



NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY

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



DRAFT

**NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY (NELHA)
BOARD OF DIRECTORS
MEETING MINUTES
Tuesday, May 28, 2019
10:00 a.m.**

**NELHA Oceanview Conference Room
Hale Iako Building
73-970 Makako Bay Drive
Kailua-Kona Hawaii 96740**

Members

Linda Rosehill (Gov. Appointee)
William Mielcke (Gov Appointee)
Cyd Miyashiro (Gov. Appointee)
Mike O'Malley (HSDC)
Mary Alice Evans (DBEDT)
Russell Tsuji (DLNR)
Dr. Gerry Cysewski (Tenant Representative)
Dr. Vasilis Syrmos, (UH)

Staff

Gregory Barbour (NELHA)
Daniel Jacobs (Deputy AG)
Stacey Burge (NELHA)
Dr. Alex Leonard (NELHA)
Keith Olson (NELHA)
Jan War (NELHA)

Guests

Ross Matsuyama, Mats4 LLC
Jeff Zimpfer, National Park Service

1. Call to Order.

The meeting was called to order at 10:31am by Chair Rosehill.

2. Approval March 19, 2019 NELHA Board of Directors' Meeting Minutes.

Chair Rosehill entertained a motion to approve the March 19, 2019 NELHA Board of Director's Meeting Minutes. Director Evans made the motion, which was seconded by Director Mielcke. A vote was taken, and the motion passed unanimously, 8-0.

3. Financial Report. Approval and Decision Making.

FY 2019 Revenue vs. FY 2018 Revenue

NELHA Executive Director (ED) Barbour presented the NELHA financial revenue report through April 2019. Total revenue was \$3.94M for the first ten months of this fiscal year up \$70,000 or 2% as compared with the same period last year.

Seawater system revenue is down slightly (2%) due to lower demand of a similar amount.

Lease base rent is up by \$160,000 or 15 percent, mainly due to collection of \$100,000 in arrears. Otherwise, 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 13 percent.

Percent rent is up by \$17,000 with receipt of on-time payments.

Labor services is up by \$25,000 or 200 percent with the sale of additional lab services.

FY 2019 Expenditure vs. FY 2018 Expenditures

Total expenses for the first ten months of this fiscal year were \$3.86M or \$200,000 (6%) higher as compared to the same time period last fiscal year. We continue to very closely monitor expenditures.

It is important to note two posting anomalies regarding the electric bill last year and this year and they are essentially cancelling each other out for the April report. As reported at previous BOD meetings, the first FY 2018 electrical bill of \$135,000 was posted in FY2017. This year, the April electric bill (\$145,000) was paid late and is not included in this report.

Of note are the following:

Seawater system expenditures are up approximately 5% (\$66,000) and much of this is due to increased electrical costs (+13% or \$110,000). Other system costs were lower.

For Tenant Utilities electrical is up 13% or \$40,000 and a decrease of approximately \$50,000 for freshwater which 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.

Director Evans asked if the electricity increase was due to the HELCO rate being increased or the usage increasing? ED Barbour answered the HELCO rate had increased. Director Evans asked if it was due to the loss of Puna Geothermal. ED Barbour answered that he didn't believe so, that he surmises it is due to the increased cost of oil.

Ground maintenance shows an increase of over \$70,000 or almost 100%. This is due to shifting of personnel from building maintenance (Admin cost) to grounds keeping and a \$40,000 increase in security costs (year over year). However, this is a timing issue only as the security contract cost is the same as last year.

Environmental Monitoring costs increased by \$35,000 or 30% mainly due to personnel costs. ED Barbour commented this issue needed to be researched because the scope of monitoring remains the same.

Administrative costs are equal to the same period last year. Mainly due to a reduction in building maintenance (Hale Kaa last year = \$56,000) 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). It is important to note that the appraisal funds will be reimbursed by FEMA when the grant is approved.

OHA Ceded Land Assessment is up by 13% due to increased rent payments. This amount is fixed at 20% of rent revenue.

Chair Rosehill asked ED Barbour to check into the bill that was recently passed regarding eliminating electricity rates for greenhouses and agriculture done undercover. Is it possible for NELHA to get the same exemption? ED Barbour indicated staff would research this bill and its application to NELHA.

Special Fund Account Summary

Director Tsuji questioned the special fund balance of \$370,000. ED Barbour confirmed the account was low and NELHA has been working very hard to bring the balance to \$1M. The low balance is attributed to the number of accounts in arrears.

Until recently, NELHA was making progress in increasing the fund balance, however arrears have increased significantly in the past several months. As such, the balance is essentially flat since the beginning of the fiscal year. If those accounts in arrears become current then special fund balance would be approximately \$700,000. It is important to note that approximately \$150,000 in funds encumbered in 2008 are being reverted due to contract completion and these funds should be available before the end of the fiscal year.

Arrears Report

As of April 30, 2019, the arrears totaled approximately \$320,000.

Cyanotech has agreed to bring their account current over the next 6 weeks.

Destiny Deep Sea Water also makes up a significant amount of the arrears. They continue to make payments but have been unable to make their account current. They are reviewing alternative business plans and possible sale of the company. The property has been listed for sale or rent by local relators. ED Barbour has informed them their lease will be terminated if they do not make payments.

Chair Rosehill entertained a motion to approve the Financial Report. Director Evans made the motion which was seconded by Director Mielcke. A vote was taken, and the motion passed unanimously, 8-0.

4. Old Business.

- a. None.

5. New Business.

- a. **Election of Board Officers and NELHA Representative to the Hawaii Technology Development Corporation (HTDC).**

Director Evans motioned to nominate Linda Rosehill as NELHA Chair, William Mielcke as Vice Chair, and Linda Rosehill as NELHA Representative to HTDC for the period from July 1, 2019 through June 30, 2020. Director Tsuji seconded the motion. A vote was taken, and the motion passed unanimously, 8-0.

ED Barbour informed the board that it is likely that HSDC will not be in existence as of June 30, 2019. The NELHA Board of Directors will drop from 13 to 12 members. HTDC will most likely be in transition over the next year and when their new board is in place it is not required to have a NELHA representative.

- b. **Discussion and Decision Making regarding the execution of a Letter of Agreement between NELHA and Mats4 LLC to address provision of fresh water for a 1.3-acre commercial lot.**

ED Barbour acknowledged representatives from Mats4 LLC attending the meeting. NELHA BOD previously approved "in-concept" a lease with Mats4. They have made considerable progress over the last 18 months. The environmental assessment, subdivision approval, and other aspects of the project have been completed and approved. Mats4 is now ready to execute a sublease with NELHA and complete final plans for construction to submit to the County of Hawaii.

There is a potential issue with the fresh water and Mats4 is understandably reluctant to commit additional funds necessary for the building plans without assurance from NELHA that freshwater will be available for operations upon completion given the freshwater issues in the Kona region.

NELHA maintains that the water issues will be resolved with the desalination plant and the drilling of the new well. NELHA understands the potential risk and has drafted an agreement in which NELHA will make provisions for freshwater to accommodate the Mats4 development. Mats4 will be responsible for the cost of the water. NELHA staff consider this potential issue as low risk and have drafted a Letter of Agreement to address the provision of fresh water for Mats4. The letter has been reviewed by NELHA AG.

Director Tsuji asked if Mats4 needed a water allocation from the County. ED Barbour explained Mats4 will be connected into the NELHA private water system. The estimated use for Mats4 is 3,000 gallons per day.

Director Evans spoke in favor of the motion. She stated that she believes that NELHA has the best water transmission and expertise within the island and possibly the State. Director Evans stated this is well within NELHA's capacity to provide this service and the risk is fairly low, the Board should accept the staff recommendation and allow Mats4 to move forward on development.

Chair Rosehill asked what the time frame is for project completion. Mr. Ross Matsuyama representing Mats4 indicated the drawings are close to complete, and the permitting process will take approximately 4 months. The project will be complete within 18 months to 2 years.

Chair Rosehill entertained a motion to accept the NELHA Staff recommendation that the Board direct the Executive Director to finalize the letter of agreement with MATS4. The Executive Director will work to NELHA AG to finalize and execute the letter of agreement with Mats4. Director Evans made a motion to accept the NELHA staff recommendation which was seconded by Director Mielcke. A vote was taken, and the motion passed unanimously, 8-0.

c. Discussion and Decision Making regarding final approval for Mats4 LLC project and new Sub-Lease on 1.3-acre commercial lot.

Chair Rosehill asked for a motion to discuss the final approval for MATS4 LLC project and new Sub-lease on 1.3-acre commercial lot. Director Evans made a motion to discuss, which was seconded by Director Mielcke.

Mats4 LLC received an approval in concept for a thirty-year commercial lease to operate a convenience store and fuel dispensing station with a focus on sustainable building design, sustainable fuels and NELHA sustainable products at the NELHA Board meeting on March 17, 2017. Mats4 LLC also received approval for modifications from the NELHA Development Guidelines and drainage easement on January 16, 2018. Staff has negotiated a final draft of the proposed sublease and is presenting to the Board for review and consideration.

The lease will have some minor deviations from the boilerplate. The water agreement discussed earlier will be attached to the lease. NELHA will receive gross receipts of sales excluding petroleum sales. The lease is contingent upon Mats4 having a signed agreement with a petroleum partner.

Director Evans asked what portion of the gross receipts are sundries versus petroleum products? Mr. Ross Matsuyama representing Mats4 stated 30% of sales are from petroleum, 70% are from retail products.

Director Tsuji asked for clarification on the electricity payments discussed earlier in Agenda Item 5b. ED Barbour stated that in the event of a water disruption and the facility, with the exception of the fueling station, is closed, it was agreed the electricity costs would be split 50-50 between NELHA and MATS4. The letter of agreement for the water is for 5 years only and not the term of the lease.

Chair Rosehill entertained a motion to give final approval for Mats4 LLC project and new Sub-Lease on 1.3-acre commercial lot accept the NELHA Staff recommendation that the Board direct the Executive Director to finalize the sub-lease with MATS4. The Executive Director will work to NELHA AG to finalize and execute the sub-lease with Mats4. Director Evans made a motion to accept the NELHA staff recommendation which was seconded by Director Mielcke. A vote was taken, and the motion passed unanimously.

- d. Discussion and Decision Making regarding the execution of an Agreement between NELHA and Encored, Inc. improve and upgrade the renewable energy and electrical equipment for NELHA's Seawater System to facilitate the research at HOST Park.**

Chair Rosehill asked for a motion to discuss the execution of an Agreement between NELHA and Encored, Inc. improve and upgrade the renewable energy and electrical equipment for NELHA's Seawater System to facilitate the research at HOST Park.

Director Evans made a motion to discuss, which was seconded by Director Syrmos.

NELHA staff is requesting approval to execute a \$1.85M contract with Encored, Inc for the purchase and installation of renewable energy services. The goal of this project is to improve and upgrade the renewable energy and electrical equipment for NELHA's Seawater System. The Korean government is also providing grant funds for these improvements which will also facilitate the research into artificial intelligence for microgrids. More specifically, the project includes detailed design, deployment, testing and evaluation of a microgrid, 600 kW of photovoltaic (PV) panels and a 567kWh energy storage system at NELHA's 55" pump station and research campus pump station which provide seawater to industrial sites within NELHA.

ED Barbour stated that University of Hawaii, Hawaii Natural Energy Institute (HNEI), over the last several years, have initiated an effort to obtain a grant from the Korean government for a microgrid project.

NELHA has received the grant and a formal letter from the Korean government for \$1.72M. The Korean Government is requiring this project be led by Encored, Inc. The funds are to promote the export of Korean products to the US. Encored, Inc is the designated Korean company to be the lead. Encored, Inc. makes microgrid sensors and their main partner is LG. Total project costs are approximately \$4M.

An agreement has been reached for the exact system size. 600kW of the latest LG solar panels, for a total of 1,519 - 395watt panels. 550kW will be located at the 55" pump station, 50 kW will be at the Research Campus.

Three battery containers (567kWh) will be installed at the 55" pump station. Encored, Inc. will provide and install all of the equipment. NELHA will receive all the power at no cost in perpetuity. The research portion will be complete in 2021 and all equipment will be transferred to NELHA in 2026.

The equipment will be used for a research project between Seoul National University, HNEI, Encored and LG. The research is focused on developing artificial intelligence in order to increase battery storage efficiency by 20%.

The Korean Government wants to promote exports and this project will also allow Encored and LG to understand how to develop microgrids in the United States. NELHA's overall electrical costs for the 55" pump station should be reduced by 15-20%. The bifacial panel design could potentially reduce electrical costs for NELHA up to 30%.

Director Evans asked if the savings generated by the electrical bill comes through, will we pass it through to the tenants in terms of lower seawater charges? ED Barbour indicated that this would be brought to the Board at a future meeting. Another alternative is to use the savings for future funding for capex and maintenance and is certainly an option. We also have to pay back the funding for the reimbursable general obligation bonds which is about \$120,000 annually. Accordingly, the pay-back period for this investment is approximately 7-8 years.

Funding from the Korean Government goes directly to Encored, Inc. This contract is complicated because it is a design/build contract with an added power purchase agreement. NELHA needs no further approvals from State agencies and we are ready to move forward.

Director Evans asked if the power purchase agreement is with HELCO? ED Barbour stated the power purchase agreement is in the contract with Encored, Inc. Encored is required to provide the system and they have specific goals and criteria they need to be met.

Director Tsuji about funding details. ED Barbour stated that NELHA received \$4.9M in reimbursable general obligation bonds. We have approval from the Governor to expend \$1.85M for this project and repayment of the bonds will be approximately \$10,000 per month. Generally, the power generation value would be in the range of \$350,000 annually. After bond payments of \$120,000 annually the savings will be in the \$230,000 range.

Chair Rosehill entertained a motion for the Board to direct the Executive Director to finalize the contract with Encored, Inc as described in this summary and to direct the NELHA Executive Director to work with the NELHA AG to finalize and execute a contract. Director Evans made a motion to accept the NELHA staff recommendation which was seconded by Director Syrmos. The vote was taken, and the motion passed unanimously, 8-0.

- e. **Discussion and Decision Making regarding the execution of an Agreement between NELHA and Trevi Systems, Inc. for assistance to design, fabricate, install and operate a solar-powered seawater desalination plant at HOST Park.**

Chair Rosehill recused herself from agenda Item 5e due to a conflict and left the room. Vice Chair Mielke convened the discussion of Item 5e. Director Evans made a motion to discuss, which was seconded by Director Cysewski.

NELHA staff is requesting approval to engage Trevi Systems, Inc. for performance work under United States Department of Energy (USDOE) cooperative agreement award No. DE-EE0008403 and ED Barbour provided the following summary. This is a contract with Trevi Systems, Inc. for a

grant for approximately \$2M from the U.S. Department of Energy for the Hawaii Solar Desalination Project. The project would be located at the former Sopogy site at the Kau entrance to the HOST Park. Using the 4 acres of mirrors located at the site, the mirrors would be repurposed to desalinate seawater, approximately 130,000 gallons per day. NELHA issued a request for interest in conformance with HRS Chapter 103D and received letters of interest from Trevi Systems, Inc., and Cyanotech. Cyanotech is interested in purchasing the water for their use. The existing solar collectors, seawater pipes to the site and a pipe to carry the desalinated water back to Cyanotech are in place.

Trevi Systems is required to cost share the project in the amount of \$1.3M. NELHA's contribution is "in kind." We are providing operational support, getting the mirrors recommissioned and constructing a small cement pad. Our contribution is approximately \$200,000. The first year, we anticipate selling water to Cyanotech at the price the County Department of Water Supply would charge. Annual revenue is expected to be approximately \$200,000.

This project is very innovative and is beneficial to NELHA. NELHA has the opportunity to advance forward osmosis technology; we are able to use existing equipment; and, we can provide water to Cyanotech reducing our fresh water usage.

Director Evans asked for a summary of forward osmosis technology. ED Barbour explained the difference between reverse osmosis and forward osmosis. Reverse osmosis uses high pressure to push the water through the membrane. With forward osmosis membrane, the concept is that if you heat the water to a high enough temperature, and add a solution, the water will draw through the membrane and reduce electrical costs dramatically. This technology is good for remote locations that are not grid connected.

Dr. Leonard further explained that the technology is very energy efficient. Forward osmosis is more cost effective than reverse osmosis. Forward osmosis requires a concentrated solution on the clean water side of the separation membrane. The membrane holds onto water molecules and releases them when the necessary high temperature is reached. Once this occurs, less contaminated water exits the side of the membrane leaving contaminants behind. It then becomes a water separation process.

Director Evans asked what happens to the sodium chloride. Dr. Leonard answered in this particular process, there are different extremes as to what the which they take the concentration. In the NELHA project scenario, we are discussing is using a 50% concentration. For every 2 gallons of seawater taken, 1 gallon of fresh water will be produced leaving a disposal water containing 50% duration of salt which is fairly low by desalination standards.

ED Barbour stated that NELHA has extensive monitoring systems in place and based on past experience we do not expect any impact. In the long term, we could continue to use this equipment to produce water, but this is a demonstration project and we do not know what the long-term cost is going to be. The Department of Energy is trying to ascertain the long-term costs involved to scale this type of project. The forward osmosis is not in question, the R&D portion involves improving membrane performance and to make heat exchangers less expensive. High temperature is approximately 212°F/90°C. The one key uncertainty of the project in terms of application is product water quality. We are told we can get the polymer

concentrations out of the separation at 5 parts/billion, but it is still to be determined whether the micrology that Cyanotech grow requires will be acceptable. Director Cysewski indicates that will not be a problem.

Director Tsuji inquired if the labor and cash contributions had been broken down. ED Barbour indicated the bulk of the costs are in the 3rd year. The cash contribution for NELHA doesn't occur until the plant starts operating. During the recommissioning of the site, the cash contribution is not new cash. NELHA will supply labor, which is a fixed cost. Per DOE rules, NELHA's labor is considered as a cash contribution. There are minimum cash expenditures to prepare for this project that include a concrete pad and equipment. Discussions with Trevi have indicated that NELHA may have to provide 1 full time employee at the new site as worst-case scenario. NELHA has budgeted \$100K per year for staff costs. According to the DOE grant, we only have to produce water for 2 days which is the metrics required for DOE research. We believe we will produce for a minimum of 1 year.

Director Evans spoke in favor of the motion, stating it is her belief this project fits within the NELHA mission and provides the opportunity to develop and test renewable energy projects. In addition, the future of mankind depends on desalination and it's important that NELHA is allowed to participate in testing to determine if the process can be done less expensively.

Vice Chair Mielke asked for a vote for the Board to direct the Executive Director to execute the Agreement between NELHA and Trevi Systems, Inc. for assistance to design, fabricate, install and operate a solar-powered seawater desalination plant at HOST Park. Director Evans made a motion to accept the NELHA staff recommendation which was seconded by Director Cysewski. The vote was taken, and the motion passed unanimously, 8-0.

Chair Rosehill returned to the meeting.

- f. **Discussion and Decision-Making regarding Amendment No. 1 to Investment Agreement between Hatch Accelerator Fund, LP, HSDC Capital Fund, LLC and NELHA to establish an escrow account and a MOU between University of Hawaii, University of Hawaii Ventures and NELHA for regarding the transfer of UH funds to NELHA for the operation of an Aquaculture Accelerator.**

Director O'Malley recused himself from the meeting and left the room. Director Evans made a motion to discuss, which was seconded by Director Mielcke.

ED Barbour pointed out the need for an amendment to the agenda. Two of the three documents were listed in the agenda. NELHA Staff request the Board amend the agenda to add a third document, "Assignment of Limited Partnership Interest" document to the agenda.

Chair Rosehill asked for a vote for the Board amend the agenda to add the "Assignment of Limited Partnership Interest" document to the agenda. Director Mielcke made a motion to add the document to the agenda, which was seconded by Director Evans. The vote was taken, and the motion passed unanimously, 8-0. The agenda is amended to include the third document.

ED Barbour summarized the following. The 2019 Legislature passed a measure that will, if it becomes law, merge the Hawaii Strategic Development Corporation (HSDC) into the Hawaii Technology Development Corporation (HTDC) effective June 28, 2019. HSDC will no longer exist as a separate agency as of June 28, 2019.

In preparation for this possibility that HSDC would be eliminated NELHA, UH and HSDC executed documents for the operation of the aquaculture accelerator, that this Board approved earlier, that could be amended to keep this project moving without disruption. Staff requests that the Board approve these three documents which will ensure the success of the aquaculture accelerator. This includes: a) Assignment of Limited Partnership Interest; b) Amendment No. 1 to the Investment Agreement; and, c) Memorandum of Agreement regarding Transfer of UH funds.

The first document limited partnership agreement with HATCH for the operation of the accelerator and the investment fund has provisions that in the event HSDC is eliminated, the interest can be transferred to NELHA. The accelerator is located at NELHA. Given the uncertainty of the transition of HSDC to HTDC, and the appointment of a new executive director, a new board, and the one-year transition period, HSDC, the University of Hawaii, and NELHA agree that it makes sense to transfer the assignment to NELHA. The Deputy Attorney General, for HSDC Jennifer Waihee-Polk, has recommended that this document not be signed or executed until the bill becomes law.

The second document is an Amendment No. 1 to the Investment Agreement. A general fund appropriation of \$475,000 for the accelerator project was given to NELHA last year. The original plan was to have HSDC run the operation and the funds were transferred to HSDC. Rather than transfer the funds back to NELHA, we recommend creating an escrow account at HATCH for the funds. HATCH would need approval from NELHA to draw monies from the account. It is stipulated how much money they can draw down monthly in the existing agreements.

Regarding the third document, HSDC, UH and NELHA also received a \$275,000 grant from the EDA for the operation of the accelerator. UH has agreed to match the grant in the amount of \$337,500. The University of Hawaii has entered into an agreement with HSDC to transfer the funding to HATCH. Two \$56,000 payments (quarterly payments) have been transferred to HSDC and then to HATCH. This third document is an MOU which would transfer the remaining University of Hawaii funds to NELHA for disbursement to HATCH.

It is also important to note that currently the EDA has approved the 3-way recipient on the EDA grant, NELHA, University of Hawaii and HSDC. We have submitted paperwork to EDA to eliminate HSDC and to make NELHA the prime recipient of the EDA award.

Chair Rosehill asked to NELHA AG Jacob's opinion on the HSDC AG recommendation to wait until the bill becomes law with signing the three documents. AG Jacob stated that Ms. Polk's answer is logical as the original agreement addressed the possibility of HSDC's elimination and it is sound advice. AG Jacob indicated to the board that the option exists to delegate the bill has been signed and becomes law.

Chair Rosehill asked what the options were if the Board did not approve this agenda item today. ED Barbour stated that the HSDC Board has approved the first two documents and if nothing

happens today, the project could go to HTDC, but they are in transition and this could be problematic and is a bit of an unknown. Given, that the project is located at NELHA it makes good business sense for NELHA to oversee the project.

Chair Rosehill entertained a motion. Director Syrmos motioned for the recommendation that the Executive Director be authorized to execute the documents upon the Governor's signature on the bill merging HSDC into HTDC effectively eliminating HSDC. Director Mielke seconded.

Director Tsuji asked some background regarding HATCH and their role. ED Barbour explained that NELHA, with the University of Hawaii and HSDC wanted to develop an accelerator program to promote aquaculture. A call for proposals was issued, four proposals were received, and HATCH was selected to operate the accelerator. There are two parts to the project. The first is the operation of the accelerator at NELHA. The project requires HATCH to develop 3 cohorts over a 3-year period. Each year, HATCH is required to bring in 12-14 companies and provide the necessary expertise and funding to help each company develop their aquaculture program. The companies will be onsite between August and December of each year. The second part of the project requires HATCH will establish a follow-on fund. This funding provides the companies who are successful during their time at NELHA have funding available to take the next level.

The funding breakdown is as follows:

| | |
|----------------------|--------------------|
| NELHA | \$ 475,000 |
| University of Hawaii | \$ 337,500 |
| EDA Grant | \$ 275,000 |
| HSDC | \$1,850,000 |
| TOTAL | \$2,937,500 |

HATCH was required to match the \$1.85M from HSDC and the \$475,000 from NELHA. No investment monies can be drawn down until HATCH shows that they have matched the funding provided by HSDC and NELHA.

Director Tsuji asked If HSDC was not eliminated, what would their role have been? ED Barbour stated that HSDC would have been running the project as lead, similar to the other four accelerators they operate in the State.

Chair Rosehill called for a vote on the motion on the floor to delegate the authority to the Executive Director to execute the documents upon merging HSDC into HTDC and upon the bill becoming law. The vote was taken, and the motion passed unanimously, 8-0.

Director O'Malley returned to the meeting.

6. Hawaii Strategic Development Corp. (HSDC) Informational Status Report.

No report.

7. Hawaii Technology Development Corp. (HTDC) Informational Status Report.

The HTDC Board Meeting was held on May 9, 2019. Chair Rosehill attended as NELHA's representative and reported the following. The HTDC Board meeting discussion included the provisions of HB624 which passed the Legislature this year and provides for a 1-year transition period for HTDC. The budget for HTDC was included in the bill. If the Governor did not sign the bill, HTDC would cease to exist. Under the bill, HSDC is eliminated at the end of June. All vacant positions and HSDC funding are eliminated. However, the existing HSDC programs are transferred to HTDC. HTDC did not get all the positions they requested. HTDC has to exist on its current personnel and funding, which can be done.

Senator Wakai attended this meeting and stated that folding HSDC into HTDC was the first step in what the Legislature sees as a longer-term process. Next year, the Legislature would be looking at NELHA and other agencies, that have tech functions, and folding those agencies under HTDC as well to effectively coordinate all technical type functions in the state into one agency.

In HB624, NELHA does not have a representative on the new HTDC board. The Board is made up by a certain number of nominations from the Senate and House and the Governor makes the appointments from those lists. NELHA may want look into representation on the new HTDC Board if NELHA might be eliminated in new legislation as suggested by Senator Wakai. Chair Rosehill raised this issue at the HTDC meeting, as there is a difference between Chair Rosehill

serving on the board as a function of the NELHA Board and a separate appointment to another board which may be prohibited. Chair Rosehill stated she was concerned about NELHA getting proper representation. Director Mielke believes NELHA should have discussions with Legislators as soon as possible to better understand the issue.

8. Executive Director's Informational Status Report on ongoing projects including: new leases; seawater system maintenance; 2019 Legislative session, new potable water supply update; aquaculture accelerator and investment fund initiative; renewable distributed energy resources initiative including grant applications for microgrids, energy storage, and solar desalination; analysis HOST Park energy system; and, the grant application to the US government for damage to building in Kapoho, Hawaii. *

ED Barbour has reached out to University of Washington regarding space in Gateway. They are currently going through an accreditation process and we will have an update for the next Board of Directors Meeting.

The survey is complete for the near-shore pipes. NELHA will be requesting bids to determine how to anchor them. The work is anticipated to be completed sometime October 2019 when waters are calmer. Director Tsuji asked if the funds were CIP. ED Barbour stated that the funding for this project is part of the NELHA special funds budget. The estimate for securing the pipes is \$50,000 to \$75,000.

Hawaii Deep Marine, Inc (HDMI) building is still for sale. Kowa put in a bid and withdrew. NELHA has requested letters of interest and anticipates proposals by the June 17, 2019 deadline.

Regional seawater system design is a \$250,000 CIP appropriation. NELHA has completed initial procurement and is negotiating with the vendor on a best and final offer.

The potable water supply project is stalled due to the Department of Hawaiian Homelands transition.

NELHA hired a firm to complete cost replacement analysis which came out to \$7.6M and FEMA has approved this cost estimate. One issue holding back resolution is the complex insurance issue between Puna Geothermal Venture and the State of Hawaii Department of Accounting and General Services. It could take several years for these issues to sort themselves out. Chair Rosehill posed the question to the Board if this was something that the Department could escalate within the Administration to get some clarity. Director Evans agreed it is something that should be looked into. ED Barbour stated that NELHA had met with Hawaii Emergency Management Agency (HIEMA) and DAGS, but issues remain. One option is to hire a special attorney.

9. Announcements.

- a. Financial disclosure form to State Ethics Commission due May 31, 2019.

ED Barbour stated to the Board that their Financial Disclosure form is due to the State Ethics Commission by May 31, 2019.

10. Adjournment.

There being no further business, Chair Rosehill entertained a motion to adjourn the meeting. Director Mielke made the motion which was seconded by Director Evans. The motion passed unanimously, 8-0, and the meeting was adjourned at 12:59pm.