

HB 1628

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. 1628, H.D.1, S.D.1

April 2, 2009

RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS TO ASSIST
BIOENERGY HAWAII, LLC.

House Bill No. 1628, H.D. 1, S.D. 1, 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.



BioEnergy Hawaii, LLC
New Ideas for Hawaii's Future

Hawaii State Senate
Regular Session of 2009
Ways & Means Committee (WAM)

Thursday, April 2, 2009
9:30 a.m., Conference Room 211

***HB No. 1628 HD1, SD1
RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS TO
ASSIST BIOENERGY HAWAII, LLC.***

Chair Senator Donna Mercado Kim, Vice – Chair Senator Shan Tsutsui and Senate Committee Members:

Good Morning. I am Guy Kaniho, General Manager of BioEnergy Hawaii, LLC. A Hawaii limited liability company which is owned and managed by Pacific Waste, Inc. a Hawaii corporation with its principal offices in Kailua-Kona, Hawaii.

Pacific Waste is the largest waste hauling and disposal company on the Big Island. Its sister company, Aloha Waste Systems, Inc. operates on the Island of Maui. Pacific Waste collects and disposes of nearly 200 tons of Municipal Solid Waste ("MSW") everyday at the Pu'uana'hulu landfill on the Island of Hawai'i.

BioEnergy Hawaii's primary business is the design, construction and operation of one or more, municipal solid waste to energy facilities in the State of Hawaii, wherein refuse derived fuel, ("RDF") is gasified in an advanced process for electrical generation to be distributed and sold into the electrical grid operated by the local utilities and / or to other users.



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In other words, in its initial facility, the BEH proposal is simply to take all the trash collected by Pacific Waste and others, including the County, in West Hawaii, sort it and put it into the gasifier which will turn it into fuel to power engines and produce electricity that can be sold to HELCO or other users.

The benefits of such a facility are numerous. First, it would produce electricity, perhaps as much as 10 megawatts, for use by individual residences and businesses using a renewable resource, trash. Such electrical power is produced without the use of fossil fuels thereby reducing the State's dependency on foreign oil.

It will also significantly reduce the amount of municipal solid waste flowing into the landfill thereby extending its life. This, in turn, will reduce the production of methane gas and subsurface leachate at the landfill, thereby improving air quality and our environment, our "Aina". Landfill space is a significant problem in our state and on the Island of Hawai'i in particular where the Hilo landfill is nearing closure. We simply do not have enough space to accommodate the MSW produced by residents, tourists, business and industry. This proposed waste to energy facility helps solve that problem by using the garbage as an energy source or feedstock.

At this time, it is BEH's intention to sequester carbon dioxide for the production of algae. Moreover, BEH is also committed to study the commercial viability of utilizing algae to produce biofuel to propel vehicles, power engines or for various other uses such as



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powering generators to produce more electricity and thereby further reducing our State's need for fossil fuels.

Our initial project has been presented to the Board of Directors of the Natural Energy Laboratory of Hawaii Authority ("NELHA") at Kailua-Kona on the Island of Hawaii and was given conceptual approval on May 27, 2008. We continue to work with the staff of NELHA to secure a sublease with terms and conditions beneficial to the state and commercially reasonable for BEH.

The approval of the legislation now pending before you will enable BEH to secure sufficient funds and make this initial facility a reality. I sincerely believe, as a lifelong resident, that this project will enhance both our economy and our environment. I urge you to support this bill.

I thank you for this opportunity to testify.

**Pacific Waste, Inc.
74-5588 Pawai Place
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(808)326-4911**

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

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

RE: HB 1628, HD1, SD1 RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS TO ASSIST BIOENERGY HAWAII, LLC.

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

Good Morning. My name is Dante Carpenter and I speak in favor HB 1628, HD1, SD1 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 owner and managing member in a project proposed in West Hawaii by BEH.

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 will help West Hawaii in general and NELHA in particular toward 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 personally encouraged 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 both West Hawaii and NELHA.

The BEH Team is committed to complete an EIS, among other studies, and continue 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 of Hawaii and/or other sources, the exorbitant cost of energy, the challenge to make timely and bold decisions represents a mutual opportunity. We look forward to working with the NELHA Board, CEO Ron Baird, key staff members 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, HD1, SD1.

Thank you very much for your consideration.