



March 24, 2011

Aloha!

As a current or pending Net Energy Metering (NEM) customer, you have a one-time opportunity to elect to sell electricity to Hawaiian Electric under the new Feed-in Tariff (FIT).

Both programs provide a valuable benefit with your renewable energy system. The main difference is that under the FIT, excess power that you generate each month is purchased by the utility at published FIT rates. Under NEM excess power exported to the grid is credited at full retail value on your bill, up to the total electricity you take from the grid. Customers participating in either the FIT or NEM will continue to be charged retail rates for electricity provided by Hawaiian Electric.

To assist in determining which program may be most beneficial for you, we have enclosed a summary of key differences. It can also be found in the "FAQ" link located at the bottom of the page at [www.heco.com/FIT](http://www.heco.com/FIT).

If you are a current NEM customer or are in the process of finalizing a NEM agreement, you have until May 31, 2011 to declare your desire to transition to the FIT. If you submit your declaration by the May 31 deadline, capacity equal to your existing or pending NEM project will be reserved in the FIT program. If you do not submit a completed declaration by May 31, you will remain a NEM customer. Current NEM customers will have until their NEM anniversary date to execute a FIT agreement and complete the transition to the FIT program.

If you elect to transition to the FIT, the application process approved by the Public Utilities Commission requires a one-time non-refundable application fee of \$ 200 for Tier 1 (up to 20 KW) and \$10/kW not to exceed \$1,000 for Tier 2 (greater than 20 KW and up to 500 KW): There is also a \$25/month service fee to help cover the cost of metering, billing, and administration of the Seller's purchased power under the Schedule FIT Agreement. You should consider these fees when deciding which program best suits your circumstances.

After May 31, all customers with new projects eligible for either NEM or FIT must choose their preferred program prior to applying to the utility. Participation in the FIT will be offered to eligible projects based on available program capacity.

Additional information on the FIT can be found at: [www.heco.com/FIT](http://www.heco.com/FIT). You may send questions to [FIT@heco.com](mailto:FIT@heco.com) or call (808) 543-4044. To ensure we meet your needs, please contact us if you submit a declaration form but do not receive a follow-up phone call from a Hawaiian Electric representative by June 30, 2011.

Whichever option you choose, we thank you for helping to meet Hawaii's clean energy goals.

Sincerely,



**NEM to FIT Declaration Form**

Name \_\_\_\_\_ Hawaiian Electric Account No. \_\_\_\_\_

Address \_\_\_\_\_ City/State/Zip Code \_\_\_\_\_

Phone Number \_\_\_\_\_ Cell Number \_\_\_\_\_

Please check one of the following choices:

- I am an **existing** NEM customer and will **convert to the FIT program**. I understand that I have until my NEM program anniversary date to execute a FIT Agreement and complete the transition to the FIT program. At the time of execution, I will also submit the application fee for the applicable Tier. (Tier 1: \$200, Tier 2: \$10/kW not to exceed \$1,000)
- I am a **pending** NEM customer (I have not yet executed a NEM agreement), and will **convert to the FIT program**. At the time of execution of a FIT Agreement, I will also submit the application fee for the applicable Tier. (Tier 1: \$200, Tier 2: \$10/kW not to exceed \$1,000)

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Signature Date

Please complete and send this form to:

Hawaiian Electric Company  
Energy Procurement CP21-XB  
PO Box 2750  
Honolulu, HI 96840

If we do not receive a completed declaration form by May 31, 2011, you will remain with the NEM program. We will follow up with all customers who submit a form to convert to the FIT program. Please contact us at (808) 543-4044 or [FIT@heco.com](mailto:FIT@heco.com) by June 30, 2011 if you submitted a declaration form and have not heard from a Hawaiian Electric representative.



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## Net Energy Metering (NEM) or Feed-In-Tariff (FIT)?

A common question received by the utility from prospective purchasers or developers of smaller PV systems (less than 100 kW in size) is whether it would be better for a project to utilize the NEM or FIT program. This is a difficult question because the answer depends, among other things, upon the unique needs, circumstances, project design and technology, and location of a particular project. Accordingly, the decision to proceed under either program rests with the project owner or developer and should be made only after a thorough evaluation of these types of factors.

While it is difficult to define a "typical" utility customer in Hawaii, it is possible to provide an **illustrative example**. Again, because the circumstances used in the example may not apply to your particular project, an evaluation of the project you are considering should be completed before deciding on which program to pursue.

In the **illustrative example**, a home owner on Oahu uses 600 kWh of energy per month and installs a 3 kW PV system. Assuming 30% of the energy used by the home owner is supplied directly by the PV system during the daytime (180 kWh per month), a home owner on Oahu could save about \$45 per month on electricity payments under either program. Please note that customer electricity use profiles can be very different and can vary substantially from what is assumed in this **illustrative example**. In addition, the projected monthly savings are based on annual system averages and will vary by regional sunshine availability as well as seasonal sunlight variations.

Under the example, about 192 kWh per month of the PV energy would be exported to the electric grid. Under NEM, this energy would have a value of about \$48 per month. Under FIT, this energy would have a value of about \$42 per month.

	Monthly Savings under NEM (Oahu)	Monthly Savings under FIT (Oahu)
PV Energy used by home	\$45	\$45
PV Energy exported to HECO	\$48	\$42
Meter Charge	n/a	(\$25)
<b>Totals</b>	<b>\$93</b>	<b>\$62</b>
<b>Annual Savings</b>	<b>\$1,116</b>	<b>\$744</b>

For this example, a roof-mounted 3 kW PV system is estimated to cost about \$21,000 (the actual cost of the PV system could be higher or lower than this amount, and thus will affect the calculations). Assuming the home owner is able to utilize a single State tax credit of \$5,000 and a Federal tax credit of \$6,300, the **net cost** of the PV system to the home owner could be \$9,700.

Customers who wish to generate renewable power can choose between two programs.

**Net Energy Metering (NEM)** allows customers to connect their renewable generator (PV system) to the utility grid, allowing it to export surplus electricity into the grid, and to receive credits at full retail value which can be used to offset electricity purchases over a 12-month period.

**Feed-in Tariff (FIT)** allows customers to sell renewable power to the Company. Pre-established FIT energy payment rates and standardized FIT contract terms simplify the process for selling power.

NEM and FIT are separate programs. The terms are different for each program. The table below summarizes the main differences between NEM and FIT.

	NEM	FIT
Am I paid for the excess energy my system produces?	You will not be paid for excess energy produced. You will accumulate credits for the excess energy to offset energy you use when your system is not producing energy (for example at night). At the end of 12-months unused credits are forfeited.	You will receive monthly payments for any energy fed into the grid. The payment rate for Tier 1 (up to 20kW) PV systems is 21.8¢ per kWh. For energy you use from our grid you will be billed at the regular retail rate (about 25¢ per kWh for a residential customer on Oahu).
Is there a monthly fee?	There is no service fee for participating in the NEM program however you will need to pay other fees.	FIT customers will be charged \$25 per month. The fee is charged regardless of how much energy you sell to us.
Are the payments taxable?	NEM credits are not taxed.	FIT payments are considered income. The Company must report the payments annually to the IRS. You will receive a 1099 form for the FIT payments after the end of the year. Please consult with your tax professional if you have questions.
Do I need insurance for my system?	Insurance is not required for a system that is 10kw or less	For a system up to 20kW you must have a general liability policy covering bodily injury and property damage combines single limit of at least \$500,000. The Company must be named as an additional insured on the policy.