



STATE OF HAWAII
DEPARTMENT OF HEALTH
P. O. BOX 3378
HONOLULU, HI 96801-3378

In reply, please refer to:
File:
2019-451 SL

August 13, 2019

Mr. Scott Glenn, Director
Office of Environmental Quality Control
235 South Beretania Street, Suite 702
Honolulu, Hawaii 96813

Facility/Site: Hoku Kai Biofuels, LLC (former Big Island Asphalt Site)

Subject: Notification of Application to Participate in Hawaii Voluntary Response Program

Dear Mr. Glenn:

The Hawaii Department of Health (HDOH), Hazard Evaluation and Emergency Response (HEER) Office recently received an application from Ms. Allegra Petras of Hoku Kai Biofuels, LLC to participate in the Hawaii Voluntary Response Program (VRP) for a property located on Hawaii Island at 794 Kalaniana'ole Street, Hilo, Tax Map Key (TMK) (3) 2-1-010: Parcel 043. The site is the former location of Big Island Asphalt Company Inc.

In accordance with the Hawaii Environmental Response Law, HRS 128D, Sub-Section 31, we are sending you this short summary of the details of the application.

The property is approximately 2.3 acres in the vicinity of Hilo Harbor. In 1962 Shell Oil Company purchased the property from the State of Hawaii and began construction of an asphalt paving production facility. In 1963, the plant commenced operation. Liquid asphalt cement was off-loaded by pipeline from the nearby port of Hilo and stored in above-ground storage tanks (AST's). Later, asphalt cement was brought onto the property via ISO containers.

In December 1996, Makawao Sugar Plantation LP purchased the property and leased it to Big Island Asphalt. Asphalt paving was manufactured by Big Island Asphalt and transported off-site via truck. In October 2005, Big Island Asphalt shut down and asphalt storage and blending operations were terminated. No decommissioning of the facility occurred at the time operations were terminated and a variety of petroleum products and other asphalt product admixtures were left on-site.

In January 2013, Hoku Kai purchased the property from Makawao Sugar Plantation. The property is currently vacant and not in use. A variety of aboveground infrastructure from the former asphalt plant remains in place on the property.


Mr. Scott Glenn
August 13, 2019
Page 2 of 2

Contamination at the site from historic asphalt production activities include surface contamination with medium and heavy weight petroleum products and remnant asphalt cement. Past environmental investigations have identified groundwater contamination in the southwest portion of the property that is believed to have been from an off-site source. Past releases have also been associated with the pipeline which extends to Hilo Harbor, but those past releases have reportedly been addressed to the satisfaction of the regulatory agencies. An underground storage tank (UST) was also formerly located at the site, but that UST has been removed with a site assessment completed. The full extent of contamination at the site has yet to be delineated.

Hoku Kai Biofuels, LLC intends to repurpose the site for the importation and storage of biofuel. Most of the existing structures at the site will be removed, except for a few of the larger tanks which will be refurbished for biofuel storage and as a water storage tank for fire suppression. The surface contamination will be largely removed during the site redevelopment activities, followed by an assessment of the remaining environmental concerns and development of a Remedial Action plan.

Should there be any questions, or if you would like copies of additional files submitted for the site, please do not hesitate to call me at 586-5815. Thank you,

Sincerely,



Sven Lindstrom
Site Discovery, Assessment, and Remediation
Hazard Evaluation and Emergency Response Office
Hawaii Department of Health

Enclosure: Hoku Kai Biofuels VRP Application

Hoku Kai Biofuels, LLC

PO Box 10028
Hilo, HI 96721
(808)868-5280

August 7, 2019

Sven Lindstrom
Project Manager
Hawaii Department of Health
HEER Office
2385 Waimano Home Road, #100
Pearl City, HI 96782

Subject: Hawaii Voluntary Response Program Application
794 Kalaniana'ole Street, Hilo, Hawaii 96720 (TMK(3) 2-1-010:043)

Dear Mr. Lindstrom,

This application is submitted by Hoku Kai Biofuels LLC ("Hoku Kai") to enter into a Voluntary Response Program ("VRP") agreement with the Hawaii Department of Health for 794 Kalaniana'ole Street, Hilo, Hawaii 96720 (TMK(3) 2-1-010:043). The information below follows the outline in the VRP Eligibility and Application Checklist available on the Hawaii Department of Health website at <http://eha-web.doh.hawaii.gov/eha-cma/documents/d830d679-9cab-4028-a1cc-8cbb1837e586>.

Statutory Criteria

The proposed VRP site is not listed on the National Priorities list pursuant to CERCLA and is not a site for which an order or other enforcement action has been issued under CERCLA.

There is no federal letter of interest issued by the USGC for the proposed VRP site. The site is also not subject to corrective action under Subtitle C of the RCRA or HRS Chapter 342J. A copy of an email from each the USCG and DOH Hazardous Waste confirming these claims are enclosed.

Information about the Requesting Party

Hoku Kai is the requesting party and the primary contact for Hoku Kai is:

Allegra Petras
Hoku Kai Biofuels, LLC
PO Box 10028
Hilo, HI 96721
Telephone: (808) 868-5280
E-mail: allegra@hokukai.com

Information about Property Owners

The property at 794 Kalaniana'ole Street, Hilo, Hawaii 96720 is owned by Hoku Kai Biofuels, LLC.

Contact information is the same as Requesting Party.

Current Information about the Property

The property is 2.3 acres and further location information is provided:

Physical Street Address: 794 Kalaniana'ole Street, Hilo, Hawaii, 96720.

Latitude and Longitude: the latitude (north) is approximately 19.727329 – 19° 43' 38.39" and longitude (west) 155.052880 – 155° 3' 10.37".

TMK: (3) 2-1-010:043

Current and Historic Information about the Property

Past Property Use:

In 1962, Shell Oil Company purchased the Property from the State of Hawaii and began construction of an asphalt paving production facility. In 1963, the plant commenced operation. Liquid asphalt cement was off-loaded by pipeline from the nearby port of Hilo and stored in AST's. Later, asphalt cement was brought onto the property via ISO containers.

In December 1996, Makawao Sugar Plantation LP purchased the Property and leased it to Big Island Asphalt. Asphalt paving was manufactured by Big Island Asphalt and transported off-site via truck. In October 2005, Big Island Asphalt shut down and asphalt storage and blending operations were terminated. No decommissioning of the facility occurred at the time operations were terminated and a variety of petroleum products and other asphalt product admixtures were left on-site.

In January 2013, Hoku Kai purchased the Property from Makawao Sugar Plantation.

Current Property Use:

The property is currently vacant and not in use. A variety of aboveground infrastructure from the former asphalt plant remains in place on the property.

Planned Future Property Use:

Hoku Kai intends to redevelop the property, using much of the existing property infrastructure, as a biofuels bulk terminal.

Known or suspected contamination:

Past use of the property was limited to asphalt paving production. This activity utilized a variety of medium and heavy weight petroleum product formulations. In January 2013, asphalt cement was present on the ground surface in two locations. Asphalt cement is still present on the ground surface in at least one location at the base of an AST. Suspected contamination at the facility is limited to medium and heavy weight petroleum products.

Permits Obtained By Any Facility on the Property

No building permits were found for the Site per County of Hawaii property tax website.

There are no other known permits issued for the Site.

Description of the Intended Scope of Work

Existing environmental data and documentation on the facility will be reviewed to identify specific areas of concern within the property, both laterally and vertically. Though not believed to be extensive, soil and groundwater data on the property exists.

A thorough site walk will also be conducted to identify immediate cleanup actions that should occur.

The data review will be used to prepare a work plan for additional investigation activities.

Based on the results of the additional investigation, additional investigation may be warranted, or a Draft Remedial Action Plan may be prepared towards the selection of a remedial action for the property. Following the selection of a remedial action, the action will be implemented.

Description of Civil, Criminal, or Administrative Actions Related to the Property

In 2004, the EPA inspected the Site and issued a Notice of Violation ["NOV"]. Between 2004 and 2007, regulatory agencies including the EPA and U.S. Coast Guard ["USCG"] issued several non-compliance letters and a unilateral order. During this same time, response actions were performed by both Makawao Sugar and Hawaiian Asphalt.

The EPA's NOV was issued to Big Island Asphalt on 12/29/2004. EPA then issued order for Removal, Mitigation, or Prevention on 1/27/2005. Documented is a "Summary of Response Actions" taken between January 2005 and June 2006 (2013 ESA Phase 1). Enclosed is a letter from John Peard of HEER to Chuck Barker (former minority owner of HKB) which states, "The HEER Office finally received the requested confirmation of no remaining actions in effect via e-mail from the supervisor of the USEPA Region 9 Enforcement & Removal Operations section in late September 2014."

On 12/20/05, USGC issues a letter to Makawao Sugar Plantation claiming they were liable for oil that was observed discharged into storm drain fronting the site. In August 2007, a

response letter to USCG was prepared and based on existing information it was concluded that there had not been discharge. This response letter from Environmental Science International to the USCG is enclosed. As mentioned earlier in this letter, and shown in the enclosed email from Brett Reel representing the USCG, there is no federal letter of interest.

Consent of Property Owner

A consent letter from Hoku Kai Biofuels, LLC is enclosed.

Statement of Financial Viability

As of 2019, Hoku Kai has completely recapitalized the structure of the company in preparation of closing a \$7.5MM loan from Greater Nevada Credit Union [“GNCU”] backed by the US Department of Agriculture [“USDA”]. This includes settling two outstanding claims filed against the Company. The claimants have executed releases and dismissals which will terminate all actions against HKB.

At closing, over \$3.5MM will remain of the loan. From this balance, approximately \$2MM is allocated for renovations over the FIRST year, of which \$200K is reserved for environmental purposes. We plan to be operational in the 2nd year and already have a biofuel off-take contract. Should we go past one year without becoming operational we will use reserve loan proceeds to continue our commitment to the VRP, as it is a requirement of our loan.

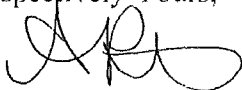
The USDA has requested HKB to register with the Voluntary Response Program to ensure that all environmental issues are discovered at the site and are addressed in accordance with local best practices. As such, the loan from GNCU requires that we follow through with the VRP program through completion. Therefore, we are required to allocate resources to engage expertise and resources to comply with the program. To be clear, being accepted into the VRP is not a requirement for us to close the loan, but rather a requirement in order to stay in good standing throughout the duration of the loan.

Application Fee

Enclosed is a copy of Receipt of Payment from 12/13/13. At this time, an application was never submitted. The receipt shows the Received From field as “Summit Biofuel LLC”. Summit paid this fee as it was a minority owner of Hoku Kai Biofuels. A Resolution of the Board of Directors of Hoku Kai Biofuels, LLC date 5/22/19 is enclosed. This resolution records the company’s votes (including the managing member of Summit Biofuels) to sell 100% of its membership units to Allegra Petras. DCCA records also show that Allegra is the sole managing member of HKB and Summit Biofuels is no longer a company in good standing.

Sven Lindstrom
August 7, 2019
Page 5 of 5

Respectively Yours,



Allegra Petras
CEO and Managing Member
Hoku Kai Biofuels, LLC

Encls: E-mail from Tom Brand of Hazardous Waste Program
E-mail from Brett Reel regarding USCG clearance
HEER letter dated 10/22/1014
ESI letter of Response to USCG dated 8/23/2007
Letter of Consent from Hoku Kai Biofuels, LLC
Copy of \$1,000 Application Fee Receipt
Resolution of the Board of Directors of Hoku Kai Biofuels, LLC

cc: George Smith, Hoku Kai Biofuels, LLC
Evan Pfaff, P.E., Insight Environmental LLC