



Hawaiian Electric Company, Local Biofuel Supply RFP

Questions and Answers: Revision C, (Question 12 & 13 added on May 24, 2010)

Question 1. To what extent is cellulosic biomass feedstock that is exclusively composed of indigenous waste agricultural products such as bagasse, wood chips, switchgrass, wood pellets, wood sawdust or similar material covered by the HECO-NRDC Environmental Policy (Attachment H) or is such feedstock outside the Policy in the same manner as yellow grease and animal fat waste products as discussed in Attachment I?

Answer: Hawaiian Electric and the NRDC recognize that the HECO-NRDC Environmental Policy is not designed to address all types of biofuel/biomass feedstock. Therefore, the RFP for local biofuels references the Roundtable for Sustainable Biofuels ("RSB") Principles and Criteria for guidance on non-palm oil feedstock. While the RSB does not currently offer certification, proposals should describe how their feedstock/biofuel will subscribe to the Principles and Criteria set forth by the RSB such that future certification may be achieved. RSB Principles and Criteria may be located at: <http://cgse.epfl.ch/page77270.html>

Question 2. Please clarify whether the biofuel feedstock must be grown in Hawaii.

Answer: As stated in the RFP, Hawaiian Electric is limiting proposals to feedstock grown in Hawaii to help stimulate local agriculture and reduce fuel imports for Hawaii. Hawaiian Electric may issue future RFP's to supplement the timing and volume of locally available feedstock that may include proposals for imported biofuel feedstocks.

Question 3. I am seeking to grow biofuel feedstock and looking for land. Is there anything in this RFP that can assist my efforts to grow a long term local feed stock supply into the market?

Answer: Hawaiian Electric is not in a position to broker partnerships. Hawaiian Electric is seeking proposals from the end suppliers of the liquid biofuel. However, partnerships are encouraged to develop the complete biofuels supply chain. A "bulletin board" will be available soon at <http://biodieselsupply.heco.com> wherein parties may post contact information and the services they potentially can offer.



Question 4. Is HECO able to provide more specifics on the generating units that are potential candidates for biofuel consumption?

Answer: Yes. Additional information on the generating units at the facilities set forth in Attachment A: “Potential Site Locations, Volumes, and Fuel Types” is available. A list of these generating units with their megawatt capabilities, types, operating modes, and in-service dates is available at <http://biodieselsupply.heco.com> by clicking on the link that reads: HECO Generating Unit Specifications.

Question 5. Please clarify the types of renewable energy credits or subsidies that the developer / supplier may propose to retain, if any.

Answer: Bidders may propose to retain any renewable energy tax credits such as the Alternative Fuel Blenders’ Credit, Production Tax Credit, or Investment Tax Credit factored into the overall economics of the biofuel proposal. Any renewable energy subsidies such as Federal grants or targeted disbursements may also be retained by the bidder. The rights to carbon credits in future regulated markets and current voluntary markets will also be retained by the bidder to the extent that they do not conflict with the credits retained by HECO, and will then be factored into the economics of the proposal. Stated otherwise, HECO cannot give up any right that its customers should have unless there is a value given to the customers in return. Any proposal to retain rights, credits, etc. must be stated explicitly in the proposal or it will be assumed that all rights, credits, etc. belong to the utility and its customers. HECO will retain any and all Renewable Energy Credits resulting from its production of renewable electricity from biofuel in order to meet the renewable fuel standard requirements it has agreed or may be expected to reach to comply with Hawaii’s Renewable Portfolio Standard legislation or to comply with any future laws or agreements applicable to renewable energy or renewable fuels. A Renewable Energy Credit (“REC”), also called “green tag”, “tradable renewable certificate”, “renewable energy certificate” or renewable identification number (RIN), is an environmental commodity that represents the added value, environmental benefits and cost of renewable energy above conventional methods of producing electricity from traditional sources such as petroleum liquid fuel.



Question 6. Related to the possible option for co-generation of electricity (pages 5 and 6 of main RFP document), will the submittal of a combined liquid biofuel/power generation package positively influence HECO's evaluation of such a proposal compared to a proposal that is liquid biofuel only or that contemplates a power generation proposal in the future, but not as part of this RFP?

Answer: HECO's RFP is seeking liquid biofuel. Offering co-generation of electricity as a dual product does not make the liquid biofuel proposal more or less attractive. The co-generation option is designed to provide a provision for the bidder to propose co-generation of electricity if the developer is dependent upon co-generation and sales of electricity as a secondary product to enhance the viability of the biofuel production.

Question 7. Will HECO consider liquid biofuel proposals that are all or partly composed of bio-naphtha?

Answer: HECO will consider non-conforming proposals including bio-naphtha. Overall costs to implement non-conforming fuel if any will be factored into the bid.

Question 8. Will HECO consider bids from a special purpose entity that is Hawaii-project-specific or would this likely raise FASB ASC 810 consolidation issues?

Answer: HECO would need to evaluate each proposal. HECO will not enter into an agreement under which HECO determines that HECO would be required to consolidate financial statements of the entity supplying the fuel. The potential of a special purpose entity triggering consolidation is high, but the specifics of the proposal would need to be evaluated.

Question 9. When is the Contract Questionnaire (Attachment F to the RFP) due?

Answer: The Contract Questionnaire is due with the proposal submission no later than 11:59 PM Hawaii Standard Time, June 18, 2010.



Question 10. Is there a prescribed or desired format for the Letter of Intent due to HECO by May 7, 2010?

Answer: There is no standard format required for the Letter of Intent and proposals are not evaluated based on the Letter of Intent. Section 2.1 of the Instructions for Submission of Proposals on page 11 of the RFP offers a list of the information to include in the Letter of Intent.

Question 11. HECO's RFP specifies biodiesel as a replacement for diesel. Biodiesel implies a fatty acid methyl ester (FAME). Will HECO accept proposals for other types of renewable diesel such as "green diesel" or "non-esterified renewable diesel" (NERD) processed with technologies other than transesterification that serve as a drop-in replacement for petroleum diesel?

Answer: Yes, HECO is seeking renewable fuels and will evaluate multiple technologies that utilize qualifying feedstocks such as local crops, aquaculture, waste animal fat or grease, or other waste products originating in Hawaii to produce liquid renewable fuel including "green diesel".

Question 12. The RFP requests the submittal of an electronic soft copy of the proposal to biofuelRFP@heco.com in addition to a hard copy of the proposal. What is the file size limitation for the electronic copy submittal, and is there an option to submit the electronic version of a proposal if the file size is very large and exceeds the bidder's or HECO's e-mail system's limits? For example, can a bidder deliver the soft copy via the Google Docs cloud or possibly on a thumb drive in lieu of e-mail?

Answer: The file size limitation for incoming electronic mail to HECO is 8 megabytes. If your proposal includes attachments that exceed electronic submittal capabilities, please electronically submit the main body of the proposal and indicate in your email the limitations and outline your omitted attachments to follow. An electronic submittal by the June 18, 2010 deadline is still required. Attachments that cannot be electronically submitted may be sent hard copy and/or on a thumb drive to HECO for receipt within seven days from the electronic proposal deadline of June 18th.



Question 13. Is there a street address that bidders can use to deliver their hard copy proposals (or the thumb drive contemplated in Question #1) instead of the P.O. Box address provided in the RFP?

Answer: Hard copy proposals may be delivered to:

*Attention: Debra Yoshimura
Hawaiian Electric Company
900 Richards Street
Honolulu, Hawaii, 96813*