

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)	
)	
MAUI ELECTRIC COMPANY, LTD.) DOCKET NO. 2020-0132
)	
For Approval to Commit Funds in)
Excess of \$2,500,000 for the)
Purchase and Installation of Item)
MZ.005002 Waena Battery Energy)
Storage System Project, and to)
Recover Costs through the)
Exceptional Project Recovery)
Mechanism.)
_____)

DECISION AND ORDER NO. 41841

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Exceptional Project Recovery)	
Mechanism.)	
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DECISION AND ORDER

By this Decision and Order,¹ the Public Utilities Commission ("Commission"), approves with modifications the Company's request to authorize recovery of the additional costs associated with the Revised Waena Battery Energy Storage System ("BESS") Project ("Revised Project"), as set forth in the Company's

¹The Parties to this proceeding are MAUI ELECTRIC COMPANY, LTD. (the "Company") and the DIVISION OF CONSUMER ADVOCACY ("Consumer Advocate"), an ex officio party, pursuant to Hawaii Revised Statutes ("HRS") § 269-51 and Hawaii Administrative Rules § 16-601-62(a).

Status Update on Tariff Impacts, filed on June 5, 2025,² subject to the conditions stated herein.

I.

RELEVANT BACKGROUND

A detailed procedural history of this docket prior to the Company's Request may be found in Decision and Order No. 40457.³

Briefly, on December 22, 2023, the Commission issued D&O No. 40457, which approved the requests set forth in the Application filed by the Company,⁴ as amended,⁵ to commit funds in excess of \$2,500,000 for the purchase and installation of the Project including:

²Letter From: M. DeCaprio To: Commission Re: Docket No. 2020-0132 - Maui Electric Company, Limited Waena BESS Project; Hawaiian Electric's Status Update - Tariffs Impact, filed on June 5, 2025 ("Company's Request").

³Decision and Order No. 40457, filed on December 22, 2023 ("D&O No. 40457").

⁴"Application of Maui Electric Company, Limited; Verification; Exhibits A-B; and Certificate of Service," filed on September 8, 2020.

⁵"Amended Application of Maui Electric Company, Ltd.; Verification; Exhibits 1-10; and Certificate of Service; Books 1 and 2," filed on May 27, 2021 ("Amended Application"); and Letter From: G. Imamura To: Commission Re: Docket No. 2020-0132 - Maui Electric Company, Inc.; For Approval to Commit Funds for Waena BESS Project; "Additional Analysis and Proposal," filed on August 22, 2022; Letter From: G. Imamura To: Commission Re: Docket No. 2020-0132 - Maui Electric Company, Inc. For Approval to Commit Funds for Waena BESS Project; "Project Update - Additional Analysis Proposal," filed on December 21, 2022.

- (1) Approving the Company's request to implement and commit funds at a total current estimated cost of \$82,060,000 to the Revised Project pursuant to Paragraph 2.3(g)(2) of the Commission's General Order No. 7, as amended by Decision and Order No. 21002, filed May 27, 2004, in Docket No. 03-0257 ("G.O. 7");
- (2) Approving the proposed accounting and ratemaking treatment of the Revised Project; including the recovery of costs through the Exceptional Project Recovery Mechanism ("EPRM"), in accordance with Decision and Order No. 37507, filed on December 23, 2020, in Docket No. 2018-0088, until new rates that provide cost recovery for the Revised Project become effective or as otherwise provided by the Commission;
- (3) Determining that the Project's 69 kilovolt ("kV") transmission line does not require a public hearing, pursuant to HRS § 269-27.5; and
- (4) Approving the Company's request to construct the Revised Project's 69 kV transmission line above the

surface of the ground, pursuant to
HRS § 269-27.6(a).⁶

D&O No. 40457, as modified by Order No. 40536, also required the Company to file updated Revised Project pricing and information on Project Milestones within 150 days after issuance of D&O No. 40457,⁷ which the Company filed on May 20, 2024.⁸

Furthermore, D&O No. 40457 limited EPRM cost recovery to the lesser of either the actual capital costs or five percent over the estimated capital cost (\$82,060,000) and the lesser of actual annual operations and maintenance ("O&M") costs or five percent over estimated annual O&M costs.⁹

On June 5, 2025, the Company filed a request for approval of EPRM recovery for additional costs in excess of those approved

⁶D&O No. 40457 at 1-3. The Company subsequently filed a Motion seeking clarification or partial reconsideration of D&O No. 40475, which the Commission granted, in part, by clarifying firm Project Milestone Dates and clarifying the timeframe within which the Company shall file updated Project pricing and other related information. See Order No. 40536, "Granting Maui Electric Company, Ltd.'s Request for Clarification of Decision and Order No. 40457," filed on January 22, 2024 ("Order No. 40536").

⁷D&O No. 40457 at 128; Order No. 40536 at 9-10.

⁸Letter From: K. Katsura To: Commission Re: Docket No. 2020-0132 - Maui Electric Company, Limited For Approval to Commit Funds for Waena BESS Project; Updated Project Pricing and Milestones, filed on May 20, 2024 ("Updated Project Pricing and Milestones").

⁹Order No. 40536 at 105 and 130-131.

under D&O No. 40457 for the Revised Project, as a result of price increases associated with tariffs imposed by the federal government.¹⁰

On June 9, 2025, the Commission issued Order No. 41751, which reopened the proceeding to review the Company's Request, established a procedural schedule, and instructed the Company to submit supplemental information to its request.¹¹

On June 12, 2025, the Company submitted the requested supplemental information.¹²

On June 16, 2025, the Consumer Advocate and the Commission issued Information Requests ("IRs"), to which the Company responded on June 23, 2025, respectively.¹³

¹⁰Company's Request at 1.

¹¹Order No. 41751, "Reopening the Docket and Establishing Procedural Schedule," filed on June 9, 2025 ("Order No. 41751").

¹²Letter From: K. Katsura To: Commission Re: Docket No. 2020-0132 - Maui Electric Company, Limited; Waena BESS Project; Supplement to Hawaiian Electric's Status Update - Tariffs Impact, filed on June 12, 2025 ("Supplemental Information").

¹³Letter From: K. Katsura To: Commission Re: Docket No. 2020-0132 - Maui Electric Company, Limited For Approval to Commit Funds for Waena BESS Project; Responses to Consumer Advocate's Information Requests, filed on June 23, 2025 ("Response to CA-IR-___"); Letter From: B. Hiyane To: Commission Re: Docket No. 2020-0132 - Maui Electric Company, Limited For Approval to Commit Funds for Waena BESS Project; Supplemental Response to Consumer Advocate's Information Request, CA-IR-48, filed on June 23, 2025 ("Response to CA-IR-48"); Letter From: K. Katsura To: Commission Re: Docket No. 2020-0132 - Maui Electric Company, Limited For Approval to Commit Funds for

On June 30, 2025, the Company filed a Motion to Seal as confidential portions of its IR responses filed on June 23, 2025,¹⁴ which the Commission granted pursuant to Order No. 41780.¹⁵

On June 30, 2025, the Consumer Advocate filed a Motion for Enlargement of Time to file its Statement of Position ("SOP"),¹⁶ which the Commission granted pursuant to Order No. 41781.¹⁷

Pursuant to Order No. 41571, as modified by Order No. 41781, on July 7, 2025, the Consumer Advocate filed its Statement of Position.¹⁸

On July 7, 2025, the Commission issued additional IRs to which the Company responded on July 11, 2025.¹⁹

Waena BESS Project; Responses to Commission's Information Requests, filed on June 23, 2025 ("Response to PUC-MECO-IR-___").

¹⁴"Motion to Seal of Maui Electric Company, Limited; Declaration of Shelly Takasato; Exhibits '1' and '2'; and Certificate of Service," filed on June 30, 2025 ("Motion to Seal").

¹⁵Order No. 41780, "Granting the Motion to Seal of Maui Electric Company, Limited," filed on July 1, 2025.

¹⁶"Division of Consumer Advocacy's Motion for Enlargement of Time; and Certificate of Service," filed on June 30, 2025.

¹⁷Order No. 41781, "Granting the Division of Consumer Advocacy's Motion for Enlargement of Time," filed on July 1, 2025 ("Order No. 41781").

¹⁸"Division of Consumer Advocacy's Statement of Position on Maui Electric Company, Ltd's Request Filed on June 5, 2025," filed on July 7, 2025 ("Consumer Advocate's SOP").

¹⁹Letter From: K. Katsura To: Commission Re: Docket No. 2020-0132 - Maui Electric Company, Limited For Approval to Commit Funds for Waena BESS Project; Responses to Commission's

II.

DISCUSSION

A.

Company's Request

The Company requests Commission approval to recover additional tariff-related costs and associated costs of capital for the Project above the Project's current authorized amount under D&O No. 40457.²⁰ The latest estimated total cost provided by the Company, based on change orders received from the Company's battery vendor ("Vendor") on July 3, 2025, is \$93,251,000.²¹ The Company advises that due to cost increases resulting from tariffs that will be imposed at the time of delivery, the Vendor provided notice that it will be issuing a change order based on "change in law" and "unanticipated change" contract provisions.²² The Company explains that "change in law" is defined as:

Information Requests, filed on July 11, 2025 ("Response to PUC-HECO-IR-____").

²⁰Company's Request at 4.

²¹Response to PUC-MECO-IR-153 (indicating the estimate has been updated from \$112,208,000 in the Company's Request on June 5, 2025 and \$94,521,000 in the Company's Response to CA-IR-46c based on change orders received from the Vendor on June 9, 2025).

²²Company's Request at 1.

[T]he enactment, adoption, promulgation, modification (including a change in interpretation by a Governmental Authority) or repeal of any Law or Permit, including of any tariff applicable to the goods [Vendor] will provide pursuant to this Agreement, after the Effective Date, other than publicly known proposals for changes in Laws and Permits applicable to a material obligation under the Agreement that have been adopted by the applicable Governmental Authority on or before the Effective Date.²³

Additionally, the Company explains that “unanticipated change” includes “a change in law and any other event or circumstance (other than a Force Majeure Event) for which a Change Order is allowed under the contract.”²⁴

The Company argues that the Revised Project: (1) “remains critical and essential in supporting clean, reliable generation on Maui[;]” (2) will “help stabilize rates by removing fossil fuel volatility and remains consistent with the State’s energy policy encouraging the use and development of renewable energy resources[;]” and (3) remains critical to the long-term reliability of the system following retirement of Kahului Power Plant (“KPP”) and Maalaea Power Plant (“MPP”).²⁵ Further, the Company insists that replacing the Revised Project’s capacity will take years beyond the Revised Project’s current

²³Company’s Request at 1 n.1.

²⁴Company’s Request at 1 n.2.

²⁵Company’s Request at 3.

completion date, will not necessarily result in lower cost, and will create reliability challenges on Maui.²⁶

The Company emphasizes the unpredictable nature of the situation, as “[n]o one can predict what tariffs will be in effect at the time of anticipated battery delivery in or around 2026[,]” and notes the need to make financial commitments as soon as August 2025 to secure timely delivery of the battery.²⁷ The Company asserts that, because the tariff increases “were wholly unforeseen and unforeseeable” when the Commission approved the Revised Project, and thus exceeds the approved five percent price buffer, the Company is concerned with making financial commitments now that may not be recoverable later.²⁸

While the Company maintains that it is committed to seeing the Revised Project through to completion, “[d]ue to the potential significant impact of the adoption or modification of tariffs, . . . the Company may be unable to proceed with the Project without approval of EPRM recovery of the resulting increased costs.”²⁹ Thus the Company requests expedited review of this matter to avoid significant delays to the Revised Project’s

²⁶Company’s Request at 3.

²⁷Company’s Request at 1.

²⁸Company’s Request at 1.

²⁹Company’s Request at 1.

guaranteed commercial operations date ("GCOD") and requests a decision from the Commission by July 15, 2025.³⁰

B.

Consumer Advocate's Statement of Position

The Consumer Advocate "does not believe that the approved cap set for the Revised Project should be raised at this time."³¹ The Consumer Advocate states that, while it recognizes the benefits the Revised Project will provide, it expresses "significant concerns with increasing the current authorized recovery amount, as the cost cap is one of the means by which the

³⁰Company's Request at 1. In reopening the docket to address the Company's Request, the Commission noted the Company's request for expedited review and established an abbreviated procedural schedule to facilitate such review but noted that the Commission was not bound by such deadline. See Order No. 41751 at 6. Subsequently, the Consumer Advocate requested, and the Company did not object to, enlarging the time for the Consumer Advocate to submit its Statement of Position, which extended the procedural schedule and which the Commission viewed as a waiver of the requested deadline. See Order No. 41781 at 3. But see, Non-docketed Case No. 2024-01930, Letter From: D. Matsuura To: Commission Re: Non-Docketed Case No. 2024-01930; Status Updates in All Open and Suspended Dockets; Hawaiian Electric Companies' 2025 Second Quarter Quarterly Funding Update - Self-Build Projects, filed on July 15, 2025 ("July 2025 Quarterly Funding Update"), at Attachment A (the Company stating that a decision on the Company's Request was requested by August 15, 2025) (emphasis added). Notwithstanding such waiver and/or recent update in the requested deadline for a decision on the Company's Request, the Commission has made every effort to expedite review of this matter.

³¹Consumer Advocate's SOP at 2.

Company would 'aim to keep Project costs as low as is feasible to meet the identified needs,' as well as providing more certainty in the estimated bill impacts to customers."³²

The Consumer Advocate's primary concern is with the uncertainty of the significant cost increases associated with the projected tariff-related increase, noting changes even since filing of the Company's Request.³³ Accordingly, the Consumer Advocate notes difficulties in assessing the bill impacts for customers because, among other things, the estimated bill impacts provided by the Company only represented estimates for Maui island customers (and not customers on Lanai and Molokai) and did not include estimated savings associated with avoided costs.³⁴ Moreover the Consumer Advocate raises concerns that only Maui customers would benefit from any savings realized from avoided fuel costs associated with the Revised Project.³⁵

Therefore, due to the uncertainties with the tariff-related costs as well as recent federal legislation, the Consumer Advocate asserts that it is "premature" to authorize increased cost recovery resulting from tariff-related

³²Consumer Advocate's SOP at 2.

³³Consumer Advocate's SOP at 9-10.

³⁴Consumer Advocate's SOP at 11.

³⁵Consumer Advocate's SOP at 12.

costs.³⁶ The Consumer Advocate maintains that the benefits and tax credits associated with the Revised Project support continued consideration of the Revised Project.³⁷ However, the Consumer Advocate does not believe that such support for the Revised Project obviates the need for the Company to: (1) obtain cost-effective pricing for the Revised Project; (2) seek to recover any costs from vendors that do not meet the terms and conditions of their agreements associated with the Revised Project; or (3) reflect any impacts associated with Liquidated Damages that would be paid by the Company in failing to achieve certain Performance Metrics.³⁸

Thus, the Consumer Advocate recommends that project recovery cost caps established in D&O No. 40457 remain unchanged and the Company and Consumer Advocate continue discussions to help the Consumer Advocate better understand and assess the bill impacts and implications of federal legislation.³⁹

³⁶Consumer Advocate's SOP at 11-12.

³⁷Consumer Advocate's SOP at 12.

³⁸Consumer Advocate's SOP at 12-13.

³⁹See Consumer Advocate's SOP at 13.

C.

Approving the Request for Additional EPRM Cost Recovery

The EPRM adjustment mechanism was established pursuant to D&O No. 37507 and provides a mechanism for recovery of revenues for net costs for eligible projects placed in service during a multi-year rate period that are not already recovered through other cost recovery mechanisms, such as the Annual Rate Adjustment ("ARA").⁴⁰

As stated above, pursuant to D&O No. 40457, the Commission approved the Company's request for cost recovery through the EPRM, subject to certain conditions including that, as a result of the unavailability of firm capital costs, cost recovery is limited to: (1) the lesser of either the actual capital costs or five percent over the estimated capital costs (which at the time was \$82,060,000); and (2) the lesser of either

⁴⁰Docket No. 2018-0088, Decision and Order No. 37507, filed on December 23, 2020 ("D&O No. 37507"), Exhibit A ("EPRM Guidelines") at Section II.A.1. As stated in the EPRM Guidelines, the EPRM adjustment mechanism is intended to "provide opportunity for reasonable recovery of specifically allowed revenues for the net costs of approved Eligible Projects placed in service during a [multi-year rate plan] wherein cost recovery is not already provided for by effective recovery mechanism, including ARA, [performance incentive mechanisms], or [shared savings mechanisms]." EPRM Guidelines at 4, Section III.A.1.

the actual O&M costs, as calculated annually, or five percent over the current estimated O&M costs.⁴¹

As set forth in the EPRM Guidelines, the Company may seek leave to recover capital and/or O&M costs incurred that exceed the approved amounts pursuant to a properly filed application.⁴² Recovery of revenues through the EPRM adjustment mechanism may be found to be reasonable and explicitly allowed by order of the Commission, on a case by case basis.⁴³ Rather than waiting to seek approval for costs incurred in excess of the amounts approved through the EPRM adjustment in a subsequent rate case or similar proceeding, the Company seeks prior approval to recover such costs that exceed the amounts approved under D&O No. 40457 in the instant proceeding.⁴⁴

First and foremost, the Commission finds that there is continued need and justification for the Revised Project. The Company maintains that the Revised Project remains critical to long-term system reliability on Maui, especially in light of the timing of upcoming KPP and MPP retirements, and approval of

⁴¹D&O No. 40457 at 105.

⁴²See EPRM Guidelines at 8, Section III.C.2.g.

⁴³EPRM Guidelines at 3, Section II.A.2; EPRM recovery is approved on a case-by-case basis, which allows the Commission to consider the unique circumstances of any specific. D&O No. 37507 at 85.

⁴⁴Company's Request at 1.

EPRM cost recovery for the tariff-related price increase is reasonable in this instance, as the drastic changes in federal policy driving these changes were unexpected, abrupt, and beyond the Company's control.⁴⁵ Additionally, the Company notes that the need for the Revised Project has grown more urgent in light of the recent delays and withdrawals of Maui Stage 2 and 3 Requests for Proposals ("RFP") projects.⁴⁶ The Company highlights the danger that the Loss of Load Expectation ("LOLE") on Maui will exceed the targeted level of 0.11 (the level anticipated under the Stage 3 RFP portfolio of projects with the addition of the Revised Project).⁴⁷ The Company notes the potential impact of removing the Revised Project from the system could result in a LOLE of 0.31, based on studies of a similarly-sized BESS anticipated as part of the Kuihelani Phase 2 Solar Project selected under the Maui Stage 3 RFP.⁴⁸

The Commission notes that, despite its concerns with the Company's Request, the Consumer Advocate does not dispute the continued need for the Revised Project or its ability to meet the

⁴⁵See Company's Request at 3.

⁴⁶Response to PUC-HECO-IR-156(b) (referencing projects that were initially selected as a result of the Stage 2 and 3 RFPs pursuant to Docket No. 2017-0352).

⁴⁷Response to PUC-HECO-IR-156(b).

⁴⁸Response to PUC-HECO-IR-156(b).

objectives of providing safe and reliable service and to help meet the State's energy goals.⁴⁹ The Consumer Advocate states that:

In advocating for utility service that is safe, reliable, cost-effective, equitable, and meets the State's energy goals, the Consumer Advocate notes that the Revised Project continues to meet the objectives in providing safe and reliable electric utility service and meeting the State's energy goals, in providing the same functionality as discussed in Attachment 1 and in doing so will continue to meet the grid capacity and system stability needs of Maui island, helping to facilitate the planned retirement of [KPP] and the Maalaea generating units 10-13 ("Maalaea Units 10-13") by the end of 2027.⁵⁰

The Commission understands and shares the Consumer Advocate's concerns with the uncertainty of the Company's request and their indeterminate impact on ratepayers. Yet, in determining the reasonableness of the Company's Request, the Commission must weigh competing concerns involving the risk to the Company of incurring additional costs for which no recovery may be provided (and the risk that the Company may not proceed with the Revised Project without additional EPRM cost recovery approval, which will negatively impact grid reliability⁵¹) against

⁴⁹Consumer Advocate's SOP at 8.

⁵⁰Consumer Advocate's SOP at 8.

⁵¹To this end, the Commission previously did not require G.O. 7 approval to proceed with the Project if actual costs exceeded the amounts authorized in D&O No. 40457 and instead required the Company to file a report within 60 days of the Revised Project's completion date if the final costs exceeded the estimated

the risk to ratepayers (i.e., the risk of ratepayers potentially bearing the burden of indefinite bill increases associated with the Company recovering costs relating to as yet unknown tariff increases).

Although the Commission understands the Consumer Advocate's concern with prospectively approving an unknown amount of additional cost recovery for the Revised Project, the Commission is cognizant that the uncertainty of the cost increase is a direct result of the instability created by changing tariff policy at the federal level, which is beyond the Company's control, and which may last for an indefinite period of time. To that end, it is not clear whether the Company could provide the Consumer Advocate with further clarity with respect to the situation, including but not limited to the impact of recent federal legislation, and/or how much additional time the Consumer Advocate believes would be necessary to complete its assessment.

The Commission is also concerned that without the Revised Project the LOLE will exceed the target LOLE, which will increase the probability of the number of customer power outages

amount by more than ten percent. D&O No. 40457 at 128-129. In a similar vein, as discussed below, although the Commission is placing limits on Revised Project costs that may be recovered pursuant to this Decision and Order, it is allowing the Company the opportunity to seek recovery of excess costs via a separate application.

or service interruptions and/or the duration of such outages or interruptions. Accommodating the unspecified additional time for review and assessment requested by the Consumer Advocate increases this risk to the system. Recent federal legislation that accelerates the phasing out of federal tax credits for renewable energy projects, among other recent federal actions, may result in further jeopardizing Stage 2 and 3 RFP projects on Maui that are also needed to support system reliability, making the Revised Project even more crucial amid this period of uncertainty.

The Commission supports completion of the Revised Project and appreciates that the tariff increases are outside of the Company's control but is also mindful that unlimited increases to project costs cannot be sanctioned. Thus, the Commission finds it is not reasonable to approve unlimited cost recovery at this time. Instead, the Commission finds it reasonable and prudent to approve recovery of Revised Project costs in addition to the amounts approved in D&O No. 40457, but limited as follows: (1) the lesser of either the actual capital costs or twenty percent over the approved estimated capital costs (\$82,060,000); and (2) the lesser of either the actual O&M costs, as calculated annually, or the current estimated O&M costs, as of June 23, 2025.⁵²

⁵²See Response to CA-IR-46, Attachment 1 (filed as confidential). The Commission acknowledges that O&M costs have been further impacted since issuance of D&O No. 40457 by a new

The Commission has carefully considered the difficulty of the Company's situation and the potential impact of this decision to limit cost recovery. However, the Commission finds that such decision represents a fair balance of the previously stated risks to the Company and the ratepayers.

D.

Conditions of Approval

In addition to the cost recovery limits discussed above and the Conditions of EPRM and G.O. 7 Approvals included in D&O No. 40457, approval of the Company's Request is further subject to the following conditions.

1. Recovery limited to net costs. Cost recovery for the Revised Project continues to be governed by the ERPM guidelines and D&O No. 40457, which authorized the recovery of net costs directly associated with the Revised Project and specified that costs should be offset by related net benefits associated with implementing the Revised Project, including cost savings such as

vendor, changes in the BESS warranty and maintenance terms, as well as increased costs that are attributed to "settlement of indemnification claims asserted by the [S]tate, higher wildfire mitigation program expenses and higher property and general liability insurance costs[.]" "HEI Reports Fourth Quarter and Full Year 2024 Results," HEI News Release dated February 21, 2025, available at: <https://www.hei.com/investor-relations/news-and-events/news/news-details/2025/HEI-Reports-Fourth-Quarter-and-Full-Year-2024-Results/default.aspx>.

tax credits and avoided costs.⁵³ As the Company has already confirmed, avoided fuel and purchased power costs shall be used to mitigate customer bill increases.⁵⁴

2. Mitigation of net project and O&M costs.

The Company has also expressed that it "may not be able to proceed to commit further funds without Commission approval or reasonable assurance that [the Company] will be allowed to recover the additional costs due to tariffs."⁵⁵ As reflected above, the Commission recognizes the difficult situation presented by the sudden change in tariffs and is granting additional EPRM cost recovery at this time to support the Company's development of the Revised Project. At the same time, the Commission continues to expect that the Company will do everything in its power to limit costs to the extent possible,⁵⁶ including but not limited to taking all actions necessary to secure potential tax credits and adders under the Inflation Reduction Act or any other

⁵³D&O No. 40457 at 115-117.

⁵⁴D&O No. 40457 at 116.

⁵⁵Company's Request at 3-4.

⁵⁶While the Commission notes the Consumer Advocate's concern with avoiding unnecessary impacts on Molokai and Lanai customers as they will not benefit from savings in avoided fuel costs, the Commission also recognizes that the Molokai and Lanai systems are also subsidized by Maui customers, which it believes is appropriate under the circumstances. To address this concern, the Parties shall be instructed to explore cost mitigation measures for all Maui Electric customers.

applicable program or legislation. To this end, as requested by the Consumer Advocate, the Company shall work with the Consumer Advocate to seek ways to mitigate net project costs and near-term bill impacts for Maui County customers. Additionally, the Company shall file within 30 days of the date of this Decision and Order an update of the estimated avoided costs associated with the Revised Project.

3. Reports. The Company shall file updates for the Commission's and Consumer Advocate's review, as needed, including but not limited to additional change order requests from the Vendor, within 14 days of receipt from the Vendor. Such updates should also include updates on the estimated avoided costs associated with the Revised Project. Within 30 days of the date of this Decision and Order, the Company shall file updated information on its plans for funding or financing the Revised Project, including specific timelines for outstanding applications with the U.S. Department of Energy, what other means or methods of funding or financing are being considered, when decisions to seek alternative funding or financing will be made, and any other updates on plans for addressing current challenges with financing or funding the Revised Project.⁵⁷

⁵⁷See July 2025 Quarterly Funding Update at Attachment 1 (the Commission noting that there have been no meaningful updates on funding for the Revised Project for several months).

4. Request for additional EPRM approval.

Notwithstanding the cost recovery cap imposed in response to the Company's Request, the Commission clarifies that the Company may seek leave to recover additional capital and/or O&M costs incurred that exceed the approved amounts pursuant to a separate properly filed application in a new docket, which the Commission will duly consider. Any such request shall include supporting documentations, such as a change order request from the Vendor explaining the applicable change in law or other contractual provisions that necessitate amendment.⁵⁸

5. Contingency plan. Should the Company decide not to proceed with the Revised Project, the Company shall develop and file a plan with the Commission for addressing replacing capacity and reliability needs provided by the Revised Project within 30 days of the Company's decision not to proceed with the Revised Project.

6. Plans for mitigating Distributed Energy Resource ("DER") impacts. Studies commissioned by the Hawaiian Electric Companies ("Companies")⁵⁹ have identified system stability risks associated with high penetration of DERs across the companies,

⁵⁸See EPRM Guidelines at 8, Section III.C.2.g.

⁵⁹Comprised of Hawaiian Electric Company, Inc., Maui Electric Company, Limited, and Hawaii Electric Light Company, Inc.

including system-wide DER momentary cessation, system-wide DER undervoltage tripping, and DER rate-of-change-of-frequency (“ROCOF”) ride through.⁶⁰ These studies have provided results that have been used to justify the reliability benefit of various projects, and specific technology (e.g., grid-forming inverters), and included various recommendations to support system stability.⁶¹ The Commission finds that improvements in this area of uncertainty will aid in making more confident recommendations going forward. The issue impinges on multiple projects and has the potential to impact recommendations with significant cost impacts. The Commission recognizes that this issue is complex and cuts across many present and future dockets. Investment in making improvements is likely to be highly cost effective. As a result, the Commission instructs the Company to submit a detailed update on the Companies’ current activities and future plans to address these concerns within 30 days of the date of this Decision and Order.

⁶⁰See Docket No. 2018-0165, Letter From: M. Asano To: Commission Re: Docket No. 2018-0165 - Integrated Grid Planning; Instituting a Proceeding to Investigate Integrated Grid Planning; 2021 System Stability Study, filed on February 13, 2023 (“2021 System Stability Study”), Exhibit 1 at 3-4.

⁶¹See 2021 System Stability Study, Exhibit 1.

III.

ORDERS

THE COMMISSION ORDERS:

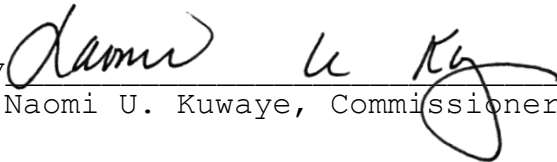
1. The Company's Request is hereby approved, subject to the conditions set forth herein.

2. Unless otherwise ordered by the Commission, the docket is closed. Notwithstanding this closure, the Company shall file any required updates or reports in this docket in accordance with the instant or any prior Decision and Order.


DONE at Honolulu, Hawaii JULY 28, 2025.

PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By 
Leodoloff R. Asuncion, Jr., Chair

By 
Naomi U. Kuwaye, Commissioner

APPROVED AS TO FORM:


Keira Y. Kamiya
Commission Counsel

By 
Colin A. Yost, Commissioner

2020-0132.ljk

CERTIFICATE OF SERVICE

The foregoing Order was served on the date it was uploaded to the Public Utilities Commission's Case and Document Management System and served through the Case and Document Management System's electronic Distribution List.

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COMMISSION

F-329638

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