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Hawaiian Electric and Castle & Cooke agree on low prices for power from future Lanai wind farm and on community benefits for Lanai

(Honolulu, Hawaii) Hawaiian Electric Company and Castle & Cooke Resorts today announced agreement on pricing terms for power from a proposed Lanai wind farm. The prices would be lower than most other renewable energy available.

The companies also agreed on proposed community benefits for the people of Lanai in response to concerns about the impact of a wind farm on the small island.

The agreements, which ultimately require Public Utilities Commission approval, are another step forward for the Interisland Wind project to transmit up to 400 megawatts (MW) of electricity to Oahu via undersea cable from wind farms proposed for Lanai and Molokai. It is estimated that electricity from 400 MW of wind power would displace about 15% of Oahu's oil use.

The agreement sets electricity price targets for Lanai wind power at about 13 cents per kilowatt-hour (kWh) for a 200 MW wind farm and 11 cents per kWh for a 400 megawatt wind farm, plus transmission costs. This would be among the most reasonably priced renewable energy available on Oahu and the terms would be fixed for 20 years with only minor escalations.

"These low prices will help protect Hawaii from the expected rise in the price of oil and reduce the risk to our economy and way of life from possible disruptions in oil supplies," said Robbie Alm, Hawaiian Electric executive vice president.

The agreement will be used to negotiate a purchase power agreement for the Lanai project. The Molokai project is at an earlier stage.

Castle & Cooke and Hawaiian Electric recognize that, while the electricity will be transmitted to Oahu, the impact of construction and operation of the wind farm will be felt on Lanai, including on cultural and recreational resources, plants and wildlife and the people of the small island community. Therefore, a community benefits package for Lanai is appropriate.

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The benefits – some from Hawaiian Electric and some from Castle & Cooke – cover a range of issues, from employment to hunting access to water rights. A list of major proposed benefits is attached.

"The proposed benefits reflect what we have heard from many people," said Harry Saunders, president of Castle & Cooke Resorts. "They represent a cross section of concerns about the wind farm and ideas about what is best for Lanai's future.

"These proposals can improve the economic future of Lanai while making a contribution to the state as a whole by helping reduce our dependence on imported oil. It will keep more of our energy dollars at home and protect the environment."

The companies were also motivated by the recent November 18, 2010 PUC decision that set a March 2011 deadline for a fully executed term sheet, which is a step that precedes negotiation on the final purchase power agreement.

The benefits proposal comes after three years of informational and listening meetings, community discussions and private communications that included Castle & Cooke, Hawaiian Electric and the State of Hawaii Department of Business, Economic Development and Tourism energy division.

Those providing input on the many issues, needs and solutions include the Carpenters Union, International Longshoremen and Warehousemen's Union local that represents over 600 workers and their families, Lanaians for Sensible Growth, Friends of Lanai and small business owners.

"We will continue the dialogue with the Lanai community as we proceed with the environmental impact and permitting review processes," said Saunders.

Implementation of benefits will be tied to the construction of the wind farm and in most cases begin when electricity from Lanai is supplied to Oahu.

"The benefits package and preliminary pricing are the first step toward negotiation of a complete purchase power agreement for the Lanai project," said Alm. "There will also be a formal environmental impact study for this and other parts of the Interisland Wind project with plenty of opportunity for further public comment. It would be unreasonable to ask the people of Lanai to consider hosting a project of this size without knowing the community benefits that would be offered."

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Community Benefit Commitments from Hawaiian Electric Company and Castle & Cooke:

Some Hawaiian Electric commitments must be approved by the Public Utilities Commission with input from the Consumer Advocate and other stakeholders. These are:

- Electric rates for Lanai residents "levelized" to match those of Oahu. At today's electricity costs that would reduce Lanai residential electric rates by about 40 percent while Oahu residents, with a much larger customer base, would see only minor increases.
- Lanai to be 100 percent renewable for electricity by 2030, using solar, wind, biomass and biofuel resources, as far as possible originating on Lanai.
- Grid improvements, particularly to the Manele Circuit, to allow more customer-sited distributed generation, such as roof-top photovoltaic arrays.
- Increased solar water heating with the utility paying upfront costs and being repaid through shared savings on utility bills (pay-as-you-save).

With no approvals needed from the PUC, Hawaiian Electric also commits to:

- \$50,000 a year during the life of the purchase power agreement (PPA) contributed from shareholder funds to the Lanai Community Fund.
- \$30,000 for at least two years from Hawaiian Electric and Maui Electric companies for community-based campaign for energy efficiency and conservation on Lanai.

Castle & Cooke commits to the following, subject also to approval by the Public Utilities Commission with input from the Consumer Advocate of the purchase power agreement as well as by other stakeholders:

- Establish a Lanai Community Benefits Fund with proceeds of one percent of the wind farm's gross revenues. Funds will be directed to economic diversification and job creation; medical and social/health services; education, training and recreation; and cultural and natural resource preservation as determined by a community committee, with at least \$100,000 a year to the Lanai Cultural and Heritage Foundation.
- Employment on Lanai maintained at no lower than Castle & Cooke employment today.
- Continued access to hunting areas and if hunting must be limited to protect wind turbines, comparable acreage provided for hunting before any limits go into effect. Continued full access to coastal fishing in the Ka'a area.
- Residential, agricultural and commercial lessees to be able to buy their properties or land at fair market prices.
- Priority for qualified Lanai residents in construction jobs and contractors required to ensure that all workers respect Lanai community standards in their behavior.

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- Wind generation facilities to be removed when no longer in service.
- All contractors required to protect Lanai archeological and cultural sites, monitored by Lanai residents when possible.
- 5,000 acres reserved for creating a viable biofuel crop on Lanai.
- \$250,000 a year for the term of the PPA for preservation of Lanai Hale watershed.
- At least \$500,000 a year for the term of the PPA for capital improvements to the Lanai water system and 250,000 gallons of water a day above the current allocation to encourage diversified agriculture.

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