



**Honolulu Board of Water Supply
Stakeholder Advisory Group**

Meeting 21 Tuesday November 14, 2017 4:00 to 6:30 pm
Neal S. Blaisdell Center, Maui Room
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 three 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:

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|------------------|--------------------------------|
| Matt Bailey | Aqua-Aston Hospitality |
| Jackie Boland | AARP, Hawaii |
| Pono Chong | Chamber of Commerce, Hawaii |
| Bill Clark | Resident of Council District 6 |
| Shari Ishikawa | Hawaiian Electric Co. |
| 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 |
| Dick Poirier | Resident of Council District 9 |
| 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
- Accept Notes from Meeting 20
- BWS Update
- Report on Customer Satisfaction Survey
- Rates Discussion Items
 - Fixed Monthly Charges
 - Fire Standby Charges
 - Affordable Housing and Homeless Shelter Fees Waivers
 - Fire Sprinkler Retrofit Charges
- Allocation of Subsidies Exercise
- 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 20

The group accepted notes from the prior meeting.

BWS UPDATES

Dave introduced Kathleen Pahinui, BWS Information Officer, who reported on current BWS updates. She reminded the group that Ray C. Soon has just been appointed to the BWS's Board. Another new Board member is Jade Butay, Interim Director of the Hawaii Department of Transportation.

She reported that Marc Chun, who works with Barry Usagawa, won the William Thompson Award from the Hawaii Water Works Association last week. That's the highest award anyone can get in the water industry, locally.

The BWS has a public survey on its website. About 900 people have completed the survey, and the goal is at least 1000. Later in the meeting, we will share some early results. Dave asked the Stakeholder Advisory Group who has already taken the survey. Most stakeholders had and had also asked friends and family to take it as well.

BWS CUSTOMER SATISFACTION SURVEY

Dave introduced Becki Ward, president of Ward Research, who presented an overview of the results of the 2017 BWS Customer Satisfaction Survey. Becki told the group that this survey was originally conducted in 2015, and these results are from a follow-up survey to see where we are two years later. She reviewed the demographics and survey size (686 interviews) and then discussed 2017 findings and comparisons to 2015 results. The following are a few highlights:

- Customers are generally satisfied with the BWS, and the survey showed a three-point gain in strong satisfaction overall since 2015.
- Survey participants indicated 83% strong satisfaction + 13% moderate satisfaction for the basic delivery of water.
- There was a small drop in strong satisfaction with BWS's ability to provide dependable water service (82% in 2015 compared to 78% in 2017).
- Fairness of water rates had a statistically significant improvement: 37% strongly satisfied in 2015 compared to 45% in 2017.
- Similarly, the public's satisfaction with BWS's ability to keep water rates affordable also had a bit of a jump: 48% are strongly satisfied in 2017 compared to 44% in 2015.
- Another area of significantly improved satisfaction is BWS's fast response to trouble calls. When there is trouble, the public's perception is that the BWS is out there trying to resolve the issue as quickly as possible. In 2015, 50% of those surveyed reported strong satisfaction compared to 58% currently – an 8% increase in two years.
- People are concerned about the overall condition of the water system.
- When asked about who they trust for information about fresh water issues, survey participants said the BWS was at the top of their list, followed by scientists and the State Department of Health.

A new survey question in 2017 addressed the perceived affordability of water. Survey participants were asked what they thought a gallon of water cost and if their water was affordable. While the answers were quite mixed, most greatly over-estimated the cost. After being told that the cost of a gallon of water is less than a penny, twice as many people as before, 75%, said their water was very affordable.

The survey confirmed communications challenges for the BWS and water rates issues. Not only do people not have a good understanding of how much their water costs per gallon, they also remain confused about the amount of their water and sewer bills, and especially that these bills are from different agencies.

QUESTIONS, COMMENTS, AND ANSWERS

Q: Did you analyze the responses to see if there were any differences in satisfaction based on where there have been higher incidents of water main breaks, or things like that?

A: Yes, and we did not see significant differences from council district to council district.

Comment: When people were asked about the cost, they know what a glass of water is or what a gallon of water is. But people generally don't know what a 1000 gallons (K-gal) is and K-gal is the basis of our water bills. If people are okay with paying a penny a gallon, why don't we bill at a penny a gallon, instead of using units that really don't have a meaningful reference point? I realize that all of this stuff is based on water industry convention but your survey would suggest that working with units that people relate to might be advantageous.

Q: How many survey participants were bill payers versus non bill payers?

A: Survey participants were about one third non bill payers and two thirds bill payers.

Q: When you did demographics, what was the male to female ratio?

A: It was approximately 50-50. The sample represented the island demographically, relative to gender, to ethnicity, to age, to area of residence by council district.

Q: On your survey, did you talk to the person who pays the bills or whoever answered?

A: We did not ask for the person who actually pays the bills. Often there are other people in the household that are really more attuned to the service, so we let that fall as it may.

Q: I'd be curious to see how current news coverage (e.g., water main break on a major highway) corresponds to survey results. If news keeps repeating a story about a particular water main break, more people are going to pick up on that and respond with that in mind. I wonder if the responses are skewed because the people being surveyed are more aware of something they hear on the news, rather than for any other reason.

A: I think that's absolutely true. Probably what matters is what we *think* we're hearing about, which is the 70% playback on the water main breaks, and you're absolutely right.

Q: I would imagine if a good graphic artist really attacked the design of the bill, perhaps people could differentiate between the BWS-water part and ENV-sewer part more easily.

A: We have done a fair amount of research for other utilities and other companies that send out bills. The research indicates that we bill payers just don't read the bill. We go down to the bottom of the bill, and pay what it shows. Could something be done? Perhaps but I think realistically, a lot of us just aren't going to pay attention.

Comment: In your additional findings, you talked about how little awareness the public has of BWS programs and activities. Watershed protection is one of those programs. It would be nice to include that finding in the conclusion of your report as one of BWS's opportunities. People are aware of water main breaks interrupting traffic because they can

see it. The opportunity to help people to understand what their water sources are, how the whole system works ... that's probably the biggest opportunity the BWS has. They've worked very hard on it and folks in the community have also worked very hard on it, but it looks like we have miles to go. But that's a huge opportunity.

Q: Based on the survey results, what would be your prognostication as it relates to pricing sensitivity going forward, in terms of price percentage increase?

A: I don't have the data for that.

Q: You mentioned several opportunities. How will the BWS be taking advantage of, or acting upon, those opportunities such as the high awareness of the need to improve infrastructure, or communication around the billing?

A: Dave responded that this is a great question. As we move more into the rates development process, the BWS is planning to use focus groups to dig deeper into understanding the effectiveness of certain messages over others, crafting communications that will be as effective as possible.

Kathleen Pahinui said BWS tries to send out as many good news stories as it gets calls from reporters wanting to know about main breaks. Unfortunately main breaks are news, and sad to say, things like water conservation and watershed protection are not considered news. BWS is working to change that mindset and hopes the Stakeholder Advisory Group will help support the BWS in that effort.

She said BWS is coming up with ways to better message water issues and get people's attention. One of the things BWS will be doing is going out into the community, once we get to the point of where we can start talking to people about rates, and talk about why we want to do what we want to do. Just like we did with the Water Master Plan, we will be asking again for stakeholders' help in setting up small group meetings with your organizations.

Comment: I'm working with our community group on disaster preparedness, and we've always had the message about the need to store bottled water, and that's very expensive. Now, after working with BWS, our group is looking at finding reusable recyclable containers, so that at the time when we need it, we'll just fill it up with one cent a gallon tap water. I think that would be a big eye opener for a lot of people if you can make a comparison between two gallons of bottled water versus this container filled with tap water. You can use a container over and over again. This is a better way for everything regarding disaster preparedness. That it is a new message and a new opportunity.

Dave told the group he believes the BWS intends to repeat the survey in another year and a half. Becki gave this same presentation to the BWS's Board last month. Board members

were very attentive to looking at what changes might have happened since 2105 and also at the overall conclusions.

FIXED MONTHLY CHARGE

Dave introduced Brian Thomas of Public Financial Management to discuss the topic of fixed monthly charges. Brian said that all BWS customers currently have a fixed billing charge of \$9.26 per month. The fixed charge recovers costs associated with sending out a bill: customer service, meter reading, processing, billing, mailing, and meter maintenance and repairs. He explained three common ways water utilities approach fixed charges (see below).

Three Commonly Used Fixed Charges

Billing Charge	Monthly Charge	Minimum Charge
Only charged if a bill is issued	Recognizes that there are significant fixed costs, regardless of usage	Recognizes there are significant fixed costs, regardless of usage
Recovers meter reading, billing, and other costs incurred equally per account	Fee increases with meter size. Typically recovers billing costs plus customer related costs that vary by meter size, e.g. meter testing, repair, replacement	Typically recovers same types of costs as monthly charge
	Can include a portion of capacity costs, "Readiness to Serve"	Includes an allowance for water consumption, whether or not the water is used

[AWWA M1 Manual, 6th Edition]

Brian explained that many water utilities are choosing to recover more costs through a fixed charge instead of a commodity charge (for your water usage) to improve revenue stability and help with impacts of reduced water sales without impacting the rates as much. This is particularly common in areas where conservation is of great importance.

Brian also compared fixed monthly charges of neighboring islands Maui, Kauai, and Hawaii. Their fixed costs are based on meter size and range between \$17.75 per month (Kauai, 5/8 inch meter) to over \$2,720.00 per month (Hawaii, 12 inch meter). When utilities choose to go this route and base fixed monthly charges on meter size, larger water users -- hotels, office

buildings, and commercial operations -- will pay a higher fixed charge, due to the demand that their large meters put on the system.

Brian discussed an example of potential BWS fixed monthly charges by meter size (shown below):

Per Bill Charge	Per Meter Charge	Per Meter Charge by Meter Size
\$20 million in costs to recover	\$20 million in costs to recover	5/8" or 3/4" = \$7.75
2 million bills per year	215,000 "equivalent" meters	1" = \$13.15
\$10 per bill	\$7.75 per equivalent meter per month	1.5" = \$26.30
		2" = \$42.05
		3" = \$84.10
		4" = \$131.40
		6" = \$262.80
		8" = \$420.45

In this example, the same costs that the BWS recovers through its billing charge of \$9.26 per bill would instead be based on meter size, using the American Water Works Association’s meter equivalencies from the M1 Manual. He explained that, in this example, residential customers who have a 5/8" or 3/4" meter would be charged less than currently: from \$9.26 down to \$7.75. Costs could be recovered through charging more to larger users. Customers with 8" meters would pay a little over \$400, which is based on the demand put on the system.

QUESTIONS, COMMENTS, AND ANSWERS

Q: Can you give us an example of who would use the equivalent of a 2" meter? Is that a small retail store? And who uses an 8" meter?

A: Usually 2" meters would be used by customers like a strip mall, auto repair shops, and possibly for multi-family customers living in a four-plex. Eight-inch meters are used by large commercial operations, like hotels.

Q: How much do customers with 8" meters pay in billing charges now? Are you saying that a large commercial entity that gets one water bill currently pays the same fixed charge as a residential customer?

A: Yes. Every customer who receives a bill pays \$9.26 a month for the billing charge.

Comment: The Mililani Town Association receives 100-160 water bills a month, because we have so many water meters. We're paying that \$9.26 for every single meter and every bill. That seems like a lot.

Comment: Fire systems come under the same set of considerations.

A: Good point. Fire meters and systems will be discussed as part of the next agenda item.

Comment: Right now everyone pays the same amount in monthly charges. If BWS changes to a fixed charge based on meter size, those who have 8” meters will experience a huge increase in the overall bill unless the water commodity part of the rate reduces a lot. This is only half of the equation. If BWS goes this route with the fixed charge, how would it affect the rest of it? The public will be very upset, and right now you can’t explain the reasoning behind the fixed charges. We need more information about how they are based.

A: You just highlighted a very important issue. If BWS changes the fixed charge to be based on meter size, and made no other changes to rates, some customers would see their bill increase by more than \$400. This is complicated because the overall level of revenues needs to go up. Some customer classes aren’t paying their full cost of service, and they may see increases. Your point is very important.

Q: When you said that individual homeowners would see bills go down, it looks like that only applies to single-family homes. Would multi-family homes actually experience an increase in their bills?

A: It would depend on their meter size.

Comment: We have talked about equity between multi-family and single-family residential customers. This seems like multi-family residential customers would be subsidizing single-family residential customers once again, which does not make sense.

A: You are hitting on the absolute right questions. We will have more information about this next month.

Q: If someone gets a non-potable water bill, do they pay a billing charge? How do those compare? Is this a way to incentivize moving larger users to non-potable water sources?

A: Some non-potable customers have a negotiated contractual rate with the BWS, and they do not pay a billing charge.

Ernest talked with the group about two approaches to establishing fixed charges. One is to keep the fixed charge relatively low so that customers have greater control over what they pay for water, based largely on how much they use. The other is to put more of the BWS’s fixed costs into the fixed charge, which produces a more reliable revenue stream. He asked the group if they preferred having a lower fixed charge and getting more revenue from the customer’s actual water usage? Or did they prefer the other approach of having a higher fixed charge, and that means that the customer has less discretion about how much their actual water use changes their bill?

Dave asked the three groups of stakeholders to discuss the following questions about fixed charges and then report out.

- Is BWS's current billing charge clear? Is it equitable?
- Should BWS's current fixed charge be changed to vary by meter size?
- Should it be the same for all classes of potable water customers?
- Should the percentage of fixed charges stay pretty low, so that customers can control their bill through conservation and their usage, or should the BWS move more of it to a fixed charge to help with revenue stability?

The groups reported as follows:

GROUP 1

Group 1 had differing opinions.

- *Is the bill clear?* BWS's current billing charge is clear, unless you want to go into all the details.
- *Is it equitable?* It is not equitable because there are different charges for different things.
- *Should BWS change to a fixed monthly charge that varies by meter size?* Our group had a very interesting discussion about that. We did not come to a consensus about "how". I suggested to start out charging \$10 per month to those with 5/8" meters, and raise the fixed charge incrementally (e.g., by \$10 increments) as meter size increases to 8" inches. That's one way. Or you could figure out how much each unit costs in repairs, maintenance and etc. Raise the fixed charge over an appropriate period of time to avoid sticker shock and keep the charge reasonable.
- *Should the fixed charge be the same for all classes of potable water customers?* Yes, if you work it that way.
- People have to pay for what they get. They have to pay for their footprint. They have to pay for what the meter costs. If several customers are operating off a single meter, maybe the fixed charge should be charged to every one of them. Right now, somebody with an 8" meter may have 140 businesses getting water from it. Each should pay \$10.
- Separate out what the fixed charge is paying for. "Fixed costs" and "how much you're paying per gallon of water used" are apples and oranges.

GROUP 2

Group 2 wanted more information. Feedback included the following:

- I don't have a concern with the concept of basing a fixed charge on meter size. I'm having a difficult time reckoning with the high change from \$9.26 a month to \$420 a month for an 8" meter. We do not have answers, at this point in time, about what that means. We don't have answers to:
 - How much does it cost to fix an 8" meter?

- How much are the water lines for an 8” meter?
- How do these factor in as a portion of the total fixed charges allocated to an 8” meter?
- I’m not saying there aren’t different fixed costs among the different meter sizes. But until you can tell us the break down of fixed costs for each of these meter sizes, then I don’t understand how you can come up with the dollar amounts shown in the presentation. If we were asked to prove how much of the true fixed costs should go to 8” water meters, I’m concerned about our ability to give a valid answer; I don’t think we are there yet.
- Group 2 would be more comfortable with varying the fixed monthly charges as long as it can be justified and backed up.
- When somebody wants a larger meter, they have to pay for it themselves. Our discussion really revolved around this rate being based on the repair costs. Is that true?

Brian responded to this question. If you want to just recover the billing cost, and cost of repairs, replacement, and maintenance associated with the meter, that’s exactly what it would be based on. On the other hand, a portion of the BWS system has been built to meet the demands of larger meters. A larger meter can require larger pipelines, larger reservoirs, and/or larger treatment plants, so you have to figure out a way to allocate the related costs.

Dave asked the group whether the water bill should be made up of a relatively low proportion of fixed costs as it is today (with the bulk of the bill paid through the commodity charge) or should the proportion of fixed cost increase? Group 2 responded:

- The billing charge is just one item. BWS can go bigger and deal with full cost of service. Look more carefully at how you would allocate the percentage to the different sizes of meters. You talked about the cost to the BWS for infrastructure that supports larger meters. Yet lots of times, it's the contractors who pay for that infrastructure. People who tap into existing water system with a new larger meter are tapping into pre-existing infrastructure that may or may not have been designed to accommodate that meter size.
- If the BWS says most of our costs are fixed and it’s necessary for us to move more of those costs into the fixed charge, just tell me how much is necessary. I’ll support that if that is what it costs to run the ship. But we don’t know what the need is for the future. That’s the guidance we need.

GROUP 3

Group 3 felt the BWS can do a better job of explaining what the fixed fee covers, and that it can recover more of our fixed costs than it currently does. Feedback highlights are below:

- It is important to do an even better job of explaining what the charge covers.
- Regarding whether or not the current billing charge is equitable, the cost of producing a bill for one customer is pretty much the same as producing for another.
- We felt that at \$9.26 per month, there is opportunity to recover more of our fixed costs

than just the cost of producing the bills. We felt that, rather than having a billing charge, having a minimum charge made a little more sense. We're not talking about going as far as a meter charge at this point, but we felt that we could recover more of the fixed costs than just billing.

- Making the fixed charge the same for all customers still enables recovering fixed costs that are going to be similar, if we pick the right costs to cover (those that are going to be similar across customer classes). We felt that the fixed charge should remain the same across customer classes.
- The predictability of the income stream seemed to be important to us.

Q: Is there a revenue fluctuation problem for the BWS? Like month to month? Are we just talking theoretically as part of the exercise, or is this a solution looking for a problem?

A: Ernest answered the question about revenue fluctuation. He told that group that he came in as BWS Manager in 2012. Around November 2011, the BWS adopted the current water rates structure with 9.65% increases per year for 5 years. One of the things that happened at that time was going to monthly from bi-monthly billing. People perceived that as doubling the billing charge. He said that customers pay the \$9.26 per bill for each meter, whether they are residential or a large commercial operation. He said stakeholders raised some excellent points. His idea was to try to empower our customers by giving them greater control over their bill and he wanted to hear stakeholders' feedback. Once a utility increases fixed charges, it basically takes away from the customer their ability to affect their own water bills.

FIRE PROTECTION CHARGES

Brian explained that there are two basic forms of fire protection service:

Public – The water system is sized and built to provide sufficient flow to fire hydrants to put out fires. Some water utilities charge the local city or county for maintenance and repair of the hydrants. In cases like the BWS, where public constituents and ratepayers are the same, the cost is spread across all the water ratepayers because public fire service benefits all.

Private – These are sometimes found in large office buildings, churches, condominium units, shopping malls, etc. Brian explained that a private fire meter provides access to larger flows into a property in the event of a fire.

Different water utilities treat private fire services differently. Some have monthly charges, based on added infrastructure necessary to ensure sufficient flow for fire fighting. The water utility has to cover higher costs of additional capacity in pumps, reservoirs, pipelines, and other infrastructure.

The BWS does not collect fire standby fees or charges from customers that have private fire services. This differs from Kauai and Hawaii. It is not unusual for water utilities to have

private fire service charges; for example: Riverside, Anaheim, Las Vegas, and Los Angeles all have them. Most utilities base their fire service charge on the size of the connection.

QUESTIONS, COMMENTS, AND ANSWERS

Q: I assume the BWS takes care of repair and replacement of fixtures on our public fire protection system, but I'm not sure who does that on a private system. Doesn't the repair and maintenance burden fall on the property owner?

A: Yes. The BWS provides service to the meter. The service and the operation of the rest of the fire protection system on the property are the property owner's responsibilities.

Comment: We're talking about a customer paying a private fire service charge for something that could possibly never happen or might happen as a one-time major incident.

A: The fire protection charge would cover access to higher flows of water.

Q: And, you have to pay every month to have that ability?

A: Yes. Many water agencies charge that way.

Q: Is there a cost to the BWS to provide this access?

A: Yes. The Cost of Service study identified \$400,000 annually in costs for additional capacity that had to be built into the BWS water system to be able to provide these private fire services. The BWS doesn't currently charge people who have the private fire services for that. BWS spreads these costs across the entire base of customers.

Q: Could this be for a hydrant or fire sprinkler system?

A: Generally, it's for fire sprinkler systems, but it could be for private fire hydrants that are inside the property, like at shopping centers, large hotels, or high-rise condominiums.

Q: Would the monthly fee also pay for the water used to fight the fire?

A: BWS and most agencies don't charge for the water used to fight a fire.

SUBSIDIES FOR AFFORDABLE HOUSING, HOMELESS SHELTERS, AND FIRE SPRINKER RETROFIT INSTALLATION PROJECTS

AFFORDABLE HOUSING AND HOMELESS SHELTERS

Ernest talked to the group about subsidies related to affordable housing and homeless shelters. Ernest began with a reminder of the great demand for affordable housing

ownership and rental units in the community. Honolulu's Mayor Caldwell is looking into providing different incentives to encourage developers to build additional affordable units. Many of these incentives are being carried under Bill 59, which has been submitted to City Council and is still in discussion in committee. In addition, Bill 58 provides requirements for affordable housing, including making units affordable for 30 years.

Bill 59 proposes fee waivers by City agencies and some property tax relief for affordable housing. The Mayor asked the BWS Board earlier this year to consider waiving fees related to affordable housing units. Ernest explained that any changes in fees would require BWS Board action. The fees being discussed were set in 1993 and are based on current water system facilities. The Water System Facilities Charges (also called Impact Fees) are required of anyone coming onto the water system. The charge pays for the cost of the capacity they're going to use.

Ernest displayed a chart showing estimated financial impacts of this waiver and explained that, in upcoming meetings, the Stakeholder Advisory Group will look at updated numbers for BWS Water System Facilities Charges. He pointed out that, based on Housing O'ahu Affordable Housing Strategy (2015), projections for waiving fees could result in lost revenue to the BWS of more than \$28 million.

Ernest showed charts of affordable housing and homeless projects that have come before the City Council since 2012. BWS deferred the fees for these affordable housing projects in an amount around \$1.4 million (total), and for homeless shelters in an amount around \$171 thousand (total). Unlike waivers, deferrals assume the money will be paid back at some point, usually at the time the project is granted a certificate of occupancy.

FIRE SPRINKLER RETROFIT

Ellen Kitamura discussed another waiver being requested by the City. Ellen explained that subsequent to the tragedy of the Marco Polo fire, City administration introduced Bill 69 relating to fire safety. This is specifically targeted to existing high-rise residential buildings that do not meet current building codes regarding fire safety. Most of these, including Marco Polo, were built before there were requirements for fire sprinkler systems.

The bill would require existing high-rise residential buildings to retrofit when necessary to comply with specified fire safety standards. The City is requesting the BWS waive fees for these retrofits, which will require BWS Board approval.

The bill was read in the Executive Managers Legal Affairs Committee in August and was deferred awaiting a report from the Residential Fire Safety Advisory Committee. Ellen explained that the committee met the afternoon of the Stakeholder Advisory Group meeting, and it deferred the measure again. The committee also submitted a proposed City Council Resolution for the Board of Water Supply to look at waiving the fees.

Originally 360 buildings were identified as potentially needing fire sprinkler retrofits. Based on some of the criteria defined in Bill 69, this was reduced to 150. Yet to be determined are the number and size of meters needed to accomplish the retrofits. To provide a sense of the range of costs for waiving fees for the fire sprinkler retrofits, Ellen displayed a chart estimating the number of meters of varying sizes and associated fees. Meter sizes would need to be determined on a case-by-case basis, but would be a mix of 4”, 6” and 8” meters. Depending on distribution of these sizes, waived BWS fees could exceed \$3 million.

SUBSIDIES FOR OTHER COMMUNITY PROGRAMS

Dave said that, over the past few meetings, the Stakeholder Advisory Group has talked about subsidies, including for recycled water, non-potable water, agricultural customers, and, today, the fire meter standby charge. Today there has also been discussion of potential subsidies for affordable housing, homeless shelters, and fire sprinkler conversions.

He showed a table showing annual costs for each of these subsidies (see below). The top four have a high degree of certainty and come from the Cost of Service study. Costs for the fire sprinkler retrofit, homeless shelters, and affordable housing subsidies have a fair amount of certainty. Their proposals remain in the political realm and have yet to be nailed down.

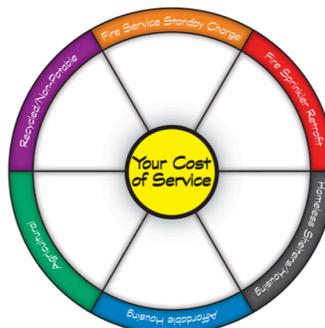
Sample Monthly Subsidy Amounts

Type of Subsidy	Annual Amount	Sample Monthly Amount
Recycled Water	\$5,955,100	\$3.07
Non-Potable Water	\$815,900	\$0.42
Agricultural Customers	\$4,372,830	\$2.26
Fire Service Standby Charge	\$400,000	\$0.21
Fire Sprinkler Retrofit*	\$178,888	\$0.09
Homeless Shelters / Housing*	\$170,000	\$0.09
Affordable Housing*	\$2,868,694	\$1.48

* Potential, under consideration

Dave called attention to the game boards in the center of each table. The six segments of the circle (shown below) are named for existing or potential subsidies:

- Recycled / Non-Potable
- Fire Service Standby Charge
- Fire Sprinkler Retrofit
- Homeless Shelters / Housing
- Affordable Housing
- Agricultural



Dave asked that each stakeholder consider their response to the question: *What would you be willing to contribute to each of these subsidies, given their cost to you as a ratepayer?*

Each stakeholder was provided a stack of 16 chips. Dave instructed:

- One chip is worth \$50 and covers your cost of service. The first thing you need to do is place the \$50 chip in the yellow circle.
- All the other chips are worth 50 cents -- \$7.50 (per month).
- You have a choice about what you do with that \$7.50. You can keep it, or you can use some or all of it to help cover any of these subsidies, in whatever proportion you want.
- You don't have to agree with each other.

The question is: With the information you have at hand and knowing the amounts of these subsidies with the assumptions that we've made, how would you spend (or not spend) your \$7.50?

Feedback was as follows:

GROUP 1

We agreed from a priority standpoint, the important things were agriculture, affordable housing, and fire sprinkler retrofits. We gave lower priority to homeless shelters, the fire service standby charge and subsidies for recycle and non-potable water.

There was some discussion whether, by subsidizing the fire protection charge, we were agreeing with the concept that there should be a charge, as opposed to the current practice where everybody covers that cost. We agreed that the current practice should continue.

GROUP 2

We had our own different opinions, but we each put fewer chips on Fire Sprinkler Retrofit and the Fire Service Standby Charges.

We also put fewer chips on Homeless Shelter / Housing compared to other priorities like Affordable Housing, Agriculture, and Recycled / Non-potable. We just felt like there's no free lunch. If homeless shelters and housing are subsidized, it's likely you'll also provide free water, and that means you'll want to emphasize water conservation and protecting the environment.

GROUP 3

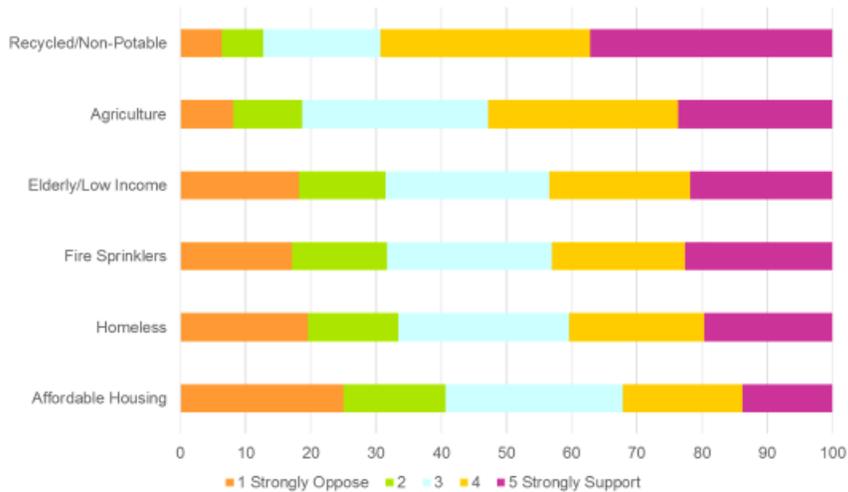
Everybody put chips on their respective priorities. When you look at the choices overall, every segment of the circle got some chips. Recycled Water and Agriculture got more, but there's money in each category.

Compiled results are as follows:

Potential Subsidy	Average Amount
Agricultural customers	\$2.00
Recycled/Non Potable	\$1.38
Affordable housing	\$1.21
Fire sprinkler retrofit	\$0.88
Homeless shelters/housing	\$0.79
Keep it	\$0.63
Fire service standby charge	\$0.63

As Kathleen reported earlier, BWS is conducting a web survey with some similar questions about subsidies. Dave showed a chart of early results from the survey.

Web Survey Results for Subsidies as of November 8



The scale is 1 to 5: 1 is strongly opposed, 5 is strongly supported.

So far, the strongest support is for Recycled / Non-Potable, followed by Agricultural, followed by Elderly/Low Income, with Fire Sprinklers, Homeless, and Affordable Housing rounding out the bottom.

Dave summed up what will be discussed at the next meeting on December 7th: the 10-year revenue requirement projected using the financial model. It will be held at the Blaisdell Center, in the Hawaii Suites. He thanked everyone for coming and participating.