

DIVISION OF CONSUMER ADVOCACY (DCA)

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OVERVIEW

The Division of Consumer Advocacy (DCA) represents, protects, and advances the interests of consumers of utility and transportation services before regulatory agencies, primarily the Hawaii PUC and the FCC. DCA reviews requests for rate and tariff changes, capital improvement projects, integrated resource plans, certificates for authority to operate, and other applications filed by public utility and transportation companies, in addition to other proceedings opened by regulatory agencies to investigate or review generic issues. In representing the consumers of utility and transportation services before the PUC, DCA must analyze financial and statistical data, prior docketed material, industry standards, and the information provided by the utility and transportation companies to support their applications. Based upon analyses of the information, DCA files either written statements of position or testimonies explaining its analyses, findings, and recommendations with the PUC. The PUC does require oral testimonies by DCA analysts, subject to utility company cross-examination, in contested case evidentiary hearings to resolve differences among the parties in utility proceedings.

Composition

DCA consists of 17 employees, ranging from an administrator, a secretary, a utilities/transportation officer, a utilities/transportation specialist, an education specialist, rate analysts, researchers, engineers, attorneys, and clerical support. DCA is located on the third floor of the King Kalakaua Building, 335 Merchant Street. Its contact information is as follows: mailing address, P.O. Box 541, Honolulu, Hawaii 96809; phone number, 586-2800; internet address, cca.hawaii.gov/dca/.

The majority of DCA's professional staff is comprised of the Rate Analysis Branch, the Engineering Branch, the Research Branch, and the Legal Branch.

The **Rate Analysis Branch** reviews and analyzes economic conditions, investor requirements and returns, and other aspects relating to the capital structure of regulated public utilities and transportation companies. In addition, the branch evaluates and develops recommendations relating to rate schedules, effects of rates, sales levels, and other pertinent considerations in establishing rates.

The **Engineering Branch** analyzes and makes recommendations on technical matters such as production capacity and efficiency, depreciation allowances, maintenance cost factors, engineering safety standards, plans for capital improvements, purchased power agreements, and quality of service standards.

The **Research Branch** analyzes and advises on matters imposed on regulated public utility and transportation industries, provides services and advice relating to the current operations of and evolving changes to regulated public utilities and transportation industries, conducts special studies on the changes in various regulatory areas, including energy and telecommunications, and assists and participates with other branches in developing data and conducting analyses on matters under examination.

The **Legal Branch** provides legal representation before regulatory agencies. The branch also provides general clerical support by updating and maintaining the DCA's docket, general office, and

electronic data base files, formatting draft documents prepared by the technical staff and attorneys for filing with regulatory agencies and utility companies, and maintaining the division's library.

GOALS and OBJECTIVES

DCA's goals and objectives can be categorized generally in three broad areas: consumer advocacy, policy advancement, and consumer education and outreach. These areas are not mutually exclusive and often overlap; however, for purposes of describing DCA's goals and how DCA will reach them, the goals will be described separately.

Consumer Advocacy

Goal

Ensuring that Hawaii's consumers receive reasonable and just rates for safe and reliable services, while ensuring customer and environmental protections and renewable resource use, is DCA's primary goal. This goal generally involves balancing various competing interests.

Planned Approach/Methods

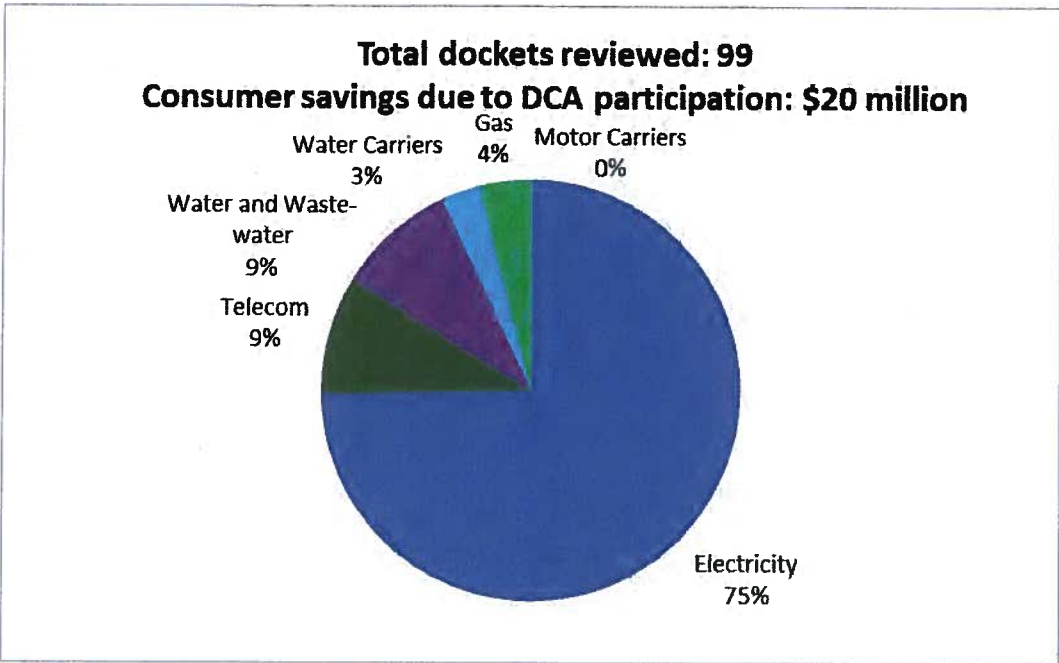
DCA's resources are focused on PUC proceedings, which often affect the rates and the reliability of utility and transportation systems and services. DCA's participation in PUC proceedings will typically involve some or all of the following:

1. Review of applications to ensure compliance with regulations;
2. Participation at PUC public hearings;
3. Procurement of consultant services to manage workload and for complex cases;
4. Completion of discovery;
5. Analysis of applications and supporting documents to determine the accuracy and the reasonableness of the requests;
6. Provision of recommendations to the PUC on the merits of the applications through statements of position or direct testimonies; provision of oral testimonies, which are subject to cross-examination in proceedings where evidentiary hearings are necessary; and
7. Completion of related legal actions, such as filings of legal briefs, motions, and appeals, etc., as necessary.

Measures

To measure DCA's performance in advocating consumer interests, DCA tracks various categories of information. DCA monitors consumer savings resulting from its participation in PUC proceedings, the percentage of PUC decisions that adopt settlements reached amongst the parties to a proceeding, the number of service quality investigations in which DCA participates, and the number of filings before the PUC reviewed by DCA. Chart 1 describes the total number of dockets DCA reviewed, the proportion of dockets reviewed by area, and the total consumer savings due to DCA participation.

Chart 1. Dockets Reviewed By Area and Overall Consumer Savings, FY2015

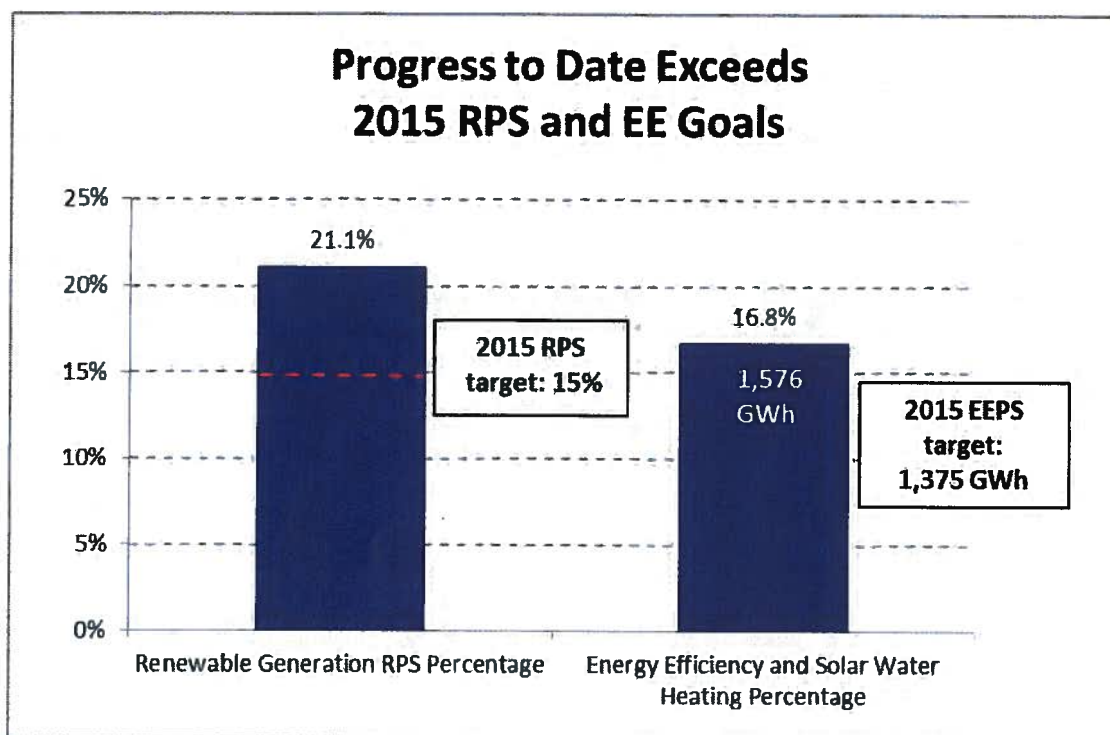


Policy Advancement

Goal

DCA will remain active in promoting policies to protect and advance the interests of utility and transportation consumers on the local, state, and national levels. Two of the major objectives that DCA will pursue are the advancement of federal and state broadband initiatives, as well as continued efforts to promote and facilitate Hawaii’s transition away from imported fossil fuels towards clean renewable energy. As shown in Chart 2, Hawaii is currently exceeding its 2015 Renewable Portfolio Standard (RPS) and Energy Efficiency Portfolio Standard (EEPS) goals.

Chart 2. Hawaii's Progress to Date Exceeds 2015 RPS and EEPS Goals.



Data for calendar year 2014.

Planned Approach/Methods

In the PUC's generic, investigative, or policy proceedings, DCA follows a similar approach to its review and analysis of applications. A typical investigative proceeding may involve the following steps:

- After DCA and other parties to the proceeding state their initial positions on the issues, discovery and analyses are done to determine the reasonableness of the other parties' positions;
- Technical meetings between the parties are often held to discuss and educate each other on the issues and positions taken, and to determine where possible agreement may be reached;
- DCA then provides PUC with a recommendation that it believes is in the best interest of consumers; and
- DCA participates in evidentiary or panel hearings conducted by PUC. DCA presents its evidence by way of expert testimony on specific technical issues.

DCA monitors congressional activity in the energy and telecommunications areas. DCA maintains contact with Hawaii's Congressional delegation, particularly those members sitting on committees that deal with energy and telecommunications, and provides input where appropriate and when called upon.

DCA is actively involved in the National Association of State Utility Consumer Advocates (NASUCA). NASUCA participates in proceedings before the FCC, Congress, and the federal courts in advancing consumer interests on national issues, many of which affect Hawaii consumers.

DCA is actively involved with Hawaii's Legislature and provides testimonies that detail consumer benefits or detriments of specific legislative proposals being considered. In the 2015 legislative session, DCA monitored and/or testified on 60 bills and submitted written testimony on 45 occasions.

Measures

Measuring the performance of DCA's efforts to promote policy objectives is inexact. While DCA generally tracks the percentage of its positions with which the PUC ultimately agrees, the measure does not capture the efforts throughout proceedings to educate and work with other parties to come to agreement on issues.

Education & Outreach

Goal

DCA's goal is to encourage the public to be wiser consumers of public utility services by, among other things, emphasizing the possible effects that their consumption habits may have on utility rates and the environment. It is through the education and outreach process that DCA aims to gather consumer input on utility issues and to encourage consumers to be more involved in utility proceedings. DCA attends public meetings and hearings to learn of consumer complaints and concerns.

Planned Approach/Methods

DCA can accomplish its goal of positively affecting the habits of consumers on a statewide basis through the use of its web site and public outreach activities. DCA established the following action plan to accomplish its goals and objectives:

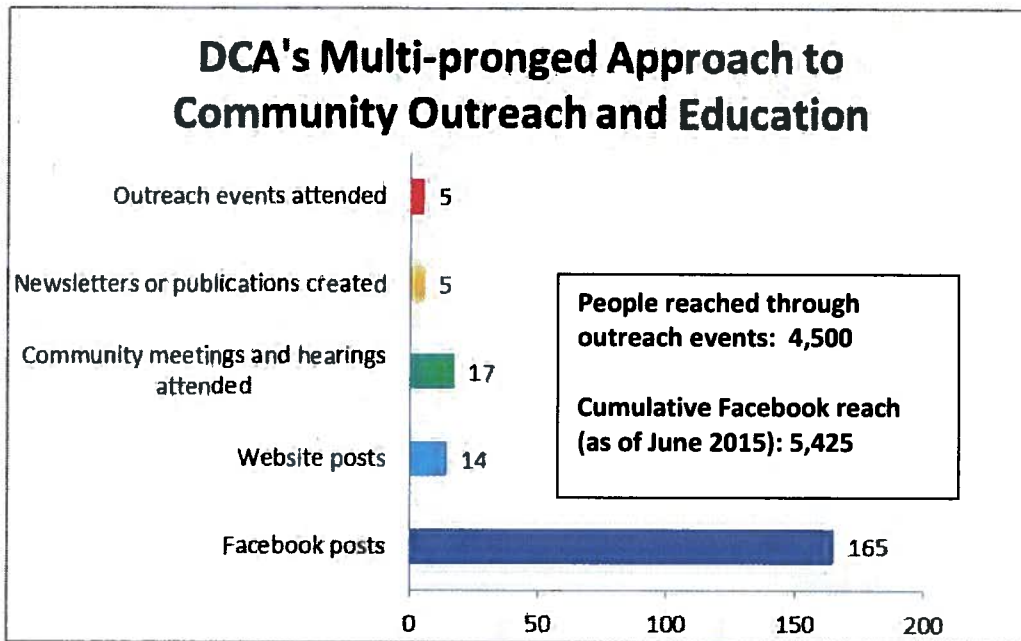
1. Update and improve its website with consumer-friendly and useful content;
2. Use social media, such as Facebook, to reach a greater number of consumers;
3. Attend public hearings and meetings to listen to consumer complaints and concerns;
4. Establish information booths and provide presentations at community events, such as home shows and public fairs throughout the state and build positive relationships with both business and individual community members;
5. Improve communications with consumers and the public through expanded distribution and publication of its newsletter; and
6. Hold informational seminars or use public service announcements to highlight different utility issues and topics.

Measures

To measure DCA's performance and progress of its education and outreach activities, it tracks the number of people reached through education and outreach events, newsletters and other publications

distributed, and consumers assisted with complaints and other issues. Chart 3 illustrates various ways DCA engaged in community outreach and education in FY2015.

Chart 3. DCA’s Multi-pronged Approach to Community Outreach and Education



ACCOMPLISHMENTS

Results of DCA’s efforts to protect and advance the interests of consumers in FY2015 are summarized below for some of the more significant matters in which DCA was involved:

Advocacy before the Public Utilities Commission

Energy Dockets

Competitive Waiver Projects

The Competitive Bidding Framework adopted in PUC Order No. 23121, filed on December 8, 2006, establishes guidelines governing the competitive process for utilities to acquire or build new energy generation in Hawaii. The PUC may waive this process if, for example, it can be shown that more cost effective resources would likely be acquired more efficiently through an alternate procurement process. DCA invested significant resources to review eight applications by Hawaiian Electric Company, Inc. (HECO) for waivers involving renewable energy projects whose proposed levelized prices fell significantly (less than 16 cents per kilowatt-hour (kWh)) below the price range of other recently approved renewable energy projects on Oahu (21.8 to 23.6 cents/kWh).

In the various dockets evaluating these waiver projects, the Consumer Advocate pointed out not all waiver projects should be approved since different prices and other characteristics affect the determination of whether a specific proposed waiver project was reasonable. The PUC approved four of the projects totaling approximately 137 MW of new renewable energy capacity at pricing that ranged from 13.475 cents/kWh to 14.5 cents/kWh. The Consumer Advocate will seek to ensure that future prices reflect the general market rate so that consumers are not burdened with pricing that is unreasonably high.

HECO Decoupling Investigation

The investigation of HECO's decoupling mechanism was divided into two separate proceedings – Schedule A and B. Schedule A went to an evidentiary hearing in January of 2014, and the Schedule B hearings were held in October of 2014. Schedule B issues involved much more complex issues, such as the possible modification of the Rate Adjustment Mechanism (RAM) that HECO uses to put into rate base its capital expenditures on an annual basis rather than having to await its next rate case in the traditional PUC-ordered three-year cycle.

The Consumer Advocate recommended a number of modifications to make the RAM more conservative to reduce some of the risks and costs transferred to consumers. In its Order No. 32735, filed on March 31, 2015, the PUC adopted many of the Consumer Advocates' recommended modifications, such as placing a limit, or cap, to the RAM recoveries to reduce the risk and level of recovery that can occur outside of rate proceedings.

On-Bill Financing

The On-Bill Financing Program (OBF) is intended to reduce the market barriers that prevent customers without sufficient resources or incentives (e.g., low to middle income customers and those in the rental market) from making efficient, cost-saving energy investments.

On June 3, 2014, the PUC opened Docket No. 2014-0129 to establish and implement OBF. On August 7, 2014, the PUC issued Order No. 32252 directing the parties, interveners, and participants in the docket to address whether the proposed Hawaii Energy Bill Saver Program (the PUC's proposed OBF structure) is just, reasonable, and consistent with the public interest. In addition, Docket Nos. 2014-0134 and 2014-0135 were opened as part of DBEDT's proposed Green Energy Market Securitization (GEMS) Program.

On October 1, 2014, the PUC issued Order No. 32318 approving DBEDT's GEMS Program Order request subject to certain modifications and oversight. The PUC adopted several of DCA's recommendations regarding the use of GEMS funds and the implementation of data collection and reporting procedures to evaluate program success. Additional measures are required to complete the work necessary to prepare the Hawaii Energy Bill Saver Program for consumer use.

Power Supply Improvement Plans (PSIPs)

The PUC required HECO, Hawaii Electric Light Company, Inc. (HELCO), and Maui Electric Company, Ltd. (MECO) (collectively the HECO Companies) to file respective PSIPs in order to facilitate

the review of long-term energy planning objectives. These PSIPs were incorporated into Docket No. 2014-0183. The review of these plans are ongoing.

The Investigation of Distributed Energy Resources (DER)

The PUC opened Docket No. 2014-0192 in August of 2014, to review the various issues related to distributed energy resources (e.g., photovoltaic (PV) rooftop systems, etc.) and what measures might be required to not only facilitate the continued adoption of these distributed energy resources, but to also insure that a sustainable market for those resources would exist while not adversely affecting other renewable energy markets or consumers. Due to the urgent need to review certain issues related to DER, the PUC set forth an accelerated timetable to be analyzed in Phase 1 of this proceeding, with other issues to be analyzed in Phase 2.

In Phase 1, the Consumer Advocate sought to highlight concerns that current market conditions and prices were leading to inefficient decisions that adversely affected the grid and those customers who would not be able to take advantage of rooftop PV systems, such as renters and multi-family residents. In Decision and Order No. 33258, the PUC closed the Net Energy Metering program for the HECO Companies, but created grid-supply and self-supply options to allow the continued adoption of rooftop PV systems. Furthermore, the PUC also required the HECO Companies to provide time-of-use tariffs. Phase 2 has yet to be initiated.

NextEra Energy / Hawaiian Electric merger

On December 3, 2014, it was announced that NextEra Energy (NEE) and the HECO Companies would merge and, as a result, NEE and the HECO Companies filed an application to seek PUC approval of the proposed transaction (Docket No. 2015-0022). Given the significance of this proposed transaction, a number of parties sought to become parties and the PUC allowed 29 intervenors, including, but not limited to, two state agencies in DBEDT and the Office of Planning, as well as county agencies, and a federal agency (the Department of Defense).

The PUC's schedule required a number of pre-filed documents from the Applicants (NEE and the HECO Companies) and the other parties. Extensive discovery was conducted as part of this proceeding to determine the reasonableness of the proposed transaction. In its testimonies, the Consumer Advocate pointed out that the proposed transaction did not clearly articulate how PUC approval would benefit consumers, debunked a number of the Applicants' claims, and recommended that, in the absence of clear commitments to deliver benefits to customers, the PUC should not approve the proposed transaction. As part of this recommendation, the Consumer Advocate identified a number of conditions that would support a finding that the proposed transaction would be in the public interest.

Evidentiary hearings were held in November through December of 2015, and continue into 2016.

Other industries

The Consumer Advocate also participated in various dockets involving regulated water, wastewater, telecommunications, utility gas, and transportation companies. These dockets included ongoing rate proceedings for water/wastewater utility companies, rate cases and the Annual Freight Rate Adjustment for Young Brothers, as well as eligible telecommunications carrier certification for various

telecommunications companies. The Consumer Advocate also worked on various dockets related to Hawaii Gas, including their developing plans to convert their supply gas from synthetic natural gas to imported liquefied natural gas.

Advocacy through Participation on Committees and Boards

Enhanced Wireless 911 (E911) Services

Act 168, SLH 2011 (Act 168), created an E911 Fund and established the E911 Board. Act 168 established the framework to implement the State's wireless E911 system to route emergency calls to emergency responders, along with the wireless callers' identification and location. Under Act 168, the E911 Board oversees the collection and distribution of money collected by the E911 Special Fund and designates the Executive Director of DCA as a member of the board. During FY2014, DCA was involved in the E911 Board's successful efforts to transition its daily operations from a consultant to two full-time employee positions. The E911 Board is in the process of recruiting for the positions of Executive Director and Assistant Executive Director.

One Call Center Advisory Committee

The Executive Director of the DCA is also a member of the One Call Center Advisory Committee, which makes recommendations to the PUC regarding the implementation of Chapter 269E, HRS. This Advisory Committee was integral in developing the request for proposals for a vendor to operate a "call-before-you-dig" system. The system, which was operational on January 1, 2006, helps reduce the risk of critical services being disrupted by utility systems being inadvertently damaged due to excavation work conducted in areas where the systems are placed in underground facilities.

Energy Policy Forum

The Executive Director of DCA is a member of the Hawaii Energy Policy Forum (HEPF), which is a collaborative organization of UH. HEPF consists of members from the business, government, and regulatory communities. Meetings are held quarterly to discuss Hawaii's energy needs for both electricity and transportation. HEPF provides support to other organizations, such as the Hawaii Clean Energy Initiative Steering Committee. In FY2015, DCA continued to maintain its active role in the meetings providing input to HEPF concerning consumer concerns in the regulatory process before the PUC and the difficulties facing the state in achieving reliable electricity service at reasonable rates.

Hawaii Clean Energy Initiative (HCEI)

On January 31, 2008, the State of Hawaii and the United States Department of Energy (U.S. DOE) launched the HCEI, an agreement, which among other things, established for the State a goal of 70% clean energy resource use by 2030. The State and the U.S. DOE formed various committees designed to examine differing aspects of the State's energy use – transportation, electricity, energy efficiency, etc. The DCA is participating in the HCEI's Integration Committee, which, with the aid of U.S. DOE experts, seeks to consolidate the themes and suggestions put forth by the remaining committees.

The Executive Director of DCA also participates in the HCEI Management Committee, which deals with the high level planning associated with various aspects of the technical committees that are analyzing

various areas (electricity, end-use efficiency, transportation, fuels, and outreach) that are expected to be integral to the success of HCEI. The Management Committee is also working on HCEI 2.0. A new Memorandum of Understanding between the State and the U.S. DOE was executed in FY2015. Finally, the Management Committee voted to rescind a number of provisions in the original 2008 Energy Agreement that were determined to be no longer applicable.

DCA also participates in the Technical Advisory Group (TAG) that is responsible for evaluating the energy efficiency process that has been transitioned from the HECO Companies to a third-party administrator, also now known as Hawaii Energy. As part of this process, the TAG currently meets on a quarterly basis and evaluates various aspects of the measures being implemented to help plan, evaluate, and implement energy efficient programs in the service territories of the HECO Companies. Using the monies collected through the Public Benefits Fund surcharge, the TAG evaluates the use of the monies to help Hawaii's efforts to reduce its over-reliance on imported fossil fuels.

Education and Outreach

During the past year, DCA has continued to focus on expanding its education and outreach activities. This effort has allowed DCA to increase its ability to educate consumers and extend its reach into communities throughout the State. In addition to attending community fairs, DCA publishes its own newsletter and informational materials. Most notably, the DCA continues to focus on improving its web presence by keeping the online information relevant and informative.

Consumer Advocate launches Facebook page

DCA continues to use its Facebook page to reach consumers more quickly through social media. Through Facebook, DCA educates consumers by posting energy and water saving tips and notifies consumers of pertinent, utility-related online newspaper articles, blog posts, and radio and television programs. The Facebook page is also used to announce upcoming utility-related public hearings, consumer fairs, utility and green energy conferences, and media events. As of June 30, 2015, DCA's Facebook reach was 5,425.

CRF Financial Summary

The CRF financial summary relating to DCA for FY2015 as follows:

Personnel Expenses	Operating Expenses	Total Expenses	Revenues Received
\$1,624,415	\$1,300,524	\$2,924,939	\$3,943,435

CONCLUSION

DCA will continue to prioritize its caseload to target projects and consumer issues that have the greatest impact on the ratepayers of utility and transportation services in Hawaii. In addition, DCA is expanding its education and outreach efforts. These efforts place DCA in a better position to take a more proactive approach to address specific consumer issues and to gain greater public participation in decisions that affect their public utility and transportation services.