

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. 1628

February 12, 2009

Bill No. 1628
Support Y N
Date 2/11/09
Time 9:59a
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RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS TO ASSIST 2 WI
BIOENERGY HAWAII, LLC.

House Bill No. 1628 authorizes the issuance of up to \$100,000,000 in special purpose revenue bonds to assist BioEnergy Hawaii, LLC, or a partnership in which BioEnergy Hawaii, LLC is a general partner, with the establishment of cogeneration and related energy production facilities 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.

**Pacific Waste, Inc.
74-5588 Pawai Place
Kailua-Kona, HI 96740**

Bill No. 1628

Support N

Date 2/11/09

Time 7:56a

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VIA: FAX TO
SGT. AT ARMS
586-6500

HAWAII STATE HOUSE OF REPRESENTATIVES
REGULAR SESSION OF 2009

February 12, 2009
9:00 am - Conference Room 325

RE: HB 1628 RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS TO ASSIST BIOENERGY HAWAII, LLC.

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

Good Morning. My name is Dante Carpenter and I speak in favor HB 1628 Relating to the issuance of special purpose revenue bonds for BioEnergy Hawaii, LLC. (BEH) (Companion SB 486). For the past 10 years, I have been a member of the Board of Directors of Pacific Waste Inc., the managing member in a project proposed by BEH in West Hawaii.

I sincerely believe that the total scope of this project which will combine state-of-the-art technologies proposed to be located in Kona in the Natural Energy Laboratory/Host Park area in will help West Hawaii in general and NELHA in particular towards meeting its needs in the area of energy self-sufficiency.

As Mayor of Hawaii County from 1984 thru 1988 it was my pleasure to serve as one of seven ex-officio voting members of the NELH Managing board. In fact, I specifically delegated and personally instructed Deputy Managing Director Gregory Mooers to encourage the expansion of land and facilities by whatever means and to the greatest extent possible in light of the huge future potential of NELH!

In 1990, pursuant to Act 224, 1990 Hawaii Session Law, at 474-80, the legislature wisely consolidated management of the NELH and the adjoining Hawaii ocean science and technology (HOST) park to attract commercialization projects in concert with NELH activity. HRS chapter 227D (1993) replaced chapter 227 and established the Natural Energy Laboratory of Hawaii Authority (NELHA) to manage both NELH and HOST. Pursuant to 277D-1: "Research and technology park" means a tract of real property determined by the NELHA board as being suitable for use as building sites for projects engaged in research, development, demonstration, processing, or manufacturing activities or retail or commercial enterprises utilizing or in support of utilization of natural resources or geothermal energy. This includes, but is not limited to, research, commercialization, training, education, technical analyses, pilot plant, or prototype product development, and may include the installation of improvements to tracts incidental to the use of real property as a research and

technology park, such as water, sewer, sewage and waste disposal, and drainage facilities, sufficient to adequately service projects in the research and technology park, and provision of incidental transportation facilities, power distribution facilities, and communication facilities."

NELHA is thus empowered to do much more than its predecessor NELH. This broadened power and authority inures to its present day status. Indeed, as pointed out by CEO Ron Baird at a recent meeting, its authority extends throughout the State of Hawaii and is not merely limited to Keahole in Kona.

Moreover, as a marine-mechanical engineer formerly engaged in design and operations of raw sugar production machinery evaporation systems, including steam and electrical generation units, it's exciting to be a participant in the BEH proposal. The \$100 M + investment which includes technical processes that utilize various waste streams, the combination of CO2 generation to support the growth of algae in photo-bioreactor units, and ultimately the production of over 9 MW of electrical power for distribution to the tenants, neighbors Kona International Airport, too, is an exciting project for West Hawaii and NELHA.

The BEH Team is committed to complete an EIS, among other studies and ongoing discussions with staff of NELHA. Project Manager, Guy Kaniho, formerly managed the operations of Pacific Waste, Inc., the largest Refuse Hauler on the Big Island and competently represents the interests of BEH.

With the economy in a slump, NELHA's decreased funding support from state and federal sources, the exorbitant cost of energy, the challenge to make timely and bold decisions presents a mutual opportunity. We look forward to working with the NELHA Board, CEO Ron Baird and key staff members of NELHA, and all other cognizant private or government agencies.

Finally, 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. The use of special purpose revenue bonds is in keeping with the provisions of Part V, Chapter 39A, HRS.

We strongly recommend passage of HB 1628.

Thank you very much for your consideration.



NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY

An Attached Agency of the Department of Business, Economic Development & Tourism, State of Hawaii



Statement of
RON BAIRD
CHIEF EXECUTIVE OFFICER
 Natural Energy Laboratory of Hawaii Authority
 before the
HOUSE COMMITTEE ON ENERGY AND ENVIRONMENTAL PROTECTION
February 12, 2009
9:00 a.m.
State Capitol Conference Room 325

in consideration of
HB1628
RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS TO ASSIST BIOENERGY HAWAII, LLC.

Bill No. 1628
 Support **Y N**
 Date 2/11/09
 Time 1:4p
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Chair Morita, Vice-Chair Coffman, and members of the House Committee on Energy and Environmental Protection, I am Ron Baird Chief Executive Officer of the Natural Energy Laboratory of Hawaii Authority, located in Kailua-Kona.

Bio Energy Hawaii presents an opportunity for us, as a society, to move forward toward energy independence and self-sufficiency in an important number of ways. Hawai'i is likely the most carbon intensive consuming society on earth. We need to consider reducing our carbon footprint while simultaneously achieving two other goals: reducing our dependence on imported fossil fuels and increasing self-sufficiency in the production of other goods. This project represents an important first step toward achieving all three and can serve as a model for similar projects elsewhere in the state.

Bio Energy Hawaii proposes to build a renewable, waste-to-energy facility at NELHA. This significantly reduces the amount of diesel fuel consumed by its trucks, achieves an unprecedented level of recycling glass, metal, and the like AND aims to:

- 1.) Produce 6 to 8 megawatts of electricity (enough to supply six to eight thousand typical Island of Hawaii homes). The energy would be produced from a renewable resource (waste) that otherwise clogs our environment with non-decomposable trash or otherwise contributes to our largest homegrown export --- waste paper.
- 2.) Recycle carbon dioxide from the gasification of the waste into energy. In today's world, recycling the carbon is an important contributor to reducing society's carbon footprint. Bio Energy Hawaii has committed to doing several things with the carbon dioxide from gasification: sell it to local farmers who otherwise import their carbon dioxide (used to stimulate plant growth) and use it in the production of biofuels from algae. In the latter regard, the company envisions that at worst, the algae is recycled

to generate additional electricity and ultimately will be used in a proprietary process to produce 6,000,000 to 8,000,000 gallons of biodiesel on an annual basis.

Displacement of that much fossil fuel, at today's prices, saves the citizens of Hawai'i \$18 to \$24 million annually in the monies exported forever from Hawai'i to pay for imported fuels.

- 3.) What happens to the leftover biomass from fuel production? Research on that is being conducted vigorously and actively all over the world. The residual is a high protein material that likely can be rendered into animal foods. Hawai'i imports virtually all its cattle, hog, chicken, horse, fish and other animal foods. Making this residual into home grown animal feeds would create a beneficial effect for all our citizens, certainly not the least of which is the agricultural production sector.

The capital investment to help make this plant a reality, assuming the NELHA Board of Directors approves its lease application, could set the stage for similar operations designed to make our state more self reliant and less susceptible to wild swings in the price of fossil fuels.

NELHA supports the passage of this Bill into an Act as NELHA believes its passage and implementation will make a significant positive economic impact on the future of the state and its well-being.

Thank you very much for your consideration of my testimony and if you have any questions, I would be happy to take and answer them now to the best of my ability.