STATE OF HAWAII
HAWAII COMMUNITY DEVELOPMENT AUTHORITY
KALAELOA
Honolulu, Hawaii 96813

August 7, 2019

Chairperson and Members
Hawaii Community Development Authority
State of Hawaii
Honolulu, Hawaii

HCDA Board Members:

SUBJECT: Status update regarding Kalaeloa Safe and Reliable Energy Infrastructure Project (SREIP) – INFORMATION ITEM

Background:
The objective of the Kalaeloa Safe and Reliable Energy Infrastructure Project is to improve the electric service in the Kalaeloa district via a transfer of ownership of the electric system away from the US Navy (Navy). The current electric system is substandard and is a hindrance to development. Because the electric system is owned and operated by the Navy, which no longer has an active mission in the district, the system has not been upgraded since the late 1990s; parts are repaired or replaced as needed. System reliability in the district is rated amongst the worst in the state, with frequent blackouts that can last for hours. The current electric utility customers include the US Navy, the Coast Guard, the Hawaii Army National Guard, the FBI, Kalaeloa Heritage Park, Veterans Affairs, the Hunt Development Group, the Department of Hawaiian Home Lands, and the City and County of Honolulu.

As part of this project, the HCDA contracted with C.H. Guernsey and Company (Guernsey) to develop a process and assist the HCDA with the selection of an alternative electric utility. The Guernsey contract specifies four deliverables, each tied to a major task. To move forward with any subsequent task, the Guernsey consultant must receive a Notice to Proceed (NTP) from HCDA. The first deliverable, Task 1 Report, identifies viable alternatives to the current Navy ownership, including methods for transfer, and replacement or upgrade of the electric infrastructure. The Task 2 is an environmental review of the district relating especially to the existing electric infrastructure. Task 3 is the development of the solicitation document and includes a more detailed system inventory and condition assessment, a government cost estimate, a Request for Information (RFI) and ultimately, the development of a Request for Proposal (RFP). Task 4 includes the evaluation of bids decision analysis. The Summary Scope of Work is listed below.

SUMMARY SCOPE OF WORK

TASK 1.0 Infrastructure and Utility Model
- 1.1: Identification of Viable Alternatives
- 1.2: Assessment of Risks and Opportunities
- 1.3: Analysis of Alternatives and Selection of Preferred Approach
- 1.4: Evaluation of Transfer of existing Electric Infrastructure (EI)

TASK 2.0: Environmental Review Process
- 2.1: Environmental Condition of Property (ECOP)
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- 3.4: HCDA Cost Estimate
- 3.5: Prepare the Request for Proposal (RFP)

TASK 4.0: Proposal Evaluation and Decision Analysis
- 4.1: Technical Evaluation
- 4.2: Pricing Analysis
- 4.3: Best and Final Offer Discussions
- 4.4: Business Case Analysis (BCA)

The HCDA staff accepted Task 1 Report, "Infrastructure and Utility Model" in March 2019. The report includes preliminary information for valuation of the existing system, cost estimates for transfer and upgrades, identification of risks and opportunities including a quantified risk matrix, an analysis of alternatives, and recommended approaches for the work. Task 2 is approximately 70% complete. However, within the last year, related work has developed in the Kalaeloa district. These developments are listed below to provide a more comprehensive picture of the electric service in the district.

RELATED WORK IN THE DISTRICT

The SREIP work is part of a network of projects current in the district. These other projects include those involving the HCDA, as well as work that is being undertaken by other parties.

Kalaeloa Enterprise Road Energy Corridor.

The Energy Corridor allows a distribution line of approximately 2 miles length to connect the Department of Transportation (Airports) to HECO electric service. The project has two phases. Phase 1 includes the laying of conduit and eventual energizing of the line along Enterprise Avenue, from Franklin D. Roosevelt Avenue to Langley street. Phase 2 will make

the connection from Langley street to Midway, where the Airport's electric access will begin. Phase 1 is possibly 80% complete; Phase 2 may start in summer of 2019. Phase 1 and Phase 2 cumulatively will cost approximately $13 M which is funded by HCDA's CIP funds. There is an agreement with HECO, who will energize the lines once construction is completed, which will cost about $2M. This will allow electric service to the FBI, the Airport, and, eventually, any adjacent customers who are interested in applying for connection.

Coral Sea Road Corridor

The Coral Sea Road corridor is a project initiated by the Aloha Solar Energy Fund II (ASEF II) Project and is being coordinated with the United States Coast Guard (Coast Guard). The project is a 12-kV line extension from HECO's electric service at FDR into the district via Coral Sea Road. This Coral Sea Road corridor could enable the Coast Guard to tie into HECO power via the ASEF II project; or the Coast Guard could also connect to HECO through separate equipment.

The ASEF II Interim 12-kV line extension project will provide the first new HECO standard power to the east side of the district in decades and provides opportunities for additional land owners to request reliable electrical power from HECO. The ASEF II section is approximately 5 miles and will cost about $5 million; the cost is lower than the Enterprise Corridor project due to the lines being placed mostly overhead. The Coral Sea Road corridor has two options. Option A would extend the Coral Sea Road line from the Aloha Solar project to the Coast Guard; Option B would build the entire line from Roosevelt Avenue to the Coast Guard. The ASEF II project is currently underway.

Potential Kamokila Boulevard Extension

HCDA staff anticipates that Hunt's subdivision process may result in HECO-provided electric utility in the north west part of the district. Hunt is working with HECO to develop a Kamokila extension line to serve their subdivision plans.

Kalaeloa HECO-Standard Projects

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The table below shows the current and projected demand from the Sandia Report, over a 6-10-year period, starting in 2017. The landowners highlighted in blue are those that are taking active steps towards developing a connection to the HECO grid. These landowners make up approximately 30% of the demand by 2027. However, staff notes that there are nearby landowner/ tenants who may increase this demand significantly. For instance, the HIARNG may request service within this 10-year period; this would increase the demand to almost 50% of the demand by 2027. The Kalaeloa Master Plan (2006) envisions a build out of six thousand residential units and three million square feet of commercial, retail and light industrial development. The Sandia Report took this into account when developing the estimates below.

Table 1. Projected electric demand in Kalaeloa district. Source: Sandia Laboratories Report, page 17.

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Total	**22**	**31**	**45**	**100.00%**	**100.00%**

US Navy Lease to Own Option

During 2018, the US Navy approached HCDA with information regarding system transfer. The Navy has contracted with the General Services Administration (GSA) to prepare a report to estimate the value of the electric system at Kalaeloa. This report is to form the basis for system disposal. The Navy is enthusiastic about disposing of the system; besides the lack of an active mission in the district, the outsourcing of utility operations is a growing trend in the military. The Navy believes that the system has little real value and is looking into developing a lease-to-own partnership with an interested party. The interested party could

lease the electric system from the Navy for a nominal amount; develop a record of utility provision and customer base; and eventually purchase the system from the Navy, undergoing the relevant regulatory processes at that time. The Navy has leeway to describe the electric system as it sees fit, including parts, land, and other assets. The Navy notes that their asset transfer process can be completed without GSA involvement if the value of the asset is deemed to be less than $50,000, or the threshold for GSA involvement. The Navy is interested in approaching private utility operators, including the Hunt Development Group and HECO, and has also expressed interest in working with the HCDA as part of this disposal. The Navy also has the capability to dispose of the system without any HCDA involvement.

In April of 2019, HCDA staff learned that the Navy and Hunt discussed the potential for Hunt to lease the electric system from the Navy. In this case, the lease to own option being discussed by the Navy may be an effective interim option for Hunt. Hunt is not seeking opportunities to become an electric service provider; however, if Hunt were to become the (leased) electric service provider for the district, they may enter into a short term (1-5 year) lease agreement with the Navy and employ subcontractors to repair and patch system infrastructure as needed. It is our understanding that Hunt would ultimately seek to transfer the system to HECO.

During July of 2019, the Navy experienced several weeks of electric service disruption. This impacted Navy customers including the Hunt Development Group, and triggered Navy purchase of almost $700,000 worth of generators and other repairs to the system.

CONSIDERATIONS

At its December 6, 2017 meeting, the Authority authorized the Interim Executive Director to expend up to $450,000 from the Kalaeloa Community Development Revolving Funds, Leasing and Management Subaccount, to retain a consultant to assist the HCDA to prepare Technical and Financial Studies and a Request for Proposal for the Kalaeloa SREIP. As of July 25, 2019, the status on the SREIP contract Tasks are as follows:

Table 2: SREIP Contract Tasks

Task	Percentage Complete
Task 1: Infrastructure and Utility Model	100% complete
Task 2: Environmental Review Process	60% complete
Task 3: Solicitation Development	0% complete (not authorized to start)
Task 4: Proposal Evaluation and Decision Analysis	0% complete (not authorized to start)

Due to the changing circumstances and related work in the district, the HCDA staff is considering the following steps for moving forward with the project.

1. Complete Task 2.
2. Authorize consultant to begin Task 3 subitems as follows:

Table 3: Task 3 sub-items

TASK 3	HCDA Authorization
Task 3.1: Solicitation Plan	Do not proceed
Task 3.2: Existing Infrastructure Inventory and Condition Assessment	Proceed
Task 3.3: Capital Investment Plan	Proceed
Task 3.4: HCDA Cost Estimate	Proceed
Task 3.5: Prepare the Request for Proposal	Do not proceed

The HCDA staff believes that by working through these sub tasks 3.2, 3.3, and 3.4, the contract will provide valuable information about the electric system in the district to HCDA and other stakeholders, and allow HCDA to gauge interests for alternative electric utility options. It is possible that HCDA may not need to authorize the start of Task 3.5, the RFP, and by relation, Task 4, the Proposal Evaluation and Decision Analysis.

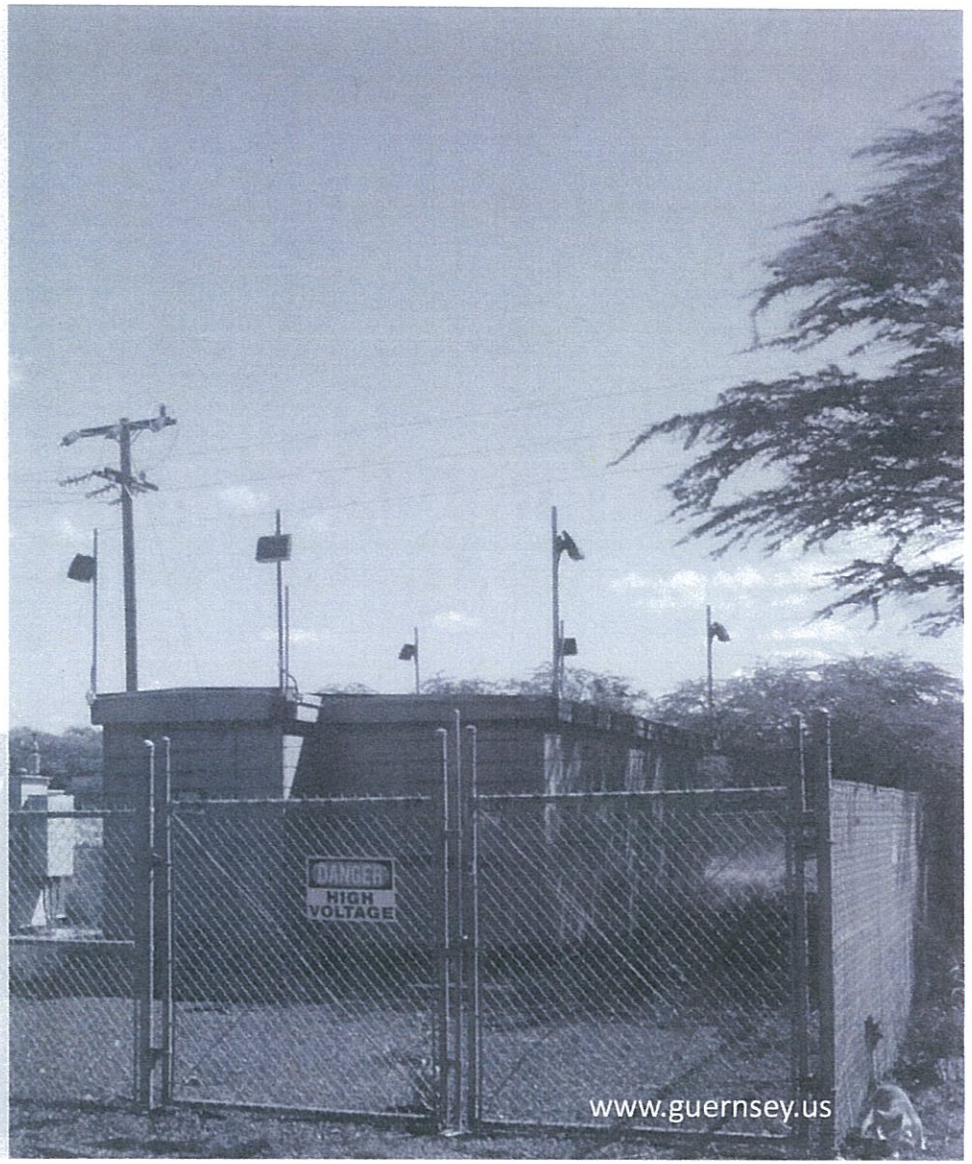
Task 3 could otherwise become moot in the event that the Navy pursues a solicitation or direct negotiation of its own with an interested party.

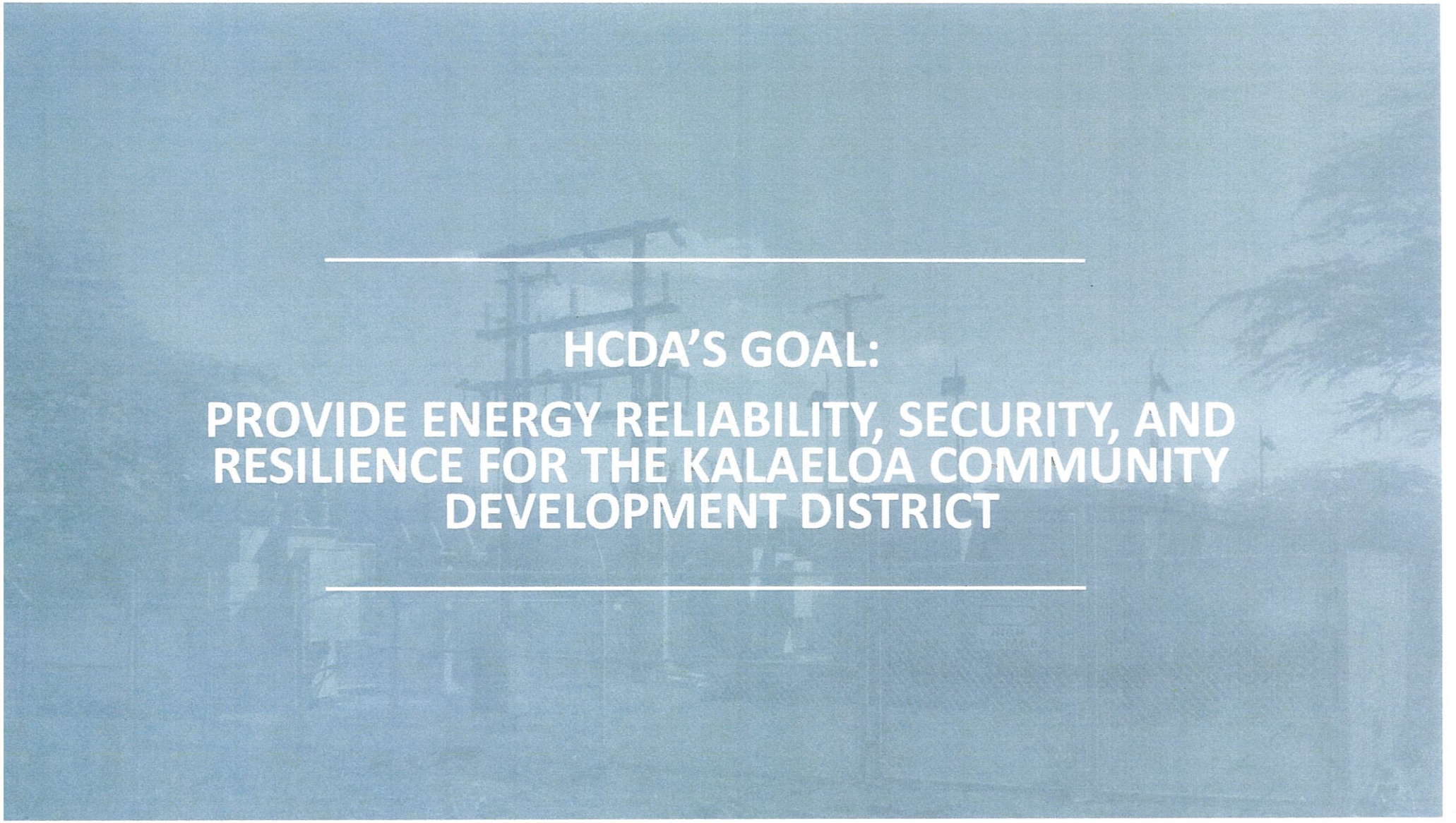
KALAELOA SAFE & RELIABLE ENERGY INFRASTRUCTURE PROJECT

PROJECT UPDATE

August 2019

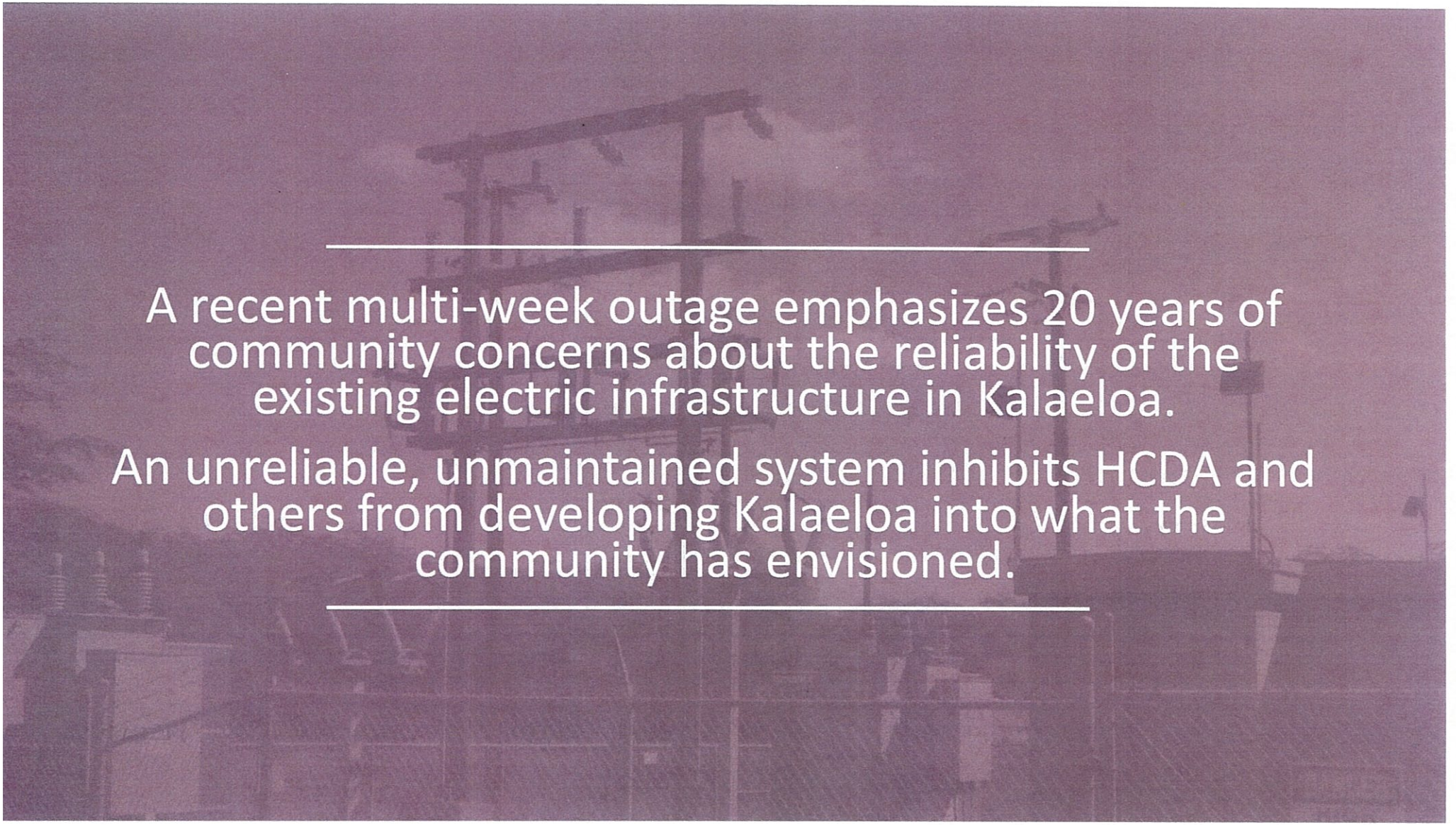
guernsey

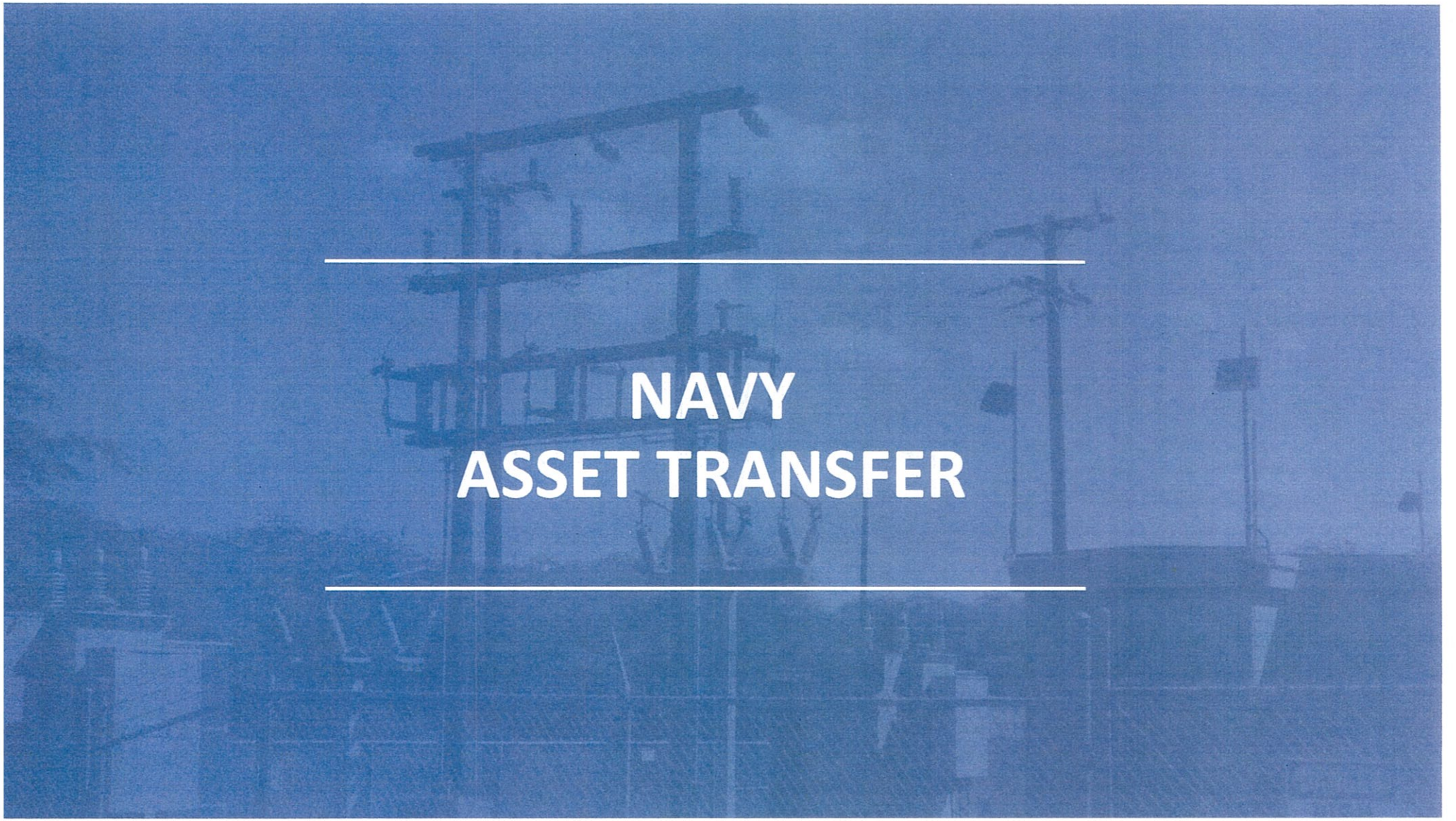




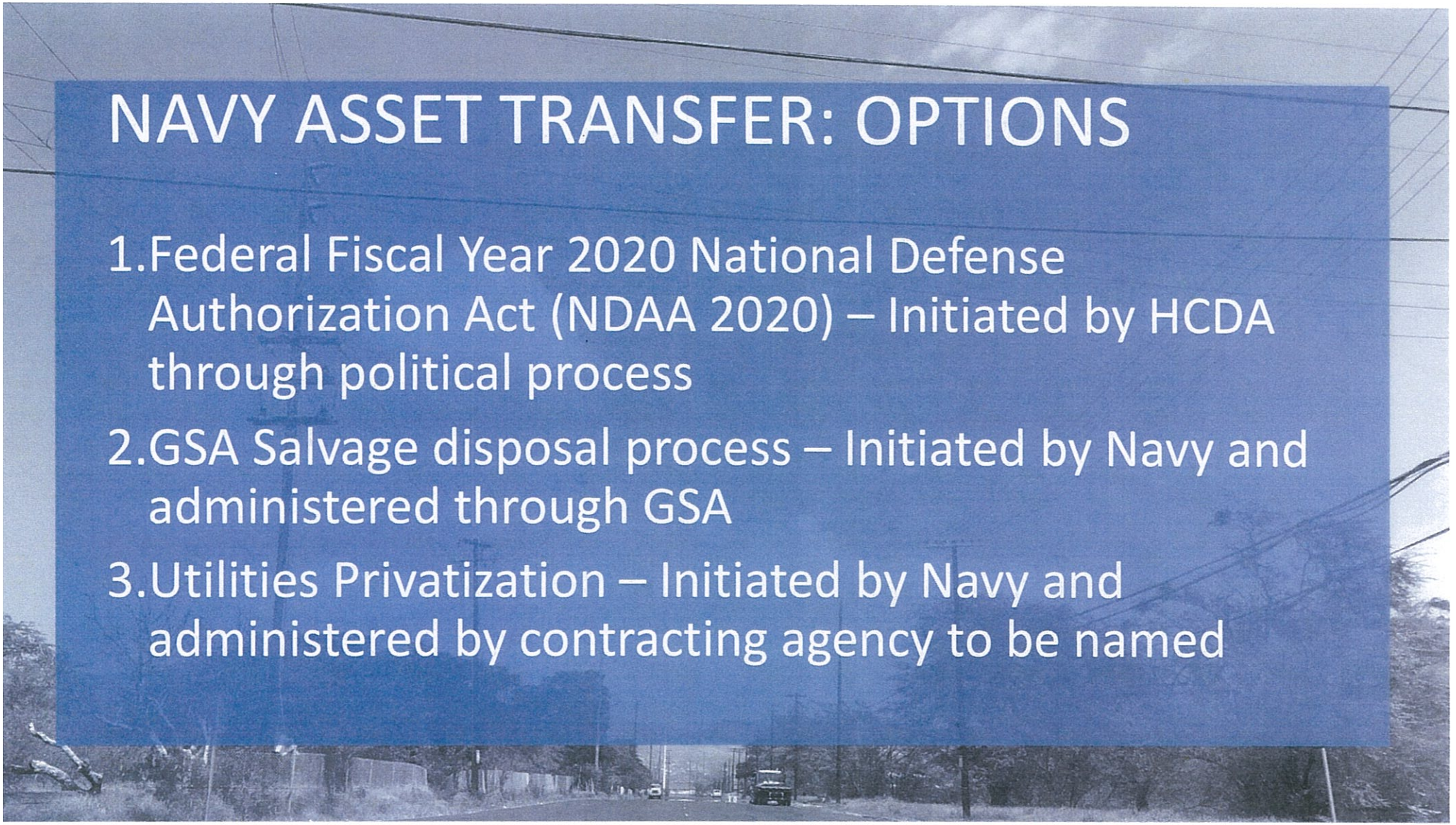
HCDA'S GOAL:

PROVIDE ENERGY RELIABILITY, SECURITY, AND RESILIENCE FOR THE KALAELOA COMMUNITY DEVELOPMENT DISTRICT


A recent multi-week outage emphasizes 20 years of community concerns about the reliability of the existing electric infrastructure in Kalaeloa.
An unreliable, unmaintained system inhibits HCDA and others from developing Kalaeloa into what the community has envisioned.

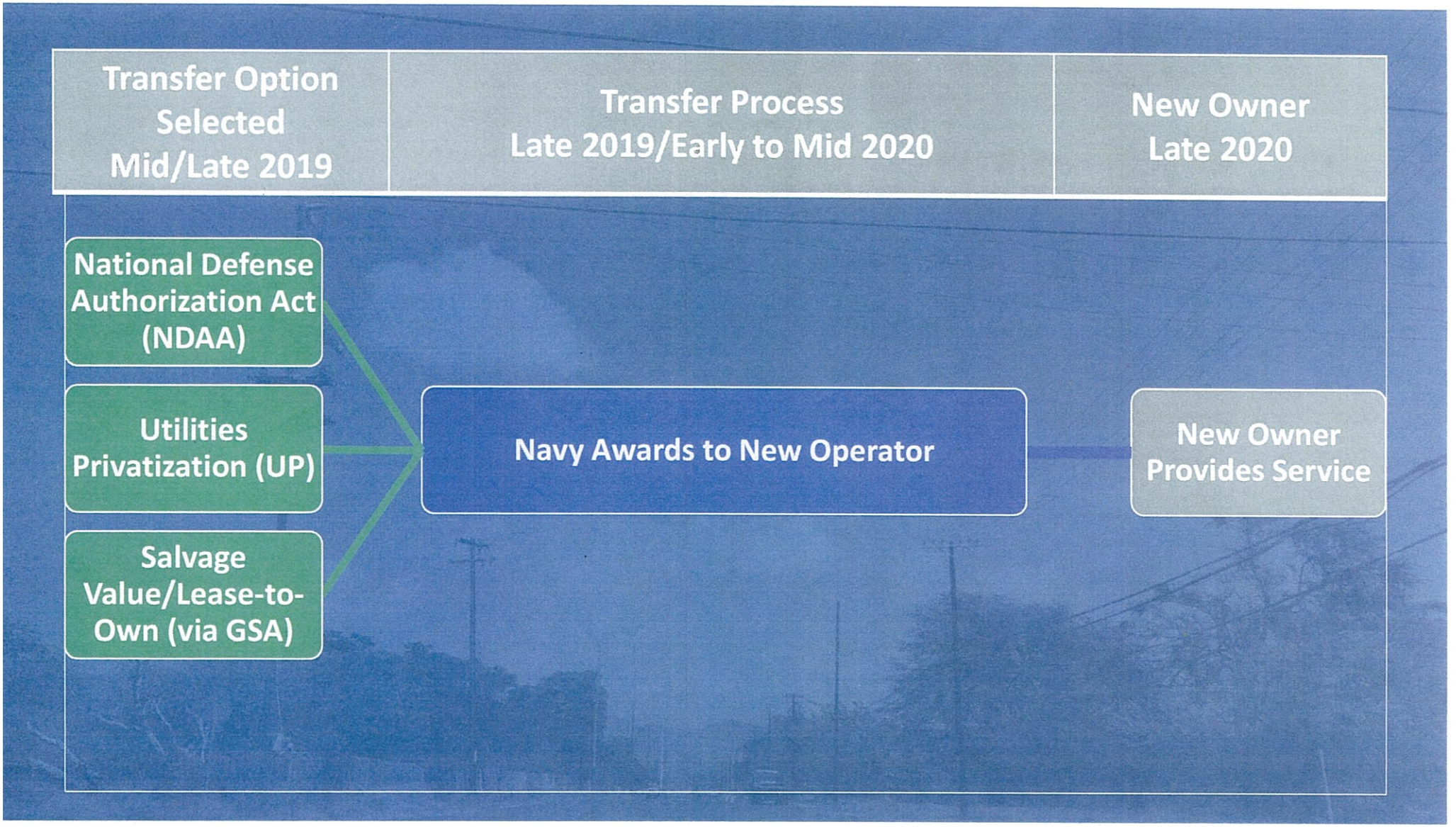


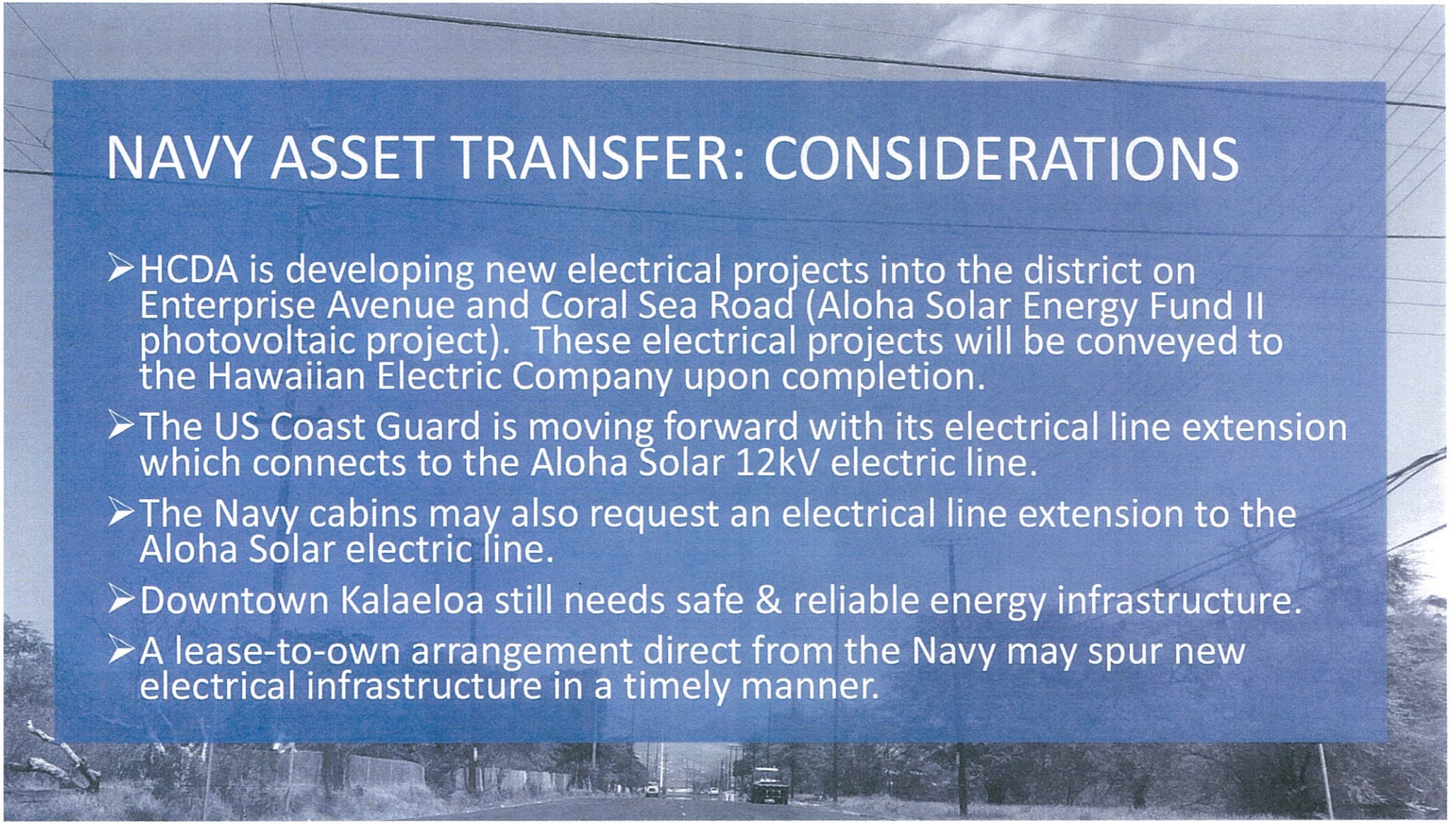
NAVY
ASSET TRANSFER


NAVY ASSET TRANSFER: OPTIONS
1. Federal Fiscal Year 2020 National Defense Authorization Act (NDAA 2020) – Initiated by HCDA through political process
2. GSA Salvage disposal process – Initiated by Navy and administered through GSA
3. Utilities Privatization – Initiated by Navy and administered by contracting agency to be named

NAVY ASSET TRANSFER: FAIR MARKET VALUE

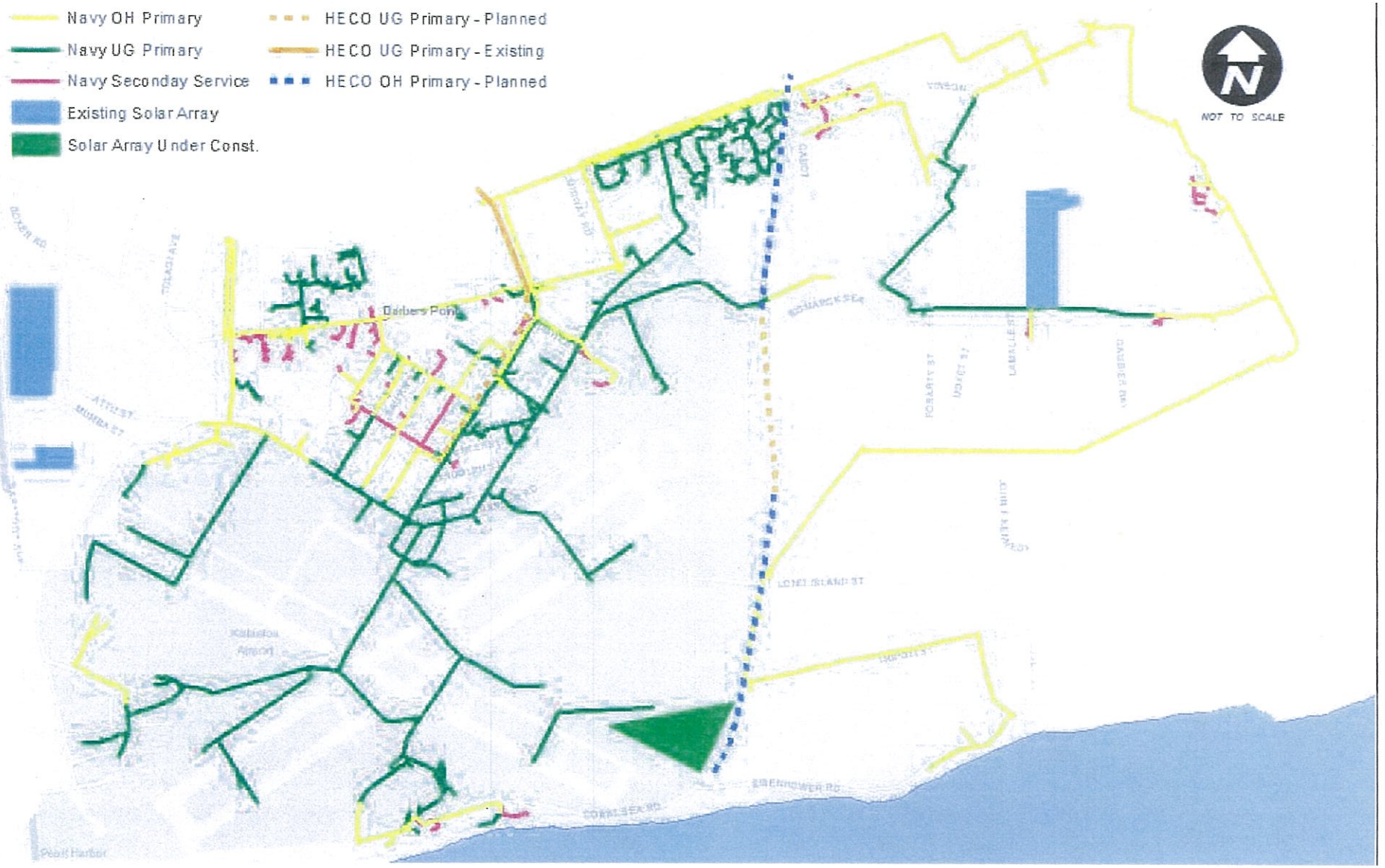
- The electric infrastructure has not been updated since BRAC was accomplished in 1999; only minimal repair work to address system failures is implemented.
- The Fair Market Value of the system may be ***$0.00***; the Salvage Cost, the cost to remove and recycle/resell remaining assets may be ***negative***.


Transfer Option Selected Mid/Late 2019
Transfer Process Late 2019/Early to Mid 2020
New Owner Late 2020
National Defense Authorization Act (NDAA)
Utilities Privatization (UP)
Salvage Value/Lease-to-Own (via GSA)
Navy Awards to New Operator
New Owner Provides Service



NAVY ASSET TRANSFER: CONSIDERATIONS

- HCDA is developing new electrical projects into the district on Enterprise Avenue and Coral Sea Road (Aloha Solar Energy Fund II photovoltaic project). These electrical projects will be conveyed to the Hawaiian Electric Company upon completion.
- The US Coast Guard is moving forward with its electrical line extension which connects to the Aloha Solar 12kV electric line.
- The Navy cabins may also request an electrical line extension to the Aloha Solar electric line.
- Downtown Kalaeloa still needs safe & reliable energy infrastructure.
- A lease-to-own arrangement direct from the Navy may spur new electrical infrastructure in a timely manner.


Navy OH Primary
Navy UG Primary
Navy Seconday Service
Existing Solar Array
Solar Array Under Const.
HECO UG Primary - Planned
HECO UG Primary - Existing
HECO OH Primary - Planned
N
NOT TO SCALE
Barbers Point
Kalaeloa Airport
Pearl Harbor

PROJECT STATUS AND CONSIDERATIONS

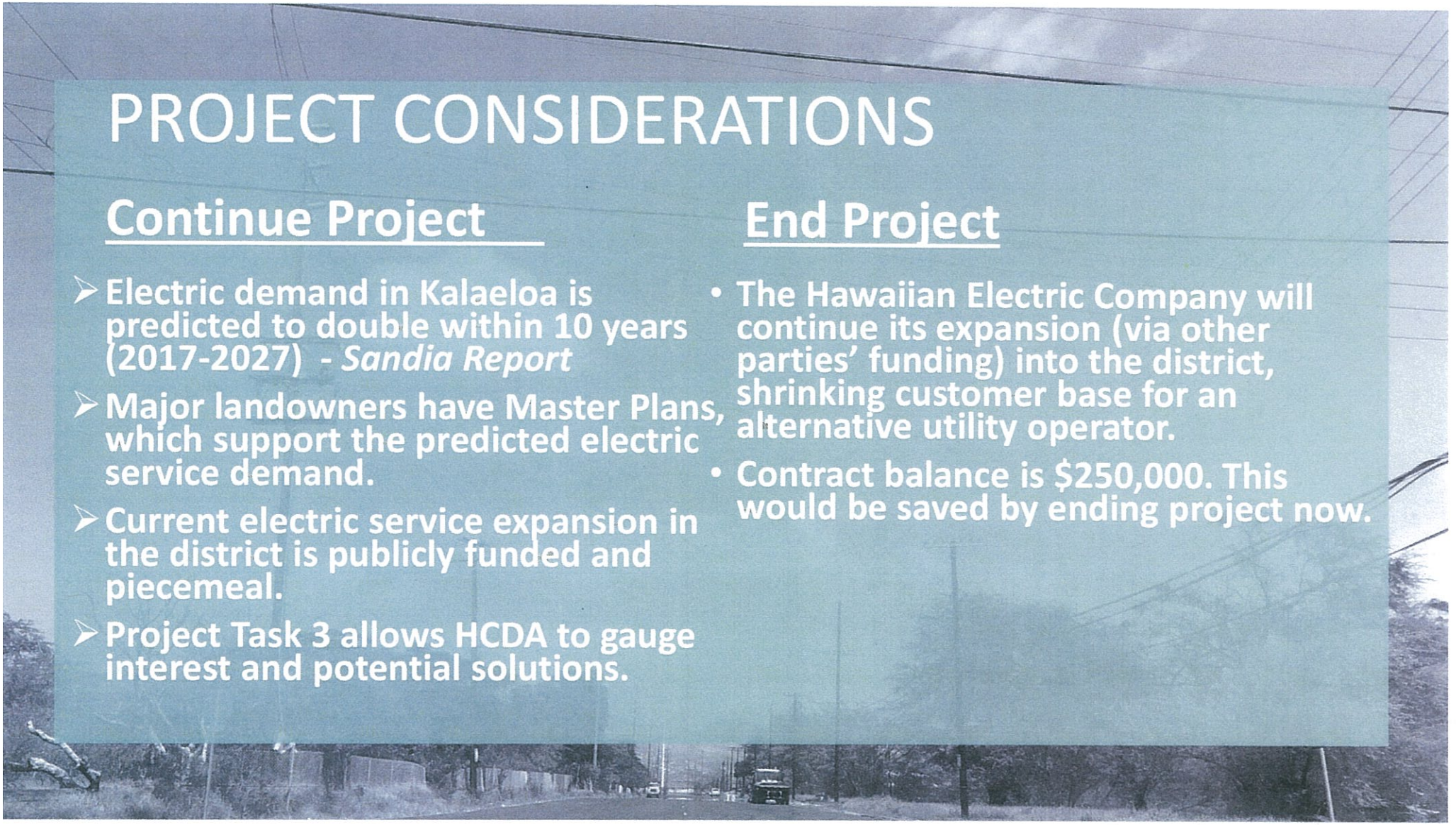
PROJECT STATUS

TASK	PERCENTAGE COMPLETE
Task 1: Infrastructure and Utility Model	100% complete
Task 2: Environmental Review Process	60% complete
Task 3: Solicitation Development	0% complete (not authorized to start)
Task 4: Proposal Evaluation and Decision Analysis	0% complete (not authorized to start)
Total Project Fees	$421,727.60

TASK 3 ITEMS

Proposal to complete only the subtasks that allows HCDA to develop a Request for Information

TASK 3	HCDA Proposed Authorization
Task 3.1: Solicitation Plan	Do not proceed
Task 3.2: Existing Infrastructure Inventory and Condition Assessment	Proceed
Task 3.3: Capital Investment Plan	Proceed
Task 3.4: HCDA Cost Estimate	Proceed
Task 3.5: Prepare the Request for Proposal	Do not proceed



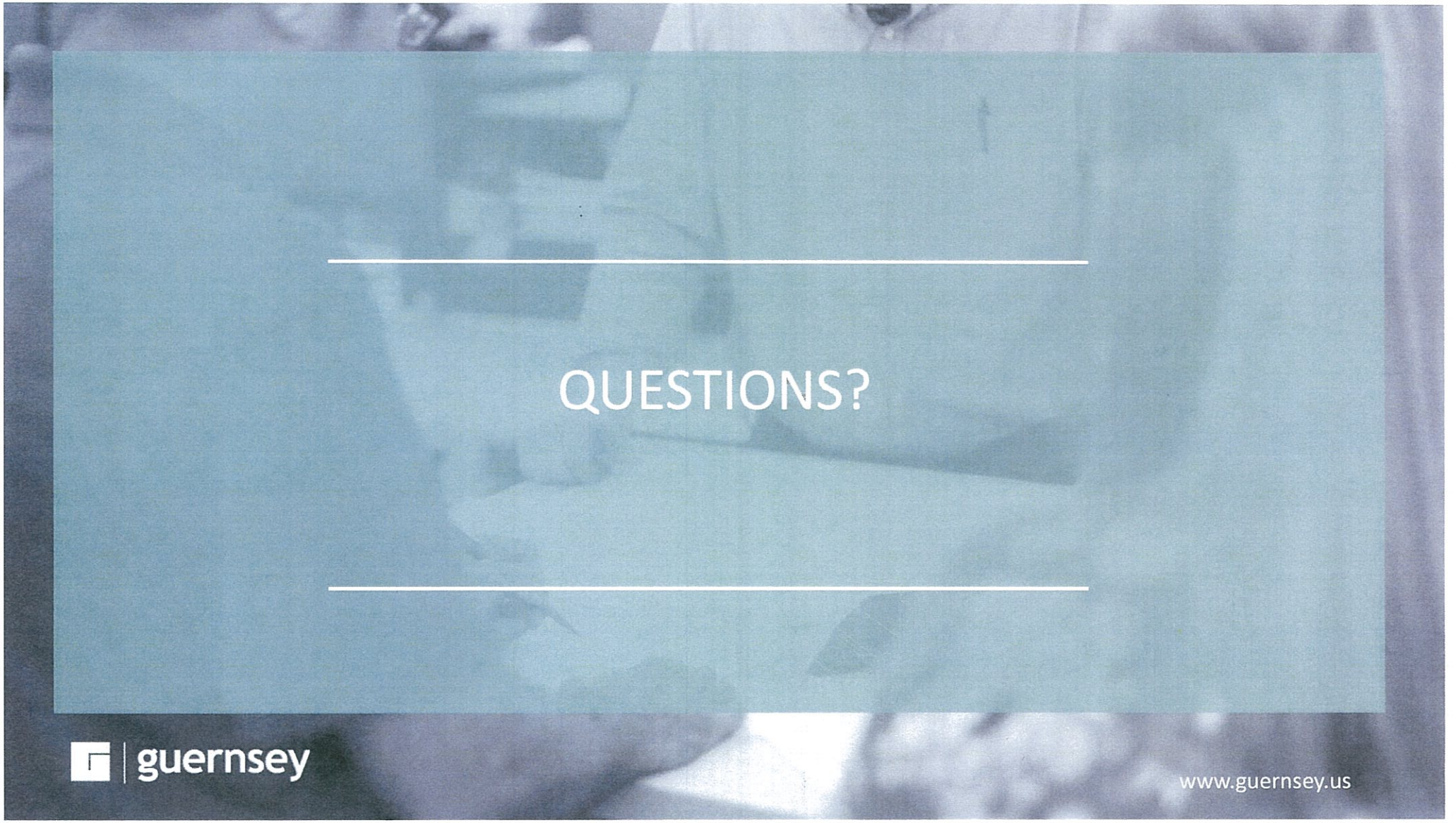
PROJECT CONSIDERATIONS

Continue Project

- Electric demand in Kalaeloa is predicted to double within 10 years (2017-2027) - *Sandia Report*
- Major landowners have Master Plans, which support the predicted electric service demand.
- Current electric service expansion in the district is publicly funded and piecemeal.
- Project Task 3 allows HCDA to gauge interest and potential solutions.

End Project

- The Hawaiian Electric Company will continue its expansion (via other parties' funding) into the district, shrinking customer base for an alternative utility operator.
- Contract balance is $250,000. This would be saved by ending project now.


QUESTIONS?
guernsey
www.guernsey.us


THANK YOU
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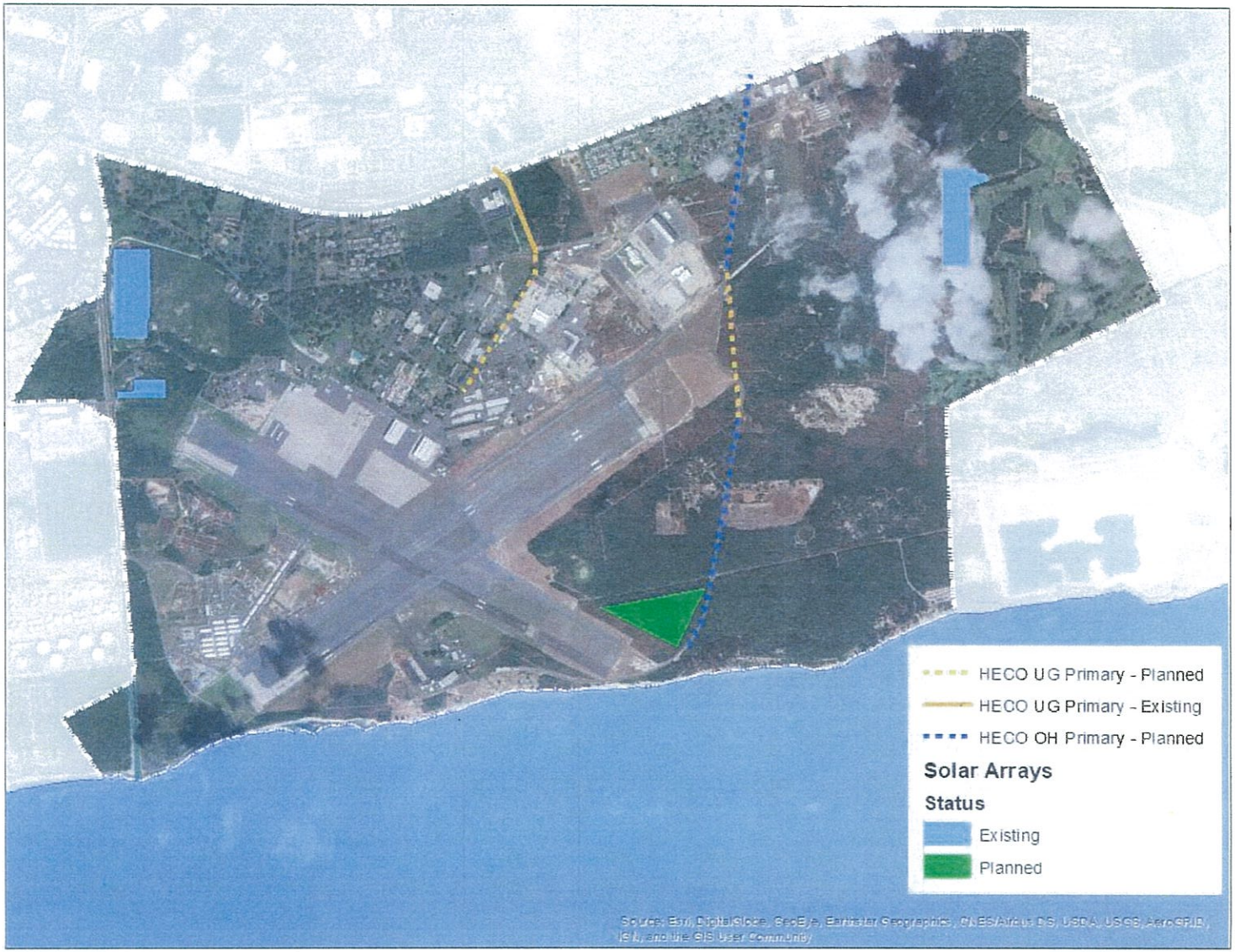
5555 N GRAND BOULEVARD
OKLAHOMA CITY, OKLAHOMA 73112
405.416.8100
guernsey
www.guernsey.us
Photo Credit: https://www.flickr.com/photos/pmarkham/

BACKUP INFORMATION


HECO UG Primary - Planned
HECO UG Primary - Existing
HECO OH Primary - Planned
Solar Arrays
Status
Existing
Planned
Source: Esri, DigitalGlobe, GeoEye, Earthstar Geographics, CNES/Airbus DS, USDA, USGS, AeroGRID, IGN, and the GIS User Community

Projected Electric Demand

	2017	2019-2022	2023-2027		
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Total	**22**	**31**	**45**	**100.00%**	**100.00%**

US Navy Lease to Own Option

During 2018, the US Navy approached HCDA with information regarding system transfer. The Navy has contracted with the General Services Administration (GSA) to prepare a report to estimate the value of the electric system at Kalaeloa. This report is to form the basis for system disposal. The Navy is enthusiastic about disposing of the system; besides the lack of an active mission in the district, the outsourcing of utility operations is a growing trend in the military. The Navy believes that the system has little real value and is looking into developing a lease-to-own partnership with an interested party. The interested party could

lease the electric system from the Navy for a nominal amount; develop a record of utility provision and customer base; and eventually purchase the system from the Navy, undergoing the relevant regulatory processes at that time. The Navy has leeway to describe the electric system as it sees fit, including parts, land, and other assets. The Navy notes that their asset transfer process can be completed without GSA involvement if the value of the asset is deemed to be less than $50,000, or the threshold for GSA involvement. The Navy is interested in approaching private utility operators, including the Hunt Development Group and HECO, and has also expressed interest in working with the HCDA as part of this disposal. The Navy also has the capability to dispose of the system without any HCDA involvement.

In April of 2019, HCDA staff learned that the Navy and Hunt discussed the potential for Hunt to lease the electric system from the Navy. In this case, the lease to own option being discussed by the Navy may be an effective interim option for Hunt. Hunt is not seeking opportunities to become an electric service provider; however, if Hunt were to become the (leased) electric service provider for the district, they may enter into a short term (1-5 year) lease agreement with the Navy and employ subcontractors to repair and patch system infrastructure as needed. It is our understanding that Hunt would ultimately seek to transfer the system to HECO.

During July of 2019, the Navy experienced several weeks of electric service disruption. This impacted Navy customers including the Hunt Development Group, and triggered Navy purchase of almost $700,000 worth of generators and other repairs to the system.

CONSIDERATIONS

At its December 6, 2017 meeting, the Authority authorized the Interim Executive Director to expend up to $450,000 from the Kalaeloa Community Development Revolving Funds, Leasing and Management Subaccount, to retain a consultant to assist the HCDA to prepare Technical and Financial Studies and a Request for Proposal for the Kalaeloa SREIP. As of July 25, 2019, the status on the SREIP contract Tasks are as follows:

Table 2: SREIP Contract Tasks

Task	Percentage Complete
Task 1: Infrastructure and Utility Model	100% complete
Task 2: Environmental Review Process	60% complete
Task 3: Solicitation Development	0% complete (not authorized to start)
Task 4: Proposal Evaluation and Decision Analysis	0% complete (not authorized to start)

Due to the changing circumstances and related work in the district, the HCDA staff is considering the following steps for moving forward with the project.

1. Complete Task 2.
2. Authorize consultant to begin Task 3 subitems as follows:

Table 3: Task 3 sub-items

TASK 3	HCDA Authorization
Task 3.1: Solicitation Plan	Do not proceed
Task 3.2: Existing Infrastructure Inventory and Condition Assessment	Proceed
Task 3.3: Capital Investment Plan	Proceed
Task 3.4: HCDA Cost Estimate	Proceed
Task 3.5: Prepare the Request for Proposal	Do not proceed

The HCDA staff believes that by working through these sub tasks 3.2, 3.3, and 3.4, the contract will provide valuable information about the electric system in the district to HCDA and other stakeholders, and allow HCDA to gauge interests for alternative electric utility options. It is possible that HCDA may not need to authorize the start of Task 3.5, the RFP, and by relation, Task 4, the Proposal Evaluation and Decision Analysis.

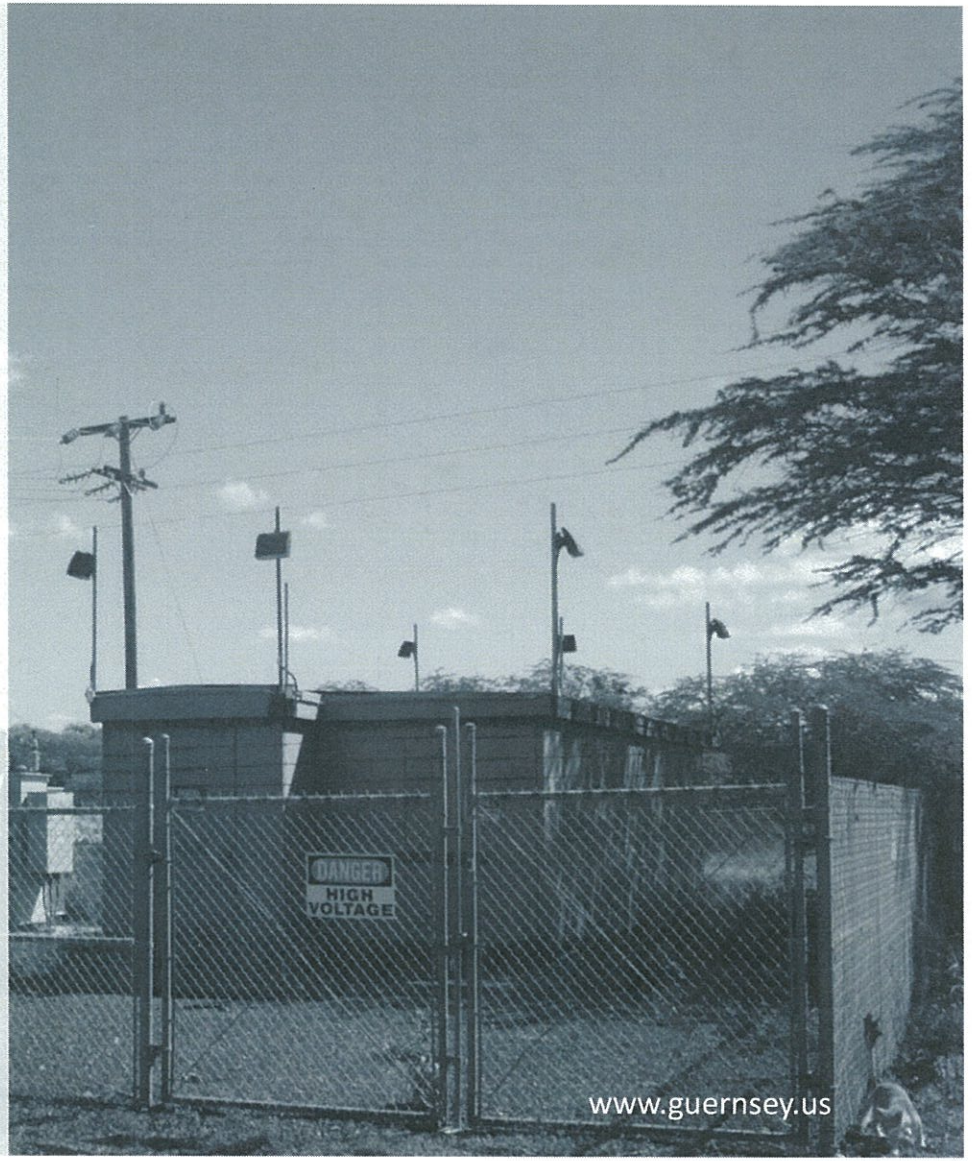
Task 3 could otherwise become moot in the event that the Navy pursues a solicitation or direct negotiation of its own with an interested party.

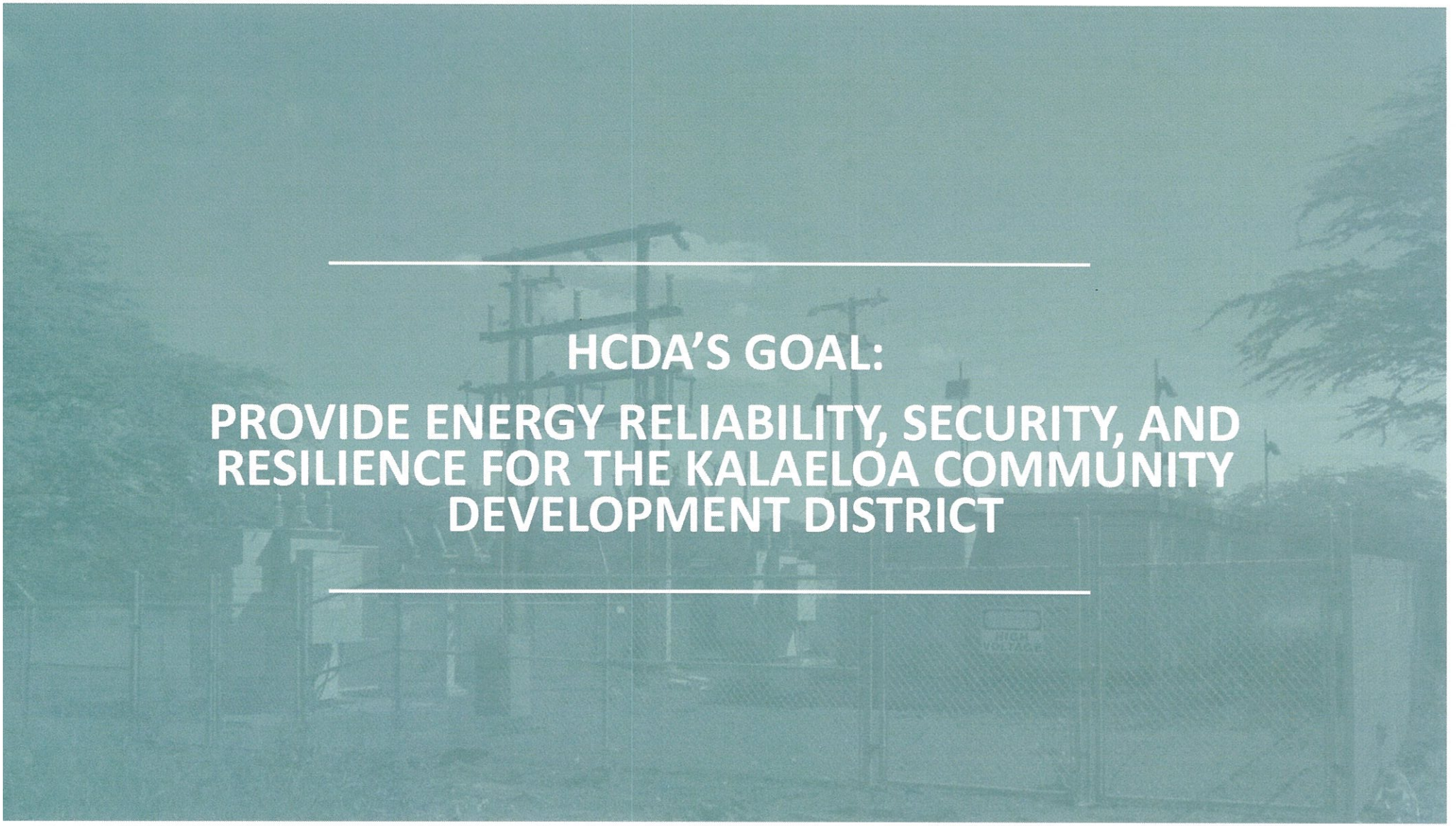
KALAELOA SAFE & RELIABLE ENERGY INFRASTRUCTURE PROJECT

PROJECT UPDATE

August 2019

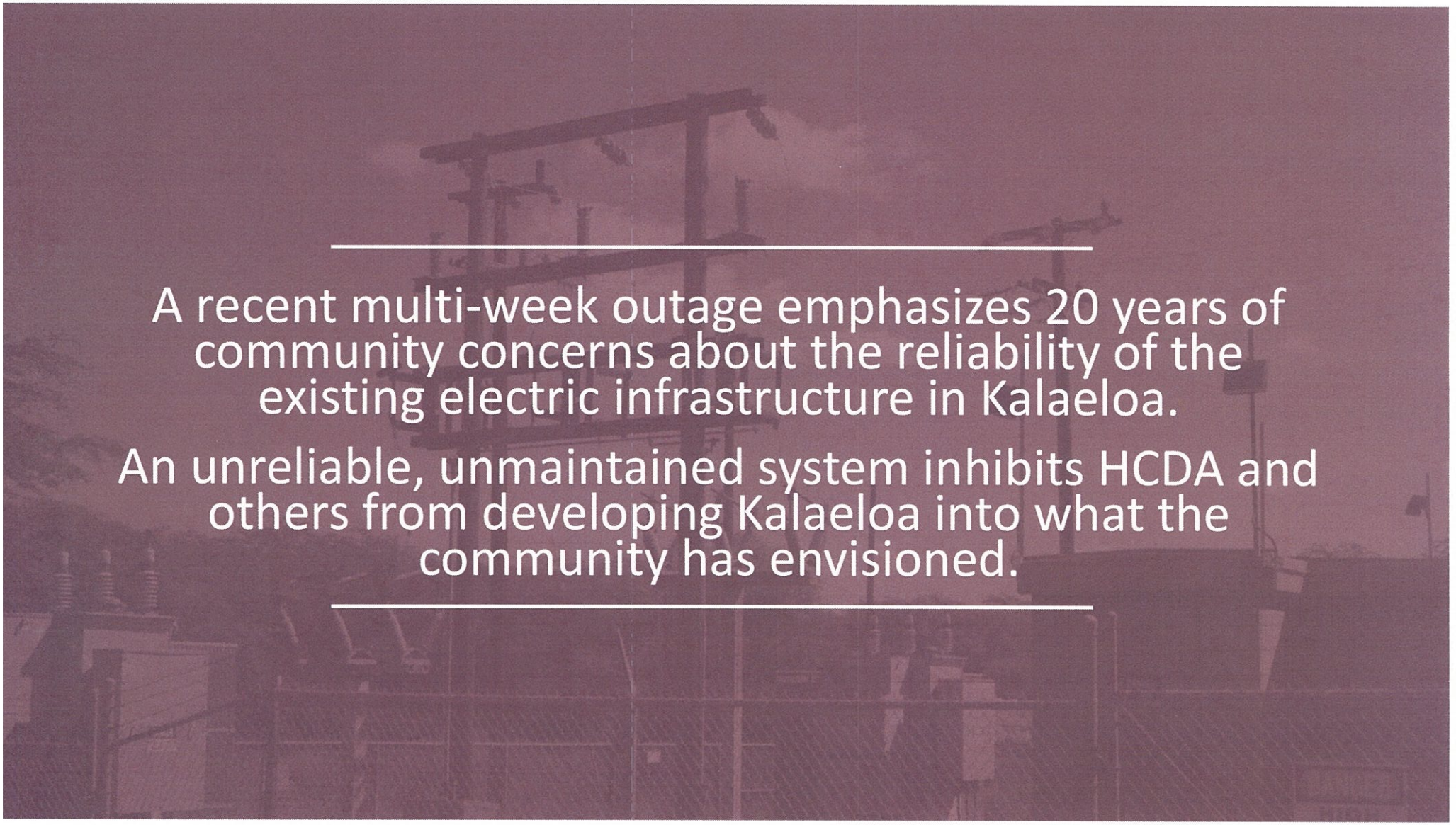
guernsey

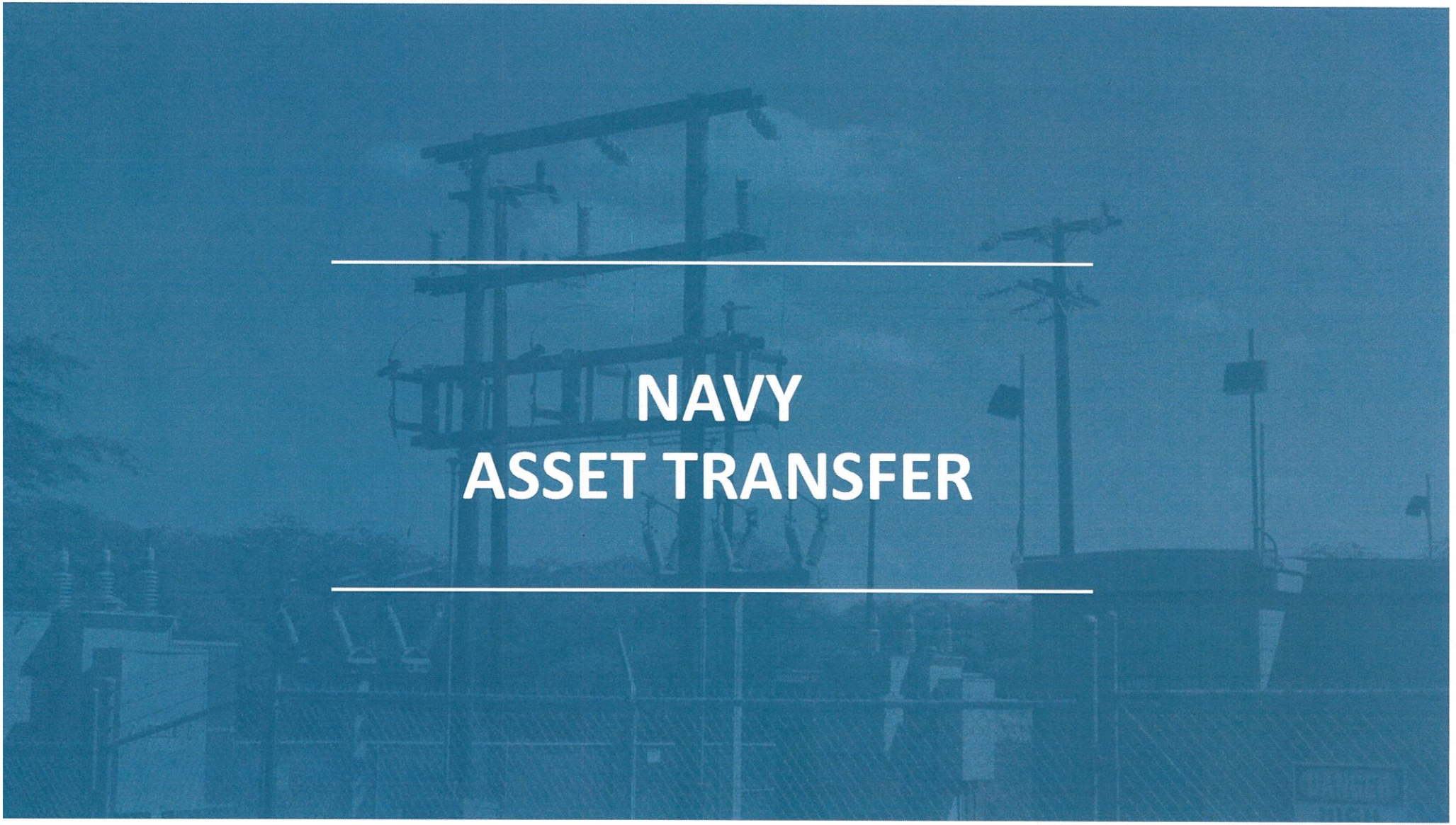




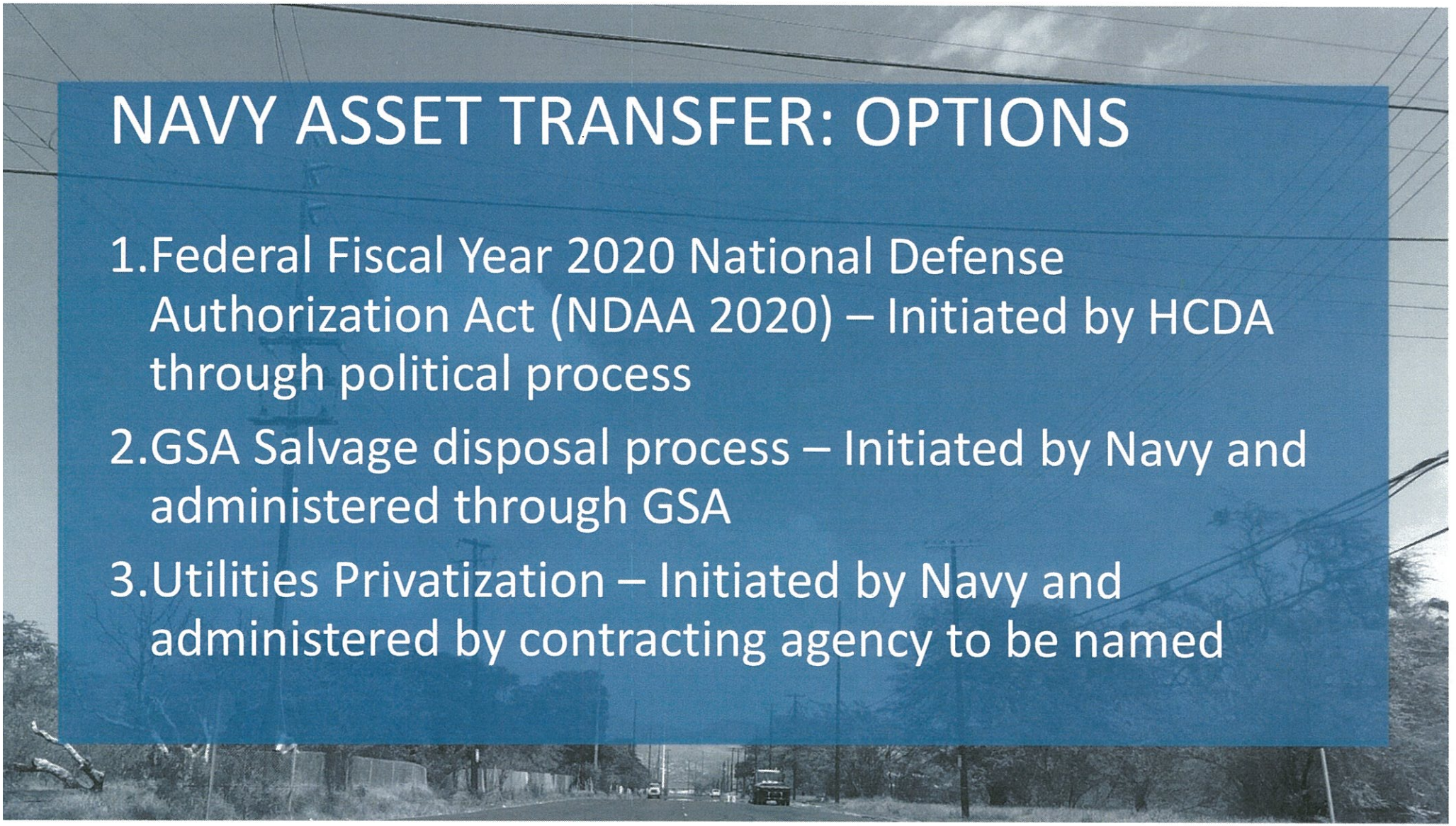
HCDA'S GOAL:

PROVIDE ENERGY RELIABILITY, SECURITY, AND RESILIENCE FOR THE KALAELOA COMMUNITY DEVELOPMENT DISTRICT


A recent multi-week outage emphasizes 20 years of community concerns about the reliability of the existing electric infrastructure in Kalaeloa.
An unreliable, unmaintained system inhibits HCDA and others from developing Kalaeloa into what the community has envisioned.

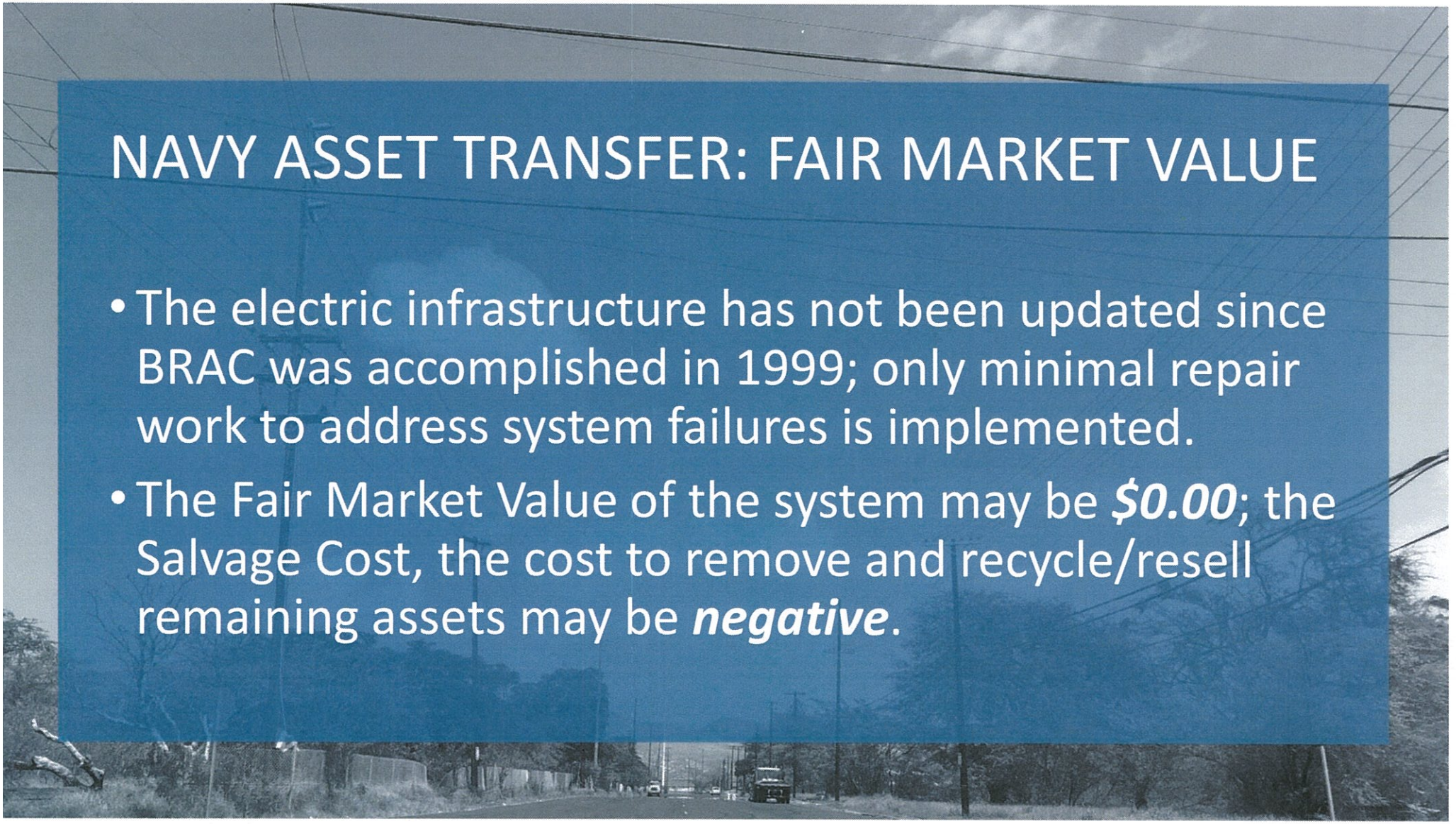


NAVY
ASSET TRANSFER



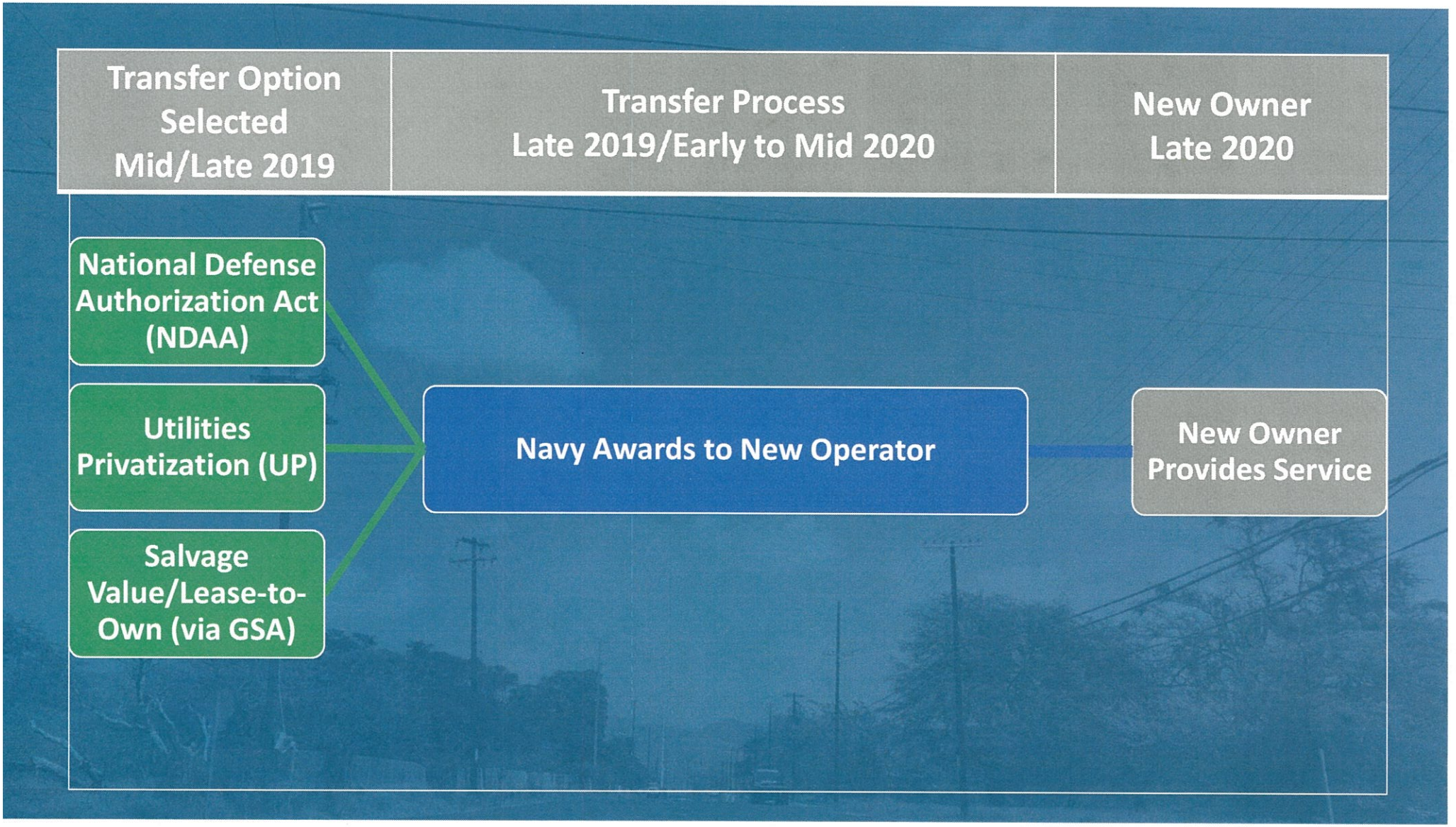
NAVY ASSET TRANSFER: OPTIONS

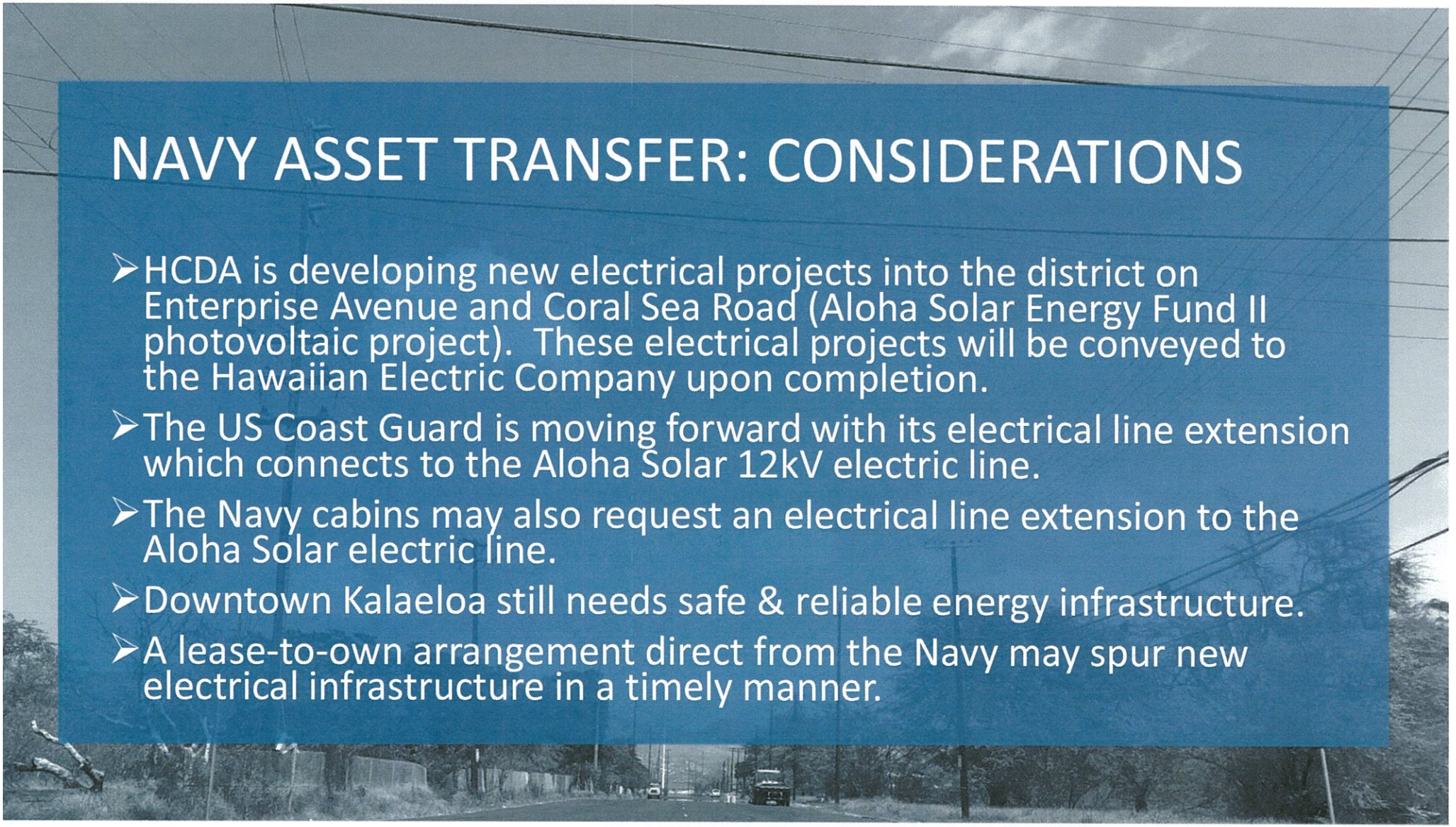
1. Federal Fiscal Year 2020 National Defense Authorization Act (NDAA 2020) – Initiated by HCDA through political process
2. GSA Salvage disposal process – Initiated by Navy and administered through GSA
3. Utilities Privatization – Initiated by Navy and administered by contracting agency to be named



NAVY ASSET TRANSFER: FAIR MARKET VALUE

- The electric infrastructure has not been updated since BRAC was accomplished in 1999; only minimal repair work to address system failures is implemented.
- The Fair Market Value of the system may be ***$0.00***; the Salvage Cost, the cost to remove and recycle/resell remaining assets may be ***negative***.

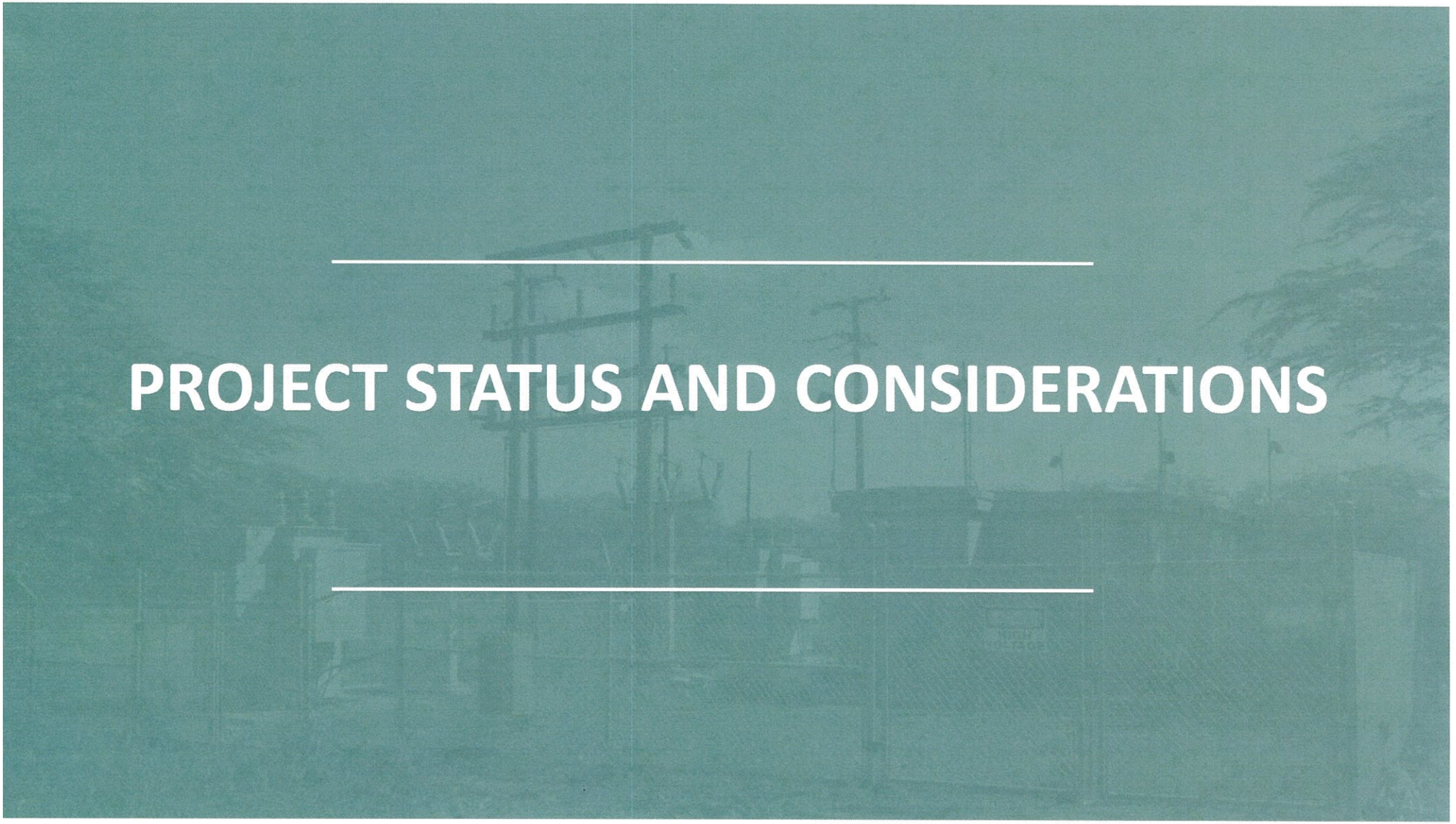

Transfer Option Selected Mid/Late 2019
Transfer Process Late 2019/Early to Mid 2020
New Owner Late 2020
National Defense Authorization Act (NDAA)
Utilities Privatization (UP)
Salvage Value/Lease-to-Own (via GSA)
Navy Awards to New Operator
New Owner Provides Service



NAVY ASSET TRANSFER: CONSIDERATIONS

- HCDA is developing new electrical projects into the district on Enterprise Avenue and Coral Sea Road (Aloha Solar Energy Fund II photovoltaic project). These electrical projects will be conveyed to the Hawaiian Electric Company upon completion.
- The US Coast Guard is moving forward with its electrical line extension which connects to the Aloha Solar 12kV electric line.
- The Navy cabins may also request an electrical line extension to the Aloha Solar electric line.
- Downtown Kalaeloa still needs safe & reliable energy infrastructure.
- A lease-to-own arrangement direct from the Navy may spur new electrical infrastructure in a timely manner.


Navy OH Primary
Navy UG Primary
Navy Seconday Service
Existing Solar Array
Solar Array Under Const.
HECO UG Primary - Planned
HECO UG Primary - Existing
HECO OH Primary - Planned
N
NOT TO SCALE
Barbers Point
Kalaeloa Airport
Pearl Harbor
BOXER RD
TRACY AVE
ATTU ST
MIDWAY RD
BISMARCK SEA
ROBERTS ST
MOODY ST
LANGLEY ST
HARBISS BAY
LONG ISLAND ST
JOHN F KENNEDY
EISENHOWER RD
CORAL SEA RD



PROJECT STATUS AND CONSIDERATIONS

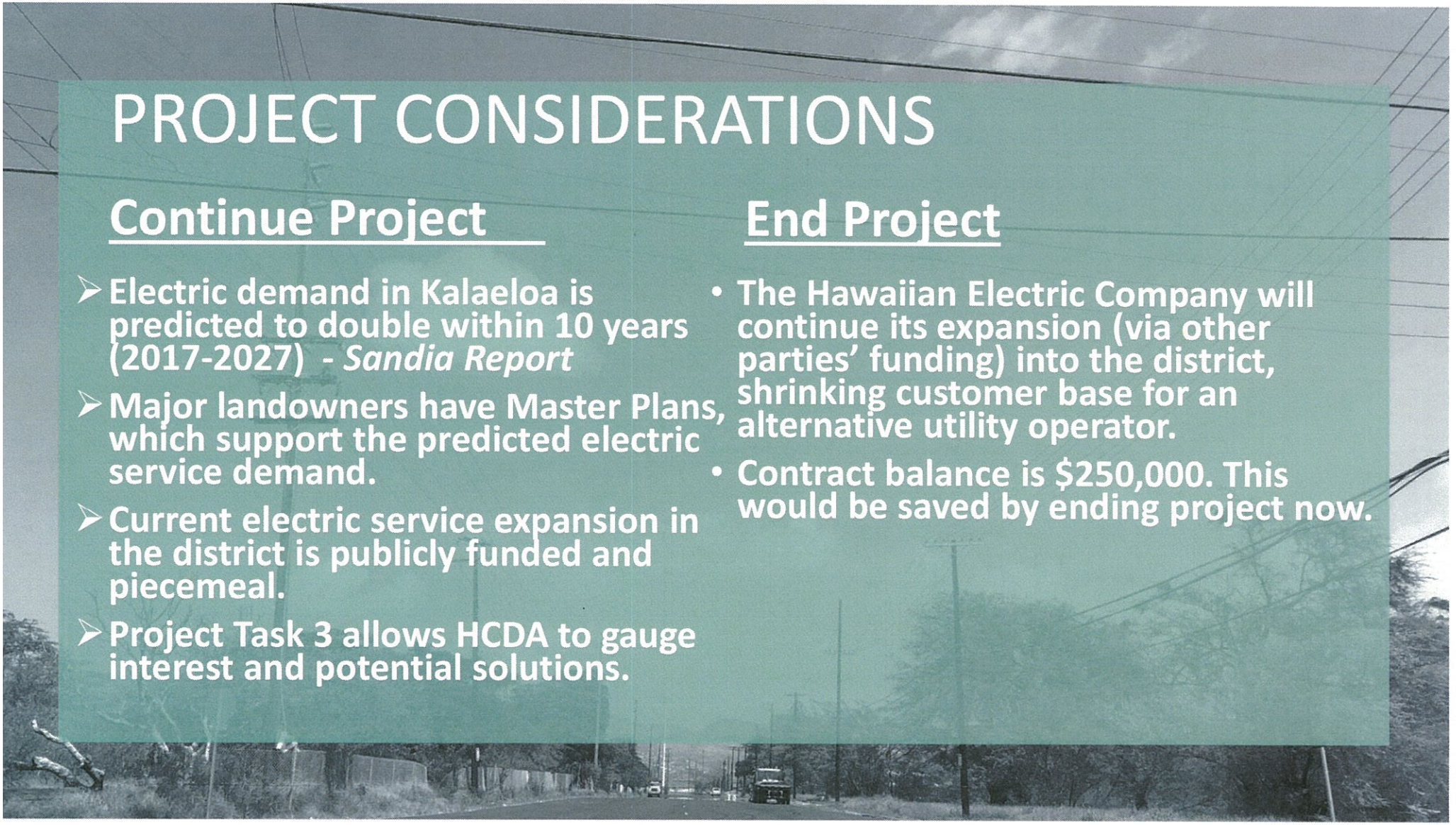
PROJECT STATUS

TASK	PERCENTAGE COMPLETE
Task 1: Infrastructure and Utility Model	100% complete
Task 2: Environmental Review Process	60% complete
Task 3: Solicitation Development	0% complete (not authorized to start)
Task 4: Proposal Evaluation and Decision Analysis	0% complete (not authorized to start)
Total Project Fees	$421,727.60

TASK 3 ITEMS

Proposal to complete only the subtasks that allows HCDA to develop a Request for Information

TASK 3	HCDA Proposed Authorization
Task 3.1: Solicitation Plan	Do not proceed
Task 3.2: Existing Infrastructure Inventory and Condition Assessment	Proceed
Task 3.3: Capital Investment Plan	Proceed
Task 3.4: HCDA Cost Estimate	Proceed
Task 3.5: Prepare the Request for Proposal	Do not proceed



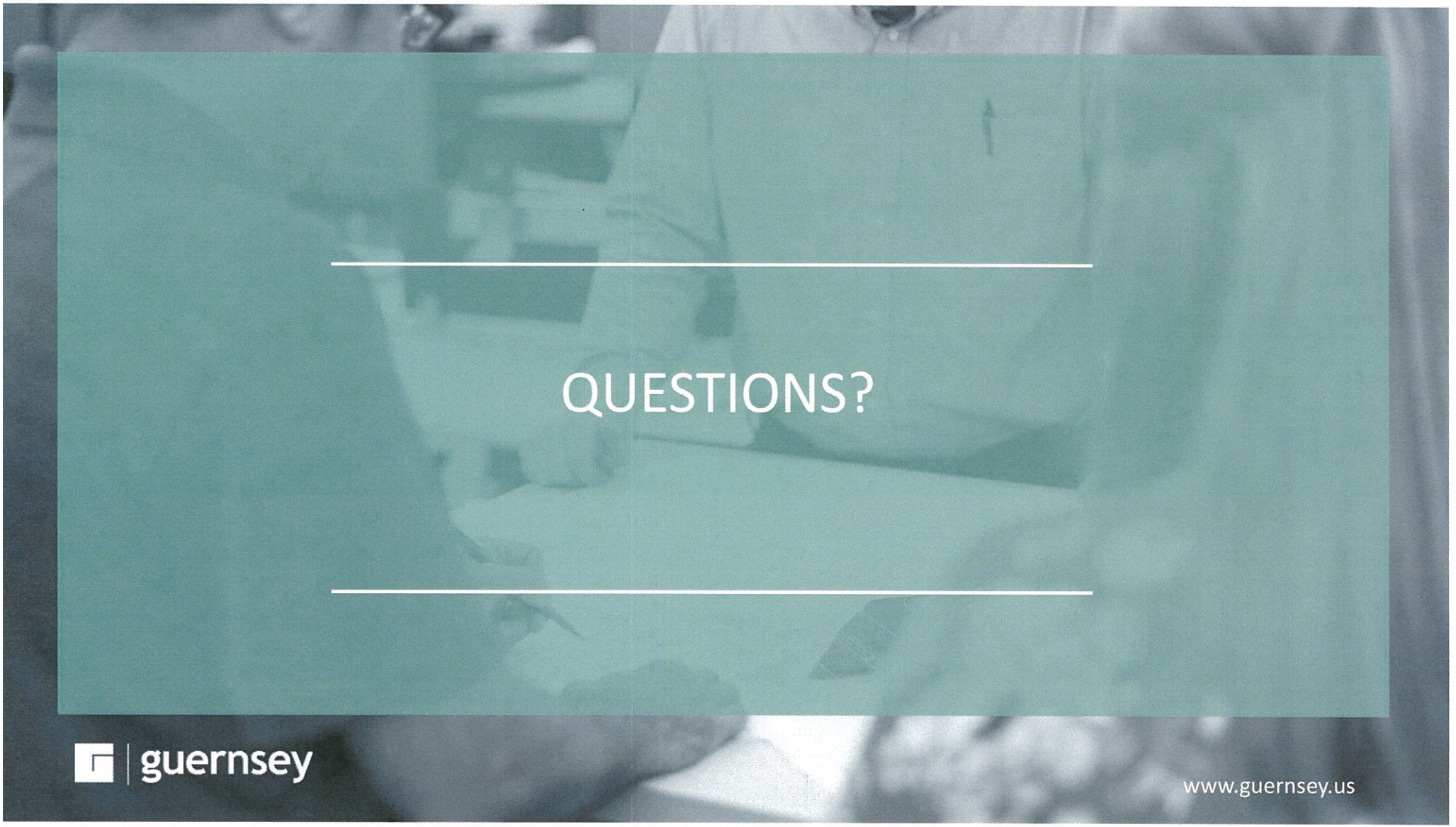
PROJECT CONSIDERATIONS

Continue Project

- Electric demand in Kalaeloa is predicted to double within 10 years (2017-2027) - *Sandia Report*
- Major landowners have Master Plans, which support the predicted electric service demand.
- Current electric service expansion in the district is publicly funded and piecemeal.
- Project Task 3 allows HCDA to gauge interest and potential solutions.

End Project

- The Hawaiian Electric Company will continue its expansion (via other parties' funding) into the district, shrinking customer base for an alternative utility operator.
- Contract balance is $250,000. This would be saved by ending project now.


QUESTIONS?
guernsey
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THANK YOU
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www.guernsey.us
Photo Credit: https://www.flickr.com/photos/pmarkham/

BACKUP INFORMATION


HECO UG Primary - Planned
HECO UG Primary - Existing
HECO OH Primary - Planned
Solar Arrays
Status
Existing
Planned
Source: Esri, DigitalGlobe, GeoEye, Earthstar Geographics, CNES/Airbus DS, USDA, USGS, AeroGRID, IGN, and the GIS User Community

Projected Electric Demand

	2017	2019-2022	2023-2027		
Landowner	Current Demand (MW)	Years 1-5 (MW)	Years 6-10 (MW)	Percentage of Total Demand (2017)	Percentage of Total Demand (2027)
Hunt	2	4	5	9.09%	11.11%
Kalaeloa Airport (DOT)	2	3	4	9.09%	8.89%
USCG	1	2	3	4.55%	6.67%
FBI	1	1	2	4.55%	4.44%
HIARNG	5	7	8	22.73%	17.78%
VA	1	2	3	4.55%	6.67%
Downtown	2	3	6	9.09%	13.33%
DHHL	2	3	6	9.09%	13.33%
Other Eastside Tenants	3	3	4	13.64%	8.89%
Other Westside Tenants	3	3	4	13.64%	8.89%