Beneficiary Consultation
Proposed Increase in Water Rates
DHHL Ho‘olehua Water System
March 2018

Agenda

• Pule
• Welcome & Introduction
  – Meeting Purpose & Kuleana
  – The Beneficiary Consultation Process
• DHHL Presentation
  – Background & Need
  – Proposed increase to the water rates
• Community input
• Next Steps
Gather input from Beneficiaries on the proposed increase in water rates for the Hoʻolehua drinking water system

Note: Current water rates expire June 30, 2018

Meeting Purpose

Refresher

• Hawaiian Homes Commission Act
  – Retain exclusive control of water systems
• Water Policy Plan
  – Secure revenue & reduce costs to “break even”
• Water Administrative Rules
  – Water bill payments, options, Shut-Off (last resort)
• Information meeting on System Costs
  – Expenses = $800,000 and Rev. = $400,000
  – Shortfall $400,000
Meeting Kuleana

- Be creative!
  - Work toward future solutions/aspirations
- Disagreement is ok as long as we are respectful of each other
- Everyone gets a turn first, then repeats
- Cell phones off or on silent
  - Take all calls/texting outside
- Please hold questions until after presentation

Meeting Kuleana

You are personally responsible for:
- Make sure everyone has equal opportunity to express their ideas
- Actively listen (listen to understand)
- Ask questions to clarify (get the right info)
- Have an open mind; open heart
- Focus our attention on speaker
Beneficiary Consultation Process Steps

- **March 12**: BC Meeting
- **April 11**: 30-day BC comment period ends
- **April 16-17**: HHC-Molokai Meeting
- **July 1**: Water Rates effective

What is a Water System?

U.S. EPA:

Water may be **BASIC**.

But it sure isn't **SIMPLE**.
Water System Goals

- Provide safe, clean drinking water
- Provide reliable water delivery service (24/7)
- And cover all operating costs & have Reserve Funds for emergencies, cash flow, capital improvements

Typical Water System Expenses

<table>
<thead>
<tr>
<th>ADMINISTRATION</th>
<th>RESERVE FUNDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPERATIONS</td>
<td></td>
</tr>
<tr>
<td>- Certified Operator</td>
<td>- Operating = cash flow</td>
</tr>
<tr>
<td>- Well Pumps</td>
<td>- Emergency = when pumps break down</td>
</tr>
<tr>
<td>- Electricity</td>
<td>- Capital improvement = Rainy Day fund</td>
</tr>
<tr>
<td>- Storage tank</td>
<td>- Debt service on loans</td>
</tr>
<tr>
<td>- Booster pumps</td>
<td></td>
</tr>
<tr>
<td>- Pipes, fire hydrants</td>
<td></td>
</tr>
<tr>
<td>- Security</td>
<td></td>
</tr>
</tbody>
</table>
### Hoʻolehua Water System Expenses
Fiscal Year 2015 - 2016

<table>
<thead>
<tr>
<th>Actual Expenses</th>
<th>% of Total</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel &amp; related costs</td>
<td>49%</td>
<td>$394,943</td>
</tr>
<tr>
<td>Electricity</td>
<td>39%</td>
<td>309,600</td>
</tr>
<tr>
<td>Operations, Repair, Maintenance</td>
<td>6%</td>
<td>45,564</td>
</tr>
<tr>
<td>Vehicles – repair, maintenance</td>
<td>3%</td>
<td>25,959</td>
</tr>
<tr>
<td>Baseyard building maintenance</td>
<td>2%</td>
<td>18,739</td>
</tr>
<tr>
<td>Office expenses</td>
<td>1%</td>
<td>6,598</td>
</tr>
<tr>
<td>Freight &amp; delivery</td>
<td>0%</td>
<td>2,030</td>
</tr>
<tr>
<td>Reserves</td>
<td>0%</td>
<td>-0-</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>100%</strong></td>
<td><strong>$803,433</strong></td>
</tr>
</tbody>
</table>

### Hoʻolehua Water System Shortfall

- **Rev. Billed**
  - $395,997 (49%)
  - **Expenses**: $803,433
  - **Shortfall**: $407,436 (51%)

- **Rev. Collected**
  - $274,637 (34%)
  - **Expenses**: $803,433
  - **Shortfall**: $528,796 (66%)
Goal

Balance

Costs to deliver water  Rate affordability

Need for Water Rate Increase

- Last rate increase in 2004
- Costs have gone up
- Shortfall is at least $400,000
- Reserve Funds
What DHHL is doing to increase revenue

✓ Obtained $10 million federal grant for major CIP

✓ Completed Cost of Service Analysis
  - Reviewed water system budget, expenses, revenue

✓ Developed Administrative Rules to address non-payment of water bills

✓ Reviewed and analyzed water rates

What DHHL is doing to increase system operational efficiency

✓ Reduced electricity bill by $200,000

✓ Implemented leak detection program

✓ Increased scheduled maintenance
  - Helps parts/equipment to last longer
  - Example: Fire hydrant flushing, exercising valves

✓ Developed Administrative Rules to address unaccounted for water loss/theft
“Water Rates 101”

Water rates are based on:
(1) Meter size – 5/8” to 8”
(2) “Usage Fee” – Amount of water used over a 2-month period, grouped in 3 levels or “Tiers”

There are different fees for Beneficiaries (residential & agriculture) and Commercial accounts.

Refer to Handout

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Commercial Proposed Increases

- 5/8” meter – Currently $30, then $134.82 by Year 2028

315% increase over the meter fee, spread incrementally over 10 years PLUS 3% annual inflation

<table>
<thead>
<tr>
<th>Usage Fee</th>
<th>Tier 1</th>
<th>Current</th>
<th>By Year 2028</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$1.80</td>
<td>$6.02</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3.35</td>
<td>11.20</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4.95</td>
<td>16.55</td>
<td></td>
</tr>
</tbody>
</table>

200% increase over the usage fee, spread incrementally over 10 years PLUS 3% annual inflation

Refer to Handout
### Residential Beneficiary

**Proposed Increases**

- **5/8” meter** – Current $5.60, then $11.95 by Year 2028
- **79% increase over the meter fee, spread incrementally over 10 years PLUS 3% annual inflation**

<table>
<thead>
<tr>
<th>Usage Fee</th>
<th>Tier 1</th>
<th>Current</th>
<th>By Year 2028</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tier 1</td>
<td>$1.42</td>
<td>$2.62</td>
</tr>
<tr>
<td></td>
<td>Tier 2</td>
<td>1.91</td>
<td>3.52</td>
</tr>
<tr>
<td></td>
<td>Tier 3</td>
<td>2.25</td>
<td>4.15</td>
</tr>
</tbody>
</table>

- **50% increase over the usage fee, spread incrementally over 10 years PLUS 3% annual inflation**

Refer to Handout

### Agriculture Beneficiary

**Proposed Increase**

- **5/8” meter** – Current $5.60, then $11.95 by Year 2028
- **79% increase over the meter fee, spread incrementally over 10 years PLUS 3% annual inflation**

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<td>Tier 2</td>
<td>1.91</td>
<td>3.52</td>
</tr>
<tr>
<td></td>
<td>Tier 3</td>
<td>0.76</td>
<td>1.40</td>
</tr>
</tbody>
</table>

- **50% increase over the usage fee, spread incrementally over 10 years PLUS 3% annual inflation**

Refer to Handout
Next Steps

Beneficiary Consultation Process

<table>
<thead>
<tr>
<th>Estimated Date</th>
<th>Action Step</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 12, 2018</td>
<td>BC Meeting on Molokai</td>
</tr>
<tr>
<td>April 11, 2018</td>
<td>End of 30-day BC comment period</td>
</tr>
<tr>
<td>April 16 – 17, 2018</td>
<td>Hawaiian Homes Commission meeting on Molokai</td>
</tr>
<tr>
<td>June 30, 2018</td>
<td>Current water rates expire</td>
</tr>
<tr>
<td>July 1, 2018</td>
<td>New Ho’olehua water system rates become effective (pending HHC approval)</td>
</tr>
</tbody>
</table>
Next Steps for DHHL

- Complete public hearings for Water Administrative Rules
- Implement major capital improvements ($10M federal grant) to increase operational efficiencies
- Complete next Cost of Service Analysis for FY 17 and FY 18
- Complete next Water Rate Study in FY 2020

Next Steps for You

- Participate in the BC Process
  - Send written comments by April 11
- Attend, testify or submit public testimony at the HHC – April 16-17 on Molokai
- Think about today’s discussion
- Talk to family, friends, neighbors
- Fix leaks
- Conserve water
- Everyone do their part, including DHHL
Mahalo!

Community Input
3 minutes per speaker