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NEWS RELEASE

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Maui Electric and Hawaiian Electric to Build a Plant to Refine Biodiesel for Electricity on Maui

Project will create a Biofuels Trust Fund to promote bio-energy in Hawaii

KAHULUI - Maui County Mayor Charmaine Tavares, along with Michael May, HECO President & CEO and Edward Reinhardt, MECO President, announced plans today for a new biodiesel refining plant to be built on Maui to supply green renewable biodiesel fuel for use in Maui Electric Company's (MECO) diesel generators.

The plant, which is scheduled to be in service by 2009, will produce 40 million gallons per year of biodiesel in a state-of-the-art, continuous flow refining facility that will employ over 40 people in high paying technical positions. A planned second and third phase will bring annual production to 120 million gallons per year by 2011.

Starting in 2009, the plant is planned to use palm oil imported from around the Pacific Rim and South America from suppliers that practice sustainable palm production. In the future, it is hoped to convert the plant to Hawaii-grown feed stock, including possibly local palm oil, jatropha, kukui nut, coconut or other oil rich crops.

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The plant will be developed and operated by Blue Earth Biofuels. "We welcome BlueEarth Biofuels commitment to build a plant here and I commend Maui Electric Company and Hawaiian Electric Company's willingness to work with them," said Mayor Tavares. "In my inaugural address, I said that we must diversify our economy through sustainable technologies and agriculture. This is a wonderful step toward this end."

"This is a great opportunity for BlueEarth to do business in Hawai'i", Landis Maez, a BlueEarth Managing Partner, said, "Our commitment is not just to design and build the Maui plant and its subsequent expansions, but also to remain involved as owner and operator of the facility for the long term."

"BlueEarth 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. We intend this to be a win-win for Maui, the state, and our company", added Bob Wellington, also a BlueEarth Managing Partner.

The plant will be owned by a partnership of BlueEarth Biofuels, LLC and a new Hawaiian Electric Company (HECO) subsidiary, with all of the utility company's profits from the project going to a Hawaii Biofuels Public Trust.

This public trust will be created to fund development of Hawaii's bio-energy infrastructure – for example, for biofuels R&D at the University of Hawaii, to support the prices of Hawaii-grown biofuel feedstocks or to enhance Hawaii's bio-energy agriculture infrastructure.

"In keeping with HECO's practice of not taking a profit on fuel," said HECO President and CEO Mike May, "We are willing to give up the profits from this bold venture because in the long run it is good for our company and good for Hawaii to promote clean, green, local renewable energy here.

"As it is built and expands over coming years, this new plant will help HECO, MECO and HELCO to meet our renewable portfolio requirements of 20 percent by 2020 and promote an agriculture-based energy economy."

According to MECO President Ed Reinhardt, this plant will be a first step toward allowing Maalaea, by far the largest electric plant on Maui, to generate all its electricity without fossil fuels. "We are now examining our ability to convert all our generators at Maalaea that currently use oil-based diesel to biodiesel, ideally from locally grown crops," he said.

"At MECO, and our parent company HECO, our goals are to enhance our energy security and protect the environment by limiting our dependence on imported fossil fuel. In this process we want to create green space and more jobs as we keep more of our energy dollars at home. The project will help us achieve all these goals," says Reinhardt.

The new biodiesel plant is to be built 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. The land lease and pricing agreement between the biodiesel facility and MECO are subject to review by the Hawaii Public Utilities Commission.

The first phase of the plant is expected to cost \$61 million, exclusive of land costs. BlueEarth Maui Biodiesel, LLC is the name chosen for the venture's project company, has requested bills to be proposed at the Legislature to authorize a special purpose revenue bond (SPRB) for the company to build the plant.

SPRBs exist to use the good credit of the state to get better rates and terms on loans for projects in the public interest for public health, safety and general welfare with the bond repaid from the profits of the project at no cost to taxpayers. The lower interest rates realized through a SPRB in a cost-based pricing scenario such as this means the end product can be provided at a lower price than could be achieved through traditional debt or equity capital financing.

BlueEarth Biofuels, LLC is a developer of power and renewable energy projects based in Texas and Arizona. The BlueEarth team has a combined half century of experience in energy project development, including various power generation, renewable energy, and biofuels projects domestically.

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