Regulatory Assistance Project Electric Resource Long-range Planning Survey[1]
Compiled by CM ☐ LB☒

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Name of Agency: Hawaii PUC

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Policies

1. Is any form of long-range electrical resource and/or investment planning required?
   ☒Yes ☐No

2. If yes, what planning processes are going on?
   Integrated Resource Planning.

3. Please describe IRP (the process).

   Currently, Hawaii has three vertically integrated electricity utilities, one electricity cooperative, and one gas utility (providing synthetic natural gas). All of these "energy utilities" are required to file 20-year Integrated Resource Plans which guide each utility's long-term energy procurement process. The plans are reviewed by the Hawaii Public Utilities Commission via a formal docket proceeding. A variety of groups representing consumer groups, environmental groups, cultural groups and business groups, if given intervenor or participant status in the applicable proceeding, are given the opportunity to provide input to the plans. The state's consumer advocate is required to participate on behalf of consumers in all IRP proceedings.
   The IRP Framework adopted in 1992 requires each utility to conduct a major review of its IRP every 3 years. Extensions have been granted as necessary to allow utilities additional time when needed. Utilities are also required to submit reports of their progress on an annual basis.

4. Is it statewide or utility-specific planning? What types of entities are required to participate?

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[1] All responses written from notes compiled and edited by Liz Baldwin, RAP researcher. Corrections to the draft document, suggested by the contact person(s), have been incorporated.

The Framework applies to all energy utilities statewide. Each energy utility is responsible for its service area, usually an individual island. Each utility is required to follow its plans. In addition to the investor-owned utilities, there is a co-op (formed in 2002), which is also fully regulated by the commission.

5. Is there any relationship between this process and other decisions, e.g. construction permits, likelihood of inclusion or pre-approval of rate treatment for the anticipated resource investments?
   In general, expenditures for all capital projects should be made consistent with the IRP as the IRP is intended to control, direct or strongly influence all capital expenditures. Capital expenditures over $2.5 million are approved separately in a Capital Improvement Project (CIP) application to the Commission. This formal docket proceeding considers whether or not those projects comport with the IRP, but they must also meet the prudence and "used and useful" tests for recovery to occur in the utility's rate case application.

6. This form of planning has been required since what date?

   The Commission Order governing the process was initiated in 1990 in Docket No. 6617. An IRP Framework was approved and adopted in a Commission Order in 1992.

7. How is this process enforced, if at all? If a utility does something inconsistent with the Plan, does it have to explain itself satisfactorily to avoid a charge of imprudence? Is it routine for utilities to diverge from a Plan with an explanation? Are there any consequences for non-compliance?

   The Commission has statutory and administrative rules providing it with the discretion to initiate enforcement actions or proceedings to address any alleged violations or non-compliance with Commission statutes, rules or orders. Other enforcement and monitoring mechanisms include requiring utilities to provide the Commission with information, data and reports.

8. Is anything similar required for natural gas-related planning? ☒ Yes ☐ No

   The gas utility providing synthetic natural gas (SNG) is covered by the IRP Framework. Natural gas isn't produced or used in Hawaii for electricity generation.

   If yes, what is that process called? See above

Required Elements

9. Back to IRP (the electric resource process). Which of the following resources must be explicitly evaluated/included:
   Generation ☒
   Transmission ☒

Distribution ☒
Energy efficiency ☒
Load Management ☒
Other demand side measures ☒
Specific generation (e.g. renewable, distributed) ☒
Others

Some of these resources are given greater emphasis than others. Energy efficiency (EE), load management, and demand-side management (DSM) are included in the forecasting process, as well as the procurement process. When utilities are trying to forecast 20 year sales, they may often assume varying degrees of EE measures that could be used and will then evaluate how the forecast should be adjusted, based on varying levels of EE/DSM.

What tests must be included/utilized?

According to the IRP Framework, a utility must conduct cost-benefit and cost-effectiveness analyses to compare and weigh the various options and alternative mixes of options. The utility must conduct these analyses from a variety of perspectives, including the utility cost perspective, the ratepayer impact perspective, the participant impact perspective, the total resource cost perspective, and the societal cost perspective.

10. Describe the analysis required by the regulatory body (what is compared to what to make decision? How are resources compared to each other? Cost with one set of resources vs. another, economic, environmental?)

    The Commission's responsibility, in general, is to determine whether the utility's plan represents a reasonable course for meeting the energy needs of the utility's customers, is in the public interest, and is consistent with the goals and objectives of integrated resource planning. Specifically, the Commission will review the utility's IRP, its program implementation schedule, and its evaluations, and will monitor the utility's implementation of its plan. Upon review, the commission may approve, reject, approve in part and reject in part, or require modifications of the utility's integrated resource plan and program implementation schedule. Economic and environmental issues will be considered in a manner that is consistent with the goals, principles, objectives and requirements of the IRP Framework.

11. Does the process investigate how the employment of one strategy vs. another may increase the consumers' exposure to risk (e.g. natural gas prices)? If so, how?

    The process used to consider the consumers' exposure to risk is developed in each respective IRP proceeding consistent with the IRP Framework.

12. Is a comparison of supply or T&D infrastructure and demand side options/resources required? ☐Yes ☒No

Demand side options and T&D may be considered, but it depends on each utility and their needs for particular programs.

13. The plan's objectives, from the regulatory perspective:

    The object of the plan is to identify the mix of resources that meets near and long term consumer needs in the most efficient, reliable, and cost effective manner.

14. The plan's objectives, from the utility perspective:

    To ensure that customers' needs will be met, and to ensure rate recovery in a timely manner.

15. Are alternative scenarios analyzed as part of the plan? ☒Yes ☐No
    Analysis is provided for varying fuel costs, changes in renewable technology, varying degrees of EE/DSM, and other variables.

Are externalities considered? If so, which ones and how are they considered?

The IRP Framework instructs utilities to include consideration of indirect or external costs and benefits. External costs and benefits include the impact on the environment, on people's lifestyles and cultures, and on the State's economy. To the extent possible and feasible, these costs and benefits must be quantified and expressed in dollar terms. When it is neither possible nor feasible to quantify any cost or benefit, such cost or benefit must be qualitatively measured.

16. What is the planning horizon? 20 years

    Length of Energy and Demand forecasts 20 years

    Length of Short-term Action Plan 5 years

17. How often do utilities have to file plans? Update plans? What actually happens?

    Plans are to be filed on a 3-year cycle, and utilities often update plans, as necessary.

18. What monitoring or other processes are used to determine consistency of investments with plans? Are there consequences for non-compliance?

    Utilities file annual progress reports. There are also other mechanisms that ensure consistency, such as rate cases and CIP applications.

19. Are environmental issues considered in the planning process? ☒Yes ☐No
    If yes, please describe.

    See Question 15 above.

20. Is reduction or elimination of carbon emissions an issue? If so, how is it dealt with?

See Question 15 above. In the IRP Framework, it is also stated that IRP shall comport with state environmental laws and shall give consideration to the plans' impacts on the environment, economy and society.

Agency Process

21. Is there a formal acceptance and/or acknowledgement process used for the resource filing? ☒ Yes ☐ No

22. Does the agency hold public hearings on draft/final utility plans? ☒Yes ☐No

Public participation is encouraged at all stages of the process, from the formation of each utility's plan to the Commission's final decision. To maximize public participation in each utility's IRP process, opportunities for such participation are provided in a number of ways. Each utility is required to form an advisory group, representing stakeholders such as state agencies, and consumer, cultural, environmental, and business groups. Public hearings and interventions in formal proceedings before the Commission are other options for public input.

If yes, what is the duration of the public hearing process?

The public hearing process, whether through the utility or the Commission's initiation, normally occurs within the 3-year cycle.

23. Other ways the public participates and comments on plans are:

The public may submit written or email comments to the Commission, or to energy utilities; they may also view the Commission, Consumer Advocate, and utility websites.

24. What action can the Commission take on the plan(s)?
Review it ☒
Accept it ☒
Approve it ☒
Reject it ☒
Acknowledge it ☒
Require utility to modify and resubmit it ☒
Other May approve part of a plan

25. Have resource acquisition decisions changed as a result of the planning process?
☐Yes ☐No

This can't be known for sure. Resource acquisition changes vary from utility to utility and are often dependent on many factors (including the economy).

[If "Yes", get recent example (docket number, etc.)]

26. Are competitive processes used to acquire new resources? ☐Yes ☒No

27. If yes, do you require regulatory review and approval of the competitive solicitations used?

    The Commission initiated an investigation in 2003 (Order No. 20583, filed on October 21, 2003, in Docket No. 03-0372) to examine competitive bidding for new generating capacity. This docket is still pending.

28. Do utilities file an energy efficiency or DSM plan? ☒Yes ☐No
    If so, is it separate or integrated with other plans?

    These programs are often incorporated in the utilities' IRP plan, but energy efficiency plans are also submitted separately to the Commission for approval on a program-by-program basis.

29. Is competitive bidding used to acquire EE resources? ☐Yes ☒No

    See Question 27 above.

30. Does the regulatory agency have open dockets, or is it considering opening a docket investigating any long-range electrical investments? ☒ Yes ☐No

31. Citation and description:

    Order No. 20430 (September 11, 2003), Docket No. 03-0253, HECO's 3rd IRP.
    Order No. 20821 (February 26, 2004), Docket No. 04-0046, HELCO's 3rd IRP.
    Order No. 20953 (April 30, 2004), Docket No. 04-0077, MECO's 3rd IRP.
    Docket No. 05-0075 (see above)

32. Are utility plans available on-line? ☐Yes ☒No If so, what is the address?

    One plan is available online: HECO's 2nd IRP is can be found at www.heco.com.

Is on-line publication voluntary or mandatory? Voluntary

33. Citation and description of State policies (legislation, rules/regs, PUC orders) governing this planning process:

The IRP process is Commission-initiated and governed by the IRP Framework adopted in 1992. See Decision and Order No. 11630, filed on May 22, 1992, in Docket No. 6617.

34. Do you anticipate any changes to this process in the near future? ☒Yes ☐No
If yes, please describe.

Revisions to the Framework have been discussed at various times. Currently, the PUC has opened an investigation for KIUC, a former utility that recently changed to an electricity cooperative. This change in status may result in changes to its IRP process and is being explored in Docket No. 05-0075. Also, Docket No. 03-0371 (investigation relating to distributed generation) and Docket No. 03-0372 (related to competitive bidding) are pending proceedings that poses issues relating to revisions to the framework .

35. Does your state do performance–based regulation? ☐ Yes ☒ No
If so, please describe briefly.

The Commission is required by statute (Act 95, Session Laws of Hawaii 2004 which is codified at Hawaii Revised Statutes Chapter 269, Part V.) to develop and implement a utility ratemaking structure that may include, but is not limited to, performance-based ratemaking. One of the purposes of this ratemaking structure will be to provide incentives that encourage Hawaii's electric utilities to use cost-effective renewable energy resources found in Hawaii to meet the renewable portfolio standards established by statute, Hawaii Revised Statutes Chapter 269, Part V. Collaborative workshops on this matter are ongoing.

36. If your state uses PBR, is successful compliance with an approved resource plan one of the areas subject to incentives or penalties? ☐ Yes ☐ No

N/A

37. Are there any regulatory incentives specifically for energy efficiency, other DSM, or renewables? ☒ Yes ☐ No
If so, please describe briefly.

Utilities get shareholder incentives for efficiency programs; they are also allowed to cover reasonable costs incurred for these programs. As part of the RPS, PUC is working to come up with more regulatory incentives for utilities. DSM improvements include incentives for consumers.

38. Do any tariffs include a fuel/purchased power clause? ☒ Yes ☐ No
If so, how does it work?

All fuel and purchased power costs are recovered by the Energy Cost Adjustment Clause, provided thay are approved by the Commission, pursuant to Hawaii Administrative Rules Chapter 6-60.

39. Does your state have any renewable mandates (e.g. from a legislated standard or goal, or a regulatory settlement or Order)? ☒ Yes ☐ No
If so, please describe, including how the mandate relates to power vs. RECs.

Hawaii Revised Statutes Chapter 269, Part V, establishes the State of Hawaii's renewable mandate or Renewable Portfolio Standards. There are no statutory provisions relating to renewable energy credits or RECs.

State Energy Plan

40. Is there a State Energy Plan? ☒Yes ☐No
41. Is it connected to the planning described above? ☒Yes ☐No
42. If yes, who is responsible for the Plan?

The IRP Framework provides that the IRP should comport with formally adopted state and county plans. The State Energy Plan is set forth under Hawaii Revised Statutes § 226-18, and is administered by the Office of Planning, which is attached to the Department of Business, Economic Development and Tourism.

43. What is included in the Plan, apropos of long-range electrical planning?

The State Energy Plan under Hawaii Revised Statutes § 226-18 provides a wide range of energy objectives.