

DIVISION OF CONSUMER ADVOCACY (DCA)Website: cca.hawaii.gov/dcaEmail address: consumeradvocate@dcca.hawaii.gov**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 Public Utilities Commission (PUC) and the FCC. The 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, the 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 this information, the DCA files either written statements of position or testimonies explaining its analyses, findings, and recommendations with the PUC. When necessary, DCA analysts provide oral testimony, subject to utility company cross-examination, in contested case evidentiary hearings to resolve differences among the parties in utility proceedings.

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COMPOSITION

The DCA has 15 incumbent employees, including the Executive Director, a secretary, a utilities/transportation specialist, an education specialist, rate analysts, researchers, engineers, attorneys, and clerical support.

The DCA is divided into four branches:

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 database 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

The DCA's goals and objectives can be categorized into 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 the DCA's goals and how the DCA will reach them, the goals will be described separately.

CONSUMER ADVOCACY

Goal

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

Planned Approach/Methods

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

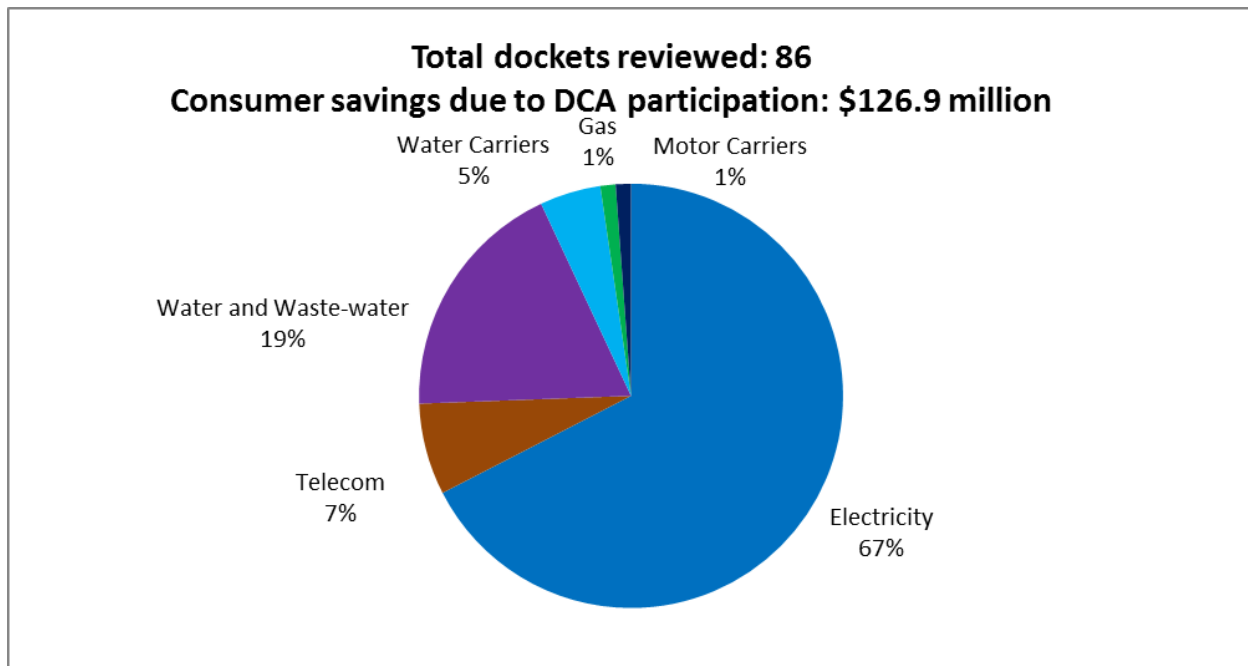
- Review of applications to ensure compliance with regulations.
- Participation at PUC public hearings.
- Procurement of consultant services to manage workload and for complex cases.
- Completion of discovery.
- Analysis of applications and supporting documents to determine the accuracy and reasonableness of the requests.
- Provision of recommendations to the PUC on the merits of the application through statements of position or direct testimonies and provision of oral testimonies, which are subject to cross-examination in proceedings where evidentiary hearings are necessary.

- Completion of related legal actions, such as filings of legal briefs, motions, and appeals, as necessary.

Measures

To measure the DCA's performance in advocating consumer interests, the DCA tracks various categories of information. The DCA monitors consumer savings resulting from its participation in PUC proceedings, the percentage of PUC decisions that adopt settlements reached by parties to a proceeding, the number of service quality investigations the DCA participates in, and the number of filings before the PUC reviewed by the DCA. Chart 1 describes the total number of dockets the 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, FY 2018

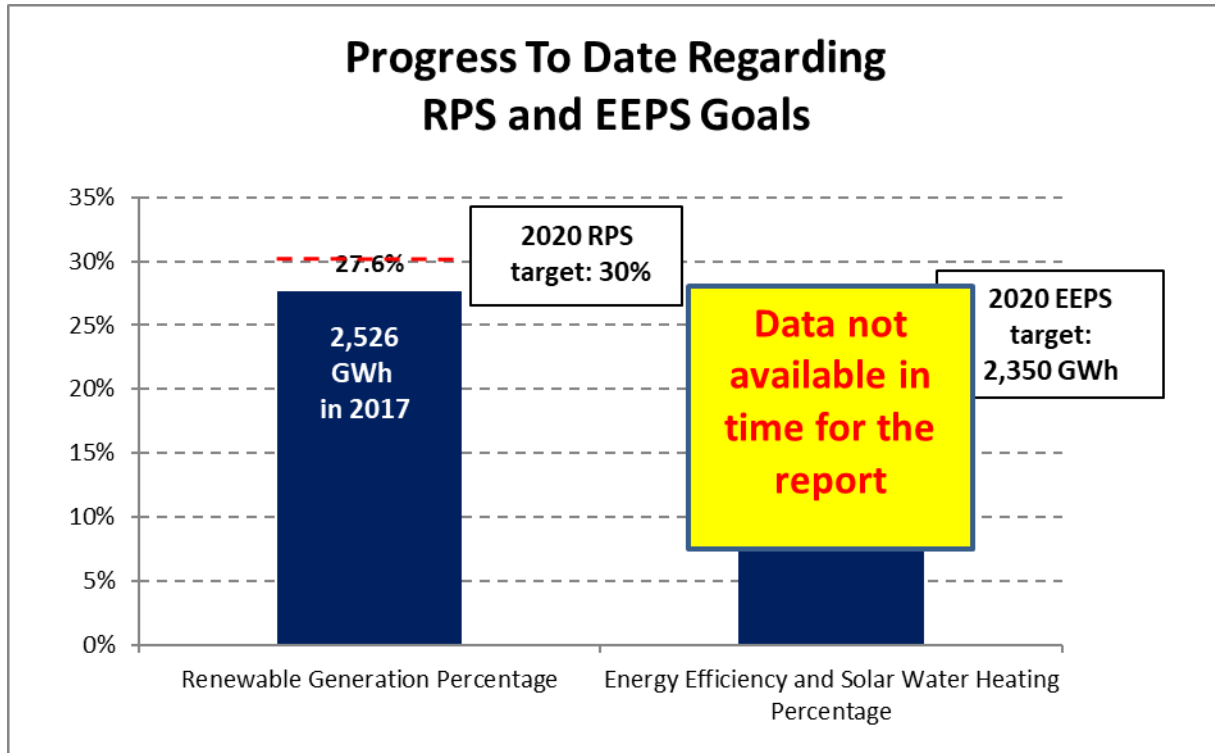


POLICY ADVANCEMENT

Goal

The 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 major objectives that the DCA will pursue are: (1) continued efforts to promote and facilitate Hawaii's transition from using imported fossil fuels to clean renewable energy advancement of federal and state broadband initiatives; and (2) advancement of federal and state broadband initiatives. As of the submission date of this report, the DCA has not received data since last year's CRF Report on the State's progress toward its Energy Efficiency Portfolio Standard (EEPS) goals; however, Chart 2 reflects Hawaii's progress on its Renewable Portfolio Standard (RPS) goals, and the State continues to progress toward its 2020 RPS and EEPS goals.

Chart 2: Hawaii's RPS and EEPS Goals



*Above data is for calendar year 2017. Due to changes in reporting requirements, it is necessary to discuss how progress toward EEPS goals will be monitored and reported in the future.

Planned Approach/Methods

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

- After the 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;
- The DCA provides the PUC with a recommendation it believes is in the best interest of consumers; and
- The DCA participates in evidentiary or panel hearings conducted by the PUC. The DCA presents its evidence by way of expert testimony on specific technical issues.

The DCA monitors congressional activity in the energy and telecommunications areas. The 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.

The 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.

The DCA is actively involved with the State Legislature and provides testimonies that detail consumer benefits or detriments of specific proposals and bills being considered by various legislative committees. In the 2018 legislative session, the DCA monitored and/or testified on 65 bills and submitted written testimony on 34 occasions.

Measures

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

EDUCATION & OUTREACH

Goal

The 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 the DCA aims to gather consumer input on utility issues and to encourage consumers to be more involved in utility proceedings. The DCA attends public meetings and hearings to learn of consumer complaints and concerns.

Planned Approach/Methods

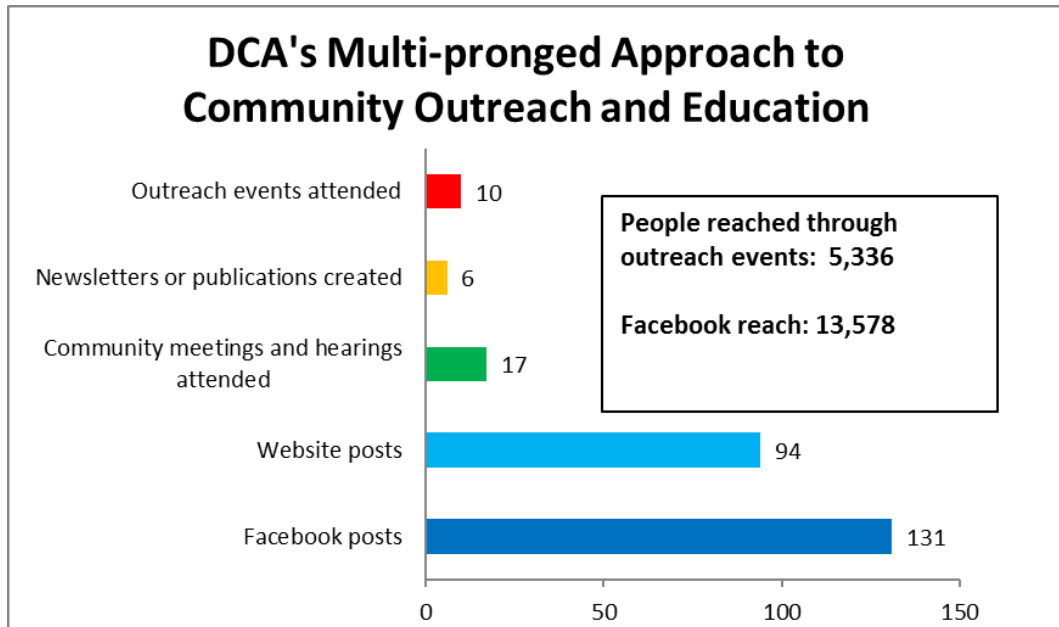
The DCA can accomplish its goal of positively affecting the habits of consumers statewide through its website and public outreach activities. The DCA established the following action plan to accomplish its goals and objectives:

- Update and improve its website with consumer-friendly and useful content;
- Use social media, such as Facebook, to reach a greater number of consumers;
- Attend public hearings and meetings to listen to consumer complaints and concerns;
- 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;
- Improve communications with consumers and the public through expanded distribution and publication of its newsletter; and
- Hold informational seminars or use public service announcements to highlight different utility issues and topics.

Measures

To measure its performance and progress on education and outreach activities, the DCA 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 the DCA engaged in community outreach and education in FY 2018.

Chart 3: DCA's Multi-pronged Approach to Community Outreach and Education



ACCOMPLISHMENTS

Results of the DCA's efforts to protect and advance the interests of consumers in FY 2018 are summarized below for some of the more significant matters involving the DCA:

(1) **ADVOCACY BEFORE THE PUBLIC UTILITIES COMMISSION**

Energy Dockets

Resource Planning

Throughout most jurisdictions, energy utility companies are required to conduct long-term planning processes to efficiently plan on how to meet customer needs with an optimal mix of resources, such as central station generation, distributed generation, and demand-side resources. The need for energy planning is heightened in Hawaii since Hawaii's RPS and EEPS objectives require careful planning to ensure that Hawaii's energy rates do not unreasonably escalate or the reliability and resiliency of electric services do not suffer. While such planning was historically done through Integrated Resources Planning, or IRP, proceedings, and more recently as Power Supply Improvement Plans, or PSIP, proceedings, the Hawaiian Electric Companies (HECO Companies) are now conducting Integrated Grip Planning (IGP). The PUC recently opened

Docket No. 2018-0165 to investigate the IGP process. The DCA will continue to actively review and provide recommendations regarding the utilities' resource planning efforts.

Investigation of Distributed Energy Resources (DER)

The PUC opened Docket No. 2014-0192 in August 2014 to review various issues related to DER (e.g., photovoltaic rooftop systems) and the measures required to both facilitate the continued adoption of DER and ensure that a sustainable market for DER will exist that does not adversely affect other renewable energy markets or consumers. Due to the urgent need to review certain DER issues, the PUC set forth an accelerated timetable for analysis of these issues in Phase 1 of this proceeding, with other issues to be analyzed in Phase 2.

In Phase 1, pursuant to concerns raised, 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 photovoltaic systems. Furthermore, the PUC also required the HECO Companies to provide time-of-use tariffs. In the first part of Phase 2, the PUC adopted further changes to the Customer Self-Supply and Customer Grid-Supply programs and instructed the parties to work on a smart export program.

Phase 2 of this proceeding has involved ongoing work to develop a smart export program and on other DER issues. Additional work will address technical track issues, as well as market track issues that need to consider the needs and protections for both participating and non-participating customers.

Performance-Based Ratemaking (PBR)

In the 2018 Legislative Session, Act 5 was passed that required the PUC to establish performance incentives and penalty mechanisms to tie revenues to performance instead of being tied to investments. In addition, the PUC opened Docket No. 2018-0088, which is investigating PBR. In Docket No. 2018-0088, the Commission has set forth the plan to look at PBR in two phases with a 21-month timeline (Nine months for Phase 1, and 12 months for Phase 2). The DCA has been actively participating in this proceeding to protect consumers' interests, as the possible outcomes could be favorable to the HECO Companies and/or third-party special interests – to the detriment of the consumers.

2017 Tax Cuts and Jobs Act (2017 Tax Act)

In December 2017, the 2017 Tax Act was passed, which modified the tax code, including collapsing all corporate tax rate brackets into a single bracket at 21%. Since utility rates existing at the time were based on the higher corporate tax rates, the DCA urged the PUC to ensure that the benefits associated with the tax reduction would be passed onto customers. The PUC agreed and filed an order in Docket No. 2018-0012 that required utility companies to take the necessary steps to ensure that the benefits would be passed onto customers. Docket No. 2018-0012 is ongoing, but the relevant benefits are generally being identified, and the means of returning the benefits are occurring in individual rate case proceedings.

Green Energy Market Securitization (GEMS)

Since its approval by the PUC in 2014, the GEMS program has not demonstrated successful uptake of its offering. As a result, concerns have been raised about how the funds should be used and what should be done with GEMS. The Hawaii Green Infrastructure Authority (HGIA) has filed various program modifications and notifications on how to modify GEMS so that its funds might be used. The Consumer Advocate has been reviewing these proposals and working with the HGIA so that the original intent of GEMS – to provide the underserved, such as low- to moderate-income customers with a low-cost alternative financing option – is not forgotten.

Community-Based Renewable Energy Program (CBRE)

In November of 2015, the PUC suspended a HECO Companies' tariff to open a proceeding to investigate CBRE issues. Subsequently, the PUC filed its staff proposal for a CBRE program and requested comments on that proposal. The Consumer Advocate's proposal supported the need for a CBRE program but noted the proposal did not include sufficient customer safeguards and may have been too favorable to industry and developer interests. The Consumer Advocate highlighted the need for low-cost options for renters, multi-unit dwelling residents, and low-income customers and for an initial program that would be relatively simple, rather than a complex program that might doom any future CBRE efforts. The PUC proposed a CBRE framework, which the Consumer Advocate and other stakeholders analyzed and offered comments. After the offered comments and technical conferences, the PUC action is pending.

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, a rate case for Young Brothers, the merger between CB and HT, and eligible telecommunications carrier certification for various telecommunications companies. The Consumer Advocate also worked on various dockets related to Hawaii Gas.

(2) ADVOCACY THROUGH PARTICIPATION ON COMMITTEES AND BOARDS**Enhanced Wireless 911 (E911) Services**

Act 168, SLH 2011 (Act 168) created the E911 Fund and 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 the DCA as a member of the E911 Board.

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 HRS chapter 269E and Act 141, SLH 2004. This advisory committee was integral in developing the request for proposals for a vendor to operate a "call-before-you-dig" system. This system, which became operational on January 1, 2006, helps reduce the risk of critical services being disrupted when utility systems are inadvertently damaged due to excavation work in areas where the systems are

placed in underground facilities. This ensures greater public health and safety and ultimately saves excavators time and money.

Energy Policy Forum

The Executive Director of the DCA is a member of the Hawaii Energy Policy Forum (HEPF), which is a collaborative organization of UH at Mānoa. The 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. The HEPF also provides support to other organizations, such as the Hawaii Clean Energy Initiative Steering Committee. In FY 2018, the DCA continued to actively participate in these meetings by providing input to the HEPF on consumer concerns in the PUC regulatory process and the difficulties the State faces in achieving reliable electricity service at reasonable rates.

Hawaii Clean Energy Initiative (HCEI)

On January 31, 2008, the State of Hawaii and the U.S. Department of Energy (U.S. DOE) launched the HCEI, an agreement that established for the State a goal of 70% clean energy resource use by 2030. The State and U.S. DOE formed various committees to examine differing aspects of the State's energy use, including transportation, electricity, and energy efficiency. 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.

As part of the HCEI, the Executive Director of the DCA also participates in the Management Committee, which deals with high-level planning associated with various aspects of the technical committees that are analyzing various areas (e.g., electricity, end-use efficiency, transportation, fuels, and outreach) that are expected to be integral to the success of the HCEI.

The DCA also participates in the Technical Advisory Group (TAG), which is responsible for evaluating the energy efficiency process that transitioned from the HECO Companies to a third-party administrator, also now known as Hawaii Energy. As part of this process, 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, TAG evaluates the use of the monies to help Hawaii's efforts to reduce its overreliance on imported fossil fuels.

(3) EDUCATION AND OUTREACH

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

Consumer Advocate's Facebook page

The DCA continues to use Facebook to reach consumers more quickly through social media. Through Facebook, the DCA educates consumers by posting energy and water-saving tips and notifying 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.

CRF FINANCIAL SUMMARY

The following is the DCA's CRF financial summary for FY 2017-2018:

Personnel Expenses	Operating Expenses	Total Expenses	Revenues Received
\$1,885,673	\$1,259,124	\$3,144,798	\$4,398,762

CONCLUSION

The 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, the DCA is expanding its education and outreach efforts. These efforts will allow the DCA to more proactively address specific consumer issues and gain greater public participation in decisions that affect their public utility and transportation services.