

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)
)
HAWAIIAN ELECTRIC COMPANY, INC.,)
HAWAII ELECTRIC LIGHT COMPANY, INC.)
and MAUI ELECTRIC COMPANY, LIMITED)
)
For the Approval of the Issuance of)
Refunding Special Purpose Revenue)
Bonds and Related Notes and)
Guarantees, and Authorization to)
Enter into Related Agreements.)
_____)

DOCKET NO. 2006-0383

DECISION AND ORDER NO. 23100

Filed Dec. 4, 2006
At 12 o'clock P.M.

Karen Higashi
Chief Clerk of the Commission

DIV. OF CONSUMER ADVOCACY
DEPT. OF COMMERCE AND
CONSUMER AFFAIRS
STATE OF HAWAII

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Commission, State of Hawaii.

K. Higashi

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DECISION AND ORDER

By this Decision and Order, the commission approves the requests of HAWAIIAN ELECTRIC COMPANY, INC. ("HECO"); HAWAII ELECTRIC LIGHT COMPANY, INC. ("HELCO"); and MAUI ELECTRIC COMPANY, LIMITED ("MECO") (collectively, "Applicants") to participate, at their discretion, in one or more sales by the Department of Budget and Finance of the State of Hawaii (the "Department") of refunding special purpose revenue bonds ("Refunding Bonds") to redeem Series 1996A Bonds ("Series 1996A Refinancing") and/or Series 1996B Bonds ("Series 1996B Refinancing") (collectively, the "Refinancings"); subject to certain conditions set forth herein.

I.

Background

Applicants are Hawaii corporations and public utilities as defined by Hawaii Revised Statutes ("HRS") § 269-1 and, thus,

are regulated by the commission under Chapter 269, HRS. HECO, a wholly-owned subsidiary of Hawaiian Electric Industries, Inc. ("HEI"), is engaged in the production, purchase, transmission, distribution, and sale of electricity on the island of Oahu in the State of Hawaii ("State").¹ HELCO, a wholly-owned subsidiary of HECO, is engaged in the production, purchase, transmission, distribution, and sale of electricity on the island of Hawaii.² Likewise, MECO, a wholly-owned subsidiary of HECO, is engaged in the production, purchase, transmission, distribution, and sale of electricity in the County of Maui, consisting of the islands of Maui, Molokai, and Lanai.³

A.

Application

On September 21, 2006, Applicants jointly filed an application requesting the approvals necessary to participate, at their discretion, in one or more sales by the Department of Refunding Bonds, for Applicants' benefit, in the aggregate principal amount of up to \$125 million ("Application").⁴

¹HECO was initially organized under the laws of the Kingdom of Hawaii on or about October 13, 1891.

²HELCO was initially organized under the laws of the Republic of Hawaii on or about December 5, 1894.

³MECO was initially organized under the laws of the Territory of Hawaii on or about April 28, 1921.

⁴The Application was filed under HRS § 269-17 and Hawaii Administrative Rules ("HAR") Subchapter 9 of Chapter 6-61. Applicants served copies of their Application on the DIVISION OF CONSUMER ADVOCACY, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS ("Consumer Advocate"), an ex officio party to all matters before the commission pursuant to HRS § 269-51 and HAR § 6-61-62.

If the financial markets remain favorable, Applicants propose that the Refunding Bonds be sold in one or more series and in one or more offerings, as necessary and desirable. They intend to use the proceeds from the transaction to redeem (in whole or in part, from time to time), as applicable, the Series 1996A Bonds and/or the Series 1996B Bonds.⁵ Accordingly, Applicants request the following approvals:

1. For HECO, HELCO, and MECO to each (alone or together with one or more of the others) participate with the Department in one or more of the Refinancings, within the parameters set forth in their Application, for a total of up to \$62 million for HECO, up to \$8 million for HELCO, and up to \$55 million for MECO, as authorized by Act 148, Session Laws of Hawaii ("SLH") 1994 ("Act 148");
2. To borrow the proceeds from the issuance of the Refunding Bonds through entry into one or more loan agreements ("Loan Agreements") and issuance by the participating Applicants of their respective notes ("Notes");
3. For each of the Applicants to issue the Notes and to execute and deliver the Notes and Loan Agreements (including the authorization of

No persons moved to intervene or participate without intervention in this docket.

⁵The Series 1996A and Series 1996B Bonds are collectively referred to as the "Original Bonds."

HECO, at its discretion, to issue its guarantees of any obligations of HELCO and MECO under the Notes and each Loan Agreement (collectively, the "HECO Guarantees")) and to execute and deliver other financing documents (collectively, the "Financing Documents") that are necessary or desirable to complete the Refinancings; and

4. To purchase bond insurance for the Refunding Bonds if the purchase of bond insurance is desirable and provides an overall savings in comparison to a sale of Refunding Bonds without insurance, and to enter into one or more negative covenant agreements and other agreements between HECO and the bond insurer if a negative covenant and/or other agreements are required as a condition to obtaining the bond insurance.

1.

Refunding Bonds

a.

The Refinancings

Act 148 authorized the Department to issue, by December 31, 1997, up to \$70 million, \$45 million, and \$55 million of revenue bonds for the electric energy projects of HECO, HELCO, and MECO, respectively; provided that the commission approves the proposed projects to be financed by the proceeds of

the revenue bonds.⁶ In Docket No. 95-0096, Applicants applied for and received the various authorizations, certifications, and approvals necessary to borrow from the Department the proceeds from the sale of revenue bonds. Later, in May 1996, the Department issued the fixed rate Series 1996A Bonds in the amount of \$75 million of which HECO was loaned \$48 million, HELCO was loaned \$7 million, and MECO was loaned \$20 million. In December 1996, the Department issued the fixed rate Series 1996B Bonds in the amount of \$50 million of which HECO was loaned \$14 million, HELCO was loaned \$1 million, and MECO was loaned \$35 million.

The Series 1996A Bonds are currently subject to redemption by the Department at HECO's request (in whole or in part, from time to time).⁷ The Series 1996B Bonds are subject to redemption by the Department at HECO's request (in whole or in part, from time to time) on or after December 1, 2006.⁸ Act 148

⁶Act 148 was enacted pursuant to Section 12 of Article VII of the Hawaii State Constitution, which permits the Legislature to enact enabling legislation for the issuance of revenue bonds by the State to finance facilities of utilities that serve the general public, and, by separate legislative bill, to authorize the State to issue revenue bonds for single or multi-project programs of such utilities. Part VI of Chapter 39, HRS was enacted under this constitutional provision in 1981 (Act 151, SLH 1981) as the enabling legislation for the issuance of revenue bonds by the Department to assist utilities that serve the general public. HRS § 39A-206 provides that the Legislature may authorize the issuance of refunding revenue bonds for the purpose of refunding any revenue bonds then outstanding.

⁷The present redemption price of the Series 1996A Bonds is 101% of the principal amount of the bonds, plus accrued interest to the date of redemption. The redemption price declines to 100% on or after May 1, 2007.

⁸The initial redemption price of the Series 1996B Bonds is 102% of the principal amount of the bonds, plus accrued interest

authorizes the Department to issue (from time to time) Refunding Bonds to refund bonds issued under the act, including the Original Bonds.

With regard to the Refunding Bonds, Applicants request the flexibility to carry out the Refinancing of each series of bonds either alone or combined in a single offering with: (a) one or more series of revenue bonds issued to finance facilities of the applicable Applicant for the local furnishing of electricity ("Nonrefunding Bonds") and/or (b) other refunding bonds. They also request the flexibility to structure the proposed Refinancings so that the Refunding Bonds can be sold in one or more series, including one or more series of Refunding Bonds to effect the redemption (in whole or in part, from time to time) of a single series of Original Bonds. The Refunding Bonds are expected to be sold through one or more negotiated public offerings. Applicants describe the procedures, participants, financing documents, and agreements involved in the Refinancings in Pages 11-17 of the Application.

b.

Loan Agreements (and HECO's Guarantees)

With respect to the Refunding Bonds, Applicants anticipate entering into one or more Loan Agreements with the

to the date of redemption. The redemption price declines to 101% on or after December 1, 2007, and declines to 100% on or after December 1, 2008.

Department, as provided for in HRS § 39A-195.⁹ Aside from certain necessary or desirable changes unique to these transactions, each loan agreement is expected to have substantially the same form as the loan agreements entered into by HECO, HELCO, and/or MECO in previous sales of revenue bonds and refunding revenue bonds that were reviewed and approved by the commission.¹⁰

Under each loan agreement, each Applicant will be obligated to repay the respective proceeds borrowed from the sale of the Refunding Bonds and to evidence and secure its obligation to repay each loan; and participating Applicants will deliver to the Department (or the new bond trustee) its Notes in the amount of its respective loan. The terms of the Notes will generally be duplicative of the terms of the related Refunding Bonds with respect to interest rate, maturity, redemption, and other provisions.

The Notes and any related agreements (i.e., the obligations) of HELCO and MECO under the Loan Agreements for which they are a party will probably be guaranteed by HECO, which is consistent with HELCO and MECO's obligations with respect to the issuance of the Original Bonds. Aside from certain necessary or desirable changes unique to these transactions, Applicants anticipate that HECO's Guarantees for these matters will be in

⁹Under each Loan Agreement, the Department will lend the participating Applicants the proceeds from the sale of the Refunding Bonds, which in turn will be utilized by the Applicants to repay all or part of the Notes they issued in borrowing the proceeds from the sale of the Original Bonds.

¹⁰Applicants refer to Docket Nos. 6333, 6554, 6797, 7624, 95-0096, 97-0351, 99-0060, 99-0120, 00-0120, and 03-0045. See Application at 16.

substantially the same form as the guarantees set forth in the loan agreements, which were entered into regarding revenue bonds and refunding revenue bonds that were previously filed with the commission in prior dockets.¹¹

c.

Proposed Parameters for Refunding Bond and Revised Notes

Applicants proposed to issue the Refunding Bond and related Notes within the following parameters:

Designation: Each series of Refunding Bonds shall include in its designation the year of issuance (e.g., 2007) and, if any of the Applicants anticipate issuing more than one series of special purpose revenue bonds or refunding special purpose revenue bonds in that year, a letter designating the particular series (e.g., "Refunding Series 2007A").

Aggregate
Principal Amount: Up to \$125,000,000 as follows:

For Series 1996A Refinancing:
HECO: up to \$48,000,000
HELCO: up to \$ 7,000,000
MECO: up to \$20,000,000

For Series 1996B Refinancing:
HECO: up to \$14,000,000
HELCO: up to \$ 1,000,000
MECO: up to \$35,000,000

Maturity: Such date for each series of Refunding Bonds which is not more than 120% of the remaining weighted average reasonably expected economic life of the projects originally financed with the proceeds of the bonds being refunded by such series of Refunding Bonds, calculated in compliance with Section 147(b) of the Internal Revenue Code.

¹¹Applicants refer to Docket Nos. 6554, 6797, 7624, 95-0096, 97-0351, 99-0060, 99-0120, 00-0120, and 03-0045. Id. at 17.

Interest Rate: Fixed interest rate not to exceed:
For Series 1996A Refinancing: 5.25%
For Series 1996B Refinancing: 5.00%

Price: Not less than 95% of the principal amount of the Refunding Bonds.

Underwriting Commission: Up to 2.0% of the principal amount of the Refunding Bonds.

Redemption Provisions: Substantially as provided for in connection with previous series of special purpose revenue bonds or refunding special purpose revenue bonds issued for the benefit of the Applicants, except (a) if an optional redemption is permitted, the period which must elapse before an optional redemption may occur, and/or the redemption premium schedule, methodology or amount, may be changed; and (b) if more than one series of Refunding Bonds is issued in connection with the Series 1996A and Series 1996B Refinancings, including the issuance of more than one series of Refunding Bonds to effect the redemptions, the redemption provisions may vary as between each series of Refunding Bonds.

Covenants: Substantially as provided for in pervious series of special purpose revenue bonds or refunding special purpose revenue bonds issued for the benefit of the Applicants.

d.

Issuance Costs, Bond Insurance, and Negative Covenants

The issuance costs of the proposed Refinancings are estimated to be approximately \$4.85 million. A detailed description of the issuance costs for the proposed Refinancings is set forth in Exhibit A of the Application.

With regard to the proposed transactions, Applicants request approval to purchase bond insurance for one or more series of Refunding Bonds, if, in their judgment, the procurement of bond insurance will result in net cost savings after taking into account the insurance premiums that must be paid by the Applicants to obtain the insurance and such savings are not outweighed by the disadvantages of restrictions imposed by the bond insurer. Applicants represent that bond insurance effectively makes the insurer ultimately liable for the interest and principal payments on the insured bonds and that insured revenue bonds receive the higher credit rating of the insurer, as opposed to that of the Applicants, thereby reducing the interest rate to be paid on the bonds by the Applicants.

Moreover, if bond insurance is purchased, Applicants request commission approval to enter into agreements with the bond insurer that contain negative covenants and other restrictions. For example, negative covenants would provide that "without the consent of the bond insurer (which consent may not be unreasonably withheld), HECO and its subsidiaries will not issue first mortgage bonds or similar secured debt, without equally and ratably securing the debt to be insured by the bond insurer or other outstanding bonds insured by the bond insurer, with exceptions and limitations which are the same or in substance similar to those included in the negative covenants previously entered into by HECO."¹² Applicants state that the disadvantage of the proposed negative covenant would be to

¹²Id. at 20.

restrict their ability to issue secured debt in the future; however, they state that this is not a meaningful disadvantage since, among other things, they do not intend to issue secured debt in the future and since HECO already entered into similar negative covenants with respect to revenue bonds that have maturity dates later than the expected maturity dates of the Refunding Bonds.

Additionally, if Applicants decide to procure bond insurance, the insurer may also require other restrictive provisions, such as, mandatory redemption and loan repayment provisions. In considering purchasing bond insurance, Applicants will weigh the overall financial savings of procuring insurance against the restrictions of the related negative covenants and restrictive provisions. If, in the judgment of Applicants, "the savings that will be realized by purchasing bond insurance outweigh the restrictions, and if the related sale can be concluded on a timely basis with the purchase of bond insurance, then . . . [Applicants] request the flexibility to purchase bond insurance and enter into a related negative covenant and other restrictions" required by the insurer.¹³

2.

Benefits of the Refinancings

Based on recent interest rates for insured revenue bonds, Applicants represent that if the Refunding Bonds are sold and proceeds are used to redeem all of the bonds, the Series

¹³Id. at 22.

1996A Refinancing and Series 1996B Refinancing could result in reducing Applicants' revenue requirements by an estimated \$17.1 million and \$6.4 million, respectively (or about \$7.8 million and \$2.6 million, respectively, on a net present value basis using a discount rate of 8.6% which is the long-term weighted average incremental after tax cost of capital), over the remaining lives of the Original Bonds. Applicants provide details regarding the estimated savings resulting from the Refinancings on pages 8-9 of the Application.

Applicants contend that savings from replacing the Original Bonds "with the Refunding Bonds bearing a lower interest rate will lower . . . [Applicants'] embedded cost of debt" which is part of Applicants' cost of capital and "which is used in determining the rate of return on rate base that the [c]ommission uses in establishing . . . [Applicants'] electric rates."¹⁴

3.

Waiver Request

In its Application, Applicants request a waiver of HAR §§ 6-61-101(b)(1), 6-61-101(b)(5), 6-61-101(b)(6), and 6-61-101(b)(7) ("Waiver Request"), which provide for the filing of financial statements; and for the latest year and for each of the succeeding five years, a copy of source and application of funds statement; a statement of capital structure, including notes payable as debt; and a statement showing interest coverage.

¹⁴Id. at 9.

Applicants assert that since the proposed Refunding Bonds would "simply" be a replacement of existing debt with less expensive debt the information is unnecessary to the commission's review of Applicants' requests. Applicants represent that they previously received commission waiver of these provisions regarding refunding special purpose revenue bonds in other proceedings.¹⁵

4.

Applicants' Reports

Applicants state that they will report to the commission:

1. The results of each of the Refinancings as soon as practicable after conclusion of the transaction and that this report will include, with respect to the financings: (a) a statement of the actual expenses incurred; (b) a copy of the final official statement; and (c) a copy of the bond counsel's opinion that the interest on the refunding revenue bonds is exempt from federal and State income taxes under applicable laws and regulations in effect at the time of the refunding special purpose revenue bonds are issued ("Financing Results Report").

¹⁵Applicants refer to Docket Nos. 97-0351, 99-0060, 00-0120, 03-0045, and 04-0303. See Application at 24.

2. Within sixty (60) days after each sale of Refunding Bonds, the information required by HRS § 39A-208(b) ("HRS § 39A-208(b) Report").
3. Information enabling the commission to make its report to the Legislature, as required by Act 148 (by each May 1 beginning the year after the bonds are issued) ("Annual Report").
4. A copy of the principal Financing Documents (as listed in Part IV of the Application) and other final documents used in the Refinancings, upon commission request.

B.

Consumer Advocate's Position

On October 24, 2006, the Consumer Advocate filed its Statement of Position informing the commission that it does not object to approval of the Application ("CA's Statement of Position"). According to the Consumer Advocate, the Refinancings comply with the requirements of HRS § 269-17 since: (1) the commission previously determined that the monies received from the Original Bonds would be used for purposes consistent with HRS § 269-17¹⁶; and (2) the commission stated that the projects to be financed with revenue bond proceeds were for the provision of electric service consistent with the requirements of Act 148.

¹⁶The Consumer Advocate cites to Docket No. 95-0096, Decision and Order No. 14396 filed on November 28, 1995, and Order No. 14517, filed on February 12, 1996. See CA's Statement of Position at 4.

In addition, the Consumer Advocate recognizes that the proposed Refinancings are intended to ultimately decrease Applicants' cost of capital. To the extent that Applicants are able to issue refunding special purpose revenue bonds at rates and costs that will achieve savings, "the proposed transactions are in the interests of Applicants and their respective customers."¹⁷ Thus, the Consumer Advocate recommends that the commission approve the Refinancings.

Additionally, the Consumer Advocate states that it does not oppose Applicants' Waiver Request since, as noted by Applicants, the request is merely to replace existing debt with less expensive debt.

Finally, in conjunction with Applicants' representations regarding the filing of reports, the Consumer Advocate recommends that the commission require Applicants to provide the commission and the Consumer Advocate with, as soon as practicable: (1) the statement of actual expenses incurred; (2) the final official statement; and (3) if bond insurance is purchased, a copy of the analysis demonstrating that the purchase of bond insurance would be cost effective and result in savings to Applicants ("Bond Insurance Analysis").

¹⁷Id. at 5.

II.

Discussion

A.

HRS § 269-17 Analysis

HRS § 269-17 states, in part:

A public utility corporation may, on securing the prior approval of the public utilities commission, and not otherwise, issue stocks and stock certificates, bonds, notes, and other evidences of indebtedness, payable at periods of more than twelve months after the date thereof, for the following purposes and no other, namely: for the acquisition of property or for the construction, completion, extension, or improvement of or addition to its facilities or service, or for the discharge or lawful refunding of its obligations or for the reimbursement of moneys actually expended from income or from any other moneys in its treasury not secured by or obtained from the issue of its stocks or stock certificates, or bonds, notes, or other evidences of indebtedness, for any of the aforesaid purposes except maintenance of service, replacements, and substitutions not constituting capital expenditure in cases where the corporation has kept its accounts for such expenditures in such manner as to enable the commission to ascertain the amount of moneys so expended and the purposes for which the funds in its treasury applied to the expenditures. . . . All stock and every stock certificate, and every bond, note, or other evidence of indebtedness of a public utility corporation not payable within twelve months, issued without an order of the commission authorizing the same, then in effect, shall be void.

HRS § 269-17 (emphasis added).

In approving an application filed under HRS § 269-17, the commission must find that the proposed purpose of the

transaction will not have a material adverse effect on a company's public utility operations.¹⁸

Here, the proposed Refunding Bonds, Refinancings and related transactions appear reasonable and in the public interest. The proposed Refinancings are a contemplated and permitted purpose for the issuance of long-term debt or other forms of indebtedness under HRS § 269-17. Additionally, the commission already determined that the purpose for which the bonds were issued was reasonable and approved the issuance of the Original Bonds under HRS § 269-17.¹⁹

The commission also recognizes that Applicants through the proposed Refinancings will basically be replacing existing debt with less expensive debt, and, thus, should not adversely affect any of Applicants' public utility operations. Moreover, Applicants' participation in the proposed financial transactions, if deemed desirable and market conditions are favorable, will lower their cost of capital (i.e., their debt), which should ultimately benefit their ratepayers.

Based on the above, the commission concludes that the proposed Refunding Bonds, Refinancings and related financial

¹⁸See In re Hawaiian Electric Company, Inc., Maui Electric Company, Limited, and Hawaii Electric Light Company, Inc., Docket No. 00-0120, Decision and Order No. 18151, filed on October 20, 2000, at 10-11; In re Hawaiian Electric Company, Inc., Hawaii Electric Light Company, Inc., and Maui Electric Company, Limited, Docket No. 04-0303, Decision and Order No. 21497, filed on December 17, 2004, at 12.

¹⁹See In re Hawaiian Electric Company, Inc., Maui Electric Company, Limited, and Hawaii Electric Light Company, Inc. Docket No. 95-0096, Decision and Order No. 14396, filed on November 28, 1995, at 17.

transactions, as contemplated in the Application, should be approved, as specified in section III, below.

B.

Waiver Request

Applicants request that the commission waive the filing requirements of HAR §§ 6-61-101(b)(1), 6-61-101(b)(5), 6-61-101(b)(6), and 6-61-101(b)(7). Given that the proposed Refinancings involve simply replacing Applicants' existing debt with less expensive debt, the commission finds that the information related to Applicants' Waiver Request does not appear to be necessary for review of the Application. In addition, some of the information has already been filed with the commission in other matters. For instance, HECO, HELCO, and MECO filed annual financial reports for the year ending December 2005 on April 28, 2006; July 10, 2006; and April 12, 2006; respectively.²⁰ Further, the commission notes that it appears to be commission practice to waive the filing requirements of HAR §§ 6-61-101(b)(1), 6-61-101(b)(5), 6-61-101(b)(6), and 6-61-101(b)(7) for matters similar to the instant proceeding.²¹

²⁰Additionally, Applicants' audited financial statements for the year ended December 31, 2005, contained in HECO's and HEI's Form 8-K dated March 7, 2006 were filed with the commission on March 8, 2006, and Applicants incorporate these filings by reference for the matters of this docket. See Application at 22.

²¹See In re Hawaiian Electric Company, Inc., Maui Electric Company, Limited, and Hawaii Electric Light Company, Inc., Docket No. 00-0120, Decision and Order No. 18151, filed on October 20, 2000, at 14; In re Hawaiian Electric Company, Inc., and Hawaii Electric Light Company, Inc., Docket No 03-0045, Decision and Order No. 20120, filed on April 14, 2003 at 13; In re Hawaiian Electric Company, Inc., Hawaii Electric

Accordingly, the commission concludes that Applicants' Waiver Request should be approved.

C.

Consumer Advocate's Filing Recommendations

In conjunction with the reports that Applicants represent that they will file, the Consumer Advocate recommends that the commission require that Applicants file: (1) a statement of actual expenses incurred; (2) the final official statement; and (3) if bond insurance is purchased, a copy of the Bond Insurance Analysis, as soon as practicable. Aside from the Bond Insurance Analysis, the other information that the Consumer Advocate is recommending that Applicants file is already incorporated within the Financing Results Report, which Applicants already agreed to file. Accordingly, the commission will only specifically adopt the Consumer Advocate's recommendation that Applicants file a copy of their Bond Insurance Analysis, if bond insurance is purchased. With regard to the other reports that Applicants represent that they will file, including the Financing Results Report which, among other things, includes a statement of actual expenses incurred and the final official statement, the commission will specifically require the filing of such reports as a regulatory requirement for approval of the Application as set forth in Section III, ordering paragraph 15, below.

Light Company, Inc., and Maui Electric Company, Limited,
Docket No. 04-0303, Decision and Order No. 21497, filed on
December 17, 2004, at 17.

III.

Orders

THE COMMISSION ORDERS:

1. HECO, HELCO, and MECO are each authorized, in their discretion, to borrow from the Department, or its trustee, up to a total of \$62 million, \$8 million, and \$55 million, respectively, representing proceeds from one or more sales by the Department of the Refunding Bonds authorized by Act 148, within the parameters described in their Application.

2. Applicants are each authorized, in their discretion, to participate in one or more Refinancings (including partial Refinancings), provided that the terms of the Refunding Bonds fall within the parameters described in their Application

3. Applicants are each authorized to carry out each Refinancing (including partial Refinancings) either alone or combined in a single offering with (a) another Refinancing (or partial Refinancings), (b) one or more series of Nonrefunding Bonds, and/or (c) other refunding bonds.

4. The Refunding Bonds may be sold in one or more offerings and/or one or more series, including one or more series of Refunding Bonds to effect the redemption (in whole or in part, from time to time) of a single series of Original Bonds.

5. Applicants are each authorized to enter into one or more Loan Agreements covering borrowings in connection with the Refunding Bonds (and providing for the payment by Applicants of all underwriting commissions and other expenses of each

contemplated financing), in substantially the same form previously used in connection with any previous series of special purpose revenue bonds and refunding special purpose revenue bonds, with such changes as are necessary or desirable, including changes that may be necessary if it is determined to (a) carry out the Refinancings in more than one offering, (b) combine the Refinancings (or portions thereof) in one offering of one or more series of Refunding Bonds, Nonrefunding Bonds, and/or other special purpose refunding bonds, (c) carry out a partial Refinancing, and/or (d) modify the final terms of any bond insurance arrangements.

6. HECO, HELCO, and MECO are each authorized, in their discretion, to issue its respective Notes to the Department, or its trustee, in the aggregate amounts of up to \$62 million, \$8 million, and \$55 million, respectively, in connection with the borrowings by the Applicants of the proceeds from the sale (or sales) of the Refunding Bonds by the Department (such Notes in total to correspond in principal amount, interest rate, maturity, and redemption provisions to the related Refunding Bonds).

7. Applicants are each authorized, in their discretion, to execute and deliver any and all Financing Documents that are necessary or desirable in order to conclude the proposed Refinancings, described in the Application.

8. HECO, in its discretion, in connection with the borrowings by HELCO and MECO from the Department or its trustee of a portion of the proceeds of the Refunding Bonds, is

authorized to guarantee the obligations of HELCO and MECO under the Loan Agreement(s), their respective Note(s), and with respect to any of their other obligations.

9. Applicants are authorized to purchase bond insurance for one or more series of Refunding Bonds, and to pay the related insurance premiums, if the sale (or sales) of Refunding Bonds can be concluded on a timely basis with the purchase of insurance, and if in the judgment of Applicants the purchase of bond insurance is desirable, taking into consideration the net cost savings (after taking into account the insurance premiums that must be paid by Applicants to obtain such insurance) weighed against the disadvantages of any required negative covenant or other restrictive provisions (such as the restriction on corporate reorganizations included as a mandatory redemption event for the Series 2002A, Series 2003A, Series 2003B, and Series 2005A revenue bonds).

10. In the event any of the Refunding Bonds are to be insured, Applicants are authorized to enter into any insurance agreements or other agreements that may be required to obtain such insurance, and to include such terms in the Financing Documents as may be required by the bond insurers or as otherwise may be necessary or desirable to complete the related proposed sale (or sales) of Refunding Bonds on an insured basis.

11. HECO is authorized to enter into one or more negative covenant agreements with the bond insurer in connection with each series of Refunding Bonds, should bond insurance be purchased and should a negative covenant be required, which would

in substance provide that, without the consent of the bond insurer (which consent may not be unreasonably withheld), HECO and its subsidiaries will not issue first mortgage bonds or other secured debt without equally and ratably securing the bonds to be insured by the bond insurer and other outstanding bonds insured by the bond insurer, with exceptions and limitations which are the same or in substance similar to those included in the negative covenants entered into by HECO in connection with a previous series of revenue bonds and refunding revenue bonds.

12. Mandatory redemption and loan repayment provisions are authorized, including but not limited to provisions that in substance provide for a mandatory redemption of the bonds upon written notice from the bond insurer to the trustee for the bonds that the Refunding Bonds are to be called for redemption because (a) (i) HECO has reorganized or transferred a substantial portion of its assets, (ii) the reorganization or transfer has resulted in HECO no longer being engaged in the business of the distribution of electricity in the City and County of Honolulu, (iii) the obligations of HECO under its loan agreement and note have neither been assumed nor guaranteed by the resulting entity that is thereafter to engage in the distribution of electricity in the City and County of Honolulu, and (iv) the bond insurer has not consented to such reorganization or transfer, or (b) HECO has failed to pay to the bond insurer any insurance premiums in respect of the bond insurance that are due under a deferred premium arrangement.

13. The filing requirements of HAR §§ 6-61-101(b)(1), 6-61-101(b)(5), 6-61-101(b)(6), and 6-61-101(b)(7) are waived, to the extent applicable.

14. Applicants are authorized to use the proceeds from the sale (or sales) of Refunding Bonds for the purposes set forth in the Application.

15. Applicants, as soon as practicable and within the times and periods specified, shall file the following with the commission and serve two copies upon the Consumer Advocate:

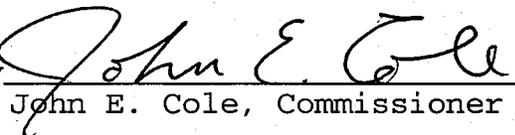
- (a) the reports described in Section I.A.4, above (Financing Results Report, HRS § 39A-208(b) Report, and Annual Report) and;
- (b) as recommended by the Consumer Advocate, a copy of the Bond Insurance Analysis, if bond insurance is purchased.

16. Subject to the actions that are discretionary, Applicants shall conform to all of the commission's orders set forth above. Failure to adhere to the commission's orders shall constitute cause to void this Decision and Order, and may result in further regulatory actions as authorized by law.

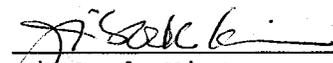
DONE at Honolulu, Hawaii DEC - 4 2006.

PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By 
Carlito P. Caliboso, Chairman

By 
John E. Cole, Commissioner

APPROVED AS TO FORM:


Ji Sook Kim
Commission Counsel

2006-0383.eh

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Decision and Order No. 23100 upon the following parties, by causing a copy hereof to be mailed, postage prepaid, and properly addressed to each such party.

CATHERINE P. AWAKUNI
EXECUTIVE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
DIVISION OF CONSUMER ADVOCACY
P.O. Box 541
Honolulu, HI 96809

TAYNE S.Y. SEKIMURA
FINANCIAL VICE PRESIDENT
HAWAIIAN ELECTRIC COMPANY, INC.
HAWAII ELECTRIC LIGHT COMPANY, INC.
MAUI ELECTRIC COMPANY, LIMITED
P.O. Box 2750
Honolulu, HI 96840-0001

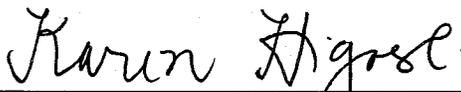
WILLIAM A. BONNET
VICE PRESIDENT
GOVERNMENT AND COMMUNITY AFFAIRS
HAWAIIAN ELECTRIC COMPANY, INC.
P.O. Box 2750
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DEAN MATSUURA
DIRECTOR
REGULATORY AFFAIRS
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P.O. Box 2750
Honolulu, HI 96840-0001

(Certificate of Service - Continued)

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PETER Y. KIKUTA, ESQ.
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Attorneys for HECO, HELCO, and MECO



Karen Higashi

DATED: DEC - 4 2006