

MINUTES

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

January 24, 2012

Department of Water Supply, Operations Center Conference Room, 889 Leilani Street, Hilo

- MEMBERS PRESENT: Mr. Robert Meierdiercks, Chairperson
Mr. Art Taniguchi, Vice-Chairperson
Mr. David Greenwell
Mr. Kenneth Kaneshiro
Mr. Bryan Lindsey
Mr. Dwayne Mukai
Mr. Delan Perry
Mr. Rick Robinson
Mr. Quirino Antonio, Jr., Manager-Chief Engineer, Department of Water Supply (ex-officio member)
- ABSENT: Mr. Jay Uyeda, 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
Ms. Cindy Yee, Principal, Accuity LLP
Mr. Donn Nakamura, Senior Manager, Accuity LLP
Mr. Keith Kato, Hawai'i Island Community Development Corporation

Department of Water Supply Staff

Mr. Kurt Inaba, Engineering Division Head
Mr. Daryl Ikeda, Chief of Operations
Mr. Rick Sumada, Waterworks Controller
Mr. Keith Okamoto, Engineering Division
Mr. Larry Beck, Engineering Division
Ms. Kanani Aton, Public Information and Education Specialist
Ms. Julie Myhre, Energy Management Analyst
Ms. Candace Pua, Assistant Waterworks Controller
Mr. David Mellom, Credit and Collection Clerk
Ms. Crestita Hudman, Customer Service Supervisor (arrived at 11:35 a.m.)
Ms. Lynn Hirano, Cashier II (arrived at 11:35 a.m.)

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- 1) CALL TO ORDER – Chairperson Meierdiercks called the meeting to order at 10:02 a.m.
 - 2) STATEMENTS FROM THE PUBLIC
None.
 - 3) APPROVAL OF MINUTES

The Chairperson entertained a Motion to approve the Minutes of the December 14, 2011, Special Water Board meeting.

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

The Chairperson entertained a Motion to approve the Minutes of the December 20, 2011, regular Water Board meeting.

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

4) **APPROVAL OF ADDENDUM AND/OR SUPPLEMENTAL AGENDA**
(Note: Addendum requires Roll Call Vote)

None.

5) PRESENTATION OF AUDITED FINANCIAL STATEMENTS – JUNE 30, 2011:

Copies of the Department's Audited Financial Statements for the fiscal year ended June 30, 2011, have been distributed to Board members. The report consisted of Financial Statements as of June 30, 2011 and 2010, the Internal Control and Business Issues Report as of June 30, 2011, and a presentation on the 2011 Audit Results.

Mr. Donn Nakamura, representing Accuity LLP, the Department's independent auditors, explained the report in detail.

Mr. Robinson asked about the Unrestricted Net Assets on page 7 of the Financial Statement's Balance Sheets. In 2011, the Department's Unrestricted Net Assets were \$4.9 million in 2011, while they were \$14.4 million in 2010.

Mr. Nakamura said there was a significant shift in the Department's net assets from unrestricted to net assets that are now allocated (i.e., invested in capital projects).

Mr. Robinson asked about Trade Receivables listed on page 12 of the Financial Statement, noting that the report says: "The allowance for doubtful accounts is the Department's best estimate of the amount of probable credit losses in the Department's existing trade receivables." Mr. Robinson asked if these trade receivables are discounted in any way.

Mr. Nakamura said they are not discounted, but there is an allowance set up for receivables that are not expected to be fully collected. That allowance is based on DWS management's best estimate of what those doubtful accounts are.

Mr. Robinson asked whether the receivables are discounted by age, or are discounted on management's assessment of the receivables' collectibility.

Mr. Nakamura said that DWS management assesses the collectibility, partly based on the age of the account.

Mr. Robinson asked what percentage of the amount past due is applied.

Mr. Sumada said that a percentage is applied depending on the age. Over 61 days, it is 75 percent of the value.

Chairperson Meierdiercks said that there would be more detailed information later in the meeting on the subject.

Moving to the Auditor's Report, Mr. Nakamura noted the significant deficiency regarding Information Technology reported last year. Since then, the Department has taken strides to address items such as physical and logical security, change management and backup/recovery. The Department is in the process of addressing these items. Mr. Nakamura expressed the hope that there will no longer be a need to report this as a finding next year.

Mr. Nakamura noted improved communication regarding classification of construction work in progress versus completed projects (i.e., utility plants in service). In this regard, Mr. Nakamura noted that on page 9, there were Adjusting Journal Entries related to the Honomū Well, which properly state depreciation expense, and on page 10 of the Audit Results presentation, there were Reclassifying Journal Entries, which properly place the Honomū Well in service. Mr. Nakamura said his firm recommended that DWS continue to improve communication among the Department's divisions, so that projects are properly accounted for.

Turning to long-term debt, Mr. Nakamura said his firm focused on the Department's State Revolving Fund (SRF) loans issued under the American Recovery and Reinvestment Act (ARRA), because those loans have a provision whereby the State is allowed to forgive those loans. The State does expect to forgive those loans, so long as DWS fulfills the loan agreement requirements. Once forgiven by the State, those loans would be recognized as revenue, he noted. At the current time, DWS is carrying the loans as payables (i.e., as loans) on its books, because there was some doubt as to whether all of the loan requirements would be met in a timely manner.

Mr. Nakamura explained the timeline of the 2012 Audit, starting with discussions with DWS management in May 2012. Accuity will prepare its year-end financial statement and compliance work during September 2012, and issue its draft report to DWS management by October 15, 2012. The final report will be issued on November 15, 2012, Mr. Nakamura said.

Mr. Taniguchi asked Mr. Nakamura to clarify his statement regarding doubts about DWS fulfilling the requirements of the SRF loan.

Mr. Nakamura said that one of the requirements was to complete the projects within a specified time period; DWS management was not sure whether the project would be completed within that time period.

Mr. Taniguchi asked about the dollar amount and what specific project was in question. He said it was news to the Board that there was any doubt about completing an SRF project on time.

Mr. Nakamura said the State still expects to forgive the loans as long as the projects are completed. He said the SRF loan is mentioned on page 18 of the Financial Statements, with the amount at \$3.9 million.

The Manager-Chief Engineer said that the project is the Āhualoa Production Well project. He said he had no reason to believe that the project will not be completed on time, in fulfillment of the SRF requirements. The Department is moving along fine on the project, he said.

Mr. Perry asked whether that was the stimulus funds project mentioned in the newspaper last week as being not completed.

The Manager-Chief Engineer said he was unaware of the project being mentioned in the newspaper. He confirmed that the project is among the stimulus fund projects being undertaken in the State of Hawai‘i. The total stimulus funds for the whole state are \$20 million, and the Āhualoa project is the Big Island’s share of those funds, he said.

Mr. Nakamura said that upon completion of this project, the loan is likely to be forgiven.

6) SOUTH HILO:

A. VEHICLE BID NO. 2011-05, FURNISHING AND DELIVERING VEHICLES TO THE DEPARTMENT OF WATER SUPPLY:

Bids for this procurement were opened on January 13, 2012, at 2:00 p.m., and the following are the bid results:

	Part “A”	Inter Pacific Motors, Inc. dba Orchid Isle Auto Center	Cutter CJD, Inc.
1.	ONE (1) ONLY 2012 OR LATER, PASSENGER VAN 2-WHEEL DRIVE		
2.	Total delivery price	\$29,215.72	\$27,503.65
3.	Delivery time (calendar days)	120	90-120
	Part “B”		
1.	ONE (1) ONLY 2012 OR LATER, ½ TON COMPACT EXTENDED CAB PICK-UP, 4-WHEEL DRIVE		
2.	Total delivery price	\$28,967.80	\$31,479.56
3.	Delivery time (calendar days)	30	90-120
	Part “C”		
1.	ONE (1) ONLY 2012 OR LATER, 1-TON CREW CAB WITH SERVICE BODY, 4-WHEEL DRIVE		
2.	Total delivery price	\$44,764.73	No Bid
3.	Delivery time (calendar days)	180	

The Manager-Chief Engineer recommended that the Board award VEHICLE BID NO. 2011-05, FURNISHING AND DELIVERING VEHICLES TO THE DEPARTMENT OF WATER SUPPLY, to Inter Pacific Motors, Inc. dba Orchid Isle Auto Center, for Parts B and C, at a cost of \$73,732.53, and to Cutter CJD, Inc. for Part A at a cost of \$27,503.65, and that either the Chairperson or the Vice-Chairperson be authorized to sign the contract(s), subject to review as to form and legality of the contract(s) by Corporation Counsel. The total amount for the vehicles is \$101,236.18.

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

Mr. Greenwell asked if there was a procedure to remove vehicles from the DWS fleet when new vehicles are purchased.

The Manager-Chief Engineer said that depending on the condition of the older vehicles, DWS may go out to bid with the proviso that there be a trade-in, and a trade-in value will be put on the older vehicles. However, when there is still some shelf life in a vehicle, it may be kept in service with some minor repairs.

Mr. Ikeda said that there used to be a policy of trading in vehicles with 200,000 miles, but the last vehicles that DWS purchased were in 2008, and in the meantime, some of the vehicles went over the 20,000 mile a year mark, due to heavy travel. In the meantime, DWS has been patching up its older fleet, and the repair bills are mounting. DWS has not been buying new vehicles, but Mr. Ikeda expressed hope that DWS can start replacing the old vehicles that the Department is struggling to keep together.

Mr. Greenwell asked if keeping all of these vehicles on hand creates a greater expense for DWS, as the Department tries to cut down on fuel use, etc.

The Manager-Chief Engineer said this was a good point. Due to the bad economy, DWS has not bought new vehicles, and indeed the repair costs have risen. DWS is closely tracking this, and if the costs get to a certain point, DWS will stop the bleeding on repairs and maintenance, and instead look to buy new vehicles.

Mr. Ikeda said that vehicles that are too far gone are sold at auction for parts.

Mr. Mukai noted that DWS is self-insured, and so having a lot of vehicles in its fleet does not cost the Department more, in insurance.

The Manager-Chief Engineer confirmed this.

ACTION: Motion carried unanimously by voice vote.

B. WATER AGREEMENT BETWEEN HAWAI'I ISLAND COMMUNITY DEVELOPMENT CORPORATION (HICDC) AND DEPARTMENT OF WATER SUPPLY ON PEPE'EKEO LAND:

(This Item was deferred from the December 20, 2011, Board meeting.)

The Hawai'i Island Community Development Corporation (HICDC) is the owner of Tax Map Keys 2-8-007:092 and 093, and is proposing a subdivision of up to 40 lots on these parcels located above the existing Kula'imano Subdivision in Pepe'ekeo. As a non-profit organization, HICDC develops residential lots as part of their affordable housing program.

As a requirement to subdivide their said property, HICDC needs to acquire water commitments for each of the proposed developable lots. In order to assist DWS in making more water available for the system, HICDC is proposing to dedicate a 10,000 s.f. lot to DWS for the purpose of installing booster pump facilities that would improve the system servicing their property. In addition, the DWS will only issue the commitments upon awarding the Kula'imano Production Well project, and will not issue any service to the subdivision until the Kula'imano Production Well project has been completed.

The Manager-Chief Engineer recommended that the Water Board approve the Water Agreement between Hawai'i Island Community Development Corporation (HICDC) and the Water Board, and that either the Chairperson or Vice-Chairperson be authorized to execute the Agreement, subject to approval as to form and legality by Corporation Counsel.

MOTION: Mr. Mukai moved to approve; seconded by Mr. Greenwell.

The Manager-Chief Engineer said that upon execution of this agreement and the award of the Kula'imano Production Well project, DWS will grant HICDC up to **50** units of water, for 50 residential units. This agreement also calls for HICDC to provide a piece of property for a future booster pump on DWS's system. This property is located in Kula'imano, at the second tank down from DWS's source tank, he said. The well that DWS is putting out to bid will provide the second well source for Kula'imano; it will be a back-up source. In addition to these two sources, DWS has a spring source, but DWS has not been using water from that spring source due to corrosion control issues there. The Manager-Chief Engineer noted that HICDC is eager to proceed with the development of the subdivision and the property.

Mr. Kato told the Board that he is satisfied with the latest version of the agreement, and HICDC appreciates the opportunity to proceed with its subdivision.

Ms. Garson said that the Agenda had language saying that up to 40 lots were being proposed for the subdivision; the correct number is **up to 50** lots. The agreement correctly states that it is up to 50 lots.

Mr. Perry asked about the project's timeframe.

Mr. Kato said the timeline will be tied into whenever the Kula'imano Well is in operation; another issue is that HELCO needs to work on their sub-stations to run the well. HICDC intends to start as soon as possible, and is doing the engineering work. He noted some topographical issues that HICDC is trying to work around, and is hoping to submit its permit application soon.

The Manager-Chief Engineer said that the Kula'imano Production Well project is currently out to bid, and the bid opening is next month. DWS hopes to come to the Board for the award at the February Board meeting. He said the project is expected to take about 18 months. HICDC will not be able to use any water until the well is completed and in place. The timing will hopefully be just right for HICDC to proceed with their subdivision, the Manager-Chief Engineer said.

ACTION: Motion carried unanimously by voice vote.

7) HĀMĀKUA:

A. **JOB NO. 2008-945, CONSTRUCTION OF THE ĀHUALOA – HONOKA'A TRANSMISSION WATERLINE – PHASE 1, DISTRICT OF HĀMĀKUA, COUNTY OF HAWAI'I, STATE OF HAWAI'I:**

(This Item was deferred from the December 20, 2011, Board meeting.)

This project involves the installation of approximately 19,210 linear feet of 12-inch ductile iron waterline along Old Māmalahoa Highway from the Department's Āhualoa well, with final connection at the Department's De Silva tank site located above Honoka'a town. Tank inlet control valves, a pressure reducing valve station, and miscellaneous electrical work at various tank sites are also part of the scope of work.

Bids for this project were opened on December 15, 2011, at 2:00 p.m., and the following are the bid results:

Bidder	Base Bid Amount	Adjusted Bid Amount* (for purposes of bid award)
Yamada Painting Inc. dba GW Construction	Bid Withdrawn	
Goodfellow Bros., Inc.	\$3,956,110.00	\$3,701,213.50
William C. Loeffler Construction, Inc.	\$3,943,447.00	\$3,914,617.00
Keauhou Kona Construction	\$4,196,195.00	\$3,931,802.28
Isemoto Contracting Co., Ltd.	\$4,196,228.00	\$3,986,416.60
MEI Corporation	\$5,007,835.00	\$4,732,045.25
Jas. W. Glover, Ltd.	\$6,889,184.50	\$6,819,568.50

*Bids were adjusted to provide credits for use of Hawaii Products, participation in the State Apprenticeship Program, and in accordance with DWS General Requirements and Covenants.

Project Costs:

1) Low Bidder (Goodfellow Bros., Inc.)	\$ 3,956,110.00
2) Construction Contingency (10%)	<u>\$ 395,611.00</u>
Total Cost:	<u>\$ 4,351,721.00</u>

Funding for this project will be from DWS's C.I.P. Budget. The contractor will have 450 calendar days to complete this project.

The Manager-Chief Engineer recommended that the Board award the contract for JOB NO. 2008-945, CONSTRUCTION OF THE ĀHUALOA – HONOKA‘A TRANSMISSION WATERLINE PHASE 1, DISTRICT OF HĀMĀKUA, COUNTY OF HAWAI‘I, STATE OF HAWAI‘I, to the lowest responsible bidder, Goodfellow Bros., Inc., for their bid amount of \$3,956,110.00, plus \$395,611.00 for construction contingency, for a total contract amount of \$4,351,721.00. It is further 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. Mukai moved to approve; seconded by Mr. Lindsey.

The Manager-Chief Engineer said this is the last phase of the Āhualoa Production Well transmission project, which will take water down into Honoka‘a Town. He noted that one bid was withdrawn, and the actual low bidder was the third one on the list because of the Hawai‘i Products preference that was applied to that bidder.

Chairperson Meierdiercks asked the estimated cost of the project, compared with the winning bid.

Mr. Okamoto said the estimated cost was \$4.5 million; this was lower than the winning bid amount, even including the contingency.

Mr. Taniguchi said he did not understand how the Hawai‘i Products preference works.

The Manager-Chief Engineer said that when bidders use the Hawai‘i Products preference, they get a credit of 5 percent from the bid amount. This credit, in effect, lowers the bidder's bid. However, it does

not mean that DWS pays the lower price; it lowers the bidder's *bid price*. It means that DWS is making an adjustment to the bidder's actual bid amount, he said.

Mr. Inaba said that in this case, the Apprenticeship Program preference *also* applied. This is applied differently from the way the Hawai'i Products preference works. The Hawai'i Products preference is applied to the amount of the Hawai'i products used. By contrast, participation in the Apprenticeship Program is applied to the entire bid amount.

Mr. Taniguchi asked if this is another percentage of preference.

Mr. Inaba confirmed this.

Chairperson Meierdiercks said it was also 5 percent.

Mr. Inaba said yes, it is 5 percent of the total bid amount.

Mr. Perry asked what the Hawai'i Products preference involved.

Mr. Inaba said that it involves products that are manufactured in Hawai'i. Bidders who use these products have to qualify, and the products they use have to qualify by being on an approved list of products. Bidders must specify the dollar amount of product that they are using on the project, he said. In most cases here, the products are things like base course and other building materials such as cement, etc. that are available on the island. The bidders need to include these products in their bid, and they need to fill out the proper forms, etc. to qualify for the Hawai'i Products preference.

Mr. Perry said the other bidders must not have gone through the formalities, because they probably use local base course, etc.

Mr. Inaba said that what took the winning bidder over the top was the Apprenticeship Program, which was applied to the entire bid amount.

Chairperson Meierdiercks said that the program was passed into law by the State Legislature a couple of years ago. Contractors that have a state-approved apprenticeship program get a 5 percent preference on State and County projects, he said. The program includes training for local residents in trades such as carpentry, electrical work and plumbing, and the trainees are enrolled in accredited training programs. The programs have to be updated every year, and the programs must report to the State how many apprentices are in their programs, etc. Most of the training programs accredited in the State of Hawai'i are associated with community colleges, he noted.

Mr. Inaba said the contractors submit a certificate of their compliance every month during the duration of the project.

ACTION: Motion carried unanimously by voice vote.

B. JOB NO. 2009-958, ĀHUALOA WELL POWER LINE ACCESS ROADWAY:

The contractor, William C. Loeffler Construction, Inc., has requested a contract time extension of 52 calendar days, due to rain-out delays and time needed to obtain construction right-of-entry through Department of Hawaiian Home Lands property at the beginning of the project. This is the first time extension request for this project.

The Manager-Chief Engineer recommended that the Board grant this contract time extension of 52 calendar days to William C. Loeffler Construction, Inc., for JOB NO. 2009-958, Āhualoa Well Power Line Access Roadway. If approved, the contract completion date will be extended from January 29, 2012 to March 21, 2012.

MOTION: Mr. Mukai moved to approve; seconded by Mr. Perry.

The Manager-Chief Engineer said the time extension request is for rain-out days.

Mr. Inaba said there was a delay in getting the project started because of the right-of-entry (ROE) issue.

Mr. Taniguchi asked what the ROE issue, which was cited in the letter as a 22-day delay, involved.

Mr. Inaba said that this is actually a HELCO road, and to do the construction, DWS was trying to get the construction ROE through State and DHHL property. In working with DHHL, DWS did not manage to get the ROE executed in time, he said. This delayed the start of the project a little bit.

Mr. Greenwell asked if this time extension would help HELCO get going on time, or whether HELCO would use this time extension as another excuse for delay.

The Manager-Chief Engineer said he was not sure where HELCO is as far as their power line project. He noted that this is a separate road access project, and he was not sure whether this project was actually delaying HELCO.

Mr. Inaba said HELCO has not yet given DWS a firm date on when HELCO would get started; HELCO is waiting for DWS to get started, but it is still not clear when HELCO would get going.

Mr. Greenwell asked Mr. Inaba if HELCO has the materials on hand so that they can start their work when the roadway is complete.

Mr. Inaba said he was not too sure, but HELCO has told him that they are trying to make sure to provide service as soon as possible. Both DWS and HELCO have a common goal of getting the facilities up and running as soon as possible, he added.

The Manager-Chief Engineer said the Department would provide a report about the HELCO/Āhualoa status at the February Board meeting.

Mr. Inaba said he would follow up on it.

Chairperson Meierdiercks asked that the update be agendized on next month's Manager-Chief Engineer's Report.

Mr. Kaneshiro asked about the number of days mentioned in the contractor's letter; he calculated 43 days, instead of the 52 days in the letter.

Mr. Inaba said the period included all of the weekends and holidays, as well as the actual working days.

Mr. Mukai said he had no problem with the time extension request, because it rained almost every day in November and December.

ACTION: Motion carried unanimously by voice vote.

C. JOB NO. 2007-923, ĀHUALOA WELL DEVELOPMENT – PHASE 2 (PRODUCTION WELL AND 1.0 MG RESERVOIR):

The contractor, Goodfellow Bros., Inc., is requesting a contract time extension for the subject project. This is the fifth time extension request for this project. Information on the previous time extension requests is detailed as follows:

Ext. #	From (Date)	To (Date)	Days (Calendar)	Reason
1	8/30/10	2/14/11	168	Delays in receiving drawings from HELCO and changes in electrical design.
2	2/14/11	9/26/11	224	Delays in receiving submittals and review from HELCO for Main Electrical Service Switchgear
3	9/26/11	12/5/11	70	Additional time needed for start-up/testing of Motor Control Center, delays in painting due to moisture, delays in delivery of doors/louvers.
4	12/5/11	1/16/12	42	Additional time needed for DWS technicians, factory representatives, and electricians to complete SCADA work and start-up/testing of the well system.
5	1/16/12	2/16/12	31	<i>Incorrect parts in the motor control center equipment need to be replaced. Start-up/testing must be delayed until correct parts are installed. Additional drainage work needed to prevent washout of access road.</i>
Total Days (including this request)			535	

During the start-up/testing of the motor control center, it was found that parts in the motor starter were under-sized to support the electrical load to the pump motor. Start-up/testing of the system cannot resume until the correctly sized parts are installed.

Recent heavy rains in the Āhualoa area revealed an unknown drainage way that resulted in the washout of a portion of the well access road. DWS has requested that the contractor construct drainage improvements to prevent future washout of the well access road, which can be done concurrently with the above motor control center work.

Staff has reviewed the request and finds that the 31 calendar days are justified.

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 Manager-Chief Engineer recommended that the Board grant this contract time extension of 31 calendar days to Goodfellow Bros., Inc., for JOB NO. 2007-923, Āhualoa Well Development – Phase 2 (Production Well and 1.0 MG Reservoir). If approved, the contract completion date will be extended from January 16, 2012 to February 16, 2012.

MOTION: Mr. Mukai moved to approve; seconded by Mr. Perry.

Mr. Inaba said that during a visit to the site by all of the parties involved in the project, it was discovered that one of the pieces that the manufacturer put together in the cabinet was the wrong size; the fuses were the wrong size. Because of this, there was a possibility that the motor might burn out, and so the fuses had to be sent back to be redone. It will be a matter of about 10 extra days, once these parts come back and are installed and tested, Mr. Inaba said. Mr. Inaba also noted that there is a change order that DWS had not completed by the time today's Agenda was written up; DWS was writing a proposal for the contractor to provide a cost and time estimate on repairing the access road. On the weekend before the parties gathered on-site, rains washed out the shoulders of the access road. The proposal is to provide large drain rock along a good portion of the shoulders of the access road, and a concrete swale across the driveway.

Chairperson Meierdiercks asked whether this was included in the contingency.

Mr. Inaba said there was no money involved in the problem with the fuses, and the wash-out problems can be solved within the contingency.

Mr. Taniguchi asked who was responsible for the wrong-sized parts.

Mr. Inaba said the fault lay with the manufacturer of the cabinet.

Mr. Taniguchi asked who ordered the parts.

Mr. Inaba said the sub-contractor placed the order.

Mr. Taniguchi asked if they went down their check-list, only to find all of a sudden that there was a wrong part.

Mr. Inaba said it was a component in the cabinet; the contractor could have tried to upgrade it, but decided against it for fear of damaging the motor.

The Manager-Chief Engineer said the wrong-sized part is the manufacturer's fault; it was a good thing that the technician on the site caught it in time.

Mr. Mukai said that it was reasonable to seek an extension due to the wash-out problems; the weather was bad. However, providing an incorrect part is unacceptable, and he would not agree to grant a time extension if it were for that reason alone.

The Manager-Chief Engineer said he completely agreed.

Mr. Mukai said that the good thing was that none of this was coming out of the Department's funds; it is all stimulus money. He reiterated that he would not want to grant an extension for something like an incorrect part.

The Manager-Chief Engineer said that the Department would watch out for situations like this.

Mr. Inaba said the contractor is confident that he can get the road done within the time requested.

Mr. Lindsey, noting the HELCO delays in the chart above, said he was glad to hear that DWS is not paying for the problems. The time extensions are equivalent to a one-year delay, he said. Mr. Lindsey asked if there could be an Agenda item that involves HELCO, where a HELCO representative could attend a Board meeting to answer the Board's questions about project delays.

The Manager-Chief Engineer said this was a point well taken. He said that DWS has been in discussions with HELCO over the past few weeks, and there will be a meeting with HELCO President Jay Ignacio and HELCO supervisors. The subject of having a HELCO representative attend a Board meeting is among one of the items under discussion, and HELCO seems willing to come before the Board. DWS will keep pursuing that, the Manager-Chief Engineer said.

ACTION: Motion carried unanimously by voice vote.

8) NORTH KOHALA:

A. HALA'ULA WELL DEVELOPMENT, PHASE 2:

Background:

The Phase 1 Exploratory Well Development for this project was successfully completed in late 2011. Phase 2 will include the outfitting of a 700 gpm production well and construction of a 0.5 million-gallon Reservoir, with an overflow (O/F) elevation of 810 feet to match the Hāwī 810 Well.

By completing this project and strategically tying this new well source and reservoir to the Hāwī system serving the western side of North Kohala, the Hala'ula System and the Hāwī System will each be able to provide a redundant source of supply to the other system. This increase in both source and reliability will allow DWS to improve much-needed water availability to a large segment of North Kohala.

This project was previously listed on the 2011 C.I.P. (i.e., \$3,000,000.00 – State Revolving Funds), but was inadvertently left off of the 2012 C.I.P. list. DWS Engineering is currently estimating a construction cost of \$3,500,000.00 (State Revolving Funds), to include the expected cost of land acquisition and some necessary pipeline work.

The next step is to hire a consultant to begin the engineering design and layout for the proposed facilities while the land acquisition proceeds.

The Manager-Chief Engineer recommended that the Water Board add this item from the 2011 C.I.P. to the 2012 C.I.P.

MOTION: Mr. Mukai moved to approve; seconded by Mr. Perry.

The Manager-Chief Engineer said that the Exploratory Well has been completed with good results, and DWS now wants to move forward in the design phase for the Production Well. Approval today is needed so that DWS can procure the design consultant for the project. He noted that part of this project also involves a land acquisition for the well site. Now that the well has proven successful with good water quality, DWS will be moving forward with the purchase of the site from the land owner. DWS understands that the current land owner, Surety Kohala, is selling the property to another individual, so DWS will probably be buying the land from somebody other than Surety Kohala.

ACTION: Motion carried unanimously by voice vote.

9) NORTH KONA:

A. SUNRA WRITE-OFF:

Background:

Sunra Coffee, LLC, (formerly doing business as Royal Hualālai Gardens), was in the business of coffee production and farmland subdivision. Sunra purchased 225 acres in 2002 to develop and subdivide into

small coffee farms to sell. Sunra also had 138 acres in the Blue Mountain coffee-growing area of Jamaica. The water account in question was for temporary service located at TMK 7-5-001-044, in Hōlualoa, Hawaii.

Amid hurricane damage to the property in Jamaica and falling real estate values in Hawaii, Sunra filed for Chapter 11 bankruptcy protection on August 21, 2009. On September 14, 2009, DWS received a court order prohibiting the Department from altering or discontinuing service to the Sunra property. At this point, the protected balance was \$14,105.23. DWS opened a second account going forward as the Department was still bound by the court order not to disconnect service.

The second billing on the new account totaling \$25,193.00 went delinquent, and on February 8, 2010, a shut-off notice was sent to the customer. On February 10, 2010, DWS's Kona office spoke to the court-appointed property manager, who said he wanted the meter to remain because of the pumping system in place. Apparently, water was overflowing from the main tank and spilling into a dry well under the tank. The property manager called DWS on February 11, 2010 to say he had closed the valve. On February 18, 2010, the next bill was generated, with a balance on \$29,276.00. DWS received notice of conversion to Chapter 7 bankruptcy on March 15, 2010. The final billing of \$5,668.00, plus late fees, brings the final balance on the second account to \$60,389.90.

The Bankruptcy was forwarded to Corporation Counsel to handle, and Corporation Counsel has filed a Proof of Claim.

Sunra Coffee, LLC has two accounts that fall under Chapter 7 bankruptcy protection. Because the Department anticipates that this Bankruptcy will be in the courts for many years, the Manager-Chief Engineer recommended the write-off of \$75,013.08, with the understanding that the Department will reverse any portion collected by Corporation Counsel in the future.

Acct #880-24740-10	\$14,105.23
880-24740-11	\$60,389.90
800-24740-12	<u>\$ 517.95</u> (<i>post-petition balance</i>)
TOTAL:	\$75,013.08

Mr. Robinson asked to be recused from this Item, because he had served as the court-appointed asset manager of the property by the Federal Bankruptcy Court. Although his duties during the Chapter 11 and Chapter 7 Bankruptcies have been discharged, Mr. Robinson said he wished to be recused.

MOTION: Mr. Mukai moved to approve the write-off; seconded by Mr. Perry.

Mr. Mellom, who has been handling the write-off, provided background information regarding Sunra Coffee's purchase of the property in question in Hōlualoa, with the intent to subdivide and sell the lots as small coffee farms. Sunra also had property with similar plans on the island of Jamaica, in the famous Blue Mountain coffee-growing region. Sunra filed for Chapter 11 Bankruptcy in 2009, but up to that time, Sunra had been paying their water bills on time, Mr. Mellom said. Soon after that filing, DWS received a court order barring DWS from disconnecting Sunra's water. The Chapter 11 Bankruptcy meant that Sunra was in reorganization mode, and Sunra needed to pay their current bills, Mr. Mellom said. Sunra's initial current bill after the Chapter 11 filing was paid, but the following bill was not paid, he said. DWS contacted Mr. Robinson, the court-appointed asset manager, to ask whether the water should be kept on. Mr. Mellom explained that the way Sunra's water system was designed, there was a pumping system whereby DWS's meter went to an initial tank, with several pumps going to several tanks. In order to maintain the system, the asset manager wanted the water to be left on. However, soon after this, DWS received notice that Sunra had filed for Chapter 7 Bankruptcy, and there were some issues regarding how much water Sunra was using, Mr. Mellom said. It appeared that

everyone concerned was unaware of what was going on regarding water usage, Mr. Mellom said. Soon after the Chapter 7 filing, Mr. Robinson turned the valve off, which curtailed the water usage, Mr. Mellom said. However, up to that point, within a short period of time, the total billable water usage had risen to about \$75,000.00. Of this amount, a small portion took place under the Chapter 11 filing; under the Chapter 7 filing, there were two billings of close to \$30,000.00 for each bill. Mr. Mellom said he recommended writing this off because unlike a personal bankruptcy which is settled and discharged within a year to 18 months, a business bankruptcy like Sunra's typically goes on for years amid a mountain of issues and motions filed. In light of this, Mr. Mellom said there was no point in leaving the Sunra account on DWS's books. Currently, Corporation Counsel, which is handling this Bankruptcy, has filed a Proof of Claim, and Mr. Mellom said he expects Corporation Counsel to collect something on this account, but it is unclear when that will happen. It is unlikely that any collection will take place anytime soon. For that reason, Mr. Mellom recommended that DWS write this account off now, with the intention of reversing any portion that DWS does collect in the future.

Mr. Taniguchi asked whether the chances of collecting anything on this account are pretty much nil.

Ms. Garson said that was correct.

Mr. Taniguchi asked Mr. Mellom if, at the time of the Chapter 11 filing, Sunra was current on its water bills.

Mr. Mellom said yes, that there was the initial bill outstanding at that point, but that Sunra was not delinquent at the time of the Chapter 11 filing.

Mr. Taniguchi asked whether there was any reason for DWS to think of shutting off their water at that point.

Mr. Mellom said no, there was no reason to consider shutting off the water at that point; he noted that Sunra paid that initial bill that came in during the Chapter 11 Bankruptcy.

Mr. Greenwell asked whether the Sunra people were primarily farmers, or developers. He also asked whether they were getting ag rates for the water.

Mr. Mellom said no, they did not get ag rates on this temporary service of theirs. Sunra's water was a temporary service; the permanent meter was scheduled to be installed, but had not been installed up to this point.

The Manager-Chief Engineer explained that normally, a temporary service is in place while a subdivision is under construction. It was not clear whether the Sunra people were actually farming on the land already, he added. Once the land was developed for farms, they probably could have qualified for ag rates, but at that point they did not have ag rates.

Chairperson Meierdiercks, noting that Corporation Counsel has filed a Proof of Claim, asked Ms. Garson whether there was a lien on this property.

Ms. Garson said no, Sunra is in Chapter 7. Ms. Garson said she herself is not handling this case, but it is an unsecured debt, so the chances of DWS collecting anything in liquidated damages are pretty slim.

Chairperson Meierdiercks asked whether DWS is still pursuing a possible collection.

Mr. Mellom confirmed that it was.

Mr. Greenwell asked whether DWS was setting a precedent by writing this debt off; he wondered whether other parties might use it to get their delinquencies forgiven.

The Manager-Chief Engineer said that DWS is not giving this away, as evidenced by the fact that DWS is still proceeding with the collection. Basically, DWS is just clearing the account off its books, with the intent to reverse if payment is made, he said.

Mr. Taniguchi agreed that DWS was not forgiving the debt. Although the chances of collectibility are practically nil, writing the debt off means merely taking it off the books. Keeping it on the books is tantamount to deeming the debt as an asset for DWS, when in fact it is a liability. If any monies do come in, they will be taken in as recoveries, he said. DWS is not relieving Sunra of any debt, he added.

ACTION: Motion carried by voice vote of seven (7) Ayes, one recusal (Mr. Robinson).

Mr. Mukai noted that the new seating configuration makes it easier to see the overhead screen, where maps of the Sunra property were being shown by Mr. Beck.

10) **MISCELLANEOUS:**

A. **DEDICATION OF WATER SYSTEMS:**

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

1. **GRANT OF EASEMENT**
(For Water Meter Purposes)
Subdivision Application No. 2011-0001106
No. of Lots: 2
Zoning: A-5a
Grantor: 327 KONA, LLC (Kona View Country Estates Subdivision)
Tax Map Key: (3) 7-4-008: 047 portion
2. **BILL OF SALE**
Honoka'a Well No. 6428-01 Well Improvements
Tax Map Key: (3) 4-5-019: 020
Seller: State of Hawai'i, Board of Land and Natural Resources
Final Inspection Date: 5/11/2011
Water System Cost: \$1,909,926.01
3. **LICENSE NO. 764**
(Non-Exclusive Right) (Benefit (B))
Lālāmilo Offsite Water System and New Lālāmilo 1.0 MG Reservoir
Licensor: State of Hawai'i, Department of Hawaiian Home Lands (DHHL)
Tax Map Key: (3) 6-6-001: 077 portion
Final Inspection Date: *TBA*
Water System Cost: *TBA*

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

Mr. Inaba said that Item No. 3 (above), regarding License No. 764, should be deferred because DHHL was not able to get their inspection done in time.

Chairperson Meierdiercks confirmed that this item would be deferred to the February Board meeting.

MOTION: Mr. Mukai moved to accept Items 1 and 2, the Grant of Easement and Bill of Sale, respectively; seconded by Mr. Perry.

The Manager-Chief Engineer noted that DWS was going out to bid for the repair of the Honoka'a Well, whose Bill of Sale the Board just moved to accept. DWS had used this well last year during an emergency, and it had worked just fine. However, when DWS tried to run the well recently, the well failed to run. Therefore, DWS is bidding out a contract to repair this well. The State does not have the funds to repair the well, he added.

Mr. Perry asked what was wrong with the well.

The Manager-Chief Engineer said it was not clear what was wrong; DWS is putting out the contract for the repair of the well, and is investigating what is wrong with the well.

Mr. Perry asked if the repair would cost \$2 million.

Chairperson Meierdiercks said no, the \$2 million was the system cost.

The Manager-Chief Engineer said that the State has spent almost \$2 million to do the project. He expected the repair of the well to cost about \$250,000.00, or less.

Chairperson Meierdiercks requested that the Agenda show the estimated cost of projects, to provide a comparison when the bids come in. By seeing the staff's estimate, the Board can compare it with how the bids came in, he said.

The Manager-Chief Engineer said the staff's estimates would appear on the Agenda.

Mr. Taniguchi, noting that the State had spent \$1.9 million up to now to develop the system, asked whether the State was turning the system over to DWS for free, if DWS fixes the well.

The Manager-Chief Engineer confirmed this.

ACTION: Motion carried unanimously by voice vote.

B. COUNTY OF HAWAI'I LEASE FOR WAIĀKEA OFFICE PLAZA:

The County of Hawai'i's Departments of Environmental Management and Data Systems have tentatively agreed to lease the lower level of the Department's Waiākea Office Plaza building, pending agreement on a lease. A draft lease has been provided for the Board's review. Key components of the lease include:

- 1) DWS will fund up to \$500,000 for renovations to the space to be leased by the County of Hawai'i ("COH"). DPW will manage the design construction of the renovations. The COH will reimburse DWS over the initial five (5) years of the lease term, along with interest at a rate of 3.47%. (Approximately \$1.02 per sq. ft);
- 2) Lease term is 10 years, with an option for an additional 10 years;

- 3) COH will pay \$0.99 per sq. ft. for Common Area Maintenance (CAM), which will be updated annually;
- 4) COH will commence rental payments of \$0.85 after the renovations are fully reimbursed, but in no event later than five (5) years after the commencement of the lease. The monthly rental rate will be renegotiated every five years.

The Manager-Chief Engineer recommended approval of the lease with the COH to rent the lower level of the Waiākea Office Plaza.

MOTION: Mr. Mukai moved to approve; seconded by Mr. Perry.

Ms. Garson explained two minor changes to the lease agreement. On page 2, paragraph 3, the new wording says: “The term of this Lease Agreement and the Tenant's obligation to pay rent and other charges hereunder, shall be a ten-year term starting August 1, 2012, or when the Improvements are completed but in no event later than **July 1, 2013.**” (The previous wording said “no later than *December 21, 2012.*” On page 6, paragraph 22-A, the Department is to give notice to the County of Hawai‘i, **Department of Finance, Property Management, Suite 1101.** (The previous wording gave no specific department or division for DWS to give notice to.)

Mr. Taniguchi asked whether there was a reason for how DWS had structured the agreement. He noted that it looked as if the County were paying for the improvements to the space, over time.

Ms. Garson said that was one of the sticking points with DWS; the County did not have enough money to do the renovation work. Therefore, it was something that DWS negotiated for with the Department of Environmental Management (DEM). DWS is paying for the renovations, and the first years of rent are forgiven, she said.

Mr. Taniguchi said DEM is paying DWS as if it were a loan.

Ms. Garson confirmed this, and DEM will be paying with interest.

Mr. Taniguchi asked Mr. Sumada if this was to DWS’s advantage, and asked whether DWS needs to pay general excise tax (GET).

Mr. Sumada said that DWS was not paying GET on it.

Mr. Taniguchi asked why DWS is not just collecting rent from DEM.

Mr. Sumada said that DEM did not want to pay rent while they were paying back the loan.

Mr. Taniguchi asked why not charge rent instead of having a loan.

Ms. Garson said that the whole discussion revolved around who was going to pay for the improvements, so the agreement was structured this way.

The Manager-Chief Engineer said that this means DWS is basically fronting the \$500,000.00 for the renovations, although they may cost less than that. If the cost of renovations exceeds \$500,000.00, DEM will pay the excess amount. He noted that DWS has been negotiating this agreement with DEM for several months now.

Mr. Mukai commented for the record that this deal was like free space, at less than a dollar per square foot, including common area maintenance (CAM). DEM is getting the space for far less than market value, he said.

The Manager-Chief Engineer said that the space downstairs has been open for several years now without tenants. He said he believes that DEM will be an excellent long-term tenant.

Ms. Garson said that bringing DEM in as a tenant dovetails with the aim of consolidating County services, and providing convenience to the public.

The Manager-Chief Engineer noted that the Department of Data Systems will also be moving into space downstairs.

ACTION: Motion carried unanimously by voice vote.

C. **DISCUSSION REGARDING DRAFT OF PROPOSED RULE CHANGE REGARDING WATER SERVICE TO CONSUMERS/RESPONSIBILITY FOR PAYMENT OF BILLS:**

Ms. Garson said that the Department is thinking of doing comprehensive Rule changes this year. She asked if the Board prefers to work on the changes one by one, or to work on all of the proposed changes at once, whereby the Board would discuss all of the changes at once. Ms. Garson said that she had not had a chance to meet with Customer Service on this particular Rule; Customer Service had had a number of issues with the first draft, but Ms. Garson had not had a chance to meet with Customer Service since that time.

Mr. Taniguchi said he wanted to have this particular Rule worked on first. He noted that this Rule involves designating who is responsible to pay for a delinquent bill. At present, DWS shuts the water off when someone fails to pay, but in some cases, family members with a different name come in to apply for the same service, and DWS is obligated to reinstate service without satisfying the delinquent bill. The effort is to get language into the Rule to give DWS more leverage in collecting, Mr. Taniguchi said. The Ad Hoc Committee had discussed what other water departments were doing, such as Maui's policy of going after the property owner. Mr. Taniguchi said he did not care who paid. As long as the bill was paid, the service could go back on. He reiterated his desire to have DWS work on this Rule first.

The Manager-Chief Engineer said the Department would work with Ms. Garson on this Rule, and might make changes to minor items at the same time.

Chairperson Meierdiercks noted that Public Hearings such as the one coming up in February on the Power Cost Charge are held regularly, and so a Rule change could be added to a Public Hearing Agenda as a Rule change comes up.

The Manager-Chief Engineer said he was not sure if this Rule change would be ready for the February meeting.

Chairperson Meierdiercks agreed that he did not mean for it to go on the February Agenda. He believed that the Rule change could be scheduled in conjunction with other Public Hearings. He confirmed that DWS would be working on this particular Rule change.

D. REPORT OF AD HOC FINANCE COMMITTEE:

The Water Board's Ad Hoc Finance Committee Chairperson, Mr. Art Taniguchi, has been investigating the three focus areas (DWS's policies on credit card use, cash control and vehicle take-home), which encompass the scope of the Committee's work. At this meeting, the Committee may do the following:

- Possible approval of DWS's vehicle policy, based on modifications following union comments;
- Decals on DWS vehicles;
- Discussion of DWS's cash handling procedures and proposed changes. Discussion may include a possible switchover to Oahu's billing system.

Mr. Taniguchi said the Committee had met on the vehicle policy, but the final draft of the vehicle policy was not available for distribution today. The minor changes to the vehicle policy suggested by Mr. Greenwell will be implemented by the next Board meeting, and copies of the vehicle policy will be distributed, Mr. Taniguchi said. Mr. Taniguchi noted that the vehicle policy is an administrative policy that can be implemented by the Manager-Chief Engineer, and does not require Board approval. The vehicle policy came out pretty good, and can always be tweaked later, he said.

Regarding the billing system, Honolulu Board of Water Supply is converting its own system, and DWS had hoped to have Honolulu handle DWS's billing. Honolulu's target date for converting its system was July 2011, but the target date has been pushed back to July 2013, Mr. Taniguchi said. He noted that one of the items that the Legislative Auditor had suggested was for DWS to go to a lock-box type of collections for DWS bills. However, DWS's current set-up does not allow the Department to go to a lock box, due to the format in which DWS's bills are printed. Since the Honolulu situation is kind of a moving target, the Committee asked Mr. Sumada to get an estimate of how much it would cost DWS's current billing vendor to change DWS's billing sheet to have a straight edge at the bottom. Having a straight edge at the bottom would enable the lock box readers to read the micro-encoding at the bottom of DWS's bills. Currently, the bills have a perforated bottom that is ripped off, and the top part is sent in with the payment. In any event, DWS is not going to wait for Honolulu to convert its billing system, Mr. Taniguchi said. If DWS were to go in with Honolulu right away, DWS would be forced to go to monthly billing; DWS still does not have the capability to read *every meter every month*. By going to monthly billing now, DWS's billing would have had to go on an *estimate*-type of basis. The Committee expects by the next Board meeting to have the cost estimate from the current vendor (for changing the billing format to a straight edge at the bottom), Mr. Taniguchi said.

Chairperson Meierdiercks suggested that Ms. Aton do an ongoing public relations campaign to promote automatic bill payment, to relieve some of the volume of cash handling.

The Manager-Chief Engineer said this could be done.

E. REPORT OF AD HOC COMMITTEE TO REVISE THE MANAGER-CHIEF ENGINEER'S EVALUATION FORM:

Mr. Kaneshiro distributed copies of the draft Evaluation Form just prior to the meeting, and asked that the Board review it. He expressed the hope that the Evaluation Form could be finalized soon, so that the Manager-Chief Engineer can be brought into line with what the Board expects of him. The Strategic Plan, last updated in 2004, is one of the critical things that the Board needs to look at, he said. The new Manager-Chief Engineer will surely want to have a plan for the future direction of the Department. Mr. Kaneshiro said the Board also needs to prepare a five-year Implementation Plan. He said that the Board needs to show the Manager-Chief Engineer the things that the Board expects of him by the end of the Fiscal Year, which is June 30. He noted that at the bottom of the draft Evaluation Form there are

places for the Manager-Chief Engineer to sign in acknowledgment that he has reviewed this Plan and has been consulted on it. By signing, the Manager-Chief Engineer will say that he agrees with its contents, and will abide by it. He suggested that the rating official mentioned at the bottom of the Evaluation Form should be the Chairperson, who needs to discuss the contents with the Manager-Chief Engineer and also sign the form. There will be a periodic review to make sure that things are going well. If things are not going well, the reviewer will notify the Manager-Chief Engineer that he needs to step up on it. If he does not improve, then the rating at the end of the year for the Manager-Chief Engineer will not be very good. This Evaluation Form process is to help everyone understand what it is all about. The Committee still needs to work on the rating, that is, how the Board will score performance of the Manager-Chief Engineer. One idea is for the Manager-Chief Engineer to write a report on accomplishments prior to the end of the Fiscal Year, addressing all of the critical items listed on the Evaluation Form. Mr. Kaneshiro said he believed that to be fair to the Manager-Chief Engineer, the Board needs to make some kind of recommendation on what the Board expects of him through the end of the Fiscal Year. There should not be too many things, because the Fiscal Year is half-over already.

Ms. Garson noted that per the Sunshine Law, this is the Report meeting for the Ad Hoc Committee; the Discussion on the report takes place at the next meeting.

Ms. Garson said that this will be on the February Agenda for discussion.

Mr. Kaneshiro asked Ms. Garson if it was okay for the Board to give direction to the Manager-Chief Engineer with regard to the critical items that the Board will be looking at, such as the Strategic Plan.

Ms. Garson said yes, that is the Board's duty.

The Manager-Chief Engineer said he was appreciative because the Evaluation Form gives good direction in moving forward in the service to the customers and the Department.

Mr. Kaneshiro thanked Ms. Wanda Kapahu of Human Resources for her help, and he thanked his fellow Committee members for their work. He expressed hope that the Committee can start working on next year's Evaluation Form soon.

Chairperson Meierdiercks confirmed that the Evaluation Form would be on next month's Agenda.

F. ENERGY MANAGEMENT ANALYST UPDATE:

Ms. Myhre said she would have a full Green Initiatives update next month.

Mr. Perry asked for an update on the Lālāmilo Windfarm.

Ms. Myhre said the RFP for the project is under review, and an updated copy of the Power Purchase Agreement will be sent to Ms. Garson today. Ms. Myhre is doing a pro forma Power Purchase Agreement in the RFP, to show potential bidders what DWS wants in its Power Purchase Agreement. The bidder may make minor changes to it, but it is designed to show bidders DWS's intentions for the Power Purchase Agreement. The RFP is moving forward; Ms. Myhre expected to have a fuller report next month.

G. MONTHLY PROGRESS REPORT:

Chairperson Meierdiercks reminded the Board that any questions to the Department need to go directly to the Manager-Chief Engineer, not to the Division heads. The Manager-Chief Engineer will do all follow-up for Board members' questions individually, he said.

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

Mr. Taniguchi said he and Mr. Sumada had a conversation regarding the Power Cost Charge. He asked Mr. Sumada to elaborate on what transpired at the end of the calendar year.

Mr. Sumada said the December 2011 Power Cost Charge revenues were significantly lower than the Power Cost expenses that DWS incurred for that month. He noted that the latest Financial Statement showed \$1.49 million in Power Cost income, but DWS spent \$2.2 million in Power Costs for the month of December; DWS incurred a large loss in the month of December. Two things contributed to this loss. Consumption in December was down, to one of the lowest levels of the year. Consumption tends to fluctuate up and down within each bi-monthly billing cycle and December was a down month for consumption, Mr. Sumada said. Meanwhile, Power Costs went up in December. The increase in Power Costs was due to problems that DWS experienced in Waikoloa and at the Waimea Water Treatment Plant; DWS had to run wells and pumps to compensate for the problems. Therefore, the combination of lower consumption in December and higher Power Costs created the loss for December, Mr. Sumada said. He noted that DWS is scheduling a Public Hearing before next month's Board meeting, to raise the Power Cost Charge by four cents, from \$2.31 to **\$2.35**.

Chairperson Meierdiercks said that by that time, the Department will have another cost comparison. He asked whether the upper range of \$2.40 will be enough.

Mr. Sumada said that although it is hard to say, he noted that the consumption cycle is likely to be up in January, and he did not think the Power Cost Charge would be up as high as it went in December.

Mr. Perry asked whether there was any way to even out the monthly discrepancy. He asked whether the discrepancy was due to how many meters are read in one month.

Mr. Sumada said the number of meters remain the same; it is just that the consumption for the meters that are being read falls off the second month, versus the first month of the bi-monthly cycle. The reason for that is not clear, but it could be because different parts of the island are being read.

Mr. Robinson, who had asked about collections earlier, asked whether this was the time to discuss collections.

Chairperson Meierdiercks said yes, that subject should be raised now. He said that Mr. Taniguchi had some numbers he wanted to share with the Board.

Mr. Taniguchi said that his Ad Hoc Finance Committee had looked at collections by the other islands' water departments; Mr. Sumada provided information regarding all of the islands' collections. He said that for example, regarding collections for accounts aged at 31-plus days, DWS stands at about 24.9 percent. Oahu is at 19.2 percent; Maui is at 24.8 percent, and Kauai is at 40 percent. On the 90-plus days, DWS is at about 18.03 percent; Oahu is at 7.7 percent; Maui is at 12 percent and Kauai is at 26.5 percent. According to Mr. Sumada, DWS's total revenue is about \$43 million or \$44 million, out of which DWS has about \$7 million in receivables. Oahu's total revenue is about \$150 million, but their receivables are only about \$9.4 million. Mr. Taniguchi said that looking at Oahu's numbers, there are probably many elements in there, but Oahu is doing something with their collections that DWS can learn from in order to take in monies faster and more efficiently. He noted that Oahu's revenues are

triple those of DWS, but their receivables are only about \$2 million more than DWS's. Mr. Taniguchi said it would be good to know what Oahu is doing right. He noted that Oahu does not use a collections agency. One way to bring DWS's revenues in more efficiently might be to get more customers to do automatic payment and payment by credit card, he said.

Chairperson Meierdiercks asked Mr. Taniguchi to get copies of his report on collections to all of the Board.

The Manager-Chief Engineer noted that Oahu is the only water department that does monthly billing.

Mr. Taniguchi said that Oahu announced their move to monthly billing at the same time that they announced their rate increase.

Mr. Mukai said that these numbers should not be seen in absolute terms; they could be skewed, so it is best to view them as gray numbers rather than black-and-white. The Ad Hoc Finance Committee will get more information to the Board, he added.

Chairperson Meierdiercks asked whether this report answered Mr. Robinson's questions regarding collections.

Mr. Robinson said yes.

Chairperson Meierdiercks said the subject of collections has been an ongoing issue, and therefore **collections** should be kept on the Agenda.

I. **MANAGER-CHIEF ENGINEER'S REPORT:**

The Manager-Chief Engineer provided an update or status on the following:

- 1) Palani Road Transmission Waterline Project – The Manager-Chief Engineer said that DWS continues to work with the State on the burial issue. The contractor is back on-site; there may be some financial issues involving the contractor, but the hope is that those issues will be resolved soon to enable the project to be put on-line, he said.
- 2) Hawaiian Ocean View Estates Project – DWS has been working very closely with HELCO to resolve the power issues, and is looking to start up the well again as early as next week. Once the well is started up, DWS will be able to take the required water samples for analysis (and then approval of the source by DOH.) The Manager-Chief Engineer has instructed Ms. Aton to schedule meetings immediately with the community regarding the hours for opening/closing the gate to the fill station. He noted that the power issues with HELCO have still not been resolved. Mr. Greenwell asked whether DWS planned to bring in a generator to run the well in the meantime. The Manager-Chief Engineer said no, running the generator would incur additional cost to DWS, and it would not really resolve the power issue with HELCO. DWS could have used the generator to pull up the water sample, but the Department has decided to wait for the resolution of the power issue.
- 3) Water Use and Development Plan update – The Commission on Water Resource Management (CWRM) approved the plan in December, without a hitch, despite earlier objections by the National Parks Service. DWS will be meeting in February with some of the major land owners (such as Hawaiian Homes, Queen Lili'uokalani Trust and Kamehameha Investments) interested in what is going on with the Keauhou Aquifer and the Water Use and Development Plan. The Manager-Chief Engineer expected to have a report on the Keauhou Aquifer at next month's meeting.

- 4) Kawailani Tank update – The contractor has been leveling the roof and doing some work to resolve the bonding issue. The Manager-Chief Engineer said that hopefully, the tank can finally be put to use.
- 5) Pu‘ukala/Kona Ocean View Properties Subdivision Improvement District update – Mr. Inaba reported that DWS has received the final set of plans for review and approval. The consultant is currently preparing the bid documents, which is the last thing that DWS is waiting for right now.
- 6) Public Information and Education Specialist update – Ms. Aton said the Department informed the public about the Haina Well Emergency Repair and conservation measures, via the City Watch emergency mass notification system through Civil Defense, and via the radio stations, etc. A traffic management message about repairs in the Puainako area was put out on the radio today. The Mayor asked DWS and the other County departments to do “story board” presentations of their three biggest accomplishments, as part of around-the-island Cabinet meetings beginning in March. DWS will run its story board by the Mayor at a meeting on January 26. The three points that DWS is planning to present involve C.I.P. projects (such as Palani, Ola‘a, Pi‘ihonua); partnerships (such as Āhualoa, HOVE, water spigots); and innovations (such as energy, the greening of DWS, etc.) The main focus of the meeting with the Mayor is the Water Use and Development Plan and the National Parks Service, Ms. Aton said. Mr. Rosey Rosenthal, mentioned in last month’s report, is still working on the video regarding the repairs to the Waikoloa Reservoir No. 2. The new Manager-Chief Engineer and Ms. Aton held meetings with Council Members Brenda Ford and Angel Pilago. Ms. Ford requested a report on whether there are chlorides in the water after the Palani well is activated. Mr. Pilago wants to inform the County Council about some of the DWS projects in his district. Ms. Aton received requests for presentations from Konawaena High School and a charter high school in Kona. Ms. Aton noted that the Water Resources and Planning Branch of DWS’s Engineering Division will be taking the lead in developing a conservation program. Mr. Greenwell asked if there was a possibility of chlorides in the Palani well. The Manager-Chief Engineer said no, the intent of the well is to bring good water to the customers mauka/makai (as opposed to the water from the Kahalu‘u Shaft, which is high in chlorides.) DWS will monitor the Palani water to verify that it is indeed better water, the Manager-Chief Engineer said. Ms. Aton said DWS wants to show what the water quality is *now*, before the Palani well is activated, and what the quality is after the activation. Mr. Mukai recommended that Ms. Aton get permission to use excerpts of an excellent documentary by Mr. Jason Scott Lee on water and protection of the ‘aina recently on KGMB-TV. Ms. Aton said that staff members were helping former Manager-Chief Engineer Milton Pavao with his retirement party, on the staff’s own time. The Manager-Chief Engineer said that he had a chance meeting with Council Member Fred Blas, and that Ms. Aton would be scheduling meetings with other Council members.
- 7) Recognition of Employee of the Quarter – The Manager-Chief Engineer announced that Ms. Lynn Hirano, Cashier II, was being recognized as the Employee of the Quarter. Ms. Hirano is based at DWS’s main office, and is on the front line serving the Department’s customers every day. Customer Service Supervisor Ms. Crestita Hudman, said she was extremely proud of Ms. Hirano, who has already been awarded the Employee of the Quarter three or four times in the past. Two years ago, Ms. Hirano was chosen Employee of the Year for the Department.

J. CHAIRPERSON’S REPORT:

Regarding the tentative 2012 Board meeting schedule, Chairperson Meierdiercks said the February meeting will be held in Hilo, and the March meeting venue has not yet been decided.

Mr. Mukai asked whether the February meeting venue was set in stone; he said he sympathized with the West Hawai'i Board members who have had to travel to Hilo five times during the past three months during the selection process for the Manager-Chief Engineer.

Chairperson Meierdiercks said the Public Notice for the Public Hearing ahead of the February meeting has already been sent out. He said that the Board could discuss where to meet in March; he himself did not mind traveling from his home in West Hawai'i. Meeting in Kona means uprooting DWS staff for almost an entire working day; and the public has not been showing up at the Kona meetings. The public did attend the Kona meetings when there were problems with the Palani project, but recently nobody has shown up, Chairperson Meierdiercks said. He reiterated that March's venue was under discussion -- not February's venue, because the Public Notice of the Public Hearing had already gone out.

Mr. Mukai said he retracted his comment regarding February's venue, in light of the Public Notice. He said February was off the table, so the subsequent meetings were under discussion.

Mr. Lindsey asked to hear how the West Hawai'i Board members felt about the venue issue.

Mr. Robinson, who lives in Kona, said that having meetings in Kona did not matter to him.

Chairperson Meierdiercks said that if there were a local event such as a dedication of the Ocean View well, the Board could meet there, and the community would be invited to provide testimony. When the Palani well project is completed, the Board could meet in Kona to mark the final dedication, or if there is a report regarding chlorides, he said. However, he questioned the wisdom of meeting in Kona just for the sake of it; he wanted to maximize the efficiency of the Department rather than uproot the staff for a West Hawai'i meeting.

Mr. Mukai agreed that meeting in Kona might not be fiscally prudent, but he still thought that West Hawai'i people should be given an opportunity to attend Board meetings in West Hawai'i. If West Hawai'i people choose not to attend, so be it; at least the Board will have done its duty as a Board.

Mr. Taniguchi agreed with Mr. Mukai; the Board should meet in West Hawai'i out of fairness to the community.

The Manager-Chief Engineer said he agreed that there should be some meetings in West Hawai'i; it would be good for public relations among DWS's customers in West Hawai'i. It would also present an opportunity to bring up local concerns, he said.

Mr. Robinson said he shared the Chairperson's view that the Board could meet in West Hawai'i when there is some pertinent event there, such as a blessing. Aside from that, it is much more fiscally conservative for the Board to just travel to Hilo and avoid uprooting DWS staff.

Chairperson Meierdiercks said the Board will keep the venues set two months ahead, so the March meeting will be in Hilo and the April venue will be left open for now. *(There was a general consensus to this suggestion.)*

Chairperson Meierdiercks said that he had discussed with Ms. Garson the idea of delegating authority for certain items to the Manager-Chief Engineer, amid a large number of documents currently being signed by the Chairperson or Vice-Chairperson. In the case of contracts or land ownership documents, etc., the Chairperson or Vice-Chairperson needs to sign, but other items could be delegated to the Manager-Chief Engineer or Division heads, he said. He questioned why all of these documents needed to be signed by the Chairperson or Vice-Chairperson.

Mr. Mukai, as former Chairperson and Vice-Chairperson, said this was a very good idea.

Chairperson Meierdiercks observed that the power that the Board has is here in the meeting room during Board meetings; the Board does not have power on an individual basis either before or after Board meetings. Any decision-making power rests solely during Board meetings, he said. Therefore, Chairperson Meierdiercks is trying to see what the Department can actually do on its own administratively, without so much input from the Board -- aside from essential items that the Board Chairperson/Vice-Chairperson needs to sign off on.

Ms. Garson said that for the next meeting, she would draft a Resolution for the Board that will delegate authority for certain items to the Manager-Chief Engineer.

Mr. Greenwell asked for clarification on the time of the Public Hearing.

Chairperson Meierdiercks said the Public Hearing would be at 9:45 a.m., just prior to the February 28, 2012, meeting that will begin at 10:00 a.m.

K. SECRETARY-ADMINISTRATIVE ASSISTANT POSITION -- ADMINISTRATIVE SERVICES BRANCH – ADMINISTRATION DIVISION:

The Department proposes to amend its Table of Organization to reallocate the Secretary-Administrative Assistant Position in the Administrative Services Branch to a Private Secretary position in the Administrative Services Branch, Administration Division.

The Private Secretary position is proposed to have the same salary rating of SR-20 and generally, the duties of the position will remain the same. The change is recommended to allow each Manager-Chief Engineer the ability to appoint a Private Secretary upon appointment to the Manager-Chief Engineer position. Currently, the Secretary-Administrative Assistant position is a civil service position whereby the incumbent remains in the position until he/she chooses to leave, not when the Manager-Chief Engineer leaves.

(The Board will have received the existing and proposed position organization charts in their packets.)

The Manager-Chief Engineer recommended that the Water Board approve the amendment to the Table of Organization to reallocate the Secretary-Administrative Assistant Position in the Administrative Services Branch to a Private Secretary position in the Administrative Services Branch.

MOTION: Mr. Robinson moved to approve; seconded by Mr. Mukai.

The Manager-Chief Engineer explained that this is part of a County-wide movement to convert the Secretary-Administrative Assistant position under Civil Service, to a Private Secretary, who comes and goes with the Director or Manager-Chief Engineer. He said he had temporarily assigned Ms. Doreen Jollimore to be his secretary, and if this change in position is approved, the Manager-Chief Engineer will move forward to appoint Ms. Jollimore as his Private Secretary.

Mr. Mukai asked whether this move is essentially changing the position from Civil Service to an appointed position.

The Manager-Chief Engineer confirmed this.

Mr. Kaneshiro asked if it was normal procedure to move from a protected Civil Service position to an appointed position.

The Manager-Chief Engineer said that it was not normal procedure per se; it is a move that the County Department of Human Resources had recommended to the Departments. So far, almost all of the County Departments had moved to have the appointed Private Secretary position, and the only exceptions so far are the Department of Water Supply and the Department of Human Resources, which still have Civil Service secretaries.

Mr. Kaneshiro asked if there was a reason for the move to appointed Private Secretaries.

The Manager-Chief Engineer said he did not know the reason for it.

Chairperson Meierdiercks asked if anybody else on the Board besides Mr. Mukai wanted to speak; this was his second request to speak. Hearing no other request, he recognized Mr. Mukai.

Mr. Mukai spoke in favor of the Motion, noting that having in place a Civil Service person means that person was aligned with the previous administration. Like a new coach of the UH football team, the new Department head will want to bring in their own staff; it was to the benefit of the new Department head to appoint someone he or she can work with.

The Manager-Chief Engineer said that both he and Ms. Jollimore have come from the Department; Ms. Jollimore has been with DWS for many years. It does provide for continuity.

Chairperson Meierdiercks asked if Ms. Jollimore has any problems with leaving her protected Civil Service status to move to the private side.

The Manager-Chief Engineer explained that if appointed Private Secretary, Ms. Jollimore would have return rights to her old position for four years. She would be taking a leave of absence for four years whereby if something happens within those four years, Ms. Jollimore would be able to go back to her old position. However, after those four years, DWS would be free to hire somebody else to that position. In that case, Ms. Jollimore would not be able to move back to her old position, but DWS would afford her an opportunity to move into another open position in that Secretary series.

Chairperson Meierdiercks thanked the Manager-Chief Engineer for the explanation.

ACTION: Motion carried unanimously by voice vote.

L. **MANAGER-CHIEF ENGINEER RECOMMENDATION OF MR. KEITH OKAMOTO FOR POSITION OF DEPUTY -- CONFIRMATION OF DEPUTY:**

(This Item was deferred from the December 20, 2011, Board meeting.)

In a letter dated January 13, 2012, the Manager-Chief Engineer recommended the confirmation of Mr. Keith Okamoto for the position of Deputy. The Water Board will vote on his confirmation.

Before entering Executive Session, the Manager-Chief Engineer said that he had no further statement beyond his letter asking the Board to confirm Mr. Okamoto as Deputy.

Ms. Garson said that at this point, the Board could move to go into Executive Session, and then return to this Item in open session afterwards.

MOTION: Mr. Taniguchi moved to go into Executive Session; seconded by Mr. Perry, and carried unanimously by voice vote.

(The Board took a break at this point, at 12:20 p.m., and went into Executive Session at 12:27 p.m.)

11) **EXECUTIVE SESSION RE: CONFIRMATION OF DEPUTY:**

The Water Board anticipates convening an executive meeting, closed to the public, pursuant to Hawai'i Revised Statutes, Sections 92-4, 92-5(a)(2), 92-5(a)(4), 92-5(a)(8) and Hawai'i County Charter Section 13-20(b) to discuss and consider Mr. Keith Okamoto for the position of Deputy, where consideration of matters affecting privacy will be involved, to deliberate or make decisions upon matters that require the consideration of information that must be kept confidential pursuant to state or federal law, or a court order, and for the purpose of consulting with the Water Board's attorney on questions and issues pertaining to the Water Board's powers, duties, privileges, immunities and liabilities. A two-thirds vote, pursuant to HRS Section 92-4, is necessary to hold an executive meeting.

(Executive Session started at 12:27 p.m., and ended at 12:45 p.m.)

10) **MISCELLANEOUS:**

L. **MANAGER-CHIEF ENGINEER RECOMMENDATION OF MR. KEITH OKAMOTO FOR POSITION OF DEPUTY -- CONFIRMATION OF DEPUTY:**

(This open session Item resumed at 12:46 p.m.)

MOTION: Mr. Taniguchi moved to approve the confirmation of Mr. Keith Okamoto as Deputy; seconded by Mr. Kaneshiro, and carried unanimously by voice vote.

The Manager-Chief Engineer asked about the effective starting date for Mr. Okamoto as Deputy, and noted that the Board also needs to set the Deputy's salary. He asked whether the salary issue needs to be agendaized. He recommended that the starting date, for paperwork purposes, be February 1, 2012.

Chairperson Meierdiercks said it was up to the Manager-Chief Engineer to set the starting date. He said that the Manager-Chief Engineer should come back to the Board with the salary recommendation at the next Board meeting, in February.

The Manager-Chief Engineer said he would come back to the Board with the salary recommendation next month. In the meantime, Mr. Okamoto would start on February 1, 2012, with this salary as Deputy to be determined.

Mr. Taniguchi suggested that Mr. Okamoto could be paid the new salary retroactively.

Ms. Garson confirmed this.

Chairperson Meierdiercks said he did not want to get into micro-managing the Department; the Board can approve or disapprove recommendations that the Department brings to the Board. The Board wants facts to back up the recommendations, but the Board will not run the Department. The Board will take the Manager-Chief Engineer's recommendation on the salary issue, he said.

The Manager-Chief Engineer confirmed that he would come back to the Board in February with the official salary amount for the Deputy.

12) ANNOUNCEMENTS:

1. **Next Regular Meeting:**

The next meeting of the Water Board will be held on February 28, 2012, at 10:00 a.m., at the Department of Water Supply, Operations Conference Room, 889 Leilani Street, Hilo, HI. *(This meeting will be preceded by a Public Hearing on the Power Cost Charge at 9:45 a.m.)*

2. **Following Meeting:**

The following meeting of the Water Board will be held on March 27, 2012, at 10:00 a.m., at the Department of Water Supply, Operations Conference Room, 889 Leilani Street, Hilo, HI.

14) ADJOURNMENT

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

Chairperson Meierdiercks adjourned the meeting at 12:49 p.m.

Secretary

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 Janet Snyder, 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.