STATE OF HAWAII
PUBLIC UTILITIES COMMISSION

ANNUAL REPORT

FOR

FISCAL YEAR 2015

(July 1, 2014 – June 30, 2015)

DECEMBER 2015

Executive Summary

The State of Hawaii ("State") of Public Utilities Commission's ("PUC" or "Commission") mission is to provide effective, proactive, and informed oversight of all regulated entities to ensure that they operate at a high level of performance so as to serve the public fairly, efficiently, safely, and reliably, while addressing the goals and future needs of the State in the most economically, operationally, and environmentally sound manner, and affording the opportunity for regulated entities to achieve and maintain commercial viability.

In Fiscal Year ("FY") 2015, the Commission regulated 1,657 entities, which includes all chartered, franchised, certificated, and registered public utility companies that provide electricity, gas, telecommunications, private water and sewage, and motor and water carrier transportation services in the State.

Administrative Update

On July 1, 2015, the Commission completed its transfer, for administrative purposes only, to the Department of Commerce and Consumer Affairs from the Department of Budget and Finance, pursuant to Act 108, Session Laws of Hawaii 2014 ("Act 108"). The provisions of Act 108 are expected to ensure that the mission of the Commission is adequately supported as the Commission's work complexity and program responsibilities increase, particularly in the area of energy regulation.

During the fiscal year, the Commission continued to work with the Department of Accounting and General Services Public Works Division and the selected design consultant to finalize plans for the Commission's office space expansion and renovation project in the State's Kekuanaoa Building.

In FY 2015, the Commission also filled vacancies and hired 14 new employees, including one commissioner.

Commission Proceedings and Regulatory Issues

The Commission issued a total of 798 decisions and orders in FY 2015. At the beginning of FY 2015, there were 186 pending dockets that had been opened in previous years. During the fiscal year, an additional 404 new dockets were opened and 358 dockets were completed (closed). As of the end of FY 2015, 232 open dockets remained, to carry over to FY 2016.

During the Fiscal Year, the Commission also undertook an extensive review of open dockets to determine whether or not there were any dockets that had remained inactive for an extended period and, if so, whether or not those dockets could be completed or closed. As a result of this review, the Commission identified 37 dockets that met this criteria. As of the date of this report, all of the identified dockets have either been closed, or further proceedings have been scheduled as necessary.

<u>Electric Utilities</u>

The majority of the Commission's time and resources in FY 2015 was dedicated to the important and complex area of regulating Hawaii's electricity service providers, as Hawaii transforms its electricity sector. During the Fiscal Year, the Commission prioritized its work in the electric utility sector in five dockets that will have major implications for the future of Hawaii's electric utilities.

HECO Companies and NextEra Energy Transfer/Merger, Docket No. 2015-0022

On January 29, 2015, the HECO Companies[1] and NextEra Energy, Inc. submitted an application requesting the PUC to approve the change of corporate control of the HECO Companies from Hawaiian Electric Industries, Inc. ("HEI") to Hawaiian Electric Holdings, a wholly owned subsidiary of NextEra Energy. If approved, the Proposed Change of Control would be effectuated through

[1] The HECO Companies are comprised of Hawaiian Electric Company, Inc. (HECO), serving the island of Oahu; Maui Electric Light Company, Limited (MECO), serving the islands of Maui, Lanai, and Molokai; and Hawaii Electric Light Company, Inc. (HELCO), serving Hawaii Island.

an all-stock transaction valued at approximately $4.3 billion, including NextEra Energy's assumption of $1.7 billion in HEI debt. As of the date of this report, the Commission concluded its public listening sessions conducted on each of the islands served by the HECO Companies, as well as on Kauai, and has completed the first twelve days of formal evidentiary hearings. The hearings are expected to resume in February 2016.

Review of HECO Companies' Power Supply Improvement Plans ("PSIPs"), Docket No. 2014-0183

The ultimate purpose of this proceeding is to determine a reasonable power supply plan for each of the HECO Companies that can serve as a strategic basis and provide context to inform important pending and future resource acquisition and system operation decisions. After a review of the HECO Companies' submitted PSIPs, the Commission issued Order No. 33320 on November 4, 2015, where it stated that it found several shortcomings in the PSIPs that need to be addressed. The Commission ordered the HECO Companies to file a Revision Plan on or before November 25, 2015. The Revision Plan shall endeavor to provide for filing of the updated PSIPs by April 1, 2016.

Investigation into Distributed Energy Resource ("DER") Policies, Docket No. 2014-0192

The evolution in DER policies is essential given the extraordinary levels of distributed renewable energy already achieved in Hawaii and the State's commitment to meet a 100% renewable portfolio standard by 2045. On October 12, 2015, the Commission issued Order No. 33258 and completed Phase 1 of the docket by establishing a transitional market structure for DER. The Commission continues its investigation in Phase 2 to build upon the transitional market structure and to develop a set of longer-term policies to enable continued beneficial deployment of DER across the State.

HECO, HELCO, MECO Demand-Side Management ("DSM") program and Integrated Demand Response Portfolio Plan ("IDRPP")

Fundamental changes in electricity markets are creating dramatic changes in the operation of electric grids, which, in turn, provide opportunities for additional fast, flexible, and continuously responsive distributed energy resources. Demand response ("DR") programs have emerged as an essential tool to address the myriad of challenges that arise out of an increasingly dynamic electric grid. The Commission provided the HECO Companies with specific guidance concerning the standards to be met by a fully integrated demand response portfolio and ordered them to produce an IDRPP to review their current DR programs, develop detailed estimates of DR potential and consolidate their DR programs into a single integrated portfolio. The Commission has appointed a Demand Response Special Advisor to review, monitor, and guide the HECO Companies through the IDRPP design and implementation process.

Review of Decoupling Mechanisms for HECO, HELCO, and MECO

Decoupling mechanisms separate a utility's revenues from its sales. A decoupling mechanism must be carefully balanced so as to achieve the goal of encouraging - or, at a minimum, not discouraging - the integration of efficiency and renewables by a utility while, at the same time, avoiding a situation whereby utility costs are simply passed through to customers without appropriate regulatory scrutiny. The Commission continues to investigate whether the decoupling mechanisms are serving their intended purposes.

Water and Wastewater Utilities

The Commission currently regulates 39 privately owned water service utilities that provide water services and wastewater services. During FY 2015, the Commission approved rate increases for four utilities and certificated one new utility.

Telecommunications

The Commission oversees 187 telecommunications providers. In FY 2015, the Commission certificated 12 new telecommunications companies to provide services in the State.

The Commission also designated one new Lifeline-only eligible telecommunications carrier ("ETC") and certified to the Federal Communications Commission and the Universal Service Fund ("USF") administrator that two ETCs have been or will be using USF high-cost support only for the purposes intended, but did not certify another two ETCs due to uncertainty regarding its use of the USF high-cost support.

Water Carriers

During the FY 2015, the Commission reviewed changes to rates and the tariffs of two water carriers: Young Brothers Limited and Sea Link of Hawaii.

Motor Carriers

During FY 2015, 109 new certificates or permits were issued to 90 passenger carriers and 19 property carriers, bringing the total number of regulated motor carriers to 1,422. The total includes 899 passenger carriers and 523 property carriers.

The Commission also reviewed and approved rates for members of the Western Motor Tariff Bureau, Inc., the Hawaii State Certified Common Carriers Association, and 36 independent motor carriers.

Enforcement Activities

There were two formal complaints and 135 written informal complaints processed in FY 2015. The Commission issued 9 civil citations and assessed civil penalties totaling $13,500. Thirty-seven motor carrier certificates were also revoked.

Commission Funding

Fees from public utilities and motor carriers are deposited into a Special Fund for expenses incurred in the administration of Chapters 269, 269E, 271, and 271G of the Hawaii Revised Statutes. In FY 2015, total Special Fund revenues were $20,608,664. The majority, 92.0 percent, came from public utility fees; 7.1 percent came from motor carrier fees, 0.3 percent came from One Call Center fees, 0.4 percent came from other sources, and 0.2 percent came from motor carrier interest, penalties, and fines.

Of the total FY 2015 Special Fund revenues, Commission direct expenditures (personnel and other current expenditures) accounted for only 29.5% of total Commission expenditures and transfers. Of the 70.5% remaining, 25.8% was transferred to the General Fund, 20.9% was transferred for the renovation and agency move, 17.5% was transferred to the Division of Consumer Advocacy, and 6.3% was transferred to Central Services and Administrative Assessments.

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Introduction

The Public Utilities Commission ("Commission" or "PUC") of the State of Hawaii ("State") submits this Annual Report pursuant to §269-5, Hawaii Revised Statutes ("HRS"). In short, this report summarizes the activities and operations of the Commission and the public utilities it regulates during the 2015 Fiscal Year ("FY") that runs from July 1, 2014 to June 30, 2015. Where possible, this report reflects the most current information. Therefore, discussion and information on key regulatory issues are current through September 2015. Regulated utilities reports, financial and budget information reflect the 2015 fiscal year.

The Commission regulates 1,657 entities, which include all chartered, franchised, certificated, and registered public utility companies that provide electricity, gas, telecommunications, private water and sewage, and motor and water carrier transportation services in the State (See Figure 1). The Commission also enforces applicable State statutes, and establishes rules and regulations.

Figure 1: Entities Regulated by the PUC

Energy					Transportation					Telecom		Water/ Waste-water
Electricity				Gas	Water Carriers			Motor Carriers				
Hawaiian Electric Company	Maui Electric Company	Hawaii Electric Light Company	Kauai Island Utility Cooperative	The Gas Company, dba Hawaii Gas	Young Brothers	Sea Link	Hone Heke	899 Passenger Services	523 Property Carriers	Hawaiian Telcom	187 Wireless and Wireline Companies	39 Private Water and Sewer Companies

The Commission has offices on four islands.

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Commissioners

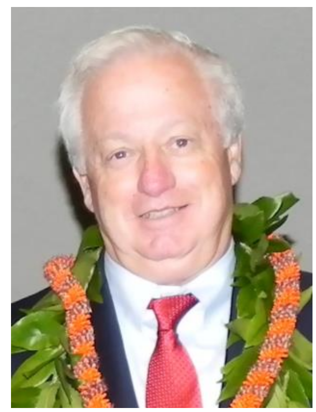
Hawaii's three Commissioners during FY 2015 are:

Randall Y. Iwase, Chair

Randall Y. Iwase was appointed as the Chair of the Commission in January 2015 by Governor David Y. Ige for a term to expire on June 30, 2020. Prior to his appointment to the Commission, Chair Iwase served as the Chair of the Hawaii State Tax Review and Chair of the Hawaii Labor and Industrial Relations Appeals Board. He also served as the Supervising Deputy Attorney General where his division provided legal counsel to the Department of Commerce and Consumer Affairs and the Public Utilities Commission. Chair Iwase is a former state senator and former Honolulu city council member. Chair Iwase holds a J.D. from the University of San Francisco School of Law, and a B.A. from the University of Florida, Gainesville, where he graduated with honors.

Michael E. Champley, Commissioner

Michael E. Champley was appointed to the Commission on September 15, 2011 by Governor Neil Abercrombie for a term to expire on June 30, 2016. Commissioner Champley has over 40 years of experience analyzing, integrating and managing complex economic, public policy and technical issues confronting the energy utility industry. Prior to his appointment, Commissioner Champley was a Maui-based senior energy consultant focused on clean energy resource integration in Hawaii.



Before relocating to Hawaii, Commissioner Champley was a senior executive with DTE Energy, a major electric and gas energy company, where he held various executive positions including Senior Vice President-Regulatory Affairs and Senior Vice President-Power Supply. He holds a B.S. in Electrical Engineering from the University of Dayton and an M.B.A. from Indiana University, with emphasis in Finance and Public Utility Economics and Regulation.

Lorraine Akiba, Commissioner

Lorraine Akiba was appointed to the Commission by Governor Neil Abercrombie to a term that expires on June 30, 2018. Prior to her appointment, Commissioner Akiba worked in private practice as partner at McCorriston Miller Mukai MacKinnon LLP and Cades Schutte Flemming & Wright LLP. She headed the Environmental Practice Groups at both law firms with an emphasis in environmental and natural resources law in addition to her commercial and business litigation practice. Commissioner Akiba also previously served the public as Director of the State Department of Labor and Industrial Relations and as Chair of the Hawaii State Environmental Council.

Commissioner Akiba holds a J.D. from the University of California, Hastings College of the Law and graduated with honors from the University of Berkeley with a B.A. in political science.

Goals and Objectives of the Commission

Primary Purpose

The Commission's mission is to provide effective, proactive, and informed oversight of all regulated entities to ensure that they operate at a high level of performance so as to serve the public fairly, efficiently, safely, and reliably, while addressing the goals and future needs of the State in the most economically, operationally, and environmentally sound manner, and affording the opportunity for regulated entities to achieve and maintain commercial viability.

Strategic Goals

The Commission's strategic goals are to:

- Increase the efficiency and effectiveness of the regulatory process;
- Foster greater understanding of the regulatory process by the public;
- Inspire confidence in the regulatory process;
- Require regulated entities to continually achieve outstanding performance;
- Create a regulatory environment that contributes to the economic and clean energy goals of the State;
- Stimulate and encourage competition where appropriate and feasible; and
- Cultivate high morale and performance among Commission employees.

Long-Term Objectives

The long-term objectives of the Commission are to:

- Review and propose updates to regulatory laws and rules to address the future needs of the public, the utility industries, and the State;
- Develop processes for educating and informing the public about the regulatory process and Commission decisions;
- Provide meaningful guidance to regulated utilities with respect to expected levels of performance;
- Identify areas where competition may achieve results that are superior to regulation and foster competition in those areas;
- Provide regular and relevant training opportunities for staff to improve knowledge and skills;
- Take appropriate actions to insure adequate funding levels to perform all Commission functions;
- Actively monitor pending legislation at the State and Federal levels to determine potential impacts on Commission duties and responsibilities; and
- Develop a knowledge base of industry, economic, and policy trends to allow better anticipation of regulatory impacts.

Short-Term Objectives

The short-term objectives of the Commission are to:

- Review and revise, where necessary, organization and position descriptions to ensure clarity of responsibilities and duties;
- Fill remaining vacancies with individuals having the requisite skills, knowledge, and attributes;
- Provide basic training in the regulatory field to all professional staff within the first six months of employment;
- Review and modify, as necessary, internal communication, information and document flow to ensure accuracy, efficiency, and appropriate dispersal among personnel;
- Review and modify, as necessary, work processes to improve efficiency, accuracy, and timeliness; and
- Review IT requirements to facilitate timely and accurate dissemination of information.

Recommendations for Legislative & Executive Action

Provide full appropriations for statutorily required payment to DCCA for administrative overhead assessment

The PUC, as an agency administratively attached to the Department of Commerce and Consumer Affairs ("DCCA"), is statutorily obligated to pay DCCA for the administrative overhead services they provide.[2] DCCA has calculated the PUC's administrative overhead assessment to be $606,175 in FY 16 and $604,889 in FY 17, yet the legislature only provided the PUC $300,000 in FY 16 and $300,000 in FY 17 to meet this obligation. If the Commission's appropriations are not increased to meet this obligation, the Commission may be forced to make sacrifices to other areas of its budget.

Increase the Commission's carryover balance to $3,000,000

At the end of every fiscal year all monies in excess $1,000,000 remaining in the PUC Special Fund ("PUC SF") lapses to the credit of the State general fund ("GF"). This $1,000,000 "carryover balance" is the PUC's only means of meeting its financial obligations until the first major public utility fee deposit is made in August. The PUC's currently allowed carryover balance was established over 20 years ago and has become insufficient to meet the PUC's current start-of-year financial obligations. When the PUC is not able to meet its start-of-year financial obligations, the Commission is forced to make sacrifices that can affect operations. Increasing the PUC SF carryover balance from $1,000,000 to $3,000,000 will allow the PUC to access its appropriations earlier to meet these start-of-year financial obligations and ensure smooth uninterrupted operation of the PUC with minimal impact on the GF.

[2] See HRS Section 36-30, where the PUC has a statutory obligation to provide for "its pro rata share of the administrative expenses incurred by the department responsible for the operations supported by the special fund concerned." See also HRS Section 269-33 which further provides that proceeds of the PUC special fund are to be used to cover "costs incurred by the department of commerce and consumer affairs to fulfill the department's limited oversight and administrative support functions[.]"

Administrative Update

Administrative Transfer of the Public Utilities Commission

On July 1, 2015, through close coordination with the Department of Commerce and Consumer Affairs (“DCCA”) and the Department of Budget and Finance (“DBF”), the Commission completed its transfer, for administrative purposes only, to DCCA from DBF pursuant to Act 108, Session Laws of Hawaii 2014 (“Act 108”). The provisions of Act 108 are expected to ensure that the mission of the Commission is adequately supported as the Commission’s work complexity and program responsibilities increase, particularly in the area of energy regulation. In addition to facilitating the PUC’s transfer, the PUC’s administrative staff began work on updating position descriptions that aligned with the Commission’s Reorganization structure that was acknowledged by the DBF Director in December 2014.

Office Expansion Project and New Hires

In FY 2015, the Commission continued to work with the Department of Accounting and General Services Public Works Division and the selected design consultant to finalize plans for the Commission’s office space expansion and renovation project (“Project”) in the State’s Kekuanaoa Building. Completion of this Project will provide the Commission with adequate office space to efficiently accommodate all of the positions authorized as part of the Commission’s administrative reorganization pursuant to Act 177, SLH 2007, and as modified by Act 104, SLH 2013, and Act 108, SLH 2014. The Project began in FY 2012 and is scheduled to be completed by the end of 2017.

Due to the Commission’s current office space limitations mentioned above, the Commission prioritized recruiting efforts throughout FY 2015 and focused on filling key reorganization positions, while also backfilling existing positions. During FY 2015, the following Commission positions were filled:

- 1 Commissioner (Chair);
- 2 Office Assistants;
- 2 Secretaries;
- 2 District Representatives (Maui and Kauai);
- 1 Attorney;
- 1 Utility Analyst;
- 1 Economist;
- 1 Engineer;
- 1 Executive Officer (Act 108);
- 1 Personnel Management Specialist (Act 108); and
- 1 Accountant V (Act 108).

Docket Proceedings and Regulatory Issues

Regulatory proceedings are conducted in a formal docket process. Docket filings, decisions, and orders are available on the Commission's Document Management System ("DMS") website at: http://dms.puc.hawaii.gov/dms/. You may also view non-docketed filings on DMS. Non-docketed filings in calendar year 2014 are under docket number 2014-0000 and those from calendar year 2015 are under docket number 2015-0000.

This section provides docket statistics for the Commission as well as summarizes major proceedings and regulatory issues by sector.

Docket Statistics

The Commission issued a total of 798 decisions and orders in FY 2015. At the beginning of FY 2015, there were 186 pending dockets that had been opened and carried over from previous fiscal years. During the fiscal year, an additional 404 new dockets were opened. Thus, during FY 2015, a total of 590 dockets were before the Commission for review and consideration. Of the 590 dockets, 358 were completed by the end of FY 2015. As of June 30, 2015, 232 open dockets remained pending and will carry over to FY 2016. The number of dockets by type and status are shown in Table 1.

Table 1 - Public Utilities Commission Dockets

Sector	Carried over from FY 2014	Opened in FY 2015	Total of FY14 Carried Over + FY15 Opened	Closed in FY 2015	To Carry Forward to FY 2016
Electric	66	38	104	34	70
Gas	3	3	6	0	6
Telecommunication	23	51	74	52	22
Water/Sewer	12	1	13	7	6
Motor Carrier - Passenger	66	226	292	202	90
Motor Carrier - Property	13	81	94	62	32
Water Carrier	2	3	5	1	4
One Call Center	1	1	2	0	2
TOTAL	**186**	**404**	**590**	**358**	**232**

In February of 2015, the Commission undertook an extensive review of open dockets to identify dockets that had remained inactive for an extended period and, if so, whether or not those dockets could be completed or closed. As a result of this review, the Commission identified 37 dockets that met this criteria. As of the date of this report, all of those dockets have either been closed, or further proceedings have been scheduled as necessary.

Electric Utilities and Energy Proceedings

The Commission regulates four electric utility companies or entities engaged in the production, purchase, transmission, distribution, and sale of electric energy in the State: Hawaiian Electric Company ("HECO"); Maui Electric Company ("MECO"); Hawaii Electric Light Company ("HELCO"), (collectively, "the HECO Companies"); and Kauai Island Utility Cooperative ("KIUC"). The following section summarizes the Commission's electric utilities and energy-related proceedings in the following categories: PUC Priority Dockets, Ratemaking, Generation Resource Acquisition, Fuel Contracts, Capital Expenditures, Financing, and Property Transfers.

PUC Priority Dockets

HECO Companies and NextEra Energy Transfer/Merger: Application for Approval of the Proposed Change of Control and Related Matters
Docket No. 2015-0022, Status: Open

On January 29, 2015, the HECO Companies and NextEra Energy, Inc. submitted an application requesting the PUC approve the change of corporate control of the Hawaiian Electric Companies from Hawaiian Electric Industries, Inc. ("HEI") to Hawaiian Electric Holdings, a wholly owned subsidiary of NextEra Energy. If approved, the Proposed Change of Control would be effectuated through an all-stock transaction valued at approximately $4.3 billion, including NextEra Energy's assumption of $1.7 billion in HEI debt.

On March 2, 2015, in Order No. 32695, the Commission established standards of review, provided the initial statement of issues, and set forth the initial procedures. The initial list of issues identified by the Commission to be addressed in this proceeding include:

1) Whether the Proposed Transaction is in the public interest.
    a. Whether approval of the Proposed Transaction would be in the best interests of the State's economy and the communities served by the HECO Companies.

    b. Whether the Proposed Transaction, if approved, would provide significant, quantifiable benefits to the HECO Companies' ratepayers in both the short and the long term beyond those proposed by the HECO Companies in recent regulatory filings.

    c. Whether the proposed transaction would impact the ability of the HECO Companies' employees to provide safe, adequate, and reliable service at reasonable cost.

    d. Whether the proposed financing and corporate restructuring proposed in the Application is reasonable.

    e. Whether adequate safeguards exist to prevent cross subsidization of any affiliates and to ensure the Commission's ability to audit the books and records of the HECO Companies, including affiliate transactions.

    f. Whether adequate safeguards exist to protect the HECO Companies' ratepayers from any business and financial risks associated with the operations of NextEra and/or any of its affiliates.

    g. Whether the Proposed Transaction, if approved, would enhance or detrimentally impact the State's clean energy goals.

    h. Whether the transfer, if approved, would potentially diminish competition in Hawaii's various energy markets and, if so, what regulatory safeguards would be required to mitigate such adverse impacts.

2) Whether the Applicants are fit, willing, and able to properly provide safe, adequate, and reliable electric service at the lowest reasonable cost in both the short and the long term.
    a. Whether the Proposed Transaction, if approved, would result in more affordable electric rates for the customers of the HECO Companies.

b. Whether the Proposed Transaction, if approved, would result in an improvement in service and reliability for the customers of the HECO Companies.

c. Whether the Proposed Transaction, if approved, would improve the HECO Companies' management and performance.

d. Whether the Proposed Transaction, if approved, would improve the financial soundness of the HECO Companies.

3) Whether the Proposed Transaction, if approved, would diminish, in any way, the Commission's current regulatory authority over the HECO Companies, particularly in light of the fact that the ultimate corporate control of the HECO Companies will reside outside of the State.

4) Whether the financial size of the HECO Companies relative to NextEra's other affiliates would result in a diminution of regulatory control by the Commission.

5) Whether NextEra, FPL, or any other affiliate has been subject to compliance or enforcement orders issued by any regulatory agency or court.

6) Whether any conditions are necessary to ensure that the Proposed Transaction is not detrimental to the interests of the HECO Companies' ratepayers or the State and to avoid any adverse consequences and, if so, what conditions are necessary.

On April 1, 2015, the Commission issued Order No. 32739 to: (1) establish the issues to be addressed in the pre-filed testimony; (2) establish an initial procedural schedule to govern discovery and the pre-filing of testimony; and (3) address other related matters.

Throughout September and October of 2015, the Commission held public listening sessions on each of the islands served by the HECO Companies: Oahu, Maui, Lanai, Molokai, and Hawaii. A session was also held on the island of Kauai. Although the Commission is not legally required to hold public hearings with respect to the Proposed Transaction, the Commission provided members of the public the opportunity to address the Commission concerning the Proposed Transaction at public listening sessions.

Formal evidentiary hearings were held for 12 days between November 30, 2015 and December 16, 2015. The hearings are expected to resume in February of 2016.

Review of HECO Companies’ Power Supply Improvement Plans
Docket No. 2014-0183, Status: Open

On August 7, 2014, by Order No. 32257, the Commission initiated this docket to consolidate the review of the “Power Supply Improvement Plans” (“PSIPs”) filed for each of the HECO Companies. The ultimate purpose of this proceeding is to determine a reasonable power supply plan for each of the HECO Companies that can serve as a strategic basis and provide context to inform important pending and future resource acquisition and system operation decisions. On September 12, 2014, in Order No. 32294, the Commission invited public comment on the HECO Companies’ PSIPs. Comments were provided by several petitioners, organizations, state agencies, and over 300 individual members of the general public. On September 26, 2014, the Commission issued a series of information requests to the HECO Companies seeking more detail and documentation in support of key figures, assumptions, and conclusions contained in the PSIPs. On October 10, 2014 and November 11, 2014, the HECO Companies submitted voluminous responses to the Commission’s information requests.

On November 4, 2015, the Commission issued Order No. 33320 which granted intervention and participant status to certain movants; identified an initial statement of issues and a schedule of proceedings; and made preliminary observations regarding the PSIPs. The Commission found several shortcomings in the initial PSIP filings that need to be addressed. In its order, the Commission identified and discussed several matters requiring further supplementation and amendment in this proceeding. In particular, the Commission identified observations and concerns in the eight subject areas:

1) PSIP Cost Impacts and Risks Have Not Been Demonstrated to be Reasonable
   The HECO Companies' characterization of PSIP costs and rate impacts appears misleading and relies on uncertain presumed cost-saving measures. Additionally, the plans require extensive and possibly problematic amounts of capital expenditure.

2) PSIPs Do not Appear to Aggressively Seek Lower-Cost, New Utility-Scale Renewable Resources
   It has not been clearly demonstrated that the proposed renewable energy portfolios in the "Preferred Plans" represent a reasonable, cost-effective strategy to meet state energy policy objectives. The HECO Companies appear to have included resources with higher costs and uncertain feasibility at the expense of other lower-cost renewable sources that could be developed sooner and with lower development risk.

3) PSIPs Do Not Adequately Address Utilization and Integration of Distributed Energy Resources
   The HECO Companies' analyses do not appear to consider contributions from all types of distributed resources, including demand response, energy efficiency, electric vehicles, distributed generation, and distributed energy storage to supply high-value grid services or offset future transmission-and-distribution infrastructure.

4) Proposed Plans for Fossil-Fueled Power Plants Are Not Sufficiently Justified
   The PSIPs do not convincingly demonstrate that the proposed plans for each island's generation fleet are a preferred or most cost-effective option. In light of substantial uncertainties regarding the cost effectiveness, feasibility and timing of possible availability of LNG fuels, the strategies in the PSIPs to convert existing fossil-fueled generating units to LNG fuels is not sufficiently justified.

5) System Security Requirements Appear Costly and Are Not Sufficiently Justified
   The HECO Companies' technical basis for the proposed system security requirements is not clearly established and defined in technology-neutral terms. Additionally, the proposed requirements appear to excessively limit utilization of and increase costs to integrate renewable resources.

6) Proposed Plan for Provision of Ancillary Services Lacks Transparency and May Not be Most Cost-Effective Option
   The HECO Companies have not sufficiently considered the potential of all sources of ancillary services, including the contributions of demand response resources, and have not demonstrated that the proposed selection, sizing, and design of resources are the most cost-effective options. Additionally, the HECO Companies' analytical methods appear flawed.

7) PSIP Analysis on Inter-Island Transmission Lacks Sufficient Detail
   The HECO Companies have not provided reasonable cost-benefit analysis of inter-island transmission options and have not sufficiently explained why the conclusions in the PSIPs contrast so markedly with prior analyses.

8) Customer and Implementation Risks Are Not Adequately Addressed
   The PSIPs do not provide adequate consideration or analysis of substantial risks and uncertainties for customers, including the impacts of the timing, availability, and pricing of LNG imports; impacts of improvements in technology and the availability of renewable resources; and potential risks of stranded costs and rate impacts in light of the extensive proposed capital expenditure plans.

The Commission ordered the HECO Companies to file a Revision Plan on or before November 25, 2015, that shall include a Schedule and a Work Plan to supplement, amend, and update the PSIPs in order to address the Commission's observations and concerns along with the comments and analyses filed by the Parties in this docket. The Revision Plan shall endeavor to provide for filing of the updated PSIPs by April 1, 2016.

Investigation into Distributed Energy Resource Policies
Docket No. 2014-0192, Status: Open

The evolution in DER policies is essential given the extraordinary levels of distributed renewable energy already achieved in Hawaii, and the State's commitment to meet a 100% renewable portfolio standard by 2045. As Hawaii expands its portfolio of renewable energy, new market structures including competitive markets, should be developed to assist the State in ensuring that the costs and benefits of all forms of renewable energy are appropriately considered. Creation of these markets for DER is a central objective of this proceeding.

On August 21, 2014, the Commission opened Docket No. 2014-0192 to institute a proceeding to investigate the technical, economic, and policy issues associated with distributed energy resources ("DER") as they pertain to the electric operations of HECO, HELCO, MECO, and KIUC.

On August 26, 2014, the HECO Companies filed their Distributed Generation Interconnection Plan ("DGIP") in Docket No. 2011-0206. On September 12, 2014, by Order No. 32292 issued in Docket No. 2011-0206, the Commission transferred the DGIP to Docket No. 2014-0192 for review. As required by the Commission, the DGIP was to include a "Distributed Generation Interconnection Capacity Analysis", an "Advanced DER Technology Utilization Plan" and a "Distribution Circuit Improvement Implementation Plan".

On March 31, 2015, in Order No. 32737, the Commission: (1) granted several motions to intervene; (2) consolidated Docket No. 2014-0130 with this docket; (3) incorporated the record pertaining to the First and Second Stipulations of the PV Subgroup in Docket No. 2011-0206 into the instant proceeding; (4) ordered the HECO Companies to submit weekly reports in this docket documenting progress clearing the interconnection backlog; (5) ordered the HECO Companies and KIUC to submit monthly reports on key technical developments to enable DER market growth; and (6) established the deadlines for the parties to file initial comments on the Statement of Issues, Preliminary Statements of Position, and a stipulated resolution of Phase 1 issues. Attached to the order, Commission staff prepared a Staff Report and Proposal intended to serve as a framework to facilitate collaboration among the Parties and Intervenors to resolve the distributed energy resources issues identified through a two phase schedule.

On October 12, 2015, in Decision and Order No. 33258, the Commission: (1) approved revised interconnection standards for inclusion in the HECO Companies' Tariff Rule 14H to streamline and improve the HECO Companies' interconnection process; (2) closed the HECO Companies' net energy metering NEM program to new participants; and (3) approved new self-supply and grid-supply tariffs to expand customer options and ensure that customers can efficiently interconnect new DER systems that are configured to provide grid-supportive benefits.

Under the self-supply tariff, customers will have the opportunity for fast-tracked interconnection of DER systems that do not rely on exporting excess energy to the grid. The self-supply tariff has no participation cap. Under the grid-supply tariff, the Commission ordered that the credit for exported energy be established at a rate equal to the average on-peak avoided cost for the 12 months ending in June 2015, which varies for each island grid from 15.07 to 27.88 cents per kWh. The grid-supply tariff will have an initial participation cap of 25 MW for HECO, 5 MW for MECO, and 5 MW for HELCO.

The focus of Phase 1 of this docket was to establish a transitional market structure for distributed energy resources, one that would allow the Parties to this docket sufficient time to fully examine the issues inherent in expanding DER deployment statewide, such that these resources may continue to provide value to Hawaii in the future. Phase 2 of this proceeding will build upon the transitional market structure established in this docket to develop a set of longer-term policies to enable continued beneficial deployment of DER across the State.

HECO, HELCO, MECO Demand-Side Management Program and Integrated Demand Response Portfolio Plan
Docket No. 2007-0341, Status: Open

Fundamental changes in electricity markets are creating dramatic changes in the operation of electric grids, which, in turn, provide opportunities for additional fast, flexible, and continuously responsive distributed energy resources. Demand response programs have emerged as an essential tool to address the myriad challenges that arise out of an increasingly dynamic electric grid. Through Order No. 32054, dated April 28, 2014, the Commission provided the HECO Companies with specific guidance concerning the standards to be met by a fully integrated demand response portfolio. In response, the HECO Companies developed an Integrated Demand Response Portfolio Plan ("IDRPP"). The IDRPP was filed on July 28, 2014. Between August 7, 2014 and September 8, 2014, the Commission solicited public comment on the IDRPP.

On July 28, 2015, by Order No. 33027, the Commission appointed a Demand Response Special Advisor (‘Advisor”) to review, monitor, and guide the HECO Companies through the IDRPP design and implementation process consistent with the methodology and principles outlined in Order No. 33027. Following the Advisor's initial report, the Advisor shall file weekly reports with the Commission concerning ongoing activities with respect to the matters addressed in the Order.

Review of Decoupling Mechanisms for HECO, HELCO, and MECO
Docket No. 2013-0141, Status: Open

On May 31, 2013, by Order No. 31289, the Commission instituted an investigation of whether the decoupling mechanisms are serving their intended purposes. Decoupling mechanisms separate a utility's revenues from its sales. Thus, when sales decline due to energy efficiency measures or customer installations of solar and other types of renewable energy, the utility's revenues are protected. In theory, this means that the utility should be indifferent to energy efficiency programs or interconnection of customer-sited renewable energy projects as its revenues will not decline even though its sales might decline as a result of those projects. A decoupling mechanism must be carefully balanced so as to achieve the goal of encouraging - or, at the least, not discouraging - the integration of efficiency and renewables by a utility while, at the same time, avoiding a situation whereby utility costs are simply passed through to customers without appropriate regulatory scrutiny. It is this latter element of decoupling that has concerned the Commission with respect to the HECO Companies.

On October 28-29, 2014, the Commission conducted Panel Hearings where the following issues were addressed. These issues were established on October 22, 2014 in Order No. 32415:

1) What, if any, performance incentives should be implemented as part of the Revenue Balancing Account ("RBA")[3] and/or the Revenue Adjustment Mechanism ("RAM")?
2) Whether the RAM should be amended, terminated, or replaced?
3) What specific measures should or could be implemented to establish appropriate cost controls for baseline capital projects?
4) What, if any, of the proposed changes to ratemaking procedures should be pursued?

On March 11, 2015, in Order No. 32701, the Commission ordered the HECO Companies to publicly post the Performance Metrics to each of the Companies' website(s) and locate the performance metrics in a more prominent location on each Company's website(s) and/or to provide one or more appropriate clearly labeled direct links, such that a person interested in finding performance information or metrics can effectively and straightforwardly navigate to this section of each Company's website.

On March 31, 2015, in Decision and Order No. 32735, the Commission concluded that further changes to the RAM are required and that these changes shall be applied to the decoupling filings. Key changes from this decision and order include:

1) The RBA shall be retained.
2) The RAM mechanism shall be modified to include a cap that shall be applied to the total annual RAM Revenue Adjustment. The cap shall limit the automatic component of RAM adjustment increases to an amount equal to or lower than the Gross Domestic Product Price Index.
3) In order to provide a means for timely recovery of expanded capital programs, the Commission will allow the Companies to apply for approval by the Commission, on a case by case basis, to recover revenues outside of and in addition to the capped RAM

[3] The RBA is the sales decoupling component, which is designed to break the link between the HECO Companies' sales and their total electric revenues by setting the "Target Revenues" to the most recent authorized revenues approved in each utility's most recent rate case.

revenues. The HECO Companies and the Consumer Advocate shall develop criteria for the commission's review for recovery of these costs (which may include consolidated or "programmatic" baseline expenditures) through the RAM or the Renewable Energy Infrastructure Program surcharge.

4) The Commission is establishing further issues for briefing.

Ratemaking

HECO Companies

HECO Rate Increase Request

Docket No. 2013-0373, Status: Open

On October 30, 2013, HECO filed a notice of intent to request a rate increase. The application was filed June 27, 2014. On July 28, 2014, in Order No. 32225, the Commission approved, with modification, the parties' proposed protective order.

MECO Application for Approval of a General Rate Case

Docket No. 2014-0318, Status: Open

On December 30, 2014, MECO submitted a filing intending to seek a general rate increase in base rates. On April 7, 2015, the Commission, on its own motion, issued Protective Order No. 32753 to govern the classification, acquisition, and use of trade secrets, and other confidential information produced in the docket.

HECO Companies' request for cost recovery for Stage-2 Inter-Island Interconnection Study

Docket No. 2013-0393, Status: Closed

On November 22, 2013, the HECO Companies requested approval for recovery of its deferred costs for outside contractor services totaling $405,000 for the Stage 2 Inter-Island Interconnection Study through the Renewable Energy Infrastructure Program Surcharge. By Order No. 32980 issued on July 10, 2015, the Commission approved the Companies' request. On July 24, 2015, the Commission issued Order No. 33021 approving the Companies' accompanying tariff sheets and closing the docket.

HECO Companies' Application for Approval to Modify Tariff Rule 14H – in parallel with the Companies' electric system

Docket No. 2014-0130, Status: Closed

On June 21, 2014, HECO Companies submitted an application to modify Tariff Rule 14H regarding the interconnection of distributed generating facilities operating in parallel with the companies' electric system. On March 31, 2015, in Order No. 32736, the Commission approved in part the revisions to Tariff Rule 14H, Interconnection of Distributed Generating Facilities Operating in Parallel with the Company's Electric System, proposed by HECO, HELCO, and MECO, as reflected in their Reply Statement of Position, filed on February 19, 2015. The decision clarified the interconnection process for customers that install battery backup systems that operate in parallel with the utility. The Commission also noted the extensive amount of technical discussion between the utility and industry stakeholders on integration of storage systems; however, it was determined that these issues were beyond the initial scope of the docket and moved for further technical discussion into Docket No. 2014-0192, the Distributed Energy Resources docket. Subsequently this material became the foundation for new interconnection requirements for storage systems.

HECO Companies' Application for Approval to Establish Electric Vehicle Rates, Schedules, TOU EVD, EV-RD, and EV-CD, and to Extend Schedules TOU EV and EV-R

Docket No. 2015-0342, Status: Closed

On September 25, 2015, the Commission issued Decision and Order No. 33165, which: (1) Suspended the Companies' three electric vehicle time-of-use tariff schedules that were proposed in Transmittal 15-08, pending the Commission's decision-making in Docket No. 2014-0192 (DER Docket); and (2) Opened the subject proceeding (Docket No. 2015-0342). The Commission denied the HECO applications in this docket because decision-making on a broader application of time of use rates was pending in the DER docket.

The Commission's review of the Companies' proposed electric vehicle time-of-use tariff schedules was subsequently undertaken in Docket No. 2014-0192, as part of the Commission's consideration of all of the Companies' proposed time-of-use tariff proposal as a whole. This action rendered moot the subject proceeding (Docket No. 2015-0342). By Order No. 33279, the Commission closed this docket.

On October 12, 2015, the Commission issued Decision and Order No. 33258, Resolving Phase 1 Issues in Docket No. 2014-0192, which included a directive for broader implementation of time-of-use rates that would also be available to electric vehicle owners. Pursuant to the Commission's instructions in Decision and Order No. 33258, the Companies had thirty days from October 12, 2015 to re-file their time-of-use tariff proposal, including electric vehicle time-of-use tariff schedule, in Docket No. 2014-0192.

HECO Application for Approval to Record Fuel Infrastructure Kalaeloa Barbers Point Harbor Project Costs as a Deferred Debt

Docket No. 2013-0439, Status: Open

On December 31, 2013, HECO submitted an application requesting the Commission to issue a decision and order that: (1) approves accounting for the fuel infrastructure project costs associated with the Kalaeloa Barbers Point Harbor as deferred debt; (2) allows HECO to address in its next rate case the amortization of the Project Costs and inclusion of such costs in revenue requirements in HECO’s next rate case, or in the alternative to recover the Project Costs through the Renewable Energy Infrastructure Program Surcharge; and (3) grants the Company such other and further relief as may be just and equitable in the premises.

On November 18, 2014, in Order No. 32458, the Commission directed the parties to file a proposed stipulated procedural order. On December 9, 2014, in Order No. 32507, the Commission approved the parties’ proposed procedural schedule.

KIUC

KIUC Decoupling Mechanism

Docket No. 2014-0016, Status: Open

On January 23, 2014, KIUC requested approval to implement its proposed decoupling mechanism. On July 10, 2014, in Order No. 32197, the Commission accepted, with modifications, the parties’ stipulated procedural order.

Generation Resource Acquisition

HECO Companies

Power Purchase Agreements for Utility Scale Solar Projects “Waiver Projects”

Shortly after the close of FY 2015, the Commission issued decisions and orders in seven dockets concerning HECO’s requests for approval of Power Purchase Agreements (PPAs) for renewable, as available energy.

The Commission evaluated each project's power purchase agreement to determine whether such agreement (1) was cost effective and would result in lower rates to ratepayers; (2) would negatively impact system reliability; (3) would preclude consideration of other renewable energy projects in the future; and (4) would contribute to geographic diversity of utility-scale solar resources, so that changing weather conditions (such as cloud cover) would not impact all such projects in the same way.

In reviewing these long-term agreements, the Commission was guided by a fundamental principle of continuing to lower the costs and associated risks of each electric utility's power supply portfolio. After review of the record, the Commission determined that it was reasonable and in the public interest to approve some, but not all, of the proposed power purchase agreements. The agreements approved by the Commission are subject to conditions that will more fairly balance the risks of the agreements between HECO and customers. This will allow HECO customers to obtain the benefits of many of the currently proposed projects in the near-term, while still allowing the opportunity to benefit from further innovation and cost reductions in renewable energy technologies in the future.

On July 31, 2015, the Commission approved, subject to certain modifications and conditions, the following PPAs for utility scale solar projects:

Project Name and Docket No.	Size (MW)	Energy Payment Rate/Initial Term (cents per kWh)	Region	Project Developer	Banked Curtailed Energy Term Rate *– up to 5 years* (cents per kWh)
Leeward Oahu					
EE Waianae Solar Project, LLC (2014-0354)	27.6	14.5 (RAP[4])	Waianae	Eurus Energy	7
North-Central Oahu					
Kawailoa Solar, LLC (2014-0356)	49	13.475 (RAP)	Waialua	SunEdison	4.25
Waiawa PV, LLC (2014-0359)	45.9	13.475 (RAP)	Waiawa	SunEdison	4.25
Lanikuhana Solar, LLC (2014-0357)	14.7	13.575 (RAP)	Mililani	SunEdison	4.25

The approved PPAs are subject to certain modifications and conditions. For the approved PPAs, the Commission took the following actions:

1) Declined to approve the recovery of any Income Tax Credit Adder payments from ratepayers.
2) Capped the annual amount of Compensable Curtailed Energy payments that HECO may recover from ratepayers at one percent of the Annual Contract Energy for such Contract Year.
3) Ordered that the PPA evergreen provision shall be subject to the following written notice requirement: HECO shall file a written notice with the Commission and the Consumer Advocate within one year prior to the ninety (90) day advance written notice by which the contracting parties may terminate the agreement. HECO, in its written notice, shall: (1) state whether it intends to extend the Initial Term of the PPA; and if applicable (2) provide the basis for said extension.
4) Approved HECO's request to include the purchased energy charges and related revenue taxes that HECO incurs under the PPA, in and through its ECAC, to the extent that such costs are not included in the Company's base rates.
5) Denied HECO's request to include the payments made for Compensable Curtailed Energy and related revenue taxes that HECO incurs under the PPA, in and through its ECAC, to the extent that such costs are not included in the Company's base rates.
6) Approved in part HECO's alternative request to include the payments made for Compensable Curtailed Energy and related revenue taxes that HECO incurs under the PPA, in and through its PPAC
7) Capped the annual amount of Compensable Curtailed Energy payments that HECO may automatically recover from ratepayers, through the PPAC, at one percent of the Annual Contract Energy for such Contract Year. Any Compensable Curtailed Energy payments

[4] The underlying purpose of risk adjusted pricing, also known as RAP or "take or pay" pricing, is to mitigate a developer's financial risk associated with "excess energy curtailment" by transferring or shifting such risk from the developer to ratepayers.

above the one percent threshold shall be subject to the commission's prior review and approval, consistent with HRS § 269-16.22.

8) Ordered HECO to file a report, when necessary, which: (A) quantifies the Compensable Curtailed Energy payments it seeks to recover above the one percent threshold; and (B) explains why the recovery of such payments from ratepayers through the PPAC meets the applicable requirements set forth in HRS § 269-16.22. The report shall be submitted by January 31st of each year, for the previous calendar year period. To the extent applicable, HECO's first annual report, if any, shall be due by January 31, 2017.
9) Ordered HECO to provide the Commission and CA with a plan for implementing Autoscheduling, which will include its analysis justifying the need for Autoscheduling, the estimated project costs, and the effect on Compensable Curtailed Energy.

On August 14, 2015, the Commission denied the following PPAs for utility scale solar projects:

Project Name and Docket No.	Size (MW)	Energy Payment Rate/Initial Term (cents per kWh)	Region	Project Developer	Banked Curtailed Energy Term Rate (cents per kWh)
Leeward Oahu					
Ka La Nui Solar, LLC (2014-0308)	13.8	14.74 (RAP)	Waianae	NextEra Energy Hawaii	7.435 to 8.048
North-Central Oahu					
SunE Waiawa Solar, LLC (2014-0358)	50	13.975 (RAP)	Waiawa	SunEdison	6.945
Ho`ohana Solar 1, LLC (2014-0355)	19	15.90 (non-RAP)	Kunia/Waipio	Hanwha Corp./ Forest City	15.9

HECO Application for Approval of PPA with Lanikuhana Solar
Docket No. 2014-0077, Status: Closed

On April 11, 2014, HECO requested to modify the competitive bidding waiver previously granted by the Commission in Docket No. 2010-0079 for the Solar Energy Park project (i.e., a cluster of four 5 MW PV facilities, with an aggregate total of 20 MWs), by applying such waiver to the Mililani South Solar Park project (i.e., the single 20 MW PV facility, proposed in this docket). HECO also requested the Commission to waive the 20 MW Mililani South Solar Project from the Commission's competitive bidding requirements.

In Docket No. 2010-0079, the landowner of the four separate parcels of land, Lanikuhana Solar, LLC (LSLLC), an entity of Castle & Cooke Hawaii, explicitly stated that each of the four 5 MW PV facilities (i.e., the Solar Energy Park project) would be independently owned and developed by four separate developers, with Castle & Cooke, Inc., or one of its affiliates, being one of the four developers. Yet, in Docket No. 2014-0077, LSLLC ended up as the sole developer of the 20 MW Mililani South Solar Park project. (Castle and Cooke Homes Hawaii, Inc., subsequently sold Lanikuhana Solar, LLC, to First Wind, LLC.)

On June 2, 2015, in Decision and Order No. 32870, the Commission denied both of HECO’s requests. The Commission found that HECO did not meet its burden of proving that the potential benefits of the amended and restated PPA, convincingly exceeded the potential costs and customer risks. Thus, the granting of a new waiver for the Mililani South Solar Park was not in the public interest. The Commission’s decision was consistent with the Consumer Advocate's finding that the Mililani South Solar Project was not cost-effective and would have large adverse impacts on customer bills from both a near- and long-term perspective, and thus, was not in the public interest.

Kahe Utility-Scale Project for HECO
Docket No. 2013-0360, Status: Closed

On November 6, 2014, in Order No. 32437, the PUC denied HECO's request for a waiver from the Framework for Competitive Bidding ("CB Framework") for the proposed 15 Megawatt Kahe Utility-Scale PV Generating System. The Commission concluded that HECO failed to demonstrate that the bidding process utilized would result in more cost-effective or better performing generation resources.

In this Decision and Order, the Commission also found that HECO did not adequately demonstrate that the cost of land and interconnection costs were properly factored into the levelized cost. The Commission found that HECO did not adequately address system planning issues with respect to the Kahe PV Project nor curtailment issues. The Commission thus concluded that HECO failed to demonstrate that it could not have achieved better results for ratepayers through use of a properly structured competitive bid process.

Na Pua Makani Wind Project
Docket No. 2013-0423, Status: Open

On December 31, 2014, in Decision and Order No. 32600, the Commission approved HECO's application to waive the CB Framework requirements for the 24 MW Na Pua Makani Wind Project and approved the PPA, subject to certain conditions, with Na Pua Makani Power Partners. The levelized price for the project is 14.998 cents per kWh.

Based on the Commission's review of the entire record, the Commission concluded that HECO met its burden of proving that it qualifies for a waiver under the CB Framework. The Commission also found that procuring renewable energy from this Project by way of a waiver would likely be more expeditious than procurement through the competitive bidding process.

As a wind farm, the Project would provide more "balance" to HECO's portfolio of renewable energy sources and permit the utilization of more renewable energy for about the same price as recent solar projects. Because wind generation has fundamentally different electricity production characteristics than solar, the Project should increase the amount of variable renewable energy capacity that could be reliably and economically integrated into the grid. The Commission concluded that a waiver for this project would likely result in a lower cost supply of electricity to the utility's general body of ratepayers.

Competitive Bidding for 50 MW of New Geothermal on the Island of Hawaii
Docket No. 2012-0092, Status: Open

On May 20, 2014, by Order No. 31201, the PUC instructed HELCO to file a detailed explanation of the corrective actions it plans to take to complete the RFP processes in a timely fashion. HELCO filed a request to modify its final RFP on September 25, 2014 and the Consumer Advocate ("CA") submitted its comments in response on October 8, 2014.

MECO PPA with Hawaiian Commercial Sugar Company
Docket No. 2014-0011, Status: Closed

On January 15, 2014, MECO requested an exemption from the CB Framework for the extension to the PPA with Hawaiian Commercial & Sugar Company ("HC&S").

On December 5, 2014, the Commission issued a Declaratory Order (Order No. 32500) concluding that the following parts of the CB Framework do not apply to the HC&S's proposal for an extension to its power purchase agreement with MECO:

1) Part II.A.3.g (iii): power purchase agreement extensions for three years or less on substantially the same terms and conditions as the existing power purchase agreements and/or on more favorable terms and conditions; and
2) Part II A.3.g (v): renegotiations of power purchase agreements in anticipation of their expiration, approved by the Commission.

In this Declaratory Order, the Commission also ordered Maui Electric to file, as a non-docketed filing, a quarterly report which describes the status of its negotiations with HC&S. This Order closed this docket.

Feed-In Tariff (“FIT”) for HECO, HELCO, and MECO
Docket No. 2013-0194, Status: Open

On October 24, 2008, the Commission opened this docket to examine the implementation of FITs in the HECO Companies' service territories. Prompted by an "Energy Agreement,"[5] which included a commitment to implement a FIT program for the HECO Companies, the Commission described FITs in the Opening Order as a "set of standardized, published purchased power rates, including terms and conditions, which the utility will pay for each type of renewable energy resource based on project size fed to the grid.” The FIT program will be reexamined two years after it first becomes effective and every three years thereafter.

On December 5, 2014, in Decision and Order No. 32499, the Commission approved, subject to certain conditions, the joint plan for administration of the Feed-in Tariff program queues submitted to the Commission on September 30, 2013, by HECO, HELCO, MECO and the independent observer. Further issues concerning the FIT program continue to be investigated in Docket No. 2014-0192.

Amendment to PPA between HECO and Kahuku Wind Power
Docket No. 2014-0086, Status: Open

On April 17, 2014, HECO requested an amendment to its PPA with Kahuku Wind Power, LLC that amends the pricing structure and rates under which HECO pays for energy generated and delivered by Kahuku Wind's Facility to HECO. Further issues concerning HECO’s request are continuing to be investigated.

KIUC

PPA between KIUC and KRS Two PV Facility
Docket No. 2012-0383, Status: Closed
Docket No. 2013-0202, Status: Closed

On December 19, 2012, KIUC submitted an application for a waiver and approvals related to the KIUC Renewable Solutions Two (“KRS Two”) Photovoltaic ("PV") facility and proposed financing agreements among other related matters in Docket No. 2012-0383. By Order No. 31305, the Commission approved the application and PPA between KIUC and KRS Two on June 19, 2013. Under the approved PPA, KIUC agreed to accept and pay for energy generated by the KRS Two PV facility at $165.00 per MWh (16.5 cents per kWh).

On September 6, 2013, KIUC submitted an application to amend the PPA approved in Order No. 31305 in Docket No. 2012-0383, for the purpose of effectuating a tax equity flip arrangement. By Order No. 31993 in Docket No. 2013-0202, the tax equity flip was approved on March 17, 2014. Under the new financing arrangement, KIUC will pay KRS Two no more than $125.00 per MWh (12.5 cents per kWh) to purchase the same energy. KIUC asserts that the new financing arrangement is expected to result in customer savings of more than $900,000 per year and approximately $21 million over the expected 25 year life of the PV facility.

On July 7, 2014, KIUC filed final executed documents and on February 24, 2015, the Consumer Advocate filed a letter with the Commission stating that it did not object to the final executed documents. By Order No. 32893 and Order No. 32894, the Commission closed both dockets on June 9, 2015.

KIUC Application for Approval of PPA with Gay & Robinson, Inc.
Docket No. 2014-0203, Status: Open

On August 25, 2014, KIUC submitted an application requesting the Commission to issue a decision and order to approve the PPA between KIUC and Gay & Robinson, Inc. and to authorize

[5] "Energy Agreement" refers to the "Energy Agreement Among the State of Hawaii, Division of Consumer Advocacy of the Department of Commerce and Consumer Affairs, and the Hawaiian Electric Companies," executed on October 20, 2008 by the former Governor of the State of Hawaii, the Department of Business, Economic Development, and Tourism ("DBEDT"), the HECO Companies, and the Department of Commerce and Consumer Affairs, Division of Consumer Advocacy. The Energy Agreement represented a commitment on the part of the State and the HECO Companies to accelerate the addition of new, clean resources on all islands; to transition the HECO Companies away from a model that encourages increased electricity usage; and to provide measures to assist consumers in reducing their electricity bills."

the inclusion of all of the purchased energy charges (and related revenue taxes) to be incurred by KIUC under the PPA in KIUC's ERAC. Further issues concerning KIUC's request are continuing to be investigated.

Fuel Contracts

HECO Companies

Application of HECO for Approval of the Biodiesel Supply Contract with Pacific Biodiesel Technologies, LLC, and to include the Biodiesel Supply Contract Costs in Hawaiian Electric's Energy Cost Adjustment Clause
Docket No. 2015-0064, Status: Open

On September 29, 2015, in Decision and Order No. 33179, the Commission approved, subject to conditions, HECO's fuel supply contract with Pacific Biodiesel Technologies to supply B99 biodiesel for use primarily in HECO's combustion turbine generating unit at Campbell Estate Industrial Park ("CIP CT-1"), and to fuel the Honolulu International Airport Emergency Power Facility and any other facility on Oahu that may use biodiesel. In Order No. 33179, the Commission also approved the inclusion of the costs of the Biodiesel Supply Contract, including without limitation, the costs associated with the biodiesel, transportation, storage, and related taxes and fees in HECO's energy cost adjustment clause to the extent such costs are not recovered in HECO's base rates. In this Decision and Order, the Commission also discusses the relationship between this docket and Docket No. 2014-0113, in which it approved, subject to certain conditions and modifications, the application filed by HECO concerning the commitment of funds for the purchase and installation of the Schofield Generating Station ("SGS") Project. In the Decision and Order[6] issued in Docket No. 2014-0113, the Commission ruled that "HECO shall shift its current biofuel use at CIP CT-1 to the SGS Project in order to minimize the impact on ratepayers of the cost of biofuel." Docket No. 2015-0064 was closed by this decision and order.

Application of HECO for Approval of the First Amendment to the Low Sulfur Fuel Oil Supply Contract with Chevron Products Company and to Include the Contract Costs in Hawaiian Electric Company, Inc.'s Energy Cost Adjustment Clause.
Docket No. 2014-0217, Status: Closed

On March 13, 2015, in Order 32710, the Commission approved (1) HECO's First amendment to the Low Sulfur Fuel Oil Supply Contract with Chevron Products Company; and (2) HECO's request that the amended pricing formula be applied to its ECAC, pursuant to HAR § 6-60-6(2) to the extent that such costs are not recovered in its base rates.

KIUC

In the Matter of the Application of KIUC for Approval to Extend Term of Fuel Supply Agreement.
Docket No. 2014-0317, Status: Closed

On February 27, 2015, in Decision and Order No. 32691 the Commission approved (1) KIUC's Third Amendment to its Fuel Supply Agreement with Chevron Products Company, dated August 20, 2014; and (2) KIUC's request to continue to include the payments (including applicable taxes and assessments) to be incurred by KIUC pursuant to said amended agreement, in the electric cooperative's Energy Rate Adjustment Clause, to the extent that such costs are not recovered through KIUC's base rates.

[6] See Decision and Order No. 33178, September 29, 2015.

Capital Expenditures

HECO Companies

HECO Capital Expenditure Request for Schofield Generating Station Project
Docket No. 2014-0113, Status: Closed

On September 29, 2015, in Decision and Order No. 33178, the Commission approved, with certain conditions and modifications, the application filed by HECO on May 16, 2014, for HECO's commitment of funds in excess of $2,500,000 for the purchase and installation of the Schofield Generating Station Project ("SGS Project"). The proposed SGS Project is a 50 Megawatt power plant that would be configured with six 8.4 MW multi-fuel capable engines. Under normal operating conditions, the proposed SGS Project would serve all HECO customers. Because the Project would be centrally located over eight miles from and approximately 900 feet above the sea, the Project may be able to continue operations in times of weather related emergencies such as tsunami and storm surge. Under defined state or national emergency conditions, the SGS Project would be able to provide power directly to the Army facilities of Schofield Barracks, Wheeler Army Airfield, and Field Station Kunia.

In approving HECO's request, the Commission concluded that the SGS Project, among other things, (a) is consistent with the State's commitment to support the military, particularly in light of the military's impact on the State's economy; (b) is supportive of both State and national security; (c) may accelerate the retirement of old generating assets; (d) may result in increased operational flexibility and reliability of HECO's system; and (e) may enhance HECO's capability to operate its ffgrid to accommodate increased amounts of low-cost renewable energy.

In this Decision and Order, the Commission also ruled that HECO shall shift its current biofuel use at CIP CT-1 to the SGS Project in order to minimize the impact on ratepayers of the cost of biofuel.

HECO, MECO, and HELCO Application for Approval of an Enterprise Resource Planning & Enterprise Asset Management System Implementation Project and Related Accounting Treatment
Docket No. 2014-0170, Status: Open

On July 23, 2014, the HECO Companies submitted an application requesting the Commission to issue a decision and order approving:

1) The Companies' Enterprise Resource Planning ("ERP")/Enterprise Asset Management ("EAM") system implementation project;
2) The proposed commitment of funds estimated to be $2,590,000 for the hardware costs of the project; and
3) The accounting and ratemaking treatment proposed to be applied to the project ("ERP/EAM Accounting Treatment"), including: a) Deferral of all software development costs for the ($79,857,000); b) Accrual of AFUDC ($5,710,000) on certain of the deferred development costs of the Project; c) Amortization of the total deferred costs (including any accrued AFUDC) over a twelve-year period beginning upon Go-Live and inclusion of the unamortized amounts (including AFUDC) in rate base; d) Continuation of the amortization of the cost of the Companies' Human Resources Suite System ("HRSS") following retirement of the HRSS upon Go-Live through the twelve-year HRSS amortization period approved in Docket No. 2006-0003; and e) The sample Enterprise System Adjustment Provision tariff.

On October 2, 2015, in Decision and Order No. 33233, the Commission concluded and took the following actions in response to the HECO Companies' application:

1) The Commission found that there is a need to replace the HECO Companies' existing Ellipse system, which primarily operates as an ERP system with selected features that enable EAM system functionality.
2) The Commission also found that the Companies have yet to meet their burden of proving that it is reasonable and in the public interest for the Companies to commence with their proposed new ERP/EAM System Implementation Project, a computer software

development project, specifically, the Implementation Project phase, which is the scope of the subject proceeding.

3) The Commission deferred any ruling on whether it is reasonable and in the public interest for the Companies to commence with the ERP/EAM Project under Options B or A[7], specifically, the Implementation Project phase.
4) The Commission deferred ruling on the following requests, which are ultimately dependent upon the commission's forthcoming ruling on the Companies Updated Request No. 1:
    a. The commitment of funds for the ERP/EAM Project's hardware costs
    b. Accrual of allowance for funds used during construction ("AFUDC") on non-Expense Items
    c. Amortization of the total deferred costs, including any accrued AFUDC, over a twelve-year period, or such other period as the commission finds to be reasonable, beginning upon Go-Live, with the inclusion of the unamortized amounts, including AFUDC, in rate base
    d. Continuation of the amortization of the cost of the Companies' Human Resources Suite System following the system's retirement upon Go-Live through the twelve-year amortization period approved by the commission in Docket No. 2006-0003, including the commission's approval to include in determining revenue requirements such amortization expense in cost of service and the unamortized costs in rate base in determining electric rates for each of the Companies
    e. The Companies' sample Enterprise System Adjustment Provision tariff
    f. The Companies' proposed reporting requirement

Conversely, the Commission denied the Companies' request to defer all software development costs for the Implementation Project phase of the ERP/EAM Project.

5) In Order No. 33233, the Commission instructed the Companies to file:
    a. Bottom-Up Low-Level Benefits Analyses for both Options A and B; and
    b. Additional information which provides in much greater detail the costs and benefits of Option B, in a manner similar to the level of detail the Companies' provided under Option A as part of their Costs and Benefits of the SAP ERP/EAM System, dated July 23, 2014. Such information shall include, at a minimum:
        1. A full accounting of likely on-going support costs and charges from NextEra;
        2. Information which separates project costs from merger costs;
        3. Information on the anticipated remaining service life and planned upgrade cycles for the NextEra software products proposed under Option B; and
        4. The level of benefits expected under Option B.
    c. Information which identifies the variances in functionality that will be delivered under Options A and B.
    d. To the extent applicable, information on the estimated dates of mid-life upgrade cycles of the applicable software products.

HECO Capital Expenditure Request for Beckoning Point Static Compensator (“STATCOM”)
Docket No. 2013-0376, Status: Closed

On October 31, 2013, HECO requested for approval to install STATCOM at Beckoning Point Substation. HECO requested a withdrawal of its application on July 25, 2014 in lieu of responding to the Consumer Advocate’s recommendation to the PUC to deny the application. The PUC approved HECO’s withdrawal on August 4, 2014 in Order No. 32239.

[7] Option B refers to the situation in which NextEra Energy, Inc's proposed acquisition of HECO, HELCO, and MECO is approved by the commission in Docket No. 2015-0022. Option A, by contrast, refers to the scenario whereby the proposed acquisition is not approved by the commission.

MECO Japanese-U.S. Maui Project (JUMPStart)
Docket No. 2013-0426, Status: Closed

On December 19, 2014, MECO requested approval of a master agreement for licensing of sites with AEC-USA that would allow AEC to install communication, monitoring and control equipment on MECO's distribution infrastructure to aid its implementation of smart grid projects. In Decision and Order No. 32824 issued on May 5, 2015, the Commission approved MECO's request.

MECO request for approval to commit funds in excess of $2,500,000 for capital improvements
Docket No. 2015-0070, Status: Open

On March 11, 2015, MECO submitted an application for the following capital improvements: (1) new distribution substation ("Kuihelani Substation"); (2) new 69 kV and 12.47 kV line extensions to/from the Kuihelani Substation; (3) new telecommunication fiber optic cable run to be underbuilt along the existing 69 kV transmission line from the Kuihelani Substation to the existing Pu'unene Substation; and (4) acquisition of land and easements required to build the Kuihelani Substation and Transmission and Distribution lines. Further issues concerning MECO's request are continuing to be investigated.

MECO request for approval to commit funds in excess of $2,500,000 for capital improvements
Docket No. 2015-0071, Status: Open

On October 13, 2015, in Decision and Order No. 33216, the Commission granted MECO's March 11, 2015 application for approval to commit approximately $14.1 million for the purchase, construction, and installation of Item X00003, Kaonoulu Substation, Kaonoulu Transformers #1 and #2, Kaonoulu Transmission and Distribution 69 kV and 12.47 kV Circuits, Kaonoulu Telecommunication, and Kaonoulu Land Acquisition.

Financing

HECO Companies

Letter Request for Expedited Approval to Issue Unsecured Obligations, Guarantees and Authorization to Enter into Related Agreements
Docket No. 2014-0299, Status: Closed

On May 26, 2015, in Decision and Order No. 32860, the Commission (1) rejected the stipulation regarding amended interest rate parameter, dated March 13, 2015, between HECO, HELCO, and the CA; and (2) approved the HECO Companies' letter request filed on September 30, 2014, as supplemented on October 24, 2014 and updated on December 29, 2014.

As a result, the Commission approved the HECO Companies' request to issue, at their discretion, unsecured taxable debt obligations during 2015 for the Companies' benefit, in the aggregate principal amounts of up to $50 million for HECO, up to $25 million for HELCO, and up to $5 million for MECO, in one or more registered public offerings and/or one or more private placements. Said unsecured taxable debt obligations, in turn, will be subject to a maximum interest rate parameter of no more than 8.00% per annum.

HECO Reinstated Credit Agreement
Docket No. 2014-0102, Status: Open

On May 7, 2014, HECO requested expedited approval of its amended and restated revolving unsecured syndicated credit facility agreement, including approving extending its term to April 2, 2019 and to permit borrowings. On January 9, 2015, in Order No. 32613, in response to a request from HECO, the Commission approved HECO's request for expedited approval of its amended and restated Revolving Unsecured Syndicated Credit Facility Agreement on the terms set forth in HECO's Letter Request for Expedited Approval, Exhibit 1, dated May 7, 2014.

HECO and MECO Letter Request for Emergency Expedited Approval to Sell Needed Materials Relating to Damages Sustained as a Result of Hurricane/Tropical Storm Iselle.
Docket No. 2014-0193, Status: Closed

On April 17, 2015, in Order No. 32781, the Commission granted final approval to HECO and MECO's joint request to sell certain materials to HELCO for the purpose of supporting HELCO's efforts to restore electrical service on the island of Hawaii in the aftermath of Hurricane/Tropical Storm Iselle.

Letter Request of the HECO Companies for Expedited Approval to Refinance During 2015 One Outstanding Series of Revenue Bonds through the Issuance of Unsecured Obligations and Related Notes and Guarantees, and Authorization to Enter into Related Agreements.
Docket No. 2015-0113, Status: Closed

On April 23, the HECO Companies filed a Letter Request seeking the Commission's approval to: (1) Issue and sell, at the Companies' discretion, unsecured taxable debt obligations during 2015 for the Companies' benefit for the purpose of refinancing one outstanding series of 2005-issued revenue bonds; and (2) Lower the maximum interest rate parameter that applied to the one outstanding series of 2005-issued revenue bonds, in the event NextEra Energy, Inc.'s proposed acquisition of HECO, HELCO, and MECO is approved and completed within a designated timeframe. On June 8, 2015, the Companies withdrew their Letter Request. On June 16, 2015, in Order No. 32918, the Commission approved the HECO Companies' request to withdraw their Letter Request. This order closed this docket.

Application of HECO, HELCO, and MECO for Approval of the Issuance and Purchase of Common Stock
Docket No. 2014-0090, Status: Open

On November 3, 2014, in Decision and Order No. 32428, the Commission authorized: (1) HECO to issue and sell its common stock to Hawaiian Electric Industries, Inc.; (2) HELCO and MECO to issue and sell common stock to HECO (3) HECO to purchase HELCO and MECO common stock.

HELCO Application for Approval to Record Lava Flow Related Costs as a Deferred Debt
Docket No. 2015-0074, Status: Open

On March 13, 2015, HELCO submitted an application requesting the Commission to: (1) approve the accounting for costs incurred by the HELCO to monitor, prepare for, respond to, and other actions necessary in connection with the June 27, 2014 Kilauea lava flow as a deferred debit, and (2) grant the HELCO such other and further relief as may be just and equitable in the premises. On July 31, 2015, the CA submitted its SOP objecting to the application because HELCO did not provide sufficient justification to support its relief. HECO's application continues to be investigated in this docket.

KIUC

KIUC Application for Waiver or Exemption With Respect to New RUS Loan
Docket No. 2014-0117, Status: Closed, Financing-Other

On November 18, 2014, in Order No. 32459, the Commission approved the requested relief set forth in the application filed on May 22, 2014 by KIUC. Specifically, pursuant to HRS § 269-31(b) and (c), the Commission approved the requested waiver from any requirement that KIUC obtain approval from the Commission in order to enter into and effectuate its proposed loan with the United States Department of Agriculture's Rural Utilities Service, as set forth in the application.

KIUC Application for Approval to Extend Term of Revolving Line of Credit
Docket No. 2015-0180, Status: Closed, Financing-Other

On September 1, 2015, in Decision and Order No. 33093, the Commission approved the June 22, 2015 application of KIUC to enter into the Second Amendment to Secured Revolving Line of Credit. The Commission ordered KIUC to provide the Commission and the Consumer Advocate with an executed copy of the Second Amendment within thirty days of its execution with National Rural Utilities Cooperative Finance Corporation. This Decision and Order closed this docket.

Property Transfers

Wailuku River Hydroelectric Limited Partnership
Docket No. 2014-0028, Status: Closed

On December 15, 2014, the PUC approved the Wailuku River Hydroelectric Limited Partnership's waiver from ownership criteria for qualifying small power production facility in order to permit the sale of a 50% ownership.

HECO and Hawaiian Telcom, Inc. Application for Approval to Sell a Jointly-Owned Utility Strip Property in Waikiki to PACREP 2 LLC
Docket No. 2015-0039, Status: Closed

On July 9, 2015, in Decision and Order No. 32979, the Commission approved, with certain conditions, the Application of HECO and Hawaiian Telcom, Inc. to sell a jointly-owned utility strip property in Waikiki to PACREP 2, LLC. On July 31, 2015, in Order No. 33039, the Commission approved the proposed grant of easement.

Gas Proceedings

The Gas Company ("TGC"), dba Hawaii Gas, is the only duly franchised public utility providing gas service for residential, commercial, and industrial uses throughout the State. The following are Commission proceedings initiated by Hawaii Gas and active during FY 2015.

Application for Approvals and Authorizations Related to the Proposed 30% SNG Conversion Project
Docket No. 2014-0315, Status: Open

On October 16, 2014, TGC filed an application for various approvals and authorizations for its 30% SNG Conversion Project, which proposes to displace synthetic natural gas ("SNG") with liquefied natural gas ("LNG"). On January 12, 2015, the Commission issued Interim Decision and Order No. 32614 approving, on an interim basis, the LNG gas sales and dispensing service agreement.

Application for Approval of the Additional Fuel Supply Arrangement for the Existing Backup Enhancement Project Approved in Decision and Order No. 31964 in Docket No. 2013-0184, etc.
Docket No. 2014-0171, Status: Open

On July 25, 2014, TGC requested approval of an additional fuel supply arrangement for the existing backup enhancement project approved in Order No. 31964 in Docket No. 2013-0184 to diversify its sources of LNG supply, and to include the costs of the arrangement in its fuel adjustment clause. Further issues concerning TGC's request are continuing to be investigated.

Application for Approval (1) to commit funds in excess of $500,000 for the proposed SNG System Backup Enhancement Project, (2) of the Fuel Supply Agreement, (3) of the Fuel Delivery Contract, and (4) to include the costs of the Fuel Supply Agreement, etc.
Docket No. 2014-0070; Status: Closed

On April 7, 2014, TGC filed an application for expenditures related to the relocation of gas transmission and distribution lines to accommodate the Honolulu Rail Transit Project. On May 5, 2014, the Commission issued Interim Order No. 32066 granting the waiver of regulatory requirements modifications to Section 2.3.f.2 of GO 9. On July 28, 2015, the Commission issued Decision and Order No. 33030 adopting the Interim Order.

Application for Modifications of General Order No. 9 Paragraph 2.3.f.2. Requirements Relating to Capital Improvements.
Docket No. 2015-0004, Status: Open

On January 7, 2015, TGC filed an application for the approval of a permanent exemption from, and a modification of General Order No. 9, Standards for Gas Service Calorimetry, Holders & Vessels in the State of Hawaii (GO 9) by: (1) increasing the $500,000 capital expenditure threshold for Commission approval pursuant to GO 9, paragraph 2.3.f.2 to $2.5 million and (2) excluding customer and third-party contributions from the dollar threshold. The Commission continues to review further issues concerning TGC's application.

Water and Wastewater Proceedings

The Commission regulates 39 privately owned water service utilities that provide water services and wastewater services. The majority of these utilities are located on the neighbor islands. During FY 2015, the Commission's key proceedings in this area included reviewing rate cases and requests for new, amended and transferred Certificates of Public Convenience and Necessity ("CPCNs").

Ratemaking

During FY 2015, the Commission approved rate increases in rate cases for the following water and sewage utilities:

- **Waikoloa Sanitary Sewer Company, Inc., dba West Hawaii Sewer Company**
  Docket. No. 2012-0147, Status: Closed

- **Waikoloa Water Company, Inc., dba West Hawaii Water Company**
  Docket No. 2012-0148, Status: Closed

- **Kona Water Service Company, Inc.**
  Docket No. 2013-0375, Status: Closed

- **Hawaiian Beaches Water Company, Inc.**
  Docket No. 2013-0203, Status: Closed

New CPCNs

During FY 2015, the Commission certificated one new utility, Kalaeloa Water Company, Inc.

Kalaeloa Water Company
Docket No. 2013-0134, Status: Open

On February 2, 2015, the Commission approved Kalaeloa Water Company's request for a CPCN to provide potable water and wastewater services in Kalaeloa on Oahu in Order No. 32661. The Commission ordered the utility to file a rate case on or before June 30, 2016.

Amended or Transferred CPCNs

During FY 2015, the Commission approved changes to the CPCN of one water and wastewater utility and approved two transfers of CPCNs.

Puhi Sewer and Water Company, Inc.
Docket No. 2012-0181, Status: Closed

On November 26, 2014, the Commission approved Puhi Sewer and Water Company's amended CPCN to include the provision of non-potable water service in the Puhi area of Kauai in Order No. 32490.

Puhi Sewer and Water Company, Inc. and Aqua Puhi LLC
Docket No. 2013-0131, Status: Open

On May 23, 2013 the Puhi Sewer and Water Company, Inc and Aqua Puhi, LLC submitted a joint application for the sale and transfer of Puhi Sewer and Water Company to Aqua Puhi, LLC. On December 11, 2014 the Commission approved the sale and transfer of assets in Order No. 32519.

Hana Water Company, Inc., Hana Resources, Inc., and Hana Water Systems, LLC
Docket No. 2014-0097, Status: Open

On May 1, 2014, the Hana Water Company, Inc. and Hana Water Resources, Inc. filed a joint application with Hana Water Systems, LLC for the approval of the sale and transfer of the Hana Water Company, Inc and Hana Resources, Inc, to Hana Water Systems, LLC.

Financing

ATC Makena WWTP Services Corp. Application for Approval of the Pledge of Stock Interests
Docket No. 2014-0230, Status: Open

On September 24, 2014, ATC Makena WWTP Services Corp. submitted an application requesting approval to pledge stock interests as part of an overall financing and security arrangement.

Telecommunications Proceedings

The Commission oversees the intrastate cellular, paging, mobile telephone and other services of 187 telecommunications providers in addition to the services of Hawaiian Telcom, Inc. the State's only incumbent local exchange carrier telecommunication and largest carrier of intrastate services.

The Commission is also the State entity responsible for designating and certifying eligible telecommunication carriers ("ETCs") seeking Universal Service Fund ("USF") disbursements under the federal USF program. For more information regarding ETC certification, see discussion beginning on page 53

New Certificate of Registration or Certificate of Authority

In FY 2015, the Commission certificated 12 new telecommunications companies.

Transfers/Mergers

The Commission determined that competition will serve the same purpose as public interest regulation, and as such, waived the regulatory requirements applicable in applications for mergers/transfers in the following dockets.

- **Level 3 Communications - Application for Approval of the Transfer of Control**
  Docket No. 2014-0159, Status: Closed
- **Verizon Long Distance LLC and Verizon Enterprise Solutions LLC Application for Approval of Plan of Reorganization**
  Docket No. 2014-0137, Status: Closed
- **Total Call International Inc. and Total Call Mobile Application for Exemption and/or Waiver from Regulatory Requirements Relating to Reorganization and Corporate Conversion**
  Docket No. 2015-0075, Status: Closed
- **Grasshopper Group LLC and Citrix Systems, Inc. Application for Approval of the Indirect Control of Grasshopper Group LLC**
  Docket No. 2015-0131, Status: Closed

Financing

The Commission reviewed applications for telecommunication providers' financing arrangements in the following dockets:

- **Level 3 Communications - Application for Approval to Participate in a Financing Arrangement**
  Docket No. 2015-0043, Status: Closed

- **Hawaiian Telcom - Application for a Waiver of Statutory and Regulatory Requirements Related to Financing Arrangements**
  Docket No. 2014-0033, Status: Closed

- **Hawaiian Telcom - Application of Hawaiian Telcom, Inc. for Waiver or Approval of Asset Purchase and Sale Agreements and Pad Lease Agreements.**
  Docket No. 2014-0148, Status: Closed

- **GC Pivotal, LLC - Application for Approval to Participate in Certain Financing Arrangements**
  Docket No. 2014-0297, Status: Closed

- **Crown Castle NG West LLC Petition Regarding (1) a *Pro Forma* Change in its Indirect Ownership, and (2) Participation in Certain Financing Arrangements**
  Docket No. 2015-0063, Status: Open

Water Carrier Proceedings

The Commission regulates three water carriers[8]: Young Brothers, Limited, a provider of inter-island cargo service between all major islands; Sea Link of Hawaii, Inc., a passenger and cargo carrier providing water transportation services between the islands of Maui and Molokai; and Hone Heke Corporation, a passenger and cargo carrier providing water transportation services between the islands of Maui and Lanai.

The statute governing the regulation of water carriers is HRS Chapter 271G, the Hawaii Water Carrier Act. Water carrier proceedings during FY 2015 are summarized below.

Ratemaking

Young Brothers Application For Approval To Institute An Annual Freight Rate Adjustment Pilot Program
Docket No. 2013-0032, Status: Open

On February 11, 2013, Young Brothers, Ltd. ("YB") proposed a new rule in its Local Freight Tariff No. 5-A to institute an Annual Freight Rate Adjustment ("AFRA"), capped at 5.5% annually, as a three-year pilot program. In Order No. 31493 issued on October 11, 2013, the Commission found that with appropriate conditions and safeguards, AFRA's streamlined, formulaic ratemaking process can serve as a tool to potentially (1) create the same efficiency incentives as those experienced in competitive markets while maintaining service quality; (2) provide Young Brothers with a reasonable opportunity to recover its prudently incurred costs, including a fair rate of return; (3) facilitate, administer and reduce regulatory burden over time; (4) recognize the unique circumstances of Young Brothers; and (5) allow YB's customers to share in the benefits of a streamlined ratemaking process; and approved the AFRA, subject to certain conditions, including the establishment of performance metrics/indices. On June 16, 2015, the Commission approved a one-year extension of the AFRA in a 2-1 decision. The Commission has not yet ruled on the proposed performance metrics.

Notice of Intent of Young Brothers, Limited to File an Application For Approval of a General Rate Increase and Certain Tariff Changes
Docket No. 2015-0016, Status: Closed.

On January 22, 2015, YB filed a notice of intent to file an application a general rate increase. YB subsequently withdrew its application on June 26, 2015.

[8] Intrastate marine transport

Sea Link of Hawaii's request to revise its sailing schedule and tariff
Docket No. 2015-0109, Status: Closed
Docket No. 2015-0181, Status: Closed

On March 25, 2015, Sea Link of Hawaii, Inc ("Sea Link") filed a transmittal letter, seeking the Commission's approval to amend its current sailing schedule by reducing the number of sailings between Kaunakakai, Molokai, and Lahaina, Maui. Sea Link asserted that due to a number of factors, including decreased passenger counts and resulting financial losses and the recent expansion of airline services to Molokai at fares lower than the ferry, Sea Link must suspend one of its two daily round trips between the Islands of Maui and Molokai and berth its vessel overnight at the Lahaina harbor rather than the Kaunakakai harbor. On April 14, 2015, the Consumer Advocate filed a protest in opposition to Sea Link's transmittal letter. On April 21, 2015, the Commission issued Order No. 32798 suspending Sea Link's transmittal letter and opening a docket (i.e., Docket No. 2015-0109) to investigate the merits of Sea Link's proposed tariff changes to its current sailing schedule. On May 13, 2015, Sea Link withdrew its proposed tariff changes. On May 15, 2015, the Commission approved the withdrawal and closed Docket No. 2015-0109.

Subsequently, on June 23, 2015, Sea Link filed an application, seeking the Commission's approval of certain tariff changes to the water carrier's sailing schedule and conditions of service. In Order No. 33083 filed on August 25, 2015 in Docket No. 2015-0181, the Commission found and concluded that Sea Link's tariff changes are just and reasonable and approved Sea Link's request to implement tariff changes including terminating the employee commuter passengers program, changing from a daily round trip operation to operating a minimum of three round-trip voyages per week, and changing Sea Link's existing cancellation policy.

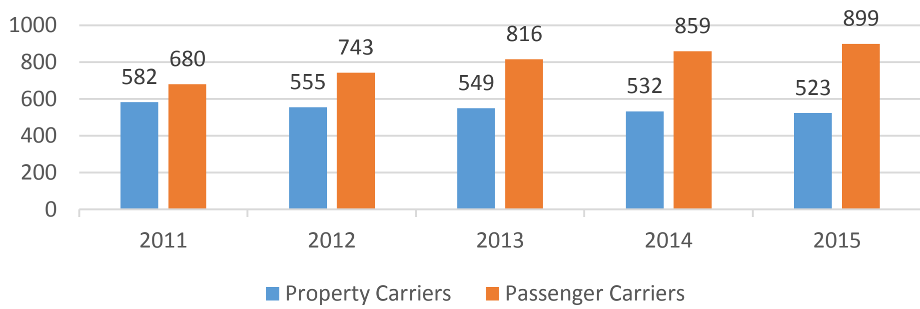
Motor Carrier Proceedings

The Commission regulates passenger and property motor carriers transporting passengers or property for compensation or hire on the public highways.[9] By law, certain transportation services, including taxis, school and city buses, ambulance services, refuse haulers, farming vehicles, and persons transporting personal property, are exempt from Commission regulation.[10] Passenger carriers are classified by authorized vehicle seating capacity. They include tour companies, limousine services, and other transportation providers. Property carriers are classified by the types of commodities transported and the nature of services performed, namely: general commodities, household goods, commodities in dump trucks, and specific commodities. The Commission performs the following functions in the regulation of motor carriers: (1) certification and licensing; (2) ratemaking; and (3) business regulation.

New Motor Carrier Certifications

The Commission regulates 1,422 motor carriers, which includes 899 passenger carriers and 523 property carriers. During FY 2015, 109 new certificates or permits were issued to 90 passenger carriers and 19 property carriers. As shown Figure 2 in the number of authorized passenger carriers have increased while the number of property carriers have decreased over the past five fiscal years.

Figure 2 – Number of Active Motor Carriers, Fiscal Years 2011-2015



[9] HRS §271.
[10] HRS §271-5.

Ratemaking

Many of the State's motor carriers are members of either the Western Motor Tariff Bureau, Inc. or the Hawaii State Certified Common Carriers Association. During the fiscal year, both organizations filed requests for rate changes for their members. The Commission also reviewed and approved rate requests from 36 independent motor carriers.

Rates that are increased or decreased by ten percent within a calendar year are presumed to be just and reasonable pursuant to the Zone of Reasonableness Program ("ZRP").[11] Motor carriers who request rate increases or decreases that do not fall within the ±10 percent zone are required to show that their rate requests are just and reasonable. In reviewing a request, the Commission requires the carrier to submit financial statements containing the carrier's revenues, expenditures, and operating ratio. The Commission will review and may approve the rate change based on whether the operating ratio reported in the financial statements is determined to be acceptable.

Other Financing or Program Proceedings

Public Benefits Fee

Proceeding to Investigate the Issues and Requirements Raised by, and Contained in, Hawaii's Public Benefits Fund, Part VII of Chapter 269, Hawaii Revised Statutes
Docket No. 2007-0323, Status: Open

The Public Benefits Fee ("PBF"), established by State law[12], is a demand-side management surcharge collected by the HECO Companies to support energy-efficiency programs and services in the HECO Companies' service territories,[13] subject to Commission approval. Pursuant to §269-122, HRS, the Commission contracts with a third party administrator to implement and manage the PBF funded programs. The PBF programs include the Hawaii Energy Efficiency Program (also referred to as "Hawaii Energy") and the Hawaii Energy Bill $aver.

The PBF surcharge amount for FY 2015 was set at 1.5 percent of forecasted utility revenues, plus reconciliation. Net budgeted and actual PBF collections were $42.63 million and $40.126 million respectively.

On November 14, 2014, the HECO Companies' filed proposed tariff sheets to implement the PBF adjustment mechanism approved by the Commission in Docket No. 2014-0134, which reduces the PBF in relation to the Green Infrastructure Fee ("GIF") to limit the overall impact of the GIF on ratepayers. On December 1, 2014, in Order No. 32495, the Commission terminated the suspension of the proposed tariff sheets and collection of the GIF began, effectively reducing the PBF collection amount for the remainder of FY 2015.

On June 24, 2015, in Order No. 3297, the Commission set a deadline of June 30, 2015 for comments regarding the proposed Public Benefits Fee budget for Program Year 2015 (FY 2016).

For the coming Fiscal Year 2016, the Commission has held the surcharge amount at 1.5 percent, and the PBF collection amount will continue to be reduced by the GIF offset.

[11] The Zone of Reasonableness was initially a pilot program approved in Order No. 20704 for a period of one year beginning on January 1, 2004. By Order No. 21490, the ZRP was extended for an additional three years with a expiration date of December 31, 2007. On June 22, 2007, the Commission opened Docket No. 2007-0159 to investigate whether it is in the public interest to continue the ZRP for motor carriers, with or without modification, or to terminate the Zone. In Order No. 23862, the Commission again extend the ZRP for four calendar years with an expiration date of December 31, 2011, pursuant to certain terms and conditions. On September 22, 2010, the Commission issued an order in Docket No. 2007-0159 authorizing the permanent continuation of the ZRP.

[12] HRS § 269-121 through 125.

[13] Electric utility customers on Kauai do not contribute to the PBF; KIUC customers pay a demand-side management surcharge that is used in efficiency programs of KIUC

Hawaii Energy Bill $aver Program

Instituting a Proceeding to Establish and Implement an On-Bill Financing Program
Docket No. 2014-0129, Status: Open

Act 204, SLH 2011 ("Act 204"), later codified as HRS §269-125 directed the Commission to investigate the feasibility of an on-bill financing program for electric utility customers to acquire renewable energy or energy efficient devices through an assessment on the customer's electric bill. The Commission opened an investigatory proceeding and determined that an on-bill financing program could be viable, contingent upon specific program design elements.[14]

On June 3, 2014, the Commission opened Docket No. 2014-0129 to establish and implement an on-bill financing program, named the Hawaii Energy Bill $aver Program ("Bill $aver"). On November 14, 2014, the Commission filed a draft Program Manual and issued a final Program Manual on January 9, 2015 after receipt and consideration of all submitted comments by the parties.

The Program Manual provides a description of the various program entities and their roles and responsibilities within the Program. The Program Manual also provides a description of the two options for electric utility customers to access renewable energy or energy efficiency devices ("Energy Improvements") and their attendant processes. The two options are called On-Bill Financing and On-Bill Repayment. The On-Bill Financing option utilizes leveraged ratepayer funds to allow an electric utility customer to acquire the use of Energy Improvements through a tariff that ties the benefits and costs of the Energy Improvement to the customer's premise. Ownership of the Energy Improvements remains with a third party, thereby allowing the use of the Energy Improvement to be transferred between successive customers who are responsible for the metered account, such as subsequent renters or home buyers. The On-Bill Repayment option allows electric utility customers to acquire Energy Improvements through market- and finance-based products that, pursuant to a tariff, allow for payment of the product by using the customer's electric bill for purposes of billing and collection.

On April 15, 2015, in Order No. 32778, the Commission granted DBEDT's motion to waive or amend certain provisions of the Program Manual, filed in Docket No. 2014-0129. Specifically, Order No. 32778: (1) granted the requested waivers/amendments of Qualified Source of Capital processes, requirements, agreements, and fees; (2) clarified certain aspects of the On-Bill Mechanism as described in the Program Manual and otherwise directs the Bill $aver program entities to work directly with DBEDT to provide any additional necessary clarifications; (3) ordered the Bill $aver program entities, including the Finance Program Administrator and Contract Manager, as necessary, to coordinate with the Hawaii Green Infrastructure Authority and its agents, under Commission oversight, to implement an integrated servicing mechanism in order to use the On-Bill Mechanism; and (4) confirmed that the Green Energy Market Securitization Program repayments that use the On-Bill Mechanism are Green Infrastructure Charges within the meaning of HRS § 196-61.

Green Energy Market Securitization Program

Application for a Financing Order to Issue Bonds and to Authorize the Green Infrastructure Fee
Docket No. 2014-0134, Status: Open

Application for an Order Approving the Green Infrastructure Loan Program
Docket No. 2014-0135, Status: Open

The Green Energy Market Securitization Program ("GEMS") was established through Act 211, Session Laws of Hawaii 2013 ("Act 211"), codified in HRS Chapter 196, Part IV. Act 211 allowed GEMS to access funding from the Public Benefit Fee, established the Hawaii Green Infrastructure

[14] Docket No. 2011-0186, Decision and Order No. 30974, filed February 1, 2013.

Authority ("HGIA") as the administrative authority, and required DBEDT to file applications with the Commission in regards to the GEMS Program.

On September 4, 2014, the Commission approved DBEDT's financing application[15] for the GEMS Program by Decision and Order No. 32281 in Docket No. 2014-0134 ("Financing Order"). The Financing Order authorized DBEDT to issue up to $150,000,000 in Green Infrastructure Bonds according to various terms and conditions and allowed a Green Infrastructure Fee to be allocated from the Public Benefits Fee.

On September 30, 2014, the Commission approved DBEDT's program application[16] by Decision and Order No. 32318 in Docket No. 2014-0135 ("Program Order"). The Program Order allows DBEDT to use proceeds from the issuance of Green Infrastructure Bonds to establish and administer the GEMS Program through the HGIA, subject to several modifications and added ongoing oversight requirements. The Program Order also required GEMS Program loan repayments to replenish any reductions in the Public Benefits Fee resulting from Green Infrastructure Fee collections.

On December 1, 2014, the Commission issued Decision and Order No. 32494 in Docket No. 2014-0134 which approved the HECO Companies' tariff filings for the Green Infrastructure Fee surcharge to be effective immediately. Simultaneously, the Commission issued Decision and Order No. 32495 in Docket No. 2007-0323 which approved the HECO Companies' tariff filings to reduce the Public Benefits Fee.

HGIA will continue to provide the Commission with program notifications of further program and policy information, quarterly and annual reports on program activity, and an annual plan for public comment. The last quarterly report received on July 30, 2015 indicated that HGIA anticipates fund deployment in the first quarter of Fiscal Year 2016 (July 1, 2015 – September 30, 2015). The Commission expects replenishments of the Public Benefits Fee to occur once repayments are received.

One Call Center

Instituting Proceedings Relating to the Determination of Appropriate Fees and Assessments to Finance the Administration and Operation of the One Call Center
Docket No. 05-0195; Status: Open

Hawaii's One Call Center was established by State law[17] to coordinate the location of subsurface installations, including underground utilities, and to provide advance notice of proposed excavation work to the operators of these systems. The Commission began operation of the One Call Center in 2006.

Under a contract that runs through June 30, 2016, the Center is operated by One Call Concepts, Inc. An 18-member Advisory Committee advises the Commission on implementation of the One Call Center. In FY 2015, the Advisory Committee held quarterly meetings to deliberate on a variety of issues regarding the One Call Center.

In FY 2015, the Hawaii One Call Center had an approximately 10 percent decrease in the number of requests called in from excavators, compared to the previous year. (See Figure 3.)

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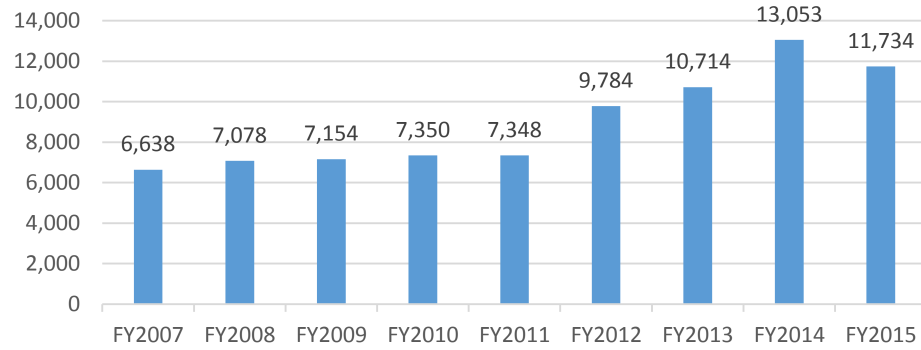
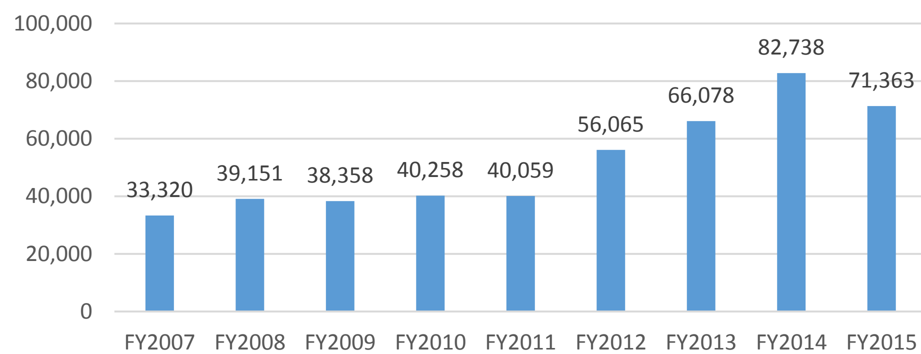
[15] "Application of The State of Hawaii Department of Business, Economic Development, and Tourism; Verification; Exhibits; And Certificate of Service" filed on June 6, 2015, in Docket No. 2014-0134.
[16] "Application of The State of Hawaii Department of Business, Economic Development, and Tourism; Verification; Exhibits; And Certificate of Service" filed on June 6, 2015, in Docket No. 2014-0135.
[17] Pilot program established by Act 141, SLH 2004; made permanent by Act 72, SLH 2009; codified in HRS Chapter 269E.

Figure 3 - Requests Made to the Hawaii One Call Center by Excavators, FY 2007-2015



The Hawaii One Call Center had a corresponding 13 percent decrease in the number of requests transmitted to facility operators. (See Figure 4.)

Figure 4 - Requests Transmitted to Facility Operators by the Hawaii One Call Center, FY 2007-2015



Telecommunications Relay Service

Instituting an Investigation into the Carrier Contribution Factor and Telecommunications Relay Services Fund Size, Effective July 1, 2011
Docket No, 2011-0095, Status: Closed

Telecommunication Relay Service ("TRS") is an operator service that allows people who are deaf, hard of hearing, deafblind, or that have a speech disorder to place and receive calls to standard telephone users via a keyboard or assistive device.

On May 23, 2003, the Commission issued Order No. 20193 in Docket No. 03-0058 which required every telecommunications carrier providing intrastate telecommunications service in the State to contribute to the TRS fund.[18] A carrier's contribution to the TRS fund is a product of its gross operating revenues from the retail provision of intrastate telecommunications services during the preceding calendar year and a contribution factor determined annually by the Commission, consistent with the terms of Order No. 20193.

On June 13, 2011, the Commission issued an order in Docket No.2011-0095 that established the TRS carrier contribution factor at 0.0012, and ordered that thereafter, a new investigative proceeding would only be initiated upon a Commission determination that the TRS carrier contribution factor should be revised. The TRS carrier contribution factor has not been revised since the order was issued on June 13, 2011 and thus, the docket was closed on May 18, 2015 by Order No. 32853.

[18] In Docket No. 03-0058, the commission selected Sprint Communications Company, L.P. as the exclusive provider of intrastate TRS within the State

Utility Company Operations, Capital Improvements and Rates

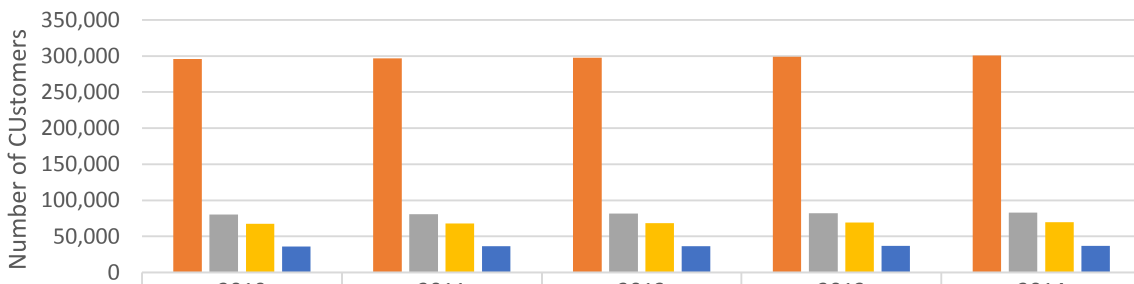
Utility Company Operations

Electric Utilities

The Commission regulates four electric utility companies or entities engaged in the production, purchase, transmission, distribution, and sale of electric energy in the State: Hawaiian Electric Company ("HECO"), serving the island of Oahu; Maui Electric Company ("MECO"), serving the islands of Maui, Lanai, and Molokai; Hawaii Electric Light Company ("HELCO"), serving the island of Hawaii (collectively, "the HECO Companies"); and Kauai Island Utility Cooperative ("KIUC"), serving the island of Kauai. The islands of Niihau and Kahoolawe do not have electric utility service.

The number of customers served by electric utilities has been fairly stable with a slight increase in the growth of the number of customers.[19] See Figure 5.

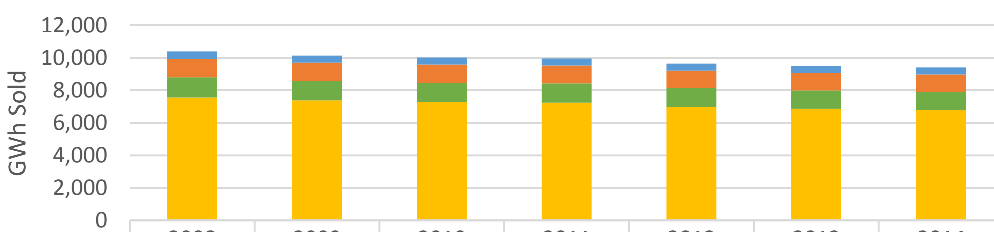
Figure 5 – Number of Electric Utility Customers, Calendar Years 2010-2014



	2010	2011	2012	2013	2014
HECO	295,637	296,679	297,598	298,921	300,722
HELCO	80,171	80,807	81,537	82,074	83,104
MECO	67,405	68,010	68,575	69,303	69,804
KIUC	36,113	36,222	36,473	36,704	36,942

Both annual electricity sales and residential electricity use have been steadily decreasing over the past five years. See Figure 6 and Figure 7.

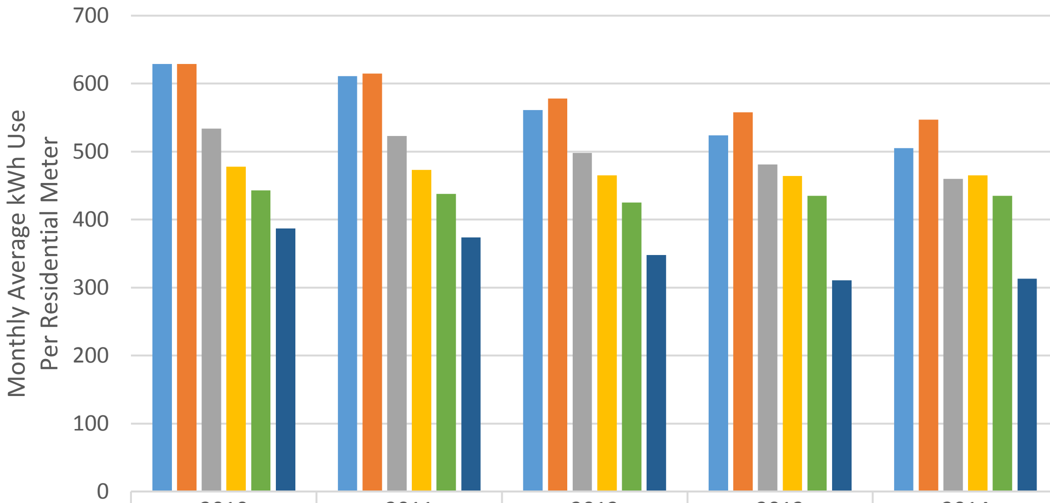
Figure 6 – Annual Electricity Sales in Gigawatts, 2010-2014



	2008	2009	2010	2011	2012	2013	2014
KIUC	454	436	435	435	433	431	430
HELCO	1,141	1,120	1,110	1,104	1,085	1,076	1,063
MECO	1,240	1,192	1,191	1,182	1,145	1,134	1132
HECO	7,556	7,378	7,277	7,242	6,976	6,859	6,782

[19] Data obtained from the electric utilities' Annual Financial Reports filed with the Commission

Figure 7 – Monthly Average Electric Utility Sales Per Residential Meter in kWh, 2010-2014



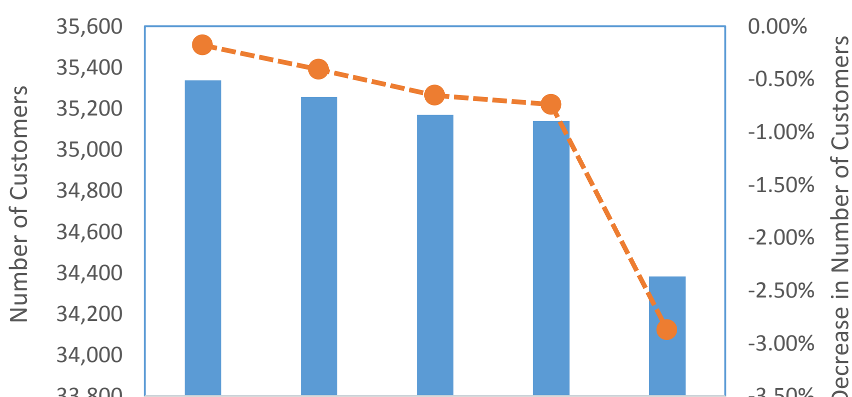
	2010	2011	2012	2013	2014
HECO	629	611	561	524	505
Maui	629	615	578	558	547
HELCO	534	523	498	481	460
Kauai	478	473	465	464	465
Lanai	443	438	425	435	435
Molokai	387	374	348	311	313

Gas Utility

Utility gas service is when gas pipelines deliver fuel directly to a property, using a system of pipes that cross property lines; this service is regulated by the Commission. Sales of gases in cylinders (for example, propane, medical, and industrial gases) are not regulated by the Commission.

The Commission regulates Hawaii's only utility gas provider, The Gas Company, dba Hawaii Gas ("Hawaii Gas" or "TGC") that serves over 34,000 customers in its six gas districts: Honolulu, Hawaii Island, Maui, Mokokai, Lanai, and Kauai. Between 2010 through 2014, the number of customers, as represented by the number of meters, has declined.[20] See Figure 8.

Figure 8 – Gas Customers and Growth, 2010-2014



	2010	2011	2012	2013	2014
# of Customers	35,338	35,256	35,169	35,139	34,383
% Change in Customers	-0.18%	-0.41%	-0.66%	-0.74%	-2.88%

[20] Data obtained from TGC's Annual Financial Reports filed with the Commission

Capital Improvements

Electric Utilities

The following section summarizes the capital improvement projects ("CIPs") for HECO, HELCO, MECO, and KIUC. Because the electric utilities follow a calendar year ("CY") instead of a fiscal year ("FY"), the following provides budget information on the CIPs for the HECO Companies and KIUC for CY 2014.

HECO

For CY 2014, HECO completed 58 projects that had a budget exceeding one million dollars. Of these completed projects, 12 had a budget exceeding $2.5 million. Table 2 is a summary of CY 2014 HECO's budget for CIPs.

Table 2 -HECO Summary of CY 2014 Plant Additions[21]

($ in millions)	**Actual**	**Budget**	**Variance**
Plant Additions Less than $2.5 million	$239.4	$253.2	($13.8)
Less than $2.5 million – Plant additions budgeted in 2014, delayed to 2015 or beyond	$0.0	$17.3	($17.3)
Subtotal – Net, Less than $2.5 million due to reprioritization of work	$239.4	$270.5	($31.1)
Plant Additions More than $2.5 million	$29.9	$43.8	($13.9)
Total	$269.3	$314.3	($45.0)

HELCO

For CY 2014, HELCO completed 7 projects that had a budget exceeding one million dollars. Of these completed projects, 2 had a budget exceeding $2.5 million. Table 3 is a summary of CY 2014 HELCO's budget for CIPs.

[21] HECO, Letter from Joseph P. Viola. March 27, 2015. Exemption From and Modification of General Order No. 7 Paragraph 2.3(g), Relating to Capital Improvements Capital Projects Completed in 2014. Attachment 1, Docket 03-0257.

Table 3 - HELCO Summary of CY 2014 Plant Additions[22]

($ in millions)	**Actual**	**Budget**	**Variance**
Plant Additions Less than $2.5 million	$47.3	$35.3	$11.9
Less than $2.5 million – Plant additions budgeted in 2014, delayed to 2015 or beyond	$0.0	$19.4	($19.4)
Subtotal – Net, Less than $2.5 million due to reprioritization of work	$47.3	$54.7	($7.5)
Plant Additions More than $2.5 million	$4.4	$10.2	($5.8)
Total	$51.6	$64.9	($13.3)

MECO

For CY 2014, MECO completed 12 projects that had a budget exceeding one million dollars. Of these completed projects, 1 project had a budget exceeding $2.5 million. Table 4 is a summary of CY 2014 MECO's budget for CIPs:

Table 3. MECO Summary of CY 2014 Plant Additions[23]

($ in millions)	**Actual**	**Budget**	**Variance**
Plant Additions Less than $2.5 million	$49.7	$39.8	$9.9
Less than $2.5 million – Plant additions budgeted in 2014, delayed to 2015 or beyond	$0.0	$3.2	($3.2)
Plant Additions More than $2.5 million	($0.1)	$0.0	($0.1)
Total	$49.6	$43.0	$6.7

KIUC

In calendar year 2014, KIUC completed a total of 68 CIPs for which none of the individual projects had a total cost exceeding $1 million. The total aggregate cost to complete these projects was $10,794,104. In addition, in calendar year 2014, KIUC completed one capital improvement project with a total cost greater than $2.5 million, during this period.

[22] HECO, Letter from Joseph P. Viola. March 27, 2015. Exemption From and Modification of General Order No. 7 Paragraph 2.3(g), Relating to Capital Improvements Capital Projects Completed in 2014. Attachment 2, Docket 03-0257.

[23] HECO, Letter from Joseph P. Viola. March 27, 2015. Exemption From and Modification of General Order No. 7 Paragraph 2.3(g), Relating to Capital Improvements Capital Projects Completed in 2014. Attachment 3, Docket 03-0257.

Table 4 - KIUC Summary of CY 2014 Plant Additions[24]

($ in millions)	Actual	Budget	Variance
Completed projects with total cost of less than $1 million	$10,794,104	N/A	N/A
Plant Additions More than $2.5 million	$6.043	$5.982	$0.061
Total	$16.837	N/A	N/A

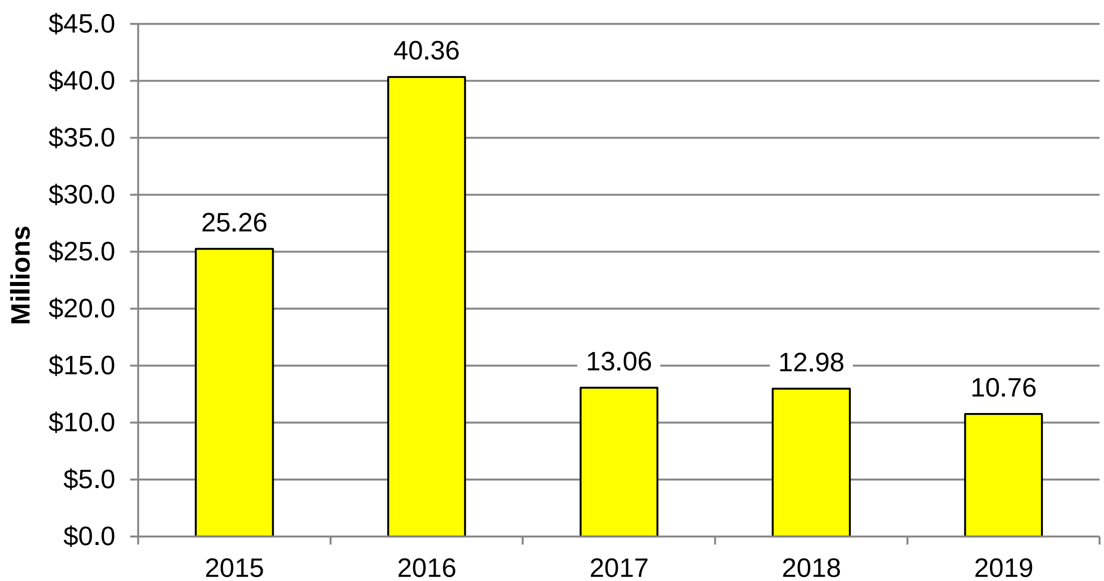
Gas Utility

Hawaii Gas files its annual five-year capital budget report pursuant to General Order No. 9, Rule 2.3 f.1. The capital expenditure forecast for Hawaii Gas is approximately $25.26 million in 2015, $40.36 million in 2016, $13.06 million in 2017, $12.98 million in 2018, and $10.76 million in 2019, for a total of approximately $102.41 million over the five-year period. Table 5 and Figure 9 show the five-year capital expenditure budget forecast for Hawaii Gas.

Table 5 - Gas Utility Expenditure Forecast

	2015	2016	2017	2018	2019
Hawaii Gas	$25,256,060	$40,356,949	$13,057,053	$12,978,592	$10,759,527

Figure 9 - Five-year Capital Expenditure Budget Forecast for Hawaii Gas



[24] Docket No. 03-0256; Kaua'i Island Utility Cooperative ("KIUC") for Exemption from and Modification of General Order No. 7, Paragraph 2.3(g)2, Regarding Capital Improvements; Annual Report Regarding Completed Projects in 2014

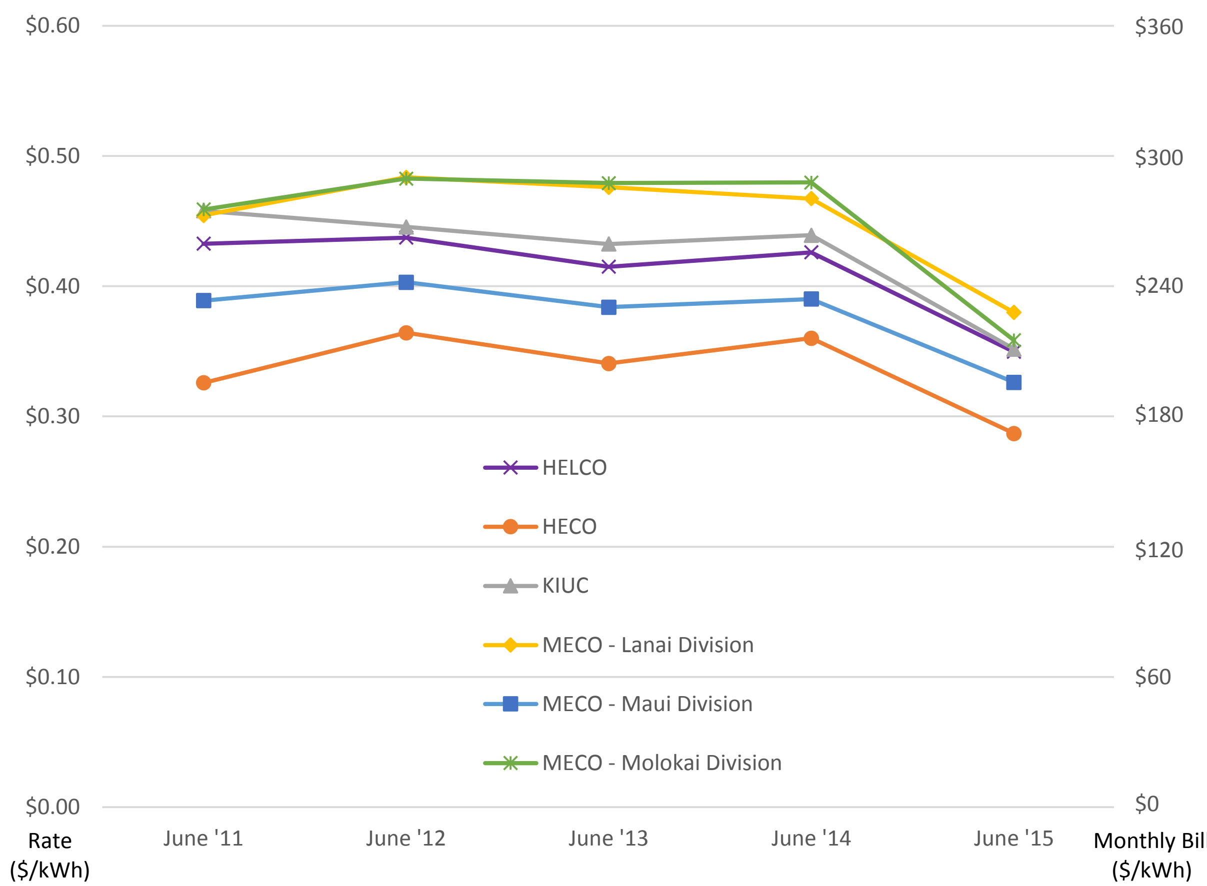
Rates

Electric Utilities

Electric utility rates are the sum of various components, all of which are analyzed and approved by the Commission.

In Figure 10, the electricity rates consist of the base energy rate, plus the fuel adjustment clause[25] and other adjustments. The total of the base energy rate and the fuel adjustment clause is also known as the "effective energy rate."

Figure 10 - Five Year Comparison of Effective Residential Energy Rates and Monthly Residential Electric Bill, Based on 600 kWh



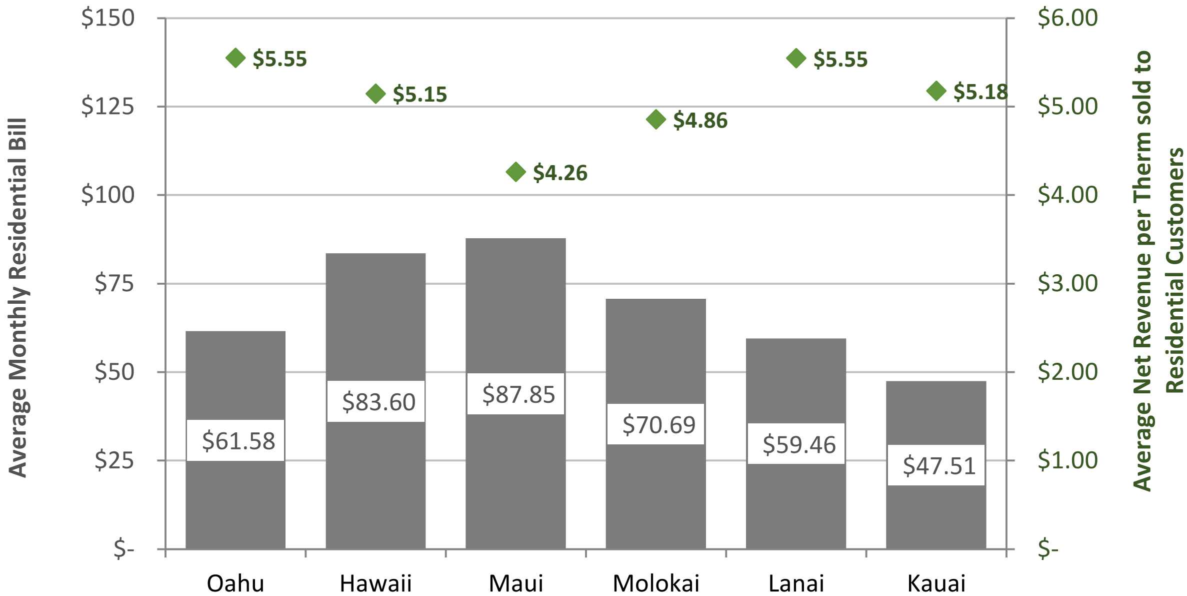
	June '11		June '12		June '13		June '14		June '15	
	Rate	Bill	Rate	Bill	Rate	Bill	Rate	Bill	Rate	Bill
HELCO	$0.437	$262.04	$0.437	$262.41	$0.415	$249.02	$0.426	$255.62	$0.350	$209.85
HECO	$0.326	$195.50	$0.364	$218.60	$0.341	$204.47	$0.360	$216.08	$0.287	$172.20
KIUC	$0.458	$274.86	$0.456	$267.30	$0.432	$259.46	$0.439	$263.57	$0.352	$211.04
MECO – Lanai Division	$0.454	$272.66	$0.484	$290.18	$0.476	$285.63	$0.467	$280.40	$0.380	$227.98
MECO – Maui Division	$0.389	$233.43	$0.403	$241.90	$0.384	$230.35	$0.390	$234.15	$0.326	$195.74
MECO – Molokai Division	$0.459	$275.35	$0.482	$289.58	$0.479	$287.56	$0.480	$287.83	$0.356	$215.14

[25] The fuel adjustment clause is an automatic adjustment provision of a rate schedule approved by the Commission, which provides for increases or decreases, or both, without prior hearing, in rates reflecting changes in cost incurred by an electric or gas utility for fuel or purchased energy due to changes in the unit cost of fuel and purchased energy. The fuel adjustment clause is called either, the energy rate adjustment clause ("ERAC") or energy cost adjustment clause ("ECAC"), depending on the utility.

Gas

For 2014, average residential utility gas bills range from approximately $47.51 on Kauai to $87.85 on Maui and cost per therm ranging from approximately $4.26 on Maui to $5.55 on Oahu and Lanai. See Figure 11**.**

Figure 11 - Average Monthly Residential Utility Gas Bills and Costs Per Therm, 2014



Telecommunications

Since 2009, local exchange intrastate telephone services have been designated as fully competitive.[26] Rates for telephone services do not require Commission approval and are filed with the Commission for informational purposes.

Hawaiian Telcom's basic rates have remained unchanged since 1995. In 1997, the Commission approved Hawaiian Telcom's 11.23% surcharge on most intrastate services, including basic services. Table 6 shows residential individual line telephone service by island that customers have been paying since 1997.

Table 6 - Hawaiian Telecom's Residential Rates by Island

Island	*Residential Rate w/ 11.23% Surcharge*	*Residential Rate in Tariff*
Oahu	$16.02	$14.40
Hawaii	$14.57	$13.10
Maui	$13.90	$12.50
Kauai	$13.90	$12.50
Molokai	$12.07	$10.85
Lanai	$11.01	$9.90

[26] Act 180, SLH 2009, as modified by Act 8, SLH 2010.

Utility Company Performance

Electric Utilities' Reliability and Quality of Service

The service reliability reports submitted to the Commission in FY 15 by HECO, MECO, HELCO, and KIUC cover the 2014 calendar year. The following electric utility service quality information is derived or excerpted directly from those service reliability reports, except where otherwise noted.

The reliability indices are based on all sustained[27] system outages. Data normalization is done using the guidelines specified in the "Methodology for Determining Reliability Indices for HECO Utilities," dated December 1990. Normalization is allowed for "abnormal" situations such as hurricanes, tsunamis, earthquakes, floods, catastrophic equipment failures, and single outages that cascade into a loss of load greater than 10 percent of the system peak load. These normalizations are made in calculating the reliability indices because good engineering design takes into account safety, reliability, utility industry standards, and economics, but cannot always account for catastrophic events within economic limitations.

Indices used to measure reliability are defined in the box below.

ASAI: *Average Service Availability Index: overall availability of electrical service*

SAIFI: *System Average Interruption Frequency Index: the frequency or number of times a company's customers experience an outage during the year*

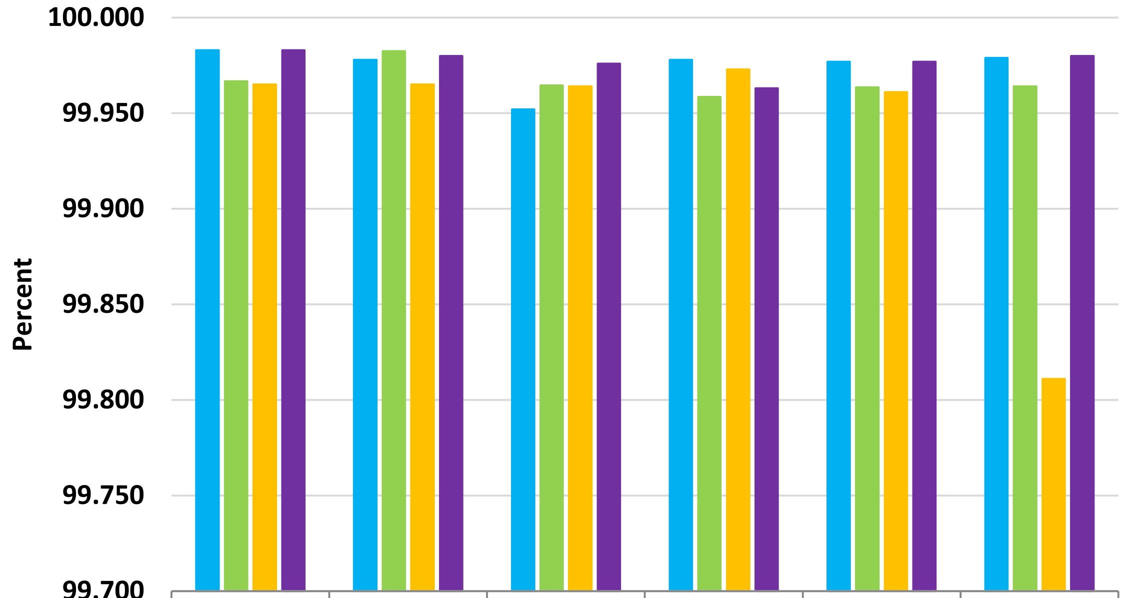
CAIDI: *Customer Average Interruption Duration Index: the average length of time an interrupted customer is out of power*

SAIDI: *System Average Interruption Duration Index: the average length of time the company's customers are out of power during the year*

As illustrated in Figure 12, the Average Service Availability Indices (ASAI) system availabilities of the four utilities over the past six years were between 99.811 percent (HELCO in 2014) and 99.983 percent (both HECO and KIUC in 2009).

[27] A "sustained" outage is an electrical service interruption of more than one minute. Reliability indices do not include customer maintenance outages.

Figure 12 - Average Service Availability Index – All Events



	2009	2010	2011	2012	2013	2014
HECO	99.983	99.978	99.952	99.978	99.977	99.979
MECO	99.967	99.982	99.965	99.959	99.964	99.964
HELCO	99.965	99.965	99.964	99.973	99.961	99.811
KIUC*	99.983	99.980	99.976	99.963	99.977	99.980

Note: A higher percent is better.
*The KIUC 2009 ASAI value is from the KIUC 2013 Annual Reliability report.

System Average Interruption Duration Index (SAIDI), also an indication of overall system reliability, is the product of System Average Interruption Frequency Index (SAIFI) and Customer Average Interruption Duration Index (CAIDI) and incorporates the impact of frequency and duration of outages on the company's total customer base. SAIDI is presented below for each utility.

HECO Service Quality

HECO's reliability indices for 2014 and the prior five years are shown in Table 7 (all events) and Table 8 (normalized). Figure 13 shows the 2014 SAIDI in graphical form.

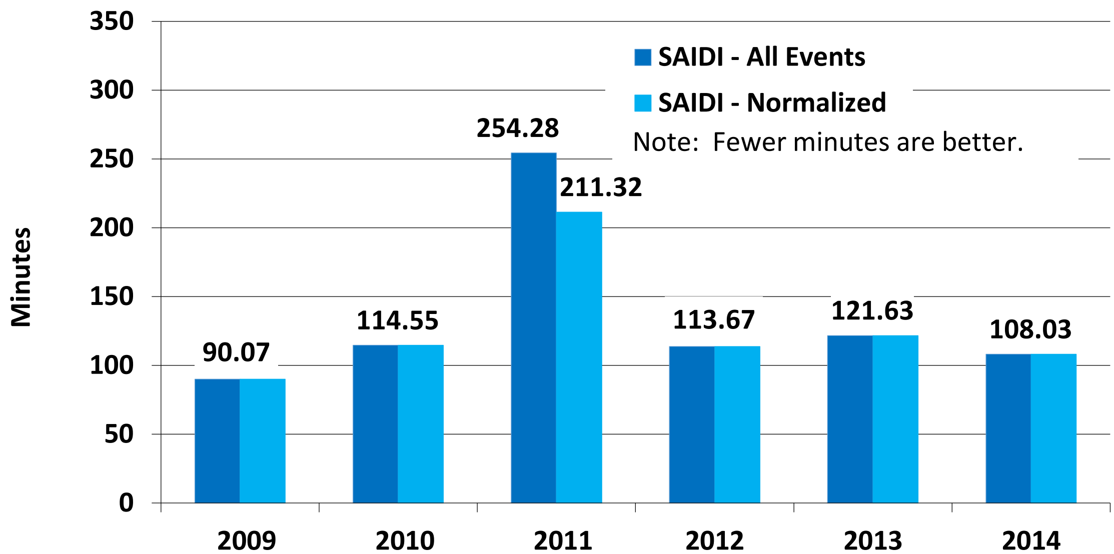
Table 7 - HECO Annual Service Reliability Indices (All Events)

	2009	2010	2011	2012	2013	2014
Number of Customers	294,802	295,637	296,679	297,598	298,920	300,722
Customer Interruptions	333,908	361,334	502,253	407,197	409,516	447,048
Customer-Hours Interrupted	442,546	564,424	1,257,349	563,807	605,965	541,435
SAIDI (Minutes)	90.07	114.55	254.28	113.67	121.63	108.03
CAIDI (Minutes)	79.52	93.72	150.21	83.08	88.78	72.67
SAIFI (Average Number of Interruptions per Customer)	1.133	1.222	1.693	1.368	1.370	1.487
ASAI (Percent)	99.983	99.978	99.952	99.978	99.977	99.979

Table 8 - HECO Annual Service Reliability Indices (Normalized)

	2009	2010	2011	2012	2013	2014
Number of Customers	294,802	295,637	296,679	297,598	298,920	300,722
Customer Interruptions	333,908	361,334	408,327	407,197	409,516	447,048
Customer-Hours Interrupted	442,546	564,424	1,044,916	563,807	605,965	541,435
SAIDI (Minutes)	90.07	114.55	211.32	113.67	121.63	108.03
CAIDI (Minutes)	79.52	93.72	153.54	83.08	88.78	72.67
SAIFI (Average Number of Interruptions per Customer)	1.133	1.222	1.376	1.368	1.370	1.487
ASAI (Percent)	99.983	99.978	99.960	99.978	99.977	99.979

Figure 13 - HECO System Average Interruption Duration Index



In addition to the reliability indices, HECO provides normalized data, by outage cause, for customer interruption hours and number of customer interruptions. The data provided by HECO regarding customer interruption hours for the top five outage causes and the balance of the outage causes, represented by “Other,” is presented in Table 9. The data provided by HECO regarding the number of customer interruptions for the top five outage causes, and the balance of the outage causes, represented by “Other,” is presented in Table 10. As previously noted, the outage cause category of “Other” is an amalgamation of all outage causes not listed in the top five rankings of both tables.

Table 9 - HECO Outage Causes, Ranked by Hours per Cause of Outage

Rank	Outage Cause	Customer Interruption Hours per Outage Cause	Total Customer Interruption Hours for All Outage Causes	Percent
1	Equipment Deterioration	108,773	541,435	20.09%
2	Cable Fault	97,504	541,435	18.01%
3	Trees/Branches in Lines	67,574	541,435	12.48%
4	Scheduled Maintenance	56,763	541,435	10.48%
5	High Winds	41,063	541,435	7.58%
	Other	169,768	541,435	31.36%
	Total	541,435		100%

Table 10 - HECO - HECO Outage Causes, Ranked by Number of Interruptions

Rank	Outage Cause	Number of Customer Interruptions per Outage Cause	Total Number of Customer Interruptions for All Outage Causes	Percent
1	Cable Fault	69,867	447,048	15.63%
2	Automatic Underfrequency Loadshed	64,175	447,048	14.36%
3	Equipment Deterioration	62,002	447,048	13.87%
4	Faulty Equipment Operation	51,399	447,048	11.50%
5	Trees/Branches in Lines	35,044	447,048	7.84%
	Other	164,561	447,048	36.81%
	Total	447,048		100%

HELCO Service Quality

HELCO's reliability indices for 2014 and the prior five years are shown in Table 11 (all events) and Table 12 (normalized). Figure 14 shows the 2014 SAIDI in graphical form.

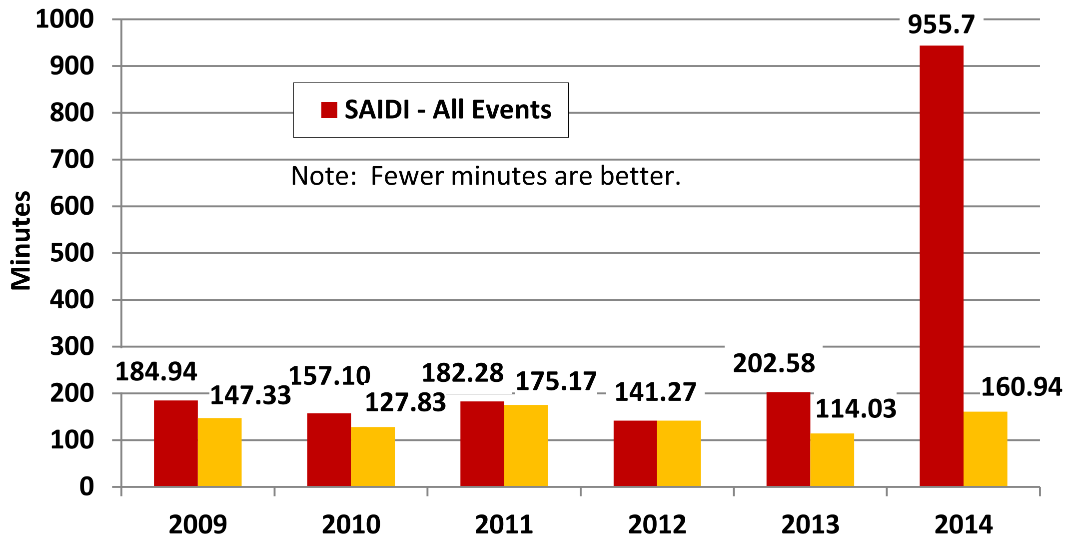
Table 11 - HELCO Annual Service Reliability Indices (All Events)

	2009	2010	2011	2012	2013	2014
Number of Customers	79,679	80,171	80,800	81,537	82,068	82,872
Customer Interruptions	298,122	300,528	289,448	229,461	377,561	405,362
Customer-Hours Interrupted	245,593	209,919	245,465	191,973	277,087	1,320,024
SAIDI (Minutes)	184.94	157.10	182.28	141.27	202.58	955.7
CAIDI (Minutes)	49.43	41.91	50.88	50.20	44.03	195.38
SAIFI (Average Number of Interruptions per Customer)	3.742	3.749	3.582	2.814	4.601	4.891
ASAI (Percent)	99.965	99.965	99.964	99.973	99.961	99.811

Table 12 - HELCO Annual Service Reliability Indices (Normalized)

	2009	2010	2011	2012	2013	2014
Number of Customers	79,679	80,171	80,800	81,537	82,068	82,872
Customer Interruptions	246,226	176,252	235,520	229,461	239,369	281,467
Customer-Hours Interrupted	195,655	170,798	235,894	191,973	155,975	222,297
SAIDI (Minutes)	147.33	127.83	175.17	141.27	114.03	160.94
CAIDI (Minutes)	47.68	58.14	60.10	50.20	39.10	47.39
SAIFI (Average Number of Interruptions per Customer)	3.09	2.198	2.915	2.814	2.917	3.396
ASAI (Percent)	99.972	99.97	99.966	99.973	99.978	99.962

Figure 14 - HELCO System Average Interruption Duration Index, 2009-2014



In addition to the reliability indices, HELCO provides normalized data, by outage cause, for customer interruption hours and number of customer interruptions. The data provided by HELCO regarding customer interruption hours for the top five outage causes and the balance of the outage causes, represented by “Other,” is presented in Table 13. The data provided by HELCO regarding the number of customer interruptions for the top five outage causes and the balance of the outage causes, represented by “Other,” is presented in Table 14. As previously noted, the outage cause category of “Other” is an amalgamation of all outage causes not listed in the in the top five rankings of both tables.

Table 13 - HELCO Outage Causes, Ranked by Hours per Cause of Outage

Rank	Outage Cause	Customer Interruption Hours per Outage Cause	Total Customer Interruption Hours for All Outage Causes	Percent
1	Tree or Branches	78,253.3	222,297.0	35.20%
2	Deterioration	38,491.8	222,297.0	17.32%
3	Auto Accident	38,417.8	222,297.0	17.28%
4	Lightning	13,759.4	222,297.0	6.19%
5	Cable Fault	10,167.0	222,297.0	4.57%
	Other	43,207.7	222,297.0	19.44%
	Total	222,297.0		100%

Table 14 - HELCO Outage Causes, Ranked by Number of Interruptions

Rank	Outage Cause	Number of Customer Interruptions per Outage Cause	Total Number of Customer Interruptions for All Outage Causes	Percent
1	Faulty Equipment Operation	73,101	281,467	25.97%
2	Customer Equipment	53,733	281,467	19.09%
3	Tree or Branches	48,949	281,467	17.39%
4	Deterioration	33,007	281,467	11.73%
5	Auto Accident	18,865	281,467	6.70%
	Other	53,812	281,467	19.12%
	Total	281,467		100%

MECO Service Quality

MECO's reliability indices for 2014 and the prior five years are shown in Table 15 (all events) and Table 16 (normalized). Figure 15 shows the 2014 SAIDI in graphical form.

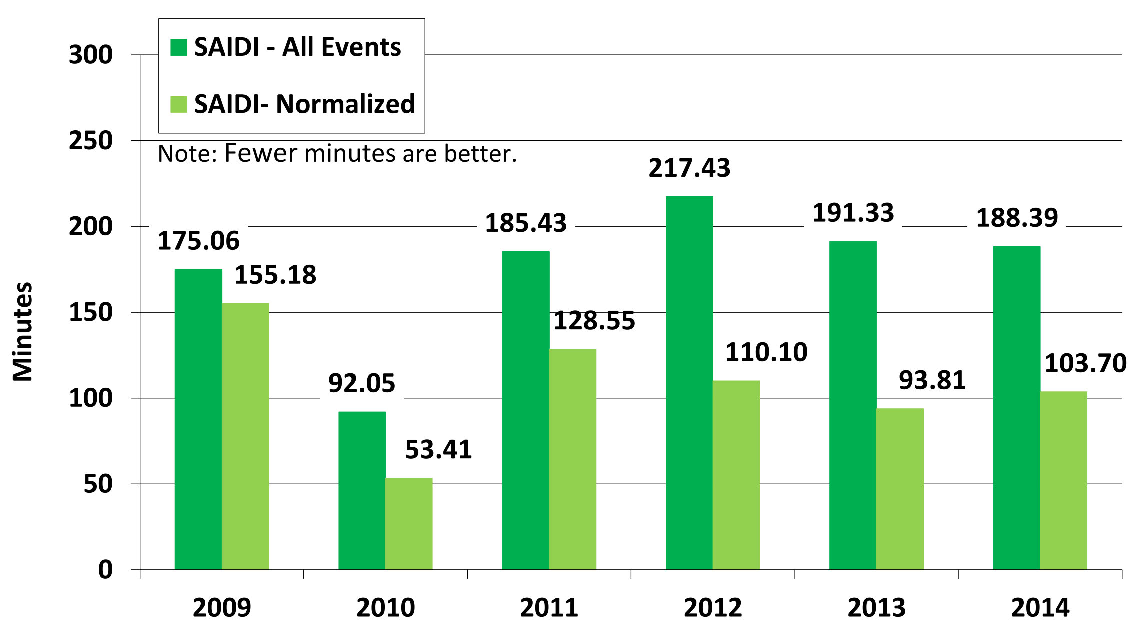
Table 15 - MECO Annual Service Reliability Indices, All Islands (All Events)

	2009	2010	2011	2012	2013	2014
Number of Customers	67,126	67,405	68,010	68,575	69,303	69,825
Customer Interruptions	124,864	131,294	170,379	195,618	138,480	179,256
Customer-Hours Interrupted	195,853	103,416	210,186	248,501	221,000	219,244
SAIDI (Minutes)	175.06	92.05	185.43	217.43	191.33	188.39
CAIDI (Minutes)	94.11	47.26	74.02	76.22	95.75	73.38
SAIFI (Average Number of Interruptions per Customer)	1.860	1.948	2.505	2.853	1.998	2.567
ASAI (Percent)	99.9667	99.9824	99.9646	99.9586	99.9635	99.9641

Table 16 - MECO Annual Service Reliability Indices, All Islands (Normalized)

	2009	2010	2011	2012	2013	2014
Number of Customers	67,126	67,405	68,010	68,575	69,303	69,825
Customer Interruptions	108,368	67,481	101,268	81,428	71,894	107,847
Customer-Hours Interrupted	173,602	60,007	145,711	125,836	108,361	120,685
SAIDI (Minutes)	155.18	53.41	128.55	110.10	93.81	103.70
CAIDI (Minutes)	96.12	53.35	86.33	92.72	90.43	67.14
SAIFI (Average Number of Interruptions per Customer)	1.615	1.001	1.489	1.187	1.037	1.545
ASAI (Percent)	99.9705	99.9898	99.9755	99.9791	99.9821	99.9802

Figure 15 - MECO System Average Interruption Duration Index



In addition to the reliability indices, MECO ranks the causes of normalized outages by hours of customer interruption (shown in Table 17) by and number of customer interruptions (shown in Table 18). In each table, "Other" refers to an amalgamation of outage causes not listed in the top five.

Table 17 - MECO Outage Causes, Ranked by Hours per Cause of Outage

Rank	Outage Cause (normalized)	Customer Interruption Hours per Outage Cause	Total Customer Interruption Hours for All Outage Causes	Percent
1	Trees or Branches in Lines	37,342.00	120,684.80	30.94%
2	Deterioration, Corrosion, Termites	17,630.90	120,684.80	14.61%
3	Automobile Accident	17,124.10	120,684.80	14.19%
4	Foreign Objects in Lines or Equipment	7,811.10	120,684.80	6.47%
5	Equipment Failure	6,983.60	120,684.80	5.79%
	All Other Causes	33,793.10	120,684.80	28.00%
	Total	120,684.80		100%

Table 18 - MECO Outage Causes, Ranked by Number of Interruptions

Rank	Outage Cause (normalized)	Number of Customer Interruptions per Outage Cause	Total Number of Customer Interruptions for All Outage Causes	Percent
1	Trees or Branches in Lines	27,575	107,847	25.57%
2	Equipment Failure	13,893	107,847	12.88%
3	Foreign Objects in Lines or Equipment	10,375	107,847	9.62%
4	Automobile Accident	10,198	107,847	9.46%
5	Deterioration, Corrosion, Termites	9,439	107,847	8.75%
	All Other Causes	36,367	107,847	33.72%
	Total	107,847		100%

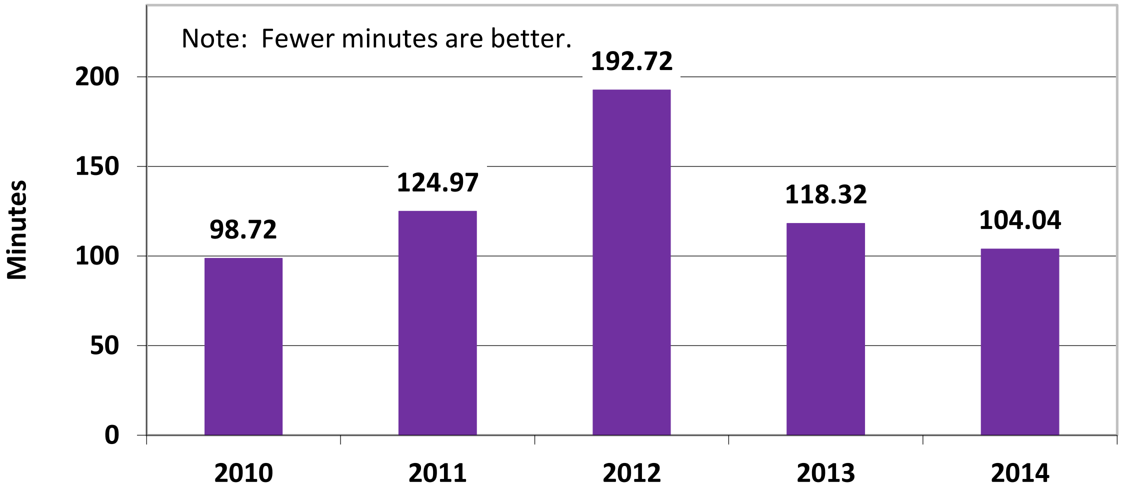
KIUC Service Quality

KIUC's reliability indices for 2014 and the prior four years are shown in Table 19. Figure 16 shows the 2014 SAIDI in graphical form.

Table 19 - KIUC Annual Service Reliability Indices – All Events

	2010	2011	2012	2013	2014
System Peak (MW)	76.54	72.05	73.06	72.96	72.90
Number of Customers	36,113	36,222	36,473	36,704	36,831
SAIDI (Minutes)	98.72	124.97	192.72	118.32	104.04
CAIDI (Minutes)	20.74	21.53	44.20	36.62	38.56
SAIFI (Average Number of Interruptions per Customer)	4.76	5.80	4.36	3.23	2.70
ASAI (Percent)	99.980	99.976	99.963	99.977	99.980

Figure 16 - KIUC System Average Interruption Duration Index (SAIDI)



In addition to the reliability indices, KIUC provides sustained interruption cause data for 2014. KIUC breaks down that data via causes by frequency (i.e., what caused the most interruptions) and causes by magnitude (i.e., what caused the most severe**.** interruptions). Figure 17 illustrates the sustained interruptions by magnitude and Figure 18 illustrates the sustained interruptions by frequency.

Figure 17 – KIUC Outage Causes, Ranked by Hours of Interruption (Magnitude) per Cause of Outage

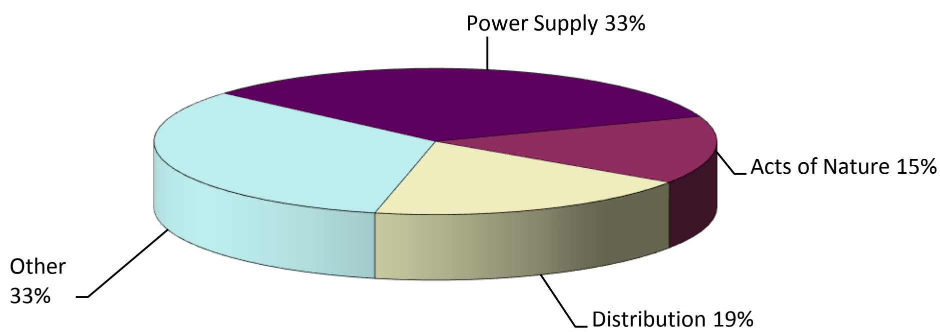
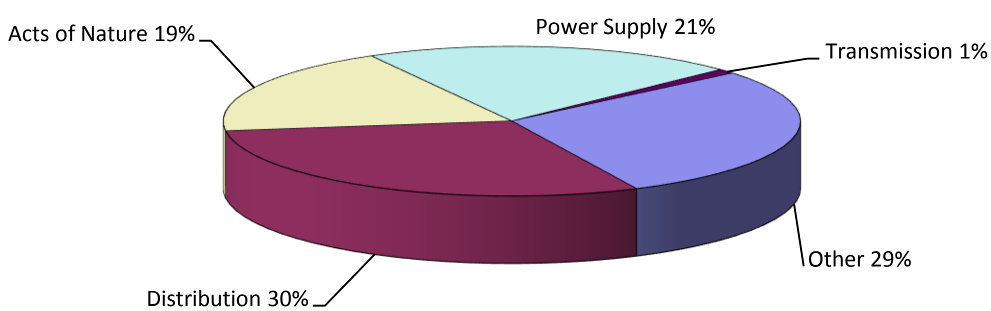


Figure 18– KIUC Outage Causes, Ranked by Number of Interruptions (Frequency) per Cause of Outage



Gas Service Reliability and Quality of Service

Monthly Line Breakage/Service Interruption Reports are filed by Hawaii Gas each month. Between July 1, 2014, and June 30, 2015, there were 132 line breaks, all caused by third parties, affecting 115 customers and resulting in 143.7 customer-hours of interruption. Fiscal Year 2015 had approximately a 7.3 percent increase in line breaks and approximately a 63.7 percent increase in customer-hours of interruption in comparison to Fiscal Year 2014, which had 123 line breaks and 87.78 customer-hours of interruption.

Table 20 - Gas Line Breaks and Service Interruptions

Month, Year	Number of Line Breaks	Number of Customers Affected	Customer-Hours of Interruption
July, 2014	18	11	19.2
August, 2014	21	17	17
September, 2014	13	5	29.5
October, 2014	4	1	2.5
November, 2014	6	3	7.5
December, 2014	7	1	0.5
January, 2015	12	14	20.5
February, 2015	12	5	14.5
March, 2015	7	38	9.5
April, 2015	17	18	17
May, 2015	10	1	2
June, 2015	5	1	4
FY 2015	132	115	143.7

Meter Performance Control Program Annual Reports are filed by Hawaii Gas each calendar year. The objectives of the program are to: (1) provide accurate measurement of gas delivery to consumers and (2) extend the service lives of the meters. Separate reports are compiled for meters with flow rates of 0 to 250 cubic feet per hour ("CFH") and for meters with flow rates of 251 to 1500 CFH. In 2014, Hawaii Gas had 25,865 meters in service and, by the end of 2014, had removed 2,099 meters from service.

Table 21 – Meter Performance Control Program

	Meters in Service in 2014	Meters Removed from Service by Year-End 2014
0-250 CFH Meters	22,743	1,844
251-1500 CFH Meters	3,122	255
Total	25,865	2,099

Enforcement Activities

The Commission enforces its rules, regulations, standards, and tariffs by monitoring the operational practices and financial transactions of the regulated utilities and transportation carriers. Enforcement activities involve customer complaint resolution, compliance with financial reporting and other requirements, and issuance of citations.

Complaint Resolution

The Commission's role in protecting the public is carried out in part through its investigation and resolution of complaints. The Commission accepts written complaints against any public utility, water carrier, motor carrier, or others subject to the Commission's jurisdiction. There are two kinds of written complaints - formal and informal. The Commission's rules of practice and procedure, Hawaii Administrative Rules Chapter 6-61, provide the requirements for formal and informal written complaints.

Formal Complaints

During FY 2015, two formal complaints were filed. The complaints were investigated in Docket Nos. 2014-0175 and 2014-0191.

Written Informal Complaints

As shown in Table 22, the Commission received a total of 135 written informal complaints in FY 2015 against regulated and unregulated utility and transportation companies.

Table 22 - Total Number of Informal Complaints Received by the Commission, FY 2011-2015

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Utilities					
Telecommunications	**63**	**50**	**50**	**43**	**29**
Wire line (telephone)	30	28	24	27	14
Cellular and Paging	32	22	20	14	8
Other	1	0	6	2	7
Electricity	**30**	**41**	**99**	**57**	**85**
Gas	**4**	**3**	**8**	**3**	**5**
Water/Sewer	**5**	**2**	**3**	**3**	**3**
Other	**5**	**2**	**2**	**1**	**0**
Transportation Carriers					
Water Carrier	**0**	**1**	**1**	**0**	**1**
Motor Carrier	**17**	**15**	**6**	**6**	**11**
One Call Center	**0**	**0**	**0**	**1**	**0**
Total Complaints	**124**	**114**	**169**	**118**	**135**

Civil Citations

The Commission enforces provisions in HRS Sections 269, 269E, 271 and 271G as well as applicable rules, orders, and regulations and may assess civil penalties, subject to providing the alleged violators with notice and opportunity to be heard in accordance with HRS Chapter 91.

For violations of the Motor Carrier Law, HRS Chapter 271, the Commission may impose civil penalties up to $1,000 per offense and penalties of $50-500 per day in the case of a continuing violation.

For violations of the Water Carrier Law, HRS Chapter 271G or the One Call Law, HRS Chapter 269E, the Commission may impose various civil penalties for up to $5,000 per offense and penalties up to $5,000 per day in the case of a continuing violation.

For any other public utility violating HRS Chapter 269, and/or the Commission's applicable rules, orders and regulations, the Commission may impose various civil penalties not to exceed $25,000 each day so long as such violation continues.

Some of the common types of citations include: operating without a certificate or permit issued by the Commission, failure to publish a tariff, failure to maintain the required liability insurance, improper vehicle marking, and stop-in-transit violations (i.e., shipping intrastate cargo described as interstate cargo).

Table 23 lists the number of citations issued and the civil penalties issued for fiscal years 2011-2015.

Table 23 – Citations and Civil Penalties Issued, FY 2011-2015

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Citations					
Motor Carrier	25	11	10	11	8
Stop in Transit	2	0	5	0	1
Other	0	0	0	0	0
Total # of Citations Issued	**28**	**11**	**15**	**11**	**9**
Civil Penalties					
Motor Carrier	$21,000	$19,500	$10,000	$12,000	$11,500
Stop in Transit	$1,500	$0	$9,000	$$0	$2,000
Other	0	0	0	0	0
Total Civil Penalties Issued	**$22,500**	**$19,500**	**$19,000**	**$12,000**	**$13,500**

Revocation of CPCNs

In FY 2015, the Commission revoked 37 motor carrier certificates for failure to pay the civil penalties imposed, and/or for failure to file an Annual Financial Report, and/or for failure to pay the requisite Motor Carrier Gross Revenue Fee failure, and/or failure to comply with the other Commission's requirements.

Environmental Matters and Actions of the Federal Government

The following section highlights environmental matters and actions of the federal government that may affect the regulation of public utilities in Hawaii.

Mercury and Air Toxics Standards

The Mercury and Air Toxics Standards ("MATS")[28] limit mercury, acid gases, and other toxic pollution from coal- and oil-fired power plants with capacities of 25 MW or greater. HECO has until April 16, 2016 to meet MATS requirements. The MATS final rule established separate standards for non-continental ("NCO") electric generating units. On April 30, 2015, the EPA denied HECO's Petition for Reconsideration of the MATS NCO limits. On June 29, 2015 HECO filed an appeal with the District of Columbia Circuit Court of Appeals. On June 29, 2015, the U.S. Supreme Court ruled the EPA unreasonably interpreted the Clean Air Act when it decided to set limits on emissions of hazardous air pollutants from power plants without considering the costs on the industry to do so. The Supreme Court left the authority to the D.C. Circuit to decide how to remand this issue to the EPA. In the meantime, the MATS rule compliance date of April 16, 2016 for the HECO companies remains in place.

The HECO Companies have proposed the use of petroleum fuels (low sulfur fuel oil/diesel fuel blend), enhanced maintenance, changes in operating practices and retrofit of steam atomization of fuel when the requirements take effect,[29] and fuel switching to liquefied natural gas ("LNG") to meet long-term MATS requirements.[30]

National Ambient Air Quality Standards

The Clean Air Act requires the EPA to set National Ambient Air Quality Standards ("NAAQS") for wide spread pollutants from various sources. The six principal pollutants under NAAQS include Carbon Monoxide, Lead, Nitrogen Dioxide, Ozone, Particulate Matter, and Sulfur Dioxide.[31] NAAQS will affect all of Hawaii's major combustion power plants. The HECO Companies have proposed to comply with NAAQS through the use of LNG.[32]

Carbon Monoxide: There were no regulatory actions in FY 2015 for carbon monoxide.

Lead: On December 19, 2014, the EPA issued a proposed rule to retain, without revision, the proposed 2008 NAAQS for lead.

Nitrogen Dioxide: On August 5, 2014, EPA approved Hawaii's State Implementation Plan infrastructure submittal for the 2010 Nitrogen Dioxide NAAQS.[33] However, on November 14, 2014, the EPA found Hawaii was amongst seven states (Alaska, Arkansas, Hawaii, Minnesota, New Jersey, Vermont and Washington) that have not submitted complete State Implementation Plans that include the infrastructure elements necessary to ensure implementation of the 2010 Nitrogen Dioxide NAAQS.

2008 Ozone: On August 5, 2014, EPA approved Hawaii's State Implementation Plan infrastructure submittal for the 2008 Ozone NAAQS. The State Implementation Requirements Rule ("Ozone SRR") for the implementation of the final 2008 Ozone NAAQS Classifications Rule was signed on February 13,

[28] USEPA, "Mercury and Air Toxics Standards," Final Rule published February 16, 2012. Accessed September 18, 2015.
[29] Hawaiian Electric Company, "Conitainerized LNG Supply RFP: Questions and Answers," March 21, 2014. Accessed September 18, 2015.
[30] Hawaiian Electric Company, "Environmental Compliance," Hawaiian Electric Power Supply Improvement Plan, August 26, 2014.
[31] USEPA, "National Ambient Air Quality Standards," accessed September 18, 2015.
[32] Hawaiian Electric Company, "Environmental Compliance," Hawaiian Electric Power Supply Improvement Plan, August 26, 2014.
[33] USEPA, "Air Actions, Hawaii," accessed September 22, 2015.

2015 and became effective on April 6, 2015. In general, the Ozone SRR interprets applicable statutory requirements for states to implement plans to meet and maintain the Ozone NAAQS.

Fine Particulate Matter: On December 14, 2012, the $PM_{2.5}$ NAAQS Rule was signed. This Rule set new limits on particulate matter. As of June 30, 2015, no areas in Hawaii had been designated as in non-attainment of this standard.[34]

Sulfur Dioxide: On June 22, 2010, the EPA revised the primary national air quality standard for sulfur dioxide emissions ("SO_2"). On February 6, 2013, the EPA announced that it is "not yet prepared to propose [SO_2] designation action in Hawaii and is currently deferring action to designate areas in Hawaii".[35]

Clean Power Plan

On August 3, 2015, the EPA finalized the Clean Power Plan Rule to cut carbon dioxide pollution from existing electric generating units.[36] This is the first time the EPA has established greenhouse gas emissions guidelines for existing power plants. The Clean Power Plan was established under Section 111(d) of the Clean Air Act and, at the moment, standards have only been set for contiguous U.S. states. Affected states will be required to develop and implement plans that set emission standards for the affected power plants. Standards were not set for electric generating units ("EGUs") in Hawaii, Alaska, Guam, and Puerto Rico. As stated in the rule, [37]

> "The CAA section 111(d) emission guidelines apply to the 50 states, the District of Columbia, U.S. territories … Because the EPA lacks appropriate information … for the two non-contiguous states with affected EGUs (Alaska and Hawaii) and the two U.S. territories with affected EGUs (Guam and Puerto Rico), we are not finalizing emission performance rates in those areas at this time, and those areas will not be required to submit state plans until we do."

National Pollution Discharge Elimination System

On August 15, 2014, the EPA published the Final Regulations to Establish Requirements for Cooling Water Intake Structures at Existing Facilities and Amended Requirements at Phase I Facilities.[38] The purpose of Section 316b is to reduce impingement and entrainment of fish and other aquatic organisms at cooling water intake structures used by existing power generation. This rule establishes requirements under section 316(b) of the Clean Water Act for existing power generating facilities that are designed to withdraw more than 2 million gallons per day of water and use at least 25 percent of the withdrawn water exclusively for cooling purposes. This rule applies to the HECO Companies' Kahe and Waiau electric generating stations. No firm deadline for compliance is specified in this rule; however, facility-specific compliance schedules will be developed after completing significant technology requirements studies at the affected facilities.

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[34] USEPA, http://www3.epa.gov/pmdesignations/2012standards/state.htm, accessed October 5, 2015. Nonattainment areas: Certain counties in four states (CA, ID, OH, PA). Unclassifiable Areas: Areas in six states / territories (PR, USVI, IL, IN, KY, MO). Final Designations Deferred: Areas in 3 states (FL, GA, TN).

[35] USEPA Region 9, Letter to Governor Neil Abercrombie, February 6, 2013.

[36] USEPA, Clean Power Plan Final Rule, accessed September 23, 2015.

[37] In the EPA's final rule for the Clean Power Plan, a CO_2 emission performance was established for two subcategories of fossil fuel-fired electric generating units (fossil-fuel fired steam generating units and stationary combustion turbines). The CO_2 emission performance rate expresses "best system of emissions reduction" (BSER).

[38] USEPA, "Cooling Water Intakes," accessed September 24, 2015.

Federal Universal Service Fund and Eligible Telecommunications Carrier Certification

Pursuant to H.R. No. 6, SLH 2015 the Commission, in consultation with the Division of Consumer Advocacy of the Department of Commerce and Consumer Affairs, is requested to report on:

(1) Efforts to ensure that consumers in all communities are provided with telecommunications services, including cellular service, that is comparable to the telecommunications services used by a majority of consumers located in metropolitan areas of the State;

(2) Efforts to ensure that all consumers are provided with nondiscriminatory, reasonable, and equitable access to high quality telecommunications network facilities and capabilities, including cellular service, that provide sufficient network capacity to access information services that provide a combination of voice, data, image, and video.

The Commission's role in the promotion of the principles noted above is accomplished primarily through the Commission's role as the State entity authorized and responsible for designating and certifying Hawaii eligible telecommunications carriers ("ETCs") seeking Universal Service Fund ("USF") disbursements under the federal USF program. The USF program, created by the U.S. Congress through the Telecommunications Act of 1934, as amended in 1996 ("Telecommunications Act"), is intended to preserve and advance a basic level of quality, affordable telecommunications service to "all regions of the Nation" in favor of "the public interest, convenience, and necessity."[39] The Federal Communications Commission ("FCC"), with the assistance of the designated USF Administrator, the Universal Service Administrative Company or USAC, oversees the distribution of USF support, including the disbursement of nearly $8 billion nationally in 2010.[40]

To receive USF support, a telecommunications carrier must first be designated as an ETC by the Commission or the FCC in accordance with the requirements of 47 U.S.C.A. § 214(e) and additional federal regulations[41] as well as the Commission's own certification requirements.[42] ETC designation also includes a required determination that an applicant's designation as an ETC would be in the public interest.[43] The Consumer Advocate participates in all dockets where telecommunications carriers seek designation as an ETC.

Commission proceedings relating to ETC designations during FY 2015 are summarized in the following section. See Table 24 for a list of ETCs in Hawaii.

[39] See 47 U.S.C.A. § 254(b). States are also authorized to have their own supplemental USF support programs and associated funding mechanisms to bolster the federal USF. See 47 U.S.C.A. § 254(f). See also Haw. Rev. Stat. §§ 269-35, -41, -42. However, the Hawaii USF has been specifically designated as a "fund of last resort," which limits funding-eligible carriers to only those not otherwise able to get funding from other sources, including the federal USF. See H.A.R. § 6-81-6 (1996).

[40] Federal-State Joint Board on Universal Service, CC Docket No. 98-202, Universal Service Monitoring Report, December 2011, Table 1.11, page 1-31.

[41] See 47 U.S.C.A. § 254(e); See also 47 U.S.C.A. §§ 214(e)(2) and (6).

[42] Order No. 30932, filed on December 28, 2012, in Docket No. 2011-0052.

[43] See 47 C.F.R. § 54.202(b) (2012). See Decision and Order No. 30309, Application of Pa Makani LLC for Designation as an Eligible Telecommunications Carrier in the State of Hawaii, Docket No. 2011-0145, filed April 10, 2012, page 25.

Table 24 - Eligible Telecommunications Carriers in Hawaii

Eligible Telecommunications Carriers ("ETCs")	Carrier Type	Date Designated	Docket No.	Notes
Hawaiian Telcom, Inc.	Incumbent	12/04/1997	1997-0363	
Sandwich Isles Communications, Inc.	Incumbent	12/09/1998	1998-0317	Certification to FCC and USAC for USF high-cost support not granted, 9/28/2015, Docket No. 2015-0083
Sprint Nextel	Wireless	06/25/2004	2003-0104	Relinquished, 12/31/2005, Docket No. 2011-0133
Coral Wireless, LLC, dba Mobi PCS	Wireless	02/23/2007	2005-0300	
T-Mobile West LLC	Wireless	03/14/2011	2010-0119	Relinquished, 12/31/2013, Lifeline-Only designation retained Docket No. 2013-0102
Pa Makani LLC, dba Sandwich Isles Wireless	Wireless	04/10/2012	2011-0145	Certification to FCC and USAC for USF high-cost support not granted, 9/28/2015, Docket No. 2015-0083
ETC Lifeline-Only				
TracFone Wireless, Inc. dba SafeLink Wireless	Wireless	03/27/2013	2012-0144	
Total Call Mobile, Inc	Wireless	07/09/2013	2012-0233	
Budget PrePay, Inc., dba Budget Mobile	Wireless	07/26/2013	2012-0327	
Blue Jay Wireless, LLC	Wireless	08/21/2013	2013-0029	
T-Mobile West, LLC	Wireless	12/31/2013	2013-0102	Relinquished, 12/31/2014 Docket No. 2014-0304
American Broadband and Telecommunications Company	Wireless	08/17/2015	2015-0061	

ETC Annual Recertification to the FCC

State commissions seeking "high-cost" program support for ETCs must annually certify to the FCC that the ETCs have used and will use the support only for the provision, maintenance, and upgrading of facilities and services for which the support is intended.

Investigation on Whether Designated ETCs Participating in the High-Cost Program of the USF Should be Certified for 2014

Docket No. 2014-0126, Status: Closed

On September 22, 2014, by Order No. 32304, the Commission determined that the ETC parties have each sufficiently complied with the annual ETC certification requirements and certified to the FCC and USAC that the ETCs in the State of Hawaii participating in the federal high-cost support program of the USF have been or will be using USF high-cost support only for the purposes which the USF high-cost support is intended.

Investigation on Whether Designated ETCs Participating in the High-Cost Program of the USF Should be Certified for 2015

Docket No. 2015-0083, Status: Closed

On September 28, 2015, in Order No. 33167, the Commission determined that the ETC parties have each sufficiently complied with the annual ETC certification requirements and certified to the FCC and the USAC that ETCs Hawaiian Telcom and Mobi have been or will be using USF high-cost support only for the purposes which the USF high-cost support is intended. The Commission did not certify to the FCC and the USAC that ETCs Sandwich Isles Communications and Pa Makani have been or will be using USF high-cost support only for the purposes intended due to uncertainty regarding use of the USF high-cost support consistent with 47 C.F.R. § 54.314(a).

Eligible Telecommunications Carriers, Lifeline-Only Designation

In addition to granting ETC status for telecommunication carriers, the Commission also grants limited ETC Lifeline-only status for the purposes of receiving federal Lifeline support. Commission proceedings relating to ETC Lifeline-only designations during FY 2015 are summarized below.

Pinnacle Application for ETC Lifeline-Only Designation
Docket No. 2012-0057, Status: Suspended

On March 23, 2012, Pinnacle Telecommunications Group, LLC ("Pinnacle") filed an application for designation as a Lifeline-only ETC. On June 22, 2012, the Consumer Advocate submitted its Statement of Position that it does not object to Pinnacle's application with the condition that it receives approval of its compliance plan filed with the FCC and complies with any other applicable requirements. On August 3, 2012, the Commission issued Order No. 30556 suspending the docket with an automatic rescission upon Pinnacle's submittal of the FCC's order regarding request for FCC forbearance.

iWireless Application for ETC Lifeline-Only Designation
Docket No. 2013-0199, Status: Suspended

On September 3, 2013, i-wireless, LLC filed an application for designation as a Lifeline-only ETC. In its initial Statement of Position filed on January 21, 2014, the Consumer Advocate was unable to provide the Commission a recommendation on i-wireless' request for Commission approval based on the following circumstances: (1) the unresolved issue relating to the FCC's Notice of Apparent Liability for Forfeiture; (2) whether i-wireless was in compliance with the certification and verification of FCC Rules; and (3) whether i-wireless had offered full disclosure related to its Lifeline service and with respect to its FCC filings. On May 2, 2014, the Consumer Advocate submitted its updated Statement of Position recommending that the Commission either suspend the application until there is a resolution of the matter involving i-wireless before the FCC, or dismiss the application without prejudice. On July 7, 2014, the Commission issued Order No. 32192 suspending the docket pending receipt of the final determination by the FCC.

T-Mobile Application for Relinquishment of its ETC Lifeline-only Designation
Docket No. 2014-0304, Status: Closed

On October 7, 2014, T-Mobile West, LLC ("T-Mobile") filed an application to relinquish its ETC Lifeline-only designation, pursuant to 47 United States Code §214(e)(4). On December 11, 2014 in Order No. 32516, the Commission concluded that T-Mobile's relinquishment of its ETC designation in the state should be approved.

American Broadband and Telecommunications Company Application for ETC Lifeline-Only Designation
Docket No. 2015-0061, Status: Closed

On March 5, 2015, the American Broadband and Telecommunications Company ("American Broadband") filed a petition for designation as a Lifeline-only ETC. On August 7, 2015, the Commission approved, subject to conditions and requirements, and designated American Broadband as a Lifeline-only ETC throughout the state.

Summary of Power Purchase Agreements

In accordance with Act 260, SLH 2013, summaries of power purchase agreements, including pricing, are provided in the following tables.

Table 25 - Summary of Power Purchase Agreements in Effect on Oahu, FY 2015

OAHU Facility Name	Export Capacity (MW)	Facility Type	Average FY15 Energy Price ($ per kWh)[a]	Time of Production	Fuel / Energy Source	Identifying Docket or In Service Date	End Date / Term
Kahuku Wind Power	30	As Available	$0.1885	Any	Wind	2009-0176	5/31/2031
Kawailoa Wind	69	As Available	$0.2095	Any	Wind	2011-0224	11/30/2032
Kalaeloa Renewable Energy Park	5	As Available	$0.2160	Any	Solar	2011-0384	11/30/2033
Kalaeloa Solar Two	5	As Available	$0.1998	Any	Solar	2011-0051	12/31/2032
Kapolei Sustainable Energy Park	1	As Available	$0.2360	Any	Solar	2011-0185	12/31/2031
Chevron USA Hawaiian Refinery[c]	9.6	As Available	$0.1507	On Peak[b]	Refinery Gas / Naphtha	Docket No. 6717. In service 8/2/1990.	Year to year
			$0.1265	Off Peak[b]			
Hawaii Independent Energy[d]	18.5	As Available	$0.1633	On Peak	Refinery Gas / Naphtha	Docket No. 5025. In service 12/28/1983.	Year to year
			$0.1316	Off Peak			
AES Hawaii[e]	180	Firm	$0.0523	Any	Coal	Docket No. 6177. In service 9/1/1992.	9/1/2022
Kalaeloa Partners[f]	208	Firm	$0.1556	Any	LSFO*	Docket No. 6378. In service 5/23/1991.	5/23/2016
H-POWER	68.5	Firm	$0.1629	On Peak	Waste	2012-0129	4/2/2033
			$0.1176	Off Peak			
Feed-in Tariff	Varied	As Available	$0.2249	Any	Solar	2008-0273	20 years
Avoided Energy Cost Rate			$0.1507	On Peak	Docket No. 7310, Decision and Order No. 24086; 2008-0069		
			$0.1265	Off Peak			

a Based on 12-month averages of actual energy costs; do not include capacity payments (if applicable).

b "On peak" is from 7 AM to 9 PM. "Off peak" is from 9 PM to 7 AM.

c Temporary Agreement for 4th cogen was filed with the Hawaii Public Utilities Commission on April 9, 2013. Chevron exported a limited amount of kWh to Hawaiian Electric; however per Temporary Agreement, Hawaiian Electric did not pay for such kWh. Average Energy Price is the average of the energy cost rate filings.

d Average Energy Price does not include reactive adjustment.

e Energy Price based on AES Hawaii Energy Cost which includes Fuel, Variable O&M, and Fixed O&M components.

f Energy Price based on Kalaeloa Partners Energy Cost which includes Fuel, Nonfuel, and Additive components.

Table 26 - Summary of Power Purchase Agreements in Effect on Hawaii Island, FY 2015

HAWAII Facility Name	Export Capacity (MW)	Facility Type	Average FY15 Energy Price ($ per kWh)[a]	Time of Production	Fuel / Energy Source	Identifying Docket or In Service Date	End Date / Term
Hawi Renewable Development	10.56	As Available	$0.1529	On Peak	Wind	2004-0016	5/18/2021
			$0.1319	Off Peak			
Hamakua Energy Partners	60	Firm	$0.1689	Any	Naphtha	1998-0013	12/31/2030
Puna Geothermal Venture (PGV)	25	Firm	$0.1512	On Peak	Geo-thermal	2011-0040	12/31/2027
			$0.1297	Off Peak			
	5	Firm	$0.1222	Any			
	8	Cycling	$0.930	On Peak			
			$0.0619	Off Peak			
Tawhiri Power (Pakini Nui)	20.5	As Available	$0.1874	On Peak	Wind	2004-0346	4/2/2027
			$0.1456	Off Peak			
Wailuku River Hydro	12.1	As Available	$0.1518	On Peak	Hydro	6956	5/12/2023
			$0.1316	Off Peak			
Feed-in Tariff	Varied	As Available	$0.2297	Any	Solar	2008-0273	20 years
Schedule Q[b]	Varied	As Available	$0.1364	Any	Docket No. 7310 Decision and Order No. 24086; 2008-0069		
Avoided Energy Cost Rate (>100 kW)			$0.1514	On Peak	Docket No. 7310 Decision and Order No. 24086		
			$0.1325	Off Peak			

a Based on 12-month averages of actual energy costs; do not include capacity payments (if applicable).

b Includes County of Hawaii Department of Water Supply; Palm Valley Farm; Wenko Energy.

Table 27 - Summary of Power Purchase Agreements in Effect on Maui Island, FY 2015

MAUI Facility Name	Export Capacity (MW)	Facility Type	Average FY15 Energy Price ($ per kWh)[a]	Time of Production	Fuel / Energy Source	Identifying Docket or In Service Date	End Date / Term[b]
Hawaiian Commercial & Sugar Company	16	Firm	$0.16754	On Peak	Biomass and Hydro	6616, 6374, 4072	12/29/2015
			$0.14610	Off Peak			
Kaheawa Wind Farm	30	As Available	$0.13317	On Peak	Wind	2004-0365 6/9/2006	6/9/2026
			$0.12522	Off Peak			
Kaheawa Wind Power II	21	As Available	$0.20538	Any	Wind	2010-0279 7/2/2012	7/2/2032
Auwahi Wind Energy	21	As Available	$0.20748	Any	Wind	2011-0060 12/8/2012	12/28/2032
Makila Hydroelectric Plant	0.5	As Available	$0.16583	On Peak	Hydro	2005-0161 9/22/2006	9/22/2026
			$0.14721	Off Peak			
Feed-in Tariff	Varied	As Available	$0.2125	Any	Solar	2008-0273	20 years
Avoided Energy Cost Rate			$0.17155	On Peak	Docket No. 7310 Decision and Order No. 24086		
			$0.15095	Off Peak			

a Based on 12-month averages of actual energy costs; do not include capacity payments (if applicable).
b All non-FIT agreements automatically continue in effect thereafter until terminated by either party.

Table 28 - Power Purchase Agreements[a] in Effect on Molokai, FY 2015

a There are no Power Purchase Agreements in effect on Molokai.

Table 29 - Power Purchase Agreement[a] in Effect on Lanai, FY 2015

LANAI Facility Name	Facility Capacity (MW)	Facility Type	Average FY15 Energy Price ($ per kWh)	Time of Production	Fuel / Energy Source	Identifying Docket or In Service Date	End Date / Term[b]
Lanai Sustainability Research, LLC	1.2	As Available	$0.26997	Any	Solar	2008-0167 12/19/2008	12/19/2033

a There are no FIT projects on Lanai.
b Non-FIT agreements automatically continue in effect thereafter until terminated by either party.

Table 30 - Summary of Power Purchase Agreements in Effect on Kauai, FY 2015

KAUAI Facility Name	Facility Capacity MW	Facility Type	Average FY15 Energy Price ($ per kWh)	Time of Production	Fuel / Energy Source	Identifying Docket or In Service Date	End Date / Term
Gay & Robinson	1	Baseload	$ 0.1330	Any	Hydro	2000-0086	Year to year
Green Energy	0.13	As Available	$ 0.1872	Any	Hydro	2007-0059	8/20/2029
Kapaa	1	As Available	$ 0.2000	Any	Solar	2010-0179	3/4/2031
Kauai Coffee	4.8	Baseload	$ 0.1963	Any	Hydro	2012-0150	1/31/2033
Kekaha Ag Assoc	1.5	Baseload	$ 0.0994	Any	Hydro	2001-0055	Year to year
McBryde	6	As Available	$ 0.2000	Any	Solar	2011-0180	12/3/2032
MP2 Kaneshiro	0.300	As Available	$ 0.2000	Any	Solar	2011-0362	1/4/2033
Pioneer Seed	0.25	As Available	$ 0.1046	Any	Solar	2010-0122	11/18/2015
KRS2 Koloa	12	As Available	$ 0.1220	Any	Solar	2012-0383	9/5/2039
Green Energy	6.7	Baseload	$ 0.1230	Any	Biomass	2011-0032	20 years after COD*
Avoided Energy Cost Rate			$ 0.1770	Docket No. 7310 Decision and Order No. 24086			
*The Green Energy Biomass Commercial Operation Date (COD) is expected before the end of calendar year 2015.							

Special Fund Update for Fiscal Year 2015

Act 226, SLH 1994, established the Commission's Special Fund to be administered by the Commission and to be used by the Commission and the Division of the Consumer Advocacy, Department of Commerce and Consumer Affairs ("Consumer Advocate") for all expenses incurred in the administration of HRS Chapters 269, 269E, 271, and 271G. At the beginning of each fiscal year, the Special Fund starts with a $1 million balance carried over from the prior fiscal year. Pursuant to HRS §269-33(d), moneys in excess of $1 million remaining in the Special Fund at the end of each FY are required to lapse to the General Fund.

All fees and other revenues collected by the Commission are deposited into the Special Fund. Public utilities are required to pay an annual fee of one-half of one percent (0.5 percent) of the gross income of each respective public utility's previous year's business, paid semi-annually, in July and December. Motor carriers pay annual fees of one-fourth of one percent (0.25 percent) of their gross revenues of the previous year's business. Other Special Fund revenues include filing fees, duplication fees, interest and penalties, and One Call Center fees[44].

This update on the Special Fund is provided to the legislature as required by HRS §269-33(c), as amended by Act 24, SLH 2013.

Revenue

Total FY 2015 Special Fund revenues of $22,402,724, reflect a decrease 2.3% compared to FY 2014 revenues. The Commission collected $20.6 million in public utility fees for FY 2015, 2.7 percent less than FY 2014 public utility fees. Motor carrier fees of $1.6 million collected in FY 2015 were 3.5 percent more than the fees collected in FY 2014. The revenues derived from each source of income for FY 2015 are shown in Figure 19 and Table 31.

Figure 19 - Public Utilities Commission Special Fund FY 2015 Revenues

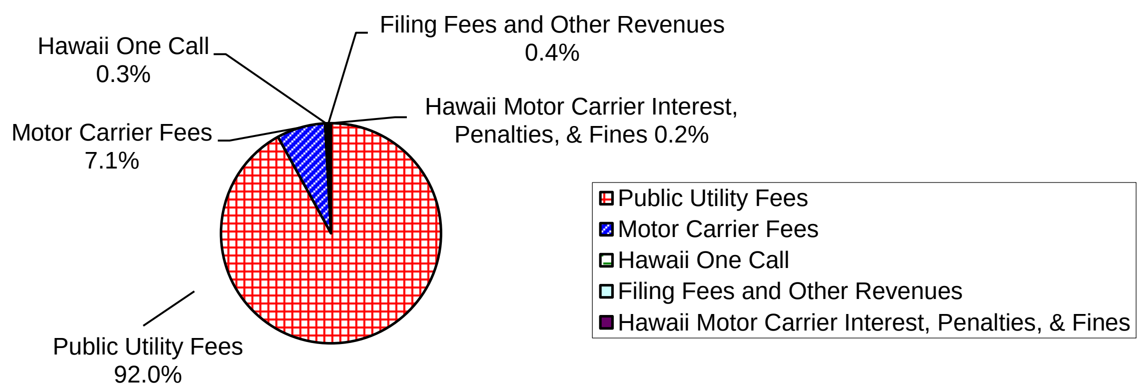


Table 31- Public Utility Commission Special Fund Revenues, FY 2014 and 2015

Description of Revenues	FY 2014	FY 2015
Public Utility Fees	21,182,772	20,608,664
Motor Carrier Fees	1,546,675	1,601,023
Hawaii One Call Center Fees	65,423	65,840
Filing Fees and Other Revenues	79,326	81,964
Hawaii Motor Carrier Interest, Penalties, and Fines	49,832	45,233
Total Revenues	$22,924,028	$22,402,724
(Note: All figures are rounded to the nearest dollar.)		

[44] Pursuant to HRS §269E-6, facility operators are required to pay fees to finance the operation of the One Call Center.

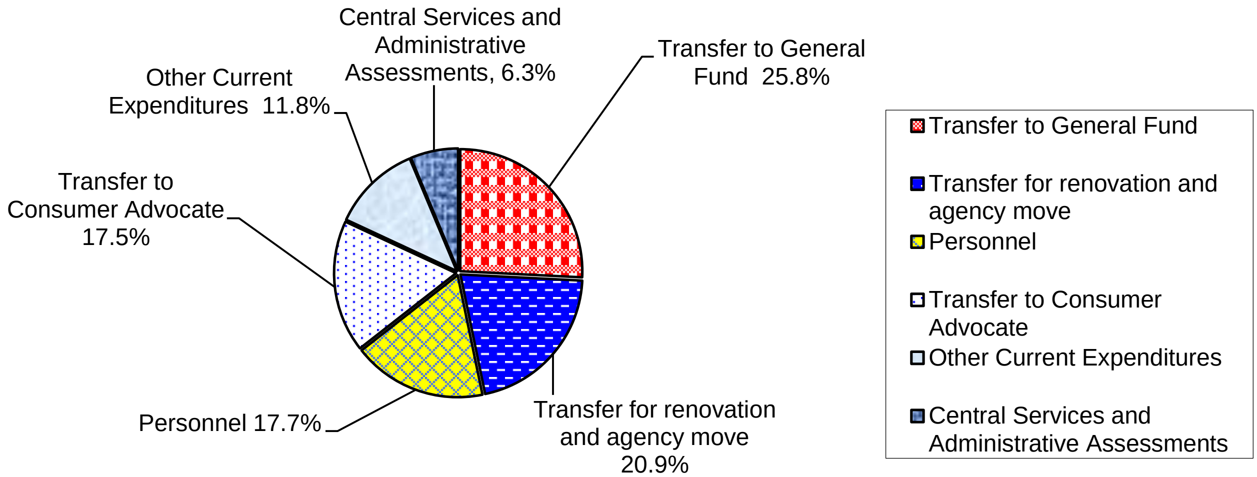
Expenditures and Transfers

In FY 2015, a total of 70.5 percent of the Special Fund revenues were transferred: 32.1 percent to the General Fund, 17.5 percent to the Consumer Advocate, and 20.9 percent for the Commission's Office Renovation and transfer to the Department of Commerce and Consumer Affairs that was effective July 1, 2015. As shown in Table 32 and Figure 20, Commission direct expenditures (personnel and other current expenditures), accounted for only 29.5 percent of total Special Fund revenues. In FY 2015 the Commission expended $3,962,793 for personnel, and $2,635,114 for other current expenditures.

Table 32 – FY 2015 Amount Expended and Transferred

FY 2015	Amount	Percent
Expenditures	6,597,907	29.5%
Transfers	15,804,317	70.5%

Figure 20 - Public Utilities Commission Special Fund FY 2015 Expenditures and Transfers



FY 2015 transfers from the Commission's Special Fund included the transfer of $5,780,416 to the general fund and $3,918,303 to the Office of the Consumer Advocate to cover its operating expenses pursuant to Section 269-33; $1,115,322 to the Department of Accounting and General Services ("DAGS") Central Services Division pursuant to HRS Section 36-37; $298,783 to the general fund to cover Administrative

Expense Assessments in accordance with Section 36-30, HR; and $4,691,993 for the Commission's office renovation project and transfer to the Department of Commerce and Consumer Affairs. Table 33 shows the breakdown of all Commission expenditures and transfers out of the Special Fund in FY 2014 and FY 2015.

Table 33- Public Utilities Commission Special Fund Expenditures and Transfers, FY 2014 and 2015

Description of Expenditures and Transfers	FY 2014	FY 2015
Personnel	3,536,428	3,962,793
Other Current Expenditures	1,668,463	2,635,114
Transfer to Consumer Advocate	3,065,285	3,918,303
Central Services Assessment	1,144,332	1,152,426
Administrative Assessments	0	298,783
Renovation and Agency Transfer Transfers	29,741	4,691,993
Transfer to General Fund	13,501,426	5,780,416
Total	$ 22,924,028	$22,402,724
(Note: All figures are rounded to the nearest dollar.)		