

## ACT 72

H.B. NO. 139

A Bill for an Act Relating to the Issuance of Special Purpose Revenue Bonds to Assist Anaergia Inc.

*Be It Enacted by the Legislature of the State of Hawaii:*

SECTION 1. 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. Anaergia Inc., is a global leader in offering sustainable solutions for the generation of renewable energy and the conversion of waste to resources.

Anaergia Inc., through its affiliates or subsidiaries or special purpose entities, proposes to build, own, and operate:

- (1) A project located in central Maui that is designed to process up to seven hundred tons per day of municipal solid waste, green waste, and sewage sludge. The features of this project include:
  - (A) A material resource recovery facility to recover recyclable materials such as metal, cardboard, and glass;
  - (B) Anaerobic digestion systems to break down organic materials; and
  - (C) Other processing equipment necessary to convert organics like municipal sludge, food waste, green waste, and other materials to renewable methane rich bio-gas, which is similar to natural gas; and
- (2) A project to be sited on approximately one thousand eight hundred acres of fallow agricultural lands in west Maui, where energy crops, such as low-cost and low-maintenance plants harvested to make biofuels, will be grown. This project will convert harvested energy crops into renewable methane rich bio-gas or renewable electricity through the use of anaerobic digestion systems to be located in west Maui or central Maui.

In support of the above projects, the requested issuance amount of the special purpose revenue bonds considered by this Act has been carefully considered and matches similar investment marks for infrastructure projects of this type. In addition to providing funding for the above renewable energy projects, revenue secured from the special purpose revenue bonds will offer Anaergia Inc., critical financial flexibility to support various related projects and initiatives and the deployment of internal capital. To continue Anaergia Inc.'s track record of recruiting investors and effectively allocating investment capital funds, the planned end-goal projects and initiatives for the series of funding under this Act would include:

- (1) Enhanced source separation initiatives allowing for better recovery of recyclable materials;

- (2) Out-year optimization allowing for enhanced operational efficiencies, increased recovery of recyclable materials, and improved adaptability to future changes in waste composition and waste generation quantities;
- (3) More opportunities for mutually beneficial collaboration with local firms, including recyclers, farmers, and transportation companies;
- (4) Enhanced and innovative revitalization efforts for fallow agricultural lands, including expanded soil erosion mitigation efforts, rehabilitation of depleted and acidified soils, and implementation of sustainable farming practices to include reduced pesticide usage and implementation of organic farming practices;
- (5) Advanced research and development efforts allowing Anaergia Inc., to improve its ability to continually maintain organizational efficiency and current industry standards;
- (6) A full environmental impact study, which is not a requirement of the central Maui project but which would allow for expanded public, community, and governmental input on the proposed municipal waste processing facility;
- (7) Expanded public education and awareness programs related to solid waste, material reuse, recycling, sustainability, and renewable energy technologies as well as expansion of community investment and philanthropic activities; and
- (8) Expansion of on-the-job training programs and higher-level education scholarships.

The legislature finds that the development of the projects outlined above, as well as the associated projects and initiatives of Anaergia Inc., and its partners, would benefit the State in several ways, including:

- (1) Reduction of up to two hundred thousand tons of greenhouse gas emissions per year;
- (2) Reduction of up to eighty-five per cent of materials deposited into the central Maui landfill and an increase in the recovery of recyclable materials of over ten times at the central Maui landfill;
- (3) Reduction or stabilization of county landfill disposal and operational costs over the long run;
- (4) Alleviation of treated water disposal issues, including the substantial reduction or elimination of injection well use in west Maui through the use of recycled water to irrigate energy crops;
- (5) Creation of approximately sixty permanent local technical and semi-technical jobs at both facilities and approximately two hundred additional construction jobs during the building phase;
- (6) Production of renewable energy and renewable fuels from both facilities for use in local communities, which will help reduce the State's reliance on imported fossil fuels;
- (7) Assistance in meeting the State's renewable energy goals by providing over ten megawatts of firm renewable power; and
- (8) Containment of dust clouds and reduction of soil erosion from fallow agricultural lands on west Maui farm lands.

Through the utilization of special purpose revenue bonds as the means of funding, Anaergia Inc., may provide the benefits outlined above without investment or operational financial risk to the State or counties.

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

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 \$90,000,000 in one or more series, for the purpose of assisting Anaergia Inc., with the establishment and funding of energy production, waste recovery, and related facilities and projects on the island of Maui. The outputs of these facilities shall be made available by sale directly from Anaergia Inc., to viable off-takers, by sale to electric utilities servicing the public, or both.

The legislature hereby finds and determines that Anaergia Inc.'s planning, design, and construction of a material recovery facility, an anaerobic digester, and a facility to convert energy crops into renewable gas or renewable electricity constitutes 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, 2020, 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. The authorization to issue special purpose revenue bonds under this Act shall lapse on June 30, 2020.

SECTION 6. This Act shall take effect on July 1, 2015.

(Approved May 29, 2015.)