

Honolulu Board of Water Supply Stakeholder Advisory Group

Meeting 22 Thursday December 7, 2017 4:00 to 6:30 pm
Neal S. Blaisdell Center, Hawaii Suite
777 Ward Avenue, Honolulu, HI

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

There were 15 stakeholders and 3 members of the public present, in addition to BWS and CDM Smith staff. The stakeholders represent diverse interests and communities island-wide.

The following Stakeholders Advisory Group members attended:

Matt Bailey	Aqua-Aston Hospitality
Pono Chong	Chamber of Commerce, Hawaii
Mark Fox	Nature Conservancy of Hawaii
Will Kane	Mililani Town Association
Bob Leinau	Resident of Council District 2
Helen Nakano	Resident of Council District 5
Robbie Nicholas	Resident of Council District 3
Dean Okimoto	Nalo Farms
Alison Omura	Coca-Cola Bottling Co., Inc.
Elizabeth Reilly	Resident of Council District 4
John Reppun	KEY Project
Cynthia Rezentes	Resident of Council District 1
Cruz Vina Jr.	Resident of Council District 8
Guy Yamamoto	YHB Hawaii
Suzanne Young	Honolulu Board of Realtors

MEETING AGENDA

- Welcome
- Public Comment on Agenda Items
- BWS Update
- Accept Notes from Meeting 21
- Additional Information Related to Fixed Charges
- 10-Year Revenue Requirement to Implement the Water Master Plan
- Next Steps

WELCOME

Dave Ebersold, meeting facilitator and Vice President of CDM Smith, welcomed the group and outlined the meeting objectives.

PUBLIC COMMENT ON AGENDA ITEMS

None.

ACCEPTANCE OF NOTES FROM MEETING 21

The group accepted notes from the prior meeting.

BWS UPDATES

Ernest Lau, BWS Manager and Chief Engineer, donned a Santa's cap to wish the Stakeholder Advisory Group happy holidays and express his gratitude for their hard work and participation. Ernest stressed that their input will be particularly valuable as the group moves forward to discuss water rates.

Ernest announced that BWS has kicked off its annual poster and poetry contest, with the theme "Conserve water: use it wisely." He invited stakeholders to attend the annual awards ceremony for the contest.

Ernest invited Kathleen Pahinui to provide an update on the BWS on-line survey. As of the prior day, there were 970 responses. Kathleen encouraged all meeting attendees to take the survey and to encourage friends and family to do the same. She indicated that the BWS is getting some great data, which will be shared with the Stakeholder Advisory Group early in 2018. BWS also has launched a similar survey through Ward Research.

Ernest then announced that in early January there will be a rates workshop with the BWS Board, including consideration of specific components of the rate structure that have been reviewed by the stakeholders. The Board will decide what fundamental changes to rates they want to continue to pursue (e.g., subsidies). He encouraged Stakeholder Advisory Group members to attend. Ernest explained the workshop will be taped and televised on **'Ōlelo**. Moving forward, BWS will tape its Board meetings. The first taped meeting will be shown on **'Ōlelo** before the end of the year.

ADDITIONAL INFORMATION RELATED TO FIXED CHARGES

Dave prefaced the next agenda item by reminding the group that a considerable amount of time was spent discussing fixed charges at the November stakeholder group meeting. Stakeholders provided some insightful suggestions and asked important questions, so the December meeting was designed to provide time to dig more deeply into the topic. Dave noted that the 2014 City audit of BWS noted that there was insufficient clarity about the BWS's monthly billing charge. The audit recommended following American Water Works Association (AWWA) best practices.

BWS's fixed charge, called a "billing charge", is currently \$9.26 and is included on every customer bill regardless of meter size and whether or not any water has been used at a property. It is considered a "uniform" charge. Billing charges comprise about 7% of BWS's revenue. Dave showed a chart comparing fixed charges on Maui, Kauai, and the Big Island, where the charges vary by meter size.

Dave displayed a chart that was shared at the November meeting, showing what the monthly billing charges would be if BWS switched from its current practice of distributing the fixed charges uniformly among all customers, to distributing the same costs based on customers' meter sizes. Instead of paying \$9.26 as they do now, customers would pay about \$7.75 per bill for a 5/8 to 3/4-inch meter, up to around \$420 for an 8-inch meter.

Dave invited Brian Thomas, from Public Financial Management, to provide additional information. Brian began with an explanation that the AWWA M1 manual, which guides water utilities on financial policies, indicates that fixed charges can cover a variety of different costs. Among these are customer related costs, for example customer care staff, sending out the bill, collections, information technology, certain water resource functions, and financial management. These customer costs are incurred equally, regardless of meter size. There also are costs that vary by the size of meter, for example the meter shop, meter maintenance and replacement, field operations, backflow protection, and cross connection control. These are collectively referred to as meter costs.

At the November meeting, AWWA's standardized "capacity ratios" were presented as a method of proportioning costs by meter size. Stakeholders questioned how the standardized ratio matched up with actual costs. In response, BWS conducted further analysis, and found that the BWS's actual meter replacement costs closely match the AWWA standardized capacity ratios.

Based on these actual cost ratios, projections of the monthly customer charge were calculated two different ways, based on expected costs in 2019. The first, which is a uniform customer charge, distributes both the customer and meter costs equally to all customers, regardless of meter size. The second distributes the customer costs equally but proportions the meter charges by meter size. As shown on the chart below, by changing the customer/billing charge from uniform to varying by meter size, BWS customers with smaller meters would pay a slightly lower monthly customer charge. Those with larger meters

would pay a higher monthly customer charge, consistent with the actual costs incurred. Dollar amounts on the chart below are examples only and based on expected costs in 2019.

Two options for monthly Customer Charge

Meter Size	# Mtrs	Uniform Customer Charge	Average Monthly Bill	% of Bill that is Fixed	Customer Charge by Meter Size	Average Monthly Bill	% of Bill that is Fixed
5/8 or ¾	162,508	\$12.05	\$52	23.2%	\$10.40	\$50	20.8%
1	8,384	\$12.05	\$235	5.1%	\$13.30	\$236	5.6%
1.5	3,097	\$12.05	\$458	2.6%	\$15.20	\$462	3.3%
2	3,851	\$12.05	\$911	1.3%	\$38.70	\$938	4.1%
3	456	\$12.05	\$2,900	0.4%	\$47.80	\$2,935	1.6%
4	294	\$12.05	\$6,036	0.2%	\$81.45	\$6,116	1.5%
6	154	\$12.05	\$10,552	0.1%	\$163.40	\$10,704	1.5%
8	325	\$12.05	\$11,681	0.1%	\$249.25	\$11,919	2.1%

Example amounts

Brian stressed that whether or not fixed charges are uniform or determined by meter size, both methods are consistent with good technical analysis and the AWWA M1 Manual. Neither way is “wrong”.

Dave added an important consideration is cost of service. At prior meetings, stakeholders expressed general support for moving toward charging customers closer to their costs of service. That would align with distributing the fixed charges according to meter size.

Dave indicated BWS is seeking feedback on this issue and would like to hear whether stakeholders feel the time is right to move closer to cost of service and distribute fixed charges based on meter size, or should BWS keep it as is, uniformly distributing the fixed charges among all customers?

QUESTIONS, COMMENTS, AND ANSWERS

Q. If somebody installs an expensive meter, and then for some reason their project gets stalled, can that customer put their billing on hold and not get charged when their meter is just sitting there unused?

A. If that person put in some of the improvements including the expensive meter, but didn’t actually establish a water services account, he/she wouldn't be charged. But if that person actually installed the meter and opened an account, the customer can terminate the service

and have the meter removed. But as long as there's a meter and an active account, BWS has to go out and try to get a reading and that generates a bill.

Q. Would the revenue stream from a Customer Charge by meter size would be greater than a uniform charge?

A. That's an important point. Actually, they generate the exact same amount of revenue because they are each recovering the exact same costs.

Q. Is this a solution looking for a problem or is this a problem we're trying to solve?

A. The driver for this discussion is whether it makes sense to move the billing charge to one that is based on meter size or one that's fixed for everybody. It's a cost of service question.

Q. Is it inequitable right now?

A. That's the heart of the issue. Do you think it's inequitable to have it the same for every meter size when you know that some of those costs vary by meter size?

Q. Earlier you had mentioned that the City audit commented about fixed costs not being clear. Is that part of why we're considering this?

A. Yes. This analysis gives you the background for understanding what the fixed costs are, how costs of service vary by meter size, and to what extent it might be an appropriate policy to change since it's more reflective of cost of service.

Comment. I believe it's better to distribute the costs based on meter size. You're paying a bigger cost for a bigger meter. To me it's fair, even though I'm probably increasing my bill because I have 1-inch meters. I thought it was kind of obvious.

Comment. Another way to look at this is to see it as a cost avoidance. If you think of it as everyone uses a 5/8-inch or 3/4-inch meter, no foul, no problems. The problem is, the larger your meter is, the more resources the Board of Water Supply has to procure to be able to manage those meters. If the meter goes bad, it costs that much more to fix it, because the equipment to fix it is going to be bigger. Also, it takes specialized equipment versus fixing a 5/8-inch meter that so many people have. I look at it from the standpoint that as a 5/8-inch meter user, I'm subsidizing repair of the larger meters. I think that's the question that we're struggling with. Do we take the 7% of BWS revenue that's fixed costs and spread it uniformly, or do we distribute it based on what BWS has to spend additionally to be able to handle the larger equipment and meters.

Comment. I agree with the charge by meter size. Once we found out there's a segment of the expenses dependent upon meter size, it was a no brainer. That's what I think would be most equitable.

Q. I've lived in my house for 20+ years. My meter's never broken. I think we have more water main breaks than meter breaks. Is it safe to say a meter is fairly durable?

A. It is correct that the meters don't break very often. We have some meters that have been in the system for well over 20 years. Generally speaking, it's a lot cheaper to replace the 5/8 and the 3/4-meters if one is malfunctioning. For the bigger meters (6 to 8-inch), we might just change out parts, but not the whole meter.

Dave noted that \$23+ million is being incurred each year and attributed to a combination of customer and meter charge categories, not merely the cost of servicing or replacing a meter itself.

Q. I agree that the option for distribution by meter size is probably best. I do still have a concern. We've identified groups for which we said it would be appropriate to continue subsidizing. I'm thinking specifically of agriculture. This option (by meter size) could add costs to Ag users.

A. Currently, we're looking at this issue in isolation of the many other components of a rates structure. We're asking "Does it make sense to provide better alignment with the costs of service?" The advice you provide will inform how we tackle the other parts of the rates structure when we put this all together.

Q. Who are the 1200 people or so customers who have 3, 4, 6 and 8-inch meters?

A. They're non-residential customers.

Q. I don't necessarily disagree, but we should think this through. Is there some advantage to me for having a 5/8 or 3/4 inch meter and subsidizing those with large meter sizes, from who I might get some benefit, like specific shopping malls, or gourmet food suppliers? I use their services. Could it be advantageous to me to help subsidize these enterprises because I get some benefit out of them having that large meter? I'm asking this question, because everybody's sort of leaning towards distribution by meter size.

A. Let's play this out for a minute. You go shopping at the mall. You appreciate they have good sales once in a while. Because of that you feel better about giving them a little extra money every month to cover the cost of their meter. Is that the scenario?

Q. The way you pose it, I'm thinking why would I want to give more money to the mall? I already give them enough money. Maybe that's a bad example. Likely there's somebody with a large meter who provides a public service. If we step down your description a little bit, and adjust mine a little bit, are there some folks in the 3, 4, or 6-inch meter category that provide some service to people with a 5/8 or 3/4-inch meter, where it would be reasonable to help them offset the price of their meter?

A. Like a hospital? Or a park? Or a school? I think these are value judgments you have to make as individuals.

Q. I think it would be easier for me to make that judgment if I had some more specific examples of who has the 3, 4, 6 and 8-inch meters. Who are they?

A. I know of at least one. Ala Moana Shopping Center. I believe they have three 8-inch meters serving the entire shopping center.

Q. When you implement the customer charge, is that per bill or per meter?

A. Per bill.

Q. We were talking about some special benefit to the community. Maybe BWS should create a separate class for customers that are a tremendous benefit to communities. That may muddy the waters and make it a lot more complex, but it might be worthy of consideration.

A. You bring up a good issue of the complexity with making those determinations. Let's play it through a bit. You say hospitals. Someone else says: "You know, there's a really great park by my house and I enjoy that park. So maybe that park should get a discount too." If you think it through to its logical conclusion, each person has a different set of values and perspectives about what might be worth subsidizing, or what might not.

Q. If the decision is to distribute fixed charges by meter size, customers in the 4, 6, 8-inch meter size can experience a significant change in their bill. Have you thought about how you're going to address this with those customers?

A. There's an extensive outreach program being put together for rates. It will address all the different customer types and how any changes would affect them, so the answer is yes.

Comment: If we believe we are currently assessing incorrectly, I agree with everybody else. Let's assess this correctly, based on a customer class. The only thing I would add is whether we are going to be consistent within that philosophy. We seem not to be. For example, there's a subsidy between commercial and residential customer classes. There is subsidy where multifamily is subsidizing single family. I would suggest that when we get back to those rate issues, we look at being consistent in how we apply the philosophy for aligning charges with cost of service. Whatever the cost is, the people should pay for it.

A. From a principle perspective, you bring up a really key point. You start to move towards cost of service and then you have that discussion across the aspects of the rate structure. By the way, we're going to come back to that in January.

Q. Do the larger meters demand larger piping?

A. Yes.

Q. Does maintaining those pipes or fixing a break use different and larger types of equipment?

A. We're not actually talking about that part of the costs here; we're talking about just those associated with the fixed charges. What you're referring to is costs on the system.

Q. Wouldn't that come under maintenance?

A. Fixed costs include maintenance specific to meters, also replacing them, meter vaults, and meter-oriented facilities. What you're referencing is the pipes and the distribution systems.

Comment. Just to clarify a point about who uses different sizes of meters: I don't know anybody in Ag that would use anything larger than 2-inch meter.

Wrapping up the discussion, Dave said that it seemed the group predominantly felt it made sense to move towards allocating fixed charges based on meter size. Stakeholders nodded in agreement. Dave indicated that this important input would be brought to the BWS Board.

TEN-YEAR REVENUE REQUIREMENT

Dave introduced the next segment of the agenda: the projected 10-year revenue requirement necessary to implement the Water Master Plan (WMP). He said that in previous meetings, we've talked about operations and maintenance costs, the capital improvement program and different pipeline replacement scenarios. The 10-year revenue requirement begins to put together all these pieces.

Operations and maintenance 10-year forecast – Dave gave a brief review of the BWS's operations and maintenance costs. BWS's 2018 operating budget is \$160 million, not counting debt service. Organizations in the public sector typically do not spend all of the money in their budget. That means that if the BWS used the 2018 budget amount (e.g., \$160 million) in the financial model to calculate its 10-year revenue requirement, there would be a risk of collecting too much money from ratepayers in the future. Therefore the financial model:

- Was based on 85% of the operating 2018 budget,
- Included budgets from each of the division managers in the 10-year planning period, and
- Took into account different escalation rates for different components of operations and maintenance costs. On average, the escalation rate was about three and a half percent per year.

The operations and maintenance forecast starts at \$137 million in 2018 and increases to \$197 million in 2028.

QUESTIONS, COMMENTS, AND ANSWERS

Q. How much does the customer base escalate annually?

A. We projected a growth in water sales of 0.1 percent per year.

Q. We had talked about increasing the number of miles of pipeline replaced per year to increase from six to twenty-one. Is that reflected in this forecast?

A. That will be reflected in the capital improvement program, and we will discuss that next.

C. In alignment with the Water Master Plan, the goal was to expand our conservation and watershed management funding as well as recycle more water.

Q. Does this forecast include the [60-180 days] cash on hand?

A. Yes it does. We're going to have a specific conversation about working capital.

Capital improvement program 10-year forecast – Dave asked Barry Usagawa to discuss the forecast for the Capital Improvement Program (CIP). Barry gave a brief review of previous discussions about the CIP and pipeline replacement scenarios. He said the Water Master Plan recommends replacing one percent of BWS pipelines per year, or 21 miles. To reduce water main breaks, it is mostly a matter of how fast BWS ramps up to replace 21 miles of pipeline. The BWS Board gave feedback that they wanted to ramp up pipeline replacement aggressively, in close alignment with the Water Master Plan goals.

The BWS system had 346 water main breaks in fiscal year (FY) 2017. Overall, the number of breaks had been decreasing, but in the last two years, they have increased. BWS has been replacing pipelines at a rate of about six miles per year. Within 10 years, that rate will increase and 21 miles will be replaced annually. As a result, BWS expects the number of main breaks to decrease from 350 in 2017 to about 260-270 per year between 2035 and 2040.

This scenario results in an increase in the CIP spending from about \$100 million in 2018, up to as high as \$230-240 million in 2026-2028. After that, CIP costs will tend to reduce.

Besides replacing pipelines, CIP spending will also focus on pump stations, which is the highest priority in our system. BWS wants to increase the number of pumps in operation to 90 percent. Currently about 82 percent of pumps are on-line. They will be upgraded to use energy more efficiently and increase operable control capacity.

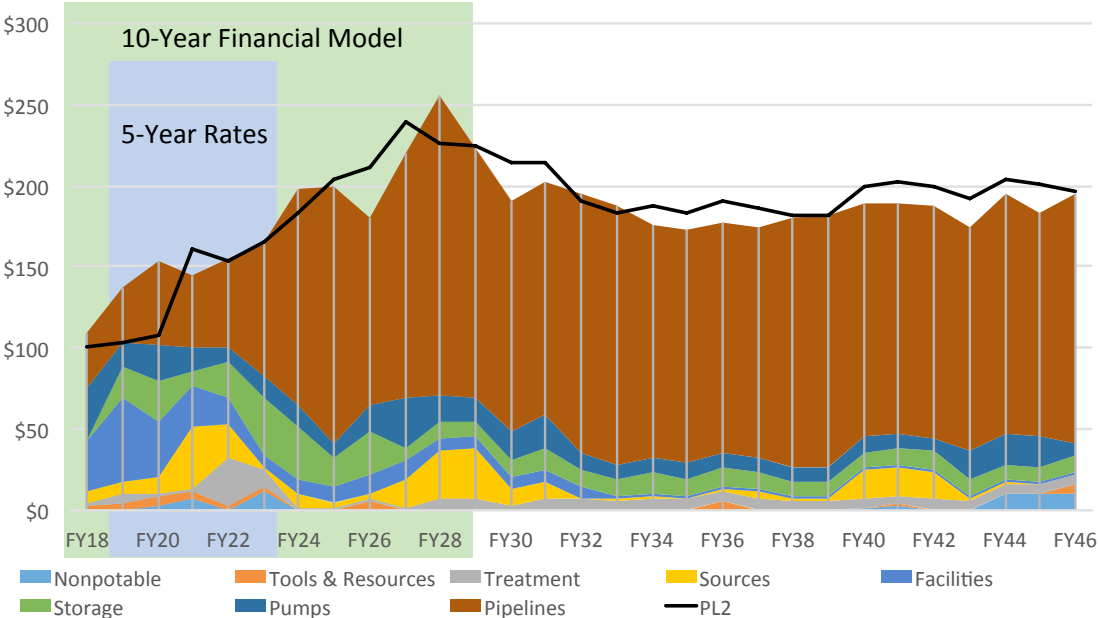
Source capacity is another big part of the CIP. Barry said that the Water Master Plan projects a fairly steady annual population growth of one percent. He expects conservation success to continue to the mid 2020s, and to achieve the WMP goal of reducing water consumption from 157 gallons per capita per day (gcpd) to 145 gcpd.

Climate change is another big issue for BWS in terms of where our source capacities are located now, and where new sources will be installed. Climate change experts are saying that, by 2100, the dry areas will get drier. Some areas will have as much as 65% less rainfall. Source capacity will be increased to compensate for the decrease of supply in areas like Makaha and Waianae. Currently, BWS is working on expanding recycled water capacity and on its first seawater desalination plant. Diversified sources help make the system more resilient to handle drought in the future.

Other future projects include replacing high priority reservoirs. The Water Master Plan identified a number of reservoirs for seismic retrofits.

Barry showed a graphic (see below) that summarizes the projected annual budgets for CIP projects over a 30-year planning period. Shaded in green is the 10-year period used in the financial model, and shaded in blue is the 5-year period for purposes of water rates development. The different colors of the graph reflect types of CIP projects (e.g., non-potable water sources, storage, tools and resources, pumps, etc.). Projected costs in the vertical-axis are shown in millions of dollars.

30-year Capital Improvement Program



QUESTIONS, COMMENTS, AND ANSWERS

Q. What causes the big bumps in the CIP chart in 2021 and 2028?

A. The first is the desalination project, followed by source development and pump stations.

Q. Is information available to the public about where they can take measures to protect these resources from development or contamination?

A. We are working hard to protect the Halawa shaft and wells from contamination by the Navy's fuel storage tanks at Red Hill. We are also working on enhancing treatment systems for wells that have indicated pesticides (e.g., in Central Oahu). Unfortunately the law to prevent landowners from contaminating groundwater sources through land use (e.g., preventing them from applying contaminants on the ground) has very little teeth. Contaminating the land will show up in ground water decades later. However, BWS is actively promoting best practices for pesticide and fertilizer application to protect those groundwater sources.

Q. Should we be looking a lot harder at climate change and related influences in areas where we can work harder on reforestation?

A. Yes, this is a high priority for us. To compensate for lower rainfall, the forest needs to be healthier. We are focusing funding and partnerships on watershed protection projects in high priority areas where rainfall will be decreasing.

C. If I read this chart correctly, in the early years (FY 2018-2020), you're looking at most of the expenses going to everything except pipelines. In the first 10 years, you're planning to improve infrastructure and ramp up pipeline replacement very fast. Storage will be a continuing issue based on what the water usage is. In other words, if you don't currently have 1 ½ days worth of storage in North Shore, you're going to have to put in a reservoir there. I'm hoping that as BWS front-end loads the CIP budget, you don't forget that it has to decrease and it doesn't stay steady at the highest level.

A. Yes, thank you.

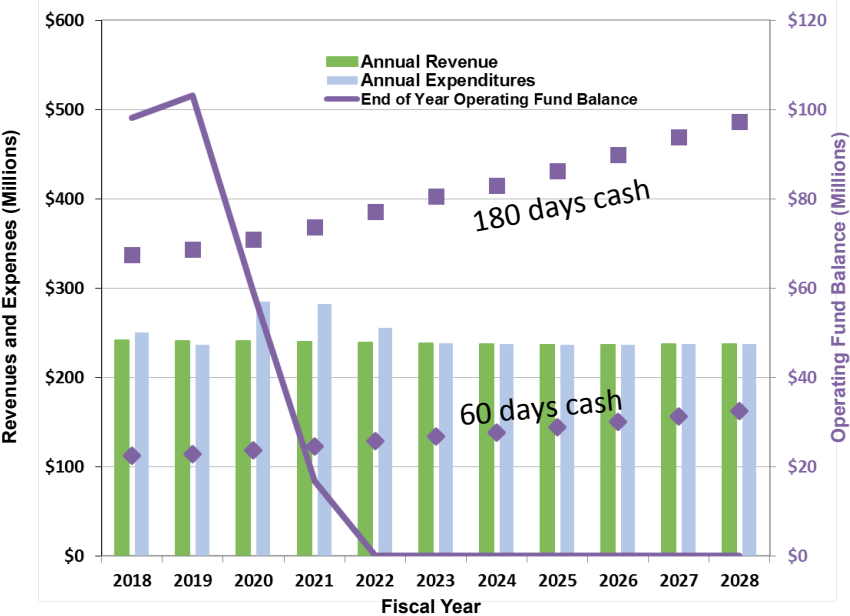
Q. At what point does a developer get burdened with the development of the water source, storage, pumps, etc.? When does the developer get a free ride and when does the developer carry the load? How does that factor into the long term CIP?

A. Good question. This is related to the Water System Facilities Charge, and that is one of the next topics. This charge is a one-time impact fee that helps to recover a portion of the cost of expanding the capacity of the water system. Developers of Ho'opili and Koa Ridge are required to expand the water system before they can build. Those system expansion costs are not included in the CIP budget being discussed here.

Dave asked Brian Thomas to present the financing strategy. Brian discussed a series of charts that compared different scenarios of how to pay for the projected 10-year budgets for operations and maintenance and the CIP (2018-2028). Objectives included achieving the financial policy of maintaining between 60 and 180 days cash on hand working capital, and minimizing impacts to ratepayers.

The first chart (see below) showed what would happen if there were no revenue adjustments. The BWS would operate, maintain, and build what it could afford spending the revenues from current rates and cash on hand. The financial model showed that the BWS would deplete cash on hand within four years and could only pay for operations and maintenance and an ever-decreasing amount of capital improvement projects. The Water Master Plan could not be implemented under this scenario.

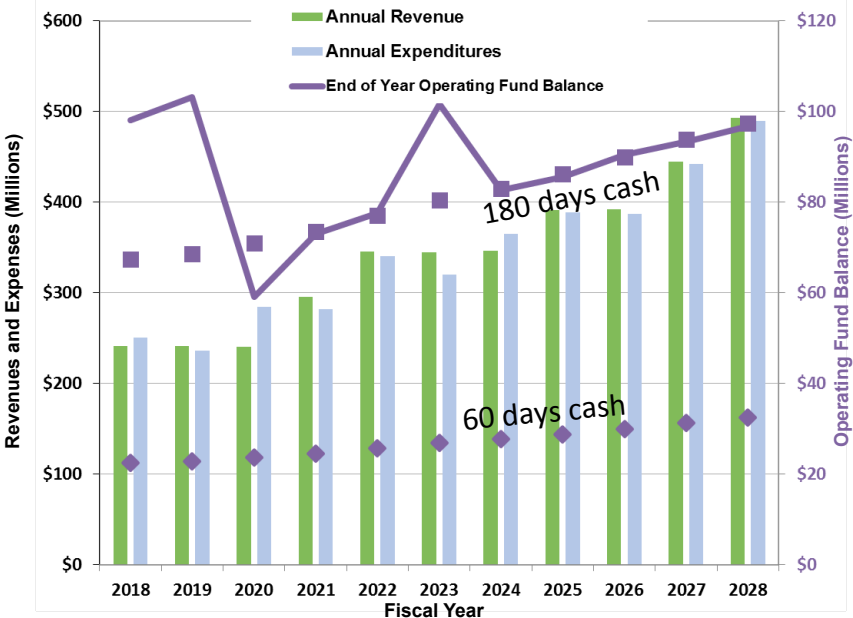
Scenario: No revenue adjustments



The second chart (see below) showed a scenario that BWS would pay for all costs using cash only (no debt/no borrowing) and adjust revenues to match the timing of these costs. The Water Master Plan could be implemented, but revenues needed to pay for it would spike steeply and irregularly over the 10-year period. Revenue adjustments would vary between 0% and 25% in given fiscal years. The impacts to customers would be significant.

Scenario: Adjust revenue as needed, all cash

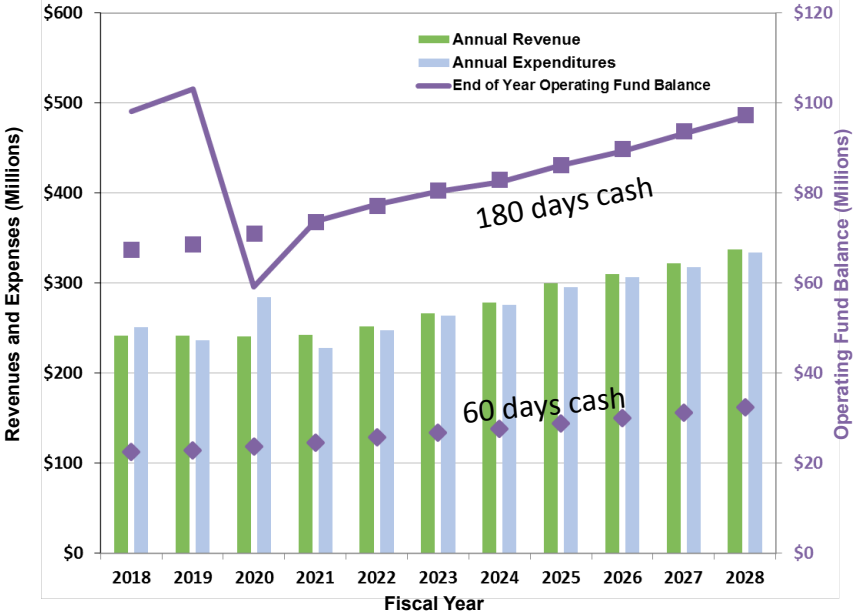
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Revenue Adjustment	0.0%	0.0%	0.0%	25.0%	18.0%	0.0%	1.0%	14.0%	0.0%	14.0%	11.0%
Cash Funded Capital	\$82.5	\$74.6	\$117.4	\$108.9	\$160.3	\$132.6	\$171.8	\$188.0	\$178.6	\$225.4	\$264.8
Bond Issues	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
"All-in" Debt Service Coverage Ratio	3.36	4.57	4.15	6.16	7.85	7.38	7.07	8.44	8.05	9.58	10.88



The third chart (see below) showed a scenario that would use a combination of cash and bonds. Issuing bonds would spread out the costs and can reduce the need for revenue adjustments. In the example shown below, the BWS would begin issuing bonds in 2021 and the revenue adjustments would range from 0% to 8.5% in given fiscal years.

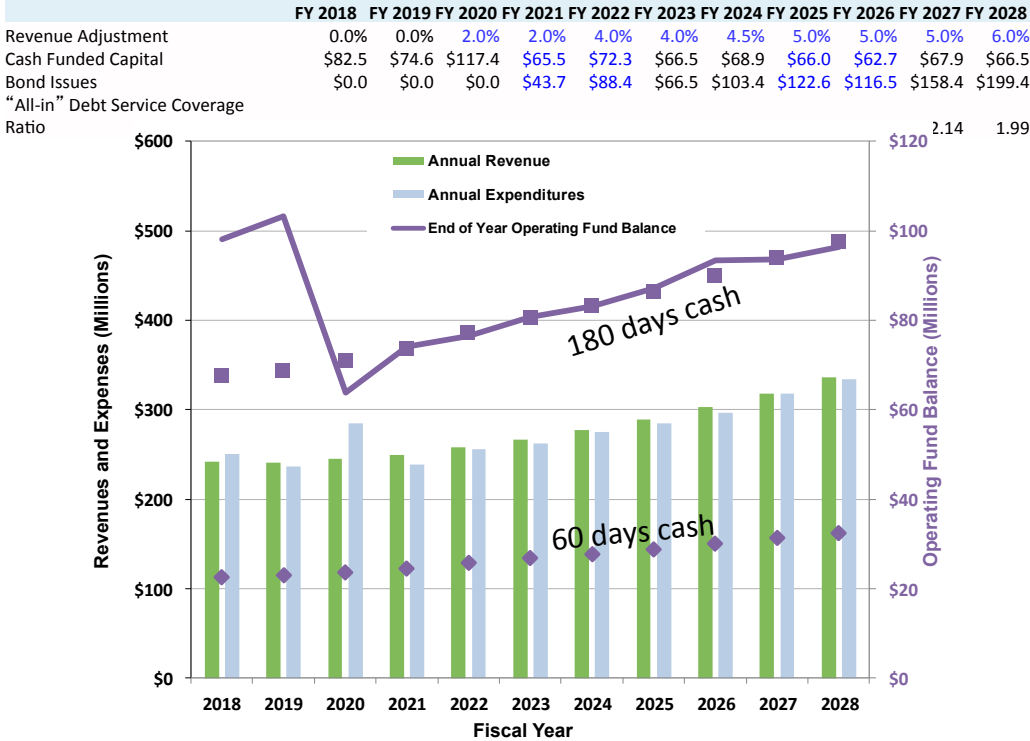
Scenario: Bond issues reduces revenue req.

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Revenue Adjustment	0.0%	0.0%	0.0%	1.0%	4.5%	6.5%	5.0%	8.5%	3.5%	4.0%	5.0%
Cash Funded Capital	\$82.5	\$74.6	\$117.4	\$54.6	\$64.3	\$66.5	\$68.9	\$75.4	\$71.7	\$67.9	\$66.5
Bond Issues	\$0.0	\$0.0	\$0.0	\$54.6	\$96.5	\$66.5	\$103.4	\$113.1	\$107.5	\$158.4	\$199.4
"All-in" Debt Service Coverage Ratio	3.36	4.57	4.15	3.90	3.50	3.06	2.85	2.75	2.42	2.20	2.00



The fourth chart (see below) showed a scenario that would use another combination of cash and bonds, whose amounts and timing are tailored so that fluctuations in revenue adjustments would be smoothed even more. In this case, revenue adjustments would gradually increase and range from 0% to only 6% in any given year.

Scenario: Smoothing of revenue adjustments



QUESTIONS, COMMENTS, AND ANSWERS

Q. What's the bond (interest) rate?

A. Four to four and half percent is what we used throughout the financial model. And there's a small bond issuance cost up front.

Q. Earlier in the evening, somebody mentioned concern about collecting extra money. I also noticed these charts show keeping 180 days of cash on hand. Is that a reserve and is it collecting interest?

A. This working capital is invested in treasury bonds collecting under 1 percent right now. But treasury bonds are very low risk and our primary investment goal is to preserve capital and the safety and stability of the money.

Comments included:

- This (10-year revenue requirement) is way less than rapid transit.
- The challenge is going to be the messaging. People tell us that we don't want any rate increases; they're too high already. But, we all know what that is: they're looking at the sewer portion charged by the Department of Environmental Services. That messaging is going to be critical, especially if we're trying to tell people that BWS is trying to improve the system by increasing pipeline replacement from 6 miles to 21 miles of inconvenience a year.
- I want to echo that. I think the slide that shows you want to ramp up to 21 miles a year of pipeline replacement is really powerful. It's a great educational tool to share with the public. They'll appreciate it because all they know now is: "Oh, another water main break".
- It would make it easier on us if you separate the water (BWS) from the environmental bill (Department of Environmental Services).
- This is about semantics. Call it an investment. If we start talking about the investment in a system that's going to be adequate in the future, that's what's really important. It's an easy jump from there to things like watershed – not only watershed protection, but watershed enhancement – all of the things that really need to take place.
- As we get hit with more needs for expenses here on Oahu, whether it's funding for homeless or rapid transit, we have to be able to prioritize why one expense may be a better idea than another. I think all of us realize how important water is. But the push back against increased rates is inevitable.
- Maybe there's a better “mouth” (or several other spokespersons) to best deliver the message about water rates. There are going to be a lot of complaints about it. It is necessary, but how do you finesse that? I think that's really critical. I don't know the answer. It's been expressed a few times, and it's going to have to be done right.

Kathleen Pahinui said thanked everyone for their comments and for providing additional things to look at. One of the things BWS is working on is a robust outreach program. The Communications Office has started a list of people to help BWS connect with groups, and the Stakeholder Advisory Group is on that list. She said BWS spokespersons will be talking to people in small groups, explaining to them in the language that they understand. The same message is not going to resonate with everybody. The outreach has to be very targeted in what is said and addressed to each community. Presentations will not be generic.

Main breaks are an important issue. Using the word “investment” will be powerful.

All ideas that stakeholders have will help because there's not one right solution. At the end of the day, we all realize and acknowledge that not everybody will be happy. BWS understands and accepts it, but sees all of the Stakeholder Advisory Group as partners. Kathleen's team will be reaching out to all to schedule presentations. She asked that additional suggestions be sent to her, Ernie, or Barry. All ideas are going to be necessary, and it's going to take everyone together to get the information out.

With no further comments, Dave announced several upcoming events:

- A tour of the Honolulu water recycling facility has been scheduled for Saturday, January 20th, at 10 am. 10 am is the time to meet out at the facility. Anyone who would like a ride out there can meet at the Board of Water Supply office at 630 South Beretania at 9:00 a.m.
- (NOTE A NEW DATE) The BWS Board will have a workshop on water rates on Friday, January 5th, 2:00 – 4:00 p.m. at the office at 630 S. Beretania, 3rd floor. Everyone is welcome.
- The next BWS Board meeting is on December 18, at 2:00 p.m. at the 630 S. Beretania office, 3rd floor.
- The next Stakeholder Advisory Group meeting will be Wednesday January 10th, at the Blaisdell Center in the Hawaii Suites. We will also have meetings on Wednesday February 21st and Tuesday March 13th and others are to be determined.

He wished everyone happy holidays.