

WATER RESOURCES COMMITTEE
Council of the County of Maui

MINUTES

July 3, 2012

Council Chamber, 8th Floor

CONVENE: 9:02 a.m.

PRESENT: VOTING MEMBERS:

Councilmember Michael P. Victorino, Chair
Councilmember Joseph Pontanilla, Vice-Chair (in 10:27 a.m.)
Councilmember Gladys C. Baisa
Councilmember Robert Carroll (out 10:28 a.m.)
Councilmember Elle Cochran
Councilmember G. Riki Hokama
Councilmember Mike B. White (in 10:11 a.m.)

STAFF: Kimberley Willenbrink, Legislative Analyst
Yvette Bouthillier, Committee Secretary

ADMIN.: Dave Taylor, Director, Department of Water Supply
Edward S. Kushi, Jr., First Deputy Corporation Counsel, Department of the Corporation
Counsel

OTHERS: **Item 6(4):** Rosemary Robbins

Others (6)

PRESS: Akaku: Maui Community Television, Inc.
Nanea Kalani, *The Maui News*

CHAIR VICTORINO: . . .(*gavel*). . . Good morning. The Water Resources Committee meeting for July 3, 2012 will come to order. First of all I wanna wish everyone a happy Fourth of July for tomorrow's holiday, and hopefully everyone has plans for tomorrow 'cause we have. I'd like to introduce the Members that are present. Our wonderful, illustrious young lady from Upcountry, Ms. Gladys Baisa. Good morning.

COUNCILMEMBER BAISA: Good morning, Chair.

CHAIR VICTORINO: Our distinguished colleague from East Maui, Mr. Robert Carroll.

COUNCILMEMBER CARROLL: Good morning.

WATER RESOURCES COMMITTEE
Council of the County of Maui

July 3, 2012

CHAIR VICTORINO: Our young lady from West Maui, Ms. Elle Cochran.

COUNCILMEMBER COCHRAN: Aloha, good morning, Chair.

CHAIR VICTORINO: Good morning. And our Member from the island of Lanai, Mr. Riki Hokama.

COUNCILMEMBER HOKAMA: Chairman.

CHAIR VICTORINO: And myself, the Chair, Michael Victorino. Excused at this time is Vice-Chair Joseph Pontanilla and Member Mike White. They, Mike will be joining us a little bit later. From the Administration we have the Director of Water Supply, Mr. David Taylor --

MR. TAYLOR: Good morning.

CHAIR VICTORINO: --and our Deputy Corporation Counsel, Ed Kushi.

MR. KUSHI: Good morning.

CHAIR VICTORINO: All right. Good morning. And also our Staff, who is tremendous help. We have Kim Willenbrink --

MS. WILLENBRINK: Good morning, Chair.

CHAIR VICTORINO: --and Yvette Bouthillier that will, our Committee Secretary. Thank you very much. This morning, I'd like to ask everyone if you have cell phones, to make sure you put 'em on silent or turn them off. We'd appreciate that. We have two items. One is a presentation from the Director of Water Supply, David Taylor, to provide us with an update on, from his last presentation which was entitled Department of Water Supply: [sic] System Management and Optimization Update. Okay. So, and then we have one more. WR-11, which is the East Maui Deep Well Study, which we will be discussing after the presentation. We have one testifier, so I would like to ask the testifier, would you like to wait 'til after the presentation? Because I mean some of your questions may be answered after the presentation. Would that be fine with you? Okay. Fine. So I will not close public testimony. All I'm gonna do is delay it until after the presentation. So if we could take a two minute recess to get the Chamber prepared for the presentation, I would appreciate it. This meeting will stand in recess. ...(*gavel*)...

RECESS: 9:04 a.m.
RECONVENE: 9:06 a.m.

WATER RESOURCES COMMITTEE
Council of the County of Maui

July 3, 2012

**ITEM NO. 6(4): COMMITTEE'S PRIORITIES AND PROCEDURES;
PRESENTATIONS FROM COUNTY ADMINISTRATIVE
AGENCIES (DEPARTMENT OF WATER SUPPLY
PRESENTATION)**

CHAIR VICTORINO: The Water Resources Committee meeting will come to order. At this time, I would like to call upon Mr. David Taylor, our Director, to give our presentation. Mr. Taylor.

MR. TAYLOR: Thank you, Mr. Chair. And thanks, Members, for the opportunity to give you some updates to our Water System Management and Optimization Update. We put on a similar presentation just before Budget. I think it was March 13th. Today we are going to make a very fast review of efforts to date of all the information you saw before. I'm gonna go through it very, very quickly. I'm gonna focus on the current status of the system optimization, meaning what have we done since the last time we talked about this. The big point I wanna make today is a discussion of future funding options. And that's really the meat of today's presentation. There's only a few slides at the end that we're gonna get to. But that's really the, the big thing today is these funding issues. So, as you've seen before, we've looked at all of our facilities, we looked at all of our costs. We have developed a 20-year plan of what it's gonna take to replace everything as it needs to be replaced to do new things. We've used that to lay out our CIP needs over the next 20 years. We've projected Debt Service to pay for this and projected rates to pay for the Debt Service. So the important thing, you've seen this before, in order to keep existing services, replacing things as they reach their useful life, we will need to raise rates at about 5 or 6 percent a year just to keep status quo. You've heard that before. And obviously, if we're going to do more than that, rates are gonna have to go up higher. So just kind of remember that number, 5 or 6 percent just for status quo. That'll come back a little later in the presentation. We've also revamped the way we do our Capital Improvement. We've talked about this at length. We've looked at a bunch of different water options. And I'm not sure what's up with this presentation today. It's really, really light. But again, you've seen this before. We looked at all the different water source development options and costed them out. We looked at Upcountry in detail, looked at where all the meter requests are, how much that's gonna cost. At the last presentation on March 13th, we explored this idea of reliable capacity, what are the bottlenecks, how are we going to de-bottleneck those systems. And we realized that although most people have been focusing for years on additional source, in order to meet the community's needs, additional things that can be done that may be better options, backup wells, additional preventative maintenance, more storage tanks, connecting storage tanks, larger waterlines and operational changes, any of these things may meet our needs to, to meet our ultimate goal, which is to provide meters to people that need them. It's not just additional source. And, again, last time we went into depth about the sort of supply demand

WATER RESOURCES COMMITTEE
Council of the County of Maui

July 3, 2012

methodology we're developing to look at how much water we have, what the demand forecasts are, how to add that source we need it, how to time those and pay for those. Okay. So you've seen all of that before. Here's an example of the update we've done since then. This is the work we're doing. This is a very early draft of the Upcountry scenarios. You see C, D, E. These are all different scenarios. These are all the different facilities. And, for example, you can't really read the numbers but that's okay. When, see the Piiholo plant has lots of water. 'cause it's a surface water plant, the Olinda plant might be dry, and vice versa. So it's not that everything's working at the same time. So we've had to go back about a decade or more, look at all the data, and say how much water do we have at each facility simultaneously? And so the staff has done some detailed statistical analysis with standard deviation, numbers. I mean, math that I haven't even seen since college. But we had to dust off those textbooks and really get back to the real engineering. So each of these numbers...my point is it takes a long time to put this together. There's an enormous amount of number crunching that's going to putting together these various scenarios, which each of them has to be looked at to find out what's really the worst case, what is reliable to plan for. Now we're presenting these as we showed you last time, in these complex supply demand curves. Here's a draft of Upcountry. These numbers are very early draft. They may move up or down. But basically, assuming that right now this blue line, let's say, represents the existing capacity we can serve. Now if growth happens at this rate, this red line shows how that demand will increase. If there's some conservation right away and then growth, this shows the demand. These upper lines, which are about the same slope, this is if everybody on the Upcountry meter list is taken care of tomorrow and then we have that growth. It'll go up at this rate. If that happens with conservation, it goes up at that rate. Then all of these colored horizontal lines are the capacities we have under different scenarios, if we build this plus that, if we build this other thing. Some of these add to each other. Some are mutually exclusive. So you can see we're making really good progress. We are focusing on what's first and what's second right now. We, it's gonna take us a while longer to sort through all this, but our real focus is what are the first bottlenecks, and we wanna get them started. The schedule is kind of hard to read. Again, I apologize. I'm not sure what's wrong with the audio/visual equipment today. Here we are now in July 2012. This schedule goes out to July 2013 when the FY 2014 Budget takes effect. The Council, during this previous FY '13 Budget deliberations, gave us, gave a million dollars to do design professional services for the next, the first de-bottlenecks. So what we're focusing on right now is defining what those are, getting them into the design phase so we'll be ready for construction money in FY '14. We'd like to start construction on these as soon as possible about a year from now. So our current priority is to define those first de-bottlenecks, get them under design. While that's happening, our team that's working on the de-bottlenecking study will continue to identify what happens next and next so we can get the design for that into the FY '14 Budget. These two down here, I know we can't really read them on this presentation, but these are Council actions. This first one is a discussion

WATER RESOURCES COMMITTEE
Council of the County of Maui

July 3, 2012

of rates and fees, which is happening today, and the second one is another discussion before Budget sometime to get some feedback. So that's what I wanna focus on today. In order to get you an FY '14 Budget in March, we need in January to crunch some numbers to say what are the rates and fees gonna be. Starting in FY '14 and then in '15, if we move forward with this aggressive approach, we are gonna have some serious debt payments to make. So we are gonna need to ramp up the revenue generation. So that's really the heart of today's presentation is the next slide. Okay. Looking at the numbers and the options, we've come up with some possible funding options for additional reliable capacity. And in this case, the disclaimer is in a bigger font than the title. These are very rough ballpark estimates, actual cost to be determined as the analysis proceeds. I don't want anyone thinking this is all finished, but it's time to start having a discussion of the order of magnitude of these different options. And there's really only four ways to pay for this. Right now, I think as everybody knows, meters are about \$6,000. That includes source, transmission and storage money. So that's for a 5/8-inch meter. Three-quarters, one inch, those are more expensive. Okay. So Option One is a growth pays for growth option. As we've heard before, it's gonna take rate increases of about 5 or 6 percent a year just to keep status quo. So if we think that existing customers have to pay at least this just to do status quo, and every new meter is gonna need to pay about 20 to 30 thousand dollars to generate enough revenue to do all this water and reliable capacity development. The reason this number is so, the range is so large is it really depends on which areas we focus on. If you think about the way we spend money, when we spend cash, that's a little less expensive. But if we borrow money, we get 20-year bonds, pay it off over the long term, the total cost is about twice the principal. So you can see there's gonna be a big uncertain range based on what projects we do, what areas we serve, how we fund it. But the point of this is meters are now \$6,000. If we're gonna do a growth pays for growth approach, it's not that the meters have to go up to, you know, seven or eight thousand dollars. They are going to have to go up significantly. So that's a pure growth pays for growth strategy, which a lot of existing consumers are gonna like because they don't feel they should have to pay for growth. On the other hand, when we look at affordable housing and things like that, you know, this is gonna be very difficult for a lot of people to bear. So there's some good and there's some bad. But that's a growth pays for growth, and that's the numbers we're looking at. That's the order of magnitude we're looking at to pay for a growth pays for growth scenario. Second option, we can take the other extreme. Leave meter fees at \$6,030, and generate this money through a rate increase so a general rate increase of around 10 to 12 percent a year every single year, you know, 10 percent on top of this year, then 10 percent on top of that, on and on. That will also generate enough revenue to fund these improvements. So this is really a current customers help pay for new customers. We could justify this by saying the people who already have meters got lucky. They got the cheap water. So it's only fair that the people coming in now and the existing customers share that pain. So that's number two. And now my laser pointer is dying, too, but anyway.

WATER RESOURCES COMMITTEE
Council of the County of Maui

July 3, 2012

Option three is basically splitting option one and two in half. It's basically saying that we'll keep the meter fees at around 10 or 15 thousand dollars. That'll generate about half the revenue. We'll get the other half from a general rate increase. So that's a spread option. I wanna note that when the Kihei Wastewater System was improved in the '90s, this is ultimately option three, I think, ultimately what the Council chose. I think that the impact fees cover the principal but not the interest, where interest, which is about equal to the principal, was paid for by a general rate increase. So the County has done something like this before. Option four, let's just say we can't afford any of these. So we leave meter fees at \$6,000 and we just have the 5 or 6 percent just to keep status quo, where we either don't do these improvements, or we have to subsidize with General Fund 10, 20 million a year. If none of these are acceptable, the only thing left is public/private partnerships and well development deals. Again, that's fine. It doesn't cost us any money, but we now won't have that control. Nothing wrong with that. That may be something we want to pursue. If the County wants to take the lead in developing water source, somehow we're gonna have to generate a lot more revenue than we have in the past. So one of these options or a combination are really going to be the only options for us. There is no good or bad from any of these. We can look all across the country and find examples of communities that do every one of these. It's purely a policy decision that's based on local values. I wanna note that the current draft of the Maui Island Plan, Chapter 9, Implementation, says use a growth pays for growth methodology and have impact fees to fund infrastructure. I think that a literal interpretation of Chapter 9 points to this, points to number one. You guys haven't discussed Chapter 9 yet in the General Plan Committee, but when you get to that, this will give you some general understanding of what the repercussions of that type of policy will be for water, and it would be this. What we're really looking for is to really start having a discussion on this. As I noted in the last slide, we really need some clear direction towards the end of the year to put our budget together for next year. What the Council may decide is something like...and I'll just make up some numbers, maybe you decide you wanna go for growth pays for growth, but transition over five years. That would be very clear. You know, we would, we would start ramping up those rates and fees knowing that over five years we're gonna get to this. Or maybe you wanna go to this option three over three years. Maybe you wanna go to option three limiting it to \$8,000 over three years. Any kind of these, any of these directions would help us identify the fiscal constraints, look back at all these options we've identified, and come up with an actual plan. There's a lot of discussion that's always been ongoing about whether a board or a council is the best way to, to manage a water system. One of the benefits of the Council is that you folks are making the growth decisions and you're also making the water decisions, which is nice. One of the benefits of the boards--you read these in the paper--is that the Honolulu Board, the Kauai Board, they make rate decisions five years at a time. So they're able to commit to, say, one of these plans with that whole five year commitment with the capital. So it's just important. It's not good or bad. None of these choices are good or bad. They're

WATER RESOURCES COMMITTEE
Council of the County of Maui

July 3, 2012

pure policy choices, but it's important to recognize that as a Department, we've got all these options. We're gonna fine tune them a little bit. The big wall that we're about to face is we, as a community, need to choose one of these funding philosophies and we have to start implementing it in the budgets. So again, we can't throw that together at the last minute. Somewhere around December, January, we've got to crunch the numbers so that on March 25th, you get rates and fees consistent with one of these. Our priority policy issues, which we've seen before, in red are the ones we're focusing on today: maximum annual rate increase, maximum meter fees, and should current customers subsidize new users and how much. That's really the questions that would be answered by making these kind of decisions. Also drought tolerance versus new users. If we develop these new water resources, we have to make a decision. Are we gonna save it for drought resistance or use it for new users. If it's for drought resistance, we're gonna have to pay for that with rates. But if it's new users, we could use meter fees. So that's another policy question about what our priorities are that are gonna affect rates and fees. So we went through a quick review of our efforts to date, looked at where we are currently are with the system optimization assessment. But as you can see, the discussion of future funding options, this is really what needs to be discussed. We're hoping to have a general discussion today, get some of your feedback. We don't, we realize there's not gonna be any sort of vote in Water Resources Committee. Any vote on rates and fees will obviously happen in, during the budget process next year. We're looking to do something similar with how we did rates this past year, have a lot of discussion in this Committee so that we felt confident when we built our rate proposal and it went to the Budget and Finance Committee, that as a body, the Council knew what they were getting, were ready to accept it, and we didn't have to get into the fine details during budget deliberations. We're hoping to do the same thing in this arena. So with that, after the break we'll be ready to answer any questions, and have that discussion. Thank you very much.

CHAIR VICTORINO: Thank you, Mr. Taylor. We'll recess the meeting for a few minutes and reset up the Chamber. Meeting, the Water Resources Committee stands in recess. ...(*gavel*)...

RECESS: 9:22 a.m.
RECONVENE: 9:23 a.m.

CHAIR VICTORINO: The Water Resources Committee meeting will reconvene. We did have one testifier for this morning's meeting as Ms. Rosemary Robbins, and she's here to testify on WR-6. So if Ms. Robbins, if you would come forward. She's a concerned citizen and with the Water Oversight --

MS. ROBBINS: Advisory.

WATER RESOURCES COMMITTEE
Council of the County of Maui

July 3, 2012

CHAIR VICTORINO: --Advisory--I forgot what the A was, sorry, sorry, sorry--
Committee. Okay. The Water Oversight Advisory Committee. Good morning,
Ms. Robbins.

...BEGIN PUBLIC TESTIMONY...

MS. ROBBINS: Good morning. Good morning, everybody. I appreciate the
opportunity to be here today. Nice job. And the bottom line on the front cover,
by water all things find life. And I really am asking us all to concentrate on the
all things. A couple of things come to mind. The surface water situation that
comes into our water volume is a source at risk. Anybody can get to those surface
waters, can pollute them. So the idea of not doing stuff for protected water by
having it underground needs to take a look at that option. The other one is you
mentioned Piiholo and Olinda, mentioned those sources up there. The EPA has
been very clear that those should not be combined to a water source. So that's in
a lot of the EPA literature that the Oversight Advisory Committee had a great
opportunity to learn from. Also in the presentation in here, they gave in very
readable large, thank you, print in there about the four options on this. There was
one mentioned that doesn't show up in the visual. And that is the idea of the
public/private partnerships. I think that should be item number five on that list if
that's what you're gonna do, but certainly not to leave it out. When we talk about
having fundraising issues as the focus of today's presentation, I understand that
has to happen. But there also need to be presentations and sharing of what we
have had the opportunity to learn, and some of us have had more opportunity than
others to learn that, especially having worked with people over the number of
years that we have on the Oversight and Advisory Committee. Funding should
not be the bottom line according to people who have had an opportunity, some of
the people who have had an opportunity to do this. And I'm looking at what's
happening right now down in the Kihei area. There was a presumption by some
people that said what we really need to do is build, build, build down there. And
the types of building that we really ought to have are not in line with the people's
wishes for where their neighborhood should be and how they should be
supported, including by water, by which all things find life. So I'm just
encouraging the people who are going to be making decisions in this, to make
sure that they don't just put all their eggs in a money basket. The picture is bigger
than that. And again, the public/private partnerships are an opportunity that we
don't want to ignore or to neglect, even in our printed materials or in our
presentations. So on this Fourth of July eve, when we're not loaded with people
from the community, I would hope that those things would be something that
settles in the mind and the hearts of all of us who are here and the public, too.
Thank you.

CHAIR VICTORINO: Thank you, Ms. Robbins. Any questions for the testifier?

WATER RESOURCES COMMITTEE
Council of the County of Maui

July 3, 2012

COUNCILMEMBER COCHRAN: Chair.

CHAIR VICTORINO: Yes.

COUNCILMEMBER COCHRAN: Thank you. Good morning, Ms. Robbins.

MS. ROBBINS: Good morning.

COUNCILMEMBER COCHRAN: So you mentioned the surface water protection, protection of it. And what did you mean by that?

MS. ROBBINS: Surface water has an opportunity to be under, I hate to use the word attack, but there you are. And the presentations that have been made over the years right here in this Council at these kinds of meetings has been that, you know, what if a tick got into that water. Or what if a defecation from animals. I mean, animals are part of the things that live. They intake, they excrete. So then we're left with pollution...address the pollution byproducts. And that's, that's just counting on nature. If anyone wanted to sabotage a water source, this is there waiting. So we know that in other countries around the world if we're looking broadly, there are drums, there are all sorts of ways. I'm not trying to be a *[inaudible]*, but it's true. If somebody wanted to sabotage that, and then if we were gonna combine that with other sources, we also know that groundwater has an opportunity to be percolating. The problems that are in some of those groundwater things coming from our background is farming areas. Combination not good. So you're not hearing anything here, and we're not hearing anything from the public at large in very large volume as to what happens to the water. I mean, I'm reading it in the paper about what's happening down in Kihei.

COUNCILMEMBER COCHRAN: Thank you, Ms. Robbins. But you mentioned undergrounding it. So I know the hazards and, you know, potential risks, what have you, but I was wondering if you had a solution to addressing the contamination of this source. So I thought you mentioned undergrounding it.

MS. ROBBINS: In another term, covering it.

COUNCILMEMBER COCHRAN: Okay. Okay. Thank you. Thank you, Chair.

MS. ROBBINS: Under cover is probably better.

CHAIR VICTORINO: Underground. Thank you. Thank you, Ms. Robbins. Any other questions for the testifier? Seeing none. Thank you, Ms. Robbins, for being here.

...END OF PUBLIC TESTIMONY...

WATER RESOURCES COMMITTEE
Council of the County of Maui

July 3, 2012

**ITEM NO. 6(4): COMMITTEE'S PRIORITIES AND PROCEDURES;
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CHAIR VICTORINO: Okay. Committee will, I guess we'll open the floor up for questions for Mr. Taylor. Thank you for the update, and Mr. Taylor and I had the opportunity to attend the American Water Works Association meeting in Dallas, Texas early last month. And one of the things I think, Mr. Taylor, you and I came away from is that there is a number of processes and a number of funding issues that are being brought to the forefront. We were looking at, nationwide, well over a trillion dollars in backlog. And that's taking all the systems and putting what we called getting them to the optimization of utilization is what they termed it, yeah. And I think one of the things I came away with was when I spoke with or had the opportunity to meet with the mayor of Dallas, and he was very intriguing in some of the things he's brought forward. And I think something that when we talk about thinking out of the box, this mayor has been one of those in the forefront and the southwestern states, especially Texas, has been extremely hard hit with droughts. And then other areas with too much water. I mean, one state has more water than it can handle in one area, and across a mountain or across an area, you have extreme drought. So I think these are the things that when he discussed it, being able to focus on the funding to get these systems corrected so that the water can be made available and can keep up with any growth whatsoever. And Dallas is one of those fast growing cities right now. So anyhow,. that was just what Mr. Taylor and I were endeavoring in. Mr. Taylor, I will open the floor up to questions from the Members. Ms. Baisa.

COUNCILMEMBER BAISA: Thank you very much, Chair. And thank you, Mr. Taylor, for being here this morning. I always appreciate your presentations because they have so much information in them. And I think it's a real good opportunity for us to talk about some of the issues that are being talked about now. One of the things that I wanna start with, I wanna try to, you know, start with what is ahead in the 2013 Budget. In regards to raising rates in any Capital Improvements, can you kind of summarize what is in that budget and what we'll be able to do with what you have, what we've given you.

MR. TAYLOR: Yes. Thank you, Member Baisa. In the 2013 Budget, the Council approved a major rate restructuring, which is equivalent, which ends up equivalent to about a 4 percent rate increase. So that's in line with the early years of what we need to start ramping up our CIP. As we've talked about previously, in order to have a higher level of CIP, you have to get your designs finished, get all of your permits, and then the construction money, which is the big money, starts kicking in a couple of years later. So the Council's budget, which I think, if I recall around 30 million in CIP, and a 4 percent rate increase. So it's right on track with that, keeping existing services plus a little more. And especially there

WATER RESOURCES COMMITTEE
Council of the County of Maui

July 3, 2012

was the million dollars I mentioned in the presentation, which is for Countywide source development, I think it was called, something like that, which we're planning on using for professional services for the first de-bottlenecks we identify. So we'll get those designed, get permitting started. We're gonna, we're looking for the things that can be done quickly, that have a good bang for the buck, that don't have a long development cycle as far as permits and things like that. So we're still working to fine tune what those are. We wanna get those under the design process, and we'll be asking for construction money in FY '14. So FY '13 also includes going on with the existing reliability upgrades that were done in detail. And there are wells in almost every site. I know there's a well in West Maui, Central and the H'poko well for Upcountry, Hana, Molokai. So it's got a wide range of reliability improvements plus source development, plus looking toward the future.

COUNCILMEMBER BAISA: And with the funding that you've described that is in the 2013 Budget, your Department can handle those CIPs?

MR. TAYLOR: We believe we can. We have four people dedicated to Capital Improvement Project development.

COUNCILMEMBER BAISA: I think it's important because, you know, as I'm out in the community and people discuss water, you know, there's this perception of well, we give the Water Department a lot of money and then they don't get the CIPs done. I keep telling people I think there's a new day. And what we're funding is what we can handle. And I'm feeling comfortable that we have your commitment that, given the money, you're gonna try to make these things happen. And you have the ability to do that. You have enough staff and people.

MR. TAYLOR: Right now we do. And more importantly, I think they're really committed. The four of them, they see these deadlines, they know it's on their shoulders and they seem to be performing very admirably in taking this as their personal responsibility. So I think as a team, with our operations people supporting them, my observation is that these people are taking seriously what you just said and they are committed to getting it done.

COUNCILMEMBER BAISA: Thank you very much, Chair. I'll ask one more question, then I'll give somebody else a chance.

CHAIR VICTORINO: Go ahead.

COUNCILMEMBER BAISA: But, you know, water of course is always a hot topic, no matter where we go or what we do. And one of the things that I hear out there is about the raising water, water rates. And this is, you know, raising the amount we charge for a thousand gallons of water. I was having a discussion with a group of seniors, and they were talking about their water bills. And they were saying well,

WATER RESOURCES COMMITTEE
Council of the County of Maui

July 3, 2012

you know, we understand that you need more money, and we understand that we have to pay a little bit more. But their concern and, of course, I was not here when this decision is made, and so I wanted you to comment on it. They're saying, you know, I use water and I'm very careful about the water I use. I don't waste water, but even though I don't waste water, my bill keeps going up. And there's a concern about the marrying of the water bill and the sewer bill. See I live in an area where we don't have...I built in a home where we don't have sewer fees. And with people who have it, they constantly...my husband gets it at the golf course. I get it meeting with seniors. I talk to people, they wanna know why do I have to pay sewer fees on water that I don't put down the sewer. I use it to water my yard, my car, wash my car, whatever it is that they do with it. Could you please, at least briefly, explain why that's that way.

MR. TAYLOR: Yeah. It would be my pleasure. Back to my old role as wastewater. But the wastewater billing is based on water usage, but it caps at 9,000 gallons a month. So no matter how much water you use, your sewer bill hits a peak at 9,000 gallons, because it's assuming that no matter, if you're using more water than that, the assumption is it's not going down the sewer. So there you have to pay the Water Department's share 'cause you're using the water. You don't get any more charges for sewer. The sewer charges were also put together years ago based on a study of how much of your water use goes down the sewer. So even the base rates are based on some percentage, and I don't remember off the top of my head, something like maybe 60 percent of your water use goes down the sewer and 40 percent goes to irrigation. So it's based on those costs, and then at 9,000 gallons a month it caps. So it may, because we, basically the Department of Water Supply and the Wastewater Division are too small to each do their own budgets. So the Wastewater Division basically outsources billing to us. We're too small. We outsource that billing to Honolulu Board of Water Supply. So really the reason it all comes together is just from an efficiency standpoint so that there's really only one big billing production in the whole State that really does it for almost everybody, and you're getting that bill together. But it, although it looks like it's all mingled, the pieces are put together separately based on these actual usage studies.

COUNCILMEMBER BAISA: Thank you very much. I think that's, you know, really important for people to understand that they are separate but yet they appear on the same bill. And for people who are very careful with water, you know, they say well, why should I be thinking about up to 9,000 gallons. I probably don't use it. But, you know, I think it's important people understand. And like I said, I wasn't here when the decision was made and the system went into being, but I think people need to understand it. So thank you very much. Thank you, Chair.

CHAIR VICTORINO: You're welcome. And Mr. Taylor, if I'm not correct, you're gonna be bringing forward very soon a change from the bi-monthly to monthly billings for our water and sewer. Isn't that correct?

WATER RESOURCES COMMITTEE
Council of the County of Maui

July 3, 2012

MR. TAYLOR: Actually, we just recently, I think, we just recently put out a press release and that we are not moving ahead with that. That was something that, it was our understanding from City and County that we were going to have to do that 'cause that's how they were restructuring their billings. As we change over to a new computer system, they've decided not to do that for residential at this time. And so we were now given a choice, and we decided it was best to leave it the way it was. So that is not going to be happening, and we're gonna remain on bi-monthly billing.

CHAIR VICTORINO: Okay. Thank you. I think the public needs to understand that 'cause some people, and unfortunately many people, don't read the Maui News and, you know, they were under the impression we were gonna change because, during Budget, that was the discussion. And I've heard that out there in the community. So I'm glad you clarified that. And also I encourage that when we send out news releases, that not only *The Maui News*, but some of the local, the smaller papers, like the *Lanai Times*, and the Hana and all these different ones, you guys should try get it to them too, because a lot of the local people in those areas particularly read the newspapers. And I was...Molokai Times [*sic*]. You know, there's all a bunch of them out there. So, you know, may I make the suggestion, Mr. Taylor, that you look at that whenever. In fact, maybe we should ask the Mayor and the Managing Director to look at that with all departments, yeah. Okay. Other questions for Mr. Taylor in regards to this, this thing? Mr. Hokama.

COUNCILMEMBER HOKAMA: Thank you, Chairman. Director, I noticed that we didn't make, have any comments on your conservation program efforts. If you could give us how you viewing the efforts of conservation.

MR. TAYLOR: When we discussed a mandatory conservation bill last year in this Committee, and at the meeting following we discussed an alternative methodology of pushing conservation through a rate structure. But those following discussions and with Budget, we decided, I think the Council supported us to go move towards a conservation-based rate structure to try to put a, if you will, a carrot and a stick towards conservation. Now that kicks in two days ago. I mean, as of July first, we have that new rate structure. No one's even gotten their first bill yet. So the big thing we're expecting is we're expecting to have people react to the cost issues over the next several billing cycles. At the same time, our staff is continuing to do education, faucet giveaways, these kind of things to teach people how, but I think the decision really has been made philosophically that we're going to use a rate structure to try to get people to want to do it and we'll be there to help educate them. So both those things are ongoing, and I think six months from now, I think we may have something to report about how these cost points have changed people's behavior or not.

WATER RESOURCES COMMITTEE
Council of the County of Maui

July 3, 2012

COUNCILMEMBER HOKAMA: Okay. And thank you for that comment, and that we're on the new road of the carrot and stick program as you, you know, we've just talked about it. But I bring it up because, you know, I'm looking at your graph or your slide that showed the four different possible options that you shared with the Committee this morning, I hope we can, you know, at least talk about it since we also have Ms. Baisa. Everything seems to be develop the land, then find the water. Then we have the Show Me the Water Bill, which is take care the water first, and then you can develop. And so with that, I'm thinking, to have a good, healthy discussion, why shouldn't growth be based on what we can provide through the water infrastructure? Why do we do the reverse and say we wanna hit 200,000 people. So what does it take to make 200,000 people fit on this island? I would hope we might wanna talk about and say, the next 20 years this is what we can afford and this is what we can absorb in growth. And that is what we plan for. You have any thoughts on that?

MR. TAYLOR: I have some thoughts, and this is, I mean, this is really the core issue that needs to be discussed. I think, Member Hokama, this is the issue that's been at the center of this debate for decades. My opinion of the answer lies somewhere in the fact that if a developer, whether it's one person building a house or somebody building a thousand houses, if they're gonna come to the table with some money, they're gonna wanna know what they're getting. So they really have to happen simultaneously, where we're saying well look, if you write us a check, then we'll provide this service. And it would be nice if they could provide the check decades in advance so we could build the system. But if we want this growth pays for growth, there's only two options. Either we grab the money upfront and when we have enough critical mass of money, then we build, and they get their meters then, or we take the risk, float bonds, build the system upfront, and hope there's enough growth to pay back that Debt Service. I mean, it's one or the other. And I don't really know which to recommend.

COUNCILMEMBER HOKAMA: Let me interrupt you please, Director, because I want you to think about this. The County has tried that in different areas of infrastructure. And one of it is in the deferred agreements on road improvements. Okay. And right now, I think the County getting screwed, to be blunt about it. I think property owners are getting screwed about it too, with how we moving forward. So, you know, saying that we should put up all upfront and then get the reimbursement later, you know, I'm not really keen about it, seeing our experience and our history with going that route unless we got smarter and we can put in better safeguards to ensure the public's protection in general. But, you know, I hope we can, along with the other Committee members, really have this needed deep discussion about how we're gonna approach growth because, you know, like you mentioned with the large, fast-growing cities, they're way behind the ball. Well, for me, we can learn from that and, you know, with our successes, we should be able to find a new way of developing infrastructure at a rate that the community is, the existing community is comfortable with, willing to pay. And

WATER RESOURCES COMMITTEE
Council of the County of Maui

July 3, 2012

that as we allow the communities to grow, it's at a rate that will also, for me, ease some of the current social issues that continually plague fast-growing areas, whether it be crime, whether it be confrontation because of various factors, whether it be income, looks, whatever it be. When a community grows too fast, you get a lot of associate issues that we can mitigate if we plan better. And for me, I appreciate what you making us go through because we need to plan better. And I bring this up because, you know, when I see 20 to 30 thousand dollars for a 5/8-inch water meter under proposal number one, if I didn't have to think about family, friends and the next generation of the local people, I could say, I could go with one. Because the local guys are not gonna pay for it. But we do have our own people to take care of, and so. You know, that kind shocked me, \$30,000. And that is good for what, couple years, Mr. Taylor, this number?

MR. TAYLOR: These are ballpark numbers. It really depends on some details about which areas. And let's say, for example, we're only gonna develop in Hana. Those numbers are gonna be on the high end. But if it's in a different area, they may be on the lower end. If it's spread, somewhere in the middle.

COUNCILMEMBER HOKAMA: This is an island wide or system wide average?

MR. TAYLOR: This is a very ballpark average, just to give you a sense of proportion. What our intention was is to show you, we're not talking about just raising it from 6,000 to 8,000. It's going to be a lot more. I mean, that's really what I wanted to show you. I don't know that it's gonna be exactly 20. I mean, maybe it only ends up being 18 or something like that. But it's an order of magnitude higher than what we were looking at. If I could address a couple of points you made.

CHAIR VICTORINO: Excuse me. I'm sorry. I hate to interrupt this conversation, but I gotta do something real quick, and if you don't mind, Mr. Hokama, Mr. Taylor.

COUNCILMEMBER HOKAMA: No ...*(inaudible)*....

CHAIR VICTORINO: With your permission, may I close public testimony?

COUNCILMEMBER COCHRAN: No objections.

CHAIR VICTORINO: No objections. Thank you. All right. There now, 'cause I'm holding somebody back. I didn't realize that the young lady was sitting out there 'cause I had not closed public testimony. I apologize. Go ahead. Please, gentlemen. I apologize for interrupting.

COUNCILMEMBER HOKAMA: Thank you, Chairman.

MR. TAYLOR: So the, our reasoning for bringing this up is that we know you're going through the Maui Island plan. Chapter 9 of the Maui Island Plan, which I've

WATER RESOURCES COMMITTEE
Council of the County of Maui

July 3, 2012

referred to a couple of times, gets into implementation. We wanted to give you at least some ballparks so you understand what that language in Chapter 9 means to water, so that as you're looking at that language, you have an idea of hey, if we change this, or we leave this, what does it really mean. So we felt obligated to just feed this to you before you really make some hard decisions on Chapter 9. The discussion, Member Hokama, that you talked about, about having this wider discussion about what's right and what's fair, my suggestion would be to have Water, Public Works, Wastewater, et cetera, have us all up here when you have some Chapter 9 discussions, and have this in a more general mode. 'Cause it's not just water or just roads. It's all of us. And to the point you just made about the individual homeowner, that you said you'd be okay with this if it was a large development, but maybe not for an individual homeowner. That's the kind of feedback we're looking for. For example, what if the Council just generally says, we wanna do option two for any single-family homes that meet certain categories. If you have a one-home subdivision, we're gonna keep your meter fee at \$6,000, and everyone's gonna share that. But once it's over 20 units, it's the full, you know, \$25,000. And in between it's somewhere in between. And you wanna transition into that in 5 years. That type of feedback is really all we're looking for, something like that, just some general guidelines of how you want us to look at this could really help us take this almost infinite number of alternatives and narrow it down to just one or two. And then work out those numbers. So we feel the same way. I mean, obviously, if you're gonna buy a house for \$400,000, whether that meter is 6,000 or 36,000, or 30,000, if you look at your monthly mortgage costs for a 30-year mortgage, it's negligible. But if you're trying to subdivide you own land, and you and your family are gonna build the house, all of a sudden the difference between 6,000 and 30,000 is an enormous amount of money. We absolutely recognize that. The point of putting this together, again, is so that as you policymakers make a decisions, you have a better idea of the ballpark that people are gonna land in based on your decisions.

COUNCILMEMBER HOKAMA: I appreciate those comments, Director. Chairman, I am happy to allow other Members for their questions. Thank you.

CHAIR VICTORINO: Thank you. Other Members. Mr. Carroll, none. Okay. Ms. Cochran.

COUNCILMEMBER COCHRAN: Thank you, Chair. And thank you, Mr. Taylor, for your presentation and updates. I'm looking, the pages aren't numbered, so I sort of counted them. And it looks like number six if you if you count the front page as one. The CIP by priorities, and I'm just looking at the graph and the different color-coded areas and their meanings. The blue, in particular, is not notated anywhere along the entire timeline, which is about needed for reliability or improved services in accordance with the long-term planning but not mandatory. So I'm just curious. It's there in your legend, but it's not actually in the graph. And it looks like something very important. 'Cause we do need reliability and it

WATER RESOURCES COMMITTEE
Council of the County of Maui

July 3, 2012

seems to be something that would tie into the long term, meaning such as General Plan that we're going through. So I just wanted comments about that.

MR. TAYLOR: Sure. And thank you. I didn't realize we left that in the legend. The yellow are really, if you look, must do soon to prevent disruption of existing service. That's the definition of reliability. What the blue means is boy, it sure would be nice. Boy, if we have another extra, boy wouldn't that be nice. If we build some new locker rooms for the guys, wouldn't that be nice. Blue is those kind of things, and so essentially what happened, because the costs for what we have to do are already so high, I just told staff to just take the blue out, because it's, it's pretty clear that they're not gonna happen. So it's really identifying that the projects we had identified with that lowest priority that we would really love to would be great. We're gonna have trouble doing what we have to do. And so we really wanna kind of get those dreams and expectations a little bit under control. So probably when we dropped the last blue project, we should've taken it out of the legend, so good eyes for catching that. And thank you.

COUNCILMEMBER COCHRAN: Thank you. 'Cause it relates to Page 21, Additional Priority Policy Issues, last bullet. How much reliability capacity is enough to sunset the Show Me the Water Ordinance. So, you know, I just...but now that you explained that that yellow is the definition of reliability. And, and so is that the Department's idea to one day not have to, you know, put, keep in effect the Show Me the Water Ordinance currently. 'Cause Mr. Hokama kinda mentioned the relation of what that ordinance means and its intention is.

MR. TAYLOR: As a utility, water, sewer, power, we all consider it failure, the fact that we can't serve people who want service. So we would prefer to have enough resource that it's either clear to people that we're not providing for you, or it's very clear that we are providing for you and we have it when you need it. We think that is the proper operation of a utility. So we think that the Show Me the Water bill, or the water availability ordinance, represents somehow a failure of us as a Department, as a community, of not really meeting our needs. So we would prefer to take action so that is no longer necessary at some point in the time.

COUNCILMEMBER COCHRAN: Thank you. And one follow-up, Chair. So, looking at the Page 19, the four options, I guess. And Ms. Robbins also mentioned a fifth, perhaps the Department can toss around in regards to public/private partnerships. But looking at this, and you...thank you for saying that you see all of these in use in different municipalities. Is there a way your Department being able to kinda compare and contrast areas that may reflect, you know, be more reflective of our, I don't know, type of situation scenario and best guesstimation of one of these working out the best for us all.

MR. TAYLOR: Sure. I, yes and no. For your first question, as far as the public/private partnerships, the reason that's not included in here, the reason I mentioned it in

WATER RESOURCES COMMITTEE
Council of the County of Maui

July 3, 2012

my presentation, this is how we would pay for it if we agree that we're gonna take the lead, that we're gonna develop these resources, we'll have them when people want, and the Council will decide where growth is. Public/private partnerships is sort of a, I don't want to say a fallback position, it's a different choice of saying when a developer comes, and that developer wants to develop houses here, and they'll develop that well, and give us some amount of water, well, that may or may not be where you want the development. So if we just can't afford to pay for it upfront, and that's our choice, you folks may have to go back into the Maui Island Plan and change it, because it may have to be emphasized developers who can, who do have the resources to develop those. So this represents the choices if we're gonna be the leaders, and we're gonna say we have water when you need it. We're not hoping that somebody else comes to the table. Again, if we can't afford it then...or we don't wanna pay for it, and we wanna let the private developers take the lead, okay. There's no problem with that. But you, as a body, are gonna lose a little bit of your decision making, because you may be forced to sort of allow this project over here that you really didn't want, because you need the water for this project over here that you do if we're not funding it. So that's why that wasn't included here. It's something where we're no longer taking the lead. We're trying to coordinate. So that's the first answer. As far as comparing and contrasting these, I tried to do that a little bit during my talk. My opinion would be this. It seems that when there are, when some communities are very pro-growth, you have communities that wanna grow...they say, you know, we wanna grow our businesses, we wanna grow population. These communities tend to have tax breaks for development. They're gonna go towards the number two. They're gonna say look, we want this growth. We wanna make it easy to grow. And it's good for our community. When you have communities that are saying look, we'll take growth if it's forced upon us, but we really don't want it, they're gonna go more towards a growth pays for growth procedure. So it really comes down to those community values. And that's why the Department can't really recommend something to you. It's really a pure policy decision. One thing I didn't mention, the fourth one where we might subsidize with General Fund. Some people like that. There's, I believe Federal law says that our operations and maintenance expenses have to be paid for with our rates and fees. But it doesn't say Capital Improvement expenses have to be paid for with rates and fees. We're legally allowed to pay for a Capital with property taxes. There's nothing illegal about that. It's been a policy choice of this Council over the past decades not to. There are some benefits of using property tax money to pay for water infrastructure. One is it's more higher-income folks tend to pay a little more. Lower-income folks tend to pay a little less, rather than charging everyone the same. People who have mortgages can deduct their Federal income tax, you know, from their...or can deduct their, their property tax from their Federal income tax. So there's that benefit. The negative side is you're gonna have some places, like the Kaanapali hotels, the people on Lanai who pay a water bill. So what are they gonna say when we say look, we're using a portion of your property taxes to pay for water infrastructure, but you're not getting anything out of that,

WATER RESOURCES COMMITTEE
Council of the County of Maui

July 3, 2012

and you're paying your private water bill. So there's pluses and minuses when you have a community like ours where not everyone's being served. So every one of these, like I said, depending on the conditions, you'll find some people that like it, some people that don't. You'll find some communities it works great, some communities it doesn't. I don't really see any way to really determine that one is better than the others. It really comes down to the nine Council members and their view of what is fair.

COUNCILMEMBER COCHRAN: Thank you, Mr. Taylor. Thank you, Chair.

CHAIR VICTORINO: Any other questions for the testifier? Yes. For the Director, sorry. Ms. Baisa.

COUNCILMEMBER BAISA: It's okay. He is testifying in a way. Mr. Taylor, as we look at this and, you know, we're trying to make long-term policy decisions here. And the discussion we've had today, of course, is really good as we're looking at planning. But I'm wondering, can you give us an update on where the Water Use and Development Plans are? I've been kind of hoping that those would, you know, get done so that they can be part of our planning.

MR. TAYLOR: The last piece that you approved was the Lanai Water Use Development Plan, which was, there was just a public hearing on Lanai a couple of weeks ago. And that will probably be recommended to the Commission on Water Resource Management for passage at their next meeting, and will probably pass. So the Lanai Use Development Plan is probably about to be completely completed. Before that you approved the Central Maui Water Use and Development plan.

COUNCILMEMBER BAISA: Particularly interested in Upcountry, of course.

MR. TAYLOR: Upcountry, I don't know how to back away from this. Maybe back up from this. We're revamping the way that the Water Use Development Plan is being done. What was being done originally is it was being done in pieces, Central, then Upcountry, then West and East. And at the end of that, there was gonna be another document written that bound them all together. The Commission was never going to accept it until they were all finished. But they said the Council can approve it a piece at a time. So you approved the Central piece, but it's really just sitting at the Commission and they're not gonna take any action on it. So what we're doing is we're gonna switch gears a little bit. We're gonna go right to that last document. We're gonna go right to the document that binds it all together, rather than doing all the details for the areas. Essentially what we're doing, we're rewriting the work plan to have it approved by the Commission. Then we were planning on coming to this Committee and giving you a new update with schedules and things. We're using the Maui Island Plan as a template and saying, what, how are we gonna meet these water needs? We're not gonna get into the detail that you saw in Central about this alternative or that

WATER RESOURCES COMMITTEE
Council of the County of Maui

July 3, 2012

alternative for East Maui, pumping at low elevation, high elevation. We're really gonna try to match where the water resources are with where you folks are slating development to what kind of land uses, and doing it in a really big picture role, like the other counties have done. So that way we'll finish a Maui Water Use and Development Plan much, much faster than if we go area by area by area and get to that at the end. So we're gonna try to shift gears, do big picture first, and then the details that you saw, like in the Central Maui Water Use and Development plan, that's all being part of the presentation you saw today. That information about different options, those costs are being put into these presentations. So we've kind of pulled that out of our planning group, put it into our engineering group, and are wrapping it up into our CIP projections, and taking it out of the Water Use Development Plan. Water Use Development Plan is gonna be big picture about policies, water use policies not just for us, but if you think HC&S is a much bigger water user than we are. The Water Use Development Plan is supposed to be for the whole island, not for the water utility. So we're shifting gears to really recognize that's what it is, give you a big picture view, and get that done faster, and then work on the details about our own infrastructure development the way we're doing it here. So I hope that's clear. We had intended in about two months to give you a big presentation on this, and we still will.

COUNCILMEMBER BAISA: Thank you. Of course, that plays into the fact that we're trying to get the General Plan done. And I'm wondering about the mesh of the timing, because you know, you're saying the General Plan will affect the Water Use and Development Plan. The Water Use and Development Plan obviously affects the General Plan, so we really kinda need to put these pieces together before we're done.

MR. TAYLOR: I think that's going better than you think, because what's happened over the last at least five years is, as the Planning Department started their Urban Growth Boundaries and their planning philosophy, there were some big meetings with the key infrastructure planners from all the major infrastructure groups: State highways, water, wastewater, et cetera. These go back five, six, seven years. And the Maui Island Plan was developed with very preliminary information from all the departments and input from the departments, similar to what you're seeing here today. So I know I feel confident that what is in the Maui Island Plan was developed with input from the Water Department, from the Sewer [*sic*] Department, et cetera, about how to meet this. And then the plans are consistent with that. So even this presentation is consistent with the draft of the Maui Island Plan that you're reviewing. So we're really using, we've been using the draft Maui Island Plan for a couple of years as a basic template of look, this has gone through a couple of drafts, it's probably gonna look something like this when it's finished. So I think most of the infrastructure groups have been using that and making their CIP plans consistent with that document. So I think what you're talking about is already being done behind the scenes.

WATER RESOURCES COMMITTEE
Council of the County of Maui

July 3, 2012

COUNCILMEMBER BAISA: Very important point because, as we push ahead with the Maui Island Plan, we wanna make sure that, you know, it's not gonna be in conflict with what we finally get as a water, water plan. So it sounds to me like, you know, they're working together. So we're comfortable, I'm fairly comfortable in trying to push ahead. Thank you. I think that was the other biggest question that I had. And of course, these policy issues that you bring up which are on Page 20, you know, these have been vetted before. You've raised them before, and I agree that I think it's time for a sit-down with all of the players, and we need to make some policy decisions, because it will affect many, many of the things in the growth and whatever. So, Chair, I think that's a really good suggestion that was made today. Thank you.

CHAIR VICTORINO: Noting that a combined meeting of the various departments might be something especially as we get to the end of the Island Plan before we start with the community plans. That might be a good segue in between, so that everybody really would have what I would call a complete picture. I think that would be something I would like to see done. So I agree that I will ask the others if, other Committees if they would consider something of that nature as soon as we're done with the Island Plan to have that as a segue into the community plan.

COUNCILMEMBER BAISA: You know, Chair, there's this constant discussion about who pays, you know. People will say well, I don't wanna pay because I don't get a benefit. But, you know, that could go on forever. Nobody wants to pay for something they don't get. I mean, I pay State taxes. I don't have children in school. You know what I mean. And people go back and forth with that. I don't use a tennis court, I don't use a golf course, whatever. But we all need to have all of these facilities in our community, and we need to all, you know, be a part of it. So I don't see water being treated any other way. But, you know, it's a discussion for another day, and I think a really worthwhile thing, Chair, for us to do.

CHAIR VICTORINO: Yeah. And I don't wanna get too off the subject matter. We're strained now.

COUNCILMEMBER BAISA: It is in the presentation he made today as to who pays.

CHAIR VICTORINO: So we'll leave that. If there's no other discussion, I'd like to...

COUNCILMEMBER HOKAMA: Chairman.

CHAIR VICTORINO: Yes.

COUNCILMEMBER HOKAMA: If we can ask Mr. Taylor, please, you mentioned to the Committee this morning three, potentially three projects to break the bottleneck. So we're clear on understanding, Director, when you say bottleneck,

WATER RESOURCES COMMITTEE
Council of the County of Maui

July 3, 2012

this is a bottleneck for source development, transmission, distribution, is it a bottleneck of permit process? Can you give us a little bit more detail on this bottleneck projects you wanna...

MR. TAYLOR: Sure, sure. And thank you for the opportunity. The reliable capacity, meters are really given because there's reliable capacity from source, transmission, storage, to your meter. You know, here's a meter, we can support this meter. If any one of those things isn't enough, we can't give you that meter. There might be plenty of source, but the pipe in front of your house is too small, or maybe the well that it comes from, it's just too old and it breaks so often we're not even gonna count it in our inventory. So what the staff's looking at is what are, area by area--South Maui, Central Maui, Upcountry, West Maui--what, what's the limiting factor? What's the weak link in the chain that is limiting our ability to give meters. Whatever that is, it might be a tank that's too small, for example, and that a well is off half the time because there is nowhere to put the water in that well. If so, then the bottleneck is making that tank bigger. So the million dollars that the Council allocated for Countywide source or reliability capacity improvement, we are trying to find the best way to spend that money, things that we can do quickly. And it's probably gonna be a few different things, you know, maybe one for each area, that kind of thing. So we're trying to identify...the categories we're looking at is things that generate a lot of water that aren't very expensive that don't need complicated subjective permits. Something like that would be great, so maybe a backup well at a site so that we can always count that that well site is always producing. Something like that, which may not have any complicated permitting, maybe we may be able to use basically the old construction plans or just go build another one. That may be very, very fast. So something like that we would wanna accelerate, get that done and get some construction money in FY '14 to basically just get a little breathing room as we work on the longer projects. So that's how we're going about doing this. We're focusing on the next year's budget, and we're saying we need to define what has to be done next year. What's gonna happen the year after that, you know, we have a little more time to figure that out. So we don't wanna wait until all of this is finished. We're trying to do this analysis in a way that we get some results early, and we're gonna get working on the stuff we know we have to do while we figure the rest out, because we are trying to catch up and we just don't have time to wait three years until we know everything and then do the first thing. As soon as we identify what that first thing is, we wanna get it into production.

COUNCILMEMBER HOKAMA: Okay. So it's not necessarily identifiable to the Committee today, right, Director?

MR. TAYLOR: It is not identified, it hasn't been identified to me yet, so I can't identify it to you.

WATER RESOURCES COMMITTEE
Council of the County of Maui

July 3, 2012

COUNCILMEMBER HOKAMA: Okay. And so one follow-up, one of the things that we are aware of through your information to us is--and it's a big part of your operational budget--is your energy cost. It's one-third. So can you tell us if you have some projects on how to either substitute your MECO electric energy requirements, or is there some other projects that within the CIP bottleneck type of projects you can reduce the requirements of your budget requirements for the energy costs?

MR. TAYLOR: Unfortunately, the energy costs, the system's pretty efficient from an energy utilization standpoint. We're pumping water with efficient pumps, we have a program to replace the less efficient pumps with more efficient pumps on a priority basis. We will continue to do that. We are working with the rest of the County to install photovoltaic panels at a number of our facilities, and Doug McLeod from Office of Economic Development did a fantastic job coordinating all of us together to kind of pool all of us to have one big proposal. A number of our facilities are involved with that. We're basically trying to put PV panels on all the horizontal surfaces that don't impede access. So we are looking at having some significant photovoltaic put into some of our facilities. We're looking at wind, we're having some discussions. The wind is becoming a little difficult because our sites are a little too small, and the blades are just overhead and hanging over into the neighbors' property and things like that. So we're trying to see if we can get some wind working out, but it may not reach fruition. But the PV is in the design phase where the consultant is working I think with Maui Electric to do their interconnectivity analysis, and we're hoping to get those installed later this year or early next year.

COUNCILMEMBER HOKAMA: What's your projected savings? Do you have a projected savings, Director?

MR. TAYLOR: From a cost standpoint, the projected savings is not going to be as large as the uncertainty in power cost. So I don't think you're going to see this pie chart change very much, because the uncertainty of global fuel, of global oil prices creates a greater margin than how much power we're gonna save. The fact is, is that photovoltaic just does not generate enough power to wean us off MECO to any large extent.

COUNCILMEMBER HOKAMA: Is there anything within the system can generate energy for you?

MR. TAYLOR: We have, we have one specific location where, in West Maui, where water is generated at a high level and comes down to a low level. We're looking at putting a hydroelectric generator in line there to power the Mahinahina plant. Again, in the scheme of that pie chart, even if we do that, I mean, we'll do it if it saves some money, I don't think you're even gonna notice a difference in the pie chart. It's just not an enormous amount. The fact is we use so much energy to

WATER RESOURCES COMMITTEE
Council of the County of Maui

July 3, 2012

move water that photovoltaic, wind, these relatively small alternative energy installations, we're pursuing them, I'm not expecting that it fundamentally changes our rates or our costs. But we're gonna do what we can, and we're gonna do whatever is able to be done.

COUNCILMEMBER HOKAMA: And then one quick last one. If Hawaiian Homes moves their Puunene project forward, are you required to provide water?

MR. TAYLOR: We're working with Hawaiian Homes about a number of different options for them. My understanding of the law is that if we have water, we're provided to supply it. If we don't, obviously we don't. They are a priority, but if we don't have the water, we don't have it. So we're working with them on a number of different options depending on how this discussion goes. If we end up developing a lot of source upfront, they'll be a priority customer. If we're not gonna do that, they may have to develop those and give it to us as essentially as a public/private partnership. You know, they can do a well development and give it to us. So we're working with them on a number of different options, and it's basically a coordinated effort to see what happens as we move forward. If we have enough, they'll be our customer. They wanna be our customer one way or another, whether they develop it and give it to us, or we develop it first and serve them.

COUNCILMEMBER HOKAMA: Interesting. Thank you, Chairman.

CHAIR VICTORINO: At this time, Mr. Kushi wanted to add something to the discussion. Mr. Kushi, please.

MR. KUSHI: Yeah. Mr. Chairman, Member Hokama, about the issue of Hawaiian Homes reservation or allocation of water. As far as the Puunene project, as I understand it, it's not a homestead project. So there may be issues. We haven't come to a conclusion as of yet. So put an asterisk after Mr. Taylor's comments.

COUNCILMEMBER HOKAMA: Okay. Thank you for that comment, Counselor. Thank you, Chairman.

CHAIR VICTORINO: All right. Thank you. Okay. I don't see any more...well, I'd like to also recognize the presence of Mr. White. Thank you, Councilman White, for being here.

COUNCILMEMBER WHITE: Good morning.

CHAIR VICTORINO: If there's no more discussion, then this is ongoing, and so we're just going to defer this matter. And because we will have reports in the future as we progress. And hopefully, I don't wanna put any timeframe, but as things develop I will put it as an agenda item so that we can keep abreast in the progress

WATER RESOURCES COMMITTEE
Council of the County of Maui

July 3, 2012

and some of the discussions we've had today. So with no objections, I would like to defer this matter.

COUNCIL MEMBERS: No objections.

CHAIR VICTORINO: Thank you.

ACTION: DEFER pending further discussion.

ITEM NO. 11: EAST MAUI DEEP WELL STUDY

CHAIR VICTORINO: Then one, the last item we have on our agenda today is WR-11, which is the East Maui Deep Well Study. The Committee is in receipt of County Communication 12-19, from the Director of Water Supply, transmitting a report entitled An Evaluation of the East Maui's Potential for Deep Artesian Aquifers prepared by Dr. Donald Thomas, Center of the Study of Active Volcanoes, which was dated December 23, 2011. And you have that in your...I think you have a copy in your binder, but Mr. Taylor, would you give us an update on what specifically has occurred and what we have been reported back to from Dr. Thomas.

MR. TAYLOR: Yes, thank you, Chair. About a decade ago, while doing some geological studies on the Big Island, they hit pressurized water about 10,000 feet deep. They were drilling a hole down, and to everyone's surprise, they hit pressurized water. It started geysering up. So what they found on the Big Island unexpectedly is this artesian well. Now there were some things reported that there was old water that was under pressure down below. That's not what it was. What it was is if a high mountain, it rains high up on the mountain, and because of the geology at lower elevations, the water is still under that pressure. It's really similar to why you have pressure at your house. We have a tank on the hill much higher than that, so you have, your house is lower so you have pressure. Basically, the geology made a natural tank and pump and pipe system that 10,000 feet underground at sea level, it was still pressurized from being high up on the mountain. So they hit this and there was pressure. So the water came out. So the question was do we have this on Maui? And the Council granted some funds to look into that. We had a contract with Dr. Thomas for \$144,000 to look into this. The contract had some desktop studies, looking at some old numerical information, then moved to field studies. So basically what happened is Dr. Thomas spent about \$56,000 on the desktop part of the study and found that it's very unlikely or impossible that this situation exists on Maui. If it does, in the unlikely event that something like this is existing, it would be the east side of Keanae somewhere so not really usable as a water source. So by mutual agreement, we decided not to continue because the point of this was not to just do raw science. It was to find something that may be a water source for us. So we

WATER RESOURCES COMMITTEE
Council of the County of Maui

July 3, 2012

expended about 56,000 out of the \$144,000 contract, agreed mutually not to go on, and we asked him just write a report saying, you know, here's what I found. So that's what you have in front of you. I'm really not qualified to answer very many technical questions about exactly what he did. He came over and gave us a presentation and I sort of understand the hydrogeology, not enough to explain it. But what is important, in the big picture, it shows sort of the risk benefit management of exploring for new water sources. I think we should see this as a positive step. We weren't afraid, the Council wasn't afraid to allocate for something that was research. We managed it in such a way that as soon as we found that it wasn't gonna yield fruition, we stopped. And it's a good example that government can take some risk, we can manage our risk, and we can be okay with failure. You know, we didn't find anything here, but that doesn't mean we shouldn't try the next time. It shows that if we're going to look for new water sources, sometimes they're gonna fail, sometimes they'll succeed. So this is I think a great example of a good idea that had validity. We looked into it, cut our losses before we spent unnecessary money. So I think it's time to sort of end the hope that this will all work out and go back to the things that you've seen previously of real solutions to our real problems.

CHAIR VICTORINO: Thank you, Mr. Taylor. Questions for Mr. Taylor? Mr. Hokama.

COUNCILMEMBER HOKAMA: Chairman, thank you. I was one of the Members that advocated for this research to be done, 'cause I had the opportunity to see the Hilo project. And I think slightly differently from the Director, but I do agree that I thought it was a very responsible move on the County's part to see if it did exist on Maui island and to see if there are opportunities for us to see how it would, could be utilized for the community's benefit. And again, you know, I'm no scientist, but the way I read the Dr. Thomas' report, he definitely reconfirmed again there is water in East Maui. And that was part of my questions to the Director on the earlier item, Chairman, that if energy to transport water becomes at a price that makes great sense, then East Maui is still a source for potable water for the whole island if we can make it affordable. And I think that's something that we should continue to review and find ways to make the energy costs at a level that makes us utilize our resources much better in the future. But, you know, he also mentioned that it would help provide further guidance to the Water Department on the feasibility of accessing aquifers similar to that discovered in Hilo. And I appreciate the Director, you know, taking it to the level that they did. I'm just hoping that, you know, one of the things that why I felt we had to do this was Council was not convinced we exhausted ground base water sources. Our Mayor in his first term, at one point really seriously considered desalinization. And he went to Okinawa, and he went to look at some other systems and, at one point, he was asking Council to continue to pursue that option. And again it came down to energy costs for desalinization and what you do with those super sulfates after the process. So I just share this with the Committee in my experience with this item, Chairman, and that I still hope that we can find ways to make energy

WATER RESOURCES COMMITTEE
Council of the County of Maui

July 3, 2012

affordable, because, you know, if anything East Maui has, they have a rich vast asset that is to the whole island's benefit, the County's benefit, and that's the water. And I can appreciate the Director's comments, but look at the Colorado River, Chairman. You know how many states, states it provides water for? Utah, Nevada, Arizona, California. Okay. They tap in from one source. I think we can have the smarts eventually to figure out how we can utilize our own island assets to provide for the greater community's benefit. So thank you for letting me speak on this item.

CHAIR VICTORINO: Thank you for your manao. Hold on before I recognize anybody else, I wanna add to that when you bring up all these issues about source and East Maui, well West Maui has one of the wettest spots in the world, at times better than Waialeale on Kauai. That is fact. We just not done a great job in what we do and how we bring this water into the system. And there are other aquifers along this area that has been proven, but it is another challenge when we're talking not only energy, but the cost of transmitting, which is part of it, energy is part of it. The other part is we have water on both mountains, more than enough to take care of the population of Oahu, and Oahu never has droughts or very seldom. That just tells you we've done a poor job in our system-wide setup, and I think that's one of the issues that we're trying to address, right, Mr. Taylor? With what we presented earlier, that was the optimization plan is to get the system to the point where maybe we don't need a lot of new sources, we just utilize better what we have. So desalinization, I'm gonna be honest with everybody. I don't think it'll ever come to Maui, not in my lifetime anyhow, and whatever that lifetime might be, so. But I think you bring up a good point about the Colorado River. You know, and you look at the population if you go back in history when it was first developed, there's probably a total of about 30 million people in the entire system. Now there's something like close to what, 275 million people along that system. Alone California has what, 40 million people, 50 million people? Something like that. And where has the growth been in the United States? In those exact areas: Nevada, California, Arizona, New Mexico, big growth areas, and growing constantly. So they face the same problems. But theirs, they go over state lines and there's the battle so that's gonna be drawn. We're lucky. We have just one County to battle with and that's ourselves. So hopefully we'll continue to work hard on that. But I wanna thank Dr. Thomas for his efforts because it did prove one thing, too, that water is still out there and available. We just gotta keep looking. Ms. Cochran, you had a question.

COUNCILMEMBER COCHRAN: Yeah. Thank you, Chair, and thank you, Mr. Hokama, for those comments. And I believe that. So I'm reading and Dr. Thomas mentioned that if he had a more appropriate technique of this magneto telluric sounding system, but I guess the budget at the time did not allow him to utilize some type of other machinery or whatever. I'm just curious, but then he also mentions that recently the University was awarded Department of Energy funding which would acquire this type of equipment. I'm just wondering,

WATER RESOURCES COMMITTEE
Council of the County of Maui

July 3, 2012

this could be maybe a question for Dr. Thomas, but if you, Mr. Taylor, know whether they have acquired this particular equipment.

MR. TAYLOR: I don't know, and when Dr. Thomas came over and gave us a presentation, basically what he did is he looked at the water coming into the aquifer and the water they could count on going out. And what they were looking for is was there unaccounted for water that could be coming out very deep underground. So essentially what he said is that just from the numbers, he said there's just not enough water missing that it really couldn't be happening, there really couldn't be this large pressurized water under there because the numbers just didn't allow for it. So he could've gone to this next step about doing this underground imaging or...I'm not even sure how the technology works. But he said there's really no point because even if it was, even if he had the equipment, it's very unlikely that it's even there, because the numbers just don't account for that kind of water being that deep underground. That's my layman's sort of trying to repeat what he explained to us.

COUNCILMEMBER COCHRAN: Yeah. Thank you. And one follow-up, Chair. But again, to reference back to Mr. Hokama's point about Mr. Thomas' idea of east of Nahiku has and his words has the greatest probability for the development of an artesian aquifer. And this particular equipment could really solidify that probability in his mind. But however, it's the cost of the transporting of that water clear to the East side of Nahiku to where we need it. That is the, you know, the prohibitive factor in moving forward and figuring out whether we really wanna go there. But I think it's worthy to discuss if perhaps it could be affordable and economical at one time.

MR. TAYLOR: Agreed. And I think what we're looking at is there is closer aquifer water that is certainly available. So that's again why we stopped it because just building a pipeline to Nahiku, why would we do that, even if the water was there, when we don't have to go that far and we know there's water closer. So there may come a time when, you know, as we tap things moving east, I imagine it could come a time when it might be time to look at that again. But right now it just doesn't seem like it's anywhere near a good option for us. So we'll leave that to another time.

COUNCILMEMBER COCHRAN: Thank you, Mr. Taylor. Thank you, Chair.

CHAIR VICTORINO: You're welcome. I'd like to take the time to recognize the Vice-Chair of the Committee and the Council, Mr. Pontanilla. Thank you for joining us.

VICE-CHAIR PONTANILLA: Thank you. Sorry so late.

CHAIR VICTORINO: No, no. That's okay. Ms. Baisa.

WATER RESOURCES COMMITTEE
Council of the County of Maui

July 3, 2012

COUNCILMEMBER BAISA: Yes. Thank you very much, Chair. And thank you for, Mr. Taylor, for finally having us receive this report from Dr. Thomas. And I'm really excited that this situation has finally been resolved. We've been talking about this I think about as long as I've been here. And it's always been out there and we've always wondered, you know, is it going to be one of those solutions that my goodness, it'd be great to find something like they did on the Big Island. But apparently that's not the case, but I do want to congratulate and thank whoever's been responsible for managing this, because it's really nice to see that we did give a contract for 144,000, but we monitored it closely and we ended it appropriately. And we saved some money. 'Cause we could have frittered away the whole 144,000. You know, people always say how much we waste money in government, and I think this is a wonderful example of us not doing that, and spending what needed to be spent and saving what needed, you know, what we can save. So I'm glad all's well that ends well, you know. You never know if you never go. I wanna congratulate the folks who made the decision to try. We have to try, but we also have to be realistic and obviously we didn't find what we wanted. But that's okay. But I want again, like I said, say thank you to whoever made the decision to cut the losses. Thank you very much.

CHAIR VICTORINO: Other questions for Mr. Taylor? Seeing none, then I would like to have a motion to file this report, file this communication.

VICE-CHAIR PONTANILLA: So move.

COUNCILMEMBER WHITE: So moved. . .second.

CHAIR VICTORINO: Okay, it's been moved by Mr. Pontanilla, seconded by Mr. White. Any other discussion? Seeing none, all those in favor, say aye. All those opposed? Let the record show six ayes, one excused, Mr. Carroll.

VOTE: AYES: Chair Victorino, Vice-Chair Pontanilla, and Councilmembers Baisa, Cochran, Hokama, and White.

NOES: None.

ABSTAIN: None.

ABSENT: None.

EXC.: Councilmember Carroll.

MOTION CARRIED.

WATER RESOURCES COMMITTEE
Council of the County of Maui

July 3, 2012

ACTION: FILING of communication by C.R.

CHAIR VICTORINO: That was the last item on today's agenda. Ladies and gentlemen, thank you very, very much. Again, I think some very interesting discussion and Mr. Taylor has assured me that there are some other forthcoming items that we have worked on that we're gonna bring forward in the very near future that will add to this, that will add some more clarity to what we're trying to achieve. I wanna thank Mr. Taylor and the Department very much, because it's been a real pleasure over the last year and a half working with him and the Department. I think the focus has now been, along with the Administration, not why we can't do, but why we can and how we can. And I think that's a big difference you know. I think we all knew that we could, but it was the choo choo train that wouldn't go. Well now it is going and I wanna thank Mr. Taylor. . .you like the choo choo train thing, eh, Mr. Taylor? I know you would. So thank you very much and, you know, again keep the lines of communication. I think this Committee is more than willing to sit down, discuss policy and look for plausible solutions, and we want something done as soon as possible I think not only for Upcountry but all of Maui County, yeah. So with no further announcements or discussion, this meeting of the Water Resources Committee is now adjourned . . .(gavel) . . .

ADJOURN: 10:33 a.m.

APPROVED:



MICHAEL P. VICTORINO, Chair
Water Resources Committee

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Transcribed by: Amanda Kaili

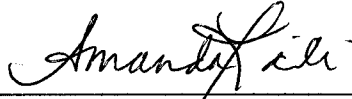
**WATER RESOURCES COMMITTEE
Council of the County of Maui**

July 3, 2012

CERTIFICATE

I, Amanda Kaili, hereby certify that the foregoing represents to the best of my ability, a true and correct transcript of the proceedings. I further certify that I am not in any way concerned with the cause.

DATED this 25th day of July 2012, in Kahului, Hawaii.



Amanda Kaili