

HB 1627 HD2

WRITTEN TESTIMONY

TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON ENERGY AND ENVIRONMENT
ON
HOUSE BILL NO. 1627, H.D. 2

March 17, 2009

RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS.

House Bill No. 1627, H.D. 2, authorizes the issuance of up to \$40,000,000 in special purpose revenue bonds to assist Carbon Diversion, Inc., or a partnership in which Carbon Diversion, Inc is a general partner, with the establishment of cogeneration and related energy production facilities at various locations throughout the State of Hawaii pursuant to Part V, Chapter 39A, Hawaii Revised Statutes.

The Department has a technical comment on this bill. Under Section 144 of the Internal Revenue Code of 1986, as amended, tax exempt financing for industrial projects are limited to \$10 million. We recommend that the project party consult with a bond counsel firm to determine if the project may qualify, under certain exemptions, for the full amount of tax-exempt financing.

CARBON DIVERSION, INC.
85-979 Farrington Hwy, Suite C
Waianae, Hawaii 96792
Phone 808.671.1858
www.carbondiversion.com

HAWAII STATE SENATE - REGULAR SESSION OF 2009
COMMITTEE ON ENERGY AND THE ENVIRONMENT

March 17, 2009
3:00 PM, Conference Room 225

HB 1627, HD2 - RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS.

Chair Sen. Mike Gabbard, V. C. Sen. J. Kalani English and Committee Members:

Good Afternoon. My name is Bill Bathe, and I am the Chief Financial Officer (CFO) for Carbon Diversion, Inc. (CDI). Carbon Diversion strongly supports H. B. 1627, HD2 Relating to the Issuance of Special Purpose Revenue Bonds to help develop eight (8) sites and expand its operations on all the main islands in Hawaii. Carbon Diversion Inc. is a local Hawaiian company, started in 2004 in a partnership with the University of Hawaii Foundation. It is a Qualified High Tech Company eligible for Tax Incentive Credits under Acts 221/215.

CDI has developed a full-scale hybrid gasification carbonization process at Campbell Industrial Park in Kapolei, which can reduce various organic feedstock and tires (non-fossil fuels) into carbon products and synthetic gas. CDI anticipates further expansion into other sites including developing a Headquarters Operations Center near its present facility. The saleable products are energy related carbon products and electricity which can, by contract with utilities, be pumped directly into the grid through local distributed generation sites. The CDI process has a negligible effect on the environment and is compliant with EPA's Air Emission Standards. The CDI Process application results in lessened dependency on fossil fuels, landfills, transportation and disposal costs, and can indirectly provide lower priced electrical energy, among other environmental benefits.

The CDI process embraces respect for the 'aina and principles of caring for the land - Malama 'Aina. In fact, CDI is working directly with the DHHL to implement a part of its expansion on Hawaii Island and engage in projects which will process a range of organic streams from biomass green-wastes, to tires, macadamia nut shells, and will include processing invasive species "gorse" to help clear thousands of acres of infested pasture lands in Humu'ula on Mauna kea. We expect to generate at least six (6) direct technical and semi-technical jobs and two (2) or more indirect jobs as a result of this technology application per site throughout the state.

In addition to the sales of electrical power to the local utilities, the use of thermal fluid output from the cogeneration facilities would be utilized by existing and planned businesses for both manufacturing and processing enterprises with economic benefits to the surrounding community. Finally, the use of special purpose revenue bonds does comport with the provisions of Part V, Chapter 39A, HRS.

We strongly recommend passage of H. B. 1627, HD 2.

Thank you very much for your consideration.

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HB 1627, HD2 - RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS.

Chair Sen. Mike Gabbard, V. C. Sen. J. Kalani English and Committee Members:

Good Afternoon. My name is Dante Carpenter, Director of Public Affairs for Carbon Diversion, Inc. (CDI). Carbon Diversion strongly supports H. B. 1627, HD2 Relating to the Issuance of Special Purpose Revenue Bonds to help develop and expand its operations statewide. (Companion SB 485, SD2) CDI is a local Hawaiian company which has developed a hybrid gasification carbonization process which can reduce various organic feedstock and tires (non-fossil fuels) into carbon products and synthetic gas. The CDI Process has a negligible effect on the environment by outperforming the minimum allowed for EPA's Emission Standards.

Moreover, it epitomizes the Hawaiian Culture's respect for the 'aina and principles of caring for the land – Malama 'Aina - with one of the most sustainable and clean technologies available in the world today. This results in lessened dependency on fossil fuels, landfills, transportation and disposal costs, and can indirectly provide lower priced electrical energy to the grid via local distributed generation.

In fact, CDI is working directly with the DHHL to implement a part of its expansion on Hawaii Island and engage in projects which will process a range of organic streams from biomass green-wastes, to tires, macadamia nut shells. Recently, CDI "broke ground" with other key Hawaiian Organizations and to process the invasive species "gorse" to help clear thousands of acres of infested DHHL pasture lands in Humu'ula on Mauna Kea. Further, mobility and portability of the process facility equipment allows for maximum flexibility of operations with the least possible negative impact(s) to the surrounding area(s) in which reduction of the various organic feedstock materials are being processed.

In addition to the sales of electrical power to the local utilities, the use of thermal fluid output from the cogeneration facility would be utilized by existing and planned businesses for both manufacturing and processing enterprises with economic benefits to the surrounding community. Finally, the use of special purpose revenue bonds does comport with the provisions of Part V, Chapter 39A, HRS.

We strongly recommend passage of H. B. 1627, HD 2.

Thank you very much for your consideration.

Pacific Crane & Equipment, Inc

P. O. Box 6753

Kamuela, Hawaii 96743

March 17, 2009

TO: Senator Mike Gabbard, Chair
Senator J. Kalani English, Vice Chair
Committee on Energy and Environment

FROM: N Duke Kapunia, President & CEO

RE: **HB 1627, HD2**
RELATING TO THE ISSUANCE OF SPECIAL PURPOSE
REVENUE BONDS

Authorizes special purpose revenue bonds for Carbon Diversion, Inc. for development of non-fossil fuel energy production. Takes effect July 1, 2009.

Date/Time: Tuesday, March 17, 2009 3:00 p.m.
Place: Conference Room 225
State Capitol, 415 So. Beretania St.

We write to **SUPPORT** this bill.

Carbon Diversion, Inc. will be utilizing a patented technology developed at the Hawaii Natural Energy Institute (HNEI) University of Hawaii, to reduce various waste streams to useful, high-yield marketable products; the thermal fluid to be processed will greatly contribute to the standards projected for co-generation facilities by the "*Hawaii Clean Energy Initiative*".

We look forward as a partner with Carbon Diversion, Inc., to bring this project to fruition by delivering the harvested feedstock for processing; we have developed the harvesting technique and CDI has proven the production process.

We have formed a partnership to pursue this major undertaking, a partnership without which this project could not have happened:

Pacific Crane & Equipment, Inc., 'Oiwi Lokahi O Ka Mokupuni O Keawe,
Department of Hawaiian Home Lands, Carbon Diversion, Inc.
Bacon Universal, Inc., Innovative Tractor Werkes, LLC

Join us in "*Turning a Problem into an Opportunity*" (coined by Kelly Greenwell) by clearing trust lands for productive use, by producing clean fuel for HELCO and HECO, by bringing our islands' economy steps closer to self-sufficiency, and last by not least, by supporting employment opportunities for our families.

We write to **request full support for passage of this bill**, to authorize the issuance of a special purpose revenue bond to Carbon Diversion, Inc., to be effective July 1, 2009.

Thank you!

Phone: (808)890-2311 Cell: (808)936-1042
E Mail: duke@sandwichisles.net

WAIMEA HAWAIIAN HOMESTEADERS' ASSOCIATION, INC.

P. O. Box 6753

Kamuela, Hawaii 96743

March 17, 2009

M KANANI KAPUNIAI
Pu'ukapu-Pastoral '90+
Director - **President**

N DUKE KAPUNIAI
Honokaia
Director - **Vice-President**

SHARON MEDEIROS
Puu Pulehu
Director - **Secretary**

A HOPPY BROWN
Puukapu Pastoral '90+
Director - **Treasurer**

DOROTHY/BRUCE NISHIE
Kamoku/Nienie/Waikoloa
Director

KENNETH/LAVERNE KANIHO
Pauahi
Director

BERNARD ALANI, JR
Puukapu-fARM>'85
Director

BETTY LAU
Kuhio Village
Director

JOSEPH KEALOHA
Pu'ukapu-Agricultural'85+
Director

FRED LAU
Kuhio Village
Director

HENRY "SOLI" NIHEU"
Pu'ukapu-Farm '85+
Director

DERRICK HONDA
Pu'ukapu-Pastoral <90
Director

TO: Senator Mike Gabbard, Chair
Senator J. Kalani English, Vice Chair
Committee on Energy and Environment

FROM: M Kapuniai, President

RE: **HB1627, HD2**
RELATING TO THE ISSUANCE OF SPECIAL PURPOSE
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Carbon Diversion, Inc. has identified at least two project sites on Hawaiian Home Lands on Hawaii Island, one of which has feed stock **ready to process, today**; equipment and qualified personnel ready.

Your favorable support will convert an invasive plant into useful, marketable products; will restore unproductive Hawaiian Homes Trust Lands for beneficiary stewardship; will provide employment opportunities; and, will contribute towards self-sufficiency for our island economy.

We write to **request full support for passage of this bill** to issue a Special Purpose Revenue Bond for Carbon Diversion, Inc. to be effective July 1, 2009.

We appreciate the opportunity to participate in this process!

Phone: (808) 890-2311 (Res) 936-0157(Cell)
Email: duke@sandwichisles.net