

MINUTES

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

September 22, 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
Ms. Julie Hugo (10:03 a.m.)
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
Ms. Diane Noda, Deputy, Department of Environmental Management
Ms. Robin Bauman, Department of Environmental Management
Ms. Charmaine Felipe, Department of Environmental Management
Ms. Amy Self

Department of Water Supply Staff

Mr. Kawika Uyehara, Deputy
Mr. Richard Sumada, Waterworks Controller
Ms. Candace Gray, Assistant Waterworks Controller
Mr. Warren Ching, Energy Management Analyst
Mr. Kurt Inaba, Engineering Division Head
Ms. Judith Hayducsko, Chief of Operations
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. Roll call was taken for members in attendance (Chairperson Boswell, Vice-Chairperson Scicchitano, Messrs. De Luz, Domingo, Kern, Ney, Sugai and Ms. Howard were present; and Ms. Hugo joined the meeting at 10:03 a.m.)
- 2) STATEMENTS FROM THE PUBLIC – no oral testimony. Two written testimonies were received by the Department regarding the water rate increase--one anonymous and one from Mr. Jack Gaw.

3) APPROVAL OF MINUTES

ACTION: Ms. Howard moved for approval of the Minutes of the August 25, 2020, Water Board Meeting; seconded by Mr. De Luz and carried by roll call vote, Ayes: 9 - Mr. De Luz, Mr. Domingo, Ms. Howard, Ms. Hugo, Mr. Kern, Mr. Ney Mr. Scicchitano, Mr. Sugai, and Chairperson Boswell.

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

5) WATER RATE STUDY:

Chairperson Boswell welcomed Ms. Ann Hajnosz of the consulting firm of Harris & Associates.

Ms. Hajnosz shared her presentation with the Board. Last month, the Board focused on the pessimistic scenario based on the COVID-19 economy. The first assumption was the decrease in consumption, which has not changed from last month, still a 3.5% decrease for 2021 and 2022. The change they did make was to reduce Operating and Maintenance (O&M) expenses from the budgeted amount for fiscal year 2021. They made an adjustment to reduce it by about 2%, mainly in salaries, assuming the Department will not be able to fill all of its vacancies in one year. They also put back the \$2 million pension fund payment because the Board did not want to have it hanging out there in the future. They have also kept the debt increasing over the next couple of years the same. This all resulted in a 13% rate increase that was discussed last month, which would be effective in January of 2021. Instead of having an 18-month time period, it was set for 12 months. During that 12-month time period, the rates will be looked at again to see what is necessary for January 1, 2022. In addition, they will be looking at different rate classes. They have been working with the Department on their billing data, and that will continue in the next few months. In this 13% rate increase, CIP will remain the same, at \$16.5 million. Operating Reserve did drop a bit. The goal was 60 days of Operating Reserve, but the new budget will maintain 47 days, which is still good. Often times, utilities use 45 days as a target. The Department will hit the debt service coverage at 1.0, but 1.25 is a policy-planning goal. It is to give additional insurance that the debt service will be met. The 13% increase applies just to the standby charges and the general use and agricultural use (Ag) consumption charges. Other charges, such as the Power Cost Charge, which was increased in August, and the CIP Energy Charge do not change. She showed a comparison to the other counties. The Hawai'i DWS, at the existing rate, shows a typical bill at \$127.18, and under the proposed rates for January 2021, it increases to \$137.29. The increase reflects that 13% increase just on the standby and the water use charges and also includes the power cost charge and the CIP energy charges. The bills are going to increase \$10.11 on a bi-monthly basis for usage of about 12,000 gallons per month; but on a monthly basis, it would mean half of that, or about \$5.00. Overall, on a total bill comparison for 12,000 gallons per month, the new water bill will be about 8% higher than the existing bill.

Mr. De Luz stated that one of his concerns is that this is not comparing apples to apples with the different counties. There is a need to ensure that whenever presenting this information, there is an understanding that this is a comparison to the rates of the other counties and that this Department is, to some degree, playing catch up. In previous meetings, his concern has always been that the Department only has sufficient revenue to continue its operations, without having capacity for expansion. Something that has been asked of the Department numerous times is why it cannot expand the system to add on more ratepayers. He wants to be clear that, for example, Kauai has a much higher rate per 1,000 gallons of use; and at zero percent, it could mean that they have sufficient revenue because their rates are already higher. He thought these things need to have footnotes to create some kind of reference, or an index or appendix, that the public can be referred to, should someone need a more in-depth review of the information.

Ms. Hajnosz replied they could definitely show the actual rates themselves and for the standby charges, what they would include. Kauai does have a different rate structure than this Department. She believed they have four tiers.

Mr. De Luz stated that it could be a reference to an appendix or even a website where they show their rate schedules. It does not have to be articulated within the context of what is being shown here today.

The Manager-Chief Engineer stated that the graph shows what a typical residential family using 12,000 gallons per month would look like, using the rate structures from the various counties, and what their respective water bills would look like in those various counties. As far as system expansion or system capital improvement projects, that will be covered later in the presentation, which applies more to the facilities charge rates.

Ms. Hajnosz asked if there were any further questions on the proposed increases to standby and consumption use charges.

Mr. Domingo asked if he heard it correctly that this excludes the power cost charge and CIP energy charge.

Ms. Hajnosz replied that the rate increases do not include the power cost charge and the CIP energy charge; but with this bill comparison, shown in her presentation, it was all inclusive. That may have been what caused the confusion.

Mr. Domingo thanked her for that clarification.

Ms. Hajnosz went on in her presentation with the facilities charge (FC), which is the charge that developers pay when they connect to the Department's water system. It goes toward financing the backbone of the system, including source, treatment, storage, transmission, and facilities. When you build water system facilities, you have to plan for many years, usually decades. Sometimes some of that capacity sits unused, and existing customers are paying the carrying costs for the investments and for new growth, or new connections. They pay their fair share of what has already been built, and that is what the facilities charge is. It does not take into account the connection charges that cover the distribution side of a water system. Sometimes utilities will have direct customers right off their transmission mains and the facilities charges would also pertain to that. DWS has not had an update for these facility connection charges since 2003. How they evaluated the FC was to take a look at the master plan to see what kind of capacity is in the system to absorb new customers, and they did a comparison to the other counties. The existing facility connection charges start with the \$5,500.00 level. The Department has two 5/8-inch service installation fees, the first one being discounted at about 22%. That has been part of the rate structure for a long time and the idea behind it was to give a bit of a break to single homeowners that want to have property in their family for a long time and want to finally build on that lot. Their analysis came up with an 11% increase for the FC and the chart shows the comparison for all of the different meter sizes. There are some anomalies in the higher meter sizes, which is the result of some changes in meter capacity ratios over the 17-year time period since the last update. There were some things going on with the 8-inch, 10-inch, and 12-inch meters, but the Department does not have these larger size meters; and also, for the larger size meters, there can be negotiated rates based on estimated or even actual usage for some of these larger customers. The other islands, Maui and Kauai, in particular, have their rates much higher. They do not have as much existing capacity in their backbone system and do not have as much existing capacity in those functions of their water system; therefore, they have a higher FC. For this Department, based on master planning efforts, it was determined that there is existing capacity in the system as a whole, and the FC's are lower as a result. The proposal is shown in the second column from the right, "DWS Proposed Facilities Charges." The proposed facilities charges would also be adopted on January 1, 2021.

Ms. Judy Howard thought it seemed unlikely that a 13% rate increase is needed for water but there is only 11% needed for the facilities charges. She asked if there was any reason why the shortfall could not be made up by increasing the facilities charge to something more comparable to Kauai and Maui.

Ms. Hajnosz replied that it has to do with the fact that there are two types of costs for funding. The 13% funds current operations, which include renewal and replacement of the existing system, and all customers will pay that, including new customers connecting to the system. When calculating the facility charges, they are only based on the equity portion of the facilities. It does not include the debt portion because that is already incorporated into the water rates and that is being increased by 13%. The FC's apply to growth-related projects because you try to have growth pay for growth. If they are going to add capacity to the system, that is what FC's are for. In this instance, however, you have the existing capacity in your system and those new customers that are coming online are basically going to be buying into the existing system at the equity portion; therefore, it is a completely different calculation of a charge. The revenues generated from the FC's are less than \$2 million a year. Those funds are typically used for any growth-related CIP which there are not a lot of right now. The majority is renewal and replacement. You are talking about different "pots" of funding to basically maintain the system.

Ms. Howard stated that it made sense but wondered if it had to be that way. If the ratepayers are going to be asked to dig deeper into their pockets, sometimes empty pockets, and she wondered if there might be a way of transferring some of this money to meet operating shortfalls.

Ms. Hajnosz replied there were a couple of reasons it could not be done that way. The pots do not get mixed. It is an industry standard that the two pots are kept separate, plus Hawai'i Revised Statutes do say that there is a methodology for how you calculate your charges and there has to be a rational nexus between the cost of the facilities and the benefits that are going to be given to the people paying the cost. There is that dark line in terms of separating facilities that are going to be added on for growth versus the money that is collected from existing ratepayers.

Mr. Ney suggested that when this is presented for public testimony, the emphasis should really be on the fact that the water rate increase is the only revenue generator the Department has. It is a pass-along cost. It should also be stressed that if it is going to be such a strain for someone to pay 13% more, they could learn to be a little more conservative with their use of water. He thought that for most people, a 13% rate increase would be financially feasible. There should be a way to stress that there are ways for people to deal with the rate increase by being more conscientious about their water use.

Mr. Kern thought that the public might get caught up in the 13% increase being on the total bill, which it is not, and thought it might be good if it could be bifurcated out or come up with an average increase on a bill, which would probably come out to more of a 9% increase. From an understanding standpoint, as it is going out there publicly, it is being called a 13% increase of your bill. Therefore, if you have a \$100.00 water bill, one would expect a \$13.00 charge on top of that, which is not the case.

Ms. Hajnosz agreed.

Mr. Kern thought if there was a way to somehow explain that or, for instance, even if it is an average of and round it up a little bit, 8% or 9%, whatever it comes out to, it would reflect more of what is going on.

Ms. Hajnosz replied they could do that.

Mr. Kern stated that he wanted to make sure it reflects that because after the last Board meeting, he realized it was not reflecting accurately to the public, and thought that with a little bit of work, it can get there. Moving on with the facility charge, an increase to somewhat catch up makes sense but he thought there may be room in this area for movement and for more discussion. This could be like a Phase 1A in his opinion because right now, basically, this is not for growth. It is more for the existing service that is already there. The Department is not really growing the water system. It is maintaining it, and there are options

potentially for higher FC's maybe for areas that need additional improvements. If somebody would be willing to pay more, as maybe a second or third tier, this obviously needs a lot of thought and discussion. Right now, any increase that could be seen from FC's will be in areas of growth and, unfortunately, some areas are not supported for more growth on the Department's system so it is like the Department's hands are tied. Ironically, the areas that have some additional water capacity are not the areas of high growth. It would be awesome to see what those numbers look like. The system accounts for all available lots in that area but that is still the case even if only 20% is really developed or 50% is developed. He thinks there are some creative ways to maintain the system and maintain the capacity that is there but potentially allow for some movement. The classic scenario, especially with the Planning Department, is that he has families call frequently and say they have 15 acres that should probably be zoned Ag5 and they could have three lots for their kids; but as soon as DWS is asked for additional water, the answer is usually no and that stops all movement and any type of estate planning. Larger developers can afford to put up more facility charges and he thinks there is a lot more work that could go into this particular component to come up with something more progressive.

Ms. Howard supported the idea of going into a very deep discussion on those charges; but going back for a moment, she asked what was meant by studying rate classes within the next year.

Ms. Hajnosz replied that it goes into discussion held during one of the prior Board Meetings where the customer classes was raised--general use and agricultural use. What they are proposing to do is look at the general use customer class and see if it could be broken down into residential and non-residential classes and have a look at the data. There are various things that could be looked at relative to the non-residential customer. Typically the non-residential customer is going to have a uniform rate because you want to design rates based on homogeneous water use within a class, and non-residential class is everything from a mom and pop store to hotels. They can look into putting more classes in and look at things like seasonality in Hawai'i in terms of high and low use, typically wet and dry months. In terms of changing rate classes, she would like to do a Board workshop so the Board could get a sense of what it wants to see, what has been heard from other water systems, and do more collaboration.

Ms. Howard asked if Ms. Hajnosz could explain what the first, second, and third blocks consist of in her presentation, regarding the proposed one-year rate schedule.

Ms. Hajnosz replied that they are basically tiers of water usage. The way the Department has it now is based on meter size. If you have a 5/8-inch meter, your tiers are first, second, third, and fourth blocks, based on usage levels, or average flow through that meter. When you get to a 1-inch meter, you have more flow through that meter; therefore, the four blocks will have larger volumes of water. When you get to the 4- and 6-inch meters, she could show more detail if needed.

Ms. Howard thanked Ms. Hajnosz for her explanations.

Mr. Ney asked a question of the Manager-Chief Engineer about the proposed service lateral installation charge. The cost shown seems very low. He has seen the County put in service laterals and it is a big production. You have the whole crew out, plus the cost of materials. He wondered if those numbers were high enough to cover costs and how they were reached. Every job is different, whether it be crossing a single-lane road or crossing a double-lane road. His second question or recommendation had to do with the agricultural (Ag) use rate and if there was possibly a way to look at having the client have a separate sub-meter for Ag use and a separate meter for consumption on the house to have a better analysis of how the water gets used. He thought the cost could be passed along to the customer, but there needs to be a way to have a better understanding and to hold Ag users accountable for having proper use on their property, which he thought is highly abused in this County.

The Manager-Chief Engineer explained that the Department looked at actual field work orders and costs for service lateral installations over a period of time, and that is what the proposed fees are based on. Every situation is different, and all of those factors had to be taken into consideration to come up with the proposed rates. You may win some and lose some, but overall, this was the average. Crossing State highways, for example, comes with a fee that the Department needs to pay a consultant which is required to process the State Highway permit, and that is included. These are based on real numbers. Periodically, those numbers are re-evaluated, and with any rate modification, they require public hearing and Board action for adoption. Regarding the Ag rates, several days could probably be spent on that topic. As committed at a recent Board meeting, that will be placed on the Agenda at some point. It could possibly be folded into the next phase of work for these water rates, as more things are added to Ms. Hajnosz's plate, whether it be rate classifications, Ag rate evaluation, and diving further into the facility charges.

Mr. De Luz suggested perhaps as part of the public hearing that a template of a water bill be shown where you circle where the impacts will be seen on the bill so the public could hopefully relate to that and not have so much push back. He gave the example where HELCO (Hawai'i Electric Light Company) had changed their bill format and it was difficult to understand what really occurred. Based on his time on the Board, he has seen where the Department has made accommodations with people who have shown hardship and has worked with them; and he has every confidence in that regard and perhaps it should be addressed within the context of the public hearing that if anyone has an issue, to contact the Department to work something out. The Department is not inhuman. With regards to the facility charge, he believed what Mr. Kern had indicated is more of a deep dive into it that should be considered. At the same time, he felt the need for the Board to take action on what is being proposed at this time, as an interim, only because it has been so long since adjustments have been made. He asked if the FC is being reduced on the 8-inch meter.

Ms. Hajnosz replied that was correct. There was a slight reflection because of the change in the meter ratio.

Mr. De Luz stated that was fine. Also, what was mentioned a couple of meetings ago was when they were looking at a jump in consumption, there is a need to better understand capacity versus ability for distribution. In the areas that potentially have capacity that may not be known, perhaps the developers could take a second look at them if there is the ability to develop. Meanwhile, he would like the Board to consider moving FC's with the understanding that in the future, a deeper look would need to be taken in this regard.

Mr. Domingo asked if depreciation is incorporated into the operation and maintenance of the facilities when talking about the FC. He would assume the depreciation is incorporated into the O&M or some type of budget instead of making a separate increase for the FC.

Ms. Hajnosz replied that was correct. The O&M expenses are all recovered under the water rate schedule. They are not recovered under the FC. The renewal and replacement, maintenance for facilities, etc., is recovered under the water rates. The FC's represent the investment in the backbone system, or source, storage, and transmission, and is based on the value or equity portion of that system and spread out to all of the customers. When they come up with a rate for a new customer coming on board, that would be their sort of buy-in to the system. It is completely separate from the water rates.

Ms. Howard asked if the system is aging or depreciating and the existing ratepayers have been supporting the cost of that system through their rates, when there is a new connection, would the new connection pay back the existing users for their contributions or would it be calculated based upon the equity value of the system on the date of the connection.

Ms. Hajnosz replied that it is not a literal payback. The FC's are set to recover the fair share of the value of the system that the existing customers have already paid. It is a moving target because it is based on your plant asset value as of the end of June. They escalated it to current dollars, or replacement value. It is only

on the plant that is related to your source, storage, and transmission, or the backbone system. If you take it out, there is no debt in there because that debt gets repaid through your rates.

Ms. Howard stated she would have to think about that some more.

Ms. Hajnosz clarified that they are not double counting. They are not charging new customers for the debt because once they become an existing customer, they are paying for the renewal and replacement of the system. She continued on regarding the updates to the FC. As the Board is aware, there is an affordable housing challenge across the State and they took a look at how affordable housing could be supported by minimizing some of the hurdles that are part of affordable housing costs, including FC's. What is being shared with the Board today for consideration on whether to move forward is an affordable housing policy, after taking a look at what the Honolulu Board of Water and the Kauai Department of Water are doing with theirs. It would take a few more iterations to get some of the details worked out to become an actual new rule and regulation. What is proposed, and the Board may recall, is that she had mentioned the initial 5/8-inch meter discount for FC's right now is about 22%; and they are proposing to take that initial meter discount and say, for the first qualified affordable housing units, they could have it at that lower rate. Anything after that would be at the higher rate, the proposed rate of about \$6,000.00 per 5/8-inch meter. If you take the difference between paying for 50 units at the \$6,000.00 rate, versus the \$1,000.00 rate, it would come out to about \$239,000.00 per year, which would be like a subsidy to be recovered by other ratepayers. That is equivalent to less than 1% of water sales and is not much different than having a subsidy for the Ag customers. They are paying a lower rate at the top end of their usage. She reiterated that this is just something for the Board to think about and whether the level is right or if the methodology makes sense to the Board. She added that on Kauai, they have a discounted FC of about 35% for their 5/8-inch meter.

Mr. Ney thought that there is a need to be very careful about subsidizing discounts if it puts on the costs to other customers. There should be a uniformity in fair dealing with the customers. Having symmetrical rules and rates, proposing a rate increase, but also having ratepayers absorb the costs for putting in these meters does not sit well with him. He did not think the subsidized costs for one party should be put onto the other customers.

Ms. Howard stated that what she keeps coming across during this presentation is that there is a need to think backwards and take an overall look at the Department's policies. It would be worthwhile to review all of them and also consider the extent to which this Department would cooperate with the County in achieving its General Plan goals. Obviously, that is going to take a lot of time, but is better than approaching this piecemeal.

Mr. Domingo asked what the basis was for using 50 qualified affordable housing units, whether it was just a hypothetical assumption.

Ms. Hajnosz replied that they looked at some of the County Planning documents for housing. There was a report to Housing and Urban Development (HUD) that showed they were projecting over another five years to build a certain number of projects for the very low income housing. They wanted to build some housing for low-income seniors, some two to three hundred single-family housing units over the next four to five years. DWS is trying to get a sense of what would be some level of meaningful support without just giving breaks to everybody. They picked 50 units, did some calculations, and came up to what it would that mean relative to revenues from water sales, which is about less than 1%. They also looked at the other counties, for example, Honolulu, for a similar kind of assistance for affordable housing. They are coming up with that 1% assistance level also, and it seemed like a reasonable amount.

Mr. Ney stated that he is not in opposition to helping people with a subsidy, but thought there needs to be a different funding mechanism, whether it be through grants, etc. It is a great concept, just not to where it is funded from an increase to the customer.

Mr. Kern shared his experience with affordable housing. It is less about the cost and a lot more about availability. The challenge that you run into is water availability. One of the challenges is when you look at the cost of FC's for Maui, Kauai, and Oahu, they are three times larger than those of this county, and their geographical area is much smaller and their water systems are nice and tidy. This island does not live in that world. He thought this needs to be looked at further; and again, water availability is generally the issue. It is a really good concept, but the question is how to make it work; and he agreed with some of the other Board Members about not placing it onto other ratepayers in this way. It needs to be massaged but it is a good example of moving in the right direction. He mentioned another building code just passed that increased the cost for every single affordable unit on this island. There is a subdivision code that does not support affordable housing, and there is a zoning code that states it is for affordable housing. It is good that the Department is at least trying to work in that direction, but there is more that needs to be done. Perhaps, like Ms. Howard suggested, it needs stepping back a bit to look at it in a larger perspective. For the record, he thought all the other departments are starting to look at affordable housing, but they should put something on paper that reduces the cost instead of just talking about it.

Ms. Hajnosz stated that the next steps with the rate study will be to get the Board's approval on the proposed rates, not including the affordable housing piece at this time. That was only an introduction to the idea and it seems to make sense to do some investigation and talk with staff to figure out what the next steps will be for affordable housing. Today, the Department is looking for the Board's approval on the rates package and the FC package that were previously provided. October 21, 2020 will be the public hearing where the Board will receive public input on the rates and FC proposals and then the Board can approve it at its regular meeting either on October 27 or November 24. It would give the Department a month or so to update its billing system; and on January 1, 2021, the rates would be implemented.

The Manager-Chief Engineer thanked everyone for their input. Going back to the affordable housing discount on the facilities charge, it is a concept that the Department wanted to bring forward to the Board as a way to help with the situation. One way the Department is already trying to address it is on water availability which is an internal guideline that administrative decisions can be made on. If there is a true and viable affordable housing development, the Department has the ability to provide additional units other than the general water availability. Even with that, the Department needs to be very careful that a project is truly affordable housing. He thanked Ms. Hajnosz and the Board Members for the discussion today and asked the Board for its consideration on the recommendation in the Agenda to conduct a public hearing on October 21, 2020, at 6:00 p.m., where these proposed water rates and updated facilities charges will be brought forward for public hearing.

Chairperson Boswell reviewed the agenda item as follows:

The consulting firm of Harris & Associates was contracted to determine water rates for the Department for the 5-year period Fiscal Year 2021 to Fiscal Year 2025. The Water Board determined that due to uncertainties of the financial impacts of COVID-19, only rates covering a 1-year period beginning January 1, 2021, would be determined at this time. Changes to rates after this 1-year period would be made after conducting an analysis of the economy and financial condition of the Department and an updated rate study.

At its August 25, 2020, Board meeting, the Water Board approved a 13% water rate increase to be effective January 1, 2021, for a period of one (1) year. The water rate schedule associated with this increase has been circulated for the Water Board's review. Also included is an increase to the Department's Facilities Charge,

which are the rates assessed to recoup the capital costs of water systems from new connections. These charges were last updated in 2003.

Before water rates are changed, the Water Board is required to conduct a public hearing.

The recommendation is that the Board conduct a public hearing via Web Conferencing, on October 21, 2020, at 6:00 p.m. Hawai'i Standard Time to accept testimony on the Board's proposed rate increases.

Chairperson Boswell called for a Motion to conduct a public hearing.

ACTION: Mr. De Luz moved for approval; seconded by Mr. Ney and carried by roll call vote, Ayes: 9 - Mr. De Luz, Mr. Domingo, Ms. Howard, Ms. Hugo, Mr. Kern, Mr. Ney, Mr. Scicchitano, Mr. Sugai, and Chairperson Boswell.

(Ms. Hajnosz thanked the Board and left the meeting at 11:03 a.m.)

MOVE UP AGENDA ITEM

Chairperson Boswell asked for a Motion to move up Agenda Item 9(B) PROPOSED MEMORANDUM OF UNDERSTANDING AND REVISION TO DEPARTMENT OF WATER SUPPLY RULES AND REGULATIONS RELATED TO DISCONTINUATION OF WATER SERVICE DUE TO SEWER DELINQUENCIES.

ACTION: Mr. Ney so moved; seconded by Mr. Sugai and carried by roll call vote: Ayes: 8 - Mr. De Luz, Mr. Domingo, Ms. Howard, Mr. Kern, Mr. Ney, Mr. Scicchitano, Mr. Sugai, and Chairperson Boswell; Absent: 1 - Ms. Hugo, due to technical issues.

9) MISCELLANEOUS:

B. PROPOSED MEMORANDUM OF UNDERSTANDING AND REVISION TO DEPARTMENT OF WATER SUPPLY RULES AND REGULATIONS RELATED TO DISCONTINUATION OF WATER SERVICE DUE TO SEWER DELINQUENCIES:

Hawai'i County Code Section 21-32(f) authorizes the DWS to terminate water services for customers who do not pay their sewer service charges. DWS, in conjunction with the Department of Environmental Management (DEM), has developed proposed rules for implementation of water shut off due to non-payment of sewer fees. The proposed changes to the DWS Rules and Regulations include Rule 1 Section 1-1 Definitions; Rule 2 Section 2-5 Rules of Practice; Rule 3 Section 3-11 Discontinuation of Water Service, and 3-12 Restoration of Water Service. Further, DWS and DEM have developed a Memorandum of Understanding (MOU) inclusive of compensation to DWS for personnel who assist DEM in implementing water shut off for non-payment of sewer fees.

The Manager-Chief Engineer recommended that the Board approve the MOU between DWS and DEM, and that either the Chairperson or the Vice-Chairperson be authorized to sign the MOU subject to review as to its form and legality by Corporation Counsel. It is further recommended that the Board approve the proposed changes to DWS Rules and Regulations as specified and proceed with a public hearing for rule change in accordance with the requirements of §91-3 Hawai'i Revised Statutes.

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

Chairperson Boswell hoped that the Board Members had gone over the information in their package and opened it up for discussion.

The Manager-Chief Engineer announced that the Deputy Director of the Department of Environmental Management (DEM), Ms. Diane Noda, and her team were present. This has been several years in the making, preceding when he became Manager-Chief Engineer. There were a lot of concerns from DWS' side, and all of those concerns and reservations have been adequately addressed. DWS is basically trying to be team players and assist DEM with their challenges. Water shut off by DWS due to non-payment of sewer fees will be the hammer they need. Hopefully the hammer does not have to be used and just waving the hammer will be adequate for compliance and resolution of their delinquencies. DWS asked for a Memorandum of Understanding (MOU) in order for this to be formally documented for what this relationship will be between the two departments, including compensation for DWS personnel's assistance, which is anticipated to be mostly field personnel required to physically shut off the meter, as well as some administrative services within the Finance and possibly Engineering divisions. He turned it over to Ms. Noda to provide more details and introduce her team.

Ms. Noda introduced Ms. Robin Bauman, Business Manager, Ms. Charmaine Felipe, Accountant IV, and Ms. Amy Self, a contract employee who has worked on drafting the amendments to the Rules and Regulations. Their Director, Mr. William Kucharski, apologized as he was unable to attend today and is out of State. For this water shut-off request, it is an effort for DEM to be able to have the hammer to try and get their delinquent sewer service customers to pay their sewer bills. Water shut-off would be a cleaner and easier method than having to plug the sewer line, which would then have health and safety concerns. In 2005, the Hawai'i County Code was amended to allow DEM to place a lien on Real Property for sewer delinquencies but that was a long and inefficient method to attempt collection. In 2007, the County's Cost of Government Commission issued a report that recommended the County pursue water shut-off for sewer non-payment. In 2014, the Hawai'i County Code was amended to authorize the DWS to assist DEM in water shut-off for non-payment of sewer fees. To date, they have been actively working towards reducing their sewer delinquencies and are almost complete with drafting their DEM Administrative Rules to address water shut-off. This is the only County in the State that does not have water shut-off right now. Oahu and Maui actively do it. Kauai has it on the books but for some reason is not doing it at this point in time. Between the general provisions in the MOU, they have worked to address concerns that a customer has fairness and due process rights and that the water shut-off would be only as a very last resort. They are hoping the last notice of delinquency that states they will be subject to water shut-off will be enough for them to at least contact DEM in a good faith effort to negotiate a payment plan or something that would be mutually satisfactory to both sides rather than totally ignoring their sewer service fees. This would mirror DWS' procedures, and like this very difficult 2020 year with COVID-19 concerns, DWS has currently suspended their water shut-off for water. It will take DEM a number of months anyway to finalize their water shut-off rules and then figure out which high accounts would receive the first notices. It will take a while to implement it, but this is the first step for DEM. She asked if the Board had any questions or concerns.

Mr. Ney thought there is a need to be careful just for the appearance with the public who may not realize why the Water Department would be shutting off their water for a delinquency with DEM. It might be confusing for people, but he understood where you essentially need the water, and if that is shut off, you would not have sewer going down the pipe. He asked for clarification if they would have the ability to remove a water meter for "any delinquency of \$75.00 or past 30 calendar days."

Ms. Noda replied that would be the minimum. They will first be addressing the delinquencies of the highest dollar amounts; but what is seen in the MOU is the minimum they could pursue.

Mr. Ney asked if cesspools and septic systems are under DEM's purview or if it was Department of Health.

Ms. Noda replied they would fall under the Department of Health.

Mr. De Luz believed there is a non-congruence in regard to this because the responsible party for a sewer account is the property owner; but for Water Supply, it is the ratepayer. He had some experience where they had rental property and were notified as the property owner, there was some issue when the property had two meters and they were not sure which meter was which with regard to the sewer bill. DEM had worked with them to get that clarified, but he was concerned that it is not the same thing. The property owner and the ratepayer for DEM is not the same as for Water Supply. You can turn off the water for the ratepayer, but what happens if the property owner does not concur for DEM? It is more of a concern with jurisdiction of DWS. He understood the intent but wondered about that aspect of it. If the issue has been worked out with DWS, he was okay with it but was just bringing it up as a matter of circumstance that occurred and wanted clarity because technically, his understanding from talking with DEM is that the property owner is the ultimate party responsible to pay for the sewer, regardless of the lessee.

Ms. Robin Bauman replied that DEM recognizes that per County Code, the property owner is the ultimate responsible party. They can choose to designate another party for billing the sewer fees but they would be jointly liable. Recognizing that they have multiple parties involved, if they end up at the point where they need to pursue the water shut-off, notices will be given to each of the parties, including whomever is holding the water account, if the tenant is paying for the sewer bill, and the property owner. Any one of them could contact DEM to make payment arrangements.

Mr. De Luz stated that was fine, as long as it has been figured out administratively. It might be good to have a side note in the MOU so that the context as to how it is administered is outlined with clarity between the parties, meaning the ratepayer and the property owner.

The Manager-Chief Engineer stated that DWS had similar concerns, there being different account holders for DEM versus the water bill. They tried to capture that in the MOU where notices would go to all appropriate parties. The other thing to make clear is that if there are any appeals, it does not come to the Water Board or to DWS. The DEM has their own Environmental Management Commission that handles appeals and it has to go through those channels before it would get to the point their water would actually be turned off. He wanted to make sure everybody was aware of that.

Mr. Kern recalled being on the Council when this was voted on years back and remembered it was complex but very necessary. He shared the same concerns as Mr. De Luz, and so as long as that is taken care of and the two departments are good with it, he was good with it. It is an issue that most people can really overlook and not understand; but the deeper you dive into it, there really does need to be that hammer.

Mr. Domingo asked what DEM's delinquency rate was.

Ms. Noda replied that Ms. Felipe had produced a report earlier this month and for repeat offenders who have prior delinquencies and new delinquencies, it was a total of 320 sewer accounts. Since April 1, the beginning of the COVID-19 shut-down, they show that 206 have made some form of payment. The percentage of their accounts in delinquency is a little less than 7% of their total sewer accounts.

Mr. Scicchitano asked Ms. Noda what process would be in place if there was a family with children or seniors, for example, to review the situation with checks and balances and try to assist people in trouble

before going in and turning off their water. Understanding that people need to pay their bills, just looking at it from a family perspective, there are probably evictions and people could just really need assistance.

Ms. Noda replied that the current process is to have their collections clerk reach out to them to see if they are willing to work out some kind of payment plan. Hopefully, that will resolve the situation. If it cannot be resolved at that level, currently, if a threshold dollar amount is reached, they refer it to Corporation Counsel's office to pursue. If and when this water shut-off is in place, before they would go as far as contacting the DWS to have their personnel shut off the water, the account holder would have the opportunity to appeal to DEM's Director with the possibly of an informal meeting to see if that may resolve it. They are looking at resolving it mutually and satisfactorily for both sides. If there is an informal meeting with the Director, the Director would issue a written decision. Whether or not the informal meeting with the Director happens, the customer has the opportunity to appeal to the Environmental Management Commission, and that would be their opportunity for notice and opportunity for a hearing. Only after the Environmental Management Commission makes a written decision, then they would contact DWS to start taking the steps for water shut-off. It has to be scheduled and even on the day of the shut-off when their collection clerk goes with the DWS employee to shut off the water, if the family comes out with cash or credit card, they will take payment then and there, up until the minute before the shut-off happens. Nobody wants the water to be turned off; but as a County department, they are not a bank or a loan institution. There are other agencies or avenues that hopefully would be able to assist, especially in these COVID-19 times. Hopefully, along that lengthy path, it can be addressed.

Mr. Scicchitano thanked Ms. Noda for that explanation. That was the piece he was looking for--the connection to the sources of help.

Mr. Ney asked if the DWS would be compensated for the services rendered to assist DEM. Also, as Mr. De Luz mentioned, they need to use discretion on how this is carried out, especially if it is only a delinquency of \$75.00 because if it is something the property owner is responsible for and they want to get rid of their tenant, perhaps they just would not pay the bill. You have to be careful, especially if you have people paying for their water bill on time but they have the DWS shutting off their water for a delinquency with DEM. It would not give a very good appearance for the DWS. They have to use good discretion on when to apply this shutting off water policy.

Ms. Noda pointed out Page 2, Item 10, in the MOU where it covers DEM's responsibilities. DEM shall reimburse the DWS for their employees' work hours devoted to assisting DEM with the water shut-off tasks related to the delinquent sewer service charges.

Mr. Ney thanked Ms. Noda for that clarification.

Ms. Noda also pointed out that they will work on notification to all sewer service customers, if and when the water shut-off goes into effect, with a billing insert and with website postings and public notices. It will include the message that it is DEM doing it.

Mr. De Luz stated that he had every confidence that DEM will work with the parties on their delinquencies and on getting the word out. He understood their dilemma. They are caught between a rock and a hard place, especially with the Federal Government compliance requirements with regard to the sewer systems. He added that this island is a little unique in the sense that a lot of municipalities have their wastewater and water under one municipality, but Hawai'i is different, and it makes it more difficult within the community that is not very receptive to mandatory sewer hook-ups. It is really a

tough deal, but he believed this MOU was long in coming and can be revisited if any issues arise going forward.

Mr. Sugai asked if the Manager-Chief Engineer had any input on interactions between the two departments.

The Manager-Chief Engineer thanked the Board Members for their questions and input. This is a long time in coming. He stated that there were a lot of concerns from both sides, and it is hard to forecast some of the details until it actually goes into effect, but he thinks the overall understanding and cooperation between the two departments is a commitment to working together. There will be challenges but he was sure everyone would work together to overcome them.

ACTION: Motion was carried by roll call vote: Ayes: 9 - Mr. De Luz, Mr. Domingo, Ms. Howard, Ms. Hugo, Mr. Kern, **Mr. Ney (with reservations)**, Mr. Scicchitano, Mr. Sugai, and Chairperson Boswell.

(Ms. Noda and her staff thanked the Board and left the meeting at 11:35 a.m.)

6) SOUTH HILO:

A. **JOB NO. 2020-1146, HILO OPERATIONS BASEYARD EMERGENCY GENERATOR REPLACEMENT:**

This project generally consists of furnishing all labor, materials, tools and equipment necessary for constructing Hilo Operations Baseyard Emergency Generator Replacement, including demolition work, generator shelter, civil site work, access gates, mechanical work, electrical work and structural work, in accordance with the plans and specifications, ready for operation.

Bids for this project were opened on September 10, 2020, at 1:30 p.m., and the following are the bid results:

| Bidder | Bid Amount |
|-------------------------------|-------------------|
| Close Construction, Inc. | Non-Responsive |
| Isemoto Contracting Co., Inc. | \$1,384,052.00 |
| Site Engineering, Inc. | \$1,399,246.00 |
| Jas. W. Glover, Ltd. | \$1,450,200.00 |

Project Costs:

| | |
|---|------------------------------|
| 1) Low Bidder (Isemoto Contracting Co., Inc.) | \$1,384,052.00 |
| 2) Contingencies (~10.0%) | \$ 138,348.00 |
| Total Cost: | <u>\$1,522,400.00</u> |

Funding for this project will be from DWS' CIP Budget. The contractor will have 270 calendar days to complete this project. The Engineering estimate for this project was \$950,000.00.

Baseyard History:

Hilo Operations Emergency Generator: Original Installation: 1986

The Manager-Chief Engineer recommended that the Board award the contract for JOB NO. 2020-1146, HILO OPERATIONS BASEYARD EMERGENCY GENERATOR REPLACEMENT, to the lowest responsible bidder, Isemoto Contracting Co., Inc., for their bid amount of \$1,384,052.00, plus \$138,348.00 for contingencies, for a total contract amount of \$1,522,400.00. It is further recommended that either the Chairperson or the Vice-Chairperson be authorized to sign the contract, subject to review as to form and legality by Corporation Counsel.

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

The Manager-Chief Engineer stated that this is basically a generator replacement with an upgraded capacity as well as a new shelter to protect it from the elements. He asked Mr. Young to elaborate.

Mr. Young stated that the original generator is about 34 years old and the Department has been having some mechanical problems with it over last few years. This new 150-kilowatt generator will replace the 40-kilowatt generator. Over the years, additions have been made to the baseyard such as a meter room, an auto mechanic shop, as well as equipment and computers, which created more of a load. When monthly test runs are done on the existing generator, equipment needs to be kept powered off to make sure the generator does not trip off. This new generator will be able to accommodate the new loads on the system.

Mr. Kern asked what kind of generator it was and if there was a breakdown of the actual cost of the site area and civil work. He assumed it was a greater chunk of the cost because it was significantly higher than the engineering estimate.

Mr. Takamoto replied that it was specified as a Caterpillar Polar or approved equal. As far as the breakdown, a significant amount went toward the shelter itself, about \$200,000.00, and some costs spread higher across the rest of the equipment.

Mr. Kern appreciated that information and trusted the Department.

Mr. Ney thought that \$1.5 million seemed like a lot, especially where electricians put in some of the bigger residential units, maybe at 20 kilowatts, usually in the tens of thousands of dollars range and stated that a breakdown would be helpful in understanding these numbers. He asked how much is allowed for future additional of equipment with this replacement generator.

Mr. Young replied that the consulting engineer did the estimate and the baseyard is currently maxed out in terms of capacity. If the baseyard grows significantly, he suspected it may have to move to a larger generator. The photovoltaic project contractor probably would have to look at the numbers as well.

Mr. Takamoto added that the engineering consultant did a power study prior to determining the size of the generator to ensure it is appropriate for the facility. The analyzer ran for about a month and their calculations were based on that.

Mr. Domingo asked if the existing generator could be sold to recover some of the cost or if it was ready for the junk pile.

Mr. Young replied that it will go into the salvage equipment and probably go out for bid at a future date. It still runs but it would probably have to be overhauled and need major upgrades.

Mr. Sugai asked how often the Department actually uses the generator.

Mr. Young replied it is not used that much. There have not been a lot of power outages. It is probably exercised more than it actually runs in an emergency.

Mr. Sugai asked if, with the budget shortfalls, this might be something the Department could get a lower bid on because the contractors are busy now and if deferring it would be a possibility.

Mr. Young replied that could be a possibility, but you never know when you will need the generator. It is one of those things. Hilo baseyard is like the DWS command center for the entire island. It would be a risk that would need to be weighed by everyone.

Mr. Ney asked if the current generator is on auto switch for when the power goes out.

Mr. Young replied it is manual. Mr. Takamoto stated that the new system will be auto transfer.

Mr. Ney asked if there is a way when the Department put out a Request for Proposals (RFP) the Board can be given a breakdown. It might show if some areas are a little in excess of what they should be.

The Manager-Chief Engineer explained that what is shown to the Board for the meeting does not have the line item breakdown. In all of the projects, there typically is a further breakdown. It would be very voluminous to include that with the agenda, but if any Board Member wanted to see it before the meeting, it can be sent out upon request. Prior to a Board Meeting, if any Board members have concerns, they can send an email to the Department to follow up. Part of the Department's evaluation for bids is to review them for any red flags. Looking at the bids received for this project, they are fairly tight. It is reasonable to assume that this is a responsible, responsive bid amount. As far as putting the bid out again, there is the risk of the price going even higher.

Mr. Kern asked if the current generator is still running, to which Mr. Young replied it was but has mechanical problems and cannot run the full load. Mr. Kern noted that he was having some heartburn with this, even though the bids are within \$10,000.00 of each other, a good sign, but wondered if this was the right time for this, based on budget issues. He asked if the Department has looked into renting a generator as a backup.

Mr. Young replied that they have not. In response to Mr. Ney's question about amp service the baseyard receives from HELCO, or whether it was single- or three-phase, Mr. Young replied it is three-phase.

Mr. De Luz stated that he supports this for two reasons. In any type of emergency, planning for the future is like life insurance. You hope you never have to use it, but you have it. The other reason is he had a situation at one of their facilities where the generator was undersized. You might not be able to design for a backup generator and it is not as easy as just plugging it into a rental and starting it up. During an emergency situation, you may not be able to operate efficiently. He did support this initiative.

Ms. Howard stated that she would also be supporting this. She thought that, although it would be nice to have a very large generator available to rent when you needed it, the likelihood is when you need it, somebody else would be needing it too, and that may not be feasible. This is essential, but she was sorry it had to cost so much.

Mr. Ney stated that he was not going to support this and was looking online during this discussion and saw generators for \$40,000.00 to \$50,000.00. He did not see how to justify spending \$1.5 million to have a stationary generator mounted at the baseyard. He suggested there might be a way to have the

wiring configured so that something portable on a trailer could be used or different options that are less expensive than what is before the Board today.

Mr. Young saw the point, but added that he has looked at generators online and for whatever reason, it costs so much in Hawai'i. The Department bought quite a few generators through Civil Defense and was surprised at the pricing. A lot of it may be the shipping costs or maybe its configuration, but the pricing seen online can be misleading.

The Manager-Chief Engineer asked staff if they had the breakdown for the line items and their associated costs.

Mr. Takamoto read each line item and price to the Board as follows:

| | |
|--|--------------|
| Mobilization and Demobilization | \$8,701.00 |
| Construction stakeout, Benchmarking, and property pins. | \$11,575.00 |
| Erosion and temporary dust control, inclusive of silt fencing, entry/exit gravel area, sandbag sediment traps, culvert inlet protection and all appurtenant work. | \$17,362.00 |
| Demolish and remove existing trees from Hilo Operations Baseyard, as shown per plans. | \$3,997.00 |
| Demolish and remove existing generator shelter, generator, and appurtenances. | \$14,903.00 |
| Miscellaneous AC pavement repair to existing driveway. | \$5,787.00 |
| Chain link double-swing gate and appurtenances, including "No Trespassing" sign, in place complete. | \$4,366.00 |
| 4-inch diameter pipe bollards and concrete foundations. | \$22,312.00 |
| Generator shelter and appurtenances inclusive of structural excavation measured from site finished grade to bottom of slab, base course, concrete work, masonry work, steel reinforcing, anchors, structural steel framing, welding, metal roofing, gutters, doors, drywall, and all related work as specified on the plans and specifications, in place complete. | \$332,291.00 |
| Painting work for generator shelter. | \$34,976.00 |
| Concrete work for above-ground storage tank (AST) pad, including all reinforcing bars, foundation preparation, cushion material, and all other incidental and appurtenant work per plans and specifications, in place complete. | \$4,165.00 |
| Installation of landscaping at Hilo Operations Baseyard, including soil improvements, mulching and maintenance as specified on the plans and specifications, in place complete. | \$19,653.00 |
| Provide allowance for As-Built Drawings, Instructions, Maintenance, Replacement Parts Lists, Manuals, and Programming Software. Deliver to the Department's Operations Office in Hilo. | \$2,894.00 |
| Packaged Diesel Engine Generator System inclusive of weather protective, Tier 3 / Level 3 sound attenuated enclosure; 24-hour sub-base fuel tank; and all appurtenances. | \$198,200.00 |
| Installation of Packaged Diesel Engine Generator System, including Stainless Steel exhaust system, sub-base tank venting, fire extinguisher, and all other incidental and appurtenant work per plans and specifications, in place complete and fully operational. | \$24,983.00 |
| 1,000 Gallon above-ground Storage Tank (AST), including leak detection system, AST accessories, access stairs/platform, and appurtenances, in place complete. | \$163,684.00 |

| | |
|---|--------------|
| Fuel System, including all piping, fuel oil package supply pump set, fuel oil packaged return pump set, fuel filter, fuel system testing, and all other incidental and appurtenant work per plans and specifications, in place complete and fully operational. | \$106,309.00 |
| Automatic Tank Gauging System (Veeder Root TLS4c with touchscreen), including application software, in-tank probe, NEMA 4X 304 Stainless Steel enclosure, and all other incidental and appurtenant work per plans and specifications, in place complete and fully operational. | \$48,267.00 |
| Demolition of existing Hilo Operations Building incoming electrical service and transfer system, including all incidental and appurtenant work per the plans and specifications. | \$10,882.00 |
| Furnishing and installing electrical system at Hilo Operations Building, inclusive of incoming service equipment; circuit breakers; panelboards; junction boxes; handholes; conduit and wiring for electrical services; general power and lighting system for generator shelter; conduit and wiring for generator power and controls; automatic transfer switch equipment; power correction equipment; generator system testing; conversion from HELCO pole mounted service transformers to pad mounted transformer; HELCO coordination; and all other incidental and appurtenant work per the plans and specifications, in place complete and fully operational. | \$348,745.00 |

Mr. Ney stated that he would try to get the line items from the Department ahead of time so the meetings do not drag on, but it would be nice to have the ability to look at the site plan and the line items and try to do the best job in value-engineering. He heard one item in the list for landscaping costs and thought there are necessary costs to doing a project and then some that get a little extravagant, over and above what is needed. He appreciated staff for going through the line items and will try to get them ahead of time in the future.

Ms. Howard thought that probably all of the Board Members would appreciate getting that information in advance. It would be very helpful and probably contribute to quicker meetings.

Mr. Sugai asked how large the building and the project area are.

Mr. Takamoto replied the shelter is 26 feet by 11 feet and the work area is about 40 feet by 60 feet.

Mr. Sugai thought it sounded like a lot of money for something that small.

Mr. Scicchitano agreed with the concerns and the need for some of the information up front but he also would trust the Department to do their job. By looking at the other bids, they were fairly close together which shows the Department did its due diligence; but he would also like to see some of those breakdowns before the meeting to help get through it a little quicker. He could see both sides and appreciated the work that everybody has put into this.

Chairperson Boswell commented that if the Board Members are this concerned about what is going on, perhaps they should get involved in the engineering and mechanical aspects of the work and reassign their task load to allow them to get involved on the design side of projects. This is a project that has already been designed, consultants were paid, bids were let out, and this is the final approval to move forward with it. It is much too late down the road to be taking this much energy and effort on something that has been put together and just calling a budget shot on it because it does not sound right or you do not understand the scope. This is way late in the game to be taking pot shots at something. He concluded that he supports this generator project.

Ms. Howard agreed that it is way late in the game and yet thought there is an obligation to exercise due diligence and perhaps there is a way that the Board can get involved in an earlier phase. Maybe the Board can be advised in more detail about what is coming up and what the plans are because the Board does have an obligation to take a look at everything, although, yes, it is rather late in the game on this one.

Mr. De Luz stated that perhaps on working projects, the Department could forward them and if there are individuals that want to be more involved, that might be an opportunity; but for this particular instance, he requested calling for the vote.

Chairperson Boswell asked for roll call, if there were no further objections.

ACTION: Motion was carried by roll call vote: **Ayes: 7** - Mr. De Luz, Ms. Howard, Ms. Hugo, Mr. Kern, Mr. Scicchitano, Mr. Sugai, and Chairperson Boswell; **Nays: 2** - Mr. Domingo and Mr. Ney.

7) 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 14 calendar days due to incomplete equipment furnished by the manufacturer. These delays were beyond the control of the contractor.

Staff reviewed the request for the contract time extension and the accompanying supporting documentation and found that the 14 calendar days are justified.

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

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

3rd time extension – 21 calendar days (due to COVID-19) *approved at the 8/25/2020 Water Board Meeting*

4th time extension - 14 calendar days

The Manager-Chief Engineer recommended that the Board approve a contract time extension of 14 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 September 5, 2020, to September 19, 2020.

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

Mr. Young explained that Derrick’s was supposed to get this project done back on September 5, 2020. When they received the pump, it was missing a top bearing and a cone strainer; therefore, they were not able to install it immediately, which is the reason for the 14-day extension. They did get the materials, the pump is installed, and it is ready to be run; they needed the 14 days to avoid liquidated damages.

There were no questions from the Board.

ACTION: Motion was carried unanimously by roll call vote, Ayes: 9 - Mr. De Luz, Mr. Domingo, Ms. Howard, Ms. Hugo, Mr. Kern, Mr. Ney, Mr. Scicchitano, Mr. Sugai, and Chairperson Boswell.

B. JOB NO. 2020-1145, WAIMEA WATER TREATMENT PLANT SLUDGE REMOVAL:

This project generally consists of furnishing all labor, materials, tools and equipment necessary to remove and dispose of settled sludge from the Waimea Water Treatment Plant’s holding facilities for a contract period ending June 30, 2021. The estimated amount of sludge to be removed is 1.2 million gallons (MG).

Bids for this project were opened on September 10, 2020, at 2:00 p.m., and the following are the bid results:

| Bidder | Bid Amount |
|--|-------------------|
| 2B Environmental, Inc., dba Bob’s Sweetwater Pumping Service | \$374,400.00 |
| Drainpipe Plumbing & Solar, LLC | \$640,000.00 |

Project Costs:

| | |
|--|----------------------------|
| 1) Low Bidder (2B Environmental, Inc., dba Bob’s Sweetwater Pumping Service) | <u>\$374,400.00</u> |
| Total Cost: | <u>\$374,400.00</u> |

Funding for this project will be from DWS’ Operations Budget under Contractual Services. The contractor will have from the date of Notice to Proceed to June 30, 2021, to complete this project on an “As-Needed” basis. The Engineering estimate for this project was \$250,000.00.

The Manager-Chief Engineer recommended that the Board award the contract for JOB NO. 2020-1145, WAIMEA WATER TREATMENT PLANT SLUDGE REMOVAL, to the lowest responsible bidder, 2B Environmental, Inc., dba Bob’s Sweetwater Pumping Service, for their bid amount of \$374,400.00, for a total contract amount of \$374,400.00. It is further recommended that either the Chairperson or the Vice-Chairperson be authorized to sign the contract, subject to review as to form and legality by Corporation Counsel.

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

The Manager-Chief Engineer stated that this project is basically to deal with the sludge that is created as a by-product of treating the surface water at the Waimea Water Treatment Plant. Periodically, it has to be disposed of. The contractor will have to pump it out of the holding reservoir below the plant and transport it to a disposal facility.

Ms. Howard asked where it would be disposed.

Mr. Young replied that the contractor indicated that they take it to a private facility in Kona, not the County’s wastewater facility.

Ms. Howard asked if the means of disposal were specified.

Mr. Young replied there were none specified, other than they follow Department of Health and legal rules and regulations.

Mr. De Luz asked if the sludge is considered a hazardous material. His concern was that if it is, regardless of the contract with the vendor, the Department of Water Supply would be on the hook if it is not disposed of properly.

Mr. Ney's added that Bobs Sweetwater Pumping Service is cesspool/septic pumping service and this is a potable water treatment plant. His concern was if the contractor doing this pumping service would be using clean equipment made for pumping water applications and not sewer applications.

Chairperson Boswell stated that in his employment, they operate a wastewater treatment plant on their property and pump sludge and take it to the County wastewater treatment plant. It is pumped with a sewage disposal pump similar to the trucks that pump a portable toilet. It has nothing to do with potable water at that stage. It has been completely separated from the potable water which went on through its treatment process. These are the heavier solids that had been moved into another area. There is no correlation between the potable water and the sludge and this is not a hazmat material.

The Manager-Chief Engineer added that the layout of the plant has the sludge located fully separate from the potable water. It is downstream, housed in an open reservoir.

Mr. Ney thanked him for that clarification and saw no reason for concern.

Mr. Domingo asked if this is an open contract with no ending date, since it is referred to as an "as-needed basis."

Mr. Young replied it is limited to the budgeted amount. The Department may not have to use the full amount, depending on how much has to be hauled. The question of whether the material is hazardous, there are rules that apply to its disposal, but it is not hazardous in the sense of having heavy metals or toxic materials. It is basically filtered out silt and organic materials. There is a bit of coagulant, and because of that, it is sent up to the drying beds. Once the water is evaporated, it is allowed by the Department of Health, to be used as ground cover and is considered relatively benign once it is dry.

Mr. Kern stated that he fully support this and would have to leave the meeting in about seven minutes but did not want to leave the group hanging.

There were no further questions.

ACTION: Motion was carried by roll call vote: Ayes: 9 - Mr. De Luz, Mr. Domingo, Ms. Howard, Ms. Hugo, Mr. Kern, Mr. Ney, Mr. Scicchitano, Mr. Sugai, and Chairperson Boswell.

8) NORTH KONA:

A. **JOB NO. 2017-1063, SOURCE WATER ASSESSMENT - NORTH KONA - REQUEST FOR TIME EXTENSION:**

The contractor, Derrick's Well Drilling & Pump Services, LLC, is requesting a contract time extension of 60 calendar days due to the Department's other emergency projects, unforeseen delays due to the COVID-19 Pandemic, as well as unforeseen conditions of the well which are currently being addressed by the Department's consultant. This well is intended to be a monitoring well and, thus, is being constructed in a manner that will allow the Department to collect and monitor groundwater data in the basal lens. These delays were beyond the control of the contractor.

Staff reviewed the request for the contract time extension and the accompanying supporting documentation and found that the 60 calendar days are justified.

Note: There are no additional costs associated with this time extension.

1st time extension – 335 calendar days (due to the requirement of a Conservation District Use Application prior to securing Well Construction Permit) *approved at the 12/17/2019 Water Board Meeting*

2nd time extension – 60 calendar days

The Manager-Chief Engineer recommended that the Board approve a contract time extension of 60 calendar days to Derrick’s Well Drilling & Pump Services, LLC, for JOB NO. 2017-1063, SOURCE WATER ASSESSMENT – NORTH KONA. If approved, the contract completion date will be revised from August 27, 2020, to October 26, 2020.

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

(Mr. Kern left the meeting at 12:30 p.m.)

The Manager-Chief Engineer stated that this is different from typical well repair projects. This is a monitoring well. Part of the delay was that during the drilling process, it was found that there were cave-ins which caused the need to go back to the consultant to evaluate the best way to proceed. It is a doable process. He reiterated that this is not going to be a production well and as far as priority, the Department wanted Derrick’s Well Drilling to tend to their higher-priority well repairs; therefore, this request is reasonable.

There were no questions.

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

9) MISCELLANEOUS:

A. DEDICATION OF WATER SYSTEM:

We 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

Grantor: Waiaha Ridge, LLC
Subdivision No. 17-001767
Tax Map Key: (3) 7-5-017: 057, 058 and 061
Facilities Charge: \$27,500.00 Date Paid: 9/13/2019
Final Inspection Date: 8/5/2019
Water System Cost: \$20,000.00

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.

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

B. PROPOSED MEMORANDUM OF UNDERSTANDING AND REVISION TO DEPARTMENT OF WATER SUPPLY RULES AND REGULATIONS RELATED TO DISCONTINUATION OF WATER SERVICE DUE TO DELINQUENCIES:

Taken up earlier.

C. MONTHLY PROGRESS REPORT:

Mr. Inaba pointed out that the Pāpa‘ikou Transite and G.I. Pipeline Replacement has received USDA approval and notice to proceed was issued, which is November 9, 2020. For the North Kona Mid Level Deep Well Development - Phase 1, the Department had submitted its Draft Environmental Assessment, which will be published in the September 23, 2020, Office of Environmental Quality Control publication. Chairperson Boswell congratulated the Department in moving forward with this project and looks forward to seeing it come to fruition.

D. REVIEW OF MONTHLY FINANCIAL STATEMENTS:

Mr. Sumada directed the Board’s attention to the second page of the financial report where he summarized the primary departmental indicators for the month for consumption, delinquencies, and cash. As seen in the last few months, the Department is still showing signs of struggling. Consumption is down about 7% from the same period last year, delinquencies are still increasing from last month, and the cash account is still negative. The negative cash balance increased from \$600,000.00 to \$2.7 million in the negative due to the semi-annual debt service payment.

Mr. Ney asked if the decrease was only reflective of the debt service paid and the next report would probably not look as bad.

Mr. Sumada replied that was correct for the cash account. Principle payments were made for the General Obligation and State Revolving Fund loans.

Mr. Ney stated that he did not like to go against the current by voting in objection to the earlier item, but only felt that in times like these, the Department needs to spend its dollars wisely. He appreciated Mr. Sumada’s explanations.

Mr. Domingo commented on the delinquency balance, over \$1 million and had hoped to see some of the CARES Act funds the County received going to the Department of Water Supply.

The Manager-Chief Engineer replied that federal requirements do not allow any of the CARES Act money to go to water utilities, regardless of what county or whatever the portion was. DWS can ask for reimbursement for qualifying items such as personal protection equipment and the contract hire of entry monitors to help manage the appointment-only traffic coming to its facilities but delinquencies do not qualify.

(Ms. Howard left the meeting at 12:38 p.m.)

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

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

1. North Kona Wells - the Deputy reported that eight sources are online and six are offline. Keahuolu Well repair was recently completed and ready to be used. The wells offline are as follows, in the order of expected completion: Kahalu'u C - repairs have been completed, start-up went well, and it is currently in the disinfection stage and pending water quality test results, after which it will be brought online. Palani Well is the same schedule as previously reported, anticipating pump and motor in October and installation thereafter. Kahalu'u B is scheduled to be completed and online by early December. Wai'aha Well repair is on litigative hold; however, the Department had a consultant look at the well and is awaiting their report. Kalaoa Well is the one reported last month where the contractor dropped the pump, motor, and column down the well. He was happy to report that the contractor was able to successfully remove the equipment from the well and had a video done to see the condition of the well casing. It looks like there is no damage to the casing. The contractor will be mobilizing and starting the well repair contract, which includes some electrical and plumbing upgrades. The contract completion date is February of 2021. The sixth well is Makalei Well. The developer's bid documents were reviewed and accepted by DWS and the developer will proceed with bidding the project out. This report is an improvement from last month, where one well is back online and another is pretty much ready to be online soon. Overall, staff is doing an awesome job of adjusting the system as necessary to meet the needs of the community.

Mr. Domingo congratulated the Department for everything going smooth so far and being able to deliver water in spite of six wells being offline.

The Manager-Chief Engineer added that even with Wai'aha Well in litigative hold, there is an emergency mitigation plan where if needed, the Department could proceed with a temporary pump and motor to bring water to the surface if absolutely necessary. Just because some wells are coming back online, does not mean the Department has relaxed that effort.

2. COVID-19 Update - the Manager-Chief Engineer reported that because of concerns for the health and welfare of staff, customers, and the general public, the Department will continue its appointment-only services through the end of October. It seems to be working very well, and he was happy to report no positive COVID-19 cases with staff. The other reason the Department decided to continue with this practice are the unknowns when overseas travel opens up. He guessed there will be a spike in cases statewide and possibly within this county.
3. 2020 Keiki Water Conservation Poster Contest - the Deputy stated that the Department's public information branch continued to work on the 2020 Keiki Water Conservation Poster Contest. The first poster contest was last year and this is the second annual. The pandemic put a wrench into it where the in-person award ceremony for the winning students cannot be done in front of the Board. There were almost 500 entries islandwide, almost more than double last year's entries. The motto was "Conserve to Preserve." A lot of artwork came in from 1st to 5th grade students across the island. The judging panel chose first- and second-place winners and the students and their parents were notified through their schools and award certificates and prizes were sent to them and placed on the Department's website www.hawaiiidws.org under the "Community" tab. Once the entire group of entries is scanned, they will also be uploaded to the website and a media release will go out. Chairperson Boswell thanked the Department for continuing in that very positive program.

F. **CHAIRPERSON'S REPORT:**

Chairperson Boswell mentioned that there is a wealth of information that is sent to the Board in their packets every month and he did not know if everybody has the same amount of time but he dedicates some serious reading time to absorb what research has been done by the Department to present these packages to the Board. He hears, repeatedly, questions about things that are in the information packages and reminded the Board Members that they have the right to follow up with the Department, but there is a lot of information included from the staff that have gone through to vet these projects. He supports everything the team is doing and thanked them for doing a great job.

10) **ANNOUNCEMENTS:**

1. **Next Regular Meeting:**

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

2. **Following Meeting:**

November 24, 2020, at 10:00 a.m. **via Web Conferencing** (originally scheduled to take place at West Hawai'i Civic Center; to be changed to web conferencing).

11) **ADJOURNMENT**

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

(Meeting adjourned at 12:52 p.m.)

Recording Secretary

APPROVED BY WATER BOARD
OCTOBER 27, 2020