

LANAI DIVISION  
ENERGY COST ADJUSTMENT CLAUSE

Applicable To

Schedule "R"	- Residential Service
Schedule "G"	- General Service Non-Demand
Schedule "J"	- General Service - Demand
Schedule "H"	- Commercial Cooking, Heating, Air Conditioning and Refrigeration Service
Schedule "P"	- Large Power Service
Schedule "F"	- Public Street Lighting
Schedule "U"	- Time-of-Use Service
Schedule "TOU EV"	- Residential Time-of-Use Service with Electric Vehicle Pilot
Schedule "EV-R"	- Residential Electric Vehicle Charging Service Pilot
Schedule "EV-C"	- Commercial Electric Vehicle Charging Service Pilot
Schedule "TOU-R"	- Residential Time-of-Use Service
Schedule "TOU-G"	- Small Commercial Time-of-Use Service
Schedule "TOU-J"	- Medium Commercial Time-of-Use Service
Schedule "TOU-P"	- Large Power Time-of-Use Service
Schedule "SS"	- Standby Service

All terms and provisions of the above listed schedules are applicable, except that the Energy Cost Adjustment Clause described below will be added to the customer bills.

All base rate schedule discounts, surcharges, and all other adjustments will not apply to the energy cost adjustment.

Energy Cost Adjustment Clause:

This Energy Cost Adjustment Clause shall include the following:

FUEL AND PURCHASED ENERGY - The above rates are based on a Company-owned Central Station and Other Generation Cost (exclusive of Company-owned distributed generation (DG)) of 1,960.44 cents per million BTU for fuel delivered in its service tanks, a purchased energy composite cost of 0.000 cents per kilowatthour, and a company-owned DG energy composite cost of 0.000 cents per kilowatthour for fuel delivered to the fuel tank at the site used for company-owned DG. Company-generated energy from non-fuel sources shall be considered as zero fuel cost in the determination of the composite fuel cost.

When the Company-generated Composite Cost of Generation is more or less than 1,960.44 cents per million BTU, and/or the Purchased Energy Cost is more or less than 0.000 cents per kilowatthour, and/or the company-owned DG Energy Composite Cost is more or less than 0.000 cents per kilowatthour, a corresponding adjustment (Energy Cost Adjustment Factor) to the energy charges shall be made.

MAUI ELECTRIC COMPANY, LIMITED

Docket No. 2006-0387; *Order Approving Maui Electric Company, Limited's Revised Tariff Sheets and Rate Schedules, Filed on November 3, 2010, Filed December 2, 2010*  
Transmittal Letter dated January 12, 2011.

LANAI DIVISION

Energy Cost Adjustment Clause (Continued)

This adjustment shall be comprised of a Company Composite Central Station With Other Generation Component, a Purchased Energy Component, and a DG Energy Generation Component.

The Company Composite Central Station With Other Generation Component shall be the difference between the current Weighted Composite Central Station + Other Generation Cost and the Weighted Base Central Station + Other Generation Cost, adjusted for additional revenue taxes. The current Weighted Composite Central Station + Other Generation Cost shall be determined by the current Composite Cost of Generation in cents per million BTU weighted by the proportion of current of current company-owned central station + Other generation to total system net energy, multiplied by the 2007 test-year efficiency factors of 0.000000 million BTU per kilowatthour for industrial fuel, 0.010577 million BTU per kilowatthour for diesel fuel, and 0.010577 million BTU per kilowatthour for other company generation sources, weighted by the current proportion of generation produced by each generation source to the total company-owned generation.

The Weighted Base Central Station + Other Generation Cost is the Base Central Station + Other Generation cost of 1,960.44 cents per million BTU weighted by the 2007 Test Year proportion of company-owned central station + Other generation to total system net energy, multiplied by the 2007 Test Year efficiency factor of 0.010577 million BTU per kilowatthour.

The Purchased Energy Component shall be the difference between (1) the current Composite Cost of Purchased Energy weighted by the proportion of current purchased energy to total system net energy, and (2) the Base Purchased Energy Cost of 0.000 cents per kilowatthour weighted by the 2007 Test Year proportion of the purchased energy to total system net energy, adjusted to the sales delivery level and for additional revenue taxes.

The Distributed Generation Energy Component shall be the difference between (1) the current Composite Cost of DG Energy weighted by the proportion of current DG energy to total system net energy, and (2) the Base DG Energy Composite Cost of 0.000 cents per kilowatthour weighted by the proportion of the 2007 Test Year DG energy to total system net energy, adjusted to the sales delivery level and for additional revenue taxes.

The Energy Cost Adjustment Factor shall be the sum of the Central Station With Other Generation Component, the Purchased Energy Component and the DG Energy Generation Component.

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Energy Cost Adjustment Clause (Continued)

The revenue tax requirement shall be calculated using current rates of the Franchise Tax, Public Service Company Tax, and Public Utility Commission Fee.

The Adjustment shall be effective on the date of cost change. When a cost change occurs during a Customer's billing period, the Adjustment will be prorated for the number of days each cost was in effect.

This Energy Cost Adjustment Clause is consistent with the term of the Company's operations and purchased energy contracts, and DG contracts, and may be revised to reflect any revisions or changes in operations, purchased energy contracts, and is subject to approval by the Commission.

Reconciliation Adjustment:

In order to reconcile any differences that may occur between recorded and forecasted Energy Cost Adjustment Clause revenues, the year-to-date recorded revenue from the Energy Cost Adjustment Clause will be compared with the year-to-date revenue expected from the Energy Cost Adjustment Clause on a quarterly basis. If there is a variance between the recorded Energy Cost Adjustment Clause revenue and the expected Energy Cost Adjustment Clause revenue, an adjustment, lagged by two months, shall be made to the Energy Cost Adjustment Factor to reconcile the revenue variance over the sales estimated for the subsequent quarter.

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