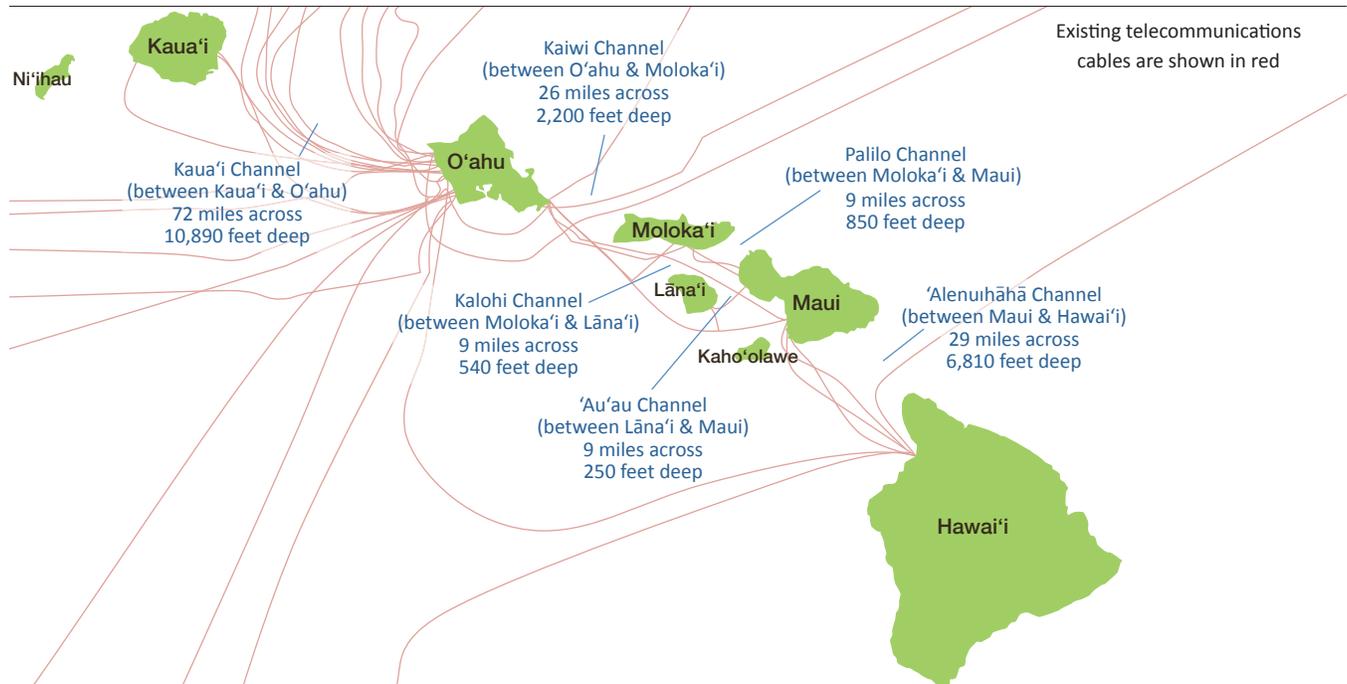


HAWAII'S ENERGY FUTURE DEPENDS ON AN INTER-ISLAND UNDERSEA CABLE SYSTEM

Twenty-five percent of Hawaii's net electricity sales must come from renewable sources by 2020. If we are to achieve this goal we must establish a regulatory structure under which inter-island undersea transmission cables can be developed, financed and constructed on commercially reasonable terms, as has been done safely and successfully around the world; the deepest power cable built to date is at 5,380 feet. Interconnecting the islands has been identified as an effective and efficient means to introduce utility scale renewable energy into a stable grid environment, and will be an important step in securing more uniform and predictable electricity rates throughout the state. At today's oil prices, an inter-island transmission cable would be cost-effective now, based on reasonable cost assumptions.

Hawaii's High-Tech Cable Network



Source: Bureau of Ocean & Energy Management & National Oceanic & Atmospheric Administration

Renewable energy options serviced by a cable network to meet Hawaii's electricity needs include:

- Geothermal
- Solar
- Bioenergy
- Hydropower
- Wind
- Ocean Resources

STEPS TO ACHIEVING SUCCESS

- 1. Pass Legislation.** Proposed legislation (HB2523, SB2785) will establish the regulatory structure under which inter-island undersea transmission cables can be developed, financed, and constructed on commercially reasonable terms. The measure offers regulatory certainty and predictability by defining the roles of the project developer, the Hawaiian Electric Companies, DBEDT and the Public Utilities Commission (PUC), which may help to lower financing costs for construction of the cable. This legislation assigns to developers the risk for building the cable, mandating that they cannot recover costs until the cable is deemed "used or useful" by the PUC.
- 2. Attract Developers and Investors.** We anticipate a positive response by developers and investors to the Hawaiian Electric Company's upcoming RFP for 200 MW (600-800 GWh) of energy generation, which may include one or more inter-island cables and any of the renewable resources listed above.
- 3. Ensure Harmony with the Environment.** Environmental review will be completed for any cable system in accordance with state and federal laws.