

BEFORE THE PUBLIC UTILITIES COMMISSION

FILED

OF THE STATE OF HAWAII

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PUBLIC UTILITIES  
COMMISSION

In the Matter of the Application of )  
 )  
 HAWAIIAN ELECTRIC COMPANY, INC. )  
 HAWAII ELECTRIC LIGHT COMPANY, INC. )  
 AND MAUI ELECTRIC COMPANY, LTD. )  
 )  
 For Approval to Establish a Rule to )  
 Implement a Community-Based Renewable )  
 Energy Program )  
 \_\_\_\_\_ )

Transmittal No. 15-09

Effective  
Date: January 1, 2016

HAWAIIAN ELECTRIC COMPANY, INC., HAWAII ELECTRIC LIGHT COMPANY, INC.  
AND MAUI ELECTRIC COMPANY, LIMITED'S

TRANSMITTAL

VERIFICATION

EXHIBITS A - C

and

CERTIFICATE OF SERVICE

Joseph P. Viola  
 Vice President  
 Regulatory Affairs  
 Hawaiian Electric Company, Inc.

Vice President  
 Hawaii Electric Light Company, Inc.  
 Maui Electric Company, Limited

P.O. Box 2750  
 Honolulu, Hawaii, 96840

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF HAWAI'I

In the Matter of the Application of )  
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HAWAIIAN ELECTRIC COMPANY, INC. ) Transmittal No. 15-09  
HAWAI'I ELECTRIC LIGHT COMPANY, INC. )  
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Hawaiian Electric Company, Inc. ("Hawaiian Electric"), Hawai'i Electric Light Company, Inc. ("Hawai'i Electric Light") and Maui Electric Company, Limited ("Maui Electric") (Hawaiian Electric, Hawai'i Electric Light, and Maui Electric are individually referred to herein as a "Company", and collectively as the "Hawaiian Electric Companies" or the "Companies") respectfully seeks the State of Hawai'i Public Utilities Commission's ("Commission") authorization to establish Rule [XX],<sup>1</sup> a Community-Based Renewable Energy Program Tariff for each Company pursuant to Act 100 (SLH 2015), and Sections 6-61-111, 6-61-74, and 6-61-75 of the *Rules of Practice and Procedure before the Public Utilities Commission*, Title 6, Chapter 61, Hawai'i Administrative Rules ("HAR"). The Hawaiian Electric Companies respectfully request the Commission to:

1. Approve a new Rule for Hawaiian Electric, Rule [XX], Community-Based Renewable Energy Program ("CBRE Program") for each Company;

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<sup>1</sup> The Companies will assign a rule number upon an affirmative decision and order.

2. Allow Rule [XX] to become effective on January 1, 2016, on no less than 30 days' notice;
3. Approve the CBRE Program as a qualifying technology under the Renewable Energy Infrastructure Cost Recovery Provision ("REIP");
4. Approve the deferral of costs for the SAP IT Billing Modifications and upfront Third-Party Bill Credit Software for recovery through the REIP Surcharge, or, in the alternative, approve the deferral and accrual of carrying costs on the deferred amount until the respective Company's next rate case. The Companies do not request carrying charges for these costs if they are recovered through the REIP;
5. Approve the Developer Enrollment Fee of \$66 per kW alternating current ("AC"), the Participant Enrollment Fee of \$66 per kW AC and the Monthly Administration Fee of \$1.17 per kW AC per month;
6. Approve the deferral of the upfront and ongoing enrollment software costs and ongoing bill credit processing software costs to be amortized based on the recovery from Participant and Developer enrollment fees, with any under or over recovery reconciled through the REIP Surcharge at the end of the expected enrollment period ending no later than December 31, 2019;
7. Approve the deferral of the ongoing enrollment software costs and ongoing bill credit processing software annual costs incurred subsequent to the end of the expected enrollment period ending no later than December 31, 2019 until the Companies respective rate cases, to be amortized based on the monthly recovery from Program Participants.

8. Approve the deferral of the incremental costs that may be incurred related to the ongoing administration of the CBRE Program for cost elements including program management costs, call center costs, and IT maintenance costs;
  9. Grant a waiver from the Framework for Competitive Bidding (“Framework”) for the 35 MW Solar RFP (as defined in footnote 2);
  10. Establish the credit rate for Tier 1 and Tier 2 (as defined below) solar CBRE Program Facilities at 13.475 cents per kWh up to the capacity limits set forth herein for Tier 1 and Tier 2 of Phase 1;
  11. Approve the Small Model PPA (as defined in footnote 2), Large Model PPA (as defined in footnote 2), and Model Participant Contract (as defined in footnote 2); and
  12. Grant such other and further relief as may be just and equitable under the circumstances.
- To facilitate the Commission’s review, attached are the following exhibits:<sup>2</sup>
- Exhibit A: Proposed Rule [XX], Community-Based Renewable Energy Program<sup>3</sup>
- Exhibit B: CBRE Program Project Selection Process
- Exhibit C: CBRE Program Costs

## I

### INTRODUCTION

In compliance with Act 100 (SLH 2015), the Hawaiian Electric Companies respectfully submit for the Commission’s review and consideration the Companies’ proposal for a CBRE

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<sup>2</sup> As discussed below the Companies will also be submitting to the Commission within 60 days of the date of this Transmittal the following documents: (1) model contract between Participant (as defined below) and Developer (as defined below) (the “Model Participant Contract”), (2) model power purchase agreement (“PPA”) for projects smaller than or equal to 1MW (the “Small Model PPA”), (3) model PPA for projects larger than 1MW (the “Large Model PPA”), and (4) a request for proposals (“RFP”) for the 35 MW solar capacity on O’ahu discussed below (the “35 MW Solar RFP”).

<sup>3</sup> The Tariff submitted in Exhibit A is for Hawaiian Electric and is being submitted as a template in the interest of administrative efficiency. Upon Commission approval, the Companies will provide corresponding tariffs for Hawai’i Electric Light and Maui Electric that primarily differ in their respective island specifics.

Program and Tariff, which Tariff is attached hereto as Exhibit A. The Companies request an effective date of January 1, 2016. Timely approval of the CBRE Program will allow for an accelerated deployment of the CBRE Program, which will help to provide opportunities for Participants to receive the benefits of lower cost renewable energy by providing opportunities to have CBRE Program Facilities (as defined below) operational by December 31, 2016 in order to qualify for federal tax credits, resulting in lower costs.

The CBRE Program is designed 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, other groups who are currently unable to access the benefits of onsite renewable energy generation, and anyone who chooses to receive the direct benefits of renewable energy resources. The CBRE Program is designed to promote broader participation in renewable energy projects by allowing participants ("Participants") to receive the direct benefits of renewable energy resources to offset their monthly energy consumption via a bill credit for that renewable energy on their utility bills, which should help to reduce their utility bills. The Companies' CBRE Program is designed to accommodate a variety of community-based renewable energy projects, models, and sizes. As discussed further below, the Companies' proposed CBRE Program was developed through a process which included consultation with the Department of Business, Economic Development, and Tourism ("DBEDT"), other stakeholders from the renewable energy industry and environmental advocacy community, and others that may benefit from the CBRE Program.

## II THE COMPANIES

Hawaiian Electric, whose principal place of business and whose executive offices are located at 900 Richards Street, Honolulu, Hawai'i, is a corporation organized under the laws of

the Kingdom of Hawai'i and exists now under and by virtue of the laws of the State of Hawai'i. Hawaiian Electric is an operating public utility engaged in the production, purchase, transmission, distribution and sale of electricity on the island of O'ahu.

Hawai'i Electric Light, whose principal place of business and executive offices are located at 1200 Kilauea Avenue, Hilo, Hawaii 96720, is a corporation duly organized under the laws of the Republic of Hawai'i on or about December 5, 1894, and now existing under and by virtue of the laws of the State of Hawai'i. Hawai'i Electric Light is an operating public utility engaged in the production, purchase, transmission, distribution, purchase and sale of electricity on the island of Hawai'i.

Maui Electric, whose executive offices are located at 210 Kamehameha Avenue, Kahului, Maui, Hawai'i, is a corporation duly organized under the laws of the Territory of Hawai'i on or about April 28, 1921, and now exists under and by virtue of the laws of the State of Hawai'i. Maui Electric is an operating public utility engaged in the production, purchase, transmission, distribution, and sale of electricity on the island of Maui, the production, transmission, distribution, and sale of electricity on the island of Moloka'i, and the production, purchase and distribution, and sale of electricity on the island of Lana'i.

### **III FINANCIAL STATEMENT**

Hawaiian Electric's latest available balance sheet and income statement for the twelve months ending May 31, 2015, were filed with the Commission on August 10, 2015 and are incorporated by reference pursuant to HAR § 6-61-76.

Hawai'i Electric Light's latest available balance sheet and income statement for the twelve months ending May 31, 2015, were filed with the Commission on August 10, 2015 and are incorporated by reference pursuant to HAR § 6-61-76.

Maui Electric's latest available balance sheet and income statement for the twelve months ending May 31, 2015, were filed with the Commission on August 10, 2015 and are incorporated by reference pursuant to HAR § 6-61-76.

**IV**  
**CORRESPONDENCE AND COMMUNICATIONS**

Correspondence and communications in regard to this Transmittal No. 15-09 should be addressed to:

Daniel G. Brown  
Manager, Regulatory Non-Rate Proceedings  
Hawaiian Electric Company, Inc.  
P. O. Box 2750  
Honolulu, Hawai'i 96840

**V**  
**BACKGROUND**

A. Support for a Community-Based Renewable Energy Program

The Hawaiian Electric Companies are experiencing the greatest pace of change in their history and are in the midst of a company-wide effort to change the way we do business and deliver value for our customers. The Companies' vision for 2030 is to achieve more than 65 percent of energy provided by renewable resources, nearly triple distributed solar generation, lower customer bills by 20 percent and expand customer options.<sup>4</sup>

In its Inclinations on the Future of Hawaii's Electric Utilities ("Inclinations")<sup>5</sup>, the Commission emphasized that in order for the Company "to further stabilize and lower the costs of generation, the [Hawaiian Electric] Companies should expeditiously: [s]eek high penetrations

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<sup>4</sup> See <http://www.hawaiianelectric.com/heco/Clean-Energy>.

<sup>5</sup> Inclinations on the Future of Hawaii's Electric Utilities was issued on April 28, 2014 in Docket No. 2012-0036.

of lower-cost, new utility-scale renewable resources”<sup>6</sup> and that the Company “should continue to pursue alternative procurement strategies to ensure that the lowest cost utility-scale renewable energy projects are acquired.”<sup>7</sup> The Commission stated that the Companies should “Incorporate and dispatch an expanding portfolio of utility-scale and distributed renewable resources in conjunction with a declining fossil power supply portfolio to maximize renewable energy...”<sup>8</sup> In addition, the Inclinations charge the Companies with finding a way to harness distributed energy resources to benefit the Companies’ systems and customers.<sup>9</sup> The Companies submit that the CBRE Program meets the above directives set forth in the Commission’s Inclinations. The CBRE Program, as set forth below, is structured to enable lower cost renewable energy in Hawai‘i, which will be achieved using an alternative procurement strategy and set rates for smaller projects based on current market rates. *The CBRE Program also allows the Company to harness the use of utility scale generation to provide all customers the opportunity to benefit from distributed energy resources and not just those customers who have the ability to install such resources on their own property.*

Consistent with the Commission’s Inclinations and the Companies’ commitment to increase the interconnection of low-cost renewable resources, including distributed generation (“DG”) to its grid in a fair and sustainable manner, the Companies’ Power Supply Improvement Plans (“PSIP”) and Distributed Generation Interconnection Plan (“DGIP”), filed on August 26, 2014, introduced new products and services that expand customer options for DG and increased levels of low cost renewable energy generation resources, including a community-based renewable energy program.

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<sup>6</sup> Inclinations, at 4.

<sup>7</sup> Id. at 5.

<sup>8</sup> Id. at 17.

<sup>9</sup> Id. at 15.



The CBRE Program is consistent with the State's energy policy, which encourages the use and development of renewable energy. In support of the State's energy policy, the State Legislature enacted the RPS law for electric utilities. The Companies submit this Tariff Transmittal as part of its efforts to advance renewable energy in Hawai'i and its approval will enable the addition of lower-cost utility scale renewable resources while maintaining the reliability of the grid. In addition, approval of the CBRE Program will help enable the Company to meet the RPS law that requires (1) thirty percent (30%) of the Companies' net electricity sales be from renewable resources by December 31, 2020, and (2) forty percent (40%) of the Companies' net electricity sales be from renewable resources by December 31, 2030, and (3) one hundred percent (100%) of the Companies' net electricity sales be from renewable resources by December 31, 2045.

Moreover, projects based on the CBRE Program will serve as a viable hedge against the rising cost of energy generated from petroleum diesel, low-sulfur fuel oil or other fuel oil. The CBRE Program will also help to create energy independence and security by shifting a portion of the millions of dollars that currently are spent on imported oil and reinvesting those dollars in Hawai'i on renewable energy projects that do not rely on oil or other imported resources to provide energy to the Company's customers.

Further, a significant portion of the Companies' customers are unable to benefit from rooftop DG-PV resources because of the lack of access to the space required or ownership issues.<sup>10</sup> The benefits to Participants associated with a community-based renewable energy program include the opportunity to achieve lower electricity bills and contribute to the renewable energy goals of our State through their participation in renewable energy projects, even though

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<sup>10</sup> Over 40% of Hawai'i households are occupied by renters and 37% of Hawai'i households are multi-unit dwellings.

they do not have access to on-site generation; and easier implementation relative to the challenges posed in self-installing DG systems. Accordingly, a community-based renewable energy program will provide an important step to provide customers with expanded options to help lower their electric bills<sup>11</sup> while contributing to achieving the state's statutory goal of a 100% RPS by 2045.<sup>12</sup>

B. ACT 100 (SLH 2015)<sup>13</sup>

On June 8, 2015, the Governor approved Act 100 (SLH 2015). Section 269-x(a) provides that each electric utility in the State shall file a "proposed community-based renewable energy tariff or tariffs" with the Commission by October 1, 2015. Thereafter, the Commission shall establish a community-based renewable energy tariff or tariffs, "provided that the tariff or tariffs are found to be in the public interest." According to Section 269-x (b) "[a]ny person or entity may own or operate an eligible community-based renewable energy project or projects provided that the person or entity complies with all applicable statutes rules, tariffs, and regulations governing the ownership and interconnection of such project or projects."

As defined in Section 269-x(c), a "community-based renewable energy tariff" means a "tariff approved by the commission" 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

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<sup>11</sup> Subject to the customer's participation level and monthly energy consumption.

<sup>12</sup> ACT 97 Session Laws of the State of Hawaii ("SLH") 2015.

<sup>13</sup> 2015 Haw. Sess. Laws Act 100, effective June 8, 2015.

provided to or by the electric utility, participating ratepayers, and non-participating ratepayers; and (4) to the extent possible, standardizes and streamlines the related interconnection processes for community-based renewable energy projects. An "eligible community-based renewable energy project" means a renewable energy project that: (1) is subject to a community-based renewable energy tariff; and (2) generates or produces energy as defined under section 269-91.

## VI

### CBRE PROGRAM DEVELOPMENT

#### A. Guiding Principles

The Hawaiian Electric Companies have utilized the following guiding principles in developing a fair and sustainable CBRE Program:

1. Expand options to meet customers' ever-changing energy needs. The CBRE Program will be one of a range of new products and services designed to address those needs in a fair and sustainable way.
2. Develop the CBRE Program in the most cost-effective way that benefits all customers - not just participants in the CBRE Program -- and that does not increase the cost-shifting we are currently experiencing with net energy metering.<sup>14</sup>
3. Ensure that the majority of the economic benefits of renewable energy go to the CBRE Program participants.<sup>15</sup>

The basic components of the CBRE Program envisioned by the Hawaiian Electric Companies are as follows:

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<sup>14</sup> As of December 2014, the annualized total fixed cost shift was estimated to be \$53 million, a \$15 million increase from December 2013 for the net energy metering program. The annualized amount for December 31, 2013 is from the Companies' Total Lost Contributions to Fixed Costs in Appendix A of the 2013 Net Energy Metering Status Report, submitted to Commission January 31, 2014. The annualized amounts for December 31, 2014 were filed as a part of the 2014 Net Energy Metering Status Report on January 30, 2015.

<sup>15</sup> Some economic value will go to developers and non-participants as well. The Hawaiian Electric Companies will not receive any economic benefit as the CBRE Program is structured to be a strictly pass through program.

- CBRE Program facilities (“Facility” or “Facilities”) are selected to serve the entire electric system in the most cost-effective manner;<sup>16</sup>
- Energy from all generation resources, including the CBRE Program Facilities, is integrated by the utility and provided via the grid for all customers;
- Participant(s) purchase an interest in the energy production from the CBRE Program Facilities to offset their monthly personal energy consumption without installing renewable energy resources on their property; and
- The utility credits the Participant’s monthly electric bill after deducting the amount of any operations and maintenance (“O&M”) fees, offsetting the Participant’s personal monthly consumption in proportion to their interest in the energy generated by the CBRE Program Facility.

B. CBRE Program Stakeholder Process

As a part of Act 100, the Legislature determined that in order to facilitate the timely implementation of a community-based renewable energy tariff, the electric utilities should collaborate with DBEDT and other stakeholders from the renewable energy industry and environmental advocacy community prior to filing a tariff with the Commission.

Hawaiian Electric, on behalf of the Companies, engaged in a significant stakeholder outreach effort as a part of the development of the CBRE Program Tariff. There were a total of 23 organizations who were invited to participate in the CBRE Program stakeholder process.

These organizations were identified through their submission of testimony on and interest in SB

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<sup>16</sup> “... when comparing the relative value of Net Energy Metering (“NEM”), Feed in Tariff (“FIT”), and utility-scale procurement mechanisms, the utility-scale and FIT mechanisms provide the greatest value, while the NEM policy represents higher renewable procurement costs due to the use of retail rates.”. Energy and Environmental Economics, Inc., *Evaluation of Hawaii’s Renewable Energy Policy and Procurement, Final Report, January 2014 Revision*, at 66. <http://puc.hawaii.gov/wp-content/uploads/2013/04/HIPUC-Final-Report-January-2014-Revision.pdf>

1050, attendance at initial CBRE Program discussion meetings sponsored by DBEDT held on June 1 and June 8, 2015, and representation from other customer segments. Of the 23 organizations invited, 13 or 56% of the total invited, responded and participated in the CBRE Program stakeholder process. The CBRE Program stakeholder process was divided into two components: larger sessions which were open to all of the aforementioned organizations (typically 10 or more organizations attended each meeting), and smaller group meetings with three or less organizations.

Hawaiian Electric organized a total of five large sessions which were held on July 9, July 23, August 28, September 10, and September 25, 2015. Hawaiian Electric also organized six smaller meetings which were held on July 22, July 29, July 30 and July 31, 2015 (with more than one meeting held on certain days). These sessions collectively included discussion and collaboration with 30 external attendees representing 13 separate external organizations. A subset of this stakeholder group held separate meetings to further develop their ideas and provided their collective input to the Companies. Additional follow up meetings, communications by phone, email or other correspondence also contributed to the information the Companies considered in the development of this proposed Tariff.

These larger sessions and smaller meetings were held to support the collaborative development of a CBRE Program. Topics discussed included: major goals and objectives for the overall CBRE Program; efforts to date, a preview of the Hawaiian Electric's Community Solar Pilot Program tariff in advance of filing with the Commission, identification and discussion of key stakeholder priorities, review of the overall CBRE Program development schedule, review of the CBRE Program framework and program options, discussion of technical and other open

issues, and a review of the key components of the Companies' proposed CBRE Program Tariff before it was finalized.<sup>17</sup>

These collaborative sessions led to a number of points of compromise. For example, in response to stakeholder input the Companies are willing to establish a fixed price for Tier 1 and Tier 2 (as defined in Section VII.B below) solar Facilities as an exception for Phase 1 (as defined in Section VII.A below) in lieu of the Companies' preferred process of issuing a competitive solicitation. This meets several of the Stakeholders' desire to reduce the amount of time it will take to select Facilities and allow Facilities the greatest opportunity to take advantage of existing tax credits by being operational by the end of 2016. The Companies propose a fixed price based on the Companies' most recent competitive solicitation for the Waiver Projects<sup>18</sup> to reflect a fair market rate and help ensure that all customers are benefiting from the addition of the CBRE Program Facilities. As a compromise to several stakeholders' desire to base the rate on the results of Docket No. 2014-0192 (Instituting a Proceeding to Investigate Distributed Energy Resource Policies) (the "DER Docket"), the Companies agreed to present an alternative option to the Commission in this filing as the stakeholders' proposal. Additionally, the Companies agreed to the tiered approach described more fully below to meet stakeholders' objective to ensure smaller projects have a "carve out" in the program versus simply seeking the lowest possible price regardless of project size. While costs to all customers may be higher using this approach, the cost impact will be limited due to the capacity limits in Phase 1 and will be offset by the

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<sup>17</sup> Participating organizations included Blue Planet Foundation, Clean Energy Collective, DBEDT, Earth Justice, Hawai'i Renewable Energy Alliance ("HREA"), Hawai'i Solar Energy Association ("HSEA"), Kamehameha Schools, Navy Facilities ("NAVFAC"), Office of Hawaiian Affairs, Paniolo Power Company, Renewable Energy Action Coalition of Hawai'i ("REACH") and Ulupono Initiative. The Public Utilities Commission, also participated, but only as an "observer".

<sup>18</sup> These projects arise from Docket No. 2013-0156 and Docket No. 2013-0381 in which the Commission granted waivers from the Framework for Competitive Bidding for nine independent power producer ("IPP") solar energy projects on O'ahu (the "Waiver Projects").

benefits of increasing opportunities for diversity both of project size and developers. Further, among other compromises, the Companies agreed to request a no-action letter from the United States Securities and Exchange Commission (the "SEC") on behalf of the CBRE Program versus requiring each Developer to pursue their own no-action letter, provided that the Developer agrees to use the CBRE Program documents without deviation; and agreed that Developers could utilize their own form of contract with the Participant if they choose, provided that SEC securities issues are adequately addressed and resolved by the Developer as specified and required in Sections VII.H and VII.M below .

## VII PROPOSED CBRE PROGRAM TARIFF RULE [XX]

The CBRE Program is designed to allow eligible Participants the opportunity to receive the benefits of community-based renewable energy to offset<sup>19</sup> their personal monthly energy consumption by purchasing an interest in the energy (kilowatt-hours or "kWh") production from a renewable energy facility for a period of twenty years. This CBRE Program is an important initial step to increase consumer awareness of and access to the benefits of renewable energy for those who are not able to, or choose not to, install renewable energy resources. Under the CBRE Program, Participants will have the option to purchase an interest in energy production of a Facility or Facilities at a level that is expected to offset up to 100 percent of their historic average kWh energy consumption for the previous twelve months. Participants will be required to purchase an interest equal to at least 25% of their historic average kilowatt-hour energy consumption for the previous twelve months.<sup>20</sup> To ensure fair access, an additional limit will be

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<sup>19</sup> The amount that a Participant will offset will be dependent on their percentage buy in level and their monthly energy consumption level and any monthly fees, such as O&M fees, owed to the Developer or Companies.

<sup>20</sup> Unless 25% of their historic average consumption is more than 20% of the CBRE project capacity in which they are participating.

imposed such that no single Participant will be able to purchase more than twenty percent of the total output of any single CBRE Program Facility. To facilitate the Commission's review, attached as Exhibit A is the Company's Proposed Rule [XX], Community-Based Renewable Energy Program.

A. CBRE Program Design

The Companies propose a phased approach for the CBRE Program. The first phase ("Phase 1") will run from the date of Commission approval of the Phase 1 CBRE Program structure until December 31, 2017. As described more fully below, each phase will incorporate a capacity limit as well as a time limit to help ensure technical integration with minimal impact to grid stability and successful implementation from a customer experience standpoint regarding bill crediting and customer service. The second phase ("Phase 2") will run from January 2018 to December 2019, incorporate lessons learned from Phase 1, be developed with stakeholder collaboration (similar to the process described above for the development of this proposed Tariff), and submitted to the Commission for approval prior to implementation. Phase 2 could allow for additional generation resources as well as storage options. The details of the third phase ("Phase 3") will be determined during Phase 2, but Phase 3 is intended to be the long-term continuation of the CBRE Program with determinations of allocated capacity for the CBRE Program in increments based on the Companies' periodically updated resource plans and market demand. It will also encompass periodic program updates based upon customer needs and lessons learned. This phased approach will allow for rapid program implementation while providing an opportunity to adjust future phases based on experience and market trends. It also provides that pricing can be regularly updated to reflect fair market rates and CBRE Program



capacity allocations are able to incorporate the Companies' most current resource plans, which is important on a rapidly changing grid.

Independent power producers ("IPPs" or "Developer(s)") and/or the Companies will have the opportunity to develop, own and operate CBRE Program Facilities.<sup>21</sup> All Developers must meet certain pre-qualification requirements. As described in more detail in Exhibit B, CBRE Program Project Selection Process, these requirements include but are not limited to: a deposit of \$66/kW AC, site control, incorporation/formation in the State of Hawai'i, maintaining a principal place of business in the State of Hawai'i, and a certificate of good standing from the State of Hawai'i Department of Commerce and Consumer Affairs.

1. Tiered Offering

It is proposed that there will be three tiers of CBRE Program Facility sizes in the CBRE Program as described in Table 1 below. These tiers will apply to both wind and solar projects on each island. Although non-utility scale projects may be less economic to customers than the larger projects, specific allocations will be made for smaller projects, to accommodate the interests of a more diverse population of developers (small and large scale), and to provide for a diversity of CBRE Program Facility sizes and locations. For the purpose of Phase I there will be one capacity allocation and project selection process for Tiers 1 and 2.

<b>Tier</b>	<b>CBRE Program Facility Size</b>
Tier 1	≤250kW AC
Tier 2	>250kW to <1MW AC
Tier 3	≥1MW AC

Table 1 - CBRE Tier Structure

<sup>21</sup> According to Section 269-x (b) "[a]ny person or entity may own or operate an eligible community-based renewable energy project or projects provided that the person or entity complies with all applicable statutes, rules, tariffs, and regulations governing the ownership and interconnection of such project or projects."

## 2. Proposed Capacity Allocation

The Companies propose that on a going forward basis, the capacity allocation for the CBRE Program be established every two to three years based first on the Companies' then current resource plans, then on market demand for the CBRE Program.

Due to present constraints on the ability of the Companies' grids to incorporate additional levels of variable distributed energy resources at the same time that the Companies' Net Energy Metering program is unconstrained with no controls available to system operators, it is necessary to determine an amount of capacity dedicated to Phase 1 of the CBRE Program that the Companies' systems can safely and reliably interconnect. The Companies utilized the following methodology in determining the Phase 1 CBRE Program capacity allocation by technology and island:

First, limit the risk of curtailment resulting from excess energy which would decrease the economics for the developer and/or the amount of energy credited on the CBRE Program Participant's bill. Increasing levels of variable renewable generation may lead to higher levels of curtailment in the future in order to balance generation and load.

Second, ensure system level grid stability. There are technical limits to the operating reserves available to accommodate the increased production variability of additional renewable resources.

Third, ensure that circuit reliability and power quality are maintained. If approved as a part of Docket No. 2014-0192, this will be accomplished through the use of circuit hosting capacity to accommodate the interconnection of renewable resources.

In addition to the technical considerations, there are also administrative considerations in determining an appropriate level of CBRE Program capacity allocation for this first phase. The

Phase I CBRE Program capacity allocation assumes Commission approval to implement automated (vs. manual) enrollment, and administrative and customer billing systems to facilitate the back office requirements of implementing a CBRE Program at this scale. At the same time, the Companies need the time and experience to refine and scale the back office processes and the CBRE Program enrollment, and billing arrangements which will likely need to be refined over time to ensure the administration of the CBRE Program is efficient and effective for Participants and Developers. Additionally, the Companies' Customer Call Center will need time to ramp up its capability, including staffing and training, to manage Participant calls about CBRE Program enrollment, billing and subscription transfers.

Capacity limits have been identified for Phase 1 of the CBRE Program by technology and island based on the technical and administrative issues discussed above. The total proposed capacity allocation for Phase 1 of the CBRE Program is 32 MW AC, including 17 MW AC of solar and 15 MW AC of wind. The potential for additional capacity to accommodate solar plus storage in Phase 1 is being further evaluated over the next 60 days and further updates would be provided to the Commission if solar plus storage appears to be a viable, cost-effective option. As mentioned earlier, the growth of distributed solar resources continues to impact system security and reliability, further challenging system operators to accept additional as-available renewable energy resources. Solar plus storage is intended to provide system operators a firm, dispatchable renewable resource. Storage systems that are designed to shift the full solar production of the photovoltaic system to be dispatched when the system most needs the generation may address potential negative impacts to the overall system and the lack of geographic diversity. Alleviating the grid congestion created by the high penetration of solar with solar plus storage systems could also lower the curtailment risk for given Facilities.

Given the uncertainties regarding customer demand for the CBRE Program and the potential availability of “shovel ready” utility-scale solar projects, the Companies are proposing to allocate 10 MW AC of a 35 MW AC utility scale solar solicitation for O’ahu (to meet system requirements) to Phase 1 of the CBRE Program. The 35 MW Solar RFP is described in more detail in Section VII.B.1 below. Should the market demand exceed the availability of projects for Participants in Phase 1, Hawaiian Electric will ask developers to bid an option to increase the allocation from the 35 MW Solar RFP to the CBRE Program. The following table sets forth the capacity allocation by island and resource.

	Solar (MW AC)		Wind (MW AC)	
	Tier 1 and 2 <1MW	Tier 3 ≥1MW	Tier 1 and 2 <1MW	Tier 3 ≥1MW
<b>Oahu</b>	5	10 <sup>22</sup>	0	10
<b>Hawaii Island</b>	1	0	0	2
<b>Maui</b>	1	0	0	2
<b>Molokai</b>	0	0	0.5 <sup>23</sup>	0
<b>Lanai</b>	0	0	0.5 <sup>24</sup>	0
<b>Total</b>	7	10	1	14
<b>Phase 1 Total</b>	32 MW			

Table 2 - CBRE Program Capacity Allocation

The 32 MW CBRE Program capacity allocation is equivalent to approximately 8,540 residential Participants or 3,760 residential and 510 commercial Participants assuming residential

<sup>22</sup> CBRE Program allocation within a 35MW AC RFP

<sup>23</sup> Wind projects on Lanai and Molokai are limited to 100kW as per Docket No. 2008-0273.

<sup>24</sup> *Id.*

and commercial demand for CBRE is proportional to residential and commercial sales statewide.<sup>25</sup> Again, the capacity allocation for Phase 1 of the CBRE Program by island is necessary to help ensure that capacity can be accommodated by the grids. The technology specific allocations are necessary since the available capacity varies by technology. The Companies further propose to introduce a tiered capacity allocation for Facility sizes to ensure that small Facilities are not required to compete with larger Facilities that can benefit from economies of scale. For Phase 1 there will be one capacity allocation across Tier 1 and Tier 2. If any of the Phase 1 CBRE allocation described in Table 2 is not allocated to CBRE projects in Phase 1, that capacity will be reallocated to Phase 2 or released for other renewable energy projects. The CBRE Program is intended to allow for any type of renewable energy, however, grid requirements may limit the technologies that can participate. For Phase 1 of the CBRE Program it has been determined that solar and wind projects can best be accommodated by the grid at this time.

B. CBRE Project Selection Process

Periodically, subject to the Companies' then current resource plans, the Companies intend to run a competitive solicitation process to ensure that the Companies are procuring energy in the most cost-effective manner that will benefit all customers to determine the fair market price for the PPA energy rate (cost to purchase energy under the PPA). This PPA energy rate will determine the credit rate to the CBRE Program Participants and other terms of the CBRE Program. The Companies will limit their selection of projects to match as closely as possible the capacity level set forth for each tier on each island. To the extent the mix of projects

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<sup>25</sup> Assumes a 25% PPA and 75% CBRE Program allocation for each CBRE Program Facility. Of the CBRE Program allocation, 80% subscribed with CBRE Program Participants (Solar Electric Power Association research as of 9/20/15), 20% capacity factor for solar, 25% capacity factor for wind.

selected does not add up exactly to the established capacity level, the Companies propose that the last ranked selected project have the option to downsize to fit within the remaining capacity allocation.

To ensure simplicity for Participants, the upfront payment<sup>26</sup> per kW AC, credit rate per kWh, and O&M Fee per kWh will be required to be the same for all projects within each tier for each technology and island. This will be achieved by requiring the shortlisted candidates in each competitive solicitation process to accept the lowest bid offered up to the allocated capacity limit. Projects that are not able to match the lowest bid will be required to withdraw. If all shortlisted projects decide to proceed and the shortlisted projects exceed the capacity allocation, the last ranked Developer at the time of shortlisting will be given the opportunity to reduce their project size to fall within the capacity limit in order to allow the project to proceed. As only a limited number of projects can be taken on each island and in each tier, Developers should be incentivized to provide the lowest bid possible. This will help ensure the lowest cost of energy for all customers, simplicity for Participants and lower implementation costs for the enrollment, administration and billing system, and back office processes.

#### 1. Project Selection Process for Phase 1 – Tier 3 Solar

For Phase 1, Hawaiian Electric will run a competitive solicitation process for Tier 3 projects (>1MW AC). A request for proposal process, the 35 MW Solar RFP, will be conducted on O‘ahu with approximately 10MW AC allocated for Phase 1 of the CBRE Program. Hawaiian Electric will ask developers to bid an option to devote an additional portion of the project(s) to the CBRE Program at the same credit rate and a predefined buy-in price. Hawaiian Electric will

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<sup>26</sup> Developers may choose to provide finance options for the upfront payment such as leases.

file the 35 MW Solar RFP within 60 days of the date of this transmittal for the Commission's review.

Hawaiian Electric is hereby requesting a waiver from the formal process set forth in the Framework. While Hawaiian Electric anticipates commencing a competitive solicitation process through the issuance of an RFP, a waiver facilitates making the CBRE Program an option for Hawaiian Electric's customers as soon as possible.<sup>27</sup> The Framework lends itself to a very lengthy process that would not be amenable to quickly offering CBRE Program options for the Company's customers.

However, the Framework provides that the Commission may grant waivers from the Framework in certain situations,<sup>28</sup> including when the Framework would hinder the ability to add needed generation in a timely fashion or when more cost-effective or better performing resources are likely to be acquired more efficiently through different procurement processes.<sup>29</sup> The Framework also provides that a waiver may be granted for the acquisition of power from a non-fossil fuel facility in order to meet a government objective.<sup>30</sup> Here Hawaiian Electric is implementing the CBRE Program to meet the requirements of the government objective set forth in ACT 100 SLH 2015. The Commission may also grant a waiver from the Framework if it is in the public interest.<sup>31</sup> As shown throughout this transmittal and emphasized in ACT 100 SLH 2015, the CBRE Program is in the public interest as it has the ability to help lower Participants' bills and provide more options to customers.

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<sup>27</sup> ACT 100 was signed on June 8, 2015 and requires that a community-based renewable energy tariff be filed less than four months later on October 1, 2015.

<sup>28</sup> See Section II.A.3.b-d of the Framework.

<sup>29</sup> See Section II.A.3.b

<sup>30</sup> See Section II.A.3.c.iii.

<sup>31</sup> See Section II.A.3.d.

The objective of the RFP, which will be open to all eligible bidders, is to ensure that the PPA rate is as low as possible to lower the cost of energy for all customers, and the upfront and O&M payments are as low as possible for the Participants. The credit rate will be equal to the PPA rate. Therefore, a qualifying bid must demonstrate that the levelized cost of energy resulting from the Participant's upfront payment and ongoing payment is less than the levelized PPA rate. The Companies propose to use the long term weighted average cost of capital of 8.076% to calculate the participant's levelized cost of energy ("LCOE").

## 2. Project Selection Process for Phase 1 – Tier 1 and 2 Solar

As discussed above, as part of a compromise reached with stakeholders, the upfront payment, ongoing fee and PPA rate will be fixed for Tiers 1 and 2 ( $\leq 1$ MW AC) solar projects for Phase 1 only in lieu of a competitive solicitation process. This will expedite the development of smaller CBRE Program Facilities to be constructed before the end of December 2016. This is to allow for the faster implementation of the CBRE Program and to allow small projects the opportunity to take advantage of the 30% Federal Investment Tax Credit which will decrease to 10% for commercial projects after December 31, 2016, as recommended by stakeholders.

In order to help ensure that the PPA rate and credit rate represent fair market value for renewable energy, and that the Hawaiian Electric Companies are procuring the most cost-effective resources for all customers, it is proposed that the fixed PPA rate and credit rate be defined by the lowest of the approved Waiver Projects.<sup>32</sup> Therefore, the proposed fixed PPA rate and credit rate are 13.475c/kWh.

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<sup>32</sup> See Docket No. 2014-0356 "For Approval of Power Purchase Agreement for Renewable As-Available Energy with Kawaihoa Solar, LLC" (July 31, 2015) at 63, and Docket No. 2014-0359 "For Approval of Power Purchase Agreement for Renewable As-Available Energy with Waiawa PV, LLC" (July 31, 2015) at 57.



In order to help ensure that these projects in the CBRE Program will also benefit Participants, it is proposed that the upfront cost per kW AC and ongoing O&M cost per kWh are set such that the Participant's LCOE is equal to the credit rate. To achieve this, the ongoing Developer O&M fee will be set at 1.14 cents/kWh<sup>33</sup> in the first year and the upfront payment will be set at \$2,005/kW AC. The O&M fee will be escalated at 2% per year for inflation.

Project selection for Tier 1 and Tier 2 will be on a first-ready basis. A Project will be deemed ready once it has met the requirements as described in Exhibit B, CBRE Program Project Selection Process. Project selection will continue until the capacity allocation for Tier 1 and Tier 2 projects on each island is fully allocated or until December 31, 2016, whichever occurs first. If a project drops out after being selected for inclusion in Tier 1 or Tier 2 the associated capacity from such project will be considered for Phase 2 and not be reallocated to allow for additional projects in Phase 1. If the project size of the last ready project within the capacity allocation is greater than the remaining capacity allocation, then the Developer will be given the opportunity to reduce their project size to fall within the capacity limit in order for the project to proceed.

A select group of stakeholders proposed that the credit rate for small-scale solar CBRE Program Facilities should be set at the DER rate to be defined by the Commission in the DER Docket (Docket No. 2014-0192). The stakeholder rationale for this proposal is that it would improve the economics for Developers and create a higher value proposition to Participants. However, the impact of setting the credit rate at the DER rate is that non-participants may pay a premium (depending on the outcome of the DER docket), above the wholesale market rate of solar, for the production from small scale CBRE Program Facilities.

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<sup>33</sup> O&M fee is equal to the \$20/kW annual fee reported by NREL ("Distributed Generation Renewable Energy Estimate of Costs", August 2013). O&M fee and upfront payment values assume 0.5% PV degradation rate and 2% O&M credit escalation rate. CBRE Program parameters are in line with other programs nationally.

Given the proposed capacity allocation to small scale solar projects in Phase I of the CBRE Program, if small-scale projects are credited at the Hawaiian Electric proposed DER rate of approximately 18 cents per kWh,<sup>8</sup> the magnitude of this premium cost of solar is approximately \$333,000<sup>34</sup> annually. Alternatively, if small-scale projects are credited at the DER rate of approximately 22 cents per kWh<sup>9</sup> proposed by The Alliance for Solar Choice, non-participants will pay a premium of approximately \$642,000<sup>35</sup> annually for this solar energy. The two options present a choice between a policy that allows smaller projects to be procured at a higher rate in order to benefit Developers and Participants of small CBRE Program Facilities or a policy that requires smaller CBRE Program Facilities to be procured at the current market rate to help ensure a fair rate for all customers.

For Phase 2, the Companies intend to commence a streamlined competitive solicitation process to determine the fair market price for the upfront payment, ongoing payment and PPA rate for the smaller non-utility scale projects. The credit rate applied to Participant's bills will be equal to the PPA rate for the Developer for the unsubscribed portion of the CBRE Program Facility.

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<sup>8</sup> See Docket No. 2014-0192 "Final Statement of Position of Hawaiian Electric Companies" (June 29, 2015) Exhibit 4 at 2.

<sup>34</sup> The total annual kWh production for solar projects in Tiers 1 and 2 in Phase 1 is estimated to be 7,358,400 kWh (7,000 kW of solar allocated to Tiers 1 and 2 multiplied by 75% CBRE multiplied by 80% subscription rate multiplied by 20% capacity factor multiplied by 8760 hours/year). The annual value of Tier 1 and 2 solar production at \$0.13475/kWh is ~\$991,500 (\$0.13475/kWh multiplied by 7,358,400 kWh). The annual value of Tier 1 and 2 solar production at \$0.18/kWh is ~\$1,324,500 (\$0.18/kWh multiplied by 7,358,400 kWh). The premium cost is ~\$333,000 (\$1,324,500 minus \$991,500).

<sup>9</sup> See Docket No. 2014-0192 "Hawaii Solar Energy Association's, Hawaii PV Coalition's, Hawaii Renewable Energy Alliance's, Ron Hooson's Life of the Land's, Sunpower's and the Alliance for Solar Choice's Final Statement of Position" (June 29, 2015) at 26.

<sup>35</sup> The total annual kWh production for solar projects in Tiers 1 and 2 in Phase 1 is estimated to be 7,358,400 kWh (7,000 kW of solar allocated to Tiers 1 and 2 multiplied by 75% CBRE multiplied by 80% subscription rate multiplied by 20% capacity factor multiplied by 8760 hours/year). The annual value of Tier 1 and 2 solar production at \$0.13475/kWh is ~\$991,500 (\$0.13475/kWh multiplied by 7,358,400 kWh). The annual value of Tier 1 and 2 solar production at \$0.222/kWh is ~\$1,633,500 (\$0.222/kWh multiplied by 7,358,400 kWh). The premium cost is ~\$642,000 (\$1,633,500 minus \$991,500).

### 3. Project Selection Process for Phase 1 – Wind

A competitive solicitation process will be run for the CBRE Program allocation for Tier 3 Wind Facilities similar to the Tier 3 Solar Facilities, provided that there is sufficient market interest. Market interest will be determined by first making a public request for expression of interest to develop CBRE wind projects larger than 1 MW AC.

As with the Solar Facilities, to ensure simplicity for Participants, the upfront payment per kW AC, credit rate per kWh and O&M Fee per kWh will be required to be the same for all projects within each tier for each technology and island. This will be achieved by requiring the shortlisted candidates in each competitive solicitation process to accept the lowest bid offered up to the allocated capacity limit. Projects that are not able to match the lowest bid will be required to withdraw.

For Tier 1 and Tier 2 wind Facilities in Phase 1, the Companies intend to commence a streamlined competitive solicitation process to determine the fair market price for the upfront payment, ongoing payment and PPA rate for the smaller non-utility scale projects provided there is sufficient market interest. Market interest will be determined by making a public request for expression of interest to develop CBRE Program wind projects less than 1 MW AC. As with the proposal for smaller solar Facilities, the credit rate applied to Participant's bills will be equal to the PPA rate for the Developer for the unsubscribed portion of the CBRE Program Facility.

#### C. CBRE Program Contract, Controls and Interconnection

Separate and apart from any contract executed between the Participant and the Developer, successful developers must sign a CBRE Program PPA with the applicable Company. In order to help ensure the Developer's incentive to maintain the project is aligned with the Participant's interest throughout the life of the CBRE Program Facility, a maximum of 75% of

the project output will be allocated to the CBRE Program with the remainder being sold directly to the applicable Company. The Developer will also be paid via the PPA for any unsubscribed component of the project output allocated to the CBRE Program. Two separate form PPAs are anticipated; one standard non-negotiable PPA for projects in Tier 1 and 2 (the Small Model PPA as defined in footnote 2) and one PPA for projects in Tier 3 (the Large Model PPA as defined in footnote 2). The Large Model PPA will be similar to the Companies' model power purchase agreement for as-available energy and will have some provisions that are non-negotiable and some provisions that may be negotiable. The Small Model PPA and Large Model PPA are currently being developed and will be submitted to the Commission for approval within 60 days of the date of this Tariff Transmittal. Among other provisions, the PPAs will provide that as a part of their commitment to the CBRE Program, Developers must meet certain milestones to ensure Facilities are built and available for customer participation within a specific number of months. Developers are also responsible for their own operation and maintenance of their Facilities to ensure the Facilities meet agreed performance warranties.

Additionally, all projects will be required to have controls which will allow the utility to ensure system generation and loads are in balance for reliability and safety; these controls will be set forth in the PPAs. Projects larger than 250kW AC will be required to have supervisory control. Projects smaller than 250kW AC will be required to be able to remotely disconnect/reconnect by receiving a remote command directly from the utility or its agent(s). All communication systems will require approval by the applicable Company. The Companies anticipate that projects in Phase 1 of the CBRE Program will be curtailed as part of a curtailment block to the extent such projects meet the requirements for inclusion in the block and to the extent such curtailment block is practicable and feasible. Curtailment will be the Developers'

risk and information about the forecasted curtailment levels and supporting assumptions will be made available to Developers to assess the amount of energy that the utility will be able to purchase. Distribution level projects that are selected will follow the existing Rule 14H interconnection process which includes the ongoing improvement efforts to streamline the process.<sup>36</sup>

D. Customer Enrollment and Participation

The Companies will list all participating Facilities on a CBRE Program webpage so that customers have access to a complete, transparent and accurate listing of all CBRE Program Facilities available, including their location, upfront payment per kW AC and credit rate per kWh and O&M Fee per kWh. The Participant will be able to contact the Developer to obtain additional information about the Facility.

Customers will have the opportunity to confirm their eligibility and enroll to purchase an interest in the energy output of the CBRE Program Facilities to offset their personal energy consumption.

The Companies intend to use an online enrollment tool to check the customer's eligibility to purchase a CBRE Program interest (e.g., customer account and Hawai'i resident) and the kWh interest they are allowed to purchase (based on their last twelve months' average consumption).

The online enrollment tool will perform these tasks automatically but final approval of the Participant into a Developer's project will rest with such Developer. Upon obtaining approval of eligibility, confirming a potential Participant's desired buy-in level and choosing a desired Facility, the CBRE Program agreement between the Participant and the chosen Facility's Developer will be transmitted upon final approval and go-ahead from the Developer. Once the

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<sup>36</sup> Projects that interconnect at the transmission or sub-transmission level will be subject to the appropriate interconnection process available at the time of interconnection.

customer makes a decision to enroll, the CBRE Program agreement is executed, and the Facility is operational, two payments will be required: the upfront payment to the chosen Facility's Developer and an enrollment fee to the applicable Company.

Participants that develop their own fully subscribed CBRE Program Facility will not be required to use the online enrollment tool, however, such projects must provide a list of Participants' interest which sum to 75% of the Facility capacity before the Small Model PPA or Large Model PPA, as applicable, is executed. The eligibility of each Participant will be checked and the Companies will ensure that each Participant's interest in the project is within the allowed limits.

All Participants must purchase their interest in the CBRE Program directly from their chosen Facility's Developer. For purposes of billing and crediting under the CBRE Program, the Companies will each maintain a database of Participants in the CBRE Program and their interest level in each Facility. Each month a bill credit is applied to all Participants' bills based on their interest in the energy production of the CBRE Program Facility, the credit rate and the actual production of the Facility.<sup>37</sup> Participants will continue to be charged the current rate schedule rate for their electricity consumption and the Participant's monthly energy credit less the Participants O&M fees will be applied to the eligible charges on their energy bill via the Companies' billing system. Eligible charges on the Participant's bill will be all light and power charges. Light and power charges cannot be reduced below the sum of the minimum charge, the Green Infrastructure Fee, and any other per-customer charge for the customer's applicable rate

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<sup>37</sup> Regarding the production of any given Facility, because the CBRE Program Facilities are variable due to weather conditions, the Facility production will vary from month to month. The actual production from the Facility will be metered and each Participant's interest in the energy output would be multiplied by the actual production measured. This value will be variable due to the nature of the resource.

schedule. The Companies' billing system will track any surplus credits and any unused surplus credits will be forfeited on an annual basis.

During the CBRE Program, the Companies will help reduce some of the uncertainty for Participants by requiring Facility Developers to meet certain availability and/or performance guarantees, thereby increasing the probability that Participants will receive a certain portion of their expected bill credit. An O&M fee will be deducted from the Participant's bill credit and passed on to the developer for the ongoing cost to operate and maintain the Facility. In addition, a monthly administration fee will be applied to administer the CBRE Program (See the CBRE Program Management and Administration Cost section below).

E. Impact on Non-Participating Customers

The CBRE Program is designed to prevent and/or minimize further cost shift impact to non-participating customers by Participants, and to benefit all customers in the form of lower-cost renewable energy, lower emissions, and RPS contributions; although this will ultimately depend in part upon the outcome of the solicitation process. The majority of the CBRE Program administration costs will be borne by the Participants and Developers, including costs related to enrollment. The Companies propose that the cost to establish the CBRE Program billing capabilities be recovered through the REIP Surcharge and recovered across all customers, as further explained in the CBRE Program Management and Administration Costs section, Section VIII.A.

F. CBRE Program Transfers

To assure some level of certainty for Developers, limitations on the transfer of a Participant's interest within the first year of participation will be implemented. A subsequent failure to continue to be eligible for the CBRE Program, such as a Participant no longer holding

an account with the applicable Company, will require repurchase of the Participant's interest by the Developer. Other than this limited buy-out option which is described in more detail in Section VII.L below, if a Participant wishes to transfer their interest, such transfer to another eligible customer may be accomplished subject to a preset price schedule based on a straight line depreciation method outlined in the Participant's contract with the Developer. The applicable Company will confirm the new Participant's eligibility and upon obtaining approval of such eligibility to participate in the CBRE Program, the Participant may then transfer their interest to the new Participant in a transaction to be completed between the Participant, the new Participant and the applicable Developer. To the extent that a Participant may want to sell their interest back to the Developer, such transfer will be permitted under the same preset price schedule as set forth in the contract between the Developer and the Participant. The Developer must notify the applicable Company that the Participant has sold their interest so that the CBRE Program Participant database may be updated.

G. CBRE Program Parameters

To ensure fair access to the CBRE Program and to develop it to be in compliance with applicable securities laws, it is necessary to impose certain limits and conditions on eligibility for the CBRE Program. That being said, the CBRE Program Tariff will be available to all Hawai'i-resident residential and commercial customer classes.

1. *Eligibility.* Participation in the CBRE Program will be available to Hawai'i residents who are customers receiving service and who have not received any disconnection notifications within the last 12-months. Residential customers are eligible if their principal place of residence is located in Hawai'i. Commercial customers are eligible if their principal place of business is located in Hawai'i and they are organized or incorporated under the laws of the State of Hawai'i. The customer's account must be on the same island as the participating Facility.



This is in place to ensure that the Participant's personal energy consumption is being offset by their interest in the output of the CBRE Program Facility's production. If a Participant is a special purpose entity formed specifically for the purpose of purchasing an interest in the CBRE Program, such entity must be a Hawai'i entity and all beneficial owners of the entity must be Hawai'i residents.

2. *Credit Rate.* The Credit Rate for Participants will vary by island and technology. This is because the costs of CBRE Program Facilities will vary by island and technology. As discussed above, the goal of the CBRE Program solicitation process is to help ensure the best possible price for all customers. Although a number of alternatives for the credit rate were examined, it was determined that the market rate defined by the RFP process was most effective in achieving the best possible price for all customers including non-participants.

The market rate price approach represents a fair price for both Participants in the CBRE Program and non-participating customers; helping to ensure that non-participating customers are not paying a large premium for renewable energy above what could have been procured through a competitive solicitation. Participants will continue to be charged the current rate schedule rate for their electricity consumption and will have the O&M fee and credit applied to their bill for the output of their interest in the CBRE Program. The credit rate will be fixed for the term of the contract which for Phase 1 will be the project life or 20 years, whichever comes first. Surplus bill credits will be carried forward monthly and lost annually similar to the standard NEM process currently utilized under Rule 18.

#### H. Participant Relationship to Facility Developers

Participants will be allowed to purchase an interest in the energy output of the Facilities that are allocated CBRE Program capacity to offset their personal monthly energy consumption.

The CBRE Program Participant will be required to enter into an agreement with the Facility developer.

In order to help ensure the CBRE Program under this Tariff complies with SEC rules and regulations (as described in more detail in the SEC compliance section below) and to alleviate the burden of Developers to provide certain assurances that their contract with Participants is in compliance with the SEC rules and regulations, the Companies are in the process of developing a model contract between the Developer and Participant (the Model Participant Contract as defined in footnote 2) that will be submitted to the SEC and the State of Hawai'i Securities Commissioner to obtain assurances that the CBRE Program interest is not a security requiring registration under SEC or State securities laws. As discussed in greater detail in the SEC Compliance section below, Developers will have the option to use the Model Participant Contract or use their own contract if they provide certain assurances that their own contract is in compliance with the SEC's rules and regulations. The Companies anticipate filing the Model Participant Contract with the Commission with sixty (60) days of the date of this transmittal.

Under the proposed form of the Model Participant Contract, Participants will purchase an interest in the energy output of the CBRE Program Facilities to offset their energy consumption. Upon execution of the contract between Developer and Participant, the calculated amount for the Participant's portion of the renewable energy output purchased by the customer is determined, and the upfront payment shall be paid. The Participant's upfront payment, and ongoing O&M fee, shall be specified in the PPA between the Developer and Company as well as the contract between the Developer and Participant. Participants will be purchasing an interest in the output of energy from the renewable energy Facility. Ownership of the renewable energy Facilities will remain with the various Developers throughout the Facilities' asset life. The O&M fees will be

paid monthly and, will be deducted from the credit due to the Participant, and the Company will pass such payments directly to the Developer. Participant upfront payments are paid after the project is operational. Participants will not bear the Facility construction risk. O&M fees (upfront or on-going) must be paid into a dedicated trust fund and should be kept in escrow to provide assurance to Participants.

I. Variable Monthly Bill Credit

The monthly energy credit for each Participant will be equal to the Participant's interest in the energy output of the Facility, multiplied by the Facility's actual energy output multiplied by the credited rate per kWh minus any O&M fees. Participants in the CBRE Program shall receive a credit of some amount in cents per kWh as specified in the contract between Developer and Participant and the PPA between Developer and the applicable Company. Participants are not purchasing a fixed number of kWh and are subject to the variability of the production of the Facilities, consistent with customers who currently own renewable energy resources such as rooftop PV. However, unlike rooftop PV, Participants must depend on the Developer to adequately maintain the Facility to ensure optimal production for the term of the contract. Thus, to provide more certainty to Participants, the Companies will require Developers to commit to certain availability and/or performance guarantees to be set forth in the model PPAs being developed by the Companies. Developers will be required to provide disclosures including, but not limited to, proof of insurance, and a maintenance plan.

J. Finance Options

Experience with community solar programs on the U.S. mainland has demonstrated that the availability of financing options improves the participation level and is important to compete

with other “no money down” solar options.<sup>38</sup> It is expected that by December 2015, the State of Hawaii’s Green Energy Market Securitization (“GEMS”) program, administered by the Hawai’i Green Infrastructure Authority, will be available to finance Participants’ upfront payment to participate in the CBRE Program. GEMS funds may or may not be available, subject to Commission approval. Participants may also choose to arrange their own financing (e.g., financing options offered by the developer, financial institutions, etc.) for the upfront payment; however, no on-bill repayment arrangements will be available for such third party private financing mechanisms.

K. Buy-In Level

To help ensure fair access to the CBRE Program and to develop a CBRE Program in compliance with applicable securities laws, it is necessary to impose certain limits and conditions on the CBRE Program. Participants will not be paid for excess bill credits and will only be able to purchase a CBRE Program interest with an expected production of less than or equal to 100 percent of their historic energy consumption.<sup>39</sup> A minimum limit of 25% of historic energy consumption is also necessary to reduce administrative costs. This minimum limit will not apply if such amount would result in the customer purchasing 20% or more of the selected CBRE Program Facility output. If the information system implementation is not cost prohibitive, *eligible customers will be allowed to buy into up to four CBRE Facilities. To ensure fair access to the CBRE Program and to encourage as many participants as possible to subscribe to a project in the CBRE Program, an additional limit will be imposed such that no single Participant will be*

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<sup>38</sup> <http://www.energy.gov/eere/sunshot/solar-market-pathways>. Hawaiian Electric is a participating utility stakeholder in Solar Electric Power Association’s (SEPA) Department of Energy’s Sun Shot Initiative grant to explore community solar business models and consumer demographics to develop more standardized program design options.

<sup>39</sup> Based on a twelve month historic average for the previous 12-months.

able to purchase more than 20% of the total CBRE Program allocated output of a Facility.<sup>40</sup> One stakeholder has expressed a strong interest in allowing a single participant to subscribe up to 40% of the total output of the Facility so that the Facility will have an easier ability to obtain project financing. The Companies are requiring each Developer to retain at least 25% of the total output of its Facility and sell such energy directly to the Companies through the PPA between Developer and Company. Therefore, in order to ensure that at least 60% of the total output is available to other participants, the Companies propose that no single participant be allowed to purchase more than 20% of the CBRE allocated output of any one Facility.

Participants' bill credits can only be used to offset eligible charges on their energy bills. Eligible charges on the Participant's bills will be all light and power charges ("Eligible Charges").

Participants will not be able to reduce their light and power charges below the minimum charge of the Participant's applicable rate schedule, plus the Green Infrastructure Fee, and any other per-customer charge for customer's applicable rate schedule.

If the Participant's credits exceed the Eligible Charges, then this excess is surplus credits. Surplus credits that arise during a given 12-month period may be carried forward to be applied against future Eligible Charges during that same 12-month period. If there are unused surplus credits that remain at the end of such 12-month period, the Companies will calculate the amount (if any) by which the total of all the Eligible Charges during the 12-month period exceed the total of the customer's credits that were applied during such 12-month period, which is the Eligible Excess for such 12-month period. If the total of the Eligible Excess for such 12-month period is equal to or greater than the unused surplus credits, then the full amount of the unused surplus credits will be applied to the customer's account. If, however, the Eligible Excess for such 12-

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<sup>40</sup> CBRE allocation of a Facility is defined as 75% of the total output of the Facility. The remaining 25% of the output of the Facility will be sold directly to the Companies through a PPA.

month period is less than the unused surplus credits, the customer's account will be credited for an amount equal to the Eligible Excess. The remaining portion of the unused surplus credits shall be forfeited. It is important to note that the risk of this occurring is low. Offsetting 100 percent of a Participant's energy consumption should not fully offset a Participant's bill given that the CBRE Program credit rate is anticipated to be less than the current retail rate. Therefore, a Participant's consumption would need to be reduced significantly (from their estimated 12-month historic average consumption) in order for the Participant to generate surplus bill credits.

L. Buy-Out Options

In order to participate as a project owner, a Developer will be required to offer a buy-out option to Participants through the Model Participant Contract or the Developer's own contract with Participants (if Developer chooses not to use the Model Participant Contract) in the limited situation where a Participant no longer maintains an account with the applicable Company. A buy-out option is required to ensure that Participating customers have the ability to exit from the CBRE Program in such a situation. The minimum term before Participants will be allowed to sell their interest will be one (1) year. At that time, Participants will be able to sell their interest back to the Developer, subject to a preset price schedule based on a straight line depreciation method outlined in the Participant's contract with Developer, and terminate their contract. A Participant's circumstances may change significantly over a twenty year contract term necessitating the need to ensure flexibility for the Participant. For example, a Participant may move out of the service territory, or move into a condominium that is master metered such that the Participant no longer has an account with a Company. If a Participant exercises a buy-out option, it will not be able to purchase an interest in any other CBRE Facility for a period of three (3) years.

The Facility Developer shall also maintain rights in the Model Participant Contract to repurchase a Participant's interest in the event the Participant does not continue to qualify for eligibility in the CBRE Program, e.g., closing their electric account, or if the Participant's usage changes so that their interest in the project is greater than 100% of their historical usage. This repurchase right is necessary to maintain the fairness of the CBRE Program.

M. SEC Compliance

A Participant's interest in the Facility is not intended to be, nor will it be marketed or sold as, an investment or "security"<sup>41</sup> requiring registration under the "Securities Act of 1933" and "Securities Exchange Act of 1934" (collectively, the "Act"). Whether the sale of an interest in a community renewable energy project constitutes a security subject to federal and state securities laws is unsettled at this time, as advised by National Renewable Energy Laboratory ("NREL").<sup>42</sup> The SEC has only issued one "no-action"<sup>43</sup> letter to date with respect to the sale of an interest in a community renewable energy project. However, this no-action letter<sup>44</sup> does not serve as reliable guidance for other community renewable energy projects unless the facts and

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<sup>41</sup> The term "security" means any note, stock, treasury stock, security future, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, collateral-trust certificate, preorganization certificate or subscription, transferable share, investment contract, voting-trust certificate, certificate of deposit for a security, fractional undivided interest in oil, gas, or other mineral rights, any put, call, straddle, option, or privilege on any security, certificate of deposit, or group or index of securities (including any interest therein or based on the value thereof), or any put, call straddle, option, or privilege entered into on a national securities exchange relating to foreign currency, or, in general, any interest or instrument commonly known as a "security," or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing. 15 U.S.C. §77b(a)(1). In the seminal case, *SEC v. W.J. Howey Co.*, 328 U.S. 293, 90 L.Ed. 1244, 66 S.Ct. 1100 (1946), the United States Supreme Court held that an investment contract was a "security" for purposes of the Securities Act and means a contract, transaction or scheme whereby a person invests his money in a common enterprise and is led to expect profits solely from the efforts of the promoter or a third party. 66 S.Ct. at 1103.

<sup>42</sup> <http://www.nrel.gov/docs/fy15osti/63892.pdf>

<sup>43</sup> A "no action" letter is an interpretive letter from the staff of the SEC which, if granted, concludes that the SEC staff would not recommend enforcement action (for violation of federal securities laws) against the requester based on the stated facts and representations. A no-action letter is applicable only to the requester and based only on the facts and circumstances provided.

<sup>44</sup> Issued to CommunitySun, LLC in 2011.

circumstances are substantially similar.<sup>45</sup>

Nonetheless, the Companies believe that the definition of “security” under the decisions of the United States Supreme Court<sup>46</sup> would not apply to the CBRE Program for two reasons: (1) Participants do not have an expectation of making a profit and are motivated by off-setting their personal energy consumption, and (2) the ability to deliver the level of solar energy output which the Participant is entitled to is not dependent on the participation of any other customers.

Nevertheless, the Companies acknowledge the securities issues raised by the CBRE Program and will be requesting a satisfactory SEC “no-action” letter for the CBRE Program Model Participant Contract indicating that the SEC would not take any enforcement action against the seller for violation of the registration requirements of the Act. If this no-action letter is obtained, and if a Facility Developer utilizes the Model Participant Contract and tailors its Facility to be consistent with the other CBRE Program parameters, the Facility Developer will be permitted to proceed with its planned Facility upon its certification that the Facility is identical in all material respects to the provisions of the CBRE Program Model Participant Contract. If the Companies’ request for a no-action letter for the Model Participant Contract is denied, Developers will be required to provide a satisfactory written legal opinion from a law firm acceptable to the Companies that the sale of the Developer’s energy interests in the Facility qualify for an appropriate exemption under the Act.

If, however, a Developer wishes to utilize its own contract, the Companies are requiring that Developers utilizing their own contract provide a satisfactory SEC no-action letter, or if an exemption from the Act’s registration rules are asserted, a written legal opinion certifying that

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<sup>45</sup> Outside legal counsel for Hawaiian Electric confirmed this during telephone discussions with SEC staff member.

<sup>46</sup> Securities and Exchange Commission v. Howey Co., 328 U.S. 293 (1946); United Housing Foundation, Inc. v. Forman, 421 U.S. 837 (1975).



the Developer's offering to customers is in compliance with all applicable laws including State and Federal securities laws under the applicable exemption claimed.

In addition to federal SEC assurances via a no-action letter, the Companies will also pursue an appropriate exemption under State of Hawai'i securities' laws that interests sold in the CBRE Program, including those interests under the Model Participant Contract, will not require state securities registration.<sup>47</sup> If the Companies' request for an exemption is denied, either for the CBRE Program and/or for the Model Participant Contract, Developers will be required to provide a satisfactory written legal opinion from a law firm acceptable to the Company that the sale of the Developer's energy interests in the Facility qualify for an appropriate exemption under state securities laws or comply with the appropriate state registration requirements.

The securities issue has been a point of disagreement between the Companies and a select group of stakeholders. The Companies have conducted research across different jurisdictions<sup>48</sup> and have found that other community renewable (solar) programs have required assurances, similar to what the Companies are proposing, that a developer's contract was compliant with SEC rules and regulations. Requiring such assurances is prudent to protect not only the Companies but Participants as well because a securities investigation and possible enforcement action by the SEC could result in penalties and fines in excess of what the affected Developer can bear.

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<sup>47</sup> See Hawaii Revised Statutes Section 485A-203 (2006).

<sup>48</sup> In California, the California PUC requires a securities opinion from an AmLaw 100 law firm (CPUC Decision 15-01-051, "Decision Approving Green Tariff Shared Renewables Program for San Diego Gas & Electric Company, Pacific Gas and Electric Company, and Southern California Edison Company Pursuant to Senate Bill 43", Issued 2/02/2015 at 71). In Minnesota, the Minnesota PUC concurred with Xcel Energy that solar garden operators should be required to obtain opinion letters on the legal and tax benefits of participation as a consumer-protection measure (MPUC Docket No. E-002/M-13-867, "In the Matter of the Petition of Northern States Power Company, dba Xcel Energy, for Approval of Its Proposed Community Solar Garden Program", April 7, 2014 at 20).

Hawaiian Electric has also been participating in a working group with The Solar Electric Power Association (SEPA) on a Department of Energy SunShot Initiative<sup>49</sup> grant, which aims to help communities develop solar deployment. SEPA and its partners were awarded a grant to comprehensively and collaboratively research the intersection of community solar business models and consumer demographics to develop more standardized program design options. As part of the process, SEPA is exploring a range of more standardized, streamlined and cost-effective business models that can be easily localized for different regions across the country. The SEC issues have been actively discussed in the working group sessions and SEPA has expressed an interest in resolving these issues on a comprehensive basis and may submit a community solar business model to the SEC to assist in receiving guidance for the industry.

## VIII

### PROPOSED ACCOUNTING TREATMENT AND COST RECOVERY

#### A. CBRE Program Management and Administration Costs

CBRE Program management and administration costs include four key items: modifications to the Companies' SAP IT billing system, purchase and ongoing maintenance expense of third-party bill credit processing software, and enrollment software, and incremental costs that may be incurred related to the ongoing administration of the CBRE Program for cost elements including program management costs, call center costs, and IT maintenance costs.

These costs<sup>50</sup> are described and delineated as follows:

- Modifications to the Companies' SAP IT billing system: Includes all upfront SAP IT billing systems changes necessary to interface with third party billing and enrollment software and

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<sup>49</sup> See <http://energy.gov/eerc/sunshot/solar-market-pathways>.

<sup>50</sup> For the purposes of CBRE Program design and cost analyses the Companies have assumed 75% of the available capacity is allocated to CBRE (with the remainder as a PPA), an 80% subscription rate for the CBRE Program based on the median subscription level observed in community solar programs nationally, and 20% and 25% capacity factor for solar and wind, respectively.

to apply CBRE Program credits to eligible charges on Participant's bills. The outsourced upfront SAP IT billing system investment is expected to be approximately \$1,693,000. [See, Exhibit C]

- Third party Bill credit processing software: Calculation of bill credits based on Participant's CBRE interest and the associated CBRE project's actual output including the interface to the Companies' SAP IT billing system. The upfront cost during CBRE Program implementation is estimated to be approximately \$625,000 and the ongoing cost in the first full year of the CBRE Program is estimated to be approximately \$150,000. [See, Exhibit C]
- Third party Enrollment software: Customer-facing software to provide a complete enrollment solution, including automated eligibility approval, quote generation, and transmittal of electronic agreements (upon Developer approval). The upfront cost during CBRE Program implementation is estimated to be approximately \$2,340,000<sup>51</sup> and the ongoing cost in the first full year of the CBRE Program is estimated to be approximately \$100,000. [See, Exhibit C]
- Incremental Costs: The Companies are currently in the process of assessing if any incremental costs may need to be incurred related to the ongoing administration of the CBRE Program for cost elements including program management costs, call center costs, and IT maintenance costs. The Companies will complete its assessment and provide the Commission within 60 days of this Transmittal an estimate of these costs that they are herein seeking Commission approval to defer, and at that time the Companies will also provide its proposed cost recovery mechanism.

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<sup>51</sup> Costs are spread over 2 years during the implementation / build-up period of the CBRE Program.

B. Upfront SAP IT Billing Modifications and Third-Party Bill Credit Software Costs to be Recovered from all Customers

The Companies' upfront investment in the modifications to the SAP IT billing system and the acquisition and implementation of third-party bill credit processing software are necessary for the implementation of the CBRE Program as it provides the enabling infrastructure for Phase 1 of the CBRE Program, and for all future CBRE Program phases. The sum of the estimated SAP IT billing system costs and upfront costs for the bill credit processing software is approximately \$2,318,000. This will be incurred over 9 months following Commission approval of the CBRE Program. This enabling infrastructure also provides indirect benefits that accrue to all of the Companies' customers, such as the CBRE Program's contribution to RPS goals and to lower fossil fuel emission levels from renewable energy projects.

Therefore, the Companies propose to defer and recover these costs from all customers through the REIP Surcharge as explained further below.

As approved in Docket No. 2007-0416, the three general categories of infrastructure projects that may be covered under the REIP Surcharge include: (1) projects that are necessary to maintain current renewable energy resources and/or connect new renewable energy projects to the Companies' systems; (2) projects that encourage development of renewable energy resources by making it possible to accept more renewable energy on the systems; and (3) projects that encourage renewable choices and/or otherwise enhance renewable energy choices for customers. The REIP Surcharge is intended to provide recovery for certain costs of qualifying REIP projects (e.g., capital and/or deferred costs) through a surcharge, generally until the costs are included in base rates in a rate case. As approved, the surcharge cannot be used unless the Commission approves the REIP project and the use of the REIP Surcharge to recover the project costs.

The Companies believe the CBRE Program would “encourage renewable choices and/or otherwise enhance renewable energy choices for customers” by allowing eligible customers to receive the benefits of renewable energy projects that they would otherwise not have the opportunity to access, and for all customers to benefit from furthering RPS goals and reduced fossil fuel emissions, therefore, it is prudent to use the REIP Surcharge.

Therefore, the Companies request Commission approval to defer these upfront IT costs<sup>52</sup> incurred over an estimated 9 months following Commission approval, to be recovered from all customers through the REIP Surcharge. After the implementation of the modifications to the CIS and the third-party software systems become operational, the Companies propose to recover these costs over the succeeding 12-month period through the REIP Surcharge.<sup>53</sup> In the alternative, should the Commission not accept the use of the REIP Surcharge mechanism, the Companies request to defer the upfront IT and bill credit software costs and accrue and defer the carrying charges on the deferred amount until the (respective Company’s) next rate case. The estimated monthly bill impact for residential customer, by island, for utilizing the REIP Surcharge for these IT costs is as follows:

Island	CBRE Allocation (MW)	CBRE Allocation (%)	Total Costs		Estimated 2016 kWh Sales	Avg kWh/month	Typical Bill Impact (\$/month)
			Recovered through REIP Surcharge	Costs Including Revenue Tax			
Oahu	25	78%	\$1,811,156	\$1,987,770	6,554,700,000	500	\$0.1516
Hawaii Island	3	9%	\$217,339	\$238,532	1,019,059,000	500	\$0.1170
Mauai	3	9%	\$217,339	\$238,532	792,464,000	500	\$0.1505
Molokai	0.5	2%	\$36,223	\$39,755	38,413,000	400	\$0.4140
Lanai	0.5	2%	\$36,223	\$39,755	26,681,000	400	\$0.5960
<b>Total</b>	<b>32</b>	<b>100%</b>	<b>\$2,318,280</b>	<b>\$2,544,345</b>	<b>8,431,317,000</b>		

<sup>52</sup> The sum of the estimated SAP IT billing system costs and upfront costs for the bill credit processing software is \$2,318,000

<sup>53</sup> The Company is willing to recover these costs over 24-months for Molokai and Lanai to help minimize the bill impact.

These estimates assume full recovery of costs in 12-months; however, as previously noted, the Company is willing to recover these costs over 24-months for Molokai and Lanai to help minimize the customer bill impact.

C. Upfront Enrollment Software Costs and Ongoing costs to be Recovered from CBRE Program Participants and Developers

One of the goals of the CBRE Program is to match, as closely as possible, the costs of the CBRE Program with the direct benefits to Participants. As such, the Companies have designed the CBRE Program to recover the upfront enrollment software costs, the ongoing bill credit processing software costs, and the ongoing enrollment software costs from Participants and Developers.

The Companies estimate the upfront enrollment software costs are approximately \$2,340,000 and the Companies seek to recover these costs from Participants and Developers through upfront fees on a per kW basis.<sup>54</sup> However, as the upfront enrollment software costs will be incurred before the actual enrollment of the Participants, the Companies request Commission approval to defer these costs to be amortized based on the recovery from Participant and Developer enrollment fees.

These upfront enrollment costs will be borne evenly by Participants and Developers on a per kW AC basis. The upfront enrollment fees will be paid to the Companies by Participants at the time of enrollment. Developer deposits at the time of project application will be used to pay the Developer enrollment fee at the time the Small Model PPA or Large Model PPA, as applicable, is executed.

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<sup>54</sup> Participants fees will be charged on a per kW basis such that the costs are shared fairly based on the size of the Participant's interest in the CBRE project. Similarly, Developer's fees will be charged on a per kW basis such that they are shared fairly based on the size of the Developer's Facility.

In addition to the one time upfront costs, starting in Year 1 of the CBRE Program, the Companies will incur annual ongoing software costs consisting of CBRE Program third-party ongoing bill credit processing software costs and third-party ongoing enrollment software costs of approximately \$114,000 during the partial Year 1 and \$250,000 per year in the first full year of the CBRE Program, which the Companies seek to recover from CBRE Program Participants through an ongoing fee, paid monthly to the Companies via the bill. However, similar to the upfront enrollment software costs, the ongoing bill credit processing software costs and third-party ongoing enrollment software costs will be incurred before the full enrollment of CBRE Program Participants. Therefore, the Companies request Commission approval to defer these ongoing annual costs until the end of the expected enrollment period ending no later than December 31, 2019, to be amortized based on the monthly recovery from Program Participants. Additionally, as these costs will continue to be incurred annually thereafter until the end of the Program, the Companies request to defer the ongoing annual costs incurred subsequent to the end of the expected enrollment period ending no later than December 31, 2019 until the Companies respective rate cases, to be amortized based on the monthly recovery from CBRE Program Participants. Furthermore, the Companies request to include the difference between deferred ongoing annual costs less the amounts recovered through Participant fees in the respective Companies future rate cases.

The following fees are proposed for Phase 1 of the CBRE Program:

- Participant Enrollment Fee (per kW AC): \$66
- Developer Enrollment Fee (per kW AC): \$66
- Participant Monthly Administration Fee (per kW AC per month): \$1.17

These proposed fees are for the first year of Phase 1 – fees as modeled will be adjusted for 2% inflation per annum. All fees include revenue taxes. The Companies request that the fees described above be approved by the Commission for Phase 1 of the CBRE Program

D. Proposed Treatment of Under/Over Recovery

Community-based renewable energy projects are a new undertaking in Hawai‘i. As such, there is a degree of uncertainty associated with the levels of participation, in particular in the early stages of the CBRE Program rollout, as potential Participants are unfamiliar with the parameters of the CBRE Program.

The above cost estimates for enrollment software and ongoing fees, and the resulting Participant and Developer fee structure as proposed, is highly dependent upon the level of participation and upon the costs for third-party software. Higher CBRE Program costs and/or lower participation levels than expected could lead to potential under recovery of CBRE Program related costs. This uncertainty should not be borne solely by the Phase 1 Developers and Participants but shared by all the Companies’ customers. The Companies request that any difference between the deferred cost and the actual recovery through Participant and Developer enrollment fees be reconciled through the REIP Surcharge at the end of the expected enrollment period ending no later than December 31, 2019. The Companies do not request carrying charges for the costs reconciled through the REIP Surcharge. Upon the development of Phase 2 or future phases, the Companies will be better informed as to potential program costs and customer uptake and can forecast Participant and Developer fees accordingly. Similar to Phase 1, the Companies would request to reconcile any differences between actual CBRE Program related costs and collection from Participant and Developer fees through the REIP Surcharge.



**IX**  
**COMPLIANCE WITH ACT 100**

The Proposed CBRE Program Tariff meets the requirements of *ACT 100 SLH 2015* in the following ways:

First, it meets the requirement of Section 269-”x”(b) which provides in pertinent part that “[a]ny person or entity may own or operate an eligible community-based renewable energy project” because the CBRE Program competitive or first ready selection process to own and operate a Facility will be open to any person or entity who meets the pre-qualification requirement up to the defined capacity allocation for projects.

Second, it meets the requirement of Section 269-”x”(c)(1) which “[a]llows an electric utility customer to participate in an eligible renewable energy project that is providing electricity and electric grid services to the electric utility” because all eligible customers will be allowed to participate in the eligible CBRE Program Facilities and the Facilities will provide the electricity and/or grid services needed by the utility to cost effectively serve all customers.

Third, it meets the requirement of Section 269-”x”(c)(2) which provides in pertinent part that the electric utility is allowed to implement a billing arrangement to compensate those customers for the electricity and electric grid services provided to the electric utility” because the Companies’ billing system will provide customers a credit for their interest in the output of a CBRE Program Facility.

Fourth, it meets the requirement of Section 269-”x”(c)(3) which requires that the CBRE Program must be designed to “provide fair compensation for electricity, electric grid services, and other benefits provided to or by the electric utility, participating ratepayers, and non-participating ratepayers” because the CBRE Program Tariff will be based on a competitive solicitation processes to help ensure that the rate is a fair rate for the Developer, Participants and

non-participants. For Phase 1, Tier 1 and Tier 2 solar projects will be based on the lowest priced projects approved by the Commission in the most recent competitive solicitation for solar projects.

And Fifth, it meets the requirement of Section 269-”x”(c)(4) which requires to the extent possible that there be standardized and streamlined interconnection processes for community-based renewable energy projects because the CBRE Program will utilize the ongoing IIP<sup>55</sup> and other appropriate interconnection rules which collectively seek to streamline the interconnection process.

## X

### REQUESTED RELIEF

WHEREFORE, the Hawaiian Electric Companies request the Commission to:

1. Approve a new Rule for Hawaiian Electric, Rule [XX], Community-Based Renewable Energy Program for each Company;
2. Allow Rule [XX] to become effective on January 1, 2016, on no less than 30 days’ notice;
3. Approve the CBRE Program as a qualifying technology under the Renewable Energy Infrastructure Cost Recovery Provision (“REIP”);
4. Approve the deferral of costs for the SAP IT Billing Modifications and upfront Third-Party Bill Credit Software for recovery through the REIP Surcharge, or, in the alternative,

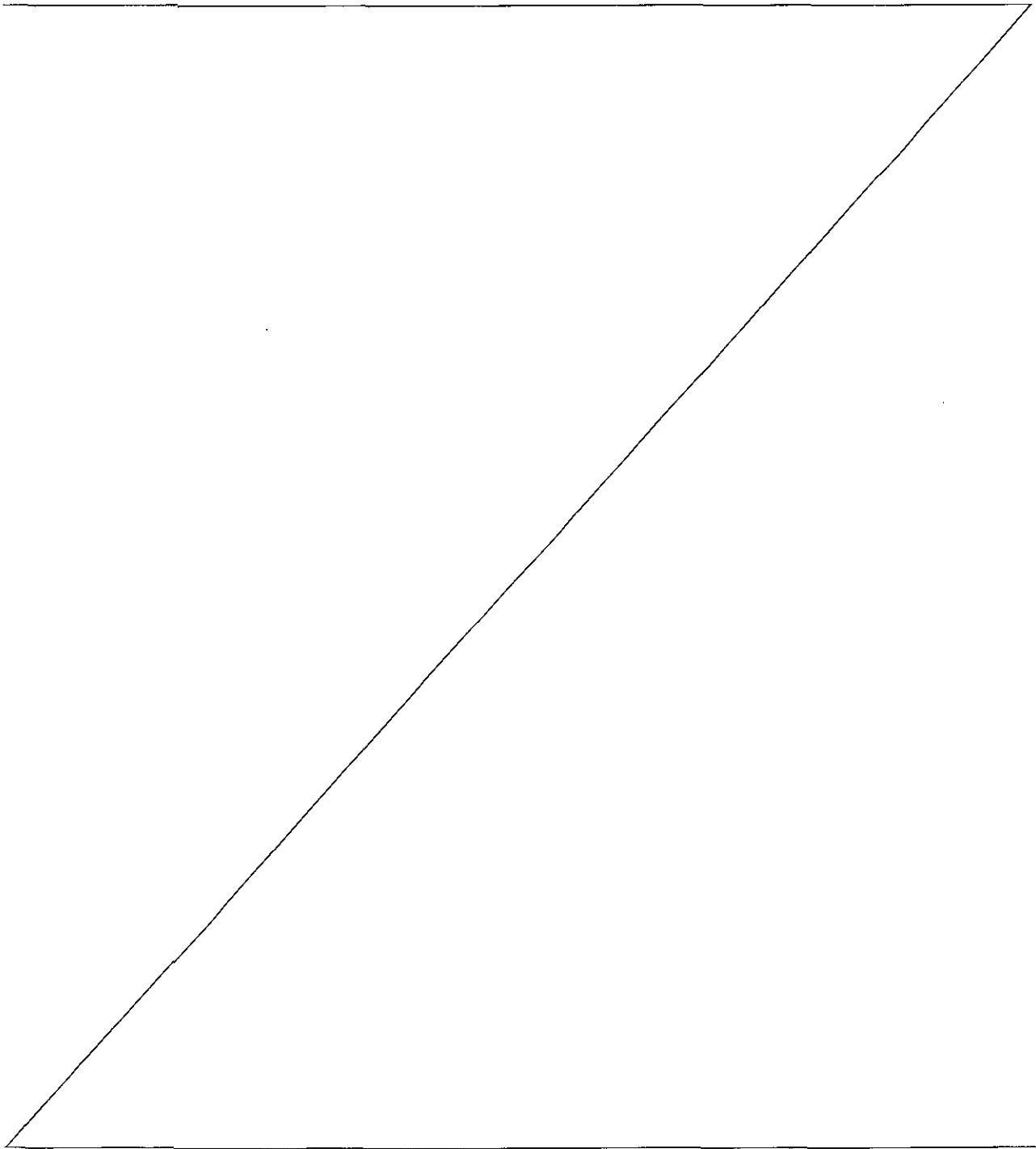
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<sup>55</sup> In January 2015, the Companies launched an on-line Integrated Interconnection Queue (“IIQ”), which is intended to provide a single interconnection queue across all procurement programs for each Company, whereby customers can easily check the status and track the progress of their interconnection applications through the Companies’ website. Building on the customer tools already provided in the IIQ, and in addition to certain proposed modifications to Tariff Rule 14H which will provide additional DG options to customers, including the opportunity for expedited interconnection of projects, the Companies have also developed a detailed Interconnection Improvement Program (“IIP”). The objectives of the IIP are to provide greater transparency, improved processing of customer interconnection applications, and most of all, an improved customer experience.

approve the deferral and accrual of carrying costs on the deferred amount until the respective Company's next rate case. The Companies do not request carrying charges for these costs if they are recovered through the REIP Surcharge;

5. Approve the Developer Enrollment Fee of \$66 per kW AC, the Participant Enrollment Fee of \$66 per kW AC and the Monthly Administration Fee of \$1.17 per kW AC per month;
6. Approve the deferral of the upfront and ongoing enrollment software costs and ongoing bill credit processing software costs to be amortized based on the recovery from Participant and Developer enrollment fees, with any under or over recovery reconciled through the REIP Surcharge at the end of the expected enrollment period ending no later than *December 31, 2019*;
7. Approve the deferral of the ongoing enrollment software costs and ongoing bill credit processing software annual costs incurred subsequent to the end of the expected enrollment period ending no later than *December 31, 2019* until the Companies respective rate cases, to be amortized based on the monthly recovery from CBRE Program Participants.
8. Approve the deferral of the incremental costs that may be incurred related to the ongoing administration of the CBRE Program for cost elements including program management costs, call center costs, and IT maintenance costs;
9. Grant a waiver from the Framework for Competitive Bidding for the 35 MW Solar RFP;
10. Establish the credit rate for Tier 1 and Tier 2 Solar CBRE Facilities at 13.475 cents per kWh up to the capacity limits set forth herein for Tier 1 and Tier 2 of Phase 1;

11. Approve the Small Model PPA (as defined in footnote 2), Large Model PPA (as defined in footnote 2), and Model Participant Contract (as defined in footnote 2); and
12. Grant such other and further relief as may be just and equitable under the circumstances.



DATED: Honolulu, Hawai'i, October 1, 2015.

HAWAIIAN ELECTRIC COMPANY, INC.  
HAWAI'I ELECTRIC LIGHT COMPANY, INC.  
MAUI ELECTRIC COMPANY, LTD.

By:



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Joseph P. Viola  
Vice President  
Regulatory Affairs  
Hawaiian Electric Company, Inc.

Vice President  
Hawai'i Electric Light Company, Inc.  
Maui Electric Company, Limited



Rule No. [XX]

COMMUNITY-BASED RENEWABLE ENERGY PROGRAM  
PHASE 1

A. AVAILABILITY

1. Phase 1 of the Community-Based Renewable Energy Program ("CBRE Program") will commence on the date of Commission approval of the Phase 1 CBRE Program structure.
2. The CBRE Program will be available to all customer types including residential and commercial customers.
3. Service under the CBRE Program is available to customers who have received service at their location for at least 12 months at the time of enrollment and who have not received any disconnection notifications within the last 12 months.
4. Residential customers are eligible if their principal place of residence is located on O'ahu, Hawai'i.
5. Commercial customers are eligible if their principal place of business is located in Hawai'i, and they are organized or incorporated under the laws of the State of Hawai'i.
6. Special purpose entities formed for the specific purpose of enrolling in the CBRE Program shall be eligible if (a) their principal place of business is located in Hawai'i and they are organized or incorporated under the laws of the State of Hawai'i; and (2) such entity's beneficial owners all have their principal place of residence located on O'ahu, Hawai'i.

B. CUSTOMER PARTICIPATION

1. CBRE Program Participants ("Participants") will be allowed to purchase an interest in the energy output of any eligible renewable energy facility ("Facility") that is allocated CBRE Program capacity to offset their energy consumption.
2. The CBRE Program Participant will be required to enter into an appropriate CBRE Program Participation agreement (either the CBRE Program Model Participant Contract or approved Developer-drafted Program Participation agreement, each referred to as a "Participation agreement") with the Facility developer ("Developer").

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Effective

Rule No. [XX]

COMMUNITY-BASED RENEWABLE ENERGY PROGRAM  
PHASE 1  
(continued)

3. The Participant will sign the Participation agreement with the Developer for their interest in the output of the Facility. The customer's upfront payment, and the ongoing Operations and Maintenance ("O&M") fee per kWh, shall be specified in the Participation agreement. Participants will be purchasing an interest in the output of energy from the Facility rather than an ownership interest in the Facility. Ownership of the Facility will remain with the Developer throughout the Facility's asset life. Participant upfront payments are paid only after the Facility is operational.
4. The Participant will obtain approval of eligibility, confirm buy-in level and enroll into the CBRE Program through an online enrollment tool. The online enrollment tool will perform these tasks automatically but final approval of the Participant into a Developer's project will rest with such Developer. Only upon the Developer's approval of a Participant will the Participation agreement be transmitted to the Participant for signature. The Participant's upfront payment will be calculated based on the Participant's portion of the total renewable energy output of the CBRE Program Facility. The Participant will pay the upfront payment for their program interest directly to the Developer.
5. The Participant's effective kW AC (alternating current) interest in the facility will be calculated based on the Participant's portion of the renewable energy output of the CBRE Program Facility multiplied by the total capacity of the facility in kW AC.
6. Participants will be able to purchase a CBRE Program interest with an expected production of less than or equal to 100 percent of their historic energy consumption for the previous twelve months.
7. To ensure fair access to the CBRE Program, an additional limit will be applied such that no single Participant will be able to purchase more than 20 percent of the total output of any one Facility.
8. Participants must purchase an interest in the CBRE Program Facility expected to offset a minimum of 25 percent of their historic energy consumption for the previous twelve months. The lower limit will not apply if 25 percent of the customer's historic consumption is more than 10 percent of the CBRE Program Facility output.
9. To the extent it is not otherwise determined to be cost-prohibitive, eligible customers will be allowed to buy into up to four (4) renewable energy Facilities.



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Effective

Rule No. [XX]

COMMUNITY-BASED RENEWABLE ENERGY PROGRAM  
PHASE 1  
(continued)

10. O&M" fees per kWh will be deducted from the Participant's monthly bill credit. Hawaiian Electric Company, Inc. ("Hawaiian Electric") will then send all O&M fees deducted from the Participant's monthly bill to the Developer. The Developer's O&M fees must be paid into a dedicated trust fund and kept in escrow for Participants until they are required for CBRE Program operations and maintenance.
11. Participants will pay an initial non-refundable enrollment fee to Hawaiian Electric at the time of enrollment and a monthly administration fee paid via the Participant's bill. The enrollment fee will be calculated based on the Participant's effective kW AC interest in the Program multiplied by \$66 per kW AC. The monthly administration fee will be calculated based on the Participant's effective kW AC interest in the Program multiplied by \$1.17.
12. For purposes of billing and crediting under the CBRE Program, Hawaiian Electric will maintain a database of Participants in the CBRE Program and their interest in each Facility.
13. Nothing in the Participation agreement shall be deemed to alter or modify any rate schedule, charge, or condition of service established from time to time by the Hawai'i Public Utilities Commission (the "Commission") for electric service provided by Hawaiian Electric. All such rates and charges from the customer's applicable rate schedule shall apply and remain subject to change.

C. CREDIT RATE AND O&M FEES

1. The Credit Rate for Participants will vary by technology and tier. For Phase 1, for Tiers 1 and 2, solar CBRE Program Facilities will receive the Credit Rate of 13.475 cents per kWh.
2. The O&M fees will be defined in cents per kWh and will vary by technology and tier. For Phase 1, for Tiers 1 and 2, solar CBRE Program Facilities will be charged an O&M fee of 1.114 cents per kWh in the first year. The O&M fee will be escalated at 2% per year for inflation.
3. The monthly energy credit for each Participant will be equal to the Participant's interest in the energy output of the Facility, multiplied by the Facility's actual energy output multiplied by the credited rate per kWh.

SHEET NO. xx  
Effective

Rule No. [XX]

COMMUNITY-BASED RENEWABLE ENERGY PROGRAM  
PHASE I  
(continued)

4. The monthly O&M fee for each Participant will be equal to the Participant's interest in the energy output of the Facility, multiplied by the Facility's actual energy output multiplied by the O&M fee per kWh. The monthly O&M fee will be deducted from the monthly energy credit.
5. Participants will continue to be charged the normal retail rate for their electricity consumption and the Participant's monthly energy credit less the Participant's O&M fees will be applied to the eligible charges on their energy bill.
6. The credit rate will be fixed for the term of the contract which for Phase I will be the Facility life or 20 years whichever comes first.
7. A Participant's credits can only be used to offset eligible charges on their energy bill. Eligible charges on the Participant's bill will be all light and power charges. Light and power charges cannot be reduced below the sum of the minimum charge, the Green Infrastructure Fee, and any other per-customer charge for the customer's applicable rate schedule.
8. If the Participant's credits exceed the eligible charges then this excess is surplus credits. Surplus credits that arise during a given 12-month period may be carried forward to be applied against future Eligible Charges during that same 12-month period. If there are unused surplus credits that remain at the end of such 12-month period, Hawaiian Electric will calculate the amount (if any) by which the total of all the Eligible Charges during the 12-month period exceed the total of the customer's credits that were applied during such 12-month period, which is the Eligible Excess for such 12-month period. If the total of the Eligible Excess for such 12-month period is equal to or greater than the unused surplus credits, then the full amount of the unused surplus credits will be applied to the customer's account. If, however, the Eligible Excess for such 12-month period is less than the unused surplus credits, the customer's account will be credited for an amount equal to the Eligible Excess. The remaining portion of the unused surplus credits shall be forfeited.

D. DEVELOPER PARTICIPATION

1. A CBRE Program Facility may be developed by a Developer.

Rule No. [XX]

COMMUNITY-BASED RENEWABLE ENERGY PROGRAM  
PHASE 1  
(continued)

2. Prior to developing a project, Developer shall submit the following to Hawaiian Electric:
  - a. A Developer Enrollment Fee: \$66/kW AC
  - b. Demonstration of Site Control
  - c. A Certificate of Good Standing from the State of Hawai'i Department of Commerce and Consumer Affairs
  - d. For those Facilities less than 1MW in size, an approved building permit
  - e. Proof of incorporation/formation in the State of Hawaii
  - f. Proof that Developer's principal place of business is located in the State of Hawaii
3. The fair market price for the upfront payment per kW, ongoing payment per kWh, and purchased energy payment rate for each Tier 3 project for each technology will be determined through a competitive solicitation process initiated by Hawaiian Electric. The credit rate applied to Participant's bills will be equal to the purchased energy payment rate for the Developer for the portion which is not subscribed by Participants.
4. For Phase 1 Tier 1 and Tier 2 CBRE Program solar projects, the Participant upfront payment will be at \$2,005/kW AC, the ongoing payment for O&M fees will be 1.14 cents per kWh in the first year and the purchased energy rate for unsubscribed energy and the credit rate for subscribed energy will be 13.475 cents per kWh. Project selection will continue until the capacity allocation for Tier 1 and Tier 2 projects on each island is fully allocated or until December 31, 2016, whichever occurs first. If a project drops out after selection for inclusion in Tier 1 and Tier 2 the allocation for such project will not be refilled.
5. The upfront payment, ongoing payment and credit rate will be required to be the same for all projects within each tier for each technology and island.

E. PROGRAM TIERS

There will be three CBRE Program Tiers applicable to both wind and solar resources on each island.

Tier	CBRE Program Project Size
Tier 1	≤250kW AC
Tier 2	>250kW to <1MW AC
Tier 3	≥ 1MW AC

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COMMUNITY-BASED RENEWABLE ENERGY PROGRAM  
PHASE 1  
(continued)

F. CAPACITY ALLOCATION

1. There will be capacity limits for Phase 1 of the CBRE Program by technology and island.

	Solar (MW AC)		Wind (MW AC)	
	Tier 1 and 2 <1MW	Tier 3 ≥1MW	Tier 1 and 2 <1MW	Tier 3 ≥1MW
<b>Oahu</b>	5	10 <sup>1</sup>	0	10
<b>Hawaii Island</b>	1	0	0	2
<b>Maui</b>	1	0	0	2
<b>Molokai</b>	0	0	0.5 <sup>2</sup>	0
<b>Lanai</b>	0	0	0.5 <sup>3</sup>	0
<b>Total</b>	7	10	1	14
<b>Phase 1 Total</b>	32 MW			

Table 2 - CBRE Program Capacity Allocation

G. CURTAILMENT

1. All projects will be required to have controls to enable curtailment to ensure system reliability and safety.
2. Projects larger than 250kW will be required to have supervisory control.

<sup>1</sup> CBRE Program allocation within a 35MW AC RFP (Request for Proposal)

<sup>2</sup> Wind projects on Lanai and Molokai are limited to 100kW as per Docket No. 2008-0273.

<sup>3</sup> Id.

COMMUNITY-BASED RENEWABLE ENERGY PROGRAM  
PHASE 1  
(continued)

3. Projects smaller than or equal to 250kW will be required to be able to be remotely disconnected/reconnected by receiving a remote command directly from the utility or its agent(s).
4. All communications systems will require Hawaiian Electric approval.
5. All projects in Phase 1 of the CBRE Program will be curtailed as part of a curtailment block to the extent practicable and feasible.
6. Curtailment will be the Developer's risk and information about the forecast curtailment levels and supporting assumptions will be made available to Developers to assess the curtailment risk.

H. INTERCONNECTION

1. Facilities interconnected at the Distribution Level<sup>4</sup> that are selected will follow the applicable Rule 14H interconnection process at the time of interconnection.
2. Facilities interconnecting at the Sub-Transmission and Transmission levels will follow the interconnection process applicable to their Facilities at the time of interconnection.

I. CBRE PROGRAM FACILITY DEVELOPER AGREEMENTS

1. Successful Developers must also sign a Power Purchase agreement with the Company.
2. There will be a single standard form Power Purchase agreement for Tier 1 and Tier 2 ("Small Model PPA") and a separate form Power Purchase agreement for Tier 3 ("Large Model PPA") under which certain provisions will be standard.
3. Developers must meet certain milestones to ensure CBRE Facilities are built within a specific number of months.
4. Developers are responsible for their own operation and maintenance of the Facility to ensure the Facility meets agreed performance warranties.

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<sup>4</sup> Distribution system (level) is defined as interconnection to electrical wires, equipment, and other facilities at the distribution voltage levels (such as 25kV-HECO only, 12kV, or 4kV) owned or provided by the utility, through which the utility provides electrical service to its customers.

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COMMUNITY-BASED RENEWABLE ENERGY PROGRAM  
PHASE 1  
(continued)

J. PROGRAM TRANSFERS

1. If a Participant wants to transfer their interest to another customer, the utility will confirm that customer's eligibility (with respect to account status and buy-in level). Upon completion of the transfer between the Participant, the new Participant and the Developer, the utility will note the transfer in the CBRE Program Participant database. Participants cannot transfer their interest within 12 months of signing the Participation agreement.
2. To the extent that a Participant may want to sell their interest back to the Developer, Developer must include in the Participation agreement a right for Participant to sell their interest back to Developer in the limited circumstance that Customer no longer has an account with Hawaiian Electric.
3. The Developer must notify Hawaiian Electric that the Participant has sold their interest so that the CBRE Program Participant database may be updated.

**EXHIBIT B**

**CBRE PROGRAM PROJECT SELECTION PROCESS**

**CBRE<sup>1</sup> Program project selection for projects  $\geq$  1MW**

It is anticipated that the CBRE RFP<sup>2</sup> package will be submitted to the Commission on December 1, 2015 for possible Commission approval by the first quarter of 2016. This will include:

- Standard power purchase agreement between Developer and the applicable Hawaiian Electric Company (“Large Model PPA”). Some provisions may be negotiable.
- Technical performance requirements and control capability; all projects must be capable of meeting the generator requirements contained in the Large Model PPA
- Information on expected curtailment levels for the relevant island and technology
- Minimum required project capacity allocated to CBRE Program
- Project selection rules and criteria
- Bid templates – Including PPA/credit rate, participant upfront and ongoing payments
- Standard Participant levelized cost of energy (“LCOE”) calculator

The standard bid template will be used to calculate LCOE for Participants for each bid based on the upfront and ongoing payment proposed to ensure that bids can be compared on a common basis. The LCOE will be calculated using the Hawaiian Electric discount rate of 8.076%.

Projects must meet the following pre-qualification requirements before they can participate in the RFP:

- Demonstrate site ownership or control – Letter of Intent, Lease, or proof of control of government lands
- A certificate of good standing from the State of Hawai‘i Department of Commerce and Consumer Affairs
- Incorporated/Formed in the State of Hawaii
- Principal Place of Business in the State of Hawaii

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<sup>1</sup> Capitalized terms used, but not defined, shall have the meaning provided in Transmittal 15-09.

<sup>2</sup> RFP (request for proposal)

- Solar CBRE Program Projects must allocate a minimum of 29%<sup>3</sup> of the Facility output for the CBRE Program.

Developers that meet the prequalification requirements must submit bids to Hawaiian Electric within 4 weeks after the issuance of the RFP. Hawaiian Electric may also participate with a self-build option in response to the RFP. Developers must agree to provide open and complete access to their books and project financial information and provide a project description including the following:

- Proposed interconnection point
- Layout of system
- Single line diagram
- Details of major equipment
- Project pro forma with supporting documentation and proposed project finance structure

Developers must also provide the following information in their bid template:

- PPA rate - independent of subscription level and without any price escalation
- Upfront payment per kW AC<sup>4</sup> for Participants
- Ongoing payment per kilowatt-hour ("kWh")
- Option to increase the CBRE Program allocation up to 75% of the Facility output if Hawaiian Electric determines that there is a need for additional CBRE Program capacity
- Projected hourly annual energy production profile of Facility (8760 hours/year)

All bid information must be independent of changes to state or federal investment tax credit policies. The bids must meet the following criteria:

- The PPA rate must be less than Company's long run on-peak avoided cost over the term of the project
- The Participant LCOE must be less than or equal to the PPA Rate to ensure that the project will also be an attractive offer to potential CBRE Program Participants.

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<sup>3</sup> Based on the 10 MW AC allocation of the 35 MW AC utility scale solar solicitation for O'ahu (10 MW divided by 35 MW equals 29%)

<sup>4</sup> AC (alternating current)



Bids that meet the requirements set forth in the RFP will be evaluated based on selection criteria up to the capacity limit. Selection criteria may include items such as the following:

- PPA rate
- Participant LCOE
- Option to increase CBRE Program allocation
- Developer experience
- Developer diversity
- Geographic spatial diversity
- Community outreach and support
- State of project development activity
- Permitting plan

Depending on the volume and competitiveness of bids received, Hawaiian Electric may elect to share the PPA rate of the lowest bid and provide one or more opportunities to bidders to refresh their pricing using a reverse auction process prior to finalizing the short list. Bids that meet the requirements set forth in the RFP will be evaluated and the Companies will select a shortlist of projects based on the selection criteria up to the capacity allocation. The final shortlisted Developers will be asked to match the upfront payment per kW AC, ongoing payment per kWh and PPA rate of the winning bidder. Shortlisted projects that match the pricing of the lowest shortlist bidder will be selected to proceed, and will be required to then provide a deposit of \$66/kW AC. Shortlisted projects that are not able to match the lowest bidder will not proceed and the capacity will be reallocated to Phase 2 of the CBRE Program or released for other renewable energy projects. Shortlisted bidders will be required to submit all required technical data necessary to complete an Interconnection Requirements Study ("IRS") within 15 days of selection. An IRS will be completed at the Developer's expense and the Developers will not have the opportunity to modify their bids based on the outcome of the IRS. The successful bidders will be selected and the Large Model PPA signed subject to Commission approval. The deposit of \$66/kW AC will be refundable to projects that do not proceed until the Large Model PPA is

signed. For projects that sign the Large Model PPA, the deposit will pay the CBRE Developer enrollment fees of \$66/kW AC. This Developer fee will contribute towards Hawaiian Electric administration and enrollment of Participants into the Developer's CBRE Program project.

Transmission and sub-transmission level CBRE Program projects must meet a guaranteed commercial operation date within 18 months of Commission approval.<sup>5</sup> Transmission and sub-transmission level projects that do not meet these milestones will forfeit their Developer enrollment fee of \$66/kW AC.

CBRE Program project selection for solar projects less than 1MW

The upfront payment, ongoing fee and PPA rate will be fixed for Tiers 1 and 2 (less than 1MW AC) solar projects for Phase 1. The proposed fixed PPA rate and credit rate are 13.475c/kWh. The ongoing Operation and Maintenance ("O&M") fee for the Developer will be set at 1.14 cents/kWh<sup>6</sup> in the first year and the upfront payment will be set at \$2,005/kW AC. The O&M fee will be escalated at 2% per year for inflation.

The following information will be submitted to the Commission by 1 December 2015.

- Standard power purchase agreement between Developer and Company ("Small Model PPA")
- Technical performance requirements and control capability; all projects must be capable of meeting the generator requirements contained in the PPA
- Information on expected curtailment levels for the relevant island and technology

Project Selection for Tier 1 and Tier 2 will be on a first ready basis. A Project will be deemed ready once it has met the following requirements:

- Deposit \$66/kW AC
- Demonstrated project viability including providing, proposed interconnection point, system description and details of major equipment

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<sup>5</sup> This timeframe may be adjusted for utility scale projects that may require additional time upon the mutual agreement of the Company and Developer.

<sup>6</sup> O&M fee is equal to the \$20/kW annual fee reported by NREL ("Distributed Generation Renewable Energy Estimate of Costs", August 2013). O&M fee and upfront payment values assume 0.5% PV degradation rate and 2% O&M credit escalation rate. Program parameters are in line with other programs nationally.

- Demonstrate site ownership or control – Letter of Intent, Lease, or proof of control of government lands
- A certificate of good standing from the State of Hawai‘i Department of Commerce and Consumer Affairs
- Incorporated/Formed in the State of Hawaii
- Principal Place of Business in the State of Hawaii.

Project selection will continue until the capacity allocation for Tier 1 and Tier 2 projects on each island is fully allocated or until December 31, 2016, whichever occurs first. If a project drops out after being selected for inclusion in Tier 1 or Tier 2 the associated capacity from such project will be reallocated to future CBRE Program phases.

For all successful Developers, the Company will assess the availability of sufficient distribution or transmission capacity to connect the renewable project to the Company system in accordance with Rule 14H for projects connecting at the distribution level. Successful Developers will be required to submit all required technical data necessary to complete the IRS, if required, within 15 days of selection. Any IRS will be completed at the Developer's expense. The PPA rate, credit rate, upfront price per kW AC and ongoing cost per kWh will remain fixed as described above regardless of the outcome of the IRS. The deposit of \$66/kW AC will be returned to projects that decide not to proceed after the outcome of the IRS. Once interconnection requirements are met the Small Model PPA will be signed with the successful applicants and the deposit will pay the CBRE Developer enrollment fees of \$66/kW AC. This Developer fee will cover Hawaiian Electric administration and enrollment of participants into the Developer's CBRE Program project.

Distribution-level<sup>7</sup> CBRE Program projects must meet the following construction milestones.<sup>8</sup>

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<sup>7</sup> Distribution system (level) is defined as interconnection to electrical wires, equipment, and other facilities at the distribution voltage levels (such as 25kV-HECO only, 12kV, or 4kV) owned or provided by the utility, through which the utility provides electrical service to its customers.

- a. Purchase Order(s) from supplier(s) for equipment or other documentation demonstrating that the equipment for the project has been purchased is posted – within 30 business days of Commission approval of agreement (“starts date”).
- b. Photographic proof that development is progressing along with a sworn affidavit verifying the date and contents of such photographs are posted – at 3, 6, and 9 months after Commission approval (“start date”).
- c. Guaranteed commercial operation date within 18 months of signing the Small Model PPA.<sup>9</sup>

Distribution-level projects that do not meet these milestones will not be able to proceed with development of their CBRE Program project and will forfeit their Developer enrollment fee of \$66/kW AC

The Companies will notify each Developer if a milestone has been missed. After Developers are advised of the status of their applications, Developers are allowed to provide proof that they had completed the milestone and provide the requisite confirmation before the respective milestone deadline (and that the determination of the Companies was in error), provided the proof is proffered within five (5) business days. If no response from the Developer is received or if the proof is deemed insufficient by the Companies, the Developer’s application will be rejected and the Developer enrollment fee will be forfeited.

Reasonable extensions may be granted, at the sole discretion of the Company for such delays. If the Company fails to agree to a requested extension, the project will be rejected.

*CBRE Program project selection for wind projects less than 1 MW*

If market interest is established, wind projects less than 1 MW will be selected through a streamlined solicitation process to determine the fair market price for the upfront payment, ongoing payment and PPA rate for the smaller non-utility scale projects. Market interest will be

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<sup>8</sup> Construction milestones established in FIT Tariff Docket No. 2013-0194, Decision and Order No. 32499 (December 5, 2014) at 46 and 80.

<sup>9</sup> This timeframe may be adjusted for utility scale projects that may require additional time upon the mutual agreement of the Company and Developer.

determined by making a public request for expression of interest to develop CBRE wind projects less than 1 MW AC. As with the proposal for smaller solar Facilities, the credit rate applied to Participant's bills will be equal to the PPA rate for the Developer for the unsubscribed portion of the CBRE Program Facility.

Developers of wind projects less than 1 MW will also be required to sign the Small Model PPA as described above for Tier 1 and Tier 2 solar projects.

Projects must meet the following pre-qualification requirements before they can participate in the RFP:

- Demonstrate site ownership or control – Letter of Intent, Lease, or proof of control of government lands
- A certificate of good standing from the State of Hawai'i Department of Commerce and Consumer Affairs
- Incorporated/Formed in the State of Hawaii
- Principal Place of Business in the State of Hawaii

Project selection requirements would be set forth in a request for proposal if it is determined that there is market interest for small wind projects. The project selection process would be similar to the process set forth for Tier 3 projects. The final shortlisted Developers will be asked to match the upfront payment per kW AC, ongoing payment per kWh and PPA rate of the winning bidder. Shortlisted projects that match the pricing of the lowest shortlist bidder will be selected to proceed, and will be required to then provide a deposit of \$66/kW AC. Shortlisted projects that are not able to match the lowest bidder will not proceed and the capacity will be reallocated to Phase 2 of the CBRE Program or released for other renewable energy projects.

For all successful Developers, the Company will assess the availability of sufficient distribution or transmission capacity to connect the renewable project to the Company system in accordance with Rule 14H for projects connecting at the distribution level. Successful

Developers will be required to submit all required technical data necessary to complete the IRS, if required, within 15 days of selection. Any IRS will be completed at the Developer's expense. The PPA rate, credit rate, upfront price per kW AC and ongoing cost per kWh will remain fixed as described above regardless of the outcome of the IRS. The deposit of \$66/kW AC will be refundable to projects that decide not to proceed after the outcome of the IRS. Once interconnection requirements are met the Small Model PPA will be signed with the successful applicants and the deposit will pay the CBRE Developer enrollment fees of \$66/kW AC. This Developer fee will cover Hawaiian Electric administration and enrollment of participants into the Developer's CBRE Program project.

Distribution-level<sup>10</sup> CBRE Program projects must meet the following construction milestones.<sup>11</sup>

- a. Purchase Order(s) from supplier(s) for equipment or other documentation demonstrating that the equipment for the project has been purchased is posted – within 30 business days of Commission approval of agreement ("starts date").
- b. Photographic proof that development is progressing along with a sworn affidavit verifying the date and contents of such photographs are posted – at 3, 6, and 9 months after Commission approval ("start date").
- c. Guaranteed commercial operation date within 18 months of signing the Small Model PPA.<sup>12</sup>

Distribution-level projects that do not meet these milestones will not be able to proceed with development of their CBRE Program project and will forfeit their Developer enrollment fee of \$66/kW AC

The Companies will notify each Developer if a milestone has been missed. After Developers are advised of the status of their applications, Developers are allowed to provide

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<sup>10</sup> Distribution system (level) is defined as interconnection to electrical wires, equipment, and other facilities at the distribution voltage levels (such as 25kV-HECO only, 12kV, or 4kV) owned or provided by the utility, through which the utility provides electrical service to its customers.

<sup>11</sup> Construction milestones established in FIT Tariff Docket No. 2013-0194, Decision and Order No. 32499 (December 5, 2014) at 46 and 80.

<sup>12</sup> This timeframe may be adjusted for utility scale projects that may require additional time upon the mutual agreement of the Company and Developer.

proof that they had completed the milestone and provide the requisite confirmation before the respective milestone deadline (and that the determination of the Companies was in error), provided the proof is proffered within five (5) business days. If no response from the Developer is received or if the proof is deemed insufficient by the Companies, the Developer's application will be rejected and the Developer enrollment fee will be forfeited.

Reasonable extensions may be granted, at the sole discretion of the Company for such delays. If the Company fails to agree to a requested extension, the project will be rejected.

Exhibit C: CBRE Program Costs

Upfront Costs

	Year 0	Year 1	Year 2	Total Upfront Costs
SAP IT Billing System Investment	\$1,807,655			\$1,807,655
Bill Credit Processing Software	\$625,000			\$625,000
Enrollment Software	\$1,032,750	\$1,307,500		\$2,340,250
<b>Total</b>	<b>\$2,432,655</b>	<b>\$1,032,750</b>	<b>\$1,307,500</b>	<b>\$4,772,905</b>

Ongoing Costs

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
SAP IT Billing System Investment							
Bill Credit Processing Software		\$61,965	\$149,818	\$152,814	\$155,870	\$158,988	\$162,167
Enrollment Software	\$0	\$51,638	\$99,878	\$101,876	\$103,913	\$105,992	\$108,112
<b>Total</b>	<b>\$0</b>	<b>\$113,603</b>	<b>\$249,696</b>	<b>\$254,690</b>	<b>\$259,784</b>	<b>\$264,979</b>	<b>\$270,279</b>

	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13
SAP IT Billing System Investment							
Bill Credit Processing Software	\$165,411	\$168,719	\$172,093	\$175,535	\$179,046	\$182,627	\$186,279
Enrollment Software	\$110,274	\$112,479	\$114,729	\$117,023	\$119,364	\$121,751	\$124,186
<b>Total</b>	<b>\$275,685</b>	<b>\$281,198</b>	<b>\$286,822</b>	<b>\$292,559</b>	<b>\$298,410</b>	<b>\$304,378</b>	<b>\$310,466</b>

	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
SAP IT Billing System Investment							
Bill Credit Processing Software	\$190,005	\$193,805	\$197,681	\$201,635	\$205,667	\$209,781	\$213,976
Enrollment Software	\$126,670	\$129,203	\$131,787	\$134,423	\$137,112	\$139,854	\$142,651
<b>Total</b>	<b>\$316,675</b>	<b>\$323,008</b>	<b>\$329,469</b>	<b>\$336,058</b>	<b>\$342,779</b>	<b>\$349,635</b>	<b>\$356,627</b>

	Year 21	Year 22	Total Ongoing Costs
SAP IT Billing System Investment			\$0
Bill Credit Processing Software	\$126,179		\$3,610,062
Enrollment Software	\$105,149		\$2,438,065
<b>Total</b>	<b>\$231,329</b>	<b>\$0</b>	<b>\$6,048,127</b>



BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF HAWAI'I

In the Matter of the Application of )  
)  
HAWAIIAN ELECTRIC COMPANY, INC. ) Transmittal No. 15-09  
HAWAI'I ELECTRIC LIGHT COMPANY, INC. )  
AND MAUI ELECTRIC COMPANY, LTD. )  
)  
For Approval to Establish a Rule to )  
Implement a Community-Based Renewable )  
Energy Program ) Effective  
) Date: January 1, 2016

CERTIFICATE OF SERVICE

I hereby certify that the foregoing Transmittal No. 15-09 was served on the date of filing by hand delivery, as indicated below.

Jeffrey T. Ono  
Executive Director  
Division of Consumer Advocacy  
Department of Commerce and Consumer Affairs  
335 Merchant Street, Room 326  
Honolulu, Hawai'i 96813

2 copies  
via Hand Delivery

Dated: Honolulu, Hawai'i, October 1, 2015.

HAWAIIAN ELECTRIC COMPANY, INC.

  
\_\_\_\_\_  
Robert M. Pytlarz