



February 8, 2010

Senator Mike Gabbard, Chairman  
Committee on Energy and the Environment  
Hawaii Capitol  
Honolulu, Hawaii 96801

**Re: Senate Bill 2555 Deferral**

Dear Senator Gabbard,

Thank you for allowing West Wind Works, LLC "3W" the committee's time to testify in support of SB No. 2555 and SB No. 2858.

After reviewing the testimony submitted by various parties to these bills, we would like to take this opportunity to provide some clarification and offer a recommendation for providing a solution to the concerns of the Public Utilities Commission ("PUC") and Hawaiian Electric Company, Inc. ("HECO").

Our interpretation of SB No. 2555 is that the savings and supply security contemplated are for the State, rate payers and residents of Oahu and Hawaii, not the utility. The utility has had many years to offer a sound business plan and model for rapid deployment of renewable and indigenous energies. Therefore the government must take bold and new action to jump start the process.

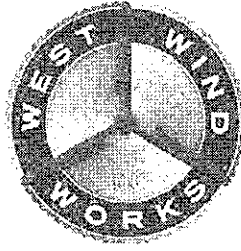
There are few sites suitable on Oahu for utility-scale wind energy development. As you are aware, wind project development sites must be located in areas of strong, abundant and consistent wind supply. Those sites must also be in areas in which the surrounding community will embrace (or at least not strongly oppose) wind turbines harnessing our plentiful wind supply. Wind projects, as you know, provide the most cost effective and reliable renewable energy available. 3W has submitted a proposal to HECO in response to its 100MW Renewable Energy RFP for Oahu. 3W's project – called Na Pua - is a \$100 million 25MW wind project near Kahuku.

The Intra-governmental Docket creates an opportunity for the State to receive all the monetary and security benefits mentioned in our testimony to the committee on February 4, 2010.

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We believe that the final sentence of the PUC's written testimony is the key to resolving the potential specific technical and business issues mentioned. The PUC stated: **"A more detailed analysis and evaluation of wheeling proposals should probably be considered before deciding to require it."**

As such we propose the following actions to move the concepts forward:

1. Request the PUC to review and provide to the Legislature a detailed report on the results and plans regarding HECO's 100MW RFP. HECO was to have submitted to the PUC signed power purchase agreements ("PPA") for bidders in its final award group in December, 2009. So far, despite the passing of the deadline to submit the PPAs, no PPAs have been submitted to the PUC.
2. Terminate the current suspension of and proceed with the PUC's Intra-Governmental Wheeling Docket.
3. Adopt an Intra-Governmental Wheeling model or proposal to develop, study, and evaluate a utility-scale wind project, such as Na Pua Makani, leading to a ("PPA") with the State. HECO could develop and own the transmission and distribution infrastructure necessary to support the project utilizing HECO's Renewable Energy Infrastructure Program (REIP), which was recently approved by the PUC. This would support the plan and the PUC's desire to have real proposals. We can then provide real and tangible results.

In such a model, the wind project developer could negotiate and sign a memorandum of understanding or letter of intent for a PPA with the State, conditioned on independent analysis, evaluation, design study and results from qualified and independent experts that the process is viable and desirable. The wind project developer could then fund and initiate the activities that will establish the potential technical and economic effects on HECO, the State, and the rate payers.

4. Offer HECO the opportunity to invest equity and/or debt in the wind project providing opportunity of ownership and rate of return even though the power is sold to the State.

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Just because something seems difficult doesn't mean we shouldn't attempt it, especially when it comes to Hawaii's alternatives for providing long term energy supply and price security.

If you wish further discussion I am available at your request.

Sincerely,

Keith Avery, *President*

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