

MINUTES

DEPARTMENT OF WATER SUPPLY COUNTY OF HAWAII WATER BOARD MEETING

November 25, 2008

Hilo Operations Center Conference Room

MEMBERS PRESENT:

Mr. Thomas Goya, Chairperson
Mr. Riley Smith, Vice-Chairperson
Mr. George Harai
Mr. Bryan Lindsey
Mr. Francis Kuailani (10:06 a.m.)
Mr. Robert Meierdiercks
Mr. Milton Pavao, Manager, Department of Water Supply
(ex-officio member)

ABSENT:

Ms. Millie Kim, Water Board Member
Mr. Bernard Konanui, Water Board Member
Mr. Dwayne Mukai, Water Board Member
Mr. Christopher Yuen, Director, Planning Department,
(ex-officio member)
Mr. Bruce McClure, Director, Department of Public Works
(ex-officio member)

OTHERS PRESENT:

Ms. Katherine Garson, Deputy Corporation Counsel
Mr. Earl Ichimura, Pural Water Specialty Co., Inc.
Mr. John Derby, Executive Secretary, Hawai'i Conference Foundation of
the United Church of Christ
Mr. Hugh Morita, Pural Water Specialty Co., Inc.
Mr. Harold Hart, Pural Water Specialty Co., Inc.
Mr. Sherman Hee, Attorney (for Pural)
Mr. Steve Lim, Carlsmith Ball LLP (representing O`oma)

Department of Water Supply Staff

Mr. Quirino Antonio, Jr., Deputy Manager
Ms. Kris "Kanani" Aton, Public Information and Education Specialist
Mr. Kurt Inaba, Engineering Division Head
Mr. Keith Okamoto, Engineering Division
Mr. Lawrence Beck, Engineering Division
Mr. Richard Sumada, Waterworks Controller
Mr. Daryl Ikeda, Chief of Operations
Mr. Clyde Young, Operations Division
Ms. Julie Myhre, Energy Management Analyst, Operations Division
Mr. Terrance Nago, Engineering Division

CALL TO ORDER – Chairperson Goya called the meeting to order at 10:01 a.m.

STATEMENTS FROM THE PUBLIC

None

APPROVAL OF MINUTES:

ACTION: Mr. Meierdiercks moved for approval of the Minutes of the October 28, 2008, Water Board Meeting and of the Minutes of the October 28, 2008, Public Hearing on Proposed Amendment to Frequency and Method of Calculating the Power Cost Charge; second by Mr. Harai and carried unanimously by voice vote.

APPROVAL OF SUPPLEMENTAL AGENDA:

ACTION: Chairperson Goya entertained a Motion to approve the addition of Supplemental Agenda Item No. 7, regarding Job No. 2007-043, Construction of the Waikoloa Reservoir No. 2 Earthquake Repairs, County of Hawai`i, State of Hawai`i, FEMA-1644-DR-HI, FIPS NO. 001-UVK-00, PW NO. 638, to the Agenda.

MOTION: Mr. Harai so moved, seconded by Mr. Smith, and carried unanimously by voice vote.

ACTION TO MOVE AGENDA ITEMS:

Noting that there were several changes to the Agenda to accommodate people making presentations, Chairperson Goya entertained a Motion to move up *following Item 5 (A) Ola`a Flume Spring Source*, Item 9 (E) Power Cost Adjustment Clause to have the information filed for proper time of public notice of the upcoming Public Hearing on December 16, 2008, and to take up Item 8-D, Resolution No. 08-08 of Support for Development of Water Desalination Facilities for O`oma Beachside Village LLC.

MOTION: Mr. Meierdiercks so moved; seconded by Mr. Smith and carried unanimously by voice vote.

SOUTH HILO:

A. OLA`A FLUME SPRING SOURCE:

The Manager introduced a presentation by Mr. Ichimura of Pural on a proposed water treatment plant to use the Ola`a Flume Spring source located near the Kaumana City subdivision to supply the Hilo water system. In an effort to reduce its energy consumption, the Department of Water Supply is considering purchasing the water as a replacement for the existing well and also as a supplement to other existing wells, provided that the treatment process and the treated water meet all Environmental Protection Agency (EPA) and

Department of Health standards and requirements. It will also have to be at a cost less than the Department's cost to produce the water from the existing wells.

Mr. Ichimura began by stating that this "Living Water" project is mission-driven by the church, and he introduced Mr. John Derby, executive secretary of the Hawai'i Conference Foundation; Mr. Sherman Hee, a member of the Property Committee of the Foundation; Mr. Harold Hart, team leader from the Big Island for Pural; and Mr. Hugh Morita, project engineer for Ola`a Flume Spring. Mr. Ichimura noted that the team had been working on the project for the past six years.

Mr. Derby represented the land owner where the Ola`a Flume Spring source is located, Hawai'i Conference Foundation United Church of Christ. The Foundation is the investment and management arm of the United Church of Christ in Hawai'i.

Mr. Derby noted that the church's roots in Hawai'i date back to 1820 when missionary Hiram Bingham arrived on Maui. Today there are 130 UCC churches in Hawai'i, with 29 on Hawai'i Island, and holds title to the Ola`a Flume Spring. The Ola`a Flume Spring, on conservation land on the slopes of Mauna Kea above Kaumana City, was bequeathed to the Foundation by missionary Titus Coan.

The Department of Water Supply has a 50-year water lease with Hawai'i Conference Foundation for the Ola`a Flume Spring made in 1978, which expires in April 2028. Mr. Derby indicated that the current rental is up for renegotiation. Since the source is not in use by the County at this time, they have not needed to set the rental for the opening period, but should at some point. Pural Water Specialty, Inc., has been working with Hawai'i Conference Foundation for the past six years as a technical adviser. At this point, Mr. Derby turned it back to Mr. Ichimura of Pural Water Specialty, Inc. to explain the proposed Ola`a Flume Spring water treatment plant.

Mr. Ichimura explained his 20-year-old company's background as a specialty contractor certified in the State of Hawai'i to operate water treatment plants and water distribution systems, including approximately 20 water systems in the state. The flume spring was created by an 1855 lava flow at an elevation of approximately 2,000 feet on Saddle Road above Kaumana City. The tunnels were developed in the 1890s for the purpose of flowing cane down to the Ola`a Mill, about 500 feet of collection systems in the mountain and several arms in the spring, tunnels where the water is collected.

Mr. Ichimura noted that up to 2002, the Department of Water Supply used the Ola`a Flume Spring source to service Hilo. According to their records and the Department's records, about 25% of Hilo's water was provided through this spring source. He said the source has never dried up since the 1890s. However, the Department stopped using the source due to a new Federal Surface Water Treatment Rule whose treatment requirements were not met at the time. From that time, DWS replaced Ola`a with water from the Saddle Road Well A and Piihonua Well C.

This spring was a revenue source for the Foundation that enabled the church to do mission work, but the revenue source has stopped so the Foundation had kept it on the back burner. At the time, the timing was not right because oil prices were low, but now with high energy prices, Mr. Ichimura believed the time was right to meet with the State Department of Health to propose reactivating the spring source. They did a financial feasibility study and presented a proposal to the Manager and Mr. Inaba which would involve design, building and operating a water treatment plant using membrane technology which the State Department of Health has approved. The model looks appealing and can beat the costs of pumping the water out of the ground. The Department of Health has approved two manufacturers in partnership with the Hawai'i Conference Foundation on Maui.

Mr. Ichimura said Pural proposes to the DWS and the Board to do all of the design, construction and operations work through a federal Rural Development Loan at low interest; there would be no capital cost to the Department of Water Supply. He noted that the Ola`a Flume Spring in the years since its inception in 1890 has been a good, reliable source of water, and records show the Department has bought 100s of millions of gallons in the past of excellent quality water, although EPA has ruled that it needs to be treated through a filtration system.

If it is acceptable, Mr. Ichimura said they would furnish the water in a buy-sell agreement with DWS. Their commitment, according to their records, is that since 1890 it has been a good, reliable source.

Mr. Ichimura said they have the know-how of operating a surface water treatment plant, and the membrane technology has been proven in this state, and various counties are using it. Mr. Ichimura said that they have access to low interest capital, and the source water can be offered to DWS within a short period of time. He noted that that its water would benefit the Hilo community as an abundant, reliable source of water, noting that currently the wells in Upper Hilo have no backup. The spring is a backup, and the spring will be a primary source. The treatment plant would be especially beneficial to (Hilo Medical Center) as a backup source of water.

Delivering the water from the spring on the mountain would not require much energy, making it a green technology. Pural would provide the capital, not DWS; and with gravity flow, it could be off-the-grid for two wells. The power requirement is not as high as the two existing wells. Mr. Ichimura said he hoped that the Board would give the green light to DWS staff to renew the lease with Hawai'i Conference Foundation for a longer period of time to ensure a good, reliable backup source for Upper Hilo.

Mr. Ichimura proposed that the Board authorize DWS staff to pursue and execute the necessary agreements to implement proposals that allow the plant to supply DWS with water.

He added that financial information was contained in the handout provided and that full financials were available to Mr. Inaba. He then opened the floor for any questions.

Chairperson Goya asked the Manager to give a briefing on his experience with this project.

The Manager noted that Mr. Ichimura came to him to discuss whether they could produce water cheaper than DWS can produce, and establish that the water meets all regulations and requirements of the DOH and EPA. The Manager said he was glad for the opportunity to buy water whereby it would save the Department energy, money, and provide a backup. The Manager did note that the spring has gone low in the past, and there were conservation notices for the area. But in normal times, it is an abundant source of water that is being wasted every day. He noted that this project would be a win-win situation for the Department and for the church, and that he looks forward to the DWS utilizing the water and saving the groundwater and saving electrical costs.

Chairperson Goya asked if surrounding subdivisions in Kaumana City can use the water.

The Manager said that the DWS has a main trunk line from the spring to the tank, (that is the line that the design will probably incorporate to flow the water to the treatment plant because it goes into DWS' tank), and that from the tank to the spring source, no potential users were in between and there was no potential for the subdivisions up there to utilize it. From DWS' tank, it is not possible to serve Kaumana City because pressure conditions are not low enough.

The Manager noted that in the past 15-20 years or more there were proposed plans for a mauka tank which were never done. The pipeline in the ground is well over 20 years old and is not reliable, and a new booster pump system would be needed for that subdivision.

Mr. Smith asked where the treatment facility would be, and Mr. Ichimura said it would be in Kaumana City on land the church owns. Mr. Ichimura said that the facility would be run by a third party that is part of Pural, but not actually Pural.

Mr. Smith asked if Pural was eligible for low-interest loans and if they were a non-profit organization. Mr. Ichimura replied that they have explored (low-cost loans) but they have not been finalized.

Mr. Smith mentioned the Xenon membrane technology used at Grove Farm on Kauai. (An explanation of how Xenon's membranes work to filter out impurities from water was given in the handout). Mr. Ichimura said they were looking at Grove Farm as a possible template.

Mr. Smith asked what action was called for by the Board, and the Manager said no action was called for at this time and that when an agreement is set, it will be put before the Board. The Manager reiterated that it was a win-win for the Board, the church and the community in general. The Manager then asked for reaction from the Board on the concept itself, which would determine how much energy is put into the project.

Chairperson Goya asked if there were any thoughts, and Mr. Harai said it was a great idea, a win-win situation.

Mr. Meierdiercks asked if Pural would have an annual cost to set it up whether the Department uses it or not, and Mr. Ichimura said the current contract has a flat rate if the water is not used.

There would be a minimal expense that they would need to cover, so there would be a flat rate on an incremental use structure.

The Manager agreed, saying it would be one of two rates: one rate is a flat rate that would be for the privilege of taking water, and whenever the Department takes water, there would be a per-thousand gallon rate also, which is similar to when the Department was using the source.

Mr. Meierdiercks asked what the breakeven point would be where the Department would still be ahead of its costs, and how many million gallons it would produce.

The Manager replied that was discussed with Mr. Ichimura from the beginning. As long as the Department can buy it for less than it would take to produce it, the Department wants it. Mr. Meierdiercks noted that the Department is going to have so many gallons to meet that (breakeven) point.

The Manager said that the flat rate has to be considered, but when the Department purchases water, it can compare the purchase rate versus the rate of electricity necessary for pumping it out of the ground; and *that* would be the comparison.

Mr. Harai asked if it was necessarily the primary source, and the Manager said it would be the primary source, and that the wells would be the backup as long as there was sufficient water coming from the flume. The Manager noted again there were times that the flume would not provide everything so there will be a time when the Department will have to start up the pumps. They would need to be started up anyway to keep them in good working order.

Chairperson Goya said there is an opportunity here because of high energy costs.

Mr. Smith said he was very supportive of the DWS not relying just on groundwater or perched water. Ola`a is an example, as long as the Department covers its risks; he just wanted a good understanding of the reliability of this (membrane) technology. He noted years of track records using the technology, citing Grove Farm using it the past four or five years as an example. He said that he was assured that the technology was proven elsewhere (at Grove Farm).

Mr. Smith asked what kind of volumes are being talked about, going back to concerns about the spring running low at times.

The Manager reiterated that the Ola`a Flume Spring source does on occasion go down to less than a million gallons a day, and that DWS used to bring water all the way down to Kawaiiani Street, but not anymore. The demand depends a lot on how far down you bring the water.

The Manager said the mode the Department uses is 2.5 million gallons a day.

The Manager noted that there would be times when the Department would have to start up the wells. He said that an important fact was that amid high energy rates, there have meanwhile been great strides made in membrane technology and that membrane technology has improved tremendously. It used to be that you needed 100 pounds to push the water through, but now they are down to 20 pounds, using vacuums.

Mr. Smith noted that this would be considered a potentially high-level source such as perched water, and you use much less energy that would lend itself to an in-line hydro such as in Hinalani. You have higher water coming to lower water so there are possible other benefits to pursuing this.

The Manager said the only problem is the pressure difference between the source itself and the tank water is only 28 pounds, 40 pounds. That would lend itself to a very specialized hydro-generator.

Mr. Smith said that if you are taking water from the Saddle Road reservoir and getting it down to Kawailani, there would be plenty of pressure drop.

The Manager noted that the flow is variable and splits into different tanks, with variable flows not lending themselves well to hydro-generation.

Mr. Smith asked about the source of funding for the Saddle Road well, and asked if DWS either accepted an improvement by a developer and was maintaining it, or it paid for the well.

Mr. Okamoto noted that the Saddle Road wells received State Revolving Loan funds.

Mr. Harai asked if Yamada (Construction) was water hauling from the church to Pohakuloa Training Area (PTA) for construction. The Manager noted that it is raw water they are buying from the church, not from this Department.

Mr. Kuailani asked if this Department would be taking water that would go to a surface stream or river somewhere else.

The Manager said that it is not a spring source and the water flows through a tunnel to a collection box that the Department used to use. He was sure the water was now going to the ocean somewhere. He said it was a tunnel, flowing through multiple tributaries and that it is not really a spring.

Chairperson Goya thanked Mr. Ichimura for his presentation, adding that hopefully they would be providing additional information to the Board and that an agreement will be reached.

Chairperson Goya looked forward to welcoming Pural to the next Hawai'i Water Works Association (HWWA) conference, to be held on Hawai'i Island in October.

NORTH KONA:

D. RESOLUTION NO. 08-08 OF SUPPORT FOR DEVELOPMENT OF WATER DESALINATION FACILITIES FOR O`OMA BEACHSIDE VILLAGE LLC:

Resolution No. 08-08 is in support of water desalination facilities for O`oma Beachside Village LLC situated in the North Kona area, Tax Map Key (3) 7-3-009:004 and 022.

The Department has been working with O`oma Beachside Village LLC to find alternate ways of providing potable water to support their development since water availability from our water system in that area is not available. The Resolution supports O`oma's effort to develop water desalination facilities that meet all applicable rules, regulations, and water quality standards for the State of Hawai'i, Department of Health.

The Manager recommended that the Water Board adopt Resolution No. 08-08 which supports the development of water desalination facilities for potable use by O`oma Beachside Village LLC.

MOTION: Mr. Smith moved for approval of the Manager's recommendation, seconded by Mr. Kuailani.

The Manager said that a briefing on the project would be given by Mr. Steve Lim, attorney for O`oma Beachside Village LLC. Mr. Lim explained that the project was located between the Kohanaiki Shores project, the Airport and Natural Energy Laboratory of Hawai'i Authority (NELHA). They originally filed a petition with the Land Use Commission in 2007, with the final Environmental Impact Statement due to be filed next month. The project is mixed use commercial, residential and affordable housing units, with 950-1,200 residential units. It includes an open space corridor that will link up with Kohanaiki Park, an oceanfront buffer of 1,200-1,500 feet for the public.

O`oma Beachside Village LLC wants to pursue an alternative source of water with DWS, and it is important for the developer to understand that the Board is in support of this alternative concept and understands the requirements for any dedication of a desalination plant to DWS, as to what would be the method, infrastructure, DOH approvals and even the period of operations.

Mr. Lim noted that neither the Department nor O`oma has any experience with a desalination plant, and noted that whatever agreement is reached with DWS that was approved by the Board would include all of these elements (listed above), and asked for support of Resolution No. 08-08.

The Manager said the Resolution in no way agrees to anything; all it says is that the Board supports the concept of finding alternative sources of water. With scarce water sources in Kona, O`oma wants to go faster than the Department can to provide water, so O`oma has proposed the desalination plant. This Resolution would be a good opportunity for DWS and the Board to show it recognizes that there is a limited, finite supply of water and that there is a

need to think outside of the box and do other things to supply water to the area, especially in the Kona area. This Resolution is not binding; it just shows support. He assured the Board that they would negotiate in the best interests of DWS, should this proceed any further.

Mr. Meierdiercks asked about the timeline. Mr. Lim said the Land Use Commission proceedings would take 12-18 months; the County rezoning would take another 12-18 months or so, with actual construction another two (2) years out. Mr. Lim said they have not decided on the type of desalination facility because by that time, the desalination technology will have improved so much, and that it will be much cheaper than it is now.

The Manager noted that desalination technology used to be expensive, but has come along tremendously. It used to cost \$10 per 1,000 gallons to develop, but now it is 4 (dollars) or the high 3s to develop because the technology has improved so much. That too uses membranes, and membrane technology has exploded. The whole world seems to realize the need to provide something to make it affordable.

Mr. Meierdiercks asked if they would be using Ocean Thermal Energy Conversion (OTEC) as a source, and Mr. Lim said they would use OTEC or drill mauka sources on state lands. Mr. Lim said the higher you can drill, the more "head" you have on it to drive it through the membrane. That would be better for them, he said.

The Manager noted that by going higher to get water, there would be less salt in the water, probably brackish and therefore less energy would be needed to push through the membrane. It becomes profitable to use the purest water possible.

Mr. Lim noted that because there were National Park Service (NPS) concerns, they might have to punch further through the sea water and go deep. Because the NPS objects to any withdrawal of brackish water, unless that is resolved, they will have to go deep, not just water treatment like they do at Hualalai Resort and Kukio projects on the coast. That is why they are looking at desalination.

Mr. Smith said he supported the Resolution, saying that he believes it is important that the Department explores these opportunities. Where demand exceeds supply, the Department needs to explore alternatives like they do on Oahu. There are some concerns with minimal treatment of surface water but Mr. Smith thinks it is important to pursue this. Mr. Smith noted that Kukio kept their desalination facility completely private; DWS was not involved at all. He asked if, like Kukio, that O`oma could keep the system private.

Mr. Lim replied that theoretically they could keep it private, but it would be a project cost going forward and it would affect the sales price of the lots. O`oma will not be doing high-end property like Kukio, where one-acre lots go for something like \$10 million. The lots will be 4,500-5,000 square feet so it will be less high-end. He said they felt it would be a good option for the Department to consider.

The Manager said that if it were private, it would be much more expensive because they would not be able to use the existing water system as a means of transmission, requiring booster tanks, transmission, and the need to cross the state highway to develop pressure for it. From

the Department's point of view, it would make more sense to make it dedicable. He noted that O`oma does not have mauka lands like Kukio.

Mr. Smith noted that the Board's obligation is to its customers, and that it is not the Board's obligation to solve O`oma's problems. He suggested that maybe O`oma could make an arrangement to provide water to the County system and take the water off a master meter; desalination is more expensive than a master meter. The Department does not get involved with the costs. If O`oma takes a million gallons, it puts in a million gallons into the County's reservoir and pays an operational maintenance fee to keep those things working. The Department would not care how much they pay to desalinate; they just pay the Department for using the water.

The Manager said there were all kinds of issues that need to be negotiated. The Department would get a subsidy from O`oma over and above what its normal costs would be. He said O`oma would have to make a duplicate plant of a similar capacity; and if they do, they would need their own redundancy. They have agreed to that, but there are other things to be negotiated.

Mr. Smith said he understood and that the Board needs to look out for its customers and DWS.

Mr. Lim said O`oma felt that bringing up the concept of potentially dedicating of the desalination plant was a good idea because of the limited supply of groundwater sources.

The Manager said it would be good for the Department to get experience in running this kind of small desalination plant along the coast.

Mr. Kuailani asked if there was any liability issue in getting water from a private source. The Manager said O`oma would operate it for a time; but after dedication, the Department would own everything. It would be a case of the Department taking somebody else's water.

Chairperson Goya said it was important to get input from the community as well. At the HWWA Maui conference, desalination was put at the back of the pack again. It takes time to take place and there is a need to inform the community that it will not happen tomorrow. He said it was not the only way to go; but the Department and the Board need to have a dialogue with the community and hear their opinion. There are other options to be explored, although in the past, even some past Board members thought it was the only way to go in Kona.

The Manager noted that in North Kona there are no springs or river flows and the only way is to get water out of the ground, and that desalination was the only way that is going to be available.

Chairperson Goya thanked Mr. Lim for coming to make his presentation.

ACTION: A roll call vote was taken on the Motion. Motion was carried by Ayes: 6 – Messrs. Harai, Kuailani, Lindsey, Meierdiercks, Smith and Chairperson Goya; Nays: 0; Absent: 3 – Ms. Kim, Messrs. Mukai and Konanui.

MISCELLANEOUS

E. POWER COST ADJUSTMENT CLAUSE:

The Department's new PCC formula allows updating of the PCC every 2 months and is to be computed by dividing power costs by consumption. Currently, since July 1, 2008, the PCC is \$1.70 per 1,000 gallons which has resulted in a loss of \$2,145,335.77 compared to the amount paid for power over the first 4 months of this fiscal year. While an increase in the PCC is warranted in order for the Department to cover its power costs, an increase of the PCC to \$2.38 per 1,000 gallons as shown in the table below may be too severe an increase for its customers. It is therefore suggested that the actual cumulative PCC resulting from the month of September 2008 be used and assessed to the customers. This will provide a more tolerable increase in PCC since July 1, 2008.

	Actual Power Costs	Actual Consumption ('000 gallons)	PCC in effect	Power Costs Recovered	Power Cost Losses	Actual PCC Incurred	Actual Cumulative PCC
Oct. 2008	\$1,944,282.50	665,552	\$1.70	\$1,131,438.40	(\$812,844.10)	\$2.92	\$2.38
Sept. 2008	\$2,051,402.72	927,274	\$1.70	\$1,576,365.80	(\$475,036.92)	\$2.21	\$2.23
Aug. 2008	\$1,812,068.10	693,493	\$1.70	\$1,178,938.10	(\$633,130.00)	\$2.61	\$2.24
July 2008	\$1,727,435.85	884,183	\$1.70	\$1,503,111.10	(\$224,324.75)	\$1.95	\$1.95
TOTAL	\$7,535,189.17	3,170,502		\$5,389,853.40	(\$2,145,335.77)		

The Department recommends increasing the PCC rate from \$1.70 per 1,000 gallons to September 2008's actual cumulative PCC of \$2.23 per 1,000 gallons effective the first day of the month after the PCC rate is established by the Water Board.

MOTION: Mr. Smith moved to approve the recommendation, seconded by Mr. Meierdiercks.

The Manager noted that he and Mr. Sumada tried to stay as low as possible by selecting certain months to do the calculations on, that they originally thought they could get by with as low as \$2.03 in October. However, they saw that the Department was losing \$1.4 million, and the September figures showed a \$2.1 million loss. They felt that losing these monies month by month would affect line-item budgets, the Department's ability to transfer money to CIP, which would affect getting projects out. Therefore it was decided to bite the bullet and go with the \$2.23. As seen in October, it is at \$2.38 already. He discussed with Mr. Sumada that if it was kept at \$2.23 and everything stays the same, the Department would not gain back the \$2.1 million. The only way the \$2.1 million can be gained back would be if it stays at \$2.23 and HELCO's rate drops. If it remains at \$2.23 and nothing happens, then it will have to be adjusted in two months, because the Department is already losing \$2.1 million since July 1st.

Mr. Smith noted the public hearing (on October 28), and that the Board's role is to watch the interests of the customers and the Department. There was never an opportunity to adjust before, and this gives the Department the ability to do that. It is the Board's fiduciary responsibility to make up the money to address the shortfall. The choices are to go for \$2.38

or eat it because 50 cents is thought to be too much. The Department needs equipment, etc., for all the other services it provides. Mr. Smith said he feels that the Department should charge the actual.

The Manager said they went back to \$2.23 because oil prices are going down, but if there is no reduction in HELCO's rates in two months, the Department will have to adjust to the next higher level. The Department proposes \$2.23, but the Board can decide on \$2.38 if it chooses.

Ms. Garson noted that there will be a public hearing next month, so this is not the final decision.

The Manager said that what the Board decides today will go on the public hearing notice, and the Secretary needs to call the Tribune-Herald today with the amount.

Mr. Harai said he supports \$2.38.

Mr. Smith asked what the policy is on cases of hardship, and what would happen if people are delinquent in their payments. The Manager replied that the Department offers payment plans but that they insist that customers keep current, while trying to be as lenient as possible. He noted that the Department has had to shut off water service; but it is especially hard to shut the water off on families with small children and babies.

Ms. Garson added that there is a shut-off process that the Department needs to follow.

Mr. Harai asked if \$2.38 would really affect the customers.

The Manager replied that he thought it would because it is a 68-cent hike. The 53 cents represents approximately 20-25% of the total bill for two months. A 50-cent increase on 20,000 gallons for two months would mean a \$10 increase in your bill. With a 68-cent increase you are looking at a \$13.60 increase.

Chairperson Goya said that it is a larger increase in smaller increments.

Mr. Meierdiercks asked if every time this rate needs to be changed, whether it would require a public hearing.

The Manager replied that in order to change it each time, it does require a public hearing. At this time, the newspapers must be notified before 12:00 today to have the figure change (in the notice of the public hearing, which would be held December 16).

Chairperson Goya said that by taking the high road with the current costs now, it leaves the Department with more flexibility in the next six months with regard to energy costs and the adjustment factor.

Ms. Garson said the public hearing is useful to test the waters with the community.

AMENDMENT TO MOTION: Mr. Smith moved to amend the recommendation to adjust the public hearing rate to \$2.38 per 1,000 gallons, seconded by Mr. Harai. Motion was carried unanimously by voice vote.

Chairperson Goya then went back to the original motion.

ACTION: A vote was taken on the original motion, as amended, to raise the rate to \$2.38. Motion carried unanimously by voice vote.

Mr. Smith said it was very important that the Department is just as quick in notifying the public about a rate reduction as a rate increase.

The Manager said there are no plans to reduce it until the \$2.1 million lost so far is recouped. If HELCO rates go down, the rate is still going to stay at \$2.38 until the Department can recoup the \$2.1 million.

The Manager said the (Cost Adjustment Clause) gives the Department the ability to change it every two months; it does not mention increases or decreases.

Chairperson Goya asked the Manager to confirm that it is not really a loss; but instead it is a budget shortfall at this time.

The Manager said it is an increase in a budget line-item that was never foreseen.

Chairperson Goya said the Department needs to show its customers that it is doing everything possible in their interests to minimize the operational kinds of expenses which the Department has some control over.

The Manager said he asked Ms. Aton to draft an informational sheet for the Hawai`i Tribune-Herald and West Hawai`i Today reporters so they can publish it in their newspapers; but today the ad for the public hearing, including the rate that the Board voted on today, will be sent in.

Chairperson Goya said the Department and the Board need to be proactive in informing the public and elected officials.

Ms. Garson noted that the public hearing will be held just before the next Board meeting, at 9:00 a.m. on December 16.

HAMAKUA:

A. JOB NO. 95-621, CONSTRUCTION OF THE POHAKEA WATER SYSTEM IMPROVEMENTS, HAMAKUA, HAWAI'I, COUNTY OF HAWAI'I, STATE OF HAWAI'I

Plans and specifications were prepared by the project consultant, Imata & Associates, Inc, and a cost proposal was submitted by Willocks Construction Corporation for the repair and seismic upgrade of the Pohakea Tank and the Mahuna Tank. Both tanks were damaged by the October 15, 2006 Kiholo Bay earthquake. Repairs will involve sealing cracks in the walls and floor of the tanks. The seismic upgrade will bring the tanks into compliance with Seismic Zone 4

building code requirements. The cost for the repairs and seismic upgrade per the cost proposal is \$607,365.37.

The cost breakdown for this work was reviewed and compares favorably with the recent bid for Job No. 2007-919, Construction of Earthquake Damaged Tank Repairs (North Kona Tanks) opened on July 10, 2008. Also included in this request for additional funds are other miscellaneous work items totaling \$122,555.21, including the necessary earth work and culvert repair in the Shuman Ranch land to keep storm water in the natural drainage way and prevent it from washing out the waterline in the Department's road easement at the top reservoir. A breakdown of the additional work items is provided. Also, to date, HELCO has not resolved the easement issue with a land owner and will not be able to provide power at the top reservoir until such time as they are able to obtain the easement. DWS will run the pump system manually until such time as power is available at that site. The original proposal has been revised based on staff review and accepted by the contractor. Staff finds the revised change proposal acceptable as submitted, and requests that an additional \$35,000.00 be approved for potential additional (unforeseen) costs prior to completion of the project. This would bring the total of additional funds being requested to \$764,920.58. A tentative schedule has also been submitted and the anticipated completion date is June 30, 2009. Staff finds this schedule acceptable; and this would require an extension of contract time from the previous completion date of October 30, 2004 (1704 calendar days). This would be the sixth time extension.

Original Contract Amount:	\$2,559,795.00
Change Orders to Date:	\$ 149,423.00
Current Revised Contract Amount:	\$2,709,218.00

- 1st time extension – 225 calendar days
- 2nd time extension – 153 calendar days
- 3rd time extension – 152 calendar days
- 4th time extension – 91 calendar days
- 5th time extension – 92 calendar days

The Manager recommended that the Board grant this request for additional funds of \$764,920.58 and the extension of contract time of 1704 calendar days to Willocks Construction Company. If approved, the contract completion date will be extended from October 30, 2004, to June 30, 2009.

MOTION: Mr. Smith moved for approval of the Manager's recommendation, seconded by Mr. Harai.

The Manager noted that this project has had problems from Day One, with the Department's inability to get an easement from private individuals, in particular. At first the landowners seemed okay with it, then they grew more demanding, which caused delays. In addition, there were delays caused by HELCO because they could not negotiate an easement with the owner, compounded by the delays caused by the October 2006 earthquake because the reservoirs, which were basically completed but not tested and accepted, had sustained structural damage. There were many delays because of involvement with FEMA because this was not yet a part of the Department's system and had to be brought up to Seismic Zone 4 readiness.

The Manager noted that there is one engineer dedicated to the project, Mr. Terry Nago. He added that because of the earthquake, the contractor was not responsible for that damage, and the Department had posted a sole-source notice to have the contractor retro-fit the reservoir to Seismic Zone 4, and finally received the prices and the exemption and agreed to a price. Today, it is all go-ahead.

Chairperson Goya suggested re-blessing the project. He added that the (approximately \$765,000) additional funds were not in the Department's capital budget in the current fiscal year.

The Manager said that fortunately the Department has bond money, noting that it has not been used up but that there is an obligation to spend the bond money.

Mr. Smith said he understood a lot of the cost breakdown because of the earthquake and that it was unanticipated with the system geared to Seismic Zone 3, so he was fine with the cost. He noted that the contractor, Willocks, has had to deal with five years of delays, and asked if this allowed for their labor cost increases.

The Manager said he assumed it would be a part of the costs.

A discussion ensued of the number of days' extension they were seeking. Mr. Inaba said they were asking for an extension of 1,704 days. There would have to be community input amid the land issue, the \$765,000 cost and a total 3,000 calendar days, which was clarified to 2,400 calendar days.

The Manager noted 2,400 calendar days meant six years.

In response to Chairperson Goya's question of whether this project could be closed in the current fiscal year, and Mr. Inaba replied that the contractor said they believed they could.

Mr. Nago noted that the prices for upgrading the tanks came from DYK, Inc., so they will be doing the work. The Manager added that DYK was famous for their pre-stressed tanks.

Mr. Smith asked if Willocks' bond fee and carrying costs were in the price of \$765,000 for six years, and Mr. Inaba said it was incorporated into the cost.

ACTION: A vote was taken on the motion, and was carried unanimously by voice vote.

SOUTH KOHALA:

A. JOB NO. 2007-043, CONSTRUCTION OF THE WAIKOLOA RESERVOIR NO. 2 EARTHQUAKE REPAIRS, COUNTY OF HAWAI'I, STATE OF HAWAI'I, FEMA-1644-DR-HI, FIPS NO. 001-UVKJ8-00, PW NO. 638:

Bids were opened on November 20, 2008; and following are the bid results:

Bidder	Amount
Goodfellow Bros., Inc. (LOWEST RESPONSIBLE BIDDER)	\$1,859,046.00
Willocks Construction Corp.	\$3,016,931.73
Isemoto Contracting Co., Ltd.	\$3,463,547.00
Kiewit Pacific Co.	\$4,260,880.00

Engineer's Construction Cost Estimate: \$2,650,000.00.

Construction Contract Duration: Two hundred seventy (270) calendar days.

Project Scope: This project consists of interior and exterior repairs to Waikoloa Reservoir No. 2, which sustained damage during the October 15, 2006, Kiholo Bay Earthquake. The scope of work generally includes 1) interior repair: rehabilitate existing concrete liner; provide synthetic liner system. 2) exterior repair: provide internal filter-drainage system; provide seepage-stability berm and drainage; instrumentation; provide outfall structures; access road; borrow area; and temporary facilities.

The project cost will be as follows:

Project Cost:

1) Low Bidder (Goodfellow Bros., Inc.)	\$1,859,046.00
2) Construction Contingency (~10%)	<u>185,954.00</u>
Total Construction Cost:	<u>\$2,045,000.00</u>

Funding for this project will initially be from DWS C.I.P. budget; however, DWS will be pursuing reimbursement from the Federal Emergency Management Agency (FEMA) for up to 75% of the synthetic liner system cost.

Department Staff has reviewed the bids and finds the bid from Goodfellow Bros., Inc., acceptable as submitted.

The Manager recommended that the Board award the contract for JOB NO. 2007-043, CONSTRUCTION OF THE WAIKOLOA RESERVOIR NO. 2 EARTHQUAKE REPAIRS, COUNTY OF HAWAI'I, STATE OF HAWAI'I, FEMA-1644-DR-HI, FIPS NO. 001-UVKJ8-00, PW NO. 638, to the lowest responsible bidder, Goodfellow Bros., Inc., for their bid amount of \$1,859,046.00 plus \$185,954.00 for construction contingency for a total contract amount of \$2,045,000.00 and that either the Chairperson or the Vice-Chairperson be authorized to sign the contract, subject to review as to form and legality of the contract by Corporation Counsel.

MOTION: Mr. Kualani moved to approve the recommendation; seconded by Mr. Smith.

Mr. Smith noted that Goodfellow Brothers, Inc. (Goodfellow) was the lowest *responsible* bidder, but asked if that meant that somebody was rejected. He noted that their bid was lower than the engineer's estimate and that it was good.

Mr. Inaba said the design engineer reviewed the bid prices to make sure that Goodfellow was comfortable with their prices and confirmed that they are, partly because they have another project there already.

Mr. Smith asked about the fact that DWS will be pursuing reimbursement from the Federal Emergency Management Agency (FEMA) for up to 75% of the synthetic liner system cost. He asked if, in that case, the Department's cost after FEMA will be \$900,000, which the Manager confirmed.

The Manager said the Department will be providing full-time construction oversight upon which FEMA is very insistent. Therefore the Department will have to hire somebody to be on-site all the time. In addition, the Department has an agreement with Kleinfelder to come down at certain times.

ACTION: A vote was taken on the Motion. Motion was carried unanimously by voice vote.

Mr. Smith asked about the status of the other reservoir, and noted that the community needs to be informed on the schedule on the reservoir repairs. Ms. Aton said it was part of the presentation that has been going to the community and is on the DWS website.

NORTH KONA:

A. PALANI TRANSMISSION PROJECT:

Covered under Resolution No. 08-07 below.

B. RESOLUTION NO. 08-07:

This Resolution is being introduced for the condemnation of a portion of Tax Map Key 7-4-004:003 and a portion of Tax Map Key 7-4-004:076 for the purpose of creating an access and utility easement for a transmission waterline and related road. This transmission line is to be a key component of the overall plan to bring source water from wells located above Mamalahoa Highway down to the high-demand service areas of North Kona below the highway.

This condemnation is required because the landowner has not been able to come to a suitable agreement in a timely manner, and time is of the essence to proceed with the transmission line project.

The Manager recommended that the Board approve this Resolution No. 08-07 and authorize the Department and Corporation Counsel to continue with the condemnation process.

Mr. Beck said that the Department is working toward an agreement, but time is critical so the land owner and their attorney have been informed that an agreement has to be executed or the Department will have to proceed with the condemnation process.

Ms. Garson said the Resolution has to go through two readings so there is still a chance of negotiating an agreement with the owner.

The Manager said that an appraisal of the land would be to the Department's benefit because prices are lower. Hawaiian Home Lands would benefit because they need this project for their next phase in Kealakehe, and they will contribute towards the cost to oversize one of the reservoirs.

Chairperson Goya said he believed that it was very important in many ways.

The Manager said this project would allow the Department to cut back on the Kahulu`u Shaft, which should improve the water quality in Kailua town.

Chairperson Goya entertained a motion to approve the recommendation.

ACTION: Mr. Meierdiercks so moved to approve the resolution; seconded by Mr. Kuailani, and carried unanimously by roll call vote, with Ayes: 6 – Messrs. Harai, Kuailani, Lindsey, Meierdiercks, Smith and Chairperson Goya; Nays: 0; Absent: 3 – Ms. Kim, Messrs. Mukai and Konanui.

C. **JOB NO. 2004-839, KEOPU-PUUHONUA PRODUCTION WELL AND 1.0 MG RESERVOIR**

The Board considered a request from the contractor, Isemoto Contracting Co., Ltd., for a 197 calendar-day time extension. This request is due to delays beyond the control of the contractor with the manufacturing, shipping and testing of the motor and pump combination. Staff has reviewed the request and finds that the 197 calendar days are justified. This is the second time extension request. The first time extension granted at the April 22, 2008, meeting was for 91 calendar days from August 19, 2008, to November 18, 2008.

The Manager recommended that the Board approve a contract time extension to Isemoto Contracting Co., Ltd., of one hundred ninety-seven (197) calendar days from November 18, 2008, to June 3, 2009, for JOB NO. 2004-839, KEOPU-PRODUCTION PRODUCTION WELL AND 1.0 MG RESERVOIR.

ACTION: Mr. Smith moved for approval of the recommendation; seconded by Mr. Kuailani and carried unanimously by voice vote.

MISCELLANEOUS:

A. DEDICATION OF WATER SYSTEMS:

The Department received the following documents for action by the Water Board. The water systems have been constructed in accordance with the Department's standards and are in acceptable condition for dedication.

1. GRANT OF EASEMENT AND BILL OF SALE

Hualalai Vistas Subdivision
Subdivision Application No. 2004-038
Grantor/Seller: HV ASSOCIATES, LLC
TMK: (3) 7-3-007: 027 and 050
E.W.O.: 2006-071
Lots: 47 and 4 Roadway Lots Zoning: A-1a
Facilities Charge: \$57,380.00 Date Paid: 4/05/07
Final Inspection Date: 3/07/08 CAF: \$5,000.00
Water System Cost: \$ 660,280.00

2. GRANT OF EASEMENT AND BILL OF SALE

Subdivision Application No. 2003-0125
Grantor/Seller: Dianne Jamieson-Feeney
TMK: (3) 6-4-002: 003 and 076
E.W.O.: 2008-066
Lots: 14 Zoning: A-1a
Facilities Charge: \$66,000.00 Date Paid: 11/06/08
Final Inspection Date: 11/05/08
Water System Cost: \$155,500.00

3. GRANT OF EASEMENT OVER EASEMENT A

(For Road and Utility Purposes)
Grantor: Surety Kohala Corporation
TMK: (3) 5-4-003: 003 and 002

The Manager recommended that the Water Board accept these documents subject to the approval of the Corporation Counsel and that either the Chairperson or the Vice-Chairperson be authorized to sign the documents.

ACTION: Mr. Kuailani moved to approve, Mr. Lindsey seconded, and was carried unanimously by voice vote.

Mr. Meierdiercks said that in future he would like to have a map on the wall for the Board to see where a dedication is, where they are tying into the system, etc. This would help give an idea of the number of lots involved, and where it is.

The Manager said it could be done via electronic file, using the overhead.

B. WATER HAULING BID NO. 2008-10, PRICE AGREEMENT TO PROVIDE WATER HAULING SERVICES TO VARIOUS LOCATIONS ISLAND-WIDE (ON AN AS-NEEDED BASIS) FOR THE DEPARTMENT OF WATER SUPPLY:

Proposals were opened on November 13, 2008, at 2:00 p.m.; and the bid results were attached to the Agenda.

The Manager explained that should the situation occur and the Department is in need of services, a contract will be made and the contractor will be selected based on criteria in the best interests of the Department for the particular situation.

Ms. Garson and Mr. Ikeda added that this was a unique procurement bid. Not necessarily one water purveyor would handle it.

There may be instances of emergencies to haul water going over the \$25,000 level. Therefore, the Department had vendors submit a bid, which is basically a price agreement in case there is a need to haul water in certain locations. These prices do need Board approval to do contracts with them.

Ms. Garson said in a case where the lowest bidder is not available, the Department can go to the next lowest bidder.

The Manager recommended approval of the bid prices for water hauling on an as-needed basis, and authorize the DWS to enter into contracts based on the lowest available bid.

MOTION: Mr. Smith moved to approve the recommendation; seconded by Mr. Meierdiercks.

Mr. Kuailani asked if in the time of an emergency, the Department can enter into a contract with any of the people on the list without going to the Board. Chairperson Goya said no, they would have to come to the Board to approve any contract; the Board has a fiduciary responsibility.

Mr. Smith asked if they are ranked based on the hourly rate and quantity, what happens with the overtime rate, or if this means that the Board is approving both the lowest price on regular hours and the overtime hours. If there was an overtime situation, would the Department call a different vendor based on what its needs are.

The Manager stated that it would depend on the nature of the emergency. If it is something foreseen for a long period of time, it would probably go with regular hours. If it is an emergency that goes two or three days, it may not necessarily run into overtime hours if hauling continues in regular hours.

Mr. Smith stated that his concern was to do the lowest cost.

ACTION: A vote was taken on the Motion; Motion was carried unanimously by voice vote.

C. PROFESSIONAL SERVICES AGREEMENT:

Professional Services Agreement contract for the following Department of Water Supply project is currently being processed. However, the project is not listed on the Department's current five-year Capital Improvement Projects list. Funding will come from the Department's Operating Budget under "Contractual Services."

- 1) SCADA Master Plan consists of doing a comprehensive island-wide radio path survey, evaluate current and future hardware and software needs, study tank site security needs, and to develop a master plan. The plan is needed to accommodate future growth as more and more tank and pump stations come online.
Consultant: To be determined
Fee: \$200,000.00 (estimate, subject to negotiation)

The Manager recommended that the Board approve the new project, the professional services contract, subject to results of the Procurement process, and that either the Chairperson or the Vice-Chairperson be authorized to sign the documents, subject to approval by Corporation Counsel.

MOTION: Mr. Smith moved to approve the recommendation, seconded by Mr. Meierdiercks.

Mr. Smith said his concern was being inundated by vendors. His experience with SCADA is that it does not always work: all electronics are not created equal. He noted that HELCO's SCADA system is state-of-the-art. He suggested hiring a consultant to use a system tested somewhere else.

The Manager agreed that very few SCADA systems work the way they should, and there are not many people in Hawai'i who know how to do it and the Department has experienced problems with it.

Chairperson Goya asked if the Department had a short list of consultants.

Mr. Okamoto said this is to develop a master plan of SCADA needs, not the actual construction, and it entails basically an electrical engineer.

The Manager said the Department can always seek more resumes.

Mr. Smith said the consultant selection is based on qualifications, and not on the low bid.

The Manager said they look for past experience on similar work types, for projects completed, etc., and then they are ranked.

Mr. Smith said the Department should make sure who the vendor is, and what kind of supply system and support are available.

ACTION: Motion carried unanimously by voice vote.

D. REALLOCATION REQUEST FOR THE WATER PLANT ELECTRICIAN-MECHANIC SERIES:

The existing duties and responsibilities of the Water Plant Electrician-Mechanic positions have expanded significantly in recent years. The position:

- Requires more electronic and computer skills due to advances in technology.
- Performs installation, repairs, maintenance and operation of new electronic and SCADA equipment. Some of the new equipment includes soft starters, programmable logic control units, alarms and water monitoring equipment.
- Performs duties that are typical of the Plant Electrical/Electronic Equipment Repairer at the Honolulu Board of Water Supply, who are rated one step higher.

The County's Department of Human Resources performed a recent audit of the positions and has determined that the Water Plant Electrician-Mechanic series should be upgraded (reallocated) one step for each position in the series.

An organizational chart was attached to the Agenda showing both the "existing" positions and "proposed" reallocated positions in the Operations Division.

The Manager recommended that the Board approve the proposed reallocations and amendment to the existing Table of Organization.

MOTION: Mr. Smith moved to approve the recommendation; seconded by Mr. Meierdiercks.

Chairperson Goya said the recommendation was self-explanatory.

The Manager added the key is that the Department of Human Resources (formerly known as Civil Service) is recommending this.

Mr. Smith noted that once you make such a recommendation, you cannot go the other way, so you need to make sure you know what you are asking for.

ACTION: A vote was taken on the Motion; carried unanimously by voice vote.

F. COMMUNICATION AND EDUCATION OF THE DEPARTMENT'S SUSTAINABILITY PROGRAM:

Ms. Aton, along with Ms. Myhre, presented a Power Point on the Department's outreach efforts to heighten internal and external awareness of the need for sustainable water attitudes, wise water practices and the value of water.

The presentation stressed the need to be proactive instead of waiting until a crisis occurs to communicate with the public. Internal education is another key component in getting the

message across. Ms. Myhre mentioned recycling and more efficient use of office space as in-house ways Department staff can get involved.

Ms. Aton said the Department is well on its way with the Motto change, ramping up outreach, and clearly implementing sustainability efforts in the Department and the community. Ms. Aton had taken her education initiative to the schools on two Fridays every month through June. She mentioned the need for more outreach in West Hawai`i, which will be promoted in the new year.

Mr. Kuailani asked on what basis internal rollout was taking place.

Ms. Myhre said they plan to do it monthly as an ongoing thing, with the main office next on the list. The first installment was at the baseyard where they held a Recycling Lunch. The idea is to focus on a monthly topic such as recycling, fuel reduction, etc.

Chairperson Goya praised their efforts, saying they have come a long way.

Mr. Smith said the outreach to the Kona Water Roundtable and visiting the Rotary Club were really key to raising the Department's credibility in the community.

The Manager thanked Chairperson Goya for spurring them on.

Chairperson Goya said he wanted to carry the message even further, with all in responsible positions needing to understand our role as communicators. He added that there is a need to get back to basics in better understanding the Hawaiian way of doing things, and the Manager commended Ms. Aton for deepening the Department's understanding of Hawaiian traditions.

Mr. Meierdiercks suggested that as a utility, the Department get involved in the McGruff child safety program, by putting the McGruff logo on the Department's vehicles, as HELCO and the Gas Company do.

Ms. Aton said she would work on it.

G. MONTHLY PROGRESS REPORT:

Chairperson Goya noted that the Monthly Progress Report was available to all, and that the new Council members and the administration should be educated on what Department projects are underway.

In response to Mr. Smith's question on whether an orientation for the new Mayor would be done, the Manager replied that the Department sent in a Transition Report and that he plans to meet with the new Mayor after he is sworn in. He wants to discuss the need to fill vacancies on the Board in a timely manner.

Ms. Garson said the Corporation Counsel is scheduling a meeting of Board Members one-on-one with their respective Council members.

Mr. Kuailani said the Board needs to meet with the new department heads, particularly the Planning Department and Department of Public Works, who are ex-officio members of the Board.

H. REVIEW OF MONTHLY FINANCIAL STATEMENTS:

Chairperson Goya commended the Manager and Mr. Sumada for keeping the Board up-to-date on the financial picture. He said it would have been helpful if revenue was reasonably close to forecast to avoid shortfall. He asked if revenue was matching, and if the Department foresees any financial areas of concern. By looking at the expense sheet, it is pretty much summarized. An example is when transportation costs are going up, the Board needs to be kept informed so they know what to do. There needs to be flexibility in that area, but that the question remains whether travel costs are in line with what others are doing, and if other utility costs are going up, postage increases, etc.

Chairperson Goya asked that the Department keeps the Board up to speed regarding budgeted positions; noting that of 26 positions requested in the budget, only 13 are filled and there are 8 unfilled positions. Going forward, the kind of things the Board is concerned about is the current state of the economy; the next year or two are going to be tough. The Department needs to ask what it is doing to manage the budget more efficiently.

Chairperson Goya also talked about the HWWA conference on Maui last month, where Board members learned a lot from each other and from colleagues on other islands including ex-officio members on Kauai. He called on the Manager to address the Board on the kind of contingency plans they are looking at and the various scenarios in case the economy does not improve.

I. WATER RATE STUDY:

Chairperson Goya said he wanted to leave the Water Rate Study to the next Water Board, but thinks that incremental increases are better than asking for a large increase. Maybe next year, the Department should look at various scenarios and what kind of rate increase would meet future needs.

The Manager said that more and more, what is expected by policy, regulations, the Department of Health, etc., the Department needs to increase staff to get things done. That is going to be the biggest challenge because increasing staff is not necessarily the best thing to do but sometimes it has to be done.

Chairperson Goya said that the Department hires consultants regarding what is needed to be done, and the Board has given the Department latitude to hire more people, but he stressed the need to be sensitive on future rate increases and to manage the perception of the public on what the Department is doing and how it conducts its business.

The Manager said the Department is fortunate that the people it has hired are proving to be really good.

J. MANAGER'S EVALUATION:

Chairperson Goya noted that Ms. Kim has agreed to compile the information from the Evaluation Forms, and he asked the Board to please forward their Manager's Evaluation forms to Ms. Kim or the Secretary. The compiled information should be available at the next Board Meeting.

The Manager said in light of what is happening in the economy, the Board does not need to be thinking about a raise this year.

Mr. Smith said that to come to that conclusion, the Board needs to look at the salary data of other department heads and counterparts on other islands.

K. MANAGER'S REPORT:

The Manager provided an update or status on the following:

1. Hawaiian Ocean View Exploratory Well (HOVE) – It is going pretty well. The well has not been tested yet, so there are no results to report on.
2. Negotiations with Kamehameha Investment Corporation (KIC) – Manager spoke with Mr. Ray Soon, but KIC is still discussing internally.
3. Automatic Meter Reading (AMR) Program – Everything is going well. Chairperson Goya asked for a short presentation at the next Board Meeting.
4. Water Hauling (Pepeekeo and other areas) – The well is back on line, and everything is back to normal.
5. Recycling Program -- already covered by Ms. Myhre.
6. Transportation Committee -- already covered by Ms. Myhre.
7. Major West Hawaii Projects (executed agreements) – Manager has asked for an update next month.
8. Emergency Generators Installation -- all are at the sites. Haleki`i contract will be awarded next month. If disaster hits, the Department can respond in four hours. This was summarized in the Department's Transition Report. Chairperson Goya asked that a Thank You letter be sent to Mayor Kim.
9. Kona Water Roundtable Meeting - November 3, 2008 – Manager said it was very interesting and urged the Board to attend the next meeting.
10. Water Quality Meeting, West Hawaii - November 11, 2008 – Mr. Loren Heck was there to speak about getting the HOVE well going. Manager and staff talked about the Department's projects in Kona. The participants were appreciative and thanked the staff; it was a good meeting. Council member Ms. Brenda Ford spoke about the sodium, and thanked the Department for good water in Captain Cook 98% of the time.
11. E Malama Festival – A lot of staff participated, and Ms. Aton spearheaded it; featured giveaways and games. Chairperson Goya was thanked for spending a lot of time there with Key Club kids.
12. Hawaii Water Works Association (HWWA) Conference, Maui - October 29 to 31, 2008. Chairperson Goya asked if this could be summarized next month, to justify why staff and Board members are going to conferences like this.

The Manager noted that in 2009, the Department will host the HWWA conference and that it is looking at venues already.

The Deputy Manager noted over the weekend that the Kohala Ranch system wells went down, and that the Department provided some assistance by providing a temporary meter at Kawaihae, with water hauling off the meter.

Chairperson Goya read a letter to the Board from Ms. Ilene Wood, a Customer Service Representative in Hilo, who attended the HWWA on Maui. She thanked the Board for the opportunity to learn alternative ways of providing service to the public and it was a valuable learning experience. Chairperson Goya thanked Ms. Wood for her letter, which provided food for thought about why the Department and the Board attend conferences and how beneficial they are for employees.

ANNOUNCEMENTS:

1. Next Meeting:

The Board chose to hold the public hearing for the Power Cost Adjustment Clause at 9:00 a.m. on December 16, 2008, and to change the regular meeting time for that day from 10:00 a.m. to **9:20 a.m.** The meeting place will be in the Hilo Operations Center Conference Room, 889 Leilani Street, Hilo, Hawai'i.

Venues for the 2009 meeting will be at the discretion of the next chairperson, but the January Board meeting will be in Hilo. The Manager noted that there is a provision that Mr. Goya and Mr. Konanui have the legal authority to serve 90 days more or until the next person is selected for their places on the Board, whichever comes first. This is entirely by choice. Chairperson Goya thanked him for the invitation. He reminded the Board that at the next meeting the election of a new chairperson and vice-chairperson will take place, and that will be placed on the Agenda.

ADJOURNMENT

ACTION: Mr. Smith moved for adjournment of the meeting; seconded by Mr. Kuailani, and carried unanimously by voice vote. Meeting adjourned at 12:17 p.m.

Senior Clerk-Stenographer

The Department of Water Supply is an Equal Opportunity employer and provider.