



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 (NELHA)
BOARD OF DIRECTORS
MEETING MINUTES
November 14, 2019
9:45 a.m.**

NELHA OceanView Conference Room
Hale Iako Building
73-970 Makako Bay Drive
Kailua-Kona, HI 96740

and

County of Hawaii
Research and Development Conference Room
25 Aupuni Street, Suite 1301
Hilo, Hawaii 96720

Members

Linda Rosehill (Gov. Appointee - Chair)
William Mielcke (Gov Appointee – Vice-Chair)
Cyd Miyashiro (Gov. Appointee)
Dr. Gerry Cysewski (Tenant Representative)
Alan Hilton (RAC-Chair)
Diane Ley (County of Hawaii)
Neil Sims (Tenant Representative)
Randall Tanaka (DBEDT)
Robert Masuda (DLNR)
Dr. Philip Bossert (RAC- Secretary)

Staff

Gregory Barbour (NELHA)
Daniel Jacobs (Deputy AG)
Keith Olson (NELHA)
Laurence Sombardier (NELHA)
Alex Leonard (NELHA)
Jerrae Miranda (NELHA)

1. Call to Order.

The meeting was called to order at 10:01 am by Chair Rosehill.

2. Approval October 3, 2019 NELHA Board of Directors' Meeting Minutes.

Chair Rosehill entertained a motion to approve the October 3, 2019 Board of Director's Meeting Minutes. Director Tanaka made the motion, which was seconded by Director Cysewski.

There were no corrections.

A vote was taken and the motion to approve the October 3, 2019 Board of Directors Meeting Minutes was passed unanimously, 10-0.

3. Approval October 3, 2019 NELHA Board of Directors' Executive Session Meeting Minutes. **

This item was deferred to the next Board meeting.

4. Financial Report: Approval and Decision Making.

Executive Director Barbour presented the NELHA financial revenue report to date.

Total revenue was \$1.9M for the first four months of this fiscal year and this represents an increase of over 13 percent for the same period last year. Of notice for FY20 are the following:

- Seawater system revenue is up by almost over 6 percent due to higher demand of a similar amount.
- Lease base rent is up significantly by \$115,000 or almost 18 percent, mainly due to collection of arrears.
- For the Research Campus office rent relatively flat while outside space is up slightly by \$2,500 or 10 percent.
- Percent rent is up by \$35,000 due to late payments received.
- Labor services continues to increase and is up by \$5,000 with additional lab services being provided to clients.
- Federal grant revenue from EDA for the aquaculture accelerator has increased this category by almost 70 percent over the same period last year.

Total expenses for this fiscal year were \$1.64M or \$110,000 (6.5%) higher as compared to last fiscal year. We continue to very closely monitor expenditures. Almost one-half of this increase is attributable to EDA grant revenue received and paid to Hatch Inc. Also, of note are the following:

- Seawater system expenditures are down 6 percent (\$35,000) and much of this is due to decreased electrical costs and repair and maintenance of buildings.
- For Tenant Utilities expenditures are down 11 percent; electrical is down 8 percent and a decrease of 36 percent or \$6,000 for freshwater which was due to lower use and billing error.

- NELHA Utilities expenditures are down significantly (200 percent) with the new PV costs showing up now and a savings of \$32,000 for electrical or almost 350 percent and a slight increase of 13 percent (\$750) for freshwater.
- Ground maintenance and security expenditures show an increase of over \$40,000 due to a timing issue only regarding payment cycle as the security contract cost is the same as last year.
- Environmental Monitoring costs decreased by \$15,000 or mainly due to allocation of personnel costs amongst other categories.
- Beach Park maintenance shows modest increase of \$7,000 due to additional personnel costs for repair and maintenance.
- Administrative costs are up 15% or \$74,000 as compared to the same period last year. Mainly due mainly due to allocation of personnel costs amongst other categories and filling of vacant positions (\$55,000) and costs for the economic impact study (\$30,000).
- OHA costs are up with increase rent revenue.
- Special Projects/Federal grants increased by over \$56,000 after NELHA taking over the EDA grant from HSDC.

The Special fund balance is \$630,000 and up a healthy \$200,00 in the past four months. All data is as October 31, 2019. It shows recovery over FY 18 and FY 19. The major expense of \$750,000 in FY17 (yellow line) is for completion of the Hale Iako incubator. We are now above FY 17 as well. Current arrears are \$96,000 and down significantly in the past several months. If arrears are collected this will bring the balance close to \$730,000. 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 the building is for sale.

Total customer revenue, for this time period is up 6.5 percent or \$250,000. \$200,000 of the increase is due to rent as reimbursables/pass-through shows only an increase of \$50,000. Details are listed below:

- Relatively no change for the Water Bottling sector but Aquaculture sectors increased significantly with the payment of arrears.
- It is important to note that the Aquaculture sector now accounts for over 70 percent of total revenue if reimbursables are included.
- Energy sector shows a decrease of \$100,000 however this is due to the arrears due from Cellana showing up in this category.

Revenue is the highest it has been in the last 7 years. The Mats 4 sublease was executed. Mats 4 was informed that it would take 7 months for the building permit (which was submitted 3 months ago). Chair Rosehill asked if the County could assist with the lengthy review time. Director Ley responded that the timeline depends on project specifics and completeness of submissions. The Kowa supplemental agreement adding additional land to their project was also executed. Director Masuda asked about a visit by UH Hilo/ASU representative for a potential coral project at NELHA. This visit took place and NELHA staff is awaiting follow up from the

visitors.

Chair Rosehill entertained a motion to approve the Financial Report. Director Masuda made the motion which was seconded by Director Mielcke. A vote was taken and the motion passed unanimously, 9-0.

5. Old Business.

a. None.

6. New Business.

a. None.

7. Hawaii Technology Development Corporation: Informational Status Report.

The HTDC Board will conduct interview for the Executive Director position next Monday. A vote is expected to take place at the next HTDC meeting.

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

Executive Director Barbour stated that NELHA is out to bid for the survey work associated with the planning/design of offshore deep-water pipeline removal. He clarified that NELHA had obtained \$500,000 to remove 6 old pipelines abandoned by a NELHA tenant over 20 years ago. Mr. Leonard clarified that NELHA is carrying out a multi-step IFB and that the qualification step is completed. Sealed bids are expected in 1.5 weeks.

The equipment necessary for securing offshore and nearshore pipes has been purchased and NELHA is waiting for spring to install.

The approach to the microgrid project has changed dramatically. The project changed significantly from the initial grant project terms and became complicated with respect to funding and procurement. NELHA staff decided to publish an RFP solicitation. This allows to be on the safe side with respect to procurement law as well as make sure that NELHA will get the best deal possible on a microgrid project. The solicitation is currently on the street. We hope for an early December contract.

NELHA is close to announcing the award for the contractor that will look at the

feasibility of a sea water cooling district. This is a \$250,000 professional services project.

The US DOE Sunshot desalination project is proceeding. Progress is being made in restoring the CSP facility and the first DOE payment has been made.

Executive Director Barbour expressed that he is very pleased with the HATCH accelerator performance so far. They have exceeded expectations and have raised close to \$8million so far.

Barbour also suggested NELHA Board Directors mark their calendars for the WAS Aquaculture America meeting in February 2019. NELHA and NELHA clients will have a booth, provide presentations, chair sessions and provide facility tours through Friends of NELHA.

The exploratory phase of the potable water supply project is behind schedule. Director Masuda acknowledged that DLNR still needs to meet with the National Park Service and he hopes this will happen soon.

The project to explore alternative sources of water (non-potable well) has made it into the governor's budget. Chair Rosehill noted that the county efforts to address water issues for the ag park are experiencing delays due to issues related to salinity. Director Masuda asked about the type of water that could be utilized by Cyanotech. Barbour responded that the feasibility study would address this question. Cyanotech cannot accept wastewater plant water for growing their product. Director Rosehill suggested briefing the legislature on this project.

Executive Director summarized insurance proceeds expected for the Puna facility which was recently covered in lava. NELHA initially produced an estimate for \$7.8M which FEMA agreed with. Approximately \$1M is expected from PGV insurance company (as buildings will not be built on the site). The amount from the secondary State insurance providers is expected to be \$2M. It is expected that FEMA will provide approx. \$3.5M and the total funds to NELHA will therefore be about \$6.4M. FEMA staff has agreed to the calculation, and we have one final call tomorrow to resolve a small technicality. The timeline to receive funds and rebuild is optimistically 3 years but might take longer. We expect the PGV check within 30 days. The State funds will take longer because of the way their policy is written; the State must first show a project of over \$4M relating to the lava eruption has been started (could be a rebuild of a school in Puna). FEMA will send the money upfront. However, any cost overruns must be born by NELHA.

This meeting is the last of the year. The next Board meeting will be on January 21st. Legislative session starts on January 15th, the week before, so there should be no conflict. Director Rosehill posed the question on whether NELHA should or should not have a representative at the HTDC Board. Director Tanaka responded that DBEDT is working hard at communications amongst agencies and will be considering the

question.

Director Masuda informed the Board that DLNR is planning for a Hawaii Pavilion at the World Conservation Conference in Marseilles in June 2020. Director Masuda recommended NELHA consider participating. It is unclear who will be funding the effort.

9. Announcements.

10. NELHA Informational Presentation Series: Tour of Keahole Point Hatcheries LLC dba Blue Ocean Mariculture at 73-4375 Ilikai Place, Kailua-Kona, Hawaii 96740

11. Adjournment.