

MINUTES

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

March 22, 2016

Department of Water Supply, Operations Center Conference Room, 889 Leilani St., Hilo, HI

MEMBERS PRESENT: Mr. Craig Takamine, Chairperson
Mr. Russell Arikawa, Vice-Chairperson
Mr. Leningrad Elarionoff
Ms. Susan Lee Loy
Mr. Bryant Balog, Water Board Member
Ms. Brenda Iokepa-Moses, Water Board Member

ABSENT:

Mr. Rick Robinson, Water Board Member
Mr. Jay Uyeda, Water Board Member
Ms. Kanoë Wilson, Water Board Member
Mr. Duane Kanuha, Director, Planning Department (ex-officio member)
Mr. Warren Lee, Director, Department of Public Works (ex-officio member)

OTHERS PRESENT: Ms. Amy Self, Deputy Corporation Counsel
Mr. Steven Lim, Carlsmith Ball, LLP
Ms. Nancy Cook Lauer, West Hawai'i Today
Mr. Jeff Zimpfer, National Parks Serviced
Mr. Greggor Ilagan, Hawai'i County Council Member, District 4
Mr. Harry Yada, University of Hawai'i at Hilo

Department of Water Supply Staff

Mr. Keith Okamoto, Manager-Chief Engineer
Mr. Kawika Uyehara, Deputy
Mr. Kurt Inaba, Engineering Division Head
Mr. Richard Sumada, Waterworks Controller
Mr. Daryl Ikeda, Operations Chief
Ms. Judy Hayducsko, Operations
Mr. Calvin Uemura, Customer Service Supervisor

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- 1) CALL TO ORDER – Chairperson Takamine called the meeting to order at 10:00 a.m.
 - 2) STATEMENTS FROM THE PUBLIC

Mr. Jeff Zimpfer of the National Parks Service (NPS) testified regarding the NPS petition.

(The following testimony is verbatim.)

MR. ZIMPFER: Aloha and good morning, Chairman Takamine and members of the Board. My name is Jeff Zimpfer. I'm an Environmental Protection Specialist at Kaloko-Honokōhau Historical Park. As you are aware, in 2013 the National Park Service filed a petition to designate the Keauhou Aquifer System as a Ground Water Management Area. We would like to acknowledge the Board and the Department of Water Supply for their recent work on the Water Use and Development Plan

update. We're particularly grateful that it appears that the Department of Water Supply is planning to only accept high-level wells considerably south of the Park. We also want to share an observation that we've made...uh... The reoccurring Item on today's Agenda, Item 7(F), refers to mediation. We would note the current status of the petition includes ongoing productive dialogue between the National Park Service, the Department of Water Supply, and the Commission on Water Resource Management...but there is no active mediation that has occurred on this matter... So, mahalo and thank you for this opportunity to provide testimony.

CHAIRPERSON TAKAMINE: Thank you, Mr. Zimpfer. Up next we have Councilman Greggor Ilagan, District 4.

(Mr. Ilagan testified regarding home improvement incentives and the potential future for catchment. The following testimony is verbatim.)

MR. ILAGAN: Good morning, Chairperson Takamine, and also members of the Water Board. I just want to say thank you for allowing me to speak today. I have two subjects that I just want to inform...and also, the reason why I gave everybody my card is because I would like to get your feedback. And the first issue is the potential of catchment systems, especially on the East Side. There...one of the issues that has been in the Puna area is the rat-lung worm disease. And one of the solutions that was brought up to me is modifying the catchment system, to make sure there's none of the worms in the system. Now, I am not here to specifically work on that issue...but looking to explore where catchment could be properly used, or public use, on the East Side. I feel that because of the water...rain level...that we have here, we can use catchment to an extreme, to where we can really benefit from it. So that's one, and I would like to get your feedback on that. Second is, I am looking to a home improvement incentive program, and as you...most of the people here...are well aware...and it's not a secret...that there is a lot of unpermitted structures, especially in the Puna area. And I want to start giving incentives of why we should be permitted. And one of the ways I'm looking to handle it, is to be able to provide one month free permitting on home improvements. And I know the challenge has been the engineering stamps and the architect stamps, where even though if it's a free process in the Building Code...I mean, the Building Department...it's still expensive to get those stamps. Um...possibly...to contract them out, and also having them free would be a solution. But I'm mentioning this because you bring a different expertise that I might not be able to understand and grasp... And so, I would like to bring this in (sic) your table, and if you have any input, you have my card. Please share them with me. Thank you.

CHAIRPERSON TAKAMINE: Thank you, Councilman. We have one last statement from the public. Steven Lim, representing 1250 Oceanside LLC.

(The following testimony is verbatim.)

MR. LIM: Good morning, Mr. Chairman, members of the Board. I made a submittal just yesterday, and it wasn't intended for you to absorb the submittal at this time, but just wanted to do a preview, in the hopes that we can continue to work on our Landscape Master Meter Agreement with the DWS staff and the Corporation Counsel. This is an outshoot (sic) of our action...er, your action on the 4th Amendment in December. Part of that...and I'll attach all of this stuff so you don't have to dig (around) too much... Uh, part of that, as you'll see in your transcript...that Page 20 was the trade-off for Oceanside agreeing to do the, uh um, the uh um...the Increment 1 Improvements, to basically take the water from the well in to the DWS tank...was that they would be able to get an irrigation water agreement... But the trade-off was that we would then spend the money to get the water to the DWS system, and we wouldn't have to spend it for the irrigation well. So that's what this agreement...that we sent to you a draft of...intends to do... And we had initial discussions with staff and the Corporation Counsel, and we think, like they do, that it should come back to the

Board...because it's not a standard landscape irrigation agreement... Usually, your landscape water meter agreement just says that the Department is setting...you know...we'll let you use the water for irrigation, but we can cut you off at any time. And you indemnify us, ready if any bad things happen... And it's a really simple agreement... And ours is not too much more... It's just two different elements: the first is that, um, we wanted to be assured that...because if we're not gonna have the irrigation well that takes two months to drill, and get it into the ground...um...that if a drought happens, that Oceanside's allocation for irrigation gets taken down pro rata with everybody else... Or if the well servicing Hokulia's irrigation water goes down, we get taken down pro rata with everybody else who's getting water from that well, so it's not a situation where Oceanside has to worry about being singled out because they're a big user or something like that. The other element that we added that's different from the standard agreements is that we wanna have an understanding that, without any guarantees by the Department that we...that they're gonna provide irrigation water, we wanna be able to have a stake in the agreement that says that we can use the allocation that Oceanside would get...for potable water for irrigation... So basically, you know, having the understanding that we can use the full allocation. So we'll be submitting formal submittal... I'm gonna work with the staff and with the Corporation Counsel...and hopefully get you an agreement that we don't have to argue about, at the next meeting in April. We're gonna try to dovetail the submittal of the 4th Amendment...the other agreement regarding the exchange of the 50 water units with Kalukalu Properties...and this irrigation agreement, all at the same time, and submit that to the Water Board and the Corporation Counsel for their final action. So I think that the first two elements are already approved, and this would be the third element. And once that's done, then our clients are good to go. So I ask for your support, and if you've got any comments on the..., or if the Manager has any comments, then we'd like to understand those now, so we can try to draft those in. Thank you very much.

MR. ELARIONOFF: Mr. Chair, are we allowed to take questions?

CHAIRPERSON TAKAMINE: No.

MANAGER-CHIEF ENGINEER: No.

CHAIRPERSON TAKAMINE: Thank you, Mr. Lim.

3) APPROVAL OF MINUTES

The Chairperson entertained a Motion to approve the Minutes of the January 26, 2016, Public Hearing on the Power Cost Charge, and the Minutes of the regular Water Board meeting on February 23, 2016.

ACTION: Ms. Lee Loy moved to approve; seconded by Mr. Balog; and carried unanimously by voice vote.

4) APPROVAL OF ADDENDUM AND/OR SUPPLEMENTAL AGENDA

None.

5) SOUTH KOHALA:

A. **SERVICE BID NO. 2016-06, PRICE AGREEMENT TO PROVIDE WATER TREATMENT PLANT OPERATOR SERVICES AT THE WAIMEA WATER TREATMENT PLANT (ON AN AS-NEEDED BASIS) FOR THE DEPARTMENT OF WATER SUPPLY:**

This bid was to be used to establish a price agreement to provide a Grade 4 Operator to run the Waimea Water Treatment Plant on an as-needed basis.

No bids were received at the bid opening date of March 10, 2016 at 2:00 pm.

Since no bids were received for SERVICE BID NO. 2016-06, PRICE AGREEMENT TO PROVIDE WATER TREATMENT PLANT OPERATOR SERVICES AT THE WAIMEA WATER TREATMENT PLANT (ON AN AS-NEEDED BASIS) FOR THE DEPARTMENT OF WATER SUPPLY, it was recommended that the Board allow staff to seek other options to provide the necessary services, including alternate methods of procurement according to Procurement rules.

MOTION: Mr. Arikawa moved to approve; seconded by Ms. Lee Loy.

The Manager-Chief Engineer noted that DWS has been looking at several contingency plans, amid ongoing dry conditions and the fact that one of DWS's wells in Waimea is out of service. One contingency plan involved securing a private entity to provide treatment plant operator services. DWS currently has only one Grade 4 Treatment Plant Operator, the level required to run the plant. The fear was that the sole Grade 4 would have to go on leave at some point, the Manager-Chief Engineer said. DWS did not receive any bids for this procurement, so the next step is to resort to alternate forms of procurement. If the Grade 4 were to go out on unexpected leave, DWS would face an emergency situation, whereby Waimea town, Āhualoa, and portions of Kawaihae Road would not have adequate water. That is why DWS is looking for somebody to fill those needs as a treatment plant operator, on an emergency basis.

Mr. Arikawa asked if DWS could get someone from another County to help in case of emergency; he suggested that there might be qualified people on Maui, Kaua'i or on Oahu.

The Manager-Chief Engineer said that this contract would have involved a third party to secure those kinds of services, instead of DWS going directly to those individuals. DWS will explore all options. The Department is in active recruitment for a position for the Treatment Plant as well.

Ms. Lee Loy asked if this position requires a specific license from the Department of Health.

The Manager-Chief Engineer said yes.

Mr. Elarionoff asked whether it was a matter of lacking *adequately-treated* water, rather than adequate water.

The Manager-Chief Engineer said that DOH would probably have restricted DWS from even providing water, if DWS did not have a properly-certified (i.e., Grade 4) treatment plant operator operating the system. Without the water from the Waimea Treatment Plant, DWS only would have the Waimea well water, and the capacity of that Waimea well, he said.

Mr. Elarionoff said he understood now.

The Manager-Chief Engineer said that DWS would have to shut down the plant.

Mr. Elarionoff asked if there were any such thing as automated equipment to run the plant. He wondered if the treatment plant operator died today, DWS would be stuck.

The Manager-Chief Engineer confirmed this.

Mr. Balog asked if there were training opportunities within DWS.

The Manager-Chief Engineer said that DWS is working on that very thing right now. DWS just recently completed an audit with County Human Resources, and DWS plans to recruit for a Treatment Plant Operator trainee position. DWS is using existing positions, and is downgrading them: one position to a trainee, and one position to an assistant treatment plant operator. DWS will hopefully be able to recruit people with the proper certification. The assistant position only calls for a Grade 2, and the trainee is basically someone with a mechanical background who could learn on the job how to operate the plant.

Ms. Iokepa-Moses asked if the assistant would qualify as a replacement in case of an emergency; she asked if somebody with a higher Grade would be needed instead.

The Manager-Chief Engineer said that the person would need to be a Grade 4.

Mr. Balog asked how long there was only one Grade 4 person.

The Manager-Chief Engineer said it had been about two years, but he then said that actually one other person with a Grade 4 had been on board, but that person had resigned fairly recently.

The Deputy said the person resigned a couple of months ago.

Mr. Balog said that maybe DWS should aim for three people with Grade 4.

The Manager-Chief Engineer said that that would actually be in line with the other project involving the Waimea Treatment Plant, i.e., the Waimea Treatment Plant Upgrade, whereby membrane filtration would be introduced. That project would call for a lower Grade of operator.

The Deputy said it would call for a Grade 2.

Mr. Balog said that would be a lot easier to recruit for.

The Manager-Chief Engineer said yes, in terms of personnel requirements.

ACTION: Motion carried unanimously by voice vote.

6) SOUTH KONA:

A. 4th AMENDMENT TO WELL SITE DEVELOPMENT AGREEMENT, 1250 OCEANSIDE (HÖKULIA) WELLSITE DEVELOPMENT AGREEMENT - UPDATE:

The Manager-Chief Engineer said there have been several months of discussion by the Board of the 4th Amendment, and now the ball is in Oceanside's court; DWS is waiting to receive the executed contract ready for execution by DWS and the Board. That is where matters stand, he said.

B. STANDPIPE SIGNUP PROCEDURES:

Due to the ongoing dry weather conditions across the island, the Department anticipates the need to provide additional standpipe services. The Department has several vacant standpipe accounts that can be utilized, and would like to propose application procedures for discussion and implementation.

The Manager-Chief Engineer recommended that the Water Board discuss and approve the standpipe application procedures for implementation by the Department.

MOTION: Mr. Arikawa moved to approve; seconded by Ms. Lee Loy.

The Manager-Chief Engineer said that most of the current Board members were not around when DWS several years ago went through a rather fraught situation involving the allocation of standpipes in Hawaiian Ocean View Estates (H.O.V.E). DWS recognized after that episode that the procedures could be improved. He explained that the meters at standpipes are called lockers; standpipes are what put water into a water hauling truck. Typically, there are multiple lockers that service one standpipe, he said. At the Kea'au standpipe, there are 10 lockers, and currently, one of those lockers is vacant. At the Pāhoā standpipe, i.e., the Keonepoko Standpipe Facility, four of the 20 lockers are now vacant, and available for allocation. Some people did not approve of how the lockers were allocated. Therefore, before DWS signed up applicants as it has done in the past, DWS decided to bring the allocation procedures to the Board for discussion. The Manager-Chief Engineer proposed that DWS do a public advertisement to announce the vacant lockers, and invite people who are interested in obtaining a standpipe account to apply by a certain date. Under his proposal, the applicant would need a Public Utilities Commission (PUC) license, and must be current on any existing accounts with DWS; only one account holder will be allowed per site. In other words, DWS does not want two of the same entity on the same site, he said. DWS wants to be equitable across the board, and to be straightforward. The hope is that DWS will minimize some of the concerns that arose from the H.O.V.E. sign-ups.

Ms. Lee Loy said that she was on the Board when the H.O.V.E. sign-up controversy occurred; there was a lot of rather contentious testimony. Everybody concerned was looking for a fair and equitable process, she said. The Board at the time asked the Legislative Auditor to look at DWS's allocation process, in order to identify any glitches and to improve the process.

Ms. Lee Loy said that she completely supported this initiative, because any business wants to know what is expected of them. She noted that some people were securing lockers, but did not have the PUC license; a lot of the applicants did not want to go through the process of getting a PUC license, only to fail to get a locker. She said this initiative should be kept separate and apart from DWS's Rules, because it would be cost-prohibitive for the entity to have to wait while the approval was placed on the Board Agenda. The entity would have to wait a month or two before they could start using the locker to do their water business, she said. She said that this initiative is very smart.

Mr. Elarionoff asked if there was something like a stainless steel tank involved in the water delivery process, in transporting the water from the standpipe to the house.

The Manager-Chief Engineer said that was a good question. This is among the challenges that DWS was facing during the H.O.V.E. episode. He noted that in that case, DWS allotted the 10 lockers at H.O.V.E. on a first-come, first-served basis; this was in accordance with DWS's existing procedures. As a result, the Legislative Auditor found that DWS did nothing wrong in its allocation of the lockers. DWS had hoped that the Legislative Auditor would have provided some suggestions on how to do things better, but the audit found that DWS did nothing wrong.

The Legislative Auditor reserved the right to take matters up at a later date. DWS considers the PUC requirement to be a good one, because it involves a regulating body which has a specific license for water haulers. As far as the hauling tank goes, the Manager-Chief Engineer said he was not sure what the exact requirements were; the State Department of Health (DOH) has a certification requirement for trucks which haul potable water.

Mr. Balog said yes, the tank needs to be certified.

The Manager-Chief Engineer said he did not know the details of those requirements, but he believed that there were other entities that have regulatory authority.

Mr. Elarionoff asked if DWS's responsibility goes up to the standpipe.

The Manager-Chief Engineer confirmed this.

Mr. Balog asked how many people among the account holders have a PUC license.

The Manager-Chief Engineer said the Department would have to research that. DWS wants to make the fairest and most equitable use of the standpipe facilities, for the greater good of the community. These facilities were set up in areas that have a lot of catchment; when the weather goes dry, residents on catchment have the option to get water hauled to fill up their tanks. He noted that DWS has accounts among private entities that do not provide water hauling services. In the past, in the absence of ground rules among the allocation procedures, people just came in and applied for a locker.

Mr. Balog asked if DWS planned to retroactively require PUC licenses to existing locker accounts, with maybe a certain grace period in order to obtain a PUC license.

The Manager-Chief Engineer said that DWS was not planning to do that.

Mr. Balog said that the process has to be fair and equitable for everyone. He did not think it was fair to people applying for lockers to do water business, to allow existing locker holders to have lockers just for personal use.

Ms. Iokepa-Moses said that is what is known as grandfathering in; that is done a lot.

The Manager-Chief Engineer said that is a challenge, which DWS is trying to balance. This is why this subject was brought to the Board for discussion. The challenge involves whether to penalize people who conformed to the Rules back when the lockers were allotted.

Mr. Balog said he understood. He said that DWS would explain the need for the change in the process, and give a grace period of a year or so to existing locker accounts to allow them to meet the new requirements. The existing locker accounts would be given extra time to meet the same requirements that everybody would need to meet going forward, he said.

The Manager-Chief Engineer noted that unfortunately, some of the account holders are not haulers; they have a farm and have the locker to supplement their needs when there is not enough water for the farm. As a non-hauler, the farmer would have no need to get a PUC license.

Mr. Elarionoff said that was understandable; this is potable water. The laws change all the time, and everybody needs to comply with the laws. He cited the example of property taxes that go up, whereby the property owner cannot refuse to pay based on a lower tax bill in the past.

Mr. Balog suggested that there be two categories of classification: farmers and water haulers.

Ms. Iokepa-Moses suggested that the non-PUC licensees would go on a secondary list for lockers, as alternate service standbys. Their applications would get considered after the PUC licensee applicants for lockers got taken care of, she said. That is how they would be grandfathered in.

Mr. Elarionoff asked if she used the word “prioritized.”

Ms. Iokepa-Moses said that the people that have PUC licenses would be on the top of the priority list, and farmers or others without the PUC license would be on the secondary list, going forward. She said that she could not see taking away a locker for an agricultural (ag) user such as the Galimbass in Ka‘u, who have 1,000 acres of ranching land that uses water for cattle – just because they do not have a PUC license.

Mr. Balog said that is what he meant: there would be two different classifications. Farmers or ranchers would qualify.

Ms. Iokepa-Moses asked whether they would get a waiver.

Mr. Balog said yes. For personal use, they could call a water hauler.

Mr. Arikawa said that Mr. Balog had a good suggestion. He noted that back in the 1980s, he and his brothers-in-law had some 30 acres of anthuriums in Pāhoā, and they hauled water for the farm. During times of drought, they hauled water for residential customers, without a license. He said that some kind of classification was needed.

The Manager-Chief Engineer said that DWS can provide to the Board a list of account holders. He noted that DWS does not know exactly what the account holders are doing with their accounts. This list can facilitate future discussion, he said.

Mr. Arikawa said that Ms. Iokepa-Moses had a good point. DWS cannot take away a locker from a farmer or an ag person; they need the water.

Ms. Iokepa-Moses said that DWS may not have the personnel who could spend time doing research and enforcement, to ferret out how much of the water is for ag, etc. DWS needs to be careful when putting Rules out for which there is no enforcement.

The Manager-Chief Engineer said that the Board could decide that everybody needs to be a water hauler; that would be one approach. It would be difficult to determine who is a valid ag person. DWS also has had instances of water being used at H.O.V.E. for road maintenance. He asked whether that would constitute a valid account holder.

Chairperson Takamine asked that this Item be tabled until next month’s meeting, when DWS could come back with additional information for discussion.

The Manager-Chief Engineer said sure; he asked if there was any other information the Board needed.

Mr. Elarionoff asked why there was a limit placed on the number of lockers.

The Manager-Chief Engineer said that it is primarily determined by physical constraints. If an evaluation was done that found a real need to add one or two lockers, additional lockers could be provided.

Mr. Arikawa asked if DWS had enough standpipes for the whole island.

The Manager-Chief Engineer said the answer would depend on whom one is asking, and it would depend on the prevailing weather conditions. When it is dry, people claim there are not enough standpipes, but in times of normal rainfall, there are more than enough standpipes. DWS puts the standpipes in strategic locations: at Kea'au, Pāhoa, Ho'okena, and H.O.V.E. DWS also has other facilities, where water services are provided off of a hydrant (in the absence of an actual standpipe site). In addition, there are sometimes temporary services off of a hydrant for just a couple of months, such as for construction, etc. He noted that standpipes are for hauling.

Chairperson Takamine asked if the current Motion had been withdrawn.

The Secretary said not yet; the Board needs to vote to defer the Item.

Ms. Self confirmed this.

The Manager-Chief Engineer asked if there was any other information that the Board wanted DWS to provide at the next meeting, besides the list of standpipe account customers.

Chairperson Takamine asked if DWS could provide information on usage.

The Manager-Chief Engineer said yes, DWS can show usage.

Ms. Lee Loy said she would like to see usage, too. She wondered if there was a way to categorize the standpipe account holders. From a planning perspective, the Department might see the need for more ag use in certain areas, and might want to do a future standpipe project. She thought the data that would come out of that would be helpful.

The Manager-Chief Engineer said that that is something for the Board to consider. Theoretically an ag person can go hire a water hauler, and any business entity might currently have a locker – theoretically, they too could hire a hauler. All of these are subjects for discussion. In the meantime, DWS will bring back that information to the Board.

ACTION: Ms. Lee Loy moved to defer; seconded by Mr. Arikawa, and carried unanimously by voice vote.

C. **DEPARTMENT OF WATER SUPPLY PROPOSED OPERATING AND 5-YEAR CAPITAL IMPROVEMENT PROJECTS (CIP) BUDGETS FOR FISCAL YEAR: (FY) 2017:**

The Department's FY 2017 Operating Budget, totaling \$53,901,500, and 5-Year CIP Budget for FY 2017–2021, has been distributed for the Board's review. A public hearing was held prior to this meeting to accept public testimony. The Board may change either Budget, or adopt them as presented over two readings.

The Manager-Chief Engineer recommended that the Water Board approve the Department's FY 2017 Operating budget and 5-year C.I.P. budgets for Fiscal Years 2017-2021 on this first of two readings.

MOTION: Ms. Lee Loy moved to approve; seconded by Ms. Iokepa-Moses.

Referring to the FY 2017 CIP list, Mr. Balog asked if projects were classified according to what were likely to go ahead in FY 2017.

The Manager-Chief Engineer said in general, yes. Projects like the Pāpa'ikou Pipeline Replacement, the Pi'ihonua-Kūkūau 2.0 MG Reservoir & Transmission Waterline, and the Waikoloa Reservoir No. 1 Repair are all proceeding well, and DWS anticipates taking these

projects out to bid shortly. Other projects on the FY 2017 list, such as the Hala'ula Well Development, Phase 2, may not be shovel-ready, but they are at least at the point where DWS is completing the design and will be advertising for them. Therefore, DWS needs to secure the funds by FY 2017, he said.

Mr. Balog said he just wanted to make sure that DWS was doing projects that it could actually do in FY 2017.

Mr. Inaba said that there are a couple of projects that could be swapped in if one of the 2017 projects does not pan out as planned, due to factors such as land issues. That flexibility is basically the intent of the five-year CIP list.

ACTION: Motion carried unanimously by voice vote.

D. PROPOSED ENERGY CIP RATE:

In conjunction with the Department's FY 2017 Operating Budget, a new rate is being proposed to fund projects intended to reduce the department's dependence on purchased power, which is budgeted at \$22 million in FY 2017. A public hearing was held prior to this meeting to accept public testimony.

The concept for this new rate was developed as a result of a funding option recommendation in the Department's 2015 Energy Evaluation Report.

The energy rate is budgeted at \$0.05 per 1,000 gallons, and is expected to generate \$460,000.00 in FY 2017, to be used on 2 projects:

- To install power factor correction capacitors at 16 well sites (\$240,000.00); and
- To install variable frequency drives at 2 well sites (\$220,000.00).

The energy rate is to be adjusted annually, depending on projects to be funded.

The Manager-Chief Engineer recommended that the Board approve the Department's new Energy CIP rate, beginning in FY 2017 at \$0.05 per 1,000 gallons. The rate will be adjusted annually, based on energy-saving projects proposed by the Department for the year.

ACTION: Mr. Arikawa moved to approve; seconded by Ms. Lee Loy, and carried unanimously by voice vote.

E. UPDATE RE: NATIONAL PARKS SERVICE'S PETITION TO DESIGNATE KEAUHOU AQUIFER AS A GROUND WATER MANAGEMENT AREA:

The Manager-Chief Engineer said he had told the Board that the Commission on Water Resource Management (CWRM) would be meeting on May 17, but the actual date is Thursday, May 19, 2016, at the West Hawai'i Civic Center. The National Park Service will be providing some new information at that meeting, he said. The meeting is now posted on the CWRM website, but the Agenda has not been posted yet.

F. EXECUTIVE SESSION RE: NATIONAL PARKS SERVICE'S PETITION TO DESIGNATE KEAUHOU AQUIFER AS A GROUND WATER MANAGEMENT AREA:

(No Executive Session was held.)

G. DISCUSSION OF AMENDING DWS RULES AND REGULATIONS:

The Manager-Chief Engineer said that this Item had been discussed back in January, and DWS thought it would be good to do an overall look at the Rules and Regulations, and has brought it back as a whole to the Board. This amendment was not done piecemeal. The proposed red-lined revisions were crafted by the staff. He asked the Chairperson how the Board wanted to handle the revisions: page by page, or item by item. He invited questions from the Board.

Ms. Lee Loy asked about Section 3-4, Application for Water Service, on Page 14. She noted that the red-lined version added a new section, Section 6. She asked what the rationale was behind that addition. She said she had a similar question regarding the item on Page 28, labeled as Water Service to Lots Out of the Service Limits. She asked how those changes came about.

The Manager-Chief Engineer said that the red-lined version was a collective effort by Customer Service, Finance, Engineering, and Water Quality. He invited Mr. Uemura of Customer Service to come up.

Speaking on the new Section 6 on page 14, Mr. Uemura said that a new tenant or new owner will go into a property, and find the water on. Usually, when Customer Service closes the account, DWS tags the property to let the next person know. If for some reason the new person does not get the notice saying that they have water, disputes sometimes ensue over when that water should start.

Ms. Lee Loy said that the dispute would be over the payment for the water that they are using.

Mr. Uemura said that it could be a week's worth of water, or it might be a little bit longer than that. This new provision will help DWS to be able to capture that water use; somebody is using water. This passage is also found in the Rules of the other counties, Mr. Uemura said.

Ms. Lee Loy asked if this would apply similarly to larger commercial facilities with numerous tenants.

Mr. Uemura confirmed this.

Ms. Lee Loy said this was good.

Mr. Arikawa said that this is a problem that all of the real estate people and property management companies face; it is very good that DWS put in this provision. He said that sometimes, new tenants plead ignorance by saying they did not know they actually had to *sign up* for water; in truth, these people will have known all along that the water was on.

Ms. Lee Loy had the same question regarding Page 28.

Mr. Inaba said that DWS had worked on that section with the Planning Department. When lots are considered out of bounds, or out of the service limits, the lots do not meet the improvement requirements for a land use application, change of zone or subdivision, he said. Therefore, DWS and Planning want to prevent people from coming in and getting two services for a parcel that is not fronting a water main; under such a scenario, people then go in for a subdivision application because they already have two homes on the parcel. Planning stressed the need to work together with DWS, as people claim to already have their water to their property, but wind up not meeting the Water System Standards for a subdivision. This new provision aims to conform with the intent of the County as a whole, by working with the Planning Department.

Ms. Lee Loy asked if it just means one additional lot.

Mr. Inaba said it is one equivalent unit to any lot outside of the service limits. DWS is trying to allow for that first residential unit on the property to get a meter, where water is available.

Mr. Elarionoff took exception to the language in Section 3-21, on Page 23, which says: "No Cross-Connections with other water supplies shall exist..." He said the rest of the sentence is not needed, because the above-quoted phrase was such a strong statement. He said that was just a comment on his part.

Ms. Self noted that this was the original language; it was not changed.

The Manager-Chief Engineer said that this section was quite detailed, and was more detailed than it needed to be. Most of the revisions to this section involved house-cleaning; DWS did not want to get too specific in its Rules and Regulations, for fear of conflict with changing national requirements. He asked if anyone felt strongly either way.

Mr. Elarionoff said he was not asking for any changes.

Mr. Arikawa asked about revised sub-section 6(b) on Page 25. Before the revision, DWS used to furnish and install the backflow prevention assembly; the new language says that the applicant will install that DWS-approved backflow preventer. The applicant will now be responsible for maintenance, etc., Mr. Arikawa noted. He asked if an inspector will have to go to the site before anything can be done.

The Deputy said this section is primarily for temporary water meter installations, typically off a hydrant. Historically DWS has been providing DWS backflow preventers, but they have come back damaged or broken. DWS has had to absorb that cost, he said. With the revised language, DWS will require these applicants to provide the backflow preventer, and it will not be unlocked until one of DWS's cross-connection inspectors inspects and approves it.

Chairperson Takamine asked if this would be more like residential construction.

The Manager-Chief Engineer said yes, it would be like permanent installation. DWS's challenge here is because this was the only case where DWS was providing the backflow preventer for a private entity; it has really been for the applicant's benefit. The applicants have been getting this service, and DWS has been putting its infrastructure in there and maintaining it, he said. He was not sure why it was set up like this in the first place; DWS is now trying to make it right.

Mr. Arikawa asked if the consumer is responsible for hiring a licensed plumber; he asked if anybody could install the backflow preventer. The assembly has to be on the approved backflow assembly list; DWS inspectors would check this.

The Deputy said it has to be a licensed plumber, who would be familiar with the requirements for the backflow assembly.

Mr. Arikawa asked if it would be okay if the consumer installs the backflow preventer himself and it passes inspection by DWS.

The Deputy said yes.

The Manager-Chief Engineer said that it would be okay for the most part. The difference was that this would be a temporary situation, so it was not clear whether it falls under the Plumbing Code, he said.

Mr. Arikawa said that he would think it would fall under the Plumbing Code, because this involves a backflow preventer, a critical component of the system.

The Manager-Chief Engineer concurred.

Chairperson Takamine asked if any licensed contractor can install it.

Mr. Inaba said he was not sure; the Plumbing Code might pertain to an installation close to a house, but this location is out in the public Right-of-Way.

The Manager-Chief Engineer said that staff can check into it.

Mr. Inaba agreed.

The Manager-Chief Engineer said that DWS can check to see if the Plumbing Code applies. He sketched out a scenario where DWS installs the fittings from the hydrant to the meter, with typically a 2-inch meter flange out of the meter, to a nipple, to some kind of union; this enables the installation of the backflow preventer.

Mr. Inaba said that staff could also double check on whether the General Contractor's requirements apply.

ACTION: Motion carried unanimously by voice vote.

Mr. Arikawa thanked the staff for their hard work on hammering out the amended Rules and Regulations.

The Manager-Chief Engineer said it was good timing, because of the other Rule revisions.

Ms. Self noted that now a Public Hearing must be set up regarding the amended Rules and Regulations.

H. **MONTHLY PROGRESS REPORT:**

Mr. Arikawa asked about the Ola'a No. 6 project, noting that it has stood at 97.4 percent completed for a long time.

The Deputy, whose project it is, explained that the remaining balance is the retainage, with about \$10,000.00 of contract work remaining. As reported at an earlier meeting, the contractor has provided the as-builts, and they still owe DWS two more releases-from-liens from their sub-contractors. DWS cannot make final payment until those releases come in; DWS has reminded the contractor about that several times, the Deputy said.

Mr. Arikawa asked if there were an end date to this contract.

The Deputy said yes, the date was April 27, 2012, and liquidated damages were assessed accordingly.

Mr. Arikawa asked if the liquidated damages were still ongoing.

The Deputy said no, DWS has closed the contract already, ending the construction clock in March of 2014.

Chairperson Takamine said he noticed on this month's report that there is approximately \$23,350,000.00 in new work. He asked if there were any projects that will be coming online soon.

The Manager-Chief Engineer said that DWS has been trying to put some projects out to bid.

Mr. Inaba said that the first project to come out will probably be the Pi‘ihonua-Kūkūau 2.0 MG Reservoir and Transmission Waterline. DWS is trying to get it advertised by the first week of April. In the next couple of months, DWS is looking to put the Nohea Street/Santos Lane G.I. Pipeline and Service Lateral Replacement project, which is State-funded. The Waikoloa Reservoir No. 1 project should come out a couple months after the Nohea Street/Santos Lane project, he said.

The Manager-Chief Engineer said that DWS is looking at advertising the Nohea Street/Santos Lane project sometime in the summer. The plans for that project are with the State, and assuming the State approves the plans, the plans will be forwarded to the State Right-of-Ways Branch in Honolulu. DWS still needs to execute a Use and Occupancy Agreement for this project, and the Department figures that the turnaround for that will be about two months. DWS’s project engineer has been instructed to follow up with the State on the status regularly, by phone or email.

Mr. Inaba said that the State is aware that DWS will be following up regularly; the State has been quite helpful lately in getting things through, such as permitting, etc. DWS has been working well with the State, he added.

I. REVIEW OF MONTHLY FINANCIAL STATEMENTS:

No discussion.

J. MANAGER-CHIEF ENGINEER’S REPORT:

The Manager-Chief Engineer will provide an update or status on the following:

- 1) Report on Meeting with Big Island Legislative Caucus – The Manager-Chief Engineer said the meeting held on Oahu last month went well; Chairperson Takamine and the Deputy were in attendance, along with the Manager-Chief Engineer and the Big Island legislators. It was a great chance to improve DWS’s relationships with the legislators, and to seek future CIP funding opportunities, such as the Nohea Street/Santos Lane project. Chairperson Takamine said that the meeting went a long way towards showing the legislators where DWS is coming from, and to defuse any issues that might hamper DWS in the future. The legislators seemed pleased that DWS had reached out to them, responded to their questions, etc. The Manager-Chief Engineer said that DWS will be a lot more strategic and organized ahead of upcoming Legislative sessions, in terms of touching base with the legislative caucus. He thanked the Chairperson for facilitating the meeting.
- 2) Upcoming AWWA Conference – Board members who will be attending the national conference in June will have received a memo, the Manager-Chief Engineer said. The state Hawai‘i Water Works Association meeting will be in Wailea, Maui, from November 2-4. The Manager-Chief Engineer encouraged interested Board members to consider attending that conference; four Board slots have been allotted. He said these conferences are very informative.
- 3) Matters of interest to the Board – The Manager-Chief Engineer called Ms. Hayducsko up to give her quarterly energy update. Ms. Hayducsko explained what DWS is doing to reduce its **demand charge**. Board members may not be aware of what kind of electricity bills the Department gets, so she included a sample HELCO bill in the Board packets. HELCO charges DWS for having HELCO’s generators on standby, so that DWS can on turn its wells when it needs to, Ms. Hayducsko said. Those demand

charges can be substantial, even when DWS's wells are backup wells. DWS is looking to reduce those demand charges as much as possible for wells that are down for repairs, she said. Ms. Hayducsko turned to the **power factor** item on DWS's HELCO bills, which is one of the things that DWS is trying to address with the newly-adopted energy CIP rate, using power factor capacitors. She explained in her written report that "on the biggest motors, the (HELCO) bill includes a power factor assessment on the equipment's ability to convert the delivered power into usable power." The power factor is a percentage, and power factor percentages of less than 85 percent carry a penalty. On the sample HELCO bill, the power factor is 82, and DWS was charged an additional \$241.00 for it. Ms. Hayducsko said that DWS can reverse that, and get a credit on its bill if DWS is able to get that power factor up to 99 percent – using a power factor capacitor. By doing so, DWS can get an additional 1.5 percent off its energy and demand charges on its HELCO bills. The Manager-Chief Engineer said that if DWS is less efficient, by having a power factor of 85 percent or lower, the Department gets penalized. Ms. Hayducsko confirmed this; if DWS is more efficient, it will get a credit. That is why DWS is trying to move from the penalty phase to the credit phase. The power factor capacitors that are part of the energy CIP project will result in reduced energy charges with an expected payback of about two years on most of these motors. Ms. Hayducsko noted that DWS's energy cost has gone down, partly because HELCO reduced its fuel surcharge; DWS does not expect that will prevail indefinitely, so DWS has budgeted an adequate amount for a possible fuel surcharge hike next year. Meanwhile, DWS has been making some strides in improving its Rider M program returns. The Manager-Chief Engineer commended Ms. Hayducsko for wearing many "hats" for DWS, including the energy initiatives, the unaccounted water program, as well as her regular civil engineering duties. He said that she is very sharp in her understanding of electrical power, and he was confident that she could answer any questions today. If anything requires follow-up, she can provide a presentation next month to address any remaining questions. Ms. Lee Loy asked if DWS needs to renegotiate its arrangements on standby charges with HELCO. Ms. Hayducsko said that DWS may not have such an option to renegotiate, but said that DWS found a little clause whereby in the past when a DWS well went down for more than 12 months, the Department paid the monthly demand fee for 12 months until the demand charge went away. DWS *now* has an option to request that HELCO revise the account so that when a well is down and the pump has been pulled, HELCO will change DWS's rate structure, so that DWS does not get levied the demand charge while the well undergoes repairs. It is a major breakthrough for DWS, Ms. Hayducsko said. She explained that this meant huge savings, with the demand charges running around \$10,000.00 for some of these wells, just to have the power ready to go on. The Manager-Chief Engineer said that it was frustrating to have this happen with wells that are out of service such as Haleki 'i, Hualālai, Honokōhau, Parker 2, etc. DWS has had to pay the demand charges for all of those wells, which DWS knows will be out of service for an extended period of time. Mr. Elarionoff asked if anything goes through these meters. Ms. Hayducsko said that a little bit of power goes through the meter, and DWS pays the demand charge whether the Department uses the well or not. Mr. Elarionoff asked what the term "demand charge" means. Ms. Hayducsko said it means the standby charge; referring to the sample HELCO bill, the utility measures how many kilowatts DWS *might* be using at any one time. HELCO has its generators ready to provide DWS with power, and because its generators are idling, they charge DWS for that generator capacity. It is based on how much capacity that HELCO has to maintain in their generators that are idling and ready to increase power production. The Manager-Chief Engineer said that the back page of the sample bill shows a figure for the demand charge, at \$4,399.30;

DWS pays the demand charge every month, even if it does not use power at that level. Ms. Hayducsko noted that on the front of the bill it shows a *measured*, and a *billed* kilowatt charge. These are very big motors, with a lot of power coming in, she said. HELCO's rate structure is set up with the PUC so that they charge DWS based on the highest demand in the last 12 months. For example, if DWS had a given motor running full-on in January, but since then the motor is running at 50 percent of that power usage with a variable frequency drive (VFD) on, DWS will still have to pay that full-on January rate until a full year goes by. That is the power that HELCO has ready, which they charge DWS for. This is basically their electric production idling fee, she said. HELCO also levies an energy charge for just the kilowatts DWS used, shown on the back of the sample bill at \$75,000.00. This is the meter charge, which registers when the wells are on. Mr. Balog asked if DWS uses soft starts. Ms. Hayducsko said yes, in many cases DWS uses them. The Manager-Chief Engineer said that the Department is moving towards using VFDs, because of the various concerns about efficiency. Chairperson Takamine asked what a VFD is. Ms. Hayducsko likened a VFD to a blender, which allows DWS to choose how fast the motor is running; without a VFD, the motor is on High the entire time it is on. The Manager-Chief Engineer said a variable frequency drive (VFD) is also like a dimmer switch. Ms. Hayducsko explained that a soft start ramps the power to the motor incrementally, avoiding a large power spike in the nearby system. Mr. Balog said that his business recently implemented soft starts. Ms. Hayducsko said that DWS had soft starts on a lot of its sites. Mr. Arikawa asked if this sample bill was just for the Lālāmilo/Parker wells. Ms. Hayducsko said it was the bill for just one of the eight wells there; she shared the bill with the Board because she thought it would be of interest. The Manager-Chief Engineer said it was not DWS's biggest bill, either. Ms. Hayducsko agreed that this was not the biggest bill. Mr. Elarionoff said this helps him better understand; at first he did not understand the idea of converting "the delivery power into usable power." It did not make sense to him, he said. Ms. Hayducsko said he was referring to the power factor, which is based on kilowatts and kilovars.

On a separate subject, Chairperson Takamine asked about a recent Council Resolution regarding Nālani Street.

Mr. Inaba said that the Resolution involved a Council-initiated Improvement District for Nālani Street. The Resolution calls on the Manager-Chief Engineer to provide a report to the Council on upgrading that area to install a water system which meets DWS standards. DWS may have to hire a consultant to do a preliminary engineering report, etc.; this will depend on what funding options are available, he said.

The Manager-Chief Engineer said that DWS might have to come back before the Board because DWS may be required to upfront some of the investment, to pay for the preliminary engineering report and the Environmental report that are required for Improvement Districts. DWS has done these in the past, with the USDA as the usual funding source. Depending on the median household income, a portion of the funding is a grant. That makes the arrangement attractive, because the residents do not have to pay back the full amount; up to 45 percent of the funding may be a grant. The Nālani Street area involves only 31 lots, so it is not clear what funding mechanisms this Improvement District will qualify for. The Council Resolution directs DWS to do the report, but DWS needs to sit down with planners and the Council Member whose district it is, Mr. Dru Kanuha. DWS will leave it up to them as to what funding source they want to utilize, the Manager-Chief Engineer said. Ms. Lee Loy asked if this would be coming out of DWS's budget. The Manager-Chief Engineer said that it possibly would, for now, but DWS will be seeking reimbursement.

Mr. Elarionoff asked what the stack of archived news articles was about.

The Manager-Chief Engineer said it was provided because it was water-related news regarding issues such as the Flint water quality scandal.

Mr. Elarionoff asked if DWS provided the articles because they believed what the articles said.

The Manager-Chief Engineer said it was not his role to judge what the Board might believe or not; the articles were just provided as information.

The Manager-Chief Engineer said that the Deputy reminded him of a visit to the Lālāmilo Windfarm on Thursday. The contractor has poured the foundations, and the uprights have been set up, etc. He invited interested Board members to come along; departure time from DWS would be around 8:00 a.m.

Mr. Balog asked if he could go there directly.

The Manager-Chief Engineer said yes, but it would call for some arrangements, because there are some gates to pass through.

Mr. Balog said his company had hauled things such as the turbine blades to the site. It involved using an 80-foot stretch deck rig, he said.

K. CHAIRPERSON'S REPORT:

Chairperson Takamine thanked the Manager-Chief Engineer and the Deputy again for initiating the conversation with the legislators. He also thanked Ms. Hayducko for the efforts of her and staff on energy- and money-saving initiatives.

8) ANNOUNCEMENTS:

1. Next Regular Meeting:

The next meeting of the Water Board is scheduled for 10:00 a.m. on April 26, 2016, at the Department of Water Supply, Operations Center Conference Room, 889 Leilani Street, Hilo, HI.

2. Following Meeting:

The following meeting of the Water Board will be held at 10:00 a.m. on May 24, 2016, at the West Hawai'i Civic Center, Community Center, Bldg. G, 74-5044 Ane Keohokalole Hwy, Kailua-Kona, HI.

9) ADJOURNMENT

ACTION: Ms. Lee Loy moved to adjourn; seconded by Mr. Arikawa, and carried unanimously by voice vote.

The meeting adjourned at 11:28 a.m.

Secretary

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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.