

WRITTEN TESTIMONY

TESTIMONY BY GEORGINA K. KAWAMURA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION
ON
HOUSE BILL NO. 1627

February 12, 2009

Bill No. 1627

Support Y N

Date 2/11/09

Time 9:49a

Cat AF AS AX B C

Type 1 2 WI

RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS.

House Bill No. 1627 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.

HAWAII STATE HOUSE OF REPRESENTATIVES
REGULAR SESSION OF 2009

COMMITTEE ON ENERGY AND ENVIRONMENTAL PROTECTION

February 12, 2009
9:00 AM, Conference Room 325

Bill No. 1627
Support Y N
Date 2/10/09
Time 7:25p
Cat AF AS AX B C
Type 1 2 WI

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

Chair Rep. Hermina M. Morita, V. C. Rep. Denny Coffman and Committee Members:

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

We suggest a slight change in language in Section 1. to read as follows: "The legislature further finds that Carbon Diversion Inc. is engaged in the development of cogeneration facilities that will sell electricity in this manner by processing non-fossil fuel feedstock, utilizing [the] a material reduction process [of carbonization] by pressurized pyrolysis and gasification for direct production of energy-related carbon products and fuels, and indirect production of electricity." (Deleted language is bracketed [] and new language is underlined.)

Further, the use of thermal fluid output from the cogeneration facility would be utilized by existing and planned businesses for manufacturing and processing enterprises with attendant economic benefits to the community in which it is located. Finally, the use of special purpose revenue bonds represented is consistent with the provisions of Part V, Chapter 39A, HRS.

We strongly recommend passage of H. B. 1627.

Thank you very much for your consideration of this bill.

HAWAII STATE HOUSE OF REPRESENTATIVES
REGULAR SESSION OF 2009

Bill No. 1627

Support Y N

COMMITTEE ON ENERGY AND ENVIRONMENTAL PROTECTION

Date 2/10/09

February 12, 2009

Time 11:19p

9:00 AM, Conference Room 325

Cat AF AS AX B C

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

Chair Rep. Hermina M. Morita, V. C. Rep. Denny Coffman and Committee Members:

Good Morning. 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 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 the year 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 fuel) 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.

It does embrace 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 one (1) or two (2) 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 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.

Thank you very much for your consideration.