

TESTIMONY BY KALBERT K. YOUNG
INTERIM DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION
HOUSE BILL NO. 1286

February 1, 2011

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

House Bill No. 1286 amends Act 110, SLH 2009, authorizing special purpose revenue bonds to assist BioEnergy Hawaii, LLC., by modifying the purposes of the authorization and extending the lapse date.

The Department has a technical comment on this bill. Act 110, SLH 2009, previously authorized \$100,000,000 of Special Purpose Revenue Bond authorization. Please note, however, under Section 144 of the Internal Revenue Code of 1986, as amended, tax exempt financing for industrial projects are limited to \$10 million. In order to better examine the viability of tax-exempt financing as an alternative, 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

HOUSE OF REPRESENTATIVES
REGULAR SESSION OF 2011

February 1, 2011
8:00 AM - Conference Room 325

RE: HB 1286 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 1286 Relating to the Issuance of Special Purpose Revenue Bonds for BioEnergy Hawaii, LLC. (BEH). For the past 20 years, I have been a member of the Board of Directors of Pacific Waste Inc., the managing member of BEH in a project proposed in West Hawaii. HB 1286 amends ACT110, SLH 2009, by augmenting the language to include production of "*biofuels*" as well as electrical energy by sale to utilities "*or refineries serving the public.*"

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.

The nearly \$90 Million dollar investment which includes technical processes that utilize various waste streams, 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 nearing completion of an EIS, among other studies and ongoing discussions with staff of NELHA. Project Manager of BEH, Guy Kaniho, formerly managed the operations of Pacific Waste, Inc., the largest Refuse Hauler on the Big Island. We look forward to continue working with the NELHA Board, and key staff members of NELHA, and all other cognizant private or government agencies.

Finally, in addition to the sales of electrical and/or biofuels energy 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 1286. Thank you very much for your consideration.

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

Chair Rep. Hermina Morita, Denny Coffman and Members of the Committee on
Energy and Environmental Protection

Honorable Representative Morita, Coffman and Members:

My name is David Robichaux. I represent North Shore Consultants, an energy and
environmental consulting firm with projects throughout the State of Hawaii.
Please accept this testimony in support of HB 1286 to amend the language of the
Special Purpose Revenue Bond to BioEnergy Hawaii.

The existing language unfairly restricts BioEnergy Hawaii to convert waste
materials only to electricity for sale to the public grid. HELCO currently enjoys up
to a 30% excess generating capacity on the Big Island and is well ahead of its sister
companies in their renewable portfolio. It is not in HELCO's best interest to add
additional renewable power producers despite the obvious benefits to the public at
large.

I believe that BioEnergy Hawaii also has the ability to produce liquid
transportation fuels using a proven proprietary technology. Rather than limiting
the project with the current SPRB language it is in the public interest to allow
BioEnergy Hawaii to produce transportation biofuels in addition to electricity. I
urge the committee to pass HB 1286 in order to reduce the pall of petroleum haze
that hangs over our state

Sincerely,

David M. Robichaux, Principal
North Shore Consultants, LLC



BioEnergy Hawaii, LLC
New Ideas for Hawaii's Future

House of Representatives
Committee on Energy & Environmental Protection

February 1, 2011
8:00 a.m. – Conference Room 325

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

Chair Rep. Hermina M. Morita; Vice Chair Denny Coffman 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 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 into the two Hawaii County landfills. 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. We understand that the current practice of landfill disposal is an unsustainable long term solution for managing the islands current and future solid waste stream.

BioEnergy Hawaii's primary business is the design, construction and operation of one or more bioconversion to energy facilities in the State of Hawaii. Our proposed facility will sort and process the MSW into a usable feedstock, also know as refuse derived fuel (or "RDF") that can be utilized through our integrated gasification technology to produce renewable energy in the form of electricity and/or biofuels.

We believe that by amending the language of ACT110 (09) to include the option to produce biofuels allows us a greater opportunity to help achieve local energy self-sufficiency. By designing a facility that can produce renewable power and/or biofuels we have the ability to provide an energy source that best addresses the local needs. Our facility will be able to provide a substitute for petroleum-based feedstock and products that can be utilized in power generation or the transportation industry, which will reduce the island's dependence on fossil fuels.

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BioEnergy Hawaii, LLC
New Ideas for Hawaii's Future

An additional benefit from the operation of our facility will be the reduction of the amount of MSW being deposited into the landfill thereby extending the life of the landfill. This, in turn, will reduce the production of landfill gases and subsurface leachates 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 bioconversion to energy facility helps to address this problem through utilizing the waste stream as a feedstock for renewable energy.

Our facility also proposes innovative environmental mitigation measures to sequester carbon dioxide emissions for the growth and production of algae. Algae are one of the most efficient natural carbon capture crops, and we are committed to study the commercial viability of utilizing algae for development of various algae end-products.

Our project 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, we have continued to work to secure a sublease beneficial to the state and commercially reasonable for BEH. On September 14, 2010 the NELHA Board approved a resolution to substantially incorporate the negotiated terms and conditions subject to completion of our Environmental Impact Statement ("EIS") and final approval by the NELHA Board. To date we have officially started of EIS by submitting our EA/EISPN on December 14, 2010.

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 testimony.