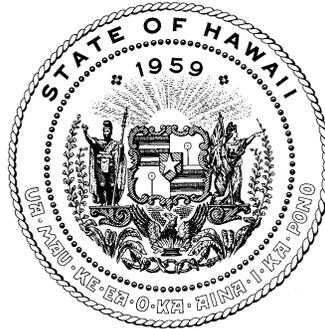


Report to the Twenty-Seventh Legislature
Regular Session of 2013

**GEOHERMAL ROYALTY DISPOSITIONS
AND
STATUS OF GEOHERMAL AND CABLE SYSTEM DEVELOPMENT
FISCAL YEAR 2011-2012**



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 2012

**GEOTHERMAL ROYALTY DISPOSITIONS
AND
STATUS OF GEOTHERMAL AND CABLE SYSTEM DEVELOPMENT
FISCAL YEAR 2011-2012**

This report is prepared pursuant to Sections 182-18 and 196D-11, Hawaii Revised Statutes (HRS), and covers the Fiscal Year (FY) 2011-2012 (July 1, 2011 through June 30, 2012).

Section 182-18, HRS - Geothermal Royalties

During FY 2011-2012, a total of \$3,096,947.77 in geothermal royalties was received from Puna Geothermal Venture (PGV). In accordance with statutory provisions, \$929,084.33 (30%) was distributed to the County of Hawaii. Additionally, \$619,389.55 (20%) was distributed to the Office of Hawaiian Affairs. Geothermal royalties for FY 2011-2012 were based on power production and sale of 342,707 megawatts to Hawaii Electric Light Company (HELCO) at an annual hourly average production of 28.8 megawatts. The Department of Land and Natural Resources (DLNR) expended \$916,571.43 on geothermal resources management activities.

During FY 2011-2012, PGV drilled and completed a new production well (KS-15) to provide additional resource for increased power generation under a new power purchase agreement approved by the Public Utilities Commission for HELCO's purchase of an additional 8 megawatts of power. PGV also began the planning for repair work on two existing injection wells (KS-3 and KS-11); the repair work will be performed in FY 2012-2013.

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

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 DLNR's Engineering Division (Division). Funding for two positions to perform statutory, regulatory, and resource management duties was approved by the 2011 Legislature. An additional two positions were approved by the 2012 Legislature. The Division is working to fill all of the positions and has encountered recruitment difficulties due to the limited pool of candidates possessing the required specialized experience.

There has been increased interest in developing geothermal energy as a feasible component to meet renewable energy goals and other staff from the Division has responded to numerous inquiries and requests for information related to geothermal resources and their development in

Hawaii. The new positions, when 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.