

## **Proposed Water Rate Questions and Answers**

### **Neighborhood Board Meetings (2023)**

#### **North Shore Neighborhood Board – July 25, 2023**

**Q: Why don't hotels pay a higher rate? It is absurd that they get a break and long-term residents pay more.**

- Hotels, and all other non-residential customers, pay more than their cost of service (117% or over \$11 million), and subsidize our single-family customers. Using our tiered water rates, bills are actually lower for over 2/3 of our single-family customers, all but our higher water users.
- In fact, it is businesses like hotels that subsidize rates for our single-family, agricultural, recycled water, and non-potable customers. Single-family customers receive the largest subsidy of any of our customer classes, about \$5.5 million per year.

**Q: How many gallons are used by say the 2000-gallon users**

- 2,000 gallons per month divided by 30 is about 66 gallons per day.

**Q: Does the military pay? And are they on our system?**

- With the exception of MCB Kaneohe, military facilities have their own water systems. BWS provides water to MCB Kaneohe, which then manages the distribution and use of that water on base.

**Q: How much water does the average person use in a day?**

- The BWS's per capita water use (total water use divided by population served) is about 155 gallons per capita per day.

**Q: Water System Facility Charge and new developments in who pays? Examples of who pays for what?**

- The entity who applies for the building permit, e.g. the developer, is required to pay the WSFC prior to permit issuance.
- For larger developments, the developer may actually construct all of the water system to BWS standards in lieu of paying the WSFC.

#### **Downtown Neighborhood Board – August 3, 2023**

**Q: Do city and state lawmakers pay water bills?**

- Yes

**Q: What about rates for monster family homes?**

- Through the building permit process, the applicant indicates the type of structure they intend to build. BWS relies on the DPP-approved permit to determine which rate category (single family, multi-family, non-residential) is applicable. BWS does not know or have any jurisdiction over how the property/dwelling is used.

**Q: When will BWS proposed water rates be adopted?**

- We will take the information from the community and share it with the BWS board for adoption in October.

**Q: What is the fire meter stand by charge?**

- It is for fire protection readiness.
- It could be a fire sprinkler system or an onsite private hydrant (non-BWS)
- Allows the property to draw lots of water to fight a fire.
- The BWS doesn't charge for the water used.
- We charge for the maintenance of the fire meter or replacement.

**Q: Which is the greater factor in the price increases – is it the number of dwelling units per residential facility or the meter size?**

- For Kukui Plaza, it's probably the quantity rates – how many dwelling units and how much water is used.
- The customer charge increases with the larger meters - it's not tied to consumption.
- The BWS works with AOAOs across the island to help promote water conservation.

**Q: With respect that non-residential customers are being charged a higher rate than residential customers, short-term vacation rentals must register with the state. Is there any contemplation or application of non-residential charge for short-term vacation rentals?**

- The Board of Water Supply has not contemplated a charge for short-term vacation rentals. We appreciate your feedback and will take a look into this for our next rate study. Unfortunately, we would not be able to implement such a change at this time without sufficient review.

**Q: Hawaii's water rates are double the rates than in states like Nevada and New Mexico. These states have far less access to fresh clean drinking water. Why are Oahu's rates so high?**

- Please note that states, cities, counties don't have uniform water rates. Each water utility charges based on the cost to serve their customers which can vary widely based on system size and water availability. Many factors come into play.
- Our team went back and did a quick check for a 2,000-gallon monthly residential user, and based on the BWS's proposed water rates, we found the following examples:
  - In Albuquerque, New Mexico, the bill would be lower than what BWS is proposing

- In Las Vegas, Nevada, the bill would be higher than what BWS is proposing
- Hawaii's geography is different than those states.
- We don't have the ability to go to one location to get 145 million gallons of water.
- We have over 200 wells around Oahu.
- Many of our customers live at higher elevations, from the lowlands to the coastal areas to the top of the ridges – we have to pump that water.
- Cost of electricity is higher in Hawaii than in states like Nevada and New Mexico.
- Construction bids are more expensive (materials must be shipped to Hawaii).

### **Makiki Neighborhood Board – August 17, 2023**

**Q: Please provide clarity on the non-residential tier category - does that include military bases as well as the 40 golf courses on Oahu, as to which most of them are using recycled water.**

- The non-residential is a flat rate (no tier)
- Such a large variation (it could be an office building, warehouse, etc)
- The rates are increasing at the same percentage – the larger properties, like shopping centers, use a lot of water. The more water you use, the more you got to pay.
- Customers can take advantage of the BWS's conservation incentives – BWS's Commercial Rebate Program. Ways for businesses to use less water and be more efficient.
- Military bases that use BWS water:
  - KBAY is the largest BWS customer (200 mgd).
  - The BWS also serves smaller military installations like Bellows and Fort DeRussy.

**Q: What is driving this increase in rates?**

- The economy – inflation
- BWS rates have gone up 12% over the last five years.
- Rising energy costs
- Construction cost
- Supply chain backlog
- Bids are coming in over 100% than what they came in four years ago

**Q: Are the BWS rate increases made to catch up with previous inflation or is this anticipation of future inflation rates?**

- A little bit of both.
- The BWS is trying to catch up with our capital improvements that have slowed down.
- We've adjusted the rates to recapture those dollars that we expect to spend.

**Q: One of the slides suggested that single-family homeowners pay 95% of their costs and are therefore subsidized. The presenter indicated that it was part of the policy to subsidize single-family homeowners or residential users. At the same time, multifamily residential residents pay 100%. So, they are not subsidized. Will that policy continue, or are you planning to eliminate that?**

- In 2018 the BWS adopted a rate schedule for five years.
- We looked at the cost-of-service recovery for each of these customer classes. At that time, multi-unit residential customers were paying over 100%. They help to subsidize others.
- Single-family residential customers are paying less than 95%.

**Q: How are you factoring inflation over the next five years?**

- We start with the projection of our revenues. (our cost over the next five years).
- Operating budget: we project what our CIP might look like - trying to adjust those costs for inflation.

#### **Pearl City Neighborhood Board – August 22, 2023**

**Q: What type of mitigation is being implemented by the city or BWS, specific to rates from HECO? Or do you guys have a special municipal rate? Or you're looking at working with KS in Waiawa to do solar?**

- The BWS has decreased its energy supply use. We changed a lot of our light fixtures to low energy light fixtures, and we also installed three megawatts worth of PV (photovoltaic) panels at various facilities in our system. But even with that, HECO's rates continue to increase, resulting in higher energy costs for us.

**Q: There are going to be a lot of upset people when you tell them that, in aggregate over five years, their rate is going to increase by 50% from what it is right now.**

- Yes, unfortunately, our previous rates didn't keep up with inflation. The BWS's previous rate increases ran about 12.5% additional revenue, where inflation ended up being almost 21%. We lost purchasing power there.
- We always look at ways to minimize our costs. We're able to keep our operational costs pretty much the same over the past two years by cutting back on expenses, deferring equipment purchases, such as deferring vehicle purchases, unless we really needed them.

**Q: Are there opportunities for customers, such as the 10% of customers whose water use is 2,000kgals or less a month, to further reduce their water usage and mitigate the rate increase impacts?**

- The water rate structure is designed to promote conservation.
- The less water you use, the less you're billed.

- The rate increases will most affect the highest water users. For example, the essential needs tier from 0-to-2,000 gallons saw a 2.5% rate increase.
- And the high tier of 30,000-and-above actually saw a higher-than-average rate increase. The higher water users are subsidizing everybody else.
- We also have rebate programs to help our *kupuna* (senior citizens). There are programs that the BWS is developing to help our customers in need.
- Additionally, we have identified our top water users and are calling and talking to these people

### **Kuli'ou'ou-Kalani Iki Neighborhood Board - September 7, 2023**

**Q:** Regarding the Direct install for Kupuna, are Kupuna living with others in a single family home eligible?

- Currently the program is geared toward kupuna living independently.

**Q:** If a housing project has a mix of affordable and higher cost units, do developers get fee waivers for their entire project?

- A: The Water Systems Facilities Charge fee waivers apply to affordable housing units only, not the entire project. The waivers are based on the building permit so that the waived amount won't change if the scope of the project changes over time.

**Q:** Are rate increases connected with the BWS's watershed management plans?

- A: No, watershed management plans are separate.

**COMMENT:** The Board previously a presentation on the BWS's watershed management plans and were told that conservation was a way to keep costs down, yet rates are still increasing. The rate increase was poorly timed because rates are going up while people are trying to conserve water to support the watershed management plan. They support the BWS's work to advocate for protecting our water source, but they are disappointed that rates are going up.

**Q:** Will the BWS be reimbursed for expenses related to Red Hill? If not, how much of the rate increase is related to Red Hill?

- The BWS has asked the Navy about reimbursement for costs related to Red Hill. However, the BWS received a letter from the Navy saying that they are not authorized to do so. BWS continues to explore other federal funding to offset Red Hill expenses but will also pursue all open and available options for reimbursement.
- In terms of the amount for reimbursement, the BWS is just starting to look at new wells. Once found, BWS will need to develop them and put in infrastructure, which is when the costs are realized. These costs will realize over a long period of time and BWS will pursue reimbursement down the line.

**Q: Are rates being increased because of those costs coming down the road?**

- The rate increase is to address the rising cost of operating the water system right now. The rate increase is to enable BWS to continue to provide customers with the current level of service customers expect.

**COMMENT:** Regarding seeking reimbursement from the Navy, U.S. Representative Ed Case's office asked to be kept informed so they can follow up on the Federal level as needed.

**Kailua Neighborhood Board – September 7, 2023**

**Q: The Federal Reserve is proposing getting the current rate of inflation to 3% or 2%, and in five years, you have the water rates almost doubling. Is the Board of Water Supply being too aggressive in raising rates, especially for seniors or those living on fixed incomes?**

- We are sensitive to that and try to make our rates as affordable as possible. Part of the issue is by keeping our rates lower now, our infrastructure will suffer, and we'll have to pay more to fix that infrastructure later. That's the balancing act we need to manage.

**Q: You stuck with the 5-year plan for the last five years. It fell short of inflation. Your rate has fallen 8% behind your cost increase. You've fallen below 1% pipe replacement per year, which will probably lead to more urgent repairs down the line. You've got Red Hill – extraordinary costs. So, you're being more aggressive on the rate increases. Even so, it might take two years of your proposed rate increases before BWS is even with 2018 in terms of getting back what was lost to recent inflation. If the Fed and federal policy keeps inflation significantly lower than your rate of increases, is it possible to amend these rate increases later in the five-year cycle so that they're less aggressive if the rate of inflation doesn't require it to be that aggressive? There should be a budget provision to re-evaluate the final two years of increases for potential reductions.**

- Yes, we are trying to catch up, in addition to just the normal operations and maintenance. Many of our contracts, awards or budgets have come in considerably higher than the original price, and we are dealing with a lot of other unanticipated costs. Even if inflation drops, there will be a lag in pricing, and it will continue to cost more to do basic business.
- Should inflation drop below 4%, there will still be a lag in pricing, meaning it will continue to cost more to do basic business as things settle.
- Ultimately, it will be up to our Board of Directors to make that decision to amend the rate increases. This is something the board has done in the past.

**Q: What's your Plan B if Hawaiian Electric goes bankrupt because of the lawsuits and our cost of a kilowatt goes entirely insane?**

- We don't have a Plan B yet. We'll have to see how things go and plan accordingly. When PG&E went bankrupt a few years ago because of the catastrophic fires they had in California, they were still able to continue to provide power because it was an essential service. Their rates did increase. So, that is a scenario we could see here.
- One thing we haven't done is pass on the increased energy costs to our customers.

- Our tiered rate structure and proposed rate increases are designed to encourage customers to use less water. So, power use related to water use will go down because of conservation and efficiency.

**Q: How old are your pumping motors? Motors are way more efficient than they were 25, 30, 40 years ago.**

- Motors last about 7 to 10 years. So, every time we replace one, it's more efficient. The proposed rate increases will help us to pay for the facility maintenance and upgrades, like pumping motors, that we need to keep the water system operating.

**Q: Are your water rate equations unfair to some people? With the first 2,000 gallons of water that a household uses – if I have two people in the house, that's 1,000 gallons per person. If I have a household of 5 to 10 people because my adult children can't afford to move anywhere, shouldn't we get 5 to 10 people times the 2,000 gallons?**

- The rate structure we implemented five years ago are designed to encourage households to control their bill based on water use. All households benefit from the Essential Needs tier, and as their water use reaches the next tier, their rates adjust accordingly. With multi-generational households, we encourage them to take advantage of tools that help them use less water and apply for our Water Sensible rebates. Install water-efficient toilets, shower heads, and clothes washers. For outdoor water use, consider installing a rain catchment system.

**Q: Across the U.S., are all utility providers fully funded by rate payers? Or has BWS looked at other sources – like taxes or subsidies – for covering costs?**

- There's not a set model across the country for how water agencies are funded. BWS is semi-autonomous; we don't get any help from the City and County of Honolulu. And, I think that structure tends to be more true of water agencies than not, but it's not 100%.

**Q: The earlier monthly report from the BWS noted the number of broken water mains in our area for the last month. Those mains were made or installed in the '40s and '50s. That would make them 70 and 80 years old. So, based on what you said about a 100-year life span, isn't that all our water lines on island?**

- Right now, we are only replacing a couple of miles a year now because the emphasis has shifted; our focus is on developing new sources to make up for Red Hill. And while we have slowed down on main replacements, prices are still going sky high. So, it's going to take us time to catch up.
- One of the things we're doing is using satellite leak detection technology to help us identify a leak before it leads to a break. We're doing about maybe 10 to 15 of those per year. But our main breaks are still in the 340 range.
- Our Field Operations works to repair these mains as quickly and safely as possible, usually within a day, but sometimes it takes more depending on how deep it is and other conditions. It's a continuous challenge.

**Q: Can you give us an example of how water use patterns have changed due to COVID-19? Because you really didn't address how it changed.**

- With COVID, what happened starting in 2020 was a lot of tourists stopped coming. Waikiki's water demand went down, and it shifted to people staying at home, working from home. This meant the demand shifted from non-residential use to residential. And, non-residential customers pay more than their cost of service, which meant a loss of income for the BWS during the pandemic. That's the imbalance we face.
- There still are economic impacts across the board because of COVID. We still have supply chain issues. And, with the influx of federal funding, the inflation rate increased. Everything across the board got more expensive, meaning we were able to do less with the current funding. You see this with commodities like the price of milk and eggs, and even mortgages. They're trying to get the inflation down by raising mortgage rates.

**Liliha - Pu'unui - 'Ālewa – Kamehameha Heights Neighborhood Board - September 11, 2023**

**Q: Are there other water systems on island that are not operated by the Board of Water Supply (BWS)?**

- There are other private water systems on island, notably in Laie and on most military bases (excluding the Kaneohe Marine Corps Base, which is a BWS customer). BWS customers pay for water delivery services, not for the water itself.

**Q: Why are water and sewer combined on the same bill? Is this common in the U.S.?**

- This was a past decision by a previous City administration. BWS is open to separating these charges so that BWS water bills contain water charges only.

**Q: Will the BWS be reimbursed for costs to develop new water sources related to Red Hill?**

- The source development process must begin now so these sources will be online in five to seven years. BWS cannot wait for reimbursement before starting these projects, but we will continue to pursue funds from the Navy.

**Q: After alternative revenue sources are found, will rates go down?**

- The rate structure is designed to cover costs of providing water service. Future rates will depend on future operations cost projections.

**Q: Is the BWS's budget independent from the City & County's budget?**

- Yes, the BWS is semi-autonomous and has its own budget.

**Q: Is the BWS transparent about its budget? Do you inform the public of your spending and if there's a budget surplus?**



- The BWS budget is posted on its website and is vetted by its Board of Directors in public meetings. In the current rates powerpoint, there is a pie chart showing how BWS' spending is allocated.

**Q: How much water can I use to pay a flat water rate?**

- For residential customers, the key quantities are 2,000 and 6,000 gallons per month. 2,000 gallons of water use falls within the Essential Needs tier, which is the lowest rate and is provided at lower than cost to serve.

**Comment: Regarding Nuuanu Reservoir No. 4, the BWS lowered the water level and now there's no public cat fishing. BWS is now raising the water level for a hydropower project. It was a waste to "throw away" this water, then ask for rate increases.**

- Open reservoirs such as Nuuanu No. 4 are not used for drinking. The water level was lowered for crews to make necessary repairs to the dam structure. The hydropower project requires the water level to be raised so there is sufficient elevation to generate electricity which would offset electricity costs. The water will be injected back into the ground, replenishing the aquifer. BWS will take options for catfishing at the site under advisement and will consult with elected officials

**Q: How close to fruition is this hydropower project?**

- BWS is in the process of dam safety repairs at Nuuanu No. 4 then will start repairs at Nuuanu No. 1. There is no timeframe available, but BWS will keep the neighborhood board informed.

**Comment: Thanks to the BWS for what it's doing in regards to Red Hill.**

**Waimanalo Neighborhood Board – September 11, 2023**

**Q: Are golf courses/country clubs considered agricultural, and if not, what are they classified as?**

- Golf courses are considered nonresidential, not agriculture.
- Agriculture is for food-producing farmers.
- They don't get the same break that agricultural operators get.

**Q: I live in a townhouse – how is that calculated when it comes to billing?**

- Townhouses are charged a multiunit rate.
- They usually have one master meter that serves the entire property.
- The BWS takes the total usage in that one meter, divides it by the number of dwelling units in the property, and then applies the tiered structure to calculate the bill.

**Q: You shared that agriculture customers get a slightly different rate. This goes for those growing flowers, food, and trees, correct?**

- Yes
- The agricultural water rate, which is the discounted water rate per 1000 gallons, is about 40% lower than what it would typically cost to serve agricultural customers.

**Comment: The Waimanalo community is diverse in agriculture. Many in the community think it's unfair that someone growing flowers gets the same rate as someone growing food. The BWS needs to prioritize food sustainability over ornamentals.**

- BWS is proposing a new program for new farmers to help support food sustainability. This would waive:
  - The installation fee and Water System Facilities Charge for new ¾-inch and 1-inch meters connecting to the BWS system for the first time.

**Q: Is there any concern for the vegetative aspect of the upland water capture (it's all orographic condensation) as we have invasive species like hale koa and albizia coming in?**

- Yes, there's a concern. The orographic rainfall patterns are adjusting with climate change. When the temperature increases, rainfall decreases. This has been a consistent pattern over the past ten years.
- In terms of forest health, it's absolutely essential. We have created partnerships (see the list below) where we provide the funds for them to conduct on-the-ground improvements, invasive species control, replanting vegetative firebreaks for wildland fire protection, and others. The partnerships include:
  - the Ko'olau Mountain Watershed Partnership
  - Invasive Species Committee deal in our Division of Forestry and Wildlife.
  - We have a partnership in Waianae as well, Iron Mountain.
- Albizia removal, certainly miconia, has overtaken the forest. We are doing what we can.

### **Nuuanu Neighborhood Board Meeting – September 19, 2023**

**Q: Will you be making this presentation available online so others can see it?**

- Yes, it will be available online at the Board of Water Supply website.

**Q: What is the name of fund that our fees go into? And who can use the funds besides the Board of Water Supply?**

- The revenue is generated from charges to BWS customers. All the revenue goes into the Board of Water Supply's General Fund. No other city agency can tap into these funds.

**Q: Is it true that rail has tapped into this fund in the past?**

- No. Rail is separate from the Board of Water Supply.

**Q: Can we expect an increase from the sewer side as well?**

- The BWS cannot answer that. Sewer fees are set by the City Department of Environmental Services. They have their own needs and requirements that we are not privy to.

**Comment:** My wife really wanted me to push this. I hope you're pushing for the Navy to provide the funding for the problems that their activities have created for all of us. I wish you luck with that and hope it turns out successfully.

**Kaimuki Neighborhood Board – September 20, 2023**

**Q: Aren't you connected with the sewer bill? The bill says it's for both water and sewer.**

- The monthly bill represents services provided by two separate City agencies, one the Board of Water Supply for the municipal water system, and the other the Department of Environmental Services (ENV) for the municipal sewer system. While BWS provides billing support for ENV, BWS is semi-autonomous and fully financially separate from the City. As such, the proposed rate increases only applies to the drinking water portion of the bill.

**Q: Rather than relying on ratepayers to bear the burden, has there been any movement to get the state or military to subsidize some of these infrastructure costs based on their negligence?**

- BWS made an initial request to the military about a year ago and did not get a favorable response. Even so, we are keeping our options open on recovering costs associated with Red Hill.

**Q: At this point, from proposal to action, what needs to happen?**

- Currently, we are going out and presenting the proposed rates to neighborhood boards around the island and soliciting public comment from the community. We are scheduled to make these presentations into mid-October. All the feedback we receive as of October 15, 2023, will be shared with our Board of Directors. That seven-member board will then determine if we may proceed with a public hearing in November. Following that public hearing, our board will then decide whether to adopt the rates as proposed or to make

modifications. At this point, the proposed rates would take effect no earlier than February 2024.

**Q: Are your accountants keeping track of what costs could be attributed to Red Hill and the military so that you can get reimbursed if the opportunity to do so arises?**

- Yes, we are tracking those costs related to Red Hill. We are keeping all options open for cost recovery.

**Q: You closed wells because of Red Hill. What is the outlook for the water supply getting back to what it used to be?**

- The closure of our wells near Red Hill was a difficult decision because we knew we would lose about 17 million gallons a day of capacity, and a good portion of that regularly served Honolulu from Halawa to Hawaii Kai. It ultimately was the right decision because we want to avoid sending even the slightest potential of fuel-contaminated water into our water system. A lot of people depend on that water, and the risk is too high.
- If we determine that we won't be pumping contaminated water into our system, we might be able to turn the wells back on, but we need to be confident that the field-collected data and information is enough to say that the risk is really low or non-existent. That will take time.
- In parallel with the investigation into how far the fuel contamination has spread in the aquifer, though, we are looking at developing new sources. The process to develop a new well can take 5 to 7 years. You have to determine a site where you can drill a well and test pump to check quantity and quality of water from the underground aquifer at that location. Then you get into planning, designing, permitting, and then constructing a permanent production well facility.

**Q: In terms of conserving water and reducing household water use, is there any movement toward breaking down some of the barriers in Hawaii to better greywater systems?**

- We are getting closer. Changes in the plumbing code are now much more supportive of greywater reuse.
- And because of the Red Hill situation and having a tiered rate structure designed to encourage water conservation, BWS has reached out to developers and government agencies to encourage on-site reuse, rainwater and stormwater capture, and water efficient landscaping.