

TESTIMONY BY KALBERT K. YOUNG  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON FINANCE  
ON  
HOUSE BILL NO. 1730, H.D. 1

February 19, 2014

AUTHORIZING THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS FOR  
PACIFIC POWER GROUP, LLC, A UTILITY SERVING THE GENERAL PUBLIC IN  
PROVIDING ELECTRIC ENERGY

House Bill No. 1730, H.D. 1, authorizes the issuance of special purpose revenue bonds (SPRB) to assist Pacific Power Group, LLC, in serving the general public by installing renewable energy projects in Hawaii pursuant to Part VI, 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.



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**Pacific Power Group LLC**

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Pacific Power Group LLC (“Pacific Power”) is a special purpose entity operating with a mission of developing solar, wind, and related renewable energy projects in the Pacific Basin. One of its founding members, Brian Hayashida, has 30 years of experience in wind and solar project development and finance. In 1987, as president of Imua Kamakani Corporation, the managing partner of Kamaoa Wind Energy Partners, Hawaii’s first modern-day, utility-scale wind energy project was installed at South Point, island, county, and state of Hawaii. The Kamaoa Wind Farm Project was the first public-financed project in the U. S. when it floated special purpose revenue bonds for the debt portion of the project. Pacific Power has once again requested the 27th Session of the State of Hawaii Legislature to authorize \$125,000,000 of industrial development bonds to finance the renewable projects it is currently developing:

<u>Project</u>	<u>MegaWatts</u>	<u>Installed Cost</u>
⇒ Wind Project On The Leeward Side of Oahu	50	\$150,000,000
⇒ Solar Project On The Leeward Side of Oahu	20	\$100,000,000
⇒ Solar Project On The Ewa Plains	5	\$ 25,000,000
⇒ Solar Projects On Oahu, Maui, & Big Island	15	\$ <u>75,000,000</u>
		\$350,000,000

Gary Kitahata is Pacific Power’s Director of Public Finance. His company, Kitahata & Company, with offices in Hilo, Hawaii and San Francisco, California, has been involved with bond issuances since 1993. Mr. Kitahata and his firm provide a full range of advisory services on debt financing, from analyzing and exploring financing alternatives to implementing and closing both competitive and negotiated deals. Mr. Kitahata was involved with the issuance of \$12,000,000 Special Purpose Revenue Bonds in 1987 for Kamaoa Wind Energy Partners.

Pacific Power’s partner for development and structured financing of its solar energy projects is Hyundai Heavy Industries Co., Ltd. (“Hyundai”) as well as the investment arm of the huge conglomerate based in the Republic of Korea, Dong Il TNS Co., Ltd., (“Dong Il”) prevalently known and referred to as the “Korean Berkshire Hathaway” as its roots are in the textile manufacturing sector of Korean industry. Technical and ancillary project development expertise will be provided by its EPC Company, Astronergy Solar Korea Co., Ltd. (“Astronergy”).



The combination of a Hawaii-based project development company, Pacific Power, and three deep-pocket investment and engineering and construction companies from South Korea make for a formidable, proven, and reliable installer of wind and solar energy projects. Pacific Power has extensive experience with and knowledge of HECO and the local-Hawaiian power market, including curtailment issues, and maintains ground personnel in Hawaii.

Pacific Power is excited to combine its deep experience in wind and solar project development and finance with the investment experience and resource capabilities of Hyundai, Dong Il, and Astronergy to install renewable energy projects which will contribute towards Hawaii's clean environment.



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January 26, 2014

**To Whom It May Concern**

From 1983-87 I was an investment banker in public finance with E.F. Hutton & Company in New York and San Francisco. In 1987 I worked on the issuance of \$12,000,000 Special Purpose Revenue Bonds by the State of Hawaii, which was underwritten in a negotiated sale by E.F. Hutton. I worked directly with Brian M. Hayashida, who was President of Imua Kamakani Corporation, the Managing Partner for Kamaoa Wind Energy Partners and the entity named in the sale of the above-referenced Special Purpose Revenue Bonds.

I am independent financial advisor on public finance with offices in San Francisco and Hilo. Should you have any questions about this letter, please contact me using the information shown on this letterhead.

Sincerely,

Gary Kitahata  
Principal