



Honolulu Board of Water Supply
Stakeholder Advisory Group Meeting 45
Thursday, January 19, 2023, 4:00 – 6:00 pm
Virtual Meeting

Meeting Notes

PURPOSE AND ORGANIZATION OF MEETING NOTES

The purpose of these notes is to provide an overview of the Board of Water Supply (BWS) Stakeholder Advisory Group meeting. They are not intended as a transcript or as minutes. Major points of the presentations are summarized herein, primarily for context. Copies of presentation materials were provided to all participants and are available on the BWS website. Participants made many comments and asked many questions during the meeting. These are paraphrased to be more concise.

ATTENDEES

This was a virtual meeting in which 13 stakeholders participated on-line and/or by phone, in addition to BWS staff, consultants and members of the public. The stakeholders represent diverse interests and communities island wide.

The following Stakeholders Advisory Group members participated:

Shari Ishikawa	Hawaiian Electric Company
Micah Kāne	Hawai'i Community Foundation
Markus Krebs	Outrigger Reef Hotel
Bob Leinau	Resident of Council District 2
Helen Nakano	Resident of Council District 5
Christine Olah	AARP Hawaii
Elizabeth Reilly	Resident of Council District 4
John Reppun	KEY Project
Cynthia Rezendes	Resident of Council District 1
Walter Thoemmes	Kamehameha Schools
Cruz Vina Jr.	Resident of Council District 8
Cheryl Walthall	General Contractors Association of Hawaii

WELCOME

Facilitator Dave Ebersold welcomed everyone to the 45th meeting of the BWS Stakeholder Advisory Group.

Meeting objectives were identified as:

- Provide update on fee waivers for affordable and homeless projects
- Provide update on financial assistance for water consumers

- Accept notes from meeting #44
- Seek input on Cost of Service and Water Rate Study
- Provide BWS updates

PUBLIC COMMENTS: None.

UPDATE ON FEE WAIVERS FOR AFFORDABLE AND HOMELESS PROJECTS

Dave introduced Jennifer Elflein, Program Administrator for the BWS Customer Care Division, to provide a presentation on the waivers the BWS has issued for affordable and homeless projects.

Jennifer began her presentation by providing an overview of the fee waivers for affordable and homeless projects, which was approved by the BWS Board of Directors in 2018. Up to 500 dwelling units may apply for waivers and these units must be certified by City and County of Honolulu as affordable or for homeless. If the annual cap is reached and additional waivers are requested, these waivers require approval by the BWS Manager and Chief Engineer. Unless extended by the Board the fee waiver program will expire on June 30, 2023. Between Fiscal Year 2019 and end of December 2022, the BWS has granted \$2,158,333.29 in waivers.

Jennifer provided the group with detailed information about the projects that received fee waivers over the past 5 fiscal years. The information is provided below:

Fiscal Year	Number of Projects	Number of Qualified Units	Total Fees Waived
2022-2023	3	63	\$88,559.84
2021-2022	8	514	\$651,290.54
2020-2021	4	578	\$800,340.47
2019-2020	6	302	\$504,378.41
2018-2019	5	178	\$113,764.03

This concluded Jennifer’s presentation on fee waivers for affordable and homeless projects. Dave asked the group whether the BWS Board should extend the waivers for an additional period.

Q: What percentage of the BWS’s total income is allocated to this program?

A: BWS Manager and Chief Engineer Ernest Lau estimates that the avoided fees for 500 units is close to \$1 million per year. Ernest also explained that Water System Facilities Charges (WSFC) are meant to invest in capacity for the water system, so there is a revenue impact. Joe calculated those fees waived for 500 units is approximately \$660,000 per year. Dave commented that is approximately 0.5% of the BWS’s \$230 million revenue.

Q: Regarding extending the fee waivers, would this be for projects that already applied or for new projects?

A: Jennifer answered that it would be for new projects that apply in future years.

Q: At the end of the year, what happens when the projects ask for an extension on fee waivers?

A: Jennifer answered that the waivers are requested during the building permit process and, if approved, it would be counted toward the 500 units for that fiscal year.

Q: If a project is sold, does the new owner need re-apply for the waivers?

A: Jennifer answered that the waiver for is the developer at the time of approval. BWS does not track if the project is sold to a different developer. Ernest commented that when a project goes through the permitting process, it is highly likely it will proceed to construction.

COMMENT: Cynthia Rezentes commented that she is in favor of extending the waivers. The waivers make it easier for these projects to get off the ground and implemented, which helps benefit the people who need affordable housing.

Q: With the State's push for more housing and favorable financial condition, why should the cost fall to the BWS and not the State? Additionally, if a project that is approved for a fee waiver shifts and is no longer homeless or affordable housing, what happens?

A: Ernest commented that the WSFC helps fund projects to increase the capacity of the BWS water system. BWS has asked the State Legislature to fund Capital Improvement Projects for capacity expansion and will continue asking for this funding which could also go towards projects for Red Hill. The State could help offset the loss of income from waived fees.

Seeing no further questions, Ernest thanked the group and assured them that their feedback will be included in his proposal to the BWS Board.

FINANCIAL ASSISTANCE FOR WATER CONSUMERS

Dave introduced the next item on the agenda, Financial Assistance for Water Consumers, which will be presented by Jennifer Elflein.

Jennifer began her presentation by stating that the BWS customers received \$2,093,882 in payments from various financial charitable organizations from 2020 – 2022. BWS proactively informed customers of the financial assistance programs and worked diligently to ensure the payments were posted to customer accounts.

Jennifer shared a table listing the various financial assistance programs from which the BWS received payments. The table and more information about certain programs are provided below.

- City & County of Honolulu Rental & Utility Relief Program
 - Launched in April 2021, this program was a major part of Mayor Rick Blangiardi's recovery strategy after the coronavirus pandemic. BWS received 1,278 payments totaling \$1,604,979.
- Hawaii Utility Bill Assistance Program
 - Launched in February 2021, Hawaiian Electric Company (HECO) pledged shareholder money that was distributed to the community through Aloha United Way. BWS received 565 payments totaling \$233,945.
- Low-Income Household Water Assistance Program (LIHWAP)
 - Launched in October 2022 by the US Department of Human Services, this program assists low-income households with water and wastewater bills. BWS received 152 payments totaling \$136,771.

Name	2020		2021		2022		TOTAL	
	# of Pmts	\$ Recv'd	# of Pmts	\$ Recv'd	# of Pmts	\$ Recv'd	# of Pmts	\$ Recv'd
Rental & Utility Relief Program					1,278	\$1,604,979	1,278	\$1,604,979
Hawaii Utility Bill Assistance Program			565	\$233,945			565	\$233,945
Low-Income Household Water Assistance Program					152	\$136,771	152	\$136,771
Catholic Charities	2	\$1,334	65	\$61,190			67	\$62,524
Council for Native Hawaiian Advancement - DHHL			28	\$25,416			28	\$25,416
Hawaii Community Lending			13	\$10,490			13	\$10,490
Aloha United Way	20	\$6,983					20	\$6,983
HCAP			7	\$4,658			7	\$4,658
Helping Hands	4	\$2,162	3	\$2,024			7	\$4,186
US Veterans	1	\$731	1	\$739			2	\$1,470
Council for Native Hawaiian Advancement	3	\$1,285					3	\$1,285
Unite Here Local 5			1	\$550			1	\$550
Institute for Human Services	1	\$395					1	\$395
Hawaii Children's Cancer Foundation			2	\$120			2	\$120
Wichita & Affiliated Tribes			1	\$111			1	\$111
TOTAL	31	\$12,890	686	\$339,242	1,430	\$1,741,750	2,147	\$2,093,882

Manually tracked. Number of payments is not the same as the number of accountholders who received benefit.

Jennifer concluded her presentation by saying that the BWS is grateful that its customers received nearly \$2.1 million through these agencies to keep the water running.

This concluded Jennifer’s presentation on consumer assistance programs. Dave opened the floor for questions and further discussion.

Q: Several programs do not have payments in 2022. Is that due to the programs ending, customers not qualifying, or some other reason?

A: Jennifer answered that many of these programs ran out of funding quickly and did not have monies to distribute in later years. The City’s Rental & Utility Relief Program, HECO’s Hawaii Utility Bill Assistance Program, and LIHWAP came through to provide added to relief for customers.

Q: Do you have a sense of the longevity of the two programs that were active in 2022?

A: Jennifer answered that LIHWAP just started and is expected to be funded for a couple years. The Rental and Utility Relief Program was opened and closed 3 or 4 times to receive and process applications. She has not yet received an update on when applications will reopen.

COMMENT: Cynthia Rezentes commented that the City and County is asking for an additional \$33m to fund the Rental & Utility Relief Program for the initial portion of 2023. She also shared that the State Department of Hawaiian Home Lands rental assistance program is open for beneficiaries, as well as its homeowner assistance program.

COMMENT: BWS Information Officer Kathleen Elliott-Pahinui commended Jennifer and her team for their hard work to administer the financial assistance program.

ACCEPT MEETING 44 NOTES

Meeting 44 notes were approved.

WATER RATES UPDATE

Dave invited Joe Cooper to provide an update on the BWS water rate study.

Objectives for the water rates update presentation include:

- Reviewing Stakeholder Advisory Group input from October 2022 meeting
- Reviewing the Long Range Financial Plan
- Discussing water demand trends
- Seeking initial input on potential rate increase scenarios

Joe started his presentation with a summary of the water rate study presentation from the previous meeting, starting with an overview of the three primary steps of rate making.

The first step of the rate making process is the Revenue Requirement, which compares revenue with operating and capital cost and has four primary cost drivers:

- **Operations & Maintenance costs.**
- **Capital Expenses Paid in Cash vs. Debt.** How the Capital Improvement Program (CIP) is financed.
- **Reserves and Working Capital.** Financial policies for credit ratings and stability.
- **Trends and Risks.** Preparedness to respond to changing trends and risks.

Joe discussed three factors that impacted the BWS's revenue:

- **Inflation.** From fiscal years 2019 – 2023, the rate of inflation out-paced BWS revenue increases by 7.6%.
- **Red Hill Response.** This is requiring investments in new BWS facilities in excess of \$200 million.
- **Power Costs.** Electricity and oil costs rose dramatically and remain volatile.

When comparing actual and budgeted operations and maintenance costs from 2013 – 2023, costs were contained below budget each year. However, actual costs increased by 3.85% and budgeted costs increased by 3.78% on average over those 10 years. It is projected that operations and maintenance costs will increase to over \$250 million by the end of the projected rate study period.

COMMENT: Dave stated that the projected increases include inflation projections.

Joe discussed the second step of the rate making process, Cost of Service, which identifies differences in costs to serve each customer class. Those costs are then compared to how much is received in revenue for that class so a rate structure can be designed to collect costs appropriately per customer class. The BWS's primary customer classes are Single-Family Residential, Multi-Family Residential, Non-Residential (Commercial/Industrial), and Agricultural.

Joe shared a graph detailing how COVID-19 caused changes in customer water use patterns. In March

2020 due to the global pandemic, single-family residential consumption increased while non-residential consumption decreased. Since then, customer water use patterns appear to be slowly returning to pre-pandemic conditions.

Joe shared a table detailing various adjustments to Cost of Service that were implemented by the previous Rate Study in Fiscal Year 2019. Joe commented on a few of the customer classes:

- Single-Family Residential customers were paying 90% of their Cost of Service and it was decided to gradually increase that to a more equitable 95% by Fiscal Year 2023.
- Multi-Family Residential customers were paying 109% of their Cost of Service and it was recommended to decrease that to an equitable 100% by Fiscal Year 2023.
- Agricultural customers were paying 60% of their Cost of Service and it was decided to maintain that subsidy due to the community value of supporting local agriculture.
- Non-Potable customers were paying 77% of their Cost of Service and it was decided to increase that slightly to 80% and continue to incentivize non-potable water use.

Joe stated that the new rate study will maintain the same goals and percentages as the previous rate study. Dave commented this is consistent with what the group expressed at the previous Stakeholder Advisory Group meeting.

Joe explained the third step of the rate making process, Rate Design, which involves considering level and structure of a rate design for each class of service. Joe provided the group with an overview of the BWS's existing tiered water rate structure.

Residential water rates for Single-Family and Multi-Unit customers are designed into 4 tiers. The first tier is an Essential Needs tier, where the first 2,000 gallons of water per month are set at a rate lower than cost of service to assure affordability. The other tiers charge higher rates as usage goes up.

Non-residential customers pay a flat rate due to the wide variety of customer water use patterns.

Lastly, the Agricultural water rate structure is tiered based on water-use and includes an Essential Needs tier. Their rate structure is subsidized to incentive the local growing of food.

Joe invited Dave Ebersold to continue to the presentation and discuss the long range capital improvement plan developed through the BWS's Water Master Plan.

Dave shared a graph of the 30-year Capital Improvement Plan adopted by the BWS Board in 2016. The graph showed the different types of infrastructure projects that are anticipated to comprise the CIP through Fiscal Year 2046. The BWS Board adopted a slow ramp up of rate of replacement of water mains to 21 miles per year (1% of pipeline in the system). This CIP is the basis for the BWS's Long-Range Financial Plan (LRFP), which was updated in 2021.

Dave next shared a graph of the Revenue Requirement from the LRFP that was updated in 2021. The proposed rates for the next 5-year rate schedule will need to cover the gap between the projected revenue under the existing rates and the projected revenue requirement of the LRFP. It was expected that, for the next 5-year rate schedule, yearly revenue increases would range between 4.5% and 5.5% to provide funding to support the CIP and operations and maintenance costs.

Dave provided monthly and annual water consumption data from 2016-2022. Overall, there has been a

slight downward trend in total annual consumption from year to year. It is unclear if this trend is driven by weather patterns, public response to conservation messaging, or something else. However, it does mean that projected water demand is expected to remain flat, not grow, which is an important assumption for rate-making. Other rate-making assumptions include projections for inflation rate, availability of federal grants, cost of money (market-based debt), and how capital projects to address Red Hill may delay other CIP projects.

Q: How does the BWS adjust to unexpected CIP projects, such as seawater desalination, to ensure pipeline replacement projects continue to move forward?

A: Dave responded that the Kalaheo Seawater Desalination Facility is in the procurement process and is expected to be awarded soon. The costs are included in the current CIP. The LRFP looks at longer term impacts of those trends, such as decreased water sales and growth demands. Ernest commented that BWS is looking at leveraging federal funds reduce the total cost of constructing the plant, as well as EPA financing to spread the cost over a longer period. The need to diversify water resources is important to our water future. Ernest commented that we need to invest in these projects now rather than later.

Q: How will BWS deal with the salt byproduct issue?

A: Ernest answered that the plan is to inject the brine into the caprock area of the aquifer where injection wells are allowable. This will allow the brine to seep slowly into the ocean and be diluted with seawater. Ernie also commented that BWS is starting with a smaller-sized plant to evaluate and monitor effectiveness of the system and monitor impacts on the environment.

Q: Water consumption at the Kaneohe Marine Corps Base has been increasing. Can the Federal Government or Military consider covering costs to install desalination plants?

A: Ernest commented that he has talked to Colonel Koumparaksi about using recycled wastewater for landscape irrigation. Desalination on base could help them produce their own freshwater.

Dave continued his presentation by discussing current conditions that impact the revenue requirement, such as higher electric costs, inflation and CIP needs for Red Hill. Given those conditions, Dave discussed a few rate-making scenarios BWS can consider, such as:

- **No Increase.** This scenario would result in an estimated \$968 million in CIP projects not completed and yearly Operations & Maintenance reductions ranging from 2.4% to 16.2% through Fiscal Year 2029. This would have a substantial impact to the CIP and the ability to maintain infrastructure and build new infrastructure for growth.
- **Moderate 8% Per Year.** This scenario would eliminate the need for reductions in Operations & Maintenance, but an estimated \$140 million in CIP projects would not be completed.

Rate increases are required to maintain levels of service that appropriately balance water service adequacy & dependability and infrastructure costs & rate affordability. Failure to adequately increase water rates risks the BWS's ability to implement the CIP, provide additional water sources for Red Hill, bond ratings, and infrastructure reliability and resiliency. One of the most prominent indicators of infrastructure reliability is water main breaks, and these rate scenarios must consider whether an increase in main breaks is an acceptable tradeoff.

This concluded Joe and Dave's Water Rate Update. Dave opened the floor for questions and further

discussion.

Q: What other rate increase options are being considered? Is BWS looking at where main breaks are occurring and if alternative funding on the Federal and State level can be used? Additionally, we should look at the long-term impact of the Military presence on this island.

A: Ernest commented that Military's impact to our island is an important conversation to have as a community along with our elected officials. Environmental impacts and costs caused by the Military could have been avoided. Regarding alternate funding for the CIP, the City provided \$50 million in American Rescue Plan Act grants, which boosted our CIP. Also with the State current strong financial condition, BWS is looking into both State and Federal grants that can reduce cost to our customers and deliver more infrastructure projects.

Q: Is the CIP working? Has BWS benchmarked if they are able to implement projects detailed in the CIP, and are the goals of the CIP being accomplished?

A: Ernest commented that Jason Takaki, former head of the BWS Capital Projects Division, retired in November 2022 and BWS is looking to hire a replacement. With the staff available, BWS has been able to deliver \$150 million - \$170 million in projects. However, hiring and retaining engineering and construction inspection staff has been challenging due to the competitive market.

COMMENT: Someone needs to look at the bigger picture of how utility rate increases, tax hikes, and layoffs will impact families over the next years.

Dave commented that the affordability of utilities, and its acute effect on low-income families and disadvantaged communities, is a nationwide issue. That is why advocating for Federal assistance programs like LIHWAP is incredibly important. Ernest commented that balancing our operations costs and CIP while also providing an essential service at an affordable cost is our greatest challenge.

COMMENT: The issues with hiring engineers is affecting all levels of government because there aren't enough engineers in the industry and the private sector pays much higher wages. Government needs to figure out how to bring those wages up to attract more engineers.

COMMENT: It was alarming to see that the aggressive CIP adopted in the strategic plan would only result in a slight reduction in water main breaks.

Q: Is the 8% value in the moderate increase scenario a "magic number"?

A: Dave said 8% was chosen to start discussion on the types of tradeoffs to consider as we discuss rate options. Ernest commented that BWS proactively found and repaired 19 leaks in its system in Fiscal Year 2023. He is considering increasing staffing for the BWS leak detection team which could increase production of proactive leak repair and offset full pipeline replacement.

COMMENT: Without staffing up the Capital Projects Division, increasing the volume of projects will be difficult when they are barely managing the current volume. Outsourcing projects is more costly. BWS needs to look at adjusting salaries to be more competitive to hire people to run those projects.

Ernest commented that, in addition to non-competitive wages, the erosion of retirement and medical plan benefits for government employees also impacts filling those positions.

COMMENT: Navy projects are hiring many construction-related staff BWS is looking for. As part of compensation for the impacts of Red Hill, the Navy should pay for added salaries and benefits needed for BWS to hire more staff.

Dave talked about tiered residential water rate design for single-family customers and how they currently pay 95% of their cost of service. Dave asked the group if they would consider a rate design that more disproportionately increases rates for customers who use more water. Meeting chat comments from two members indicated that they like the idea of charging more to people who are overusing water.

Dave thanked the group for their comments and feedback on water rates, which will be provided to the BWS Board at their January 2023 meeting.

BWS UPDATES – AQUEOUS FILM FORMING FORM SPILL AT RED HILL

Ernest Lau, BWS Manager and Chief Engineer, provided an update on Red Hill.

On November 29, 2022, 1,300 gallons of Aqueous Film Forming Foam (AFFF) concentrate leaked into the environment at the Navy Red Hill Bulk Fuel Storage Facility. The Navy dug over 100 barrels of contaminated soil for disposal on the mainland, but they were not able to recover all 1,300 gallons. AFFF contains polyfluorinated alkyl substances (PFAS), “forever chemicals” that last a long time in environment. PFAS are also water soluble, so they can be picked up by rainwater and move into aquifer.

In April 2022, the Military implemented a policy where its bases are required to report any spill above 10 gallons of AFFF concentrate liquid to the Department of Defense within 24 hours. The investigation is still pending, and video of the spill hasn’t been released or been shared.

BWS UPDATES – RED HILL CONSENT ORDER TOWN HALL MEETING

On January 18, 2023, the EPA, Navy, and Defense Logistics Agency (DLA) hosted a town hall meeting to discuss the Consent Order for the Red Hill Bulk Fuel Storage Facility. The Consent Order is a voluntary settlement agreement between the EPA regulator, the Navy, and the DLA. The BWS sent letters to 170,000 customers island wide and outlined six concerns about the Consent Order:

1. It does not contain clear deadlines for completing the work.
2. It does not impose strict penalties for noncompliance.
3. It does not provide opportunities for public participation by the BWS and the community.
4. It does not contain actions to address the recent AFFF spill.
5. It may conflict with the existing 2015 Administrative Order on Consent (AOC) and the 2022 Department of Health (DOH) emergency order.
6. The Consent Order is premature given that we don’t know the full environmental impacts on our water resources.

Additionally, the EPA has legal authority that they can implement and order the Navy to defuel the facility and remediate the environment without entering into a settlement agreement.

Visit epa.gov/red-hill to provide comments on the Consent Order. Comments are due by February 6, 2023. Ernie commented that the town hall meeting was packed with over 200 people who provided intense and emotional testimony.

Q: Was last night's meeting filmed? How do we encourage elected officials to put pressure on the regulators to stand against the Consent Order?

A: Ernest answered that Olelo livestreamed the event and BWS Communications staff recorded the proceedings. The BWS recording will be posted on our website. Ernest commented that, since it was a Q&A meeting, comments and testimony were not recorded or transcribed. He also commented that no elected officials were present, but they should have gotten a letter from the BWS.

Q: Shouldn't our congressional delegation be doing this since it involves the EPA?

A: Ernest answered that BWS is in conversation with the congressional delegation, and they are aware of the BWS's letter. BWS will be submitting extensive, formal comments and will post it on our website.

COMMENT: Can Stakeholder Advisory Meeting links go to the congressional delegation and other elected officials?

NEXT STEPS

Dave reminded the group of the dates for upcoming stakeholder advisory group meetings: Thursday, April 20, 2023; Thursday, July 20, 2023; and Thursday, October 19, 2023.

Dave thanked the attendees for their attention and participation and concluded the meeting.