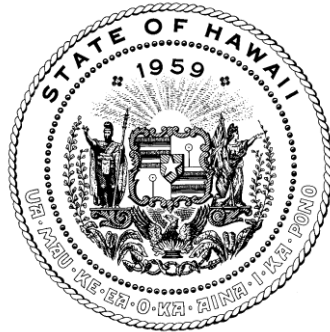


Report to the Twenty-Sixth Legislature
Regular Session of 2012

**GEOHERMAL ROYALTIES DISPOSITIONS
AND
STATUS OF GEOHERMAL AND CABLE SYSTEM DEVELOPMENT
FISCAL YEAR 2010-2011**



Prepared by the

Department of Land and Natural Resources
State of Hawaii

In response to
Sections 182-18 and 196D-11, Hawaii Revised Statutes

October 2011

**GEOTHERMAL ROYALTY DISPOSITIONS
AND
STATUS OF GEOTHERMAL AND CABLE SYSTEM DEVELOPMENT
FISCAL YEAR 2010-2011**

This report is prepared pursuant to Sections 182-18 and 196D-11, Hawaii Revised Statutes (HRS), and covers the period July 1, 2010 through June 30, 2011.

Section 182-18, HRS - Geothermal Royalties

During Fiscal Year (FY) 2010-2011, a total of \$1,892,975.33 in geothermal royalties was received from Puna Geothermal Venture (PGV). In accordance with statutory provisions, \$568,192.60 (30%) was distributed to the County of Hawaii. Additionally, \$378,795.07 (20%) was distributed to the Office of Hawaiian Affairs. Geothermal royalties for FY 2010-2011 were based on power production and sale of 213,263 megawatts to Hawaii Electric Light Company (HELCO) at an annual hourly average production of 24.4 megawatts.

During the fiscal year, PGV constructed a new power generation facility consisting of two (2) turbines rated at 8 megawatts each, for a total of 16 megawatts capacity. Testing and adjustments to the new facility will continue into the subsequent fiscal year. PGV completed negotiations for HELCO's purchase of an additional 8 megawatts of power and HELCO is awaiting approval of the power purchase agreement (PPA) from the State Public Utilities Commission. With the approval of the new PPA, the new turbine facility will be utilized to produce power to the electrical power grid.

Section 196D-11, HRS - Geothermal and Cable System Development

The Department of Land and Natural Resources (DLNR) is responsible for the effective management of geothermal resources and its development, to protect the health and safety of the public and to ensure the continued viability of the resource for the future. The Department of Business, Economic Development and Tourism (DBEDT) has no specific regulatory authority, however, through its planning and coordination of energy programs in the State, facilitates the commercial development of geothermal resources.

Currently, the Island of Hawaii is the only island benefiting from geothermal development. Power generation from geothermal energy began in May 1993 and, on average, annually provides more than 20% of the Island's power demands.

The Mineral Resources Program within DLNR was abolished in 1995 in response to budget reductions. Statutory and other related responsibilities have been performed on an "ad hoc" basis under other Departmental programs within the Engineering Division (Division) of DLNR. Funding for two positions to perform statutory, regulatory, and resource management duties was approved by the 2011 Legislature. The Division is working to establish and fill these positions.

There has been an increased interest in developing geothermal energy as a feasible component to meet renewable energy goals and staff from other Division programs has responded to numerous inquiries and requests for information related to geothermal resources and their development in Hawaii. The two new positions, when established and filled, will be tasked to carry out the statutory duties of the program and implement the Administration's policies regarding geothermal resources. No program work was performed during the fiscal year to effectuate the intent of this statute regarding an interisland deep water electrical transmission cable system.