

LANAI DIVISION

SCHEDULE FIT TIER 1 AND TIER 2

Feed-In Tariff - Purchases from Tier 1 and Tier 2 Eligible Renewable Energy Generating Facilities

A. Availability:

This schedule feed-in tariff ("FIT") for Tier 1 and Tier 2 Eligible Renewable Energy Generating Facilities ("Schedule FIT") is available to customers, individuals, and independent power producers ("Sellers") who wish to sell to the Company electric energy from a Facility (as defined in Section B, below). This Schedule FIT sets forth the program eligibility, rates, and the terms and conditions for the sale of electric energy to the Company under this Schedule FIT.

B. Eligibility:

An eligible renewable energy generating facility under this Schedule FIT is an electric energy generating facility which meets the following criteria ("Facility"):

- (a) Sells electric energy to the Company; and
- (b) (i) With respect to Tier 1 Facilities, is a new photovoltaic ("PV"), concentrated solar power ("CSP"), on-shore wind, or in-line hydropower system with a Design Capacity (defined as the capacity of the generator in kW as established by the manufacturer that is available for use at the Facility to meet customer load and/or exported to the Company system for sale to Company under the Schedule FIT) up to and including 20 kilowatts (kW) alternating current (AC); and
- (ii) With respect to Tier 2 Facilities, is a new:
 - (A) PV system with a Design Capacity (AC) greater than 20 kW and up to and including 100 kW; or
 - (B) CSP system with a Design Capacity (AC) greater than 20 kW and up to and including 100 kW; or
 - (C) In-line hydropower or onshore wind system with a Design Capacity (AC) greater than 20 kW and up to and including 100 kW.

Except with the written consent of the Company, which consent shall not be unreasonably withheld, each physical address (defined as a single residential address or a single tax map key if a commercial or industrial facility) may not have more than one Facility of the same technology type contracted under this Schedule FIT.

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Docket No. 2008-0273

Transmittal Letter Dated October 20, 2010.

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This Schedule FIT shall not apply to an existing generating facility currently selling electric energy to the Company under a purchase power agreement or a Schedule Q contract, or with an existing standard interconnection agreement with the Company (“Existing Projects”). Such Existing Projects shall not be eligible to sell electric energy to the Company under this Schedule FIT.

Notwithstanding the foregoing, customers currently receiving service under the Net Energy Metering Program (“NEM Program”) or owners of new generating facilities that are also eligible under the NEM Program will have a one-time option to elect to receive service under the NEM Program or to sell electric energy to the Company under this Schedule FIT provided sufficient FIT program capacity is available at the time the customer seeks to exercise this option. Customers receiving service under the NEM Program cannot sell excess energy production to the Company under this Schedule FIT. If a customer in the NEM Program seeks to install an additional generation facility at the same site as an existing net energy metering system, but wishes to keep such existing net energy metering system under the NEM Program and sell the electric energy from the additional generation facility to the Company under this Schedule FIT, the additional generation facility shall be separately metered, provided that such additional generating facility satisfies the definition of “Facility” under this Schedule.

Any Facility selling electric energy to the Company under this Schedule FIT shall sell all the electric energy it produces above any electric energy produced for Seller’s own energy consumption, to the Company for the entire term of the Schedule FIT Agreement. A Seller may not sell electric energy to third parties or renegotiate with the Company for any changes to the Schedule FIT Agreement during the term of such Schedule FIT Agreement.

C. Seller Participation:

Participation under this Schedule FIT will be available on a prioritized queue basis as determined by the Company with the concurrence of the Independent Observer (the independent third party retained by the Company and approved by the Hawaii Public Utilities Commission (“Commission”) to oversee the initial development and subsequent administration of the Company’s queuing and interconnection procedures)¹. Availability of service under this Schedule FIT shall be

¹ The role of the Independent Observer was terminated upon expiration of the Independent Observer’s contract on March 31, 2017. The Limited Independent Observer, whose role and responsibilities are described Section C(1) below, was appointed by the Commission in Order No. 35069, *Approving the Hawaiian Electric Companies’ Proposed Process to Administer the Feed-In-Tariff Program in the Absence of an Independent Observer, with Modifications*, filed on November 30, 2017, in Docket No. 2013-0194.

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closed to new Sellers once Schedule FIT Contract Capacity (defined as the sum of all Sellers' contracted Design Capacity) reaches applicable system limits as determined through the Company's reliability standards and other appropriate mechanisms approved by the Commission. Should additional Sellers express interest in this Schedule FIT after the applicable system limits are reached, the Company will maintain a list of interested Sellers, ranked and prioritized in a reserve queue under this Schedule FIT. Sellers on this reserve queue will be allowed to participate under this Schedule FIT according to their rank order when sufficient capacity becomes available, either due to the start of a new subscription period or if other Sellers who have entered into an Agreement withdraw or fail to meet project development deadlines as specified in this Schedule FIT. The Company shall review and adjust the annual system limits pursuant to procedures adopted by the Commission.

(1) Limited Independent Observer:

Administration of the Schedule FIT prioritized queue shall be managed by the Company. An independent third party shall be appointed by the Commission (the "Limited Independent Observer") to provide limited functions of the prior Independent Observer. The Limited Independent Observer's function will be to concur, if appropriate, to certain Company decisions as described herein.

D. Interconnection:

All Facilities shall be designed to interconnect and operate in parallel with the Company's system without adversely affecting the operations of its customers and without presenting safety hazards to the Company's or other customers' personnel. The Facilities and the interconnection systems must be in compliance with all applicable safety and performance standards of the National Electric Code (NEC), the Institute of Electrical and Electronics Engineers (IEEE), the Company's interconnection standards and procedures provided in Rule 14, Section H, and Rule 19, as amended from time to time, and also subject to any other requirements as may be specified in the Schedule FIT Agreement.

E. Schedule FIT Agreement:

Sellers applying to participate under this Schedule FIT shall complete and sign the standard Schedule FIT agreement ("Schedule FIT Agreement") provided in Appendix I (Form of Schedule FIT Tier 1 and Tier 2 Agreement). The Schedule FIT Agreement shall specify the "Schedule FIT Contract Capacity" based on the Design Capacity (in kW AC) of the Facility.

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F. Metering:

The Company shall, at its expense, install and own the requisite meter(s) to record the flow of electric energy in each direction. The Seller shall, at its expense, provide, install and maintain all conductors, service switches, fuses, meter sockets, meter instrument transformer housing and mountings, switchboard meter test buses, meter panels and similar devices required for service connection and meter installations on the Seller's premises in accordance with the Company's Rule 14, Section A.2, as amended from time to time. Electric energy delivered to the Seller by the Company will be metered separately from the electric energy delivered by the Seller to the Company, either by use of multiple meters or a meter capable of separately recording the net inflow and outflow of electricity.

G. Purchase of Renewable Energy Delivered by Seller to Company:

(1) The Company shall pay for each kilowatt-hour ("kWh") of electric energy delivered to the Company by Seller as follows:

Renewable Generator Type and Size	FIT Energy Payment Rate (¢/kWh)
Tier 1 PV \leq 20 kW	21.8
Tier 1 CSP \leq 20 kW	26.9
Tier 1 On-Shore Wind \leq 20 kW	16.1
Tier 1 In-line Hydropower \leq 20 kW	21.3
Tier 2 PV $>$ 20 kW and \leq 100 kW	18.9
Tier 2 CSP $>$ 20 kW and \leq 100 kW	25.4
Tier 2 On-Shore Wind $>$ 20 kW and \leq 100 kW	13.8
Tier 2 In-line Hydropower $>$ 20 kW and \leq 100 kW	18.9
Baseline FIT Rate	12.0

(2) The energy payment rates specified in paragraph G(1) for solar energy technologies (PV and CSP) are based on the 35% Hawaii state renewable energy technologies income tax credit as prescribed in the Hawaii state tax code, Hawaii Revised Statutes ("HRS") Section 235-12.5. Under HRS Section 235-12.5(g), the Seller may elect a reduced refundable tax credit. If Seller intends to elect the reduced refundable tax credit, Seller must provide written documentation at the time of application under this Schedule FIT that Seller will elect the reduced refundable tax credit option. If Seller provides a certified copy of Seller's actual tax return filing with the Hawaii State Department of Taxation documenting the election of the reduced refundable tax credit, the FIT energy payment schedule below will be applicable to Seller from the first day of the billing period following the date the certified copy

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Docket 2013-0194 PUC Order No. 35905, Filed November 29, 2018.

Transmittal Letter Dated December 10, 2018.

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is provided to the Company. Seller will receive an adjustment payment representing the difference between the applicable rate pursuant to paragraph G(1) paid to Seller since the Commercial Operation Date and the applicable rate below which Seller has demonstrated it is eligible to receive, within 60 days of receipt of the certified copy of Seller's actual tax return filing.

Renewable Generator Type and Size	FIT Energy Payment Rate (¢/kWh)
Tier 1 PV \leq 20 kW	27.4
Tier 1 CSP \leq 20 kW	33.1
Tier 2 PV $>$ 20 kW and \leq 100 kW	23.8
Tier 2 CSP $>$ 20 kW and \leq 100 kW	27.5

(3) The rates paid by the Company for the electric energy purchased under this Schedule FIT may be adjusted periodically as ordered and approved by the Commission. The Seller shall receive the FIT energy payment rate in effect at the time of execution of the Schedule FIT Agreement for the entire term of the Schedule FIT Agreement, provided, however, that the FIT energy payment rate may be modified by the Commission during the term of the Agreement if it is determined by the Commission to be necessary to maintain the viability of Seller's development and operation of Facility due to changes in federal or state tax laws.

H. Baseline FIT Rate

Facilities utilizing a Renewable Portfolio Standards ("RPS") eligible technology as defined in Hawaii Revised Statutes Section 269-91 (with the exception of biofuel projects and hybrid projects using conventional fuels or biofuels) and which are not eligible for one of the specific FIT energy payment rates set forth in this Schedule FIT, may apply for the "Baseline FIT Rate". The Baseline FIT Rate means the rate equal to the lowest specified FIT energy payment rate for any project size or technology on any island. Projects using the Baseline FIT Rate cannot exceed the maximum size limits for Facilities.

I. Term:

Except as otherwise provided in the Schedule FIT Agreement, the term of the Schedule FIT Agreement will be twenty (20) years, commencing from the Commercial Operation Date under the Schedule FIT Agreement.

J. Electric Energy Delivered to the Seller by the Company:

Electric energy delivered to the Seller by the Company shall be billed under the Company's applicable rate schedule.

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K. Allowed Project Development Timeframe:

(1) Pre-Execution Requirements: Prior to execution of the Schedule FIT Agreement, projects must comply with the requirements of the Schedule FIT and prove that the project is “shovel-ready” and actively progressing towards completion. The Company shall issue a written notice to the Seller that will list all documentation that is required from the Seller and/or any action that must be taken by the Seller in order to comply with the Schedule FIT. Unless otherwise expressly specified in an existing tariff, Seller shall have fifteen (15) business days from the date of such notice to submit the required documentation and/or provide evidence that the required action has been completed.

(2) Post-Execution Milestones: Seller shall meet the post-execution project development milestones set forth in the Company’s Queuing and Interconnection Procedures for Tiers 1 and 2 provided in Appendix II of this Rate Schedule (“Queuing and Interconnection Procedures”).

(3) Commercial Operations Date: Facilities must be placed into operation within the timeframe specified in the Schedule FIT Agreement and measured from the Execution Date of the Schedule FIT Agreement.

(4) Removal of Project From Schedule FIT Queue and Termination :

(a) Failure To Meet Pre-Execution Requirements or Post-Execution Milestones: Should a Seller fail to comply with the pre-execution requirements, Seller’s project shall be subject to removal from the Schedule FIT Queue. Should a Seller fail to comply with the post-execution milestones, the Schedule FIT Agreement shall be subject to termination. The Company, with concurrence of the Limited Independent Observer, shall notify Seller when a requirement and/or milestone have been missed. Seller shall have five (5) business days to provide proof that the Company and Limited Independent Observer’s determination was in error. If no response is received or if the proof is deemed insufficient by the Company and Limited Independent Observer, the project shall be removed from the Schedule FIT Queue or the Schedule FIT Agreement shall be terminated, as may be applicable. Concurrence of both the Company and the Limited Independent Observer shall be required before a project can be removed from the Schedule FIT Queue or a Schedule FIT Agreement can be terminated. Upon removal of a project from the Schedule FIT Queue or termination of a Schedule FIT Agreement, any fees and security deposits paid to the Company by Seller shall be forfeited.

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(b) Failure To Meet Commercial Operation Date: Should a Seller fail to place a Facility into operation within the timeframe specified in the Schedule FIT Agreement, the Schedule FIT Agreement will be terminated and any fees and security deposits paid to the Company by Seller will be forfeited.

(5) Extensions For Good Cause: When extraordinary circumstances exist that may cause an applicant to miss a pre-execution requirement, post-execution milestone, or delay the completion of a project within the allowed project development timeframe, Seller may request an extension of the applicable deadline. All requests for extensions must be made at the time of the event that necessitated the need for an extension. The Company and the Limited Independent Observer may each unilaterally approve a request for an extension. A request for an extension may only be rejected by the joint approval of the Company and Limited Independent Observer. To the extent that any delays are caused by the Company, a day-for-day extension of time for the period of the delay shall be granted to the project to comply with the applicable deadline.

(6) Time for Limited Independent Observer's Concurrence: Wherever the Limited Independent Observer's concurrence is required for a Company decision, the Limited Independent Observer shall have five (5) business days to provide such concurrence, provided that all pertinent information and communications between the Company and the applicable Seller is available and submitted for a timely review by the Limited Independent Observer. The Limited Independent Observer shall have the right to request an extension to the five (5) business day timeframe for concurrence from the Commission in writing if more time is needed for a thorough review.

L. Schedule FIT Fees and Deposits:

- (1) Application Fee. At the time the Seller's application for service under this Schedule is submitted, the Seller shall pay to Company a one-time, application fee of \$ 200.00 for Tier 1 or \$10.00 per kilowatt not to exceed \$1,000.00 for Tier 2. The application fee shall be non-refundable unless otherwise ordered by the Commission.
- (2) Reservation Fee. A refundable reservation fee shall be submitted by the Seller upon acceptance of a position in the Queue Tier 2. The reservation fee will be refunded to the Seller following the successful startup of the Facility within the allowed project development timeframe or as otherwise ordered by the Commission. The reservation fee amount shall be determined by multiplying the Schedule FIT Design Capacity in kilowatts by \$ 15.00 per kilowatt.
- (3) Security Deposit. A Seller shall be required to post a security deposit or security deposits, in an amount to be determined by the Company with the concurrence of the Limited Independent Observer, in order to proceed through the stages of the development process. Security deposits will be refundable, along with any reservation fee, upon the successful placement of the project in service.

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(4) Service Charge. A non-refundable service charge of \$25.00 per month shall be charged to the Seller for the metering, billing, and administration of the Seller's purchased power under the Schedule FIT Agreement.

(5) Documents Charge. Upon Seller's request, Company will provide copies of documents in Company's possession that the Seller has either previously generated and transmitted to Company or received from Company, provided that the Seller shall pay the Company for the costs of such service.

M. Participation in other Company Programs:

To avoid circumstances where a Seller is receiving duplicative compensation, Sellers with multiple generators may not participate in any other Company interruptible or NEM Programs unless the multiple generators can be segregated electrically from each other and Seller demonstrates that one generator or generators is/are being used to provide electric energy to the Company for sale under the Schedule FIT and the other generator(s) is/are used exclusively for standby generation and to participate in a Company interruptible service program.

N. Queuing and Interconnection Procedures:

Eligible renewable energy generating facility requests to interconnect and operate a generating facility under this Schedule FIT will be processed in accordance with the Queuing and Interconnection Procedures for Tiers 1 and 2 provided in Appendix II of this Rate Schedule.

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