



NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY

An Authority of the State of Hawaii attached to the Department of Business, Economic Development & Tourism



**NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY
BOARD OF DIRECTORS
MEETING MINUTES
APPROVED
TUESDAY, MARCH 19, 2019
12:00PM**

Department of Business, Economic Development and Tourism
Conference Room 436
No. 1 Capitol District Building
250 S. Hotel Street
Honolulu, Hawaii 96813

Members/Designees

Linda Rosehill (Gov. Appointee)
William Mielcke (Gov Appointee)
Cyd Miyashiro (Gov. Appointee)
Robert Masuda (DLNR)

Dr. John Morton (HTDC)
Mike O'Malley (HSDC)
Mary Alice Evans (DBEDT)
Alan Hilton (RAC Chair)

Staff

Gregory Barbour (NELHA)
Daniel Jacobs (Deputy AG)

Visitors

Karl Fooks (HSDC President)

1. Call to Order.

The meeting was called to order at 12:04pm by Chair Rosehill.

NELHA Executive Director Barbour introduced Ms. Cyd Miyashiro as the newest member of the Board of Directors as a Governor's appointee. Ms. Miyashiro has a background in corporate finance and banking. Ms. Miyashiro was welcomed by all. Chair Rosehill asked everyone to introduce themselves.

2. Approval of January 15, 2019 NELHA Board of Directors' Meeting Minutes.

Chair Rosehill entertained a motion to approve the January 15, 2019 minutes.

Director Evans made a motion to approve the September 18, 2018 NELHA Board of Director's meeting and Director Masuda seconded the motion. A vote was taken, and the motion passed unanimously, 9-0.

3. Financial Report. Approval and Decision Making.

NELHA Executive Director (ED) Barbour presented the NELHA financial summary report for the special funds' revenue from July 2018 through February 2019. A chart was presented comparing the special funds revenue from FY14 through FY19.

Total revenue was \$3.2M for the first eight months of this fiscal year and up (\$198,000) or 7% as compared with the same period last year. This is the third highest for this 8-month period in the past six years. FY15 was about \$400,000 higher with the receipt of funds from the National Renewable Energy Laboratory (NREL) for a one-time contract.

Seawater system revenue is down slightly (4%) due to reduced demand of a similar amount.

Lease base rent is up by \$130,000 or 15%, mainly due to collection of \$100,000 arrears payment. Rent is up slightly despite the loss of Puna site.

Office rent continues to increase with Hale Iako near full occupancy and is up \$25,000 or 19%. Building occupancy is at approximately 90%.

Labor services is up by \$21,000 or 200% with the sale of additional lab services for chemical analysis. NELHA is planning on purchasing a new nutrient analyzer at a cost of \$50,000 - \$80,000. The current nutrient analyzer is 10 years old. A new nutrient analyzer will allow NELHA to increase revenue by offering additional chemical analysis services.

Director Masuda inquired about the \$25,000 from Puna Geothermal Venture (PGV) and asked as to why payment was going to NELHA instead of DLNR. ED Barbour explained that NELHA has a lease for this property from DLNR and sub-leased it to PGV. Rental income from Puna Geothermal ceased when lava covered the buildings and property on 5/24/18 during the Kilauea eruption.

Reimbursements for electricity are up by \$65,000 or 23% with an increase in rates, for the

first half of the fiscal year while freshwater reimbursements lower by \$19,000 due to lower use (road construction last year). It is expected the rates will continue to fluctuate.

Miscellaneous income is up by \$13,000 or 46% due to the revenue from the Energy Storage Conference.

ED Barbour discussed NELHA expenditures and showed a chart comparing expenditures from FY14 through the first 8 months of FY19.

Total expenses for the first eight months of this fiscal year were \$3.1M or \$40,000 (1.3%) higher as compared to the same time period last fiscal year. We continue to very closely monitor expenditures. Of note are the following:

As reported at previous BOD meetings, much of the change is due to a posting anomaly as the first FY 2018 electrical bill of \$135,000 was posted in FY2017. In addition, electrical rates increased by 20 percent through December 2018 but have fallen dramatically in the past 2 months are now essentially flat since July 2018.

Electrical for the seawater system costs for were approximately \$233,000 higher than the same period last year and about 50% was due to the posting anomaly listed above. Seawater volume down slightly (4%) from the same period last year.

Likewise, approximately \$60,000 is attributable to Tenant Utilities – Electrical.

Also, in Tenant Utilities, the large expenditure of \$43,000 for the first two months of last fiscal year was due to the settlement of a dispute with the Board of Water Supply over a broken water meter. The dispute was settled in July and paid in August last fiscal year.

Ground maintenance shows an increase of over \$60,000 as we shift personnel from building maintenance (Admin cost) to groundskeeping.

Environmental monitoring costs increased by \$27,000 or 27 percent mainly due to personnel costs.

Administrative costs are equal to the same period last year. Mainly due to a reduction in building maintenance (Hale Kaa last year) and personnel costs for R&M at \$20,000.

Services on a Fee increased with costs for the Energy Storage conference last month and an appraisal of the buildings lost in Puna (\$40,000).

OHA Ceded Land Assessment is down by \$50,000 as the 2nd quarter payment of \$90,000 has not been posted to FAMIS as yet.

Special Fund Account Summary

Special fund balance is \$357,000 as of 2/28/2019. Until recently, we were making progress in increasing the fund balance, however arrears have increased significantly in the past several

months. Rent is due by the 15th of each month. If we could collect the arrears, we would be at approximately \$800,000.

Customer Revenue Report

Total revenue, for this time period is up 7%.

Relatively no change for the Water Bottling and Aquaculture sectors. Water bottling companies are less important to revenue stream, aquaculture has increased impact. It is important to note that the Aquaculture sector now accounts for approximately 2/3rds of total revenue which includes base rent, rent, and reimbursables. Energy sector is up significantly due to payment of arrears. Research/Office category is higher by 20% due to occupancy in the new building, conference room rental and rental of lab space.

ED Barbour informed the BOD that a couple of companies have run into serious unanticipated production issues. These organizations will need several months to make the necessary corrections. NELHA will continue to keep expenses down. In April, NELHA will receive percentage rent increases into the NELHA revenue stream.

NELHA had offered the Hawaii Deep Marine property for sale. The building was appraised at \$2.8M. A buyer that was interested in the property has withdrawn their offer. The building is back on the market.

**At 12:25pm, Director Morton moved that the board go into Executive Session.
The meeting reconvened at 12:46pm.**

Chair Rosehill asked for a motion to approve the financial report.

Director Mielke made a motion to approve the financial report and Director Masuda seconded the motion. A vote was taken, and the motion passed unanimously, 9-0.

4.a Discussion and Decision Making regarding Supplemental No. 1 for the MOU between HSDC, UH, UH Ventures LLC, and NELHA for an Aquaculture Accelerator; a MOU between HSDC and NELHA for the transfer of NELHA general funds to HSDC for the operation of an Aquaculture Accelerator; and, a Rental Agreement with HATCH Accelerator Fund, LP (HATCH) for offices and open space in the Research Campus.

NELHA staff wishes to update the Board regarding the aquaculture initiative. This project is in partnership with Hawaii Strategic Development Corporation (HSDC), the University of Hawaii (UH) and UH Ventures LLC. Staff requests that the Board approve two new MOUs and a 3-year rental agreement with HATCH.

At its November 20, 2018 meeting the NELHA BOD approved the overall project direction and the execution of a non-binding MOU for a partnership with the agencies listed above to establish an aquaculture accelerator program at NELHA.

NELHA is contributing up to \$500,000 cash and up to \$500,000 additional "in-kind" support towards the operating costs of the accelerator, UH is contributing \$337,500 cash and HSDC is

contributing its \$275,000 EDA grant towards the operating costs of the accelerator. These funds are contingent upon the finalist selected providing a match to assist in offsetting the operating costs of the facility and the salaries of the entity running the accelerator.

This project is proceeding well and on schedule. HSDC, UH, and NELHA have selected a finalist, HATCH, to operate the accelerator and raise the associated investment fund.

Last month, the HSDC Board met and approved an investment commitment of up to \$1,900,000 for HATCH. HATCH will be required to match these funds and is targeting an initial close of \$4,000,000 and a final close of \$8,000,000 for the investment fund.

HSDC is completing the final due diligence on HATCH and we are working no issues at this point.

Mr. Fooks, HSDC President, indicated that it now appears we will be able to streamline the process if HSDC would handle the funding to HATCH. HSDC has been working directly with HATCH to ensure the monies and how the system will operate and meet the necessary compliance for the funding organizations. Accordingly, the original MOU needs to be amended because the division of labor has been changed. Originally MOU's were developed with University of Hawaii lead and now the MOU's need to be adjusted to indicate HSDC as lead. There are no other changes.

Question to Mr. Jacobs regarding conflict of interest since Mr. Fooks (HSDC) and Mr. McCartney (NELHA) since both are board members. Mr. Jacobs stated that mandatory recusal is required when there is a personal financial benefit. The other option is permissive recusal where the member believes he or she is unable to decide without being conflicted, then it is a personal decision you can make, and you can recuse yourself from the vote.

Director Evans made a motion to accept the recommendation to follow the NELHA staff recommendation to have the Board direct the Executive Director to finalize (with the help of NELHA DAG) and execute the MOU Supplemental No. 1; an MOU with HSDC to transfer up to \$500,000 in general funds; and a rental agreement with HATCH. Staff also recommends that the Board direct the Executive Director to execute any other documents necessary for the project. Director Mielcke seconded the motion. A vote was taken, and the motion passed unanimously, 9-0.

5a. Discussion and Decision Making regarding the execution of an Agreement between NELHA and the Hawaii Natural Energy Institute to complete a Microgrid Analysis for Hawaii Ocean Science and Technology Park (HOST Park).

The Hawaii State Energy Office is making funds available to NELHA for an analysis of the HOST Park energy systems.

There are three objectives of the proposed work. The first objective is to analyze and determine the feasibility and benefits of modifying the current energy system at HOST Park to enable it to operate as a microgrid (or a number of microgrids), connected to the Hawaii Electric Light Company (HELCO) electrical grid system or as stand-alone facility. This will assist NELHA in determining those distribution system configurations providing optimal benefit to both NELHA and the HELCO grid. A secondary objective is to maximize use of advanced energy resources available within the HOST Park to become carbon neutral. Finally, we wish to identify regulatory

and policy issues currently in place that hinder development of such microgrids and offer modifications to those regulations and policies for future action.

The time of performance for this initial project will be approximately two years from the date of execution of the contract and the total cost will not exceed \$150,000. Payments will be made on established deliverables and the contract will be monitored by NELHA staff.

NELHA Staff recommends that the Board direct the Executive Director to finalize (with the help of NELHA AG) and execute an agreement and any other documents necessary for the project with HNEI not to exceed \$150,000 to complete the microgrid analysis.

Director Evans made a motion to accept the recommendation to follow the NELHA staff recommendation to have the Board direct the Executive Director to finalize (with the help of NELHA AG) and execute an agreement and any other documents necessary for the project with HNEI not to exceed \$150,000 to complete the microgrid analysis. Director Mielcke seconded the motion. A vote was taken, and the motion passed unanimously, 9-0.

5.b Discussion and Decision Making regarding the Authority for Jennifer L. Rasmussen, NELHA Account Clerk, as an approved signatory for NELHA's Petty Cash Account.

NELHA staff is requesting approval to designate Jennifer L. Rasmussen as an approved signatory for NELHA's Petty Cash Account.

NELHA recently hired a new Account Clerk to assist the Fiscal Office in its duties. Section 10.1 of NELHA's Bylaws require Board approval to designate her with the authority to sign petty cash documents.

In the past, Jerrae Miranda signed these documents. She recently took the position of the Business Manager. Ms. Rasmussen works under the supervision of Ms. Miranda and the approval will provide for the efficient and timely execution of payments. Petty cash limit is \$1000.00.

Director Evans made a motion to approve Jennifer L. Rasmussen, NELHA Account Clerk, as an approved signatory for NELHA's Petty Cash Account. Director Hilton seconded the motion. A vote was taken, and the motion passed unanimously, 9-0.

5c. Discussion and Decision-Making regarding Senate Concurrent Resolution (SCR) 50 "Renaming the Natural Energy Laboratory of Hawaii Authority as the George R. Ariyoshi Natural Energy Lab."

This resolution would rename NELHA and recognize George Ariyoshi as the founder of NELHA. The resolution is very complete and correctly points out the Governor Ariyoshi was largely responsible for the creation of NELHA.

This resolution if passed by both the Senate and House will indicate Legislative intent regarding the name of NELHA and memorializes of Governor Ariyoshi's initiative regarding the creation of NELHA.

It is important to note that changing NELHA's name would require the adoption of legislation to amend the Hawaii Revised Statutes Chapter 227D which provides for NELHA's enabling legislation.

NELHA staff recommends that the Board support SCR 50 which renames NELHA as the George R. Ariyoshi Natural Energy Lab.

Chair Rosehill decided that a motion was not necessary but asked the ED to provide comments to the Legislature in line with the discussion today.

6. HSDC Report.

Nothing in addition to what was already discussed earlier regarding the Aquaculture Accelerator.

7. HTDC Report.

Chair Rosehill mentioned the opening of HTDC's new "Sandbox Incubator" in Kakaako was held recently. This was funded partially by the EDA. Director Evans mentioned that there are various bills in the Legislature regarding funding and organization for HTDC and it is too early to tell how the bills will end up over the next month or so.

8. Executive Director's Informational Report

Executive Director Barbour reviewed the NELHA Major Goals and Key Projects Timeline Summary with the Board. The following details were provided:

Seawater System: NELHA is continuing to purchase parts that were authorized by the budget using CIP funds for the Seawater System.

Planning & Design of Pipe Removal: This is a \$500,000 CIP project to remove the ocean farms pipes. NELHA has completed first draft of Request for Proposals (RFP). The RFP will be distributed soon. NELHA determined the process for the RFP should be broken down into two steps. The first step involves hiring a company to survey the pipes and provide NELHA with information as to the status and condition of the pipes. This information would be turned over to develop a cost estimate proposal to remove pipes. The near shore pipes are still in the procurement phase.

Advanced Energy Projects: Microgrids. NELHA is in discussion phase with Korea partners and we are making good progress.

We have a request for interest for the Department of Energy Grid Modernization Grant Application. The RFI was released on March 21, 2019. Requests are due by March 31, 2019.

Regional SWAC design - \$250,000 CIP project. NELHA has selected a company via the Professional Services procurement process and is in negotiations with company on price.

Install on PV in the research campus. This is an additional 168,000kW and will be soon. All agreements with Hawaiian Electric are complete. 80% of panels installed.

Sun Shot Solar Desalination Project: We anticipate receiving final approval of this grant very shortly.

Potable water supply is a complex project. We are still ready for final approval from DLNR to begin drilling for exploratory phase.

FEMA grant application has been successfully submitted. The request is in peer review.

9. Announcements

Dr. John Morton announced that his last NELHA Board Meeting would be the May 2019 meeting. Due to other commitments for the University of Hawaii, HTDC and DLNR he is unable to continue his commitment as a Board Member to NELHA.

10. Adjournment

Chair Rosehill adjourned the meeting at 1:43pm.