

HB 1286

HD2, SD1

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
HOUSE BILL NO. 1286, H.D. 2, S.D.1

MARCH 30, 2011

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

House Bill No. 1286, H.D. 2, S.D. 1, authorizes the issuance of up to \$100,000,000 in special purpose revenue bonds to assist BioEnergy Hawaii, LLC, a Hawaii limited liability company, or a partnership in which BioEnergy Hawaii, LLC, is a general partner, with the establishment of a cogeneration facility and related energy production facilities pursuant to Part V, Chapter 39 A, Hawaii Revised Statutes. The bill also repeals Act 110, SLH 2009, as that Act will no longer be necessary.

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 may be 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

The Senate
Committee on Ways and Means

Wednesday, March 30, 2011
9:30 a.m. – Conference Room 211

RE: HB 1286, HD2, SD1 Relating to the Issuance of Special Purpose Revenue Bonds to assist Bioenergy Hawaii, LLC.

Chair Senator David Y. Ige; Vice Chair Senator Michelle Kidani and Members:

My name is Guy Kaniho, General Manager of BioEnergy Hawaii, LLC (BEH). 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 company on the Big Island and collects and disposes of nearly 75% of the commercial municipal solid waste ("MSW") in Hawaii County. Even with our current depressed economic environment, the County of Hawaii Solid Waste Division reported over 155,000 tons of MSW deposited into the County landfills for the 2009/2010 fiscal year. As you know, there are many concerns relating to landfill disposal including the limited space available and the environmental impacts associated with landfill operations. It is evident that the current practice of landfill disposal is an unsustainable long term solution for managing the island's solid waste stream and must be addressed.

BioEnergy Hawaii's primary business is the design, construction and operation of one or more bioconversion facilities in the State of Hawaii. Our proposed facility will separate, sort and process the MSW into a usable feedstock, also known as refuse derived fuel ("RDF") that can be converted through our integrated gasification technology to produce renewable energy in the form of electricity and/or biofuels which can be utilized in power generation or in the transportation industry. In addition to providing a local alternative energy source, the facility will significantly reduce the amount of MSW being deposited into the landfills, thereby reducing the associated environmental impacts.

We believe HB1286 appropriately changes the language of ACT110 to include the option for production and sale of biofuels which will allow the project much needed flexibility and marketability for ultimate success. By having the ability to designing a facility that can produce power and/or biofuels, we have a greater opportunity to provide an energy source that will best address the local needs and help reduce the island's dependence on fossil fuels.

1 of 2 Pages



BioEnergy Hawaii, LLC
New Ideas for Hawaii's Future

Our project originally received conceptual approval from the Board of Directors of the Natural Energy Laboratory of Hawaii Authority ("NELHA") at Kailua-Kona on the Island of Hawaii on May 27, 2008. Since that time we have had continuing negotiations to secure a sublease with the state; on September 14, 2010, the NELHA Board approved a resolution to incorporate the negotiated term and conditions subject to completion of our Environmental Impact Statement ("EIS") and final approval by the NELHA Board. To date we have officially started the EIS process by submitting our EA/EISPN on December 14, 2010 and we are on track to complete the EIS process by the first quarter of 2012.

HB 1286, HD2 will also extend the issuance date to allow adequate time to fulfill all requirements necessary prior to issuance of bonds. The approval of the legislation now pending before you will enable BEH to secure sufficient funds and make the 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.

Thank you for the opportunity to submit my written testimony.

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

HAWAII STATE SENATE - 26TH LEGISLATURE

**SENATE COMMITTEE ON WAYS AND MEANS
9:00 - March 30, 2011 - Conference Room 211**

RE: HB 1286, HD 2, SD1 RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS TO ASSIST BIOENERGY HAWAII, LLC.

Chair Senator David Y. Ige, V. C. Chair Sen. Michelle Kidani and Members:

Good Morning. My name is Dante Carpenter speaking in favor of HB 1286, HD2, SD1 Relating to the Issuance of Special Purpose Revenue Bonds for Bioenergy Hawaii, LLC. (BEH). I have been a member of the Board of Directors of Pacific Waste Inc. (PWI), for the past 20 years. Located in Kailua-Kona, Hawaii, PWI is the owner and managing member of BEH for a Waste to Energy (W-T-E) project proposed in West Hawaii.

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

An exciting project for Hawaii County and NELHA, the nearly \$100 million dollar investment, which will include technical processes that utilize various waste streams, can realize the equivalent production of over 9 MW of electrical power and/or biofuels for distribution to its tenants, adjacent Kona International Airport, and local utility, as well.

The BEH TEAM is completing an EIS, among other studies and discussions with NELHA staff. BEH Project Manager is Guy Kaniho, former manager of Pacific Waste, Inc., the largest Refuse (MSW) Hauler in the Big Island. We look forward to continue working with the NELHA Board, key staff, and all other cognizant private or government agencies.

In addition to the sales of electrical and/or biofuels energy to the local utilities and/or refineries serving the public, the use of thermal fluid output from the cogeneration facility could be utilized by existing or planned businesses 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.

Finally, in conjunction with prior testimony offered by Kalbert K. Young, Director of B & F, BEH officials have met with and are accordingly advised by certified bond counsel approved by B & F as to certain limitations imposed by IRS.

We strongly recommend passage of HB 1286 HD 2 SD1. Thank You very much.