

ATTACHMENT D: Pricing Guidance

Hawaiian Electric Company, Inc. (“HECO”) recognizes that the Proposals received for this local biofuels Request for Proposal (“RFP”) are submitted for local biofuels that are in their early stage of development and therefore HECO will consider and evaluate flexible pricing structures designed to facilitate the success of the agricultural and technology developers while maintaining HECO’s responsibility to its shareholders and customers to ensure competitive pricing.

Potential suppliers may propose one or more pricing methods provided that the method produces a total price per net gallon or price per net barrel for a specified time period of biofuel delivery to HECO. The total price per volumetric unit proposed shall include all transportation and logistics to deliver the biofuel to the respective HECO facility for which the biofuel is proposed, as outlined in the “Potential Site Locations, Volumes, and Fuel Types”, Attachment A to the RFP. HECO has a preference for fixed-pricing (with reasonable escalators) rather than prices that are tied to volatile spot or commodities indices. Additional information on pricing preferences and constraints is also available in the RFP text.

Pricing methods shall be explained in detail, shall be stated in U.S. dollars, and shall include at a minimum:

1. Definitions of each and every pricing component.
2. Identification of fixed and variable pricing components.
3. Explanations of the methodology used to calculate all variable pricing components to include each referenced index to which a variable price component is tied. The variable pricing component methodology shall define the time period of the index for which the reference price component is calculated.
4. Explanations of any pricing component(s) that is dependent upon a tax incentive or other economic stimulus, for example the U.S. Federal Alternative Fuel Blenders’ Credit, and a description of the incentive referenced.
5. Description of any pricing escalators.
6. If applicable, an outline of pricing over the full duration of the contract term with an explanation of any changes to pricing based on time period(s). For example, pricing for the first two years of the contract may differ from pricing in subsequent years.

The following is provided as an example of a price per gallon pricing model. Proposals may vary from this sample pricing model however all components of the pricing proposal shall be identified similar to the structure shown below:

The total sample price per net physical volumetric unit of Biofuel sold and delivered by Seller to HECO is (“**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:

$$PG = BF * X (...X_1, X_2) + PC + RF + CR + T$$

wherein:

BF = Base Fuel: A fixed or variable pricing method for base fuel provided that any pricing method shall produce a price per physical volumetric unit (net basis). A variable pricing method shall be indexed to an industry acceptable standard for the feedstock or fuel type such as CBOT, OPIS, MDEX, Platts, etc. Any variable method shall be explained in detail and shall identify the market index(s) referenced to develop the adjustable component of the base fuel pricing method.

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

PC = A fixed or variable value per net volumetric unit of Biofuel 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 Biofuel, including the cost of 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 volumetric unit of Biofuel which reflects the total cost of:

- Land and/or ocean transportation of the biofuel feedstock from the growing and/or processing facility(s) to the location of additional refining, if applicable.
- Land and/or ocean transportation to deliver the biofuel from the refinery or crude biofuel processing site to the designated HECO site(s).
- Any and all other associated storage and logistics costs applicable to delivering biofuel to the designated HECO site(s).

CR = Any price credit resulting from a tax incentive or stimulus rebate such as the U.S. Federal Alternative Fuel Blenders' Credit.

T = The Hawaii Use Tax, the Hawaii General Excise Tax, and the Hawaii Environmental Response Tax, if any are applicable, and any other fee, tax, imposed and assessments properly imposed by any governmental body on the sale and delivery of Biofuel by Seller to HECO.

For any component of the pricing methodology that is variable and referenced to a market index, the proposal shall provide the actual market index value expressed in U.S. dollars for each month's average of the market's daily closing index prices to include the month's averages for January 2010, February 2010, March 2010, and April 2010.

Proposals shall include a sample price calculation of the proposed pricing method expressed in U.S. dollars. If components of the pricing are variable and referenced to a market index, the proposal shall provide a sample price calculation of the proposed variable pricing method that employs actual component data using the April 2010 month's average of the daily closing index price to derive at a total sample price that represents the month of April, 2010.

Proposals may include structures for alternative pricing that may represent unique win-win alternatives. Potential value propositions will be evaluated by HECO in the context of its regulatory framework. However, HECO does not intend to become an equity investor in any biofuel production facilities in Hawaii.