

**MINUTES**

DEPARTMENT OF WATER SUPPLY  
COUNTY OF HAWAI'I  
WATER BOARD MEETING

October 28, 2008

Hilo Operations Center Conference Room

MEMBERS PRESENT: Mr. Thomas Goya, Chairperson  
Mr. Riley Smith, Vice-Chairperson  
Mr. George Harai  
Ms. Millie Kim  
Mr. Bernard "Malu" Konanui  
Mr. Francis Kuailani  
Mr. Bryan Lindsey  
Mr. Robert Meierdiercks  
Mr. Dwayne Mukai  
Mr. Milton Pavao, Manager, Department of Water Supply  
(ex-officio member)

ABSENT: Mr. Christopher Yuen, Director, Planning Department,  
(ex-officio member)  
Mr. Bruce McClure, Director, Department of Public Works  
(ex-officio member)

OTHERS PRESENT: Ms. Katherine Garson, Deputy Corporation Counsel  
Mr. Jason Armstrong, Hawaii Tribune-Herald

Department of Water Supply Staff

Mr. Quirino Antonio, Jr., Deputy Manager  
Ms. Kris "Kanani" Aton, Public Information and Education Specialist  
Mr. Kurt Inaba, Engineering Division Head  
Mr. Keith Okamoto, Engineering Division  
Mr. Lawrence Beck, Engineering Division  
Mr. Kawika Uyehara, Engineering Division (9:34 a.m.)  
Mr. Richard Sumada, Waterworks Controller  
Mr. Daryl Ikeda, Chief of Operations  
Mr. Clyde Young, Operations Division  
Ms. Julie Myhre, Energy Management Analyst, Operations Division  
Mr. Earl Fukunaga, Supervising Water Service Investigator, Operations  
Mr. Herbert Chang, Operations Division (11:00 a.m.)

CALL TO ORDER - Chairperson Goya called the meeting to order at 9:24 a.m.

## STATEMENTS FROM THE PUBLIC

None

### APPROVAL OF MINUTES:

ACTION: Mr. Smith moved for approval of the Minutes of the September 23, 2008, Water Board Meeting; seconded by Ms. Kim and carried unanimously by voice vote.

### APPROVAL OF ADDENDUM AND/OR SUPPLEMENTAL AGENDA:

None.

### ACTION TO MOVE AGENDA ITEMS:

Chairperson Goya entertained a Motion to take up Item 8(E), Power Cost Adjustment Charge, first and to move Item 8(J), Executive Session, to after Item 8(L), Chairperson's Report.

ACTION: Mr. Mukai so moved; seconded by Mr. Meierdiercks and carried unanimously by voice vote.

### MISCELLANEOUS:

#### **E. POWER COST ADJUSTMENT CLAUSE:**

Chairperson Goya noted that the Board held a public hearing this morning, and there was no one from the public to testify. The recommendation is that the Board approve the proposed changes to the method of calculating the power cost adjustment clause and the frequency of calculating, as stated in the Notice of Public Hearing published in the Hawaii-Tribune Herald and the West Hawaii today on October 5 and 7, 2008. He entertained a Motion for approval.

MOTION: Mr. Smith moved for approval of the recommendation; seconded by Mr. Mukai.

The Manager urged the Board to approve the power cost changes so that the Department can recoup the anticipated losses based on its initial budget when fuel costs were not as high. From April to July, fuel costs skyrocketed, which caused the Department an anticipated unbalanced budget of approximately \$2 million. If this revision is approved, the Department will do the calculations to recoup some of the loss in order to balance the budget. The Department will need to see how much increase is needed and probably do the increases in steps so that it is more palatable to the customers. Rough calculations were to increase it about 50 cents at one time, but probably increments of 20 cents or so would be better.

Mr. Smith asked if someone could run through this proposed change to the power cost adjustment clause, since the media is here today. There should not be any questions on the interpretation on implementation. When the Board approves it, a set procedure should be followed.

The Manager stated that the plan is to calculate from March 2008 (the last time the power cost adjustment was calculated) up to present to see what the cost was, and divide it by units of thousand gallons. That will be the actual figure; however, as stated earlier, the intent is to do it incrementally so that the customers are not faced with a large increase at once.

In response to Mr. Smith's question of whether this would be retroactive, the Manager explained that what the Department will do is go back to March and calculate the rate up until the current time. That does not mean the Department will be looking at past usage and charging the customer retroactive to March 2008.

Chairperson Goya noted that this is a two-part procedure. The first part will be changes in the power cost clause and the frequency of the calculations, and the second part will be to approve the amount.

The Manager stated that if this part is approved today, the Department will come back to the Board next month with the amount to increase the power cost adjustment by and set another public hearing to advertise what the increase would be.

Chairperson Goya read a press release:

“How is the power cost adjustment calculated now? The actual unit cost of power is calculated annually as part of the annual budget review process. The power cost charge for the upcoming fiscal year is calculated as the sum of the following two components--the budgeted unit power cost for the upcoming fiscal year; and number two, the difference, plus or minus, between the actual power cost charges then in effect. The revised power cost charges are implemented on July 1 of each fiscal budget year.”

Mr. Kuailani asked if the justification for the power cost increase is because of the fuel consumption or is it the economic conditions.

Chairperson Goya replied that it is directly related to the cost of electric service for the Department of Water Supply. In the electric bills, the cost of fuel to produce electricity has increased substantially and has been recognized in the electric utility's power adjustment clause as well. It has impacted everyone, and as everyone is aware, fuel prices can fluctuate and are actually now lower than when this was discussed a few months ago. This is a correct path to follow to allow the Department some flexibility to make changes as necessary and not be in a position where it is perceived as over-collecting at a time when fuel prices have decreased. The Board leaves it to the discretion of the Department to notify the Board as to any changes that are occurring and whether it should need public notice in the future.

The Manager added that this is not part of the actual water service rates. The water rates do not change. This is what the Department needs to collect in order to pay for electric service, and to keep its budget balanced.

Mr. Mukai spoke in favor of the Motion, noting that things are not what they were twenty years ago in the economy; and the Department needs the flexibility to make adjustments accordingly.

The Manager also mentioned that should the power cost go below the last calculated power cost at some time in the future, the Department would reduce the power cost clause. It is not only to increase it, but gives the Department flexibility to also decrease it, should the fuel cost adjustment for electric service decrease. It is a two-way situation.

Mr. Harai stated that the main thing is to make the public aware of the exact power cost charge.

The Manager mentioned the articles that were in the newspapers, and they were very informative and factual. He appreciates the reporting from both newspapers.

Mr. Kuailani's concern was how this increase will be explained to the customer. He asked if there is any kind of rebate to the customer in this proposal.

The Manager explained that this increase will be to recoup monies that are currently are a paper loss on the Department's budget. If the Department were to carry on without doing anything, it would have to cut a lot of other needed line items from its budget. Cutting back on discretionary expenditures (things the Department can decide not to spend: equipment, supplies, etc.) does not even come to one quarter of the \$2 million shortfall. That is why there is a need to recoup some of the money through the customers because of what the electricity has been costing from March until present.

Ms. Aton added that ultimately, the adjustment time, at the rate it exists now, would adjust and cover that loss a year from the time it was last adjusted; but that amount would be really great and burdensome on the consumer as well. If the Department adjusted only once a year, and with this rapid fluctuation and rise in the energy costs, it would be reflected in the difference between what it stands at now (\$1.70) and what it will be next year when it is adjusted if the old format is followed.

Chairperson Goya stated that the Department's purchase power budgeted amount for this current fiscal is \$18 million. As the Manager pointed out earlier, if the Department continues as is, the projected shortfall would be \$2 million. In order to meet the forecast in the budget, and not exceed the budgeted amount, the Board had asked the Manager, over the past few months, to look at the budget item by item to minimize expenses in light of this shortfall. He was also asked to prioritize future hiring, and that will be covered later in the meeting today. Also coming up in the Agenda is discussion on how the Department can control its vehicles and transportation costs. He thinks the Department is making a sincere effort to try and address the issue of the change in the economy and meet its obligations to current customers. It is the Board's responsibility to make sure that the Department is following the budget and has some flexibility in its operations so that it can prepare for the long-term benefit to all of its customers.

Ms. Kim credited the Manager and the Department for coming up with this kind of initiative that is clearly responsive to the changing economy, and the flexibility to do it over the twelve-month period will help administratively and shows responsibility and initiative on the Department's part.

In response to Mr. Mukai's question on what would happen if the Department were to charge half of what it should and whether it could carry over a \$1 million debt to the next fiscal year, the Manager replied that it could not be done that way because the Department's discretionary spending does not even come close.

Mr. Mukai asked if that meant there would be a need for reduction in services.

The Manager replied that is not what it meant. If this Agenda item passes today, it will mean the Department is allowed to recalculate the power cost every two months, and make it an easier transition than every year. It is the Department's intent to get the budget back on track before the end of the fiscal year, but incrementally.

Chairperson Goya stated that it is fortunate the Department is trying to implement this at a time when consumption should be lower than the traditional summer periods when it is a little higher.

Mr. Harai asked if this would be in effect by January of 2009.

The Manager hoped that, if approved today, a public hearing may be set for December, and it would go into effect January 2009. The Board needs to be informed first, before the public hearing is set, to allow input on what the Department will be proposing.

Mr. Smith commented that, while gas prices can fluctuate almost daily, the rules of the Department of Water Supply do not allow change that rapidly. It cannot recoup power costs until the rate is adjusted every March. What this proposal allows the Department to do is adjust their prices every two months if they see significant changes in what is charged by the electric utility. This allows the Department to follow the curve, which is just going up and never seems to be coming down, on a smaller incremental basis so that the customers' cost fluctuates with the cost that the Department incurs for electricity.

Chairperson Goya stated that historically, the Department's power cost charge has gone from \$1.50 (July 1, 2006) to \$1.60 (July 1, 2007), to \$1.70 (July 1, 2008). Now it is looking at an increase of at least \$1.90 to move in the appropriate direction.

The Manager stated that the Department's rough calculations put it more in the neighborhood of \$2.15 to \$2.20; but he did not think it is wise to put such a large increase on the customer all at once.

Mr. Mukai thought it is imperative for the Board approve this Motion and get through the process as quickly as possible because the fiscal year ends next June. The sooner this is on the books, the sooner the Department can start to recoup the funds. He would hate to see a power

cost adjustment with only two months remaining in the fiscal year because it would be too much of a burden on the public.

**ACTION:** A vote was taken on the Motion that the Board approve the proposed changes to the Method of Calculating the Power Cost Adjustment Charge and frequency of calculations as stated in the Notice of Public Hearing published in the Hawaii Tribune-Herald and the West Hawaii Today on October 5 and 7, 2008. Motion was carried unanimously by voice vote.

Chairperson Goya asked if the Board would want to consider making an interim adjustment at this time so there would be a recommendation for the public hearing. Otherwise, it could be delayed another month.

Mr. Mukai indicated he would be willing to entertain that as long as the Department has some factual figures.

Ms. Garson informed the Board that it would have to stick to the formula, and it does not allow for a step process. What should happen is the Department needs to place another Agenda item for the next meeting on November 25, 2008, on the actual language of the power cost charge. The Department will bring it to the Board; and at that point, the Board can make a decision on what it is that will be implemented.

The Manager agreed that would be a cleaner way to do it.

Chairperson Goya thanked the Department for working hard on getting information out to the public and encouraged the continuation of providing more information on how the Department is run, its semi-autonomous nature, and some of the proactive things that are underway in the area of management and efficiency.

(Mr. Armstrong left the meeting.)

## **SOUTH HILO:**

### **A. RESOLUTION NO. 08-06: PROVIDING FOR THE ACQUISITION OF AN EASEMENT SITUATE IN THE DISTRICT OF SOUTH HILO, COUNTY OF HAWAI'I AND STATE OF HAWAI'I, IDENTIFIED AS PORTIONS OF TMK NO. (3) 2-5-028:029, FOR THE REPLACEMENT OF EXISTING FAILING GALVANIZED IRON WATERLINE:**

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This Resolution is being introduced for the condemnation of a portion Tax Map Key (3) 2-5-028:029, for the purpose of acquiring an easement to replace the existing waterline along the roadway. The Piihonua G.I. Pipeline Replacement project is an approved C.I.P. project designed to replace failing above-ground galvanized iron waterline with new 6-inch ductile iron waterline and appurtenances installed to current standards.

The condemnation is required because the minority landowner, while initially sounding receptive, over the past 14 months has been unresponsive and uncooperative. Thus, the

Department of Water Supply has not been able to obtain the easement necessary for the waterline replacement project.

The Manager recommended that the Water Board approve Resolution No. 08-06 and authorize the Department and Corporation Counsel to continue with the condemnation process.

MOTION: Mr. Smith moved for approval of the Manager's recommendation; seconded by Mr. Kuailani.

Mr. Smith asked for a briefing on why discussions broke down. The Department proposes to put a waterline in a private road. It is not like it is impacting property that someone would be placing a house on.

Mr. Inaba explained that there are two owners; and the first owner was cooperating with the Department but is now not responding to contacts by this Department. He says he will call back but does not and has been basically avoiding the Department for over a year. There is an existing pipe in that road that the Department does not have easement for.

ACTION: A vote was taken on the Motion. Motion was carried unanimously by voice vote.

#### SOUTH KOHALA:

##### A. RIGHT-OF-ENTRY AGREEMENT - SHELL WINDENERGY, INC.:

The Water Board, at its meeting of October 5, 2006, granted a right-of-entry over a portion of Tax Map Key 6-6-001:002 to Shell Windenergy, Inc., for vehicular as well as pedestrian access to their property for the purpose of developing a wind powered electrical generation facility. This right-of-entry has lapsed, and they are requesting for a renewal as they are still working on a proposal to develop a wind powered electrical generation facility. If approved, the term of this agreement will be 18 months.

Staff has reviewed this agreement and finds it acceptable as submitted.

The Manager recommended that the Board approve the right-of-entry agreement for the period of October 28, 2008, until April 30, 2010, and subject to the approval of the Corporation Counsel and that either the Chairperson or the Vice-Chairperson be authorized to sign the document.

MOTION: Mr. Kuailani moved for approval of the Manager's recommendation; seconded by Mr. Mukai.

Mr. Kuailani asked if this wind farm is providing energy to Hawaii Electric Light Company, Inc. (HELCO), yet.

Chairperson Goya stated that they are not providing energy yet. They are looking for an agreement.

In response to Mr. Kuailani's question of what the access is for, the Manager explained that the Department would be allowing them access to Department of Water Supply's property for them to get to their site. They had an easement before, but it expired, so this is a renewal.

Mr. Smith added that this project involves his prior employer that owns a large parcel of land but does not have easy access to this portion of the property, but there is a much easier access that could be given by the Department over their access road that goes up to the Lalamilo Wind Farm and all of the reservoirs that serve the Mauna Lani area. The right-of-entry allows Shell Windenergy to pursue their project with the adjacent landowner and hopefully obtain permanent access in a different way; but in the meantime, some of the agreements mentioned to the Department are to improve the road and the drainage, address the site distance, and other issues that they would need to construct their project. For various reasons, their project has not moved forward so they need to extend the term.

Chairperson Goya stated that this is similar to the HELCO agreement because they have a wind farm in there; and as part of the agreement, they pay the road maintenance cost. This request today is for an extension of what was previously granted.

ACTION: A vote was taken on the Motion. Motion was carried unanimously by voice vote.

NORTH KONA:

**A. JOB NO. 2003-834 (REVISED), CONSTRUCTION OF THE KONA BASEYARD FACILITY IMPROVEMENTS:**

The Board considered a request from the contractor, Central Construction, Incorporated, for an extension of contract time and an approval of their escalated contact cost. This is the contractor's fifth time extension request to allow the Department of Water Supply additional time to secure the necessary building permit for the project. Staff has evaluated this request and finds that the 412-calendar day extension is justified. The contractor's escalated price (\$214,862.00) reflects the present-day cost to construct the project. The contract bid price (\$192,513.40) and contingency funding totals \$208,000.00. The Department will need to allocate additional monetary funds to make up the shortage:

Escalated Cost	\$214,862.00
Contingency (~8%)	<u>17,188.00</u>
Total	= \$232,050.00
Available Funds	<u>208,000.00</u>
Additional Funds	= <u>\$ 24,050.00</u>

Previously approved time extensions by the Water Board (no contract price increase):

- First time extension 64 calendar days (May 11, 2007, to July 14, 2007)
- Second time extension 60 calendar days (July 14, 2007, to September 12, 2007)
- Third time extension 60 calendar days (September 12, 2007, to November 11, 2007)
- Fourth time extension 65 calendar days (November 11, 2007, to January 15, 2008)

This is the recommended time extension and contract fund revision for Water Board approval:

- Fifth time extension 413 calendar days (January 15, 2008, to March 3, 2009), **and**
- Increase funding for the project construction by \$24,050.00.

The Manager recommended that the Board grant Central Construction, Incorporated, a 412-calendar day time extension to the contract completion date from January 15, 2008, to March 2, 2009, and approve an additional \$24,050.00 for JOB NO. 2003-834 (REVISED), CONSTRUCTION OF THE KONA BASEYARD FACILITY IMPROVEMENTS.

MOTION: Mr. Kuailani moved for approval of the Manager's recommendation; seconded by Ms. Kim.

The Manager apologized for the delays in this project. The situation is between the County and the contractor, and now the Department is faced with the escalation clause.

In response to Mr. Kuailani's question of whether these improvements include more office space, the Manager replied that it entails enclosing the garage so that more office space may be made available for the electrical and building maintenance staff. Also, Mr. Kuailani asked if the Department would be able to occupy any of the new West Hawaii Civic Center; and the Manager explained that this Department is not one of the agencies that would benefit from that new facility.

Mr. Smith asked if the building permit is in hand, because it was not clear in the write-up whether it was.

Mr. Inaba replied that it is not; however, the contractor was told that all they need now is a letter for the septic system, so that has been done as of last week. Everything should be okay, and the permit should be coming soon.

Mr. Smith stated that his concern was if the Department goes out to bid on a project and provides a design, what it is really doing is setting the bidder up for failure because it asks for a price for something that is not determined when it can start. It has now been 412 days and the contractor is entitled to an escalation clause. It is hard to negotiate prices when permit-ready plans are not provided.

Mr. Inaba stated that there were a number of different issues as far as the permit was concerned, and a couple of them were not as a result of this design but from the existing building.

Mr. Smith stated that this would still be outside the scope of the contractor. The contractor is hired to build so they have to be provided with something they can build. The contractor sets up all of their subcontractors to start work; and when they cannot work for a year, everybody becomes busy, and you end up with more delays and more costs. It is just not a good practice.

ACTION: A vote was taken on the Motion. Motion was carried unanimously by voice vote.

**B. SUPPLEMENTAL AGREEMENT SETTING FORTH A LETTER OF CREDIT AMOUNT FOR WELL DEVELOPMENT AGREEMENT – LANIHAU PROPERTIES, WEST HAWAII BUSINESS PARK, PALANI RANCH COMPANY:**

At its February 26, 2008, meeting, the Water Board approved a Supplemental Agreement specifying a letter of credit in the amount of \$7.5 million dollars to complete the remaining infrastructure which included constructing the production well and supporting facilities and the transmission improvements. The agreement has not been executed as it was pending the approval from the Department of Health and we subsequently received a request to withdraw this Supplemental Agreement due to a cancellation of the sale of their land. The Owners are requesting that we do not execute the Supplemental Agreement and we return all of the copies to them.

The Manager recommended that the Board approve this request to withdraw the Supplemental Agreement and all copies of the Supplemental Agreement will be returned to the owners unexecuted.

MOTION: Mr. Kuailani moved for approval of the Manager's recommendation; seconded by Ms. Kim.

Chairperson Goya asked that the Department provide the Board, next month, with an update on all of the major agreements, especially in the resort areas (North Kona), that are impacted by the change in the economy.

The Manager indicated that he can highlight the major agreements that have been executed and not the ones still in negotiations.

ACTION: A vote was taken on the Motion to approve the Manager's recommendation. Motion was carried unanimously by voice vote.

**C. PALANI TRANSMISSION PROJECT:**

The Manager turned it over to Mr. Beck to provide the Board with an update.

Mr. Beck reported that the Department may be seeking condemnation if an agreement is not reached, and this may be by the next Water Board meeting. The Department received a list of the landowner's terms back from their lawyer, and they want a lot of guarantees. For instance, they are afraid this project will impact their cesspools on two additional farm dwellings. They have been assured that if the project required the pipeline to go through there, the cesspools would be relocated by this Department. They are concerned that they might not be able to relocate the cesspools for some reason. They want a guarantee for the loss of the dwellings, loss of tenants, and loss of business. Mr. Beck will be working with Corporation Counsel on their list of terms; and if there is anything that cannot be agreed to, they will be lined out and the agreement sent back to informing them what the Department will accept. If they are not willing to accept it at that time, then the Department will need to go ahead and do a resolution to condemn.

Chairperson Goya asked if the plans are ready for bidding, should this gain approval.

Mr. Beck replied they are ready.

Chairperson Goya stated that it does not look good on the balance sheet to be holding that much for projects that keep getting delayed.

Mr. Beck stated that executing the agreement would be the fastest route at this point because if the Resolution has to be done, then a new appraisal would be needed; and that delays it about six weeks.

MISCELLANEOUS:

**A. MATERIAL BID NO. 2007-01, FURNISHING AND DELIVERING WATER METERS, BRASS GOODS, FIRE HYDRANTS, VALVES, CHLORINATORS, PUMPS, PIPES, FITTINGS, SCADA, METERS, AND MISCELLANEOUS ITEMS FOR THE DEPARTMENT OF WATER SUPPLY STOCK:**

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SOAR Technologies, Inc., was awarded the bid to furnish and deliver Section 59, Hydroelectric Turbine Generator, to the Department of Water Supply for Material Bid No. 2007-01, Furnishing and Delivering Water Meters, Brass Goods, Fire Hydrants, Valves, Chlorinators, Pumps, Pipes, Fittings, SCADA, Meters, and Miscellaneous Items for the Department of Water Supply Stock. A Hydroelectric Turbine Generator was ordered to be installed at the Waimea Water Treatment Plant. The Department did not realize that the bid by the Contractor included installation costs, which was not required in the bid. SOAR Technologies, Inc., was the only bidder for this section.

A contract amendment is being proposed to account for the installation costs for the bid. As part of the amendment, an exemption request to have the SOAR Technologies, Inc., perform the installation was completed. As part of the installation, it was found that the existing air compressor, air lines, and turbine strainer also needed to be replaced. The cost to replace these items is \$19,270.74.

The original contract amount to SOAR Technologies, Inc., totaled \$187,714.15. The additional cost to include the amendment would bring the contract amount to \$206,984.89.

The Manager recommended that the Board approve the amendment to Material Bid No. 2007-01, Furnishing and Delivering Water Meters, Brass Goods, Fire Hydrants, Valve, Chlorinators, Pumps, Pipes, Fittings, SCADA, Meters, and Miscellaneous Items for the Department of Water Supply Stock to allow SOAR Technologies, Inc. to install the Hydroelectric Turbine Generator, and to replace the air compressor, air lines and turbine strainer at the Waimea Water Treatment Plant, and that either the Chairperson or the Vice-Chairperson be authorized to sign the contract amendment, subject to review as to form and legality of the contract amendment by Corporation Counsel.

MOTION: Ms. Kim moved for approval of the Manager's recommendation; seconded by Mr. Mukai.

The Manager apologized on behalf of the Department, that this was a bad decision. This started out as a material bid; however, this vendor claimed that in bid, there was enough money for installation of the equipment. In the process of installation, other things came up such as compliance with Hawai'i Revised Statutes as far as construction is concerned. He assured the Board that this will not happen again. The Department should have just accepted the product and put out another contract for installation.

Mr. Smith noted that this Motion on the floor right now is just for the material portion.

The Manager explained that there are two parts to this. This first part asks for the Board's approval for the amendment. The next part will be for the Board to approve the funding.

Mr. Smith asked why the Department did not know that it needed this compressor, the air lines, and the turbine strainer, and how it found out that they were needed.

The Manager replied that when the vendor went to install the equipment, they said it would not work without certain items, the lines were bad, etc., and they were needed to ensure that everything worked properly.

Mr. Smith was concerned with how the Department would know that the price the vendor quoted is fair.

The Manager stated that after review, it was approved by the Department's engineers. Ms. Myhre added that an air compressor was broken during the earthquake. As part of the repair work, the Department obtained quotations from the people that were doing the work on the original hydro-generator, compared them to what is known to be reasonable, and made an educated assessment.

Mr. Smith stated that his primary concern was with Procurement law. What the Department did was put out a material bid that it had one price on and then negotiated with the sole source provider for something; and he was not sure if it is good price but hoped the Department's files show justification, that this price seems fair to the Department, and that the laws were adhered to. He hoped prices from other suppliers were checked to see if this is in the ballpark so that when it is brought to the Board, it is something that staff feels is fair to the Department.

The Manager stated that this amendment complies with the laws.

Chairperson Goya hoped that errors by the Department can be minimized. This is a learning experience, and there is a lot of explaining to do, not only from a Department level, but on a Board level as well.

ACTION: A vote was taken on the Motion to approve the Manager's recommendation. Motion was carried unanimously by voice vote.

**B. MATERIAL BID NO. 2007-01, FURNISHING AND DELIVERING WATER METERS, BRASS GOODS, FIRE HYDRANTS, VALVES, CHLORINATORS, PUMPS, PIPES, FITTINGS, SCADA, METERS AND MISCELLANEOUS ITEMS FOR THE DEPARTMENT OF WATER SUPPLY STOCK:**

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If the amendment to the above contract is approved for SOAR Technologies, Inc., it is requested that the total amount of the contract be increased by \$32,453.90 to provide for a change order to account for additional labor charges due to the Contractor having to comply with the Davis-Bacon law, which requires the Contractor to pay their employees wages that are listed in the Compensation Plan for government projects. The Contractor was also required to obtain a performance bond for the project.

The Manager recommended that the Board approve the increase in funding by \$32,453.90 to SOAR Technologies, Inc., for Material Bid No. 2007-01, FURNISHING AND DELIVERING WATER METERS, BRASS GOODS, FIRE HYDRANTS, VALVES, CHLORINATORS, PUMPS, PIPES, FITTINGS, SCADA, METERS, AND MISCELLANEOUS ITEMS FOR THE DEPARTMENT OF WATER SUPPLY STOCK. The total contract amount will be increased from \$206,984.89 to \$239,438.79.

MOTION: Mr. Harai moved for approval of the Manager's recommendation; seconded by Ms. Kim.

Ms. Garson clarified that the mention of David-Bacon law refers to federal projects. In this case, it should be referred to as the prevailing wage rate.

Ms. Kim asked how that works into the initial contract, if they did not incorporate prevailing wages as part of the bid submittal.

The Manager replied that it was a material bid, and they claimed that the bid they submitted included labor costs. However, that was *their* labor cost. They did not realize that whenever you work on a government job, they have to follow specified wage rates, which increased the cost. A lot of small contractors do not realize that, and that is why you do not usually see small construction companies bid on that type of job.

In response to Mr. Smith's request for more clarification on what happened, Mr. Ikeda stated that when the bids went out, it was just for furnishing and delivering materials. When the Department ordered the materials, the contractor said they would install it because it was part of the bid, which staff did not know because it was just a furnishing and delivering bid. When the contractor said they were going to install it, instead of just saying no and paying the amount and do a separate contract, the Department tried to make an amendment to include the labor that they put in their bid. However, the vendor did not realize they had to pay these prevailing wages. That is where the extra things came into the cost. Also, since considering it a construction contract, they had to pay for a performance bond.

Mr. Smith's concern was whether the Procurement process was followed.

Mr. Ikeda stated that the Department posted an exemption for seven days, disclosing all of this, as part of the requirement.

Mr. Smith cautioned the Department to learn from this. Maybe if it had been put in the scope of work from the beginning, the Department would have received better prices. What started out as a \$187,000.00 contract turned into \$240,000.00. By the Board approving this, it becomes the Board's responsibility. The Board's role as policy makers is to give the Department feedback and explain that it does not want to go through this uncomfortable situation again.

The Manager agreed and assured the Board that although a bad decision was made, the steps the Department took to rectify it were done in accordance with applicable laws.

Ms. Garson noted that the Department followed the Procurement process and took the appropriate steps once all the facts came up to request the exemptions. Legally, it was sound.

ACTION: A vote was taken on the Manager's recommendation. Motion was carried unanimously by voice vote.

C. **FUEL COMMITTEE:**

**Summary of Fuel and Recycling Effort for the October 2008 Board Meeting**

The Department's Fuel Reduction/Recycling Committee and Manager met on October 8<sup>th</sup> to discuss the outcomes of the following two prior efforts:

- June 12, 2008 meeting of the Department's fuel reduction committee; and
- June 23, 2008 summary of the Hawaii County Recycling Coordinator.

**Conclusion and Next Steps:**

Fuel Reduction: The priority action items should focus on changes with the most impact on reducing the Department's fuel consumption. Education on driving habits and why it is important to both the Department and Hawaii in general should be initiated soon thereafter. Policy development on carpooling, planning routes, and further tracking of all fuel consumption is needed. The energy performance contract may be able to address some of the long-term efforts for reducing fuel consumption. Perceived buy-in from top levels of management can support acceptance of this needed change at the other Department levels.

Recycling: The Department's recycling effort is expected to become a part of each employee's regular work process. First priority is education to staff about procedures, equipment, upkeep, and how DWS benefits. Sectional meetings with employees and base yards are appropriate.

The roll out is commencing collaboratively with the County's Recycling Coordinator. A recent October 22 meeting identified container options and resources. The effort will initially

begin at the Hilo Base Yard and the Main Office building prior to expanding to outside offices. The effort will be measured by reductions of the amount of regular rubbish hauling.

Ms. Myhre reported that their committee met with the Manager on October 8, 2008, and presented some findings as far reducing fuel consumption. The biggest impact is going to be, from an education perspective, teaching people how to find routes that are more efficient, carpooling, effective driving habits, etc. From a fleet standpoint, there is not anything that can be done right away; but in the future, the Department will look at higher-mileage vehicles when purchasing, whether hybrid or not. She noted that Ms. Aton is looking into grants, and there may be some clearing house opportunities, energy grants from the Federal government as well.

Mr. Mukai mentioned that hybrid vehicles may not be the answer. Replacement of batteries cost almost as much as the car, and that should be taken into consideration. Future maintenance and repair may offset the initial savings.

Mr. Smith asked how the Department can measure whether it is having any success.

Ms. Myhre stated that the Department tracks its fuel consumption and keeps a spreadsheet on it. The only fuel not getting into the database is the purchase of diesel from the Department of Public Works.

The Manager stated that one area to conserve would be to dispatch the appropriate vehicle for the appropriate task, or investigation. For example, taking a smaller vehicle if it is just to go out and check something small, like a meter, rather than the vehicle the field crew normally takes (SUV's or trucks). It is a matter of education on how to use the vehicles.

Chairperson Goya stated that to some degree, the Department logs the mileage on the vehicles; but if it is not recorded and not available or visible, then it is something that may be taken for granted. It needs to become visible where everybody recognizes that they are adding to a cost that they could possibly have some control over on an individual basis. The other question he had was the proprietary nature of people saying this is "my vehicle." They all belong to the Department and should be used to support the Department and not an individual.

The Manager stated that this is one of the things that prompted the Department to look into a fleet management system so it can see the fleet on a computer screen and dispatch the appropriate person. However, the Department is not near bringing that type of proposal to the Board yet. A lot more work needs to be done.

Mr. Smith asked if union contracts allow the Department to incorporate a fleet management system.

The Manager replied that the Department has not come to that point yet. It is still too early to bring a proposal up. However, if it is considered, the union has to be consulted like anything else.

Chairperson Goya noted that the other side of the coin is that this also protects the employees. The person driving vehicle should be in the appropriate place at the appropriate time. They cannot be supported if they are doing personal things with a company vehicle. If he loses his job, he loses his benefits. It protects all of the employees by knowing that they should be doing Department work with the Department vehicle.

The Manager mentioned that tracking the vehicle is a good thing too, and not only negative. For example, if a vehicle is at a site too long. It could mean that someone is hurt or something has gone wrong so tracking has a safety benefit also.

### Recycling

Ms. Myhre reported on recycling. Both she and Ms. Aton met with the County coordinator who has all the tools to help the Department get this program going. The Department will be kicking off its effort on November 12, 2008, at the Hilo baseyard and will be having a presentation on the history of recycling and why it is important. The Department's own custodial staff will be taking care of hauling the recycled material to the transfer station (recycled drop-offs) so there is no need to hire someone to collect it and deliver to the transfer stations. It should result in less regular rubbish being hauled to the landfill.

Mr. Kuailani asked about any proceeds that come from recycling, such as the HI5 bottles.

Ms. Myhre stated that the bottles are already being collected.

The Manager added that the proceeds from the bottles go back to the employees because the Department does not purchase beverages for them. Certain coffee groups within the Department have set up their own systems for collection. The only thing the Department is concerned with is paper, newspapers, magazines, etc.

Chairperson Goya noted that he looks forward to the day when everybody is on the same page. He thinks it is really important that people make changes, and it should be part of the strategic initiative that the Department has all of these things in concert with each other.

Mr. Smith asked if part of Ms. Myhre's responsibilities in this committee is to provide input into the records retention program.

The Manager stated that the Department needs to work with the County Clerk's Office, through Ms. Garson, because they have records retention policies.

Chairperson Goya suggested that the weight of everything taken to the recycling center be recorded (a simple bathroom scale would suffice). That measurement can be used to communicate progress.

Mr. Smith added that it would be good to have a grasp of what happens to the product in the end. So much of separating and recycling items is dependent on the end user. If it gets collected but there is no one to take it, it could end up in the landfill anyway.

Ms. Myhre stated that Environmental Management Department to specifically address that.

**D. UNACCOUNTED WATER PROGRAM UPDATE AND ENERGY RECOVERY:**

A third presentation was given by Ms. Myhre and Mr. Fukunaga.

Mr. Fukunaga reviewed what happened with a recent repair where a break in the Ahualoa Mauka transmission main was discovered and repaired October 16 to 22, 2008. The water loss was 221 gallons per minute (gpm). The Department had to turn on the Haina Deepwell because this water loss resulted in it not supplying Kapaau Tank. Because Haina Deepwell was being used to boost water up, more energy was being used. This was in an area where pipe traverses through miles of land, some of it private, and it is hard to determine where a leak is located. The Permalogger was the identifier of this particular leak. Each Permalogger is identified by a serial number, and this particular one was in the Paauhau pasture. After the Permalogger pinpoints an area, the field crew can go in and walk the pipeline with the leak detection equipment to find exactly where the leak is coming from. What had happened in this pipeline was a eucalyptus tree root put a lot of stress on the 16-inch cast iron pipe to the point where it cracked. For this one leak, the anticipated energy savings was \$342,800.00 from pinpointing and repairing it in a timely manner.

In response to Mr. Smith's question of whether the Permalogger can differentiate between a leak and just high water usage, Mr. Fukunaga replied that with a leak, it is a constant, so there would be continuing noise being picked up by the equipment. It is able to separate the two and not mistake high usage for a leak.

Ms. Myhre reviewed the project's five phases in the entire program, shown on map of the island.

Phase I - 625 loggers in the Hilo town area. Project began in 2005 with an approximate \$934,580 in energy savings to date. The anticipated future opportunity for savings through 2009 is up to 470 million gallons of lost water; energy savings - \$342,800.

Phase II - 325 loggers in North and South Kohala (Waimea, Hawi, Lalamilo, and Hamakua). Project began in 2006. To date, an estimated 100 leaks have been repaired at an estimated savings of \$36,400.00. The anticipated opportunity for savings through to 2009 is up to 108 million gallons in lost water, equaling energy savings of about \$78,840.00.

Phase III - 225 loggers in South Kona from Halekii to Hookena. Project began in 2007. To date, approximately 55 leaks have been repaired, with an approximate energy savings of \$4,940.00. Anticipated future opportunity for savings through 2009 is 232.5 million gallons in lost water, equaling energy savings of \$169,725.00.

Phase IV - 200 loggers to be installed in the Kau district between Pahala and Naalehu. Scheduled installation is 2009. Anticipated savings for 2009 - 30.6 million gallons.

Phase V - 300 loggers to be installed in the Puna district between Volcano and Keaau. Scheduled installation in 2009, with up to 40.6 million gallons anticipated savings for that year.

In response to Mr. Mukai's question of how much a Permalogger costs, Mr. Fukunaga replied they are \$498.00 each; but they pay for themselves very quickly.

In summary, Ms. Myhre noted that to date, the energy savings for the entire island equals \$975,920.00. Anticipated future energy savings through 2010 is more than \$600,000.00. The unaccounted water opportunity is 880 million gallons of water.

Mr. Smith suggested that they also include, in future presentations, the value of reliability of water service. The example given today, where the Department had to divert sources because of a leak could potentially run the problem of running the reservoir dry which, would lead to lower pressure issues. Customer service and reliability is hard to put a value on; but when there is no water, it becomes priceless.

Chairperson Goya asked if somehow, in the future, the savings could be equated to barrels of oil. He also mentioned that this is good information for the customers, elected officials, and also the Department's employees and they should know the efforts that are being made in this area. He stated that anyone in the Department who has a position of responsibility should be willing to support any initiatives under their supervision and should be able to give this information out to the public. It should not only be the Manager's or Ms. Aton's responsibility to get this information out. He reiterated his comment from last month that this would be a good topic for next year's Hawaii Water Works Association (HWWA) conference, which will be hosted by this Department; and he thanked Ms. Myhre and Mr. Fukunaga for their presentation today.

E. **POWER COST ADJUSTMENT CLAUSE:**

Discussed earlier.

F. **MONTHLY PROGRESS REPORT:**

No questions.

G. **REVIEW OF MONTHLY FINANCIAL STATEMENTS:**

Chairperson Goya asked that Mr. Sumada provide information and updates on a regular basis to keep the Board focused on the Financial Statements. He asked that it include highlighting areas within the balance sheet and the budget and providing a little more education for the Board so it can understand the financial statements a little better. It is the Board's fiduciary responsibility to be accountable for the budget and maintain it appropriately.

H. **WATER RATE STUDY:**

Chairperson Goya commented that although no one from the public attended the public hearing today, the Department needs to make sure it does everything possible to communicate with the customer on the service they are receiving for the money they are paying the Department.

**I. MANAGER'S EVALUATION:**

The Secretary will send the evaluation form by email to the Board Members, in Word format, and also collect completed forms to forward to Ms. Kim for compilation.

**J. EXECUTIVE SESSION:**

*See after Chairperson's Report.*

**K. MANAGER'S REPORT:**

- 1) Status of the Hawaiian Ocean View exploratory well – water level is higher than anticipated--eight feet. The final test will be the pump test which will be done soon. That will give a good indication on the well. The community is being kept up to date by the Department.
- 2) Update on negotiations with Kamehameha Investment Corporation (KIC) – waiting on word from KIC.
- 3) Report of recent and upcoming Public Relations efforts:
  - Community Meetings: The Department has been going out to various meetings - the Downtown Hilo meeting, the Department of Hawaiian Home Lands meeting for the Kawaihae area, the Waimea Rotary Club, and the Waikoloa Senior Citizen group meeting (they had questions about how the Waikoloa water system got started and why it is private). About 30 people were in attendance at the Seniors' meeting, and they appreciated the information given by the Department. This was coordinated by Chairperson Peter Hoffman, who had praise for this Department's efforts.
  - Visits: Ms. Aton has been visiting elementary schools to educate the children about water; and both she and Ms. Myhre attended HELCO's Integrated Resource Planning Hydro field trip.
  - Special Events: November 3, 2008 - Kona Water Round Table – to be held at Natural Energy Laboratory of Hawaii Authority's (NEHLA) Gateway Conference Center; 73-4460 Queen Ka'ahumanu Highway, #101, Kailua-Kona, Hawaii. The Department learned that following that meeting, the National Park Service will be having their meeting. On November 8, 2008, is the E Malama Aina Festival, where the Department will have exhibits set up. The Manager noted that whenever the Department goes out to the community, it educates the public about how the Department works, that it has a separate Board, it is semi-autonomous, and has its own revenues. In response to Ms. Kim's question of whether the Department is inviting itself to these functions or if it is getting requests, the Manager replied that the Department has been receiving a lot of requests to be present at these functions and getting requests to make presentations.
- 4) Vacant Positions Priority – the Manager reported that with regard to hiring, anything to do with core functions (to continue providing service) will be hired – example: pipefitters. Anything else has to be ranked by priority--if the position will enable the Department to operate more efficiently, for example, having more leak detection personnel is definitely a plus. To hire leak detection personnel for Kona makes sense because they generate more funds than what they are paid. Also, with the increased public activity, there is a need for

more public relations. Since Chairperson Goya stressed the need for the Department to go out into the community, Ms. Aton has been so busy that often it is hard for one person to do it all. There may be a need to look at having someone to assist in that area. One position that was previously approved, a Contracts Clerk, was recently interviewed for. The person will be helping both the Contracts Technician and Ms. Aton.

Chairperson Goya mentioned one thing considered previously, to free up engineers to get their work done, was a Land Agent. However, that would mean adding an administrative position and not an operational position, so possibly that could be deferred, but kept on the back burner by recognizing support is needed in this particular area. He asked the Manager to comment on the recent hiring of an Information Systems Manager.

The Manager reported that Mr. Dennis Wong was recently hired to this position and has been looking at the Department's overall computer system website and making recommendations for improvement. Relative to that, the Department will need to hire positions to assist him, but that is already in the Table of Organization.

Chairperson Goya stated that this all fits in with the strategic planning which the Board has not heard much about in the last couple of years. That needs to be brought forward and filtered all the way down to the working level.

#### 5) Report of recent Staff Nominations/Recognition:

- DWS Employee and Supervisor of the Year - recently the County held its annual recognition program. The Department's two nominees, Supervisor: Mr. Glenn Ohashi, and Employee: Mr. Grant Nagata, did not win; however, it is an honor to be recognized. The Department is very proud of both of them.
- Employee of the Quarter (3<sup>rd</sup> Quarter) – Mr. Kawika Uyehara, Engineer, was the recipient of the award. Mr. Okamoto noted that Mr. Uyehara has been in charge of a number of C.I.P. projects and has attended some public meetings with regard to water quality. His work is often not heard about because he is on top of it and is very consistent, taking on challenges with enthusiasm. He came to this Department about a year and a half ago from the private sector, and the Department is lucky to have him on staff.
- William Y. Thompson Award - Mr. Norris Gonsalves has been chosen for the subject award and will be honored at this week's Hawaii Water Works Association (HWWA) conference. This award was begun in honor of Mr. William Thompson, who was the second Manager of this Department, and was responsible for organizing the HWWA.
- Retiree of the Department of Water Supply – Mr. Young reported that Mr. Herbert Chang, Jr., has been with the Department 10 years and is retiring from his position as Electronics Technician. He has been very helpful with the SCADA system (Supervisory Control and Data Acquisition) and will be missed by the Department.
- Remembrance of Len Nakano – the Manager informed the Board that Mr. Len Nakano, Water Plant Electrician-Mechanic Supervisor, drowned this month while picking opihi in the Ka'u area. He died doing something he loved, but he was taken too soon (only age 54). The Department remembers Mr. Nakano very fondly.

L. **CHAIRPERSON'S REPORT:**

Chairperson Goya asked that the Board Members keep in mind that elections of Chairperson and Vice-Chairperson for 2009 will be coming up at the December meeting. He also read a message that he wrote, which relates to the new motto, and suggested it could be used appropriately whenever the Department has information going out to the community. It reads:

We live in one of the most beautiful places in the world. It is also one of the most isolated groups of islands in the middle of the Pacific Ocean which makes us extremely dependent on the varying forces of nature. We are blessed with the ocean winds that blow the clouds that carry the refreshing rain to our fertile lands. Some of this rain filters down through the subsurface layers and settles in aquifers beneath the land. This is the main source of drinking water for our customers.

Similar meaning is emulated in the traditional Hawaiian creation chant, "Ka Wai A Kane" that we use to support our Department's motto, "Water, Our Most Precious Resource." An ancient Hawaiian proverb states, "Ola i ka wai a ka opua," "There is life in the water from the clouds. Rain brings life."

As a Water Commissioner since 2004, it has become more apparent to me that many have taken our drinking water for granted as a mere urban convenience and that its availability is limitless. In order to provide drinking water for future generations of islanders, we must understand that it is our responsibility to gain a greater knowledge of nature's checks and balances. We need to be committed to the educational process that brings us closer to "being in touch" with our natural environment. It is essential that we work together to inspire others to act appropriately so that we are all contributing to a sustainable future. This is our challenge.

An ancient Chinese proverb states, "When we drink the water, we must think of the source." Yes, water is our most precious resource and we should manage it with care. Our future is dependent on our actions as stewards of the natural environment in this very special place that we all call home.

**EXECUTIVE SESSION:**

**Kawailani 1.0-Million Gallon Reservoir**

The Board anticipates convening an Executive Session for the purpose conferring with the Board's attorney per Hawaii Revised Statutes (HRS) Sections 92-4 and 92-5(4) to consult with the Board's attorney on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities relating to this project.

**ACTION TO ENTER EXECUTIVE SESSION:** Ms. Kim so moved; seconded by Mr. Smith and carried unanimously by voice vote.

(Executive Session began at 11:41 a.m. and ended at 11:58 a.m.)

ANNOUNCEMENTS:

**Next Meeting:**

The next meeting of the Water Board will be held on November 25, 2008, 10:00 a.m., in the Hilo Operations Center Conference Room, 889 Leilani Street, Hilo, Hawai'i.

The Board chose to hold its December 16, 2008, meeting in the Hilo Operations Center Conference Room, 889 Leilani Street, Hilo, Hawai'i, at 10:00 a.m. Chairperson Goya noted that the Board held two meetings in West Hawaii this year, and one in Waimea and would like to go out to the districts more but because the public has not responded, it is more appropriate to hold meetings in Hilo because of fuel costs. He leaves next year's schedule (meeting places) to the next Chairperson and Board to decide.

ADJOURNMENT:

ACTION: Mr. Kuailani moved for adjournment of the meeting; seconded by Mr. Smith and carried unanimously by voice vote. Meeting adjourned at 12:02 p.m.

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Secretary

*The Department of Water Supply is an Equal Opportunity employer and provider.*