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

Absent: Hugh Strom

Board Members Present: Randy Nishimura, Board Chair

Staff Present: David Craddick, Kirk Saiki, Marites Yano, Dustin Moises, Kim Tamaoka, Eddie Doi, Valentino Reyna

Guest: Deputy County Attorney Nick Courson

At 1:05 p.m., Chair Dill called the Finance Committee meeting to order.

AGENDA
Mr. Nakaya moved to accept the agenda; seconded by Chair Dill; with no objections, motion was carried.

MINUTES
Mr. Nakaya moved to approve the minutes dated July 22, 2013 as circulated; seconded by Chair Dill; with no objections, motion was carried.

Mr. Nakaya moved to approve the minutes dated July 25, 2013 as circulated; seconded by Chair Dill; with no objections, motion was carried.

OLD BUSINESS

Part 4 comments and amendments have been submitted from Deputy County Attorney, Andrea Suzuki. With this new revised document, Mr. Nakaya moved to receive Part 4 revisions from Deputy County Attorney Andrea Suzuki for the record, seconded by Chair Dill; with no objections, motion was carried.
PART IV SECTION VII. FACILITIES RESERVE CHARGE

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

2. The water system facilities reserve charge will be raised or lowered each year according to the percentage increase or decrease in the Engineering News-Record Construction Cost Index over the previous year index held as the base. It shall not increase more than four percent average per year determined from the effective date of this rule.

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

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

<table>
<thead>
<tr>
<th>Source</th>
<th>$ per Fixture Unit</th>
<th>$ per gallon</th>
<th>$ per 3/4&quot; meter</th>
<th>Maximum Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>SOURCE</td>
<td>$605.00</td>
<td>$4.15</td>
<td>$1,120</td>
<td>56%</td>
</tr>
<tr>
<td>STORAGE</td>
<td>$1,844.00</td>
<td>$7.86</td>
<td>$3,880</td>
<td>24%</td>
</tr>
<tr>
<td>TRANSMISSION</td>
<td>$2,796.00</td>
<td>$10.87</td>
<td>$8,160</td>
<td>26%</td>
</tr>
</tbody>
</table>

Formatted: No bullets or numbering
3. The water system facilities reserve charges shall apply to all applicants for water service as follows:
   a. For each parcel created by subdivision, including the first lot created, and for every new single family residential dwelling unit not yet metered and a facilities reserve charge has not yet been paid, the charge shall be $4,600.00, the charge for a 5/8" meter.
   b. For each unit or hotel room in a multi-family residential development and/or resort development, which applies to each unit or hotel room, the charge shall be $4,600.00, the charge for a 5/8" meter.
   c. For all other uses, the facilities reserve charge shall be determined by the size of the meter as follows: shown in Schedule 2 and schedule 3. For meter sizes up to two inches, the facilities reserve charge shall be determined by the size of the meter as follows in Schedule 2:

<table>
<thead>
<tr>
<th>Meter Size</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>5/8&quot;</td>
<td>$4,600.00</td>
</tr>
<tr>
<td>3/4&quot;</td>
<td>$14,300.00</td>
</tr>
<tr>
<td>1&quot;</td>
<td>$26,400.00</td>
</tr>
<tr>
<td>1-1/2&quot;</td>
<td>$53,200.00</td>
</tr>
<tr>
<td>2&quot;</td>
<td>$90,700.00</td>
</tr>
<tr>
<td>3&quot;</td>
<td>$170,000.00</td>
</tr>
<tr>
<td>4&quot;</td>
<td>$283,400.00</td>
</tr>
<tr>
<td>6&quot;</td>
<td>$566,800.00</td>
</tr>
<tr>
<td>8&quot;</td>
<td>$907,000.00</td>
</tr>
</tbody>
</table>

   d. For meter sizes up to two inches, the water system development fee will increase according to the AWWA Standard C-700: latest edition for Cold Water Meters: Displacement valve. Bronze Main Core Recommended Maximum Rate for Continuous operations: 150% flow rate ratio of larger sizes to the 5/8" meter which is as follows in Schedule 3:

<table>
<thead>
<tr>
<th>SIZE</th>
<th>Ratio to 5/8&quot; Meter</th>
<th>Maximum Meter Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>5/8&quot;</td>
<td>1</td>
<td>$17,160</td>
</tr>
</tbody>
</table>
the water system development fee facilities reserve charge will be determined by the application of engineering principles and standards. For AWWA Standard C-702 latest edition for Cold-Water Meters, Compound Type Class II gives as a reference type of meter the fee. Facilities Reserve Charge shall not exceed the costs laid out in Schedule 3.

<table>
<thead>
<tr>
<th>SIZE</th>
<th>Maximum Meter Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>3&quot;</td>
<td>$6,730.100</td>
</tr>
<tr>
<td>4&quot;</td>
<td>$8,884.160</td>
</tr>
<tr>
<td>6&quot;</td>
<td>$22,393.60</td>
</tr>
<tr>
<td>8&quot;</td>
<td>$29,655.480</td>
</tr>
</tbody>
</table>

Meter sizes shall be determined by the Department and not by the Developer or Applicant. The facilities reserve charge for multi-family and/or resort developments will be determined by the approved meter size or the number of units, whichever number is larger. Facilities reserve charges are periodically adjusted by the Department. These adjustments may increase or decrease existing facilities reserve charge amounts. Where adjustments to facilities reserve charges result in decreases of such charges, no refund will be made of the difference between the higher, pre-existing charges and the lower, adjusted charges.

e. Indexing of the Facilities Reserve Charge

The Facilities Reserve Charge shall be priced or lowered each year according to the percentage increase or decrease in the Engineering News Record Construction Cost Index. This shall not increase more than four percent (4%) average per year as determined from the effective date of this rule.

4. FRC Offsets.

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

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

“Consumer” has the meaning ascribed to it under Section I of Part 2 of the Department’s Rules and Regulations.
“FRC” means the facilities reserve charges described in section VII of Part 4 and Section III of Part 3 of the Department’s rules.

“Offset” means reduced or reduction.

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

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

“Water transmission main” or “main” means a main extension under Paragraph 2.d [2.0.4] of Section II of Part 2 of the Department’s Rules and Regulations.

As used in this Paragraph 4, the following rules of construction shall apply:

(1) Number. Words in the singular or plural number signify both the singular and plural number.
(2) "Or" "and". Each of the terms "or" and "and", has the meaning of the other or of both.

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

Subject to the provisions of this paragraph 4, the applicable FRC liability of such applicants, consumers, or subdividers shall be offset by up to 25% of each where water storage or storage improvements are constructed, and up to 50% where water transmission mains are constructed, in accordance with an amount not to exceed those percentages laid out in Schedule 3; provided that the total amount of all offsets that an applicant, consumer, or subdivider receives shall not exceed 100% of the applicant’s, consumer’s, or subdivider’s FRC liability, and provided further that the offset for any source or storage improvement or transmission main shall not exceed the actual cost of the source or storage improvement or transmission main.

<table>
<thead>
<tr>
<th>Source</th>
<th>Maximum Offset Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Storage</td>
<td>25%</td>
</tr>
<tr>
<td>Transmission</td>
<td>40%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
</tr>
</tbody>
</table>
BACKGROUND:
Manager Craddick provided a background of the Part 4 proposed rules.
The Rules Committee made a decision to simplify the Part 5 rules dealing with the Facilities Reserve Charge. The only changes are to allow credits for grantor beneficiaries in phase out existing meter reservation when the applicant does not install the meter servicing the property within one (1) year after the rule passes.

There was no language to allow phasing by restricting the uses based on DOW’s?

As far as the changes recommended by Deputy County Attorney, Andrea Suzuki, they are somewhat cosmetic in nature.

Paragraph 2 is moved down to sub paragraph 3e. The percentage in the note at the bottom of table 2 is moved down and incorporated to the offsets in part b of paragraph 4.

Item No. 2 is moved down to Paragraph 3 subset e.

Section 3 has a preamble and the Table should be in 4b.

Chair Dill confirmed that 43 should be 3.

Manager Craddick also added that the last table with percentages should be called, “Schedule 4.”
**DISCUSSION:**
Mr. Nishimura inquired on the maximum offset percentage.

If he was a developer and was only required to put in source, transmission, or storage and everything is paid, is the DOW allowing up to those percentages even though all requirements are developed or provided. Mr. Nishimura inquired if just one is paid, with the DOW allow up to 18%?

Manager Craddick agreed and clarified to Board Chair, Mr. Nishimura that it would be 18% of the fee and not 18% of what was provided. The developer would still be paying the storage and transmission.

If there is not enough storage, it may cost the developer more. The other portions of the fee cannot be given away.

Mr. Nishimura inquired on how it is reconciled because if the developer is paying the full amount and the DOW is not crediting, but collecting FRC from the person because someone else built it. Why is it that the other person will not be charged the portion of the fee from the next developer? Right now the rules do not allow charging the second developer when they come online.

Manager Craddick was confused on the explanation given by Mr. Nishimura so Mr. Nishimura clarified what he was trying to describe.

In order to understand DOW’s maximum proposal in Part 4, Mr. Nishimura inquired that if developer #1 fulfilled the source components then developer #2 comes in. What is proposed is that developer #2 can come in and take all that has been developed up to whatever the capacity is and the DOW will collect developer #2’s payment, but nothing will go to developer #1 although developer #1 was the one that put in all the facilities needed for the DOW.

Manager Craddick responded that Mr. Nishimura is making the assumption that developer #1 is building more than what is needed to supply the first development. If the developer is supplying more than what is required, it may be the reason why it would cost the developer more than what the credit should be. If the developer is only providing the minimum, then it is unknown why they would get more than the minimum.

Mr. Nishimura agreed that typically the DOW would not require a developer to just put in 100K gallons worth of source or storage.

Manager Craddick responded that the DOW would not know how to charge a developer other than what is required to be put in. If the developer would only need 100K gallons for their purpose, the DOW cannot require any more than what is required. This is an issue if two (2) houses are being built on a lot and the developer is required to build source for the two houses. The DOW shouldn’t be charging the next person for that other house. In this case, DOW would not be collecting from the next person and giving it back to the original developer.

In Paragraph 4b, second paragraph, Manager Craddick explained that it means if it costs the developer $3, the DOW would charge a $1 even though the developer has provided 100%.
Subject to the provisions of this paragraph 4, the applicable FRC liability of such applicants, consumers, or subdividers shall be offset by up to 33% each where water source or water storage improvements are constructed, and up to 50% where water transmission mains are constructed; provided that the total amount of all offsets that an applicant, consumer, or subdivider receives shall not exceed 100% of the applicant’s, consumer’s, or subdivider’s FRC liability, and provided further that the offset for any source or storage improvement or transmission main shall not exceed the actual cost of the source or storage improvement or transmission main.

This is in the DOW’s current Rules and Regulations.

Paragraph 5 is in there because there are different meters that the DOW currently uses and can provide a lot more gallonage. The C702 AWWA standard is currently being used of which a 6” meter can withstand about 500 gallons per minute with a single jet meter.

If the DOW changes meters, this should be kept to be able to use the same methodology.

Chair Dill inquired on the reason why Deputy County Attorney, Andrea Suzuki requested to have Paragraph 5 deleted.

Manager Craddick also added that Paragraph 6 administrative charge is a policy which could be done by a Board resolution. This would start to get the staff to charge according to fixture units should the Board decide to use them. Currently, there is no administrative charge with the Department’s current Rules.

Manager Craddick also added that the deletion of this paragraph was done to avoid confusion and could be accessed with a Board resolution because it is a policy issue.

Mr. Nishimura questioned on the basis of why paragraph 6 was removed. Was it because the DOW is no longer using the fixture units as the basis for anything?

Manager Craddick explained it would still be used as an administrative fee, but could be the reasoning why and nothing prevents the DOW from doing this. By collecting the fee, there would be pressure for a person to do it correctly and the administrative fee should not make a difference.

Chair Dill was in favor in leaving paragraph 6 in which is the basis of collecting the FRC fees and to collect a review fee for building permits. Paragraph 3d was also deleted which talks about the basis of the calculation.

Manager Craddick mentioned the meter charge did not matter; it only indicted the size of the meter that is being currently used. Paragraph 5 should stay because there are big meters now (which was not listed as big or small).

Mr. Nishimura noticed in 3b - For each unit or hotel room ... the charge shall be for a 5/8” meter.” Why is the definition being used per unit? The density or units for hotel unit is two (2) hotel rooms that equal one (1) dwelling unit.
Manager Craddick indicated this was thrown out with the rules when they simplified paragraph 5 down. Indexing is done now and a dollar amount cannot be put on it. There will be conflict in paragraph 3b with paragraph 5 which depends on affordable housing and would be charged according to the meter size (not unit).

Mr. Nishimura questioned why *or hotel room* was underlined in 3b? What is an addition?

Manager Craddick pointed out that in the original rule *or hotel room* was underlined. Language may be added where paragraph 3b was in conflict with paragraph 5 which will prevail.

Paragraph 3b reads – “For each unit or hotel room in a multi-family residential development which could be affordable housing and/or resort development, which applies to each unit or hotel room, the charge shall be the charge for a 5/8” meter.”

It was clear that Part 5 was not going to be done. For affordable housing, the charge would be by the meter size.

According the Mr. Doi, for Rice Camp, affordable housing will consolidate meters and will pay FRC by units which came out higher for two (2) buildings. What will be assessed is the current meter size 53 or the number of units x $4,600. They need to pay the Department the larger of the two based on the current rules.

Mr. Nishimura referred to paragraph 3, under the ¾” to 2” Schedule: “The meter sizes beyond 2” the FRC shall be determined by application …. Shall not exceed the cost laid out in Schedule 3.” This is for the meters larger than 2”. Under the new rules, there is no opportunity to lower the fee for less than 2”. The charge would be $85,000 x 2 for the 1-1/2” meter.

Mr. Doi indicated the current rules go from $4,600 for the 5/8” but under the new Schedule 3 it states: “The FRC for multi-family and resort development will be determined...” was under the old Schedule C (previous page). Schedules 2 & 3 were added under the current rules. Previously someone mentioned this would be for the larger meters.

The smaller meters would be the same (the meter size or number of units) to all schedules.

Chair Dill understood that the larger meter sizes, at the Department’s discretion, could charge up to the larger amount and charge the number based on the units.

Deputy Manager Mr. Saiki commented it depends if the paragraph goes under Schedule 3 or under e.

Manager Craddick noted Schedule 3 is under d and not under c which applies to meters 3” and above.

Mr. Nishimura inquired on the definition of units if dwelling meant units. The old rules did not have definitions only for offsets.
Mr. Doi mentioned that the fees were defined in the old rules as hotel units or multi-family units. Each parcel created will be assessed the FRC. For every new single family dwelling not yet metered will be assessed the FRC. Paragraph 3b covers the listings for development for hotel units, multi-family units, residential and resort development. No definitions for units were changed for paragraphs 2, 3, 4 or 5. Paragraph 5 included definitions for affordable workforce housing, grant fund grantor and recoupment.

Deputy Manager Mr. Saiki commented that the same terminology is being used in Planning.

In Mr. Dahilig’s draft, the definition of units were taken off. Mr. Nishimura questioned if the definition should go back in and/or would the definition go?

There should be no confusion because as Mr. Doi clarified that if the applicant came in with seven (7) hotel units, you would have to identify what the unit was and refer to the rules as applicable. The old rules clarified hotel units with a charge of $600.00.

Manager Craddick identified four (4) major items discussed:
1) whether the Department would charge fixture units with affordable housing
2) whether the Department would charge a person that provided 100% less of the source. If it was less, the Department would charge extra
3) whether to leave in paragraph 5 & 6
4) whether to include the definition of unit

Mr. Doi noted that Rice Camp would be multi-family residential unit affordable housing. The charge of $4,600 or $85,000 would be for the 1-1/2” meter but this needs to be straighten out later. Based on the old rules the charge would be $53,000 or the number of units x $4,600. Affordable housing would pay the difference between the existing meter and the overage. $100,000 and the meter was $53,000, affordable housing would be paying $100,000 minus $53,000 = $47,000. This would not be applicable in the proposed rules. Mr. Doi was not sure if affordable housing paid. Affordable housing does have exiting meters. The meter size has been adequate to support their development.

There were various meter sizes which were consolidated to two (2) larger meters and one (1) 5/8” meter. Based on each of the two (2) affordable housing parcels and units, the meter size was okay. The FRC was assessed by the existing meter amount or the number of units proposed x $4,600. The Department used the larger of the two values. If the units were higher, affordable housing would receive a credit on the FRC for the meter.

Deputy Manager Mr. Saiki inquired if affordable housing did not consolidate the meters and used existing meters would they have to pay anything.

Mr. Doi mentioned that the unit count would have been higher for the credits on the FRC for the meter.

Manager Craddick commented that the Finance Committee has to decide if they want to move away from the units for affordable housing. If the answer is yes, the language has to be changed.
Mr. Nishimura asked if that could be done. A special case cannot be made if you allow this for affordable housing because other requests would have to be allowed. It was unclear if that was the reason Deputy County Attorney Andrea Suzuki took out the administrative fees.

Deputy County Attorney Andrea Suzuki indicated it was simplified in and email because the Department was not using fixture units. There may be another way to get the administrative charge. The fee could be based on the meter but would have to charge the maximum amount all the time.

Example: If someone comes in to do 20 fixtures, the charge would be $40 instead of $60. At the end of the year, based on the number of fixture units charged, the Department would know what was collected in development fees.

If the amount is tracked, a history is provided if it remains in the rule. This was based on the collection of some administrative fee and could be done by number of dwelling units. All of the fees should be covered by a resolution at the start of the fiscal year.

The reason Chair Dill supported fixture units were because it is an accurate reflection of water demand. This gives the opportunity for a small house vs. a large house that both uses a 5/8” meter to determine the administrative fee on the building permit plan.

Mr. Nishimura was not in disagreement and wanted to see what the Department comes up something that is implementable.

Manager Craddick suggested leaving in Paragraph 6 and continue the administrative fee based on fixture units, there would be a comparison between what might be collected using FRC and how the rules are being implemented.

Deputy Manager Saiki responded that if the fixture units are for the administrative fee, it would not be a problem. The challenge would be tracking the FRC.

Example: If someone comes in with an additional 15 fixture units x $2.00 (administration fee) they would only get charged on what they are applying for (water requests, subdivisions, or remodeling).

Example: If someone does a 10 lot subdivision, you go by the unit charge and if they don’t know what they are building the cost calculation would be 30 fixture units x 10 = 300 x $2.00 = $600.00 for a subdivision. Thirty (30) fixture units are for the 5/8” meter which is what the Department is charging in the rule.

The correlation is between fixture units and 5/8” meter in the Uniform Plumbing Code (UPC) which is part of paragraph 6. Paragraph 7 is no longer needed because it was redundant.

Deputy Manager Mr. Saiki mentioned this depends on what is considered the flow into the home. The recommended meter flow does not come out to less than 30 fixture units.

Manager Craddick explained in the UPC for 30 fixture units there is 20 gallons per minute flow. According to American Water Works Association (AWWA) meter standard, 20 gallons per minute
is what can go through a 5/8” meter without damage. Paragraph 5 should remain but if the meter types are switched, an adjustment would be made accordingly.

Chair Dill was in favor of leaving the administrative charge in the rules but wanted Deputy County Attorney Andrea Suzuki’s reason for deleting the second part in paragraph 6.

Since this was a policy call, Manager Craddick indicated the sentence would be left in if there was no legal reason to leave it in.

In the Rice Camp example, Chair Dill commented by looking at the number of units vs. the FRC on the meters, he asked what if the Department took the higher of the two. What would be the argument against taking the lower of the two?

Mr. Doi responded it would be less money.

Chair Dill commented that any project could make an argument that the customer paid their fair share of the cost on both situations. Up to a 2” meter should work by the flow of the meter. It should come out the same by the meter size with the new rule.

Manager Craddick clarified it is not determined by the 2” meter but based on the flow through the meter. It would be through the 3” meter and beyond on the flow. The ratios were determined by the AWWA flow ratios. There is no relationship with the flow of fixture units (with old or new rules). The ¾” meter is 53 fixture units; by taking 1.5 x 30 = 45 extra units. The R. W. Beck/SAIC report indicated as meter sizes go up, less fixture units would be used (see proposed Schedule 2).

Mr. Nishimura commented if you take the existing charges for meters, it appears the charges are cheap but the penalties are severe. If the construction cost index were applied, where would the Department be today?

Manager Craddick noted the 1970 indexing was 4.9% per year/avg. If this were applied to the rate of the $4,600 (implemented in 2004), today’s charge would be $7,000. The rate has increased 9% per year from 1970 to $17,000. From the old rate study, the consultant had the project but did not have all the costs. The biggest issues the consultant worked on were the average use of the meter instead of following the Department’s standard. The fee jumped from $13,000 to $17,000 when the fee was based on the standard. By using the standard, the fund may bankrupt by the February 2014 payment.

In paragraph 4b, if you provide everything which cost less, you still have to pay the difference in the fee. Manager Craddick did not know how this would be justified and referred to Mr. Doi if someone paid more but never received the full amount. Mr. Doi indicated if someone paid more, they would not get credit for overage. Paragraph 4b states “… and provided further that the offset for any source or storage improvement or transmission main shall not exceed the actual cost…”

Example: If the actual cost for source is $3 and the fee is $4, the Department would charge $1 even if the developer provided 100% of the source.
Mr. Doi commented that if the amount showed less, they could not be offset that much for the FRC and only would only be applicable to the percentage.

Chair Dill inquired if the developer put in their own source at $1M but the FRC was $1.1M, they would have to pay the difference of $100,000. The offset for the source component would be allowed at 1%. Further explanation by Deputy Manager Mr. Saiki mentioned if they paid $1M for the well, up to 18% of the $1.1M would be used to offset their FRC.

Manager Craddick added that if the actual cost is less, the Department would charge the extra between the Department’s fee and what cost the developer. If the developer provided 100% of the source, they should get the 18% off. The last sentence in 4b should be deleted.

Deputy County Attorney Mr. Nick Courson commented in the example using a $1.1M project is for source or storage and you would never get to the 100% or offset more.

Manager Craddick referred to page 1, Schedule 1 of Deputy County Attorney Andrea Suzuki’s comments. The 18% equals the $4.15 per gallon for $3,120 (18% of the total fee).

Chair Dill agreed with Manager Craddick and made sense on the dollar per gallon amount but asked how does that work with the maximum percentage? He was in favor of deleting the last clause.

If the 18% is given, Manager Craddick asked what would be the purpose of the last sentence? A list of condo units/hotels in Kapa’a with 2” meters or less included: Pono Kai, and three (3) inside the Coconut Plantation, Kapa’a Sands and hotels along Papaloa Road. Hotels with 2” and higher meters included: Kaua’i Beach Resort, Aloha Kaua’i Resort, Beach Boy, Islander, Courtyard by Marriott, Waipouli Beach and Coco Palms. New developments coming up: two (2) in between Beach Boy and Courtyard by Marriott and Safeway requested 16, 1-1/2 meters.

Deputy Manager Mr. Saiki added that sending Part 5 without Part 4 to the SBRRB would not make sense. With the recent change to Part 5, Parts 2 & 3 would not have changes.

Manager Craddick suggested dropping 4b because it would be a money issue. The Department would collect more money by charging by the unit. The issue would be how affordable housing would be separated from the hotels.

Chair Dill questioned if the Department could do multiple 3” meters?

Manager Craddick stated SAIC mentioned that the break should be 1-1/2” meters. Recommendations were as follows on paragraphs:

3b – a policy call for affordable housing
4b – delete last sentence (regarding charging more if you paid less)
5 – add if there are no legal issues, only a policy call. Chair Dill agreed to leave 5 in.
6 – add if there are no legal issues, only a policy call. Mr. Nishimura suggested language: “… the administrative charge for review shall be established by Board resolution …”
Mr. Doi clarified that a horizontal condo/ag CPR with individual units are charged by the number of units.

Manager Craddick mentioned that if 3b is deleted, then the horizontal condo would go with it.

If the Department did not want to charge individual units for affordable housing, 3b would be deleted.

Mr. Nishimura questioned how would you deal with hotels and regular multi-family housing? This may open up the use of 16 1-½ meters.

Manager Craddick commented that hotels would be 3” meters. The Department would not collect as much money if they were 2” meters and below.

A four (4) unit apartment building would be classified as a multi-family residential. The meter size would be determined by the water main calculations. The meter size could be a 1” meter and the Department could be collecting $40,000 less.

Chair Dill inquired if this would be windfall money for the Department if the rate schedule was done correctly?

Manager Craddick commented that based on the rules, if 3b was deleted, it would not cost the Department that much.

Chair Dill’s concern was currently 3d under Schedule 3 which states “Meter sizes may be determined by the Department...” He asked if this statement should apply to Schedules 2 & 3.

Manager Craddick answered it applies to Schedule 3. The last paragraph is generic and should apply to Schedules 2 & 3 “…Meter sizes may be determined by the Department and not by the Department or Applicant.”

Chair Dill mentioned that the following sentence would be deleted …“The facilities reserve charge for multi-family and/or resort development will be determined by the approved meter size or the number of units, whichever number is larger” if 3b is deleted. This would be based on the units for the meter size for the proposed development.

Schedule 3a would be for a single family unit and the number of dwelling units, the meter would get approved by the Department, the meter sizes up to 2” meter are in Schedule 2 and meter sizes are listed in Schedule 3. The Department would determine up to the maximum meter size.

Chair Dill’s other concern was the 3” meter equivalent to … (inaudible) and he was not sure how the Department would handle 42, 2” meters ($5M x $137,280).

Mr. Nishimura referred back to the sentence “Meter sizes shall be determined by the Department and not by the Department or Applicant. The FRC charge for multi-family and/or resort
development will be determined by the approved meter size or the number of units ...” Mr. Nishimura asked if this would replace 3b.

Chair Dill clarified that 3b would be deleted.

The first sentence – “Meter sizes shall be determined by the Department and not by the Department or Applicant.” This sentence would be placed and applied to Schedules 2 & 3.

The following sentence would be deleted - The FRC charge for multi-family and/or resort development will be determined by the approved meter size or the number of units, whichever number is larger.”

Meter sizes could be placed in 3b. If it is in 3a, 3b or 3c, it does not reference Schedules 2 or 3. Chair Dill suggested putting meter sizes in the preamble with 3 or after Schedule 1.

Manager Craddick suggested:
- Calling meter sizes in 3e and Indexing 3f.
- For Schedules 2 & 3 - meter sizes, “shall be determined …”
- Delete the second sentence.
- Delete “Facilities reserve charges are periodically adjustment by the Department.”
- Keep the 4th/last sentence “Where adjustments to facility reserve charges result in decreases of such charges, no refund will be made of the difference between the higher, pre-existing charges and the lower, adjusted charges.”
- 3e applies to Schedule 2 & 3 above.
- Paragraph 3d can be called 3e
- add a sentence before 3e to say “For schedules 2 & 3 above meters sizes will be determined by the Department and not the Developer or the Applicant.”

Deputy Manager Saiki questioned Schedule 3 on the application in the paragraph which states “…meter sizes beyond 2” determined by Engineering principals would be by the Department for meter size…” Schedule 3 has a maximum meter cost. How does the Department determine the minimum meter cost?

Manager Craddick answered there is no minimum cost. The meter fee is based on the usage compared to the cost per gallon in Schedule 1.

Mr. Doi mentioned that the water demand could be small or big. The developer could be paying the FRC for a 1” meter. The applicant would be charged by the gallon x consumption.

Manager Craddick added the applicant could have a 3” meter that cost less than the 2” meter but would have to put in the 3” because all the water is used within 1 hour vs. using the water all day. The larger size meter would be used to take care of the peak regardless if the flow is small.

Chair Dill question if the cost would be recovered by charging by the gallon?
Mr. Doi stated that the applicant would provide how many gallons they are going to use per day, then charge for the max day at $22.00 per gallon (1.5 max day). This could be less than the smaller meter FRC. The customer would be informed on the method used.

This would apply to Schedule 3 according the Chair Dill and asked how would the meter size be determined in Schedule 2?

Manager Craddick commented using fixture units without charging for fixture units for smaller meters. The gallons would not be an easy effort and cannot be done for the smaller meters.

Deputy Manager Mr. Saiki added currently all single family homes get a 5/8” meter and above that size, fixture units are used. From the UPC, would this be a max day for the fixture unit flow curve? What is the designated flow? This is used to size pipes and meters.

Mr. Nishimura understood that the charge is based on the meter size. The meter size would be calculated based on fixture units. According to Manager Craddick, this was not incorporated in 5.

Chair Dill asked what the meter size was for 2” and less for non-residential?

Mr. Doi answered anything above the non-residential is sized by fixture unit. At present, the max day factor is not determined by the fixture count.

Chair Dill could not recommend the changes in the rules because the Department does not have a firm idea how the rules will be applied. He would like to see calculations if possible on a 3” meter that cost less than a 2” meter based on the demand calculations.

Mr. Doi offered his opinion that it would be up to the new division head on how the rules would be applied. Based on the gallons, the charge would be based on per gallon usage which could be small and acceptable. The factors might count.

Construction Project Management Officer, Mr. Moises commented from the design and construction side. The owner might want 25 1-1/2 meters instead of 3” meters. The design and construction consultant would not have 25 laterals and the developer would have to pay for 25 different laterals even if it is in the rules. This could be based on the logistics on a 3” meter to serve the different utilities. The ratio between the construction cost and the FRC cost would need to be determined which Chair Dill agreed.

Chair Dill commented if an applicant came in with a 3” meter project to put on site distribution in or to serve it with four 1-1/2” meters. The applicant could decide what the best solution from the Department calculations. There is not enough guidance for a consultant or developer to know what the cost will be.

Based on the following calculations - $137,280 divided by $22.88 = 6,000 gallons max day divided by 1.5 max day = 4,000 gallons, Manager Craddick stated that a 3” meter is equivalent to the 2” meter. If the applicant is required to get a 3” meter but using less than 4,000 gallons would cost less than a 2” meter. Fire flow could be added or peak demands could require a larger meter. With
many variables, this could not be listed in the rules. It would be preferable to have the fire line separate.

Chair Dill would like to see the language that was discussed incorporated into the rules.

The SBRRB can get a draft two weeks before their December 20th meeting.

Chair Dill wanted confirmation if the whole paragraph in 3b was eliminated which could result in less revenues for the Department; would it recover the cost as far as the FRC study is designed?

Manager Craddick said the confirmation would be if the Department charged by the gallon on the larger meter sizes. On smaller meter sizes it could collect $20,000 based on a 1” meter with four (4) apartment units.

Mr. Nishimura questioned why would a four (4) apartment unit not be charged for a 5/8” meter?

Deputy Manager Mr. Saiki replied if fed by one meter, it would be by fixture units (3/4” or 1” meter).

Chair Dill commented that the Department would lose the opportunity to collect more money but would recover the cost.

Manager Craddick mentioned there is no way to confirm this without knowing the consumption. An applicant would have to pay more if they use more water.

Mr. Doi stated if an applicant has 20.5 gallons, they could stay at 21 gallons. The applicant’s plan needs to be realistic with concrete development plans that match the fixture count.

Manager Craddick stated there could be an agreement between developers and that the Department would not charge for source up to a gallon amount.

At 3:28 p.m., Chair Dill recessed the Finance Committee meeting and will be reconvened on Tuesday, October 22, 2013 at 1:00 p.m.

mjg