

MINUTES

DEPARTMENT OF WATER SUPPLY
COUNTY OF HAWAI'I
WATER BOARD MEETING

August 26, 2008

Royal Kona Resort - Resolution Room

MEMBERS PRESENT: Mr. Thomas Goya, Chairperson
Mr. Riley Smith, Vice-Chairperson
Mr. George Harai
Mr. Francis Kuailani
Mr. Robert Meierdiercks
Mr. Dwayne Mukai (10:20 a.m.)
Mr. Milton Pavao, Manager, Department of Water Supply
(ex-officio member)

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

OTHERS PRESENT: Ms. Katherine Garson, Deputy Corporation Counsel
Ms. Napua Brown, Mayor's Office

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. Lawrence Beck, Engineering Division
Mr. Terrance Nago, Engineering Division
Mr. Finn McCall, Engineering Division
Mr. Richard Sumada, Assistant Waterworks Controller
Mr. Daryl Ikeda, Chief of Operations
Mr. Clyde Young, Operations Division
Mr. Earl Fukunaga, Supervising Water Service Investigator, Operations
Ms. Julie Myhre, Energy Management Analyst, Operations Division

CALL TO ORDER - Chairperson Goya called the meeting to order at 10:05 a.m.

STATEMENTS FROM THE PUBLIC - None

APPROVAL OF MINUTES

ACTION: Mr. Smith moved for approval of the Minutes of the July 22, 2008, Water Board Meeting; seconded by Mr. Harai and carried unanimously by voice vote.

APPROVAL OF ADDENDUM AND/OR SUPPLEMENTAL AGENDA

None.

SOUTH HILO:

A. **KAWAILANI TANK UPDATE:**

The Manager reported that the problem with this project is two-fold. One is leaks in the tank's walls and the other is the recent discovery of a curvature in the roof, which indicates sagging, and cracks in the roof, allowing rainwater in. This violates Department of Health regulations. Staff is working with the consultant and the contractor, but with no resolution in sight. The Department is now looking into legal action. He assured the Board that even though media releases indicate the Department is not doing anything about the situation, that is not the case. Efforts to meet with the parties result in people not showing up, and it is very frustrating.

In response to Mr. Smith's question of whether action would be with the consultant or with the contractor, the Manager replied the Department has to first determine whether it is a design issue or a construction issue. He understood Chairperson Goya's comment about managing perception, but right now, the Department can only answer questions with as much factual information as it has.

Chairperson Goya asked that the Department make sure it relays this information and updates as they become available and be proactive rather than reactive.

Mr. Smith asked if there was a timeline for resolution. The Manager replied not currently.

Ms. Garson suggested placing this on the Agenda (Executive Session) if the Board wishes to hear more about legal action.

The Manager stated that he will place this on the next Agenda for Executive Session.

NORTH HILO:

A. **JOB NO. 2005-870, PROVIDING FOR THE ACQUISITION OF PRIVATE PROPERTY SITUATE IN THE DISTRICT OF NORTH HILO, COUNTY OF HAWAII AND STATE OF HAWAII, IDENTIFIED AS PORTIONS OF TMK NO. (3) 3-6-003:003, FOR THE NEW LAUPAHOEHOE 0.5-M.G. RESERVOIR SITE:**

The Laupahoehoe 0.5-M.G. Reservoir is an approved C.I.P project designed to replace the current deteriorating 100,000-gallon reservoir and to increase storage. Due to the strategic location, a

portion of TMK (3) 3-6-003:003 is necessary to construct the new reservoir while temporarily keeping the existing one in service. The current owners, Robert and Janice Stanga, have agreed to sell the Water Board the necessary 0.5 acres of land at the price of \$17,500.00, based on a fair market appraisal done by Peter L. Crackel, plus any escrow fees.

The Manager recommended that the Water Board approve the land purchase and that either the Chairperson or the Vice-Chairperson be authorized to sign any necessary legal documents, subject to review as to form and legality by Corporation Counsel.

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

Mr. Smith asked who handles the subdivision cost to cut out this portion and if the owners are left with a conforming lot after it is subdivided.

The Manager replied that the Department's engineers and its Land Branch will handle the subdivision process because it is for the public purpose, and the owners will be left with a conforming lot.

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

SOUTH KOHALA:

A. WAIKOLOA RESERVOIR EARTHQUAKE DAMAGE REPAIRS:

Mr. Terrance Nago reported that the State Department of Land and Natural Resources (DLNR) met last week on Oahu; and two agenda items were taken up: the right-of-entry and also the permit to construct. Both items were approved. This clears the way for the Department of Water Supply (DWS) to finalize the plans and specifications for the project. His discussions with the consultant, Kleinfelder, indicate that the plans and specifications will be finalized and delivered to DWS by September 15, 2008. Advertisement for bids is targeted for the end of October with the possibility of awarding the contract by the end of December 2008 and Notice to Proceed to be issued sometime in January 2009. After Reservoir No. 2 is completed, Reservoir No. 1 will need to be assessed, which is currently running at half capacity.

In response to Mr. Smith's question of whether staff still has to review the plans once they are received, Mr. Nago replied that staff has been reviewing the plans during the whole process. Also, the DLNR has retained their consultant, Gannett Fleming, Inc., and their expertise with dam construction on reservoirs.

The Manager asked if FEMA has given its release for the design.

Mr. Nago replied that the technical review has been ongoing. The Department of Public Works reviewed the plans and had minor comments. The United States Fish and Wildlife Service had a couple of comments, which are being addressed. The major comments are from Gannett Fleming, Inc. They reviewed the plans and specifications, calculations, and the design of this project. They

have written their letter of concurrence for the design so, technically, the project is in good shape. Before DLNR could approve the permit, they had to go through this review.

Chairperson Goya asked if any problems are foreseen with proceeding with the construction.

Mr. Nago replied there were not. Parker Ranch has provided their letter of concurrence, and they will be in the communication loop as this project kicks off. The Department of Hawaiian Home Lands (DHHL) was asked for a letter of concurrence, and that is pending. It was noted that a letter of concurrence on the project is needed from them as part of the right-of-entry approval from the DLNR because DWS has a permit to have the reservoir on their property. The State Historic Preservation Division has reviewed and given their letter of clearance needed for the grading permit.

Chairperson Goya stated that as this gets closer to start of construction, he would like the Department to make an effort to meet with the community groups on what the project entails. It is better to take the high road and be out there communicating what the Department is doing. Getting the word out to elected officials and interested community groups encourages people to start asking the Department the questions they have instead of talking within their groups. This should be taken into account for future projects as well.

Mr. Finn McCall reported on the process with the earthquake repairs and approval from FEMA. Their approval is needed on the scope of work to be able to get funding from them. The DWS is eligible for up to 75% of FEMA funds. There were problems getting responses from them. In September 2007, the Department wrote to FEMA and attached a technical report from the consultant. It took six months to get a response (April 2008). Their response was that they needed to do another inspection, which was done in May 2008, and that they would respond to DWS' request to approve the scope of work. The Department still has not heard from them.

Mr. McCall added that both he and Ms. Aton would be attending the County Council meeting on August 27, 2008, to give a presentation on the status of this project and the proactive steps this Department is taking. Council's Resolution No. 717-08 calls for this Department to expedite the reservoir repairs. With that Resolution, the Department will be writing a letter to the State Civil Defense who will, in turn, send it to FEMA stating the County Council's urgency for the DWS to proceed as quickly as possible and that a response is needed from FEMA to move ahead.

Chairperson Goya suggested including a briefing with State representatives and congressional delegates since money is coming from the Federal government.

In response to Mr. Smith's question of what the engineering estimate was for the project, Mr. Nago replied it was \$2.4 million.

Chairperson Goya stated that he appreciated the efforts of staff for this presentation and to Ms. Aton for making the information available to the pertinent people but it is important to be on top of things and provide information, not only to government, but to people in the community groups as well.

Mr. Smith added that there is a consensus in Waimea if Reservoir No. 2 is not repaired, then there is a shortage of potable water, and some say it will impact agricultural use. He appreciated Ms. Aton's efforts for getting the word out that the Department has backup potable water sources, and encouraged the continuation of getting the information out.

NORTH KONA:

A. **JOB NO. 2005-880, KAHALU'U SHAFT TANK HYDROELECTRIC GENERATION PROJECT:**

This project involves the installation of a 40 KW hydroelectric generation unit at the Kahalu'u Shaft Tank location in North Kona District. The project consists of installing a new equipment pad, a new pressure reducing valve (PRV) and a 40kW hydroelectric generation unit. The new hydroelectric system parallels the PRV and allows operation of the system as it was prior to installing the unit. The hydro-unit is electrically inter-tied to Hawaii Electric Light Company, Inc. (HELCO), service connection located on the control building. The electricity produced by the hydro-unit will be used on-site. Any excess power generated will be accounted for by HELCO and credited to DWS for future power usage at the site based on HELCO's Net Metering contract.

The purpose of HELCO's Net Metering contract is to allow DWS to store unused energy credits when the electricity produced by the hydro-unit at Kahalu'u Shaft exceeds site energy usage. The energy credits will be used when the energy required for the site exceeds the output of the hydro unit.

The Manager recommended that the Board approve the attached HELCO Net Metering contract for management of electric energy by HELCO as produced by DWS at Kahalu'u Shaft Hydro unit.

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

Ms. Myhre handed out the final Net Energy Metering Agreement, which was executed on August 18, 2008. The Agreement included in the Agenda package showed what changes would be made to this document so the Board could see what changes were going to be made.

In response to Mr. Smith's request for an explanation of the Agreement, Ms. Myhre stated that Hawaii Electric Light Company, Inc. (HELCO), has a standard net energy metering agreement for any generators greater than 10 kW but not more than 100 kW. Because the insurance language put everything back on the customer instead of HELCO taking responsibility, Ms. Garson had requested that HELCO change this Agreement to state that the County is responsible for the Counties agents and officers and the County is responsible for damages caused by the agents and officers in the course of their employment. Revised Schedule 43D-5 allows the Department of Water Supply (DWS) to sell any energy not used on site back to HELCO. Although DWS anticipates using all of the energy, in order to connect to HELCO's grid, this Agreement is needed with HELCO. Theoretically, if DWS generates a lot more power, it would be selling it back to HELCO.

Mr. Smith asked questions about how the system runs.

The Manager explained that the Kahaluu Shaft pumps bring the water to an onsite reservoir. The Kahaluu Well Field is the water source to this hydro unit. It is different from the Kahalu'u Shaft. In response to Mr. Smith's question of whether it is likely that they would be running at the same time, the Manager replied in the affirmative. Even if the hydro-generator was not there, water would normally be pumped from the Kahaluu Well Field down to the Kahalu'u Shaft because the Department tries to mix it with what is coming out of the Kahalu'u Shaft. This practice has been being done for a long time.

Mr. Smith asked what the rate of credit would be; if it would be one-to-one, for example, if the cost is 30 cents per kW, the credit is at the same rate.

Chairperson Goya stated that the savings are at the retail rate.

The Manager noted that it is always better to use what you generate.

Chairperson Goya asked if there are any other sites being looked at for hydro-generators.

The Manager replied that there is an application to the USDA for a grant for the Parker No. 2 Well (Lalamilo Well), which is being reviewed. Eventually, with completion of several projects in Kona, there are other potential areas that could be looked at, but do not exist right now.

Chairperson Goya thanked the efforts of Ms. Myhre and to Mr. Clyde Young for his forethought on this years ago, as well as the Manager's. It has been a benefit for the Department to be proactive in this area and is demonstrated to the public that the Department is looking into different ways to be more efficient.

Mr. Smith thanked Ms. Myhre and Ms. Aton for the information they provided him with. He passed it along to the Energy Commission because it was not always obvious to them that the Department was implementing a lot of their recommendations from the Kohala Center Energy Plan. This is good information and was packaged together rather than piecemeal. He encouraged them to continue doing that. As far as other opportunities for putting in these hydro-generators, everybody thinks wherever you have a reservoir, you can put one in; but really, it is when you have a high elevation source that goes down one or two service levels because you cannot pump it to a reservoir and put a hydro-generator in front of the customer because he will lose pressure.

The Manager agreed. You do not want to put these in where you do not have a steady flow. It has to be a transmission system.

Ms. Garson suggested that the Board amend the Motion to reflect the approval of the final Agreement that was handed out today since the recommendation in the Agenda recommends approval of the "attached" agreement.

AMENDMENT TO MOTION: Mr. Smith moved that the Board approve the recommendation that was given and reflect the Revised Schedule 43D-5 dated August 18, 2008; seconded by Mr. Harai and carried unanimously by voice vote.

ACTION ON MOTION, AS AMENDED: A vote was taken on the Motion, as amended. Motion was carried unanimously by voice vote.

B. TRANSFER OF EQUIVALENT UNITS OF WATER FROM TAX MAP KEY 7-3-010:027 TO TAX MAP KEY 7-3-028:102:

The Department has received a request from Wainani 42, LLC, the current owner of TMK Parcel 7-3-010:027, to approve a one-time transfer of ten (10) water commitments, which were originally established for Parcel 7-3-010:027 under the Haseko Tri-Party Agreement. The action would transfer the commitments from Parcel 7-3-010:027 to TMK Parcel 7-3-028:102, which is owned by RS 10 Kalaoa, LLC, a Hawai'i limited liability company. TMK Parcel 7-3-028:102 resides within the North Kona Water System area and therefore meets the criteria set forth in the Haseko Tri-Party Agreement to allow the transfer with the approval of the Water Board.

The Manager recommended that the Water Board approve the one-time transfer of water commitments for ten (10) equivalent units from Parcel 7-3-010:027 to Parcel 7-3-028:102 as allowed under *Section 5 – Assignability* of the Haseko Tri-Party Agreement dated May 4, 2000, subject to approval of the approval of the documents by Corporation Counsel.

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

Mr. Smith stated that he could not find Parcel 27 on the tax maps and tried to look for the other new parcel that these credits are going to, and it seems like it is just off Kona Palisades. He asked if this is in the same service level. It seems like it is trading lower elevation water for higher elevation water and asked if that is an issue.

The Manager replied that it is being fed by the same water source. It has to be pumped up mauka so it does not matter.

Mr. Smith stated that it would be good in these types of situations if staff could attach a tax map to the Agenda so the Board could see from what area to what area the transfer is being made.

Chairperson Goya stated that by the Department using up these long established water rights, the better off it will be.

Mr. Smith stated that it is something that HASEKO worked out long ago so it is really like a loan and they are just cashing in years later.

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

C. **PALANI ROAD TRANSMISSION WATERLINE PROJECT:**

Mr. Beck provided an information sheet to the Board that was prepared by Ms. Aton. The information is also posted on the Department's website.

The Manager noted that the issue with the landowner is still ongoing. The Department will make one last effort; and if not successful, will recommend condemnation because it wants this project advertised for bids.

Chairperson Goya noted that this has been reported a number of times already, and he was concerned with managing perception as it is very important to get this project going for the benefit of the community.

The Manager reiterated that right now, the stumbling block is the easement; and if it does not get resolved after one last effort, then it is the Department's intent to condemn.

Mr. Beck stated that the Department has been working cooperatively with the landowner and is waiting to hear from their lawyer regarding the pipeline easement. It is hoped to have a response from them by the next Water Board Meeting. The property is also to be used as an ingress/egress for the residents of Tomi Tomi Drive during construction. The landowner's appraiser was trying to come up with a value for compensation to the landowner and for protection against any damages that may be caused during that period. Those are the terms that the Department and the landowner are trying to agree on.

In response to Mr. Harai's question about the benefit of this project in relation to water quality, the Manager explained that with this system, the Department will be able to bring the high-level water down into Kailua and tie in to the second tank on Palani Road. From there down is a 16-inch waterline to Kailua. This will be mixed with Kahalu'u Shaft water, resulting in reduced pumping from Kahalu'u Shaft and also in reduction of chlorides, producing much better water quality.

Mr. Beck stated that at the very beginning, under the overview in the 20-year water master plan, this project was scheduled to be online in 2011, so it is actually still on schedule. Even though the Department is trying to get it fast tracked, it is still on schedule.

Chairperson Goya stated that the key point is that there is specific bond money available for the project. It does not look good on the balance sheet when money is not being spent.

The Manager indicated that it has to be spent, and that is why the Department is trying to rush the project.

SOUTH KONA:

A. **HOKENA STANDPIPE UPDATE:**

Ms. Garson reported that the Department has negotiated in good faith and the ball is now in their court. Technically speaking, the closing was supposed to take place August 31, 2008; and she has

E.W.O.: 2008-021

Lots: 9

Facilities Charge: \$38,500.00

Final Inspection Date: 2/20/2008

Water System Cost: \$158,240.00

Zoning: A-1a

Paid: 11/16/2007

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.

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

Mr. Inaba requested that Item No. 3, Grant of Easement and Bill of Sale (W. H. Shipman, Limited), be deferred because they were not able to resolve the issue of retesting and rechlorination. They had a leak in the system that was to be taken care of.

AMENDMENT TO MOTION: Mr. Mukai moved to amend the Motion to exclude Item No. 3; seconded by Mr. Meierdiercks and carried unanimously by voice vote.

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

B. UNACCOUNTED WATER PROGRAM UPDATE AND ENERGY RECOVERY:

Mr. Earl Fukunaga and Ms. Julie Myhre were present to talk about energy costs and its relationship with the non-revenue water loss, and the water loss identification programs.

Chairperson Goya noted the fact sheet that was handed out which shows pumpage minus consumption equals unmetered water; leak investigation and repair is less on metered water, and less on metered water means less water to pump, therefore, less energy used.

Ms. Myhre reported that the standard for American Water Works Association (AWWA) is 10% water loss. This also includes when fire hydrant flushings are done or anything that is not metered as well as leaks in the system.

Mr. Smith asked how pumpage is determined, whether it is metered or determined by the rate of pumping or hours running.

Ms. Myhre replied that the plant operator goes to the well site every day and documents what the meter reads (it records the amount of water pumped); and from that, it is determined how much is pumped and also how many hours the pumps are running so it can be cross-checked to make sure it is reasonable, based on how large the motors are and the efficiencies of the motors and how often they are running. It is then determined if it falls correctly within the pumpage numbers.

Ms. Myhre pointed out a graph that shows how much water was billed in 2007/2008. A total of nine billion gallons of water was delivered to the customers. In Kona, 43% of the total went there. North and South Hilo and Puna add up to 28% of the total.

In response to Chairperson Goya's question of whether North and South Kona can be separated, Ms. Myhre replied they have not been.

Mr. Smith stated that part of what the Department is trying to do is show how much water is in each region and under the basic assumption that most of the water is pumped; however, like in South Kohala, the source is surface water.

Chairperson Goya stated that it does not matter what the source is.

Ms. Myhre stated that when the Department does an assessment, it looks at the spring sources as well.

Chairperson Goya stated it would be good to have that information alongside this information and have it available for when the Department makes presentations outside to other groups. Otherwise, people might mistake the information.

Ms. Myhre continued that of the 9.5 billion gallons delivered, the unmetered portion is 1.9 billion gallons, or 17%; higher than the AWWA standard of 10%. This is for the entire island of Hawaii.

The Manager noted it is much better now than when the leak detection program started.

In response to Mr. Smith's question if South Kohala gravity flow is included, Ms. Myhre replied it is.

Mr. Smith stated that the word "pump" is being used, but then it does not necessarily mean pumped if gravity flow is included.

The Manager clarified that it means "production."

Mr. Harai asked what the other islands are experiencing, (this island is 7% above the AWWA standard).

Mr. Fukunaga replied that Maui and Kauai are just starting their program. Oahu is established but is still finding ways to measure their unaccounted water. The Big Island at least has a figure to work on.

Chairperson Goya asked if the Department has specific areas where there is a little more information for this unaccounted water because the Department has a number of water systems.

Mr. Fukunaga replied that it is broken down into four districts.

Mr. Smith stated that he was going to give this information to the Energy Commission so he needed to have an understanding of this presentation.

Ms. Myhre noted that besides the leak detection device, another way the Department becomes aware of leaks is when the public calls to say they saw a leak in a certain area. This, in combination with her review of electric bills, creates a team effort to identify areas in need of repair.

In response to Chairperson Goya's question of whether the Department has other types of monitoring systems, Mr. Fukunaga indicated that will be covered in the next session.

Mr. Smith asked if the permalog can differentiate water going through a meter versus a leak.

Mr. Fukunaga stated that it responds to noise and measures it in decibels. If there is a pressure reducing valve close by that is running, possibly because of a leak, it will pick it up. It has a filtering system to filter out sounds from cars, etc. The device can detect a leak anywhere from 1,500 to 4,000 feet away, depending on the thickness of the pipe.

Ms. Myhre stated that the placement of the instrumentation depends on the age of the pipes and if there would be significant savings from that area. The project has four phases, first with North Hilo, North Kohala, and South Kohala; and the fourth about to be implemented in rural South Hilo. On the Piihonua system, the graph shows how the leak repair means less unmetered water. In 2005, pumpage was 1.7 billion gallons out of three Piihonua wells. In 2006, it was 1.4 billion; and in 2007, it was 1.3 billion. As leaks are repaired, less water is pumped out of these wells. Piihonua system is one of the three major systems in the Hilo area. Staff goes out more than once a month (about 15 times a year) to repair leaks.

Ms. Myhre showed a slide of a HELCO bill which shows how energy spikes up from leaks. In the middle of the graph is when a 6-inch main was leaking by the Hilo Yacht Club (173 gpm leak). Once that was repaired, the energy use went down. In May of 2008, a leak was detected near Piihonua Reservoir No. 2. Once that was repaired, the energy use went down. This combination of her review of HELCO bills and well logs and using this monitoring equipment is an effective method of finding leaks and having them repaired.

In response to Mr. Harai's question of how long it took for staff to find out about the large leak that was mentioned, Mr. Fukunaga replied that in this case, Mr. Marvin Rivera, Lead Water Plant Electrician-Mechanic, noticed something and notified him. He consulted with Ms. Myhre, who checked the billings. By using the permalogs they were able to identify the location. It took about two weeks to pinpoint the area because Hilo is a large area. It was a crack estimated at leakage of about 173 gpm (or 250,000 per day).

Mr. Smith asked if there was a leak of that significance, would customers have a drop in water pressure.

Mr. Fukunaga replied they would not because the transmission main is 16 inches in diameter, and it would have to be a huge main break for that to happen.

The Manager added that everything in the system is looped and you would hardly notice it in water pressure.

Ms. Myhre reported that savings since 2005 are close to \$1 million just on the Piihonua well. In 2006, it was a little over \$800 thousand. In 2007, it was close to \$800 thousand. The Department saved \$200 thousand in the past two years in keeping up doing leak repairs just on that one system. In 2007/2008, Hilo's energy bill was close to \$18 million. That number, divided by consumption, which is the metered (served) amount, means an energy cost of \$1.88 per 1,000 gallons. (Chairperson Goya noted that the current adjustment clause is \$1.70.) In January, that \$1.70 was on target; however, in the past six months, it has increased 18 cents per thousand gallons. The positive thing is that revenue captured from leak repairs reduces energy costs. Savings can be reinvested in future projects and show the Department is a good steward of energy and water sustainability.

The Manager added that one important factor is that whenever the Department saves, it delays future improvements because they are not needed as soon.

Ms. Myhre mentioned that future efforts will involve recalculating the actual energy cost more frequently, which is the next Agenda item. The Department expects to have more regular reporting of unmonitored water and breaking it down in districts. Ms. Aton will help with communicating the leak repair program, benefiting the Department internally and with the public as well.

Chairperson Goya thanked Ms. Myhre and Mr. Fukunaga for their presentation and noted that the Board supports the Department's efforts to hire additional personnel in this area.

C. **POWER COST ADJUSTMENT CLAUSE:**

Ms. Myhre reported that, as mentioned earlier, when this current budget was being prepared, the calculation for the power adjustment clause came to \$1.70 per thousand gallons. Based on current findings, it comes out to \$1.88 per thousand gallons, an increase of 18 cents in six months, based on increasing electricity costs. The power cost adjustment being used today is actual power cost divided by actual water consumed. For example, a bill of three thousand gallons per two months would see the power cost adjustment of \$1.70 per thousand gallons, meaning an additional \$5.10 on a water bill. The Department is suggesting to increase the frequency of computing the power cost adjustment instead of annually, to six times a year, or every two months, or as needed. Therefore, if electricity rates do not go up significantly, adjustment is not needed. Changing this would require the Board's review and approval and then require a public hearing.

The Manager stated that what the Department is asking the Board for is to schedule a public hearing, hopefully for prior to the next Water Board Meeting. He directed the Board's attention to the attachment to the Agenda for this item, under the heading "PROPOSED CHANGES TO THE METHOD OF CALCULATING POWER COST CHARGE AND FREQUENCY OF CALCULATIONS," in the third paragraph, staff is proposing to remove the words "investments by the Department to reduce energy use as well as." The reason for this is that staff had a long

discussion and decided that it was not fair to assess customers for energy-reducing projects, such as solar projects. Essentially, that would be cranked into the calculations; but if the project would last 10 to 15 years, it would be skewed. Theoretically, the Department should have a budget line item for energy-reducing projects where it is placed in the budget rather than being included in the power cost adjustment. If that language is removed, it will be basically the same as the Department has now, with the exception of recalculation every two months, or as needed. If the Board approves this, the Department will make notice of public hearing to change this particular aspect of the policies, assuming there is no public outcry.

Mr. Harai asked if it will include decreases as well.

The Manager replied that the Department would have the option to keep it the same. If it is not a great reduction, then it is not worth it to make the change. The computer program has to be changed every time, so, example, for four or five cents, the change would definitely be made. The Department would have to see what cost is worth making the changes for. By the same token, if there is only a one or two cents increase, it may not be worth making the change. But it allows the Department the option, and only allows more frequency of changing it.

Mr. Smith stated that he is in support of having the power cost adjustment calculated every two months, or as needed. However, the public may have concerns with the fact that there should be some objective criteria for when it is adjusted, rather than when there is a definite increase or decrease. This threshold should be identified for the public hearing.

The Manager stated that Mr. Sumada could be asked to determine how much is involved to change the set-up and compare that value to what the Department would gain or lose and make that determination.

Mr. Smith asked how HELCO can make adjustments without public hearing.

Ms. Garson replied that they have a different Hawaii Revised Statute (HRS) section than this County Water Board has. The Board held a public hearing on the formula. HRS Section 54-63 that applies to water rates states that, "provided no rates and charges shall be fixed or adjusted prior to holding by the Board of a public hearing..." Her concern was with the "charges or adjusted" language in that Statute, and that it may require a public hearing. One of her thoughts was that when it was adjusted from \$1.78 to \$2.50, it was pursuant to the formula a public hearing was not held. However, she gave her most conservative opinion because there may be public outrage to the adjustment.

Chairperson Goya stated that he reviewed the power cost adjustment clause in the 2007 Water Rate Study provided by R. W. Beck, Inc., and also their studies done in 2001 and 1995. The language remains the same, "Updated Power Cost Charge" section, which states "Utility rates are necessarily based on estimates of future costs. If actual costs substantially exceed projected costs, the utility's revenues will be insufficient to cover the costs." That got him thinking that revenue is based on projected costs, but this is an expense based on recorded historical information. He wondered why it could not be taken a step forward and changed to projected costs when the Board approves the budget. Then the projected expenses will be more in line than projected revenue. As

the system is now, there will always be a lag. If you look at estimates, then costs can be more quickly recovered. If that route is taken, it may not need to be changed as often.

The Manager agreed that consumption rates are based on projected costs; but this is different. It is an actual cost that occurred and there is no way you can actually estimate cost because you would have to be a guru in the oil business to be able to project that. This is actual cost being paid to another utility. If it is done another way, it would be a disservice to the Department's customers.

Chairperson Goya asked about the carrying charge; the delay in collecting the money.

The Manager replied that is the reason the Department is asking for more frequency in the calculation of the power cost charge. The most it will lag behind is one month. Everything else can be projected, such as population increase, economy, cost of labor, wages, etc. Electricity costs are something this Department has no control over.

Chairperson Goya stated that from his experience with HELCO, people would ask if there were any additional cost increases projected during the budget process. He did not see it as a problem, and thought it gives a little more flexibility because you would be using the estimate rather than the actual..

The Manager stated that the thing with the estimate is that the Department would not want to charge customers more than what is necessary; and when you make estimates, you always run that risk.

Mr. Smith suggested that it could be reconciled in the following month, if overestimated or underestimated.

The Manager stated that you would have to change the rates periodically, and that would require holding a public hearing every time it is done. The way the Department proposes the language is "as needed." Then if the adjustment is not needed, it would not be changed. If it is needed, then some conditions need to be set on when it will be done or not.

Mr. Mukai could see the point; but unfortunately, people's perception of utilities is all actual costs. For this Department to be veering away from actual cost may mean unchartered waters, and you may not want to do that.

Chairperson Goya noted that the cost right now is \$1.88 and asked if that was what would be proposed at a public hearing.

The Manager replied in the affirmative because it would follow the calculations that are in place now.

Ms. Garson stated that what the Board would do first is go out to public hearing on the formula and then you plug in the number afterwards.

Chairperson Goya mentioned that the public still needs to be given some indication of what the Department anticipates that number being.

The Manager noted that this information could be made available if anyone asks.

Chairperson Goya asked for clarification that first of all, the proposal is to change the mechanism; and then second, to inform the public that this is the estimated change.

Ms. Garson stated that she was thinking of it as two separate public hearings but to combine them into one. However, she wanted to leave the door open so that if the Board wants to go out to public hearing on the formula, if it came to the point where it was felt there was not a need for a public hearing every time it is increased because the formula was passed, then that would provide for that. So the thought is to not include this specific rate in this set of public hearings. If the formula gets approved, then another public hearing can be held on the rate.

The Manager added that it is the intent to change the basic formula; and at that public hearing, that information could be made available. If the formula passes, then another public hearing would be needed to change the amount from \$1.70 to \$1.88.

Chairperson Goya asked if staff would be able to present that information back to the Board for approval next month.

The Manager replied that he was hoping if the Board approves this language today (to review the power cost charge not yearly but every two months, or as needed), then the Department can provide the language to proceed with the 20-day public hearing notice and schedule a public hearing for the next Water Board Meeting.

ACTION: Mr. Smith moved that the Board approve the proposed changes to the method of calculating the power cost charge and frequency of the calculations, as proposed by the Department; seconded by Mr. Harai and carried unanimously by voice vote.

D. AUTOMATIC METER READING (AMR) PROJECT:

The Manager reported that the Department is working on a contract simultaneously with a sole source notification which needs to be posted for seven days. The plan is to get 5,000 additional units. Hopefully, the contract can go out soon and the Department can negotiate with Neptune Technology. Customer Service is looking at where the 5,000 units will go. His direction to them was that the purpose of the program is to make it safe for meter readers and therefore place the units in the most dangerous places so they can drive by and take readings (such as Palani Road, Kaumana Drive, and Keaau-Pahoa Highway). Some are being placed in non-dangerous areas, but the reason is you need to put in a certain quantity to make it work fair for the contractors. The Department will end up with a total of 8,000 units with this additional 5,000. He mentioned that the units are easy to use and have various checking features. If there is anything unusual in the readings, it will flag it out. The information is downloaded into the computer system and does not need to be keyed in. It was learned from other users of the product that it has a very good reputation.

In response to Mr. Harai's question of what the estimated cost is, the Manager replied that it is about \$1.7 million; but the Department had asked the Board for \$2 million.

Chairperson Goya asked if the Department could use that difference for additional meters.

The Manager replied that it probably could but would need to be careful that it falls within the procurement rules because it may require another notice if the Department exceeds the line items or the total cost.

Mr. Mukai noted that he was not involved in the due diligence when this was chosen, but in talking with other agencies, he learned that this system appears to be the best available.

Mr. Smith asked if this would help with the leak detection monitoring program (if they are able to monitor usage). If there are areas of concern, the meter readers could drive by more often, such as in the case of the leak near the Yacht Club, discussed earlier; and it would not have been as big a problem. The data would be more current rather than having to wait for the two-month billing cycle. It also would have helped with the person who came to the Water Board Meeting last month with the water leak and excessive water bill.

The Manager also mentioned the sensitivity about employees and assured the Board that no one would be replaced as a result of this program. If anything, their duties may be reallocated.

Chairperson Goya asked if the Department has been backfilling any vacant meter reading positions.

The Manager replied that there are not enough of these meters installed to justify not filling vacant meter reader positions yet. In addition to reading meters, they have other duties.

In response to Chairperson Goya's question of whether it helps reduce overtime costs or other charges, the Manager replied that it helps with incorrect readings and the need to go out and recheck. It also helps reduce the time to input data and frees up time for other duties.

Chairperson Goya stated that, hopefully, the Department will report back to the Board on any cost benefit savings or future considerations about any new technology. He noted that this is a positive thing in managing public perception and shows the Department is proactive in keeping up with industry standards. The sentiment of the Board is to move forward with these types of projects that benefit the Department over the long term and help its efficiency.

E. VEHICLE BID NO. 2007-08, FURNISHING AND DELIVERING VEHICLES TO THE DEPARTMENT OF WATER SUPPLY:

The supplier for Part "I" 1-ton full size crew cab dually chassis with service body and mini-crane (Clark Automotive Group, Inc. dba Island Chevrolet) has requested a 60-day time extension to their delivery date of August 9, 2008, due to an error in ordering the service body. The new delivery date would be October 8, 2008.

Staff has reviewed their request and finds that the 60-day time extension request is justified.

The Manager recommended that the Board grant a 60-day time extension to Clark Automotive Group, Inc. dba Island Chevrolet for PART "I" of VEHICLE BID NO. 2007-08, FURNISHING AND DELIVERING VEHICLES TO THE DEPARTMENT OF WATER SUPPLY, from August 9, 2008, to October 8, 2008.

ACTION: Mr. Smith moved for approval of the Manager's recommendation; seconded by Mr. Harai and carried unanimously by voice vote.

F. **MONTHLY PROGRESS REPORT:**

No questions.

G. **REVIEW OF MONTHLY FINANCIAL STATEMENTS:**

Chairperson Goya noted that it is one month into the new fiscal year budget; and from previous discussions, there is a \$2 million shortfall, unless it starts to get recouped sooner. Other areas of concern are in trying to minimize expenses. There is no change in depreciation. The Department should be a little more vigilant on how the budget is managed and make sure measures discussed previously are prioritized and brought to the Board. Also make sure the public is aware that the Department is doing all it can to manage its resources, especially in this environment. He asked that the Department prioritize the employees it intends to hire and asked the Manager to give a brief on that.

The Manager indicated that candidates for the Information Technology (IT) position were just interviewed, so that person should be starting soon. Also, he spoke of a document management system and that he wants the new IT person to look into the entire computer system and look for improvements and make recommendations based on that. The GIS system will fall under this position, and he would also like to look into having the financial management system included, so that would need Board approval to modify the Table of Organization. It could allow the person to get more involved with automatic meter reading (programming, etc.) because it is more of a computer issue, even though it is a billing system.

Chairperson Goya reminded the Department that it should fill the vacancies that are budgeted for; and in the future budget, it should be looking at reasonably when the positions would be filled.

The Manager noted that when these dates are put in, they are estimates and sometimes get hung up with issues such as Human Resources or hold-ups with applicants (may need to submit additional information for qualification); and it can be hard to predict.

Chairperson Goya stated that it should be more realistic though, and noted, for the record, the Financial Statements lists that the Department did fill a Clerk-Stenographer, SR 11, position in the Administration Division; and the selected person, Ms. Janet Snyder, who is working for the Mayor's office now, is scheduled to start in November 2008, so a little more awareness is needed there.

H. WATER RATE STUDY:

Chairperson Goya noted that he wants this kept on the Agenda so the Department may keep in mind to be more responsible with expenses. Any time positions are filled or created, it may have future water rate impacts.

I. MANAGER'S REPORT:

- 1) Status of the Hawaiian Ocean View exploratory well – the Manager reported that the Department just learned today that the driller hit water. The exact elevation is not known yet; however, it is within five feet or so of what was projected.
- 2) Status of the Kona Water Quality – Mr. Clyde Young provided the Board with a handout (a public information sheet that Ms. Aton drafted). The update is on the Kahalu'u Shaft Repair. What actually began as a pump repair project turned into a water quality project. Kahalu'u Shaft is a basal lens source where fresh water is on top, and salty water is on the bottom. The pump casing was modified so that the upper level water can be drawn instead of at the base of the pump casing. The results came back with a reduction in chlorides of 25%, from the low 300 parts per million (ppm) to the low 200 ppm. This project is just about completed; and the Brown and Caldwell study will take it to the next phase to address any future modifications to further reduce chlorides in the water.
- 3) Update on negotiations with Kamehameha Investment Corporation (KIC) – the Manager reported that staff is still waiting on word from KIC.
- 4) Resolution by Councilman Pilago on Reservoir Repairs – Ms. Aton shared information that she will be presenting to Council. The update that Mr. Nago had given this morning will be in that presentation. Mr. Smith stated that mayoral candidate Angel Pilago was commenting at the candidate forum two weeks ago about the repair of the Waimea reservoirs and the need to help out the farmers. He is still making those statements that are inconsistent with what is in the Department's data sheet. Ms. Aton noted that she would spend extra time with the Council on backup groundwater sources for the Waimea water system.

The Manager mentioned the Sixth Annual Statewide Municipal Attorneys Training Conference, which he attended August 20 to 22, 2008. The document management system was part of the program and was very impressive. It electronically saves documents in a legally approved format so, theoretically, you could destroy the hard copy and have the back-up stored in a secure place. For less than \$30,000.00, a system can get up and running, including training. Although it is not in this current budget, he would like to see if there is a way to find funds for it. According to Mr. Lincoln Ashida, it went through the Standards Committee so it is already approved for procurement. To coincide with this system, the Department needs to update its document retention schedule, and that will need to be coordinated with both the Corporation Counsel and the County Clerk offices.

Mr. Smith thanked the Manager, Deputy Manager, and Ms. Aton for participating in the Kona Water Roundtable meeting July 23, 2008. He noted that are some people that do not agree with the data presented; but it is there, and it is a very educated group of people so he appreciated the Department's efforts. The Manager noted that another meeting will be held on November 3, 2008, and will deal mostly with watersheds in Kona.

The Manager noted that the Department of Water Supply recently received a national award from the Environmental Protection Agency (EPA) for its State Revolving Fund projects in Pahala and Honomu. The nomination came from the Department of Health, Safe Drinking Water Branch. The EPA representative came to Kona yesterday to meet with the Mayor and to present the award to the Department's representatives, Messrs. Keith Okamoto and Kawika Uehara. This award is very good for the Department and for the program and exemplifies the purpose of the State Revolving Fund.

Chairperson Goya asked if this could be placed on the Agenda for next month's meeting so it may be properly recognized. (The Manager indicated he would.) He also asked if a press release was pending, and Ms. Aton replied that one went out. Mr. Meierdiercks noted that it was in today's issue of West Hawaii Today.

J. **CHAIRMAN'S REPORT:**

Chairperson Goya noted that the Department is doing a number of good things and to keep up the good work. He noted that the Board is still awaiting a report from the Department's in-house transportation committee.

The Manager noted that reports are expected from the fuel committee and the recycling committees as well and hoped to have reports from them for the next Water Board Meeting.

Chairperson Goya stated that he is anxious to hear what else the Department can do and other areas that can be operated more efficiently.

The Manager stated that one big thing that can be done is to stop holding Water Board Meetings in Waimea, Kona, and Kau.

Chairperson Goya agreed, and that was his next thought. He noted, for the record, that no one from the public was present here today; and a number of the Department's staff travelled here and gave up a day to conduct this meeting. The future Chairperson of this Board can reevaluate how many times it should go out to various districts and maybe do more public awareness types of meetings to make sure people do attend Water Board Meetings. Again, it is public perception when people do not show up at meetings.

The Manager's thought was that it means people are satisfied, and the Chairperson noted that is a good thing.

ANNOUNCEMENTS:

1. **Next Meeting:**

The next meeting of the Water Board will be held on September 23, 2008, 10:00 a.m., in the Hilo Operations Center Conference Room, 889 Leilani Street, Hilo, Hawai'i.

The October 28, 2008, Water Board Meeting will also be held in Hilo.

Mr. Meierdiercks mentioned the upcoming Hawaii Water Works Association (HWWA) conference to be held in Maui. The Manager stated that the program has not come out yet but would be distributed to the Water Board as soon as the Department receives it. The conference dates are from October 29 to 31, 2008.

STATEMENTS FROM THE PUBLIC

None.

ADJOURNMENT

ACTION: Mr. Harai moved for adjournment of the Meeting; seconded by Mr. Kuailani and carried unanimously by voice vote. (Meeting adjourned at 12:15 p.m.)

Secretary

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