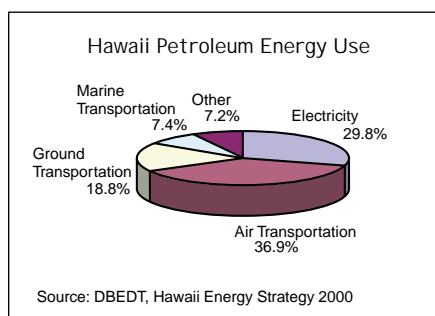


Fuel oil use in Hawaii

Transportation uses 63%, electricity 30% of imported oil

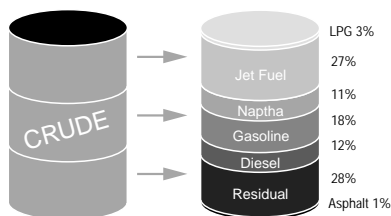
Petroleum products (i.e. gasoline, diesel, jet fuel, liquified petroleum gases, synthetic natural gas, and residual fuel oil) are used for a variety of purposes in Hawaii.

Transportation consumes 63% of Hawaii's imported oil, while electricity generation uses about 30%. Other commercial and industrial uses account for the remaining 7%.



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

Naptha: power generation

Gasoline: cars, trucks, and some airplanes

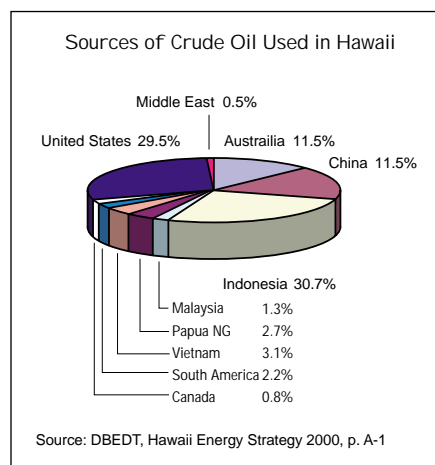
Diesel: ground and marine transportation, power generation

Residual fuel oil: power generation

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.

Oil prices are affected by global supply and demand. Hawaii imports oil mainly from the Mainland, Indonesia, Australia, and China, but prices are influenced by actions of the Middle East oil cartel, OPEC.



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 leftover 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 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 still 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 passes through the actual cost of fuel with no markup or profit. These costs are reflected in two line items on your electric bill.

- 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.

