COUNTY OF KAUA'I
BOARD OF WATER SUPPLY
REGULAR MEETING

Thursday, March 22, 2012
10:40 a.m. - 12:49 p.m.
1:33 - 1:48 p.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:

Michael Dahilig
Daryl Kaneshiro, Chair
Roy Oyama
Raymond McCormick
Randall Nishimura
Clyde Nakaya

STAFF:

Andrea Suzuki, Deputy County Attorney
William Eddy
Marites Yano
Dustin Moises
Gregg Fujikawa
Val Reyna
Aaron Zambo
Sandi Nadatani-Mendez
Faith Shiramizu

GUEST:

Jeremiah Kaluna
REGULAR MEETING

CHAIRMAN KANESHIRO: Board of Water Supply

Regular Meeting is now called to order. It's Thursday, March 22nd at 10:40 a.m. With that, can I have the roll call, please.

MS. SUZUKI: Mr. Nakaya.

MR. NAKAYA: Here.

MS. SUZUKI: Mr. Nishimura.

MR. NISHIMURA: Here.

MS. SUZUKI: Mr. McCormick.

MR. McCORMICK: Here.

MS. SUZUKI: Mr. Kaneshiro.

CHAIRMAN KANESHIRO: Here.

MS. SUZUKI: Mr. Oyama.

MR. OYAMA: Here.

MS. SUZUKI: Mr. Dahilig.

MR. DAHILIG: Present.

MS. SUZUKI: Mr. Dill. We have quorum.

CHAIRMAN KANESHIRO: Thank you for that.

MS. SUZUKI: You're welcome.

CHAIRMAN KANESHIRO: With that, motion to accept the agenda, please.

MR. DAHILIG: So moved.

MR. NAKAYA: Second.

CHAIRMAN KANESHIRO: With that, all those
in favor signify by saying aye.

Any opposed?

Hearing none, motion carried.

Meeting transcripts, review and approval of the special board meeting February 9th, 2012.

MR. NISHIMURA: Move to approve the special meeting of February 9, 2012, Mr. Chair.

MR. OYAMA: Second.

CHAIRMAN KANESHIRO: Do we have a second on that? We do.

Any discussion on that? Any additions?

If not, all those in favor.

Any opposed?

Hearing none.

Moving on to regular board meeting of February 23, 2012.

MR. NISHIMURA: Move to defer to the next meeting, Mr. Chair.

MR. DAHILIG: Second the motion.

CHAIRMAN KANESHIRO: The motion was to?

MR. NISHIMURA: Defer to the next meeting.

CHAIRMAN KANESHIRO: Okay. The motion was to defer to the next meeting. Do I have a second on that?

Any comments or additions to that before I call
for the motion to defer?

If not, all those in favor signify by saying

aye.

Any Opposed?

Hearing none, motion carried.

We'll move on to correspondence and

announcements, letter from KMH LLP concerning the audit.

With that, Mr. Eddy.

MR. EDDY: Okay. Thank you, Chairman.

Before you is a letter from our auditor KMH LLP. We did

correspond with our auditor and asked for -- you know,

why is this letter coming in now after the audit has

been received -- reviewed and received.

And the response we got that this letter is a

written documentation of the items communicated to the

board during both presentations made by KMH. It is a

standard auditing procedure to have this letter and it's

not something unusual.

As far as board action, there is nothing

specific in this letter requiring board action. This

letter is to document the communication -- previous

communication to the board on matters required by audit

standards and to communicate those matters.

This will be the final correspondence for the

fiscal year 2011 audit. We won't be receiving anything
else from our auditors.

There is an Appendix A shown here. It's the schedule of recorded audit adjustments, and these are the same adjustments that were discussed at the previous meeting and shown by our auditor.

CHAIRMAN KANESHIRO: Okay. Committee Members or Board Members, any questions or comments in regards to this letter from KMH LLP?

Hearing none, the motion would be to receive.

MR. OYAMA: Mr. Chair, move to receive.

CHAIRMAN KANESHIRO: Do I have a second on that?

MR. DAHILIG: Second the motion, Mr. Chair.

CHAIRMAN KANESHIRO: Before I call for the vote, do I have any further discussion or anyone have any comments to add to this letter?

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

Any opposed? Hearing none.

Move on to board committee reports. Report of the Committee of the Whole of the Kauai County Board of Water Supply. Oh, I guess that's me.

MR. NISHIMURA: That's you. How soon he forgets.

CHAIRMAN KANESHIRO: Manager's Report No.
12-24, changes were made in committee by the
administration, and committee voted to move that on to
the full board.

Manager's Report No. 12-54, debt service
reserve fund policy, was deferred for more work by the
administration to come back to the committee to the next
board meeting.

So with that, any additions to that, Committee
Members or Board Members?

If not, we don't really need a motion on these,
right? It's just a report. Do we?

MS. SUZUKI: I don't think so.

CHAIRMAN KANESHIRO: Yeah, we can move on
to -- any other questions or any questions regarding
Manager's Report No. 12-24 or 12-54?

Hearing none, I'll move on to old business.

Manager's Report No. 12-24, emergency operations reserve
fund.

MR. EDDY: Thank you, Chairman. As
discussed in committee, we would like to finalize this
Manager's Report 12-24 and ask for board approval of the
emergency operating reserve fund as amended.

CHAIRMAN KANESHIRO: Okay. Any board
members have questions in regards to 12-24 emergency
operations reserve fund? Any further discussion on
that?

If not, I'm going to call for a motion for approval.

MR. NISHIMURA: I have one question, Mr. Chair.

CHAIRMAN KANESHIRO: Yes, sir, Randy.

MR. NISHIMURA: Originally in the rate study, the emergency operations reserve fund was going to be funded over a five-year period. In the reserve policy it's required to be replenished at a rate of 25 percent per year. What are we going to do for this first year? And would -- you know, do we need to put something in there to allow us to build that over five years?

CHAIRMAN KANESHIRO: Question.

MR. EDDY: Okay. Currently in the budget that we've submitted to you today, I believe we're showing an amount of 1.2 million, is that right?

MS. YANO: Yes. In the proposed 2013 budget, if it is approved, we will be transferring 1.2 million into an emergency reserve fund that's part of our funding percent. It's rolled over to the following year. And so we're also budgeting another 1.2 million in 2013. So to start the 2013 we would have 1.2 million in the emergency reserve fund. If you look
at your tab two on the proposed budget if you want to.

MR. EDDY: Jump to our budget real quick.


MS. YANO: The beginning balance --

MR. EDDY: On the first page here.

CHAIRMAN KANESHIRO: Okay.

MS. YANO: The proposed beginning balance
is showing a 1.2 million separate from the general fund
balance under the fiscal year 2012. And going down,
there is another 1.2 million under the expenditures debt
reserve, which will be added in 2013.

MR. NISHIMURA: Okay. Mr. Chair, I think
it's covered.

CHAIRMAN KANESHIRO: Okay.

MR. NISHIMURA: We get 40 percent if we do
it that way for the first year.

CHAIRMAN KANESHIRO: Any additional
concerns or comments on the Manager's Report 12-24 or
further discussion on that?

I will call for the motion for approval, the
motion on the floor for approval of the emergency
operations reserve fund policy 12-24.

MR. NAKAYA: So moved.

CHAIRMAN KANESHIRO: Second?

MR. OYAMA: Second.
CHAIRMAN KANESHIRO: Any further discussion on this?

MR. NISHIMURA: I vote with Roy.

CHAIRMAN KANESHIRO: Pardon?

MR. NISHIMURA: I vote with Roy.

CHAIRMAN KANESHIRO: If not, I will call for a vote at this time. All those in favor signify by saying aye.

Any opposed?

Hearing none, Manager's Report 12-24 is passed.

MR. NISHIMURA: Mr. Chair, just for clarification, yeah? As amended, yeah?

CHAIRMAN KANESHIRO: Right.

MR. NISHIMURA: Yeah.

CHAIRMAN KANESHIRO: Okay. With that, I'm moving on to Manager's Report 12-54, debt service reserve fund policy. I believe the deputy requested that this be deferred to the next meeting. So with that, do I have a motion on the floor?

MR. NAKAYA: Mr. Chair, move to defer to the next board meeting.

CHAIRMAN KANESHIRO: Second on that?

MR. McCORMICK: Second.

CHAIRMAN KANESHIRO: Before I call for the vote, any further discussion on that?
Okay. Hearing none, all those in favor.
Any opposed?
Hearing none, motion carried.
Manager's Report No. 12-63. With that,
Mr. Eddy.

MR. EDDY: Okay. Thank you, Mr. Chairman. The report 12-63 is before you today. You'll notice we haven't made any changes to this report, and the one item that we do have is a letter from the county attorney. We submitted it to the county attorney. He gave a written response. And the letter that he returned to us was in a legal format and it had the confidentiality statement so that we couldn't -- it's an attorney-client type of note on it. So we had to put it into executive session.

CHAIRMAN KANESHIRO: Okay.

MR. EDDY: So we do have the second executive session item is for the proposed employee rewards fund program.

CHAIRMAN KANESHIRO: So at this point we won't be able to release the attorney's letter. So would you want to go into executive session now and defer this, we come back or we could go into executive session and take this issue up at this point.

MS. SUZUKI: Yeah, you can. If you want to
go in exec, you can waive your confidentiality right in exec and move it out.

CHAIRMAN KANESHIRO: And can move it out?

MS. SUZUKI: If you wanted to.

CHAIRMAN KANESHIRO: Members?

MR. NISHIMURA: Chair, move to go into executive session as outlined in Section J2 of the agenda.

MR. DAHILIG: I second.

CHAIRMAN KANESHIRO: Okay.

MR. DAHILIG: Can we take care of the rest of the exec sessions, too?

CHAIRMAN KANESHIRO: Beg your pardon?

MR. DAHILIG: Can we take care of the rest of the exec sessions that are on the agenda?

CHAIRMAN KANESHIRO: Also since we're going to be in executive session. Once we get into executive session, that's the issue Mike brought up, that if we wanted to take any motion on this first, maybe take all executive sessions all at once, you know, and then come back on the floor rather than keep going back into executive session and excusing the staff.

MR. NISHIMURA: I have no problem with that. Withdraw my motion, Mr. Chair.

CHAIRMAN KANESHIRO: Well, we do have a
motion and a second, but we don't have any -- but we
didn't call for a motion on the floor yet so.

    If we want to, you know, we can just defer this
until after executive session is held.

    MR. OYAMA: Mr. Chair, I defer this to the
next executive session.

    CHAIRMAN KANESHIRO: Okay. So we'll go
ahead and defer the Manager's Report No. 12-63 until the
executive session is held.

    And at this point we're going to move on to
Manager's Report No. 12-64, the human resource
reorganization issue.

    MR. NISHIMURA: Mr. Chair.

    CHAIRMAN KANESHIRO: Yes.

    MR. NISHIMURA: I've got to make some
notes.

    CHAIRMAN KANESHIRO: What's that?

    MR. NISHIMURA: I've got to make some
notes.

    CHAIRMAN KANESHIRO: Old business.

    MR. OYAMA: Yeah, old business.

    MR. NISHIMURA: After --

    CHAIRMAN KANESHIRO: 12-64.

    MR. NISHIMURA: Nobody seconded Roy's
motion to defer.
CHAIRMAN KANESHIRO: Yes, and we already called for the vote.

MR. MCCORMICK: Too late.

MR. OYAMA: It was seconded.

CHAIRMAN KANESHIRO: I recall, and it was already called for the vote.

MR. NAKAYA: Sure, why not.

MR. NISHIMURA: Sure, why not.

CHAIRMAN KANESHIRO: We did have a motion to go into executive session, and we did have a second, but I didn't call for the vote. So we don't have to --

MR. OYAMA: You did right.

CHAIRMAN KANESHIRO: We don't have to retract any of that, is that correct?

MR. OYAMA: I did.

CHAIRMAN KANESHIRO: And then we went to defer.

MR. NISHIMURA: Okay. Got it.

CHAIRMAN KANESHIRO: The rewards program. Technicalities.

MR. NISHIMURA: Got it.

CHAIRMAN KANESHIRO: Until after executive session.

MR. NISHIMURA: Yeah.

CHAIRMAN KANESHIRO: Okay? All right. Now
we're on Manager's Report No. 12-64, the HR organization.

Mr. Eddy, do you have anything new to add to that?

MR. EDDY: Just a little bit, Mr. Chairman.

CHAIRMAN KANESHIRO: Okay.

MR. EDDY: The county is moving forward with their proposed plan to convert their Department of Personnel Services to this new department called Human Resources and submitted in the budget, that would be their fiscal year 2013 budget, this reorganization, and it's before the county council.

They are showing that they're taking one of our positions here at the Department of Water, our human resource coordinator, and moving it to this new human resource department. It's not clear about how they're funding that. I believe they're fully funding it with county funds.

On our side, the Department of Water, we've also submitted in our budget that we'll present later today full funding of our human resource of, you know, our current employee. So there is this matter to resolve still with the county. And we've been talking with them to try and figure out what is the best way to make this change happen so it can work out for both us
and this new HR department.

So otherwise, I don't have anything else to add. Other than the county's timetable is to have this HR department fully functional by October of this year.

CHAIRMAN KANESHIRO: But your Manager's Report 12-64 is asking for approval, right? I believe in the report for the board action, is that correct?

MR. EDDY: Correct. We're asking for approval for the board to fully fund the Department of Water human resource coordinator in this coming budget.

CHAIRMAN KANESHIRO: Okay. Any comments, Members? My recommendation would be, you know, I know part of the duties was for me to speak with the mayor and the task force, but I wasn't able to speak to the task force. I did have a chance to speak to the mayor, but the mayor indicated that he was willing to have the task force come before this body and make a presentation.

So my recommendation would be that we do that, is have the HR task force come before this body and we can address questions to the task force. The board members will have an opportunity to do that rather than act on this -- rather than to act on this Report No. 12-64 at this time.

Is there an urgency on your part, Mr. Eddy?
MR. EDDY: We have some time since the budget isn't finalized yet. So we do have some time.

CHAIRMAN KANESHIRO: Okay. And, you know, I really don't fully understand the whole concept of that, you know, until perhaps, as I said, we have the task force come before us so we can all ask questions, the duties and responsibilities and so forth.

So I would recommend to this board that we defer this and in the meantime schedule the task force to come before us in a -- do we send this back to committee so we can have the committee meeting? Or do we have enough time to defer to the next meeting, possibly have the task force and then have some action on it? Or we could do it simultaneously anyway.

MR. EDDY: I think that could also give us some time to work out the funding.

MR. OYAMA: Yeah.

CHAIRMAN KANESHIRO: Okay. I'm going to call for a deferral to the next board meeting.

MR. OYAMA: Yes, Mr. Chair.

CHAIRMAN KANESHIRO: Members, unless you have any other comments.

MR. DAHILIG: The presentation that we received -- or that I had was very helpful.

CHAIRMAN KANESHIRO: Okay.
MR. DAHILIG: So I think it would be enlightening for the board members to see what's going on at that end.

CHAIRMAN KANESHIRO: Okay. With that, and I will ask for a board member to make a motion to defer this to the next board meeting.

MR. MCCORMICK: So moved.

CHAIRMAN KANESHIRO: And at the same time would be for the board to request or send a letter or have the department send a letter having the task force come before us.

MR. OYAMA: The task force.

CHAIRMAN KANESHIRO: And before we start our next board meeting.

MR. OYAMA: Thank you.

CHAIRMAN KANESHIRO: Okay.

MR. NISHIMURA: Ray moved to defer already.

CHAIRMAN KANESHIRO: What's that?

MR. NISHIMURA: You're just waiting for a second. Ray already moved to defer.

CHAIRMAN KANESHIRO: Okay. Yeah. And then we needed a second. So based on that communication that we'll be sending over.

MR. OYAMA: Okay. I second.

CHAIRMAN KANESHIRO: Okay. So we have a
motion and a second.

With that, all those in favor.

Any opposed?

Hearing none.

MR. OYAMA: One at a time huh?

CHAIRMAN KANESHIRO: Okay.

THE COURT REPORTER: I got confused about who made the motion and who seconded it.

CHAIRMAN KANESHIRO: Ray made the motion and Roy seconded it.

MR. OYAMA: Ray made the motion to defer.

THE COURT REPORTER: I got it.

MR. McCORMICK: We're a confusing bunch.

CHAIRMAN KANESHIRO: Roy's close to me so I can hear him, but you've got to yell out.

MR. McCORMICK: I'm sorry. I'll quit mumbling.

CHAIRMAN KANESHIRO: Okay. With that, we go to new business, and draft fiscal year 2013 budget.

Mr. Eddy, any comments before -- as you know, we're going to move this on to the finance committee. But any comments you want to make before we do that?

MR. NISHIMURA: I would suggest we receive and refer.

CHAIRMAN KANESHIRO: Receive and refer?
Any --

MR. NISHIMURA: Because we just got some new information today that we -- you know, it's in addition to the stuff that Tess emailed to us earlier this week.

MR. OYAMA: Better look at that, too, that new information.

CHAIRMAN KANESHIRO: Do you want to add to that before we do that, before we make a motion to receive and refer this to the finance committee?

MR. EDDY: We did prepare a bid to present to the board not in any detail but just the organization of the budget to try and help you folks understand how it's organized and laid out. And if you're interested, we could do that presentation now. It might be helpful for when you go into the details.

CHAIRMAN KANESHIRO: And before going to the finance committee? Before we receive and go to -- can you do it in five minutes? Only joking.

MR. NISHIMURA: Mr. Chair.

CHAIRMAN KANESHIRO: Yes, sir.

MR. NISHIMURA: Since the finance committee chair is not here, it might be worthwhile to wait.

CHAIRMAN KANESHIRO: Yeah. That's true also. You brought up a good point.
Nishimura brought up a good point that maybe we should just receive this and move this out into finance with the finance committee chair present, and then you folks do your presentation. I believe most of the board members would also attend some of the finance committee meetings at that time.

MR. EDDY: Okay.

CHAIRMAN KANESHIRO: Okay. With that, we have a recommendation to do that, to receive and refer this to the finance committee. Do I have a motion on the floor to do that?

MR. NISHIMURA: So moved.

MR. OYAMA: I second Mr. Nishimura's motion.

CHAIRMAN KANESHIRO: Got it. Any further discussion?

All those in favor.

Opposed?

Hearing none.

Moving on to Manager's Report No. 12-64.

MR. DAHILIG: Mr. Chair?

CHAIRMAN KANESHIRO: Yes, sir.

MR. DAHILIG: If I could suggest as an amendment to the report by the manager that it be termed as 64A given the presence of already having received
Manager's Report 12-64 under old business. Or another formality is to distinguish this from the previous report.

MR. NISHIMURA: 12-70. New business. We have a duplicate.

MR. DAHILIG: Just something to distinguish it from the previous one.

CHAIRMAN KANESHIRO: Right. I see that. I didn't catch that. Okay.

MR. NISHIMURA: Do you guys have a report 12-70? Already in your file?

Why don't we just make that 70?

MR. EDDY: That would be fine.

MR. NISHIMURA: For lack of confusion -- to avoid confusion.

CHAIRMAN KANESHIRO: Make this 12-70 then at this point.

MR. DAHILIG: If the manager wouldn't have any objection to presenting it it such a manner.

MR. EDDY: No, thank you.

MR. OYAMA: Correct it to 12-70 then.

CHAIRMAN KANESHIRO: As noted by board members, Manager's Report number for the non-potable water systems will now be 12-70. Manager's Report No. 12-70. With that, Mr. Eddy.
MR. EDDY: Okay. Thank you, Chairman.

Before you is our report 12-70 regarding non-potable water systems, and included in this Manager's Report are some copies of an AWWA Manual M-24, and it's entitled, Planning of the Distribution of Reclaimed Water. And this was provided to do give some general information on non-potable water systems.

And I do have a prepared report to give you today to more fully describe how we've researched the topic in the past year or so in regards to a proposed non-potable water system. And so if I may, I would like to just jump right into the report.

CHAIRMAN KANESHIRO: Mr. Nishimura.

MR. NISHIMURA: So the report that you're giving is for the proposed -- a proposed system?

MR. EDDY: It's real general in nature describing our findings of our research and also explaining to board members our past experiences with non-potable -- existing non-potable water systems on the island today.

MR. NISHIMURA: Can we get that in writing instead?

MR. EDDY: Sure.

MR. NISHIMURA: Because one of the things, and -- you know, I wanted to thank you for the report.
But it is, you know, my -- what I'm trying to get is your concerns or, you know, the department's problems that they're having in general with the dual water system.

Now, when I read through the materials that were given, basically it highlights primarily things that need to be considered. And much of that is, you know, addressed in water standards for potable water. And much of the information that's provided in here refers to reclaimed water, which may or may not be the case here.

And so what I would hope for was a report that highlights the department's concerns whatever the liabilities might be, you know, in a written format that we could review.

MR. EDDY: Okay.

MR. NISHIMURA: So to that extent I would prefer, you know, to defer this and have you refine the report.

MR. OYAMA: Is that a motion? I'll second it.

MR. NISHIMURA: Well, I leave that to the rest of the board. That is my position.

MR. OYAMA: Yeah, yeah.

CHAIRMAN KANESHIRO: It's just a
recommendation.

MR. OYAMA: Sure.

CHAIRMAN KANESHIRO: Mr. Eddy. I'll give you chance to respond at this point.

MR. EDDY: Well, we can certainly do that. Next month I'm hoping to present to you really a more detailed proposal that we've sent to the developer. So the report that we have here today is more general in nature. And so if you care to defer, that will be fine. I could give it now and then could give it written next month.

CHAIRMAN KANESHIRO: So we have two issues involved here. One is just a general report that you're proposing on the floor today and perhaps later a more detailed report on some potable systems that are moving along or in negotiations, I could say that, at this point.

MR. OYAMA: We're talking about a dual system?

CHAIRMAN KANESHIRO: Right, yeah. So, Members, what Mr. Eddy is presenting before us today, if you would like to listen just about the general overall of the non-potable water system and perhaps getting to the detailed information in a -- you're not prepared to do that at all today, right?
MR. EDDY: Right.

CHAIRMAN KANESHIRO: The detailed information?

MR. EDDY: No.

MR. OYAMA: Which would probably take executive session issues at that time.

MS. SUZUKI: Yeah, I would want to narrow the notice.

CHAIRMAN KANESHIRO: Right.

MS. SUZUKI: To give the public.

CHAIRMAN KANESHIRO: Well, we do have a notice today.

MS. SUZUKI: Yeah, but I think what he's talking about as the specifics of the current negotiations that are going on, I would want to narrow it.

CHAIRMAN KANESHIRO: And you're not prepared to do that today, is that right?

MR. EDDY: No, we're not prepared to do that today.

CHAIRMAN KANESHIRO: Okay. So we'll stick on this non-potable water system issue or general. So, Members, do you still want to defer that also is the question? The general report on that. We can do and take both of them up at that time. I mean, it's not a
problem with me.

MR. NISHIMURA: I think in terms of what we're dealing with in the long term, I would prefer a written report.

CHAIRMAN KANESHIRO: Okay. So a written report would be for generalities, general issues.

MR. NISHIMURA: You know, I would be happy to hear him -- his whatever he has to present, but I would still like some kind of written report so that in the future the board has something to refer back to especially since we are a continuously changing body.

CHAIRMAN KANESHIRO: Okay. So is it the recommendation of the board that we have some discussion on just the general report now and he make a presentation at this point then on the non-potable and then have a written report follow later for the next meeting and get into some other discussions and some issues? Board Members? Okay?

MR. OYAMA: I'm okay with that.

CHAIRMAN KANESHIRO: Okay. Mr. Eddy.

MR. EDDY: Okay. Thank you, Chairman.

So a potential driver and the basis for the department's interest in non-potable water is the possibility of substituting lower quality water that can be used for non-potable purposes in order to preserve
limited and more costly resources of high quality water. A potential driver for a developer is to provide a non-potable water system in addition to a potable water system that allows the potential for reduced development costs, reduced capital costs.

To step back just a little bit, I'd like to give a definition of a dual water system. Dual water systems involve the use of water supplies from two different sources in two separate distribution networks. The two systems work independently of each other within the same service area.

Dual distribution systems are usually used to supply potable water through one distribution network and non-potable through another distribution network.

The department does not currently have design standards for non-potable or dual water systems nor has the department ever modified or established and tested water system standards to accommodate for the addition of non-potable water.

We have experience with several existing non-potable water systems operating in parallel with our water systems. These systems exist in Kilauea, Anahola, Wailua, Lihue, Koloa, Poipu, and formerly in Kekaha. To the best of our knowledge these developments that built the dual water systems built the potable water systems
in accordance to our standards and did not modify our potable water standards.

Interactions and conflicts between these non-potable water systems and the department's drinking water systems are not frequent, but we have had several occasions and several severe problems resulting from the non-potable and potable water being next to each other.

Some of the problems included cross connections. There have been some inadvertent cross connections between the systems. And quite often when leaks occur in areas where there's the potable and non-potable water systems, there's confusion over whose system is leaking and who's responsible to repair it.

Furthermore, we have experienced little benefit in terms of reduction in demand on the drinking water system due to the presence of the non-potable water systems in the areas that I mentioned.

The Honolulu Board of Water Supply is currently studying and developing standards for non-potable water systems. We've been in contact with them and are anxious to see the results of their study. And we expect that -- well, we understand that they're doing a quite thorough study, and we hope that the study will culminate in a well-conceived set of plans and standards for non-potable water systems.
They're also studying demand factors in this Honolulu study. And so the demand factors will include an analysis of potable water usage versus non-potable water usage in different zoning areas such as residential, commercial and such. And so this should be real good information for us, and we can possibly piggyback on this a little bit.

It is our understanding that the Honolulu plans and study revolve around the use of recycled wastewater and that it is the intention of the Board of Water Supply to own and operate the non-potable water system.

The use of highly treated and disinfected recycled wastewater as the source of non-potable water is fairly commonplace in urban and suburban centers. The use of untreated surface water as a source of non-potable water systems is more common in rural and farming type areas.

And I did this report based on some research that we've done in trying to find out in other areas of the country how things work.

So the department must balance the responsibility we have to our current and future customers with the untested but potentially beneficial prospects of non-potable waters. Any alteration or modification to our standards include potable water
should be thoroughly vetted and contain provisions to
shield the department and ensure that undue burden or
risk is not placed on the department. Plans for dual
water must include checks and balances.

As you know, we have been working with a
developer on a proposed dual water system in the Lihue
area. The system as proposed by the developer is unique
and innovative in many ways. We are carefully engaging
with the developer and are advancing solutions that are
allowable under current law in accordance with
department rules. We want to make sure that it can be
consistently applied for other developments.

We need to minimize the risk and liability on
our current and future customers while at the same time
striving to achieve the positive benefits that a dual
water system can provide.

Some of the planning and proposed management
elements of a dual water system that we have identified,
I'd like to give you a list of these proposed -- or
these planning and management elements.

First of all, we believe that a non-potable
water system needs to have a clearly defined ownership
and management system. This is needed to ensure
longevity and stability. The non-potable water system
would be expected to operate in perpetuity as would be
the potable water systems. Mechanisms to prevent
failure of the water systems need to be in place to
prevent undue burden and uncertainty to our customers.

Developers and managers of such non-potable
water systems will be responsible to maintain -- to
update and maintain all government permits. Inclusion
of non-potable water into a community will involve other
agencies besides the Department of Water, and these
other agencies will have oversight on such matters.

Potential users for non-potable water such as
residential, commercial, industrial and public need to
be identified and quantified. The question remains,
Will people use non-potable water?

The general public recognizes the needs and
benefits of a drinking water system. However, it is yet
to be determined if the public will necessarily see the
benefits of non-potable water. Public acceptance of the
non-potable water system is essential if the system is
to succeed in obtaining and retaining customers.

The availability, quantity, quality of the
non-potable water system needs to be established,
including it's source and storage. Recycled wastewater
may provide a reliable and controlled source. Untreated
surface water is more variable in quality and possibly
quantity.
And there are legal issues regarding water rights that need to be addressed from the very start.

The level of treatment that will be required to ensure public health and safety needs to be established. Public health considerations such as control of pathogenic organisms, controls to limit human exposure to potentially contaminated water, water source protection, et cetera.

While such health considerations may be the purview of other agencies such as the Department of Health, the Department of Water has a vested interest in ensuring that both components of the dual water system are functional and usable.

A business plan and financial analysis of the economic viability of the non-potable water system is needed to ensure long-term stability and operation.

Water sales and rate structures to recover the development, operating and maintenance costs are essential elements in the financial analysis. Again, the financial affairs of a privately owned non-potable water system may not directly be the responsibility of the Department of Water, but the department has a vested interest in ensuring that both components of the dual water system are financially capable of operating in perpetuity.
Usage rates and the corresponding facility improvement requirements for both potable and non-potable water need to be determined. Monitoring water usage as the development matures is needed to provide checks and balances.

Adjustments to design usage rates and the corresponding water system improvements after the water system has matured will be required. Distribution system elements such as waterline materials, valve type signage and most importantly point-of-contact devices that are used to discharge the potable water need to be established.

We hope that the study being done by the Board of Water Supply will give us good guidance in this area.

In summary, the department is committed to exploring such innovative ways to conserve our precious drinking water. Non-potable water has the potential to benefit our current and future costumers. We believe that careful planning is needed to achieve the desired results, and we will continue towards these ends.

CHAIRMAN KANESHIRO: Thank you for that, Mr. Eddy.

Members, any questions or comments?

If you look at the handout that the AWWA had, planning for the distribution of reclaimed water, also
points out a lot of the points that you brought up, I noticed in here when I went through these documents. So you can use that as reference in the presentation that Mr. Eddy brought up because it does talk a lot about protecting public health and municipal uses and so forth.

Any questions regarding the report that Mr. Eddy made on 12-70 on non-potable water systems at this point for discussion?

MR. NISHIMURA: Mr. Chair, I would like to move that we receive Manager's Report 12-70 and that it be sent back to the department for refinement and resubmission.

MR. DAHILIG: I'll second that motion.

CHAIRMAN KANESHIRO: Okay. With that, any further discussion or comments with the motion on the floor?

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

Any opposed?

Hearing none, motion carried. Thank you.

Manager's Report No. 12-65. Mr. Eddy.

MR. EDDY: Okay. Before the board is the tenth change order for Job No. 05-06. This is the pipeline project in Lihue that is underway and nearing
completion. So at this time we're requesting a change order in -- funding of a change order in the amount of $13,498. This money is requested to finish up some paving work at the tail end of the project.

CHAIRMAN KANESHIRO: So this would probably finish this project at that point?

MR. MOISES: Yes.

CHAIRMAN KANESHIRO: With the paving?

MR. MOISES: Yes. What happened was we had to redesign some of the pipeline that went beyond the original paving. And so we had to give Ray guys a new intersection and Larry.

CHAIRMAN KANESHIRO: Ray.


CHAIRMAN KANESHIRO: Okay. With that, do I have a motion for approval on the floor, please.

MR. OYAMA: Mr. Chair, move to approve.

CHAIRMAN KANESHIRO: And a second?

MR. MCCORMICK: Second.

CHAIRMAN KANESHIRO: Any further discussion on this item?

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

Any opposed?
Hearing none, Manager's Report 12-65 has been approved.

Manager's Report No. 12-66.

MR. NISHIMURA: Mr. Chair.
CHAIRMAN KANESHIRO: Yes.
MR. NISHIMURA: For the record I'm recusing myself from participating in this agenda item. I will record the -- continue to record the information, but I will not be voting on this matter.
CHAIRMAN KANESHIRO: Okay. At this time Board Member Nishimura is recused from this matter and will not be participating in the voting of this report No. 12-65. Mr. Eddy.
MR. EDDY: Okay. Before you is report 12-66, third change order --
MR. EDDY: Third change order for the rehabilitation of Eleele twin tanks. We're asking for approval of funding in the amount of $150,000.
And with that, Dustin, can you please let us know what's happening.
(Off the record dealing with microphone.)
MR. MOISES: So basically what we have before you is originally $150,000 of additional funding.
The original change order No. 3, which was submitted by Oceanic is in the amount of a little over $12,000, and that's to take care of an inlet piping problem that was discovered after excavating the area.

But beyond that, part of this project, there's two tanks. Some of you case are aware of this situation, but we did a first tank. There's a change order No. 2 in the amount of $86,000, where once we took the tank out of service and looked at the interior, we discovered that we have to do way move work than we initially found. We did the work, and the contractor did a really good job of renovating that tank.

And now that we're finishing up the first tank, I foresee the same problems occurring on the second tank. So since I have to come to you guys for additional funding, I felt it would be prudent to be proactive and ask for that additional funding now. Because the first time after we got the funding, we kind of had like a one-month delay.

So now that I know what's going to happen, I wanted to get approval for additional funding. And then the roughly $50,000 of additional contingency is basically because with this steel tank rehabilitation we're putting in cathodic protection with rectifiers that the department would prefer to have on our SCADA.
system.

The original plans for the project didn't have a SCADA design. So what I did was I talked to our SCADA consultant to give us a design proposal so that we can get everything working, not just for the rectifiers, but there are several other infrastructure that wasn't included in the SCADA plans.

So this project would basically -- I mean, this additional funding basically will allow us to complete the SCADA project.

So that being said, initially I asked for $150,000 of additional money. But I got a proposal this morning, and the cost of the design and for our SCADA consultant to fly in and program the RTU to make all of these modifications came in like double of what I thought it would be.

So in essence, the approval that I'm really asking for is $175,000, and I think that additional $25,000 should take care of everything that I foresee at this time.

And I know you guys always ask me this question, Is this going to be enough to finish the project?

And my answer to that is, usually I say yes. This time I'll say, Maybe not because we haven't exposed
everything we intend to. And I guess my experience is that you never know what you’re going to find until you dig it up.

So this will definitely get us to a point where we don't have massive delays that could escalate the cost later, but there could be the time where I've got to come in for something like this $12,000 tank inlet.

MR. DAHILIG: Mr. Chair.

CHAIRMAN KANESHIRO: Go ahead.

MR. DAHILIG: This is more of a general question then, maybe it's getting the last little bit out of it. Generally when you do have change orders, what percentage of that do you find in the range of under $25,000 or so? It's rare?

MR. MOISES: Yeah, it's very rare.

MR. DAHILIG: It's usually bigger change orders than that?

MR. MOISES: Yes.

MR. DAHILIG: Okay.

MR. MOISES: I try to make it as low as possible by -- when I redesign stuff I try to take -- like redesign so if I can get a credit for something that was already designed so that the new part is not so high. But when you look at like most of our projects like this pipeline, you know, the pipe installation
material cost is minimal compared to the final
restoration of paving. So any time you've got something
like that, you know, you look at this, this is two paths
of an intersection on the previous approval you guys
gave, that was like 50 grand.

MR. DAHILIG: And I wonder if from not only
an incentive standpoint but from a process standpoint
whether it makes sense for the board to maybe entertain
this idea of a certain change order threshold amount
that will give the authority to the manager instead of
having to wait for a month or two months to get it
approved through us. So that if, you know, something is
under 25,000 to a contract or something like that. And
maybe, I don't know, the manager, if that might would be
something that could be talked about.

But I just, you know, I know it takes a lot of
effort to put together these proposals and have to
submit them and wait for board approval for things that
are really kind of minor change order requirements. So
I'm sort of starting it off for discussion.

I think something like this, though, that this
amount is a little too much to give without the board
review, but I'm sure there are other minor things that
are out there.

MR. MOISES: Yeah, I think that's
definitely something that would help me expedite a lot of the work. This project is a little bit different because it's BAB funded too. So I feel like even if it's a dollar amount, I want to come to you guys and let you know when we're spending BAB funds.

But that's definitely a good recommendation. It will help. And if you could extend that not only to like for construction of 50 grand is maybe like a good small dollar amount. But if you could extend that to design contracts, too, and that would help to expedite design amendments.

MR. DAHILIG: Well, yeah, and I think it's worth a discussion from this standpoint. I don't know what that amount is.

MR. MOISES: Design is usually a certain amount.

MR. DAHILIG: Yeah, but whether that's --

MR. EDDY: Our contingency is gen-- -- is it five percent or?

MR. MOISES: Five percent undesigned. Five percent.

MR. EDDY: So typically we go five percent construction and ten percent on design for contingency funds.

MR. MOISES: And we've kind of got along
the beginning of this project with the five percent through change order two, which was pretty high.

And if you look at the previous one, I mean, we had five percent of two and a half million. And that carried us through like nine change orders. So that continues to be adequate.

MR. DAHILIG: Mr. Chairman, if you wouldn't mind, if we request just a draft proposal for discussion purposes just on the matter to see if it's feasible or not.

CHAIRMAN KANESHIRO: Yeah, I've already listed that down as number three for topics 0 for the next board meeting. Just as a note, Mr. Board Member.

MR. DAHILIG: Thank you.

CHAIRMAN KANESHIRO: Okay. Any other questions or comments or discussions on this matter, on 12-66?

MR. EDDY: I'm just not sure. So we're asking for 150,000?

MR. MOISES: 175,000.

MR. EDDY: Okay. We're --

MR. MOISES: Adding 25,000.

MR. EDDY: We're asking to add 25,000 to for change order?

MR. MOISES: Yeah, yeah.
CHAIRMAN KANESHIRO: Okay. So the motion would be as amended with the 175,000 on Manager's Report No. 12-66. So do I have a motion on the floor for that?

MR. MCCORMICK: So moved.

MR. OYAMA: Second.

CHAIRMAN KANESHIRO: Any further discussion on this matter?

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

Any opposed?

Hearing none, motion carried.

MR. OYAMA: Good job, Dustin. Looks good.

CHAIRMAN KANESHIRO: Okay. We want to move right along to Manager's Report No. 12-67, board approval to extend funding of staff fitness program.

MR. EDDY: Thank you, Mr. Chairman. We're asking to -- for the board to provide funding to continue our staff fitness program to the end of the fiscal year. So that's another three and a half months or four months or so. The total amount of our request is $5,400.

During the initial three-month period, we called that our pilot program, and during our first request we said we wanted to try this program and call it a pilot and see how the results are at the end of it,
see if we wanted to continue it.

So we just got some numbers in from our fitness
people on some health numbers, let's call it, to see if
the fitness program was really helpful or successful.
So I would like to go over them with you. They're not
listed in my manager's report. Sorry. The numbers came
in afterwards.

So one of the quantifiable measures is a
person's blood pressure. Of course, we all know that we
need to get our blood pressure down. So at the
beginning of our pilot program, our fitness people, they
measured our blood pressure. And throughout the people
participating the average was -- average blood pressure
137 over 92.

MR. OYAMA: 92.

MR. EDDY: Over 92. Which is --

MR. OYAMA: High.

MR. EDDY: -- a little bit on the high
side.

CHAIRMAN KANESHIRO: Higher than mine.

MR. OYAMA: Higher than mine. At the
doctor, too.

MR. EDDY: The good news at the end of the
fitness program we were measured again, and our blood
pressure was reduced, and it came down to 124 over 84.
MR. OYAMA: Wow, improved.

MR. EDDY: So that was the average of all the people. So we improved there.

Our pulse rate, the resting pulse rate, dropped from 74 beats per minute to 68 beats per minute.

Our waists we measured a total loss of 14.25 inches throughout all our participants. Which is -- it's pretty good. I lost half an inch myself.

MR. OYAMA: That's good.

MR. EDDY: Unfortunately I gained six pounds. And overall, the weight actually increased by two pounds.

MR. DAHILIG: You're making me lose my appetite here.

MR. EDDY: Okay. I'll end the presentation. Well, I did want to bring up one other thing of note. In the Star Advertiser there's an article in the March issue, and the topic was creating healthy workplaces, and it highlighted three companies in Honolulu that have fitness programs. And we're struck that the fitness programs really seem very similar to ours, and the three companies are the Kaneohe Ranch Management Company, First Insurance Company of Hawaii, and Bowers & Kubota. So they're all undertaking fitness programs, and they actually have received an
award from the heart association for these programs.

And so, with that I -- oh, furthermore, in the budget that we did submit today, we are asking for continued funding of this fitness program throughout the next fiscal year, throughout fiscal year 2013. I believe the amount is 20,000. 20,000.

MS. YANO: For the whole year.

MR. EDDY: But today before you we're asking for funding in the amount of 5,400.

CHAIRMAN KANESHIRO: Thank you. Any questions or comments by board members?

Is the manager also participating in this?

MR. EDDY: He is. He started out being able to do one push-up, and he's up to three. So he's making progress.

CHAIRMAN KANESHIRO: Okay. Comments or discussion on the matter, Board Members?

If not, the motion would be to approve 12-67. Do I have a motion on the floor for this?

MR. OYAMA: Mr. Chair, move to approve.

CHAIRMAN KANESHIRO: Do I have a second on that?

MR. MCCORMICK: Second.

CHAIRMAN KANESHIRO: Any further discussion?
Hearing none, all those in favor signify by saying aye.

Opposed?

MR. NISHIMURA: No.

CHAIRMAN KANESHIRO: Hearing none, motion carried.

MR. NISHIMURA: No.

CHAIRMAN KANESHIRO: No. One. For the record, we will note one opposed. Same motion is carried.

We'll move on to Manager's Report No. 12-68.

MR. EDDY: Thank you, Chairman. Before you is a manager report requesting funding for design contracts for our Water Plan 2020 Project H-05. It's a pipeline replacement program in Hanalei. We have the roads Weke, Anae, Mahimahi. These are the roads that kind of wrap around the beach side there. We're requesting funding in the amount of 157,965.

So we did a professional services selection and selected a design consultant, and that is the Esaki Surveying, and we asked them for a proposal, and they submitted one in the amount of 143,605. Then we're asking for the approximate ten-percent contingency.

Now, this project here is also on our list of requests for state aid projects, and the legislature
did approve funding for this project in the amount of
$125,000. And that funding is still available to us,
and we're working to get the legislature to -- I believe
they need to reauthorize it, and then we will need the
governor to release the funds in the amount of $125,000.
But we feel pretty confident that we will be able to get
that. Dustin has been working with our
Representative --

MR. MOISES: Kawakami.

MR. EDDY: Kawakami, to make it happen.

MR. MOISES: So what happened was at the
last legislative session they authorized 100,000 for
construction and 25 grand for design. But being that
it's been lapsed at the end of June of this year, I
asked Representative Kawakami and his staff to
reauthorize the full 125,000 for design. So we wouldn't
get anything for construction, but at the end the net is
still going to be $125,000. And they're reauthorizing
that, and I'm not too sure when it will get
reauthorized, but sometime before June so we can get
reimbursed.

MR. NISHIMURA: Dustin, is this going to
come out of SRF or straight grant?

MR. MOISES: This from the state.

MR. NISHIMURA: Yeah.
MR. MOISES: Is a grant.

MR. NISHIMURA: It's a grant.

MR. MOISES: The 100 grand.

CHAIRMAN KANESHIRO: Any further questions or comments on this matter?

Hearing none, I am requesting for a motion to approve 12-68 Manager's Report No.

MR. OYAMA: Move to approve Manager's Report 12-68.

MR. MCCORMICK: Second.

CHAIRMAN KANESHIRO: Moved and seconded.

Any further discussion?

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

Any opposed?

Hearing none, motion carried.

We're going to the Manager's Report No. 12-69.

MR. EDDY: Thank you, Mr. Chairman. Val, can I ask you to come up front and help me out on this one.

Okay. Before you is our Manager's Report 12-69. We're requesting to expend funds that are in the current budget in the amount of $800,000. And the budget line item is called, install electrical safety device.
MR. REYNA: Saving device.

MR. EDDY: Electrical savings device.

Thank you.

Now, if I could please ask you folks to move to the budget status report that is given by our fiscal section, you'll see on page 11 of our project status report, a line item called, install electrical savings device $800,000.


Proposed budget status report.

MR. EDDY: Okay. It's here in the budget status, it's 11. So I just wanted to let you know where it's located in our package here.

Now, the original intent of establishing this $800,000 budget was for the department to purchase some devices to save electricity and save money. And in our research of the topic over the past year, we just don't feel comfortable that there is such simple devices that we can just buy and install.

And so what we're asking for today is to utilize this budget line item to fund three projects, and they're all energy reduction projects. And they're all in motion already, but we haven't expended anything other than department labor funds so far.

So the three projects are, number one is the
Kalaheo Deep Well No. 1 and No. 2 capacitors. So we actually do have -- have spent some money on design to design the replacement of these. And we hope to go out to bid, and we would like to utilize this budget funds for that. We expect a savings on our KIUC bill once we do change out the capacitors. One of them in particular is showing that the very low efficiency or a low power factor, and we really need to change that.

The second item is we're proposing to replace out a whole list of our deep-well motors, these are our hollow-shaft motors. And on the second page of our report is a list of the motors and the estimated purchase price. And so we're proposing to purchase these motors and do the change-outs ourselves with our own crews, which we're equipped and capable of changing out these motors. So we show the estimated purchase price and our estimated annual savings of going with these new premium efficiency motors.

So if you look at the bottom line there, it really looks like a payback period of three years or less. Is that right? Yeah.

MR. NAKAYA: Three years.

MR. EDDY: Okay. The third item is an energy audit and implementation of energy savings recommendations. So what we would like to do is to hire
an electrical engineer who will work in conjunction with
an electrical contractor or licensed contractor to go to
each one of our pump sites and measure the wire -- the
so-called wire-to-water efficiency and determine which
of our pump stations are on the lower end of efficiency
and try and focus on those sites for -- to change out
equipment that is old and inefficient.

So we have some -- 70 some pumping sites.
We've got about 50 deep-well sites and 20 booster-pump
sites.

So the first phase of this would be to do this
testing, to go to each site, and it does require quite a
bit of work to do this.

And the second phase would be the design of the
equipment replacement. Once the inefficient equipment
is identified, then we'll go to design the replacement
and prepare a bid package.

And then the third phase would be to go out to
bid and have a contractor replace this inefficient
equipment.

So with that, Val, do you have anything to add?
Val will be our project engineer on this project.

MR. REYNA: I have nothing to add unless
you have questions.

CHAIRMAN KANESHIRO: I have a question.
MR. REYNA: Yes, sir.

CHAIRMAN KANESHIRO: So I see the estimated unit purchase price here for different pumps or efficiency motors, right?

MR. REYNA: Correct.

CHAIRMAN KANESHIRO: So you're going to replace those first before you do the test wire-to-water efficiency analysis?

MR. REYNA: We are thinking of doing that as they come or as they are supplied to us. We cannot do all of this all at one time. This will have to be done little by little. It might take a few months, maybe even a year to actually complete all these change-outs.

CHAIRMAN KANESHIRO: Okay. Because the concern will be, you know, some -- if you're going to do some of this analysis, it may point to some inefficient pump, right?

MR. EDDY: Right. Yeah, so the timing is --

CHAIRMAN KANESHIRO: So my question is, why change the pump first before the analysis?

MR. EDDY: I guess, we're actually proposing to change the motors.

CHAIRMAN KANESHIRO: Oh, the motors.
MR. EDDY: So the motors are -- the one's that we're talking about are above-ground motors.

MR. REYNA: Okay. Right.

MR. EDDY: And then the pump is down in the hole.

CHAIRMAN KANESHIRO: But isn't that part of the wire-to-water efficiency analysis?

MR. EDDY: It is.

MR. REYNA: It will be. What we're going to do is we will have the -- we will inform the prospective -- or the contractor or the electrical engineer, we will inform them of what our plan is, and they could include that already in their analysis.

CHAIRMAN KANESHIRO: I see.

MR. REYNA: If they have anything to add to it, then we will be better equipped when we change out everything.

MR. NAKAYA: We're basically just moving some project from water fund to this project, right? What is the water utility fund?

MR. NISHIMURA: It's a general account.

MR. NAKAYA: General account. What is the balance in there? Is this going to bring it down to zero or do we have a balance in there?

MR. EDDY: We intend to stay within that
$800,000. But the reason that we're coming to the board is we're somewhat changing the intent of the project, and so we thought we better get board approval to change the -- the intent was originally to purchase these black boxes that say to improve electrical efficiency, and that idea seems to really have fallen through. And we still have confidence that that would be helpful to us. So in lieu of purchasing these black boxes, we would like to undertake these three projects.

MR. NAKAYA: Okay.

CHAIRMAN KANESHIRO: Do you have any questions?

MR. OYAMA: Just one.

CHAIRMAN KANESHIRO: Yeah, Board Member Oyama.

MR. OYAMA: And I understand what I read. Okay. So your total of the estimated power savings is in dollars, $22,000, yeah?

MR. REYNA: Correct.

MR. OYAMA: And then you're comparing with the price of purchase of the motors, right?

MR. REYNA: Correct.

MR. OYAMA: But I'd like to know, is it -- is real savings going to be exactly to that or you may still have a percentage of off base or extra savings?
MR. REYNA: This is an estimate, and it's all based on the kilowatt hour cost. That comparison is based on that. So if KIUC's rate would go down, which probably will not, then if it goes down --

MR. OYAMA: Wishing, wishing.

MR. REYNA: We will realize more savings. If it was goes up, then we will realize less savings.

MR. OYAMA: So then because of the higher cost model shows in dollar sense a large amount, how would you replace this? You're going to go in order of lot size or do you have a different phaseout?

MR. REYNA: We have to take a look at our -- the condition of our motors. So the motors that are least efficient right now or the motors that are kind of not as reliable anymore will be the first one to be changed out.

MR. OYAMA: Okay. So you have an idea which ones you're talking about?

MR. REYNA: Yeah, we are in the process of doing that.

MR. OYAMA: So you're going to save a lot of money.

MR. REYNA: We're trying.

MR. EDDY: Some of the motors are very old, you know, 30 years old. And we just keep rewinding them
putting them back out there, but, you know, the suspected efficiency is very low.

MR. OYAMA: They worked their time so they can retire.

MR. EDDY: Yeah, 30 years. That's right.

MR. REYNA: And this is based on five-percent reduction only. This is conservative. It could be higher.

MR. OYAMA: Okay. That's what I wanted to know. You know, you wish for higher because of the oil prices also.

MR. REYNA: We'll strive for higher savings.

MR. OYAMA: Okay. Does that show up in the annual report also?

MR. REYNA: It could show up on our annual energy consumption.

MR. OYAMA: We would be able to make a comparison when that happens. That's all. Thank you.

MR. NISHIMURA: A couple questions.

CHAIRMAN KANESHIRO: Go ahead, Randy.

MR. NISHIMURA: On the second project, you folks check with KIUC if you qualify for the rebate from them?

MR. REYNA: Not yet, but we are going to.
MR. NISHIMURA: Because, as I recall, for replacements, they will replace -- I believe they're willing to fund up to, not all of it, but up to 50 percent of the material costs.

MR. REYNA: They do have a certain set amount for that.

MR. NISHIMURA: Yeah, I understand.

MR. REYNA: So if they've already consumed all of it, then we might not qualify anymore.

MR. NISHIMURA: Okay. The other thing is, I got no problem really with items one and two. I have some concerns about item three. And because your pumping cost is the highest consumption, after you have replaced all of these pumps and you bring in a consultant and he says, Okay, give me $120,000. And, you know, you guys did pretty good or this is about the best you can do. And if it's strictly a budgetary thing, I would be willing to support, you know, encumbering those funds, but I don't know that the rush to spend the money is necessary.

MR. REYNA: The $120,000 over there is for budgetary purposes. It's not set in stone. There's a possibility it could be lower being that our sites are simple, one pump, one motor, a pump house or a booster. It's not as complicated as, for example, an actual
treatment plant where there are so many moving parts.

MR. NISHIMURA: No, and that's kind of sort of what I'm looking at because, you know, we have -- you have 800,000 that was budgeted last year. We never used anything up till now. You're going to spend another 300,000, which leaves about 500,000. I could support leaving that money in the budget but not necessarily having to spend it right away. I think there's ways you can possibly look at other things and, you know, we decide at the end of next year whether, you know, if it's worth continuing that budgetary item.

MR. REYNA: Okay.

MR. NISHIMURA: That is my perspective on -- you know, from a budgetary standpoint. As far as the first two items, I really have no problem with that except, you know, we only have the material costs. You may want to save some of the rest of the money for -- to allocate for the CRP portion. Because isn't this CRP?

MS. YANO: CRP, rehab division.

MR. NISHIMURA: So it should not be coming out of operations then.

MS. YANO: Well, originally this 800,000 was coming from our operations.

MR. NISHIMURA: Yeah. Okay.

CHAIRMAN KANESHIRO: So with that, we would
have a motion on the floor to move and approve items one
and two. And again, Randy's --

MR. NISHIMURA: That's just my perspective.

CHAIRMAN KANESHIRO: -- suggestion was that
perhaps at this time maybe encumber some of the
remaining funds and look at other areas, right, that can
be an advantage of efficiency for the department?

MR. OYAMA: Yeah.

MR. REYNA: Our hope is to be able to get
the services of a consultant within this fiscal year, if we can.

MR. EDDY: Maybe a little clarification.
The second item, we're talking about purchasing motors.

CHAIRMAN KANESHIRO: Right.

MR. EDDY: So a motor is just a -- maybe
not even half of the equation of the efficiency at a
pump site. You have the motor is of equal importance as
the pump itself. So we're not talking about replacing
pumps at this time.

And then the other equipment involved is the
motor control center, which we hope to gain some
efficiencies in the motor control center.

So by, you know, planning to replace our
inefficient motors while at the same time doing an
energy audit, I don't think really creates a conflict or
a waste of money. And the information gathered by the
audit is valid whether we put a new motor on there or
leave the old motor. It would be better if we could get
the new motor on first, but they are not exclusive of
each other.

CHAIRMAN KANESHIRO: Okay. Board Member
Dahilig has a question.

MR. DAHILIG: Mr. Chair, I am going to make
a motion -- or I'm going to make a motion to approve the
manager's report as to items one and two and defer
action on item three to give you guys a second at-bat on
this. If really what I'm hearing is that totally is not
going to interfere and is to more adequately address
Board Member Nishimura's concern regarding, you know,
whether this makes sense for the next fiscal budget. I
think those items need to be fleshed out a little more
and be brought up at a second at-bat.

MR. REYNA: Okay.

MR. DAHILIG: Just to explain more clearly
why now versus why not later.

MR. OYAMA: Yeah.

MR. DAHILIG: And I'd like to understand
that. If that is the position of the manager and the
department head and not now -- having it now is
innocuous. Too much hot stuff. So that's my motion,
Mr. Chair.

CHAIRMAN KANESHIRO: Okay.

MR. OYAMA: Okay. Second.

CHAIRMAN KANESHIRO: We have a motion on the floor and a second as recommended by Commissioner Dahilig. Any further discussion on that or comments?

MR. NISHIMURA: Chair.

CHAIRMAN KANESHIRO: Sure.

MR. NISHIMURA: To what extent does the department feel that the pumps are involved?

MR. EDDY: Well, to a great extent. The deep-well pumps are --

MR. NISHIMURA: Because your program for replacement is run it till it breaks.

MR. EDDY: Right.

MR. NISHIMURA: Okay. Which one is going to break in the next five years?

MR. EDDY: We get about one, two or three pumps go down a year, let's say. So five years, 10, 12 pumps.

MR. NISHIMURA: That's half of the list.

MR. EDDY: Well, we have about 50 deep wells, so it's a fifth.

MR. NISHIMURA: And you guys have motors in stock right now, do you not?
MR. REYNA: Yeah, we have spares.

MR. NISHIMURA: Yeah. And those spares are not high efficiency?

MR. EDDY: Some are. In the past five years maybe, we've been buying high-eff-- or premium efficiency exclusively. Any new sites --

MR. NISHIMURA: So this list is to supplement that?

MR. EDDY: This list is to change out the remaining old motors that are not premium efficiency. There's a total of 22 motors I'm showing here.

MR. NISHIMURA: But the likelihood of your pumps on those 22 going down?

MR. REYNA: They're not going to all go down at one time.

MR. NISHIMURA: No, I understand that. I think the point is if the pump systems are in as bad shape as you're suggesting, then you may not want to just replace the motors.

MR. EDDY: Yeah, the energy audit might identify some pumps that are very inefficient, that are really operating out of their range. And you're right, we may want to pull some pumps as well.

MR. NISHIMURA: Do you have enough spares right now, high-efficiency spares?
MR. REYNA: We have some to allow us to survive in an emergency.

MR. EDDY: I guess the reason that we kind of are coming in with the motors and the energy audit at the same time is that we know we can realize energy savings by changing out these motors. I mean, there is really no question about that. And for that reason, we've just thinking, okay, let's just go and get that done. And the energy audit part is a little bit more complicated and harder to figure out. So that was kind of the thinking in doing these in parallel.

MR. REYNA: Because actually changing out the old motors is the extent of our expertise. We need the help of other experts to point out to us what we don't know.

MR. EDDY: I don't know if I could possibly suggest going with the first two items and then just 3A, and then kind of putting 3B and C -- since we've probably won't be spending the 3B and 3C anytime soon because it's going to take us awhile to get to that point.

CHAIRMAN KANESHIRO: So the other issue you also stated that you might not be able to get a consultant for a period of time, right?

MR. EDDY: It would take some time, yeah.
We're thinking of doing a request for proposals on this one. And --

CHAIRMAN KANESHIRO: So I think the motion on the floor is just to defer it at this point until, you know, that defer three and then have you come back and make more detailed information, right? To get more detailed information.

MR. DAHILIG: It's a $120,000 decision, and I'd like to -- I what is being talked to right now is an effort to get our arms around what exactly this thing is going to look like. And I'd rather it be itemized out and planned out and documented versus --

MR. EDDY: Okay. Yeah.

CHAIRMAN KANESHIRO: Come with a plan.

MR. EDDY: All right. That sounds good.

CHAIRMAN KANESHIRO: Yeah, we're not disagreeing or saying no.

MR. EDDY: Right.

CHAIRMAN KANESHIRO: I mean, most -- the majority of the board members agree on items 1 and 2.

MR. EDDY: Okay. I got it.

CHAIRMAN KANESHIRO: And get the motion moving and then perhaps come back at the next board meeting.

MR. OYAMA: Right.
CHAIRMAN KANESHIRO: Or, you know, whatever you're prepared to do so and come up with a plan on how you're going to approach this matter.

MR. EDDY: Okay. Yes. Additionally, we're also looking for grant monies through different -- a few different sources. Energy savings is really the hot topic, and there's some grant money out there, so we are looking to grab some of that.

CHAIRMAN KANESHIRO: We're still looking at that --

MR. DAHILIG: They're all good ideas.

CHAIRMAN KANESHIRO: Regardless if we did three or not, you're going to continue to do that, right?

MR. EDDY: Right.

CHAIRMAN KANESHIRO: You may come back with a report, oh, we did find some of this to do that.

MR. OYAMA: Yeah.

CHAIRMAN KANESHIRO: That's all we're asking for. So Board Member Dahilig's motion on the floor is to defer this and give you some time to come up with a plan of action.

MR. EDDY: Okay.

MR. OYAMA: Yeah. We just want to be cautious.
CHAIRMAN KANESHIRO: So any further discussion on the floor?

If not, I'm going to call for a motion that was made by Mr. Dahilig. We do have a second on the motion. Again, any further discussions or comments?

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

Any Opposed?

Hearing none, motion carried.

Okay. Go back to staff reports.

MR. OYAMA: Fun time.

MS. YANO: Mr. Chairman, all reporting on for fiscal, I have two reports. One is for the budget status summary as of January 31st, 2012. And the other one is a status update on the scheduled findings of the financial audit fiscal year 2011. Both reports are in your packets. So if you have any questions, please ask.

MR. EDDY: Tess, can you explain the newly added section on the audit scheduled findings, please?

MS. YANO: The audit schedule findings I highlighted the reply that was submitted to the auditors in gray area and the status update underneath. Behind the report also attached is a draft or a chart of billed water sales, revenue receipts, there's two pages. And the other one is a report of actual billed revenues
called collections assumptive to the 2012 rate study projection.

CHAIRMAN KANESHIRO: Okay. Any questions, Board Members?

MR. NISHIMURA: Is 1101 the one on the bylines?

MS. YANO: I'm sorry?

MR. NISHIMURA: 1101, finding 1101. That was the one that at the last meeting we said we would have that completed?

MS. YANO: Yes. Actually we're still working with the Honolulu Board of Water Supply. The last time I spoke to them, they only changed the AFS billing configuration in March 2- -- March 4 of this year.

So the prior year -- for the prior year and previous months, the AFS billing hasn't been corrected, and they're still working on it.

After the configuration is fully in place for the correction, that's where we could go back and make the adjustments that showed up in our overstated revenues for fiscal year 2011.

MR. NISHIMURA: What is that AFS?

MS. YANO: Automatic fire sprinkler. I think we call it our private fire lines.
MR. NISHIMURA: Okay. So AFS, this is the
fire line rate?

MS. YANO: Yes.

MR. NISHIMURA: If we do not get this
resolved, say, by this month or next month, is it going
to affect the audit for this coming year?

MS. YANO: It will still affect our
revenues -- reported revenues.

MR. NISHIMURA: And we're going to have to
make adjustments again?

MS. YANO: We're going to have to make
adjustments.

MR. NISHIMURA: So what is the current time
frame we're looking at getting this done? We were told
this month.

MS. YANO: That's true. We are dependent
on the Honolulu Board of Water Supply. Unfortunately,
we are competing with their ongoing billing conversion.
And they keep saying, We're going to work on it.

But I believe what I could do is I'm going to
get our manager involved or probably help us, Bill Eddy,
to help me follow up with that. Apparently my request
is not as important as when our managers get involved.

MR. NISHIMURA: The adjustments cannot be
made locally?
MS. YANO: It would just be an estimated adjustment, so I'd rather wait for the correction until the adjustments are reported.

MR. EDDY: Tess, just to clarify. The errors are not continuing anymore, right? It was corrected March, early March?

MS. YANO: The March, when I last talked to the employee that I'm working with, she told me that she made the correction on March 4th. Because before that, she told us that she corrected the current year new rates.

And when I tried to test the rates that came out, the 2012 billing that came out didn't reflect the correction that she said she did.

So then I went back and asked her it's not showing the correct calculation, she just told me that she only went on March 4 to change the rates for 2012. So at the time I didn't have enough data to verify if the billings for this particular AFS is calculating correctly.

MR. NISHIMURA: How much money were we talking about, the adjustments?

MS. YANO: Probably 300,000.

MR. NISHTMURA: So that revenue we are collecting or we have not collected?
MS. YANO: For 2011 we collected some that are overbilled, but we set aside an allowance for that overcollection.

If 2012 the overbill would be from July to December. Or I'll take it back. Until February if March has been corrected.

MR. NISHIMURA: But do we have a lot of customers that are not paying their bill?

MS. YANO: When we changed the rates, a few active accounts are affected by this overbilling because when the rates went up, a lot of those accounts closed those AFS fire line accounts.

MR. NISHIMURA: How many accounts are we looking at?

MS. YANO: Active accounts? More or less 15. We started with 200.

MR. NISHIMURA: And we're down to 15?

MS. YANO: Yes, active accounts.

MR. EDDY: You mean 15 active accounts with --

MS. YANO: That has usage.

MR. EDDY: That has usage.

MS. YANO: Yes.

MR. EDDY: And that need to have the bill corrected?
MS. YANO: Yes. Because the error only --

MR. EDDY: Only occurs when there's usage.

MS. YANO: Yes.

MR. EDDY: And fire lines typically don't have usage. They're not supposed to have usage.

MR. NISHIMURA: If we have only 15 accounts, why can't we do it manually?

MR. EDDY: We'll have to look into that and see if that's possible. It's hard because the entire billing is with Honolulu, and we just aren't quite sure how that can be done right now.

MR. NISHIMURA: 15 accounts, brah.

MS. YANO: 15 accounts that has usage. We oftentimes don't know if other accounts will have usage every now and then.

MR. NISHIMURA: Okay.

CHAIRMAN KANESHIRO: Okay. Any further questions in regards to the update on schedule of findings on fiscal year 2011 audit and the statement of Kauai County Water Department's revenues and expenditures and fiscal report?

MR. EDDY: Could I just point out one other thing. Towards the end of the report there's these three colorful drafts that are new additions to the report. They're intended to allow us to kind of track
our revenue as we move through the year. And it's particularly the last graph there it shows our 2012 actual billed, our 2012 actual collected, and then the 2012 rate study. So we're comparing our actual collected against the rate that SAIC did to see how our actual are comparing to the projected revenue.

CHAIRMAN KANESHIRO: Any questions or comments by board members on the graphs?

Okay. If not, the motion would be to approve the fiscal report -- or receive.

MR. MCCORMICK: Receive.

MR. NISHIMURA: Receive.

CHAIRMAN KANESHIRO: Receive.

MR. OYAMA: Second.

CHAIRMAN KANESHIRO: To receive the reports. The motion is to receive fiscal report. All those in favor.

Any opposed?

Hearing none.

Okay. The report by the public relations specialist of public relations activities.

MS. SHIRAMIZU: Thank you. Good morning. Let me come up front.

CHAIRMAN KANESHIRO: Please.

MS. SHIRAMIZU: So my report is before you.
If you have any questions.

CHAIRMAN KANESHIRO: Okay. Members, any questions on the report that was submitted by the public relations specialist?

MR. DAHILIG: If we don't accept this, does that mean she has to stay?

CHAIRMAN KANESHIRO: We're not going to have a motion on this.

MR. NISHIMURA: She might quit.

CHAIRMAN KANESHIRO: The motion would be to defer so -- (laughter) -- at the next meeting.

MS. SHIRAMIZU: But if you don't have questions, I would like to thank the board. It's been a great experience.

But as part of my leaving, I have to complete an exit interview. So I wanted -- I don't know what the general process is, but I would hope that you guys would get to see the exit interview because I don't know where it goes once it's completed.

But I also was making a note to Debra because the exit interview asks a lot of questions about the supervisor and how it is to be working at the department. And we don't generally keep up with job performance reviews here, and the only one I've had was with my six-months' probation. And I think it would be
really good that if the department would try to do the JPRs in a somewhat timely manner. Which to be honest, I was just as guilty as with Joy's. You know, I was not timely on that.

But if the employee that is being reviewed could fill out a similar questionnaire like this exit interview, I think it would help the supervisors do a better job and maybe the employees can help hold supervisors more accountable for what could make this place be a more accountable department.

Anyway, that's just the comment I wanted to make, and I'm putting it in writing to Debra as I turn in my exit interview.

CHAIRMAN KANESHIRO: Thank you. So be noted.

MR. NISHIMURA: Is Joy familiar with your Limitiaco contract?

MS. SHIRAMIZU: She has been sitting in on most of our meetings and I have the notes for this.

MR. NISHIMURA: Okay.

CHAIRMAN KANESHIRO: Any questions or comments for Faith?

If not, thank you very much for that support.

MS. SHIRAMIZU: Thank you.

MR. NISHIMURA: Move to receive the public
relations report.

MR. OYAMA: Second.

CHAIRMAN KANESHIRO: All those in favor.

Any opposed?

Hearing none.

Chief of the operations summary report.

MR. REYNA: Good afternoon. The monthly report for February is before you. And most notable on the personnel, we lost another employee, our utility worker retired effective of March 1. But we did gain one last February, a new pipefitter helper started last month.

We recently conducted interviews for two pipefitter currently vacant. So some of the helpers might move up, and we are expecting two more vacancies for the helpers.

For our source and storage, Amfac shaft pumping and water quality sampling was completed as of 10:00 a.m. February 9th, last month. Water quality is with our micro lab.

Kilohana wells A, B and I as well as Puhi wells 5A and 5B are now converted to hypochlorite we are close to 50 percent conversion of all our chlorine gas sites. So we're moving forward with that, slowly but surely.

And if you have questions, please let me know.
CHAIRMAN KANESHIRO: Members, any comments or questions?

MR. NISHIMURA: Do you get budget requests for bigger trucks for your plant operators to take care of the hypochlorite or are they going to use the small trucks yet?

MR. REYNA: Right now the plant operators are still using the smaller trucks, but recently when we bidded out some of the trucks, large -- large, around 1500, came out to be cheaper than the small Ford Rangers. So we ended up with some Dodge 1500s, which has a larger truck bed, larger capacity.

MR. NISHIMURA: I'm just worried that your small trucks not -- I don't know how you guys taking care of our hypochlorite versus the gaseous chlorine, but I would imagine you would need more payload unless you deliver in bulk.

MR. REYNA: They deliver it here. Our guys pick it up. Sometimes when they're out, they do go and pick it up. But they have not complained about the size of the trucks that they are using.

MR. NISHIMURA: And you've had input into the budget? You have had your input into the budget?

MR. REYNA: For some vehicles, yes, sir.

MR. NISHIMURA: No. Overall?
MR. REYNA: Overall, yes.

MR. NISHIMURA: Okay.

CHAIRMAN KANESHIRO: Okay. Go ahead.

MR. OYAMA: You mentioned the Amfac well quality of the water. Where are we?

MR. REYNA: Testing and sampling of the waters over there are completed and the reports are with our micro lab. I have not seen the report.

MR. OYAMA: Any results that were mentioned?

MR. REYNA: Well, the quantity is good.

MR. OYAMA: Yes, yes, I understand the quantity, but the quality.

MR. REYNA: Quality, quality, they did not raise any red flags. They have not mentioned anything questionable to us. So no news is good news.

MR. EDDY: We're compiling the data that we already have, and it's been sent to the EPA, who we have under contract to -- no answer, but I mean, the data looks good.

We did several different types of tests, bacteria, bacteriological tests. And then when you test for surface water intrusion, that's called a microscopic particle analysis where you pump water through a filter, and then you take the filter, with a microscope you'd
look on the filter to see what's stuck on there. And I
guess the laboratories, they look for plant life. They
look for plants that have chlorophyll or anything with
chlorophyll. And they figure if there's chlorophyll in
there, then it's seen the light of day sometime
recently, and then that's an indication that it's under
the influence of surface water.

So we did two of those types of tests this past
winter, and they both came out good, very good. And we
did them after rain events, too. So we feel good about
that. So our steps will be to get this report from EPA.
Our consultant is going to combine it into this report
in the format that the Department of Health will accept,
and then we send it to the Department of Health as a new
drinking water source, and then we hope to get approval
from them, and then we can develop the source.

MR. OYAMA: Quite long yet it took.

MR. EDDY: Yes, it's a lot of steps to
bring a new drinking water source online. It's time
consuming.

CHAIRMAN KANESHIRO: Any other questions or
comments for chief of operations report?

If not, we'll have a motion to receive.

MR. OYAMA: Move to receive.

MR. NISHIMURA: Second.
CHAIRMAN KANESHIRO: Moved and seconded.

All in favor?

Any opposed?

Hearing none.

Water resources and planning subdivision report. Any questions on that, on the report that we have before us? And the monthly subdivision summary for comments?

MR. NISHIMURA: Same question for the division head. You've had input into your budget?

MR. FUJIKAWA: Which budget?

MR. NISHIMURA: The proposed budget.

MR. FUJIKAWA: Yes.

MR. NISHIMURA: Okay.

CHAIRMAN KANESHIRO: Okay. Any other questions or comments?

If not, the motion would be to receive this report from our water resources and planning subdivision area.

MR. NAKAYA: Move to receive.

MR. OYAMA: Second.

CHAIRMAN KANESHIRO: Further discussion?

Hearing none, all those in favor.

Any opposed?

Hearing none, motion carried.
Manager's monthly update. Mr. Eddy.

MR. EDDY: Thank you, Chairman. So we did one contract amendment this past month with Architects Hawaii for our base area improvement projects.

Dustin, do you think you could give us a quick explanation of that one, please.

MR. MOISES: It's our favorite project next to Kahili. So as far as this second amendment, it's good that we're bringing it up because we had contingency for this project. So this is an aside.

but, you know, this project has been well discussed over the last year and a half or so. So, you know, the fact that this is a manager's update and not a report, you know, it's more of a functional thing within the board process.

But as far as the second amendment, what it really is, is when we initially did the concept of our schematics, you know, we had like eight different schematics. At that point in time we initially didn't think we'd have four individual subdivided lots when we started the process through the Architects Hawaii. You know, in the midst of that we subdivided this triangle and the road with parcel into four sections which requires rezoning the existing parcel for our uses.

So right now that entire parcel is open and
we're looking to make the new building lot and the public works lot, the existing zoning of this lot, which is R1 with special treatment.

So what we have to do after talking to the consultant, since they didn't intend to go through the zoning partition process was we got a consultant to come on board and expedite the zoning for us and do it properly so that we can take care of water, and we can take care of public works needs. So that's roughly a little over $20,000.

But doing the EA, we also had some issues as far as somebody brought up nene birds sitting in the triangle. So Fish and Wildlife asked us to do a nene bird survey, which we didn't intend to do at the beginning. So that was a couple grand.

And then the third portion of this was part of the four-lot subdivision. We actually had to come back and retopo across at King Auto and topo every encumbrance that's going to be part of the future subdivision and zoning of the parcels. Because initially we thought we could take the entire parcel in one and divide it into two lots.

But once we met with planning, and they said we should take a portion and dedicate as a roadway. We had to make sure we had all the encumbrances. So that was
like $2,000. So, in essence, that's the $29,000 that we show in this amendment, which we're not asking for any more money. It's just to be transparent that we're making an amendment to the contract.

And I'm pretty confident that this should take us through the final design. So the next time I come back this will be for construction funding. And we're trying to get the initial construction estimate through a lot of value engineering design. So that's it.

CHAIRMAN KANESHIRO: Any questions?

MR. OYAMA: So the shearwater project is done?

MR. MOISES: Nene birds.

CHAIRMAN KANESHIRO: Nene birds.

MR. OYAMA: Oh, the nene birds.

MR. MOISES: Yeah, it was nene birds.

MR. OYAMA: Did any --

MR. MOISES: Apparently. I never see them.

MR. OYAMA: In the field and on the golf course.

MR. MOISES: But when someone says it does, and Fish and Wildlife have to make comments for the EA, we felt that we should take care of that potential issue. And they didn't find -- when they came here, I mean, they literally come in like for a couple days, sit
in the triangle and see if any nene birds basically
touch ground. And they said none touched ground, but
they were flying in the area.

MR. OYAMA: I want to be a nene, protected
for life.

MR. MOISES: So that's done already. We
did that part of the EA. That was finalized in
December.

MR. OYAMA: Okay.

MR. MOISES: We got a final EA in January.

MR. OYAMA: Very good. Thank you. So
moving on.

MR. MOISES: So we're moving. I mean, we
finalized the final layout when I came back from
vacation Tuesday. So, you know, now that that's done,
we're starting the full-blown design.

Thank you.

CHAIRMAN KANESHIRO: Any other questions or
comments? If not --

MR. MCCORMICK: Just one question.

CHAIRMAN KANESHIRO: Go ahead.

MR. MCCORMICK: Just for information.

There's a movement on by the community over here in Pua
Loke to put that connection back to Kaumualii Highway.
It's actually gone a little bit political now. We're dealing with that over at highways. Just for your information.

MR. MOISES: And for the record, I've been in discussion with Ray, and we're against that.

MR. MCCORMICK: I'll send you over to that community.

MR. MOISES: Yeah, yeah.

MR. NISHIMURA: You live there, huh?

MR. MOISES: I live across --

MR. NISHIMURA: They might not burn you out.

(Many people speaking at one time.)

MR. MOISES: Just for, I guess, informational purposes, if they were to reconnect to the main highway, it will totally disrupt everything that we had planned.

MR. MCCORMICK: It causes operational problems with the highway as well, severe operational problems. We're against it as well.

MR. MOISES: I just want to say, we -- everybody's got their own opinions. But I would be -- basically if you ask me what do I think, I would say -- I would not recommend supporting it in my opinion.

MR. NISHIMURA: Bill, just got to make a
correction, yeah. Oceanic, on the funding, you show
Oceanic contract, but, you know --

MR. EDDY: Oh, yeah, yeah.

MR. MOISES: But the contract number is correct.

MR. NISHIMURA: 512.

MR. MOISES: Would be 512.

MR. NISHIMURA: Yeah.

MR. EDDY: Okay. Thank you.

MR. MOISES: Incorrect.

MR. NISHIMURA: Yeah, because we show the initial contract amount, that's what you've got to correct.

MR. EDDY: Okay.

CHAIRMAN KANESHIRO: Okay, Bill.

MR. EDDY: Okay. Just looking at the recruitment and position changes, in the engineering division we're running a little short on inspectors. We're down to one. But we did interview --

MR. NISHIMURA: This past year?

MR. EDDY: We just -- no, the inspector just has to drive faster. So we did interview one. Hopefully we can pick somebody up.

In the administration side, the secretary that's been vacant for some time, we do have five
applicants that will be interviewed.

And then finally on the monthly employee
meeting, the manager asked staff for ideas on our
mission statement. And so we did receive some ideas
there and we may be proposing a new mission statement
coming up.

MR. NISHIMURA: On the position status,
what is, No action? That means you're not going to fill
them right now? The welder, the pipe electrician.

CHAIRMAN KANESHIRO: Civil engineer,
computer technicians. All has, No action.

MR. EDDY: I believe it's no action in the
past month. Some of these may be dollar funded in the
coming budget, particularly in admin there's a civil
engineer 7. We proposed to dollar fund that position.
Some of the other ones, I guess, no action, some of them
we're having difficulty filling.

CHAIRMAN KANESHIRO: Any other questions
for Bill on his manager's report? Comments?

If not, the motion would be to receive.

MR. DAHILIG: So moved, Mr. Chair.

CHAIRMAN KANESHIRO: Do I have a second on
that?

MR. NAKAYA: Second.

CHAIRMAN KANESHIRO: Moved and seconded.
Any further discussion?

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

Any opposed?

Hearing none, motion carried.

I believe we have some items in executive session.

MR. DAHILIG: Mr. Chair, move to --

CHAIRMAN KANESHIRO: Do we need to take off?

MR. DAHILIG: -- go into executive session as listed in the -- as the four items listed in the memorandum as part of the agenda.

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

MR. McCORMICK: Second.

MR. NISHIMURA: Second.

CHAIRMAN KANESHIRO: Any discussion or comments?

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

Any opposed?

Hearing none --

MS. SUZUKI: We need a roll call vote.

CHAIRMAN KANESHIRO: Oh, we need a roll
call vote for executive session. Sorry. We'll have a roll call vote for executive session. Roll call, please.

MS. SUZUKI: I should ask. Board Member Nakaya.

MR. NAKAYA: Aye.

MS. SUZUKI: Board Member Nishimura.

MR. NISHIMURA: Aye.

MS. SUZUKI: Board Member McCormick.

MR. MCCORMICK: Aye.

MS. SUZUKI: Chair Kaneshiro.

CHAIRMAN KANESHIRO: Aye.

MS. SUZUKI: Board Member Oyama.

MR. OYAMA: Aye.

MS. SUZUKI: Board Member Dahilig.

MR. DAHILIG: Aye.

MS. SUZUKI: We got --

CHAIRMAN KANESHIRO: Okay. Motion carried. We're going to proceed into executive session in about five minutes.

(Executive Sessions at 12:49 p.m. to 1:33 p.m. in separate transcripts.)

CHAIRMAN KANESHIRO: We're now in regular session.

MR. NISHIMURA: Mr. Chair, for old
business, Item G3.

CHAIRMAN KANESHIRO: Right.

MR. NISHIMURA: I move that we defer this to the next meeting.

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

MR. OYAMA: Second.

CHAIRMAN KANESHIRO: Moved and seconded.

With that, all in favor.

Any opposed?

Hearing none, motion is to defer Item No. 12-63 rewards program to the next board meeting.

Now we have topics for next water board meeting. Any additional on that? I'm not certain if Bill or the administration has anything else to add.

There's a quarterly report, employee of the year resolution, and number three, extension of funds in regards to Mr. Dahilig on large projects, possibly up to $50,000. So that's another one that we probably put on the agenda item.

MR. NISHIMURA: What is that?

CHAIRMAN KANESHIRO: Mr. Dahilig --

MR. NAKAYA: Change order.

MR. NISHIMURA: Change order. Delegate.

MR. NAKAYA: Authorize -- yeah.
MR. DAHLIG: Authorize for minor change orders.

CHAIRMAN KANESHIRO: Yes, for minor change orders. So we'll have possibly some discussion on that on the next meeting.

MR. NISHIMURA: Mr. Chair.

CHAIRMAN KANESHIRO: Yes, sir.

MR. NISHIMURA: It doesn't have to be at the next meeting, but I would really like to -- I would like to revisit, and I will --

CHAIRMAN KANESHIRO: Future.

MR. NISHIMURA: Yes. And this is part of the rules.

CHAIRMAN KANESHIRO: Hold on one second. Let me try to finish this one first.

MR. NISHIMURA: Oh, sorry.

CHAIRMAN KANESHIRO: On number three, you prefer having something back by the next meeting or just future meetings?

MR. DAHLIG: It's only going to assist them so, you know, at whatever pace.

CHAIRMAN KANESHIRO: Well, we'll put it on for the next meeting and then we'll decide. Okay. And go ahead, Randy.

MR. NISHIMURA: Okay. The topic for
future.

CHAIRMAN KANESHIRO: Yeah.

MR. NISHIMURA: I would like to bring back the rule -- we got rid of adjustments to water bills for leaks or excessive use. I would like to revisit that. Having personal experience where the water department broke a line, and my house, my neighbor's house and there were about a dozen affected residences, we had to run the water for half an hour, and that is after the meter. So I would like to --

MR. OYAMA: To clear it?

MR. NISHIMURA: I would like to provide a means for the department to adjust bills in cases where it is caused by the department.

MR. OYAMA: Yeah, caused by the department, right.

MR. NISHIMURA: Yeah.

MR. OYAMA: That's horrible.

MS. SUZUKI: But not related to a leak?

MR. NISHIMURA: Yeah. But it is an adjustment on your bill because the water does pass through your meter, yeah?

MS. SUZUKI: Because of leak.

MR. NISHIMURA: The leak is out on the lateral.
CHAIRMAN KANESHIRO: The leak is on the main line. It's not on the lateral.

MR. NISHIMURA: No, it can be on the lateral, but in order to flush -- in order to flush the lines to the residences, you have do clean up the residents' water in order flush the lines.

MR. OYAMA: To complete the circuit.

CHAIRMAN KANESHIRO: Instead of opening the fire hydrant, you individually --

MR. NISHIMURA: Ell, even if they open the fire hydrant, it's not adequate.

MR. OYAMA: The congested water is in the area.

MS. SUZUKI: But it's not related to the leak?

MR. NISHIMURA: It is not a leak rebate, but it is an adjustment to the bill. Is there a mechanism now?

MS. SUZUKI: Well, that one we still have to do public hearing on it.

CHAIRMAN KANESHIRO: Well, this one is not anything to do with the leak.

MS. SUZUKI: Right, that's why I'm just concerned.

CHAIRMAN KANESHIRO: So you're just asking
if there is adjustments currently in effect where the water department had to go repair broken.

MS. SUZUKI: Yeah.

CHAIRMAN KANESHIRO: And then we have to run our water for at least a half an hour to an hour to clear the system.

MS. SUZUKI: Right. So the only adjustment rule is the one that the --

MR. NISHIMURA: That's the one they still considered a leak because there's no other provision for adjusting a bill.

MS. SUZUKI: Right, so this one is completely different type of adjustment.

MR. NISHIMURA: Yeah, yeah.

MS. SUZUKI: I just wanted to make sure.

It's not on the rule currently.

CHAIRMAN KANESHIRO: No. This is completely different. How do we deal with that issue?

MR. NISHIMURA: How do we address this issue?

CHAIRMAN KANESHIRO: In other words, I've got to run my water for an hour.

MR. OYAMA: Who pays for it?

CHAIRMAN KANESHIRO: Okay. All right.

MR. NISHIMURA: And I'll go send a -- you
know, I'll go send a memo to probably you and Daryl.


And also, Members, if you have others as we move along before our next board meeting, you can also send correspondence to us so we can put it on before we meet for our agenda meeting. Okay.

MR. NISHIMURA: Daryl.

CHAIRMAN KANESHIRO: Yes, sir.

MR. NISHIMURA: Never mind. Keep going, keep going.

CHAIRMAN KANESHIRO: Okay. Upcoming events, Poipu Beach party, March 25. AWWA Hawaii section. Any discussion?

(Bill Eddy entered meeting.)

MR. NISHIMURA: There is -- Bill, there's a dual water session at AWWA conference?

MR. EDDY: There is.

CHAIRMAN KANESHIRO: In the hawaii one there is, a non-potable one at Honolulu, right?

MR. EDDY: Right.

CHAIRMAN KANESHIRO: I saw the tentative agenda. It was on Friday morning?

MR. EDDY: Yes, yes.

CHAIRMAN KANESHIRO: Is it still on?
MR. EDDY: It is, yeah.

CHAIRMAN KANESHIRO: On the non-potable water systems.

MR. NISHIMURA: I just wanted to bring that up because since it's an item of interest to the board. Mr. Nakaya said he no can go but.

CHAIRMAN KANESHIRO: That's correct.

MR. NISHIMURA: You're sure you no can go Friday.

CHAIRMAN KANESHIRO: Even to the Friday session in the morning?

MR. NISHIMURA: Just go for the Friday session. No.

CHAIRMAN KANESHIRO: Because it's in regards to non-potable water.

MR. NAKAYA: It's all day. No, no, not three days.

CHAIRMAN KANESHIRO: I mean, the Friday session is a non-potable water discussion that's going to be brought up by the Honolulu board. So...

MR. NAKAYA: Okay.

MR. NISHIMURA: I would suggest that anybody who can make it be allowed to go.

CHAIRMAN KANESHIRO: Okay. Well, I know I was going to sign up for the conference from Wednesday
morning until Friday. So I don't know who else, you know, wanted to attend. And I did talk to Mike. It's a possibility that Mike might be able to attend. And again, I know I received the email from Clyde saying that he probably couldn't attend all sessions, all three.

And then, if you are and you want to attend, we need to have you fill out the applications today. We need to get it in. Right? We've got to get it done.

MR. EDDY: Right.

CHAIRMAN KANESHIRO: So, again, what would help, Bill, if you could probably get Marge to print out what's going to be coming out for the sessions. So we may have some board members that may want to attend, especially the non-potable and some other sessions.

Did you all receive a copy of the session itself?

MR. NISHIMURA: No.

MR. DAHILIG: No.

CHAIRMAN KANESHIRO: I wonder why.

MR. EDDY: I'm not sure why. It turned out AWWA members, I guess, would get it mailed to them. I can run down and make some copies right now.

MR. DAHILIG: I'm sure it's a pdf.

CHAIRMAN KANESHIRO: Okay. Anyway, if
we're -- if whoever is going to attend the Hawaii Section Annual Conference, we need to get it set up by today and no later by tomorrow. That's for sure. Because it's coming up the 17th through the 20th. Especially if you need flight reservations and room reservations. To fly out.

MR. NISHIMURA: I would encourage our attorney to attend that, too.

MR. DAHILIG: Second that.

MR. MCCORMICK: Aye.

MS. SUZUKI: Is that a motion? Is it up for discussion now?

CHAIRMAN KANESHIRO: We already voted. It's unanimous.

Okay. So work on that right away. Let me know so we can get you going. I believe we have appropriated how much money for that slot? Just the Hawaii one, I'm saying.

MR. EDDY: Yeah, just three, I believe it is. Three.

MR. NISHIMURA: No, how much money we've got in the account?

CHAIRMAN KANESHIRO: Well, we'll check and see how much money we've got in the account and we can figure out who's going to go, who's not going to go,
who's staying and who's not staying. Because some
people may just fly in for some sessions and then fly
back out, which is good.

MR. DAHILIG: Yeah, I would just need
airfare and registration. I wouldn't -- so.
CHAIRMAN KANESHIRO: What's that?
MR. DAHILIG: I would just need airfare and
registration.
CHAIRMAN KANESHIRO: Yeah. So, you know,
we might have enough money to send all those who want
to. So can you please get Marge to make a copy of the
sessions that are going to start from Wednesday.
MR. EDDY: Okay.
CHAIRMAN KANESHIRO: That starts from
Wednesday. You don't have it on this right now?
That's okay. I don't know how to work it
anyways.
MR. OYAMA: Good job.
CHAIRMAN KANESHIRO: Okay. So again,
Members, today you can get one before you leave, right?
MR. EDDY: Yes.
CHAIRMAN KANESHIRO: For just, you know,
the sessions itself. So they may, you know, like Clyde
because of his really tight schedule might really want
to attend the non-potable one or some stuff like or
some, and then we see how we can accommodate the board members to do that. Okay?

MR. EDDY: Okay.

CHAIRMAN KANESHIRO: Okay. The AWWA, we're all set for the Dallas one, right? We've got everybody set. Randy.

MR. NISHIMURA: No, I just got the application.

CHAIRMAN KANESHIRO: Which one? For the AWWA one?

MR. NISHIMURA: I don't know what this is. North American individual application.

CHAIRMAN KANESHIRO: That's the main one.

MR. NISHIMURA: Member information, dues and benefits. What is this? To apply for --

MR. EDDY: I think membership into AWWA.

MR. NISHIMURA: I thought we automatically get that.

MR. OYAMA: Individually, right?

MR. NISHIMURA: I thought everybody was automatically.

CHAIRMAN KANESHIRO: Yeah. I think we all are. Check on it.

MR. OYAMA: It used to be.

MR. McCORMICK: Carol does that.
MR. NISHIMURA: It's part of the budget.
CHAIRMAN KANESHIRO: I thought we are all.
MR. OYAMA: You should, you should.
MR. MCCORMICK: I answered.
CHAIRMAN KANESHIRO: It's just a renewal.
We just got to pay the renewal.
MR. OYAMA: It should be paid by this.
CHAIRMAN KANESHIRO: Yeah, check on that.
Because I had a renewal notice, and I passed it on.
MR. MCCORMICK: Me too.
CHAIRMAN KANESHIRO: You know, because it
says, Renewal notice for AWWA members. So anyway.
Okay. So that's set, right?
We haven't got word back from the mayor yet on
that. I know we sent a correspondence to the mayor, is
that correct?
MR. EDDY: We did send a correspondence. I
don't think --
MR. OYAMA: No answer.
CHAIRMAN KANESHIRO: Yeah. So I believe
Randy, Roy Oyama -- Mr. Oyama, and Larry Dill, and also
the mayor was going do attend that conference in Dallas,
Texas. I got my cowboy hat, Randy, I got my cowboy
boots if you want to wear it.
MR. NISHIMURA: That's why you may as well
CHAIRMAN KANESHIRO: Giddy up.

MR. NISHIMURA: Giddy up.

MR. EDDY: One thing we need to do on this one, is we reserved the rooms, four rooms on somebody's credit card.

CHAIRMAN KANESHIRO: I know. And I think I told Marge to go ahead and send emails out to each one of them.

MR. EDDY: Okay. Yeah.

CHAIRMAN KANESHIRO: So I'm not certain if you received the email from Marge, but I did give her the go-ahead to contact Randy, contact Roy, and also contact the mayor so we can get that moving along.

No, he's not going to the national one. So is Ray and also Clyde cannot. So it's the three of you along with the mayor.

Okay. Next water board meetings. Anything else? Upcoming events. Anything else to add there, Bill?

MR. EDDY: No, Poipu Beach party is this Sunday.

CHAIRMAN KANESHIRO: Okay. Just going back. One of the topics that Randy (sic) brought up about future water board meetings and also one of the
topics for next water board meeting was the extension of
the funds. So you're going to do some research on that,
bring it up for water projects, you know, with minor
change orders. Do you know what I mean? That we had
some discussion on. So we're going to talk about that
at the next meeting.

MR. NISHIMURA: That was Mike, not me.

CHAIRMAN KANESHIRO: And then Randy had
the --

MR. NISHIMURA: Talk to Mike about it.

CHAIRMAN KANESHIRO: The future water board
meetings in regards to how do you make adjustment when
the water department fixes a pipe or fixes something and
the homeowner has to run his water --

MR. OYAMA: Flush it out.

CHAIRMAN KANESHIRO: Flushing water out for
about an hour. Are there adjustments to that? So that
will give you some time to look at that. Here's the
envelop for that. I think it is.

MR. NISHIMURA: Is this yours?

CHAIRMAN KANESHIRO: Oh, sorry. No.

Okay. Next water board meetings. Everybody on
schedule? April 26, May 24, June 28, July 26. We don't
have to go that far. But April 26. All okay.

MR. DAHLIG: I will be here for half a
day. I have a rehearsal.

CHAIRMAN KANESHIRO: Okay. Other than that, any other issues regarding water board meeting, next water meeting?

If not, the meeting is adjourned.

(Concluded at approximately 1:48 p.m., March 22, 2012.)

* * * * *
STATE OF HAWAII          )
COUNTY OF KAUAII         ) ss.

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

That on Thursday, March 22, 2012, at 10:40 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 3rd day of April, 2012, in Kapaa, Hawaii.

[Signature]

TERRI R. HANSON, CSR 482
Registered Professional Reporter
Transcript of the March 22, 2012 Regular Board Meeting, as recorded by Ralph Rosenberg Court Reporters, Inc.

Accepted as transcribed,

[Signature]

Randall Nishimura
Secretary – Board of Water Supply