MINUTES

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

March 22, 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. Stephen "Kawena" Lopez
Mr. Benjamin Ney
Mr. Kenneth Sugai
Mr. Keith K. Okamoto, Manager-Chief Engineer, Department of Water Supply (ex-officio member)

ABSENT: 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. Gregory Goodale, Chief of Operations
Mr. William O'Neil, Jr., Water Service District Supervisor II, DWS Waimea
Mr. Eric Takamoto, Operations Division
Mr. Warren Ching, Energy Management Specialist

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

   Chairperson De Luz also welcomed the Board's newest member, Mr. Stephen "Kawena" Lopez.

2) STATEMENTS FROM THE PUBLIC - none

3) APPROVAL OF MINUTES:

   ACTION: Ms. Hugo moved for approval of the Minutes of the February 22, 2022, Public Hearing on the Power Cost Charge; seconded by Ms. Keolanui and carried by roll call vote (Ayes: 8 – Mr. Bell, Mr. Hirakami, Ms. Hugo, Ms. Keolanui, Mr. Lopez, Mr. Ney, Mr. Sugai, and Chairperson De Luz; Absent: 1 – Mr. Scicchitano).

ACTION: Mr. Sugai moved for approval of the Minutes of the February 22, 2022, Water Board Meeting; seconded by Mr. Ney and carried by roll call vote (Ayes: 8 – Mr. Bell, Mr. Hirakami, Ms. Hugo, Ms. Keolanui, Mr. Lopez, Mr. Ney, Mr. Sugai, and Chairperson De Luz; Absent: 1 – Mr. Scicchitano). Note: Ms. Hugo asked about Mr. Boswell's and Mr. Scicchitano's names noted as absent on these minutes and whether it was because their terms were not over yet. It was explained that they had a 90-day holdover after their term ended December 31, 2021. Chairperson De Luz asked for confirmation that Mr. Lopez replaces Mr. Boswell in his district, which was correct. Mr. Scicchitano has not had a replacement yet.

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

5) **WATER RATE STUDY** - Water rate consultant, Harris & Associates, provided a preview of the rate proposal that will be presented to the public in May of 2022 and detailed next steps in addressing the development of specific rate structure customer classes in future efforts. DWS is requesting the Board's approval for the rate proposal with the first adjustment effective on July 1, 2022, and the second adjustment on July 1, 2023. Subsequent adjustments will take into account the analyses of specific customer classes which will be shared with the Board in the coming months.

The Manager-Chief Engineer introduced Ms. Ann Hajnosz and Ms. Karyn Johnson from the consulting firm of Harris & Associates who will be updating the Board on their latest work regarding the water rate study. He asked them to give the Board a brief background of their experience.

Ms. Hajnosz stated that she is the Senior Director at Harris & Associates and has been working in the water consulting/water rates field for thirty-plus years. She has done a lot of work in Hawai'i and is originally from Honolulu. She has worked with all of the water utilities in the State as well as on the mainland and is based in Seattle, Washington. She is familiar with the Department of Water Supply's rate history and has been working on this study over a year now.

Ms. Johnson stated that she has been working with Ms. Hajnosz on the Hawai'i rate studies for about five years. She also has a background of thirty-plus years in utility rate making, working on financial analyses and rate structures for utilities.

Ms. Hajnosz began with some background on this current rate study. They last appeared before the Board in January 2022 where they focused on rate design, rate structures, and some of the objectives that the Board wanted to accomplish. They took that into consideration with their schedule for the rate study and are here today to give a proposal for the next two years and then talk about the next three years after that. She began with a rate study overview and shared her screen of the presentation. The process is now at Step 8, which is the final recommendation. What has been discussed over the last few months is how to take the rate adjustments and incorporate them into a possible different rate structure, looking at different customer classes. At the January Board Meeting, there was discussion about data issues because the Department currently does not have customer classes. The data needs to be examined for them to do their analyses. They have spent the last couple of months working on that and how it translates into adjustments, analyses, and a schedule for the balance of the rate study. They will be giving the Board a final recommendation for the first two years of the study period. Primarily, it is going to be based on the determination of revenue requirement, which is Step 4.

When they talk about revenue requirements, basically they will do a projection of what the revenues are going to be looking like in the next couple of years. They do a projection of operating and capital expenses, put that all together, and look at the Department's financial policies. Those four major analyses is how they come up with the rate recommendations. This is all assuming rates will stay at the existing rate structures. They look at things like historical customer growth and usage growth, and then they project out. During the last two years of COVID, there has been some uncertainty of what water usage is going to look like when coming out of this, and it looks like we are coming out of it now. In terms of projecting revenues, they tend to be very conservative and do not want to over project. For operating costs, they were conservative, but the other way. You do not want to under-project operating costs, so they look at things like escalation, which will be talked about separately, because things have changed quite a bit. For staffing levels, there is a budget for staff; but the Department is probably not going to fill all of those gaps, and they adjusted that way. They are looking at capital costs, annual expenditures, and funding and how it impacts the rate levels. They worked with the Board on financial policies back in September of 2021 where it was the consensus to add more financial assurance to what is already being used. It was broken up into two buckets--the first one being cash reserves. It was decided to shoot for 60 days of annual Operating and Maintenance (O&M) expenses for operating reserve. The second is capital reserve, and it was decided to have the greater of annual depreciation or what your average annual five-year capital spending plan looks like. That formalizes and tightens up what your cash reserves look like. They were already doing the operating reserve policy but have added more definition around capital expense. Next, the biggest bucket was debt management and how to fund capital projects. They looked at the Department's historical spending, and it needs a minimum annual capital spending. They want to make that equal to something like the annual depreciation expense, or your average annual expenditure. The Board wanted to add more formalization around how much the Department is going to use to fund the capital projects through rates. This is your minimum annual rate-funded capital contribution, and they are saying that is going to be equal to depreciation expense. Debt service coverage is very important in terms of your ability to cover debt obligations. The Department has already had that for many years and it will be kept at 1.25 times the annual debt service. Next, they looked at the Department's debt levels. For deferred and debt service coverage, they looked at debt levels, which are less than 35% now, which means there is room to increase; and with the higher level of capital expenditures, they expect that to go higher but you should not exceed 50% of debt. All of these recommendations were based on what the rest of the industry was doing and what the Department and the Board wanted to reflect in its rates. It represents fiscal soundness and making sure there is financial stability for the Department now and in the years to come. This was a relatively new piece in terms of the rate study that was incorporated into the rest of the revenue requirement analysis. She turned it over to Ms. Johnson to go over the key assumptions and how they came up with the rate recommendation.

Ms. Johnson stated that the first thing they look at is forecasting what your rate revenues are going to look like over the study period. They start by taking a three-year historical look back and evaluated revenues for Fiscal Years 2019, 2020, and 2021 and used that information to formulate their forecast for the current Fiscal Year and then for the two years that the rate adjustments will be proposed for (Fiscal Years 2023 and 2024). When looking at the Department's standby water use charge revenue over the past three years, the customer growth has averaged less than 1% per year. That is pretty consistent with what it was even during the previous rate study. They assumed, going forward, that it would continue at about that same pace. On the other hand, water usage has been declining over time; and with this last three-year study period, it has declined at about 3% per year. Again, not knowing how the COVID impacts would be and how quickly everything would rebound, they have kept the water use assumptions flat. It is based on the water usage in 2021, assuming there would be no further increases or decreases in that level of usage. Next they looked at the actual revenues that are generated from that customer data and applying it to the existing rates. Revenues have increased about an average of 3% per year over the three years, and that is based on a combination of what the historical rate increases have been and that there has been low customer growth and declining water sales. They determined how they would want to project those rates going forward; and as seen in 2021, there is a slight bump in the total revenues. That is when the last rate increase took place at 13% in January of 2021. They reflect getting another six months of that rate increase, and you will see the revenues bump up again in 2022. Based on their assumptions for customer growth and water usage, it stays flat for the remaining two years, through Fiscal Year 2024.

Taking a three-year historical look back at operating expenditures to see if costs have either been increasing or decreasing, one of the items is the power cost charge, which, over time, has averaged a decline of about 2.5% per year, whereas all of the other operating expenditures increased about 4.5% per year over that period. In evaluating the current fiscal year 2022 budget and thinking ahead to where things may go, they had projected the expenses to increase at about 3% per year. One of the things to point out is that a lot has happened recently. When they did the study and put together their forecast assumptions, they were right in line with what the expectations were for annual escalation of around 3%. Current projections are significantly higher than that. The current consumer price index for the Honolulu area, looking at the Hawaiʻi consumer inflation rate, is about 6%. There is uncertainty of where that will go--if it is just a short flip of increasing or if it will continue at that level. One of the things they are going to do, and this will be discussed again later in the presentation, is they are going to do a true-up in about a year to see how things look and see if there is a need to make adjustments in the next five years. Next, they look at the capital spending, and over the last three- and five-year periods, the average spending has been about $13 million, and over the previous five years, about $14 million, and this compares to the existing depreciation of about $15 million. They always like to see that you are reinvesting and spending at least the amount that is being depreciated and when looking at the capital spending plan, it looks like it needs to be more like around $20 million per year. As part of the study, they are recommending that the minimum annual capital spending for future projections is the greater end of depreciation, or the five-year capital spending plan, and that rolls in at about $20 million. In the Revenue Requirement, Annual Capital Spending slide, it details what the actual planned projects were in the budget for 2022 and 2023 where there were multiple projects covering multiple years. We want to make sure those are all fully funded and in 2024, an additional amount was included for added annual replacement needs that would be prioritized on an annual basis by district staff on needed projects. There are a couple of large multi-year capital projects--the two reservoirs (Waikoloa and Lālāmilo). For the Lālāmilo reservoir, there was the assumption that there would be a State Appropriation of about $8.7 million which would help fund that project and they just learned that it has been secured and is highlighted on this sheet. This State-appropriated money will help fund that project and the remaining portion of that in 2023 would be funded through the State Revolving Fund loans and the Facility Charges that pay the growth-related share. The Waikoloa Reservoir is assumed to be funded by grants, and a FEMA grant is being pursued for it, with the remaining coming from capital reserves and annual cash funding. As a note, there are specific projects that have been identified for 2022 and 2023 and some growth-related projects for 2024, and then an additional spending plan for projects that need to be prioritized and funded in this two-year rate projection period. Looking at that together, the capital spending plan needs for 2022 to 2024 is $77.5 million. That is an average of about $26 million per year in the near term. Again, a combination of funding sources from that are grants and appropriations of about $16.3 million and cash reserves and rates of about $18.5 million, and the remainder of those projects would be funded by State Revolving Fund loans. The chart on Page 10 demonstrates the annual capital spending needs. The tan color shows the amount that is going to be funded from either grants, cash reserves, or rates, with the purple showing what is going to be new debt financing. This new debt financing portion has to be incorporated into the rate analysis for how you are going to fund that additional debt service. That is a key driver to the rate proposal. In looking at the bar charts on Page 11, the bars show all of your expenditures per year, O&M expenses, existing debt service, and what the additional impacts are that we are proposing for funding the capital program and building up the capital reserves. The dotted line is where existing revenues are projected to be. The delta, moving up to the top line, is how much more revenue you would need in order to meet all the financial obligations that have been identified through fiscal year 2024. The proposal is that there be a rate adjustment strategy of two years of 9.5% rate increases for Fiscal Years 2023 and 2024. That first 9.5% increase would take effect July 1, 2022, and the second would take effect July 1, 2023. What this would enable is to recover all of the projected operating and maintenance expenses, pay for the existing debt service, and then any rate impacts for funding this capital spending plan. In addition, it begins to help address the financial policies discussed earlier and during the September and November 2021 meetings. It is going to take some time to get revenue built up to the recommended amount which is why they are taking a longer-term look at achieving that goal. This two-year rate proposal meets the operating reserve target of 60 days of O&M, meets the debt service coverage of 1.25 times annual debt service, and it keeps debt ratio at 29% of net plant assets or fixed assets, which is well within the range identified of keeping it below 35% and no greater than 50%. This is a very positive financial performance indicator. At this point, the capital reserve would be funded at about 60% of the ultimate target, and the plan over the next five-year rate study and forward is to build up and achieve the full target. The next chart looks at the customer bill impact. They looked at a sample of a bi-monthly bill of a typical general use customer with a 5/8-inch meter, using about 12,000 gallons per month. The 9.5% rate increases would be applied to the standby and the water usage charges. The current power charge being proposed which would go into effect in May is $2.34, and that is actually a pass-through charge so that may change as much as by every two months, going up or down. Their projection has the current $2.34 increasing about 3% per year going forward. There is also an Energy CIP charge applied to the water usage which is 5 cents per thousand gallons, and is not projected to change. Looking at the table, the total bi-monthly water bill for a customer with a 5/8-inch meter, using about 12,000 gallons per month, is $145.20. With this proposal of 9.5% increases, that would go up to $155.22; and after the second increment, it would go up to $166.10. The total overall percentage of what the typical customer would experience is about 7%. That is looking at the average of 9.5% on the standby and water usage and the pass-through on the power charge, about 3%, and then no change in the energy charge, which makes it an overall customer bill impact of about 7%. To put that into context, they did a comparison with the other counties to see where this Department falls in terms of reasonableness in the rates. The first three bars show the Department's current bill of $145.20 and then the first increase at 9.5% and the second increase of the 9.5%, and then compares that to the other counties. In terms of where the Department is for 2022, it is well within the range of the other counties, with Maui being a little bit of an outlier, having the lower bills; and with the first increase in 2023, where it is at $155.23, it is still remaining in line with projections from the other counties. For 2024, the $166.10 is to show where that bump is. They do not know where the other counties will be at that point and are just showing the overall with these two years at 9.5% increases. It looks like a typical bill is right in the range of what the other counties are paying. The final slide on the rate analysis shows the schedule of the rates themselves, showing the current charges and the two proposed increases, the standby charge by meter size, the usage charges, and then the power cost and the energy cost. On Item No. 2, Page 14, some history on the PCC where in June of 2021, it was at $1.85, going to $2.15 in November 2021, down to $2.02 in March of 2022, and now proposed to go up to $2.34. It is variable in nature and their current projections show that it would increase another 3% in 2023 and another 3% in 2024. She turned it back to Ms. Hajnosz to provide more history and review the next steps in the rate study.

Ms. Hajnosz gave the Board some perspective on rate increases, historically. There were a series of 5% rate increases in 2018 and 2019. July 1, 2020 was in the first fiscal year during COVID and a rate increase was delayed until January 1, 2021, which was 13%. There was no increase in July of 2021, and now the proposal is for 9.5% increases for July 2022 and July 2023. These increases are on the standby and water usage charges and do not include the power cost and the energy cost. As Ms. Johnson mentioned, this would be about a 7% increase to the monthly bill. It does not recognize that power is going up and oil prices have been spiking. It is so volatile; it is hard to know what it will do. Luckily, the Department has the power charge cost pass-through that is able to be changed and accounted for. Even though it is accounted for in the rate study at a lower level, it is hard to tell where things are going to go. She asked if there were any questions about the current proposal before going to the next steps.

Mr. Lopez asked for some perspective on an earlier slide where a comment was made relating COVID to the decrease in water usage of 3%.

Ms. Johnson explained that water usage has been declining over time, even prior to COVID, just with everyone being more water conservation oriented. There was about a 2% decline on average, even going back five-plus years. When COVID hit, a separate analysis was done on the potential impacts of COVID and some adjustments were made during that previous study, assuming there would be a significant decline in water usage in the order of a 7% or 8% decline. What they found in 2021 was that the actual declines were not as bad as they had originally assumed.

Ms. Hajnosz added that it revolved around the tourism industry, which was crashing in the State. They had thought hotels were not going to be using as much water and not as much commercial usage. They found that actually across the board, when talking to other utilities across the State, that their water usage did not decline as much as thought. There was a lot more commercial activity going on during the COVID period such as construction, modifications, upgrades, etc. Water usage did not decline as much as was thought, but it did decline some.

Mr. Lopez thanked them for that explanation. It helped put it into perspective. Also, people were staying home and not being able to travel, so he understood that.

The Manager-Chief Engineer clarified that the Department is not carrying a negative, moving forward. We are keeping it flat.

Mr. Lopez stated that when looking at the rate projections, it is based on the CIP operational and investment costs but wondered how rate increases can be justified without having a firm CIP, noting that the CIP has not been approved yet.

The Manager-Chief Engineer stated that Mr. Lopez's question was a valid one. Perhaps part of the confusion is that the Department is currently going through its Operating and 5-year CIP budget process, which has not been approved yet. This process is gone through every year, at the Board level. Every year, the Department forecasts a 5-year CIP projection which allows some flexibility year to year; and if priorities change, there is flexibility to move projects around. The list on Page 9 shows the projects the Department intends to move forward with in the near future. For rate-establishing purposes, the specific projects themselves are not that critical. It is the fact that the Department is trying to budget or base rates upon an anticipated annual expenditure for CIPs at a rate of approximately $14 million a year. Although there is a long list of projects that need to be accomplished, internally, as far as manpower and capacity, $15 million to $20 million is about normal for the Department.

Mr. Lopez thanked him for that explanation. It put it into perspective very well. It is not the projects but rather the spending expectation based on factors that lead to the revenue requirement.

The Manager-Chief Engineer noted they are terrific questions and helps for those tuning into this live broadcast to get a better understanding that the rates are not done in a black box. The process is very transparent, which is why updates to the Board are being provided by the consultant, and the public can view the process. It is not arbitrary and as a matter of fact, a water master plan was done as part of this effort and that water master plan is basically to establish a list of CIP projects that the Department needs to do to upkeep its infrastructure over the next number of years, beyond this next five years. It is the Department's job to prioritize those projects. Of course, things change, as we all know, and certain fires come up sooner than anticipated.

Mr. Hirakami noticed on a previous slide where it forecasts less than 1% customer growth. That projection does not reflect population growth in Puna, his district, where there is unprecedented population growth going on. If you would want to enhance your customer growth, you would need to put some infrastructure into concentrated subdivisions like Hawaiian Paradise Park. You are talking about a 24-square-mile area that is now so concentrated that it would be immediately turned around if you put some infrastructure in. The wells and water supply are there; it is just a matter of running pipeline. There is already going to be a project to loop through the park starting from Makuʻu Drive, going over to Kaloli Drive, up and joining in, so when that loop is done, it affords a great opportunity to provide that capital $14 million of infrastructure in pipes and meters and give the Puna residents some relief with their water because a typical homeowner is moving in from a city and is not familiar with maintaining water tanks and changing filters. By putting some of CIP into infrastructure would result in a very immediate customer base that would return the investments in a short time.

The Manager-Chief Engineer appreciated Mr. Hirakami's comments. He is always a good advocate for his area. For the Board's information, the Department is trying to accomplish some of these things using 428 funding available from the 2018 lava recovery issue. Of course there are concerns both sides. Some are wanting to have that reinvestment done in the inundated area; but because of the County buy-out program, if the County purchases the property, it cannot be bought by an individual for residential purposes. The struggle the Department has always had with expansion of water systems is it does not have the same capacity as a developer would have to recoup capital investments with the sale of the property. The Department's only method of revenue is from water bills and the bulk of the water bills are to cover O&M expenses, which is why the Department is trying to do a better job in setting water rates to set aside monies for CIP reserves so it will have back-up cash available for CIP needs. Right now, to do a $10 million project and get 50 customers, it will take some time, just based on water bills, to offset the cost because the water bill revenue is still primarily to cover O&M expenses and not for system expansion. The Department is continually looking at options to try and see where there are funding opportunities for potential system expansion.

Mr. Hirakami stated that he was not talking about the inundated areas but more toward where there is population like Hawaiian Paradise Park where it would be easy. He mentioned that the subdivision got its power through Rule 9 where the people bought the infrastructure and the cost was amortized over seven years. As more people hooked up to the electricity, that bill was lowered. People would be willing to invest in the infrastructure and add it to a payback program on their water bill, such as they did with the SSPP (Special Subdivision Project Provision) program for electricity. He wished there could be something like that for water because sooner or later, with the population growth, if a drought happens, there will not be enough water tankers to haul water.

The Manager-Chief Engineer understood and appreciated Mr. Hirakami's comments. It is something that needs to be looked at further to see what different options are available.

Mr. Ney asked if the Department is limited by County Charter or anything in terms of having surcharges or does it have to derive all of its revenue by water sales. Say if there was a CIP surcharge of $1.00 per customer account, that small surcharge could be extra money to set aside to be used for other means.

The Manager-Chief Engineer stated that the Department has the Energy CIP surcharge on its bills right now, if it could be called something like that, but he had Ms. Hajnosz and Ms. Johnson explain from the utility rate consultant's perspective.

Ms. Hajnosz stated that, historically, the Department of Water Supply has had separate charges for Kaloko-Mauka, for example, which was to reflect the high elevation and additional costs to serve that subdivision. There is also the mechanism of a local Improvement District if you are talking about improvements for water, sewer, etc.; and that has been done on the Big Island where you take separate neighborhoods and create a district and the homes are assessed the debt which is attached to the land, not the homeowner. There are different ways to fund capital for specific districts.

Mr. Ney thought other options should be explored for revenue stream. This might be a way to approach some of the future infrastructure growth projects by looking more in depth on what that entails and possibly use it as a tool.

The Manager-Chief Engineer expanded on the Council Improvement District Process that was used a handful of times by this Department for subdivisions that did not have infrastructure. The mechanism works similar to what Mr. Hirakami mentioned. There is an assessment done, which is managed through the County Real Property Tax, and pay back happens over a period of 25 to 30 years. The people in that subdivision have to agree to the additional assessment. Also used was the USDA Rural Development grant/loan program.

Chairperson De Luz recalled the Andrade Camp project done with that type of program. Senator Takamine had worked with the Department to collectively work with necessary policy makers, and this potentially is an opportunity for conversation because there are three things he would like to comment on. The first is that DWS needs to have a plan for its capacity and ability to be able to serve particular areas; the second being resiliency and the level of service they can provide with regard to the quality of water (i.e. the Safe Drinking Water Act); and the third being infrastructure and the cost it takes to deliver. If the Board is able to help with that, perhaps Mr. Hirakami could work with management, for specific districts, to see if there is opportunity because the key is delivery, the distribution infrastructure, which is the most expensive. It is not that there is no water; it is just the cost of getting it where it needs to go. This issue of the capital reserve is a great first effort of being able to understand the need. The unfortunate thing is that it only allows the status-quo at present. At best, we get a little bit more but we are really replacing or upgrading aging facilities. The other issue of capacity expansion is that we should tie in and get at because the reality is our policy makers need to understand the utility, on its own, does not have the financial ability. To him, it is important that people should have equal access to water and it should not cost anyone any more to get it. If there are particular areas that have specific need and there is opportunity and is affordable, it should be looked at. To Ms. Hajnosz, one of his other comments is that you need to be very specific that this is on the standby charge and the usage charge, otherwise, there is a misnomer that it is a 9.5% straight across on the water bill. The average consumer is going to look at their bill and see 9.5% and not take the opportunity to pencil it. This is a good educational opportunity to have in the presentation. The second thing is that the Energy CIP was indicated to be 5 cents per thousand gallons, but his calculation comes out to 10 cents. (Ms. Hajnosz explained that it is because the bills are for two months.) He suggested that when it says bi-monthly, perhaps the parenthesis should be every two months. (Ms. Hajnosz replied that could be clarified.) He thanked her for that because he has a habit of looking at his bill and only looks at how much the last bill was and how much the current one is and wonders why it went up. It is a matter of whether someone understands their bill. He recalled the last time there were rate increases, there was an explanation attached to the bill, which was very helpful. It is also important for new Board Members to know that this is not carte blanche should the Board approve these rate increases. The Board had indicated to the Department that this needs to be reviewed on an annual basis to see if there is efficiency or opportunity to adjust the rate. The Board was conscious of the fact that although these rate increases are based on projections, they also expect the Department to manage it as efficiently as they possibly can. With that in mind, if there is an opportunity to throttle it back, he would like to do that as well or have that opportunity. It is important for Board Members to understand that since the Manager-Chief Engineer and Deputy came on board, they have committed to a very strategic water leak detection program with the meters and with the facilities that has created some efficiency in regards to what potentially could have been lost water sales. The data and information from that program will give the Board an idea of how that efficiency is coming into play. He asked if the Board had any further questions.

Mr. Lopez stated that the discussion today sparked a memory of when he worked on the Pu‘ukala Subdivision Improvement District. All but one resident embraced the program, and it was a 30-year payback. He also worked on a sewer improvement project which was also well received. It is a very good tool.

The Manager-Chief Engineer thanked the Board Members for their input today. He expanded on the water rate setting process and that increases are never taken lightly. A lot of thought goes on behind it and there is a lot of effort behind the scenes on improving efficiency. He thanked Chairperson De Luz for touching upon the Department's leak detection program. Energy is one of the Department's highest O&M expenses and the Department is constantly looking at ways to reduce its energy footprint. The Department has been operating lean for the past 10 to 12 years. Staffing levels have not increased. Federal, State, and County requirements do not get any less as far as running a business. The Department is always looking for opportunities to do a better job more efficiently and does takes water rate increases seriously. Hopefully that resonates with everyone, including the customer base; but as Chairperson De Luz said earlier, he is the same way with any of his bills and oftentimes the changes are not something that are understood or appreciated and he thanked him for that comment.

Chairperson De Luz asked Ms. Mellon-Lacey what if two of the Board Members wanted to work together on this further and if it would require a Permitted Interaction Group.

Ms. Mellon-Lacey replied that it would not if the two Board Members worked on something that is short-term; but if it is a group that has something they want to accomplish, a Permitted Interaction Group would be the preferable way.

Chairperson De Luz mentioned that the reason he asked is because he felt that this matter has a strong purpose to have a discussion. He asked that it be placed on next month's agenda to create a Permitted Interaction Group, specifically on if there are some project areas to look at. Mr. Hirakami is very in tune with his district, and perhaps it might be an opportunity to also have Mr. Lopez involved who has worked on Improvement Districts. It is a great point in time to have this discussion. Hearing no other comments, he concluded that the Department would like to have the Board approve this rate study to have it go out in a May 2022 public hearing.

Ms. Hajnosz gave the Board a glimpse into what the next steps are going to be and the activities that will take place over the next three years and then the next three years after that. Today, the Board is at Task #1 on the list. They are here looking for the Board's approval for the two 9.5% rate increases for Fiscal Years 2023 and 2024. If they are approved, they would go out to public hearing in May as part of the process. In the meantime, they will be taking all of the information relative to the rate design and rate structure discussions held back in January and move forward with looking at the data sets to create customer classes. Since the Department currently does not have customer classes, there needs to be some good quality data and auditing of the customer billing data to make sure they have all of the categories in order to do a sound analysis. They are going to have two parallel tracks--moving forward with the analysis but then also having the rate increase implemented for July 1, 2022. After they get the data updated, they are going to need to update their cost of service analyses. That will show the potentially new customer classes for the Board's consideration and then they will update the rate analyses and come back to the Board in the fall of this year to talk about what those customer classes could look like. For Task 9, depending on what the customer classes look like, they think there should be some customer outreach during November through January because it represents a pretty significant change. Depending on what those rate structures come out looking like, they will come back to the Board in early 2023, tweaking the rate structures. In the meantime, the second rate increase goes into effect July 1, 2023; and as Ms. Johnson mentioned, there will be a true-up after the second rate increase goes into effect. They will see how the financial performance came out for the previous year. That true-up will be done in the fall of 2023 in order to see what the next three years of rate increases will look like, in addition to the customer class rate design changes. There are a lot of moving pieces to do it like this, which is why it took a bit of time and working with Ms. Gray and the Department to see what things need to get done. They want to do this in an orderly way and to make sure there is time for customer feedback. There is another timeframe shown for late 2023 and early 2024 when it will have been decided what the true-up will look like, and they will layer on the new customer classes to be rolled out in 2024. There is another public hearing for those new rate structures proposed for May of 2024 (Task 20). The plan right now is there will be a three-year rate proposal for Fiscal Years 2025, 2026, and 2027. It is a longer time period, primarily to do the true-up, but also to overlay consideration of new customer classes.

Chairperson De Luz stated that, although it might be semantics, he did not want the rate payer to assume that every time there is a rate adjustment, it is an increase. He wants us to get into the mindset that these are rate reviews. In this particular case, unfortunately, a rate increase is before the Board; but if we can educate the rate payer and policy makers, hopefully they can appreciate that this is not just a carte blanche decision. The Board spends a lot of time and effort with the consultant and with the Department in working through the process. The power of information and the accuracy will definitely have to be vetted out. There being no further questions, he asked for a motion to approve the Department's request.

<u>ACTION</u>: Mr. Ney moved for approval; seconded by Ms. Keolanui and carried by roll call vote (Ayes: 8 – Mr. Bell, Mr. Hirakami, Ms. Hugo, Ms. Keolanui, Mr. Lopez, Mr. Ney, Mr. Sugai, and Chairperson De Luz; Absent: 1 – Mr. Scicchitano).

(Ms. Hajnosz and Ms. Johnson left the meeting at 11:12 a.m.)

6) **<u>POTABLE WATER FOR AGRICULTURAL USE:</u>**

Chairperson De Luz stated that this agenda item goes to the first step in understanding this particular matter as far as water agricultural use and Ms. Keolanui's presentation will help take it to the next level of what the Department and Harris & Associates will be working on. It is important to have a preview of this and to have some background to this subject matter. He turned it over to Board Member, Kea Keolanui.

Ms. Keolanui shared her screen and provided some background. She is in the agricultural industry and her family farm is OK Farms, where she is the food safety coordinator. They have been food safety certified for the past two years. Today, she would be talking about the FSMA Rule on Produce Safety, specifically, the agricultural water. FSMA (Food Safety Modernization Act) was signed into law by President Obama in 2011; and this is, of course, to protect public health by helping to ensure the safety and security of the food supply. Particularly, today, she is talking about agricultural water which must meet the requirements of the Safe Drinking Water Act, which many here are very familiar with. Requirements are that all agricultural water must be safe and of adequate sanitary quality for its intended use. Agricultural water is defined in part as water that is intended to, or is likely to, contact the harvestable portion of covered crop produce or food-contact surfaces, so that includes pre-harvest and post-harvest. Some of the critical control points are employee handwashing, fertilizer/pesticide foliar spray, irrigation, and produce washing. There are definitely some areas that it may not refer directly to, such as drip-line irrigation that goes directly into the soil and is not touching the crop, so anything that comes into contact with either the employee or the crop that is being grown. The FDA inspection for this frequency is at the beginning of growing season, which is usually annually. There is a difference between a buyer FSMA requirements and FDA FSMA requirements. For the past few years, they have been kind of pushing back the deadline that the FDA is going to start the FSMA requirements and coming around and doing inspections; but a lot of the buyers that work with the larger farms such as theirs--Whole Foods, Armstrong, Safeway, Costco, Foodland, they all have required a food safety certification through a third-party audit, whether it be the USDA Department of Agriculture with the Harmonized GAP (Good Agricultural Practices) Certification or whether it is a PRIMUS certification which is a separate certifying body with its own standards. Currently, it is the buyers who are demanding it and requiring it of the farmers. Before actually getting into the water testing, she talked about the timeline. The timeline for the FSMA requirements that the FDA is imposing is January 2022 where they first started coming around and doing inspections. The compliance dates are staggered according to the size of the business so the smaller farms have a little bit longer to get into compliance and the larger farms have a shorter window to make that compliance. Today's presentation is just about agricultural water. There are many factors that apply to the business standards that she would not be going over today.

Microbial Water Testing Frequency is one of the main requirements of the FSMA standards; and they, of course, revolve around two separate sources of water--surface water, which is considered catchment, and for that, they are requiring a minimum of 20 initial samples collected over two to four years. After that, farms must test a minimum of five samples a year. The microbial water quality profile will thus be updated annually on a rolling basis, using a minimum of 20 samples. This is testing for E.coli and general Coliforms. The other option, of course, and these are both for private water sources, so surface water and groundwater if someone has a private ground well; groundwater testing will require a minimum of four initial samples over one year, followed by a minimum of one new sample each year. That will be updated annually using the minimum of the most recent four samples. Of course, the groundwater is preferable because you have to do less testing; however, the cost to construct a groundwater well for a farmer is something that is a bit steep for their budget. Generally speaking, from her own experience, lab testing here in Hawaiʻi is only available on the island of Oahu and it averages about $250.00 per test. This, of course, does not include the labor and time associated with collecting the samples. It also does not include the shipping of the samples out to Oahu and the other factors involved in the FSMA certification. Some ways that farms can reduce testing frequency is by using a public water system, County water, and that, of course, would amend that need to do any type of testing. There are also farms that can utilize data obtained from other parties so if they are a community of farmers that all use the same well, they are required to do just one testing from their source water and you can see the other alternatives here that kind of range in exceptions that the FDA may make. The FSMA timeline is January of 2022; however, from her personal experience, they did go through an FDA inspection last year in the middle of 2021. It seems like they are going around and visiting the larger farms that are already food-safety certified versus the smaller farms at this point. The outcome of the FSMA requirements is that the agency anticipates a final rule will bring about a reduction of 60% in the risk of contamination from agricultural water, and that is about 20% in the total number of food-borne illnesses associated with produce. They also estimate that it is going to be about $477 million in the cost of reducing foodborne illnesses. This is just some general information that she found online and it was from 2021 so she was sure this number has drastically increased in the past ten years; but the Island of Hawaiʻi is characterized by diverse communities, rural communities, which are using a lot of surface water, as Mr. Hirakami had mentioned, in Puna, and there are a lot of catchment systems, and also in Hāmākua. It is very common here on island that farms and farming communities will not have access to public water. Again, up to 60,000 people in the State are estimated to be dependents on rainwater catchment, which she believed that number has definitely increased. She asked if there were any questions.

Ms. Mellon-Lacey stated that she lives in Hawaiian Paradise Park and has noticed a trend in the last couple of years where new homes that are built are all putting in their own well. She did not know what the impact of that would be on the water table but it is something she has not seen before, and it is pretty rampant. Once people get their own wells, the less likely they would be interested in getting onto the County water system unless problems develop with those wells.

Mr. Hirakami stated that there will be a problem if the water table gets contaminated. A lot of those homes were built before the septic tank requirement and are on cesspool systems, which normally will eventually reach the water table. It is kind of an unknown variable right now as to what will happen in the future. He asked if there is a cap on the amount of wells that will be allowed in certain areas.

The Manager-Chief Engineer replied not based on his understanding. Every well drilled, even if it is an individual well for residential use, is required to have a permit from the State Commission on Water Resource Management (CWRM) and they are supposed to report their pumping monthly so that CWRM has an understanding of how much water is being extracted from each aquifer. Just for everyone's information, for Puna-Makua, right now, there do not seem to be any issues. There are hundreds of millions of gallons of water, based on the rainfall and the recharge that is flowing out to the ocean every day. At this point, he does not anticipate CWRM having any issues with wells in those regions. He thanked Ms. Keolanui for her presentation today. It is information he was not fully aware of, and it almost sounds similar to the Safe Drinking Water Act requirements as far as testing, frequency, size of system, etc. He asked if there are there any federal or state monies being provided to farmers to cover the cost for these requirements.

Ms. Keolanui replied that currently, there are two different certifications that you can receive to become FSMA compliant. One is the PRIMUS audit mentioned earlier, which is a private organization. The cost of the certification is around $7,000.00. You have to fly them to Hawai‘i to come in and do a one-day audit. Then you have the US Department of Agriculture which is offering the Harmonized GAP certification, which is the same level of certification; however, they are coming three times during the year, and there is financial assistance for farmers to get that certification through the USDA. There is no financial assistance, however, for water testing and the water testing has been kind postponed over the past few years. It is only now, in January 2022, that we are hearing that the FDA is cracking down. We have talked with a few other farms on island, and it seems like they are going after the larger farms first, which can handle the water-testing costs; but if you are a smaller farm with a much smaller income, you are looking at quite a big expense that you have to take on independently.

Chairperson De Luz stated that, as Ms. Keolanui mentioned, unfortunately, what USDA and the federal government did not calculate was what the true cost would be to the producer. It was strictly motivated from the waterborne illnesses, as she had indicated. That is why they delayed because once they started moving this, they saw that implementing it was more difficult than they had ever anticipated. Putting that aside, this is another area to better understand because it is more critical than ever for farms to have access to County water; but we do not have any idea or understanding of how much the need is in that area. Perhaps one individual to work with is Councilperson Tim Richards who may be able to assist with getting some type of survey out to understand the needs and may have capacity for some microgrants for certifications. The other issue, which is problematic, is, like OK Farms, who independently have their water tested anyway for reassurance, because once a food producer kicks their stuff back, it is like they get black-boxed. There is only one lab in Hawai‘i and that is on Oahu. The other issue, he believed, is the custody of being able to get your water to the lab, which can be expensive because the water has to be at a certain temperature, otherwise it kills the chloroform and microbials. He knew of this because of his experience with a water system where they had to test. If Ms. Keolanui could, perhaps this is something similar to what Mr. Hirakami said, where, in regards to the Water Rate Study, the Department would need some assistance to get a better understanding of this agricultural issue. Livestock is a totally different ball game; but this is more to do with crops that Ms. Keolanui is working towards. In any event, it is something he would be happy to help with; and if need be, this could be placed on a future agenda, but Councilperson Richards might be the person to talk to at this point.

Ms. Keolanui thanked Chairperson De Luz for his comments. She stated that she has been speaking with Councilperson Richards quite a bit about this topic and how to assist other farmers. For added information, products that you have to heat such as potatoes, ginger, ulu, kalo, are all exempt from the food safety certification and the FSMA requirement because they are heated to a temperature that would kill off any bacteria. A big portion of this island's agriculture is sweet potato and ginger. The amount of people wanting to farm and provide food for our community has greatly increased in the past few years and she thinks the fear is that this is going to bring the cost of food up for everyone, along with the proposed minimum wage increase. Farmers are looking at a very big gouge on any type of revenues so it is something the DWS should consider when looking at future rate increases and agricultural water use. One last point is that what we are going to see a lot of farmers going to fill tanks to make that requirement. Instead of having to do the tests all the time, they are going to get County water and fill their tanks just to pass those requirements and many may not be doing it all year long. There should be a way to create a different avenue for farmers to make it easier and more affordable to produce foods here on the islands.

The Manager-Chief Engineer thanked Ms. Keolanui for her presentation because he wanted to have a better understanding in the context of discussions about water rate subsidy for agriculture. What is unknown is how many anticipated additional customers may be coming on because of the FSMA requirements and where/what water systems it will involve. He is truly supportive of home grown food, but this is not just his decision to make, which is why there is a Water Board and why these discussions are held. It sounds like almost another PIG (Permitted Interaction Group) needs to be created. The one thing he did want to stress is that the Department's primary mission is Safe Drinking Water Act requirements for human consumption and that needs to be kept in balance with supporting agriculture. He supports true agricultural use for people who are raising food for our use here. What needs to be done is to close loopholes for those who may be misusing or abusing subsidies that governments provide. There needs to be a better understanding of who might be needing County water, where, and in what quantities. A lot more work needs to be done to help out those who meet the criteria and the intent of helping agriculture. He added that one thing as a caution is that for those who transport water, you might be getting the County water; but if there is no control over the cleanliness of the container it is being transported in, it may be cause for concern on the federal side.

Chairperson De Luz thanked the Manager-Chief Engineer for that comment. One thing to remember is that the quality of the water is to the meter. What comes from the meter to the house may actually have issues. This is an important matter and it is going to be necessary to have data for the rate study.

Mr. Ney asked how often they are required to send in sampling.

Ms. Keolanui replied that for the Harmonized GAP through the USDA and the PRIMUS audit, it is annually. As the FDA cracks down, that requirement will change through those certifying bodies.

Mr. Ney stated that it seems kind of lax oversight because, as a plumbing contractor, he knows the typical filtration for a well or for catchment would be two-stage micron filters, UV filtration, not to say other filtration, carbon block, reverse osmosis; but how often they find filters have not been changed for five years, bulbs are burned out on the UV, so he thought it is kind of where the oversight issue might need to be tightened up a little bit. He thanked Ms. Keolanui for the presentation. It is good education.

Ms. Keolanui clarified OK Farms is on catchment water and they currently implemented the five tests per year structure because it is better to get out in front of it. Some other farms are in the same situation and just doing it so they have the data and records to show the FDA when they show up as they are cracking down on those requirements.

Mr. Ney stated that it should be attached to their marketing, that they are compliant with water testing. He thought it would be a strong point for the consumer.

The Manager-Chief Engineer asked Ms. Keolanui if, similar to the Department's operations, the additional expenses that their business incur to meet the requirements to continue doing business are ultimately passed on to someone, presumably the buyers.

Ms. Keolanui replied that was correct. Unfortunately, it is a cost that is passed on to the buyers; and at this time in agriculture, especially here in Hawaiʻi, they are seeing a very increased rise in the cost of fertilizer, packaging, and everything else required for farming that, along with the FSMA standards, is going to hurt quite a few farmers on the island. She works with about 50 farmers for their CSA (community supported agriculture) program; and about half of them say that when the requirements are imposed, they are quitting and they no longer want to farm. This is a sad point in where agriculture is on the island. She is currently working with the USDA and with an App developer to try and simplify the process for farmers. Hopefully, they can help other farmers get through the process because there are currently only 35 farms in the State of Hawaiʻi that are food-safety certified.

Chairperson De Luz hoped more data can be acquired to be able to assist. He thanked Ms. Keolanui for her presentation today.

(Presentation concluded at 11:41 a.m.)

7) **POWER COST CHARGE**:

Departmental power costs from all power sources increased since the last Power Cost Charge rate was determined. The Department proposes to increase the Power Cost Charge from $2.02 to **$2.34** per thousand gallons as a result of this increase. Power cost charges over the past two years were as follows:

Effective	PCC
March 1, 2022	$2.02
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

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 April 26, 2022, at 9:30 a.m., to receive testimony on increasing the Power Cost Charge from $2.02 to $2.34.

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

8) **DEPARTMENT OF WATER SUPPLY PROPOSED OPERATING AND 5-YEAR CAPITAL IMPROVEMENT PROJECTS (C.I.P.) BUDGETS FOR FISCAL YEAR 2023:**

The Department's Fiscal Year 2023 Operating Budget, totaling $56,736,853, and 5-Year C.I.P. Budget for Fiscal Year 2023-2027, totaling $176,400,000 have been distributed for the Board's review. A public hearing was held prior to this meeting to accept testimony. The Board may change either Budget or adopt them as presented over two readings.

The Manager-Chief Engineer recommended that the Board approve the Department's Fiscal Year 2023 Operating and C.I.P. Budgets on this first of two readings.

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

The Manager-Chief Engineer brought to the Board's attention that due to increasing fuel costs, it is beginning to reflect in Hawaiian Electric costs that the Department has been paying. Looking at the Operating and Maintenance (O&M) on the receipts and expenditure side, there are power charges on both receipts and expenditures in the amount of $18,025,000. This was based on a prior year extrapolation of what was spent. In evaluating more recent data from Hawaiian Electric bills for November/December and January/February, we think it would be prudent to actually revise the budget to reflect more realistic anticipation for this upcoming fiscal year. Our evaluation indicates that number should be closer to $23,000,000. It is a significant change from what was initially estimated and is approximately 28% higher; therefore, he felt it should be brought to the Board's attention for consideration to include that revision in the O&M budget. He turned it over to Chairperson De Luz for further discussion by the Board.

Chairperson De Luz had a procedural question for Ms. Mellon-Lacey. This would be an amendment to what was proposed. He asked how the Board would handle the amendment because there is a Motion before the Board.

Ms. Mellon-Lacey stated that if you are making a change to the budget, you would need an amendment approved first. That should be entertained first and probably table or withdraw the first Motion.

Mr. Hirakami noted that this comes right after the public hearing held today and asked if another public hearing will be needed if this is amended.

Mr. Lopez asked how the fuel charge works relative to these increased costs.

The Manager-Chief Engineer replied that it is reflected in the power cost charge (PCC). The PCC is an agenda item that the Board just took up prior to this one. The Board had established this as a separate charge rate from the consumption charge. In prior years, it was only able to be updated on an annual basis, and there was a situation where the Department fell behind because of rising electric cost. The current procedure allows this to be brought to the Board every two months. It enables the Department to react quicker to fluctuations in the power cost. How it relates to the budget is that, although it is a pass-through charge, it has to be accounted for. If you look at both the receipts and the expenditures in the budget, it is the same amount--$18,025,000, which is what was reviewed and taken to public hearing. The real numbers are anticipated to bring that closer to $23,000,000, and it was felt that to be prudent and transparent, it should be amended in the budget. He also had the same question as Mr. Hirakami on whether or not this discussion at the regular Board Meeting is sufficient or if there should be another public hearing to reflect the revision.

Ms. Mellon-Lacey believed this would have to be taken back to public hearing. It is a significant change that people would not be aware of. It would be best to go back to public hearing with a revised budget.

The Manager-Chief Engineer agreed. This is why the budget is presented to the Board early on in the year in case of significant modifications. It ensures ample time prior to fiscal year end to implement those changes with appropriate public input. This will be scheduled for another public hearing in April in addition to the power cost adjustment change public hearing that will also take place in April.

Mr. Ney stated that he would rather go high with these adjustments in the future just to avoid these hiccups because it seems like the Department needs to be reactive to these situations expeditiously. It seems like the Department tries to be as close as it can with the adjustment, but he would rather be a little high then come down later.

Mr. Lopez went back to his earlier comment about the energy surcharge. If someone were paying attention, when they see an increase in the budget for energy, they should be of the understanding that somewhere along the line there is going to come a power rate increase. He asked if that was correct.

The Manager-Chief replied that was correct, and it is being reflected already. The Department tries its best to anticipate what the next year's power costs are going to be. He was sure it is going to go up and down a little; but because of the current situation, this is where it is anticipated to be.

Mr. Hirakami asked Ms. Mellon-Lacey if, at the public hearing, it would have been possible to amend the power charges and purchase power to avoid a second public hearing.

Ms. Mellon-Lacey replied that it could have been addressed there but it was not.

The Manager-Chief Engineer disagreed, only because the public hearing is meant for the public to provide input on the budget that was advertised in advance. To spring that out at the public hearing, he thought, would have been premature without having the opportunity for the Board to weigh in first. The public hearing is really not a forum for open dialogue or Board action. It is a forum to provide the public the opportunity to comment on what was advertised and presented to them, as required by law, in advance of the hearing. He purposely did not incorporate it into that discussion because the public would not have had an opportunity to weigh in. The public has the opportunity to view this current Board Meeting to see what is being discussed. The Department will advertise a proposed amended budget for the next public hearing, if that is what the Board agrees to at this time.

Chairperson De Luz stated that because this is a unique item in the operating budget and literally is a stand-alone item because it is a pass-through, he wondered if it would be possible to bifurcate the budget to true operating and maintenance and have a separate power cost adjustment budget. Essentially, if it is procedurally correct, you would present an O&M budget and present a Power Cost budget. The reason he says that is they are not managed the same. This is a procedural question and it goes back to understanding how to better represent these operating costs in a more reflective manner. To him, a true operating and management budget is what you can be held accountable for on how efficiently it is run. You have no control over the power cost, with the exception of your energy improvements, etc., maybe 2% or 3%; but the 96% or 97% is purely on the utility as far as what they are going to charge you. It is something to think about in the future to see if it would make it easier because the public might see a 28% increase in this area and think it is crazy. He concurred that it would be prudent to go back and advertise this amendment. He believe the best way might be to withdraw the original motion to approve and then consider a motion for the adjustment in regards to this line item. If that is the consensus of the Board, and if the two parties who made the first and the second concur and would withdraw, a motion could be requested for the amendment and further discussion if needed.

Mr. Ney asked if he could make a further suggestion. At the end of the day, this power cost thing is a no net gain/no loss for the Department. It is supposed to be just to pass along the cost to the consumer. He believed there should be a separate charge for CIP infrastructure, for example, $2.00 per account, that would be a predictable revenue. If you only have a hammer to approach these problems, then these problems are always going to be there. There need to be more levers to use. He would rather go high on the power cost adjustments and somehow give that back as a credit against the bill rather than having a structure where the Department is always in a pinch when inflation moves higher.

Chairperson De Luz so noted Mr. Ney's comments. He recapped that what is on the table now is to withdraw the motion to approve the budget that was heard at the public hearing and then to address the issue of the amendment to the budget to go out for a new public hearing. Secretary was asked who made the original motion and who seconded (Ms. Keolanui had made the original motion and Mr. Ney seconded.)

MOTION WITHDRAWN: Ms. Keolanui withdraw her motion; Mr. Ney withdrew his second.

Chairperson De Luz stated that what is on the table now is the amendment. He called for a motion to consider the amendment of the increase in the Power Charges, as presented by the Manager-Chief Engineer.

MOTION: Mr. Ney so moved; seconded by Ms. Keolanui.

Chairperson De Luz asked if there was further discussion on this amendment proposed by the Department to increase the fuel cost from $18,025,000 to $23,000,000 for the fiscal year 2023; and only this line item, as the Manager-Chief Engineer indicated, is 28% higher. Again, this is based on new or current information and the Department's anticipation based on trend for Fiscal Year 2023 on this particular line item of the budget. Notice will go out for a public hearing.

Ms. Hugo asked if that means it would be the first reading, or starting over.

Chairperson De Luz replied that was correct.

Mr. Hirakami asked if the capital improvement budget is also being changed or if the public hearing would be only on the operating budget rather than both together.

Chairperson De Luz stated that was a good question and asked that the Manager-Chief Engineer work it out procedurally with Ms. Mellon-Lacey.

The Secretary asked for clarification on whether the notice for public hearing on the budget would be separate from or combined with the 9:30 a.m. power cost public hearing. If not, it would be best to set the time for the public hearing being scheduled.

The Manager-Chief Engineer and Ms. Mellon-Lacey agreed it would be cleaner to hold two separate public hearings. Because we are doing Zoom and probably a hybrid meeting next month, it might be better to have a 9:30 a.m. and a 9:45 a.m. or a 9:15 a.m. and a 9:30 a.m. just because of the invites on the registration with Zoom, someone might be interested in one and not the other.

Ms. Mellon-Lacey thought it would be cleaner to make separate public hearings. That way it is clear to the public. Also, in thinking more about the Manager-Chief Engineer's statement, she was a little rash earlier. He is correct in that the purpose of a public hearing is for the public to give input on what is presented and it could not have been changed in a public hearing.

It was decided to hold a public hearing on the Operating &Maintenance budget, hopefully just O&M and not CIP, at 9:45 a.m.

Chairperson De Luz added that the Manager-Chief Engineer will get clarity on the procedure for that and whatever he does will meet the standard of the public notice and hearing.

The Manager-Chief Engineer stated that there is a motion on the floor and a second to amend that one line item in the O&M budget relating to fuel costs.

Mr. Hirakami asked if we are putting in the suggested line item from $18,025,000 to $23,000,000 in the motion.

Chairperson De Luz replied yes, from $18,025,000 to the revised $23,000,000.

Mr. Ney asked if there is a chance to discuss having the power cost on the high end and credited back towards the customer rather than always having to shift it back and forth to try to make up for loss or gain. It seemed a bit ridiculous how often this number has to be moved around.

Chairperson De Luz stated that Mr. Ney's insight is merited and he believes staff is looking at reviewing this further, only because of the anomaly the Department faces, currently. Within the context of the rules and in the interest of public transparency, especially for budgeting, he believed these are the tools the Department and the Board have that need to be utilized. At this particular time, with a water adjustment and standby charge increase, the Department and the Board would want to be as prudent as possible.

Mr. Hirakami stated that this is only a budget item, not an actual expenditure item; therefore, in the actual revenue and expense summary, it will be percentage of budget and if it is not reached, it will show that it was not spent to budget. If it is overspent, it will show it was overspent to budget, which means there would have to be an explanation as to why it went over budget. It is just a budget item and it could be set at 10 times the cost but still the revenue and expense summary would actualize it as related to budget and if it is set too low, the next year, it could be set higher, as suggested by Mr. Ney.

Chairperson De Luz stated those were good comments and the good news is that it gets refined each time and as the Manager-Chief Engineer indicated, because of the significance in what is anticipated, it is good to get it done. He asked for a roll call vote.

ACTION: Motion to amend the O&M budget was carried by roll call vote (Ayes: 8 – Mr. Bell, Mr. Hirakami, Ms. Hugo, Ms. Keolanui, Mr. Lopez, Mr. Ney, Mr. Sugai, and Chairperson De Luz; Absent: 1 – Mr. Scicchitano).

RECESS: The Board took a 5-minute recess at 12:10 p.m.

9) SOUTH HILO:

A. **JOB NO. 2022-1185, FURNISHING AND INSTALLATION OF THE HILO OPERATIONS BASEYARD SERVER ROOM AIR CONDITIONING SYSTEMS:**

This project generally consists of furnishing all labor, materials, tools and equipment necessary to install two (2) air conditioning systems; and system modifications to interconnections between an existing Air Cooled Condensing Unit (ACCU) and Fan Coil Unit (FCU); in accordance with the specifications.

Bids for this project were opened on March 10, 2022, at 2:00 p.m., and the following are the bid results:

Bidder	Bid Amount
Hawaii Air Conditioning, Inc.	$32,550.00

Project Costs:

1) Low Bidder (Hawaii Air Conditioning, Inc.)	$32,550.00
2) Contingencies (~10.0%)	3,250.00
Total Cost:	**$35,800.00**

Funding for this project will be from DWS' Operations Budget. The contractor will have 150 calendar days to complete this project. The Engineering estimate for this project was $33,600.00.

The Manager-Chief Engineer recommended that the Board award the contract for JOB NO. 2022-1185, FURNISHING AND INSTALLATION OF THE HILO OPERATIONS BASEYARD SERVER ROOM AIR CONDITIONING SYSTEMS, to the lowest responsible bidder, Hawaii Air Conditioning, Inc., for their bid amount of $32,550.00, plus $3,250.00 for contingencies, for a total contract amount of $35,800.00. It is further recommended that either the Chairperson or the Vice-Chairperson be authorized to sign the contract, subject to review as to form and legality by Corporation Counsel.

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

Mr. Lopez noted there was only one bidder and asked how bids are solicited.

The Manager-Chief Engineer explained that State Procurement Law requires the Department to go out for competitive, sealed bids. They are advertised and posted via a procurement website and all interested and licensed contractors are able to provide a bid. Only one bid was received; and as required, an evaluation is done to make sure that bid is fair and reasonable. He added that this particular bid amount was close to the engineer's estimate.

Mr. Lopez stated that the reason he mentioned it was because, looking ahead in the agenda, the South Kohala, Item 10A, shows a "non-responsive." He asked if that meant there were no "non-responsives" for this bid.

The Manager-Chief Engineer replied that there were no non-responsive bidders for this bid.

Mr. Lopez asked about the calendar days to finish this project (155 calendar days) and if there is anything in the contract to penalize the contractor if they do not complete or fulfill their contract on time.

The Manager-Chief Engineer replied that the Department's General Requirements and Covenants outlines the liquidated damages for not completing a project on time unless there are justifiable extensions.

Mr. Hirakami asked if there were any minimum thresholds over a certain amount where you have to have at least so many bids. In his work experience, their procurement policy over so much threshold is they need to have a minimum of at least three bids. He wondered if there was a threshold where if you only have one bid and it was over a certain amount and you are supposed to get at least two or three, that it would open it up to actually go and solicit competitive bids because there are a lot of air conditioning companies around. He was amazed there was only one bid on this.

Mr. Ney stated that if it is within the estimate, it is to the Department's benefit.

The Manager-Chief Engineer replied that there are strict procurement laws dictated to the Department by State Hawai‘i Revised Statutes (HRS). You could always go out again and solicit bids, but you would run the risk of not getting the project done in a timely manner for a needed project and, as seen, run the risk of actual higher costs because of availability and price increases. Regardless, there is a threshold where we must do an evaluation to determine if a sole bid was fair and reasonable and he does not think this project even met that threshold but as a good practice, it is evaluated anyway. The Department's internal procurement guidelines are actually stricter than the County and State. He believed that, statewide, HRS allows different procurement which is basically going out and getting quotes for goods and services up to $100,000; and for construction, up to $250,000. The Department did a competitive, sealed bid on this item, because it exceeds our internal guideline of $25,000 as a threshold for just the request for quotations process.

Mr. Ney stated that being a contractor, himself, if someone were to spend their time putting in a bid which was close to the estimation of project cost, it could adversely discourage them from wanting to bid in the future if you were to pull it out and rebid.

There being no further discussion, Chairperson De Luz asked for roll call vote on the motion to approve.

ACTION: Motion was carried by roll call vote (Ayes: 8 – Mr. Bell, Mr. Hirakami, Ms. Hugo, Ms. Keolanui, Mr. Lopez, Mr. Ney, Mr. Sugai, and Chairperson De Luz; Absent: 1 – Mr. Scicchitano).

B. **JOB NO. 2020-1146, HILO OPERATIONS BASEYARD EMERGENCY GENERATOR REPLACEMENT - REQUEST FOR TIME EXTENSION:**

The contractor, Isemoto Contracting Co., Ltd., is requesting a contract time extension of 87 calendar days. The contractor was delayed due to the reasons noted below. These delays were beyond the control of the contractor.

Ext. #	From (Date)	To (Date)	Days (Calendar)	Reason
1	8/12/2021	4/20/2022	251	Delays in receiving the building permit during transition to EPIC permitting system.
2	4/20/2022	7/11/2022	82	Delays in receiving the building permit during transition to EPIC permitting system.
Total Days (including this request)			333	

Staff reviewed the request for contract time extension and the accompanying supporting documents and are presenting only 82 calendar days of the time requested as justified and for consideration for approval. *Note: There are additional costs associated with work referenced in this time extension along with additional time not being presented at this time for consideration. Staff are reviewing these requests for time and costs and, if determined to be justified, shall be presented to the Water Board for approval.*

The Manager-Chief Engineer recommended that the Board approve a contract time extension of 82 calendar days to Isemoto Contracting Co., Ltd., for JOB NO. 2020-1146, HILO OPERATIONS BASEYARD EMERGENCY GENERATOR REPLACEMENT. If approved, the contract completion date will be revised from April 20, 2022, to July 11, 2022.

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

The Manager-Chief Engineer highlighted that this is strictly a time extension request. There may be some additional work required of the contractor, but it is still being evaluated. This time extension is brought forth now because the 82 calendar days are justified and if it were not acted upon by the Board now, when it comes back in April, it would have been beyond the contract completion date.

ACTION: Motion was carried by roll call vote (Ayes: 8 – Mr. Bell, Mr. Hirakami, Ms. Hugo, Ms. Keolanui, Mr. Lopez, Mr. Ney, Mr. Sugai, and Chairperson De Luz; Absent: 1 – Mr. Scicchitano).

10) SOUTH KOHALA:

A. **JOB NO. 2021-1171, (REBID), LĀLĀMILO B DEEPWELL REPAIR:**

This project consists of furnishing all labor, materials, tools and equipment necessary to remove the existing pumping assembly; furnish and install new pump, refurbished motor, column assembly, and all appurtenant materials; and complete an efficiency test; in accordance with the specifications.

Bids for this project were opened on February 10, 2022, at 2:00 p.m., and the following are the bid results:

Bidder	Bid Amount
Beylik/Energetic A JV	Non-Responsive
Derrick's Well Drilling & Pump Services, LLC	$895,000.00
Alpha Inc.	$1,358,790.00

Project Costs:

1) Low Bidder (Derrick's Well Drilling & Pump Services, LLC)	$895,000.00
2) Contingencies (~10%)	89,000.00
Total Cost:	**$984,000.00**

Funding for this project will be from DWS' CIP Budget under Deepwell Pump Replacement. The contractor will have 240 calendar days to complete the well repair with the contractor's furnished equipment. The engineering estimate for this project was $860,000.00.

The Manager-Chief Engineer recommended that the Board award the contract for JOB NO. 2021-1171 (REBID), LĀLĀMILO B DEEPWELL REPAIR, to the lowest responsible bidder, Derrick's Well Drilling & Pump Services, LLC, for their bid amount of $895,000.00, plus $89,000.00 for contingencies, for a total contract amount of $984,000.00. It is further recommended that either the Chairperson or the Vice-Chairperson be authorized to sign the contract, subject to review as to form and legality by Corporation Counsel.

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

Mr. Lopez stated that this goes back to his earlier comment. He wondered if you do not go directly to a vendor to bid, how they can be non-responsive.

The Manager-Chief Engineer replied that "non-responsive" is actually a technical term. Basically, they submitted a bid but did not meet the bid solicitation requirements.

Mr. Lopez asked if the lowest bid was also scrutinized to see if it passes the minimum qualifications.

The Manager-Chief Engineer replied that the bidder has to be both responsible and responsive. If someone submitted a bid but did not have the technical capacity to do the job or have the proper license, it would not be a responsible bid for us to acknowledge. All of these contractors have been determined to be responsible, but Beylik's bid was non-responsive.

Mr. Lopez asked if that meant that, based on the bids, and if all of the bids were qualified, the Department would take the lowest bid.

The Manager-Chief Engineer replied that was correct. The Department is required to, by law.

ACTION: Motion was carried by roll call vote (Ayes: 8 – Mr. Bell, Mr. Hirakami, Ms. Hugo, Ms. Keolanui, Mr. Lopez, Mr. Ney, Mr. Sugai, and Chairperson De Luz; Absent: 1 – Mr. Scicchitano).

11) SOUTH KONA:

A. **JOB NO. 2021-1179, KE‘EI #2A & #3B BOOSTER REPAIR:**

This project consists of furnishing all labor, materials, tools and equipment necessary to remove the existing booster pumping assemblies; furnish and install new booster pumps, motors, discharge heads, column assembly for Ke‘ei #2A, and all appurtenant materials; complete an efficiency test; and chlorinate the booster suction cans and pumping assemblies; in accordance with the specifications.

Bids for this project were opened on March 3, 2022, at 2:30 p.m., and the following are the bid results:

Bidder	Bid Amount
Beylik/Energetic A JV	$145,597.00
Derrick’s Well Drilling & Pump Services, LLC	$200,000.00
Alpha Inc.	No Bid

Project Costs:

1) Low Bidder (Beylik/Energetic A JV)		$145,597.00
2) Contingencies (~10%)		15,403.00
	Total Cost:	**$161,000.00**

Funding for this project will be from DWS’ CIP Budget under “Agreements; Repair and Maintenance.” The contractor will have 240 calendar days to complete the booster repair with the contractor’s furnished equipment. The Engineering estimate for this project was $195,000.00.

Booster History
Original Installation (Booster #2A): October 1972
Original Installation (Booster #3B): ~1981

The Manager-Chief Engineer recommended that the Board award the contract for JOB NO. 2021-1179, KE‘EI #2A & #3B BOOSTER REPAIR, to the lowest responsible bidder, Beylik/Energetic A JV, for their bid amount of $145,597.00, plus $15,403.00 for contingencies, for a total contract amount of $161,000.00. It is further recommended that either the Chairperson or the Vice-Chairperson be authorized to sign the contract, subject to review as to form and legality by Corporation Counsel.

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

Mr. Hirakami asked if this means that Beylik Energetic was not qualified to do the bigger job but is qualified to do this one--if that is what is meant by “non-responsive.” He noticed they were non-responsive on the larger project but they won this low bid contract.

The Manager-Chief Engineer explained that both bidders are capable so they are both responsible in that they can do the work; but procedurally, with solicitation of bids, there are requirements within the bid itself, down to the details on who they can list as a sub-contractor. The sub-contractors have to meet the proper requirements so they can list the suppliers. Without getting into the exact details, it was more of a procedural item on their prior bid, which made it so they had to be deemed "non-responsive." They could have done the job on the prior item.

ACTION: Motion was carried by roll call vote (Ayes: 8 – Mr. Bell, Mr. Hirakami, Ms. Hugo, Ms. Keolanui, Mr. Lopez, Mr. Ney, Mr. Sugai, and Chairperson De Luz; Absent: 1 – Mr. Scicchitano).

12) MISCELLANEOUS:

A. **DEDICATIONS:**

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

1. Grant of Easement (DC Meter)
Grantor: 86 Kawaihae Road LLC
Tax Map Key (3) 6-5-007:086 (portion)
Waimea Homesteads, Waimea, South Kohala, Island of Hawaiʻi, Hawaiʻi

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

ACTION: Mr. Ney moved for approval of the recommendation; seconded by Ms. Hugo and carried by roll call vote (Ayes: 8 – Mr. Bell, Mr. Hirakami, Ms. Hugo, Ms. Keolanui, Mr. Lopez, Mr. Ney, Mr. Sugai, and Chairperson De Luz; Absent: 1 – Mr. Scicchitano).

B. **MONTHLY PROGRESS REPORT:**

The Manager-Chief Engineer gave some background on this agenda item, primarily for new Board Member, Mr. Lopez. This is the spreadsheet containing the Department's ongoing CIP projects with red font indicating updates from the prior Board meeting. He asked if there were any questions and also invited Board Members to send him their questions at any time by email if they wished.

Chairperson De Luz stated that it is great to see the Kahuluʻu Shaft Lift Replacement project complete.

The Manager-Chief Engineer stated that Congressman Kaialiʻi Kahele was taken on a site visit to the Shaft where he had the chance to see what it looks like. That invitation is extended to any of the Board Members as well if they wish to go down there.

Chairperson De Luz encouraged the Board, especially within the context of their district, to get familiar with the projects. The Manager-Chief Engineer and his staff would be more than pleased to review them with the Board Members to give them better clarity on the projects.

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

Chairperson De Luz noted that the Financial Statements report is included in the Board's packet, and the Department is always refining the reports to the Board. He thanked Ms. Gray for highlighting in red, the decrease or subject matter to make it easier to understand. He asked her if there was anything significant to share with the Board other than what was in the report.

Ms. Gray stated that the Financial Statements in the packet are for the month of February 2022. She pointed out that it did include the audited adjustments for Fiscal Year 2021, which is reflected in the balance sheet. Items identified on the cover sheet show changes that occurred from the prior fiscal year, and are changes of $10,000, or 20% or more than prior fiscal year. The items noted, which include the adjustments, had significant changes from the prior year. Most of the audited adjustments, which the Board was already informed of, identify the accruals for prior year versus current year, reflected in the balance sheet. Regarding the budget status report, the only item to note is the actual to-date activity that exceeds the annual budget by $10,000, which is the interest income exceeding the budgeted amount of $42,800 by $43,907, or 103%, due primarily to receipt of expiring CD investments. The reinvestment rates are increasing and went up 1% within the past year, which is very positive for the Department.

There were no questions. Chairperson De Luz thanked Ms. Gray for her report.

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

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

1. North Kona Wells – the Deputy reviewed that for this month, in the North Kona water system, the Department has twelve of our fourteen sources in use or available to use, the same as last month. He asked if there were any questions.

   Mr. Lopez stated that, being from the west side, going back not so many years ago, he recalled there were many wells down with new parts not working and it was a big to-do. He asked if this update is relative to that whole barrage of issues.

   The Deputy replied that was correct. Back in 2017, and in the years after that, the Board requested a monthly update during the process of the well repairs.

   Mr. Lopez stated that it is great that 12 of 14 are back on line and asked about the inventory of available parts and whether it is in good hands.

   The Deputy replied that much was learned through that experience, and the Board's Permitted Interaction Group resulted in standardizing materials, pumps, and motors. Also, as part of repair projects, an alignment survey is done to make sure the proper size equipment is being installed.

   Mr. Lopez stated he had heard about the alignment survey and thanked the Deputy for the explanation. It was good to hear.

   Chairperson De Luz commented that perhaps the Manager-Chief Engineer could work with staff to give a synopsis, or what he likes to call a White Paper, of the lessons learned and what processes the Department has implemented, which have been quite extensive in regards to borehole alignments and equipment and even going to where requirements are now to have the contractor supply all of the components so they may be held accountable. Another topic is the complexity of the Department's water systems and some of the redundancy efforts by the Department. This goes a long way from the very hard lessons learned over the last five to seven years, and to increase the resiliency as far as the need for replacement or repair. It would be good for Mr. Lopez, and for Ms. Keolanui and newer Board Members, to have an appreciation of what the Department has incorporated within their strategic policy.

The Manager-Chief Engineer replied that was a good idea and something could be sent out to all of the Board Members.

2. <u>COVID-19 Update</u> – the Manager-Chief Engineer announced that COVID numbers have been getting better than they have been in the past. The Department is currently reviewing internal procedures and protocols relating to COVID and wants to be consistent with the rest of the County. Typically, the County Human Resources comes up with updated guidelines and something should be coming out because of Governor Ige's sunset on his emergency proclamation this coming Friday. Hopefully this is a move toward better normalcy. The Department will still be cautious, internally, on certain things but awaits to see how things go. The good news is that there are less incidents or situations related to exposure or actual COVID.

   Mr. Hirakami noted that the workers will be happier because the mandate on testing if you are not vaccinated is going away too. It is relieving a lot of pressure in his organization because they have been challenged so many times over that issue. As part of earlier discussion, he heard about a hybrid meeting next month and asked what that would mean.

   The Manager-Chief Engineer replied that, as it relates to COVID and how it has affected the board meetings, as everyone is aware, the Department had reverted to this virtual platform in the beginning during COVID. Because there are changes to the Governor's Proclamation and from guidance from the State Office of Information Practices (OIP) regarding public boards and commissions, for the April Water Board meeting, the intent is to have the Department's attendees, as well as the Board, be present via Zoom; but there is also a requirement to have a physical location for the public to provide testimony. He turned it over to Ms. Mellon-Lacey to further elaborate how it is anticipated to play out for April.

   Ms. Melon-Lacey stated that this is a third meeting type that was approved by the State Legislature because there are many boards and commissions that want to be able to continue to meet like they have been; not in person, but virtually, and people would be able to attend from their office or home without appearing in person. Act 220 that was passed and was supposed to have gone into effect in January of 2022 was delayed because of the COVID surge; but it was to allow for an online meeting but also requires that at least one location is provided so the public can attend in person because not everybody may have a stable internet connection that they can hear the meeting on, and there were complaints about that. The physical location allows people that want to watch the meeting in real time to come to the physical location and be able to provide public testimony in real time at the meeting. That location is also available if any Board Members want to attend in person rather than be online. The way April's meeting is going to work is that the Department will have the Puna Conference Room at the County Building as the physical location that members of the public or Board Members may attend from, if they choose, but it will still primarily be a virtual meeting.

   Mr. Ney asked the Manager-Chief Engineer what the Department's feelings are about getting away from this virtual format at some point in the future. He had a little bit of time attending the board meetings in a physical setting before COVID, which he kind of liked. It gave him a reason to get out of Kohala. He asked if it would be transitioning back at some point or if the Department is liking this virtual format.

The Manager-Chief Engineer stated that he felt the same way and likes the face-to-face meetings. He is hopeful, as long as the situation allows it, to get back to the in-person meetings. He is crossing his fingers that no new crazy variant pops up and hopefully it can be done within the next couple of months.

Ms. Mellon-Lacey added that she thinks the majority of the County departments that are responsible for boards and commissions do want to go back to in-person meetings. It is actually easier because as soon as you go back to in-person meetings, there are no requirements for Zoom whatsoever.

Mr. Hirakami stated that other boards he served on would have alternating meetings on the west and east sides of the island and wondered if that was what this Board did.

The Manager-Chief Engineer replied that was the format before COVID.

Mr. Hirakami stated that he looks forward to it. He asked Ms. Mellon-Lacey if the virtual meeting is allowed permanently so long as there is one in-person walk-in site.

Ms. Mellon-Lacey replied that was correct. It is a permanent change to the Chapter 92 to allow for this third type of meeting, which is what is referred to as a "hybrid meeting."

Chairperson De Luz asked that the Board get further communication from the Department and from Ms. Mellon-Lacey as this moves forward.

E. **CHAIRPERSON'S REPORT:**

Chairperson De Luz suggested that, because the water rate study is getting to a point, as Ms. Hajnosz had mentioned earlier, where more data is needed for future rate studies, for next month, and perhaps moving forward, if the Manager-Chief Engineer could look to see whether the agenda could be flexible enough to accommodate updates, without being too specific, perhaps a general area called "Water Rate Study Updates," or something to that nature. If it has to be specific, that is fine, but just so the Board can take up issues such as what Mr. Hirakami, Mr. Lopez, and Ms. Keolanui had brought forth earlier, only so it allows some fluidity in conversation.

13) ANNOUNCEMENTS:

Next Meeting - The next meeting of the Water Board will be April 26, 2022, 10:00 a.m. Chairperson De Luz noted that this will be a hybrid meeting. For those not familiar with the Puna Conference Room, it is in the County Building on the ground floor on the State Building side.

14) ADJOURNMENT

ACTION: Mr. Ney moved to adjourn the meeting; seconded by Ms. Hugo and carried by roll call vote (Ayes: 8 – Mr. Bell, Mr. Hirakami, Ms. Hugo, Ms. Keolanui, Mr. Lopez, Mr. Ney, Mr. Sugai, and Chairperson De Luz; Absent: 1 – Mr. Scicchitano).

(Meeting adjourned at 12:59 p.m.)

____________________________ APPROVED BY WATER BOARD
Recording Secretary APRIL 26, 2022