



TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON WAYS AND MEANS
ON
HOUSE BILL NO. 1951 H.D. 1, S.D. 1

March 25, 2014

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

House Bill No. 1951, H.D. 1, S.D. 1, extends 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 28, 2019.

The Department has no position on the extension of the authorization to issue SPRBs as contemplated in this bill. The Department would like to 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.



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Testimony on
H.B. NO. 1951, H.D. 1, S.D.1
**RELATING TO SPECIAL PURPOSE REVENUE BONDS TO ASSIST SEAWATER AIR
CONDITIONING PROJECTS ON OAHU**

Before the
State Senate
COMMITTEE ON WAYS AND MEANS
Tuesday, March 25, 2014

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

Chair Ige, Vice Chair Kidani and Members of the Committee:

Honolulu Seawater Air Conditioning (HSWAC) strongly supports H.B. 1951, H.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. Moreover, it will create long-term, high-value employment opportunities and firmly 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.



SENATE COMMITTEE ON WAYS & MEANS
Tuesday, March 25, 2014 – 9:05 a.m. – Room 211

Ulupono Initiative Strongly Supports HB 1951 HD 1 SD 1, Relating to Special Purpose Revenue Bonds to Assist Seawater Air Conditioning Projects on Oahu

Dear Chair Ige, Vice Chair Kidani 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 HB 1951 HD 1 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

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