

Committee Meetings

November 19, 2009

Board present: Chair Leland Kahawai, Ian Costa (9:25 am), Dee Crowell, Donald Fujimoto (10:53 a.m.), Randall Nishimura, and Roy Oyama. Absent & excused: Raymond McCormick.

Staff present: David Craddick, Paul Ganaden, Gregg Fujikawa, William Eddy, Keith Fujimoto, Bruce Inouye, Faith Shiramizu, and DOW Deputy County Attorney Amy Esaki.

FINANCE COMMITTEE MEETING:

Finance Chair Randall Nishimura called the meeting to order at 9:13 a.m. Chair Nishimura re-ordered the Agenda to have the Claims Payables at the end of the Agenda and to have first on the Agenda, Item No. 2, Draft Annual Audit.

Re: Draft Annual Audit for Fiscal Year Ending June 30, 2009

Mr. James Nakayama of KMP, LLP, our auditor, was present at the meeting to give the Board an overview of the draft annual audit.

The draft auditor's reports and Financial Statements as of June 30, 2009 were given to the Board as part of their agenda packet.

Mr. Nakayama reported to the Board of their audit findings and followed the agenda below:

1. Financial Audit of the Department's Basic Financial Statements (scope)
 - a. Audit was performed using generally accepted government auditing standards (GAGAS) and ultimately generally accepted auditing standards (GAAS). GAAS is designed to obtain reasonable, rather than absolute assurance about the financial statements.
 - b. Financial Statement Walk Through:
 - i. Unqualified opinion with explanatory paragraph
 - ii. Highlights of the Basic Financial Statements
 - iii. Key Footnote Disclosures
2. Single Audit Report
 - a. Overview of Report
 - b. Major program tested
 - c. Summary of auditor's results
 - d. Report on Internal Control Over Financial Reporting and on compliance with other matters:
 - i. No new current year findings
 - ii. Status of prior year findings
 - e. Report on Compliance and Internal Controls with Requirements to each Major Federal Program:
 - i. Unqualified opinion issued with respect to compliance
 - ii. No material weaknesses identified

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3. Other Required Communication under GAGAS and ultimate GAAS
 - a. Material adjustments proposed – None
 - b. Passed adjustments – None
 - c. Difficulties encountered in performing the audit – None
4. Open Discussion, Questions or Comments

Mr. Nakayama stated that they perform the audit under government auditing standards, which essentially they need to look at internal controls and have a secondary report to check on compliance. He also stated that they issued an unqualified opinion, which means a clean opinion for the DOW, which means that they have provided reasonable assurance and not absolute assurance that there are no material misstatements in the financial statements taken as a whole.

Mr. Nakayama gave an overview of their audit, which had no negative findings. He did remind the Department to continue to implement more computerized accounting modules. On query by Finance Chair Nishimura, Mr. Nakayama stated that it was not a major concern as the Department does have existing controls in place. They are looking for full use of the DOW's existing accounting system.

Mr. Nakayama thanked Manager Craddick, Waterworks Controller Ganaden and his staff for all of their help during the course of the audit. Mr. Nakayama stated that there will be a letter forthcoming to Finance Chair Nishimura, with a copy to Board Chair Kahawai, to summarize the audit results.

(Mr. Dave Hinazumi of Grove Farm was present at the meeting at about 9:35 a.m.)

RECOMMENDATION

It was recommended that the Finance Committee approve the draft Annual Audit for Fiscal Year Ending June 30, 2009 and refer this matter to the full Board for their approval of the final audit upon its completion.

Mr. Costa moved to approve the draft Annual Audit and to refer this matter to the full Board at the next Board Meeting, seconded by Mr. Oyama; by a unanimous vote; motion was carried.

Mr. James Nakayama left the meeting at about 9:40 a.m.

Re: Committee/Board Discussions and Possible Action on Proposed Bond Projects

Manager Craddick reported on the revised CIP projects listing that the Department recommended to be funded from the proposed bond issue. He discussed that KW-16, Waimea Canyon Project needs to be cancelled as it will be funded by the State Revolving Fund (SRF) and requested that KW-14, Waimea Main Replacement Project be its replacement. This project had a recent bid opening with a bid of about a little over \$2 million.

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There was some monies from last year's legislature but we need more monies to ensure that there we could actually execute a contract with the low bidder as well as have no delays that would only increase the cost. Manager Craddick added that it would be best to start reimbursing ourselves as there is no guarantee that the Governor would release funds for our project.

Therefore, we would cancel \$5 million for the KW-16, Waimea Canyon Project and add \$2 million for the KW-14, Waimea Main Replacement Project.

On query by Mr. Crowell, Manager Craddick stated that initially he did not think that it was appropriate to fund the Waimea Main Replacement Project with both SRF and State Funds at the same time; therefore, he decided to not go the SRF route and go the State grant route. However, it is taking time to approve and release the grant monies. He added that in order to award the contract, we need to secure funding for the project.

On query by Mr. Crowell, Manager Craddick stated that the cancelled project was to be funded by ARRA funds; however, that did not pan out so instead it will be funded by SRF funds.

Manager Craddick added that this Waimea Main Replacement would enhance the water supply that supports a school and a hospital on the road that goes to Kokee.

Finance Chair Nishimura questioned that depending on how the bond is structured, the bond cannot be used for reimbursements. Manager Craddick stated that it is possible if a reimbursement resolution is done. Deputy County Attorney Esaki added that the special bond counsel stated that a reimbursement bond needs to be initiated and passed by County Council.

On query by Finance Chair Nishimura, Manager Craddick stated that with a reimbursement bond, you can reimburse for monies already spent previously of up to 120 days prior to the issuance of the bond. However, Finance Chair Nishimura requested assurance that statement was true. Deputy County Attorney Esaki requested a recess so she can call our bond counsel for verification.

Waterworks Controller Ganaden discussed that there is a backup as we have the Lawai-Omao Tank Project that is cash financed in the budget for about \$3.5 million and that could be used for the funding of \$2.2 for the Waimea Main Replacement Project. He added that this project was advertised as a SRF funded project; therefore, once it is known which fund will be used, the Department would need to come back to the Board for a change of fund approval.

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Deputy County Attorney Esaki added that another concern would be that if the funds change and its restrictions are stricter than what was advertised, would the contractor agree to the new restrictions.

Recess: 9:50 a.m. to 9:57 a.m.

Deputy County Attorney Esaki reported that she talked to our bond counsel and the expenditures made 60 days prior to and after the effective date of the bond ordinance is the only allowable time span for reimbursements. She added that the sequence of events are: 1) the Board would pass a resolution requesting Council that include in their bond the DOW's issuance of bonds; 2) there would then be a declaration from County Council with the intent of including the DOW's request for bonds and simultaneously a bond ordinance; 3) the bond ordinance would require 2 readings and the effective date of the bond ordinance is when the Mayor signs the bond ordinance. That effective date would be used to verify qualified reimbursements 60 days prior and 60 days after.

Deputy County Attorney Esaki stated that the County is still working on their projects to be included in the bond float so the DOW is ahead.

On query by Finance Chair Nishimura, Mr. K. Fujimoto stated that the Lawai-Omao Project was planned to bid in a couple of weeks; however, the project could be pushed back to accommodate possible backup funding for the Waimea Main Replacement Project.

On query by Deputy County Attorney Esaki, Manager Craddick stated that the Waimea Main Replacement Project has been bid out, selected the low bidder and the bid specs included the terms and conditions of the funding source to be the same as with the bond issue. Finance Chair Nishimura further discussed that there are post-contract documents that could facilitate the revised terms and conditions, as long as both parties agreed to the revised terms and conditions.

Waterworks Controller Ganaden added that there is also another potential source of funding from the Lihue Town Project that had budgeted about a little over \$2 million; however, that project has ARRA grant monies instead.

On query by Mr. Crowell, Manager Craddick stated that he will be meeting with someone soon to discuss acquiring IUS funding. Mr. Crowell added that could be another source of funding.

On query by Mr. Crowell, Manager Craddick stated that the total project cost is now about \$77 million.

Finance Chair Nishimura summarized that the recommendation is to cancel KW-16, Waimea Canyon Project of \$5 million and add KW-14, Waimea Main Replacement Project instead for a cost of \$2.1 million for a total of \$77.8 million.

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Manager Craddick discussed that there was some discussion at the last Board Meeting and when Finance Chair Nishimura and Mr. K. Fujimoto discussed if the bond issue projects are do-able, it was clarified that the projects would be do-able if we are fully staffed.

Mr. K. Fujimoto also discussed that some of these projects are presently being geared for SRF funding; however, it would depend on how much SRF funding is available.

On query by Chair Kahawai, Mr. K. Fujimoto stated that the projects that would potentially be funded by SRF monies are Maka Ridge, Eleele, Kokolau, Akulikuli, Wailua Houselots, etc.

On query by Mr. Crowell, Manager Craddick stated that it cost 3-1/2% for the loan origination fee, and up to 1% on the interest charges. Therefore, if we get the Build America bonds, it could potentially be cheaper than the SRF funding.

Manager Craddick added that although the report showed an increased dollar amount for our proposed projects, the bond issue amount will remain at \$60 million. The reason is that it is expected that construction costs will be lower than the estimates.

Finance Chair Nishimura reviewed the project listing and its priorities. The new project KW-12 would be the 1st priority, with the following priorities: H-01, H-02, SWTP, H-03, H-08, WK-12, HE-11, PLH-25, WK-28, WK-30, PLH-30, WK--8, WK-02, and PLH-02.

On query by Finance Chair Nishimura, Manager Craddick stated that in case the bid construction bids do come in low, to ensure that we can spend the \$60 million that we are requesting for the bond issue, he would want the bond's verbiage to be generic in stating that we would be doing tanks, source, pipelines, etc. such as the project listing (Exhibit "A") that would be attached to the bond resolution, which would be for a total of \$60 million that could cover any type of water project. This would save time of going back to the Council to change projects.

Manager Craddick discussed that he felt that it would not be logical to keep borrowing money time and again as the interest rates are so high, which almost equals to our depreciation with our interest charge. Also, he felt that we needed to take advantage of the low construction costs that will not last forever.

Manager Craddick also discussed that our bond projects would have a positive effect as it would make available for our customer adequate waterlines if their area already has adequate source and storage facilities and it would be best to replace the lines that have continuous maintenance issues and to have adequate lines available for our customers

Recess: 10:40 a.m. to 10:52 a.m.

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Finance Chair Nishimura asked that there are about \$17 or \$18 million in the last 2 items; if those 2 items fall out, based on our current savings, there is only about \$42 million of committed projects, can Manager Craddick come up with an additional \$25 million worth of projects that would be ready to bid within the bond period? Mr. K. Fujimoto responded that he felt that was possible as long as the Department is fully staffed.

Mr. D. Fujimoto was present at the meeting at about 10:53 a.m.

Finance Chair Nishimura stated that he did have a concern on the last 2 projects on the bond's project list. However, he felt that if the Department was confident that there would be an additional \$25 million worth of projects that would be ready within the bond period, that he could support this project list going forward.

Mr. D. Fujimoto stated that he felt that all of this could be accomplished quickly if we had program management, which was a recommendation of our previous study. He felt that study should be referenced to see how program management would work. He also brought up the option of having contract hires.

Manager Craddick added that another way could be is to add some system expansion projects and to use some FRC monies in addition to the ratepayer's monies, which would allow us to use about \$.5 million a year and could pay \$5-\$10 million of our bond projects.

Mr. D. Fujimoto felt that these projects are important to do.

Mr. Costa moved to approve the amended list with the \$60 million cap and forward to the full Board for consideration, seconded by Mr. Oyama; by a unanimous vote; motion was carried.

Re: Committee Discussion & Possible Action on the Following Amendments to the Rules And Regulations, Part 4, Fixing Rates for the Furnishing of Water Service in the County of Kaua'i (Manager's Rep. No. 10-29)

Manager Craddick reported on the following:

- a. Section I – General Use Rates (Proposed Block Changes)
- b. Section II – Bulk Rates (Paragraph 1)
- c. Section III – Agriculture Rates (Addition of Backflow Preventer Requirement)
- d. Section IV – Shipping Rates (Paragraph 3)
- e. Section V – Private Fire Service Charges (usage based on area ratio)
- f. Section VI – Public Fire Service Charges
- g. Section X – Cost of Power Adjustment

As part of the proposal to change the general rate consumption Block thresholds, other issues regarding the Part 4 rules are proposed to be revised.

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These include Section I General Rates - portions of consumption are added to the service charge, one more block with a \$0.25 increase is added to high end use; Section II - extending the time where bulk rates may be allowed; Section III Ag Rates – putting in provision for backflow preventers to be installed to qualify for Ag Rates; Section IV deleting old sections; and Section V Private Fire Protection. Of these items the area with most changes is the Private Fire Protection.

As an overview, there are fire lines approved by the Department for sole use of fire service and lines approved which allow both domestic and fire service. To separate the different purposes, Paragraphs 1 and 2 are added. In Paragraph 1 there are proposed changes in the introduction to the section that make it clear the fire lines are for a sole purpose.

*“1. For each service connection for the **sole** purpose of automatic fire sprinklers or other private fire protection, there shall be a Private Fire Service Inlet Line Charge per month based on the diameter of the inlet line connection as follows:”*

Old effective date provisions are brought up to date with no proposed change in the rate. Since there is not suppose to be consumption on a dedicated line and we currently charge the consumption that is read on the meter this is the major change to the section. We are proposing a consumption paragraph to make it clear we will charge for consumption if it occurs. The next two paragraphs deal with what are called detector check meters and full flow meters.

The detector check meter only reads a portion of the flow through the meter. As flow increases through the detector meter and the pressure drop across the detector meter increases. With a high enough pressure drop the “weighted” closed check valve begins to open. At this time there are meter curves that compare pressure drop to flow but each meter manufacturer and size has a different curve. We propose using the ratio between the inlet line size and the detector meter. This is a reasonable estimate of the total flow through the meter. This is done with a look up table and multiplying the detector meter reading times the line / meter area ratio. As an example if a premise has a 8” inlet size with a 5/8” detector meter and there is a 10 k gallon reading on the detector meter for the billing cycle the charge would be \$135 for the fire service charge plus the 5/8” meter charge of \$10 plus the meter reading charge of 10 times the area ratio of 163.84 or 164 k gallons at the general service rate. This is about \$941. This totals \$1086 verses \$145 if there is no use on the line. When there is only a small leak on the line the check valve may not open to allow the full flow. However, there is no way to tell if the check valve opens or not and there is little incentive to repair a leak if the full potential flow is not charged for. So we ask for your approval of the proposed change to charge for the full flow except when there is verifiable fire use. The next paragraph deals with full flow fire meters.

*“2. For each service connection for the **dual** purpose of automatic fire sprinklers or other private fire protection and potable service there shall be a Private Fire Service Inlet Line Charge per month based on the diameter of the inlet line connection as follows:”*

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At premises where DOW has allowed dual use of fire lines for domestic use, the meters may be full flow with detector check meters. There will be two charges consisting of the inlet line charge plus a service charge for the size of full flow meter being read and consumption charge based on general rates for the full flow meter and the detector check meter.

Small Business Regulatory Review Board (SBRRB):

Manager Craddick and Waterworks Controller Ganaden attended the November 18, 2009 SBRRB Oahu Meeting to support our proposed rule amendments. Mr. Ganaden stated that it helped that Manager Craddick met with our Kauai SBRRB Representative Peter Yukimura to brief him on our proposed rule amendments as Mr. Yukimura informed the SBRRB that he was comfortable with our proposed rule amendment concept. The SBRRB approved the concept of our proposed rule amendment and to go to public hearing.

PART IV, SECTION I – GENERAL USE RATES (PROPOSED BLOCK CHANGES)

Manager Craddick stated that he informed the SBRRB that the Water Board was leaning towards Proposal 4.

The 4 proposals were:

1. Getting an additional \$1.2 million in revenue.
2. Getting an additional \$1.1 million in revenue. Change the 1st block of the 5/8" meter from 14,000 gallons to 17,000 gallons (currently is 20,000 gallons)
3. Getting an additional \$.9 million in revenue. Dropping the 1st block rate 10¢ from \$3.20 to \$3.10
4. Getting an additional \$.8 million in revenue. Changing the 1st block for the 5/8-inch meter from 14,000 gallons to 17,000 gallons (currently is 20,000 gallons) and reducing 10¢ in the first block for every meter size.

Manager Craddick stated that the average bill for 2010 will increase from \$41.58 to \$45.11; however, next year, with the 10¢ reduction, the average bill will decrease.

Mr. Costa moved to approve Proposal 4 and refer to the full Board. Mr. Costa withdrew his motion.

Mr. D. Fujimoto stated he is all for the 4 proposals, however, he is leaning towards Proposal 1 as he felt it may be harder to give something now that you will later take away.

Finance Chair Nishimura explained that for Proposal 1, 67% of our customers that have 5/8-inch meters will be charged Block 2 rates which they are presently paying Block 1 rates.

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Mr. D. Fujimoto stated that for the other proposals that have a reduction, would only have to be paid later at a higher price to make up the current reduction.

Mr. D. Fujimoto moved to approve Proposal 1 and to send to the full Board for approval, seconded by Mr. Oyama. Aye: Four (4) votes and Nay: Two (2) votes. Motion was carried.

PART IV, SECTION I – GENERAL USE RATES

Mr. D. Fujimoto moved to forward these proposed rule amendments, Part IV, Section I – General Use Rates, to the Rules Committee for consideration, seconded by Mr. Costa; by a unanimous vote; motion was carried.

PART IV, SECTION II – BULK RATES (PARAGRAPH 1)

Manager Craddick stated that the areas that have bulk rates are the old plantation areas, which it had been geared for. The current rule states that: “1. The area consists of existing dwellings or business establishments more than ten (10) years old.” He added that this is a rate that should be deleted once there are no bulk rate customers, however, to not negatively affect any of our customers who may still have bulk rates, it was recommended that, in the interim, the age of the establishment be changed to 20 years old.

On query by Mr. Nishimura, Mr. Fujikawa stated that he was not sure but he thinks that this bulk rate was established a long time ago to afford McBryde Sugar Company at that time, lower rates partially based on that A&B was given credit for distributing the water to the Eleele Shopping Center and the Port Allen area from their master meter located along Halewili Road and Kaunualii Highway. It was based on the age of the area and to apply to existing older areas only that were serviced by non-County systems and not for newer developments.

Finance Chair Nishimura suggested referring this matter to the Rules Committee and in the meantime to have the staff research whether we still have bulk rate customers and when was the last service opened. Manager Craddick stated that the meter records will show who has the meter but not what they use it for so it will be tough to find out if we do still have bulk rates.

Mr. Costa discussed that we should use “.....or business establishments built prior to 1990” to ensure that the bulk rates are kept for the older developments.

Mr. Oyama moved to forward these proposed rule amendments, Part 4, Section II, Bulk Rates, to the Rules Committee for consideration, seconded by Mr. Costa; by a unanimous vote; motion was carried.

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PART IV, SECTION III – AGRICULTURE RATES (ADDITION OF BACKFLOW PREVENTER REQUIREMENT)

On query by Finance Chair Nishimura, Manager Craddick stated that the proposed changes that are in Nos. 1 and 2 are solely for housekeeping purposes that would show only the current rates and not the old set of rates.

Manager Craddick stated that No. 3 of this Section is to reflect that in order for our customers to get agriculture rates, they need to install a backflow preventer.

Mr. Oyama asked for information on who are the certified installers and the cost of each backflow preventer by its size? Manager Craddick stated that the State Department of Health (DOH) oversees who are certified backflow preventer installers. The DOW also has a copy of that list. Also, the certified installers should have a license to prove that they are indeed certified.

Mr. Oyama added that he needed this information so he can share it with his fellow farmers at the Kauai Farm Bureau. He discussed that this change would be a hardship for the small farmers.

Mr. D. Fujimoto suggested that the Kauai Farm Bureau could also negotiate to work with one installer for all of their members, which may get a lower cost.

Manager Craddick added that the Board could add it in the proposed rule change that the DOW would allow payment plans for hardship cases. The criteria that the DOW would need from the Board could include that the farmer would need to submit their financial statement to verify their financial hardship and to know what the timeline would be for repayment.

Mr. D. Fujimoto also added that plans need to be drawn for the backflow preventer and the DOW would need to approve the plans.

On query by Chair Kahawai, Manager Craddick stated that his estimate of a backflow preventer for a 5/8-inch water meter would be about \$800 to \$1,000 each.

Mr. Costa moved to forward these proposed rule amendments, Part 4, Section III, Agriculture Rates, to the Rules Committee for consideration and also for the DOW to propose modifications for amendments to: 1) definition of what would constitute hardship; and 2) deferral payment plan, seconded by Mr. Oyama

On query by Manager Craddick, Finance Chair Nishimura stated that these modifications need to be done prior to the public hearing. By a unanimous vote, motion was carried.

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PART IV, SECTION IV – SHIPPING RATES (PARAGRAPH 3)

Manager Craddick stated that as far as he can tell that this section is not really being used. The State Transportation wharfage charge does change as they are now looking at some charge changes.

Mr. D. Fujimoto move to forward this proposed rule amendment, Part 4, Section IV, Shipping Rates, to the Rules Committee for consideration, seconded by Mr. Oyama; by unanimous vote; motion was carried.

Part IV, SECTION V – PRIVATE FIRE SERVICE CHARGES (USAGE BASED ON AREA RATIO)

Manager Craddick stated that: 1) the DOW is charging the same as our existing service charges to read the detector check meter and 2) they are not suppose to be usage on these meters, especially on the detector check meters; however, there are a lot of usage and we currently charge them the existing rate of the size of that small meter. Therefore, the plan is to propose taking the area ratio between that small meter and the line size and multiplying whatever the usage is times that area ratio, which would constitute their water bill. Manager Craddick felt that it would be a big increase if you continue to not use the fireline when they not suppose to, or will be a temporary rate increase that will change once they get their high water bill.

Manager Craddick stated that another issue, whereby, our customers cancel their service on the fireline and we are not going in to shut the valve so in effect they are still getting fire service. He consulted with the Fire Chief and our customers not suppose to be doing that. Therefore, the new language in this proposed rule amendment so that if they continue to do that, they lose their regular service with fire protection, unless they get a letter from the Fire Chief saying that it is ok to cut off their fire protection.

On query by Finance Chair Nishimura, Manager Craddick found that some proposed language was missing from this section to basically say that fire meters cannot be disconnected or service cannot be cancelled except with the approval of the Fire Chief, unless they are giving up their regular service to their building.

Manager Craddick stated that if a customer cancels both their regular service and fireline service, it would be assumed that the building is unoccupied. Finance Chair Nishimura asked if it could be verified that the new owner applies for the fireline service. Manager Craddick stated that he would consult with the Honolulu Board of Water Supply as we have the same billing system.

Mr. Costa moved to forward this proposed rule amendment, Part 4, Section V, Private Fire Service Charges, to the Rules Committee for consideration and have the Department to

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amend as necessary to include a provision on the cancellation of service for any fire flow meters, seconded by Mr. Oyama; by unanimous vote; motion was carried.

PART IV, SECTION VI – PUBLIC FIRE SERVICE CHARGES (USAGE BASED ON AREA RATIO)

Mr. D. Fujimoto move to forward this proposed rule amendment, Part 4, Section VI, Public Fire Service Charges, to the Rules Committee for consideration and to be in full Ramseyer format, seconded by Mr. Oyama; by unanimous vote; motion was carried.

PART IV, SECTION X – COST OF POWER ADJUSTMENT

Manager Craddick stated that this section is to update the 5-year anticipated power costs starting from 2010.

Waterworks Controller Ganaden stated one concern is that we did not do any projections so it may be that we should not be changing the cost as of July 1, 2010 and possibly leaving the 2009 cost and then make adjustments since there were no rate increases done for the next 5 years. So he recommended leaving it at 2009 and to do the power adjustments based on the July 1, 2009 cost. So Schedule A remains status quo. The only change would be is to add the 's' after dollar in the last sentence of Paragraph 2.

Mr. D. Fujimoto move to forward this proposed rule amendment with only deleting 's', without the change to Schedule A, Part 4, Section X, Cost of Power Adjustment to the Rules Committee for consideration, seconded by Mr. Costa; by unanimous vote; motion was carried.

Re: Claims Payable (as of September 30, 2009):

Finance Chair Randall Nishimura recused himself for the Claims Payables only, as there were bill payments due to his company in this batch of Claims Payables. In the interim, Pro-Tem Finance Committee Chair Roy Oyama oversaw the Claims Payable agenda item only.

WATER UTILITY FUND:	\$2,523,458.29
BOND FUND:	\$ 121,123.66
FRC FUND:	\$ 75,564.41
STATE FUND:	\$ -0-
TOTAL	<u>\$2,720,146.36</u>

Mr. Costa moved that the claims be approved for payment, seconded by Mr. D. Fujimoto; by a unanimous vote; motion was carried.

The Finance Committee was duly adjourned at 12:18 p.m.

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RULES COMMITTEE MEETING:

Rules Committee Chair Dee Crowell called the meeting to order at about 12:20 p.m.

Re: Committee Discussion & Possible Action on the Following Amendments to the Rules And Regulations, Part 4, Fixing Rates for the Furnishing of Water Service in the County of Kaua'i (Manager's Rep. No. 10-29)

Rules Chair Crowell reported that this Committee will need to recommend approval to the full Board, then a public hearing will be scheduled.

SECTION I – GENERAL USE RATES (PROPOSED BLOCK CHANGES)

Rules Chair Crowell stated that the Finance Committee voted to recommend Proposal 1 of the Department's alternatives in the Conservation Benefit Ratio Table. Since the Rules Committee concurred, Rules Chair Crowell entertained a motion to recommend to the full Board to schedule a public hearing.

Mr. Oyama moved to recommend to the full Board to schedule a public hearing, seconded by Mr. Kahawai. Aye: Five (5) votes; and Nay: One (1) vote. Motion was carried.

SECTION II – BULK RATES (PARAGRAPH 1)

Mr. Nishimura requested that the Department determine what date should be used in Paragraph 1.

Mr. Fujikawa stated that Paragraph 5 of this bulk rate rule states that "All bulk rates shall be renegotiated biennially and may continue upon concurrence of both parties." He has not seen anyone come to the Department. However, it could be kept in case there is someone in the future that says they do have bulk rates.

Mr. Nishimura added that if this rule is kept that it could be used in the future for anyone who can justify their need for bulk rates. Then the only thing that needs to be changed is the date or to have a variance granted.

Mr. Costa moved to have Paragraph 1 state that "The area consists of existing dwellings or business establishments with bulk rates in existence prior to September 11, 1992.", seconded by Mr. Oyama; by a unanimous vote; motion was carried.

SECTION III – AGRICULTURE RATES (ADDITION OF BACKFLOW PREVENTER REQUIREMENT)

Mr. Crowell stated that they would want some type of proposal in the draft to be heard at the public hearing as to what the system would be.

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Mr. Costa suggested that the applicant may request deferral of the installation payment to the Department with just cause. Manager Craddick also stated that there should be the timeline within the rule and he suggested for 3 years. Also, the criteria would be to submit a financial statement to justify their need. Manager Craddick suggested that that an administrative fee could also be charged to cover postage, time, etc., as the Department would be sending out a separate bill. The fee could be set at not more than 10% of the installation fee.

Manager Craddick stated that the Department may want to bid it out.

It was decided that the Department would do the installations only for hardship cases. Mr. Fujikawa pointed out that there are other customers that need to install backflow preventers who may request the same privilege. Manager Craddick added that it is not a requirement for everyone, except when there is a potential for backflow of water into our system.

Mr. Nishimura moved to recommend to the full Board for Section III, Agriculture Rates, for the Addition of the Backflow Preventer Requirement, with the inclusion of the following language: "Applicants may appeal to the Department for a deferral of payment which shall be financed by the Department at such administrative cost to not exceed 10%, which shall be passed on to the customer. Term of the installment payment shall not exceed 3 years. Proof of need shall be determined by ___% of the median income. Applicant is to furnish tax returns to the Department for determination of hardship."; and to schedule a public hearing, seconded by Mr. Oyama.

Mr. Oyama moved to amend the motion to also include the underlined phrase as such: "Addition of the Backflow Preventer Requirement, with the inclusion of the following language: "Applicants may appeal to the Department to reimburse the Department's cost and request a deferral of payment which shall be financed by the Department at such administrative cost to not exceed 10%, which shall be passed on to the customer. Term of the installment payment shall not exceed 3 years. Proof of need shall be determined by ___% of the median income. Applicant is to furnish tax returns to the Department for determination of hardship."; seconded by Mr. Costa.

Upon query by Mr. K. Fujimoto, it was decided that the details would be handled administratively.

Mr. Fujikawa brought up that this situation is different as all of the other situations that we assist the public with is because in the end, we would own and operate the facility, etc. which is on County property or we get easements if it is not on County property. In this case, we do own the equipment and will need to go onto private property.

Manager Craddick suggested that with all the potential possibilities of nonpayment of reimbursement of the Department's cost, it may be wise to change the term of the agreement to only one(1) year.

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On query by Mr. Nishimura, Mr. Oyama stated that the Farm Bureau does not have personal financial assistance. They would have to possibly seek grants instead.

Mr. Nishimura had second thoughts about this situation and withdrew his motion and Mr. Oyama withdrew his second. Mr. Oyama also withdrew his amended motion and Mr. Costa withdrew his second.

Mr. D. Fujimoto moved to recommend to the full Board to schedule a public hearing on the proposed rule amendment as is, seconded by Mr. Kahawai. By a unanimous vote; motion was carried.

SECTION IV – SHIPPING RATES (PARAGRAPH 3)

Mr. D. Fujimoto moved to recommend to the full Board to schedule a public hearing, seconded by Mr. Oyama. By a unanimous vote; motion was carried.

SECTION V – PRIVATE FIRE SERVICE CHARGES (USAGE BASED ON AREA RATIO)

Mr. Crowell moved to forward these proposed rule amendments, Part IV, Section V – Private Fire Service Charges, which language needs to include “Service to detector check meters may not be cancelled without the approval of the Kauai County Fire Chief.” to the full Board for approval, seconded by Mr. Oyama; by a unanimous vote; motion was carried.

SECTION VI – PUBLIC FIRE SERVICE CHARGES

Mr. D. Fujimoto moved to forward these proposed rule amendments, Part IV, Section VI – Public Fire Service Charges, to the full Board to schedule a public hearing, seconded by Mr. Costa; by a unanimous vote; motion was carried.

SECTION X – COST OF POWER ADJUSTMENT

Mr. Costa moved to forward these proposed rule amendments, Part IV, Section X – Cost of Power Adjustment, to the full Board to schedule a public hearing, seconded by Mr. Kahawai; by a unanimous vote; motion was carried.

The Rules Committee adjourned at 1:15 p.m.

ADJOURNMENT:

There being no other business, the Committee Meetings were duly adjourned at 1:15 p.m.

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