

Testimony to

BOARD OF LAND AND NATURAL RESOURCES

September 26, 2025

Agenda Item D-2

Request to Conduct Two (2) Public Hearings on the Island of Maui Regarding Kaheawa Wind Power, LLC's Application to Direct Lease State Lands for the Continued Operation of Kaheawa Wind Power I, Ukumehame and Wailuku Districts on the island of Maui Further Identified by Tax Map Keys (TMKs) (2) 4-8-001: portion of 001 and 3-6-001: portion of 014;

and

Decision Making Regarding the Scope of the Appraisal for the Determination of the Annual Fair Market Rental Value of Kaheawa Wind Power I Located in the Ukumehame and Wailuku Districts on the island of Maui Further Identified by Tax Map Keys (TMKs) (2) 4-8-001: portion of 001 and 3-6-001: portion of 014.

Aloha Chair Chang and Members of the Board of Land and Natural Resources:

Thank you, members of the Board for the opportunity to provide this testimony. Kaheawa Wind Power, LLC ("KWP") respectfully submits this testimony to request that the Board of Land and Natural Resources ("BLNR" or "Board"):

- (a) Approve the present request to conduct two (2) public hearings on the island of Maui regarding KWP's application to direct lease state lands for the continued operation of the Kaheawa Wind Power I project, and
- (b) Declare that the appraiser shall determine the annual fair market rental value, including any percentage rent, if applicable, as of the date of valuation for unimproved land (and not for both land and improvements).

I. Executive Summary

Agenda Item D(2)(A)

KWP thanks and supports DLNR Land Division's recommendation to hold two public hearings on Maui in compliance with Hawaii Revised Statutes §171-95.3(c). The public hearings will serve an important role in providing transparency, presenting information about KWP's direct lease request, and allowing the community and stakeholders an opportunity to share input directly. The planned hearings in November

and December will help ensure that the statutory requirements are met and that the Board has a full record of testimony before acting on the lease request.

Agenda Item D(2)(B)

DLNR staff seeks a Board decision on the scope of an appraisal to determine the rents for the new lease that KWP seeks from DLNR. DLNR staff provided two appraisal options to the Board for its selection: that the appraised value of the land (and consequently the determination of the annual rental for the new lease) be based upon (1) the value of the land and the value of all improvements and equipment, including wind turbines, nacelles, inverters, wires, lines, foundations, etc. (which incorrectly assumes a reversion/transfer of all improvements and equipment built, installed and paid for by KWP to DLNR at the end of the Original Lease term), or (2) the value of just the land (exclusive of such improvements and equipment). DLNR staff recommends to the Board that the Board determine that the appraisal shall be of the land and improvements and equipment. We respectfully submit that this recommendation is based upon an incorrect reading of General Lease S-5731 between DLNR and KWP, as amended by the Holdover of General Lease No. S-5731. This incorrect reading yields a result that is legally incorrect and which will prevent KWP from securing financing to reinvest in the facility and prevent KWP from delivering on its proposal to Maui Electric, in addition to promoting other undesirable outcomes. Our conclusion is based upon the following:

1. The Controlling Language of the KWP Lease Arrangement with the State Requires (a) that the Board Not Assume Ownership of the KWP Improvements and Equipment, and (b) that the Board Appraise only the Unimproved Land for the Upcoming Lease.
2. State Ownership of the KWP Project Will Prevent KWP from Securing Necessary Financing to Reinvest in the Facility, and Therefore Prevent KWP from Delivering on its Stage 3 RFP Proposal to Maui Electric.
3. The Board Should Consider the Importance of Energy Affordability Given Rent Paid by the Facility is Directly Passed on to Maui Consumers.
4. The Board Should Consider the Impact to All Public Trust Lands Were KWP's Output Immediately Replaced by a Fossil Fuel Resource.
5. In an Era of Significant Uncertainty for Renewable Energy Projects, the Board has an Extremely Limited Window to Act to Preserve a Low-Cost Power Plant for Maui.

II. Background of the KWP Project.

KWP holds as lessee General Lease No. S-5731 dated January 19, 2005, as amended (collectively, the “Original Lease”)¹ from the Department of Land and Natural Resources (“DLNR”), which lease commenced on February 1, 2005, and was scheduled to expire on January 31, 2025, for lands located in the Ukumehame and Wailuku Districts on the island of Maui. KWP has developed upon such lands a 30 MW renewable wind energy project (“Project”). The Project delivers clean renewable energy to Maui residents via a power purchase agreement with Maui Electric Company, Ltd. (“Maui Electric”). The Project has been operating since 2006 and is capable of producing enough energy to power the equivalent of 17,000 homes annually on the Island of Maui. The Project is among the lowest cost electricity generators in the State of Hawaii and it currently saves Maui residents ~\$7 million per year vs. fossil fuels, a savings that would otherwise come as an immediate cost to residents if the facility ceased operation.² In 2024, the Project provided energy at 15%-30% below the cost of fossil-fueled generators on Maui.³ The Project delivers energy at a low, fixed price that reduces Maui’s exposure to fossil fuel price volatility, a cost that is otherwise directly passed on to consumers and contributes to unpredictable electricity costs. The cost to replace energy from the Project would be passed immediately to consumers and would disproportionately impact lower income households because those customers already bear the highest relative electricity cost burdens⁴.

The term of the Original Lease, which was scheduled to expire on January 31, 2025, was extended for a one-year period by that certain Holdover of General Lease No. S-5731, dated January 30, 2025 (the “Holdover Agreement”). In addition to the extension

¹ General Lease No. S-5731, dated January 19, 2005, between BLNR and KWP, as amended by Amendment of General Lease No. S-5731, dated March 11, 2005, by Amendment No. 2 of General Lease No. S-5731, dated July 15, 2005, and by Amendment No. 3 of General Lease No. S-5731, dated December 7, 2007.

² Since January 2024, Hawaiian Electric’s “Schedule Q” Avoided Cost of Energy for the Maui Division has averaged ~\$171 / MWh (see, e.g.: <https://www.hawaiianelectric.com/billing-and-payment/rates-and-regulations/avoided-energy-costs>). KWP’s current rate is ~\$136 / MWh. The facility’s rate will decrease from this level under the new Proposal selected by Maui Electric.

³ Energy cost comparison based on [avoided energy costs](#) and [energy cost recovery filings](#) for Maui.

⁴ See, e.g. [Hawai’i Department of Business, Economic Development & Tourism, *Electricity Burdens on Hawai’i Households:2025 Update*](#), Published January 2025, Page 4, “Electricity burdens consistently decrease with income; households with lower income levels tend to spend a higher proportion of their income on electricity bills”, and broader analyses on Pages 2-3 demonstrating average electricity burdens were significantly higher for Household Types with lower average annual incomes.

of the term of the Original Lease, the Holdover Agreement amended several critical provisions of the Original Lease, which provisions are further discussed below.

In December 2023, Maui Electric selected KWP via a highly-competitive solicitation known as the “Stage 3 RFP” to continue operations of the Project and to continue to deliver clean renewable energy to Maui residents for an additional 20 years via a new power purchase agreement with Maui Electric. Toward that end, KWP submitted an application for a new 20-year term lease to DLNR.

KWP and Maui Electric are close to finalizing a new power purchase agreement (the “New Power Purchase Agreement”) which would reduce the facility’s rate below its current rate, which would in turn generate more cost savings for Maui residents over the term of the New Power Purchase Agreement and new DLNR lease.

III. Background of the New Lease.

In September 2022, approximately 28 months prior to the scheduled expiration date of the Original Lease, KWP began discussions with DLNR staff regarding a possible extension of the Original Lease or a new lease for the term of the New Power Purchase Agreement with Maui Electric. Later, an in-person meeting was held in January 2023, followed by subsequent conversations with DLNR staff, along with other relevant agencies, to further discuss KWP’s options for an extension or a new lease. These discussions occurred well before Maui Electric selected KWP to continue operations via the Stage 3 RFP.

After KWP was selected in December 2023, KWP continued its outreach to DLNR staff to discuss an extension of the Original Lease or a new lease.

In October 2024, DLNR staff and KWP agreed that it would be appropriate to explore extending the term of the Original Lease by one year to address an inconsistency in the terms of the Original Lease and KWP’s existing power purchase agreement with Maui Electric. On December 13, 2024, the Board approved a holdover extending the term of the Original Lease from January 31, 2025 to January 31, 2026, and amending certain end of term provisions of the Original Lease. DLNR and KWP thereafter executed the Holdover Agreement.

Following many discussions between DLNR staff and KWP, it was determined that KWP should submit an application for a new lease, and in July 2025, KWP submitted its application for a new lease to DLNR.

During recent discussions between DLNR and KWP regarding the new lease, DLNR took the position that, upon the expiration of the term of the Original Lease, as extended by the Holdover Agreement, all improvements and equipment installed, built and paid for by KWP, would revert to (or become the property of) DLNR, and that KWP

would need to lease back all such improvements and equipment from DLNR. In other words, DLNR asserted it would take ownership of the KWP Project, and KWP would have to lease the entire wind project back from DLNR. This is surprising because this is directly contrary to the terms of the Original Lease, as amended by the Holdover Agreement. Moreover, this position is contrary to the State's goals of reducing energy costs for Hawaii's residents and increasing our supply of clean, renewable energy.

DLNR staff provided its Staff Submittal dated September 26, 2025 ("Staff Submittal") to the Board (a) requesting approval to conduct two (2) public hearings on the island of Maui regarding the lease pursuant to Hawaii Revised Statutes Section 171.95.3(c), and (b) requesting the Board's decision regarding the scope of the appraisal required to determine the annual rental under the new lease.

Regarding Item (a) (i.e., request for approval to conduct two (2) public hearings), KWP supports DLNR staff's request and recommendation. KWP appreciates and supports providing the public with the opportunity to comment regarding the Project.

However, regarding Item (b) (i.e., request for decision making regarding scope of the appraisal), KWP strongly disagrees with DLNR staff's recommendation.

DLNR staff provided two appraisal options to the Board for its selection: that the appraised value of the land (and consequently the determination of the annual rental for the new lease) be based upon (1) the value of the land and the value of all improvements and equipment, including wind turbines, nacelles, inverters, wires, lines, foundations, etc. (which incorrectly assumes a reversion/transfer of all improvements and equipment built, installed and paid for by KWP to DLNR at the end of the Original Lease term), or (2) the value of just the land (exclusive of such improvements and equipment). DLNR staff recommends to the Board that the Board determine that the appraisal shall be of the land and improvements and equipment. We respectfully submit that this recommendation is based upon an incorrect reading of the Original Lease, as amended by the Holdover Agreement. This incorrect reading yields a result that is legally incorrect and which will prevent KWP from securing financing to reinvest in the facility and prevent KWP from delivering on its Proposal to Maui Electric, in addition to promoting other undesirable outcomes. The balance of this Testimony discusses the reasons for this.

IV. The Controlling Language of the KWP Lease Arrangement with the State Requires (1) that the Board Not Assume Ownership of the KWP Improvements and Equipment, and (2) that the Board Appraise Only the Unimproved Land for the Upcoming Lease.

A. KWP's Flat Obligation to Remove the Improvements at the Termination of the Holdover Conflicts With, and is Controlling Over, the Original Lease's Language.

The Original Lease established that KWP (1) would own “the improvements constructed by [KWP], including without limitation all additions, alterations and improvements thereto,” (2) and would remove these improvements unless the State elected to assume ownership of such improvements. Section 11 of the Original Lease reads as follows:

11. Ownership of improvements. During the term of this lease, the improvements constructed by the Lessee, including without limitation all additions, alterations and improvements thereto or replacements thereof and all appurtenant fixtures, machinery and equipment installed therein, shall be the property of the Lessee. At early termination for whatever reason or expiration of this lease, all existing improvements and all additions, alterations and improvements thereto or replacements thereof and all appurtenant fixtures, machinery and equipment installed therein shall be removed at the Lessee's sole expense, unless the Lessor elects to assume ownership of improvements as provided herein. Wind turbine foundations shall be removed to a depth of two (2) feet below grade. Those improvements of which Lessor assumes ownership shall transfer to the Lessor free of cost and free of subsequent liability to the Lessee. (Emphasis added.)

However, DLNR and KWP subsequently entered into a Holdover Agreement, which provided (1) a flat obligation for KWP to remove all improvements at the termination of the holdover, and (2) an obligation for KWP to furnish a removal bond that would ensure that the obligation to remove all improvements at the termination of the holdover would be completed.

The Holdover Agreement, at Section 4 provides:

4. That at the expiration or other early termination of this holdover, the Lessee shall: (a) remove all improvements from the premises described in General Lease No. S-5731, including but not limited to all wind turbine foundations, infrastructure and road, subsurface improvements, with no depth limitation, and restore the premises to its original natural condition, all to the satisfaction of the

Lessor; and (b) peaceably deliver unto the Lessor possession of the premises in a clean and orderly condition. Furthermore, upon the expiration, termination, or revocation of this holdover, should the Lessee fail to remove any and all of Lessee's personal property from the premises, after notice thereof, the Lessor may remove any and all personal property from the premises and either deem the property abandoned and dispose of the property or place the property in storage at the cost and expense of Lessee, and the Lessee does agree to pay all costs and expenses for disposal, removal, or storage of the personal property. This provision shall survive the expiration or early termination of the holdover.

Lessee shall furnish a removal bond naming the Lessor as an obligee in the amount of FIFTEEN MILLION AND NO/100 DOLLARS (\$15,000,000.00) to ensure the removal of all of the improvements on the premises, including but not limited to all wind turbine foundations, infrastructure and road, subsurface improvements, with no depth limitation, and restoration of the premises to its original natural condition to the satisfaction of the Lessor. This amount may be increased by the Lessor in its sole and absolute discretion based upon the completion of Lessor's cost assessment (that includes procuring construction and engineering consultants) for the removal of the aforesaid improvements which assessment shall be paid for by the Lessee. The term of the removal bond shall survive the early termination or expiration of this holdover.

It is understood that, except as provided herein, should there be any conflict between the terms of General Lease No. S-5731 as aforesaid amended and the terms of this Section 4 of the holdover, the terms and conditions of this Section 4 shall control and specifically to the removal requirements and the removal bond requirement herein. (Emphasis added.)

To clarify the relationship between the Holdover Agreement and the Original Lease, Section 4 of the Holdover Agreement concludes with a statement that in the event of a conflict between the Original Lease and Section 4 of the Holdover Agreement, Section 4 of the Holdover Agreement controls.

On both provisions' faces, Section 11 of the Original Lease and Section 4 of the Holdover Agreement are in conflict. Section 4 of the Holdover Agreement requires flatly that KWP must remove the improvements and introduces obligations to ensure that removal is completed. Section 11 of the Original Lease allows for the possibility that removal would not occur because the State would have elected to assume ownership of improvements. The State cannot assume ownership of improvements that KWP has

entirely removed, and KWP may incur liability if removing improvements of which the State has assumed ownership. As a result, it is clear that Section 4 of the Holdover Agreement replaces all of the material provisions in Section 11 of the Original Lease as it relates to the end of the term and KWP's obligations to remove improvements. Showing the provisions side by side highlights the fact that each provision addresses the same material issues and that Section 4 of the Holdover Agreement omits the carveout to the removal obligation.

Section 11 of the Original Lease	Section 4 of the Holdover Agreement
At early termination for whatever reason or expiration of this lease, all existing improvements and all additions, alterations and improvements thereto or replacements thereof and all appurtenant fixtures, machinery and equipment installed therein shall be removed at the Lessee's sole expense, <i>unless the Lessor elects to assume ownership of improvements as provided herein.</i> (emphasis added)	[A]t the expiration or other early termination of this holdover, the Lessee shall: (a) remove all improvements from the premises described in General Lease No. S-5731, including but not limited to all wind turbine foundations, infrastructure and road, subsurface improvements, with no depth limitation, and restore the premises to its original natural condition, all to the satisfaction of the Lessor

To emphasize further the flat obligation to which KWP agreed as part of the Holdover Agreement, Section 4 requires that KWP remove all improvements with no depth limitation and restore the land to its original natural condition at the end of the holdover term. Additionally, KWP furnished a removal bond in the amount of \$15,000,000 to secure KWP's removal obligations. Further, to be certain that the bond amount would be sufficient for the removal, at DLNR's request, KWP paid \$112,679.84 for a study for DLNR to determine whether the bond amount should be increased.

Ultimately, Section 4 of the Holdover Agreement clearly omits any mention of an option in favor of the Board for assumption of ownership of improvements. Although DLNR staff asserts that the option for the Board to assume ownership of improvements remains, it is an incorrect interpretation. Such option to assume ownership of improvements no longer exists, and KWP continues to own all improvements at the end of the term of the Holdover Agreement.

B. The Board Should Determine the Annual Market Rental Value by an Appraisal of Only the Unimproved Land.

Given that Section 4 of the Holdover Agreement provides the controlling language describing the rights of the Board at the end of the holdover term, the existing contractual arrangement between the State and KWP does not grant the Board the right to assume ownership of the KWP improvements at the end of the holdover term. Because the State will not own the KWP improvements at the end of the holdover term, the appraisal employed by the State to determine the annual fair market rental value should be the unimproved land only. Such an appraisal would be reasonable and legally appropriate.

C. Because the Original Lease Did Not Include an Automatic Reversion of Improvements, the Staff Submittal's Reference to General Lease No. S-4302 Is Not Relevant to an Analysis of KWP's Position.

On page 6 of the Staff Submittal, DLNR staff references General Lease No. S-4302 on Hawaii island ("GL 4302") as a precedent for the Board to require transfer of improvements on leased state land to the state at the expiration of the lease, resulting in the lessee having to pay for improvements they built, in a new lease. However, the relevant language of GL 4302 is facially distinct from the relevant language of KWP's Original Lease. Paragraph 24 of GL 4302 requires that all improvements be transferred to the State at the expiration of the lease:

24. Surrender. That the Lessee shall and will at the expiration or sooner termination of this lease, peaceably and quietly surrender and deliver possession of the demised premises to the Lessor, together with all buildings and improvements of whatever name or nature, now on or hereafter erected or placed upon the same, in good order and condition, reasonable wear and tear excepted (emphasis added).⁵

This stands in stark contrast to Section 11 of the Original Lease. It requires that possession of the premises be surrendered to the State, where the Original Lease for KWP only provided an option for the State to assume ownership at the end of the term of the Original Lease. The precedent cited by the Staff Submittal contrasts further with Section 4 of the Holdover Agreement which provided only a flat obligation for KWP to remove all improvements at the end of the holdover term.

D. The Staff Submittal Errs in its Assessment of the Relationship Between the Holdover Agreement and the Original Lease.

On page 5 of the Staff Submittal, DLNR staff asserts that the provisions of Section 4 of the Holdover Agreement are in addition to the provisions of Section 11 of the

⁵ See Paragraph 24 of GL 4302. While we attempted to retrieve the Holdover Agreement for GL 4302 from DLNR, we were informed that no Holdover Agreement was ever executed and the terms of the submittal to the Board dated May 9, 2025 control.

Original Lease. We respectfully submit that this assertion is legally incorrect. Section 4 replaces the removal obligations of KWP; it does not add to them. Section 4 reads that “should there be any conflict . . . the terms and conditions of this Section 4 shall control, and specifically to the removal requirements and the removal bond requirement” (emphasis added). It does not provide that Section 4 is “solely intended to control” in relation to removal, as the Staff Submittal asserted. Instead, the very sentence in Section 11 of the Original Lease which addresses the removal and ownership of improvements is replaced by a different sentence in Section 4 of the Holdover Agreement, and the replacement sentence facially conflicts with the sentence in Section 11.

On page 5 of the Staff Submittal, DLNR staff also contends that the earlier DLNR staff submittal for the request to the Board for approval of the Holdover Agreement does not address the Board’s rights to retain improvements. Although the holdover staff submittal did not discuss the issue, the Holdover Agreement that DLNR staff prepared following the Board’s approval of a holdover for the lease clearly omitted the Board’s option to assume ownership of the improvements even though the Original Lease had included it as a carveout to the KWP’s responsibility to remove improvements.

On page 6 of the Staff Submittal, DLNR staff contends that KWP did not consult with DLNR Land Division staff regarding potential rent or appraisal scope prior to KWP’s proposal to Maui Electric to continue operation of the KWP Project. KWP communicated with DLNR staff previously regarding the reversion issue and consistently maintained the position that the default provisions of the Original Lease contemplate that KWP retains ownership of all improvements and must remove them. Given that, there was no need to discuss the scope of appraisal.

As noted above, DLNR has now asserted it would take ownership of the KWP Project, and KWP would have to lease the entire wind project (including all turbines, nacelles, inverters, wires, etc.) back from DLNR. This assertion fails to recognize two significant items: First, the Holdover Agreement removed the Board’s option to assume ownership of the improvements. Second, even if we assume for the sake of argument that the Board still has the option to assume ownership, it is still just an option and the Board has the discretion to not exercise that option. In the GL 4302 case, that lease required the lessee to transfer ownership of improvements to the Board following termination of the lease. In this instance, if the option were operative, it would just be an option. The Board should not be faulted for making an election that was negotiated by DLNR staff and approved by the Board years ago.

V. State Ownership of the KWP Project Will Prevent KWP from Securing Necessary Financing to Reinvest in the Facility, and Therefore Prevent it from Delivering on its Stage 3 RFP Proposal to Maui Electric

KWP’s New Power Purchase Agreement has been negotiated on the basis that KWP would own (not lease) the KWP Project and its express terms and conditions,

including preferential purchase rights in favor of Maui Electric, are premised on KWP's ownership of the KWP Project. Regardless of whether the New Power Purchase Agreement could in theory be eventually finalized and executed in a circumstance in which KWP does not own the KWP Project, KWP is unable to enter into any New Power Purchase Agreement if it is unable to obtain third-party financing for the refurbishment of the KWP Project that is needed to fulfill the obligations contemplated under the New Power Purchase Agreement. The required refurbishment of the KWP Project is expected to be funded through a combination of tax credit monetization, equity capital and third-party debt financing that has a first lien on the project assets. KWP's submittal to Maui Electric in the Stage 3 RFP solicitation, and the pricing in the New Power Purchase Agreement is modeled on can only be offered if the KWP Project is able to obtain such financing.

As a matter of standard industry practice, such third-party debt financing is expected to be project-level, non-recourse financing secured by the assets of the KWP Project. Failure of KWP to own the underlying assets and equipment comprising the KWP Project would be highly unusual for projects of this type, and we believe such lack of ownership by KWP would be fatal to any such financing—no third-party lender will provide debt-financing without a first priority, perfected security interest in the underlying assets and equipment comprising the KWP Project, which would be impossible to provide if the DLNR owned such assets and equipment. If third-party debt financing, tax credit monetization or equity funding on reasonable terms and at reasonable cost cannot be obtained, KWP cannot offer the power pricing from set forth in its submittal in the Stage 3 RFP, and it would be forced to withdraw and/or demand higher pricing from Maui Electric ultimately to the detriment of Maui's electric customers. In either case, including if Maui Electric pivoted to a higher-cost respondent the Stage 3 RFP, delivery of additional clean renewable energy to Maui residents would be delayed and would be more costly than under the current proposed terms of the New Power Purchase Agreement.

In addition, the proposed pricing under the New Power Purchase Agreement is premised on (a) the fair market rent payments proposed by KWP for the lease, (b) continued ownership by KWP of (i) improvements made by (or on behalf of) KWP on the leased property since the date of the Original Lease and (ii) all fixtures, machinery and equipment installed therein by (or on behalf of) KWP since the date of the Original Lease, and (c) ownership by KWP of (i) improvements made by (or on behalf of) KWP on the leased property following the date of the new lease and (ii) all fixtures, machinery and equipment installed therein by (or on behalf of) KWP following the date of the new lease, as such ownership by the project directly affects the ability to generate tax credits and properly depreciate the project.

VI. The Board Should Consider the Importance of Energy Affordability Given Rent Paid by the Facility is Directly Passed on to Maui Consumers

On page 6 of the Staff Submittal, DLNR staff asserts that the Board has a public

trust duty to responsibly manage Hawaii's natural resources and makes the argument that obtaining the "best value for use of public trust land" is consistent with its trust responsibilities. Further on page 6, DLNR staff asserts that if the Board fails to assume ownership of the improvements, the Board "could be conceived as the State subsidizing a private for-profit business as it would be similar to giving a discount in rent and contrary to the Board's decision in the previously referenced example of GL 4302 on Hawaii island."

KWP is in the business of selling low-cost renewable electricity to Maui Electric, and the cost of energy from KWP is paid for by Maui Electric customers. While KWP cannot re-open its 2023 pricing proposal to Maui Electric, even if it could, were the State to increase the Rent on KWP as DLNR staff implies, KWP would simply be required to pass this cost to Maui Electric customers, along with a higher cost of capital due to inability to secure financing, and likely a loss of federal tax credits due to further project delay. This would simply increase cost to Maui Electric customers, and is directly in conflict with the State's public policy objectives including improving energy affordability and addressing the high cost of living in the State.

In January 2025, the governor signed Executive Order No. 25-01⁶ which calls for collective action to provide the lowest cost to ratepayers and accelerates the goal of 100% renewable electricity production in the county of Maui by 2035. KWP fulfills the intent of this Order, providing a fixed-price, lower cost of energy well below the cost of fossil fuels and helping prevent higher costs, particularly for low-income households who may spend up to 20% of their income on electricity costs.⁷

VII. The Board Should Consider the Impact to All Public Trust Lands Were KWP's Output Immediately Replaced by a Fossil Fuel Resource

We believe the DLNR Staff assertions ignore the broader issues of climate change and its impacts on all lands, including public trust lands, that should also be considered by the Board. While discussion of the impacts of climate change on the environment and Hawaii's natural resources is beyond the scope of this Testimony, energy from KWP will need to be replaced in the immediate term by burning fossil fuels from an aging combustion turbine energy generation facility. It should be unambiguous that this will have a far greater impact on the environment, Hawaii's natural resources, and climate change. We urge the Board to conclude that its obligation to the public trust is best served by protecting access to clean, affordable energy resources and protecting Hawaii's natural resources from the impacts of burning fossil fuels to generate electricity.

⁶ See Executive Order 25-01, January 27, 2025, signed by Josh Green, Governor of Hawai'i.

⁷ See, e.g. [Hawai'i Department of Business, Economic Development & Tourism, Electricity Burdens on Hawai'i Households:2025 Update](#), Published January 2025. Page 12, Table 7. Average monthly electricity cost and electricity burden: Maui County.

Moreover, KWP strengthens Maui's energy security at a critical time, as up to half of the island's fossil-fueled generation is set to retire in the coming years. Hawai'i remains heavily dependent on petroleum from volatile foreign markets, leaving the state exposed to geopolitical risks and imported fossil fuel price variability. By contrast, KWP provides a stable, locally produced renewable resource that reduces reliance on imported oil. Its ability to generate power throughout the day and night, including cloudy days when solar resources are unavailable, makes it an essential contributor to resource diversity.

VIII. In an Era of Significant Uncertainty for Renewable Energy Projects, the Board has an Extremely Limited Window to Act to Preserve a Low-Cost Power Plant for Maui

Following the passage of the One Big Beautiful Bill Act ("OBBBA"), renewable energy projects face a very narrow path to qualify for longstanding renewable energy tax credits such as the Production Tax Credit (PTC) and Investment Tax Credit (ITC). KWP's 2023 pricing proposal to Maui Electric includes the value of PTC credits, which materially reduces the cost of electricity KWP can offer to Maui customers. Were KWP not able to move forward with its current Proposal due to the State assuming ownership of the KWP Improvements, any future Proposals from KWP to Maui Electric, if any at all, are unlikely to qualify for federal tax credits due to the multi-year lead time required to permit, contract, and ultimately construct a new facility. Furthermore, other factors, including federal permitting uncertainty⁸, and federal tariffs, especially on wind turbine components⁹, significantly complicate the ability of renewable energy projects to reach commercial operation, including KWP's current Proposal, and emphasize the importance of the Board ensuring Maui has the best chance of retaining a longstanding, low-cost existing power plant.

Without qualifying for federal tax credits, future Proposals from KWP to Maui Electric, if any, will be significantly more expensive. We urge the Board to consider the limited opportunity to preserve a facility for Maui that can benefit from Federal Tax Credits.

IX. KWP's Request to the Board

Based on the analysis above, **KWP respectfully requests that the Board**

⁸ See, for example, the U.S. Department of Interior July 15, 2025 memo "Departmental Review Procedures for Decisions, Actions, Consultations, and Other Undertakings Related to Wind and Solar Energy Facilities".

⁹ See, for example, the recently initiated 232 National Security Investigation of Imports of Wind Turbines and Their Parts and Components, US Department of Commerce, Docket No. 250818-0143.

(a) approve DLNR staff's request to conduct two (2) public hearings on the Island of Maui regarding KWP's application to direct lease state lands for the continued operation of KWP Project, and


(b) declare that the appraiser shall determine the annual fair market rental value, including any percentage rent, if applicable, as of the date of valuation for unimproved land, explicitly excluding KWP's personal property and other land improvements from such valuation.

[Signature Page Follows]

Chair Chang and Members of the Board
of Land and Natural Resources
September 26, 2025
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Respectfully submitted,

KAHEAWA WIND POWER, LLC

By: 
Name: David Purcell
Title: Vice President