

**MINUTES**

DEPARTMENT OF WATER SUPPLY  
COUNTY OF HAWAII  
WATER BOARD MEETING

August 24, 2010

Royal Kona Resort, Resolution Room, 75-5852 Ali'i Drive, Kailua-Kona

- MEMBERS PRESENT: Mr. Dwayne Mukai, Chairperson  
Mr. Robert Meierdiercks, Vice-Chairperson  
Mr. George Harai  
Mr. David Greenwell  
Mr. Kenneth Kaneshiro  
Mr. Bryan Lindsey  
Mr. Delan Perry  
Mr. Art Taniguchi  
Mr. Milton Pavao, Manager, Department of Water Supply  
(ex-officio member)
- ABSENT: Mr. Joe Reynolds, Water Board Member  
Ms. Bobby Jean Leithead-Todd, Director, Planning Department (ex-officio member)  
Mr. Warren Lee, Director, Department of Public Works (ex-officio member)
- OTHERS PRESENT: Ms. Kathy Garson, Assistant Corporation Counsel  
Mr. Bob Springer, National Renewable Energy Laboratory (NREL)  
Mr. Will Rolston, County of Hawaii'i, Research and Development Department  
Mr. Mark Jernigan  
Ms. Denise Jernigan  
Mr. Fred Housel  
Ms. Linda Housel  
Mr. Bud Patton  
Ms. Betty Patton
- Department of Water Supply Staff  
Mr. Quirino Antonio, Jr., Deputy Manager  
Mr. Kurt Inaba, Engineering Division Head  
Mr. Daryl Ikeda, Chief of Operations  
Mr. Rick Sumada, Waterworks Controller  
Ms. Kanani Aton, Public Information and Education Specialist  
Ms. Julie Myhre, Energy Management Analyst  
Mr. Larry Beck, Engineering Division  
Mr. Keith Okamoto, Engineering Division  
Mr. Clyde Young, Operations Division

CALL TO ORDER - Chairperson Mukai called the Meeting to order at 10:02 a.m.

STATEMENTS FROM THE PUBLIC:

*The following testimonies are recorded verbatim:*

**CHAIRPERSON MUKAI:** We have a statement from Mr. Fred Housel regarding the Palani Waterline.

**MR. HOUSEL:** Thank you. Good morning, Water Board commissioners. My name is Fred Housel and I deeply regret having to come to this Board again regarding the Palani Waterline project. From the last time I testified, at the May 25<sup>th</sup> Water Board meeting, not much has changed on the project. Here's an update. Larry Beck contacted us in early June and said CTS Earthmoving would begin some of the restoration tasks. Some of the repair work was done. On June 30<sup>th</sup> we received correspondence from Larry Beck that Nick at CTS had told him that CTS would have all the materials needed for the completion of the Upper Tomi Tomi pipeline by mid-July, and that the pipeline would be completed by the end of July, at which time CTS would repave Kuni and Tomi Tomi Drive. CTS did not do what they promised, and no work has been done on the Upper Tomi Tomi pipeline since April. The reason CTS has not done any work since April is not due to technical or material problems. It's due simply to the fact that CTS has taken on other projects such as La'i'ōpua, the Mid-Level Road and the new Jack in the Box and gas station on Henry Street. Christian Twigg-Smith has told us personally that he has two years from now, from last October, to complete this project. He may have two years by contract. However, the contract does not authorize him to abandon damaged private property related to this project, and to conduct illegal activity such as allowing fugitive dust from this project to choke our neighborhood. And that's still ongoing. After two broken promises to complete the Upper Tomi Tomi area, it's obvious that the DWS manager does not have, or chooses not to have, any control over its contractor. It is the Water Board's responsibility to manage, control and operate the County waterworks. Therefore, we are asking you what you plan to do to complete this promised work, and when that will be done.

**CHAIRPERSON MUKAI:** Thank you very much.

**MR. HOUSEL:** Do you mind if I ask a question? Would you address that...?

**CHAIRPERSON MUKAI:** No, not in the Public... No, we can't do that. Sorry.

**MR. HOUSEL:** Okay.

**CHAIRPERSON MUKAI:** Okay, next we have Mr. Mark Jernigan, regarding the Palani Road Transmission Line and the Jernigan property. Mr. Jernigan?

**MR. JERNIGAN:** Good morning, Mr. Chair, members. Thank you for hearing me. I haven't been to these meetings for some time now. I just kinda hoped that things would get better without making too much waves, but things have progressed. Empty promises. Just I'm compelled and have no choice but to come and bother you and explain my case. My name's Mark Jernigan. We fought this condemnation of our land quite extensively in the legal system, and wound up settling. Not because we felt we didn't have a case, but we just ran out of money to fight it. You know, the old adage, "You can't fight City Hall." Well, you can't really fight the Department of Water Supply. The County of Hawai'i has a corridor next to our property, abutting our property, but the Water Supply, the Department, for one reason or another, got to use that corridor. The reason we fought this condemnation was mainly because the Department of Water Supply was failing in supplying details on the taking of the land, such as the impacts upon our cottages in the lower section, the timetable for construction, exactly what the taking was, instead of just numbers. I'm not a survey engineer, so I don't know what the numbers all meant, but anyway, long story short, here we are. CTS entered one property and began work at the lower section inside our gate; I believe it was January. Christian Twigg-Smith approached me and asked if he could have full access to the 1,800-foot long driveway that accesses Māmalahoa Highway. It would help him expedite the project. It would take him 30 to 60 days max. if I would allow that. Well, here we are, it's almost September. We still have no access, paved access to our property. This has posed a hardship upon us in more than one way. We have two rental cabins down at the lower portion of the property. Now the only access is rugged gravel roads and these renters have given notice and moved out. Also, for our coffee farm, we need semi-truck access on the lower road, or the trail. Homestead Road does not allow semi-trucks; it's not conducive

to it. They can't get in. So we've postponed planting another four acres. The crop that we've contracted out and we've been paying to have it in storage at the nursery until this is completed...and we can get our irrigation lines re-established to be able to plant this coffee. When the Department of Water Supply decided to condemn our land instead of negotiating, the condemnation settlement payment was partly based upon one month of construction; in other words, one month of impact to us. Well, we're looking at eight months. When the contractor asked me for full access to the upper portion, the 1,800 feet, before I'd given my permission for the 60 days, I asked him if he had all the pieces and parts to complete the PRV valves and all the other stuff. And he assured me he had all the pieces; it would take him 30 days, maybe 60 days, to completely get out and restore the property to the way it was. Well, since then, conversation with Christian Twigg-Smith, the owner...says we're waiting for pieces; we'll have them by the end of the month. It's gonna be two more weeks; it's gonna be three more weeks; it's gonna be another month. And it goes on. I'm not sure that he has the legal right to keep our driveway closed. And I ask you, I'm out of money to fight it. I spent a fortune, for me, fighting this originally, wanting the details of the whole situation, and was unable to get it while the Board decided that we were dragging our feet too long at that time. I'm not sure if the same members are on the Board...and voted to condemn the land and take it. I just ask the Board if they can look into the matter, try to resurrect the situation, correct the situation. I'm just asking for a fair shake. It's totally unreasonable. I would think that you would have some leverage over the contractor to at least get paved access to our property again. They tore up 1,800 feet by 10 feet of asphalt that we had for good access to our property. It's now impassable; there's barricades, as you can see in the pictures at the top. And the grade is such that we can't open it without asphalt on it because it's just not safe. Any help that you can give us would be greatly appreciated and the contractor, I think, the Department of Water Supply has been pretty liberal in issuing extensions for projects. You know, we're looking at eight months on my property alone. I wish you just...a speedy...into this. I can't afford any more hardship. You know, I'm not even talking about the contractor going outside the scope of the project, the full length, occupying our land, oil spills and stuff like that. I just need a paved access to Māmalahoa again like I had, even if it's temporary. I appreciate your time, members, Chair. Thank you for looking into the matter.

**CHAIRPERSON MUKAI:** Thank you very much.

**MR. JERNIGAN:** Do you have any questions?

**MR. TANIGUCHI:** I have a question. What kind of oil spill is it? Can I ask a question?

**MR. JERNIGAN:** Sorry?

**MS. GARSON:** Generally, you're not supposed to be asking a question. If you want to take the Palani matter up first, and then you can call them forward.

#### ACTION TO MOVE AGENDA ITEMS:

Chairperson Mukai said his intent was to have the Board approve the past Minutes, and then have a Motion to move items up on the Agenda.

#### APPROVAL OF MINUTES:

Chairperson Mukai entertained a Motion to approve both the Minutes of the Public Hearing on the New Water Rate Schedule on July 27, 2010 and the Minutes of the regular Water Board meeting on July 27, 2010.

ACTION: Mr. Meierdiercks moved to approve; seconded by Mr. Greenwell. Motion carried unanimously by voice vote.

#### ACTION TO MOVE AGENDA ITEMS:

Chairperson Mukai asked to move up the first item under 8(L), MANAGER'S REPORT, Palani Road Transmission Waterline Project, to be taken next.

## MISCELLANEOUS:

### I. MANAGER'S REPORT:

1. Palani Road Transmission Waterline Project: The Manager said Mr. Beck, the project engineer has been trying to get the contractor, CTS, to fulfill the tasks that DWS has requested. It is a good faith, moral obligation for the contractor to do this, and so far, the contractor has not done so, the Manager said. The contract has very little language that forces the contractor to do his work in a certain manner. The contract does have a clause that says the contractor cannot disrupt the community, and that the contractor must restore things to their original condition or better. That is what DWS is asking the contractor to do. Mr. Beck said that he had passed to the community the information from CTS that the work would be done by the end of July, at which point the paving would begin. However, CTS never came to the site to start working. The next timeline CTS gave was for the end of this month. However, the Department called DWS's inspector this morning and there is still nobody on the site, so it is unlikely that CTS will follow through on the end of August timeline, Mr. Beck said. The Manager said that DWS needs to sit down with the contractor and see what can be enforced in the contract, to force CTS to finish up what the contractor said he would do. The Manager said that with contracts, there is a contractual time within which the work has to be completed. That is how it is, he said. Unless something is written in the contract, the contracting agency cannot dictate to the contractor how to do the work. The contracting agency can enforce dust requirements, and the state Department of Health (DOH) has jurisdiction over that. DOH investigates dust complaints and tries to get something done about it. However, DOH is not at the site 100 percent of the time and DWS's inspectors, when they are on-site, do make sure there is no dust. The Manager apologized to the community and said that DWS will work with its attorney to see what there is in the contract that will enable DWS to force the contractor to do the items of work requested by the upper Tomi Tomi Drive community. Chairperson Mukai asked Ms. Garson whether she had looked into this matter months ago. Ms. Garson noted that the contract requires watering, which CTS has been doing. Corporation Counsel has been looking at the contract, and so far, CTS is in compliance with the contract's terms. She acknowledged that does not help the community with their concerns, and said that she would look at the contract again. The Manager encouraged the community to call DOH to complain, because DOH has leverage over the contractor. He mentioned that over the weekends, the soil dries up as the wind blows and the dust picks up. Mr. Housel said the community had called DOH, which told the residents that a full complaint would need to be submitted, along with photos, etc. The community has been hesitant to do that, amid concern that if DOH finds dust problems, the project will be stopped and delayed further, Mr. Housel said. The community hoped to get the problem settled by the Water Board, he added. Ms. Garson said that she would look at the contract again, rather than make sweeping statements that DWS cannot enforce anything against the contractor. Mr. Housel said the community could go ahead and file a complaint, but he was not sure it would resolve the problem. The Manager said the Department would try to set up a meeting with Mr. Twigg-Smith and Ms. Garson, to tell CTS that they had to do what they said they would do. In the meantime, Ms. Garson will take a look at any legal options that DWS has. Chairperson Mukai asked if the Department could inquire with DOH directly. Ms. Garson said she knew of no restriction as to who files the complaint. The Manager said DWS had done this in the past, but he cautioned that if DOH goes out and there is no dust present, DOH will not do anything. On weekends, if the soil dries up, dust becomes a problem. If it rains, there is no dust. Currently, the contractor is not going up and down the road, so CTS is not creating the dust. CTS graded the area and took out the

vegetation, creating dust, he added. Mr. Housel said fortunately, there has been some rain, which has helped minimize the dust. There has been no watering of the road for the last three months, he said. Mr. Bud Patton, who also lives on Tomi Tomi Drive, said the contractor is making numerous trips on the road since work started on the water tanks. There are 15 employees going up and down the road, and there is dust and trash. Mr. Patton said there had to be some way to put the contractor's feet to the fire. CTS has several projects going on, and there are sub-contractors building the tanks. However, CTS has no crews working on the project, and that feels like abandonment, Mr. Patton said. Ms. Betty Patton said that within an hour she had counted 20 trucks hauling concrete, etc. up and down Tomi Tomi Drive, starting at 6:00 a.m. She said the crew had to be spoken to regarding excessive speed on the road. She expressed fear for her animals, two of which had been killed by passing traffic. Ms. Patton said that the Manager had promised that everything on Tomi Tomi Drive would be restored to its original condition, but she expressed doubts that things would ever be the same again because too much has happened on Tomi Tomi Drive. There is so much dust and so many trucks, and nobody seems to care, she said. Chairperson Mukai said that the residents could rest assured that the Department will look into what other options the Department has to deal with the problems. Mr. Jernigan asked about no watering trucks on the weekend, and asked whether the contractor worked on a five-day basis, taking two days off. Mr. Jernigan then asked Ms. Garson if the contractor has the legal right to close off Mr. Jernigan's access to Māmalahoa Highway, which means that Mr. Jernigan cannot use that portion of his land. Mr. Jernigan said that if CTS was held to task to finish work on Mr. Jernigan's portion, it would solve all of the problems. The Manager said that this was what DWS would discuss with the contractor. While the Manager is not an attorney, the Manager said he doubted that CTS could close up Mr. Jernigan's access. This issue would be one of the primary things that DWS will talk to CTS about. Ms. Garson reiterated that she needs to look at the contract. She noted that Mr. Jernigan's property was condemned, and that there was a settlement. DWS has an easement, and there are multiple legal documents that come into play. She said that Mr. Jernigan is represented by an attorney, and Ms. Garson is communicating with the attorney. Ms. Garson said that Mr. Jernigan's complaints today are news to her. She asked to look at the documents, with particular regard to Mr. Jernigan's complaints. She said she would confer with Mr. Jernigan's attorney about what was covered and what was not covered. Ms. Garson said if she recalled correctly, the appraisal actually included some time for the construction and for some of the ramifications that Mr. Jernigan was going to suffer. Mr. Jernigan was given monetary compensation for this, she said. Ms. Garson said she did not recall the details, and asked for time to confer with Mr. Jernigan's attorney. Mr. Taniguchi asked what oil spill Mr. Jernigan referred to earlier. Mr. Jernigan said that it involved work with a very large excavator. CTS cleaned up the spill at Mr. Jernigan's insistence, and the cleanup involved digging the spill area up, putting it into a dump truck and hauling it away. Ms. Denise Jernigan said the Environmental Impact Statement talked about minimal impact to the neighborhood, with the contractor picking up the asphalt and laying it back down. That operation has not been carried out anywhere on Tomi Tomi Drive or Kuni Street, or at the Jernigans' driveway, she said. As far as the payment to the Jernigans, the money from DWS was just credited to the couple's mortgage, she said. Ms. Jernigan said it took seven months to get the money. Mr. Meierdiercks asked the Manager what would be a fair length of time for DWS to meet with the contractor. The Manager said he would try to do it this week. Mr. Meierdiercks asked whether two weeks would be more than enough time to meet with CTS and then get back to the Board with a report on the meeting. The Manager, noting that the way to report to the Board is at the next Board meeting, assured that DWS would meet with the contractor before that. The Manager suggested that Ms. Garson might take a summary of that meeting, and forward it to Mr. Housel and Mr. Jernigan. He asked Ms. Garson if that would be proper. Ms. Garson said not to Mr. Jernigan. The Manager asked if it would be proper to forward the summary to Mr. Housel and the community. Ms. Garson asked the

Manager to discuss that. Mr. Taniguchi asked whether the promises made to the community were all verbal ones, and asked if the community has any promise in writing from the contractor. Mr. Housel said there was nothing in writing. Mr. Housel noted that at the public meeting at Kealakehe High School last October, the contractor was asked directly how long the work would take in the neighborhood. Mr. Housel said the contractor said it would be completed in six months, which would bring it to last April. Mr. Housel noted written correspondence from Mr. Beck, dated June 20, 2010, that said the work would be completed by the end of July. However, there is nothing in writing directly from the contractor. Mr. Beck said that the most recent email that Mr. Beck had sent to Mr. Housel included dates that came from CTS in a written statement saying that work would be completed at the end of this month. That date came from CTS, Mr. Beck said. Mr. Taniguchi said at least there is something from the contractor.

APPROVAL OF ADDENDUM AND/OR SUPPLEMENTAL AGENDA:

None.

HĀMĀKUA:

A. **JOB NO. 2007-923, CONSTRUCTION OF THE ĀHUALOA WELL DEVELOPMENT – PHASE 2 (PRODUCTION WELL AND 1.0 MG RESERVOIR):**

The contractor, Goodfellow Bros., Inc., has requested a contract time extension of 168 calendar days. This is the first time extension request for this project.

Due to delays in receiving the required electrical drawings for the project from HELCO, the contractor has been unable to proceed with electrical work within the motor control building. The remainder of work required to construct the control building (and all components within) cannot proceed until the building foundation is constructed. This construction cannot be done until all necessary floor-penetrating electrical conduits, etc., are in place.

The contractor's electrical work has also been delayed, due to changes in the electrical design for which contract change orders will be forthcoming.

This project is being funded through the American Recovery and Reinvestment Act of 2009 (ARRA). The requested time extension will not affect ARRA funding for this project.

The contract completion date will be extended from August 30, 2010 to February 14, 2011.

The Manager recommended that the Board grant this contract time extension of 168 calendar days to Goodfellow Bros., Inc., for JOB NO. 2007-923, CONSTRUCTION OF THE ĀHUALOA WELL DEVELOPMENT – PHASE 2 (PRODUCTION WELL AND 1.0 MG RESERVOIR).

MOTION: Mr. Meierdiercks moved to approve; seconded by Mr. Kaneshiro.

Mr. Inaba explained that the contractor was unable to proceed with construction of the control building, etc., because the contractor is waiting for HELCO to come in with their re-design of the electrical work.

The Manager said that when laying a slab for the foundation, it is necessary to know where the conduits, etc., come up. Because HELCO does not have the plans ready, the contractor does not know where those conduits come up, and the entire building construction is delayed, he said.

Mr. Taniguchi asked whether when DWS goes out to contract, the contractor bids on the job without knowing what the specifications (specs) are.

The Manager said no, the contractor knows what the specs are. When DWS bids out contracts, the electrical design is complete, showing how much voltage, what kind of power, how many amperes, and where the power will go. However, the final determination is how HELCO brings the power to the site, how HELCO downloads the power (i.e., the underground conduits, etc.). That is HELCO's final design. That is what DWS does not have right now. DWS knows how much power is needed, how many amperes will be used, what equipment will be powered by what. HELCO just does not give the design as to where the power is specifically going to come to the site (i.e., to the building). He noted that the inside electrical portion is all pre-designed by DWS's electrical consultant.

Mr. Taniguchi asked what had changed.

Mr. Inaba said that there was a revision to the electrical portion, but he was not sure what it entailed. DWS made the change, and had to resubmit that to HELCO. This caused part of the delay, but not all of the delay, he said. The change involved some SCADA components, which should not affect the power to the building.

Mr. Okamoto said the electric sub-consultant to the prime consultant has the design done before DWS goes out to bid, based on the electric sub-consultant's best knowledge of what HELCO will require. Unfortunately, there are always some changes to the electrical design, such as how many bollards are in front of the transformers. In this case, HELCO gets involved with the transformers and the conduits, all the way out to the street where the pole goes down to the road, even though the contractor does the installation. It requires HELCO's design, their inspection, etc., he added.

The Manager said the original design that goes out for bidding purposes shows all of this. HELCO has to come up with the final plans, and that is what holds things up, he said.

Mr. Greenwell asked if the Public Utilities Commission (PUC) can be asked to put pressure on HELCO. He said it is obvious that DWS is being held hostage to HELCO'S slowness and excuses.

The Manager said that with a majority of jobs involving electrical work, there is a delay with HELCO's final design. DWS does call HELCO and keeps after them, even calling the head of HELCO at one point years ago. The Manager doubted that the PUC has any clout in getting HELCO to move faster. The PUC just governs HELCO's rates and how they do business, he said.

Mr. Inaba said that the initial delay in this case may have been due to HELCO's research on how to get power to the site. DWS ended up having another contract done, which the Board approved. That contract was for a power line to get to the site. There were two options for getting power to the site, and DWS took the cheaper option, which was to bring the power from makai up to the mauka road, cross country through Department of Hawaiian Home Lands (DHHL) property and then through either state or private property. Going through private property to bring the power up initially posed an issue, and that may have caused the initial delay. However, that was a separate project, he said.

Mr. Taniguchi asked if that was the \$500,000.00 project.

Mr. Inaba confirmed this.

Mr. Taniguchi asked about the \$2.6 million that DWS already paid out.

Mr. Inaba said that was the main project. He said that bringing in the power to the site was a separate contract.

Mr. Taniguchi asked if DWS always does a separate contract like this.

The Manager said no, the reason for the separate contract this time was only because of the remote location. The site is up Āhualoa from Tex Drive Inn, all the way up to where the forest ends and the

pastures begin. There was no power there, so that is why there is a separate contract to bring the power in.

Mr. Inaba said that HELCO typically sends DWS a contract which says how much it costs to bring power to the site, and then DWS signs the contract. Usually in a case where DWS has a deepwell, the power costs would be forgiven because of the revenue that DWS would generate off that service. However, in this case, HELCO looked at what it would take to bring the power along the old Māmalahoa Highway. HELCO's policy is to have clearance from trees for this type of power, but HELCO said it would be environmentally impossible to clear that entire road of trees. That issue was thrown to DWS, as far as what the cost would be. Therefore, the \$500,000.00 power transmission line project will bring the power to the highway, just below the DWS site, and HELCO will take it from there.

The Manager said that project should not interfere with this project, because HELCO can get the design from the place that is dropping power to the control building. The contractor knows where to put everything else. The \$500,000.00 is to get the power to the entrance of the site, he said. Those are HELCO's plans, and it is also HELCO's plans from the place that HELCO dropped the power, i.e., how HELCO is going to set the transformers and the conduits, etc.

Mr. Taniguchi asked if DWS ascertains ahead of time whether HELCO can bring power.

The Manager said yes, DWS makes sure that HELCO can bring power, and does that even before the design or anything else.

Mr. Taniguchi asked if, in this particular case, DWS had bid the contract without thinking how much it would cost to get power to the site.

The Manager said that would be part of the contractual price.

Mr. Taniguchi said that is what he would have thought, because in this case, it means \$500,000.00 over.

The Manager said that was because of what HELCO would have had to do (i.e., clearing the trees along the highway), which the Honoka'a community would not have condoned.

Mr. Taniguchi asked if HELCO gives DWS an indication of how much it will cost up front. He asked if it was instead a surprise.

Mr. Inaba said in this case, it was a surprise.

Mr. Taniguchi asked if the project could operate if there was no power coming to the project.

The Manager said no, unless DWS had a huge generator.

Mr. Taniguchi asked what if HELCO came in with a cost of \$2 million.

Mr. Inaba said that was the estimate that HELCO gave.

Mr. Taniguchi said it was a good education for him that the Board could get surprises like this, or ones along the order of \$2 million or \$3 million. He asked how the Board could approve something if the price is unknown.

Mr. Okamoto said the background on this is case is that DWS pushed the thing through because of the ARRA federal stimulus funds. The federal government is paying for the Āhualoa well project, to the tune of \$4.742 million or thereabouts. That is why DWS pushed this out, he said. At the time, the question of how HELCO would get power to the site was not exactly worked out yet. DWS's

consultants talked with HELCO, who said they could get power to the site. It was going to cost money, but it was not clear whether the power was going to come via the mauka road or from some other place, he said. In order to utilize the federal funds, DWS decided to go ahead with the project, knowing that there would be no power to the project yet. After DWS bid out the project, HELCO told DWS that they preferred that DWS get the power off the transmission available close by at Honoka‘ia, near the Boy Scout camp. The bottom line is that DWS had to push the project through because of the \$4.7 million federal stimulus funds. This project was needed in any case, he said.

Mr. Inaba said the reason DWS took this route is not only because this is what HELCO prefers, but also because the estimate for the other route was something in the neighborhood of \$2 million.

The Manager said this route that DWS is taking is also much faster.

Mr. Taniguchi said his only concern was not knowing how much it would cost.

Mr. Inaba said that the “not knowing” factor is pretty much in all of the projects that require power, because by the time HELCO submits its final plan, DWS will have already gone out to bid and gotten a contract. In the final plan, HELCO will have a contract with the amounts included. Sometimes, DWS is able to get that ahead of time, and is trying to do so. The problem is that even once DWS gets the estimate for the project, it might change. DWS only definitively knows at the end of HELCO’s design, he said.

Mr. Taniguchi asked who does the actual work, HELCO or the contractor.

The Manager said HELCO sometimes does the drop; the contractor does everything else.

Mr. Inaba said HELCO might do pole installation. If the power line is underground, the contractor will do the work. This all would be part of the HELCO contract, he said.

The Manager said that on a normal bid on a normal well station, HELCO just provides the drop, and the contractor does everything else. In a normal situation, there is power available. However, in this case, the site is isolated and remote, with no power source nearby. That is why the long transmission line needs to be put in there.

Chairperson Mukai asked that in future, when DWS has projects that lack power on-site, a note should be made of that fact in the write-up, so that the Board is not caught off-guard. The Board should be alerted in the write-up of cases that involve unknown variables like this one. He also asked for an explanation in the write-up when DWS fast-tracks things to take advantage of stimulus funds.

Mr. Perry asked whether in this case, that any consideration was given to using alternative energy sources like solar or wind power.

Mr. Inaba said no, alternative energy sources are not reliable enough to be used as a primary energy source for this project. The primary energy source has to be consistently available to ensure that the power kicks on when the tank level drops.

The Manager said that to power this pump would require acres of solar panels. The pump is around 600-horsepower (hp).

Mr. Okamoto said about one megawatt of power would be needed to power such a large pump.

The Manager said DWS does not have enough land at the site to accommodate the required number of solar panels. DWS does have solar panels to do simple SCADA transmission, especially in places where there is no power.

Mr. Greenwell asked how the Board can help DWS with the problem of HELCO not jumping in on time.

The Manager suggested that the Board call up HELCO.

Mr. Inaba noted that the County Department of Public Works had this same problem with the Kuakini Highway project.

Ms. Garson said that if the Board wants to write a letter to HELCO, it would be entirely appropriate. She suggested that the Department could draft a letter for the Board for the next Board meeting.

Chairperson Mukai asked the Department to draft a letter.

Ms. Garson said yes, and the Board could discuss whether that is what the Board wants to do.

ACTION: Motion carried unanimously by voice vote.

**B. AGREEMENTS WITH DEPARTMENT OF HEALTH SAFE DRINKING WATER BRANCH FOR USE OF SOURCE WATER PROTECTION FUNDS:**

The Board is being asked to consider approval of two agreements for the use of Source Water Protection funds from the State Department of Health, Safe Drinking Water Branch.

The first agreement will be to utilize the funds (grant monies) to remove and dispose of an abandoned underground storage tank (UST) in Honoka‘a, located upgradient of the Department’s Haina Well source. The UST was discovered during the County of Hawai‘i, Department of Environmental Management’s Honoka‘a sewer project.

The second agreement will be to utilize the funds (grant monies) for non-specific projects related to source water protection. Examples include educational pamphlets, work related to land use guidelines to protect drinking water sources, physical improvements to contain known contaminants in the influence area, etc. Exclusions include land acquisition.

The Manager recommended that the Water Board approve the execution of the FUNDING AGREEMENTS, and further that either the Chairperson or the Vice-Chairperson be authorized to execute the Agreements, subject to review as to form and legality by Corporation Counsel.

Mr. Okamoto asked that this item be deferred to the next meeting, because the agreements were not yet available.

ACTION: Mr. Meierdiercks moved to defer; seconded by Mr. Taniguchi, and carried unanimously by voice vote.

**SOUTH KOHALA:**

**A. JOB NO. 2010-966, WAIMEA WATER TREATMENT PLANT SLUDGE REMOVAL:**

Bids for this project were received on August 12, 2010, at 2:00 p.m. The following are the bid results:

<b>Bidder</b>	<b>Bid Amount</b>
2B Environmental, Inc. DBA Bob’s Sweetwater Pumping Services	\$137,880.00

This project generally consists of the periodic removal and disposal of sludge, from the Waimea Water Treatment Plant, for a period not to exceed one year. The bid amount was determined by multiplying the bidder’s unit price per load by 15 loads per month, for 12 months, from September 1, 2010 through August 31, 2011. Actual payment will be for the actual number of loads made.

The Manager recommended that the Board award the contract for JOB NO. 2010-966, WAIMEA WATER TREATMENT PLANT SLUDGE REMOVAL, to 2B Environmental, Inc. DBA Bob's Sweetwater Pumping Services, for their bid amount of \$137,880.00, and that either the Chairperson or the Vice-Chairperson be authorized to sign the contract, subject to review as to form and legality of the contract by Corporation Counsel.

MOTION: Mr. Meierdiercks moved to approve; seconded by Mr. Kaneshiro.

The Manager explained that the reason for this contract is that DWS has a project ongoing, involving the Waimea Sludge Drying Beds. That project is not yet complete and DWS cannot utilize the drying beds yet. To allow DWS to get rid of the sludge, DWS had to do this contract. In all probability, this contract will not extend through the entire duration of it. The price listed above of \$137,800.00 is based on a number of loads per month for the year, but DWS will only actually pay the vendor for the actual number of loads. This contract is basically insurance so that DWS can get rid of the sludge while waiting for the sludge bed project to be completed, the Manager said. DWS will in all probability not use all of the money because the sludge drying beds are almost ready. Once the drying beds are ready, DWS will no longer haul the sludge away. DWS will instead take the water out of the sludge, so that it will be usable for landfills, etc.

Mr. Okamoto noted that the Department at the last Board meeting got an extension on the sludge drying beds project, to October 14, 2010, and things are on track to meet that completion date.

Chairperson Mukai asked why the hauling portion was not included in the original contract for the sludge drying beds.

The Manager said it is two separate vendors. This vendor is just hauling the sludge away from the existing sludge reservoir. The hauling has nothing to do with the sludge drying beds project, and the sludge reservoir and the sludge drying beds are in two different locations.

Mr. Okamoto noted that Operations last fiscal year had a similar contract to this one; that contract also addressed periodic hauling of the sludge. The hope had been that the sludge drying beds would be in place by this fiscal year, but that did not come to pass.

Chairperson Mukai noted that this would be like a continuation of the previous hauling contract, in lieu of the completion of the sludge drying beds.

ACTION: Motion carried unanimously by voice vote.

The Manager asked the Chairperson to move up Item 8(H), ENERGY MANAGEMENT ANALYST UPDATE, to accommodate a guest speaker.

#### MISCELLANEOUS:

##### H. ENERGY MANAGEMENT ANALYST UPDATE:

Ms. Myhre reported on the Lālāmilo Site Clean-up, saying that work has finally started. She received a schedule today, and expects to get a status report on the clean-up every week. Ms. Myhre skipped the DLNR Lease Application Status.

Regarding DWS's Green Initiatives, this month's report includes a new graph, showing Loss of Unmetered Water on page 3. This shows leaks and water that is unaccounted for from people who steal the water service. To get the figure of non-revenue, unmetered water, Ms. Myhre takes the difference between the total amount of water that is pumped and the consumption numbers from Finance Division. In other words, the difference between total amount of water that is pumped and the volume of water service that is sold equals the loss from unmetered water. The national average for

such unmetered water is 15 percent, and DWS's average is 19 percent. Chairperson Mukai said that DWS has incorporated a lot of leak detection devices, and the unmetered water figure has dropped significantly as a result.

The Green Initiatives handout covered the update on Mayor's Green Team, Ms. Myhre said. Regarding the Mayor's Energy Advisory Commission on which Ms. Myhre serves, the County is looking at two new initiatives:

- To form a fleet vehicle group to share information and look at ways of reducing the amount of fuel used on island;
- To explore financial incentives for homeowners to install solar panels or solar water heaters or other alternative energy applications. A committee is working on this initiative.

Ms. Myhre noted the draft Energy Policy Statement included in the Green Initiatives report. This policy statement is offered for the Board's consideration, and Ms. Myhre suggested putting it on the Board's Agenda for discussion. An Energy Policy Statement can be pointed to when Ms. Myhre applies for grants, because it shows how DWS is looking at its energy policy.

Ms. Myhre said the list of DWS's Energy Saving Projects is at the end of the Green Initiatives report. This list was originally created when Ms. Myhre was looking to put together an Energy Savings Performance Contract, which entailed the hiring of a third party who would undertake all of the projects listed, and get paid through the energy savings. However, in the process of looking at the Energy Savings Performance Contract, it transpired that DWS could not pay for it through DWS's energy savings, because of the Power Cost Charge and how energy savings pass through to the customer. DWS would have to borrow money to do these projects, she noted. Ms. Myhre said she is working on a United States Department of Agriculture (USDA) grant application to fund three or possibly four hydro-generators. The application is due on September 8, 2010.

Ms. Myhre introduced Mr. Springer of the National Renewable Energy Laboratory (NREL), based in Colorado. DWS is working closely with NREL, which is doing some preliminary engineering on re-powering the Lālāmilo Windfarm, which is mauka of Puakō.

Mr. Springer noted that he had come to Hawai'i via the statewide Hawai'i Clean Energy Initiative as part of the U.S. Department of Energy's agreement with the State of Hawai'i. He met with the County's Energy Specialist, Mr. Will Rolston of the Department of Research and Development, and Ms. Myhre on potential projects here on the Big Island. Lālāmilo Windfarm was a prime candidate, he said. Since then, NREL has explored the windfarm's potential and has just submitted a draft report to Ms. Myhre on where NREL sees the windfarm project today. NREL has been studying the economics of the project from DWS's standpoint, along with its potential impact on Operations and its technical feasibility. Mr. Springer noted that NREL is using a computer model that plots power curves and grid integration, as well as an array of engineering and economic simulations. NREL has taken wind source data and run it through some engineering manipulations and testing, updating the economic projections. The bottom line of this review is very positive. NREL has given Ms. Myhre a very strong technical report that goes through the wind turbines that NREL has modeled and their performance, compared with the demand curve of today's operations at the Parker and Lālāmilo Wells, in terms of matching demand and supply. The report looks at where the locations are for purchasing power from the grid and from the proposed windfarm. Technically, there is good grounding in terms of the sizing, the way the integration occurs and the type of technology that could be installed there. The economics are also very positive, based on a model of recent market data, bids that NREL sees and the review for island applications, Mr. Springer said. NREL took into account the cost of doing business here, and tried to estimate what the Power Charge would be from a reasonable developer to DWS, to take care of the costs. NREL estimates the savings, based on its model, at \$500,000.00 annually, over a 20-year life. The present value of that savings is about \$4 million, using a cost of capital of 12 percent. In other words, NREL sees this project having a \$4 million positive value. On that basis, NREL sees the

wisdom in supporting the pursuit of the land lease, for DWS to continue to have control over the site next to the wells. NREL sees the wisdom of investing staff resources and some capital resources to establish the windfarm project, he said. The Department of Energy is paying for NREL's service to do a more detailed financial analysis, the construction engineering report, and support for the land lease application as needed by DWS staff. Down the road, NREL would support a Request for Proposals (RFP) for the power project.

Mr. Perry said he generally liked the concept because he believes DWS needs to save power and costs for its customer base. He asked how much of the power is going to be used by DWS for the well and the pumps.

Mr. Springer said the model that NREL used a specific turbine, and therefore needed to choose a power generator on the assumption that it would be appropriate. NREL chose Vernier, a company that makes this particular wind turbine, and with that unit, NREL came up with a total nameplate capacity of just under 1.4 megawatts of turbine. That turbine would produce almost half of the energy that the wells in the area need. The pumps use some 10 million kilowatt hours per year, and the turbine produces on the order of 5 million kilowatt hours per year. NREL assumed that DWS was purchasing about 83 percent of that energy produced. The windfarm would produce about half of the power that the pumps need, he said. The cost of energy comparison that NREL is using is a 29 cent-blended rate from the grid, which is comparable to today's cost, demand charges, etc. This wind model is producing a levelized cost of energy of around 19 cents, he said.

Mr. Taniguchi asked who would be running the windfarm, under this scenario.

Mr. Springer said that DWS would contract with a third party, who would be responsible for erecting the windfarm, insuring it, running it and monitoring it. DWS's responsibility would be to provide the site, through the lease with the Department of Land and Natural Resources (DLNR), and to provide for directly purchasing power from this third party, as it is available. The risk would be on the third party, who does this for a living. DWS would take the benefit of the rate and if for some reason, there is no power to buy from the windfarm, DWS will have expended nothing.

Mr. Taniguchi asked if the excess would be sold to HELCO.

Mr. Springer confirmed this. He noted that there is a band of energy produced that is about 15 percent of the total production, which NREL assumed in its model would yield no economic benefit. That energy would be either spilled to the utility (HELCO) or possibly sold to it, but NREL has not assumed a sales price. The excess would be given to HELCO in return for inter-connectivity. NREL has not put into its model any assumptions of producing excess energy and selling it. NREL is looking at the worst-case scenario, asking if this project is robust, and if it provides for the economic and power needs. The answer, Mr. Springer said, is yes. He said that NREL's engineers are keen to get at this analysis, and to start to look at optimizing it.

Mr. Taniguchi asked what is in it for the vendor, and whether it would be lucrative enough for a third party to come in.

Mr. Springer said the opportunities lie in selling power from a small wind project. Lālāmilo happens to have a world-class wind resource, and there is demand located right there. More than one vendor has called Ms. Myhre or the staff to inquire about these opportunities, he said. He was confident that the project will generate good bids.

Chairperson Mukai said he had attended Mr. Springer's presentation just prior to today's meeting. He noted that NREL is doing the research gratis, and if the project gets going, the cost outlay from DWS would be minimal. He thanked Mr. Springer for his efforts on DWS's behalf.

Mr. Perry asked when the project could happen.

Mr. Springer said it could reasonably be next year. The land lease is a key element, which opens up control on the project. NREL can develop the financials and the engineering, and do an RFP process. It would be very reasonable to expect to be executing the project next year, he said. Things that could get in the way include permit timing, etc. NREL is also thinking about the local community's concerns. It is a one- or two-year time horizon, Mr. Springer said.

Mr. Meierdiercks asked how many towers there would be.

Mr. Springer said the model ended up with five towers, compared with the 120 towers on the old site. The new towers would be somewhat taller and they have different technology. To illustrate the technology advances over time, the five towers would produce 5 million kilowatt hours of power, compared with the 120 towers that produced 70,000 kilowatt hours.

KA'U:

A. **JOB NO. 2009-959 (REBID), PĀHALA WELL #1 REPAIR:**

This project generally consists of the replacement of the deepwell submersible motor, pump power cable, column pipe and appurtenances.

Bids for this project were opened on August 5, 2010, at 2:30 p.m., and following are the bid results:

<b>Bidder</b>	<b>Bid Amount</b>
Beylik Drilling & Pump Service, Inc.	\$121,923.00
Derrick's Well Drilling & Pump Services, LLC	\$123,562.61

Project Cost:

1) Low Bidder (Beylik Drilling & Pump Service, Inc.)	\$121,923.00
2) Contingency (~10%)	<u>\$ 12,000.00</u>
<b>Total Construction Cost:</b>	<b>\$133,923.00</b>

Funding for this project will be from DWS's C.I.P. Budget under Deepwell Pump Replacement. The contractor will have 360 calendar days to complete this project. The contract time is to allow for the long delivery time of the submersible pump and motor.

The Manager recommended that the Board award the contract for JOB NO. 2009-959 (REBID), PĀHALA WELL #1 REPAIR, to the lowest responsible bidder, Beylik Drilling & Pump Service, Inc., for their bid amount of \$121,923.00 plus \$12,000.00 in contingency, for a total contract amount of **\$133,923.00**. The Manager also recommended that either the Chairperson or the Vice-Chairperson be authorized to sign the contract, subject to review as to form and legality of the contract by Corporation Counsel.

MOTION: Mr. Taniguchi moved to approve; seconded by Mr. Lindsey.

The Manager noted that this contract was bid six months ago, but there was a procurement violation which caused it to be re-bid. It turns out the same two bidders are involved this time.

Chairperson Mukai asked how the current bid compares with the previous bid.

Mr. Ikeda said this bid is about \$12,000.00 less.

The Manager noted that this project was part of the Operations budget. He said that there are 360 days to complete this project, in light of the fact that it takes forever for submersible pumps and motors to reach Hawai'i. DWS put 360 calendar days, to allow for the anticipated long delivery time.

Chairperson Mukai said the Board had said in the past that it wanted to see that bidders had done their homework by actually contacting their pump vendors. He asked if the bidder actually showed DWS on paper that the bidder actually contacted the vendor to make sure that this pump was available.

Ms. Garson said DWS usually waits until the award. The bidder certainly might have contacted the vendor when they put their bid together, but that is not a requirement in the bid, she said.

Mr. Young, the mechanical engineer in charge of DWS's pumps, explained that the motor in question, a 125 horsepower motor, is usually available. The pumps are usually custom-made, but the pump in question should not pose a problem.

Chairperson Mukai asked the Department to notify the winning bidder that they should order the pump now.

Mr. Taniguchi asked if all pumps are custom-made.

The Manager said that most pumps are custom-made. He explained that a lot depends on how high the pump has to push the water, and how much water the pump has to push. The design of the impeller is based on those conditions. Each impeller can produce a certain amount of gallons per minute (gpm) and a certain amount of head. Depending on the head, the pump may need 10, 12 or 14 impellers. After the pump is designed and assembled, the pump's efficiency is tested in a certified laboratory. The pump must have a certain level of efficiency, based on industry standards. If the pump fails to have the required efficiency, it is back to Square One, and that can sometimes be the cause of delays. These pumps are not something that can be taken off the shelf; they are custom-made because of the head and the gpm that DWS requires. DWS is trying to standardize the pumps to about seven or eight different types so that they are interchangeable, but it is impossible to get fewer than seven or eight types because the conditions vary too much, the Manager said.

Chairperson Mukai repeated his request to Mr. Young that the bid awardee be asked to order the pumps as soon as possible. In the future, if an awardee comes to the Board for an extension, the awardee will be asked for proof as to when the pump was ordered. If it is clear that the awardee waited to order the pump, the Board may not give the extension, he said.

ACTION: Motion carried unanimously by voice vote.

#### MISCELLANEOUS:

##### A. **PROFESSIONAL SERVICES AGREEMENT: DWS UPDATE TO THE WATER USE AND DEVELOPMENT PLAN: JOB NO. 2003-818:**

The consultant, Fukunaga & Associates, Inc., requested additional payment for work done beyond the scope of the current contract. The following items are descriptions of the additional work:

##### 1.) Amendment of County Ordinance:

In the beginning, Fukunaga & Associates, Inc., developed a new ordinance modeled after the current Honolulu Board of Water Supply (BWS) ordinance. After discussions with the affected parties, the consultant changed course with an amended ordinance that focused on certain problematic wording in the existing ordinance. This resulted in an expenditure of more than double the allocated amount for this portion of the work, which was \$9,900.00. Therefore, for this item, the consultant is requesting an additional amount of \$10,000.00.

2.) Costs for Public Informational Meetings:

The first change order on the contract was an amendment increasing the contract amount by \$37,000.00 for additional public information meetings (i.e., instead of the originally planned two meetings in Hilo and Kona, a total of eight meetings were held: two each in Hilo, Kona, Waimea and Nā'ālehu in 2006 and 2007.) The meetings were to solicit input from the community and to avoid the difficulties encountered by another County agency, that arose when the public felt that the agency had not adequately informed the public or allowed for public input. Of the \$37,000.00, \$8,900.00 was allocated for responding to comments. Due to the extent of the public's comments and the need to amend the Water Use and Development Plan in response, the consultant ended up spending over 40 man-days, or \$31,000.00, to respond to the comments and revise the document. Therefore, for this item, the consultant is requesting an additional amount of \$20,000.00.

DWS recognizes that Fukunaga & Associates, Inc., has performed significant additional work beyond the initial expectations of DWS and Fukunaga and Associates, Inc., when the original scope of work was developed. Staff and management have reviewed the request for additional payment and recommend acceptance of the change order in the amount of \$30,000.00. The original contract amount was \$250,000.00. Change Order No. 1 for \$37,000.00 increased the project cost to \$287,000.00. The amended total contract amount, including this Change Order No. 2, will be \$317,000.00. Funds for the additional work are available.

Consultant: Fukunaga & Associates, Inc.	
Original Fee:	\$250,000.00
Previous Change Order:	\$37,000.00
This Change Order:	<u>\$30,000.00</u>
Revised Contract Amount:	<b>\$317,000.00</b>

The Manager recommended that the Board approve the additional payment for work performed by Fukunaga & Associates, Inc., for a total additional amount of \$30,000.00 as Change Order No. 2 for JOB NO. 2003-818, DWS UPDATE TO THE WATER USE AND DEVELOPMENT PLAN and, further, that either the Chairperson or the Vice-Chairperson be authorized to execute the appropriate change order.

MOTION: Mr. Taniguchi moved to approve; seconded by Mr. Lindsey.

The Manager said the \$30,000.00 requested is very reasonable, considering all of the extra work that the contractor did, including eight community meetings requested after the fact, and a larger than anticipated number of meetings with DLNR's Commission for Water Resource Management. DWS, in a desire to be fair, encouraged the contractor to give DWS a bill for the extra services. DWS's philosophy is to be fair with everyone, where people get paid for their work. The contractor came back and proposed that DWS absorb half of the bill, and the contractor would absorb half of the bill. The Manager urged the Board to approve the \$30,000.00 because the contractor worked a lot more than that.

Mr. Harai, noting that the meetings were held in 2006 and 2007, asked if DWS was not a little late.

The Manager said the contractor had been reluctant to submit a bill. The reason that this is coming up now is because DWS wants to wrap everything up. Last Tuesday, the Department did a presentation on the Water Use and Development Plan for a County Council Committee in Kona, because by ordinance the County Council has to adopt the plan. The presentation was aimed to make the Council aware that DWS will be coming back to the Council to change the ordinance, so that they can accept the updated version of the plan. DWS wants to finalize the plan, get it adopted by the Council, and then close out the contract with Fukunaga & Associates, Inc., the Manager said.

Mr. Beck said that DWS is trying to work with the other counties to see in what direction they are moving with their respective water use and development plans.

Mr. Taniguchi asked where the funds for the additional work were coming from.

Mr. Sumada said that the funds will come from either the Engineering or Administration contractual services budget.

The Manager said that DWS is far ahead of the state's other water supply departments in completing its Water Use and Development Plan. Kauai is in the process of starting their plan, while Oahu started theirs, but got snagged because of the process that they used, he said.

Mr. Beck was not sure where Maui is on their plan.

The Manager said that DWS's plan is very detailed, and is really more for the use of the Planning Department because it gives information on what water is available with the existing land use zoning, etc. As part of the State Water Code, the individual jurisdictions were tasked with the duty to do their respective plans, and the State was to have funded them. However, the State did not come up with the funding. DWS took it upon itself to expand its funding to comply with the ordinances and with the wishes of the Commission for Water Resource Management.

Chairperson Mukai commended the Department for completing its Water Use and Development Plan ahead of the other islands.

ACTION: Motion carried unanimously by voice vote.

**B. PUBLIC HEARING: FINAL DRAFT -- WATER USE AND DEVELOPMENT PLAN  
UPDATE: DWS JOB 2003-818:**

The County of Hawai'i Water Board is the review committee for the Water Use and Development Plan (WUDP), and the Board is preparing to submit the Final Draft of the amended plan to the County Council for adoption by ordinance.

The amended plan incorporates public review and comment received during eight Public Meetings held at four separate locations around the island (i.e., two meetings each, held in Hilo, Kona, Waimea, and Na'alehu) in 2006 and 2007.

The Board will be holding another public hearing in Hilo at the next Water Board meeting on September 28, 2010, prior to submittal of the ordinance to County Council for adoption. The Final Draft is available on the Department of Water Supply's website at [www.hawaiidws.org](http://www.hawaiidws.org).

The Water Board accepted statements from the public during the STATEMENTS FROM THE PUBLIC portion of this Agenda and during this Agenda item.

*The following is the verbatim transcript of the Public Hearing:*

**CHAIRPERSON MUKAI:** This is a public hearing on the Final Draft of the amended Water Use and Development Plan.

If there is anyone who would like to testify or make comments on the plan, now is your opportunity to do so. Will you please wait until you are recognized by the Chairperson; and for the record, please step forward, state your name and the organization you represent, if any. Each person will be given 5 minutes to present their testimony. Mr. Meierdiercks here will give you a warning at the 4 minute mark that you have 1 minute left to summarize.

Is there any public testimony at this time?

Seeing none, thank you for coming and presenting testimony, silent testimony, I guess, on the Final Draft of the amended Water Use and Development Plan. The Public Hearing is adjourned.

*Public Hearing adjourned at 11:37 a.m.*

Chairperson Mukai called a recess at 11:37 a.m., meeting resumed at 11:45 a.m.

C. **POWER COST CHARGE:**

The Power Cost Charge in July dropped to \$1.55, compared to the current Power Cost Charge of \$1.91. The Department scheduled a Public Hearing prior to the next Board meeting to adjust the Power Cost Charge from the current \$1.91 **to a range between \$1.55 and \$1.91.**

The Manager said this item is to inform the Board that a Public Hearing is scheduled for before the next regular meeting. The latest calculation of the Power Cost is \$1.55, and DWS will look at the Power Cost again, in time to present to the Public Hearing, he said.

Mr. Meierdiercks asked if the range of between \$1.55 and \$1.91 was a sufficient parameter. He suggested a range of between \$1.50 and \$1.95 instead.

The Manager said the Department has to go with what there is (i.e., between \$1.55 and \$1.91).

Mr. Meierdiercks asked what happens if the Power Cost jumps to \$1.95 next month.

The Manager said that in that case, the Power Cost Charge will be \$1.95. However, he thought it unlikely that there would be such a jump from \$1.55 in one month's time.

Mr. Meierdiercks said he was just trying to increase the Department's parameters. He thought a range of between \$1.50 and \$2.00 would be more than sufficient.

Ms. Garson said the Public Hearing Notice was already submitted to the newspapers, and would appear tomorrow.

Mr. Meierdiercks conceded that in that case, the Department would have to go with the range in the Public Notice. He asked that the Board be given a larger parameter to work with in the future, in case something unusual comes up.

Mr. Kaneshiro asked whether a Public Hearing must be held every time there is a change in the Power Cost Charge.

The Manager said yes.

Mr. Kaneshiro asked whether, besides the Power Cost Charge, the Department adds an administrative charge.

The Manager said no. The Power Cost Charge is purely a pass-through; whatever HELCO charges DWS is what DWS charges the customers, he said. He noted the example Ms. Myhre cited earlier, regarding DWS's inability to recoup energy savings. Because of the way DWS's rules are written, whatever HELCO charges DWS, DWS must pass that on to the customer. Therefore, if DWS does a \$20 million project that will bring the Power Cost down to \$1.00, DWS cannot recoup the \$20 million because DWS must charge the customer \$1.00. That is the irony about energy savings projects; it is always good to get grants or federal programs to fund them. The Manager noted that the Power Cost Charge is arrived at by taking the total electrical billing that DWS has, and divide that by the total 1,000 gallon units of water that DWS sells.

D. **DWS C.I.P. BUDGET AMENDMENT FOR FISCAL YEAR 2010-2011:**

Based on the status of budgeted C.I.P. projects, we are proposing to amend the C.I.P. to remove one project and add two projects that are ready to go out to bid. The project being removed is Hala‘ula Well Development Phase 2. The projects being added are Pāpa‘ikou Pipeline Replacement and Waimea Water System Improvements. The designs for both projects are complete, and bid documents are being drafted.

Original C.I.P.:

Kula‘imano Production Well and Supporting Facilities	\$3,000,000
Āhualoa Power Line	\$500,000
Kona Building	\$700,000
Puakea (Kokoiki) 0.1 MG Reservoir	\$1,500,000
Kukuihaele Well Water Quality Improvement	\$2,000,000
Waimea Water Treatment Plant Compliance Upgrades Phase II	\$500,000
Kahalu‘u Shaft Miscellaneous Projects	\$600,000
Kynnersley .3 MG Reservoir	\$1,500,000
Āhualoa-Honokaa Transmission Line	\$5,000,000
Puakō Waterline Replacement	\$1,400,000
Hala‘ula Well Development Phase 2	\$3,000,000
<b>TOTAL</b>	<b>\$19,700,000</b>

Amended C.I.P.:

Kula‘imano Production Well and Supporting Facilities	\$3,000,000
Āhualoa Power Line	\$500,000
Kona Building	\$700,000
Puakea (Kokoiki) 0.1 MG Reservoir	\$1,500,000
Kukuihaele Well Water Quality Improvement	\$2,000,000
Waimea Water Treatment Plant Compliance Upgrades Phase II	\$500,000
Kahalu‘u Shaft Miscellaneous Projects	\$600,000
Kynnersley .3 MG Reservoir	\$1,500,000
Āhualoa-Honokaa Transmission Line	\$5,000,000
Puakō Waterline Replacement	\$1,400,000
Pāpa‘ikou Pipeline Replacement (Phases 1 & 2)	\$4,200,000
Waimea Water System Improvements (Spencer Rd. to Opelo Rd.)	\$1,200,000
<b>TOTAL</b>	<b>\$22,100,000</b>

The Manager recommended that the Board approve the amended C.I.P. Budget of \$22,100,000.00. If approved, the additional funds required for the budget will come from the recently approved Bond float from the County.

MOTION: Mr. Taniguchi moved to approve; seconded by Mr. Kaneshiro.

The Manager said this item is for informational purposes only, to get the Board’s approval to amend the C.I.P. budget.

Mr. Inaba said DWS was removing one project and adding two projects. DWS is removing the Hala‘ula Well Development Phase II because in the Department’s estimation, it will not be ready to go

out to bid by the end of this fiscal year (i.e., by the time the design is complete). Phase II will probably not be ready to go out to bid this fiscal year, as Phase I of the project is only just starting now. DWS is adding two projects that are either ready to go out to bid, or will be ready to go to bid soon. The two projects are the Pāpa‘ikou Pipeline Replacement and the Waimea Water System Improvements. DWS just received \$15 million in bond float money from the County.

The Manager said the debt service for this has already been cranked into the Budget.

Mr. Inaba said that in an effort to start using those monies, upon which there are timetables for use, DWS wanted to put on additional projects that are ready to go.

The Manager said that the other consideration is that the Hala‘ula project is eligible for State Revolving Funds money because the project is aimed at improving water quality. Currently, the well is being drilled, which means that the project has just started. For that reason, Mr. Inaba felt Phase II would not be ready by the time the C.I.P. Budget goes into effect.

Mr. Meierdiercks asked if DWS is going after federal money for Hala‘ula.

The Manager said it would be State Revolving Funds money, which is basically a low-interest loan.

Mr. Taniguchi noted that the C.I.P. is being increased by \$2.2 million, and asked whether DWS has enough funding and whether the \$15 million is the bond.

Mr. Sumada said the \$15 million is different, between this Budget and how much money DWS actually has. The bond money is only projected to cover projects over the next year or so.

The Manager asked Mr. Sumada to explain the two different kinds of funding on that bond: the federal part and the regular part of the bond.

Mr. Sumada said the \$15.7 million that DWS recently received from the County’s bond float is made up of two bond types:

- \$9 million is a regular tax-exempt bond that is the kind that DWS has always gotten in the past, and that can be used on any kind of construction project.
- The second type of bond is a Federal Recovery Zone bond. This is a special, taxable bond that the County wanted to take advantage of, because the federal government subsidizes the interest that the County would have to repay bond holders. The County went after the bonds in that federal program because the interest expense to the County would be less. Because DWS got a portion of that, the interest expense to DWS is less, too. The catch is that the money for this type of bond can only be used on construction projects whose contracts have language that specifically addresses Davis-Bacon wages.

Mr. Taniguchi asked whether DWS does that anyway.

The Manager said yes, but the program says that this clause must be inserted. While DWS’s contract documents require Davis-Bacon wages, there is no specific clause. Therefore the County attorneys are looking at whether the program is going to require the clause or not.

Mr. Inaba said that with these two projects, DWS is making sure that the clause is specifically in the contract.

Mr. Taniguchi asked whether DWS has budgeted for the difference between the \$22 million and the \$15 million.

Mr. Okamoto said that actually, a good portion of the \$22 million will be funded by State Revolving funds (SRF) money.

Mr. Sumada said the difference is typically made up, because some projects do not always need funding all at the same time. So some projects, while expected to be done this year, may move back for some reason or another. Therefore, the money may not be needed right now, or this year.

Mr. Inaba said this Budget includes all the State Revolving Fund projects as well.

The Manager said that for the SRF projects, the only thing DWS can budget for is debt service.

Mr. Meierdiercks said in other words, DWS has the \$15 million now to cover the \$22 million expected over the next year. DWS has the money in the bank now, but these projects are going to come on in a progression, and DWS pays out in a progression – not the whole amount before the project is done. Therefore, DWS has that money, and anticipates other funding to come in the interim.

The Manager said the only bad thing about the federal part is there is a very strict time limit to actually spend the money. Therefore, DWS must be very careful what projects are put on the federal bond money.

ACTION: Motion carried unanimously by voice vote.

E. **REPORT ON CASH HANDLING PROCEDURES:**

Mr. Sumada noted that the following report on proposed new cash handling procedures was in response to the Legislative Auditor's Report earlier this year. He noted that among the four proposed changes to DWS's cash handling procedures is one that is controversial and may be difficult to implement, but if the Board supports it, it will be easier to implement. The first couple of changes are pretty straightforward, he said.

- To allow people to call in and pay their water bills with credit cards. Right now, for customer to pay by credit card, they must walk in and come into either the Hilo, Waimea or Kona offices. This change should be relatively easy to implement, he said.

Mr. Meierdiercks asked if DWS absorbs the credit card charge.

Mr. Sumada confirmed this, saying that DWS accepts all credit cards and pays the fee that is associated with them. When people start calling in to pay by credit card, the fee will go up. That was one reason that DWS was reluctant to do it – because the fee for phone-in payments is higher. However, almost every place allows people to call in and use their credit cards, so DWS should probably allow it, too. DWS has had complaints from customers who want to be able to call in their payments. DWS should help them out, Mr. Sumada said.

Mr. Meierdiercks asked if there was any process whereby DWS can let the credit card customer pay the charge. This is a charge that DWS absorbs only for the credit card customer, and not for cash customers. He asked if DWS could look into passing the charge to credit card customers.

Mr. Taniguchi said he had the answer to that question. It is against Visa and MasterCard rules to pass the charge on to the customer. If DWS did so, the credit card companies could pull DWS's merchant services status. The only way around it is for a merchant to offer a discount for payment by cash or check, and the retailer in effect would price up on credit card purchases. However, this would be hard for DWS to do because DWS, as a utility, cannot mark up its price. Mr. Taniguchi noted that there is a lot of fraud involving phone-in credit card purchases, because the customer's card is not physically swiped, and therefore the risk is higher.

Mr. Sumada said the second cash handling procedure under consideration is:

- To allow customers to make payments via the Internet.

This is something that DWS was working on even before the Legislative Audit, and it is almost ready to go. This is using a company that is taking in the State payments for licensing, Hawai'i Information

Consortium, commonly known as E-Hawai‘i. This is the same website that people go to pay for a State license. DWS is working to get DWS’s billing information to E-Hawai‘i, and to work out the terms of the payments that E-Hawai‘i collects, and how that information gets to DWS. That is almost ready to go, as a way of improving convenience to DWS’s customers.

The third cash handling procedure under consideration is:

- The Lock Box idea raised in the Legislative Auditor’s Report.

With a Lock Box, customers who mail in checks to pay their water bills (which normally come directly to DWS) would go to a bank instead, Mr. Sumada said. The address on the bill’s return envelope will change, and a bank would open the mail, deposit the checks, and generate or compile payment information for DWS to input into its system. The control is that DWS never gets the checks via mail directly. The mailed checks would go to the Lock Box at the bank, and the bank would process the payments on DWS’s behalf, in return for a fee. While the control comes at a price to DWS, the Department has determined that it is worth it, in light of the theft mentioned in the Legislative Auditor’s Report. The Lock Box will take a while for DWS to implement, entailing some changes to DWS’s billing system. It will require DWS to re-format its bills, and require DWS to set up interfaces with the bank so that DWS can bring in the payment information into DWS’s computer system. DWS will have to work to make those changes with its billing vendor, who is in Canada. Although it will take a while to do, it is something that DWS should be doing, Mr. Sumada said.

The fourth cash handling procedure under consideration is:

- To eliminate the cashiering functions in the Waimea and Kona offices.

This would alleviate the risk of handling cash in those offices, where problems have arisen. These weaknesses in cash handling in Waimea and Kona were cited in the Legislative Auditor’s report, Mr. Sumada said. With credit card payments by phone, payments over the Internet and automatic bill payment, there would be several ways for customers all over the island to pay without actually going into a DWS office or baseyard. With those payment options in place, the hope is that the impact on customers in Waimea and Kona will not be too bad. By getting rid of the cashiering function at those baseyards, the risk of theft occurring at those offices would diminish.

Mr. Greenwell asked what percentage of walk-in customers pay in cash every two months.

Mr. Sumada said 150 to 200 people walk into the Hilo, Waimea or Kona offices every day.

The Manager said those walk-in customers pay by cash, check or credit card.

Mr. Greenwell expressed concern about senior citizens, many of whom might not have a credit card, being among the 150 or so walk-in customers.

The Manager noted that for many of DWS’s elderly customers, walking in to pay their bills constitutes their social life. He said he was hesitant to take away enjoyment for these people who actually *want* to physically come to the office to pay their bills. Most of the walk-in customers at the Hilo office are elderly people, while younger customers tend to mail in their payments or use the drop box outside the DWS building. He expressed concern about taking away a way of life for some people, but acknowledged that DWS has to implement safer procedures.

Mr. Meierdiercks asked if it meant eventually eliminating cash payments altogether.

Mr. Sumada said it meant eliminating cash payments in Waimea and Kona.

The Manager said cash payments would still be taken in Hilo, because Hilo has cashiers whose sole job is cashiering.

Mr. Meierdiercks said that it might raise the perennial complaint that Hilo is being favored over Kona.

The Manager said one of the proposals he has made to Mr. Sumada would be a kind of compromise, whereby walk-in customers in Waimea and Kona could put their payments in a box. In this way, the customer could continue their social life, while DWS could get more control over payments. The customers could still drive into the Waimea or Kona office, talk story and drop their payments in the box; DWS staff would just not handle the money.

Mr. Taniguchi said the cash handling procedures were under discussion by his Ad Hoc Finance Committee, and that last proposal was among those being looked at. He noted that the same social element prevails at his bank, where some customers visit every day. The bank has to consider that customers who talk story with bank staff are taking away from the productivity of the employees. Bank staff at some point will need to politely excuse themselves to get back to business. It is a delicate balance, but the truth is that almost all senior citizens have at least a savings account, with direct deposit of their Social Security checks. These customers can arrange for the bank to automatically pay the Water Department, he said.

The Manager said he could understand the bank's situation with customers coming every day, but in DWS's case, people make payments once every two months. The way the Hilo cashing is set up, there is an impersonal glass window separating the cashier and the customer, which discourages socializing.

Mr. Harai asked Mr. Taniguchi about automatic bill payment through the bank.

Mr. Taniguchi said all of the utilities, including DWS, allow automatic bill payment.

Mr. Meierdiercks asked whether there was a charge to the account owner.

Mr. Taniguchi said there is no charge, and pretty much all of the banks offer auto-payment.

Chairperson Mukai asked what percentage of walk-ins was in Hilo.

Mr. Sumada said he did not have a breakdown.

Chairperson Mukai said that one of the problems involving cashing in Waimea and Kona is that the people handling the money are not actually cashiers. Their job description is not cashing, and that is not their principal duty. When the Legislative Auditor went to Waimea and Kona, the people taking payments were kind of lackadaisical about cashing because it is not their primary function. By contrast, in Hilo, there are cashiers whose sole job is cashing, and they do it very well. In Waimea and Kona, cashing is not in the employees' job description.

Mr. Harai asked how many payments were in cash versus by check in Waimea and Kona.

Mr. Sumada said he did not have a breakdown.

Mr. Harai said that if you take payments in cash, customers need to get a receipt.

Mr. Sumada said yes, for this a cashier is necessary.

Mr. Harai said for payments by check, the customer could drop it in the box.

The Manager said that if a box were used, there would have to be a strict no-cash rule. Customers would have to pay by check if they want to use the box; this essentially forces the customer to have a checking account.

Mr. Sumada noted that the only people not helped by the proposed procedures are customers who want to pay with cash. Cash transactions are the ones that pose all of the problems with control. He agreed

that the staff in Waimea and Kona is juggling many duties including clerical tasks, cashiering and many other duties. This makes it difficult to control all of the transactions that go through those offices.

The Manager said that the very people who tend to pay in cash are elderly people, some of whom do not trust checking or credit cards. By eliminating walk-in cash payments, these people are going to feel discriminated against. DWS would face a trade-off between efficiency and hurting people's feelings. Therefore, DWS will try to compromise by allowing visits to the offices to pay, but barring cash payments.

Chairperson Mukai noted that this item today is only for informational purposes. The Ad Hoc Finance Committee is addressing the matter and will make its recommendations to the Board. The Board will take action on the recommendations somewhere down the road, he said.

Mr. Perry asked of the 150 daily walk-ins, how many are in Waimea and Kona.

Mr. Sumada reiterated that he did not have a breakdown.

Mr. Perry asked if Hilo composed half of the walk-ins.

The Manager estimated that half of the walk-ins were in Hilo, one-eighth was in Waimea and the remainder was in Kona.

Chairperson Mukai asked Mr. Sumada to do a survey comparing the number of walk-ins in Hilo, Waimea and Kona, in time for the next Board meeting.

F. **FEDEX PRICING AGREEMENT:**

The Board is being asked to consider approval of a pricing agreement for the use of FedEx for the shipping for the Water Quality Assurance and Control Branch (WQAC).

This agreement will be used primarily for shipments of water sample containers to Oahu and the Mainland. This agreement will save the Department 25-28% in shipping costs.

The Manager recommended that the Water Board approve the execution of the FEDEX PRICING AGREEMENT, and further that either the Chairperson or the Vice-Chairperson be authorized to execute the Agreement, subject to review as to form and legality by Corporation Counsel.

MOTION: Mr. Taniguchi moved to approve; seconded by Mr. Lindsey.

The Manager said this is a pricing agreement that will save DWS money on DWS's monthly shipments of water samples to Oahu and the Mainland.

Mr. Okamoto said this pricing agreement only involves Microlab's water sample shipments; it does not cover shipments by the entire Department.

Mr. Greenwell asked why the pricing agreement does not cover the whole Department.

Mr. Okamoto said it is a separate account, and the bulk of DWS's Fed Ex shipments come from Microlab.

Mr. Greenwell said that there is a substantial discount when a company has a Fed Ex account. He said that DWS might have occasion to order parts or other things that are needed right away, and having an account would mean substantial savings.

The Manager said that DWS does have an account for such things, but does not have a pricing agreement aside from this one, that will only be for shipments of water samples.

Mr. Greenwell asked whether DWS should have such a pricing agreement for other things as well, and asked about DWS's account number and account code.

The Manager said he would check into it, but he did not believe DWS gets a discount for shipping other items.

Chairperson Mukai asked Mr. Sumada to check to see if DWS's contract with Fed Ex has some kind of company discount on shipments other than water shipments.

Mr. Sumada said DWS does not have a lot of volume on other shipments; by contrast the volume of Microlab shipments is constant.

Ms. Garson said there is a minimum average volume involved in getting a discount.

Chairperson Mukai suggested that DWS look into getting other things attached to the pricing agreement.

Mr. Okamoto said that according to the pricing agreement, this is not allowed. As background, he said that the regular Fed Ex guy who deals with DWS's purchasing person had suggested that DWS get a pricing agreement on the Microlab shipments in order to save money. Understandably, the desire was to go with this, but DWS needed to get Board approval for the pricing agreement first.

Chairperson Mukai suggested expanding the agreement to incorporate the entire Department.

Mr. Inaba said DWS needs to be mindful about the reason for working directly with Fed Ex, which is the only provider that can take the water shipments within the maximum amount of holding time to the lab. DWS has to work with Fed Ex.

Mr. Okamoto confirmed this, saying that is why DWS developed this relationship with Fed Ex: Fed Ex is the only vendor that can get DWS's water samples to California within the required amount of time. That is why it is easy to make such an agreement with them at minimum volume, because DWS knows it can make that minimum.

Ms. Garson noted that the terms of this agreement are bound by a confidentiality agreement. The terms cannot be disclosed, she said.

ACTION: Motion carried unanimously by voice vote.

**G. REPORT OF AD HOC FINANCE COMMITTEE:**

The Committee met with the Manager on August 16, 2010 regarding the take-home vehicle policy. There was an extensive discussion on the business use of the vehicles, and the purposes for which the vehicles are taken home, Mr. Taniguchi said. The Committee learned at the meeting that certain positions take home cars because it is negotiated in their contracts. The Manager is going to provide the Committee with a spreadsheet of the employees who are taking vehicles home, including employees taking home vehicles under their contracts.

Regarding the Legislative Auditor's Report, the Committee focused on four areas:

- 1) Lock Box
- 2) Waimea and Kona walk-in payments
- 3) Cash handling procedures
- 4) Review of revised cashing procedures as of January 14, 2010.

Mr. Sumada has contacted financial institutions regarding the Lock Box, and is getting quotes on prices, Mr. Taniguchi said. Due to the large volume of payments coming in, it is prudent to look at an

automated process, as recommended by the Legislative Auditor's Report. One challenge, as Mr. Sumada noted, is that DWS needs to reconfigure the bill. Right now, the bill tears off on the top, and it is not always torn straight. Mr. Taniguchi said lock boxes usually scan things through a reader, and if the bottom is not clean, it may misread or reject. Pricing will be higher if there are lots of rejects. After consulting with one of the Hilo cashiers, the Committee learned that there are quite a lot of bills that are not torn evenly. Mr. Sumada is looking into this problem, and has done a good job on it, Mr. Taniguchi said. The Committee recommended that Mr. Sumada look into the billing system of the City and County of Honolulu's water supply department, which is handling Maui and Kauai billings. The idea is to possibly piggyback with them, which could be a lot cheaper than going through DWS's vendor in Canada, Mr. Taniguchi said.

Regarding the Waimea and Kona walk-in payments, the Committee is looking into something similar to what the Manager mentioned, i.e., to possibly have customers drop off payments into a box without DWS employees having to open the box. There is a possibility of putting the payments into a secure bag and "inter-branching" the bag, depending on what institution will be handling it. He noted an error in the Legislative Auditor's Report, which stated in error that there are mail-in payments to Kona and Waimea. There are no mail-in payments to either location, Mr. Taniguchi said. As a point of information, Hawaiian Telcom has recently stopped taking payments at their remote locations such as Waimea.

Regarding cash handling procedures, the Committee reviewed what the cash handlers in Hilo are doing. It appears to be a good, secure operation, whereby each cash handler has her own drawer that locks. The cash handlers appear to be following correct procedures.

The Committee received a copy of the revised Cashiering Procedures as of January 14, 2010, and will discuss it at their next Committee meeting.

H. **ENERGY MANAGEMENT ANALYST UPDATE:**

*This item was covered earlier in the meeting.*

I. **MONTHLY PROGRESS REPORT:**

No discussion.

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

Mr. Meierdiercks said he had hoped that the issue of delinquencies would be put on the Agenda. He asked the Department for a graph or something that indicates whether delinquencies are going up, down, or holding steady.

The Manager apologized for not having it on the Agenda, and said it would be on next month's Agenda.

Mr. Meierdiercks said that without delinquency numbers, it is not clear whether the issue needs to be addressed. With the economy in its current state, people are not paying their bills, and DWS needs to know to what extent this is affecting the Department's finances.

Mr. Taniguchi asked about the big Injuries and Damages expense, and whether it was budgeted for or anticipated.

Mr. Sumada said it is kind of difficult to budget for such a thing; DWS never knows when or how much these settlements will be.

K. **AGRICULTURAL WATER POLICIES:**

Mr. Perry, who had requested this item, said that DWS does not have an agricultural (ag) water policy. He noted that several months ago, Mr. Jerryl Mauhili had come to the Board regarding access to an ag water system, whose water was non-potable. Mr. Perry said he contacted the director of Maui's Water Supply regarding the ag water system that they will be managing when it starts. Mr. Perry said the system will be huge, involving lots of federal and State money. The federal government designed the system and the State has the money to put the system in. It will be a dual-line system, which means that it has one pipe that will serve residential customers, and along the same route, a second pipe that will serve 200 or so farms. Maui Water Supply will be managing the system, which will be turned over to Maui Water Supply sometime in the future, according to an email to Mr. Perry. Mr. Perry said that this has not happened yet, but eventually Maui will be doing billing and everything else that is involved. Not every farmer is going to get, or should get, water that the County manages, he said, citing his own farm that is a mile from the highway and 1.5 miles from the nearest hydrant. No farmer in that kind of situation would expect to get water from the County, but Mr. Perry said there are opportunities out there that the Board should be prepared to address when a need is determined.

The Manager said that whenever DWS develops water systems, DWS's policy has been to willingly provide service to ag people. If ag people apply for the ag rates, they get ag rates. However, DWS does not have a system specifically for ag people. The system is a combination potable/ag system. In some respects, ag people pay a premium for the water, compared with the ag water system in Waimea, which is administered by the State Department of Agriculture. Basically, that ag system takes water from the same place that DWS takes the water, except that DWS's water gets channeled into a treatment plant to make it potable, whereas the Waimea ag system water gets transmitted to a 60 million-gallon reservoir, and from there it gets distributed. The Waimea ag system customers pay something like 40 cents per 1,000 gallons. The Waimea ag system is the only ag water system on the Big Island. There is an ag park on Kahakai Boulevard in Puna, but the water comes from DWS, so the only thing they get is the ag rates. DWS does not have stand-alone ag systems, the Manager said. If DWS is going to spend its money, especially with the capability that DWS has, DWS will spend the money primarily for residential, potable use. If an ag person wants this service, fine. However, DWS has not gone into specific ag systems.

Mr. Greenwell noted that the Lower Hāmākua ag system (i.e., the Ditch) is run by State Department of Agriculture and the Upper ag system is a separate system, and the Kohala Ditch system is private.

The Manager said that following the 2006 earthquake, the Kohala Ditch system took two meters from DWS for ag purposes, after the Ditch gave out in the quake. Therefore, DWS was supplying some ag water in Kohala until the Ditch could be put back into use.

Mr. Kaneshiro said he was involved with the Up Country Maui Water System Project when he worked for USDA. This system was created with the help of the County of Maui under Public Law 566. This is a small watershed program which was administered by the then Soil Conservation Service, which is now the Natural Resource Conservation Service. Mr. Kaneshiro explained that USDA gets requests from what it calls "sponsors," who are interested in developing an ag water supply like the one for Up Country Maui. The Olinda Kula Soil and Water Conservation District put in a request, along with a number of other entities to get the project going, Mr. Kaneshiro said. He noted that it is a dual system, comprised of a potable system and a non-potable system. Much of its water coming from the Up Country Maui area. This project includes a lot of government departments and agencies, so that if anyone is interested in a similar project, they should go and talk with their respective Soil and Water Conservation District, and then seek support from DWS or the Department of Agriculture, Mr. Kaneshiro said. He noted a project in Ka'u in the Wood Valley area. However, Public Law 566 is basically not being funded these days, so it is difficult to get monies, he said.

The Manager said he was on the initial committee to get the \$500,000 in Ka'u for that ag system, which is for the coffee land above Pāhala and Nā'ālehu. He noted that Oahu has a dual system, taking

water from a former treatment plant. This is similar to the set-up the resorts have here, where they have their own water systems and use the water on-site for their golf courses and the like.

Mr. Perry said the Board cannot do anything on an ag system unless there are some rules or procedures. He asked the Board if this was something that is worthwhile to pursue.

Chairperson Mukai said it would be like putting the cart before the horse. If the Big Island has a movement like Maui, where a group of agencies or independents got together and made a proposal, the Board could address it at that time. However, to make up a set of rules without knowing what cart you are pulling might not be the correct stage, he said.

Mr. Kaneshiro said that at one point there was a move to approach DWS regarding the Waimea-Pa'auilo watershed project, which is currently stalled. The idea was to exchange DWS's reservoirs up there, and the federal government would drill the wells. However, when Mr. Kaneshiro and his colleagues proposed it to Washington, Washington did not buy it. Mr. Kaneshiro said the project would have been an innovative thing, because it used ground water whose treatment would be much less, and it would not cost much money to build.

The Manager said that DWS in Waimea is trying to develop enough sources to replace the Treatment Plant, because the ag people could really use that water. The other reason is that with a conventional treatment plant, Environmental Protection Agency (EPA) regulations are constantly changing, necessitating constant upgrades to the treatment plant. With these upgrades to the treatment plant, DWS loses capacity. The Waimea Treatment Plant was originally designed for four million gallons, but with the EPA-mandated improvements and facilities, the maximum capacity now is only 2 million to 2.5 million gallons. Therefore, DWS is working to develop enough wells to get to the point where DWS can either offer ag people the water from the treatment plant, or the facilities. The Manager said DWS is far from that point yet.

Chairperson Mukai, noting Mr. Perry's mention of Mr. Mauhili's request for access to ag water, said that the water in question was not in DWS's jurisdiction; it is under DLNR's jurisdiction. Therefore, even if DWS had rules in place, DWS still would not have jurisdiction over the water to which Mr. Mauhili was seeking access.

The Manager said that Mr. Mauhili is pursuing the easement and is approaching the Commission of Water Resource Management.

L. **MANAGER'S REPORT:**

The Manager provided an update or status on the following:

1. Palani Road Transmission Waterline Project – Mr. Meierdiercks suggested having CTS come to the November Board meeting in Kona to do a progress report. Chairperson Mukai said he liked this suggestion. Ms. Garson said the Department can ask CTS to attend.
2. Hawaiian Ocean View Estates Project – The Manager reported that construction has started. The contractor has equipment on-site to install the pipeline. The Manager and Ms. Aton will go to Ocean View this afternoon for a community meeting called by Councilman Guy Enriques. The contractor will also attend. The project is scheduled to be completed on September 30, 2011. Ms. Aton distributed to the Board copies of an informational sheet that will be handed out at the Ocean View meeting. Mr. Harai asked what the latest is on Representative Bob Herkes's resolution calling for an investigative committee. The Manager said that DWS had provided a detailed report, and has not heard anything back. However, the Manager said he believed that Rep. Herkes understands that DWS does not hold the money for the project.
3. Waiākea Office Plaza project (ADA access) – DWS is putting a road in the back of the building to provide ADA access, one of the conditions for being able to rent the downstairs

section. This is a change order to the air conditioning project, he noted. Mr. Inaba said the trees impeding access have been trimmed, and DWS has gotten Planning Department's approval. Mr. Okamoto said that the road is primarily to help DWS with the maintenance of the facilities. The Manager said that the initial plan is to have seven parking stalls in the back. Mr. Okamoto was not sure about the ratio of disabled parking stalls. The Manager said that the County is still interested in renting the downstairs, and Mr. Sumada is working with Elections Division to use space free of charge for two or three months to November. This would be DWS's way of contributing to the good of the County, the Manager said.

Regarding the upcoming Hawai'i Water Works Association (HWWA) conference in Po'ipū, Kauai, from October 13-15, 2010, the Chairperson will notify DWS which Board members will attend. Chairperson Mukai noted that several members were unable to attend due to prior commitments, but he promised to promptly give the names of the members attending to the Board Secretary.

The Manager announced the upcoming Kona Round Table meeting, to be held on September 23, 2010 from 9:00 a.m. to 2:30 p.m. at the Kona Outdoor Circle building. The venue is located right off where Kuakini Highway ends and merges with Queen Ka'ahumanu Highway. The issues discussed will be:

- The Ground Water Effect
- The effect of dry wells on the aquifer
- A report on a recent research project by Tom Nance, in consultation with Forest City Hawai'i, above Honokōhau.

The Kona Round Table this time will be sponsored by Mr. Jim Greenwell's company, Lanihau. Past sponsors include DWS, the National Parks Service, etc., and sponsors pay for the meeting location. The Manager encouraged interested Board members to attend, and to notify the Board Secretary if they plan to attend. The meetings tend to draw a lot of local businesses and consultants engaged in work in the water industry, the Manager said.

**M. CHAIRPERSON'S REPORT:**

Chairperson Mukai noted that the Board had received a letter from Mr. Tommy Goya, which was not mentioned earlier during the STATEMENTS FROM THE PUBLIC section. The letter was included in the Board packets, he said.

**ADOPTION OF FINDINGS OF FACT, CONCLUSIONS OF LAW, DECISION AND ORDER FOR 7-27-10 CONTESTED CASE HEARING REGARDING WATER SERVICE ACCOUNT NUMBER 69036800-11 (TMK 4-4-003:029), (In the Matter of the Appeal of Morag and Kenneth Miranda):**

The above Contested Case Hearing took place on July 27, 2010, in accordance with Chapter 91 of the Hawai'i Revised Statutes and Rule 2-5 of the Rules and Regulations of the Department of Water Supply.

**ACTION:** Mr. Meierdiercks moved to adopt; seconded by Mr. Taniguchi, and carried unanimously by voice vote.

**ANNOUNCEMENTS:**

**1. Next Meeting:**

The next meeting of the Water Board will be held on September 28, 2010, at 10:00 a.m. at the Department of Water Supply, Operations Center Conference Room, 889 Leilani Street, Hilo, HI. *A Public Hearing to consider changes in the Power Cost Charge will precede the regular meeting, at 9:45 a.m.*

**2. Following Meeting:**

The following meeting of the Water Board will be held on October 26, 2010, at 10:00 a.m. at the Department of Water Supply, Operations Center Conference Room, 889 Leilani Street, Hilo, HI.

**STATEMENTS FROM THE PUBLIC:**

None.

**ADJOURNMENT**

Chairperson Mukai adjourned the meeting at 12:56 p.m.

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Senior Clerk-Stenographer

*Anyone who requires an auxiliary aid or service for effective communication or a modification of policies or procedures to participate in this Water Board Meeting should contact Doreen Shirota, Secretary, at 961-8050 as soon as possible, but no later than five days before the scheduled meeting.*

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

*Notice to Lobbyists: If you are a lobbyist, you must register with the Hawai'i County Clerk within five days of becoming a lobbyist. {Article 15, Section 2-91.3(b), Hawai'i County Code} A lobbyist means "any individual engaged for pay or other consideration who spends more than five hours in any month or \$275 in any six-month period for the purpose of attempting to influence legislative or administrative action by communicating or urging others to communicate with public officials." {Article 15, Section 2-91.3(a)(6), Hawai'i County Code} Registration forms and expenditure report documents are available at the Office of the County Clerk-Council, Hilo, Hawai'i.*