

NOTICE OF PUBLIC HEARING

COUNTY OF KAUAI

RECEIVED

The Board of Water Supply of the County of Kauai ("Board") will hold a public hearing and receive public testimony and comments from all interested persons regarding the following item:

15 OCT -5 AM 10:43

PROPOSED AMENDMENTS TO THE RULES AND REGULATIONS OF THE BOARD OF WATER SUPPLY, COUNTY OF KAUAI, STATE HAWAII

CLERK OF
THE COUNTY CLERK
COUNTY OF KAUAI

The Department of Water is recommending the deletion of Part 4, Section VII (detailing the Facilities Reserve Charge) and the creation of a new Part 5 to be added to the Board of Water's Rules and Regulations. This new Part 5 will deal solely with Facilities Reserve Charges. Below is a summary of the proposed changes.

PART 5 – FACILITIES RESERVE CHARGE

a. Modification of Facilities Reserve Charge (FRC)

The proposed rule modifies the charges that apply to all new developments and subdivisions requiring water supply, and to existing developments requiring new or additional water supply from the DOW. The proposed FRC for the typical residential 5/8-inch water meter is increased by approximately 300%, from \$4,600 to \$14,115. For larger meters, from 3/4-inch to 8-inch, the fee increase declines progressively from 48% to 24%. The proposed FRC for single family, multi-family and resort is also modified based on Hawai'i's Water System Standards.

b. Establishment of Time Period to Install Water Meter

The proposed rule change also applies to applicants who have paid the FRC fee prior to the enactment of these new rules, but have not yet installed their water meter. The new rule would allow these "prior applicants" to install their meter within three (3) years following the enactment of the new rules, at no additional FRC charge. If a prior applicant's water meter is not installed after three (3) years, the prior applicant will be required to pay the difference between the FRC they paid and the FRC in effect at the time their meter is installed.

c. Modification of FRC Offset

Another proposed change modifies the percentage of FRC offsets that are applicable for specific source, storage or off-site transmission facilities constructed by developers. The proposed rule change modifies the FRC offset percentages up to 22% where water source improvements are constructed, up to 41% where water storage improvements are constructed, and up to 37% where off-site transmission facilities are constructed.

d. Establishment of Total FRC Offsets

The proposed rule change also allows an applicant who is required to provide 100% of the source or storage or off-site transmission facilities, to receive the total FRC offset for the entire FRC liability amount per category of source or storage or offsite transmission improvements.

e. Establishment of Grant Funds Offset

The proposed rule change allows an applicant to use a project's Grant Funds to offset the project's FRC liability associated with development. Grant Fund offsets can only apply to the identified grant beneficiaries.

f. The proposed rule change deletes Part 4, Section VII in its entirety and applicable portions of Part 4, Section VII relating to the FRC have been included in Part 5.

g. Also included in the proposed rule change are requirements mandated by Hawaii Revised Statute §46-141 to §46-148.

The Public hearing will be held at the following location, date and time given below:

TUESDAY, NOVEMBER 10, 2015
5:00 P.M.
COUNCIL CHAMBERS
HISTORIC COUNTY BUILDING
4396 Rice Street, Suite 201
Līhu'e, Kaua'i, Hawai'i 96766

The proposed rule will be available to view on the Kaua'i Department of Water's website, www.kauaiwater.org. A copy of the proposed rule will be mailed to any interested person who requests a copy and pays the required fees for the copy and the postage. The rule proposed to be repealed may also be reviewed in person from Monday through Friday, 8 am to 4:15 p.m. at the Kaua'i Department of Water, 4398 Pua Loke Street Līhu'e, Kaua'i, Hawai'i 96766. Requests may be made by calling the Water Manager's Office at (808) 245-5406, or by submitting facsimile requests to (808) 246-8628. Requests may also be made up to and including the date of the public hearing.

All interested persons may submit data, views, arguments, or other testimony orally or in writing, or both, concerning the proposed rule amendments. Data, views, arguments, or other testimony may be submitted any time up to and including the date of the public hearing, or at the public hearing itself. Data, views, arguments, or testimony may be submitted by e-mail to eineumiller@kauaiwater.org, by facsimile to (808) 246-8628 or by U.S. mail to the Water Manager's Office, whose address is Kauai Department of Water, 4398 Pua Loke Street, Lihue, Kauai, Hawaii 96766.

Special Accommodations for persons with disabilities are available upon request five (5) days prior to the meeting date. Please call the Department of Water, County of Kauai, at 245-5406 or drop by at 4398 Pua Loke Street, Lihue, Kauai. Our mailing address is PO Box 1706, Lihue, HI 96766.

BY ORDER OF THE BOARD: Sherman Shiraishi, 2015 Chairperson

(Published in The Garden Island & Department of Water's Website at www.kauaiwater.org on October 9, 2015 & November 10, 2015)

**AMENDMENTS TO THE RULES AND REGULATIONS OF THE
BOARD OF WATER SUPPLY, OF THE COUNTY OF KAUAI, STATE OF HAWAII,
PRESCRIBED ON November 10, 2015**

SECTION 1. This amendment to the Rules and Regulations of the County of Kauai Department of Water (hereafter “Rules”) is made pursuant to Section 17.03D of the Kauai County Charter 2014, as amended, and Chapter 91, Haw. Rev. Stat. as amended.

SECTION 2. Summary of Rule Amendment.

The Department of Water is recommending the deletion of Part 4, Section VII (detailing the Facilities Reserve Charge) and the creation of a new Part 5 to be added to the Board of Water’s Rules and Regulations. This new Part 5 will deal solely with Facilities Reserve Charges. Below is a summary of the proposed changes.

PART 5 – FACILITIES RESERVE CHARGE

a. Modification of Facilities Reserve Charge (FRC)

The proposed rule modifies the charges that apply to all new developments and subdivisions requiring water supply, and to existing developments requiring new or additional water supply from the DOW. The proposed FRC for the typical residential 5/8-inch water meter is increased by approximately 300%, from \$4,600 to \$14,115. For larger meters, from 3/4-inch to 8-inch, the fee increase declines progressively from 48% to 24%. The proposed FRC for single family, multi-family and resort is also modified based on Hawai’i’s Water System Standards.

b. Establishment of Time Period to Install Water Meter

The proposed rule change also applies to applicants who have paid the FRC fee prior to the enactment of these new rules, but have **not yet** installed their water meter. The new rule would allow these “prior applicants” to install their meter within three (3) years following the enactment of the new rules, at no additional FRC charge. If a prior applicant’s water meter is not installed after three (3) years, the prior applicant will be required to pay the difference between the FRC they paid and the FRC in effect at the time their meter is installed.

c. Modification of FRC Offset

Another proposed change modifies the percentage of FRC offsets that are applicable for specific source, storage or off-site transmission facilities constructed by developers. The proposed rule change modifies the FRC offset percentages up to 22% where water source improvements are constructed, up to 41% where water storage improvements are constructed, and up to 37% where off-site transmission facilities are constructed.

d. Establishment of Total FRC Offsets

The proposed rule change also allows an applicant who is required to provide 100% of the source or storage or off-site transmission facilities, to receive the total FRC offset for the entire FRC liability amount per category of source or storage or offsite transmission improvements.

e. Establishment of Grant Funds Offset

The proposed rule change allows an applicant to use a project's Grant Funds to offset the project's FRC liability associated with development. Grant Fund offsets can only apply to the identified grant beneficiaries.

f. The proposed rule change deletes Part 4, Section VII in its entirety and applicable portions of Part 4, Section VII relating to the FRC have been included in Part 5.

g. Also included in the proposed rule change are requirements mandated by Hawaii Revised Statute §46-141 to §46-148.

SECTION 3. Part 5 "FACILITIES RESERVE CHARGE IN THE COUNTY OF KAUAI" of the Rules is hereby amended as follows:

SECTION I – GENERAL PROVISIONS

1. Purpose and Authority

a. Capital water facilities expansion is needed in order to accommodate increased demands on existing source, storage, and transmission pipeline capacity due to new development and/or additional demand of existing users. New development and/or additional demand shall be assessed a Facilities Reserve Charge in proportion to its impact and demand on capital water facilities. The Facilities Reserve Charge shall be expended for public capital water facilities projects. These rules were enacted pursuant to Hawaii Revised Statutes (H.R.S.) §46-141 et seq. and other applicable State law.

2. Findings

a. In the review of the impact of growth relative to the existing and planned capital water system facilities capacity available to the water system, the Board hereby finds that the recent and anticipated population growth rates and corresponding water demands would place additional burdens on the existing water system. The Board further finds that such growth and increased demand would necessitate increased expenditures of public funds in order to create adequate facilities and to promote and protect the public health, safety, and welfare. The Board also finds that it is fair and reasonable to impose additional fees to accommodate such development. Finally, the Board finds that establishing benefit zones as identified

in Hawaii Revised Statutes (H.R.S.) §46-14* is not necessary as a reasonable benefit can otherwise be derived.

- b. The following rules shall govern the assessment of impact fees for the Board of Water Supply, County of Kauai capital water facilities expansion. New development and/or additional demand shall be assessed impact fees in proportion to its demand on capital water facilities and the impact fees assess shall be expended for public capital water facilities projects. The Facilities Reserve Charge (FRC) was adopted in accordance with the report prepared by an independent consultant retained by the County of Kauai, Board of Water Supply (Board) to assess and study water facilities. The report calculated the proportionate costs associated with the water development needs as laid out in the Board approved Department facilities needs assessment study entitled "Water Plan 2020", as amended.

SECTION II – DEFINITIONS

"Affordable or Workforce Housing Project" shall mean any project confirmed or sponsored by the County Housing Agency as a residential development where the majority of housing lots, single family dwelling units, or multiple-family dwelling units are affordable housing or workforce housing as defined in Chapter 7A of the Kauai County Code 1987, as amended.

"Applicant" means any person, individual, subdivider, corporation, partnership, business, organization, association, or other entity whatsoever that applies for water service from the Department.

"Consumer" has the meaning ascribed to it under Section I of Part 2 of the Department's Rules and Regulations.

"Facilities Reserve Charge" (FRC) means the fee to be paid by an Applicant as their proportionate share in required improvements to capital water facilities.

"Grant Funds" shall mean a contribution, gift, or subsidy bestowed to the Board for specific water facilities improvement associated with a specific project that necessitates such water facilities improvements.

"Grantor" means the person or entity that makes a grant of funds.

"Offset" means a reduction in Facilities Reserve Charge designed to fairly reflect the value of non-site related capital water facilities improvements provided by an Applicant pursuant to Department of Water requirements.

“Recoupment” shall be defined as in H.R.S. 46-141, as amended, and refers to the proportionate share of the water facility capital improvement costs of excess capacity in existing water capital facilities where excess capacity has been provided in anticipation of the needs of development.

“Subdivider” has the meaning ascribed to it under section I of Part 3 of the Department’s Rules and Regulations.

“Subdivision” has the meaning ascribed to it under section I of Part 3 of the Department’s Rules and Regulations.

“Water transmission main” or “main” means a main extension under Paragraph 2.d [2.a.(4)] of Section II of Part 2 of the Department’s Rules and Regulations.

As used in this Section, the following rules of construction shall apply:

Number. Words in the singular or plural number signify both the singular and plural number.

“Or”, “and”. Each of the terms “or” and “and”, has the meaning of the other or of both.

SECTION III – APPLICABILITY

1. The Facilities Reserve Charge shall be assessed against all new developments and subdivisions requiring supply of water from the County of Kauai, Department of Water, and existing developments requiring new or additional supply of water from the Department’s system. The Facilities Reserve Charge must be paid before water services are made available to the new or existing development.
2. The Facilities Reserve Charge shall be paid by all Applicants for new or additional water service, including but not limited to the following:
 - a. All irrigation services and/or meters.
 - b. Additional buildings to be connected to existing services where additional demands are indicated. The charges shall be based on the meter sizes required if the buildings were metered separately.
 - c. Additional dwellings connected to existing services and meters under the categories of single family and multi-family residential units. The charges will be based on the established schedule of charges for the respective categories.
 - d. Changes in service that require an increase in meter size

e. Where an FRC was paid but a water meter was never installed to serve the subject property, the applicant shall pay the Facilities Reserve Charge in accordance with Part 5, Section IV (6) of these Rules.

3. The Facilities Reserve Charge shall apply to all Applicants for water service as follows:

a. For each parcel created by subdivision, including the first lot created; and for every new single family residential dwelling unit not yet metered and a Facilities Reserve Charge has not yet been paid, the applicable Facilities Reserve Charge shall be \$14,115.00.

b. The Facilities Reserve Charge for multi-family and/or resort development will be the cost of the approved meter size or the cost of \$9,880.00 per unit or hotel room, whichever number is larger.

c. For all other uses, the Facilities Reserve Charge shall be determined by the size of the meter, as shown below. Meter sizes shall be determined by the Department and not by the Developer or Applicant.

| <u>Meter Size</u> | <u>Amount</u> |
|-------------------|------------------------|
| <u>5/8"</u> | <u>\$ 14,115.00</u> |
| <u>3/4"</u> | <u>\$ 21,170.00</u> |
| <u>1"</u> | <u>\$ 35,290.00</u> |
| <u>1 1/2"</u> | <u>\$ 70,580.00</u> |
| <u>2"</u> | <u>\$ 112,920.00</u> |
| <u>3"</u> | <u>\$ 225,840.00</u> |
| <u>4"</u> | <u>\$ 352,880.00</u> |
| <u>6"</u> | <u>\$ 705,750.00</u> |
| <u>8"</u> | <u>\$ 1,129,200.00</u> |

Facilities Reserve Charges are periodically adjusted by the Department. These adjustments may increase or decrease existing Facilities Reserve Charge amounts. Where adjustments to Facilities Reserve Charges result in decreases of such charges, no refund will be made of the difference between the higher, pre-existing charges and the lower, adjusted charges.

SECTION IV – COLLECTION AND REFUND OF FRC

1. Upon collection of the Facilities Reserve Charge, the Facilities Reserve Charge shall be deposited in a special trust fund or interest-bearing account. The portion that constitutes recoupment may be transferred to any appropriate fund.

2. If the Facilities Reserve Charge is not expended or encumbered within six years from the date of collection, it shall be refunded to the property owner or the property owner's successor in title, together with accrued interest (if any).
 - a. An application for a refund shall be submitted to the Board within one year of the date upon which the refund right arises;
 - b. Amounts unclaimed within one year of the date the right to refund arises shall be retained in a special trust fund or interest bearing account and shall be expended for capital facilities improvement projects
3. If the Board terminates the Facilities Reserve Charge (or analogous) requirement, all unexpended or unencumbered funds shall be refunded to the property owner or the property owner's successor in title, together with accrued interest (if any).
 - a. Public notices of termination and availability of refunds shall be given by the Board at least two times in a manner approved by the Board. All funds available for refund shall be retained for a period of one year and at the end of said one year period, any remaining funds may be transferred to the Board's general fund and expended for any public purposes involving water supply or service as determined by the Board.
4. No FRC refund shall be made for existing meters requiring a decrease in water demand, decrease in meter size, or decrease in existing water supply fixture units; or requests to change service categories.
5. Recoupment shall be exempt from subsections (2) and (3).
6. Facilities Reserve Charge Paid Prior to Enactment of Part 5 Rules
 - a. This Section applies to those Applicants that have paid a Facilities Reserve Charge prior to enactment of these Part 5 Rules and have failed to install a water meter on the subject property for which the Facilities Reserve Charge was paid, hereinafter referred to as "Prior Applicants".
 - b. Prior Applicants shall have three (3) years from the date of enactment of these Part 5 Rules, hereinafter referred to as the "Grace Period", to install a water meter, at no additional Facilities Reserve Charge cost.
 - c. After expiration of the Grace Period, Prior Applicants must pay the difference of the original Facilities Reserve Charge paid and the Facilities Reserve Charge in effect at the time the meter is installed.
 - d. The Manager may grant exceptions to item 5c if the Manager finds all of the following:

- i. Strict application of the rule would cause an absurd, unfair, or unreasonably harsh result; and
- ii. The Prior Applicant's circumstance or condition is unique or exceptional and the Manager would grant the same request if made by ever similarly situated Prior Applicant; and
- iii. Such exception thereof is as reasonably necessary or expedient and not contrary to law or the intent and purposes of these rules.

7. Facilities Reserve Charge Paid After Enactment of Part 5 Rules

- a. The Department may issue conditional approval for water service requests.
- b. A conditional approval shall be valid for a period of one year and shall expire unless installation of the meter occurs within that period or an extension of the conditional approval is granted.
 - i. An extension of the conditional approval may be granted for a single additional one-year period.
- c. Upon expiration, the conditional approval shall become null and void and the Applicant will be required to re-apply to the Department of Water for water service. Any request for water service will be dependent on the adequacy of the source, storage, and transmission facilities existing at that time.
- d. A Water Meter Application and FRC payment can only be made upon completing the requirements set forth in the conditional approval.

8. Facilities Reserve Charges for Affordable and Work Force Facilities Housing Projects

- a. The Manager may defer collection of Facility Reserve Charges for Affordable or Workforce Housing Projects, provided, however that applicable Reserve Charges shall be collected before building permit approval or installation of applicable meters, whichever occurs first.
- b. Administrative fees related to the Facility Reserve Charge shall be waived for Affordable or Workforce Housing Projects.

SECTION V: FRC OFFSETS

When an Applicant, is required to construct and dedicate water source or water storage facilities, or water transmission mains, to the Department, the following rules shall apply:_____

1. The applicable FRC liability of such Applicant, shall be offset by up to 22% where water source improvements are constructed, up to 41% where water storage improvements are constructed, and up to 37% where water transmission mains are constructed; provided that the total amount of all offsets that an Applicant receives shall not exceed 100% of the Applicant's FRC liability.
 - a. An Applicant who provides 100% of the necessary source or storage or transmission requirements shall be entitled to an offset for the entire amount per category of source, storage, or transmission improvements as shown above.
2. The Department, and not the Applicant, shall calculate and determine the total amount of an Applicant's FRC offset in any given case. The Department may require the Applicant to submit documentation verifying the actual cost of a source or storage improvement or transmission main.
3. The offsets described in this Section V "FRC Offsets" shall not apply to water transmission mains constructed by an Applicant which are within or adjacent to a subdivision or lands either 1) owned by the Applicant, or 2) developed by the Applicant. Where water transmission mains are constructed within, adjacent to, or outside of such subdivisions or lands, the offsets shall apply only to mains constructed outside of and off-site from such subdivisions or lands.
4. Grant Funds. Grant funds, specifically allocated to projects by the Grantor, may be used by the Manager to offset the FRC assessed to said projects on a dollar for dollar basis as it relates to source development, storage development and/or transmission main development.
 - a. Applicants shall be offset by up to 22% where water source improvements are constructed; up to 41% where water storage improvements are constructed; and up to 37% where water transmission mains are constructed; provided that the total amount of all offsets that an Applicant receives shall not exceed 100% of the Applicant's FRC liability.
 - b. The Manager shall determine which improvements are eligible for FRC offsets.
 - c. FRC offsets shall be afforded only to those Applicants that are beneficiaries of the Grantor and identified as such at the time the Grant fund is made.
 - d. FRC offsets for Grant Funds shall be a one-time event.

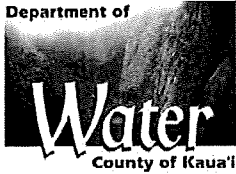
SECTION VI – APPEAL OF FACILITIES RESERVE CHARGE

1. Any person assessed a Facilities Reserve Charge under these rules may contest the amount of the Facilities Reserve Charge assessed by following the requirements in Part 1 of these Rules and Regulations.

SECTION 4. Administrative rule material to be repealed is bracketed. New material is underscored. Deleted material is stricken through. In printing this rule amendment, the brackets, bracketed material, underscoring, strikes need not be included.

SECTION 5. If any provision of this rule amendment or the application thereof to any person or circumstances is held invalid, the invalidity does not affect other provisions or applications of the rule amendment, which can be given effect without the invalid provision, or application, and to this end the provisions of this rule amendment are severable.

SECTION 6. This rule amendment shall be effective ten (10) days after it is filed with the County Clerk of the County of Kaua'i.



"Water has no Substitute – Conserve It!"

**COUNTY OF KAUA'I,
DEPARTMENT OF WATER (DOW)
Frequently Asked Questions, Facilities Reserve Charge**

The Department of Water (DOW) is a semi-autonomous public agency of the County of Kaua'i that provides retail water service to approximately 21,263 customers throughout the island. The DOW's mission is to provide safe, affordable and sufficient drinking water through wise management of resources and with excellent customer service for the people of Kaua'i.

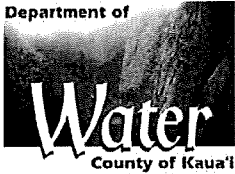
The DOW is proposing a rule amendment related to the Facilities Reserve Charge (FRC). This FAQ sheet includes a general overview of the proposed rule changes, and supplemental information as to how and why this new rule amendment is being proposed by the DOW.

If you have any questions regarding this FAQ sheet, the proposed rule amendments, or upcoming public meetings, please call:

Kim Tamaoka, Public Relations Specialist, 245-5455
Jonell Kaohelaulii, Clerical Assistant (Community Relations), 245-5461
Edward Doi, Chief of Water Resources & Planning, 245-5417
Regina Flores, Civil Engineer III Water Resources & Planning, 245-5418

Mahalo!

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| What are the proposed rule amendments? | Pages 2-5 |
| Has the proposed FRC been thoroughly studied? | Page 5 |
| How did Louis Berger Group conduct its study? | Page 5 |
| Did the study follow a plan? | Page 5 |
| Why can't conservation reduce the need for expensive system upgrades? | Page 6 |
| Has the community been consulted? | Page 6 |
| Does the proposed FRC deter economic growth? | Page 6 |
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**COUNTY OF KAUA'I,
DEPARTMENT OF WATER (DOW)
Frequently Asked Questions, Facilities Reserve Charge**

What is a Facilities Reserve Charge (FRC)?

The FRC is a fee paid by new developments needing new water supply services, or older developments (typically commercial properties, agricultural lots, and hotels) needing additional water supply services. This charge is designed to cover the necessary costs to build new infrastructure that will provide water to those new developments.

The FRC is made up of three different costs – the cost of building new wells (source), the cost of building new tanks (storage), and the cost of building new main lines (transmission). The proportional share of all three types of infrastructure generate the total FRC.

What are the proposed rule amendments?

Below is a summary of the proposed rule changes, and reasons why they are being recommended.

a. Modification of Facilities Reserve Charge (FRC)

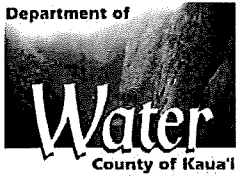
The proposed rule modifies the charges that apply to all new developments and subdivisions requiring water supply, and to existing developments requiring new or additional water supply from the DOW. The proposed FRC for the typical residential 5/8-inch water meter is increased by approximately 300%, from \$4,600 to \$14,115. For larger meters, from 3/4-inch to 8-inch, the fee increase declines progressively from 48% to 24%. The proposed FRC for single family, multi-family and resort is also modified based on Hawai'i's Water System Standards.

Why is this being proposed?

The proposed increase is necessary to meet the growing cost of expanding the DOW's water system. It has been over eleven (11) years since the current rate was set, and actual costs that the DOW incurs are far greater than the current FRC. Moving forward, the DOW and the Board will review the FRC rate every several years in order to avoid large increases.

What would happen if the FRC does not increase?

The FRC can only be used to fund projects that will expand the DOW's water system and provide additional growth. The FRC is intended to recover a proportional share of the costs needed to build new facilities in order to provide additional capacity for new developments. If the FRC does not increase, the DOW will have less funds to support expansion of the water system. Additionally, if the FRC does not increase, the DOW may need to either increase the water rates for all existing customers, reduce water facility expansion projects, or a combination of both in order to help pay for the expansion of the system.



**COUNTY OF KAUA'I,
DEPARTMENT OF WATER (DOW)
Frequently Asked Questions, Facilities Reserve Charge**

b. Establishment of Time Period to Install Water Meter

The proposed rule change also applies to applicants who have paid the FRC fee prior to the enactment of these new rules, but have not yet installed their water meter. The new rule would allow these "prior applicants" to install their meter within three (3) years following the enactment of the new rules, at no additional FRC charge. If a prior applicant's water meter is not installed after three (3) years, the prior applicant will be required to pay the difference between the FRC they paid and the FRC in effect at the time their meter is installed.

Why is this being proposed?

In the existing rules, there is no timeline to install a water meter once the FRC is paid. This means that although the DOW is operating and maintaining the system for all applicants, only those that have their meters installed are paying for the operation and maintenance costs of the system. This rule change would encourage all applicants who benefit from the system, to pay their equal share of costs for operating and maintaining the system.

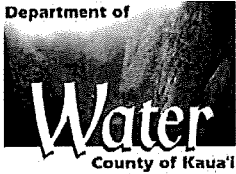
c. Modification of FRC Offsets

Another proposed change modifies the percentage of FRC offsets that are applicable for specific source, storage or off-site transmission facilities constructed by developers. Offsets are defined as a reduction in the FRC that's designed to fairly reflect the value of non-site related capital water facility improvements (such as wells, tanks and pipelines) that are constructed by applicants or developers.

The proposed rule change modifies the FRC offset percentages up to 22% where water source improvements are constructed, up to 41% where water storage improvements are constructed, and up to 37% where off-site transmission facilities are constructed.

Why is this being proposed?

Under the existing rules, developers who have built and conveyed a well or tank or transmission lines are applicable to "offset" the FRC they owe by up to 33% where water source improvements are constructed, up to 33% where water storage improvements are constructed, and up to 50% where off-site transmission facilities are constructed. However, these existing percentages do not accurately reflect the proportion of the FRC costs that are attributable to source, storage and transmission.



**COUNTY OF KAUA'I,
DEPARTMENT OF WATER (DOW)
Frequently Asked Questions, Facilities Reserve Charge**

The proposed rule change modifies the FRC offsets to reflect the actual percentage costs for source, storage and transmission improvements that are necessary for future growth island-wide.

d. Establishment of Total FRC Offsets

The proposed rule change also allows an applicant who is required to provide 100% of the source or storage or off-site transmission facilities, to receive the total FRC offset for the entire FRC liability amount per category of source or storage or offsite transmission improvements.

For example, say a developer owes \$100,000 for their FRC (22% or \$22,000 for source, 41% or \$41,000 for storage and 37% or \$37,000 for off-site transmission facilities = \$100,000 FRC liability). If that developer spends \$20,000 instead of \$22,000 to build a new well that would provide all of the source required for their development, their FRC offset will be \$22,000 for the new source. This means, the developer will not owe any FRC for the source that they installed.

Why is this being proposed?

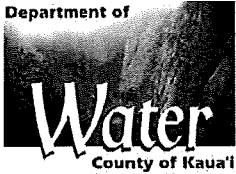
Under the existing rules, if a developer has built and conveyed any or all of the source, storage and transmission required to serve their development, they could only receive an FRC offset for the amount of the total expenses paid, even if they expended less than their FRC liability.

Using the same above example, under the existing rules, if that developer spends \$20,000 instead of \$22,000 to build a new well that would provide all of the source required for their development, their FRC offset will be only \$20,000 for the new source. This means that under the existing rules, the developer will still owe an FRC liability of \$2,000 for the source that they installed.

e. Establishment of Grant Funds Offset

The proposed rule change allows an applicant to use a project's Grant Funds to offset the project's FRC liability associated with development. Grant Fund offsets can only apply to the identified grant beneficiaries.

For example, an Affordable Housing Project that acquires State Legislative Aid for the construction of a required transmission pipeline can offset the project's transmission portion of their FRC liability in accordance with this proposed rule amendment.



"Water has no Substitute – Conserve It!"

**COUNTY OF KAUA'I,
DEPARTMENT OF WATER (DOW)
Frequently Asked Questions, Facilities Reserve Charge**

Why is this being proposed?

This rule change is being proposed as another means to help an applicant offset their FRC liability.

- f. The proposed rule change deletes Part 4, Section VII (detailing the Facilities Reserve Charge) in its entirety. Applicable portions of Part 4, Section VII relating to the FRC have been included in Part 5.
- g. Included in the proposed rule change are requirements mandated by Hawaii Revised Statute §46-141 to §46-148.

Has the proposed FRC been thoroughly studied?

Yes. In order to provide for future growth, an independent third party consultant was hired to identify the DOW's existing need for water system expansion. The consultant, Louis Berger Group, utilized the DOW's Water Plan 2020 project list and singled out expansion projects to determine the present costs needed to provide for a single-family dwelling (5/8-inch water meter).

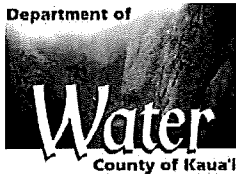
After conducting a range of studies, consulting with the community and the DOW, the consultants have proposed a rate of \$14,115 for a standard, single-family residential meter. For larger meters, the proposed fee is increased proportionally based on water meter flow capacity.

How did Louis Berger Group conduct its study?

Louis Berger Group conducted a Needs Assessment Study, and updated the DOW's FRC methodologies, calculations and schedules. The proposed method utilizes the water system standard demand for a single-family dwelling, water meter sizes and AWWA water meter flow capacity ratios. It determined the actual cost of new source, storage and transmission facilities and calculated the percentages required to meet the demands for growth. Louis Berger Group provided the DOW with a Needs Assessment Study, as required by the Hawaii State Law governing the development of FRC's (Hawaii Impact Fee, HRS §46-141 et al.). A copy of the Needs Assessment Study and FRC proposed rule amendments are available on the DOW's website, www.kauaiwater.org.

Did the study follow a plan?

Yes. In 2001, the DOW adopted Water Plan 2020 which provides a long-term vision for the DOW through 2020. The FRC proposal was developed under the guidance of Water Plan 2020. The portions of Water Plan 2020 that deal with system expansion continue to be used as the technical basis for the new FRC calculations.



**COUNTY OF KAUA'I,
DEPARTMENT OF WATER (DOW)
Frequently Asked Questions, Facilities Reserve Charge**

Why can't conservation reduce the need for expensive system upgrades?

The DOW operates a series of public programs that promote conservation. Water use island-wide has indeed dropped in recent years, however, this has not made up for the pre-existing deficit. In areas with demand for new development, conservation efforts have not created enough of a reduction to permit the development of new residential and business units.

Has the community been consulted?

Over the past four years the DOW has been exploring numerous methods and scenarios to address the overall concern to support expansion of the water system, in order to provide sufficient capacity for future development and growth.

In early 2011, the DOW held focus group sessions with residential and commercial customers. The DOW has also met with community groups, has conducted other outreach, and has posted progress reports on all Water Plan 2020 projects on its website. In earlier discussions, a preliminary figure of \$20,000 for a 5/8-inch water meter was being considered. Focus group members said they felt that number seemed excessive, but were willing to reserve judgment if they felt the DOW was proceeding with transparency, equitability and efficiency. They favored the DOW's policy that the new users of water should pay their fair share rather than everyone facing increased water rates for new capacity.

Does the proposed FRC deter economic growth?

In focus groups, some members of the community said they feared a high fee would function as an anti-growth policy. But the opposite has been occurring. Growth in some areas has been blocked because the DOW does not have the financial ability to pay for increased capacity that new development requires. The DOW's view is that changing the FRC to a realistic figure is pro-planning.

Does the DOW make a profit?

No. The DOW is a non-profit semi-autonomous public agency of the County of Kaua'i. The DOW's budget is completely funded through the rates charged for water services that are provided to customers. Water rates are approved by the Kaua'i Board of Water Supply. The DOW does not receive any tax revenues.