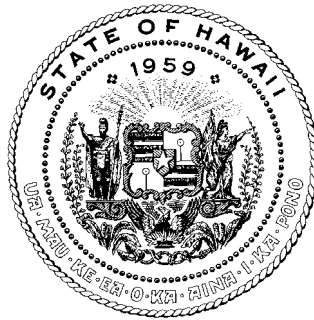


**Report to the Twenty-Fourth Legislature
Regular Session of 2008**

**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

November 2007

Fiscal Year 2006-2007
Report on Geothermal Royalty Dispositions
and Status of Geothermal and Cable System Development

This combined report is prepared pursuant to Sections 182-18 and 196D-11, Hawaii Revised Statutes (HRS), which asks the Board of Land and Natural Resources to submit a report of all geothermal royalty dispositions and the Department of Land and Natural Resources (Department) to submit an annual report on the status of geothermal and cable system development. The combined report covers the period July 1, 2006 through June 30, 2007.

Section 182-18, HRS - Geothermal Royalties

In Fiscal Year (FY) 2006-2007, a total of \$1,839,083 in geothermal royalties was received from Puna Geothermal Venture (PGV). In accordance with statutory provisions, \$551,724.90 (30%) and \$367,816.60 (20%) were distributed to the County of Hawaii and the Office of Hawaiian Affairs, respectively. Geothermal royalties for FY 2006-2007 were based on power production and sale of 211,814 megawatts to Hawaii Electric Light Company (HELCO) at an annual hourly average production of 24.2 megawatts.

During the fiscal year, PGV completed work-overs of production wells Kapoho State 5 (KS-5) and Kapoho State 6 (KS-6), and converted Kapoho State 4 (KS-4) from an injection well into a production well. PGV also performed repair/maintenance work on injection well Kapoho State 11 (KS-11) which was found to be leaking injection fluid into the production zone, thereby affecting KS-5 and KS-6. After all of the work-overs and maintenance work, the power plant returned to full production levels of 30 megawatts to the electrical power grid.

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

The Department 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 the Department was abolished in 1995 in response to budget reductions. Statutory, regulatory, and resource management responsibilities continue to be performed on an "ad hoc" basis under other departmental programs within the Engineering Division of the Department.

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.