

**MINUTES**

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

February 22, 2011

Royal Kona Resort, Resolution Room, 75-5852 Ali'i Drive, Kailua-Kona

MEMBERS PRESENT: Mr. Dwayne Mukai, Chairperson  
Mr. Robert Meierdiercks, Vice-Chairperson  
Mr. David Greenwell  
Mr. Kenneth Kaneshiro  
Mr. Delan Perry  
Mr. Joe Reynolds  
Mr. Art Taniguchi  
Mr. Milton Pavao, Manager-Chief Engineer, Department of Water Supply  
(ex-officio member)

ABSENT: Mr. George Harai, Water Board member  
Mr. Bryan Lindsey, Water Board member  
Ms. Bobby Jean Leithead-Todd, Director, Planning Department (ex-officio  
member)  
Mr. Warren Lee, Director, Department of Public Works (ex-officio member)

OTHERS PRESENT: Ms. Kathy Garson, Assistant Corporation Counsel  
Mr. Mark Jernigan  
Ms. Denise Jernigan  
Ms. Chelsea Jensen, West Hawai'i Today  
Ms. Cindy Yee, Accuity LLP  
Mr. Donn Nakamura, Accuity LLP  
Mr. Jon J. Arizumi, HELCO  
Mr. Norman Verbanic, HELCO

Department of Water Supply Staff

Mr. Quirino Antonio, Jr., Deputy  
Mr. Kurt Inaba, Engineering Division Head  
Mr. Rick Sumada, Waterworks Controller  
Mr. Daryl Ikeda, Operations Chief  
Mr. Larry Beck, Engineering Division  
Ms. Kanani Aton, Public Information and Education Specialist  
Ms. Julie Myhre, Energy Management Analyst  
Mr. Kawika Uyehara, Engineering Division

CALL TO ORDER - Chairperson Mukai called the Meeting to order at 10:00 a.m.

STATEMENTS FROM THE PUBLIC:

*(The following testimony is verbatim.)*

**CHAIRPERSON MUKAI:** We have Mark Jernigan, regarding the Palani Road timeline/Jernigan property, representing himself.

**MR. JERNIGAN:** Mr. Chairman, members of the Board, nice to see you again. Thanks for coming all the way over to Kona. I was reviewing the Minutes of last meeting and I was a little bit distressed at some of the statements that were made. Just to clarify things, I am not a liar. The statement I made last week, or last month, is true. The allegations of racism towards me at that meeting were true, and there are people in this room that were present at the meeting if you want to investigate that. I think it's very serious that your Manager's memory is not the same as others that were present at that meeting. To move on, the contractor has not gone back to our property to put in temporary pavement at the top. The road remains closed. The temporary pavement... permanent pavement... What is it? Uh, is it gravel? Is it asphalt? You know, it's a pretty general term. Right now the top 200 feet of our driveway is still loose rock, very steep; there's no traction and there's concrete barriers across it. Now it looks as if the contractor's having trouble maintaining pressure in the pipe. They've been trying to test it for a couple weeks now; that's what it appears. And what worries me is that it'll have to be dug up again. Yeah, so to my knowledge, the contractor has not gone back to fix anything, except runoff gravel that was on the lower road. There's some testimony from last month that indicated that he'd fixed everything. Driving to the top of our driveway... It was stated someone drove to the top of our driveway... It'd be pretty darn difficult unless you had a good four-wheel drive because the last 200 feet is unimproved, very steep, and there's concrete barriers across it. And the other thing that concerned us in the Minutes is that we were unaware that there was a time limit to voice any and all of our concerns. Someone had said we're bringing up new concerns. We focused, and are still focusing, mainly on the most egregious ones: getting access to our land. Closing off our land for over a year is not an easement that we had agreed to. I would call it a full taking. Again, we ask your help to repair our gates, and place a temporary hard surface on the upper portion of our driveway to allow us access to our land. It's not an unreasonable request. And to be fair, Mr. Beck was present on our property last week taking pictures. Thank you for it.

**CHAIRPERSON MUKAI:** Thank you, Mr. Jernigan.

APPROVAL OF MINUTES:

The Chairperson entertained a Motion to approve the Minutes of the January 25, 2011, Board meeting.

ACTION: Mr. Meierdiercks moved to approve; seconded by Mr. Greenwell. Motion carried unanimously by voice vote.

APPROVAL OF ADDENDUM AND/OR SUPPLEMENTAL AGENDA:

None.

PRESENTATION OF AUDITED FINANCIAL STATEMENTS – JUNE 30, 2010:

Copies of the Department's Audited Financial Statements for the fiscal year ended June 30, 2010 have been distributed to Board members. Representatives of Accuity LLP, the Department's independent auditors, were present to answer any questions Board members may have regarding the report.

Ms. Cindy Yee, an assurance principal with Accuity LLP, noted that this was the first year that her firm had prepared the financial audit for the Water Board. She said that her firm had issued a "clean," which is an unqualified audit opinion of the financial audit. Page 1 includes the financial statement highlights, which compare developments of 2010 with the previous year. Ms. Yee said there was a restatement, which means that the auditors, while doing the 2010 audit, came across some items in 2009 that were significant enough to warrant restating the 2009 financial statements performed by the previous auditors. This amounted to about \$9.5 million, Ms. Yee said, adding that she would elaborate later in her presentation. Some other significant changes involved the cash and cash equivalents, which decreased by \$20 million. This was due to some purchases of capital assets and unrestricted investments in the current year. The restricted investments decreased by \$11 million, due to spending of restricted bond proceeds on capital assets. Ms. Yee said there was an increase in construction work in progress in the current year, due to increased construction activity. Overall, net assets decreased by about \$4 million. This was primarily

due to the operating loss of \$5 million in the current year, Ms. Yee said. In addition, constructions, in aid of construction, decreased by about \$8 million in 2010, compared with 2009. This was primarily due to some large contributions that took place in 2009 for the Kona Coastview projects, Ms. Yee said. From Page 3, there are some required communications that Accuity, as auditors, must make to the Water Board, she said. The first is the auditors' responsibility under generally accepted auditing standards, which Accuity follows as part of their accounting procedures, Ms. Yee said. Accuity, in its engagement letter and contract dated August 16, 2010, with the Water Board, stated that the financial statements were performed in accordance with Generally Accepted Accounting Principles (GAAP). Ms. Yee said that for the 2010 auditing period, DWS adopted a new accounting standard relating to the reporting of intangible assets. Accuity also noted that DWS revised its methodology in calculating depreciation expense, to comply with GAAP. Except as noted in its report, Accuity believes that DWS has adopted appropriate and reasonable accounting policies, and applied them in its financial reporting. On Page 4, Accuity listed some of the more difficult and subjective judgments and estimates that it performed as part of the audit, including allowance for a collectible receivable. Management has to assess the receivables, determine if these are collectible or not, and also assess the depreciation on capital assets and calculations of DWS's benefit obligations and workers' compensation liability, Ms. Yee said. Accuity reviewed these, and determined that DWS's assessments were reasonable and fairly stated. Regarding the audit adjustments, Ms. Yee reiterated that the financial statements for the 2009 financial period were restated. Some of the items that were restated included errors in accounting for revenues, because DWS spent the wrong fiscal year. Some project costs that should have been expensed and costs that should have been accrued as of a certain period were not recorded in the correct period. In addition, there was an error in recordation of depreciation of capital assets, Ms. Yee said. Accuity also noted two uncorrected misstatements, related to some unrecorded liabilities, and a difference in accounts receivable, she said. These items were not material enough to warrant being recorded in the financials, but Accuity wanted to let the Board know about them. Ms. Yee said there were no serious difficulties encountered in performing the audit of DWS, aside from the restatement for the 2009 financial statements. She said there were no material weaknesses in terms of internal controls in the Department, aside from two significant deficiencies. She said she would elaborate on these later in her report. On Page 7, there is a summary of uncorrected misstatements. Page 8 discloses the restatement entries that were required, to restate the financials for 2009 to make them comparable to 2010. Page 13 includes the two items Ms. Yee cited as uncorrected misstatements, which were not significant enough for management to make adjustments to the 2010 financial statements. Ms. Yee said that Accuity will begin its 2011 audit in August-September. The fieldwork will begin in September 2011, and Accuity plans to issue its final report sometime in mid-November. She returned to the two items mentioned earlier, listed in a separate report called the Internal Control Business Issues Report. These items were considered by Accuity to be significant deficiencies. One of the items involves a lack of policies or procedures in DWS's Information Technology; the report gives details on best practices that the auditors believe should be implemented.

Mr. Taniguchi asked Ms. Yee about the restatements, where revenues were not recognized at the time of billing. He asked for clarification.

Ms. Yee said that the revenue should be billed based on when the service was earned, so that it is as of June 30, 2010. DWS has been recording revenue based upon when the bills were sent out. However, this method may not cover the billing period or services really earned through June 30, 2010, she said. Therefore, there could be a cut-off, where the billing that is sent out only covers the period through May 31, 2010. DWS had not been including the month of June as revenue in the June 30, 2010, fiscal period, Ms. Yee said.

Mr. Taniguchi noted that DWS bills for two months of service. He asked if the entire amount would be recognized at the time of billing.

Ms. Yee said that it should be based on the service period; it should be for services earned just through June 30, 2010.

Mr. Taniguchi asked whether, in that case, the June-July bill would straddle two fiscal years (i.e., whether it would be counted one-half for the previous fiscal year, one-half for the next fiscal year).

Ms. Yee said DWS would take the June period, and allocate half of it, and accrue half of it in June 30, 2010. That was what DWS has been doing year after year, and the prior auditors were fine with that practice, she said. The prior auditors made note of this cut-off period, and the prior auditors let it go, Ms. Yee said.

Mr. Taniguchi asked for an explanation of the second item that Accuity listed, regarding invoices for services that spanned two fiscal years but which were not allocated between the two fiscal years.

Ms. Yee said that was very similar to the first item. The second item involved services such as DWS's HELCO bill.

Mr. Taniguchi asked whether this would kind of even out.

Ms. Yee acknowledged that it essentially evens out, but DWS needs to be accruing everything through June 30, 2010. The auditors thought that this was a good time for DWS to make all of the necessary corrections at one time, instead of always having this timing issue.

Mr. Taniguchi next asked about the depreciation expense item, where Accuity reports that DWS "continues to record the depreciation expense on fully-depreciated assets." He asked what assets DWS was continuing to depreciate.

Ms. Yee said that was the methodology that DWS was using in terms of depreciating its assets. Some of the assets are 10-year or 30-year properties. DWS is applying a certain weight to the cost of those assets, and DWS continues to depreciate the assets, based on the cost, after the 10-year or 30-year period, she said. Accuity did an analysis to determine what the impact of the over-depreciation was for the Department, and the impact was around \$8 million. The auditors discussed this with DWS's management, and it was decided that the auditors would go ahead and restate, (i.e., adjust), the financial statements for that over-depreciation. DWS noted that it had been following the method that they had been using, with the prior auditors' approval.

Mr. Taniguchi noted that Accuity had recommended that DWS implement proper accounting procedures to ensure that transactions are in accordance with GAAP. He asked if Accuity was implying that DWS was not reporting in accordance with GAAP.

Ms. Yee said yes, only for those instances that Accuity came across. The other areas that Accuity audited were fine, and were in accordance with GAAP.

Chairperson Mukai took umbrage with Accuity's use of the word "deficiency," which he said could imply that DWS was doing something erroneous. Accuity is recommending that DWS implement different accounting procedures than the ones the Department had been using – and which had been approved by the prior auditors. He said that the use of the term "deficiency," implies that DWS was doing something wrong, when DWS did nothing wrong according to the prior auditors. He believed that it was more a matter of recommending a different way of how DWS does things, and it was not a matter of a "deficiency." In Chairperson Mukai's view, the word "deficiency" had a very negative connotation.

#### ACTION TO MOVE AGENDA ITEMS:

Chairperson Mukai asked to move up the first item in Item 9(I), MANAGER-CHIEF ENGINEER'S REPORT, Palani Road Transmission Waterline Project, next in the Agenda, followed by Item 9(D), HELCO RELEASE AND TERMINATION AGREEMENT – LĀLĀMILO.

## MISCELLANEOUS:

### I. MANAGER-CHIEF ENGINEER'S REPORT:

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

1. Palani Road Transmission Waterline Project – Mr. Beck reported that he had visited the site after reports of rock debris flowed down after heavy downpours on Kuni Road. Mr. Beck asked the contractor to clean up the debris, and apparently that has been cleaned up. Mr. Beck also met with Mr. and Mrs. Jernigan, and walked up and down their driveway to see what things still needed to be taken care of. Mr. Beck put together a list of things to do, which he transmitted to the contractor and DWS's inspector. Mr. Beck and other staff plan to meet with the contractor this afternoon to go over the list and point out what needs to be done. Mr. Reynolds asked if Mr. Beck is asking the contractor when the contractor will actually do what needs to be done. Mr. Reynolds said he was concerned that the contractor appears to think that it is okay to wait until the contract period is over. Mr. Reynolds noted that at the beginning of the project, the contractor had said that he would be done with the section involving the residents' yards and driveways, etc., within 60 or 90 days, and it is way beyond that. Mr. Reynolds said there has not been any clarity as to whether DWS is going to demand that the contractor take care of things right away, instead of waiting until the deadline in September. Mr. Beck said that the contractor plans to do a major paving job between the upper and lower tanks next week (the week of February 28). Mr. Beck said he hopes that at that time, the contractor will do the swale at the bottom of the driveway that needs to be installed so that the water can reach the dry well, as well as do the 200-foot upper section. All of this will be discussed this afternoon. Mr. Reynolds asked if Mr. Beck will memorialize these discussions in writing, so that there is no doubt as to when this work is going to be done. Mr. Beck said he can take notes of the meeting, and forward the notes to the contractor afterwards to show what was said. Mr. Beck mentioned the pressure test that Mr. Jernigan spoke of earlier in the meeting. The pressure test that has been done so far was from the bottom of Mr. Jernigan's driveway, down to the bottom of Kuni Road. The pressure test did not involve the upper section that is under Mr. Jernigan's driveway; that section has not yet been tested. The pressure test was done at 230 psi for about an hour and a half, so that it did pass the inspection. Therefore, it is not holding the same pressure now, because over time, it is allowed to drop, Mr. Beck said. During the test, it has to be held at a higher pressure for a certain time period, he said. Mr. Kaneshiro asked what can be done to help the residents so that they do not have to come before the Board with their concerns. Mr. Kaneshiro suggested that DWS communicate directly with the residents, so that the residents do not have to voice their concerns about Palani Road at every Board meeting. Mr. Beck agreed that Palani Road is on every Agenda because it is a continuing subject of concern. Mr. Beck said that while many of the concerns that have been raised have since been addressed, there is much more still to be done. The Department is trying to wrap things up, but a number of unforeseen circumstances have cropped up. Right now, one of the issues is the pipeline up on the highway above Mr. Jernigan's driveway, which was not in the location specified in the plans, Mr. Beck said. When that discovery was made, the problem had to go back to the design engineer for a minor change; that is being worked on now, Mr. Beck said. That is one of the things that held up the completion of the top of Mr. Jernigan's driveway, Mr. Beck said. The Manager-Chief Engineer said that the Department has emailed the individual residents to provide information. Mr. Kaneshiro asked whether the project is on track for completion by September. Mr. Beck said yes, the overall project is on track, but this section that is affecting these residents has not been going as desired. The Manager-Chief Engineer said that at the beginning of the project, DWS stressed to the contractor that DWS wanted this mauka area done first, because DWS wanted to utilize that portion of the pipeline first to serve the Kealakehe area first. DWS's intention always was to have the contractor do this mauka section first. Mr. Reynolds asked if DWS's intention to do the mauka portion first was memorialized in writing. The Manager-Chief Engineer said if he was not mistaken, it was reflected in the contract. Mr. Reynolds asked why DWS was paying the contractor if he did not do what the contract required. The Manager-

Chief Engineer said there were other areas of work that the contractor has completed satisfactorily, such as the tanks and the pipeline, and therefore DWS must pay them when they finish areas of work. The contractor is not getting paid for what they have not done in the mauka portion yet; the contractor is getting paid for what they have done in the makai portion (i.e., the tanks and the pipeline). Mr. Reynolds said that still means to him that the contractor did not do what the contract said. Chairperson Mukai asked whether the initial contract signed with the contractor had a timeline for when the mauka portion was to be completed. The Manager-Chief Engineer said no, there was no timeline, although there was some discussion that the mauka portion should be done first. Mr. Beck said that this was discussed at the pre-bid meeting. The Manager-Chief Engineer said there was no timeline or date regarding the mauka portion in the contract. Mr. Kaneshiro said it was hindsight, but it would have been better to have had *two* contracts for this project: one contract for the upper portion and one contract for the lower portion. In this way, it would have been clear when the upper portion would have to be done. The Manager-Chief Engineer said this was an excellent point, and the idea of two contracts was actually discussed. However, in the interest of saving money, the decision was to make it one contract.

**D. HELCO RELEASE AND TERMINATION AGREEMENT – LĀLĀMILO:**

A Release and Termination Agreement for the Lālāmilo Windfarm is needed to terminate the June 30, 1986, Power Purchase Agreement between Department of Water Supply and Hawaii Electric Light Company, Inc. (HELCO). There is no budget amount for this project.

The Manager-Chief Engineer recommended that the Board approve the Release and Termination Agreement for the Lālāmilo Windfarm, and that either the Chairperson or the Vice-Chairperson be authorized to sign the documents, subject to approval of Corporation Counsel.

*(This Item was deferred from the January 25, 2011, Water Board meeting.)*

MOTION: Mr. Taniguchi moved to approve; seconded by Mr. Meierdiercks.

Ms. Myhre said that the current agreement terminates the 1980-vintage Power Purchase Agreement and all subsequent amendments that were made when the original Lālāmilo Windfarm was constructed. The Power Purchase Agreement was then transferred to HELCO. The current agreement terminates that Power Purchase Agreement between DWS and HELCO.

Ms. Garson said that this Item had been deferred because she and the attorneys were negotiating the indemnity and release provisions. She pointed out the specific language dealing with the indemnity and the release. Ms. Garson had sought to limit the release to be not a complete and total release of HELCO, because DWS still remains on the hook to the Department of Land and Natural Resources (DLNR) if there are any hazardous materials left on the property. That was part of the agreement that DWS had with DLNR, so that rather than being a total release of HELCO, there is some limiting language in the current agreement. This is mutually agreed-upon language. She pointed out provisions 4, 5 and 6. DWS had requested that certain items be left on the property, because DWS thought they could use them. DWS is still working to get a permanent lease from the State. If, for some reason, DWS does not get the lease, and if DLNR asks DWS to remove the items still on the property, it will be DWS's responsibility because DWS had asked HELCO to leave them. That was considered fair by the parties, Ms. Garson said. It is a risk that DWS is going to maintain. The current agreement stipulates that if DLNR or anyone acting on DLNR's behalf comes after DWS for certain things such as negligence or misconduct of HELCO in connection with their use of the property, then HELCO will indemnify DWS. HELCO did comply with a remediation plan which it submitted to DWS, so DWS is releasing HELCO from anything contained in the remediation plan. Therefore, there is some risk on behalf of DWS, so it is not a complete release. However, the parties agreed that it was fair, between DWS and HELCO, for what HELCO was releasing DWS, for what HELCO was going to be responsible, and for what DWS was going to be responsible, Ms. Garson said.

Mr. Taniguchi noted that provision number 5 spells out for what HELCO is not released. He asked who would be responsible for any contamination that might be found in the event that DWS tears anything down. He clarified this to mean the building left on site.

Ms. Garson confirmed that this would DWS's responsibility.

Mr. Taniguchi asked whether it would be entirely DWS's responsibility if, for example, asbestos were found underground in the event the building were torn down.

Ms. Garson said that would most likely be DWS's responsibility.

Chairperson Mukai commented that with regards to the windmills, etc., and the related contamination, all of that had been certified as cleaned up and removed. Therefore, the only unknown factor would involve the building that DWS asked HELCO to leave.

Ms. Myhre said that there were also two towers remaining on the property.

Ms. Garson confirmed that these items were things that would have been removed under the previous agreement, but which DWS asked HELCO not to remove. Therefore, there is a risk.

ACTION: Motion carried unanimously by voice vote.

#### SOUTH HILO:

##### **A. DRINKING WATER STATE REVOLVING FUND RESOLUTION NO. 2011-01:**

*(Note: Resolution requires roll call vote)*

Resolution No. 2011-01 is for the project for which DWS has submitted a loan application, under the Drinking Water State Revolving Fund (DWSRF). One of the prerequisites for the loan is a Resolution approved by the Water Board. This Resolution is specifically identified for the following project: JOB NO. 2008-940, KULA'IMANO PRODUCTION WELL AND SUPPORTING FACILITIES, and authorizes the Manager-Chief Engineer or Deputy to execute loans and/or grants with the State Department of Health (DOH) for up to \$3,500,000.00.

The Manager-Chief Engineer recommended that the Water Board adopt DRINKING WATER STATE REVOLVING FUND RESOLUTION NO. 2011-01, subject to the approval of Corporation Counsel.

MOTION: Mr. Meierdiercks moved to approve; seconded by Mr. Taniguchi.

The Manager-Chief Engineer said this project is to outfit an existing exploratory well in Kula'imano, which is mauka of the highway.

Mr. Uyehara said this well is meant to replace the mauka springs. DOH funds projects like this, which outfit wells to replace surface water sources, he added. This is a straightforward project, involving the outfitting of an exploratory well to be a production well.

Mr. Taniguchi asked if this project was on DWS's C.I.P. budget.

The Manager-Chief Engineer said the interest portion of this SRF loan is budgeted for already.

ACTION: The Secretary took a roll call vote: Mr. Greenwell (Aye); Mr. Kaneshiro (Aye); Mr. Meierdiercks (Aye); Mr. Perry (Aye); Mr. Reynolds (Aye); Mr. Taniguchi (Aye); Chairperson Mukai (Aye). Motion carried with 7 Ayes and 0 Nays; and 2 Absent (Messrs. Harai and Lindsey).

**B. DRINKING WATER STATE REVOLVING FUND RESOLUTION NO. 2011-02:**

*(Note: Resolution requires roll call vote)*

Resolution No. 2011-02 is for the project for which DWS has submitted a loan application, under the Drinking Water State Revolving Fund (DWSRF). One of the prerequisites for the loan is a Resolution approved by the Water Board. This Resolution is specifically identified for the following project: JOB NO. 2005-875, PĀPA‘IKOU TRANSITE AND G.I. PIPELINE REPLACEMENT – PHASE 1 AND 2, and authorizes the Manager-Chief Engineer or Deputy to execute loans and/or grants with the State Department of Health for up to \$5,000,000.00.

The Manager-Chief Engineer recommended that the Water Board adopt DRINKING WATER STATE REVOLVING FUND RESOLUTION NO. 2011-02, subject to the approval of Corporation Counsel.

MOTION: Mr. Kaneshiro moved to approve; seconded by Mr. Meierdiercks.

The Manager-Chief Engineer said this project was similar to the previous SRF project on the Agenda, except that this project has been underway for four or five years. This project involves replacing old existing transline and galvanized iron (GI) pipeline in the Pāpai‘ikou area. He noted that this is an interest-only loan, with capital monies coming from the State Revolving Fund (SRF).

Mr. Meierdiercks asked how soon this project and the previously discussed SRF project will be put out to bid.

The Manager-Chief Engineer said it would go to bid as soon as all of the paperwork is submitted and approval comes from DOH.

Mr. Uyehara said that DWS is trying to get the Kula‘imano project out to bid by the end of this fiscal year, so it will probably be in May or June of this year. On the Pāpai‘ikou project, the design is complete, he said.

Mr. Meierdiercks said that then, it could go to bid pretty soon.

Mr. Kaneshiro said he had a general question regarding whether DWS had any replacement schedule for old pipelines. He noted that he had not heard of waterlines bursting on this island, whereas it seems to happen all the time on Oahu. Mr. Kaneshiro said he was just curious whether DWS had such a replacement schedule, or if DWS just waits until a pipeline breaks.

The Manager-Chief Engineer said that DWS does not have a formal replacement schedule. Instead, DWS goes by what pipelines give the Department the most problems; those pipelines are the ones that DWS tries to fix. DWS does not have the money to conduct a set replacement program. There are no C.I.P. monies or facilities charges coming in amid the bad economy. Because of this, DWS will increasingly resort to SRF funding and loan/grants from the federal government. DWS is going after whatever kinds of low-interest, or free, monies that the Department can find, because DWS simply does not have the C.I.P. funds anymore.

ACTION: The Secretary took a roll call vote: Mr. Greenwell (Aye); Mr. Kaneshiro (Aye); Mr. Meierdiercks (Aye); Mr. Perry (Aye); Mr. Reynolds (Aye); Mr. Taniguchi (Aye); Chairperson Mukai (Aye). Motion carried with 7 Ayes and 0 Nays; and 2 Absent (Messrs. Harai and Lindsey).

Chairperson Mukai noted that the Big Island is in a lot better shape than Oahu or Maui, in terms of its water infrastructure. Oahu and Maui, along with many Mainland cities, have hit critical mass with their superannuated infrastructure.

The Manager-Chief Engineer said that the Big Island for the most part lacks the corrosive type of soil that Oahu and Maui have, and DWS has been very careful about what kind of pipeline it puts into the ground. These factors help the Big Island's infrastructure a lot, he said. However, DWS's operational cost is much higher than the other islands, due to the Big Island's size and the fact that each community has a separate water system dating back to plantation days. Each community on the Big Island has its own source, transmission line and their own storage, so improvement costs here are astronomical. On Oahu, the entire island can share infrastructure, etc.

Mr. Greenwell asked how much galvanized pipe is still left on the Big Island.

The Manager-Chief Engineer said very little is left here. Over the years, DWS has been very diligent in changing out the galvanized pipe. What remains is largely in the old plantation areas of Hāmākua, Kohala and Puna, but there is not nearly as much as there was 20 years ago because DWS has been working to replace the galvanized pipe. He noted that the size ranges from 1 ½ inch to 3 inch.

PUNA:

**A. JOB NO. 2006-899, 'ŌLA'A NO. 6 PRODUCTION WELL AND 1.0 MG RESERVOIR:**

The contractor, Isemoto Contracting Company, Ltd., is requesting a contract time extension of 183 calendar days. This is the first time extension request for this project.

Ext. #	From (Date)	To (Date)	Days (Calendar)	Reason
1	5/26/11	11/25/11	183	Delays in receiving approval of the Medium Voltage switchgear submittal from HELCO.
Total Days (including this request)			183	

The project completion date must be extended due to delays in receiving submittals from the subcontractor / manufacturer, and in obtaining approval from HELCO for the Medium Voltage Switchgear submittals. The switchgear equipment could not be ordered until HELCO approved the switchgear submittal. The switchgear submittals were submitted to HELCO on July 23, 2010, and HELCO approved the switchgear on January 17, 2011.

Staff has reviewed the request and finds that the extension of 183 calendar days is justified.

The Manager-Chief Engineer recommended that the Board grant this contract time extension of 183 calendar days to Isemoto Contracting Company, Ltd. for JOB NO. 2006-899, 'ŌLA'A NO. 6 PRODUCTION WELL AND 1.0 MG RESERVOIR. If approved, the contract completion date will be extended from May 26, 2011 to November 25, 2011.

MOTION: Mr. Reynolds moved to approve; seconded by Mr. Perry.

Mr. Uyehara noted that this is the first time extension request for this project. The electrical subcontractor submitted the electrical switchgear submittal to HELCO, which took a while to review the submittal, Mr. Uyehara said. This equipment has a 24-week lead time (i.e., 20 weeks to manufacture, and four weeks to ship to the Big Island). Because HELCO took a while to approve the submittal, the delay pushed the clock on the entire project out six months or so, Mr. Uyehara said. The initial time request came in a lot higher, 230 or so days, but DWS asked the contractor to revise their schedule and have their sub-contractors work on the site at the same time to speed things up. The contractor is trying to do so, Mr. Uyehara said.

Mr. Taniguchi asked Mr. Uyehara to explain how the process works. He said he did not even know what a switchgear was.

Mr. Uyehara said that the switchgear equipment controls the power to the well. The equipment is not stocked on the manufacturer's shelves. The manufacturer gets the specifications of the project and the loads required, and will manufacture the equipment once he receives a purchase order. The equipment had that 20-week manufacture time and the four-week shipping time. For this project, the process started in April last year. Mr. Uyehara said in the contractor's defense, the contractor did what he could and got the submittals to HELCO and DWS in a timely manner; the contractor was submitting these long lead item submittals by June or July last year. Mr. Uyehara said it was only recently, within the last year or so, that DWS learned that HELCO was taking this long to review the submittals. He said the contractor will work backwards and do their best to get their submittals to DWS on time to account for the three-week review time by HELCO.

Mr. Taniguchi asked whether the responsibility for getting HELCO's approval lay with the electrical sub-contractor.

Mr. Uyehara confirmed this.

Mr. Taniguchi said that the electrical sub-contractor should then calculate that time into their particular bid to the general contractor.

Mr. Uyehara agreed that they should.

Mr. Taniguchi asked who is responsible for letting DWS know that there is a delay like this.

Mr. Uyehara said it would be the contractor's responsibility.

Mr. Inaba noted that at last month's meeting, he cited a similar case of HELCO taking a long time to review the electrical submittals for the Āhualoa project.

Mr. Taniguchi said he was not at the meeting last month to hear this.

Mr. Inaba said that DWS is trying to find out how, on future projects, that DWS can assure that HELCO will provide a timely review. Mr. Inaba said his understanding is that HELCO does not review the electrical submittals until DWS approves the submittals. DWS is trying to find of way of getting the consultant to work directly with HELCO to streamline the process.

Mr. Taniguchi asked whether DWS had asked HELCO what was taking so long.

Mr. Uyehara said that DWS's electrical sub-consultant on the design team had questioned HELCO. HELCO simply responded that it was taking that long, Mr. Uyehara said.

Chairperson Mukai asked DWS to draft a letter to HELCO to seek in writing what HELCO's process is, in an effort to understand the process and relay the information to DWS's contractors.

Mr. Uyehara suggested that DWS's design consultants should get that information, too. This would be in hopes of shortening the submittal review process, he added.

The Manager-Chief Engineer said that normally, the electrical sub-contractor on the design portion *does* confer with HELCO because he wants to make sure that whatever he puts in the plans will be approved by HELCO. When the drawings come in, the contractor bids on the drawings and selects his team, which includes an electrical sub-contractor. The electrical sub-contractor then takes the drawings and sends them to the manufacturer who then provides a shop drawing of how it will be manufactured. The electrical sub-contractor sends the shop drawing to DWS, and DWS in turns sends the drawing to the electrical consultant, who sends it to HELCO. That is how the approval process goes, the Manager-Chief Engineer said. It is a lengthy process, but it is a good process because the design team is supposed to have already gotten approval from HELCO. However, sometimes, standards change, or HELCO changes, or it may even depend on the person at HELCO who is reviewing the submittals.

Every engineer has his own different way of doing things, he said. In all of his time at Water Supply, the Manager-Chief Engineer has observed that this process has given DWS problems. DWS has tried all different ways of dealing with it, and things go well for a while, and then slip back into being stalled, he said.

Chairperson Mukai reiterated his request that DWS get something in writing from HELCO on the process. In that way, if something does change down the road, DWS can point to the documentation and say that HELCO is veering from its own guidelines.

ACTION: Motion carried unanimously by voice vote.

#### SOUTH KOHALA:

#### **A. INTER-GOVERNMENTAL AGREEMENT BETWEEN THE STATE OF HAWAI‘I – DEPARTMENT OF LAND AND NATURAL RESOURCES AND THE COUNTY OF HAWAI‘I – DEPARTMENT OF WATER SUPPLY: REGARDING DEDICATION OF WAIMEA EXPLORATORY WELL:**

The Water Board approved an inter-governmental agreement between the Department of Land and Natural Resources (DLNR) and the Department of Water Supply at the September 28, 2010, Water Board meeting. However, the State is requesting changes to subject agreement.

*(This Item was deferred from the January 25, 2011, Water Board meeting.)*

Ms. Garson apologized that there was no Recommendation here, which was an oversight on her part. She recommended that the Board approve the INTER-GOVERNMENTAL AGREEMENT BETWEEN THE STATE OF HAWAI‘I – DEPARTMENT OF LAND AND NATURAL RESOURCES AND THE COUNTY OF HAWAI‘I – DEPARTMENT OF WATER SUPPLY: REGARDING DEDICATION OF WAIMEA EXPLORATORY WELL, and that either the Chairperson or the Vice-Chairperson be authorized to sign the agreement, subject to approval by Corporation Counsel.

MOTION: Mr. Meierdiercks moved to approve; seconded by Mr. Taniguchi.

Mr. Reynolds asked if the Board had received the changes to the Agreement.

Ms. Garson apologized for not providing a red-lined version to the Board, but said that the version that was emailed to the Board and distributed via hard copy today contained the changes.

Mr. Reynolds asked whether Ms. Garson was satisfied with the changes to the Agreement.

Ms. Garson confirmed that she was satisfied with the changes. One of the issues with the original version of the Agreement was that the State had allocated the water units among various State agencies. The State came back and said it did not want the Agreement to state exactly which State agencies had been allocated water units. Ms. Garson said that the State agencies included the Department of Hawaiian Home Lands (DHHL), the Department of Education (DOE), and the Department of Accounting and General Services (DAGS). The State did not want to specify which division or State agency were getting allocations. This was a problem for DWS, because DHHL was allocated 300 units, and decisions had been made based on that allocation, Ms. Garson said. Therefore, DWS insisted that at least DHHL had to be mentioned in the Agreement. Ms. Garson said that in Paragraph 3, it says that “the State has allocated 100 of the above units to DHHL.” The State ultimately agreed to at least put the DHHL units in there. Basically, there are 100 units that the State has assigned to a parcel that they own, and those units are to be later assigned out to other State agencies that the State will name later, Ms. Garson said. Another issue involved a disagreement over the language of the indemnification clause. The State wanted language that said that DWS would indemnify the State, relating to anything that the State did. The current language narrowed that a bit, saying that DWS will indemnify the State,

relating to the development or operation of the well by DWS. The well was originally the State's, and the State is transferring the well to DWS. DWS has already made improvements, so if there is anything that DWS did wrong, DWS is responsible. If there is anything that the State did wrong before, the State is going to maintain responsibility for that. Those were the main things, Ms. Garson said. She noted that the State added some language in Paragraph 1 about the State administering the water and land development program, to show that the State is doing something in furtherance of their water and land development program. DWS did not have a problem with that language, she said.

Mr. Greenwell asked Ms. Garson if DWS is treating the State in this Agreement the same way it would treat a developer. He asked if the State was asking for more than their share.

The Manager-Chief Engineer said that if this were a developer, the developer would have gotten a lot more water than the State did. Normally, the developer gets 2/3rds of the water, and DWS gets 1/3. The State here is only asking for 400 units, so actually DWS is getting the bulk of the water. It is a good deal for DWS.

ACTION: Motion carried unanimously by voice vote.

#### MISCELLANEOUS:

##### **A. DEPARTMENT OF WATER SUPPLY PROPOSED OPERATING AND CAPITAL IMPROVEMENT BUDGETS FOR FISCAL YEAR 2012:**

The Department's FY 2012 Operating Budget includes water sales revenues estimated with a 6.8% increase over FY 2011 rates. An increase of 3.7% had previously been approved for FY 2012, but did not incorporate increases in health care retirement costs. The 6.8% increase was calculated by R.W. Beck to cover these costs, as well as costs associated with transferring the Department's billing system to the Honolulu Board of Water. This budget does not include salary reductions for employee furloughs.

The Department's FY 2012 CIP Budget totals \$29.8 million, to be funded by SRF loans (\$13.3 million) and GO Bonds/CIP Reserve (\$16.5 million).

The Manager-Chief Engineer recommended that the Water Board approve the Department's FY 2012 Operating and CIP budgets on this first of two readings. The Manager-Chief Engineer also recommended that a public hearing on the proposed Operating and Capital Improvement Budgets for FY 2012 be held at **9:45 a.m. on March 22, 2011**, just prior to the regular Water Board meeting.

MOTION: Mr. Meierdiercks moved to approve; seconded by Mr. Taniguchi.

Chairperson Mukai noted that the synopsis mentions the increase in health care costs, which affects every department in the County.

Mr. Sumada said that this was the first of two readings of the Budgets, and there will be a Public Hearing on the Budgets just prior to next month's regular Board meeting, as required in order to approve the Budgets. He noted that the FY2012 Budget reflects the 6.8 percent water rate increase that DWS is looking at, and that is incorporated in the revenues.

Mr. Taniguchi noted that on the Salaries, the increase budget-to-budget is 6 percent, but on a budget-to-projected basis, the increase is 13 percent over the previous year. He asked for a bit more clarification next time, showing whether it was due to some vacant positions, people leaving the Department, or positions that DWS needs to fill, etc. Dollar-wise, this represents an increase of about \$1 million, he said. He said he would feel more comfortable with more clarification.

Mr. Reynolds asked about the increase in employee benefits, with this fiscal year projected figure at \$5 million versus the fiscal year *proposed* figure at \$5.7 million. He asked what the reason was for the increase.

Mr. Sumada said that was the item where DWS was being asked to pre-fund the Employer Union Trust Fund (EUTF) at a substantially higher amount than in previous years. This is to fund future retiree health costs, he said. This was actually computed for all of the counties and the State as well, Mr. Sumada said, adding that this was a relatively new health care component that each jurisdiction has to address in terms of how to pay for it. Actuaries were hired to analyze all of the employees who were hired, how many are going to be retiring, and what health care costs are going to be when they are retired. A few years ago, it was determined that jurisdictions needed to fund that now, instead of waiting until the employees retired. The actuaries do an analysis every two years to determine how much the jurisdictions are required to contribute, and DWS's contribution increased by about \$1 million, Mr. Sumada said.

ACTION: Motion carried unanimously by voice vote.

**B. WATER RATE STUDY:**

R.W. Beck has recalculated water rates for FY 2012, and adjusted the increase from 3.7% to 6.8%, based on revised expenditure estimates for health care retirement costs and billing system conversion. No changes were made to the already-approved rate increases of 2.2%, 4.3% and 2.7% for FY13, FY14, and FY15; however, rates for these periods do require revision if FY 2012 rates are increased 6.8% as proposed.

Public hearings are planned for Wednesday, March 30, 2011 at 6:00 p.m. at Aupuni Center in Hilo, and on Thursday, March 31, 2011, at 6:00 p.m. at West Hawai'i Civic Center.

The Manager-Chief Engineer recommended that the Water Board schedule public hearings in Hilo and Kona to hear testimony related to approving R.W. Beck's 6.8% increase to FY 2012 water rates, and the corresponding revision to FY13, FY14, and FY15 rates. The Manager-Chief Engineer further recommended that the Water Board hold the public hearings on Wednesday, March 30, 2011 at 6:00 p.m. at Aupuni Center in Hilo, and on Thursday, March 31, 2011, at 6:00 p.m. at West Hawai'i Civic Center.

MOTION: Mr. Meierdiercks moved to approve; seconded by Mr. Taniguchi.

Mr. Sumada said that these were the rates generated by R.W. Beck, who computed a 6.8 percent increase, from a previously-approved 3.7 percent for FY2012. He drew the Board's attention to the fact that the consumption rates do not actually change from FY2012 onward over the next three years. What is changing is the standby charges; all of the increases occur in the standby charges, he said. R.W. Beck felt that DWS needed to get the standby cost closer to the cost of service, so that is how R.W. Beck worked those rates out.

Mr. Greenwell asked whether the rate increases will be put to the public in dollars and cents, or as a percentage.

The Manager-Chief Engineer said it would be the actual rates, based on the percentage increase.

ACTION: Motion carried unanimously by voice vote.

**C. REPORT OF AD HOC FINANCE COMMITTEE:**

The Water Board's Ad Hoc Finance Committee Chairperson, Mr. Art Taniguchi, has been investigating the three focus areas (DWS's policies on credit card use, cash control and vehicle take-home), which encompass the scope of the Committee's work. At this meeting, the Committee may do the following:

- Discussion/action on vehicle take-home policy.
- Discussion of DWS's cash handling procedures and proposed changes.

The Committee met with the Manager-Chief Engineer and Mr. Sumada on February 18, 2011, Mr. Taniguchi said. Regarding the **cash handling procedures**, Mr. Sumada told the Committee that DWS will be converting its billing system from the present vendor in Canada to the Honolulu Board of Water Supply, which is already handling the billing for Maui and Kauai. Moving to a new system will allow DWS to go to a "lock box" system, as recommended by the Legislative Auditor's Office. This makes a lot of sense, rather than doing everything manually, Mr. Taniguchi said. He said there are protocols that must be gone through to make sure that the machines can scan everything properly, etc. Once the lock box system is in place, the handling of cash from remote locations will be a moot point, he said. Regarding the IT concerns mentioned earlier in Accuity's report, Mr. Sumada has already been taking steps in that direction. Mr. Taniguchi noted that in the audit, the good news was there were no repeat items on cash handling (which had been mentioned in the Legislative Auditor's report). Mr. Sumada and the Finance Division deserve to be commended for that, Mr. Taniguchi said.

Regarding the **vehicle take-home policy**, the Manager-Chief Engineer drafted a policy after receiving copies of the other counties' policies. DWS is in the process of making an all-encompassing policy for take-home vehicles, which needs to include the Manager-Chief Engineer and Deputy's use of vehicles as well. He noted that the Manager-Chief Engineer and Deputy are both on 24/7 call in the event of emergencies, so that element will be part of the policy. The topic of vehicle decals came up as an ancillary item. Some of DWS's vehicles still do not have decals with the Department's new slogan. The Manager-Chief Engineer is going to look into getting a dollar amount on new decals. Mr. Taniguchi said he was at a sign company where decals for the Police Department were being put on, and it turned out that the price was not too high. DWS may get new decals if the price is not too high and if DWS can do its own application of the decals, he said.

The last item discussed was whether DWS is required to have "For Official Use Only" on its vehicles. Neither Honolulu Water Supply nor DWS have this language on its decals, and the Committee is asking clarification from Corporation Counsel on whether this is required.

Mr. Taniguchi noted that good progress has been made on the Committee's remaining items, and thanked the Manager-Chief Engineer for his hard work with the Committee.

**D. HELCO RELEASE AND TERMINATION AGREEMENT – LĀLĀMILO:**

*(This Item was handled earlier in the meeting.)*

**E. ENERGY MANAGEMENT ANALYST REPORT:**

The following areas were covered:

- DLNR Lease Application status
- DWS's Green Initiatives
- DWS's Draft Energy Policy Statement – Discussion and possible adoption of Energy Policy Statement

Ms. Myhre said that she attended the DLNR Land Board meeting in Honolulu on February 11, 2011, where she presented DWS's request for a 50-year lease on the Lālāmilo property. The Land Board

unanimously voted in favor of approving the lease *in concept*. With the approval came a Right of Entry agreement, which enables DWS to access the property's infrastructure. Ms. Myhre noted that DWS has power lines there that serve the Department's wells, and access to the property means that DWS can maintain them as before. Access to the property also means that DWS can ensure that the building left on site can be safeguarded against vandalism. To obtain the final lease, DWS will be contracting with a third-party wind energy provider who will conduct an Environmental Assessment (EA), which will primarily make sure that the future windfarm will not affect any endangered birds or bats. This EA process will take about a year. Once the EA is completed, DWS will go back to the Land Board and ask for the final lease. Regarding rent for the property, the rent will be free for one year, once the lease is approved. DWS will not be paying the lease rent; the third-party wind energy provider will pay the lease rent.

Turning to the Green Initiatives, Ms. Myhre included some year-end numbers that were interesting, that indicate what energy use was like over the past several years. She noted that the Chairperson had asked her to look into leak detection, and on Page 3 of the Green Initiatives report, there are numbers to show how things have improved over time. Prior to 2005, there is not very good data, but if the numbers were better, the Board would see a trend where DWS's leak detection has improved significantly.

Mr. Kaneshiro noted that since January 2010, DWS's average rate of un-metered water was about 18 percent, whereas The American Water Works Association (AWWA) reports that the national average is about 15 percent. DWS's average is slightly higher than the national average, he said.

Ms. Myhre said that she has learned that that 15 percent figure is actually low. Ms. Myhre heard at a Hawai'i Rural Water Association class she is taking that the actual average percentage for rural water systems nationwide is more like the 20 percent range. Given the Big Island's size and number of independent water systems, DWS at 18 percent is doing pretty well, albeit with some ways to go, she said.

The Manager-Chief Engineer said that 18 percent is pretty good, considering that the Big Island has 23 separate water systems.

Mr. Kaneshiro said that with all of what is being done by DWS to bring DWS's average un-metered water down to 15 percent, his question was pretty much answered.

The Manager-Chief Engineer said the person in charge of leak detection is constantly out in the field checking for leaks. DWS has spent a lot of money on the PermaLogger leak detection equipment, and DWS's leak detection person is doing a good job finding the leaks.

Chairperson Mukai said that as he recalled, the leak detection program was saving DWS in the six figures – somewhere around \$100,000.00. The program pretty much paid for itself, he said.

The Manager-Chief Engineer said the leak detection program has two benefits: finding the leaks means much less energy consumption for pumping, and leak detection also delays the need for future capacity improvements since there is extra water that DWS can supply.

Mr. Perry asked whether there was a need for more manpower to do leak detection.

The Manager-Chief Engineer said DWS had looked at that for some point in time. Right now, the leak detection person has an assistant. DWS is thinking of maybe having a similar position out in Kona, but fortunately the Kona system is a relatively new system, unlike the Hilo system. He explained that there is not as much leakage in the Kona system, compared with the Hilo/Mountain View system.

On the draft Energy Policy Statement, Ms. Myhre said she said she had reworked it a bit, tying in the Energy Policy with the Vision and Mission Statements. She said she also worked to make the Energy Goals into a more succinct sentence. She read her latest version: "The Department strives to highly

prioritize and provide greater financial resources to energy efficiency and renewal energy projects, while controlling customer costs.” She said she also added references at the bottom to other policies on the County, State and Federal level, to show how DWS’s policy fits into the bigger picture.

Mr. Taniguchi asked about the Energy Goals, where it says “while controlling customer costs.” He asked whether DWS is doing anything on a bigger scale, to look at controlling overall power costs, which would bring down the overall cost to the customer. Mr. Taniguchi asked if there was a dollar amount goal for decreasing the amount of dependency on fossil fuel.

Ms. Myhre said there was no such goal, but added that she is working on developing goals as part of a multi-state Environmental Protection Agency (EPA) program, whose participants are public utilities from Region Nine which comprises Arizona, California, Hawai‘i, and Nevada.

The Manager-Chief Engineer said that although DWS does not have a goal per se, all of the programs that DWS has created are aimed at reducing dependency on fossil fuels. He said that there are too many variables at this point in time to setting a dollar amount goal.

Ms. Myhre said that DWS looks at how many kilowatt-hours the Department can reduce, rather than dollar amounts.

The Manager-Chief Engineer said that the leak detection program is helping DWS a lot, as is the Rider M program that Ms. Myhre is able to negotiate with HELCO using off-peak hours to pump water. Mr. Clyde Young of Operations has been working on motor efficiencies, to get the best efficiency from motors on DWS’s deep wells; this program makes a big difference. However, DWS does not have a specific goal on this, the Manager-Chief Engineer said.

Mr. Kaneshiro gave a suggestion on the Vision Statement. He suggested that it should read: “The Department of Water Supply **is** recognized as an industry leader and employer of choice, and will satisfy the water needs of the County of Hawai‘i.” He said this Vision Statement essentially says: *“This is what we are; this is where we want to be.”* This is where DWS wants to be in the future, whenever the future is, Mr. Kaneshiro added.

Chairperson Mukai said he agreed with Mr. Kaneshiro.

The Manager-Chief Engineer said he appreciated their belief in the Department.

Mr. Kaneshiro said that is a Vision Statement; it puts the Department in the future.

Chairperson Mukai agreed with the need for a specific statement that strives for excellence.

The Manager-Chief Engineer said that the Vision and Mission Statement was a collaborative effort involving a number of people, who participated in a workshop to create the Vision and Mission Statement.

Chairperson Mukai suggested adding language to the Energy Goals: “while controlling **operational and** customer costs.”

Mr. Meierdiercks said that adding “operational and” would cover everything.

Chairperson Mukai said that it would signal to the layperson that DWS is trying to be as efficient and as operationally frugal as possible.

Ms. Garson asked if the Board wanted to have the change to the Vision Statement as an Agenda item for next month’s meeting. She said that if the Board wants to change DWS’s Vision Statement, it should be agendaized. She suggested that the change to the Vision Statement should be adopted first, followed by the adoption of the Energy Policy Statement.

Chairperson Mukai agreed that the change to the Vision Statement should be agendized.

**F. POWER COST CHARGE:**

A Public Hearing was held on the Power Cost Adjustment just prior to the regular Board meeting. The Power Cost Adjustment will be discussed, with possible action by the Board. Currently, the Power Cost Charge is \$1.75 per 1,000 gallons. The most recent Power Cost Charge is **\$1.89**, as of January 2011.

The Manager-Chief Engineer recommended that the Board approve an increase of the Power Cost Charge from \$1.75 to **\$1.89**, effective March 1, 2011.

ACTION: Mr. Taniguchi moved to approve; seconded by Mr. Kaneshiro. Motion carried unanimously by voice vote.

**G. MONTHLY PROGRESS REPORT:**

No discussion.

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

No discussion.

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

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

- 1) Palani Road Transmission Waterline Project – *Covered earlier in the meeting.*
- 2) Hawaiian Ocean View Estates Project – The contractor is working on the well site; the contractor has not yet started work on the fill station. The deadline for this project is September 2011. Mr. Inaba said that there were some public concerns regarding the road, but the contractor is out there. The Manager-Chief Engineer said staff should get HELCO to come in early, so that no such delays arise on this project. At any rate, the project is proceeding, and the residents are happy because they can see something happening.
- 3) Report on North Kona well – State funding request – DWS has not heard anything yet, but is hoping that the Legislature is considering the funding request.
- 4) Public Relations and Education Specialist Update – Ms. Aton said that DWS had participated in the Mayor's community meeting in Kukuihaele on February 8, and had distributed an information sheet regarding DWS's water hauling in the area. The water hauling started after the spring source in Kukuihaele dried up. Ms. Aton distributed to the Board the information sheet and a newspaper article written about the meeting. On the islandwide water spigot program, DWS and the Department of Public Works (DPW) have partnered on a radio campaign to inform the public about changes to the spigot at the Kea'au Transfer Station. Ms. Aton distributed to the Board a newspaper article regarding the Power Cost Charge adjustment. DWS expects to take part in future Mayor's community meetings where water issues prevail, including upcoming meetings at Konawaena and Imin Center in Kona, and in Waimea. DWS has been invited to be part of a statewide team looking at conservation initiatives through the Commission on Water Resource Management. DWS also will be participating in a Honolulu Board of Water Supply workshop on leak detection and conservation. DWS took part in a recent Coastal Community Resilience Training session at Civil Defense. Ms. Aton said that DWS is still working on the theme of the HWWA conference set for the Big Island in October, and is working with DOH on the grant for the conference. Mr. Greenwell asked about the **Mud Lane temporary waterline**. The Manager-Chief Engineer said that DWS has a 20,000-gallon tank at the end of Mud Lane by the golf course. That tank is being fed by the Waimea well system. The Mud Lane line that DWS is proposing would eliminate DWS's need to haul water to Kukuihaele. The line would be about 5 ½ miles long, leading from that tank down an

existing government right-of-way down to Kukuihaele down into DWS's tank there, he said. DWS intends to use a 2 1/2" to 3" black polyethylene pipe with four pressure reducers to enable DWS to take the water down by gravity. This would substitute for water hauling from Pa'auilo to Kukuihaele, or from Honoka'a to Kukuihaele. Currently, DWS spends about \$40,000.00 a month to haul water to Kukuihaele. Fortunately, the area's demand and consumption are not that great, the Manager-Chief Engineer said. With a temporary pipeline in place, DWS can stop the water hauling, and just feed the water via pipeline from the Waimea side. DWS was waiting for DPW to allow DWS to use the public right-of-way, and they gave the okay, as long as DWS met certain conditions. DWS is now mulling whether to go ahead with the temporary pipeline. DWS is weighing a number of factors, including the financial feasibility, and how much longer it will take to get the Kapulena Well up and running – which would serve Kukuihaele. He explained that the spring at Kukuihaele dried up after the earthquake in 2006, and a well that DWS had drilled to replace the spring source turned out to be surprisingly salty. The water was found at five feet above sea level, an improbable place to hit salty water, the Manager-Chief Engineer said. DWS is still looking at treatment of the water, but in the meantime DWS had to do something to supply water to the residents. Therefore, water hauling was the only thing DWS could do in the short term. In the meantime, DWS started plans to drill the Kapulena Well, whose second phase is underway. If that well goes okay, it will serve Kukuihaele.

- 5) Upcoming HWWA and AWWA conferences –The Manager-Chief Engineer said that the annual AWWA-Hawaii section conference would be sometime in May, at the Hawai'i Convention Center in Honolulu. DWS is again hosting the HWWA conference, which will be held at the Keauhou Beach Hotel in October. Regarding the AWWA national conference in Washington, D.C., in June, the Manager-Chief Engineer said that members planning to attend should contact the Secretary for assistance with reservations.

#### **J. CHAIRPERSON'S REPORT:**

Chairperson Mukai said that he saw a YouTube video on KGMB News about three weeks ago, showing kids boogie-boarding in what looked like the Waimea Reservoir. The video showed what looked like a polyethylene seal on the bottom of the reservoir, and the video showed the kids soaping their boogie boards before sliding down.

Mr. Inaba was unaware of any such activity going on at the reservoir, and asked if the reservoir in the video looked dry in the bottom. He noted that the Waimea Reservoir has water in the bottom.

Chairperson Mukai said DWS should make sure that there are warning signs posted.

Ms. Aton said that the reservoir itself is gated and locked.

#### **K. EXECUTIVE SESSION RE: WATER BOARD OF THE COUNTY OF HAWAII V. WESLEY R. SEGAWA AND ASSOCIATES, ET AL. CIVIL NO. 09-1-0319:**

The Water Board convened an executive meeting, closed to the public, regarding the foregoing matter, pursuant to HRS Sections 92-4 and 92-5(a)(4), for the purpose of consulting with the Water Board's attorney on questions and issues pertaining to the Board's powers, duties, privileges, immunities and liabilities.

**ACTION:** Mr. Meierdiercks moved to go to Executive Session; seconded by Mr. Taniguchi, and carried unanimously by voice vote.

*(Executive Session began at 12:04 p.m., and ended at 12:21 p.m.)*

#### **ANNOUNCEMENTS:**

1. **Next Meeting:**

The next meeting of the Water Board will be held on March 22, 2011, at 10:00 a.m. at the Department of Water Supply, Operations Center Conference Room, 889 Leilani Street, Hilo, HI. (This meeting will be preceded by a Public Hearing on the Department of Water Supply's Proposed Operating and Capital Improvement Budgets for Fiscal Year 2012, at 9:45 a.m.)

Public Hearings on Water Rates are planned for Wednesday, March 30, 2011 at 6:00 p.m. at Aupuni Center, 101 Pauahi Street, in Hilo, and at 6:00 p.m. on Thursday, March 31, 2011, at West Hawai'i Civic Center, 74-5044 Ane Keohokalole Highway, Kailua-Kona.

2. **Following Meeting:**

The following meeting of the Water Board will be held on April 26, 2011, at 10:00 a.m. at the Department of Water Supply, Operations Center Conference Room, 889 Leilani Street, Hilo, HI.

**STATEMENTS FROM THE PUBLIC:**

None.

**ADJOURNMENT**

Chairperson Mukai adjourned the meeting at 12:24 p.m.

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**Senior Clerk-Stenographer**

*Anyone who requires an auxiliary aid or service for effective communication or a modification of policies or procedures to participate in this Water Board Meeting should contact Doreen Jollimore, Secretary, at 961-8050 as soon as possible, but no later than five days before the scheduled meeting.*

*The Department of Water Supply is an Equal Opportunity provider and employer.*

*Notice to Lobbyists: If you are a lobbyist, you must register with the Hawai'i County Clerk within five days of becoming a lobbyist. {Article 15, Section 2-91.3(b), Hawai'i County Code} A lobbyist means "any individual engaged for pay or other consideration who spends more than five hours in any month or \$275 in any six-month period for the purpose of attempting to influence legislative or administrative action by communicating or urging others to communicate with public officials." {Article 15, Section 2-91.3(a)(6), Hawai'i County Code} Registration forms and expenditure report documents are available at the Office of the County Clerk-Council, Hilo, Hawai'i.*