

STAND. COM. REP. NO. 1319

Honolulu, Hawaii

March 20, 2007

RE: S.B. No. 1718
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Fourth State Legislature
Regular Session of 2007
State of Hawaii

Sir:

Your Committee on Energy & Environmental Protection, to which was referred S.B. No. 1718 entitled:

"A BILL FOR AN ACT RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS FOR ELECTRICAL GENERATION ON THE ISLAND OF MAUI,"

begs leave to report as follows:

The purpose of this measure is to support the development of renewable and efficient energy systems in the State by authorizing the Department of Budget and Finance to issue special purpose revenue bonds to assist BlueEarth Maui Biofuels, LLC with the construction of a biodiesel refinery on Maui for the purpose of producing fuel for electrical generation.

Your Committee received testimony in support of this measure from the Department of Business, Economic Development, and Tourism, the Hawaiian Electric Company, and BlueEarth Biofuels, LLC. Testimony in opposition to this measure was submitted by the Hawaii Audubon Society, Lahui O Ka 'Aina, Ke Ola 'Aina, Life of the Land, Maui Tomorrow, Pacific Biodiesel, the Sierra Club Hawaii Chapter, Maui Group, and twenty-one concerned individuals. The Department of Budget and Finance and the Sustainable Biodiesel Alliance submitted comments.

Your Committee finds that much of the opposition to this measure focuses on the type of fuel crop, imported palm oil in



particular, which opponents believe that BlueEarth Maui Biofuels, LLC may use to produce biodiesel.

Your Committee also finds that the proponents and opponents of this measure understand the need for environmentally sound, sustainable practices in the cultivation of fuel crops and that the energy input in the cultivation of these types of crops, its production into a biofuel, and distribution process require a cost benefit analysis. Your Committee further finds that the proponents and opponents of this measure realize that the promotion of fuel crops should not jeopardize the growing of food crops, which this Committee understands to be equally as important in addressing food security issues. However, your Committee believes that these types of concerns may be more productively addressed in a policy discussion within the context of larger agricultural, energy, and environmental issues; specifically, in our efforts to create a bio-energy master plan for the State of Hawaii. Such a plan is one of the initiatives outlined in House Bill No. 1003, H.D. 3.

Your Committee also finds that there appears to be a lack of understanding in how special purpose revenue bonds are issued and the amount of due diligence that must be performed prior to the issuance of special purpose revenue bonds, particularly that the bonds are not the general or moral obligation of the State.

Therefore, in consideration of the extensive scrutiny this project and its developers must engage in during the normal permitting process, which includes the opportunity for public participation and the due diligence required prior to the issuance of any special purpose revenue bonds, your Committee limited its scope of discussion and decision making to whether this project meets the definition of a qualifying facility.

Your Committee has amended this bill by:

- (1) Clarifying that BlueEarth Maui Biodiesel, LLC will be the company involved with the actual issuance of special purpose revenue bonds, not BlueEarth Maui Biofuels, LLC; and
- (2) Adding language at the end of section 3 to conform to standard drafting conventions for bills authorizing the issuance of special purpose revenue bonds.



As affirmed by the record of votes of the members of your Committee on Energy & Environmental Protection that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1718, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 1718, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Energy &
Environmental Protection,



HERMINA MORITA, Chair



