

MINUTES

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

February 23, 2021

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. Steven Hirakami
Ms. Judy Howard
Mr. Benjamin Ney
Ms. Julie Hugo
Mr. Kenneth Sugai
Mr. Keith K. Okamoto, Manager-Chief Engineer, Department of Water Supply (ex-officio member)
Mr. Merrick Nishimoto, Deputy Director, Department of Public Works

ABSENT: Mr. David De Luz, Jr., Water Board Member
Mr. Zendo Kern, Director, Planning Department (ex-officio member)

OTHERS PRESENT VIA WEBEX: Ms. Diana Mellon-Lacey, Deputy Corporation Counsel
Mr. Chad Funasaki, N&K CPAs, Inc.
Mr. Andrew Ho, N&K CPAs, Inc.
Mr. Merrick Nishimoto, representing Mr. S. Ikaika Rodenhurst, Director, Department of Public Works

Department of Water Supply Staff

Mr. Kawika Uyehara, Deputy
Ms. Candace Gray, Waterworks Controller
Mr. Kurt Inaba, Engineering Division Head
Ms. Judith Hayducsko, Chief of Operations
Mr. Clyde Young, Operations Division
Mr. Eric Takamoto, Operations Division
Mr. Warren Ching, Energy Management Analyst

- 1) CALL TO ORDER – 10:01 a.m. (A roll call was taken for Water Board Members in attendance as follows: Mr. Hirakami, Ms. Howard, Ms. Hugo, Mr. Ney, Mr. Scicchitano, Mr. Sugai, and Chairperson Boswell.)
- 2) STATEMENTS FROM THE PUBLIC - None
- 3) APPROVAL OF MINUTES:

ACTION: Mr. Ney moved for approval of the Minutes of the January 26, 2021, Water Board Meeting; seconded by Mr. Sugai and carried by roll call vote (Ayes: 6 - Mss. Hugo and Howard; Messrs. Ney, Scicchitano, Sugai, and Chairperson Boswell; 1 Abstention: Mr. Hirakami, and 1 Absent: Mr. De Luz.)

- 4) APPROVAL OF ADDENDUM AND/OR SUPPLEMENTAL AGENDA - none
- 5) **PRESENTATION OF AUDITED FINANCIAL STATEMENTS – JUNE 30, 2020**

Copies of the Department's Audited Financial Statements for the fiscal year ended June 30, 2020, have been distributed to Board Members. Mr. Chad Funasaki and Mr. Andrew Ho of N&K CPAs, Inc., were present and reviewed the audit report.

Mr. Funasaki stated that the audit report is a clean report for the fiscal year ended June 30, 2020. No significant deficiencies were identified. The Department has done a good job implementing the recommendations from prior audits. He asked Mr. Ho to touch upon highlights of the financial statements.

Mr. Ho stated that on the Statement of Net Position, capital assets increased by about \$4.9 million, primarily due to a large amount of project work during the year, about \$18.8 million, offset by normal annual depreciation of \$14.8 million. The other asset balance, which is composed of cash, CD's, investment balances, receivables, etc., decreased by \$10 million, largely due to the maturity of certificates of deposit during the year that were not renewed upon maturity. Deferred outflows of resources had a slight decrease this year, primarily due to the valuation by the Department's third-party actuary. Long-term debt, which is primarily the Department's share of General Obligation Bonds from the County and State Revolving Loan Fund balances decreased, largely due to scheduled payments on those loans during the year; and other liabilities increased by \$1.3 million, mainly due to an increase in some accounts and some payable balances during the year due to some of the projects mentioned earlier with the capital asset balance. Deferred inflows of resources is primarily due to the changes from the third-party actuary similar to the deferred outflows of resources for the pension balances. The net position slightly decreased. Overall, there is an operating loss which is similar to previous years; but overall, a lot of the changes year to year on these statements are not significant. There was a decrease in the contributions in aid of construction which is primarily due to more water infrastructure dedicated during the 2019 year end versus the 2020 year end (\$1.8 million change). Moving on to the condensed statement of cash flows, operating activity increased a little bit primarily due to the changes in the account payable balance. Net cash used changed slightly by \$8.8 million due to the capital asset addition mentioned earlier and a fluctuation in the financing activity, cash flows, due to the certificates of deposits during the 2020 year being greater than the amount of purchases. Overall, there was not a huge change in the cash balance year to year which is not a bad thing.

Mr. Funasaki reviewed the required communications that are addressed to the Department and the Board. There were no new accounting policies adopted, and the application of existing policies was not changed during the fiscal year ended June 30, 2020. No transactions were entered into by the Department during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period. Significant estimates affecting the financial statements include the estimate of useful lives used to depreciate capital assets. The valuation placed on receivables, or what you do not expect to collect, and the larger ones like the pension liability, which change every year, are determined by actuary. The loss reserves for claims and judgements and the valuation placed on non-cash contributions are estimates. They did not encounter any difficulties in the audit. There were no misstatements detected that were considered material, individually or in the aggregate, to the financial statements. There were no disagreements with management, and there were no consultations with other independent accountants that they were aware of. He asked if there were any questions.

Mr. Ney stated that in looking at the statements, revenue, expenses, and change in net position, the operating loss from 2019 to 2020 was \$9.3 million. He asked what metric is looked at for the overall

health of the balance sheet. He indicated he would be going through this more in depth, but when he looks at some of these numbers, he almost thinks there has to be a trajectory change in the trend he is seeing because although the water rates were adjusted to try and bring the finances back up, when you look at the 2019 and 2020 fiscal years, which were more stable or healthy years, it might be worrisome to see numbers like that. He was trying to make sense of these numbers and in looking at the overall health of the last year, he wondered what line items should be concentrated on.

The Manager-Chief Engineer replied that N&K responded to a similar question last year; but basically, the summary is that the Department are okay. The bottom line is you want to bring in more money than you spend.

Mr. Ney stated that what makes him a little worried is that the Department may be facing head winds this year and in looking at the history, those numbers have not been great in terms of operating loss over the last three years. Another concern would be the deferred pension. That is going to have to be worked in the current budget because it is not due at the moment, but the question is how it is going to impact things later.

The Manager-Chief Engineer replied that N&K had mentioned before that is why some of the assumptions are large. Some of them are not something the Department comes up with on its own, especially when considering the future obligations such as the OPEB. Those are established by a State actuary and are not anything under the control of the Department. They are an estimate based on what is anticipated that needs to come from the funds to pay for future employee benefits after they retire. Other things that the Department estimates, such as depreciation of assets, he agreed, eventually need to be looked at to make sure the Department is not spending more than it is bringing in, which is the whole basis for the last rate study and implementation of the new rates that started January 1 of this year. They continue to be evaluated. If there are any red flags to the financial health of the Department, it needs to be on them sooner than later.

Mr. Ney asked if the Department would be able to quickly adjust and respond to things taking a nosedive. The rates were just increased, but that is not pulling the Department through this year. He had heard that the State pays 50 cents on the dollar for deferred benefits and Hawai'i is ranked third in the nation in terms of looking bad, financially; and he would not want to be in the same boat if it can be avoided.

The Manager-Chief Engineer replied that this Department has been paying its full share every year and intends to continue that practice. There are some legislative bills moving along that may provide some relief, but that would be essentially kicking the can down the road and not relieving that financial obligation. In answer to Mr. Ney's question about adjusting quickly, what the Department will do is monitor its expenses and may have to postpone some CIP projects. Those are what can be responded to quickly, but water rates cannot be implemented quickly. There is a due process for raising rates.

Mr. Funasaki added that when you look at the condensed version, if you take out depreciation expense, which is \$14.8 million, that is a non-cash type of item so if you take that out, you actually have an operating income. What you may want to look at is the cash flow statement. When you look at the cash flow statement, you have cash provided by operating activities which has an inflow of \$10.6 million. That is after taking out depreciation expense. It is not physical cash. For depreciation on the non-cash item, if you take that out of the income statement, there is actually operating income. Page 15 of the report shows water sales are \$49 million, operating expenses are \$58 million, and there is an operating loss of \$9.4 million; but there is depreciation of \$14.8. If you take that out, there is actually operating income. You have an inflow of \$10.6 million from operating activities if you look at it that way.

Mr. Hirakami asked about Page 13, the balance sheet and was wondering about the two even numbers-- investments of \$7 million and \$15 million. One is current and one is in a non-current. It went from \$13 million, to \$7 million; and then went down from \$17 million to \$15 million last year. He asked if they were CD's or other interest-bearing investments or what kind of investments they were.

Mr. Funasaki replied that they matured and if you go through Page 18 (Note B - Summary of Significant Accounting policies), the cash equivalents are a period of three months or less; therefore, the short-term CD's mature in a year. The long-term portion of those CD's mature in excess of a year so your CD's are probably things that matured in a year and were not renewed, resulting in a cash inflow from the maturity.

Mr. Ho added that the reason why it went down is that a number of them matured, which is seen on the statement of cash flows.

Mr. Hirakami asked if they are CD's or money market funds.

Mr. Ho replied they are CD's.

Mr. Funasaki pointed out the cash flow statement in which you will see proceeds from maturities and investments of \$26 million. There is an inflow there, and it was probably renewed, for an \$18 million outflow maturity.

Mr. Hirakami asked about the statement of revenues. The water sales are at \$49 million with the increase of 13%. He asked if that should go up by about five or six million and if that is what is predicted for the water sales because of the increase.

The Manager-Chief Engineer asked Ms. Gray if there is a projection on what the new rates will result in the next year's anticipated water sales.

Ms. Gray replied that the final water rate study has not been received yet, but the rate increase would include a 13% increase; however, it is not anticipated to be a straight 13% in revenue projection. The fiscal year 2022 budget did include the consideration of the rate increase.

Mr. Ney commented that you can increase the rate all you want but it supposes the consumption and the rate are aligned and moving at the same pace, resulting in a good amount of increase.

Ms. Gray replied that is correct. The amount of revenues that are projected depend upon the rate increase, the current rates, as well as the consumption anticipated going forward.

Mr. Hirakami thanked staff for the explanation.

There being no further questions, the Manager-Chief Engineer thanked Ms. Gray and her staff and the staff at N&K, Inc., for working together on this. Things are by no means perfect but the Department strives to make sure it is open and collaborative on the process. It is good that Mr. Funasaki is a familiar face and has presented the audit to the Board for a number of years. He added that N&K, Inc., is actually hired through the County of Hawai'i and they audit the Department as part of that contract.

Mr. Funasaki stated that it has been an unprecedented year, and basically the audit was done remotely. There was a lot of coordination between them and Ms. Gray and Mr. Sumada, whom he had not had the chance to congratulate on his recent retirement. He thanked management and staff of the Department of Water Supply for their cooperation. There being no further questions, Mr. Ho and Mr. Funasaki left the meeting at 10:31 a.m.

6) **DEPARTMENT OF WATER SUPPLY PROPOSED OPERATING AND 5-YEAR CAPITAL IMPROVEMENT PROJECTS (C.I.P.) BUDGETS FOR FISCAL YEAR 2022:**

The Department's Fiscal Year 2022 Operating Budget, totaling \$54,913,800, and 5-Year C.I.P. Budget for Fiscal Year 2022-2026, totaling \$145,700,000 have been distributed for the Board's review.

The Manager-Chief Engineer recommended that the Board approve a public hearing to be held on Tuesday, March 23, 2021, at 9:45 a.m., prior to the Water Board's regular meeting, to accept public testimony regarding the Department's Fiscal Year 2022 Operating and C.I.P. Budgets.

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

The Manager-Chief Engineer stated that this has been a challenging year and this budget is a good one moving forward. He highlighted that the Department purposely itemized a number amount in the CIP reserve as a target for the Department so it may continue to put monies into that pot to have positive cash flow and continue to do the needed projects to maintain its infrastructure. As all are aware, nationwide, aging infrastructure is a challenge with the cost to replace it. When it is replaced, it is either brought up to current or exceeds standards. Systems are not typically expanded because the capital is not there, nor the ability to recoup that investment. This is open to public participation at the proposed scheduled hearing next month. As Mr. Hirakami mentioned earlier, the Department tried to estimate what the water service receipts will be for next fiscal year; and, of course, it does not equal 13% because it is not a straight across-the-board 13% rate increase. It is a 13% increase on certain charges but other charges remain the same. He asked if there were any questions.

Mr. Hirakami asked if the Board would be able to see an expanded budget with line items broken down.

The Manager-Chief Engineer replied that it was provided to the Board by email before the meeting and is broken down by line items, or categorizations, mostly on expenses. Cash receipts are pretty basic; there are only a handful of the receipt categories.

Mr. Ney asked about testimony the Department submitted on Senate Bill 1122. After he had read the Bill, he also had a resounding "no" to it. He asked how it would play into the CIP if it were to go forward and how the Department would be able to accommodate it.

The Manager-Chief Engineer replied that there is an agenda item later on; but as to how it would affect this budget, the Department had prepared this budget in advance of knowing this Bill existed. Also, it is unclear what the ramifications of that Bill would be because the language in it is somewhat ambiguous. Assumptions can be made as to what the intent of the Bill and what the financial impacts may be, but it is hard to quantify at this point. This budget does not take into account this or any other Bills moving through the Legislature at this time.

Mr. Ney stated that he had some questions on the Bill, however, Chairperson Boswell clarified that the Board was getting ready to vote on whether to hold a public hearing next month for the budget and asked that the conversation on Legislative Bills be held until the time comes in the agenda.

Chairperson Boswell called for a roll call vote.

ACTION: Motion to hold a public hearing on Tuesday, March 23, 2021, at 9:45 a.m., to accept public testimony regarding the Department's Fiscal Year 2022 Operating and C.I.P. Budgets was carried

unanimously by roll call vote (Ayes: 7 - Mss. Hugo and Howard; Messrs. Hirakami, Ney, Scicchitano, Sugai, and Chairperson Boswell; Absent: 1 - Mr. De Luz).

7) PUNA:

A. **JOB NO. 2019-1109, 'ŌLA'A #3 CHLORINATION SYSTEM REPLACEMENT:**

This project generally consists of furnishing all labor, materials, tools and equipment necessary to remove the existing gas chlorination system; provide for new chlorination system, all system design drawings and materials for all permits and related; install a Contractor supplied tablet chlorination system, chlorine residual analyzer, well flow meter, and all appurtenant materials; replacement of the existing chlorine injection box and chlorination assembly; painting; electrical work; and start-up and commissioning services; in accordance with the specifications.

Bids for this project were opened on February 11, 2021, at 2:00 p.m., and following are the bid results:

Bidder	Bid Amount
Jas. W. Glover, Ltd.	\$472,200.00

The Engineering estimate for this project was \$230,000.00.

'Ōla'a #3 Deepwell History:

Chlorination System:

Original Installation: March 1991

The Manager-Chief Engineer recommended that the Board not award the contract for JOB NO. 2019-1109, 'ŌLA'A #3 CHLORINATION SYSTEM REPLACEMENT, to the sole responsible bidder, Jas. W. Glover, Ltd. Staff evaluated the bid and determined it to be not fair and reasonable. Staff will seek alternative procurement per HAR §3-122-35 to complete the work required.

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

The Manager-Chief Engineer stated that, as per the recommendation, it is not thought prudent to award this to the sole bidder. The Department will look into available alternatives, including in-house work wherever possible. According to staff, all of the line items on this bid came in significantly higher than estimated. It is prudent to not award the contract and proceed with alternate means.

Ms. Howard asked if the Board would have a feedback loop when it is decided not to award a contract, or if the Board would hear back on what the ultimate cost of the alternative methods would end up being. She did not recall ever seeing that and would think it would be a worthwhile thing for the Board to know to gain a sense of what things actually end up costing.

Manager-Chief Engineer replied that could definitely be reported back to the Board.

ACTION: Motion was carried unanimously by roll call vote (Ayes: 7 - Mss. Hugo and Howard; Messrs. Hirakami, Ney, Scicchitano, Sugai, and Chairperson Boswell; Absent: 1 - Mr. De Luz).

8) SOUTH HILO:

A. VEHICLE BID NO. 2020-04, FURNISHING AND DELIVERING VEHICLES TO THE DEPARTMENT OF WATER SUPPLY:

Bids were opened on February 11, 2021, at 1:30 p.m.; and following are the bid results:

	Inter Pacific Motors, Inc., dba Orchid Isle Auto Center	IK Motors Inc. dba Kamaaina Motors
Part "A" ONE (1) ONLY MID-SIZE EXTENDED CAB PICK-UP, 4-WHEEL DRIVE, W/MUD TIRES		
Total Delivery Price:	\$39,305.00	\$35,647.77
Delivery Time (Calendar Days)	210	180
Part "B" ONE (1) ONLY FULL-SIZE CREW CAB PICKUP, SERVICE BODY, 4-WHEEL DRIVE, W/LIFT GATE, MUD TIRES		
Total Delivery Price:	\$70,404.00	No Bid
Delivery Time (Calendar Days)	280	
Part "C" TWO (2) ONLY FULL-SIZE REGULAR CAB PICK-UP W/SERVICE BODY, 4-WHEEL DRIVE, MUD TIRES		
Total Delivery Price:	\$125,820.00	No Bid
Delivery Time (Calendar Days)	280	
Part "D" TWO (2) ONLY FULL-SIZE CREW CAB PICKUP WITH SERVICE BODY, 4-WHEEL DRIVE		
Total Delivery Price:	\$130,882.00	No Bid
Delivery Time (Calendar Days)	280	
Part "E" ONE (1) ONLY FULL-SIZE CREW CAB PICK-UP DUALY CHASSIS, WITH SERVICE BODY, MINI-CRANE AND 4-WHEEL DRIVE		
Total Delivery Price:	\$112,115.00	No Bid
Delivery Time (Calendar Days)	310	
Part "F" TWO (2) ONLY FULL-SIZE REGULAR CAB PICK-UP, w/SERVICE BODY 4-WHEEL DRIVE, LIFT GATE		
Total Delivery Price:	\$130,082.00	No Bid
Delivery Time (Calendar Days)	280	
Part "G" ONE (1) ONLY MID-SIZE EXTENDED CAB PICKUP WITH 4-WHEEL DRIVE		
Total Delivery Price:	\$39,358.00	\$36,083.60
Delivery Time (Calendar Days)	210	180
Part "H" ONE (1) ONLY MID-SIZE, REGULAR CAB PICKUP WITH 4-WHEEL DRIVE		
Total Delivery Price:	\$37,605.00	\$35,193.34
Delivery Time (Calendar Days)	210	180

The Manager-Chief Engineer recommended that the Board award VEHICLE BID NO. 2020-04, FURNISHING AND DELIVERING VEHICLES TO THE DEPARTMENT OF WATER SUPPLY, to:

- Inter Pacific Motors, Inc., dba Orchid Isle Auto Center, for **Parts B, C, D, and F** at a total cost of \$457,188.00;
- IK Motors Inc., dba Kamaaina Motors for **Parts A, G and H** at a total cost of \$106,924.71; and that either the Chairperson or the Vice-Chairperson be authorized to sign the contracts subject to approval of the contracts as to form and legality by Corporation Counsel.

Staff reviewed the bid for **Part E** and recommends to defer the award of **Part E** in order to further evaluate the bid.

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

The Manager-Chief Engineer shared with the Board that these vehicle purchases are basically service trucks that will replace existing vehicles that are beyond their useful life and are actually starting to incur repair costs that are disproportionate to the value of the vehicle. For Part E, the Department wants to take a closer look at it and did not want to rush the recommendation for it until the bid could be further reviewed. Ms. Hayducsko has been communicating with other utilities and departments on similar vehicles to ensure the price is fair and reasonable. He asked if there were any questions regarding this bid.

Mr. Hirakami asked if there is a procurement threshold for requiring so many bids over a certain amount; for example, if anything over \$15,000.00 needs to have three quotations or more to go to the Board for approval. It seems like when there is only one bidder, it does not afford the Board the choice of choosing between the bids.

The Manager-Chief Engineer replied that the Department follows State Procurement Law and County purchasing guidelines. Once a certain dollar amount is exceeded, the competitive sealed bid process is followed, which was done in this case. The question often comes up why only one bid is received, and it is a challenge every year, especially with vehicle bids. The Department continually explores opportunities to expand its outreach to get more bidders. He asked Ms. Hayducsko to share her findings in communicating with other departments.

Ms. Hayducsko stated that she had checked with other counties to see what kind of bids they were receiving and also reached out to vendors that normally provide bids. This is a public bidding platform which the State maintains and the County participates in. It was verified that the bids received were very much in keeping with prior bids. There is a lot of paperwork done before recommendation; but basically, these bids were deemed fair and reasonable. These trucks get a lot of daily use. They can be seen all over the island. The older ones are blue, typically purchased before 2015, and the newer ones are white, both have the water drop logo on the side. It is a fairly extensive fleet, operated 24/7.

The Manager-Chief Engineer added that the requirement from blue to white was made in the hopes of receiving more competition as it was found that not all vehicles are offered in blue. Still, sometimes, there may be only one bid on a vehicle.

Mr. Sugai offered Ms. Hayducsko to give him a call and that he may be able to help. He used to co-manage the Kona Ford dealer and some on other islands. His preference is that, if possible, it is best to go with an on-island dealer because if there are issues, a lot of times you will get better cooperation if you are dealing with your local dealer.

ACTION: Motion was carried unanimously by roll call vote (Ayes: 7 - Mss. Hugo and Howard; Messrs. Hirakami, Ney, Scicchitano, Sugai, and Chairperson Boswell; Absent: 1 - Mr. De Luz).

9) NORTH KONA:

A. JOB NO. 2020-1133, KAHALU‘U B DEEPWELL REPAIR – REQUEST FOR TIME EXTENSION:

The contractor, Derrick’s Well Drilling & Pump Services, LLC, is requesting a contract time extension of 126 calendar days due to unforeseen well casing conditions and oil lubrication conversion work. 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 only 95 calendar days justified. *Note: There are additional costs associated with this time extension, but they are within the existing contingency.*

1st time extension – 95 calendar days

The Manager-Chief Engineer recommended that the Board approve a contract time extension of 95 calendar days for JOB NO. 2020-1133, KAHALU‘U B DEEPWELL REPAIR. If approved, the contract completion date will be revised from December 4, 2020, to March 9, 2021.

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

The Manager-Chief Engineer stated that the Board was given a heads up at last month’s meeting that this would be coming when the update on the Kona wells was given. This time extension is because of the new gyroscopic alignment test that is being done as part of some of the well repairs. This test indicated that the alignment of the well was not going to be good for installation of a water lube lineshaft unit, the original project scope. The motor at the top spins the pump at the bottom of the well via the lineshaft. If that alignment is crooked, the bearings will wear out or possibly bind. After the evaluation was done, it was determined that it would make more sense to continue with an oil lube application on this well. Staff has reviewed the request and found that 95 of the requested 126 calendar days are justified. He noted that Mr. Ching was ready to respond if there were questions.

Mr. Hirakami asked if March 9 was enough time for completion, only being about two weeks away.

Mr. Ching replied that it is unlikely, but the contractor was already behind schedule at the time the events took place and it could only be justified from that time forward; not going backwards. When asked by Mr. Hirakami what would happen if they do not complete by March 9 or what a realistic extension would be, the Manager-Chief Engineer replied that the contractor is still obligated to finish the job but would be subject to liquidated damages per the contract provisions.

Mr. Ney asked how often the Department had to actually apply liquidated damages. He was curious if it would discourage the contractor from bidding in the future.

The Manager-Chief Engineer replied that the exact number was not on hand at this time but that the Department has not seen it discourage bidders. The Department tries to be as fair as possible with the contractors and the Board has been more than fair in allowing time extensions for reasons outside of the contractors’ control. At the same time, the Department needs to be firm on the contract requirements, which include the scope, schedule, and budget. It is a continual balance. If the Department is responsible for the delay, it takes responsibility; and if it is on the contractor, they are held responsible as well.

ACTION: Motion was carried unanimously by roll call vote (Ayes: 7 - Mss. Hugo and Howard; Messrs. Hirakami, Ney, Scicchitano, Sugai, and Chairperson Boswell; Absent: 1 - Mr. De Luz).

10) MISCELLANEOUS:

A. DEDICATION OF WATER SYSTEM:

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
Grantor: Water Board of the County of Hawai'i
Grantee: Hawaiian Electric and Hawaiian Tel
Tax Map Key: (3) 3-6-003:035 Portion
Manowai'ōpae, North Hilo, Island of Hawai'i, Hawai'i

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.

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

The Manager-Chief Engineer stated that the Department is the one granting the easement to Hawaiian Electric and Hawaiian Tel. He asked Mr. Inaba to share some details.

Mr. Inaba shared a map with the Board. This is the Laupāhoehoe Water System. Some of the Board Members may recall a project for a half-million gallon reservoir. The Hawai'i Electric Light Company (HELCO) power line comes in from the mauka side, down to the southeastern boundary to the wells on the property. This site is not along a road, but tucked behind private property. This is the alignment for HELCO to provide power to the well. In the past, it came directly from the poles above the well, which would have crossed over the tank. The existing easement had to be realigned to this current location and allows the ability to get a rig on site without having to worry about overhead lines.

Mr. Hirakami asked if the easement is approximately 10 feet and who would carry the insurance on the easement.

Mr. Inaba replied it is 10 feet, and the dedication documents contain standard liability language.

Mr. Hirakami stated that any time you have an easement, you have to make sure it is insured and the property owner that is granting the easement is not encumbered by that easement.

ACTION: Motion was carried unanimously by roll call vote (Ayes: 7 - Mss. Hugo and Howard; Messrs. Hirakami, Ney, Scicchitano, Sugai, and Chairperson Boswell; Absent: 1 - Mr. De Luz).

B. MONTHLY PROGRESS REPORT:

The Manager-Chief Engineer acknowledged the attendance of Mr. Merrick Nishimoto, Deputy Director, Department of Public Works, and was glad to have him in attendance today. The Department of Water Supply continually keeps communication open with other County agencies to ensure projects are coordinated to avoid trenching a newly paved road. It has been a while since a Department of Public Works member has attended a Water Board Meeting, and he thanked Mr. Nishimoto for attending. One thing coming up is the recovery effort in Puna and this Department has been in contact with the Public Works Director, Mr. Ikaika Rodenhurst.

Mr. Inaba reviewed some of the projects on the Monthly Progress Report. Of note is the Pāpa‘ikou Transite and G.I. Pipeline Replacement, which is well underway. The contractor is installing the waterline and the first section is almost complete. They had run into a couple of unforeseen conditions, but it nothing too unusual, considering it is a camp area with a lot of older infrastructure.

For the Kalaniana‘ole Avenue Reconstruction project, the Department is scheduling the waterline connections in March. The waterline has been installed, tested, and chlorinated. There will be scheduling of a couple of larger connections that will require nighttime work, and they will be advertised in the newspaper.

Hala‘ula Well Development, Phase 2 - the tank contractor is on site finishing up mobilization of their equipment. The building contractor is onsite to construct the motor control building.

The Puakō Waterline Replacement is getting close to going out to bid.

The Manager-Chief Engineer added that since the Kalaniana‘ole Avenue connections involve night work and since there are a lot of businesses in the area, the Department’s Information and Education Branch will do some additional outreach besides the advertising and posting on social media. When appropriate, they will make direct telephone calls to the affected properties. He encouraged the Board to pass along any community concerns to the Department if they hear of anything, and the Department will try and resolve their concerns.

Mr. Hirakami asked about the Leilani Lava - FEMA 428 Projects and if the funds were dedicated to a certain project.

Mr. Inaba replied that the FEMA 428 is their program title for Alternate Procedures Projects. Because the Department cannot go back and put back the infrastructure that was there, this program allows the Department to evaluate what is lost and FEMA will cover 75% of that. The \$40 million is what has been approved for projects for other recovery efforts. It is not tied to a project itself.

Mr. Hirakami asked if there is a limitation on where that money can be used, such as the area of the immediate disaster, or if it could be planned for use in Pāhoa, for example.

Mr. Inaba replied that it does allow that flexibility and the Department is trying to be very sensitive to the fact that it should be used for the recovery effort and is working with the County to try and focus on that.

Mr. Hirakami mentioned that it would be hard for FEMA to understand a lava disaster as opposed to hurricanes, tsunamis, and fires where you can go back and restore what was damaged. He was happy to hear they are flexible on how the funds can be used because it is not only for recovery, but for economic development of the area; and water is a key to that economic development.

The Manager-Chief Engineer added that the 75% approved by FEMA is the ceiling and the other 25% is the Department’s obligation, for which funding sources need to be developed. Some people have expressed concerns that the County is not moving fast enough and wonder why the money is not being spent. Not to make any excuses, the reason is to avoid jumping the gun and contradicting any other projects or initiatives the County is doing. The Department also wants to be prudent in what it proceeds with, and it has to make sense. You would not want to put \$20 million infrastructure in and end up having it serve only five properties or something to that effect. There will also be challenges with water quality. From a discussion last week with the County, certain things are moving; and some

preliminary engineering is being worked on for some waterline restoration work along Pohoiki Road. There are still concerns about the lava temperatures as it would cross the fissure line. At the same time, the Department wants to be ready if FEMA approves a project. They have to approve the project before allowing the Department to seek reimbursement through this program.

Mr. Hirakami asked if it would be to restore Route 132 all the way to Four Corners and if the waterline servicing the people along the road is still functional.

The Manager-Chief Engineer replied that the Department did not have a waterline going down Route 132. It went down only a portion; however, he believed Route 132 was not in the FEMA plan. That may have been Federal-aid highway emergency relief funds, which may be why they were able to move so quickly. It did not require FEMA approval to proceed with the project. Anything else on the 428 program requires FEMA approval before you even break ground. You would not want to break ground and disqualify the whole project before getting that approval.

Mr. Ney thanked the Department for assessing costs against benefit and being fiscally responsible.

C. REVIEW OF MONTHLY FINANCIAL STATEMENTS:

The Manager-Chief Engineer asked if there were any questions on the Financial Statements. He pointed out that notable changes are now highlighted in red. Mr. Ney thanked staff for implementing his suggestion. There were no questions on the Financial Statements.

D. EXECUTIVE SESSION REGARDING LEGISLATIVE BILLS:

The Board anticipates convening an executive meeting, as authorized by Hawai'i Revised Statutes, Section 92-5(a)(4) for the purpose of consulting with the Board's attorney on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities regarding proposed legislation with potential impact on the Department of Water Supply and the Water Board.

Ms. Mellon-Lacey stated that before going into Executive Session, she wanted to make clear that in order to do an Executive Session on this, it has to have an exception under Section 92-5 of the Hawai'i Revised Statutes (HRS). That exception is to consult with the Board's attorney on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities towards this legislation and not just a general discussion of the legislation. That would not be appropriate for an Executive Session under the Sunshine Law. If there is a need for a general discussion, that discussion should occur before entering Executive Session.

The Manager-Chief Engineer stated that when this Agenda was created, the specific Bills could not be annotated because at the time, it was not known what was coming up, only that some were in the pipeline that could have an impact and could cause questions regarding the Board's powers, duties, privileges, immunities, and liabilities, which is the Agenda is worded this way. For the record, he clarified that part of the discussion will be Senate Bill 1122, possibly Senate Bill 1169, House Bill 1015, and possibly Senate Bill 1087. There was no way the Board could have researched those Bills, and draft testimony was being worked on to this morning on at least one of them.

ACTION TO ENTER EXECUTIVE SESSION: Mr. Hirakami moved that the Board go into Executive Session to confer with its attorney on its powers, duties, privileges, immunities, and liabilities; seconded by Mr. Ney and carried unanimously by roll call vote (Ayes: 7 - Mss. Hugo and Howard; Messrs. Hirakami, Ney, Scicchitano, Sugai, and Chairperson Boswell; Absent: 1 - Mr. De Luz).

(Executive Session began at 11:24 a.m. and ended at 12:00 p.m.)

MOTION: Mr. Ney moved to draft a letter in support of the testimony from the Board, subject to edit and review.

Chairperson Boswell asked if the letter was going to be in support of the testimony that is currently being created or if it meant creating another letter.

Mr. Ney replied that it would be in support of the testimony already presented.

Chairperson Boswell asked if there was a second to the motion.

SECOND: Ms. Hugo seconded.

ACTION: Motion was carried by roll call vote: Ayes: 7 - Mr. Hirakami, Ms. Howard, Ms. Hugo, Mr. Ney, Mr. Scicchitano, Mr. Sugai, and Chairperson Boswell; Absent: 1 - Mr. De Luz.

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

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

1. North Kona Wells - the Deputy reported that six wells were offline. Last month, there were five, but since then there have been some issues with another well. The Kahalu'u B Well was discussed earlier in this agenda where it will be converted back to an oil lube pump. It is expected to be back online by the end of April this year. Kalaoa Well had a time extension in January, and its completion date is June of this year. For Palani Well, issues have been experienced revolving around the motor testing on the mainland. Subsequently, the contractor offered to provide a different type of pump and motor and can provide the unit warranty on both. The go-ahead was given, and that repair is expected early May of this year. Wai'aha Well is on litigative hold. For Makalei Well, the developer is trying to bid it out early this year, and Engineering is working with them on the development agreement associated with it. The sixth well is Keahuolu Well. There were some issues with it down hole. Emergency procurement is being used for the repair and Notice to Proceed was issued to the contractor last week to replace the pump, motor, and power cable. Completion is expected by mid to late March of this year.
2. COVID-19 Update - the Manager-Chief Engineer reported that staff was provided an opportunity to get vaccinated. It is voluntary and not something that information can be obtained because of private/confidentiality aspects. Staff has been doing a terrific job in following the protocols, and the Department has not had any positive cases. The plan is still to require appointments only through the end of March and perhaps until such a point where the overall community vaccination effort has improved. There have not been any significant issues with the appointment only requirement and seems to be working well with both customers and staff.
3. Department of Water Supply Energy Report - Mr. Ching went over his energy report. On Page 1, the total power costs for the fourth quarter of 2020 were a little over \$4.1 million, which was down 4% from the same quarter of 2019. Compared to the previous quarter, it was up about 8%. On Page 2, going over the HELCO accounts, we have 158 accounts, one less than the previous quarter. Table 1 shows the breakdown of the different schedules. HELCO's energy rate for the fourth quarter of 2020 was about 26.6 cents per kilowatt hour, down 10% from the same quarter of 2019; and compared to the previous quarter, was down 1/2%. Demand rate for the fourth quarter of 2020

was \$20.38 per kilowatt, which is up 7.2% from the previous quarter of 2019; and compared to the previous quarter, it was up 1.2%.

Mr. Ney asked if the Department has ever done an energy audit to give an understanding of how much energy is being used to pump water out of the wells and for booster pumps to send the water to higher elevations to a storage tank. He was curious whether that has ever been explored.

Mr. Ching replied that it has not been broken down in that detail as far as separating them out between the energy used to pump up or to produce the water versus distributing it with the boosters but it is something can be explored. Some HELCO submeters have both wells and boosters on them, so to try and separate them out might take a bit of a deeper dive. There was an energy report done in 2015 with the help of Hawai'i Energy but it was broken down by HELCO bill and not anything more than that.

Mr. Hirakami asked if there was any possibility of converting some of the energy to photovoltaic or grid backup.

Mr. Ching replied that the Department is going through a project with its baseyards and main office for photovoltaic energy through a power purchase agreement. For the wells and booster stations, it would take more effort because of the space requirements. Well site boundaries usually only accommodate a building, a well, and a couple of boosters, but it is something that would be explored, going forward.

Mr. Hirakami mentioned that back in 2009 when there was a lot of stimulus funds, it would have been a good time to upgrade and use some of those funds to put into projects like this, which would pay its way into the future. If the County ever get stimulus money again, it might be a good pilot project. Solar panels can be put in pretty cheaply, on racks. He mentioned the West Hawai'i Civic Center where the parking lot has solar panels on that grid. It might be a good thing to explore to put renewable energy into the water pumping efforts with a grid backup. Battery design and storage have been incredible with the backup of HELCO. It might be something to look into.

Mr. Ching agreed that starting with sites where there is ample space available would be the first step, and then see if it can be branched out into some ground-mounted solar panels.

Chairperson Boswell asked if high-voltage power used for pumps can be photovoltaic.

Mr. Ching thought it could be done, but you would need to own more step-up transformers. To get it to the building is usually 480 voltage; but when you get up to the medium voltage site, it might be difficult and may mean more infrastructure, but it is probably doable.

The Manager-Chief Engineer asked Mr. Ching to look into what a solar array would look like for one of the 400 horsepower well sites or even a medium-sized booster and the challenge of transporting power across tax map key boundaries. He mentioned large storage tank in Lālāmilo being worked on as a way of taking advantage of the wind farm project. Maintaining batteries may be out of the Department's expertise, but storing water is another way of storing energy.

Mr. Ching replied he could do that to get a sense of the scale of that kind of PV system.

Mr. Ney mentioned water utilities on the mainland that put in hydrogenerators wherever there is a dynamic flow of water, which is used to produce electricity.

Mr. Ching stated that the Department would probably deal with something about 30 kilowatts, and it may be an opportunity to offset a power bill. A lot of times whenever you have water coming downhill, you are not using energy at that station. It is more like a pressure-reducing station. One of the challenges is once you get the energy, where do you put it, if you give it back to HELCO at a lesser credit and what are the finances behind that.

He continued with Page 3, the Power Cost Charge (PCC), which is at \$1.71 per thousand gallons, adjusted December 1, 2020, and the history of the PCC is shown in his report. On Page 4, he highlighted a project done to replace a 40-year old and inefficient booster pump. Efficiency was improved from 50% to almost 71%, and the estimated annual savings is \$10,700.00. The new pump increased the amount of gpm and expected service life is 30-plus years.

Ongoing power cost savings projects are a solar PV at the baseyards and offices at five locations. This will be a power purchase agreement for a 20-year term with a fixed energy rate. Design and permitting is underway, and the project is expected to be completed in September of this year. Another project is the air conditioning equipment replacement, replacing old and inefficient infrastructure on the Kona side. The third project is Leak Detection Loggers, which is an ongoing program to find leaks in the system and repair them. A lot of these leaks are below the surface and the loggers can detect them. It has been a good project, and the Department is working with Hawai'i Energy on this. They have committed about 50% of the project cost already. The Department is in the process of getting those deployed. The last power savings project listed is for another booster replacement, the Pi'ihonua #3 Booster A booster, to replace that older, inefficient booster pump.

Mr. Hirakami asked if there is an estimate of how much water is being lost per year.

The Manager-Chief Engineer mentioned the Department's Water Audit, and although no system is 100% tight, the Department is within national standards.

F. **CHAIRPERSON'S REPORT:**

Chairperson Boswell commended the Manager-Chief Engineer and staff for handling of the legislative bills. There is a lot going on behind the scenes and they are putting the effort into it. They are on the front end of putting really good testimony together.

11) **ANNOUNCEMENTS:**

1. **Next Meeting:** - March 23, 2021, 10:00 a.m., via Web Conferencing

9) **ADJOURNMENT**

ACTION: Mr. Howard moved to adjourn the meeting; seconded by Mr. Ney and carried by roll call vote: Ayes: 7 - Mss. Howard and Hugo; Messrs. Hirakami, Ney, Scicchitano, Sugai, and Chairperson Boswell; Absent: 1 - Mr. De Luz.

(Meeting adjourned at 12:29 p.m.)

Recording Secretary

APPROVED BY WATER BOARD
MARCH 23, 2021