

## MINUTES

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

April 27, 2021

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

MEMBERS PRESENT VIA WEBEX: Mr. Eric Scicchitano, Vice-Chairperson  
Mr. Michael Bell  
Mr. David De Luz, Jr.  
Mr. Steven Hirakami  
Ms. Judy Howard  
Ms. Julie Hugo  
Mr. Benjamin Ney  
Mr. Kenneth Sugai  
Mr. Keith K. Okamoto, Manager-Chief Engineer, Department of Water Supply (ex-officio member)

Absent: Mr. William Boswell, Jr., Chairperson

OTHERS PRESENT VIA WEBEX: Ms. Diana Mellon-Lacey, Deputy Corporation Counsel

#### 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. Eric Takamoto, Operations Division  
Mr. Warren Ching, Energy Management Analyst

- 1) CALL TO ORDER – Vice-Chairperson Scicchitano called the meeting to order at 10:00 a.m. and welcomed Mr. Michael Bell from District 7 to the Water Board. A roll call was taken for Board Members in attendance (Present: Mr. Bell, Mr. De Luz, Mr. Hirakami, Ms. Howard, Ms. Hugo, Mr. Ney, Mr. Sugai, and Vice-Chairperson Scicchitano)
- 2) STATEMENTS FROM THE PUBLIC - none
- 3) APPROVAL OF MINUTES

MOTION: Mr. Ney moved for approval of the Minutes of the March 23, 2021, Public Hearing on the Department’s Fiscal Year 2022 Operating and C.I.P. Budgets *and* the Minutes of the March 23, 2021, Water Board Meeting; seconded by Ms. Howard.

ACTION FOR PUBLIC HEARING MINUTES: Motion was carried by roll call vote  
(*Ayes:* 6 - Mr. Hirakami, Ms. Howard, Ms. Hugo, Mr. Ney, Mr. Sugai, and Vice-Chairperson Scicchitano;  
*Absent:* 1 - Chairperson Boswell; *Abstentions:* 2 - Mr. Bell and Mr. De Luz, upon seeking advice from

Corporation Counsel that if they were not present, they should not vote on the Minutes as they would not know if they were correct).

Mr. De Luz stated that he *would* be voting on the Minutes of the regular meeting as he was present for that meeting.

**ACTION FOR REGULAR MEETING MINUTES:** Motion was carried by roll call vote (Ayes: 7 - Mr. De Luz, Mr. Hirakami, Ms. Howard, Ms. Hugo, Mr. Ney, Mr. Sugai, and Vice-Chairperson Scicchitano; *Abstention:* 1 - Mr. Bell; *Absent:* 1 - Chairperson Boswell).

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

5) **POWER COST CHARGE:**

At the Water Board's March 23, 2021, meeting, scheduling of a Public Hearing was approved for April 27, 2021; however, the notice requirements were not met to carry out the hearing on that date. The Department proposes scheduling a Public Hearing on the Power Cost Charge, for May 25, 2021, at 9:45 a.m., to accept public testimony on the proposed increase to take effect on June 1, 2021.

The Manager-Chief Engineer recommended that the Board approve holding a Public Hearing on May 25, 2021, at 9:45 a.m., to receive testimony on increasing the Power Cost Charge from \$1.71 to \$1.85, effective June 1, 2021.

**MOTION:** Ms. Howard moved for approval of the recommendation; seconded by Mr. De Luz.

The Manager-Chief Engineer explained that the advertising deadline was inadvertently missed in order to place the public notice prior to this month's Board Meeting; therefore, it is asked that the Public Hearing on the Power Cost Charge be scheduled to prior to next month's Board Meeting. The information is the same as was presented at last month's meeting.

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

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. A public hearing was held March 23, 2021, to accept testimony. The Board may change either Budget or adopt the budgets as presented over two readings.

The Manager-Chief Engineer recommended that the Board approve the Department's Fiscal Year 2022 Operating and C.I.P. Budgets on this *second* of two readings.

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

Mr. Bell stated that he had reservations about voting on this item as he has no understanding of it so far.

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

7) SOUTH KOHALA:

**A. WATER TREATMENT PROPOSAL NO. 2018-08, FURNISHING AND DELIVERING COAGULANTS TO THE WAIMEA WATER TREATMENT PLANT - REQUEST FOR ADDITIONAL FUNDS:**

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A contract increase is requested to cover the cost for additional coagulant ordered and delivered to the Department. This overordering was identified recently. The Department reviewed the possibility of returning the overordered coagulant, but the return freight and restocking fees were not justifiable. In addition, the overordered coagulant can be used to process and treat the surface water at the Waimea Water Treatment Plant. This chemical is supplied on an “as needed basis,” and the cost has been included in the Department’s annual budget.

The Manager-Chief Engineer recommended that the Board approve an increase of \$13,360.00 for this contract, WATER TREATMENT PROPOSAL NO. 2018-08, FURNISHING AND DELIVERING COAGULANTS TO THE WAIMEA WATER TREATMENT PLANT. If approved, this total contract amount would be increased from \$470,000.00 to a new total contract price of \$483,360.00.

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

The Manager-Chief Engineer stated that there was a cap on that contract of \$470,000.00; however, some material was inadvertently ordered that went over that cap. This is a contract that had been extended because of COVID-19, which led to the confusion, and now requires approval by the Board to amend the contract amount. The material is used regularly in the water treatment process, and it does not make sense to send the material back and pay restocking fees. The competitive bidding process was used to secure this supplier.

Mr. Ney agreed with amending the contract as these materials will be used anyway. It should result in \$13,000.00 coming off the next contract. He asked if there is a shelf-life issue on these chemicals.

The Manager-Chief Engineer replied that there were no issues with shelf life. This is budgeted for and will be that much less in the next contract.

Mr. Hiramaki asked what period of time will the extra supply be used up.

Ms. Hayducsko replied that it is approximately an 18-day supply.

Mr. De Luz stated that he had no issues with this particular matter but wondered if it required another look at procurement and if the necessary checks and balances are in place. His gut feeling was that it was an overlap that fell into the new contract period and exceeded the amount. If the process is fine and there were double checks on the procurement, he had no issue.

The Manager-Chief Engineer replied that the Department is in compliance with State Procurement requirements. As far as awareness of the contract limitations, he sees it as internal communications matter and will be communicated with staff better. As the Board may recall, this is a contract that is awarded on an as-needed basis, and a significant amount of contingency is added because the product is dependent on the source water quality. If the raw water is more turbid, more of this product is used.

Mr. Ney asked about the cost of water treatment for Waimea versus the cost of pumping from wells, assuming that treatment would run higher.

The Manager-Chief Engineer replied that he did not have that breakdown, but it is still more economical to treat surface water than the cost of pumping deep wells.

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

8) NORTH KONA:

A. **JOB NO. 2020-1153, AIR CONDITIONING REPLACEMENT AT FIVE (5) WELL SITES – REQUEST FOR TIME EXTENSION:**

The contractor, Hawai'i Air Conditioning, Inc., is requesting a contract time extension of 39 calendar days due to unforeseen equipment delivery delays and the additional scope of work required. These delays were beyond the control of the contractor.

Staff reviewed the request for the contract time extension and the accompanying supporting documentation and finds the 39 calendar days justified. *Note: There are additional costs associated with this time extension which are within the existing contingency.*

1<sup>st</sup> time extension – 39 calendar days

The Manager-Chief Engineer recommended that the Board approve a contract time extension of 39 calendar days to Hawai'i Air Conditioning, Inc., for JOB NO. 2020-1153, AIR CONDITIONING REPLACEMENT AT FIVE (5) WELL SITES. If approved, the contract completion date will be revised from April 26, 2021, to June 4, 2021.

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

The Manager-Chief Engineer stated that the additional scope and cost is from the extra coating to prevent corrosion. It is within the contingency. When the contractor viewed the existing units and saw the level of corrosion, and after discussions with staff, it was felt it would be prudent to pay a little more to prolong the life of these new units.

Mr. Bell asked if there would be a conflict of interest for him as his business uses Hawai'i Air Conditioning.

Ms. Diana Mellon-Lacey replied that it would not be unless he has some kind of controlling interest in that company or a close family member does.

Mr. Bell indicated there was none and would be voting in favor.

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

9) MISCELLANEOUS:

A. DEDICATION OF WATER SYSTEMS:

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

1. **Grant of Easement and Bill of Sale**

Grantor: Ellen Garver Koizumi  
Subdivision No. 2004-000037  
Tax Map Key: (3) 7-3-005:030  
Facilities Charge: \$30,475.00 Date Paid: 2/25/2021  
Capital Assessment Fee: \$2,500.00  
Final Inspection Date: 2/9/2021  
Water System Cost: \$76,534.00

2. **Grant of Easement** (for water meter)

Grantors: Thomas L.H. Yeh and Aileen K.F. Yeh; Vern Masaji Yamanaka and Catherine Yamanaka  
Tax Map Key: (3) 7-4-006:048 (portion), WM-1, Lot 2-A (portion)

3. **Grant of Easement** (for water meter)

Grantor: CP San Felipe 300 LLC  
Tax Map Key: (3) 7-4-006:048 (portion), WM-2, Lot 2-F (portion)

4. **Grant of Easement** (for water meter)

Grantor: CP San Felipe 300 LLC  
Tax Map Key: (3) 7-4-006:048 (portion), WM-3, Lot 2-E (portion)

5. **Grant of Easement** (for water meter)

Grantors: Garth Hidekichi Yamanaka and Katie Yamanaka; James G. Lee, Jr., Nicole Leilani Schnitzler  
Tax Map Key: (3) 7-4-006:048 (portion), WM-4, Lot 2-D (portion)

6. **Grant of Easement and Bill of Sale**

Grantor: State of Hawai'i, Department of Defense  
Hawai'i Army National Guard  
Tax Map Key: (3) 2-1-012: 003  
Facilities Charge: \$27,500.00, Date Paid: 10/5/2020  
Final Inspection Date: 4/16/2021  
Water System Cost: \$100,000.00

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

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

**B. RENEWAL OF CONTRACT FOR MAINTENANCE AGREEMENT - SOUTH KOHALA, HĀMĀKUA, AND LAUPĀHOEHOE SITES (BRANTLEY CENTER, INC.):**

Brantley Center, Inc., presently has a Maintenance Agreement for site maintenance for the Department's South Kohala, Hāmākua, and Laupāhoehoe tank and pump sites. They are requesting to renew the Agreement from July 1, 2021, to June 30, 2022. The rates would be as follows:

South Kohala	-	\$4,392.35/month x 12 months (23 sites)	=	\$52,708.20
Hāmākua	-	\$2,944.16/month x 12 months (15 sites)	=	\$35,329.92
Laupāhoehoe	-	\$738.48/month x 12 months (3 sites)	=	\$8,861.76
		Total:		\$96,899.88

The Department has the right to award the contract to Brantley Center, Inc., without advertising or calling for bids, according to Subsection 103D-1010 of the Hawai'i Public Procurement Code. Brantley Center, Inc., has submitted the necessary documents to meet the requirements as a qualified rehabilitation facility. There is no increase from their proposal for Fiscal Year 2020-2021. Brantley Center's performance has been satisfactory, and the costs are reasonable. A total of 41 sites are covered by this agreement.

The Manager-Chief Engineer recommended that the Board award the contract for the RENEWAL OF CONTRACT FOR MAINTENANCE AGREEMENT – SOUTH KOHALA, HĀMĀKUA, AND LAUPĀHOEHOE SITES, to Brantley Center, Inc., for a period from July 1, 2021, to June 30, 2022, at a total cost of \$96,899.88, and that either the Chairperson or the Vice-Chairperson be authorized to sign the documents, subject to approval by Corporation Counsel.

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

The Manager-Chief Engineer provided some background. This contract supports these types of rehabilitation facility efforts; and to his understanding, if this contract is lapsed, based on the Konno [vs. County of Hawai'i] decision, the Department would need to have its own internal workers brought on board to do the work and it may end up costing more. The Department currently has groundskeeping staff that cover other parts of the island, but this is contract was maintained because of the number of sites. Brantley Center has been doing a satisfactory job, and they are maintaining the same costs as prior year for the 41 sites.

Mr. Ney asked about the scope of work.

Ms. Hayducsko replied that it includes mowing, weed whacking, some pulling of weeds, and some slight sweeping of the control buildings.

Mr. Ney stated that the prices did not look unreasonable, upon doing the math on how many sites are involved, and he had no conflict with renewing this contract.

Ms. Howard asked if the pump site at the top of Mud Lane is covered by this contract. She has never seen anyone there except for a Department of Water Supply truck every once in a while, which is fine; however, the chain link fence has been trashed for at least six months, which could be a problem because there are homeless people in the area. Otherwise, she is in support of this contract.

The Manager-Chief Engineer thanked Ms. Howard for making staff aware of the chain link fence and it will be taken care of.

Mr. Hirakami asked if periodic cleaning of tanks, etc., is also jobbed out.

Ms. Hayducsko replied that once the tanks are turned over to the Department by the contractors, typically, the Department’s building maintenance staff would be painting the tanks. Not a lot of time is spent on painting them unless there is graffiti. If large fencing is being installed, it may be a contractor doing the work; but fence patching would be done by the Department’s building maintenance staff. She will check on the tank Ms. Howard mentioned and get back to her after the meeting.

Mr. Ney mentioned there is a tank right above where he lives and someone keeps spray painting it. It has been painted over by the Department several times, and it seems like a recurrence. He asked if there has been a history vandalism on DWS properties.

Ms. Hayducsko replied that there is one tank many people might see going between Waimea and Kukuihaele where someone paints the tank to look like a pig. That is left there because it seems to bring joy to people as they drive by and sometimes there are wings on the pig. However, the Department addresses graffiti or obscene words as quickly as possible; but some of the tanks get hit quite often because they are in neighborhoods where the kids are a little bored, perhaps.

Mr. Ney thanked Ms. Hayducsko for that information and did not see it doing any harm.

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

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

The Provider, ENRG Hawai’i Solutions, LLC, and its general contractor, Greenpath Technologies Inc., desires to seek a different type of interconnection agreement with the electric utility (HECO) at four (4) DWS locations, per PPA Section 3.5, as seen in the table below:

DWS Location	Interconnection Agreement Type
Hilo Baseyard Microbiological Laboratory Kona Baseyard Waimea Baseyard	Grid-Supply Interconnection Agreement <i>(if Grid-Supply and Grid-Supply-Plus is no longer available, these sites will proceed through a Standard Three-Party Interconnection Agreement)</i>

This Grid-Supply Interconnection Agreement was previously closed to new applicants but has recently reopened. It provides a higher credit to DWS’ HECO bill (15.14¢/kWh vs 10.55¢/kWh), for excess energy supplied to HECO, compared to the Grid-Supply-Plus Interconnection Agreement that was approved by the Water Board at its August 2020 meeting.

The following documents need to be completed, for each location, to start the HECO Grid-Supply interconnection application and review process:

- **Distributed Energy Resources Application Submittal Form**
- **Grid-Supply Interconnection Agreement**
  - All required PV system details or technical information to be provided by Provider/contractor, in accordance with the PPA.

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

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

The Manager-Chief Engineer stated that the Department will receive money back if there is excess power (\$25,000.00 over the term of the contract). The system is not designed to produce a lot of excess energy. Mr. Ching was available to answer any technical questions.

Mr. Ney asked if future load was accounted for.

Mr. Ching replied that although the photovoltaic system is designed for current load, to offset use, if there are additional loads in the future, it could possibly be added by negotiating the Power Purchase Agreement (PPA). More storage/batteries could be negotiated if needed.

Mr. Ney asked why the Lālāmilo Windfarm project was not designed as an export grid application and why it is a stand-alone system for providing power for pumps.

The Manager-Chief Engineer replied that his understanding was that because wind-generated energy is in a queue system, HELCO would tap into this one last, after other wind generation sites. The Request for Proposals process for the system was to cover the Department's needs and not for creating excess energy. It also ties into the Department's lease agreement with the State of Hawai'i.

Mr. De Luz asked he was correct in his understanding that if the owner-operator, ENRG Hawai'i Solutions, LLC (ENRG), should go defunct, it goes back to the customer/generator.

Mr. Ching replied that was correct.

Mr. De Luz stated that it goes back to the second page, Number 3, "Term and termination." The reason he was mentioning this is because HECO is being heavy-handed in that it gives them the right to terminate regardless of whether it is a customer or owner-operator breach of contract. Within the context of the PPA, the maintenance of this facility will be the owner-operator. He asked if there was a Damages Clause specifically for Number 3 somewhere else in the agreement. He added that this agreement is with HECO, ENRG and DWS. The damages are small (\$25,000.00), but it may be worth looking at. It effectually gives HECO the ability to terminate with literally very little cause. He did not suggest changing it, but that it was something to look into. He had an experience where their owner-provider went under. Other than that comment, he had no issue with the PPA and he would be supporting this. He appreciated that at least HECO allowed the PPA to be reopened.

Mr. Ching addressed Mr. De Luz's concerns. If this is terminated by HECO, it is the responsibility of the provider to get it up to par for HECO to reintroduce this agreement; therefore it falls on the provider. If they cannot, the Department would have to terminate the PPA because without these interconnection agreements with HECO, the Department cannot accept energy from them as designed in the PPA. If they do go bankrupt, there are a couple of protections--one is liquidated damages because they cannot uphold their obligations, and the other is in the form of security, which is a payment and performance bond for a certain amount that will travel the term of the agreement.

The Manager-Chief Engineer stated that these were very valid concerns and something staff has been discussing internally with Corporation Counsel. HECO does dictate the terms for a lot of these, and DWS needs to make sure that ENRG maintain their coverages as they need to. He will be placing that on Mr. Ching to keep on top of whatever is required of them to uphold their end of the deal; and if they go out of business, the proper protections are in place to protect the Department and its customers.

Mr. De Luz also suggested checking with Corporation Counsel about filing a UCC-1 on the equipment which gives added protection. It is inexpensive to do. Another suggestion for Mr. Ching would be to set up a tickler for himself in regard to ENRG's annual COI (Certificate of Insurance) and performance bond to make sure things are in place. In his experience, they had no provision for change in scope due to inflation. Not to make the process burdensome, but some things can fall through the cracks.

Ms. Mellon-Lacey mentioned that she has been bringing up a number of these issues, both with Mr. Ching and with the Manager-Chief Engineer, to ensure there is adequate protection, and keeping a close eye on the solvency of the owner.

The Manager-Chief Engineer thanked Mr. De Luz and stated he would touch base later for more information on UCC-1 and what it entails.

Mr. Hiramami asked what discounted rate the Department is paying the provider and if they offered a buy-back period. In his experience, they had a "10/10/10" agreement where they received a 10% discount after 10 years and were eligible to buy the system for 10%. Different PPAs have different terms buy-backs because the useful life of the system is about 20 to 25 years and you need to think down the line when the money put in will even out.

Mr. Ching replied that the rate the Department is going to pay to the PPA provider is 19 cents per kilowatt hour and is flat for the 20 years of the term. There is a provision in the PPA where the Department can purchase a system, which will be after year five or six because the PPA provider (owner) has tax credits they need to recover. Thereafter, the Department is 100% able to purchase the system at the termination value, which is substantially less after the initial period.

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

**D. MONTHLY PROGRESS REPORT:**

The Manager-Chief Engineer noted that some photos of ongoing projects could be shared with the Board at the next meeting. Mr. Inaba was available if there were any questions about the report.

Mr. De Luz stated that there is an aggressive schedule in CIP's this coming year and suggested, as there are two new Board Members, the Manager-Chief Engineer might want to offer some insight on project management as he was sure questions will be asked about the Department's hiring of independent project managers to manage projects. Another topic would be issues as they come up in regard to change orders which invariably will happen with some of these major projects. He mentioned what he had learned while attending an American Water Works Association (AWWA) convention and was alarmed to learn how many municipalities, larger than this county, have situations where they rely on outside project management. Something else to understand are the Department's more than twenty water systems. From what he can see, this Department has the most diverse

operations in regard to specificity of its wells such as how the water is mined. Some of the issues have resulted in things like bore alignments and dual pumps for redundancy, and it would be a good exercise for the Department to provide an update or mini training for new Board members.

The Manager-Chief Engineer thought that was a great suggestion and is something he has been meaning to do and can be inserted as a 15-minute presentation with some time for questions and answers if an agenda is on the lighter side. He thought of it as a 'DWS 101', covering the Department's 23 separate water systems. It could be broken up into CIP processes.

Mr. Bell stated that he would appreciate that.

Mr. Ney asked about the different water systems spread throughout the island and if the Department has ever been able to understand, financially, what the revenue to expense ratio would be in order to understand each district better and whether some water systems might be generating more revenue than others. An example may be the system in Laupāhoehoe compared to Kona.

The Manager-Chief Engineer replied that he had done his own spreadsheet to help understand some of that information, although it is not all inclusive. It is difficult to split up some of the operation and maintenance costs, manpower, resources, supplies, etc.; but definitely electrical consumption could be evaluated. He is cautious about going there sometimes because the Department would want to maintain a holistic approach to water systems. Some systems may be subsidizing others, but the Department wants to retain a single-rate structure where everyone pays the same rate, islandwide, and avoid geographical bias. It is important for the Board to see where some systems are costing less to operate than other systems.

Mr. Ney agreed that the cost should be spread uniformly to the rate payers amongst the different water systems, but an analysis would be good to see, which might point to a water system that is not generating good revenue and perhaps something could be done, whether it be finding ways to increase efficiency or adding in more accounts, etc. It would be a long-term planning approach.

Vice-Chairperson Scicchitano thanked Mr. De Luz and Mr. Ney for their great comments and asked if there were any further questions.

Mr. Hirakami asked if agricultural water rates are lower than residential or commercial rates and if commercial rates are higher than residential rates or if it is an even rate between a residence and a hotel, for example.

The Manager-Chief Engineer replied that agricultural rates are subsidized and are lower than the general consumption rates. Board Member Howard had mentioned, at a prior meeting, that the Department may want to consider different categories of rates. As of now, there is no differentiation between a residential or a commercial customer in the rate structure. Basically, there is a tiered, or block-rate structure where you pay more if you use more water and get into the different blocks. Of the four-block system, the first block is for someone who uses very little water--less than the meter is designed for. It actually costs less than the cost of service. The second block is more along the lines of cost of service. In the third and fourth blocks, the rates are now increasing to where there is an incentive not to use excess amounts of water. It is a disincentive to be in those block rates. On the agricultural rates, the disincentive does not exist. It is a flat rate and is discounted across the higher blocks. This discussion leads into the next agenda item, which is the Review of Financial Statements; and as a reminder, the Department is going to look at conducting another water rate study and to consider some factors and possible different categories for rates.

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

Ms. Gray asked if there were any questions regarding the Financial Statements.

Mr. De Luz shared some thoughts on the challenges of the Deferred Inflows liability as it relates to restricted cash on the audit. It is difficult to target; and, unfortunately, the Department has no management over it. It is a number that the Department gets and has to be represented accordingly. It is a contingent liability. When the Department worked with its auditors, from a cash position on the balance sheet, the Department did not qualify for PPE loans. There may be some internal discussions needed to look at a conservative way of having a restricted cash account for the Deferred Inflows. The offset would be it is something which has to be paid at some point in time, and it would create more prudent cash management as rate studies are done, sort of like the Energy CIP concept. In addition, the Department has been suspending its accounts receivable--the \$1.5 million. Based on trend, perhaps the Department should be accruing for a doubtful accounts liability on the financials. There are monies in the second round of CARES Act which could probably be something where the Department has an accounts receivable for the anticipated CARES Act grants to show net potential liability for charge-off. In his experience, anything over 90 days goes into an account for doubtful accounts; and if it comes back in, it is more for understanding how the cash position is managed. This also goes to when collective bargaining takes place, to have them understand that the Department has restricted cash funds that have to be accounted for. This could be a policy management decision or a footnote.

The Manager-Chief Engineer stated that there are no specifics for the CARES Act and the American Jobs Plan. One promising thing is the emergency rental assistance the County has gotten some funds for. The Department has been getting the word out by bill stuffers and a press release that this applies to utilities, but it is only provided for those who are renting and not for homeowners. It is hard to predict what kind of outcome will be seen from that. Ms. Gray did compile delinquencies to give an understanding of what the Department's position is which allowed her to set a goal for what she hopes to see from this program. There was a better-than-expected result from Hawai'i Electric Company's utility assistance program, where the Department received more than thought. He asked Ms. Gray to touch upon that.

Ms. Gray stated that the Department received more than \$10,000.00 to pay toward delinquent water bills, which was paid directly to the Department for those who applied for the funding program for their accounts. The program is managed by Aloha United Way, in conjunction with Hawai'i Island United Way. The program lasted about 24 hours and was available to customers until it reached its capacity. With this rental and utility assistance program that the County has lodged, it is working with the partners in the community, and they have more funds available. The hope is to reach \$1 million; but whether it happens, depends on customers applying for it. The Department can get the word out to them; but whether they are going to utilize the assistance, or qualify, will be determined by the County and their partners in the program.

Ms. Hugo asked if the \$10,000.00 accounts for the decrease in the delinquency.

Ms. Gray replied that was correct.

Mr. Hiramaki asked if it would it be a good idea for the Department to put a piece in the newspaper and make people more aware of the incentives so they can pay off their bill. Paying for the advertisement would be a good investment as it may result in more revenue.

The Manager-Chief Engineer asked the Deputy to plan for a paid ad, which would identify the partners and who they can contact.

Mr. Ney asked if the Department is able to apply for grants, etc., independent of the County. It seems like the County and the State have gotten allocated money to help subsidize and offset expenses; but the State is hoarding the money, mentioning their pulling the County portion of the Transit and Accommodation Tax and having the counties raise the tax on tourists to recoup that 3%.

The Manager-Chief Engineer replied that for some of the large programs, they are only funneled through the County. The Department of Water Supply has to do its own public relations work to get the word out for customers to take advantage of the program. There are other grant opportunities, such as one worked out with then-Senator Kahele's office, where they had some discretionary funding. Three projects were submitted for consideration as part of their community projects funding program.

Mr. Ney asked if it was a single- or a joint-filing for the rental relief for landlords and renters.

The Manager-Chief Engineer replied that the Department is not involved with the process. The renter has to go to one of six partners with the County--Hope Services Hawai'i, Hawai'i First Federal Credit Union, Neighborhood Place of Puna, Habitat for Humanity Hawai'i Island, The Salvation Army, and Hawai'i County Economic Opportunity Council.

Mr. Ney suggested that the Department reach out to those organizations and ask them to please let people know that they can apply this to offset their water bill.

The Manager-Chief Engineer suggested that aside from relying on them, Mr. Hiramami's idea was also a good one, where the Department would pay for a newspaper ad to get the word out.

Mr. De Luz suggested adding some advertising to its public notices, for example, joining an ad to an ad where the public notice would be one box with another just below it, for example a DWS Tip or something to that effect where you are leveraging the opportunity of the larger ad. Another suggestion for the water rate study is perhaps a public benefit fund at a small percentage (less than 1%), like the energy utility uses, which would provide the opportunity for the Department to assist anyone in distress on their delinquent water bills. The reason for this suggestion is he believes the Department has a social responsibility to help, and the reality is that people in the lower income groups are hit the hardest at any given time in situations like COVID. It could be a nominal surcharge, whether voluntary or something else. Perhaps another utility is doing something to that degree. It may take an administrative amount to manage it and would have to be vetted first.

The Manager-Chief Engineer thought that was a great suggestion and would not have to wait for a water rate study. It is something that could be discussed with the Board, like the energy CIP rate, and move to public hearing. He was on board with that and even finding a way to assist with affordable housing, which is another great need in the community. Going back to the Financial Statements, he asked Ms. Gray to address some questions from the previous Water Board meeting.

Ms. Gray reported on questions from Mr. Hiramami at the last meeting in regard to the Water Rate Study, provided by Harris & Associates. The questions and answers as follows:

Question #1: Pertaining to the Water Rate Study Report, Mr. Hiramami said the report included some predictions on future water use but the history was only 2006 and 2010. He asked why 2020 water

consumption was not included. There is a table predicting what the consumption is going to be years from now but it did not include 2020.

*Ms. Gray reported that she reached out to Harris & Associates and their response was basically it was the timing of when the rate study began, in which they conducted the analysis starting in August of 2019, only the beginning of Fiscal Year 2020. They like to use the most recent data at the time; therefore, they used Fiscal 2019 data as a starting point.*

Question #2: Regarding the Water Rate Study, Pages 6-7, Table 6-3, the Projected Average Day Demand by Water System, 2006 Water Master Plan, shows Fiscal Years 2005, 2010, and 2025. Mr. Hirakami wondered why there was such a gap in the projected demand.

*The response to that from Harris & Associates is that in master planning, the year intervals are greater so they need to use a longer planning horizon, decades versus annual, which would be too short of a time to use as far as their planning horizon.*

Question #3: Regarding Table 6-1 in the Water Rate Study Report, Mr. Hirakami's concern was that the table includes the methodology used by the different counties; and in there, it also included Hawai'i Wastewater, which he mentioned has nothing to do with the Department of Water Supply.

*The response from Harris & Associates was that the table reflects the different methodologies of the different counties, as well as Hawai'i Wastewater, used in their studies before implementing the facility charges; and Hawai'i Wastewater had the most recent study on this island. That is the reason why they included it in the table.*

The Manager-Chief Engineer elaborated on why Hawai'i Wastewater was used in the analysis by Harris & Associates. His take on it is that it is a general evaluation of the kind of methodologies that go into establishing impact fees. This Department is similar to the other water utilities; but instead of Impact Fees, they are called Facilities Charges. Kauai calls it a Facilities Reserve Charge, but they all have similar mechanisms. He supposed the Hawai'i County Wastewater Division had just had a study done on determining their impact fee. It may have been a reference for Harris & Associates in finding the different methodologies used to come up with their figures.

Mr. De Luz stated that for the newer Water Board members, if they have not already gone through the audit report and the contingency plan, it would be good to provide them with a copy. Also, when getting to the next water rate study, there are two areas to understand. One is, as Mr. Ney mentioned, what the service cost is per system. In addition to that, what is the future growth in regard to expanding distribution and storage. If you have "X" number of customers on the 23 water systems, as he believes Mr. Ney was eluding to, is there exponential growth or are there areas based on current goals, whether it be affordable housing and/or development that shows where the need will be. One challenge for counties in Hawai'i is not having the floating General Obligation Bonds for expansion. They rely almost exclusively on the private sector. There is a need to plan now for 10 to 40 years down the road; and from what he can see, there is very little opportunity for expansion other than just keeping pace. That is not a bad thing; but perhaps in the rate study, if water is truly viewed as a social responsibility, like public safety, there is a need to step up on how to finance those matters. It may be something to address regarding policy.

The Manager-Chief Engineer explained that the Department does not typically replace size for size. For example, if a tank or waterline is going to be replaced, the capacity will be increased. The challenge in expanding water systems is the Department does not have the capacity, as a developer would, to sell the land that the infrastructure services. If a waterline were extended a mile down the

road, the hopes are to get new customers at some point, and that is not a prudent financial move for the Department. A developer can do that because they have the land to sell and recoup the cost for the capital investment.

Mr. De Luz stated that this is where the impact fees come into play for subdivisions, but the methodology in this State is that the private sector has to pay 100% for it up front with very expensive money. His suggestion would be that the Department take a posture that there will be impact fees in an area where the Code allows for development to occur. For an average lot, it costs no less than \$30,000.00 to bring water in because of the restrictive water variance. You can get land cheap, but the infrastructure costs mean you have a double or triple investment to get your money back. If you work with a developer that has the land and plan with them, not necessarily the utility, the mindset has to be changed. The County has to look at this as a responsibility with the utility helping with input and management resources. It does not make economic sense for the utility to do it because, operationally, they will have what are called stranded assets, just like the electric utility, where there are pipelines and storage going to nowhere. This is forward thinking and he felt that the Department needs to have an internal discussion and then work with organizations, for example, the rate study and see how it would look if the choice is to create this opportunity. The County Code does not promote affordable housing, which puts the responsibility of investment on the developer. It is a methodology that needs to be rethought because the way he sees it, other than the west side, rural development in East Hawai'i will concentrate in South Hilo where there is water variance and cheap land and will continue to bring pressure from people asking for public services such as Hawaiian Paradise Park. You are going to pay dearly when someone gets to understand the CDP (Community Development Plan) is actually the contingent liability in regard to performance. This is a matter of rule of law on the CDP. Before getting into that predicament, he thinks the Department should be very proactive in understanding what needs to be done.

The Manager-Chief Engineer stated that this could get into tons of philosophical discussions. For this Department, if there are opportunities to partner, it continues to do that. However, when someone wants to develop on land that has no connection to existing infrastructure, that is the challenge. This Department keeps in touch with the Planning Department so that policy decisions are tied to the land-use decisions being made county-wide. Affordable Housing is a big priority. It is a matter of how to make that happen in a prudent manner and not overburden the existing customer base. It is not going to happen overnight. Where there are pockets of maybe 20 or 30 units to get going, at least there can be something happening and work toward the larger developments. He concluded that this is a bit off topic and asked if there were any further questions on the Financial Statements. There were no further questions.

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

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

1. North Kona Wells - the Deputy provided some background for the new Board members on this agenda item. The Department had some challenges in the past with wells in the North Kona system. Geographically, the North Kona system runs from Makalei in the north to about the Honalo/Keauhou area in the south. A couple of years ago, the Department made a commitment to the Board and the public to meet its mission of providing communities their water needs and also providing a monthly update to the Board on the status of the well repair projects in the region. He provided his report for this month. In the North Kona water system, there are 14 total sources that service the community. Currently, eight wells are online and five are offline. One was repaired and is going through some final testing. Of the six that are offline, Kahalu'u B has been repaired. The pump and motor have been installed. The well has been purged, and the well was chlorinated

last week. Some tests will be run this week and the hopes are the well will be in use in early May. For Kalaoa Well, the contractor is expecting to start installation the first week of May, and testing thereafter. For Palani Well, the equipment is expected to be on island the first week of May with installation thereafter. Wai‘aha Well is on litigative hold. For Keahuolū Well, the equipment was received on island; but there was an issue with the motor as the contractor was preparing it for installation. In order for the contractor to maintain the unit warranty on the installation, the contractor and the manufacturer decided to ship another motor to the island, which is expected in mid-May with installation thereafter. For Makalei Well, the Department continues to work with the developer for them to get their repair project out to bid.

2. COVID-19 Update - the Manager-Chief Engineer recapped earlier discussion about the County emergency rental assistance program. The Department will continue to move forward with some of the great ideas heard today to get the word out to customers that this resource is available and who to contact to take advantage of the opportunity. The Department has been taking a very conservative approach in its daily operations to accommodate physical separation. The Department has not had any COVID-19 infections in the workplace but has had some possible indirect exposures. Efforts have been working well for the Department; however, at some point, with people receiving vaccinations and other venues opening up, the Department will also start moving toward that. The Department is maintaining appointments only and is not shutting people off. Even with that, some people say they will not pay their bill unless they can pay in person. The Department’s Credit and Collections Clerk has made some appointments to handle those higher delinquent amounts and a few have come in and made their payments. The Department tries to accommodate customers in a reasonable fashion while minimizing exposure the public and staff.
3. Legislative Matters - the Manager-Chief Engineer reported that the problematic Bills that popped up this Session appear to all be dead. He will continue to try and establish relationships with Legislators and elected officials and explain the Department’s perspective, as this may continue to happen year after year, given the State’s financial situation. The Department continues to work with the other water utilities and has frequent meetings to share perspectives, challenges, and concerns with legislation.
4. Employee of the First Quarter 2021 - the Manager-Chief Engineer was pleased to announce that the employee of the first quarter of 2021 is Ms. Eileen Aburamen. Eileen was present at the meeting. Ms. Hayducsko stated that Eileen has been with the Department since 2008. In the last six years, she has been in charge of administrative work in Hilo Operations. The Operations Division has the majority of the Department’s staff. The Board may recall seeing Eileen at the front counter during the days when Board meetings were held in their conference room. She is in charge of their dispatch, their procurement, timesheets, schedules, stand-by, ordering all the parts, and inventory work and is a very hard worker. COVID has been really hard and there have been staff shortages. They are lucky to have her helping out. The Manager-Chief Engineer recalled Eileen helping to procure hand sanitizers in the beginning parts of COVID-19 when they were hard to find. She lived in an area where the local store happened to have a supply, and she sent a family member to purchase the limit, and brought to the Department for reimbursement. This is one example of how goes over and above her heavy workload and he thanked her for her contributions. Ms. Aburamen thanked everyone and stated that employment with the Department has been great. It has its challenges, but they only make one stronger. The Board congratulated her on this award.

(Mr. De Luz left the meeting at 11:44 a.m.)

5. Retirees of the Department of Water Supply - the Manager-Chief Engineer turned it over to Ms. Gray, who has two employees that either have or are retiring. Ms. Gray noted that the two employees were not in attendance today, but they are: Ms. Brenda Isa, who retired last month. She

started with the Department back in February 2014 as an Accountant II and ended her career after seven years as an Accountant IV, overseeing the management accounting section, which includes daily accounting operations such as accounts payable, payroll, and general ledger accounting. She had more than 30 years of service with County and State government. The second person is Ms. Lani Aguinaldo who will be retiring at the end of this month. She started in May 2005 and has dedicated 16 years to the Department, serving as Customer Service Representative. She is one of the first people a customer will talk to regarding their water accounts, and the Department has definitely had the benefit of her representation for the Department. Thanks go out to both Ms. Isa and Ms. Aguinaldo. The Manager-Chief Engineer also recognized them for their hard work.

**G. CHAIRPERSON'S REPORT:**

Vice-Chairperson Scicchitano stated that he appreciates the cross-section of the Department staff and the Board in its discussions. There were thoughtful and great questions today and good insight. He is happy to be serving on the Board and thanked everyone for their contributions today.

10) ANNOUNCEMENTS:

1. **Next Meeting:** - May 25, 2021, 10:00 a.m., via Web Conferencing

11) ADJOURNMENT

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

(Meeting adjourned at 11:49 a.m.)

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Recording Secretary

APPROVED BY WATER BOARD  
MAY 25, 2021