

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON FINANCE
ON
HOUSE BILL NO. 338, H.D. 1

February 22, 2013

RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS TO ASSIST A SEAWATER AIR CONDITIONING PROJECT IN WAIKIKI.

House Bill No. 338, H.D. 1, authorizes the issuance of special purpose revenue bonds (SPRB) of up to \$200,000,000, to assist Kaiuli Energy, LLC, in the planning, design, and construction of its seawater air conditioning district cooling system in and around Waikiki, Oahu, pursuant to Part V, Chapter 39A, Hawaii Revised Statutes.

The Department has no position on the issuance of SPRBs as contemplated in this bill. The Department would like to remind the Legislature and prospective issuers that should the legislation be approved, approval of SPRB issuance will still require further discussion and satisfactory review of the financing components involved in the transaction.

Thank you for the opportunity to provide testimony on this measure.

Written Statement of
YUKA NAGASHIMA
Executive Director & CEO
High Technology Development Corporation
before the
HOUSE COMMITTEE ON FINANCE
Friday, February 22, 2013
1:30 p.m.
State Capitol, Conference Room 308
In consideration of

HB 338 HD1 RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS TO ASSIST A SEAWATER AIR CONDITIONING PROJECT.

Chair Luke, Vice Chairs Nishimoto and Johanson, and Members of the Committee on Finance.

Thank you for the opportunity to submit testimony on this bill.

The High Technology Development Corporation (HTDC) supports HB 338 HD1 which authorizes Special Purpose Revenue Bonds to Kaiuli Energy, LLC to build a seawater air conditioning (SWAC) district cooling system to serve Waikiki and nearby areas on the island of Oahu.

As a manufacturer of energy technology systems, Kaiuli Energy is the type of company HTDC supports. Furthermore, the SWAC cooling system is a positive step for the State in achieving its renewable energy goals.

Thank you for the opportunity to offer these comments.



Written Statement of
DARRYL NAKAMOTO, Partner
Kaiuli Energy

before the
HOUSE COMMITTEE ON FINANCE
Friday, February 22, 2013
1:30 PM
State Capitol, Conference Room 308

In consideration of
HB 338
**RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS TO
ASSIST A SEAWATER AIR CONDITIONING PROJECT IN WAIKIKI**

Date: February 20, 2013

To: Chair Luke and Committee Members

Kaiuli Energy is in support of this measure that will allow the State of Hawaii to issue Special Purpose Revenue Bonds (SPRBs) for the development of a district cooling system for Waikiki.

Kaiuli Energy was founded in 2011 with the goal to be a global leader in ocean sourced energy development. Its current focus is on developing a 22,500 ton Waikiki based seawater air conditioning (SWAC) system, which is designed to provide district cooling to replace the energy-intensive central refrigeration system of a traditional air conditioning at individual buildings. The natural resource of cold seawater is used to chill freshwater that will be delivered to structures with centralized air conditioning systems.

A 22,500 ton SWAC system offers:

- Conservation of approximately 106,000 barrels of oil/year
- Reduction of approximately 48,000,000 kWh/year
- Reduction of potable water usage by approximately 157,000,000 gallons/year
- Reduction of sewage discharge by approximately 69,000,000 gallons/year
- Reduction of harmful gas emissions of approximately 50,000 tons/year
- Alignment with HCEI's goals of End-Use Efficiency and next generation technologies

There are five parameters that favor potential SWAC project locations. They are: access to cold water, high density of customer load, year-round air conditioning utilization, high electricity rates, and a good marine environment. A Waikiki system satisfies all five parameters. Other locations where SWAC projects are currently in operation are:

- Stockholm, Sweden – 80,000 tons
- Toronto, Canada – 75,000+ tons
- Amsterdam, Netherlands – 35,000 tons
- Cornell University, Ithaca, New York – 20,000 tons
- Bora Bora, French Polynesia – 3,000 tons

Our customers will be hotels and other buildings in and around the Waikiki and Ala Moana areas that have large air conditioning loads. It is estimated that air conditioning usage represents up to 45% of these buildings' total electricity costs. Not only will these SWAC customers benefit through substantial savings on electricity rates, SWAC customers will also realize significant savings on water and sewage consumption. In addition, these hotels, resorts, retail centers and other commercial and residential entities will be able to market themselves as environmentally conscious and friendly consumers.

The project is estimated to take five years to complete with the delivery of chilled water beginning in 2018. The estimated total project cost of the Waikiki SWAC system is projected to be approximately \$225 million.

Kaiuli's management team is comprised of Hawaii business and community leaders with the necessary experience critical to the project's success. As the former CFO of Hoku Corporation, I have over seven years of experience in alternative energy and raising funds for large scale ventures. In addition, Rob Iopa, president of WCIT Architecture, has extensive experience and expertise in entitling, designing and constructing large complex projects in Waikiki and urban Honolulu, and Ray Soon has over 40+ years consulting and delivering on construction projects in Hawaii.

Thank you for the opportunity to share our thoughts with you.



Email: communications@uluponoinitiative.com

HOUSE COMMITTEE ON FINANCE
Friday, February 22, 2013 — 1:30 p.m. — Room 308

Chair Luke, Vice Chairs Nishimoto & Johanson and Members of the Committees:

Ulupono Initiative Supports HB 338 HD1, Relating to the Issuance of Special Purpose Revenue Bonds to Assist a Seawater Air Conditioning (SWAC) Project

My name is Kyle Datta, General Partner of the Ulupono Initiative, a Hawai'i-based impact investment firm that strives to improve the quality of life for the people of Hawai'i by working toward solutions that create more locally grown food, increase renewable energy, and reduce/recycle waste. Ulupono supports this measure to allow the State of Hawai'i to issue Special Purpose Revenue Bonds (SPRBs) for the development of a district cooling system for Waikiki.

Ulupono Initiative seeks to promote and invest in innovative sustainability ideas and business models that have the potential to make a significant difference for Hawai'i. We work with, and invest in, businesses that show this potential for innovation, have local leadership. We strive to invest in ideas and inspiration born in Hawai'i to reach the needs of Hawai'i, and use technologies and models that can be replicated and have potential global applicability.

Ulupono is testifying in support of HB 338 HD1, which will allow the State to issue Special Purpose Revenue Bonds (SPRBs) for the development of a seawater air conditioning (SWAC) district cooling system for Waikiki. We support Kaiuli's request because we believe SWAC technology is proven and will help replace the energy-intensive central refrigeration system of a traditional air-conditioning system. Kaiuli is targeting hotels and other buildings in the Waikiki and Ala Moana areas that could benefit from SWAC which will include substantial savings on electricity and water consumption, system replacement costs, and maintenance costs. This technology is known to provide substantial savings of energy and fresh water, both of which are critical to our economy and sustainability. In addition, it will also help the State move closer to its HCEI clean energy goals and support Hawai'i's vital tourism industry.

Thank you for the opportunity to provide this testimony.

Sincerely,

Kyle Datta
General Partner

