Water has no substitute……. Conserve it

BOARD OF WATER SUPPLY

Department of Water
County of Kaua'i

JOSEPH E. TAIT
MANAGER AND CHIEF ENGINEER

REGULAR MONTHLY MEETING NOTICE AND AGENDA

Tuesday, January 20, 2026

9:30 a.m. or shortly thereafter

Meetings of the Board of Water Supply, County of Kaua'i will be conducted in-person at the Department of Water Board Room, 2nd Floor located at 4398 Pua Loke Street, Līhu'e, Kaua'i, Hawai'i, and remotely in accordance with Act 220, Session Laws of Hawai'i 2021 via interactive conference technology as follows:

Click on the link below to join on your computer or mobile app by VIDEO:
https://us06web.zoom.us/j/89607736260
Passcode: 179444
OR
Dial phone number and enter conference ID to call in and join by AUDIO:
Phone: 888 788 0099 US Toll-free
Phone Conference ID: 896 0773 6260

Please Note: If you do not provide a name, unique identifier, or alias when joining the meeting, you will be renamed to allow staff to address and manage individual guests.
In the event of a lost connection the Board will recess for up to 30 minutes to restore the connection. If the connection cannot be restored within 30 minutes, the Board will continue the meeting to 12:00 p.m. or shortly thereafter. If the visual link cannot be restored, the Board may reconvene with an audio-only link using the above dial-in phone number and conference ID. A lost connection only applies to remote connections provided as part of the remote meeting but does not apply to a public member being unable to access the meeting due to a connectivity issue on their end.

CALL TO ORDER

ROLL CALL

ANNOUNCEMENTS

1. Next Scheduled Board Meeting: Thursday, February 19, 2026

APPROVAL OF AGENDA

MEETING MINUTES

1. Regular Board Meeting – December 18, 2025

PUBLIC TESTIMONY

NEW BUSINESS

1. Confirmation of Board Committee Appointments for 2026
2. *Manager's Report No. 26-22* Discussion and Possible Action to execute an annual Use and Occupancy Permit No. 945 between the State of Hawai'i and the Board of Water Supply, County of Kaua'i for non-trenching maintenance, inspection and other uses and activities within the State Highway Right of Way, Kaua'i, Hawai'i
3. *Manager's Report No. 26-23* Discussion and Possible Action to approve a Grant of Easement for Kuanoe O Kōloa, TMK (4) 2-8-014:032
4. *Manager's Report No. 26-24* Discussion and Possible Action to select and approve a proposed rate scenario for a 5-year time period (FY 2027-2031) to be presented to the public for feedback:
    a. Scenario 1: 25%, 25%, 6.5%, 6.5%, 6.5%
    b. Scenario 2: 25%, 25%, 12%, 12%, 12%
    c. Scenario 3: 30%, 30%, 15%, 15%, 15%

STAFF REPORTS

1. **Fiscal**
    a. Monthly dashboard – Number of Service Calls, Number of Walk-in Customers, Number of Customer Emails and Correspondence, Number of Customer Rebills, Accounting Highlights, Transponder Replacement highlights and progress, Staff Overtime hours
    b. Budget Report for December 2025
    c. Build America Bond Quarterly Statement

2. **Operations**
    a. Monthly dashboard – Annual Financial Impact Overview, Staff Overtime Hours, Budgeted and Vacant Positions, Services Received/Completed, Highlights: New Hires and Recruitment, Interviews scheduled, Training: Leadership Kaua'i, Forklift operation

3. **Engineering**
    a. Monthly dashboard – Budgeted and Vacant Positions, Staff Overtime Hours, Projects In Design, In Construction, Completed; Water Resources and Planning Statistics – Customer Requests, Applications and Permits, Service and Records Requests, Number of Backflow Devices tested
        i. Capital Improvement Plan (CIP) Project Highlights/Status Updates:
            - Kapa'a Homesteads 325' Tanks
            - Pu'u Pane 1.0 Million Gallon Tank
            - Kalāheo Water System Improvements
            - University of Hawai'i Experimental Station 605' Tank
            - Hā'ena 0.2 MG Tank
            - Kīlauea Wells 1 & 2 MCC, Chlorination Facilities
            - Kūhiō Hwy (Hardy-Oxford) 18" Main Replacement
            - Weke, Anae, Mahimahi and Hee Roads 6" and 8" Main Replacement
        ii. DOW Project Highlights/Status Updates:
            - Water Systems Investment Plan (WSIP)
            - Kaua'i Water Use and Development Plan (KWUDP)
            - As-Needed Grant Writing and Preparation Services: WaterSMART Grant for Advanced Metering Infrastructure (AMI) Meters

    b. Quarterly Update:
        i. Overview

- Water Resources and Planning Section – Overview of the status of various applications; water service requests, Backflow devices, KWUDP Plan Update, As-Needed Grant Writing and Preparation Services, and America's Water Infrastructure Act (AWIA) Risk and Resilience Assessment/Emergency Response Plan
- Project Management Section – Overview of CIP design and construction projects; 8 active design, and 11 active construction ($69 million total): Kapa'a Homesteads 325' Tanks, Pu'uPane 1.0 MG Tank, Kalāheo Water System Improvements, Hā'ena 0.2 MG Tank, Kūhiō Highway (Hardy-Oxford), Weke, 'Anae, Mahimahi and He'eRoads, Kapa'a Homesteads Well No. 4 Pump and Controls, Līhu'e Administrative Building Fencing, Līhu'e Baseyard

ii. Water Restriction Areas: Upper Lāwa'i, Po'ipū, Upper Wailua Homesteads, Moloa'a, Kīlauea-Kalihiwai, Aliomanu – Kukuna Road, 'Anini, Upper Wainiha Valley, Wainiha - Hā'ena

iii. Water Plan 2020 Construction Project Status: Kapaa 325' Tanks, Kapaa Homesteads Well No. 4, Kalaheo Water System Improvements, Kapaia Haul Cane Road, Kilauea Wells Nos. 1 and 2, Paua Valley Tank No. 1, Kuhio Hwy. (Hardy-Oxford), Weke, Anae, Mahimahi and Hee, Hanapepe Town Well

iv. Supplemental Support Services: RM Towill, Inc., Kennedy/Jenks, Brown and Caldwell, Maddaus Water Management

4. **Administration**
   a. Human Resources – updates on Personnel Vacancies

5. **Manager and Chief Enginee**r
   a. Reports to Manager:
      1. First Amendment to Contract No. 741 with R.M. Towill Corporation, Job No. 23-04, Kilauea Well No. 4 Drill and Test
      2. GS-2025-03 Change Order No. 1 to Contract No. 775 with Cutter Ford, Inc., Furnish and Deliver One (1) 4-Wheel Drive 18,000 Lb. GVWR Truck Cab and Chassis with Service Body, Under Chassis PTO Air Compressor and Accessories
      3. First Amendment to Contract No. 783 R.M. Towill Corporation, Job No. 25-03 As-Needed Surveying Services 2025-2027

TOPICS FOR NEXT BOARD OF WATER SUPPLY MEETING: *(February)*

1. Resolutions for 2025 Employees of the Year

TOPICS FOR FUTURE BOARD OF WATER SUPPLY MEETING:

EXECUTIVE SESSION:

Pursuant to Hawai'i Revised Statues (HRS) §92-7(a), the Board may, when deemed necessary, hold an executive session on any agenda item without written public notice if the Executive Session was not anticipated in advance. Any such executive session shall be held pursuant to HRS §92-4 and shall be limited to those items described in HRS §92-5(a).

1. Pursuant to Hawai'i Revised Statutes (HRS) Sections 92-4 and 92-5(a)(4), the Office of the County Attorney requests an Executive Session with the Board to provide a briefing and to discuss possible settlement authority for the claim made against the Board by Matthew J. Tabonair, dated December 19, 2024, and to consult with the Board's attorney on its powers, duties, privileges, immunities, and liabilities as they relate to this agenda item.

ADJOURNMENT

WRITTEN TESTIMONY

The Board is required to afford all interested persons an opportunity to present testimony on any agenda item. The Board encourages written testimony at least two (2) business days prior to a scheduled Board meeting. At each Board meeting, the Board will accept oral and written testimony on any agenda item during the Public Testimony portion.

Please include:

1. Your name and if applicable, your position/title and organization you are representing
2. The agenda item that you are providing comments on; and
3. Whether you are a registered lobbyist and, if so, on whose behalf you are appearing.

Send written testimony to:

Board of Water Supply, County of Kaua'i
C/O Administration
4398 Pua Loke Street
Līhu'e, Hawai'i 96766

E-Mail: board@kauaiwater.org
Phone: (808) 245-5406
Fax: (808) 245-5813

Public Testimony

You do not need to register to provide oral testimony on the day of the meeting. Please note that public testimony is taken after the approval of the meeting agenda to ensure public testimony is received before any action is taken on an agenda item. The length of time allocated to present oral testimony may be limited at the discretion of the chairperson.

SPECIAL ASSISTANCE

If you need an auxiliary aid/service or other accommodation due to a disability, or an interpreter for non-English speaking persons, please call (808) 245-5406 or email board@Kaua'iwater.org as soon as possible. Requests made as early as possible will allow adequate time to fulfil your request. Upon request, this notice is available in alternate formats such as large print, Braille, or electronic copy.

Draft Minutes

MINUTES
BOARD OF WATER SUPPLY
Thursday, December 18, 2025

The Board of Water Supply, County of Kauaʻi, met in a regular meeting in Līhu'e on Thursday, December 18, 2025. Chair Julie Simonton called the meeting to order at 9:32 a.m. The following Board members were present:

BOARD:
Ms. Julie Simonton, *Chair*
Mr. Tom Shigemoto, *Vice-Chair*
Ms. Micah Finnila *(remote)*
Mr. Clyde Kodani
Mr. Eric Fujikawa
Mr. Troy Tanigawa *(entered at 9:59 a.m.; remote)*
Ms. Anastacia Perry, *Student member (remote)*

EXCUSED:
Mr. Kaʻaina Hull

Quorum was achieved with **5** members present at Roll Call; Board member Tanigawa entered the meeting at 9:59 a.m.

Prior to the start of the meeting, the Board was introduced to its new student ex-officio member, Anastacia Perry.

ANNOUNCEMENTS

1. Next Scheduled Board Meeting: Thursday, January 22, 2025

Vice-Chair Tom Shigemoto requested a date change for the January 2026 meeting due to 2 Board members scheduled absences. The Board meeting was subsequently rescheduled to Tuesday, January 20, 2026 at 9:30 a.m.

APPROVAL OF AGENDA

The agenda was approved with no objections

MEETING MINUTES

1. Regular Board Meeting – November 20, 2025

The minutes of the November 20, 2025 Regular Board meeting were received for the record.

PUBLIC TESTIMONY

The Board received public testimony on New Business Items 1. and 2. from Marion Paul, Chair of the Namahana School, who expressed gratitude to the Board for helping them work toward getting a water meter. As the Board will be looking to make a decision on Namahana's Water Minimization Plan and Water Service Application, Ms. Paul wanted to point out that the school already uses less water than the average middle school, and they are teaching their students all about Malama ʻaina. Over time, their hope is to develop hundreds of students on the North Shore who really care about their water. She expressed her appreciation for the Board taking things into consideration and going out of their way to help them move toward opening their school for all the students on the North Shore.

The Board received public testimony on New Business Items 1. and 2. from Tamra Moriguchi, Director of Learning at Namahana School who expressed her mahalo to the Board for allowing their students to participate in this process of working toward obtaining a water meter. She noted that the mitigation plan is just one small piece to make their dream campus a reality for their community, and for the future.

The Board received public testimony on New Business Items 1., 2. and 4. from Felicia Cowden, Kaua'i County Council member. Ms. Cowden thanked the Department for finding money to help Kilauea, and asked if there is a policy that can be considered to have some water turned off in water-restricted areas. She noted that there are plenty of houses just down the street with pools, water features, fountains, and automatic sprinklers, and most of those homes are not lived in. When she thinks about not putting sinks in for the students, it's tough to hear, and suggested that the Department look at ways of restricting excess use in water-restricted areas.

NEW BUSINESS

1. *Manager's Report No. 26-16* Discussion and Possible Action on Namahana Education Foundation's Water Minimization Plan

Acting Engineering Division Head Jason Kagimoto noted for context that there are 2 agenda items relating to Namahana School – the first he will be discussing is for the Water Minimization Plan. At the August Board meeting, the Department received direction from the Board to coordinate with Namahana Education Foundation on a Water Minimization Plan as part of the process to help them move forward with applying for water service. Namahana was a very willing and helpful partner in working through this process. The Water Minimization Plan identifies that there will ultimately be 4 buildings with no water service, and 2 bathroom structures with a total of 5 toilets, 5 sinks, 2 hose bibs, 2 drinking fountains, and a mop sink in each, which is a reasonable amount of facilities. There will be 60 students for the first year – August 2026 – along with 12 full-time staff, with that number increasing to 120 students and 18 full-time staff in the next school year – August 2027.

Mr. Kagimoto stated that Namahana had initially proposed a shower in both bathrooms as well as sinks within the classrooms, but they have since removed those from the plan to reduce the fixture units. No water irrigation has been identified, so they will utilize natural rainfall or will look into a catchment system for irrigation purposes if necessary. The amount of hose bibs were reduced to the 2 per bathroom, which will be secured via a lock.

The fixture unit approach that was used identified that a 1 ½" meter would be necessary. The goal of the school is to use flush valve toilets, a more industrial or commercial-style toilet with a more durable, robust flush valve versus a flush tank toilet, which is more like a home use toilet; having flush valve toilets resulted in a higher fixture count. In addition to the addressing the fixture units, which in itself is not a direct water conservation method, they also looked at actual water usage and worked with Namahana to come up with a gallons per day average. For the first year with 60 students and 12 staff, they will be limited to an average daily demand of 600 gallons per day, which equates to about 8.3 gallons per person per day; this is essentially less than 2 5 gallon buckets of water per person per day. For the following year, and thereafter with 120 students and 18 staff, it will increase to 1,100 gallons per day, which equates to 8 gallons per person per day.

Chair Julie Simonton expressed her appreciation to DOW's Engineering team and Namahana Education Foundation, noting that what has been presented today is what she envisioned when the Board made their decision in August, which is the bare minimum of toilets and hand sinks

with no irrigation. She emphasized that there was never an inclination that sinks would not be provided. She added that she appreciates that Namahana recognizes that the Board went out of its way to support them and wants to make sure they leave very clear standards for future boards to follow.

Vice-Chair Shigemoto thanked DOW's Engineering team and Namahana Education Foundation for the great job they did with this plan. He asked to clarify that the 600 gallons per day, or 8.3 gallons per person per day for the first year includes staff as well as students, which Mr. Kagimoto confirmed. He asked what happens if that usage per day is exceeded for a number of months, noting that realistically, they aren't going to shut down the school. Mr. Kagimoto stated that the numbers they initially calculated were slightly lower which they then increased to provide a bit of a buffer. However, what will occur should the school exceed those limits are outlined in the next item on the agenda which is the Water Service Agreement. In doing the math, if every student has 3 toilet flushes and washes their hands each time, 8 gallons is a reasonable number; a flush equates to approximately 2.6 gallons. Also, to note, the school will not be open on weekends. Namahana is dedicated to educating their staff on the conservation limits, so water is not left running excessively. Mr. Kagimoto added that the school will also not have a cafeteria on site, which eliminates the demand for water usage for food prep. Mr. Shigemoto asked whether conferences or parent nights that occur outside of normal school hours were considered. He wants to be sure that the limits that have been agreed upon are reasonable enough that the school will not risk going over.

Board member Eric Fujikawa noted that the Water Service Agreement mentions DOW's obligation to confirm adherence to the water minimization plan and asked if that could be elaborated on. Mr. Kagimoto explained that the Water Service Agreement outlines several things, one of which is how the Department implements the Water Minimization Plan. On a monthly basis, the school will provide the Department a written confirmation of water usage at average gallons per day per month. Should there be two or more consecutive months that go over that amount, Namahana will need to provide the Department with an identifiable reason and explain how they will get back within the allocated gallons per day. After identifying those reasons, if on the third month they are still over the allocated amount, they will then be required to have a licensed engineer develop a written corrective management plan for the Department to review. If Namahana and the Department cannot come to an agreement on what that corrective management plan will be, or if they exceed the water allotment for a fourth month, DOW may terminate water service.

Mr. Fujikawa asked in the event there is a leak that Namahana is unaware of, does the Department provide assistance to notify the school that they have seen really high readings for a particular month, and try to investigate any potential reason for a spike in usage. Mr. Kagimoto stated that the Fiscal Division would be the ones who initiate any communication with the customer should they see any anomalies on their bill. He reiterated that Namahana will essentially have 2 months to try and figure out why they are exceeding usage, at which point the Department would work with them to determine whether there is a leak, and then an additional month for Namahana to make corrections before any potential shut-off is initiated. Assistant Waterworks Controller Sherri Silva confirmed that the Billing division pulls a report each morning to look at which bills were above average, at which time their staff will do call-outs or emails to customers to make them aware. They can also send out a meter reader to obtain a 90-day report of water usage by the hour, which can be really helpful to the customer for identifying possible reasons for the increased usage.

Mr. Shigemoto asked who would be impacted if the school exceeds their usage allotment in a 2-month period; will it impact the overall community system? He further asked if there would be an impact on water that is needed in the event of an emergency or large fire. Mr. Kagimoto stated that they will need to be able to provide approvals for fire flow for their parcel as part of their infrastructure. Mr. Shigemoto clarified his question by asking if they go over the allotted water usage, will that take away from another customer, or applicant for water in the area. Mr. Kagimoto explained that from a planning perspective, this would be why the parcel was initially deed restricted, but from an engineering standpoint there is some level of buffer for the overall system.

Board member Clyde Kodani expressed concern that the faucets in the bathroom may be left on for extended periods, which may contribute to increased water usage. Mr. Kagimoto stated that the way the bathrooms are set up, the sinks are on the outside, and the school is also considering installing timed faucets.

Board member Fujikawa moved to approve Manager's Report No. 26-16, seconded by Mr. Kodani; with no objections, motion carried with 6 Ayes.

2. *Manager's Report 26-17* Discussion and Possible Action on the Namahana Education Foundation's Water Service Agreement

Acting Engineering Division Head Jason Kagimoto restated that the Water Service Agreement does identify a process should there be overages to the water usage allotment. It also identifies and outlines the standard requirements to ultimately get water service to the parcel such as paying for the FRC for the meter, installing a backflow, doing annual tests for backflow compliance, and putting a Reduced Pressure Detector Assembly on the fire line. He pointed out that the agreement also identifies that there is no guarantee for increased water service beyond what is identified in this current minimization plan, so any requests above and beyond what is currently in this plan would require Board review and approval as our current system is still limited. The school plans to expand in their second year, and though the Department is working on making infrastructure improvements, until those upgrades are complete, the agreement states that there will be a limit of 1,100 gallons per day for the future school year from August 2027 through June 2028. This can be adjusted should the water restriction be lifted for that area, but until then, this agreement is the way Namahana will carry forward with no guarantees of additional service beyond what is stated in the agreement.

Mr. Shigemoto noted that the agreement language says "may" terminate, and stated that realistically DOW is not going to shut down the school, and will that lead to another State agency stepping in and not allowing the school to continue operating? Mr. Kagimoto explained that short of a leak, it is not anticipated that there will be an overage of water usage, especially considering that the minimization plan and the agreement were drafted in conjunction with the school, so it's not just a number being imposed by the department. The way the agreement is written allows for the Department to work with Namahana to take corrective action, or to potentially bring the water minimization plan back to the board for amendments.

Chair Julie Simonton stated that this is a legal document, so she would like to think that when Namahana Education Foundation signs it, as they sign legal documents with other vendors, they are bound to honor it, and they have demonstrated that they are willing to do that. Melanie Parker, Executive Director of the Namahana Education Foundation reassured the Board that they have been working closely with Mr. Kagimoto and the Engineering team as well as their attorney to review the Water Service Agreement. They fully understand that there is a period of time where they can reevaluate the minimization plan so that if they have gone over their allotted

usage, they will do everything they can to figure out why, and what corrective action to take. If there is a leak, they will work with DOW to figure that out, and ensure that Namahana and DOW are partners in making sure they reduce their water usage. Ms. Parker added that they discussed a water catchment system being a great learning project for the students, and they have already talked about potential grant funding to support any other water usage. Ms. Simonton stated she feels there are other options short of shutting down the school, even with the worst case scenario where they are continually exceeding the limit, the Department could have them take the bathrooms offline and get Port-A-Potties if necessary. She feels there are mid ranges that the plan allows for because the engineer will have to come up with that corrective plan. She does not anticipate it getting to that point, but there is enough room for adjustment built in, which makes her comfortable with this plan and agreement. Manager Joseph Tait added that they have had other applicants who have installed their own private tank when they were in a water restricted area, so he feels that there is a way to keep things going. He noted that this situation is under a new type of agreement in a deeply restricted area, so the first year will really be feeling out what the result will look like, and we will learn over time.

Board member Fujikawa asked whether this agreement includes a condition for the Board to revisit the minimization plan if needed in the future; will any adjustments to the plan require that it be brought back before the Board? Mr. Kagimoto stated that what is agreed upon now addressed demand for the first year and second year, which will continue in perpetuity unless Namahana requests an adjustment or reevaluation of the plan. Mr. Fujikawa stated that he would like the Board to have the flexibility to modify the plan as they see fit, rather than leaving it only to Namahana to make a request, or to have an informal agreement to raise the usage limits if they find there is a little more capacity or the actual usage has not been as impactful as they feared. Ms. Simonton stated her understanding is that when the Kilauea improvements are complete, these restrictions would go away. Unfortunately, Namahana currently has a deed restricted property so the 600/1,100 gallons per day are what they are stuck with until those improvements are made.

Mr. Fujikawa asked if there are any future plans to expand Namahana's property. Ms. Parker stated that they do have a Phase II to expand for a high school, at which time they will need to go through another permit process, but that will not happen for a bit longer. The priority is to have some facilities available for the current students who are at a temporary site, and be able to move into Phase I.

Board member Fujikawa moved to approve Manager's Report No. 26-17, seconded by Mr. Shigemoto; with no objections, motion carried with 6 Ayes.

Chair Julie Simonton reiterated for the record that the approvals of the Water Minimization Plan and the Water Service Agreement do not immediately grant water service and Namahana will still have to work with the Department to fulfill all the other requirements of the water service application process.

3. *Manager's Report No. 26-18* Discussion and Possible Action for Adoption of Budget Resolution 26-02 for the acceptance and expenditure of grant monies from the Legislature of the State of Hawaii under Act 230 for the Kapa'a Homesteads Well No. 4 Project

Acting Engineering Division Head Jason Kagimoto explained that there was a State appropriation for this project, which the Department has met their obligation of having matching funds. This is just confirming that the funds have been identified to put towards the project. He recognized Executive Engineer Michael Hinazumi for his efforts in coordination with State Legislation to have these funds appropriated. He also recognized Speaker of the House Nadine

Nakamura and Senate President Ron Kouchi for their support of this this project. In total, they have received $5 million for this project from the State; the total cost of this project is currently $7 million.
Board member Shigemoto moved to approve Manager's Report No. 26-18, seconded by Mr. Kodani; with no objections, motion carried with 6 Ayes.

4. *Manager's Report No. 26-19* Discussion and Possible Action for Adoption of Resolution 26-03, Safe Drinking Water State Revolving Fund (DWSRF) Loan of $18M for Kilauea 1.0 MG Tank

Acting Engineering Division Head Jason Kagimoto explained that this is one of two major projects needed for the Kilauea Water System; this one is for the tank. They are looking to obtain approval to accept an SRF loan for the cost of construction and construction management. This will allow the Department to move forward with the tank project and work toward providing the infrastructure needed for the Kilauea Water System. He recognized the Department of Health for providing principal forgiveness of $228,000.
Board member Shigemoto moved to approve Manager's Report No. 26-19, seconded by Mr. Fujikawa; with no objections, motion carried with 6 Ayes.

5. *Manager's Report No. 26-20* Discussion and Possible Action for Adoption of Resolution 26-04, Safe Drinking Water State Revolving Fund (DWSRF) Pro-Fi Loan of $3M for SFYs 2026-2027 for Kauai Board of Water Supply (Board)

Acting Engineering Division Head Jason Kagimoto explained that this is the third consecutive year that the Department is taking on this loan, and these funds will be able to accommodate the professional services for the design contracts for capital improvement projects. It also allows flexibility to use it towards specific equipment such as emergency generators, and improvements to the SCADA system. This loan will cover two separate fiscal years.
Board member Kodani moved to approve Manager's Report No. 26-20, seconded by Mr. Fujikawa; with no objections, motion carried with 6 Ayes.

6. *Manager's Report No. 26-21* Discussion and Possible Action on the Joint Funding Agreement (JFA) with U.S. Geological Survey (USGS) for the Period of October 1, 2025 to September 30, 2026

Acting Engineer Jason Kagimoto explained that this agreement allows USGS to perform groundwater monitoring and surface water monitoring at selected sites, which they work together with DOW to do. The reason this needs to come to the Board is because there are some terms within the agreement that require Board approval relating to invoicing and payments, and interest.
Board member Kodani moved to approve Manager's Report No. 26-21, seconded by Mr. Fujikawa; with no objections, motion carried with 6 Ayes.

7. Election of Board Chair, Vice-Chair and Secretary for 2026 *(deferred from the November 20, 2025 meeting)*

Board member Kodani moved to elect Tom Shigemoto as Chair, Micah Finnila as Vice-Chair, and Clyde Kodani as Secretary to the Board of Water Supply for calendar year 2026, seconded by Mr. Shigemoto; with no objections, motion carried with 6 Ayes.

INFORMATIONAL BRIEFING ***(non-action item)***

1. Water Systems Investment Plan (WSIP) Water Rate and FRC Results Summary

- CIP Development and Prioritization
- Water Rate Study – Recap of Revenue Requirements Results
- FRC Study Results
- Next Steps

Acting Engineering Division Head Jason Kagimoto stated this informational briefing is an update to last month's presentation on the rate study and Facilities Reserve Charge (FRC). He recognized the efforts of the Department, Brown and Caldwell, and Harris and Associates. He recognized the need to move this forward and get it out to the public and expressed his appreciation for all the support. He noted that there will be a New Business item relating to this presentation at next month's meeting.

Michelle Sorensen of Brown and Caldwell along with Anne Hajnosz joining remotely, led the presentation.

Slides 4 through 25 – CIP Development and Prioritization (M. Sorensen)

Slides 2 and 3 – Agenda and Updated Schedule
The presentation will begin with Ms. Sorensen providing a review of the Capital Improvement Program that has been developed through the Water Systems Investment Plan over the past 3 years, which forms the basis of the rates and FRC analysis. Ms. Hajnosz will then begin a review of the revenue requirement results, and the changes that have been made since the November meeting followed by the rate results, back to the CIP, and then the FRC study results that were discussed during the Board workshop in April.

There have been a series of meetings up to this point, and we are now heading into outreach with Board discussion and input at the January meeting followed by public outreach meetings during the summer; new rates and FRC sometime after that.

Slide 6 – Planned Buildout, Prioritized 20-year, Prioritized Achievable
These pie charts reflect the distribution of the project types for each of the 3 CIPs. The chart on the left shows what the build-out CIP list looks like in terms of dollars and distributions at $1.3 billion, which is what needs to be done to meet the department's mission, and which is what the Department would carry out if money and availability to implement were not an issue. $1.3 billion is realistically not achievable in that 20-year timeframe, so the strategy has been to identify the future needs with the planned build-out list and pare it down to priority projects.

The middle chart shows the Prioritized 20-year CIP of about 109 projects at half the value of the build-out CIP, which totals approximately $34 million a year over 20 years.

The chart on the right shows the Prioritized Achievable CIP, which reflects what the Department has been able to implement over the past few years in terms of value. It's at $16.5 million a year/$330 million, which is a quarter of what the actual need is overall and is less than that for some categories such as the green pipeline replacement section that gets smaller as we move to the right; this is really the bare minimum.

Under each of the CIP's there is some new source development, news tanks, pipeline R&R, etc., and except for the Planned Buildout, we are not meeting the full need of the system in the future.

Slide 7 – The CIP "Process"

With the Water System Investment Plan, building the GIS system and the hydraulic modeling were the foundation of the plan. Feeding in a climate impact study defined the levels of service and connected the Engineering and Operations teams to come up with projects for the Planned Build-out CIP. The next step was to figure out what was important and affordable and what should be done first when the need is much greater than the Department's ability to implement, which leads to the wheel of prioritization: engaging stakeholders, looking at availability of traditional funding programs, considering equity to serve customers. To pull all of it together to have a transparent decision-making process, project benefits were identified, and a Power BI-based multiple criteria decision analysis tool was developed specific to the Kaua'i CIP. After navigating through the wheel of prioritization, and having the Prioritized 20-year CIP, rates, FRCs and other available funding were collaboratively discussed, which is how they came up with the Prioritized Achievable CIP.

Slide 9 – Multiple Criteria Decision Analysis (MCDA): Determine Key Criteria for Levels of Service

The MCDA identifies key points in how some of the hard decisions to get from the $1.3 billion to what is possible. The first steps were to develop levels of service and identify what was important to the Department based on its mission and vision and reviewing County Planning documents and Planning work that had taken place before. Workshops were held with staff to come up with five level of service categories with established criteria within each of those categories.

Slide 10 – Criteria Scoring: Addresses Capacity Deficiency

Storage throughout the system was looked at in a couple of ways – the water systems standards criteria for storage is one day of max demand, so a tank is either sufficient size and at the right elevation to meet those criteria, or it's not. This slide is specific to current capacity needs, and the same analysis was done for future development of future capacity needs. The examples at the bottom of the slide lists projects that were identified in the analysis and show that the HW-11 (Haena Tank) is currently at capacity deficiency and K-05a (Kalaheo New Tank) is at a capacity surplus; the deficient tank has a higher score than the surplus tank. The third project (K-16) is a well project that doesn't address storage, so it does not get a score for the benefit of that category.

Slide 11 – Criteria Scoring: Resolves Fire Flow Deficiencies

Storage capacity for fire flow is a different criteria in the MCDA, and you can see that HW-11 addresses both capacity deficiency and existing deficiency related to fire flow.

Slide 12 – MCDA Tool

Each of the 173 projects in the Build-Out CIP was scored according to criteria and pointed out how different projects show a different combined relative benefit based on the criteria it addresses. The color coded bars represent the different criteria used to determine which projects are the most beneficial

Slides 13 through 15 – Identifying High-Value Capital Projects

The relative benefit scores are plotted on the y-axis along with some capital costs on the x-axis for a cost-benefit analysis, which help them identify those high-value projects in terms of the highest benefit, lowest cost shown in the top left quadrant of the chart on Page 13.

Page 14 shows the benefits associated with meeting current needs versus future needs, valuing the current need higher than what's needed in the future in terms of capacity.

Page 15 shows that cost benefit relationship plotted on a map – the larger the dot, the higher the benefit; the lighter the dot, the lower the cost. High-value projects are identified by the large, light dots which represents the potential priority projects across the island and show how they are equitably they are distributed naturally. Through this process they are able to see which projects would be the most beneficial and give the most bang for the buck.

The final step of this build was truthing this with Operations and Engineering to determine if there were other reasons for a project to be prioritized higher and come up with the prioritized 20-year list.

Slides 17 through 19

Ms. Sorensen went over some examples of how that prioritization translates into looking at projects that could be implemented over the next 20-years by showing map overlays for New Wells, New Tanks, and Pipeline Repair & Replace.

New Wells

In the Planned Buildout CIP, there are 9 projects plus Kapaa, which is contracted. The numbers next to the project locations/names indicate the final priority of the projects after the MCDA, after input from Operations and Engineering, and to some extent input from the public through the CIP outreach done in September. Based on the Board's feedback from the November meeting, projects associated with existing meter restrictions are represented by blue stars, and projects needed to support future growth are represented by the yellow-orange stars.

The 20-year Prioritized CIP list show source projects remain high-priority with just one project falling off the list, but there are still 8 projects meeting 89% of the overall need for source development represented in the Planned Buildout. There are some tough decisions to be made for all the projects when we get to the Prioritized Achievable CIP list because it is limited by dollar value and looking to complete 4 of those well projects. Also shown are the existing meter restricted areas plus the anticipated future growth in Lihue.

New Tanks

In the Planned Buildout CIP there are 15 projects plus contracted Kapaa, and as we get to the Prioritized 20-year CIP 10 projects will address two-thirds of the need. In the Prioritized Achievable CIP there are 6 projects representing 40% of the need at a cost per year of $3.7 million.

Pipeline Repair and Replace (R&R)

The planned buildout CIP reflects the need, which is a little bit different here as it addresses the existing fire flow deficiencies and the age and quality of the current pipelines. 20% of the pipes must be replaced over the next 20 years considering we have pipes from the 1920's and 15% of the system was built before 1960. In addition, there is a significant portion of the pipes that are undersized to provide fire flow.

Under the Prioritized 20-year CIP replacement is less than 1% per year, meaning that in 20 years, the need will ultimately be greater than it is today because every year the pipes get older.

The Prioritized Achievable addresses just 19% of the identified need in the Planned Buildout CIP and is a trade-off in terms of still getting tanks and wells in the ground with fewer pipes.

Board member Fujikawa noted that he previously wondered whether there could be a subset within the 20 years to help identify what direction the Department may be going such as which of the tanks and wells are going to be addressed first in terms of projects. He asked if there has been any further look into a 10-year plan, noting that Water Plan 2020 was a 20-year plan as well. That plan was a lot less thought through from a financial and staff capacity standpoint, but we got through 40% of the list. However, there are no real answers as to why we did not get through the remaining 60%. Mr. Fujikawa asked if they could touch on where they think the Department will be going in the first half of the 20-year plan and whether any further thought has gone into that. Ms. Sorensen stated it depends on how much there is to spend to balance these needs and priorities, and the number one priority will be attacked first. They do not currently have a list for the first 10 years because the dollar value that will be available is unknown.

Mr. Fujikawa asked if the strategy is to lift all areas equally resulting in all the restrictions disappearing at the same time or is the strategy to relieve restrictions in certain areas to get it off the table and then focus on the next district, and so on. Manager Tait stated that Mr. Fujikawa is hitting on a subject that is near and dear to everyone. As Ms. Sorensen mentioned, when the Department knows what the rates will be, they will then know what the available money will be. As far as prioritization, Mr. Tait provided the example of the Water Surface Treatment Plant, which may potentially jump up on the priority list should it become a new source. The priority may not necessarily be a pipeline just because of its age, and it will be a matter of what is strategically achievable to take advantage of lower present costs, but that strategy cannot be fully developed until the rate piece is determined. Ms. Sorensen added that programming the CIP is part of this project, and the Water System Investment Plan, as much as it is a planning document, it does reflect a snapshot in time. There are environmental factors that may change, the availability of funding being on of them, so if you were able to get external funding or collaborate with another department on a particular project, that may advance the timeline of that project even if it is not the top priority.

Mr. Fujikawa stated he appreciates seeing the snapshot with certain assumptions and asked if they are able to provide the Board with different snapshots such as what will happen after rates are approved, what will happen if a different rate structure is approved which will help the Board understand where the money is planned to go and in what order. He does not expect to have a year-by-year snapshot but would like to have an idea of what strategy the Department is moving toward in terms of what projects to do first. He added that the Manager does bring up a good point that the what-ifs will come up, but he would like to know if the Department has a strategy at this point in time. Mr. Kagimoto stated that they can identify how all the projects are being prioritized, but one thing to keep in mind is that even when they identify the dollars per year in terms of capital, the money is not available right away, so the timing may be difficult to pin down. However, at the very least they can provide a list of how the priority of all the projects line up. Ms. Sorensen added that they have spent the last 3 weeks refining that priority list, which will be available, and the priority of all the projects can be referenced in the slides that were just shown in terms of what needs to be done and what is anticipated to be done. Manager Tait stated that the caveat is that things change depending on whether money comes in or not, and that changes a lot of Engineering's priorities.

Slides 26 through 32 – Water Rate Study Revenue Requirements Results (A. Hajnosz)

Ms. Anne Hajnosz of Harris and Associates stated that she would be going over the water rate study results that were discussed at the November meeting and will go into further detail if the Board has additional questions.

Slide 27 – Water Rate Summary of 3 Water Rate Scenarios

The four analyses used were summarized:

- Baseline Needed to Close Operations and Debt Service Gap
- Time Period is 10 Years – even though they are not looking for adoption of rates over a 10-year period, they do look across multi-years to see how much can be accomplished on an average basis as well as over the whole 10-year period.
- 3 Scenarios Developed to Achieve Financial Targets
- Scenarios Built on Achieving Capital Scenarios
- Comparison of Typical Bill Impacts

Baseline Operations Analysis FY 2027-FY2031

This analysis says we need to close the current gap between operations and debt service expenditures, recommending that operating targets in terms of debt service coverage are monitored. The FY 2026 budget was used as a basis, and revenues were projected at less than 1% per year in terms of customer growth. From a revenue standpoint, meter reads are improving which builds confidence that once these meter replacements are done in the next couple of years, we will see revenues that are consistent with projections. There are also miscellaneous revenues in the form of interest earnings that are assumed at 3% on cash balances.

On the graph to the right, revenues under current rates are represented by the dotted line, the blue section of the bars represent operating expenses, and the green section of the bars represent debt service, which show that we are currently not covering that on an annual basis.

Budgeted vacant positions were considered and assumed to be filled, and a cost escalation of 3.5% was added.

This analysis shows that we need a 23.5% rate increase just to close the gap between operations expenses and debt service expenses and break-even; this does not include any additional capital expenditures over the FY 2026 budget.

Slide 29 – Rate Scenario Results FY 2027-FY 2036

The three capital scenarios shown are over 10 years with Scenario 1 being equivalent to $16.5 million capital expenditure per year, Scenario 2 right in the middle between $16.5 and $34 million of capital spend per year, and Scenario 3 being the highest at $34 million average capital spend per year; these are average numbers over the span of 10 years.

As Mr. Kagimoto mentioned not all revenues are going to necessarily come at the opportune time, and a number of factors will have to be considered such as capital costs, land costs, Environmental Assessments, etc. However, to simplify it as much as possible, these are the rate adjustments that would be seen under these capital expenditure scenarios.

The first year will be the toughest because it requires 23.5% to close the operations and debt service gap, with capital expenditures being added after FY 2027. An adjustment after the November meeting was to add some staff augmentation for Scenarios 1 and 2 which were not originally included, and as a result the 4th and 5th year adjustments for FY 2020, 2030, and 2031 went up from 6% to 6.5% for Scenario 1, and from 10% to 12% in Scenario 2. Scenario 3 did not change. It was noted that at the August 25, 2025 Board meeting, it was discussed that the last rate increase the Department put into effect was July 1, 2014 at an 11.2% rate increase.

Slide 30 – Rate Scenario Results FY 2027-FY 2036

The 4th line of the chart shows that $0.5 million per year was added for Staff Augmentation to Scenario 1, and $1 million was added for Staff Augmentation to Scenario 2; no change to Scenario 3.

This slide shows the capital expenditures on an annual basis in the top left, with the financial assurance targets shown at the bottom left as well as showing how they are making those debt service coverage ratios and what the anticipated maximum debt levels are. They wanted to keep it at less than 35% considering we are going to have a high amount of cash money capital, and these results show maximum debt at 21%, which is not very high at all; other utilities around the country are at 50% or above.

Operating Reserve targets did not change much, and the capital reserve target slid a bit, but is still anticipated to be achieved with the 5-year time period by FY 2031. This is a big target as not only are we asking for rate adjustments for capital, but we are also asking for rate adjustment for financial sustainability and financial assurance.

Slide 31 – Monthly Bill Comparison: SF 5/8" meter; 12,000 gals/month (FY 2027)
These are the proposed rate adjustments for FY 2027 as compared to the other counties: Green is Kauai DOW; Purple is Honolulu Board of Water Supply, Tan is Maui Department of Water, and Blue is Big Island Department of Water. Honolulu and Big Island already has their approved rates through FY 2027. For Kauai, the shortest bar represents what the existing bill would be for 12,000 gallons/month by base meter under Scenario 1 and 2 as both of those scenarios will be the same rate increase for the first year at $98.63; it would be at $102.57 under Scenario 3.

Slide 32 – Monthly Bill Comparison: SF 5/8" meter; 12,000 gals/month (FY 2028)
FY 2028 was included to show what the following year may look like with Honolulu BWS increasing from $110 to $128, and Kauai going up from $98 to $123 under Scenarios 1 and 2, and from $102 to $133 under Scenario 3.

Slides 33 through 38 – Rate Scenarios and CIP (M. Sorensen)
Slide 34 – CIP Summary
This table is a summary of the information previously presented through the maps on Slides 17 through 25 for the three CIP scenarios for New Wells, New Tanks and Repair and Replacement. With the dollar amounts provided by Ms. Hajnosz, this table ties it all together. The point of this slide is to provide a reference that shows how far each reduction in the CIP funding takes us from achieving what we know to be our current buildout need. Ms. Sorensen provided some perspective of the cost of single projects as we look ahead to the CIP spend in a year in relation to the overall numbers. She used the Kilauea project as an example, noting that the cost of one new tank is around $13 million, plus the cost of a new well at somewhere around $7 million. Mr. Kagimoto stated for reference the Kapaa Homesteads project is around $25 million for two 0.5 million gallon tanks.

Chair Simonton asked if there are any ways the Department can be more innovative to get some cost savings to which Mr. Tait responded that because of the cost of inflation, we have to. In reference to Mr. Fujikawa's questions regarding prioritization, Ms. Sorensen stated that if we have a $25 million tank, and we have $16.5 million per year for CIP projects, that puts into perspective how much can get done in that one year.

Slide 35 – A Note on Inflation
Building upon what Manager Tait stated, Ms. Sorensen added that these CIP numbers are being presented in today's dollars, which is an important industry standard when looking at CIP

development to eliminate the variability of the interest rates and construction escalation. Normalizing those project estimates to today's dollars allows them to communicate at a single point in time the scale and priorities for the CIP so things don't get skewed as we look ahead. There is some inflation escalation built into the rate study from the Operations and Maintenance perspective and from a cash balances perspective. Annual CIP level adjustments are also being looked at beyond the timeline of the rate study.

Slide 36 – Rate Scenarios and CIP
The development of the CIP is part of the master planning process, and rates are the way to implement the CIP plan. In reviewing how CIP and funding scenarios are correlated, the Prioritized Achievable CIP at $16.5 million corresponds to the Rate Scenario 1. The Prioritized 20-year CIP at $34 million corresponds to Rate Scenario 3. None of the rate scenarios will fund the Planned Buildout CIP without outside funding coming in.

Slide 37 – Funds Available for Each Rate Scenario and CIP Need (Cumulative)
This graph is cumulative and shows how the need and available funds build over time with the different scenarios and for the different CIPs. The solid black line is the buildout CIP, the dotted blue line is the Prioritized 20-year, the $34 million adding up constantly over time, and the dotted orange line is the Achievable 20-year. The bars at the bottom of the graph show the cumulative amount of CIP funds that become available under each scenario with Scenario 1 being Orange, Scenario 2 being Green and Scenario 3 being Blue. The black line aligns with that buildout scenario which shows where we are today and how the gap between the overall need and the available funds gets larger over time. Even with the most aggressive rate scenario, it's a relatively slow ramp up over the first five years in terms of available funds.

Slide 38 – Annual 5- and 10-year CIP Funds Generated by Rate Scenarios (Average)
This is another view that shows the ramp up looking at the average funds available for the three different rate scenarios at year 5 and at year 10. The first five years will be ramping up to having the overall funds available, and it's only at the 10-year mark that the average funds available annually can achieve the corresponding CIP.

Chair Simonton exited the meeting at 11:10 a.m. Vice Chair Shigemoto presided over the remainder of the meeting.

Slides 39 through 50 – FRC Results

Slide 41 – FRC Overview Definition and Purpose
The Facility Reserve Charge is a one time charge developers or individuals who want to connect to the water system to have them contribute to the proportionate share of the backbone system, which is the source of supply, treatment, storage and transmission mains that all existing customers have already paid for. The American Water Works Association (AWWA) has an incremental approach methodology, which is appropriate when utilities don't have adequate additional source or capacity to service these new customers. DOW has existing capacity limits in the majority of its water systems, and therefore cannot easily serve new customers with the existing system; this is one of the key components in using the incremental approach. Source of supply, storage and transmission are the three components of the backbone system which is used to project how much incremental costs will be attributed to building those components for new growth. The calculated FRC is the maximum allowable charge the Board can adopt, but the Board can also adopt at a lower level and phase in the FRC up to the maximum allowable charge. If you implement a lower FRC, the needed capital improvements still need to be built, so existing rate payers will likely be paying for some of that. It's a zero sum game when it comes

to capital funding, and the FRC is a small, but important, part of DOW's capital funding. Historically, FRC revenues are used to fund growth-related CIP projects.

Slide 42 – FRC Overview Key Steps for the FRC Calculation

Both the Prioritized and Prioritized Achievable CIP were looked at, identifying the growth-related capacity-increasing projects from those CIPs and any potential grant funding available, then allocating the total demand of the project between existing and future growth needs. A cost basis was determined for each project based on the split between growth and existing deficiency connections. The unit cost of the growth, or dollars per gallons per day, which was the converted to an equivalent residential unit based on the maximum day demand for a 5/8" meter. The FRC was calculated based on DOW's current meter size schedule, then any applicable credits related to existing cash balances would have been applied; however, under DOW's circumstances, all cash is committed to the prior projects, so there was no applicable credit.

Slide 43 – FRC Overview – Key Capital Assumptions

To get to the key assumption, the total Prioritized 20-year CIP at an average annual expenditure of $34 million was used, and of that $34 million, 21% was identified as being growth-related. A sensitivity analysis was done to look at what the FRC would be under those conditions, but as it turned out it is not just a matter of reducing the total CIP spend. The analysis looked at the ratio of dollars for this project, how much this project costs, and how much capacity this project is going to provide. The ratio of dollars per gallons per day led them to keep the $34 million a year Prioritized CIP because going to the lower CIP of $16.5 million did not reduce the FRC. This is also consistent with the FRC methodology that they use to look at either a 10-year or a 20-year time period, so the Prioritized 20-year CIP was still the appropriate option to look at. The final FRC recommendation for the Board's consideration is a maximum allowable amount of $28,000 per 5/8" meter. As mentioned, the Board can adopt a lower FRC.

In addition to DOW's current meter rate structure, two different rate structures were looked at that some communities have looked at or have already adopted. They are looking at an FRC based on livable area in square feet up to 3,000 square feet instead of meter size. The other rate structure looked at was based on fixture units – number of faucets, washer, refrigerator, etc.; this is the structure that Honolulu Board of Water Supply uses.

Slide 44 – FRC Results

These results for a maximum allowable FRC of $28,000 for a 5/8" meter compared to the existing $14,100 FRC are based on the three backbone system components of source, storage and transmission. These unit costs are already accounted for in the max day GPD which is multiplied by the 500 gallons per day average day demand, which calculates to $28,779.

Slide 45 – FRC Calculation by Meter Size

This table shows how the FRC calculations would look on DOW's rate schedule starting at $28,000 for a 5/8" meter and going up based on meter size. These meter capacity ratios are based on AWWA standards. Again, the Board could adopt a lower FRC number somewhere between $14,000 and $28,000 and then phase it in over time which is typically done when there is a big increase.

Slide 46 – Option 1 FRC Rate Structure: Based on Single-Family Residence (SFR) Livable Area

This is an option to set the FRC based on livable area, which would only pertain to the single-family residence class; this would not pertain to commercial or non-single-family residential customers. The suggested livable area for a 5/8" meter was determined by looking at the average single-family home on the island, which is about 2,000 square feet or the equivalent of a 5/8"

meter at the $28,000 rate; this equates to about $14.39 a square foot. If this option is applied to a smaller house of 800 square feet, you get a lower FRC. The higher $43,000 FRC would apply to single-family residences at 3,000, and any single-family residential home larger than 3,000 square feet would go back to the meter size rate schedule. It was reiterated that non-residential and non-single-family residential customers would be under the meter size rate schedule. Part of the reason the 3,000 square footage was considered the max was due to other studies that correlate water usage to livable area. After 3,000 square feet, you may be adding additional bedrooms, but you may also be adding theater rooms, wine cellars, or things that do not directly correlate to water usage. Other outer water usage such as pools could be considered.

Board member Kodani asked what happens if an applicant comes in with a 1,000 square foot plan and pays the $14,000, but the following year they come in for an expansion; would they be charged for the additional square footage, or is it a one-time fee? Mr. Kagimoto stated those details would need to be worked out, but it would be based upon the building permit at that time. If they increase their square footage, it will increase the FRC amount so they would have to pay incrementally based on their building permit. He added that there is no perfect implementation for a lot of these approaches, and they will all have their pros and cons. He stated for example, the current method is the simplest to implement where you pay the same FRC for single-family residential whether your home is at 800 or 3,000 square feet. The idea with this proposed structure is to provide some cost differential for a smaller home, but there will be some nuances that will exist.

Board member Fujikawa asked what percentage of customers have 5/8" meters. Mr. Kagimoto stated the current implementation is a single-family home, regardless of size, will be on a 5/8" meter. If a customer comes in for an ADU that has a kitchen, it would require an upgrade to a ¾" meter; any single-family dwelling that is the only dwelling on that parcel will be a 5/8" meter. Probably 85% to 90% of our customers are at 5/8" meter, and then commercial or non-residential have meter sizes that are based on fixture units.

Slide 47 – Examples for Phased-in FRC for Option 1

This is an example of the FRC being phased-in over a period of 5 years. The bottom table shows the existing FRC for areas from 800 square feet up to 3,000 square feet are all at the same rate of $14,000 because they are all single-family residential no matter the size. The following columns show the FRC rates if the Board adopts a rate based on square footage and phase it in over a 5-year time frame with the goal of reaching the maximum amount by Year 5.

Board member Fujikawa asked how the phasing in approach would impact the Department's ability to do projects. Ms. Hajnosz stated the current FRC revenues come in at about $2 million per year, and the reason for the phase in is to make it more affordable for smaller homes or ADUs and try and see a redemption from that $2 million number. However, it is really hard to project. Mr. Kodani asked what the easier path for DOW would be, questioning whether staff would be spending more time managing these accounts if it's based on square footage versus fixed amounts. Assistant Waterworks Controller Sherri Silva stated that Fiscal's preference is to receive the FRC payment up front versus trying to contact customers over a 5-year period as they may not have the funding later. It is currently at $14,000, and it will be difficult if it goes up to $28,000, which customers may not be able to afford it. It scares her to collect this charge over 5 years because they see customers make payment plans all the time because they are lagging in bill payment. Mr. Fujikawa stated for clarification that the FRC will be a one-time payment, but the value of that one-time payment is going to change each year, so they won't have a payment plan. Ms. Silva reiterated that currently people already have a hard time paying the $14,000 charge and have a hard time making their bill payment plan. The rate increases are needed just

to cover operating expenses and our debt payment, and just increasing the FRC will be hard for anyone. Mr. Kagimoto stated the current FRC structure is the most straightforward from an administrative standpoint, but from a community feedback standpoint, it seems like it would be best to move forward with one of the options. Both structures will require the FRC up front, but any future building permits will also require a review to see if there is any incremental increase for FRC based on what comes through for a permit, which will require additional oversight from the department. One thing to note is that if someone came in to add an additional bedroom to a single-family home, which does not have any direct water usage associated with that addition, if the square footage of the home then exceeds 3,000 square feet, it would require a larger meter, and an increase to the FRC. Currently, the Department's preference is to go the route of charging an FRC per square footage as it seems like it would be the easiest of the options to implement. Mr. Kodani asked to clarify that should a customer want to add a room or an extension, the Water Department would have to review the permit application. Mr. Kagimoto confirmed that anything and everything that goes through the building permit process will need to come to DOW for review, which is why the process can take a long time.

Slide 48 – Option 2 FRC Rate Structure: Based on SFR Fixture Units (FXTU)
This option is based on fixture units, and this is a structure that Honolulu Board of Water Supply has been using for decades. Fixture units for a 5/8" meter would be at 30 fixture units for a single-family residence at $959.29/FXTU. Some examples of the FRC amount for FXTU are shown, for example, an 800 SF guest house with 17 fixture units would pay an FRC of $16,307; a 1,000-1,500 SF home with 22 fixture units would pay an FRC or $21,104, and so forth. The fixture unit amount may seem a little high, but the thing to keep in mind is that while a hose bib is one FXTU, some appurtenances such as showers or toiles may have more than one FXTU assigned to it.

Using the example chart, Ms. Hajnosz compared options 1 and 2. Under the square footage option, an 800 SF guest house could be as low as $6,500 if the FRC is phased in over a 5-year time period, versus under the fixture unit option, the FRC could be $16,000, which again, could be phased in. In response to Mr. Shigemoto's question, Ms. Hajnosz explained that the $959/FXTU is based on the $28,779 FRC for a 5/8" meter for a 2,000 square foot home in Option 1, divided by the 30 fixture units per single-family home in Option 2.

Manager Tait clarified that the $34 million Prioritized CIP, the FRC was somewhere between 4 – 6% of revenues, which is a really small number compared to the overall picture.

Slide 49 – KDOW Existing FRC Compared to Rates for Other Hawaii Water Agencies
This table shows the FRCs under the current meter rate structure for Kauai in comparison with the other counties. Kauai last updated its FRC in 2015, Maui in 2017, and Big Island in 2021. Big Island's FRC, or Facilities Charge as they call it, is based on a different approach as they have existing capacity within their system to serve new customers, so they use the buy-in approach which results in a lower facility charge.

Ms. Hajnosz noted that a question came up at a previous Board meeting regarding offering some sort of discount to customers that have owned land for generations. The Big Island has something like that, pointing out that the $6,095 for a 5/8" meter shown in the table is for a second and subsequent meter; the first meter charge, which is shown in the notes at the bottom, is heavily discounted at $1,319. This policy has been in place for 35 years, the intent was to recognize that some people have had property in their family for generations, they can now afford to build; this discount would not apply to developers as they would pay full price after the first meter.

Slide 50 – Alignment Between FRC and Water Rates

There are some growth assumptions that are used in the FRC calculations that are also used in water rates, and there is a reason why they are different. Growth projections are predominantly based on how the capital projections are done which reflect back to the General Plan. Brown and Caldwell looked at this as well, so the growth projections in the FRC analysis are similar to what the WSIP is using based on 3.5% system wide growth.

The rate study growth projections are much more conservative based on historical growth in the customer base in a short period of time; In this case a 5-year historical average growth was less than 1%, so there are going to be differences in the assumptions for specific reasons.

Capital assumptions were based on the Prioritized 20-year CIP; from an FRC analysis standpoint they are not necessarily focused on annual capital spend and are looking at the 20-year horizon. However, the rate analysis definitely looks at the annual funding needs within a shorter time period from a 5-year to 10-year period.

Slide 52 – Alignment Between FRC and Water Rates (cont.)

This slide shows what FRC and water rates pay for, but there is other funding that we would be fortunate to receive such as developer contributions or grants; DOW did receive some State grants, appropriations, and SRF loans which were identified in the rate study. Ms. Hajnosz reminded the Board that water rates pay for all non-growth related CIP costs, the R&R, and correcting deficiencies in the existing system.

FRCs are available to pay for the growth-related CIP, but will not pay for all of it due to timing differences. As mentioned earlier, the Department gets about $2 million of FRC revenue a year, which is not going to fund that many capital projects directly. Some utilities use FRC revenues to pay for debt service, but it is not a recommendation because they are not as a reliable source of revenue as rates are. With the awareness that the FRC is going to pay for a limited amount of growth-related projects, rates will still pay for some of it.

Slide 53 – Preview of January 2026 Board Action

1. Approve one rate scenario for 5-yr time period FYs 2027-2031 to be presented to the public:
    a) Scenario 1: 25%, 25%, 6.5%, 6.5%, 6.5%
    b) Scenario 2: 25%, 25%, 12%, 12%, 12%
    c) Scenario 3: 30%, 30%, 15%, 15%, 15%

    Consider annual CPI adjustment rule subsequent to year 5

Whatever scenario the Board approves at the next meeting will be presented at outreach meetings to the public for feedback in Quarter 2 of 2026. Ms. Hajnosz noted that they are looking at a five-year time period. However, after the fifth year they would highly recommend that the department adopt some kind of rule that would allow CPI level adjustments in the rates after year 5.

2. Approve FRC changes to be presented to the public:

    Increase FRC up to the maximum of $28,779 over a 5 year phase in period and (pick a, b or c below)

    a) Continue with existing meter size rate structure with 1 adjustment to charge by meter size for SFR

Ms. Hajnosz stated that currently all single-family residential new homes are assessed a $115 fee regardless of meter size. If the Board chooses to keep the meter size rate structure, their

recommendation would be to do away with that rule, and just stick to meter size for all new connections. For example, if a single-family resident comes in for a 1" meter, they don't get assessed the $14,000, they get the 1" meter rate.

a) Adopt livable area rate structure as the basis for setting FRC for SFR
b) Adopt fixture units rate structure as the basis for setting FRC for SFR

Slide 54 – Next Steps
Ms. Hajnosz stated that once the Board approves one of the recommend rate scenarios and FRC proposals, they will begin public outreach meetings in Quarter 2 of 2026. This would put the Department on track to implement new rates and new FRC no later than Quarter 3 of 2026, with the ideal month of implementation being July, or no later than September. After this, during the second and third part of the rate study, they will begin cost of service and rate design efforts.

Manager Tait stated he is available to meet one-on-one with any of the Board members if they want to have more detailed discussion on the rates and FRC proposals. He mentioned at the last Board meeting he was more focused on rates because it's such an overwhelming percentage of what Fiscal is in need of right now. Mr. Tait stated that regardless of what the Board approves, there needs to be a resiliency effort in the form of continuing adjustment year to year. If the inflationary number goes up really high, he does not want to bet on the fact that rates alone are going to carry the Department.

Anticipated timeline for rate increase implementation:
January – Board selects a rate scenario
February to March – Public Outreach meetings to present Board's selection of rate structure
March – Board update on proposed rate increase based on public feedback
April to May – Public Hearing for Rule Change to increase rates; this will involve the proposed rule changes be reviewed by the Small Business Association and Ka Pa'akai analysis
June to August – Board decision-making on proposed rule changes for rate increases

The anticipated timeline for the public hearing to approve rates would be roughly April or May after the public outreach has occurred; An update to the Board is expected in March. Board approval of the rate increases, which involve a rule change, will happen subsequent to the public hearing likely at a Board meeting between June to August.

STAFF REPORTS

1. **Fiscal**
   a. Monthly dashboard – Number of Service Calls, Number of Walk-in Customers, Number of Customer Emails and Correspondence, Number of Customer Rebills, Accounting Highlights, Transponder Replacement highlights and progress, Staff Overtime hours
   b. Budget Report for November 2025

2. **Operations**
   a. Monthly dashboard – Annual Financial Impact Overview, Staff Overtime Hours, Budgeted and Vacant Positions, Services Received/Completed, Highlights: New Hires and Recruitment **(Ops hired 10 new employees in 2025; New Ops record for New Hires!)**, Interviews scheduled, Training: Large Customer and Source Meter Calibration Testing

3. **Engineering**
   a. Monthly dashboard – Budgeted and Vacant Positions, Staff Overtime Hours, Projects In Design, In Construction, Completed; Water Resources and Planning Statistics – Customer

Requests, Applications and Permits, Service and Records Requests, Number of Backflow Devices tested

i. Capital Improvement Plan (CIP) Project Highlights/Status Updates:
   - Kapa'a Homesteads 325' Tanks
   - Pu'u Pane 1.0 Million Gallon Tank
   - Kalāheo Water System Improvements
   - University of Hawai'i Experimental Station 605' Tank
   - Hā'ena 0.2 MG Tank
   - Kīlauea Wells 1 & 2 MCC, Chlorination Facilities
   - Kūhiō Hwy (Hardy-Oxford) 18" Main Replacement

ii. DOW Project Highlights/Status Updates:
   - Water Systems Investment Plan (WSIP)
   - Kaua'i Water Use and Development Plan (KWUDP)
   - As-Needed Grant Writing and Preparation Services: WaterSMART Grant for Advanced Metering Infrastructure (AMI) Meters

4. **Administration**
   a. Human Resources – updates on Personnel Vacancies

5. **Manager and Chief Engineer**
   a. Reports to Manager:
      1. Change Order No. 7 for Contract No. 701 with Glenmount Global Solutions, LLC, Job No. 20-03 SCADA System Maintenance and Professional Consultation Services
      2. Multi-Term Contract Encumbrance for Construction Contace C765, Job No. 24-05 – Kapa'a Homesteads Well No. 4 Pump and Controls
      3. Change Order No. 1 for Contract No. 778 with ABR Ventures LLC dba Honua Waterworks, GS-2025-04 Hydrants & Appurtenances and Various Building Water Pipe Repair and Maintenance Fittings

TOPICS FOR NEXT BOARD OF WATER SUPPLY MEETING: *(January)*

1. Confirmation of Board Committee Appointments for 2026

TOPICS FOR FUTURE BOARD OF WATER SUPPLY MEETING:

EXECUTIVE SESSION:

Pursuant to Hawai'i Revised Statues (HRS) §92-7(a), the Board may, when deemed necessary, hold an executive session on any agenda item without written public notice if the Executive Session was not anticipated in advance. Any such executive session shall be held pursuant to HRS §92-4 and shall be limited to those items described in HRS §92-5(a).

ADJOURNMENT

The meeting was adjourned at 11:20 a.m.

Respectfully submitted,

Cherisse Zaima
Commission Support Clerk

New Business

DEPARTMENT OF WATER

County of Kaua‘i

Board of Water Supply

Officers and Committee Members for 2026

(Effective January 2026)

2025 Board Officers:

Chair:	Tom Shigemoto
Vice Chair:	Micah Finnila
Secretary:	Clyde Kodani

Rules Committee

Chair:	Ka‘aina Hull
Member:	Clyde Kodani
Member:	Tom Shigemoto

Finance Committee

Chair:	Troy Tanigawa
Member:	Micah Finnila
Member:	Eric Fujikawa

Committee of the Whole *(All Board Members)*

Chair:	Tom Shigemoto

DEPARTMENT OF WATER

County of Kaua'i

"Water has no Substitute – Conserve It!"

MANAGER'S REPORT No. 26-22

January 22, 2026

Re: Discussion and Possible Action to execute an annual Use and Occupancy Permit No. 945 between the State of Hawai'i and the Board of Water Supply, County of Kaua'i for non-trenching maintenance, inspection and other uses and activities within the State Highway Right of Way, Kaua'i, Hawai'i.

RECOMMENDATION:

It is recommended that the Board allow the Department of Water to enter into an annual Use and Occupancy Permit (UOP) No. 945 between the State of Hawai'i and the Board of Water Supply, County of Kaua'i for non-trenching maintenance, inspection and other uses within the State Highway Right of Way, Kaua'i, Hawai'i.

Further, Board approval is specifically requested for the "Workmanship: Responsibility" and "State: Indemnity" provisions in the UOP, wherein the Board agrees to the following provisions in connection with Department of Water's use and occupancy within the various state highway right of ways on Kaua'i:

Workmanship: Responsibility

"4. To diligently prosecute the work activity, or event to completion, in a neat workmanlike manner, within the dates and conditions set forth under said permit so as to minimize any inconvenience or interference to the public or traffic movements."

"5. To remove all equipment and unused material upon completion of the work, activity, or event, repair any damages and leave the surface in a clean, safe, and presentable condition."

"6. To make, for a period of one (1) year after the expiration date of this permit, any necessary repairs to highway facilities disturbed and/or caused by the work, activity, or event performed under said permit; or to pay the actual cost of such repairs made by the Department of Transportation. "

"7. To make all repairs in such a manner as may be required by Chapter 264, Hawai'i Revised Statutes."

And:

State Indemnity

"8. To protect, defend, indemnify and save harmless, the state and its agents and representatives against any claim, liability, suit, or action of every manner and description, for any injury to or death of persons or for property damage, whenever such injury, death, or damage shall be inflicted or caused by him, his agents, contractors, or representatives in connection with the work, activity, or event covered by said permit."

FUNDING: N/A

BACKGROUND:

In 2023, the State of Hawai'i' Department of Transportation requested the Department of Water to apply for an annual UOP for non-trenching work in the various state highway right of ways in a similar way that other utilities such as the County of Kaua'i Wastewater Division. The permit must be renewed annually, hence the need for this permit for November 2025 - November 2026. The proposed permit application is intended to include Department of Water non-trenching functions related to the maintenance, repair, and replacement of water facilities which include water meters, water meter boxes, hydrants, pressure/air relief valves, vaults, and other system appurtenances. The application also covers inspection and water meter readings.

The State is requiring that the Department complete and apply for this permit on an annual basis for non-trenching work in the State Right of Way. The Department will attach the applicable COI when executing the permit. The one (1) year time period would commence from the time the current permit expires in November 2025 and run through November 2026 per the dates on the draft permit. Please note that trench work, such as for Operations waterline repairs will still need to obtain a separate permit to perform work upon state highways.

Potential future financial liabilities:

Due to not knowing when or the amount of any financial liabilities that may or may not occur in the future associated with the conditions of the UOP, specific funding to address potential financial liabilities is not being requested or budgeted at this time. If special funding is required in the future, the necessary funds will be requested from the Board at that time.

OPTIONS:

Option 1: **Agree to enter into Use and Occupancy Permit No. 945 with the State of Hawai'i.**

Pro: The completion of a UOP will address the State request that a UOP is completed for the non-trenching maintenance, repair, replacement, inspection and reading of Department of Water facilities and meters installed in the State Highway Right of Way.

Con: The UOP will obligate the DOW with unknown financial liabilities and risk; to some extent at the discretion of the State. The permit will also have to be reapplied for annually as each permit is only valid for one (1) year from the approximate time of application date.

Option 2: Do not agree to enter into Use and Occupancy Permit No. 945 with the State of Hawai'i.

Pro: The Department will not be bound by an annual permit that subjects the Department to unknown financial liabilities and risk.

Con: The Department may not be able to maintain, repair, replace, inspect, or read meters and water facilities that do not involve trenching as intended as it relates to the State request for an annual UOP.

RS /crz

Attachment(s): Use and Occupancy Permit No. 945
Certificate of Liability Insurance

APPLICATION & PERMIT FOR THE OCCUPANCY & USE OF STATE HIGHWAY RIGHT-OF-WAY

Application date 1/22, **20**26

POLICE CHECKLIST: ITEMS 1 THRU 5.

Pursuant to the provisions of Chapter 264, Hawaii Revised Statues as amended, application is hereby made to perform the following work, activity, or event, upon the state highway described below and at the location(s) specified below and at no other place.

1. Name of Highway Various **Route # /Section** All

2. Locations or limits on said highway Within State Right of Way

3. Description of work, activity, or event to be performed

☐ Engineering Survey ☑ Maintenance ☑ Inspection ☐ Landscaping ☑ Other

Maintenance, repair and replacement of water facilities which include water meters, water meter boxes, hydrants and pressure/air relief valves, vaults, and other system appurtenances.

The Department of Water also conducts water meter readings.

4. Dates between which work, activity, or event will be performed: 1/22/2026 -11/1/2026

5. General Conditions

a. No digging or disturbing of the highway will be permitted under this permit.
b. The work, activity, or event may be performed only during off-peak hours unless otherwise approved in writing. Peak hours are from 6:00 AM to 8:30 AM and from 3:00 PM to 6:00 PM, Monday through Friday excluding State Holidays.
c. All lanes shall be open to traffic during the hours from 6:00 AM to 8:30 AM, during the hours of 3:00 PM to 6:00 PM, and when no work is being done under this permit. Only one lane of traffic may be closed at any other time unless otherwise approved in writing.
d. Parking permitted only in designated areas for vehicles actively engaged in, or loading or unloading materials for, the specified work, activity, or event. Unattended vehicles will not be permitted.

6. Special Conditions and/or Restrictions See attached DOW-945.

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7. Submittals Required

a. ☑ Traffic Control Plan (whenever there are lane closures)
b. ☐ Approved Landscaping Plan: It is agreed that upon final acceptance of the approved landscape work by the State, all improvements placed on said premises shall be and remain the property of the State and may be removed or otherwise disposed of by the State at any time.
c. Proof of State Indemnity
   Certificate of Insurance naming State of Hawaii as an additional insured, having minimum coverages for Bodily Injury or Death Per Person; Bodily Injury or Death Per Accident: and Property Damages Per Accident of:
   ☐ $100,000, $300,000, and $500,000 respectively; or
   ☐ combined single limit of $500,000
   ☑ Certificate attached or with Permit No. 945
   ☐ Federal Non-Liability Clause (See Item 11 on the back of this permit)
   ☐ Waived
d. ☑ Permit Fee $0 (make check payable to Dept. of Transportation, State of Hawaii)

The applicant hereby agrees that any agreement heretofore made or hereafter to be made, and the covenants and conditions stated on the reverse side hereof shall be binding upon him, his heirs, personal representatives, successors, contractors, and assigns.

APPLICANT: County of Kauai - Department of Water
(Name or owner, whether individual firm, partnership, corporation, governmental agency, etc)

ADDRESS: 4398 Pua Loke Street, Lihue, HI 96766

TELEPHONE NUMBER: (808) 245-5400

(Print Name & Title of Applicant or Authorized Rep.)

(Signature)

==========

PERMIT NO. 945 **DATE** _____, 20_____

Permission to perform the above described work, activity, or event at the location(s) stated and between the dates set forth in said application is hereby granted. The applicant shall notify the issuing office in writing at least 24 hours before commencing work.

Director of Transportation or Authorized Representative

OAHU 831-6712 HAWAII 933-8866 MAUI 873-3535 KAUAI 274-3111

IN CONSIDERATION OF A PERMIT BEING ISSUED TO THE APPLICANT, THE APPLICANT HEREBY AGREES AS FOLLOWS:

Rules & Regulations

1. To observe and comply with and cause all his agents, servants, and employees to observe and comply with all existing laws, ordinances, and regulations.
2. To install, provide, and maintain all traffic control devices in accordance with the Administrative Rules Governing the Use of Traffic Control Devices at Work Sites on or Adjacent to Public Streets and Highways as adopted by the Director of Transportation, and the FHWA Manual on Uniform Traffic Control devices for Streets an Highways, Part VI, Traffic Controls for Highway Construction and Maintenance Operations.
3. To safeguard and facilitate the movement of vehicular and pedestrian traffic in accordance with the Administrative Rules Governing the Design, Construction, and Maintenance of Public Streets and Highways as adopted by the Director of Transportation; to place signs or barricades informing motorists or pedestrians of work to be done in a safe manner and remove same upon completion of work.

Workmanship: Responsibility

4. To diligently prosecute the work, activity, or event to completion, in a neat and workmanlike manner, within the dates and conditions set forth under said permit so as to minimize any inconvenience or interference to the public or traffic movements.
5. To remove all equipment and unused material upon completion of the work, activity, or event, repair any damages and leave the surface in a clean, safe, usable, and presentable condition.
6. To make, for a period of one (1) year after the expiration date of this permit, any necessary repairs to highway facilities disturbed and/or caused by the work, activity, or event performed under said permit; or to pay the actual cost of such repairs made by the Department of Transportation.
7. To make all repairs in such manner as may be required by Chapter 264, Hawaii Revised Statutes.

State Indemnity

8. To protect, defend, indemnify and save harmless, the state and its agents and representatives against any claim, liability, suit, or action of every manner and description, for any injury to or death of persons or for property damage, whenever such injury, death, or damage shall be inflicted or caused by him, his agents, contractors, or representatives in connection with the work, activity, or event covered by said permit.
9. To procure, at his own expense, and keep in force at all times when the work, activity, or event permitted under said permit is being done, a policy or policies of public liability and property damage insurance, naming the State as additional insured, covering the work, activity, or event to be done under said permit and for at least the minimum coverages set forth on the reverse side hereof. The State is to be given 30 days written notice of cancellation of said insurance.
10. To supply evidence satisfactory to the State that the required insurance has been procured and is in force prior to commencing the work, activity, or event approved under said permit.
11. If the death or injury to any person, or the loss or damage to any property, is caused by the United States Government in the course of its use of the property, the liability, if any, of the U.S. Government thereof shall be determined in accordance with the applicable provisions of the Federal Tort Claims Act (62 Stat. 869,982;28 USC 2671-2680).

Nondiscrimination Covenants

12. No person on the grounds of race, color, religion, sex, or national origin shall be excluded from participating in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities.
13. In the construction of any improvements on, over, or under such land and the furnishing of services thereon, no person on the grounds of race, color, religion, sex, or national origin shall be excluded from participating in, denied the benefits of, or otherwise be subjected to discrimination.
14. The applicant shall use the premises in compliance with all other requirements imposed by or pursuant to Title 49, Code of Federal Regulation, Department of Transportation, Subtitle A, Office of the Secretary, Part 21, Nondiscrimination in Federally Assisted Programs of the Department of Transportation—Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulation may be amended.

Agreements

15. Any State highway representative or police officer has the right to stop any or all of the work or activity being performed under this permit if the work or activity is being conducted in an unsafe or unauthorized manner. The work or activity will not be allowed to continue until the deficiency has been corrected.
16. To surrender the permit herein applied for and surrender all rights thereunder whenever notified to do so by the State. The State may cancel this permit at any time.
17. To keep a copy of said permit available for exhibit upon request of any representative of the Department of Transportation or police officer.

PERMIT RESTRICTIONS and CERTIFICATION

File Name: DOW-945

Permittee: **County of Kauai – Department of Water**

Permit No.: 945

Permit Type: Occupancy & Use Permit

Dates of Work: 1/20/2026-11/1/2026

PERMIT RESTRICTIONS:

1. Insurance Requirements:
    a. Applicant shall provide a Certificate of Liability Insurance for the following required coverages with **Waiver of Subrogation** for each coverage. By submittal of this application, applicant represents that the Applicant's policy includes appropriate endorsements for Additional Insureds and Waivers of Subrogation.
    b. **Workers' Compensation.** The Applicant shall obtain Workers' Compensation Insurance for all persons whom they employ in carrying out the work under this permit. This insurance shall be in strict conformity with the requirement of the most current and applicable State of Hawaii Workers' Compensation Insurance laws in effect on the date of the approval of this permit and as modified during the duration of the permit.
    c. **Automobile Liability.** The Applicant shall obtain Automobile Liability Insurance naming the State of Hawaii Department of Transportation as additional insured covering all owned, non-owned and hired automobiles with a Combined single Limit of not less than $1,000,000 per accident for bodily injury and property damage.
    d. **General Liability.** The Applicant shall obtain General Liability Insurance naming the State of Hawaii Department of Transportation as additional insured with a limit of not less than $2,000,000 per occurrence and in the Aggregates for each of the following:
        i. Products – Completed/Operations Aggregate,
        ii. Personal & Advertising Injury, and Bodily Injury & Property Damage

2. During the hours of 4:30 am to 10:00 pm, no lane closures will be allowed on Kuhio Highway (56) from junction of Kaumualii Highway (50) in Lihue, to M.P. 10 north of Mailihuna Road in north Kapaa.

3. During the hours of 5:30 am to 10:00 pm, no lane closures will be allowed on Kaumualii Highway (50) from junction of Kuhio Highway (56) in Lihue, to M.P. 11.8 west of Papalina Road in Kalaheo.

4. All proposed exceptions within the State highway limits above will require a written request with work description and traffic control plan subject to acceptance by HDOT District Engineer, prior to beginning field work.

5. No lane closures or shoulder closures will be allowed during hours of contra-flow operations (5:00 am to 11:00 am) on Kuhio Highway (56), within the contra-flow corridor.

6. Permittee's traffic control shall conform to the current Manual on Uniform Traffic Control Devices (MUTCD) and Section 645 of the Standard Specifications for Road and Bridge Construction, 2005. In case of conflict between the two documents, Section 645 shall prevail.

7. Submit traffic control plan and work schedule 14 days before implementation, for planned lane closures subject to HDOT District Engineer acceptance.

8. Prepare and submit Public Service Announcement (PSA) to our office (fax no. 241-3011 or email dot.hwyk.permits@hawaii.gov) for review/acceptance, seven days prior to start of work involving lane closure or lane shift. For longer duration projects impacting traffic, we may require Garden Island newspaper ad be placed including Permittee's phone number.

9. Any maintenance activities that require a lane closure, shall install at least one electronic message board at each end of the work zone at least one week in advance, or at a minimum three days in advance of the scheduled work, to notify the travelling public of the work, closure dates, and time.

10. In emergency situations such as, but not limited to, poles and wires falling into State Highway Right-of-Way, provide immediate traffic control and promptly notify our office, phone 241-3000 and KPD Dispatch, phone 241-1711.

11. Any debris within the State highway Right-of-Way that are a result of the work done by the applicant shall be cleared by the end of each working day.

PERMIT RESTRICTIONS and CERTIFICATION

File Name: DOW-945

Permittee: **County of Kauai – Department of Water** Permit No.: 945

Permit Type: Occupancy & Use Permit Dates of Work: 1/20/2026-11/1/2026

PERMIT RESTRICTIONS (CONT.):

12. District Engineer reserves the right to immediately stop Permittee's work within State Highway in the best interest of public safety.

13. Facilities upgrade work and new facilities construction work are not covered under this permit. Separate permits (Permit to Perform Work Upon State Highways, or Application and Permit for the Occupancy & Use of State Highway Right-of-Way) are required to be submitted by applicant. HDOT District Engineer will issue the permit if acceptable, for these types of projects.

CERTIFICATION:

I certify that I have reviewed the restrictions listed above and have found them acceptable.

Permittee: County of Kauai – Department of Water

By:_____ Date:_____

Its:_____

CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY): 12/29/2025

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER
Atlas Insurance Agency, Inc.
201 Merchant Street
Suite 1100
Honolulu HI 96813

CONTACT NAME: William Sandkuhler
PHONE (A/C, No, Ext): (808) 533-3222 **FAX (A/C, No):** (808) 533-8777
E-MAIL ADDRESS:

INSURER(S) AFFORDING COVERAGE	NAIC #
INSURER A : Safety National Casualty Corporation	15105
INSURER B :	
INSURER C :	
INSURER D :	
INSURER E :	
INSURER F :	

INSURED
County of Kauai
4444 Rice Street, Suite 280
Lihue HI 96766

COVERAGES **CERTIFICATE NUMBER:** 25-26 CCG3 **REVISION NUMBER:**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	[X] COMMERCIAL GENERAL LIABILITY [ ] CLAIMS-MADE [X] OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: [ ] POLICY [ ] PRO-JECT [ ] LOC [ ] OTHER:	Y	Y	XPR4068514	11/01/2025	11/01/2026	EACH OCCURRENCE DAMAGE TO RENTED PREMISES (Ea occurrence) MED EXP (Any one person) PERSONAL & ADV INJURY GENERAL AGGREGATE PRODUCTS - COMP/OP AGG	$ 5,000,000 $ 500,000 $ Excluded $ Included $ 5,000,000 $ 5,000,000
A	AUTOMOBILE LIABILITY [X] ANY AUTO [ ] OWNED AUTOS ONLY [ ] SCHEDULED AUTOS [ ] HIRED AUTOS ONLY [ ] NON-OWNED AUTOS ONLY	Y	Y	XPR4068514	11/01/2025	11/01/2026	COMBINED SINGLE LIMIT (Ea accident) BODILY INJURY (Per person) BODILY INJURY (Per accident) PROPERTY DAMAGE (Per accident)	$ 5,000,000 $ $ $
	[ ] UMBRELLA LIAB [ ] OCCUR [ ] EXCESS LIAB [ ] CLAIMS-MADE [ ] DED [ ] RETENTION $						EACH OCCURRENCE AGGREGATE	$ $ $
A	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? Y / N [ ] (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	N / A	Y	SP4067446	11/01/2025	11/01/2026	[X] PER STATUTE [ ] OTH-ER E.L. EACH ACCIDENT E.L. DISEASE - EA EMPLOYEE E.L. DISEASE - POLICY LIMIT	 $ 2,000,000 $ 2,000,000 $ 2,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

Re: Use of State Highway, Occupancy & Use Permit, DOW 945
State of Hawaii, Department of Transportation is named an Additional Insured per General Liability form PEERLL0000 12/22 Public Entity Excess Retained Limits Liability Insurance Policy and per Commercial Auto form PE00100 12/22 Additional Insured – Scheduled Contracts as per policy provisions.
(Eff. 12/17/2025)

CERTIFICATE HOLDER
State of Hawaii, Department of Transportation
1720 Haleukana Street
Lihue HI 96766

CANCELLATION
SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE

DEPARTMENT OF WATER

County of Kaua'i

"Water has no Substitute – Conserve It!"

MANAGER'S REPORT No. 26-23

January 20, 2026

Re: Discussion and Possible Action to Approve a Grant of Easement (GOE) Agreement for the Kiahuna Plantation Drive Roadway Improvement for Lot 2 and Water Meter Plan Servicing Lot 1 and Lot 3 Ka Ua Noe O Kōloa Project at TMK: (4) 2-8-014:032:0000, Kōloa, Kaua'i, Hawai'i

RECOMMENDATION:

It is recommended that the Board approve the Grant of Easement (GOE) document; whereby, the landowner, 5425 Pau A Laka LLC, grants to the Board of Water Supply, County of Kaua'i, Easement "W-1", in perpetuity on, over, and under that certain parcel of land located at TMK: (4) 2-8-014:032:0000 in Kōloa, Kaua'i, Hawai'i, for the following work:

1. Reading of water meters and for the construction, installation, re-installation, maintenance, repair, and removal of potable water pipelines and related meters, valves, and other associated waterworks facility improvements and appurtenances.

Further, the GRANTEE shall indemnify and save the GRANTOR harmless from and against all damage to the GRANTOR's property and all liability for injury to or the death of persons when such damage, injury, or death is caused by the negligence of the GRANTEE, its officers, agents and employees while using the easement area.

FUNDING: N/A.

BACKGROUND:

As part of the construction plans for the subject project, the above owner installed an RPDA on the fire line for the subject project. These water facilities are on private property and we need access, which requires an easement in favor of the Department of Water.

OPTIONS

Option 1:	**Approve the Grant of Easement.**
Pro:	Project can be completed as designed. Project will attain certificate of completion.
Con:	None.
Option 2:	**Do not approve the Grant of Easement.**
Pro:	None.
Con:	Project won't be completed as designed. The project won't attain certificate of completion.

JK/crz

Attachment: Grant of Easement – Kiahuna Plantation Drive Roadway Improvement for Lot 2 and Water Meter Plan Servicing Lot 1 and Lot 3 Ka Ua Noe O Kōloa Project at TMK: (4) 2-8-014:032:0000, Kōloa, Kaua'i, Hawai'i

LAND COURT SYSTEM **REGULAR SYSTEM**

After Recordation Return By: **MAIL [XX]** Pickup [ ]

TO:

DEPARTMENT OF WATER

4398 PUA LOKE STREET

LĪHU'E, KAUA'I, HAWAI'I 96766

GRANT OF EASEMENT
for
TMK: (4) 2-8-014:032:0000

THIS INDENTURE made this day of , 202 by and between **5425 PAU A LAKA LLC**, a Hawaii limited liability company, whose mailing address is 1801 Tiburon Boulevard, Suite 800, Tiburon, California, 94920, (hereinafter, the "GRANTOR"), and the **BOARD OF WATER SUPPLY** of the County of Kaua'i, whose mailing address is 4398 Pua Loke Street, Līhu'e, Hawai'i 96766 (hereinafter, the "GRANTEE").

WITNESSETH:

THAT IN CONSIDERATION of the sum of one dollar ($1.00) paid by the GRANTEE to the GRANTOR, the receipt of which is acknowledged, and the covenants contained in this grant of easement to be performed by the GRANTEE, the GRANTOR does hereby grant, bargain, sell and convey to the GRANTEE an easement in perpetuity on, over, and under that certain parcel of land located generally at Kōloa, Kaua'i, Hawai'i, **Tax Map Key No. (TMK)** (4) 2-8-014:032:0000, **Project Name**: KIAHUNA PLANTATION DRIVE ROADWAY IMPROVEMENT FOR LOT 2 & WATER METER PLAN SERVICING LOT 1 & LOT 3 KA UA NOE O KŌLOA, and more particularly described in Exhibit "A" Exhibit "B", which is attached and incorporated by reference into this grant of easement (hereafter "easement area").

This easement is granted for the reading of water meters and for the construction, installation, re-installation, maintenance, repair, and removal of potable water pipelines and related meters, valves, and other associated waterworks facility improvements and appurtenances. The GRANTEE is further allowed the right of ingress and egress at any time to, from, and through the easement area, with or without vehicles or equipment, as the GRANTEE deems necessary for the proper operation of its water system.

TO HAVE AND TO HOLD the same unto the GRANTEE forever; provided that should the GRANTEE cease to use the easement area for the purposes described for a continuous period of two (2) calendar years, this easement shall terminate and the interest granted shall immediately and without the GRANTOR's re-entry revert to the GRANTOR. In such an event, this easement shall cease to exist by operation of the GRANTEE's non-use, without any necessary action on the GRANTOR's part.

AND IN FURTHER CONSIDERATION of the rights granted to the GRANTEE the benefits accruing to the GRANTOR under this easement, the GRANTOR and GRANTEE further covenant, agree, and promise as follows:

1. That should the GRANTEE disturb in any way the ground which is the subject of the easement area, the GRANTEE shall at its own expense restore the ground to its original condition to the extent that such restoration is reasonable;
2. That the GRANTEE shall indemnify and save the GRANTOR harmless from and against all damage to the GRANTOR's property and all liability for injury to or the death of persons when such damage, injury, or death is caused by the negligence of the GRANTEE, its officers, agents and employees while using the easement area;

3. That the GRANTEE shall not assign its rights under this easement without the prior written consent of the GRANTOR; provided that the GRANTEE may assign its rights to a successor of the GRANTEE duly created by law;

4. That should the GRANTOR's development plans require that the easement area and/or waterworks facility improvements within, on, or under the easement area be re-located, the GRANTOR will, at the GRANTOR's own expense and pursuant to the GRANTEE's instructions and specifications, re-locate the affected easement area and waterworks facility improvements and appurtenances without interruption of the GRANTEE's services;

5. That the GRANTOR shall at no time erect any building foundation of any kind below the surface of the land which is the subject of the easement area or any building or structure of any kind (other than roads, sidewalks, curbs or similar appurtenances) on the surface of the land which is the subject of the easement area unless the GRANTOR receives the prior written consent of the GRANTEE. Only lawn grass shall be planted within three (3) feet of all meter boxes, fire hydrants, and other waterworks facility improvements and appurtenances. No trees with aggressive root systems shall be planted within twenty (20) feet of all meter boxes, fire hydrants, and other waterworks facility improvements and appurtenances.

   This Paragraph No. 5, though, shall not prevent the GRANTOR from crossing over, constructing, and maintaining roadways within the easement area or laying, operating, maintaining, repairing, or removing conduits and drains which do not interfere with the exercise of the GRANTEE's rights under this easement; and

6. That the GRANTOR covenants with the GRANTEE that the GRANTOR is the lawful owner of the land which is the subject of this easement area, that the GRANTOR has good right and title to grant this easement, and that the GRANTOR will warrant and defend the same unto the GRANTEE against the claims and demands of all persons.

When used within this document the term "GRANTOR" shall mean the singular and plural, masculine and feminine, and natural persons, trustees, corporations, partnerships, limited partnerships, sole proprietorships and other forms of business entities. The term shall also mean the GRANTOR's or GRANTORs' estates, heirs, personal representatives, successors, successors-in-trust and assigns.

IT IS FURTHER MUTUALLY AGREED that the terms of this easement shall be binding upon and inure to the benefit of all the parties to this document and that all covenants and obligations undertaken by two or more persons shall be deemed to be joint and several unless a contrary intention is clearly expressed in this document.

This Grant of Easement may be executed in counterparts. Each counterpart shall be executed by one or more parties hereinbefore named and the several counterparts shall constitute one instrument to the same effect as though the signatures of all the parties are upon the same document.

Form and Legality. This Grant of Easement has been approved as to form and legality by the County Attorney as required by the Charter of the County of Kaua'i. No modification of any term herein, other than the completion of the fillable fields, is permitted without the express written approval of the County Attorney or a Deputy County Attorney. Any such modification made without the express written approval of the County Attorney or Deputy County Attorney will result in the revocation of the approval as to form and legality.

[SIGNATURES ON FOLLOWING PAGES]

OWNER/GRANTOR(S):

5425 PAU A LAKA LLC, a Hawaii limited liability company
By: MP ELK GROVE LLC, a California limited liability company

By: Gary L. Pinkston
Its: Manager

STATE OF Hawaii)
) ss:
COUNTY OF Kauai)

On this 13 day of December, 2025, before me personally appeared **GARY L. PINKSTON**, who is personally known to me or whose identity I proved on the basis of satisfactory evidence, who being by me duly sworn or affirmed, did say that such person is the **Manger** of **5425 PAU A LAKA LLC, A HAWAII LIMITED LIABILTY COMPANY BY: MP ELK GROVE LLC, A CALIFORNIA LIMITED LIABILITY COMPANY** executed the **Grant of Easement**, TMK: (4) 2-8-014:032, dated Dec 13, 2025 at the time of notarization, as the free act and deed of such person, and if applicable in the capacity shown, having been duly authorized to execute such instrument in such capacity.

Cristy Agan (Affix Seal)
Notary Public, State of Hawaii

Name of Notary: Cristy Agan

My commission expires: 03/03/2028

CRISTY AGAN NOTARY PUBLIC Comm. No. 24-33 STATE OF HAWAII

APPROVED:

Joseph E. Tait
Manager and Chief Engineer

BOARD OF WATER SUPPLY, COUNTY OF KAUA'I

By: Tom H. Shigemoto
Chairperson

DOW "Notary" placeholder page.

KA UA NOE O KOLOA
EASEMENT W-1
(FOR WATER PURPOSES)

LAND SITUATED AT KOLOA, KAUAI, HAWAII

Being Portion of former Lot 88 of Land Court Consolidation 164

Beginning at the southeast corner of this parcel of land, on the west side of Kiahuna Plantation Drive, the coordinates of said point of beginning referred to Government Survey Triangulation "PAA" being 1,921.85 feet North and 5,090.23 feet West, thence running by azimuths measured clockwise from true South:

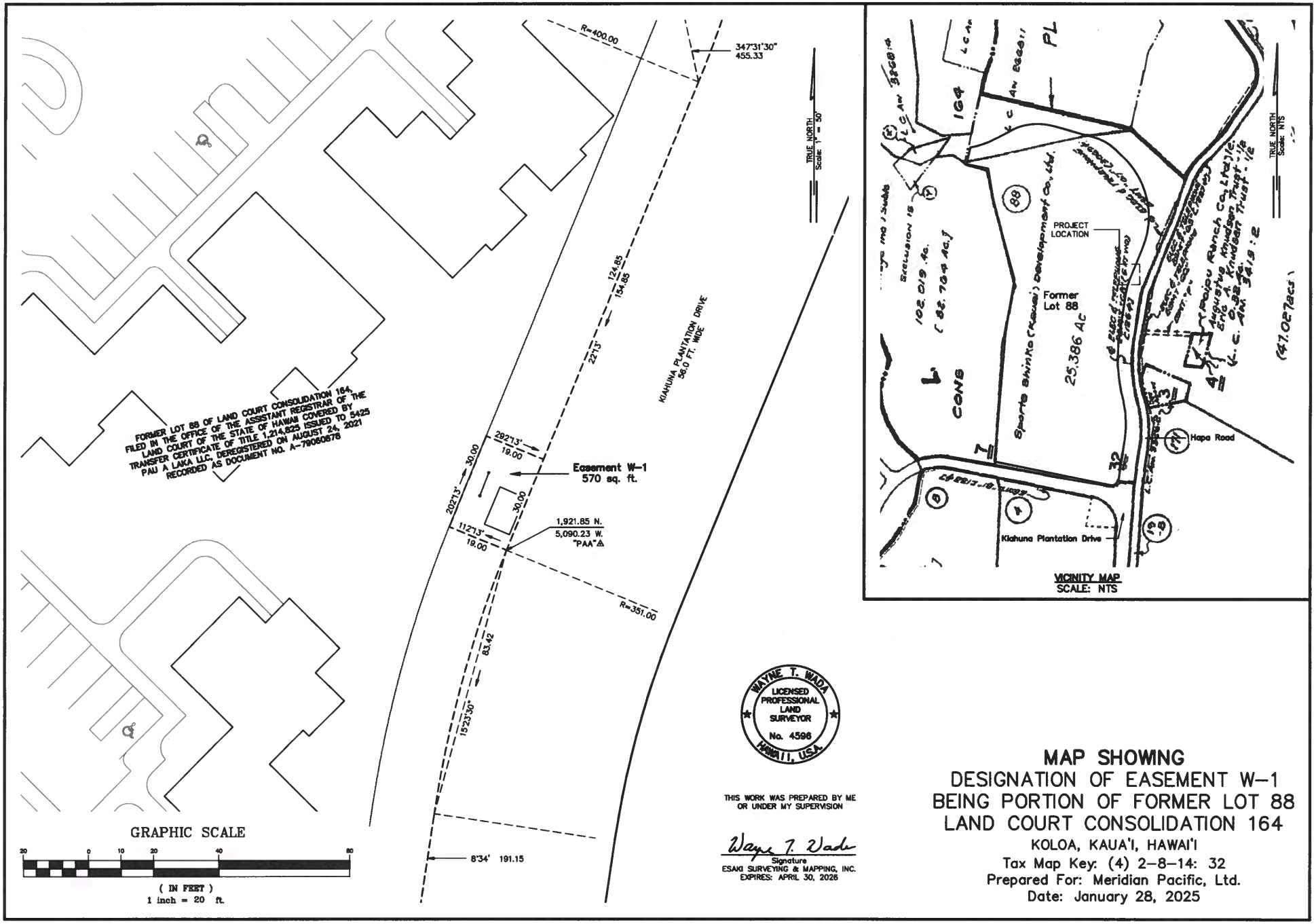
1.	112°	13'	19.00	feet along the remainder of former Lot 88;
2.	202°	13'	30.00	feet along the remainder of former Lot 88;
3.	292°	13'	19.00	feet along the remainder of former Lot 88;
4.	22°	13'	30.00	feet along the remainder of former Lot 88 (Kiahuna Plantation Drive) to the point of beginning and containing an area of 570 Square Feet.

DESCRIPTION PREPARED BY:
ESAKI SURVEYING AND MAPPING, INC.

Wayne T. Wada
Licensed Professional Land Surveyor
Certificate Number 4596

Lihue, Hawaii
January 2025

EXHIBIT B



THIS WORK WAS PREPARED BY ME OR UNDER MY SUPERVISION

Wayne T. Wada
Signature
ESAKI SURVEYING & MAPPING, INC.
EXPIRES: APRIL 30, 2026

MAP SHOWING
DESIGNATION OF EASEMENT W-1
BEING PORTION OF FORMER LOT 88
LAND COURT CONSOLIDATION 164

KOLOA, KAUA'I, HAWAI'I
Tax Map Key: (4) 2-8-14: 32
Prepared For: Meridian Pacific, Ltd.
Date: January 28, 2025

Job Number: 20-266 KN
Drawing File: 20-266 Ease W-1 1-28-25.dwg

ESAKI SURVEYING & MAPPING, INC.
Civil Engineers - Land Surveyors - Planners

1610 Haleukana Street
Lihue, Hawaii 96766

DEPARTMENT OF WATER

County of Kaua'i

"Water has no Substitute – Conserve It!"

MANAGER'S REPORT NO. 26-24

January 20, 2026

Re: Discussion and Possible Action to approve the Department of Water's (Department) recommendation of Across the Board (ATB) increases per Water Rate Scenario 1 for FY 2027-2031 with annual Consumer Price Index (CPI) adjustment subsequent to FY 2031 for public outreach and the rulemaking process.

RECOMMENDATION:

It is recommended that the Board approve the following recommendations for public outreach and the rulemaking process:

- Across the Board (ATB) service and usage charge increases.
- Water Rate Scenario 1 (FY 2027-2031)
  - FY 2027 (25%)
  - FY 2028 (25%)
  - FY 2029 (6.5%)
  - FY 2030 (6.5%)
  - FY 2031 (6.5%)
- Annual CPI adjustment starting FY 2032.

FUNDING: Not applicable.

BACKGROUND:

In 2022, the Department initiated the Water Systems Investment Plan (WSIP). This long-range plan is the update to Water Plan 2020, which the Board approved in 2001. The WSIP includes an update to the water system's geographical information system (GIS) and hydraulic model, water demand study, capital improvement program, facilities reserve charge (FRC), and climate change and resilience study. In 2023, additional scope for funding support related to priority projects and performing a water rate study was approved by the Board.

Water rates pay for all non-growth-related Capital Improvement Project (CIP) costs (in-kind, existing deficiencies) net of grant funding; funding growth-related projects net of available FRC balance, annual FRC collections and grant funding; along with all debt service obligations per the consultant's (Brown and Caldwell/Harris) policy recommendation.

The Board last adopted a schedule of rates in 2011. These water rates were implemented in January 2012 with the last increase going into effect July 1, 2014. Thus, it has been nearly twelve (12) years where the Department's rates have remained unchanged .

The Department and our consultant have presented various water rate scenarios, financial information, and analysis to the Board in April, August, November and December of 2025. Within those various presentations, information was provided to the Board related to water rates along with status of projects from the past, the present, and proposed for the future.

The WSIP has provided an updated roadmap to rehabilitate and expand DOW's water systems. The draft plan identified three CIP scenarios, the "Planned Buildout" ($63M/yr), "Prioritized 20-Year" ($34M/yr), and "Prioritized Achievable" ($16.5M/yr).

To account for these CIP programs, along with the operation and maintenance (O&M) expenses of the Department, the current water rate study analyzed the revenue requirements based on available utility data analysis, operating expenses, capital projections, and financial assurances, such as for debt service coverage, maximum debt as a percentage of net assets, operating cash reserve and an annual ending capital reserve balance. This analysis showed that Department revenues were less than expenses starting in FY 2017. Revenues were less than expenses by approximately $46M over a 10-year period and over that 10-year period, an average annual rate of 5% per year implemented every year may have closed/reduced the deficit.

The water rate study provides a strategy for sufficient cost recovery as it relates to baseline operations and capital project funding scenarios, along with financial policy recommendations. The baseline operations requirement is the minimum rate increases necessary to meet operational needs prior to any new capital projects. This baseline serves as the starting point for building capital scenarios as it covers the projected O&M expenses, existing debt service and coverage, and contributions to the operating reserve. The baseline operations analysis for FY 2027-2031 concluded that a minimum 23.5% rate adjustment is needed in FY 2027. With regards to the capital funding scenarios, three (3) were developed for Department and Board consideration.

- Scenario 1 – Build capital reserves to $16.5M by year 5 and maintain through year 10, achieve an average spend of $16.5M by year 10.
- Scenario 2 – Build capital reserves to $16.5M by year 5 and increase to $34M by year 10, moving closer to $16.5M average spend by year 5 and closer toward $34M average spend by year 10.
- Scenario 3 – Build capital reserves to $34M by year 5 and achieve an average spend of $34M over 10 years.

Based on the aforementioned analysis and subsequent discussions with the Board in the various meetings related to the identified water rate options, Department management recommends Board approval of the following rate increases to initiate public outreach and the rulemaking process for implementation in FY 2027.

- Across the Board (ATB) service and usage charge increases.
- Water Rate Scenario 1 (FY 2027-2031)
  - FY 2027 (25%)
  - FY 2028 (25%)
  - FY 2029 (6.5%)
  - FY 2030 (6.5%)
  - FY 2031 (6.5%)
- Annual CPI adjustment starting FY 2032.

OPTIONS:

Option 1: **Approve Manager's Report as recommended.**

Pro: The Department can initiate scheduled public outreach and the rule making process to implement new water rates to create long-term financial stability.

Con: All customers will see across the board rate increases.

Option 2: **Do Not Approve Manager's report as recommended.**
Pro: Water customers will not see across the board rate increases and will continue to pay existing rates.

Con: The Department will not begin public outreach and the rule making process as planned. This further delays the Department's ability to become more financially stable while continuing to use cash reserves to balance the budget.

Option 3: **Approve Water Rate Scenario 2 or 3.**
Pro: The Department can initiate scheduled public outreach and the rule making process to implement new water rates to improve long-term financial stability. Both scenarios provide greater funding than Scenario 1.

Con: All customers will see higher across the board rate increases than the minimum requested by Department management.

JK/crz

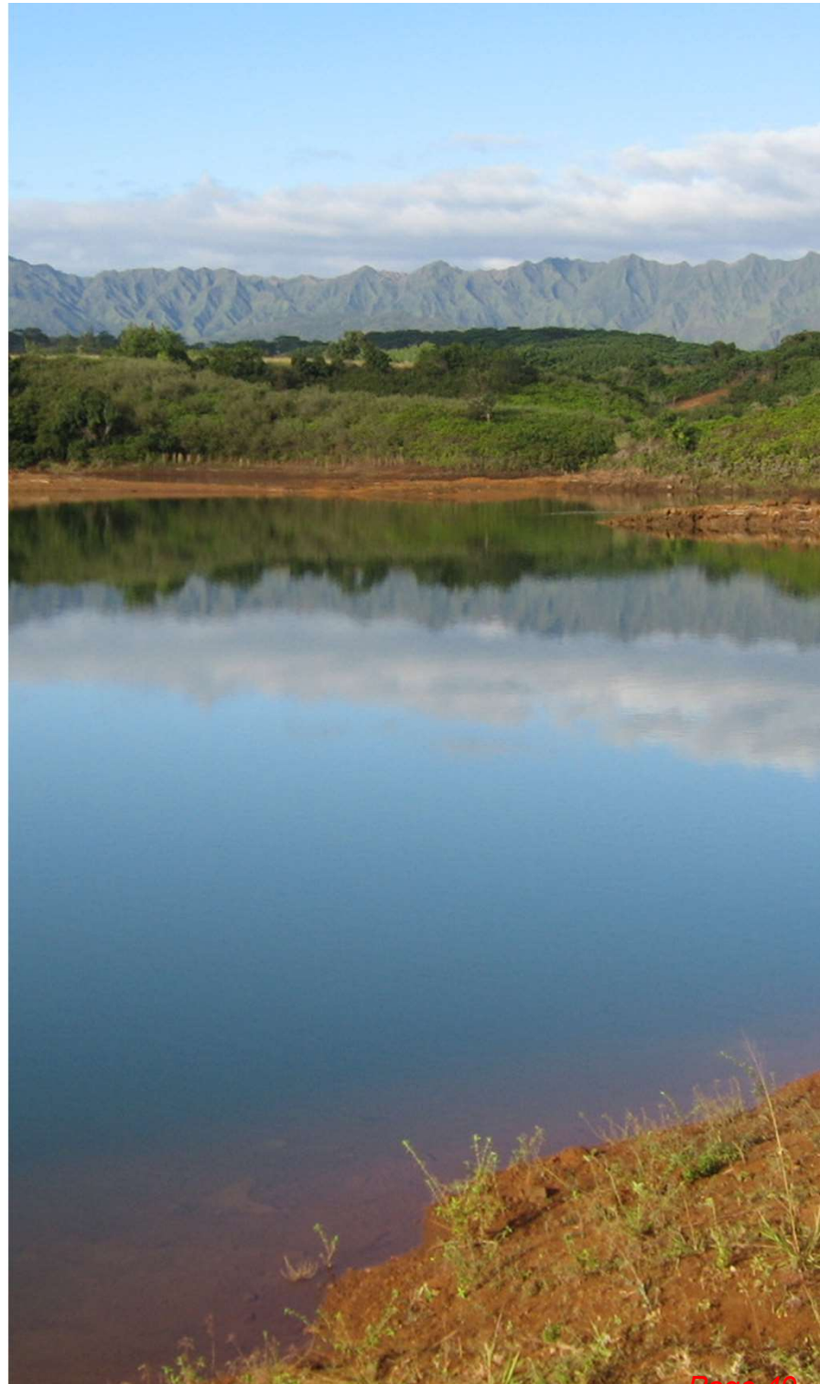
Attachment(s): Water Systems Investment Plan (WSIP) Water Rate Study – Proposed Rate Scenarios for Board Action Slide Deck

Water Systems Investment Plan (WSIP)
Water Rate Study – Proposed Rate Scenarios for Board Action

January 20, 2026

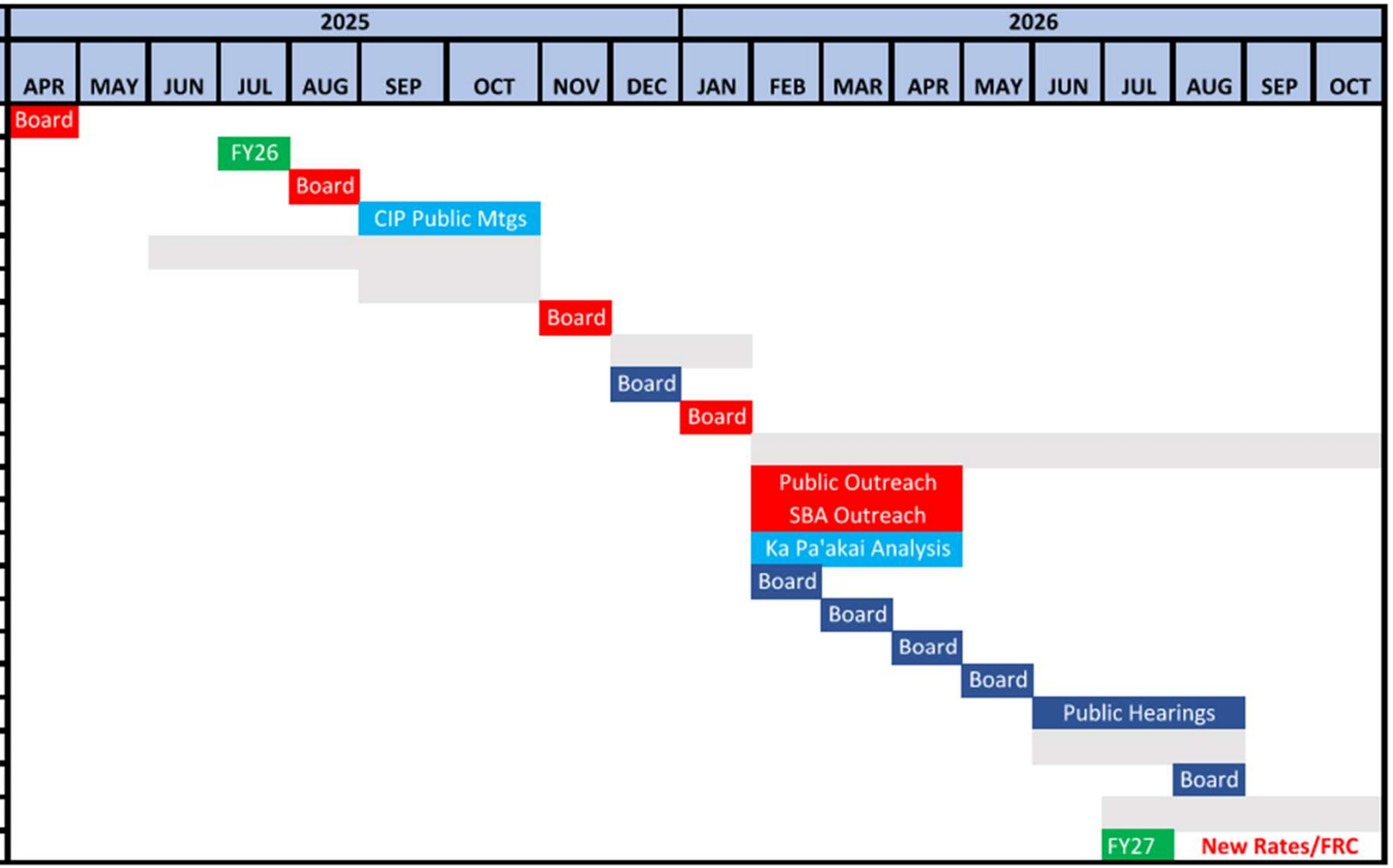
Agenda

- CIP Project Prioritization
  - Prioritized Achievable
  - Prioritized 20-Year
  - Planned Buildout
- Water Rate Study Revenue Requirements Results
- Rate Scenarios and CIP
- Department's Recommendation
  - Scenario 1 including CPI after Year 5
- Manager's Perspective
- Next Steps
- Board Action



Updated Schedule

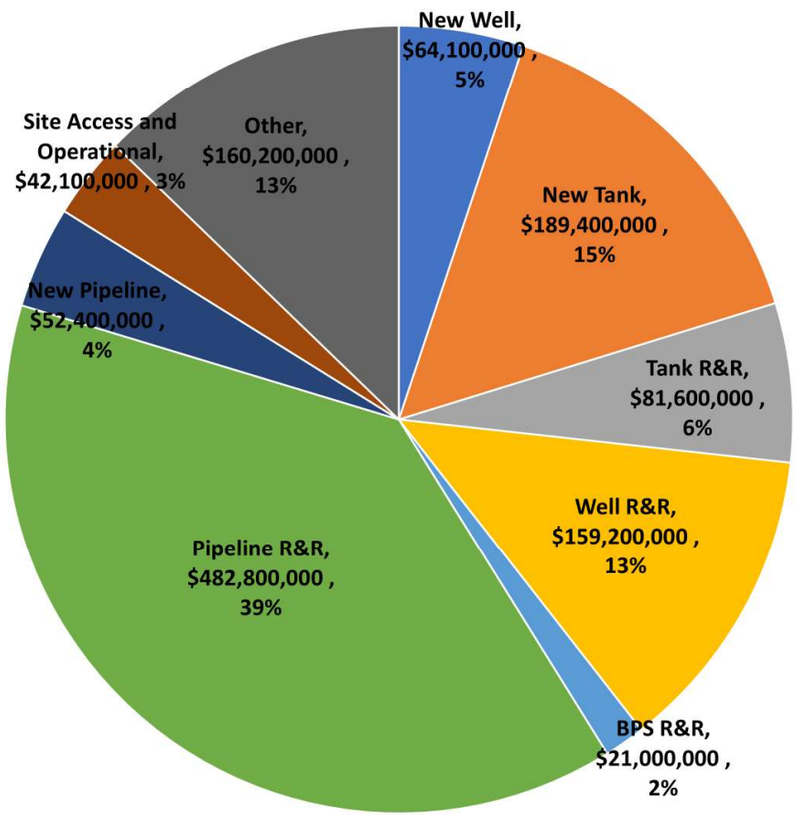
Line No.	Process for New Rate Implementation
1	**Board In-Person FRC Workshop - April 22**
2	FY 2026 Budget Implemented
3	**Board In-Person Presentation Rates Process - August 11**
4	BC Conducts Public Information Meetings - CIP
5	Harris Updates Revenue Requirements (RR)
6	Review of RR by KDOW Staff and BC Team
7	**Board In-Person Presentation Draft Rates & FRC - November 20**
8	Harris Update Rates and FRC as needed per Board feedback
9	Board Meeting Discuss Rates & FRC Issues - December
10	**Board Meeting Finalize Rates & FRC - January**
11	Harris Supports Outreach Activities Including Board Mtg Support
12	**Public Information Outreach (In-Person Meetings TBD)**
13	**Small Business Association Outreach (In-Person Meetings TBD)**
14	Conduct Ka Pa'akai Analyses
15	Board Meeting Discuss Rates & FRC Issues as needed - February
16	Board Meeting Discuss Rates & FRC Issues as needed - March
17	Board Meeting Discuss Rates & FRC Issues as needed - April
18	Board Meeting Send Out Public Hearing Notice - May
19	Public Hearing at June-August Board Meetings
20	Harris Update Rate Schedules as Needed/Draft Final Recommendatior
21	Board Meeting - Final Rates Approved - August
22	KDOW Updates Billing System
23	Implement New FRC and Rates - Q2/Q3 as soon as practical



CIP Prioritization

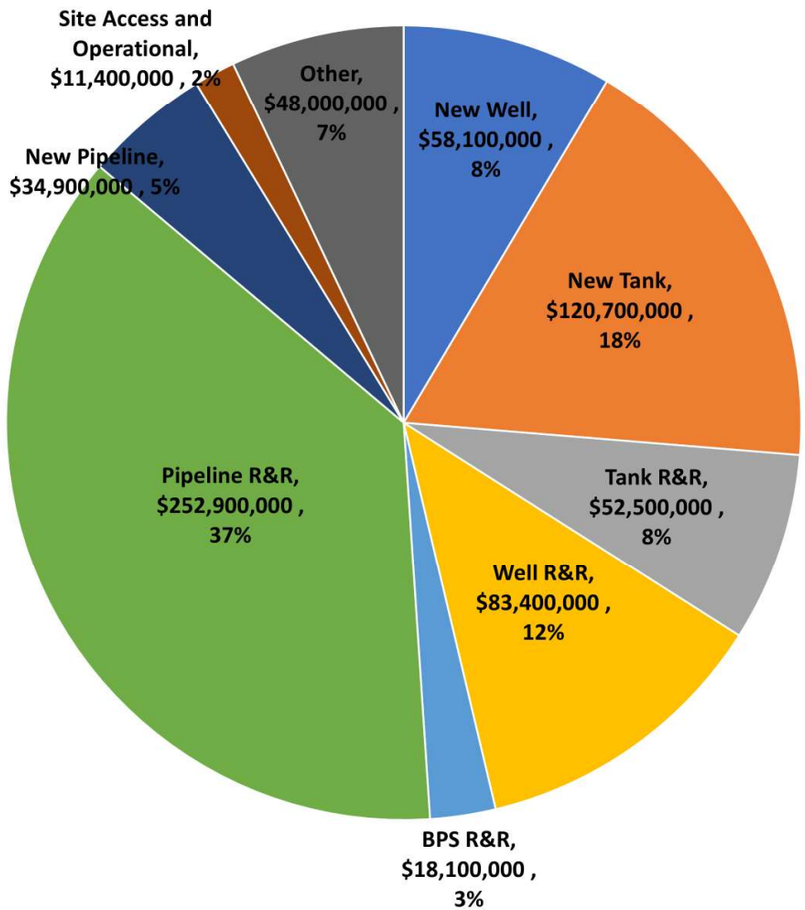
Planned Buildout

173 Projects, $1.3B, $63M/yr



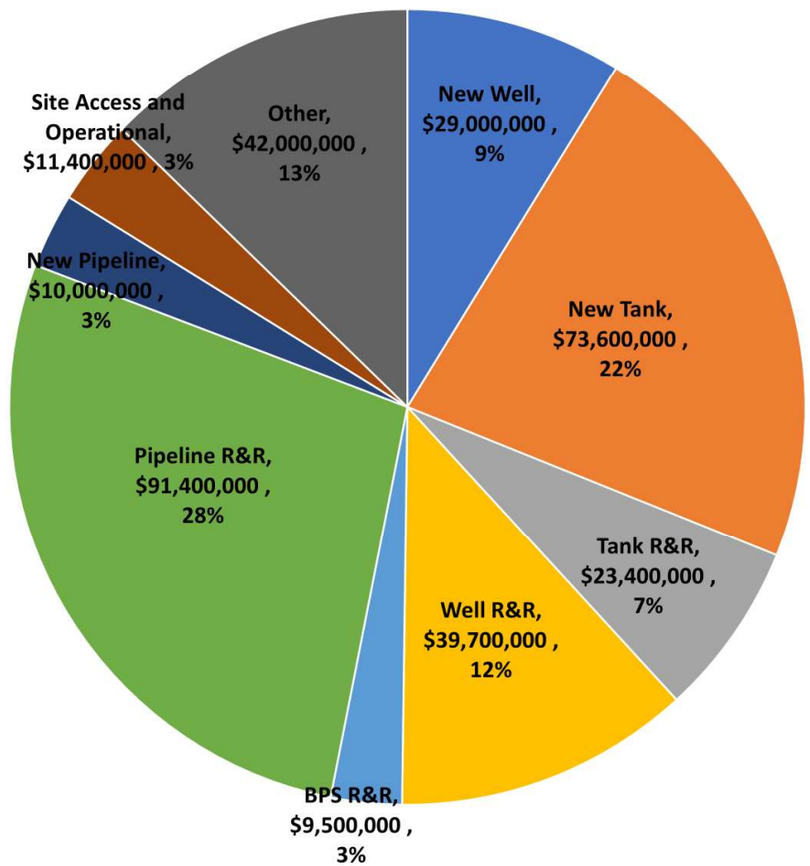
Prioritized 20-Year

109 Project, $680M, $34M/yr



Prioritized Achievable

54 Projects, $330M, $16.5M/yr

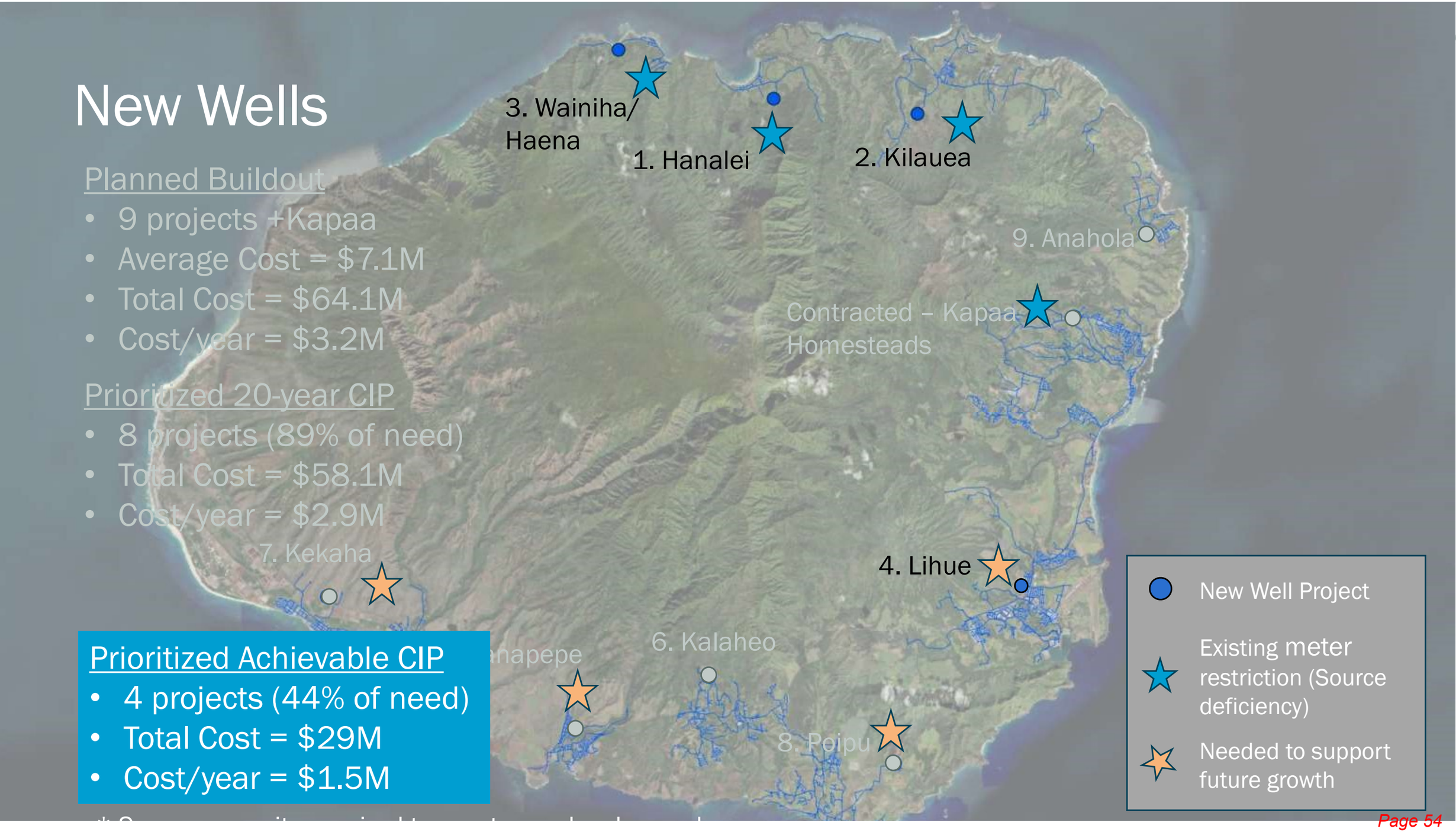


*As of December 10, 2025

WSIP CIP Project Prioritization
New Wells

Project No.	Project Name	Cost Estimate	Priority	In Achievable CIP? (Rate Option 1)	In Prioritized CIP? (Rate Option 3)
WK-39	Kapa'a Homesteads Well No. 4 Pump and Controls	$ -	Contracted	Contracted	Contracted
H-08	Drill & Dev Hanalei Well, 300 gpm	$ 8,400,000	1	Yes	Yes
WKK-02	Drill & Develop New Kilauea Well (No. 3 or No. 4), 350 gpm	$ 5,800,000	2	Yes	Yes
HW-12	Drill & Dev. Wainiha/Haena Well, 100 gpm	$ 7,800,000	3	Yes	Yes
PLH-08-WSIP	Drill & Dev. Lihue 393' Well, 500 gpm	$ 7,000,000	4	Yes	Yes
HE-04-WSIP	Drill & Dev. Hanapepe 212 Well, 700 gpm	$ 6,100,000	5	No	Yes
K-14	Kalaheo Well No. 3, 900 gpm	$ 11,200,000	6	No	Yes
KW-07-WSIP	AMFAC Shaft Development, Kekaha 196'	$ 7,800,000	7	No	Yes
KP-03-WSIP	Drill & Dev. Poipu 245 Well, 840 gpm	$ 6,400,000	8	No	Yes
A-02	Drill & Dev. Anahola Well 400gpm	$ 6,000,000	9	No	No

New Wells



Planned Buildout

- 9 projects +Kapaa
- Average Cost = $7.1M
- Total Cost = $64.1M
- Cost/year = $3.2M

Prioritized 20-year CIP

- 8 projects (89% of need)
- Total Cost = $58.1M
- Cost/year = $2.9M

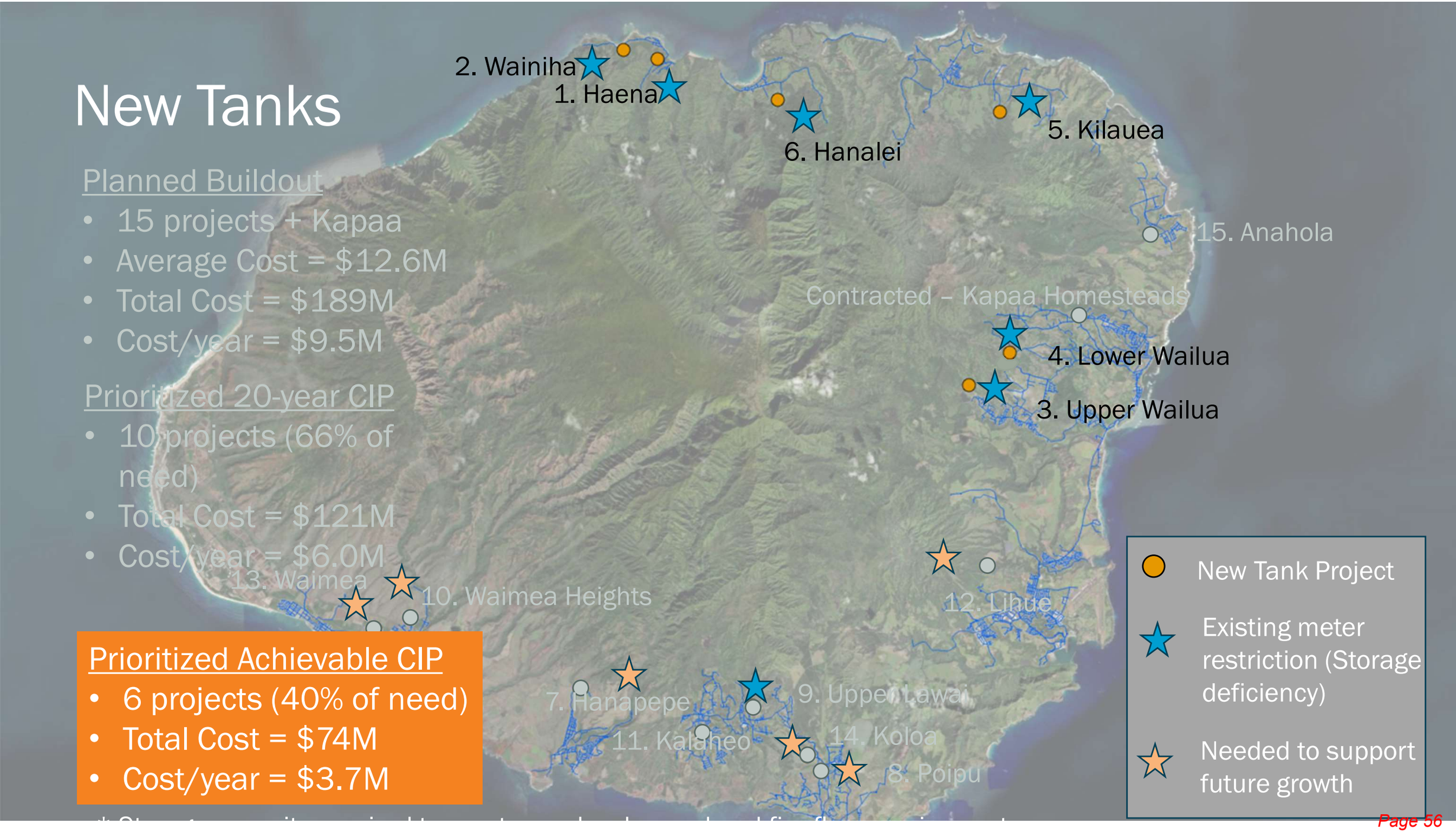
Prioritized Achievable CIP

- 4 projects (44% of need)
- Total Cost = $29M
- Cost/year = $1.5M

WSIP CIP Project Prioritization
New Tanks

Project No.	Project Name	Cost Estimate	Priority	In Achievable CIP? (Rate Option 1)	In Prioritized CIP? (Rate Option 3)
WK-08	Kapa'a 325' Tanks - Two 0.5 MG Tanks	$ -	Contracted	Contracted	Contracted
HW-11	Construct 0.2 MG Storage Tank, 144'	$ 11,100,000	1	Yes	Yes
HW-13	Construct 0.1 MG Storage Tank, 217'	$ 11,500,000	2	Yes	Yes
WK-23	Construct U.H. Exp. Station 605' Tank , 0.25 MG & 12" DI (2	$ 9,900,000	3	Yes	Yes
WK-10	Construct Wailua Homesteads 538 Tank, 1.0 MG	$ 12,000,000	4	Yes	Yes
WKK-15	Construct Kilauea 466 Tank, 1.0 MG	$ 16,700,000	5	Yes	Yes
H-07	New 0.150 MG Tank Hanalei Tank	$ 12,400,000	6	Yes	Yes
HE-05-WSIP	Construct Hanapepe 402' Tank, 0.7MG	$ 15,700,000	7	No	Yes
KP-01-WSIP	New 1.0 MG Poipu 245' Tank	$ 19,300,000	8	No	Yes
LO-03	Construct Lawai (Andrade) Tank 825, 0.05 MG	$ 6,100,000	9	No	Yes
KW-01-WSIP	New Waimea Heights 540' Tank	$ 6,000,000	10	No	Yes
K-05a	Kalaheo New Tank, 0.5MG, 886' (Kukuiolono)	$ 13,300,000	11	No	No
PLH-38	Construct Lihue New 1.0 MG Tank, 393'	$ 19,300,000	12	No	No
KW-26	Construct Waimea 196' Tank, 0.5MG	$ 13,300,000	13	No	No
KP-04-WSIP	Construct Koloa 366' Tank, 0.5MG	$ 13,300,000	14	No	No
A-10	Construct Anahola 0.25MG Tank, 288'	$ 9,500,000	15	No	No

New Tanks



Planned Buildout

- 15 projects + Kapaa
- Average Cost = $12.6M
- Total Cost = $189M
- Cost/year = $9.5M

Prioritized 20-year CIP

- 10 projects (66% of need)
- Total Cost = $121M
- Cost/year = $6.0M

Prioritized Achievable CIP

- 6 projects (40% of need)
- Total Cost = $74M
- Cost/year = $3.7M

WSIP CIP Project Prioritization
Pipeline R&R

- Pipeline R&R represents the single biggest need category for all CIP
- Pipeline R&R prioritization will align over time with system development, operating conditions, and available funding

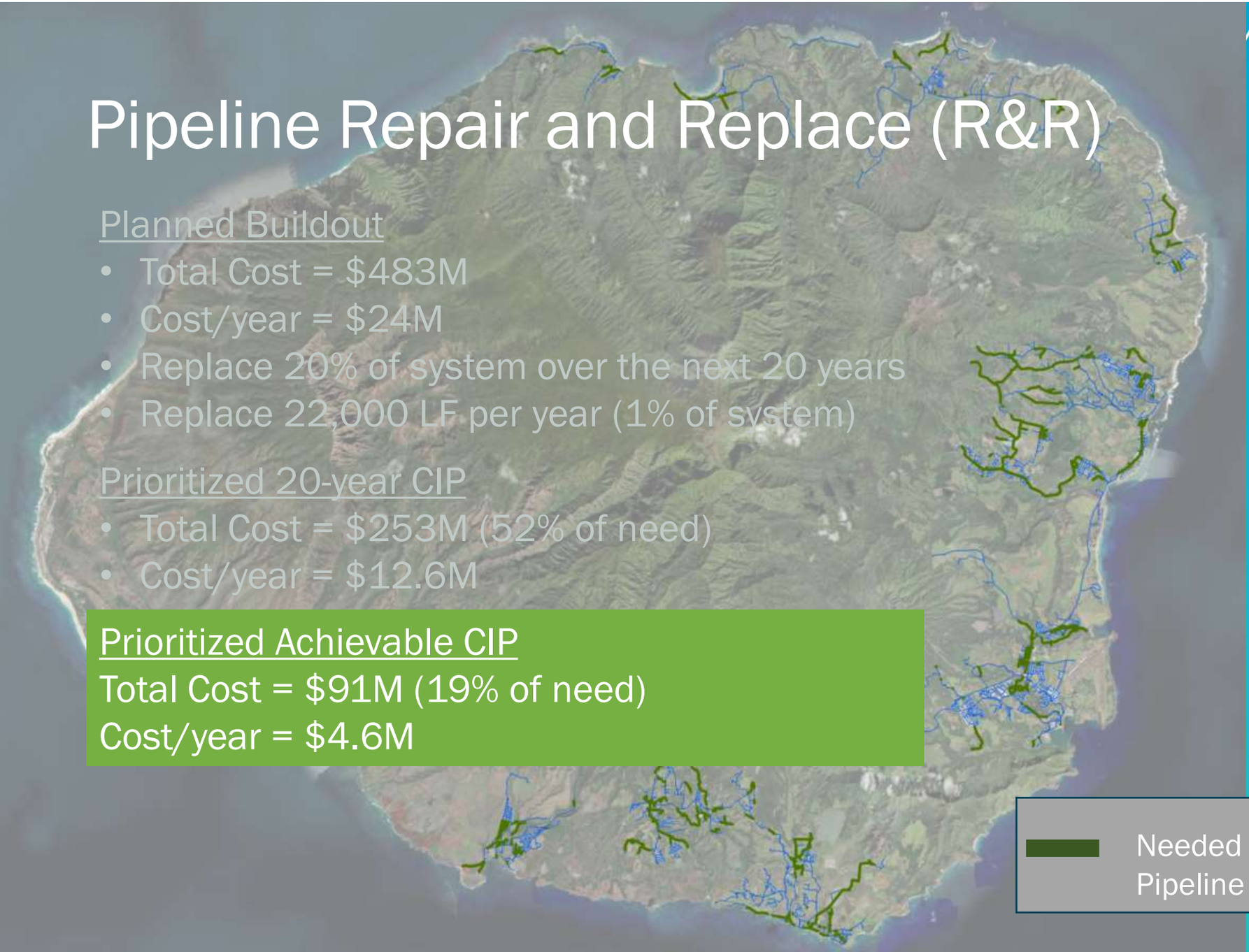
Program Item	Buildout	Achievable CIP	20-Year CIP
No. of Projects	70	11	34
Total Program Cost	$ 482,800,000	$ 91,400,000	$ 250,500,000
Cost per Year	$ 24,140,000	$ 4,570,000	$ 12,525,000
% of Total Program Cost	**39.4%**	**27.7%**	**36.8%**

Pipeline Repair and Replace (R&R)

Planned Buildout
- Total Cost = $483M
- Cost/year = $24M
- Replace 20% of system over the next 20 years
- Replace 22,000 LF per year (1% of system)

Prioritized 20-year CIP
- Total Cost = $253M (52% of need)
- Cost/year = $12.6M

Prioritized Achievable CIP
Total Cost = $91M (19% of need)
Cost/year = $4.6M



Pipeline Age and Capacity:

- Oldest pipes are from the 1920s
- 15% of system built before 1960
- 7% of pipes are undersized to provide fire flow

WSIP CIP Project Prioritization
Tank R&R

Project No.	Project Name	Cost Estimate	Priority	In Achievable CIP? (Rate Option 1)	In Prioritized CIP? (Rate Option 3)
WK-20	Rehabilitate Puupilo Steel Tank, 0.125 MG	$ 1,600,000	1	Yes	Yes
PLH-05-WSIP	Kauai Inn Tank - Rehab	$ 2,500,000	2	Yes	Yes
WKK-01	Rehabilitate Kilauea Tanks #1 & #2, 0.25 MG	$ 2,500,000	3	Yes	Yes
H-02-WSIP	Maka Ridge Tank - Rehab and Resiliency Improvements	$ 3,600,000	4	Yes	Yes
HE-04	Rehabilitate Hanapepe Heights 0.5 MG Tank, 212'	$ 4,100,000	5	Yes	Yes
PLH-05	Rehabilitate Kalepa Tank, 0.5 MG	$ 4,100,000	6	Yes	Yes
LO-01-WSIP	Lawai (Akemama) Tank - Rehab	$ 2,500,000	7	Yes	Yes
KP-01a-WSIP	Rehabilitate 0.25 MG Paanau Tank 1	$ 2,500,000	8	Yes	Yes
KW-18	Rehabilitate Waimea Tank 1, 0.25 MG	$ 2,500,000	9	No	Yes
PLH-06-WSIP	Puhi Tank 1 (0.5 MG) - Rehab	$ 4,100,000	10	No	Yes
K-03-WSIP	Kukuiolono Tank - Rehab	$ 2,500,000	11	No	Yes
MS-14-WSIP	Flexible tank remediation and repair	$ 20,000,000	12	No	Yes
KW-05-WSIP	Waimea Heights Tank - Rehab	$ 1,400,000	13	No	No
WK-06	Rehabilitate Makaleha Tank, 1.0 MG	$ 6,800,000	14	No	No
KP-02-WSIP	Mahaulepu Tank 1 - Rehab	$ 9,400,000	15	No	No
WK-04	Rehabilitate Nonou Tank, 2.0 MG	$ 11,500,000	16	No	No

Cost estimates are AACE Level 5 (-50% to +100%).

WSIP CIP Project Prioritization - Well R&R

Project No.	Project Name	Cost Estimate	Priority	In Achievable CIP? (Rate Option 1)	In Prioritized CIP? (Rate Option 3)
HE-03a	Hanapepe Town Well MCC, Chlorination Facilities	$ 3,200,000	1	Yes	Yes
HW-04	MCC, Chlorination Facilities, Haena Well 66 & Wainiha Well	$ 7,600,000	2	Yes	Yes
HE-03b	Hanapepe Well A MCC, Chlorination Facilities	$ 5,200,000	3	Yes	Yes
HE-03c	Hanapepe Well B MCC, Chlorination Facilities	$ 3,200,000	4	Yes	Yes
PLH-06	MCC, Chlorination Facilities, Puhi Well 1 (KCC)	$ 3,200,000	5	Yes	Yes
PLH-01-WSIP	Garlinghouse Well - MCC, EGEN, Mech./Elec. Improvements	$ 5,300,000	6	Yes	Yes
LO-05a	MCC, Chlorination Facilities, Lawai Wells No. 1 (22) & No. 2	$ 3,400,000	7	Yes	Yes
PLH-12	Kilohana Wells A, B, F & I MCC, Permanent Generator	$ 5,200,000	8	Yes	Yes
KP-10	MCC, Chlorination Facilities, Koloa Well "C" & "D"	$ 3,400,000	9	Yes	Yes
PLH-10	MCC, Chlorination Facilities, Lihue Grammer School Well	$ 3,200,000	10	No	Yes
KW-09c	MCC, Chlorination Facilities, Kekaha (Waipao) Well "B"	$ 3,200,000	11	No	Yes
KW-22b	MCC, Chlorination Facilities, Waimea Well "2"	$ 5,000,000	12	No	Yes
PLH-02-WSIP	Kalepa Ridge Well - MCC, Mech./Elec. Improvements	$ 3,100,000	13	No	Yes
WK-15a	Kapaa Homesteads Well No. 1 - MCC, Chlorination Facility	$ 3,500,000	14	No	Yes
WK-17	MCC, Chlorination Facility and Site Improvements Nonou W	$ 3,200,000	15	No	Yes
WK-16	MCC, Chlorination Facility Nonou Well 9-1A & 9-1B	$ 3,200,000	16	No	Yes
WK-18	MCC, Chlorination Facility Wailua Homestead Wells "A" & "	$ 3,400,000	17	No	Yes
A-01-WSIP	Anahola Well A & B - MCC, Mech./Elec. Improvements	$ 3,100,000	18	No	Yes
PLH-07	MCC, Chlorination Facilities, Puhi Well 3	$ 3,200,000	19	No	Yes
HE-03d	Hanapepe Well #4 MCC, Rehab Chlorination Facilities,gener	$ 4,900,000	20	No	Yes
H-01-WSIP	Maka Ridge Well - MCC Improvements	$ 4,700,000	21	No	Yes
MS-11-WSIP	Flexible source rehab and repair	$ 14,000,000	22	No	Yes
KW-03-WSIP	Kekaha Shaft - MCC, Mech./Elec. Improvements	$ 3,100,000	23	No	No
PLH-03-WSIP	Puhi Well 4 - MCC, Mech./Elec. Improvements	$ 3,100,000	24	No	No
PLH-37	Rehabilitate Kilohana Wells C, G, and F	$ 3,600,000	25	No	No
PLH-07-WSIP	Kokolau Water Treatment and Pipeline Replacement	$ 36,000,000	26	No	No

Note: Cost estimates are AACE Planning level (-50% to +100%).

WSIP CIP Project Prioritization
BPS R&R

Project No.	Project Name	Cost Estimate	Priority	In Achievable CIP? (Rate Option 1)	In Prioritized CIP? (Rate Option 3)
LO-05b	Andrade BP - MCC, Permanent Generator and Housing, Law	$ 3,800,000	1	Yes	Yes
WK-38	Rehabilitate Puu Pilo Booster Station	$ 2,800,000	2	Yes	Yes
KW-02-WSIP	Waimea Heights BP - MCC, Mech./Elec. Improvements	$ 2,900,000	3	Yes	Yes
HE-03-WSIP	Hanapepe Cliffside BP - MCC, Mech./Elec. Improvements	$ 2,900,000	4	No	Yes
WKK-01-WSIP	Waipake BP - MCC, Mech./Elec. Improvements	$ 2,800,000	5	No	Yes
KW-04-WSIP	Waimea-Kekaha BP - MCC, Mech./Elec. Improvements	$ 2,900,000	6	No	Yes
PLH-04-WSIP	Puhi BP - MCC, Mech./Elec. Improvements	$ 2,900,000	7	No	No

Cost estimates are AACE Level 5 (-50% to +100%).

WSIP CIP Project Prioritization
New Pipeline

Project No.	Project Name	Cost Estimate	Priority	In Achievable CIP? (Rate Option 1)	In Prioritized CIP? (Rate Option 3)
PLH-35b	Kapaia Cane Haul Road 18" Main	$ 10,000,000	Contracted	Yes	Yes
WKK-17	Kuhio Hwy. (Pukalani Pl. - Kolo Road) New Main (4,790')	$ 4,100,000	1	No	Yes
LO-16	Koloa Road New 8" Main (8,200')	$ 6,800,000	2	No	Yes
LO-13b	Wawae Road Extension (1,360')	$ 1,100,000	3	No	No
KP-11	Poipu Tank (Mahaulepu)- Poipu By-pass Rd 18" Main (7,20	$ 13,400,000	4	No	No
A-07	Manai/Kukuihale Road 8" Main (2,200')	$ 1,800,000	5	No	No
PLH-34	Kapule Hwy. (Kuhio Hwy - Ahukini Rd) 16" Main (8,750')	$ -	6	No	No

Cost estimates are AACE Level 5 (-50% to +100%).

WSIP CIP Project Prioritization
Site Access & Operational

Project No.	Project Name	Cost Estimate	Priority	In Achievable CIP? (Rate Option 1)	In Prioritized CIP? (Rate Option 3)
HE-01-WSIP	Hanapepe Well Dry Access - Stream Crossing (Needs EIS) or	In Development	1	Yes	Yes
HW-01	Improve access to Wainiha 217' Tank		2	Yes	Yes
WK-01	Rehabilitate Moelepe Tunnel Access Road		3	Yes	Yes
K-16	Abandon Kalaheo Well No. 24		4	Yes	Yes
HE-13	Demolish Eleele Tank, 97', 60,000 Gallon		5	Yes	Yes
WK-37	Moelepe Tunnel Chlorination Facility		6	Yes	Yes
MS-16-WSIP	Access Agreement Development		7	Yes	Yes
WKK-16	Waipake, Namahana, Kalihiwai Booster Pump Stations -Inst		8	No	No
H-07a	Demo Hanalei Tank		9	No	No
MS-09-WSIP	Flexible operations-based/requested projects allowance (ex	$ 30,000,000	10	No	No

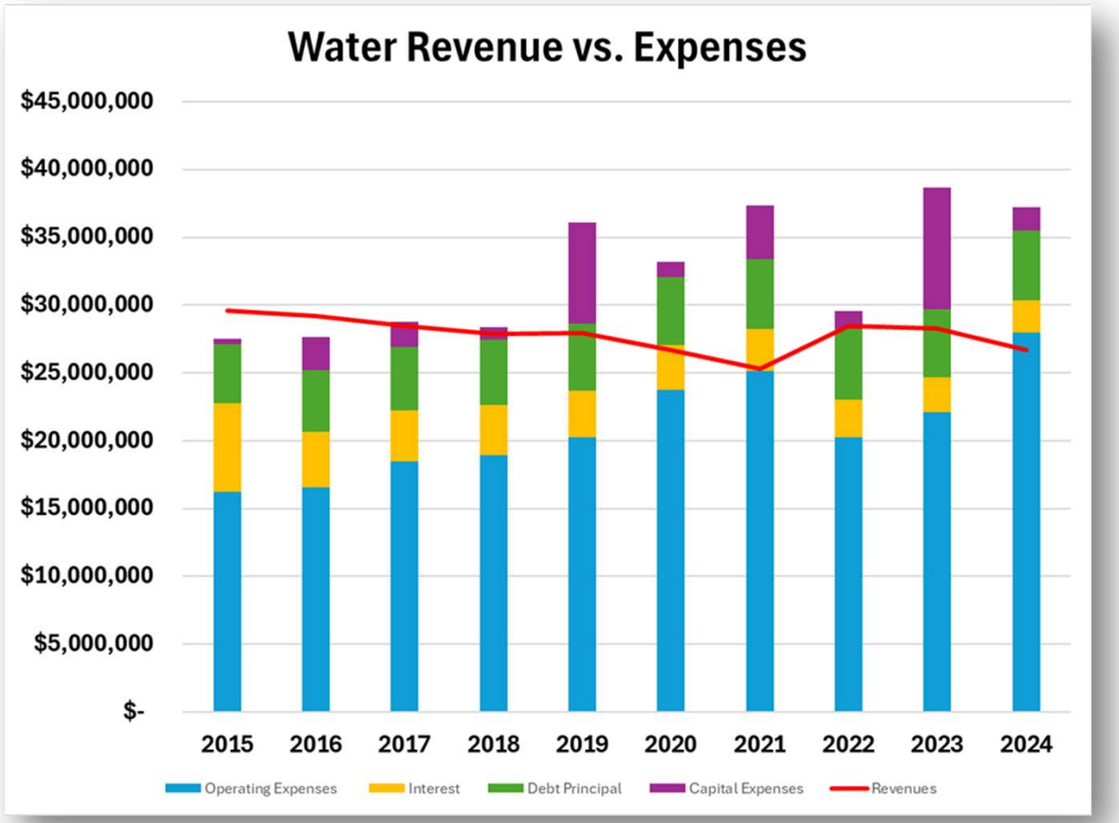
WSIP CIP Project Prioritization
Other Projects

Project No.	Project Name	Cost Estimate	Priority	In Achievable CIP? (Rate Option 1)	In Prioritized CIP? (Rate Option 3)
MS-01-WSIP	AMI/AMR meter replacements	$ 5,000,000	1	Yes	Yes
MS-04-WSIP	SCADA master plan	$ 1,000,000	2	Yes	Yes
MS-05-WSIP	SCADA improvements	$ 10,000,000	3	Yes	Yes
MS-06-WSIP	Other enterprise-wide investment (examples: IT, baseyards	$ 20,000,000	4	Yes	Yes
M-03	Acquire Moloaa Source, Install Pump, Tank, Controls, and 1	$ 6,000,000	5	Yes	Yes
HE-06-WSIP	Waialo Road BPS	$ 6,000,000	6	No	Yes
MS-07-WSIP	Planning and engineering support	$ 80,000,000	7	No	No
MS-02-WSIP	Watershed support programs	$ 6,000,000	7	No	No
MS-03-WSIP	Climate adaptation projects (examples: SLR, wildfire, drougl	$ 4,000,000	7	No	No
MS-10-WSIP	Flexible source acquisition allowance (examples: Moloaa w	$ 2,000,000	7	No	No
MS-12-WSIP	Flexible interdepartmental coordination "opportunity" proj	$ 20,000,000	7	No	No
KW-08-WSIP	DHHL Coordination and Support Pu'u 'Ōpae Water System I	$ 200,000	7	No	No

Cost estimates are AACE Level 5 (-50% to +100%).

Water Rate Study
Revenue Requirements Results

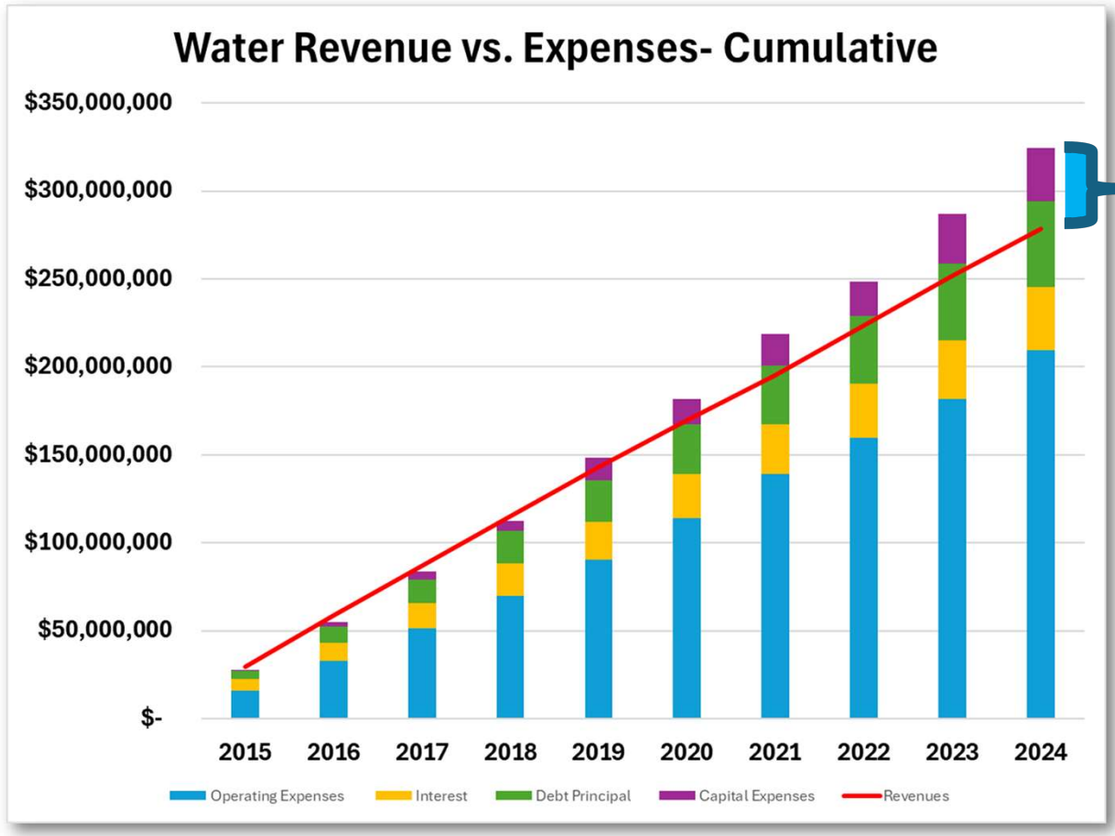
Current Financial Overview Revenues and Expenses



- Revenues are less than Expenses starting in FY 2017
- The last water rate increase was effective FY 2015 (July 2014)
- Expenses include O&M, debt service and rate funded capital
- Depreciation is not included in Expenses for purposes of this graph

Reserves Drawdown

- Revenues are less than Expenses by about $45.7 million over a 10-year time period
- Delta funded by drawdown of cash reserves
- Over the 10-year period an average annual rate increase of 5% per year implemented every year may have closed/reduced the deficit
- Cumulative rate increase needed was approximately 55% over 10 years



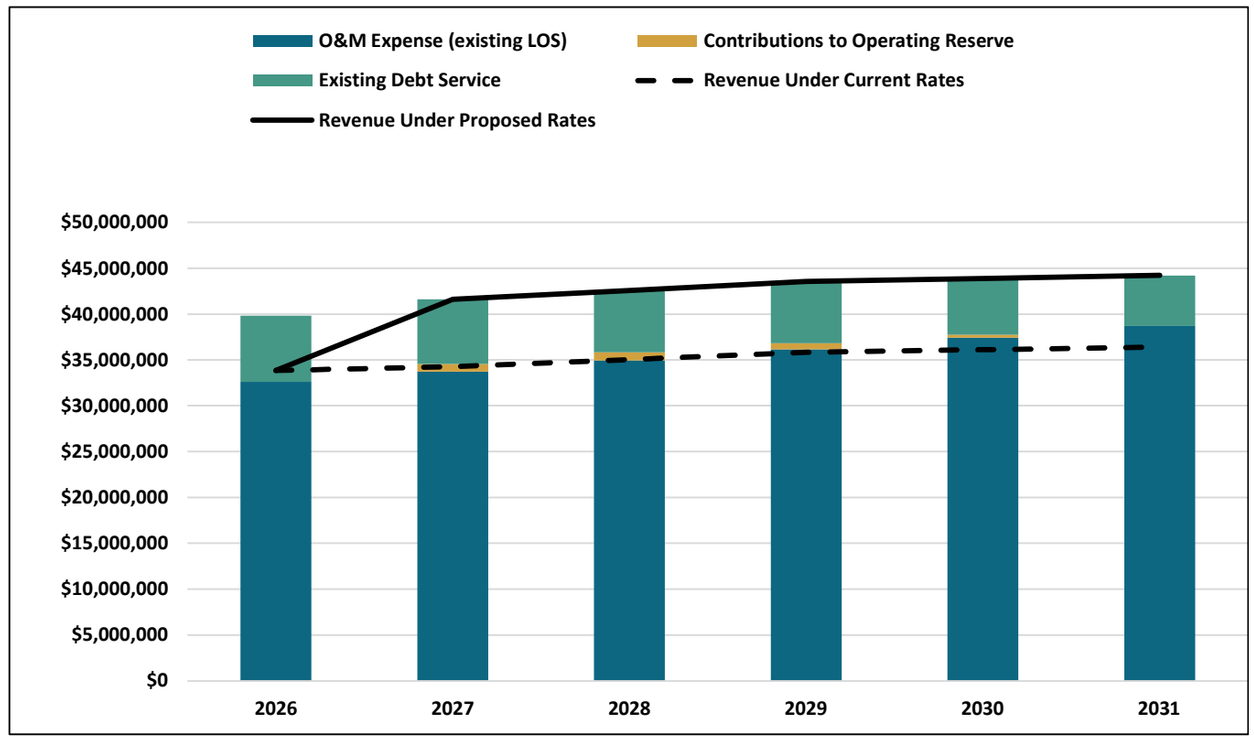
Rate Scenarios and CIP

Water Rates Summary of 3 Water Rate Scenarios

- Baseline Needed to Close Operations and Debt Service Gap
- Time Period is 10 Years
- 3 Scenarios Developed to Achieve Financial Targets
- Scenarios Built on Achieving Capital Scenarios
- Impact of Different Scenarios on Water Bills

Baseline Operations Analysis FY 2027- FY 2031

- Incorporates recommended operating policy targets
- FY 2026 operating budget serves as basis for revenue and expense projections
- Operating Revenues
  - Annual customer growth: 0.80% per historical review
  - ~83% progress on improved meter reads; complete by FYE 2028
  - Interest earnings on cash balances: 3.0%
- Operating Expense
  - Budgeted vacant positions (~20%) assumed to be filled
  - Annual cost escalation: 3.5%
- Debt service per existing Bonds and SRF loans



Result = minimum 23.5% rate adjustment needed in FY 2027

Rate Scenario Results FY 2027- FY 2036

CAPITAL SCENARIOS (Budget + FY 2027- FY 2036)	SCENARIO 1 ($16.5M/YR)	SCENARIO 2 ($16.5M-$34M/YR)	SCENARIO 3 ($34M/YR)
Annual % Increases (FYs 2027-2036)			
FY 2027	25.0%	25.0%	30.0%
FY 2028	25.0%	25.0%	30.0%
FY 2029	6.5%	12.0%	15.0%
FY 2030	6.5%	12.0%	15.0%
FY 2031	6.5%	12.0%	15.0%
FY 2032	0.0%	3.5%	3.5%
FY 2033	0.0%	3.5%	3.5%
FY 2034	0.0%	3.5%	3.5%
FY 2035	0.0%	3.5%	3.5%
FY 2036	0.0%	3.5%	3.5%
FYs 2027-2036 Cumulative Rate Impacts	89%	161%	205%

*Department is recommending CPI After FY 2031

Rate Scenarios and CIP

- The **"Prioritized Achievable" CIP** ($16.5 M) corresponds to Rate Scenario 1
- The **"Prioritized 20-year" CIP** ($34 M) corresponds to Rate Scenario 3
- No Rate Scenario will fund the **"Planned Buildout" CIP**

Rate Scenario Results FY 2027- FY 2036

CAPITAL SCENARIOS (Budget + FY 2027- FY 2036)	SCENARIO 1 ($16.5M/YR)	SCENARIO 2 ($16.5M-$34M/YR)	SCENARIO 3 ($34M/YR)
Total Capital Spending (FY 2026-2031; by FY 2036)	$80.0M/$181.5M	$96.3M/$277.6M	$107.2M/$372.4M
Average Annual Capital Spending (Budget + 5-Yr)	$13.3M	$16.0M	$17.9M
Average Annual Capital Spending (Budget + 10-Yr)	$16.5M	$25.2M	$33.9M
Staff Augmentation	$500k/Yr	$1M/Yr	$2M/Yr
10 Yr Capital Funding Plan (Budget + FY 2027-FY 2036)			
Cash-Funded	91%	94%	96%
Debt-Financed	7%	5%	3%
State Appropriations	2%	1%	1%
Total	100%	100%	100%
Projected SRF Loans:			
FY 2027	$3.0M	$3.0M	$3.0M
FY 2029	$5.0M	$5.0M	$5.0M
FY 2030	$5.0M	$5.0M	$5.0M
Total	$13.0M	$13.0M	$13.0M
Additional Annual Debt Service thru FY 2036	$1.60 M	$1.60 M	$1.60 M
CAPITAL FINANCIAL POLICY TARGETS			
Debt Service Coverage	>= 1.5 times annual debt service		
Projected Range FY 2027 to FY 2036	1.1 to 9.0	1.0 to 19.1	1.1 to 24.9
Achieved 1.5 Debt Service Coverage	2028	2028	2028
Maximum Debt as % of Net Assets	<=35% to 50% Debt		
Projected (FY 2027)	21%	21%	21%
Operating Cash Reserve (160 Days)	160 Days of O&M + Debt Service		
Projected (as of FY 2027)	75%	75%	75%
Achieved (as of FY 2029)	100%	100%	100%
Annual Ending Capital Reserve Balance	=> Average Annual Capital Expenditures		
Target Achievement (as of FY 2027/FY 2031)	15%/100%	11%/100%	6%/100%

Scenario 1 –

- 25%, 25%, 6.5%, 6.5%, 6.5%,
- 0% (last 5 yrs)
- *Department is recommending CPI After FY 2031

Scenario 2 –

- 25%, 25%, 12%, 12%, 12%,
- 3.5% (last 5 yrs)

Scenario 3 –

- 30%, 30%, 15%, 15%, 15%,
- 3.5% (last 5 yrs)

A Note on Inflation…

- Average inflation rate in Hawaii between 2000 and 2025 has been approximately 2.5% per year
- This means a capital project with a budget of $1,000,000 in 2000 would cost nearly $2,000,000 in today's market
- This surge is attributed to various factors, including the state's remote location, high cost of imported materials, scarcity of labor, and evolving regulations
- Additionally, natural disasters such as hurricanes and flooding have necessitated extensive rebuilding efforts
- All of these factors are amplified on Kauai

"The price to construct a Department of Water tank on Kauai has increased by a factor of 3 between 2008 and 2023."

Typical Bill Changes – FY 2027-FY 2031 (5YRs)

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
TYPICAL BILL (5/8", 12 kgal/mo)						
Existing Rates	$ 78.90	$ 78.90	$ 78.90	$ 78.90	$ 78.90	$ 78.90
Scenario 1	N/A	$ 98.63	$ 123.28	$ 131.29	$ 139.83	$ 148.92
Scenario 2	N/A	$ 98.63	$ 123.28	$ 138.08	$ 154.64	$ 173.20
Scenario 3	N/A	$ 102.57	$ 133.34	$ 153.34	$ 176.34	$ 202.79
MONTHLY $ INCREASE PER YEAR						
Scenario 1	N/A	$ 19.73	$ 24.66	$ 8.01	$ 8.53	$ 9.09
Scenario 2	N/A	$ 19.73	$ 24.66	$ 14.79	$ 16.57	$ 18.56
Scenario 3	N/A	$ 23.67	$ 30.77	$ 20.00	$ 23.00	$ 26.45
MONTHLY % INCREASE PER YEAR						
Scenario 1	N/A	25%	25%	6.5%	6.5%	6.5%
Scenario 2	N/A	25%	25%	12%	12%	12%
Scenario 3	N/A	30%	30%	15%	15%	15%

Note: The above scenarios reflect the proposed across the board increases which include water service and usage charges.

The Manager's Perspective:

- The last KDOW rate increase was 12 years ago, resulting in urgent need department-wide
- Status quo is ***not an option***
- A ***minimum of 24%*** effective July 2026 is needed to cover ***O&M and debt service only***. This does not include additional capital…
- … but critical capital projects are also needed ***now***

Strategic steps forward:

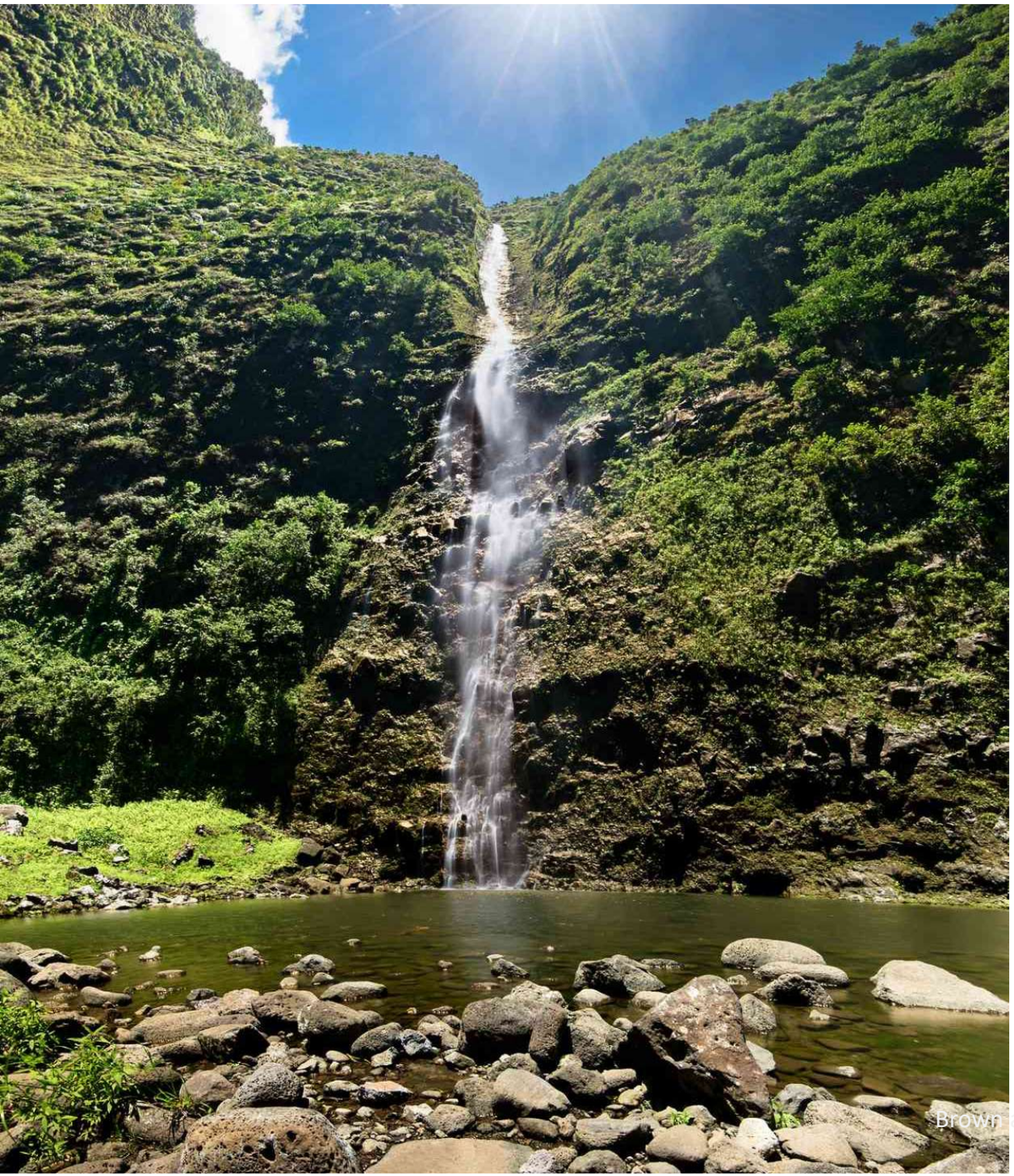
1. ***Approve Scenario 1 as the 5-year plan effective Fall 2026 with CPI in subsequent years***
2. Review and evaluate the ***short-term impacts*** of these adjustments
3. Confirm the 5-year financial results to support ***long-term stability*** and resilience ***beyond 2031***
4. ***Ensure financial security*** to maintain confidence and service reliability
5. ***Require future reporting*** on project, staffing, and preventive maintenance achievements funded by these adjustments

Next Steps

- Public outreach in Q2 2026 based on Board action
- Ka Pa‘akai analysis based on Rule Change
- Small Business Regulatory Review Board (SBRRB) approval to hold Public Hearing
- Board to hold Public Hearing
- Small Business Regulatory Review Board (SBRRB) approval after Public Hearing
- Update Ka Pa‘akai analysis if applicable
- Board to adopt rule change
- File Rule and implement new Rates and FRC by Q3 2026
- Start Cost-of-Service and Rate Design efforts in Q3 2026

Department's Recommendations

- Approve Water Rate Scenario 1 with CPI subsequent to FY 2031
  - FY27 – 25%
  - FY28 – 25%
  - FY29 – 6.5%
  - FY30 – 6.5%
  - FY31 – 6.5%
  - FY 32 & Beyond – Annual adjustment based on CPI
- Addresses:
  - Debt service coverage
  - Maximum debt as % of net assets
  - Operating cash reserve
  - Annual ending cash reserve balance
  - Average annual CIP of $13.3M/yr at end of FY 2031
  - Average annual CIP of $16.5M/yr at end of FY 2036
  - CPI adjustment allows for the capture of possible future inflationary changes



Department of Water County of Kaua'i

Brown AND Caldwell

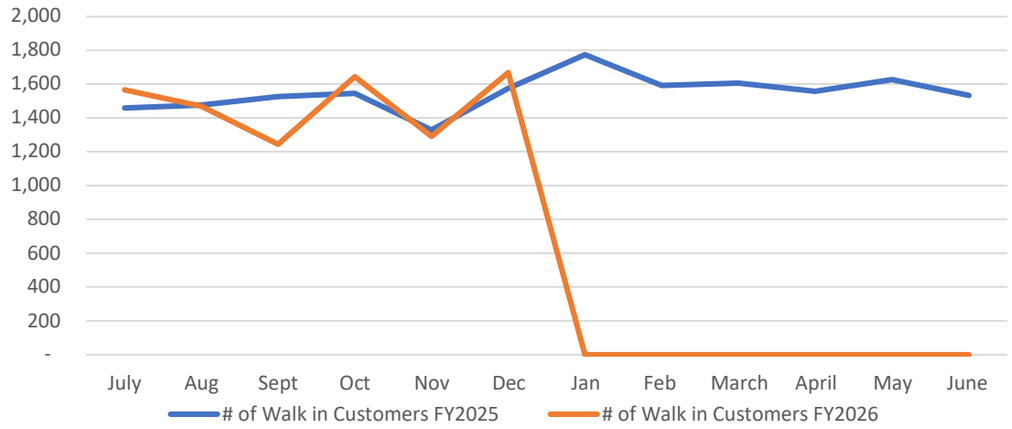
Harris & Associates

Thank you!

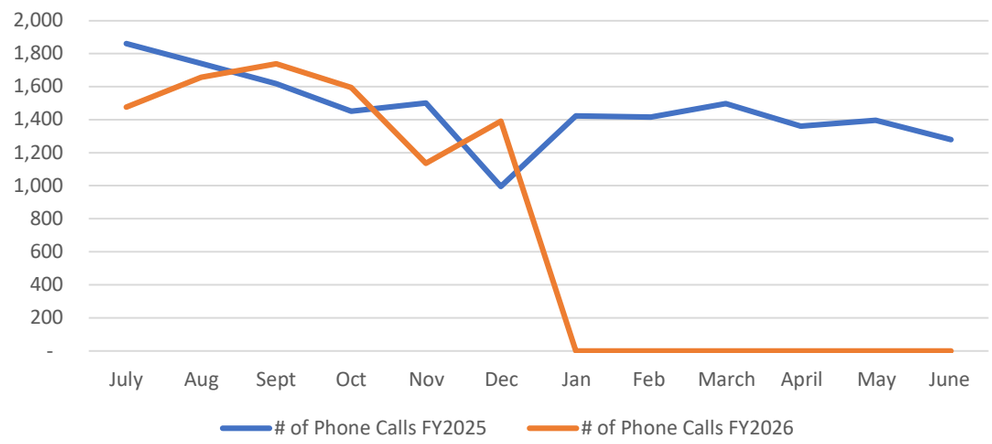
Staff Reports

FISCAL DIVISION DASHBOARD

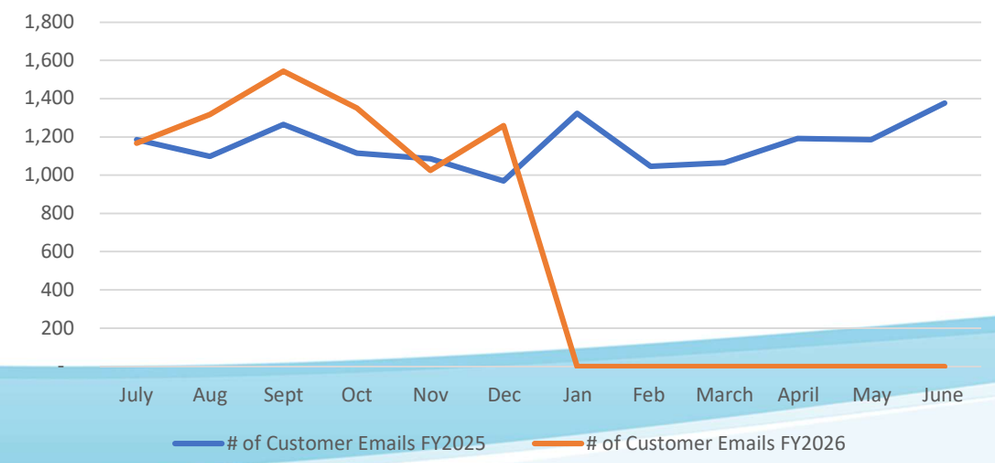
of Walk in Customers



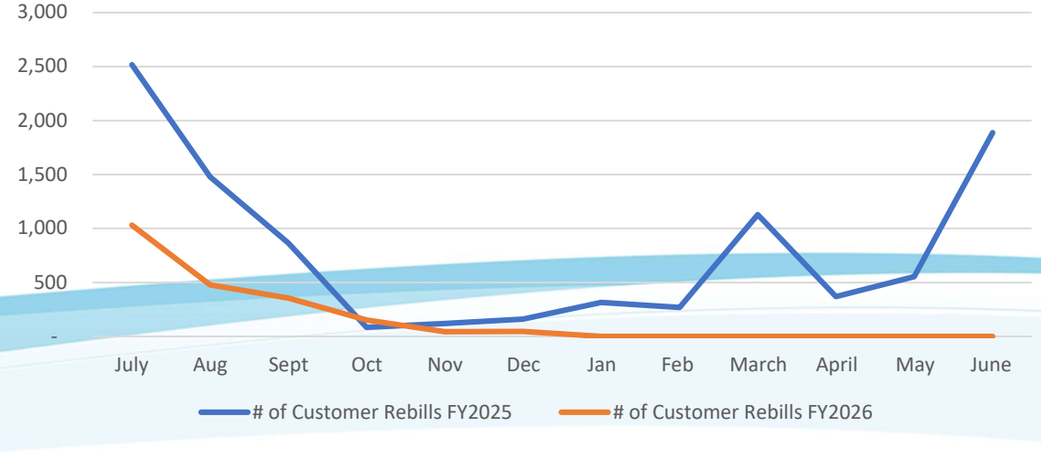
of Customer Service Calls



of Customer Emails and Correspondence

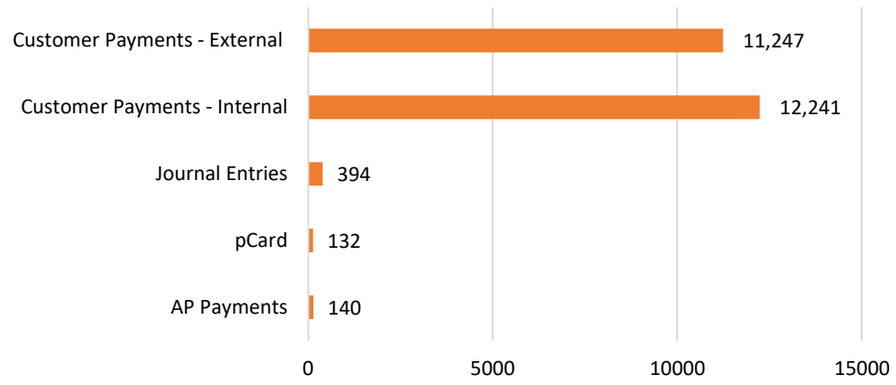


of Customer Rebills



FISCAL DIVISION DASHBOARD

Accounting Highlights

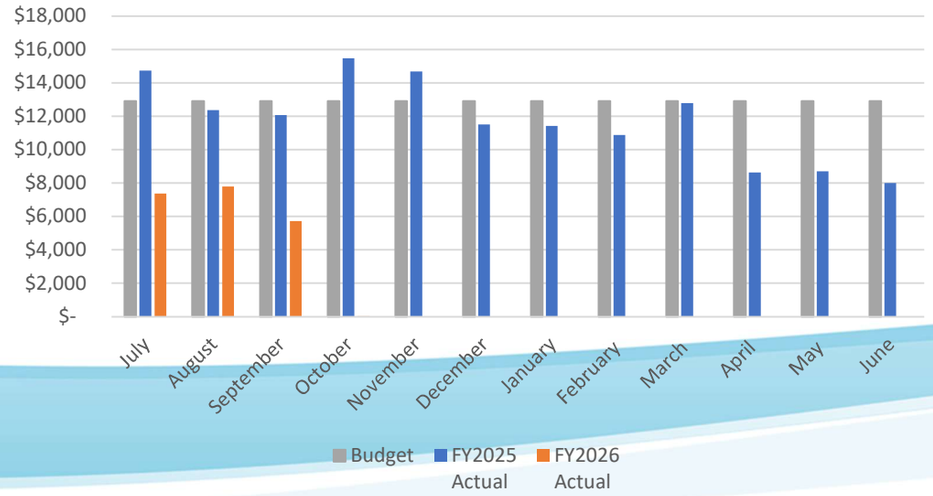


Monthly Transactional Volume processed and reconciled by the Accounting Team.

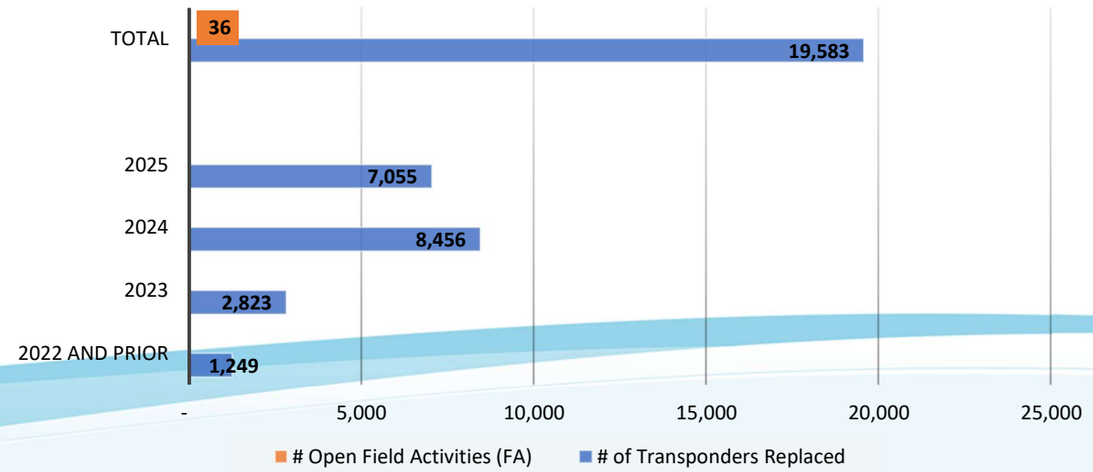
Transponder Replacement Highlights:

- 56 Transponders Replaced in December 2025.
- 85% Replaced to date.
- <1>% Failed; awaiting replacement.
- 15% Active; expected to fail soon.

Overtime



Transponder Replacement Progress (Calendar Year)



Department Of Water Budget Report for December 2025

	December 2025			Fiscal Year 2026			
	Budget	Actual	Variance	Year to Date Budget	Year to Date Actual	Variance	Variance %
Operating							
Revenue	$ 2,995,974.00	$ 3,343,952.17	$ 347,978.17	$ 17,975,844.00	$ 19,423,394.65	$ 1,447,550.65	8.1.%
Expenses							
Labor *	$ 1,278,478.42	$1,139,550.82	$ 138,927.60	$ 7,670,870.50	$6,837,304.91	$ 833,565.59	10.9.%
Services	1,361,349.08	$516,123.44	845,225.64	8,168,094.50	$3,053,375.79	5,114,718.71	62.6.%
Utilities & Materials	797,635.75	$632,241.52	165,394.23	4,785,814.50	$2,932,175.28	1,853,639.22	38.7.%
Total Operating Expenses	$ 3,437,463.25	$2,287,915.78	$ 1,149,547.47	$ 20,624,779.50	$12,822,855.98	$ 7,801,923.52	37.8.%
Debt Service Principal & Interest	58,699.00	372,539.96	(313,840.96)	5,298,178.00	5,692,351.49	(394,173.49)	(7.4.%)
Operating and Debt Expenses	$ 3,496,162.25	$ 2,660,455.74	$ 835,706.51	$ 25,922,957.50	$ 18,515,207.47	$ 7,407,750.03	28.6.%
Net Income (Loss)	***$ (500,188.25)***	***$ 683,496.43***	***$ 1,183,684.68***	***$ (7,947,113.50)***	***$ 908,187.18***	***$ 8,855,300.68***	**111.4.%**

*** Current month's labor is estimated**

Capital Projects and Purchases**

	Fiscal Year Budget	December YTD 2026 Actual	Remaining Budget
Water Utility Funded Projects			
WU-IT-RandR Capital Purchases--	$ 57,665.38	$ -	$ 57,665.38
WU-IT-Expansion Capital Purchases--	978,197.32	79,614.43	898,582.89
WU-Eng-ALLR-17-10-KW-07 Paua Valley Tank Repair	9,407.62		9,407.62
WU-Eng-ALLR-Hanapepe Stream Crossing	54,498.95		54,498.95
WU-Eng 11-04 LO-10 Lawai 6n8inch Main Replacement	75,324.96	7,864.28	67,460.68
WU-Eng WK-08, Kapaa Homesteads 2-0.5MG Tanks	2,597,000.00		2,597,000.00
WU -23-05 Weke, Anae, Mahimahi Hee 6-8 inch mains	3,424,663.00		3,424,663.00
WU-Eng-23-08 Hanapepe Town Well MCC	502,319.08	9,670.00	492,649.08
WU-Eng-Job 18-3 -Kuhio Hwy Hardy-Oxford 16IN Main	3,199,896.96	121,177.51	3,078,719.45
WU-Eng-56%R-Job 23-03 Kuhio Hwy Papaloa to Waikaea	69,074.57		69,074.57
WU-Eng-16-4-WKK-03-Kilauea Wells MCC Rehab	233,462.60		233,462.60
WU-Eng Phase I-Demo Admin Bldg/MoveConduit/ATS Lal	230,700.00		230,700.00
WU-23-02 WK-34, Kuamoo Rd 8" Main Replace (6,500')	99,063.00		99,063.00
WU-Eng-WK-08-Kapaa Homesteads 2-0.5MG Tanks	400,000.00		400,000.00
WU-Eng-WK-39 Kapaa Homesteads Well #4 Pump&Contr	2,400,000.00		2,400,000.00
WU-Eng PLH-35b, Kapaia Cane Haul Road 18" Main Env	1,124,375.70		1,124,375.70
WU-Eng-Security Fencing Admin Bldg	368,315.39		368,315.39
WU-Eng-Expansion Capital Purchases	13,867.01		13,867.01
Job 17-10 KW-07 Paua Valley Tank Repair	278,450.95		278,450.95
WU-Cns-44%R-09-01 Yamada Tank Clearwell, Conn Pipe	2,520,810.21	90,189.77	2,430,620.44
WU-Const-R&R-Tank Remediation Repair	32,899.55		32,899.55
Job 16-02 PLH-35B Kapaia Cane Haul Rd 18" Main	2,990,220.00		2,990,220.00
Job 02-14 WK39 WK08 Kapaa Hmstd Well 4; Pkg A Well	194,120.62		194,120.62
WU-Ops-R&R-Upgrade and Replace SCADA RTU and PLC	19,498.65		19,498.65
WU-Ops-RandR Capital Purchases	3,274,252.87	240,082.74	3,034,170.13

WU-Ops-Expansion Capital Purchases	1,355,094.26	9,087.16	1,346,007.10
Projects with budget but no activity	-		-
	$ 26,503,178.65	$ 557,685.89	$ 25,945,492.76
FRC Funded Projects			
FRC-Eng-ALLE--H-08 Hanalei Well 2	$ 130,000.00	$ -	$ 130,000.00
FRC-Eng WK-08, Kapaa Homesteads 2-0.5MG Tanks	3,000,000.00	122,751.00	2,877,249.00
FRC-Eng-ALLE-12-02 WK-23 UH Expmntal Storage Tank	198,957.00		198,957.00
FRC Eng 04-08 WK-39 Drill Kapaa Homestead Well 4	102,328.99	(88,440.75)	190,769.74
FRC-Eng-90%E-Kilauea 1.0MG Tank Job 02-06	7,212.24		7,212.24
Job 15-08-HW-11-Haena 0.2MG Tank	1,306.63		1,306.63
FRC-Eng-ALLE-Wainiha Well #4	200,000.00		200,000.00
Projects with budget but no activity			-
	$ 3,639,804.86	$ 34,310.25	$ 3,605,494.61
Build America Bonds Funded Projects			
Eng-ALLR-09-01 K-01 Kalaheo 1111FT & 1222FT	$ 63,998.94	$ -	$ 63,998.94
Eng-ALLE-02-14 WK-08 Kapaa Homesteads Tank	5,600,000.00		5,600,000.00
Eng WK-39, Drill/Dev Kapaa Homesteads Well No4	2,600,000.00		2,600,000.00
Cns-ALLE-02-06WKK15-Kilauea 466 Tank Puu Pane	9,706.76		9,706.76
Eng-98%E-02-01 Land for Kukuiolono Tank Site	53,508.05		53,508.05
Cons-Exp-Kapaia Cane Haul Road	1,091,650.00		1,091,650.00
	$ 9,418,863.75	$ -	$ 9,418,863.75
State Allotment Funded Projects			
WK-08-Kapaa Homesteads 2-0.5MG Tanks	$ -	$ -	$ -
17-10-KW-07 Paua Valley Tank Repair	-		-
WK-39, Kapaa Homesteads Well No. 4 Pump and Controls	-		-
PLH-27 Kūhiō Highway (Hardy-Oxford) 16' Main Replacen	-		-
	$ -	$ -	$ -
State Revolving Funded Projects			
WK-08, Kapaa Homsteads 2.0 5MG Tanks	$ 5,200,000.00	$ -	$ 5,200,000.00
Yamada Tank Conn Pipe	4,128,478.23		4,128,478.23
	$ 9,328,478.23	$ -	$ 9,328,478.23
Total Capital Projects	$ 48,890,325.49	$ 591,996.14	$ 48,298,329.35

Selected Divisions

	December 2025			Fiscal Year 2026			
	Budget	Actual	Variance	Year to Date Budget	Year to Date Actual	Variance	Variance %
Engineering	$ 931,395.00	$ 330,989.81	$ 600,405.19	$ 5,588,370.00	$ 1,926,436.65	$ 3,661,933.35	65.5.%
Fiscal	234,918.00	231,616.36	3,301.64	1,409,508.00	1,288,870.59	120,637.41	8.6.%
Operations	1,441,899.00	1,211,475.20	230,423.80	8,651,394.00	6,394,765.15	2,256,628.85	26.1.%
	$ 2,608,212.00	$ 1,774,081.37	$ 834,130.63	$ 15,649,272.00	$ 9,610,072.39	$ 6,039,199.61	38.6.%

BUILD AMERICA BOND FUND

DEPARTMENT OF WATER
County of Kauai FY 2010 - 2026

CASH RECEIPTS		TOTAL	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
BEGINNING CASH BALANCE		**$ 60,000,000.00**													$ -	$ -	$ -	$ -	$ 60,000,000.00
Bond Proceeds																			
Interest Income		**$ 2,732,059.84**	$ 94,130.62	$ 382,235.75	$ 406,245.12	$ 10,145.00	$ (321,259.46)	$ 1,406.49	$ 318,033.00	$ 239,725.76	$ 136,213.08	$ 43,433.92	$ 62,650.14	$ 246,093.42	$ 1,113,007.00				
TOTAL RESOURCES		**$ 62,732,059.84**	**$ 94,130.62**	**$ 382,235.75**	**$ 406,245.12**	**$ 10,145.00**	**$ (321,259.46)**	**$ 1,406.49**	**$ 318,033.00**	**$ 239,725.76**	**$ 136,213.08**	**$ 43,433.92**	**$ 62,650.14**	**$ 246,093.42**	**$ 1,113,007.00**	**$ -**	**$ -**	**$ -**	**$ 60,000,000.00**
201-01 BAB - CIP		$ -																	
Cost of Issurance		**$ 535,838.66**																	$ 535,838.66
217 EA-194 Hanalei River & Moelepe Stream Pipeline		**$ 741,141.50**																	$ 741,141.50
218 Job 02-18	Pipeline replacement, Kapaa Homesteads	**$ 2,941,979.00**															$ 966,229.51	$ 1,975,749.49	
219 Job 04-02	Main replacement, Vivian Heights and Apopo Road and Kanahele Road	**$ 2,651,730.99**														$ 105,007.40	$ 476,365.60	$ 2,070,357.99	
220 Job 03-02	Anahola 0.15 MG Tank Renovation	**$ 1,571,169.09**													$ 417,459.47	$ 738,342.29	$ 348,437.12	$ 66,930.21	
684 Job 05-01	Waimea Main Replacement	**$ 3,272,975.12**															$ 112,524.38	$ 3,160,450.74	
687 Job 02-03	Kekaha 12" Main Replacement and Waimea Canyon Drive 12" Main Replacement	**$ 677,234.29**															$ 8,796.00	$ 668,438.29	
221 Job 10-01	Pipeline replacement, Anini Road	**$ 724,652.00**								$ 320.25		$ 40,444.75	$ 99,727.00		$ 75,360.00	$ 91,600.00	$ 331,800.00	$ 85,400.00	
222 Job 10-02 & 13-03	Kaumualii Hwy widening, Anonoui St to Lihue Mill Bridge	**$ 5,208,503.03**													$ 603,320.00		$ 4,368,972.73	$ 236,210.30	
223 Job 05-06	PLH-25, 8" Main Replacement, Eiwa, Umi, Akahi, Elua & Hardy/Alohi Streets	**$ 2,710,970.00**														$ 207,527.45	$ 1,837,108.24	$ 666,334.31	
224 Job 02-16	Rehabilitation of Maka Ridge Deepwell Tank, Pipeline and Rdway, Ohana, Anolani & Kuamoo Roads	**$ 1,381,988.40**													$ 70,243.40	$ 816,129.43	$ 495,615.57		
227 Waimea Well A Renovation		**$ 639,282.53**														$ 299,937.43	$ 308,235.45	$ 31,109.65	
326 Job 02-02	Omao 0.5 MG Tank and connecting Pipeline	**$ 2,519,540.05**															$ 1,105,978.21	$ 1,413,561.84	
228 Koloa Tank Site Acquisition		**$ 500,991.73**																$ 500,991.73	
230 Job 02-08	Rehabilitation of Eleele Twin 0.4 MG Steel Tanks	**$ 2,018,853.05**													$ 419,657.59	$ 820,325.86	$ 654,054.56	$ 124,815.04	
231 Job 02-19	Waipouli Main Replacement to Akulikuli	**$ 2,229,690.39**													$ 140,809.76	$ 460,829.74	$ 1,628,050.89		
232 Job 02-14	Kapaa Homesteads 0.5 MG Tank #2 and Kapahi 1.0 MG Tank	**$ 410,240.21**				$ 104,355.40	$ 12,281.25			$ 28,276.20	$ 181,031.23	$ 33,913.47				$ 4,820.46	$ 44,327.74	$ 1,234.46	
233 Job 09-01 K-01, K-12	Kalaheo 1111' & 1222' Water System Improvement	**$ 63,998.94**		**$ 63,998.94**	**$ (1,117,183.23)**	$ 54,579.24	$ 5,326.25	$ 30,660.00	$ 67,910.95	$ 40,510.00	$ 252,930.74	$ 4,084.44	$ 41,155.98	$ 29,424.45		$ 54,561.67	$ 505,005.23	$ 31,034.28	

BUILD AMERICA BOND FUND

DEPARTMENT OF WATER
County of Kauai FY 2010 - 2026

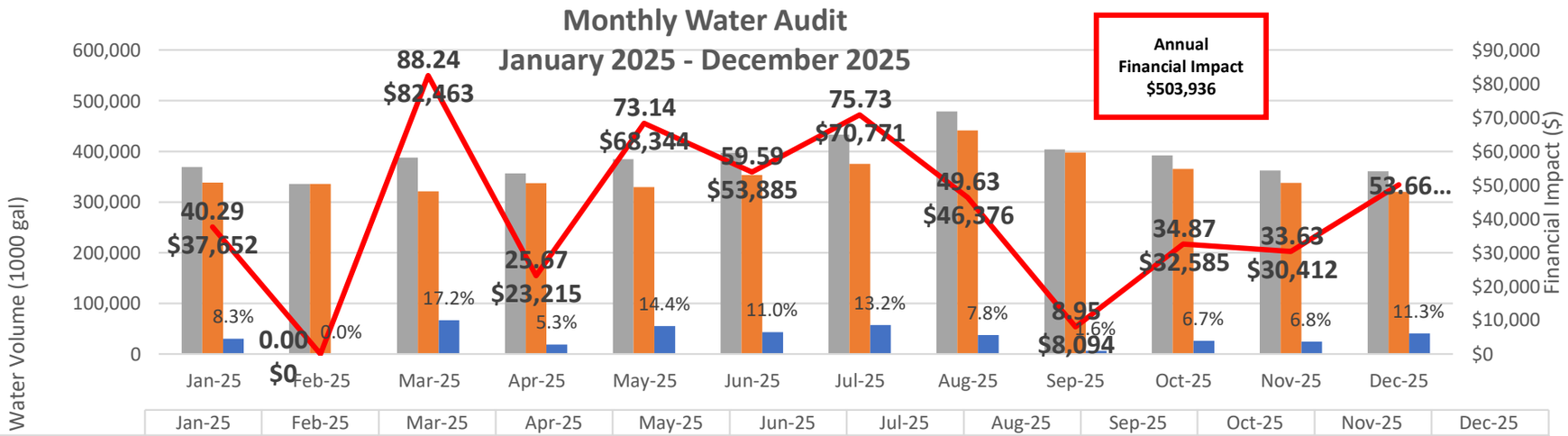
	CASH RECEIPTS		TOTAL	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
683	Job 04-06	Kekaha Well B Renovation	**$ 627,165.43**														$ 42,828.60	$ 265,223.57	$ 319,113.26	
234	Kukuiolono Water Tank Site Acquisition		**$ 302,396.47**																$ 302,396.47	
235	Job 05-05	Nawiliwili, Niumalu and Kupolo 6", 8" and 12" Main replacement	**$ 3,150,226.75**														$ 689,732.75	$ 2,460,494.00	$ -	
237	Job 11-02	Replacement Grove Farm Tanks #1 & #2	**$ 201,658.00**									$ 24,767.90	$ 33,185.10	$ -	$ 67,905.00	$ 44,165.00	$ -	$ 31,635.00	$ -	
692	PLH-39 Lihue Baseyd		**$ 7,755,133.98**								$ 15,035.86	$ 544,777.77	$ 575,693.09	$ 5,951,097.31	$ 1,510.40	$ 1,466.25	$ 382,445.74	$ 283,107.56	$ -	
621	Job 02-06	Kilauea 1.0 MG Tank	**$ 16,329.20**			**$ (234,643.96)**					$ 17,438.16	$ 13,380.00				$ 73,995.00	$ 93,310.00	$ 52,850.00		
238	Job 11-04	Lawai-Omao Water Main Replacement & Service Improvements	**$ 71,737.50**												$ 5,967.45		$ 30,745.05	$ 35,025.00		
239	Job 02-17	Maka Ridge Facilities Rehabilitation and Princeville Interconnection Plan	**$ 2,333,850.55**												$ 244,226.89	$ 276,328.78	$ 1,813,294.88			
240	Job 11-03	Land and Well Acquisition, Moloaa and Waimea, Kauai	**$ 159,938.00**									$ 3,678.00	$ 25,300.00	$ 14,160.00		$ 23,290.00	$ 71,730.00	$ 21,780.00		
242	Job 02-11	Moloaa Land Acquisition	$ -																	
243	Job 11-06	Rehabilitate Moelelpe Tunnel and improve access road	**$ 19,200.00**															$ 19,200.00		
244	K-05A Kukuiolono 0.5 MG 886' Tank		**$ 193,578.95**									$ 67,715.05	$ 61,552.30			$ 64,311.60				
	Job 11-10	8" WL Halewili Kaumualii to Hale	**$ 694,331.55**										$ 282,186.78	$ 412,144.77						
	Job 11-07	MCC Chlor KoloaWell16-A,B,E	**$ 3,667,032.67**							$ 44,513.76	$ 1,623,383.03	$ 1,999,135.88								
	Job 04-08	Kapaa Homesteads Well #4	**$ 1,502,796.10**				$ 32,504.61	$ 162,138.43	$ 43,250.00	$ 588,360.39	$ 676,542.67									
	TOTAL		**$ 51,496,154.13**	$ -	**$ 63,998.94**	**$ (1,351,827.19)**	**$ 191,439.25**	**$ 179,745.93**	**$ 73,910.00**	**$ 700,785.10**	**$ 2,401,506.17**	**$ 3,087,416.57**	**$ 1,056,359.93**	**$ 6,518,285.06**	**$ 349,034.19**	**$ 2,210,406.85**	**$ 6,723,168.75**	**$ 16,360,816.36**	**$ 11,654,128.06**	**$ 1,276,980.16**

Cash & Investment Balance **$ 11,235,905.71**

OPERATIONS DASHBOARD

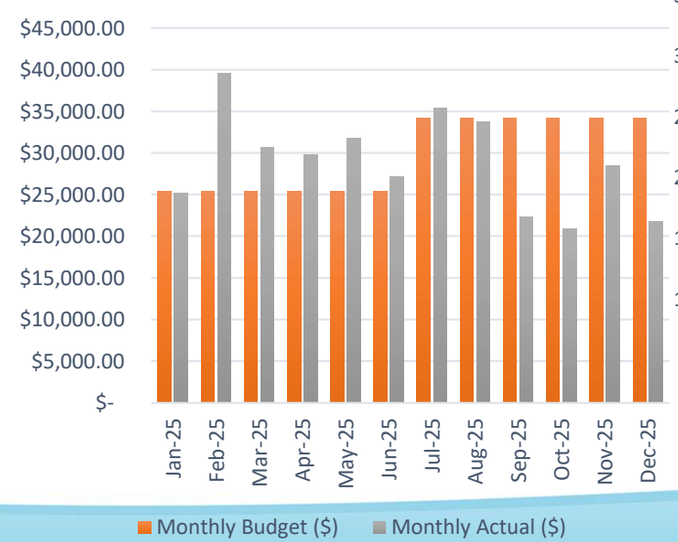
Ops Highlights:

1. Promoted Lead Pipefitter, Lead Water Meter Mechanic, and Constr & Maint Worker II. Janitor Working Supervisor and Water Service Investigator II interviews scheduled.
2. Maintenance Worker II accepted a higher position with Solid Waste.
3. Training conducted was for Leadership Kaua'i and Forklift.

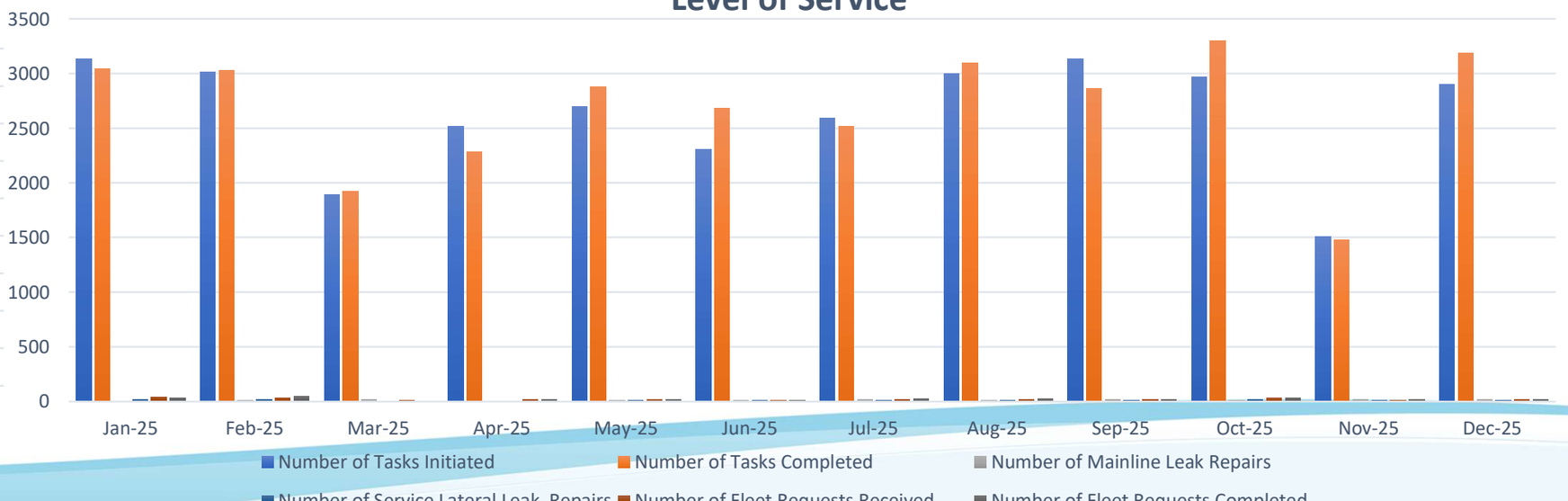


	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25
Produced (Kgals)	368,847	335,512	387,916	356,362	384,673	397,151	432,800	478,834	404,003	392,013	362,519	360,824
Customer Read (Kgals)	338,345	335,512	321,113	337,556	329,308	353,499	375,469	441,265	397,446	365,616	337,882	320,206
Non-Rev Water (Kgals)	30,502	0	66,803	18,806	55,365	43,652	57,331	37,569	6,557	26,397	24,637	40,618
Financial Impact	$37,652	$0	$82,463	$23,215	$68,344	$53,885	$70,771	$46,376	$8,094	$32,585	$30,412	$50,140

Overtime



Level of Service



OPERATIONS

	Last Month		Current Month		Previous FY Year to Date		Current FY Year to Date	
STAFFING								
Budgeted Staff | Vacancies	49	11	49	11	48	11	49	11
OVERTIME								
Budget ($) \| Actual ($)	$34,166.67	$28,409.04	$34,166.67	$21,825.33	$152,500.00	$209,426.30	$205,000.00	$162,542.70
FLEET MANAGEMENT								
# of Fleet Requests Received	13		18		126		117	
# of Fleet Requests Completed	15		22		130		138	
METER PROGRAM								
# of Existing Meters Replaced	0		0		246		3	
# of Existing Meters Repaired	63		76		2327		1300	
# of New Meters Installed	7		2		80		46	
# of New Laterals Installed	0		0		2		0	

Department of Water County of Kaua'i

OPERATIONS

LEVEL OF SERVICE

	Last Month		Current Month		Previous FY YTD		Current FY YTD	
# of Tasks Initiated	1510		2898		14957		16101	
# of Tasks Completed	1478		3187		15690		16438	
# of Mainline Leak Repairs	18		15		94		91	
# of Service Lateral Leak Repairs	14		8		106		75	
# of Calls for Service	197		191		1283		1163	
# of Temporary Hydrant Meters Installed	0		0		15		6	
# One Call Request Received | Completed	54	52	63	62	242	242	473	466
# of Hydrant Hits	3		3		8		14	

WATER AUDIT

	Last Month	Current Month	Previous FY YTD	Current FY YTD
Water Produced (Million Gallons)	362.519	360.824	2467.818	2430.993
Customer Meter Reading (Million Gallons)	337.882	320.206	2037.139	2237.884
Non-Revenue Water (Million Gallons)	24.637	40.618	430.679	193.109
Non-revenue %	7%	11%	17%	8%
Financial Impact	$30,412.41	$50,139.67	$531,638.77	$238,377.61

Department of Water County of Kaua'i

ENGINEERING DASHBOARD

	Last Month		Current Month		Previous FY Year to Date		Current FY Year to Date	
STAFFING								
Budgeted Staff | Vacancies	22	4	22	5	25	4	-	-
OVERTIME								
Budget ($) \| Actual ($)	$15,400	$2,400	$15,400	$1,700	$77,500	$138,500	$92,500	$65,000

	Last Month		Current Month	
PROJECT MANAGEMENT				
DOW Projects In Design | In Construction	8	12	8	11
Private Projects Design Approved | In Construction	2	170	4	165
Private Projects Construction Completed	1		3	

CIP Project Highlights:

- Kapa‘a Homesteads 325’ Tanks
  - Installing retaining wall
- Pu‘u Pane 1.0 MG Tank
  - Completing permitting and bid docs to bid early FY26
- Kalāheo Water System Improvements
  - Working on change order proposal to upgrade booster pumps at 908’ Tank site and Yamada Tank site
- UH Experimental Station 605’ Tank
  - Reviewing water line profile
- Hā‘ena 0.2 MG Tank
  - Completing permitting and bid docs to bid FY27
- Kīlauea Wells 1 & 2 MCC, Chlorination Facilities
  - Coordinating to energize and test temporary MCC in February
  - Permanent MCC being built
- Kūhiō Hwy (Hardy-Oxford) 18” Main Replacement
  - Night work started on Kūhiō Highway
- Weke, Anae, Mahimahi and Hee Roads 6” and 8” Main Replacement
  - Water line work to start in February

Department of Water County of Kaua‘i

ENGINEERING DASHBOARD

	Last Month		Current Month		Previous FY Year to Date		Current FY Year to Date	
WATER RESOURCES AND PLANNING								
Number of Customer Requests Received | Completed								
Subdivision Applications, Zoning, Land Use and Variance Permits	8	11	8	4	42	33	54	42
ADU/ARU Clearance Applications	19	17	9	9	17	17	74	72
Building Permits	133	128	101	99	852	841	715	708
Water Service Requests	8	41	24	20	175	189	153	178
Government Records Request	3	3	2	1	22	17	16	19
Backflow Inspection # of Devices Tested	70		134		668		569	

DOW Project Highlights:

- Water Systems Investment Plan (WSIP)
  - Requesting Approval for Rate Scenario to Present to Public
  - Working on FRC Update
- Kaua‘i Water Use and Development Plan (KWUDP)
  - Coordinating near-term conditions
- As-Needed Grant Writing and Preparation Services
  - Applied for WaterSMART Grant for AMI Meters 11/13/24

Department of Water County of Kaua‘i

QUARTERLY UPDATE

Period of October 1, 2025 to December 31, 2025

ENGINEERING DIVISION

Submitted by: Jason Kagimoto, P.E.

DEPARTMENT OF WATER

January 20, 2026

Overview

- **Water Resources and Planning Section**
  - Subdivision-Land Use Applications Completed = 16
  - ADU/ARU Clearance Applications Completed = 55
  - Building Permit Applications Reviewed = 290
  - Water Service Requests Completed = 95
  - Backflow Devices Inspected and Tested = 330
  - KWUDP Update – Working on near-term conditions
  - WSIP – Requesting Board approval to move forward with rate scenario for public outreach
  - As-Needed Grant Writing and Preparation Services
    - Waiting to hear back on USBR WaterSMART Grant

- **Project Management Section**
  - 8 active DOW CIP design projects
  - 11 active DOW CIP construction projects ($69M total)
  - Kapa‘a Homesteads 325’ Tanks – Working on retaining wall
  - Pu‘u Pane 1.0 MG Tank – Bidding early FY26
  - Kalāheo Water System Improvements – Working on change order to upgrade existing BPSs and construct new BPSs
  - Hā’ena 0.2 MG Tank – Bidding FY27
  - Kūhiō Highway (Hardy-Oxford) 16” Main Replacement – Performing night work on Kūhiō Highway
  - Weke, ‘Anae, Mahimahi and He‘e Roads Main Replacement – Contractor to mobilize in February to complete work in County ROW
  - Kapa‘a Homesteads Well No. 4 Pump and Controls – Working on permitting and preliminary design
  - Līhu’e Administrative Building Fencing – Punch list items remain
  - Līhu’e Baseyard Electrical Relocation – Submittals complete, waiting for new phone system to be installed

Water Restriction Areas

Water System/Sub-System	Restrictions (5/8-inch water meter or number units per lot)	Inadequate Facilities	Comments
Upper Lāwaʻi	2	Storage	Administration Approved
Poʻipū	300	Storage	Board Approved (50% of new tank allowed for new development; 50% to make up storage deficit
Wailua Homesteads	5	Storage	Administration Approved
Upper Wailua Homesteads	2	Storage	Administration Approved
Kapaʻa Homesteads	5	Source	Board Approved
Moloaʻa	0	Source and Storage	Water Purchase Agreement
Kīlauea-Kalihiwai	5	Source and Storage	Administration Approved
Aliomanu – Kukuna Road	0	Transmission	Administration Approved
ʻAnini	1	Source and Storage	Water Purchase Agreement
Upper Wainiha Valley	1	Storage	Administration Approved
Wainiha – Hāʻena	3	Storage	Administration Approved

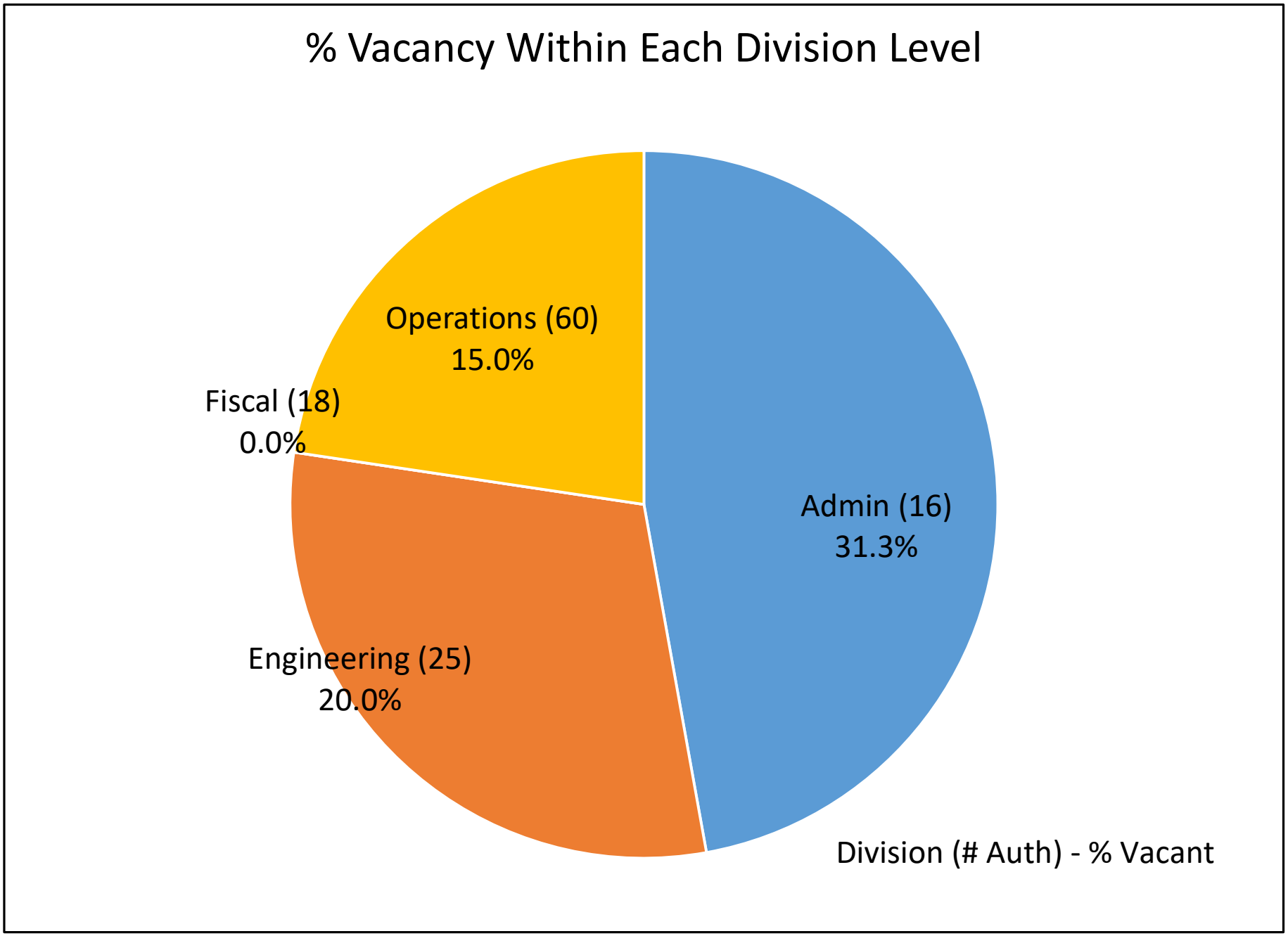
Water Plan 2020 Construction Project Status

WP 2020 NUMBER	JOB NO	PROJECT TITLE	% COMPLETE DEC 2025	ORIGINAL ESTIMATE TO COMPLETE	CURRENT ESTIMATE TO COMPLETE	CURRENT CONTRACT AMOUNT
WK-08	02-14	Kapa‘a 325’ Tanks – Package A Drain Line	90%	Q3 2019	Q3 2026 (1)	$2,605,418.35
WK-08	02-14	Kapa‘a 325’ Tanks – Package B 2 0.5MG Tanks	7%	Q1 2027	Q1 2027	$23,347,000.00 (2)
WK-39		Drill and Test Kapa‘a Homestead Well No. 4	80%	Q3 2019	Q3 2026 (1)	See First Line
K-01 & K-12	09-01	Kalaheo Water System Improvements Package A – 0.5 MG Yamada Reservoir Package B – 0.1 MG Clearwell Reservoir Package C – Water Main Installation	90%	Q1 2025	Q4 2026 (3)	$21,792,073.48 (4)
PLH-35B	16-02	Kapaia Haul Cane Road 18” Transmission Line	10%	Q3 2019	Q4 2027 (5)	$4,127,545.00
WKK-03	16-04	Kilauea Wells Nos. 1 and No. 2, MCC, Chlorination Facilities	45%	Q3 2024	Q2 2026	$3,544,469.18 (6)
KW-07	17-10	Rehabilitate Paua Valley Tank No. 1, 0.5 MG Tank	100%	Q2 2021	Completed	$3,694,829.86 (7)
PLH-27	18-03	Kūhiō Hwy (Hardy-Oxford) 18” Main Replacement	5%	Q4 2026	Q4 2026	$5,013,270.50 (8)
H-05	23-05	Weke, Anae, Mahimahi and Hee Roads 6” and 8” Main Replacement	15%	Q4 2026	Q4 2026	$3,089,000.00
	24-05	Kapa‘a Homesteads Well No. 4 Pump and Controls	5%	Q4 2027	Q4 2027	$7,683,000.00 (9)
HE-03a	23-08	Hanapēpē Town Well MCC, Chlorination Fac.	95%	Q3 2025	Q4 2025	$150,000.00
					TOTAL =	$71,901,729.10

(1) Additional contract time required to obtain land-owner approval for DOW drainage easement and construct drain line
(2) $7.25M State appropriation
(3) Additional contract time required to add in two booster pump stations
(4) $10.2M State appropriation, $5.2M DWSRF Loan Principal Forgiveness
(5) Project issued stop work order and is on hold while performing environmental permitting
(6) $2.6M State appropriation
(7) $1.2M State appropriation
(8) $2.5M State appropriation
(9) $2.6M State appropriation

Supplemental Support Services

Contract Number	Company	Professional Service	Contract Amount	Amount Invoiced	Number of PAOs
728	RM Towill, Inc.	As-Needed CM	$1,000,000	$203,800	4
747	Kennedy/Jenks	As-Needed PM and Inspectional Services	$1,000,000	$342,500	6
763	Brown and Caldwell	As-Needed GIS and Hydraulic Modeling Services	$919,623	$98,800	2
767	Maddaus Water Management	As-Needed Grant Writing and Preparation Services	$100,000	$86,800	4


% Vacancy Within Each Division Level
Operations (60)
15.0%
Fiscal (18)
0.0%
Admin (16)
31.3%
Engineering (25)
20.0%
Division (# Auth) - % Vacant

DEPARTMENT OF WATER
County of Kaua'i

"Water has no substitute – Conserve It!"

MANAGER'S UPDATE

January 20, 2026

Pursuant to Board Policy No. 3

1. FIRST AMENDMENT TO CONTRACT 741 WITH R.M. TOWILL CORPORATION JOB NO. 23-04, KĪLAUEA WELL NO. 4 DRILL AND TEST, KĪLAUEA, KAUA'I, HAWAI'I

RECOMMENDATION:
It is recommended that the Manager approve the First Amendment to Contract No. 741 with R.M. Towill Corporation for the subject project. The amendment includes additional funds in the amount of $16,400.00 and a time extension of 720 calendar days from the Notice to Proceed for this amendment.

FUNDING:

Account No.	10-20-10-540-010		
Acct Description	WU/Eng/Admin/Professional Services		
Funds Available	*Verified by WWC*		$N/A
Contract No.	741		
Vendor	R.M. Towill Corporation		
	Contract Amount	$312,834.00	
	5% Contingency	$17,166.00	$16,400.00
	Total Funds Certified To Date	$330,000.00	
First Amendment:			
Evaluate western part of Kilauea water system for a new well location			
	Total Amendment	$16,400.00	<$16,400.00>
Contract Amount To Date		$329,234.00	
Contingency Balance			$766.00

BACKGROUND:
Contract NTP Date: April 21, 2023
Original Contract End Date: October 11, 2024
New Contract End Date: 720 calendar days from the NTP for this amendment

The Kilauea Well No. 4 Drill and Test project has been on hold because the Department has been looking for land to site a new well. A previous study was performed for the eastern part of the Kilauea water system. The Department desires to perform an additional study on the western part of the Kilauea water system. This will allow for more opportunities to site a new well.

2. GS-2025-03 CHANGE ORDER NO. 1 TO CONTRACT NO. 775 WITH CUTTER FORD, INC.
FURNISH AND DELIVER ONE (1) 4-WHEEL DRIVE 18,000 LB. GVWR TRUCK CAB AND CHASSIS WITH SERVICE BODY, UNDER CHASSIS PTO AIR COMPRESSOR AND ACCESSORIES

RECOMMENDATION:
It is recommended that the Manager approve the no cost time extension change order with Cutter Ford, Inc.

FUNDING:

Account No.	10-40-00-604-999		
Acct Description	WU/Ops/Capital Outlay – R&R/Misc. Capital Purchases		
Funds Available	*Verified by WWC*		$N/A
Contract No.	775		
Vendor	Cutter Ford, Inc.		
	Contract Amount	$169,032.53	
	5% Contingency	$0.00	
	Total Funds Certified To Date	$169,032.53	
Change Order No. 1:			
60 Day No Cost Time Extension		$0.00	
	Total Amendment	$0.00	<$N/A>
Contract Amount To Date		$169,032.53	

BACKGROUND:
Contract NTP Date: January 31, 2025
Original Contract End Date: January 31, 2026
New Contract End Date: April 1, 2026

Cutter Ford, Inc. is requesting additional 60 days at no cost due to delays in manufacturing, upfitting, and shipping that are out of the control of the Contractor. The Department finds this request to be reasonable and recommends acceptance of the change order.

3. FIRST AMENDMENT TO CONTRACT 783, R.M. TOWILL CORPORATION JOB NO. 25-03, AS-NEEDED SURVEYING SERVICES 2025-2027, KAUA'I, HAWAI'I

RECOMMENDATION:
It is recommended that the Manager approve the First Amendment to Contract No. 783 with R.M. Towill Corporation for the subject project. The amendment includes funds in the amount of $25,000.00.

FUNDING:

Account No.	10-20-10-540-010		
Acct Description	WU/Eng/Admin/Professional Services		
Funds Available	*Verified by WWC*		$25,000.00
Contract No.	783		
Vendor	R.M. Towill Corporation		
	Contract Amount	$50,000.00	
	5% Contingency	N/A	
	Total Funds Certified To Date	$50,000.00	
First Amendment:			
Additional compensation		$25,000.00	
	Total Amendment	$25,000.00	<$25,000.00>
Contract Amount To Date		$75,000.00	

BACKGROUND:
Contract NTP Date: April 14, 2025
Original Contract End Date: April 13, 2027
New Contract End Date: N/A

The Department uses as-needed surveying services when surveying needs arise. This amendment will provide additional compensation to allow for additional as-needed surveying services to be performed.

CONVEYANCE OF WATER FACILITIES NONE

APPLICANT	TMK #	LOCATION