



COOL GREEN CLEAN™
Honolulu

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Affiliate of Renewable Energy Innovations, LLC

Testimony on

S.B. NO. 745 SD2 HD1

RELATING TO SEAWATER AIR CONDITIONING

Before the
State of Hawaii House of Representative
COMMITTEE ON FINANCE
Wednesday, April 4, 2012

By
William Mahlum, President and CEO
Honolulu Seawater Air Conditioning, LLC

Chair Oshiro, Vice Chair Lee, and members of the Committee. My name is William Mahlum and I am testifying in support of this bill on behalf of Honolulu Seawater Air Conditioning, LLC (HSWAC).

The purpose and intent of SB 745, HD1 is to add the production of air conditioning from seawater air conditioning district cooling systems as an eligible business activity in the State's enterprise zone program. HSWAC **strongly supports** this bill, but respectfully requests that the bill be amended and language inserted to extend the authorization for \$20 million in special purpose revenue bonds (SPRBs) authorized in 2007 for HSWAC for the design and construction of a seawater air conditioning district cooling system on Oahu. Currently, the bill as drafted could not be implemented without first the design and construction of the seawater air conditioning system.

Over the last several sessions the Hawaii State Legislature authorized \$145M in SPRBs for HSWAC. In 2007, the legislature authorized \$20M of those SPRBs which lapse on June 30, 2012. We are requesting this bill be amended to extend the 2007 SPRB authorization, from June 30, 2012 to June 30, 2015. Without extension of the \$20 million in

SPRBs the project may be delayed and not be able to move forward on its current schedule.

Unprecedented disruptions in the financial markets have caused HSWAC to postpone the sale of SPRBs. Current markets have dramatically improved and there is now strong interest in financing this renewable energy project. In addition to State of Hawaii SPRBs, the balance of HSWAC funding consists of taxable revenue bonds and an additional equity investment. With an anticipated construction start by later this year, HSWAC expects to use all of its authorized SPRBs within the next three years. The requested \$20M SPRBs are an important element in providing an economically feasible project financing.

A downtown Honolulu Seawater Air Conditioning project would generate close to \$200 million of dollars in construction project spending and would provide this green technology to 14,000,000 square feet of customer building space. It will also create a long-term, gainful employment and establish local companies as the leading authorities on Seawater Air Conditioning systems. Other local economic development benefits would accrue from money that stays in Hawaii and is not exported outside the State to purchase ever more expensive oil.

In addition to helping stimulate the State's economy, a downtown Seawater Air Conditioning project would provide the following benefits over the first 25 years of operation:

Energy and Environmental Benefits Over First 25 Years		
Electricity Savings	2,000,000,000	kWh
Reduction in Demand for New Fossil Fuel Fired Generation	14	MW
Reduction in Crude Oil Use	4,450,000	barrels
Reduction in Potable Water Use	6,500,000,000	gallons
Reduced Sewage Generation	2,130,000,000	gallons

HSWAC began its association with Hawaii and this project in 2003. Since then it has made significant progress and we are now finalizing construction documents, permitting and customer contracting. HSWAC appreciates the continued support of the Hawaii State Legislature and requests the bill be approved as amended.

Thank you for this opportunity to testify.

RELATING TO SEAWATER AIR CONDITIONING.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. Act 165, Session Laws of Hawaii 2007, is amended by amending sections 4 and 5 to read as follows:

"SECTION 4. The department of budget and finance, from time to time, including times subsequent to June 30, [2012,] 2015, may issue special purpose revenue bonds in whatever principal amounts the department determines to be necessary to refund the special purpose revenue bonds authorized in section 2 and to refund special purpose revenue bonds authorized in this section, regardless of whether the outstanding special purpose revenue bonds or refunding special purpose revenue bonds have matured or are the subject of redemption.

In making this determination, the department shall comply with federal law relating to the exemption from federal income taxation of the interest on bonds of the nature authorized by this section.

SECTION 5. The authorization to issue special purpose revenue bonds under this Act shall lapse on June 30, [2012.] 2015."

SECTION 2. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 3. This Act shall take effect on July 1, 2012.
