

MINUTES

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

November 22, 2022

West Hawai'i Civic Center, Room B2, 74-5044 Ane Keohokalole Highway, Kailua-Kona, HI

MEMBERS PRESENT: Mr. David De Luz, Jr., Chairperson
Mr. Steven Hirakami, Vice-Chairperson
Ms. Julie Hugo
Ms. Kea Keolanui
Mr. Stephen Kawena Lopez
Mr. Kenneth Sugai
Mr. Michael Bell (10:01 a.m.)
Mr. Benjamin Ney (10:02 a.m.)
Mr. Keith K. Okamoto, Manager-Chief Engineer,
Department of Water Supply (ex-officio member)

ABSENT: Mr. Pono Kekela, 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. Tyler Benner, Office of the County Auditor
Mr. Jeff Zimpher (10:14 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. Warren Ching, Energy Management Specialist
Mr. William O'Neil, Jr., Water Service District Supervisor II, DWS Waimea
Mr. Alvin Inouye, Water Plant Electrical/Electronic Equipment Repairer II
Ms. Sunshine Carter, Private Secretary

- 1) CALL TO ORDER – Chairperson De Luz called the meeting to order at 10:00 a.m. A quorum of six Board Members were in attendance and two joined the meeting shortly thereafter.
- 2) STATEMENTS FROM THE PUBLIC - Pursuant to HRS §92-3, oral testimony may be provided entirely at the beginning of the meeting, or immediately preceding the agenda item. There were no statements from the public at this time.

3) APPROVAL OF MINUTES:

• **Minutes of the October 25, 2022, Public Hearing on the Power Cost Charge**

ACTION: Mr. Sugai moved for approval of the October 25, 2022, Minutes of the Public Hearing on the Power Cost Charge; seconded by Ms. Keolanui and carried unanimously by voice vote.

• **Minutes of the October 25, 2022, Water Board Meeting**

Chairperson De Luz asked Ms. Mellon-Lacey if Vice-Chair Hirakami should recuse himself because he was not present at the October meeting and there is a quorum.

Ms. Mellon-Lacey replied that he should, if he was not present at that meeting.

Chairperson De Luz asked that the record reflect that.

Ms. Hugo and Ms. Keolanui noted they also were not present at the meeting.

Ms. Mellon-Lacey asked if there would be five members present to pass the Minutes.

Chairperson De Luz stated there were five.

Ms. Mellon-Lacey replied that those who were not present should abstain because they were not there.

Chairperson De Luz asked to go back to taking the voice vote on the Minutes of the Power Cost Charge. He indicated that vote was fine. It is only on the Minutes of the regular meeting for the selection that there are three recusing. There are five members with Mr. Bell, Mr. Sugai, Mr. Lopez, Mr. Ney, and himself that will be voting on the Minutes of the October 25, 2022, Water Board Meeting. He asked the Board to take a moment to review the Minutes.

Ms. Hugo noted that she would be abstaining and not recusing herself.

Ms. Mellon-Lacey stated that abstain is better than recuse.

Chairperson De Luz apologized and that is correct. The parties that were not in attendance are abstaining from voting on the minutes for that meeting.

ACTION: Mr. Ney moved for approval; seconded by Mr. Sugai and carried by five ayes: Mr. Bell, Mr. Lopez, Mr. Ney, Mr. Sugai, and Chairperson De Luz. Mr. Kekela was absent. Ms. Hugo, Ms. Keolanui, and Mr. Hirakami abstained.

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

5) **PRESENTATION OF COUNTY OF HAWAI‘I AUDIT REPORT ON CONTINGENCY PLANS (FOLLOW-UP):**

Chairperson De Luz asked if there was any testimony for this item. There being none, he continued with the agenda item.

Copies of the County of Hawai‘i, Office of Legislative Auditor, “Department of Water Supply Contingency Plans Follow-up,” Report No. 2022-06, dated October 20, 2022, have been distributed to Board members. The County’s Legislative Auditor, Tyler J. Benner, will present to the Board.

Mr. Benner stated that Ms. Maxine Pacheco of his office was the lead auditor on this engagement, and she is at the West Hawai'i Civic Center today in case she is needed for anything. Members of the Department of Water Supply (DWS) leadership team could also assist in answering any technical questions. He briefed the Board on their Report No. 2022-06, which was presented to the Hawai'i County Council on November 15, 2022.

The scope of the audit reviewed the DWS' contingency plans from April 22 until October 22. Follow-up audits are limited to reviewing and reporting on the implementation of recommendations made during an initial audit and does not consider new or unrelated issues that do not relate to our original recommendations. This audit evolved somewhat uniquely. Around 2016/2017, pumps and/or infrastructure at various wells began failing in quick succession, resulting in water service disruption and water restrictions of between 10% and 25%. This culminated in five wells going offline or experiencing severe capacity restrictions and former Mayor Harry Kim declaring a state of emergency in September of 2017. As a result, after constituent concerns and repair delays, former Councilmembers Karen Eoff and Dru Kanuha brought forth Resolution No. 287-17. That Resolution, passed by Council, sought to understand DWS' possessed plans to ensure sufficient water delivery service, including during the disruption of service at a well system. The original audit was published on March 3, 2020; but because it coincided with the COVID-19 pandemic, the Auditor's office never debriefed Council or the Water Board of the outcomes of the engagement. The initial audit found that DWS lacked formalized contingency plans, communication plans, and complete vendor contact information and made three recommendations. The original recommendations and their staff's follow-up are as follows:

Recommendation #1: "We recommend that DWS develop a written contingency plan, by district, to address emergency situations to mitigate potential impacts on any community or, at a minimum, include contingency plans that address important risk scenarios into their Continuity of Operations Plan. That followed with a thorough review of contingency plans, technical reports, spare pump and motor lists, and procurement notices. We noted that these plans could be further developed to include risk scenarios that could be used, generally, across districts. DWS did prepare functional equivalents through an emergency response plan, a risk and resiliency report, and a preparedness technical memorandum, which were required by the American Water Infrastructure Act and the Federal Emergency Management Agency. Although we noted some exceptions, we consider this recommendation resolved and offer the Department additional proactive suggestions to further strengthen controls such as reviewing and updating written plans accordingly, consolidating applicable guidance, making plans accessible to appropriate DWS staff, and recertifying the Continuity of Operations Plan annually. Pump, motor, and infrastructure can and do break down; and DWS has demonstrated that they can draw on 23 water systems to support any of its out of service deepwells. It is important to remember it is a best practice act--contingency plans for worst-case scenarios for emergencies, compared to a continuity plan, which is required by law--a plan covering how an organization can and will get set up again. DWS does have both plans."

Recommendation #2: "We recommend that DWS develop and implement a communications plan to notify the public, administrators, stakeholders, and all governmental agencies that rely on information that may affect them or the community. The plan should include, but not limited to, timely notices and updates, status of water events, and holding community public meetings timely. On follow-up, we found that thorough review of accommodation of communication plans, flow charts, Water Board minutes, bulletin board, social media, and the Department's website, that DWS has demonstrated the use of multiple mediums to notify and inform the public. We consider the recommendation implemented and offer the Department additional proactive suggestions to further strengthen controls, such as consolidating written guidance such as drought triggers and three stages of water shortage conservation into their communications plan."

Recommendation #3: “We recommend the DWS update their Continuity of Operations Plan to include essential vendor contact information to ensure that quick reference information is accessible and available during emergencies. At follow-up, we compared the Department’s 2010 to 2022 [plan] and verified that information for essential vendors as well as plan review and updates were in place. We consider this recommendation implemented.”

Mr. Benner noted that as date of publication, twelve of the fourteen wells are operational; and two wells, Wai‘aha and Makalei Estates, are out of service with a brief explanation of each in their executive summary. He thanked DWS for unrestricted access to sites, personnel, and information. Their cooperation was exceptional. They have added their information to their remediation tracker, which is available on their department’s page at www.hawaiicounty.gov. He thanked the Board and staff for the time and opportunity to present and invited Board Members’ discussion at this time.

Chairperson De Luz asked if there were any questions from the Board.

Mr. Hirakami asked if this is a periodic audit; and if so, when the next one would be.

Mr. Benner replied that it is not a periodic audit. They do risk-based auditing; and as described in their report, the background necessitated that the risk was increasing rapidly and necessitated the audit. At this point, they have done the initial audit and have done the follow-up. They intend to conduct this as a remedial type of audit.

Mr. Ney asked if the Department addressed all of the well sites with this review and scope of the audit, or whether it was only on the wells that had issues.

The Manager-Chief Engineer replied that the Department addressed all of the 23 water systems, but not in particular to this audit.

Mr. Ney mentioned that there might not be as much redundancy with some of the other systems.

The Manager-Chief Engineer agreed and added that the Continuity of Operations Plan is an island-wide plan, covering all of the Department’s systems. There are contingency plans by particular systems that will be continued to be refined.

Mr. Hirakami asked if the Continuity of Operations Plan would be something the Department would exercise in Puna in case of lava flows or anything causing loss of water.

The Manager-Chief Engineer replied that it would be more along the lines of a contingency-type of plan.

Chairperson De Luz mentioned the Department’s plan to improve resiliency, redundancy, and efficiency and the study done by Brown and Caldwell, assisted by the Board’s creation of a Permitted Interaction Group in 2017 regarding the North Kona wells. It might be good to have an index to these plans for new members who join the Water Board. Within the past five years from that previous Board, the Department has completed quite a bit of proactive situations with regard to its wells. On behalf of the Board, he thanked Mr. Benner for his presentation today.

(Mr. Benner thanked the Board and left the meeting at 10:17 a.m.)

6) **POWER COST CHARGE:**

Chairperson De Luz asked if there was any testimony for this item. There being none, he continued with the agenda item.

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 \$2.87 to **\$3.04** 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>
November 1, 2022	\$2.87
September 1, 2022	\$2.75
July 1, 2022	\$2.48
May 1, 2022	\$2.34
March 1, 2022	\$2.02
November 1, 2021	\$2.15

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

RECOMMENDATION: It is recommended that the Board approve holding a Public Hearing on December 20, 2022, at 9:45 a.m., to receive testimony on increasing the Power Cost Charge from \$2.87 to \$3.04, effective January 1, 2023.

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

The Manager-Chief Engineer stated that the hopes were for a downward trend, but unfortunately that did not happen. This proposed increase is for the evaluation period of September and October of 2022. The Board will see some background on this increase later in the agenda under the Manager-Chief Engineer's Report – Energy Update. This is the same evaluation that is done every two months to come up with this figure. It takes into account the pumping costs compared to water volume.

Mr. Lopez noted that this looked like it will be the sixth proposed power cost increase in this calendar year and is mindful of the public backlash. Not that the increase is not justified; but it is something to consider because in his District 8, there is an awful lot of land mass.

Mr. Ney stated that if you look at the trend shown over the past two years, it is adjusted fairly in both directions.

Mr. Lopez understood but people may not see it that way and only see the increase.

Ms. Keolanui agreed with Mr. Lopez and asked if there has ever been a consecutive rise like this in the past.

The Manager-Chief Engineer referred to the graph in the Energy Report, showing the history of the power cost. Before 2008, the Department could only adjust the power cost charge on a yearly basis and had one year where it lost over \$4 million because the escalation in electrical costs could not be recovered. The rules were changed in 2008 to allow it to be changed bi-monthly. He asked Ms. Gray what the annual operating expense is in the budget.

Ms. Gray stated that the Operating Budget is \$61 million and \$23 million is just for power. In 2008 when the rules were changed for frequency, it was not actually changed every two months until within the past year, when electricity costs went up.

Chairperson De Luz stated that Ms. Keolanui's question is a good one; but in this timeframe, unfortunately, it is unprecedented.

Mr. Lopez stated that these are all good reasons and good arguments; but perhaps a suggestion for the public hearing would be to provide information to the public, from Mr. Okamoto, as Manager-Chief Engineer of the Department, and that he be prepared with charts and slides, such that are shown here, to explain why the Department is in this position, even going back to the rate change in 2008 and the impact of the \$4 million. Those were all very good arguments that could be left under the table if they are not brought out. Some kind of presentation could be held at the beginning of the public hearing by the Manager-Chief Engineer.

Mr. Hiramami commented that by the amount of zero testimony at these public hearings, either the public does not know about them or they do not care. This is the sixth proposed increase this year, and he wondered if the message is getting out there.

Ms. Mellon-Lacey thought that the public must be aware of increasing fuel costs by what is happening at the gas pump and that the power cost charge is explained on the water bill. Either they are not paying much attention to it or they may be calling the Department directly to see what is wrong with their bill.

Mr. Hiramami agreed and has noticed a downward trend at the gas pump lately, although utilities do not have the same reactive time.

Ms. Keolanui agreed that everyone sees the cost of energy going up but is sure that a lot of consumers are not necessarily educated on the interaction between Hawaiian Electric and Department of Water Supply. It may be a good point, as Mr. Lopez suggested, to provide more information, showing the graph, and helping consumers understand that interaction.

Chairperson De Luz suggested that a synopsis could be given on where the Department stands now, only because of these unprecedented increases. It may help from a public relations capacity.

Ms. Keolanui asked how the notifications of the power cost charge increase are being put out to the public.

The Manager-Chief Engineer replied that they are placed on the Department's website, the County Calendar, bulletin boards, and are advertised in the Hawai'i Tribune-Herald and the West Hawai'i Today. If the Board wished, they could be advertised more or even put into a press release.

Ms. Keolanui thanked the Manager-Chief Engineer for the clarification and thought that the newspaper advertisement is pretty thorough.

Mr. Lopez suggested an insert in the billing providing a synopsis, as Chairperson De Luz had mentioned, and see if that generates interest.

The Manager-Chief Engineer indicated that he would take these recommendations into account.

Chairperson De Luz praised the Department for maintaining its demand charge. Sometimes when you see a spike in the cost of electricity, it has an impact on the demand charge. The other thing he recalled is that

there will be a water rate increase next year, which has no opportunity for public comment as the decision has been made on that particular increase. It may seem like a double whammy, but a more articulated explanation and synopsis might benefit the Department in fielding concern from the consumers in that regard.

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

7) SOUTH KOHALA:

A. JOB NO. 2004-847, CONSTRUCTION OF THE PUAKŌ WATERLINE REPLACEMENT:

Chairperson De Luz asked if there was any testimony for this item. There being none, he continued with the agenda item.

Bids for this project were received and opened on October 31, 2022, at 2:00 p.m., and the following are the bid results:

Bidder	Bid Amount	Adjusted Bid Amount w/Preferences*
Drainpipe Plumbing & Solar LLC	\$5,781,520.01	\$5,781,520.01
Goodfellow Bros, LLC	\$6,485,550.00	\$6,161,272.50
Isemoto Contracting & Demolition, LLC	\$9,182,810.00	\$8,723,669.50
Jas. W. Glover, LTD	\$10,174,800.00	\$10,174,800.00
Koga Engineering & Construction, Inc.	\$7,657,000.00	\$7,274,150.00
Nan, Inc.	\$7,481,645.00	\$7,107,562.75

**Bids were adjusted (for purposes of award) to provide credits in the State Apprenticeship Program, in accordance with Hawai'i Administrative Rules*

Project Scope: This project involves construction of approximately 11,500 linear feet of new 12" and 8" zinc coated ductile iron waterline, 112 service laterals, 24 fire hydrants and appurtenances along Puakō Beach Drive. It is also anticipated that the construction will take approximately 1 year to complete (365 days). The engineers estimate for the project was \$4,700,000.00.

Project Cost:

1) Low Bidder (Drainpipe Plumbing & Solar LLC)	\$5,781,520.01
2) Construction Contingency (10%)	<u>578,152.00</u>
Total Construction Cost:	<u>\$6,359,672.01</u>

Funding for this project will be funded by a State Revolving Fund loan.

RECOMMENDATION: It is recommended that the Board award the contract for JOB NO. 2004-847, CONSTRUCTION OF THE PUAKŌ WATERLINE IMPROVEMENTS, to the lowest bidder, Drainpipe Plumbing & Solar LLC, for their bid amount of \$5,781,520.01 plus \$578,152.00 for construction contingency, for a total contract amount of \$6,359,672.01, and 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. Lopez moved for approval of the recommendation; seconded by Ms. Keolanui.

Mr. Ney asked if the Department has used this company before; and if so, if they were satisfactory.

Mr. Inaba replied that they worked on a Kapoho Beach project and were satisfactory.

Mr. Lopez asked about the adjusted bid amount for the State Apprenticeship Program.

The Manager-Chief Engineer explained that the State implemented this to use for awarding purposes. If a company has an apprenticeship program, they can knock off a couple of percentage points and their bid will be evaluated at the lower amount. There is no money involved. It only adjusts their amount for award purposes, and they will be paid for their bid amount.

Chairperson De Luz, Vice-Chairperson Hiramami, and Ms. Keolanui asked if they need to recuse themselves as they know the principle of the company, Mr. John Gapp. (Ms. Mellon-Lacey replied that knowing a person is not a reason that a board member would have to recuse themselves, unless they feel they cannot be fair and impartial.) Chairperson De Luz, Vice-Chairperson Hiramami, and Ms. Keolanui announced that they would, therefore, feel comfortable in voting on this matter.

Mr. Ney asked if the company is feasible and has the manpower to do this job.

Ms. Mellon-Lacey stated that when they are evaluated, the Department looks at the most reasonable and also responsible bidders.

The Manager-Chief Engineer added that the bidders need to have the proper license; and every two years, they have to update their Qualification Questionnaire which is on file with the Department. The Questionnaire includes information on their technical, financial, and managerial capacities to perform the work.

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

B. JOB NO. 2020-1160, PARKER #2 DEEPWELL REPAIR – REQUEST FOR ADDITIONAL FUNDS:

Chairperson De Luz asked if there was any testimony for this item. There being none, he continued with the agenda item.

The Contractor, Beylik/Energetic A JV is requesting a contract change order for additional work that was required for machining new column pipe to install a positive seal check valve directly connected to the pump and to submerge the positive seal check valve within the water column. 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 st Additional Funds Request (Approved 12/21/2021)	Removal of the existing discharge head, furnish new discharge head and replacement of nine	\$42,000.00

	damaged 10" x 20' long galvanized steel column pipes.	
2 nd Additional Funds Request (Approved 7/26/2022)	Modifications to the new discharge head. Inclusive of labor, shipping and other related costs.	\$7,909.00
3 rd Additional Funds Request	Machining work to contractor supplied 10" x 5' column pipe and replacement of 10" x 17' column pipe with extra 10" x 20' column pipe.	\$5,903.15
Total Revised Contract Amount		\$916,812.15

Staff reviewed the request for the additional funds and found that the \$5,903.15 is justified. The contractor also requested a contract time extension of 7 calendar days but that request was not justified. *Note: Payment of this work shall be performed by force account.*

RECOMMENDATION: It is recommended that the Board approve an increase in contingency of \$5,903.15 to Beylik/Energetic A JV, for a total project cost of \$916,812.15 for JOB NO. 2020-1160, PARKER #2 DEEPWELL REPAIR.

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

Mr. Lopez asked why it is being changed from 10 inches by 5 feet to 10 inches by 17 feet.

Mr. Goodale explained that there are two lengths of pipe that were required for this was so that the new positive seal check valve would be within the water column. When all of the measurements were taken, it was found that it would not have extended appropriately into the water column as necessary. Therefore, those two additional pieces would make it the length that was needed.

Mr. Lopez asked who made the change request.

The Manager-Chief Engineer replied that the Department made the request.

Mr. Hirakami asked for more clarity on the lengths of pipe.

The Manager-Chief Engineer replied that it is actually two different pipes. There is a 10x5-foot section of pipe that needed to be machined, which is one component of the extra work. To lower the pump even deeper into the well, they had to replace a 17-foot piece of pipe with a 20-foot piece of pipe, so there were actually two pieces of pipe that were modified.

Mr. Goodale stated that the sole purpose of this request was so that it would extend into the water column appropriately.

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

8) **MISCELLANEOUS:**

A. **MONTHLY PROGRESS REPORT:**

Chairperson De Luz asked if there was any testimony for this item. There being none, he continued with the agenda item.

Mr. Inaba reported on the Hala'ula Well Development Phase 2 project. The well was run and purged and water samples were collected and sent to the Department of Health laboratory for testing. Once the results come back, the consultant can submit a new source report. Once that is done, water can be put into the system.

The Manager-Chief Engineer added that there is a light at the end of the tunnel here. Likely, the early part of next year is when water will be flowing into the system. The project lasted longer than anticipated. It is a much-needed project for the area; and down the road, engineering and operations are looking at contingency plans and opportunities to see if the Hāwī wells can be backed up. It might take some tweaks to the system.

Mr. Hirakami asked if power was energized.

Mr. Inaba replied it was energized last week.

Chairperson De Luz stated that his understanding is that Hawaiian Electric is looking at extending their high-voltage transmission line in that area from Waimea. He asked if it would impact the Department's infrastructure there. Perhaps there is a conversation and public comment that could be had with regard to impacts to the DWS' system.

The Manager-Chief Engineer thanked the Chair for mentioning it. The Department is looking at opportunities to talk with their major stakeholders and customers on overall hardening opportunities for their system, utilizing some federal funding. The Department shared its needs and suggestions with Hawaiian Electric; and one of the key takeaways was the position of increasing capacity for quicker restoration of facilities rather than making a facility bullet proof against natural disasters. If there is an opportunity there with federal funds, the thought is how to increase capacity for restoration because short-term outages can be endured with extra storage.

Mr. Hirakami asked where 'Ōla'a No. 3 Well B, Phase 1, is located.

Mr. Inaba replied that it is on the site of a 1-million-gallon reservoir off the Volcano Highway in front of Kamehameha School. It is a project that has become a potential project for FEMA funds.

B. REVIEW OF MONTHLY FINANCIAL STATEMENTS:

Chairperson De Luz asked if there was any testimony for this item. There being none, he continued with the agenda item.

Ms. Gray reviewed the Financial Statements for October of 2022. This is one-third of the way through the fiscal year. Two items of note are on the Income Statement, customers accounting increased \$139,445, or 39%, from prior year due to an annual maintenance cost for the Northstar billing system; and interest revenues increased \$9,483, 37% from prior year, which is due to the interest earned on DWS' checking account. She mentioned that the Manager-Chief Engineer had asked if the DWS is moving in the right direction, and she had explained what she does is she looks at the net position and change, going along from month to month. It is a quick way to get an idea of the Department's financial position. It is also included in the annual audit report.

C. MANAGER-CHIEF ENGINEER'S REPORT:

Chairperson De Luz asked if there was any testimony for this item. There being none, he continued with the agenda item.

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

1. North Kona Wells – the Deputy reported that twelve out of fourteen wells are in use or available to use. The Department continues to work with the developer for Makalei Well to schedule a pre-construction meeting. Hualālai Well is being monitored, which had gone offline this past June. Over the last two to three weeks, a drop in pumpage has been noticed. It was over 800 gallons per minute (gpm) back in July, and now it is down to about 575 gpm. In line with contingency planning, staff has already started to get the process moving on possible repair specifications and how to look at other sources in the area to redirect water in the event of well failure.

Mr. Ney asked if that is attributed to a pump performance issue.

The Deputy replied that the pumpage is decreasing. In July of this year, the motor was replaced, but the pump was reused.

The Manager-Chief Engineer introduced Mr. Alvin Inouye, Water Plant Electrical/Electronic Equipment Repairer II. Mr. Inouye is key in making sure the water comes out of the ground and is distributed within the system on the Kona side. Beginning December 1, he will be assuming the position of Operations Superintendent and will fall directly under Mr. Goodale, Chief of Operations. He asked Mr. Inouye to share some of his insights into what is happening with Hualālai Well.

Mr. Inouye stated that the drop in gpm was noticed and is being investigated. In his 20 years' experience, sand gets in this particular well and can come up and damage the pump. Staff has noticed sand in the tank and are trying to find some type of filter or a pump that is built for these conditions, such as oil wells. This well is run 24/7 due to demand.

2. Department of Water Supply Energy Report - Mr. Ching reviewed the Energy Report. For the third quarter of 2022, the total power cost was slightly under \$6.8 million, which was 39.7% from the same quarter last year. Compared to the previous quarter, it was up 10.2%. Figure 1 shows some history, and he touched on the demand cost and energy cost difference. The quarterly demand cost has not changed much, but the demand charge from Hawaiian Electric has not changed. The energy cost, or per kilowatt cost, that changes every month is where you can see the difference from quarter to quarter. Customer water consumption and total energy use for the third quarter of 2022 was a little over 2.3 billion gallons, down 2.3% from the same quarter of 2021; and compared to the previous quarter, it was up 1.8%. Total energy use for the third quarter 2022 was over 14.7 million kilowatt hours, which was up 1% from the same quarter of 2021. Compared to the previous quarter, it was up 1.1%. For Hawaiian Electric, the Department still has 158 accounts broken down into three different rate schedules. The average Hawaiian Electric energy rate for the third quarter of 2022 was about 44.2 cents per kilowatt hour, up 40.6% from the same quarter of 2021. Compared to the previous quarter, it was up about 4%. The demand rate average for the third quarter is \$20.50 per kilowatt, which has not changed. Going on to the figure referenced during the power cost charge item, the current power cost is \$2.87 per thousand gallons. It was last adjusted November 1, 2022. The history shown goes back over the past three years. As Ms. Gray had mentioned, in recent months, the Department began implementing a change in the power cost charge every two months to help closely follow large or steep increases. The Department could easily fall behind if that short interval is not there. As seen in his report, prior to March of this year, the Department was averaging about a four-month interval. Electrical rates were fairly steady and there were no steep changes up or down. At the beginning of the COVID pandemic, the demand went to almost nothing for oil because no one was traveling, and oil prices dropped for that reason. Throughout the pandemic, the supply was adjusted to meet the demand; therefore,

prices were still low but getting a little back to normal. Early this year, demand for oil started to increase again as people were travelling, and the supply needed to catch up to the increase. This resulted in higher oil prices beginning earlier this year, compounded with the Russian invasion of Ukraine, which drastically increased oil prices because of unknowns. Hawaiian Electric prices increased at a steep rate and resulted in DWS going through a two-month interval for the power cost charge to try and catch up.

The Manager-Chief Engineer stated that it is not a catch up, but rather to recoup what was lost. It is still in the negative, about \$1 million.

Mr. Hirakami stated that it is good to reflect that the power cost went up 39.7% from the third quarter of 2021 to 2022; and if you look at the difference between November 1, 2021, and November 1, 2022, it is 33.5% and he could see what was meant by not really catching up.

Mr. Lopez stated that this report is what he was referring to for a presentation at the public hearing. It could be distilled, but the first page is great. This explanation on recovering rather than catch-up is good, and he appreciated this report.

Mr. Ney asked at what point you would know you have to retain high rates for some time to bring down the \$1 million negative number. That is a substantial amount of money and it has to be plugged at some point. He wondered at what point it would become hard to reconcile.

Chairperson De Luz asked the Manager-Chief Engineer if it is interjected into the Operating and Maintenance costs when budgeting.

The Manager-Chief Engineer replied that is partly where it is attempted to be recouped. The Department cannot legally overcharge and make up lost revenue. It has to be based on actual costs for electricity compared to what is pumped.

Ms. Hugo asked how long a period the Department was in the negative at \$1 million.

Ms. Gray replied that for this fiscal year, it is actually \$1.4 million.

Chairperson De Luz stated that it is good to note the Department is not recovering 100% of any rate increases and is absorbing it somewhere else. Another thing to note are conservation efforts that consumers can do so their impact is nominal to the increase of this power cost surcharge. There is content on the Department's website about conservation, and it could be emphasized by a link to give customers some information.

The Manager-Chief Engineer agreed that this is an area where the Department can be better at communicating that kind of information.

Mr. Ching continued with his report, highlighting some partnerships the Department is involved in. Hawai'i Energy has been supportive of the Department's leak detection program and has given rebates for leak detection loggers and battery kits. These loggers are deployed to pinpoint leaks, after which the leaks are repaired, allowing less run time on pumps. The Hazard Mitigation Grant Program FEMA funds for generator transfer switches make switching to generator power quicker and safer. They were placed at four well sites, all of which are high priority, critical sites. This was a 75% Federal funds split with the Department, and he recognized HIEMA (Hawai'i Emergency Management Agency) for their partnership. The Solar Photovoltaic (PV) Systems at Five DWS Locations project is ongoing. Construction is complete on four out of five sites. Hilo

Baseyard is anticipated to be complete this upcoming January. This is a Power Purchase Agreement (PPA) where the average Hawaiian Electric rate is 44 cents per kilowatt hour, but this PPA will be for 19 cents per kilowatt hour for a 20-year term. It is a good project. Pi'ihonua #3 Booster A Replacement is a project to replace old infrastructure. Completion is anticipated for December of this year. Hāwī #2 Booster C construction is complete and awaits final testing. Pi'ihonua #1 Well C VFD (Variable Frequency Drive) installation was completed and is awaiting final testing results. These projects will provide power factor credits and demand savings.

Mr. Ney mentioned the process of adjusting the power cost charge up or down and asked what would have to happen to change the way it is being done and whether it is on a State Legislative level or what needs to be changed. An example would be when you pay taxes, you pay anticipated earnings and hopefully get a credit back. He could not see why the Department cannot make sure it has enough money to cover the cost of energy, and if it has collected too much, it could be credited back to the customer accordingly. There is nothing dishonest about that. He feels it should be done that way rather than what is in place now, which does not work very well. He would love to understand what it would take to rework the way it is done.

The Manager-Chief Engineer stated that would be a good thing to place on an agenda for discussion, perhaps in January or a subsequent month. He asked Ms. Mellon-Lacey if it is something the Board could handle without State Legislation.

Chairperson De Luz stated that it would be a change to the rules.

Ms. Mellon-Lacey stated that she would check the Statutes to make sure; but to change the rules is a process in itself and requires public hearing.

Chairperson De Luz suggested that the Manager-Chief Engineer might want to check with the consultant for the water rate study as they go through their new rate study for next year, and also check with other municipalities.

The Manager-Chief Engineer replied that conversation could be had, and it just needs to be agendized for a future meeting.

3. Pacific Water Conference, February 7 to 9, 2023 – Hawai'i Convention Center, Honolulu, Hawai'i

The Manager-Chief Engineer announced the subject conference and indicated there may be budget for four or five Board Members to attend. He asked Ms. Mellon-Lacey if there was anything special required or to be cautious of.

Ms. Mellon-Lacey replied that, generally speaking, two Board Members can attend without a problem; but it is possible for Board Members to attend training after which they have to report back to this group on what they learned and they need to be cognizant of the Sunshine Law when they are at the training.

Chairperson De Luz asked who the Board Members should express their interest to.

The Manager-Chief Engineer replied that it would be to either to the Board Secretary or the Private Secretary. He will have the conference notice sent to the board by bcc email.

ITEMS TAKEN OUT OF ORDER

Chairperson De Luz asked the Board's concurrence to take up the public items on the agenda before going into the Executive Session items 8D and 8E. That way, the Manager-Chief Engineer could dismiss his staff after the public portion only because this meeting is in Kona. If that is appropriate with Corporation Counsel, he would like to take Items 8G and 8H out of order.

Ms. Mellon-Lacey indicated that the Chairperson could make that change on his own.

Chairperson De Luz went on to Item 8G.

G. ELECTION OF CHAIRPERSON AND VICE-CHAIRPERSON FOR 2023:

Chairperson De Luz began by stating that his term (District 3) and Mr. Sugai's term (District 6) will end on December 31 of this year. Although they can serve a hold-over of 90 days, it does not give them the privilege of holding a Chair or a Vice-Chair position. He then opened the floor for nominations for Chairperson, and mentioned that a board member can self-nominate.

MOTION: Ms. Keolanui nominated Mr. Steven Hirakami for Chairperson; seconded by Mr. Bell.

Chairperson De Luz called for a Motion to close nominations for Chairperson as there were no further nominations.

ACTION: Ms. Hugo moved to close nominations; seconded by Mr. Ney. A vote was taken on the Motion to elect Mr. Steven Hirakami as Chairperson for 2023; carried unanimously by voice vote.

Chairperson De Luz opened the floor for nominations for Vice-Chairperson for the 2023 term. He stated that the importance of the Vice-Chairperson is to run the meeting in the event that the Chairperson is unavailable and also, because this is a fiduciary board, in the event that documents need to be signed and the Chairperson is not available.

MOTION: Mr. Bell moved to nominate Mr. Stephen Kawena Lopez for Vice-Chairperson for the 2023 term; seconded by Ms. Keolanui.

There being no further nominations for Vice-Chairperson, Chairperson De Luz called for a Motion to close nominations.

ACTION: Ms. Hugo moved to close nominations; seconded by Mr. Ney. A vote was taken on the Motion to elect Mr. Stephen Kawena Lopez as Vice-Chairperson; carried unanimously by voice vote.

Chairperson De Luz congratulated Mr. Hirakami as Chairperson and Mr. Lopez as Vice-Chairperson for calendar year 2023. He added that Ms. Sunshine Carter will be contacting them appropriately with regard to the need for signing documents in the new year.

The Manager-Chief Engineer added that the Department will also recruiting to fill the Board Secretary position after her retirement.

H. CHAIRPERSON'S REPORT:

Mr. Lopez asked if is there a point in the agenda when he can bring up matters, such as the Water Board Schedule for next year, given out today, which he felt should be ratified by the Board, and also a place where he could bring up something that has come to his table and needs to respond to a

member of the community. He has letters from a Councilperson asking him to get involved; however, he would not take a position on anything without the Board. He did not see a place on the agenda for Old Business or New Business.

Ms. Mellon-Lacey stated that if a Councilperson is asking him to get involved in something, it sounded like it was something that should go directly to the Manager-Chief Engineer, but it was hard to answer because she did not know what the content was.

The Manager-Chief Engineer asked Mr. Lopez to send the matters he was referring to by email to the Board Secretary and he would see to it that they are communicated to the Board Chair or staff, whichever is the appropriate venue. As for the 2023 Water Board Schedule, it will be placed on the agenda for next month.

Ms. Mellon-Lacey stated that usually the way it should go is if it is something for consideration for the Board, to have it go to the Secretary for the Board and then the Board would make the Chairperson and Manager-Chief Engineer aware that there may be more discussion. Two board members can talk and then the decision could be made. That should be placed on the agenda for the next meeting or maybe there is another way to resolve it if it is just a question that someone has asked a board member and they want to give an answer to or something like that.

Chairperson De Luz recapped that, unless there is something that needs immediate attention, to take it to the Board Secretary or the Private Secretary, which would go to the Manager-Chief Engineer's attention. He will direct it to the Chairperson if it requires Board involvement; and the Chairperson will work with the Secretary and the Manager-Chief Engineer to see if there are any issues. Generally, that is what he would suggest as consideration for protocol. He asked Mr. Lopez if that addressed his concerns.

Mr. Lopez replied that it did and that he just needed a process.

Chairperson De Luz also reported on the delicious lunch the Department's Waimea Baseyard put on last month when the Board met and had a site visit in that district. He thanked Mr. O'Neil and his staff for the great food.

D. 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.

Chairperson De Luz entertained a Motion to enter Executive Session.

MOTION TO ENTER EXECUTIVE SESSION: Mr. Sugai so moved; seconded by Mr. Ney.

Ms. Hugo asked if the Board would be going into Executive Session on just this one item.

Chairperson De Luz replied that the Board would address each item separately. He called for roll call vote to enter into Executive Session for this 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; and one absent: Mr. Kekela).

(The Board entered Executive Session at 11:53 a.m. and ended at 12:27 p.m.)

RECESS: The Board took recess from 12:27 p.m. to 12:36 p.m.

Chairperson De Luz announced that the Manager-Chief Engineer and staff provided an update to the Board on the matter and will advise the Board appropriately.

E. EXECUTIVE SESSION: MANAGER-CHIEF ENGINEER AND DEPUTY EVALUATION AND COMPENSATION FOR CALENDAR YEAR 2022:

The Board anticipates convening an executive meeting to consider the evaluations of the Manager-Chief Engineer and Deputy for its annual performance review, as authorized by Hawai'i County Charter Section 7-4.6(d) and Hawai'i Revised Statutes ("HRS"), Sections 92-4 and 92-5(a)(2). The Board wishes to have its attorney present, in order to consult with the board's attorney on its questions and issues pertaining to the board's powers, duties, privileges, immunities, and liabilities pursuant to HRS Section 92-5(a)(4). A two-thirds vote of the members present, pursuant to HRS Section 92-4, is necessary to hold an executive meeting, provided that the affirmative vote constitutes a majority of the board.

Chairperson De Luz asked Ms. Mellon-Lacey if Items E and F can be combined as they are similar or if the Board needs to take them in a separate action.

Ms. Mellon-Lacey replied that the Board needs to stay with the confines of the Executive Session on the agenda.

Mr. Lopez recalled having a Human Resources person present for the Board to ask questions during Executive Session.

The Manager-Chief Engineer replied that the person was not able to be present.

Chairperson De Luz then called for a Motion to enter Executive Session on Item 8E.

ACTION TO ENTER EXECUTIVE SESSION: Ms. Hugo moved to enter into Executive Session to address the Manager-Chief Engineer and Deputy evaluation and compensation for calendar year 2022; 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; and one absent, Mr. Kekela).

(The Board entered Executive Session at 12:39 p.m. and ended at 1:10 p.m.)

F. MANAGER-CHIEF ENGINEER AND DEPUTY EVALUATION AND COMPENSATION FOR CALENDAR YEAR 2022:

Chairperson De Luz asked if there was any testimony for this item. There being none, he continued with the agenda item.

Chairperson De Luz announced that the Board had discussion; and a final evaluation and determination for the Manager-Chief Engineer and Deputy evaluation and compensation for calendar year 2022, will be considered at the December 20, 2022, Water Board Meeting.

G. **ELECTION OF CHAIRPERSON AND VICE-CHAIRPERSON FOR 2023:**

Taken up earlier.

H. **CHAIRPERSON'S REPORT:**

Taken up earlier.

9) **ANNOUNCEMENTS:**

1. **Next Meeting:** - December 20, 2022, 10:00 a.m., at the Liquor Control Conference Room, Hilo Lagoon Centre, 101 Aupuni Street, Room 230, Hilo, Hawai'i.

10) **ADJOURNMENT**

ACTION: Mr. Hirakami moved to adjourn the meeting; seconded by Ms. Keolanui and carried unanimously by voice vote.

(Meeting adjourned at 1:12 p.m.)

Recording Secretary

APPROVED BY WATER BOARD
(DECEMBER 20, 2022)