

GOV. MSG. NO. 939

EXECUTIVE CHAMBERS
HONOLULU

LINDA LINGLE
GOVERNOR

May 19, 2008

The Honorable Colleen Hanabusa, President
And Members of the Senate
Twenty-Fourth State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

Dear Madam President and Members of the Senate:

For your information and consideration, I am transmitting herewith a copy of Act 213-07 SLH (Part III, Sec.15) Report by the Natural Energy Laboratory of Hawaii Authority.

Sincerely,

LINDA LINGLE

Enclosures



NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY

An Attached Agency of the Department of Business, Economic Development & Tourism, State of Hawaii



August 30, 2007

To: NELHA tenants
From: Ron Baird

Subject: Seawater rate increase for fiscal 2007 - 2008

I am very pleased to be able to inform you that seawater delivery rates for agriculture tenants in fiscal 2007 - 2008 need only to be increased 19.3% to \$0.2062/ thousand gallons. The rate increase will take effect September 1, 2007.

With even more pleasure, I can tell you that NELHA's efforts to secure a financial subsidy for agriculture tenants' use of seawater have been rewarded. The Legislature of the State of Hawaii appropriated \$365,000 per year for fiscal 2007 - 2008 and fiscal 2008 - 2009. The Governor has allotted funding for the first quarter of fiscal 2007 - 2008 in the amount of \$30,417 per month. *Subsequent allotments will be determined by the administration on a quarter by quarter basis.*

NELHA has determined that the subsidy will be applied against agriculture tenants' water bills as follows: tenants will be billed the full amount of their seawater consumption at the rate of \$0.2062/Kgal plus a HELCO surcharge starting with the base rate per Kwh as of July 1, 2007. The HELCO surcharge will be calculated according to the process previously approved by the NELHA board of Directors. A credit will be issued to each tenant based on the percentage of that tenant's monthly seawater usage compared to the total amount of seawater used by all agriculture tenants.

We intend to post the seawater rate analysis on the NELHA website. This analysis will provide you the background data to the seawater rate shown on your billing statements from NELHA. The analysis will be updated on a regular basis and seawater rates accordingly adjusted.

The subsidy came from the Legislature with a number of *pro visios*. The ones directly affecting agriculture tenants are as follows:

- 1.) A declaration from each tenant stating that tenant understands the subsidies will only last for two years and that the tenant will be responsible to pay the current price for the water thereafter
- 2.) A required report from each tenant indicating how the subsidies have helped the growth and financial stability of its business.

Attached is a form of the declaration that you may use to fulfill your obligation to the Legislature under 1.). Upon receipt of it in NELHA Financial Office, your company will be

73-4460 Queen Kaahumanu Hwy. #101, Kailua-Kona, Hawaii USA 96740-2637
Phone: (808) 329-7341 Fax: (808) 326-3262 Email: nelha@nelha.org Website: <http://www.nelha.org>

entered onto the roll of companies entitled to receive the subsidy. This must be received in order to receive the subsidy: if it is not, that portion of the funds that could have been allocated to your company will revert immediately to the General Fund for that period.

The other report, required by 2.), must be submitted to the NELHA Financial Office by December 14, 2007 and December 14, 2008. NELHA has to assemble these individual reports and convey them to DBEDT for inclusion in DBEDT's report to the Legislature 20 days before the opening of the session in each subsequent year. Failure to submit the reports in the time required could result in impairment or loss of the subsidy funds.

Should you have any questions about this very welcome subsidy please contact me at 329.7341 x225.

Also, the rate for seawater for extractive purposes, including water bottling, will be raised effective September 1, 2007 to \$0.80/Kgal from the current rate of \$0.60/Kgal.

Best regards,

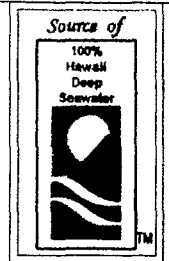
Ron Baird
Chief Executive Officer

Attachment



NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY

An Attached Agency of the Department of Business, Economic Development & Tourism, State of Hawaii



December 21, 2007

Dear NELHA Tenants,

NELHA received a subsidy from the Legislature last year that is currently being applied to the monthly cost of seawater for all aquaculture tenants. As indicated in Ron Baird's letter of August 30, 2007 to the tenants:

"The subsidy came from the Legislature with a number of *pro visios*. The ones directly affecting agriculture tenants are as follows:

- 1.) A declaration from each tenant stating that tenant understands the subsidies will only last for two years and that the tenant will be responsible to pay the current price for the water thereafter
- 2.) A required report from each tenant indicating how the subsidies have helped the growth and financial stability of its business".

All of you submitted the declaration form to our office by the deadline that set up the monthly subsidy you are currently receiving. Unfortunately, only four aquaculture tenants have submitted the required report on time. As further indicated in Mr. Baird's 08/30/07 letter, these reports, "*must be submitted to the NELHA Financial Office by December 14, 2007 and December 14, 2008. NELHA has to assemble these individual reports and convey them to DBEDT for inclusion in DBEDT's report to the Legislature 20 days before the opening of the session in each subsequent year. Failure to submit the reports in the time required could result in impairment or loss of the subsidy funds.*"

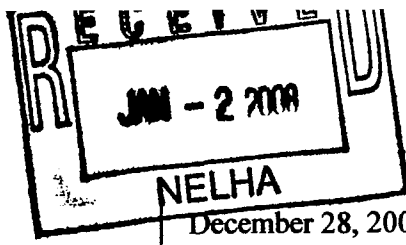
This correspondence is to remind you that submittal of this report is **past due**. If you have not already done so, please prepare and send your report to Sheryll Kaniho, NELHA Financial Officer as soon as possible. The absolute deadline for submittal of these reports is December 31, 2007.

The report does not have to be extensive in length and should focus on how the subsidy has helped the growth and financial stability of your business. Two to three paragraphs will be fine. The continuance of this subsidy is dependent on how it benefits the aquaculture tenants at NELHA. Failure to comply with the terms of the subsidy language could jeopardize the release of the quarterly allotments, its entire existence and benefit to the aquaculture tenants at NELHA. Your cooperation is much appreciated.

Thank you for your attention to this matter.

Merry Christmas and Happy New Year,

Jan C. War



Keahole Point Association

Tenants at NELHA

MEMBERS:

December 28, 2007

Big Island Abalone Corp.
Kona Blue Water Farms
Cyanotech Corp.
Deep Seawater International
Inc.
Hawaii Deep Marine Inc.
High Health Aquaculture
Inc.
Indo-Pacific Sea Farms
Kona Bay Marine Resources
Inc.
Kona Cold Lobsters Ltd.
Koyo USA Corp
Mera Pharmaceuticals Inc.
Moana Technologies LLC
Ocean Rider Inc.
Pacific Ocean Ventures LLC
Pacific Planktonics
Royal Hawaiian Sea Farms
Inc.
Savers Holdings Ltd
Taylor Shellfish – Kona
Unlimited Aquaculture LLC
West Hawaii Explorations
Academy

Re: Legislative Report on Seawater Subsidy for Aquaculture Tenants at NELHA

From: NELHA Aquaculture Tenants

Aquaculture companies are by far the major economic activity at NELHA. Aquaculture companies are the major source of revenue for NELHA. Aquaculture companies consume 92% of all seawater pumped by NELHA. Aquaculture companies occupy roughly 80% of land leased by NELHA and provide a proportionate amount of land lease payments to NELHA.

Critical to all Aquaculture operations at NELHA is a steady supply of reasonably priced seawater. As a result, Aquaculture tenants are very grateful to the Legislature for providing a two year subsidy to offset increased seawater pumping costs. During this two year subsidy period, Aquaculture tenants will be improving the efficiency of their operations, increasing customer prices where possible, and reduce seawater usage.

In an August 30, 2007 letter to tenants, NELHA announced a 19.3% increase in seawater pumping costs effective September 1, 2007. The announced rate increase did not account for the subsidy and subsidy is being subtracted from the new increased seawater rate.

Tenants are extremely concerned that NELHA is under no pressure to increase pumping efficiency, economize on labor, and lower seawater pumping cost. Rather, NELHA is free to increase seawater pumping costs, without any accountability and pass these costs on to tenants. If this continues, Aquaculture tenants will go out of business, NELHA will lose revenue, seawater rates will be further increased because fixed and labor pumping costs will be spread over fewer gallons pumped. Indeed a downward spiral could start which would drive Aquaculture tenants from NELHA to the detriment of Aquaculture tenants NELHA, and the local and State economy.

Aquaculture tenants strong urge support of Senate Bill 853 in the next Legislative session which calls for a detailed audit of seawater pumping costs at NELHA.

Respectfully Submitted by the undersigned Aquaculture tenants at NELHA:

73-4460 Queen Kaahumanu Hwy #202, Kailua-Kona Hawaii 96740 USA

Keahole Point Association

Tenants at NELHA

December 28, 2007 Legislative Report on Seawater Subsidy fro Aquaculture Tenants

Pacific Planktonics

Company
Syd Krawl

Signature
Syd Krawl, owner

Name and Title

Cyanotech Corp

Company
Gerald R Cysewski

Signature
Gerald R Cysewski

Name and Title

High Health Aquaculture

Company
James Wilson

Signature
KONA COLD LOBSTERS

Name and Title

JOSEPH N. WILSON PRES

Company
Joseph N. Wilson

Signature
Suzy Hazemans, General Manager

Name and Title

Company
MOANA TECHNOLOGIES LLC

Signature
[Signature]

Big Island Abalone Corp.

Company
[Signature]

Signature
Hiroshi Arai, C.E.O.

Name and Title

Royal Hawaiian Sea Farms Inc

Company
[Signature]

Signature
STEVEN A. KATASE, President

Name and Title

OCEAN RIDER INC.

Company
[Signature]

Signature
CRAIG SCHMARE VICE PRESIDENT

Name and Title

KONA BLUE WATER FARMS LLC

Company
[Signature]

Signature
Neil Anthony Sung, President

Name and Title

Company

Signature



73-4460 Queen Kaahumanu Hwy
#117 Kailua-Kona, Hawaii 96740
phone/fax: 808-329-6018
jim.wyban@gmail.com
www.SPFGenetics.com

January 2, 2008

Hawaii State Legislature
Honolulu Hawaii

Dear State Legislature,

High Health Aquaculture is a commercial tenant (since 1994) at NELHA in Kailua-Kona. Last year, the legislature allocated a fund called a "subsidy" to help defray operating expenses for NELHA tenants.

We gratefully acknowledge the continued support of the legislature to NELHA in general and to the tenants in particular. These funds have partially offset our upwardly spiraling operating costs.

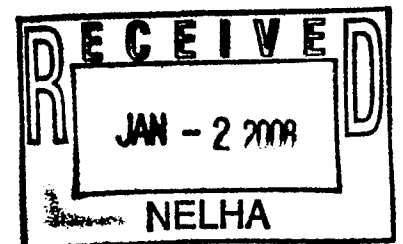
We are working hard to sustain our business in Kona which is a very expensive place to do business. The legislature's continued support is appreciated. Legislative initiatives that help reduce small business costs are urgently needed.

Please let me know if I can provide any further information.

Best regards,

A handwritten signature in black ink, appearing to read "Jim Wyban".

Jim Wyban PhD
President
High Health Aquaculture Inc.
Kona Hawaii USA



BIG ISLAND ABALONE



HAWAII™

73-4460 Queen Kaahumanu Hwy. #115

Kailua-Kona, Hawaii 96740

808-334-0034 • fax 808-334-0215

www.bigislandabalone.com

December 24, 2007

Natural Energy Laboratory of Hawaii
73-4460 Queen Kaahumanu Hwy., #101
Kailua-Kona, HI 96740-2637

To Whom It May Concern:

Over the past ten years years, the shareholders of BIAC have invested millions of dollars in our Keahole operations in an attempt to establish the kind of viable commercial venture envisioned by NELHA and the State of Hawaii. As a result of this investment and lots of hard work by a number of people, BIAC has become a successful business.

It is BIAC's intent to continue to grow and develop its business in the future and to consistently produce a high quality product for our market. As BIAC consumes 39% of NELHA's water, the availability of seawater is absolutely essential to the viability of BIAC's live abalone operations and our future success. With over two million live abalone in production at any one time, any factors affecting the ability of NELHA to provide a continuous supply of seawater are of critical importance to BIAC and to its millions of dollars of live inventory.

Given these realities, the increased cost of producing NELHA's water has been a huge impact on BIAC. As with most aquaculture companies within the United States, our success has had its ups and downs and we are not as stable as we would like to be. Without the subsidy, I believe that there would have been strong consideration to close BIAC. The subsidy has given us another chance to develop new markets for our abalone. In 2008, we will begin a new venture of packaging our abalone in a retort pouch which will prolong the shelf life of our abalone. We are in the final stages of proofing our packaging design and are hoping to see our product on shelves in such stores as Shirokiya, Don Quixote, the Duty Free Stores, and also in the ABC stores as early as January 2008. If our packaged product takes off, it will push our current production to the limit and expansion will be needed.

We would like to thank the State of Hawaii for their continued support of Aquaculture. With only 10 years of experience, BIAC is a very young company and has high potential to succeed. The subsidy has given us the chance to establish BIAC as a leading abalone farm within the United States and Hawaii.

Sincerely,

Lyndsey DeSilva
Plant Manager
Big Island Abalone Corporation

Jan War

From: Brian Goldstein [bgoldstein@konabaymarine.com]

Sent: Monday, December 31, 2007 6:25 PM

To: Jan War

Subject: Seawater subsidy report

Seawater Subsidy Report
from
Sunrise Capital, Inc.
(dba Kona Bay Marine Resources)

December 27, 2007

Kona Bay is grateful to the State Legislature for providing a two year cost subsidy to offset increased seawater pumping costs. One of the critical challenges faced by all companies is the need to accurately plan for operating costs. Ever increasing energy costs have a significant impact on the costs of pumping and providing seawater. The subsidy of seawater costs has helped Kona Bay to improve efficiency of operations, invest in infrastructure, improve competitiveness and maintain a strong competitive business position.

Kona Bay hopes that the State Legislature will continue to support diversified aquaculture as an important component to economic development in NELHA and the rest of the State of Hawaii.

Best regards,

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**Brian Goldstein**

**CEO**

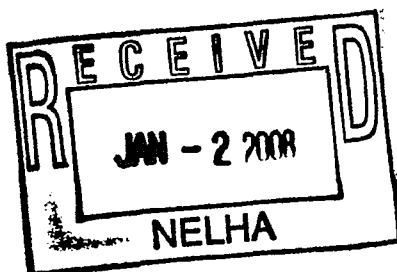
Sunrise Capital, Inc. dba Kona Bay Marine Resources

877-526-2746 Toll Free

808-356-0203 Fax

808-291-3450 Mbl

bgoldstein@konabaymarine.com



Kailua-Kona, December 14 2007

TO: NELHA Financial Office, c/o Sheryll Kaniho

Dear Sheryll,

Moana Technologies LLC was pleased to benefit from the financial subsidy for seawater use, allotted to NELHA's agriculture tenants for the fiscal 2007-2008 year.

Our company has not been generating any revenue since it's start in 2001 and any help in saving on the increasing costs of utilities and lease rates is of extreme importance to us. By reducing our seawater costs, we were able to invest in additional improvements to our operations, such as a solar system and recirculating system. These systems will allow us in the future to save on our seawater usage.

Best regards,

Suzy Horemans  
General Manager



To: Sheryll Kaniho  
Financial Officer  
NELHA

December 27, 2007

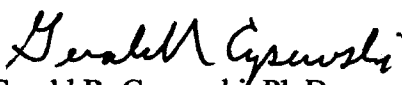
Re: Legislative Seawater Subsidy

Cyanotech Corporation is Hawaii's largest aquaculture company and accounted for over 52% of sales generated by aquaculture products in Hawaii in 2006. Cyanotech maintains a 90 acre facility at NELHA, employs 52 persons and uses approximately 20% of the cold, deep seawater pumped by NELHA. Aquaculture tenants are the major source of revenue for NELHA and consume 92% of deep seawater pumped by NELHA.

Increasing energy costs have caused a financial hardship for all aquaculture tenants at NELHA. Not only has the direct cost of energy increased, but the cost shipping and the cost of all supplies, including deep seawater, has increased. Cyanotech deals in a world market place for its microalgal products and can not rapidly pass these cost increases on to its customers and remain competitive. Cyanotech is grateful for the two years of subsidy granted by the Legislature to offset the increase in deep seawater pumping costs. The subsidy has allowed Cyanotech to begin orderly price increases while remaining competitive. The subsidy has also provided needed time for us to begin to increase the efficiency of our operation.

Cyanotech's goal is to continue to contribute to the diversification of the State's economy and remain a major aquaculture company in Hawaii.

Sincerely,

  
Gerald R. Cysewski, Ph.D.  
President and CEO

BUS: (808) 329-5468  
FAX: (808) 329-5468  
→mail: es@limu@hawaii.rr.com



P.O. Box 3167  
Kailua-Kona - Hawaii  
96745

December 26, 2007

To: NELHA and Hawaii Legislators

From: Royal Hawaiian Sea Farms, Inc

Subject: Seawater subsidy

We at Royal Hawaiian Sea Farms fully understand that the current seawater subsidy will last only two years and that we will be responsible to pay the current price of the water thereafter.

This subsidy has allowed us to stay in business. We continue to supply local people with high quality limu utilizing only renewable resources, the sun and seawater in a sustainable manner. Royal Hawaiian Sea Farms is proud that we are part of maintaining the local tradition of eating fresh limu and sharing this tradition with others.

Thank you for your assistance.

Mahalo.



Steven A. Katase  
President

To: Sheryll Kaniho  
Financial Officer  
NELHA

December 27, 2007

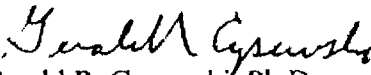
Re: Legislative Seawater Subsidy

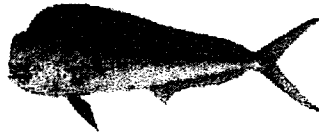
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Increasing energy costs have caused a financial hardship for all aquaculture tenants at NELHA. Not only has the direct cost of energy increased, but the cost shipping and the cost of all supplies, including deep seawater, has increased. Cyanotech deals in a world market place for its microalgal products and can not rapidly pass these cost increases on to its customers and remain competitive. Cyanotech is grateful for the two years of subsidy granted by the Legislature to offset the increase in deep seawater pumping costs. The subsidy has allowed Cyanotech to begin orderly price increases while remaining competitive. The subsidy has also provided needed time for us to begin to increase the efficiency of our operation.

Cyanotech's goal is to continue to contribute to the diversification of the State's economy and remain a major aquaculture company in Hawaii.

Sincerely,

  
Gerald R. Cysewski, Ph.D.  
President and CEO



Pacific Planktonics

73-998 Ahikawa St., Kailua-Kona, HI 96740-9407

Office Tel: (808)325-1761. Farm Tel 326-1180

email: [kraul@hawaiiantel.net](mailto:kraul@hawaiiantel.net)

web: <http://pacificplanktonics.htohanet.com/>

12/12/07

TO: Sheryl Kaniho, CFO NELHA

RE: Legislative subsidy, December followup letter

Pacific Planktonics uses a minor amount of seawater (0.13%) compared to other aquaculture companies at NELHA. Even so, because we are a start-up company, any financial help improves our ability to continue being a NELHA tenant. We appreciate the legislature's generosity and support for Hawaii agriculture ventures.

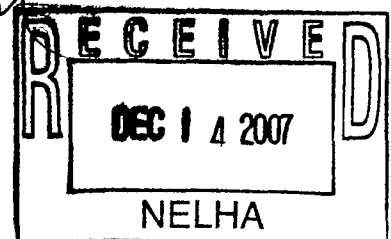
Even though our company is a minor user, we support aquaculture in general at NELHA. The aquaculture tenants are the major source of income for NELHA, and we need to keep as many of them around as possible. In fact, everyone would be much happier if there were even more aquaculture tenants to use more seawater. The loss of a single big water user tenant would put the burden of supporting NELHA fixed costs on fewer tenants, and could put NELHA into negative cash flow.

Therein lies the basic reason the tenants of NELHA urged legislative support of the bill that provided a "subsidy" to NELHA for aquaculture tenants. The tenants have no choice but to accept the rising cost of electricity. We feel we have always paid more than the cost of pumping water, including a reasonable overhead charge for NELHA labor. We hope the money provided by the legislature will help NELHA do things to reduce the effect of their fixed costs on the total cost of seawater. The tenants could pump seawater for far less than NELHA does, but I feel that the NELHA administration and governmental setup is a good way to serve Hawaii. If we had a private water company, we could have cheaper water. But I feel that we need to keep a governmental influence at NELHA and do things other than pump water. I believe NELHA is doing those things, ie. Trying to bring in new tenants, trying to bring in energy projects, keeping public lands accessible to our people, etc.

In short, I support the legislature in their wisdom to provide temporary funds until NELHA reaches a critical mass that can sustain our government/industry collaboration to make Hawaii a better place to live.

Aloha,

Syd Kraul, owner  
Pacific Planktonics





# UWAJIMA FISHERIES, INC.

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December 13, 2007

TO: Sheryl Kaniho, CFO NELHA

RE: Legislative Subsidy, December Follow-Up Letter

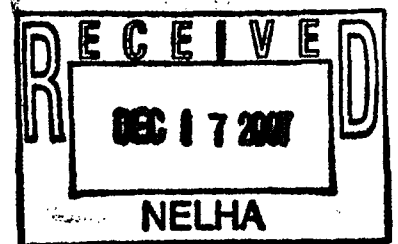
Uwajima Fisheries, Inc would like to thank the Legislature for granting the current subsidy for seawater to all NELHA tenants. We appreciate the legislature's generosity and support for Hawaii agriculture ventures.

With the rising costs of operating the company, any help is welcome. Airline freight has risen over 100% in the last couple of years, electricity has sky rocketed, supply costs have increased and now the cost of our seawater has gone up. The subsidy will help to alleviate some of the costs of operation, which will in turn allow us to redirect monies to improving our farm and expanding our inventory.

We look forward to the continued support of the Legislature in assisting the many aquaculture tenants here at NELHA.

Sincerely,

Russell B. Spencer  
President  
Uwajima Fisheries, Inc



December 12, 2007

Black Pearls, Incorporated  
#1 Keahole Point Road  
Kailua-Kona, HI 96740

To: The legislature of the State of Hawaii

Sirs and Madams:

On behalf of the Black Pearls, Incorporated, an agriculture tenant at the Natural Energy Laboratory of Hawaii Authority, I acknowledge that we are receiving a subsidy from the Legislature for the cost of electrical power to produce seawater for agriculture tenants.

It is understood that this subsidy will only last for the fiscal years 2007 – 2008 and 2008 – 2009.

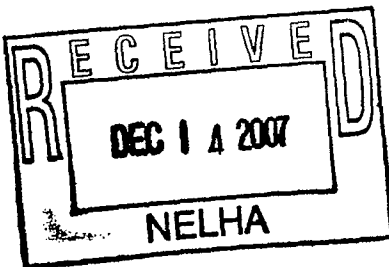
We acknowledge that, thereafter, Black Pearls, Incorporated will be responsible for paying the current price for the water. We understand that the funds cannot be used for any other purpose.

Best regards,



Matthew A. Confer  
CFO

Black Pearls, Incorporated  
(808) 331-1188 ext 102





December 12, 2007

Black Pearls, Incorporated  
#1 Keahole Point Road  
Kailua-Kona, HI 96740

To: The Legislature of the State of Hawaii

Sirs and Madams:


Black Pearls, Incorporated ("Black Pearls") is an agriculture (aquaculture) company located within the Natural Energy Laboratory of Hawaii Authority ("NELHA") that specializes in hatchery techniques for a range of finfish species including raising Kona Kampachi (*Seriola Rivoliana*) fingerlings.

Black Pearls mission is to expand the environmentally sound production of the ocean's finest fish and has vertically integrated production of fingerlings from spawning broodstock to sale of the fingerlings including the production of live feeds such as algae, rotifers and copepods. A prerequisite to the large scale production of fish and the corresponding live feeds is an abundance of seawater to circulate through the tanks at various stages of the fish's and feed's life cycle.

Black Pearls monthly seawater usage averages 42.1 million gallons per month at an average cost of \$7,285.00 per month. As a growing company, the seawater subsidy provided by the State of Hawaii has allowed Black Pearls to maintain current production, increase revenue and expand current operation to include a research and development team that has allowed Black Pearls to hire three new employees while setting up a foundation for future growth.

I applaud your continued support of the seawater subsidy so that Black Pearls and other NELHA agriculture companies can continue to expand economic development in the State of Hawaii

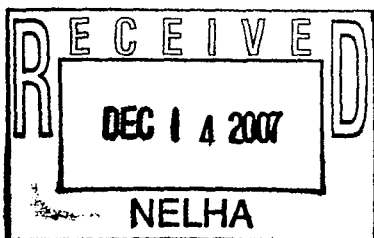
Best regards,



Matthew A. Confer  
CFO

Black Pearls, Incorporated  
(808) 331-1188 ext 102

#1 Keahole Point Road, Kailua-Kona, HI 96740 · PH: 808.331.1188 · FAX: 808.791-3523





# COAST SEAFOODS COMPANY

SOUTH BEND CORPORATE OFFICE

P.O. Box 166

South Bend, WA 98586-0166

(360) 875-5557 FAX (360) 875-5559

BELLEVUE OFFICE

14711 NE 29th Place, Suite 111

Bellevue, WA 98007

(425) 702-8800 Sales (800) 423-2303

FAX (425) 702-0400

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September 7, 2007

Mr. Ron Baird  
Chief Executive Officer  
Natural Energy Laboratory of Hawaii Authority  
73-4460 Queen Kaahumanu Hwy. #101  
Kailua-Kona, Hawaii

Dear Mr. Baird,

We are in receipt of your letter dated August 30, 2007 regarding the seawater rate increase for fiscal 2007-2008. We view the rate increase of 19.3% to be substantial however we are very pleased and thankful for the efforts that were made to secure a financial subsidy for agricultural tenants' use of the seawater. We very much appreciate the Legislative appropriation and the efforts of Nelha.

Our Hatchery/Nursery operations, called Kona Coast Shellfish LLC (KCS) is vital to Coast Seafoods Company and Penn Cove Shellfish LLC the co-owners of the KCS site at Nelha. It is also very important to other shellfish producers that do not operate hatchery/nursery systems and rely on the supply of larvae and seed in many parts of the world. Without the pristine deep seawater that is provided by Nelha, our hatchery operations and expansion of nursery systems to hold shellfish seed could not be successful.

Both Coast Seafoods and Penn Cove operate large grow out operations up and down the West Coast and a large-scale hatchery operation at Quilcene, Washington. The expansion into Nelha was necessitated by the growth of our two companies, demand from third party shellfish growers and a need to locate in an area that could ensure an uninterrupted and a pristine deep seawater supply that is available at Nelha. We use the surface seawater to heat the deep seawater to achieve the desired temperature to raise our larvae and single shellfish seed. The larvae and seed are shipped to our respective companies and to third party companies on the mainland and Internationally for grow out.

Maintaining a reasonable cost basis for the seawater we use is essential as we currently utilize approximately 17,000,000 gallons per month. This quality seawater flow and a reasonable control of its cost have enabled us to expand our operation and further expansion is anticipated. The financial subsidy will be of great assistance.

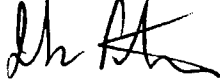
In an aquaculture system, the key element of success is the seawater quality and the ability to grow high quality algae to feed the young and sensitive shellfish. Our allocation from the financial subsidy will be used to achieve continued expansion of our production capability that in turn will increase seawater requirements. This in turn will

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result in more business for local Hawaiian vendors and increased employment opportunities for local residents. Since our start up in January of 2007 we now employ 8 people.

We appreciate the Nelha and Legislative efforts in accomplishing this financial subsidy and please be assured that it will lead to both growth and financial stability for KCS. Should you need further information, please do not hesitate to call on us.

Sincerely yours,



John Petrie  
President  
Coast Seafoods Company

General Manager  
Kona Coast Shellfish LLC

Cc: Ian Jefferds, Penn Cove Shellfish  
Tim Hering, Kona coast Shellfish  
Greg Coates, Coast Seafoods Company  
Kay Cogan, Coast Seafoods Company

Date: 9/12/07

Company Name: Big Island Abalone Corp.

Address: 73-4460 Queen Kaahumanu Hwy Ste 115 Kailua-Kona HI.

To: The Legislature of the State of Hawaii

Sirs and Madams:

On behalf of the above-named company, an agriculture tenant at the Natural Energy Laboratory of Hawaii Authority, I acknowledge that we are receiving a subsidy from the Legislature for the cost of electrical power to produce seawater for agriculture tenants.

It is understood that this subsidy will only last for the fiscal years 2007 - 2008 and 2008 - 2009.

We acknowledge that, thereafter, the company will be responsible for paying the current price for the water. We understand that the funds cannot be used for any other purpose.

Sincerely yours,

Ronald K. DeSilva  
(Name)

Plant Manager  
(Title)

Date: Sept. 7, 2007

Company Name: Cyanotech Corporation

Address: 73-4460 Queen Kaahumanu Hwy., #102

To: The Legislature of the State of Hawaii  
Kailua-Kona, HI 96740

Sirs and Madams:

On behalf of the above-named company, an agriculture tenant at the Natural Energy Laboratory of Hawaii Authority, I acknowledge that we are receiving a subsidy from the Legislature for the cost of electrical power to produce seawater for agriculture tenants.

It is understood that this subsidy will only last for the fiscal years 2007 - 2008 and 2008 - 2009.

We acknowledge that, thereafter, the company will be responsible for paying the current price for the water. We understand that the funds cannot be used for any other purpose.

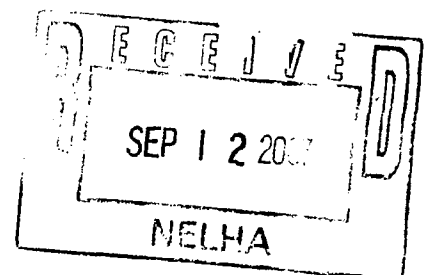
Sincerely yours,

Gerald R Cysewski

(Name) Gerald R Cysewski

President + CEO

(Title)



Date: Sept. 13, 2007

Company Name: HIGH HEALTH AQUACULTURE INC.

Address: 73-4460 Queen Kaahumanu Hwy # 117

To: The Legislature of the State of Hawaii

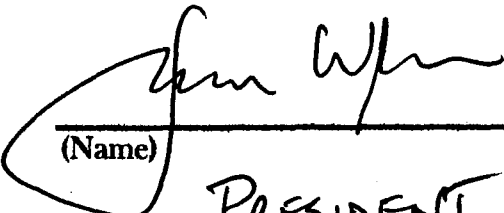
Sirs and Madams:

On behalf of the above-named company, an agriculture tenant at the Natural Energy Laboratory of Hawaii Authority, I acknowledge that we are receiving a subsidy from the Legislature for the cost of electrical power to produce seawater for agriculture tenants.

It is understood that this subsidy will only last for the fiscal years 2007 - 2008 and 2008 - 2009.

We acknowledge that, thereafter, the company will be responsible for paying the current price for the water. We understand that the funds cannot be used for any other purpose.

Sincerely yours,



JAMES WYBAN

(Name)

PRESIDENT

(Title)

Date: 9/14/07

Company Name: INDO-PACIFIC SEA FARMS

Address: P.O. Box 1206, KAILUA-KONA, HI 96745

To: The Legislature of the State of Hawaii

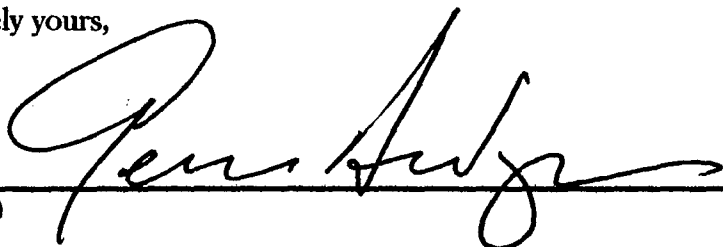
Sirs and Madams:

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It is understood that this subsidy will only last for the fiscal years 2007 - 2008 and 2008 - 2009.

We acknowledge that, thereafter, the company will be responsible for paying the current price for the water. We understand that the funds cannot be used for any other purpose.

Sincerely yours,



(Name)

PRESIDENT

(Title)

Date: September 13, 2007

Company Name: Kona Bay Marine Resources

Address: 13-4460 Queen Kaahumanu Hwy #108  
Kailua-Kona, HI 96740

To: The Legislature of the State of Hawaii

Sirs and Madams:

On behalf of the above-named company, an agriculture tenant at the Natural Energy Laboratory of Hawaii Authority, I acknowledge that we are receiving a subsidy from the Legislature for the cost of electrical power to produce seawater for agriculture tenants.

It is understood that this subsidy will only last for the fiscal years 2007 - 2008 and 2008 - 2009.

We acknowledge that, thereafter, the company will be responsible for paying the current price for the water. We understand that the funds cannot be used for any other purpose.

Sincerely yours,

B. [Signature]  
(Name)

CEO  
(Title)



Date: 9-13-07

Company Name: Kona Blue Water Farms

Address: P.O. Box 4239, Kailua-Kona, HI 96740

To: The Legislature of the State of Hawaii

Sirs and Madams:

On behalf of the above-named company, an agriculture tenant at the Natural Energy Laboratory of Hawaii Authority, I acknowledge that we are receiving a subsidy from the Legislature for the cost of electrical power to produce seawater for agriculture tenants.

It is understood that this subsidy will only last for the fiscal years 2007 - 2008 and 2008 - 2009.

We acknowledge that, thereafter, the company will be responsible for paying the current price for the water. We understand that the funds cannot be used for any other purpose.

Sincerely yours,

Woodward for NEIL Sims  
(Name)

PRESIDENT OF KONA BLUE  
(Title)

Date: 9-7-2007

Company Name: KONA COAST SHELLFISH LLC

Address: 73-4460 QUEEN KAAHUMANU HWY., #106, KAILUA-KONA, HI 96740

To: The Legislature of the State of Hawaii

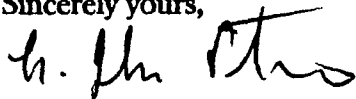
Sirs and Madams:

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It is understood that this subsidy will only last for the fiscal years 2007 - 2008 and 2008 - 2009.

We acknowledge that, thereafter, the company will be responsible for paying the current price for the water. We understand that the funds cannot be used for any other purpose.

Sincerely yours,



A. JOHN PETRIE  
(Name)

GENERAL MANAGER  
(Title)



# COAST SEAFOODS COMPANY

SOUTH BEND CORPORATE OFFICE

P.O. Box 166

South Bend, WA 98586-0166

(360) 875-5557 FAX (360) 875-5559

BELLEVUE OFFICE

14711 NE 29th Place, Suite 111

Bellevue, WA 98007

(425) 702-8800 Sales (800) 423-2303  
FAX (425) 702-0400

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September 7, 2007

Mr. Ron Baird  
Chief Executive Officer  
Natural Energy Laboratory of Hawaii Authority  
73-4460 Queen Kaahumanu Hwy. #101  
Kailua-Kona, Hawaii

Dear Mr. Baird,

We are in receipt of your letter dated August 30, 2007 regarding the seawater rate increase for fiscal 2007-2008. We view the rate increase of 19.3% to be substantial however we are very pleased and thankful for the efforts that were made to secure a financial subsidy for agricultural tenants' use of the seawater. We very much appreciate the Legislative appropriation and the efforts of Nelha.

Our Hatchery/Nursery operations, called Kona Coast Shellfish LLC (KCS) is vital to Coast Seafoods Company and Penn Cove Shellfish LLC the co-owners of the KCS site at Nelha. It is also very important to other shellfish producers that do not operate hatchery/nursery systems and rely on the supply of larvae and seed in many parts of the world. Without the pristine deep seawater that is provided by Nelha, our hatchery operations and expansion of nursery systems to hold shellfish seed could not be successful.

Both Coast Seafoods and Penn Cove operate large grow out operations up and down the West Coast and a large-scale hatchery operation at Quilcene, Washington. The expansion into Nelha was necessitated by the growth of our two companies, demand from third party shellfish growers and a need to locate in an area that could ensure an uninterrupted and a pristine deep seawater supply that is available at Nelha. We use the surface seawater to heat the deep seawater to achieve the desired temperature to raise our larvae and single shellfish seed. The larvae and seed are shipped to our respective companies and to third party companies on the mainland and Internationally for grow out.

Maintaining a reasonable cost basis for the seawater we use is essential as we currently utilize approximately 17,000,000 gallons per month. This quality seawater flow and a reasonable control of its cost have enabled us to expand our operation and further expansion is anticipated. The financial subsidy will be of great assistance.

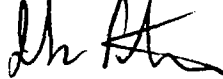
In an aquaculture system, the key element of success is the seawater quality and the ability to grow high quality algae to feed the young and sensitive shellfish. Our allocation from the financial subsidy will be used to achieve continued expansion of our production capability that in turn will increase seawater requirements. This in turn will

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result in more business for local Hawaiian vendors and increased employment opportunities for local residents. Since our start up in January of 2007 we now employ 8 people.

We appreciate the Nelha and Legislative efforts in accomplishing this financial subsidy and please be assured that it will lead to both growth and financial stability for KCS. Should you need further information, please do not hesitate to call on us.

Sincerely yours,



John Petrie  
President  
Coast Seafoods Company

General Manager  
Kona Coast Shellfish LLC

Cc: Ian Jefferds, Penn Cove Shellfish  
Tim Hering, Kona coast Shellfish  
Greg Coates, Coast Seafoods Company  
Kay Cogan, Coast Seafoods Company

Date: 13 September 2007

Company Name: Kona Cold Lobsters Ltd.

Address: 73-4460 Queen Kaahumanu Hwy. #103 Kailua-Kona HI 96740

To: The Legislature of the State of Hawaii

Sirs and Madams:

On behalf of the above-named company, an agriculture tenant at the Natural Energy Laboratory of Hawaii Authority, I acknowledge that we are receiving a subsidy from the Legislature for the cost of electrical power to produce seawater for agriculture tenants.

It is understood that this subsidy will only last for the fiscal years 2007 - 2008 and 2008 - 2009.

We acknowledge that, thereafter, the company will be responsible for paying the current price for the water. We understand that the funds cannot be used for any other purpose.

Sincerely yours,



---

(Name)

Vice President

---

(Title)

Date: Sept. 10, 2007

Company Name: Mera Pharmaceuticals

Address: 73-4460 Queen Kaahumanu Hwy #110

967

To: The Legislature of the State of Hawaii

Sirs and Madams:

On behalf of the above-named company, an agriculture tenant at the Natural Energy Laboratory of Hawaii Authority, I acknowledge that we are receiving a subsidy from the Legislature for the cost of electrical power to produce seawater for agriculture tenants.

It is understood that this subsidy will only last for the fiscal years 2007 - 2008 and 2008 - 2009.

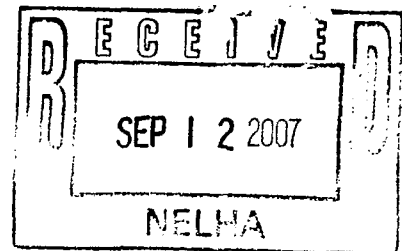
We acknowledge that, thereafter, the company will be responsible for paying the current price for the water. We understand that the funds cannot be used for any other purpose.

Sincerely yours,



Gregory F. Kawa  
(Name)

CEO  
(Title)



Date: 09/07/07

Company Name: MOANA TECHNOLOGIES, LLC  
78-4400 QUEEN KAHEUMANU HWY

Address: #121  
KAILUA-KONA, HI 96740

To: The Legislature of the State of Hawaii

Sirs and Madams:

On behalf of the above-named company, an agriculture tenant at the Natural Energy Laboratory of Hawaii Authority, I acknowledge that we are receiving a subsidy from the Legislature for the cost of electrical power to produce seawater for agriculture tenants.

It is understood that this subsidy will only last for the fiscal years 2007 - 2008 and 2008 - 2009.

We acknowledge that, thereafter, the company will be responsible for paying the current price for the water. We understand that the funds cannot be used for any other purpose.

Sincerely yours,

Suzy Horemans  
(Name)

General Manager  
(Title)

Date: Sept. 13<sup>th</sup>

Company Name: Ocean Rider, Inc.

Address: 73-4460 Queen Kaahumanu #118

To: The Legislature of the State of Hawaii  
Kailua-Kona  
Hawaii 96740

Sirs and Madams:

On behalf of the above-named company, an agriculture tenant at the Natural Energy Laboratory of Hawaii Authority, I acknowledge that we are receiving a subsidy from the Legislature for the cost of electrical power to produce seawater for agriculture tenants.

It is understood that this subsidy will only last for the fiscal years 2007 - 2008 and 2008 - 2009.

We acknowledge that, thereafter, the company will be responsible for paying the current price for the water. We understand that the funds cannot be used for any other purpose.

Sincerely yours,

Carl Cohen-Schman

(Name)

President, Ocean Rider Inc.

(Title)



Date: 9/12/2007

Company Name: Pacific Planktonics

Address: 73-998 Ahikawa St., Kailua-Kona, HI 96740

To: The Legislature of the State of Hawaii

Sirs and Madams:

~~MEMORANDUM~~

On behalf of the above-named company, an agriculture tenant at the Natural Energy Laboratory of Hawaii Authority, I acknowledge that we are receiving a subsidy from the Legislature for the cost of electrical power to produce seawater for agriculture tenants.

It is understood that this subsidy will only last for the fiscal years 2007 - 2008 and 2008 - 2009.

We acknowledge that, thereafter, the company will be responsible for paying the current price for the water. We understand that the funds cannot be used for any other purpose.

Sincerely yours,

Syd Kraul Syd Kraul

(Name)

owner

(Title)

Date: 9/15/07

Company Name: Pacific Ocean Ventures, LLC

Address: 73-4460 Queen Keahumahuu - Kailua-Kona Hawaii 96740

Box 126

To: The Legislature of the State of Hawaii

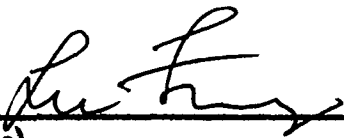
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It is understood that this subsidy will only last for the fiscal years 2007 - 2008 and 2008 - 2009.

We acknowledge that, thereafter, the company will be responsible for paying the current price for the water. We understand that the funds cannot be used for any other purpose.

Sincerely yours,

  
\_\_\_\_\_  
(Name)

Manager/owner  
\_\_\_\_\_  
(Title)

Date: 9-13-07

Company Name: Royal Hawaiian Sea Farms, Inc

Address: P.O. Box 3167 Kai'ua-Kona, HI 96740

To: The Legislature of the State of Hawaii

Sirs and Madams:

On behalf of the above-named company, an agriculture tenant at the Natural Energy Laboratory of Hawaii Authority, I acknowledge that we are receiving a subsidy from the Legislature for the cost of electrical power to produce seawater for agriculture tenants.

It is understood that this subsidy will only last for the fiscal years 2007 - 2008 and 2008 - 2009.

We acknowledge that, thereafter, the company will be responsible for paying the current price for the water. We understand that the funds cannot be used for any other purpose.

Sincerely yours,

STEVEN A. KATASE

(Name)

President

(Title)

Date: 9-7-2007

Company Name: KONA COAST SHELLFISH LLC

Address: 73-4460 QUEEN KAAHUMANU HWY., #106, KAILUA-KONA, HI 96740

To: The Legislature of the State of Hawaii

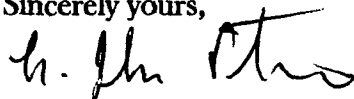
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We acknowledge that, thereafter, the company will be responsible for paying the current price for the water. We understand that the funds cannot be used for any other purpose.

Sincerely yours,



A. JOHN PETRIE

(Name)

GENERAL MANAGER

(Title)

Date: SEPTEMBER 13, 2007

Company Name: TAILOR SHELLFISH - KONA

Address: 73-4460 QUEEN KATHAMUNUKU RD. #107, UNILUA-KONA, HI 96740

To: The Legislature of the State of Hawaii

Sirs and Madams:

On behalf of the above-named company, an agriculture tenant at the Natural Energy Laboratory of Hawaii Authority, I acknowledge that we are receiving a subsidy from the Legislature for the cost of electrical power to produce seawater for agriculture tenants.

It is understood that this subsidy will only last for the fiscal years 2007 - 2008 and 2008 - 2009.

We acknowledge that, thereafter, the company will be responsible for paying the current price for the water. We understand that the funds cannot be used for any other purpose.

Sincerely yours,

  
\_\_\_\_\_  
(Name)

MANAGER, TAILOR SHELLFISH - KONA  
\_\_\_\_\_  
(Title)

Date: SEPT. 13 '07

Company Name: UWajima fisheries

Address: 73-4460 Queen Kaahumanu Hwy. suite 104  
KAILUA-KONA HAWAII 96740

To: The Legislature of the State of Hawaii

Sirs and Madams:

On behalf of the above-named company, an agriculture tenant at the Natural Energy Laboratory of Hawaii Authority, I acknowledge that we are receiving a subsidy from the Legislature for the cost of electrical power to produce seawater for agriculture tenants.

It is understood that this subsidy will only last for the fiscal years 2007 - 2008 and 2008 - 2009.

We acknowledge that, thereafter, the company will be responsible for paying the current price for the water. We understand that the funds cannot be used for any other purpose.

Sincerely yours,

Russell B. Spencer  
(Name)

PRESIDENT  
(Title)

Date: 9/6/07

Company Name: Unlimited Aquaculture

Address: 73 - 4460 Box 116  
Queen Kaahumanu Hwy.

To: The Legislature of the State of Hawaii

Sirs and Madams:

On behalf of the above-named company, an agriculture tenant at the Natural Energy Laboratory of Hawaii Authority, I acknowledge that we are receiving a subsidy from the Legislature for the cost of electrical power to produce seawater for agriculture tenants.

It is understood that this subsidy will only last for the fiscal years 2007 - 2008 and 2008 - 2009.

We acknowledge that, thereafter, the company will be responsible for paying the current price for the water. We understand that the funds cannot be used for any other purpose.

Sincerely yours,

(Name) Jaqueline Zimmerman

(Title) General Manager

cc: Loungier  
Anna  
Fiscal  
originals to  
file

Date: 9/6/07

Company Name: WHEA

Address: 73-4460 Queen

vy #105

To: The Legislature of the State of Hawaii

Sirs and Madams:

On behalf of the above-named company, as \_\_\_\_\_ Natural Energy Laboratory of Hawaii Authority, I acknowledge that we are receiving a subsidy from the Legislature for the cost of electrical power to produce seawater for agriculture tenants.

It is understood that this subsidy will only last for the fiscal years 2007 - 2008 and 2008 - 2009.

We acknowledge that, thereafter, the company will be responsible for paying the current price for the water. We understand that the funds cannot be used for any other purpose.

Sincerely yours,

Heather Nakakura  
(Name)

Co-Director  
(Title)

Does Not apply  
Not an ag Tenant  
J 9/13/07