

## MINUTES

### DEPARTMENT OF WATER SUPPLY COUNTY OF HAWAI‘I WATER BOARD MEETING

October 22, 2024

Department of Water Supply, Hilo Operations Baseyard, 889 Leilani Street, Hilo, Hawai‘i

MEMBERS PRESENT: Mr. Michael Pono Kekela, Vice-Chairperson, Dist. 4  
Mr. Michael Bell, Water Board Member, Dist. 7 (via videoconference)  
Mr. James Kimo Lee, Water Board Member, Dist. 2  
Mr. Benjamin Ney, Water Board Member, Dist. 9  
Ms. Emily Taaroa, Water Board Member, Dist. 5  
Mr. Keith Unger, Water Board Member, Dist. 6  
Mr. Keith K. Okamoto, Manager-Chief Engineer,  
Department of Water Supply (ex-officio member)

ABSENT: Mr. Stephen Kawena Lopez, Chairperson, Dist. 8  
Mr. Thomas Brown, Water Board Member, Dist. 3  
Ms. Kea Keolanui, Water Board Member, Dist. 1  
Director, Planning Department (ex-officio member)  
Director, Department of Public Works (ex-officio member)

OTHERS PRESENT: Ms. Diana Mellon-Lacey, Deputy Corporation Counsel  
Mr. Jeff Zimpfer, guest

#### DEPARTMENT OF WATER SUPPLY STAFF:

Mr. Kawika Uyehara, Deputy (via videoconference)  
Mr. Kurt Inaba, Engineering Division Head  
Ms. Candace Gray, Waterworks Controller  
Mr. Gregory Goodale, Chief of Operations  
Mr. Alvin Inouye, Water Operations Superintendent  
Mr. Eric Takamoto, Mechanical Engineer III  
Mr. Warren Ching, Energy Management Analyst  
Ms. Lindsey Howells, Information Systems Analyst III  
Ms. Nora Avenue, Recording Secretary

- 1) **CALL TO ORDER** – Vice Chair Kekela called the meeting to order at 10:01 a.m. Six Board Members were present: Ms. Taaora; and Messrs. Bell, Lee, Ney, Unger, and Vice Chair Kekela).
- 2) **STATEMENTS FROM THE PUBLIC** – Pursuant to HRS §92-3, oral testimony may be provided entirely at the beginning of the meeting, or immediately preceding the agenda item. There were no statements from the public at this time.

(There were none.)

3) APPROVAL OF MINUTES:

**ACTION:** Mr. Ney moved for approval of the Minutes of the September 24, 2024 Water Board meeting; seconded by Mr. Unger and carried unanimously by voice vote (Ayes: 6 - Ms. Taaora; and Messrs. Bell, Lee, Ney, Unger, and Vice Chair Kekela).

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

5) SOUTH HILO:

A. JOB NO. 2022-1193, PI‘IHONUA #2 BOOSTER A REPAIR – REQUEST FOR TIME EXTENSION:

*Vice Chair Kekela asked if there was any testimony for this item. There being none, he continued with the agenda item.*

The Contractor, Derrick’s Well Drilling & Pump Services, LLC, is requesting a contract time extension of 30 calendar days due to the Department’s directive to prioritize the repair of the Waimea Deepwell Emergency Repair work. This was beyond the control of the Contractor. *Note: There are no additional costs associated with this time extension.*

Ext. #	From (Date)	To (Date)	Days (Calendar)	Reason
1	10/31/2024	11/30/2024	30	Delays from prioritizing emergency repair work.
Total Days (including this request)			30	

**RECOMMENDATION:** It is recommended that the Board approve a contract time extension of 30 calendar days for JOB NO. 2022-1193, PI‘IHONUA #2 BOOSTER A REPAIR. If approved, the contract completion date will be revised from October 31, 2024 to November 30, 2024.

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

**VICE CHR. KEKELA:** Discussion?

**MR. OKAMOTO:** Yes, as described in the write-up, basically this was our directive to the contractor to focus on another repair, they needed to come in and ask for a time extension based on our directive. So, if there are any questions?

**VICE CHR. KEKELA:** Was the Waimea repair complete?

**MR. OKAMOTO:** No, it’s still ongoing.

**VICE CHR. KEKELA:** So would that kind of push this one a little bit further out?

**MR. OKAMOTO:** It could, but we’re hopeful that this will be appropriate.

VICE CHR. KEKELA: Thank you. Any other questions?

MR. NEY: Just comment. So you had to divert their attention away from a current project, and there was no cost I guess associated with demobilizing and remobilizing or anything like that?

MR. OKAMOTO: Yes.

MR. NEY: Okay. But in future cases that might be a cost.

MR. OKAMOTO: It could be if the contractor determines that it's something he would like to be compensated for.

MR. NEY: So that's good, there's no cost. Thanks.

VICE CHR. KEKELA: Any other discussion? Seeing no more discussion, all in favor to approve the motion say "aye." Any opposition? (none)

**ACTION**: Motion was carried unanimously by voice (Ayes: 6 - Ms. Taaora; and Messrs. Bell, Lee, Ney, Unger, and Vice Chair Kekela).

6) NORTH KONA:

A. AMENDED AND RESTATED WELL DEVELOPMENT AGREEMENT:

*Vice Chair Kekela asked if there was any testimony for this item. There being none, he continued with the agenda item.*

The developers, Lanihau Properties, LLC, West Hawaii Business Park, LLC, and Palani Ranch Company, Inc., are proposing to enter into an Amended and Restated Well Development Agreement that would supersede the original well development agreement as well as the First and Second supplemental well development agreements in regard to Palani Well No. 1. This Amended and Restated Well Development Agreement identifies and commits two potential well sites to the Department of Water Supply (DWS) for well development in lieu of mitigation measures outlined in the Second Supplemental Well Development Agreement. One of the potential well sites would be a backup to the existing Palani Well No. 1. A second potential well site is also committed for future consideration.

Should the Amended and Restated Well Development Agreement be approved, the Second Supplemental Well Development Agreement should be terminated to remove unique encumbrances recorded on properties as security for the mitigation measures that are being replaced by well sites.

**RECOMMENDATION**: It is recommended that the Board approve the Amended and Restated Well Development Agreement and that either the Chairperson or the Vice-Chairperson be authorized to sign the contract, subject to the review as to form and legality by Corporation Counsel.

MS. MELLON-LACEY: Just one second, just a correction for the record, I believe you said West Hawai'i Bank, the developer is West Hawai'i Business Park. I wanted to clarify that.

VICE CHR. KEKELA: Excuse me, thank you, Diana. West Hawai'i Business Park LLC. Can I get a motion to approve?

**MOTION:** Mr. Ney moved for approval of the recommendation; seconded by Ms. Taaroa.

**MR. OKAMOTO:** All right, so this is an Amended and Restated Well Development Agreement. We have an existing Well Development Agreement with several supplementals, I believe. Basically, this is to clean house, we wrap it up so we don't have to do another supplemental which may get even fuzzier. I just want to acknowledge too, we have representatives from the Developer, Mr. Riley Smith, President and CEO of Lanihau, as well as his esteemed Legal Counsel, Mr. Tom Yeh. If there are questions, I think we can try our best to answer. Kurt's been involved throughout this process, as well. Basically, this is an agreement to kind of— because a lot of things have been already, a lot of the previous Agreements' conditions have been met. We just think it's a cleaner approach to do an Amended and Restated, and if we do proceed with that, the next agenda item would now become appropriate to take up as well. Any questions?

**VICE CHR. KEKELA:** Could you give us a little bit of background? Is this just one well, and then now we're trying to—?

**MR. OKAMOTO:** Great question. Great question. Kurt, can you provide a summary.

**MR. INABA:** As kind of described, the original well during construction, during the testing, I believe had a pump and motor, and kind of similar to our situation, it dropped in the hole, did some damage to the casing. When we accepted the well, we put conditions on them, and to date not a problem. They obviously tested it before we accepted it. There's no problem with it, really. Part of that was putting some encumbrance on some other properties, it's like collateral in case something did happen to the well.

But at this point, we identified a specific site that would become a backup, and we could even now choose to develop the site and use it as a backup. If Palani Well has to be repaired, the pump and motor even, we could have another operating well there, but it won't be where we could run two at the same time, it would just be a backup well to that.

The second site is something that also operates as a potential additional source to us if we choose to develop that site instead, and it's further south. The backup well that we're talking about, at Palani Well No. 1, is on the same property. The property is pretty big. The second well that they're offering is on property that they own further south, which would be more consistent with the Water Use and Development Plan, that we had the draft, and that one there if developed could be used independently of any other conditions.

The reason why, and again, we did this Amended and Restated, as Keith mentioned, is it gets really difficult. We were trying to do a Third Supplemental Agreement, but you've got to go back and forth between all these documents, and it got really hard to track the changes.

**MR. OKAMOTO:** Since Riley is here, maybe he can give you some additional background from the landowner's perspective on the project, where we are now, and moving forward with these Agreements.

**VICE CHR. KEKELA:** Yes, thank you.

**MR. SMITH:** Aloha. Riley Smith, I'm the president of Lanihau Properties. I am also a Licensed Engineer, a former Water Board Chair about 10 years ago. Let me just give you some background information. When Lanihau developed this well, it probably went 15 years prior to when it was actually dedicated in 2015, so we did an exploratory well, we determined the sustainable yield. We went to CWRM (Commission on Water Resource Management) to get all the different permits that were required. We developed this. We dedicate it to the Department of Water Supply in 2015, so it's been

operating for about 9-1/2 years without any unusual issues. I think some of the high horsepower motors well sites in Kona have had some issues, and so the department is working to modify the operation of some of those; little bit horsepower, less strain on the pumps and motors, more reliable.

In a nutshell, we are offering two different well sites; so within the ahupua'a of Honokōhau, TMK 7-4-002:008, is the existing Palani Well. About 1,800 feet away we're offering another site, and the concept with that is a lot of times when a well and a pump motor go down, you're down for the duration of time it takes to remove that pump and motor, send it to the factory, be fixed, returned back to Hawai'i, replace back in the well, you know, that can take anywhere between 9 and 12 months, okay, under ideal situations. The concept that we've been working on with the Department is to provide an alternative well site within the same parcel some distance away, but it would be close enough so that the reservoir, the million-gallon reservoir that we also built, would be able to store the water from this new well. One of the concepts could be that the well would be outfitted and operational, so if the first well should go down for repairs or maintenance, you could turn that one off, or it would be off, and you turn the other one on that afternoon, so the interruption and customer service to the community is uninterrupted because it's the same aquifer, it's the same approximate area. You're just replacing source, but you're having it ready to go, so that was one of the things that was important to the Department. We're more than happy to help with this.

Let me give you a little bit background information on Lanihau properties. We originally started in 1850 by Henry Nicholas Greenwell when he came here from England. He established a number of different entities. The lands that we are operating on, we're the descendants of Frank Greenwell, the third oldest of his kids. If you look at the documents that are in your packet, there are four entities that need to sign this Agreement: one is Lanihau Properties, which is the family enterprise overall, parent company; West Hawai'i Business Park, are all of our commercial lands down by Costco and Kaiser Medical Building; Palani Ranch Company, owns the land where the well would be situated; and then Kaumalumu, LLC, is the entity that owns the property, couple miles to the south, that additional well site would not be in the direct line above the National Park Service. One of the benefits of considering a remote site is that the commitment that the Department of Water Supply made to not develop additional well sources above the National Park would be made by allowing the site to be further south.

So, this overall Agreement addresses a lot of these issues that were in all of these different Agreements that is beneficial to the Department but also beneficial to us because it allows us to retain the water units without them expiring in the year 2040.

MR. OKAMOTO: Real quick before your question, Ben. Whenever we bring a document like this to the Board there is a lot of work and interaction, including with our Corporation Counsel, before we even present a product to you folks, and we typically won't even consider bringing it to you folks unless there's some mutual benefit to the department, the Board, and ultimately the community, the customers that we serve. Fortunately for us, Riley and this group that is participating in this Agreement have properties that line up with our long-term plans. We typically don't want to have all our wells in one area. We've run into that situation in not-so-distant past, where we had several go down kind of in that same area, and then we had to ask for water restriction because we couldn't move water easily to fill that gap.

So what we want to do is space our wells further apart, and just hydraulically it makes better sense to do that; and then we want to have opportunities to have redundancy for existing wells, like Riley said if one goes down, we have another one ready to go. All we've got to do is pretty much flip the switch, and the downtime to our customers is really not evident. This is what we're also trying to do with our Wai'aha well site location if you guys recall. So anyway, that's in a nutshell of where we're at with this particular one. I think Ben had a question.

MR. NEY: My question is in regard to like when we're entering into these agreements, if there's inter-connectivity within our system and we can integrate a new well site within the hydraulics and stuff within the system, that's great, but also just looking at from a financial metric standpoint of going, "Is this a cost-benefit thing to the department?" I get the redundancy thing, but we want to make sure we do our due diligence to go, "This makes sense financially." Because if somebody dedicates a system to us and it's a long payoff period to really have those numbers in the positive, it's probably not a good decision from a financial standpoint.

MR. OKAMOTO: Good point, Ben. So just some background, and this is typical of developments, not just Riley's developments. We kind of got the driver's seat because they cannot proceed with their development unless they provide those Capital Improvement Projects. But as we all know, they don't develop and use all the water right after they finish building that well, so we kind of get that benefit from that infrastructure, operating and putting water into our system before they even get close to utilizing those units. Typically, when we enter into a Well Development Agreement we see that benefit, but we've got to look even beyond that, and fortunately for us their lands match the hydraulics that we need, which is not often always the case, right? So, if somebody wanted to dedicate a piece of property to us but it would take boosters, additional tanks, and additional transmission to even get it to work in our system, that's really not a win-win for our side.

MR. NEY: It would be capital intensive.

MR. OKAMOTO: From our side, yes. Great points. That's all again part of the discussion, and going into these types of agreements, and that's why Kurt is heavily involved because on the engineering side of things that's the factors that we need to consider.

MR. NEY: Yeah, as long as those are checked off. We don't want to shoot from the hip with (inaudible) agreements like that.

MR. OKAMOTO: That's why when we bring it to you folks, so we can have this kind of discussion.

MR. UNGER: Keith, so this site becomes a designated site for a secondary well, and so you have the ability to draw from all the other accessories from this person. So what happens to this site? Do you just land bank it or do you go and drill a well on it? Or what happens to the actual site if this gets approved and you now have a—?

MR. OKAMOTO: Great question. So now that we have the property, we don't have to buy it. Now we can do our planning and incorporate it into our CIP, a Five Year CIP that we bring to the Board. I don't know, Kurt, if you want to share a little bit more on the process.

MR. INABA: Yeah, just now it becomes a site available for us to program into. We've been searching for sites, too.

VICE CHR. KEKELA: Yeah, so it becomes two extra sites?

MR. OKAMOTO: Yes. Like I think Riley mentioned, we can have pretty much two wells that are close by, not to have them both pump at the same time.

MR. UNGER: Right, as a secondary.

MR. OKAMOTO: Yes, secondary.

MR. UNGER: Backup.

MR. OKAMOTO: And then the other site would be, I don't know how far away to the south.

MR. INABA: Couple miles. It's in an area located—that one we still got to look at the land. It's not a specific site like we have on this backup, so we've got to determine where we want it elevation-wise, how it fits into our system, like you mentioned.

MR. NEY: And there's no expedited schedule on this, this is kind of within the timeframe we want to do it and bring this up.

MR. INABA: Yes, it will be on our schedule.

MR. OKAMOTO: It will be more on our—for those backup wells. Riley folks already built that Palani Well and the reservoir, significant capital, turned it over to us. But at least it gives us options moving forward, because one of the most challenging things for us is when we need infrastructure improvements, but we don't have the property. There's only that band of properties that we want to consider, so we're kind of guard-railed in with our options, and now if a potential site is—you know the landowner is not agreeable, it becomes challenging to move forward. Oftentimes, if we can secure a site, that's a huge win for us.

MR. NEY: Sorry, one last, I just want to squeeze in, they're going to retain their water—

MR. OKAMOTO: Entitlements.

MR. NEY: Entitlements. Not with the subsidized rate on that water rate on that water, that just be the County rate.

MR. OKAMOTO: Yes, the water consumption. Yes, it's whatever the rate is.

MR. NEY: Okay.

MR. OKAMOTO: And actually at that point, it's our customers. We're billing those people that are using whatever water entitlements they receive to develop.

MR. NEY: Okay, it's not a discounted rate?

MR. OKAMOTO: Yes.

MR. NEY: Okay, got it.

VICE CHR. KEKELA: Okay, any more questions? I got one. Did the department assess the equipment, Palani No. 1, which has assessed the equipment—

MR. OKAMOTO: Oh yeah, we're all part of the plan review, even specking out down to the motor manufacturer horsepower of all that stuff.

VICE CHR. KEKELA: Is that kind of similar to the equipment that we use here for the department?

MR. OKAMOTO: Yes, but I think we subsequently downsize the capacity.

MR. INABA: Yes.

MR. OKAMOTO: Because they turned it over to us back in 2015.

VICE CHR. KEKELA: And it's already been—

MR. OKAMOTO: Repaired several times.

VICE CHR. KEKELA: Okay, thank you.

MR. UNGER: Side discussion. Do we have a quorum plus one?

MR. OKAMOTO: Five, yes.

MR. UNGER: Five. So okay, I will be recusing myself from voting. I'm a Board Member of Palani Ranch. Not Lanihau, but Palani Ranch.

VICE CHR. KEKELA: No further discussion. All in favor of the motion approval?

**ACTION**: Motion was carried unanimously by voice vote (Ayes - 5: Ms. Taaora; and Messrs. Bell, Lee, Ney, and Vice Chair Kekela; Excused: 1- Unger).

**B. TERMINATION OF SECOND SUPPLEMENTAL WELL DEVELOPMENT AGREEMENT:**

*Vice Chair Kekela asked if there was any testimony for this item. There being none, he continued with the agenda item.*

The developers, Lanihau Properties, LLC, West Hawaii Business Park, LLC, and Palani Ranch Company, Inc., subject to the approval of the Amended and Restated Well Development Agreement, propose to Terminate the Second Supplemental Well Development Agreement to remove encumbrances on properties identified in the Second Supplemental Well Development Agreement as security for mitigation measures which are being replaced with well sites.

**RECOMMENDATION**: It is recommended that the Board approve the Termination of Second Supplemental Well Development Agreement and that either the Chairperson or the Vice-Chairperson be authorized to sign the contract, subject to the review as to form and legality by Corporation Counsel.

**MOTION**: Mr. Ney moved for approval of the recommendation; seconded by Ms. Taaroa.

VICE CHR. KEKELA: Discussion?

MR. OKAMOTO: Again, this is still continuing to clean house on the prior agreements that were approved. I know it's a little confusing, but it's contained within that Amended and Restated Agreement, this Termination Agreement, which becomes an exhibit for that Amended and Restated Agreement, which is why it's in there.

But basically, because the Board just approved the prior agenda item, the Amended and Restated, now the next step is to terminate that Second Supplemental which is currently in effect. That I think removes the encumbrances from the original plus the supplementals as well as—yes, continues to assist with making the new agreement stand alone on its own.



MR. INABA: Encumbrances get recorded as well, the properties.

MR. OKAMOTO: Oh, specifically recorded on the properties?

MR. INABA: Yes.

MR. OKAMOTO: Okay, which is why I guess there's a whole pile of TMKs on it?

MR. INABA: Yes.

MR. OKAMOTO: Got it.

VICE CHR. KEKELA: Any questions from the Board?

MR. NEY: Just point of clarification. So this wasn't because of—there wasn't any specificity in the paperwork, or there were conditional things that had to be changed.

MR. OKAMOTO: Again, I think the encumbrances were, and that was to me fair on the developer's side, too. Correct me if I'm wrong, Kurt, Riley, or Tom, before it got turned over to us, again, the pump dropped. There was some potential damage to the casing. We just weren't sure yet before it got turned over to us, if that well was going to produce what it was anticipated to produce, which is why the Engineering Division, the Department, brought to the Board the solution to put these additional encumbrances as conditions for acceptance at that time. But since everything looks cool and we're moving forward with potential other well-development sites, we can terminate the—

MR. NEY: Okay, that was the unknown at that time, and then you guys figured out things look up to par.

MR. OKAMOTO: Yes.

MR. NEY: Okay.

MS. MELLON-LACEY: I don't know, other than that the encumbrances were no longer necessary.

MR. OKAMOTO: And the future well sites are big for us.

VICE CHR. KEKELA: Any other questions? Seeing none, all in favor of the approval say "aye."

**ACTION**: Motion was carried unanimously by voice vote (Ayes: 5 - Ms. Taaora; and Messrs. Bell, Lee, Ney, and Vice Chair Kekela; Excused: 1- Unger).

7) SOUTH KONA:

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

*Vice Chair Kekela asked if there was any testimony for this item. There being none, he continued with the agenda item.*

The Contractor, Hawaii Drilling and Pump Service (previously known as Beylik/Energetic A JV) is requesting a contract time extension of 88 calendar days, due to delays from the impeller Manufacturer

with providing the pump Manufacturer with the pump components for assembly and to correct mistakes with the impeller caused by the impeller Manufacturer. This was beyond the control of the Contractor. Staff reviewed the request for the time extension and the accompanying supporting documentation and found that 69 of the requested 88 calendar days to be justified. *Note: There are no additional costs associated with this time extension.*

Ext. #	From (Date)	To (Date)	Days (Calendar)	Reason
1	01/13/2023	07/07/2023	175	Delays from Manufacturer regarding recommended material and design changes.
2	07/07/2023	12/31/2023	177	Delays from Manufacturer for equipment and material substitution requests.
3	12/31/2023	01/31/2024	31	Delays from motor Manufacturer with providing the motor to the pump Manufacturer for fitment and shipping.
4	01/31/2024	03/31/2024	60	Delays from impeller Manufacturer with providing the pump Manufacturer with the pump components for assembly.
5	03/31/2024	06/08/2024	69	Delays from impeller Manufacturer with providing the pump Manufacturer with the pump components for assembly.
Total Days (including this request)			512	

**RECOMMENDATION:** It is recommended that the Board approve a contract time extension of 69 calendar days to Hawaii Drilling and Pump Service, for JOB NO. 2021-1179, KEEI #2A AND #3B BOOSTER REPAIR. If approved, the contract completion date will be revised from March 31, 2024 to June 08, 2024.

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

**MR. OKAMOTO:** Some background on this one is that, if you noticed, the time extension is pau, gone. Staff did a great job. We didn't bring it to the Board in advance because we still needed actual justification from the contractor to even consider or evaluate their time extension request, and that only recently came in, if you see on the attachment to your packet, the cover letter dated September 30<sup>th</sup>, that kind of bundled all the background information that would allow our staff then to evaluate the time extension request. I think they asked for 88 days, and staff reviewed it and determined that 69 of the 88 was justified, so that's why it's here in October meeting instead of back in—or even March, actually. So if there are any technical questions, that's why we got Eric here.

**MR. UNGER:** What is the status of the repair now?

**MR. TAKAMOTO:** The repairs have been completed.

MR. UNGER: Oh, that's good to know. Did they make it within the timeframe?

MR. TAKAMOTO: They did not, so they will be getting some liquidated damages.

MR. UNGER: Oh, okay.

MR. NEY: That's too bad we can't go to the manufacturer for liquidated damages.

MR. OKAMOTO: Some time ago, we tried to kind of impose that on the local contractors, and it was really tough because they really don't have any, I don't know what the word is, on the mainland manufacturers to get them to move faster or whatever it is.

MR. UNGER: Yeah, I think we've talked about this before, and everybody is frustrated and I can tell by you guys cutting the days by a very limited amount, just to make a point or whatever, and I always do come back to, you know, the only way to put pressure on the manufacturer is the contractor to put pressure on the manufacturer which has limited results, but if we are able to somehow find or add on the expenses for every extension to the contractor, that will force them or that will give them more incentive to really try to tell the manufacturer, "Hey, I'm getting burned on this because of your delay." I don't know, it's a tough thing. Like you said, you have limited competition here, and you start grinding them on this end, they'll just throw up their hands and not throw a contract down the (inaudible). I don't know what the solution is other than we spend most of us working, and he's talking about extensions.

MR. OKAMOTO: Yes, it's always been challenging.

MS. TAAROA: What is the penalty for the contractors when they don't make the deadlines?

MR. OKAMOTO: It's based on the liquidated damages table that we have in our General Requirements and Covenants, which is based on the overall contract amount. I believe for this contract amount, which is maybe up to \$150 per calendar day.

MR. INABA: Yeah, the max would be \$250.

MR. OKAMOTO: Max is \$250 on our table if it's a bigger project. Great question.

MR. UNGER: So in other words, if we didn't approve this extension would they be assessed this fine?

MR. OKAMOTO: Yes.

MR. UNGER: So they come to you, you come to the Board, if we approve it, then that is waived; if we don't, then it's assessed.

MR. OKAMOTO: Yes, and that's built into—it's part of the contract because our General Requirements and Covenants is a document that is incorporated with this construction or repair contract. It's something they know going into the contract that that's a part of it.

MR. UNGER: So going back to my original discussion, at some point, the Board can say no, and they're going to ripple down to the contractor and it's up to—and maybe then say, "Hey, I'll wait for it to start to roll downhill, but again, you don't want to upset the contractor so much that—if they're a couple of thousand dollars, \$5,000, \$6,000, \$10,000 in fines they will think twice about—or jack they'll the price the next time to recover it.

MR. OKAMOTO: Yes, that's the risk. Exactly, they could either escalate their price to maybe anticipate that risk, or they could say, "You know what, we're busy. We're cool right now. We won't even bid that one."

MS. MELLON-LACEY: But just to be clear, you're finding 69 days justified. I mean, that leaves 19 unjustified days, so they would be charged the liquidated damages for those days.

MR. UNGER: Good point.

MS. MELLON-LACEY: So that's a couple grand, right? That's a bite, I think.

MR. OKAMOTO: Depending on when they actually finish.

MR. UNGER: Right.

MR. OKAMOTO: So if they finished on June 9<sup>th</sup>, it would be only one day of liquidated damages. I don't know exactly when they finished.

MR. UNGER: So at least there is that fine written into it originally to get them out, and if nothing else, be timely and getting their extension.

MR. OKAMOTO: Right, and that's why we provide the Board too, and try to be as transparent to the Board and the public as well, is the email chain. Basically, we ask the contractor, "You got to show us you made an attempt with the manufacturer to get the product."

MR. UNGER: Yeah, right.

MR. NEY: What is our relationship in terms of level with the manufacturer? Not that it's our responsibility to intervene and try to get involved, but to be honest I hate people that are naggy, but sometimes if you're a squeaky wheel you get the grease. I mean a letter is—I mean for all we know, they could call, hey, just draft me a letter. Draft a letter just saying that there's a delay on your part, and we'll just submit it. They can understand we're going to honor the extension based on the letter. I mean do you think it's worthwhile if this does—I'm not the Board, but this seems like a monthly thing that we would ever get involved with going to the manufacturer and saying, "Hey, we need timely delivery of these orders."

MR. OKAMOTO: Sometimes we try to do that, you know when we go visit their booths up at the conferences. They of course say, "Yeah, yeah, we'll take care of you guys," and things like that, but we still see things like this. When we get larger projects too, we kind of don't want to go down that rabbit hole because we just don't have the staffing to be kind of doing the contractor's work for them. One could be a manufacturer, one could be the third-party distributor. It's really the contractor's responsibility to follow up with who is providing them the material.

MR. NEY: I hate to say it, but a lot of times things get prioritized based on persistence. You know, someone like bugs you, you're like I'm going to get this person off my back. They might put a little more tension on getting the delay—

MR. OKAMOTO: And I'm just guessing, this is just my thoughts, it is that even the contractors themselves kind of have to weigh—

MR. UNGER: Yeah, they don't want to

MR. OKAMOTO: Then the manufacturer can say—

MR. UNGER: Get in the back of the line.

MR. OKAMOTO: Yeah, because—“We kind of don’t need your business. We got big guys up on the mainland that’s buying a lot of stuff from us.” Anyway, it’s a tough one.

MR. UNGER: Looking by the email thread, Clayton Morrell was definitely on it so much that one response back, the question was, “This is in our test pit and will test after lunch.”

VICE CHR. KEKELA: All right, any further questions? (none) All in favor of the motion for approval say “aye.”

**ACTION**: Motion was carried unanimously by voice vote (Ayes: 6 - Ms. Taaora; and Messrs. Bell, Lee, Ney, Unger, and Vice Chair Kekela).

8) MISCELLANEOUS:

A. MATERIAL BID NO. 2024-15, FURNISHING AND DELIVERING OF IRRIGATION CONTROLLERS AND WIRELESS RAIN SENSORS FOR THE DEPARTMENT OF WATER SUPPLY:

*Vice Chair Kekela asked if there was any testimony for this item. There being none, he continued with the agenda item.*

Bids were received and opened on October 3, 2024, at 2:30 p.m., and the following are the bid results. This project is to purchase materials to incentivize and assist customers in reducing water consumption used for irrigation. This project is in the first year of a two-year project funded jointly by the Hawai‘i Community Foundation’s Fresh Water Initiative grant program and DWS that seeks to increase Hawai‘i’s long-term potable water security through conservation, recharge, and reuse across the state.

DESCRIPTION	Bidder	Unit Price	Total Bid
150 Irrigation Controllers	Central Supply Inc.	\$114.03	\$17,104.50
150 Wireless Rain Sensors	Central Supply Inc.	\$68.32	\$10,248.00
			\$27,352.50

Purchase(s) of materials will be made on an as-needed basis. Delivery to DWS is to occur no later than sixty (60) calendar days after the date an order is placed.

**RECOMMENDATION**: It is recommended that the Board award the contract for MATERIAL BID NO. 2024-15, FURNISHING AND DELIVERING OF IRRIGATION CONTROLLERS AND WIRELESS RAIN SENSORS FOR THE DEPARTMENT OF WATER SUPPLY to CENTRAL SUPPLY INC. for an amount of \$27,352.50 and that either the Chairperson or the Vice-Chairperson be authorized to sign the contract, subject to review as to form and legality of the contract by Corporation Counsel.

**MOTION:** Mr. Ney moved for approval of the recommendation; seconded by Ms. Taaroa.

**MR. OKAMOTO:** Okay, just some brief background. There's this Fresh Water Council made up of a lot of folks just in the Water space, I'm a member of that Council; the Manager for Honolulu Board; the various water utilities – DLNR, Kamehameha Schools. So this Fresh Water Council is right now currently housed under Hawai'i Community Foundation, and it's overall goal is basically to increase water security for our State through three main focused areas: improving conservation, reuse, and recharge. So we're trying to do our part, being a water utility, and what this will do, like what the write-up says, help "incentivize and assist customers in reducing water consumption used for irrigation." So, this is the first of a two-year program where we are getting some funds from Hawai'i Community Foundation, and basically that's what this is for. Kawika will actually handle any questions.

**MR. NEY:** The irrigation, how much strain does that put on our capacity? I mean one thing we should inform people of is that most people have their irrigation turned on at night so they're not losing water to evaporation during the day, there's drip irrigation. Other types of irrigation are water conserving, but it doesn't really interfere operationally us having enough volume of water to deliver to people; because if that's not the case, then I just don't see it as like an issue that we have to come back to protect the availability for consumption, hygiene, bathing, household use. It even has an adverse effect on revenue when people start scaling back, "Oh, I guess we don't need to pay the extra bucks for water," so that could have an adverse effect, whether in a beneficial effect. How do you, I guess, approach that or view that?

**MR. OKAMOTO:** Yeah, I mean we don't have real granular data, we have it more on larger scales, by a more system-basis. Kurt, chime in if you want, but one system in particular for example is our Lālāmilo System, that has a significant amount of irrigation. When we do have challenges within that system and we ask—Kurt guys actually asked the folks that are responsible for that irrigation, for multiple properties in fact, to help us out, cut back. Makes a significant difference, yeah?

**MR. INABA:** Significant.

**MR. NEY:** I just feel like how HELCO views low periods, high-use periods, low-use periods, and they're starting their rate structure base, you know with the Smart metering and stuff. It just seems like if we can get people to agree to have an irrigation program from whatever, 2:00 (a.m.) to 5:00 (a.m.), it's not really going to conflict with morning showers, morning use. I think that's just a better approach than asking people to scale back for usage.

**MR. INABA:** Maybe they can add that. Actually, the irrigation demand for that system is the "peak" use already, and that puts a little—at times a little strain on the system to catch up.

**MR. NEY:** It would be nice to work with customers to data log some of the consumption patterns and have a better understanding of that.

**MR. UYEHARA:** And that's part of this program too, is to work with customers in the Lālāmilo, North Kona systems, the residential one in particular. To provide this piece of equipment, say if they do have an irrigation but they might not have a sensor connected, this program will allow them, through an application process with our department, to receive equipment from us that has the sensor and irrigation controller. Yeah, like you said Ben, it can maybe be programmed a little bit better; or even based on the actual weather conditions, it can adjust the irrigation.

**MR. NEY:** The rain sensors are good. It just goes up on the (inaudible) and to the controller.

MR. UYEHARA: Yes.

MR. OKAMOTO: For us, moving forward, I know it will cut into our revenue, but part of our decision-making we got to understand that this fresh water is a pretty vital resource, and on an island such as ours it is limited. So for long-term viability, we want to make sure that the freshwater is used for its highest and most beneficial use, consumption, and hygiene versus irrigation.

And maybe even thinking beyond that, if we can get enough of our customers in these high irrigation areas to cut back their irrigation, we may not need to build another well. If we had our Kona customers cut back 10 percent, that's actually a million gallons a day, which is a capacity of one well, which we may not have to—or we could hold off on constructing, which is about \$7 million to \$9 million in and of itself. More than that, okay \$10 million. Okay, so we save \$10 million. We might have lost consumption, but we saved \$10 million in having to put in additional infrastructure.

MS. MELLON-LACEY: And I think more long-term though, the County is trying to look at getting into or wants to or are to reclaim the water used that are going to be used for irrigation, crops and things, but the distribution of that, it gets to the point where they produce it, it's kind of reclaiming waste water for irrigation use as well, but they're working on that. The County lacks a distribution system at this point.

MR. UNGER: There's been discussion—I think Kawika and I had this discussion. It's been a while, but it really resonated with me, I think there's a user on the North Kohala coast somewhere that irrigates the 225,000 gallons a day. At some point, I would think the Water Department would consider a maximum limit per day. I don't know how widespread that is, but that's just unbelievable that would even be a situation at some point.

MS. TAAROA: Some individual property?

MR. UNGER: One property. Unless I misheard. Kawika was saying—you I was talking to, or somebody was throwing that number out.

MR. UYEHARA: I'm not sure. But there are some high users, irrigation-wise.

VICE CHR. KEKELA: Speaking on that line, are we going to prioritize those as participants in this program, or are you guys just leaving it up—?

MR. OKAMOTO: At some point, I think we need to be proactive and reach out to those proactively. Kawika said yes.

MR. UYEHARA: Yes, we're going to look at the North Kona and the Lālāmilo systems first, and then we're going to look at the highest users in those systems, the residential customers, and then do an outreach campaign to those higher users first and explain the program we have going on.

MR. OKAMOTO: And still along this line because we're on that conservation topic, so our Water Rate Structure is established to discourage. If you get into that fourth block rate, you're paying significantly more than what a normal consumption rate would be.

MR. UNGER: Keep in mind though, that the one-percenters don't even look at their bill.

MR. OKAMOTO: Which is why those certain areas we'd like to probably focus on.

VICE CHR. KEKELA: Any further questions?

MS. TAAROA: Is it entirely grant-funded?

MR. OKAMOTO: Not entirely. I think we got some skin in the game, yeah Kawika?

MR. UYEHARA: Correct, we're matching dollar-for-dollar, so I think we got about \$30,000 from Hawaii Community Foundation, and we're going to match the \$30,000 of DWS funds.

MR. OKAMOTO: Yeah, good question.

MR. UYEHARA: Oh sorry, over the course of the two years.

VICE CHR. KEKELA: Any other questions? So no further discussion, all in favor say "aye." Any opposition? (none)

**ACTION**: Motion was carried unanimously by voice vote (Ayes: 6 - Ms. Taaora; and Messrs. Bell, Lee, Ney, Unger, and Vice Chair Kekela).

**B. DEPARTMENT OF WATER SUPPLY COLLECTION AND DELINQUENCY POLICIES:**

*Vice Chair Kekela asked if there was any testimony for this item. There being none, he continued with the agenda item.*

Information will be provided to the Board on status updates on collection efforts due to delinquent balances for water service charges with information on current policies and procedures in place for collection and water shut offs. Discussion will follow along with any recommendations that should be considered for future action.

VICE CHR. KEKELA: Is there any update from the department?

MR. OKAMOTO: Yes, I believe Candace has a few things to share.

MS. GRAY: I don't have a written update, but I can report that our Collection's personnel has been reviewing the remaining, let's say about 2,000 accounts, to provide a future update on the status of those delinquency accounts, and whether we can include that as far as monitoring the status of each report. We're also looking into reviewing our SOP (Standard Operating Procedures) in regards to collections.

MS. TAAROA: Does that mean that you have a dedicated person on collections on staff?

MS. GRAY: Yes.

MS. TAAROA: Is that in-house?

MS. GRAY: In-house, yes.

MR. NEY: I don't want to veer off the agenda, but I do want to close out that report, which Chair Lopez should have had a couple of months to review it, so if he has any objections, he could see me about it. So, maybe you can agendize that. I think that needs structural change.

MR. OKAMOTO: We hear you, Ben. Got it.



VICE CHR. KEKELA: Any other discussion, or questions?

C. MONTHLY PROGRESS REPORT:

*Vice Chair Kekela asked if there was any testimony for this item. There being none, he continued with the agenda item.*

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

MR. INABA: Just wanted update. For Lālāmilo, they actually finished the drilling and grouting the pro bowl. They do foundation checks. They actually drilled holes and filled it with grout, some 400 and something holed, and they completed that. They're starting to do the subgrade work, so they're bringing in material to the site to lay the foundation down for the tank. So I just wanted to update my update.

MR. NEY: When I was driving over the mountain road, I was kind of looking down upon Lālāmilo area, and I wouldn't know if that was a footprint of the project or not, but look like you could almost see a circular, but maybe that was—

MR. INABA: It could be.

MR. NEY: Yeah, perhaps, I don't know.

MR. INABA: Yeah, a very small section,

MR. NEY: Good, good.

MR. INABA: For Lead and Copper Rule revision, we've come to that deadline. We met the deadline, submitted everything to the Department of Health for the inventory, and also a public statement. So yes, we did not find any lead lines as well as no galvanized requiring replacement, it's just the category. We're good for now. They're still continuing further implementation of the road basically, which they pushed back some of the deadline, so we still have a little bit more of that to go, actually a lot more, which includes now revising who we collect samples from and everything like that. That will be kind of still work-in-progress right now.

VICE CHR. KEKELA: When you say there weren't any lead findings, is that like in our central lines or around the island period?

MR. INABA: On the island. For our system, it's basically—we don't have any lead main lines either. The pipe is actually made out of lead, so basically the inventory included from the water main, the service lateral which is our side, and the customer line to the house foundation.

VICE CHR. KEKELA: Oh, that's different?

MR. INABA: Yes. We had information on our side. This effort was really to gather information on the customer side. But yeah, we did do what's called a—I think our consultants explained it before, so we took a batch of unknowns and we did the inspections, through ways of statical/analysis approach. It's been deemed we don't have any lead in there.

MR. NEY: And this is a continuing and evolving thing we've got to do. I mean this thing was so (inaudible) such a quick bash and there wasn't great guidance on it, but who do we see on the refund on this? I'm just joking, but in all seriousness that was a lot of money to spend, yeah?

MR. OKAMOTO: Yeah.

MR. INABA: We do have some funding from the Department of Health though that prove some program that they recently funded.

MR. OKAMOTO: Typically, federal regulations are unfunded mandates that basically our customers are going to have to absorb if we have to adjust our rates. But in this particular case, again we work closely with our primacy agency, which is the State Department of Health, but they were able to, like Kurt said, find some funding that could be utilized for this effort, no guarantee that it could be used for future efforts.

MR. INABA: It actually cannot be used. Whatever we do in this project, as much as we can.

MR. NEY: Yeah, it is what it is.

VICE CHR. KEKELA: All right, no further updates?

MR. INABA: We're continuing to do the FEMA Recovery Projects, working with our consultants on getting those plans out. With Pohoiki, we did the blessing. Right now, I think they're just doing the construction stake out kind of stuff.

VICE CHR. KEKELA: That's Pohoiki Road.

MR. INABA: That one is actually Kapoho. Pohoiki Road, still trying to finalize the bidding for that one there. Advertise for bids.

VICE CHR. KEKELA: Any other questions? (none) Thanks, Kurt.

D. REVIEW OF MONTHLY FINANCIAL STATEMENTS:

*Vice Chair Kekela asked if there was any testimony for this item. There being none, he continued with the agenda item.*

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

(Note: At this time Finance Controller Candace Gray came forward and provided a brief overview of the Financial Statements for September 2024 to the members of the Board. A hard copy of the Financial Statements is available for viewing in the Department of Water Supply office.)

E. MANAGER-CHIEF ENGINEER'S REPORT:

The Manager-Chief Engineer to provide an update on the following:

North Kona Wells:

MR. OKAMOTO: Kawika will provide an update on the Kona Wells.

MR. UYEHARA: For North Kona, again we have 10 of our 14 sources online. Four that are offline are the same as last month. Mākālei, we actually had some progress. The contractor was able to get it started up. The well started up, but they're going to have to make some adjustments on the equipment.

As far as Wai'aha, we got word that the contractor got the pumping assembly equipment is on island, so that's a good, but they won't be able to proceed with the installation until some of the other work is done, other repairs are done, like Waimea.

And then Honokōhau, the fishing tool has been fabricated, but again we told the contractor to focus on Waimea Well, and once Waimea Well is repaired, then I think we'll have to figure out the next priorities.

The fourth that's offline is Holualoa, so we're working on the bid specs for that, and we hope we can advertise toward the end of this year, I believe. The system itself is still on the Water Conservation Notice. If there are any questions, I'm available.

MR. NEY: Hopefully, you get 14 out of 14 one day, on these well sites.

MR. OKAMOTO: That's the goal.

Employee of the Quarter – Mr. Okamoto announced that Mr. Warren Ching is Employee of the Quarter for the third quarter of 2024.

MR. OKAMOTO: This is one of the fun parts that we get to bring forward to you folks. The department has an Employee of the Quarter program, where we recognize some of our—we have a whole bunch of great employees, but it's an official program where we get to acknowledge them in front of you folks, give him a nice plaque and framed certificate, and pump them up because we can't pay them any more. With that, I'd like to introduce our Employee of the Third Quarter of the calendar year, and it is none other than our Energy Management Analyst, Mr. Warren Ching.

MR. CHING: I'll just say, just within the department, I can think of a bunch of people that deserve this award. It's really humbling, thank you.

MR. UYEHARA: Warren started off as a Mechanical Engineer and is now an Energy Management Analyst for us. He's always accepted some of the more challenging assignments, specifically recently spearheading our Public Safety Power Shutoff Program for our department, and in response to HECO's work, he's had to do a lot of coordination with Hawaiian Electric and our Operations Division. He's gone meticulously through our systems to try and identify how that type of PSPS would affect us and our customers, so I just wanted to point that out for him; and also, what you folks may not also see is every summer when we have our student helpers, I've asked him to mentor a college student helper every summer, and he's always been willing to do that and I think he's been great at, giving them useful work during the summer. Hopefully, reinvesting in some of the college kids that are taking classes in engineering, whether it's Mechanical or Electrical Engineering. Yes, definitely he's always willing to take those challenges, so thank you. Thanks, Warren.

MR. OKAMOTO: And does too good a job of that because they never come back to us, they go and work someplace that pays better. He's one of our best mentors for those young students, probably because he's closer to their age than some of us. Well deserving. That's all I have, Mr. Chair.

VICE CHR. KEKELA: One more

MR. GOODALE: We didn't get a chance to embarrass our Manager of the Year Nominee for the County of Hawai'i, but Kurt Inaba was the nominee to the department for Manager of the Year. Just to avoid that, he went all the way to Japan, just so he didn't have to get piled high with a bunch of leis. All kidding aside, Kurt puts in long hours, day in, day out. He's probably one of our most dedicated employees. I've worked around a lot of different folks within the County, and it's been a pleasure getting a chance to work with Kurt, but well-deserving of the Manager of the Year for the County of Hawai'i.

I also wanted to point out really quick that our Corporation Counsel (Diana Mellon-Lacey) was also nominated as Supervisor of the Year. But again, not to take the limelight off of Kurt, thank you, Kurt.

MR. OKAMOTO: Very well deserved. Thanks, Greg. Forgot about that.

F. CHAIRPERSON'S REPORT:

VICE CHR. KEKELA: For the Interim Chairperson's report, I just want to let everybody know that there's the Water Conference coming up this week. It's start on Kaua'i. They're going to take 13 staff members. So next meeting, we'll discuss the schedule, addressed by Kawena to bring that up. So that's it for a Chairperson's report.

9) ANNOUNCEMENTS:

- Next Meeting – November 26, 2024, 10:00 a.m., West Hawai'i Civic Center, Building G, 74-5044 Ane Keohokālole Highway, Kailua-Kona, Hawai'i.

10) ADJOURNMENT:

VICE CHR. KEKELA: Can I get a motion to adjourn?

ACTION: Mr. Ney moved to adjourn the meeting; seconded by Ms. Taaroa and carried unanimously by voice vote (Ayes: 6 - Ms. Taaora; and Messrs. Bell, Lee, Ney, Unger, and Vice Chair Kekela).

VICE CHR. KEKELA: This meeting is adjourned.

(Meeting adjourned at 11:17 a.m.)

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Recording Secretary

APPROVED BY WATER BOARD  
(November 26, 2024)