



SHELEE M. KIMURA
President and Chief Executive Officer

August 18, 2022

The Honorable Kurt Fevella
Senator, District 19, State of Hawaii
Hawaii State Capitol
415 S. Beretania Street
Honolulu, Hawaii 96813

Aloha Senator Fevella,

Mahalo for your letter dated August 12, 2022. We appreciate you reaching out to us regarding the AES coal plant closure and its impact to customers. Our concern about the impact of rising fuel prices on our customers is what drove us to proactively inform the public and our stakeholders about the estimated increase in customer bills while we continue to address the issue, along with many others, to support our customers. As mentioned in your letter, we are estimating that the effective rate increase following the coal plant closure will be about 7%. While the impact will vary for commercial customers, for typical residential customers using 500 kilowatt-hours per month, this will add about \$15 to monthly bills. We are seeing some encouraging signs that oil prices are declining which will result in bills declining from these levels. Nonetheless, we are laser focused on alleviating the impact on our customers.

In addition to reducing the impact and delays in the development of renewable projects, Hawaiian Electric has taken additional measures to absorb the impact of costs stemming from the economic impact of the COVID pandemic by contributing more than \$4 million over 2021 and 2022 to help families recover from financial hardship and struggling to pay electric bills. In addition, over 2022 and 2023, we will be giving back over \$6M (estimated based on our fuel price forecast for the remainder of the year) to customers as part of a regulated rate formula which benefits customers in times of high fuel prices. This is funded by the company, not ratepayers, and lessens the economic impact of the pandemic on our customers.

In addition, we are offering long-term interest-free repayment plans and we are connecting customers in need to various financial assistance programs. We are offering significant incentive payments to offset the cost of rooftop solar, storage and other demand response solutions to enable more customers to participate in these programs and lower their bills. We are also partnering with Hawaii Energy to help customers manage their bills through energy efficiency and other programs.

Internally, we have a Low to Moderate Income (LMI) working group to work on solutions to better serve and support this segment of our customer base. Quarterly, we meet with our LMI Customer Advisory Council comprised of nonprofit and government representatives who serve this client base to provide input and feedback to us to meet their needs and ease their client's electric bill burdens.

The closure of the AES facility, which has been in operation since 1992, is an important action to address climate change. The plant is one of the state's largest emitters of greenhouse gases, emitting about 1.5 million metric tons annually. We have been planning for the closure of this plant for a number of years, consistent with state policies, including Act 97 of 2015, which established a 100% RPS requirement by 2045 and Act 15 of 2018, which requires a net-zero greenhouse gas economy by 2045. There were no plans by AES and Hawaiian Electric to extend the use of the coal plant after the expiration of the 30-year contract. Additionally, under Act 23 of 2020, Hawai'i banned any extension of the coal plant contract and any future use of coal for power generation. To replace the capacity of the coal plant, Hawaiian Electric will use a combination of renewable resources and existing power plants and will continue to have sufficient generation capacity to meet the needs of our customers.

As Hawai'i transitions to a decarbonized future, Hawaiian Electric has been working and continues to work to bring more renewable projects online. Renewable energy projects provide long-term price stability – they are locked in at a contracted price, typically ranging from 9 to 13 cents per kilowatt-hour for solar and storage on O'ahu. However, there have been hurdles that have affected renewable projects nationwide, including but not limited to, supply chain issues related to COVID-19, the Ukraine-Russia conflict, and challenges with project and permitting approval. For example, factory shutdowns in China and a Federal Customs and Border Protection withhold release order have delayed the delivery of battery and solar equipment and also strained supply chains, causing renewable energy developers across the U.S. and the globe to push back project timelines. Setbacks such as these have been the main reasons for the delay in achieving commercial operations for our more recent projects and not delays associated with the interconnection process and study of the projects.

In fact, in our most recent procurements, we cut the time needed to study projects significantly and all studies were completed in an expedited fashion, contrary to what others might believe. We have also proposed further reductions in time to this process for future procurements. By finding ways to accelerate projects on the backend by completing our design reviews ahead of schedule, working with state, city, and developer representatives to find ways to perform permit reviews more quickly, and in some cases, taking over construction of interconnection infrastructure from the developer, we made up some time on several projects (or worked to save some that would have otherwise not moved forward), all of which provided a cost benefit to our customers.

Regarding the reference to our comment of having “one shot to get it right,” it was made in reference to the combined work between the Independent Power Producer's engineers and our utility engineers to ensure that the design of these solar-plus-storage facilities operate in a way

The Honorable Kurt Fevella

August 18, 2022

Page 3

needed to help run our island grids. No matter how quickly a renewable project is built, if we do not get the design right at the start, the renewable projects would not be able to ever replace the power and energy we have been getting from the coal plant.

Progress is being made, however. Hawaiian Electric has begun buying electricity from Clearway Energy Group's recently dedicated Mililani I solar-plus-battery project, which went into operation three months ahead of its amended schedule and will generate 39 megawatts and includes a 156 megawatt-hour battery, the first utility scale solar-plus-battery project of its kind on O'ahu. This is just one example of progress being made, and we have eight more projects expected between 2022 and 2024. We continue to work hard to accelerate this transition over the next two years as more renewable energy projects come online.

In 2021 Governor Ige established the Powering Past Coal Task Force (Task Force)¹ to track and coordinate the progress of the projects and measures approved by the Hawai'i Public Utilities Commission (PUC). The purpose of the task force is "to convene stakeholders to increase transparency, coordination, collaboration, and urgency to timely facilitate, coordinate and align project development and reviews by Hawaiian Electric, state and county agencies for those measures anticipated by provide electricity for O'ahu to replace the coal plant's electricity..." To address the delays associated with renewable energy projects expected to come online, the Task Force monitors the status of each project and works with stakeholders, including the PUC, Hawaiian Electric, City and County of Honolulu Department of Planning and Permitting, renewable energy developers and others to overcome barriers and ensure projects and customer programs are moving forward in an efficient and timely manner.

Hawaiian Electric remains committed to working with other stakeholders to accelerate our transition to clean energy, breaking the cycle of importing fossil fuels, and transitioning to a decarbonized future for Hawai'i. Should you have any further questions please contact Shannon Alivado, Director of Government Relations at (808) 722-4153.

Sincerely,



Shelee Kimura
President and CEO

cc: The Honorable David Ige, Governor, State of Hawaii
Scott Seu, President & CEO, Hawaiian Electric Industries

¹ See <https://energy.hawaii.gov/what-we-do/clean-energy-vision/powering-past-coal-task-force/#:~:text=That's%20why%20Governor%20David%20Ige,to%20replace%20the%20coal%20plant>. (Accessed on August 15, 2022).