

ATTACHMENT C: Pricing Formula

Potential suppliers shall provide a total price to include components described as follows. The total price will represent a turnkey price to include transportation and logistics to deliver the biodiesel to HECO's Campbell Industrial Park (CIP) Facility and/or the Honolulu International Airport Emergency Power Facility (HIA EPF).

Potential suppliers shall provide two price options to include B99 biodiesel (incorporating the U.S. Federal Alternative Fuel Blenders' Credit if applicable^{*}) and B100 biodiesel (with no diesel added). If the B99 biodiesel price is contingent upon the Blenders' Credit, bidder shall denote the amount of the total (or base fuel) price that could be affected by changes to the Blenders' Credit currently effective through December 31, 2011.

The total price in U.S. Dollars per net physical Gallon of Biofuel sold and delivered by Seller to HECO: Price Per Gallon ("**PG**") including all delivery and other charges and any and all applicable customs and other duties, taxes, assessments, levies, federal blenders credit, if any is applicable, and imposts properly imposed directly on Seller by any governmental authority shall be determined by application of the following formula:

$$\mathbf{PG99} = \mathbf{BF99 * X (...X_1, X_2) + PC + RF + SP + T}$$

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where:

BF99 = **Base Fuel:** Potential suppliers (bidders) may propose a fixed or floating pricing method for base fuel provided that any pricing method shall produce a price per physical volumetric unit (net basis). Biodiesel shall contain no greater than 1% diesel blend.

A floating pricing method shall be indexed to an industry acceptable standard for the feedstock or fuel type such as CBOT, OPIS, BMD, Platts, etc. Any floating method shall be explained in detail and shall identify the market indice(s) referenced to develop the adjustable component of the base fuel pricing method. Bidder shall provide the actual market index value in U.S. dollars for each applicable period (daily, weekly, etc.) for the period of January 31, 2010 through January 31, 2011. For example, if the market index publishes a daily price, the bidder shall provide daily market index prices for each day within the January 2010 through January 2011 period and identify the reference (end-of-day, average, high, etc.). The bidder shall provide a sample price calculation of the proposed floating price method that employs current actual component data to derive a base fuel price for an effective date of January 20, 2011.

^{*} As of December 2010, the Alternative Fuel Blender's Tax Credit was reinstated and effective until December 31, 2011

Bidder shall consider that the price for a nominated delivery quantity to HECO will be calculated as of the 20th of the month preceding the calendar month of biodiesel delivery to HECO.

OR

BF100 = Base Fuel: Potential suppliers (bidders) may propose a fixed or floating pricing method for base fuel provided that any pricing method shall produce a price per physical volumetric unit (net basis). 100% Biodiesel shall contain no diesel.

A floating pricing method shall be indexed to an industry acceptable standard for the feedstock or fuel type such as CBOT, OPIS, BMD, Platts, etc. Any floating method shall be explained in detail and shall identify the market indice(s) referenced to develop the adjustable component of the base fuel pricing method. Bidder shall provide the actual market index value in U.S. dollars for each applicable period (daily, weekly, etc.) for the period of January 31, 2010 through January 31, 2011. For example, if the market index publishes a daily price, the bidder shall provide daily market index prices for each day within the May through July period and identify the reference (end-of-day, average, high, etc.). The bidder shall provide a sample price calculation of the proposed floating price method that employs current actual component data to derive a base fuel price for an effective date of January 20, 2011.

Bidder shall consider that the price for a nominated delivery quantity to HECO will be calculated as of the 20th of the month preceding the calendar month of biodiesel delivery to HECO.

X, X₁, X₂ = Any measurement or other conversion factors as applicable to yield a price per net Gallon in U.S. dollars.

PC = A fixed value per net Gallon of Biodiesel expressed in U.S. dollars which reflects all of the fixed, variable and other costs of the potential supplier to receive, store and process the raw material to produce the Biodiesel, including the cost of all processing chemicals and materials, direct and indirect labor, additional plant and processing costs, manufacturing and other overhead, administrative expenses, interest expense on working capital, revenue bond and other debt service and amortization of all required production facilities and infrastructure. This fixed value shall include the potential supplier's (Seller's) profit.

- RF** = A fixed value per net Gallon of Biodiesel expressed in U.S. dollars which reflects the total cost of the following, if applicable:
- Land transportation of the Biodiesel from Seller's processing facility to the place of vessel loading.
 - Ocean freight for the marine transport of the Biodiesel from the port of loading to the island of Oahu, Hawaii.
 - Land transportation on Oahu to deliver the Biodiesel to HECO's CIP Facility.
 - Land transportation on Oahu to deliver the Biodiesel to the HIA EPF.
 - Any and all other associated logistics cost applicable to delivering biodiesel to Kalaeloa Barbers Point Harbor, HECO's CIP Facility, or HIA EPF.

If desired, the bidder may present the transportation costs as components (**RF₁**, **RF₂**, **RF₃**, etc.) representing each segment and type of transportation and any related logistics costs associated with delivery of the biodiesel to HECO's CIP Facility and/or the HIA EPF.

Bidders must specify the transportation method that corresponds with the transportation costs. If the bidder is proposing both ISO container delivery to CIP and marine pipeline delivery to CIP, bidder may present two different transportation price methodologies to correspond with the respective transportation method.

Bidders may also propose two different transportation price methodologies corresponding with providing biodiesel to each of the two locations: CIP and HIA EPF.

- SP** = If applicable, a fixed value per net Gallon of Biodiesel expressed in U.S. dollars as premium which reflects the Seller's cost to comply with the HECO-NRDC Environmental Policy including but not limited to all expenses arising from the segregation of feedstock throughout the supply chain.

- T** = The Hawaii Use Tax, the Hawaii General Excise Tax, the Hawaii Environmental Response Tax and U.S. Customs Duties, if any are applicable, and any other fee, tax, imposed and assessments properly imposed by any governmental body on the sale and delivery of Biodiesel by Seller to HECO under this Contract. *For purposes of bidding, potential suppliers may leave this value blank.*