BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of

KAUAI ISLAND UTILITY COOPERATIVE

For Approval of a Tariff to Implement a
Community-Based Renewable Energy
Program.

Docket No. 2015-0382

APPLICATION

ATTACHMENT A

EXHIBITS 1 THROUGH 3

VERIFICATION

AND

CERTIFICATE OF SERVICE

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BEFORE THE PUBLIC UTILITIES COMMISSION
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In the Matter of the Application of

KAUAI ISLAND UTILITY COOPERATIVE (Docket No. 2015-0382)

For Approval of a Tariff to Implement a Community-Based Renewable Energy Program.

APPLICATION

KAUAI ISLAND UTILITY COOPERATIVE ("Applicant" or "KIUC"), by and through its attorneys, Morihara Lau & Fong LLP, and pursuant to Order No. 33268, issued by the Hawaii Public Utilities Commission ("Commission") on October 21, 2015 ("Order No. 33268"), and the Hawaii Administrative Rules ("HAR") Chapter 6-61, hereby submits this Application requesting that the Commission issue a decision and order:

1. Approving Schedule "CBRE" (i.e., KIUC's proposed Community-Based Renewable Energy Tariff), which is attached as Attachment A and incorporated herein, as an addition to KIUC's existing tariff (Tariff No. 1); and

2. Granting such other relief as may be required and/or just and reasonable under the circumstances, including, without limitation, whether certain regulatory requirements should be waived or exempted, pursuant to Hawaii Revised Statutes ("HRS") § 269-31(b).¹

¹ Pursuant to Act 57, Session Laws of Hawaii 2013 (now codified as HRS § 269-31(b)), the Commission is given the authority to waive or exempt an electric cooperative, such as KIUC, from any or all requirements of HRS Chapter 269 or any applicable franchise, charter, decision, order, rule, or other law, upon a determination or demonstration that the requirement(s) should not be applied to an electric cooperative or are otherwise unjust, unreasonable, or not in the public interest.
In support of this Application, KIUC provides the following information:

I. COMMUNICATIONS REGARDING THIS APPLICATION

Pleadings, correspondence, and notices regarding this Application should be directed to the following:

KENT D. MORIHARA, ESQ.
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II. DESCRIPTION OF APPLICANT

Applicant is a Hawaii not-for-profit electric cooperative, whose principal place of business is 4463 Pahe'e Street, Suite 1, Lihue, Kauai, Hawaii 96766-2000. Applicant is an operating public utility engaged in the production, transmission, distribution, purchase, and sale of electric energy on the island of Kauai, State of Hawaii. Applicant has been an operating public utility since November 1, 2002, when it purchased substantially all of the assets and assumed the operations of the Kauai Electric division of Citizens Communications Company ("Citizens"), and in connection therewith, was assigned the legislatively-granted franchise\(^2\) previously held by Citizens to manufacture, sell, furnish, and supply electric light, current, and power on the island of Kauai. Said transaction was approved by the Commission in Decision and Order No. 19658, filed

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on September 17, 2002, as amended by Decision and Order No. 19755, filed on October 30, 2002, both in Docket No. 02-0060.

Applicant is duly incorporated, validly existing, and in good standing under the laws of the State of Hawaii.

III. THE PURPOSE AND REQUIREMENTS OF ACT 100

As stated in Act 100, Sessions Laws of Hawaii 2015 ("Act 100"), the purpose of having community-based renewable energy programs is "to make the benefits of renewable energy generation more accessible to a greater number of Hawaii residents."^ Pursuant to a legislative finding that "all Hawaii residents should be able to participate in and enjoy the economic, environmental, and societal benefits of renewable energy,"^ KIUC's proposed Schedule "CBRE" is aimed at promoting broader participation in renewable energy facilities.

As a not-for-profit member-owned electric cooperative, all of KIUC's customer-members are inherently participants in all of the renewable energy projects that KIUC is involved with, either as the developer (such as the KRS One Solar Project in Anahola) or as the purchaser of power (such as the Port Allen 6 megawatt ("MW") photovoltaic ("PV") facility). The sharing by all KIUC customer-members in the benefits of low-cost renewable energy projects is especially evident in the KRS One (aka Anahola Solar) and KRS Two (aka Koloa Solar) projects. In both of those projects, KIUC developed utility-scale PV facilities through wholly-owned subsidiaries. Through these unique arrangements, KIUC was able to take advantage of low-cost financing

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^ Act 100 at Section 1.

^ Id. (emphases added).
available to non-profit cooperatives, and at the same time, take advantage of available tax incentives through its subsidiaries, resulting in costs materially lower than through purchases from third party PV developers. More importantly, the benefits from the KRS One and KRS Two projects flow directly to all of KIUC's customer-members. As recognized by the Division of Consumer Advocacy ("Consumer Advocate") and reiterated by the Commission:

[Unlike other purchase power agreements, where the Consumer Advocate must attempt to balance varying objectives of the utility, developer, and ratepayers, the objectives of the stakeholders are essentially one and the same. In other words, profit motivations for the developer are mitigated, if not eliminated, in this situation, because the transactions between KIUC (as the utility) and KRS One (as the developer) are kept within the same parent entity (i.e., KIUC), with neither entity having any for-profit investors. As a result, the transactions between KIUC and KRS One, are in essence, "one hand paying the other."

. . . Any profits (and losses) of KRS One are ultimately returned and/or allocated to KIUC . . . and will be part of the financial consolidation process that will be used to determine KIUC's resulting TIER coverage, accumulation and/or return of patronage capital.\(^5\)\(^6\)

In other words, long before enactment of Act 100, all of KIUC's customer-members have already been owners and participants in the cooperative's renewable energy projects and all have been reaping the economic, environmental, and societal benefits of renewable energy.

Some KIUC customer-members, however, have been able to increase participation in renewable energy facilities and save even more money on their electric bills, primarily through the installation of individual or small-scale rooftop solar systems.


\(^6\) See also, Decision and Order No. 31305, Docket No. 2012-0383, at 21 (June 19, 2013).
The success of the utility-scale PV projects and the individual rooftop facilities has brought KIUC national recognition for its efforts in integrating a significant amount of PV generation into its electric grid. The large amounts of PV resources added to KIUC's system during daytime hours, however, raises the issue of curtailment, which has both technical and policy implications.

KIUC recognized, however, that for a number of reasons, installation of individual rooftop PV facilities was not an option for many of its customer-members. As a means of broadening opportunities for further participation in renewable energy programs and, at the same time, to address or mitigate the risk of curtailment, KIUC recently began implementing the Time-of-Use Solar Rate Pilot Program ("TOU Pilot Program"). This pilot program is designed to provide participating customer-members with incentives, in the form of a lower rate during a specified time period, to attempt to modify their usage patterns by shifting more usage to periods when excess generation from PV is occurring, and thereby reducing usage during other periods when renewable generation is not available.

In addition to these renewable energy projects and programs in which KIUC customer-members participate (i) as member-owners, (ii) as owners of rooftop PV systems, or (iii) as participants in the TOU Pilot Program, in accordance with Order No. 33268, KIUC hereby submits the Community-Based Renewable Energy ("CBRE") program described in Schedule "CBRE" (Attachment A hereto) to further broaden opportunities for customer-members to participate in renewable energy projects.

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KIUC's TOU Pilot Program was approved by the Commission through Decision and Order No. 33146, issued on September 21, 2015.
As noted in Act 100, many residents and businesses are currently unable to directly participate in renewable energy generation because of their location, building type, access to the electric utility grid, and other impediments. In accordance with Act 100, the CBRE program attempts to rectify this by expanding the market to participate in renewable energy resources to include residential and business renters, occupants of residential and commercial buildings with shaded or improperly oriented roofs, and other groups who are unable to access the benefits of onsite clean energy generation.

KIUC's proposed CBRE program, in accordance with Act 100, is designed to:

(1) allow an eligible customer to participate in an eligible renewable energy project that is providing electricity and electric grid services to KIUC;

(2) allow KIUC to implement a billing arrangement to compensate those customers for the electricity and electric grid services provided to KIUC;

(3) provide fair compensation for electricity, electric grid services, and other benefits provided to or by KIUC, participating ratepayers, and non-participating ratepayers; and

(4) to the extent possible, standardize and streamline the related interconnection processes for community-based renewable energy projects.

A significant limitation to developing KIUC's CBRE program stems from the fact that KIUC currently has little need for additional intermittent generation resources, particularly during the midday solar peak irradiance period (between 9:00 a.m. and 4:00 p.m.). On a clear sunny day, 95% of KIUC's midday load is already met by solar power. Any additional generation during the peak irradiance period exacerbates curtailment issues. Thus, the CBRE program (as described in the proposed Schedule “CBRE”, Attachment A hereto) provides for two classes of projects, with higher prices
payable to eligible renewable energy projects that generate at least 85% of its total output outside the peak irradiance period as incentive for the development of such projects.

Another limitation to the CBRE program results from KIUC's recent successes in securing favorable rates for renewable power. As a cooperative, all members benefit from these favorable rates and it would not be in the interest of KIUC's overall membership base to pay a premium for new resources that are not required for system needs in order to benefit only a small percentage of the members. KIUC's CBRE program, therefore, includes features that address this issue as well.

IV. SCHEDULE “CBRE” MEETS THE REQUIREMENTS OF ACT 100

Through KIUC's proposed CBRE tariff, Schedule “CBRE,” customers will have the opportunity to enroll in a program to purchase a share of the capacity of all CBRE eligible projects. In effect, this allows participating customers to virtually source some of their power supply directly from renewable resources in lieu of hosting a project on their own or rented/leased property. To the extent such renewable resources are less costly than KIUC's overall system mix, participants, and in fact all KIUC customers, would benefit financially from the program.

Details of the CBRE program are set forth in the proposed Schedule “CBRE” (Attachment A). Additionally, Exhibit 1, attached hereto, provides, in a Q&A format, further information about the CBRE program, including how Schedule “CBRE” complies with the requirements of Act 100. Exhibit 2, attached hereto, provides examples of the impact on individual customers’ monthly bills if they participate in the CBRE program (i.e., purchase/subscribe to shares of capacity in CBRE eligible projects). Exhibit 3,
attached hereto, shows the process flow that KIUC currently contemplates for the CBRE program.

V. REQUESTS FOR APPROVALS

Pursuant to HAR § 6-61-76, KIUC hereby incorporates The Annual Report of Kauai Island Utility Cooperative for the year ending December 31, 2014, filed with the Commission by cover letter dated March 17, 2015, to satisfy, to the extent necessary, the requirements of HAR §§ 6-61-75 and 6-61-105.

For the reasons set forth above, Applicant hereby respectfully requests that the Commission issue a decision and order:

1. Approving Schedule “CBRE” as an addition to KIUC's existing tariff (Tariff No. 1); and

2. Granting such other relief as may be required and/or just and reasonable under the circumstances, including, without limitation, whether certain regulatory requirements should be waived or exempted, pursuant to HRS § 269-31(b).^8


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^8 See supra n.1.
ATTACHMENT A
SCHEDULE "CBRE"

COMMUNITY-BASED RENEWABLE ENERGY PROGRAM

A. PURPOSE

The purpose of this program is to provide the Company's customers with the opportunity to participate in a community-based renewable energy ("CBRE") program in accordance with Act 100, Session Laws of Hawaii 2015, Community-Based Renewable Energy Tariff ("Act 100"). The CBRE, in accordance with Act 100, is designed to:

1. allow an eligible customer to participate in an eligible renewable energy project that is providing electricity and electric grid services to the Company;
2. allow the Company to implement a billing arrangement to compensate those customers for the electricity and electric grid services provided to the Company;
3. provide fair compensation for electricity, electric grid services, and other benefits provided to or by the Company, participating ratepayers, and non-participating ratepayers; and
4. to the extent possible, standardize and streamline the related interconnection processes for community-based renewable energy projects.

As noted in Act 100, many residents and businesses are currently unable to directly participate in renewable energy generation because of their location, building type, access to the electric utility grid, and other impediments. In accordance with Act 100, the CBRE program attempts to rectify this by expanding the market to participate in renewable energy resources to include residential and business renters, occupants of residential and commercial buildings with shaded or improperly oriented roofs, and other groups who are unable to access the benefits of onsite clean energy generation.

B. ELIGIBLE RENEWABLE ENERGY PROJECTS

This CBRE program shall be available only to an "Eligible Renewable Energy Project" (as defined below) that meets and complies with the provisions of this Schedule "CBRE." Acceptance into and participation in this CBRE program shall at all times be in accordance with, and subject to, the provisions of this Schedule "CBRE."

An "Eligible Renewable Energy Project" for purposes of this CBRE program is a generating facility that produces 100% renewable energy and that meets each of the following requirements:

1. The generating facility shall be no less than 250 kilowatts (kW) in size. In the event there is more than one generating facility located on a single parcel of land (i.e., Tax Map Key) that are being considered for participation in this Schedule "CBRE," they shall be considered as a single generating facility for the purpose of determining whether the cumulative size of the facilities fall within the size limitations set forth in this Schedule "CBRE;"
2. The generating facility shall have been submitted in accordance with the solicitation process set forth in Section E (Solicitation Process for Eligible Renewable Energy Projects) below and selected for participation in this program by the Company;
3. A purchase power agreement ("PPA"), setting forth the terms governing the purchase of the energy produced by the generating facility and provided to the Company shall have been entered into with the Company and approved by the Commission. The PPA shall contain all of the terms and conditions set forth in the Company's standard form PPA for this CBRE program, together with the purchase power rate structure for the generating facility as determined in accordance with Section C (Purchase Power Rates) below;

4. An Interconnection Agreement, setting forth the terms governing the interconnection of the generating facility and its operation in parallel with the Company's transmission and/or distribution facilities, shall have been entered into with the Company in accordance with the Company's Tariff No. 2;

5. The owner/developer of the generating facility must agree to allow (a) the installation of curtailment devices, and (b) the Company to curtail the delivery of energy from the generating facility without payment for energy curtailed during a "curtailment condition." A "curtailment condition" exists when the cumulative output from the Company's existing supply of zero dispatch cost resources, take-or-pay power purchase agreements, and required spinning reserves exceed load. The Company's curtailment rights, including the Company's policies for determining the priority and level of curtailment that each Eligible Renewable Energy Project in this program will be subject to, are set forth in the standard form PPA;

6. The ownership, installation, and operation of the generating facility shall at all times be in compliance with all applicable statutes, rules, tariffs, and regulations (including without limitation, this Schedule "CBRE") governing the ownership and interconnection of such facility; and

7. The addition of the generating facility to the CBRE program shall not result in the total aggregate of all Eligible Renewable Energy Projects exceeding 3 megawatts (MW).

In addition, in order to have the generating facility qualify as an Eligible Renewable Energy Project under this Schedule "CBRE," the developer/owner/operator of the facility shall also be subject to additional program participation conditions and requirements that the Company may impose from time to time upon all Eligible Renewable Energy Projects in this CBRE program.

For purposes of the CBRE program, an Eligible Renewable Energy Project shall fall into one of two classes, as follows:

Class I: An Eligible Renewable Energy Project that generates at least 85% of its total output each calendar month between the hours of 4:00 p.m. and 9:00 a.m. (i.e., outside of the peak irradiance period).*

Class II: Any Eligible Renewable Energy Project that is not a Class I project.

* When, in any given month, a Class I Eligible Renewable Energy Project generates more than 15% of its total output during the hours of 9:00 a.m. and 4:00 p.m. (i.e., during the peak irradiance period), the portion of such total output during the peak irradiance period that is above 15% shall be "Excess Class I Peak Irradiance Output." Class I Eligible Renewable Energy Projects will not receive any payment for Excess Class I Peak Irradiance Output.

Issued:
By: Timothy Blume, Regulatory Affairs Supervisor

Effective:
Order
C. PURCHASE POWER RATES

The purchase power rate that will be paid to an Eligible Renewable Energy Project will vary depending on the amount of capacity purchased (i.e., subscribed to) by customer participants in the CBRE program as further detailed below (Section D.3 below addresses the purchase/subscription of capacity by customer participants). This will be accomplished by utilizing two different rates for each Eligible Renewable Energy Project: (i) the CBRE Subscription Rate (as defined below), which will apply to the portion of the capacity purchased or subscribed to by customer participants in the CBRE program, and (ii) the CBRE Unsubscribed Rate (as defined below), which will apply to the remainder of the capacity (i.e., the capacity that has not been purchased or subscribed to by customer participants).

1. **CBRE Unsubscribed Rate.** As noted above, the CBRE Unsubscribed Rate will apply to the portion of the capacity of an Eligible Renewable Energy Project that has not been purchased or subscribed to by customer participants in accordance with Section D.3 below.

   The CBRE Unsubscribed Rate for each class of Eligible Renewable Energy Projects is as follows:

   - **Class I:** $0.145/kilowatt-hour (kWh) received by the Company
   - **Class II:** $0.101/kWh received by the Company

   The purpose of the CBRE Unsubscribed Rate is to provide each Eligible Renewable Energy Project a guaranteed minimum rate, regardless of the amount of program capacity purchased/subscribed to by customer participants.

   The reason for the higher rate for Class I projects is to provide an incentive for the development of renewable generating facilities that can provide renewable energy to the Company outside of the peak irradiance period (i.e., between the hours of 4:00 p.m. and 9:00 a.m.). Without an increase in daytime load, the Company does not currently need additional intermittent generation resources during the peak irradiance period. It would not be in the interest of the Company's overall membership base to pay a premium for new resources that are not required for system needs—in those situations, a developer/owner/operator of an Eligible Renewable Energy Project should be paid no more than what the Company has paid for similar resources, or the avoided cost price at which the Company could self-develop a similar resource.

2. **CBRE Subscription Rate.** As noted above, the CBRE Subscription Rate will apply to the portion of the capacity of an Eligible Renewable Energy Project that has been purchased or subscribed to by customer participants in accordance with Section D.3 below.

   The CBRE Subscription Rate for an Eligible Renewable Energy Project shall be the rate for the Eligible Renewable Energy Project resulting from the CBRE Project Solicitation process in accordance with Section E (Solicitation Process for Eligible Renewable Energy Projects) below and included in the PPA for that Eligible Renewable Energy Project. The CBRE Subscription Rate for an Eligible Renewable Energy Project may not exceed $0.19143/kWh, which is the amount of the Company's Fuel & Purchase Power Energy Charge that was included in base rates in Docket No. 2009-0050.

3. **Purchase Power Rate.** The purchase power rate paid to an Eligible Renewable Energy Project shall be the weighted average of the applicable CBRE Subscription Rate and CBRE Unsubscribed Rate, with the weighting factor (w) defined as:
The weighting factor is calculated monthly.

The purchase power rate for an Eligible Renewable Energy Project for a given calendar month shall be calculated by the following formula:

\[
\text{Purchase power rate} = (\text{CBRE Subscription Rate} \times w) + (\text{CBRE Unsubscribed Rate} \times (1 - w))
\]

Notwithstanding the above, and as stated in Section B above, Class I Eligible Renewable Energy Projects will not receive any payment for Excess Class I Peak Irradiance Output.

4. The applicable purchase power rate structure developed in accordance with this Section C shall be included in the applicable PPA for the Eligible Renewable Energy Project and shall apply for a period of twenty (20) years, which rate and/or PPA shall be subject to Commission approval.

D. CUSTOMER PARTICIPATION IN ELIGIBLE RENEWABLE ENERGY PROJECTS

An eligible customer may participate in the CBRE program by purchasing (also referred to as subscribing to) a portion of capacity of the Eligible Renewable Energy Projects that are then in service and providing energy to the Company. Through such purchase/subscription, the customer participant is not acquiring any actual ownership interest in the Eligible Renewable Energy Projects, and thus is not assuming any maintenance, operation, insurance or other obligations or liabilities under any applicable PPA or Interconnection Agreement. Instead, through the virtual purchase of capacity from the Eligible Renewable Energy Projects, the customer participant will receive credits applied to its electric bill in proportion to its purchase of/subscription to capacity.

Participation in this CBRE program shall at all times be in accordance with, and subject to, the provisions of this Schedule “CBRE.”

1. Eligibility Requirements.

In order to be eligible to participate in the CBRE program (an “eligible customer participant”), the customer must (1) have a smart meter (which is necessary to provide the billing credits under this program), and (2) certify (in form and manner acceptable to the Company) that the customer is unable to install its own renewable distributed energy resource facility and access the benefits of onsite renewable energy generation on its owned or leased property, due to its location, building type, access to the electric utility grid, or other impediment such as the customer being a renter or that the customer’s residential or commercial building has continuously shaded or improperly oriented roofs.

2. Enrollment Process and Wait List.

Eligible customer participants may enroll on a “first come, first served basis” until there is no remaining program capacity available, at which point a waiting list will be maintained by the Company. Each enrollment period is for twelve (12) months. If any existing customer participants choose not to re-enroll after the end of their respective 12-month periods, or if any additional program capacity becomes available, the available program capacity will be offered to the next customer on the waiting list. Existing customer participants wishing to enroll for
additional capacity will be subject to the same waiting list process for their respective incremental capacity requests.

3. **Purchase/Subscription of Capacity.**

   Once an eligible customer participant is enrolled and the Company confirms that there is capacity available under this program, the eligible customer participant may sign up to purchase/subscribe to (through payment of the Monthly Capacity Purchase Charge, as described in Section D.5, below) an amount of program capacity subject to the limits shows in the following table:

<table>
<thead>
<tr>
<th></th>
<th>Individual Minimum</th>
<th>Individual Maximum</th>
<th>Total Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>250 watts (W)</td>
<td>1 kW</td>
<td>Lesser of 1 MW or 33.3% of developed CBRE capacity</td>
</tr>
<tr>
<td>Commercial</td>
<td>1 kW</td>
<td>100 kW</td>
<td>Lesser of 1 MW or 33.3% of developed CBRE capacity</td>
</tr>
<tr>
<td>Large Power</td>
<td>100 kW</td>
<td>1 MW</td>
<td>Lesser of 1 MW or 33.3% of developed CBRE capacity</td>
</tr>
</tbody>
</table>

4. **Enrollment and Participation Period.**

   Once an eligible customer participant enrolls and purchases/subscribes to capacity in accordance with the above, the eligible customer participant is enrolled to participate in the CBRE program for a period of twelve (12) months.

   At the conclusion of a 12-month enrollment period, an eligible customer participant will be automatically re-enrolled for the successive 12-month period unless the customer participant provides written notice to the Company of its intention to opt out of the program at least fifteen (15) days prior to the commencement of the successive 12-month period. Not less than thirty (30) days before the expiration of an eligible customer participant's 12-month enrollment period, the Company shall send notice of the customer participant's right to opt out of re-enrollment.

5. **Monthly Capacity Purchase Charge and Monthly Billing Credit.**

   While an eligible customer participant is enrolled in the CBRE program, the eligible customer participant will: (i) pay a Monthly Capacity Purchase Charge (i.e., the charge for the customer participant's purchase/subscription of CBRE capacity), as described below, and (ii) be entitled to a Monthly Billing Credit, as described below. The Monthly Capacity Purchase Charge and the Monthly Billing Credit will be posted to the eligible customer participant's electric bill in the month following the applicable calendar month.

   The calculation of the Monthly Capacity Purchase Charge and the Monthly Billing Credit depend on the customer participant's Energy Share and the CBRE Average Realized Purchase Rate, both described below.

   **Energy Share:** This represents the pro rata share of energy delivered by all Eligible Renewable Energy Projects proportional to the customer participant's share of total available
program capacity. The calculation for determining a customer participant's Energy Share for a
given calendar month is:

\[
\text{Eligible customer participant's enrolled/subscribed capacity} + \text{total} \\
\text{program capacity} \times (\text{total CBRE energy production of Eligible} \\
\text{Renewable Energy Projects} - \text{Excess Class I Peak Irradiance Output})
\]

**CBRE Average Realized Purchase Rate:** This is the weighted average CBRE Subscription Rate realized by all Eligible Renewable Energy Projects that are in service and providing energy to the Company for a given calendar month, subject to the provisions set forth in Section C above. The calculation for determining the CBRE Average Realized Purchase Rate in a given calendar month is:

\[
\sum (Project \text{ i CBRE Subscription Rate} \times (Project \text{ i delivered kWh} - Project \text{ i Excess Class I Peak Irradiance Output})) + \sum (Project \text{ i delivered kWh} - Project \text{ i Excess Class I Peak Irradiance Output})
\]

The CBRE Average Realized Purchase Rate will vary from month to month based on the mix of delivered kWh from the Eligible Renewable Energy Projects. In no circumstances will the CBRE Average Realized Purchase Rate be greater than the maximum CBRE Subscription Rate of $0.19143/kWh, nor will it be less than the Class II CBRE Unsubscribed Rate of $0.101/kWh.

**Monthly Capacity Purchase Charge:** This monthly charge is the customer participant's payment for its purchase/subscription of CBRE capacity. The calculation for determining the Monthly Capacity Purchase Charge for any given calendar month is:

\[
\text{Energy Share} \times \text{CBRE Average Realized Purchase Rate}
\]

**Monthly Billing Credit:** This is the customer participant's credit for its Energy Share at the current Fuel and Purchased Power (F&PP) Energy Charge, as adjusted by the Energy Rate Adjustment Clause (ERAC). The F&PP Energy Charge, as adjusted by ERAC, represents the variable cost to the Company of providing system mix generation. Because a customer participant is effectively switching supply for its kWh from a Company system mix to a particular portfolio of renewable resources (i.e., the Eligible Renewable Energy Projects in the CBRE program), it is appropriate for the CBRE Average Realized Purchase Rate to replace the ERAC-adjusted F&PP rate. This will allow customer participants to use the CBRE program as a hedge against fossil fuel costs.

The calculation for determining the Monthly Billing Credit for any given calendar month is:

\[
\text{MINIMUM [Energy Share, Customer Usage]} \times (\text{F&PP Energy Charge} + \text{ERAC})
\]

In any given month, a customer participant's Monthly Billing Credit may be lower or equal to, but may never exceed, the customer's actual F&PP energy charge plus ERAC. No excess bill credits may be accrued, and thus no bill credits may be carried over to any subsequent calendar month.

**E. SOLICITATION PROCESS FOR ELIGIBLE RENEWABLE ENERGY PROJECTS**

1. Within thirty (30) days of the effective date of this Schedule "CBRE," the Company will give public notice of its intent to issue a CBRE Project Solicitation to accept offers for Eligible Renewable Energy Projects to participate in the CBRE program.

2. The CBRE Project Solicitation shall be a one-time event. Offerors of proposed Eligible Renewable Energy Projects shall submit bids on a designated date (to be determined by
the Company and set forth in the CBRE Project Solicitation) containing, at a minimum, projected Class I or Class II designation (per criteria in Section B above), renewable technology type, projected in-service date, size, and CBRE Subscription Rate (as defined in Section C.2 above).

3. The Company shall determine whether any offeror is qualified to participate in the CBRE program. The Company may require a performance bond or other form of security or guarantee from proposed and in-development projects to assure completion.

4. In the event that the aggregate capacity of qualified projects offered into the program exceeds the program maximum set forth above (i.e., a total aggregate of 3 MW), the Company shall remove projects following a consideration of each projects' renewable technology type and operating characteristics, projected class designation, offered CBRE Subscription Rate, projected in-service date, benefits to the Company's system, and other factors that are reasonably in furtherance of the provision of electric services, until the 3 MW maximum is no longer exceeded.
EXHIBIT 1
KIUC'S COOPERATIVE COMMUNITY-BASED RENEWABLE ENERGY TARIFF

Questions and Answers

Q: Act 100 requires that the community-based renewable energy tariff “[a]llows an electric utility customer to participate in an eligible renewable energy project that is providing electricity and electric grid services to the electric utility”. Act 100, Section (c)(1). How does KIUC’s proposed Community-Based Renewable Energy (“CBRE”) tariff comply with this requirement?

A: Through KIUC’s proposed CBRE tariff, customers may enroll in a program to purchase/subscribe to a share of the output of all CBRE eligible projects (defined as “Eligible Renewable Energy Projects” in the CBRE tariff). In effect, this allows participating customers to source some of their power supply directly from renewable resources (i.e., the portfolio of Eligible Renewable Energy Projects) in lieu of hosting a project on their own or rented/leased property. To the extent such renewable resources are less costly than KIUC’s overall system mix, participants, and in fact all KIUC customers, would benefit financially from the program. Through this process, the customer participant is not acquiring any actual ownership interest in the Eligible Renewable Energy Projects, and thus is not assuming any maintenance, operation, insurance or other obligations or liabilities under any applicable power purchase agreement or interconnection agreement. Instead, through the virtual purchase of capacity from the Eligible Renewable Energy Projects, the customer participant will receive credits applied to its electric bill in proportion to its virtual purchase/subscription of capacity.

Q: How can customers access and participate in KIUC’s CBRE program?

A: The requirements for a customer to access and participate in this program are detailed in Section D of the CBRE tariff. In order to be eligible, participating customers must first have a smart meter installed. In addition, participating customers must certify that they are unable to install a distributed energy resource (“DER”) system and access the benefits of onsite renewable energy generation on their owned or leased properties due to location, building type, access to the electric utility grid, or other impediment such as the customer being a renter or that the customer’s residential or commercial building has continuously shaded or improperly oriented roofs. Project enrollment will also be subject to the following caps:
<table>
<thead>
<tr>
<th>Category</th>
<th>Individual Minimum</th>
<th>Individual Maximum</th>
<th>Total Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>250 watts (W)</td>
<td>1 kilowatt (kW)</td>
<td>Lesser of 1 megawatt (MW) or 33.3% of developed CBRE capacity</td>
</tr>
<tr>
<td>Commercial</td>
<td>1 kW</td>
<td>100 kW</td>
<td>Lesser of 1 MW or 33.3% of developed CBRE capacity</td>
</tr>
<tr>
<td>Large Power</td>
<td>100 kW</td>
<td>1 MW</td>
<td>Lesser of 1 MW or 33.3% of developed CBRE capacity</td>
</tr>
</tbody>
</table>

Q: Why is there the requirement that, in order to participate, the customer must have a smart meter installed?

A: In order to provide the billing credits (i.e., the Monthly Billing Credit) under this program, the applicable charges and credits for participating customers must be on a coincident calendar month basis. This requires participating customers to have a smart meter to enable KIUC to measure total usage on said calendar month basis.

Q: Why is there the requirement that, in order to participate, customers must certify that they are unable to install a DER system and access the benefits of onsite renewable energy generation on their owned or leased properties?

A: The purpose of this requirement is to comply with and meet the objectives of Act 100. As stated in Act 100:

While residential solar energy use has grown dramatically across the State in recent years, many residents and businesses are currently unable to directly participate in renewable energy generation because of their location, building type, access to the electric utility grid, and other impediments. The community-based renewable energy program seeks to rectify this inequity by dramatically expanding the market for eligible renewable energy resources to include residential and business renters, occupants of residential and commercial buildings with shaded or improperly oriented roofs, and other groups who are unable to access the benefits of onsite clean energy generation.
While the CBRE tariff addresses customers facing the foregoing impediments consistent with Act 100, it should be noted that customers that do have the means to install a DER system can continue to do so under KIUC's Schedule Q tariff.

Q: What is the purpose of imposing the individual caps and caps by customer class as set forth in the table provided above?

A: The total enrollment cap is set such that total customer enrollment/subscription does not exceed actual developed CBRE capacity. Individual minimum subscription amounts reduce administrative burden, while individual maximum subscription amounts limit the ability for a small number of customers to subscribe to all the available capacity. Limits are set for different customer classes, so that all types of customers may participate.

Q: Act 100 also requires that the CBRE tariff "[a]llows the electric utility to implement a billing arrangement to compensate those [participating] customers for the electricity and electric grid services provided to the electric utility". Act 100, Section (c)(2). How does KIUC's proposed CBRE tariff accomplish this?

A: Under the proposed tariff, KIUC would manage customer billing for the CBRE program. To this end, KIUC will create a database of enrollees, including information on subscription shares. KIUC will also meter the output of Eligible Renewable Energy Projects providing service under the CBRE tariff. Each calendar month, KIUC will calculate the subscribed amount of energy provided by the CBRE projects. Enrolled customers will see charges and billing credits for their pro rata shares of this amount in accordance with the CBRE tariff, as further described below.

KIUC will also make purchase power payments each calendar month to developers/owners of the Eligible Renewable Energy Projects, as set forth in Section C of the CBRE tariff. These payments will include all energy charges paid by program participants for all subscribed capacity at the applicable CBRE Subscription Rate for that project. For any unsubscribed portion, KIUC will purchase this output for the benefit of all customers at the applicable CBRE Unsubscribed Rate.

Q: How are monthly payments to developers/owners of eligible CBRE projects determined?

A: Payments to developers/owners of eligible CBRE projects (i.e., Eligible Renewable Energy Projects) will be based on the total power exported to the grid by the project each calendar month and the applicable monthly purchase power rate. The applicable monthly purchase power rate is determined using the weighted average of the applicable CBRE Subscription Rate and CBRE Unsubscribed Rate, as further detailed in Section C of the CBRE tariff.
Q: What is the CBRE Subscription Rate?

A: As described in Section C of the CBRE tariff, the CBRE Subscription Rate will apply to the portion of the capacity of an Eligible Renewable Energy Project that has been purchased/subscribed to by customer participants. As illustrated in Section C, the CBRE Subscription Rate is unique to each Eligible Renewable Energy Project in the program. Each project will have a signed purchase power agreement (PPA) with KIUC that specifies the CBRE Subscription Rate for a 20-year term. The CBRE Subscription Rate must not exceed $0.19143/kWh, which is the amount of KIUC’s Fuel & Purchase Power Energy Charge that was included in base rates in Docket No. 2009-0050. The CBRE Subscription Rate must also be approved by the Commission.

Q: What is the CBRE Unsubscribed Rate?

A: As described in Section C of the CBRE tariff, the CBRE Unsubscribed Rate will apply to the portion of the capacity of an Eligible Renewable Energy Project that has not been purchased or subscribed to by customer participants. The purpose of this rate is to provide each eligible CBRE project a guaranteed minimum rate, regardless of the amount of program capacity that has been purchased/subscribed to by customer participants. The CBRE Unsubscribed Rate depends on the project's class designation. As detailed in Section B of the CBRE tariff, each Eligible Renewable Energy Project will be designated as either Class I or Class II based on the following criteria:

Class I: An Eligible Renewable Energy Project that generates at least 85% of its total output each calendar month between the hours of 4:00 p.m. and 9:00 a.m. (i.e., outside of the peak irradiance period).

Class II: All other Eligible Renewable Energy Projects.

The CBRE Unsubscribed Rate for each class is as follows (see Section C of the CBRE tariff):

Class I: $0.145/kilowatt-hour (kWh) received by KIUC

Class II: $0.101/kWh received by KIUC

Q: What is the purpose of having two classes of eligible resources?

A: Currently, KIUC already has very high penetration of solar resources during the peak irradiance period (namely, between 9:00 a.m. to 4:00 p.m.). As stated in the subject Application, on a clear sunny day, 95% of KIUC's midday load is already met by solar power. During the sunniest hours of sunny days with lower than average load, KIUC has more zero marginal cost generation (of which solar generation is the largest component) than load, and as such, KIUC does not require more power during these times. In fact, KIUC is already being forced to
curtail utility solar resources during certain peak solar hours due to the significant amount of distributed NEM and Schedule Q energy resources already online. Any additional generation during the peak irradiance period will further exacerbate curtailment issues and may increase renewable integration costs.

As a result, there is a greater value to KIUC and its membership in obtaining renewable energy resources that can provide power outside the peak irradiance period. To reflect the differing value of renewable energy resources that can provide power to KIUC outside of, versus during, the peak irradiance period, KIUC proposes a two-class rate system as part of its CBRE tariff and as described above. By having a higher rate for Class I projects, this should provide an incentive for the development of renewable generating facilities that can provide renewable energy to KIUC outside of the peak irradiance period (i.e., between the hours of 4:00 p.m. and 9:00 p.m.).

Q: Are there any limits on the amount of power that can be exported to the grid?

A: Yes. For the reasons stated above, KIUC is willing to provide a higher CBRE Unsubscribed Rate to an eligible CBRE project that can provide at least 85% of its total output between the hours of 4:00 p.m. and 9:00 a.m. (i.e., outside the peak irradiance period) (Class I projects). When, in any given calendar month, a Class I resource generates more than 15% of its total output between the hours of 9:00 a.m. and 4:00 p.m. (i.e., during the peak irradiance period) in violation of the above, the portion of such total output provided during the peak irradiance period that is above 15% is defined as "Excess Class I Peak Irradiance Output" in the CBRE tariff. Because this amount violates the condition upon which KIUC is agreeable to provide Class I projects with a higher purchase rate, Class I projects will not receive any payment for any Excess Class I Peak Irradiance Output.

In addition, eligible CBRE projects in the CBRE program will be subject to curtailment when the cumulative output from KIUC's existing supply of zero dispatch cost resources, take-or-pay PPAs, and required spinning reserves exceeds load. Any renewable generating facilities added to the system as part of the CBRE program must install curtailment devices, and will not be compensated for curtailed generation.

Q: How will the CBRE Subscription Rate and CBRE Unsubscribed Rate be weighted to produce the monthly purchase power rate that an Eligible Renewable Energy Project will receive?

A: The weighting is performed such that each Eligible Renewable Energy Project receives the CBRE Subscription Rate for the portion of its output actually purchased/subscribed to by customer participants. Any remaining portion is paid at the CBRE Unsubscribed Rate. The weighting factor is calculated each month based on total enrollment compared to the capacity of the Eligible Renewable
Energy Projects actually in service. Because customer participants subscribe to the CBRE program as a whole and not to individual resources, as described more below, the weighting factor is the same for each Eligible Renewable Energy Project. See Section C of the CBRE tariff for the applicable tariff provisions detailing the above. Sample calculations are provided in Exhibit 2 of the subject Application.

Q: How will KIUC determine the monthly capacity charges for each customer participant in this program?

A: The monthly capacity charge (defined as the Monthly Capacity Purchase Charge) is determined in accordance with Section D.5 of the CBRE tariff. Under this program, customer participants do not subscribe to a single resource. Instead, they pay an average rate for their share of the total CBRE eligible capacity. Specifically, customer participant charges will be equal to the product of the customer participant’s Energy Share each calendar month and the applicable CBRE Average Realized Purchase Rate, as detailed in Section D.5 of the CBRE tariff.

Q: How will KIUC determine each participating customer’s Energy Share?

A: As further detailed in Section D.5 of the CBRE tariff, each customer participant’s Energy Share represents the participant’s pro rata share of energy delivered by all eligible projects in a given calendar month, minus any Excess Class I Peak Irradiance Output. The customer participant’s pro rata share is based on its amount of subscribed capacity divided by the total program capacity of all eligible resources.

Q: What is the CBRE Average Realized Purchase Rate as set forth in Section D.5 of the CBRE tariff?

A: The CBRE Average Realized Purchase Rate is a weighted average of all CBRE Subscription Rates in a given month. The weighting is based on each Eligible Renewable Energy Project’s delivered energy (excluding any Excess Class I Peak Irradiance Output) each calendar month, and may vary month-to-month. For example, in a month where the Eligible Renewable Energy Project with the highest CBRE Subscription Rate delivers more power to the grid compared to the other eligible projects, the monthly CBRE Average Realized Purchase Rate will increase, as its weighted portion increases.

Q: How will KIUC determine the monthly billing credits for each customer participant enrolled in the program?

A: The calculation of a customer participant’s Monthly Billing Credit is detailed in Section D.5 of the CBRE tariff. Each calendar month, a customer participant’s Monthly Billing Credit will be determined based on its Energy Share at the current Fuel and Purchased Power (F&PP) Energy Charge, as adjusted by the Energy Rate Adjustment Clause (ERAC). The F&PP Energy Charge, as adjusted by
ERAC, represents the variable cost to KIUC of providing system mix generation. Because a customer participant is effectively switching supply for its kWh from KIUC's system mix to a particular portfolio of renewable resources (i.e., the Eligible Renewable Energy Projects), it is appropriate for the CBRE Average Realized Purchase Rate to replace the ERAC-adjusted F&PP rate. No excess bill credits may be accrued, and thus no monthly bill credits may be carried over to any subsequent calendar month. This reduces the administrative burden of the program, and provides each customer participant with a strong incentive to subscribe to only enough power to meet its own needs.

Q: Are there any examples of how this CBRE program may impact a customer participant's monthly bills?

A: Yes. See Exhibit 2 of the subject Application.

Q: Act 100 requires that the CBRE tariff is "designed to provide fair compensation for electricity, electric grid services, and other benefits provided to or by the electric utility, participating ratepayers, and non-participating ratepayers". Act 100, Section (c)(3). Does KIUC's proposed CBRE tariff accomplish this?

A: Yes. Fair compensation is provided through multiple mechanisms contained within the CBRE tariff:

- The two-class rate system provides additional compensation for an Eligible Renewable Energy Project that can generate at least 85% of its output outside the peak irradiance period, when KIUC's power costs are higher and the CBRE output is worth the most to KIUC.

- The CBRE Subscription Rates are set for each individual Eligible Renewable Energy Project to allow for differences in technology costs.

- The CBRE Unsubscribed Rates are set such that KIUC does not pay more for any unsubscribed portion than what it could reasonably pay to self-develop similar resources.

- KIUC continues to collect fixed charges from participating customers, minimizing cross-subsidization.

When new capacity is added under the CBRE program, everyone benefits:

Developers: A developer will only participate if they anticipate benefits based on the tariff's purchase power rate structure that (1) guarantees the CBRE Subscription Rate for the 20-year term of the PPA, and (2) provides each Eligible Renewable Energy Project a guaranteed minimum rate (the CBRE Unsubscribed Rate), regardless of the amount of program capacity purchased/subscribed to by participating customers. This in effect
EXHIBIT 1
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provides developers with a back-stop payment rate if customer enrollment is low.

**Participating customers:** A participating customer can utilize this CBRE program as a hedge to oil price (ERAC) volatility. The value of the hedge varies inversely with oil prices. Under all but the lowest oil prices, a participating customer will achieve modest bill savings.

**Non-participating customers:** Non-participating customers may also see savings due to lower fuel costs caused by the addition of below-average cost resources that generate power during hours when they will displace higher-variable cost resources.

Q: Act 100 also requires that "[t]o the extent possible," the CBRE tariff "standardizes and streamlines the related interconnection processes for community-based renewable energy projects". Act 100, Section (c)(4). Does KIUC believe that the interconnection process for CBRE projects will meet this objective to "the extent possible"?

A: Yes. KIUC's Interconnection Tariff (i.e., Tariff No. 2) is sufficiently flexible to allow for the standardized and streamlined interconnection review of CBRE projects. Tariff No. 2 is structured to allow for differing levels of review triggered by the complexity and location of the Eligible Renewable Energy Project relative to KIUC's distribution and transmission circuits. Under Tariff No. 2, if a project is expected to pass the screens set forth in Section 2 of the tariff or is otherwise expected to be interconnected consistent with reliability and power quality standards, the project can proceed directly to executing an Interconnection Agreement using the form attached as Attachment 9 to Tariff No. 2. This would avoid costly and time-consuming feasibility, facilities, and system impact studies.

Q: Section (b) of Act 100 states the following:

> Any person or entity may own or operate an eligible community-based renewable energy project or projects provided that the person or entity complies with all applicable statutes, rules, tariffs, and regulations governing the ownership and interconnection of such project or projects.

How does KIUC's proposed CBRE tariff comply with the above?

A: Under KIUC's CBRE tariff, within 30 days of the tariff effective date, KIUC will give public notice of its intent to issue a CBRE project solicitation to accept offers for eligible projects to participate in the CBRE program. Any person or entity may make an offer to build an eligible project in response to this solicitation, and any such person or entity will have the right to own and operate an eligible project or projects upon selection and compliance with the provisions in the CBRE tariff.
Q: The CBRE tariff establishes a 3 megawatt (MW) maximum on the total aggregate of all Eligible Renewable Energy Projects in this program. What is the purpose of establishing this limit?

A: At the outset, the level of developer and customer participant subscription interest in this program cannot be reliably forecast. As such, it makes sense to limit the program scope so as to limit financial and operational risk to the cooperative and all of its customers. This is a common feature of programs intended to spur non-utility developed generation, whether distributed resources or larger projects.

Q: The preamble (Section 1) to Act 100 also states the following:

While residential solar energy use has grown dramatically across the State in recent years, many residents and businesses are currently unable to directly participate in renewable energy generation because of their location, building type, access to the electric utility grid, and other impediments. The community-based renewable energy program seeks to rectify this inequity by dramatically expanding the market for eligible renewable energy resources to include residential and business renters, occupants of residential and commercial buildings with shaded or improperly oriented roofs, and other groups who are unable to access the benefits of onsite clean energy generation.

How does KIUC's proposed CBRE tariff accomplish the above?

A: The CBRE tariff provides a mechanism for such customers to directly invest and participate in cost-effective renewable energy development. As discussed above, the CBRE program is designed to provide customers that are facing the impediments set forth in the Act 100 preamble a means to supply some of their requirements with renewable energy without the need to host a project on their own or rented/leased property.

Q: The preamble (Section 1) to Act 100 further states the following:

The legislature finds that it is in the public interest to promote broader participation in self-generation by Hawaii residents and businesses through the development of community-based renewable energy facilities in which participants are entitled to generate electricity and receive credit for that electricity on their utility bills.

How does KIUC's proposed CBRE tariff meet or accomplish the above?
A: The CBRE tariff puts in place a structure for the development of renewable energy facilities that are virtually-owned by KIUC customers that participate/subscribe to the CBRE program, without them having to commit substantial funds on the front-end in order to participate, commit to very long-term PPA agreements, or monitor and verify the output and performance of the renewable energy facilities. KIUC will be facilitating participation on their behalf, through PPAs with the developers. In return for their participation, customer participants will receive credits on their electric bills at the ERAC-adjusted F&PP rate, as further explained above and in the CBRE tariff.

This program is merely a refinement to what KIUC customer-members already enjoy. As discussed in the subject Application, KIUC is a cooperative, owned by its customer-members. As a result, all of KIUC's customer-members are inherently participants in all of the renewable energy projects that KIUC is involved with, either as the developer (such as the KRS One Solar Project in Anahola) or as the purchaser of power. In that sense, unlike elsewhere in Hawaii, all of KIUC's customer/members already have a stake in the transition of their own utility towards the 2045 goal of 100% renewable power supply. The CBRE tariff merely allows customer-members who are not able to directly install a DER system on their owned or leased property an opportunity to more directly invest or participate in renewable energy generation.

Q: Please explain the fossil fuel price hedge feature of the CBRE tariff program further.

A: As mentioned above, participating customers will be credited for their pro rata share of the total monthly subscribed energy production of the eligible CBRE renewable facilities at the current F&PP Charge plus ERAC. The ERAC rises and falls in response to rising or falling costs of energy production, primarily linked to the price of oil. Under this program, participating customers can in effect substitute power at fixed PPA subscription rates, replacing system mix generation tied primarily to the cost of oil. This provides an effective hedge against fossil fuel costs.

Q: The preamble (Section 1) to Act 100 also states the following:

Community-based renewable energy creates new construction jobs, stimulates the economy, reduces emissions of greenhouse gases, promotes energy independence, and assists in meeting the State's clean energy goals. Further, community-based renewable energy enables residents and businesses to save money on their electricity bills, thereby providing additional funds for purchasing, investment, or other economic activity.
How does KIUC's CBRE tariff accomplish or further each of the above objectives?

A: All renewable energy projects, whether community-based, as contemplated by Act 100, or not, create new construction jobs, stimulate the economy, reduce emissions of greenhouse gases, promote energy independence, and assist in meeting the State's clean energy goals. KIUC has recognized this contribution in its affiliate-owned renewable facilities (KRS One and KRS Two). However, the CBRE tariff will help to further accomplish these objectives, especially if it leads to the development of several additional cost-effective renewable energy projects going forward.

See Exhibit 2 of the subject Application for examples of how a participating customer may save money on its electricity bills through the CBRE program. These savings would in turn provide a participating customer with additional funds for purchases, investments, or other economic activity. In addition, as noted above, to the extent the eligible renewable resources under the CBRE program are less costly than KIUC’s overall system mix, all KIUC customers (and not just program participants) would benefit financially from the CBRE program.

Q: As also stated in the preamble to Act 100:

The purpose of this Act is to establish the Hawaii community-based renewable energy program to make the benefits of renewable energy generation more accessible to a greater number of Hawaii residents. The legislature finds that a community-based renewable energy tariff should, to the extent possible, be designed in an open and accessible process and should accommodate a variety of community-based renewable energy projects, models, and sizes.

How does KIUC's proposed CBRE tariff accomplish the above?

A: As discussed above, KIUC’s CBRE tariff, in accordance with Act 100, will make the benefits of renewable energy generation more accessible to a greater number of Hawaii residents, and in particular, those residents and businesses that are currently unable to directly participate in renewable energy generation because of their location, building type, access to the electric utility grid, or other impediment such as the customer being a renter or that the residential or commercial building has shaded or improperly oriented roofs. As proposed, the CBRE tariff is not limited to a certain type of renewable resource, and is open to accommodate a variety of community-based renewable energy projects, models, and sizes. The CBRE tariff is also being submitted for review in an open and accessible process, through the filing of an application with the Commission, in accordance with the Commission’s Order No. 33268, issued on October 21, 2015.
Q: The preamble to Act 100 also sets forth the following expectation:

The legislature also finds that, in order to facilitate the timely implementation of community-based renewable energy, the electric utilities should collaborate with the department of business, economic development, and tourism, and other stakeholders from the renewable energy industry and environment advocacy community on the development of a community-based renewable energy tariff prior to filing the tariff with the public utilities commission.

Has KIUC engaged in these collaborative efforts? Please explain.

A: With respect to the subject proposed CBRE tariff, KIUC has met with the Department of Business, Economic Development, and Tourism ("DBEDT") to discuss the tariff. KIUC has not met with other stakeholders from the renewable energy industry and environmental advocacy community ("Other Stakeholders") prior to filing the proposed tariff. As the Commission is aware, KIUC developed the proposed tariff only after the Commission’s issuance of its Order No. 33268 on October 21, 2015 requiring KIUC to submit a proposed CBRE tariff by no later than November 16, 2015. Given this relatively short time period, KIUC has focused its efforts on developing the subject CBRE tariff and has not had sufficient time to engage in these collaboration efforts. Through the filing of the subject Application, the Commission has opened a docket on KIUC’s CBRE tariff, and the docketed proceeding should provide an opportunity for KIUC to work with DBEDT and Other Stakeholders that may be interested and able to work collaboratively with KIUC consistent with the intent of Act 100.
EXHIBIT 2
CBRE PROGRAM RATE EXAMPLE CALCULATIONS

1. As an example, assume that five Eligible Renewable Energy Projects are selected to participate in the CBRE program at the size levels and CBRE Subscription Rates shown in columns (a) and (b) of the table below. Based on the class designations shown in column (c), these projects would be assigned the CBRE Unsubscribed Rates shown in column (d) (per Section C.1 of the CBRE tariff).

<table>
<thead>
<tr>
<th>Project</th>
<th>Capacity (kW)</th>
<th>CBRE Subscription Rate ($/kWh)</th>
<th>Class Designation</th>
<th>CBRE Unsubscribed Rate ($/kWh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project &quot;A&quot;</td>
<td>750</td>
<td>$0.150</td>
<td>I</td>
<td>$0.145</td>
</tr>
<tr>
<td>Project &quot;B&quot;</td>
<td>500</td>
<td>$0.160</td>
<td>I</td>
<td>$0.145</td>
</tr>
<tr>
<td>Project &quot;C&quot;</td>
<td>250</td>
<td>$0.180</td>
<td>I</td>
<td>$0.145</td>
</tr>
<tr>
<td>Project &quot;D&quot;</td>
<td>1,000</td>
<td>$0.110</td>
<td>II</td>
<td>$0.101</td>
</tr>
<tr>
<td>Project &quot;E&quot;</td>
<td>250</td>
<td>$0.150</td>
<td>II</td>
<td>$0.101</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,750</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2. Now assume in a given month that the projects deliver power at the levels shown in the "Delivered Energy" columns of the table below. Two of the three Class I projects meet the criteria of delivering at least 85% of their generation outside (i.e., between 4 p.m. and 9 a.m.) of the peak irradiance period ("PI Period"). Project "C", however, generates 19% of its delivered energy during the PI Period (i.e., between 9 a.m. and 4 p.m.). In this month, Project "C" has 1,474 kWh of Excess Class I Peak Irradiance Output (per Section B of the CBRE tariff) for which it will receive no compensation. Note that Project "D" delivered all of its generation during the PI Period; however, since it is a Class II resource (with a correspondingly lower CBRE Unsubscribed Rate), there is no Excess Class I Peak Irradiance Output.

<table>
<thead>
<tr>
<th>Project</th>
<th>Delivered Energy</th>
<th>CBRE Program Energy</th>
<th>Excess Class I Peak Irradiance Output</th>
<th>Total Paid at Purchase Power Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total kWh</td>
<td>%</td>
<td>Total kWh</td>
<td>%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Outside PI Period (4am-9am)</td>
<td>%</td>
</tr>
<tr>
<td>Class I Project &quot;A&quot;</td>
<td>94,860</td>
<td>86%</td>
<td>13,618</td>
<td>14%</td>
</tr>
<tr>
<td>Class I Project &quot;B&quot;</td>
<td>59,920</td>
<td>85%</td>
<td>8,999</td>
<td>11%</td>
</tr>
<tr>
<td>Class I Project &quot;C&quot;</td>
<td>33,480</td>
<td>81%</td>
<td>6,275</td>
<td>19%</td>
</tr>
<tr>
<td>Class I Project &quot;D&quot;</td>
<td>155,920</td>
<td>0%</td>
<td>155,920</td>
<td>100%</td>
</tr>
<tr>
<td>Class II Project &quot;E&quot;</td>
<td>28,458</td>
<td>19%</td>
<td>23,181</td>
<td>81%</td>
</tr>
<tr>
<td>CBRE Program Total</td>
<td>330,230</td>
<td>67%</td>
<td>103,933</td>
<td>83%</td>
</tr>
</tbody>
</table>
3. Continuing with the example above, assume that customers enroll for only 2,062.5 kW of program capacity, or 75% of the total 2,750 kW of Eligible Renewable Energy Project capacity in the CBRE program. In that situation, the enrollment-based weighting factor (defined as “w” in Section C.3 of the CBRE tariff) for determining the purchase power rate for each project is 0.75, as shown in column (b) in the table below. Based on the CBRE Subscription Rates and CBRE Unsubscribed Rates shown in columns (c) and (d) of the table below, each Eligible Renewable Energy Project would receive payment for delivered energy at the purchase power rate shown in column (e) below (using the purchase power rate formula in Section C.3 of the CBRE tariff). The CBRE Average Realized Purchase Rate in this example (using the formula in Section D.5 of the CBRE tariff) is $0.139/kWh (see last row of column (c) below), which is the charge to be paid by enrolled customers for each kWh of the customer's energy share (see Section D.5 of the CBRE tariff for the formula to determine a customer's energy share for a given month). The overall average payment to Eligible Renewable Energy Projects is $0.135/kWh (see last row of column (e) below).

<table>
<thead>
<tr>
<th>Class</th>
<th>Project</th>
<th>kW</th>
<th>Weight Factor</th>
<th>Subscription Rate</th>
<th>Unsubscribed Rate</th>
<th>Purchase Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class I Project “A”</td>
<td>94,860</td>
<td>0.75</td>
<td>$0.150</td>
<td>$0.145</td>
<td>$0.149</td>
<td></td>
</tr>
<tr>
<td>Class I Project “B”</td>
<td>79,520</td>
<td></td>
<td>$0.160</td>
<td>$0.145</td>
<td>$0.158</td>
<td></td>
</tr>
<tr>
<td>Class I Project “C”</td>
<td>32,006</td>
<td></td>
<td>$0.180</td>
<td>$0.145</td>
<td>$0.171</td>
<td></td>
</tr>
<tr>
<td>Class I Project “D”</td>
<td>133,920</td>
<td></td>
<td>$0.110</td>
<td>$0.101</td>
<td>$0.103</td>
<td></td>
</tr>
<tr>
<td>Class I Project “E”</td>
<td>28,458</td>
<td></td>
<td>$0.150</td>
<td>$0.101</td>
<td>$0.138</td>
<td></td>
</tr>
<tr>
<td>CBRE Program Total</td>
<td>348,764</td>
<td></td>
<td>$0.139</td>
<td>$0.125</td>
<td>$0.135</td>
<td></td>
</tr>
</tbody>
</table>
4. Now, assume "Customer A" is a residential customer enrolled in the CBRE program for a purchase/subscription of 1 kW. In this scenario, Customer A's pro rata share of the program is 1 kW divided by the 2,750 kW of Eligible Renewable Energy Project capacity shown above, or 0.03636%. Customer A's energy share in the month of our example (using the formula in Section D.5 of the CBRE tariff) is thus 0.03636% * 348,764 kWh, or 126.8 kWh. The aggregate of all enrolled customers' energy shares is 0.75 * 348,764 kWh, or 261,573 kWh. Assume that the ERAC amount in the example month is $0.01/kWh, and that Customer A's usage in the example month is 850 kWh. The Monthly Billing Credit that Customer A will receive (using the formula in Section D.5 of the CBRE tariff) is $25.54 (i.e., the lower of 126.8 kWh and 850 kWh above, multiplied by the sum of the $0.01/kWh ERAC amount and the $0.19143/kWh Fuel & Purchase Power Energy Charge amount included in KIUC's base rates). The Monthly Capacity Purchase Charge (using the formula in Section D.5 of the CBRE tariff) is $17.63 (i.e., 126.8 kWh times the CBRE Average Realized Purchase Rate of $0.139/kWh). The bill impacts for Customer A, using the above assumptions, are shown in the table below.

<table>
<thead>
<tr>
<th>kWh</th>
<th>Rate ($/kWh)</th>
<th>Amount ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly Capacity Purchase Charge</td>
<td>126.8</td>
<td>$0.139</td>
</tr>
<tr>
<td>Monthly Billing Credit</td>
<td>(126.8)</td>
<td>$0.20143</td>
</tr>
<tr>
<td>Net Credit</td>
<td>850</td>
<td>$0.30639</td>
</tr>
<tr>
<td>Retail rate schedule total energy charge</td>
<td></td>
<td>$0.29708</td>
</tr>
<tr>
<td>Net billed energy charge</td>
<td></td>
<td>$0.00931</td>
</tr>
</tbody>
</table>
EXHIBIT 3
VERIFICATION

STATE OF HAWAII  )
CITY AND COUNTY OF HONOLULU )  SS:

LAUREN M. IMADA, being first duly sworn, deposes and says: That such person
is an attorney for KIUC in the above proceeding; that the officers of KIUC are not present
within the City and County of Honolulu; that such person has read the foregoing
Application, and knows the contents thereof; and that the same are true of such person’s
own knowledge except as to those matters stated on information and belief, and that as
to those matters such person believes them to be true.

[Signature]

LAUREN M. IMADA

This 1 page Verification to the Application
dated November 16, 2015, was subscribed and
sworn to before me on November 16, 2015,
in the First Circuit, State of Hawaii by
Lauren M. Imada.

[Signature]

Print Name: Grace A. Hirayama
Notary Public, State of Hawaii
My commission expires: 02/10/17
CERTIFICATE OF SERVICE

I (we) hereby certify that copies of the foregoing document were duly served on the following party, by having said copies delivered as set forth below:

DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
DIVISION OF CONSUMER ADVOCACY
335 Merchant Street
Room 326
Honolulu, Hawaii 96813


KENT D. MORIHARA
KRIS N. NAKAGAWA
LAUREN M. IMADA
YVONNE Y. IZU

Morihara Lau & Fong LLP
Attorneys for Kauai Island Utility Cooperative