

STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES
Land Division
Honolulu, Hawaii 96813

November 9, 2023

Board of Land and Natural Resources
State of Hawaii
Honolulu, Hawaii

PSF No.:23KD-054

Kauai

Amend Prior Board Action of August 25, 2023, Item D-1, Amend Prior Board Action of July 28, 2023, Item D-4, Issuance of Direct Lease to The Gas Company, LLC for Storage Site and Tank Farm, Operating Yard, Related Activities and Appurtenant Pipelines to Said Tanks, Nawiliwili, Lihue, Kauai Tax Map Key: (4) 3-2-003:030.

The purpose of the prior amendment was to issue a one (1) year holdover of General Lease S-4250.

The purpose of the current amendment is to include a decommissioning bond for the removal of all trade fixtures and other equipment on the property.

BACKGROUND:

At its meeting of July 28, 2023, Item D-4, the Board of Land and Natural Resources (Board) approved the issuance of a direct lease to The Gas Company, LLC (TGC) for storage site and tank farm, operating yard, related activities and appurtenant pipelines to said tanks, Nawiliwili, Lihue, Kauai. At its meeting of August 25, 2023, under agenda Item D-1, the Board amended its prior action approving a one-year holdover. The Board also included a recommendation for staff to research what a decommissioning bond would cost for the removal of all trade fixtures and other equipment on the property and to return to the Board at a later date with a recommendation on including a removal bond requirement in the new lease to TGC.

REMARKS:

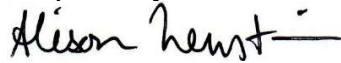
TGC provided an estimated cost for remediation and removal of their trade fixtures in the amount of \$745,000.00 (Exhibit A). TGC's estimate was reviewed by the Department's Engineering Division, and they determined that the removal bond amount should be set at an initial amount of \$810,000.00. Engineering Division also suggested that the bond amount increase annually at a rate of 5% (compounded). As such, Land Division staff is recommending that TGC be required to post a removal bond in the initial amount of \$810,000.00 for the first year and increase annually by 5% (compounded) as shown in the

attached Exhibit B. Further, the Chairperson shall be authorized to make further adjustments to the required bond amount from time to time during the lease term as may be prudent to account for changes in design, permitting, labor, material, and equipment costs, and other relevant factors that may affect the cost of decommissioning and removal of the trade fixtures, and to serve the best interests of the State. This removal bond shall be in addition to the required lease performance bond (security deposit).

RECOMMENDATION: That the Board:

1. Amend its prior Board action of August 25, 2023, under agenda Item D-1, as set forth above.
2. Affirm that, except as amended hereby, all terms and conditions listed in its August 25, 2023 approval shall remain the same.

Respectfully Submitted,



Alison Neustein
District Land Agent

APPROVED FOR SUBMITTAL:



Dawn N. S. Chang, Chairperson

RT

Tasks	Notes	Cost
13 - 3000 gallon tank removal	5 days - crane, rigging. \$75k Transportation to YB \$10k	\$110,000
13 pedestal demolition & removal	3 days	\$60,000
Sphere pedestal removal	2 days	\$30,000
Surface pipe removal	2 days - Cutting, disassemble, disposal	\$20,000
Underground pipe removal	5 days	\$100,000
Walkway removal	1 days	\$15,000
Sphere Disassembly	8 days - Cutting, Welding, Crane & operator, transport	\$150,000
Electrical Equipment removal	3 days - boxes, cameras, fixtures	\$60,000
Office demolition & removal	5 days -	\$100,000
Land remediation and dirt fill	3 days	\$100,000
		\$0
		\$745,000

EXHIBIT A

5% Compounded Interest (rounded up)

Year 1.	\$810,000.00
Year 2.	\$850,500.00
Year 3.	\$893,025.00
Year 4.	\$937,676.00
Year 5.	\$984,560.00
Year 6.	\$1,033,788.00
Year 7.	\$1,085,477.00
Year 8.	\$1,139,751.0
Year 9.	\$1,196,739.00
Year 10.	\$1,256,576.00
Year 11.	\$1,319,405.00
Year 12.	\$1,385,375.00
Year 13.	\$1,454,644.00
Year 14.	\$1,603,745.00
Year 15.	\$1,683,932.00
Year 16.	\$1,768,128.00
Year 17.	\$1,856,535.00
Year 18.	\$1,949,362.00
Year 19.	\$2,046,830.00
Year 20.	\$2,149,171.00
Year 21.	\$2,256,630.00
Year 22.	\$2,369,461.00
Year 23.	\$2,487,934.00
Year 24.	\$2,612,331.00
Year 25.	\$2,742,948.00
Year 26.	\$2,880,095.00
Year 27.	\$3,024,100.00
Year 28.	\$3,175,305.00
Year 29.	\$3,334,070.00
Year 30.	\$3,500,773.00
Year 31.	\$3,675,812.00
Year 32.	\$3,859,603.00
Year 33.	\$4,052,583.00
Year 34.	\$4,255,212.00
Year 35.	\$4,467,972.00
Year 36.	\$4,691,371.00
Year 37.	\$4,925,940.00
Year 38.	\$5,172,237.00
Year 39.	\$5,430,848.00
Year 40.	\$5,702,391.00

EXHIBIT B

Year 41.	\$5,987,510.00
Year 42.	\$6,286,886.00
Year 43.	\$6,601,230.00
Year 44.	\$6,931,292.00
Year 45.	\$7,277,856.00
Year 46.	\$7,641,749.00
Year 47.	\$8,023,837.00
Year 48.	\$8,425,028.00
Year 49.	\$8,846,280.00
Year 50.	\$9,288,594.00
Year 51.	\$9,753,024.00
Year 52.	\$10,240,675.00
Year 53.	\$10,752,708.00
Year 54.	\$11,290,344.00
Year 55.	\$11,854,861.00

EXHIBIT B