

STAND. COM. REP. NO. 202

Honolulu, Hawaii

Feb 8, 2007

RE: H.B. No. 200
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 Economic Development & Business Concerns,
to which was referred H.B. No. 200 entitled:

"A BILL FOR AN ACT RELATING TO THE NATURAL ENERGY LABORATORY
OF HAWAII AUTHORITY,"

begs leave to report as follows:

The purpose of this bill is to ensure that Natural Energy
Laboratory of Hawaii Authority (NELHA) rates for pumped deep sea
water are reasonable by directing the Auditor to:

- (1) Conduct a financial and management audit of the deep
water pumping system; and
- (2) If necessary, determine a reasonable rate for the pumped
sea water.

This bill also mandates NELHA to implement any rate structure
recommended by the Auditor.

NELHA and the Hawaii Aquaculture Association testified in
support of this bill.

Your Committee finds that the principal purpose of NELHA is
to provide services and resources to tenant companies engaged in
ocean-related research, education, and products. Since 1995,
NELHA has been moving toward self-sufficiency at the request of
both the Administration and the Legislature. NELHA's largest

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operating cost is the cost of pumping deep seawater to its tenants for their aquaculture operations and at present, the amount charged by NELHA for this service does not cover its costs.

The audit proposed by this bill will provide a baseline for cost allocation considerations, such as who should pay the cost of NELHA's pipeline system for moving seawater, as well as the cost of repair and replacement. Your Committee also recognizes that NELHA, by creating an opportunity for investment in Hawaii's high technology sector and generating new jobs in this sector, likely contributes more in return for the State's investment than the service fees and rents that NELHA collects. Accordingly, your Committee has amended this bill by:

- (1) Requiring the Auditor to consider NELHA's downstream effects on the local and state economy in establishing any rate structure;
- (2) Changing the effective date of the bill to July 1, 2034, to encourage further discussion of this measure; and
- (3) Making technical, nonsubstantive amendments for purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Economic Development & Business Concerns that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 200, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 200, H.D. 1, and be referred to the Committee on Energy & Environmental Protection.

Respectfully submitted on
behalf of the members of the
Committee on Economic
Development & Business
Concerns,



KYLE T. YAMASHITA, Chair



