

MINUTES

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

July 28, 2020

Via WebEx/Host Location: Department of Water Supply, 345 Kekūanaō'a Street, Suite 20, Hilo, HI

MEMBERS PRESENT VIA WEBEX: Mr. William Boswell, Jr., Chairperson
Mr. Eric Scicchitano, Vice-Chairperson
Mr. David De Luz, Jr.
Mr. Nestorio Domingo
Ms. Judy Howard
Mr. Zendo Kern
Mr. Benjamin Ney
Mr. Kenneth Sugai
Mr. Keith K. Okamoto, Manager-Chief Engineer, Department of Water Supply (ex-officio member)

ABSENT: Ms. Julie Hugo, Water Board Member
Director, Planning Department (ex-officio member)
Director, Department of Public Works (ex-officio member)

OTHERS PRESENT VIA WEBEX: Ms. Diana Mellon-Lacey, Deputy Corporation Counsel
Ms. Ann Hajnosz, Harris & Associates

Department of Water Supply Staff

Mr. Kawika Uyehara, Deputy
Mr. Richard Sumada, Waterworks Controller
Mr. Warren Ching, Energy Management Analyst
Mr. Kurt Inaba, Engineering Division Head
Ms. Judith Hayducsko, Chief of Operations (Temporary Assignment)
Mr. Clyde Young, Operations Division
Mr. Eric Takamoto, Operations Division
Mr. Ryan Quitarano, Engineering Division (11:05 a.m.)

- 1) CALL TO ORDER - Chairperson Boswell called the meeting to order at 10:00 a.m.
- 2) STATEMENTS FROM THE PUBLIC - None
- 3) APPROVAL OF MINUTES

ACTION: Mr. Sugai moved for approval of the Minutes of the June 23, 2020, Water Board Meeting; seconded by Ms. Howard and carried unanimously by voice vote.

- 4) APPROVAL OF ADDENDUM AND/OR SUPPLEMENTAL AGENDA – none

5) **WATER RATE STUDY:**

Ms. Ann Hajnosz of Harris & Associates provided an update on the status of the five-year water rate study. At the June Water Board meeting, the Board talked about looking at some COVID-19 impacts and she was tasked with several items. She is about 75% through those items, which include economic research of various sources to determine what people from financial institutions in the State are seeing and how some of those assumptions might be used in projecting the financial position of the Department of Water Supply (DWS) in the next couple of years. They have also looked at additional funding sources, for capital in particular, and have talked to DWS staff about their experience in using some of those funding sources. They are creating a monthly financial model to project the financial position, which includes looking at cash balances and debt position to come up with a projected balance sheet and income statement for fiscal years 2021 and 2022. There is interesting information coming from the University of Hawai'i (UHERO) reports from May, which was only two months ago, but seems like a long time now. They already had three scenarios at that time in terms of what the economy might look like. Interestingly, their most pessimistic projection showed the State welcoming tourists back in the fall, which, under the current circumstances, sounds like more of a baseline scenario. Despite that, their numbers for unemployment were in the mid 20's for Hawai'i County, but after checking a couple of weeks ago for Hawai'i County, the unemployment rate was looking better than April and May, and June has rebounded into the teens. Despite the dire forecast, the current trends are not looking so bad. She was curious if that was in line with what the Board Members might be seeing.

Chairperson Boswell stated that construction activity on the west side of the Big Island has been going faster than seen in the past several years. There are more people working, more people at every traffic light, and all of the lumber stores are busy. The resorts are remodeling and everybody is taking advantage of the down time. In his employment, there are 18 homes under construction.

Ms. Hajnosz stated that it was kind of a bright spot when looking at the economic research. With the uncertainty over whether Congress was going to extend unemployment benefits, it may cause people not to have that income security and that definitely has a direct impact on the level of delinquencies the Department will be projecting. When looking at the historical data over the last four months, revenue has been going down, as expected. Accounts receivables had a slight uptick in the last month or so; and the question is going to be asked--how much do the revenues go down with consumption and how much do those accounts receivables just start extending out to over 90 days? They will be watching to see whether the accounts receivables are sensitive to unemployment rates. That is a model they have seen from the American Water Works Association and is the kind of approach they will be using in terms of how they are going to assume that level of delinquencies that could be increasing for the DWS' customers. They have yet to study the details of consumption patterns, other than they certainly see the decrease in the third and fourth blocks, which is to be expected, especially as hotel use has dropped. As noted, there is still activity going on. People are still using water and the residential customers are probably using more water because everyone is at home. School usage and commercial use are down, which reflects in the third and fourth block usage going down. In speaking with another county, an interesting observation was that their numbers in consumption did not drop as much as they thought; and they attributed it to all of the hotels still keeping their swimming pools filled and common areas nicely watered and green. There is a big irrigation component they are saying is still there. What she thinks people are fearing in terms of the level of consumption may not be as bad as thought. She concluded that she anticipates coming back to the Board next month with a formal presentation with slides on what the projections are for the next couple of years and how it impacts the rate recommendation for January 2021. In the fall, the Board will need to have the discussion about whether to alter the rate recommendation or keep it the same, after which, public hearings will probably take place in October of this year. She asked if the Board had any questions. There being none, Ms. Hajnosz left the meeting at 10:09 a.m.

6) **POWER COST CHARGE:**

Departmental power costs from all power sources increased since the last Power Cost Charge rate was determined. The Department proposes to increase the Power Cost Charge from \$1.90 to \$2.01 per thousand gallons as a result of this increase. Power cost charges over the past two years were as follows:

February 1, 2020	\$1.90
October 1, 2019	\$2.00
June 1, 2019	\$1.96
February 1, 2019	\$1.89
August 1, 2018	\$1.94
April 1, 2018	\$1.88

A Public Hearing will have been held prior to this Board meeting to accept public testimony on this change.

The Manager-Chief Engineer recommended that the Board approve the increase of the Power Cost Charge from \$1.90 to \$2.01, effective August 1, 2020.

MOTION: Ms. Howard moved for approval of the recommendation; seconded by Mr. Sugai.

Mr. De Luz asked if there was an additional increase in the Hawai'i Electric Light Company (HELCO) tariffs since the last power cost adjustment. He mentioned it is difficult to compare the previous rate charges because it is usually added onto the additional surcharge.

Manager-Chief Engineer replied that if Mr. De Luz was referring to the demand charge increase implemented by HELCO, those are all built into the power cost adjustment. It is not as clear as comparing apples to apples when looking at the previous power cost charges because the previous power cost charges had that lower demand charge built into the rates. The simple formula is what the Department pays for pumping per thousand gallons is what is calculated for this power cost charge. It includes both the consumption and the demand charges.

Mr. De Luz stated that he wanted to make sure there is no misconception with the public, in that, unfortunately, this is a number beyond the control of the Department. He suggested a footnote or asterisk where the formula of the rate charge is described for people to appreciate and understand that this is a pass-through charge and is based on how the Department is charged by HELCO, using rates that are established by the PUC (Public Utilities Commission). This is more for the perspective of someone who may question the DWS is raising the charge when gas is so cheap. The component of the fuel cost is just one component in this rate charge. Perhaps from a public relations perspective, it could be something that could be added as a footnote to press releases.

The Manager-Chief Engineer thanked Mr. De Luz for those comments.

ACTION: Motion was carried by roll call vote (Ayes: 8, Ms. Howard; Messrs. De Luz, Domingo, Kern, Ney, Scicchitano, Sugai, and Chairperson Boswell; Absent: 1, Ms. Hugo).

7) SOUTH KONA:

A. **JOB NO. 2019-1114, KE‘EI C DEEPWELL AND BOOSTERS A & B REPAIR – REQUEST FOR TIME EXTENSION:**

The contractor, Beylik Drilling & Pump Service, Inc., is requesting a contract time extension of 62 calendar days. The contractor encountered issues with the existing booster suction cans requiring a change to the project scope of work.

Staff reviewed the request for the contract time extension and the accompanying supporting documentation and finds only 52 calendar days justified. *Note: There are additional costs associated with this time extension, but they are within the existing contract contingency and subject to force account.*

1st time extension – 121 calendar days (due to fabrication & testing of booster pumps) *approved at the February 25, 2020, Water Board Meeting*

2nd time extension – 30 calendar days (due to fabrication & testing of booster pumps) *approved at the April 28, 2020, Water Board Meeting*

3rd time extension – 52 calendar days

The Manager-Chief Engineer recommended that the Board approve a contract time extension of 52 calendar days to Beylik Drilling & Pump Service, Inc., for JOB NO. 2019-1114, KE‘EI C DEEPWELL AND BOOSTERS A & B REPAIR. If approved, the contract completion date will be revised from May 30, 2020, to July 21, 2020.

MOTION: Ms. Howard moved for approval of the recommendation; seconded by Mr. Kern.

The Manager-Chief Engineer announced that after the agenda went out, the Department received word from the contractor that the original intent to modify the booster suction cans cannot be accomplished because of the condition of the existing cans. They will now need to be replaced. He asked that the Board defer this item until the Department can get a better handle on what the scope will be. It will be brought back to the Board with a revised write-up including description of work and amount of time required. The hope is that the cost will remain within contingency.

Mr. Young shared his screen containing a graphic of the booster pump components and explained that work on this project is almost complete. The remaining work is on the two booster pumps. Booster pumps are used to move water from one elevation to another, usually from tank to tank or from lower to higher elevations. There are four parts to the booster pump: the motor sits at the top, the discharge head is in the middle area (the “can” which the pump sits in), and then the pump. The booster pump can is like a bucket of water where the pump is placed in it and it holds the water, where it takes suction and water is discharged. Water comes in the suction side, drops in the can, comes down, gets picked up at the bottom, sent back up, and out the discharge. During work on this project, the contractor has been finding more problems, mainly corrosion in what is called the sole plate at the base of the discharge head where it connects to the can. The first thought was to fit a liner in it to keep the project moving; however, it looks like the corrosion is so bad, the entire can assembly may need to be re-done. That usually means breaking up the concrete behind the can that supports it in place. Staff will be coming back to the Board next month with more detail on the extent of the work. It is expected to stay within the contingency amount, but the contractor will be asking for additional time to complete the work.

Mr. Ney asked if the part Mr. Young was describing is a flanged part with bolts, bolted down to the top and the bottom.

Mr. Young replied that was correct.

Mr. Ney asked if there was any way it could either be kept painted or greased to give it a barrier from oxidation. He mentioned that he runs into this problem all the time in his plumbing business where the housing components are not made of Stainless Steel or something durable for the weather. He asked if it is something the Department is investigating so it does not become a recurring issue on other pumps.

Mr. Young replied that the Department is looking into using Stainless Steel more often, which will probably take care of this situation. Historically, carbon steel was used, and it is not unusual for it to rust. Greasing that joint might be difficult because it would require lifting the pump, uncoupling it, and disconnecting electrical. The best solution is to use Stainless Steel materials.

Mr. Ney asked if greasing the outside exterior part might help somewhat. He mentioned they do that with their pressure reducing valves and adjustment bolts where they actually put a marine grease cap over it, and it keeps a film there to keep air from corroding those surfaces.

Mr. Young replied that it was something to consider and appreciated the suggestion.

The Manager-Chief Engineer added that everything above-ground is painted, including the nuts and bolts. The carbon steel is not exposed to the elements; however, corrosion can still happen with that.

Chairperson Boswell asked how the Board could go about deferral of this action.

The Manager-Chief Engineer stated that there needed to be some action to change the initial motion and second to a deferral.

MOTION/ACTION TO DEFER: Mr. Kern moved to defer this agenda item; seconded by Mr. De Luz and carried by roll call vote (Ayes: 8, Ms. Howard; Messrs. De Luz, Domingo, Kern, Ney, Scicchitano, Sugai, and Chairperson Boswell; Absent: 1, Ms. Hugo).

8) MISCELLANEOUS:

A. **MATERIAL BID NO. 2020-11, FURNISHING AND DELIVERING FIRE HYDRANTS, VALVES, AUTOMATIC CONTROL VALVES, LEGACY LEAK NOISE DATA LOGGERS, AND REMOTE PRESSURE MONITORING SYSTEM FOR THE DEPARTMENT OF WATER SUPPLY STOCK:**

Bids were opened on July 16, 2020, at 2:00 p.m.

The contract period for all Parts is five months, from August 1, 2020, to December 31, 2020. All Parts are established price agreements for materials on an "As-Needed Basis."

The Manager-Chief Engineer recommended that the Board award the contract to the following bidders for MATERIAL BID NO. 2020-11, FURNISHING AND DELIVERING FIRE HYDRANTS, VALVES, AUTOMATIC CONTROL VALVES, LEGACY LEAK NOISE DATA LOGGERS AND REMOTE PRESSURE MONITORING SYSTEM FOR THE DEPARTMENT OF WATER SUPPLY STOCK, on an as-needed basis, as listed below, 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 contract period shall be from August 1, 2020, to December 31, 2020.

Section No.	Description	Bidder	Amount
1	FIRE HYDRANTS	Pacific Pipe Co., Inc.	\$105,370.30
5	BALL METER VALVES	Pacific Pipe Co., Inc.	\$68,000.00
6	GATE VALVES – 3” AND LARGER, 125 POUND CLASS	Pacific Pipe Co., Inc.	\$39,916.00
7	GATE VALVES – 3” AND LARGER, 250 POUND CLASS	Pacific Pipe Co., Inc.	\$61,000.00
8	AUTOMATIC CONTROL VALVES	Pacific Pipe Co., Inc.	\$1,451,615.11
9	LEGACY LEAK NOISE DATA LOGGER & PARTS	Carlson Sales Hawaii, LLC	\$4,554.97

For the following Sections: Section 3 – Mueller Fire Hydrant Parts; Section 4 – Mueller Fire Hydrant Extension Kits; and Section 10 – Remote Pressure Monitoring System, no bids were received.

For Section 2 - Tamper Resistant Fire Hydrants, this Section was cancelled per Hawai‘i Administrative Rules, Section 3-122-96, in the best interests of the public.

For the Sections where no bids were received or were cancelled, staff shall obtain quotations in the best interests of the Department.

Chairperson Boswell asked for clarification on the sections that are being recommended for approval.

The Manager-Chief Engineer stated that only Sections 3, 4, 10, and Section 2 are being removed. The Sections shown in the table on the agenda are being recommended for approval. There were no bidders on Sections 3, 4, and 10. There was a bidder on Section 2; but per Hawai‘i Administrative Rules, Section 3-122-96, the Department decided to cancel that portion of the bid in the public’s best interests. **The Department is asking for approval for Sections 1, 5, and 6 through 9.**

MOTION: Mr. De Luz moved for approval of the recommendation; seconded by Mr. Scicchitano.

Mr. Scicchitano asked about the quantity. The amount, bidder, and description is shown but not the quantity for each category.

The Manager-Chief Engineer stated that some of the Sections have several hundred items within them and because the bid packet is so voluminous, it was not included in the agenda packet. It can be supplied upon request. He asked Mr. Takamoto to describe the items within these sections.

Mr. Takamoto explained that for Section 8, there are 481 items, which is why the amount is so high, and other sections like Section 9 would only have 7 items. The material bid package contains the various items and quantities that were solicited.

The Manager-Chief Engineer asked the Board to send their request through the Secretary if they wished to be provided with the bid by email.

Mr. Scicchitano replied that he would like to see it. From a disclosure perspective, it would be good to see each section and what they contain, for example, fire hydrants.

Ms. Howard asked if these were the only bidders for the various items.

Mr. Takamoto replied they were the only bidders that participated in this solicitation.

Mr. Ney asked if, on some of the items like automatic control valves, the bidder has to go out to local vendors or if they can go directly to the manufacturers/distributors. He mentioned that he sometimes bypasses the local vendors because of the mark-up on cost. He also asked how many different companies the Department deals with for parts such as Cla-Val or Flomatic.

Mr. Takamoto replied that typically, these solicitations are done on Public Purchase and anyone registered with Public Purchase is free to participate in this bid. Typically, only the local vendors choose to participate. Mainland manufacturers usually go through the local distributors to participate. As far as the manufacturers that are dealt with, only those parts that are included in the Water System Standards are allowed, otherwise, a substitution request needs to be sent in for consideration.

Mr. Ney thought that the information could be sent out to the regional distributor to at least allow them a chance to provide a bulk order discount. It would probably help cut the costs down by not having the mark-up of the local supplier.

Ms. Howard thought that it seems like more information is needed before the Board can act on this; therefore, she moved to defer action. (There was no second to her motion.)

Chairperson Boswell asked for the Manager-Chief Engineer's thoughts. He stated that he has seen this same circle go around several times.

The Manager-Chief Engineer recommended moving forward with this agenda item today. He explained that it is a standard material bid and these items are used on a year-to-year basis and only purchased when inventory is depleted. If there are individual comments or concerns from Board Members, they can be addressed; however, this is a competitive process. He understood where the discussion was coming from in order to solicit more participants, but there is only so much the Department can do without calling into question who was contacted and who was not. The Public Purchase system works fairly well, and there is opportunity for mainland or regional distributors to participate and the Department has been getting more inquiries from out-of-state participants. These are vendors and distributors that the Department works with and have provided support to the Department in the past and is comfortable continuing to do business with them. If not approved today, it may affect some of the current supplies. His recommendation was if the Board would trust the Department and move this forward, individual questions can be responded to on a case-by-case basis.

Chairperson Boswell appreciated the Manager-Chief Engineer's comments.

Mr. De Luz mentioned material shortages in his business due to plant shut-downs; and if these bids are not locked in right now, his concern would be that some items may not be available or you may see an increase in prices that may jeopardize this particular RFP. He asked the other Board Members to consider what the Manager-Chief Engineer had suggested, being able to rely on their best judgment and move forward with award.

ACTION: Motion was carried by roll call vote (Ayes: 8, Ms. Howard; Messrs. De Luz, Domingo, Kern, Ney, Scicchitano, Sugai, and Chairperson Boswell; Absent: 1, Ms. Hugo).

B. RESOLUTION NO. 2020-02, APPROVING RECEIPT AND EXPENDITURE OF MONIES FOR THE DEPARTMENT OF WATER SUPPLY CAPITAL IMPROVEMENT PROJECTS FUNDED BY THE DRINKING WATER STATE REVOLVING FUND (DWSRF); AND AUTHORIZING THE MANAGER-CHIEF ENGINEER OR DEPUTY TO REDUCE, REPLACE, AND ALLOCATE UP TO \$7,000,000.00 IN MONIES FOR SAID PROJECTS, IN THE FORM OF A LOAN AGREEMENT OR GRANT BETWEEN THE STATE OF HAWAII AND DEPARTMENT OF WATER SUPPLY, COUNTY OF HAWAII:

DWS is submitting a loan application to fund Capital Improvement Projects with the Drinking Water State Revolving Funds (DWSRF). One of the prerequisites for the loan is a Resolution approved by the Water Board. This Resolution authorizes the Manager-Chief Engineer or the Deputy to execute loans and/or grants with the State Department of Health for up to \$7,000,000.00.

The Manager-Chief Engineer recommended that the Water Board adopt DRINKING WATER STATE REVOLVING FUND RESOLUTION NO. 2020-02, subject to the approval of Corporation Counsel.

MOTION: Ms. Howard moved for approval of the recommendation; seconded by Mr. Ney.

The Manager-Chief Engineer asked Mr. Inaba and Mr. Sumada to explain how this program works and why the Department uses it so often. It is a funding source that the Department uses for a lot of its CIP projects and is considering using it for well repair projects. This programmatic financing is the direction that the State Department of Health, Safe Drinking Water Branch, wants to move into. It provides more flexibility to tap into a larger sum of money and comes with terrific interest rates and loan fees.

Mr. Inaba stated that the program allows contracts to be funded up front and allows the Department to carry a larger Capital Improvement Project list. The loan fee is 1% and interest is .25%, overall is 1.25% and is spread out over twenty years. It allows the Department to operate within a nominal amount in CIP reserves.

Mr. Kern asked if the interest rate is fixed or if it would fluctuate.

Mr. Sumada replied it is a fixed rate for over the life of the loan.

Mr. Kern commented that was very good and the Department should borrow more.

Mr. Sumada agreed that it is a very good rate and this program provides a lot of money for the Department's construction projects and over the last several years has pretty much eliminated the need for the Department to seek General Obligation bonds, which are very cumbersome and difficult to administer. The Department has not had a General Bond Issue for about 10 years since this State loan fund has been able to cover most of the construction.

Mr. Domingo asked how the Department would repay this loan.

Mr. Sumada replied that each year in the operating budget, money is set aside to repay loans and principle and interest. The water rates take into consideration the obligation for these loans.

ACTION: Motion was carried by roll call vote (Ayes: 8, Ms. Howard; Messrs. De Luz, Domingo, Kern, Ney, Scicchitano, Sugai, and Chairperson Boswell; Absent: 1, Ms. Hugo).

C. JOB NO. 2018-1093, SOLAR PHOTOVOLTAIC ENERGY GENERATION SYSTEM AT FIVE (5) DEPARTMENT OF WATER SUPPLY LOCATIONS - POWER PURCHASE AGREEMENT - REQUEST FOR TIME EXTENSION:

The contractor, EnRG Hawaii Solutions, LLC, is requesting a contract time extension of 15 calendar days. Associated with the initial stay-at-home order, the State of Hawai‘i had a mandatory 14-day self-quarantine for inter-island travel in effect through June 15th, which caused delays to the project work schedule since the contractor is located on Oahu. These delays were beyond the control of the contractor.

Staff reviewed the request for the contract time extension and the accompanying supporting documentation and finds the 15 calendar days justified.

1st time extension – 68 calendar days (*approved at the June 23, 2020, Water Board meeting*)

2nd time extension – 15 calendar days

The Manager-Chief Engineer recommended that the Board approve a contract time extension of 15 calendar days to EnRG Hawaii Solutions, LLC, for JOB NO. 2018-1093, SOLAR PHOTOVOLTAIC ENERGY GENERATION SYSTEM AT FIVE (5) DEPARTMENT OF WATER SUPPLY LOCATIONS – POWER PURCHASE AGREEMENT. If approved, the contract completion date will be revised from September 8, 2021, to September 23, 2021.

MOTION: Mr. Scicchitano moved for approval of the recommendation; seconded by Ms. Howard.

The Manager-Chief Engineer stated that the Board may recall taking action on a time extension for this last month. This item is similar to the next one on the Board agenda today. What was not included last month was the inter-island quarantine which was unknown by the time the agenda went out for that meeting. For this current request, the inter-island quarantine was ended during this time period, and the Department and contractor were able to get a better schedule that included the impacts of the quarantine, which resulted in this second time extension request. Mr. Ching is available if there are questions.

Mr. De Luz stated that, unfortunately, in this new normal, it might be worthwhile checking with Corporation Counsel to see if, moving forward, there might be any type of force majeure or any type of government suspension orders. There should be some language in the contracts that would afford the agency and the contractor some latitude with how they might be dealt with, since they are beyond the control of the Department and the contractor. In that regard, maybe the new normal would be to require a performance bond and see if that is an opportunity, only because in these delays, it could theoretically force them to go out of business.

The Manager-Chief Engineer thanked Mr. De Luz for his comments.

ACTION: Motion was carried by roll call vote (Ayes: 8, Ms. Howard; Messrs. De Luz, Domingo, Kern, Ney, Scicchitano, Sugai, and Chairperson Boswell; Absent: 1, Ms. Hugo).

D. JOB NO. 2018-1093, SOLAR PHOTOVOLTAIC ENERGY GENERATION SYSTEM AT FIVE (5) DEPARTMENT OF WATER SUPPLY LOCATIONS - CONSTRUCTION OF ROOF COATINGS AT FIVE (5) DEPARTMENT OF WATER SUPPLY LOCATIONS - REQUEST FOR TIME EXTENSION:

The contractor, Greenpath Technologies, Inc., is requesting a contract time extension of 15 calendar days. Associated with the initial stay-at-home order, the State of Hawai‘i had a mandatory 14-day self-quarantine for inter-island travel in effect through June 15th, which caused delays to the project work schedule since the contractor is located on Oahu. These delays were beyond the control of the contractor.

Staff reviewed the request for the contract time extension and the accompanying supporting documentation and finds the 15 calendar days justified.

1st time extension – 68 calendar days (*approved at the June 23, 2020, Water Board meeting*)
2nd time extension – 15 calendar days

The Manager-Chief Engineer recommended that the Board approve a contract time extension of 15 calendar days to Greenpath Technologies, Inc., for JOB NO. 2018-1093, SOLAR PHOTOVOLTAIC ENERGY GENERATION SYSTEM AT FIVE (5) DEPARTMENT OF WATER SUPPLY LOCATIONS – CONSTRUCTION OF ROOF COATINGS AT FIVE (5) DEPARTMENT OF WATER SUPPLY LOCATIONS. If approved, the contract completion date will be revised from September 8, 2021, to September 23, 2021.

ACTION: Ms. Howard moved for approval of the recommendation; seconded by Mr. Kern; and carried by roll call vote (Ayes: 8, Ms. Howard; Messrs. De Luz, Domingo, Kern, Ney, Scicchitano, Sugai, and Chairperson Boswell; Absent: 1, Ms. Hugo).

E. MONTHLY PROGRESS REPORT:

Mr. Inaba reported on some projects as follows:

North Kohala - Hala‘ula Well Development, Phase 2

The project has been moving along smoothly. The property changed hands, but the new owner has been cooperative as far as getting on their private property to work within the pipeline easement.

Pāpa‘ikou Transite and G.I. Pipeline Replacement

The contract been signed by the U.S. Department of Agriculture, and Notice to Proceed should be issued shortly. The contractor should be starting work within a couple of months.

North Kona Mid Level Deep Well Development Phase 1

The project is moving along well. The consultants are nearing completion of the Environmental Assessment, and the property owner has been cooperative as well. He asked if there were questions.

Mr. Domingo thanked the Department for finishing chlorination on the Wai‘aha Water System Improvements - Transmission. It is good for the residents in the area.

Mr. Ney had a comment, not related to the progression of the projects, but that he has been approached by multiple people within his district about the County making more information public and having more accessibility to the Department of Water Supply (DWS). In too many cases, they think the DWS operates in a shell and is very inaccessible in terms of getting to the Administration over any concerns

or needs. A number of community members have wanted to have a meeting, or at least once or twice throughout the year, with the County heads to get some clarity on things related to their district.

Mr. Domingo asked about the Kahalu‘u Shaft Inclined Lift project and who would be doing the pre-final inspection and testing.

Mr. Inaba replied that there is a State inspector to perform that inspection and it has been requested and should be done sometime next week. That person needs to travel from Oahu. In answer to Mr. Domingo’s question of whether the State would be certifying that work, he replied that was correct.

F. REVIEW OF MONTHLY FINANCIAL STATEMENTS:

Mr. Sumada stated that he added another schedule to the Financial Statements, on Page 7, based on comments from the Board at last month’s meeting. It shows the Department’s accounts receivable aging schedule. The second to the last column shows consumption and the last column with the 1115 heading reflects the Department’s cash account. Toward the bottom, May and June 2020, shows the negative condition that the Department’s bank account ended in fiscal year end. On the second page of the Financial Statements are write-ups for those three items.

Mr. De Luz asked if that meant the Department is in catch-up mode in trying to get the rate increases in effect. The decline in consumption has exasperated the cash balance, meaning there are two perfect storms, one being a decline in consumption and an increase in expenses, and the other being the rates that are not where they need to be to replenish the income. He recalled what was mentioned before was that the Department needs to supplement its operating account with cash reserves, and the unfortunate scenario is that until there is a rate increase, the Department will continue to see a negative operating balance for another four to six months, hopefully sooner, but that may be the trend.

Mr. Sumada replied that was correct.

Mr. Sugai commented on the recent and past hurricane threats where bottled water sells out, along with other household items and wondered if there were any programs, such as when the Department had the rain barrel program, to help in educating the public about water containers that can be purchased at hardware stores to store tap water rather than buying bottled water, which is probably better in a lot of situations.

The Manager-Chief Engineer thanked Mr. Sugai for his comment. It is on the list of things the Department would like to accomplish with its public information efforts, that there are other ways to stockpile water. The Honolulu Board of Water Supply has their own videos which this Department piggybacks on and posts on its own website, but it is a continuing effort to try and get the word out.

Ms. Howard stated that she is on catchment and uses bottled water but that ACE Hardware sells empty 5-gallon bottles that are free of BPA and safe to use for storing water. They would end up saving a lot of money.

Mr. De Luz wondered if there might be an opportunity to work with a vendor, like ACE Hardware, with a DWS coupon reimbursement for a bottle, especially for emergency preparedness and perhaps partner with Hawai‘i Energy if there is any capacity to do that. One of the things that may not be well known is that the Department’s water quality is generally superior to most bottled water.

The Manager-Chief Engineer appreciated all of the terrific points made today, and the Department can do a better job of getting the word out and partnering with various small businesses and would definitely look into that.

Chairperson Boswell stated that on their property, prior to COVID-19, they had made arrangements and were putting water filtering machines in at several locations on the property. They are banning all plastic bottles and providing each household with glass 5-gallon water bottles. They would take care of the sanitation and deliver them back to the residents. What was interesting, however, is that COVID-19 made it not fashionable. However, it is set up and ready to be done, once the COVID-19 situation has passed. On a second note, everybody on the Hilo side is appreciative of the quality of their water; and on the west side of the island, more in the Kona area, the water quality is a bit different. It is not bad water, but it is very popular in his area to filter the tap water. It is a requirement in his house and many houses have the three-stage carbon filters under the sink. The water is just not as desirable as it is in Hilo.

Mr. Sugai agreed that the water quality is different in South Kona from the water in Kailua-Kona.

The Manager-Chief Engineer stated that the Department's long-term effort is to get away from the basal source. The mid elevation well might be a game changer for the area. That water quality is going to be terrific.

Mr. Ney asked if the revenue does not turn around would there be more ability for people requesting meters. He has a client that was submetering from someone's line, but that person cut him off because she wanted the volume for agriculture and did not want to share it with him any longer. He said he did not care what the cost is to have the County put in a meter, and did not care about paying for the water, he just could not utilize his lot for agriculture with an underground 15,000-gallon cistern, which is the only thing he has. There are a lot of these cases in his district where they are stymied from getting a meter. When it goes all the way up the County or the Department of Water Supply, it seems like there is resistance. He wondered if that could be looked at because there are people wanting to use more water right now, and the Department is promoting water use rather than conservation to bring in revenue. This is the time to look at that more closely.

The Manager-Chief Engineer clarified that agricultural water is not the Department's mission. The Department does provide reduced rates due to political pressure from outside parties but it loses money on agricultural rates. In Kohala, the Hala'ula Well project is going to add some capacity to the system and there should be more water availability; but primarily, it is going to be water availability spread throughout the region. It is not going to be a large chunk of water to be allocated to any one particular user and that is how water availability is typically done for various water systems. The Department did talk to Senator Lorraine Inouye who had found money for a study. There were efforts being made to develop alternate sources of water for agricultural use. Initially they were talking about developing sources, running it through the system, and allocating it to specific parcels but nothing has been formalized yet. Without that State-backed effort or investment into agricultural resources, the Department's focus needs to be to maintain its mission for safe drinking water. Water for agriculture is definitely secondary. That would fall within the State Department of Agriculture or the U.S. Department of Agriculture. It should not come from a potable water system.

Mr. Ney asked if the Manager-Chief Engineer thought the Department is being too generous on the agriculture rate.

The Manager-Chief Engineer replied that is something for the Board to consider. It is a challenge. Before the Department starts raising rates for the general population, other things need to be reviewed,

loopholes closed up, where people are taking advantage, etc. Some people are not doing agriculture for the intended purpose, which is to supply the community with produce. They are using it for vacation rental purposes so people can pick fruit on their property. There are also agricultural rates going to NELHA (Natural Energy Lab of Hawai'i Authority) and the largest user within NELHA is Cyanotech which produces BioAstin, a pharmaceutical product, versus an agricultural product. He understood this supports the economy, but the Department's mission is safe drinking water. He would like to bring this to the Board for discussion at some point in time because it is affecting finances. About 2% of the customer base are agricultural users, but they may account for 10% of the consumption. It is something that needs to be kept track of as far as energy efficiency and making sure revenues meet or exceed expenditures. There are a lot of things on the Department's plate right now, not to mention COVID-19 and hurricanes; but agricultural rates are subsidized and should be discussed down the road.

G. MANAGER-CHIEF ENGINEER'S REPORT:

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

1. North Kona Wells – the Deputy reported that of the 14 North Kona Wells, seven are online. Over the last month, a seventh well went offline. Staff has been working diligently to review and monitor the situation and make adjustments as needed to ensure customers have their daily water needs met. He reviewed the wells in the order in which they are anticipated to be back online based on their current repair projects and status. For Kahalu'u C, repairs are ongoing and based on the current schedule, plans are for reinstallation and start-up by mid to late August. For Keahuolu Well, repairs are ongoing. The contractor is finishing the cleaning of the well, and the anticipated completion is the end of August. Kalaoa Well, the latest one that went offline this weekend, had been running since 2007 (13 years). It was one that was kept online but a repair project was put out to bid previously. It was awarded but the Department had the contractor on standby. They were told to hold off on doing that repair until some of the other high-level wells were back online. The contractor was notified when the well went down this weekend. They are mobilizing, and the replacement equipment is on island at the contractor's baseyard in Kona. The estimated repair timeframe is 1½ to 2 months, or mid to late September. The next one is Palani Well. The replacement equipment such as the column pipe and power cable were received. Pump and motor are anticipated to be delivered early October and installation thereafter. Kahalu'u B Well is ongoing, but the other well repair projects are taking higher priority. The anticipated completion date is the end of December 2020. For Wai'aha Well, it is on litigative hold. The Engineering Division is still working on the evaluation study with the consultant and contractor. Equipment is on island and they plan to get it installed and ready for purging and cleaning the week of August 10 and hopefully have the evaluation and study of that well completed by end of August. The seventh well is Makalei Well. The developer expects to bid out their repair project in the next month, and the developer also has to submit a draft revised agreement to the Department's for review. He reiterated that staff is working hard to monitor the system daily, throughout the day, and make adjustments where needed. Kona and Hilo staff are working hard to make sure the demands and the needs of the community are being met. The Department is prepping public relations messages, if needed, and will evaluate with Operations to see what the need is for public messaging.

Mr. Domingo stated that he was very concerned with this situation, having 50 percent of the wells down and 50 percent online. Perhaps, as the Deputy mentioned, the Department should start putting out advisories for water conservation.

The Deputy stated that there is a current water conservation notice in effect; however, the Department is evaluating sending out a reminder notice about conservation, and staff continues to monitor the tank levels on a daily basis.

Mr. Domingo stated that it seemed like the Department is taking one step forward and two steps back. There does not seem to be any progress.

The Deputy stated that Kahalu‘u C and Keahuolū wells are under repair, and the contractors are working on getting them finished as soon as possible.

The Manager-Chief Engineer agreed that more wells need to be up and running and that numerous wells are under repair. They also have been impacted by COVID-19 related delays. Part of the contingency plan is to use the test pump for the Wai‘aha evaluation and pump water, treat it, and put it into the system.

Mr. Sugai asked what kind of response, as far as reduction in use, did the Department receive when it ran the 10% conservation and the 25% restriction.

The Deputy replied that it was difficult to see, exactly. It may have been anecdotal evidence that people were reducing usage, and weather may have also helped. It sounds like there was rain, which made consumption go down a little.

Mr. Sugai stated that if it does not change behavior too much and raises concerns in the public in terms of people being stressed and looking for something to jump on, it might not be worth it. He could see if it was going to make a difference in consumption, but he would be cautious before raising the alarm just so that people are not freaked out over another thing.

The Deputy agreed that the Department would want to be careful and compassionate with what is disseminated, with everything going on in the world, to make sure it is needed before sending out.

Mr. Ney thanked the Department for the earlier information on the agricultural rate and thought that somehow, the Department, and not just the County, has to have a better review process of the agricultural rate because it is correct that some properties have just one hen or one goat and the barn upstairs is rented out as a short-term vacation rental. It is not fair to have someone get that kind of a rate extended to them while everyone else pays a different rate. He wondered if there is a way to work with the County Council. There is no enforcement of this across the island in any regard, whether it is the tax rate or the water rate that people get for agriculture. He would like to work with the Department and brainstorm on some things in that regard because the Department should get a fair return for the product it is delivering to the customer.

The Manager-Chief Engineer stated that he could not respond to this today, since the agenda item is for the Kona Wells; but he would place agricultural rates on a future agenda in order to have a more robust discussion where he could share with the Board what is known from the County on agricultural exemptions.

2. COVID-19 Update – The Manager-Chief Engineer announced that because of the spike in cases and what is happening on Oahu, it was decided that the Department continue in person services by appointment only. That seems to have worked well for the Department, with the use of entry monitors from the contracted security firm, which have helped the main and district offices in keeping both the employees and the customers safe and protected. This will continue through August and possibly further if infections continue to be of concern. One other thing is that if the inter-island travel quarantine is reinstated, it may affect the Department’s contractors. How this has been worked through is to communicate, to the State, the need to have contractors break quarantine to do the work. Fortunately, this is the contractor’s home island but when they return from jobs on other islands, it is like they are returning home. It may make a difference in how they manage the

quarantine. This island is in a better position than other islands, and he was pleased to report that there have been no major impacts to staffing due to COVID-19. If there were an infection resulting in the need to shut down a wing or a district office, it would be very problematic for the Department's operations. Overall, staff has been terrific with wearing masks and social distancing.

3. Employee of the Quarter (second quarter of 2020) – Mr. Ryan Quitariano, in the Engineering Division was the recipient of the Employee of the Second Quarter award. Mr. Inaba stated that Mr. Quitariano (Ryan) is in the Water Resources and Planning Section. He has been instrumental in terms of helping the Department overall with implementing the new Customer Service Northstar Communications system. He has helped, not just Engineering, but every division and everyone involved with that. He is that kind of “go-to” guy and knows how to get information such as maps and subdivision information, even if it is not something that is in this office. He is the type of individual that everyone feels comfortable asking for help and is very easy to work with. He congratulated Ryan on a job well done. Ryan thanked everyone who nominated and selected him and stated he is glad to work at the Department and everyone is great to work with. The Board Members congratulated Ryan, and Mr. Kern added that he has a lot of experience working with Ryan at the Department, and he is a great asset. The Manager-Chief Engineer added that Ryan helps with GIS and has helped Finance, not only with the updated billing system, but with the Automatic Meter Reading system. He is also currently helping the newest employee in the Engineering Division manage some of the filing. If anyone has ever seen the desks in Engineering, there is no shortage of paper. He is another asset that the Department stole from the private sector, and it is nice to see an Engineer get recognized.
4. Retirees of the Department of Water Supply – the Manager-Chief Engineer announced that the Department had two employees retiring at the end of this month. One wished to remain anonymous and the other is Mr. Calvin Uemura, who was not present today by WebEx. Mr. Sumada stated that Mr. Uemura has been the Customer Service Supervisor for the last ten years. He has been with the Department for 19 years, and it will be tough to see him go. He is an outstanding employee and has won the Employee of the Quarter award and the Employee of the Year award a couple of times. He was critical in the Department's upgrades to its billing system that that were just completed earlier this year and will be missed. The Manager-Chief Engineer added that Calvin could have retired last year but stuck around to help work out the bugs with the new billing system, which shows his dedication. He is also the custodian of records for when there are contested case hearings and is typically the one who gets called into the hearings. He leaves big shoes to fill and is sad to see him go. He congratulated Calvin on a well-deserved retirement.

H. **CHAIRPERSON'S REPORT:**

Chairperson Boswell stated that this technology is still baffling him a bit and apologized for not getting online as quickly this morning. He does have a camera but it does not seem work with WebEx, but he would work on it. He appreciated everyone's contributions today and looks forward to talking about the water rates and the agricultural rates. He is a firm believer that there is much to be done there. Another thought that he had was to see if it were possible to make the material standards that govern the water supply's procurement available to the Board Members. The Department has set materials that have been pre-approved and do not allow random change-outs of different products. He is aware of the Standards from being a contractor, and it has been held tight for quite some time. Perhaps it could be made available to people like Mr. Ney to give them a better idea of what the Department works with. He opened it up to other Board Members, if they had anything today.

Mr. De Luz stated that the new normal is going to be a combination of virtual and some limited social distance face-to-face meetings, but he wondered, once the emergency orders are lifted, how it will work

in regard to protocol for these hosted meetings. He added that this leverages his time if he is not able to physically be there, and now that Sunshine Law issues are currently suspended or modified, he wondered if it might be possible to see if Corporation Counsel could see if it is something that can continue. It is nice not to have everyone required to be physically present and can join the meeting through WebEx. He thinks it will be the new normal for the rest of the year.

Mr. Kern concurred and stated that it should be seriously looked at to try and find some “lemonade” to come out of this in a possible way.

The Manager-Chief Engineer clarified that these meetings are in compliance with Sunshine Law and Office of Information Practices requirements, by having it streamlined via Facebook as well as opening it up for oral testimony via participation in the WebEx. He mentioned he did have a brief email with Chairperson Boswell, and it looks like the plan is to continue the WebEx meeting format at least throughout the next couple months and probably through the end of the year because it does not look like we will be clear of this emergency by then.

Mr. Kern wondered if, once the emergency is lifted and things are back to normal, if this tool can still be utilized, such as a quasi in-person and WebEx meeting if someone could not attend. As Mr. De Luz mentioned, there is a lot of optionality and time management that is awesome. It has changed his life outside of this, as far as work goes, and thinks it is something that should be looked at.

The Manager-Chief Engineer agreed it is something to look into.

9) ANNOUNCEMENTS:

1. Next Regular Meeting:

August 25, 2020, 10:00 a.m. (originally scheduled to take place at West Hawai‘i Civic Center; to be changed to web conferencing).

2. Following Meeting:

September 22, 2020, at 10:00 a.m.

10) ADJOURNMENT

ACTION: Ms. Howard moved to adjourn the meeting; seconded by Mr. Kern and carried unanimously by roll call vote (Ayes: 8, Ms. Howard; Messrs. De Luz, Domingo, Kern, Ney, Scicchitano, Sugai, and Chairperson Boswell; Absent: 1, Ms. Hugo). (Meeting adjourned at 11:46 a.m.)

Recording Secretary

APPROVED BY WATER BOARD
AUGUST 25, 2020