



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
May 16, 2023
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)
Gordon Bruce (Gov. Appointee)
Noelani Kalipi (Gov. Appointee)
Riley Saito (County of Hawaii)
Bernice Glenn (HTDC)
Alan Hilton (RAC Chair)
Neil Sims (Tenant Representative)
Russell Tsuji (DLNR)
Dick Jones (Tenant Representative)
Mark Glick (DBEDT)

Guests/Staff Present

Greg Barbour (NELHA)
Laurence Sombardier (NELHA)
Faustine Edge (NELHA)
John Cole (AG)
Jeff Zimpfer, (National Park Service)

Board Members Not Attending and Excused

Dr. Vassilis Syrmos (University of Hawaii)
Phil Bossert (RAC Secretary)

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

The meeting was called to order by Chair Cyd Miyashiro at 10:03 a.m.

Chair Miyashiro asked Executive Director (ED) Barbour for a roll call of Board members and NELHA staff. Reference to Act 220. 10 members present and 2 excused.

- **Item 2. Approval January 17, 2023, NELHA Board of Directors' Meeting Minutes.**

Chair Miyashiro entertained a motion to approve the May 2, 2023, minutes. Director Sims noted a correction to the minutes under Item #4 was needed to change the word "simplification" to "acidification". Chair Miyashiro thanked him for his care and diligence on meeting materials and asked if there were any objections. There were no objections, and the minutes were approved as circulated (10-0).

- **Item 3. Approval and Decision-Making on the Performance Review of the NELHA Executive Director for the period July 1, 2021 through June 30, 2023.****

Director Glick made a motion to enter into Executive Session to discuss this personnel issue. This was seconded by Director Tsuji. Chair Miyashiro asked for any objections. There were none and a 10-0 vote was given to enter into Executive Session. The Board exited Executive Session at 10:19 am. Director Sims called back the board attendees and meeting was resumed at 10:25 a.m. AG Cole offered a summary of the discussion. When they went into executive session to discuss the evaluation of the Executive Director it was decided that more information was needed before recommendations could be made. The Committee will collect that information and plans to make their recommendation and vote at the next scheduled board meeting.

- **Item 4. Election of the NELHA Board of Directors' Officers for Fiscal Year 2024 beginning July 1, 2023, through June 30, 2024.**

Chair Miyashiro asked for nominations for Officers of the Board. Director Hilton recommended a motion in keeping with the practice that Governor's Appointees serve as our Board's Chair and Vice Chair. He nominated Cyd Miyashiro for a new term as Chair and Noelani Kalipi as Vice Chair. Before the vote, Chair Miyashiro opened for discussion. Director Hilton acknowledged Chair and Vice Chair have been doing a great job. Director Tsuji made the motion to approve Director Hilton's recommendation and Director Bruce seconded. There were no objections and the NELHA Board of Directors were approved as nominated (10-0).

- **Item 5. Old Business.**

None.

- **Item 6. New Business.**

None.

- **Item 7. Financial Report: Approval and Decision Making.**

Chair Miyashiro asked ED Barbour to present this agenda item. ED Barbour presented an overview for July 2022 through April 2023.

Revenue

- Total revenue was \$4.5M for the first ten months of this fiscal year and this represents an increase of \$650,000 or 17 percent for the same period last year. It is above the past five years apart from FY21 when we received the insurance reimbursement for the Kilauea destruction. Much of the increase, \$425,000 or 70 percent is due to increasing cost of electricity. Increased rental income and investment revenue each also exhibited an increase of \$250,000. On the downside, these increases were offset by a decrease of \$200,000 in percent rent which is due to the large amount of arrears collected last year. Of notice for FY23 are the following:
 - Overall seawater system revenue is up by \$325,000 or almost 30 percent. Demand is up 15 percent, but the main increase is due to the surcharge of \$230,000 (350 percent) as electricity rates are significantly higher than the same period last year.
 - Overall lease rent is up by \$175,000 (10 percent) for the first ten months of the year. More specifically, HOST Park lease base rent (property outside the Makai Research Campus is up 5 percent; Makai Research Campus office space is up 17 percent (\$40,000) and outside space in the Makai Research Campus increase by 30 percent or \$50,000.
 - Percent rent decreased significantly by \$200,000 due to payment of arrears for the same period last year.
 - Reimbursements for electric are up by \$200,000 or 65 percent and due to higher electrical costs. Freshwater reimbursements are also up \$65,000 (130 percent) due to an increase from approximately \$3.50 per kgal to almost \$5.00 per kgal.
 - Interest/Investment income is up \$85,000 (150 percent) due to a distribution from venture fund HATCH 1.

ED Barbour asked if there were any questions on revenue. Hearing none he continued with expenditures.

Expenditures

- Total expenses for the first ten months of this year were approximately \$3.8M or up by \$140,000 or 3 percent. Overall expenditures were up mainly due to an increase in

seawater system electrical and tenant electrical reimbursables (\$320,000). We continue to monitor expenditures very closely. Of note are the following:

- Seawater system expenditures were up by 50 percent (\$500,000) due to shifting of personnel to focus on upgrades; purchase of R&M supplies; and, increased electrical costs.
- Tenant utilities are up by 50 percent or \$200,000 due to increased HELCO rates.
- NELHA utilities are down by \$170,000 due to back payments to PPA provider began in FY22 as well as miscellaneous unresolved issues with meter readings.
- HOST Park security is up by \$60,000 (25%) mainly due to new annual security contract being executed in the third quarter.
- Beach Park maintenance is down by \$10,000 (30%) for the first ten months mainly due shifting of personnel tasks to the seawater system, lower freshwater costs by turning off the irrigation at the beach park and installing portable toilets while closing the restrooms for renovation.
- Administrative costs are down by \$125,000 (10%) due to shifting of personnel.
- OHA quarterly ceded lands payment is down by \$20,000 (5%) for the first ten months of the year due to lower percent rent income.
- Special projects expenditures are down by \$315,000 due to the one-time water well contract payment last year and the final payment to Hawaii Natural Energy Institute for the energy analysis, also last year.

ED Barbour asked if there were any questions. Hearing none, he continued to Special Funds and Arrears.

Special Fund and Arrears

- Special fund balance is \$860,000 and up slightly by \$200,000 over the first ten months.
- Current arrears are \$28,000 and if arrears are collected this will bring the special fund balance close to \$860,000.
- As of April 30, 2023, the arrears are very low and totaled approximately \$4,000 and down from \$80,000 earlier this year.
- Legacy Reef has paid down about half of their arrears. ED Barbour mentioned we might have to call in our resources at the Deputy Attorney General and see if we can try to get them to pay.

ED Barbour closed his Financial Report. Chair Miyashiro asked if there were any questions or comments. Chair Miyashiro asked at what point do we typically write off uncollectable rent? DD Sombardier answered that NELHA is responsible for starting the process and tries every avenue to collect. If collection looks unlikely, we work with our Attorney General to write it off and it will stay on the books for two years before it can be taken off.

Director Sims asked if the Legacy Reef discussion should be included in the meeting minutes. He was concerned that if Legacy Reef read the minutes, they might decide to wait two years for their debt to disappear. AG Cole responded he knows agencies have forms that must be filled out, and those forms are public. He is reluctant to redact this discussion. DD Sombardier did not believe including the discussion would impact Legacy's Reef actions, as they believe they have paid their base rent in full. The amount that is outstanding consists of late fees and interest, which they don't believe they should owe. Director Hilton added the two year requirement was something DOT had to look at recently. ED Barbour commented that we were able to bring Legacy Reef's \$10,000 total arrears down to approximately \$3,000 which represent the late fees and interest on their debt. He also confirmed that they have had many conversations with Legacy Reef and the organization believes they have done enough.

Chair Miyashiro said that from a board's perspective it is their responsibility to understand the rental income and fee income. Director Sim's brings up a good point with respect to understanding what is proprietary. It's important for the board to know what the policies and procedures are with subjects like arrears and collection, and how to handle in the future. ED Barbour answered NELHA does not disclose the rental income from each individual business but instead we aggregate it into groups because unaggregated information could be used by competitors. ED Barbour asked for clarification about what we should disclose when a business comes into arrears. AG Cole commented that the way NELHA presents the financial information aggregated in graphs and reports is fine for public information. He also agreed with ED Barbour that individual lessee's percentage of revenue should remain undisclosed.

Chair Miyashiro asked if there were other questions or comments from the board or from the public. Hearing none, Director Kailipi moved to approve the financial report, Director Tsuji seconded. No objections and the Financial Report was approved as presented (10-0).

- **Item 8. 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.***

Chair Miyashiro asked ED Barbour to present this agenda item. ED Barbour started by explaining he will keep the presentation brief as we had a board meeting on May 2. He will focus on any major changes that occurred since that meeting.

The Sunshot Desalination Project received a 3-month extension until June 30, 2023. They will use this extension for two remaining items: 1) let the system run 24/7 for five days. They will use solar insolation and propane in the evening to obtain better cost data, and 2) the Department of Energy (DOE) asked Trevi if they would do a simulation using the excess heat from the hydrogen electrolyzer to see what impact that might have on desalination costs. This is for another DOE hydrogen production project. They will be bringing in the electrolyzer from Cummins.

Director Sims asked if offshore EIS made it through conference committee as he had heard it did not. ED Barbour answered we did receive \$1.5 million, and also received \$2 million for the repair and maintenance of the seawater system. Director Sims asked why it wasn't updated for this report, and ED Barbour explained it will be reported when funded in the new fiscal year. ED Barbour additionally commented there are no changes in legislation that impacted NELHA, and thanked Director Sims for all his support. Chair Miyashiro commended ED Barbour for his hard work during session.

Item 8. Announcements.

Chair Miyashiro noted that our next meeting is scheduled for Tuesday, July 18, 2023, at 10:00am.

Chair Miyashiro reminded the board of directors are required to file their disclosures with the Ethics Commission by the end of this month, May 31st.

- **Item 9. Adjournment.**

Chair Miyashiro adjourned the meeting at 10:53 a.m.

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