

DAVID Y. IGE
GOVERNOR



RODERICK K. BECKER
DIRECTOR

ROBERT YU
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)

WRITTEN ONLY

TESTIMONY BY RODERICK K. BECKER
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEES ON ENERGY & ENVIRONMENTAL PROTECTION
AND WATER, LAND, & HAWAIIAN AFFAIRS
ON
HOUSE BILL NO. 204

February 12, 2019
8:55 A.M.
Room 325

RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS TO
ASSIST AN INDUSTRIAL ENTERPRISE.

House Bill No. 204 authorizes the issuance of Special Purpose Revenue Bonds (SPRB) to assist Kona Coast Water, LLC, in financing or refinancing the costs related to the planning, design, construction, equipping, acquisition of lands, and other tangible assets for solar thermal facilities to desalinate water using renewable energy pursuant to Part V, Chapter 39A, Hawaii Revised Statutes.

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 and conduit loan will require further review of the financing proposal to ensure compliance with all federal, state and credit underwriting requirements. For additional information, please consult our FAQ located at the following link:

<http://budget.hawaii.gov/wp-content/uploads/2012/11/SPRB-FAQ.pdf>.

Thank you for your consideration of our comments.

Representative Nicole E. Lowen, Chair
Representative Tina Wildberger, Vice Chair
Committee on Energy & Environmental Protection

Representative Ryan I. Yamane, Chair
Representative Chris Todd, Vice Chair
Committee on Water, Land & Hawaiian Affairs

Thomas H. Birdsall
Kona Coast Water, LLC and Trevi Systems, Inc.

Tuesday, February 12, 2019, 8:55 am

Support for H.B. No. 204, Relating to the Issuance of Special Purpose Revenue Bonds to Assist an Industrial Enterprise

I am the Manager of Kona Coast Water, LLC and a member of the Board of Directors of Trevi Systems, Inc. Trevi Systems has pioneered and patented technology for using Forward Osmosis (FO) to desalinate seawater using a fraction of the energy of traditional reverse osmosis desalination systems. Kona Coast Water, LLC is a Hawaii limited liability company that will use this FO technology to build, own and operate seawater desalination plants in Hawaii using 100% renewable energy sources.

We strongly support H.B. No. 204, which will allow us to raise funds from Special Purpose Revenue Bonds to help finance the development of the first FO desalination plants using 100% renewable energy in the Hawaiian Islands.

Each of the Hawaiian Islands is in varying degrees of drought. The State of Hawaii has identified a need for additional fresh water capacity of 100 million gallons per day by 2030.

The plants that Kona Coast Water will build and operate will produce additional fresh water to help meet the growing needs of households and businesses, including agricultural businesses. And the reliance on 100 percent renewable energy will help achieve the State of Hawaii's 100 percent renewable energy goal by 2045.

The funds raised from Special Purpose Revenue Bonds will first be used to finance a plant with the capacity to produce up to 6,000 cubic meters of water per day (m³/day). This is enough water – 1.58 million gallons a day, or 578 million gallons a year – to supply over 9,600 people in Hawaii with fresh water. The plant will be powered by a solar energy system, making it the first commercial desalination plant in the United States to be powered with 100% renewable energy. The plant will be located on land to be leased at the Natural Energy Labs Hawaii Authority (NELHA) site adjacent to the Kona airport. Kona Coast Water has identified potential customers for the water both within and near the NELHA site. This plant will also produce baseload renewable power that can be sold to help repay to Special Purpose Revenue Bonds.

The funds will be specifically used to pay for the first plant's construction, equipment, land leases and other assets, as well as for the planning, permitting and designing of the plant, and for the

pipeline and related equipment to deliver fresh water to customers. Funds will also be used for subsequent plants to be built on Hawaii, and the other islands. These plants can be larger in size and produce more than 1.58 million gallons per day of fresh water.

There are some differences between H.B. No. 204 and the companion S.B. No. 1440. We suggest the following additions to H.B. No. 204 to make it consistent with S.B. No. 1440:

- Line 10: after “company, “ insert “or its related entity, Trevi Systems, Inc., a Delaware Corporation,”
- Line 12: after “equipping,” insert “land leases,”
- Line 15: after “energy” insert “and to produce one hundred percent renewable power that is able to be fully dispatched.”

Producing more fresh water using 100 percent renewable energy, with no carbon emissions, will help meet the needs of households and businesses in the State of Hawaii, as well as the State’s goals for renewable energy. We urge the committees to pass H.B. No. 204. Thank you for the opportunity to testify.

HB-204

Submitted on: 2/11/2019 8:30:55 AM

Testimony for EEP on 2/12/2019 8:55:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Melodie Aduja	O`ahu County Committee on Legislative Priorities of the Democratic Party of Hawai`i	Support	No

Comments:

HB-204

Submitted on: 2/8/2019 9:05:25 PM

Testimony for EEP on 2/12/2019 8:55:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Erica Scott	Individual	Support	No

Comments: