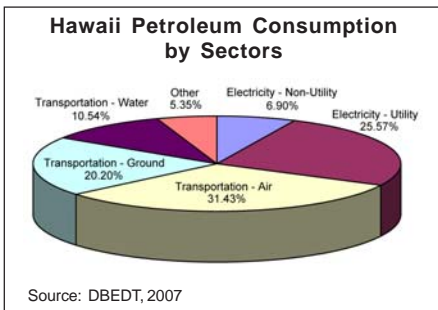
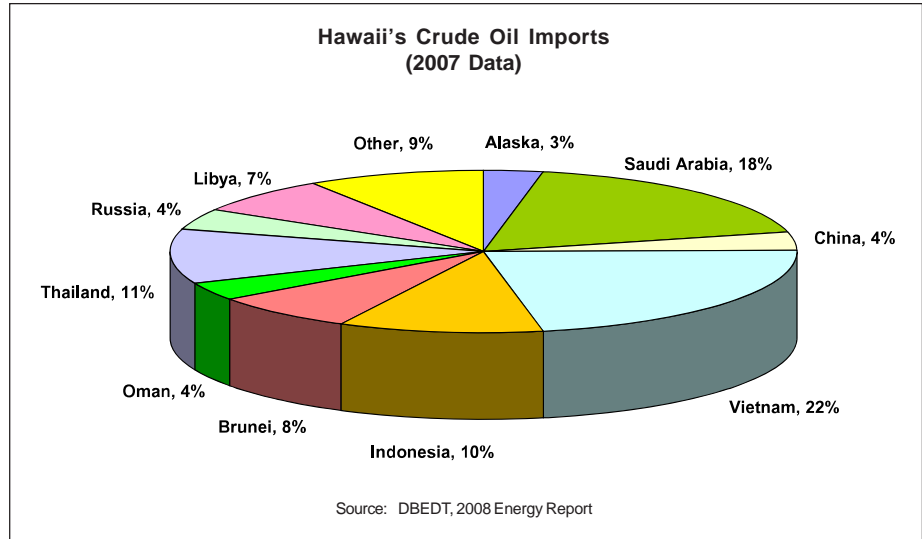


# Fuel oil use in Hawaii

Transportation uses 62%, electricity 33% of imported oil

Petroleum products (i.e. gasoline, diesel, jet fuel, liquified petroleum gases, synthetic natural gas, and residual fuel oil) are used for a variety of purposes in Hawaii.

Transportation consumes 62% of Hawaii's imported oil, while electricity generation uses about 33%. Other commercial and industrial uses account for the remaining 5%.



## Where does Hawaii's oil come from?

Most petroleum products used in Hawaii are either refined locally from imported crude oil or brought in their refined state by Hawaii's two local oil refineries—Chevron and Tesoro.

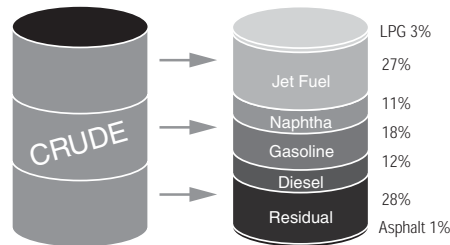
need to be exported. Export expenses could increase the price customers pay for other petroleum products.

## How do oil prices affect electric bills?

Your cost of electricity fluctuates due to variations in the price of fuel used in our power plants and by the independent power producers who sell power to us. HECO, HELCO and MECO pass through the actual cost of fuel with no markup or profit. These costs are reflected in two lines items on your electric bill.

## Oil products from crude oil

The amount of each type of petroleum product that is refined from crude oil by the Hawaii refineries varies with demand and type of crude oil, but is typically as shown below.



LPG (liquified petroleum gas, primarily propane): cooking, water heating, and other residential and business uses

Jet fuel: air transportation

Naphtha: power generation

Gasoline: cars, trucks, and some airplanes

Diesel: ground and marine transportation, power generation

Residual fuel oil: power generation

Oil prices are affected by global supply and demand. Hawaii imports oil mainly from Southeast Asia and the Middle East, but prices are influenced by the actions of the oil cartel, OPEC, with many members in the Middle East.

## Power plant use of residual oil cuts cost of imported oil

The majority of the fuel oil used by HECO utilities is residual low sulfur fuel oil that is left over after the lighter petroleum products, such as gasoline and jet fuel, are refined from crude oil.

HECO, MECO, and HELCO also use some diesel fuel. Generating electricity from non-oil sources will not completely eliminate the need to import oil to Hawaii. If HECO reduces its use of residual oil, it may change the mix of oil imported but some residual oil would

- The Base Fuel Energy charge is fixed based on fuel prices approved by the PUC at the time of our last rate case.
- The Energy Cost Adjustment charge reflects changes in fuel prices since the time the Base Fuel Energy charge was set. This line item can be an increase or a decrease to your bill depending on the actual cost of fuel when it was purchased.

