



Hawaiian Electric Company

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Hawaii Public Utilities Commission approves biofuels testing at Hawaiian Electric's Kahe power plant

HONOLULU – The Hawaii Public Utilities Commission (PUC) has approved Hawaiian Electric Company's plan to test biofuel blends in a 90-megawatt steam turbine generating unit at Kahe Power Plant that presently runs on low sulfur fuel oil (LSFO).

"This test is part of our continuing effort to switch Hawaii from 'black' fuel to 'green' fuel for electricity and to encourage an agricultural energy industry here to supply a significant part of our energy," said Robbie Alm, Hawaiian Electric executive vice president.

"This test will determine how much biofuel we can mix with petroleum in existing steam turbines that provide power on Oahu, Maui and Hawaii Island. If successful, using biofuel will reduce our dependence on imported oil, help meet our 40 percent renewable energy goal by 2030 and reduce greenhouse gas emissions. Accomplishing these goals by fuel switching in our existing generating units rather than building new facilities will save our customers billions of dollars," Alm said.

The PUC gave the utility permission to spend up to \$4.7 million on new equipment including pumps and motors, a motor control center, valves and filters and a mixing station to blend biofuel and LSFO. The equipment will be useful beyond the end of the test, no matter the outcome. In addition, the PUC approved a contract for Sime Darby, a Malaysian multi-national corporation, to supply 1.575 million gallons of biofuel to be shipped to Kalaeloa Harbor and moved by pipeline to Kahe power plant.

The Kahe #3 Biofuel Co-firing Demonstration Project will determine how much biofuel (from 50 percent up to a possible 100 percent) can be used in the steam generating units while maintaining compliance with all environmental requirements such as air emission standards and maintaining efficiency of the units. The State Department of Health has approved the test plan.

The test will use crude palm oil blended with palm stearin, a by-product of palm oil refining usually used to make candles and soap. The 30-day test will start in about seven months, after the installation of the new equipment and the arrival of the biofuel.

As with all Hawaiian Electric companies' contracts for biofuel, the supplier must meet all technical specifications, environmental and legal requirements as well as the terms of the *Environmental Policy for Procurement of Biodiesel from Sustainably-Produced Palm Oil and Locally-Grown Feedstock* adopted in August 2007 by the Natural Resources Defense Council (NRDC) and the Hawaiian Electric companies

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Hawaiian Electric estimates the test will add a one-time cost of \$4 to the typical Oahu residential bill. The Public Utilities Commission directed the utility to spread the cost over two months to reduce the impact on customers.

The PUC approval, which comes after considering input from the Hawaii Office of Consumer Advocacy and others, allows Hawaiian Electric to recover the cost of the fuels, transportation, storage, and related costs in the energy cost adjustment surcharge. The utilities take no mark-up or profit on such fuel costs.

Earlier this month the PUC approved two other biofuel contracts, including a separate contract for Sime Darby to provide approximately one million gallons of palm oil-derived biodiesel for use in Maui Electric Company's Biodiesel Demonstration Project at its Ma'alaea Power Plant. The biofuel for the Kahe test and biodiesel for the Maui test will be shipped on the same vessel to reduce costs.

In addition, the PUC approved a two-year contract for a subsidiary of Iowa-based Renewable Energy Group® to supply three to seven million gallons of renewable biodiesel annually from used cooking oil (known as yellow grease) and waste animal fat to Hawaiian Electric's new 110-megawatt combustion turbine generator unit at Campbell Industrial Park Generating Station.

In April, Hawaiian Electric began a formal quest for a long-term supply of biofuels made from feedstocks produced and processed within the state of Hawaii for use on Oahu, Maui, Molokai, Lanai and Hawaii Island. The deadline is June 18 for proposals that may use land or water-based crops, waste animal fat or yellow grease feedstocks originating in Hawaii. Each growing, production and processing method for supplying biofuels must meet all environmental standards and other requirements under federal, state and county laws as well as the Hawaiian Electric-NRDC sustainable procurement guidelines.

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Hawaiian Electric Company, Inc., and its subsidiaries, Maui Electric Company, Ltd., and Hawaii Electric Light Company, Inc., provide electricity to 95 percent of the state's 1.2 million residents on Oahu, Maui, Hawaii, Lanai and Molokai. For nearly 120 years, Hawaiian Electric has provided the electricity that has powered the islands' progress through its history; first as a kingdom, then a U.S. territory and since 1959 as the 50th state.