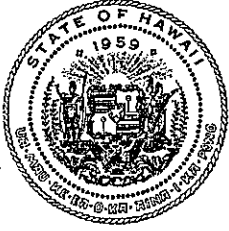


**SB 1390**



NEIL ABERCROMBIE  
GOVERNOR

RICHARD C. LIM  
INTERIM DIRECTOR

## DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813  
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Statement of

**RICHARD C. LIM**  
Interim Director

Department of Business, Economic Development & Tourism  
before the

**SENATE COMMITTEES ON ENERGY AND ENVIRONMENT  
AND  
COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY**

Thursday, February 24, 2011

2:45 p.m.

State Capitol, Conference Room 225

in consideration of

**SB 1390**

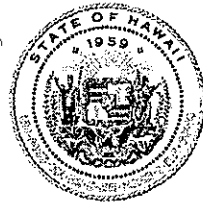
RELATING TO ENERGY.

Chairs Gabbard and Fukunaga, Vice Chairs English and Wakai, and members of the Committees. The department opposes SB 1390, but supports the committees' interest in improving the effectiveness of the Natural Energy Laboratory of Hawaii Authority (NELHA) activities.

NELHA is currently recruiting for a new executive director and this may not be the appropriate time to reconstitute the board of directors.

Thank you for the opportunity to testify on this bill.

NEIL ABERCROMBIE  
GOVERNOR OF HAWAII



**STATE OF HAWAII  
DEPARTMENT OF LAND AND NATURAL RESOURCES**

POST OFFICE BOX 621  
HONOLULU, HAWAII 96809

WILLIAM J. AILA, JR.  
INTERIM CHAIRPERSON  
BOARD OF LAND AND NATURAL RESOURCES  
COMMISSION ON WATER RESOURCE MANAGEMENT

GUY H. KAULUKUKUI  
FIRST DEPUTY

WILLIAM M. TAM  
DEPUTY DIRECTOR - WATER

AQUATIC RESOURCES  
BOATING AND OCEAN RECREATION  
BUREAU OF CONVEYANCES  
COMMISSION ON WATER RESOURCE MANAGEMENT  
CONSERVATION AND COASTAL LANDS  
CONSERVATION AND RESOURCES ENFORCEMENT  
ENGINEERING  
FORESTRY AND WILDLIFE  
HISTORIC PRESERVATION  
KAHOOLAWE ISLAND RESERVE COMMISSION  
LAND  
STATE PARKS

**Testimony of  
WILLIAM J. AILA, JR.  
Chairperson**

**Before the Senate Committees on  
ECONOMIC DEVELOPMENT AND TECHNOLOGY  
And  
ENERGY AND ENVIRONMENT**

**Thursday, February 24, 2011  
2:45 PM  
State Capitol, Conference Room 225**

**In consideration of  
SENATE BILL 1390  
RELATING TO ENERGY**

Senate Bill 1390 changes the representation qualifications for the natural energy laboratory of Hawaii ("NELHA") authority board of directors. The Department of Land and Natural Resources ("Department") offers the following comments with respect to one provision of the bill.

Section 227D-2, Hawaii Revised Statutes ("HRS") currently provides for the NELHA Board of Directors to consist of 13 members, and that the Chairperson of the Board of Land and Natural Resources ("BLNR") or his/her representative shall serve as an ex officio, voting member of the NELHA board. Senate Bill 1390 would amend Section 227D-2, HRS, to, among other things, delete the BLNR Chairperson from the NELHA Board.

The BLNR and Department are responsible for managing approximately 1.3 million acres of public lands in Hawaii, as well as over 1300 leases and permits over public lands. Among the leases managed by the Department is Lease No. 5619 to NELHA, which covers 852.851 acres and includes the lands upon which the NELHA facility is located. Under this lease, NELHA is responsible for managing the site, issuing subleases to the individual tenants, and administering those subleases.

The stated purpose of Senate Bill 1390 is to change the representative qualifications of the NELHA board members, presumably to ensure the board members possess the necessary skills

and expertise. Given the Department's vast experience in managing public lands and leases, as well as the fact that the Department is also the master lessor of the NELHA lease, the Department believes the experience and expertise of the BLNR Chairperson would be a benefit to the NELHA board.

Thank you for the opportunity to comment.



# **NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY**

*An Attached Agency of the Department of Business, Economic Development & Tourism, State of Hawaii*



Statement of  
**LAURENCE SOMBARDIER**  
**Interim Executive Director**  
Natural Energy Laboratory of Hawaii Authority  
before the  
**SENATE COMMITTEE ON ENERGY AND ENVIRONMENT**  
and the  
**SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY**  
Thursday, February 24, 2011  
2:45 PM  
State Capitol, Conference Room 225

in consideration of  
**SB 1390**  
**RELATING TO THE NATURAL ENERGY LABORATORY OF HAWAII  
AUTHORITY.**

Chair Gabbard and Members of the Senate Committee on Energy and Environment.  
Chair Fukunaga and Members of the Senate Committee on Economic Development and  
Technology.

The Natural Energy Laboratory of Hawaii Authority (NELHA) opposes SB 1390. Although  
NELHA supports the committees' interest in improving the effectiveness of NELHA's activities,  
NELHA is currently recruiting for a new Executive Director and this may not be the appropriate  
time to reconstitute the NELHA Board of Directors.

Thank you for the opportunity to offer these comments.

Statement of  
**Gerald R. Cysewski**  
**President, Keahole Point Association**  
**Executive Vice President, Cyanotech Corporation**

before the  
**SENATE COMMITTEE ON ENERGY AND ENVIRONMENT**  
and the  
**SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND  
TECHNOLOGY**

Thursday, February 24, 2011  
2:45 PM  
State Capitol, Conference Room 225

in consideration of  
**SB 1390**  
**RELATING TO THE NATURAL ENERGY LABORATORY OF HAWAII  
AUTHORITY.**

Chair Gabbard and Members of the Senate Committee on Energy and Environment.  
Chair Fukunaga and Members of the Senate Committee on Economic Development and  
Technology.

The Keahole Point Association (KPA) in an association of tenants at the Natural Energy  
Laboratory of Hawaii Authority (NELHA).

The KPA opposes SB 1390. We appreciate the intent of the legislation to improve the  
effectiveness of NELHA's Board of Directors. However, the distinguished members of  
the Committees should realize that tenants at NELHA feel the current Board of Directors  
is effective, is functioning well, and making difficult decisions for the betterment of  
NELHA. We feel that if enacted, SB 1390 will reduce the focus, cohesion, and  
experience of NLEHA's Board. Especially since nine experienced Directors will leave  
the Board and nine new Directors will be appointed quickly after the passage of SB 1390.  
KPA feels this is not needed and would come at a critical time; just as the NELHA Board  
begins a search for a new Chief Executive Officer. This absolutely requires and engaged  
and experienced Board of Directors.

The KPA further feels that the proposed changes to the Research Advisory Committee  
(RAC) under SB 1390 will diminish the technical expertise of the RAC, which provides  
critical advice to the NELHA Board of Directors.

Thank you for consideration of this Testimony



# UNIVERSITY OF HAWAII SYSTEM

## Legislative Testimony

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Testimony Presented Before the  
Senate Committee on Economic Development and Technology  
and the  
Senate Committee on Energy and Environment  
February 24, 2011 at 2:45 p.m.  
by  
Donald O. Straney, Chancellor  
University of Hawai'i at Hilo

### **SB 1390 RELATING TO ENERGY**

Chairs Fukunaga and Gabbard, Vice Chairs Wakai and English, and Members of the Committees:

I would like to lend my support to SB 1390, which makes certain changes to the composition of the board of directors and research advisory committee of the Natural Energy Laboratory of Hawai'i Authority.

One of the changes is to add the chancellor of the University of Hawai'i at Hilo or designated representative as an *ex officio*, voting member of the board of directors and to the research advisory committee. I am very much in favor of this step and welcome the opportunity to contribute to the authority's mission to facilitate research, development and commercialization of natural energy resources and ocean-related research in Hawai'i.

UH Hilo has a number of projects and initiatives that share important commonalities with NELHA, including our University Park of Science and Technology, as well as our Pacific Aquaculture and Coastal Research Center. It is fitting that UH Hilo's chancellor contribute to setting NELHA's direction and help expand opportunities for collaboration between the university and NELHA.

On behalf of the University of Hawai'i at Hilo, I would like to thank you for the opportunity to testify in support of SB 1390.

Statement of  
**Donald Thomas**  
before the  
**SENATE COMMITTEE ON ENERGY AND ENVIRONMENT**  
and the  
**SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND  
TECHNOLOGY**

Thursday, February 24, 2011  
2:45 PM  
State Capitol, Conference Room 225

in consideration of  
**SB 1390**  
**RELATING TO THE NATURAL ENERGY LABORATORY OF HAWAII  
AUTHORITY.**

Chair Gabbard and Members of the Senate Committee on Energy and Environment, Chair Fukunaga and Members of the Senate Committee on Economic Development and Technology, my name is Donald Thomas; I am employed as a research professor at the Hawaii Institute of Geophysics and Planetology at the University of Hawaii at Manoa. I am speaking in **opposition** to Senate Bill 1390.

I have served for a number of years on the Research Advisory Committee for the Natural Energy Laboratory of Hawaii Authority and have watched it grow from a small handful of tenants making their first steps into the field of alternative energy research and aquaculture to a collection of more than 40 tenants among whom are industry leaders in their respective fields and who currently contribute, and have tremendous potential to contribute, to Hawaii's diversified economy.

Senate Bill 1390 proposes to reorganize the Board of Directors of NELHA, change the method of selection of Board members, alter the representation to the Board, and remove the Chair and Secretary of the Research Advisory Committee from Board membership. I do not believe that the proposed changes will be beneficial to the long term success of the NELHA for the following reasons:

- 1) The Board is currently in the early stages of conducting a search for a new Executive Director. Reorganization and replacement of a significant number of Board members at the present time has the potential to significantly delay that process and exposes the NELHA staff and tenants to an even greater level



uncertainty than is accompanied by such an important change in management. Further, delaying the process in the current economic climate can only result in greater hesitation to make further business investments at NELHA by current and prospective tenants;

- 2) Each Board member provides specialized expertise and perspective to the Board as a whole in their decision-making on project approvals as well as guidance and oversight to the Executive Director of NELHA. In that capacity, their primary objective should be the success of NELHA as both an industry incubator for the entire state and as a platform for research that will lead to a more secure economic and energy future for Hawaii. The new representation scheme for the Board does not, in my opinion, improve upon the existing representation.
- 3) The Research Advisory Committee provides specialized technical review and expertise to the Board in their evaluation of proposals from prospective tenants. The Committee: assesses the technical and economic viability of proposals; the potential environmental and regulatory issues that may arise with respect to the specific processes proposed; and the potential impacts of a applicant's proposed activities on other tenants at NELHA. In order to do this, the Committee is able to draw on a much broader pool of scientific and technical expertise than is available within NELHA and provides essential perspective to the non-technical Board members. Removal of representation by the Research Advisory Committee on the Board would seriously limit the ability of the Committee to advise Board members by depriving them of the opportunity to question proponents before the Board and excluding them from participation in Executive Sessions of the Board where proprietary information from current or prospective tenants is discussed.

For these reasons, I respectfully request that Senate Bill 1390 not be passed out of your respective committees.

Thank you for this opportunity to present my testimony before these Committees. The views expressed are mine alone and do not reflect an official position of the University of Hawaii.



THE SENATE  
THE TWENTY-SIXTH LEGISLATURE  
REGULAR SESSION OF 2011

COMMITTEE ON ENERGY AND ENVIRONMENT  
Senator Mike Gabbard, Chair  
Senator J. Kalani English, Chair

COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY  
Senator Carol Fukunaga, Chair  
Senator Glenn Wakai, Vice Chair

DATE: Tuesday, February 24, 2011  
TIME: 2:45pm  
PLACE: Conference Room 225, State Capitol  
415 South Beretania Street

RE: SB No. 1390 Relating to Energy

Chair Gabbard, Vice Chair English and Chair Fukunaga, Vice Chair Wakai, and Committee Members.

SB 1390 Relating to Energy would make significant changes to the membership of the Board of Directors of the Natural Energy Laboratory of Hawaii Authority (NELHA) and the Research Advisory Committee (RAC) that serves the Board by providing technical expertise. The Hawaii Aquaculture and Aquaponics Association (HAAA) does not support this bill.

As you are aware, aquaculture is the major user of the land and water resources at NELHA and an important contributor to the economic impacts of the facility, that is, direct revenue for NELHA operations, high tech jobs for the Big Island community, and broader statewide revenue generation through the multiplier effect of company sales and expenditures. After struggling in recent years, the recently enhanced Board of Directors, which now includes tenant representatives, technical expertise from the broad-based RAC, government expertise from key State and County departments, and selected University and private sector expertise, has refocused the facility on its fundamental mission of ocean and energy research and commercial development. Aquaculture tenants are now more optimistic about the future with these changes.

The Hawaii Aquaculture and Aquaponics Association (HAAA) have consulted with our members who have direct experience with NELHA operations about the merits of this bill. We conclude that drastically changing the makeup of the Board would eliminate involvement by an important government department, limit broad technical participation in the RAC and its

technical input to the Board, and make Board input into decision-making more Hawaii Island centric. Commercial companies in general desire greater management stability and predictability of the business environment. HAAA believes these proposed changes are ill-advised, disruptive and untimely, as the NELHA transitions to a new Administration with a clear and complementary goals of increasing food and energy self sufficiency.

HAAA does not support the passage of SB No. 1390 and believes the current NELHA Board makeup and governance structure should be maintained. NELHA is an internationally recognized center of energy and aquaculture research and commercial development. Companies that have accepted the challenge of developing new ocean- and energy-based technologies and invested in facilities there should be supported by creating well informed management and maintaining a supportive business environment.

Respectfully submitted, Ronald Weidenbach, President HAAA

SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

Senator Mike Gabbard, Chair  
Senator J. Kalani English, Vice Chair

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT AND TECHNOLOGY

Senator Carol Fukunaga, Chair  
Senator Glenn Wakai, Vice Chair

Date: Thursday, February 24, 2011

Time: 2:45 pm

Place: Conference Room 225  
State Capitol  
415 South Beretania Street

Subject: SB 1390 Changes the representation qualifications for the Natural Energy Laboratory of Hawaii Authority Board of Directors. Clarifies the role of the Research Advisory Committee and who may serve on the Committee.

Aloha Chair Gabbard, Chair Fukunaga, and Committee Members. My name is Michael Buchal and although I am a current member of the NELHA Board of Directors (BOD), I do not represent the NELHA BOD with this testimony. I submit this testimony solely as a private citizen with long term knowledge of NELHA and its operations. I wish to offer testimony in opposition of SB1390. I believe that the changes proposed in SB1390 would be disruptive to the current positive direction being taken by the NELHA Board and would reduce the diversity and level of technical expertise in decision-making required to make NELHA a successful operation.

In 1998, I helped start an aquaculture business at NELHA. As the first tenant in the NELHA Hawaii Ocean Sciences Technology (HOST) Park, our company worked extensively with NELHA to plan and secure funding for expanding infrastructure into the HOST Park. In this capacity I worked extensively with NELHA staff, the NELHA Board of Directors (BOD), the Governor's office, and the Legislature. I also served for several years as the President of the Keahole Point Association (an association of NELHA tenants) and as a tenant representative to the NELHA BOD. I left the aquaculture business at NELHA in 2007, but continued to attend board meetings as a member of the public. In 2010, I was appointed by the Governor to the NELHA Board of Directors (BOD) as the Big Island Representative to serve a term expiring in 2014. In the past 13 years I have observed many changes in the composition of the NELHA BOD, three different Executive Directors, and significant changes in the measure of NELHA success, i.e., from economic development to "self-sufficiency."

Although there have been many challenges in the past, I have been pleased to observe a positive evolution of the BOD in the last few years including increased engagement, increased professionalism, the Board's implementation of positive changes to NELHA operations management, and an improved Board relationship with tenants. I believe that the BOD currently has the optimal balance of technical,

business and government knowledge, and is actively engaged in planning, problem solving and decision making. The NELHA BOD recently approved a Master Plan for development, and is currently seeking a skilled new executive director to move forward with development of NELHA. And most importantly, the current BOD has engaged tenants and the public in a positive way to bring transparency to discussions and resolution to issues that have long been contentious and divisive.

I strongly feel that the current NELHA BOD is well qualified, balanced and engaged to move forward successfully with a new Executive Director and the new administration. Limiting the expertise on the Board by changing its composition and altering the membership requirements for the NELHA research advisory committee to weight it heavily with Big Island representation would, in my opinion, negatively affect the current positive directions being taken by the Board, and would reduce the depth and scope of technical expertise required in decision-making and management of an internationally known facility. It is clear to me that the current BOD and the facility are making significant positive strides. The proposed changes in SB1390 would disrupt this progress and would not be in the best interest of the facility or the State of Hawaii.

Thank you for the opportunity to make these comments in opposition of SB1390.

Michael Buchal, M.Sc.  
PO Box 7046  
Kamuela, HI 96743