

State of Hawaii
Department of Hawaiian Home Lands
April 16 - 17, 2018

To: Chair and Members, Hawaiian Homes Commission

Through: M. Kaleo Manuel, Acting Planning Program Manager

From: Gigi Cairel, Grants Specialist *Gigi Cairel*
E. Halealoha Ayau, Water Resources Specialist *HA*

Subject: Acceptance of Beneficiary Consultation Report for
Proposed Water Rate Increase for the DHHL Ho'olehua
Water System

RECOMMENDED MOTION/ACTION

That the Hawaiian Homes Commission (HHC) accepts this Beneficiary Consultation Report as the public record of beneficiary input and feedback relative to the proposed water rate increase for the Department of Hawaiian Home Lands (DHHL) Ho'olehua Water System.

Acceptance of the report does not indicate concurrence or approval of any staff recommendations that may appear herein.

DISCUSSION

The HHC approved the DHHL request to proceed with beneficiary consultation regarding the proposed increase to the water rates for all DHHL-owned systems at the HHC February 2018 meeting. DHHL conducted a beneficiary consultation meeting on Molokai on March 12, 2018. There was also a 30-day comment period to get feedback from beneficiaries about the proposed increase to the Ho'olehua water system rates.

Using the water billing addresses on file, DHHL mailed a meeting notification (see Exhibit A) to all users connected to the Ho'olehua water system - including 561 residential and agriculture beneficiaries and 38 non-beneficiaries (or "commercial accounts"). Notices were also publicly posted on various community bulletin boards. Over 40 people attended and 38 signed in (see Exhibit B) - 16 (42%) Beneficiaries, 4 (11%) Other, and 18 (47%) did not self-identify. A powerpoint presentation was used, along with handouts to provide information and the content of the proposed increase to the water rates (see Exhibit C). Beneficiaries were invited to sign-up to provide input after the formal presentation. DHHL staff was assigned to

take detailed notes during the entire meeting time. Meeting participants were engaged and thoughtful in their comments and feedback.

DHHL created a webpage dedicated to the beneficiary consultation process for the proposed water rate increase for the Ho'olehua water system (<http://dhhl.hawaii.gov/po/beneficiary-consultation/proposed-increase-to-water-rate-schedules-for-hoolehua-drinking-water-system/>) for those that could not attend the March 12, 2018 meeting or who wanted access to the information independently. The information posted on the webpage includes the following:

- Background from the November 13, 2017 - Information meeting on Water System expenses.
- March 12, 2018 - Beneficiary Consultation on proposed increase to the Ho'olehua water rates (powerpoint presentation and handouts, including proposed water rates schedules for residential beneficiaries, agriculture beneficiaries, and non-beneficiaries or "commercial accounts").

Related to the proposed water rates discussion, DHHL also conducted beneficiary consultation on proposed Water Administrative Rules on July 25 and August 24, 2017 on Molokai. Information on the proposed rules and the beneficiary consultation meetings held are also posted on the DHHL website at <http://dhhl.hawaii.gov/departments-of-hawaiian-home-lands-administrative-rules/>.

In addition to comments collected at the March 12, 2018 meeting, beneficiaries could submit written comments using the half-sheets provided at the meeting, by sending email or mail to the DHHL Planning Office. The period to submit written comments closed on April 11, 2018. Only one beneficiary commented by email (see Exhibit D).

Analysis of Transcribed Meeting Notes

The table below are the meeting notes and actual comments received. They are organized into patterns or themes and provides a staff response. The table also identifies specific suggestions from beneficiary comments that resulted in recommendations related to the proposed water rate increase.

Theme	Beneficiary comments	Staff response
Beneficiary Advocacy	<ul style="list-style-type: none"> • Rehabilitate us • We need a special prosecutor to help us sue the state. The state is in a conflict of interest. • Our perspective comes from our history which has been a history of neglect. You can help us; we can help you; take care of us. We want to know if the investments are getting us the returns we need. • We need to come together as a lahui and run people in to the legislature. We need to take back the leadership. Imagine, testifying at the legislature and having them nod their head in agreement that, yes, DHHL should get that amount of funding. • What else can we do to help? 	Staff respectfully acknowledges the comments.
Comments on historical context and the HHCA	<ul style="list-style-type: none"> • Unless you fix the past you cannot think about the present and plan for the future. Get the money owed into the hands of the Hawaiian Homes lessees. • Sections 6 and 7 of the Organic Act is our answer. 30% revenue, that revenue goes into the Hawaiian Home Loan Fund. Why are we scraping when we should have the revenue? 	Staff respectfully acknowledges the comments.

Theme	Beneficiary comments	Staff response
	<ul style="list-style-type: none"> • I'm trying to farm as the act says, that takes water. • We are lessees not [land] owner. Land tax, water, rules and regulations cannot apply to lessees of HHCA. You cannot shut off our water. Water is life. • The Act stipulates that adequate water be supplied to the homestead lots for homestead uses. • The water doesn't belong to Hawaiian Homes. We should be paying for the service of the machine that does that. • We need more help on our lots. We need a lot of stuff for our kids and moopuna. 	
Water users	<ul style="list-style-type: none"> • How many users are on the System? • Is our system part of another system? • Can you clarify the commercial users? 	<ul style="list-style-type: none"> • On average, there is a total of 599 users - residential and agriculture beneficiaries and non-beneficiaries (ie Airport, Schools, Churches, businesses). • The DHHL water system is also the source of water for the Molokai Ranch Kipu system (PWS 245). • DHHL also has an emergency tie-in to the County water system. • Commercial users are generally those with water meters on a non-homestead lot and may not necessarily be

Theme	Beneficiary comments	Staff response
		<p>located on Hawaiian Home Lands. These include the Ho'olehua Airport, US Post Office, and DOE schools.</p> <ul style="list-style-type: none"> • See Exhibit E for a list of commercial users.
Non-payment of water bills	<ul style="list-style-type: none"> • Rate increase is warranted, however, when will delinquencies be addressed? The fact of entitlement because they are Hawaiians is not a reason to withhold payment. The rest of us pay. Is there a list showing the status of delinquency? • Maybe you can use the bananas [that I brought tonight] to take off my bill. We trade. • How much of the \$400K shortfall is due to beneficiary non-payment? • How are we going to makeup the shortfall? • Does revenue collected include commercial use? Is there non-payment of water bills in the commercial accounts? • [For] delinquent accounts, they are charged a delinquent fee, right? • I know for a fact that there are people on fixed income on Molokai and they cannot afford to pay 	<ul style="list-style-type: none"> • The proposed Water Administrative Rules include provisions for water billing, collection, enforcement and delinquencies, including allowance for non-cash payment to address delinquencies; late payment fees; water service shut-off (last resort); re-connection fee to resume water service. • Further research is needed to determine if a list of delinquencies can be made public. • Based on the FY 2016 Cost of Service Study, total expenses was \$803,433. Under the current rate structure, DHHL billed for \$395,997 and \$274,637 was collected. Shortfall was \$528,796 (\$803,433 MINUS \$274,637). The un-collectibles of \$121,360 (or 23% of the shortfall) represent outstanding payments from beneficiaries. Commercial accounts are fully paid.

Theme	Beneficiary comments	Staff response
	<p>the water bill. We have to find ways to create some kind of a program to help those people.</p> <ul style="list-style-type: none"> • Are the other [DHHL] systems in the red or black? 	<ul style="list-style-type: none"> • In FY 2016, the Trust covered the entire shortfall of \$528,000. DHHL is exploring numerous approaches to decrease expenses (ie, overall system improvements, including PV/solar system, fix water leaks, address water loss/theft) and increase revenue (ie, address non-payment of water bills, increase water rates, and seek federal, state and other funds) • Further research is needed to better understand the needs and extent of beneficiaries on fixed/limited income. Then a program may be developed for consideration. Note that according to industry standard, utility rate affordability is up to 3% of median household income. The proposed rate increase is well-within the affordability index.
Proposed rate increase over a 10-year time period	<ul style="list-style-type: none"> • Over the [proposed] 10-year period, the beneficiaries [rates] can increase or decrease? Will we always be in the hole? Will there be an excess at some point? Over the 10-year period, we could be in the same hole? It could be more, it could be less. Is the 	<ul style="list-style-type: none"> • The proposed rate increase is based on available information we have today. DHHL sought outside professional technical expertise to establish a baseline of information. By conducting regular Cost of Water Service analyses and Rate Studies, DHHL will

Theme	Beneficiary comments	Staff response
	<p>next rate analysis going to be made available to the lessees? Could that analysis affect the rate? At the same time, [system] improvements have to be made.</p> <ul style="list-style-type: none"> • How is the 2020 Rate Study going to affect the rates? • You should make the rate [increase] over 5 years because you have to get the rate study going and get it out to the public and that will be 5 years. And the [system] improvements should all be made in 5 years. • I would support a \$0.02 increase over 5 years. It would help offset [costs] and you need to come back to us after 5 years when everything [improvements] is in so we know what the costs are then. I pay my water bill and I feel responsible. Homesteaders can stand 2 cents [increase] for the next 5 years. 	<p>have the information going forward to better track water system budget revenue and expenses. If there is a need to adjust rates before the 10-year period ends, a beneficiary consultation will be held.</p> <ul style="list-style-type: none"> • The recommendation is to spread the proposed rate increase (79% for beneficiaries and 300% for commercial accounts) over a 10-year period to prevent the full impact of the increase or what's called "rate shock" - instead, the rate increase is 7.9% for beneficiaries per year and 30% for commercial per year, which is less of a rate shock. • By shortening the time period from 10 to 5-years, the rate shock will be higher. For beneficiaries, instead of a 7.9% annual increase, it would be a 15.8% annual increase. • Revenue generated by a 2-cents per year increase, over 5 years is not significant enough to address the shortfall. • The shortfall is expected to increase every year. This is an immediate concern that must be addressed sooner than later. System improvements

Theme	Beneficiary comments	Staff response
		are expected to be completed in 5 years and are expected to reduce some, not necessarily all, costs. However, this is only a projection.
Other funds to support the water system	<ul style="list-style-type: none"> • What is the \$10M [USDA] funds being spent on? So, the PV [solar] system is to bring [electricity] costs down, right? If the costs come down, that's a good thing for beneficiaries, right? • You mentioned personnel costs are included. Can't those come out of the [State] General Fund? • Every year the funding changes at the legislature. Are you folks asking for funding for this in the future? Don't give up even after Nelson. • What year does all the federal funds we're getting come to an end? All the improvements should reduce costs. I suggest don't put the cost on the beneficiaries. Bill the state and commercial. Then when all that goes in, in 2021, you can come back at maybe 10% and we'll say ok. • Use the grant money to build out the water lines [to other homestead areas]. Do 	<ul style="list-style-type: none"> • The \$10M in federal funds can only be used for capital improvements - replace system parts such as distribution lines, fire hydrants; add PV system; build a new storage tank; re-align the access roads. These funds cannot be used for operations and maintenance. • For Personnel costs, DHHL is exploring alternative sources of funds. • DHHL will continue to submit budget requests to the legislature. • The federal USDA funds for system improvements have a projected end date of August 2021. Cost savings from the improvements is one of many variables that affect the overall water system budget. While the improvements are expected to help reduce operating costs, there are other budget line items that are expected to increase over time such as personnel costs and inflation. Through regular Cost of Water Service analyses and Rate

Theme	Beneficiary comments	Staff response
	<p>we have plenty of extra water?</p> <ul style="list-style-type: none"> • Airport and DOE do they lease land from DHHL? What is the lease rent? What kind of revenue are we getting from leased land? 	<p>Studies, DHHL will be in a better position to track revenues and expenses and propose adjustments to the Rate Schedule.</p> <ul style="list-style-type: none"> • The USDA funds were approved to improve the existing water system. Further research is needed to seek additional funds (federal, state or other) to build new water lines in order to serve more homestead areas and beneficiaries. • DHHL submitted an application to CWRM requesting to increase our allocation for water resources. CWRM has not taken any action for over 20 years, thus DHHL is not in a position to expand the Ho'olehua water system and add more users. • The Ho'olehua Airport and DOE schools are not on Hawaiian Home Lands, so we do not have land dispositions with those entities to collect lease rent. • While DHHL earns revenue from leased lands and licenses statewide, those funds are targeted for DHHL administration and homestead development projects for those on the waitlist

Theme	Beneficiary comments	Staff response
Water for Agriculture	<ul style="list-style-type: none"> • Instead of incentivizing it so the more you use the less you pay, have you considered moving over to the Molokai Irrigation System (MIS) instead of having a Tier 3 [ag rate]? At that point, you should be on MIS because that's a major water use. • Are all the residential and ag beneficiaries actual beneficiaries, not sub-lessees on HHL? I'm curious because I'm wondering [ag] Tier 3 [rate] goes down to \$0.76. So, are general leases or sub-lessees or licenses getting that rate if they are ag users? 	<ul style="list-style-type: none"> • DHHL supports highest use of the water based on the highest quality of water. The Ho'olehua system provides potable water for human consumption. • To encourage farming, DHHL uses a "decreasing block rate" structure for agriculture beneficiaries, where Tier 3 rate is less than Tiers 1 and 2. • Agriculture rates are for agriculture homestead lots only and need to be approved by DHHL. • Many homestead lots (ie Kalama'ula) are not located near the MIS system, so cannot access the MIS. • DHHL issues a water meter to the lessee of record and that lessee is billed based on meter size and water usage, accordingly. For an HHC-approved sub-lessee or "third party agreement", such party must be a beneficiary. DHHL does not bill the third party for water because they do not have their own meters. • For non-beneficiaries, who are agriculture-based businesses, they are billed a different rate - "Commercial/ Agriculture" rates. It is a "decreasing block rate" structure where

Theme	Beneficiary comments	Staff response
		<p>Tier 3 is lower than Tiers 1 and 2. At Tier 3, the rate is \$1.15 per 1,000 gallons, which is different from the Tier 3 rate for agriculture beneficiaries at \$0.76 per 1,000 gallons.</p> <ul style="list-style-type: none"> • In review of the Commercial/Agriculture rate, DHHL recommends eliminating this "decreasing block rate" and, instead, charge the Commercial (non-beneficiary) rate. This demonstrates the priority given to beneficiaries in the overall rate schedule.

CONSISTENCY WITH DHHL PLANNING SYSTEM

DHHL Planning System

The DHHL Planning System consists of three tiers of plans - General Plan, Island Plans and Strategic Program Plans, and Regional Plans.

DHHL General Plan (2002)

The DHHL General Plan is intended as a high-level policy and long-range planning document to implement the HHCA of 1920, as amended. Within this plan, the proposed increase to the rate schedule for the DHHL Ho'olehua Water System is consistent with the Water Resources goal to provide access to quality water in the most cost-effective and efficient manner.

Molokai Island Plan (2005)

The Molokai Island Plan is primarily a land use designation document. The DHHL Ho'olehua water system serves the areas of Kalama'ula and Ho'olehua-Pālā'au. The Kalama'ula area consists of multiple uses: residential, agriculture and pastoral leases; Kapuāiwa Grove, a cultural and community resource area; Church Row; and Kulana 'Ōiwi, a community services center. The Ho'olehua-Pālā'au area also consists of multiple uses: residential, agriculture and pastoral leases; community use (Lanikeha Center, Molokai High School and churches); and

commercial (Ho'olehua Airport). Over the years, significant improvements were made to the water system, thus allowing the addition of the Nā'iwa agriculture lots in Ho'olehua to be served by the water system. Per the Island Plan, the "water system source has a safe source capacity and cannot meet the existing maximum demand required by all user groups."

Water Policy Plan (2014)

The proposed increase to the rate schedule for the DHHL Ho'olehua Water System directly addresses the following priority policy goals and objectives in the Water Policy Plan.

- Develop, manage and steward water in a manner that balances cost, efficiency measures, and Public Trust uses
- Educate beneficiaries, DHHL, HHC and other stakeholders continually on our water kuleana
- Secure revenue and reduce operation costs to break even; and increase security and reliability for DHHL beneficiaries and water system users

Molokai Regional Plan (2010)

Within the Molokai Regional Plan, water is identified as major infrastructure, issues and opportunities, and as potential projects. The DHHL Ho'olehua Water system is identified as one of three major water systems supporting homestead communities on the island of Molokai. Water, both potable and non-potable (or agriculture use), is an identified Issue and Opportunity in the regional plan. Lastly, three potential projects for the Ho'olehua water system were identified in the regional plan:

- Conduct [water] pressure testing in Kalama'ula - Homestead priority project
- Assess and repair leaks in the [Ho'olehua] potable water delivery and storage system
- Normalize water rates between [homestead] users receiving water from county [of Maui] and DHHL [owned water] systems

RECOMMENDATION

Staff respectfully requests acceptance as recommended.

DAVID Y. IGE
GOVERNOR
STATE OF HAWAII

DOUGLAS S. CHIN
LT. GOVERNOR
STATE OF HAWAII



JOBIE M. K. MASAGATANI
CHAIRMAN
HAWAIIAN HOMES COMMISSION

WILLIAM J. AILA, JR.
DEPUTY TO THE CHAIRMAN

STATE OF HAWAII
DEPARTMENT OF HAWAIIAN HOME LANDS

P. O. BOX 1879
HONOLULU, HAWAII 96805

February 23, 2018

Aloha,

The Department of Hawaiian Home Lands (DHHL) will be conducting a Beneficiary Consultation on the **proposed increase** in water rates that DHHL charges its customers (you) to help cover costs to provide reliable water service to your homestead. The current rates are due to expire on June 30, 2018. Before the Hawaiian Homes Commission (HHC) takes action on the proposed increase in rates, DHHL would like to hear beneficiary input.

The department, beneficiaries and other users of the system each have kuleana. For DHHL, we continuously look for ways to cut costs and operate the system efficiently. For beneficiaries and other water users, your kuleana is to use water wisely and pay your water bill.

The objectives for this Beneficiary Consultation are as follows:

- Present a summary of DHHL's costs to manage, operate and maintain the water system
- Explain what DHHL is doing to keep costs down
- Get feedback on the proposed increase in water rates

Monday, March 12, 2018

6:00 p.m. to 8:00 p.m.

Kūlana 'Ōiwi Halau

Kaunakakai, Moloka'i

We all know the importance of clean and safe drinking water. You and your 'ohana are affected directly. We hope you will take advantage of this opportunity, share your mana'o, and perhaps, learn something new about your water system. The input you share will be presented to the HHC in their decision making process.

Aloha and mahalo,

A handwritten signature in black ink, appearing to read "Jobie M. K. Masagatani".

Jobie M. K. Masagatani, Chair
Hawaiian Homes Commission

EXHIBIT A

Department of Hawaiian Home Lands
Beneficiary Consultation – Ho‘olehua water system
Proposed Increase in Water Rates

Monday – March 12, 2018
6:00 PM – 8:00 PM – Kūlana ‘Ōiwi Halau

Meeting Agenda
subject to change

- I. Overview
- II. Summary of DHHL costs to operate the water system
- III. Your water bill
- IV. Get Feedback on proposed increase in water rates
- V. Wrap Up

If you have any questions, please contact the following.

Ms. Gigi Cairel, Planning Office
(808) 620-9461; Fax (808) 620-9559

Email: DHHL.Planning@hawaii.gov

Or visit our website, www.DHHL.hawaii.gov, and click on “Beneficiary Consultations”



DEPARTMENT OF HAWAIIAN HOME LANDS

DEPARTMENT OF HAWAIIAN HOME LANDS
SIGN-IN SHEET

EVENT Beneficiary Consultation - Proposed
Ho'olehua water rate increase

DATE Monday March 12 2018

261

(Please print)

** (A=Applicant, L=Lessee, Both=Applicant and Lessee, O=Other) **

BENEFICIARY	NAME	MAILING ADDRESS	E-MAIL	TELEPHONE
A L B O	Irene Kachanui			
A L B O	Judy Caparida			
A L B O	JONATHAN LINDO			
A L B O	Elvi Lindo			
A L B O	Malona Kaopuika			
A L B O	Kunani Whini			
A L B O	Ipo Whipale			
A L B O	Joseph Souza			
A L B O	Kapona Lait			
A L B O	Carle M. Kapele			
A L B O	Mele Kachanui			

EXHIBIT B



DEPARTMENT OF HAWAIIAN HOME LANDS

DEPARTMENT OF HAWAIIAN HOME LANDS
SIGN-IN SHEET

36 - Proposed Water Rates
Houatua 3/12/18

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(Please print)

** (A=Applicant, L=Lessee, Both=Applicant and Lessee, O=Other) **

BENEFICIARY	NAME	MAILING ADDRESS	E-MAIL	TELEPHONE
A L B O	Cora Simonsen			
A L B O	Lawrence K. Lasua			
A L B O	Mi Colon			
A L B O	Gabe Adams			
A L B O	SKAHLA E ADAMS			
A L B O	Henry Pali			
A L B O	Jennifer Hawkins			
A L B O	Keani Rawlins			
A L B O	Suzanne Newland			
A L B O	Anna-Nicole Madela			

EXHIBIT B



DEPARTMENT OF HAWAIIAN HOME LANDS

DEPARTMENT OF HAWAIIAN HOME LANDS
SIGN-IN SHEET

(Please print)

** (A=Applicant, L=Lessee, Both=Applicant and Lessee, O=Other)**

BENEFICIARY	NAME	
A L B O	Terry Nakoa Kaahemau	
A L B O	Gina Kuehne	PD-E
A L B O	Wuwahi Sui	PC
A L B O	Zachary Helms	PC
A L B O	Wanda L. Padala	
A L B O	Nakano Tony	PD
A L B O	David Eabigail Bush	PD
A L B O	Dennis Pusa	PD
A L B O	Makaila Lundy	PD
A L B O	Wanda Kaylee Brown	

DEPARTMENT OF HAWAIIAN HOME LANDS

Proposed Water Rates
Hookup 3/12/18
PAGE 3

EXHIBIT B



DEPARTMENT OF HAWAIIAN HOME LANDS

(Please print)

** (A=Applicant, L=Lessee, Both=Applicant and Lessee, O=Other) **

Proposed Water Kules
Hoolanua 2/12/18
PAGE 4

DEPARTMENT OF HAWAIIAN HOME LANDS
SIGN-IN SHEET

BENEFICIARY	NAME	MAILING ADDRESS	E-MAIL	TELEPHONE
A L B O	Allyson Kaula			
A L B O	Kilia Purdy-Avelino			
A L B O	Kammy Purdy			
A L B O	Ricky Gaspar			
A L B O	Elroy Mollena			
A L B O	Tess Mollena			
A L B O	Cindy Mollena			
A L B O				
A L B O				
A L B O				

EXHIBIT B



HAWAIIAN HOME LANDS
HAWAIIAN HOMES COMMISSION
DEPARTMENT OF HAWAIIAN HOME LANDS

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

Meeting Purpose

Gather input from Beneficiaries on the proposed increase in water rates for the Ho'olehua drinking water system

Note: Current water rates expire June 30, 2018

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

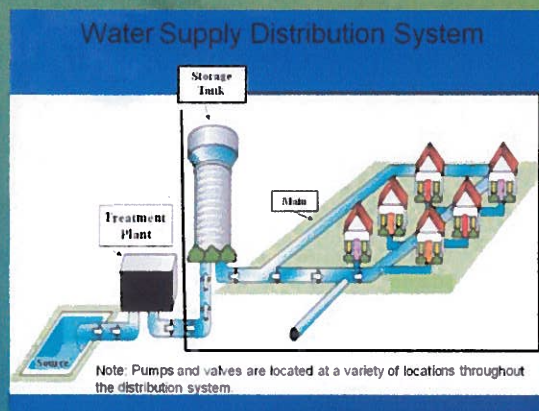
July 1
Water Rates
effective

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

ADMINISTRATION

OPERATIONS

- Certified Operator
- Well Pumps
- Electricity
- Storage tank
- Booster pumps
- Pipes, fire hydrants
- Security

RESERVE FUNDS

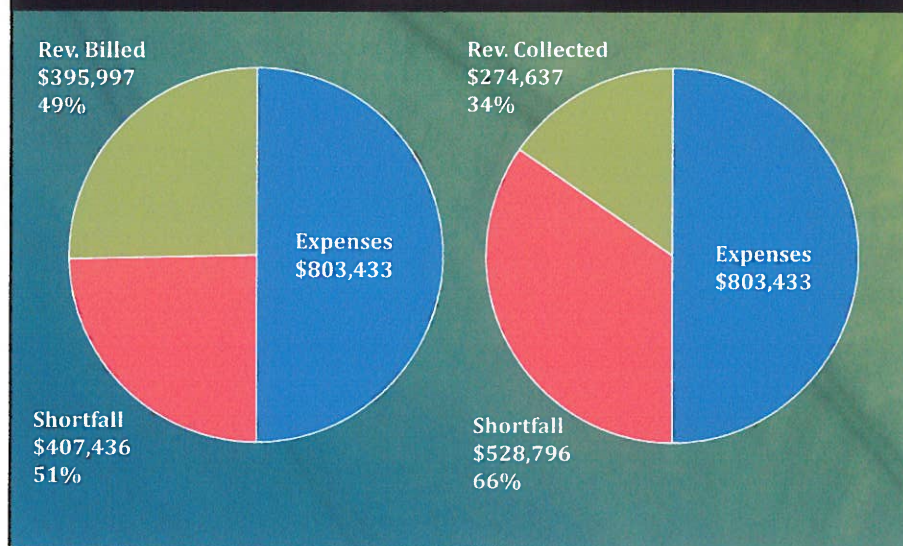
- Operating = cash flow
- Emergency = when pumps break down
- Capital improvement = Rainy Day fund
- Debt service on loans

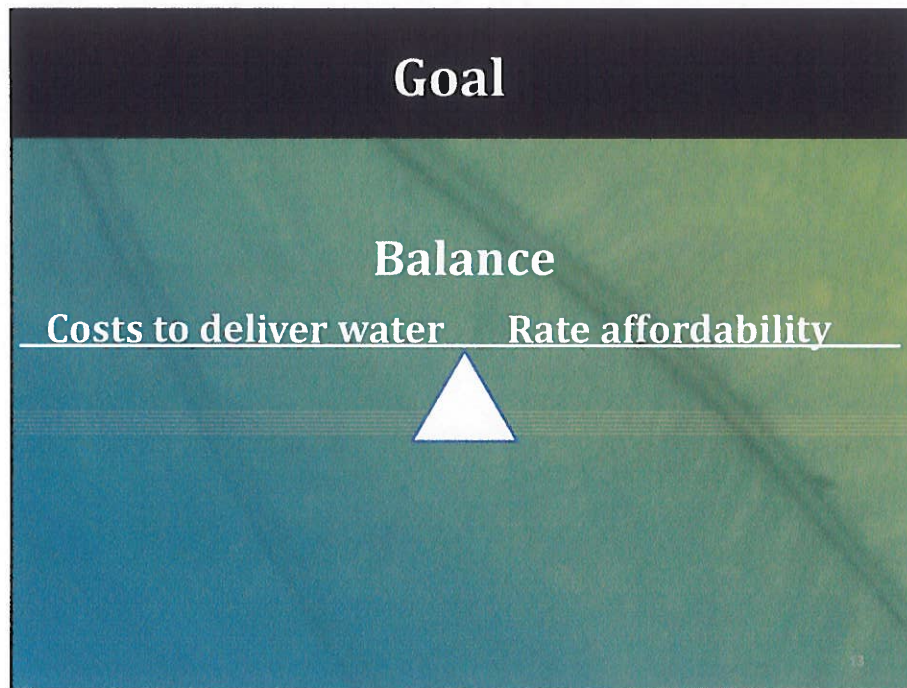
Ho'olehua Water System Expenses

Fiscal Year 2015 - 2016

Actual Expenses	% of Total	Amount
Personnel & related costs	49%	\$394,943
Electricity	39%	309,600
Operations, Repair, Maintenance	6%	45,564
Vehicles – repair, maintenance	3%	25,959
Baseyard building maintenance	2%	18,739
Office expenses	1%	6,598
Freight & delivery	0%	2,030
Reserves	0%	-0-
TOTAL	100%	\$803,433

Ho'olehua Water System Shortfall





This slide has a dark blue header with the title "Need for Water Rate Increase" in white. The main content area has a green-to-blue gradient background. It contains a bulleted list of four points, each preceded by a right-pointing arrowhead. A small number "14" is visible in the bottom right corner of the slide.

- 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

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

		<u>Current</u>	<u>By Year 2028</u>
➤ Usage Fee	Tier 1	\$1.80	\$ 6.02
	Tier 2	3.35	11.20
	Tier 3	4.95	16.55

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

		<u>Current</u>	<u>By Year 2028</u>
➤ Usage Fee	Tier 1	\$1.42	\$2.62
	Tier 2	1.91	3.52
	Tier 3	2.25	4.15

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

Refer to Handout

Agriculture Beneficiary Proposed Increase

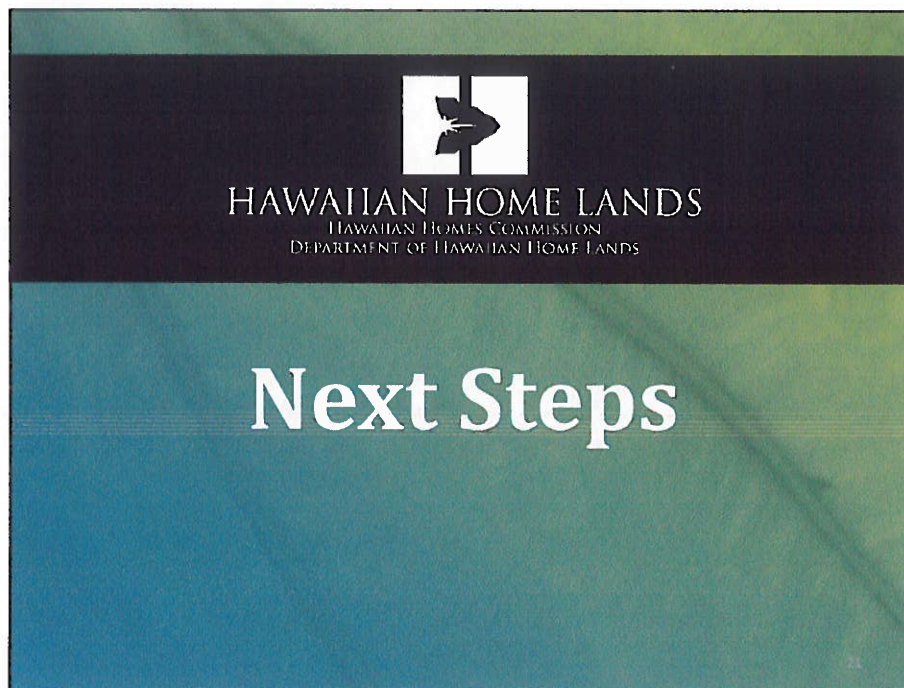
➤ 5/8" meter – Current \$5.60, then \$11.95 by Year 2028

79% increase over the meter fee, spread incrementally over 10 years PLUS 3% annual inflation

		<u>Current</u>	<u>By Year 2028</u>
➤ Usage Fee	Tier 1	\$1.42	\$2.62
	Tier 2	1.91	3.52
	Tier 3	0.76	1.40

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

Refer to Handout



Beneficiary Consultation Process	
Estimated Date	Action Step
March 12, 2018	BC Meeting on Molokai
April 11, 2018	End of 30-day BC comment period
April 16 – 17, 2018	Hawaiian Homes Commission meeting on Molokai
June 30, 2018	Current water rates expire
July 1, 2018	New Ho'olehua water system rates become effective (pending HHC approval)

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 !



HAWAIIAN HOME LANDS
HAWAIIAN HOMES COMMISSION
DEPARTMENT OF HAWAIIAN HOME LANDS

Community Input
3 minutes per speaker

DHHL Ho'olehua Water system

At-a-glance

Ho'olehua PWS 230	
Age of system	85 years (estimate)
Service area	<ul style="list-style-type: none"> • Ho'olehua, Kalama'ula, Naiwa, Pālā'au • Essential Community Facilities <p>Ho'olehua Airport, US Post Office, Schools, Churches, Lanikeha Center</p> <ul style="list-style-type: none"> • Businesses • Inter-connect to County Kalae PWS, Kualapuu PWS 229 and Kipu PWS 245
Avg. # service connections	600
Water source	Groundwater – DHHL-owned Well
Dept. of Health regulated?	Yes - Certified Operator Level 2 required
Operations handled by:	DHHL personnel

Quick Facts: Ho'olehua drinking water system

- Source: groundwater wells – Kauluwai Well No. 1 and No. 2
- Storage: 5 storage tanks
 - 100,000 gallon tank at the well site
 - 1MG Kauluwai tank
 - Two - 3.5 MG tanks in Ho'olehua
 - 200,000 gallon Kalama'ula tank
- Treatment: Liquid sodium hypochlorite
- Distribution: 50 miles of pipe; 2 booster pumps; 2 altitude valves; gravity flow
- 450 fire hydrants
- Emergency connection to County of Maui Kalae water system

Ho'olehua Water System
Residential & Agriculture Beneficiaries

Existing meter fees

Meter size (inches) Bi-Monthly	Existing Base fee (\$) Bi- Monthly
5/8"	\$5.60
3/4"	\$7.00
1"	\$11.50
1 1/2"	\$22.00
2"	\$30.00
3"	\$60.00
4"	\$110.00
6"	\$195.00
8"	\$300.00

Proposed meter fees

Meter size (inches) Bi-Monthly	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28
5/8"	\$6.21	\$6.83	\$7.45	\$8.07	\$8.70	\$9.34	\$9.98	\$10.63	\$11.29	\$11.95
3/4"	7.76	8.53	9.31	10.09	10.88	11.68	12.48	13.29	14.11	14.94
1"	12.75	14.02	15.29	16.58	17.87	19.18	20.50	21.84	23.18	24.54
1 1/2"	24.40	26.82	29.25	31.71	34.19	36.70	39.22	41.77	44.35	46.95
2"	33.27	36.57	39.89	43.25	46.63	50.04	53.49	56.96	60.47	64.02
3"	66.54	73.13	79.78	86.49	93.26	100.08	106.97	113.93	120.95	128.03
4"	121.99	134.08	146.27	158.57	170.97	183.49	196.12	208.86	221.74	234.73
6"	216.26	237.69	259.30	281.09	303.08	325.27	347.66	370.26	393.08	416.11
8"	332.70	365.67	398.92	432.45	466.28	500.42	534.86	569.63	604.73	640.17

The rates and fees are based on a 79% increase, spread incrementally over 10 years, plus 3% inflation per year.

**Ho'olehua Water System
Residential & Agriculture Beneficiaries**

Residential

Existing water usage fees

	Gallons Bi-Monthly	Usage Fee per 1,000 gallons
Tier 1	0 - 10,000	\$1.42
Tier 2	10,001 - 25,000	\$1.91
Tier 3	Over 25,000	\$2.25

Proposed water usage fees

Per 1,000 gallons	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28
Tier 1	\$1.53	\$1.65	\$1.76	\$1.88	\$2.00	\$2.12	\$2.24	\$2.37	\$2.49	\$2.62
Tier 2	2.06	2.22	2.37	2.53	2.69	2.85	3.02	3.18	3.35	3.52
Tier 3	2.43	2.61	2.80	2.98	3.17	3.36	3.55	3.75	3.95	4.15

Agriculture

Existing water usage fees

	Gallons Bi-Monthly	Usage Fee per 1,000 gallons
Tier 1	0 - 10,000	\$1.42
Tier 2	10,001 - 25,000	\$1.91
Tier 3	Over 25,000	\$0.76

Proposed water service delivery (usage) fees

Per 1,000 gallons	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28
Tier 1	\$1.53	\$1.65	\$1.76	\$1.88	\$2.00	\$2.12	\$2.24	\$2.37	\$2.49	\$2.62
Tier 2	2.06	2.22	2.37	2.53	2.69	2.85	3.02	3.18	3.35	3.52
Tier 3	0.82	0.88	0.94	1.01	1.07	1.14	1.20	1.27	1.33	1.40

The rates and fees are based on a 50% increase, spread incrementally over 10 years, plus 3% inflation per year.

**Ho'olehua Water System
Commercial**

Existing meter fees

Meter size (inches) Bi-Monthly	Existing Base fee (\$) Bi- Monthly
5/8"	\$30.00
3/4"	\$44.00
1"	\$70.00
1 1/2"	\$136.00
2"	\$210.00
3"	\$390.00
4"	\$640.00
6"	\$1,270.00
8"	\$2,000.00

Proposed meter fees

Meter size (inches) Bi-Monthly	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28
5/8"	\$40.35	\$50.73	\$61.13	\$71.57	\$82.03	\$92.52	\$103.05	\$113.60	\$124.19	\$134.82
3/4"	59.18	74.40	89.66	104.96	120.31	135.70	151.13	166.62	182.15	197.73
1"	94.15	118.36	142.64	166.99	191.40	215.88	240.44	265.07	289.78	314.57
1 1/2"	182.92	229.96	277.13	324.43	371.86	419.43	467.14	515.00	563.01	611.17
2"	282.45	355.09	427.92	500.96	574.20	647.65	721.32	795.22	869.35	943.72
3"	524.55	659.45	794.71	930.35	1,066.37	1,202.78	1,339.60	1,476.84	1,614.51	1,752.63
4"	860.80	1,082.18	1,304.15	1,526.73	1,749.94	1,973.79	2,198.32	2,423.53	2,649.45	2,876.11
6"	1,708.15	2,147.44	2,587.91	3,029.60	3,472.53	3,916.75	4,362.29	4,809.20	5,257.51	5,707.27
8"	2,690.00	3,381.80	4,075.45	4,771.02	5,468.55	6,168.10	6,869.75	7,573.54	8,279.55	8,987.83

The rates and fees are based on a 315% increase, spread incrementally over 10 years, plus 3% inflation per year.

**Ho'olehua Water System
Commercial accounts**

Existing water usage fees

	Gallons Bi-Monthly	Usage Fee per 1,000 gallons
Tier 1	0 - 10,000	\$1.80
Tier 2	10,001 - 30,000	\$3.35
Tier 3	Over 30,000	\$4.95

Proposed water usage fees

Per 1,000 gallons	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	FY 27	FY 28
Tier 1	\$2.21	\$2.63	\$3.05	\$3.47	\$3.89	\$4.31	\$4.73	\$5.16	\$5.59	\$6.02
Tier 2	4.12	4.89	5.67	6.45	7.23	8.02	8.81	9.60	10.40	11.20
Tier 3	6.09	7.23	8.38	9.53	10.69	11.85	13.02	14.19	15.37	16.55

The rates and fees are based on a 200% increase, spread incrementally over 10 years, plus 3% inflation per year.

From: [REDACTED]
Sent: Tuesday, February 27, 2018 1:18 PM
To: DHHL.Planning <dhhl.planning@hawaii.gov>
Subject: Meeting 3/12/18 - Molokai

Rate increase is warranted, however, when will the delinquents be addressed, paid, removed, actions to force them to pay?

The fact of entitlement because they are hawaiian is not a reason to withhold payment. The rest of us pay. How will this be addressed, is there a list showing the status of delinquency.

Just asking?

[REDACTED]
Parcel Number [REDACTED]

Department of Hawaiian Home Lands
Ho'olehua Water System (PWS #230¹)
Commercial Accounts List

Akea Farms, Inc.
Alu Like, Inc.
County of Maui, Department of Water Supply
County of Maui, Fire Division
County of Maui, Veteran's Cemetary
EAN Holdings, LLC – Vanguard Car Rental
Grace Episcopal Church
Hikiola Cooperative
Hoolehua Congregational Church
Kalaiakamanu Hou Church
Kalamaula Motors
Kamehameha Schools
Kualapuu Charter School
Lamb of God
LDS Church Hawaii
Maui Electric Co., Ltd.
Molokai Baptist Church
Molokai Church of God
Molokai Community FCU
Molokai Humane Society
Molokai Homestead Livestock Association
Molokai Plumeria
Molokai Properties – Molokai Ranch/Island Utility
Molokai Slaughter House – c/o Molokai Livestock Co-op
Monsanto Molokai
Office of Hawaiian Affairs
Queen Liliuokalani Trust
R. W. Meyer Ltd.
Sandwich Isle Communications, Inc.
Seventh Day Adventist
State of Hawaii, Department of Agriculture
State of Hawaii, Department of Education
State of Hawaii, Department of Land & Natural Resources, Forest Division
State of Hawaii, Department of Transportation
US Department of Agriculture Plant Material Center
US Post Office
University of Hawaii Extension Services
Watch Tower Bible Trust

¹ PWS is the Public Water System number that the State Department of Health assigns to every regulated drinking water system in the State of Hawaii.