

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

August 25, 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  
Ms. Julie Hugo  
Mr. Zendo Kern  
Mr. Benjamin Ney  
Mr. Kenneth Sugai  
Mr. Keith K. Okamoto, Manager-Chief Engineer, Department of Water Supply (ex-officio member)

ABSENT: 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  
Mr. Charles Chacko, President, Greenpath Technologies, Inc.

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

- 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. Kern moved for approval of the Minutes of the July 28, 2020, Public Hearing on the Power Cost Charge and the Minutes of the July 28, 2020, Water Board Meeting; seconded by Mr. Scicchitano and carried by roll call vote (Ayes: 9 - Mss. Hugo and Howard; Messrs. De Luz, Domingo, Kern, Ney, Sugai, Scicchitano; and Chairperson Boswell).

- 4) APPROVAL OF ADDENDUM AND/OR SUPPLEMENTAL AGENDA – none
- 5) WATER RATE STUDY:

Ms. Ann Hajnosz of Harris & Associates provided an update on the five-year water rate study. After direction from the Board to research COVID-19 economic impacts and COVID-19 funding sources, she built a two-year monthly model, which shows things on more of a granular basis relative to the rate study. For economic research, they looked at five entities to get a sense of what the economy was doing in Hawai‘i, and the Big Island as much as possible. Things were moving so fast that a lot of the research that had been published in July already feels different now, at the end of August. She had been in Honolulu over the last two weeks, and it felt like things were changing almost every few days. Four of the five reports looked at a historical perspective in terms of taking a survey of the residents or businesses. The only one looking at it from a futuristic standpoint was the University of Hawai‘i Economic Research Organization (UHERO), which she focused on more. It was published in May and the numbers already feel somewhat outdated. Their forecast was more positive because the unemployment rate on the Big Island now is under 20%, and their baseline is 22% for the year. They see unemployment for 2021 and 2022 at 11.6% and 7.8%, respectively, an indication of what the rate payers are going to be going through in the next few months. Visitor arrivals are down and were thought to be coming back in the fall. UHERO’s report shows their pessimistic scenario having tourism recovering in the fall; and whether the October 1 deadline to open up the State is going to be realized, is yet to be seen. In mid-August, UHERO did a follow-up survey of 464 businesses, and they are reporting no improvement in job growth. In fact, they are expecting even more layoffs in the future. She asked if this is consistent with what the Board Members have been hearing in their communities. They have gone through the summer with some stimulus money, but now that is done. Going into August, there is some uncertainty on whether additional stimulus money will come, and the opening of the State has now been pushed back to October 1. It feels like there is some pessimism there.

Mr. Ney stated that there needs to be a long-term pessimistic view or long-term planning approach to this, with the hope for a short-term recovery. In terms of the Department of Water Supply (DWS) having to be self-sustaining in its budget, he thinks changes need to be made early on, whether it be pruning back expenses, but that the numbers need to be reconciled. By looking at the budget, he thinks DWS will be upside down pretty quickly if this continues. These changes need to be made early on because it is going to be a while before we are out of this rut.

Ms. Hajnosz thanked Mr. Ney for his comments.

Mr. Kern stated that every study being done is basically obsolete after about four weeks. He does not like using the unemployment rate at all and does not agree with its forecast going down below 12%. He believes it is just a reflection of people falling off unemployment or not filing. Realistically, the unemployment rate is still as high as it ever was. Anybody in tourism is shot and hotels are not reopened. He would say that scenario is optimistic and it will probably be difficult to find accurate information; therefore, he would say to double the worse-case scenario.

Mr. De Luz stated that two things came to mind, and may be more in Mr. Sumada’s area, and that was what the delinquency trend looks like as it impacts cash flow. He thinks the DWS has a higher health and safety purpose as far as being a public utility and being able to supply water to its customers; and the mission is a little more complex with regard to how water is delivered. He believed the DWS would probably qualify as an essential workforce in regard to providing that service. In that regard, there is a heavier burden as far as maintaining that level of service. If there is a trend in delinquency, perhaps there is a need to be intuitive in how cash flow is maintained. He gave an example from his experience, they would have people consistently paying 30 days late. They paid on time, but 30 days late. The key is to have a program that continues payment, along with the other issues mentioned as far as maintaining expenses as best as possible. It is like a double-edge sword in this mission as a public utility. That being said, he is looking more at cash flow; and in the event of a rate increase, although it is burdensome, the next three years are going to be challenging. The goal is will there be enough people paying the new rate to keep the DWS steady. It is not

going to keep DWS flush, but its cash flow would at least be at a point where operations can be maintained. There may not be the ability to provide additional services, but the key is to have a base foundation on what can be provided. A bit of what Ms. Hajnosz presented may be crunched some more by the Department to give a concept of what that trend would be, with the understanding that the Department's mission as a utility is not to shut off services but that it needs to provide that service and keep the customers paying something, whatever that is, to keep the Department surviving.

The Manager-Chief Engineer noted that Ms. Hajnosz's presentation will touch on some of those points such as delinquencies and Operating and Maintenance (O&M) expenditures.

Ms. Hajnosz continued that they did some work on trying to identify additional COVID-19-related funding sources, and the short answer is there are not a lot that are going to be material to DWS from the standpoint of helping alleviate some of the rate increases. The Department is going to get a little bit of money from the CARES Act where COVID-related expenses can be submitted for funding. Other funding sources, such as the Safe Water Infrastructure Action Plan, is something relatively new and it is unclear as to how it will be allocated. It is supposed to work through the State revolving funds streamlining some of the administrative burden. It is something to watch for sure. The FEMA Building Resilient Infrastructure and Communities Program is a new program but it just replaces the Response and Hazard Mitigation funding source the Department is already participating in. The Water Infrastructure Finance and Innovation Act (WIFIA) program is a relatively new program geared toward very large projects, \$15 million to \$20 million and up, and is something to look at for future large projects. The most promising funding source is something the Department is already using, which is the State Revolving Fund loans, specifically the Programmatic Financing (Pro-Fi) program, which they encourage as much participation as possible. In speaking with the Finance and Engineering Divisions, it seems like the Department is on the same page in terms of making use of that Pro-Fi program as much as possible. Going on into the Monthly Model Analysis Results, what they did was look at consumption, bad debt expense, and what could be done to reduce Operating and Maintenance (O&M) expenses and balancing that with the financial metrics like debt service coverage. They then ran three scenarios: Baseline, Optimistic, and Pessimistic, to see where it would end up with regard to rate impacts. First, they looked at monthly consumption on a two-month rolling average. They looked back from 2018 and did it by meter size because there are no customer classes like residential, commercial, etc. They wanted to tease out the 5/8-inch meters, because they are typically residential, to see what the impact on everyone moving and staying at home was. It was going along relatively flat and then took a bit of a jump in June. The larger meters are trending a little bit down. The small increase at the end is a function of this being done on a two-month rolling average and not capturing that next month. The consumption is showing what they expected. It is down year over year, about 7% from 2019 to 2020. If the trend stays the same as where it is now, about 690,000 kilo gallons a month, their analysis for the three scenarios, Baseline, Pessimistic, and Optimistic, is based on demand. They also looked at Accounts Receivables and the greater than 90-day trend. There is a bit of an uptick, resulting from an increased delay in people paying their water bills, which is somewhat expected, knowing that about 20% are unemployed. It is hard to tell how much more that will go up or whether it will plateau. The thinking seems to be that the worse is yet to come, relative to the economy, with the federal subsidies going away. They are watching the Accounts Receivables trend closely. The three scenarios come out being: **one**, what would happen if the same level of consumption is seen (Baseline scenario); **two**, what would happen if there was a bit of a dip still in this year and coming up in 2022 (Optimistic scenario); or **three**, if there is an expected continual deterioration of consumption and an increase in O&M expenses (Pessimistic scenario). They ran the three cases and came up with implementing one rate increase in January of 2021, running it through eighteen months to sustain the Department in order not to have to implement another rate increase until July of 2022. Traditionally, rate increases have been done in July. In the Baseline scenario, they are assuming consumption will be staying at the levels of where they were in June and the Department would reduce O&M expenses by about 3% in Fiscal Year 2021. The Department would also take advantage of a deferral of one year for the \$2 million pension fund payment. Bad debt expense is trending about less than 1%, but

they think it may even go to 2.5%. With that scenario, the rate increase came out to 9.5%. It gets tricky because if the debt service coverage deteriorates over time, the Department would be barely holding on in Fiscal Year 2022. It is a pretty tight scenario, but it is doable with the O&M expense reductions. There is still some room to move on that, where CIP (Capital Improvement Projects) would go down a bit. In the original rate proposal, CIP was \$16 million, but there would be some time to make concessions. The Pessimistic scenario takes into consideration where consumption continues to deteriorate, assuming that it takes longer to open up the State and people are not feeling safe enough to travel for a while. O&M expenses basically remain where they are with that one \$2 million pension fund deferral. They are able to do a little more CIP because there would be a rate increase of 13%. The bridge between the scenarios from a low of 6.5% to almost double that is to see if just one rate can be implemented, beginning January 1, 2021, and running for 18 months, through July 1, 2022, after which it would go back on the regular cycle. She asked for the Board's feedback on the scenarios. Next month, she would come back with a full proposal, similar to the one done in March of this year, and plan to go out to public hearing in October, after which the Board adopts the rate in November. The Department would have December to update its billing system, and the rates would become effective January 1, 2021.

Mr. Ney stated that he was not as optimistic about consumption trends possibly flattening and about having a rate to carry this through a certain time period or subsidies coming in. He asked if there is there a mechanism where there can be a variable rate or something that can slide, where the rate can be adjusted accordingly and vice/versa, and if that was something that could be explored.

Ms. Hajnosz replied that as far as she knew, the Board has the authority to change rates at any interval. It does not have to be at a certain time. Traditionally, water rate studies are done every five years, and there are what they call "true-ups" done at a 2-year interval if there is any uncertainty. Something like that was done during the 2008/2009 recession because there was that element of uncertainty relative to previous years. Nothing does it automatically, and there are various options regarding projections. They can monitor the O&M expenses to see if they need tweaking and can change the projections on a real-time basis; however, administratively, you would not want to be changing it every six months or so. It would be difficult from an administrative and messaging standpoint. She understood there is a lot of uncertainty in these times, but it needs to be balanced with the right message in the Department's planning.

Mr. Ney understood the ambiguity for the consumer but wondered if there could be a range where it could move freely because this is a fluid situation and the Board only meets once a month. He was thinking about how to have it done in a time-sensitive fashion, knowing that no one out there has a crystal ball for next year or two. Perhaps there should be some kind of sound plan to address consumption if it goes down drastically or if it goes up, to be able to quickly bring the rate on course accordingly.

Ms. Hajnosz thanked Mr. Ney for his suggestions.

Mr. Domingo commented that the charts show a downward trend, but his issue is that it is only within a limited period of time, obviously due to the pandemic. He was looking at a much wider statistical period than six months of downward trend. Perhaps in the long term, this may be just a hiccup and this extraneous rate could almost be thrown away because eventually, things will go back to curve. It seems like this may be taking advantage of the problem with the economic downturn caused by the pandemic. He is optimistic and wondered what happens to the rates if the economic situation goes back to what it was like before.

Ms. Hajnosz appreciated that perspective and stated that it is tough when you have such a small time period on which to make projections, knowing there has been a huge change, obviously because of COVID-19. Everyone is struggling with what the future may bring. When the rate study was being done in March of this year, everything was where it would be expected, with 6% increases proposed to cover increases in O&M expenses and capital improvement projects. There is still a lot of that which needs to get done, and

all of a sudden, consumption is dropping, which means revenue is dropping, compounded with higher accounts receivables. The convergence of those factors on top of what already needs to be done is the cause for where things are now. There definitely needs to be a balance of the pain of raising rates and the fact that the water system needs to be maintained.

Mr. Ney asked how long the previous rate study was and if the trends were extrapolated out from two years.

Ms. Hajnosz replied that it was a five-year rate proposal, and was under the circumstances of a clearer future. This current analysis was scaled down to just two years; and even then, it is hard to see what December might look like, never mind Fiscal Year 2022. Things are changing weekly, but long-term planning, as a water utility, still has to be done. They have to use their best judgment in long-term planning, using all of the technical data available to make the best decision moving forward.

Mr. De Luz asked for clarification if this rate increase is specifically only for the consumption charge.

Ms. Hajnosz replied that it is for the consumption charge and the standby charge.

Mr. De Luz stated that it is important to appreciate that it is not a straight-across percentage of someone's water bill. There are other items on the bill that you have to be cognizant about. If your bill is \$80.00 for two months, it is not 9.5% of \$80.00; it is over the standby charge and the consumption charge.

Ms. Hajnosz stated that was correct, and the power charge is going to change as it changes right now.

Mr. De Luz mentioned some unknown issues, such as the Clean Water Act, coming in, which may make it more dense. He suggested possibly considering a blended rate. The blend, as painful as it may be, might need to be a 10.75% to 11% increase. He explained his suggestion as being a two-tiered increase, probably for the first nine months, at about 8.5% and then in the second nine months at a 2.5% increase. Perhaps there could be a consideration on the second increment as far as going back and adjusting it down if consumption comes up. The challenge is having the cash in the bank now and not later; otherwise, you would have to play catch-up. Even if the \$2 million pension fund payment is deferred, it has to come back in and be repaid. It is only a deferral and not something that will not have to be paid. As much as it behooves him, he thinks there may be a need to suggest a blended rate; and perhaps if the market does change, it can be looked at during the second tier and perhaps be adjusted back. The impact could be if you are playing catch-up, later on in the rates, it will have to be significantly more. Whatever rate increase is done, it is an increase, and the perception from the public will be 'why now?' It is just one of those sad realities. Perhaps some insight to this would be to take Mr. Ney's concept and the concept of a blended rate.

Ms. Howard thought what Mr. De Luz said was a great concept. She asked Ms. Hajnosz if she has an understanding of how rate increases affect consumption.

Ms. Hajnosz replied that they have looked at it in the past, and it is hard to nail down a number for this utility. Studies have shown that a 10% rate increase may be the cause for decrease in consumption; but for this utility, her guess would be about a 2% decline. There is a range of numbers in terms of how much an actual decrease it will produce in consumption, but it would be based on theoretical research and not necessarily to this specific utility. How they offset that is they take a very conservative approach to how they project consumption for DWS. They know that what has happened in the last 20 years, even though there has been an increase in customers added to the system, on a system-wide basis, the demand has not changed. It shows that consumption on a per-customer basis has gone down and it is a result of the conservation message that is loud and clear in the water industry. The Water Master Plan, currently in draft form, shows the total water system demand has really not changed over the past 15 years or so. They do pay attention to these factors but not in a specific price-elasticity calculation.

Ms. Howard asked if consumption goes down, would some CIP projects become less necessary.

The Manager-Chief Engineer replied that all of the CIP projects on the list are necessary. It is just a matter of prioritizing and timing them. As mentioned before, if the Department continues to kick things down the road, it is not going to get away from them being needed, but they are going to become more expensive. Construction costs have not come down, and the Department is already playing catch-up. Cash flow is in the negative. As mentioned earlier, the original proposal was for a 6.5% increase, before the COVID situation. The Optimistic scenario has turned into what that original proposal was. Baseline is a few points higher, at 9.5%; and what may be closer to reality is the Pessimistic scenario at 13%. Because it is hard to tell what will happen in the next year, this study is proposing to have the rate increase for 18 months and come back to see where it stands after that.

Ms. Howard asked if what Mr. De Luz suggested could be done, meaning a sizeable increase now and then a separate one, if necessary, in 10 to 12 months.

The Manager-Chief Engineer replied that it could be done. It would be a little off schedule and he did not know if it would make that big a difference. Rate increases are typically done on July 1; but if this rate goes into effect January 1, 2021, the Department did not want to hit the customer again in six months. The 18-month period would take it to July 1, 2022.

Mr. Sugai asked the Manager-Chief Engineer what his recommendation would be as he is most in touch with what is happening.

The Manager-Chief Engineer replied that from the Department's side, it would need to go at least with the Baseline scenario, which is 9.5%, effective for 18 months, including reductions in the O&M by 3%.

Mr. Sugai stated that he agreed with Mr. De Luz in terms of people having financial stress and not being able to pay their water bills over time. Ideally, they would be able to pay something because what happens if they do not, is their balance will get very large, possibly along with their electricity bill, and after a while, they will not be able to pay it and will let it go to collections. The Department needs to make sure it is not constantly playing catch-up, which would get worse in the next six months to a year if conditions stay the same. He felt pessimistic about the Department's financial situation.

Mr. Kern thanked Ms. Hajnosz for the presentation and for everyone's feedback. He felt this is tricky because there are a couple of situations going on. The Department is already in the hole and it is a really bad place to be. It has happened fast and there is a need to figure out a way to come out of that. He did mention last month the possibility of opening up some water units or water meters that could be a way to increase revenue; but that being on the side, he thinks the Board needs to take action very swiftly and firmly; and it is not going to be popular at all. He is in favor of the Pessimistic route. He has been through this once before in a different time; and not taking action or doing something bold ended up in peril. How this is framed will be very tricky. Maybe the blended route or something in that framework could work, but there is a need to take massive action quickly on a much higher level. It is also important to think about the general water bill; and a 10% to 13% increase on a \$60.00 bill is relatively minor on a per household basis, but it is huge from a DWS perspective. It is like picking up all the pennies and it makes a big difference to the budget. The commercial side of it is not going to be friendly, but he just did not see a very friendly way to get out of this and keep the Department of Water Supply whole. It also goes to show that there have been very low costs for a very long time, and that we have the most basic bill for utilities; and maybe moving forward, there should be a bit of an increase on that to collect a few dollars more to have in the bank in case of times like these, for pre-planning. He felt that with the options out there, we need to be on the higher side and eat it now or we are going to be in a lot more trouble.

Mr. Ney stated that he liked Mr. De Luz's suggestion, just from an appearance issue. If the rate is changed, put it higher now than later. It might lead to the same result but cosmetically, it looks a lot better, probably in terms of the public's perspective. He thought it was a great plan.

Mr. Scicchitano thought if there could be a way to find a mixture of what Mr. Kern and Mr. De Luz talked about. The acceptance by the public is going to be through communication and transparency. If the public hearing process could show this is the impact in a dollar amount to a household, and this is the impact to the Department to be able to survive and continue investing in infrastructure, that would be the route. He thinks it is an aggressive approach, a little bit pessimistic, but will take care of the Department in the future. He stressed the need to do something now.

Chairperson Boswell thanked Ms. Hajnosz in doing a great job in working with the DWS in getting all of the information and feedback and being part of the process. He agrees with Mr. Kern and trends toward what everyone seems to be saying, that it should be more pessimistic than not. He felt that the 9.5% increase going down the way that was suggested is the best plan. There are 100 ways to do this differently, and there is the ability to adapt to this and move forward in the coming months, where there will be even better data than ever before. It is hard to trend something that is so short in its term like this. He supports the Baseline scenario and that it be reacted to accordingly moving forward in the coming months.

The Manager-Chief Engineer thanked everyone for their input. Having this Board brings all perspectives to the table, and he appreciated what everyone had contributed. To try and wrap this up and move forward with a decision, he recapped that it seemed like the consensus is somewhere between the Baseline and the Pessimistic scenarios. He has also heard several suggestions for a blended proposal. From his calculation, half-way between the two would come out to an 11.5% increase. Perhaps it could be taken to a vote to see who is in favor of proceeding with the **Baseline** 9.5% for 18 months; and who is in favor of a blended timeframe of possibly 11% for 9 months and then reevaluate at 9 months, if he was clear on what was discussed earlier.

Ms. Hajnosz thought it was for 9% for the first 9 months and then 2% or some balance or smaller number for the last part.

The Manager-Chief Engineer asked Mr. De Luz if that was what he was thinking to go forward with.

Mr. De Luz stated that he would suggest the Board take action, in the interest of time, and as mentioned by Mr. Kern, the longer this is kicked down the road, the worse it will get. The concept of the blend was more from a public relations standpoint; but in reality, he would concur with Mr. Kern. The Department needs to look at the peak percentage and reevaluate in a year or so, only because there is so much uncertainty. All this is doing is it is going to be replenishing the resources that were depleted to this point and hopefully things stabilize where you can get to above water within the next year or so. As much as it pains him, whatever rate is chosen is going to come across as 'why now?' He supported the **Optimistic** scenario, as much as it pains him, and asked if the Chairperson would allow him to make that motion.

Mr. Ney asked the Manager-Chief Engineer what rate he thought would sustain the Department. He felt that the Board should largely base this off the Department's thoughts, and really get a sense on the rate needed to carry the Department through.

The Manager-Chief Engineer stated that the Department would be okay with the 9.5% baseline which includes a flat consumption rate and the Department tightening its belts. Being conscientious about a rate increase at this time but at the same time digging itself out of a hole, the Department would be fine with 9.5%.

Mr. De Luz suggested, for the consideration of a Motion, to go with the 9.5% but for 12 months. The reason he did not think it is prudent to carry it for 18 months at this stage is because of the uncertainty of what will happen within 8 to 12 months. It may be cumbersome, administratively, but he was concerned that if consumption continues the way it has and costs keep rising, there will be increases, and there is a need to be prudent about that reality. His suggestion is to go with the Baseline scenario for 12 months and look at trends every month. By doing that, there will be a better feel of what is needed going forward. If trends stay flat, perhaps it could stay at 9.5%, but it remains to be seen.

Mr. Kern stated that he wanted to be as unified as possible. Personally, he would support the Pessimistic scenario and was not sure if he would support anything less because anything not made up for right now will have a compounding effect and cause the Department to be deeper in the hole in the future. He hoped he was wrong, but if there is going to be an increase, make that increase either the difference between 9.5% or 13%; but either way, the community is not going to like it. Looking at how Apple and Amazon stocks have doubled in the last year means people are buying things. There is action happening out there and he felt that this couple of dollars a month is so minimal in the grand scheme of things but will make such a huge difference for the Department. He felt that the public would forget about it in a while. A worse-case scenario would be a headline that the Department of Water Supply is about to go bankrupt. That is not an option.

Ms. Diana Mellon-Lacey mentioned that there was a motion on the floor from Mr. De Luz.

Mr. De Luz withdrew his motion in order to move forward because there was no second.

Chairperson Boswell recapped that the discussion seems to be somewhere between what Mr. De Luz and Mr. Kern spoke about.

Ms. Howard asked Mr. Kern if he would consider the higher rate for 12 months.

Mr. Kern replied he would. He preferred not to have to change it up every few months and could commit to something for 12 months at a minimum. He added that he does not like this, but agreed it has to be done.

Ms. Howard agreed.

Ms. Hajnosz asked for clarification, when talking about the time period, that the Board is saying the rates would be raised for a 12-month period. That suggests the rates get raised and are in place for 12 months, and then are reevaluated; not going back to the rates as they are currently. [Mr. Kern and Ms. Howard nodded yes.]

Mr. De Luz asked Chairperson Boswell if Ms. Howard or Mr. Kern could base a motion in regard to their conversation.

Chairperson Boswell replied that he was fine with that.

MOTION: Mr. Kern moved that the Board adopt the Pessimistic rate for the next 12-month period; seconded by Ms. Howard.

Discussion on the Motion followed.

Mr. Ney agreed with the Motion. He thinks the economy is going to be lagging behind the national recovery; and what is interesting, as mentioned earlier, if the stock market is a barometer for the health of the economy, it seems like things are just fine. He thought that 13% would be appropriate at this time.

Mr. Sugai suggested that with this 13% increase, because of the current situation and how public perception would be, that the Department show what it is doing to cut expenses. He did not want the public to feel that the Department is going on as though life is as usual, and to show it is being good stewards of the rate payers' money.

Chairperson Boswell agreed, that was a good comment. One thing he would like to bring up is with the processes of exposing this to the public, it gets pretty cut and dry what is placed in the paper for public hearing. He suggested something like a "whitepaper" to go along with it which would describe what the Department is dealing with, its best actions and research, and the impact it is having to the average customer so they can tell up front what their contribution will be in dollars per month. That should be made clear out in front. He added that for the four years he has been this Board, he has never once heard any comments from the public about the water rates; but that is not saying they should be taken advantage of because they are quiet. The Board's job is to make sure it protects the interests of the people and the Department. He is supportive of the pessimistic look at a one-year period, and making sure this information is put out to the public in such a way that is even palatable to ourselves.

Ms. Hajnosz asked, for clarification, that when the Board is talking about the pessimistic scenario, it does not include reductions in O&M expenses. If that is put in there, and in working with staff, it could come down a bit. They would definitely still look at the pessimistic consumption levels and economic impacts of bad debt going up, but can go back and include reductions.

Chairperson Boswell stated that he has a hard time with deferring payment of the pension fund because it can be the beginning of a swirling hole you will sink into. It looks good to defer because it helps the numbers, but he would rather see the Department stay as strong as it possibly can and be transparent, because when you start deferring, that is when you are going down.

Ms. Hajnosz stated that it might offset O&M expense reductions.

Mr. Kern stated that was part of his thinking, with the higher rate, is that it was not kicking as much of the can down the road. By default, it might have to be kicked a little bit, but the compounding effects of that and how it might come on the other side is so great that he agrees, the intention is to limit that, tighten the belt, but limit that continual kicking down the road.

The Manager-Chief Engineer stated that it looked like they would offset each other.

Ms. Hajnosz agreed.

The Manager-Chief Engineer stated that instead of deferring the \$2 million pension fund payment, it would be kept in the budget and the Department would look for ways to trim its O&M expenses. Basically the rate would still look like 13%.

Mr. De Luz agreed that the pension fund payment should not be deferred. It is in good faith to show collective bargaining that the Department does value funding its responsibility; but at the same time, needs their help in keeping labor costs as manageable as possible. To him, it is a give and take situation, but this particular issue does not necessary go to collective bargaining as much as it is a liability that the Department has to pay, regardless. It would be prudent, as long as everybody is on the same page, including collective bargaining, to make sure commitments are met, at a minimum, and yet be fiducially responsible to the rate payers. He suggested a call for the vote.

Chairperson Boswell asked for one more summary before the vote is taken so everyone understands.

The Manager-Chief Engineer believed the motion on the table is a 13% increase for 12 months with direction to the Department to further evaluate prior to the end of this 12-month period on further water rates.

Mr. Kern added finding the balance between the deferred expense and the O&M.

Mr. Ney asked when posting of some kind of notice would be anticipated and if the Department would be providing some detail on the consumption numbers and the reason why it needs this increase. He asked if it would be possible for the Board to see a draft of how that gets presented.

Ms. Hajnosz replied that part of her scope is a public hearing presentation where she will tell the story of the Department and what has been happening over the last three years, what is anticipated over the next year, and key assumptions that go into putting this rate recommendation together. It will also show typical bills and how they compare to the other counties.

Mr. Ney asked if Ms. Hajnosz would be the main interface with the public on this.

Ms. Hajnosz replied that was correct. She would be part of the team with DWS.

The Manager-Chief Engineer noted that if this Motion is approved today, Ms. Hajnosz will come back at the September Board Meeting with a draft presentation which will show the Board what will be brought forth to the public. Approval will be sought to proceed with a public hearing on the proposed rates, to be held in October.

Mr. Domingo thanked Ms. Hajnosz for looking at a much wider data period and added that he tends to go along with Mr. Ney on this one and is being conservative. Like he said earlier, the timing does not seem to be good.

Chairperson Boswell asked if there was any further discussion. There being none, he called for the vote.

ACTION: Motion was carried by roll call vote (Ayes: 9 - Mss. Hugo and Howard; Messrs. De Luz, Domingo, Kern, Ney, Sugai, Scicchitano; and Chairperson Boswell).

Chairperson Boswell thanked Ms. Hajnosz for her presentation and looks forward to the September presentation.

(Ms. Hajnosz thanked the Board and the Department and left the meeting at 11:14 a.m.)

6) SOUTH KOHALA:

A. **JOB NO. 2019-1122, LĀLĀMILO A DEEPWELL REPAIR – REQUEST FOR TIME EXTENSION:**

The contractor, Derrick's Well Drilling & Pump Services, LLC, is requesting a contract time extension of 21 calendar days. The manufacturing delay was due to COVID-19 related workforce reductions and an unplanned rework of the pump to correct the lateral. 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 21 calendar days justified. *Note: There are no additional costs associated with this time extension.*

1<sup>st</sup> time extension – 30 calendar days (due to Gicon pump not able to be refurbished) *approved at the 4/28/2020 Water Board Meeting*

2<sup>nd</sup> time extension – 77 calendar days (due to manufacturing lead time of new Simflo pump) *approved at the 5/26/2020 Water Board Meeting*

3<sup>rd</sup> time extension – 21 calendar days

The Manager-Chief Engineer recommended that the Board approve a contract time extension of 21 calendar days to Derrick's Well Drilling & Pump Services, LLC, for JOB NO. 2019-1122, LĀLĀMILO A DEEPWELL REPAIR. If approved, the contract completion date will be revised from August 15, 2020, to September 5, 2020.

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

Mr. Young stated that there were two issues driving this time extension, the first one being COVID-19. The manufacturer, Simflo, is based in Arizona, one of the epicenters of the virus at this time, and had some manufacturing issues. Lālāmilo Well A is a line shaft pump where the motor sits topside with a connection in the shaft to the pump, about 1,200 feet deep. Another issue that arose was the pump lateral. He showed the Board what the parts look like, an impeller, the rotating part of the pump, which generates the pressure of flow in the head, and the second being the pump bowl, which is stationary. The pump sits in the bowl and "lateral" is basically the vertical distance that the impeller can travel up and down, typically in the one- to two-inch range. Mr. Takamoto had caught, during the submittal process, that the manufacturer had it set at 1/2 inch, which is too little. You want to make sure the impeller never comes in contact with the bowl, which would cause metal to metal contact. It always has to sit above the bottom of the bowl. Connected to the impeller is the line shaft that goes up to the motor. Where to set the lateral factors in a lot of things. There are two forces on the shaft--the weight of the shaft itself and the weight of the impellers. The second force is the down thrust caused by the pump running. You combine all of these and get something in the neighborhood of 8,000 to 10,000 pounds of downward force. The shaft is kind of like a rubber band. There is some flexibility in it so when you have those downward forces, the shaft is going to stretch, and that needs to be accounted for. In this situation, the lateral had to be around 3/4-inch, therefore the manufacturer had to cut the material shown in the diagram to allow the impeller to go to at least one and one-eighth of an inch. That is part of the three-week delay.

Mr. Ney asked if the movement involved with this is basically when the water is dynamic and flowing through the shaft where you would have potential for movement; not under static conditions.

Mr. Young replied that was correct. As soon as the pump is started, the shaft is going to start stretching. Is it from contraction of materials heating and cooling. There is some play in it.

Mr. Domingo asked if the two components are built by different manufacturers.

Mr. Young replied the impellers and bowls are from the same manufacturer in Arizona.

Mr. Domingo stated, then, his understanding was that the parts were manufactured and then found they would not fit thereafter.

Mr. Young replied that it seemed that the "C&C" machine that sets the lateral was not programmed correctly, and this came out after Mr. Takamoto reviewed the factory submittals.

Mr. Ney asked if they would be compensating for this mistake because it was their calibration issue.

Mr. Young replied that it would be at their expense. They need to tear apart the pump and re-machine it.

Mr. Kern thanked Mr. Young for the illustrations. It always helps when staff provides that basic education.

ACTION: Motion was carried by roll call vote (Ayes: 9 - Mss. Howard and Hugo; Messrs. Domingo, De Luz, Kern, Ney, Sugai, Scicchitano, and Chairperson Boswell.)

7) SOUTH KONA:

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

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*This item was deferred at the July 28, 2020, Water Board Meeting.*

The contractor, Beylik Drilling & Pump Service, Inc., is requesting a contract time extension of 123 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 93 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.*

1<sup>st</sup> time extension – 121 calendar days (due to fabrication & testing of booster pumps) *approved at 2/25/20 Water Board Meeting*

2<sup>nd</sup> time extension – 30 calendar days (due to fabrication & testing of booster pumps) *approved at 4/28/20 Water Board Meeting*

3<sup>rd</sup> time extension – 93 calendar days

The Manager-Chief Engineer recommended that the Board approve a contract time extension of 93 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 August 31, 2020.

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

Mr. Young explained that in this case, there was a lot of back and forth between Beylik Drilling & Pump Service, Inc. (Beylik), and the DWS. There were problems with vortex breakers, and the net result was that the entire can needed to be replaced because of the amount of corrosion. He shared a couple of diagrams and explained the discharge head and sole plate. The sole plate is built into the concrete pad below it and had such extensive corrosion that the discharge head could not be attached to it. It would have been impossible to stabilize the discharge head onto it, meaning it could potentially vibrate; and any vibration is not a good thing. It usually leads to premature failure. The diagram also shows the suction can where water enters an area which can be thought of as a reservoir to hold water. On the left and right are “vortex” like fins to prevent the water from swirling around. You want to avoid that so the water goes into the suction of the pump at the bottom as smoothly as possible. If you have too much swirling, it can lead to what is called cavitation, which can reduce the efficiency somewhat. It is not necessary, but in some cases, you need these vortex breakers. The diagram shown was a 2-stage pump. Attached to the sole plate is the can itself and because of the corrosion, the sole plate could not be welded back to the can. The result is that the entire can needs to be replaced,

including the metal tube and the concrete surrounding it. This particular time extension does factor in the additional cost, but it is within contingency. Each can was about \$16,000.00; therefore, the total would be \$32,000.00 to rebuild these booster pump cans.

Chairperson Boswell thanked Mr. Young for that great description.

Mr. Domingo asked how much additional cost would be.

Mr. Young replied that it was \$32,460.72.

Chairperson Boswell stated that it is within contingency.

Mr. Ney stated that his understanding was that the top part where it mates to the flange is in good shape on the old one and asked if the motor housing on top was salvageable.

Mr. Young replied that the discharge head is kind of old and has quite a bit of corrosion. He did not have a picture of the condition of it but asked Mr. Takamoto if he recalled the age of this discharge head.

Mr. Takamoto replied that it was part of the original construction project in 1979. This current project scope includes replacing the discharge heads. The scope now is expanded to include replacing the suction cans also.

Mr. Young stated that the typical lifespan of a carbon steel discharge head and can is in the 30 to 50 year range.

Mr. Ney asked if these discharge heads are pretty much rebuilt or rewound when the motors have issues and are serviceable.

Mr. Young replied that usually the motor is serviceable; but if it is an older motor, there is a good chance it will be replaced. It has nothing to do with the reliability of the motor. It may be changed to a more efficient motor. If it is an energy efficient motor, it may be sent to the motor shop to have the bearings redone and check out the motor and put it back in service. The discharge head is different. If it is salvageable, the contractor may repaint it, sandblast it, and do some service work. If it is severally corroded, it would probably be replaced.

ACTION: Motion was carried by roll call vote (Ayes: 9 - Mss. Howard and Hugo; Messrs. Domingo, De Luz, Kern, Ney, Sugai, Scicchitano, and Chairperson Boswell.)

## 8) MISCELLANEOUS:

### A. DEDICATION OF WATER SYSTEM:

(Chairperson Boswell asked Vice-Chairperson Scicchitano to chair the meeting for this item as he would need to recuse himself from this vote.)

The Department received the following document for action by the Water Board. The water system has been constructed in accordance with the Department's standards and is in acceptable condition for dedication.

1. **Grant of Easement and Bill of Sale**  
**Grantor:** Kohanaiki Shores LLC  
"Ohi Kai Phase I"

Subdivision No. CPR-20-00009  
Tax Map Key: (3) 7-3-065: 051  
Facilities Charge: \$ *N/A*  
Final Inspection Date: To be announced  
Water System Cost: To be announced

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

Vice-Chairperson Scicchitano called for a Motion for approval on this item.

MOTION: Mr. Kern so moved; seconded by Ms. Howard.

Mr. Inaba noted that the Final Inspection Date on this item is August 18, 2020; and the Water System Cost is \$9,430.00.

ACTION: Motion was carried by roll call vote (Ayes: 8 - Mss. Hugo and Howard; Messrs. Domingo, De Luz, Kern, Ney, Sugai, and Vice-Chairperson Scicchitano; and one Recusal: Chairperson Boswell.)

**B. RESOLUTION NO. 2020-03, APPROVING RECEIPT AND EXPENDITURE OF MONIES FOR THE DEPARTMENT OF WATER SUPPLY EMERGENCY WELL REPAIR 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 \$1,000,000.00 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:**

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DWS is submitting a loan application to fund Emergency Well Repair 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 \$1,000,000.00.

The Manager-Chief Engineer recommended that the Water Board adopt DRINKING WATER STATE REVOLVING FUND RESOLUTION NO. 2020-03, subject to the approval of Corporation Counsel.

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

The Manager-Chief Engineer stated that this is similar to what was brought to the Board for approval last month for programmatic financing where the Department can apply for CIP projects. This one is specifically for emergency well repairs. The Department found out that these funding sources can be used for well repairs. The loan fee is 1% and interest is .25%.

Ms. Howard asked why the Department was only applying for \$1,000,000.00; if that was the cap.

Mr. Inaba replied that it is what the State said was available through this program. This loan fund is shared among the counties, and this is the share for this county. The Department would have the ability to use these funds instead of its own CIP or facility charge funds.

Mr. Domingo asked what it meant by "...Manager-Chief Engineer or Deputy to **Reduce**, Replace, and Allocate up to \$1,000,000.00..."

Mr. Inaba replied that it basically means it gives the Department the ability to utilize these funds instead of its own; or makes these funds available to the Department's budget.

Mr. Ney asked if they are fixed low interest loans.

Mr. Inaba replied that they were.

ACTION: Motion was carried by roll call vote (Ayes: 9 - Mss. Howard and Hugo; Messrs. Domingo, De Luz, Kern, Ney, Sugai, Scicchitano, and Chairperson Boswell.)

**C. MATERIAL BID NO. 2019-11, FURNISHING AND DELIVERING SPARE DEEPWELL PUMP AND MOTOR SETS FOR PI'IHONUA #3 WELL AND HAWAIIAN OCEAN VIEW ESTATES DEEPWELL, REFURBISHING PUMP AND MOTOR SET FOR PARKER #2 DEEPWELL, AND MISCELLANEOUS COLUMN ASSEMBLY MATERIALS FOR THE DEPARTMENT OF WATER SUPPLY – REQUEST FOR TIME EXTENSION:**

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The contractor, Beylik Drilling & Pump Service, Inc., is requesting a contract time extension of 36 calendar days for the **Pi'ihonua #3 Deepwell (Section 1)** of this contract. Delays to this project were due to the ongoing COVID-19 pandemic and the disruption caused to normal manufacturing operations. 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 36 calendar days justified. *Note: There are no additional costs associated with this time extension.*

1<sup>st</sup> time extension – 36 calendar days

The Manager-Chief Engineer recommended that the Board approve a contract time extension of 36 calendar days to Beylik Drilling & Pump Service, Inc., for **Section 1** of MATERIAL BID NO. 2019-11, FURNISHING AND DELIVERING SPARE DEEPWELL PUMP AND MOTOR SETS FOR PI'IHONUA #3 WELL AND HAWAIIAN OCEAN VIEW ESTATES DEEPWELL, REFURBISHING PUMP AND MOTOR SET FOR PARKER #2 DEEPWELL, AND MISCELLANEOUS COLUMN ASSEMBLY MATERIALS FOR THE DEPARTMENT OF WATER SUPPLY. If approved, the contract completion date will be revised from August 25, 2020, to September 30, 2020.

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

The Manager-Chief Engineer stated that this item is straightforward. The delay is due to COVID-19.

ACTION: Motion was carried by roll call vote (Ayes: 9 - Mss. Howard and Hugo; Messrs. Domingo, De Luz, Kern, Ney, Sugai, Scicchitano, and Chairperson Boswell.)

**D. MATERIAL BID NO. 2019-11, FURNISHING AND DELIVERING SPARE DEEPWELL PUMP AND MOTOR SETS FOR PI‘IHONUA #3 WELL AND HAWAIIAN OCEAN VIEW ESTATES DEEPWELL, REFURBISHING PUMP AND MOTOR SET FOR PARKER #2 DEEPWELL, AND MISCELLANEOUS COLUMN ASSEMBLY MATERIALS FOR THE DEPARTMENT OF WATER SUPPLY – REQUEST FOR TIME EXTENSION:**

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The contractor, Beylik Drilling & Pump Service, Inc., is requesting a contract time extension of 61 calendar days for the **Parker #2 Deepwell (Section 2)** of this contract. Delays to this project were due to additional work required by the manufacturer to meet the contract specifications. 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 61 calendar days justified. *Note: There are no additional costs associated with this time extension.*

1<sup>st</sup> time extension – 34 calendar days (disruption to normal manufacturing operations due to COVID-19)  
2<sup>nd</sup> time extension – 61 calendar days

The Manager-Chief Engineer recommended that the Board approve a contract time extension of 61 calendar days to Beylik Drilling & Pump Service, Inc., for **Section 2** of MATERIAL BID NO. 2019-11, FURNISHING AND DELIVERING SPARE DEEPWELL PUMP AND MOTOR SETS FOR PI‘IHONUA #3 WELL AND HAWAIIAN OCEAN VIEW ESTATES DEEPWELL, REFURBISHING PUMP AND MOTOR SET FOR PARKER #2 DEEPWELL, AND MISCELLANEOUS COLUMN ASSEMBLY MATERIALS FOR THE DEPARTMENT OF WATER SUPPLY. If approved, the contract completion date will be revised from July 31, 2020, to September 30, 2020.

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

The Manager-Chief Engineer noted that although this is the same material bid as the previous agenda item, it is a different section of the bid. This time extension is not due to COVID-19. The pumps did not meet the performance specifications identified by the contract.

ACTION: Motion was carried by roll call vote (Ayes: 9 - Mss. Howard and Hugo; Messrs. Domingo, De Luz, Kern, Ney, Sugai, Scicchitano, and Chairperson Boswell.)

**E. JOB NO. 2018-1093, REQUEST FOR PROPOSALS TO PROVIDE A SOLAR PHOTOVOLTAIC ENERGY GENERATION SYSTEM AT FIVE (5) DEPARTMENT OF WATER SUPPLY LOCATIONS – SECOND AMENDMENT TO POWER PURCHASE AGREEMENT:**

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The Provider, ENRG Hawaii Solutions, LLC, has requested to amend the Power Purchase Agreement (PPA) in accordance with the Second Amendment. This amendment addresses design changes required by FAA roof use restrictions and DWS’ request to locate batteries outdoors, and includes:

- A fixed Kilowatt-hour Rate (\$/kWh) increase of \$0.01/kWh, from \$0.18/kWh to \$0.19/kWh.
- Termination Value increases for each location.

The Manager-Chief Engineer recommended that the Water Board approve the SECOND AMENDMENT TO POWER PURCHASE AGREEMENT and that either the Chairperson or Vice-Chairperson be authorized to sign the documents, subject to form and legality by Corporation Counsel.

MOTION: Mr. De Luz moved for approval of the recommendation; seconded by Ms. Howard. The Manager-Chief Engineer had Mr. Ching, Energy Management Analyst, describe the issues around this.

Mr. Ching stated that this is the second amendment to the Power Purchase Agreement (PPA). The first amendment was for the assignment of interests in the PPA from Greenpath Technologies, Inc., to ENRG Hawai'i Solutions, LLC. This second amendment is for design changes. The first design change resulted from when the contractor did the glint and glare study which is required for the building permit. The results came back where a few of the roofs were restricted by the FAA as the buildings are nearby to airports. The FAA has some control over which angles the PV panels can be placed because of the glint and glare associated with them. Some redesign had to be done and some panel materials needed to be changed to a higher Kilowatt/hour output type, which comes at an increased cost. The second change was the Department's decision to locate the batteries outdoors rather than inside, due to safety. During the last walkthrough with DWS personnel at the site, there were some concerns with the lithium PV batteries and associated failures. Although the manufacturers do testing and have fail safes in place, for those familiar with the Samsung cellphone battery issues in the past, they were failing catastrophically and were resulting in fires that cannot be put out through normal means. With that, the Department decided to use the manufacturer's new outdoor-rated enclosure batteries. Locating these batteries was worth the investment to increase safety for personnel.

Mr. Domingo asked if it meant reorienting the direction of the solar panels due to the FAA restriction and how much reduction of generated electricity would it mean if the panels cannot be oriented to the sun.

Mr. Ching replied that the contractor's layout will result in the same amount of energy produced. It did require going to a higher grade panel than was previously designed.

Mr. Ney asked if there was a reflective issue with the panels.

Mr. Ching replied that was correct. It has to do with both the flight path and the air traffic control tower.

Ms. Howard asked what the termination value is.

Mr. Ching replied that the term value comes into play in a couple of scenarios in the PPA. One is if the Department were to terminate the PPA for its own convenience. It would have to issue the term value to the other party, the provider, to terminate the contract. Another scenario is if DWS defaults on the contract and it leads to termination. The DWS would have to pay the term value. It is the basic value of the system because the provider would have sunken some investment into the project. If it is terminated for some reason not their fault, they would receive the termination value.

Mr. Domingo asked if the Kona and Waimea baseyards are exempt from the restriction.

Mr. Ching replied that the restriction is only applicable to buildings within a 5-mile radius to an airport, so they are not included. However, all of the Hilo sites fall into that radius.

(Ms. Howard appeared to have left the WebEx meeting.)

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

**F. JOB NO. 2018-1093, REQUEST FOR PROPOSALS TO PROVIDE A SOLAR PHOTOVOLTAIC ENERGY GENERATION SYSTEM AT FIVE (5) DEPARTMENT OF WATER SUPPLY LOCATIONS – POWER PURCHASE AGREEMENT (PPA) – INTERCONNECTION AGREEMENT:**

The Provider, ENRG Hawaii Solutions, LLC, and its general contractor, Greenpath Technologies Inc., will be seeking an interconnection agreement with the electric utility (HECO) at all five (5) DWS locations, per PPA Section 3.5, as seen in the table below.

| <b>DWS Location</b>   | <b>Interconnection Agreement Type</b>  |
|---|--|
| Main Office (Waiakea Office Plaza)  | Standard Three-Party Interconnection Agreement   |
| Hilo Baseyard<br>Microbiological Laboratory<br>Kona Baseyard<br>Waimea Baseyard | Grid Supply Plus Interconnection Agreement<br><i>(if Grid Supply Plus is no longer available, these sites will need to proceed through a Standard Three-Party Interconnection Agreement)</i> |

The following documents need to be completed to start the HECO interconnection application and review process:

Grid Supply Plus:

- **Customer Authorization & Acknowledgment Form**

Standard Three-Party Interconnection:

- **Distributed Energy Resources Application Submittal Form**
- **DER Interconnection Application Cover Form**
- **Standard Three-Party Interconnection Agreement**
  - Including: Interconnection Application for All but UL1741 Certified Inverter Based Systems Less Than 10 KW.
    - All required PV system details or technical information to be provided by Provider/contractor, in accordance with the PPA.

Furthermore, the following document will need to be completed to finalize the HECO interconnection:

Grid Supply Plus:

- **Grid Supply Plus Interconnection Agreement**
  - Executed after HECO approval of the construction/interconnection.
  - All required PV system details or technical information to be provided by the Provider/contractor, in accordance with the PPA.

The Manager-Chief Engineer recommended that the Water Board approve the CUSTOMER AUTHORIZATION & ACKNOWLEDGEMENT FORM, DISTRIBUTED ENERGY RESOURCES APPLICATION SUBMITTAL FORM, DER INTERCONNECTION APPLICATION COVER FORM, STANDARD THREE-PARTY INTERCONNECTION AGREEMENT, and GRID SUPPLY PLUS INTERCONNECTION AGREEMENT, and that either the Chairperson or Vice-Chairperson be authorized to sign the documents, given that the documents are executed in accordance with the PPA and require no additional cost, subject to form and legality by Corporation Counsel.

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

The Manager-Chief Engineer stated that this item came with a thick bundle with the HELCO cover letter on it. These are all requirements from the electrical utility for proceeding with this project. Corporation Counsel has reviewed it initially. Mr. Ching was available to answer questions from the Board.

Mr. De Luz asked if the interconnect is a condition of the PPA.

The Manager-Chief Engineer replied it is.

Mr. De Luz thought that the Department would already have the authorization to execute these forms because the PPA was approved by the Board.

The Manager-Chief Engineer replied that this is an Agreement and the Rules and Regulations require action by the Board.

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

(Mr. Charles Chacko of Greenpath Technologies, Inc., signed out of the meeting.)

**G. REQUEST FOR PROPOSALS NO. 2020-10, PROVIDE ELECTRONIC PAYMENT PROCESSING SERVICES FOR THE DEPARTMENT OF WATER SUPPLY, COUNTY OF HAWAI'I**

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On April 1, 2020, the Department issued a Request for Proposals (RFP) seeking electronic payment processing services. A platform was needed to process customer credit card or e-check payments from customers on the internet or by telephone. A total of ten (10) companies responded to the RFP; and a 3-person committee evaluated each proposal and scheduled demonstrations with the top three (3) rated companies. Proposals were scored on factors such as fees, qualifications, references, support, functionality, and security. The committee selected Invoice Cloud, Inc., a company based in Massachusetts. Their proposed fee is \$0.75 plus interchange fees per credit card transaction and \$0.85 per e-check transaction. The contract terminates one (1) year from go-live, with an option for up to eight (8) additional one-year extensions.

The Manager-Chief Engineer recommended that the Board award Request for Proposals No. 2020-10, ELECTRONIC PAYMENT PROCESSING SERVICES FOR THE DEPARTMENT OF WATER SUPPLY, COUNTY OF HAWAI'I, to Invoice Cloud, Inc., and that either the Chairperson or the Vice-Chairperson be authorized to sign the contract documents subject to review as to form and legality of the contract documents by Corporation Counsel.

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

The Manager-Chief Engineer stated that these are payment options the Department currently has in place by a different vendor. Unfortunately, the Department has been having some challenges with that particular vendor. This is going to cost the Department \$11,000.00 a year more than with the previous contractor; but based on the evaluation done by the committee and in discussions staff, the recommendation is to proceed with this contract because in the long term, it will reduce the burden on staff and address the challenges being faced with the current contractor. He asked Mr. Sumada if he had anything to add.

Mr. Sumada stated that this contract is to replace an existing contractor that was set up to accept credit card payments over the website and by telephone for the Department. The Department receives approximately 100 payments a day. There is a considerable volume every month, and the Department is having problems reconciling, with the bank and the vendor, the payments that were being recorded. The Department went ahead with an RFP that could find a vendor better suited to our needs and came up with this company to handle payments by website and telephone going forward.

Mr. De Luz asked if it includes payment by debit card.

Mr. Sumada replied it does.

Mr. De Luz asked if the Department had looked at some of the platforms coming online such as Zelle and Chime that do not charge transaction fees to the parties.

Mr. Sumada replied that the Department was required to put out the RFP in order to evaluate the companies that are able to provide the service. Those companies Mr. De Luz mentioned did not respond; therefore, the Department was not able to evaluate what they could do.

Mr. De Luz stated that he did not believe there is a vendor. They are B2B's, which is a point to point transaction. It might be something to keep in mind for the future as it is getting to the point where Millennials do not want to pay fees. Otherwise, he had no issues with this proposal.

Mr. Ney asked who the vendor was that is being replaced.

Mr. Sumada replied they are called Paymentus.

Chairperson Boswell asked if he was correct in that this is a performance issue, not one driven by cost.

Mr. Sumada replied that was correct.

Mr. Kern mirrored what Mr. De Luz had mentioned about the technology sector. Obviously, this needs approval, but the Department should also have its eyes open for what is coming up in the near future because technology is changing so fast. He supports this agenda item.

The Manager-Chief Engineer acknowledged what Mr. Kern and Mr. De Luz mentioned about other payment options. They will be looked into to see if they can be incorporated into the Department's billing system. The overall attempt is to make it easier for customers to pay their bills.

Mr. Domingo asked if this would be a different system from the one he has been using on the Department's website to pay his water bill.

Mr. Sumada replied there would not be much difference. The online payment process uses the Department's billing system when logging in to make a payment. At the point where you select your payment method, you are transferred to the vendor to take your payment information; and for that part, the Department does not see it changing much at all.

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

#### H. **MONTHLY PROGRESS REPORT:**

Mr. Inaba provided an update on the following projects:

North Kohala - Hala'ula Well Development, Phase 2 - the contractor has started excavation for the tank site.

Wai'aha Water System Improvements - Transmission - paving is nearly complete. The contractor is finishing some striping and punchlist items. Hopefully, the residents will be happier with the condition of the road.

Wai'aha Well No. 2 Development - Phase 1 - the project is scheduled to be out to bid next month, anticipating award at the October Water Board Meeting.

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.

#### I. **REVIEW OF MONTHLY FINANCIAL STATEMENTS:**

Mr. Sumada pointed out the second page of the financial report, summarizing July's numbers for consumption, delinquencies, and cash. For just one month's comparison, there is a 10% decline in consumption; delinquency continues to increase over the past few months; and the cash situation is still negative. The situation not improving overall.

Mr. Ney asked Chairperson Boswell if it would be convenient in his schedule to talk about getting the agricultural rates on the agenda. It does not have to be immediately, but he would like to try and have that discussion within the next few months.

The Manager-Chief Engineer stated that it is up to the Board Chairperson to direct the Department to set the agenda. Any Board Members can consult with the Chairperson for such inclusions on the agenda.

It was decided by Chairperson Boswell that those communications can be sent to the Chairperson by email, through the Secretary.

Mr. De Luz stated that, unfortunately, Mr. Sumada's report emphasizes what Mr. Kern had brought to light. One of the things to keep in mind when the water rate presentation is being finalized is the communication to the rate payers that the Department will not recover what it has had to use to fund the negative with this current rate. It is imperative that it be shown that the Department is not looking to be made whole from previous expenditures, but moving forward, to not get deeper. He thought it is critical in dealing with this rate increase.

Mr. Kern concurred with Mr. De Luz. This certainly highlights the heavy decision the Board had to make earlier. This is obviously a challenging time for everybody, and the person looking at the finances has to have an extra amount of stress. He thanked Mr. Sumada for his work and that the Board is aware of all that is being done.

The Manager-Chief Engineer thanked Mr. Kern for that acknowledgement.

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

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

1. North Kona Wells– the Deputy reported that number-wise, there are still seven of the fourteen wells online. Seven are offline, but the Department expects to have another well hopefully online this week and another one by next week. Staff has been working diligently to monitor and manage the system appropriately and meet the customer water demands. For Keahuolū Well, the well was started up last week and is going through another round of disinfection. It is hoped to have it online this week. For Kahalu‘u C, the pump, motor, and column pipe were installed last week. If it stays on schedule, the hope is to have it operational either this week or next week. For Palani Well, the pump and motor are expected to be delivered in October and installation thereafter. Kahalu‘u B should have materials and equipment on island mid-September with schedule for completion and online by mid-November. For Wai‘aha Well, the previous well repair is on litigative hold; however, the Department has a consultant and their contractor to test pump the well and plan to start test pumping this week at 1,400 gpm capacity. After that, they will provide an update on the well; and the Department will probably ask them to leave their test equipment onsite just in case the Department has to pump the Wai‘aha Well into the system. Another well offline is Makalei Well. The developer is finalizing the bid documents and getting ready to go out to bid. The seventh Well is Kalaoa Well. Unfortunately, it went offline the end of last month; and as the contractor was trying to remove the pump and motor, it dropped into the well. As they were bringing up the discharge head, it looked like one of the collars which holds everything up had fractured. The pump, motor, and column pipe are in the well right now. The contractor is currently working on Kahalu‘u Well C, and the effort is to try and get those repairs done first and start the Kalaoa Well “fishing” process the week of September 7 to assess its condition. Once the schedule is received, an update can be provided to the Board next month. He reminded the Board that the overall North Kona system overall has seven wells online and expects another two back online by the end of next week, which will help with the overall capacity of the system.

Mr. Domingo asked how many wells were offline; he had lost count.

The Deputy replied that of the 14 total wells, 7 were online and the Department is looking to bring Keahuolū Well online possibly this week and the Kahalu‘u Well C back online next week.

Mr. Domingo asked if that was an improvement from last month.

The Deputy replied it will be an improvement.

Mr. Domingo stated that it has helped that North Kona has been getting rain but that it is risky having the wells right around 50/50.

Mr. Ney asked if the equipment falling into the well was attributed to negligence on the contractor’s part.

The Manager-Chief Engineer replied that is still early in the game. If they cannot retrieve the pump, motor, and pipe column from the hole, it may get into some legal discussions; but the Department would not want to comment on it at this point. If that were the case, there would probably be a third-party investigation done; and if it does get to that point, it will come back to the Board.

2. **COVID-19 Update** - The Manager-Chief Engineer reported that the Hilo side is not doing very well at this time with the virus. Operationally, the Department is going to continue its in-person services by appointment only through September to help keep staff and the community hopefully COVID

free. The Department has had some incidents where there was potential exposure to DWS employees, but he was happy to report that the Department has not had any positives cases thus far. It is a continual daily monitoring of staff conditions and even monitoring the community by informational updates from Civil Defense and from the Department of Health.

Mr. De Luz stated that just as of 11:40 a.m. today, Mayor Caldwell has initiated pretty much a stay-at-home rule. Unfortunately, with some of the DWS' contractors needing to travel, it may have impact some of their schedules. It is also his understanding that later this week, the Governor will be addressing the Lieutenant Governor's suggestion of locking down Oahu. With that being said, this will probably be something that has to be dealt with day to day. He was glad to hear none of the DWS staff have been exposed. It is just unfortunate that as things are going, this thing looks very complex in how to manage it. Rule of thumb would be better to be safe than sorry and be conservative.

The Manager-Chief Engineer stated that the County Department of Human Resources has provided a lot of guidelines where if there is possible exposure to an employee by someone who has tested positive, whether it be in the household or other means, the Department will be sending them home. They cannot be forced to get tested but the Department's request would be that they consult with their primary care physician and get guidance on whether or not they should get tested. Some have taken their own initiative to get tested if they feel it was necessary. Again, the Department is fortunate there have been no positives thus far, but this will be kept on the agenda for monthly updates.

### 3. Department of Water Supply Energy Report

Mr. Ching reported that total power costs for the second quarter 2020, which was the start of the stay-at-home order, were a little over \$3.9 million, which was down 10.4% from same quarter last year and down 10.7% from the previous quarter. The Department still has the same amount of HELCO accounts and looking at the average energy rate for cost per kilowatt hour, it was about 26 cents/kWh, down from 16% the same quarter last year and compared to the previous quarter, about 15.8%. This was likely due to the drop in oil prices seen over the previous quarter, which translates into a lower HELCO rate. The demand rate for the second quarter was \$20.13 per kilowatt hour, up 5.9% from the same quarter last year, and remaining steady since the first quarter of this year. The Power Cost Charge trend shows a decrease of 5% from previous year, about \$17 million for the year. The Power Cost Charge is currently \$2.01 per 1,000 gallons, effective August 1, 2020. A pie chart was shown, breaking down where the energy goes within the Department's water systems and its offices. Reporting on the Leak Detection Program, the Department is actively pursuing repair of leaks in order to reduce non-revenue water loss. The Department's Water Service Investigators have been active in locating sub-surface water leaks, not necessarily visible from the surface. In the 2019 calendar year, they have prevented approximately 175 million gallons of water from being lost. This links up with energy cost reduction of about \$200,000.00 because of decreased run time of pumps. Hawai'i Energy sees this as a good program and has been supporting the Department through rebates. The Department received a 50% rebate (\$115,012.50) for the 250 new loggers it purchased over the past fiscal year and is looking to continue this partnership in the future.

Mr. Kern stated that it seems like the return on investment for the leak detection, even without getting the rebate, is through the roof. He asked if that was an accurate statement.

Mr. Ching replied it was. There is some play in that 1 million gallons. How they get that is they typically estimate that the leak would have been there for a year without anyone finding it. It could be more than that; it could be less than that. If it propagates into a break, it would be found at that time. The leak detection identifies breaks that start as leaks and do not affect anyone until it starts

cracking more down the pipe, resulting into a break scenario. This is a preventative measure to keep those breaks from happening in the first place.

Mr. Ney asked about the chart on energy use breakdown per district and thought that the energy use would be somewhat proportionate to population density in the districts; however, he noticed North Kona had a 42.9% in its breakdown. He wondered what the contributor was to them having such a high percentage of energy use versus Hilo at 13.7% and what could be done to offset those districts that have high energy use.

Mr. Ching replied that North Kona does have a high energy use, but they do use a lot of water on that side. What also plays into it is the cost to get water up out of the ground and fed to steeper elevations. North Kona has a lot more deepwells than Hilo.

Mr. Ney asked if there were higher production costs in North Kona.

Mr. Ching replied they are not the highest, but they do use a lot of water, compared to Hilo.

Mr. Ney stated he would be interested in getting further breakdowns to help understand this, but thanked Mr. Ching for the report.

Mr. De Luz mentioned the seven wells being offline and in perspective of O&M costs to supply water, there may be opportunity to evaluate that O&M in certain districts and see what pumps may be more efficient and supply water from those as much as possible, rather than the pumps that are not as efficient. He also commended the Department for taking the initiative in leak detection. One thing that was initiated was to track how much water was taken by water haulers (citing the Kukuihaele and Pa'auilo water hauling) from one source to another, otherwise it would look like unaccounted water loss, which it had come out as in the past. He applauded the Department for being proactive.

The Manager-Chief Engineer appreciated those comments. Going back to the North Kona well situation, there might be some minor changes. The Department pumps what the community needs are. Even with a couple of wells back online, the Department will just redistribute the water, and there may not be any big cost difference with bringing wells back online.

Mr. Ching added that there are options in trying to look at the most or more efficient ways to provide water, whether it be bringing water downhill or whether there are backup scenarios. They are things the Department will continue to look at. He continued on in his report about ongoing projects, such as the solar photovoltaic system, which is being installed at no cost to the Department. It will only pay a fee for the power or energy produced from these panels at a rate of 19 cents. The goal is to pay less to HELCO, which now is about 28 cents. The Department is still looking to replace old boosters that are inefficient; plus putting window films on its buildings this month, for which Hawai'i Energy has a rebate. The window films will help keep the heat out of the building so the air conditioning unit does not to work as hard. Also, some of the air conditioning units at the well sites may be replaced by energy efficient equipment, qualifying for a Hawai'i Energy rebate as well. The goal with these projects is to save energy which will save on power costs, directly translating into savings to the customer by a lower Power Cost Charge. The Department does not see any additional monies for these efforts. It goes directly to the customer, and that is one of the things to keep in mind going forward. That concluded Mr. Ching's presentation.

Chairperson Boswell thanked Mr. Ching for his presentation.

K. **CHAIRPERSON'S REPORT:**

Chairperson Boswell stated that the Board had seen some very serious conversations from everyone today and felt confident in Ms. Hajnosz's work on the water rates and coming up with a good plan. He looks forward to it coming to fruition in the coming months. It has been a tough road, and everyone is going through their own challenge during these times.

9) **ANNOUNCEMENTS:**

1. **Next Regular Meeting:**

September 22, 2020, at 10:00 a.m. via Web Conferencing

2. **Following Meeting:**

October 27, 2020, at 10:00 a.m. via Web Conferencing

10) **ADJOURNMENT**

(Ms. Hugo appeared to have left the WebEx meeting.)

**ACTION:** Mr. Kern moved to adjourn the meeting; seconded by Mr. Ney and carried by roll call vote (Ayes: 7 - Messrs. Domingo, De Luz, Kern, Ney, Sugai, Scicchitano, and Chairperson Boswell; and 2 Absent: Ms. Hugo and Ms. Howard.)

(Meeting adjourned at 12:55 p.m.)

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Recording Secretary

APPROVED BY WATER BOARD  
September 22, 2020