



June 12, 2017 | ☀️ 85° | 🚗 Check Traffic

Hawaii News

Legislators grant private firm \$605K

By [Kevin Dayton](#)

Posted June 11, 2017

June 11, 2017



PHOTOS BY STAR-ADVERTISER AND COURTESY OF SENATE COMMUNICATIONS OFFICE

From left to right: Senate Transportation and Energy Committee Chairwoman Lorraine Inouye, Sen. Kai Kahele and Sen. Donovan Dela Cruz (courtesy photo).

Lawmakers this year approved a grant worth hundreds of thousands of taxpayer dollars to a privately owned Hawaii island well-drilling company through a process

usually used to fund nonprofit social service organizations, and some lawmakers are wondering why.

Gov. David Ige and several lawmakers said they have never seen a similar grant-in-aid award. Sen. Donovan Dela Cruz, who oversaw the construction grant-in-aid process for the Senate, said even he was surprised to learn lawmakers could award funds to a private, for-profit company under the state's grant-in-aid program.

Dela Cruz described this type of grant as "awkward, and it's rare," but said his research shows lawmakers have made similar grants in the past.

State Rep. Nicole Lowen, who oversaw the grant-in-aid process for the state House this year, said she may propose changes to state law to prevent lawmakers from ever making a similar grant award in the future. Lowen said she "absolutely" believes the grant-in-aid awards should be reserved for nonprofits.

Each year lawmakers award grants in aid to help private nonprofit organizations with their operating costs and construction projects. This year about \$30 million was approved for capital costs for organizations such as Habitat for Humanity, Bishop Museum, the YMCA of Honolulu and other groups that provide community benefits ranging from low-cost housing to youth programs and job training.

However, senators also included on the list a \$605,000 grant for a for-profit company called Pacific Well Drilling and Pump Services on Hawaii island. According to the grant application, Pacific Well Drilling now engages in "very minimal operations" from the home of business owner Kihei Ahuna, and the money will be used to purchase used drilling equipment to expand Ahuna's business.

Senate Transportation and Energy Committee Chairwoman Lorraine Inouye said she backed Ahuna's grant application because it would help provide clean drinking water in rural areas, adding that "I did give a recommendation to Donovan (Dela Cruz) because I know the Ahunas personally as well. His mother used to work for me when I was managing the Orchid Island Hotel. She was one of our housekeepers."

Inouye (D, Kaupulehu-Waimea-North Hilo) said she is sure the Ahuna family supported her politically when she represented the Keaukaha area in the Senate, as Hawaii County mayor and when she served as a county councilwoman, but noted she no longer represents that area of Hawaii island.

Rare and large grant

The grant to Pacific Well Drilling was one of the most generous capital awards of the year. In fact, it was larger than the combined total value of the capital grants awarded to the Oahu Veterans Council, Frank De Lima's Student Enrichment Program, the Lana'i Culture & Heritage Center, the Polynesian Voyaging Society, Palama Settlement, the Read To Me International Foundation, Women in Need and Catholic Charities Hawai'i.

Ige said his administration has a process to review all grant-in-aid requests to be sure they are "legal and appropriate" and said staff will review the Pacific Well Drilling grant to see "what the specific grant request is for, and whether it is appropriate or not."

Ige served as chairman of the Senate's Ways and Means Committee that managed grant-in-aid requests, but he said he never saw a grant in aid such as this one made to a private company.

Dela Cruz said it is rare that lawmakers award grants in aid to for-profit companies, "but it does happen." He cited the examples of Navatek Ltd. and Navatek Boat Builders, which were awarded more than \$1.25 million in grants in aid by lawmakers in fiscal years 2014 and 2015; and Gilad Productions Ltd., which was awarded \$50,000 in fiscal 2014.

Ige was Senate Ways and Means Committee chairman when those grants were awarded, and that committee has ultimate control over the grant-in-aid process, Dela Cruz said.

"If it serves the state's interest, there's a need for something that only a private company might be able to provide, then that's why it goes through the process," Dela Cruz said. He noted that thousands of rural residents in large areas of Hawaii island now rely on rain catchment systems for water, and water is a basic service.

"It's not to favoritize them specifically," Dela Cruz said of the Pacific Well Drilling grant in aid. "If you cannot get a nonprofit to fill the void, then you've got to figure out how we're going to provide access to water in some other way."

Grant recipient's plan

Kihe Ahuna, who is the owner and sole proprietor for Pacific Well Drilling, said he wants to help residents in rural areas who are not connected to city or county water systems and may be on water catchment today. He said he plans to serve residents on any island where rural residents have a need.

"It's drill these wells out there, and get some equipment to help those guys out there" to obtain water service, he said. "It's a service, using the state funds to service all islands, your rural areas ... we'll go that way and help out these communities."

Pacific Well Drilling plans to provide that service for small-scale projects on a "fee for service basis," according to a written statement from Dela Cruz. Other companies have equipment similar to the drilling gear that Pacific Well Drilling plans to buy, but those other companies mostly work in more densely populated areas, according to the statement.

Executives with other well-drilling companies disagreed. One executive, who spoke on condition that his name not be used because he is acquainted with Ahuna, said it is

unfair for the state to fund Ahuna's business expansion, thereby giving him a competitive advantage in the business of drilling domestic wells in rural areas.

"That's what we do, that's our mainstay right there," the executive said. "Can I get a check, too?"

Russell Gifford, president of another Oahu-based well-drilling company called Water Resources International Inc., said there are a number of drilling companies that do what Ahuna is proposing, and they do it without government subsidies. He described the grant to Pacific Well Drilling as "weird."

"It does give them an advantage. I mean, \$600,000 of grant money, that's like a gift. It definitely would give him a competitive advantage," Gifford said. "Because his equipment doesn't cost anything, he can do this for a lot less."

Dela Cruz said he consulted with Sens. Kai Kahele and Inouye about the Pacific Well Drilling application.

"They both explained the situation, that access to water was critical, and that they believed it was important," Dela Cruz said. "There was no, like, political dealmaking, or anything like that."

Ahuna lives in Kahele's district, and Kahele said Ahuna and his brother visited his office to present their plan to him. Kahele said he supported the grant application because he was interested in the possibility of providing water service to rural communities and underserved Hawaiian home lands, but said the Pacific Well Drilling grant was not one of his top priorities.

Dela Cruz said he asked Pacific Well Drilling to partner with county government or some other entity such as the state Office of Hawaiian Affairs because "it just cannot be for enhancing their business. It has to be of a public purpose." However, Dela Cruz said there is no requirement that the company form such a partnership before the money is released.

"We don't release, we only budget," he said. "But that's what we asked."

The final decision on whether to release the funding will depend on the Ige administration, and the administration can impose conditions on the grant such as a requirement for a public-private partnership, he said.

Lowen declined to say if she is comfortable with the award to Pacific Well Drilling, but said that "my approach has been to really look at the ones that are nonprofits or clearly are doing a public service, and that's something that I'm going to think about if we actually need to amend that statute and make it for only nonprofits in the future."

"The funding is derived from taxpayer money, so ultimately it should be given to organizations that serve a public purpose," she said.

 **Get the latest news by email** [Sign Up](#)