

MEETING MINUTES
BOARD OF WATER SUPPLY
Thursday, February 28, 2013

The Board of Water Supply, County of Kaua'i, met in regular meeting at the Board Conference Room in Līhu'e on Thursday, February 28, 2013. Chairperson Randall Nishimura called the meeting to order at 10:09 a.m. On roll call, the following answered present:

BOARD: Mr. Randall Nishimura, Chairperson
Mr. Clyde Nakaya
Mr. Sherman Shiraishi
Mr. Roy Oyama
Mr. Michael Dahilig
Mr. Larry Dill

ABSENT/EXCUSED: Mr. Raymond McCormick

Quorum was achieved with 6 members present at the time of roll call.

STAFF: Mr. David Craddick
Mr. Kirk Saiki
Mr. Val Reyna
Mr. Gregg Fujikawa
Mr. Dustin Moises
Ms. Marites Yano
Ms. Joy Buccat
Ms. Sandi Nadatani-Mendez
Mr. Jeff Mendez
Mr. Aaron Zambo
Ms. Mary-jane Garasi
Deputy County Attorney Andrea Suzuki

GUESTS: Mr. Harold Matsunaga
Ms. Barbara Pendragon, Kaua'i County Housing Agency

ACCEPTANCE OF AGENDA:

Mr. Oyama moved to accept the agenda; seconded by Mr. Shiraishi; with no objections, motion was carried with 6 ayes.

MINUTES:

Review and approval of:

Regular Board Meeting – January 24, 2013

Mr. Dahilig moved to approve the minutes of the Regular Board Meeting dated, January 24, 2013; seconded by Mr. Oyama; with no objections; motion was carried with 6 ayes.

At 10:12 a.m., Chair Nishimura called a recess to allow the Board to review the executive session minutes.

At 10:14 a.m., Chair Nishimura called the meeting back to order.

Review & Receive Executive Session Minutes:

Executive Session – January 24, 2013

Mr. Dahilig moved to approve the minutes of the executive session, dated January 24, 2013; seconded by Mr. Oyama; with no objections, motion was carried with 6 ayes.

CORRESPONDENCE/ANNOUNCEMENT

1. Welcome Deputy Manager, Kirk Saiki

Chair Nishimura welcomed Deputy Manager, Kirk Saiki to his first Board meeting and to wish him well in his new position.

2. Billing Service Assistant Short Term Position and Table of Organization

Chair Nishimura requested the Department to submit future position allocations, reallocations, or transfers for the Board's full knowledge.

Mr. Nakaya moved to receive the Billing Service Assistant Short Term Position and Table of Organization; seconded by Mr. Oyama; with no objections, motion was carried with 6 ayes.

Chair Nishimura commented that a new position was created. Unless the position is removed by the Board, the position may become a permanent in the future.

2. EMA – IT Strategic Plan version #1 draft dated 11-29-2012

Chair Nishimura acknowledged that the Board **Received for the Record** version #2 that was also emailed to the Board yesterday and posted for the public at www.kauaiwater.org.

Mr. Dill moved to accept version #2 as **Received for the Record**; seconded by Mr. Oyama; with no objections, motion was carried with 6 ayes.

Manager Craddick explained that last year the Board approved a budget for an IT Strategic Plan. The Department selected the consultant EMA who provided a draft. The Department then provided comments on the EMA – IT Strategic Plan draft dated, January 21, 2013. This draft had a provision to get new software for the financial plan.

Ms. Nancy Learner, EMA Consultant provided her testimony.

BACKGROUND:

Ms. Nancy Learner reviewed the IT Strategic Plan with senior staff who developed and used guidelines on how to evaluate potential technology investments. A business analysis was done on what the business needs are in the Department.

EMA identified ten (10) opportunities for the Department to make investments in either replacing older technology, modifying the way technology is used or adding some new pieces of technology. Some potential financial benefits were significantly in excess of the investment.

The cost of the technology will be outweighed by financial benefit, and there are areas of critical infrastructure needs (i.e., aging SCADA system, to renew technology infrastructure).

Ms. Learner explained by taking all ten (10) opportunities and looking at the annualized Return On Investment (ROI) using a six (6) year investment horizon, with the gloomiest estimate of what the cost would be, there would be a positive net present value.

DISCUSSION:

Mr. Shiraishi inquired if the EMA report was for the Board's review or will there be a follow up on implementation.

Manager Craddick commented that next month the budget will include items dealing with the IT financial plan. Further comments will not be needed. In the budget, the Department will implement SCADA issues since it is not giving historical information because the servers are not functioning. During the draft audit report, the IT plan may take until 2015 but the Board wanted to start sooner. This implementation will begin before the current budget year ends.

Chair Nishimura inquired what the overall present value of the 10 opportunity benefits would be.

Ms. Learner used conservative projections of benefits at \$430,000 (net present value) and \$2.37 million during the six year window range. The wide range was due to an extensive range of cost assumptions. At the low end of the range, EMA was optimistic about what the cost for contract services would be and the ability to utilize the existing software investment. The cost of staff time was not included. Ms. Learner explained at the high end of the cost range, EMA made gloomier assumptions about the viability of the existing software and included the cost of internal staff time.

The total return is between a range of 2% and 37% for the annualized ROI by looking at cumulative cost and benefits over a six year window. For deferred investments, there was only a tiny window of benefits.

On the high priority projects, chart of accounts and the financial system, the EMA annualized ROI is between 14% and 42%. There is significant benefit for the Department to make this investment. For the SCADA investments, the projections are between an annualized ROI of -7% to positive 1%. This is not only a financial decision; it is critical infrastructure investment that should be made.

Mr. Dill commented that the use of open architecture software as the guideline is one of the Department's strategic plan initiatives. The report mentioned only one person from Engineering was interviewed. Ms. Learner will need to interview the Engineering staff for a better representation on the report.

This is an ambitious IT plan with two (2) staff assigned to implement the IT plan and one (1) staff to focus on the SCADA.

The other nine issues with the existing two (2) staff raised Mr. Dill's concern whether the Department can implement the plan with only 2 staff members.

Chair Nishimura's concern is that the IT Plan has not been adopted by the staff or the Board and that the funding is quite significant.

Chair Nishimura questioned the Department on: 1) What are the Department's priorities? 2) What is the spending plan for the next three (3) years? 3) What are the means for implementing the plan?

Mr. Nakaya moved to refer the EMA-IT Strategic Plan, *Version #2* back to the Department for their recommendation for adoption and implementation; seconded by Mr. Oyama; with no objections, motion was carried with 6 ayes.

3. DOW - Long Term IT Strategic Plan, Jeff Mendez dated March 2012

BACKGROUND:

Manager Craddick indicated the only purpose of the DOW – Long Term IT Strategic Plan was to see where the Department started from. It is not necessary to evaluate the final plan.

Mr. Nakaya moved to receive the DOW - Long Term IT Strategic Plan, Jeff Mendez *dated March 2012*; seconded by Mr. Oyama, with no objections; motion was carried with 6 ayes.

BOARD COMMITTEE REPORTS

1. Report of the Finance Committee of the Kauai County Board of Water Supply
 - a. Water System Development Fee – Report to the Finance Committee
 - b. Needs Assessment Study and FRC *revised* January 24, 2013
 - c. Part 4 Fixing Rates for Water Service, Section VII Facilities Reserve Charge

Mr. Dill reported that the Finance Committee met on February 5, 2013 on the topics which were referred back to the Department and the consultant for further analysis. A Finance written report will be submitted in the future.

OLD BUSINESS

None

NEW BUSINESS

1. **Manager's Report No. 13-25 - Request Board Approval and Funding for Job No. 13-3, Water Plan 2020 Job No. PLH-44b, Lihue Mill Bridge Waterline, Lihue, Kauai, Hawai'i**

BACKGROUND

Manager Craddick reported that this is a continuation on a road widening project which was completed. A 16" line was put in and was relocated by the state. The Department is upsizing the 16" line which will go underneath a thick concrete road for the future. The previous pipeline has a large portion that was asbestos concrete. This portion will go where the road ends pass the bridge and is estimated at \$633,500 with a 5% contingency and is being done on a force account basis. Funding is coming out of the Build America Bond (BAB) and is an expansion project. The state is still paying for the 16" line portion which is a replacement.

At 10:34 a.m., Chair Nishimura called for a 5 minute recess.

At 10:37 a.m., Chair Nishimura called the meeting back to order.

Manager Craddick emphasized that the BAB had a project list that was upsizing the line which is a specific number. This phase has a different job number which is part of the same project and is in the Department's budget. The job number does not have anything to do with the approval of the project.

Chair Nishimura inquired if the bond counsel was consulted to insure that the job would be covered by the bond.

Manager Craddick acknowledged he did not consult with the bond counsel. The issue is in the project list. Consulting with the bond counsel may take about a month.

Chair Nishimura inquired if the FRC fund can carry this cost.

Ms. Yano acknowledged the FRC fund could carry the cost of \$632,000.

Chair Nishimura expressed a few concerns: 1) If the BAB cannot fund this, can the FRC fund the project, which would an alternative? 2) This needs to be taken care of with the bond counsel so that this will not jeopardize the bond funds, 3) Mr. Shiraishi suggested a conditional approval on confirmation from bond counsel, 4) Manager Craddick indicated the project list would have to be amended if this is funded under the FRC.

Manager Craddick shared a concern that the FRC could be funded for the next budget year only after that with no increase in the fee the Department may or may not have enough money to fund the debt service under the FRC funds. We are trying to avoid taking cash out the FRC funds due to not a lot of excess funds. If any cash is taken out, it moves closer the time table of bankruptcy of the fund closer.

Mr. Shiraishi inquired if this project will be covered by the BAB fund.

Manager Craddick feels it could be with Board approval; the job numbers does not make any difference if they are listed or not. Only the project must be listed which it is.

Mr. Dill questioned if the scope is just as important.

Manager Craddick commented that the Department knew this was coming up and the scope was to take it to Kaua'i Community College (KCC) and to tie in with Līhu'e Town.

Chair Nishimura questioned when the Department was considering the overall project, why was this not presented earlier?

Manager Craddick explained that the state is doing this in two (2) phases and the Department did not have the option in one phase.

Chair Nishimura commented that if the state did not go on with the Līhu'e Mill Bridge, this project would not be in consideration, which suggests two different scopes.

Mr. Dill suggested the Department needs to be consistent with what the Department decides to do before going to the bond counsel.

Construction Project Management Officer, Mr. Dustin Moises acknowledged there was no Scope of Work on the BAB; only a list of projects. In the past, the Board wanted to make sure the projects were on the list. The Department should research and amend the list next month for approval.

Mr. Shiraishi moved to approve Manager's Report 13-25 Request for Funding for Job No. 13-3, Water Plan 2020 Job No. PLH-44b, Lihue Mill Bridge Waterline, Lihue, Kauai, Hawaii subject to Scope of Work favorable opinion from bond counsel that this project is covered by the bond documents; seconded by Mr. Oyama; with no objections, motion was carried with 6 ayes.

2. Manager's Report No. 13-26 – Manager's Response to Ms. LaVerne Bessert's letter, dated December 19, 2012

BACKGROUND:

Manager Craddick explained that Ms. Bessert is requesting the Department to waive a portion of her bill based on hardship.

DISCUSSION:

Based on the Department's Rules and Regulations, the staff cannot authorize Ms. Bessert's request because this was not an underground leak. Staff has offered Ms. Bessert to make installment payments (refer to Ms. Yano's response letter to Ms. Bessert dated February 7th).

Commission Support Clerk spoke to Ms. Bessert inviting her to the Board meeting. Ms. Bessert decided not to attend but will be making small payments.

Chair Nishimura requested the Department to develop a Standard Operating Procedure (SOP) for customers who request a waiver for portions on their bill. If a customer comes to the Department first, the Department should acknowledge their request with a letter explaining why the Department cannot grant them a waiver. The customer has an option to get a declaratory ruling by laying out the procedures for them.

Mr. Dahilig moved to receive Manager's Response to Ms. LaVerne Bessert's letter, dated December 19, 2012; seconded by Mr. Oyama; with no objections, motion was carried with 6 ayes.

3. Manager's Report No. 13-27 - Manager's Response to Mr. Harold Matsunaga's letter, dated January 3, 2013

Mr. Harold Matsunaga provided his testimony.

Mr. Matsunaga distributed his meter readings the past six (6) months for the record to the Board.

WATER METER READINGS

RECEIVED FOR THE RECORD

<u>METER READING</u>	<u>DATE-2013</u>	<u>TIME</u>
828 330	JANUARY 2	1:18 PM
828 650	JANUARY 3	9:13 AM
828 910	JANUARY 4	8:41 AM
828 970	JANUARY 4	3:57 PM
829 130	JANUARY 4	4:23 PM
829 190	JANUARY 5	7:58 AM
829 460	JANUARY 6	12:07 PM

829 730	JANUARY 7	8:50 AM
829 970	JANUARY 8	8:46 AM
830 230	JANUARY 9	9:36 AM

FOR EIGHT(8) DAYS, I USED 1,900 GALLONS OF WATER-- WHICH
AVERAGED OUT TO 237.5 GALLONS PER DAY

Submitted by: Harold Matsunaga

~~XXXXXXXXXXXXXXXXXXXX~~
~~XXXXXXXXXXXXXXXXXXXX~~

~~XXXXXXXXXXXXXXXXXXXX~~

METER READING

DATE-2013

TIME

830 230

JANUARY 9

9:36 AM

844 390

FEBRUARY 27

5:00 PM

14,160 GALLONS USED FROM 1/9/13 TO 2/27/13 (49 DAYS)

22. days In January

27 days In February

289 GALLONS DAILY AVERAGE

Submitted by: Harold Matsunaga

XXXXXXXXXXXXXXXXXXXX

XXXXXXXXXXXXXXXXXXXX

Department of

Water

County of Kaua'i

DEPARTMENT OF WATER

County of Kaua'i
4398 Pua Loke Street
Lihue, HI 96760-1600
www.kauaiwater.org

Water Bill Questions?808-245-5442
Water Trouble? (8:00 am to 4:30 pm)808-245-5444
Call Police Dispatch (After hours, holidays, weekends) ..808-241-1711
Office Hours: Monday thru Friday 8:00 am to 4:15 pm

Water has no substitute... Conserve It!

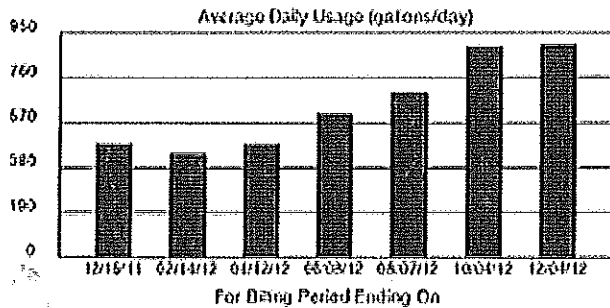
ACCOUNT INFORMATION

Account Number ~~XXXXXXXXXXXX~~
Name HAROLD MATSUNAGA
Address ~~XXXXXXXXXX~~
Billing Date 12/05/2012
Meter Number 08100381
Meter Size 5/8"

BILLING SUMMARY (See back for details)

Service Period 10/04/2012 - 12/04/2012
Previous Balance \$351.12
Payments \$351.12
Adjustments \$0.00
Current Charges \$376.20
TOTAL AMOUNT DUE \$376.20

Payment Must Reach Us By 12/24/2012
ABP Amount will be deducted on 12/24/2012



DATE	BILLED	THOUS. GAL	DAYS	GAL/DAY
12/04/2012	\$376.20	55	01	902
10/04/2012	\$351.12	62	58	897
08/07/2012	\$256.93	42	60	700
06/08/2012	\$180.70	35	57	614
04/12/2012	\$140.58	26	58	463
02/14/2012	\$132.00	27	61	443
12/15/2011	\$129.48	28	58	463

Indicate address changes below. Please detach and return bottom portion with your payment.

DEPARTMENT OF WATER
County of Kaua'i
4398 Pua Loke Street
Lihue, HI 96766-1600



10027001009376000037620

ACCOUNT NUMBER

~~XXXXXXXXXXXX~~

PAYMENT MUST REACH US BY

12/24/2012

PAYMENT MUST REACH US BY date applies to Current Charges only. All past due amounts are due immediately.

TOTAL AMOUNT DUE

\$376.20

AMOUNT ENCLOSED - KAUAI

DO NOT PAY

THANK YOU

Make checks payable to: DEPARTMENT OF WATER



130 1 AV 0350
HAROLD MATSUNAGA
~~XXXXXXXXXX~~
~~XXXXXXXXXX~~

18754126
1K16F5-18111
000136

DATE	PAYMENTS/ADJUSTMENTS/CHARGES	AMOUNT	BALANCE
	Previous Balance		351.12
10/24/2012	Payment - Thank You	-351.12	
	Balance before Current Charges		0.00
	Water Charge		
	Water Service Charge	28.80	
	Power Adjustment Charge (per 1000 gallons)	17.05	
	55 @ 0.310 = 17.05		
	Water Usage Charge (per 1000 gallons)	330.35	
	2 @ 3.400 = 6.80		
	12 @ 3.900 = 46.80		
	14 @ 4.500 = 63.00		
	8 @ 7.600 = 60.80		
	10 @ 8.050 = 80.50		
	Total Water Charges		376.20
	TOTAL AMOUNT DUE		\$376.20

Payment Must Reach Us By 12/24/2012

Motor No: 08100381 Curr Rdg: 817 Prev Rdg: 762 Cons: 55 thousand gals

**** This is much higher than your usual consumption. ****

**EXPLANATION OF CHARGES
GENERAL USE RATE**

- SERVICE CHARGE:** For each service, there shall be a charge per month based on the size of the meter, regardless of the amount of water used.
- USE CHARGE:** In addition, you are charged for each 1,000 gallons of water you use based on block threshold rates.

HOW TO PAY YOUR BILL

- By mail using the enclosed envelope. Please allow sufficient time for payment to arrive by the PAYMENT MUST REACH US BY date.
- By Automatic Bill Payment from your checking or savings account.
- In person at our office or at our night deposit box at 4398 Pua Loke Street, Lihue.
- There is a \$7.50 charge for all dishonored payments made by check or Automatic Bill Payment.

**MOVING/VACATING, START/STOP SERVICE,
CHANGE NAME/ADDRESS**

All water charges will continue to be your responsibility until you notify us to close your account under your name.

NOT PAYING YOUR BILL ON TIME

- If payment is not received by the PAYMENT MUST REACH US BY date on your bill, the entire amount that becomes past due and a Final Notice will be issued.
- If you receive a Final Notice, please pay all past due payments at our Business Office at 4398 Pua Loke Street, Lihue.
- If your water is turned off for non-payment you will be required to pay your bill in full plus a turn-on charge before your water can be restored. You may also be required to pay a cash deposit.

ESTIMATED READING

We try to read your meter each billing period. However, if it is not possible to do so, we will estimate your consumption based on your recent average water usage. Please help us by keeping your meter accessible and clear of cars, debris, foliage, and dogs.

DIRECT LINE NUMBERS

Water Bills & Existing Water Service Questions... 808-245-5442
New Water Service Applications... 808-245-5430
Public Relations/Conservation... 808-245-5455

To ensure proper credit to your account, write account number on check, and do not punch holes, staple, fold or mutilate this form. Thank you. Please make sure address appears in the envelope window.



Department of Water Supply
County of Kauai
4398 Pua Loke St.
Lihue, HI 96706-1000

Department of



DEPARTMENT OF WATER
 County of Kauai
 4300 Pua Loko Street
 Lihua, HI 96766-1000
 www.kauaiwater.org

Water Bill Questions?800-246-6442
 Water Trouble? (8:00 am to 4:30 pm)800-246-6444
 Call Police Dispatch (After hours, holidays, weekends) ..808-241-1711
 Office Hours: Monday thru Friday 8:00 am to 4:15 pm

Water has no substitute... Conserve It!

ACCOUNT INFORMATION

Account Number ~~XXXXXXXXXX~~
 Name MATSUNAGA, HAROLD
 Address ~~XXXXXXXXXX~~
 Billing Date 01/25/2013

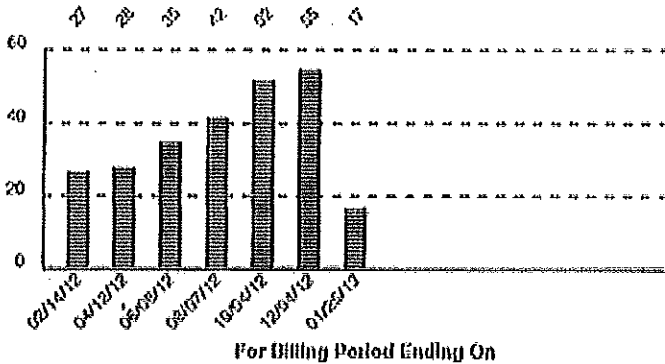
BILLING SUMMARY (see back for details)

Previous Balance \$370.20
 Payments -\$370.20
 Adjustments \$0.00
 Corrections \$0.00
 Current Charges \$08.02

TOTAL AMOUNT DUE \$08.02

PAYMENT MUST REACH US BY 02/14/2013
 ABP Amount will be deducted on 02/14/2013

Bill Period Usage (kgal)



Water Usage Profile

DATE	THOUS. GAL	DAYS	CURRENT CHARGES
01/26/2013	17	62	\$08.02
12/04/2012	65	61	\$370.20
10/04/2012	62	66	\$351.12
08/07/2012	42	60	\$268.03
06/08/2012	35	67	\$100.70
04/12/2012	28	58	\$140.88
02/14/2012	27	61	\$132.00

Handwritten notes: "Total of 327"

Indicate address changes below. Please detach and return bottom portion with your payment.

DEPARTMENT OF WATER
 County of Kauai
 4300 Pua Loko Street
 Lihua, HI 96766-1000



ACCOUNT NUMBER

~~XXXXXXXXXX~~
~~XXXXXXXXXX~~

PAYMENT MUST REACH US BY

02/14/2013

PAYMENT MUST REACH US BY date applies to Current Charges only. All past due amounts are due immediately.

TOTAL AMOUNT DUE

\$08.02

AMOUNT ENCLOSED -- KAUAI

DO NOT PAY

THANK YOU

Make checks payable to: DEPARTMENT OF WATER



210 1AV 0360
 MATSUNAGA, HAROLD
~~XXXXXXXXXX~~
~~XXXXXXXXXX~~

10-53153
 ST.10-53-210-T 1
 000210

Mr. Matsunaga's explained that the meter reading and his water bill are different. From August 2012, the water bill went up drastically. As soon as the bill went up to \$300, Mr. Matsunaga knew there was something wrong. When Mr. Matsunaga shuts the meter off there is no leak and the meter does not move. Mr. Matsunaga thought it was a mistake and waited for the next month's bill which was higher.

Mr. Matsunaga does not know how the bill went up to 900 gallons a day for two people in the house or where the water is going. The last two payments in 2012 were over paid because he had to pay the bill.

The meter readings provided to the Board indicated a usage of 300 gallons a day which Mr. Matsunaga does not use a day.

Mr. Matsunaga spoke to Mr. Mel Yamase and was told that was his bill. Mr. Matsunaga later spoke to Ms. Yano who provided good customer service on his complaint.

Only after Mr. Matsunaga came into the office to complain, his bill went down to \$98.00 from his last bill for one month of \$300. Mr. Matsunaga questioned how did the bill go down to \$98.00?

DISCUSSION:

Mr. Shiraishi indicated the bill may have gone down because the Department began monthly billing.

Mr. Matsunaga indicated if the bill is monthly; his bill would be about \$200 which he feels is reasonable, but a bill of \$347 is high.

From January 9th to February 27th (49 days), Mr. Matsunaga's water use was 14,160 gallons which average out to 289 gallons. His current bill does not list the gallons per day and suggested the bill should list gallons per day.

Manager Craddick inquired if the graph showed less water used. Mr. Matsunaga stated if two months are listed together, it should be less than \$200.

Chair Nishimura questioned if Mr. Matsunaga was on the island from August 2012 to December 2012. Mr. Matsunaga indicated he was on the island during that time.

Mr. Dahilig inquired if Mr. Matsunaga went to Las Vegas (5-6 days) during the summer but not during the time the bill was high. Mr. Matsunaga traveled to other places and Las Vegas not more than twice last year.

Mr. Matsunaga timer is on the irrigation system from 4:00 p.m. to 4:20 p.m. He does not know the number gallons that are used when the timer is on. The daily usage it is under 300 with the timer for cooking, washing dishes, laundry, bathing and watering the plants.

Chair Nishimura referenced the consumption on September 23rd and 24th. The meter readings Mr. Matsunaga provided the Board was outside the log. Between 5:00 p.m. to 8:00 a.m. most people are sleeping. Mr. Matsunaga does not hear any water running through the pipes at night.

Chair Nishimura inquired if Mr. Matsunaga's meter was changed since December 2012 and January 2013. Mr. Matsunaga was not aware if his meter was changed.

Mr. Matsunaga indicated he went to the mainland early October and returned mid October.

Mr. Dahilig asked Mr. Matsunaga when he leaves his house does his neighbors know he is gone? Mr. Matsunaga indicated someone picks up his mail but does not tell his neighbor when he is not home. Mr. Dahilig suspects evidence on patterns of extremely high water usages in very short burst on the period of times (2:00 a.m. or 9:00 p.m.). Mr. Matsunaga does not believe his neighbor is stealing his water.

Mr. Dahilig pointed out there is high usage of hundreds of gallons in November continuously over a three day period and then it just stops. There is a suspicion that someone is taking water from Mr. Matsunaga.

Mr. Matsunaga's meter has been under 300 gallons since January 2nd to January 9th. Usually the meter reading would indicate 1,000 gallons within three days.

At 11:08 a.m., Chair Nishimura moved out of the Regular Board meeting into the executive session.

Mr. Dahilig moved to go into a brief executive session to discuss with the Deputy County Attorney Andrea Suzuki as it relates to issues of Standards of Proof and Findings of Fact with the Board; seconded by Mr. Oyama; with no objections, motion was carried by 6 ayes.

Roll Call: Board Member Mr. Nakaya, Board Member Mr. Shiraishi, Board Member Mr. Oyama, Board Member Mr. Dill, Board Chair Mr. Nishimura [5 members present]

At 11:17 a.m., Chair Nishimura reconvened the Regular Board meeting.

Mr. Dahilig mentioned that the staff should share the hourly meter readings to review the areas of high usage.

Mr. Dahilig also requested Mr. Matsunaga to provide the Department evidence that he was out of town or whether there was malfeasance with the water (ie. boarding passes, travel tickets that show he was not in the house).

Mr. Matsunaga further explained when he is gone, only one person is home to check the mail or stay overnight but not continuously. The house is not vacant for two to three weeks at the time.

Mr. Matsunaga will inform the Department on his March, April, and May statements, if there is heavy water usage occurring around 2:00 a.m.

Mr. Dahilig requested Mr. Matsunaga the opportunity to provide any evidence to the Department on why his water was high from August 2012 to December 2012.

Mr. Matsunaga does not have any record of where he was in September 2012 and could not provide any other evidence.

Mr. Dill observed a pattern of high water usage on Friday nights. If someone in Mr. Matsunaga's neighborhood is using a lot of water on Friday nights, they could be connecting to a hose bib that is connected to his water pipe. Mr. Matsunaga agreed to monitor the water meter on the weekends.

Mr. Matsunaga thanked the Board of allowing him to speak.

Chair Nishimura suggested allowing Mr. Matsunaga time to think about the request to provide evidence of high water usage. There may be other issues and Mr. Matsunaga may come back.

Manager Craddick will produce a consumption download from the end of the current record to a current account for the drop in Mr. Matsunaga's current bill.

Mr. Oyama questioned if the Department at times changes the meters.

Manager Craddick has tested meters in the past for proper functioning; then the meter is re-installed. This is the first time the Department has received Mr. Matsunaga's record. If the records do not match up, the Department will continue to investigate.

Mr. Dahilig moved to defer Manager's Report No. 13-27 - Manager's Response to Mr. Harold Matsunaga's letter, dated January 3, 2013 to the March Board meeting; seconded by Mr. Oyama; with no objections, motion was carried with 6 ayes.

4. **Manager's Report No. 13-28 - Adoption Request of Amended Resolution No. 12-3 (11/11), Pertaining to State Revolving Fund (SRF) Funding for Job No. 02-15, WK-28, Wailua Houselots Main Replacement, Phase I**

Manager Craddick acknowledged that a *Revised Manager's Report No. 13-28* was distributed to the Board members.

At 12:26 p.m., Mr. Dahilig exited the meeting.

Mr. Nakaya moved to **Receive for the record the Revised Manager's Report No. 13-28** - Adoption Request of Amended Resolution No. 12-3 (11/11), Pertaining to State Revolving Fund (SRF) Funding for Job No. 02-15, WK-28, Wailua Houselots Main Replacement, Phase I; seconded by Mr. Shiraishi; with no objections, motion was carried with 5 ayes.

At 12:29 p.m., Mr. Dahilig re-entered the meeting.

DEPARTMENT OF WATER

County of Kaua'i

"Water has no Substitute -- Conserve It!"

RECEIVED FOR THE RECORD

MANAGER'S REPORT No.13-28 (REVISED)

February 28, 2013

Re: Adoption Request of Amended Resolution No. 12-3 (11/11), Pertaining to State Revolving Fund (SRF) Funding for Job No. 02-15, WK-28, Wailua Houselots Main Replacement, Phase I

RECOMMENDATION:

Amend and Approve Resolution No. 12-3 approving the Receipt & Expenditure of Monies from DWSRF for Six Million Six Hundred Seventy One Thousand Dollars (\$6,671,000).

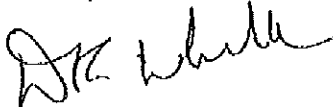
BACKGROUND:

The Board of Water Supply approved Resolution No. 12-3 on 11/23/2011 approving the receipt and expenditure of monies for DW400-0004 Job No. PLH-03, Kahili Horizontal Directional Drilled Well for \$2M and DW413-0008 Job No. 02-15, WK-28, Wailua Houselots Main Replacement, Phase I for \$4M, a combined total of SIX MILLION DOLLARS (\$6,000,000).

Job No. 02-15, WK-28, Wailua Houselots Main Replacement, Phase I was contracted at \$4,671,000. Since the contracted amount is higher than the original amount requested, it is recommended that the Board amend and approve the receipt of additional \$671,000 to increase the initial request from \$4M to \$4.671M for this particular project.

If approved, the amended combined total amount for Resolution No 12-3 will be changed from Six Million Dollars (\$6,000,000) to Six Million Six Hundred Seventy One Thousand Dollars (\$6,671,000). Both projects qualify for the green energy grant and would provide the Department principal forgiveness of \$1M for DW400-0004 AND \$750K for DW413-0008 respectively.

Respectfully submitted,



David R. Craddick, P.E. C.E.M.,
Manager and Chief Engineer

Attachment: Amended Resolution No. 12-3 (2-28-13)
Resolution No. 12-3 (Adopted 11-23-11)

DC:mjg
Mgrcp/Amended Res. No. 12-5 (11/11)(02-28-13):mjg

BACKGROUND:

Manager Craddick requested the Board to approve the Revised Resolution 12-3 receipt and expenditure of funds for \$6,671,000.00. The first report was \$2 million for the Horizontal Well and \$4 million for the Wailua Houselots. The Wailua Houselots was contracted at \$4,671,000. This is an increase of \$671,000 from the original Resolution. There is principal forgiveness in the repayment of this money. This is an additional \$750,000 from what was expected from the first Resolution which had the \$1 million grant for the high level well for energy efficiency. This project is an energy efficiency project with Dustin's efforts working with the SRF staff on the additional \$750,000. The grant portion has jumped from \$1 million to \$1.75 million.

Mr. Dill inquired what is the energy efficiency component of the Wailua Houselots project?

Manager Craddick indicated the energy efficiency component was due to less pumping cost.

Mr. Dill moved to approve the *Revised Manager's Report No. 13-28* - Adoption Request of Amended Resolution No. 12-3 (11/11), Pertaining to State Revolving Fund (SRF) Funding for Job No. 02-15, WK-

28, Wailua Houselots Main Replacement, Phase I; seconded by Mr. Oyama; with no objections, motion was carried with 6 ayes.

Deputy County Attorney Andrea Suzuki will add a paragraph to the Resolution to note that the amended amount is not substantial to the motion.

5. Manager's Report No. 13-29 - FY 13/14 Goals / Annual Evaluation for the Manager and Chief Engineer

BACKGROUND:

Manager Craddick reported that the Department of Personnel current memorandum for evaluation has not changed. The deadline to submit the Manager's Evaluation is by June 30th of each year versus October.

At the October 25, 2012 Board Meeting, the Board presented the Manager's Goals packet that provided the status of each goal. The Board moved to receive and incorporate the goals for future goals. Manager Craddick requested the Board to provide a questionnaire to say what is important. The evaluation has not been done since September 2011.

DISCUSSION:

Chair Nishimura clarified there are two different areas to consider: 1) The set of goals for the future and 2) the Manager's evaluation.

Chair Nishimura requested the Board members send their comments from the current method of evaluating Manager Craddick based on the existing goals in the packets to the Commission Support Clerk for compilation of the data.

Chair Nishimura explained from 2012 to present there were no revised goals in place for Manager Craddick. Manager Craddick has completed some of the projects and continues to work on other projects.

Mr. Nakaya moved to base Manager Craddick's current goals on the existing goals and to defer the FY2013-2014 goals to the June 2013 Board meeting; seconded by Mr. Oyama; with no objections, motion was carried with 6 ayes.

6. Manager's Report No. 13-30 – Request for Board to Approve the Hawai'i Water Agency Response Network (HIWARN) Agreement

BACKGROUND:

Manager Craddick indicated the indemnity language in the HIWARN agreement for the non responder is an issue. Maui County has concerns with the language. This was discussed with Chair Nishimura who wanted to know if Honolulu and the Big Island would sign the agreement without the provision. As of yesterday, the response was Honolulu and the Big Island would not sign the agreement. Manager Craddick asked the Board if the Department would be okay by not participating if the provision is not in the agreement or to absorb it and be part of the group.

Training funds will be available to the HIWARN group. Manager Craddick recommends that the Board sign up on the HIWARN Agreement. If the Department is a non responder, it is expected that the Department not pay anything including the Duty to Defend and indemnity.

Why would the Department pay for the attorney's costs for somebody? If there is an agreement, an attorney will list everyone on the agreement, not just the individuals who responded.

The HIWARN agreement is voluntary. If the Department does not respond, the Department would want the same coverage that everyone is asking. The Department would not be responsible for any cost of defending self if sued. The managers would not recommend their Board sign the agreement without the provision.

DISCUSSION:

Mr. Shiraishi pointed out in the agreement that a non-responding agency will be indemnified by the requesting agency. If Maui's attorney is objecting to signing the agreement because Maui County is not responding, then they are not responsible for whatever takes place on another island.

Manager Craddick said Maui is objecting to the requirement to defend and indemnify or just defend for a non-responder. There should be no requirement if you do not respond including the attorney's fees.

Mr. Shiraishi commented if a non-responding party does not sign the agreement and gets sued due to a casualty, the Department should indemnify them. A non-responding party that was not involved in assistance should not be responsible for liability and claims against such non-responding party would be dismissed in Court.

Mr. Shiraishi further explained that the "Duty to Defend" as compared to the "Duty to Indemnify" is much broader and would involve and subject the Department to expenses which would normally be incurred at the end of a dispute or claim. The Duty to Defend is typically incurred by an insurance company and the Department may be forced to be in the position of an insurance carrier.

If the agreement is signed, the Department might be the responding party or a non-responding party. Therefore, the Department would be the beneficiary of the defend/indemnity language if it is a responding party. If the Department has a Duty to Defend, the Department can pick its own attorney.

Also noted that the Duty to Defend would only be applicable to "the work" so if the Department's Duty to Defend could arguably be limited in scope.

Chair Nishimura asked the Manager to check if the Big Island would consider deleting the Duty to Defend provision; it may be a deal killer. The Big Island and O'ahu would not sign the agreement if the language was deleted.

Mr. Shiraishi noted the exposure is less if the Department's obligation is limited to the Duty to Indemnify.

Chair Nishimura indicated that if Maui would not sign the agreement that only had the language of the Duty to Indemnify; there are not two HIWARN agreements. The HIWARN agreement wants everyone to be on board.

Chair Nishimura expressed two concerns: 1) with a Duty to Defend, the Department would have to pay and 2) with several counties signing the HIWARN agreement, which is the true agreement?

Mr. Shiraishi also noted that the model Federal agreement does not impose a Duty to Defend to a non-responding member.

Mr. Shiraishi moved to approve *Manager's Report No. 13-30* – Request for Board to Approve the Hawai'i Water Agency Response Network (HIWARN) Agreement; seconded by Mr. Oyama;

DISCUSSION:

Mr. Shiraishi questioned what if Maui does not sign the agreement?

Manager Craddick added that Maui would not be a party to the HIWARN if they do not sign the agreement. Maui would be non respondent which may cause a problem.

Chair Nishimura commented if Kaua'i signs on with Maui, the DOW can work something out with them. This would be a matter of who the feds will recognize.

Manager Craddick explained there are other water systems that will sign on the HIWARN agreement as well as the four counties.

Mr. Shiraishi indicated Kaua'i could request or decide not to request to sign on the agreement. If another county is requesting Kaua'i, Kaua'i can decline to sign on.

Mr. Shiraishi noted the Department has no obligation not to sign the agreement with no expenses.

Mr. Shiraishi moved to approve Manager's Report No. 13-30 – Request for Board to Approve the Hawaii Water Agency Response Network (HIWARN) Agreement; seconded by Mr. Oyama; with no objections, motion was carried with 6 ayes.

At 11:56 a.m., Mr. Nakaya requested to defer Agenda Items 7, 8 & 9 to the executive session and to proceed with the Staff Reports; with no objections, motion was carried with 5 ayes.

At 11:57 a.m., Mr. Oyama exited the meeting.

At 11:57 a.m., Mr. Shiraishi exits the meeting.

At 12:00 p.m., Mr. Shiraishi re-enters the meeting.

STAFF REPORTS

Re: Statement of Kaua'i County Water Department's Revenues and Expenditures

PRESENTATION:

Ms. Yano referred to the Budget Status Summary on Pages 459 - 478 (*on iPad*). The back of Page 478 included charts for the Revenue Comparative Report, Water Sales Receipts and the Water Consumption Report.

Chair Nishimura inquired how the billing system is progressing. Ms. Yano indicated the billing system is in place but the staff is feeling the impact of the volume of transactions with the walk-ins. Minor issues have been addressed. The staff will need to go through the different reports that are created from the new billing system.

Chair Nishimura requested Ms. Yano to include Mr. Matsunaga's request to add consumption per day to the billing statements.

Mr. Dahilig moved to receive the Statement of Kaua'i County Water Department's Revenues and Expenditures; seconded by Mr. Nakaya; with no objections, motion was carried with 5 ayes.

Re: Report by the Public Relations Specialist on Public Relations Activities

PRESENTATION:

Manager Craddick reported on the following Public Relations Activities:

Refer to the Manager's Update for the Water System Development Fee (WSDF) report.

The Conservation Water Detect-A-Leak-Week is scheduled for March 18-24, 2013.

A final meeting of the state Water Conservation Advisory Group took place on January 10th.

Source Water/Wellhead Protection Program Grant - Deputy Manager Kirk Saiki indicated the evaluation on the contractor selection is completed and the recommendation is pending. Civil Engineer VI, Eddie Doi, Daniel Chang, Department of Health and Joy Buccat were on the selection committee.

Joy Buccat was complimented by our Senator on her recent legislative presentation.

The Limtiaco Company's January 2013 report on the WSDF and community meetings were provided in the packet.

Mr. Nakaya moved to receive the Report by the Public Relations Specialist on Public Relations Activities; seconded by Mr. Dahilig; with no objections, motion was carried with 5 ayes.

Re: Chief of Operation's Summary Report on Monthly Operational Maintenance

PRESENTATION:

Mr. Reyna presented the Summary Report on the Monthly Operation Maintenance.

Mr. Dill moved to receive the Chief of Operation's Summary Report on Monthly Operational Maintenance; seconded by Mr. Nakaya.

DISCUSSION:

Chair Nishimura requested Mr. Reyna to indicate how many work orders were closed out in future reports as well as the number opened.

Mr. Reyna reported the Supervision Control and Data Acquisition (SCADA) server went down last week. Operations are not able to retrieve daily history from the SCADA system because two sequel servers are dead; although monitoring can still be done remotely.

The SCADA consultant will contact WonderWare for a replacement and an upgrade quote on the existing SCADA system. If an order is placed with WonderWare no later than March 25th, there would be a 50% discount of \$30,000 (software) to \$40,000 (hardware). The SCADA consultant is working on the contract amendment. The current budget for SCADA upgrades on the server is \$200,000.

Mr. Reyna is working with IT on the upgrade to make it consistent with the draft IT plan. A recommendation from the IT plan to stay or not stay with WonderWare is not known at this time. If hardware is purchased, the consultant can re-program the server but there is no guarantee it will work.

Manager Craddick explained the purpose of the software is not just to collect historical data but to have human machine interface between the programmable logic and the controller stations and to be able to get information off of the web. WonderWare is an open system man machine interface that can make programmable logic controller information be changeable or checkable over the Internet.

Ms. Nadatani-Mendez added that other software is available that work with the SCADA system.

Mr. Reyna indicated that six (6) months of historical data were lost after July 2012.

Mr. Dill inquired if the storage goes down, would there be back up of the stored information?

Mr. Nadatani-Mendez explained that normally there would be back up on SCADA but because the old servers were taken from the Local Area Network (LAN) to help fix the new servers in SCADA, the backup was not done with the hope that SCADA would be replaced. .

Mr. Dahilig requested the Department look at the short term and long term issues of out sourcing the server, data retrieval and recordation.

Mr. Saiki is aware that IT requested a replacement of the server five (5) years ago but was never approved. Mr. Saiki recommends the upgrade on software and hardware for data collection.

Manager Craddick commented that the Department will continue to use temporarily other servers to collect data.

Chair Nishimura was disappointed an amended report was not given to the Board.

Mr. Reyna only spoke to the SCADA consultant yesterday and apologized for the late report.

Mr. Nakaya amended his motion to receive Chief of Operation's Summary Report on Monthly Operational Activities Report and to append the recommendation on the SCADA software problems for the Board; seconded by Mr. Shiraishi; with no objections, motion was carried with 5 ayes.

Re: Water Resources and Planning Subdivision Report

PRESENTATION:

Mr. Fujikawa's Monthly Subdivision Summary included the following applicants: 'Ohana Hanalei, LLC, Gail Shimokawa; Gordon Kireto; Lori Shimokawa Caporus, Aukahi Farm, LLC, and SVO Pacific.

Mr. Dill moved to receive the Water Resources and Planning Subdivision Report; seconded by Mr. Shiraishi; with no objections, motion was carried with 5 ayes.

Re: Manager's Monthly Update Regarding Activities of Note of the Kaua'i County Water Department

PRESENTATION:

Manager Craddick highlighted the following DOW activities in January 2012:

1. Contract awarded to Fukunaga & Associates for Job No. WK-25a, Job No. 12-6, Kūhi'ō Highway 6" and 12" Water Main Replacement, in the amount of \$139,800.00.
2. Warrant Vouchers were paid in the amount of \$3,317,148.07.
3. There were no Conveyances.
4. National Rural Water Association (NRWA) meeting in Washington, DC – There will be a 9% cut in the Source Protection Program.
5. DOW met with the Kaua'i Chamber of Commerce on February 21st regarding the WSDF. The Top Producers - Kaua'i Board of Realtors meeting will be held tonight.
6. One extra contract hire to assist the C&C Billing brought the Billing section to full staff.
7. The Department of Personnel Service finalization of the reorganization and is still pending.
8. Legislative update included: 1) Vehicle passed in the Senate, 2) Impact Fee passed in House and Senate and 3) CIP is not happening until the last few days of the session.

DISCUSSION:

Mr. Dill inquired about the C&C Billing System update if the credit collection and late payment charges will be begin in May.

Manager Craddick mentioned that the implementation of the credit collection on customers will begin in May because the Department is still in a learning mode.

Ms. Nadatani-Mendez explained that the new billing system needs three (3) full billing cycles to calculate the late payments. Press Releases and the billing stuffer notices are being worked on which should be out in two weeks.

Mr. Shiraishi moved to receive the Manager's Monthly Update Regarding Activities of Note of the Kaua'i County Water Department; seconded by Mr. Dill; with no objections, motion was carried with 5 ayes.

a. Report of the BAB Bond pay down as of December 2012

DISCUSSION:

Chair Nishimura requested the Public Relations Specialist to publish a press release on completed projects (R. Electric, Wailua Bridge/small subdivision and Fuji Beach) since this effects the rates.

Mr. Shiraishi moved to receive the Report of the BAB Bond pay down as of January 2013; seconded by Mr. Dill; with no objections, motion was carried with 5 ayes.

7. Manager's Report No. 13-31 – Purchase of a Private Water System

[Item No. 7 addressed in Executive Session]

8. Manager's Report No. 13-32 – Manager's Response to Mr. Michael Tresler's letter, dated December 14, 2012 relating to Electrical Service Accounts for Waiahi Surface Water

[Item No. 8 addressed in Executive Session]

Mr. Dill moved to have Board Chair Nishimura send a letter to Mr. Michael Tresler of their concern assuring Grove Farm that this will not occur again regarding Manager's Response to Mr. Michael Tresler's letter, dated December 14, 2012 relating to Electrical Service Accounts for Waiahi Surface Water; seconded by Mr. Nakaya; with no objections, motion was carried with 4 ayes.

(Present: RN, CN, MD, LD)

9. Manager's Report No. 13-33 - Manager's Response to Mr. Michael Tresler's letter, dated December 18, 2012 relating to Waiahi Surface Water Treatment Plant Delivery Water Fee

Mr. Nakaya recused himself from Item No. 9.

DEPARTMENT OF WATER
County of Kaua'i

RECEIVED FOR THE RECORD

"Water has no Substitute – Conserve It!"

MANAGER'S REPORT No.13-33

February 28, 2013

Re: Manager's Response to Mr. Michael Tresler's letter regarding rate increase, dated December 18, 2012

RECOMMENDATION: None

BACKGROUND:

In the January 24th board meeting. The board directed the Manager to provide the Board with the Water Treatment and Delivery Agreement between the DOW and Grove Farm.

"Grove Farm" the operator and financier of the treatment facility want to increase the rate for water from the facility. This is allowable under the agreement for cost increases.

After the estimated cost of \$1.37/kgal in the agreement in 2004, the water rate has remained at \$1.48/kgal since the facility was put in operation in 2006. I am fairly sure operating costs have risen during that time.

Mr. Dill requested copies of KIUC invoices attached for the Board's review. The Department has provided the most recent (6) six invoices that were paid.

Chair Nishimura noted that the Board deferred Manager's Report No. 13-33 - Manager's Response to Mr. Michael Tresler's letter, dated December 18, 2012 relating to Waiahi Surface Water Treatment Plant Delivery Water Fee to the March Board meeting due to the lack of quorum.
(Present: RN, CN, MD, LD)

TOPICS FOR NEXT WATER BOARD MEETING (March 2013)

1. Draft Budget (FY 2013-2014)
2. Supervision Control and Data Acquisition (SCADA)

TOPICS FOR FUTURE WATER BOARD MEETINGS

1. Public Hearing on Benefit Zones (April 2013)
2. Public Hearing on Leak Rebate (April 2013)

3. Board Adoption to Establish Future FY2013-2014 Goals of the Manager (*June 2013*)

UPCOMING EVENTS

1. 39th Annual AWWA Hawai'i Section Conference Honolulu, HI (*May 7-10 2013*)
2. AWWA Annual Conference, Denver, CO (*June 9-13, 2013*)
Mr. Dill and Mr. Dahilig will attend in June.
Chair Nishimura recommended Mr. Shiraishi to attend next year.
3. HWWA Hawai'i Section Maui, HI (*October 23-25, 2013*)

NEXT WATER BOARD MEETING

1. Thursday, March 21, 2013, 10:00 a.m.
2. Thursday, April 25, 2013, 10:00 a.m.
3. Thursday, May 21, 2013, 10:00 a.m.
4. Thursday, June 20, 2013, 10:00 a.m.

At 12:38 p.m., Mr. Dahilig moved to go to Executive Session on Item J1 & J3; seconded by Mr. Oyama; with no objections, motion was carried with 5 ayes.

EXECUTIVE SESSION:

Pursuant to H.R.S. §92-7(a), the Board may, when deemed necessary, hold an executive session on any agenda item without written public notice if the executive session was not anticipated in advance. Any such executive session shall be held pursuant to H.R.S. §92-4 and shall be limited to those items described in H.R.S. §92-5(a).

1. Pursuant to Haw. Rev. Stat. §§92-4 and 92-5(a)(4) the purpose of this executive session is to consider a letter, dated December 14, 2012, from Michael H. Tresler as Senior Vice President of Grove Farm. The purpose of this to consult with the Board's attorney on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities as it relates to the Grove Farm's letter dated December 14, 2012.

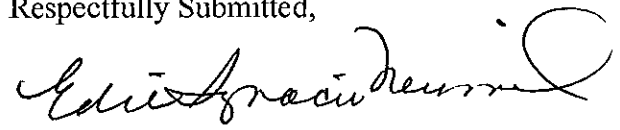
*2. Pursuant to Haw. Rev Stat. §§92-4, 92-5(a)(8), 92-5(a)(4) the purpose of this executive session is to deliberate concerning matters that require consideration of information as it relates to Grove Farm's letter dated December 18, 2012 that must be kept confidential pursuant to state law. Another purpose is to consult with the Board's attorney on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities as it relates to the Grove Farm letter dated December 18, 2012.
[Not entertained]*

3. Pursuant to Hawaii Revised Statutes Sections 92-4 and 92-5(a)(3), the purpose of this executive session is for the Board to deliberate concerning the authority of persons designated by the board to conduct negotiations for the acquisition of public property as it relates to the purchase of a private water system.

ADJOURNMENT

There being no further business, Chair Nishimura adjourned the Regular Board meeting at 1:11 p.m.; with no objections, motion was carried.

Respectfully Submitted,



Edie Ignacio Neumiller
Commission Support Clerk

Approved,



Sherman Shiraishi
Secretary – Board of Water Supply