

# SB 1280

RELATING TO THE ISSUANCE OF  
SPECIAL PURPOSE REVENUE BONDS  
TO ASSIST A SEAWATER PROJECT.

Authorizes the issuance of special purpose revenue bonds to assist Kona SWAC, LLC, in constructing part of a seawater air conditioning district cooling system.

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. 1280

January 31, 2013

RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS TO ASSIST  
A SEAWATER PROJECT

Senate Bill No. 1280 authorizes the issuance of special purpose revenue bonds (SPRB) of up to \$40,000,000, to assist Kona SWAC, LLC, in constructing part of a seawater air conditioning district cooling system, pursuant to Part V, Chapter 39A, Hawaii Revised Statutes.

The Department has no position on the issuance of SPRBs as contemplated in this bill. The Department would like to remind the Legislature and prospective issuers 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.



# LIFE OF THE LAND

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## COMMITTEE ON ENERGY AND ENVIRONMENT

Senator Mike Gabbard, Chair

Senator Russell E. Ruderman, Vice Chair

### AMENDED NOTICE OF HEARING

DATE: Thursday, January 31, 2013

TIME: 2:45 p.m.

PLACE: Conference Room 225

Re: SPRBs for KAIULI ENERGY, LLC (SB23) &  
KONA SWAC L.L.C. (SB1280)

**PLEASE DEFER**

Aloha,

Life of the Land is Hawai'i's own community action group advocating for the people and the land since 1970. Our mission is to preserve and protect the life of the land by promoting sustainable land use, promote open government through research, education, advocacy, and when necessary, litigation.

Life of the Land is a strong supporter of Sea Water Air Conditioning (SWAC).

We have presented a proactive case for SWAC as part of a Hawai`i Public Utilities Commission (PUC) regulatory proceeding. Expert witnesses testified for us at the PUC Evidentiary Hearing.

Life of the Land is also a strong supporter for sunshine and open government.

KAIULI ENERGY, LLC has asked for up to \$200,000,000 in Special Purpose Revenue Bonds (SPRBs) (SB23, HB338)

KAIULI ENERGY, LLC, dba MAKALI`I HOLDINGS LLC, dba MaKai-Energy.com, dba MAKAI ENERGY LLC was formed by four entrepreneurial Hawai`i individuals in 2011.

KONA SWAC L.L.C. has asked for up to \$40,000,000 in Special Purpose Revenue Bonds (SPRBs) SB 1280 was filed before the company registered with DCCA.

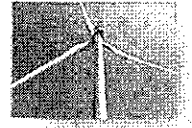
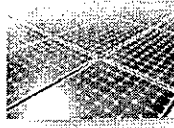
KONA SWAC L.L.C. is a temporary name registered with DCCA on January 29, 2013. Its agent has the same address as KAIULI ENERGY, LLC. Its officers are not known.

Neither company has a working web site. Neither company has any public information about their skill sets, knowledge of SWAC or ability to deliver.

In the interest of open government, sunshine, and community participation, we believe their requests for SPRBs are not ripe and should be deferred until the public has had adequate time to evaluate their proposals and to offer meaningful comments to this Committee.

Mahalo

Henry Curtis  
Executive Director



**SENATE COMMITTEE ON ENERGY AND ENVIRONMENT**

January 31, 2013, 2:45 P.M.

Room 225

**(Testimony is 1 page long)**

**TESTIMONY IN SUPPORT OF SB 1280**

Chair Gabbard and members of the Energy and Environment Committee:

The Blue Planet Foundation supports SB 23, authorizing the issuance of special purpose revenue bonds to assist Kona SWAC, LLC, in constructing part of a seawater air conditioning district cooling system.

As we consider strategies for kicking Hawai'i's 5-million-gallon-per-day oil habit, our tendency is to focus on alternative sources of fuel and electricity. We look to clean, renewable energy sources to replace dirty fossil fuel power. We also look for ways to reduce the amount we use—and waste—through efficiency and conservation. What we often overlook is the reality that fuel and electricity are means to an end. Electricity is not what we really want. What we really want is light when it's dark, hot water for a shower, and a comfortable temperature indoors. What if we could cut out the middleman and put an abundant natural resource to work in place of electricity? Seawater air conditioning is a clean energy solution that does just that.

Air conditioning is a voracious consumer of electricity. On O'ahu, the cooling of commercial buildings year-round is responsible for a whopping 20 percent of the island's electricity demand. The percentage of electricity devoted to cooling is even higher in resort areas. Kona SWAC seeks to develop a seawater air conditioning solution for Kona that precludes the need to cool water with electricity, one that stands to save substantial amounts of electricity—displacing fossil fuel imports—annually. The project proposes to use existing piping infrastructure.

Electricity is versatile, but it is difficult and costly to make and store. The genius behind seawater air conditioning technology is that the cold seawater can chill buildings 24/7, much like solar water heaters provide hot showers even after the sun has set. Our ocean directly improves our lives in so many ways: food, therapy, recreation, scenery. Let's also recognize its enormous potential in helping to meet our energy needs. While researchers continue to work on ways to harness wave power and ocean thermal power, buildings in dense areas should readily convert to seawater air conditioning, a renewable energy solution that is practical and proven.

Thank you for the opportunity to testify.

[info@blueplanetfoundation.org](mailto:info@blueplanetfoundation.org)

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# Kona SWAC, LLC

Written Statement of  
**Cord Anderson, Partner**  
Kona SWAC

before the  
**SENATE COMMITTEE ON ENERGY AND ENVIROMENT**  
Thursday, January 31, 2013  
2:45 PM  
State Capitol, Conference Room 225

In consideration of  
**SB 1280**  
**RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS TO  
ASSIST A SEAWATER AIR CONDITIONING PROJECT.**

Date: January 29, 2013

To: Chair Gabbard and Committee Members

Kona SWAC, LLC is in support of this measure that will allow the State of Hawaii to issue Special Purpose Revenue Bonds (SPRBs) for the development of a district cooling system on the Big Island of Hawaii.

The intent is for Kona SWAC to develop a seawater air conditioning system for the Keahole Airport. The proposed size of the system is 5,000 tons with the understanding of leveraging the existing NELHA pipeline.

The NELHA facility has been in operation since the early 1980's with existing deep water pipelines. The cold seawater is being used for agriculture and desalinization, but there is a large amount of unused capacity within the 55" pipeline. We believe that we can provide economic and environmental benefits to the State of Hawaii and others through leveraging the available cold seawater to chill freshwater that will be delivered to structures with centralized air conditioning systems.

Benefits of a 5,000 ton SWAC system include:

- Conservation of approximately 23,000 barrels of oil/year
- Reduction of approximately 10,700,000 kWh/year
- Reduction of potable water usage by approximately 35,000,000 gallons/year
- Reduction of sewage discharge by approximately 15,400,000 gallons/year
- Reduction of harmful gas emissions of approximately 11,100 tons/year
- Alignment with HCEI's goals of End-Use Efficiency and next generation technologies

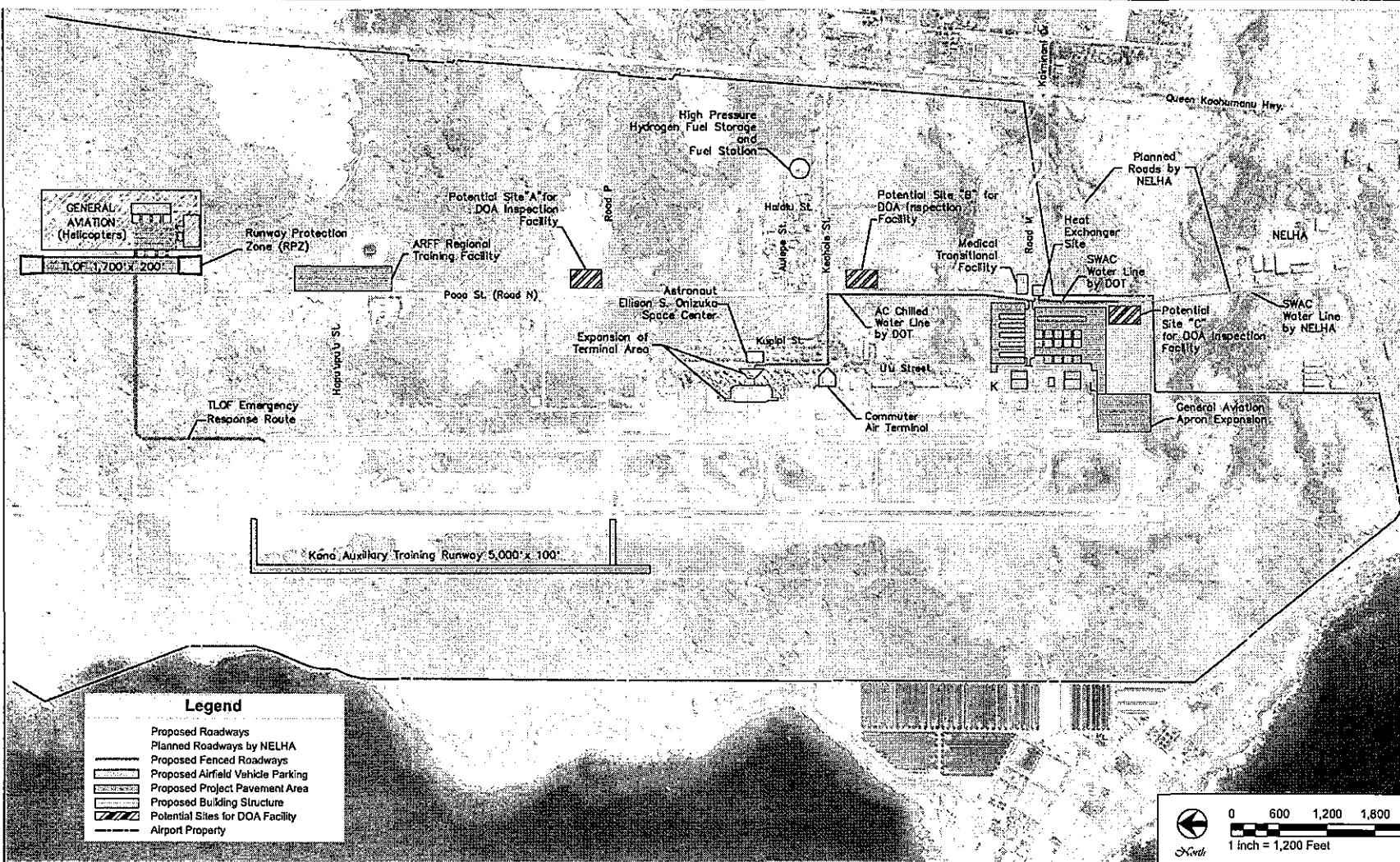
The Keahole Airport Terminal Modernization Program's Environmental Assessment already includes plans for a SWAC system connecting to the NELHA pipeline to service the airport terminal and the Ellison S. Onizuka Space Center. The Department of Transportation, Airports Division (DOTA) and NELHA have begun the exploration of a SWAC system and we believe that through our experience we will be able to help make this project a reality. The approval of the SPRBs will strengthen the support for this project and provide a financing avenue. This will help work with DOTA, NELHA and in conjunction within the confines of the Keahole Airport improvement goals to develop a plan to achieve the maximum economic benefits.

The addition of a 5,000 ton SWAC system to NELHA will be a major step forward. Not only will this project diversify the NELHA portfolio of next generation technologies, it could also provide an additional income stream through leasing and service contracts, potentially alleviating the current funding from the State of Hawaii Legislature allocations.

Future growth of the SWAC System beyond the Keahole Airport would potentially include the UH – West Hawaii campus, planned mixed-use developments along Queen Ka'ahumanu Highway, and existing industrial parks.

Kona SWAC is a subsidiary of Kaiuli Energy. Kaiuli's management team is comprised of Hawaii business leaders with the necessary experience critical to the project's success. My background includes a wide range of projects in Hawaii from residential subdivisions to hospitality industry development. As a member of a family with a multi-generational development background, I've worked on both small and large scale projects in Hawaii. In addition, Rob Iopa, president of WCIT Architecture, has extensive experience and expertise in entitling, designing and construction large complex projects in Waikiki and urban Honolulu. Ray Soon has over 40+ years consulting and delivering on construction projects in Hawaii. Darryl Nakamoto was the former CFO of Hoku Corporation with a diverse experience in alternative energy, finance, and raising funds for large scale ventures.

Thank you for the opportunity to share our thoughts with you.



**Legend**

- Proposed Roadways
- Planned Roadways by NELHA
- Proposed Fenced Roadways
- Proposed Airfield Vehicle Parking
- Proposed Project Pavement Area
- Proposed Building Structure
- Potential Sites for DOA Facility
- Airport Property

North

0 600 1,200 1,800 2,400 Feet

1 inch = 1,200 Feet



Airfield, Terminal and Facility Improvements for the Kona International Airport at Keāhole

**PROJECT SITE PLAN**

FIGURE  
2-1



**SB1280**

Submitted on: 1/30/2013

Testimony for ENE on Jan 31, 2013 14:45PM in Conference Room 225

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Kerri Marks	Individual	Oppose	No

Comments: