

**HB 1627**

WRITTEN TESTIMONY

TESTIMONY BY GEORGINA K. KAWAMURA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE SENATE COMMITTEE ON WAYS AND MEANS  
ON  
HOUSE BILL NO. 1627, H.D. 2, S.D. 1

April 2, 2009

RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS.

House Bill No. 1627, H.D. 2, S.D. 1, 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 Highway, Suite C**  
**Waianae Hawaii 96792**  
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[www.carbondiversion.com](http://www.carbondiversion.com)

HAWAII STATE SENATE - REGULAR SESSION OF 2009  
COMMITTEE ON WAYS AND MEANS

April 2, 2009  
9:30 AM, Conference Room 211

**HB 1627, HD2, SD1 - RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS.**

Chair Sen. Donna Mercado Kim, V. C. Sen. Shan S. Tsutsui and Members:

Good Morning. My name is Dante Carpenter, Director of Public Affairs for Carbon Diversion, Inc. (CDI). Carbon Diversion strongly supports H. B. 1627, HD2, SD1 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.

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 and other key Hawaiian Organizations participated in ground-breaking ceremonies 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, SD1.

Thank you very much for your consideration.

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HAWAII STATE SENATE - REGULAR SESSION OF 2009  
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***HB 1627, HD2, SD1 - RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS.***

Chair Sen. Donna Mercado Kim, V. C. Sen. Shan S. Tsutsui 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, HD2, SD1 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 that 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 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, SD1.

Thank you very much for your consideration.

WAIMEA HAWAIIAN HOMESTEADERS' ASSOCIATION, INC.  
P. O. Box 6753  
Kamuela, Hawaii 96743  
April 1, 2009

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

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

**SHARON MEDEIROS**  
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Director - **Secretary**

**A HOPPY BROWN**  
*Puukapu Pastoral '90+*  
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NISHIE**  
*Kamoku/Nienie/Waikoloa*  
Director

**KENNETH/LAVERNE  
KANIHO**  
*Pauahi*  
Director

**BERNARD ALANI, JR**  
*Puukapu-fARM>'85*  
Director

**BETTY LAU**  
*Kuhio Village*  
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**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 Donna Mercado Kim, Chair  
Senator Shan S. Tsutsui, Vice Chair  
*COMMITTEE ON WAYS AND MEANS*

FROM: M Kapuniai, President

RE: **HB1627, HD2, SD1**  
**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: Thursday, April 2, 2009 9:30 a.m.  
Place: Conference Room 211  
State Capital, 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*".

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!

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