

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

In the Matter of )  
)  
PUBLIC UTILITIES COMMISSION ) Docket No. 2018-0165  
)  
Instituting a Proceeding to Investigate )  
Integrated Grid Planning. )  
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BLUE PLANET FOUNDATION'S COMMENTS ON THE HECO COMPANIES'  
INTEGRATED GRID PLANNING REPORT

AND

CERTIFICATE OF SERVICE

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INTEGRATED GRID PLANNING REPORT

Pursuant to Order No. 35569, filed on July 12, 2018 ("Order No. 35569"), Blue Planet Foundation ("Blue Planet"), by its counsel Earthjustice, hereby respectfully submits the following comments on the Hawaiian Electric Companies' ("HECO Companies" or "Companies") Integrated Grid Planning Report, dated March 1, 2018 ("IGP Report" or "IGP proposal"). The IGP Report presents a high-level outline of the HECO Companies' proposed IGP process, which the Companies are continuing to develop in the IGP Workplan the Commission directed them to submit by December 14, 2018. These comments, therefore, address the IGP Report at a similarly high level, focused on foundational principles and concepts, and based on the available information to date.

At this stage, the HECO Companies' IGP Report highlights three main proposed changes from past utility resource planning: (1) incorporating a procurement step in

the process; (2) integrating transmission and distribution (“T&D”) into the analysis; and (3) restructuring the format for stakeholder participation and input. A main goal and potential benefit of the IGP proposal is to reduce delays from the traditional approach of conducting planning and procurement separately. Like the Commission, Blue Planet supports the IGP proposal’s stated goals, as well as the overall need for Hawai’i to move more decisively and efficiently away from fossil fuels and to clean energy than in the past. Blue Planet also can foresee the inherent challenges in both expanding the scope and shortening the time of these processes. Such a consolidated and expedited process may not solve past difficulties, but instead may create even more complications. Blue Planet, therefore, offers various early questions and recommendations concerning the IGP Report to support the stated benefits of the proposal and identify and avoid the potential drawbacks.

I. The IGP Procurement Process Is Not a Substitute for Comprehensive Resource Planning.

The integration of procurement into the planning process is the most significant proposed change in the IGP proposal, which could fundamentally overhaul two major regulatory frameworks established by the Commission: Integrated Resource Planning

("IRP")<sup>1</sup> and Competitive Bidding. The IGP Report proffers that this change will benefit the planning process by providing more accurate, market-based information on costs, and will benefit the procurement process by reducing delays. While this notion holds certain merit, it should be informed by a clear and realistic understanding of what level of information the procurement process can and cannot provide.

First, a "market-based" procurement process must be conducted successfully to enable the bidding to accurately reflect the best the market could offer. To this end, bidders must have confidence in the process, including assurances that it offers actual prospects of being selected and approved in a reasonable timeframe. The entire process, including interconnection and contracting, must be simple, transparent, and conducive to the market, recognizing that delays and risks only add costs.

Moreover, even under favorable circumstances, the RFP process can only provide information on costs for a near-term timeframe realistically around a couple of years, and not over longer multi-year planning horizons. Given constantly varying uncertainties including evolving technologies and shifting tax, policy, and economic environments, bidders cannot credibly anticipate and confidently commit to cost estimates for projects over a longer timeframe such as a five-year IRP action plan, much

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<sup>1</sup> See A Framework for Integrated Resource Planning ("IRP Framework"), attached as Ex. A to *In re Pub. Utils. Comm'n*, Docket No. 2009-0108, Decision & Order, filed on March 14, 2011 ("IRP D&O").

less the 20 years of a long-term IRP planning horizon.<sup>2</sup> At most, therefore, the procurement process may marginally improve on planning cost estimates by providing more concrete information on near-term proposals.

Further, unlike other jurisdictions that have restructured their utilities and markets so that the utility owns no generation and procures generation resources through markets, Hawai'i has not yet shifted to such a system where plans focus primarily on procurement<sup>3</sup> instead of the full scope of IRP. In sum, the procurement process is not a substitute for the comprehensive, long-term planning function that IRP must fulfill. On the contrary, sound IRP processes and analyses are still needed to expeditiously and cost-effectively achieve Hawai'i's ambitious clean energy mandates.

The HECO Companies seem to appreciate this need for proper planning in organizing the IGP process. In the IGP Report and subsequent stakeholder discussions, the Companies have indicated that IGP will involve initial planning analysis to inform the procurement step, and further planning analysis after the procurement step to optimize the plan. This planning function as a whole should follow best practices for

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<sup>2</sup> See IRP Framework § IV.A.2 (explaining the IRP planning periods).

<sup>3</sup> See R. Wilson & B. Biewald, *Best Practices in Electric Utility Integrated Resource Planning* 8-9 (June 2013) ("IRP Best Practices") (noting the long-term procurement planning processes in restructured states). "Requirements for procurement plan filings differ from requirements for integrated resource plans." *Id.* at 8.

IRP established in Hawai'i and elsewhere.<sup>4</sup> Recognizing that the HECO Companies are still developing the details of the IGP process, Blue Planet notes some questions along these lines:

- The IGP Report suggests that the planning may proceed from short term to long term: the procurement step will produce a short-term action plan, which “will then be integrated into . . . . [t]he long-term pathway.”<sup>5</sup> The IRP process works in the opposite direction: long-term plans are first developed to inform the formulation of the short-term action plan.<sup>6</sup> If the short term instead becomes the foundation or driver for planning, this may result in an incrementalist approach that loses focus on the longer-term direction.<sup>7</sup> In general, more clarity is needed on the relationship between the short and long term planning in the various stages of IGP.
- The IGP Report does not specify to what extent and how IGP will incorporate, modify, or eliminate established planning methods and standards under IRP. For example, the IRP Framework provides guidance on how plans

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<sup>4</sup> See IRP Framework; IRP Best Practices.

<sup>5</sup> IGP Report, App. B at 15.

<sup>6</sup> See IRP Framework § V.C (describing the steps of the planning process).

<sup>7</sup> See *id.* § III.A.4 (recognizing the purpose of IRP of “provid[ing] a broad, long-term perspective for future utility planning”).

should be developed, evaluated, and prioritized.<sup>8</sup> IGP should include comparable guidelines to set expectations and standards for the process.<sup>9</sup>

- Likewise, the timeframe for the planning steps in the IGP process remains unclear. The IGP Report initially indicated that the bulk of the IGP process will take 18 months,<sup>10</sup> while presentations in more recent stakeholder discussions have indicated that the procurement step and subsequent optimization will take 18 months, but the initial planning analysis is not included in the 18 months and will take a yet-unspecified amount of time. More clarity is needed on how the planning steps and timeframes in IGP correspond to the steps and timeframes under the IRP Framework, in order to allow an informed comparison of the two processes and their relative advantages and/or challenges. Blue Planet is specifically interested in the extent to which the IGP proposal may effectively reduce the time for the planning process or truncate the planning analysis under the IRP Framework.

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<sup>8</sup> See, e.g., *id.* pts. IV & V (setting forth the planning process, requirements for IRP submissions, and planning guidelines); see also IRP Best Practices at 26-32 (discussing recommendations for prudent integrated resource planning); *In re Pub. Utils. Comm'n*, Docket No. 2014-0183, Order No. 33877, filed on August 16, 2016, at 20-24 (requiring the HECO Companies to “transparently and comprehensively document and verify the resource selection process and criteria for selecting and determining preferred plans”).

<sup>9</sup> See IRP Best Practices at 26 (“The ideal process begins with the determination of the IRP guidelines or rules.”).

<sup>10</sup> See IGP Report at 14, Fig. 3.

## II. IGP Should Fully Integrate and Optimize All Customer-Side Resources.

The integration of T&D planning is an important feature of the IGP proposal. Indeed, in the previous revision of the IRP Framework, Blue Planet and other parties emphasized the need to include T&D, and the Commission agreed, making clear that “the utility should be required to consider [T&D] requirements as part of the IRP planning process.”<sup>11</sup>

Prior rounds of planning consistently raised concerns that the modeling and analysis were not fully optimizing the benefits of all distributed energy resources (“DER”), including distributed generation and storage, as well as demand response, energy efficiency, and electric vehicles (“EV”), but rather were treating such resources as external “end states” or modifications to load.<sup>12</sup> For example, the previous plans modeled compliance with the Energy Efficiency Portfolio Standard, but did not go further to analyze and capture potential additional cost-effective energy efficiency resources. The IGP process should improve on past planning processes to maximize the benefits of DER to the grid. Again, Blue Planet notes several questions as the HECO Companies continue to develop their IGP proposal:

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<sup>11</sup> IRP D&O at 56.

<sup>12</sup> See, e.g., *In re Pub. Utils. Comm’n*, Docket No. 2014-0183, Order No. 33320, filed on November 4, 2015, at 90-98.



- In past planning rounds, the modeling approach may have steered the results in favor of certain resources.<sup>13</sup> For example, past modeling analyzed and determined firm resources first, then considered variable renewable resources afterward; this sequencing of steps appeared to give an advantage to central-station, fossil-fueled generation.<sup>14</sup> In the IGP stakeholder discussions, the HECO Companies indicated that the procurement step would involve two separate rounds of RFPs: the first would determine primarily utility-scale generation resources, and the second would consider T&D and non-wire alternatives. Here, as well, Blue Planet inquires whether such “top-down” ordering may skew the process and results toward centralized, utility-scale resources, rather than considering all resources, including distributed, customer-side solutions, on a level playing field. The HECO Companies must make their planning methodology fully transparent and accessible so that stakeholders and the Commission can ascertain whether any such potential biases may arise.
- Along related lines, it is unclear to what extent and how the IGP proposal will go beyond the procurement process and integrate and optimize broader-

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<sup>13</sup> See generally IRP Best Practices at 31 (“It is important that the integrated model does not inadvertently exclude combinations of options that deserve consideration.”).

<sup>14</sup> See also *In re Pub. Utils. Comm’n*, Docket No. 2014-0183, Order No. 34696, filed on July 14, 2017, at 35-37 (highlighting concerns that the Companies “simply presumed” that certain conventional generation resources would be included in the plan).

scale pricing, programs, and tariffs for customer-side resources. These would include an entire range of new and improved time-of-use rates and demand response, DER, and EV programs, in order to fully leverage evolving technologies and customer-side solutions. The IGP process should also maximize cost-effective energy efficiency resources in collaboration with Hawai'i Energy.<sup>15</sup> Such customer-side resources and solutions are not addressed in the procurement process, but must be integrated in the overall planning analysis.

### III. Strong Independent Oversight and Stakeholder Roles Are Still Necessary.

Finally, Blue Planet raises strong concerns regarding the IGP proposal's apparent overhaul of the independent oversight and stakeholder participation requirements in the IRP Framework. Specifically, the IGP Report proposes a new "Stakeholder Council," "Technical Advisory Panel," and various "Working Groups," all selected and directed by the utility.<sup>16</sup>

In approving the previous revisions of the IRP Framework, the Commission acknowledged criticisms that the IRP process did not "provid[e] sufficient transparency in the development of the IRP plan," and "that advisory group input is not adequately

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<sup>15</sup> See IRP Framework § III.E.2 (directing that the Public Benefits Fund Administrator "shall work collaboratively with the utility and other stakeholders on new studies and forecasts to determine the technical and economic potential for a broad variety of energy efficiency demand-side management measures within Hawaii").

<sup>16</sup> IGP Report at 15-18.

considered.”<sup>17</sup> It thus required an “Independent Entity (‘IE’) to facilitate the [IRP] process, verify that the process was conducted in a manner consistent with the framework, and ensure that the process is timely and meaningful.”<sup>18</sup> The Commission also required “increased public participation and a more robust Advisory Group,” which it expected “should improve the quality of integrated resource planning and build community awareness and support.”<sup>19</sup> The IGP proposal makes no mention of these requirements in the IRP Framework and would seemingly discontinue them.

The concerns that motivated these revisions of the IRP Framework have not diminished. The previous planning proceedings did not resolve the inherent challenges of the utility-led planning process. Moreover, the ongoing expansion and diversification of the Hawai‘i energy market and community beyond the traditional utility monopoly model have only magnified the importance of process safeguards to ensure impartiality both in fact and appearance.

The revised IRP Framework established the IE role “to better ensure a more timely and transparent process” and envisioned it not “as a passive observer, but rather an active participant in the process.”<sup>20</sup> The Commission should similarly provide for

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<sup>17</sup> IRP D&O at 36.

<sup>18</sup> *Id.* at 2.

<sup>19</sup> *Id.*

<sup>20</sup> *Id.* at 2, 63.

active independent oversight and evaluation of the IGP process by the Commission or its representative, or an independent process administrator.

The revised IRP Framework also strengthened the role of stakeholder participation.<sup>21</sup> First, the Commission made clear that it would be responsible for soliciting and selecting Advisory Group members.<sup>22</sup> The revised IRP Framework also provided some level of accountability by the utility to adequately consider and respond to stakeholder and public feedback and requests, designating the IE as the “gatekeeper” to facilitate this process.<sup>23</sup> Particularly as the HECO Companies embark on a new, ambitious process of increased scope and complexity, which is bound to raise ongoing questions and require continual adjustments, full transparency and accountability vis-à-vis the stakeholder community will be all the more essential to ensure the integrity of and confidence in the process.

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<sup>21</sup> See IRP Best Practices at 27 (emphasizing that “stakeholders can and do offer valuable insights and opinions into resource planning that should be taken into account by utilities when developing their plans”).

<sup>22</sup> IRP D&O at 80.

<sup>23</sup> *Id.* at 69; see IRP Framework §§ III.C.2.b(5), III.C.2.c(3), III.F.7, 8 (authorizing the IE to request data necessary for Advisory Group participation and report failures to make information available; to “ensure that the utility provides consideration” to Advisory Group and public input; and to present questions or recommendations from Advisory Group members to the utility and document responses); *id.* §§ V.B.1.b, V.B.2.b (requiring the utility to consider the input of the Advisory Group and public, and address their issues and concerns that the IE determines have merit, “to the extent feasible”).

Overall, whatever procedural measures the Commission may adopt, it should exercise active, continual oversight throughout the process: providing approvals, modifications, rejections, or guidance at key steps, and also a means for expedited resolution of interim issues as necessary.<sup>24</sup> The IGP Report contemplates Commission approval at the end of the process, at which stage the Commission would review not only a proposed plan, but also an entire package of proposed projects and power purchase agreements. As seen in previous planning rounds, early unresolved issues can lead to compounded problems, and concerns can be deferred until it is too late to change course. The Commission cannot wait until the end of the process to review and approve all the outputs, which would impose a daunting burden on the Commission and also may create irresistible momentum to ratify the proposal in its entirety, rather than examine and modify specific parts. The Commission, indeed, appears to recognize this in requiring the IGP Workplan to include “opportunities for midstream evaluation and potential course correction.”<sup>25</sup>

In sum, the Commission established the IRP Framework, as well as the Competitive Bidding Framework, based on extensive discussions and substantive

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<sup>24</sup> See IRP Best Practices at 27 (“Active oversight and participation by the state PUC is critical to ensuring that comments and proposals by intervenors are reviewed, considered fully, and incorporated into utility resource plans when reasonable.”); IRP Framework § III.A.6 (providing an expedited dispute resolution process).

<sup>25</sup> Order No. 35569 at 28.

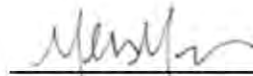
justifications. In contemplating the HECO Companies' proposal to replace these regulatory frameworks with IGP, the Commission should recognize and uphold the important benefits and safeguards of these frameworks, avoid unnecessary "reinventing of wheels," allow modifications or exemptions only for deliberate reasons, and require the HECO Companies to identify and justify any such changes.<sup>26</sup> The independent oversight and stakeholder participation requirements of the IRP Framework are a particularly key feature of the planning process in Hawai'i that should be substantively maintained and not diminished or eliminated.

DATED: Honolulu, Hawai'i, October 15, 2018.

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<sup>26</sup> See IRP D&O at 96 (emphasizing that waivers from the IRP Framework "shall only be granted [upon a] showing, to the commission's satisfaction, that compliance with the requirement is impossible, impractical, inappropriate, or economically infeasible").

**CERTIFICATE OF SERVICE**

I hereby certify that on the following date a copy of the foregoing document was  
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