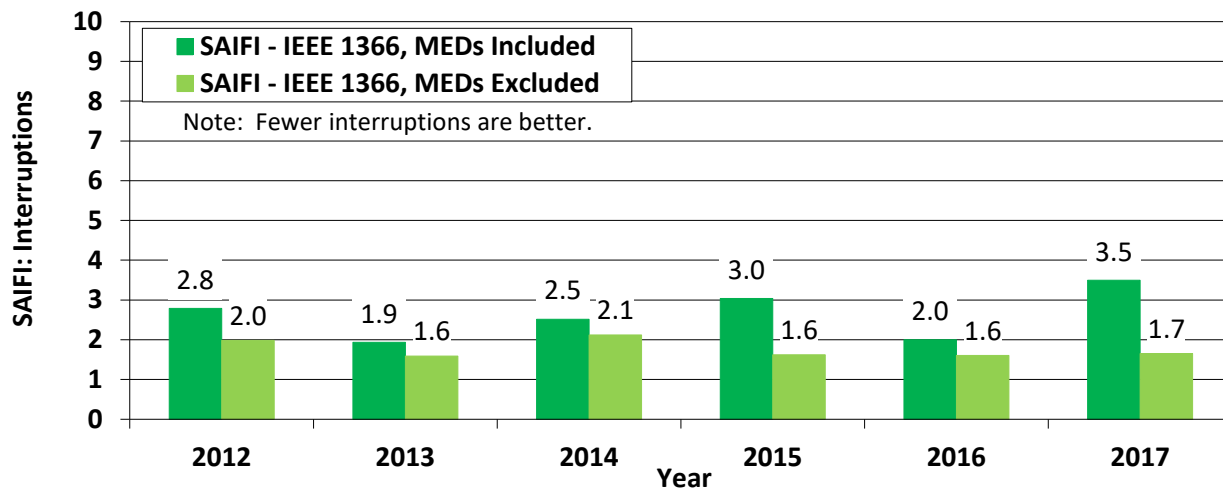
## MECO Service Quality

MECO's SAIDI and SAIFI reliability indices for 2017 and the prior five years, using the IEEE 1366 guidelines, are shown in Figure 5 and Figure 6, respectively.<sup>23</sup>

**Figure 5 - MECO System Average Interruption Duration Index**  
(Generation, Transmission, and Distribution events)



**Figure 6 - MECO System Average Interruption Frequency Index**  
(Generation, Transmission, and Distribution events)



<sup>23</sup> Reasons for MECO Major Event Day Exclusions: 2012 - 3/1/12 overload (Maui), 10/7/12 fire (Molokai), and 11/6/12 flashover & branches (Maui); 2013 - 1/5/13 branches (Maui) and 7/29/13 lightning (Maui); 2014 - 7/11/14 unknown (Lanai), 8/7/14 branches (Maui), 8/8/14 high winds (Maui), and 10/7/14 equipment failure (Maui); 2015 - 1/2/15 high winds (Maui), 1/3/15 high winds (Maui), 2/14/15 object in line (Maui), 2/24/15 unknown & deterioration (Maui), 11/19/15 branches (Maui), 11/20/15 accident & branches (Maui), and 12/18/15 unknown & deterioration (Maui); 2016 - 4/3/16 accident, 7/02/16 fire, and 12/18/16 high winds & branches; 2017 - 1/21/17 high winds (Lanai), 3/2/17 generation (Maui), 10/24/17 high winds (Maui), and 11/26/17 generation & tree (Maui).

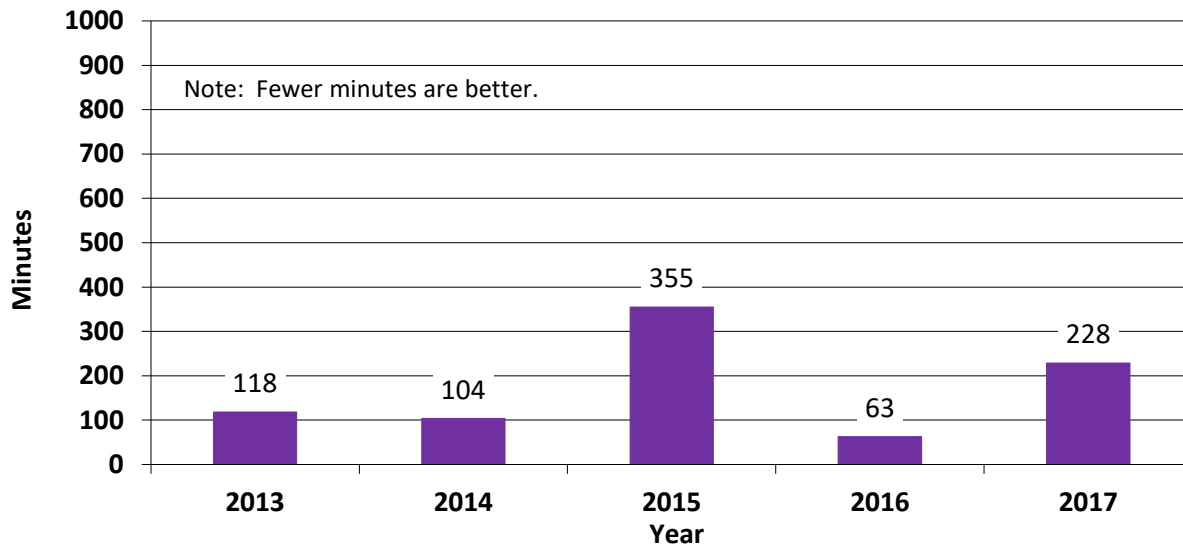
## **KIUC Service Quality**

### **Methodology used by KIUC**

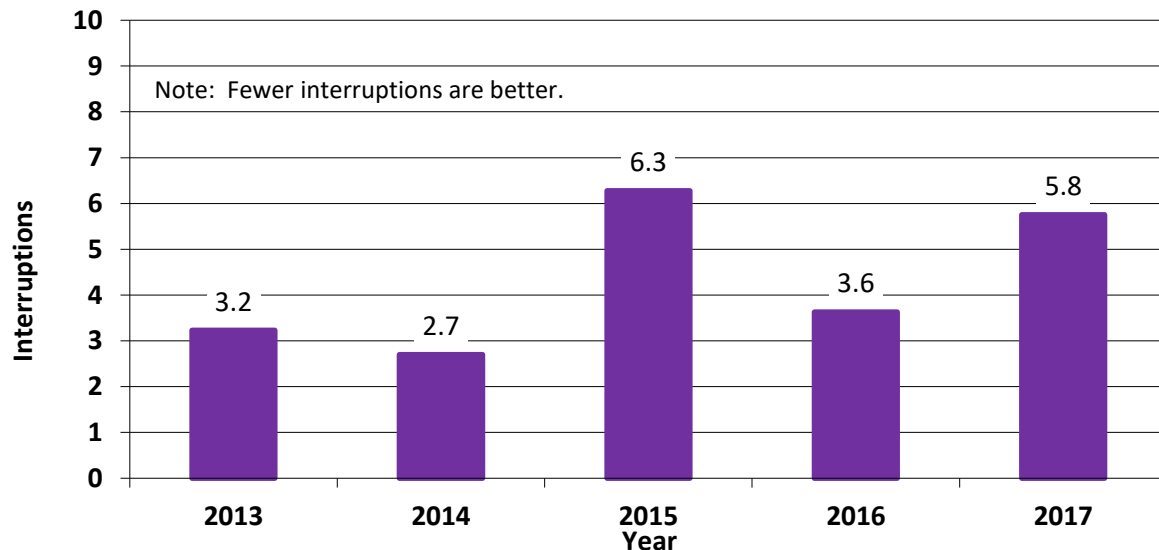
KIUC has not changed its methodology. It defines "sustained" as one minute or longer. KIUC did not "normalize" away any outages over the past six years.

KIUC's SAIDI and SAIFI reliability indices for 2017 and the prior four years are shown in Figure 7 and Figure 8, respectively.

**Figure 7 - KIUC System Average Interruption Duration Index**  
(Generation, Transmission, and Distribution events)



**Figure 8 - KIUC System Average Interruption Frequency Index**  
(Generation, Transmission, and Distribution 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, investigations, 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 2018, 2 formal complaints were filed. Discussion of formal complaints can be found on pages 33 and 34.

#### Written Informal Complaints

As shown in Table 13, the Commission received a total of 75 written informal complaints in FY 2018 against utility and transportation companies.

**Table 13 - Total Number of Informal Complaints Received by the Commission, FY 2014-2018**

	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018<sup>24</sup></b>
<b>Utilities</b>					
<b>Telecommunications</b>	<b>43</b>	<b>29</b>	<b>79</b>	<b>38</b>	<b>27</b>
Wire line (telephone)	27	14	60	25	16
Cellular and Paging	14	8	18	13	11
Other	2	7	1	0	0
<b>Electricity</b>	<b>57</b>	<b>85</b>	<b>69</b>	<b>27</b>	<b>25</b>
<b>Gas</b>	<b>3</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>1</b>
<b>Water/Sewer</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>6</b>	<b>5</b>
<b>Other</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>
<b>Transportation Carriers</b>					
<b>Water Carrier</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Motor Carrier</b>	<b>6</b>	<b>11</b>	<b>13</b>	<b>35</b>	<b>17</b>
<b>One Call Center</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Complaints</b>	<b>118</b>	<b>135</b>	<b>164</b>	<b>106</b>	<b>75</b>

<sup>24</sup> For FY18, the Commission received 11 informal complaints addressed to non-PUC regulated entities.



## 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 2014-2018.

**Table 14 – Citations and Civil Penalties Issued, FY 2014-2018**

	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
<b>Citations</b>					
Motor Carrier	11	8	17	18	17
Stop in Transit	0	1	8	0	5
One Call Center	0	0	1	0	0
<b>Total # of Citations Issued</b>	<b>11</b>	<b>9</b>	<b>26</b>	<b>18</b>	<b>22</b>
<b>Civil Penalties</b>					
Motor Carrier	\$12,000	\$11,500	\$17,000	\$17,400	\$18,000
Stop in Transit	\$0	\$2,000	\$13,500	\$0	\$7,000
One Call Center	\$0	\$0	\$5,000	\$26,000	\$4,000
<b>Total Civil Penalties Issued</b>	<b>\$12,000</b>	<b>\$13,500</b>	<b>\$35,500</b>	<b>\$43,400</b>	<b>\$29,000</b>

## Revocation of CPCNs

In FY 2018, the Commission revoked 48 motor carrier certificates for failure to pay the civil penalties imposed, failure to file an Annual Financial Report, 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

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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

On April 16, 2015, the Mercury and Air Toxic Standards (“MATS”)<sup>25</sup> rule went into effect, establishing standards for hazardous air pollutants from new and existing coal and oil-fired power plant larger than 25 MW. The rule set numerical emission limits for mercury, particulate matter, and hydrogen chloride. Under Section 112 of the Clean Air Act (“CAA”), existing facilities subject to the rule had three years, until April 16, 2015, to achieve compliance. In response to concerns over the ability of units to achieve compliance within three years, the Environmental Protection Agency (“EPA”) allowed permitting authorities to grant a one-year extension to the compliance date. Additionally, units could be granted a compliance extension if more time was needed for the installation of controls. Units that planned to retire could operate beyond the compliance date if additional time is needed to construct replacement power. Additionally, permitting authorities could approve extensions for a retiring unit that is needed for reliability purposes while: (1) other units install controls, (2) offsite generation is constructed to replace the generating unit, or (3) transmission upgrades are completed.

The MATS final rule applies to fourteen (14) electric generating units (“EGU”) at the HECO Companies’ power plants. The HECO Companies selected a MATS compliance strategy based on switching to lower emission fuels but has since continued to refine the State’s emission control strategy.<sup>26</sup> Additionally, the MATS final rule established separate standards for non-continental (“NCO”) electric generating units. The separate standards are housed within a sub-category of the MATS rule, allowing non-continental electric generating units to meet different emission standards. These units are classified as “limited use” units. The subcategory provides the limited use units minimize emission by following work practice standards during the times of operation.

On April 30, 2015, the EPA denied the HECO Companies’ Petition for Reconsideration of the MATS NCO limits. On June 29, 2015, the U.S. Supreme Court ruled the EPA unreasonably interpreted the CAA 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.

The HECO Companies implemented its MATS compliance plan on April 16, 2016. The HECO Companies 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 lb/MMBtu MATS PM requirement while operating all MATS generating units on 100% LSFO.<sup>27</sup>

As of December 31, 2017, the HECO Companies have met all the MATS rule compliance requirements.

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<sup>25</sup> USEPA, “[Mercury and Air Toxics Standards](#),” Final Rule published February 16, 2012. Accessed September 18, 2015.

<sup>26</sup> See Hawaiian Electric Industries 2017 Annual Report at 78.

<sup>27</sup> HECO Companies’ Status Report on the Companies’ Fuels Master Plan, filed on January 30, 2017 in Docket No. 2014-0217.

## 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 (“SO<sub>2</sub>”).<sup>28</sup> Additionally, there is a state standard for hydrogen sulfide that was established primarily to monitor the ambient air effects of geothermal energy production activities on the island of Hawaii. NAAQS will affect all of Hawaii’s major combustion power plants.

Furthermore, the HECO Companies plan to monitor ambient SO<sub>2</sub> concentrations in Kahe and Waiau for at least three years beginning no later than January 1, 2017 through December 31, 2019.<sup>29</sup> The compliance deadline has been pushed back from the original deadline of 2017 to 2025.

## 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.<sup>30</sup> 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 EGUs in Hawaii, Alaska, Guam, and Puerto Rico. As stated in the rule,<sup>31</sup>

"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 began 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. On October 9, 2018, the United States Supreme Court rejected further court challenges from the current administration’s decision to repeal the Clean Power Plan. The standard federal regulatory procedures to implement or change a regulation will likely take two years.

## 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.<sup>32</sup> The purpose of Section 316b is to reduce impingement and entrainment of fish and other aquatic organisms at cooling water intake structures used by existing power generation. This rule establishes requirements under section 316(b) of the Clean Water Act for existing power generating facilities that are designed to withdraw more than 2 million gallons per day of water and use at least 25 percent of the withdrawn water exclusively for cooling purposes.

The HECO Companies’ 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

<sup>28</sup> USEPA, “[National Ambient Air Quality Standards](#),” accessed September 18, 2015.

<sup>29</sup> HECO Companies, “Environmental Compliance,” HECO Companies’ PSIP Update Report, filed April 1, 2016 in Docket No. 2014-0183

<sup>30</sup> USEPA, [Clean Power Plan Final Rule](#).

<sup>31</sup> In the EPA’s final rule for the Clean Power Plan, a CO<sub>2</sub> 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<sub>2</sub> emission performance rate expresses “best system of emissions reduction” (BSER).

<sup>32</sup> USEPA, “[Cooling Water Intakes](#).”

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.<sup>33</sup>

## **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.”<sup>34</sup> 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<sup>35</sup> as well as the Commission’s own certification requirements.<sup>36</sup> ETC designation also includes a required determination that an applicant’s designation as an ETC would be in the public interest.<sup>37</sup> 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 2018 are summarized in the following section. See Table 15 for a list of ETCs in Hawaii.

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<sup>33</sup> HECO Companies, “Environmental Compliance,” HECO Companies’ PSIP Update Report, filed December 23, 2016 in Docket No. 2014-0183.

<sup>34</sup> 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).

<sup>35</sup> See 47 U.S.C.A. § 254(e); See also 47 U.S.C.A. §§ 214(e)(2) and (6).

<sup>36</sup> Order No. 30932, filed on December 28, 2012, in Docket No. 2011-0052.

<sup>37</sup> See 47 C.F.R. § 54.202(b) (2012). See Decision and Order No. 30309, Application of Pa Makani LLC for Designation as an Eligible Telecommunications Carrier in the State of Hawaii, Docket No. 2011-0145, filed April 10, 2012, page 25.

## **Eligible Telecommunications Carriers, Annual Certification to the FCC**

State commissions seeking “high-cost” program support for ETCs must annually certify to the FCC that the ETCs have used and will use the support only for the provision, maintenance, and upgrading of facilities and services for which the support is intended. Reporting requirements were established by the Commission in Decision and Order No. 30932, filed on December 28, 2012, in Docket No. 2011-0052. Commission proceedings relating to ETC certification during FY 2018 are summarized below.

**Table 15 - Eligible Telecommunications Carriers in Hawaii**

<b>Eligible Telecommunications Carriers (“ETCs”)</b>	<b>Carrier Type</b>	<b>Date Designated</b>	<b>Docket No.</b>	<b>Notes</b>
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.
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.
<b>ETC Lifeline-Only</b>				
TracFone Wireless, Inc. dba SafeLink Wireless	Wireless	03/27/2013	2012-0144	
American Broadband and Telecommunications Company	Wireless	08/17/2015	2015-0061	
Boomerang Wireless, LLC dba enTouch Wireless	Wireless	03/03/2017	2016-0048	
Q Link Wireless LLC	Wireless	11/30/2017	2017-0032	

### **Investigation on Whether Designated ETCs Participating in the High-Cost Program of the USF Program Should be Certified for 2018**

*Docket No. 2018-0113, Status: Closed*

On May 18, 2018, in Order No. 35471, 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).

Although Sandwich Isles Communications, Inc. and Pa Makani are state designated ETCs, neither carrier has been granted 54.314(a) certification since 2014. Based on the foregoing, the Commission named Hawaiian Telecom, Inc. (“HTI”) as the only ETC party to the docket. On September 14, 2018 the Commission determined that HTI has sufficiently complied with the annual reporting requirements, and 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. In Order No.35689 the Commission certified HTI as a USF high-cost ETC.



### **Pinnacle Telecommunications Group Application for Designation as an ETC**

*Docket No. 2012-0057, Status: Suspended*

On March 23, 2012, Pinnacle filed an application with the Commission for ETC designation. On April 12, 2013 Pinnacle filed a letter with the Commission that addressed the status of Pinnacle's forbearance request to the FCC. According to the applicant, it had submitted its revised compliance plan to the FCC on November 2, 2012 and had been working with the FCC during the FCC's review of said plan. Pinnacle further represented that it would update the Commission on this process as it unfolds, and that it would promptly notify the Commission once the FCC acted upon the compliance plan. Since it filed the letter, Pinnacle has neither updated the Commission on the status of its request to the FCC, nor submitted any order from the FCC regarding its request for FCC forbearance. On April 3, 2018 the Commission issued Order No.35376 which suspended the docket and indicated the suspension shall automatically be rescinded upon Pinnacle's submittal of the FCC Forbearance order. Alternatively, Pinnacle may also submit a new request for ETC designation.

### **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 2018 are summarized below.

#### **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 Notice of Apparent Liability for Forfeiture ("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 found 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 of Telrite's FCC NAL Order. On May 30, 2018, the Commission issued an Information Request ("IR") to Telrite that requested an update on the status of the FCC NAL Order, and on June 21, 2018, the applicant responded with a copy of the final NAL Order, issued by the FCC on December 29, 2017.

#### **Global Connection Inc. of America dba StandUP Wireless, Application for ETC Lifeline-Only Designation**

*Docket No. 2018-0118, Status: Open*

On May 21, 2018, StandUP Wireless filed a petition for designation as a Lifeline-only ETC. On August 22, 2018, the Consumer Advocate ("CA") filed IRs, to which StandUP Wireless responded on September 24, 2018. On October 5, 2018, the CA issued a Statement of Position that recommended the Commission deny StandUP Wireless ETC designation based on the assessment that the applicant provided insufficient support to determine that the applicant can meet all ETC designation requirements.

# 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 2018**

OAHU Facility Name	Export Capacit y (MW)	Facility Type	Average FY18 Energy Price (\$ per kWh) <sup>a</sup>	Time of Production	Fuel / Energy Source	Identifying Docket or In- Service Date	End Date / Term
Kahuku Wind Power	30	As Available	\$0.2055	Any	Wind	2009-0176	5/31/2031
Kawailoa Wind	69	As Available	\$0.2190	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	\$0.2183	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	\$0.1175	On Peak <sup>b</sup>	Refinery Gas / Naphtha	Docket No. 6717. In service 8/2/1990.	Year to year
			\$0.1173	Off Peak <sup>b</sup>			
Par Hawaii Refining LLC <sup>c</sup>	18.5	As Available	\$0.1166	On Peak	Refinery Gas / Naphtha	Docket No. 5025. In service 12/28/1983.	Year to year
			\$0.1168	Off Peak			
Waianae Solar	27.6	As Available	\$0.1450	Any	Solar	2014-0354 In service 1/14/2017	1/31/2039
AES Hawaii <sup>d</sup>	180	Firm	\$0.0559	Any	Coal	Docket No. 6177. In service 9/1/1992.	9/1/2022
Kalaeloa Partners <sup>e</sup>	208	Firm	\$0.1230	Any	LSFO*	Docket No. 6378. In service 5/23/1991.	10/31/2017
H-POWER	68.5	Firm	\$0.1703	On Peak	Waste	2012-0129	4/2/2033
			\$0.1238	Off Peak			
Feed-in Tariff	Varies	As Available	\$0.2364	Any	Solar	2008-0273	20 years
Avoided Energy Cost Rate			\$0.1175	On Peak	Docket No. 7310, Decision and Order No. 24086; <a href="#">2008-0069</a>		
			\$0.1173	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 2018

HAWAII Facility Name	Export Capacity (MW)	Facility Type	Average FY18 Energy Price (\$ per kWh) <sup>a</sup>	Time of Production	Fuel / Energy Source	Identifying Docket or In Service Date	End Date / Term		
Hawi Renewable Development	10.56	As Available	\$ 0.1216	On Peak	Wind	2004-0016	5/18/2021		
			\$ 0.1241	Off Peak					
Hamakua Energy Partners	60	Firm	\$ 0.1538	Any	Naphtha	1998-0013	12/31/2030		
Puna Geothermal Venture (PGV)	25	Firm	\$ 0.1190	On Peak	Geo- thermal	2011-0040	12/31/2027		
			\$ 0.1206	Off Peak					
	5	Firm	\$ 0.1275	Any					
			8	Cycling				\$ 0.0648	On Peak
								\$ 0.0648	Off Peak
Tawhiri Power (Pakini Nui)	20.5	As Available	\$ 0.1180	On Peak	Wind	2004-0346	4/2/2027		
			\$ 0.1120	Off Peak					
Wailuku River Hydro	12.1	As Available	\$ 0.1284	On Peak	Hydro	6956	5/12/2023		
			\$ 0.1300	Off Peak					
Feed-in Tariff	Varies	As Available	\$ 0.2353	Any	Solar	2008-0273	20 years		
Schedule Q <sup>b</sup>	Varies	As Available	\$ 0.1270	Any	Docket No. 7310 Decision and Order No. 24086; 2008-0069				
Avoided Energy Cost Rate (>100 kW)			\$ 0.1227	On Peak	Docket No. 7310 Decision and Order No. 24086				
			\$ 0.1244	Off Peak					
a Based on 12-month averages of actual energy costs; do not include capacity payments (if applicable).									
b Includes County of Hawaii Department of Water Supply; Palm Valley Farm; Wenko Energy.									

**Summary of Power Purchase Agreements in Effect on Maui Island, FY 2018**

MAUI Facility Name	Export Capacity (MW)	Facility Type	Average FY18 Energy Price (\$ per kWh) <sup>a</sup>	Time of Production	Fuel / Energy Source	Identifying Docket or In Service Date	End Date / Term <sup>b</sup>
			N/A	Off Peak			
Kaheawa Wind Power	30	As Available	\$ 0.13624 \$ 0.12793	On Peak Off Peak	Wind	2004-0365 6/9/2006	6/9/2026
Kaheawa Wind Power II	21	As Available	\$ 0.20767	Any	Wind	2010-0279 7/2/2012	7/2/2032
Auwahi Wind Energy	21	As Available	\$ 0.21720	Any	Wind	2011-0060 12/8/2012	12/28/2032
Makila Hydro	0.5	As Available	\$ 0.13411 \$ 0.0.12686	On Peak Off Peak	Hydro	2005-0161 9/22/2006	9/22/2026
Feed-in Tariff	Varies	As Available	\$ 0.20709	Any	Solar	2008-0273	20 years
South Maui Renewable Resources	2.87	As Available	\$ 0.1106	Any	Solar	2015-0225	22 years
Avoided Energy Cost Rate			\$ 0.13875	On Peak	Docket No. 7310 Decision and Order No. 24086		
			\$ 0.13074	Off Peak			
a Based on 12-month averages of actual energy costs; do not include capacity payments (if applicable).							
b All non-FIT agreements automatically continue in effect thereafter until terminated by either party.							

**Power Purchase Agreements in Effect on Molokai, FY 2018**

<b>MOLOKAI Facility Name</b>	<b>Facility Capacity (MW)</b>	<b>Facility Type</b>	<b>Average FY18 Energy Price (\$ per kWh)</b>	<b>Time of Production</b>	<b>Fuel / Energy Source</b>	<b>Identifying Docket or In Service Date</b>	<b>End Date / Term</b>
Feed-in Tariff	Varies	As Available	\$ 0.21800	Any	Solar	2008-0273	20 years

**Power Purchase Agreements in Effect on Lanai, FY 2018**

<b>LANAI Facility Name</b>	<b>Facility Capacity (MW)</b>	<b>Facility Type</b>	<b>Average FY18 Energy Price (\$ per kWh)</b>	<b>Time of Production</b>	<b>Fuel / Energy Source</b>	<b>Identifying Docket or In Service Date</b>	<b>End Date / Term<sup>b</sup></b>
Lanai Sustainability Research, LLC	1.2	As Available	\$ 0.28276	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 2018**

<b>KAUAI Facility Name</b>	<b>Facility Capacity MW</b>	<b>Facility Type</b>	<b>Average FY18 Energy Price (\$ per kWh)</b>	<b>Time of Production</b>	<b>Fuel / Energy Source</b>	<b>Identifying Docket or InService Date</b>	<b>End Date / Term</b>
Gay & Robinson	1	As Available	\$ 0.0980	Any	Hydro	2000-0086	Year to year
Green Energy	0.13	As Available	\$ 0.1182	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	\$ 0.2010	Any	Hydro	2012-0150	1/31/2033
Kekaha Ag Assoc	1.5	As Available	\$ 0.0857	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	\$ 0.1124	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	\$ 0.2466	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			\$ 0.1324	Docket No. 7310 Decision and Order No. 24086			



## Special Fund Update for Fiscal Year 2018

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.

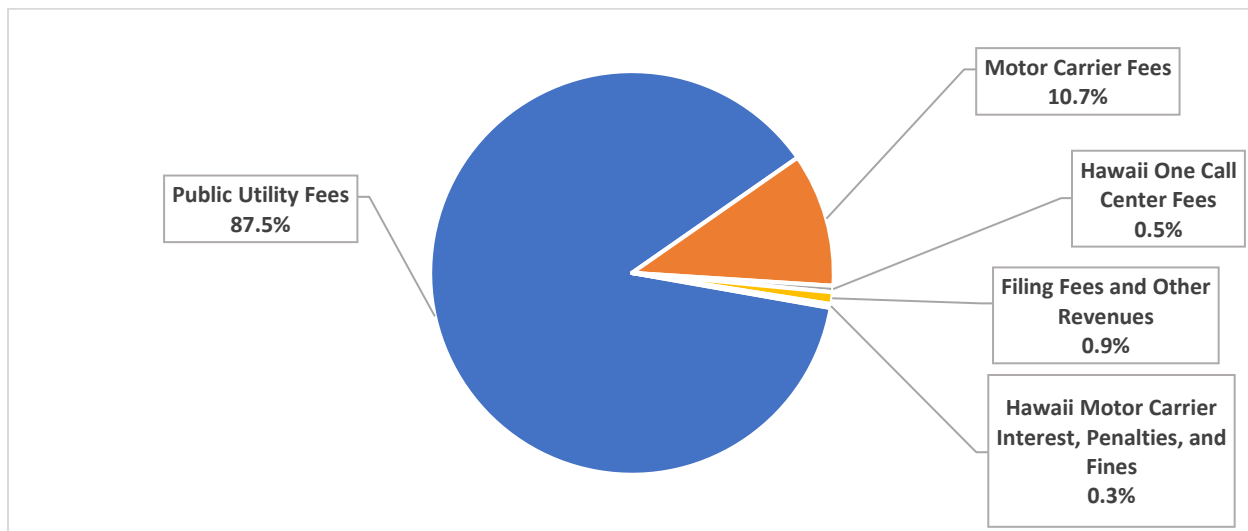
All fees and other revenues collected by the Commission are deposited into the Special Fund. Public utilities are required to pay an annual fee of one-half of one percent (0.5 percent) of the gross income of each respective public utility's previous year's business, paid semi-annually, in July and December. 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 2018 Special Fund revenues of \$16,905,331 reflect a 12% decrease compared to FY 2017 revenues. The Commission collected \$14.8 million in public utility fees for FY 2018, 14 percent less than FY 2017 public utility fees. Motor carrier fees of \$1.8 million collected in FY 2018 were 4 percent more than the fees collected in FY 2017. The revenues derived from each source of income for FY 2018 are shown in Figure 18 and Table 16.

**Figure 18 - Public Utilities Commission Special Fund FY 2018 Revenues**



**Table 16 - Public Utility Commission Special Fund Revenues, FY 2017 and 2018**

<b>Description of Revenues</b>	<b>FY 2017</b>	<b>FY 2018</b>
Public Utility Fees	17,193,514	14,798,891
Motor Carrier Fees	1,747,764	1,809,299
Hawaii One Call Center Fees	70,553	86,352
Filing Fees and Other Revenues	55,637	160,278
Hawaii Motor Carrier Interest, Penalties, and Fines	80,912	50,511
<b>Total Revenues</b>	<b>\$19,148,380</b>	<b>\$16,905,331</b>

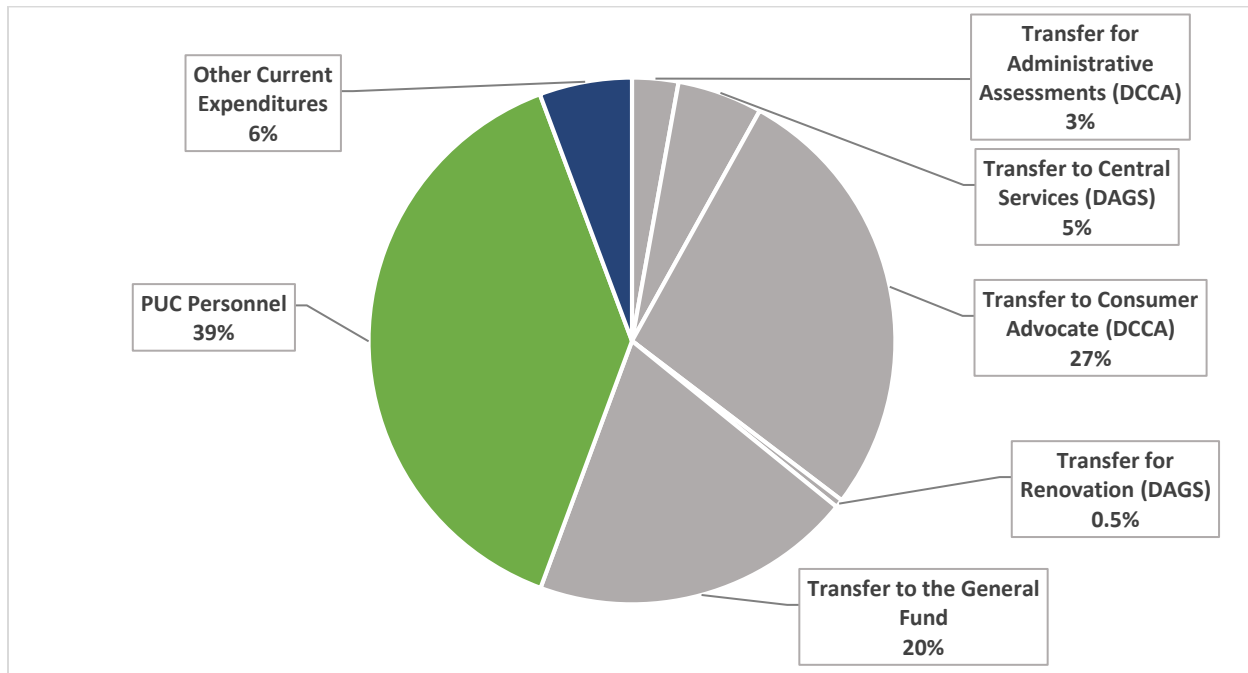
## Expenditures and Transfers

In FY 2018, Commission direct expenditures totaled \$7,071,298 and accounted for 45% of total expenditures and transfers from the Commission's Special Fund.

During the fiscal year, the remaining 55% of expenditures consisted of transfers to other State agencies or the General Fund, including 27% 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, 0.5% funded the Office Space and Renovation Project, and 3% 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 2018, this amount was \$3,155,990 and accounted for 20% of total Commission expenditures and transfers.

The breakdown of total FY 2018 Commission Expenditures and Transfers are detailed in Figure 19 and Table 17.

**Figure 19 - Public Utilities Commission Special Fund Fiscal Year 2018 Expenditures and Transfers**

**Table 17- FY 2017 and 2018 Public Utilities Commission Special Fund Expenditures and Transfers**

Description of Expenditures and Transfers	FY 2017	FY 2018
Personnel	5,598,702	6,164,141
Other PUC Expenditures	629,241	907,157
PUC Expenditures Subtotal	<b>6,227,943</b>	<b>7,071,298</b>
Transfer to Central Services	952,147	833,163
Transfer to Consumer Advocate	4,348,405	4,348,405
Transfer for Renovation	1,124,617	81,000
Transfer to the General Fund	5,379,571	3,155,990
Transfer for Administrative Assessments	757,397	452,508
Total	<b>\$18,790,080</b>	<b>\$15,942,364</b>