

SB 1476

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
SENATE BILL NO. 1476, S.D. 1

February 25, 2011

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

Senate Bill No. 1476, 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, for the establishment of cogeneration and related energy-production facilities 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 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 being requested.



BioEnergy Hawaii, LLC
New Ideas for Hawaii's Future

The Senate
Committee on Ways and Means

February 25, 2011, Friday
9:00 a.m. – Conference Room 211

RE: SB 1476 Relating to the Issuance of Special Purpose Revenue Bonds to assist
Bioenergy Hawaii, LLC. Written Comment

Chair David Y. Ige; Vice Chair 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.

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 known 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 which can be utilized in power generation or in the transportation industry.

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, as you know is a common problem in our island State. Our facility also proposes innovative environmental mitigation measures to sequester carbon dioxide emissions for the growth and production of algae.

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. During this timeframe there have been on-going negotiations with NELHA and its Board of Directors. It was not until 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. BEH has officially started our EIS by submitting our EA/EISPN on December 14, 2010. The current timetable of this EIS process will take us to the middle of 2012.

The approval of the legislation will allow BEH adequate time to fulfill all the requirements necessary prior to issuance of the bond, 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.

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

**HAWAII STATE SENATE 26TH LEGISLATURE
SENATE COMMITTEE ON WAYS AND MEANS
9 AM February 25, 2011 Conference Rm 211**

RE: SB 1476 SD 1 RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS TO ASSIST BIOENERGY HAWAII, LLC.

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

Good Morning. My name is Dante Carpenter and I speak in favor of SB 1476 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 Kaulua-Kona, 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, who formerly managed the operations 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 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 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. We strongly recommend passage of SB1476 SD 1.
Thank You very much.