

HAWAII STATE HOUSE OF REPRESENTATIVES
THE TWENTY-FOURTH LEGISLATURE
REGULAR SESSION OF 2008

COMMITTEE ON ENERGY AND ENVIRONMENTAL PROTECTION

Thursday, February 7, 2008
8:30 a.m., Room 312

TESTIMONY OF HUI MANA 'OMA'O, LLC

**SUBJECT: H.B. 2661, RELATING TO THE ISSUANCE OF SPECIAL PURPOSE
REVENUE BONDS TO ASSIST INDUSTRIAL ENTERPRISES.**

The Honorable Hermina Morita, Chair and Members of the Committee:

Good morning. My name is William W. Milks. I am a principal of Hui Mana 'Oma'o, LLC (HMO), a recently formed Hawaii business entity. HMO supports enactment of H.B. 2661 (its companion, S.B. 2329 was referred to the Senate Ways and Means Committee).

Hui Mana 'Oma'o means Consolidated Green Power. It is comprised or affiliated with other Hawaii-based companies that have long been laboring in both the renewables market and the cogeneration market in Hawaii. HMO and its affiliated companies are dedicated to the development and operation of renewable energy projects for delivery of electricity to Hawaii's franchised electric utility companies. The principals of HMO and its affiliates have all been involved in the development of cogeneration, distributed generation, and renewables.

HMO is involved in the development of renewable energy projects for the Island of Oahu. Because HMO is in a competitive situation, only a general description of the project can be stated publicly with regard to the project. HMO has spent considerable time and funds to date, preparing to be responsive to Hawaiian Electric Company's RFP for 100 mw of renewable energy, which RFP is soon to be issued.

BACKGROUND

In 2007, the Island of Oahu spent slightly more than \$2,000,000.00 a day (on average) just for fossil fuels needed to generate Oahu's electricity. What amounted to three quarters of a billion dollars in 2007 will certainly be more costly each ensuing year: early 2008, the market price for petroleum exceeded \$100.00 per barrel, for the first time in history.

Hawaii's dependence upon oil is to the point of being extreme, not only because of our continuing need for oil to generate electricity, but also for vehicles, for jet fuel, and for utility gas. Also, many of our consumable products and fertilizer for our agricultural products are oil based.

The following points demonstrate that HMO's objective of providing renewable electric energy for Oahu's consumers is in the public interest.

- While nuclear power may be a solution, it requires amendment to our State Constitution. While coal supplies might be abundant, its thermal pollution and carbon emissions, require us to be less reliant on coal for Oahu's future. And while the development/commercialization of bio-fuels offers hope the industry is currently experiencing its own set of problems.
- As the world's demand for petroleum accelerates, the number of newly discovered oil fields declines. The laws of supply and demand and political and military might will dictate the availability and price of oil in the future.
- Bringing renewable energy technologies to commercialization is costly, but such costs must be incurred. Electric utility companies have chosen to place those high costs—and the inevitable failures—on developers such as HMO.
- To make “dispatchable” renewables a reality for Oahu, cooperation among government developers and the utility company will be essential.
- Direct funding from the State of Hawaii to financially assist developers of renewable energy currently is beyond the state's available funds and will remain so for the foreseeable future.
- To integrate renewables into existing electrical systems, all forms of kokua are needed: Act 221/Act 215 provisions are needed; special purpose revenue bonds are needed; Department of Land and Natural Resource leases for sites are needed; a goal-oriented PUC is needed; and an aggressive and enlightened electric utility is needed.

HMO SHALL BE THE “RESPONSIBLE PARTY” FOR THE "PROJECT'S" SPRBs

H.B. 2661 would authorize the Hawaii Department of Budget and Finance to proceed to qualify HMO as the “Project Party,” declaring HMO a “Responsible Party” to arrange for the underwriting and sale of bonds for the “Project.”

Special purpose revenue bond funding procedures cost the State of Hawaii virtually nothing. The process of the State of Hawaii lending its name to energy projects provides tax incentives to investors in renewable energies. The HECO family of companies has been the recipient of Special Purpose Revenue Bonds on numerous occasions over the past several years. That's a good deal for Oahu's consumers in the past, and will continue to be in the public interest.

Further, the processes set up by the Legislature and codified as Chapter 39A, Haw.Rev.Stat., provide safeguards to maintain the State of Hawaii's financial integrity. Independent feasibility

studies are required; and required guarantees will be in place or the bonds will not be underwritten. Indentures in the bonds absolve the State from being the ultimate financial recourse.

THREE SUGGESTED AMENDMENTS TO H.B. 2661

First, because the Legislature has enacted other legislation with regard to renewables, it is appropriate to reference the statutory definitions in this version of H.B. 2661, by insertion of the following:

The funds derived by this Act may be used for any and all renewable electric energy projects and renewable energy projects, as those terms are defined in Section 269-91, Hawaii Revised Statutes.

Secondly, in order to eliminate ambiguities which might otherwise arise, it is suggested that the following terms be used together throughout the bill:

"...renewable electric energy projects and renewable energy projects..."

Thirdly, after reviewing other special purpose revenue bond legislation, your Committee may wish to consider inserting the following language, with regard to refunding SPRB's:

"The department of budget and finance is authorized to issue from time to time, including times subsequent to June 30, 2013, special purpose revenue bonds in whatever principal amounts as the department shall determine to be necessary to refund the special purpose revenue bonds authorized herein; any refunding of special purpose revenue bonds authorized in this Act regardless of whether the outstanding special purpose revenue bonds or refunding special purpose revenue bonds have matured or are the subject of redemption or whether the refunding special purpose revenue bonds shall be bonds for the multi-project programs described herein. In making this determination, the department shall comply with federal law relating to the exemption from federal income taxation of the interest on bonds of the nature authorized by this section."

CONCLUSION

The need for electric energy from renewable resources, on Oahu, is extreme. The State's cooperation to develop renewables is essential, but both the State and HECO have such other compelling priorities that capital intensive renewable projects cannot be directly funded. The franchised utility has provided ample evidence over the past several years that it is unwilling to assume the costs of developing renewable energy resources suited for island environments. Therefore, the passage of H.B. 2661 is in the public's interest.

Thank you for your attention and serious consideration to the merits of the proposal set forth in H.B. 2661. HMO will be happy to respond to any questions you may have.