

HB 801, HD1

TESTIMONY

DAVID Y. IGE
GOVERNOR



WESLEY K. MACHIDA
DIRECTOR

RODERICK K. BECKER
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

TESTIMONY BY WESLEY K. MACHIDA
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE SENATE COMMITTEE ON TRANSPORTATION AND ENERGY
ON
HOUSE BILL NO. 801, H.D. 1

March 15, 2016
2:45 P.M.

**AUTHORIZING THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS FOR
SUNSTRONG LLC, A RENEWABLE ENERGY DEVELOPER SERVING THE
GENERAL PUBLIC IN PROVIDING ELECTRIC ENERGY**

House Bill No. 801, H.D. 1, authorizes the issuance of Special Purpose Revenue Bonds (SPRB) to provide financing to assist SunStrong LLC, a renewable energy developer, for the provision of electric energy and installation of renewable energy projects in Hawaii pursuant to Part VI, Chapter 39A, Hawaii Revised Statutes.

The Department has comments on this bill. The Department is unclear as to whether the SPRB can be issued pursuant to Part VI, Chapter 39A, HRS, which authorizes SPRBs for utilities serving the general public in providing electric energy, gas, or telecommunications. SunStrong LLC should seek further guidance or clarification from their counsel as to the appropriate HRS citation.

The Department is providing comments only to advise the Legislature and prospective SPRB parties that should the legislation be approved, approval of the SPRB issuance will require further discussion and satisfactory credit underwriting review of the financing components with respect to any proposed financing.

The Department also recommends amendments to Sections 4 and 5 of the bill, as follows (deleted language striked through; new language underlined):

“SECTION 4. The department of budget and finance is authorized, from time to time, including times subsequent to June 30, ~~2020~~ 2021, to issue special purpose revenue bonds...”

“SECTION 5. The authorization to issue special purpose revenue bonds under this Act shall lapse on June 30, ~~2020~~ 2021.”

The amendment to Section 5 will make the special purpose revenue bond authorization consistent with Section 39A-197, HRS, which states that no authorization shall be made for a period exceeding five years of its enactment. The amendment to Section 4 will allow the special purpose revenue bonds to be refunded after the sunset date of the authorization.

Thank you for the opportunity to provide testimony on this measure.

Executive Centre
1088 Bishop Street, Penthouse
Honolulu, Hawaii 96813
(808) 372-4811 (808) 523-0000 facsimile
Email: Hawaiwind@aol.com

The logo for SunStrong LLC is displayed in white text on a black rectangular background. The text "SunStrong" is in a bold, sans-serif font, and "LLC" is in a smaller, regular weight of the same font.

TESTIMONY BY BRIAN M. HAYASHIDA
CHIEF EXECUTIVE OFFICER, SUNSTRONG LLC
TO THE SENATE COMMITTEE ON TRANSPORTATION AND ENERGY
ON HOUSE BILL NO. 801

MARCH 15, 2016
2:45 P. M.

AUTHORIZING THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS
FOR SUNSTRONG LLC, A RENEWABLE ENERGY DEVELOPER SERVING THE
GENERAL PUBLIC IN PROVIDING ELECTRIC ENERGY

COMPANY & PROJECT INFORMATION

SunStrong LLC (“SunStrong”) 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 M. 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. SunStrong is requesting the 29th Session of the State of Hawaii Legislature to authorize industrial development bonds to finance the renewable projects it is currently developing.

Gary Kitahata is SunStrong’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.

The major portion of the bonds will be used to finance a major solar energy farm for Kalaeloa in West Oahu (please see the September 30, 2015 news article in the "Pacific Business News" which is attached herewith).

Please be informed that the State of Hawaii Departments of Budget and Finance as well as Business, Economic Development & Tourism have received and fully vetted SunStrong's business plans (please see letters which are attached herewith).

SunStrong has extensive experience with and knowledge of HECO and the local-Hawaiian power market, including curtailment issues, and maintains ground personnel in Hawaii. SunStrong is excited to combine its deep experience in wind and solar project development and finance with the investment experience and resource capabilities of its project team to install renewable energy projects which will contribute towards Hawaii's clean environment.

Thank you for allowing SunStrong to provide testimony on this measure.