

MINUTES

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

September 23, 2008

Hilo Operations Center Conference Room

MEMBERS PRESENT: Mr. Thomas Goya, Chairperson
Mr. Riley Smith, Vice-Chairperson (11:12 a.m.)
Ms. Millie Kim
Mr. Francis Kuailani
Mr. Bryan Lindsey
Mr. Robert Meierdiercks
Mr. Dwayne Mukai (10:17 a.m.)
Mr. Milton Pavao, Manager, Department of Water Supply
(ex-officio member)

ABSENT: Mr. George Harai, Water Board Member
Mr. Bernard "Malu" Konanui, Water Board Member
Mr. Bruce McClure, Director, Department of Public Works
(ex-officio member)

OTHERS PRESENT: Mr. Daryn Arai, representing Mr. Christopher Yuen, Planning
Department (ex-officio member)
Ms. Katherine Garson, Deputy Corporation Counsel
Mr. Craig Masuda, Deputy Corporation Counsel (10:44 a.m.)
Mr. Bill Brooks

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. Kawika Uyehara, Engineering Division
Mr. Richard Sumada, Waterworks Controller
Ms. Candace Pua, Assistant Waterworks Controller
Mr. Daryl Ikeda, Chief of Operations
Ms. Julie Myhre, Energy Management Analyst, Operations Division
Mr. Earl Fukunaga, Supervising Water Service Investigator, Operations

CALL TO ORDER - Chairperson Goya called the meeting to order at 10:06 a.m. and introduced Mr. Bryan Lindsey, newest member of the Water Board, replacing Ms. Paula Helfrich. Mr. Lindsey

stated that he appreciates the opportunity to serve on this Board and looks forward to seeing how things operate.

STATEMENTS FROM THE PUBLIC

None

APPROVAL OF MINUTES

ACTION: Mr. Kuailani moved for approval of the Minutes of the August 26, 2008, Water Board Meeting; seconded by Mr. Meierdiercks and carried unanimously by voice vote.

APPROVAL OF ADDENDUM AND/OR SUPPLEMENTAL AGENDA

None.

ACTION TO DEFER ONE ITEM AND TO MOVE ONE AGENDA ITEM UP:

Chairperson Goya entertained a Motion to defer Item 5(D) Kawaihoni 0.50-Million Gallon Reservoir to the next meeting and also to move up Agenda Item 7(C), Seascape Development, LLC, Water Facilities Agreement, to the top of the Agenda.

ACTION: Mr. Meierdiercks so moved; seconded by Ms. Kim and carried unanimously by voice vote.

NORTH KONA:

C. SEASCAPE DEVELOPMENT, LLC – WATER FACILITIES AGREEMENT:

The developer, Seascape Development, LLC (Seascape), through an earlier agreement, replaced the existing 300 gallons per minute (gpm) to 500 gpm pump with a new 500 gpm to 700 gpm pump and appurtenances to allow the Department of Water Supply (DWS) to pump from the Kalaoa Well at 500 gpm based on the existing well permit and power at the well site. In order to obtain water units for their development, Seascape is proposing to enter into this Water Facilities Agreement requiring them to obtain CWRM approval to utilize the pump above the original permitted 500 gpm use. Seascape also upsized controls and equipment necessary to allow pumping up to 700 gpm. To better utilize the pump at 700 gpm, DWS is requiring Seascape to provide the land necessary to place a 1.0-million gallon (MG) reservoir and supporting facilities on. Seascape is in the process of obtaining this parcel and will provide DWS with approved construction plans with the design that allows DWS to utilize the proposed 1.0-MG reservoir with the 700 gpm pump.

The Manager recommended that the Water Board approve the Water Facilities Agreement and that either the Chairperson or the Vice-Chairperson be authorized to execute the Agreement subject to the review and approval by Corporation Counsel.

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

Ms. Garson noted that some minor changes were made to the Agreement by Seascope's attorney. She handed out the revised Agreement, for the Board's approval, noting that the changes had to do with the nature of the type of title that was going to be passed. In response to Ms. Kim's question of whether the changes were okay with her, she replied that she had originally put in the document that the Board gets title of the warranty deed free and clear of all liens and encumbrances, but that their attorney left some "wiggle room" in there. After speaking with their attorney, it was clarified that there is always some sort of encumbrance or exception, so he just wanted to leave it open for those standard types of things where DWS would not be accepting the property pursuant to any mortgage or other interest, and it is still clear and insurable title.

In response to Chairperson Goya's question of the timetable involved with this project (what the Agreement covers), Mr. Inaba replied that the design would probably be within one year.

The Manager added that there are valuable sites in Kona, and they are providing this Department with a storage site and also doing the design so it is a benefit to the Department. This will put the burden on the developer to go from the 500 to the 700 gallons per minute (gpm). In turn, they will get some water commitments. Tank sites are critical as far as elevation, so there are not many people can give up that certain location of land.

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

(Mr. Brooks left the meeting at 10:15 a.m.)

SOUTH HILO:

A. JOB NO. 2005-862, CONSTRUCTION OF THE WAIĀKEA OFFICE PLAZA AIR CONDITIONING REPLACEMENT:

Bids were opened on September 12, 2008; and the results were enumerated in the Agenda. Funding for this project will be from the 2006 General Obligation Bond. The contractor will have 180 calendar days to complete this project. The Engineering estimate was \$3,000,000.00.

The Manager recommended that the Board award the contract for JOB NO. 2005-862, CONSTRUCTION OF THE WAIĀKEA OFFICE PLAZA AIR CONDITIONING REPLACEMENT, to the lowest responsible bidder, Isemoto Contracting Company, Ltd., for their bid amount of \$4,728,600.00 plus \$378,288.00 in construction contingency for a total contract amount of \$5,106,888.00, and that either the Chairperson or the Vice-Chairperson be authorized to sign the contract(s), subject to review as to form and legality of the contract(s) by Corporation Counsel.

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

Chairperson Goya asked for brief on this project.

The Manager stated that one of the main things was why there was such a discrepancy in the estimated cost versus the bid price. When the estimate was made a couple of years ago, it was made on the basis that the consultant wanted the staff to relocate six months at a time. It was his decision not to do it that way so his instructions were to have the specifications made such that they need to work nighttime and weekends and so that staff can function during the day. That raised the price quite a bit. In addition to that, prices for materials have gone up. The good thing about this project is the payback period of seven to eight years. The existing unit is so inefficient; this new one will save energy costs.

In response to Mr. Mukai's question of whether the system would allow activation of the air conditioning by different wings (or sections) in case some employees come in on weekends, Mr. Inaba replied that they could be turned on individually.

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

B. JOB NO. 2006-893, CONSTRUCTION OF THE WAIĀKEA OFFICE PLAZA COVERED WALKWAY:

The Board considered a request from the contractor for additional compensation of \$20,541.00 beyond the contingency amount. This is due to price escalation of materials and labor for delays beyond the control of the contractor as well as additional work requested by the Department. Staff has reviewed and found that \$11,062.00 is justified.

Original contract amount is \$166,000.00 and original contingency amount is \$14,000.00.

Change Order No. 1 processed for \$13,300.00

Additional funds required: \$11,062.00 – (\$14,000.00 - \$13,300.00) = \$10,362.00

The Manager recommended that the Board allocate additional funds in the amount of \$10,362.00 for JOB NO. 2006-893, CONSTRUCTION OF THE WAIĀKEA OFFICE PLAZA COVERED WALKWAY.

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

Mr. Mukai thought that the contractor normally absorbs price increases; however, Mr. Okamoto noted that in this case, it was something beyond the contractor's control. After award was made through the plan process for the air conditioning, it was discovered that the building is in a special management area (close proximity to the ocean). Work had to be stopped while the permit was being obtained. By this time, it was a year later. It tied up the bonding and prices escalated. The increase also included extra work that the Department thought made more sense beyond what the plans showed.

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

C. WAIAKEA OFFICE PLAZA LEASE AMENDMENT - STATE OF HAWAI‘I, DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS (DCCA):

The State of Hawai‘i, Department of Commerce and Consumer Affairs (DCCA), is a tenant at the Waiakea Office Plaza, leasing 546 square feet of office space in the upper level of the Kapoho wing. This lease amendment extends the term of their lease through December 31, 2008, when DCCA is expected to vacate the building. Lease rent is being increased from \$2.50 to \$3.00 per square foot as follows:

July 1, 2008, to December 31, 2008 (month to month) - \$1,638.00 per month

Common area maintenance comprises \$1.30 of the square foot rate with office rent making up the remaining \$1.70.

The Manager recommended that the Board approve the State of Hawai‘i, Department of Accounting and General Services, Amendment No. 2 of Lease Agreement No. 91-30-0011, subject to the approval of Corporation Counsel, and authorizes either the Chairperson or the Vice-Chairperson to sign the lease amendment.

ACTION: Mr. Mukai moved for approval of the Manager’s recommendation; seconded by Ms. Kim and carried unanimously by voice vote.

D. KAWAILANI 0.50-MILLION GALLON RESERVOIR:

Executive Session

The Board **deferred** (to next month) the convening of an Executive Session for the purpose conferring with the Board’s attorney per Hawaii Revised Statutes (HRS) Sections 92-4 and 92-5(4) to consult with the Board’s attorney on questions and issues pertaining to the Board’s powers, duties, privileges, immunities, and liabilities relating to this project.

SOUTH KOHALA:

A. WATER TREATMENT PROPOSAL NO. 2008-09, FURNISHING AND DELIVERING C-9 POLYPHOSPHATE TO WAIMEA WATER TREATMENT PLANT, DISTRICT OF SOUTH KOHALA (ON AN AS-NEEDED BASIS):

Bids were opened on September 11, 2008; and the results were enumerated in the Agenda.

The Manager recommended that the Board award the contract for WATER TREATMENT PROPOSAL NO. 2008-09, FURNISHING AND DELIVERING C-9 POLYPHOSPHATE TO WAIMEA WATER TREATMENT PLANT, DISTRICT OF SOUTH KOHALA (ON AN AS-NEEDED BASIS), to Phoenix V LLC dba BEI Hawaii at the unit price of \$693.50 for the period beginning October 1, 2008, and ending June 30, 2010, and that either the Chairperson or the Vice-Chairperson be authorized to sign the contract(s), subject to review as to form and legality of the contract(s) by Corporation Counsel.

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

**B. WAIKOLOA RESERVOIR NO. 2 EARTHQUAKE REPAIRS
JOB NO. 2007-043/ENGINEERING WORK ORDER NO. 43-001:**

A draft copy of the terms and conditions for right-of-entry to State lands was received from the Department of Land and Natural Resources for action by the Water Board. The right-of-entry is needed for construction of this project.

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

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

C. PARKER WELLS 3 AND 4, SECOND AMENDMENT OF AGREEMENT (TRI-PARTY WATER DEVELOPMENT AGREEMENT – MAUNA LANI SERVICES, INC., MAUNA KEA PROPERTIES, AND DEPARTMENT OF WATER SUPPLY):

At its March 25, 2008, meeting, the Water Board approved the First Amendment of Agreement that extended the completion date from April 6, 2008, to August 31, 2008. Due to delays beyond their control, Mauna Lani Services, Inc. (MLS), and Mauna Kea Properties (MKP) are proposing to amend the agreement again to allow them an extension of time to complete their required improvements. They have been proceeding in an acceptable manner and have been delayed due to reasons beyond their control. DWS has been kept informed and feels that they and their contractor have been doing what they can to complete the project as expeditiously as possible.

DWS Staff has reviewed this Second Amendment of Agreement and finds it acceptable as submitted. If approved, it will change their required completion date from August 31, 2008, to December 31, 2008.

The Manager recommended that the Water Board accept the terms and conditions of the Second Amendment of Agreement and authorize either the Chairperson or the Vice-Chairperson to execute the Agreement subject to review and approval of the Corporation Counsel.

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

In response to Chairperson Goya's question about the delays, the Manager replied that for the Department, it really does not make a difference but for them it does because they are trying to finish so they can sell the properties and turn over ownership of the entire resort to the homeowners. It is to their benefit to get it done as soon as possible. This Department is just

going to accept the wells. There was an agreement that was made that set out a certain amount of time. Because it is an agreement, it has to come back to the Board for extension.

Mr. Inaba added that there are two key components. One was State Highways and getting a Use and Occupancy agreement that not only Mauna Lani would execute, but State Highways as well. But because it is being dedicated to this Department, it wanted some conditions removed. Second would be at this point, power to the two well sites. He believed HELCO is finalizing their plans to include safety features for the end user.

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

NORTH KONA:

A. MATERIAL BID NO. 2008-04, FURNISHING AND DELIVERING SPARE DEEPWELL PUMP AND MOTOR SETS FOR PA‘AUILO DEEPWELL, HONOKŌHAU DEEPWELL, HĀWĪ DEEPWELL NO. 1, AND KE‘EI DEEPWELL A; FURNISHING AND DELIVERING SPARE DEEPWELL PUMPS FOR SADDLE ROAD DEEPWELL, HAINA DEEPWELL, HALEKI‘I DEEPWELL, AND ‘O‘ŌKALA DEEPWELL:

The Board considered a request from the contractor, Beylik Drilling and Pump Service, Inc., for a contract time extension of 30 calendar days, due to a delay from the pump manufacturer. This will be the first time extension to the contract. Engineering staff has reviewed the request and finds that the 30 calendar days are justified.

The Manager recommended that the Board grant this extension of contract time of 30 calendar days to Beylik Drilling and Pump Service, Inc., for MATERIAL BID NO. 2008-04, FURNISHING AND DELIVERING SPARE DEEPWELL PUMP AND MOTOR SETS FOR PA‘AUILO DEEPWELL, HONOKŌHAU DEEPWELL, HĀWĪ DEEPWELL NO. 1 AND KE‘EI DEEPWELL A, FURNISHING AND DELIVERING SPARE DEEPWELL PUMPS FOR SADDLE ROAD DEEPWELL, HAINA DEEPWELL, HALEKI‘I DEEPWELL AND ‘O‘ŌKALA DEEPWELL FOR THE DEPARTMENT OF WATER SUPPLY. If approved, the contract completion date will be extended from October 15, 2008, to November 15, 2008.

ACTION: Mr. Mukai moved for approval of the Manager’s recommendation; seconded by Ms. Kim and carried unanimously by voice vote.

B. JOB NO. 2002-806, MAMALAHOA HIGHWAY WATERLINE IMPROVEMENTS – PHASE 2:

The Board considered a request from the contractor, Isemoto Contracting Co., Ltd., for a contract time extension of 130 days due to ongoing complications with the Kona SCADA system, causing delays in the contractor’s electrical work for this project. The contractor has been informed by DWS staff that no work may be done on the SCADA system until approximately December 2008 while modifications are being done to the system.

This would be the sixth time extension to the contract. The previously approved time extensions are listed below:

- Time Extension #1: Project extended 180 calendar days to allow for revisions to the plans and specifications.
- Time Extension #2: Project extended 180 calendar days due to change in scope of work, project scheduling, and revisions to the plans.
- Time Extension #3: Project extended 90 days due to unforeseen site conditions at Holualoa Well and Reservoir site requiring redesign.
- Time Extension #4: Project extended 90 days due to valve control additions that were not shown on the plans and the installation of an additional valve at the Holualoa Well site, also not shown on the plans.
- Time Extension #5: Project extended 180 days due to unexpected problems interfacing with the Kona SCADA system.

Engineering staff has reviewed this time extension request and finds that the 130 calendar days are justified.

The Manager recommended that the Board grant this extension of contract time of 130 calendar days to Isemoto Contracting Co., Ltd., for JOB NO. 2002-806, MAMALAHOA HIGHWAY WATERLINE IMPROVEMENTS – PHASE 2. If approved, the contract completion date will be extended from October 25, 2008, to May 4, 2009.

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

The Manager stated that this is frustrating for the Department and that it does not have any control over it. He has not seen one project with SCADA that has gone on time, and it is not only this island experiencing the problem.

Chairperson Goya asked if there could be a separation of SCADA work from the rest of the work.

Mr. Inaba replied that there could be, and the Department is working on 1) possibly isolating SCADA and 2) developing better specifications that would bring in not only the technology but a specialized contractor.

Chairperson Goya mentioned managing perception and hoped it can be resolved in the near future.

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

C. **SEASCAPE DEVELOPMENT, LLC – WATER FACILITIES AGREEMENT:**

Taken up earlier.

D. PALANI TRANSMISSION PROJECT:

The Manager reported that the Department is still working on the last remaining easements so that it may move ahead and award the project. A strategy was devised with the consultant to schedule the project such that the Department can make use of it incrementally prior to the entire completion. This will allow the Department to serve critical areas like Hawaiian Homes in the Kealakehe area. By the next Board Meeting, the Department should be prepared to provide the Board with a more comprehensive status of the easements. Unfortunately, the last remaining easement is on the very top where the connection to the Mamalahoa Highway would be done.

Chairperson Goya asked about the project timetable and the bond money.

The Manager replied that construction would be about two years. The Department plans to use some of the bond money for the air conditioning project, which would leave almost \$20 million. This Palani project is estimated to cost \$15 million, but it may be up around \$17 million with the way prices are escalating.

In response to Chairperson Goya's question of whether the Department is holding up any other Hawaiian Homes developments, the Manager replied that this is the reason why the Department is developing criteria on the specifications so it can utilize some of the project prior to the entire completion so that it can serve Hawaiian Homes developments.

KAU:

A. JOB NO. 2002-809, PAHALA PRODUCTION WELL AND SUPPORTING FACILITIES:

The Board considered a request from the contractor, Isemoto Contracting Co., Ltd. (Isemoto), for a 97-calendar day time extension. This request is due to delays beyond the control of the contractor with processing the building permit. This is the first time extension request. Engineering staff has reviewed this time extension request and finds that the 97 calendar days are justified.

The Manager recommended that the Board approve a contract time extension to Isemoto Contracting Co., Ltd., of 97 calendar days from January 6, 2009, to April 13, 2009, for JOB NO. 2002-809, PAHALA PRODUCTION WELL AND SUPPORTING FACILITIES.

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

Chairperson Goya asked for some background on this.

Mr. Uyehara reported that the consultant routed drawings through the appropriate agencies for preliminary plan review to speed things up. When the contract was awarded to Isemoto and they went to obtain the permit, the agencies had further comments so this delayed the contractor.

Chairperson Goya Chairperson Goya noted that the building permit process is holding up a lot of construction, especially at a time in the economy where the Department needs to try and expedite capital projects.

The Manager agreed that this is the time for government to kick in projects because it spurs the economy and it is also a time to get good competitive bid prices.

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

MISCELLANEOUS:

A. DEDICATION OF WATER SYSTEMS:

The Department has 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 (deferred at 8/26/08 meeting)**

Subdivision Application No. 91-000203

Grantor/Seller: W. H. SHIPMAN, LIMITED

TMK: (3) 1-6-151:022

E.W.O.: 2009-012

Lots: 22

Zoning: MG 20

Facilities Charge: \$302,500.00

Paid: 9/08/2006

Final Inspection Date:

Water System Cost: \$

2. **DEED (Reservoir Lot)**

Hualalai Vistas Subdivision, File Plan 2444

Grantor: HV Associates, LLC

TMK: (3) 7-3-007:089, (Lot 9)

E.W.O.: 2006-071

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

Ms. Kim asked about Item No. 1 and if the items left blank were now resolved.

Mr. Inaba replied that the water system cost was submitted; however, he did not have it with him. The chlorination certificate was received yesterday. The final inspection date will be September 22, 2008.

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

B. UNACCOUNTED WATER PROGRAM UPDATE AND ENERGY RECOVERY:

Mr. Earl Fukunaga and Ms. Julie Myhre continued their presentation on leak detection from last month's meeting. They talked about the Permalog, which is an instrument used to identify leaks. The "Generation 4" unit was passed around to look at, and this device is attached to a valve and has an LED light on top that goes red to indicate a leak. The data is retrieved from a noise logger, stored, and can be downloaded into the Department's logs. There are 625 units in District I, 325 in District II, and 225 in District III. Phase IV will include Ka'u (Naalehu and Pahala), because the Department is switching over to a deep well system. Phase V is on the outskirts of Hilo (Keaau to Volcano and down to Kalapana), and North Hilo (Pepeekeo to Ninoole). When data comes in, it goes in the database; and from there, staff can identify the serial number of the actual Permalogger unit. It can provide a range of information such as the age, size, and type of pipe; and then crews can be sent out to do the repairs. On September 18th, a leak was found and repaired in the Piihonua system area, which contributed to about 51,000 gallons per day of water loss. The energy cost per thousand gallons is 73 cents. The total from the leak of 93 days equaled 1.6 million gallons, and the estimated energy savings just from this one leak is about \$13,300.00. Panaewa/Piihonua system is now on a steady decline in energy costs because of this program.

Ms. Myhre stated that as this system evolves, staff will continue to increase its GIS (Geographic Information System) database features. The other goal is to do routine patrols and repairs of the whole system.

Mr. Mukai asked how many leaks have been detected to date.

Mr. Fukunaga replied that repairs are made every month, especially in Hilo where the system is older. About five major leaks are repaired a month. Sometimes if you repair a leak in a certain place, another break will happen along the line somewhere else because it is an older system.

Ms. Kim asked about the 10% AWWA standard mentioned in the Minutes from last month's meeting.

Mr. Fukunaga stated that the water loss was actually 49% in 2004 and was brought down to 17% after implementing this program.

Chairperson Goya commented that he is glad the Department is in the forefront in Hawai'i, and that it benefits the public. He thanked staff for the presentation today and suggested this would be a good topic for the Hawaii Water Works Association conference next year.

C. POWER COST ADJUSTMENT CLAUSE:

The Manager explained that the Board was supposed to have a public hearing today but the timing made it almost impossible. Chairperson Goya was kept apprised of the situation since the last meeting. To make a public hearing before the October meeting requires getting the notice to the newspapers by October 3. Ms. Aton had published notices in the newspapers and

on the website notifying people that they could come before the Board today if they were not able to make it for the public hearing. An article by Mr. Jason Armstrong mentions an adjustment clause of \$1.90, but it is probably going to be more than that. The intent is to go back to when the last adjustment was done and recoup what was lost since then.

Ms. Kim asked if a specific amount has to be addressed.

Chairperson Goya replied that it is two-fold. The change in the mechanism needs to be approved first.

Ms. Aton added that the Department is proposing changes to the method of calculating the power cost adjustment and the frequency, but she did not think the Department has to come up with the amount of the power cost adjustment until the proposed change is approved (if the Board approves it). Thereafter, the calculations will start from the date of the last power cost adjustment. Currently, the power cost adjustment is \$1.70, from March 2008. From April 2008 forward to the date of the change, if it is approved, the calculation will be done from then. The Department does not know how much it would be until the approval goes forward.

Chairperson Goya mentioned communicating effectively with the Mayor, government officials, the public, and the press that these steps are in an effort to recover costs already spent and not excessively taking money from the customers.

Mr. Kuailani asked if the public would be able to send written testimony if they cannot appear before the Board.

The Manager replied that they can do that, and it was also made known in the public release by Ms. Aton.

Chairperson Goya asked that later on, a report be given on how the Department is managing its budget appropriately in this economical climate.

D. MONTHLY PROGRESS REPORT:

No questions.

E. REVIEW OF MONTHLY FINANCIAL STATEMENTS:

Mr. Kuailani asked about this Department's budget and the County's and whether they can utilize each other's budgets in the event of a shortfall.

The Manager explained that they cannot because they are independent from each other.

Chairperson Goya commented on the need to protect the Department's semi-autonomous Board, taking action to ensure that it takes islandwide issues seriously and carries out its voluntary responsibilities as best it can. Most of all, the Board has a major fiduciary responsibility in approving the annual budget. The budget deals a lot, not only with capital

budget, but operational considerations as well. The Board is approving new positions, and it can affect future rate impacts. He has asked the Manager to prioritize the position vacancies and questioned why the budget shows that these positions will be filled the beginning of the budget year instead of staggered throughout the year. Currently, of the 15 vacant positions, nine of them are new. It needs to be prioritized how the positions will be filled and come to the Board first for action because of sensitivity in this economic climate. For the water rate payers, the perception may be that this Department is still hiring when others are cutting back.

(Mr. Smith joined the meeting.)

Ms. Kim pointed out that even though the Department is self sufficient, it does not have to go to Council for budget items. The Department can float bonds but it has to comply with County bond issuance requirements and accounts with their overall bonded debt.

The Manager stated that was correct, but the Department has the authority to float revenue bonds by itself. The reason the Department does not prefer to float its own is that it does not get as attractive an interest rate as when it joins in with the County's General Obligation Bonds. The Department does not pay the full bond legal counsel fees when joining with the County because the fees are split, so it is advantageous.

Chairperson Goya mentioned that taking advantage of the Department of Health's State Revolving Fund, or any other funding sources would be beneficial in that the Department can use reserves for capital improvements. Other programs like leak detection and managing efficiencies become more important in trying to manage the budget. It ties in with the Water Rate Study, which does not show another rate increase for three years. Hopefully, with ongoing savings, a rate change could be deferred another five years or so. Another thought is whether a 7% increase five years from now would be best or perhaps something like a 2% increase three years from now may be easier to swallow.

Mr. Mukai clarified, for the record, that a rate increase is separate from the power cost adjustment.

The Manager stated that the key thing people need to understand is that the power cost adjustment is for the Department to recoup what it paid to HELCO over and beyond what it collects. It is totally separate from the water rates.

Mr. Mukai suggested on the Financial Statements, last page, "Budgeted Vacant Positions," that the Board only needs to know what positions are filled, not the names of the individuals selected.

The Manager asked Mr. Sumada to remove the names in the report.

F. **WATER RATE STUDY:**

No discussion.

G. MANAGER'S REPORT:

- 1) Status of the Hawaiian Ocean View exploratory well - the Manager reported that the driller hit water and reported that the elevation is approximately 8 feet, which seems a little high; but they are going to verify that. The key thing will be when they finally do the pump test to determine the capacity of the well.

Chairperson Goya asked if the Manager could let the Board know what the plans are for the well because the Board needs to make a decision in the near future on how it is going to be managed once it becomes operational.

The Manager stated that the Board will need to decide if it wants to establish a special rate structure for that area because it is purely for water haulers and spigots (Department of Public Works pays for spigot water). The next steps are to do an alignment and plumbness test, case the well, and then test it to determine its capacity. That will determine the pump that is finally installed, which would be a different contract. He expects it will take at least a year and a half more. The other thing that the Department has to consider is, because it is incurring so much electrical facilities in that area, he will need to sit down with Operations Division to determine if it is necessary to open up an electrician position out in Ka'u because right now, the Department does not have one. The Department sends personnel from Hilo out to Ka'u when there are problems. With this well and others coming onboard such as Pahala well, there may be a need for a position. The two things the Board will need to decide is whether to take over the system (the alternative is the County takes it over because it is from State funds), and also whether to establish a special rate structure for that district because it is only going to be for water hauling and spigots.

Chairperson Goya stated that the potential customers would be the water haulers and the County of Hawai'i, and the County would have the spigots for the residential customers.

The Manager replied in the affirmative. Also, in response to Chairperson Goya's question of whether the Department will secure the area, the Manager replied yes.

Chairperson Goya indicated that the Board will need to consider the options within the next year and come up with a plan for when the well is ready.

Mr. Smith asked what County department, if not the Department of Water Supply, could manage something like that.

The Manager replied he was not sure because it has never been done before. The only reason he mentions this is because the funds were allocated the County, not the Department of Water Supply. This Department was asked by the Mayor to administer the project. So it would have to be either the County, or this Department.

Mr. Smith asked if it might be managed by a private utility, under contract.

The Manager replied that it would depend on the State because it was their funds, and they might not allow a private entity to run something that they paid for, unless it is through contract with the County. That is something the Board will need to decide at some future time.

In response to Mr. Mukai's question of what the Department charges the water haulers, the Manager replied it is the standard rate, plus the cost for a standby meter. What they charge their customers is regulated by the Public Utilities Commission.

- 2) Update on negotiations with Kamehameha Investment Corporation (KIC) - the Manager reported that staff is still waiting on word from KIC.
- 3) Report of the Hamakua Community Meeting - the Manager reported that the Department had a community meeting in Hamakua about two weeks ago, at the request of Councilperson Yagong. The Manager attended this meeting, along with Mr. Antonio, Mr. Okamoto, and Ms. Aton. They provided an update on the entire Kukuihaele, Ahualoa, and Paauilo area. It was a good meeting, and Councilperson Yagong was pleased with how it went. The community was receptive to the information given by the Department.

Ms. Kim thanked the Department for putting on this meeting. She could not attend, but it is always good to hear requests from individuals in communities. It is always worth taking the time to put these meetings on.

Chairperson Goya stated that it would be nice if Board Members could attend in districts they represent. It is good to show the communities and representatives that the Board Members are volunteers and are interested in their opinions. He asked Ms. Aton what future sessions are planned.

Ms. Aton noted that in October, Councilperson Pete Hoffman asked the Department to attend a Rotary Club luncheon as well as a senior citizens meeting. Mr. Nago, Mr. McCall, Ms. Aton, and the Manager are scheduled to go. The meetings are for the Waikoloa Reservoir Repair project.

Chairperson Goya stated that the major concern is this development plan in Honokaa; and if the State well is not very productive, for which the Department contributed some money, the only real solution would be a pipeline along Ahualoa Road for a new well. Any future planning would have to take into consideration a new transmission line from Ahualoa to Honokaa.

In response to Mr. Smith's question of whether there are any zoned lots that have a water commitment that the Department cannot fulfill, the Manager replied he did not think there is a situation there.

Chairperson Goya asked the Manager to also explain Kukuihaele Well.

Mr. Uyehara stated that the consultant reported high chlorides in the well water. The Department procured a consultant to analyze it, and they found the issue was with the pump column. Their recommendation was grouting of the bottom of the well. After a series of trimming and grouting the bottom, they tested and rechecked the chlorides. Fortunately, they were lower, but still only down to 350 milligrams per liter (mg/l), which is still a little high. Engineering Division is in the process of evaluating options such as reverse osmosis water treatment, blending, etc. In response to Chairperson Goya's question of how long the Department has been hauling water, he replied since July of 2007. Chairperson Goya noted this is considerable expense to the Department until the problem gets resolved.

Automatic Meter Reading (AMR) - the Manager reported that staff met with Neptune to define how the project will be carried through and where the units will be placed. The program is going well. The intent is to get 5,000 meters in place. Next year, the Department may come to the Board for additional funding to continue with the program and more units.

Ms. Kim asked for an update of the Hookena site discussed at a previous Board meeting. Ms. Garson noted that it is not on the Agenda. It is okay to discuss things like conferences or awards the Department receives; but for project-specific discussion, it should be agendaized.

Kona Water Roundtable - Ms. Aton reported that the next Kona Water Roundtable meeting will be held on November 3, 2008, at the Natural Energy Labs of Hawaii Authority (NELHA), Gateway Conference Center. This meeting will be sponsored by Kukio Resort. Topic of the day will be mainly watershed and groundwater recharge, hydrology, and geology.

Hawaii Water Works Association (HWWA) Conference – October 29 to 31, 2008 – Maui

The Manager indicated that because the conference program is starting so early on the morning of October 29, he is authorizing travel to Maui the night before so the conferees can make it in time for when the program begins. He wondered why outer island travel was not taken into consideration when the program was developed to allow for travel time for conferees.

H. STATE REVOLVING FUND PROGRAM AWARD:

The Manager noted that the Department of Water Supply recently received a national award from the Environmental Protection Agency (EPA) for its Honouliuli and Pahala State Revolving Fund projects. The nomination came from the Department of Health, Safe Drinking Water Branch. The EPA representative came to Kona to meet with the Mayor and to present the award to the Department's representatives, Messrs. Keith Okamoto and Kawika Uyehara. This award is very good for the Department and for the program and exemplifies the purpose of the State Revolving Fund. The Department received \$25,000.00 from the fund for those two projects. This information was released to newspapers on the Big Island.

Chairperson Goya thought it would be good to follow up with a picture of the award being received by the Department if there is one.

I. **CHAIRPERSON'S REPORT:**

Chairperson Goya asked Mr. Mukai to report on his experience after visiting the Kahaluu Shaft last month with himself and Ms. Garson.

Mr. Mukai stated that it was very interesting to see the facility down there. The water is so pristine. The Department might have to address the system that carries individuals and supplies up and down. It looks like it is aging. He recommends that every Board Member go visit the Shaft.

Chairperson Goya reminded the Board to be mindful that any time three or more Board Members get together and it is related to their responsibilities on the Water Board, by the Sunshine Law, it either needs to be videotaped or allow accommodation for the public. His perception of the Kahaluu Shaft is that he was amazed at the technology they were talking about and how they are going to draw the water now. Actually, they are drawing water from a ponding area in which water is coming in to where the pumps are. There is a shield in the pump so it is like the pump is sitting in a bucket, and they are taking the water overflow rather than drawing from the bottom. It was a unique solution to the problem and appears to be working. The chlorides are down.

Mr. Mukai mentioned the October edition of Popular Mechanics, which had an article on rediscovering hydro power. In the article, there is a photograph of the Department of Water Supply's Kaloko Hydro-Electric Generator. It is incorrectly noted as a water treatment plant.

Chairperson Goya thanked the Manager and staff for its positive thinking regarding communication with the public. It is important today to get the right information out there and operate more efficiently and effectively.

ANNOUNCEMENTS:

1. **Next Meeting:**

The Board chose to hold the public hearing for the Power Cost Adjustment Clause at 9:00 a.m. on October 28, 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 889 Leilani Street, Hilo, Hawai'i. The Board chose to hold its November meeting in Hilo.

ADJOURNMENT:

ACTION: Mr. Kuailani moved for adjournment of the meeting; seconded by Mr. Smith and carried unanimously by voice vote. Meeting adjourned at 11:50 a.m.

Secretary

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