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PUBLIC UTILITIES
COMMISSION

The Honorable Chairman and Members of
the Hawaii Public Utilities Commission
465 South King Street
Kekuanaoa Building, 1st Floor
Honolulu, Hawaii 96813

Dear Commissioners:

Subject: Docket No. 2007-0346
Biodiesel Supply Contract with Imperium Services, LLC

Pursuant to the schedule of proceedings agreed to by the parties and filed with the Commission on August 8, 2008, attached are HECO's information requests to the Consumer Advocate and Life of the Land. Per the schedule, responses to the information requests are due to be filed on August 19, 2008.

Sincerely,

Attachment

cc: Division of Consumer Advocacy
H. Curtis

Docket No. 2007-0346

Biodiesel Supply Contract with Imperium Services, LLC
Hawaiian Electric Company, Inc. ("HECO") Information Requests to the Division of Consumer
Advocacy ("Consumer Advocate", or "CA") and Life of the Land ("LOL")

HECO/CA-IR-1 Ref: CA-T-1, page 4, lines 18-22

The referenced testimony responds to Point 2 of Issue 4 in Order No. 24144 which asks: "Is it reasonable, prudent and in the public interest for HECO to enter into the subject Biofuel Supply Contract even though it does not expressly...(2) require the satisfaction of biofuels sustainability principles contained in HECO and the Natural Resources Defense Council's Roundtable on Sustainable Palm Oil Principles and Criteria?" The subject testimony responds: "I was unable to confirm that the sustainable biodiesel criteria meet the requirements of the Natural Resources Defense Council's principles and criteria on sustainable palm oil."

- a. By way of clarification, does the Consumer Advocate agree that the Biofuel Supply Contract, at page 20, Section 7.2.A., expressly requires "Seller shall supply Biodiesel that complies with the requirements of the *Environmental Policy For The Hawaiian Electric Company's Procurement Of Biodiesel From Palm Oil And Locally Grown Feedstocks* (prepared by HECO and NRDC, dated August 2007) (the 'HECO-NRDC Biodiesel Procurement Policy'), a copy of which is attached hereto [to the Biofuel Supply Contract] as Attachment B"?
- b. Does the Consumer Advocate agree that the Biofuel Supply Contract, at page 20, Section 7.2.B., expressly requires "Seller shall cooperate and comply with all auditing and verification efforts required by the HECO-NRDC Biodiesel Procurement Policy"?
- c. Does the Consumer Advocate agree that the Biofuel Supply Contract, at page 21, Section 7.2.D., expressly requires "Seller must maintain a clear, documented and verifiable chain of custody for all feedstocks and comply with section 4 of the HECO-NRDC Biodiesel Procurement Policy"?
- d. Does the Consumer Advocate agree that the Biofuel Supply Contract, at page 21, Section 7.2.E., expressly requires "Seller represents and warrants and will certify that all feedstock used to produce the Biodiesel delivered under this Contract complies with the HECO-NRDC Biodiesel Procurement Policy"?

HECO/CA-IR-2 Ref CA-T-1, page 7, lines 15-17

- a. Please describe the recent trend in biodiesel prices, and identify which feedstocks have not been sufficient to match the demand for biodiesel.
- b. Please explain the extent to which the recent trend in biodiesel prices reflects the "lack of sufficient feed stock to match the demand for biodiesel fuel" rather than the change in diesel market prices, change in feedstock prices and other factors.

HECO/CA-IR-3 Ref CA-T-1, page 7, lines 17-18

Please identify and explain which federal legislation that has been passed during 2008 or is currently pending “that could eliminate the tax credits that are currently available to biodiesel fuel producers.”

HECO/CA-IR-4 Ref CA-T-1, page 12, lines 6-7

a. Please identify and describe the sustainability laws passed in 2008, and the portion of the palm oil currently produced in Malaysia and Indonesia and exported to Europe that will be effectively excluded.

b. Based on the response to subpart a., what do you believe will be the resulting impact on palm oil prices related to this European exclusion of Malaysian and Indonesian produced palm oil?

HECO/LOL-IR-1 Ref: LOL T-1, page 14

LOL makes the following statement “If the utility powers the new generator with biofuels, they must be sustainable. However, we find the current HECO/NRDC Criteria lacking”.

- a. Please provide the basis for this statement.
- b. Was there a specific reference point or baseline used to arrive to this statement? Please provide the source and elaborate.

HECO/LOL-IR-2 Ref: LOL T-1, page 39

What are the specific differences that LOL sees between the HECO/NRDC Draft Environmental Policy (June 2007) and the HECO/NRDC Final Environmental Policy (August 2007)?

HECO/LOL-IR-3 Ref: LOL T-2, page 54

LOL responds “Yes” to the question:”Can biofuels be grown sustainably in Hawaii?” Please provide all sources and support documentation used to support this answer.

HECO/LOL-IR-4 Ref: LOL T-3, page 59

LOL states that “Biodiesel that is created and used locally can benefit the community in many ways.....” Please provide all sources used to support this statement.

HECO/LOL-IR-5

- a. What type(s) of biofuel feedstock does LOL understand will be used under this contract?
- b. How many gallons of this fuel does LOL understand will be used under this contract?
- c. Assuming palm oil based biofuel feedstock, and the gallonage from the response to subpart b., how many acres of cropland does LOL believe will be required to supply biofuel under this contract?
- d. Related to the acreage provided in response to subpart c., how many total acres are under cultivation in Malaysia and Indonesia for palm oil?
- e. What is LOL’s definition of sustainability?

HECO/LOL-IR-6

What year does LOL believe that the demand for biodiesel feedstocks led to the destruction of high conservation value areas? Please provide supporting documentation.

HECO/LOL-IR-7 Ref: LOL T-5, page 84

LOL states “Need for Certification. Hawaii producers, importers, and users of biofuels should require a mandatory certification” How is this certification different from RSPO certification under the HECO/NRDC Policy?

HECO/LOL-IR-8 Ref: LOL T-14, page 299

- a. What is the basis for a 1995 cutoff date for deforestation?
- b. How would adoption of the 1995 date impact:
 - (1) GHG footprint of sourced palm oil? Please provide all sources supporting your answer.
 - (2) Sustainability of the product. Please provide all sources supporting your answer.

HECO/LOL-IR-9 Ref: LOL T-19, page 332

- a. What are the specific modifications proposed to the HECO/NRDC standard? Please elaborate on each specific proposed modification and why it would be required.
- b. Why does LOL's proposal completely omit Section I and II of the Policy? Please elaborate.
- c. Why does LOL's proposal omit the following sentence: "Both NRDC and HECO have a strong preference for the purchase of biodiesel feedstock grown in Hawai'i"? Please elaborate.

HECO/LOL-IR-10 Ref: LOL T-19, page 332

In LOL's view, what is the difference between "Palm Vegetable Oil" and "Palm Oil"? Please elaborate.

HECO/LOL-IR-11 Ref: LOL T-19, page 333

Why does LOL's proposal delete references to the status on the verification protocol? Please elaborate.

HECO/LOL-IR-12 Ref: LOL T-19, page 333

LOL added "for food and cosmetics but not for biofuels" to the HECO/NRDC Policy. Does LOL feel that the requirements for sustainable production of biofuels ought to be different from food and cosmetics? If so, in what way, please elaborate.

HECO/LOL-IR-13 Ref: LOL T-19, page 333/335

How are LOL's revisions to Section 2.7, proposed Section 2.10, and proposed Section 3.8 different from Criteria 1.2 (Principle 1 – Commitment to Transparency - RSPO P&C) and Section 4.4 (Public availability of documentation, including the results of certification - RSPO Certification Systems)? Please elaborate.

HECO/LOL-IR-14 Ref: LOL T-19, page 333

In reference to LOL's addition of a Section 2.8 - How should standards for "vegetable oils other than palm oil" be different from the ones set out under the HECO/NRDC policy? Please elaborate.

HECO/LOL-IR-15 Ref: LOL T-19, page 333

In reference to LOL addition of a Section 2.9 – In LOL's view, why should the Public Utilities Commission pre-approve standards for "vegetable oils other than palm oil"? Please elaborate.

HECO/LOL-IR-16 Ref: LOL T-19, page 334/335

In reference to LOL's proposed revisions to Section 3.6 and Section 5., what is LOL's estimated net GHG emission monthly impact in delaying the use of sustainable biodiesel at the CIP1? Please provide all sources used in answering this question.

HECO/LOL-IR-17 Ref: LOL T-19, page 337

LOL proposes that the PUC keep this docket open and pre-approves changes to the HECO/NRDC Policy. In LOL's view, how would this aid in securing cost-effective, sustainable biofuel for Hawaii moving forward? Please be specific.

HECO/LOL-IR-18 Ref: LOL T-19, page 337

In reference to LOL's proposal for "The Hawai'i Interpretation of the RSPO"; under what conditions does LOL envision this Interpretation to apply? Does LOL envision applying this Interpretation to locally grown feedstock? Please elaborate.

HECO/LOL-IR-19 Ref: LOL T-19, page 341

LOL proposes adding Criteria 2.4 "HECO shall not deal with bad actors, that is companies that violate the RSPO Principles and Criteria" and a subsequent Indicator. In LOL's view, how does this criteria differ from Criteria 2.1 to 2.7 in the HECO/NRDC policy. Please elaborate.

HECO/LOL-IR-20 Ref: LOL T-19, page 352

What is the rationale behind changing the wording on line 5 from "or" to "nor"?

HECO/LOL-IR-21 Ref: LOL T-6, page 98

- a. Please explain in detail why locally produced biofuels should be directed to the transportation sector rather than for electrical generation.
- b. If the transportation sector is unable or unwilling to utilize all locally produced biofuels, should these locally produced biofuels be used for electrical generation?

HECO/LOL-IR-22 Ref: LOL T-6, page 99, lines 26-27

As stated, if biofuels generally are a cleaner burning fuel than petroleum diesel, why should it not be utilized for electrical generation?

HECO/LOL-IR-23 Ref: LOL T-6, page 99, lines 26-27 and LOL T-8, page 115, lines 5-7

- a. As stated on page 99, if biofuels generally are a cleaner burning fuel than petroleum diesel, why should it not be utilized for electrical generation?
- b. As stated on page 115, please explain the apparent contradiction with page 99 whereby "...soy biodiesel produce 200% more emissions than gasoline!"

HECO/LOL-IR-24 Ref: LOL T-14, page 309, lines 9-11

As stated, please explain what LOL intends to mean with respect to the subject Imperium Biodiesel Contract proceeding by the statement "...human beings are tropical animals who originated from these regions...".

HECO/LOL-IR-25 Ref: LOL T-18, page 331, lines 32-33

If Imperium complies with the HECO/NRDC Policy, please explain LOL's statement that "By HECO's own definition, Imperium Renewables is not sustainable."

HECO/LOL-IR-26 Ref: LOL ST-1, page 7, lines 1-2

Order No. 24144, filed April 10, 2008, at pages 7-8, sets forth the four issues in this docket. The first issue set forth by the Commission states: "Are the terms and conditions of HECO's Biodiesel Supply Contract with Imperium reasonable, prudent, and in the public interest." In its consideration of Order No. 24144, the Commission determined that LOL's "proposed issues" regarding "the Contract, fuel source and supply" are "subsumed" by the Commission's first

issue. Similarly, the Commission found that LOL's proposed issues regarding "environmental sustainability" are also subsumed within the Commission's first issue because "the Contract addresses this issue in its section 7.2." See Order No. 24144 at pages 6-7. Section 7.2 of the Contract is entitled "Environmental Sustainability" and contains requirements for Feedstock (subsection 7.2.A.), Feedstock Procurement Compliance Auditing (subsection 7.2.B.), Local Feedstock Support (subsection 7.2.C.), Chain of Custody Tracking (subsection 7.2.D.), Certification (subsection 7.2.E), Modifications (subsection 7.2.F.), and Remedy (subsection 7.2.G.). Section 7.2 also contains requirements that Imperium comply with the *Environmental Policy For The Hawaiian Electric Company's Procurement Of Biodiesel From Palm Oil and Locally Grown Feedstocks* (prepared by HECO and NRDC, dated August 2007). With the exception of "sustainability" which is already covered by Section 7.2 of the Contract, does LOL seek to broaden the issues already presented in this proceeding when it states in its Supplemental Testimony: "This docket deals with agriculture, economics, energy, Third World resource extraction, biodiversity, native peoples, sustainability"? If yes, please explain for each item listed below:

- a. Why LOL believes it is appropriate to broaden the issues already presented to include:
 - i. agriculture
 - ii. economics
 - iii. energy
 - iv. Third World resource extraction
 - v. biodiversity
 - vi. native peoples

b. If LOL's answer is "no" it does not seek to broaden the issues already presented in this proceeding, please explain why LOL believes that its allegations are reasonably pertinent to the issues that have already been presented? Please identify the specific issue set forth in Order No. 24144 to which each allegation is purported to be pertinent.

HECO/LOL-IR-27 Ref: LOL ST-1, pages 21-22, lines 40-4

Is LOL aware that in HECO's 2009 test year rate case, Docket No. 2008-0083, HECO T-14, pages 37-39, that HECO is working with the Hawaiian Agriculture Research Center (HARC) on a biofuels agriculture crop research project? Does LOL support this type of research project?

HECO/LOL-IR-28

Please provide a list identifying all of LOL's witnesses together with a list of the testimony exhibits each witness is sponsoring.