

TESTIMONY BY GEORGINA K. KAWAMURA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON FINANCE  
HOUSE BILL NO. 2497

February 18, 2010

RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS

House Bill No. 2497 authorizes the issuance of up to \$40,000,000 in special purpose revenue bonds to assist Carbon Bio-Engineers, 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 in 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.

FAX 5866001

CARBON BIO-ENGINEERS, INC.  
94-1221 Ka Uka Blvd., Unit 108-317  
Waipahu, Hawaii 96797



HOUSE OF REPRESENTATIVES – REGULAR SESSION 2010  
COMMITTEE ON FINANCE

February 18, 2010  
4:00 p.m., Conference Room 308

**HB 2497 – RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS**

Chair Rep. Marcus Oshiro, V.C. Sen. Marilyn B. Lee and Committee Members:

Good Afternoon. My name is Dante Carpenter, Secretary on the Board of Directors of Carbon Bio-Engineers, Inc. (CBEI). Carbon Bio-Engineers, Inc. strongly supports HB 2497 Relating to the issuance of Special Purpose Revenue Bonds to help develop and expand its operations statewide. (Companion is SB 2926). CBEI is a local Hawaiian company incorporated on October 23, 2009, to replace a previous similar enterprise which became a victim of a hostile takeover in August 2009.

CBEI 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 CBEI process has a negligible effect on the environment by outperforming the minimum allowed for EPA's Emission Standards.

Moreover, the process 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.

As previously stated, CBEI continues working directly with its associates and DHHL, to engage in essential projects on the Island of Hawaii. These projects will process a range of organic streams from biomass green-wastes to tires and macadamia nut shells, among others. CBEI principals and associates participated in early 2009 in "Ground Breaking Ceremonies" with other Hawaiian Organizations to process the invasive species, known as "gorse," to help clear thousands of acres of infested pasture land in the ahupua'a known as 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 environmental impact(s) to the surrounding area(s) in which reduction of the various organic feedstock materials are being processed.

In addition to 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.

Terminology on line 16, page 2 needs to be made consistent. We strongly recommend passage of HB 2497.

Thank you very much for your consideration.