

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:

SECTION 1. (a) The legislature finds that support for the development of renewable and efficient energy systems in the state, which is geographically isolated from sources of oil, continues to be in the public interest. The legislature further finds that LifeGrid Solutions, LLC, proposes to build and operate biofuel production and research facilities on the island of Oahu. LifeGrid Solutions, LLC, is engaging in the planning, design, and construction of a biofuel refinery capable of producing approximately one hundred million gallons of ethanol and approximately forty million gallons of biodiesel per year. The continuous production of alternative biofuels will allow the island of Oahu to replace a significant portion of the petroleum-based feedstocks currently used for things such as transportation and electric generation. In addition to the reduction of imported petroleum, LifeGrid Solutions, LLC, will also have a positive impact on Hawaii's municipal solid waste. Currently, Hawaii's landfills are operating at maximum capacity, requiring a large percentage of municipal solid waste to be transported to foreign locations for proper disposal. LifeGrid Solutions, LLC's facilities will be capable of using Hawaii's municipal solid waste as feedstock to produce renewable biofuels on the island of Oahu.

In addition, LifeGrid Solutions, LLC, will co-locate a research center with the production facility for further development of alternative biofuel technologies. The initial research will focus on the large-scale growth of algae used for alternative biofuel production. The research and development performed by LifeGrid Solutions, LLC, on the island of Oahu will serve to establish Hawaii as a center of excellence for the research, development, and production of renewable alternative biofuels.

The production of ethanol and biodiesel from renewable alternative sources coupled with an extensive research and development capability will:

- (1) Reduce the current dependence on imported fossil fuels for things such as transportation and electric generation, increasing Hawaii's domestic wealth, self-sufficiency, and energy security;
- (2) Reduce the current strain on Hawaii's landfills by using up to one million tons annually, which is seventy-five per cent of Hawaii's current annual municipal solid waste output, of municipal solid waste as a feedstock for biofuel production;
- (3) Provide a long term solution for the disposal of waste water treatment sludge by converting it into clean burning biofuels;
- (4) Help to meet Hawaii's renewable energy goals by coupling existing infrastructure with on-island production of renewable ethanol and biodiesel;
- (5) Reduce greenhouse-gas emissions through a renewable closed loop carbon system;
- (6) Provide significant reductions of hydrocarbon, sulfur, toxic compounds, and particulate matter emissions as opposed to energy produced from burning petroleum diesel;
- (7) Make Hawaii the center of excellence for the research and development of future biofuel technologies through collaborations with both industry and academic partners such as the University of Hawaii; and

- (8) Begin construction of a facility capable of reducing Hawaii's need to import up to one hundred million gallons per year of ethanol and further to produce forty million gallons per year of diesel.
- (b) The benefits from the LifeGrid Solutions, LLC, project will include:
 - (1) Encouraging local agricultural research, development, and cultivation of renewable energy feedstock crops in Hawaii to stimulate locally grown biodiesel feedstock crops, such as palm and jatropha, bringing fallow agricultural lands back into production;
 - (2) Providing ethanol and biodiesel at competitive prices as compared to imported alternatives;
 - (3) Increasing the efficiency of municipal solid waste disposal by using the waste as a feedstock for the production of biofuel;
 - (4) Increasing Hawaii's ability to dispose of waste water treatment sludge that has no useful application;
 - (5) Having a positive environmental impact by reducing the overall carbon footprint by producing fuels for transportation and electric generation;
 - (6) Increasing construction project spending over a period of multiple years;
 - (7) Solidifying Hawaii as the leader in biofuel research and development, further making Hawaii the preferred biofuel proving ground; and
 - (8) Assisting the State, the city and county of Honolulu, and the federal government to meet their goals and mandates for energy efficiency and renewable energy use.

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

The legislature further finds that LifeGrid Solutions, LLC's work in creating alternative energy for the State is an industrial enterprise defined in part V, chapter 39A, Hawaii Revised Statutes, and may be assisted through the issuance of special purpose revenue bonds.

SECTION 2. Pursuant to part V, chapter 39A, Hawaii Revised Statutes, the department of budget and finance, with the approval of the governor, is authorized to issue special purpose revenue bonds in a total amount not to exceed \$80,000,000, in one or more series, for the purpose of assisting LifeGrid Solutions, LLC, or a partnership in which LifeGrid Solutions, LLC, is a general partner, with the planning, design, and construction of a biofuel refinery and research facility on the island of Oahu with primary production volumes of forty million gallons per year of biodiesel and future capability of one hundred million gallons per year of ethanol. LifeGrid Solutions, LLC, will build, operate, and maintain either three separate facilities or a single consolidated facility for the production and research of both ethanol and biodiesel in the aforementioned volumes on the island of Oahu. This initial biofuel production will be used for both transportation and electric generation, helping Hawaii meet its goals and mandates for energy efficiency and renewable energy use as well as reducing Hawaii's burden of municipal solid waste disposal. These benefits, along with continued research and development of alternative biofuels, will ensure that Hawaii becomes and remains the leader in biofuel technologies.

The legislature finds and determines that LifeGrid Solutions, LLC's planning, design, and construction of a biofuel refinery and research facility to supply a renewable source of ethanol and biodiesel for transportation and electric generation, and to foster continued research on biofuel technology

constitute a project as defined in part V, chapter 39A, Hawaii Revised Statutes, and the financing thereof is assistance to an industrial enterprise.

SECTION 3. The special purpose revenue bonds and the refunding special purpose revenue bonds issued under this Act shall be issued pursuant to part V, chapter 39A, Hawaii Revised Statutes, relating to the power to issue special purpose revenue bonds to assist industrial enterprises.

SECTION 4. The department of budget and finance is authorized, from time to time, including times subsequent to June 30, 2014, to issue special purpose revenue bonds in whatever principal amounts the department shall determine to be necessary to refund the special purpose revenue bonds authorized in section 2 and to refund special purpose revenue bonds authorized in this section, regardless of whether the outstanding special purpose revenue bonds or refunding special purpose revenue bonds have matured or are the subject of redemption or whether the refunding special purpose revenue bonds shall be bonds for the multi-project programs described in section 2. In making this determination, the department shall comply with federal law relating to the exemption from federal income taxation of the interest on bonds of the nature authorized by this section.

SECTION 5. As a condition precedent to the issuance of special purpose revenue bonds under this Act, LifeGrid Solutions, LLC, or its affiliates, shall give priority to utilizing Hawaii grown fuel stock when available and shall not import fuel stock that comes from farms where forests have been cleared to accommodate the growing of such crops. To receive bond financing under this Act, LifeGrid Solutions, LLC, shall be required to import fuel stock produced only from sustainable sources; provided that LifeGrid Solutions, LLC, and its affiliates shall document that sustainable sources are utilized; provided further that the documentation shall be transmitted or otherwise made available to the department of business, economic development, and tourism. The department of business, economic development, and tourism shall certify the documentation submitted and shall notify the department of budget and finance in writing as to whether LifeGrid Solutions, LLC, and its affiliates are in compliance with this section prior to the issuance of any special purpose revenue bonds being issued pursuant to this Act.

SECTION 6. Notwithstanding any law to the contrary, the interest in bonds issued under this Act shall be subject to state and federal income tax laws.

SECTION 7. The authorization to issue special purpose revenue bonds under this Act shall lapse on June 30, 2014.

SECTION 8. This Act shall take effect on July 1, 2009.

(Approved June 11, 2009.)