



GOV. MSG. NO. 758

EXECUTIVE CHAMBERS
HONOLULU

LINDA LINGLE
GOVERNOR

May 27, 2008

The Honorable Colleen Hanabusa, President
and Members of the Senate
Twenty-Fourth State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

Dear Madam President and Members of the Senate:

This is to inform you that on May 27, 2008, the following bill was signed into law:

HB2168 HD1

A BILL FOR AN ACT RELATING TO THE ISSUANCE
OF SPECIAL PURPOSE REVENUE BONDS.
(ACT 116)

Sincerely,

A handwritten signature in black ink, appearing to read "Linda Lingle".

LINDA LINGLE

A BILL FOR AN ACT

RELATING TO THE ISSUANCE OF SPECIAL PURPOSE REVENUE BONDS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that Hawaii's dependence
2 on petroleum for approximately ninety per cent of its energy
3 needs is more than any other state in the nation. This
4 dependence makes the state extremely vulnerable to oil embargos,
5 supply disruptions, international market dysfunctions, and many
6 other factors beyond the control of the State. Furthermore, the
7 continued consumption of conventional petroleum fuel adversely
8 affects the environment.

9 The legislature also finds that increased energy efficiency
10 and use of renewable energy resources would increase Hawaii's
11 energy self-sufficiency. Energy self-sufficiency would have
12 broad societal benefits, including increased energy security,
13 resistance to increases in oil prices, environmental
14 sustainability, economic development, and job creation.

15 The legislature has worked steadily to encourage the
16 deployment of renewable energy resources and energy-efficiency
17 initiatives. Initiatives have included:



- 1 (1) Establishing a net energy metering program,
2 interconnection standards, and renewable energy tax
3 credits;
- 4 (2) Establishing greenhouse gas and energy consumption
5 reduction goals for state facilities and requiring the
6 use of energy-efficient products in state facilities;
7 and
- 8 (3) Providing incentives for the deployment of solar
9 energy devices.

10 The legislature has also established a renewable energy
11 portfolio standard under which twenty per cent of Hawaii's
12 electricity is to be generated from renewable resources by the
13 end of 2020.

14 Hydrogen technology development is currently attracting
15 billions of dollars in investment capital, not only in the
16 United States but also in European countries and Japan. Federal
17 initiatives are resulting in the development of hydrogen and
18 fuel cell technologies in partnership with automakers and major
19 energy companies. Analysts predict that these initiatives,
20 along with efforts in other countries, will lead to the
21 development of markets for hydrogen and supportive hydrogen fuel
22 cell technologies and infrastructure.



1 Hawaii has among the most abundant renewable energy
2 resources in the world, in the form of solar, geothermal, wind,
3 biomass, and ocean energy assets. Consequently, the island of
4 Hawaii produces more electricity from renewable resources than
5 can currently be used. Several wind projects are expected to be
6 completed in the near term, exacerbating this problem.
7 Furthermore, the Puna geothermal project is planning to increase
8 its energy contribution if the electric utility can take and use
9 the energy.

10 The excess of geothermal and other renewable energy
11 resources creates an unprecedented, historic opportunity for
12 Hawaii to emerge as a leader in the use of hydrogen fuel by
13 producing hydrogen using water electrolysis. This clean,
14 renewable hydrogen would then be used as an energy carrier for
15 stationary power and transportation fuels, making the island
16 self-sufficient. Hydrogen could also be exported to Oahu and
17 the other islands as the clean fuel of choice for power
18 generation and transportation fuels, achieving greater self-
19 sufficiency for the State of Hawaii.

20 The historic confluence of the State's desire for energy
21 self-sufficiency through development of renewable energy with
22 the global opportunity of the emerging hydrogen economy calls



1 for a major, far-sighted initiative to develop Hawaii's
2 renewable energy resources.

3 The legislature further finds that H2 Technologies
4 Incorporated proposes to build a facility and laboratory to
5 develop, manufacture, and license hydrogen generator appliances
6 on the island of Hawaii at the natural energy laboratory of
7 Hawaii. H2 Technologies Incorporated is engaged in the
8 planning, design, and construction of a hydrogen generator
9 production facility on the island of Hawaii to supply a clean
10 source of electricity and transportation fuel replacing a
11 portion of the unsustainable and expensive petroleum-based
12 gasoline or diesel fuel. H2 Technologies Incorporated will also
13 construct a gasoline- or diesel-to-hydrogen automobile
14 conversion garage to help facilitate the use of hydrogen by
15 automobile owners, thus, moving Hawaii into a sustainable
16 hydrogen economy.

17 SECTION 2. (a) The legislature finds that the issuance of
18 special purpose revenue bonds and refunding of special purpose
19 revenue bonds under this Act to assist H2 Technologies
20 Incorporated in the planning, design, and construction of a
21 hydrogen generator production facility on the island of Hawaii
22 will supply a clean source of electricity and transportation



1 fuel, reduce the use of unsustainable and expensive petroleum-
2 based gasoline and diesel fuel, and provide numerous other
3 benefits. Use of hydrogen as a transportation fuel and for use
4 with fuel cell technology for electrical generation will:

- 5 (1) Reduce Hawaii's dependence on imported fossil fuels,
6 including gasoline and diesel, for electrical
7 generation and transportation, thereby increasing
8 Hawaii's energy security;
- 9 (2) Help to meet Hawaii's renewable energy goals by
10 encouraging home or office energy production with on-
11 island-produced renewable hydrogen;
- 12 (3) Reduce greenhouse gas emissions via a renewable
13 closed-loop carbon system; and
- 14 (4) Provide significant reductions of hydrocarbon, sulfur,
15 toxic compounds, and particulate matter emissions as
16 compared to burning petroleum-based fossil fuels.

17 (b) Benefits from the H2 Technologies Incorporated project
18 will include:

- 19 (1) Encouraging local high-technology clean hydrogen
20 energy research, development, and manufacturing to
21 help move Hawaii's economy toward energy self-
22 sufficiency;



- 1 (2) Providing transportation and generation fuel at
2 competitive prices as compared to importation
3 alternatives;
- 4 (3) Reducing the cost of doing business in Hawaii by
5 lowering the cost of energy and transportation;
- 6 (4) Speeding up the goal of creating a "hydrogen highway"
7 on the island of Hawaii and making full use of the
8 appropriated hydrogen fund passed by the legislature
9 during the regular session of 2006; and
- 10 (5) Assisting the State, county of Hawaii, and the federal
11 government to meet their goals and mandates for energy
12 efficiency and renewable energy use.

13 SECTION 3. The legislature finds and declares that the
14 issuance of special purpose revenue bonds under this Act is in
15 the public interest and for the public health, safety, and
16 general welfare.

17 SECTION 4. Pursuant to part V, chapter 39A, Hawaii Revised
18 Statutes, the department of budget and finance, with the
19 approval of the governor, is authorized to issue special purpose
20 revenue bonds in a total amount not to exceed \$50,000,000, in
21 one or more series, for the purpose of assisting H2 Technologies
22 Incorporated or a partnership in which H2 Technologies



1 Incorporated is a general partner, or a newly-formed LLC in
2 which H2 Technologies Incorporated is a managing member or the
3 successor in interest or an assignee of H2 Technologies
4 Incorporated for the construction of a hydrogen generation
5 appliance research, development, and manufacturing facility and
6 laboratory and a gasoline- or diesel-to-hydrogen automobile
7 conversion garage on the island of Hawaii.

8 The legislature hereby finds and determines that hydrogen
9 generation appliance research, development, and manufacturing
10 and gasoline- or diesel-to-hydrogen automobile conversion
11 constitute a project as defined in part V, chapter 39A, Hawaii
12 Revised Statutes, and the financing thereof is assistance to an
13 industrial enterprise.

14 SECTION 5. The special purpose revenue bonds and the
15 refunding special purpose revenue bonds issued under this Act
16 shall be issued pursuant to part V, chapter 39A, Hawaii Revised
17 Statutes, relating to the power to issue special purpose revenue
18 bonds to assist industrial enterprises.

19 SECTION 6. The department of budget and finance is
20 authorized, from time to time, including times subsequent to
21 June 30, 2013, to issue special purpose revenue bonds in
22 whatever principal amounts the department shall determine to be

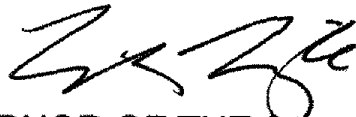


1 necessary to refund the special purpose revenue bonds authorized
2 in section 4 and to refund special purpose revenue bonds
3 authorized in this section, regardless of whether the
4 outstanding special purpose revenue bonds or refunding special
5 purpose revenue bonds have matured or are the subject of
6 redemption or whether the refunding special purpose revenue
7 bonds shall be bonds for the multi-project programs described in
8 section 4. In making this determination, the department shall
9 comply with federal law relating to the exemption from federal
10 income taxation of the interest on bonds of the nature
11 authorized by this section.

12 SECTION 7. The authorization to issue special purpose
13 revenue bonds under this Act shall lapse on June 30, 2013.

14 SECTION 8. This Act shall take effect on July 1, 2008.

APPROVED this 27 day of MAY, 2008



GOVERNOR OF THE STATE OF HAWAII

