



Maui Electric Company, Ltd.

## What's all this talk about a biodiesel plant on Maui?

**Q: *What is the plan?***

A: BlueEarth Biofuels LLC, in partnership with a new subsidiary of Hawaiian Electric Company, plans to build a 40-million-gallon-per-year biodiesel plant on Maui, on land already zoned for renewable energy. It will be a state-of-the-art, continuous flow biodiesel plant that could be expanded in two phases to 80 MGPY and 120 MGPY if there is demand. The primary customer for the biodiesel will be Maui Electric Company which fuels today 85 percent of its electric generation capacity with petrodiesel. BlueEarth intends to be a long-term participant in this project, which it intends to build, operate and co-own.

**Q: *What kind oil will be used by this plant?***

A: Hawaiian Electric and BlueEarth want to use locally grown feedstock for this project. As a private company, Hawaiian Electric can and will require all contracts include a preference for locally grown feedstock. Until such supplies are available, BlueEarth plans to use vegetable oils imported from sources around the globe including the Americas, from producers practicing sustainable production. This could be oil from soybeans, rapeseed (canola), peanuts, cottonseed, sunflower, and palm among a variety of oil rich crops.

**Q: *What kinds of Hawaii-grown feedstocks are being considered for this plant?***

A: Locally grown jatropha, kukui nut, coconut or other oil rich crops.

**Q: *Why should this project buy locally grown crops if it's cheaper to import feedstock from off-island?***

A: BlueEarth's agreement with the utility will require the project to use locally-produced feedstock as it becomes available. As private companies, they are able to have a local preference, which state government can not do.

**Q: *How will this plant impact the price of electricity on Maui?***

A: We know the price of fossil fuels goes up and down. Because this plant will use biofuels, it won't be affected by changes in the price of regular diesel fuel. So if diesel prices go up, Maui ratepayers' prices will not necessarily go up with them.

**Q: *How will this plant affect Maui's economy?***

A: After the jobs created by construction, the new plant will create more than 40 high-paying, technical jobs when it opens in 2009. That number would grow to a total of over 80 such jobs by 2011 if expansion proceeds as planned. Secondly, the plant can help stimulate diversification of Maui's agriculture industry by becoming a long-term buyer of locally-grown feedstocks.

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***Q: What happens to all the profits from the plant?***

A: Hawaiian Electric Company does not take a profit on fuel. All of the utility's profits from the project will go into a Biofuels Public Trust created to support local biofuel research and local agricultural infrastructure development.

***Q: How will the Biofuels Public Trust Fund work?***

The trust, using HECO's share of the profits from the plant, will be able to support a new biofuel industry in Hawaii. This could be done by supporting research into the best crops, funding a consortium that would help small farmers grow and process vegetable oil feed stocks for use in the plant and even supporting the price of biofuels locally in the short run if energy prices drop. The trust, which is yet to be formally started, could include representatives from state government, the public (such as representatives of the farming community and organized labor) and other biofuel producers as well as BlueEarth and Hawaiian Electric.

***Q: What about existing biofuel producers in Hawaii?***

A: BlueEarth and Hawaiian Electric will work diligently with other local biodiesel and ethanol producers to encourage increased local biofuels production, greater efficiency and lower pricing. Potentially, shared raw materials purchasing, joint land use, and using locally produced ethanol and methanol in our own process are a few of the ways we can further stimulate the local biofuels industry.

***Q: Where will this plant be built?***

A: BlueEarth plans to build the plant on 15 acres at MECO's Waena Generating Station site on Pulehu Road, across from the Central Maui Landfill. The project will lease the land at fair market value with proceeds going to offset Maui rate payers' costs. The land is already zoned for and required to be used for renewable energy.

***Q: Are Hawaii's taxpayers being asked to foot the bill?***

A: No. BlueEarth is asking the state Legislature to support a special purpose revenue bond for this project. SPRBs use the state's good credit to get better rates and terms for loans for projects that benefit the public interest. SPRBs are repaid with profits from the project at no cost to taxpayers.

***Q: By importing palm oil, will this project lead to more deforestation, global warming and destruction of protected species in third-world countries?***

A: Hawaiian Electric Company and BlueEarth want this project to help the environment, not harm it. BlueEarth is evaluating alternatives for the initial feedstock for the facility, including soybean, canola, peanut, cottonseed and sunflower oil from the Americas. It will also consider other vegetable oils available globally. BlueEarth's sales agreement with the utility will specify all biodiesel they receive comes from feedstocks grown on sustainable lands.

***Q: How can this project be sure the feedstock is grown on sustainable lands?***

A: The utility and BlueEarth have worked with the Natural Resources Defense Council, one of the nation's most respected and influential environmental organizations, to develop a policy addressing this issue. It will become the policy specified by Hawaiian Electric Company – and its subsidiaries Maui Electric Company and Hawaii Electric Light Company -- to all biofuel suppliers.

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