

PERFORMANCE INCENTIVE MECHANISM PROVISION  
Maui, Lanai, and Molokai Divisions

Introduction

This Performance Incentive Mechanism ("PIM") Provision provides for the determination of a PIM Financial Incentive for each approved PIM for each Evaluation Period, as specified below.

The sum of the PIM Financial Incentives determined for all PIMs for the Evaluation Period will be the Performance Incentive Adjustment, which will be applied as an adjustment to the effective Target Revenue and will be recovered from or credited to customers through the RBA Rate Adjustment, as defined by and in accordance with the terms of the Revenue Balancing Account ("RBA") Provision.

PIM Provision Transmittals

On or before February 28 of the year following an Evaluation Period, the Company shall file schedules and other supporting workpapers documenting all known pertinent information supporting attained PIM Financial Incentives.

On or before March 31 of the year following an Evaluation Period, the Company shall file a transmittal documenting the Measured Performance and calculation of the PIM Financial Incentives and Performance Incentive Adjustment for the Evaluation Period ("Performance Review"). Complete, indexed schedules, workpapers and electronic files supporting the transmittal shall be provided with the transmittal. The Company will be prepared to provide information as may be requested to ensure the schedules are in compliance with the provisions herein and will work collaboratively to reach agreement on any proposed adjustments.

The review of the March 31 PIM Provision transmittal will be conducted concurrent with and in conjunction with review of the Spring Revenue Report as described in the RBA Provision. Except for the potential of a Performance Incentive Adjustment that begins January 1 as discussed further below, the Performance Incentive Adjustment will be determined annually based on the March 31 PIM Provision transmittal, after review and subject to explicit approval by the Commission.

MAUI ELECTRIC COMPANY, LTD

Transmittal Letter dated June 1, 2021.

PERFORMANCE INCENTIVE MECHANISM PROVISION (continued)  
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If Measured Performance results are known by October 31 of an Evaluation Period, the Company may seek to have those results included in the Company's Fall Revenue Report as provided in the RBA Provision for a Performance Incentive Adjustment that begins January 1 of the year following the Evaluation Period. In such a case, the Company will file its applicable Performance Review for the applicable PIMs with the Company's Fall Revenue Report. After review and subject to explicit approval by the Commission, the applicable Performance Incentive Adjustment will become effective on January 1 of the year following the Evaluation Period, concurrent and in conjunction with determination of Target Revenues and the RBA Rate Adjustments based on the Fall Revenue Report in accordance with the RBA Provision. Additional rewards or penalties as determined by the March 31 PIM Provision transmittal, after review and explicit approval by the Commission, may adjust the Performance Incentive Adjustment to become effective June 1 of the year following the Evaluation period.

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PERFORMANCE INCENTIVE MECHANISM PROVISION (continued)  
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The Performance Targets, Deadbands and the amount of Maximum Financial Incentives used to determine the PIM Financial Incentive levels for each of the PIMs shall remain constant in interim periods, unless otherwise amended by order of the Commission.

In the event that Performance Targets, Deadbands or the amounts of Maximum Financial Incentives are updated or amended by order of the Commission during the Evaluation Period, unless otherwise specified by the Commission, the Performance Targets, Deadbands and the amounts of Maximum Financial Incentives used in determining the amount of PIM Financial Incentives shall be a pro-rated weighted average based on the number of days of the Evaluation Period each parameter was effective.

Any revenue adjustments approved in accordance with this PIM Provision shall be included in the determination of the Earnings Sharing Adjustment provided for in the ARA Provision.

The Performance Incentive Adjustment, and any prior year Performance Incentive Adjustment, shall be recalculated for errors in prior calculations and for subsequent Commission orders that change the basis for prior calculations. The effect of such changes shall be implemented as described in the RBA Provision, except that, the Performance Target, Deadband and Maximum Financial Incentive amounts determined in this PIM Provision shall not be recalculated based on errors in the calculation of these parameters and shall remain as specified unless and until changed by order of the Commission.

Evaluation Period

Except as otherwise specified herein, the Evaluation Period is defined as the annual twelve month calendar year period ending December 31, over which Measured Performance is determined and compared to the established Performance Target for each PIM described below.

PERFORMANCE INCENTIVE MECHANISM PROVISION (continued)  
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PIM Financial Incentive Calculation

For the Reliability Performance Incentive Mechanisms and Call Center Performance Incentive Mechanism below, a Performance Target is specified, developed based on historical performance data. A Deadband is specified for each Performance Target in order to provide a satisfactory range of performance within which no reward or penalty amount is assessed.

A Maximum Financial Incentive amount is specified for each applicable PIM with separate identification of a Maximum Reward Amount and a Maximum Penalty Amount.

Measured Performance for the Evaluation Period is compared to the Performance Target for each applicable PIM. If the difference between Measured Performance and the Performance Target is less than or equal to the Deadband amount, no reward or penalty is awarded and the amount of the PIM Financial Incentive is zero. If the difference between Measured Performance and the Performance Target exceeds the Deadband amount, a reward or penalty ratio is calculated where the difference between Measured Performance and the Performance Target, less the Deadband amount, is the numerator and the Deadband amount is the denominator. This ratio is multiplied by either the Maximum Reward Amount or Maximum Penalty Amount, as applicable, to determine the PIM Financial Incentive for each applicable PIM. The magnitude of the PIM Financial Incentive for each applicable PIM shall not exceed 100% of the magnitude of the applicable Maximum Reward Amount or Maximum Penalty Amount established for each applicable PIM.

MAUI ELECTRIC COMPANY, LTD

Transmittal Letter dated March 31, 2021.

PERFORMANCE INCENTIVE MECHANISM PROVISION (continued)  
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Reliability Performance Incentive Mechanisms

There are four reliability PIMs: 1) Transmission and Distribution System Average Interruption Frequency Index ("T&D SAIFI"); 2) Transmission and Distribution System Average Interruption Duration Index ("T&D SAIDI"); 3) Generation System Average Interruption Frequency Index ("Generation SAIFI"); and 4) Generation System Average Interruption Duration Index ("Generation SAIDI"). SAIFI is a measure of the average frequency of outages, defined as the annual total number of customer interruptions divided by the total number of customers served. SAIDI is a measure of the average duration of outage, defined as the sum of all customer interruption durations (in minutes) divided by the total number of customers served.

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PERFORMANCE INCENTIVE MECHANISM PROVISION (continued)  
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T&D SAIFI and T&D SAIDI (for the calendar year 2024 and 2025  
Evaluation Periods)

The T&D SAIFI and T&D SAIDI Measured Performance and Performance Targets are based on transmission and distribution-caused outages on Non-Wildfire Risk Circuits and are determined using the IEEE Standard 1366 methodology as adjusted to normalize events in accordance with Docket No. 2019-0110, Decision and Order No. 37600. Outages from Public Safety Power Shutoff events are excluded from the T&D SAIFI and T&D SAIDI Measured Performance.

Non-Wildfire Risk Circuits are circuits that did not enable reclose blocking and/or fast trip settings in 2023 and 2024.

If a circuit that has reclose blocking and/or fast trip settings enabled subsequently disables these settings, that circuit will be excluded from Measured Performance until the targets and deadbands can be reevaluated.

If a Non-Wildfire Risk Circuit has reclose blocking and/or fast trip settings subsequently enabled, or it is discovered through examination that a circuit already had reclose blocking and/or fast trip settings enabled for wildfire safety mitigation, an evaluation of the outages on that circuit will be conducted and the T&D SAIFI and T&D SAIDI contributions for outages that were caused or exacerbated by the new settings will be excluded from Measured Performance.

For the T&D SAIFI and T&D SAIDI Incentive Mechanisms, the 2009-2018 record of historical performance data of Non-Wildfire Risk Circuits was used to establish the Performance Target and the Deadband. The Deadband was calculated as  $\pm 1$  standard deviation of the historical performance data. Accordingly, 100% of the penalty is achieved when Measured Performance is equal to or greater than 2 standard deviations from the Performance Target.

T&D SAIFI (for the calendar year 2024 and 2025 Evaluation Periods):

Performance Target: 0.366 interruptions per customer on Non-Wildfire Risk Circuits during the one-year Evaluation Period

Deadband:  $\pm 0.091$  interruptions per customer (1 Standard Deviation)

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PERFORMANCE INCENTIVE MECHANISM PROVISION (continued)  
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Range for no penalty: 0.275 interruptions to 0.457  
interruptions per customer ( $\pm 1$  Standard Deviation from Target)

Rewards: Not Applicable  
Penalties for greater than 0.457 interruptions per customer

Maximum Reward Amount: Not Applicable  
Maximum Penalty Amount: \$81,007

The Maximum Penalty Amount was determined to be equal to 0.20% of Common Equity Share of Approved Average Test Year Rate Base determined in the most recent interim or final order in a general rate case for each Company, prorated by the circuit customer count of Non-Wildfire Risk Circuits divided by the 2023 annual average total system customer count.

T&D SAIDI (for the calendar year 2024 and 2025 Evaluation Periods):

Performance Target: 33.32 minutes per customer on Non-Wildfire Risk Circuits during the one-year Evaluation Period

Deadband:  $\pm 8.12$  minutes per customer (1 Standard Deviation)

Range for no penalty: 25.20 minutes to 41.44 minutes per customer ( $\pm 1$  Standard Deviation from Target)

Rewards: Not Applicable  
Penalties for greater than 41.44 minutes per customer

Maximum Reward Amount: Not Applicable  
Maximum Penalty Amount: \$81,007.

The Maximum Penalty Amount was determined to be equal to 0.20% of Common Equity Share of Approved Average Test Year Rate Base determined in the most recent interim or final order in a general rate case for each Company, prorated by the circuit customer count of Non-Wildfire Risk Circuits divided by the 2023 annual average total system customer count.

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Superseding Sheet No. 112C.2.1  
Effective January 1, 2024

REVISED SHEET NO. 112C.2.1  
Effective February 20, 2025

PERFORMANCE INCENTIVE MECHANISM PROVISION (continued)  
Maui, Lanai, and Molokai Divisions

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MAUI ELECTRIC COMPANY, LTD

Docket No. 2018-0088; Order No. 41256 filed December 18, 2024, Order No. 41478 filed January 15, 2025. Transmittal Letter dated February 6, 2025.

Superseding Sheet No. 112C.2.2  
Effective January 1, 2024

REVISED SHEET NO. 112C.2.2  
Effective February 20, 2025

PERFORMANCE INCENTIVE MECHANISM PROVISION (continued)  
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MAUI ELECTRIC COMPANY, LTD

Docket No. 2018-0088; Order No. 41256 filed December 18, 2024, Order No. 41478 filed January 15, 2025. Transmittal Letter dated February 6, 2025.

PERFORMANCE INCENTIVE MECHANISM PROVISION (continued)  
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Generation SAIFI and Generation SAIDI

The Generation SAIFI and Generation SAIDI Measured Performance and Performance Targets are based on generation-caused outages and are determined using the IEEE Standard 1366 methodology as adjusted to normalize events in accordance with Docket No. 2019-0110, Decision and Order No. 37600. The initial Evaluation Period shall start on January 1, 2023.

For the Generation SAIFI and Generation SAIDI Incentive Mechanisms, the 2009-2018 record of historical performance data was used to establish the Performance Target and the Deadband. The Deadband was calculated as  $\pm 1$  standard deviation of the historical performance data. Accordingly, 100% of the penalty is achieved when Measured Performance is equal to or greater than 2 standard deviations from the Performance Target. In instances where the magnitude of the Deadband exceeds the magnitude of the Performance Target, the low end of the target range is set to zero (rather than a negative number).

Generation SAIFI:

Performance Target: 0.268 interruptions per customer during the one-year Evaluation Period

Deadband:  $\pm 0.204$  interruptions per customer (1 Standard Deviation)

Range for no penalty: 0.064 interruptions to 0.472 interruptions per customer ( $\pm 1$  Standard Deviation from Target)

Rewards: Not Applicable

Penalties for greater than 0.472 interruptions per customer

Maximum Reward Amount: Not Applicable

Maximum Penalty Amount: \$77,717.

The Maximum Penalty Amount was determined to be equal to 0.03% of Common Equity Share of Approved Average Test Year Rate Base determined in the most recent interim or final order in a general rate case for each Company.

MAUI ELECTRIC COMPANY, LTD

Docket No. 2018-0088; Order No. 38697, Filed on November 10, 2022.  
Transmittal Letter dated November 21, 2022.

PERFORMANCE INCENTIVE MECHANISM PROVISION (continued)  
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Generation SAIDI:

Performance Target: 7.24 minutes per customer during the one-year Evaluation Period

Deadband:  $\pm$  5.41 minutes per customer (1 Standard Deviation)

Range for no penalty: 1.83 minutes to 12.65 minutes per customer ( $\pm$  1 Standard Deviation from Target)

Rewards: Not Applicable

Penalties for greater than 12.65 minutes per customer

Maximum Reward Amount: Not Applicable

Maximum Penalty Amount: \$77,717.

The Maximum Penalty Amount was determined to be equal to 0.03% of Common Equity Share of Approved Average Test Year Rate Base determined in the most recent interim or final order in a general rate case for each Company.

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PERFORMANCE INCENTIVE MECHANISM PROVISION (continued)  
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Call Center Performance Incentive Mechanism

The Call Center Performance PIM measures the performance of the utility call center in terms of the percentage of calls answered within thirty (30) seconds. The calculation of the call center performance shall exclude blocked calls from the denominator.

The Performance Target for the Call Center Performance Incentive Mechanism was calculated based on the average of Hawaiian Electric, Hawai'i Electric Light, and Maui Electric's quarterly weighted data from Quarter 1 of 2022 to Quarter 4 of 2023.

Call Center Performance:

Performance Target: 85.60% of calls answered within 30 seconds

Deadband: +/- 3.00% of calls answered within 30 seconds

Range for no reward or penalty: 82.60% of calls answered to 88.60% of calls answered.

Rewards apply for greater than 88.60% of calls answered  
Penalties apply for less than 82.60% of calls answered

Maximum Reward Amount: \$207,245.  
Maximum Penalty Amount: \$207,245.

The magnitude of the Maximum Reward Amount and Maximum Penalty Amount were determined to be equal to 0.08% of Common Equity Share of Approved Average Test Year Rate Base determined in the most recent interim or final order in a general rate case for each Company.

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PERFORMANCE INCENTIVE MECHANISM PROVISION (continued)  
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RPS-A Performance Incentive Mechanism

The RPS-A PIM rewards the Company's achievement of the State's Renewable Portfolio Standards (RPS) in advance of the statutory RPS prescribed in Hawaii Revised Statutes §269-92 and in advance of interpolated values between the statutory RPSs. Yearly Performance Targets are determined based on the current statutory RPS percentages, with interpolated values used for dates not specified, as discussed below.

Measured performance, the RPS-A Renewable Percentage, shall be calculated annually for Hawaiian Electric, Hawaii Electric Light, and Maui Electric on a consolidated basis. The RPS-A Renewable Percentage shall be calculated as the total system renewable generation divided by total system generation of electricity. The total system renewable generation shall be the Companies' total renewable generation, including renewable generation provided by the Companies' facilities and renewable generation provided to the Companies by independent power producers, plus customer-sited renewable generation. Total system generation of electricity shall be the Companies' total generation, including renewable generation and fossil generation provided by the Companies' facilities and renewable generation and fossil generation provided to the Companies by independent power producers, plus customer-sited renewable generation. Generation provided by the Companies and independent power producers shall be determined on a net-to-system basis. Customer generation shall be determined net of inverter losses. Renewable energy shall be as defined in the RPS Law pursuant to HRS §269-91. The RPS-A Renewable Percentage for the calendar year is compared to the Performance Target and rewards are as determined below. The PIM Financial Incentive for the RPS-A PIM is the reward earned, if any, for the applicable year.

RPS-A Performance:

Performance Targets by Year: The statutory RPSs for 2020, 2030, and 2045 are the reference Performance Targets, and the Performance Targets for all other years are values interpolated between the statutory RPSs.

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Transmittal Letter Dated March 31, 2021.

PERFORMANCE INCENTIVE MECHANISM PROVISION (continued)  
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The RPS-A Target Percentage in the table below is based on straight line interpolation between the statutory RPS of 30% in 2020 and 40% in 2030, 40% in 2030 and 70% in 2040, and 70% in 2040 and 100% in 2045, in the RPS Law.

Year	RPS-A Target Percentage		Year	RPS-A Target Percentage		Year	RPS-A Target Percentage
2021	31%		2031	43%		2041	76%
2022	32%		2032	46%		2042	82%
2023	33%		2033	49%		2043	88%
2024	34%		2034	52%		2044	94%
2025	35%		2035	55%		2045	100%
2026	36%		2036	58%			
2027	37%		2037	61%			
2028	38%		2038	64%			
2029	39%		2039	67%			
2030	40%		2040	70%			

Rewards apply if the RPS-A Renewable Percentage for the applicable year exceeds the RPS-A Target Percentage for the applicable year. There is no Performance Incentive award or penalty under this RPS-A PIM if the RPS-A Renewable Percentage does not exceed the RPA-A Target Percentage for the applicable year. Notwithstanding the foregoing, the RPS penalty provisions in Hawaii Revised Statutes §269-92 shall remain in effect.

If a reward under the RPS-A PIM applies for a year, the reward shall be calculated as the total system renewable generation MWh of Hawaiian Electric, Hawaii Electric Light, and Maui Electric that is attributable to the portion of the RPS-A Percentage that exceeds the RPS-A Target Percentage for the applicable year, multiplied by \$20/MWh in 2021 and 2022, \$15/MWh in 2023, and \$10/MWh for remaining years in the Multi-Year Rate Plan. The Rewards under the RPS-A PIM shall be allocated 70% to Hawaiian Electric, 15% to Hawaii Electric Light, and 15% to Maui Electric.

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Grid Service Performance Incentive Mechanism

The Grid Service PIM is an interim PIM that rewards the acquisition of grid services through procurement or programs acquired between January 1, 2021 to December 31, 2023. Eligible grid services include Fast Frequency Response ("FFR"), load build, and/or load reduction services intended to be utilized in system operation. The scope of grid services eligible for this PIM will be grid services acquired with approval by the Commission to broadly include, but not be limited to:

- (1) contracts such as Grid Service Purchase Agreement ("GSPA");
- (2) measures and programs approved in the DER docket (Docket No. 2019-0323); and
- (3) innovative measures or new concepts proposed by the Companies.

Grid Service Performance:

Rewards apply for the Company's acquisition of eligible grid services between January 1, 2021 and December 31, 2023. Acquisition of Grid Services shall be determined based on criteria to be approved by the Commission, including but not limited to the execution of a binding commitment for binding contracts such as GSPA or annual enrollment of customers in an eligible grid services program as approved by the Commission. The Grid Service Reward for an eligible grid service shall be the total kW capacity of the eligible grid service acquired by the Company in the Evaluation Period multiplied by the eligible Grid Service Incentive for that grid service as shown in the table below. The sum of the Grid Service Rewards for all eligible grid services shall be the Company's reward.

Grid Service	Grid Service Incentive
FFR1	\$39.40 per kW
Load Build	\$18.00 per kW
Load Reduction	\$70.80 per kW

The PIM Financial Incentive for the Grid Service PIM shall be the Grid Service PIM reward for the applicable year, provided that the sum of the PIM Financial Incentives for the Grid Service PIM for the 2021, 2022 and 2023 Evaluation Periods for Hawaiian Electric, Hawaii Electric Light, and Maui Electric shall not exceed \$1,500,000 in total.

Penalties: None.

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PERFORMANCE INCENTIVE MECHANISM PROVISION (continued)  
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Interconnection Approval Performance Incentive Mechanism

The Interconnection Approval PIM incentivizes the reduction in total interconnection time for Distributed Energy Resource ("DER") systems < 100 kW. Interconnection time will be measured in the mean (average) number of business days it takes the Company to complete all steps within the Company's control to interconnect DER systems < 100 kW in size, in a calendar year. DER systems in closed programs, applications submitted by mail, and applications that are withdrawn are excluded from this calculation. The PIM will be applied to each Company's performance. All steps within the Company's control to interconnect DER systems are defined as "those discrete steps in the interconnection process where the utility is required to take action and needs no further materials or information from the DER customer to take such action." The time within the Company's control for each installation used to determine the average will be capped at two standard deviations above the mean (the "Updated Adjusted Average"). Business days shall exclude Saturdays, Sundays, and Company holidays. The Interconnection Approval PIM will be effective from 2021 through 2024.

For the Measurement Period consisting of calendar year 2021, applications included in the calculation of this PIM are those projects that are received and energized between January 1, 2021 and December 31, 2021. For subsequent Measurement Periods, applications included in the calculation of this PIM are those projects energized in the applicable calendar year.

For the purposes of this Interconnection Approval PIM, "interconnect" will be defined as energization of a customer's system.

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For the purposes of this Interconnection Approval PIM, the applicable steps within the Company's control for the Quick Connect Pilot, Early Energization, and Traditional Interconnection process are illustrated below:

<b>Customer Group</b>	<b>Step</b>	<b>Duration Parameter</b>
<b>Quick Connect Pilot</b>	Meter Replacement <i>(Point of Energization)</i>	Start: Contractor request email received date End : Meter installation date
	Completeness Review (CR)	Start: Last application submittal date End: CR completed date
<b>Early Energization</b>	Initial Technical Review (ITR)	Start: Application entered ITR date End: ITR completed date
	Supplemental Review (SR) <i>(if applicable)</i> (included only if started before Meter Replacement)	Start: Application entered SR date End: SR completed date
	CONDITIONAL APPROVAL	
	Meter Replacement <i>(Point of Energization)</i>	Start: Meter notification created date End : Meter installation date
	Completeness Review (CR)	Start: Last application submittal date End: CR completed date
<b>Traditional Interconnection</b>	Initial Technical Review (ITR)	Start: Application entered ITR date End: ITR completed date
	Supplemental Review (SR) <i>(if applicable)</i>	Start: Application entered SR date End: SR completed date
	CONDITIONAL APPROVAL	
	Validation	Start: Last validation submittal date End: Validation completed date (DocuSign sent)
	Meter Replacement	Start: Meter notification created date End: Meter installation date
	Execution <i>(Point of Energization)</i>	Start: Later of DocuSign completed or meter installation date End: Application Executed (Permission to operate)

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PERFORMANCE INCENTIVE MECHANISM PROVISION (continued)  
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Interconnection Approval Performance - Available through 2024

The Interconnection Approval PIM uses both rewards and penalties to incentivize the Company. Metrics are evaluated on an annual basis.

Rewards will be applied in tiers, as defined in the table below. The maximum reward in any given year is the sum of the three (3) tiers. The Updated Adjusted Average shall be compared to the targets in the table below for the corresponding year for each tier. If the Updated Adjusted Average is equal to or less than the identified targets of a tier in the table below for the corresponding year, the reward identified in the table for the applicable tier(s) shall be awarded to the Company. Rewards for multiple tiers shall be awarded to the Company when the Updated Adjusted Average for a given year achieves applicable targets, in which case the sum of the rewards for those tiers shall be awarded to the Company. The Interconnection Approval PIM reward shall be the sum of all applicable rewards for the corresponding year.

Interconnection Approval PIM Reward Targets (Targets shown in average number of business days with outliers adjusted)				
Threshold and Potential Reward Level	2021	2022	2023	2024
TIER 1: \$225,000 for Maui County	21	18	15	12
TIER 2: \$150,000 for Maui County	24	21	18	15
TIER 3: \$75,000 for Maui County	27	24	21	18
Annual Maximum Reward: \$450,000 (TIER 1 + TIER 2 + TIER 3)				

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Penalties will be applied in tiers, as defined in the table below. The maximum penalty in any given year is the sum of the three (3) tiers. The Updated Adjusted Average for the applicable year shall be compared to the penalty thresholds of each tier for the corresponding year in the table below. If the Updated Adjusted Average for the applicable year is equal to or greater than the penalty thresholds of a tier in the table below for the corresponding year, the penalty identified in the table for the applicable tier shall be applied to the Company. The Interconnection Approval PIM penalty shall be the sum of all applicable penalties for the corresponding year.

Interconnection Approval PIM Penalty Thresholds (Targets shown in average number of business days with outliers adjusted)				
Threshold and Potential Penalty Level	2021	2022	2023	2024
TIER 1: \$67,500 for Maui County	42	39	36	33
TIER 2: \$45,000 for Maui County	39	36	33	30
TIER 3: \$22,500 for Maui County	36	33	30	27
Annual Maximum Penalty: \$135,000 (TIER 1 + TIER 2 + TIER 3)				

The PIM Financial Incentive for the Interconnection Approval PIM shall be the Interconnection Approval PIM reward or penalty for the applicable year.

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Low-to-Moderate Income ("LMI") Energy Efficiency Performance  
Incentive Mechanism

The LMI Energy Efficiency PIM incentivizes the Company to collaborate with Hawaii Energy to deliver energy savings for LMI customers. This PIM is not intended to incent the Company to offer its own energy efficiency programs or to compete with Hawaii Energy; rather, the PIM is intended to incent the Company to promote Hawaii Energy programming and to optimize load and customer interactions via tools within their jurisdiction such as rate design and the provision of energy usage data. Three metrics will be used to evaluate Company performance, as described below:

Metric 1 ("Energy Savings"): Residential Hard-to-Reach ("RHTR") Energy (kWh) Savings Beyond Hawaii Energy's Target

Metric: Sum of Hawaii Energy RHTR program verified kWh energy savings, and any Commission-approved and verified energy savings for LMI customers resulting from advanced rate design and any future co-deployed Hawaii Energy and Hawaiian Electric energy efficiency programs.

Threshold: 100% of Hawaii Energy's kWh target energy savings as set forth in its Commission approved annual plan for RHTR programs.

Reward structure: A \$/kWh reward factor for energy saved above the threshold, determined based on the projected benefits, costs, and impacts for Hawaii Energy's Commission-approved annual plan for RHTR programs.

Calculated as: 50% of projected net program energy related benefits per targeted kWh. Projected net program energy-related benefits will be equal to 85% of the targeted annual RHTR programs Total Resource Benefit ("TRB") as determined in Hawaii Energy's approved annual plan, minus 85% of Hawaii Energy's total annual RHTR budget (including incentive and non incentive costs).

The TRB, budget, and kWh target inputs to the reward factor will be updated annually in accordance with Hawaii Energy's approved annual plan.

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Summary: The Companies' Energy Savings PIM Financial Award will be equal to the thus-calculated \$/kWh reward factor times the amount of kWh energy verified savings, as defined herein, that exceed 100% of Hawaii Energy's annual "Residential Hard-to-Reach" kWh savings target as approved for their performance award, up to the maximum financial award for this PIM.

Metric 2 ("Peak Demand Reduction"): RHTR Peak Demand (kW) Reduction Beyond Hawaii Energy's Target

Metric: Sum of Hawaii Energy RHTR program verified peak demand reductions, and any Commission-approved and verified peak demand reductions for LMI customers resulting from advanced rate design and any future co-deployed Hawaii Energy and Hawaiian Electric energy efficiency programs.

Threshold: 100% of Hawaii Energy's kW target peak demand reduction as set forth in its Commission-approved annual plan for RHTR programs.

Reward structure: A \$/kW reward factor for peak demand reductions beyond the threshold, determined based on the projected benefits, costs, and impacts for Hawaii Energy's Commission-approved annual plan for RHTR programs.

Calculated as: 50% of projected net demand-related program benefits per targeted kW. Projected net demand-related program benefits will be equal to 15% of the targeted annual RHTR programs TRB as determined in Hawaii Energy's approved annual plan, minus 15% of Hawaii Energy's total annual RHTR budget (including incentive and non-incentive costs).

The TRB, budget, and kW target inputs to the reward factor will be updated annually in accordance with Hawaii Energy's approved annual plan.

Summary: The Companies' Peak Demand Savings PIM Financial Award will be equal to the thus-calculated \$/kW reward factor times the amount of kW peak demand verified savings, as defined herein, that exceed 100% of Hawaii Energy's annual RHTR kW peak demand reduction target as approved for their performance award, up to the maximum financial award for this PIM.

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PERFORMANCE INCENTIVE MECHANISM PROVISION (continued)  
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Metric 3 ("Program Participation"): A&A Customers Served Beyond Hawaii Energy's Target

Metric: The sum of program participants each year ("customers served") in Hawaii Energy "Residential A&A (Single & Multifamily Direct Install, Water Heating Direct Install, Bulk Appliance)" programs ("Residential A&A Programs"), and any Commission-approved and verified LMI participants in advanced rate design and any future co-deployed Hawaii Energy and Hawaiian Electric energy efficiency programs.

Threshold: 100% of Hawaii Energy's annual customers served performance award target for the Residential A&A Programs.

Reward structure: A reward factor equal to \$/customer served above the threshold, calculated as: 50% of Hawaii Energy's targeted first year bill savings (\$) from Residential A&A Programs divided by Targeted Residential A&A Customers served in Hawaii Energy's Commission-approved annual plan for Residential A&A programs.

All inputs to the reward factor will be updated annually in accordance with Hawaii Energy's approved annual plan.

Summary: The Program Participation PIM Financial Award will be equal to the thus calculated \$/customer served reward factor times the verified number of customers served, as defined herein, that exceed 100% of Hawaii Energy's annual "Residential A&A Programs" customers served target as approved for their performance award, up to the maximum financial award for this PIM.

MAUI ELECTRIC COMPANY, LTD

PERFORMANCE INCENTIVE MECHANISM PROVISION (continued)  
Maui, Lanai, and Molokai Divisions

The LMI Energy Efficiency PIM Reward shall be the sum of the Energy Savings PIM Financial Award, the Peak Demand Savings PIM Financial Award, and the Program Participation PIM Financial Award for the applicable year. The LMI Energy Efficiency PIM Reward calculation is based on consolidated performance across the Hawaiian Electric Companies (i.e., reported together as one company), with the consolidated reward capped at \$2 million, annually, across all three metrics combined. The LMI Energy Efficiency PIM Reward shall be allocated 70% to Hawaiian Electric, 15% to Hawaii Electric Light, and 15% to Maui Electric.

The LMI Energy Efficiency PIM performance for all metrics will be measured based on the Hawaii Energy program year. The initial evaluation year for this PIM shall be the period July 1, 2021 through June 30, 2022.

The PIM Financial Incentive for the LMI Energy Efficiency PIM shall be the Company's allocated LMI Energy Efficiency PIM Reward for the applicable year. The Company may include the PIM Financial Incentive for the LMI Energy Efficiency PIM in the Company's Fall Revenue Report to be included for consideration in target revenues and the RBA Rate Adjustment effective January 1 of the following year.

The LMI Energy Efficiency PIM will be set for three (3) years, after which the metrics, targets, and incentives will be re-evaluated.

MAUI ELECTRIC COMPANY, LTD

PERFORMANCE INCENTIVE MECHANISM PROVISION (continued)  
 Maui, Lanai, and Molokai Divisions

A summary of the LMI Energy Efficiency PIM is provided in the table below:

<b>LMI Energy Efficiency PIM Summary</b>			
<b>Description</b>	<b>Line #</b>	<b>Representative Figure/Calculation</b>	<b>Units</b>
<b>Metric 1, Energy Savings</b>			
Target Residential Hard to Reach (RHTR) energy savings	L1	kWh savings	kWh
RHTR total budget (includes incentive and non-incentive costs; 85% allocated to energy savings)	L2	Dollars * 0.85	\$
Target RHTR Total Resource Benefits (TRB) (85% allocated to energy savings)	L3	Dollars * 0.85	\$
Net utility system benefit per kWh (TRB minus budget per target kWh savings)	L4	$(L3-L2)/L1$	(\$/kWh)
Net benefit share to the Companies (reward factor for energy savings above target)	L5	$L4 * 0.5$	(\$/kWh)
Total energy savings reward	L6	$(\text{Total verified kWh savings} - L1) * L5$	\$
<b>Metric 2, Peak Demand Reduction</b>			
Target RHTR demand reduction	L7	kW reduction	kW
RHTR total budget (includes incentive and non-incentive costs; 15% allocated to demand reduction)	L8	Dollars * 0.15	\$
Target RHTR TRB (15% allocated to demand reduction)	L9	Dollars * 0.15	\$
Net utility system benefit per kW reduced (TRB minus budget per target kW reduced)	L10	$(L9-L8)/L7$	(\$/kW)
Net benefit share to the Companies (reward factor for demand reduction above target)	L11	$L10 * 0.5$	(\$/kW)
Total demand reduction reward	L12	$(\text{Total verified kW savings} - L7) * L11$	\$

MAUI ELECTRIC COMPANY, LTD

PERFORMANCE INCENTIVE MECHANISM PROVISION (continued)  
 Maui, Lanai, and Molokai Divisions

<b>LMI Energy Efficiency PIM Summary</b>			
<b>Description</b>	<b>Line #</b>	<b>Representative Figure/Calculation</b>	<b>Units</b>
<b>Metric 3, Participation</b>			
Target Residential A&A customers served	L13	Customers served	#
Target Residential A&A first-year bill savings	L14	Dollars	\$
First-year bill savings per target customer served	L15	L14/L13	\$/Customer served
Net benefit share to the Companies (reward factor for customers served above target)	L16	L15 * 0.5	\$/Customer served
Total participation reward	L17	(Total realized customers served - L13) * L16	\$
<b>Total Reward</b>			
Total PIM reward	L18	L6 + L12 + L17 (capped at \$2 million/year)	\$

MAUI ELECTRIC COMPANY, LTD

PERFORMANCE INCENTIVE MECHANISM PROVISION (continued)  
Maui, Lanai, and Molokai Divisions

Advanced Metering Infrastructure (AMI) Utilization Performance  
Incentive Mechanism

The AMI Utilization PIM incentivizes the Companies to leverage grid modernization investments and engage customers beyond what is already planned in the Phase 1 Grid Modernization program. Performance for this PIM will be determined by a percentage calculation. A customer is an "AMI Utilization Customer" and counted in the numerator of the percentage calculation if the customer has an advanced meter installed and at least two of the following three benefits are delivered to the customer by year end:

"Customer Authorization" Benefit. The Customer Authorization Benefit is delivered if the customer authorizes the sharing of interval data with third parties. This refers to customers with advanced meters who authorize the Companies to share the customer's interval data with third parties through Green Button Connect My Data or an alternative mechanism.

"Energy Usage Alert" Benefit. The Energy Usage Alert Benefit is delivered if customer energy usage alerts are provided to the customer. This refers to customers with advanced meters who sign up, via the Companies' Customer Energy Portal ("Energy Portal") or by other means, for customer energy usage alerts. Usage alerts should allow customers to choose a preferred delivery method (e.g., text, email, phone call, etc.). Usage alerts do not include alerts or information delivered solely through appearance on a customer's energy portal display.

"Program Participation" Benefit. The Program Participation Benefit is delivered if the customer newly enrolls in open and next generation TOU and DER programs. This refers to customers with advanced meters who newly enroll in open existing time-varying tariffs or DER programs, as well as any new time-varying tariffs or DER programs that result from the Commission's ongoing DER investigation in Docket No. 2019-0323.

The total number of customers used in the denominator of the percentage calculation will be the total number of customers at year end. Both the AMI Utilization Customers and the total number of customers will be specific to Oahu, Hawaii Island, and Maui County. The AMI Utilization PIM will be set for three (3) years, after which the metrics, targets, and incentives will be re-evaluated.

MAUI ELECTRIC COMPANY, LTD

PERFORMANCE INCENTIVE MECHANISM PROVISION (continued)  
Maui, Lanai, and Molokai Divisions

AMI Utilization Performance:

The AMI Utilization PIM uses rewards to incentivize the Company, penalties do not apply. Metrics are evaluated on an annual basis.

Rewards will be applied as described in the table below.

AMI Utilization PIM Reward Targets (AMI Utilization Customers at year end divided by total number of customers at year end)			
Target and Potential Reward Level	2021	2022	2023
Reward opportunities for meeting upper target: \$300,000 for Maui County	5%	15%	30%
If the Company's performance falls between the lower and upper targets, the Company will be eligible for a reward that corresponds to a linear interpolation between the minimum and maximum rewards.			
Reward opportunities for meeting lower target: \$150,000 for Maui County	2.5%	10%	20%

The PIM Financial Incentive for the AMI Utilization PIM shall be the AMI Utilization PIM reward for the applicable year.

MAUI ELECTRIC COMPANY, LTD

PERFORMANCE INCENTIVE MECHANISM PROVISION (continued)

Maui, Lanai, and Molokai Divisions

Interconnection of Utility Scale Renewable Projects PIM

The Interconnection of Utility Scale Renewable Projects PIM uses both rewards and penalties to incentivize the Company. Metrics are evaluated for each individual Utility Scale Renewable Project, where Utility Scale is defined to be greater or equal to 2.5 MW. The initial Evaluation Period shall start on January 1, 2023, provided that the Companies' process improvement proposals are approved for future renewable generation request for proposals.

<b>Metric</b>	<b>Count of months between final model checkout and delivery of IRS results to the developer.</b>																						
<b>Target</b>	<b>10 months</b>																						
<b>Deadband</b>	<p><b>Asymmetrical, two-month Deadband for penalties and no Deadband for rewards.</b></p> <p><b>Penalties begin when IRS completion takes longer than 12 months (10 month Target plus 2 month Deadband).</b></p> <p><b>Rewards begin when IRS completion takes less than 10 months (10 month Target minus 0 month Deadband).</b></p>																						
<b>Penalties*</b>	<p><b>Penalty RDG PPAs) = x% * [project net energy potential or equivalent estimate of first year MWh] * (\$20/MWh)</b></p> <p><b>Penalty (Firm PPAs) = x% * [8760 hrs/yr or 8784 hrs/leap year] * [Contract Firm Capacity MW] * [25% capacity factor] * (\$20/MWh)</b></p> <table border="1" style="margin-left: 40px;"> <thead> <tr> <th><b>Where x =</b></th> <th><b>When IRS completion occurs:</b></th> </tr> </thead> <tbody> <tr> <td>2%</td> <td>&lt;1 month beyond Deadband</td> </tr> <tr> <td>4%</td> <td>Between 1 month and less than 2 months beyond Deadband</td> </tr> <tr> <td>6%</td> <td>Between 2 months and less than 3 months beyond Deadband</td> </tr> <tr> <td>8%</td> <td>Between 3 months and less than 4 months beyond Deadband</td> </tr> <tr> <td>10%</td> <td>Between 4 months and less than 5 months beyond Deadband</td> </tr> <tr> <td>12%</td> <td>Between 5 months and less than 6 months beyond Deadband</td> </tr> <tr> <td>14%</td> <td>Between 6 months and less than 7 months beyond Deadband</td> </tr> <tr> <td>16%</td> <td>Between 7 months and less than 8 months beyond Deadband</td> </tr> <tr> <td>18%</td> <td>Between 8 months and less than 9 months beyond Deadband</td> </tr> <tr> <td>20%</td> <td>9 months or greater beyond Deadband</td> </tr> </tbody> </table>	<b>Where x =</b>	<b>When IRS completion occurs:</b>	2%	<1 month beyond Deadband	4%	Between 1 month and less than 2 months beyond Deadband	6%	Between 2 months and less than 3 months beyond Deadband	8%	Between 3 months and less than 4 months beyond Deadband	10%	Between 4 months and less than 5 months beyond Deadband	12%	Between 5 months and less than 6 months beyond Deadband	14%	Between 6 months and less than 7 months beyond Deadband	16%	Between 7 months and less than 8 months beyond Deadband	18%	Between 8 months and less than 9 months beyond Deadband	20%	9 months or greater beyond Deadband
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MAUI ELECTRIC COMPANY, LTD

PERFORMANCE INCENTIVE MECHANISM PROVISION (continued)  
 Maui, Lanai, and Molokai Divisions

<p><b>Rewards*</b></p>	<p>Reward (RDG PPAs) = <math>y\%</math> * [project net energy potential or equivalent estimate of first year MWh] * (\$20/MWh)</p> <p>Reward (Firm PPAs) = <math>y\%</math> * [8760 hrs/yr or 8784 hrs/leap year] * [Contract Firm Capacity MW] * [25% capacity factor] * (\$20/MWh)</p> <table border="1" data-bbox="505 558 1471 852"> <thead> <tr> <th>Where <math>y</math> =</th> <th>When IRS completion occurs:</th> </tr> </thead> <tbody> <tr> <td>4%</td> <td>&lt;1 month before Target</td> </tr> <tr> <td>8%</td> <td>Between 1 month and less than 2 months before Target</td> </tr> <tr> <td>12%</td> <td>Between 2 months and less than 3 months before Target</td> </tr> <tr> <td>16%</td> <td>Between 3 months and less than 4 months before Target</td> </tr> <tr> <td>20%</td> <td>4 months or greater before Target</td> </tr> </tbody> </table>	Where $y$ =	When IRS completion occurs:	4%	<1 month before Target	8%	Between 1 month and less than 2 months before Target	12%	Between 2 months and less than 3 months before Target	16%	Between 3 months and less than 4 months before Target	20%	4 months or greater before Target
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<p><b>*Note</b></p>	<p>Penalties and Rewards are not cumulative. A given utility scale renewable energy project shall only result in a single value of <math>x</math> or <math>y</math> from the table above, or zero if within the deadband.</p>												
<p><b>Contingencies</b></p>	<p>The Companies have the opportunity to seek review and potential adjustment of this PIM, on a case-by-case basis, for circumstances outside of the Companies' control that affect the IRS process. Examples of circumstances that may affect the IRS schedule are (but not limited to):</p> <ul style="list-style-type: none"> <li>- Re-studies requested by developers (e.g., for design or equipment changes);</li> <li>- Modeling issues found for a project IRS, incurring a delay to its study;</li> <li>- Modeling issues found for a project(s) during the IRS group study, incurring a delay to all projects within the group study;</li> <li>- Project(s) that are not ready for the group study due to insufficient models may be removed from the group study in order for the remaining projects to commence with the IRS. In such event, the project(s) will need to address the modeling issues and IRS will commence upon completion of the initial group's System Impact Study (SIS);</li> <li>- Any other delays due to coordination or execution of tasks by external parties (e.g., delayed responses, delayed execution and remediation, delayed payments, etc.)</li> </ul>												

MAUI ELECTRIC COMPANY, LTD

PERFORMANCE INCENTIVE MECHANISM PROVISION (continued)  
Maui, Lanai, and Molokai Divisions

Contingencies (continued)	In the event a project ultimately achieves commercial operations by its Guaranteed Commercial Operations Date (GCOD), the Company shall be entitled to a review of the PIM.
Timing of final model checkout.	The IRS requires group studies if more than one project is selected from a procurement. In such an instance the timing of the final model checkout shall start from the date the last set of working models is received and deemed acceptable by the Company from the last project to provide such models in order to start the group studies (i.e., all models are deemed ready for the group study).
Timing of delivery of IRS results and/or when IRS completion occurs.	The IRS is composed of two studies which overlap in duration, the System Impact Study ("SIS") and the Facility Study ("FS"). For purposes of this tariff the delivery of the IRS results shall be based on the date when both the draft SIS and draft FS have been delivered to the developer for review, the latter deliver date of the two if provided separately.

The PIM Financial Incentive for the Interconnection of Utility Scale Renewable Projects PIM shall be the Total Interconnection of Utility Scale Renewable Projects PIM Rewards less the Total Interconnection of Utility Scale Renewable Projects PIM Penalties for the applicable year.

MAUI ELECTRIC COMPANY, LTD

PERFORMANCE INCENTIVE MECHANISM PROVISION (continued)  
Maui, Lanai, and Molokai Divisions

Collective Shared Savings Mechanism ("CSSM")

The CSSM is a rewards-only mechanism to incentivize improved control over non-ARA costs.

Under the CSSM, the Companies will be allowed to retain a portion of any reduction in the sum of fuel, purchased power, and Major Projects Interim Recovery ("MPIR") mechanism / Exceptional Project Recovery Mechanism ("EPRM") costs for each future performance year in comparison to a base year target. This assures that any reward to the Companies is directly associated with a corresponding reduction in customer bills.

The CSSM shall be applicable to revenues arising from fuel expense for utility generation, purchased energy and purchased capacity costs, costs of new contractual resources acquired through requests for proposals ("RFPs") and purchased power agreements ("PPAs"), and costs of new utility projects not funded with revenues governed by the Annual Revenue Adjustment ("ARA") provision, which are collectively recovered through the Energy Cost Recovery Clause ("ECRC"), Purchased Power Adjustment Clause ("PPAC"), and MPIR/EPRM. The CSSM Performance Metric is the sum of the ECRC, PPAC, and MPIR/EPRM revenues, excluding revenue taxes, measured each calendar year, which is the Performance Year.

The CSSM Target represents a calculated amount of collective ECRC, PPAC, and MPIR/EPRM revenue, excluding revenue taxes, against which the Performance Year Metric is compared. The CSSM Target is calculated for a Base Year with appropriate adjustments for inflation and Performance Year fuel prices and system generation.

The CSSM does not have a potential penalty and does not have a potential maximum reward.

MAUI ELECTRIC COMPANY, LTD

PERFORMANCE INCENTIVE MECHANISM PROVISION (continued)  
Maui, Lanai, and Molokai Divisions

CSSM Formula

$$\text{CSSM Target}_n = ((\text{EPRM}_0 + \text{PPAC}_0 + \text{Target ECRC}_n) / \text{System Generation}_0) \times \text{System Generation}_n$$

CSSM Target shall be the sum of  $\text{EPRM}_0$ ,  $\text{PPAC}_0$ , and  $\text{Target ECRC}_n$ , where that sum is further divided by System Generation in the Base Year and multiplied by System Generation in the Performance Year.

$$\text{CSSM Performance Metric} = \text{EPRM}_n + \text{PPAC}_n + \text{Metric ECRC}_n$$

Where  $\text{EPRM}_0$  and  $\text{EPRM}_n$  are the annual EPRM and MPIR Adjustments in the CSSM Base Year and in the Performance Year, respectively, as clarified more specifically below;

$\text{PPAC}_0$  and  $\text{PPAC}_n$  are the PPAC amounts in the CSSM Base Year and in the Performance Year, respectively, as clarified more specifically below;

$\text{Target ECRC}_n = \text{IPP Energy Cost}_0 + \text{Target Fuel Costs}$ , as defined below;

$\text{Metric ECRC}_n = \text{IPP Energy Cost}_n + \text{Metric Fuel Costs}$ , as defined below;

$\text{System Generation}_0$  and  $\text{System Generation}_n$  are the sum of IPP and utility generation in the CSSM Base Year and in the Performance Year, respectively, on a net-to-system basis; and

$\text{Utility Generation}_0$  and  $\text{Utility Generation}_n$  are the kWh-sales generated from a particular utility fuel type in the CSSM Base Year and in the Performance Year, respectively.

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PERFORMANCE INCENTIVE MECHANISM PROVISION (continued)  
Maui, Lanai, and Molokai Divisions

Calculation of the CSSM

The Base Year shall be calendar 2021.

Base Year Recovery Heat Rate shall be the adjusted target heat rate for the applicable fuel type's utility generation in the Base Year, as provided for in the Reconciliation Adjustment of the ECRC. If there is no target heat rate for the applicable fuel type, the Base Year Recovery Heat Rate shall be the actual sales heat rate for the applicable fuel type in the Base Year.

Performance Year Recovery Heat Rate shall be the adjusted target heat rate for the applicable fuel type's utility generation in the Performance Year, as provided for in the Reconciliation Adjustment of the ECRC. If there is no target heat rate for the applicable fuel type, the Performance Year Recovery Heat Rate shall be the actual sales heat rate for the applicable fuel type in the Performance Year.

Fuel Price in the Performance Year shall be the revenue eligible for recovery for that fuel type in the Reconciliation Adjustment of the ECRC in the Performance Year (excluding the Year-to-Date Fossil Fuel Cost Risk Sharing Adjustment), divided by the mmbtu eligible for recovery after application of the Performance Year Recovery Heat Rate for that fuel type in the Performance Year. If there is a fuel type in the Base Year that is not included in the Performance Year, the Company should establish a proxy price based on proportional price changes in a most similar fuel. Where Fuel Price in the Base Year is determined based on an index that remains available in the Performance Year, the Fuel Price in the Performance Year can be directly inferred.

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PERFORMANCE INCENTIVE MECHANISM PROVISION (continued)  
Maui, Lanai, and Molokai Divisions

Target Fuel Costs =  $\sum(\text{Fuel Prices}_n \times \text{Heat Rates}_0 \times \text{Utility Generation}_0)$

Target Fuel Costs are the part of Target ECRC component of the CSSM Target that is the sum of, across all applicable fuel types, the applicable Base Year Recovery Heat Rate for that fuel type multiplied by recorded sales for that fuel type in the Base Year multiplied by the Fuel Price in the Performance Year for that fuel type.

Metric Fuel Costs =  $\sum(\text{Fuel Prices}_n \times \text{Heat Rates}_n \times \text{Utility Generation}_n)$

Metric Fuel Costs are the part of Metric ECRC component of the CSSM Performance Metric that is the sum of, across all applicable fuel types, the applicable Performance Year Recovery Heat Rate for that fuel type multiplied by the recorded sales for that fuel type in the Performance Year multiplied by the Fuel Price in the Performance Year for that fuel type.

IPP Energy Cost<sub>0</sub> shall be the sum of, for all IPP included in the Purchased Energy Expense in the Base Year from the Reconciliation Adjustment of the ECRC, the product of that IPP's applicable purchased kWh from the Base Year multiplied by the applicable energy payment rate for that IPP's purchased energy in the Performance Year. In the case where there is no applicable payment rate in the Performance Year for that particular IPP, the most recent applicable energy payment rate used in a previous Performance Year may be used and further indexed for inflation to the current Performance Year using the Gross Domestic Product Price Index ("GDPPI").

IPP Energy Cost<sub>n</sub> shall be the Purchased Energy Expense in the Performance Year from the Reconciliation Adjustment of the ECRC.

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PERFORMANCE INCENTIVE MECHANISM PROVISION (continued)  
Maui, Lanai, and Molokai Divisions

PPAC<sub>0</sub> shall be the expenses net of revenue taxes eligible for recovery in the PPAC in the Base Year, escalated by any applicable inflation or escalation terms provided for in the applicable PPA for purchased power costs that are recoverable in the PPAC in the Base Year. If there are no inflation or escalation terms provided for in the applicable PPA for a particular PPAC-recoverable expense that is included in the Base Year, then those PPAC-recoverable expenses will be included in PPAC<sub>0</sub> without adjustment. Compensable curtailed energy expense and liquidated damages that are included in the PPAC in the Base Year will also be included in PPAC<sub>0</sub> without adjustment.

PPAC<sub>n</sub> shall be the expenses net of revenue taxes, including applicable compensable curtailed energy expense and liquidated damages, eligible for recovery in the PPAC in the Performance Year.

EPRM<sub>0</sub> shall be the Base Year EPRM and MPIR cost recovery amounts included in the Revenue Balancing Account Provision's Target Revenue, escalated for inflation from the Base Year to the Performance Year using the percentage change in the GDPPI between the Base Year and the Performance Year.

EPRM<sub>n</sub> shall be the EPRM and MPIR cost recovery amounts included in the Revenue Balancing Account Provision's Target Revenue in the Performance Year.

MAUI ELECTRIC COMPANY, LTD

PERFORMANCE INCENTIVE MECHANISM PROVISION (continued)  
Maui, Lanai, and Molokai Divisions

Calculation of CSSM Performance Year Savings

CSSM Performance Year Savings shall be the CSSM Target less CSSM Performance Metric. The CSSM Performance Year Savings shall not be less than zero.

The Company CSSM Financial Incentive shall be the CSSM Performance Year Savings multiplied by 20%.

The Performance Year shall be the Evaluation Period. The first Evaluation Period for the CSSM shall begin on January 1, 2023.

MAUI ELECTRIC COMPANY, LTD

PERFORMANCE INCENTIVE MECHANISM PROVISION (continued)  
Maui, Lanai, and Molokai Divisions

**Additional PIMs:**

The Commission may order the establishment of one or more PIMs, and the targets, deadbands, rewards, penalties, and allocations for that PIM, as applicable, shall be implemented as specified in the Commission's order that approved the applicable PIM, and the applicable PIM Financial Incentive shall be included in the Performance Incentive Adjustment.

Commission's Authority

The Commission may suspend, modify, or terminate any or all parts of this PIM Provision. Any suspension shall remain in place until removed by Commission order.

PERFORMANCE INCENTIVE MECHANISM PROVISION (continued)  
Maui, Lanai, and Molokai Divisions

Historical Reference

The following table summarizes the prior PIMs in effect, as these values may be applicable during certain portions of the Evaluation Period.

PIM:	Effective Period:	Performance Target:	Deadband:	Maximum Reward:	Maximum Penalty:
T&D SAIIFI	1/1/2018 thru 8/22/2018	1.436 interruptions per customer	+/- 0.241	N/A	\$506,965
T&D SAIIFI	8/23/2018 thru 5/31/2019	1.422 interruptions per customer	+/- 0.224	N/A	\$527,289
T&D SAIIFI	6/1/2019 thru 3/31/2021	1.508 interruptions per customer	+/- 0.221	N/A	\$518,113
T&D SAIIFI	4/1/2021 thru 12/31/2022	1.435 interruptions per customer	+/- 0.212	N/A	\$518,113
T&D SAIIFI	1/1/2023 thru 8/7/2023	0.903 interruptions per customer	+/- 0.291	N/A	\$310,868
T&D SAIIFI	8/8/2023 thru 12/31/2023	N/A	N/A	N/A	N/A
T&D SAIDI	1/1/2018 thru 8/22/2018	112.67 minutes per customer	+/- 23.22	N/A	\$506,965
T&D SAIDI	8/23/2018 thru 5/31/2019	118.47 minutes per customer	+/- 22.53	N/A	\$527,289
T&D SAIDI	6/1/2019 thru 3/31/2021	130.61 minutes per customer	+/- 33.57	N/A	\$518,113
T&D SAIDI	4/1/2021 thru 12/31/2022	113.54 minutes per customer	+/- 23.34	N/A	\$518,113

MAUI ELECTRIC COMPANY, LTD

PERFORMANCE INCENTIVE MECHANISM PROVISION (continued)  
Maui, Lanai, and Molokai Divisions

PIM:	Effective Period:	Performance Target:	Deadband:	Maximum Reward:	Maximum Penalty:
T&D SAIDI	1/1/2023 thru 8/7/2023	71.42 minutes per customer	+/- 19.52	N/A	\$310,868
T&D SAIDI	8/8/2023 thru 12/31/2023	N/A	N/A	N/A	N/A
Call Center	1/1/2018 thru 8/22/2018	91.34% of calls answered within 30 sec.	+/- 3.00%	\$202,786	\$202,786
Call Center	8/23/2018 thru 5/31/2019	87.22% of calls answered within 30 sec.	+/- 3.00%	\$210,916	\$210,916
Call Center	6/1/2019 thru 7/31/2024	87.56% of calls answered within 30 sec.	+/- 3.00%	\$207,245	\$207,245

MAUI ELECTRIC COMPANY, LTD

PERFORMANCE INCENTIVE MECHANISM PROVISION (continued)  
Maui, Lanai, and Molokai Divisions

PIM:	Effective Period:	Eligible Service	Incentive
Grid Service	6/1/2021 thru 12/31/2022	Load Reduction	\$17.70 per kW

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