



August 20, 2012

Sharon M. Suzuki
President

Mr. Daniel E. Orodener
Executive Officer
Land Use Commission
State of Hawaii
P.O. Box 2359
Honolulu, Hawaii 96804-2359

LAND USE COMMISSION
STATE OF HAWAII
2012 AUG 21 A 7:07

Dear Mr. Orodener:

Re: Petition for Land Use Commission District Boundary Amendment for Property situated at Wailuku and Makawao Districts, Maui, Hawaii; Maui Electric Company, Limited; LUC Docket No. A97-722; TMK 3-8-03:23 and 24

Enclosed is the Fourteenth Annual Report of Maui Electric Company, Limited (original and one copy).

We would appreciate receiving a file stamped copy of the above for our files. Enclosed is a stamped, self-addressed envelope for this purpose.

Thank you for your consideration and assistance in this matter.

Sincerely yours,

Enclosures

cc: Jesse Souki - Office of State Planning (Director)
Mary Lou Kobayashi – Office of State Planning (Planning Program Administrator)
William Spence - County of Maui Planning Department (Director)
Daniel E. Orodener - Land Use Commission (Executive Officer), pdf version

FOURTEENTH ANNUAL REPORT OF MAUI ELECTRIC COMPANY, LIMITED

and

CERTIFICATE OF SERVICE

BEFORE THE LAND USE COMMISSION

OF THE STATE OF HAWAII

In the Matter of the Petition of)	
)	Docket No. A97-722
MAUI ELECTRIC COMPANY, LIMITED, a)	
Hawaii corporation)	
)	
)	
To Amend the Agricultural Land Use)	
District Boundary into the Urban)	
Land Use District for Approximately)	
65.7 acres of Land at Wailuku and)	
Makawao Districts, Island of Maui,)	
State of Hawaii, Tax Map Key No.)	
3-8-03:23 and 24)	
_____)	

FOURTEENTH ANNUAL REPORT OF MAUI ELECTRIC COMPANY

TO THE HONORABLE LAND USE COMMISSION OF THE STATE OF HAWAII:

COMES NOW MAUI ELECTRIC COMPANY, LIMITED, a Hawaii corporation, Petitioner herein, and pursuant to Condition No. 14 of the Findings of Fact, Conclusion of Law, and Decision and Order issued on June 22, 1998, hereby submits to the State Land Use Commission (“Commission”) its fourteenth annual report of compliance with the conditions established by said approval as follows:

General Progress of the Project from June 2011 to May 2012:

On January 31, 2011, MECO submitted a letter request to the Hawaii Public Utilities Commission (“Commission”) to open a new docket for the purposes of receiving filings, reviewing approval requests, and resolving disputes, related to MECO’s plan to proceed with a competitive bidding process to obtain up to 50 megawatts of renewable firm capacity generation resources on the island of Maui. On February 24, 2011, the Commission opened Docket No. 2011-0038, pursuant to its Framework for Competitive Bidding, to proceed with the competitive bidding process.

To date, MECO has been able to defer the addition of firm generation on Maui and subsequently has leased the Waena property back to Hawaiian Commercial & Sugar Company (“HC&S”) on an interim basis, at no rent, for sugarcane cultivation. The MECO Adequacy of Supply report filed with the Commission in March 2012 indicates the need for additional firm generation capacity in 2015. However, with an expectation of a slight decline in 2013 energy sales from 2012 levels and then relatively flat sales until 2022, the need for additional firm capacity on Maui is being reassessed in terms of both the amount of capacity needed and the timing of the need.

MECO has begun developing documents for the competitive bidding process. The competitive bid request for proposals (“RFP”) is expected to be released in late 2012 unless the final analysis of the 2012 sales and peak forecast, generation environmental issues, and HC&S’s Purchase Power Agreement (“PPA”) status, results in an extended need date.

Pursuant to the Commission’s Decision and Order No. 23121 in Docket No. 03-0372 (“Competitive Bidding Docket”), MECO plans to develop a proposal for a self-build option

("SBO") in response to the above described RFP. The Waena property is the planned site for the SBO. In addition, MECO plans to offer the Waena site to third parties as a potential location for their generation project(s).

General Progress of Renewable or Research & Development Projects:

1. Kaheawa Wind Power ("KWP"):

- a. The 30 MW wind farm ("KWP-I") is on-line and has been supplying electric power to MECO since 2006.
- b. The Commission approved a purchase power contract for a 21 MW expansion at the site. MECO is working with the developer to interconnect the facility ("KWP-II") to the Maui grid. The project is expected to be commercial in July 2012.

2. Makila Hydro:

- a. The 500 KW Makila Hydro plant came on line in September 2006, but has operated intermittently due to equipment problems. The facility was off-line in April 2012 and part of May 2012 due to equipment failure.

3. Auwahi:

- a. The Commission approved a purchase power contract for a 21 MW wind facility on Ulupalakua Ranch. MECO is working with the developer to interconnect the facility to the Maui grid. A commercial operations date of December 2012 has been targeted by the developer.

4. Biomass and Biofuels:

- a. MECO completed a long-term biodiesel demonstration at its Ma'alea Generation Station ("MGS") in August 2011. Diesel engine generating unit M12 demonstrated successful utility-scale long-term operation using 100% biodiesel. A project report was submitted to the Commission in January 2012.
- b. MECO executed a non-disclosure agreement with Cellana in June 2011 to explore involvement in the development of a commercial scale micro-algae facility at MGS that would produce a plant oil for conversion to biodiesel and other products. MECO proposed a preliminary design to carry stack gases to the property boundary. In March of 2012 Cellana decided to cease development on the project due to technical and financial reasons.

5. Hydroelectric/Pumped Storage Hydroelectric ("PSH"):

- a. In June 2012 the decision was made to cease work on the feasibility assessment of a utility-scale pumped storage hydroelectric system on the island of Maui. Three separate economic analyses were performed and all three concluded that pumped

storage hydro is not cost-effective at the present time. MECO remains open to the development of financially feasible PSH.

6. Grid Integration:

- a. Based on a proposal submitted to the USDOE in August 2007, the USDOE awarded \$7 million to a team led by HNEI to develop and install a distribution-level automation solution that deploys and aggregates distributed generation (“DG”) (including renewable energy), energy storage, and demand response technologies within a distribution system to achieve both distribution and transmission level benefits. Additional funding will be contributed by the various team partners including HECO, MECO, General Electric, and Sentech. The three-year project will be deployed in the Maui Meadows area and the Wailea Substation on Maui over the 2010-2013 timeframe. Equipment deployment was started in March 2012 and the smart meter installation is currently ongoing. The distribution management system (“DMS”) go-live is scheduled for October 2012. The demonstration period is scheduled for March-December 2013.
- b. MECO has been awarded \$1.2 million in federal stimulus funds from the Hawai‘i Department of Business, Economic Development and Tourism (DBEDT) for an energy storage demonstration project in Maui County to increase the grids' ability to integrate more renewable energy. Design work for the battery system is currently underway. The project was originally targeted for installation in spring of 2012, but has been delayed due to difficulties in manufacturing of the battery. The project is anticipated to be complete in late 2013.

7. Photovoltaic:

- a. As part of the Sun Power for Schools program, MECO, along with HECO and HELCO, continue to install photovoltaic systems on public schools under their partnership with the State of Hawaii Department of Education.
- b. Net Energy Metering and Feed-in Tariff programs have enabled significant quantities of photovoltaic energy to be integrated into the grid.

8. Ocean energy:

- a. In February 2008, Oceanlinx Limited, an Australian-based high-tech company, announced plans to provide electricity to MECO. The project would be located offshore of Pauwela Point on the north coast of central Maui. Although Oceanlinx continues to express interest, there is no formal agreement and progress appears very limited at this time.

9. Landfill Gas:

- a. The County of Maui issued a Request for Proposal (RFP) for the potential implementation of a Landfill Gas energy recovery facility. It is MECO’s understanding that negotiations are ongoing.

Report on Compliance with Conditions Imposed by Commission

The following states whether the conditions in the Land Use Commission approval have been met:

1. Petitioner shall participate in an air quality monitoring program, coordinated with and approved by DOH to monitor air quality impacts attributable to the operations of the Waena Generating Station. Mitigation measures for air quality impacts attributable to the operations of the Waena Generating Station shall be implemented by Petitioner if, based on applicable State and Federal air quality standards, the results of the monitoring program warrant them. Mitigation measures shall be developed in coordination with DOH and implemented by Petitioner.

Petitioner understands its obligation to comply with this condition.

2. Petitioner shall consult with DOH and, if necessary, Petitioner shall participate in a groundwater quality monitoring program in consultation with the county Department of Water and approved by DOH to monitor groundwater quality impacts directly attributable to the operations of the Waena Generating Station. Petitioner shall implement mitigation measures should the results of the monitoring program warrant them based on applicable State and Federal water quality standards. Mitigation measures shall be developed in coordination with DOH and implemented by Petitioner.

Petitioner understands its obligation to comply with this condition.

3. Petitioner shall provide at its own expense, adequate non-potable water source, storage, and transmission facilities and improvements to accommodate the proposed project. The non-potable water improvements shall meet all applicable County, State, and

Federal standards and shall be consistent with the County of Maui adopted water use and development plan.

Petitioner understands its obligation to comply with this condition.

4. Petitioner shall consult with DOH and, if necessary, prepare a wastewater disposal plan subject to review and approval by DOH. Petitioner shall provide at its own expense adequate wastewater treatment, transmission and disposal facilities for wastewater directly attributable to the operations of the Waena Generating Station.

Petitioner understands its obligation to comply with this condition.

5. Petitioner shall establish appropriate systems to contain spills and prevent materials associated with heavy industrial uses attributable to the operations of the Waena Generating Station, such as petroleum products, chemicals or other pollutants, for leaching or draining into above ground or subsurface storm drainage collection areas. Based on applicable State and Federal standards, Petitioner shall use best management practices to minimize non-point source pollution into irrigation ditches. Petitioner shall consult with DOH and County Department of Public Works and Waste Management and obtain any permits required or construct improvements required for storm water discharge on the Property.

Petitioner understands its obligation to comply with this condition.

6. Petitioner shall consult with DOH regarding hazardous waste storage and, if necessary, prepare a hazardous waste storage plan.

Petitioner understands its obligation to comply with this condition.

7. Petitioner shall participate in the funding and construction of local and

regional transportation improvements and programs attributable to the operations of the Waena Generating Station as determined by the State Department of Transportation (DOT) and the County of Maui.

Petitioner understands its obligation to comply with this condition.

8. Petitioner shall coordinate with the surrounding property owner to ensure that the proposed project will not adversely impact the use of cane haul roads and irrigation ditches or adversely impact the continued agricultural operation of adjoining sugar cane cultivation areas.

Petitioner understands its obligation to comply with this condition.

9. Petitioner shall participate in the pro rata funding and construction of adequate civil defense measures as determined by the State of Hawaii and County of Maui civil defense agencies.

Petitioner understands its obligation to comply with this condition.

10. Petitioner shall implement effective soil erosion and dust control measures during and after construction in compliance with the applicable rules and regulations of DOH and the County of Maui.

Petitioner understands its obligation to comply with this condition.

11. Should any human burials or any historic artifacts, such as charcoal deposits, stone platforms, pavings or walls be found, Petitioner shall stop work in the immediate vicinity and contact the State Historic Preservation Division (SHPD). The significance of these finds shall then be determined and approved by the SHPD and, if applicable, an acceptable mitigation plan shall be approved by the SHPD. The SHPD must verify that the fieldwork portion of the mitigation plan has been successfully executed prior to work proceeding in the

immediate vicinity of the find. Burials must be treated under specific provisions of Chapter 6E, HRS.

Petitioner understands its obligation to comply with this condition.

12. Petitioner shall develop the Property in substantial compliance with the representations made to the Commission. Failure to so develop the Property may result in reversion of the Property to its former classification, or change to a more appropriate classification.

Petitioner understands its obligations to comply with this condition.

13. Petitioner shall give notice to the Commission of any intent to sell, lease, assign, place in trust, or otherwise voluntarily alter the ownership interests in the Property, prior to development of the Property.

Petitioner understands its obligation to comply with this condition.

14. Petitioner shall timely provide without any prior notice, annual reports to the Commission, the Office of Planning, and the County of Maui Planning Department in connection with the status of the subject project and Petitioner's progress in complying with the conditions imposed herein. The annual report shall be submitted in a form prescribed by the Executive Officer of the Commission.

Petitioner understands its obligation to comply with this condition.

Petitioner has filed Annual Reports with the Commission since 1999 and submits this Fourteenth Annual Report in compliance therewith.

15. The Commission may fully or partially release the conditions provided herein as to all or any portion of the Property upon timely motion and upon the provision of adequate assurance of satisfaction of these conditions by Petitioner.

Petitioner understands the Commission's authority in this condition.

16. Within 7 days of the issuance of the Commission's Decision and Order for the subject reclassification, Petitioner shall (a) record with the Bureau of Conveyances a statement that the Property is subject to conditions imposed herein by the Commission in the reclassification of the Property, and (b) shall file a copy of such recorded statement with the Commission.

(a) Petitioner has recorded a Notice of Imposition of Conditions by the Land Use Commission pursuant to Commission Rule Section 15-15-92. The notice was dated June 25, 1998, and recorded in the Bureau of Conveyances of the State of Hawaii as Document No. 98-094602.

(b) A copy of the notice was transmitted to the Commission on July 1, 1998.

17. Petitioner shall record the conditions imposed herein by the Commission with the Bureau of Conveyances pursuant to Section 15-15-92 Hawaii Administrative Rules.

Petitioner has recorded a Document Listing Conditions to Reclassification of Land pursuant to Section 15-15-92 of the State of Hawaii Land Use Commission Rules. The document was dated July 23, 1998 and recorded in said Bureau of Conveyances as Document No. 98-112111. A copy of the document was transmitted to the Commission on August 4, 1998.

Conclusion

Efforts to comply with the remaining conditions shall begin when required as part of a permit requirement for construction.

Dated: Kahului, Hawaii, August 20, 2012.

MAUI ELECTRIC COMPANY, LIMITED
Petitioner

By: Sharon M. Suzuki
Sharon M. Suzuki
Its' President

CERTIFICATION OF SERVICE

I hereby certify that due service of a copy of the within document will be made by depositing the same with the U.S. mail, postage prepaid, within (5) days of the date on this report, addressed to:

JESSE SOUKI
Director
Office of State Planning
State of Hawaii
P.O. Box 2359
Honolulu, Hawaii 96804

BY MAIL

MARY LOU KOBAYASHI
Planning Program Administrator
Planning Division
Office of State Planning
State of Hawaii
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BY MAIL

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250 South High Street
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BY MAIL

Dated: Kahului, Hawaii, August 20, 2012.



Sharon M. Suzuki
President
MAUI ELECTRIC COMPANY, LIMITED