



**Hawaii  
Aquaculture  
Association**

To:

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

COMMITTEE ON LEGISLATIVE MANAGEMENT  
The Honorable Michael Y. Magaoay, Chair  
The Honorable James Kunane Tokioka, Vice Chair

HEARING

DATE: Wednesday, April 2, 2008  
TIME: 2:00 p.m.  
PLACE: Conference Room 423, State Capitol  
415 South Beretania Street

From: Ronald P. Weidenbach, President, Hawaii Aquaculture Association  
Cell: 429-3147, Email: hawaiiifish@gmail.com

Re:

HCR 167 REQUESTING THE AUDITOR TO CONDUCT A EDB, LMG  
Status FINANCIAL AND MANAGEMENT AUDIT OF THE  
NATURAL ENERGY LABORATORY OF HAWAII  
AUTHORITY.

Chair Magaoay, Vice-Chair Tokioka, and Members of the Committee:

The Hawaii Aquaculture Association (HAA) strongly supports the intent of HCR 167 requesting the State auditor to conduct a financial and management audit of the Natural Energy Laboratory of Hawaii Authority and its deep sea water pumping system.

Aquaculture is one of the fastest growing segments of diversified agriculture in the State, exceeding \$21M in wholesale product value in 2006. The largest portion of statewide aquaculture production is generated by the aquaculture tenants at NELHA, who in turn provide the majority of NELHA's revenues.

Over the years, the State of Hawaii has advertised and solicited for aquaculture tenants from around the world, and more recently water bottling companies, to come to NELHA

to build their companies and in the process to help further Hawaii's economic development efforts. Attractive lease and water rates were offered to prospective businesses to attract them to come and invest at NELHA. Many companies responded and private investment has now far exceeded State investment. Unfortunately, in recent years, the NELHA BOD has chosen to impose a series of substantial water rate increases seriously undermining the profitability of existing aquaculture businesses at NELHA and deterring further planned investment at NELHA.

The HAA strongly supports HCR 167 requesting the auditor to conduct a financial and management audit of NELHA and its deep sea water pumping system, and to establish a reasonable water rate structure.

Thank you for the opportunity to testify.

To: House Committee On Legislative Management  
4/2//08,2:00 pm, room 423  
Hawaii State Legislature

4/2/08

From: John Corbin  
47-215 Iuiu Street  
Kaneohe , Hawaii 96744  
Phone- 239-8316

Subject: Testimony on HCR 167, Requesting the Auditor to Conduct a Financial and Management Audit of the Natural Energy Laboratory of Hawaii Authority

Chair Magaoay , Vice Chair Tokioka , and Committee Members

My name is John Corbin. I formerly was the manager of the State Aquaculture Development Program. In that capacity I served on the Board of Directors(BOD) of the Natural Energy Laboratory of Hawaii, later the Natural Energy Laboratory of Hawaii Authority(NELHA) , from 1981 to 2006. I served in positions of Chair and Vice Chair of the BOD and Chair or Secretary of the Research Advisory Committee. Over that period NELHA became an internationally respected facility for Ocean Thermal Energy Conversion(OTEC) research and development and warm and deep sea water aquaculture. Currently the majority of the State annual aquaculture production value comes from companies at NELHA, though 2006 statistics saw a decline. I wish to express my strong support of HCR 167.

Presently the long standing companies at NELHA are struggling and curtailing growth under large and relatively rapid increases in costs, particularly rates for sea water. These major rate increases to address greater self sufficiency began in fiscal year 2003-2004 and have resulted in large part from recent BOD policies to eliminate General Fund contributions for operating support and address unprecedented increases in electrical costs for pumping sea water due to escalating oil prices(recently \$110 a barrel). I believe these BOD actions have contributed to NELHA moving substantially away from its stated purposes found in Chapter 227D HRS to encourage and incentivize private investment.

According to the NELHA statute, " The purpose of the natural energy laboratory of Hawaii authority shall be to facilitate research, development and commercialization of natural energy resources and ocean-related research, technology, and industry in Hawaii and to engage in retail, commercial, or tourism activities that will financially support that research, development , and commercialization at a research and technology park in Hawaii."

Further under the powers of NELHA in Chapter 227D, the Authority may: " 20) Create an environment that supports appropriate natural resource utilization and results in economic development, including: supporting research projects and facilitating the transition from research and development to pilot scale and then full commercial operation of companies utilizing the natural resources available at the research and technology park, ... 21) Develop programs that support projects and companies which locate at research and technology parks;"

In conclusion, 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 227 D HRS. Such a review could include interviewing existing tenants concerning the impacts of current sea water rate increases on the investment environment at NELHA. In addition, Chapter 227D HRS states the Authority may: "(5) Adopt rules under Chapter 91 necessary to effectuate this chapter in connection with its operation, facilities, parks, properties, and projects," and consideration of promulgating rules for more clarity and predictability of BOD decision-making processes could be part of the audit. All stakeholders in the continued success of NELHA to diversify and expand the State economy could benefit from this comprehensive audit. Thank you for the opportunity to testify.