



For more information at HECO contact:  
Peter Rosegg, 543-7780, 808-371-7474 mobile  
peter.rosegg@heco.com

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## **HECO SEEKS ETHANOL FOR USE IN PROPOSED NEW CAMPBELL INDUSTRIAL PARK GENERATING STATION AND EXISTING DIESEL POWERED GENERATING UNITS**

(Honolulu, Hawaii) -- Hawaiian Electric Company today asked the ethanol industry to supply their renewable fuel for use in HECO's new Campbell Industrial Park Generating Station.

"We would love to use locally produced ethanol in the new Campbell Industrial Park plant from day one of operation in 2009," said Mike May, HECO president & CEO. "We are also investigating the use of an ethanol-diesel blend in existing diesel-fired electricity generating units.

"We know that reducing our reliance on fossil fuels is the right path for our community," May said. "Renewable ethanol represents a clear opportunity to grow a significant portion of our own fuel locally and begin to break the hold imported fuels have on us."

"Our goal is to replace imported fossil fuel with 'local' agricultural energy to the extent possible," May explained. "Encouraging local production of renewable bio-fuels would protect open space and keep it green with energy crops, create jobs here in agriculture, manufacturing and other sectors, and keep more money at home by growing a sustainable economy."

Hawaiian Electric's solicitation of interest letter will ask prospective suppliers to indicate their ability to provide ethanol to specifications such as chemical composition and heat generating capacity for use in a blend of ethanol and naphtha in the new plant. In the future, blended ethanol and diesel might be used in existing diesel-fired units on Maui, the Big Island and Oahu.

HECO's announcement was made at the University of Hawaii College of Tropical Agriculture and Human Resources (CTAHR). At the news conference, Dr. Andrew Hashimoto, dean and director of CTAHR, said:

"It is clear that we must find other agricultural enterprises to occupy the lands formerly used for sugar and pineapple. Taking the land out of agriculture is not a wise, sustainable decision. Agriculture is not only important for food production, green open

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space and groundwater discharge. It can also create fuels for energy...I hope today's event will be an important step toward ensuring Hawaii's energy security."

Dr. Charles Kinoshita, associate dean of CTAHR, has prepared an assessment of biofuels for electric power generation for Hawaiian Electric Company, finding that bio-diesel and ethanol are the two most promising biofuels candidates for Hawaii.

"This is an historic day for our state," said Dan KenKnight (cq), president of Oahu Ethanol Corporation, said at the press conference. "HECO's announcement marks a turning point in the state's commitment to energy independence and the revitalization of agriculture. Energy crops like sugar cane and sorghum grass are the future of Hawaii's agriculture fields. Energy crops will preserve farming jobs and preserve our wide-open green spaces."

Mike Fitzgerald, president and CEO of Enterprise Honolulu and chair of the Hawaii Energy Reliability Advisory Committee, said, "The Hawaii Energy Reliability Committee applauds HECO's announcement today that it will use ethanol for its new Campbell power plant....The Energy Reliability Committee has always understood the need for a new power plant. Now that plant will also help keep agriculture flourishing in Hawaii, thus ensuring that our islands stay green, that we burn cleaner fuel and that our homes, schools and businesses remain 'on.'"

The solicitation of interest to vendors is the first step. After receiving responses, the next step -- to be taken in consultation with the Public Utilities Commission and the Consumer Advocate -- would be a more detailed request for proposals or direct negotiations with promising providers. The PUC, with input from the CA, must finally approve all fuel contracts.

"We believe that if local ethanol providers have a long-term commitment to supply product to HECO, MECO and HELCO, it will improve their ability to secure financing, land commitments, infrastructure, personnel and other needs to jump start a local ethanol industry," said May. "This is an important step in creating a firm market in Hawaii for ethanol providers, over and above the ethanol needed to meet the state requirements for blended transportation fuel."

The current proposed fuel for the new plant scheduled to come on line in 2009 is naphtha, the cleanest burning of the fossil fuels available to Hawaiian Electric. Naphtha is currently refined in excess in Hawaii, so no new crude oil would need to be imported to meet the needs of the new unit.

The use of an ethanol-blend will depend on the level of interest generated and resolving the environmental, logistical and operational impacts of receiving, storing, blending and burning ethanol at the proposed new unit site.

HECO is in the midst of a multi-phase biofuels investigation program. Phase One, a biofuels resource assessment, has been completed under the direction of Associate Dean Charles M. Kinoshita of the UH College of Tropical Agriculture and Human Resources. The study found that bio-diesel and ethanol are the most promising candidate biofuels in Hawaii based on potential reliability of supplies, compatibility with existing and planned units and cost.

The second phase, a biofuels combustion test program, is underway. The third phase, tentatively planned to begin later this year, is an assessment of the needed facilities and operational changes to use biofuels in existing generators. Based on the outcome of the first three phases, the fourth stage would be a utility-scale demonstration.

Maui Electric Company, which already uses bio-diesel in some of its existing units, has also hired a biofuels consultant to determine an initial compatibility on using ethanol in existing MECO diesel units.

“We are seeing significant growth of renewable energy on the neighbor islands, primarily through new wind farms. But 80% of the electrical demand in our State is on Oahu. With less available land and other resource limitations, it is more difficult to find and develop workable renewable energy projects for this island. Creating the ethanol market is a new approach and critical step in the reduction of our consumption of fossil fuels for electricity and transportation,” May said.

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