

Keahole Point Association
Tenants at NELHA

MEMBERS:

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

To: Committee on Economic Development and Taxation
Chair Senator Fukunaga
Vice Chair Senator Espero

Hearing date: 3/27/08
Time: 1:15 pm
Place: Conference Room 224, State Capital

Dear Chair Fukunaga, Vice Chair Espero and Members of the Committee:

The Keahole Point Association (KPA) is an association of tenants at the Natural Energy Laboratory of Hawaii Authority (NELHA). The KPA strongly supports SCR 96 which requests an audit of NELHA.

Tenants at NELHA are responsible for the majority of commercial aquaculture products produced in the State of Hawaii. Critical to all operations at NELHA is a steady supply of reasonably priced seawater. Tenants are 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.

The KPA therefore urges passage of SCR 96

Thank you for consideration of this testimony.

Gerald R. Cysewski
President Keahole Point Association
President and CEO Cyanotech Corporation

To: Senate Committee On Economic Development and Taxation
3/27/08, 1:15 pm, room 224
Hawaii State Legislature

3/27/08

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

Subject: Testimony on SCR 96, Requesting the State Auditor to Conduct a Program, Performance, and Financial Audit of the Natural Energy Laboratory of Hawaii Authority

Chair Fukunaga, Vice Chair Espero, and Committee Members

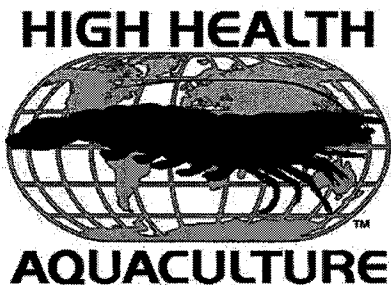
My name is John Corbin. I formerly was the manager of the State Aquaculture Development Program. In that capacity I served on the Board of Directors (BOD) of the Natural Energy Laboratory of Hawaii, later the Natural Energy Laboratory of Hawaii Authority (NELHA), from 1981 to 2006. I served in positions 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 SCR 96.

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.

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. 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.



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THE SENATE
THE TWENTY-FOURTH LEGISLATURE
REGULAR SESSION OF 2008

COMMITTEE ON ECONOMIC DEVELOPMENT AND TAXATION

HEARING

DATE: Thursday, March 27, 2008
TIME: 1:15 p.m.
PLACE: Conference Room 224
State Capitol
415 South Beretania Street

A G E N D A

SCR 96

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

To: Senator Carol Fukunaga, Chair
Senator Will Espero, Vice Chair

From: Jim Wyban , President, High Health Aquaculture
Cell: 938-2840, Email: jim.wyban@gmail.com

High Health Aquaculture is a tenant in good standing at NELHA and has been there for 14 years. HHA strongly supports the intent of SCR 96 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.

The largest portion of statewide aquaculture production is generated by the aquaculture tenants at NELHA, who in turn provide the vast 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.

HAA strongly supports SCR 96 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.

HHA also strongly supports the addition of 2 commercial tenants to NELHA's board to watch over tenants' interest.

Thank you for the opportunity to testify.

Best regards,

Jim Wyban PhD
High Health Aquaculture Inc.
Kona Hawaii USA