

**MINUTES**

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

September 22, 2015

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

MEMBERS PRESENT: Mr. Craig Takamine, Vice-Chairperson  
Mr. Russell Arikawa  
Mr. Leningrad Elarionoff  
Ms. Brenda Iokepa-Moses  
Ms. Susan Lee Loy  
Mr. Jay Uyeda  
Ms. Kanoë Wilson

ABSENT:

Mr. Rick Robinson, Chairperson  
Mr. Bryant Balog, 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. Daryn Arai, County Planning Department  
Mr. Steven Lim, Carlsmith Ball LLP  
Mr. Jason Knable, Carlsmith Ball LLP  
Mr. A.D. Ackerman, Ackerman Ranch, Inc.  
Ms. Nancy Cook Lauer, West Hawai'i Today

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. Kanani Aton, Public Information and Education Specialist  
Mr. Clyde Young, Operations  
Mr. Eric Takamoto, Operations  
Mr. Warren Ching, Operations

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- 1) CALL TO ORDER – Vice-Chairperson Takamine called the meeting to order at 10:01 a.m.
  - 2) STATEMENTS FROM THE PUBLIC

Mr. Steven Lim, representing Carlsmith Ball LLP, testified regarding Item 8(A), 1250 OCEANSIDE (HOKULIA) WELLSITE DEVELOPMENT AGREEMENT.)

*(The following testimony is verbatim.)*

MR. LIM: Good morning, Mr. Chair and members of the Water Board, and Mr. Okamoto, too. I'm here representing 1250 Oceanside LLC, which is the successor to 1250 Oceanside Partners...Partnership. We are here talking about Item 8 on the Agenda, which is the 1250 Oceanside Well Site Development Agreement. I trust you received my September 18, 2015, letter and exhibits to the Water Board. I'll be brief in terms of the summary of our position... We understand that the Water Board and the Department of Water Supply is in receipt of a letter from the attorney for the Ackerman Ranch, Inc. Ackerman Ranch, Inc., parcels are TMKs (3) 7-9-12:004, 006, 011, and 029. Those are parcels located generally makai of Māmalahoa Bypass Highway, to the north, and were formerly part of the Hokulia project, and no longer are part of that project. Uh...the letter I'm referring to was a May 7, 2015, letter from Cades Schutte, to both the Water Board and to its counsel at that time. Effectively, the Ackerman Ranch is arguing, um, without legal merit, that they...because they were listed...their properties were listed in the original Well Site Development Agreement, um, way back in 2007...that they should have some form of water rights to service their property. And as my letter points out, the only reason why that...why their properties were listed at that time was because 1250 Oceanside owned the parcels at the time. Um...as you recall, the, um, Hokulia project and the 1250 Oceanside Partners went through a bankruptcy, and subsequent to that bankruptcy...the Ackerman Ranch mortgage and note were not assumed, so the Ackerman Ranch foreclosed on that mortgage, and took the property back. Um...we've included in our package to you the Commissioner's Deed, dated July 27, 2015...It was just submitted (and) needs to be recorded. And I think, tellingly, on that Commissioner's Deed, they don't have any mention of the Well Site Development Agreement, or anything else. Uh...we've gone through the bankruptcy... We've not assumed any obligations to Ackerman Ranch, although there were negotiations to see if that could happen...those never went through. So, at least from 1250's point of view, we believe that there are absolutely no claims that Ackerman Ranch can point to...as to why they should get any water commitments from the Well Site Development Agreement. They're not parties; they're not providing any land for any facilities, and they're not providing any money to construct the system... Um...in fact, there was a prior agreement between 1250 and Ackerman Ranch for the development of a potable water well on *their* lands... And that agreement subsequently, um, uh, was cancelled, because we didn't perform... 1250 chose to perform that agreement. So for all those reasons, we urge that the Water Board not get hung up on this issue, uh...a claim by a party who is not a party to this agreement, and we ask that the Water Board consider at its next hearing the 4<sup>th</sup> Amendment to Well Site Development Agreement that we'll be proposing, along with an agreement regarding the assignment and transfer of rights to (*inaudible*)...50 units of...from the Kealakekua Water Source Agreement...um, right in between 1250 and Kalukalu properties. Uh...we've been in discussions with Department of Water Supply staff for the last several months on these agreements, and we hope to finalize those agreements, once this issue is cleared away, and we come back to you with a clean slate, in terms of having you consider the 4<sup>th</sup> Amendment to the Well Site Development Agreement.

### 3) APPROVAL OF MINUTES

The Vice-Chairperson entertained a Motion to approve the Minutes of the August 25, 2015, Public Hearing on the Power Cost Charge and the Minutes of the August 25, 2015, regular 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

The Vice-Chairperson entertained a Motion to accept Supplemental Agenda Item 7(B), JOB NO. 2015-1032, HALEKI'I DEEPWELL REPAIR. Ms. Lee Loy moved to approve; seconded by Ms. Wilson, and carried unanimously by voice vote.

Ms. Lee Loy asked that the Board take up Item 8(A), 1250 OCEANSIDE (HOKULIA) WELLSITE DEVELOPMENT AGREEMENT at this time.

8) SOUTH KONA:

A. **1250 OCEANSIDE (HOKULIA) WELLSITE DEVELOPMENT AGREEMENT:**

The Manager-Chief Engineer said that this Item was put on the Agenda primarily to inform the Board that DWS had received the correspondence from Ackerman Ranch and from Carlsmith Ball LLP. He thanked Ms. Self for researching this matter, including discussions with the Planning Department. DWS realized that the situation went beyond just DWS and the Water Board; there are zoning ordinances that also need to be considered.

Ms. Self said that the problem involves not just the 4<sup>th</sup> Amendment to the Well Site Development Agreement. The problem is that there is a bigger picture that must be looked at. This project was rezoned; in fact, there are two original rezoning ordinances that included all of these parcels. 1250 Oceanside owned all of the parcels at the time that they were rezoned, and the parcels were rezoned **with conditions**. Therefore, it is not feasible to just look at one small aspect of it, because the rezoning included all of these properties, Ms. Self said. For that reason, the Ackerman Ranch parcels cannot be simply cut out by agreeing to a 4<sup>th</sup> Amendment of the Agreement. In the rezone ordinances, two of the conditions dealt with the water issue; the water commitments were designated, based on the whole project, Ms. Self said. The Ackerman properties were included in that. She acknowledged that Ackerman Ranch was not a party to the original water agreement or any of the Amendments. However, the Ackerman property is part of the whole rezone ordinance and the whole project. Ms. Self said that Mr. Daryn Arai of the Planning Department was on hand today to answer any questions from the Board. She noted that she went over to the Planning Department, and she and Mr. Arai dug up all of the old ordinances, which she brought to today's meeting. She and Mr. Arai also dug up all of the old maps that are tied to this matter. Something has to be done, Ms. Self said. If 1250 Oceanside wants to cut the Ackerman properties out, 1250 Oceanside would have to go before the Planning Commission, who would then make a recommendation to the County Council. Only the County Council can amend these zoning ordinances to exclude these properties, Ms. Self said. Right now, it is all one piece of property; no matter who owns it, the fact is that the County Council rezoned these properties, and all of these properties are included. That is why there is a problem with going forward with the 4<sup>th</sup> Amendment to the Agreement at this time, Ms. Self said.

Vice-Chairperson Takamine called Mr. Arai up to answer questions from the Board.

Ms. Lee Loy asked Mr. Arai to provide some background on the original zoning ordinance that encompassed the whole project; she also asked him to elaborate on some of the conditions. She understood Ms. Self to mean that when the parcels were considered under the rezoning, the Hokulia project was intended to be developed all together, albeit with separate tax map keys (TMKs). Fifteen years on, things are changing, she said. She asked Mr. Arai to provide some context for the Board.

Mr. Arai said that Ms. Self did a great job in summarizing the issue at hand. The Planning Department feels the same way as Ms. Self, he said. There were three zoning ordinances established. The initial ordinance was 94-73, which rezoned the mauka half of the Hokulia project; a few years later, the makai half of the Hokulia project was rezoned under Ordinance 96-7. Additional improvements, such as the proposed construction of the Māmalahoa Highway Bypass, needed to be done. To accommodate that construction, the original change of zone ordinance that affected the mauka lands had to be tweaked, and the result was Ordinance 96-8. Throughout the review process, there were representations, understandings and expectations that water would be made available to support the water demands generated by the proposed project in its entirety, Mr. Arai said. That is why there were specific conditions, referencing a water agreement. To amend that water agreement to exclude parcels that were encumbered by the change of zone ordinance, the question arises of how that exclusion preserves the intent of providing adequate support facilities to the project. That provision of adequate support facilities was expected by both the Planning Commission and the County Council, when they approved the change of zone requests, Mr. Arai said. The Planning Department has not had that discussion with Carlsmith yet, he said. This issue was just brought to Planning Department's attention by Ms. Self; the Planning Department is basically in reactive mode right now, and has not had enough time to put much thought into how to handle this, Mr. Arai said.

Ms. Lee Loy said it seemed clear that the Planning Department needed a bit more time to have a larger discussion to create some kind of resolution here.

Mr. Arai said he did not think it was Planning's job to create the resolution. It is up to the applicant to proffer their suggestions, in coordination possibly with Ackerman Ranch, who now owns the property. The two sides should be the ones to explore how they can preserve compliance with the conditions of the ordinance, he said. The Planning Department refers to the conditions as "performance conditions," because they outline all of these expectations. The Planning Department does not want to get in the middle of disputing land owners, and tries to avoid doing so. Getting stuck in the middle makes it extremely difficult for the Planning Department to manage the conditions and compliance with the ordinance, Mr. Arai said. For a multitude of reasons, the Planning Department does not want to get stuck in the middle.

Ms. Lee Loy said the Board does not want to get stuck in the middle, either. She asked Mr. Arai to elaborate on some of the performance conditions; she asked if the performance conditions had been satisfied. She noted that with zoning ordinances, there are a number of conditions for approval.

Mr. Arai said that he had not had a chance to comb through each of the conditions, but he assumed that the conditions continue to be satisfied because it is an ongoing compliance thing. He noted that Phases 1 and 2 have been approved by subdivision, and Phase 3 is currently before the Planning Department. At each step in the project development phase, the Planning Department refers back to the ordinances to make sure that the conditions continue to be met.

Vice-Chairperson Takamine thanked Mr. Arai, and called on Mr. A.D. Ackerman.

Mr. Ackerman introduced himself to the Board, and said that he only heard yesterday about this Board meeting. He said he had sent the Board a letter of concern about this 4<sup>th</sup> Amendment to the Agreement; he said that Ackerman Ranch, as owners of the property, should be a party to this negotiation, or to any agreements that are done, and prior to being released from any agreement. He said he just wanted to state that for the record.

The Manager-Chief Engineer said that the Department's perspective is similar to that of the Planning Department; when DWS received these correspondences from the two parties, the

Department recognized that there may be considerations from both sides. DWS did not feel that it was the Department's role to resolve whatever differences there may be between the two parties. For that reason, DWS did its research and investigation, along with discussions with the Planning Department. This gives the Department and the Board more information, which is what DWS wanted to present to the Board today. With this situation before the Board, DWS is looking at perhaps drafting a response letter, to respond to the two parties' correspondences to DWS. He proposed working together with Corporation Counsel to draft a response letter, acknowledging receipt of the correspondences. The letter would state what DWS is looking at, and that it is working with the Planning Department. The letter would state what DWS thinks would be the next steps, the Manager-Chief Engineer said.

Ms. Lee Loy noted that the Agenda Item called for discussion and possible action. She said that she appreciated what the Manager-Chief Engineer was offering, i.e., a more comprehensive look at this issue, along with a response. Mr. Lim spoke earlier about having this matter come back on to next month's Agenda, she said.

MOTION: Ms. Lee Loy moved to defer this Item, and asked the staff in the meantime to prepare DWS's response, and to work with the Planning Department on what DWS's options are.

Ms. Lee Loy reiterated that she did not want to get in the middle of this issue.

The Manager-Chief Engineer said that the Department would draft a response, and send it to the Board prior to next month's meeting.

Ms. Lee Loy asked if there were a Second to her Motion.

Ms. Wilson seconded.

Ms. Lee Loy invited Mr. Lim to come to the microphone again.

Mr. Lim said he understood where Corporation Counsel is going; he said that in most large projects like this, it is not unusual for a portion of the property that is rezoned under the overall rezoning to be sold off to a pad developer. The pad developer then becomes responsible for working out things like affordable housing, parks, water, etc. Mr. Lim said that while he agrees that it is not the Water Board's problem to resolve any issues between Ackerman Ranch and 1250 Oceanside, he did not think that having to go back to the County Council for rezoning is the answer. The situation at hand is not unusual, he said. One sees it in all of the large projects such as Mauna Lani and Waikoloa, whereby the pad developers come in and satisfy their own conditions, which are the same conditions that the master developer has to comply with. Contractually, they work it out between themselves; this situation is no different, Mr. Lim said. 1250 Oceanside feels that this 4<sup>th</sup> Amendment is necessary, because it extends certain deadlines for action, and it includes certain water provisions worked out between the parties, Mr. Lim said. 1250 Oceanside would hate to see the Water Board take the position that 1250 Oceanside would have to return to the County Council for rezoning, because it is not clear what the rezoning would say. He asked whether the rezoning would say that these conditions would be imposed only on the 1250 Oceanside lands, and not on the Ackerman lands. He asked whether Ackerman's rezoning would be taken away because they do not have conditions anymore. Mr. Lim said he did not think that was a workable solution. 1250 Oceanside will await DWS's response letter, and reserve its right to request a Contested Case Hearing, under the Board's Rules (sic). He said that the Rules regarding Contested Case Hearings were kind of unclear; nevertheless, he said he was making that request for a Contested Case Hearing *now*, for the record.

Mr. Elarionoff noted that both the Planning Department and DWS said that they did not want to get involved in the negotiations. He said that in negotiations like this there are hidden agendas or advantages that each person tries to get; if one does not sit in on those discussions, one misses that kind of underlying element.

Mr. Lim said that this was true, as a general rule. In this particular case, there were numerous significant discussions back and forth with Mr. Ackerman during the bankruptcy, regarding whether 1250 Oceanside was going to assume the debt (i.e., the note) and the mortgage, he said. Ackerman Ranch had letters of intent and similar written documents that showed that the two sides would work out a certain reduced price, in exchange for some water credits for Ackerman Ranch. However, that never came to pass. Mr. Lim was raising the issue today, he said. The Board appears to be telling 1250 Oceanside to go back and try to work things out with Ackerman Ranch; that was attempted several months ago, just prior to the bankruptcy being completed. The parties could not reach an agreement then, and that is why 1250 Oceanside is here requesting the Board to take action.

Mr. Elarionoff said the Board might be more knowledgeable about this matter if DWS and the Planning Department had been in the room when the discussions between 1250 Oceanside and Ackerman Ranch took place.

*(Mr. Arikawa arrived at the meeting at 10:24 a.m.)*

Mr. Lim said that was true, and 1250 Oceanside is willing to meet with the Water Department, Corporation Counsel and Mr. Ackerman's group and its attorney at any time. However, if the Board is telling 1250 Oceanside to work things out with Ackerman Ranch, that was already attempted several months ago, and it never happened, Mr. Lim said. He said he did not expect it would happen now.

Ms. Iokepa-Moses said that she did not think that DWS wants to put itself in that position in any case, in terms of requesting such a meeting. To request a meeting would mean inserting DWS into the middle of something that the Department does not want to get involved. The Water Board meeting is the forum to handle this, she said. Ms. Iokepa-Moses said that she was not comfortable inserting the Department into the middle of discussions between 1250 Oceanside and Ackerman Ranch.

Mr. Elarionoff said it was not his intent to have the Board or DWS get in the middle of the dispute; he just wanted to hear what is going on, so that the Board does not end up on the short end of the stick. He was not telling the parties what they should do, he added.

ACTION: Motion to defer, giving DWS staff time to draft a response and present options to the Board, carried unanimously by voice vote.

5) NORTH HILO:

A. JOB NO. 2005-870, CONSTRUCTION OF LAUPĀHOEHOE (MANOWAI'ŌPAE) 0.5-MG RESERVOIR - TIME EXTENSION REQUEST:

The contractor, Yamada Paint Contracting, Inc., dba GW Construction, is requesting a contract time extension of 82 calendar days. This is the first time extension request for this project.

Ext. #	From (Date)	To (Date)	Days (Calendar)	Reason
1	10/18/2015	01/08/2016	82	Inclement and unworkable weather conditions (16 working days, i.e., 22 calendar days) and design changes realigning new access easement (additional 60 calendar days)
Total Days			82	

The contractor's time extension request of 16 working days (22 calendar days) is in concurrence with the department's tally of reported agreed upon rain-outs. The 60 additional calendar days are requested to do the requested design changes to realign the new access easement.

The Manager-Chief Engineer recommended that the Board grant this contract time extension of 82 calendar days to Yamada Paint Contracting, Inc., dba GW Construction, for JOB NO. 2005-870, LAUPĀHOEHOE (MANOWAI'ŌPAE) 0.5-MG Reservoir. If approved, the contract completion date will be extended from October 18, 2015 to January 08, 2016.

MOTION: Mr. Arikawa moved to approve; seconded by Ms. Iokepa-Moses.

The Manager-Chief Engineer said that this project involves a new tank and appurtenant work. It transpired that Hawaiian Electric Company (HELCO) installed its double poles, and the bridge with the triple transformers, but in the process HELCO blocked DWS's easement over the waterline portion of the project. Fortunately, DWS has been working with a very cooperative and collaborative land owner here. DWS needs to establish a new access easement to get to the waterline, because HELCO blocked DWS's access to its normal easement. Therefore, DWS needs to do survey work, and has asked the contractor for a cost estimate. The cost should be around \$30,000.00. DWS has not dipped very much into the contingency funds for this project, so there should be ample funds left over, the Manager-Chief Engineer said.

Mr. Arikawa asked if 82 days was enough time to complete the work. He wondered if there could be more rainout days ahead.

The Manager-Chief Engineer said that rainouts are always one of the great unknowns in any project. He said that time extensions have come under intense scrutiny by the Department. Under DWS's Requirements and Covenants, rainouts mean a time extension to the project, regardless of whether the rain out days are on the critical path or not, he said. A rainout day will extend the contract completion date if the contractor makes such a request. DWS *does* require proper documentation from the contractor, etc. To answer Mr. Arikawa's question, the Manager-Chief Engineer said that judging from the wet weather that has prevailed lately, it is very likely that there are more rainout days ahead.

Ms. Lee Loy asked if the 60 days requested to do the survey would be enough.

Mr. Inaba confirmed this.

The Manager-Chief Engineer said that the survey would be done in-house, and it would primarily involve coming up with a description to carve out the new easement, which will be worked out with the land owner. DWS has already been discussing this with the land owner.

Mr. Uyeda noted that the Monthly Progress spreadsheet shows that this project is 51 percent complete; he asked if this 82-day time extension would reduce the percentage of completion.

Mr. Inaba said that the percentage of completion is based on the cost.

The Manager-Chief Engineer explained that the percentage towards completion on the spreadsheet is based on what the contractor bills DWS, versus the overall contract cost; it may not necessarily represent actual work completed.

Mr. Elarionoff asked whether HELCO, which has imposed on the easement, should share the costs of creating the new easement.

Mr. Inaba explained that HELCO also received an easement, to install their infrastructure. This particular case shows a lack of communication, but this is kind of typical, he said. HELCO does not provide DWS with a real design of their improvements; they give DWS a schematic of the improvements, which DWS reviews and approves. Those HELCO improvements bring power to DWS's site. As in this case, HELCO does not typically provide the location of their transformers, etc., to DWS. Instead, HELCO only asks DWS when HELCO crews can go out and do their improvements, and then HELCO just goes out and installs their improvements. As long as the improvements are within HELCO's easement, HELCO is okay with that. However, DWS should be taking a closer look and try to coordinate with HELCO, Mr. Inaba said. DWS should be reviewing HELCO's final placement of their improvements, he said. Mr. Inaba did not think that HELCO would be willing to share in the cost of the new easement, since HELCO has the right to be there.

ACTION: Motion carried unanimously by voice vote.

6) SOUTH KOHALA:

A. JOB NO. 2015-1022, PARKER #1 DEEPWELL REPAIR – REQUEST FOR ADDITIONAL FUNDS:

The contractor, Derrick's Well Drilling and Pump Services, LLC, is requesting a contract change order for the Parker #1 Deepwell Repair. The contract change order is to cover costs associated with the change in the scope of work. This is associated with larger 10" column pipe that was discovered upon well extraction work, which differs from the 8" column pipe size specified within the original contract per Department records. The revised contract amount is as follows:

Original Contract Amount:	\$479,000.00
Original Contingency amount:	47,900.00
1 <sup>st</sup> Additional Contingency request:	<b>\$6,087.88</b>
<b>Total Contract Amount:</b>	<b>\$532,987.88</b>

The Manager-Chief Engineer recommended that the Board approve an increase in contingency of \$6,087.88 for a total contract amount of \$532,987.88 to Derrick's Well Drilling and Pump Services, LLC, for JOB NO. 2015-1022, PARKER #1 DEEPWELL REPAIR.

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

The Manager-Chief Engineer referred to the cost breakdown distributed to the Board today. He said that according to DWS's as-built records, and everything that DWS has on file prior to bidding the project out, all indications were that DWS had an 8-inch column pipe in the well. However, it was only when the contractor started his extraction work that it was discovered to be a 10-inch pipe in the well. Fortunately, that discovery was made early in the game, and the Department is now asking the Board to approve additional funding to cover the price differential between the two sizes of pipe, and to cover the additional work of handling 10-inch pipe versus

8-inch pipe, the Manager-Chief Engineer said. He noted that there is an approximately \$600.00 differential between the price of 8-inch pipe and 10-inch pipe. The Manager-Chief Engineer asked staff if this would affect the project completion date, but staff said that they did not anticipate such an impact, because the project completion date is April 16, 2016. DWS intends to meet that completion date, he said.

Mr. Elarionoff asked if it would be more efficient to use 10-inch pipe, versus 8-inch pipe.

The Manager-Chief Engineer said this would affect the total dynamic head for the pump, basically due to friction losses for the water being pumped at that GPM (gallons per minute) up that height. Basically, DWS prefers to stick with what it originally installed; otherwise, that would affect the pump efficiency. The pump and motor that DWS specified will probably operate at a different point of the curve, if DWS were to put in an 8-inch pipe instead of the 10-inch pipe.

Mr. Young said that most of the 8-inch (sic) pipe was damaged when it was pulled out, so staff knew that they had to replace the pipe. He noted that the Parker Wells are 10-inch pipe, and DWS tries to be consistent; using 10-inch pipe makes it a little more efficient, with less head loss.

The Manager-Chief Engineer asked Mr. Young to clarify that it was 10-inch pipe that was in there.

Mr. Young confirmed that it was 10-inch pipe.

Mr. Arikawa asked when this well was drilled.

Mr. Young said that it was put in service at the end of 2000.

Mr. Arikawa asked to clarify that the records show that it was 8-inch pipe at that time.

Mr. Young said yes, the records show that it was 8-inch pipe; that was a mistake. He apologized for missing that, calling it a significant mistake. He said that this was the first time that has happened, and hopefully, it will be the last time.

Vice-Chairperson Takamine asked if the cost breakdown provided by the contractor was reasonable.

Mr. Young confirmed that it was reasonable. The Department looked at historical data to see how much 10-inch pipe cost. The cost for 10-inch pipe in this cost breakdown was actually somewhat discounted. Typically, 10-inch pipe costs between \$2,000-2,600 per pipe. At \$645.46 per 10-inch pipe, DWS is getting a pretty good price here. The cost differential between 8-inch pipe and 10-inch pipe is approximately \$1,600.00 per pipe, so DWS got a fair price, Mr. Young said. He said the length was around 20 feet per pipe.

Mr. Uyeda noted that the Agenda said "1<sup>st</sup> Additional Contingency Request." However, Mr. Uyeda said that it looked more like the Board was approving a Change Order here, to exceed the contract amount. DWS had spent the whole contingency already, so Mr. Uyeda said he wanted to see that the wording in the Motion is changed. It is not a contingency that the Board is approving; it is a Change Order, he said.

The Manager-Chief Engineer said that actually it is both a contingency *and* a Change Order. The contingency was only \$47,900.00, so DWS needed to come and ask the Board for more money (i.e., additional funds), and DWS is also asking the Board to approve a change order in that

amount. Therefore, this is the original contingency, plus an additional \$6,087.88. DWS will thus be able to incorporate that Change Order *and* additional funds, he said.

ACTION: Mr. Uyeda moved to approve the use of the full contingency amount, plus an additional Change Order of \$6,087.88 to cover the cost differential between the 8-inch column pipe and the 10-inch column. Ms. Iokepa-Moses seconded, and the Amended Motion carried unanimously by voice vote.

B. **ASSIGNMENT OF WATER UNITS AS ALLOWED PER TRI-PARTY AGREEMENT REGARDING PARKER WELL NO. 3 & PARKER WELL NO. 4:**

Mauna Kea Properties, Inc. (MKP) intends to sell a portion of its development area to Angelo Gordon Real Estate, Inc., (Angelo Gordon), and is seeking to allocate some of its water units (not more than 0.1158 million gallons per day or 193 Equivalent Units of Water) to that portion of property that is being sold.

The property to be sold is identified by Tax Map Key Nos. 6-2-013:024 (Parcel E) and 6-2-013:025 (Parcel D).

Section 2 of the Parker Well No. 3 and Well No. 4 Tri-Party Agreement (between Water Board, Mauna Lani Service, Inc. and MKP, dated April 6, 2006), provides that MKP may assign all or a portion of its water allocations to a third party for use within MKP's development area, with the written consent of the Water Board.

The Manager-Chief Engineer recommended that the Water Board approve the ASSIGNMENT OF WATER UNITS AS ALLOWED PER TRI-PARTY AGREEMENT REGARDING PARKER WELL NO. 3 & PARKER WELL NO. 4, per the assignment agreement between MKP and Angelo Gordon, and that either the Chairperson or Vice-Chairperson be authorized to execute the agreement, subject to approval by Corporation Counsel.

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

The Manager-Chief Engineer said that this agreement involves a parcel within the development boundaries, so it is pretty straightforward.

Mr. Elarionoff asked if the parties negotiate over how much to pay for the water.

The Manager-Chief Engineer said that DWS does not like to get involved in that aspect of negotiations between present, future, or potential land owners. DWS tries to set up its agreements so that DWS can step back from such negotiations between parties. Those negotiations are between *them*; if the parties want to put a certain amount of water units on a certain parcel, they can do so, as long as the parcel falls within the overall water commitments/units that are available per the agreement.

Mr. Elarionoff asked if the parties pay for the water units.

The Manager-Chief Engineer said it happens in various ways. Typically, under water agreements, the parties pay for the water units through contributions to infrastructure, etc. In some agreements, there is a combination of infrastructure contributions plus some form of Facilities Charge payments. It depends on the case, he said. That is why this Item today is being brought to the Board for review, so that the Board can ascertain that the agreement is reasonable.

Mr. Elarionoff outlined the scenario of a developer contributing infrastructure, etc., under an original agreement with DWS, but then the developer sells the property and makes money. Under this scenario, DWS gets stuck with the original agreement.

The Manager-Chief Engineer said that DWS tries to ensure that the Department is made whole by having that added infrastructure; DWS also will have some additional water units that the Department can distribute within its systems. The developer puts up the capital financing for the initial investment, and DWS needs to operate and maintain the system for the life of the infrastructure. That is the kind of thought process that goes into these water agreements, he said.

Ms. Wilson asked how water units are determined.

The Manager-Chief Engineer said that the easiest way is through the source development. If a developer is proposing a 700-GPM motor, that translates into one million gallons per day (GPD). Typically, current agreements accord two-thirds of that amount of water to the developer, and the Water Board gets one-third. Based on DWS's Rules and Regulations, the developer could qualify for Facilities Charge credits, depending on what type of infrastructure the developer puts in. DWS gives such credits for source, storage, transmission and boosters, etc. The way that these credits are applied is pretty well thought-out; each case is different, he said.

Mr. Arikawa asked Ms. Self if everything looked okay in this agreement.

Ms. Self said yes, everything is already set up with the agreement.

Ms. Lee Loy said that the Board in the past had a situation with another development whereby a developer had water units within one development area, and the developer moved the units to another parcel that they owned outside of that development area. She asked about the agreement, which stipulates 151 single multi-family residential units, out of a total of 193 units. She wanted to make sure that those residential units would not be more than 151 units.

Mr. Inaba said that it would not exceed 151 units. The leftover units of the total of 193 units would take care of the common areas, i.e., irrigation, etc.

ACTION: Motion carried unanimously by voice vote.

7) NORTH KONA:

A. **MATERIAL BID NO. 2015-08, FURNISHING AND DELIVERING KALOKO MAUKA #7 BOOSTERS A & B:**

Bids were received and opened on September 10, 2015, at 2:30 p.m., and the following are the bid results.

Section	Description	Beylik Drilling and Pump Service, Inc.	Derrick's Well Drilling and Pump Services, LLC	Water Resources International, Inc.
1	KALOKO MAUKA #7 BOOSTERS A & B	\$78,900.00	<b>\$57,519.00</b>	\$68,500.00

Funding for this project will be from DWS's CIP Budget. The contractor will have 150 calendar days to complete this project. The Engineering estimate for this project was \$56,000.00.

The Manager-Chief Engineer recommended that the Board award the contract for MATERIAL BID NO. 2015-08, FURNISHING AND DELIVERING KALOKO MAUKA #7 BOOSTERS

A & B, to the lowest responsible bidder, **Derrick’s Well Drilling and Pump Services, LLC**, for their bid amount of **\$57,519.00**. It is further recommended that either the Chairperson or the Vice-Chairperson be authorized to sign the contract, subject to review as to form and legality by Corporation Counsel.

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

Mr. Uyeda, noting that this bid was for materials only, asked who was going to do the installation.

Mr. Young said the work would be done in-house by DWS’s Kona staff.

Mr. Uyeda asked whether, under Procurement Law, DWS could not purchase the material directly from the vendor. Having to buy the material from the contractor meant that DWS would have to pay a mark-up.

The Manager-Chief Engineer said that there are pluses and minuses to that; there is the benefit of local representation. If the terms of the contract are not satisfied, DWS can go straight to the local contractor, rather than having to chase somebody on the Mainland.

ACTION: Motion carried unanimously by voice vote.

**B. JOB NO. 2015-1032, HALEKI’I DEEPWELL REPAIR:**

Bids for this project were opened on September 18, 2015, at 1:30 p.m., and the results are as follows.

<b>Bidder</b>	<b>Bid Amount</b>
Derrick’s Well Drilling and Pump Services, LLC	Bid withdrawn
Beylik Drilling and Pump Service, Inc.	\$339,000.00
Isemoto Contracting Co., LTD	No bid
Pacific Well Drilling & Pump Services, LLC	No bid

Project Scope: This project generally consists of the replacement of the existing deepwell submersible motor and pump with DWS-furnished equipment, replacement of existing power cable, column pipe and all appurtenant equipment, such as cable guards and strapping; chlorination of the well and pumping assembly; and refurbishment of existing submersible motor; in accordance with the specifications.

Project Costs:

1) Low Bidder (Beylik Drilling and Pump Service, Inc.)	\$ 339,000.00
2) Contingencies (10%)	\$ 33,900.00
<b>Total Cost:</b>	<b><u>\$ 372,900.00</u></b>

Funding for this project will be from DWS’s CIP Budget under Deepwell Pump Replacement. The contractor will have 150 calendar days to complete this project. The Engineering estimate for this project was \$381,000.00.

The Manager-Chief Engineer recommended that the Board award the contract for JOB NO. 2015-1032, HALEKI’I DEEPWELL REPAIR, to the lowest responsible bidder, Beylik Drilling and Pump Service, Inc., for their bid amount of \$339,000.00, plus \$33,900.00 for contingencies, for a total contract amount of **\$372,900.00**. It is further recommended that either the Chairperson or

the Vice-Chairperson be authorized to sign the contract, subject to review as to form and legality by Corporation Counsel.

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

The Manager-Chief Engineer said there was only one responsive bidder; Derrick's asked that their bid be withdrawn due to a major error in their bid. The scope of this project included shipping by air freight, because this well is a key source for DWS, he said. This project did not qualify for emergency procurement, so DWS put it to competitive bid. However, DWS wanted to fly in whatever materials it could, primarily the column pipe. For this project, DWS actually had a spare pump and motor on hand. Therefore, the scope of work is to provide the column pipe, extract the well, and reinstall the equipment, to get this well back in operation.

Ms. Lee Loy asked the Manager-Chief Engineer to repeat the scope of work.

The Manager-Chief Engineer said the scope includes pulling out the pump that is not working, reinstalling a new pump, along with brand-new column pipe. This pump was last repaired more than 12 years ago, so DWS got its money's worth on this one. Because of the age of the column pipe, DWS staff felt it prudent to put in brand-new column pipe, check valves, etc., at this time.

Mr. Elarionoff asked if the Engineer's Estimate for a project is made public when the job is put out to bid, or is kept in-house.

The Manager-Chief Engineer said that is available to the bidders.

Mr. Elarionoff said that estimate would give the bidders some kind of guideline.

The Manager-Chief Engineer confirmed this.

Mr. Uyeda asked how this well differs from other wells with which DWS is having challenges, whereby DWS needed to resort to water-cooled or air-cooled pumps.

Mr. Young asked if Mr. Uyeda was referring to the Hualālai well.

Mr. Uyeda said yes.

Mr. Young said that this well is definitely one of the deep-set wells; it is one of DWS's high-level wells.

Mr. Uyeda said that in that case, DWS could run into some problems with this well, too. He said that of course, the hope is that problems will not arise, but this well is of similar depth, etc.

Mr. Young said that is correct; this well is very similar high-level water. DWS got good service life out of this well; it was in fact one of DWS's best ones in terms of high-level water. He noted that the service life of most of the high-level wells has been problematic.

Vice-Chairperson Takamine asked how long the new pump was in storage. He also asked whether it was exactly the same as the pump it is replacing.

Mr. Young said that DWS had had the pump just about a year. It had been procured on a Material Bid.

The Manager-Chief Engineer said that the Material Bid, for a spare pump and motor, was among those that came before the Board for approval. He said that Mr. Young and his colleagues had

done a good job of identifying which pumps and motors that DWS should stock up on. This one turned out to be a good call, he said.

Mr. Young said that the pump and motor are still under warranty.

Mr. Uyeda asked whether the transformer was okay, and asked whether that had been tested.

Mr. Young confirmed that it had been checked.

The Manager-Chief Engineer asked Mr. Young to check the age of the transformer.

Vice-Chairperson Takamine asked if DWS typically does string tests on material bids like this.

Mr. Young said he was not sure if a string test was done on this particular one.

Mr. Takamoto said that a string test was not done on this pump and motor.

The Manager-Chief Engineer said that was a good question.

Vice-Chairperson Takamine asked if that was something that DWS might want to consider doing in the future.

Mr. Young said yes, DWS was trying to do more string tests now, especially with all of the issues with wells like Hualālai.

Vice-Chairperson Takamine said yes, this would be good, especially when DWS is spending the money to fly in these column pipes. There is an added expense in that; and it would not do if the pump and motor do not work.

Mr. Young said that one of the problems that DWS is having with string tests is that there are few facilities on the Mainland that can handle the horsepower, etc. However, DWS is trying to do string tests on pumps and motors, he said.

Ms. Lee Loy suggested that DWS come up with some kind of checklist; it would be good to have those kinds of protocols established, to ensure that DWS had done a thorough check. This would avoid a large change order and long delays, she said.

ACTION: Motion carried unanimously by voice vote.

8) SOUTH KONA:

B. **1250 OCEANSIDE (HŌKULIA) WELLSITE DEVELOPMENT AGREEMENT:**

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

9) MISCELLANEOUS:

A. **DEDICATIONS:**

The Department has received the following documents for action by the Water Board. The water systems have been constructed in accordance with the Department's standards and are in acceptable condition for dedication.

**1. GRANT OF EASEMENT**

(For Waterline Purposes)

Grantors: Glenn S. Oshiro and Kathleen E. Oshiro

Tax Map Key: (3) 4-6-010: 014 (portion)

**2. GRANT OF EASEMENT**

(For Water Meter Purposes)

Grantors: Paul T. Santo and Janice H. Santo Joint Revocable Trust

Tax Map Key: (3) 1-5-013: 013 (portion)

**3. GRANT OF EASEMENT AND BILL OF SALE**

Project Name: Tom Smith Subdivision

Grantors/Sellers: 4.10 Hawaii Land Partnership

Tax Map Key: (3) 7-3-019: 037

Facilities Charge: \$34,190.00      Date Paid: 1/21/2015

Final Inspection Date: 11/15/2014

Water System Cost: \$54,625.00

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.

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

**B. UPDATE RE: NATIONAL PARKS SERVICE'S PETITION TO DESIGNATE KEAUAHOU AQUIFER AS A GROUND WATER MANAGEMENT AREA:**

The Manager-Chief Engineer noted that Chairperson Robinson had received a response to his letter of complaint to Commission on Water Resource Management (CWRM) Chairperson Suzanne Case. The Board will have received copies of that letter from Chairperson Case.

This past Saturday, the Manager-Chief Engineer, the Deputy and Ms. Self participated in a work day to clear kiawe at the Kaloko-Honokōhau National Historical Park. It was really hot, and there is a lot of work to be done there, he said. The message is that County workers are willing community participants; the park is the community's park, he said.

Ms. Iokepa-Moses asked if the National Park Service (NPS) posts the dates of the work days, noting that there are community groups that would be willing to pitch in.

The Manager-Chief Engineer said that Mr. Wally Lau of the Mayor's Office had organized Saturday's work day, but he imagined that NPS would be happy to let community groups volunteer.

Ms. Iokepa-Moses asked who the contact person at NPS would be.

The Manager-Chief Engineer said that Mr. Tyler Paikuli-Campbell was there both times the County team worked at the park, on Saturday and in April. He said that DWS would get back to Ms. Iokepa-Moses with contact information.

Ms. Self said that she had worked with NPS in the past; NPS had helped community groups get organized as 501(c)(3) non-profits to support their Kahakā Trail. She suggested looking at the NPS website, where they may have designated work days posted.

Mr. Elarionoff expressed disappointment with Chairperson Case's response letter, which he said contained a grammatical error. He said that if he gets such a letter, he views it as having been tossed off as a mere formality.

Vice-Chairperson Takamine said he was actually very pleased that the Board received this letter from Chairperson Case, who obviously took the time to write it. Notwithstanding the grammatical error, the letter showed that Chairperson Case recognized that what Commissioner Starr had said to DWS staff was completely disrespectful. This was really important, and Vice-Chairperson Takamine said he really appreciated this letter.

Ms. Lee Loy agreed. She said there was a larger take-away from this letter: Chairperson Case heard the Board. Chairperson Case heard the disrespect, and showed that she is concerned. Despite the grammatical error, Ms. Lee Loy said she completely agreed with this letter. It was clear that Chairperson Case wrote it and signed it; it was clear that Chairperson Case agrees that it is vital to have a positive and collaborative working relationship between the Commission and the County. That is critical, because the issue is water, Ms. Lee Loy said. It is critical to maintain those relationships. Commissioner Starr's behavior was disrespectful, and there was no place for that type of divisiveness, especially when water issues are at stake. She said she echoed what Vice-Chairperson Takamine said; the take-away from this letter was positive.

Mr. Elarionoff said he did not have a problem with that; the Board members do not all have to think alike. However, he still did not like the letter.

The Manager-Chief Engineer said he was hopeful that Chairperson Case will address the concerns that the Board and Chairperson Robinson have expressed to her. He noted that in the second paragraph of her letter, Chairperson Case states that she will follow up with the Governor, the State Ethics Commission, and with Commissioner Starr himself. The Manager-Chief Engineer said that he would have a tele-conference with CWRM's new Deputy Director, Mr. Jeff Pearson. It appears that NPS has met with CWRM again, and Mr. Pearson wants to discuss it with DWS, the Manager-Chief Engineer said. This Item will continue to appear on the Agenda, so that the Manager-Chief Engineer can update the Board at the next Board meeting on the conversation with Mr. Pearson.

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

No Executive Session.

D. **DISCUSSION OF AMENDING RULES AND REGULATIONS REGARDING PLACING RESPONSIBILITY WITH PROPERTY OWNERS FOR TENANTS' DELINQUENT BILLS:**

Ms. Lee Loy noted that DWS staff had discussed an area of DWS's Rules whose modification might have a larger impact than amending the Rules to add the property owner to water service applications. She cited Section 3-10 – Meter Tests and Adjustments of Bills, Subsection (3), and asked Ms. Self and Mr. Sumada to elaborate.

Ms. Self said that it was her understanding after talking with staff that to put an additional person (i.e., the property owner) as the applicant on the application would cost DWS additional money. That is because DWS's software does not accommodate adding an additional applicant; DWS would have to buy entirely new software, and it would take additional employees to handle it. The way that the proposed Rules are written right now, the employees would have to **verify** who owns the property, and that will involve some research. She noted that even the Real Property

Tax website is not updated on a daily basis; it takes some time before Real Property Tax Division changes the property owners' names on their website. Therefore, DWS would need additional employees to research who the actual property owner is.

Ms. Self said that DWS staff said that the real money issue involving delinquencies comes with the **leak adjustments**. DWS staff told Ms. Self that DWS is very lenient on leak adjustments. They gave the example of somebody with a leaky faucet, whose water bill runs up as a result. There is no telling how long the customer will wait until getting the leaky faucet fixed, and then all of a sudden the customer gets a big water bill – and asks DWS for a leak adjustment. DWS staff said that the Department ought to pay more attention to this Section 3-10 on leak adjustments, because that is where the big money comes in for delinquencies, Ms. Self said. Staff suggested that the language of that Section could be changed so that *leak adjustments only apply to leaks that are not readily detectable*, such as a leak in an underground pipe. That leak, which is not readily visible, may only be detected when the water bill comes in.

The other suggestion from staff involves the fact that when customers receive a leak adjustment, they are currently not obliged to pay the Power Cost Charge portion – DWS gets stuck with the HELCO charge.

Mr. Sumada confirmed this.

Ms. Self said that the suggestion was to require the customer who gets a leak adjustment to pay the Power Cost Charge. Currently, DWS is losing money on that, she said.

Ms. Self, noting that she has done Contested Cases on leak adjustments, said that her own pet peeve on Section 3-10 involved the stipulation of one leak adjustment per three-year period for each service. She wanted to make that language clearer, citing the most recent Contested Case, where the customer had already gotten a leak adjustment during the three-year period. That customer subsequently had another leak, which proved way more expensive, and the customer asked to switch it out, so that the second leak be substituted for the first one. The current Rule's language reads: "Consumers shall also be limited to one (1) adjustment per 3-year period per service." Ms. Self said that the current language is ambiguous, and she wanted to make the language more specific so that a customer cannot interchange. The tighter language would stipulate that once a customer takes a leak adjustment, the customer cannot switch it out for a later, bigger leak.

Mr. Sumada said that there was also some ambiguity with the timing of when a customer needs to fix a leak, versus applying for the leak adjustment. He said that staff believed that the timing required to fix a leak should be shortened, because some people are not fixing their leaks right away. As a result, the customer winds up with a bigger leak adjustment. Staff thought that the timing could be tightened a little. The other area for possible amendment involves leak adjustments for natural disasters. Mr. Sumada cited a case involving someone who applied for a leak adjustment after a tremor that broke his waterline. Tremors happen every day, but the natural disaster provision as written allows for that kind of leak adjustment. Staff wanted to amend the language to stipulate that a disaster needs to be declared before DWS grants a leak adjustment.

Ms. Self asked for confirmation that DWS is far more lenient than the other counties regarding leak adjustments.

Mr. Sumada said yes, and said that another county only allows adjustments for *supply-line* leaks, i.e., no leaks inside the house are granted leak adjustments.

Ms. Self, in summation, said that DWS faces problems with these big leak adjustment bills, and said that if the Rule amendments tackled those issues first, DWS could avoid having to buy new software or hire additional staff.

Ms. Lee Loy noted that the Board had already approved an additional debt collection position.

Ms. Self said that Customer Service needs another person who can specifically work just on these old leak adjustment accounts. Meanwhile, DWS is trying to keep up on just the regular delinquencies, and is making progress, thanks to the increase of the security deposit to \$150.00. A delinquent customer who refuses to pay his late bill and just moves out will lose that \$150.00 deposit, which will cover the typical water bill, Ms. Self said. The regular delinquency collections are running pretty smoothly at this point, but DWS still needs the extra person to go after the leak adjustment delinquencies.

Mr. Sumada said yes, it would be someone to specifically look at closed accounts that are delinquent, and a separate person to specifically pursue active accounts that are delinquent. Right now, DWS has only one person doing both closed and active accounts, and it is just too much work, he said.

Ms. Lee Loy agreed that the staff issue was something that will be handled; right now, the issue before the Board is the Rule Amendments. She asked what timeline the Department recommended for fixing a leak versus applying for an adjustment.

Mr. Sumada said he would get back to Ms. Lee Loy on the suggested language of the timeline; he needed to consult Mr. Calvin Uemura of Customer Service, whose suggestion it was.

Ms. Lee Loy asked Mr. Sumada to describe a scenario when DWS detects a high usage of water.

Mr. Sumada said that when a meter reader notices an abnormal reading for a service, the meter reader may try to contact the customer right then, or call or write to the customer within a day or two after coming back from the field. The customer is notified of the situation pretty quickly, and then it is up to the customer to investigate the leak, he said. The customer may wind up having to hire a plumber or get help in determining what is causing the high reading; it is left up to the customer, Mr. Sumada said. The customer then contacts DWS and fills out a leak adjustment form; the leak adjustment is computed after the leak is repaired. Mr. Sumada noted that leak adjustments are granted once every three years per service, and the adjustment amounts to about half of the overage that occurred on the service. DWS adjusted about \$415,000.00 worth of revenue off the books due to leaks in Fiscal Year 2015.

Ms. Lee Loy said that she was struck by how DWS is actually footing the Power Cost Charge on leak adjustments. The intention of the proposed Rule amendments is to close the gaps involving money lost to DWS; of that \$415,000.00, she could only imagine how much of that amount was the electricity bill that DWS got stuck with. Ms. Lee Loy said that she did not mind refining the entire Section 3-10 for the Board's approval, in collaboration with Ms. Self and Mr. Sumada. She said that when she took on this Rule amendment process, the aim was to ensure that customers pay for what DWS does. DWS does not charge an enormous amount to its customers, and these suggested changes would really close the gap, Ms. Lee Loy said.

Mr. Elarionoff said that coincidentally, he recently got a leak notice from DWS. He said that he found the leak, but instead of repairing it, he cut the pipe and put a valve on it, closing it off. DWS told Mr. Elarionoff's wife that the leak had to be fixed, but Mr. Elarionoff said he was not willing to dig up his stone wall, knock down his tree and root around to fix the leak. He said he just cut it off, and if he needs the water, he will run a new pipe someplace else. He said that if he

were notified sooner, rather than by letter, it would have been more efficient for him. He said he could not imagine somebody saying that a leak was no big deal.

Ms. Iokepa-Moses asked for confirmation that DWS does require the fixing of the line, because the person using the water does not *own* the waterline. She said that she thought that the customer pays for the water going through the waterline, and that waterline is something that has to be kept intact for the next person that comes along.

Mr. Elarionoff said no, he owned the line from the meter to the house.

Ms. Self confirmed this.

Ms. Iokepa-Moses asked if Mr. Elarionoff cut it off *after* the meter.

Mr. Elarionoff said no. He said he just has an acre or so, and his waterlines go all over the place; that is part of the problem. He said he put in that line before the meter came around. He said he agreed that there has to be a more efficient way of handling it. He said that customers should not get to the point of thinking that a leak is no big deal; it is very important.

The Manager-Chief Engineer said that he planned to get more involved in these conversations about Rule amendments. A lot of times, the Department may have blinders on, he said. At the same time, DWS has to acknowledge that this is a big island, with a lot of so-called “out-of-bounds” services, where the meter does not sit right in front of the property. Therefore, compassion has to come into play as well, he said. DWS wants to make its water available to as many people as possible; this is in the best interests of DWS, the community and the Board. DWS needs to inform customers who have long waterlines that they need to keep an eye on. He said that Mr. Sumada and the Deputy were working on a Request for Quotes, exploring the use of technology that monitors water use via cell phone service. Noting that there is an app for so many things, he said that customers will be able to get hourly readings on their water meter for approximately a dollar a month. Such a meter will probably cost \$300.00. DWS is trying to purchase about 12 such meters, and will distribute them around the island to see how well they work. The hope is that DWS will be able to offer that to interested customers. Interested customers will pay something like a monthly fee for that service, and they will be able to check their water usage. The Manager-Chief Engineer observed that with a lot of these proposed Rule changes, the Board and DWS need to understand what DWS’s mission is and what DWS is trying to accomplish. There are gaps to fill, but there will never be a perfect Rule that will close 100 percent of the gaps. The Board and DWS need to recognize that there is technology out there that can assist DWS, and it would be undesirable to box DWS in with Rules that prevent the Department from using technology down the road. The Manager-Chief Engineer said that more discussion needs to take place. He expressed gratitude to Ms. Lee Loy, Ms. Self, and Mr. Sumada for their efforts, and he promised to be more involved in future discussions so that some solutions can be brought to the Board that will close the big gaps – while allowing DWS to exercise some compassion. He said that DWS has to have some compassion for customers who have legitimate claims, because there will always be such claims.

Ms. Wilson asked what portion of the \$415,000.00 was taken up by the Power Cost Charge.

Mr. Sumada said that the PCC took up about half of that figure.

The Manager-Chief Engineer said yes, that Power Cost Charge is on every water bill. He cited a situation in Kona at the Nāpo‘opo‘o Junction intersection, where a leak of one million gallons took place. He noted that the meter readers only read every two months, and that the million gallons had flowed through the meter since the previous reading. DWS contacted the customer,

and the customer does not want to pay the bill, which came to \$8,000.00. DWS personnel were checking on the situation there today as part of ongoing investigations. The Department has done all possible research in-house such as billings, bench testing the meter, etc., and DWS installed a new meter. All indications point to the fact that the meter was functioning properly, and that the problem lay on the customer side, the Manager-Chief Engineer said. He said that anyone would share the customer's concern, if presented with an \$8,000.00 bill. The Manager-Chief Engineer said that DWS cannot treat this matter lightly, and cannot give customers the impression that this is no big deal. The Department needs to educate customers that water *is* a precious resource; water should be treated as such. DWS needs to do a better job of educating consumers who have a long waterline that they need to keep a closer eye on their customer line.

Ms. Iokepa-Moses asked if DWS had considered doing monthly readings.

The Manager-Chief Engineer said yes, it was considered. However, DWS's current billing system cannot accommodate monthly readings; it would require another billing system. The other factor is postage, which alone would run into an additional tens of thousands of dollars, plus additional staffing.

Ms. Lee Loy said that she enjoys doing Rule amendments, but it is hard to make water sexy. She said she agreed with the idea of leaving a little bit of room for the technology, which is sexy. She appreciated the apps that would enable customers to see water usage on their phones and give instant feedback, etc.; the apps will help make people responsible. That is how DWS is going to make water sexy, she said.

E. **MONTHLY PROGRESS REPORT:**

Vice-Chairperson Takamine asked what the status was on the Hualālai Deepwell Repair project.

Mr. Inaba said delivery of the equipment is expected at the end of this month, and installation begins in the week of October 5. He said he wished he could give a completion date.

Vice-Chairperson Takamine asked if the contractor was on schedule.

Mr. Inaba said that according to Mr. Takamoto, the project engineer, they are still on schedule.

Mr. Ikeda said the project is already two years behind schedule, but the contractor is on the most *recent* schedule.

The Manager-Chief Engineer said that O'okala Well is also down, and it is under emergency procurement because it is the only source in the area. Fortunately, the system is small enough that DWS can haul water to accommodate the needs of that system.

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

Mr. Elarionoff asked about the entry on the Income Statement, Page FS3, regarding the decrease in Power and Pumping expenses: "Power & Pumping expenses decreased \$772,441, or 20% from prior year. Decrease is due to reduction in HELCO power costs (\$756,156.37)." He asked what that entry meant.

Mr. Sumada explained that gasoline prices have gone down over the last couple of years, and the fuel costs that DWS pays HELCO to run DWS's wells and pumps have dropped accordingly. DWS is paying less for fuel costs this year, he added.

Vice-Chairperson Takamine noted that the Board had recently lowered the Power Cost Charge.

Mr. Sumada said that DWS gets about 100 bills from HELCO every month for electricity to power all of the well sites and infrastructure that DWS has throughout the island, so every little decrease in the fuel costs adds up.

The Manager-Chief Engineer said that fortunately, the Board decided to give itself the flexibility to adjust the Power Cost Charge every two months if needed, instead of annually. Before the Board made that decision, DWS could not adjust the PCC to match the fluctuations in fuel prices.

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

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

- 1) Sale of Miscellaneous Used DWS Items – Operations recently sold off a variety of used material like copper and brass, and equipment including vehicles, etc. Interestingly, nobody bid on the copper and brass. The total proceeds from the sale were \$10,656.00, the Manager-Chief Engineer said.
- 2) Public Information and Education Specialist Update – Ms. Aton said that DWS had issued press releases regarding the decrease in the PCC, and the Energy Report unveiled last month. There were also press releases regarding main breaks in Waiākeawaena and Upper Pōhākea, and deepwell repairs at O‘okala and Haleki‘i, as well as Conservation Notices. She noted that the Lālāmilo Windfarm ground-breaking ceremony will take place on September 30, 2015 at 11:00 a.m.
- 3) Upcoming Hawai‘i Water Works Association (HWWA) Conference -- The Manager-Chief Engineer said that the Private Secretary is preparing packets for attendees ahead of this conference, which begins on October 14.

**H. CHAIRPERSON'S REPORT:**

No report.

10) ANNOUNCEMENTS:

1. Next Regular Meeting:

The next meeting of the Water Board is scheduled for 10:00 a.m. on October 27, 2015, 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 November 24, 2015, at the West Hawai‘i Civic Center, Community Center, Bldg. G, 74-5044 Ane Keohokalole Street, Kailua-Kona, HI.

11) ADJOURNMENT

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

The meeting adjourned at 11:36 a.m.

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Secretary

*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.*