



Postcard from Hawai'i/The Future

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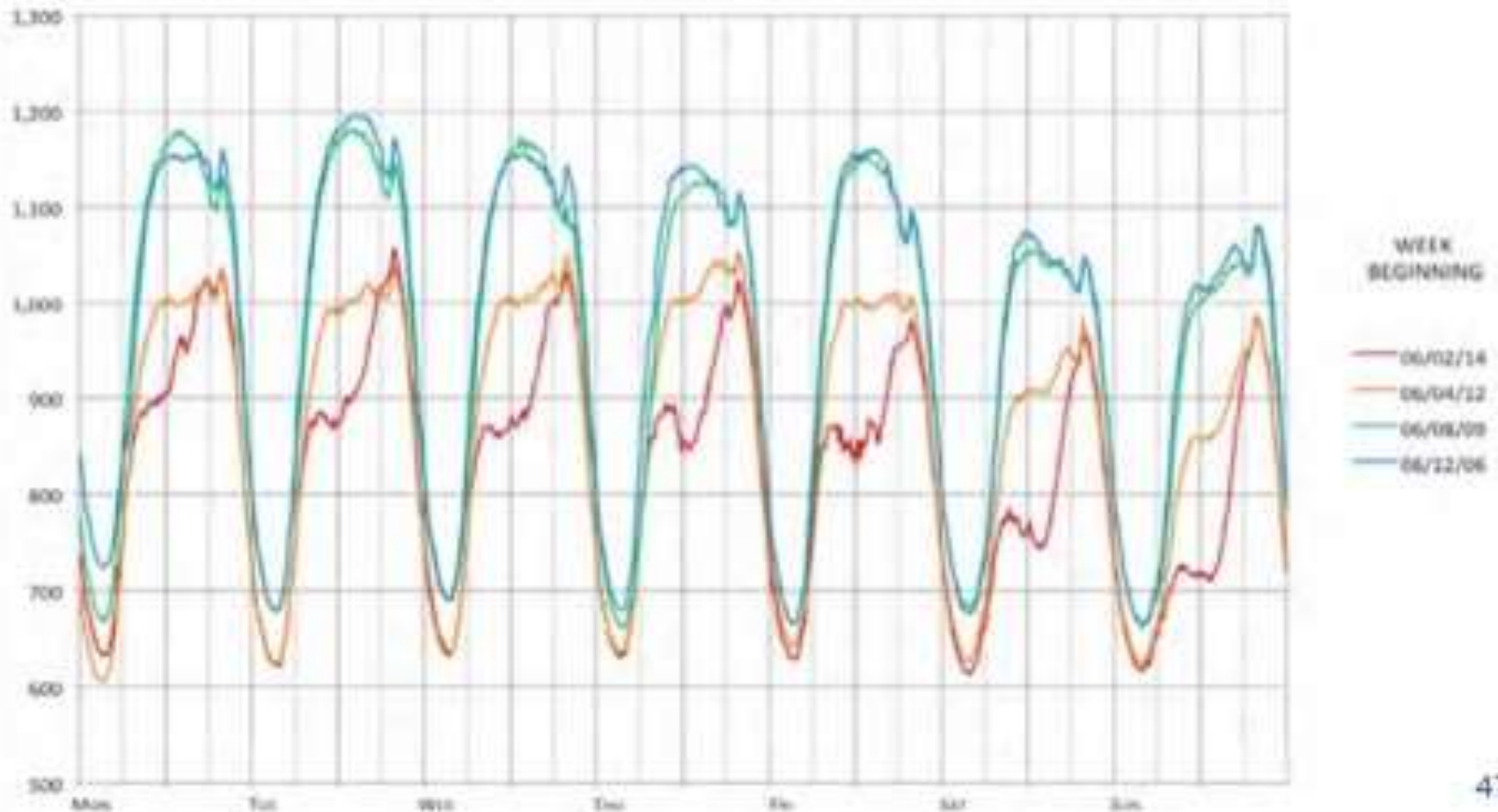
HI Success Story: Rooftop Solar

- 600 MW and counting
- 1/5 of single-family homes
- Main driver of RPS progress
- 15-25% of construction \$\$\$
- Next-Gen: Solar + Batteries



Grid Benefits of the First Wave

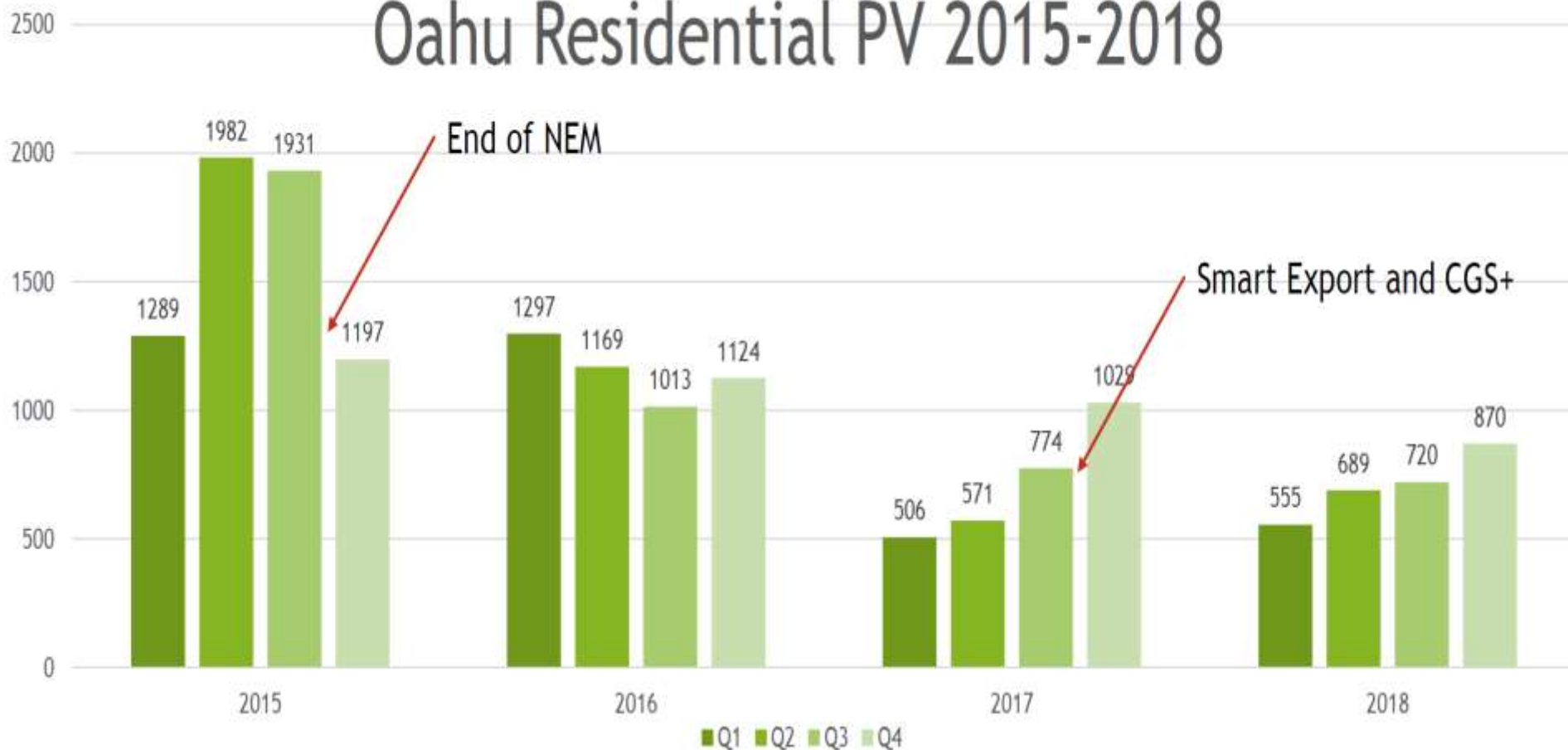
HAWAIIAN ELECTRIC COMPANY, INC.
HISTORICAL COMPARISON OF SYSTEM LOAD
TYPICAL WEEK IN JUNE





What's the Next Chapter?

Oahu Residential PV 2015-2018



Bottom-Up Grid Vision



- Recognize DER as solutions, rather than a problem.
- Fully value DER benefits to the grid
- Integrate **all** resources into grid planning

Performance-Based Regulation (PBR)





Impetus for PBR

- Failure of Cost-of-Service, Rate-of-Return Reg.
- PUC's Inclinations (2014): “the current **regulatory cost-recovery model . . . may be increasingly at odds** with major public policy goals to reduce electric rates and increase renewable energy utilization.”
- Act 5 (2018): mandate to “**directly tie . . . utility revenues to that utility's achievement on performance metrics and break the direct link** between allowed revenues and investment levels.”
- HI PUC Docket No. 2018-0088

Fuel Cost/Risk Allocation and Recovery



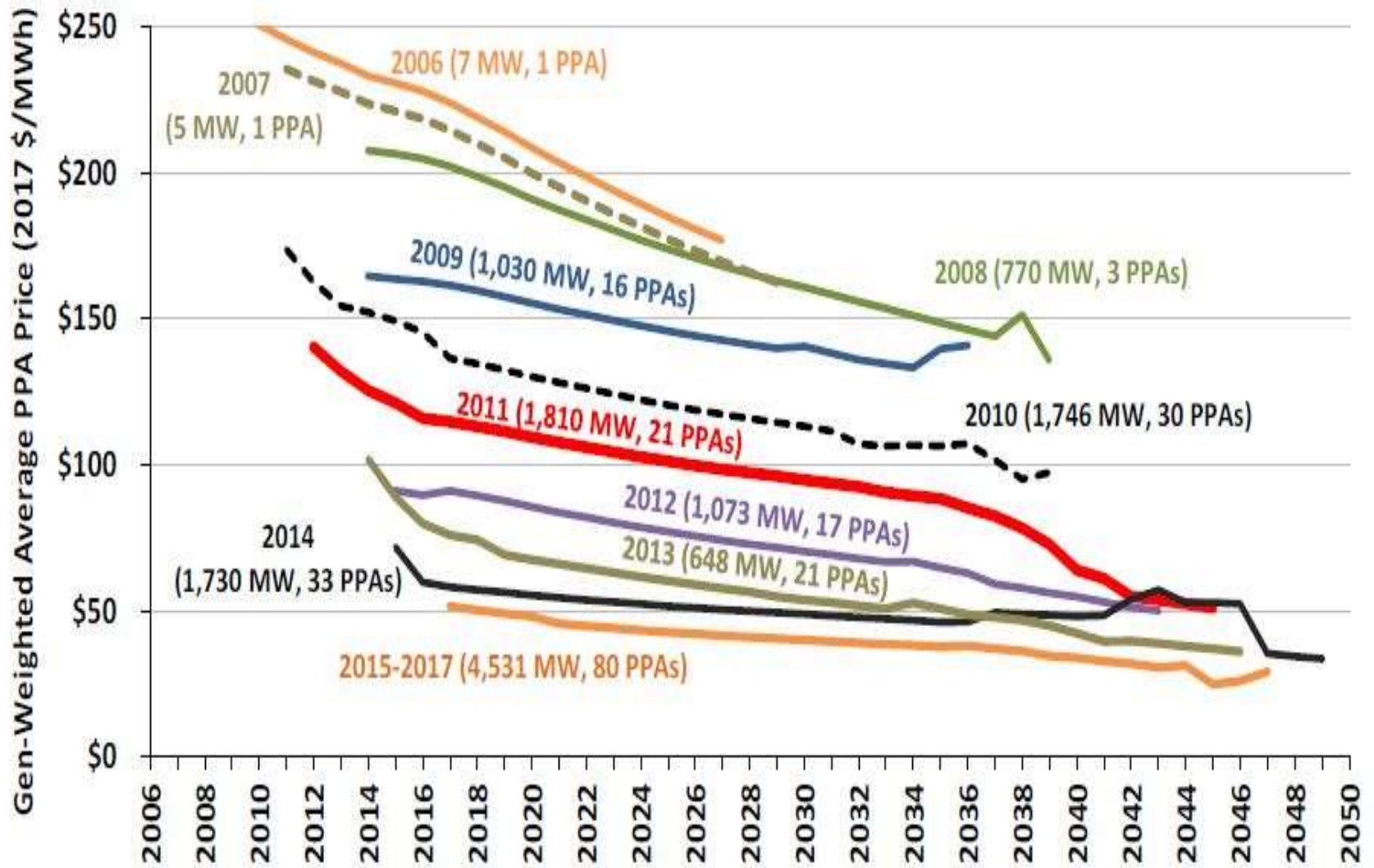


Figure 22. Generation-Weighted Average PV PPA Prices Over Time by Contract Vintage



Concerns re Fuel Cost Pass-Through

- Haw. Rev. Stat. § 269-16(g) (2006): standards include “**fairly share risk**” and “provide . . . **sufficient incentive**” to manage fuel costs and encourage renewables
- PUC’s Inclinations (2014): “Simply stated, the utility is insulated and has no direct financial ‘**skin in the game**’ as to whether fuel costs . . . increase or decrease”
- “**Moral hazard**” and un-level playing field



Fuel Cost and Risk Sharing

- ID, MO, MT, WA, (UT), WY, VT, and now HI
- Principles:
 - Incentive to manage costs and risks.
 - Fair risk sharing/balance between customers and utility.
 - After-the-fact prudence review insufficient.
 - Financial viability
 - and now HI: Encourage renewables



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BECAUSE THE EARTH NEEDS A GOOD LAWYER

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