

MINUTES

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

January 25, 2022

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

MEMBERS PRESENT: Mr. David De Luz, Jr., Chairperson
Mr. Steven Hirakami, Vice-Chairperson
Mr. Michael Bell
Ms. Julie Hugo
Ms. Kea Keolanui
Mr. Benjamin Ney
Mr. Keith K. Okamoto, Manager-Chief Engineer, Department of Water Supply (ex-officio member)

ABSENT: Mr. Kenneth Sugai, Water Board Member
Mr. William D. Boswell, Jr., Water Board Member
Mr. Eric Scicchitano, Water Board Member

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

Department of Water Supply Staff

Mr. Kawika Uyehara, Deputy
Ms. Candace Gray, Waterworks Controller
Mr. Kurt Inaba, Engineering Division Head
Mr. William O’Neil, Jr., Water Service District Supervisor II, DWS Waimea
Mr. Eric Takamoto, Operations Division
Mr. Joshule Johnston, Water Service District Supervisor II, DWS Kona
Ms. Darlene Casuga, Customer Service Representative II, DWS Kona

- 1) CALL TO ORDER – Chairperson De Luz called the meeting to order at 10:00 a.m. A roll call was taken for Water Board Members in attendance. Six members were present: Mr. Bell, Mr. Hirakami, Ms. Hugo, Ms. Keolanui, Mr. Ney, and Chairperson De Luz.

Ms. Diana Mellon-Lacey, Deputy Corporation Counsel, briefed the Board on a new requirement under the Sunshine Law, which she will go over in detail later in the meeting. At this time, if anyone has someone in the room with them, where they are attending the meeting from, they are supposed to announce that as well. (There were none indicated.)

- 2) STATEMENTS FROM THE PUBLIC - none

- 3) APPROVAL OF MINUTES:

ACTION: Ms. Hugo moved for approval of the Minutes of the December 21, 2021, Water Board Meeting; seconded by Mr. Ney and carried by roll call vote (Ayes: 6 – Mr. Bell, Mr. Hirakami, Ms. Hugo, Ms. Keolanui, Mr. Ney, and Chairperson De Luz; Absent: 1 – Mr. Sugai.)

4) APPROVAL OF ADDENDUM AND/OR SUPPLEMENTAL AGENDA – None

5) WATER RATE STUDY:

Water rate consultant, Harris & Associates, presented the fundamentals of Water Rate Design, including an overview of rate design objectives, various rate structures to accomplish these objectives and rate structures used at similar utilities. The consultant is requesting feedback on the type of rate structure to be implemented in Fiscal Year 2024 (starting July 1, 2023). This would provide the Department of Water Supply staff a year to update its billing system to accommodate a new rate structure, if needed. The option to maintain the current rate structure will also be considered.

Ms. Ann Hajnosz and Ms. Karyn Johnson of Harris & Associates introduced themselves and provided the Board with a brief background on themselves.

Ms. Hajnosz stated that she has been doing water rate studies and water utility consulting for about 30 years. She is originally from Hawai‘i, is a graduate of the College of Engineering at the University of Hawai‘i, after which she went away and got a master’s degree in business with finance concentration and has been on the mainland for all of those years but has been very fortunate to still work back in Hawai‘i with the water utilities in the State as well as some wastewater, solid waste, and some energy utilities. She has had a great career in working with her home State. She introduced her colleague, Ms. Karyn Johnson, who is working with her on this project.

Ms. Johnson stated that, similar to Ms. Hajnosz, she has been a utility rate consultant for about 30 years, working across the west coast and Hawai‘i helping utilities get financial stability and making sure they have rates in place that meet their objectives. It has been great working on the studies, and she looks forward to working with this Department and Board more.

Ms. Hajnosz shared her screen on their presentation. They will start off with a context of where they are in the study and will go into talking about some rate-setting goals and objectives and talk about why we need customer classes and why we should consider them, talk about some rate structure considerations, and do a little history of DWS rates and talk about current rates. The cost of service is right now at the preliminary stage, and they will show how that impacts rate design, and then talk about rate structure options. Ultimately, they do need Board feedback on several items; and they will go through that.

To set the stage of where we are, Page 3 shows we are Step 6 of 8. Last time we met in November, we were at Step 4, which was a determination of the revenue requirements. In between, they were working on the cost of service, but want to make sure they finalize that in alignment with what the Board wants to do relative to rate structure changes. That final cost of service will be seen at the next Board meeting they attend. Right now, they are focusing on rate design and are talking about it in a generic way because they do not have any results quite yet. It is important to get to what the Board wants to do relative to rate objectives and goals.

What they need from the Board today is to confirm its objectives, and these are their recommended focal points: Financial Stability, Fairness, Conservation, Affordability, and Simplicity. In the coming slides, there are a lot of rate design objectives; and it is difficult, if not impossible, to satisfy all of them equally, so they will focus on a few of them here. They also suggest and recommend that we maintain the monthly Standby Charge because it will give financial stability. Third, the Agricultural class has been subsidized for many years and has been part of the policies of the Department of Water Supply. Right now, they are at about 55% of cost of service for the Agricultural class; but, again, these are draft results and we expect them to change a little bit. The idea would be, what they want from the Board is direction on whether we should keep the cost of service at about the same level as it is now or whether we should be moving

toward closer recovery of full cost of service. We would not want to do that in one fell swoop because it would not be fair. A movement toward cost of service would support this rate objective of fairness. Lastly, they have a plan to move from the current rate structure, as it is, that does not include a single-family class. They would like to add a single-family class, if the Board agrees; but they would do that in a matter of steps, within the next two years. They would definitely want to maintain the conservation focus of the rates, for the single-family class, and then they would want to move toward a uniform rate for the general use and the agricultural class as well.

Talking about an overview, as mentioned before, rate design is really a function of so many different objectives and is really impossible to satisfy all of them. In some ways, some of these objectives might conflict with each other and they really have to design rates that work for the community. The third bullet on Page 5 is “Identifying unique DWS utility goals and customer demographics guides your level of analysis and rate structure choices.” This is really what they want to do here. A rate structure that Maui uses does not necessarily apply here. Whatever ends up being selected, they want to make sure it supports the goals of the utility, supporting financial policies and water resource policies and objectives. Water rate structures can be a vehicle to help customers understand and appreciate the value of water and also be aligned with some of the other goals that the utility is trying to achieve. The last bullet is key--in order to design rates or to change the rate structure, they need good quality data from the billing system; and that is one of the things they are looking at right now. There is some uncertainty of the quality of the billing system data that might take a little longer for them to get where they want to go.

The rate structure drivers are shown on Page 6 under the Community Profile. They are going to look at the size of your customer base, and as important is the diversity of your customer base--whether it is mostly residential, mostly industrial, or a mix, and whether there is a lot of agricultural use. That is what is meant by diversity of customer base. They look at the economics of the customer base and what the economic drivers are. In Hawai‘i, it is tourism; but there are also some agricultural elements to it. Next are the policies and sensitivities. Going back to the policies of your utility and how they play into how they play into how you deliver your services to the communities. Finally, the risk tolerance is a measurement of how fast we can change. Given the last two years, they will be proceeding with caution, sensitivity, and empathy to the customer class. The other driver is Consumption Patterns, and this is where it links to the availability and quality of data. Can rates be designed with confidence that are going to enable us to collect the revenues we need. That is why it is important that we have good quality data. They look at things like average annual use, peak period use, which is measured usually on a monthly basis. They do not have anything more detailed than that. There is also off-peak usage, and these are all the data points that help them explain and describe what the cost impacts are for the customers and then that would be reasonably attributed to the customer driving those kinds of costs and they would be charged a certain amount. That is how it links together.

On Page 7, the list of eleven rate design objectives comes from the American Water Works Association (AWWA) M1 Manual, which is the manual for rates fees and charges. Some of them are similar to what they will be recommending for the DWS, but there are a lot of them on this list; and as mentioned, not all utilities can choose to focus on all of them. The one that they will point out is #11, that rates are legal and defensible. In some jurisdictions, they have specific laws related to how you can recover costs from different customer classes, such as California where they have very prescript rate laws. Ultimately, you want them to be defensible and based on an industry best-practice study and cannot just be arbitrary.

For the DWS, they want to focus on the five objectives shown on Page 8 - Financial Sustainability (need rates to give revenue stability). They should be sufficient, predictable, and be stable for the customers so they would be able to anticipate, in their own monthly budgets, what they would have to pay every month for water, as well as businesses knowing the rates are predictable and relatively stable over time. Conservation and Efficiency is something that every utility is looking at to make sure their water

resources are used efficiently. We want rate structures that promote this and ultimately protect our limited natural resources. Transparency and Simplicity is something that sometimes gets taken for granted because we want to design rates that are in line with our community but we also want them to be relatively easy to administer and explain. If rates are designed that are too complex and the customers do not understand them, we are not going to be getting the right message to them. Also, you want staff to be able to explain the rates to customers in a relatively easy fashion. Fairness and Equity is where we do our cost of service analysis to understand what the equity is--are customers who are creating the cost being charged the comparable rates. The fairness part comes from, as mentioned earlier with agricultural rates, if a customer class is less than the cost of service by a large amount, how fast we move them toward customer service. If that is the desire of the Board, that will tell us how fair that is. It would not be fair to do it in one fell swoop, but maybe it can be done over time, to be fair. The last objective is Affordability, which is getting a lot of attention, as has in the past, because of the economics of a lot of our areas of housing affordability. Other utility rates are going up, and other costs are going up, so we want to make sure we are paying attention to our water bills; and especially for those on the lower income side, if there is anything that can be done to make it fair for them. This will be looked at as well.

After we think about the rate objectives, we look at our customer classes (shown on Page 9); and in a typical utility, you will find these types of customer classes: a single-family customer class, a commercial and industrial class, sometimes there is an agricultural class (in Hawai'i there is one); and a non-potable class. The reason why they organize utilities into customer classes is that they want to make sure they are pricing the water to homogeneous users, and typically when you think of a single-family user, they are using anywhere from 600 gallons per day, maybe up to 15,000 gallons a month, more or less. That is very different than a commercial customer who uses much higher volume and has different peaking requirements. Single-family customers think about when they use water; they use water first thing in the morning and then in the evening. Those are the two peaks that single-family customers create. Commercial and industrial typically do not have a lot of peaks. The other big cost driver for rates is for fire protection means. Relatively speaking, your commercial customer classes are going to have a higher fire protection need than single-family. These are all the drivers that separate the different customer classes into single-family, commercial, agriculture, and non-potable.

We take our rate objectives, look at our customer classes, and we say what is going to be the most, or best, rate structure that helps us achieve our objectives and is fair and equitable and gives good pricing signals to our customer classes. Page 10 shows a relatively simple one. It is a uniform volume rate which is one rate for all use, no matter what the customer class is. It is very simple and easy to explain but might not have the most equitable outcome. The second one is class-specific single block rates where, by those different customer classes, you would have a different rate, depending on the class. This could get closer to equity because, as said before, certain customer classes are going to drive more costs--peak-flow costs, for example, or fire-flow costs. You could allocate those costs to those customer classes and that would be reflected in their rates. The Increasing "Tiered" Block Rates" is what this Department has right now, where, as you use more water, you step from Tier I to Tier II to Tier III and Tier IV. That is an indication of a conservation oriented rate structure where you are trying to discourage use at the highest block. Some people might want to have that, and that is their choice; but we do not want everybody to be using water at that highest block. This rate structure is the most appropriate for single-family customers because they are the ones who have a choice between watering their lawns every single day or only watering once a week. Finally, Seasonal Rates are used in other areas where it is more seasonal. There are structures that have one rate for winter months and another for summer months, as is used in Seattle. The seasons directly affect water use. All of these options are very dependent on what the billing system data can show and what they can use to set these rates.

Ms. Johnson added that this might be a good spot to reflect on the concepts Ms. Hajnosz has talked about for what might be appropriate for DWS. These four typical rate structures do not all meet every

community. This might be a good place to say that they are going to be focusing on the two classes in the middle--the Class-Specific Single Block Rates and the Increasing "Tiered" Block Rates." When you look at the first one, the Uniform Volume Rates where you are charging all customers the same rate, that is probably not appropriate for your community since you have a mixture of single-family, commercial, and agriculture. This is more designed for a smaller system that has primarily all residential customers. Seasonal Rates are more appropriate for areas that have true, distinct peaking seasonal differentiations. Going forward, she wanted to reiterate that the first and last options are probably not something this community would do.

Ms. Hajnosz continued with Slide 11, Water Rate Design, where she had gone through some of the Department's older reports; and since 1995, it has had these two customer classes: General Use and Agriculture. It has always had a monthly standby charge by meter size and it has been island-wide. You have had a multi block, inverted block rate for General Use since 1995 and a fourth block was added in 2001. The Agricultural rate structure has changed over time: a declining multi-block in 2001, changed to a flat rate (from 2001-2007), and back to a multi-block, inverted; and now it is the declining block where the third block is lower than the first and second (2007-current). Since 1995, the Department has also had a Safe Drinking Water Clause which was to recognize additional regulatory costs that were unanticipated where the Department was in a time period of high regulations and unexpected costs. More recently, the Board has expressed a desire to look at moving to a more traditional rate structure, and that would mean adding a single-family customer class.

Going over the current rates (Pages 12 and 13), effective January 1, 2021, they are shown by meter size. The General Use rates on the left (Page 13) are all indicating what the charges would be by the blocks and on the far right, the rates are set by meter size. Depending on the size of the meter, the first, second, third, and fourth block will vary. The complexity of the rate structure can be seen in this table. For Agricultural Use Rates (Page 14), they are similar but with a decreasing third block. The first two are increasing blocks. The background behind this was to say that in the first and second block, the agricultural users might be acting like residential customers if they have agricultural land and also have a house on that land; but the third block was more to recognize their commercial agricultural use.

As mentioned before, part of the rate design process is recognizing what the cost of service results are; and this is very preliminary, but we wanted to give you an idea to show how it would work. Page 15 shows where they took the Fiscal Year 2024 revenue under existing rates and then did their cost of service analysis in the table and basically added a Single-Family customer, just theoretically. As seen on the far right, this assumes that a 9.5% system rate increase would be in place. Any of the numbers on the far right that are less than 9.5% indicate that the particular customer class is already paying higher than its calculated cost of service. For Single-Family and General Use, their expected rate increase would be less than 9.5% because they are already paying more than their fair share of cost. The reason why they are paying a higher share is because Agricultural users are not paying their full share for the cost of service. That is a subsidized class. The Private Fire Service, on the other hand, is paying a little bit more than their cost of service so you would see that go down a bit. This is an example, based on absolutely preliminary data. The results could change once we finalize our cost of service and once we hear from the Board where we want to go relative to new customer classes, if any.

Going to Page 16 - Water Rate Design - Rate Structure Options, she talked about a couple of rate structures that you are already pretty familiar with. If we went to a single-family residential customer class, we would recommend that we stay with the inverted tiered volume rates. This just basically says that there would be three to four tiers; and as the tiers step up, the rates would step up. As you increase use from the first block to the second and on up, your rates would increase. This would be a strong conservation-oriented rate structure. We would basically expect that the high users would be about 5 to 10 percent of the customer bills. We do not want any more than that in the last block because that could

put us at risk for revenue erosion. This is where we talk about how some of the rate objectives of financial stability and conservation could come into conflict because as much as we want to send a strong conservation message, if it is not done right, we could see revenue erosion at the third and fourth block levels. That is why data is so important. You need good data to be able to do this right.

On Page 17 - Commercial Rate Structures, for the other classes, for the commercial rates, we would be recommending a single block charge, a flat, or uniform rate, where it does not matter what your usage is. Again, this class of customers is very diverse--everything from your small mom and pop store to the Waikoloa Village is in this customer class. Some of those customers peak more than others; some of them use a ton more water than others; so ultimately, it makes sense and is fairer to have a uniform rate. That does not satisfy all of our rate objectives necessarily because if you are a high-peaking customer, you are not really paying your fair share of peaking costs under this scenario. Those that do not have a high peak that are maybe evenly spread across the day are going to be paying a little bit higher than they normally would. On balance, for a customer class that is as diverse as typically commercial's would be, a uniform rate is the way to go. It is easy to understand and it is easy to administer as well. The customer impacts for your customers moving from the rate structure they are on now--the inverted block rate structure--to uniform block is going to be a challenge. She asked Ms. Johnson to describe those customer impacts and the challenges we would expect to see moving from this inverted block to a flat uniform rate.

Ms. Johnson stated that basically, your current rate structure has four blocks with each block having a higher unit cost. If we are going to move them all to one rate, the customers in your first block and the customers in your higher blocks are going to have the most impact because we are going to be moving more towards an average rate. The impact of moving to this is that your customers in your lower block rates are going to have a slightly larger impact because they are going from a lower unit cost, now to more of an average unit cost. The customers in the highest blocks are actually going to show a decrease because they need to be moving down from that highest block to meet that average. It seems a little contrary to your goals where the more you use, the more you should pay, so it is a transitional structure to sort of move them all to that average. Again, we would want to do this methodically over time and not just jump to a structure like this right away to try to mitigate some of those impacts. Overall, this turns out to be kind of the industry best practice and the fairest rate structure for your commercial customers; but there will be some near-term impacts, depending on what type of customer you are. It gets a little challenging to try and explain and that is why they are trying to put together a plan of how you can smooth in from those tiered rates down to that uniform rate over time and try to mitigate the material swings for individual customers.

Ms. Hajnosz stated that the key message for rate design is that no one structure is going to meet all of your utility objectives equally. You will have to give a little bit, either on financial stability or conservation or maybe a little bit simplicity. Not every rate structure is going to work well with every customer class and that is why we have various options and why we want to, again, put our users into homogenous customer classes. Finally, we want to make sure that the adopted rates collect what we need in terms of revenue and that it achieves the best balance of the rate setting goals. The key questions to consider are what rate structures best align with your goals and objectives; what rate structures best align with your customer class characteristics; is there sufficient data available to evaluate and design; and can the billing system accommodate the rate structure changes. Whatever rate structure we come up with, we think over time, we can move to that confidence in the billing system; but it just might take a little bit longer than we thought.

Going back to the slide shown at the beginning of this presentation, what they need from the Board is they would like to confirm the rate design objectives of financial stability, fairness, conservation, affordability, and simplicity. They would like to maintain the monthly standby charge as it is because it does create some really good financial stability. They are going to continue the Agricultural class subsidy but move

closer to cost of service over time; and in the next iteration when they provide a rate proposal for the Board's consideration, they can tell what the numbers are with a little more certainty and how fast or slow they would recommend moving to cost of service. What they want to know is if the Board wants to keep the Agricultural subsidy and if it wants to move it closer to cost of serve. In the fourth bullet, their plan for the rate structure change, is if you do want to move to a Single-Family customer class, which would be done over time; and they are going to maintain that conservation focus and inverted block rate; and then they would move the General Use and the Agricultural customers to a uniform rate, as Ms. Johnson described earlier.

The Manager-Chief Engineer turned it back to Chairperson De Luz for questions and discussion from the Board Members at this time.

Chairperson De Luz asked if the Manager-Chief Engineer could give the Board some insight from the Department's side as far as the methodology and where the Department sits in regard to this because the foundation of this study, to a degree, looks at operations and how things are currently done, and may give the Board some perspective on the questions to ask.

The Manager-Chief Engineer started with the Department's Mission Statement, which was established in collaboration with the Water Board some years back. Basically, the core mission of the Department is to provide customers with an adequate and continuous supply of safe drinking water in a financially responsible manner, comply with all relevant standards, and assist and facilitate development of water systems in areas not currently served. To him, what that means is financial stability, which Ms. Hajnosz talked about, and meeting our needs, not for just the immediate future, but for the long-term as far as the requirements of the Safe Drinking Water Act, because it is non-negotiable that we meet all those requirements. What it will take to accomplish all of that, as discussed in prior presentations by Harris & Associates, is setting up good fiscal policies related to CIP reserves so that we can put some money aside for rainy-day funds or for capital improvement and investments. There have been discussions with Ms. Hajnosz and Ms. Johnson and we are in alignment with what they have proposed as far as moving from our current rate structure to that which is closer to industry standards with setting a separate rate structure for single-family use and general use. In the long-term, it will provide better predictability and financial stability. Some of the data needs that Ms. Hajnosz talked about, the Department does not have and will need to be accumulated, systematically, with changing this rate structure. Some assumptions will have to be used on this initial evaluation because it is not broken down by different classes. It is broken down by meter size. For example, it would not be known if 5/8-inch meter services a single-family versus commercial activity. To recap, from the Department's standpoint, it is in alignment with Ms. Hajnosz's and Ms. Johnson's proposed route to take with this rate study and rate structure.

Chairperson De Luz thanked the Manager-Chief Engineer for his input. What he is hearing is that the Department is working with Harris & Associates to establish better data sets. As mentioned, with the 5/8-inch meter servicing a single-family versus commercial activity, perhaps looking to the industry for how they establish that, maybe through affidavits, similar to a dedication in real property--if it turns out to be falsified, you would be able to collect back usage rates. He looks forward to getting to that next level. He thought it might be purposeful to list the Mission within the context of these presentations so it can always be referenced for what the objectives are within the Mission Statement. He then opened it up to questions from the Board Members.

Mr. Ney complimented Ms. Hajnosz and Ms. Johnson for being very articulate in detail with their presentations. He liked the idea of having rates homogeneous--one for business, one for agricultural use, and one for the home owner. It simplifies things, and first and foremost is the need to have a plan that puts the organization in a sound financial position. One thing with talking about equity is that he thinks a lot of people that end up wasting water are usually the people without the financial means to fix their

plumbing or their meter location may not be close to their home or the topography is difficult. He would like to see how to get to a rate structure that does not fall too heavily on those customers, or perhaps pulls from a customer base that is more feasible. He would like to see the Agriculture rate subsidy not be so generous either. He finds that a lot of the farms put substandard plumbing in; and when it breaks, they want adjustments. Overall, he thought this plan is moving in the right direction.

Mr. Hirakami mentioned the Commercial Rate Structures, Single Block Volume Charge, and thought it would be easy to target it to a commercial rate versus a resort rate. If you are operating a commercial business, you would either add this to your operating cost or your cost of goods sold, for example, the ones producing bottled water. However, in a resort area, there is no mindset of water conservation. People come here from the mainland and fill up the tubs for their kids or the resort has water features for swimming pools, etc. Currently, there is no incentive for the hotels to encourage guests to take short showers to conserve water, our most important resource. If possible, he would like to see that. Also, when looking at Agricultural use, he recalled a couple of meetings back where there was discussion of two different pipelines--one for recycled water and one for potable water. He wondered if that was still in the works. As far as the water spigots, he asked if there is a way to recover that use from the federal government, through grants, because he observes people washing their cars or boats at these spigots or filling up 500-gallon tanks. He would like to see how much water is given out (metered) at a spigot and whether the cost could be recovered from federal sources. It seems like the Department of Water Supply is offering this free service, but it is being abused.

Mr. Ney added onto Mr. Hirakami's comments with a question about hydrants sometimes having a backflow on them and trucks filling up from there. He wondered how it is regulated and if it is reported properly.

The Manager-Chief Engineer started with Mr. Hirakami's comments on the spigot facilities. The Department did get some federal grant funding for the construction of about a half a dozen of those locations. The actual consumption from these locations goes through a water meter, which is read and the bill paid for by the County through the Department of Public Works. The DWS is being paid for those uses. He agreed, there are some people who abuse the facilities and it has always been a question of balancing the need and intent with the actual use. That is something that could be discussed further down the road, separately from the actual water rates. At this point, we are trying to address the rates for the 99% customer base. Going to Mr. Ney's question about temporary meters off fire hydrants, they are supposed to be a temporary service, not a permanent one. There is a fee to connect to the fire hydrant, but they do not pay a typical fee for the installation of a service lateral, installation charges, or facilities charge. The water consumption is metered and protected by a backflow prevention assembly. Water from the hydrant is used typically for construction, but there have been applicants coming in for drought-related uses and other temporary uses. This is another function the Department would probably want to bring to the Board's attention for further discussion on tightening up some of the requirements within its Rules and Regulations. Going back to the question regarding subsidies for Agricultural use, that use makes up approximately 2% of the number of customers. Out of 45,000 customers, 2% are on these rates and make up about 8% of the total consumption. Hopefully, that additional information will help the Board in presenting their questions, concerns, and direction to where we move from this point. He understood where Mr. Hirakami is coming from on whether there is a possibility of evaluating another rate for resorts, he guessed perhaps a block rate structure similar to the single-family class. With that, he turned it over to Ms. Hajnosz and Ms. Johnson.

Ms. Johnson pointed out the chart on Page 17 where it shows the single block volume charge. On the graphic, it shows a flat line, meaning the rate is the same. To clarify what this rate structure really means is that you would have a uniform rate per unit of water for each customer class, but their bill would go up as they increase their water usage. The structure would be the whole commercial class, including the

resorts--say if the rate were \$1.00 per thousand gallons, if you are a small commercial customer, you are going to pay that \$1.00 per thousand gallons on a lower amount so your bill will be relatively small. If you are a resort, you are going to pay that \$1.00 per thousand gallons but you would have a lot of gallons so your bill will be significantly higher. That is where they achieve the "pay for what you use" equity standpoint within that same class. She pointed out that the resorts would, in fact, be paying their fair share because they would have a larger monthly bill to pay; and if they wanted to conserve water, they would have a lower bill. That is how you can make a fair rate with a diverse commercial data set. She asked if Ms. Hajnosz had anything to add.

Ms. Hajnosz stated that was perfect and she was going to say similar things on the commercial side. If you are going to split the commercial class, there is tremendous diversity within that commercial class and diversity even with the resorts where you have some small resorts with very low vegetation needs all the way to the mega resorts. What Ms. Johnson just described is exactly what they would be looking at where if you do not have a lot of vegetation and landscape needs, you would not pay as high a bill as the resorts that do.

Mr. Ney added that some rooms on the west side of the island are upwards of \$1,300.00 and it is not like they do not have the revenue to pay it. If they needed to bring in their water consumption they could scale back on their landscaping, and that is something they should do on their own, but he thought they could afford to pay their fair share on this.

Ms. Keolanui agreed and added to Mr. Hirakami's and Mr. Ney's comments about resort and commercial class and incentivizing the resorts to take that extra step and encourage their guests to be conservative when it comes to water and added her support to that comment.

Mr. Hirakami stated that resorts use their own recycled water for their golf courses and landscaping and run a dual system. This is about going with our State's direction--to move away from tourism towards agriculture and being sustainable, yet we are giving the hotels the same rates and raising the Agricultural rates. The resorts are all mainland corporate structures, and the money does not stay in this State. The transient accommodation tax (TAT), the use of water, use of our roads and beaches, that is supposed to come back to us, but it is not; and now the County is charging 3% on top of that to the tourists. If he were to stay at a hotel, he pays the same and is considered a tourist. It seems kind of oxymoron and going in the opposite direction from where our mindset needs to be as a State. In keeping with the nature of what the State of Hawai'i is trying to move toward; and in relation to affordability, to make this an impact on people, he would think the resorts, if they are just paying the flat rate, yes, they may be paying to use more water, but that is not the idea of why he sits on this Board. Water is our most precious resource, and he would want something to incentivize them to tell their customers to please conserve our water.

Ms. Keolanui was in favor of what Mr. Hirakami spoke of and the State trying to move towards agriculture being the main industry versus tourism. There is a proposed Bill right now that may increase Hawai'i's minimum wage by double by 2026; and to look at that impact on the agricultural industry is going to be very great and is going to increase the cost of food, statewide. It is something to think about when looking at we are choosing in this matter.

Ms. Hugo thought these comments feed into the need for more data, which will better inform the decisions the Board makes. The kind of data collected should be very focused on what will help in moving forward. There is not enough information on some of the statements that have been made, and it is needed in order to make those decisions.

Mr. De Luz went back to the Manager-Chief Engineer's earlier comments on meter size. With regard to the STVRs (Short-Term Vacation Rentals) that are registered and licensed, he wondered if there is a

correlation to their meters and what rate they use, because this goes to the conversation as far as whether they are technically a resort of sorts. Perhaps the Department can work with Ms. Hajnosz and Ms. Johnson on those 900 or so registered STVRs to find out their consumption and if that rate works, as a way to better understand their usage. In some municipalities, such as Las Vegas, they actually have a water conservation fee added to their bill. It may be a different mindset from what Mr. Hirakami and Ms. Keolanui mentioned; but unfortunately, if you are on vacation, you could care less about how much water you use. If the fee could be redirected, similar to how the energy fee is, maybe those opportunities could go specifically to education and/or assist in conservation within the Department. This does not suggest adding more to the general use rate, but to figure out a rationale or what the fair share is for those who create impacts. One of the other issues the Manager-Chief Engineer will be sharing with the Board later on is the matter of affordability when it comes to hookups for affordable and workforce housing. It is the same kind of rationale, to some degree, but a different matter, and it goes in line with what is being discussed here and may be identified in some of the data sets we do not have yet. What he hears from the Board today is a perspective that the commercial rate needs to be addressed as far as a block rate, perhaps like a resort class. Secondly, regarding Agricultural rates, he thinks we need to do a deeper dive, if possible, on other municipalities or similar ones because this is a social issue as far as where we put our investment as a community. This needs to be appreciated and understood better. He understood the fairness and creating equity; but that the same time, how consistent is it with the overall mission of agriculture support. Perhaps the Department has to give the Board more insight into articulating the Mission Statement with agriculture so the Board can identify how that might come into purpose. He added that these are just generalizations and he was not suggesting to chop it off in one lump, but was hesitant to create from 55% to 75% where you are looking at a 20% delta. If they use 8% of the water, that could be significant for them; and depending on the tier, maybe the block could be reevaluated where the inverted side or the in-between becomes adjusted to allow for higher consumption. The inversion with volume is almost the same philosophy as commercial use--the more you use, because of the volume, there is opportunity for revenue, even though there is a subsidy.

The Manager-Chief Engineer agreed with the statements being made and about the direction the State and County are trying to move toward and that has to be balanced with the Department's fiscal responsibility overall to its general customer base. He still thinks 55% is over-subsidized and would like to continue that discussion with the Board--if not 55% or 75%, perhaps something in between like 60% or 65%. The other thing that can be done is tighten up some of the loopholes in the Rules and Regulations on who actually qualifies for the agricultural rates. The County was also going through a process to tighten up on its agriculture exemption in the real property tax, and DWS would like to be consistent with that process. It may have stalled so there may not be the opportunity to wait for it, but there are still discussions that can be had to make it fair and meet State and County goals and balance with the DWS' mission, which is safe drinking water. He understood that agriculture now has more rules and regulations and perhaps Ms. Keolanui can provide more input on what it takes to meet FDA requirements on the processing side of it. If they have to meet it on the processing side, then their consumption is more defined. He could see that helping the agriculture component rather than the irrigation side. He also agreed with the discussion about resorts and water use. Most higher-end resorts have a reuse program for their irrigation but he agreed with taking a look to see if there is a different rate structure that could be utilized for resorts that, through the rates, encourages conservation or at least not wasting water. With that, there is some homework to do. Some numbers like the STVRs might take a huge amount of effort because it will take a parcel-by-parcel evaluation on consumption and we do not know how many are licensed versus unregistered. We do not know where they are and what type of meter their water is going through. It will be a balance of where we study and get data to the tenth degree; but at some point, we may have to make some assumptions.

Mr. Ney asked if there would be any way to do a surcharge, like Chairperson De Luz mentioned. The County's revenue stream would probably be the property tax and they love big development because it

brings a lot of revenue into the county; but at the same time, whether it translates into actual benefit for the people who have lived here for multiple generations. It is a difficult thing to try and promote growth without putting more hardship on the cost of living. He wondered if there was any means to present that to the County to say we want a little chunk of that to help shore up our finances and have a bit of revenue cost in there for a rainy-day fund or whether that was doable at all.

The Manager-Chief Engineer replied that in his opinion, that is separate from his expertise or role here as Manager-Chief Engineer of the Department of Water Supply. The revenue from the TAT was supposed to go to the counties for their support services. Whether or not that would work for water, it would probably go into the general fund. Perhaps the easiest way to address this is through the Department's Rules and Regulations, through the water rates.

Chairperson De Luz stated that the Department is reviewing its policies as well as affordable housing, with regard to hookups. One of the things he appreciates, as mentioned by the Manager-Chief Engineer, is that the Department is confined as far as what is available right now. He believed there are tools that can be used, such as Affidavits for a particular rate or classification where there could be penalties if an activity is found to be otherwise; but that is a different side to it. The need here is to have water rates that are legal and defensible, as Ms. Hajnosz explained earlier.

Ms. Keolanui stated that she would be happy to provide an update on the requirements for food safety for agricultural enterprises here on island and in the State, if it would be better at another time.

The Manager-Chief Engineer thought it would be cleaner if it were placed on next month's agenda for an update on FDA requirements related to agriculture usage. To recap today's discussion for Harris & Associates, what he is hearing is to maintain the agricultural subsidy, maybe something in between 55% and 75%, such as 60% to 65% or a 1/3 subsidy--66% or 67%; and maybe another rate class for resorts, from what he heard; and if possible, including STVRs in that evaluation. The good side of things is if we maintain the single-family use rate, on the STVR side, it will be an escalating rate block structure. On the agricultural side, with the current rate structure, it being lower for the higher usage, maybe part of what our evaluation will include is, going back to some of the historical agricultural rates that we had in the past, after a certain rate, it becomes flat; but it is not going to dip and come down low.

Ms. Hajnosz added that they could just go to a uniform rate, like the commercial rate.

The Manager-Chief Engineer agreed that just some straight, simple subsidy would be the simplest. If it is set it up as a 67% subsidy to be a uniform rate without any blocks, it will be much simpler. He saw some heads nodding in agreement and asked if Ms. Hajnosz and Ms. Johnson were good to go with what was discussed today.

Ms. Hajnosz replied they are and she and Ms. Johnson thanked the Board and left the meeting at 11:16 a.m.

6) **POWER COST CHARGE:**

Departmental power costs from all power sources decreased since the last Power Cost Charge rate was determined. The Department proposes to decrease the Power Cost Charge from \$2.15 to \$2.02 per thousand gallons as a result of this decrease. Power cost charges over the past two years were as follows:

<u>Effective</u>	<u>PCC</u>
November 1, 2021	\$2.15
June 1, 2021	\$1.85

December 1, 2020	\$1.71
August 1, 2020	\$2.01
February 1, 2020	\$1.90
October 1, 2019	\$2.00

Before the Power Cost Charge is changed, a Public Hearing should be scheduled to accept public testimony.

The Manager-Chief Engineer recommended that the Board approve holding a Public Hearing on February 22, 2022, at 9:45 a.m., to receive testimony on decreasing the Power Cost Charge from \$2.15 to \$2.02.

ACTION: Mr. Hirakami moved for approval of the recommendation; seconded by Ms. Hugo and carried by roll call vote (Ayes: 6 – Mr. Bell, Mr. Hirakami, Ms. Hugo, Ms. Keolanui, Mr. Ney, and Chairperson De Luz; Absent: 1 – Mr. Sugai.)

7) **SOUTH HILO:**

A. JOB NO. 2005-875, PĀPA‘IKOU TRANSITE AND G.I. PIPELINE REPLACEMENT - REQUEST FOR TIME EXTENSION:

The contractor, Nan, Inc., is requesting a contract time extension of nine (9) calendar days (6 rain-out days) due to unsuitable weather conditions. This is the third time extension request for this project.

Ext. #	From (Date)	To (Date)	Days (Calendar)	Reason
1	11/09/2020	12/17/2021	38	Excess delays transferring the National Pollutant Discharge Elimination System (NPDES) permit (additional 33 calendar days) and Change Order No. 2 (5 calendar days)
2	12/17/2021	02/15/2022	60	Rain-outs (39 working days/ 60 calendar days)
3	02/15/2022	02/24/2022	9	Rain-outs (6 working days/ 9 calendar days)
Total Days (including this request)			107	

These delays were beyond the control of the contractor and this time extension is in compliance with the contract requirements. Staff reviewed the request for the contract time extension and the accompanying supporting documentation and finds the nine (9) calendar days justified. *Note: There are no additional costs associated with this time extension.*

The Manager-Chief Engineer recommended that the Board grant this contract time extension of nine (9) calendar days to Nan, Inc., for JOB NO. 2005-875, PĀPA‘IKOU TRANSITE AND G.I. PIPELINE REPLACEMENT. If approved, the contract completion date will be extended from February 15, 2022, to February 24, 2022.

ACTION: Mr. Ney moved for approval of the recommendation; seconded by Ms. Hugo and carried by roll call vote (Ayes: 6 – Mr. Bell, Mr. Hirakami, Ms. Hugo, Ms. Keolanui, Mr. Ney, and Chairperson De Luz; Absent: 1 – Mr. Sugai.)

8) MISCELLANEOUS:

A. DEDICATIONS:

(This item was deferred by the Board at its December 21, 2021, meeting.)

The Department received the following documents for action by the Water Board:

1. **Grant of Easement**

Makana Aloha Plantation Subdivision
Grantor: Frank Ornellas, Jr., and Susan McCalla Ornellas
Tax Map Key: (3) 7-5-016:103 (Lot 2-J) portion
Kahului 2nd, North Kona, Island of Hawai‘i, Hawai‘i

2. **Grant of Easement**

Makana Aloha Plantation Subdivision
Grantor: Allan H. Stuart, Jr., and Hydi R. Reddick Stuart
Tax Map Key: (3) 7-5-016:102 (Lot 2-H) portion
Kahului 2nd, North Kona, Island of Hawai‘i, Hawai‘i

The Manager-Chief Engineer stated that the Department was revising the recommendation and would like to remove this from the agenda until such time as the documents are received by the Department.

MOTION: Ms. Hugo moved to remove Items 8)A-1 and 8)A-2 from the agenda; seconded by Ms. Keolanui.

Mr. Hiram questioned whether this could have been taken up under Item #4 APPROVAL OF ADDENDUM AND/OR SUPPLEMENTAL AGENDA if it is known ahead of time that it needed to be removed. Ms. Mellon-Lacey indicated that if there is enough information in advance of the meeting, it can be taken up at that time, rather than wait until the agenda item comes up. She added that she spoke with the attorney in the case of both of these, and there is some information that he is verifying before the documents would be completed. She followed up recently, but no word yet.

ACTION: Motion to remove Items 8) A-1 and 8) A-2 from the agenda was carried by roll call vote:
Ayes: 6 – Mr. Bell, Mr. Hiram, Ms. Hugo, Ms. Keolanui, Mr. Ney, and Chairperson De Luz;
Absent: 1 – Mr. Sugai.

B. MATERIAL BID NO. 2020-15, FURNISHING AND DELIVERING SPARE PUMP AND MOTOR SETS FOR HĀWĪ #2 DEEPWELL, PARKER #3 DEEPWELL, AND KEŌPŪ #1 DEEPWELL FOR THE DEPARTMENT OF WATER SUPPLY – REQUEST FOR TIME EXTENSION:

The contractor, Derrick’s Well Drilling & Pump Services, LLC, is requesting a contract time extension of 60 working days, or 89 calendar days, for Section 1 – Hāwī #2 Deepwell, due to manufacturing delays with the fabrication of stainless steel pump bowl components. These delays were beyond the control of the contractor.

Staff reviewed the request for the contract time extension and the accompanying supporting documentation and found that only 60 calendar days can be considered justified. *Note: There are no additional costs associated with this time extension.*

1st time extension – 60 calendar days

The Manager-Chief Engineer recommended that the Board approve a contract time extension of 60 calendar days to Derrick’s Well Drilling & Pump Services, LLC, for MATERIAL BID NO. 2020-15, FURNISHING AND DELIVERING SPARE PUMP AND MOTOR SETS FOR HĀWĪ #2 DEEPWELL, PARKER #3 DEEPWELL, AND KEŌPŪ #1 DEEPWELL FOR THE DEPARTMENT OF WATER SUPPLY. If approved, the contract completion date will be revised from December 23, 2021, to February 21, 2022.

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

Mr. Hirakami asked who sets the contract time limit because it seems like the Board deals with a lot of these time extensions and wondered if the timelines are unrealistic.

The Manager-Chief Engineer explained that the project engineers come up with the estimated timeframe, based on past experience. There is always a balance where you do not want to make it where everything has to go perfectly to meet the completion date; but at the same time, you do not want to make it too long because when a job is put out to bid, it is because there is a need for the project. In this particular case, it is a material bid for spare pumps and motors and not an actual construction or repair job. To clarify, this is for one portion of this contract, Section, #1 Hāwī Deepwell, and is due to a manufacturer delay. The past two years have thrown schedules off due to COVID. Hopefully, estimates will get better going forward.

Mr. Hirakami appreciated the information and understood the problems that COVID is causing. He expressed that he was not criticizing, but merely wanted it to be clearer to him.

Ms. Keolanui also expressed her gratitude for the information provided.

ACTION: Motion to approve the recommendation was carried by roll call vote (Ayes: 6 – Mr. Bell, Mr. Hirakami, Ms. Hugo, Ms. Keolanui, Mr. Ney, and Chairperson De Luz; Absent: 1 – Mr. Sugai.)

C. GASOLINE BID NO. 2020-05, FURNISHING AND DELIVERING GASOLINE AND DIESEL TO THE DEPARTMENT OF WATER SUPPLY – REQUEST FOR ADDITIONAL FUNDS:

The Department awarded a contract to Hawaii Petroleum, LLC, to furnish and deliver gasoline and diesel fuel to its Hilo, Kona, and Waimea baseyards for a term from July 1, 2020, to June 30, 2022. The original contract amount is \$328,280.00 and fuel is ordered on an as-needed basis. The amount of the contract was based on fuel prices of between \$1.58 and \$1.63 per gallon for gasoline and \$1.82 per gallon for diesel. Fuel costs have increased substantially through the term of the contract. Additional funds are necessary to ensure the fuel supplies to DWS’ baseyards are maintained through the remainder of this contract.

The Manager-Chief Engineer recommended that the Board approve an increase of funds of \$160,000.00 to Hawaii Petroleum, LLC, for Gasoline Bid No. 2020-05, FURNISHING AND DELIVERING GASOLINE AND DIESEL TO THE DEPARTMENT OF WATER SUPPLY. If approved, the total revised contract amount shall be \$488,280.00.

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

Mr. Ney asked if there was any stipulation or clause in the contract that they would give a price within a range and that the Department is not obliged but is giving this recommendation out of fairness of the

situation and wants to have them give a good rate in the future. It is a big amount but if the Department is limited to just this supplier, he would be inclined to grant them this one.

Mr. Hiramami stated that he would like to see a price range to justify the increase of funds of \$160,000.00, for example, \$1.58 to \$1.63 to \$2.02 to \$2.14; and diesel from \$1.82 to \$2.05. There are no parameters for fuel prices here and he wondered how the price increase was figured and what the base or old rate structure was.

The Manager-Chief Engineer explained that one of the downfalls is this was a two-year contract. The contractor did their best to estimate their prices for a period of two years. These fuel prices are much lower than you would pay at the pump. He thought it was in the range of approximately \$2.00 from \$1.50 and \$1.63.

Chairperson De Luz asked if municipalities are not subject to federal, state, and county taxes. He knew it is not subject to county tax.

The Manager-Chief Engineer asked if staff had any further information. As far as Mr. Ney's question of whether this was the only contractor, there was more than one contractor who bid on this. The concern right now is there are not enough funds and the billing is going to exceed the certified funds under this contract. Only a certain amount of funds was certified over the two years.

Mr. O'Neil reported that there have been multiple increases in the fuel costs. For the one that was \$1.58, it is now \$3.49, a \$1.91 increase since the beginning of July 1, 2020. Diesel has increased from \$1.82 to \$4.05, a \$2.23 increase. These are not one-time increases. Prices have slowly increased throughout the past year and a half. The Department has gone through about 99% of its contract funds and the additional \$160,000.00 would carry the Department through to the end of the fiscal year.

Ms. Keolanui asked if the \$160,000.00 increase of funds is paid retroactively or if it is going to be for the next five months, until the end of June 30, 2022.

Mr. O'Neil replied that it is not retroactive, but it will carry the Department over for the next five months.

Mr. Ney did not think the vendor is trying to be dishonest, but rather, just did not anticipate this. Instead of fighting them on it, he felt it should be granted this one time and the next time, ask them to evaluate their numbers better.

The Manager-Chief Engineer stated that in the upcoming fiscal year, the Department is looking at opportunities to participate in Statewide price agreements where you typically get better terms and numbers because of volume.

Chairperson De Luz asked if the contract contains provisions for the increases.

Mr. Inaba stated that there is an escalation clause within the contract.

ACTION: Motion to approve the recommendation was carried by roll call vote (Ayes: 6 – Mr. Bell, Mr. Hiramami, Ms. Hugo, Ms. Keolanui, Mr. Ney, and Chairperson De Luz; Absent: 1 – Mr. Sugai.)

D. PROFESSIONAL SERVICES AGREEMENT – FEDERAL FUNDING OPPORTUNITIES:

The Department desires to enter into a professional services agreement with a firm who has expertise in seeking and obtaining federal funding for water infrastructure and related projects. Based on the anticipated scope of work, the contract amount will not exceed \$75,000.00, and will be funded from the Administrations Operating budget.

The Manager-Chief Engineer recommended that the Board approve the procurement of a consultant to provide services related to obtaining federal funds.

MOTION: Mr. Bell moved for approval of the recommendation; seconded by Ms. Keolanui.

The Manager-Chief Engineer stated that this agenda item was his request. Everyone has heard about the potential federal funding coming down the pipeline; and he thought the bulk of it for water infrastructure is probably going to come through the Environmental Protection Agency (EPA) and the Safe Drinking Water Revolving Fund Loan; but there may be other federal pots of money available that the Department would like to explore, and he would like to engage the services of a professional service consultant to help the Department with grant prospecting and grant writing. If there appears to be a particular grant that the Department might meet qualifications for, this will hopefully help keep the Department in the running. He believed there are earmarks available that they call congressional directed spending that, for a long time, Congress has stopped. In the days of the late Senator Daniel K. Inouye, he was very adept at getting funding like that for the State of Hawai‘i. It appears there is some semblance of funding becoming available. He has met with Representative Kaiali‘i Kahele and his staff as well as Senator Brian Schatz’ staff and would like to position the Department so it can take advantage of these federal funding opportunities.

Mr. Hiramami asked if the \$75,000.00 includes administering the grant as well as any reporting on the grant. Federal grants have a lot of reporting requirements; and normally when you consult, you have them administer and report on the grant, otherwise, it falls on the Department’s staff. He asked if a Request for Proposals would be put out if this is approved by the Board.

The Manager-Chief Engineer replied that the Department anticipates utilizing the professional service contract procurement method, which is similar to how the Department hires design consultants. The Department is asking for this opportunity with a cap of \$75,000.00, similar to a design contract. It is not yet known who the consultant will be and what the exact scope of work will be, but federal grants all have different deadlines and there is so much out there the Department does not have the resources to pursue. The plan is to narrow the options down to two or three that would give the Department the most bang for the buck; and at that point, they would be asked to help write the application and any follow-up requirements to remain in compliance with the grant.

Mr. Ney mentioned a charter school in Waimea where they receive general funding from the Department of Education, and they have an in-house grant writer. He wondered if the Department might want to explore having an in-house grant writer who would be doing this throughout the year and not missing out on any opportunities.

Mr. Hiramami stated that Mr. Ney is referring to Kanu O Ka‘aina Charter School and that he runs a charter school in Pāhoia and is used to this. They have a resource developer on staff whose whole job is to secure, maintain, and report on grants but that this is something different. This is something where the Department knows there is a pot of money that can be used; and what it is seeking is an expert to explore, apply, and hopefully administer the grant. When it gets to the contract point, he hoped the Board would get to see the scope of work. He mentioned the Water 2000 Bill where states

were taking millions of dollars a year to get potable water to citizens, especially in rural areas; but Hawai'i missed out except for about \$50,000.00 to improve the Hāmākua Ditch. There are a lot of opportunities, especially for the Clean Water Act; and it what Mr. Ney mentioned might not be a bad idea--to have a resource within the Department to seek federal and state grants.

Ms. Keolanui spoke on the same note as Mr. Hirakami and Mr. Ney, about the scope of work for the consultant. She would be interested in seeing the contract and how many hours are allotted and comparing the cost of bringing an in-house grant writer to the team and what the difference between the two would be.

The Manager-Chief Engineer stated those were all great points. With regard to hiring somebody on staff, the Department is still trying to operate lean; and an employee's salary is not the total cost of sustaining the position. One employee making \$75,000.00 a year may end up being more like 200,000.00 as far as operational expenses from the Department's standpoint. If the Department were to open up a position and pay somebody that amount every year, it would want to get that kind of grant participation every year, or in excess of that.

Chairperson De Luz recapped that what he believed Mr. Hirakami was requesting was updates on the progress of this professional services contract.

The Manager-Chief Engineer replied that it would definitely be placed on the agenda, showing the actual consultant agreement, and move on from there.

ACTION: Motion to approve the recommendation was carried by roll call vote (Ayes: 6 – Mr. Bell, Mr. Hirakami, Ms. Hugo, Ms. Keolanui, Mr. Ney, and Chairperson De Luz; Absent: 1 – Mr. Sugai.)

E. **MONTHLY PROGRESS REPORT:**

The Manager-Chief Engineer brought the 2018 Kīlauea Eruption - FEMA 428 Projects to the Board's attention. A recent meeting with FEMA regarding the EA kickoff for the road and waterlines, Pohoiki and Highway 137, went well. As the Board is aware, there are a slew of other projects that actually total close to \$60 million, with an estimate of \$40 million in FEMA funding. That was submitted officially to HIEMA and FEMA through their required protocols early in January for review.

Mr. Hirakami asked about the Kalaniana'ole Avenue Reconstruction project where Jas. W. Glover, Inc., is now the new contractor; no longer Goodfellow Bros., Inc. The report indicates 90% has been paid out already, and he asked if Glover was going to finish up the remaining 10%.

The Manager-Chief Engineer stated that this project is a County of Hawai'i, Department of Public Works, project. The Department of Water Supply recognized the benefit of participating in that contract for the waterline portion. The State Harbors Division decided that instead of maintaining their onsite fire protection program with on-site water storage, it would be better to install a waterline in that segment. This Department recognized the benefit to its system and participated with its fair share of that upgrade. All of the new transmission/distribution waterline is in. The remaining work is tie-ins from the old pipe to the new pipe.

Chairperson De Luz asked for an update on Waikoloa Reservoir No. 1 Earthquake Repairs that needs to be re-bid and whether FEMA funds will still be available when this is rebid.

The Manager-Chief Engineer and Mr. Inaba explained that the estimate was about \$7 million, but FEMA rejected that several times. With the Department's appeals, they came up with about

\$1 million, which is what the Department will get when closing out the contract. The Manager-Chief Engineer asked Ms. Gray to also report on some other appeals.

Ms. Gray stated that HIEMA and FEMA did approve the Department's appeal for a group of small projects resulting from the 2006 earthquake. The Department had requested for overrun costs back in 2015 and recently got word that it is approved for about \$1.3 million more for those projects.

Chairperson De Luz asked for an update on this, being a surface water reservoir, and how much additional capacity it would add to the system.

The Manager-Chief Engineer stated that the project will restore 50 million gallons worth of raw water storage. What that means for the Department and its customers is more stability as far as having that reserve capacity. The water would still need to be processed through the Waimea Water Treatment Plant, but in terms of drought and having a buffer of raw storage, it will be available, should it be needed. Currently, the Department is supplementing with two wells, but the reservoir will provide more security.

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

Ms. Gray asked if there were any questions on the December 2021 Financial Statements.

Chairperson De Luz asked Ms. Gray if she wished to review the communication from N&K CPAs that was sent to the Board.

Ms. Gray stated that communication recently received from N&K CPAs is normally provided at the beginning of the audit period and needed to be passed along to the Board for information. The audit is at the point of being wrapped up. Hopefully, the auditors will be able to present the audit report within the next month or two.

Mr. Hirakami noticed the reports from the past few months have shown receivables going down; but in this report, receivables went up. He asked if there was an explanation for it or whether people were not taking water shut-off notices seriously.

Ms. Gray did notice that fact but did not have a specific explanation at this time and would need to do more research. She hoped it is not a trend that will continue.

Chairperson De Luz asked how the Department accounts for collection of doubtful accounts and whether a public utility has more latitude. Generally speaking, depending on policy, an organization will establish 180 days, when they are written off for allowance to doubtful accounts; and when it is recovered, it comes back in. It is not about cleaning up the account. He understood that this is a different situation and he would rather have the way it is reported; but with regard to the audit, he wondered if it was more of a footnote unless it impacts the financial picture.

Ms. Gray stated that overdue accounts and write-offs go through the collection process; and for those that are sent to collections and returned as uncollectible, the collection clerk will review and submit for write-off adjustments. There are situations where customers will come back and pay even though it has been written off, and it will be adjusted at that point in time. The allowance for doubtful accounts is normally reviewed at the end of the year and adjusted, depending on the receivables.

Chairperson De Luz thanked Ms. Grey for that explanation.

Mr. Ney stated that it would be nice to know what causes the swings in the numbers, just to have a response or a way to adjust it when needed.

Chairperson De Luz suggested, perhaps in the Department's data set, one of the things to find out would be where delinquencies occur because there could be a need for a rate adjustment in that category to be equalized. It might bring another opportunity to understand where adjustments perhaps need to be considered.

G. MANAGER-CHIEF ENGINEER'S REPORT:

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

1. North Kona Wells - the Deputy reported that for January 2022, the North Kona well situation is the same as last month. Out of 14 well sources, 12 are in use or available to use.
2. COVID-19 Update - the Manager-Chief Engineer reported that the Department is seeing some impacts from the current surges. There are more potential exposures in the workplace than seen in the past. So far, it has not hampered operations in a severe way; but the Department is already running lean and therefore, anytime staff are out for any duration, others have to pick up the slack. The Department's Public Information Specialist sends out weekly emails to staff, reminding them of best practices and precautions to take. Employees are being responsible, but it is just the nature of this variant that is so contagious that the Department is being impacted.
3. Sunshine Law, Act 220 - Ms. Mellon-Lacey updated the Board on the requirements under Act 220. Act 220 was passed in the last Legislative year and was supposed to go into effect the first of January, 2022. There has been a delay in part of it until the end of February, but only one part. The purpose of this was to sustain the possibility for boards to meet by what they call Interactive Conference Technology (ICT) as this board has been meeting throughout this pandemic. That means all of the board members are in their own locations and the Department is offering, via Facebook, the opportunity for the public to view the meeting; but it is a bit of limited participation in the live sense for them. The big change that came with this legislation is that, on top of allowing the Board to continue with the remote meeting format it is using, it added the requirement to have at least one in-person meeting location, which can be used by the general public, as well as board members, if they want to participate in an in-person site and not via Zoom. Everyone had been scrambling to get that piece in place for January; but then because all of the counties were pushing the Governor that it was not the time to go ahead with this, the Governor agreed to delay it until February 28, 2022. It may go back into effect in March and will require the Department to have at least one in-person location for the public. There is also a change in notice requirements where the notice will have to inform people where they can attend in person, once this goes into effect. There are some other pieces to the Act that are not delayed. One of them is visibility, but she did not think there is a problem with this board. The requirement is that at least a quorum of the board members have to be visible to the public during the public portions of remote meetings. There had been problems with some boards and commissions where a lot of people were turning off their videos. This is not required in executive sessions that are closed to the public. Another requirement, which she had brought to the Chairperson's attention this morning, is that at the start of a remote meeting, the presiding officer must announce the participating members, which is currently being done by roll call; but if a board member is participating from a non-public location, they have to state if there is anyone else in the room with them. The way that is defined does not mean "in the building," but actually "in the room" with the board member. Another requirement is that, generally, votes must be taken by roll call, which this Board has been doing. That has been a recommendation in the past but it is now a requirement. They now say the Chairperson can first ask if any member plans to object; and if there is no member indicating that, then you would not have to do a roll call on every vote. You could just take the "ayes" because there is no one indicating they are going to object. She

personally likes what this board has been doing with the roll calls. It makes it very clear to anyone watching how each person is voting; and despite the fact that you can do it this way now, she would recommend continuing with roll call votes, particularly for this board as an active board that is making decisions about how the Department actually operates. It is not just an advisory board. There is also included information about what happens if there is a situation where the public portion of the meeting experiences a disruption in the technology and cannot retain connectivity. In that case, you are required to recess for up to 30 minutes while attempts are made to restore the connection. That does not apply if one member has problems and you maintain a quorum. The other thing that is recommended in the Notice is that you could put, in the event of any technical difficulties, that the meeting would take up to a 30-minute recess and then reconvene. If not possible to restore the connection, you could even set an alternate day in that Notice where, in the event of not being able to continue, you would have a way to continue and circumvent noticing all over again with the six-day requirement. With a multi-site meeting, you can have more than one location, for example, if the Department wanted to have an in-person location in Kona as well as Hilo, but that is not a requirement. Her way of thinking is it is probably good to keep it as simple as possible, but that may be something to think about in terms of people being able to attend readily in person. One question she had posed to the Office of Information Practices (OIP) was if people could be asked to RSVP in order to know what size room to have available or whether that room would be needed at all. That was discouraged because it was viewed as putting up a barrier so that if somebody could not decide in advance and then later decided they want to attend the meeting, it needs to be available to them. She had a handout on this Act which will be provided to the Water Board. It is a brief overview and provides information on the OIP website (OIP.hawaii.gov). She asked if there were any questions.

Mr. Hirakami asked if the requirement to keep the screens on is on the full capacity of the Board (five out of nine); or where the Board now has seven members, if it would be four out of the seven--which would be the quorum.

Ms. Mellon-Lacey replied that she would say you ought to use the number of board members entitled, which is nine; however, she would err on the side of having more people visible than not visible. In this Board's case, she does not see a problem because the members are good about making themselves visible. There had been times when people participated where they were not able to be visible. The best practice is when you are in the public part of the meeting, to always be visible.

Mr. Ney mentioned that he would love to get back to more of the ability to have meetings in the physical setting with a hybrid log-on video if board members are not comfortable attending in person. He would like to get an update from the Manager-Chief Engineer when that might be possible. He realized everything is kind of discretionary and nothing is really uniform on how organizations are starting to address coming back into that.

Mr. Hirakami asked how close the filling of two vacant spots on the Water Board have come. The two board members whose terms ended last year can carry over for 90 days, which he has done on other boards.

Ms. Mellon-Lacey replied that they can carry over for 90 days. Her understanding is that the nominations come through the Mayor's Office; and the last time she spoke with Ms. Pomaika'i Bartolome, who works on this in the Mayor's Office, she was hoping to have some names by February.

The Manager-Chief Engineer stated that from the Department's standpoint as far as prospective board members, he would ask for updates from the Mayor's Office and not get involved in suggestions because, to him, that is a conflict.

Ms. Mellon-Lacey agreed. The Administration has done a good job filling spots quickly and she is optimistic the two vacancies will be filled soon.

Ms. Keolanui asked what the notification would be for the public hearings and what sources were being thought of for going through for that, whether it be newspaper or some other means.

Ms. Mellon-Lacey replied that the only time the newspaper is used is for special meetings of the board. Otherwise, the County's website is the main place where notices are posted.

Chairperson De Luz stated that the Board will await Ms. Mellon-Lacey's update next month, meanwhile, the Secretary could forward the Act 220 handout to the Board members.

4. Employee of the Quarter (Fourth Quarter 2021) - the Manager-Chief Engineer announced that the employee of the quarter for the fourth quarter of 2021 is Ms. Darlene Casuga of the Department's Kona Office. He turned it over to Mr. Joshule Johnston, Water Service District Supervisor II, to say a few words about his valued employee. Mr. Johnston stated that he had to pry Darlene away from her Customer Service desk. She is the only one there at the moment, and it is very busy. He praised her for being very helpful to all of her customers and being outstanding throughout this time, ever since the pandemic started. She is always courteous and kind to the customers, going above and beyond. She always at the office before he gets there and leaves after he leaves and is an overall outstanding employee. This is well-deserved recognition, and it is a privilege and honor to be part of this today. The Board congratulated Darlene and thanked her for her dedication. She was asked if she wanted to say a few words. She thanked everyone for this appreciation and stated that she normally does not like recognition but was grateful to have a great support system there. She does not do it alone; it is a team effort. She does what needs to be done and looks forward to getting someone in the next desk soon. Chairperson De Luz thanked her and indicated that the crux of any organization is people like Darlene, the unsung heroes. The Manager-Chief Engineer added that she is the face of the Department when people visit the Kona office. He has known her for many years and there have been many compliments from the public about her. She is appreciated for everything she does.

H. CHAIRPERSON'S REPORT:

Chairperson De Luz stated that he had nothing to report; but to follow up, Mr. Hiramami will be working with the Manager-Chief Engineer on the project for his goals; and hopefully, when that is ready, it would be great to see it as an agenda item under the Manager-Chief Engineer's Report for insight and updates.

9) ANNOUNCEMENTS:

1. Next Meeting: - February 22, 2022, 10:00 a.m., via web conferencing

8) ADJOURNMENT

ACTION: Mr. Ney moved to adjourn the meeting; seconded by Ms. Keolanui and carried by roll call vote
(Ayes: 6 – Mr. Bell, Mr. Hirakami, Ms. Hugo, Ms. Keolanui, Mr. Ney, and Chairperson De Luz;
Absent: 1 – Mr. Sugai.)

(Meeting adjourned at 12:31 p.m.)

Recording Secretary

APPROVED BY WATER BOARD
FEBRUARY 22, 2022