MINUTES

DEPARTMENT OF WATER SUPPLY
COUNTY OF HAWAIʻI
WATER BOARD MEETING

November 28, 2023

West Hawaiʻi Civic Center, Building G, 74-5044 Ane Keohokālole Highway, Kailua-Kona, Hawaiʻi

MEMBERS PRESENT:	Mr. Steven Hirakami, Chairperson Mr. Stephen Kawena Lopez, Vice-Chairperson Mr. Michael Bell, Water Board Member Mr. Thomas Brown, Water Board Member Ms. Julie Hugo, Water Board Member Mr. Michael Pono Kekela, Water Board Member Mr. Benjamin Ney, Water Board Member Mr. Keith Unger, Water Board Member Mr. Keith K. Okamoto, Manager-Chief Engineer, Department of Water Supply (ex-officio member)
ABSENT:	Ms. Kea Keolanui, 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 Ms. Lerisa Heroldt, Deputy Corporation Counsel

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
Ms. Nora Avenue, Recording Secretary

1) **CALL TO ORDER** – Chairperson Hirakami called the meeting to order at 10:00 a.m. A quorum of eight Board Members were in attendance.

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 24, 2023, Water Board Meeting

ACTION: Mr. Ney moved to approve the Minutes of October 24, 2023; seconded by Mr. Brown and carried unanimously by voice vote. Ms. Keolanui was absent.

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

CHR. HIRAKAMI: Right now, instead of going to Item 5, I would like to entertain a motion from the Board to move the agenda Item 9A up to this point so they could do their presentation. Okay, do we have any objections from the members of the Board to move Item No. 9A up to the front so we can listen to the people from Harris and Associates on the water rate study?? Any objections?

Change Order of Business: As directed by the Chairperson and with no objection from the Board Members, the following item was taken out of order:

9) MISCELLANEOUS:

A. WATER RATE STUDY – VIRTUAL PRESENTATION BY HARRIS & ASSOCIATES:

As requested by the Water Board, Harris & Associates, DWS' Water Rate consultant based in Seattle, WA will be providing a virtual presentation to the Water Board on the Water Rates "True-up" results.

The True-Up Analyses compares DWS' financial performance over FYs 2022 through FY 2024, and indicates a strategy for planned rate adjustments in the last 3 years of the 5-year rate plan (FYs 2025, 2026, and 2027). The consultant and department staff will be available for questions.

(Note: At this time, Senior Rate Consultant Karyn Johnson and Vice President of Consulting Operations Ann Hajnosz and provided a PowerPoint presentation to members of the Water Board. A hardcopy of the PowerPoint presentation, entitled Water Rate Study Revenue Requirements True-Up (FY 2022-02027) is made part of the record, and is available for public viewing at the Department of Water Supply's office.)

MS. HAJNOSZ: Good morning, everyone. Aloha. Good to see a lot of you over there, and I see you Board members, also. I'm Ann Hajnosz, Project Manager with Harris & Associates, and I'm here with Karyn Johnson, who is our Senior Rate Consultant, and we are here to provide an update on the True-Up Analyses, and we'll also talk about future next steps. I understand all of you have hard copies of this as well, so hopefully you all can follow along.

So for today's topics we're going to start with the Rate Study Overview, just to remind folks what a rate study is and what it entails, then we're going to talk about where we are today, we're going take a look at the overall schedules. Karyn will give you the results of the True-Up Results, and then also talk about improving the Historical Recap, and then we'll talk about Next Steps.

Just so we're all on the same page in Water Rate Making, we're really looking to the set revenue that are sufficient to pay for your ongoing operations and maintenance expenses, meet your debt requirements as well as fund capital, and then also it's really important to achieve financial performance metrics, in response to previous Boards about this quite a bit, fiscal policy, and you'll hear Karyn talk a lot about that in the True-Up Results.

Also, a very important part of Rates, is to establish fix and variable rates components that align with your revenue goals, and also send the right message about water conservation, so we will also be taking a look at that, the Rate Study.

And then finally, we want to make sure that the rates that we adopt are fair, they're reasonable, they reflect the values of your customers, and so just that in the consistent (INAUDIBLE), technically the water wells sites. The rate study, here up to the right, begins with the data acquisition, which is important, there's a lot of water data that we require for the rate study. We work very closely with both Finance, with Candace and your staff, and we also work with your Engineering staff, with Kurt and others, to get operations and maintenance and capital improvement information.

The next steps are to prepare projections for customers, how water sales are going, to limit expenditures, and capital expenditures are going to be spent in the future, and that comes down to Step 4, which is our revenue requirements analyses, and this is the analyses that Karyn is going to be focusing on, and basically telling you how we updated that to reflect more recent information.

There's also a cost-of-service piece that really goes to how the cost is being allocated to the various customers, and also focuses on that fixed and variable components that I mentioned earlier, and how we're recovering revenue through the monthly stand-by charge and through the volume-based charges.

Rate Design is the final step, where we actually set the rates for the monthly standby charges and the variable volume charges. We looked at that based on all the different meter sizes that you folks have, as well as the different customer classes for the general and Ag.

We do some testing and the proof of adequacy of the rates, and then we finally come up with a recommendation that the Board will take a look at and then recommend for approval, and then go through the public information process.

Some of the key assumptions that you're going to hear more about in the Rate Study are revenues, what's the customer growth in the water usage growth assumption, for operating capital cost. We look at escalation rates. We look at escalation rates. We look at annual completion of capital as well as things like staffing levels for operating expenses. Then for Financial Policies, you're going to hear about levels of cash reserves, where are the targets, as well as how we manage that. So that's kind of an overview big picture for rate-making.

I want to talk a little bit on where we are on the study. For those Board members that were around a year and a half ago, this calendar starts in March 2022, and at that point we had finished the Rate Study and we're recommending a 9.5% rate increase pretty much for the next five years, and so that had gone into effect in July.

Over the next year and half or so, we had talked about, per the Board's request, we were looking at determining customer classes, more specific customer classes around single-family, multi-family, possibly looking at hotel consumer class. In order for us to do it, as I mentioned before, rate increases or rate structure changes which are really data intensive, so we needed a lot of customer data. We knew at that time that it was going to be challenging to get that customer data. So over the course of COVID, a year or so we worked with the staff; looked at different examples, trying to figure out how we could streamline that data collection process. We finally concluded—I think just this past summer that it was going to be really too difficult for us to get all that data.

So while we were updating our models to be able to receive this new customer class data, we were really only able to focus on the True-Up, and so that is what we are going to be talking about today, just the True-Up analyses.

And then what we concluded, relative to the customer data efforts, is we're going to align those. We're going to kind of pause. We're going to align those efforts with the department, who is already doing and looking at their data in preparation for possibly new billing systems in the future. Those two efforts aligned, and we're just going to make sure that we stay close to that customer data audit, and then we'll be prepared to do rate design in the future. And with that, I am going to turn it over to Karyn, and she's going to talk about the Revenue Requirement, True-Up.

MS. JOHNSON: Thanks, Ann. So I'm going to start here with some of the Recap, as Ann mentioned, about what the financial policy recommendations have been based on work that we did in the initial part of doing this rate study.

You know, cash reserves basically serve to be able to help mitigate risk if revenues and expenditures don't come in as planned, and so it's pertinent to establish these types of policies to help guide the decision-making and rate study process in the future.

So the first one we're going to look at is Cash Reserves, how much money you want to leave in the funds on an ongoing basis. We start with an operating reserve, and initially set that at a target of 60 days of your annual O&M expense. The purpose of the Operating Reserve is to help you manage the fluctuations of the day-to-day periods, as in your revenues and your expenditures, and also helps assist with delays in customer collection, and helps you to be able to maintain all rates on an ongoing basis if revenues are lower than expected or operating expenditures are higher than expected. And so to manage the first policy, and that one was set to 60 days—and pretty much—and we immediately achieved within the 5-year spending period. Some of our other policies, we kind of staggered to where they're going to be achieved over five years, and then what we'll achieve over 10 years.

So the next Cash Reserve policy we're looking at is on the capital side, and of similar in concept to the Operating Reserve. We're wanting to make sure you have some balance if there are unexpected expenditures. So what are recommendation here is that you have capital reserve, setting them to the greater of annual depreciation expense or the average annual 5-year capital spending plan. The idea here is the annual depreciation expense has been common metric to use in terms of financial policies on the capital side of things.

Depreciation expense represents the annual decline in your asset base as your infrastructure ages, and we kind of use that, its useful life, and it appears—and we're looking at what you typically spend in a 5-year capital plan, to reinvest or replace your system assets. So the purpose here is to make sure we have at least enough money to be able to—you know, always be able to fund your next year's capital plan. It also helps to mitigate the need for having to go out for a new debt.

The next section for Financial Policy is for Debt Management and how do you fund your infrastructure, and these are related to the Capital Funding Spending Plan and Annual Depreciation. So we're also targeting a minimum annual capital spending level, that's equal to or greater than your depreciation expense or your 5-year capital spending plan. This is starting out, you know, more consistent with your historical spending, with your 5-year plan, with the idea that over the future you'll probably need to increase that level of, you know, execution of your annual capital program to reinvest in new infrastructure over time.

Another really key policy is how much of your capital program is going to be funded from your rates rather than sources from grants and other types of outside funding, because we have a policy here to really want to satisfy revenues from annual rate collections each year. That goes towards funding capital, and it did that, and it's equal to about annual depreciation expense. This is one of the areas where the plan was initially to build that up within the first 5-year period, and then it's equal to—100 percent of that policy over the next rate setting period.

Another key item is that debt service coverage, and this is something that's often required as part of your covenants when you issue debt. The policy is 1.25 times the annual debt service, and what that means is that you want your annual rate revenues to be able to pay for your annual debt service, and then have a cushion of about 25 percent to assure the bond or loan holders. You know the assurance that you're able to make that annual debt service payment each year.

Another key policy is debt as a percentage of your net plant assets. This is where you're looking at through all the assets that you have in capital spending that you—the investment and your new capital, some of that is taking cash and then supplement it as needed with debt issuance. We want you to make sure that there's a good balance, where you don't have too heavy of a debt load on your assets. In the industry kind of Best Practice is to maintain that percentage of debt at less than or equal to 35 percent is considered really strong, and then try not to have even more than about 50 percent of your asset base debt financed. And as I mentioned, the proposed rate adjustments that were gone into this study, you know it was typically those timing to have set increases, those were designed to achieve targets in the near term, and then to continue phasing in over time.

So a recap where kind of begin to have a discussion of the 9.5 rate increases, is for the Board's consideration, we have prepared several capital scenarios summaries. All of these capital scenario summaries assumed—achieved policy targets for the Operating Expenditures and the Operating Reserve; and then we looked at various levels of capital spending and achievement of capital targets, in order to determine what the most appropriate rate adjustment strategy. We had three scenarios, essentially a best-case scenario, which resulted in 12 percent rate increase, and that is if you achieved all of the financial planning goals in that first five years of the spending period, and also increase the level of your capital spending and your operating reserves to more the higher end of the days of O&M targets.

Scenario 2 was the 9.5% increases, where you're essentially phasing into some of the targets and then planning on achieving the remaining in the next 5-year period; and where we're landing on that was that you achieve with 9.5% increases, about 60% of the capital reserve target. It was met within the 5-year period, giving the plan to flow over the next 5 years.

And then we had a low scenario, where we went to 8%. You know, how much of these policy goals could you achieve within a 5-year period and the 10-year period? So we went through all of that with the Board again. The Board selected Scenario 2 at that time, that was the November 2021 Board meeting, where the rate adjustment strategy was selected for 9.5 percent, and with that in place, it gave us, was that $20M a year in annual capital spending. Then as you were talking about that debt management strategy, for how much you fund with cash versus debt, that was planned, about 64 percent cash funded and 36 percent debt funded. A total projection for new debt, there will be about $49M in loan issuance required in order to fund the remaining costs of the Capital Program. Those new loans over a 5-year period, the $49M, would have increased your then current annual debt service by about $2.9 million.

The debt service coverage is well above the minimum targets, so that's really positive financial performance. The debt, as the percentage of net assets—with this plan, it was nice to see at 22 percent, which is well within the Best Management Practice of the under 35 percent.

The rate funded capital contribution policy, at that time the depreciation was about $18M, and the 9.5 percent was planned to achieve 100% of that target. And so the only target remaining that was going to phase in for the remaining piece was the capital reserve balance target, and that was planned and about 57 percent of the target at that time.

So, that's where we ended up on—so we looked overview, what the financial picture would look like on capital for the 9.5% increases, and then why we're here today is to kind of True-Up for you what those results were.

A little bit of a history of what the rate adjustments charges have been over the past several years, beginning in July 2018 there were a series of 5% rate increases and then no increases 2020, and that was more about the time we began this study, and we originally came up with a plan starting in 2021 of having a series of 9.5% rate increase, and this is sort of the whole COVID area, where there is a lot of uncertainty that was coming in with COVID, revenue collections were falling behind, and so we kind of took a step back. We reviewed where everything was at, on a kind of ongoing monthly basis to see how revenues were coming in and want to be able to continue to fund all these ongoing needs during sort of that uncertainty of COVID. At that time, it was determined to do a 13% increase January 1st to see for the usual financial position. You know, the water sales were down, revenues were down, and that theory grew with no increase the following fiscal year.

Based on this newly analyses I just previously went through, the Board decided to rather than doing five years of the 9.5%, which we still kind of wanting to see how the improvement situation would pan out, everything is basically stabilized at this point, the Board did make a decision to adopt two years at its 9.5% increase, 2022-2023. And then the True Up is when you look at these latter three years of the study period to essentially determine if the 9.5% proposed increases at that time would still work for the water utility. So again, the whole purpose of this revenue requirement True-Up initial study was for 2022 through 2027.

Our objective here is to update the 2022, 2023, and 2024 information, and then forecast the remaining three years to see if that 9.5% would still be sufficient for the funding of operations. To accomplish that, we worked with City staff and collected all that information on historical spending. We updated the actual financial performance and capital spending for the actual years, FY22, FY23, and then we updated the analysis with the FY24 budget. We reviewed the current 5-year Capital Improvement Program, and then we looked at all the revenue data on standby charges and water usage. Updated the assumptions for where the customer growth might grow, and what the water usage looks like.

Also, looked at the current trend, the cost escalation based on the department's actual performance, and the current economic trends for where inflation might be. You know, that again over the last few years has been a little bit of uncertainty. Those costs went way up, and then they're kind of settling back down again, so we try to make them feasible forecast of what that might look like.

Then we updated the revenue requirement forecast for that remaining three years of the study period to determine at what level the rate adjustment would be needed to meet the current projection of revenues and expenditures, and achieve these kinds of policy goals.

Okay, I'm going to the right, what we have here is—on the left side, you have that circled-in, these are the True-Up results, and then it shows the comparison of where we can basically—in the original analyses. We are very close to where projections were, and kind of the overview is that the True-Up results do indicate that continuation of that 9.5% increases for the next three years, FY25, 26, and 27 would be needed in order to maintain this department in sound financial position.

So to summarize some of the key information, the actuals through that 2022-2027 updated projected is that capital spending, would be about $21M per year, and very close in line to our original assumption of $20M. And going back to the True-Up results, the cash funding was 81% of the historical and 20% debt finance. So that's good that additional cash was available to put more cash funding toward capital, and reducing that reliance on new debt. So we originally assumed that we would have about

36 percent of that funded for debt. The actual came in at about 19%. Then you could see, kind of under that projected loan section, we had originally forecasted about $49M in debt, and the actual was about $45M in debt. So rather than the $9.3M that was originally estimated of that new debt service, it's like lower than its about $8.9M, which is helpful from a financial long-term position.

Capital Financial Policy targets, again, that sort of covers well in line with where we want to be and on par with what we were originally suggesting for debt as a percent of plant assets. Like we improved to about 21%, again really on par of whatever the projections were. We are well, again, we have these new standards.

And then the two capital funding reserve and contribution sections, the rate capital funded, capital contribution, that's a little bit further behind then where we had intended that to be; where within this 5-year period we would be achieving about 85% of that goal compared to where we originally planned about 100%. So that would be continued to be phased in over the next 5 years to achieve their goal target. Your debt also—the annual and the capital reserve balance, which we were right on par. We anticipated that to be about 56% of the goal.

So what we're summarizing here, is that the annual rate increase is 9.5%, those will keep—continue 2025 through 2027. That would meet the operating reserve target of 60 days of O&M in all years, remain well within Best Debt Management Practices, and achieve 85% of the rate funded capital target and about 60% of the capital reserve target.

And then we just want to take a quick look at what things might look like in the next 5-year period to see, you know, these are based again of these financial policies and what things might look like over the next five years. Again, this is a real rough order magnitude analyses. We can do a detailed future study of what the plan is. You know, if we were going to phase in with 100% of achievements, the next 5-year study period, 2028 through 2032, we would ramp up the annual capital spending to about $25M, that would put you closer in line with kind of where that annual appreciation set target might be in the future.

I'm also recommending increasing the operating reserves from the 60-days goal O&M which kind of on the lower end of the industry range, to increasing that up somewhere between 90 and 120 days of O&M, and that would further help when we get some fluctuations. In the end, revenues and expenditures, and also it will help address potential lags in adjusting the Power Cost Charge, and just making sure that things could be on a day-to-day operations. And with that plan, our kind of order lookout I've had is, you know we'd estimate that, at that point, these new level of regular increases could possibly go back down, or to the 5% level consistent with the Department's rate adjustments in the past. Okay, so if you can take that summary of the results.

And then I'm just going to step through some of the details analyses of True-Up components. The first thing we looked at is the Revenue Requirement Forecast, that's looking at your customer growth and your water usage, and the resulting revenues from the sources. Looking at the graph to the right, the bars represent the True-Up, and the lines represent what the original forecast was. The shaded bars are the True-Up results, and the solid bars are the forecast. So as you can see on the chart, with the bars lined up for the standby charges and the water usage, you are right in line with what we were projecting in the analyses, and we would be right on target with prior projections.

Customer growth is slightly lower than projected, and water usage was higher than projected. So in total, you know, it was just right in line with what revenues needed to be. We've incorporated that series of adopted rates that I showed previously, the 13% for 2022, and then the two adopted increases of 9.5% are incorporated into the historical future projections here.

For future years, revenue projections are based on looking back at five years of historical growth in water usage. Customer growth has averaged less than 1% per year. If we're assuming that the projection will continue at that historical rate, water usage has declined at an average of about 1%, and just assuming they remain at the FY22 level. So it's kind of interesting, water usage—we refer to analyze water usage in FY21, and then FY22 water usage went up, and then in 2023 it went back down; and kind of where it's at right now, it's right where it was, kind of pre-COVID level, so it looks like things are stabilized, and it's really back to where that was, which is where we were in FY21. We're assuming that—to be conservative, that we would just assume that same level.

And then we projected our future revenues assuming that they've done the results with the True-Up, this part, let's assume you're with the 9.5%, your increases for the last three years, FY25 through FY27.

And then we looked at the operating side of things through those historical years, and then forecast, the remaining three years. Again, the bars are the True-Up results, with the solid lines, meaning where we're originally projected. So this year 2022 through 2023, the actual operating expenditures came in a little bit less than originally forecasted. FY24, a little bit higher than we originally forecasted. But overall, over the setting period, essentially again, right in line with where we had originally projected.

Looking at the historical O&M cost, back for five years, it kind of declined on an average annual basis of about 4% per year. In looking through and talking with staff on the FY 2024 budget, we are assuming that in addition to the cost escalation, the main cost drivers were, you know, higher cost for engineering cost and professional services contracts, electrical and mechanical repairs. There was also a lot of, you know, cost for the federal lead/copper rule compliance.

And then as we've done with historical planning, we forecast the salaries and benefits piece of the budget, and 95% of the budgeted cost. So we're looking for kind of like a realization factor that they're maybe continuing having some projected staff vacancies. We want to make that adjustment to not over recover the cost.

And then, looking back at the trend with escalation factors. Looking back on a 10-year basis, you're always going to cover right around 3% or so, and that really jumped up in the last year or so. We're hearing that thing go 6% or 9%. We see it going up. We did a look at where it has ended up, and this is based on the Urban Hawaiʻi price index, which is a common measure of expectation of where your operating cost might go, and those costs are currently turning in about 3.4% per year. Even looking back at the 5-year average, even with higher cost, even this last the average is still right around 3.4%, so we felt comfortable in assuming that inflation factor of 3.5%. It's a little bit higher than what we were projecting at the time we did the prior study.

I wanted to pull out the Purchase Power forecast, separate from the ongoing operating expenditures. Essentially, that's treated as a direct passthrough, and doesn't affect the rates the same way the department's ongoing O&M cost too.

Here, I compared the Purchase Power Cost for True-Up. It's the solid bar, and the comparison is from the original analyses. What's interesting here is that the Purchase Power Cost is almost 30% higher than our original projection, but also because it's a passthrough charge, the revenues would also be higher than projected, so really not very much of a negative impact on the utility. There was—you can see in 2022, and this was typically due to the lag and the timing of making the adjustment to the Power Cost Charges, there was about 3% percent net loss, essentially the difference between the revenues that were collected versus the power charges that were imposed on the departments, so that's 3% loss. But overall, the plan is that as a passthrough, any adjustment to the power charge will be adjusted on the customer's bill, as well.

Looking back at the last five years, Power Cost had increased 7.5% per year. I've been talking with staff, and the expectation is that those were coming back down. We looked back at—you know, assume that we would project those Power Cost in the same manner we would project in the other O&M cost, that 3.5% per year, that not even for different passthrough, and this is just a projection. It will change based on actual changes to the Power Cost.

We wanted to match specifically, is historically the Power Charges were adjusted every three months, and it's our understanding that your department is going to revise the formula to where those can be adjusted every four months. This lag in—you will assess the change—updating the charge. This could be a potential cost recovery surplus or shortfall due to that lag. Sometimes the Power Cost increases and sometimes it goes down. This is another, you know, this is what we carry out there, to sort of work through that adjustment plan. That's what this Operating Reserves are for, to help make sure that there's enough revenue for these types of lag.

And we took a look on the capital side of things at what's being spent historically over the last five years, capital spending averaged about $12M per year, and that compares to the current depreciation expense spent of about $18 million. As you recall from the financial policy discussion, we would like to see and suggest that the annual capital spending be at least equal to annual depreciation expense and for the execution of capital projects to increase over time. The suggestion here is that we ramp up to that future spending of about $20 million. This is just kind of a quick look at where it's been over these past several years.

A lot of information on this slide. This is potentially a listing of projects that are identified in the adopted FY 2024 budget, for what capital plans would be spent over the year. And then our projection of kind of an annual average capital spending level that could be accomplished within these 9.5% increases. So it's highlighted here. All of the projects. These areas where I have these circles on them, these are projects that we'd be looking to assistance, having some free money associated with funding for those. We've got Pohoiki, which is assumed for FEMA, at about 75%, so that really helps being able to execute the projects within reasonable rates. The Waikoloa Reservoir is going to be funded at about 75% from FEMA; and then also, anticipated State appropriations for North Kona Mid-Elevation Well projects, got $2.1M.

The estimated costs for the large meter program are ongoing, targeted at around $500,000 per year. There is one project identified for about $80K, to help fund a portion of that project.

In FY 2026, I've also identified what the projects are that might be eligible to be funded from the Facility Charge Reserve. That does not have an impact on the rates if there's funding available in that Facility Charge Reserve to fund those facilities, and that's for the Olaʻa well #3 projects and also the North Kona Mid-Elevation Well, second phase of that project. So this is looking at what the projected funding will look like over the next four years, in your current year plus the remaining three years of our study plan.

The $15M placeholder estimate for average annual capital spending, the planning level estimate, going to be based on that 5-year historical average, and where the current depreciation is, with the idea being in next five or 10-year period, probably want to be bumping up that level of spending over time.

MS. HAJNOSZ: Hey Karyn, we're a little bit behind, so maybe if you could jump to the True-Up slide.

MS. JOHNSON: Right here, so this is our total revenue requirement forecast. There is buildup of all of the expenditures; and you can see on the dotted line, where we have a projection of where your current revenues would be without the continuation of the 9.5 increases, and then the solid bar shows with the 9.5% increase, all of those capital funding expenditures and policies would be met. So again, kind of a wrap-up of how this would achieve the financial policies, it would meet the 60-days of O&M, be well within the debt coverage ratio and debt to fixed asset ratio and reaching about 85% of the rate funded capital target, and the 50% of the capital reserve target.

So the department is in a pretty sound financial position with the idea of keeping focused in the next three-year period. We show a comparison of the current bi-monthly bill and what the bi-monthly will be, assuming we've increased for each of those three years. We've got it separated between standby and water usage, the power charge, and the CIP energy bill. So your current bill, incorporating all the details, is about $170 every two months. That would increase in each of the three subsequent years by about 7%. Again, that's the culmination of the 9.5% on the rates, but 3.5% on the power bill, and no increase for CIP energy bill. So the total bill impact would be less than the 9.5%.

And then finally, we sort of put together a comparison of the other jurisdictions on what their current bills are and where DWS falls in line. We've shown everyone's current FY 2024 bills assuming a 5/8-inch meter for about 12,000 gallons per month. So we're looking at going from $170 to about $182 every two months, with that first-rate implementation that would go into effect for FY 2025. It's showing how that compares. We don't know what the other utilities rates may increase to beyond FY 2024.

MS. HAJNOSZ: Thanks so much, Karyn; a lot of information to digest for sure. But really what we're doing today is really just presenting these to you. The next steps are that over the course of the next couple months, you folks can think about these. We're obviously available here today to answer your questions. But we're shooting for January target, we are getting ready to present at that January Board meeting that you will formerly approve the recommended package to just keep going at the 9.5 percent for the next three years. Then we will have public hearings the following month. This is a little bit of a departure from the past processes that we used, where we typically had public meetings like in April or May. But we're moving it up to then be aligned with your budget process. So March and April, you'll be looking at your Fiscal Year 2025 budget, right? So as long as we've got a rate proposal before that, it will all be kind of better aligned.

Then in July, the rates go into effect. Over the course of Q2 and Q3, we will be revisiting those customer data, to look more closely at the data designed here, and then we're hoping to come back in the year for the July 2025 rate implementation data to have recommendations for customer class changes. So with that, we'll open up to questions.

MR. OKAMOTO: Any questions by the Board? A lot of information.

MR. BROWN: Yes, I have a question. If we can go to Revenue Requirement True-Up; it says, "Historical Capital Spending." Okay, the last bullet it says—well, the first bullet it says, "Historical capital spending averaged $12M over the past 5-years (FYs 2019 – 2023), and then the last bullet says, "DWS should ramp up future average annual capital spending to at least $20M, so that's like a 67% increase. It's kind of ambitious, right? This is the Revenue Requirement, it says "Forecasted Capital Spending, the last bullet says, "FYs 2025 – 2027 average annual capital spending estimated at $15M."

MS. HAJNOSZ: Right. So Karyn, you want to take that? I think what the question, what is the difference between the $15M here and the $20M.

MS. JOHNSON: We're looking at an average over the period. so when you look at FY 2024, it's planned at $44M, and so it's essentially taking the average of $44M, and then remaining at $15M, is what you people see, the average. So, there's an ambitious level adopted in that 2024 plan. So some of those may fall to the next year, so we're just looking at, you know, really on the average basis. Projects get delayed and moved around a little bit; but as long as we're looking within this period, we try to get an average. So if you're dealing with what the plan was for projects in 2024, $15M is what would be accommodated in the future years within those 9.5 percent rate increases.

MR. BROWN: Okay, would that be why on the next slide the average annual capital spending goes up to $20M?

MS. JOHNSON: Yes, that is due to the $44M interest to your 2024.

MR. BROWN: Okay, thank you.

MS. JOHNSON: And that's in line, because of course with the current depreciation is $18M; but as these projects are built, and over time the depreciation is going to increase, so we're always kind of wanting to look forward to increasing that average annual amount.

MR. BROWN: Okay, thanks.

CHR. HIRAKAMI: I have a question on the Revenue Requirement True-Up. I'm trying to put some numbers to the words "Operating Reserve meets 60 days of O&M target." So if you look at FY24, it looks like it's about—O&M is about $54M. So 60 days, does that mean we need operating reserves of $9M? Is that what it relates to?

MS. JOHNSON: I'd have to look at—so I didn't have to look up the exact amount. I don't have the exact amount to that. Essentially, the formula, you know, is 60 days and divide that by 365, so it gives kind of a percentage of your O&M. So you do have a pretty good substantial budget.

CHR. HIRAKAMI: I just estimated the bar graph at $54M for FY 2024.

MS. JOHNSON: It's essentially 16%. So 60 days of O&M is essentially 16% of your annual budget. Now, that isn't an annual requirement. It's once you get up to that level, you just maintain that level, to essentially be able to, you know, 16% of the annual. Did it help answer your question?

CHR. HIRAKAMI: Sort of.

MS. JOHNSON: Were you looking for an amount?

CHR. HIRAKAMI: I think I confused myself on that. Yeah, I was just trying to put some numbers because you talked a lot about—

MS. JOHNSON: It's in that order of magnitude of $9M to $10M.

CHR. HIRAKAMI: Right, about $9M or $10M. So looking at a balance sheet, we have that well over that as a reserve, right?

MS. JOHNSON: Yes, you currently do. The plan of 9.5% has it maintained at that—it meets that level. Any time that they're getting surplus to that, that gets transferred over to the Capital Fund, and that's what helps building up that Capital Fund reserve, as well.

CHR. HIRAKAMI: Right.

MS. HAJNOSZ: So they kind of work together, combining both your operating and capital, to achieve both of those parts. All right, any other questions that we can answer?

MR. LOPEZ: Going back to the financial cost, your recommendations. I realize these were already approved by the Board in November. But are these metrics or these targets, are they determined on our particular size and budget, or is it like an industry standard that these targets are set?

MS. HAJNOSZ: Ann, could you go to the Fiscal Policy slide?

MS. JOHNSON: These are predominantly charted on industry standards in terms of the days of the percentage, and then the calculated amount that the target is based on is specifics of the Department of Water Supply. So the industry Best Practice for operating reserve standards are 60 days to 120 days, probably between there.

There are different metrics that are used for capital funding, but typically yes. So to answer your question, it's basically based on Best Practice Industry Standards, and then tailored to the cost base of the DWS. The achievement of when you can achieve that, you know, it's very often then if you were basing over time to help, maybe get the rate of tax. Yes, simply based on Best Practice.

MR. LOPEZ: Okay, thank you.

MR. NEY: One quick question on the Recap: Capital Scenario Summaries page. In Area 1, if we did a rate increase above the 9.5%, but it doesn't seem to influence the additional debt servicing number, if you were to compare the 9.5%. How do you guys come up with that? Seems like the number should be different.

MS. JOHNSON: Sorry, I'm having a little bit of a hard time hearing your question. Which, between the two scenarios?

MR. NEY: Yeah, you had a comparison between the different rate increases, from 9.5 up to 12.

MR. OKAMOTO: That first, that debt service coverage, you know, the goal of being 1.25 times annual debt.

MS. JOHNSON: Like in the difference, the 12% scenario, which shows that debt service coverage ratio would go up to 3.7% because there would be revenues generated. They're not in half-percent, so it would go to 3%—not 3%, sorry, multiple of 3.0, and lower than the 8% increase. So basically, the more revenues you have, the higher that debt service coverage probably would be because it also allows you to cash fund more of your projects and lower your debt service, as well.

MR. OKAMOTO: Did you expect the numbers to be different?

MR. NEY: Yes, because they're identical, from 12 to 9.5 on additional debt service, but then they jump to a higher debt service if we go to 8%, which makes sense because we're borrowing more than we're spending out of our pocket. So how are those two numbers not different?

MS. HAJNOSZ: I think here we're showing that we would be spending more capital, more cash on capital because you've got a high cash generation, right? And so you would spend more; right here, you can see there's a higher cash funded on your capital versus your debt.

MR. NEY: Okay. It doesn't include some number on the bottom, though, the $2.9M.

MS. HAJNOSZ: Right, because there's no additional. The debt service stays the same for both, under both scenarios.

MR. NEY: Okay. All right, thanks.

MS. HAJNOSZ: And you're just going to cash fund more than debt fund. This is what I think what's the difference.

MR. NEY: Got it, okay.

MS. HAJNOSZ: This is I think what's the difference.

MS. JOHNSON: Right.

MR. OKAMOTO: Got it.

MR. NEY: A lot of numbers.

MR. OKAMOTO: Yes, a lot of numbers. Good questions, though. Anybody else? Kawena.

MR. LOPEZ: My last question. In the residential bi-monthly water bill comparison, this becomes a public document. I looked at this, and wondered why is Hawaiʻi County so high, higher than the rest? Are we catching up?

MR. OKAMOTO: What I'll try to do, I'll try to answer as best as I can, and then maybe Ann and Karyn, you chime in later. This is what every consumer would want to know, which is why we put it here. We basically did our evaluation on the fair and reasonable, you know, what is our cost of service to provide what we provide, as well as meet financial policy goals that should have in the first place? So basically, this is the result.

Does it end up higher than the other departments? Yes. We don't know what they factored into their rate of billing and their rate studies. We do know that Honolulu is currently going through one of their own, with a projection of, I think, 50% over a course of five years, which is not shown on this graphic. I'm not sure where Kauaʻi and Maui stand. There are also different components that go into our revenue stream that we may or may not have that the other departments have, which is their facilities' charge rates. We understand Kauaʻi's facilities charge rates are much higher than ours, and that's basically kind of like impact fee on new development, so that might factor into the water rate schedules, as well.

MR. LOPEZ: So it's really not apples-to-apples comparison here because there's too many factors.

MR. OKAMOTO: Yes.

MR. LOPEZ: And we are doing a current rate structure, whereas they may or may not have.

MR. BROWN: Projection.

MR. OKAMOTO: Projection, yes.

MR. LOPEZ: In my mind, as a Board member where I serve, if somebody saw this, some way to explain this.

MR. OKAMOTO: Exactly.

MR. LOPEZ: I think in that little summary, I can do that.

MR. OKAMOTO: Do you have anything else to add, Ann or Karyn?

MS. HAJNOSZ: I will add that—I think somebody said, you know, the right thing about an apples-to-oranges kind of comparison, because all four of the counties have different water systems with different challenges, different guidance on policy, directives, and all those kind of things that directly affect the cost of providing safe and reliable affordable water to your customers. Even though we know it's an apple-to-oranges comparison, you know people are going to seek this out, right? So I think you're absolutely right, we have to know how to talk about this kind of chart.

For example, we can add really—is like Kaua'i DOW, this number has been their number for a long time. They have not updated their rates in a really long time. So you can imagine that this number has stayed the same for a while. All the other counties have sort of caught up in some or past event, right? Maui, I noticed had minimal rate increases. We worked with them around COVID time, and they didn't pass rate increases during that time. So every department is going to have a different situation. So knowing the key assumptions behind your department are obviously key, and knowing a little bit about what goes on, and I think Keith already talked about that, he knows, he keeps in touch with the rest of the managers. He knows what's going on with the other departments, as well.

Ultimately, we've got to stand by our assumptions for our utility. We're pretty different to how the other departments operate.

MR. OKAMOTO: Great question, though. That's the bottom-line.

MR. LOPEZ: Yes, thank you. On the frontline.

MR. OKAMOTO: Yes, exactly. Steve?

MR. HIRAKAMI: I know the recommendation is to increase capital spending. I want to know what the strategy is, yeah, capital spending? Is it to increase to increase the customer base or is it to increase storage? What's our strategy on increasing capital spending?

MR. OKAMOTO: I think that's more for us, Ann and Karyn. So again, what goes into this rate study is the projections on O&M cost, but it's also the capital expenditures. So really, it's on us as the department. So now internally we, as the department, know what the target is. So when we budget, and typically you'll see it—if you noticed on one of the slides, this next fiscal year we're forecasting $44M in capital expenditure. We're not going to do that. But we budget for that, knowing that it's an expense that's going to be incurred over a period of time, not just in one fiscal year. So if you average it out, that's what we should be shooting for, $20M a year. We're not going to hit it every year. We're not going to be at $20M every year. At least internally we know kind of what that target is. And then for budgeting our purposes for future years, that's going to be our reference point. So if we for some reason think, "Oh, we're going to shoot for $60M," we know that's way beyond. If we're shooting for $5M, that's way too low. I don't know if that makes sense. It kind of sets the target.

CHR. HIRAKAMI: And kind of like—part of the report was customer rates are going down and water use is going up. That's keeping our revenue dead. But sometimes you've got to strategize to increase our customer base as well as increasing the water use, right, to keep up with our revenue source.

MR. OKAMOTO: Yes, and that's the hard part that we don't have much control over increasing the customer base. We can have strategies to move forward to try and accomplish that, but a lot of that is probably market-driven as well as opportunity or even external factors, you know, developers and things like that, like what rate are they going to infill some of these empty spaces kind of stuff? It's tuff to have a crystal-clear crystal ball.

CHR. HIRAKAMI: Yeah, but if we decrease the customer base and we charge more, they're paying more for water. But if we increase the customer base, that's more users and more water, so that cost—the increases, they're kind of spread out over a bigger customer base. That was kind of like my point.

MR. OKAMOTO: Okay, got it.

MR. NEY: I kind of, just along the lines like he was saying, it's kind of like—I don't think we should be forced to just spend capital if we don't need to every year. I think there are some projects that probably need to be more proactive than reactive on certain things. But other projects, maybe those could be deferred. I mean I'd like to kind of be in a better cash reserve position more so than just, you know what, you got to spend, or project to spend this much a year. I mean, if we don't have to—I think a long-term consequence, the department is going to be in a better financial shape.

MR. OKAMOTO: Yes, and ultimately that's the goal right, to be better off financially. Yeah, we're not forcing ourselves to spend $20M. Actually, there's still a lot of work to do, and spending $20M a year for the next 20 years, we still will have things to do beyond that. I hear what you're saying. But that's not what we're trying to say, I believe, we're not being forced to spend $20M a year. That's kind of just the target and the assumption moving forward to factor in. Are we on track with this 9.5% proposed rate increase over the next three years to meet our O&M, our capital expenditures, as well as meeting our goals for financial policy?

One thing that I did want to bring up is we are behind on one of the goals, but I think with sticking with the 9.5%, all we're saying is we're not going to achieve our goal in three years. It may take five years to achieve one of those financial policy goals. Did I say that correctly, Ann, Karyn?

MS. HAJNOSZ: Yes.

MS. JOHNSON: Yes.

MR. OKAMOTO: Yes, we have a lot of things to do. $20M a year, it's not going to—

MS. JOHNSON: This three-year period, plus probably over the next five years would achieve the 100 percent.

CHR. HIRAKAMI: Any other questions for Harris?

MR. OKAMOTO: All perfectly valid questions. This is not the end. This is the presentation for the Board to basically—I think when we first started this process, COVID hit, and so we had this five-year projected rate increase, but I think the Board at that time said, "Maybe we should do a True-Up evaluation after the first couple of years, after we clear the COVID situation to see where we stand, if the next three years, the 9.5% made sense. The spooky part is if you look at some of the graphs, it's like right on the mark.

CHR. HIRAKAMI: It was a good idea.

MR. OKAMOTO: Yes. I mean collectively, I think the Board made a good decision, too.

CHR. HIRAKAMI: Yes, I remember that. So this is a very good update, you know, two years in.

MR. OKAMOTO: And they'll come back, I think in January, and at that time we'll put it on the agenda for the Board's consideration to actually adopt the proposed rates for the next three years. A lot of information. If you have any questions—you know, what you can do after this, take a look at this presentation. Now that you've heard Ann folks explain it, it might make more sense. So come January, you might have some more questions on some of these details.

MR. NEY: Sorry, one last question. This modeling is just strictly for public utility, or is this also for private utilities, might be under PUC oversight I guess you could say. Because there are private utilities that have to go through PUC. How does their rate study differ from a profit standpoint, perhaps, than a reinvestment standpoint?

MS. JOHNSON: As you noted, private utilities have to go through the Public Utility Commission for approval, and they have a different way of calculating their rates, because they do increase, or they include profit. They look —depreciation is a big deal, like the level of depreciation that is included specifically by formula. So it is a slightly different way of calculating rates, but it does include the rate of return.

MR. NEY: Thank you,

MR. OKAMOTO: Yeah, we don't have profit built in. Any other questions? If not, thanks, Ann; thanks, Karyn. Great job.

BOARD MEMBERS: Thank you.

MS. HAJNOSZ: All right, thank you. Take care, bye.

CHR. HIRAKAMI: Well, that was great. Moving on to Item No. 5, South Hilo.

5) SOUTH HILO:

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

Chair: Is there any testimony for this item?

The Contractor, Hawaii Air Conditioning Corporation, is requesting a contract change order for the additional work for labor for installation of interior portions of work separate from the installation of exterior work. The need for this additional work is attributed to challenges by the Department to secure

County inspection work, which will permit progress with enclosing the completed rough framing. The description of the additional work and associated fees are as follows:

ITEM	DESCRIPTION	AMOUNT
1.	Additional labor for separate trip for the installation of interior work, inclusive of installation of air handling units; connection of linesets; connection of electrical; charging and balancing A/C system; and programming and training.	$ 3,800.00
	TOTAL	**$ 3,800.00**

Original Contract Amount:	$ 32,550.00
Original Contingency Amount:	$ 3,250.00
1st Additional Funds Request:	$ 550.00
Total Revised Contract Amount:	**$ 36,350.00**

Staff reviewed the request for the additional funds and found that the $550.00 can be considered justified. *Note: There is $3,250.00 remaining in the original project contingency.*

RECOMMENDATION: It is recommended that the Board approve an increase in contingency of $550.00 to Hawaii Air Conditioning Corporation, for JOB NO. 2022-1185, FURNISHING AND INSTALLATION OF THE HILO OPERATIONS BASEYARD SERVER ROOM AIR CONDITIONING SYSTEMS. If approved, the total revised contract amount shall be $36,350.00.

CHR. HIRAKAMI: I guess there was a technical glitch in the process.

MR. OKAMOTO: Yes, it's in our Operations' baseyard. So basically, we have a small amount of contingency—

CHR. HIRAKAMI: Can I have a motion first to approve this?

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

CHR. HIRAKAMI: And then now we open up for discussion, Keith.

MR. OKAMOTO: Yes, sorry. Thank you, Mr. Chair. So we're asking for a little bit more money. I think there was some extra work that was required. If you have any detailed questions, Eric's here.

MR. LOPEZ: Yeah, I have a detailed question. How do I interpret "work is attributed to challenges by the Department to secure County inspection work?" Does that mean they came and inspected, and you failed? You've got to do some immediate work?

MR. TAKAMOTO: Basically, we put in a request for inspection, and they basically want us to get our plumbing, framing, and electrical complete before we requested an inspection. Because our electric portion is not complete yet, they didn't want to execute the inspection. So we're being delayed because of that, and because of that, we can't install the drywalling, which affects the a/c installation.

MR. LOPEZ: So we called for inspection before we're ready.

MR. OKAMOTO: I think it's kind of like a preference thing, too. And this one, some of it, are we doing in-house work?

MR. TAKAMOTO: Yes, a portion of the work is being done in-house.

MR. OKAMOTO: It is like a coordination thing, but part of that I guess might have been like a preference by the contractor to wait till all of that was ready before they call for inspection. So they might have left the site, and then now we're asking them, you know, we got to do some work, and then now they got to come back.

CHR. HIRAKAMI: So basically, you're asking the Board to approve $550.00 for over the contingency amount.

MR. OKAMOTO: Exactly, yes.

CHR. HIRAKAMI: The decision as far as the extra $550?

MR. OKAMOTO: $550, correct.

CHR. HIRAKAMI: Any other discussion?

MR. NEY: There's a sequence to the inspection process. I know because I'm a plumbing contractor. So normally, plumbing/electrical would be inspected first because of perhaps drilling of structural members or such. But there is no (INAUDIBLE) inspection. Is that an inspection process that was supposed to be done under building permit portion?

MR. TAKAMOTO: Yeah, there's no inspection of this a/c system. The electrical work associated with the room that we're building for this project, that's delaying the installation of drywall work. So we need to put up the drywall before they can install the air-handler units on the inside.

MR. NEY: Got it, okay.

CHR. HIRAKAMI: So who's doing the drywall work part? The company is?

MR. TAKAMOTO: Yes, the department has plans to do the drywall. In-house, yes.

CHR. HIRAKAMI: Perfect. Any other further discussion? Seeing none. All in favor on approving the additional funds say "aye."

ACTION: There being no further discussion. Motion was carried unanimously by voice vote.
Ms. Keolanui was absent.

CHR. HIRAKAMI: Moving to Item No. 6.

6) SOUTH KOHALA:

A. **JOB NO. 2022-13 (ALT), F&D WAIMEA WATER TREATMENT PLANT RESERVOIR #3 SLUDGE PUMPS – REQUEST FOR TIME EXTENSION:**

Chair: Is there any testimony for this item?

The Vendor, Optimal Controls LLC, is requesting a contract time extension of 35 calendar days, due to delays from the pump manufacturer with providing the trailer manufacturer the pump for assembly and due to delays from the trailer manufacturer with obtaining the necessary paint for the assembled unit. This was beyond the control of the Vendor.

Staff reviewed the request for the time extension and the accompanying supporting documentation and found the 35 calendar days to be justified. *Note: There are no additional costs associated with this time extension.*

Ext. #	From (Date)	To (Date)	Days (Calendar)	Reason
1	12/31/2023	02/04/2024	35	Delays from pump manufacturer with shipping the unit and from the trailer manufacturer with painting the assembled unit.
Total Days (including this request)			35	

<u>RECOMMENDATION:</u> It is recommended that the Board approve a contract time extension of 35 calendar days to Optimal Controls LLC, for JOB NO. 2022-13 (ALT), F&D WAIMEA WATER TREATMENT PLANT RESERVOIR #3 SLUDGE PUMPS. If approved, the contract completion date will be revised from December 31, 2023 to February 4, 2024.

<u>CHR. HIRAKAMI</u>: Do I have a motion on this project?

<u>MOTION</u>: Mr. Kekela moved for approval of the recommendation; seconded by Mr. Bell.

<u>CHR. HIRAKAMI</u>: Discussion?

<u>MR. OKAMOTO</u>: Yes. So this one, as explained in the attachment to your Board packet, basically the suppliers, the coordination between the pump and the trailer, manufacturer/suppliers, basically there was a glitch in the painting process, and I think the coordination of getting the pump over to the trailer. My understanding is that it's like a portable pumping unit that's mounted on the trailer, so it can be moved around on the site. So basically that hiccup was out of the control of our contractor, because he's asking for a time extension. Again, that's why Eric's here if you have any detailed questions.

<u>CHR. HIRAKAMI</u>: Any other discussion? Seeing none. I'm calling for the question, all in favor of the motion say "aye."

<u>ACTION</u>: There being no further discussion. Motion was carried unanimously by voice vote. Ms. Keolanui was absent.

<u>CHR. HIRAKAMI</u>: We'll move on, North Kona, Job No. 2016-1056.

7) <u>NORTH KONA</u>:

A. **<u>JOB NO. 2016-1056, WAI'AHA DEEPWELL REPAIR – REQUEST FOR ADDITIONAL FUNDS</u>:**

Chair: Is there any testimony for this item?

The Department is requesting a contract change order for the additional work as part of a negotiated settlement agreement with the Contractor, Derrick's Well Drilling and Pump Services, LLC to complete the repair of Wai'aha Deepwell A. The description of the additional work and associated fees are as follows:

ITEM	DESCRIPTION	AMOUNT
1.	50% cost sharing for mobilization/de-mobilization and well extraction/installation labor costs.	$ 40,000.00
2.	Freight charges for pumping assembly equipment, sounding tubing and power cable materials.	$ 40,000.00 est.
3.	Material and services for surface plate assembly; 8" column pipe assembly; 8" positive seal check valve; motor shroud assembly; pre-filling water column; and general site clean-up.	$ 346,323.30
	TOTAL	**$ 426,323.30**

Original Contract Amount:	$ 650,000.00
Original Contingency Amount:	$ 65,000.00
1st Additional Funds Request:	$ 380,080.50
Total Revised Contract Amount:	**$ 1,095,080.50**

Staff reviewed the request for additional funds and found that the $426,323.30 can be considered justified. *Note: There is $46,242.80 remaining in the original project contingency*.

RECOMMENDATION: It is recommended that the Board approve an increase in contingency of $380,080.50 to Derrick's Well Drilling & Pump Services, LLC, for a total project cost of $1,095,080.50 for JOB NO. 2016-1056, WAI'AHA DEEPWELL REPAIR.

CHR. HIRAKAMI: Do I have a motion to approve?

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

CHR. HIRAKAMI: Discussion, members?

MR. OKAMOTO: As the Board may recall, we talked about this in Executive Session last time, and the situation surrounding this particular project, and we'd be coming back to ask for additional funds for this project, to basically move forward, and here we are. So, if there's questions?

MR. LOPEZ: This was the first additional funds request. So does that mean more to come?

MR. OKAMOTO: No. Well, hopefully not. Just as a reminder, this was back and forth. We got to this point because of the situation, potential litigation and whatnot. We agreed to revise scope to complete this job through mutual agreement by the parties. It's still a project, so they still have to do the work. Things may come up again, as may happen in a project.

MR. UNGER: This is the number for the settlement.

MR. OKAMOTO: Yes, based on the agreed scope of what needs to be done to bring water to the surface. But as you've seen in other projects, things may come up that was unforeseen, and we'll bring it back for consideration.

MR. NEY: Do we have an iron plan, like indemnifying this thing, just to settle once and for all?

MS. MELLON-LACEY: We have a Settlement Agreement.

MR. NEY: So, okay. There's no other future possible litigation or anything to this matter?

MS. MELLON-LACEY: We could only talk about what we settled for.

MR. NEY: Okay.

MS. MELLON-LACEY: If some future thing happens and there's some future problem—I don't know—

MR. NEY: Okay.

CHR. HIRAKAMI: I didn't like the "est." on the shipping for freight charges. That seems quite a lot of money, for $40 grand ($40,000). Does that mean if it goes over, then they're going to come and ask for additional funds. Because that's quite a substantial amount for shipping; so it shouldn't have the "est." If it's $40 grand, it's $40 grand, if comes less, then the Board already approved it. If it costs less, is that going to benefit the Water Department?

MR. OKAMOTO: Yes.

CHR. HIRAKAMI: Oh, yeah. Okay. So it's actually the "true" shipping cost, right, in there?

MR. OKAMOTO: Yes.

CHR. HIRAKAMI: So this total price that we're adding might go down, if the shipping cost goes down?

MR. OKAMOTO: Yes.

MR. OKAMOTO: Yes. And what staff did, they tried their best to guesstimate it by contacting the shipping companies. But yeah, if it's less than that, it will be the actual cost.

CHR. HIRAKAMI: Actual cost?

MR. OKAMOTO: Yes. If it's more—

CHR. HIRAKAMI: You'd have to come back to the Board.

MR. OKAMOTO: We'd have to come back to the Board.

CHR. HIRAKAMI: Okay, that's all I wanted to know. Any other questions? We're finally getting this out of the way. All right, seeing none. All in favor of this motion say "aye."

ACTION: There being no further discussion. Motion was carried unanimously by voice vote. Ms. Keolanui was absent.

B. **JOB NO. 2023-08 (MAT), F&D SPARE PUMP & MOTOR SET FOR KALAOA #1 DEEPWELL:**

Chair: Is there any testimony for this item?

This project consists of furnishing all labor, materials, tools and equipment necessary to furnish a new submersible pump and all appurtenant materials; test assembly of complete pumping assembly; and delivery of submersible pump and all appurtenant materials, and Summit seal, submersible slim-line motor, and adapter equipment, to the Department in accordance with the specifications.
Bids for this project were opened on November 16, 2023, at 2:00 p.m., and the following are the bid results:

The Engineering estimate for this project was $46,000.00.

Bidder	Bid Amount
Derrick's Well Drilling and Pump Services, LLC	$67,916.25

RECOMMENDATION: It is recommended that the Board approve the contract for JOB NO. 2023-08 (MAT), F&D SPARE PUMP & MOTOR SET FOR KALAOA #1 DEEPWELL, to the sole responsible bidder, Derrick's Well Drilling and Pump Services, LLC, for their bid amount of **$67,916.25**. 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.

CHR. HIRAKAMI: Do I have a motion to approve?

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

CHR. HIRAKAMI: Discussion?

MR. OKAMOTO: Alrighty, this is an actual material bid. Although the bid amount was higher than the estimate, as typical, we asked our staff to just make sure it's fair and reasonable, and staff did that. It was determined it's okay to move forward with this bid. If you have specific questions on it, again—

MR. UNGER: Just one bidder?

MR. OKAMOTO: Just one bidder, yes.

MR. LOPEZ: And it's not installation, just materials?

MR. OKAMOTO: Yes.

MR. LOPEZ: Okay.

CHR. HIRAKAMI: Any other discussion? Seeing none. All in favor of the contract say "aye."

ACTION: There being no further discussion. Motion was carried unanimously by voice vote.
Ms. Keolanui was absent.

C. **MAINTENANCE BID NO. 2023-14, REPAIR AND MAINTENANCE OF KAHALU'U SHAFT INCLINED LIFT:**

Chair: Is there any testimony for this item?

Bids were opened on November 2, 2023, at 2:00 p.m., and the following are the bid results:
The engineering estimate for this project was $150,000.00.

Bidder	Bid Amount
Centric Elevator Corporation	$432,500.00

RECOMMENDATION: It is recommended that the Board not approve the price agreement for MAINTENANCE BID NO. 2023-14, REPAIR AND MAINTENANCE OF KAHALU‘U SHAFT INCLINED LIFT, to the sole bidder, Centric Elevator Corporation, for their bid amount of $432,500.00. Staff will seek alternative procurement pursuant to HAR 3-122-35 for the required services in the best interest of the Department.

CHR. HIRAKAMI: Do I have a motion to approve the contract?

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

MR. OKAMOTO: Just for clarification, we are recommending that we **not** approve this award because of the amount far exceeding our estimate. What we'll do, per HAR 3-122-35, we do have the option to pursue alternate procurement. We'll still try to do as competitively as possible. But yeah, we're going to be seeking a better price for this one.

CHR. HIRAKAMI: Is it not working right now?

MR. OKAMOTO: No, it's working.

CHR. HIRAKAMI: It just needs a repair.

MR. OKAMOTO: It just needs a maintenance contract, should there be a need for repair. So right now, if you recall, we had a project to actually do the work to repair the lift, and part of that project included warranty phase coverage. That period has expired, so now we want to actually have a contract with somebody; should it break, somebody will be there to fix it.

CHR. HIRAKAMI: Oh, I see.

MR. NEY: Is this a really specialized type of maintenance involved or is this something we can do in-house?

MR. TAKAMOTO: You're required to have an elevator license.

MR. OKAMOTO: It's an incline.

CHR. HIRAKAMI: Incline elevator.

MR. BROWN: I have a question, Keith. So as far as your alternative procurement, that means you're going to negotiate with them?

MR. OKAMOTO: So, we can. My understanding, and I could be wrong, Diana, if you can correct me, the statute basically says our first option we should negotiate with them.

MS. MELLON-LACEY: That's correct.

MR. BROWN: Because it's only one bidder, that's why you're going to have to.

MS. MELLON-LACEY: But if that doesn't work, then you contact a new bidder.

MR. OKAMOTO: Then we can go talk to other people.

MS. MELLON-LACEY: I'm sorry, just for my clarification, was Keith's motion to not approve or to approve?

CHR. HIRAKAMI: He's recommending is not approve; so the motion was to approve, and then I'm going to clarify when I call for the vote. I'm on it.

MR. OKAMOTO: So this is good, maybe point of clarification; so when we ask for the Board Member's motion, it's to approve staff's recommendation. So I think Keith's motion was to approve staff's recommendation, and our recommendation is to "not" award.

MS. MELLON-LACEY: Was that your motion?

MR. UNGER: Yes, it is, and it is a way of opening it up for discussion. So I guess when we make motions, we should be a little bit more clear across.

MS. MELLON-LACEY: It would be better, yes.

CHR. HIRAKAMI: Or the motion could have been to approve to open up discussion; and then when I ask for the vote, I said, "Remember, an aye is to approve the contract," and enable. Then when I call for the vote, if everybody call for the "aye" vote and nobody says "aye," call for the "nay" vote and everybody says "no," the motion doesn't pass.

MS. MELLON-LACEY: That works, but just got to make sure everybody—

CHR. HIRAKAMI: That was what I intended to do, but now Keith's clarifying his motion, is to approved the recommendation of the department not to approve the contract, so that's the motion on the floor. So in this case, an "aye" vote would invalidate the contract.

MR. UNGER: As long as we don't approve the $436,000.

MR. NEY: Sorry, one other that's not clear, what (INAUDIBLE) is this contract?

MR. OKAMOTO: One year, yeah?

MR. TAKAMOTO: This is for six quarters.

MR. OKAMOTO: Nineteen (19) months.

CHR. HIRAKAMI: So I'm going to clarify the motion, the motion is to approve the recommendation of the Department to not approve the contract award. So, all in favor of the motion say "aye."

ACTION: There being no further discussion. Motion was carried unanimously by voice vote.
Ms. Keolanui was absent.

8) SOUTH KONA:

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

Chair: Is there any testimony for this item?

The Contractor, Beylik/Energetic A JV is requesting a contract time extension of 31 calendar days, due to delays from the motor manufacturer with providing the motor to the pump manufacturer for fitment and shipping. This was beyond the control of the Contractor.

Staff reviewed the request for the time extension and the accompanying supporting documentation and found the 31 calendar days to be justified. *Note: There are no additional costs associated with this time extension.*

Ext. #	From (Date)	To (Date)	Days (Calendar)	Reason
1	01/13/2023	07/07/2023	175	Delays from manufacturer regarding recommended material and design changes.
2	07/07/2023	12/31/2023	177	Delays from manufacturer for equipment and material substitution requests.
3	12/31/2023	01/31/2024	31	Delays from motor manufacturer with providing the motor to the pump manufacturer for fitment and shipping.
Total Days (including this request)			383	

RECOMMENDATION: It is recommended that the Board approve a contract time extension of 31 calendar days to Beylik/Energetic A JV, for JOB NO. 2021-1179, KE‘EI #2A & #3B BOOSTER REPAIR. If approved, the contract completion date will be revised from December 31, 2023 to January 31, 2024.

CHR. HIRAKAMI: Do I have a motion?

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

CHR. HIRAKAMI: I'll open it up for discussion.

MR. OKAMOTO: This is a time extension. Sounds like, basically again, out of control of our contractor due to a situation between the pump manufacturer and the motor manufacturer—I think this was for fitment?

MR. TAKAMOTO: Yes, the motor to the pump.

CHR. HIRAKAMI: Any questions? Simple as that, 31 days. Seeing no more discussion, I'll call for the vote. All in favor of the motion say "aye."

ACTION: There being no further discussion. Motion was carried unanimously by voice vote. Ms. Keolanui was absent.

9) MISCELLANEOUS:

A. **WATER RATE STUDY – VIRTUAL PRESENTATION BY HARRIS & ASSOCIATES**:

Taken up earlier.

B. **ELECTION OF CHAIRPERSON AND VICE-CHAIRPERSON FOR 2024:**

Chair: Is there any testimony for this item?

Board to elect Chairperson and Vice-Chairperson for the 2024 term.

CHR. HIRAKAMI: I'm going to open it up first for the Chairperson. Entertaining a motion?

MR. BROWN: Can I make a statement first?

CHR. HIRAKAMI: Sure.

MR. BROWN: I just wanted to mention that there's nothing to prevent him from—since he's terming out, to vote for him for another three months, the only thing is that we have to revisit this in March. So, I just thought that I'd throw that out.

MR. OKAMOTO: I believe Mr. Brown is correct.

MR. BROWN: Oh, yeah. Well, that happened to me at the Police Commission. I just termed out in March.

CHR. HIRAKAMI: Elect the Chair that could take over and start the new year fresh.

MR. LOPEZ: Otherwise, you're penalizing the next Chair.

CHR. HIRAKAMI: Because when Dave left, I got elected chair, and started from January.

MR. OKAMOTO: But it's at your folks—

CHR. HIRAKAMI: And I can decline the nomination.

MR. OKAMOTO: That's true, too.

CHR. HIRAKAMI: So anyway, let's have some nominations. Opening it up. And you can nominate yourself.

MR. BROWN: Okay, I'll nominate Kawena.

CHR. HIRAKAMI: Any other nomination?

MR. NEY: I think the main thing too, you've got to keep in mind that there's time-sensitivity to correspondence, so it should be somebody who is talked about, getting the emails off and stuff like that, so I'm not the best.

MR. OKAMOTO: So we have one nomination on the floor, sounds like.

MR. UNGER: So Kawena, are you willing to serve?

MR. LOPEZ: Yes, I will serve.

MS. HUGO: I have a question. Just for clarification, I didn't know that you took David Deluz's spot. You say you're terming out, but is—

CHR. HIRAKAMI: I took over for Zendo Kern who was the representative, and then he got appointed to the Planning Director, so I served the rest of his term. It's been 3-1/2 years about, of the 5-year term. Because you serve more than two years, you cannot fill another term.

MR. BROWN: Keith, until he's replaced, he can serve until the end of March, unless they find somebody in January, which I hope wouldn't happen. He can be —

MR. NEY: Honolulu, you can consecutive two terms. Is that Hawai'i County Charter Rule?

MR. OKAMOTO: Yeah.

MR. NEY: That cannot never really change, huh?

MR. OKAMOTO: I think maybe by a Charter amendment.

MS. MELLON-LACEY: Also, we have a Hawai'i Revised Statute Rules to the Hawai'i Water Board, so it requires—

CHR. HIRAKAMI: Somebody can move to close the nominations.

MOTION: Mr. Brown nominated Mr. Lopez as Chairperson; seconded by Mr. Ney.

Chairperson Hirakami called for Motion to close nominations for Chairperson as there were no further nominations.

ACTION: Mr. Kekela moved to close nominations; seconded by Mr. Unger. A vote was taken on the Motion to elect Mr. Lopez as Chairperson for 2024; carried unanimously by voice vote.

CHR. HIRAKAMI: Okay, opening it up for nominations for Vice-Chairperson.

MOTION: Mr. Lopez moved to nominate Mr. Kekela for Vice-Chairperson for the 2024 term; seconded by Mr. Brown.

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

ACTION: Mr. Brown moved to close nominations; seconded by Mr. Ney. A vote was taken on the Motion to elect Mr. Kekela as Vice-Chairperson; carried unanimously by voice vote. Ms. Keolanui was absent.

Chairperson Hirakami congratulated Mr. Lopez as Chairperson and Mr. Kekela as Vice-Chairperson for the calendar year 2024.

CHR. HIRAKAMI: I have one more month, right, December?

MR. OKAMOTO: Yes. And then three more after that.

CHR. HIRAKAMI: Yeah, I'll take the spot if they don't find somebody. So we go to Item C. Monthly Progress Report.

C. **MONTHLY PROGRESS REPORT:**

Chair: Is there any testimony for this item?

Submission of Progress Report of Projects by the Department. Department personnel will be available to respond to questions by the Board regarding the status/progress of any project.

CHR. HIRAKAMI: I'm going to turn this over to Kurt.

MR. INABA: Just updates: For K̬īlauea and Keawe Street, the water main actually, completed installation. They are finishing up some service laterals. We did do a connection toward (INAUDIBLE) already. So what they're doing, for that section that's already connected, they are transferring actually some customers to the new service. So we're moving, and hopefully we'll get the road clean. That would allow the contractor to get K̬īlauea and Keawe Street, between Ponahawai and Waianuenue, I guess brand new condition basically at that point. We look to—probably finish everything as far as the Water part, hopefully by the end of the year. They are really pushing hard for that.

CHR. HIRAKAMI: Is it on schedule?

MR. INABA: I know they are pushing. The contractor is trying to push to make sure that the street and everything, the pavement is completed by—before Merrie Monarch.

MR. KEKELA: You guys only stopped at Waianuenue, or did they go pass.

MR. INABA: Waianuenue.

MR. OKAMOTO: Maybe you can explain, Kurt, so this is actually a Public Works project that we were able to participate; because only makes sense, they are going redo the road, and we had that need to do our waterline. Doing it now, instead of—

MR. INABA: They actually had to redo it because the waterline is kind of in (INAUDIBLE) path. So because the waterline is being removed, we participated in bringing it up to these current standards.

MR. OKAMOTO: Fire protection. I think it's a good example of coordination amongst the County departments.

CHR. HIRAKAMI: It's a win-win for us.

MR. OKAMOTO: Yes. That's why Kurt maybe doesn't know the exact status of the schedule.

CHR. HIRAKAMI: This one is not like our kind of work.

MR. OKAMOTO: It's not our project.

MR. INABA: Public Works. But yes, we do have an inspector out there, and it's basically overnight work to allow traffic during the day.

MR. OKAMOTO: And a lot of very conflicting elements.

MR. INABA: That we documented, underground for the infrastructure. I hope it works in this section.

MR. OKAMOTO: Stuff that nobody had records of, and you don't even know if they might have been live or abandoned.

MR. NEY: The Hala'ula well, what's going on with that?

MR. INABA: So that one there, the pump—this one here, this is a line-shaft, so the motor is on top. The motor is fine. The vibration was getting really bad. We had to shut down. So, that's being pulled. I think next week is the schedule. We were going to do it this week, but the current schedule for our understanding—this other warranty, the contractor is, well, until they take it off, but they're going to start pulling it off next week. You know, it's something to do with the pump, based on the material.

MR. NEY: Do you guys document—I mean, there's probably not much data. You guys just (INAUDIBLE) away. But if there is damage, you guys push the point that we want it properly fixed or replaced.

MR. INABA: Well, it's going to have to be, because at this point it's probably not balanced and everything. It's kind of a real finetune piece of equipment basically. They've got to shave bowls and whatnot to get the right efficiency and whatnot. The bowls are thing that they got to do at the pump manufacturers. But this would probably take a pump replacement.

MR. NEY: I'll state a couple more. Puakō, how is that going? Are we on schedule for the groundbreaking too?

MR. INABA: Yes, that's coming up. Puakō, they're probably close to 2,000 feet, that was as of last week, and I don't think much was done last week, with the holiday and whatnot. I guess last month I reported they were really solid ground, but now they're basically in coral and sand kind of ground, so excavation is a lot easier. They're still limited, you know, plate number—even plates they have. That's kind of a—to cover their trench before they patch it. That one is kind of on schedule.

For the Lālāmilo one, we set the groundbreaking for next week Thursday, December 7.

MR. NEY: What is the actual linear distance of Puakō? Because that's like less than half a mile.

MR. INABA: Roughly two miles.

MR. INABA: The initial part was really so because of the trench, being able to trench only so much with the hammer. Now they are probably going to be able to do a lot more, but they'll may be limited to the number of plates they can put on their patch.

CHR. HIRAKAMI: There's another limiting factor. Last week I stayed in Puakō, and got king tides were coming in, and they were totally stalled from trenching because of high-tide.

MR. INABA: So they weren't doing a lot of other prep-work last week, that's why I know 2008 is about still what they were because of the king tides; and in the section that they were approaching was the low spot.

CHR. HIRAKAMI: And the local traffic, there's not much room to work down there. They're trying to recommend that they open the emergency road, coming in from Mauna Lani, for the people on that's side of the construction. Now there are many people having to go pass up. I don't know if the residents would be too cool about that. But they're trying to get that open up.

MR. INABA: I think that would be something between Mauna Lani and the association.

MR. NEY: You guys had any problems right-of-way issue because you guys were saying some of the properties kind of built into the County or State's right-of-way?

MR. INABA: So far, we've been able to pretty much avoid things in the right-of-way, and that might come later in the project, after our project with—I know Public Works is—we're going to work with them too, so they can do the pavement, the improvements. We've been working with Public Works.

MR. UNGER: Are there payments to the contractor based on linear feet completed? I see they haven't been paid yet.

MR. INABA: Actually, I think we are—we've been working with them on their payment request. I think they just submitted, and we're basically processing their first payment request, which included any materials and whatnot.

MR. UNGER: Based on progress?

MR. OKAMOTO: Typically, yes.

MR. INABA: It will go based on progress. We're working closely with their office personnel. She's working directly with our project engineer, and I see communications going back and forth.

MR. OKAMOTO: Bottom-line, Keith, we don't pay for work not done.

MR. UNGER: Right, right, right.

MR. OKAMOTO: But we also pay for materials on hand as long as it's stored properly, secured, things like that.

MR. UNGER: Got it.

MR. OKAMOTO: But yeah, based on progress. That's why we have inspectors out there, too. Good question.

CHR. HIRAKAMI: Is there going to be anything for the Lālāmilo groundbreaking?

MR. OKAMOTO: Yes. Right now, we'd like to offer it to the Chair, and the representative of that district, Board Member Ney. I think if we go beyond two Board members, we may have to agendize it as a Special Board meeting. But we will be issuing an actual invite and a program. Not for the public, it's more for—the real intent is to bless it prior to the construction.

CHR. HIRAKAMI: We have a meeting at Kahaluʻu Shaft, so that everybody could go, so maybe we could do something similar if other members wanted to go.

MR. OKAMOTO: Except we're already outside of the—

MS. MELLON-LACEY: Sunshine. Yeah, it's not a scheduled meeting,

CHR. HIRAKAMI: I mean, what's the notice period, six days?

MR. OKAMOTO: Actually, we could make that.

MR. NEY: Do you have a program; you guys had put together for this?

MR. OKAMOTO: Under the Manager-Chief Engineer's report, I do have an item for that, so I think we can talk a little bit more details then. But if there's any other projects that people want to follow up with Kurt on?

CHR. HIRAKAMI: Hearing none. We can go to the Review of the Monthly Financial Statements.

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

Chair: Is there any testimony for this item?

Submission of financial statements and information relating to the financial status of the Department. Department personnel will be available to respond to questions by the Board relating to the financial status of the Department.

MS. GRAY: Okay, for this month we're looking at October 2023 Financial Statements. The only thing I guess you needed to know on are letter of explanations, is that our customers and accounting expenses decreased 20% from the prior year due to timing of payments for maintenance of our billing software as well as decreasing payroll expenses.

The other thing that I just wanted to relate to our presentation, by Ann, Karyn. So, our Balance Sheet is a snapshot of our financial position. When you look at the cash and investments, currently as of October, it shows over $62M. Just to give you an idea of what that includes. So, the $62M, only 25% of that is available for operating daily expenses, everything else is pretty much set aside or reserved for capital projects and reserves and so forth. So right now, we only have about $25 million tied up for capital projects that are in progress; and then aside from that, we also have our facilities charge, or reserves fund for other projects. Really, it is important to keep our eye on those objectives. At least with their presentation, it does show that we're in line with their projections. I just wanted to give I guess a better idea in relation to what we are reporting on.

MR. NEY: Do you think over time, makes that 1% customer growth I think that's what they said during their presentation. I mean do you think that's actually what it's going to be in the future because

I think from a revenue increase, that's the way the revenue is going to increase, is development over time, because that development requires us to have more people or cost there. Because if doesn't, then that's great for the department. How do you guys look at, like along the lines of what the Chair was saying about, you know, looking at growth and trying to get more customers. I know we have budget constraints and there's plenty of infrastructure everywhere. But how do you guys look at the growth of the department in a way that maybe we can have more funds in the future? Do you think growth of more customer accounts is going to put more cost on us, does that make sense? Or do you think the growth is going to be the extra money that the department might get to use for other things? If that makes sense, sorry, I didn't really collect that thought, and that was kind of really quick. Do you think that's accurate, 1% a year, Keith?

MR. OKAMOTO: That's based on historical information, and it's actually been about there for quite a while now, that low rate. Just as a reminder also, although we are the Water Utility for the County on the municipal side—you know, we only serve maybe a little more than half of the island's population, the rest are either on private systems or catchment. Say if there's growth like in Puna or other areas where we are not serving, that's not going to be reflected in the growth of our customers.

Other challenges with expanding our system, unless we can secure outside sources of funding, our rate structure is really not geared towards expansion of systems, so we won't be able to recoup that capital investment with the projected revenues from the new customers, because revenues from customers is really mostly to pay for O&M expenses as well as covering or trying to establish cash reserves and O&M reserve. But we're still looking at opportunities to do that. Long answer to your short question, yes, I think that 1% is realistic based on historical.

MR. NEY: You know, just like density in one area, because that actually requires more people in a geographic area to cover those calls. Most of these new developments would be newer systems, so you would probably think there's probably not going to be maybe a lot of immediate calls to tend to, or am I wrong there?

MR. OKAMOTO: But what we're also trying to do is work with housing folks, trying to coordinate with them, and the easiest, fastest, most efficient way is to try and put housing where there's existing infrastructure, and with that, there's no real capital expense increase for us, but then we'll get the additional revenue from additional customer base. So, it's kind of a win-win. I think that's the strategy for housing, including I think some talk with Hawaiian Homes. We're seeing with the new Chairman some of that strategy. It sounds like they want to employ, as well. But anyway, I know we're getting a little bit off the financial report.

CHR. HIRAKAMI: Candace, what percentage again did you say of the $62M was for the reserve? 40% you said, about?

MS. GRAY: Well, I'd say 25%.

CHR. HIRAKAMI: Of that $62M.

MS. GRAY: Of the $62M, for our operational and cash reserve.

CHR. HIRAKAMI: The 60-day reserve.

MS. GRAY: Yes, but that's for operation reserve.

CHR. HIRAKAMI: Right.

MS. GRAY: We still have that target for the capital, but we still need to work on that.

MR. OKAMOTO: Thanks, Candace.

CHR. HIRAKAMI: Delinquency went down. I always look for that. Delinquency went down, $54,000, that's a good drop, for the month.

MS. GRAY: Still working.

MR. OKAMOTO: Still continuing. Always going to be work in progress.

CHR. HIRAKAMI: To keep down, yeah that's good. I was looking at the red in that monthly report. Any other questions? Seeing none. Thank you, Candace.

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

CHR. HIRAKAMI: Any testimony for this item? Seeing none. Keith, go ahead.

MR. OKAMOTO: For Item No. 1, as normal, I'll turn it over to Kawika to provide the update.

MR. UYEHARA: This month, for our North Kona well status, of the 14 sources we have 11 online, so 11 operational. The Palani well was repaired, and it went back online on November 14th; and we mentioned last month we also had Keōpū well running, but it is running at a reduced capacity, and we have a repair scope in the works for that one.

The three offline are Honōkohau, Mākālei well, and Waiʻaha. So Honōkohau well we have a repair contract that the current completion date is December 25th, but it's going to get extended because we discovered additional work, we had to do to repair that well and bring it back online. So once we get that time extension, we'll come back to the Board. We'll update the Board on that one.

Mākālei well, we got word from the contractor that they got the pump equipment coming in. They're still waiting for some additional materials, like the shroud and hangers, and possibly pump cable. So we'll work with the contractors and get a better schedule on that for repair status.

And then Waiʻaha well, like we mentioned in this agenda, the Board approved the Change Order, so we'll work with the contractor now, and moving on forward on that; and I'm going to get a good schedule from the contractor on that repair project, we'll provide the Board an update. Questions?

MR. LOPEZ: Yes. Is Mākālei totally down?

MR. OKAMOTO: Yes.

MR. LOPEZ: Thank you.

MR. OKAMOTO: Thanks, Kawika.

MR. OKAMOTO: All right, Energy Report, Warren.

MR. CHING: So just to go over the Quarterly Energy Report, for the Third Quarter of this year, as always if you have any questions, feel free to interrupt at any time as we go through it.

(Note: At this time, Mr. Ching provided an overview of the Quarterly Energy Report.)

MR. LOPEZ: Are these installed everywhere there's a meter?

MR. CHING: Either, yes, meter or a valve box, so basically they're taking noise reading; so whenever there's a leak, that sound travels through the pipe.

MR. LOPEZ: But it's detecting a leak meter read?

MR. CHING: Not necessarily.

MR. LOPEZ: Maybe the leaks not there, but it's—

MR. CHING: Right, it's taking that—

MR. LOPEZ: I have one, he has one, you have one, that's what I'm trying to understand.

MR. CHING: Yeah, it's placed I guess strategically throughout the pipeline, so it could be a meter box, it could be valve box that we have, or some other access to the actual pipe underground.

MR. LOPEZ: Surprise to me, and actually great, is that you can detect a leak at the service property.

MR. CHING: Oh yes, so this is mainly our infrastructure, everything prior to the water meter. Sometimes the investigator does find stuff on the customer side, and they notify the customer or customer service.

MR. LOPEZ: Where the service is.

MR. CHING: Yes, it's everything prior to the meter on our side.

CHR. HIRAKAMI: How many total do we have?

MR. CHING: Loggers, I would say we have, right now about 800 deployed throughout the system, so every year some of them kind of fall out and fail, so we're trying to keep up with that and try to expand as much as we can.

CHR. HIRAKAMI: What was the cost-saving? You mentioned a huge cost-saving?

MR. CHING: I guess looking at 2022 last year, we avoided by catching these leaks early on and not letting them leak indefinitely, over $300,000, $390,000 approximately, and that was partially due to—last year, we had really high energy rates, so that was contributing to how much we actually saved.

MR. OKAMOTO: So, it's actually multiple fold, right. If we have a main that's leaking, we're pumping water that we're not getting paid for, but we're also using energy to pump that water that is basically not good for the environment, increases our carbon footprint as well as—third-fold is we all know how precious the resource is, right, so we don't want to waste it. Actually, three major benefits to finding leaks in the water main.

MR. NEY: You guys actually have to pinpoint a little further. I mean, this is going to get you in the vicinity. There was one about doing the pressure, somewhat along the same concept that they were saying they can also look for leaks with pressure along the leaks within a system. You have like a pattern of pressure data and something outside those parameters that throw red flag. Is that something you guys are looking into too also, Keith?

MR. CHING: I think that's something we looked at before. But these noise loggers kind of do something similar. I think our water service investigators kind of tried that out. I'm not sure exactly where that went.

MR. NEY: Almost like having it radio'd, where you have the company notify you. If I'm not mistaken, they kind of sell the product with the idea that they're going to hire their services to kind of do the monitoring component of it. But it's something to look into, whether or not you guys apply it, that's up to you.

MR. OKAMOTO: That's something we could probably look into. Yes, technology is always developing around this. Yes, we can look into something like that too. Those would probably be strategic, too. I mean, we know certain places in our system where there's high pressure, it might be good to monitor. Like you said, if there's an anomaly, that might also help us pinpoint potential leaks in our system.

MR. INABA: Kind of alarms—customers got to tell us, too. Pressure, normally would be like the drop in pressure because of the leaks. We do get, especially from the people (INAUDIBLE) system, pressure is already low.

MR. OKAMOTO: And what could happen, a pressure drop could mean that a PRV station ran away, which could cause downstream headaches with elevated pressure, actually.

MR. NEY: Or even be like a pressure drop for a stated period of time. Caps and stuff or something over a course of a long time, but they have to say something is wrong.

CHR. HIRAKAMI: How much does one meter cost?

MR. CHING: One unit, it's kind of going up, the ones we're using now, they cost about $700 to $800 each.

CHR. HIRAKAMI: Because I did the math, and the price of the meter at $800, and the savings of $487 per meter, so it's almost paid for itself, maybe for half a cost with this one here.

MR. OKAMOTO: But we don't pay that full amount, huh? We get rebates from Hawai‘i Energy to help cover the cost?

MR. CHING: Usually, and that's why Hawai‘i Energy kind of likes this project. It's kind of a quicker payback, and that's why they can do a 50% rebate kind of thing. We send them a bunch of information and data, and they come back and say how much they can actually rebate.

MR. OKAMOTO: We're not paying the full amount.

CHR. HIRAKAMI: So when we buy these, is that capital expenditures?

MR. OKAMOTO: That is not capital. What would that come under? Like operation and maintenance expenses.

CHR. HIRAKAMI: Seem to be worth the money because use it on the older system, the older parts of the system, like you said, the high-pressure system, they are going pay for itself.

MR. OKAMOTO: Or like the areas—the other thing, to me the no-brainers, okay, where we're pumping the most or using the most power?

CHR. HIRAKAMI: Right. That's great. Thank you.

MR. UNGER: I was surprised to see that the Power Rate was down 19%, at the same period last year. Department of Water Supply is big customer for Hawaiian Electric, how do you make them sit down and negotiate with them?

MR. OKAMOTO: We tried. Some of you have been with me for a while. Even jokingly, so the past couple presidents I have asked them for a punch-card, you buy $10M worth of power, you get the next million free, and that didn't go over so well.

So what we try to do though, and with Warren too, to try and—there are other programs that they have, like a Rider-M program, if you can commit to not pumping during their peak hours, you can get a discounted rate, so we're trying to see where there are opportunities to pursue those—using those types of programs.

MR. CHING: Yes, I think it's just trying to work within their programs and rate schedules and whatnot. I know they are coming up with a new time of use rate schedule, which I think they paused or delayed a little bit because of the Maui fires. I think they're going to start piloting certain customers, so moving customers over and seeing how it goes. Yeah, stuff like that; which sites would benefit from being on a time of use versus a normal—

MR. OKAMOTO: So we can opt in, right?

MR. CHING: We can opt in or opt out, because I think they're going to move them over just automatically. You have to opt out kind of thing, for at least a few of the customers that they've chosen, I guess, to pilot.

MR. OKAMOTO: Our folks meet with them—was it quarterly, Greg?

MR. GOODALE: Yes.

MR. OKAMOTO: But that's more from an operational standpoint, just to make sure we're in touch with them, you know, they also changed—because of the fire, their strategy for re-energizing, things like that, may have impacts to our operations. But the time of use might have a big impact and it may change our strategies on water storage, things like that. Yes, long answer again to a short question.

MR. UNGER: Yeah, we can discuss. We can continue the discussion later. But again, are there any opportunities to transfer some of these systems over to solar?

MR. OKAMOTO: We've had that discussion, too. What would be like for a wellsite, what would be the area required for solar panels?

MR. CHING: One of the biggest problems, I guess, for us right now would be the amount of land we would need. A lot of our sites are just like a tank, or a well and a building. But the place where we do have land existing would be the places where we would start looking at solar, and that's something I think is kind of the next step in at least our energy use; looking at where we can do solar, how much—

MR. UNGER: Yes, I would encourage that, especially because that's where we're all heading.

MR. CHING: So I'm thinking we should probably do something before 2030, at least get it finished, because that's when the federal tax credits, I think, are up until. I think they extended the 30% federal tax credit to 2030. That would be the minimal goal I think for the department, to look at solar before that time.

MR. OKAMOTO: Great question, Keith, and it's been something that we've been considering and looking at opportunities. It's just the amount of panels right now—although the efficiency has improved with the panels, the horsepower requirements are just significant. But if there's chance, we'll check it out, yes.

CHR. HIRAKAMI: The Lālāmilo one will be partially run by wind, right?

MR. OKAMOTO: Yes.

CHR. HIRAKAMI: That's a good start.

MR. OKAMOTO: To me, that's a flagship project for our department because of, again, the multiple benefits not to just us, but it's for us energy storage in a form that we actually utilize, right, water.

MR. NEY: What amazes me, these massive projects like the one on Waikoloa, I think I seen one coming down Waiki‘i, their big solar property. That doesn't really translate into a cost benefit to the customer.

MR. OKAMOTO: Supposed to.

MR. NEY: Supposed to, but you're like, wow, that's supposed to be offsetting something, right?

MR. OKAMOTO: Yeah.

MR. NEY: Yeah, kind of sad.

MR. OKAMOTO: And again, we don't want to speak for HELCO.

CHR. HIRAKAMI: Yeah, we're the department. We're supposed to keep looking for ways to energize sustainably.

MR. OKAMOTO: You know, our vested interests is like what Keith said, "We're a huge customer." Wherever we can try to reduce our energy footprint need from the utility, we're going to try to take a look at it.

MR. LOPEZ: There is some solar on that station on Hina Lani?

MR. CHING: No, not any of our sites.

MR. OKAMOTO: What we have employed is—

MR. CHING: Hydro turbines. Hydroelectric power, so hydro turbines and I guess a generator. Hina Lani does have one of those, but that one is set up to where it sells that power back to the utility, which is an older, yeah, kind of thing. It's called a Schedule Q, I think.

MR. LOPEZ: I just remember a lot of years ago, going to a blessing for that.

MR. OKAMOTO: We're looking at different opportunities. If you sell it back to the utility, it's at a discounted rate. It's not what we paid for. The best place to have a hydro generator is where you're going to use that power generated on site, so you offset your use from the utility by directly using the power generated by that hydro generator. One location we have is the Water Treatment Plant in Waimea. But like any other mechanical device, it's like a pump working backwards, basically. They're prone to failure, and we got to fix them and stuff. But yes, always looking for ways to save.

MR. NEY: Sorry, one last question. If you guys did something like that, how are you going to do hydrogen? Is it a partnership with a private company?

MR. CHING: We could go that route, like a low upfront cost to us, and it's like a Power Purchase Agreement kind of thing.

MR. NEY: Right.

MR. CHING: So that's what we did. We put on solar at our baseyards and offices, so we have a set-up there where we didn't have to pay upfront for the panels and stuff, and then we just pay the provider, I guess we call them, for the power that solar pv provides. So, we can go that route; and I'm guessing we'd probably go that route for any future pv. Just because us personally, we can't claim federal tax credits, you know, the outside party can. The idea is that they pass on that savings to us, the end-user.

MR. OKAMOTO: Portion of the savings.

MR. CHING: Yes.

CHR. HIRAKAMI: Seeing that there's no more questions.

MR. OKAMOTO: Thanks, Warren. All right, Item No. 3, Pacific Water Conference. We just want to remind the Board if you're interested, let us know. So far, we have Kawena, Ben, Tom, and Chair. So the early bird registration deadline is December 8th, next Friday. So if you're interested, let us know. Again, we'll probably provide preference to those that are going to term out soon, or this year. But if not, I think we have a budget for four to attend.

MS. MELLON-LACEY: You can safely do four.

MR. OKAMOTO: Okay.

MS. MELLON-LACEY: Because that's less than quorum, and it's not a meeting you're organizing.

MR. OKAMOTO: That's right, that's the other factor. Yes, I think it's a great opportunity. I think those who went before hopefully got something—

MR. KEKELA: I'd be interested in going if there's a spot.

MR. OKAMOTO: Okay.

MR. UNGER: I'd be interested.

MR. OKAMOTO: Throw your name in the hat, and we'll be the bad guys to weed you out. Any other questions on that particular conference? It's an annual conference. It comes around every year, so there's future opportunities. And then we also have an opportunity for you folks to attend the National Conference, which typically happens in June.

Okay, Item No. 4, Groundbreaking for the Lālāmilo 10MG. Yep, scheduled for December 7th, around lunch time – noon, up at the site. It takes about 15 to 20 minutes to get to the site from the site, from Queen K Highway. We'll have a program. It will be short. We don't typically hold grand events for these things. So far, I think attending is the Mayor, Senator Lorraine Inouye, Senator Tim Richards, as well as staff and Board members.

MS. MELLON-LACEY: You can do up to four, as well, because it's less than a quorum; and it's not specifically organized for the Board, you've got other people attending.

MR. OKAMOTO: Let us know. We'll shoot the invites to everybody, and then we'll respond. For this one, we'll probably give preference to a member whose district it's in, Chair and Vice Chair, and whoever else after that. So, let us know.

MS. MELLON-LACEY: The caveat with that is, that you have to agendize it if there's the four that go, and they just report who attended and anything that may give interest to the Board.

MR. OKAMOTO: Okay, sounds good. Thank you. Thanks, Diana. So does that have to be on the December agenda, or can it be in January?

MS. MELLON-LACEY: Well, it has to be in the next duly notice meeting of the Board, December.

MR. OKAMOTO: December. Okay, we'll have an agenda item, report by those who attended the groundbreaking. Okay, perfect, awesome. You are not going see much. It's barren land. You are going see a pile of dirt. It's ceremonial, but it's to be significant.

MR. NEY: That's the one that might be in the newspaper. I mean the thing is you've got to view it that the public appreciates the project too, because a lot of people might look negatively on it.

MR. OKAMOTO: It's invitation only event, but it will be an opportunity for us to maybe provide a press release. So, we'll have a program, and we'll shoot it out to everybody.

I think the last one was a request by Vice Chair Kawena, the Funding Opportunity Announcement: Hawaiʻi Community Foundation Fresh Water Initiative. I think somebody sent an email. So I'll have Kawika provide an update on that effort.

MR. UYEHARA: Thank you for alerting us on the funding opportunity; and by chance, we also did hear about the funding opportunity from Hawaiʻi Community Foundation through our other colleagues there and others in the water industry. So yes, we did submit for a grant application, under this Hawaiʻi Community Foundation, their Water Conservation grant program, so it was submitted last Monday, the 20th. But basically the intent is if we do get awarded some grant funds, we need to expand our Water Conservation Program, particularly in smart irrigation, and then—we just got to work out the details, but eventually getting them over to customers, particularly on the west side of the island, to help them decrease water use in the irrigation systems. We can provide updates in future meetings, but basically our application was submitted last week, so we've got wait to see what results are.

MR. OKAMOTO: I also was made aware because I'm part of the Fresh Water Council, which falls under that Hawaiʻi Community Foundation umbrella, and we meet regularly. This funding opportunity came directly to our department as well because of my participation in that. We're also constantly working with other avenues of potential federal funding opportunities. So yeah, we're always on the look for ways we could get outside sources of funding to do things that we need or would like to do.

MR. LOPEZ: It's good to get feedback to community members. Really that came to me from a community member.

MR. OKAMOTO: I mean we appreciate getting heads-up anytime for any kind of funding opportunities. So, thank you guys.

CHR. HIRAKAMI: Thank you, Keith. We have two important items. I'd like to entertain a motion for the Board to convene an Executive Session for Civil No. 3CCV-20-0000007, Lālāmilo Wind Company, LLC versus the Board.

F. **EXECUTIVE SESSION REGARDING OPEN LITIGATION FOR CIVIL NO. 3CCV-20-0000007, LĀLĀMILO WIND COMPANY, LLC:**

The Board anticipates convening an executive meeting for the purposes of discussing the legal rights, duties and liabilities of the Board concerning open litigation against the Board, as authorized by Hawaiʻi County Charter Section 8-2 and Hawaiʻi Revised Statutes ("HRS"), Sections 92-4 and 92-5(a)(4). 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 the affirmative vote constitutes a majority of the Board.

CHR. HIRAKAMI: Do I have a motion to convene an Executive Session.

ACTION: Mr. Ney moved that the Board enter into Executive Session; seconded by Ms. Hugo and carried by unanimously by the following roll call vote: Ayes: 8 – Mr. Bell, Mr. Brown, Ms. Hugo, Mr. Lopez, Mr. Ney, Mr. Unger, and Chairperson Hirakami; Absent: 1 - Ms. Keolanui.

CHR. HIRAKAMI: Okay, we're going to go into Executive Session.

(The Board entered into Executive Session at 12:26 p.m. and returned at 1:13 p.m.)

ACTION: Ms. Hugo moved to get out of Executive Session. Seconded by Mr. Lopez and carried unanimously by the following voice vote: Ayes: 8 – Mr. Bell, Mr. Brown, Ms. Hugo, Mr. Lopez, Mr. Ney, Mr. Unger, and Chairperson Hirakami; Absent: 1 - Ms. Keolanui.

CHR. HIRAKAMI: Okay, welcome back to the Regular Session of the Board.

MS. HUGO: Mr. Chair, I make a motion to approve the recommended strategy as discussed.

CHR. HIRAKAMI: Do I hear a second?

MR. NEY: Second.

CHR. HIRAKAMI: Any discussion? Hearing none, all in favor say "aye."

BOARD MEMBERS: The motion to approve the recommended strategy as discussed was carried by unanimously by the following voice vote: Ayes: 8 – Mr. Bell, Mr. Brown, Ms. Hugo, Mr. Lopez, Mr. Ney, Mr. Unger, and Chairperson Hirakami; Absent: 1 - Ms. Keolanui.

CHR. HIRAKAMI: Motion carried.

ACTION: Ms. Hugo moved that the Board enter into Executive Session; seconded by Mr. Brown and carried by unanimously by the following roll call vote: Ayes: 8 – Mr. Bell, Mr. Brown, Ms. Hugo, Mr. Lopez, Mr. Ney, Mr. Unger, and Chairperson Hirakami; Absent: 1 - Ms. Keolanui.

G. EXECUTIVE SESSION: MANAGER-CHIEF ENGINEER AND DEPUTY EVALUATION FOR CALENDAR YEAR 2023

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.

ACTION: Ms. Hugo moved that the Board enter into Executive Session; seconded by Mr. Ney and carried by unanimously by the following roll call vote: Ayes: 8 – Mr. Bell, Mr. Brown, Ms. Hugo, Mr. Lopez, Mr. Ney, Mr. Unger, and Chairperson Hirakami; Absent: 1 - Ms. Keolanui.

(The Board entered into Executive Session at 1:15 p.m. and returned at 1:30 p.m.)

H. MANAGER-CHIEF ENGINEER AND DEPUTY EVALUATION FOR CALENDAR YEAR 2023:

(Note: Item H was discussed during Executive Session for Item G.)

Chair: Is there any testimony for this item?

Discussion/action on Manager-Chief Engineer and Deputy evaluation and compensation.

I. CHAIRPERSON'S REPORT:

1. Discussion on upcoming Water Board schedule.

CHR. HIRAKAMI: We wanted to open for some discussion on the upcoming Water Board schedule. I think this is Kawena's concern.

MR. LOPEZ: I wanted to talk about it before the schedule changes. Is the department aware of the resolution going to Council now, Resolution No. 278 asking for testimony and notification. I went to the Council because it's important, and depending how it goes, it could dramatically change schedules, the way we've been using meeting formats, because it went just virtual attendance for the public, to recordings, to meetings at night, at weekends, something to enable the public to more participation. It struck me because, you know, we kid about the public never coming to our meeting, and there's a number of reasons maybe. So that, to me, affects the calendar. Are you aware of that, Keith? I know last meeting said you were working toward a virtual meeting.

CHR. HIRAKAMI: There actually was passed resolution to allow virtual testimony at every meeting. We were marked, Water Board that we do, but we don't. This is a resolution that passed, but it's asking the Mayor to make a requirement that all Boards provide virtual testimony. The Mayor hasn't done it yet, but the resolution passed.

MS. MELLON-LACEY: It just went through Committee; it hasn't gone through the Council. It doesn't require it. It's saying that the Mayor should—

CHR. HIRAKAMI: The Mayor should require it.

MR. LOPEZ: A resolution is not binding. All it is, is a recommendation. I just thought that it's important that the Board is familiar with this. Not that it seems it's going to be enacted. I wanted to bring it to your attention, regarding the schedule.

CHR. HIRAKAMI: I don't think that's true. I sat on the Appeals Board. I sat on PONC. It was at the same time of day, and we had tons of testimony. I don't thinks it's the timing of day, necessarily, preventing more people from testifying or not encouraging public testimony.

MR. LOPEZ: Oh, you might be true, but you would have to listen to the other eight Council Members that would disagree.

CHR. HIRAKAMI: When is their meeting? Nine o'clock, it's one hour different from ours. Does that prevent people from going to the Council to appear.

MR. LOPEZ: You're arguing what's before the Council, which is not our purview.

MS. MELLON-LACEY: One thing to think about, is right now our meeting day is fine. It's actually in the Rules of the Board. So if the Board's going to make a change, that's good bringing it up; you know, you have to think about it because it will actually involve changing your Rules, and that actually involves having to have a public hearing, which is good because you get input.

CHR. HIRAKAMI: So the time is in the rules?

MS. MELLON-LACEY: In the Rules.

CHR. HIRAKAMI: Fourth Tuesday of the month, right?

BOARD MEMBER: And the Charter.

MR. BROWN: I have a question then. I'm missing something because you're talking about—you folks are mentioning the time of the meeting and stuff, but all the resolution says is, about providing virtual access. That's like through Skype or something like that.

MS. MELLON-LACEY: That resolution doesn't contain that, but it was brought up in discussions at the Committee meeting about more evening access meetings, beneficial for public participation.

MR. LOPEZ: But even to the extent that the Mayor's office is coming back to the Council. I think January will have some response to forming the Office of Boards and Commissions within the Mayor's. They're modeling after Kaua'i.

MS. MELLON-LACEY: The big issue for all the departments to do virtual meetings is because of the State's requirements. It requires staffing and resources, and not everybody has it. It's not that people don't want to do it. All the departments I know want to have virtual access, but they don't all have staff and resources.

MR. LOPEZ: Well maybe this office supports commissions. That's what Bobby Command is proposing, for West Hawai'i, Kona. It was just brought up because as we develop our schedule, that's something to be aware of.

CHR. HIRAKAMI: I thought you were interested in the equal amount, east and west side. That's what I thought you wanted to talk about.

MR. NEY: It wouldn't be practical for you guys, staff-wise, to do meetings outside of work.

MR. OKAMOTO: We're open to that discussion, as well. That's why we kind of left it general because we didn't know where—but we're open to that. It does take resources. What I do want to share is that we are looking at how we can do virtual. Because we know that's the expectation already from the public. Although we're in compliance with Sunshine Law, there's the compliance part of it, but there's also the expectation part of it, which is to allow virtual access, not only by the public but by our Board members as well. We know you're spending your resources to spend time with us, so we want to kind of afford you folks that ability to participate remotely, too.

MR. LOPEZ: What we're more headed towards, how do we get the public more engaged in these meetings?

MR. OKAMOTO: So I think—correct me if I'm wrong, Kawika, but we're trying to shoot for starting January of next year, allowing the hybrid-type meetings with virtual participation, I think both by Board and public?

MR. UYEHARA: Yes.

MR. OKAMOTO: I know the other expectation, which I think I saw in this resolution, was access to viewing. Yes, instead of having to come and see it. We're open to that too. We have to post it. I just don't know what that requires. Some kind of YouTube account, maybe?

CHR. HIRAKAMI: In other words, have it available on a recording until the minutes are approved. Once the minutes are approved, then you can take it off.

MR. OKAMOTO: That makes sense, yeah.

MS. MELLON-LACEY: That's the recommendation from the Office of Information Practice.

MR. OKAMOTO: Okay, that's all cool with us. I think we figured it out, like how we did Ann guys' participation and the setup, the logistics and the equipment requirements seem to have worked. So that was kind of like a test, too.

CHR. HIRAKAMI: So, one way to get around that, at my school we're a State Board, so we're already doing hybrid meetings, virtual access, virtual testimony, and recorded sessions; but to get away from having to keep the recorded videios, we approve the minutes at the end of the meeting. That's a strategy.

MR. OKAMOTO: Oh, never even thought of that, okay.

CHR. HIRAKAMI: So anyway, is that a future discussion? You want to recommend start doing it in January? Is that what you want to do?

MR. OKAMOTO: I don't know if we need an actual decision-making by the Board to change the format.

MS. MELLON-LACEY: I don't think so, but there's no harm in it.

MR. OKAMOTO: There's no harm, yeah.

MS. MELLON-LACEY: The Board wants to vote on that, and you're prepared to do it. You have to make your notice for the meeting comply, because you have to tell people how to—

MR. OKAMOTO: How to access.

MS. MELLON-LACEY: But you used to do it.

MR. LOPEZ: I wouldn't want to impose that on you this quickly. I'd rather you decide when's a good time for you to transition.

MR. OKAMOTO: Okay, we'll shoot for January. Again, this is the purview of the Board. If you want it to be an agenda item, for transparency purposes to the public, we're cool with that too. But if you're cool with us just moving forward, we'll do that too. That's what we're trying to do.

CHR. HIRAKAMI: We can put that on next month's agenda, and start with January to make it, like the Board wants to comply with the Council's request for more public input.

MS. MELLON-LACEY: It supports the resolution.

MR. OKAMOTO: Okay, we'll have an agenda item in December to recommend that we move to the hybrid-type meeting starting—maybe we'll just say first quarter of 2024. That sounds good.

CHR. HIRAKAMI: I've been thinking more and more about this. Everywhere you go, news media talks about climate change. We almost were in that situation, before you guys declared a Water Conservation notice and then it started pouring. The poor people in Puna, if you live in Puna, the water haulers were so busy. It was really dry, I mean I even had to water my lawn, and then you guys put out the Water Conservation Notice and then it started raining in like crazy. Everybody is thankful, luckily. To be serious, is Puna going to survive a long-term drought with all the water haulers we currently have?

MR. BROWN: Steve, they're increasing the capital budget 67% in the next five years, with that rate increase. Maybe they can use some of that.

MS. MELLON-LACEY: Many residents seem to be drilling their own well.

CHR. HIRAKAMI: But how sustainable is that because HPP has an emergency—the newer constructions are all on septic. In that 4 mile wide corridor going all the way up to Glenwood and continuing down to Mountain View and down to the sea at HPP that's probably 10,000 cesspools. Sooner than later, it's not “if” but it’s “when,” then who knows if that water table remains drinkable. It’s good for the people on wells now, but sooner or later, it might become a problem.

Anyway, looking ahead it’s going to be —there’s been a plan by Ashley. She’s been doing a survey of where it would be the best places to put water spigots.

MR. OKAMOTO: Actually, we asked her for her help. That’s why she put out the—

CHR. HIRAKAMI: Oh, good. So anyway, she’s getting a lot of responses. A very lively discussion, where it should be, and that’s to mitigate traffic congestion, high congestion, and everything. There are some pretty good ideas, but there’s a lot of work. You know, that’s non-revenue money and people abuse that, so I as a Board member, I’m not so keen on that, but who is going to pay for it?

MR. OKAMOTO: Public Works is actually paying for it. So, all of us real property owners pay for those spigot sites.

CHR. HIRAKAMI: Yeah, it’s necessary, but people—I see guys washing their cars down in Kalapana because nobody is looking, and that’s not a proper use of the water spigots. Water spigots are for emergency use. As a Board member, I see that and I just want to stop and say, “Hey, you can’t—that’s not the purpose of that spigot. It’s for emergency use.” The more spigots we put out, the more chances for abuse of the system. And that’s all non-work related. Like you said, all of the property owners are paying for it.

MR. OKAMOTO: So there are discussions countywide on how to address that and some of the concerns and challenges, and there is actually Hawai‘i County Code related to the spigots and what the requirements are, then the question goes to the enforcement. Yes, it’s a tough nut to crack, but we hear you, Chair.

CHR. HIRAKAMI: It’s coming down the road, and you hear more and more about it. Even the people that didn’t believe it before are starting to become really concerned.

MR. UNGER: Are you concerned people are taking water from the spigots just to refill their catchment tank?

CHR. HIRAKAMI: Oh, yes. You know at Kalapana, most of the containers are minimum 100 gallons. Some people have 400-gallon containers in the back of their truck, and it’s for the purpose of filling up their water tank. They’re not filling up small containers, filling up a 5-gallon. No, they got this white-water containers, and they dedicate it, and they stay there—you know how slow it is to fill up a container, a 100-gallon? It takes a long time. There are people waiting in line to fill it up.

MR. OKAMOTO: Yes, we’re hearing all of that.

CHR. HIRAKAMI: That’s going to be a big revenue loss, so we got to think ahead.

J. ANNOUNCEMENTS:

Next Meeting: - December 19, 2023, 10:00 a.m., at the Department of Water Supply, Hilo Baseyard Operations, 899 Leilani Street, Hilo, Hawai‘i.

K. **ADJOURNMENT**

CHR. HIRAKAMI: It's been a long meeting. I'm going to adjourn this meeting.

(Note: There was no motion made to adjourn the meeting.)

(Meeting adjourned at 1:36 p.m.)

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Recording Secretary