



**TESTIMONY OF  
THE DEPARTMENT OF THE ATTORNEY GENERAL  
THIRTIETH LEGISLATURE, 2019**

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**ON THE FOLLOWING MEASURE:**

S.B. NO. 1440, S.D. 1, RELATING TO SPECIAL PURPOSE REVENUE BONDS FOR TREVI SYSTEMS, INC., OR ITS RELATED ENTITY, KONA COAST WATER LLC.

**BEFORE THE:**

HOUSE COMMITTEE ON ENERGY AND ENVIRONMENTAL PROTECTION

**DATE:** Tuesday, March 19, 2019

**TIME:** 9:55 a.m.

**LOCATION:** State Capitol, Room 325

**TESTIFIER(S):** Clare E. Connors, Attorney General, or  
Randall S. Nishiyama, Deputy Attorney General

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Chair Lowen and Members of the Committee:

The Department of the Attorney General provides the following comments.

This bill authorizes the issuance of an unspecified amount of special purpose revenue bonds ("SPRBs"), pursuant to part VI, chapter 39A, Hawaii Revised Statutes, to assist Trevi Systems, Inc., or its related entity, Kona Coast Water LLC, to fund the planning, designing, construction, equipping, land leases, and other assets for two or more plants to desalinate water using one hundred percent renewable solar energy and supply it to customers on Hawaii island and potentially on other islands as well.

Under article VII, section 12 of the Hawaii State Constitution, SPRBs may be used to assist specified identified categories of private entities in raising funds to purchase capital facilities that are expected to generate revenues with which to repay the bond holders. Each SPRB project authorization must be qualified under the appropriate part of chapter 39A.

This bill proposes to issue the subject SPRB for Trevi Systems or its related entity, Kona Coast Water, under part VI, assisting utilities serving the general public in providing electric energy or gas. However, on the bill's face, it appears that neither Trevi Systems nor Kona Coast Water is a utility "serving the general public in producing electric energy or gas." Consequently, neither entity would qualify for the issuance of special purpose revenue bonds under part VI, of chapter 39A.

We believe that the subject project should be authorized under part V, assisting industrial enterprises, given the project's broad scope. We recommend that the bill's references to the authorizing part of chapter 39A be changed from part VI to part V, assisting industrial enterprises.

We respectfully ask the Committee to consider our comments.

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**  
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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 COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION  
ON  
SENATE BILL NO. 1440, S.D. 1

**March 19, 2019**  
**9:55 A.M.**  
**Room 325**

RELATING TO SPECIAL PURPOSE REVENUE BONDS FOR TREVI SYSTEMS, INC.,  
OR ITS RELATED ENTITY, KONA COAST WATER LLC.

Senate Bill No. 1440, S.D. 1, authorizes the issuance of Special Purpose Revenue Bonds (SPRB) to assist Trevi Systems, Inc., or its related entity, Kona Coast Water, LLC, to fund the planning, designing, construction, equipping, land leases, and other assets for two or more plants to desalinate water using one hundred per cent renewable solar energy and supply it to customers on Hawaii island and potentially on other islands pursuant to Part VI, Chapter 39A, Hawaii Revised Statutes (HRS).

The Department would like to note that Part VI, Chapter 39A, HRS, assist utilities serving the general public in providing electric energy, gas, or telecommunications. All projects/programs financed by SRPBs under this part are regulated by the Public Utilities Commission.

In addition, 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

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

Tuesday, March 19, 2019, 9:55 am

Support for S.B. No. 1440, Relating to Special Purpose Revenue Bonds for Trevi Systems, Inc., or Its Related Entity, Kona Coast Water, LLC

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 S.B. No. 1440, 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 (m<sup>3</sup>/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.

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 committee to pass S.B. No. 1440. Thank you for the opportunity to testify.