I. CALL TO ORDER

Chair Moore called the meeting to order at 11:30 a.m. on Thursday, December 5, 2019, at the University of Hawai‘i at Mānoa, Information Technology Building, 1st Floor Conference Room 105A/B, 2520 Correa Road, Honolulu, Hawai‘i 96822.

Committee members in attendance: Chair Randy Moore; Vice-Chair Alapaki Nahale-a; Regent Eugene Bal; Regent Wayne Higaki; and Regent Jan Sullivan.

Others in attendance: Board Chair Ben Kudo; Regent Simeon Acoba; Regent Kelli Acopan; Regent Michael McEnerney; Regent Robert Westerman; Regent Ernest Wilson Jr. (ex officio committee members); President David Lassner; Vice President (VP) for Administration Jan Gouveia; Interim VP for Community Colleges Erika Lacro; VP for Legal Affairs/University General Counsel Carrie Okinaga; VP for Academic Planning and Policy Donald Straney; VP for Research and Innovation Vassilis Syrmos; VP for Information Technology/Chief Information Officer Garret Yoshimi; VP for Budget and Finance/Chief Financial Officer Kalbert Young; UH-Mānoa (UHM) Provost Michael Bruno; UH-West O‘ahu (UHWO) Chancellor Maenette Benham; Executive Administrator and Secretary of the Board of Regents (Board Secretary) Kendra Oishi; and others as noted.

II. APPROVAL OF MINUTES OF THE SEPTEMBER 5, 2019 MEETING

Regent Sullivan moved to approve the minutes of the September 5, 2019, meeting, seconded by Regent Nahale-a, and the motion carried unanimously.

III. PUBLIC COMMENT PERIOD

Board Secretary Oishi announced that the Board Office did not receive any written testimony and that one individual signed up to provide oral testimony.

Rosie Alegado, representing Ho‘ola Waiale‘e (a UH faculty and community hui), commented on the Waiale‘e property noting that Ho‘ola Waiale‘e was exploring the possibility of establishing an agreement with UH to allow access to the property so the organization could hold community work days for cleaning and clearing the property. She also noted that a UH faculty hui was actively working on proposals to generate revenues to fund appropriate research activities at Waiale‘e.

IV. AGENDA ITEMS
A. Committee Goals and Objectives

Referencing materials provided to Committee members, Chair Moore discussed the Committee goals and objectives noting that he had reviewed Regent Policies and Board bylaws as they related to the Committee to begin determining whether the policies and bylaws were aligned with Committee goals, objectives, policies, functions, and activities. Chair Moore recommended that several amendments be made to Regent Policies and bylaws and briefly reviewed each recommended amendment. He also noted that there are a number of interrelationships between the Planning and Facilities Committee and the Budget and Finance Committee.

Regent Sullivan suggested that the Committee consider receiving detailed Capital Improvement Project (CIP) reports on a semi-annual basis instead of quarterly, and less detailed updates in-between. She also noted that CIP reporting requirements are not contained in Regent Policies and perhaps the Committee can have further discussion on this issue at a later meeting.

Chair Moore also disseminated and discussed the Committee work plan for Fiscal Year 2019-2020, remarking that the work plan was also reviewed by Vice-Chair Nahalea and VP Gouveia, and all agreed the work plan looks feasible.

B. Recommend Board Approval to Authorize the Administration to Support and Participate in a Public Utilities Commission-Approved Green Tariff Program

VP Gouveia provided an overview of the Green Tariff Program (Program) noting that the Program was a pilot program established by the Hawaiian Electric Company (HECO) and would be a means of addressing statutorily established goals that UH become net-zero with respect to energy use by January 1, 2035. She highlighted that under the Program, UH would be granted the ability to utilize remote real property under its control for a specified renewable energy facility and in turn experience the financial benefit associated with renewable energy rates at a distant site or campus.

VP Gouveia provided a brief explanation of a power purchase agreement (PPA) and expounded on the differences between a traditional PPA and the Program, noting that the Program contained unique characteristics and in industry terms would more appropriately be referred to as a sleeved PPA. VP Gouveia also discussed the financial impacts and cost savings contemplated by UH as a result of its participation in the Program by providing a specific example of how the Program would work using lands located on the Makai campus of UHWO for development of a renewable energy facility. She noted that if the Committee agreed to recommend Board authorization for the Administration to participate in the Program and the Program received approval from the Public Utilities Commission (PUC), the Administration is expecting to possibly realize energy cost-savings sometime around 2024-2025.

Board Chair Kudo inquired as to who the PPA developer would be under the Program. VP Gouveia replied that it would be a private developer selected by HECO.

Regent McEnerney questioned the ability of UH to back out of an agreement once one has been entered into with HECO. VP Gouveia replied that once an agreement
with HECO regarding the Program is entered into, UH cannot back out of the agreement without penalty. However, VP Gouveia stated that through negotiations, UH does have the ability to terminate the services agreement if the project becomes financially unfeasible but the PPA developer must continue to be allowed to use the parcel on which the energy facility was constructed without cost and the long-term land use agreement remains in effect.

Regent McEnerney queried whether UH or the developer of the renewable energy facility would be responsible for insurance, repair and maintenance, and other associated costs of the facility. VP Gouveia replied that those responsibilities and costs rested with the developer.

Regent Westerman asked about the saturation level of solar on O‘ahu noting that this could affect energy cost savings. VP Gouveia responded that she was not aware of the saturation levels of solar on O‘ahu. However, the structure of the Program mitigates the adverse impact of solar saturation because the fixed costs of HECO will continue to pass through to UH; the Program only supplants the ECAF energy rate line item component of the overall HECO rate structure/invoice, which ensures minimal adverse impact on the broader HECO rate-paying customer base.

Discussion occurred as to whether the Administration properly evaluated the parcel in question for alternative uses for other revenue generation for the University. VP Gouveia stated that, although no site has been finalized, the Administration’s evaluation and analyses of the value for use of the proposed parcel in question in terms of a solar facility were that it will be economically advantageous to the University and that if other alternative uses for that parcel were more financially beneficial to the University, those alternatives would be evaluated and considered.

Regent McEnerney questioned whether the 11 cents renewable energy rate agreed to under the Program is fixed for the 20 year life of the Program. VP Gouveia clarified that the 11 cents renewable rate was a very conservative rate that was used in the presentation only for purposes of explaining the financial model. Miles Topping, Energy Manager, explained that in the example provided, the financial model of the Program fixes the rate at 11 cents for 20 years noting that the Administration worked with the University of Hawai‘i Economic Research Organization (UHERO) to develop a model and that UHERO analyzed rates, rate trends, and factors affecting rates over the past several decades that informed the model. The 11 cents rate used in the example is on the higher end of the spectrum of the latest awarded HECO RFPs and thus was considered a conservative number. UHERO’s initial analysis, done before the recent HECO rate structure change to the ECAF, indicated that a green tariff will remain beneficial to UH over the 20 year life of the Program. VP Gouveia reiterated that if unforeseen circumstances cause the Program to become financially unfeasible for UH, the Program still provided a means for UH to terminate the agreement. However, Miles Topping clarified that his office would still need to rerun the UHERO model before UH enters into contracts or agreements that reflect the final green tariff rate structure and the current HECO rate structure in effect at the time of decision making.
Regent Acoba inquired as to whether the 11 cent rate was guaranteed or subject to bids or proposals by the PPA developer. VP Gouveia replied that it was subject to the proposals by PPA developers. Regent Acoba questioned whether UH would have any control over the rate accepted by HECO from the PPA developer or would UH be committing itself to the Program without knowing the actual rate it would receive. VP Gouveia stated that UH would have one last opportunity to review all the agreements and rates with HECO before entering into any long-term land use agreements and before UH enters into a services agreement with HECO. If UH does not believe the final rates and terms to be favorable, then UH will not enter into a land agreement or services agreement. If UH does not proceed with a land agreement and/or service agreement, UH will be liable to HECO for a penalty of up to $100,000, less any RFP fees submitted by the developers to HECO.

Discussions occurred as to the ability of the Program to be financially beneficial over the long term to UH if the 11 cent renewable energy rate is kept constant and other costs fluctuate. It was noted that the Program, as currently modeled, would only be beneficial to UH if costs for fuel, and therefore energy rates, continue to rise and that the assumption, after analyzing trends, was that they would.

Regent Westerman asked whether the Program included contingencies for a battery storage system. VP Gouveia replied in the affirmative.

Regent Nahale-a questioned whether the anticipated cost-savings from the Program would be limited to UHM or could other campuses on O'ahu also experience cost-saving benefits from the Program. VP Gouveia stated that the long-term plan is for all O'ahu campuses to benefit from the Program.

Clarifying that the lands proposed to be used for the Program were Makai lands located on the campus of UHWO, Regent Sullivan voiced her concerns as to how the Program could impact future use of these lands. VP Gouveia responded that the Administration has still not identified the specific parcels of land to be used for the Program and that, as currently modeled, it was anticipated that Program would only require the use of 50 out of the 500 acres of available land. Regent Sullivan stated that she had concerns about providing authority to the Administration to execute a long-term, 20-year, agreement with a PPA developer and HECO without having all the facts and information about the land and parcels in question.

Regent Sullivan asked if UH could qualify as a PPA developer. VP Gouveia replied that the Administration was still reviewing whether or not this was a possibility.

Regent Wilson left at 12:15 p.m.

Board Chair Kudo remarked that the Program has numerous unknowns and uncertainties regarding risk and benefit projections and questioned whether it would be more beneficial for UH to simply completely remove itself from the grid. VP Gouveia replied that that was unrealistic for UHM. The current focus of the Program is UHM, which has the highest utility costs ($27 million in 2018), and there is not enough space on the UHM campus, even if all available rooftop and parking lot spaces are used for
photovoltaic solar power generation to generate enough energy to power all of campus operations, including high intensity research operations. Large parcels of land are needed to be able to generate the amount of grid-sized electrical energy needed by UHM, which in part can be provided by UHWO, and the Program was structured accordingly.

Regent Higaki remarked that he had concerns regarding the land that would be used for the Program and asked if the land would still be encumbered for 20 years should the Administration determine the Program to be financially unfeasible for UH and the agreement was terminated. VP Gouveia replied in the affirmative.

Chair Moore remarked that 20 years was not a long period of time with respect to utilities and that if UH were to delay these efforts in order to obtain a better deal from HECO, that a deal would never be reached. He noted that he would want to see if it were possible to do a bifurcation of this Program where some power would be generated on the UHM campus in addition to power generated through the Program at UHWO. Chair Moore posed a question to Committee members as to whether they want to forward this request to the Board or wait until more information is received from the Administration, noting that if the Committee waited, the Program might face further delays. VP Gouveia stated that if the Committee failed to act, HECO simply would not file their plan with the PUC. VP Gouveia mentioned the possibility of amending the Administration’s request to only ask for authority to support the PUC filing by HECO and then return to the Committee at a later date with additional information about a particular site and firmer rates. VP Gouveia reiterated that the Program that will be filed with the PUC explicitly states that: (1) UH must commit to long-term use of land at no cost; and (2) if an RFP process is initiated and UH does not enter into either a long-term land use agreement and/or services agreement, then UH is obligated to pay HECO a penalty of up to $100,000 less any RFP fees submitted by developers to HECO.

Regent Higaki left at 12:55 p.m.

Chair Moore asked why the Administration picked 11 cents as the figure to use for the renewable energy rate. VP Gouveia responded that the Administration took a conservative approach and determined that 11 cents was the highest feasible rate.

President Lassner commented that the core question that needed to be answered was whether the Board was willing to support the Administration in moving forward with the best negotiated deal it could make with HECO. He noted that HECO only needed assurances that the Board will support this program and reiterated the comments by VP Gouveia that the request can be modified to only seek authority to support the PUC filing by HECO and the Administration can return and seek participatory authority at a later date. President Lassner also stated that it may be possible to use other land owned by UH for the Program to address concerns mentioned about the UHWO land.

Regent Sullivan moved to approve the request in part allowing the Administration to support the PUC docket filing of the Program and requiring the Administration to evaluate the option of UH being a PPA developer and return to the Committee with
more information on the specifics of the Program and seek Board approval before entering into a tariff or land agreement.

VP Gouveia requested clarification on the motion asking if the Committee was okay with the Administration supporting the PUC filing if the filing specifically noted that UH will be making land available to a PPA developer at no cost for 20 years. Discussions occurred on this matter.

Regent Sullivan withdrew her motion to conditionally approve the Administration’s request and noted she would be voting no.

Regent Bal moved to approve the request in part allowing the Administration to support the PUC docket filing of the Program, seconded by Vice-Chair Nahalea, and the motion carried with Regent Sullivan voting no and Regent Higaki excused.

C. Fiscal Year (FY) 2019-2020 1st Quarter Capital Improvement Project (CIP) Status Report as of September 30, 2019

VP Gouveia provided a brief report on the status of CIPs through the first quarter of FY 2019-2020 highlighting that the anticipated change order for the Life Sciences Building involving improvements to the HVAC, elevator and photovoltaic installation, and other facility related renovations was almost completely reduced from $15 million to $7 million, with the probability of smaller change orders still coming through in a total amount not to exceed $1 million; that the $21 million project for lab facilities on Coconut Island was proceeding as planned; and that there were no significant issues regarding CIPs, with all projects remaining on schedule.

An alternative CIP quarterly report format was presented to the Committee for determining whether such a format was preferred over the current format. All Committee members present preferred the alternative format. However, Regent McEnerney expressed a desire to have pictures to provide a better orientation of the scope of the project. VP Gouveia agreed to use the alternative format every quarter and add pictures once a year as part of the first quarter report.

D. Waiale‘e Property Transfer to the Agribusiness Development Corporation Status Update

VP Young provided an update on the status of the transfer of the Waiale‘e property to the Agribusiness Development Corporation (ADC), which was previously authorized by the Board. He noted that ADC was no longer interested in the property and that the Administration considered this matter closed with regard to Board action. The Administration has been approached by other organizations on possible uses of the land but to date no action has been taken and the Administration will be re-evaluating the disposition of the property and considering potential alternatives.

Regent Westerman left at 1:23 p.m.

E. Public-Private Partnerships (P3) Update
VP Young introduced Christopher Woodard, the Director of the Office of Strategic Planning and Development, who will be working on P3 projects. VP Young presented updates on the Atherton, NOAA Graduate Housing, and UHWO University District P3 projects. He noted the following:

Atherton Project: This project, which focuses on innovation space and student housing and is being undertaken under a partnership with the UH Foundation, has already started. The Hunt Development Group has begun the entitlement process and community outreach and project completion is slated for 2022.

NOAA Graduate Housing Project: This project, which is a housing project located near the East-West Center, is just beginning. The Administration has signed an exclusive negotiation agreement for the project with Greystar Real Estate Development Services and pre-development negotiations are currently taking place. It is anticipated that a pre-development agreement will be signed by the end of 2019 and preliminary work on the entitlement process will occur by March 2020.

UHWO University District Project: This project, which is a project that seeks to develop a university village on lands adjacent to the UHWO campus, is currently in limbo. An exclusive negotiations agreement that was signed with Hunt Development Group and Stanford Carr Development expired on August 15, 2019, with negotiations reaching an impasse over terms of a master development agreement. The Administration is reevaluating this project and determining how to proceed on a restart of the project.

V. ADJOURNMENT

There being no further business, Regent Sullivan moved to adjourn, Vice-Chair Nahale-a seconded the motion, and noting the excused absence of Regent Higaki, with unanimous approval, the meeting was adjourned at 1:29 p.m.

Respectfully Submitted,

Kendra Oishi
Executive Administrator and Secretary of the Board of Regents