

MINUTES

DEPARTMENT OF WATER SUPPLY
COUNTY OF HAWAII
WATER BOARD MEETING

April 22, 2014

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

MEMBERS PRESENT: Mr. Kenneth Kaneshiro, Chairperson
Mr. Rick Robinson, Vice-Chairperson
Mr. Russell Arikawa
Mr. David Greenwell
Ms. Brenda Iokepa-Moses (arrived at 10:13 a.m.)
Ms. Susan Lee Loy
Mr. Craig Takamine (arrived at 12:03 p.m.)
Mr. Jay Uyeda
Mr. Quirino Antonio, Jr., Manager-Chief Engineer, Department of Water Supply (ex-officio member)

ABSENT:

Mr. Duane Kanuha, 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. Adelbert Green
Ms. Leslie Yim, President, Kamehameha Investment Corp.
Ms. Tammy Duchesne, Superintendent, Kaloko-Honokōhau National Historical Park
Mr. Jonathan Likeke Scheuer
Ms. Cynthia Moreira, Derrick's Well Drilling and Pump Services, Inc.

Department of Water Supply Staff

Mr. Keith Okamoto, Deputy
Mr. Kurt Inaba, Engineering Division Head
Mr. Richard Sumada, Waterworks Controller
Mr. Daryl Ikeda, Chief of Operations
Ms. Kanani Aton, Public Information and Education Specialist
Mr. Clyde Young, Operations
Mr. Eric Takamoto, Operations

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- 1) CALL TO ORDER – Chairperson Kaneshiro called the meeting to order at 10:05 a.m.
 - 2) STATEMENTS FROM THE PUBLIC

(Ms. Tammy Ann Duchesne, Superintendent of Kaloko-Honokōhau National Park, testified regarding Item 7(B), DISCUSSION OF DRAFT RESPONSE FROM WATER BOARD REGARDING THE COMMISSION ON WATER RESOURCE MANAGEMENT'S REQUEST FOR CONSULTATION ON THE KALOKO-HONOKŌHAU NATIONAL PARK SERVICE PETITION TO DESIGNATE KEAUHOU AQUIFER SYSTEM AREA (NORTH KONA), HAWAII AS A GROUND WATER MANAGEMENT AREA.)

MS. DUCHESNE: Aloha, Chairperson Kaneshihara (sic) and members of the Board. My name is Tammy Duchesne, and I am Superintendent of Kaloko-Honokōhau National Historical Park. I appreciate the opportunity to share with you some information that may inform your decision-making process. We believe that a few misconceptions that have been presented to the Water Board regarding the National Park Service's petition to designate the Keauhou Aquifer System as a Water Management (sic) need to be addressed. Number 1, that the National Park Service is hiding data. Number 2, that the NPS is anti-development, and 3, that designation will result in a loss of home rule. Misconception No. 1: the NPS is intentionally hiding data: the NPS and other entities continue to collect data in and around Kaloko-Honokōhau National Historical Park. The NPS analyzes these data to build a science-based understanding of Park resources, and the nature and extent of potential impacts that may result from surrounding land- and water-use changes. In our decision-making process, we consider our own data and also consider other data collected by scientists and researchers. However, we give the greatest weight to peer-reviewed science. Much of the data collected by NPS and other entities is available to the public in published reports, and is available on our website. For the data that NPS collects itself, or commissions others to collect...to collect...NPS works to ensure that these data are subject to appropriate quality control and quality assurance standards, and that analysis of these data are rigorously peer-reviewed before presenting them at meetings or in reports or publications, in order to ensure the highest level of scientific integrity. This can be a different process from that which is used by developers who commission private hydrologists, researchers, or consultants to prepare resource assessments. Rigorous quality control, quality assurance, and peer review often takes longer than we would like. There have been assertions that the NPS-collected data does not support the conclusions in the petition, and that the NPS has used this process of scientific and scholarly review as an intentional means to withhold data. These assertions are not true.

Misconception No. 2: NPS is 'anti-development.' In North Kona, the NPS has a record of advocating for responsible regional planning to benefit nationally significant cultural and biological resources within Kaloko-Honokōhau National Historical Park. To date, we have collaboratively participated in seven county or state proceedings over new developments. The purpose of our participation has not been to stop any of the proposed projects, and none of those were stopped by our actions; instead, we continue to participate to ensure the protection of the environment and cultural resources...the protection of environment and cultural resources...through sound, science-based community planning and decision-making. We believe the NPS commenting on proposed development that may affect the Park's resources, along with our on-the-ground management actions within the Park, supports the vision of the statement of the Kona Community Development Plan. A more sustainable Kona, characterized by a deep respect for culture and the environment and residents that responsibly and responsibly...responsively and responsibly...accommodate change through an active and collaborative community. It is inaccurate and misleading to characterize our actions as 'anti-development.'

Misconception No. 3: Designation would result in a loss of home rule of the County of Hawai'i Department of Water Supply or Water Board. Designation of the Keauhou Aquifer System as a waterment (sic) area will not diminish "home rule" of the County of Hawai'i Department of Water Supply or Water Board. Currently, the State Commission on Water Resource Management, *not* the County Department of Water Supply or the Water Board, approves well construction and well installation permits filed by the Department of Water Supply and other private well owners. This is not done locally now. There is no home rule on allocation of water in the State of Hawai'i. If the Keauhou Aquifer System is designated as a Water Management Area, the Commission will continue to manage the construction of existing and new well permits and new wells, through construction and pump installation permits, as well as water use permits. Designation would not diminish the input or rule (sic) of the Department of Water Supply or Water Board now has; rather it would give both entities legal standing to comment on, and contest, proposed water uses that threaten its own wells and deliveries. Currently, the Department of Water Supply not only lacks legal ability to control pumping in the Keauhou Aquifer, it controls only about 25 percent of the permitted wells in the aquifer system, and private municipal water systems are being proposed in this

area. These new water systems would be economically competitive to the Department of Water Supply, and would compete for the same water resources. Designation, however, requires the Commission to delegate to the Department of Water Supply the authority to allocate water for municipal purposes in designated areas. Designation would therefore enhance the role of the...that the Department of Water Supply plays in the allocation of drinking water. In closing, we thank you for the time you have spent so far in furthering your understanding of the NPS petition, and we hope that these...sorry...clarifications are of use. Sorry, sorry. (*Timekeeper Mr. Robinson holds up the Stop sign to signal that time is up.*) Okay, we look forward to collaborating with you as this conversation continues. Thank you so much.

MR. ROBINSON: All right. Mr. Chairman made it eminently clear I need to limit it to three minutes.

MS. DUCHESNE: I apologize.

MR. ROBINSON: No, no, no, it's okay.

CHAIRPERSON KANESHIRO: Okay, Jonathan?

(Mr. Jonathan Likeke Scheuer testified on behalf of the National Park Service regarding Item 7(B) DISCUSSION OF DRAFT RESPONSE FROM WATER BOARD REGARDING THE COMMISSION ON WATER RESOURCE MANAGEMENT'S REQUEST FOR CONSULTATION ON THE KALOKO-HONOKŌHAU NATIONAL PARK SERVICE PETITION TO DESIGNATE KEAUHOU AQUIFER SYSTEM AREA (NORTH KONA), HAWAII AS A GROUND WATER MANAGEMENT AREA.)

MR. SCHEUER: Thirty seconds. Aloha, my name is Jonathan Likeke Scheuer. It's a pleasure to be with you all again. I'm just here to really thank you for the time that you've spent so far on this. These things take a long time, and I'm sure this will not be our last time together talking story about this important issue. I just want to really...especially note and highlight...we really appreciated the staff's presentation, and especially putting forward, right on their first slide, their public trust interest to honor. And so we think that's really important; I think it was a very significant and important step, to get to that part of being on the same page. And I'm especially looking forward, too, there was some mention that we can look again at the County's Water Use and Development Plan, which currently actually doesn't even mention the words "public trust," to actually look at it and say, okay, how can we take these considerations in the update of the Plan, and we really look forward to working with you during that update process. The only other thing, and this is a departure from what I've written...I'd just like to highlight...you know, Quirino and I have talked about...we agree on almost everything, except one significant thing, right? But um...one of the things I want to highlight that I really agree with Quirino on is, his reading of the Water Code...that he shared last month... That it's actually only if the Water Commission chooses to continue the process, then there's a formal need for the Board of Water Supply to respond, so...um, I think his reading is correct in that there's not necessarily an urgency for you to take a position today. So thank you very much.

Chairperson Kaneshiro asked to move up Items 7(E), JOB NO. 2013-995, KAHALU'U D DEEPWELL & IMPROVEMENTS; and 7(F) NOTICE OF FIRST ASSIGNMENT OF EQUIVALENT UNITS UNDER WATER AGREEMENT (LA 10, TMK (3) 7-8-010-078 AND LA 26, TMK (3) 7-8-010-004) DATED APRIL 4, 2012.

3) APPROVAL OF MINUTES

The Chairperson entertained a Motion to approve the Minutes of the March 25, 2014, Water Board meeting.

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

4) APPROVAL OF ADDENDUM AND/OR SUPPLEMENTAL AGENDA

ACTION: Mr. Robinson moved to accept Supplemental Agenda Items 5(A), JOB NO. 2014-1003, OLA 'A #3 BOOSTERS A & B REPAIR, and 7(A), JOB NO. 2014-1005, KAHALU 'U SHAFT PUMP #3 REPAIR; seconded by Mr. Greenwell, and carried unanimously by voice vote.

7) NORTH KONA:

E. JOB NO. 2013-995, KAHALU 'U D DEEPWELL & IMPROVEMENTS:

The contractor, Derrick's Drilling and Pump Services, LLC, addressed the Board to appeal the Department's decision to deny a time extension for JOB NO. 2013-995, KAHALU 'U D DEEPWELL & IMPROVEMENTS.

The Manager-Chief Engineer said that the Department had denied the time extension request based on the information that was provided; staff did not feel that there was justification to grant a time extension.

Ms. Cynthia Moreira, the business manager for Derrick's Drilling and Pump Services, LLC, distributed a letter from a representative from pump repair vendor American Turbine, who Ms. Moreira said was the source of major delays in completing the Kahalu'u Well D project. According to the letter, American Turbine merged with National Pump Company; the merger of two such large companies is no easy task, Ms. Moreira said. She noted that the merger began in 2012; it is currently affecting Ms. Moreira's company, regarding the completion of the pump repair, which is required in order to complete the project, she said. Ms. Moreira said that the letter says that the pump was received by the vendor on January 22, 2014. The pump was sent by Federal Express to the vendor, Ms. Moreira said. She said that she now has a tentative repair date for June, and it will probably be around July when the pump is shipped back to Hawai'i so that Derrick's can start the work on Kahalu'u Well D. Ms. Moreira said that unfortunately, it is beyond her company's control as to the start of the repairs of the pump; she has had a very difficult time getting in touch with American Turbine. She said she has attempted several times to contact American Turbine by phone and email. Because of the merger and the departure of the then-manager at American Turbine, Mr. Bruce Smith, (who did not forward information regarding the pump, etc.), the pump just sat there. Ms. Moreira said that she is now getting in touch with American Turbine via a "middle person," adding that she is still having difficulties in getting a solid date as to when the pump repair will be completed.

Mr. Greenwell asked Ms. Moreira if she had any documented correspondence or paperwork to show the Board when she phoned or emailed American Turbine, and vice versa.

Ms. Moreira said she unfortunately did not bring the correspondence, etc., but attested that she did have it. She apologized for not having brought it to today's meeting. She said that her attempts to contact American Turbine had been pretty much on a weekly basis, including several attempts to contact a Ms. Jennifer Cotton via phone and email. There has been no response whatsoever, she said. She found this lack of response very unusual, and finally decided to contact National Pump to find somebody who could help her get in touch with someone at American Turbine. Ms. Moreira finally found someone at National Pump, and that person also had difficulties in getting in touch with anybody at American Turbine. This is where things stand today, with the information that she has now, regarding a tentative repair date in June. She said she still hopes for a solid completion date, but right now it looks like the pump will be in Hawai'i in July.

Mr. Greenwell asked Ms. Moreira if she had seen American Turbine's website, which makes claims that the company has very high-quality technical personnel who provide speedy turnaround and no delays. Mr. Greenwell said he understands where Ms. Moreira is coming from; she is out in the middle of the Pacific. He said that American Turbine is advertising itself nationally and globally about how great they are. He notes that the merger was done well over a year ago.

Ms. Moreira said that she could honestly say that that is not what is happening. She said that she has made numerous attempts to contact American Turbine via email and phone, and has tried to contact Mr. Bruce Smith and an office manager, but she has had no response at all. It is very frustrating because Derrick's is up against a deadline, and is trying to explain to the vendor what Derrick's is up against. She said that she thought that by explaining to the vendor that Derrick's has a contract deadline and is facing liquidated damages, the vendor would be sympathetic and at least give Ms. Moreira a call or contact her. Ms. Moreira said that until today, there has honestly been no contact from American Turbine; she is taking this tentative repair date of June from a middle person who is in contact with American Turbine. That middle person actually asked Ms. Moreira yesterday if Ms. Moreira had gotten a call from American Turbine to date; Ms. Moreira said that she had not had any contact with anybody from American Turbine to date. It is highly frustrating to do one's best to get in touch with somebody to no avail, and to hear what American Turbine's website claims; she said she had not seen the website, but the vendor's claims are not that way at all.

Mr. Robinson said it would not be the first time that a website is lying. He said that Ms. Moreira and her company are more or less collateral damage to the merger of these two companies.

Ms. Moreira agreed.

Mr. Robinson asked the Manager-Chief Engineer what the reason was for denying the time extension; he asked whether it was due to the pump taking longer to extract, ship out, or repair, or whether it was due to the lack of receipt of the pump back.

The Manager-Chief Engineer said that he believes that the pump is ready, or has not been tested yet.

Ms. Moreira said that she understood that the pump is disassembled and is in pieces; the pump has not even been assembled. The pump is crated, and the crate was not opened until a couple of weeks ago. The pump has sat in American Turbine's warehouse since January, due to the failure of the now-departed Mr. Smith to pass on any information to the next manager or personnel regarding the status of the pump repair. The pump just sat there, she said.

The Manager-Chief Engineer said that DWS did execute the contract with the contractor, and the contract specified a certain completion date. DWS staff's assumption was that the contractor had some kind of relationship with the pump company; he was not sure whether or not they have an executed sub-contract together, he said. DWS is not a party to their contracts, and the bottom line is that the contractor had a completion date which they obviously are unable to meet. However, DWS cannot take responsibility for the inability of their supplier to supply whatever equipment is needed per DWS's contract with Derrick's. Ms. Moreira was not successful in contacting the pump company, but DWS cannot take responsibility for that, the Manager-Chief Engineer said. He said that he hoped that the denial of the time extension would be upheld, based on these circumstances. Hopefully, Derrick's has some kind of recourse with their supplier, that they can fall back on, he said. DWS had a similar situation previously, where there is a relationship between a contractor and their supplier, which DWS had no handle on.

Mr. Uyeda asked whether the contract specified what vendor the pump needed to go to for repairs.

The Manager-Chief Engineer said that he did not know if the vendor was specified, but the contract did specify certain pump motor equipment that was previously approved during the bidding process.

Mr. Uyeda asked if DWS could go to another vendor, based on what the contract specified.

The Manager-Chief Engineer said he was not sure whether or not there is another vendor that could supply the pump that was specified out.

Ms. Moreira said that this is an American Turbine pump, and so Derrick's went with American Turbine for the repairs. She noted that she does research as far as the bidding process, and Derrick's does the most accurate, most economical bid that it can get from the manufacturers. It was satisfying at the time that the pump went to the manufacturer, American Turbine, rather than to a different company; Derrick's at the time had no idea about the merger. Ms. Moreira said that she did not think to go on the American Turbine website to look for mergers, and she had no idea that there would be such a delay. Ms. Moreira said that she acted in a timely manner as soon as Derrick's was awarded the contract. She contacted everyone, and this situation was beyond Derrick's control. She had no idea that the merger was taking place, and that it would affect the production of the pump. This is where matters stand today, she said.

Mr. Greenwell asked if Ms. Moreira was aware that United Rental is in the process of buying National Pump.

Ms. Moreira said no.

Mr. Greenwell asked if that sale would cause a problem, or cause another delay.

Ms. Moreira said she could not foresee any further delays; she had gotten a pretty solid repair date from the middle person, but she would have no control over the next delay. Unfortunately, there might be a further delay, but right now, she felt pretty confident that Derrick's should be receiving the pump in July.

Ms. Iokepa-Moses said that if it was any consolation, she had tried calling American Turbine twice today during this discussion, and both times she had been rolled over to an answering machine. She asked about the middle person that Ms. Moreira had been referring to; she asked why the middle person could contact American Turbine while Ms. Moreira could not. Ms. Iokepa-Moses said that there needs to be some kind of direct communication with American Turbine, to give the Board any assurance that the repair will ever happen.

Ms. Moreira said that the middle person works for National Pump Company, which was not involved in the first place.

Ms. Iokepa-Moses asked why National Pump Company was getting this tentative date, while Ms. Moreira could not.

Ms. Moreira said that the man at National Pump tried to contact American Turbine for over a week, and finally got in touch with them. Ms. Moreira said she did not have their emails, but the National Pump person got in touch with the person who turns out to be the current manager, who took over from Mr. Smith. The National Pump person apparently knew who to go through, and finally after about a week managed to get in touch with someone at American Turbine. This is the information that the National Pump person was able to get for Ms. Moreira; she got copied in on the emails, but to date Ms. Moreira has not received an email from that particular person at American Turbine.

Ms. Iokepa-Moses said she did not feel assured by the fact that the tentative date was not given to Ms. Moreira directly by the person at American Turbine.

Ms. Moreira said she understood completely. It was an email between National Pump and American Turbine. The National Pump representative is a distributor, and the emails gave a tentative date for repairing the pump. She repeated that she has still not received a direct email from American Turbine regarding the repair. She still plans to keep trying to email the manager in charge at American Turbine;

she had emailed him, stressing Derrick's concerns and the position that Derrick's is in right now regarding the completion date; she has still not heard directly from the manager at American Turbine.

Mr. Robinson asked how much liquidated damages would be.

Ms. Moreira said the liquidated damages are \$1,000.00 a day. She noted that April 30 is the contract completion date, but Derrick's should get the pump back in July, but there is still work that needs to be done after the pump and other equipment arrive. She said she is asking for a September 1 deadline.

Mr. Robinson asked what it cost for the repair of the pump.

Ms. Moreira said it cost \$8,000.00 for the pump repair. However, Ms. Moreira said she was having problems over the price, which was quoted from the former manager. She is having a fight on her hands over the price and what it covers, but she said that is her problem.

Mr. Robinson said it sounds like Ms. Moreira has a course of action against Hunter Hawk, Inc., (whose name is on the letterhead of the letter she distributed), or National Pump Company.

Ms. Moreira said that actually it is American Turbine that she is dealing with, although National Pump and American Turbine merged. American Turbine has its facility in Fresno, California, while National Pump is still in Glendale, Arizona. Therefore, Ms. Moreira is dealing with American Turbine, even though it has merged. It was the American Turbine manager who left the company when the merger took place, and it was he who left things undocumented, she said.

The Deputy, to clarify, said that the liquidated damages for this project are actually \$150.00 a day.

Mr. Robinson said that \$150.00 a day is a little better (than \$1,000.00 a day).

Ms. Lee Loy said that is still a lot.

Ms. Moreira said it would pretty much wipe out any money from this project for Derrick's.

Ms. Lee Loy asked whether, if the Board does not grant the time extension, the project would be rebid.

The Manager-Chief Engineer said no.

Chairperson Kaneshiro asked what effect there would be on operations if the pump is not installed on schedule.

The Manager-Chief Engineer said that this pump has not been in use for several years, and DWS only went out to bid last year to get it back on-line. There had been some problems with the pump itself, and it has been a while since DWS has had that well on-line. DWS has been able to supply water from other sources in the area, including Haleki'i and the Kahalu'u Shaft. There is no urgency in getting this pump on-line right now, he said. The only thing is that having it on-line will help DWS reduce its pumpage from the Kahalu'u Shaft.

Ms. Iokepa-Moses asked whether the Board could defer this Item until next month, so that Derrick's can come back with some hard facts about the contact person, the scheduled repair date, etc. She said that she did not have a problem with granting Derrick's an extension until September, but she wanted to see some evidence of communication showing that the vendor is committed to fixing the pump and showing the timeline.

Chairperson Kaneshiro said that if the Board wants to provide some leeway for Derrick's, then someone needs to make a Motion to that effect.

Mr. Robinson said he seconded Ms. Iokepa-Moses's Motion to defer this Item to next month.

Chairperson Kaneshiro asked if anyone wanted to make a Motion.

MOTION: Ms. Iokepa-Moses moved to defer this Item until next month's meeting, giving Derrick's a time extension until next month's meeting to provide the Board with communication from American Turbine, stating that American Turbine intends to complete the repairs; seconded by Mr. Robinson.

Ms. Garson said she wanted to make sure she understood the Motion. She asked whether the Board would be granting a contract time extension until next month's meeting, or merely deferring the matter.

Ms. Iokepa-Moses said her Motion was granting Derrick's a time extension until the next Board meeting, so that the Board can review the documentation that Derrick's provides.

Ms. Garson noted that the next meeting is on May 27, so the Motion is granting Derrick's a time extension until May 27, and Derrick's will have the opportunity to come back before the Board at that time, to request a further time extension.

Chairperson Kaneshiro said that the Motion was moved and seconded.

Mr. Greenwell asked whether this Motion relieves Derrick's of any liquidated damages from the end of April until May 27.

Ms. Garson confirmed this.

Mr. Robinson told Ms. Moreira that the Board wants to see any email traffic, phone logs, letters or any other communication.

Ms. Moreira said that she can provide that.

Chairperson Kaneshiro said that hopefully, Ms. Moreira will be able to provide the Board with a letter from American Turbine that states that the pump will be sent back by a certain specific date.

The Manager-Chief Engineer noted that the Motion is to grant a time extension to May 27. However, if, for any reason, the Board votes to not extend the contract further, Ms. Moreira will be in the same spot that she was in today. He cautioned Ms. Moreira to work with her supplier to ensure that whatever information that the Board is requesting is provided. The Manager-Chief Engineer suggested that the supplier appear before the Board at its next meeting, to respond to the concerns that have been brought up. He said that he understood that Ms. Moreira cannot speak for American Turbine, and so it would be better if they are at next month's Board meeting. The Manager-Chief Engineer said that Ms. Moreira should contact American Turbine and have them here at the next Board meeting. Getting more information from American Turbine would help Ms. Moreira out, and hopefully move things forward, he added.

Ms. Lee Loy asked Ms. Moreira to provide the Board with as much information as Ms. Moreira already has, as early as possible via the DWS staff.

Ms. Moreira agreed to do this.

Ms. Lee Loy said that by getting that information to DWS in time for the Board packets to be sent out, the Board would have ample time to review the information.

Ms. Moreira agreed to do this.

Chairperson Kaneshiro asked Ms. Moreira to provide the Board with the information before the next meeting.

The Deputy wanted the Board to understand that the staff's recommendation was to deny the time extension. The denial was based on DWS's General Requirements and Covenants, which contain specific rules that the Department follows as to what constitute justifiable reasons for delays. He agreed that it would be great to get the correspondence that the Board is asking for.

Ms. Moreira said okay.

The Deputy said that the correspondence would be primarily for the Board's information, because unless something dramatic among the correspondence qualifies under "unforeseen delays" under the Department's General Requirements and Covenants, the Department's denial will probably still remain in effect.

Mr. Arikawa noted that if the Board denies the time extension request all the way through, at \$150 a day Derrick's would owe about \$18,000.00 in liquidated damages. He asked how much a new pump costs.

Ms. Moreira said it cost \$8,000.00 for the repair, and for a new pump it would be more than that, on the order of \$20,000.00 to \$30,000.00.

ACTION: Motion carried unanimously by voice vote.

F. **NOTICE OF FIRST ASSIGNMENT OF EQUIVALENT UNITS UNDER WATER AGREEMENT (LA 10, TMK (3) 7-8-010-078 AND LA 26, TMK (3) 7-8-010-004) DATED APRIL 4, 2012:**

Kamehameha Investment Corporation (KIC) and the Trustees of the Estate of Bernice Pauahi Bishop (KS) are requesting to assign equivalent units in accordance with the Water Agreement dated April 4, 2012 and executed with the Water Board. The assignments are requested as follows:

Parcel	Pre-Assignment	Post-Assignment
LA 10, TMK (3) 7-8-010-078	291 Equivalent Units	150 Equivalent Units
LA 10A, TMK (3) 7-8-010-090	0	40
LA 1, TMK (3) 7-8-010-044	0	101
LA 26, TMK (3) 7-8-010-004	349	349
Total	640	640

Section 3 of the 2014 Water Agreement provides for the reassignment of equivalent units. All parcels indicated on the above table are included in Exhibit 1-1 of the agreement. Further, the term of the agreement is for 20 years, or until 2032.

The Manager-Chief Engineer recommended that the Water Board approve the requested assignment, and authorize the Chairperson or Vice-Chairperson to sign the approval form, subject to review as to form and legality by Corporation Counsel.

MOTION: Mr. Robinson moved to approve; seconded by Mr. Arikawa.

Ms. Leslie Yim, President of KIC, noted that KIC is party to a water agreement with DWS from 2012, with 291 equivalent units assigned to Land Area (LA) 10. LA-10 is in the process of being sold, along

with an adjacent parcel known as LA-10A. The buyer requested that KIC move some of those water credits to 10-A, because the two parcels are being developed together. The buyer, Ms. Yim noted, is very committed to sustainable development and water conservation, and KIC does not believe that the buyer will need all of the 291 credits that are currently sitting on the property. Therefore, KIC is requesting reassignment of 101 of those credits to a nearby land area, LA-1. All of the land areas that are under discussion here are considered eligible land areas for the agreement, in the Keauhou Resort Development Area. KIC understands that the reassignments are consistent with the terms of the agreement.

The Manager-Chief Engineer noted that the developers did indicate that they might not be using all of the units that are being proposed for reassignment. If the developers do not use all of those units, then the proposal is to come back to the Board in the future, and reassign some of those unused units back to the original LA-10.

Ms. Yim confirmed this, and thanked the Manager-Chief Engineer for the clarification. It is a bit of a timing issue; the developer needs to go in for planning approval, and the preliminary plan is to estimate the number of units that the developer will need. Therefore, KIC and the developer have mutually agreed on 190 units between LA-10 and LA-10A. Post-closing, if after going for planning approval the developer finds that they need additional units, then KIC has agreed to transfer back to LA-10 or LA-10A the additional units that the developer needs, but not to exceed the original 291 units that originally existed there, and not to exceed a seven-year time horizon. That time horizon gives the developer quite a bit of buffer time, to enable the developer to plan development.

Ms. Lee Loy asked what type of density the zoning allows for LA-10 and LA-10A.

Ms. Yim said that LA-10 and LA-10A are zoned multi-family. The density that is currently approved is 184 units; the Special Management Area (SMA) has expired, and the developer needs to go back and re-apply. Right now, based on the developer's preliminary site plan, the density is anticipated to be about 140-150 units. Therefore, the density will be below 184 units.

Ms. Lee Loy asked whether the SMA still needs to be applied for.

Ms. Yim said that the developer needs a time extension.

Ms. Lee Loy asked when the SMA expired.

Ms. Yim said it expired in March of this year.

Ms. Lee Loy asked about the 184 units for this new development.

Ms. Yim said that 184 units are what were approved under the prior SMA, but the developer does not believe they will apply for the same density; the density will be lower.

Ms. Lee Loy asked about the zoning and density in LA-1, Lots 90 and 44.

Ms. Yim apologized that she did not know off the top of her head. LA-1 sits at the head of Keauhou Bay in the Resort node. She said that KIC chose LA-1 as a potential "down the line" development area; KIC needed to "park" water units somewhere, and so LA-1 could be an area of future development.

Ms. Lee Loy asked if there were any other regulatory permits such as SMA's for those lots in LA-1.

Ms. Yim said no.

Ms. Lee Loy asked for confirmation that the seven-year time horizon did not apply to LA-10 and LA-10A.

Ms. Yim confirmed this.

Mr. Robinson asked Ms. Yim if she had a better map than the black-and-white copy provided to the Board.

Ms. Yim said she had a color copy of the map. (*She passed the map around to the Board.*) As the Board perused the map, Ms. Yim noted that LA-10 and LA-10A are across from Keauhou Shopping Center.

Mr. Robinson noted that Keauhou Resort Development Area has moved water units around from here to there, and rezoned and SMA-ed; this was a great example of how to spend a lot of money on planning and permitting. He asked whether anybody has thought of doing a District application for the entire Keauhou Resort Area, so that water units could be easily moved around. He then asked the Manager-Chief Engineer whether this Water Agreement assigns water units to parcels; he asked whether the agreement could be expanded to assign water credits to all of Keauhou for use as-needed within the Resort, rather than having to go through the process every time in order to move water units to different areas.

The Manager-Chief Engineer said yes, the 2012 Water Agreement outlined the development area, so right now the water units are restricted to the area outlined in that Agreement. If there is a proposal to assign units outside of that described development area, the developer would have to come to the Board for approval of the assignment (even if it is within the DWS service area that the Department can supply water to). Right now, the good thing is that in today's Item, everything is within that initial development area described in the 2012 Water Agreement.

Mr. Uyeda said that he had concerns that DWS is entering into all of these new water agreements or revised water agreement, amid the pending National Park Service petition to designate Keauhou Aquifer as a Water Management Area. He asked whether DWS could deliver water to the respective parties of these agreements if the Commission on Water Resource Management (CWRM) designates any aquifer as Water Management Area. Mr. Uyeda said he wanted to see some kind of language acknowledging that if any aquifer gets designated, that DWS may be unable to deliver water units to any given development. He said that is just his input, based on what is currently going on in the community.

The Manager-Chief Engineer said yes, that concern is always on DWS's mind, and the thinking is that with the proposed petition, DWS needs to have such language in agreements. However, he recommended that this happen with agreements going forward; DWS was not proposing any changes to this existing Water Agreement. He said he had no problem including such language in any new agreements amid the proposed petition.

Mr. Uyeda asked Ms. Garson if such language could be inserted into this revised agreement.

Ms. Garson said yes, it is a reasonable request to put such language in there.

AMENDMENT TO MAIN MOTION: Mr. Uyeda moved that Ms. Garson and KIC's attorney work on language, and come back to the Board for approval of the revised assignments of water; Ms. Lee Loy seconded.

The Manager-Chief Engineer said he would have no problems including such language; DWS has several other agreements in place, and perhaps DWS needs to also include such language in all of those agreements.

Mr. Greenwell noted that this Item just involves moving numbers around, and asked whether the Board could just give KIC an approval-in-concept, because there are time constraints involved here, and the

developer needs to get moving. It is not like the Board is giving KIC brand-new units; it is just a matter of moving the water units around. He said KIC might be pinched for time.

The Manager-Chief Engineer said that the developers mentioned some kind of seven-year period that they might be looking at. However, the 2012 Water Agreement allows for a 20-year time period for use of these water allocations. That 20-year period will end in 2032, he said, expressing the hope that the developer could complete their development way before 2032.

Ms. Yim said the developer/buyer is looking to get started right away; the only condition prior to closing is the reassignment of these water credits. The Purchase and Sale Agreement indicates that closing would take place 10 days after Water Board approval of the reassignment. The process of reassigning back any credits, if the developer needs them, would be within the seven-year period.

Mr. Robinson said he was returning to his original comment to the Manager-Chief Engineer. He proposed that the Keauhou water credits be dealt with as in a project district application, whereby the credits are usable within Keauhou. This would alleviate the need to come back every time to the Water Board for approval of a little credit here and a little credit there. He proposed allowing the developer to provide the Board with an after-the-fact letter that shows that X-parcel is going to use so many credits. He noted that these particular water credits were bought by KIC 25 years ago.

Ms. Yim said yes, the credits were all paid for.

The Manager-Chief Engineer said yes, he would have no problem with that. He suggested that Ms. Garson weigh in on this concept. He noted that the initial development area was described in the 2012 Water Agreement. If the transfers of credits are within those parcels, he would have no problem just letting the Board know after the fact that KIC had assigned certain units to such-and-such parcel within the initial development area.

Mr. Uyeda said he thought a disclosure should be brought forward to the purchaser, that DWS may not be able to deliver water in the future if the designation of Keauhou Aquifer goes through. He said he believes that DWS should start putting disclosure language in all of DWS's new or revised agreements. This does not just involve agreements within the Keauhou Aquifer; DWS should include such language in all agreements for all over the island. He said that was just his input.

Ms. Yim pointed out to Mr. Uyeda that this is not a new agreement, nor is it a revised agreement. He asked if Mr. Uyeda still felt strongly about having such language in this reassignment.

Mr. Uyeda said yes. This petition is a very big deal, and it is going to affect a lot of people both in the private and public sectors, he said. It will affect water departments and water sources, as well as private land owners and developers. That is his concern, Mr. Uyeda said.

Ms. Iokepa-Moses noted that there was a Motion and a Second on the floor; she questioned whether the Board should change the Water Agreement that was already in place, and suggested that instead the Board could do an acknowledgment letter that the new owner would sign, in which the new owner acknowledged that there is concern over DWS's ability to deliver water in the future. She suggested that the letter have generic language; with the letter, the Board would not need to go in and change the Water Agreement. Ms. Iokepa-Moses said that the Board is already granting KIC assignment rights in this contract today; she said the Board should say Yes to the contract, but ask the new owner to sign this acknowledgment letter that acknowledges that DWS may not be able to deliver water due to circumstances out of DWS's control.

Ms. Garson said that the Board would not be changing the Water Agreement itself. KIC is asking for a Consent to assignments, so the acknowledgment could be put into this assignment document. It would not necessarily change what is in the actual Water Agreement.

Ms. Iokepa-Moses agreed.

Ms. Lee Loy noted that KIC is transitioning some of its goals and objectives. She asked Ms. Yim to share with the Board a little bit of how KIC is going to be transitioning and what KIC's new goals are.

Ms. Yim said it is true; KIC has been in the process of winding down its day-to-day operations over the past year, in some cases divesting some of its assets that had been slated for divestiture anyway. LA-10 is one of those assets. In other cases, KIC is consolidating some of its assets to Kamehameha Schools (KS), which is also looking at some regional changes in its structure and hierarchy. As part of this transition, KIC has been focusing on its recommitment to education and culture in the areas where it has assets. Their focus right now is the redevelopment of the Keauhou Beach Hotel site. KIC is also looking at its goals and objectives in developing its 2015 Strategic Plan. Ms. Yim said that she could not speak for KS, but she was sure that KIC could come back at some point and give the Board an update on the plans for Keauhou. She noted that Mr. Robinson understood what a journey the KIC has taken over the years.

Mr. Robinson said yes, this goes back to Mr. Peter Overlander, who did the original Keauhou Resort Plan.

Ms. Yim said yes, adding that she herself is new to the scene.

Mr. Uyeda said that this Water Agreement is a tri-party agreement involving KIS, KS and DWS. He asked if KIC was going to remain an entity going forward, in the event that there is any revision needed in the future. He noted that the Board recently dealt with another tri-party agreement in which one of the parties dissolved, and another company failed to get assignment of water units going forward. He asked Ms. Yim what KIC anticipates after it does its transition; he asked if KIC would still be a business.

Ms. Yim said that KIC as an entity will remain. She noted that KIC has been around for so long, and has a lot of outstanding business, agreements and contracts still in place. KIC will remain an entity for some time, even though its day-to-day operations are winding down and there are not many employees, etc. If KIC were to look at actually dissolving itself as an entity, it would make some legal changes whereby KS would assume the rights and responsibilities of KIC.

Chairperson Kaneshiro at this point asked the Secretary to read the Motion.

Mr. Robinson said there were actually two Motions on the floor: the Motion to approve the original recommendation, and also Mr. Uyeda's Motion.

The Secretary said that Mr. Uyeda's Motion was to include language that would acknowledge that there was the possibility that DWS would be unable to deliver water.

Ms. Garson said that is correct. Mr. Uyeda's Motion is basically an Amendment to the Main Motion, so the Board can vote on the Amendment to the Main Motion.

Chairperson Kaneshiro asked if everyone understood what the Amendment says.

The Secretary reiterated that the Amendment moves to include language that acknowledges that there is a possibility that DWS would be unable to deliver water.

ACTION ON AMENDMENT TO MAIN MOTION: Amendment to Main Motion carried with six (6) Ayes: (Messrs. Arikawa, Greenwell, Robinson, Uyeda; Chairperson Kaneshiro and Ms. Lee Loy); one (1) Nay: (Ms. Iokepa-Moses) and one (1) absent (Mr. Takamine).

Chairperson Kaneshiro said that now the Board must vote on the Main Motion. He asked the Secretary to restate the Main Motion.

The Secretary said the Main Motion is to approve the reassignment of equivalent units, per the Recommendation by staff, as stated.

Ms. Garson said right, but it is subject to the inclusion of some language regarding disclosure. She said she was unclear whether the Board wants the Department to come back with the language; she asked if the Board is deferring on the Main Motion or just agreeing to it, and then allowing the attorneys to work on language.

Mr. Robinson said it was the latter, to let the attorneys work on the language. He said hopefully the language would not kill this transaction.

Chairperson Kaneshiro asked if everyone understands the Main Motion.

Mr. Robinson said yes.

Ms. Iokepa-Moses said that is why she voted Nay on the first vote, because she wondered how fast the Board could get approval to Ms. Yim. Ms. Iokepa-Moses said she thought the Board should give KIC approval right away; she asked for confirmation that the Board was not deferring the matter and that the Board was giving KIC approval right now.

Ms. Garson confirmed this.

Chairperson Kaneshiro called for a vote on the Main Motion as Amended.

ACTION: Main Motion as Amended carried unanimously by voice vote.

5) PUNA:

A. **JOB NO. 2014-1003, OLA'A #3 BOOSTERS A & B REPAIR:**

Bids for this project were opened on April 17, 2014, at 2:30 p.m., and the following are the bid results:

Bidder	Amount
Beylik Drilling & Pump Service, Inc.	\$179,000.00
Derrick's Well Drilling & Pump Services, LLC	\$175,000.00

Project Scope: This project generally consists of the replacement of the existing pumps, discharge heads, and motors; modifications to the discharge piping; and chlorination of the pumping assembly, in accordance with the plans and specifications.

Project Cost:

1)	Low Bidder (Derrick’s Well Drilling & Pump Services, LLC)	\$ 175,000.00
2)	Construction Contingency (10%)	\$ 17,500.00
	Total Construction Cost:	<u>\$ 192,500.00</u>

Funding for this project will be from DWS CIP Budget under “Deepwell Pump Replacement.” The contractor will have 240 calendar days to complete this project. The Engineering estimate was \$140,000.00.

The Manager-Chief Engineer recommended that the Board award the contract for JOB NO. 2014-1003, OLA’A #3 BOOSTERS A & B REPAIR, to the lowest bidder, Derrick’s Well Drilling & Pump Services, LLC, for their bid amount of \$175,000.00 plus \$17,500.00 in construction contingency for a total contract amount of \$192,500.00, and that either the Chairperson or the Vice-Chairperson be authorized to sign the contract, subject to review as to form and legality by Corporation Counsel.

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

6) SOUTH KOHALA:

A. STANDARD THREE-PARTY INTERCONNECTION AGREEMENT BETWEEN THE DEPARTMENT OF WATER SUPPLY, LĀLĀMILO WIND COMPANY, LLC, AND HAWAI’I ELECTRIC LIGHT COMPANY (HELCO) FOR A WIND FARM AT LĀLĀMILO, SOUTH KOHALA, HAWAI’I:

The Water Board and Site Constructors, Inc., entered into a Renewable Energy Service and Power Purchase Agreement dated October 22, 2013 (“PPA”), and subsequently that PPA was reassigned to the Lālāmilo Wind Company, LLC on December 23, 2013.

The Department of Water Supply (DWS) and Lālāmilo Wind Company, LLC, will be seeking a Standard Three-Party Interconnection Agreement with Hawaii Electric Light Company (HELCO), for the purpose of installing the electricity generation facility to be operated in parallel to the HELCO system. This agreement can be changed or terminated with a 60-day prior written notice, and is needed to initiate HELCO’s review of the Lālāmilo wind farm project’s electrical design. The Windfarm is to be located on a portion of TMK (3) 6-6-001:071.

Staff has reviewed the agreement and finds it acceptable.

The Manager-Chief Engineer recommended that the Water Board approve the STANDARD THREE-PARTY INTERCONNECTION AGREEMENT BETWEEN THE DEPARTMENT OF WATER SUPPLY, LĀLĀMILO WIND COMPANY, LLC, AND HAWAI’I ELECTRIC LIGHT COMPANY (HELCO) FOR A WIND FARM AT LĀLĀMILO, SOUTH KOHALA, HAWAI’I, and that either the Chairperson or Vice-Chairperson be authorized to sign the document, subject to review as to form and legality by Corporation Counsel.

MOTION: Mr. Robinson moved to approve; seconded by Mr. Arikawa.

Mr. Greenwell asked whether this was the appropriate time to bring up the property tax restatement in the contract.

The Manager-Chief Engineer said that the property tax issue that was discussed at the previous Board meeting has been worked out.

Ms. Garson confirmed that it was included in the contract.

Mr. Greenwell said in that case, the matter is all pau.

ACTION: Motion carried unanimously by voice vote.

7) NORTH KONA:

A. **JOB NO. 2014-1005, KAHALU‘U SHAFT PUMP #3 REPAIR:**

Bids for this project will have been opened on April 17, 2014, at 2:00 p.m., and the following are the bid results:

Bidder	Amount
Beylik Drilling & Pump Service, Inc.	\$103,000.00
Derrick’s Well Drilling & Pump Services, LLC	\$135,000.00

Project Scope: This project generally consists of the replacement of the existing well pump, column pipe, combination couplings, lineshaft, lineshaft rubber bearing, couplings, air line and all appurtenant equipment, such as strapping, and chlorination of the well and pumping assembly, in accordance with the plans and specifications.

Project Cost:

1) Low Bidder (Beylik Drilling & Pump Service, Inc.)	\$ 103,000.00
2) Construction Contingency (10%)	\$ 10,300.00
Total Construction Cost:	<u>\$ 113,300.00</u>

Funding for this project will be from DWS CIP Budget under “Deepwell Pump Replacement.” The contractor will have 270 calendar days to complete this project. The Engineering estimate was \$180,000.00.

The Manager-Chief Engineer recommended that the Board award the contract for JOB NO. 2014-1005, KAHALU‘U SHAFT PUMP #3 REPAIR, to the lowest bidder, Beylik Drilling & Pump Service, Inc., for their bid amount of \$103,000.00 plus \$10,300.00 in construction contingency for a total contract amount of \$113,300.00, and that either the Chairperson or the Vice-Chairperson be authorized to sign the contract, subject to review as to form and legality by Corporation Counsel.

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

Mr. Greenwell noted that the estimate for this project was \$180,000.00. He asked why the bids came in so much lower than the estimate.

Mr. Ikeda said that the estimate was based on prior pump replacement that DWS did on similar projects. For some reason, the bids came in much lower, so DWS got lucky.

Mr. Robinson said he hoped the luck would not change into another request for a time extension or an inability to complete the project on time.

Mr. Ikeda said that DWS would have to address that if it happens.

Mr. Robinson noted that the Ola‘a #3 Boosters A & B Repair project handled earlier in the meeting had been estimated at \$140,000.00, but the winning bid came in at \$175,000.00.

The Deputy said that the Department wondered about that, too. The Department is looking at other possible evaluations that could be done to get the estimates closer to the actual bids.

Mr. Robinson asked what happens if Beylik comes back for a change order.

Mr. Ikeda said they would have to justify it.

ACTION: Motion carried unanimously by voice vote.

B. DISCUSSION OF DRAFT RESPONSE FROM WATER BOARD REGARDING THE COMMISSION ON WATER RESOURCE MANAGEMENT'S REQUEST FOR CONSULTATION ON THE KALOKO-HONOKŌHAU NATIONAL PARK SERVICE PETITION TO DESIGNATE KEAUHOU AQUIFER SYSTEM AREA (NORTH KONA), HAWAII AS A GROUND WATER MANAGEMENT AREA:

Ms. Garson said that if the Board wants to pose any questions to the National Park people present, the Board should do so now, before moving into Executive Session. That way, the National Park people will not have to hang around during the Executive Session if they do not want to.

Mr. Scheuer said that he and Ms. Duchesne were fine with staying, and working around the Board's schedule.

ACTION: Mr. Greenwell moved to go into Executive Session; seconded by Mr. Robinson and carried unanimously by voice vote.

Following the Executive Session, Chairperson Kaneshiro called the regular session back to order.

ACTION: Mr. Robinson moved that a draft response letter to CWRM be prepared that would restate the Board's adamant opposition to the NPS's petition to designate Keauhou Aquifer System as a Water Management Area; he also moved that the draft be ready in time for the Board to review it by the next Board meeting. Ms. Iokepa-Moses seconded, and Motion carried unanimously by voice vote.

C. EXECUTIVE SESSION RE: DRAFT RESPONSE FROM WATER BOARD REGARDING THE COMMISSION ON WATER RESOURCE MANAGEMENT'S REQUEST FOR CONSULTATION ON THE KALOKO-HONOKŌHAU NATIONAL PARK SERVICE PETITION TO DESIGNATE KEAUHOU AQUIFER SYSTEM AREA (NORTH KONA), HAWAII AS A GROUND WATER MANAGEMENT AREA:

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

(Executive Session began at 11:09 a.m., and ended at 11:57 a.m.)

D. JOB NO. 2013-994, KEAHUOLŪ (QUEEN LILIUOKALANI TRUST) DEEPWELL REPAIR:

The contractor, Beylik Drilling and Pump Service, Inc., requested a contract time extension from May 14, 2014 to August 14, 2014. The contractor has been unable to begin work on this repair due to system demand requirements while repairs are being conducted on the Hualālai Deepwell, which is part of the same water system. To ensure sufficient capacity to meet demand, repairs to the Hualālai Deepwell must be completed before taking Keahuolū Deepwell off-line for repairs.

Note: There is no additional cost associated with this time extension.

Tax Map Key: (3) 7-3-043: 001, 002, 003, (which includes parcels 006-018, 022-035, 037, 038, 040-050, 052-059, 062, 064, 095-097 and 103-105) and 7-2-005: 007
Facilities Charge: N/A Date Paid: N/A
Final Inspection Date: 4/14/14
Water System Cost: \$58,820.00

The Manager-Chief Engineer recommended that the Water Board accepts these documents subject to the approval of the Corporation Counsel, and that either the Chairperson or the Vice-Chairperson be authorized to sign the documents.

Mr. Inaba pointed out that Item 1 here, Grant of Easement and Bill of Sale for Keāhole Gardens PUD, needs to be deferred because the system needs to be re-tested, with the DWS inspector present. He said that should be done by the next Board meeting.

ACTION: Mr. Robinson moved to defer Item 1; seconded by Mr. Uyeda and carried unanimously by voice vote.

Ms. Garson said that now, Chairperson Kaneshiro should read Item 2, the Warranty Deed (in Lieu of Condemnation) for Akalea LLC, and Item 3, the Amendment of Grant of Non-Exclusive Easement and Bill of Sale at Kona International Airport at Keāhole, Hawai‘i.

MOTION: Mr. Robinson moved to approve both of these Items; seconded by Ms. Lee Loy.

Mr. Robinson asked about Item 1, the Warranty Deed (in Lieu of Condemnation).

Ms. Garson explained that the County had actually condemned part of that parcel before, but when the owner sub-divided it, the parcel’s description changed slightly. Ms. Garson said that the owner is now basically deeding DWS part of the parcel that did not change; then she corrected herself to say that it was the part that *did* change, the whole thing.

Mr. Robinson said he understood that.

Ms. Garson said it was amazing that he did.

Mr. Robinson said it involved *de minimis* and all that.

Ms. Garson confirmed that was correct.

Mr. Robinson asked about Item 3, the Amendment of the Grant of Non-Exclusive Easement and Bill of Sale at Kona International Airport. He asked what a non-exclusive easement was, compared with an exclusive easement, and asked whether all of DWS’s easements are non-exclusive.

Mr. Inaba said that most of them are non-exclusive.

Mr. Robinson asked when DWS would use an exclusive easement.

Mr. Inaba said that would be when DWS went through a private property with only a water line going in.

(Mr. Takamine arrived at the meeting at this point.)

Mr. Robinson asked whether that meant that DWS would not want anyone else to utilize that easement.

Mr. Inaba confirmed this.

Mr. Robinson asked whether that could mean that DWS would not want anyone else to connect to the pipeline.

Mr. Inaba said that for DWS's use, DWS would be able to go in and tie into the pipe and would be mainly working with the actual property owner, who would not want anybody else having access to that easement.

Ms. Garson said that with a non-exclusive easement, the easement goes over and under the property. She gave the example of a driveway that is not dedicated; in such a case, DWS's easement to put a water line in would come all the way through the roadway. People could drive on DWS's easement and it would not be a problem, she said.

Mr. Robinson said okay.

ACTION: Motion to approve carried unanimously by voice vote.

B. DEPARTMENT'S OPERATING AND CAPITAL IMPROVEMENT BUDGETS FOR FISCAL YEAR 2015:

The Department's FY2015 Operating and CIP Budgets totaling \$52,188,000.00 and \$32,155,000.00, respectively, have been distributed for the Board's review. Operating revenues include a 2.7% rate increase provided for by the 2010 RW Beck rate study. Consumption is not expected to change from estimates for the current year. Power costs are estimated at \$23,000,000.00, and salaries include increases based on negotiated bargaining unit contracts.

The Manager-Chief Engineer recommended that the Water Board approve the Department's FY 2015 Operating budget and 5-year C.I.P. budget for Fiscal Years 2015-2019 on this second of two readings.

MOTION: Mr. Arikawa moved to approve; seconded by Mr. Robinson.

The Manager noted that the Board had already voted on this at last month's meeting; this is the second of two readings of the Budget required by law.

Chairperson Kaneshiro asked whether DWS had presented the Budget to the Mayor and the County Council.

The Manager-Chief Engineer said no.

Ms. Garson said that the Water Board approves DWS's Budget. She said that luckily, DWS's Budget does not go before the County Council.

The Manager-Chief Engineer said that neither the Mayor nor the County Council review DWS's Budget. However, once the Water Board approves the Budget, DWS presents a copy of the Budget to the Mayor's Office.

ACTION: Motion to approve carried unanimously by voice vote.

C. AD HOC COMMITTEE REPORT ON STATUS OF SB3094, SD2, HD2, REGARDING THE PLACEMENT OF AUTOMATIC LIENS ON PROPERTY FOR WATER AND WASTEWATER DELINQUENCIES:

Ms. Lee Loy reported that since the March Board meeting, SB3094 went before the House Finance Committee. There were a few language amendments, based on the Hawai'i Realtors Association's input regarding the interests of owner's representatives. She noted that on Oahu, there are many realtors who manage various properties; the realtors wanted to be invited into the bill-passage process sooner.

Ms. Lee Loy said that the House Finance Committee passed the bill, which became House Draft 2 (HD2). At this point, the bill will move into Joint Conference Committee, which means that both the Senate and the House hear the bill. Once in Joint Conference Committee, the legislators decide whether or not to pass the bill out to the floor for the House and Senate to vote on it. In that Joint Conference Committee, a question arose regarding the refinement of the bill's language; Rep. Richard Onishi wanted to ensure that the property owner's rights were being protected. Rep. Onishi called Ms. Lee Loy this morning to check on that language, specifically regarding what the language would say about the notification process. The language says that the Department would notify the property owner *and* the owner's agent or representative, if applicable. The realtors basically asserted that they are managing properties, but Rep. Onishi wanted to ensure that if a property owner is managing a property all by himself, the owner would still have that level of protection. That bill goes to the Joint Conference Committee tomorrow at 4:00 p.m.

Ms. Garson confirmed it was at 4:00 p.m.

Ms. Lee Loy said that based on her conversation with Rep. Onishi, the bill will pass out of Joint Conference Committee, and then it will just be a matter of watching the House and Senate to see when they schedule their respective bills for a floor vote. Once it passes the floor vote on both sides, it goes up to the Governor for signature. Ms. Lee Loy said that it is more than likely that by the end of this month, the final bill will go up to the Governor for signature.

(Several Board members expressed their joy at the prospect.)

Ms. Lee Loy said that the other part left for her Ad Hoc Committee is to refine DWS's Rules and procedures to mirror the language in that Senate Bill. She asked for the Manager-Chief Engineer's help in networking with the other counties to remind them of this piece of legislation and of their need to possibly amend their own Rules and procedures.

The Manager-Chief Engineer said every water department in the State was aware that the Rules need to be amended to accommodate the new law, if passed.

Mr. Robinson said this would apply to both Water and Sewer.

Ms. Garson asked what the effective date was.

Ms. Lee Loy said that the bill was changed to have the effective date upon passage, or July 2014. Therefore, come July, DWS should have a new piece of legislation to work with.

The Manager-Chief Engineer commended Ms. Lee Loy on her hard work and diligence.

Ms. Lee Loy said the Ad Hoc Committee got really lucky.

Mr. Arikawa thanked Ms. Lee Loy for her work on this bill. He said that initially, when the bill was brought up, he and other realtors who do property management had concerns, which he shared with Ms. Lee Loy. The main concern of both the Hawai'i Island Board of Realtors and the Honolulu Board of Realtors was the protection of the owners' interests. Ms. Lee Loy took good care of these concerns; the realtors boards are happy, Mr. Arikawa said. He thanked Ms. Lee Loy for protecting the interests of the owners.

Mr. Uyeda said that if DWS is going to be revising the Rules and procedures with passage of the new law, he wondered if there were other sections that DWS also wants to amend. He asked that if so, the Department should get those proposed amendments to the Board.

The Manager-Chief Engineer said that the Department will take a really good look to see if there are other amendments needed. If something needs immediate attention, the Department will see to that, too.

D. **MONTHLY PROGRESS REPORT:**

Mr. Robinson asked about the Palani Road Transmission Water Line, which he likened to a bad penny that will not go away.

Mr. Inaba said it was waiting on the contractor to clear on the State website, so that DWS can make the final payment.

Mr. Robinson asked if Mr. Inaba meant the Hawai'i Compliance Express (HCE) website.

Mr. Inaba confirmed this.

Mr. Robinson asked what the contractor was missing on HCE, noting that there are four parts.

Mr. Inaba said that there was one part when the contractor first started, and at last check, there were three components that were not in compliance.

Mr. Robinson asked how much the final payment would be.

Mr. Inaba said that it was 2.5 percent.

Mr. Robinson asked if that was 2.5 percent of \$11 million, which would come to about \$300,000.00.

Mr. Inaba said that it would be a little less than that because there was a deductive change order.

Mr. Robinson said that it would be something like \$250,000.00.

Mr. Arikawa asked if there had been any progress on the Queen Ka'ahumanu Highway Widening project, which is 35.7 percent completed.

The Manager-Chief Engineer said that nothing has moved forward on that; DWS is still waiting to hear from State Highways Division about when they are planning to issue a Notice to Proceed. Meanwhile, DWS is still working on the additional design work that is required; DWS is responsible for drafting a Memorandum of Understanding to acknowledge that DWS will comply with the redesign work.

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

No discussion.

F. **MANAGER-CHIEF ENGINEER'S QUARTERLY REPORT:**

Ms. Aton explained the Fiscal Year Third Quarter Strategic and Business Plan spreadsheet that she distributed. There are 19 overall initiatives with various correlating tactics. There are five initiatives for Administration, eight initiatives for Engineering Division, two initiatives for Finance Division and four initiatives for Operations. Administration's focus is training, information systems and procurement. Engineering's focus is on water quality, water availability, water system standard, agreements, construction and plan review. The Department is targeting these areas to either make them more efficient or work better, or to address areas that need a better look at them. Finance's focus is on rates and Department of Environmental Management shutoffs, through the recent legislative effort. Operations' focus is on emergency preparedness, leak detection, energy and proactive maintenance. Ms. Aton said that this is a living document that will likely have added tactics and/or initiatives from time to time. The schedule and status summary for each of the tactics are the latest information, updated from each champion, she said.

The Manager-Chief Engineer said that the Department will let the Board know of any changes or updates, as well as any new things that are added.

G. MANAGER-CHIEF ENGINEER'S REPORT:

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

- 1) Pu'ukala/Kona Ocean View Properties Subdivision Improvement District Update – Mr. Inaba reported that the contractor is 75 percent done on the main line installation; the contractor is on schedule for that work.
- 2) Waikoloa Reservoir No. 1 Update – Mr. Inaba said there has not been any movement on this project. DWS is still waiting to hear from the consultant about what is happening with the State Historical Preservation Division people. The DWS engineer in charge has been constantly seeking updates, but nothing has changed in the last month, Mr. Inaba said.
- 3) Kawailani Tank Update – Mr. Inaba said there were a few minor issues, but the project is back on track. As of yesterday, all of the hazardous material has been removed and disposed of. The contractor will backfill the area that was excavated and topsoil will be put in. After that, the paving work will take place, finishing up with the fence work. The one outstanding issue is the relocation of the power pole by HELCO. Several Board members asked if there would be any time extensions or change orders. Mr. Inaba said that there will be one more change order, covered by the contingency, for the industrial hygienist; it turned out that there was more hazardous material that needed to be removed and hauled away. Therefore, there was a line item amount in the contract; there was adequate contingency to cover that. Mr. Inaba said that hopefully everything will be done on this project by next month's meeting; the only thing left by then may be the power pole relocation. Mr. Robinson asked whether this was one of those PUC-trip power poles. Mr. Inaba said no, it just involves poles that HELCO has to realign because of the property line; DWS had moved the fence into the future road widening setback. HELCO already has plans to relocate the poles. Mr. Greenwell asked if there was a contract already in place for the grounds maintenance; he asked whether a contract might be negotiated separately. The Manager-Chief Engineer said DWS takes care of all of its grounds maintenance. Mr. Inaba said that DWS has its own crews that do the maintenance in this District.
- 4) Energy Management Analyst Update – No report.
- 5) Public Information and Education Specialist Update – Ms. Aton said that she wanted to send a PDF file via the Secretary to the Board of a 39-page item on the Kaua'i Springs case. The Manager-Chief Engineer said that Ms. Garson had already sent it to the Board. Ms. Aton said that aside from that item, she would send the Board a PDF of the other archived articles from the papers, instead of making paper copies. Among the meetings that Ms. Aton attended in the past month was a conference at UH-Mānoa targeting a secure, sustainable future for water and energy in Hawai'i. Ms. Aton said she gained an insight into the federal agenda on sustainability, as well as State sentiment on various panels regarding the federal push on things like the NPS petition. Former Vice President Al Gore was featured at the evening session. The message that came across from the conference was that the federal push may pre-empt really good community-based efforts like the Kona Community Development Plan (CDP) and other efforts at the County level that are presenting custom-fit, tailored solutions that take into account the priorities of those communities. That, to Ms. Aton, was not featured at the conference. Mr. Greenwell asked Ms. Aton if she had seen the article last week about Maui's Water Department's plans to increase its facilities charge and rates. Ms. Aton said sorry, she had gotten sick after the conference at UH-Mānoa; she said she would look for the article and make sure it is sent to the Board as a PDF. Mr. Greenwell said that Maui is looking to hike water rates dramatically; right now their facilities charge is \$12,000.00, which is higher than DWS's facilities charge. Maui is talking about raising the facilities charge by \$2,000.00 a year

until it reaches \$20,000.00. Maui also wants to increase water rates by 6 percent a year over the next three years. The reason for the hikes is that Maui needs money for capital improvements, Mr. Greenwell said. He said it was a small article in West Hawai'i Today, which talks about Maui Water Supply's manager Mr. Dave Taylor. Ms. Aton asked the Board if they would prefer to get the archived articles via PDF; several Board members said yes. Regarding water rates, the Manager-Chief Engineer said that DWS is negotiating a contract with a vendor for a rate study for the next five years; moving forward, the Board will be hearing more about what DWS will be doing on water rates, he said. The Manager-Chief Engineer noted that today's Honolulu Star-Advertiser had a news item on a court decision regarding how much water can be taken out of a stream in the 'Iao Aquifer (on Maui). That lawsuit dates back to 2004, and the case was finally settled now, 10 years later. This shows how long things can drag out if there is designation, the Manager-Chief Engineer said.

- 6) Employee of the Quarter – Deferred to the May Board meeting in Kona.
- 7) Recognition of Service Retirement – Mr. Ikeda said that Thomas Hackett, Water Plant Electrician-Mechanic in Kona, is retiring at the end of this month. Mr. Hackett has been with DWS only six and a half years, but he qualified to retire because he reached the age requirement.

Mr. Greenwell asked how the Hil-A-Vator was doing, in light of next month's meeting in Kona.

Mr. Ikeda said that DWS has a contract out to fix it, but it is not reliable right now.

H. CHAIRPERSON'S REPORT:

No report.

9) ANNOUNCEMENTS:

1. Next Regular Meeting:

The next meeting of the Water Board will be held at 10:00 a.m. on May 27, 2014, at the West Hawai'i Civic Center, **Liquor Control Conference Room, Bldg. B, 2nd Floor**, 74-5044 Ane Keohokalole Hwy, Kailua-Kona, HI.

2. Following Meeting:

The following meeting of the Water Board is scheduled for June 24, 2014, at 10:00 a.m. at the Department of Water Supply, Operations Center Conference Room, 889 Leilani Street, Hilo, HI.

10) ADJOURNMENT

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

Chairperson Kaneshiro adjourned the meeting at 12:32 p.m.

Secretary

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 Janet Snyder, 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.