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DEPARTMENT OF TRANSPORTATION | KA 'OIHANA ALAKAU
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IN REPLY REFER TO:

HAR-PM.26.1481

June 4, 2026

Mr. Edwin H. Sniffen, Director
Department of Transportation
869 Punchbowl Street
Honolulu, Hawaii 96813

OAHU

Issuance of a Construction-Right-of-Entry (CROE), Month-to-Month Revocable Permit (RP), and Lease by direct negotiation to IES Downstream, LLC, for a pipeline easement, at Piers 31-34, Honolulu Harbor, Oahu, Tax Map Key (TMK) Nos. (1) 1-5-035:009 (Portion), (1) 1-5-035:011 (Portion), (1) 1-5-035:015 (Portion), (1) 1-5-036:001 (Portion), (1) 1-5-036:007 (Portion), and (1) 1-5-036:009 (Portion), Governor's Executive Order (GEO) No. 2903.

LEGAL REFERENCE:

Hawaii Revised Statutes (HRS), Sections 171-6, 171-7, 171-11, 171-13, 171-17, 171-35, 171-55, and 171-59, as amended.

APPLICANT:

IES Downstream, LLC (Applicant), is a foreign limited liability company whose mailing address is 91-480 Malakole Street, Kapolei, Hawaii 96707.

CHARACTER OF USE:

CROE: Parts of eight pipelines traverse to connect a bulk storage fuel facility to its truck loading facility across the Hawaii Department of Transportation (HDOT), Harbors, Piers 31 through 34. The pipelines were installed under a prior CROE with the HDOT Harbors that provided a 15-foot easement. The pipelines are reaching the end of their service life and require replacement. The Applicant proposes to install new pipelines within a new easement along a different alignment through Piers 31 through 34. The proposed alignment crosses an area occupied by an existing storage tank, which would require demolition to clear the path for the new pipelines. The tank demolition and pipeline realignment work would be under a new CROE.

Harbor Lease: The Applicant proposes to install new pipelines within an easement near the existing easement. Nine pipelines would be installed within the easement, including one additional pipeline to serve as a spare or to supply biofuels as the new renewable fuel market develops in Hawaii. The proposed pipelines would be smaller in diameter than the existing pipelines and constructed with a higher schedule wall thickness, resulting in thicker-walled pipelines. These changes will increase the life of the pipelines. Additionally, the new pipelines would be constructed to allow for internal cleaning and inspection using “pigging” technology, which is now common industry practice and provides improved pipeline integrity management. The existing pipelines were not constructed to be able to be inspected using smart pigging technology. The new pipelines along the new path through Piers 31 through 34 would go under a new Harbor Lease pipeline easement.

RP: The lease will be negotiated during the demolition and pipeline realignment work performed under the CROE. However, should the lease negotiations extend beyond project completion, the easement would be placed under an RP before transitioning to the lease.

LOCATION:

Portion of Government lands at Honolulu Harbor, Oahu, TMK Nos. (1) 1-5-035:009 (Portion), (1) 1-5-035:011 (Portion), (1) 1-5-035:015 (Portion), (1) 1-5-036:001 (Portion), (1) 1-5-036:007 (Portion), and (1) 1-5-036:009 (Portion), as shown on enclosed Exhibit A.

ZONING:

State Land Use Commission:	Urban
City and County of Honolulu:	I-3, Waterfront Industrial District IMX-1, Industrial Mixed-Use District

AREA: See enclosed Exhibit A

CROE: Approximately 39,909 square feet of improved paved land.

Harbor Lease: Approximately 15,000 square feet of improved paved land for an 11-foot easement on approximately 1,364 feet of pipeline.

RP: Approximately 15,000 square feet of improved paved land for an 11 feet easement on approximately 1,364 feet of pipeline.

TERM AND CONSIDERATION:

CROE: Effective until the tank demolition and pipeline alignment work is completed, not to exceed two thousand five hundred dollars (\$2,500.00) per month.

Harbor Lease: Thirty-five-year negotiable term issued by direct negotiation with rental determined by independent appraisal, pursuant to HRS, Section 171-17. The HDOT Harbors is willing to negotiate lease rent based on verified demolition and disposal costs pursuant to HRS, Section 171-6 (7), which authorizes rent reduction or waiver when required demolition or infrastructure work is necessary before the lessee can make productive use of the land.

RP: Month-to-month rent determined by appraisal as of January 1, 2026, through January 1, 2028, for RPs in Honolulu Harbor.

LAND TITLE STATUS:

Under the control and management of the HDOT, through issuance of GEO No. 2903.

TRUST LAND STATUS:

Non-ceded, lands acquired after Statehood.

CURRENT USE STATUS:

TMK Nos. (1) 1-5-035:009 (Portion), (1) 1-5-035:011 (Portion), (1) 1-5-035:015 (Portion), (1) 1-5-036:001 (Portion), (1) 1-5-036:007 (Portion), and (1) 1-5-036:009 (Portion), encumbered under GEO No. 2903, for maritime and maritime related use, to be under the control and management of the HDOT.

CHAPTER 343 - ENVIRONMENTAL ASSESSMENT:

This use is exempt from the Office of Planning and Sustainable Development, and Environmental Review Program requirements pursuant to Hawaii Administrative Rules (HAR), Subchapter 11-200.1, which exempts the following:

“Exemption Type 2, Part 1: Replacement or reconstruction of assets that have exceeded their operational life and deteriorated beyond the cost-effectiveness of routine maintenance, can no longer be repaired to meet current safety standards, or no longer meet local, state or federal regulations/guidelines.”

“Exemption Type 6, Part 1: Demolition or removal of structures, facilities, equipment, impounded property, or other improvements that are abandoned and no longer required or maintained.

The HDOT deems the action as de minimis and exempts it from the preparation of an exemption notice in accordance with HAR, Subchapter 11-200.1-16 (b). The exemption declaration for the action described above, based on the Exemption List for the HDOT, reviewed and concurred to by the Environmental Advisory Council on February 1, 2022, is as follows:

Exemption Type 2, Part 1:

- B. 7. “Replace or reconstruct existing fuel systems, including but not limited to: fuel tanks, relocation of fuel lines and pumping equipment used for emergency power at various sites and for refueling vehicles in vehicle servicing areas and maintenance base yards.”

Exemption Type 6, Part 1:

- 1.c. “Improvements such as electrical, communication, heating, ventilation, and air conditioning, and water systems, wastewater, sewer, septic tank systems; above or underground storage tanks, fuel systems and other similar improvements.

REMARKS:

The Applicant operates a full-service fuel import and distribution business that supports the energy needs of Hawaii. The fuels are used for road transportation, marine transportation, air travel, and power generation throughout the State. The Applicant operates six fuel terminals statewide, including two specifically in Honolulu. The Honolulu Terminal Marine (HTM) is a bulk storage fuel facility that stages fuel for loading onto barges at Pier 30 for distribution to the neighbor islands, while also providing fuel to the Applicant’s truck loading facility on Oahu, known as Honolulu Terminal Trucking (HTT). HTM and HTT are physically separated by approximately one-quarter mile and are connected by eight pipelines. Both HTM and HTT are critical to maintaining fuel supplies for Oahu and the neighbor islands, as there is insufficient alternative fuel infrastructure available to fully replace the volume of fuel transported through the two terminals.

The square footages referenced for the Lease and RP are approximations. A land survey will determine the actual square footages.

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RECOMMENDATION:

Based on this submittal, testimony and facts presented, the HDOT recommends authorizing the issuance of a CROE, RP, and a lease by direct negotiation for the purposes cited above, subject to the terms and conditions outlined above and incorporated herein by reference, and such terms and conditions of the most current amendment of Lease form, as may be amended from time to time; reviewed and approved by the Department of the Attorney General; and such other terms and conditions as may be prescribed by the Director of Transportation to best serve the interest of the State.

Sincerely,



DREANALEE K. KALILI
Deputy Director of Transportation for Harbors

Enclosures

Area 1 – CROE



