Committee Members Present: Larry Dill, Chair, Clyde Nakaya and Hugh Strom answered present at Roll Call.

Board Members Present: Randall Nishimura, Board Chair, Ray McCormick (entered at 9:08 a.m.)

Staff Present: Kirk Saiki, Marites Yano, Kim Tamaoka, Eddie Doi, Regina Flores, Mary-jane Garasi, Deputy County Attorney Andrea Suzuki

At 8:40 a.m. Chair Dill reconvened the Finance Committee meeting that was recessed on December 12, 2013.

OLD BUSINESS

BACKGROUND:
Acting Manager, Mr. Kirk Saiki provided follow up to questions from the December 12th meeting:

When was the previous FRC of $4,600 developed? – The FRC for $4,600 was based on the 2003 R.W. Beck’s final report. Nothing was found in the Board minutes on the discounted $4,600 rate. The previous $2,600 FRC to the $4,600 was a discounted rate that was cut in half from $5,200 proposed by the Department. Based on the FRC of $5,200 in 1992, $4,600 was low.

See Schedule 2, Page 2, 8” meter with a meter cost of $1.1M - Revisions to Part 4 Section VII – Facilities Reserve Charge and Domestic Consumption Guidelines were Received for the Record.

DEPARTMENT OF WATER
County of Kaua‘i

“Water has no Substitute – Conserve It!”

RECEIVED FOR THE RECORD

Administrative rule material to be repealed is bracketed. New material is underscored. Deleted material is struck through or [bracketed.] In printing this rule amendment, the brackets, bracketed material, underscoring, strikes need not be included.
PART 4 SECTION VII – FACILITIES RESERVE CHARGE

1. The **water system** facilities reserve charge shall be assessed against all new developments and subdivisions requiring supply of water from the County of Kauai, Department of Water, and existing developments requiring additional supply of water from the Department's system. The facilities reserve charge must be paid before water services are made available to the new or existing development.

2. The **water system** facilities reserve charge shall be paid by all applicants for water service, including but not limited to the following:
   a. All irrigation services and/or meters.
   b. Additional buildings to be connected to existing services where additional demands or supplies are indicated. The charges shall be based on the meter sizes required if the buildings were metered separately.
   c. Additional units connected to existing services and meters under the categories of single family and multi-family residential units. The charges will be based on the established schedule of charges for the respective categories.

3. The Facilities Reserve Charge, was adopted in accordance with a report prepared by an independent consultant retained by the Kauai Board of Water Supply to assess and study water facilities. The report calculated the costs associated with water development needs as laid out in the Board approved Department of Water facilities needs assessment study entitled “Water Plan 2020” as amended. The breakdown of those costs, per gallon, are laid out in Schedule 1:

<table>
<thead>
<tr>
<th>Schedule 1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SOURCE</strong></td>
</tr>
<tr>
<td><strong>STORAGE</strong></td>
</tr>
<tr>
<td><strong>TRANSMISSION</strong></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
</tr>
</tbody>
</table>

The **water system** facilities reserve charges shall apply to all applicants for water service as follows:

a. For each parcel created by subdivision, including the first lot created; and for every new single family residential dwelling unit not yet metered and a facilities reserve charge has not yet been paid, the charge shall be the charge for a 5/8” meter.
b. For meter sizes up to two inches, the facilities reserve charge shall be determined by the size of the meter as follows in Schedule 2: The Facilities Reserve Charge for multi-family and/or resort development will be determined by the Department approved meter size or the cost associated with the number of units, whichever number is larger. Each unit of hotel room in a multi-family residential development and/or resort development shall be charged for a 5/8" meter.

Schedule 2

<table>
<thead>
<tr>
<th>Meter Size</th>
<th>Ratio to 5/8&quot; Meter</th>
<th>Meter Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>5/8&quot;</td>
<td>1</td>
<td>$4714,160</td>
</tr>
<tr>
<td>3/4&quot;</td>
<td>1.5</td>
<td>$25,740,21,240</td>
</tr>
<tr>
<td>1&quot;</td>
<td>2.5</td>
<td>$42,900,35,400</td>
</tr>
<tr>
<td>1-1/2&quot;</td>
<td>5</td>
<td>$85,800,70,800</td>
</tr>
<tr>
<td>2&quot;</td>
<td>8</td>
<td>$137,280,113,280</td>
</tr>
<tr>
<td>3&quot;</td>
<td></td>
<td>$226,560</td>
</tr>
<tr>
<td>4&quot;</td>
<td></td>
<td>$354,000</td>
</tr>
<tr>
<td>6&quot;</td>
<td></td>
<td>$708,000</td>
</tr>
<tr>
<td>8&quot;</td>
<td></td>
<td>$1,132,800</td>
</tr>
</tbody>
</table>

e. For all other uses, the Facilities Reserve Charge shall be determined by the size of the meter as follows: meter sizes beyond two inches the facilities reserve charge shall be determined by the application of engineering principles and standards. For AWWA Standard C-702-latest edition for Cold-Water Meters-Compound Type Class II given as a reference type of meter the Facilities Reserve Charge shall not exceed the costs laid out in Schedule 3. Facilities reserve charge will be based on the maximum day demand of the new water service.

Schedule 3

<table>
<thead>
<tr>
<th>Meter Size</th>
<th>Maximum-Meter Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>3&quot;</td>
<td>$5,720,100</td>
</tr>
<tr>
<td>4&quot;</td>
<td>$9,884,160</td>
</tr>
<tr>
<td>6&quot;</td>
<td>$22,239,360</td>
</tr>
<tr>
<td>8&quot;</td>
<td>$29,652,480</td>
</tr>
</tbody>
</table>
d. For Schedules 2 and 3 above, meter sizes shall be determined by the Department and not by the Developer or Applicant. Where adjustments to facilities reserve charges result in decreases of such charges, no refund will be made of the difference between the higher, pre-existing charges and the lower, adjusted charges.

e. Indexing of the Facilities Reserve Charge

The Facilities Reserve Charge shall be determined at the start of each fiscal year according to the percentage increase or decrease based on the Engineering News Record Construction Cost Index percentage on December 31st of the previous year. This shall not increase more than four percent (4%) average per year as determined from the effective date of this rule.

The DOW Department will inform the Kauai Board of Water Supply on the percentage during the ——fiscal year budget review.

4. FRC Offsets

a. Definitions and construction of words. As used in this Paragraph 4, the following definitions shall apply:

“Applicant” means any person, individual, corporation, partnership, business, organization, association, or other entity whatsoever that applies for water service from the Department.

“Consumer” has the meaning ascribed to it under Section I of Part 2 of the Department’s Rules and Regulations.

“FRC” means the facilities reserve charges described in section VII of Part 4 and Section III of Part 3 of the Department’s rules.

“Offset” means reduced or reduction.

“Subdivider” has the meaning ascribed to it under section I of Part 3 of the Department’s Rules and Regulations.

“Subdivision” has the meaning ascribed to it under section I of Part 3 of the Department’s Rules and Regulations.

“Water transmission main” or “main” means a main extension under Paragraph 2.d [2.a.(4)] of Section II of Part 2 of the Department’s Rules and Regulations.

As used in this Paragraph 4, the following rules of construction shall apply:
"Number" means words in the singular or plural number signify both the singular and plural number.

"Or" "and". Each of the terms "or" and "and", has the meaning of the other or of both.

b. When an applicant, consumer, or subdivider is required to construct and dedicate water source or water storage facilities, or water transmission mains, to the Department, the following rules shall apply.

Subject to the provisions of this Paragraph 4, the applicable FRC liability of such applicants, consumers, or subdividers shall be offset in accordance with an amount not to exceed those percentages laid out in Schedule 34; provided that the total amount of all offsets that an applicant, consumer, or subdivider receives shall not exceed 100% of the applicant's, consumer's, or subdivider's FRC liability.

Schedule 42

<table>
<thead>
<tr>
<th>SOURCE</th>
<th>MAXIMUM OFFSET PERCENTAGE %</th>
</tr>
</thead>
<tbody>
<tr>
<td>STORAGE</td>
<td>2218 %</td>
</tr>
<tr>
<td>TRANSMISSION</td>
<td>3247 %</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100 %</td>
</tr>
</tbody>
</table>

The Department, and not the applicant, consumer, or subdivider; shall calculate and determine the total amount of an applicant's, consumers, or subdivider's FRC offset in any given case. The Department may require the applicant, consumer, or subdivider to submit documentation verifying the actual cost of a source or storage improvement or transmission main.

c. The offsets described in this Paragraph 4 “FRC Offsets” shall not apply to water transmission mains constructed by a subdivider, applicant or consumer which are within or adjacent to a subdivision or lands either 1) owned by the applicant or consumer, or 2) developed by the applicant or consumer for uses such as, but not limited to, residential, agricultural, commercial, resort, industrial, governmental, religious, or educational uses. Where water transmission mains are constructed within, adjacent to, or outside of such subdivisions or lands, the offsets shall apply only to mains constructed outside of and off-site from such subdivisions or lands.

5. Should the Department use meters different than the meters currently used by the Department, the same methodology for FRC determination shall be used for other meters approved by the Department.

6. The administrative charge for review of Water Requests shall be assessed as established by Board resolution.
Acting Manager, Mr. Saiki commented that if an applicant came in to build 80 homes they would require an 8” meter, a master meter or 80 5/8” meters. An 8” meter for 80 homes serves up to 1,600 gallons (20 gallons per home) based on the AWWA standard. A flat rate is currently used.

By referring to the Domestic Consumption Guidelines handout, commercial use would require 3,000 gal/acre. Water Resources uses fixture units and sizes the meter. After the meter is sized, the flat rate schedule is used.

An FRC applicant could come in with a building permit and fixture unit count if assessed. Acting Manager Mr. Saiki was not sure if the Department could assess more FRC if the meter size does not go up. According to Deputy County Attorney Andrea Suzuki, the Hawai‘i Revised Statues (HRS) is being worked on but has not been tested.

Chair Dill understood that if the flat rate is by meter size, it could not be accessed by FRC unless the meter sized increased. The rule would need to be changed if fixture units are used. He asked staff when every application comes in, are fixture units being calculated?
Mr. Doi commented if an applicant adds fixture units, the fixture unit count are checked to see if it supports the proposed development. The applicant supplies a Max Day Demand for review and comparison so that they do not go over their allocation.

Chair Dill expressed ideally the Department would charge the FRC based on Max Day Demand but there are challenges. The simpler analogy is an approximation. Tracking the Max Day Demand is important for the Department which Mr. Doi agreed.

Based on the Domestic Consumption Guidelines, a multi-family high rise the water demand is 350 gals/unit vs. Single Family or Duplex at 500 gals/unit. According to Mr. Doi, the architect or engineer would size the meter for water features, landscape and pools. A meter size would be determined, FRC is checked vs. the number of units. Hotel renovations would require a fixture unit count. The Department checks if the units total x the FRC is greater than the meter. If the FRC is greater, the applicant would not have to pay for the additional units. If the units exceed the amount of the FRC for the larger meter, the applicant pays the extra FRC.

In the discussion on the Hyatt Hotel that uses 6” meter for 600 units Chair Dill noted a disconnect because a 6” meter can only support 50 rooms on 5/8” meters.

Part 4, Item 3b - state “The FRC for multi-family and/or resort development will be determined by the Department approved meter size or the cost associated with the number of units, whichever number is larger. Each unit .... shall be charged for a 5/8” meter.”

600 x $14,160 = $8.5M – This would not be logical because the rule would force the hotel to pay $8.5M. There appears to be an overcharge for a meter. The Department should be protected by not being too conservative.

Chair Dill requested a recommendation and analysis on Schedule 2 from the Department to address the disconnect if a hotel came in using a 6” meter with 600 units x 5/8”. The Department can also check with consultant.

A discussion on fire flow was not included in the rule. Chair Dill understood that fire flow for a hotel would have a separate fire protection system which the Department does not charge. Residential fire flow comes from the hydrants which the Department pays.

Chair Dill recommended that the Department should try to assess the cost with customers who benefit from that service.

Mr. Strom commented that the Department is responsible for fire flow by sizing the system accordingly and there should be a charge.

**Acting** Manager, Mr. Saiki added the cost is built into the rates based on max day and fire flow. Chair Dill commented that if fire flow protection is part of the FRC it would affect Debt Service and the risk would go down based on a different source of revenue.
Chair Dill requested the Commission Support Clerk to schedule a January 2014 Finance Committee meeting.

**ADJOURNMENT**
Chair Dill adjourned the Finance Committee meeting at 9:20 a.m.; with no objections.