



NATURAL ENERGY LABORATORY OF HAWAII AUTHORITY

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



**BOARD OF DIRECTORS  
MEETING MINUTES  
Tuesday July 19, 2022  
10:00 a.m.**

**An Interactive Conference Technology Meeting was held at**

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

**and via Zoom Video Conferencing Software.**

**Members/Designees in Attendance**

Cyd Miyashiro (Gov. Appointee/Chair)  
William Mielcke (Gov. Appointee/Vice Chair)  
Noelani Kalipi (Gov. Appointee)  
Scott Glenn (DBEDT)  
Robert Masuda (DLNR)  
Doug Adams (County of Hawaii)  
Dr. Vassilis Syrmos (University of Hawaii)  
Alan Hilton (RAC Chair)  
Neil Sims (Tenant Representative)  
Bernice Glenn (HTDC)

**Guests/Staff Present**

Greg Barbour (NELHA)  
Laurence Sombardier (NELHA)  
Alex Leonard (NELHA)  
Keith Olson (NELHA)  
Faustine Edge (NELHA)  
John Cole (AG)  
Randy Park (Destiny Deep Sea Water)  
Robin Coonen (Blue Ocean Mariculture)  
Phil Wilson (Kona Cold Lobsters)

**Board Members Not Attending and Excused**

Dr. Phil Bossert (RAC Secretary)  
Dick Jones (Tenant Representative)

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- **Item 1. Call to Order.**

The meeting was called to order by Chair Cyd Miyashiro at 10:02 a.m. Reference to Act 220.

Chair Miyashiro welcomed Bernice Glenn, the new Hawaii Technology Development Corporation (HTDC) representative at her first meeting of the NELHA Board of Directors and asked her to introduce herself.

Chair Miyashiro asked Executive Director (ED) Barbour for a roll call of Board members and NELHA staff.

- **Item 2. Approval June 21, 2022, NELHA Board of Directors' Meeting Minutes.**

Chair Miyashiro entertained a motion to approve the June 21, 2022, minutes. The motion was made by Director Masuda and seconded by Director Kalipi. There were no objections, and the minutes were approved as circulated (9-0).

- **Item 3a. Discussion and Decision-Making regarding Purchase of a Building from Destiny Deep Seawater LLC at HOST Park to serve as an Office Building and Incubator.**

Chair Miyashiro asked ED Barbour to present this agenda item. ED explained on April 19, 2022 the Board approved issuing a Request for Proposal (RFP) to purchase a building with funds from FEMA and insurance proceeds. The research campus is at full capacity, and NELHA is turning away applicants. Buying a building would allow NELHA to bring in new businesses. NELHA is currently designing a research campus extension and it will take several years to complete as additional funding must be secured for this project. Only one response to the RFP was received and it was from Destiny Deep Seawater (Destiny). The proposal from Destiny includes 28K square ft, 3K sq ft office space, high cube superstructure (open to floor, no support beams) and meets the minimum requirements of the RFP.

The building is located near the entrance to HOST park on the north side of Makako Bay Drive. The facility is 15-16 years old, 75% paved, has deep seawater, potable water, electricity, telecom and septic system, storage, trailer access, roll up doors, two clean rooms, and is adequately zoned. Additionally, there is equipment NELHA can use: water quality lab equipment, a forklift and tanks.

Destiny's proposed price for the building is \$5M. ED Barbour asked Deputy Director (DD) Sombardier to explain the appraisal process. DD Sombardier explained that a professional appraiser, ACM Consultants, Inc. (ACM), completed the appraisal with the assistance of professional commercial building estimator, Joe Uno & Associates. ACM looked at all traditional methods of sales, income, and cost approaches. Because of the park restrictions, the cost approach made the most sense. After NELHA received the draft, they had a third party (a bank) with significant expertise assist with the review. ED Barbour continued that after the acceptance of the appraisal, NELHA

made a \$4.75M (with removal of equipment) offer to Destiny which they accepted. Expected annual revenue is \$600,000, annual expenses \$250,000, netting approximately \$350,000 per year from the building and outside space at 100% occupancy.

Next steps are to request FEMA's approval at which point a final sales agreement can be presented to the Board for final approval. Director Masuda moved to approve purchasing the building from Destiny with FEMA's final approval. Director Simms seconded the motion. The building purchase is approved as presented. (9-0).

- **Item 4. New Business. Discussion and Decision-Making regarding the Assignment of Sublease K-7 from Kona Cold Lobsters Ltd to Keahole Point Provisions.**

Chair Miyashiro asked DD Sombardier to present this agenda item. DD Sombardier stated that after 35 years presence at HOST Park, Kona Cold Lobsters Ltd. (KCL) owners started planning to retire from Kona Cold management and ownership. Their operations have included distribution of Maine lobsters branded as Keahole Point Lobsters which are sold to Hawaii restaurants and local retail markets. KCL also distributes other seafoods from the park to the local and mainland markets. In addition, KCL processes lobsters, crab and other seafood products including kampachi in their certified kitchen. Keahole Point Provisions LLC (KPP), a fully owned subsidiary of Blue Ocean Mariculture plans to acquire KCL. Both companies are in good standing with KCL having recently fully paid significant past due balances. Additionally, KCL has paid in advance percent rent for the first half of calendar 2022.

KPP plans to invest \$200,000 for upgrades to the Kona Cold facility and retain the KCL employees. KPP will be increasing full time equivalents (FTE) offering a full package of benefits. With this addition, the expected number of employees under the Blue Ocean Mariculture umbrella which includes KPP will be approximately 60. NELHA lease terms are \$1,900 per acre per month. This is the new rate which was approved at the June 2022 Board Meeting, and the annual CPI increase will be included going forward. The rent will be increased to standard retail of 5%. NELHA is amenable to extend the existing lease of seven years to ten years at KPP's request.

After reviewing the draft asset and purchase and other information provided by KCL, NELHA determined there is no percent rent due to DLNR. DD Sombardier introduced Robin Coonen from KPP and Phil Wilson from KCL for any remarks. Ms. Coonen offered to answer any questions and commented this is a good move for their company, and they hope to continue to be a good tenant and neighbor. Mr. Wilson had no comment. Chair Miyashiro opened for discussion. No further discussion. Vice Chair Mielcke motion to consent to the assignment of the entire property. Director Hilton seconded. The consent assignment was approved as presented. (9-0).

- **Item 5. Financial Report: Approval and Decision Making.**

Chair Miyashiro asked ED Barbour to present this agenda item. ED Barbour presented an overview of the Fiscal Year 2022 ending June 30.

#### Revenue

- Total revenue was \$4.7M for the twelve months of this fiscal year and this represents a decrease of \$1.7M or 25 percent for the same period last year. As shown on the chart above, it is similar to the past five years with the exception of last year due in large part to the \$1,300,000 received from the insurance for the damage to the Puna property; \$200,000 transfer payment for the water well; and, \$100,000 from EDA.
- Seawater system revenue continues to decline due to lower demand. Businesses are conserving, reducing the amounts, and finding ways to reuse the water.  
NELHA will complete a seawater rate analysis this year to see if any adjustments should be made. The last analysis was four years ago. We expect there will be no further decrease in demand and anticipate an overall increase in seawater usage due to new businesses coming online.
- Lease rent was flat in HOST Park outside of the research campus, and continues to increase at the campus which is at full capacity. Percent rent increased largely due to companies clearing arrears from last year. But also, the businesses are doing better, and their percent rent is increasing. There was a lot of uncertainty with the pandemic, so this is good news.
- Labor services continue to increase with HOST Park and outside businesses using our Water Quality Lab.
- Miscellaneous income is down mainly due to partial down payment Blue Ocean Mariculture for the building they purchased last year.
- Overall, it was a good and encouraging year. A couple of years ago we were worried we would see a significant downturn in revenues with businesses closing, but it appears we were able to come through the pandemic without any problems. ED Barbour asked for any questions on revenue this past fiscal year. There were no questions.

#### Expenditures

- Total expenses were approximately \$4.9M or down by \$800,000 or 15 percent. This is mainly due to the \$1M contract last year with WRNS for the new campus design paid for with insurance proceeds. Otherwise, expenditures were down collectively by \$200,000. We continue to monitor expenditures very closely.
- Seawater expenses are down slightly.

- Utilities are up because of a higher electrical cost. Electrical costs have doubled in the last 18 months, and are close to 50¢ per kWh. Although we do have a surcharge on the seawater rate, we're still losing money and plan to address this situation this coming year.
- Director Scott Glenn commented at Hawaii State Energy Office they are projecting price of oil will be \$75 to \$200+ per barrel over the remainder of the year. Projections worldwide are from a conservative \$75 per barrel if we are fully in a recession to \$300 per barrel in extreme scenarios depending on the war in Ukraine. Director Scott Glenn additionally commented the impact could be magnified for Hawai'i Island because of the "avoided costs" clause that is included in some power purchase agreements with the power utility.

**Director Doug Adams joined at 10:38am.**

- Good news regarding electrical costs is that approximately 200 kW of PV is installed in the research campus, so there is no grid power used in the middle of the day. NELHA also has a new project at the 55" pump station with expected completion 6-9 months. With this project, installed renewable at the park will bring renewables to 30% of our total power consumption (not counting tenant usage).

Special Fund and Arrears

- Special fund balance is \$800,000 and down \$200,00 over the past twelve months.
- Current arrears are \$80,000 and if arrears are collected this will bring the special fund balance close to \$900,000. The largest arrears amount is from Ocean Era who is dealing with issues associated with their federal grant.

Chair Miyashiro commended ED Barbour and his staff for their revenue resiliency especially during COVID. It does show there is little correlation with tourism spending and it does speak to NELHA being self-reliant. Chair Miyashiro continued that it speaks to NELHA being proactive on the rising costs and vigilant on addressing any issues that could be coming down as well as NELHA's foresight in investing in renewable energy sources. She felt these long-term decisions are coming to fruition now, along with just good management of the finances. Chair Miyashiro opened discussion to board for further comment. Hearing none, Chair opened to the public for any comments, no members of the public were present. Director Masuda motioned to approve the financial report as of June 30, 2022. Director Mielcke seconded. The Financial Report was approved as presented (10 - 0).

ED Barbour thanked Chair Miyashiro for her kind words, and echoed Chair's comment that the businesses at NELHA are resilient and were not affected by the pandemic because this sector is not impacted by tourism. In the last 2.5 years only one business

was lost, however, ten business were added. NELHA is doing well and growing validating the economic diversification strategy.

- **Item 6. NELHA Fiscal Year 2023 Budget: Approval and Decision Making**

Chair Miyashiro asked ED Barbour to present this agenda item. ED Barbour reported that with a staff of 16 we have \$21M in current projects. This speaks highly of NELHA's staff's dedication and ability to work hard.

ED Barbour recapped the Financial Summary – Proposed Budget FY 2023 and noted that there are three major funding sources: 1) Special Fund, 2) Federal Grant 3) Capital Improvement Projects (CIP) which are distributed equally among the \$21M. There are no general funds for this fiscal year.

- 1) Special fund proposal is balanced, with the planned \$5.8M in revenue equal to the \$5.8M in planned expenditures.
- 2) Federal Grants
  - DOE Solar Desalination project. Expected completion approximately six-months, it is in Phase 3 which is the final phase.
  - EDA Grant which is in its first year of a four-year grant. NELHA may receive another \$800,000 grant this year, but we asked them to hold off because part of the grant was for construction to deploy a mobile lab fleet. Now, with the possible building purchase from Destiny, the mobile labs could be moved to that area.
  - FEMA Disaster assistance grant of \$3.5M was received for the destruction of buildings in Puna due to 2018 volcanic eruption.
- 3) CIP
  - Encored microgrid project (battery and PV). \$1.85M to be completed this fiscal year.
  - Regional Seawater Air Conditioning District feasibility analysis project is wrapping up. It appears that we won't extend seawater AC regionally, keeping it in HOST Park. If we choose to extend it will be to the airport. We hope to have that analysis completed in November.
  - NELHA has \$500,000 in funding for an offshore survey of abandoned pipelines and securing or removing them. Terrasond, Inc. has a contract to survey the abandoned pipelines and is expected to carry out the work in spring when surf is minimal. NELHA is contemplating combining this project with the offshore freshwater exploration CIP project to help reduce costs as the two projects would potentially use the same vessel.
  - Water Resources well - \$2.5M for potable water well. There have been delays but recently we had a conversation with the Governor, DLNR Director Case

DLNR Deputy Kaleo Manuel. The Commission on Water Resource Management (CWRM) hopes to bring this project to their August board meeting. At their last meeting in April 2021 CWRM deferred action pending additional input from local practitioners and AHA Moku. That work is done, and they have come back with mitigating factors which will also be presented at the August CWRM meeting.

Proposed Revenue. A significant increase of 25% is planned. Director Masuda mentioned at the last board meeting that we should be seeing some upside in rent revenue with the new projects coming onboard recently. HOST Park leases are indeed projected to increase by 30%. Campus revenue is also expected to increase as rent is now being received for Hale Kaa and rates increased as of July 2022.

There is some increase with special projects as well, such as the EDA grant, and funding from Sandia Lab to wrap up the battery flow project. A 6% inflationary factor was utilized. Seawater revenue is expected to increase slightly due to projected energy cost increases. ED Barbour asked if there were any questions before moving onto expenditures. No questions.

Expenditures. Proposed expenditures are in balance with revenue increase of about 20%. We have been putting off a lot of the expenditures the last several years due to inadequate revenue.

We plan to invest in repair and maintenance of the seawater system and maintenance on the main pumping stations with the extra funds we have this year.

We would like to also combine the research campus grid with the farm compound grid which is adjacent to us.

About three years ago, we bought the equipment for pipe holddowns. We have been holding off on this project but this year we would like to complete to avoid a possible emergency. This past weekend the high surf caused concern.

A new nutrient analyzer is badly needed as the existing one is 15 years old. This is a high-priority item, and we may be able to create additional revenue from a new nutrient analyzer.

As part of our EDA grant, we are scheduled to spend \$100,000 on marketing and 80% would come from the EDA grant.

Flow battery wrap up is listed at \$150,000. We are out to bid and don't know what that amount will be, but we have a contract for \$165,000 from Sandia.

Chair Miyashiro asked if the 2023 budget takes into account the potential volatility in

energy costs. Operations Manager Keith Olson replied that we have an energy surcharge in the seawater, so impact regarding sea water rates is negligible. ED Barbour reported he adjusted the seawater expenditures down assuming that the energy project with the 55", 500 kW PV and the 800 kWh battery will come online in six months. Chair Miyashiro asked if there would be any impact on the budget resulting from any seawater rate adjustments. DD Sombardier confirmed impacts would not be seen before next fiscal year 2024, as the assessment would first need to be completed.

Chair Miyashiro asked for comments from the board. There were none. Chair Miyashiro said ED Barbour did a great job on presenting a balanced budget. Chair Miyashiro asked if there were members of the public. None were present. Director Masuda moved to approve the NELHA Fiscal Year 2023 budget. Director Hilton seconded. The 2023 budget was approved as presented. (10-0).

- **Item 7a. Executive Director's Informational Status Report on ongoing projects including: new leases; seawater system maintenance; offshore deep seawater pipe removal planning and design; regional seawater air conditioning planning and design; new potable water supply update; aquaculture accelerator and investment fund initiative; design of expansion of research campus and visitor center; renewable distributed energy resources initiative for microgrid; and, solar desalination.\***

#### **Directors Kalipi and Syrmos leave meeting at 11:00am**

- ED Barbour reported he was speaking with UH Hilo and Dr. Don Thomas about the off-shore survey. Dr. Thomas is most likely working with UC San Diego who has this technology. We hope to get the survey completed in March, and then remove the old Ocean of Hawaii Farms pipeline at the end of the fiscal year.
- The Solar Desalination is in the final phases getting ready to produce desalinated water.
- PV and Battery project is expected to be completed after the beginning of the 2023 calendar year.
- Aquaculture accelerator program is going well. The principals of HATCH have now received their final visas and will be here on August 1.
- We have completed the environmental assessment for the research campus expansion and have signed off on the findings. There is no significant impact, and it will be published as environmental notice on August 22, followed by a 30-days waiting period. We may request funding for the construction of the expansion from legislature this next calendar year.
- HOST Park EIS hasn't started yet. The Governor signed the budget last week, and we did receive \$1.5M for this project.



- **Item 8. Announcements.**

Chair Miyashiro noted that our next meeting is scheduled for September 20, 2022.

- **Item 9. Adjournment.**

Chair Miyashiro adjourned the meeting at 11:04 a.m.

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