

**MINUTES**

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

September 22, 2009

Waimea Community Center, 65-1260 Kawaihae Road, Kamuela

MEMBERS PRESENT: Mr. Riley Smith, Chairperson  
Mr. Dwayne Mukai, Vice-Chairperson  
Mr. George Harai  
Mr. Francis Kuailani  
Mr. Bryan Lindsey  
Mr. Robert Meierdiercks  
Mr. Art Taniguchi  
Mr. Milton Pavao, Manager, Department of Water Supply  
(ex-officio member)

ABSENT: Ms. Millie Kim, Water Board Member  
Ms. Bobby Jean Leithead-Todd, Director, Planning Department (ex-officio member)  
Mr. Warren Lee, Director, Department of Public Works (ex-officio member)

OTHERS PRESENT: Ms. Kathy Garson, Assistant Corporation Counsel  
Department of Water Supply Staff  
Mr. Quirino Antonio, Jr., Deputy Manager  
Mr. Kurt Inaba, Engineering Division Head  
Mr. Daryl Ikeda, Chief of Operations  
Mr. Rick Sumada, Waterworks Controller  
Ms. Kanani Aton, Public Information and Education Specialist  
Ms. Julie Myhre, Energy Management Specialist  
Mr. Lawrence Beck, Engineering Division

**MINUTES**

**WATER BOARD  
PUBLIC HEARING ON  
PROPOSED AMENDMENT TO FREQUENCY AND METHOD  
OF CALCULATING THE POWER COST CHARGE**

Waimea Community Center, 65-1260 Kawaihae Road, Kamuela  
June 30, 2009

PRESENT: Mr. Riley Smith, Chairperson  
Mr. Dwayne Mukai, Vice-Chairperson  
Mr. Francis Kuailani  
Mr. Robert Meierdiercks

Mr. Art Taniguchi  
Mr. Milton Pavao, Manager, Department of Water Supply  
(ex-officio member)  
Mr. Quirino Antonio, Jr., Deputy Manager  
Ms. Kris "Kanani" Aton, Public Information and Education Specialist  
Ms. Candace Pua, Assistant Waterworks Controller  
Mr. Daryl Ikeda, Chief of Operations  
Mr. Kurt Inaba, Engineering Division  
Mr. Larry Beck, Engineering Division  
Mr. Craig Masuda, Deputy Corporation Counsel  
Mr. Christopher J. Bennett, Watanabe Ing LLP

CALL TO ORDER: 9:30 a.m.

CHAIRPERSON SMITH: I'd like to call to order the Water Board Public Hearing on the proposed new Cost of Power Adjustment Clause. Will the Public Hearing on the proposed new Cost of Power Adjustment Clause please come to order? The notice of this public hearing was published in the Hawai'i Tribune-Herald and in the West Hawai'i Today on June 5<sup>th</sup> and June 7<sup>th</sup>, 2009. Good morning. My name is Riley Smith. I'm the Chair of the Water Board, and we have our Board Members present here: Francis Kuailani, Dwayne Mukai, our Vice Chair, Bob Meierdiercks, member, and Art Taniguchi. We have a quorum. We also have our staff here. Would all of our staff members like to introduce themselves? Doreen, do you want to start? It's on my Agenda; I'm reading it.

STAFF MEMBERS: Doreen Shirota, Secretary; Kanani Aton, Public Information and Education Specialist; Kurt Inaba, head of Engineering Division; Quirino Antonio, Deputy Manager; Candace Pua, Assistant Waterworks Controller; Daryl Ikeda, Chief of Operations.

CHAIRPERSON SMITH: Craig, do you want to introduce yourself as Corp. Counsel?

CRAIG MASUDA: Craig Masuda, Corporation Counsel.

CHAIRPERSON SMITH: The Department of Water Supply is operated and controlled by this Water Board as provided by the Hawai'i County Charter. Section 63 of Part III, Chapter 54, HRS, and it reads as follows:

"The Board of Water Supply may fix and adjust rates and charges for the furnishing of water and for water services so that the revenues derived therefrom shall be sufficient to make the waterworks and water systems self-supporting and to meet all expenditures authorized by this part; the Board may establish variable rates among the several districts of the County, or among the areas served by the individual water systems within the County, for the purpose of establishing charges as closely as possible to the necessary amount required for the maintenance and operation of the particular individual water systems; provided no rates and charges shall be fixed or adjusted prior to the holding by the Board of a public hearing, public notice of which shall have been given not less than twenty days before the date set for the hearing. The notice shall state the time and place for the hearing and the proposed rates and charges to be considered thereat. The time within which the notice shall be given shall be computed by including the first day, and excluding the last day."

We are here to receive comments or testimony on the proposed amendment to the Power Cost Charge, from \$2.38 per 1,000 (gallons) to an appropriate revised charge. As stated in the hearing notice, all comments or testimony were to be filed in writing before the time of the hearing or are to be presented in person at the time of the hearing. We would like to follow this format as closely as possible; however, because there may be some of you who do not have any written statements but would like to testify or comment, we would like to afford you this opportunity to do so, but would like to limit such presentations to five minutes because of the time limit.

The hearing is now open for comments from the floor. Do we have anybody available to testify? Okay, hearing none, I would like to entertain a Motion that this Public Hearing be closed.

BOB MEIERDIERCKS: So moved.

CHAIRPERSON SMITH: Do I have a second?

FRANCIS KUAILANI: Second.

CHAIRPERSON SMITH: Second by Francis. Any discussion? All those in favor, say Aye.

BOARD MEMBERS: Unanimous ayes.

CHAIRPERSON SMITH: Any opposition? Hearing none, Motion carried. The Hearing is closed.

(Public Hearing adjourned at 9:35 a.m.)

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Senior Clerk-Stenographer

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

CALL TO ORDER - Chairperson Smith called the Meeting to order at 10:0X a.m.

STATEMENTS FROM THE PUBLIC:

None.

APPROVAL OF MINUTES:

MOTION: Chairperson Smith entertained a Motion to approve the Minutes of the August 25, 2009, Water Board Meeting. Mr. xxx so moved; seconded by Mr. xxxxx.

ACTION: Motion to approve Minutes was carried unanimously by voice vote.

APPROVAL OF ADDENDUM AND/OR SUPPLEMENTAL AGENDA:

**Chairperson Smith entertained a Motion to approve the addition of Supplemental Agenda Item No. 8 (H), regarding WATER RATE STUDY.**

**ACTION: Mr. xxxx so moved, seconded by Mr. xxxxx, and carried unanimously by voice vote.**

ACTION TO MOVE AGENDA ITEMS:??

??Chairperson Smith noted a request to move **Item 8 (A)**, INTRODUCTION OF STATE PIPE TAPPING TEAM CHAMPIONS OF 2009 to the top of the Agenda, ahead of **Item 5 (A)**, Job No. 2007-043, CONSTRUCTION OF THE WAIKOLOA RESERVOIR NO. 2 EARTHQUAKE REPAIRS, COUNTY OF HAWAI'I, STATE OF HAWAI'I, FEMA-1644-DR-HI, FIPS NO. 001-UVKJ8-00, PW NO. 638.

The Board approved the changes in sequence, by consensus.

SOUTH KOHALA:

A. **JOB NO. 2007-043, CONSTRUCTION OF THE WAIKOLOA RESERVOIR NO. 2 EARTHQUAKE REPAIRS, COUNTY OF HAWAI'I, STATE OF HAWAI'I, FEMA-1644-DR-HI, FIPS NO. 001-UVKJ8-00, PW NO. 638:**

The contractor, Goodfellow Bros., Inc., has requested an 82-calendar day time extension. This request is due to delays beyond the control of the contractor, and consists of 72 calendar days for rain-outs and unworkable conditions, and 10 calendar days for investigating the pending closure of the DuPont Hypalon CSM polymer manufacturing plant.

Burke Industries, the supplier of the Hypalon liner to be used for this project, was required to delay the shop drawing submittal while looking for an adequate alternate source of Hypalon CSM polymer. An alternate source was located, but Burke Industries issued another letter saying DuPont will manufacture enough CSM polymer to meet most, if not all, of the 2009 demand.

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

Staff has reviewed the request and finds that the 82 calendar days are justified. This is the first time extension request.

**1st time extension – 82 calendar days**

The Manager recommended that the Board approve a contract time extension to Goodfellow Bros., Inc. of 82 calendar days for JOB NO. 2007-043, CONSTRUCTION OF THE WAIKOLOA RESERVOIR NO. 2 EARTHQUAKE REPAIRS, COUNTY OF HAWAI'I, STATE OF HAWAI'I, FEMA-1644-DR-HI, FIPS NO. 001-UVKJ8-00, PW NO. 638. If so approved, the contract completion date will be revised from November 9, 2009 to January 30, 2010.

NORTH KONA:

A. **NO. 2004-839, KEŌPŪ-PU'UHONUA PRODUCTION WELL AND 1.0 MG RESERVOIR:**

The contractor, Isemoto Contracting Co., Ltd., requests a 74-calendar day time extension. This request is due to additional work requested by the Department for off-site waterline work needed to allow water from this project to feed into the Department's existing distribution system.

Staff has reviewed the request and finds that the 74 calendar days are justified.

This is the **fifth** extension request.

<b>Ext. #</b>	<b>From:</b>	<b>To:</b>	<b>Calendar Days</b>	<b>Reason for Time Extension</b>
1	8/19/2008	11/18/2008	91	Process building permit
2	11/18/2008	6/3/2009	197	Deepwell motor and pump manufacturing, shipping, testing
3	6/3/2009	7/10/2009	37	Clean and bail well
4	7/10/2009	9/30/2009	82	HELCO and Hawaiian Tel work
5	9/30/2009	12/13/2009	74	<i>Additional off-site waterline work</i>
<b>Total Days (including this request):</b>			<b>481</b>	

The Manager recommended that the Board approve a contract time extension to Isemoto Contracting Co., Ltd., of seventy-four (74) calendar days from September 30, 2009 to December 13, 2009, for JOB NO. 2004-839, KEŌPŪ-PU‘UHONUA PRODUCTION WELL AND 1.0 MG RESERVOIR.

**B. AMENDMENT OF WATER FACILITIES AGREEMENT – SEASCAPE DEVELOPMENT, LLC:**

On October 28, 2008, Seascape Development, LLC (“Seascape”) and the Water Board entered into a Water Facilities Agreement for the development, construction and installation of certain improvements and other water transmission-related facilities in the vicinity of the Water Board’s existing Kalaoa Well. Seascape was to also complete the engineering and design work, and assign the same, as well as obtain all necessary permits in accordance with DWS requirements within one year of the executed Agreement.

The current deadline is October 28, 2009. However, the current challenging economy as well as the bank liquidity crisis makes it impossible for Seascape to proceed on the schedule it originally had envisioned. Seascape is proposing to amend the Water Facilities Agreement to extend such submittal deadline to October 28, 2010, an extension of one year. Seascape feels that this new deadline will enable them to meet their obligations in the current economic climate.

Staff has reviewed the Amendment of Water Facilities Agreement and finds it acceptable.

The Manager recommended that the Water Board approve the Amendment of Water Facilities Agreement subject to review and approval by Corporation Counsel.

**SOUTH KONA:**

**A. TRANSFER OF 25 KSA II EQUIVALENT UNITS OF WATER – TAX MAP KEY 8-1-008:004:**

The department has received a request from Ms. Sharilyn Shields, with West Hawaii Excavating, Inc., on behalf of Robert E. and Amy Hagen Cowell, to transfer 25 water commitments attached to Tax Map Key Parcel 8-1-008:004, formerly owned by

Timothy and Sheryl Dernback, to the Amy Hagen Cowell Trust, the current owner of TMK Parcel 8-1-008:004.

The 25 units originated with the Kona Source Agreement II (also known as KSA II), under which DWS gave water commitments to landowners who helped invest in source water development.

The Manager recommended that the Water Board approve the transfer of water commitments for twenty-five (25) equivalent units from the former owners, Timothy and Sheryl Dernback, to the current owner, the Amy Hagen Cowell Trust.

**MISCELLANEOUS:**

**A. INTRODUCTION OF STATE PIPE TAPPING TEAM CHAMPIONS OF 2009:**

Members of the Waimea Pipe Tapping Team, the state champions for 2009, were introduced to the Water Board. The team is comprised of Mr. Norris Gonsalves, Pipefitter; Mr. Ted Lindsey, Pipefitter; Mr. Leonard Midallia, Lead Pipefitter; and Mr. Roy Miyasaki, Lead Pipefitter.

As state champions, the team will represent Hawai‘i in the national pipe fitting competition at next year’s American Water Works Association conference in Chicago.

**B. DEDICATION OF WATER SYSTEMS:**

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 AND BILL OF SALE**

Subdivision Application No. 2007-000677

Rodillas Subdivision

Grantor: Francis H. and Martha A. Rodillas

TMK: (3) 2-5-040:018

E.W.O. 2009-047

No. of Lots: 2

Zoning: FA-2A

Final Inspection Date:

(TBA)

Facilities Charge: \$5,500.00

Date Paid: 09/10/09

Water System Cost:

(TBA)

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

**C. VEHICLE BID NO. 2008-11, FURNISHING AND DELIVERING VEHICLES TO THE DEPARTMENT OF WATER SUPPLY:**

Mr. Ikeda provided an update on the location of the vehicles, which have arrived on U.S. soil.

**D. ENERGY MANAGEMENT ANALYST UPDATE:**

Ms. Myhre reported that XXX

E. **MONTHLY PROGRESS REPORT:**

XXX

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

XXXXX.

G. **POWER COST CHARGE UPDATE:**

A Public Hearing on the Power Cost Adjustment Clause was held today. The Public Hearing Notice was published in the Hawai'i Tribune-Herald and in the West Hawai'i Today on August 31 and September 2, 2009.

The Department's power cost charge (PCC) formula allows updating of the PCC as often as every two months. The PCC was changed to its present \$1.83 per 1,000 gallons effective July 1, 2009. The Power Cost Adjustment for August 2009 was **\$1.68** per 1,000 gallons.

The Manager recommended that the Water Board approve the proposed cost of the Power Cost Adjustment to **\$1.68** per thousand gallons based on the August 2009 calculations, effective the first day of the month after the proposed establishment of the rate by the Water Board.

H. **WATER RATE STUDY:**

The Department selected RW Beck to conduct a five-year rate study and is seeking approval of a contract totaling \$94,700. A budget of \$100,000 was set aside for the rate study in Fiscal Year 2010. The contract provides for the following tasks:

- Task 1 – Request for information, \$5,400.
- Task 2 – Develop revenue requirements, \$17,500.
- Task 3 – Prepare cost of service analysis, \$12,600.
- Task 4 – Develop rate options, \$15,700.
- Task 5 – Water Board workshop and Public Hearings. \$27,000.
- Task 6 – Draft and final reports, \$15,800.
- Task 7 – Hawaii excise taxes, \$700.

If the contract is approved, RW Beck and the Department will commence with Tasks 1–3 (October 2009–January 2010).

RW Beck will present the results of their revenue requirements and cost of service analyses to the Water Board, and seek input for providing three (3) rate options for the Water Board to consider (February 2010).

The Water Board selects which of the three rate options to take to public hearing (March 2010).

RW Beck returns to provide technical support for the selected rate option at public hearings in Hilo and Kona on consecutive days (April 2010).

Water Board approves final rates for implementation July 1, 2010 (May 2010).

Draft reports will be provided to the Water Board for their review and approval. Final reports will be provided to the Department after rate implementation.

Important Contract Assumptions:

- 1) RW Beck will not make any changes to the rate structure currently in place. In other words, the three rate options they will provide will continue to incorporate the 4-block rates, standby, power cost charges, and separate agriculture rates.
- 2) RW Beck will not analyze the Department's facilities charges, as any changes in these rates require the Department to conduct a "needs assessment" estimated at \$46,800.

RECOMMENDATION: It is recommended that the Water Board approve a contract with RW Beck to conduct a water rate study in the amount of \$94,700, and that the Chairperson or Vice-Chairperson be authorized to execute the contract subject to approval by Corporation Counsel as to form and legality.

I. **BUDGET STATUS AND PROPOSED ACTIONS:**

The status of the current budget was discussed, along with proposed actions implemented and anticipated savings. The Department provided the Board with its FY10 Budget Analysis.

J. **MANAGER'S REPORT:**

The Manager provided an update on the following:

1. Update on use agreement on KIC wells -- XXX.
2. Palani Road Transmission Project -- XXXXX.
3. Hawai'i Water Works Association (HWWA) '09 conference update -- xxxxxxxx
4. Use of lobbyists by City and County of Honolulu Board of Water Supply – xxx
5. DWS financial daily receipts procedures – xxxxxxxxxxxx
6. Status of filling Water Board vacancies – xxxxxxxxxxxx

**K. CHAIRPERSON'S REPORT:**

Chairperson to provide comments and/or information relating to the following matters of concern to the Water Board:

Discussion/Action regarding establishing an Ad Hoc Finance Committee --

Discussion/action included the creation of the committee, the scope of the matters to be investigated by the committee, and the selection of the members of the committee.

**ANNOUNCEMENTS:**

**1. Next Meeting:**

The next Meeting of the Water Board will be held on October 27, 2009, at the Department of Water Supply, Operations Center Conference Room, 889 Leilani Street, Hilo.

**2. Following Meeting:**

The following meeting of the Water Board will be held on November 24, 2009, at the Royal Kona Resort, Resolution Room, 75-5852 Ali'i Drive, Kailua-Kona.

**STATEMENTS FROM THE PUBLIC:**

None.

**ADJOURNMENT:**

Chairperson Smith called for a voice vote to adjourn the Meeting at xx:xx **a.m.? p.m.?**

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Senior Clerk-Stenographer

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

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

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