

**MINUTES**

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

July 26, 2022

Liquor Control Conference Room, 101 Aupuni Street, Suite 230, Hilo, HI

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

ABSENT: Ms. Kea Keolanui, Water Board Member  
Mr. Stephen “Kawena” Lopez, Water Board Member  
Director, Planning Department (ex-officio member)  
Director, Department of Public Works (ex-officio member)

OTHERS PRESENT: Ms. Diana Mellon-Lacey, Deputy Corporation Counsel  
Mr. Jeff Zimpfer (10:02 a.m.)

DEPARTMENT OF

WATER SUPPLY STAFF: Mr. Kawika Uyehara, Deputy  
Mr. Kurt Inaba, Engineering Division Head  
Ms. Candace Gray, Waterworks Controller  
Mr. Gregory Goodale, Chief of Operations  
Mr. Eric Takamoto, Operations Division  
Mr. Warren Ching, Energy Management Specialist  
Mr. William O’Neil, Jr., Water Service District Supervisor II, DWS Waimea  
Ms. Mary Economy, Operations Division

- 1) CALL TO ORDER – Chairperson De Luz called the meeting to order at 10:00 a.m. A quorum of seven members were in attendance.
- 2) STATEMENTS FROM THE PUBLIC - none

3) APPROVAL OF MINUTES:

- ACTION: Mr. Ney moved for approval of the minutes of the June 28, 2022, Public Hearing on the Power Cost Charge; seconded by Mr. Sugai and carried unanimously by voice vote.
- MOTION: Mr. Sugai moved for approval of the Minutes of the June 28, 2022, Water Board Meeting; seconded by Mr. Ney.

Mr. Hirakami noted a correction to be made on Page 15 under Item F) Review of Monthly Financial Statements. In the fifth paragraph that starts with “Mr. Hirakami,” the second line reads “Mr. Hirakami asked about the possibility of doing a monthly average of their bi-monthly bill and then chew it up. He stated that the word “chew” should be “true.”

ACTION: Minutes were approved, as corrected, by voice vote.

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

5) 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 \$2.48 to **\$2.75** per thousand gallons as a result of this increase. Power cost charges over the past two years were as follows:

<u>Effective</u>	<u>PCC</u>
July 1, 2022	\$2.48
May 1, 2022	\$2.34
March 1, 2022	\$2.02
November 1, 2021	\$2.15
June 1, 2021	\$1.85
December 1, 2020	\$1.71

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 August 23, 2022, at 9:45 a.m., to receive testimony on increasing the Power Cost Charge from \$2.48 to \$2.75, effective September 1, 2022.

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

The Manager-Chief Engineer noted that this is an ongoing evaluation that the Department does every two months. It evaluates what is spent on power and making adjustments as necessary. This will be continued in the hopes that it will level off and hopefully someday decline.

Mr. Hirakami asked if the electrical rates are rising because the fuel has stabilized in the past month.

The Manager-Chief Engineer replied that this is based on the evaluation that went up to June. (Ms. Gray noted that the evaluation period is for May and June.) The understanding is that electrical costs typically trend following fuel costs, but they lag a bit. Subsequently, the Department’s power cost adjustments lag a bit also. Another evaluation will be done for July/August to see what was paid for power during that time.

Chairperson De Luz asked that a brief history be given, for the benefit of the new Board Members, of how that account is managed so they understand the delay and how the account basically goes up and down.

The Manager-Chief Engineer explained that in the past, this was a water rate that included all overhead, including purchased power. There was a time when prices were fluctuating and at one time, the Department took quite a big hit because it was not able to adjust the rates. Then the Board decided to create a separate power cost charge from the regular base rate. Back then even, it was limited to annual evaluations and there was another significant hit when electrical prices fluctuated, and the Department was not able to adjust it. There was a more recent action by the Board where it allows an evaluation of the power costs every two months, thus enabling the Department to be more reactive to fluctuations in power costs, albeit a couple of months after. He turned it over to Ms. Gray to explain the accounting of the charge.

Ms. Gray stated that the power cost charge is calculated by using a formula, taking the amount of electrical costs and dividing it by billing consumption over a review period of two months. In this case, the months of May and June were used.

Mr. Ney asked if the Department could adjust up, retroactively, to make up for prior losses; and if not, why that was not the case.

The Manager-Chief Engineer replied he did not think that could be done, legally.

Chairperson De Luz did not think that was allowed, within the Department's rules, to do it retroactively.

Mr. Ney asked if that is just absorbed at that point because at the end of the day, it is a zero sum. Power costs get applied to the power consumption and there is no net gain or loss.

The Manager-Chief Engineer replied that before it was separated out, it was like any other overhead expense where if it exceeds budget, you have to eat it somehow, either by deferring CIP projects or being more prudent in purchasing materials, etc. It is not like you could raise the rates the following year to offset that loss.

Mr. Ney asked if there is some kind of control in place that in the future, this is not repeated.

The Manager-Chief Engineer replied that currently, this is the control the Water Board and the Department has in place, unless something can be figured out that works better. This is the best that can be done at this point as far as following the trends and fluctuations in power costs.

Chairperson De Luz suggested, especially for the new Board Members, that they look into the Department's rules to have an understanding of this.

Mr. Hiramaki asked how notices are given out for the public hearings because for his time of the Board, he has not seen anyone testify. In one year, this rate has gone up by 63 cents and nobody has provided testimony.

The Manager-Chief Engineer stated that the public hearing requirements established by the Hawai'i Revised Statutes are followed. They are advertised in the newspapers and on the Department's and County's website.

Chairperson De Luz noted that, generally speaking, after the Board meetings, the newspaper does do an article, especially when there is going to be an adjustment.

ACTION: Motion was carried unanimously by voice vote.

6) SOUTH KOHALA:

A. **JOB NO. 2020-1160, PARKER #2 DEEPWELL REPAIR – REQUEST FOR ADDITIONAL FUNDS AND TIME EXTENSION:**

The Contractor, Beylik/Energetic A JV, is requesting a contract change order for additional work that was required for necessary modifications to the new discharge head. The new discharge head was needed due to an unavoidable issue which occurred during the initial removal of the pump, motor, and column pipe. The description of the additional work and associated fees are as follows:

Item	Description	Amount
Original Contract Amount:		\$783,000.00
Original Contingency Amount:		\$78,000.00
1 <sup>st</sup> Additional Funds Request (Approved 12/19/2021)	Removal of the existing discharge head, furnish new discharge head and replacement of nine damaged 10” x 20’ long galvanized steel column pipes.	\$42,000.00
<b>2<sup>nd</sup> Additional Funds Request</b>	<b>Modifications to the new discharge head. Inclusive of labor, shipping and other related costs.</b>	<b>\$7,909.00</b>
Total Revised Contract Amount:		\$910,909.00

The Contractor is also requesting a contract time extension of 137 calendar days, due to the modifications of the discharge head. This delay was beyond the control of the Contractor.

Ext. #	From (Date)	To (Date)	Days (Calendar)	Description
1	02/28/2022	05/02/2022	63	Replacement of existing discharge head due to column assembly exceeding lifting capacity of discharge head plate.
				Replacement of nine (9) damaged column pipes due to incidental work.
2	05/02/2022	05/16/2022	14	Delays to discharge head manufacturing.
<b>3</b>	<b>05/16/2022</b>	<b>09/30/2022</b>	<b>137</b>	<b>Delays due to modifications of the discharge head.</b>
Total Days (including this request)			214	

Staff reviewed the request for the additional funds and time extension and found that the \$7,909.00 and 137 calendar days are justified. *Note: Payment of this work shall be performed by force account.*

The Manager-Chief Engineer recommended that the Board approve an increase in contingency of \$7,909.00 to Beylik/Energetic A JV, for a total project cost of \$910,909.00, and approve a contract time extension of 137 calendar days for JOB NO. 2020-1160, PARKER #2 DEEPWELL REPAIR. If approved, the contract completion date will be revised from May 16, 2022, to September 30, 2022.

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

Mr. Ney asked if the damage to the column pipes was just a situation where something too heavy was being lifted and whether or not it is a consequence to the contractor.

Mr. Goodale replied that the column pipes are threaded and were not breaking loose. They were essentially frozen and ended up having to be cut in order to change it out. The new column pipe will still be threaded. In response to Mr. Ney's question of whether the threads will be prepped so they do not seize up, he replied that is part of the requirement when they reinstall. Over a long period of time, however, with being down the hole, there is a lot of moisture.

Mr. Hirakami asked if there was anything else that could be used in place of galvanized pipes.

The Manager-Chief Engineer replied that the only other material that has been used is Stainless Steel in some instances. Because there is a lot of weight from the water in the pipe columns, they have to be steel.

Mr. Hirakami asked if there is an accounting of how the original contingency is used to justify that \$78,000.00.

The Manager-Chief Engineer explained that with an initial project award, there is a base contract amount and typically a 10% contingency for unforeseen matters. That is what is contracted and awarded by the Board. Any additional costs that fall within the contingency amount are handled administratively. Anytime that contingency and base contract are exceeded, it has to come back to the Board for approval of additional funds, which is why this item is on the agenda today.

Chairperson De Luz suggested that because next year will see additional new Board Members, it might be good, then, to do a short presentation on the Department's internal policy with regard to minimizing impacts and improving resiliency, redundancy, and efficiency in the wells and the proactive approach the Department is taking. Also, in relation to Mr. Hirakami's question, the contract and contingency funds have to be approved prior to accessing. This is an addition to the contract base and contingency. (The Manager-Chief Engineer acknowledged that was correct.)

Mr. Ney asked if there is any kind of duplex pump set up for wells where one comes on, and then the next one, so they are cycled; and if one goes down, you have a backup.

The Manager-Chief Engineer replied that booster pumps are used; but other than that, you would need to drill two wells in the same area.

Mr. O'Neil gave an example of Laupāhoehoe Wells A and B. The two wells are rotated and if one goes down, the other one can be turned on.

The Manager-Chief Engineer added that Kalapana has Wells A and B and Parker Wells total eight, comprising of Wells A, B, C, and D, and 1, 2, 3, and 4.

Mr. Ney asked how far apart they are from each other.

The Manager-Chief Engineer replied that it depends on the geology of where you are drilling. You do not want to run into a situation where you have to use both and then you overdraw. Ideally, you alternate and get the same amount of hours on each well. That is why pump tests are done to see if

there are any adverse impacts to pumping at a certain rate from the well and how it is impacting nearby sources if they are that close.

ACTION: There being no further discussion, Motion was carried by voice vote.

**B. CONSTRUCTION RIGHT OF ENTRY FOR THE LĀLĀMILO 10-MG RESERVOIR  
IN THE DISTRICT OF SOUTH KOHALA, TAX MAP KEY (3) 6-8-001:001:**

The Department of Water Supply awarded the Lālāmilo 10-MG Reservoir Project at its May 24, 2022, meeting to Isemoto Contracting Co., Ltd. The construction contract has been executed and the proposed reservoir site and construction staging area is currently under ownership of PR Puu Pa LLC. The Department is currently working with the owners to acquire rights to the proposed reservoir lot. In order to begin construction work for the project prior to the completion of the acquisition, DWS intends to execute a Construction Right of Entry Agreement with the land owner.

The Manager-Chief Engineer recommended that the Water Board approve the subject Construction Right of Entry Agreement for the Lālāmilo 10-MG Reservoir site, including the construction staging area in the District of South Kohala, Tax Map Key (3) 6-8-001:001, subject to the review and approval of Corporation Counsel, and that the Chairperson or the Vice-Chairperson be authorized to sign the document.

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

Chairperson De Luz noted that the Board did get notice of this Construction Right of Entry (ROE) and asked the Manager-Chief Engineer to provide information.

The Manager-Chief Engineer stated that at the eleventh hour, there were some last-minute changes to the ROE, which is why the revised version was handed out today. The changes are highlighted in yellow. They do not substantially change the intent of the contract, which is to allow the Department access to the property for purposes of construction. We are still in talks with the landowner for ultimate acquisition of the property but need to move forward with the construction of the project. This is a way to allow us to at least get access to the site to do the construction while working on a final agreement with the landowner for ultimate solution to the property for our use.

Ms. Mellon-Lacey noted that a number of these changes are contained in Paragraphs 4 and 6 and were a result of her going back and forth with counsel to ensure greater clarification of what was expected with respect to the maintenance of the property while construction work was being done. What it came down to is they were mainly concerned about entering and leaving the property rather than the actual construction work site. Some language change was made in that regard. Paragraph 6 was to address issues about insurance because initially it had DWS purchasing insurance and, of course, we are self-insured. That was changed to require any contractors or sub-contractors to meet the insurance requirements. She asked if there were any questions.

Mr. Ney asked if the Department will be listed as additionally insured.

Mr. Inaba replied that was correct. It is consistent with the requirements of the contract.

Ms. Mellon-Lacey stated that Parker Ranch is particularly strict about people coming onto their land, and they have a lot of conditions.

Mr. Hirakami noticed it does not mention anything about the Grantee's insurance, which is the County of Hawai'i. It only mentions the Grantee's contractors.

Ms. Mellon-Lacey stated that is because we are self-insured; therefore, they did not require us to go out and purchase private insurance. It does not resolve us from being responsible if there are problems that are attributable to the Department, but we are not required to go out and purchase specific insurance.

Chairperson De Luz asked if this site is on Parker Ranch land, and not the Foundation, which is a different entity.

Ms. Hugo noted it is an LLC.

Chairperson De Luz was pretty sure it is Parker Ranch and asked if the Department has a letter of intent from them for the purchase.

The Manager-Chief Engineer replied that it does not yet. They still need to make some decisions, internally, on whether or not they will give the property in fee or if it will be a long-term lease.

Mr. Inaba added that the Department will work on doing an appraisal on the property.

Chairperson De Luz added that the reason he asked was because Parker Ranch can be tough to deal with in these matters, but the easement and access would probably only be an easement then, and DWS is not an owner.

Mr. Inaba stated that in this case, the Department does have existing easements that would already lead up to this property.

Chairperson De Luz stated that they would probably convert that to some type of license agreement, but that is almost the same thing.

The Manager-Chief Engineer stated that whatever ultimately comes about, it will be brought to the Board.

Chairperson De Luz asked if the Request for Proposals is contingent upon getting the real property squared away.

The Manager-Chief Engineer replied it is not. The contract was awarded to Isemoto Contracting and the Notice to Proceed has been established. This cannot wait until the final determination for the property is made, and that is why this ROE is being brought before the Board as an interim measure at this point.

Chairperson De Luz suggested that the Manager-Chief Engineer reach out to them to expedite to avoid having issues once construction begins.

The Manager-Chief Engineer stated that Mr. Inaba has been in regular contact with their upper management at Parker Ranch and it should not be coming to them as any surprise. If needed, he was sure they could meet with the trustees.

Ms. Mellon-Lacey mentioned that, in her conversations with their legal team, this is sort of the best that could be done in order to get this project started; and the other discussions around the actual

property, whether it be a lease or purchase, seems like they are going to take some time and the Department wants to get this project started.

Chairperson De Luz stated that this is needed to ensure the monies are encumbered.

Mr. Hiramami mentioned that when the State contracts with an agency, under the insurance clause, they always have to include that the State shall issue a statement of self-insurance to satisfy this clause. Usually, the Department of Accounting and General Services' risk management issues a statement of self-insurance. In this ROE, there is nothing about the Grantee.

Ms. Mellon-Lacey stated that if the Department were asked to provide a certificate of self-insurance, it would do so. That is really Parker Ranch's call, but they are very familiar with the set up and may not feel that it is necessary. They did not request a certificate of self-insurance; but if they did request it, it would be provided. This is contained in the County Charter.

ACTION: There being no further discussion, Motion was carried by voice vote.

7) MISCELLANEOUS:

A. DEDICATIONS:

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

1. **Dedication Deed**

**Grantor: Hawai'i Island Community Development Corporation**

Tax Map Key (3) 2-8-026:031

Pepe'ekeo, South Hilo, Island of Hawai'i, Hawai'i

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

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

Mr. Inaba handed out a map of the subdivision and pointed out that this Dedication Deed is to turn the land over to this Department as part of a subdivision agreement. The Department had asked for one parcel to put future booster pump improvements on that would help support the development. It was already granted to the Department in the form of an easement when they did the subdivision and this is to turn the property over.

Chairperson De Luz asked for a short scenario of what this development is about and how the Department was able to accommodate the subdivision.

Mr. Inaba stated that back in 2012, this came through as a 100% affordable development through HICDC (Hawai'i Island Community Development Corporation) and they were looking to do some self-help housing, affordable developments. They had a piece of property offered to them and water availability was an issue. In looking at sources at that time, the Department's source was makai, and there was a spring site up mauka. The spring was kind of an iffy issue at that point as far as water quality and, in fact, a second well was done up there. At that time, it was thought that the Department may need to add a booster pump to help support additional units because the well is below the

highway. That is how this agreement came about. The Department gave them up to 50 units, and they dedicated a piece of property to the Department for use in the future. Because of drainage and terrain issues in the subdivision, they were only able to use 31 units of water.

Chairperson De Luz commented, for the benefit of the new Board Members, that it is important to understand the Department's commitment to support affordable housing and rentals and made an effort to find additional source capacity to get this subdivision its water commitments. They make every effort to see if they can support a subdivision of this nature. The Manager-Chief Engineer is also working to see if there could be more latitude within the rules with regard to hookup charges for affordable housing.

The Manager-Chief Engineer thanked the Chairperson for asking for that clarification. In this Pepe'ekeo water system, the typical water availability is not that high; however, for projects that are 100% affordable housing, this Department confirms with the Mayor's and Housing administrations to confirm that the application is for affordable housing. Once that is verified, the Department tries to support those types of projects as much as it can without adversely impacting the rest of the system. This is a good example of that effort.

Mr. Hirakami asked if something like this would qualify for USDA funds.

The Manager-Chief Engineer replied that they have their own mechanisms in place and they solicit federal funding.

Ms. Hugo mentioned CDBG (Community Development Block Grant).

The Manager-Chief Engineer stated that there are other funding resources that they tap into.

Chairperson De Luz suggested that Mr. Hirakami could engage in a separate conversation with Ms. Hugo because she is quite active in that realm and could give more insight to how it works.

The Manager-Chief Engineer stated that the Hawai'i Island Community Development Corporation has a history of doing these types of projects.

Chairperson De Luz added that they are non-profit. To Mr. Hirakami's question, yes, they use USDA community development funds and other mechanisms, and he did think this subdivision has a USDA Rural Development loan guarantee.

Mr. Ney noted that when the Permitted Interaction Group gets together, this would be the kind of issue they would want to discuss and explore with regard to expansion of existing capacity. He would like to, at some point, meet with staff to see if there are any areas where more water units can be allowed if, for example, they put their own reservoir in or maybe there could be future expansion areas. It would be good to discuss.

**ACTION:** There being no further discussion, Motion was carried by voice vote.

**B. MONTHLY PROGRESS REPORT:**

Mr. Inaba announced that about one week after last month's meeting, the State Commission on Water Resource Management issued the well pump installation permit for the Hala'ula Well Development, Phase 2, project. The contractor will reevaluate their completion date based on this and ensuring their subcontractors are available to go ahead with the installation. Most of the Hawaiian Electric poles are

in place and power should be at the site in time for the pump installation. When the work is complete, it will take a while before the well can be put into the system because sampling needs to be done to get the source approved. The original report was completed in 2012; therefore, a new source report is needed.

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

Ms. Gray reported on the initial Financial Statements for June 2022. Next month, there will be a final version, before the audit, which will include year-end adjustments. Some changes since last month are pre-payments, which are insurance premiums that were paid to cover the next fiscal year; and the other item is cash, shown on the second page, which shows a positive change of \$10 million from proceeds from the State Revolving Fund loan program and \$4.1 million from the USDA for the Pāpa'ikou Waterline Improvement project. These put the Department in a positive net position between 2021 and 2022.

Mr. Hirakami noticed the receivables of \$1.2 million in the more-than-90-day category. He asked what kind of strategies are being used to reduce delinquencies because it was gaining ground a few months back, but now it only decreased by \$10,000.00.

Ms. Gray replied that the Department resumed water shut-offs and has a Collection Clerk who pursues outstanding accounts. The Department also has a contract with a collection agency to assist with collections.

The Manager-Chief Engineer added that part of the strategy some years back was to increase the deposit amount for new customers to \$150.00 because it was discovered that a lot of renters would skip out on their last bill and they were hard to track down after that. Increasing the deposit did help. The Department is also partnering with outside agencies, such as the Hawai'i County Financial Empowerment Center, which offers financial counseling, and the COVID-19 County assistance program was offered, but participation was not that great. (Ms. Gray stated it was about \$25,000.00.) It is only a small dent in that \$1.2 million. The real hammer is the ability to discontinue water service, but there are still challenges if people are gone and cannot be located.

Mr. Hirakami asked if it is ultimately the landlord who is responsible for the water.

The Manager-Chief Engineer replied the water is billed directly to the customer.

Mr. Ney asked if that can be changed to where if a renter wants to open an account, the homeowner needs to sign off that they will guarantee payment in the event of default by the renter, because once they have left the State, they are not going to pay the bill. It is like co-signing for an auto loan where you are going to guarantee that this person will pay.

The Manager-Chief Engineer indicated that would be best placed on another agenda for discussion.

Mr. Hirakami stated that we know the problem, so the question is how to solve that problem because if the landlord cannot be the guarantee for payment, then we are out of that water use. This should be discussed at a later meeting.

The Manager-Chief Engineer stated it will be placed on the agenda for future discussion. He added that this topic has been discussed before and some of that previous discussion could be brought back to this Board.

Chairperson De Luz suggested that when the annual audit begins, as a matter of the representation on the balance sheet, there may be opportunity to clean it up as opposed to the aging accounts on there and put it where it will come on as recoverable. Right now, it seems like a portion of it could be deemed unrecoverable. Perhaps when the audit is conducted, it may be an opportunity, not to get rid of it, but that this receivable is a misrepresentation of the asset on the balance sheet. The other issue for discussion is how collections are done.

Mr. Ney asked if the Department has a debt collection third party and how they do in terms of recovery.

The Manager-Chief Engineer noted that this could be for a future discussion. On the topic of cash receipts, he wanted to share with the Board the great work that Ms. Gray and her staff did, with the assistance from Mr. Inaba and his staff, in working with the State and the USDA. There is a lot of work done behind the scenes, and it is never as smooth as people may think to receive the money from the Federal government and also the State, even though the Department has utilized their program for many years. It takes a lot of effort and he thanked everyone for doing a great job.

Mr. Ney asked if the subject of collections could be agendized so that we can plug the hole sooner than later. He did not know why having the owner guarantee the account has not been brought to resolution because in theory, someone could have a massive leak and take off owing the Department \$10,000, hypothetically. It could be big money.

Chairperson De Luz stated that will be agendized; and one step further, within that agendized item, he suggested allowing the Department to look at what other utilities are currently doing in this matter because he believed the Wastewater Division of the Department of Environmental Environment has something similar to what Mr. Ney is saying. There are opportunities to address that particular matter.

The Manager-Chief Engineer stated that it will definitely be placed on the agenda and kept somewhat broad in the beginning, as collection matters.

Mr. Ney stated that the owners are going to be more mindful of watching the houses and making sure the waterlines are beefed up and there are no leaks if they have a potential liability.

Ms. Mellon-Lacey reminded that the Board is straying from the agenda and this will be agendized.

Chairperson De Luz noted that the Department will agendize this when they feel it has value to the Board.

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

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

1. North Kona Wells - the Deputy reported that as of this month, 12 of the 14 North Kona sources are operating and available to use. The water restriction was cancelled as of July 1, 2022. A standard water conservation notice is now in place for North Kona. He gave kudos to Operations staff, the Mechanical Engineers, Electricians, and Operators, who worked diligently with the contractors to make sure they stayed on task and on schedule for the repairs to Kalaoa and Hualālai wells. The Kalaoa Well is the one where interim repairs were done. The power cable was replaced, and it is operating with the existing motor. Eventually, the well will need to be scheduled for a motor

replacement. There is a replacement motor on island, but the well will need to be taken offline to put the new permanent motor in the well. Hualālai Well has been operating since July 19. This is the one that utilized the spare motor from the Las Vegas Valley Water District. The Department is working on replenishing that stock motor to the Las Vegas Valley Water District. Two wells still offline are Wai‘aha Well, which is in litigative hold, and the Makalei Well, which is at the northern end of the North Kona water system. With Engineering and Operations’ help, it is now progressing again. The new developer has submitted plans for the repair of the well for the full renovation and the plans were approved. Next will be a pre-construction meeting, which will be reported at a future board meeting.

2. COVID-19 Update – the Manager-Chief Engineer reported that not much has changed, and the Department still continues to be impacted by either potential exposures or actual confirmed cases, which is probably what everyone is experiencing their day-to-day operations. That does strain resources, but you just have to flex with it.
3. Update on Establishment of Permitted Interaction Group, Re: Capacity Expansion  
The Manager-Chief Engineer noted that this is on the agenda if the Permitted Interaction Group wished to discuss anything.

Chairperson De Luz asked Ms. Mellon-Lacey if, in regards to capacity, there could be a sub-group in conservation initiatives that could potentially increase capacity by getting a 10% reduction in use, especially on the North Kona side. The reason he brought this up is that the County has no initiative in gray water initiatives and for the drier areas, this could be significant. The Deputy had brought up a good point with the cautionary conservation, and conservation should be the mindset, regardless. Water is not an unlimited resource. The areas that are most pressured could potentially benefit from a gray water initiative. He asked Ms. Mellon-Lacey if it would be appropriate to ask the Permitted Interaction Group to have a sub-group for this.

Ms. Mellon-Lacey replied that the difficulty with that is that it is under the authority of the Department of Health, at the State level. She knew of the Department of Environmental Management being in discussions with the State around this issue. It is not something that the County controls.

Mr. Ney mentioned gray water systems that you can buy to filter and clean up the gray water before use but that might be under the Building Department to approve if there is a house plan.

Chairperson De Luz stated that he knew of some very pressed communities that actually have, or will consider, rainwater off roofs as a gray water initiative; for example, irrigation of yards. It is just a thought because one of the challenges is you sometimes do not look at efficiency to increase capacity. Another side note, and possibly another agenda item, would be for the Manager-Chief Engineer to give the Board an update on the Department’s initiatives on smart metering and leak detection.

The Manager-Chief Engineer recapped that what he heard is a request to have the Permitted Interaction Group include thoughts about conservation in their capacity expansion discussion and if there is a way to help assist or reduce the need for a certain amount of capacity expansion.

Mr. Ney stated that if you do not have the ability to put more wells in or expand what you have to work with, you could allow a development, but they would have to put in their own storage capacity so it does not place such a strain on having to provide the reservoir with enough water. He thought that could be worked in with a community plan or at least have that option.

Chairperson De Luz suggested, so as not to stray from the agenda, that perhaps the administration can give some insight when the permitted interaction group meets to see if that has value to their overall mission.

The Manager-Chief Engineer stated that he did not want to step into what the Permitted Interaction Group is doing, and would rather let it accomplish what it set out to do; but what he could include in a future Board agenda are the Deputy's efforts as far as conservation, as well as other initiatives such as the smart meters and leak detection.

4. Report to the Board – Council Bill 180

The Manager-Chief Engineer provided the Board with an update on Council Bill 180. The Bill was to propose a Charter amendment that another member be added to the Water Board, a representative of the Department of Hawaiian Home Lands (DHHL). Other things included were an annual report to the Council as well as training requirements to be imposed on the Board and staff on Native Hawaiian water rights. This Department provided testimony, and six members of the Council voted it down. Only two voted in favor. Apparently they did not see the need to approve Bill 180, which this Department agreed with. The Department can provide training to its Board and staff at any time. In his opinion, the Charter is not a place to put something like that. There were also questions on whether or not a County Charter could mandate something on a State agency.

Ms. Mellon-Lacey stated that there was also a conflict of what was being proposed in the existing Hawai'i Revised Statutes regarding the Water Board.

Mr. Hirakami was thankful for it being averted. That is a State function and the DHHL needs to find the sources to provide water to their homelands and not get it from the County.

The Manager-Chief Engineer stated that the Department is supportive in assisting them with what they need to accomplish that but cannot shoulder the burden of providing the infrastructure. It seems like they do have funding now, and the Department will be happy to continue to talk story with them.

Mr. Hirakami stated that when the Legislature closed, there was \$600 million for infrastructure to put more people on Hawaiian Home Lands, so that will come our way in increased water usage.

Mr. Ney asked if this is codified within the Charter or if it is just ambiguous right now as to what that language says.

Ms. Mellon-Lacey replied that there are Charter provisions on the Water Board and the Department. Bill 180 was proposing changes to the existing Charter.

Chairperson De Luz stated that there is redundancy. The Constitution gives that codification and the Charter is behold to the Constitution. He did have the opportunity to attend a training that the Manager-Chief Engineer had forwarded to the Board and it was very good training, out of the University of Hawai'i at Manoa.

Ms. Mellon-Lacey agreed it was a very good full day of training and well presented.

The Manager-Chief Engineer stated that any time it does come up, and it does periodically, he will get that out to the Board. Attendance is not mandated, but recommended.

5. Employee of the Quarter (2<sup>nd</sup> Quarter 2022)

Mr. Goodale announced that the employee of the second quarter is Ms. Mary Economy with the Operations Division. Mary began working with the Department in November of 2020 and was promoted to her current position, which is a Mechanical Engineer II, in April 2022. He read some of Mr. Takamoto's nomination of her: "From the time Mary started with the Department, she has consistently worked at an exemplary level on every task she has been assigned, showing a commitment to delivering quality work. In her pursuit to provide quality work, she has conducted thorough research via internet searches and discussions and correspondence with consultants, etc. Mary is a dedicated team player; and in the absence of civil engineering staff at Operations, she has expertly taken on assignments previously performed by a Civil Engineer IV, which is at a much higher level." Mr. Goodale stated that this is just a brief synopsis of her dedication to the Department. She is always working to improve herself for the benefit of the Department. She has demonstrated a willingness to go the extra mile, working late when necessary. It is common to hear from consultants, contractors, vendors, and staff of what a pleasure it is to work with Mary. She makes work easier for all whom she works with and provides an excellent example of dedication and ambition.

The Manager-Chief Engineer added that she is a local Hilo girl that decided to stay home and may be a future first female water manager.

Chairperson De Luz, on behalf of the Department and the Board, presented Mary with a well-deserved award, and noted that the write-up was very extensive. One of his duties as Chairperson is to judge the write-ups on candidates, and he noted that both candidates in today's award took it upon themselves to address issues outside of the scope of their day-to-day job. He noticed that is prevalent within this Department's personnel.

In response to Mr. Hirakami's question of what high school she graduated from, Mary replied it was Waiākea High School.

**E. EXECUTIVE SESSION REGARDING POTENTIAL DISPUTED SETTLEMENT - JOB NO. 2016-1056, WAI'AHA DEEPWELL REPAIR, DISTRICT OF NORTH KONA:**

The Board anticipates convening an executive meeting for the purposes of an attorney-client confidential discussion regarding the above-entitled matter.

Pursuant to Section 92-5(a)(4) Hawai'i Revised Statutes, the purpose of the executive meeting is to consult with the Board's attorney on questions and issues pertaining to the Board's duties, privileges, immunities, and liabilities. A two-thirds vote is necessary to hold an executive meeting, provided that the affirmative vote constitutes a majority of the Board.

The Manager-Chief Engineer stated that he was hoping to have something for the Board for discussion but it is not ready as of yet. He proposed not deferring, but to postpone this to a future date when it is ready to be presented to the Board. It is close. We have some of the technical write-up and a draft proposal but there are a few things that need to be fleshed out internally.

**F. CHAIRPERSON'S REPORT:**

Chairperson mentioned a tentative invitation to the groundbreaking of the Lālāmilo 10-million gallon reservoir on August 26, 2022, at 10:30 a.m.

The Manager-Chief Engineer stated that only two Board members can attend, otherwise, it would have to be agendized as a special meeting. If two is okay with everyone, he proposed the Chairperson and the Vice-Chairperson.

Chairperson De Luz recommended that it be the Vice-Chairperson and the Board Member from the district. He, as Chairperson, will be terming out at the end of this year, and he thought it would be prudent for the community to have their Board Member attending.

Mr. Ney thought it is within his district It will be confirmed and will forward the invitation once it is finalized.

Mr. Hirakami stated that he can probably be there; however, he will be absent for the August 23 Water Board Meeting.

Chairperson De Luz stated that the Manager-Chief Engineer can coordinate with Mr. Hirakami and Mr. Ney. He suggested Mr. Bell and Mr. Kekela could be second alternates, being newer members of the Board, as the project will fall within their tenure. He suggested they communicate with the Manager-Chief Engineer if they have interest. He asked if that was okay with the rest of the Board as far as rationale.

Ms. Hugo replied it was.

Mr. Ney stated that he would attend.

8) ANNOUNCEMENTS:

1. **Next Meeting:** August 23, 2022, 10:00 a.m., at the West Hawai'i Civic Center, Room B2, Building B, Second Floor, 74-5044 Ane Keohokalole Highway, Kailua-Kona, Hawai'i, preceded by a Public Hearing on the Power Cost Charge at 9:45 a.m. Room B2 is upstairs, near the Office of the Mayor, on the mauka side.

9) ADJOURNMENT

**ACTION:** Ms. Hugo moved to adjourn the meeting; seconded by Mr. Ney and carried unanimously by voice vote.

(Meeting adjourned at 11:23 a.m.)

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Recording Secretary

APPROVED BY WATER BOARD  
AUGUST 23, 2022