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Testimony on
H.B. 1950, H.D.2
RELATING TO SEAWATER AIR CONDITIONING
Before the
Hawaii State Senate
COMMITTEE ON ECONOMIC DEVELOPMENT, GOVERNMENT OPERATIONS AND HOUSING
And
COMMITTEE ON ENERGY AND ENVIRONMENT
Wednesday, March 19, 2014
By
Eric Masutomi, CEO and President
Honolulu Seawater Air Conditioning, LLC

Good afternoon, Chairs Gabbard and Dela Cruz and Members of the Committees.

Honolulu Seawater Air Conditioning, LLC (HSWAC) strongly supports H.B.1950, HD2 which would allow the production and sale of chilled water service from seawater air conditioning district cooling systems to qualify for state enterprise zone benefits. We do, however, recommend that the bill be amended to restore the effective date to July 1, 2014.

Deepwater district cooling systems have been successfully implemented in numerous localities throughout the U.S., Canada and Europe – with many in operation for over twenty years. Despite this proven record of success, our experience has shown that when district energy systems such as that being developed by HSWAC are newly introduced in a community, potential customers are frequently wary about the costs of converting to the new system, the risk of higher costs in the initial years of operation and the uncertainties of adapting to a new system. The enterprise zone qualification would significantly assist customers in offsetting the perceived costs and risk inherent in converting to this green technology.

If passed, this bill will assist potential customers of seawater air conditioning district cooling systems in making the critical decision to eliminate existing inefficient cooling systems – currently responsible for more than forty percent of a building’s electricity consumption - in favor of utilizing a district cooling system that takes benign advantage Hawaii’s abundant surrounding ocean waters. With the potential to reduce electricity consumption used for air conditioning by up to 75%, this technology promises to significantly contribute to the State’s sustainability objectives and reduce our dependence on imported fossil fuels.

In addition to the compelling environmental and renewable energy benefits associated with deepwater cooling, seawater air conditioning projects in the Downtown Honolulu-Kakaako Enterprise Zone have the potential to create a significant amount of permanent, high-value jobs in the area, which is consistent with the purpose and intent of the Enterprise Zone program. The latter is in addition to the more than 1500 construction jobs expected to be generated by construction of the HSWAC system in 2014 to 2016. Other local benefits would accrue from money that stays in Hawaii and not exported outside the State to purchase oil.

The purpose of providing benefits to qualified businesses in enterprise zones is to stimulate business and industrial growth by means of regulatory flexibility and tax incentives. Tax incentives include exemption of qualified businesses from the GET, and State income taxes (on a declining basis), for a period of seven years. Providing these benefits would effectively reduce the costs of such systems to customers and would help tremendously in introducing this promising technology to Hawaii.

Thank you for this opportunity to testify.