



Department of  
**Water**  
County of Kaua'i

## Water Systems Investment Plan (WSIP) Water Rate Proposal – Public Meetings

March 10-12, 2026  
April 6-9, 2026

Harris & Associates

Brown AND Caldwell

1



## 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:

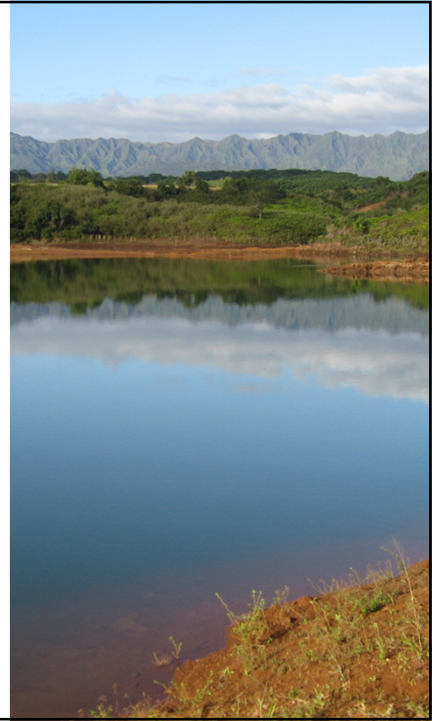
1. **Approve a 5-year rate plan** that includes rate adjustments of **25% each year the first 2 years and 6.5% each year the next 3 years** (cumulatively, over 5 years, an 89% increase) with annual CPI adjustments to follow.
2. Review and evaluate the **short-term impacts** of these adjustments
3. Confirm 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

2

## Agenda

- |                                     |   |
|-------------------------------------|---|
| - Welcome and Manager's Perspective | Joe Tait                                  |
| - KDOW and Water Systems Overview   | Jason Kagimoto                            |
| - Engineering Perspective           | Jason Kagimoto                            |
| - Finance Manager's Perspective     | Renee Yadao                               |
| - Rate Study Overview               | Ann Hajnosz (Harris)                      |
| - Next Steps                        | Michelle Sorensen<br>(Brown and Caldwell) |
| - Questions & Answers               | Team                                      |

Kaua'i Dept. Of Water



3

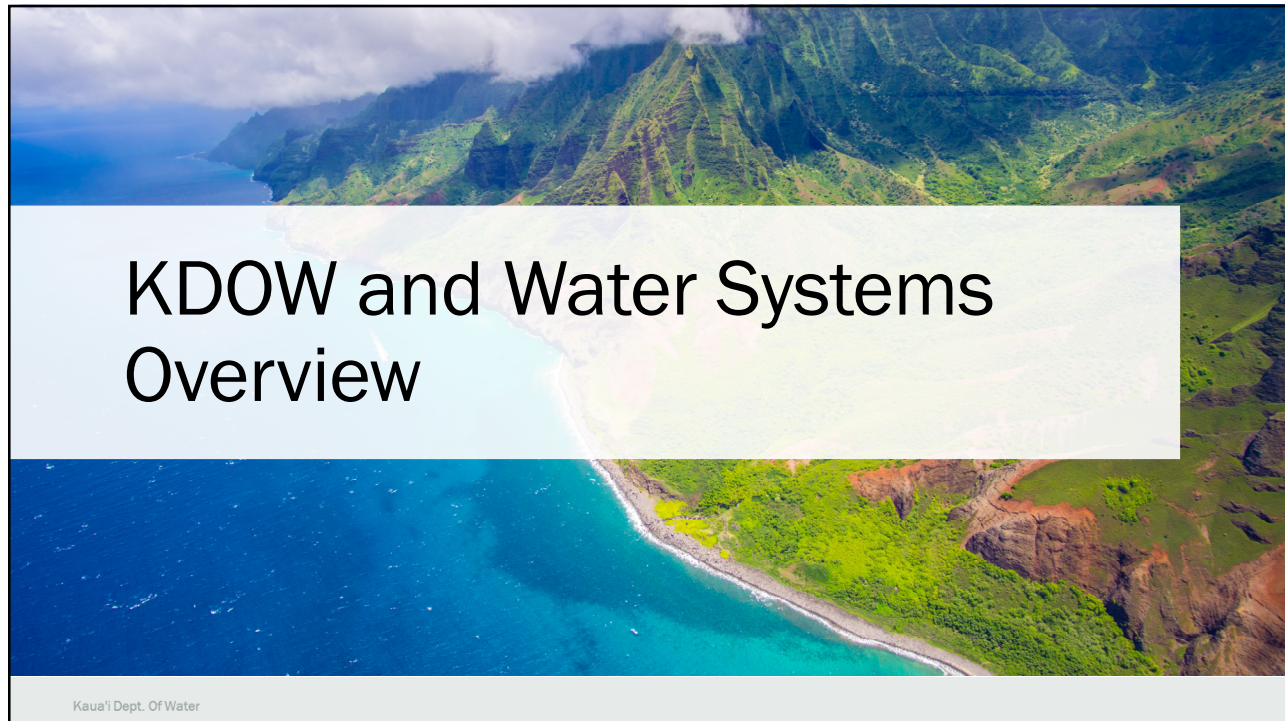


## What we hope to communicate this evening...

- Information about how the KDOW and its governing Board work
- The challenges facing the Department
- The need for rate increases from both an infrastructure and financial point of view
- An understanding of the proposed rate changes

4

4



5



6

**KDOW operates & maintains  
9 water systems  
across the island**

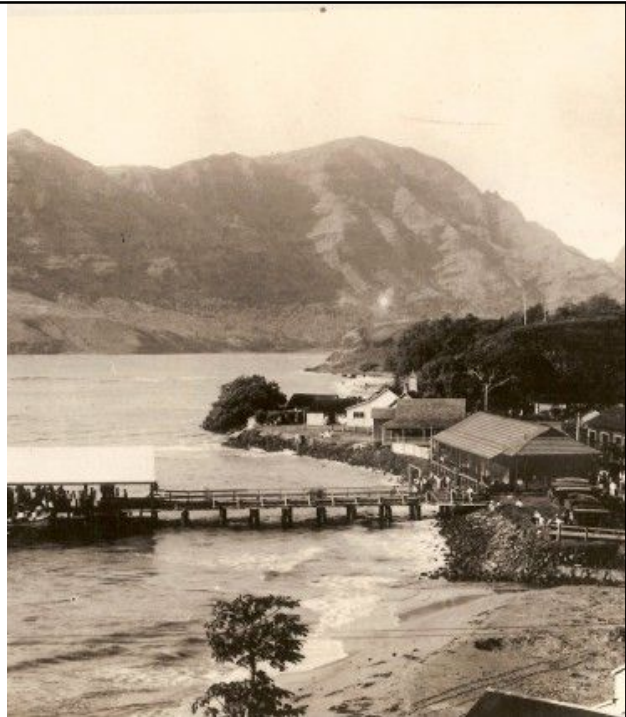
- 88,000 customers
- 24,000 service connections
- 425 miles waterlines
- 50 wells
- 60 tanks
- 3,000 hydrants



7

The original water systems we use today were built more than **100 years ago** in the 1920s

Significant population growth of 60% between 1960-1992 required large investment in the water systems

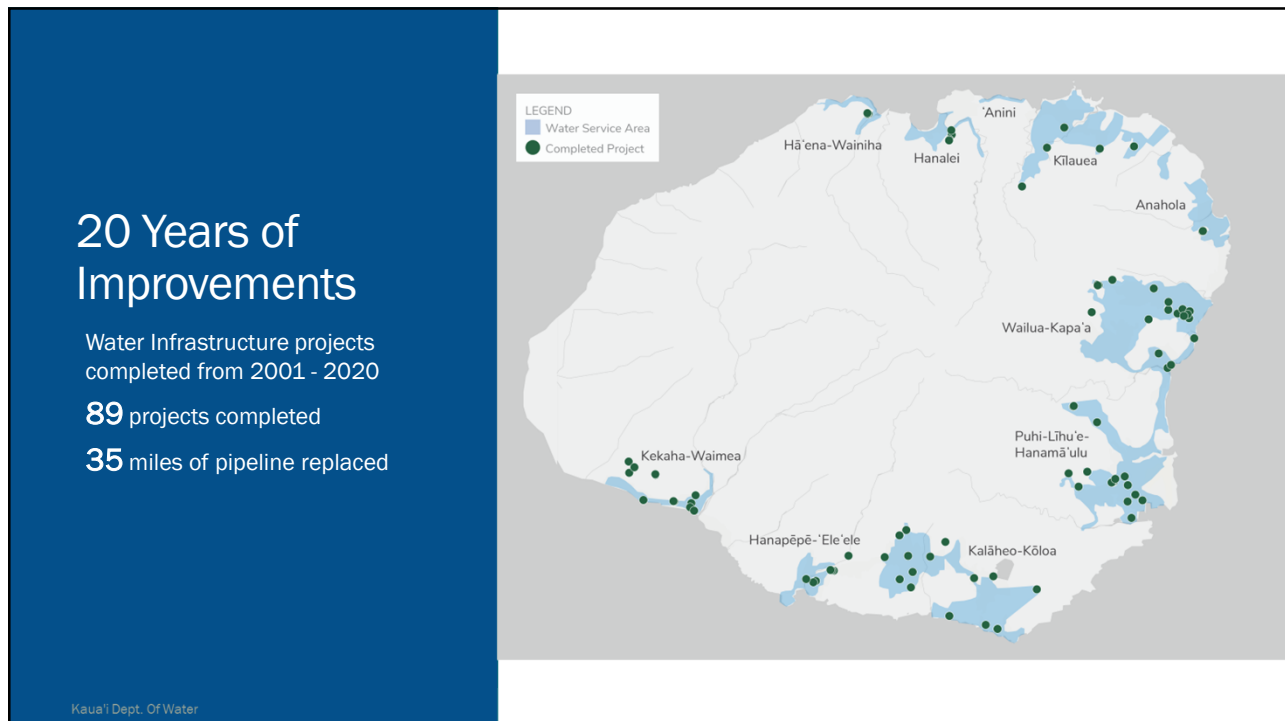


Kauai Dept. Of Water

8



9




10





11


## Our water systems must continue evolving to meet needs of our community and environment

**DRIVERS FOR IMPROVEMENT**

- 

Ensure clean, safe, high-quality water and regulatory compliance
- 

Upgrade old and aging infrastructure
- 

Develop resilient systems to withstand disasters and climate change
- 

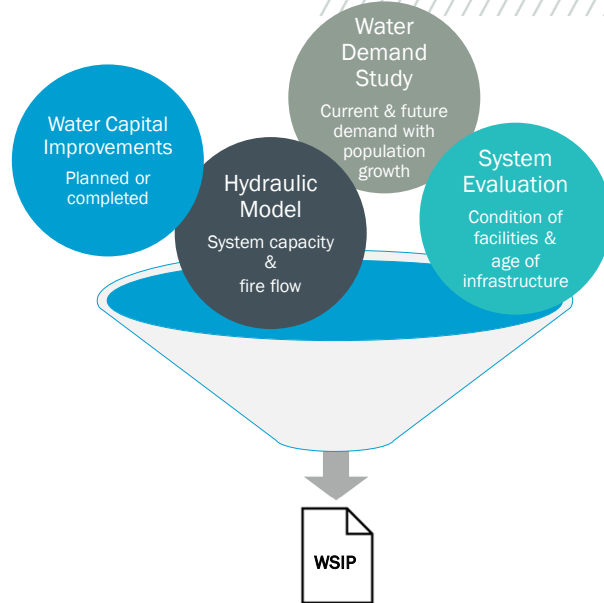
Support our growing and thriving community

Kaua'i Dept. Of Water

12

# Planning For the Future

- DOW invested in a 3-year effort to comprehensively assess the current state of our water system

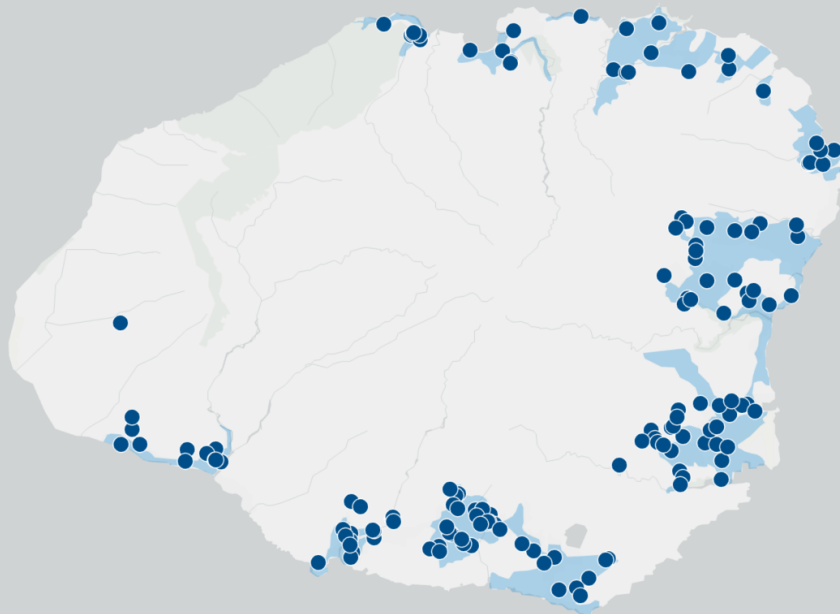


Kaua'i Dept. Of Water

13

# Water Systems Investment Plan

Findings identified more than **150** projects estimated to cost **\$1.3 billion**



KAUAI DEPARTMENT OF WATER

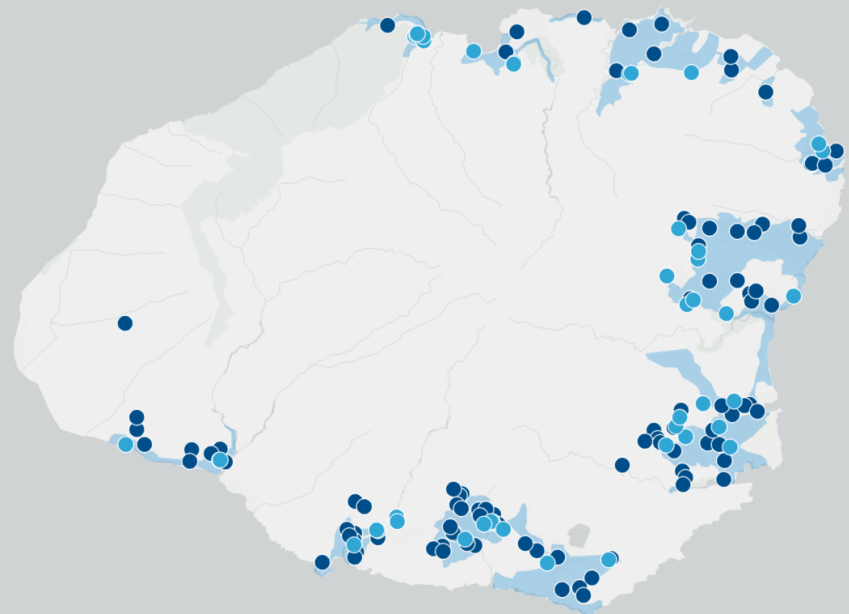
14

## Water Systems Investment Plan


Findings identified more than **150** projects estimated to cost **\$1.3 billion**

52 projects are prioritized for the next **20 years** estimated to cost **\$330 million**

KAUAI DEPARTMENT OF WATER



15

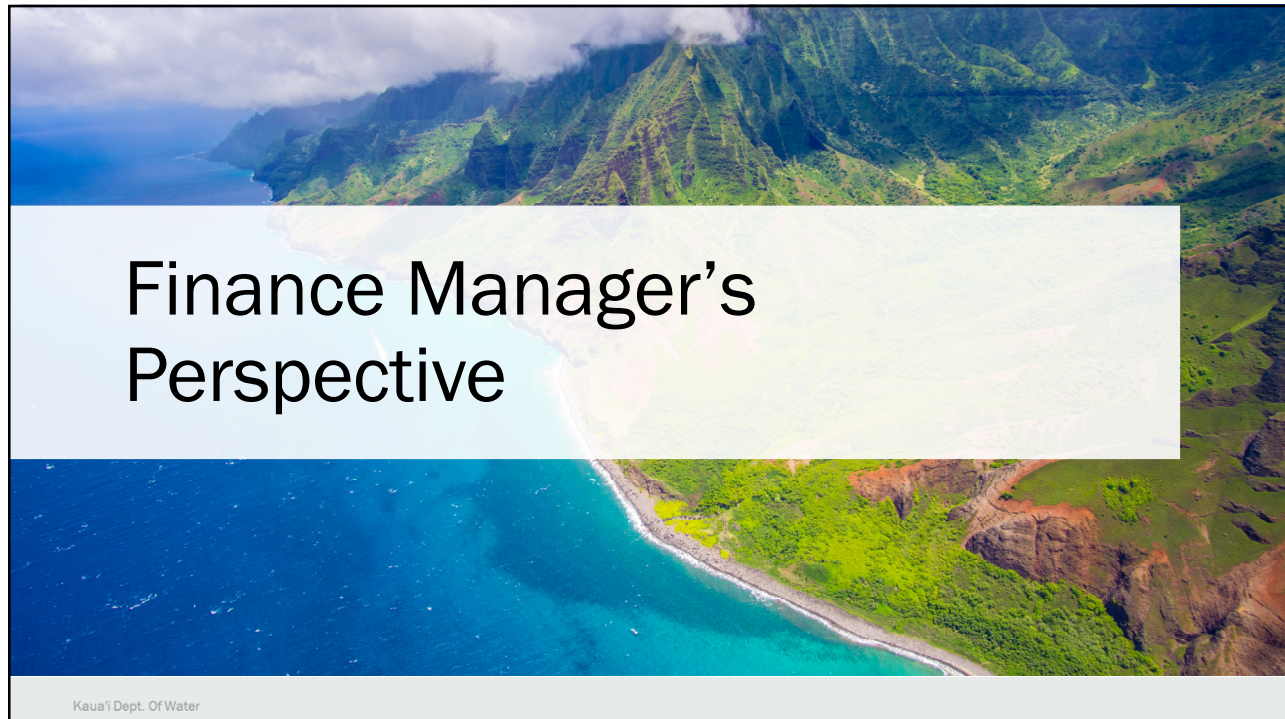


## Takeaways...

1. Ola i ka Wai
2. A tremendous amount of infrastructure work needs to be done to reliably provide water
3. We understand the impact of rate increases... and the kuleana the Department has in managing our community's resources

KAUAI DEPARTMENT OF WATER

16



Kaua'i Dept. Of Water

17

- KDOW is the primary water utility of Kauai, created in 1960 as a semi-autonomous, self-sufficient entity, relying primarily on water revenue to maintain operations.
- KDOW is not supported by the County of Kauai, nor do we receive contributions from its General Fund.
- Governed by a seven-member Board of Water Supply.
- We have 100 active employees that service and maintain:
  - 9 water systems
  - ~88,000 customers
  - 24,000 service connections
  - 19 meter read routes
  - 425 miles of pipeline
  - 50 wells
  - 60 tanks
  - 3,000 hydrants

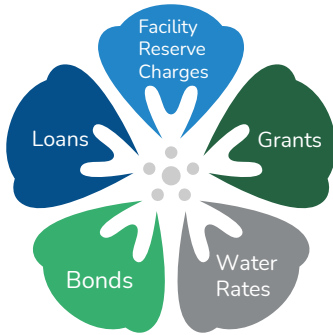
Kaua'i Dept. Of Water



18

18

# Understanding KDOW's Revenue and Expenses



### Revenues

- Customer water rates
- Development (FRC) charges
- State and federal grants
- State loans & general obligation (GO) bonds

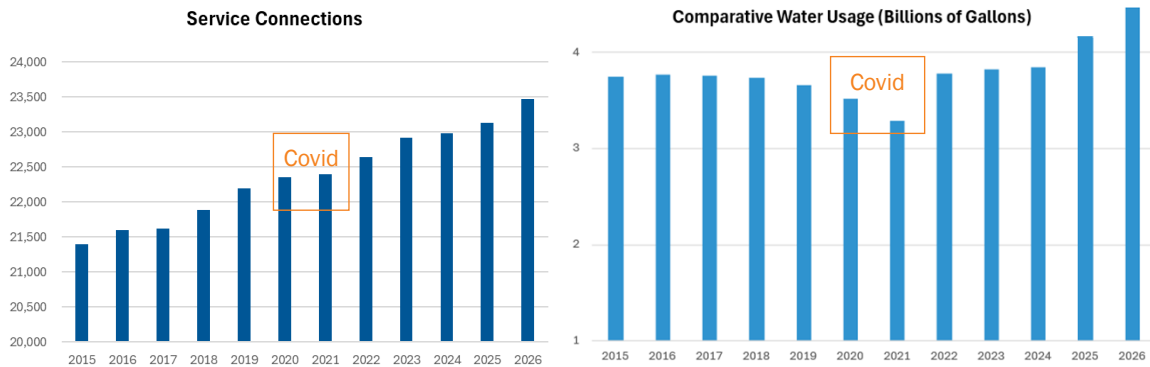
### Expenses

- Staffing costs (salaries, benefits)
- New projects and repairs (wells, tanks, pipes, meters)
- Operations and maintenance (utilities, supplies, materials and inventories, routine maintenance and repairs)
- Debt service for CIP projects (principal and interest on bonds and loans)

Kaua'i Dept. Of Water

19

# Financial Overview – FY 2015-FY 2026

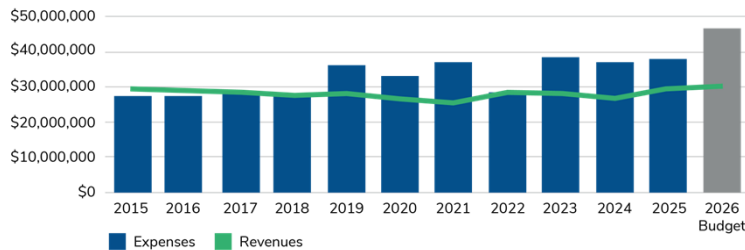


\*Note that FY 2026 numbers are projections.

Kaua'i Dept. Of Water

20

## 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 (interest and principal) and rate funded capital
- Depreciation is not included in Expenses for purposes of this graph
- FY 2025 Financial Statements and Independent Auditor's Report expected to be finalized soon.

Kaua'i Dept. Of Water

21

21

## Why are we here today?

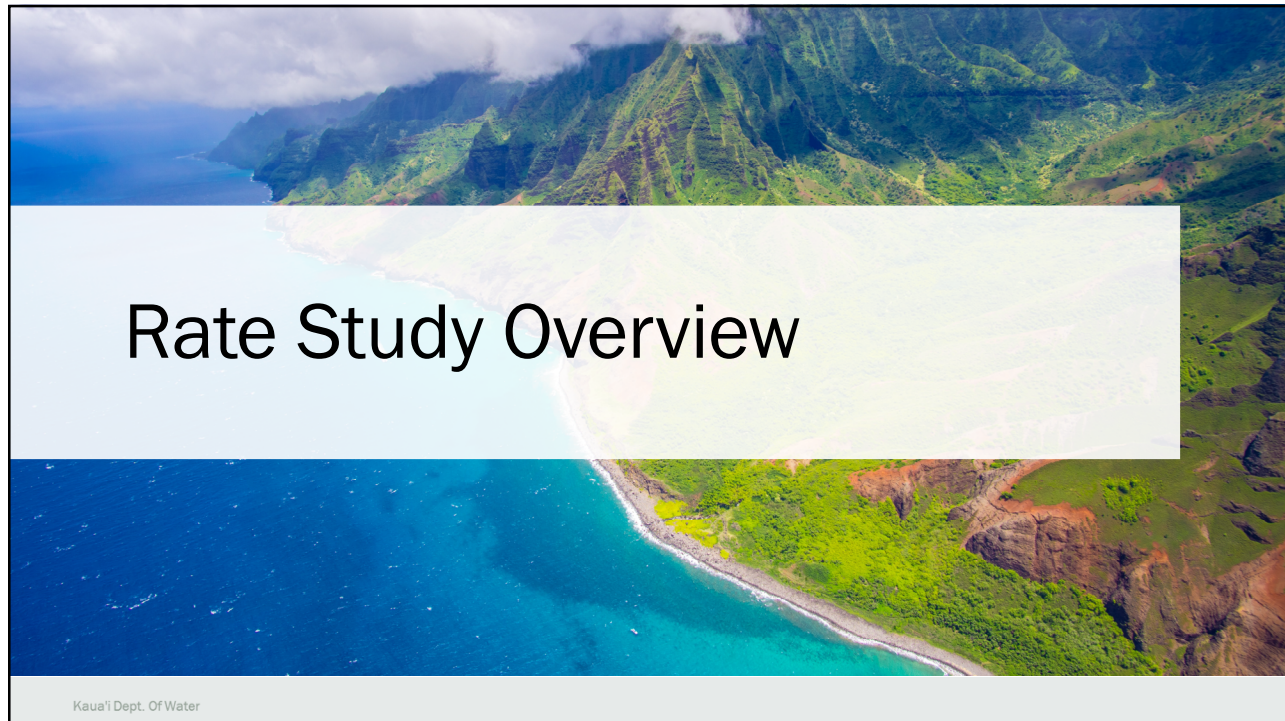
- **We have not raised rates in 12 years.**
- Water is a **rising cost** industry....
  - o **Expanding regulatory requirements.** The Environmental Protection Agency (EPA) and the State Department of Health continue to expand and increase regulatory requirements to protect public health.
  - o **Aging infrastructure.** Some parts of the systems are overdue for replacement, with construction costs increasing each year.
  - o **Rising O&M costs** including energy prices, resulting in impacts like deferred equipment replacement.
  - o **Water revenues do not cover O&M and debt service**, requiring use of reserves to balance the operating budget.
  - o We cannot continue to operate in this manner of instability.
- **We need to approve a 5-year rate plan that includes rate adjustments** of 25% each year the first 2 years, and 6.5% each year the next 3 years (cumulatively, 89% over 5 years) with annual CPI adjustment to follow.



Kaua'i Dept. Of Water

22

22



23

## Rate Making Process/Key Decision Points

Completed

**Revenue Requirements**

- Utility data analysis
- Customers, water usage, revenues
- Operating expenses
- Capital projections
- Financial assurance

Timing – Starts FY 2027

**Cost-of-Service**

- Identify functional costs
- Allocation to cost components
- Distribute costs to customer classes

Timing – Starts FY 2027

**Rate Design**

- Recover costs of service from fixed and variable charges
- Highlight conservation priorities as needed
- Promote revenue stability

**Key Board Decisions:**

- CIP levels
- Financial Assurance Goals
- Revenue Adjustment levels

**Key Board Decisions:**

- Customer classes
- Use of subsidies
- % Cost recovery by class

**Key Board Decisions:**

- Fixed vs. Variable cost recovery
- Conservation message

24

## Financial Assurance Basics and How to Set Targets

<b>Operating Reserve</b>	<ul style="list-style-type: none"> <li>▪ Indicates liquidity for ongoing operations: how protected the utility is against revenue shortfalls and unanticipated operational expenses</li> <li>▪ Benchmark: =&gt; 45 to 120 days of O&amp;M expense</li> </ul>
<b>Rate-Funded Capital Contribution</b>	<ul style="list-style-type: none"> <li>▪ Provides a dedicated source of revenue to invest/reinvest in capital infrastructure; maintains the utility's financial position by offsetting annual decline in asset value</li> <li>▪ Benchmark: =&gt; annual depreciation expense</li> </ul>
<b>Capital Reserve</b>	<ul style="list-style-type: none"> <li>▪ Indicates liquidity for capital expenditures: how protected the utility is against unanticipated capital expenditures</li> <li>▪ Benchmark: Greater of depreciation expense or average annual capital spending plan</li> </ul>
<b>Debt Service Coverage</b>	<ul style="list-style-type: none"> <li>▪ Indicates margin of tolerance to business risks or declines in demand for a given year while assuring repayment of debt</li> <li>▪ Benchmark: =&gt; 1.25 to 1.70 times annual debt service</li> </ul>
<b>Debt as % of Net Plant Assets</b>	<ul style="list-style-type: none"> <li>▪ Indicates the degree of leveraged assets: How much of plant asset value (cost net of accumulated depreciation) is offset by financial obligations to outside parties</li> <li>▪ Benchmark: &lt;= 35% to 50% debt</li> </ul>

25

25



## Water Rates Study Summary

- Developed **baseline** needed to close operations and debt service gap
- Developed three **scenarios** to achieve financial and capital spending targets
- Developed **impact** of different scenarios on water bills
- Presented to Board in August, November and December 2025
- **Rate proposal approved** by Board in January 2026

26

26

# 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%**

\*Consumer Price Index (CPI) levels of increase after FY 2031.

27

27

# Example Impact on Billing Statement



**Department of Water  
County of Kauai**  
4398 Pua Loke St.  
Lihue, HI 96766  
808-245-5400 - General Inquiry  
808-245-5442 - Billing Inquiry

Customer Name: [Redacted]  
Account Number: [Redacted]  
Service Address: [Redacted]  
Bill Date: 01/06/2026  
Billing Period: 12/04/2025 to 01/06/2026

**Charges for Tiers 1-5 and Service Charge proposed to increase as follows:**

- Sept 1, 2026 - 25%
- July 1, 2027 - 25%
- July 1, 2028 - 6.5%
- July 1, 2029 - 6.5%
- July 1, 2030 - 6.5%

USAGE PROFILE			
DATE	THOUS. GAL.	DAYS	WATER CHARGES
01/06/2026	4	33	\$36.10
12/04/2025	4	29	\$36.10
11/05/2025	5	30	\$40.95
10/06/2025	6	32	\$45.80
09/04/2025	8	30	\$56.30
08/05/2025	6	33	\$45.80
07/03/2025	5	29	\$40.95
06/04/2025	6	29	\$45.80
05/06/2025	6	32	\$45.80
04/04/2025	6	29	\$45.80
03/06/2025	5	29	\$40.95
02/05/2025	8	30	\$56.30
01/06/2025	7	32	\$50.85

<b>PAST DUE</b> \$0.00	<b>TOTAL DUE</b> \$36.10 <small>ABP Amount will be deducted on 01/26/2026</small>
---------------------------	---

**ACCOUNT ACTIVITY**

Previous Balance	\$36.10
Payments Received - THANK YOU	-\$36.10
<b>Balance Forward</b>	<b>\$0.00</b>

**CURRENT ACTIVITY**

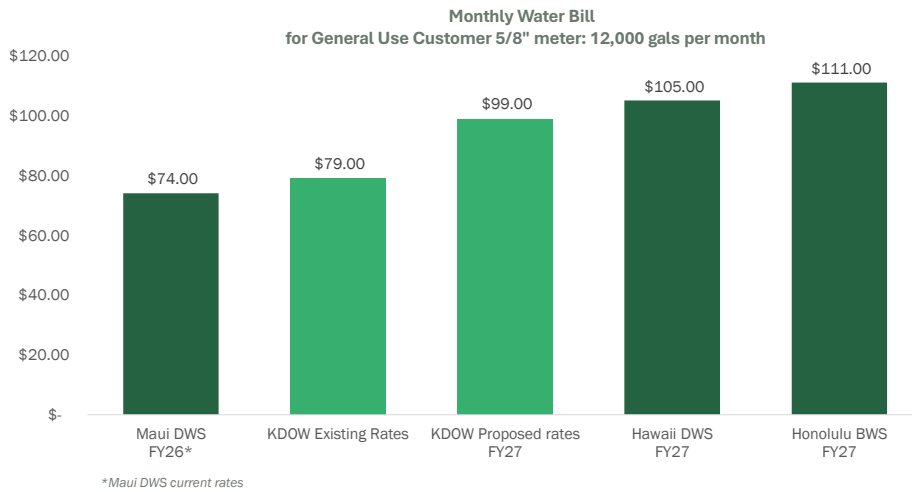
<b>Current Charges and Adjustments</b>	
5/8" Tier 1 1 Kgals @ \$3.80	\$3.80
5/8" Tier 2 3 Kgals @ \$4.85	\$14.55
Water Meter Service Charge	\$17.75
<b>Total Current Charges and Adjustments</b>	<b>\$36.10</b>

**Total Amount Due** **\$36.10**

28

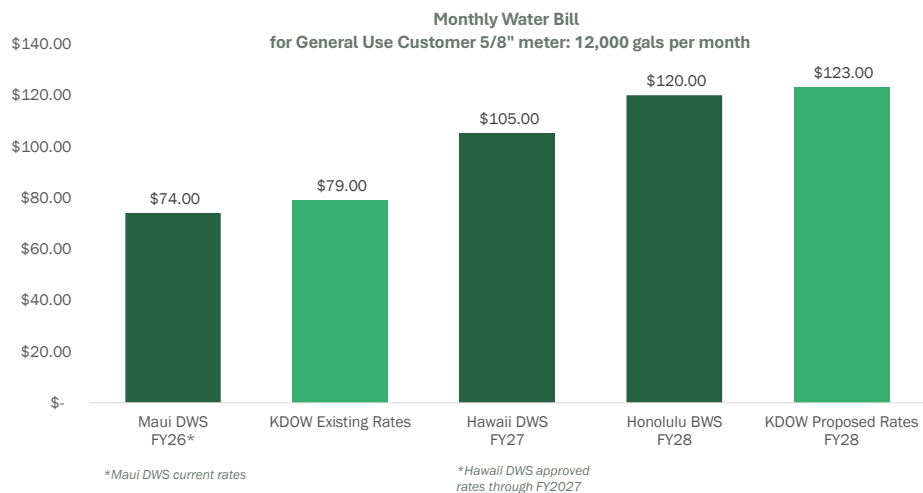
28

## How will KDOW rates compare to other counties after the **first** 25% increase?



29

## How will KDOW rates compare to other counties after the **second** 25% increase?



30

30

## Typical Monthly Bill Changes | 2027- 2031

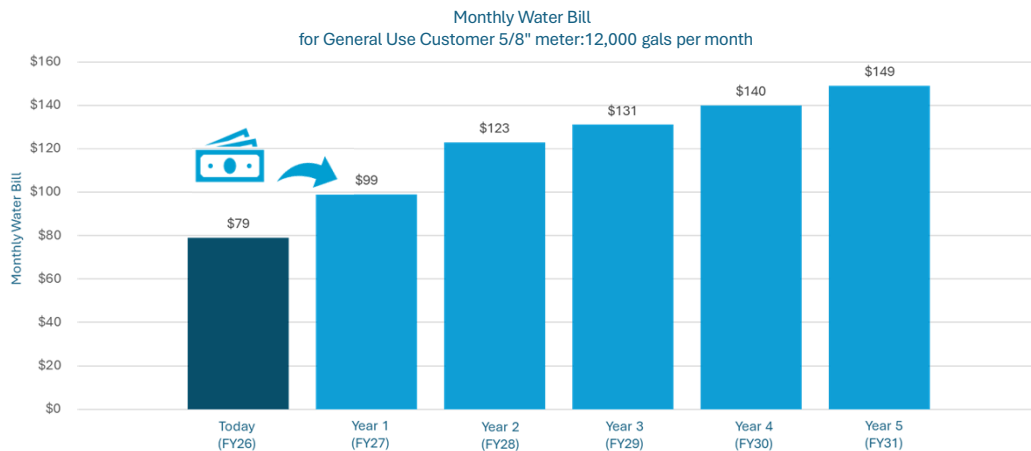
Typical Bill (5/8" meter, 12 kgal/month)			Year-over-year	
	Existing Rate	Proposed Rate	\$ Monthly Increase	% Monthly Increase
FY 2026	\$79	-	-	-
FY 2027	\$79	\$99	\$20	25%
FY 2028	\$79	\$123	\$24	25%
FY 2029	\$79	\$131	\$8	6.5%
FY 2030	\$79	\$140	\$9	6.5%
FY 2031*	\$79	\$149	\$9	6.5%

\*Consumer Price Index (CPI) levels of increase after FY 2031.

31

31

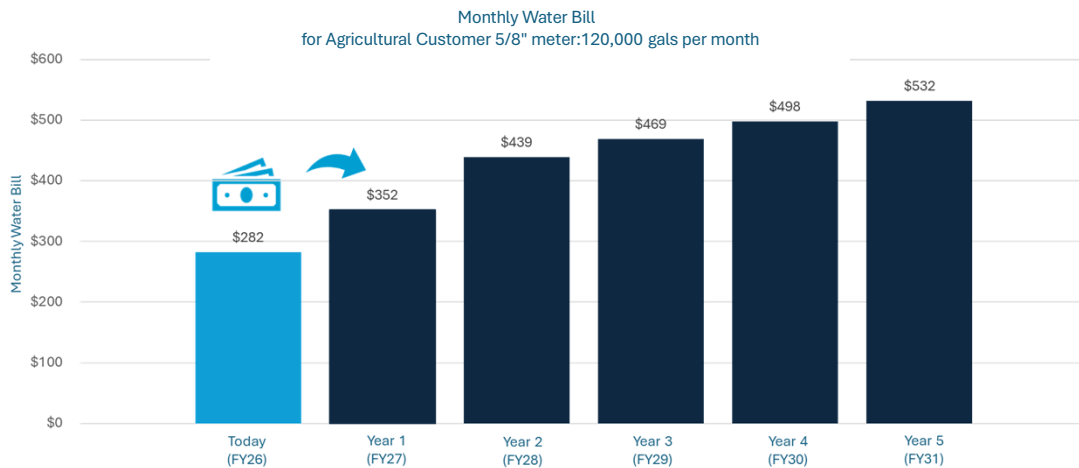
## How will rate increases impact general use customer water bills?



\*Consumer Price Index (CPI) levels of increase after FY 2031.

32

## How will rate increases impact agricultural customer water bills?



\*Consumer Price Index (CPI) levels of increase after FY 2031.

33

## Next Steps

- Public outreach in Q2 2026 based on Board action
- Ka Pa'akai analysis based on Rule Change - **ongoing**
- Small Business Regulatory Review Board (SBRRB) approval to hold Public Hearing - **summer**
- Presentations to community groups - **ongoing**
- Board to hold Public Hearing - **summer**
- Small Business Regulatory Review Board (SBRRB) approval after Public Hearing - **late summer**
- Board to adopt rule change - **late summer**
- File Rule and implement new Rates by Q3 2026 - **estimating September 1, 2026**
- Start Cost-of-Service and Rate Design efforts in **Q3 2026**



34

34

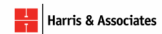
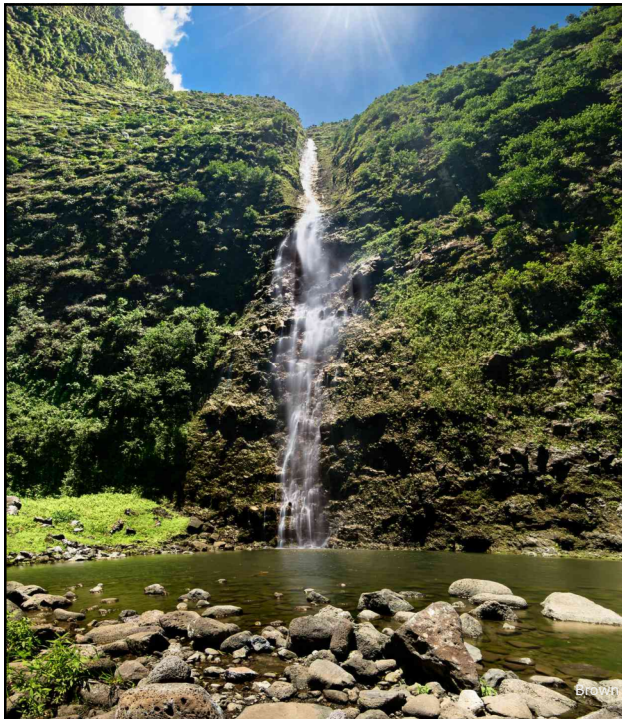


What we hope(d) to communicate this evening...

- Information about how the KDOW and its governing Board work
- The challenges facing the Department
- The need for rate increases from both an infrastructure and financial point of view
- An understanding of the proposed rate changes

35

35



# Q&A

Brown AND Caldwell

36