

Honolulu, Hawaii

MAR 28 2008

RE: S.C.R. No. 96

S.D. 1

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fourth State Legislature
Regular Session of 2008
State of Hawaii

Madam:

Your Committee on Economic Development and Taxation, to which was referred S.C.R. No. 96 entitled:

"SENATE CONCURRENT RESOLUTION REQUESTING THE STATE AUDITOR TO CONDUCT A PROGRAM, PERFORMANCE, AND FINANCIAL AUDIT OF THE NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY,"

begs leave to report as follows:

The purpose of this measure is to request the Auditor to:

- (1) Conduct a program, performance, and financial audit of the Natural Energy Laboratory of Hawaii Authority; and
- (2) Submit a report of the findings and recommendations to the 2009 Legislature.

Testimony in support of this measure was received from the Keahole Point Association, the Hawaii Aquaculture Association, High Health Aquaculture, and a former board member of the Natural Energy Laboratory of Hawaii Authority (NELHA). NELHA submitted comments.

Your Committee has heard concerns by many of the tenants at the NELHA facility, particularly regarding the rates tenants pay for pumped seawater. Your Committee has also heard from NELHA that the recent financial audits of NELHA are "clean" audits, and that there is not a problem with the fiscal viability and public accountability of NELHA.



Your Committee certainly understands the considerable frustration of both sides. It is precisely because of this ongoing frustration, that your Committee supports the audit in this measure as a means of coming to resolution on the scope of the issues, so that solutions may be crafted to address them.

Your Committee refers to the testimony of a former NELHA board member, that "it is timely for a third party to conduct a financial and management audit of NELHA to determine if current policies and management actions are fulfilling NELHA's purpose of business facilitation and economic development according to chapter 227D, Hawaii Revised Statutes." He further recommends interviewing existing tenants concerning the impacts of current sea water rate increases, and a review of the NELHA rule-making procedures, for the continued success of NELHA to diversify and expand the State economy is critical to all stakeholders.

Your Committee has amended this measure accordingly, to address the factual errors pointed out by the Authority, by:

- (1) Deleting the WHEREAS language related to the vacancy rate and energy costs of the Gateway Energy Center;
- (2) Deleting the WHEREAS language related to a lease agreement for the high-tech computing facility; and
- (3) Amending the WHEREAS language related to seawater pumping.

Your Committee has not amended the components of the audit, and urges further discussion as this measure continues through the legislative process.

As affirmed by the record of votes of the members of your Committee on Economic Development and Taxation that is attached to this report, your Committee concurs with the intent and purpose of S.C.R. No. 96, as amended herein, and recommends that it be referred to the Committee on Ways and Means, in the form attached hereto as S.C.R. No. 96, S.D. 1.



Respectfully submitted on
behalf of the members of the
Committee on Economic
Development and Taxation,



CAROL FUKUNAGA, Chair



