

Honolulu Board of Water Supply
Stakeholder Advisory Group Meeting 48
Thursday, October 19, 2023, 4:00 – 6:00 pm
Microsoft Teams

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 an online meeting in which 18 stakeholders participated, 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 attended:

- | | |
|---------------------|---|
| Mark Fox | Environmental |
| Markus Krebs | Outrigger Reef Hotel |
| Bob Leinau | Resident of Council District 2 |
| Helen Nakano | Resident of Council District 5 |
| Dana Okano | Hawaii Community Foundation |
| Dean Okimoto | Nalo Farms, Inc. |
| Chrstine Olah | AARP, Hawaii |
| Richard Poirier | Resident of Council District 9 |
| Elizabeth Reilly | Resident of Council District 4 |
| John Reppun | KEY Project |
| Cynthia Rezentes | Resident of Council District 1 |
| Alison Richardson | Coca-Cola Co. |
| Wayne Tanaka | Sierra Club |
| Walter Thoemmes III | Kamehameha Schools |
| Cruz Vina, Jr. | Resident of Council District 8 |
| Cheryl Walthall | General Contractors Association of Hawaii |
| Guy Yamamoto | YHB Hawaii |
| Suzanne Young | Honolulu Board of Realtors |

WELCOME

Facilitator Dave Ebersold welcomed everyone to the 48th meeting of the BWS Stakeholder Advisory

Group.

Meeting objectives were identified as:

- Discuss BWS Customer Satisfaction Survey
- Accept notes from meeting #47
- Review detailed water rate proposal and public outreach activities
- Provide BWS updates

PUBLIC COMMENTS: None.

BWS CUSTOMER SATISFACTION SURVEY

Dave introduced Becki Ward, President of Ward Research, who would report results from the fifth measurement of resident perceptions of the BWS. The objective of this study was to track measures of satisfaction & other key metrics related to perceptions of the BWS and fulfillment of its mission.

Becki explained that a mixed methodology, including telephone and online surveys, had been used with a sample size was 701 participants. Becki highlighted that the survey was conducted earlier this year, which was a timeframe with a heavy focus on the Red Hill and PFAS issues, which may have influenced the results.

Overall Satisfaction: Becki noted a decline in satisfaction compared to previous years. In 2015, overall satisfaction was 60%, while in 2017 and 2019, it reached its highest levels at 63%. However, satisfaction had fallen off since then. Becki explained that this decline could be attributed to the outreach efforts related to the prior rate study and proposed rate hikes, which took place after the survey was conducted. She also mentioned a downward trend in non-bill payers' satisfaction. She also referenced that 55+ year olds and upper-income households indicated stronger overall satisfaction with the BWS compared to 18-34 year olds and lower-income households.

Mission and Performance: Becki highlighted a statistically significant decline in the proportion of residents giving top ratings for providing dependable water. The concern was even greater regarding the ability to provide safe water, as the top ratings fell from 73% and 76% in previous years to 60% in the current survey. This decline raised concerns given the importance of safe water provision. She also mentioned a significant decrease in satisfaction with keeping water rates affordable. In this category, she also noted that 55+ year-olds and males indicated stronger overall satisfaction with the BWS compared to 18-34 year olds and females.

Customer Service Satisfaction: Becki noted a decline in satisfaction levels from 2019 to 2021, although the mean rating did not show a significant drop. She mentioned that online inquiries were increasing, but satisfaction with how communication was handled had fallen off.

Employees' Professionalism and Performance: Becki discussed ratings for professionalism, problem resolution, courtesy, accessibility, efficiency, following through with commitments, and accuracy. Most of these ratings had fallen off, particularly call wait times and problem resolution. The decline in ratings across all dimensions was not easily explained, though Becki commented that a “negative halo effect” may have contributed.

Water Quality and Service Delivery: Becki mentioned a slight decline in satisfaction with water quality and taste. Although the mean ratings did not show significant drops, the concerns about safe water provision raised concern. The delivery of water service, including providing reliable service, received

positive ratings, with slight declines noted since 2019. Fast response to trouble calls also showed a decline since 2019, although the mean rating had increased slightly in the current survey.

Protecting, Managing and Sustaining Water Resources: Becki noted a general downward trend in these ratings over the past eight years, although not a significant cause for concern. The BWS's efforts in this area were acknowledged.

Becki delved into the impact of the recent pandemic on various aspects of employee-related areas within the water supply system, particularly the general downward trend in satisfaction concerning the maintenance and replacement of elements in the water delivery system. This decline, evidenced by a decrease from 54% to 45% in strong satisfaction over the survey period, may be attributed to issues such as water main breaks and reported problems by residents.

Becki's report discussed the fairness of water rates, pointing out a significant positive spike in 2017, likely correlated with increased discussions and public outreach during that period. However, subsequent years saw a decline in positive feedback, especially in 2021, underscoring the challenge of maintaining positive perceptions as a utility. Another area of concern was the potential downward trend in the rating of the Board's efforts to inform residents about water conservation. This decline may be linked to the connection between conservation efforts and lowering water bills. Despite this, there was consistency in the positive impact on conservation behaviors when the message emphasized the connection to lower bills. Ward encouraged ongoing communication on conservation efforts to reinforce positive behaviors.

Regarding the importance of community outreach and message recall, results showed that Detect-A-Leak Week and Red Hill both had heightened community awareness compared to other BWS programs and activities. Social media emerged as the preferred channel for communication, followed closely by email and TV. Ward stressed that the BWS remains one of the most trusted sources of information about fresh water, alongside scientists. However, there was a noted increase in trust for nonprofits regarding water issues and a decline in trust for the Department of Health over the years.

Becki discussed a critical concept she calls the "Negative Halo Effect," suggesting that recent water-related incidents such as Red Hill may have contributed to a general decline in public perceptions. Ward urged caution against potential unwarranted declines and emphasized the need for continued community engagement and communication to rebuild trust. In conclusion, she encouraged ongoing efforts in community outreach, especially addressing declining satisfaction in providing dependable and safe water. The recommendation included maintaining a focus on education programs, reinforcing positive conservation messages, and acknowledging recent incidents while working proactively towards rebuilding trust through transparent communication.

This concluded Becki's presentation on the BWS customer satisfaction survey. Dave opened the floor for questions and further discussion.

QUESTION: John Reppun asked about survey results showing respondents from North Shore giving low satisfaction scores and asked for an explanation.

ANSWER: Becki clarified that the decline in North Shore data was due to a small sample size, making it statistically unreliable.

COMMENT: Kathleen Elliott-Pahinui raised awareness of recent articles discussing general pessimism

despite rising incomes, suggesting it might influence survey results.

COMMENT: Bob Leinau acknowledged a strong correlation of the measured factors declining at the same time, expressing support for the negative halo theory that everything can't uniformly decline without more deviation.

QUESTION: Bob asked if public sentiment is being negatively impacted because of sewer charges on the water bill.

ANSWER: Becki confirmed that there was confusion, pointing out that people didn't understand the separation of water and sewer charges. The issue was acknowledged as a contributing factor to overall sentiment. Kathleen commented that BWS continues to field comments about sewer rates at neighborhood board and community group meetings. Dave commented that he recalls past surveys saying that 70% of respondents didn't know that water and sewer were managed by separate agencies.

QUESTION: John asked if Becki had any recommendations as far as messaging and to what age group.

ANSWER: Becki replied that BWS should message all age groups because the safe water issue touches all age groups and commented that having the data broken out by age helps the BWS to target different channels by age group.

COMMENT: John proposed initiating a video series to educate the public on water-related terms, emphasizing the importance of addressing basic questions. He also suggested more social media to target future water consumers. Kathleen replied that BWS has a robust social media presence and will continue outreach through all channels available. Ernest commented that he appreciates the suggestions and agrees with John's insight on targeting future water customers and is seeking more ideas on how to reach and educate the non-bill paying customer segment, expressing openness to opportunities beyond social media.

QUESTION: Markus Krebs asked if there is a specific question in the survey that is driving negative scores and if that could be targeted for improvement. He also commented that the declining satisfaction started before Red Hill leak in November 2021.

ANSWER: Becki identified overall satisfaction as a key metric and suggested conducting a drivers analysis to pinpoint specific areas for improvement. Ernest commented that this analysis would be great to help BWS focus on areas that will have the greatest benefit.

COMMENT: Bob suggested BWS have a mascot to help make water conservation education more approachable to the younger generation.

COMMENT: John emphasized the need to focus on basic questions to educate the public, especially the younger generation, suggesting questions about the difference between potable and non-potable water. Becki made a note of this, and Dave shared an anecdote about a past survey in Southern California where respondents considered puddled water on the ground as groundwater, highlighting the lack of public understanding of different water types. Kathleen mentioned that, at the direction of BWS Board Chair Na'alehu Anthony, she is working on a video that explains and defines common phrases in the water industry.

Seeing no further questions, Dave thanked Becki for her presentation and introduced the next item on

the agenda.

ACCEPTING MEETING 47 NOTES

Meeting 47 notes were approved.

WATER RATES UPDATE

Dave began his presentation on water rates, which would discuss the need for updating existing water rates; details of the updated water rate proposal; a summary of public input received to date; and a Proposed Notice of Public Hearing. This presentation is similar to what SAG members saw at previous meetings and is what will be shown to the BWS Board of Directors to authorize a notice for public hearing to formally consider the rates proposal.

Dave explained the size and complexity of the BWS's water system, which serves 145 million gallons of water per day to 1 million people on Oahu, and the operation of this system is funded solely by water ratepayers. The previous 5-year water rate increase from 2018-2023 funded 494 capital improvement projects totaling \$776 million investment into the water system.

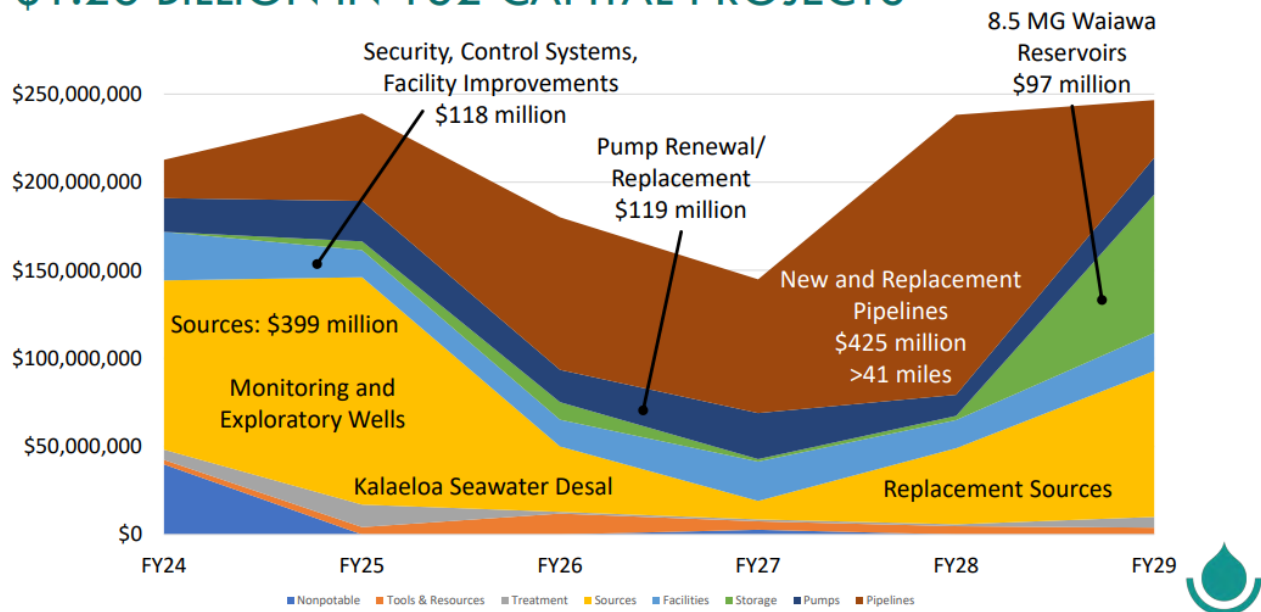
Dave continued his presentation by discussing several external factors that impacted the BWS operations, including:

- COVID-19 Global Pandemic, which shifted customer water use patterns.
- Cumulative inflation, which outpaced the BWS's revenue increases, resulting in a 7.6% gap in purchasing power.
- Electricity costs, which have trended sharply upward despite BWS's overall electricity usage has trended downward.
- Red Hill response, which requires large investments to develop new wells and to find new sources to replace 17.5 million gallons per day of potable water pumping capacity.

BWS has implemented cost-saving measures by deferring the acquisition of replacement vehicles and equipment, refraining from passing on increased energy costs to customers, and deferring less critical capital projects. As a result, BWS has held to pre-approved rate increases for the period 2018-2023 and has managed to maintain a flat Operations & Maintenance budget, despite facing challenges of high inflation. These actions reflect BWS's commitment to prudent financial management and operational efficiency.

Dave continued his presentation by discussing the BWS's rate increase strategy, which aims to strike a balance between providing safe and dependable water service and rate affordability. He shared a graphic that shows what the rate increase would pay for, which includes \$1.26 billion investment into 132 capital improvement projects. He noted that investment in new and replacement pipelines is less than what was proposed in the BWS Water Master Plan, which is in due to the need to invest in new sources, rising construction costs, and the ability to deliver 21 miles of pipeline replacement per year.

WHAT THE RATE INCREASES WILL PAY FOR \$1.26 BILLION IN 132 CAPITAL PROJECTS



Dave talked about BWS customer classes and how a Cost of Service analysis looked at equitably balancing revenue requirements across customer classes of service. He noted that Agricultural and Non-potable and Recycled customers pay less than their cost of service and are subsidized by the Non-residential customer class.

The current water rate proposal is for a 5.5-year period beginning February 1, 2024 – June 30, 2029 is as follows:

- 10% increase on February 1, 2024
- 10% increase on July 1, 2024
- 9% increase on July 1, 2025
- 8.5% increase on July 1, 2026
- 8% increase on July 1, 2027
- 8% increase on July 1, 2028

The rate increases will be the same across customer classes but may vary by water-use tier. For residential customers, Dave noted that increases for the below-cost Essential Needs tier will be limited to 2.5% per year, while the highest water users will see the highest rate increases, which is designed to encourage water conservation. Below is a table showing the proposed rates for single-family residential customers:

SINGLE-FAMILY RESIDENTIAL WATER RATES 2024 - 2029



Tier	Gallons/ du/month	Current	Proposed Rates, Effective Dates					
			Feb 1, 2024	July 1, 2024	July 1, 2025	July 1, 2026	July 1, 2027	July 1, 2028
EssN: 1	0 to 2,000	\$4.46	\$4.57	\$4.69	\$4.80	\$4.92	\$5.05	\$5.17
2	2,001 to 6,000	\$5.25	\$5.78	\$6.35	\$6.92	\$7.51	\$8.11	\$8.76
3	6,001 to 30,000	\$5.85	\$6.53	\$7.34	\$8.15	\$8.98	\$9.82	\$10.74
4	More than 30,000	\$9.25	\$10.95	\$12.32	\$13.67	\$15.06	\$16.48	\$18.02

EssN – Essential needs
Rates are in \$ per thousand gallons
du – dwelling unit



PROPOSED: For Discussion Only

Dave went over how single-family residential customers can calculate their water bills based on their water usage, the water rate, and monthly customer charge, which is based on water meter size. He noted that the customer charge is also increasing at the rate of 10%, 10%, 9%, 8.5%, 8%, and 8% through July 1, 2028. Dave then showed how water bills for low, average, and high water users will compare from their current bill to future bills at the proposed rates. He noted that low water users will see lower percentage increases as higher rate increases were shifted to high use customers.

Dave discussed proposed rates for Multi-unit residential customers, which are also tiered and is structured so the highest water users will see the highest rate increases. Below is a table showing the proposed rates for multi-unit residential customers:

MULTI-UNIT RESIDENTIAL WATER RATES 2024 - 2029



Tier	Gallons/ du/month	Current	Proposed Rates, Effective Dates					
			Feb 1, 2024	July 1, 2024	July 1, 2025	July 1, 2026	July 1, 2027	July 1, 2028
EssN: 1	0 to 2,000	\$3.77	\$3.86	\$3.96	\$4.06	\$4.16	\$4.27	\$4.37
2	2,001 to 4,000	\$4.43	\$4.87	\$5.36	\$5.84	\$6.34	\$6.85	\$7.39
3	4,001 to 10,000	\$5.03	\$5.70	\$6.52	\$7.33	\$8.16	\$9.01	\$9.93
4	More than 10,000	\$5.98	\$7.21	\$8.25	\$9.27	\$10.33	\$11.40	\$12.57

EssN – Essential needs
Rates are in \$ per thousand gallons
du – dwelling unit



PROPOSED: For Discussion Only

Next Dave discussed Non-residential customers, who pay 117% cost of service and pay a uniform rate per 1,000 gallons of water used. Below is a table showing the proposed rates for non-residential customers:

NON-RESIDENTIAL WATER RATES 2024 - 2029



Current	Proposed Rates, Effective Dates					
	Feb 1, 2024	July 1, 2024	July 1, 2025	July 1, 2026	July 1, 2027	July 1, 2028
\$5.27	\$5.80	\$6.38	\$6.95	\$7.54	\$8.14	\$8.80
% Change	10.0%	10.0%	9.0%	8.5%	8.0%	8.0%

Rates are in \$ per thousand gallons

Examples: hotels, restaurants, government, shopping centers, hospitals, retail



PROPOSED: For Discussion Only

Dave then discussed rates for agricultural and recycled water customers. These customers will continue to have reduced water rates to encourage local farming or fresh produce and using alternative water sources for irrigation and industry. Below are tables showing the proposed rates for agricultural

and non-potable and recycled water customers:

AGRICULTURAL WATER RATES 2024 - 2029



Tier	Gallons/du/month	Current	Proposed Rates, Effective Dates					
			Feb 1, 2024	July 1, 2024	July 1, 2025	July 1, 2026	July 1, 2027	July 1, 2028
EssN: 1	0 to 2,000	\$4.46	\$4.57	\$4.69	\$4.80	\$4.92	\$5.05	\$5.17
2	2,001 to 6,000	\$5.25	\$5.78	\$6.35	\$6.92	\$7.51	\$8.11	\$8.76
3	Over 6,000	\$2.12	\$2.33	\$2.57	\$2.81	\$3.05	\$3.29	\$3.56

EssN – Essential needs
Rates are in \$ per thousand gallons
du – dwelling unit

PROPOSED: For Discussion Only



NON-POTABLE AND RECYCLED WATER RATES 2024 - 2029



Type	Current	Proposed Rates, Effective Dates					
		Feb 1, 2024	July 1, 2024	July 1, 2025	July 1, 2026	July 1, 2027	July 1, 2028
Non-Potable	\$2.90	\$3.19	\$3.51	\$3.82	\$4.15	\$4.48	\$4.84
R-1 Golf	\$0.65	\$0.72	\$0.79	\$0.86	\$0.93	\$1.00	\$1.08
R-1 Other	\$1.96	\$2.16	\$2.37	\$2.59	\$2.80	\$3.03	\$3.27
RO	\$6.36	\$7.00	\$7.70	\$8.39	\$9.10	\$9.83	\$10.62

Rates are in \$ per thousand gallons

PROPOSED: For Discussion Only



COMMENT: Dean Okimoto commented that, while reduced water rates are great, many agricultural areas do not have easy access to potable water, making it cost prohibitive to be a farmer. If you want farmers in agricultural areas, the infrastructure for potable water needs to be there. BWS Manager Ernest Lau acknowledged that many agricultural areas are not near the BWS water system. He also offered to assist Dean by being part of discussions or opportunities to get potable water to agricultural areas.

QUESTION: Bob Leinau asked if a water meter is associated with one customer class, or can it be part of multiple. Dave answered that the meter is assigned one customer class and the appropriate rate for that class. Ernest commented that in cases where developments are mixed-use (such as a residence and business on the same property), BWS requires the developer to meter them separately so they can be charged the correct water rate.

Dave continued his presentation by discussing the proposed extension of fee waivers for affordable housing, homeless housing, and fire sprinkler retrofits. BWS is also considering fee waivers for new farmers. Ernest thanked Dean Okimoto for his input on this fee waiver proposal.

Dave discussed rate increases for the BWS’s Fire Meter Standby Charge, which applies to services for private fire protection. Those proposed rates are shown in the table below:

FIRE METER STANDBY CHARGE

Meter Size	Current	Feb 1 FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
2" and smaller	\$7.99	\$8.79	\$9.67	\$10.54	\$11.43	\$12.35	\$13.34
3"	\$10.29	\$11.32	\$12.45	\$13.57	\$14.73	\$15.90	\$17.18
4"	\$14.23	\$15.65	\$17.22	\$18.77	\$20.36	\$21.99	\$23.75
6"	\$28.44	\$31.28	\$34.41	\$37.51	\$40.70	\$43.95	\$47.47
8"	\$52.94	\$58.23	\$64.06	\$69.82	\$75.76	\$81.82	\$88.36

- For **READINESS TO SERVE**, applies exclusively to services for private fire protection including automatic fire sprinklers connected to alarms, fire hydrants, and wet stand pipes



Dave mentioned various BWS fees that will not be changed in the current rate proposal. This includes the Standby Charge for Emergency Connections, Water System Facilities Charge, Power Cost Adjustment, and Environmental Regulations Compliance Fee. He also mentioned various water conservation device rebates and new water conservation programs that can help customers to save water. Information on those programs is available at <https://www.boardofwatersupply.com/watersensible>.

Dave listed several community outreach efforts to inform customers about the water rate proposal. BWS held four community information meetings in Kaneohe, Honolulu, Kapolei, and Mililani. 25 community members attended, which was similar to the amount that attended meetings for the previous rate proposal 5 years ago. Videos of those meetings were posted to the BWS website and received 92 views to date. The videos also aired on Olelo TV four times each through late September and are available on demand through Olelo Video on Demand.

Public comments on the rate proposal were accepted through October 15 via letters, emails, phone

calls, and social media messages. BWS also distributed a special edition of its Water Matters customer newsletter to 170,000 account holders to share information about the proposed rates.

BWS gave presentations at 21 neighborhood boards totaling 420 attendees, 7 interest groups totaling 150 attendees, as well as briefings to all seven City Council Members and the City Managing Director.

The BWS website saw increased traffic to its Draft Proposed Water Rates page, with 1,759 views and 745 unique users. The rate increase proposal was also heavily covered in the media, including an interview with Hawaii Public Radio and articles in the Star Advertiser and Civil Beat.

As part of the regulatory process for amending rules that may impact small businesses, the prepared a Small Business Impact Statement and gave a presentation to the Hawaii Small Business Regulatory Review Board (SBRRB). This Board made a unanimous recommendation that the BWS can proceed through public hearing process.

QUESTION: Bob Leinau asked how the SBRRB compares to the Public Utilities Commission (PUC). Dave answered that they are separate entities. The PUC regulates privately held, investor-owned utilities. The SBRRB is a government entity that oversees proposed rules and regulations from other government entities.

Dave continued his presentation with an overview of the rate adoption process. BWS has been seeking public input on the draft rate proposal for several months now and will be seeking BWS Board consideration of the rate proposal in November 2023 and a formal notice of a public hearing.

This concluded Dave's Water Rates Update presentation. He then asked the stakeholders if they have any questions, concerns, or comments about the BWS proceeding to a public hearing with the current rate proposal.

COMMENT: Dean Okimoto commented that fresh water is essential to all our lives and that BWS has been looking out for protecting our water resource. With other utility bills going up as well, it boggles his mind that anyone questions why rates are increasing when our tap water is among the best in the country. Kathleen commented that the community outreach process has been very educational. When BWS had opportunities to present and discuss with the community, though they may not be happy about the result, they gained a better understanding of the need for rate increases. Kathleen and her team are currently responding to about 100 public comments to help customers better understand reasonings the rate proposal.

COMMENT: Bob Leinau commented that comparing BWS water rates to other water utilities could help people know if they are getting a good deal. Dave commented that in 2016, they surveyed the average water bill for 50 cities and the average bill for the BWS was in the middle range. They recently re-did this survey and BWS remained in the middle range, though the overall bills were higher.

COMMENT: Cynthia Rezentes suggested comparing the cost of 1,000 gallons of bottled water to 1,000 gallons of tap water to demonstrate how low water rates are. Kathleen thanked Cynthia for the suggestion.

Dave asked the SAG members if there are any reasons that the rate proposal should not go to public hearing. Cruz Vina, Jr. suggested that the proposal could move forward to a public hearing and the group agreed. Dave thanked the group for their input throughout the rates process.

BWS UPDATES

Dave invited Ernest Lau, BWS Manager and Chief Engineer Ernest Lau to share BWS updates.

Ernest thanked the SAG members for their input on the rates proposal and let them know that the BWS Board of Directors values their feedback. In regard to the defueling efforts at Red Hill, the Navy has safely defueled over 10 million gallons of fuel so far. They have 94 million more gallons to remove and that will continue through January 2024. The next step will be to remove approximately 34,000 gallons of residual fuel in pipelines and sludge fuel mixture in tanks. That effort is expected to take over 3-years to complete.

NEXT STEPS

Dave shared a list of Stakeholder Advisory Group meetings in 2024: Thursday, January 18; Thursday, April 18; Thursday, July 18; and Thursday, October 17. Dave thanked the attendees for their attention and participation and concluded the meeting.