

WRITTEN TESTIMONY

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION
ON
SENATE BILL NO. 3008, S.D. 1

MARCH 13, 2014

RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS TO
ASSIST ANAERGIA INC.

Senate Bill No. 3008, S.D. 1, authorizes the issuance of special purpose revenue bonds (SPRB) to assist Anaergia Inc. with the development of facilities for renewable non-fossil fuel energy production in Maui 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 advise 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.

MEMORANDUM

TO: HOUSE COMMITTEE ON ENERGY AND ENVIRONMENTAL PROTECTION
REP. CHRIS LEE, CHAIR
REP. CYNTHIA THIELEN, VICE CHAIR

FROM: KARL BOSSERT, DIRECTOR OF BUSINESS DEVELOPMENT - PACIFIC

SUBJECT: HB 2191 RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS TO ASSIST ANAERGIA INC.

POSITION: SUPPORT

DATE: MARCH 12, 2014

Anaergia Services, LLC (Anaergia) would like to thank Chair Lee, Vice Chair Thielen, and the House of Representatives Committee on Energy and Environmental Projection as a whole, for taking the time to discuss SB 3008.

This bill relates to the potential issuance of Special Purpose Revenue Bonds to assist Anaergia in the development of renewable fuels and/or energy projects on Maui. The bonds will be sold to private investors and will not be backed by the State of Hawaii or the County of Maui.

Anaergia is a worldwide expert in resource recovery, most notably through anaerobic digestion. The company has a 20 year track record and proven technology with a number of in-house patents and over 1,600 projects to date. Because of Hawaii's physical isolation and high cost of energy, Anaergia feels Hawaii is an excellent candidate for anaerobic digestion, and is currently engaged in developing two projects on Maui using this technology.

Maui Resource Recovery Facility

The first project is called the Maui Resource Recovery Facility (MRRF). Under a 20 year contract from the County of Maui, the facility will take municipal waste, currently going into the Maui County landfill, and extract as much as 75% of the recyclable materials from that waste. This recovery of recyclable materials is in addition to the on-going recycling efforts of the County, which happens before the waste streams are brought to the landfill. We believe that Anageria's efforts will not negatively affect any recyclers currently in operation, and in fact may allow for expanded opportunities for these firms.

The remaining materials will be processed to create renewable natural biogas, through anaerobic digestion. The materials that are not digestible will be converted into an engineered solid fuel. The solid fuels will be designed to meet or exceed emission

requirement established for various fuels including coal. Materials, such as PVC plastics will be removed before the solid fuel is produced to ensure a clean burning product. The gas and solid fuels can be used for power generation, household and commercial (heating/cooling) and transportation. Only about 15% of the incoming municipal waste will end up in the landfill at the end of the process, lengthening the life of the landfill up to five times.

The guaranteed waste stream quantity in the contract starts out approximately 40% lower than the current quantities being landfilled. This protects the County in the event they do not supply the entire stream to Anaergia in year one. The contract also has a provision to have a three year rolling average minimum waste stream quantity. This will allow the guaranteed minimum to be adjusted in the future so the County has flexibility over the waste stream for the next 20 years.

Anaergia's vision for this project is to set a model benchmark for how municipal waste is dealt with in Hawaii and the rest of the world. The future of waste management is to increase recyclable recovery, produce a mix of sustainable, renewable fuels from the balance, and reduce the amount of landfilled materials to the maximum extent possible. This will be accomplished while providing an opportunity for the County to save money in landfill operating costs and by deferring large capital investments for landfill expansions far into the future.

Maui Energy Park

The second project is called the Maui Energy Park (MEP). This project is located in West Maui, where the plan is to grow an energy crop and process it into renewable natural biogas through anaerobic digestion. This project will revitalize almost 2,000 acres of high quality agricultural lands left fallow after the demise of sugar cane and pineapple in West Maui. MEP will use recycled water for the majority of its irrigation needs, allowing the nutrients in this water to be returned to the soil. The renewable natural biogas can be used for power generation, household and commercial (heating/cooling) and transportation. Anaergia is in discussions with MECO to take a portion of this gas and generate electrical power onsite. This has the potential to increase grid stability and reliability in West Maui.

Anaergia sees the MEP as a model approach for putting agricultural lands back into productive use across the state. The anaerobic digestion process is an efficient way to make renewable biogas with energy recovery several times higher than other processes (e.g. ethanol distillation or biodiesel production).

Both projects provide a number of environmental and socio-economic benefits to the state, county and residents of the state of Hawaii. These include reduced materials going

in the landfill, putting fallow Ag lands back into production, and creating competitive renewable fuels which will provide energy cost stability and security for the state. These projects will create hundreds of short-term construction and long-term farming and operational jobs, thereby keeping millions of dollars a year in the economy here in Hawaii.

Anaergia is seeking up to \$150 million in special purpose revenue bonds to support these two projects. These bonds will provide low-cost financing to offset the high cost of shipping materials and constructing these facilities in Maui. Anaergia has a long-term vision for Hawaii and believes that these projects can be duplicated on other islands to benefit the environment, the economy and Hawaii’s residents. Subsequent projects will enjoy learning curves and possible economies of scale, making those projects less reliant on special purpose revenue bonds in the future.

The following page shows a summary of environmental as well as socio-economic benefits for both projects.

Anaergia would again like to thank the Committee for its time on this matter and stands ready to address any questions you may have during the hearing.

Environmental and Socio-Economic Benefits from Proposed Projects

Project Benefits	Project
Increase recyclable material recovery from a current level of <5% to >75%	MRRF
Increase landfill diversion from a current level 43% to >75%	MRRF
Increase municipal solid waste diversion from a current level 0% to 85%	MRRF
Increase existing landfill life up to five times	MRRF
Revitalize almost 2,000 acres of ag land, reducing soil erosion and dust problems	MEP
Help in the user of recycled water in W. Maui	MEP
Create approximately 200 construction jobs	MRRF and MEP combined

Create approximately 60 permanent jobs	MRRF and MEP combined
Reduce up to 30,000 ton of coal importation per year by creating engineering solid fuels	MRRF
Replace the equivalent of almost 3,000,000 of gasoline per year by creating renewable natural biogas	MRRF and MEP combined
Increase energy cost stability and security	MRRF and MEP combined
Preserve open space through reduced need to expand the landfill and by keeping ag land in production	MRRF and MEP combined
Provide \$150 million of capital investment into the state	MRRF and MEP combined
Provide approximately \$12 million per year of ongoing expenditures in Maui	MRRF and MEP combined

SB3008

Submitted on: 3/12/2014

Testimony for EEP on Mar 13, 2014 09:00AM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
pat gegen	Individual	Oppose	No

Comments: Poor business plan for the planet and our islands. Refuse, Reduce, Recycle, Reuse, Repair and compost!

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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SB3008

Submitted on: 3/13/2014

Testimony for EEP on Mar 13, 2014 09:00AM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Arvid Tadao Youngquist	The Sky Ohana	Oppose	Yes

Comments: Chair, EEP Committee Vice Chair, EEP Committee The Right Honorable House EEP Committee Members The Sky Ohana respectfully opposes SB 3008 SD1. We note that two of the original Senate sponsors have switched to opposition, if they were for it to begin with. The company is described in Sen. Mike Gabbard's Committee report as a global leader. Since that is the case, it does not need the State to further risk its credit rating and considerable reputation in the field, by floating yet another bond assistance. The Sky Ohana requests that the Committee hold this measure until the next Session. If the company is not willing to invest in Maui, without this consideration, then perhaps, it was never meant to be for Maui, nor any other Neighbor Island, including "Oahu". Please stand your ground and resist giving tax credits, floating bonds, or granting exemptions to any laws or administrative rules, or else, our State's reputation as an "easy mark" will continue to spread, and the good as well as the bad risk ventures will stop trying to take us, and go where the pickings are easier. For business interests interested in helping us (Maui and elsewhere), it should be a condition of no conditions, and no strings "tied". Please take the time to reflect on what your Committee is about to do, yet again, together with so many other Committees of the past, here as well as in the Senate, and begin again to take pride in Hawaii. Hawaii is not for sale, my friends. IMUA! Me Ke Aloha Pūmehana, Arvid Tadao Youngquist Spokesman, Founder, and Administrator *Note: Registered Voter and Kalihi Valley resident, Congressional District One, U.S. House of Representative primary/general voter and stakeholder.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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