



Hawaiian Electric Company

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Hawaiian Electric signs historic first agreement for Aina Koa Pono to supply sustainable local biofuels for electricity

(Honolulu, Hawaii) Hawaiian Electric Company today signed a contract for a local company, Aina Koa Pono, to provide sustainable, locally grown and processed biofuel for electric generation in Hawaii. With planned operations in the Ka'u region of the Hawaii Island, the project will initially supply biofuel to Keahole Power Plant on that land.

"This is the first contract awarded as a result of our call in April 2010 for locally grown and processed biofuels to be used in our power plants on Hawaii Island, Oahu and in Maui County," said Robbie Alm, Hawaiian Electric executive vice president.

"The team at Aina Koa Pono submitted an excellent proposal and was prepared to negotiate with the best interests of the State and Hawaii Island at heart."

Alm said the contract is an important step in reaching Hawaii's clean energy goal of 70 percent of electricity and transportation energy from clean sources by 2030. The project complements Hawaiian Electric's plans for adding significant amounts of renewable energy from other sources, including solar, wind, garbage-to-energy, biomass, geothermal, ocean and others. Under the AKP contract, the utility will:

- Buy a significant quantity of local biofuels for generating units to increase energy independence, spend energy dollars locally and reduce vulnerability to volatile oil prices.
- Signal to landowners and agricultural interests that Hawaiian Electric companies are committed to using local fuels and are signing contracts that create a workable business model for agricultural energy crops to emerge in Hawaii.
- Because liquid fuels are transportable, create a renewable fuel supply for firm power that can be used anywhere in Hawaii.

"This contract moves us forward on Governor Abercrombie's 'New Day' plans for energy independence, on compliance with the aggressive Renewable Portfolio Standards now in state law and on our promises in the Hawaii Clean Energy Initiative agreement," Alm said.

Subject to approval by the Public Utilities Commission, with input from the Consumer
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Advocate, the contract would initiate an innovative plan to provide economic support to Hawaii Island customers while encouraging more renewable energy statewide. It asks for the PUC to spread among customers of Hawaii Electric Light Company, Maui Electric Company and Hawaiian Electric Company the difference between the price of locally grown and produced biofuel and the fossil fuel it replaces.

Based on December 2010 fuel costs, this would add less than 1/3 of a cent per kilowatt-hour, or \$1.55 to \$1.86 per month, to a typical residential customer bill (typical residential use varies between 500 and 600 kilowatt-hours a month) for Hawaii Island, Maui County and Oahu customers.

“This contract provides for potential future delivery of AKP biofuels to other islands, making it reasonable that all customers join in paying the initial incremental cost as this facility gets up and running. Fossil fuel oil prices are expected to continue their erratic climb, so in time the cost of AKP biofuel is expected to be less than the cost of the oil it displaces,” Alm said.

“Hawaii Island already has the highest level of renewable energy in the state, getting more than 30% of its energy from renewable sources. Renewable energy requirements are calculated on a consolidated basis for the Hawaiian Electric companies’ service territories, so Maui and Oahu have benefited from Hawaii Island’s leadership,” Alm said.

Other terms of the AKP contract include:

- It is effective from and contingent upon PUC approval.
- AKP will provide 14 million gallons per year in 2014, increasing to 16 million gallons per year in 2015 for a total of 20 years.
- Restricted to feedstock grown on Hawaii Island with conditional allowances for feedstocks from elsewhere in Hawaii.
- Price is fixed over term of contract with annual escalation. (Price and terms are confidential due to ongoing negotiations with other biofuel suppliers.)
- Biofuel will meet Hawaii Electric Light Company specifications and be used primarily at Keahole Power Plant in West Hawaii with flexibility for delivery to other generation stations on Hawaii Island, and Oahu and in Maui County.
- Biofuel will comply with sustainable sourcing standards developed by the Hawaiian Electric Companies in partnership with the Natural Resources Defense Council.
- The first delivery of 190,000 gallons will be for testing and air permitting.
- Hawaiian Electric companies may purchase biodiesel from any other supplier providing the AKP minimum annual purchase commitments are met.

Negotiations are also continuing with other companies for other additional local biofuel supplies.

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