

MAR 14 2012

SENATE CONCURRENT RESOLUTION

REQUESTING THE AUDITOR TO CONDUCT AN AUDIT RELATING TO
GEOTHERMAL RESOURCES.

1 WHEREAS, section 182-18, Hawaii Revised Statutes, relating
2 to geothermal royalties, requires the Board of Land and Natural
3 Resources to fix the payment of royalties to the State for the
4 utilization of geothermal resources at a rate that will
5 encourage the initial and continued production of such
6 resources; and
7

8 WHEREAS, in 2010, the Legislature passed Senate Concurrent
9 Resolution No. 99, requesting the establishment of a geothermal
10 working group to analyze the potential development of geothermal
11 energy as the primary energy source to meet the base-load demand
12 for electricity on the Big Island; and
13

14 WHEREAS, the members of this working group represented
15 various sectors of the Big Island community, including
16 agriculture, electric utility, union, business, the Office of
17 Hawaiian Affairs, state government, environment, culture, and
18 West Hawaii; and
19

20 WHEREAS, the working group submitted its final report to
21 the Legislature in January 2012; its principal findings include
22 the following:
23

- 24 (1) Geothermal is a renewable resource indigenous to the
25 island of Hawaii that is dissociated from the price
26 volatility of petroleum fuels;
27
- 28 (2) Geothermal can be a key component in a diversified
29 energy portfolio for Hawaii County that would benefit
30 the electrical grid and transportation;
31
- 32 (3) In Hawaii, geothermal is a firm energy resource at
33 lower cost than fossil fuel;



- 1
- 2 (4) Developing multiple geothermal plants is the most
- 3 prudent approach;
- 4
- 5 (5) Geothermal has the potential to supply base-load
- 6 electricity with long-term reliability; however, the
- 7 ability to supply grid management services currently
- 8 supplied by conventional fossil fueled power plants
- 9 must be demonstrated in order to consider geothermal
- 10 as the primary energy resource for Hawaii County; and
- 11
- 12 (6) With geothermal power plants, agricultural
- 13 fertilizers, hydrogen, oxygen, and business-enterprise
- 14 power can be produced for off-peak rates during the
- 15 hours of curtailed electrical demand; and
- 16

17 WHEREAS, the working group recommended actions by the
18 Legislature, including the following:

- 19
- 20 (1) Make the allocation of geothermal royalties more
- 21 transparent to show how benefits come back to the
- 22 community and designate the records of allocations to
- 23 be public domain;
- 24
- 25 (2) Establish a community advisory board to offer
- 26 suggestions to the Department of Land and Natural
- 27 Resources about how royalties generated by geothermal
- 28 power plants are spent. The advisory board should
- 29 include members of the communities that host or will
- 30 host geothermal power plants and those who are most
- 31 impacted by the development of geothermal energy;
- 32
- 33 (3) Encourage the Department of Land and Natural Resources
- 34 to use geothermal royalties to identify promising
- 35 geothermal sites and to further develop the resource;
- 36
- 37 (4) In light of the probability that oil will reach \$200
- 38 per barrel, commission a study to show the economic
- 39 impact of various prices of oil; and
- 40
- 41 (5) Facilitate development of geothermal by commissioning
- 42 a critical review of the geothermal permitting
- 43 process, regulatory capabilities, and possible
- 44 investment incentives; and



1
2 WHEREAS, the Board of Land and Natural Resources has
3 granted a public land lease to Puna Geothermal Venture to mine
4 geothermal resources on the island of Hawaii, and allow Puna
5 Geothermal Venture to sell the electricity it produces to Hawaii
6 Electric Light Company, Inc.; and

7
8 WHEREAS, the Board of Land and Natural Resources reports
9 that it received \$642,599 in geothermal royalties from Puna
10 Geothermal Venture in fiscal year 2009-10, of which thirty
11 percent was distributed to the County of Hawaii and twenty
12 percent was distributed to the Office of Hawaiian Affairs; and

13
14 WHEREAS, the Board of Land and Natural Resources is charged
15 with various responsibilities with respect to geothermal mining
16 leases, including the adoption of rules to establish or waive
17 the royalty payments to the State; and

18
19 WHEREAS, Puna Geothermal Venture asserts that it could
20 produce more renewable energy on a continuous basis, an
21 assertion the Board of Land and Natural Resources would be
22 expected to consider in any further evaluation of the royalty
23 structure; and

24
25 WHEREAS, the performance of the Board of Land and Natural
26 Resources with respect to its geothermal royalty
27 responsibilities is subject to audit by the Auditor; and

28
29 WHEREAS, inasmuch as the State's responsibilities and
30 interest in renewable energy are also the concern of the
31 Department of Business, Economic Development, and Tourism even
32 though the Department does not have regulatory authority over
33 rate structures or land leases, the Department's performance may
34 be integral to an audit regarding geothermal leasing and royalty
35 payments and therefore should be subject to such an audit; now,
36 therefore,

37
38 BE IT RESOLVED by the Senate of the Twenty-sixth
39 Legislature of the State of Hawaii, Regular Session of 2012, the
40 House of Representatives concurring, that the Auditor is
41 requested to conduct an audit of the State's program of
42 geothermal leasing and royalty payments, including consideration
43 of the role of the Board of Land and Natural Resources and the
44 Department of Business, Economic Development, and Tourism, and



1 any other matters the Auditor deems relevant to the audit to
2 ensure that the development of geothermal resources continues in
3 a fair, legal, and ethical manner; and

4
5 BE IT FURTHER RESOLVED that the affected departments and
6 Puna Geothermal Venture are requested to cooperate in any way
7 requested by the Auditor; and

8
9 BE IT FURTHER RESOLVED that the Auditor report findings and
10 recommendations, including any recommendations for legislation,
11 to the Legislature no later than twenty days prior to the
12 convening of the Regular Session of 2013; and

13
14 BE IT FURTHER RESOLVED that certified copies of this
15 Concurrent Resolution be transmitted to the Attorney General;
16 Director of Finance; Chairperson of the Board of Land and
17 Natural Resources; Director of Business, Economic Development,
18 and Tourism; Chairperson of the Board of Trustees of the Office
19 of Hawaiian Affairs; Mayor of Hawaii County; Hawaii Electric
20 Light Company, Inc.; and Puna Geothermal Venture.

21
22
23

OFFERED BY:

Malama Puna

Diana Williams
Guineer Helene

Michelle Kikani

D

