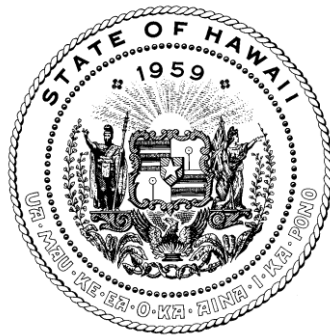


Report to the Twenty-Fifth Legislature
Regular Session of 2010

**GEOHERMAL ROYALTIES DISPOSITIONS
AND
STATUS OF GEOHERMAL AND CABLE SYSTEM DEVELOPMENT**



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 2009

**GEOTHERMAL ROYALTY DISPOSITIONS
AND
STATUS OF GEOTHERMAL AND CABLE SYSTEM DEVELOPMENT
FISCAL YEAR 2008-2009**

This report is prepared pursuant to Sections 182-18 and 196D-11, Hawaii Revised Statutes (HRS), and covers the period July 1, 2008 through June 30, 2009.

Section 182-18, HRS - Geothermal Royalties

During Fiscal Year (FY) 2008-2009, a total of \$3,137,486.99 in geothermal royalties was received from Puna Geothermal Venture (PGV). In accordance with statutory provisions, \$941,246.10 (30%) and \$627,497.40 (20%) were distributed to the County of Hawaii and the Office of Hawaiian Affairs, respectively. Geothermal royalties for FY 2008-2009 were based on power production and sale of 218,236 megawatts to Hawaii Electric Light Company (HELCO) at an annual hourly average production of 24.9 megawatts.

During the fiscal year, PGV began development of a new power plant utilizing a bottoming cycle to generate electricity using the brine phase of the resource and started work on the new power plant with the award of a contract to a local contractor for the foundation work. Regular routine maintenance work was also performed on the existing power plant during the fiscal year. A drilling campaign was also started for the work-over of Well KS-6. PGV also continued negotiations with HELCO for a new power purchase agreement for the sale of an additional 8 megawatts of electrical power.

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 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 currently 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 were performed on an "ad hoc" basis under other departmental programs within the Engineering Division of DLNR. As approved by the 2007 Legislature, DLNR continued work to reestablish positions and staffing to address statutory, regulatory, and resource management responsibilities.

No program work was performed during the past fiscal year to effectuate the intent of this statute due to other priorities undertaken by the Engineering Division.