

WRITTEN TESTIMONY

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION AND COMMERCE
ON
HOUSE BILL NO. 1951

January 27, 2014

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

House Bill No. 1951 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 30, 2019.

The Department has no position on the extension of the authorization to issue SPRBs as contemplated in this bill. However, the Department would like to note that in addition to this \$77 million SPRB authorization, HSAC received \$48 million in SPRB authorization pursuant to Act 79, SLH 2005 as amended by Act 80, SLH 2010, and \$20 million of SPRB authorization pursuant to Act 165, SLH 2007, as amended by Act 155, SLH 2012. 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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(Revised)

Testimony on

H.B. NO. 1951

RELATING TO SEAWATER AIR CONDITIONING

Before the
State of Hawaii House of Representative
COMMITTEE ON CONSUMER PROTECTION AND COMMERCE
Monday, January 27, 2014

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

Good afternoon Chair McKelvey, Vice Chair Kawakami, and members of the Committee.

Honolulu Seawater Air Conditioning, LLC strongly supports H.B. 1951, 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 last 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 are due to expire on June 30, 2014. This bill extends the 2009 SPRB authorization, from June 30, 2014 to June 30, 2019.

After some discussion on the language of H.B. 1951, and consultation with the Legislative Reference Bureau, we would however, like to propose to amend the bill to clarify wording in SECTION 1 of the bill that may create confusion about the date of issuance of the bonds. A copy of the proposed draft is attached to the testimony.

The downtown Honolulu Seawater Air Conditioning project will generate close to \$200 million in construction spending. This green technology would service approximately 14 million square feet of downtown building space. It will also create long-term, gainful employment and establish local companies as the leading authorities on Seawater Air Conditioning (SWAC) systems. Other local economic benefits would accrue from money that stays in Hawaii, rather than exported out of State to purchase oil.

Unprecedented disruptions in the financial markets have caused HSWAC to postpone the sale of SPRBs. Current markets have improved and there is 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.

HSWAC began work in Hawaii on this project in 2003. Since then it has made significant progress and investment in the project. The permitting process is near completion and customer contracts are being executed. HSWAC has demonstrated it is committed to completing and operating this renewable energy project by remaining firm during uncertain times and appreciates the continued support of the Hawaii State Legislature.

Thank you for this opportunity to testify.

A BILL FOR AN ACT

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

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Act 113, Session Laws of Hawaii 2009, is
2 amended by amending sections 4 and 5 to read as follows:
3 "SECTION 4. The department of budget and finance is
4 authorized, from time to time, including times subsequent to
5 [~~June 30, 2014,~~] June 30, 2019, to issue special purpose revenue
6 bonds in whatever principal amounts the department shall
7 determine to be necessary to refund the special purpose revenue
8 bonds authorized in section 2 and to refund special purpose
9 revenue bonds authorized in this section, regardless of whether
10 the outstanding special purpose revenue bonds or refunding
11 special purpose revenue bonds have matured or are the subject of
12 redemption or whether the refunding special purpose revenue
13 bonds shall be bonds for the multi-project programs described in
14 section 2. In making this determination, the department shall
15 comply with federal law relating to the exemption from federal
16 income taxation of the interest on bonds of the nature
17 authorized by this section.



H.B. NO. 1951

1 SECTION 5. The authorization to issue special purpose
2 revenue bonds under this Act shall lapse on [~~June 30, 2014.~~]
3 June 30, 2019."

4 SECTION 2. Statutory material to be repealed is bracketed
5 and stricken. New statutory material is underscored.

6 SECTION 3. This Act shall take effect on June 30, 2014.

7

INTRODUCED BY: *Scott. Bull*

JAN 17 2014



H.B. NO. 1951

Report Title:

Special Purpose Revenue Bond; SPRB; Seawater Air Conditioning

Description:

Extends the authorization of the issuance of special purpose revenue bonds to Honolulu Seawater Air Conditioning, LLC, for the purpose of design and construction of a seawater air conditioning district cooling system in downtown Honolulu, for an additional five years. Effective June 30, 2014.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.



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From: mailinglist@capitol.hawaii.gov
Sent: Thursday, January 23, 2014 1:12 PM
To: CPCtestimony
Cc: mendezj@hawaii.edu
Subject: *Submitted testimony for HB1951 on Jan 27, 2014 14:10PM*

HB1951

Submitted on: 1/23/2014

Testimony for CPC on Jan 27, 2014 14:10PM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Javier Mendez-Alvarez	Individual	Support	No

Comments:

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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