

Anahola Renewable Energy Project

Beneficiary Consultation

March 8, 2013

AGENDA

1. Purpose and Overview of Tonight's Meeting
2. Why is the Department working with Renewable Energy Projects?
3. Introduction/Background on the Proposed Project
4. Discussion on Identified Parcels
5. Green Energy Team LLC
6. Proposed terms of the Lease Agreement
7. Proposed Community Benefits Agreement
8. Authorization and Timetable
9. Energy Policy Update –Heads-up

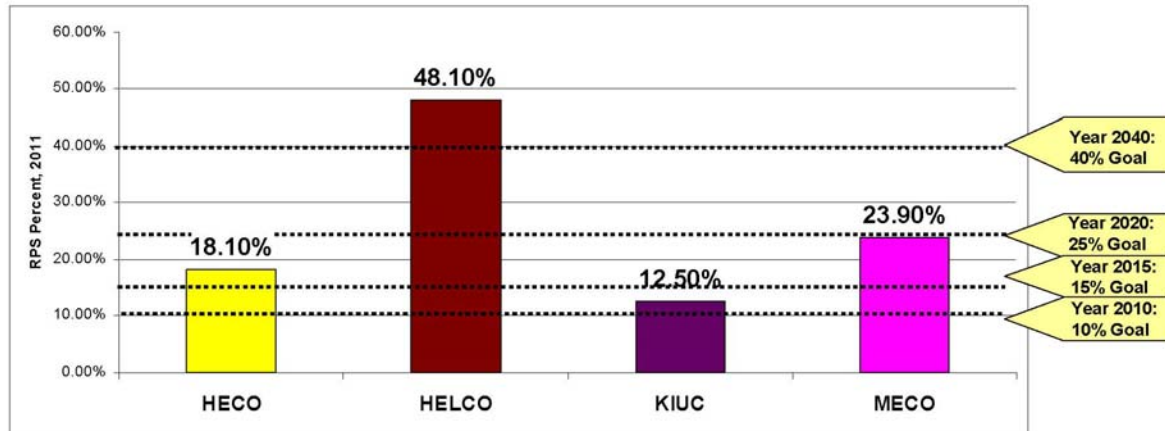
1. PURPOSE AND OVERVIEW OF TONIGHT'S MEETING

- Present information on renewable energy in general, and a proposed renewable energy (biomass) project in Anahola.
- Introduce the developer: Green Energy Team LLC (Erik Knutzen)
- Hear your comments, concerns and answer questions.
- This meeting is in preparation for 2 Public Hearings that the Hawaiian Homes Commission will be convening next week (see meeting flyer).

2. WHY IS THE DEPARTMENT WORKING WITH RENEWABLE ENERGY PROJECTS?

- The Department is pursuing opportunities for renewable energy development because the Trust needs the revenue to continue to fulfill the goals of the trust.
- Renewable energy use of lands is an approved use under the Anahola Regional Plan which was developed and reviewed by the homestead community and adopted by the Hawaiian Homes Commission.
- Electric Companies are required by law to meet specific renewable energy standards by 2015, 2020, 2030 and 2040. All companies have met the 2015 requirements; HELCO has already met the 2040 standard.

Renewable Portfolio Standards (2011)



Source: HECO

- In order to meet these standards, the Electric Companies are buying renewable energy through Requests for Proposals, the Feed-in-Tariff (FIT) program and Net-Metering.
- KIUC became an electric cooperative on 11/1/2002. It is a not for profit, member owned cooperative.
- DHHL and KIUC have signed an Energy Partnership Charter in 2009 recognizing the need to work together in leading Hawaii's effort to achieve energy self-sufficiency and sustainability.
- KIUC has an aggressive renewable energy program to include solar, biomass, hydro etc.
- KIUC's goal is to increase renewable generation to 50% by 2023. Biomass would be approximately 10.3% of their generating capacity.
- KIUC has a 20 year power purchase agreement with GET for the renewable energy produced by GET.

2. INTRODUCTION/BACKGROUND ON THE PROPOSED PROJECT

- In September 2010 the Department received a letter from Green Energy Team that proposed to clear the Albizia trees from our mauka Anahola lands for a reduced fee.
- In September 2011 DHHL staff met with Erik Knutzen and his team regarding our Albizia trees and the potential to lease DHHL lands in Anahola. He explained that he had several development benchmarks to meet. He said he was going to contact us when his benchmarks were completed.

- In April 2012, Homestead Community Development Corporation (HCDC) and Anahola Hawaiian Homes Association (AHHA) submitted a proposal to the department on a land restoration project that identified Green Energy Team LLC as their development partner.
- Proposed Project is to clear 2,137 acres of lands in Anahola of albizia trees and restore the land for agricultural purpose at the end of the 30-year project.
- In addition to the clearing of invasive species at no cost to the Trust and providing annual lease revenue to the Trust, the proposed project will also include a Community Benefit Agreement to maximize value to the impacted community and its beneficiaries.
- On August 21, 2012, the Hawaiian Homes Commission authorized the department to negotiate the lease with GET and work with HCDC.
- On February 19, 2013, the Department briefed the Hawaiian Homes Commission on the status of the project. Following this discussion, next steps were identified, including getting input on the Proposed Project from the community and the general public, pursuant to Chapter 171-95.3, Hawaii Revised Statutes, as amended.

3. DISCUSSION ON IDENTIFIED PARCELS

- Four parcels identified (See attached map). The lands are located mauka from Kealia Road, and are bordered by Kealia ditch on the West, Kealia ridge on the East, and the Forest Reserve on the North.
- Currently lands are not usable for agriculture or ranching due to the fact that Albizia trees have invaded most the acreage.
- The absence of decent roads and a working water system precludes homesteading, agricultural, and economic development
- Of the 2,137 acres, approximately 1,175 acres are arable and adequate for crop growth to support the proposed biomass project

4. GREEN ENERGY TEAM LLC

- Green Energy Team LLC (GET) is building a 6.7 megawatt biomass to electricity facility on the island of Kauai.
- GET has a 20-year power purchase agreement with KIUC.
- The facility is under construction in the Koloa district and will convert wood chips into electricity.
- The facility will produce approximately 11.6% of Kauai's base load need from renewable biomass.
- Hawaiian home lands at Anahola and Kamalomalo will be used to grow short rotation tree crops for wood chips for its fuel.

5. PROPOSED TERMS OF THE LEASE AGREEMENT

- Term of proposed lease is 30 years
- Fair market rent based on independent appraisal for agricultural use
- Apart from paying fair market rent, GET will clear all the Albizia from the arable (usable) land

- GET shall plant over the lifetime of the lease tree plantation crops on the arable lands
- GET shall clear and return to DHHL 267 acres of ag lands for subsistence agricultural use including potential homesteading; land is located on the west side between Kealia Road and the airstrip
- GET shall establish a 2-acre community picnic area near the Kaneha Reservoir
- GET shall allow for access to the DLNR forest reserve through the project site
- GET shall restore the roads and install road drainage according to NRCS (National Resource Conservation Service) and DOFAW (Division of Forestry and Wildlife) approved dirt road standards
- GET shall provide a phase-out plan three years prior to end of lease to allow for optimal conversion to homestead and other uses

6. PROPOSED COMMUNITY BENEFIT AGREEMENT

- a. "Community Benefits Agreement" emerged in the late 1990s as a way for development projects to:
 - a. Mitigate negative impacts (environmental, social, cultural, economic) associated with the project
 - b. Be a good corporate neighbor
 - c. Secure local community support of the project which expedites permitting processes
 - d. Ensure that the community most affected by the project, benefit from the project
 - e. Ensure that the economic development projects bring measurable and permanent improvement in the lives of those most affected, especially low-income, economically depressed communities.
- b. Project-Specific Benefits: The Department has negotiated homestead benefits as conditions of General Lease agreements in the past, but these project-specific negotiations have not been consistent. There have been different types of benefits (in-kind, monetary), distributed through different means, distributed over different times (one-time, recurring). Outcomes are different due to the project-specific negotiations. Examples include:
 - a. Hilo, Waiakea Center--\$100,000 annual donation
 - b. Kahikinui--\$1 million road
 - c. Kalaeloa—Education scholarship fund
- c. Benefits from this Specific Proposed Project: HCDC and AHHA have negotiated a Homestead Benefit Agreement with GET based on priorities expressed by beneficiaries from informational sessions held between November 2011 to January 2012 by HCDC. Some of the proposed terms are:
 - A. Predevelopment Costs –reimbursement of time to coordinate community outreach, beneficiary consultation etc.
 - B. Development Fee – a one-time payment of development fee upon the execution of the lease

- C. Homestead Participation Revenue – 2% of gross equivalent value of thermal power harvested from the lands and such funds will be used for funding the items identified in the benefits agreement including employment training and outreach by HCDC for homestead residents.
- D. Capacity Building- sharing of project data
- E. O&M Contract Revenue + Albizia Removal Labor – Operations and Maintenance services, where possible will utilize HCDC or other local firms to perform services such as labor, security or others.
- F. Project Signage- signage to show trust status
- G. Leadership Partnership
- H. Collaborative Process
- I. Community Picnic Area
- J. Homestead Access
- K. Internships, Fellowships
- L. Employment Training
- M. Worker Qualification and Local Hire
- N. Subject Matter Experts
- O. School Curriculum Development-

7. AUTHORIZATION AND TIMETABLE

Authorization:

Section 204(a)(2) of the Hawaiian Homes Commission Act, 1920, as amended, reads in part... “In the management of any retained available lands not required for leasing under Section 207(a), the department may dispose of such lands to the public, including native Hawaiians, on the same terms, conditions, restrictions and uses applicable to the disposition of public lands as provided in Chapter 171, Hawaii Revised Statutes, provided that the Department may not sell or dispose of such land in fee simple...”

Section 171-95, Hawaii Revised Statutes, as amended, authorizes disposition to public utilities and renewable energy producers public lands for terms up to, but not in excess of, sixty-five years at such rental and on such other terms and conditions as the board may determine. For the purpose of this section, “renewable energy producer” means “any producer of electrical or thermal energy produced by wind, solar energy, hydropower, landfill gas, waste-to-energy, ocean thermal energy conversion, cold seawater, wave energy. Biomass, including municipal solid waste, biofuels...that sells all of the net power produced from the demised premise to an electric utility company regulated under Chapter 269....”

Section 171-95.3, Hawaii Revised Statutes, as amended, authorizes in part that issuance of any lease or renewal of a lease of public lands to renewable energy producers, as defined in Section 171-95, without public auction, is allowed only pursuant to a public process that includes public notice under Section 1-28.5 providing other interested renewable energy producers opportunity to participate in the process, provided further that the renewable energy producer shall be required to submit as part of the proposal for the board’s evaluation the following: (1) time line; (2) description of financial plan; (3) description of conceptual

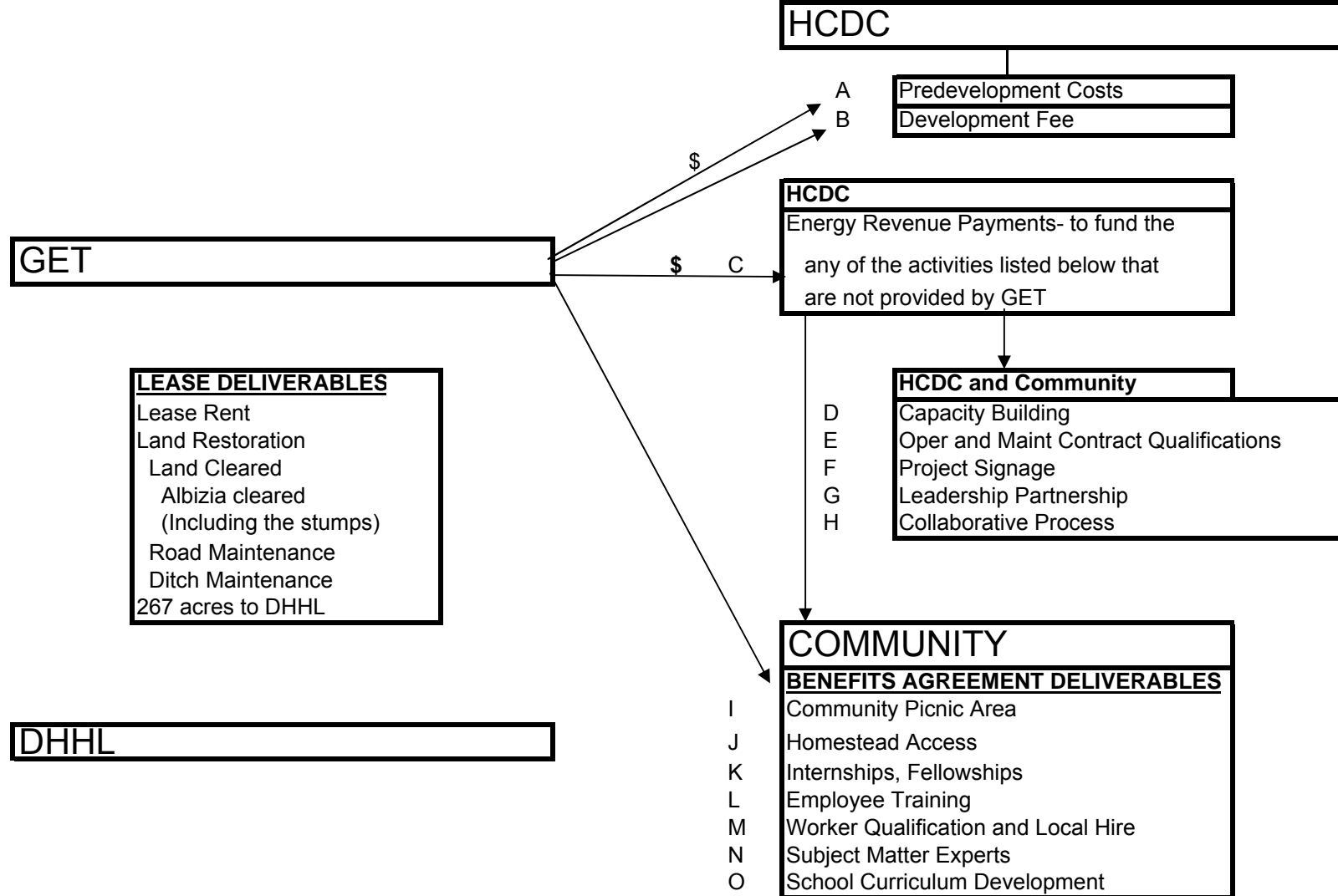
design; (4) description of business concept; and (5) description of landscape and acreage requirements.

Timetable:

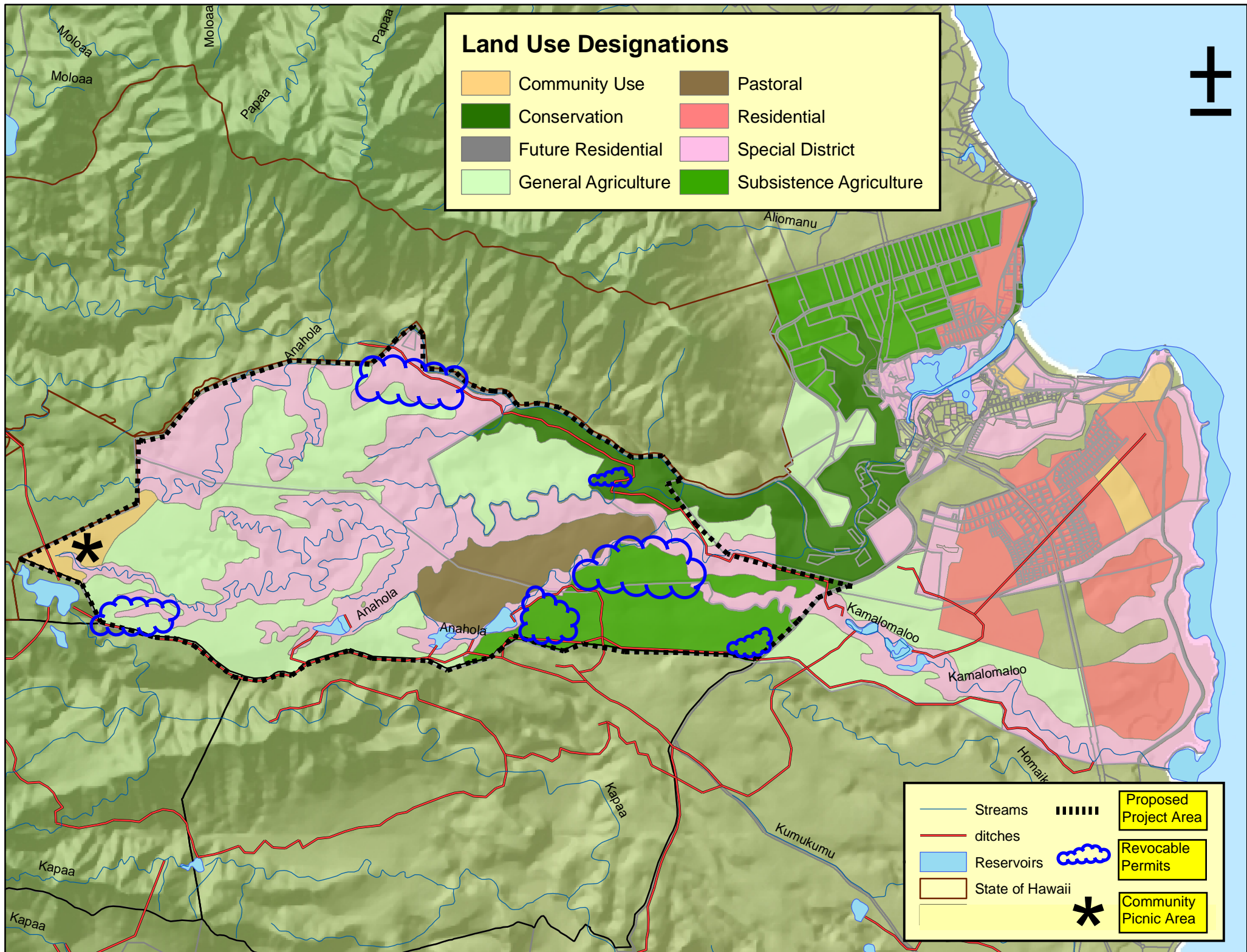
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| • February 2013 | Finalize the direct negotiation process |
| • March 8, 2013 | Beneficiary Consultation process with 30-day comment period |
| • March 14-15, 2013 | Two public hearings on Kauai |
| • April 9, 2013 | Potential HHC approval of project on Kauai |
| • May 2013 | Execution of General Lease |
| • June 2013 | Expected start of operation |

LEASE WITH GREEN ENERGY TEAM AND COMMUNITY BENEFITS AGREEMENT

8-Mar-13



****See Page 4 and 5 for detail regarding the Community Benefit Agreement (A-O)**



PUBLIC NOTICE

PROPOSED DISPOSITION OF HAWAIIAN HOME LANDS FOR RENEWABLE ENERGY PROJECT Anahola, Island of Kauai

The public is invited to comment on a proposed renewable energy project pursuant to Section 171-95.3, Hawaii Revised Statutes, as amended. Public Notice is hereby given that the Department of Hawaiian Home Lands intends to issue a general lease to Green Energy Team LLC to use 2,143 acres of Hawaiian home lands in Anahola on the island of Kauai for biomass feedstock purposes. The public is invited to comment on this proposed energy project at one of the meetings listed below to be held before the Hawaiian Homes Commission on Kauai. An outline of the proposal will be distributed at the meeting.

When: Thursday, March 14, 2013

Time: 6:30 pm

Where: King Kaumuali'i Elementary School
4380 Hanamaulu Road, Hanamaulu

When: Friday, March 15, 2013

Time: 9:00 am

Where: Aston Aloha Beach Hotel
3-5920 Kuhio Highway, Kapaa

The Department of Hawaiian Home Lands reserves the right to cancel or modify this disposition of its lands at its sole discretion.

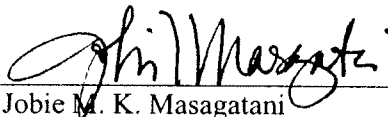
For additional information, you may contact Linda Chinn, Administrator, Land Management Division, at 808.620.9451 on Oahu.

Date: Honolulu, Hawaii March 5, 2013

State of Hawaii

Department of Hawaiian Home Lands

By:



Jobie M. K. Masagatani

Chairman Designate

Hawaiian Homes Commission

Honolulu Star Advertiser
(Statewide Publication)
The Garden Isle
(Countywide Publication)