

SB 2702

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

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.

WRITTEN TESTIMONY

TESTIMONY BY KALBERT K. YOUNG
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
STATE OF HAWAII
TO THE SENATE COMMITTEE ON ENERGY AND ENVIRONMENT
ON
SENATE BILL NO. 2702

February 11, 2014

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

Senate Bill No. 2702 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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Affiliate of Renewable Energy Innovations, LLC

Testimony on
S.B. NO. 2702
RELATING TO SEAWATER AIR CONDITIONING

Before the
Hawaii State Senate
COMMITTEE ON ENERGY AND ENVIRONMENT
Tuesday, February 11, 2014

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

Good afternoon Chair Gabbard, Vice Chair Ruderman, and members of the Committee.

Honolulu Seawater Air Conditioning (HSWAC) strongly supports S.B. 2702, 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.

After some discussion on the language of S.B. 2702, 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 currently may create confusion about the date of issuance of the bonds. A copy of the proposed draft is attached to this testimony.

The 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. In addition, it would create a long-term, gainful employment and 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.

Unprecedented disruptions in the financial markets have caused HSWAC to postpone the 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.

A BILL FOR AN ACT

RELATING TO THE ISSUANCE OF 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, to issue special purpose revenue bonds in
6 whatever principal amounts the department shall determine to be
7 necessary to refund the special purpose revenue bonds authorized
8 in section 2 and to refund special purpose revenue bonds
9 authorized in this section, regardless of whether the
10 outstanding special purpose revenue bonds or refunding special
11 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.

____.B. NO. _____

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 July 1, 2014.

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INTRODUCED BY: _____

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SB2702

Submitted on: 2/6/2014

Testimony for ENE on Feb 11, 2014 14:50PM in Conference Room 225

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

SB2702

Submitted on: 2/8/2014

Testimony for ENE on Feb 11, 2014 14:50PM in Conference Room 225

Submitted By	Organization	Testifier Position	Present at Hearing
IRA CALKINS	Individual	Support	Yes

Comments: IRA CALKINS GOVERNMENTAL RESEARCHER 730 Captain Cook Ave Unit 426 Honolulu, Hawaii 96813-2161 Your actions will prove the following assertions to be the truth and factual. The Democratic Party Line has taken away the voice of the people in the making of laws. Taxation with out representation in the State of Hawaii. It appears the Hawaii State Legislators are being blackmailed in to voting the Democratic party line, or else the Democratic Party will not support the State of Hawaii Legislators in all state wide elections. It does not matter what the tax payers think, the Democratic Party line lays down the law on all bills before the State of Hawaii Legislature. The chairman's in all committee meetings has a predisposed script to follow that the Speaker of the House, and the Speaker of the Senate has given the Committee Chairs to follow, to instruct the committee members how to vote on a any given measures, all Bills in all committees of the State of Hawaii Legislature. It is determined ahead of time by the Democratic Party members how a committee member will vote when staying with in the party line on any given Bill in the State of Hawaii Legislature, Democracy has been taken away from the tax payers in the State of Hawaii. Ira Calkins Honolulu 4696434 or 3498667 FAX 808-545-4707 Washington D.C. 202-697-9782