

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. 423

February 1, 2011

RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS

House Bill No. 423 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 Bio-Engineers 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. 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.

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HOUSE OF REPRESENTATIVES – REGULAR SESSION 2011  
COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION

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

HB 423 –RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS

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

Good Morning. My name is Dante Carpenter, Secretary on the Board of Directors of Carbon Bio-Engineers, Inc. (CBEI). Carbon Bio-Engineers, Inc. strongly supports HB 423 Relating to the issuance of Special Purpose Revenue Bonds to help develop and expand its operations statewide. CBEI is a local Hawaiian company incorporated on October 23, 2009, to replace a previous enterprise which was a victim of a hostile takeover. CBEI has developed a hybrid gasification carbonization process which can reduce various organic feedstock and tires (non-fossil fuel) into carbon, synthetic gas and biofuel products. 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 tire to 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 of Humu'ula on the eastern slopes of 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 conclusion, 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, as well. Finally, the use of special purpose revenue bonds does comport with the provisions of Part V, Chapter 39A, HRS.

We strongly recommend passage of HB 423.

Thank you very much for your consideration.