COUNTY OF KAUAI

BOARD OF WATER SUPPLY

REGULAR MEETING

Thursday, January 26, 2012

9:00 - 9:12 a.m.

9:58 - 11:33 a.m.

Second Floor, Microbiology Lab Building

Kauai County Department of Water

4398 Pua Loke Street

Lihue, Kauai, Hawaii 96766

REPORTED BY:

TERRI R. HANSON, CSR 482

Registered Professional Reporter
APPEARANCES

BOARD MEMBERS:
Larry Dill
Daryl Kaneshiro, Vice-Chair/Chair
Raymond McCormick
Randall Nishimura
Clyde Nakaya

STAFF:
David Craddick
William Eddy
Marites Yano
Dustin Moises
Gregg Fujikawa
Val Reyna
Aaron Zambo
Sandi Nadatani-Mendez
Keith Aoki
Faith Shiramizu
Edward Doi

GUESTS:
Mauna Kea Trask, Deputy County Attorney.
James Nakayama
REGULAR MEETING

MR. KANESHIRO: The Vice-Chair of Board of Water Supply now calls this regular meeting to order. For the record, we're in the Second Floor of the Microbiology Lab Building, Kauai County Department of Water, 4398 Pua Loke Street, Thursday, January 26, 2012, at exactly 9:00.

With that, can I have the roll call, please.

MR. CRADDICK: Clyde Nakaya.

MR. NAKAYA: Here. Mr. Chair -- Vice-Chair, I'm going to advise that I need to leave the meeting at 10:30 to catch a flight to Honolulu.

MR. KANESHIRO: All right. That's noted.

MR. CRADDICK: Randall Nishimura.

MR. NISHIMURA: Present. I also will have to leave early. I have a problem out in the field that I need to address. That's why I asked for the previous recess.

MR. KANESHIRO: We will also note that for the record.

MR. CRADDICK: Ray McCormick.

MR. McCORMICK: Here.

MR. CRADDICK: Daryl Kaneshiro.

MR. KANESHIRO: Here.

MR. CRADDICK: Larry Dill.
MR. DILL: Here.

MR. CRADDICK: There's a quorum.

MR. KANESHIRO: Thank you. With that, can I have a motion for the acceptance of the agenda?

MR. DILL: So moved.

MR. NAKAYA: Second.

MR. NISHIMURA: Second.

MR. KANESHIRO: Moved and seconded.

All those in favor.

Motion carried.

I'm going to go over some of the meeting transcripts to approve -- review and approval of the special board meeting for the December 8, 2011, special board meeting December 15, 2011, regular board meeting, December 22nd, 2011.

Any discussions on those transcripts? Any additions?

MR. NISHIMURA: Point of order, Mr. Chair.

MR. KANESHIRO: Yes.

MR. NISHIMURA: Mauna Kea, can we just receive the transcripts as the official record. And there are CDs with the actual recording, I believe. Is that correct?

THE COURT REPORTER: I don't know.

MR. NISHIMURA: Mr. Craddick? The CDs, are
these just PDFs?

MR. CRADDICK: The CD has the PDF of all the board packet materials. It doesn't have any voice.

MR. NISHIMURA: Do we have a voice record?

MR. CRADDICK: Good question. I don't know if a voice -- do you make a voice CD of -- copy of --

THE COURT REPORTER: I have my own internal recording, but we have this recording too that we do. So we do have it, but I don't know if it's in your packets or not.

MR. CRADDICK: Okay. I don't believe that it is in the packet, the voice. We can make sure that's available.

MR. NISHIMURA: What I would like to entertain is that because we're doing transcripts that we receive the written transcripts as well as the voice recording, and if there are discrepancies between the two, that the voice recording take precedence over the written record.

MR. TRASK: I think that's perfectly allowable if that's the motion, then it will just need to be seconded and approved.

MR. NISHIMURA: Okay.

MR. KANESHIRO: Do I have a second on the motion --
MR. NAKAYA: Second.

MR. KANESHIRO: -- that Mr. Nishimura just made.

MR. NAKAYA: Second.

MR. KANESHIRO: Moved and seconded. Any further discussions on this matter?

If not, all those in favor.

Aye.

So the motion would be to receive this at this time.

MR. CRADDICK: We'll make sure that the voice recording ...

MR. KANESHIRO: Okay. We don't have to vote on that again, right, on that part of receiving?

MR. NISHIMURA: No, it would be part of that motion.

MR. KANESHIRO: Part of the motion that we received.

MR. NISHIMURA: That we receive the written and the recorded versions, and that if there's a discrepancy that the recorded version take precedence.

MR. KANESHIRO: Okay. And that's been approved. Okay.

With that, I would like to move into correspondence/announcements. I would make note that we
did have a correspondence come in on January 26 from Council Member JoAnn Yukimura. And at this time I request that Mr. Mauna Kea.

MR. TRASK: Yes, Chair, with regards to the communication that's dated January 26, 2012, directed to Chair Oyama and Members of the Board of Water Supply, I reviewed the communication as well as the Sunshine Law, H.R.S. Chapter 92, specifically Section 92-7(a) and (b). Given that this communication did come in this morning and is dated for today, it is not disclosed on the agenda.

I believe under 92-7(b), No board shall change the agenda once filed by adding items thereto without a two-thirds recorded vote of all the members to which the board is entitled provided no item shall be added to the agenda if it is of reasonably major importance and the action thereon by the board will affect the significant number of persons.

Due to the content of the letter, the fact that it was received today, I believe that in the spirit of the Sunshine Law, it should be handed to a member of -- whoever the appropriate person is to be placed on the next board session, with discussions at that time, receive and discussion.

MR. KANESHIRO: Okay. With that
recommendation from our counsel, is there any
discussions by members?

If not, I would like to have a motion to move
this to the next board meeting and have this as an
agenda item, and the next board meeting I believe is on
February -- what's the date on that?

MR. CRADDICK: Let's see here.

MR. KANESHIRO: Anyway, the February board
meeting.

MS. YANO: 23rd.

MR. CRADDICK: 23, right.

MR. KANESHIRO: February 23.

MR. TRASK: And I'd just like to note for
the record, this is a matter description, the
communication does regard potential conflicts related to
Grove Farm. And on today's agenda Grove Farm does not
appear on the agenda. So the issues contained within
the document I don't think will affect anything today.

MR. KANESHIRO: Okay. Any questions for
our counsel at this time by members?

If not, the motion would be to have this
brought up in the February 23rd board meeting and
possibly also in executive session, is that correct?

MR. TRASK: If the board would like one, we
could definitely notice and consult.
MR. KANESHIRO: Okay.

MR. NISHIMURA: So moved, Mr. Chair.

MR. KANESHIRO: Do I have a second on that?

MR. DILL: Second.

MR. KANESHIRO: Seconded. Any other further discussion or questions on this?

If not, all those in favor.

Motion carried.

At this time I would like to, if I could, members to move over to and make some adjustments on our regular board meeting schedule and take up the executive session matter. And the reason for this is that we have members of the board that have other schedules that they have to attend to, and also our Council Mauna Kea also has to leave at a certain time.

So I would like to pick up the executive session first. Based on that, as you all know we need a majority of five members to go into executive session and have some discussion. So at this time I'm not certain we need to make a motion to bring that up, right?

MR. CRADDICK: You have five members.

MR. KANESHIRO: Well, I mean to go into executive session, but to change the part of the agenda into moving into this part of the executive session.
MR. TRASK: I think it's the chair's prerogative to take -- and I believe this is Item I-1 on the agenda.

MR. KANESHIRO: That's correct.

MR. TRASK: I take it at this time there's no objection.

MR. KANESHIRO: That's correct.

MR. TRASK: I guess, for the record, if I may, pursuant to Hawaii Revised Statutes, Sections 92-4 and 92-5(a)(4), the purpose of this executive session is to consult with the board's attorney, for the record, Deputy County Attorney Mauna Kea Trask, on questions and issues pertaining to the board's powers, duties, privileges, immunities, and liabilities as it relates to dual water systems, dual water line issues as set forth in the agenda, Item I-1-a.

A motion to go into executive session would be appropriate at this time, Chair.

MR. DILL: So moved.

MR. NISHIMURA: Second.

MR. KANESHIRO: For the record, I would also recognize that the ex officio member of the board, our Mayor Carvalho, is present and will be participating in the executive session.

MR. NISHIMURA: Point of order, Mr. Chair.
MR. KANESHIRO: Yes.

MR. NISHIMURA: Just for the record, I believe that although the Mayor is an ex officio member, that he does not vote on this.

MR. KANESHIRO: That's correct.

MR. NISHIMURA: During that period.

MR. KANESHIRO: That's correct.

MR. NISHIMURA: Is that correct, Mr. Trask?

MR. TRASK: That's correct. And furthermore, under the charter, under the Mayor's executive powers, he is a nonvoting member on all boards and commissions. In reading that I did contact the Hawaii OIP to discuss this with the attorney of day and received an over-the-phone opinion that ex officio members as members, albeit nonvoting members of the board, are able to sit on an executive sessions provided, again, that they don't vote. There's no inappropriate discussions contained in the executive session that would offend the Sunshine Law.

MR. NISHIMURA: Okay. Thank you.

MR. KANESHIRO: With that, Council Member Yukimura.

COUNCIL MEMBER YUKIMURA: Vice-Chair of the Board, Members of the Board, I do want to just speak on this issue that you're going into, the one that you're
talking about right now on the agenda. My name is JoAnn
Yukimura, and I just want some assurance -- I accept the
decision about my letter. I just want assurance that
there is nothing regarding Grove Farm on the agenda here
or in this issue or any other issue.

MR. KANESHIRO: For the record, there's
nothing to vote on.

COUNCIL MEMBER YUKIMURA: As long as
there's not even discussions on the issue.

MR. KANESHIRO: The discussions are in
regards to liability issues.

COUNCIL MEMBER YUKIMURA: Yes. Okay.

Thank you very much.

MR. KANESHIRO: Any questions?

MR. NISHIMURA: I think, for the record,
Mr. Chair, I believe that Grove Farm, as with any other
rate holder, could be affected. And to that extent, I
would say that, you know, to single them out would be
perhaps inappropriate depending on what the nature of
the discussion is today.

MR. TRASK: And on that, the agenda item is
discussion of dual waterline issues. It does not relate
specifically to any body and/or person.

And pursuant to the Sunshine Law the board is
prohibited from discussing any issues relating to
anything or any specific person beyond generally discussing dual water issues. And that's all I'm prepared to discuss today anyway.

COUNCIL MEMBER YUKIMURA: Thank you.

MR. KANESHIRO: Thank you for that.

On the floor is a motion to go into executive session.

All those in favor signify by saying aye.

Any opposed?

Hearing none, executive session will be up.

(Executive Session at 9:16 to 9:47 a.m. in separate transcript.)

(Reconvene Regular Meeting at 9:58 a.m.)

MR. KANESHIRO: Regular meeting is now called back to order. At this time we're on old business, review of the single audit report, fiscal year 2011. We have James Nakayama before us. And we do have a copy or a draft of the single audit report.

With that, Mr. Nakayama, you have the floor.

MR. NAKAYAMA: Thank you. Good morning, Everybody. As you know, this is not normally that you want to see me twice a year. It's usually once a year, but we have it broken into two parts. And so as the Vice-Chair mentioned, we're going to present to you the single audit report for the Department of Water, County
of Kauai for June 30, 2011.

Before I dive into the report, I want to provide some context as part of what we do is following auditing standards, we -- KMH is hired by the board, and we report to them, and that's our function. And we have certain things we're required to communicate prior to kind of explain what, you know, we're going to do for the audit in a letter. But most importantly people want to know what happened as findings for the audit and specific things we're required to report.

Being that we're doing this in two parts, some of which we already talked about, some of the adjustments and some of the financial aspects that we went through that. But they are kind of correlated because some of the adjustments we came across, you know, obviously were driven by some findings from relation control deficiencies, if you will.

So there's three things I wanted to kind of go through as far as what we're required to talk about, and all of this will be -- including from my previous presentation in December will be ultimately documented in a full letter to the board. But I just want to still talk about them in person versus just having a letter delivered to you folks.

The three areas we're talking about the
adjustments kind of reiterating again from our last discussion, going through the difficulties encountered doing the audit and any significant issues. And it's then going to tie into the single audit report 'cause included there are findings that we also have to talk about. So that's kind of the framework which you will have to follow as auditors at full auditing standards are generally accepted auditing standards.

So first of all in the adjustments, if you go back, the last time we talked about there was a significant adjustment this year amongst -- we have adjustments every year, but this is one that was not the typical adjustment, if you will. It was a $1.7 million in total adjustment to revenues of which 420,000 was related to actually billed revenues. The rest of it were based on estimates. And so some of the findings we're going to talk about today relate to that.

The difficulties encountered during the audit, obviously as far as the timing of things, we're not in the ideal situation. By our contract we're required to provide a draft by October 15th. And right now based on starting our field work in the second half of September, there's no way that we can even get there, you know, from a timing standpoint. And so the difficulty itself as far as timing is not a finding in itself, but it is a
difficulty, it's hard because of the length of time it takes for the department at this time or at the past year that we encountered or in the past few years is -- doesn't allow us to get done on time. So you're going to see some of the findings we're talking about today are related to that as well to try to shorten up that timing, if you will. There are going to be other things, but these are some of the other ones specifically mentioned and provide also to the board's attention so they're very aware of these things.

Lastly, we will talk about significant issues, which I'll cover in a little bit. But the first thing, the meat of it which is the findings and the single audit report itself.

The findings can be best summarized if we go into page eight of the report itself, and it's Section I. It's called Summary of the Auditors' Results, and it kind of gives a very high-level summary of the results from a findings perspective.

And, you know, from here we're going to dive into -- there's two sections. There's a section on financial statements and a section on federal awards, and that's broken up into two separate findings. The first one we'll talk about here are findings related to internal control or financial report.
So with the findings, there's three main categories that we classify them into. The worst one is being material weaknesses. These are control deficiencies where something is wrong where it could -- even the potential or has resulted in material differences in your financial statements. And in the findings we'll talk about, they did relate to material adjustments, so some of them are clearly material weaknesses.

And then the level of what doesn't qualify but still is required for us because we want to mention it. If we were sitting in your position as the board as fiduciaries, we'd want to hear about it. We have adjustments and then say, well, we need to call these significant deficiencies because they don't rise to the level of material weakness but still important enough that as a board members we want to communicate those to you.

Everything else under that is something that's called control deficiencies and are not mentioned in this report. However, we do have dialogue with management as far as talking about some of these things as the course of the audit. Any questions so far?

So if you turn to page nine, we'll go through -- there are five findings to talk about today related
to internal controls or financial reporting. We have three that are material weaknesses and two that are significant deficiencies. So I'm not going to go into -- I mean, I think everybody's had to chance to read through the findings themselves, so I'm not going to try to repeat every single thing in these findings. But I do want to give some context, like I'm trying to do to make sure you understand how these all fit together because it's, I think, important to understand.

The first one, 11-1 and 11-2 both relate to the -- specifically to the errors that we found that became adjustments for revenues in the audit. And 11-1 is what we look at as more of a preventative control. When you make a change to the billing rates or any things, what should you do? You should make sure that those rates or the changes you make are what you expect them to be. And so that's at the very front end, if you will, of anything you do, and these are controls you would expect to have that would prevent any type of misstatement in your financial statements. So that's 11-1 in a nutshell what that is.

11-2 is then your secondary control, where you're going to say, well, even if, let's say, that goes wrong, you never want to have only one line of defense, if you will. You're going to have another layer of
controls that are going to help detect anything that
maybe the first layer of controls go wrong.

And that's what we do in the second section
here called Financial Analysis, where if things -- you
know, still miss it, you can basically do an analysis,
well, something seems wrong here at the financial level,
at a higher-level numbers that we maybe need to
investigate further.

And the idea here, and this is what we call a
detective control because ultimately you're going to see
it at a high level and force you to go back down to see
what happened.

And the idea here on this one is that, you
know, ultimately you have us as the auditors catching
it. That's never what you want to have. You want to
have your control system catch that. Ultimately it did
result in a material adjustment, and ultimately it's why
we have two material weaknesses here for 11-1 and 11-2.

Any questions so far on this?

Again, sorry I'm not going through every single
finding specifically, but we wanted to raise those
points.

Now, 11-3 is on the inadequate use of the
accounting system. This one I would label affects also
the revenue side or the revenue adjustment that we
encountered as well -- in the financial analysis as well as also the ability to be able to close on a timely basis and some of those difficulties we ran into in the course of the audit.

I think in last year's audit when we came out, we were waiting for many years for the department to be done with installation of the system. I think they finally decided to look -- in that progressing with the vendor, but what we wanted to provide comments here to the department is that ultimately either way they want to go as they analyze this, they need to make sure that they more fully utilize the system, because I think that's a very important, pervasive control for the -- for any folks that use systems these days. We realize we're very reliant on our systems. There's too many transactions to try to do manually even though we have better tools out there. And ultimately it did result in some of the issues that we talked about before. And it would help do better financial analysis, if you will, if you had that system in place.

The point for me, why did I separate it? Two reasons, because you still could do financial analysis without the system, but it does help definitely to have one that's -- it's never as easy as pressing a button, but definitely they did encounter some challenges which
we raised here that I think made it harder than you normally would see.

And it is sometimes difficult because sometimes we all find with system implementations, it's not only the system itself but the design in how you structure that is sometimes, you know, it's a garbage in/garbage out type of thing. And you want to make sure that it's designed correctly so it is something useful for the department on a going-forward basis. So this one specifically kind of permeates throughout the issues we kind of faced in the course of the audit.

MR. NISHIMURA: Mr. Chair, I think Mr. Nakayama has covered the material weakness portion. Are these the three primary ones?

MR. NAKAYAMA: Those are the three primary ones. And the only comment I have on four and five without getting into too much detail, is that these -- you know, they don't rise to the level of material weaknesses, but these are things we want to raise.

First of all, 11-4 is more -- if you let things build up over a period of time, don't take care of it on a monthly basis, it will catch up on you and make the audit -- you know, the audit takes longer.

And the fifth one, 11-5, you know, I think the point we want to raise 'cause we -- I think underlying
all this is is there's been a lot of transition for the department. And I think there's -- you know, that's -- there have been a lot challenges faced with that and it's probably more in the future as we kind of face more people retiring.

But the idea for me is I just want -- this point at 11-5 is to raise also to the board because it's a common misconception that the auditors are part of management's control structure 'cause management has to design and implement controls to basically make sure financial statements are properly stated.

Then we are the control for the board to basically work for them to make sure that management is doing their job. So that's making sure they're separate. So realizing that from a control standpoint, it's not a huge issue, but making sure ultimately that by the time it does get to us, there's very little chance of error and, of course, it makes for a smoother audit. And that's kind of what we -- that's the point we wanted to raise from that last part. But that's kind of the --

MR. NISHIMURA: If I may, Mr. Chair.

MR. KANESHIRO: Go ahead.

MR. NISHIMURA: My primary question to our auditor is, I notice you have time frames that you feel,
you know, they should be able to address these issues.

MR. NAKAYAMA: Well, the manager responses
that are provided in there were provided by management,
so they take responsibility for that.

MR. NISIMURA: Okay. So these are target
dates that the department has established for itself?

MR. NAKAYAMA: Correct. It's not
established by us, yes.

MR. NISHIMURA: Okay. And I think one of
the key things that I've been concerned about over the
years is despite the challenges that the department have
-- has in fulfilling its obligations on the financial
side, despite the retirements and all that, we, the
board members, still responsible for the overall.

In your capacity as an auditor, especially with
the first item, would you be able to -- or would you be
able to recommend a means by which, especially in the
case of rates, a means to analyze the rates, you know,
and its financial impacts?

And the reason I ask that is the rates that we
recently approved, almost a year, year and a half to
two, prior now. And we sat through several months of
numbers. And throughout the procedure, one of the
things I had a problem with was, what do these numbers
mean? You know. And is it possible to require some
kind of financial analysis before rates are -- by
independent third party?

Because the department hires consultants to
generate their recommended rate structure. And as board
members, we -- you know, we have not just the operation
side to consider but also the rate holders or, if you
want, be like a consumer advocate.

MR. NAKAYAMA: Right.

MR. NISHIMURA: And, you know, had we -- if
there is or should there be a means that we analyze the
analysis by people that understand it as opposed to
laypeople like us.

MR. NAKAYAMA: Yeah, it's a tough situation
because, like you said, you have a consumer advocate in
the PC environment where they have --

MR. NISHIMURA: They have that --

MR. NAKAYAMA: Where there's attorneys,
there's accountants looking at these things to help.

MR. NISHIMURA: And we don't.

MR. NAKAYAMA: Right, exactly.

MR. NISHIMURA: And, you know, had that
perhaps been in place this five -- you know, five
metering thing may not have become an issue. And, you
know, I'm just wondering how we can approach that. Is
that the department's responsibility to come up with a
recommendation for that?

MR. NAKAYAMA: Well, because I look at it as whenever there's like a rate case, a lot of times you're dealing with estimates that, you know, no matter what you do are not going to be perfect. You're going so say, hey, that's kind of someone's best guess. And you pay a third party, you know, to obviously who have the experts involved to help provide you their analysis. And, of course, the board has to hear them to make sure that they make sense, you know.

And the follow-up that I'm concerned about when we're specifically raising these issues, though, that there should be a lot of work done to say, well, now you've done a lot of work. You have paid somebody a lot of money to say, this is what we expect to happen. And as they follow up, okay, well, this is what we implemented and make sure that matches up. You know, and saying, hey, look, this is what we intended for it to occur.

Because I think, you know, my understanding for this particular process was there was testing done and made sure 'cause the idea -- everybody understood on the table that this would have a significant impact to these.

You know, luckily, again, it wasn't a large
number of customers that got impacted. So that's, you
know, a great thing. But still it's a fairly large
dollar amount. And it was known it was going to be big,
but how big? And in going through that 'cause that's
kind of where, you know, everybody expects it's a big
increase, but how much? And do you really analyze that
and then get into those details and make sure that it
comes out.

If it doesn't, why not? Maybe it's hard to
analyze on one customer because you're just kind of
looking at some of the real detailed mechanics of the
adjustment. So that's why even the detective control at
the very end is good to say, well, step back, does it
really make sense to see all our numbers go up? Because
maybe some things, no matter what, you're not going to
be able to anticipate. And nobody's perfect in this
world. So ultimately that's why you have these
redundant controls set up in place.

So the idea is that's why we kind of want to
recommend these things because ultimately, you're right.
I mean, I think the department has some onus to look at
and do some analysis. Not difficult to do. I think it
just requires them to -- you know, especially in the
time -- if nothing happens year to year, you know, like
you're no change, then it's not too bad.
But if there is something significant or maybe something special doing the system, that's where it requires special attention, special work being done. Potentially you could hire somebody else outside to do that if you feel like there's not enough resource time or what have you in the department. But that's a decision on resources and I think it's a case-by-case basis that, you know. But that's kind of just my thoughts on that.

MR. NISIMURA: Thank you.

MR. KANESHIRO: Any further questions? So on the -- on the target completion date.

MR. NAKAYAMA: Yes.

MR. KANESHIRO: The management would use its annual report?

MR. NAKAYAMA: Right. The department reply and the contact person and the target completion date was provided by the department. They, you know, they looked at the recommendations, first to make sure they agreed with it, then made comments. And obviously you had to determine whether or not it was -- when it would be feasible for them to do.

So that's the findings in a nutshell. And again, I want to kind of -- the context is there. You know, but for us we do want to use this as something
going forward to have improvement every single year. I think we'd like to keep the meetings where we can be more on time, not have to call special meetings going forward. It will take some time. You know, I think the question of whether it's going to be enough time is -- it is going to take a lot of effort from now going forward to get all this done. And so that's no question.

From a prior finding standpoint, those -- both of those got resolved mostly because the -- on the systems side they decided not to pursue the last module. And that's the resolution on that.

From a single audit standpoint, which is the federal audit requirements, there were no findings. There was a clean opinion on the compliance aspect which is always a good thing.

But in connection with this, we have -- you know, I wanted to raise to the board a significant issue that was raised to us during the course of the audit. One of the concerns was raised that primarily the program you -- the only program you have for federal funding purposes is the SRF loan program or state revolving fund where the Department of Health loans you money primarily for certain projects that are deemed -- that meet the requirements, of course, of the Department
of Health and ultimately the Environmental Protection Agency.

The question raised to us was some concerns that although these projects have been already approved and funded by the DOH, whether or not they did really meet the requirements of the EPA. And you're going to say, well, why look into that? Well, it's important to understand that even though you work as a pass-through with the Department of Health for these federal funds, you're still ultimately responsible even though us auditing the department are making sure that it's not only following the Department of Health's check list, if you will, but ultimately the EPA's requirements with regards to use of the funds.

There were three projects that were in question, and this is not from the current or previous year. I know the total outstanding balance of the loans were about $7 million. And the question obviously was the rules of the EPA, and I'm -- David, you can correct me if I'm wrong here -- is really trying to make sure though that -- they want to make sure there's some natural growth allowed for what they're using them for.

But what they didn't want is abuse of the funds or the monies being funded by EPA for maybe like, say, a developer where there's nobody there that is going to
use the water and it's going to be in some desert
you're going to build a water tank and let's not fund
that. And that's what they want to avoid using the
monies for.

And obviously, there is going to be some growth
expectations, but there is -- you know, there's some
questions of what natural growth is and what primarily
for growth is.

And so we felt like there was enough
uncertainty and grayness there, where we said, look,
David, we understand your concerns. What are the
ramifications? If it's not eligible, potentially we
would have to pay back the monies you had been loaned,
and we'll have to obviously fund them elsewhere.

But -- so we pursued this and talked to the
Department of Health, 'cause we read the regulations and
understood what Dave was saying, and we comp-- you
know, we asked them how did they compare it because we
want to make sure that it's ultimately right, not just
take their word for it.

The gentleman we talked to didn't work on these
specific projects but did take it upon himself to look
at them and look at the requirements. And he's
mentioned to us that the feds have looked at it, and he
felt like in for Hawaii that the fact of not having
primarily no -- basically the clause that we were looking at and concerned about was never really something that applies too much in Hawaii itself.

But nevertheless it's something they felt that they've consulted with them, and came back with an email back to us saying, no, they believed that it's still in compliance with that program.

So it's a good resolution of all this, but it's big enough where I wanted to raise it to you folks as something that was raised during the course of the audit. And obviously as, you know, things get brought forward for DOH loans, it's something you want to consider making sure that you understand how the DOH does -- you know, because some of these, they have a benefit. They're the ones being paid these interests. So making sure that there's the responsibility by the department, of course, and the board here to make sure that the federal requirements are being met. And so that's kind of what we went through there.

Any questions on that aspect?

MR. DILL: Actually maybe a follow-up to Randy's, or if you could comment on the previous of the material weaknesses and follow up on those things.

MR. NAKAYAMA: Sure. Certainly.

MR. DILL: I'm not an accountant, but our
role on the water board is to see that these things are addressed satisfactorily. So a couple of these items, for instance, your recommendation is, The department should consider simplifying the current accounting structure and setup of the financial reporting system during it's IT assessment.

MR. NAKAYAMA: Correct.

MR. DILL: I'm okay with your scope of work. Your work is to identify any material weaknesses and make some recommendations as part of the audit. Is there any follow-up part of that where when the department does go through this restructuring of the account system where you would review that and indicate to us that you feel the material weaknesses identified has been adequately addressed?

MR. NAKAYAMA: Right. Every year what we're required to do is follow up on any prior year audit findings. So we will be reporting in our report what has been done, was it -- do we feel that the finding has been addressed.

MR. DILL: Okay. So this target completion date of June 30th, so you wouldn't be looking at it until next audit then?

MR. NAKAYAMA: Correct, yes. Obviously, you know, the department is pretty good about letting me
know and keeping me in touch of what things are going on. Obviously, as your audit— as the auditor, we don't get involved in any implementations because that would be a conflict for us. We wouldn't be independent from that standpoint.

But it's always a good idea to check with us, you know, to make sure that they're on the right track. And that's what we recommend to a lot of our clients, and the same thing goes for here where we're not meant to be just police, if you will. We don't mind weighing in a little bit, but ultimately it is the department's responsibility to get that fixed.

MR. DILL: Okay.

MR. NAKAYAMA: Thank you.

MR. NISHIMURA: James, what happened to the two material weaknesses, specifically more toward rates and rules?

MR. NAKAYAMA: Sure.

MR. NISHIMURA: If the board were to ask you to perform such analysis, would that be a conflict with our current contract with you as our auditor?

MR. NAKAYAMA: Yeah, there could be some agreed-upon procedures that could be looked at. I mean, as long as we are dealing with from a more independent standpoint, it's -- there are definitely a lot of rules
we have to follow from an auditing standards standpoint because independence is important for us. We want to make sure we don't impair that. So depending on the scope and nature.

A lot of times when you deal with other attestation procedures, as long as it's fairly black and white in what you want us to do, as we get to more of where we're actually doing the function of management itself, that's probably where we want to stay away from. But it's definitely something worth -- you know, we can consider, you know, look into it.

MR. NISHIMURA: And the reason I ask that is, you know, if there's a conflict of this, you guys couldn't do it.

MR. NAKAYAMA: Correct, yes.

MR. NISHIMURA: But to use a street phrase, your job is to cover us.

MR. NAKAYAMA: Yes.

MR. NISHIMURA: I would probably recommend that we utilize your services and perhaps even shop it out to someone who would not have that conflict. Is that a possibility to keep that separation? You know, from your audit--

MR. NAKAYAMA: It wouldn't be through us. I don't think normally -- I -- yeah. If it creates a
conflict, I mean, say, for example, they don't have to be entirely outside of what we do.

MR. NISHIMURA: Okay.

MR. NAKAYAMA: So, you know, basically that's, you know, what I had to present. Going back to page eight, I mean, it's -- the reports themselves aren't, you know, when you look on that and talk about internal control reporting, make sure material weaknesses are identified.

We have three of them. Two significant deficiencies. Federal awards which are -- the report starts on page three, any material weaknesses regard to the internal control over the major programs for federal awards, there were none. Those significant deficiencies identified that are not considered being material weaknesses reported.

And we had an unqualified opinion on compliance for the major program which you only had one, which is a clean opinion. And that's, you know, pretty much the results on the single audit aspect of the audit.

And, you know, what will ultimately occur is that this will get filed along with the -- there's a standard form that gets filed with the feds. And this usually gets attached along with your financial statements. So we'll work with the department to get
that filed. Any other questions?

MR. KANESHIRO: Any other questions for James? If not, thank you.

MR. NAKAYAMA: Thank you very much. Appreciate.

MR. NISHIMURA: Mr. Chair.

MR. KANESHIRO: Members, is there further discussion on this matter?

MR. NISHIMURA: Procedurally what would be the action that might be --

MR. KANESHIRO: To receive. I believe it is to receive this review, draft review.

MR. DILL: Mine is still stamped draft. Is this considered the final then?

MR. NISHIMURA: Yeah, that was the question.

MR. KANESHIRO: To we receive the draft?

MR. NISHIMURA: Yeah.

MR. CRADDICK: It's good question. I mean, if we receive the draft, we would ask them to finalize it. So unless you were thinking you wanted to change some of these recommendations in here that were -- that we provided them. That would be probably the only thing we could do. And if you thought you wanted to do something like that. You can refer it to the committee
or the finance committee or something like that. But I
don't think there's really much to do. And if you
wanted to do something like what Randy is doing, you
know, if this is finalized or not, you can still do
something like that.

MR. KANESHIRO: Yeah, but that would
pertain to a different matter of correspondence.

MR. CRADDICK: Yeah, yeah, yeah, we'd have
to look into it.

MR. KANESHIRO: Rather than, you know, the
single audit draft itself.

MR. DILL: Yeah, I don't think our
discussion warranted any changes to occur. We just have
to do the follow-up things we had that wouldn't affect
the report.

MR. CRADDICK: Yeah.

MR. KANESHIRO: And that's --

MR. TRASK: In that respect, I would
recommend if there's no further changes, receive the
draft and request it to be finalized.

MR. KANESHIRO: Yeah. With that, do I a
motion on the floor to receive the draft?

MR. NISHIMURA: So move.

MR. McCORMICK: Second.

MR. KANESHIRO: Do I have a second on that?
MR. McCORMICK: Second it.

MR. KANESHIRO: All those in favor.

Motion carried.

Now you're moving on into new business. I believe we have Item 1, election of officers. Want to defer that till the next meeting?

MR. NISHIMURA: I think we just go because Roy doesn't qualify for that. I would suggest that we go ahead with it only because this is already, what? January. We're actually one month behind already.

MR. CRADDICK: Are you going to stay?

MR. KANESHIRO: Mr. Manager.

MR. CRADDICK: Are you going to stay?

MR. NISHIMURA: I will stay as long as I can keep my eyes open.

MR. CRADDICK: Okay, okay.

MR. KANESHIRO: We understand that.

MR. NISHIMURA: And I would -- I nominate Daryl Kaneshiro as chair for this year.

MR. DILL: Can I ask a question? Do the terms run concurrent with the fiscal year?

MR. CRADDICK: No.

MR. NISHIMURA: Right now it's calendar year.

MR. DILL: So we are behind, real behind.
MR. NISHIMURA: Yes, we are.

MR. DILL: And how long are the terms?

MR. NISHIMURA: One year. And you lucky suckers cannot serve.

MR. DILL: That's the best part of being on this board.

MR. McCORMICK: It is a special part. The best part.

MR. KANESHIRO: Well, there's a nomination on the floor. Is there a second to the motion?

MR. McCORMICK: Second.

MR. KANESHIRO: Okay. I guess there's a second.

MR. NISHIMURA: I move that we close the nominations, Mr. Chair.

MR. KANESHIRO: Do we have a motion on the floor for other election of officers?

Hearing none, I guess, any further discussion?

Hearing none, I guess, all those in favor signify by saying aye.

Any nos? Okay. Good. I guess, motion carried. Thank you for that.

MR. NISHIMURA: Congratulations, Mr. Chair.

CHAIRMAN KANESHIRO: Thank you.

MR. NISHIMURA: Mr. Chairman, I nominate
Clyde Nakaya as Vice-Chair for the --

MR. DILL: Second.

CHAIRMAN KANESHIRO: Okay. Any further discussion or any other nominees for the position?

MR. NISHIMURA: Move to close the nominations, Mr. Chair.

CHAIRMAN KANESHIRO: All right. With that, given that, all those in favor of Mr. Nakaya being Vice-Chair, signify by saying aye.

Any opposed?

Hearing none, motion carried.

Well, welcome aboard two new officers today.

MR. DILL: Do we need a secretary, Mr. Chair?

CHAIRMAN KANESHIRO: Do we?

MR. CRADDICK: Yes.

MR. NISHIMURA: Yeah, we elect a secretary.

CHAIRMAN KANESHIRO: Elected too or --

MR. CRADDICK: Yeah, it's usually elected, yeah.

MR. McCORMICK: We need that. Mr. Chair, I nominate Randall Nishimura.

MR. DILL: Second.

MR. NISHIMURA: Mr. Chair --

CHAIRMAN KANESHIRO: With that I will close
the nomination.

MR. NISHIMURA: Mr. Chair --

CHAIRMAN KANESHIRO: No further questions.

MR. NISHIMURA: You're supposed to recognize me. I was going to nominate Roy, you know. I guess I wouldn't get a second, huh?

MR. McCORMICK: But you're such a good secretary.

CHAIRMAN KANESHIRO: It's still open. You can go ahead and try.

MR. NISHIMURA: Yeah. I will nominate Roy Oyama, select him for secretary for the year.

CHAIRMAN KANESHIRO: Do I have a second on that? I'm a chair, so I can't make any second to this.

MR. NISHIMURA: As the sitting secretary and the vice-chair is gone, I can sit for you.

MR. DILL: I'll honor Mr. Nishimura by seconding his nomination for the sake of further discussion.

CHAIRMAN KANESHIRO: For the sake of further discussion?

MR. NISHIMURA: Yes. Thank you, Mr. Dill.

MR. McCORMICK: Mr. Chair, I move we close the nominations. We didn't move fast enough before.

MR. DILL: There's nobody else we can
nominate.

MR. McCORMICK: We're running out.

MR. NISHIMURA: You guys find this real entertaining, yeah?

MR. McCORMICK: It is very entertaining.

CHAIRMAN KANESHIRO: This is serious.

So that with that nomination, we close with two nominees on the floor. All those in favor of -- do you want to do this secret vote or call it?

MR. NISHIMURA: Just raise hands.

CHAIRMAN KANESHIRO: All those in favor of Mr. Nishimura serving as secretary, signify by saying aye.

Any opposed?

Hearing none.

MR. NISHIMURA: Mr. Chair, how do you signify?

CHAIRMAN KANESHIRO: Well, I'm going to call for Mr. Oyama's vote now.

MR. NISHIMURA: Okay.

CHAIRMAN KANESHIRO: Because there are two nominees on the floor as recognized by Mr. Dill. So with that, currently we have you.

And now I'll call for --

MR. CRADDICK: Was it unanimous?
CHAIRMAN KANESHIRO: We don't know yet. We haven't heard -- I got to hear the voices.

MR. CRADDICK: Oh, okay.

CHAIRMAN KANESHIRO: And if we can't make a determination by hearing the voices, then we might have to take a regular --

MR. CRADDICK: Roll call vote.

CHAIRMAN KANESHIRO: That's correct. So the other nomination is Mr. Oyama for secretary. All those in favor signify by saying aye.

MR. NISHIMURA: Aye.

CHAIRMAN KANESHIRO: Any opposed?

(Raised hands.)

CHAIRMAN KANESHIRO: I guess with that, it gives me the opinion by voice vote that Mr. Nishimura is our new secretary for the 2012 year.

MR. NISHIMURA: I thought you guys was my friends.

CHAIRMAN KANESHIRO: Congratulations.

That was the good part. Moving on to selection of attendees for AWWA conference, ACE 12, June 10 through 14, 2012, Dallas, Texas.

For the record, I want to state that I won't be able to make or attend this conference. I do have something in conflict at the same time that has been set
quite some time ago.

    MR. McCormick: Mr. Chair, I'm not available either.

    MR. Nishimura: Mr. Chair, then I would suggest that Larry and I go look at a lot of dual water systems in conjunction with that conference.

    MR. Craddick: Probably find them in Texas, too.

    MR. McCormick: Big state.

    Chairman Kaneshiro: Find them in Texas. That's seems like a good suggestion.

    MR. Nishimura: Mr. Chair, I would defer to others if, you know, there is a slot open, then I would. But I would defer to others that may want to go first.

    Chairman Kaneshiro: Usually we have how many slots that can attend?

    MR. Nishimura: Usually we got budget for three.

    MR. Craddick: This particular year the employee of the year didn't want to go. So we're looking at something in the next budget year for that. But what I was kind of thinking, if I can think farther ahead, the mayor is an ex officio board member. And I know when Ernie was here he was successful in getting the mayor to go to one or two conferences, and as a
result they got the winter annual meeting of the AWWA here on Kauai, and I'm pretty sure it might not take a whole lot of effort to get the Water Utility Council to meet here since I'm on the Water Utility Council for at least one of their meetings. So if the board can see their way fit maybe to allow one of their -- since he's coming to the meetings now, to go.

MR. DILL: Is the Water Utility Council part of a larger organization, David?

MR. CRADDICK: If he's available.

The Water Utility Council is kind of the executive group for the AWWA.

MR. DILL: Okay.

MR. CRADDICK: They're not the executive board, but they're a pretty high-level group up there and they look at legislative issues and just general policy for the AWWA.

MR. NISHIMURA: Mr. Chair.

CHAIRMAN KANESHIRO: Yes.

MR. NISHIMURA: I move that the chair designate the attendees to the AWWA Conference after polling all the members of the board.

CHAIRMAN KANESHIRO: That's a good suggestion. I will poll the members of the board. Only discuss with the board members at this time forward.
And again, Mr. Craddick did bring up a point about the mayor attending as a possibility.

MR. NISHIMURA: As an option.

CHAIRMAN KANESHIRO: We have some conferences here in Kauai. But we can leave that open for further discussions.

So with this, do I put this motion on deferral do we or do we receive this and move ahead and what would the board do? I believe we can receive this, right, or approve this?

MR. NISHIMURA: Yeah, we could approve the motion.

MR. CRADDICK: The motion is to assign it to you.

MR. NISHIMURA: Yeah. We would authorize you to designate after polling the membership.

CHAIRMAN KANESHIRO: After polling the members of the board. Okay.

MR. NISHIMURA: That is the motion.

CHAIRMAN KANESHIRO: With that, do I have a second on that motion?

MR. MCCORMICK: Second.

CHAIRMAN KANESHIRO: There's a second.

Any further discussion on the motion on the floor?
If not, all those signify by saying aye.

Any opposed?

Hearing none, motion is carried.

Mr. Craddick.

MR. CRADDICK: Back on the last agenda there we did the board, but we didn't get the committee people.

MR. NISHIMURA: Point of order, Mr. Chair. That's an appointment process that the chair is authorized to do on the rules.

MR. CRADDICK: Okey doke. So the rules committee then will just appoint people for that.

CHAIRMAN KANESHIRO: Okay. You've got it. The next item is Item No. 3, Manager's Report No. 12-53, rescind interim storage policy for the Kekaha-Waimea Water Systems Kauai. Mr. Craddick.

MR. CRADDICK: Okay. On this one here, some of the inter -- dealing with water availability were done with the staff, some of them were done with the board. This is one of the ones that was done with the board for Kekaha-Waimea, and we've just finished the tank out there and feel that the restrictions can be removed for that system. So we're asking that the board approve rescinding that policy, the interim storage policy which limited water service to five meters. And
you can see on that chart below what would roughly be available.

MR. NISHIMURA: Mr. Chair.

CHAIRMAN KANESHIRO: Yes, sir. Go ahead.

MR. NISHIMURA: Move to approve Manager's Report No. 12-53 rescinding the interim storage policy for the Kekaha-Waimea water system.

MR. DILL: Second.

CHAIRMAN KANESHIRO: Okay. We have a motion on the floor and a second. Do we have any further discussion on this matter?

MR. DILL: Do we have a lot of water service applications pending out there?

MR. CRADDICK: Well field 14, I know. Is there more, Gregg, that you know of?

MR. FUJIKAWA: They're not applying because they know that there's a water restriction right now.

MR. DILL: Have you been approached informally with inquiries pretty much?

MR. FUJIKAWA: Not much, no.

MR. DILL: Okay. Thank you, Mr. Chair.

CHAIRMAN KANESHIRO: Okay. Any further questions or discussions on this item?

MR. NISHIMURA: I have a question for Mr. Fujikawa.
CHAIRMAN KANESHIRO: Okay.

MR. NISHIMURA: After the 123 residential, 175 hotel units get their applications in, would it be the recommendation of the department to reinstitute that policy?

MR. FUJIKAWA: I think when that point occurs or in this case it doesn't go -- you know, when it's approaching capacity, I think the water department, the staff will assess the situation at that time.

There's also, yeah, I'd like, Chair -- I mean, Commissioner Nishimura stated that the source capacity is approaching or it's -- if everything goes according and we allow water meter improvements, potentially there might be a choke point on the source capacity for the system is what Mr. Nishimura is talking about.

And maybe potentially or theoretically that might approach -- that point might approach -- source choke point might approach before the storage tank choke point approaches or comes to be.

So when that occurs, if that occurs, because we have current source projects ongoing, hopefully the scenario is that we from now on for Kekaha-Waimea keep ahead of the curve and continue to project and fund capital projects that would allows us not to, you know, impose this type of restriction in the future.
MR. NISHIMURA: Very good, very good. And the reason for the question is, should we revisit when we hit that 123? You know, or perhaps if they get up to 100 and then we say, okay, what -- at that point maybe we need to look at this, you know, whether we need to look at this policy again.

CHAIRMAN KANESHIRO: All right. So noted. Any further discussions or questions regarding Manager's Report No. 12-53?

If not, the motion on the floor is to approve. We have a second on that also.

All those in favor signify by saying aye.

Any opposed?

Hearing none, motion carried.

No. 4, Manager's Report No. 12-54, debt service reserve fund policy. I believe the recommendation would be to move this into the committee of the whole.

MR. NISHIMURA: Mr. Chair.

CHAIRMAN KANESHIRO: Before I do that, we will have some comments and discussion on the item.

Mr. Nishimura.

MR. NISHIMURA: No, I was just going to move to receive and refer to committee of the whole where discussion can take place.

CHAIRMAN KANESHIRO: Mr. Craddick, any
discussions before we call for the motion?

MR. CRADDICK: No.

CHAIRMAN KANESHIRO: So the motion would be to receive it and move to committee of the whole.

MR. DILL: I'll second it.

CHAIRMAN KANESHIRO: Do I have a second?

MR. DILL: I'll second.

CHAIRMAN KANESHIRO: I have a second.

Any further discussion on this matter of 12-54, debt service reserve fund policy?

If not, all those in favor signify by saying aye.

Any Opposed?

Hearing none, motion carried.


MR. CRADDICK: Okay. On this one here, the project that had gotten all the approvals, and we went ahead with the job. And after going ahead with the job, a group came up and questioned whether we had done it right.

And I think what happened was we made a decision rather than sitting on the approval that we got from the planning department, went ahead and did some
additional work that was required. And out of that additional work we ended up being required to have an archaeology monitoring. And this is to pay for that on that project.

And then also we decided not to dig a new trench but to put in a temporary pipeline and remove the existing pipeline to try and minimize the disturbance of any burials that may be in the area.

So even though this is a fairly large amount of money in comparison to the total contract, it's a relatively touchy issue, and the -- I was contemplating just dropping the job altogether, but we have the state is planning on doing some work on that road going up to Wailua Homesteads. So we don't want to come in and try to do something after they have a new road in there. We want to get the work done ahead of that. So ...

MR. Mccormick: Mr. Chair.

Chairman Kaneshiro: Yes.

MR. Mccormick: I move to approve Manager's Report No. 12-55.

MR. Nishimura: Second.

Chairman Kaneshiro: Okay. Moved and seconded. At this time some some further discussions or comments?

MR. Moises: I just want to clarify
something. I don't think staff went on the planning
department approval as to moving ahead with the project.
It was more of an issue with the environmental
assessment that was required. And the Department of
Water has the authority to say whether or not we're
exempt. And it was found that we weren't exempt.

So because the area is culturally sensitive, we
went through an EA and posted a final EA on January 8th.
So that's really the reason why we moved forward with
the project. It wasn't planning.

CHAIRMAN KANESHIRO: Okay. Mr. Dill, do
you have a question?

MR. DILL: Yeah, just a clarification. Is
this entire project within the state highways right of
way?

MR. CRADDICK: No.

MR. MOISES: No, just a portion. Kuamoo
Road, and then once you get to, I guess the Heiau area
at the bottom portion on the left side is all county.

MR. DILL: So you plan to -- I need to
understand the scope -- abandon existing pipelines
within the county property?

MR. MOISES: Yeah, we got to --

MR. CRADDICK: Well, no, not --

MR. MOISES: Well, that was the original
plan, but we're actually going to take everything out anyway. So even though we got in, we're going to take out the existing pipeline in the county land and state right away and put the new line in the same trench as the old. So we take out all the pipe.

MR. DILL: All right. Thank you.

CHAIRMAN KANESHIRO: Okay. Any further questions or discussions on this matter?

If not, I'm going to go ahead and call for the vote on Manager's Report No. 12-55. All those in favor of approval signify by saying aye.

Any none, signify.

Hearing none, motion is carried.

Last item on new business is the Manager's Report No. 12-56, determination of reasonable benefit from expansion project impact fees. With that, Mr. Craddick.

MR. CRADDICK: Okay. On this item here, the state law requires the board to make a determination of whether benefit zones can be isolated areas or the whole -- whether to limit them or not limit them. And this is something that we're supposed to have in place before we do our impact fees. We don't. And so what we're trying to do is do it kind of a little after the fact here.
But anyways, the state law requires a collection expenditure shall be localized to provide a reasonable benefit to a development. The county or board shall establish geographically limited benefit zones for this purpose provided that the zone shall not be required if a reasonable benefit can otherwise be derived. The benefit zone shall be approximate to the particular public facility and the county board. Then the county or board shall explain in writing and disclose at a public hearing the reason for establishing or not establishing the benefit zone.

So pretty fairly well-defined requirements there. And I went back and looked when we did our 2020 plan, near as I could tell, no benefit zones were established. And we do recommend not making specific benefit zones, and the reasons are at the end of the report.

But the types of improvements in the water plan 2020 benefit all new development in the county, and therefore it would be appropriate to treat the entire county as a single service area for purposes of calculating the impact fees.

Secondly, the costs of engineering, maintenance, and operation are not charged or allocated according to system areas because all costs are
considered to go with the betterment of the entire system, thus not establishing a benefit zone reflects the current view and operation of the department.

Finally, it's in the public and department's best interest to create an equitable impact fee so the board can levy a more proportionate share of the cost of required improvements on those developments and create the need for them.

The facilities reserve charge have been in place here for a long time, since about the '60s it appeared. And the funds have been collected and spent countywide since then. Some systems have seen more or less projects but generally reasonable benefits have been derived on a uniform basis and no system has been allowed to go completely without additional water available for development. Meaning that we still would give -- even though the system was considered deficient, we were still giving out one or two meters in various areas.

Anyways, it should be mentioned, however, that some larger projects have been required to provide assistance for that specific development.

We go out to public hearing, that's what the funding requirements for this would be just go handle the public hearing.
And the reasons that we have for not establishing is that the water plan 2020 projects benefit the entire water system. Current operations of the department reflect the fact that the entire county water system is one system. Not establishing benefit zones allows for more equitable and proportionate fee. And the reason for establishing a geographically benefit zone is that the costs are focused when the projects of one system are determined only for that system. Probably the best example right now is Hanalei, and we're looking at doing a system that is many tens of thousands of dollars per customer there.

MR. NISHIMURA: So the effect of this would be if there's no benefit zone specific --

MR. CRADDICK: Yeah, specific to the --

MR. NISHIMURA: Then they share amongst all the shareholders or rate holders?

MR. CRADDICK: Right.

MR. NISHIMURA: If there is a benefit zone then, in this case Hanalei, they would have to --

MR. CRADDICK: Shoulder the cost of that.

MR. NISHIMURA: Shoulder the bulk of the cost of it.

MR. CRADDICK: Right. Shoulder all of the cost if you establish benefit zones.
MR. NISHIMURA: And how would that be administered?

MR. CRADDICK: We would just attempt to treat the development in each area, there would be a separate development fee for each area.

MR. NISHIMURA: Okay.

MR. DILL: I thought, David, this also somewhere had operations as well given that --

MR. CRADDICK: Well, operations --

MR. DILL: But then wouldn't we also end up with a different rate for each individual area?

MR. CRADDICK: Well, when you're determining the impact fee, you would have to deduct off the portions of the development that is going to cover deficiencies. And right now that's determined by the system systemwide. An amount comes out of rates. Well, we don't actually take it out of rates, but it's determined systemwide. And you would have to start determining that deficiency, this benefit zone by benefit zone.

So at some point if you decided that the money coming out of rates for this particular system with this deficiency was this much, then that amount would get transferred over to the system of the development. If this one had more deficiencies, then more would be taken
because the rate is determined systemwide. It's not determined --

MR. DILL: But my question, this is talking about for impact fees, it's not talking about rates?

MR. CRADDICK: No, it's not talking about rates. But because we do our rates systemwide and the deficit is determined systemwide, there is actually -- you know, when you see the FRC charges, there's a charge and then there's an actual minus out for system deficiencies, and that minus amount is systemwide. If we start determining that deficiency system by system --

MR. DILL: You'll never finish.

MR. CRADDICK: Maybe.

MR. DILL: Okay. I thought we had had discussions at some earlier meeting using the example of the Wailua Houselots area where we had a fire protection deficiency, and part of the discussion there in funding that project was we would have allocated some sort of assessment fee just to the customers that benefit from that project.

MR. CRADDICK: Okay. But that's not for expansion. This is specifically for system expansion impact fees.

MR. DILL: Okay.

MR. CRADDICK: And if you make a motion to
go one way or the other here today, the motion also has to include to go a public hearing with this because we actually have to have a public hearing on that. And then after that, the board would finally determine which way they were going to go. But we actually have to have a public hearing on this, too.

MR. NISHIMURA: One way or the other.
MR. CRADDICK: Yeah, one way or the other.
MR. NISHIMURA: Question. On the impact fees as a whole, if we create these benefit zones, would that have a net impact of raising or lowering the FRC?
MR. CRADDICK: I think it would raise for some and lower for others.
MR. NISHIMURA: Okay.
MR. DILL: But on the average theoretically it would stay the same, right?
MR. NISHIMURA: On average.
MR. CRADDICK: Correct.
MR. DILL: Do other counties have benefit zones?
MR. CRADDICK: Not in Hawaii that I'm aware of. I do know of some systems that do have separate charges for different parts of the system. But none that I'm aware of in Hawaii. They're all -- but I'm not aware of any in Hawaii that have established these
benefit zones either.

MR. DILL: But you are aware of in Hawaii some places have different FRCs that they have?

MR. CRADDICK: Oh, they're different, but it's -- for the county system it's one fee countywide.

MR. DILL: But not different within each county? Each county charges the same FRC within its jurisdiction?

MR. CRADDICK: Right, correct.

MR. NISHIMURA: So Maui County, whether you live on Maui, Lanai or Molokai, they have the same FRC.

MR. CRADDICK: Right.

MR. DILL: That same rate, right?

MR. CRADDICK: The same -- the same rate, yes. It's one fee.

CHAIRMAN KANESHIRO: Any further discussion on this matter, the Manager's Report No. 12-56.

MR. DILL: I thought -- I'm sorry.

MR. NISHIMURA: Go ahead.

MR. DILL: We're talking about expansion projects.

MR. CRADDICK: Yes.

MR. DILL: Okay. Because I don't see that in this paragraph that you have.

MR. NISHIMURA: FRC.
MR. CRADDICK: Okay. I apologize there. That Hawaii --

MR. DILL: I guess that's by definition.

MR. CRADDICK: -- Revised Statutes only deals with impact fees and collecting fees for expansion of the water system. It's in the recommendation there. So it is only dealing with the expansion of the water system.

MR. NISHIMURA: What is the urgency of the timing of this?

MR. CRADDICK: Well, we shouldn't move further with our FRC if we don't have some consensus on the board because we're doing the whole thing wrong if we're -- if we --

MR. NISHIMURA: Well, I'm glad we caught it now as opposed to much later.

MR. CRADDICK: Yeah, yeah, that's why it's on the agenda you got. As soon as the county attorney observed on this, and it was something we had to do right away.

MR. DILL: Mr. Chair, I move to approve the Manager's Report No. 12-56 and move forward with this recommendation.

CHAIRMAN KANESHIRO: And also schedule a public hearing on the matter.
Do I have a second on that motion?

MR. McCORMICK: Second.

CHAIRMAN KANESHIRO: I have a second. Do I have any further discussion on this item?

If not, all those in favor signify by saying aye.

Any opposed?

Hearing none. Motion carried.

MR. NISHIMURA: Mr. Chair.

CHAIRMAN KANESHIRO: Yes.

MR. NISHIMURA: Let the record reflect I'm voting aye with reservations, serious reservations.

CHAIRMAN KANESHIRO: Okay. We will note such that Board Member Nishimura voted aye with reservations.

MR. NISHIMURA: Not just reservations, serious reservations.

CHAIRMAN KANESHIRO: With that, we'll move on to staff reports, monthly, statement of Kauai County Water Department's revenues and expenditures.

MS. YANO: Members of the Board, my report is in your packets. Once you've had a chance to look at it, if you have any questions, please ask.

CHAIRMAN KANESHIRO: Members of the Board, the status summary before you, any questions on any of
the items for Marites?

If not, thank you, for the report.

MS. YANO: Thank you, sir.

CHAIRMAN KANESHIRO: Do we need to make a motion to receive the report at this time?

MR. NISHIMURA: It would be better.

CHAIRMAN KANESHIRO: Is that what we do usually?

MR. NISHIMURA: Usually.

CHAIRMAN KANESHIRO: Move to receive.

Okay. Do I have a motion to move to receive the statement of Kauai County Water Department's revenues and expenditures?

MR. DILL: So moved.

CHAIRMAN KANESHIRO: Do we take them all at one time? No. Do we take them as each item?

MR. DILL: I think each report.

MR. NISHIMURA: Each report.

CHAIRMAN KANESHIRO: Okay. Do I have a second on that?

MR. NISHIMURA: Second.

CHAIRMAN KANESHIRO: All those in favor signify by saying aye.

Any nos?

Hearing none, motion carried.
Report by the public relations specialist on public relations activities.

MS. SHIRAMIZU: My report is before you. If you have any questions. It's a short report.

CHAIRMAN KANESHIRO: Okay. Any questions by the board members of the report? Any clarifications?

MS. SHIRAMIZU: Can I comment on --

CHAIRMAN KANESHIRO: Okay.

MS. SHIRAMIZU: Dustin's presentation at career day at King Kaumualii. I wasn't there, but I heard that it was a really -- he did a really great job of representing the department, and I think it was good for the students to have that.

CHAIRMAN KANESHIRO: Great. Any questions?

MR. NISHIMURA: Just a comment, Mr. Chair.

CHAIRMAN KANESHIRO: Yes.

MR. NISHIMURA: In rescinding the water restriction policy for Waimea-Kekaha, I would like to ask that --

MR. CRADDICK: No.

MR. NISHIMURA: Yes, yes. Mr. Craddick, the reason we spend all this money is to get rid of those restrictions.

MR. CRADDICK: Okay.

MR. NISHIMURA: And those that have been
waiting deserve the opportunity to apply as with anybody else.

   MR. CRADDICK: Yeah.

   MR. NISHIMURA: And if we need to reinstitute that policy, we got to reinstitute the policy. But, you know, we've had a lot of guys come in asking for meters, and we've turned them away. And that's the whole point of 2020. Otherwise, why we spending all this money?

   And to that extent, I would ask that the department do publicize that. And as a result of this, you've been able to at least temporarily rescind that policy.

   MR. CRADDICK: Okay.

   CHAIRMAN KANESHIRO: Okay. So noted by Board Member Nishimura that we have a report out on that issue.

   Any other discussions on the matter? Mr. Craddick.

   MR. CRADDICK: One that I might say. The press release up there at the top, the backflow preventers, the reason we put that out there was to not start a war with the people but the letter says their meters will be removed if they don't put these backflow preventers in. And we're rapidly approaching that day.
And there may be some that get their meters removed. And when they do, they'll be trying to go to the newspapers.

We thought it was important to get something out there. And I think the news report came back and the word scofflaws there attached to them. So it makes it a little bit easier for us to, I think, respond to that rather then the bad water department taking away these people's services that don't have backflow issues.

MR. NISHIMURA: The guys that are required to put in backflow, they're getting all ag rates?

MR. CRADDICK: They're not getting -- they may not be getting ag rates, and they may not even be connected to the dual water system. But if they are close enough to it where in under 24 hours they could hook up. And then you also have the problem that the next-door neighbor could be hooked up and they could run a line from their system. So we felt that it certainly complied with the law to require under our rules.

And just to be safe, we wanted to err on the side of caution versus letting people go. And I guess, kind of the example I use is as soon as people realize that TSA is not going to check grannies and babies, that's who's going to be set up with the thing that blows the plane up.
So it is an issue out there. I mean, we live in a different day these days. And it's sad, but we have to look at these kind of things from a different point of view now than we did ten years ago.

MR. DILL: How much time do you give them to comply?

MR. CRADDICK: They've had over six months. And this is the third letter that's gone out.

MR. DILL: Can you estimate the approximate average cost for them to comply?

MR. EDDY: It's in about the $2,000 range.

MR. DILL: Okay.

MR. CRADDICK: And the first person that we had the trouble with, they had their backflow preventer in in about 48 hours. So then -- and we know that some of the local companies here have stocked up on the backflow preventers, so it's not like they're not available.

MR. NISHIMURA: How many of them have come in for -- don't they have to draw a permit to get that work done?

MR. CRADDICK: Do you know how many of the letters went out, Gregg, has anybody --

MR. FUJIKAWA: We sent thirty --

MR. CRADDICK: No, but how many have come
in?

MR. FUJIKAWA: 38 letters went out.

MR. CRADDICK: Have any come in yet to do anything?

MR. FUJIKAWA: Some coming in. Some are progressing toward what we want them to do. And there's a bunch of them, we don't know what the exact number is, but they haven't started any kind of compliance step.

MR. CRADDICK: There's quite of few off-island owners. They have addresses on the mainland. So ...

MR. NISHIMURA: So they're going to lose their potable water but not their non-potable?

MR. CRADDICK: Correct.

MR. FUJIKAWA: We don't control the non-potable.

MR. NISHIMURA: No, I understand. No, I understand.

MR. DILL: Mr. Chair, move to accept the PR report.

MR. NISHIMURA: Second.

CHAIRMAN KANESHIRO: Received and there's a second.

All those in favor signify by saying aye.

Motion carried.
Item No. 3, Chief of Operations summary report on monthly operational maintenance.

MR. REYNA: Good morning, Members of the Board. Before you is the month of December report for our operations division, the most notable on the report is the retirement of our generator repairer effective December 31st, 2011.

(Chairman Kaneshiro exited meeting.)

MR. REYNA: Also, we have interviewed and selected a candidate for the pipefitter helper position. The new hiree will be reporting for work on February 1st.

If you turn your attention to the second page of the report, the chart shows our overtime applied for in the month of December from a low in November. This is due to numerous SCADA problems we are encountering in the North Shore of the island. Actually not only the North Shore, but Wainiha-Haena subsystem, we're encountering problems there. Kilauea we are encountering SCADA problems, also in Kalaheo. We have one item right now, the FluidIQs technician, that's our SCADA integration consultant, and they're helping us resolve the problems. We have a technician and an engineer programmer on island, and they'll both be here for over two weeks to help us resolve the problems.
If you have any further questions, please let me know.

MR. NISHIMURA: Questions, Board Members?

Mauna Kea, can we receive the operations report in the absence of our fourth member or can we just continue to receive reports and then take action?

MR. TRASK: I think we -- let's see.

MR. DILL: We will --

MR. TRASK: I think we can continue. We have sufficient number of votes to take affirmative action.

MR. MCCORMICK: Move to receive.

MR. DILL: Second.

MR. NISHIMURA: Moved and seconded to receive the operations report.

Any discussion?

Hearing none, all those in favor say aye.

Opposed.

Motion carried.

Next item is the manager's update.

MR. CRADDICK: Yeah. This one here, the first one is, aside from the action that the board just took on the Waimea water system administratively approved water restriction for Lawai-Omao have been lifted since December 23rd and it's attached, I believe,
for your review here. And we'll notice this one along with the other one, I guess, with a news release.

MR. NISHIMURA: Thank you.

MR. CRADDICK: We have a pump contract that was awarded. Emergency repair there.

(Chairman Kaneshiro entered meeting.)

MR. CRADDICK: And let's see. Personnel matters are there, and it's they're quite voluminous there. So I won't go through every single one of those.

But what's going on right now is is I've sent -- met with the mayor on a couple of the more important issues. We've sent a letter to the personnel director, and if possible if the board could give permission to the board chair to sign a letter to the Civil Service Commission Chair if we don't get a timetable in a timely manner when they're going to finish those items, 'cause both of them have been the better part of a year, the board secretary and the engineering reorganization. And for whatever reason, they're camping on those.

I think it needs to be moved up to a higher level. And I'm reluctant to write the letter to the Civil Service Board myself. And if the board can see their way clear to authorize the chair to send a letter, I would appreciate it.

MR. NISHIMURA: Have you spoken to the ex
CHAIRMAN KANESHIRO: I did, I did. And he said he was going to call them in and try and find out what was going on because the mayor actually signed both requests to the -- which isn't normal. Normally the mayor doesn't have to sign a request. They just deal with it. But some things are going on there that I'm very reluctant to talk about here in open session.

MR. NISHIMURA: That's fine. So the mayor doesn't have an objection to it?

MR. CRADDICK: No, no, the mayor has no objection.

MR. NISHIMURA: Okay. That makes it easy.

MR. CRADDICK: Anyhow, vouchers paid 1.3 million advance of facilities there that's for them. Water quality report, it's still going good there at Amfac shaft. We had a big storm, but when we were having a storm, the microparticulate analysis that we have to do went to Seattle that also had a storm. And although our sample got there, they couldn't get it to the place to test it in time before the sample was no longer any good to test. So we'll have to wait for another storm out there in Kekaha.

And then there were some claims that were paid, the attorney. And that's it.
Oh, I take that back. Well, I can have Gregg maybe do this, but you have the monthly subdivision summary there, too, from water resources and planning.

CHAIRMAN KANESHIRO: Any further questions or discussions on the manager's update?

MR. NISHIMURA: Just one question on item six of your water quality report. When did Kalaheo, Lawai, Omao, and Koloa become one system?

MR. CRADDICK: Bill.

MR. EDDY: One to two years ago.

MR. CRADDICK: Is that something we failed to notify you of?

MR. NISHIMURA: This is the first I'm hearing about it.

MR. EDDY: Well, it's been in the water quality report for a while. It really needs to drop off of this. I think it's been reported.

MR. NISHIMURA: Well, if it weren't on there, I wouldn't even know that it was one system.

MR. EDDY: Yeah. I'm pretty sure it was reported before, and it just hasn't been taken off from this.

MR. NISHIMURA: Okay.

CHAIRMAN KANESHIRO: Any other questions for the manager regarding the monthly update activities?
Hearing none, do I have a motion to receive it or decide on it?

MR. McCORMICK: Mr. Chair, I move to receive the manager's update.

CHAIRMAN KANESHIRO: Second on that?

MR. McCORMICK: With the authority to send a letter to the Civil Service Commission. Is that it?

MR. CRADDICK: Yes.

MR. McCORMICK: Yes.

CHAIRMAN KANESHIRO: With that clarification, do we have a second on that motion? I need a second on this.

MR. DILL: I'll second, but I got a question so I want to raise some discussion.

CHAIRMAN KANESHIRO: Go ahead. We will open it up for discussion.

MR. DILL: On the last item, David, the claims.

MR. CRADDICK: Yes.

MR. DILL: It's under remedial recommendations. Can you give us the status of implementation of those recommendations?

MR. CRADDICK: On, what's that?

MR. DILL: On the claims that are mentioned.
CHAIRMAN KANESHIRO: On the claim from page four.

MR. CRADDICK: Those have been settled.

MR. DILL: Right, but there's remedial recommendations for the department to follow up on.

MR. CRADDICK: Oh, oh, oh, oh, oh. Okay.

MR. DILL: Those recommendations.

MR. CRADDICK: Okay, okay. Bill.

MR. EDDY: I've got a clean driving record.

I guess we're going to have to set up some driver's training. We did one a few years back, but I guess it's time to go through another round.

MR. CRADDICK: Actually we're doing something a little bigger than that. We're doing work on a vehicle policy that -- to tighten up a little bit better how we handle these things.

MR. DILL: Can I request a report on status or compliance for that at a future meeting?

MR. CRADDICK: Okay.

MR. DILL: When would a reasonable time frame be for that?

MR. CRADDICK: Bill.

MR. EDDY: Time frame for the status or to be completed?

MR. DILL: No. Time frame for it to be
completed. Give me a time frame when you can report back to us what your program is for this ongoing driver safety program.

MR. EDDY: Okay. How about, yeah, the next meeting I'll report.

MR. DILL: Okay. What you're going to do?

MR. EDDY: What we're going to do.

MR. DILL: Okay. Thank you.

CHAIRMAN KANESHIRO: Okay. We'll add that to the motion on the floor along with a letter, we'll get a report at the next board meeting providing remedial actions to the taken.

We have a motion on the floor for that with a second.

MR. DILL: Second.

CHAIRMAN KANESHIRO: All those in -- we already got a second.

MR. DILL: I'll second it again.

CHAIRMAN KANESHIRO: Okay. Double whammy. -- signify by saying aye.

Any Opposed.

Hearing none, motion is carried.

On to the quarterly, employee of the quarter award, fourth quarter.

MR. CRADDICK: This we actually did earlier
there before the board meeting started.

CHAIRMAN KANESHIRO: Right, we took that up already.

MR. CRADDICK: Well, not in the board session, but we've got a crew of the employees that were chosen this time instead of just a single individual. It's Warren Rita's crew of which Alan Iwasaki, Raymond Chow, Randy Watanabe, Corey Silva, Darren Lizama and Kevin Pongassi are in the crew.

And what happened was there was a line break in pretty bad weather. The guys went out there to do it. And in the process, I guess, one of the customers out there also their line was damaged. And rather than just leaving it, they helped them out and got that fixed up to where the person had water. They went so far, I guess, as to send in a letter to the newspaper. And our guys picked up on it, and this was the result there, that they ended up a group winning the award there for the month.

CHAIRMAN KANESHIRO: Okay. So any comments or questions by board members?

We'll move on to project status updates.

MR. CRADDICK: Did you get -- you got the one there on the -- okay. Okay.

CHAIRMAN KANESHIRO: Is that the one you
wanted Gregg to comment on?

MR. CRADDICK: Well, that was on the last one there. If you had any questions on it.

CHAIRMAN KANESHIRO: Project status update. We have a project status update.

MR. MOISES: I can call on Gregg.

CHAIRMAN KANESHIRO: Okay.

MR. MOISES: So you have the executive summary before you. We kind of got things going on design and construction for several of these projects. I guess things to note is Kahili directional drilled well, we got the contract finalized, issued notice to proceed, and actual fieldwork once we get the right-of-entry from Grove Farm.

The Lihue baseyard, we started improvements. We got the land transfer, and we post the final EA. So we're in the design process, and we actually are getting close to finalizing the floor plan. And I had a meeting today with planning, and we discussed the rezoning of the triangle.

Other than that, we got a crew through the Kokolau and Kalaheo service plans and design.

And as mentioned earlier, Kuamoo pipeline Job No. WK 36 is -- we have to redesign that, and that's been completed.
As far as construction, Moana Kai we got approved near the beach, we have a new pipeline there. And that was the same situation as Kuamoo in the sense that we have to do archeological work. So we actually hired an archeologist and a cultural monitor, and we started construction in December.

So we finished a few projects in Kapaa. The Vivian Heights pipeline is completed. And Kapaa Homestead pipeline phase II is completed. And Piwai tank got completed, and hence the rescinding of the shortage. And we started Maka Ridge tank rehabilitation, and there was a pipeline.

So, other than that, nothing else really to add. If you've got any questions?

CHAIRMAN KANESHIRO: Okay. Any questions by members of the board?

Thank you for the report, Dustin.

We'll move on to the affordable housing report.

MR. CRADDICK: Okay. I'm not sure what affordable housing project there was there, but that project is complete with restrictions removed. So I guess if there is an affordable housing project, we're not holding it up right now.

Amfac shaft, you know, even though it says 100 percent there that was in order to just get the
source -- I guess determine if the source was under the
influence or not. And hopefully we're getting close to
that, and we don't have to wait another year for a
storm.

But anyhow, Kapahi tank, moving ahead. That's
it on those ones.

MR. MOISES: One thing to add, on the
second page, in the past, Akulikuli is always stagnant.
Now we got movement again now that we got AECOM on board
for the treatment plant.

CHAIRMAN KANESHIRO: Any questions,
Members, or comments or additions to the report?

Hearing none. We need a motion on the reports.
Do we need a motion to receive all three reports, is
that correct?

MR. TRASK: Yes, chair.

CHAIRMAN KANESHIRO: Okay. So we'll take
all of the three reports and have a motion to receive
all of the three quarterly reports at this time. Do I
have a motion on the floor? I need a motion on the
floor to do that.

MR. DILL: Motion to receive.

MR. McCORMICK: Motion to receive. Second.

CHAIRMAN KANESHIRO: And seconded by
McCormick.
Are there any discussions on the reports provided, on the employee of the quarter award, project status update, and affordable housing update?

If not, all those in favor signify by saying aye.

Any Opposed.

Hearing none, motion carried.

Now, we're on to topics for next water board meeting. Mr. Craddick.

MR. CRADDICK: Nothing right now. Nothing right now.

CHAIRMAN KANESHIRO: Nothing.

MR. CRADDICK: At least not the next meeting. The one after that we should be starting into the budget.

MR. NISHIMURA: Mr. Chair.

CHAIRMAN KANESHIRO: Yes, sir.

MR. NISHIMURA: I need to take care of some business, and that would leave the board without quorum. Can I take a few minutes to take a call and see if I can stay for another 15, 20 minutes?

CHAIRMAN KANESHIRO: We'll take a recess at this time for about ten minutes and come back.

(A break was had.)

CHAIRMAN KANESHIRO: Regular meeting is now
called back to order. At this time before Board Member Nishimura leaves --

MR. NISHIMURA: I would suggest, if I could, as far as agenda items, if the department can email all the board members requesting any items that they want to put on the agenda be submitted no less than a couple days before the agenda date.

CHAIRMAN KANESHIRO: For the next water board meeting?

MR. NISHIMURA: Yeah.

CHAIRMAN KANESHIRO: Okay. We'll make note of that and have a correspondence sent out to the board members.

And the topics for future water board meetings, upcoming events and next water board meetings, at this time I don't see any additions or changes to these. So before I call a motion to receive these items, if you have any questions or discussions on the items that I just spoke about? Future water board meetings, upcoming events, and next water board meetings.

If none, the motion would be -- I need a motion to receive these items.

MR. MCCORMICK: Motion to receive.

CHAIRMAN KANESHIRO: Do I have a second on it?
MR. DILL: Second.

CHAIRMAN KANESHIRO: All those in favor.

Any Opposed.

Hearing none, with that, the board meeting is now adjourned.

(Concluded at approximately 11:33 a.m., January 26, 2012.)

* * * * *
STATE OF HAWAI'I )
      ) ss.
COUNTY OF KAUA'I )

I, TERRI R. HANSON, RPR, CSR 482, do hereby certify:

That on Thursday, January 26, 2012, at 9:00 a.m. that the foregoing REGULAR MEETING, County of Kauai, Board of Water Supply, was held;

That the foregoing proceedings were taken down by me in machine shorthand and were thereafter reduced to typewritten form under my supervision; that the foregoing represents to the best of my ability, a true and correct transcript of the proceedings had in the foregoing matter.

I certify that I am not an attorney for any of the parties hereto, nor in any way concerned with the cause.

DATED this 10th day of February, 2012, in Kapaa, Hawaii.

___________________________________
TERRI R. HANSON, CSR 482
Registered Professional Reporter
Transcript of the January 26, 2012 Regular Board Meeting, as recorded by Ralph Rosenberg Court Reporters, Inc.

Approved,

[Signature]

Randall Nishimura
Secretary – Board of Water Supply
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