

WRITTEN TESTIMONY

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE
ON
SENATE BILL NO. 2702, S.D. 1

March 10, 2014

RELATING TO SPECIAL PURPOSE REVENUE BONDS TO ASSIST SEAWATER AIR
CONDITIONING PROJECTS ON OAHU

Senate Bill No. 2702, S.D. 1, amends Act 113, SLH 2009 (the "Act") by extending the authorization to issue \$77 million of special purpose revenue bonds (SPRB) for the Honolulu Seawater Air Conditioning, LLC (HSAC), for the purpose of design and construction of a seawater air conditioning district cooling system in downtown Honolulu for an additional five years, or until June 30, 2019.

The Department has no position on the extension of the authorization to issue SPRBs as reflected in this bill. However, the Department recommends SECTION 4 of the Act also be amended to be consistent with Section 39A-117, HRS, which states, among other things, that no authorization shall be made for a period exceeding five years of its enactment, and to also allow the Department to refund the SPRBs authorized under the Act subsequent to June 30, 2019.

Accordingly, SECTION 4 of the Act should read as follows:

"SECTION 4. The department of budget and finance is authorized, from time to time, including times subsequent to [~~June 30, 2014~~] June 30, 2019, to issue special purpose revenue bonds..."

Please note 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.



Chamber of Commerce HAWAII

The Voice of Business

**Testimony to the House Committee on Consumer Protection and Commerce
Monday, March 10, 2014 at 2:00 P.M.
Conference Room 325, State Capitol**

**RE: SENATE BILL 2702 SD1 RELATING TO SPECIAL PURPOSE REVENUE
BONDS TO ASSIST SEAWATER AIR CONDITIONING PROJECTS ON OAHU**

Chair McKelvey, Vice Chair Kawakami, and Members of the Committee:

The Chamber of Commerce of Hawaii ("The Chamber") **supports** SB 2702 SD1 Relating to Special Purpose Revenue Bonds to Assist Seawater Air Conditioning Projects on Oahu.

The Chamber is the largest business organization in Hawaii, representing over 1,000 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

This bill provides much-needed financial support to Honolulu Seawater Air Conditioning, LLC to continue development of a seawater air conditioning district cooling system in downtown Honolulu. Seawater air conditioning is an innovative approach that would replace inefficient cooling systems with a system that utilizes cold deep seawater. Investment in this green technology would make our island state more sustainable and also improve our economy by generating construction spending and creating more jobs.

Thank you for the opportunity to testify.



HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE
Monday, March 10, 2014 – 2:00 p.m. – Room 325

Ulupono Initiative Strongly Supports SB 2702 SD 1, Relating to Special Purpose Revenue Bonds to Assist Seawater Air Conditioning Projects on Oahu

Dear Chair McKelvey, Vice Chair Kawakami, and Members of the Committee:

My name is Murray Clay and I am managing 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 invests in projects that have the potential to create large-scale, innovative change.

Ulupono strongly supports SB 2702 SD 1, which will extend the authorization for the issuance of Special Purpose Revenue Bonds (SPRBs) to Honolulu Seawater Air Conditioning LLC (HSWAC) for an additional five years. We support HSWAC's request because we believe seawater air conditioning technology is proven and will help replace the energy-intensive central refrigeration system of a traditional air-conditioning system. HSWAC is targeting buildings that could benefit from substantial savings on electricity and water consumption, system replacement costs, and maintenance costs. By using 44 degree seawater instead of electricity to cool buildings, electricity costs can be cut by 75% and save an estimated 77 million kilowatt-hours of power a year. That is enough to power more than 10,000 homes a year and eliminate the need to burn 178,000 barrels of oil a year.

This technology is known to provide substantial savings of energy and fresh water, both of which are critical to our economy and sustainability. HSWAC will reduce potable water consumption for air conditioning by 260 million gallons and avoids 84,000 tons of carbon dioxide (15,000 cars). In addition, it will also help the State move closer to its HCEI clean energy goals and support Hawai'i's vital tourism industry.

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. We strive to invest in ideas and inspiration born in Hawai'i while using technologies and models that can be replicated for global applicability.

Thank you for this opportunity to testify.

Respectfully,

Murray Clay
Managing Partner

Email: communications@ulupono.com

Pacific Guardian Center, Mauka Tower
737 Bishop Street, Suite 2350, Honolulu, HI 96813

808 544 8960 o | 808 544 8961 f
www.ulupono.com





Honolulu Seawater Air Conditioning, LLC
1132 Bishop Street, Suite 1410
Honolulu, Hawaii 96813

Tel 808.531.7922
Fax 808.531.7923
www.honoluluswac.com

Affiliate of Renewable Energy Innovations, LLC

Testimony on
S.B. NO. 2702, S.D. 1
**RELATING TO SPECIAL PURPOSE REVENUE BONDS TO ASSIST SEAWATER AIR
CONDITIONING PROJECTS ON OAHU**

Before the
House of Representatives
COMMITTEE ON CONSUMER PROTECTION & COMMERCE
Monday, March 10, 2014

By
Eric Masutomi, CEO and President
Honolulu Seawater Air Conditioning, LLC

Chair McKelvey, Vice Chair Kawakami, and Members of the Committee:

Honolulu Seawater Air Conditioning (HSWAC) strongly supports S.B. 2702, S.D. 1 which extends the authorization to issue \$77 million in special purpose revenue bonds (SPRBs) for Honolulu Seawater Air Conditioning, LLC for the design and construction of a seawater air conditioning district cooling system on Oahu.

Over the past several sessions, the Hawaii State Legislature authorized a total of \$145M in SPRBs for the HSWAC project. \$77 million of the total were authorized by the Legislature in 2009 and expire June 30, 2014. This bill extends the 2009 SPRB authorization from June 30, 2014 to June 30, 2019.

HSWAC's Downtown Honolulu Seawater Air Conditioning project will service approximately 14 million square feet of downtown building space. In addition to the compelling environmental and renewal energy benefits associated with deep water cooling, the project will generate close to \$250 million of dollars in construction spending and create more than 1,500 construction jobs in 2014 through 2016. In addition, it would create long-term, high-value employment opportunities and establish the State as a leading authority on the development and installation of seawater air conditioning systems throughout the Asia-Pacific region. Other local economic benefits would accrue from money that stays in Hawaii and is not exported outside the State to purchase oil.

Earlier, unprecedented disruptions in the financial markets caused HSWAC to postpone the earlier sale of SPRBs. Current markets have improved and there is now suitable 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

equity investment. With an anticipated construction start later this year, HSWAC expects to use all of its authorized SPRBs within the next three years. The requested SPRBs are an important element in providing economically feasible project financing.

Thank you for this opportunity to testify.